

**REPORT
TO COUNCIL**

**Department
of Finance**

Metropolitan Government
of Nashville and Davidson
County

June 9, 2003



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
222 THIRD AVENUE NORTH, SUITE 601
NASHVILLE, TENNESSEE 37201

MEMORANDUM

To: Members of the Budget and Finance Committee
Metropolitan Council

From: David L. Manning
Department of Finance

Date: June 9, 2003

Subject: Finance Department Report

I want to take this opportunity to share with you the progress the Department of Finance has made over the last year. It is important that you are kept informed of our activities and the challenges we face. As I said in my *Mid-Year Financial Update* to you on January 15th, the most significant issues before us are the slow down of the national economy and its impact on local and state tax collections; and the financial condition of the state now reflected in the Governor's budget.

The Department sees its emphasis on financial integrity as a management and leadership function that serves the public by seeking to maximize the city's return on investments in its employees, buildings and equipment, and technology. Our record on diversity in hiring, our efforts to create accountability through the Results Matter Initiative, our leadership in the use of technology, and our asset management efforts, are clear demonstrations of our commitment to this effort.

Staying focused is critical in addressing the challenges facing Metro Government this coming fiscal year. We will continue to work on strategies that position us to be a more responsive government at all levels and to meet the needs of the citizens of Nashville-Davidson County.

I hope you will take the time to read this report and provide us with feedback. If you have questions or need additional information, do not hesitate to contact me. As always, your support is greatly appreciated.

cc: Mayor Bill Purcell
Vice Mayor Howard Gentry
Members of the Metro Council
Members of the Audit Committee
Members of the Civil Service Commission
Department Heads and Elected Officials
Fiscal Officers

About the Department of Finance

Strategic Direction

The Department of Finance is primarily responsible for managing the financial aspects of Metro Government through the development and implementation of sound management practices and financial policies. Financial Operations, Internal Audit, Management and Budget, Real Property Services, Support Services, and Treasury are the six offices charged with managing the day to day operations of the Department. Each office works closely together to accomplish the Department's goals.

This year the Department has been involved with the deployment of a new management system known as "managing for results." We were one of the first Metro departments to undertake the creation of a strategic business plan that focused on results. The rewrite of the Department's mission statement and the establishment of new goals come from the *Results Matter* strategic planning sessions.

Vision Excellence in the management of public resources.

Mission The mission of the Department of Finance is to provide financial management, information, and business products to policy makers, departments, agencies, investors, and the Nashville Community so they can have confidence in Metro government, make informed decisions, and achieve their results.

Goals Finance will provide integrated, aligned business products and support that help focus Metro's resources on customers as represented by the achievement of 90% of Metro's budgeted departmental key results by 2007.

Within 18 months after completion of each department's strategic business plan, Finance will ensure that policymakers (community, departments and Metro) have true cost data by key product to make meaningful decisions.

Policymakers and Citizens will have clear, reliable information on how tax dollars were spent and understand the value they are getting in terms of results as measured by all departments implementing Results Matter by 2005.

Based on feedback from Finance employees, the Department's value statement was expanded to include actions that demonstrate each value. We believe that our values serve as a framework to guide the daily actions and decisions of each

employee. The values represent the standards that employees will use to measure all individual and collective actions.

Our employees drive our success . . .

- | | |
|--------------------------------|--|
| Integrity/Honesty/Trust | <p>Through thoughtful and thorough communication, we demonstrate the strength of good character and the power of relationships built on mutual respect and high professional regard.</p> <ul style="list-style-type: none">• Communicating openly and honestly• Being truthful, consistent and fair• Fulfilling commitments• Admitting mistakes and learning from them• Forgiving others' mistakes |
| Excellence | <p>Both individually and collectively, we embrace the power to surpass our own expectations.</p> <ul style="list-style-type: none">• Taking pride in your work• Establishing best practices• Doing your best• Promoting teamwork• Managing for, measuring and reporting performance• Ensuring accuracy and follow through |
| Leadership | <p>With courage and conviction, we take responsibility to forge new paths.</p> <ul style="list-style-type: none">• Showing initiative and being a self-starter• Taking ownership• Being accountable• Getting things done• Thinking critically and big picture• Promoting leadership at all levels• Developing strong interpersonal and communication skills |
| Creativity/Innovation | <p>Through study and experimentation, we value the exchange of ideas to inspire improved practices and methods.</p> <ul style="list-style-type: none">• Using technology effectively• Knowing and creating cutting edge ideas and practices• Recognizing emerging opportunities/pitfalls• Contributing ideas to improve efficiency and effectiveness• Learning new concepts and skills |

Inclusiveness/Diversity

To expand our knowledge, we value multiple perspectives and embrace others' ideas.

- Seeking input from others, inside and outside of Metro
- Achieving success through collaboration
- Communicating and working with people from all levels of the organization
- Recognizing the expanded potential brought by people from different backgrounds, experiences and worldviews

The Department's performance management system instituted last year aligned employee's job and development plans with our values, vision, mission and strategic goals. This system has allowed employees the opportunity to take responsibility for their own continuous development. Performance plans were developed for every employee in the Department and every employee had a performance review in July 2002.

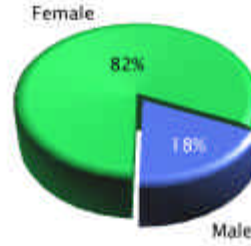
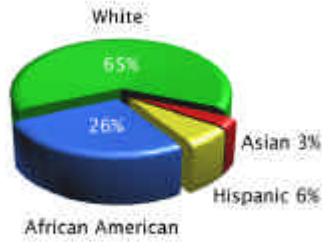
Leadership in Diversity

I am pleased to report that we continue to make progress in becoming a more diverse workplace. Over the past year, out of 34 hiring opportunities, 35% of the new hires were minorities (African American, Hispanic, and Asian) and 82% were females. Of the minorities hired during this time period, 75% were in position classifications where the salary range was \$26,695 to \$42,700 and 46% of the females were in position classifications where the salary range was \$36,290 to \$57,081. (See EEOC charts below.)

