

August 12, 2020

City Council City of Charlotte, Michigan Attn: Ginger Terpstra, City Clerk 111 E. Lawrence Ave. Charlotte, MI 48813

Re: Request for Proposals - Management Consulting Services

Dear City Council:

We are writing to express our sincere appreciation for the opportunity to be of service to the City over the past several years, and to submit our response to the City's request for proposal for management consulting services, dated July 24, 2020 (the RFP).

As you know, Rehmann is currently under contract with the City through August 31, 2021 to provide certain accounting and finance functions related to accounts payable, payroll processing, monthly general ledger and bank reconciliations, and year-end audit preparation assistance. While these services are significant, at the City's request, we have stopped short of providing a comprehensive outsourced Finance Department.

In the RFP, the City has asked bidders to address a wide range of potential services, some of which we are comfortable providing, and others that we are not. Given our existing relationship with the City and the services we are already providing, some of what the RFP is asking for seems to represent a conflict of interest for us (i.e., evaluating our own services). Rather, we propose to expand our existing scope of services with the City to include an outsourced Chief Financial Officer and Controller to assume the financial duties currently handled by the City Manager and City Clerk/Treasurer. That will allow the City's Interim City Manager to focus on the non-financial aspects of City administration, and the City's new Clerk/Treasurer to focus on statutory duties like elections and property tax collections without having to be directly responsible for the related accounting.

Specific Elements of the RFP

In response to the specific requests of your RFP, we offer the following responses:

Interim management services – we respectfully decline to propose on providing Interim City Manager services (though we propose to assume certain of the duties enumerated in Appendix 1 that are financial in nature).

Organizational analysis and recommendations – we respectfully decline to propose on reviewing the current departmental and management structures and reporting relationships. We believe that this task would be best completed by either the Interim City Manager or the permanent City Manager.

Rehmann is an independent member of Nexia International.



In the meantime, we propose to establish the positions of outsourced Chief Financial Officer and Controller to assume responsibility for the financial management of the City, under the direction of the Interim City Manager.

We also respectfully decline to directly propose on an assessment of the structure and processes associated with the finance and accounting operations of the organization, including the payroll and property tax administration, that have been implemented since March 2018, as we view this service to be a conflict of interest. However, we certainly recognize and value the importance of performing a thorough re-evaluation of financial duties, and propose instead to complete that process through the auspices of an outsourced Chief Financial Officer and Controller.

Finally, we respectfully decline to propose on an assessment of the structure and processes of all other departments, as we believe that service would be best performed by the Interim City Manager. However, as outsourced CFO, we would certainly work closely with the Interim City Manager to facilitate a full and complete assessment.

Fiscal assessment and analysis – The RFP requests pricing to benchmark the City's financial metrics against comparable municipalities, to consider other methods for funding pension costs, to analyze the City's financial trends and recommend revenue enhancements/spending reductions, and to consider the City's investment in streets and roads infrastructure. We believe all of these tasks to be inherent in the role and responsibilities of a Chief Financial Officer. Accordingly, we have not separately quoted these as a stand-alone service, but have included them in our proposed scope of services for that position.

Establishing a stand-alone Finance Department

We understand that the City is interested in comprehensively evaluating all of its options for restructuring and staffing, with a goal of both maintaining short-term organizational stability and improving long-term organizational effectiveness. Accordingly, there is a desire to both accelerate some of these analyses and to not enter into long-term commitments during the evaluation stage. Nevertheless, we believe there is strategic value in investing in a long-term solution for the City's fiscal operations that is separate from its administrative and statutory functions.

In our experience working with governments of all types and sizes, we have seen many organizational structures. Some work very effectively, others do not. In most cases, it depends very much on the skills and passions of the individuals in the key positions. Accordingly, when the City has a City Manager with the skills and passion to assume certain financial duties, that can work very well, despite that fact that *most* city managers would not thrive in such an environment. Similarly, some municipal governments have a single individual serve as Clerk, Treasurer, and function as the chief financial officer of the government. However, many governments have found that having a separate, dedicated accounting staff that works with the Clerk/Treasurer while allowing them to focus on non-accounting tasks is a better solution for them. That separation can work at any size of government, but is especially common in larger cities and counties. One of the primary reasons that smaller governments frequently don't have that separation of roles is cost. This is one of the greatest advantages of outsourcing, which allows the creation of a Finance Department staffed on

a part-time basis, while still providing access to top level talent normally limited to larger organizations.

We propose establishing a Finance Department, and staffing it through an outsourcing contract with Rehmann. The City has already experienced the benefits of using this model on a limited basis. By expanding the scope of services we currently provide to include a Chief Financial Officer and Controller, the City will retain all the existing benefits, while adding:

- 1. Oversee and direct the daily operations of the Finance Department, including the processing of accounts payable, payroll, and other routine financial matters
- 2. Budget preparation and amendments (including financial projections and recommendations to the City Manager and/or City Council)
- 3. Monthly financial reporting and budget analysis
- 4. Internal control design and implementation
- 5. Transactional review and approval
- 6. Tax reconciliation and accounting
- 7. Review and reconciliation of utility billing and receivables

Optionally, we could expand our services further to include transactional processing:

- 8. Accounts payable processing
- 9. Utility billing
- 10. Property tax billing

We recommend that the City retain its in-person cash receipting duties in-house with the office of the Treasurer. However, to the extent that payments are processed through an off-site service (such as a lock box or payment management company), the accounting for those transactions could fall to the newly created Finance Department.

