



M E M O R A N D U M

DATE: May 1, 2009
TO: Mayor Olson, City Council and Budget Committee Members
FROM: Marcia T. Baragary, Finance Director
SUBJECT: **Financial System Transition**

The Finance Department, with extensive assistance and support from all City departments, has navigated our way through our first full year using New World System's LOGOS Financial Management and Human Resources software.

The Financial Management software suite includes general ledger accounting, accounts payable, accounts receivable, annual budget preparation, asset management and system administration. The integrated purchasing system allows for decentralized purchasing and monitoring of expenditures. When departments enter purchase orders, encumbrances are created which reduce the amount of appropriation available for spending. Invoices or other supporting documents are scanned and attached, greatly reducing the amount of physical storage space required for department records and facilitating access to information. Purchase authorizations are accomplished electronically, reducing purchase order processing time. Detailed information can be easily retrieved by "drilling down" into summary information and a wide variety of reports is available.

The Human Resources suite includes payroll processing and position budgeting. Robust functionality and many automated features have enabled a smooth transition to paying employees semi-monthly instead of monthly. Payroll processing provides for decentralized hours entry by the department and electronic approvals, automating much of the payroll hours entry process. Redundant data entry, such as posting payroll expenses, is eliminated by the integration of payroll journals with

the General Ledger and integration of deduction and benefits payments with Accounts Payable. Position budgeting calculates all Personal Services expenditures, including salaries, wages and fringe benefits, and allows for "what if" scenarios during the budgeting process.

The Finance Department has met the challenge of using the new system to accomplish our basic tasks and functions. We continue to explore and incorporate into our processes LOGOS functions that improve our efficiency and internal controls. Because LOGOS is a dynamic system which is continually being improved and upgraded by New World Systems, a significant amount of time is required for testing "hot fixes", service packs and new versions. However, we are excited about the opportunity to participate in development of the product and take advantage of other modules which we have not currently implemented. Of special interest is a report-writing module called "eCube", which is included in the 2009-2010 Proposed Budget and should allow users to more easily retrieve relevant data from the general ledger and payroll modules.

Finance Department staff deserves a tremendous amount of credit for their incredible patience, perseverance and professionalism in implementing the new software. Their high level of skill, work ethic and passion for excellence is reflected in this budget document, their willingness to provide assistance to other departments, and their dogged determination to "get it right."

Budget Details

The 2008-2009 Budget was the first budget prepared using LOGOS, so you are already familiar with the formatting and terminology changes that resulted from implementation of the new software. However, the following information is a brief reminder of some of the important points.

- **Organization Sets** --- Many departments are now divided into Organization Sets which are sub-sections of departments. Four levels are available (fund, department, section, program) and are used by Department Directors to improve managerial controls and financial monitoring.
- **“Assigned or Dedicated” Revenues** --- Revenues are attached directly to Organization Sets; that is, to a fund, department, section, or program. “Assigned or dedicated” revenues are presented in the same Organization Set as the associated expenditures. For example, the Homeland Security Fire Grant is included in the Fire Administration and Operations Organization Set.
- **Non-Departmental Organization Set** --- In departmentalized funds, “non-assigned” revenues and expenditures are presented in a Non-Departmental Organization Set. In the General Fund, for example, property taxes, franchise fees, and state shared revenues, are included in the Non-Departmental Organization Set as these revenues support all General Fund operations and are not “assigned or dedicated” to a specific Organization Set.
- **Payroll Allocations** --- Support departments include City Administration, Finance, Engineering, Planning, Parks and Recreation Administration and Information Services. Support department employees’ time spent providing services to other departments is estimated during the budget process. Transfers In and Transfers Out are used to reimburse the support department for those employees’ salaries and fringe benefits. Non-support department employees who may split their time between departments are expensed directly to those departments. For example, the Fire Chief is included as a 0.75 full time equivalent (FTE) in the Fire Department and as a 0.25 (FTE) in the Ambulance Fund.

Budget Review Tips --- The Proposed 2009-2010 Budget includes an extensive amount of information. For a “big picture” focus, review City Manager Taylor’s *Budget Message* and City Council Goals and Objectives found in the Budget Overview Section. The Financial Overview Section includes several charts which summarize information contained in the 2009-2010 Proposed Budget and illustrate financial relationships and comparisons. This section also includes Fund Definitions and Account Definitions. The Personal Services Section contains information related to employee staffing, volunteer hours and salary schedules.

Finally, for a more detailed review, each Fund/Department section includes Budget Summaries which provide information on Budget Highlights, Short and Long-Term Issues and Core Services. Actual 2007 and 2008 figures for resources and requirements are included, as well as the 2009 Amended Budget and 2010 Proposed Budget, as required by Local Budget Law. Note that the 2009 Amended Budget is the 2008-2009 Adopted Budget plus any budget adjustments through April 30, 2009.

Invitation --- Please call or email me if you have any questions or comments.

Thank you for your continued commitment to the citizens and staff of the City of McMinnville!

Marcia Baragary

Finance Director

503-434-2350

Marcia.Baragary@ci.mcminnville.or.us.