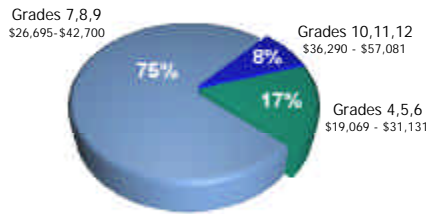
Since my tenure with Metro Government, 34% of the new hires in the Finance Department were minorities and 60% female. Overall, the Department's workforce is 20% minority and 55% female. Currently the Department has 174 positions as compared to 169 in FY'02. Council approved five new positions for FY'03 which included two minority and small business positions, two accounting positions, and one real property services position.

New Hires EEOC Information

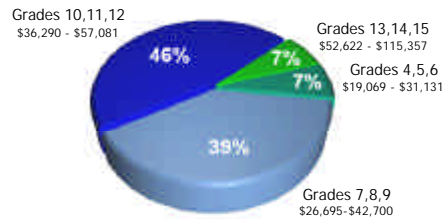
February 1, 2002 – January 31, 2003



Minorities
(includes male and female)



Female
(includes minorities and white)



Leadership in Volunteerism

Volunteer activities and projects have fostered team spirit in the Department and allowed people to get to know their colleagues better. The following highlights a few departmental projects where staff have volunteered their time, talents, and resources in making a difference.

Over 20 Finance employees volunteered to participate in the Earned Income Tax Credit (EITC) campaign. This year a number of Metro employees have taken advantage of the free tax preparation and electronic filing services provided by volunteers with Nashville’s EITC campaign. By not using commercial tax preparers, who can charge as much as \$200 to file a return, these employees saved money. More importantly, they learned how easy it was to file, because many of them did their own returns over the Internet under the guidance of a Finance Department volunteer. So far, 14 Metro employees have taken advantage of this service. Total refunds stand at \$41,000, almost \$3,500 per return.

Volunteers also worked closely with the Metro Public Works, to alert their employees to the free tax filing opportunities available in the community.

We also notified other major departments through e-mail, of our free tax assistance and provided the call-center number as a way for employees to make appointments to have their taxes prepared.

About 50 posters, alerting taxpayers to the EITC and free tax filing opportunities were passed out to the community. Our web site www.nashville.gov/EITC, which posts a variety of EITC resources, including copies of tax forms, has received almost 6,000 hits (2,200 page views) during the 2003 tax season.

Eighty percent of the Department contributed to the Annual United Way Campaign this year. Average giving per employee was \$130. We exceeded our \$19,500 goal by nine percent and pledged \$21,252 to the many worthwhile charities serving Nashville-Davidson County.

During December, the Department sponsored a “Spirit of Giving” Holiday project. Gifts and food items were purchased for two Metro Social Services families. We collected over \$1000 and made sure that these deserving families experienced the “Spirit of the Season”.

Leadership in Technology

The Department of Finance is committed to using technology to improve services, streamline government, effectively communicate, and deploy information. We have continued to enhance our web initiatives over the last year. New initiatives include:

- eBid Nashville - online surplus property auction sales
- WeBudget – web based operating and capital budgeting system
- Citizen’s Guide to the Metro Budget – multi-media guide to the operating and capital budgets
- Vendor Registration – Phase I, and Phase II enhancements
- Finance Intranet Web Site
- Finance Learning Lounge – Interactive Training and Learning Tools
- Financial Reporting System - Minority and Small Business Quarterly Reports
- Customer Care Survey – Real Time Statistics and Graphs
- Fixed Assets Acquisition Notification
- Grants Coordination Training Registration
- Minority and Small Business Training Registration
- Real Property Services Notification
- Direct Deposit Enrollment
- Investor Relations Site for Historical Bond Official
- Quarterly Investment Reports for Cash, Pension, and 457 Plan
- Training Manuals for Revenue Recognition Project
- E-Gov Prioritization Tools

Nashville is one of only three national winners of the Government Finance Officers Association's (GFOA) 2003 Awards for Excellence in Government Finance. Last year's "Citizen's Guide to the Metro Budget" on the web was the national winner in the e-Government and Technology Category. This marks the first time Metro Government has received a national GFOA award, and it recognizes the Office of Management and Budget's (OMB) work to make the budget more useful. The "Citizen's Guide to the Metro Budget" on the web was created by a team led by the OMB with participants from Information Technology Services (ITS), Support Services in the Department of Finance, and Link2Gov. The award was received at the national GFOA conference in New York City in May. http://www.nashville.gov/citizens_budget

Year in Review

Office of Financial Operations

Financial Operations provides accounting and payroll services to Metro departments and agencies. The Payroll Division processes both active and pension payrolls while also supporting departments with their payroll needs. This division is also responsible for administering payroll deductions for all benefit plans and for calculating and paying pension payments for retirees and survivors. Division of Accounts prepares the Comprehensive Annual Financial Report, the Federal Single Audit Report and advises departments in proper accounting and reporting policies and procedures.

Financial Operations has played a significant role in the successful February 1, 2003 implementation of FASTnet's core financial modules in the Metropolitan Nashville Public Schools (MNPS). In addition to providing more consistency across Metro, the financial modules will provide users better and more timely information, improve financial reporting, and provide a foundation for the improvement of business processes. The implementation of the payroll, human resources, and employee benefit modules for MNPS is in process and has a planned "go live" date of July 2004.

The Division of Accounts successfully implemented Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and related GASB Statements for the year ended June 30, 2002. These statements significantly changed the Comprehensive Annual Financial Report (CAFR) which now include a new, government-wide focus on the operations of Metro, additional disclosures regarding infrastructure, management's discussion and analysis, as well as other changes which provide better information to the users of the financial statements regarding the financial condition and results of operations for Metro.

The Payroll Division initiated a government-wide direct deposit campaign in January 2003. The increasing use of direct deposit provides significant benefits to both employees and Metro Government. The Finance Department has 100% participation in direct deposit. Total Government direct deposit for active employees has increased from 58% to 65% since becoming a requirement for employment with Metro January 1, 2003.

