



- (12) A. AN ORDINANCE REASSIGNING CERTAIN DUTIES AND FUNCTIONS OF THE CITY TREASURER TO DEPARTMENTS UNDER THE PURVIEW OF THE CITY MANAGER-CITY MANAGER
- B. AN ORDINANCE AMENDING AN ORDINANCE ADOPTED MAY 10, 2022, AND AMENDED JUNE 28, 2022, JULY 26, 2022, AUGUST 9, 2022, SEPTEMBER 13, 2022, OCTOBER 11, 2022, OCTOBER 25, 2022, NOVEMBER 15, 2022, DECEMBER 13, 2022, JANUARY 24, 2023, FEBRUARY 14, 2023, MARCH 14, 2023, AND APRIL 11, 2023, MAKING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 2022, AND ENDING JUNE 30, 2023, TO PRESCRIBE THE TERMS AND PAYMENT AND TO REPEAL ALL ORDINANCES WHOLLY IN CONFLICT WITH THIS ORDINANCE-CITY MANAGER

Background

Over the last few years, the level of service from the City Treasurer's Office has steadily declined. This is very apparent in the number of citizen concerns being received at the Customer Contact Center and in other departments that receive citizen calls. In addition, the Treasurer has been unable to effectively perform functions expected of a Department Head, including hiring staff, which has contributed to deteriorating performance. The employee count in the Office has fallen from 35 employees in July 2019, to 21 in April 2023. The range of staffing for the past 12 months has fluctuated between 18 and 21 employees. The situation continues to deteriorate and is untenable.

In order to address these concerns, this item seeks to transfer certain functions currently under the purview of the City Treasurer's Office and place them under the purview of the City Manager.

Context

As a Constitutional Officer, the Treasurer is directly elected by the voters of Chesapeake, as required by Article VII, Section 4 of the Constitution of Virginia, and Section 15.2-1608 of the Code of Virginia. This means that the Treasurer is accountable to the voters and does not report to either the City Council or the City Manager. The Code of Virginia dictates what services and functions are assigned to local government treasurers.

These duties are enumerated in Virginia Code Sections 58.1-3123 et seq. and Section 15.2-1608, Section 11.03 of the City Charter, and within the City Code. In addition, the City relies on the City Treasurer's Office to produce numerous significant deliverables for the interim financial statements and the annual audit. The inability of the City Treasurer's Office to produce the aforementioned items in accordance with established fiscal timelines impacts City management's ability to effectively fulfill our fiduciary responsibilities.

Given the statutory authority outlined above, the City Council is significantly constrained in what it can do to influence the performance of the City Treasurer. However, the relocation of the services outlined herein is an action the City Council can take to reduce the scope of responsibility of the City Treasurer in an attempt to improve customer service and mitigate risk.

Functions to be Relocated

The responsibilities recommended for relocation from the City Treasurer's Office and into departments under the purview of the City Manager are listed below. These tasks are not part of the functions assigned to the Treasurer's Office in the City

Code. Additionally, Virginia State Code does not require the City Treasurer to provide these services.

- **Cash and Investments:** This function includes management of approximately \$1.15 billion in cash and investments. These duties will include managing cash availability for operations and managing investment risk while optimizing returns. This work includes ensuring compliance with state and federal regulations, City Code, and the City's Investment Policy. It is worth noting that most of these investments are in the Local Government Investment Pool (LGIP) administered by the Cash Management and Investments Division of the Virginia Treasury.

It should also be noted that the City Treasurer's Office has used resources from departments under the purview of the City Manager to perform reconciliation and reporting of investments since last year. After the close of the FY22 books, an accountant from the Development and Permits Department completed several overdue investment reports required for the external financial audit. Additionally, an accountant from the Finance Department has been assisting the City Treasurer's Office since January 2023, to complete overdue investment reports and keep them current so that the City is prepared with these deliverables when the external auditors begin their work this summer.

- **Management of City Bank Accounts:** As part of the cash and investment infrastructure, this function includes the management of City bank accounts and associated banking relationships. It is likely that a new banking contract for the general City bank account will need to be procured. That solicitation will occur during a "ramp-up" period for this recommended transfer of responsibilities. Other banking contracts will be reviewed, and solicitations may occur

during this period or may be deferred to a later date as deemed appropriate.

