SLGFD COACH TEAM
PLANNING MEMO FOR MONITORING

MEMORANDUM

To: Chairperson Governing Body (Mayor), Manager (Town Administration), and Finance Officer- Bessemer City

From: Becky Garland
CC: Kendra Boyle, Director Fiscal Management Section State and Local Government Finance Division

RE: UAL Monitoring Requirements

Date: September 4, 2024

The staff of the Local Government Commission has adopted a structured monitoring process for those units of local government that are included on the Unit Assistance List (UAL). This move is not intended to be punitive but to assist the unit in restoring fiscal health. Our goal is to provide some routine assistance to the unit and the governing board, so the unit's financial status and fiscal management practices improve to the level that they are no longer included on the UAL.

Monitoring Requirement		**Benchmark Date**
In Person or Virtual Checkup	Required	9-25-2024
Follow-up Check Ins (Visit, Phone or Email)	Required	Monthly
Board Training	Required	TBD[1]
Budget to Actual-6 month	Required	January 17, 2025
Budget to Actual-9 month	Required	April 15, 2025
2026 Draft Budget Ordinance	Required	April 15, 2025

The following issue(s) have been discussed with unit management and the coach and staff have identified specific goals to assist in remediating the issue(s). The unit coach will work with the unit using a combination of in - person and/or virtual visits, phone calls and emails with board members, members of management, and staff. The unit coach may also attend some board meetings either in person or virtually based on the above table of monitoring requirements. [2]

Coach Team Member: Becky Garland Date: September 18, 2024

[1] Sent training link to manager with expectation of training as soon as possible and no later than 6/30/02025. Manager planned to attend SOG training in Hickory, but it was cancelled. Seeking other avenues of training.

[2] **Note to coach**: This should be a collaborative process between the unit coach and the unit staff. It is designed to allow the unit to learn to create their own path forward toward success. Goals should be SMART – Specific, Measurable, Attainable, Relevant, and Time – Bound. It also creates a framework for monitoring visits.

Unit Goals[3]

Internal Controls:

Issue: Over expended budgets in operating, special revenue funds, and capital projects.
Cause: Previous administration did not employ pre-audit despite warnings from Finance Officer. Board has not been engaged enough in financial oversight. Mayor admitted they trusted the previous manager on projects, causing the financial woes they are experiencing.
Goal: FY 2025 audit and FY 2025 interim budget reports will have no over expenditures of the budget for operating, special revenues, and capital projects. This will occur with monthly monitoring by board members and continued use of the encumbrance system in Tyler Encode 10.
KPI Addressed: Internal Controls – Budget Violations/Statutory Violations – Last 2 years.

Financial Issues:

Issue: General fund balance has declined below minimum thresholds for units with budgets within their peer group. This has been a three-year downward trend.
Cause: No tax rate changes in several years while spending levels remained the same or increased due to inflation. Fund balance erosion also occurred due to overspent capital projects.
Goal: Improved fund balance with tax rate increases over the budget cycle with first increase in FY 2025 and another increase in FY 2026 budget by 6/30/2025.
KPI(s) Addressed: General Fund – Fund balance available percentage value less than peer group; Fund Balance Available Percentage – 3-year trend.

Issue: Water and sewer fund had negative unrestricted net assets FY 2023 due to large operating losses caused by transfers to fund overspent capital projects. Several of the capital projects and special revenue funds were also in a negative situation.
Cause: Lack of planning and oversight by former manager and board of available revenue streams for special and capital projects. Had excess of $5M operating loss in the WS fund due to overspent projects.
Goal: Improve unrestricted net assets via water rate increases and cutting of expenditures – improve net equity during FY 2025 and restore to positive balances by FY 6-30-2025.
KPI Addressed: Water and Sewer Operating net income.

[3] Units may not have issues in all three categories and may not have multiple issues within a category. Coach should alter the above based on the specific situation.

Issue: The water and sewer fund had a negative cash balance at the end of FY 2023 due to overspent capital projects. This caused the quick ratio to be negative on the DIW.
Cause: Lack of planning and oversight of available revenue streams for special and capital projects by board and former manager. Had excess of $5M operating loss in the WS fund due to overspent projects.
Goal: Improve cash position to restore the quick ratio above 1 and create sufficient cash reserves to fund debt service and operating cost by FY ending 6/30/ 2025.
KPI Addressed: Quick ratio; unrestricted cash ratio.

Other Known Issues:

Issue: Board lacked understanding of their role in maintaining solid fiscal management for the town.
Cause: Board had not received adequate training to understand their role in maintaining solid fiscal management for the town.
Goal: Board receive LGC training by December 31, 2024, using LGC board training resources or attend trainings held by either the UNC School of Government or NC League of Municipalities.
KPI Addressed: All scored KPI's related to this goal.