Office of Internal Audit

The investment that the Metropolitan Council made in Internal Audit beginning in 2001 continues to produce high returns through improved services to the citizens and through efficiencies resulting in costs savings and additional revenues. Since my last report to you, performance and other audit reports have been issued for the following departments and functions:

- Public Works Department
- Police Department
- Sales and Hall Income Taxes
- Airport Authority
- Beer Board
- Convention Center and Convention and Visitors Bureau
- Municipal Auditorium
- Gaylord Entertainment Center
- Codes

These reports, and others, can be viewed online at
http://www.nashville.gov/finance/audit_reports.htm

Audit work is currently wrapping up in the Planning and Parks Departments, as well as at the Sheriff's Department and at the Juvenile Court Clerk. Major benefits realized over the past year from performance audit recommendations implemented since 2001 include:

- There is now a comprehensive disaster recovery plan in place for the E911 communication center.
- The Police Department has been reorganized to increase the number of sworn officers assigned to patrol duties and to better support community policing.
- Metro employees can participate in optional benefits that have been competitively bid to obtain the best value the market has to offer.
- The fleet operation previously fragmented throughout Metro has been consolidated into an Office of Fleet Management.

Additionally, the performance audit program continues to produce very positive financial results. Last year I reported that actual savings from performance audit recommendations implemented during the 2001 fiscal year totaled \$4.7 million, and that the Metropolitan Government received a \$10 million settlement from the former pension investment consultant in the 2002 fiscal year. Additional savings and revenues realized for the 2002 fiscal year totaled \$9.5 million. Cumulative cost savings and revenues resulting from performance audit recommendations implemented to date total \$24.8 million. When compared to the \$2.9 million cost of outside consultants used for performance audits, the result is a return on investment of over 800%.

A comprehensive summary of the benefits realized from the Internal Audit program is included in the attached report from the Metropolitan Council Audit Committee (see attachment A or the following link)

<ftp://ftp.nashville.gov/web/finance/audit/ac-rpt-4-09-03.pdf>

Office of Management and Budget

The Office of Management and Budget (OMB) continues its vital work on the capital budget process, operating budget process, managing for results implementation within the government, cost planning and management and strategic consulting services for departments.

Capital Budget Process

The capital budget process continues to evolve and improve. This year, the capital submission process is once again partnered with the operating budget process and is entirely web-based through the new Metro intranet site, WEBudget. All agencies have equal access to the step-by-step menu driven process that carries them through all the components of the capital and operating budget. The projects are submitted in priority order and are stored in the website's database for review and reporting by OMB and the Planning Department.

A few of the capital budget improvements enacted over the last year:

- Continuation of the quarterly capital status report, which tracks the progress and expenditures of approved capital projects. The report data has been transferred to an Access database, which provides better inquiry and report writing capabilities. <ftp://ftp.nashville.gov/web/finance/capital/Quarterly-Capital-Status-Rpt-12-2002.pdf>
- Combined capital and operating budget agency meetings to streamline the review process.

- Increased communications between Planning, OMB, Real Property Services, Information Technology and Fleet Management to coordinate the agencies' project submissions involving these areas.
- Online submission of Operating Capital Requests, which seeks to capture those items that are below the threshold of capital projects and are not always considered as part of an agency's regular operating budget.

Additional enhancements to the capital process targeted for this year include:

- Introduction of the Results Matter program into the capital budget by requiring agencies to submit narratives along with their projects; detailing how they contribute to their result measures.
- Highlighting at least two agencies during the year by doing an in depth review and presentation of their capital projects on the Metro Capital Budget website.
- Survey agencies during the year to obtain their opinions and suggestions for further improvement of the capital budget process.

Operating Budget Process and Managing for Results Integration

Through the Budget Improvement Group (BIG) process that involved 30 representatives from 18 departments/agencies, Metro Nashville's government has identified a clear vision for its Operating Budget Process and Managing for Results Integration effort:

That every Metro employee will ask - and knowledgeably answer - the following three questions:

- Am I doing the right things?
- Am I doing them well?
- Am I investing resources for Metro Nashville to get the best results?

The Department of Finance is currently working with the first 11 Results Matter departments (Wave 1) to structure the FY '04 Budget around the operational and strategic results identified in strategic business plans. During the remaining portion of calendar year 2003, 13 additional departments and agencies (Wave 2) are scheduled to join the initiative.

Wave 1 Departments: Finance, Fire, General Services, Human Resources, Information Technology Services, Metropolitan Transit Authority, Planning, Police, Public Health, Public Library, and Public Works.

Wave 2 Departments: Caring of Children, Codes, Emergency Communications Center, Office of Fleet Management, Justice Information Systems; Juvenile Court, Legal, Metropolitan Action Commission, Nashville Career Advancement Center, Parks, Sheriff, Social Services and, Water Services.

Managing for Results is an integrated, proven management system focused on generating, and being able to communicate, results generated for customers - and an organizational culture focused on results for customers.

This systemic approach is best represented as a cycle, showing the dynamic connections between the different elements of the system, which are briefly described below:



- **Planning for Results** focuses the department/agency on long-term (2-5 years) and operational results by building a Strategic Business Plan. This plan organizes services around results for customers; establishes a "Family of Measures" for programs; and provides the structure for the accounting system, performance-informed budgets, performance contracts, and employee performance plans.
- **Employee Performance Management** links the organization's goals and performance measures to employee performance plans so that every employee - executive, management, professional and front-line - can align their efforts to the organization's strategic and operational results.
- **Budgeting for Results** structures the budget around programs and lines of business and the results generated for customers, integrating results and cost information to improve investment decisions by both departments/agencies and policymakers.

- **Performance Data Collection** provides the means by which the organization can accurately capture and review performance information to assist in decision-making and keeping a focus on performance and results.
- **Reporting Results** provides clear, concise performance reports on the results being achieved for the community, policymakers, and employees, thus demonstrating accountability for the investments we make.
- **Evaluating Results** compels a thoughtful examination of performance data to highlight opportunities for improvement and introduce citizen input on priorities and performance.
- **Decision-Making for Results** deploys performance data at varied levels of government - from day-to-day operations to management to budgeting to policy directions to contractual relationships - to ensure it is used to help make informed decisions.