- **Emergency Medical Services (EMS) Billing:** This function is administration of EMS billing services, including collections. This is a contracted service administered by the Treasurer's Office staff. There is likely a need to procure a new contract, which will occur during a "ramp-up" (see "*Timing and Effective Date*" section).
- **Stormwater Utility Fee Billing:** Billing of Stormwater Utility Fees is processed on the mainframe, a very antiquated and inflexible system. Currently, stormwater fees are billed with the real estate bill. The City is in the process of moving from the mainframe to a COTS (Commercial Off the Shelf) system. While administration of stormwater fee billing is recommended to be relocated out of the City Treasurer's Office, the complexities and limitations of the mainframe system require a more flexible timeline. As a result, the relocation will occur on a future date to be determined. This date will either be: 1) a date in the future after the new COTS system is in place (targeted completion of the COTS system is in 2025); or, 2) an earlier date, if staff can determine a mechanism to safely decouple the real estate billing and stormwater billing in the mainframe system.

Timing and Effective Date

We will begin transfer of responsibilities immediately and will move as quickly as possible to complete the transition including procurement of services, hiring and training employees, complete turnover audits, etc. With the exception of the stormwater utility fee (see above), we anticipate completion prior to the end of FY 24 (June 30, 2024).

Resources, Fiscal Impact, and Transfer Authority

The exact fiscal impact of relocating these functions is not yet determined. Various resources will be needed to stand up new teams to deliver these services. The first source of resources will be transferred from unused funds and positions in the City Treasurer's Office. Vacancy savings and vacant positions will be transferred out of the City Treasurer's Office, as appropriate (over the last three years, the City Treasurer's Office has had an average of \$570,598 in annual unspent salary funds).

To ensure adequate appropriation flexibility, the FY23 appropriation ordinance will be amended to include language granting the City Manager transfer authority that exceeds the \$250,000 limit established in that ordinance. While staff does not know the exact cost of relocating these functions, additional transfer authority of \$1.5 million for this specific purpose is recommended. If this item is approved, staff will also include similar language in the FY24 appropriation ordinance to grant this same authority to the City Manager. This will be submitted in June with the final amendments and technical corrections to the FY24 Operating Budget. Granting this authority as part of this ordinance will prevent delays associated with the wait time for transfer approvals requiring City Council authorization. Any transfers exceeding this amount would require City Council approval.

Cooperation from the City Treasurer's Office

The team expects full cooperation from the City Treasurer as would be customary during such a transition. We also expect improvement in the Treasurer's Office customer service delivery and in the performance of duties expected of a Department Head. If cooperation is not forthcoming and/or customer service delivery is not improved, it is recommended that the locally funded portion of the City Treasurer's compensation be eliminated.


Presented to City Council is an ordinance reassigning certain duties and functions of the City Treasurer to Departments under the purview of the City Manager; this is requested as **an emergency action.**

Presented to City Council is an ordinance amending an ordinance adopted on May 10, 2022 and amended June 28, 2022; July 26, 2022; August 9, 2022; September 13, 2022; October 11, 2022; October 25, 2022; November 15, 2022; December 13, 2022; January 24, 2023; February 14, 2023; March 14, 2023; and April 11 2023 making appropriations for the fiscal year beginning July 1, 2022 and ending June 2023, to prescribe the terms and payment and to repeal all ordinances wholly in conflict with this ordinance; this is requested **as an emergency action.**

Staff: Christopher Price, City Manager
Laura Fitzpatrick, Deputy City Manager

MEMORANDUM

TO: The Honorable Mayor and Members of City Council

VIA: Christopher M. Price, City Manager 

FROM: Laura A. Fitzpatrick, Deputy City Manager

DATE: April 26, 2023

SUBJECT: **RELOCATION OF CERTAIN CITY TREASURER'S OFFICE FUNCTIONS**

Background

Over the last few years, the level of service from the City Treasurer's Office has steadily declined. This is very apparent in the number of citizen concerns being received at the Customer Contact Center and in other departments that receive citizen calls. In addition, the Treasurer has been unable to effectively perform functions expected of a Department Head, including hiring staff, which has contributed to deteriorating performance. The employee count in the Office has fallen from 35 employees in July 2019, to 21 in April 2023. The range of staffing for the past 12 months has fluctuated between 18 and 21 employees. The situation continues to deteriorate and is untenable.