Staffing

We propose to assign **Stephen W. Blann**, **CPA**, **CGFM**, **CGMA**, as the City's outsourced Chief Financial Officer. Stephen has over 25 years of governmental industry experience as an auditor, consultant, and outsourced CFO. He would oversee the newly established Finance Department, and help further automate processes and procedures while working closely with the Interim City Manager to provide key financial information and recommendations.

We propose to assign Maria Frigo, CPA, as the City's outsourced Controller. Maria has served in this capacity for several other organizations, and is already intimately familiar with the City's existing systems and needs.

In addition, **Jennifer Warner**, would continue to supervise the City's payroll functions and provide other critical support to Stephen and Maria. Additional Rehmann personnel may be assigned to assist with routine tasks, and would generally report to Maria or Jennifer.

Pricing

Our incremental fees for staffing the positions of outsourced CFO and Controller would be \$16,583 per month, and are based on an average of 3-4 days per month of Stephen's time, and an additional 4-6 days per month of Maria's time.

As with our existing contract, Rehmann will provide these services through a mix of on-site (once COVID-19 restrictions are relaxed) and remote work. Rehmann associates will be available on a daily basis through phone, video, and email.

Should the City wish, Rehmann could also assume direct responsibility for the transactional processing duties listed above. This work would largely be conducted remotely using available technology resources, and would cost an additional \$8,250 per month.

These fees are based on our best estimate of the actual work required, and are valid from September 2020 through June 2021. Assuming the City continues to be pleased with this arrangement, we can negotiate a longer-term pricing agreement at that time.

Conclusion

We appreciate this opportunity to be of service to the City. While this proposal is not exactly what the City requested in its RFP, we feel it is responsive to the City's actual needs. That said, our services are designed to be entirely customizable and scalable to each client's unique needs.

If you have any questions, or would like to add or remove any specific tasks to this service model, we would be delighted to discuss this with you further.

Very truly yours,

Stephen W. Blann, CPA, CGFM, CGMA

Principal

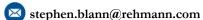


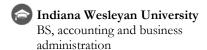
Stephen W. Blann, CPA, CGFM, CGMA

PRINCIPAL

Governmental and Not-for-Profit Services







In addition to their day to day responsibilities, our public sector clients must follow a wide array of compliance requirements and demonstrate their public accountability. Rehmann's governmental specialists have the technical expertise to help them meet these unique challenges, while delivering our services through a personalized, client-focused approach.

CURRENT ROLE

As the Firm's director of government audit quality, Stephen is responsible for setting quality control standards, developing practice aids and training programs (both internally and for clients), and serving as the technical quality control principal for audit reviews. Stephen also provides outsourced CFO services to governments and not-for-profit organizations.

SERVICE AREAS

- Governmental and not-for-profit auditing and consulting
- Outsourced CFO services and consulting
- · Technology utilization and training
- Custom spreadsheet and database programming

EXPERIENCE

Stephen has been with Rehmann since 1995, during which time he has concentrated exclusively in the governmental and not-for-profit sector. Stephen is a Certified Government Financial Manager (CGFM) and a Chartered Global Management Accountant (CGMA) and is licensed as a CPA in both Michigan and Florida. Stephen's client base is comprised of counties, cities, villages, townships, road commissions, community mental health authorities, local and intermediate school districts, Native American tribal governments and a variety of not-for-profit organizations.

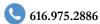
A CLOSER LOOK

- Stephen is an active member of and nationally recognized speaker for various professional organizations, including the GFOA, MGFOA, AGA, AICPA, FICPA and MICPA. His presentations focus on current issues in governmental accounting and financial reporting, grant compliance, internal controls and technology utilization.
- Since 2003, Stephen has served as an advisor on the GFOA Standing Committee on Accounting, Auditing, and Financial Reporting.
- Stephen is a member of the AICPA's Government Audit Quality Center Executive Committee and the education director of AGA West Michigan.
- Stephen provides multiple CFO outsourcing clients with a broad range of services, including establishing effective internal controls, creating deficit elimination plans, developing budgeting strategies and managing grants.
- Through frequent interaction with governmental and industry organizations, such as GASB and the AICPA, Stephen continuously monitors and responds to professional changes as they are being developed to ensure clients and Rehmann associates have access to national resources and robust training opportunities.

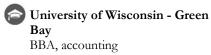




Maria Frigo, CPA
SUPERVISOR
Government Solutions, Assurance and Financial Reporting







University of Wisconsin -Madison BA, english

As a specialist in the governmental and not-for-profit sectors, I truly care about my clients' success. I understand their unique needs and have the technical expertise to help them meet a wide-range of compliance requirements.

CURRENT ROLE

Maria provides outsourcing services ranging from assisting with month-end closing to supervising accounting processes for government and not-for-profit clients. She also works on audit engagements, where she is responsible for the preparation and review of audit fieldwork, and preparation of financial statements.

Maria strives to minimize disruption to her client's staff with a client-tailored service approach and effective communication. She maximizes positive outcomes with a collaborative approach that includes careful consideration of her clients' needs.

SERVICE AREAS

- Governmental and not-for-profit accounting solutions, auditing and consulting
- Federal award compliance and auditing

EXPERIENCE

Maria began her public accounting career in 2014. She works on engagements for counties, cities, villages, road commissions, local and intermediate school districts, and a variety of not-for-profits.

Prior to joining Rehmann in 2017, Maria performed audits for governments and not-for-profits as a senior accountant with a Wisconsin accounting firm.

A CLOSER LOOK

 Maria stays up to date on the latest technical standards and issues impacting her clients through memberships with the American Institute of Certified Public Accountants and Association of Governmental Accountants.