Cost Planning and Management

The Cost Planning and Management Unit continues its effort to revise and develop appropriate billing rate structures for Metro's Internal Service and Enterprise Funds. This initiative provides revenue enhancement to Metro by ensuring that all Metro and Non-Metro agencies that receive services from Metro Proprietary Funds pay their appropriate share of costs for services received. The Unit also continues to focus on the recovery of indirect costs from Federal and State grant funding programs. Additional training was extended to Metro agencies for the preparation and approval of cost allocation plans and indirect cost rate proposals. The number of Metro agencies with approved cost allocation plans or indirect cost rate proposals increased by 100%. The Unit has developed a business model to reallocate the Results Matters Wave 1 Departments current business unit structure to new Lines of Business and Program structure. On the horizon for next year, the Unit will continue to work with Wave 1 and Wave 2 Results Matter departments to develop a Metro Tool Kit to assist in cost accounting efforts.

Strategic Consulting

The OMB has assumed a central role in ensuring that recommendations contained in selected performance audits are successfully implemented. In partnership with the Office of Internal Audit, OMB staff has continued its work with multiple departments to facilitate the improvements outlined in the E-911 and Fleet Management studies. This implementation support helps to ensure that audit recommendations are considered in operating and capital budget funding decisions.

The OMB has also provided important assistance on the study of information technology costs throughout the government. At the completion of this study, Metro will have a better understanding of the total costs of its information technology services.

Office of Real Property Services

The Office of Real Property Services (RPS) continues to provide services to Metro agencies in the following areas:

- facility planning and programming
- space planning
- facility modification and renovation
- new facility construction
- real estate acquisitions and disposals
- demolition of surplus obsolete and/or deteriorating structures

Wherever possible and practicable, these services are provided in the context of a long-range comprehensive planning efforts to insure the protection and preservation of the public's investment in buildings and structures. Comprehensive facility assessment and/or planning efforts have been completed for the following agencies or programs:

- Health Department
- Fire Department
- MAC HeadStart Program
- Metro Courthouse
- Howard Campus Master Plan

Major planning efforts to be initiated in the coming year include comprehensive studies of Metropolitan Police Department facilities, Department of Public Works facilities and a new primary Emergency Communications Center.

Over the past year RPS has experienced a steady increase in the number of active projects, with the total currently numbering approximately 200. Projects vary widely in size and complexity, from simple office reconfigurations to accommodate staff reorganizations, to multi-million dollar new building requirements.



Perhaps the most significant and most complex project in the past year has been the re-location of all the occupants of the Metro Courthouse. Actually a series of projects encompassing work on six different facilities, the relocations were necessitated by the need to comprehensively renovate the historic Courthouse, expand the Ben West Judicial facility and construct a new underground parking structure. The construction projects are expected to take 24-30 months to complete.

Another significant project, and a major accomplishment in the area of public safety, was the development and construction of the countywide Outdoor Early Warning Siren System. Working with the Mayor's Office of Emergency Management and the Department of General Services, a series of 70 pole-mounted sirens were constructed in outdoor public assembly areas (primarily school grounds and parks) to alert the users of these areas of approaching storm systems that could be life threatening.

Finally, in the coming year we plan to place a great deal of focus on bringing Metro facilities into compliance with federal ADA requirements. An ADA Implementation Plan has recently been completed, providing a roadmap for achieving ADA compliance in all Metro general government facilities over the next several years.

The following are some highlights of the RPS activities and accomplishments over the past year:

- Leased, designed and built-out four facilities and a new parking lot in Metro Center to become the temporary home of the courts and court-related offices
- Designed and constructed modifications in the Ben West Library to become the temporary "City Hall" for Executive and Legislative programs and offices housed in the Courthouse
- Developed and opened a facility in south Nashville to house the temporary Emergency Communications **Back-up Facility**
- Completed the renovation of the Tom Joy Headstart Center
- Converted the Berry Elementary School for use as the Berry Headstart Center
- Completed the design and began construction of the new North Nashville Police Precinct
- Completed the long-range Howard Campus Master Plan
- Began the renovation and expansion of the Old Metro Office Building
- Completed the consolidation of maintenance and administrative facilities for the new Office of Fleet Management
- Completed the demolition of the old TB Hospital (on the Police Academy grounds)

- Completed the demolition of the former Holiday Inn at Trinity Lane and Interstate-24
- Developed plans for implementing facility recommendations for ADA, Fire Department and Headstart
- Designed and implemented enhanced security at the Parthenon
- Renovated the Convention Center to create new ballrooms and make the facility ADA compliant
- Completed a facility assessment and began interior reconfiguration of the Juvenile Justice Center, to include new courtrooms
- Renovated the former Traffic and Parking building for use by multiple Metro agencies
- Launched the sale of real estate on the nashville.gov E-Bid site
- Purchased the Trial Lawyers' Building
- Received an award from the Association of Builders and Contractors for our 1MW Generator project at the Lentz Health Center for incorporating services in compliance with Homeland Security.
- Received recognition in the award competition for the "Gulf States Award" from the Construction Specifications Institute for energy and building envelope projects at the Centennial Sportsplex
- Completed a series of renovation projects at the State Fairgrounds to make public restrooms ADA compliant, replace roofs and address infrastructure needs
- Implemented several administrative efficiencies to improve customer service, including a system for bidding and contracting outside appraisals, a new procedure for approving acquisition prices for Water and Sewer easements, and adoption of standardized lease documents

Office of Support Services

The Office of Support Services is a collection of diverse divisions that delivers essential services to all Metro agencies. These services are provided through eight divisions: ADA Compliance, Business Solutions, Customer and Claim Services, Grants Coordination, Grants Monitoring, Minority and Small Business Assistance, Purchasing, and the Surplus Property Warehouse.