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Code Sections 58.1-3123 et seq. and Section 15.2-1608, Section 11.03 of the City Charter, and within the City Code. In addition, the City relies on the City Treasurer's Office to produce numerous significant deliverables for the interim financial statements and the annual audit. The inability of the City Treasurer's Office to produce the aforementioned items in accordance with established fiscal timelines impacts City management's ability to effectively fulfill our fiduciary responsibilities.

Given the statutory authority outlined above, the City Council is significantly constrained in what it can do to influence the performance of the City Treasurer. However, the relocation of the services outlined herein is an action the City Council can take to reduce the scope of responsibility of the City Treasurer in an attempt to improve customer service and mitigate risk.

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Timing and Effective Date

We will begin transfer of responsibilities immediately and will move as quickly as possible to complete the transition including procurement of services, hiring and training employees, complete turnover audits, etc. With the exception of the stormwater utility fee (see above), we anticipate completion prior to the end of FY 24 (June 30, 2024).

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The exact fiscal impact of relocating these functions is not yet determined. Various resources will be needed to stand up new teams to deliver these services. The first source of resources will be transferred from unused funds and positions in the City Treasurer's Office. Vacancy savings and vacant positions will be transferred out of the City Treasurer's Office, as appropriate (over the

last three years, the City Treasurer's Office has had an average of \$570,598 in annual unspent salary funds).

To ensure adequate appropriation flexibility, the FY23 appropriation ordinance will be amended to include language granting the City Manager transfer authority that exceeds the \$250,000 limit established in that ordinance. While staff does not know the exact cost of relocating these functions, additional transfer authority of \$1.5 million for this specific purpose is recommended. If this item is approved, staff will also include similar language in the FY24 appropriation ordinance to grant this same authority to the City Manager. This will be submitted in June with the final amendments and technical corrections to the FY24 Operating Budget. Granting this authority as part of this ordinance will prevent delays associated with the wait time for transfer approvals requiring City Council authorization. Any transfers exceeding this amount would require City Council approval.

Cooperation from the City Treasurer's Office

The team expects full cooperation from the City Treasurer as would be customary during such a transition. We also expect improvement in the Treasurer's Office customer service delivery and in the performance of duties expected of a Department Head. If cooperation is not forthcoming and/or customer service delivery is not improved, it is recommended that the locally funded portion of the City Treasurer's compensation be eliminated.

AN ORDINANCE REASSIGNING CERTAIN DUTIES AND FUNCTIONS OF THE CITY TREASURER TO DEPARTMENTS UNDER THE PURVIEW OF THE CITY MANAGER.

WHEREAS, City Charter Section 11.01 states that the department of finance shall consist of a director of finance, a comptroller or accounting officer, the city treasurer and the commissioner of the revenue and their respective officers, insofar as inclusion of these offices is not inconsistent with the Constitution and general laws of the Commonwealth, and such other officers and employees organized into such bureaus, divisions and other units may be provided by the Council or by the orders of the director consistent therewith; and

WHEREAS, City Charter Section 11.02 states that the head of the department of finance shall be the director of finance who shall be a person skilled in municipal accounting and financial control and shall have charge of the financial affairs of the city, including such powers and duties as may be assigned by the Council not inconsistent with the Constitution and general laws of the Commonwealth; and

WHEREAS, City Charter Section 11.03 states that the city treasurer shall collect and receive all city taxes and other revenues or monies accruing to the city, except such as the City Council may by ordinance make it the duty of some other person to collect, which shall not be in conflict with the general laws of the Commonwealth and shall have such powers and duties as may be assigned by the director of finance or the Council not inconsistent with the laws of the Commonwealth; and

WHEREAS, City Code Section 30-4(a) states that the City Council shall designate the city depository for the city's funds; and

WHEREAS, the Council of the City of Chesapeake finds the public necessity, convenience, and general welfare so requires;

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Chesapeake, Virginia:

- A. That the following duties and functions performed by the City Treasurer are reassigned to departments under the purview of the City Manager:
1. Management of the City’s cash and investments, including, but not limited to, those investments in the Virginia Local Government Investment Pool (the “LGIP”) administered by the Cash Management and Investments Division of the Virginia Treasury.
 2. Management of all bank accounts for the City, including management of associated banking relationships and procurement of new banking contracts as required.
 3. Administration of Emergency Medical Services (“EMS”) billing services, including collections and procurement of new service contracts as required.
 4. Administration of stormwater utility fees billing services, including receipt of stormwater utility fees but excluding collections, and procurement of billing services contracts if required.
- B. That the City Manager is authorized to designate the specific department or departments which will perform the foregoing duties and functions and able to make the necessary transfer of funds from the City Treasurer’s Office existing appropriation authority to the departments so designated to complete the duties and tasks.

