



MEMO TO: Mayor Vandernail and the Board of Trustees
FROM: Rob Clemens, Finance Director
DATE: April 5, 2023
SUBJECT: Finance Outsourcing Options

MATTER BEFORE BOARD:

The Finance Department consists of 2 Full-Time Employees (FTE). These FTE cover all accounting, utility billing, payroll and benefits, and human resources functions. The Finance Director is considering outsourcing aspects of accounting to increase capacity to generate other revenue sources like grants, improve financial tools, and mitigate continuity risk.

BACKGROUND:

The Federal Government allocation to infrastructure has resulted in significant funding for grants, loans, and resources at the State level. DOLA has referenced this as “a once in a lifetime opportunity,” which has made the application and award process more competitive. One example is the Transformational Affordable Housing Grant which opened in December 2022 with \$138M in available funding. The Town of Fraser submitted an application in January 2023 to be considered along with 75 other organizations requesting a total of \$430M. In order to be successful in this grant cycle, the Town will need to implement a more aggressive grant strategy.

Finance Department fixed operating expense breakdown:

• FTE/Benefits	\$269,275
• Third-party auditor contract (estimated)	\$ 44,500
• BambooHR software platform	\$ 7,800
• Caselle accounting software	\$ 25,116
• ClearGov software	\$ 16,500
• Employers Council membership	\$ 7,700
Total	\$370,891

The Finance Department does not need more FTE to accomplish the primary tasks, however the additional grant management that could be absorbed by the eventual Assistant Town Manager and variable HR duties has limited the Town capacity to apply for grants. Additionally, when the Town has had turnover in small departments, it has proven disruptive. Knowledge transfer and local workforce capacity are two challenges the Town faces in staffing.

Outsourcing tends to work best with non-public facing departments and with tasks that transfer across industries. Payroll would not work well in the Town of Fraser as it requires several hours of internal customer service every two weeks. Bank reconciliation and monthly closing are viable for outsourcing and could provide another 10-15 hours per month to dedicate to other revenue options.

Status Quo

The current processes are working and do not require budget changes. Small departments carry higher personnel and opportunity risks. The Finance Department is tied to two people so personnel changes carry higher transition risk. There is also less bandwidth to take advantage of opportunities.

One option is to hire a grant writer to fill the short-term need while preserving capacity in the Finance Department. Grant writers often work on a commission structure, which limits financial risk to the employer. This model has potential, but providing the data and analysis to a grant writer will consume significant time in the early grants.

Caselle Contract Option

Caselle is the accounting software for the Town. Caselle offers contracted services and provided a 12-month proposal for bank reconciliation and general ledger support. Cost was \$1,250 per month with a not to exceed \$15,000 per year. After the initial year, billing could be adjusted based on actual use and the service contract would shift to month to month.

This option integrates with the software currently in use and could speed up reporting into ClearGov. This also allows greater flexibility in future Finance Department staffing and allows some capacity for grant application and administration. The financial risk is a one-year commitment of \$15,000 and potential to outgrow the fixed scope.

Your Part-time Controller Option

Your Part-Time Controller (YPTC) are contract accountants who work with non-profit organizations. They do not work in Caselle regularly and may require some ramp up time to understand a couple of nuances. This is called out in their proposal. The annual cost of the proposal ranges from \$32,760 - \$70,560, depending on monthly time and additional audit support. YPTC does offer a suite of services that could include analysis and Board reports. The YPTC contract is month to month and is based on hours and level of service.

This option is the most expensive. It would meet the goals of carving out time to work on grants as well as speeding up closing to enhance ClearGov. The broader suite of options and flexibility with YPTC could provide continuity through any changes in the Finance Department as well as temporary assistance should the finance department experience churn.

RECOMMENDATION:

The Finance Director recommends the Board of Trustees select an option to take advantage of the grant opportunities over the next few months and mitigate the risks of staffing disruptions.

A lump sum of \$40k was added to the amended budget in anticipation of this request. Any contracts would require board approval prior to execution.