ADA

The ADA Compliance Division is charged with the responsibility of ensuring all projects, programs, services and activities of Metro are in compliance with the Americans with Disabilities Act (ADA) of 1990. During the current fiscal year, staff has been involved in the completion of 454 projects Metro wide and currently has 632 open projects. Additionally, approximately 500 random audits were completed on work constructed in the right-of-way.

Staff continues to be committed to improving internal and external communication by providing usable information to the general public that are accessing Metro's programs and services by use of the internet, through deaf interpreters, public television and public meetings. In partnership with local advocates, members of the disability community and other Metro agencies, staff continues to develop and implement model best practices for ensuring compliance. Recognition of their efforts has been made locally and nationally. In recognition of the anniversary of the signing of the American's with Disabilities Act of 1990, the Center for Independent Living, Middle Tennessee presented their "Rising to the Challenge" award to the ADA Compliance Division. The National Organization on Disability (NOD) recently recognized the city of Nashville as being one of seven finalists for their Accessible America Contest.

Additional areas of accomplishments for the current fiscal year include:

Staff completed an accessibility assessment on 187 voting precincts. Information collected was then provided to the public for their use in determining whether or not their precinct was accessible. In addition, this information is being used to develop improved policies for the selection of voting precincts, and the development of a transition plan for improved access. The assessment process developed by the Staff has been recognized as a model and is now to be implemented statewide. In addition, awareness training was provided to all polling officials and workers in partnership with the Tennessee Protection and Advocacy Agency.

In conjunction with the Codes Department, the Mayor's Office on Economic Development and the Parks Department, staff has developed a special events process that included an application, inspection format and tracking. One hundred seventeen special events were held this fiscal year on Metro properties. Forty-three of these events were large functions that were audited so as to ensure compliance.

In partnership with Metro Transit Authority (MTA), the Planning Department and Tennessee State University, staff completed 70 bus stop audits that will be used in the development of a transition plan for rehabilitation. In addition, staff is continuing to complete an assessment of current policies and practices of MTA. This information will be used for reporting purposed to the Department of Justice (DOJ) and for development of model best practices for accessible transportation.

Staff from the ADA Compliance Division and the Public Works Department was selected to be representatives on the national sub committees that are working with the Federal Access Board to develop the new technical assistance manual to be used in conjunction with the proposed federal guidelines for public rights of way. Special recognition

is being given the Metropolitan Government for the attention given to access in the development of the transition plan for public rights-of-way.

Staff has continued to complete the required assessments of all programs, services, and activities of the Board of Education. A draft transition plan for the Board of Education is to be presented to the DOJ by June 30, 2003, that will include proposed facility rehabilitation and policy development. Staff will continue to develop and provide awareness training for Board of Education personnel.

A “draft” Transition Plan for all General Government facilities, Parks facilities, and rights-of-way was completed and submitted December 31, 2002. A Final Agreement was approved by the DOJ and passed by Metro Council on June 3, 2003.

Business Solutions

Through reorganization, the Division of Business Solutions was established in the Office of Support Services. The division consolidates efforts around Business Systems Administration (FASTnet), Getting Priorities Straight (IT Prioritization), Backoffice/Business Process Automation and Business Systems Training. This division assists in setting the technological direction for the government through prioritization, ensuring a return on IT investment dollars. Effective business systems training, streamlining and automating administrative processes through judicious use of technology and administering one of the government's most important business systems in J.D.Edwards are other key responsibilities of this division.

OneWorld

The Finance Department plans to kickoff the implementation of OneWorld, J.D.Edwards latest software release early this summer. OneWorld builds upon the current FASTnet system's solid performance adding web tools, workflow, self-service and a user-friendly web based interface. A key component of the software is an employee portal that allows each employee to customize their workspace. Each day employees can be presented with key pieces of functionality pertinent to their jobs through a web browser. Employees can make workflow requests for time off, for process approvals or for notifications, all through e-mail. OneWorld provides the infrastructure to truly automate many administrative processes throughout the government dramatically increasing efficiency.

OneWorld also provides access to data quicker than ever before. With as few as 3 keystrokes, users can download data directly to Excel without the time consuming processes currently used. OneWorld provides enhanced

functionality in Human Resources Management including applicant tracking, leave accruals and management, skills and training management, and benefits enrollment; in Enterprise Asset Management, allowing us to use a single system to manage financials, facilities and motor pool; in Self-Service, allowing vendors to check payment status, register to bid, and manage their own address records over the web, and allowing employees to check leave balances, check benefits and receive paycheck records electronically.

One other key benefit of OneWorld is its ability to interface with other systems. Unlike our current environment, rather than keying entries into multiple systems, OneWorld provides the ability to create interfaces to Tax Accounting, Permitting, Cash Receipting and other complimentary systems.

Job Cost

The Job Cost module of J.D. Edwards is being rolled out and the next scheduled implementation is at Water Services. This implementation replaced the FM Project Tracking software used for tracking capital projects that currently runs on the mainframe.

The J.D. Edwards job cost module assists in managing projects and jobs and the costs associated with them. It allows you to track transactions, budgets, expenditures, and encumbrances against the job budget. Costs for multiple years can be tracked thus making financial information available from the inception of the project to date possible. Job cost also allows you to track costs associated with accounts eligible for reimbursement based on the terms of a loan or grant. The job cost module is fully integrated with Accounts Payable, Accounts Receivable, Fixed Assets, General Accounting, Service Billing, Payroll, and Purchasing.

Project Management

The Finance Department enhanced its commitment to effective project management by sending 3 employees to Boston University's project management certification training. These 3 employees received certificates of completion and have an opportunity to become certified through the Project Management Professional exam. This will continue to reduce our dependence upon consultant resources insuring a pool of skilled project managers to manage future Finance Department IT projects.