C. Effective date of reassignment.

1. That the effective date of the reassignment of the first three duties and functions listed in section A above is no later than June 30, 2024. If any of these particular duties or functions can be reassigned sooner than June 30, 2024, they will be. The City Manager is authorized to extend the effective date beyond June 30, 2024, for good cause shown. A proposed extension and the reasons therefor shall be communicated to the Council.
2. That the effective date of the reassignment of stormwater utility fees billing will be (a) as soon as feasible after the City transitions from the mainframe system to a Commercial Off the Shelf (“COTS”) system (targeted completion of the COTS system is 2025), or (b) an earlier date, if staff can determine a mechanism to safely decouple the real estate tax billing and stormwater utility fees billing in the current mainframe system.

D. That, subject to appropriation of funds, the City Manager is authorized to undertake all activities necessary to implement the reassignments, including, but not limited to, procurement of consultants, as needed, to assist in the transition; conducting solicitations for other services; hiring and training of employees; procurement of external auditors to conduct “turnover audits” of the finances associated with each duty or function being reassigned.

E. That the City Manager, City Treasurer, and their respective staffs will work together to provide whatever information and cooperation is needed to ensure a smooth

transition of the identified duties and functions and associated assets, for the benefit of the City and its citizens.

An emergency is deemed to exist, and this ordinance shall become effective immediately upon adoption.

ADOPTED by the Council of the City of Chesapeake, Virginia, this 9th day of May, 2023.

APPROVED:

Mayor

ATTEST:

Clerk of the Council

APPROVED AS TO FORM:



Deputy City Attorney

AN ORDINANCE AMENDING AN ORDINANCE ADOPTED MAY 10, 2022, AND AMENDED JUNE 28, 2022, JULY 26, 2022, AUGUST 9, 2022, SEPTEMBER 13, 2022, OCTOBER 11, 2022, OCTOBER 25, 2022, NOVEMBER 15, 2022, DECEMBER 13, 2022, JANUARY 24, 2023, FEBRUARY 14, 2023, MARCH 14, 2023, AND APRIL 11, 2023, MAKING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 2022, AND ENDING JUNE 30, 2023, TO PRESCRIBE THE TERMS AND PAYMENT AND TO REPEAL ALL ORDINANCES WHOLLY IN CONFLICT WITH THIS ORDINANCE.

WHEREAS, the City Manager has heretofore submitted an Annual Operating Budget for the City for the fiscal year beginning July 1, 2022, and ending June 30, 2023, and it is necessary to appropriate sufficient funds to cover said budget; and

WHEREAS, on May 9, 2023, the Council of the City of Chesapeake (the “Council”) adopted an ordinance to reassign certain duties and functions performed by the City Treasurer to departments under the purview of the City Manager, and to authorize the City Manager to undertake all activities necessary to implement the reassignment, including, but not limited to, procurement of consultants, as needed to assist in the transition; conducting solicitations for other services; hiring and training of employees; procurement of external auditors to conduct “turnover audits” of the finances associated with each duty or function being assigned; and

WHEREAS, the Council desires to authorize the City Manager to approve transfers of appropriations within the General Fund in an amount up to \$1,500,000 to implement the reassignment of the aforesaid duties and functions; and

WHEREAS, the Council of the City of Chesapeake finds the public necessity, convenience, and general welfare so requires;

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Chesapeake, Virginia:

...

Section 16.

~~All ordinances and parts of ordinances inconsistent with the provisions of this ordinance are repealed.~~ Notwithstanding any other provisions of this ordinance, the City Manager is hereby authorized to approve transfers of appropriations within the General Fund in an amount up to \$1,500,000 to implement the reassignment of certain duties and functions of the City Treasurer to departments under the purview of the City Manager.

Section 17.

~~This ordinance shall become effective on July 1, 2022.~~ All ordinances and parts of ordinances inconsistent with the provision of this ordinance are repealed.

Section 18.

An emergency is deemed to exist, and this ordinance amendment shall become effective upon adoption.

ADOPTED by the Council of the City of Chesapeake, Virginia, this 9th day of May, 2023.

APPROVED:

Mayor

ATTEST:

Clerk of the Council

APPROVED AS TO FORM:


Deputy City Attorney