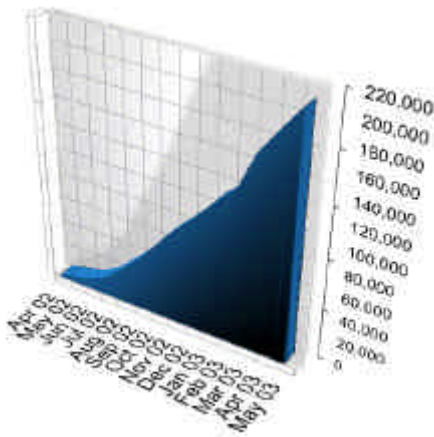
Getting Priorities Straight

In January of this year, working with Information Technology Services, the Finance Department launched Getting Priorities Straight, an information technology prioritization process that will assist Metro in making better decisions concerning the use of our IT resources. We believe this effort enables Metro to maximize the business value of investments in IT-enabled initiatives. Opportunities that deliver the most value receive the highest priority in resource allocation.

The process outlines a very structured, deliberate and consistent approach to prioritizing IT-enabled initiatives that assess business drivers, consistency with IT standards, and measure risks and benefits of initiatives versus the cost of their implementation. All future IT initiatives will follow this prioritization process for approval and funding resources. Initiatives will be reviewed at an enterprise level to provide maximum benefit through economies of scale.

ITS and Finance are providing web-based self-assessment tools and skilled resources to assist departments in assessing their needs, performing cost-benefit analysis, assessing risk of their initiatives and developing business cases. All initiatives not already funded and underway are being routed through this process for approval and prioritization.

Customer Service and Claim Services



The Customer Service Call Center began taking calls in April of 2002. The Metro Household Recycling Project was the first initiative that was serviced by the call center. Between April 2002 and May 2003 the call center has taken approximately 55,700 calls for Household Recycling (Curby 880-1000). In July of 2002 the Metro Information line was moved from ITS to the Customer Service Call Center. Since the move we have taken nearly 86,800 calls through the 862-5000 number. After the calls for recycling leveled off, we started taking more Public Works Solid Waste calls. Calls

that normally go to 862-8971 and 862-8740 for chipper service, dead animal removal, bulk item pick up and a variety of trash complaints are now handled by the central call center. Between August of 2002 and May of 2003 call center personnel have received approximately 35,800 for these two numbers. In October we added Metro Benefits calls to our list. The 862-5000 number that people call is now being answered by the central call center. From October to May we have taken Over 32,300 calls relating to Metro Benefits.

This year's Earned Income Tax Credit Outreach Program relied heavily on call-center staff. Every NES bill that went out this year had a full-page note enclosed that addressed the EITC and listed the call center's 862-500 number to call with questions. In addition to helping schedule employee tax prep services, the call center staff helped callers find the locations of the nearest IRS Volunteer Income Tax Assistance sites, which offer free tax preparation services to those in the community. The call center also took calls for the unclaimed property program. Overall, 208,500 calls have been received from April 2002 through May 2003.

In the area of Accounts Receivable Management, Public Consulting Group is working with Metro Finance and Metro Schools to recover the costs of delivering Medicaid Administrative Outreach. A time study was completed in March of 2003. This time study allowed for Metro to submit a claim to recover costs upon TennCare's plan for Administrative Claiming for Schools being approved by CMS. In addition to the school project, we are working to help identify other revenue recovery opportunities. One opportunity discovered and passed onto the Sheriffs Office is the State Criminal Alien Assistance Program (SCAAP). Also, we are working to develop a set of policies and procedures around Accounts Receivable Management to be utilized Metro wide.

In order to prepare for HIPAA (The Health Insurance Portability & Accountability Act of 1996) Metro prepared an RFP and through the RFP process selected LBMC Healthcare Inc. as the consulting group to do an assessment of Metro's HIPAA readiness. In July of 2002 LBMC began the task of identifying which Metro departments and agencies would be considered "covered" under HIPAA. In November of 2002 a report was issued that identified the areas where Metro must work in order to become HIPAA compliant. The Metro Health Department, Fire/EMS and the Hospital Authority were identified as areas that must be HIPAA compliant. In addition, the Metro Health Plans and Metro Nashville Public Schools Health Plans must also be HIPAA compliant. A remediation plan was established and work was started in January of 2003 in order to meet the Privacy Rule compliance deadline of April 14, 2003 as well as the new Transaction and Code Sets Rules compliance deadline of October 16th, 2003.

Managing records can be very costly if done incorrectly. Because of the cost and liability in keeping records in an inappropriate and inefficient manner work has been done to evaluate the current state of records within the finance department and to take steps toward improving the current state of records. In addition, there has been education about the importance of proper document retention and destruction. By the end of the fiscal year, each division within Finance will have been visited and an attempt will be made in each area to relocate records to the records center where appropriate. Also, a contact in each division will attend training on records management.

Grants Coordination

This division is charged with streamlining the Metro grant process and developing funding opportunities. Since its roll-out in February of 2002, newly developed grant policies and procedures have been implemented. On September 17, 2002, Grants Coordination worked diligently to introduce legislation to make it possible for grant award contracts needing Metro Council approval, to be accepted via resolution requiring one reading before Council rather than via ordinance which requires three readings. The bill passed unanimously November 19 and was effective immediately.

The division continues to assist Metro departments in the participation of meaningful grant programs through its established grant assessment process. Since the start of FY 03, the division has conducted a total of 108 Grant Assessments. Of those, 85 were of grant award assessments which include both new award assessments and assessments of amendments to existing grants and which had a total value of \$27,301,606.18. This assessment process allows the division to make sure that all programmatic and fiscal implications associated with a grant have been considered before application is made, and again upon grant award.

The division is working extensively to provide departments with useful professional grant training. Within FY03, five training classes have been provided by division on a variety of grant topics with a total of 94 Metro grants personnel in attendance. In addition to training classes, the division continues to publish its quarterly newsletter, *The Grants Gazette*, to provide useful grant information to Metro Government. The latest issue is accessible at http://www.nashville.gov/finance/Support_Services/grants_gazette.htm.

The division also continues to manage the non-employment related Title VI function for Metro Government. The division has facilitated the designation of Title VI coordinators within each Metro department who will be responsible for insuring Departmental compliance with Title VI Laws. Within FY03, four Title VI onsite reviews have been conducted by the State of Tennessee, one each for the Department of Public Works, the Planning and Historical Commissions, and the Sheriff's Department. All on-site reviews have resulted in findings of compliance for Metro Government. The division continues to expand its proactive work toward Title VI compliance and the minimizing of Metro's potential for litigation and discontinuance of funding.

Grants Monitoring

This division is responsible for the internal monitoring of federal and state financial assistance awarded to Metro, as well as appropriations awarded to nonprofit organizations. The past year has proved successful for Finance in its efforts at ensuring accountability and compliance with financial awards to and from Metro.

During the 2002 fiscal year, the division completed monitoring and procurement reviews for 22 of 40 (55%) Metro departments, including Police, NCAC, Library, and Public Works. The reviews, which covered 151 federal and state assistance contracts and procurement activities, encompassed a detailed analysis of contractual compliance requirements for each financial award, as well as adherence to the Metro Procurement Code. Reviewers identified various weaknesses across Metro, including potentially unallowable costs charged to the federal and state grantor(s), inadequate documentation for expenditure reports, noncompliance with reporting deadlines, and failure to adhere to Metro procurement guidelines. A comprehensive review of the Metropolitan Transit Authority and its federal and state grants revealed the agency's failure to monitor its subrecipients. By reviewing the subrecipient's records, the division identified such significant deficiencies in its operations that MTA has since terminated the subrecipient's contract. The division also completed a special review of the billing and collections process of the Fire Department's Emergency Medical Service. The review has prompted important discussion on the technological and organizational needs for efficient collections. The Metro departments' responses to the monitoring reviews have been positive, thus far, and we hope to continue to facilitate compliance across Metro.

The division has certainly affected change through the monitoring of nonprofit organizations receiving direct appropriations. During fiscal year 2002, the division completed reviews for 24 nonprofits, which represents 100% of total Metro appropriations. The monitoring activities have resulted in assisting organizations with issues like improvement of accounting controls and supporting documentation for expenses. To facilitate future nonprofit monitoring reviews, the division has communicated Metro's fiscal expectations with the issuance of a grants manual. This manual provides specific guidance for all recipients of direct appropriations on accounting controls, allowable and unallowable costs, and reporting requirements.

http://www.nashville.gov/finance/Support_Services/grants_manual.htm

Finally, the division's procurement review responsibilities include monthly analysis of each department's payment history in accordance with Metro's Prompt Pay initiative. Over the past several months, departments have taken action to minimize late payments. Staff will continue to work with the departments to ensure prompt payment to Metro vendors.

Minority and Small Business Assistance

The Division of Minority and Small Business Assistance (DMSBA) continues to work toward the development of minority and small businesses in Nashville and Davidson County by providing them with information, technical assistance and resources to enhance their economic growth. To help better understand what Metro can do to improve its procurements with small and minority businesses, the DMSBA has worked to facilitate a comprehensive Disparity Study of Nashville and Davidson County. The results of this study will be important to the DMSBA as it has the potential for establishing additional framework for Divisional activities.

DMSBA has been actively working to provide resources to Metro procurement personnel and to minority and small vendors in the Nashville Davidson County Community. The DMSBA has launched a business training series targeting minority and small businesses. Classes on topics such as "The Basics of Starting a Small Business" and "Using Technology to Further Your Small Business" are being held quarterly at the downtown public library. Participants may register online or may call to register. Participating entities in the training series include The Tennessee Small Business Development Center (TSBDC/TSU Business Campus), and the U.S. Small Business Administration. The DMSBA also participated in the planning of a construction management training institute sponsored by Turner Construction. Vanderbilt University co-sponsored this very successful event.

To help the Division better understand who it serves and what their needs are, it has developed and implemented a new data tracking process. As of January 2003, the DMSBA has been tracking its contact daily with vendors for the purpose of determining how to best serve its clients and where time is being spent. Since there is much work for the DMSBA to conduct, two new staff positions have been authorized by the Metro Council to assist the Division in the achievement of its mission.

The DMSBA continues to provide utilization reports to the Procurement Standards Board which provides details for all of Metro Government regarding the participation of minority and small businesses in procurements. To better facilitate this reporting, the DMSBA has provided an online data capture system for Metro's quasi departments to report utilization including reporting by specific ethnicity.

Purchasing

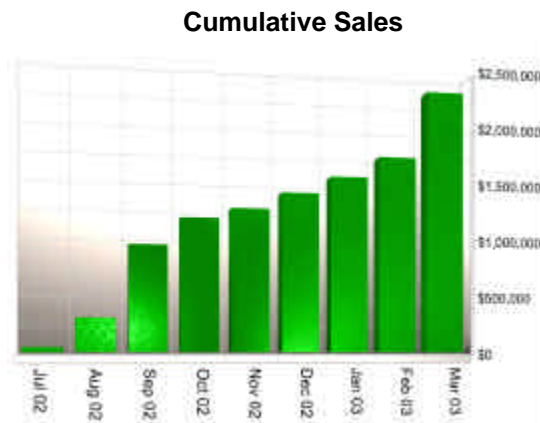
The Division of Purchases received the Outstanding Agency Accreditation from the National Institute of Governmental Purchasing (NIGP) in January 2003. This award recognizes excellence in public procurement by establishing a body of

standards that should be in place for a solid purchasing operation. It requires substantial documentation and is given only to those procurement agencies that represent the highest standards of quality, efficiency, and best practices. While many agencies have sought this award, most have fallen short of the required standards of performance. The Division of Purchases became only the 52nd public procurement agency in the United States and Canada to attain this distinction.

In addition, two significant enhancements were made to the Division of Purchases' electronic vendor database solution. One of the two improvements provides vendors with the capability to update their own registration profiles online, using user id and password. This additional feature will create efficiencies for both vendors and Metro. The second enhancement enables Metro personnel who purchase goods and services under delegations of authority to identify and select vendors based on several factors, including vendor name, commodity code description, business size, and zip code. This improvement will streamline departmental operations and enhance procurement from small businesses. From July 1, 2002 until March 31, 2003 over 2100 vendor applications have been processed online

MGT of America conducted a procurement practices study and issued a report in November 2002. The purpose of the study was to provide Metro Government with an analysis of the current procurement operations, including work flow and work processes, and identify opportunities for improvement. Recommendations were made in the areas of the current procurement system, electronic procurement, and minority and small business. A project manager has been hired to implement the recommendations.

Surplus Warehouse



eBid Nashville, Metro's online surplus auction, has been a huge success. This web application has exceeded our expectations. eBid Nashville went live on July 8, 2002. Within 90 days, sales soared over \$1,000,000. Past public surplus auctions brought an average of \$400,000 per year. We have exceeded 2 million in sales to date and expect to hit our target of 3 million by June 30, 2003.

The surplus auctions in the past only consisted of sales from a few departments in Metro Government. Past sales primarily were for vehicles and heavy equipment. Today you will find computers, office furniture, lawnmowers, tools, houses,

jewelry, etc on the auction site. The online technology has certainly broadened our sales opportunities. Currently, Fleet Operations, Police Impound, Police Unclaimed Property, Vice, District Attorney, MTA, Nashville Thermal, and Real Property Services are using eBid Nashville. We expect to add other sales as we expand this service.

Over the next year, an excess property inventory system will be developed. This system will include online request for Metro's excess personal property. New features of the system will include specialized reporting features, integration into the FastNet system, an excess and surplus inventory system integrated into the FastNet system.

Executive/Management Development

A new leadership development initiative, The Executive Forum, was kicked off in August 2002. The Forum gives Metro executives an opportunity to discuss current and future leadership and organizational challenges including *Results Matter* and change management. The first class was composed of the 10 leaders whose organizations were in wave one of the *Results Matter* initiative. The next Forum will begin in June with six sessions scheduled through the end of the year. Presenters include subject matter experts, leaders from other cities, *Results Matter* staff, and government trend analysts such as Peter Harkness, editor of *Governing Magazine*.

The Finance Department is supporting its management and supervisory staff with development opportunities such as, systems thinking, action learning, management development practices, organizational values, and performance management.

Office of the Treasurer

Last year I reported that the Treasurer was moving ahead with a plan to implement six recommendations that are projected to save Metro between \$10 million and \$14 million over a five-year period. Since that time the Treasurer has implemented a consolidated lockbox service for both Water Services and the Trustee to provide a consistent process to deposit and record the revenue more timely and to save on processing costs. There may be other departments added over the next year if savings and efficiencies can be identified.

Another project was rolled out to pilot departments that decentralized the revenue recognition process that had previously been handled in the Treasurer's office. Trustee, Water Services, Parks, Traffic Violations, Police and Health have all received training. The departments are taking their deposits directly to the bank,

and then entering the information on the general ledger. The Treasurer's staff is providing training to the departments and reconciling the deposits to the bank.

The point of sale (POS) system project is in systems training prior to implementation with the pilot departments – Traffic Violations and Water Services. Other departments will comprise a second wave of this system after the first implementation is completed. Another phase of this project will develop a point of sale system in a retail environment within the next six months for Parks and Schools. The POS will integrate with the accounting system allowing faster entry of data into the system.

Last July, Metro initiated an umbrella banking agreement covering accounts that have previously been outside of the depository agreement. This arrangement provides purchasing power and lowers overall banking fees from what was previously paid on an individual basis. The Treasurer has implemented new investment software that will interface with the accounting system and provide complete reports for the Metropolitan Investment Pool after the initial testing period over the next few months. The quarterly cash investment performance report is now on the Treasurer's home page at http://www.nashville.gov/finance/Treasurer/Treasurer_home.htm

The Treasurer has recently consolidated the non-sufficient check processing function that will utilize an electronic recovery of funds on behalf of Metro departments. Signs are posted at each location that collects checks on behalf of Metro to alert check writers of this new type of collection process. The Office of the Treasurer continues to provide staff support to the Pension Investment Committee and the Benefit Board for the Pension Fund and the 457 Plan. The staff has developed reports for the Committee and the Board that enable them to fulfill their fiduciary duties. The staff is also the liaison between the Investment Committee, the Benefit Board and the pension and 457 consultants and plan service providers. Quarterly investment performance reports are now on the Treasurer's home page for the pension fund and the 457 Plan.

Another project that is just underway is the development of a debt policy statement, and a search for a debt software package to interface with the accounting system. An investor relations link has been added to the Treasurer's home page and leads to the latest official statements prepared for specific bond issues.

The Treasurer assisted in issuing \$108,690,000 General Obligation Refunding bonds last fall that provided a net present value savings of \$5,516,389 and were rated AA+, Aa2, and AA, respectively by Fitch Ratings, Moody's and Standard and Poor's. Additionally, the purchaser paid for insurance for the 2022 through 2024 maturities of the bond issue and the ratings on those maturities are AAA, Aaa and AAA, respectively. \$30,255,000 Water and Sewer Revenue Refunding bonds were issued with a net present value savings of \$1,817,053 and ratings of

AAA, Aaa and AAA from Fitch, Moody's and Standard & Poor's respectively, based on an insurance policy. Fitch rated the underlying bonds at AA, Moody's at Aa3 and Standard and Poor's at A+. The office also assisted with issuing \$66,700,000 District Energy System Revenue Bonds in September 2002 to finance, in part, the construction of steam and chilled water generating facilities and improvements to an existing energy distribution system all to be owned by Metro. The ratings bases on insurance of the issue are AAA, Aaa and AAA by Standard & Poor's, Moody's and Fitch Ratings, respectively. The underlying ratings are AA-, Aa3, and AA respectively from Standard & Poor's, Moody's and Fitch. The office is currently initiating a program to issue commercial paper that will be administered by the State for financing capital projects. This will allow Metro to take advantage of the low interest rate environment and to minimize arbitrage rebate liability.

All of the Treasurer's projects have been developed into programs with specific results in mind and are set to measure the results to determine the effectiveness of the programs. The Office of the Treasurer has added staff to be able to handle the additional duties recommended by KPMG relating to all of the subprojects.