



# When Growth Fuels Change

| The Finance Department initiates transformation  
in the Town of Nolensville, Tennessee

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The Finance Department for the Town of Nolensville, Tennessee, was under significant public scrutiny for not providing sufficient information to residents. To address this concern, the department committed to implementing new financial practices that provided transparency and accountability, along with a focus on overall excellence.

### MAKING CHANGES

The town's finance team, which started out as part of a combined finance and human resources department, recognized the limitations of this organizational structure, in which the staff was continuously juggling too many priorities with too few staff members—with only two employees to manage all the functions of both disciplines. This structure also limited the segregation of duties and the need and ability to satisfy internal control procedures. It was clear that the town was experiencing significant growth and the finance department needed to implement long-term changes to keep up with ever-expanding service demands. As a result, the finance and human resources functions were separated into distinct municipal departments.

The new organizational structure for the Finance Department put in place in FY2021 included the hiring of a finance director and finance assistant, initially a part-time position that would later evolve into a full-time position supporting departmental

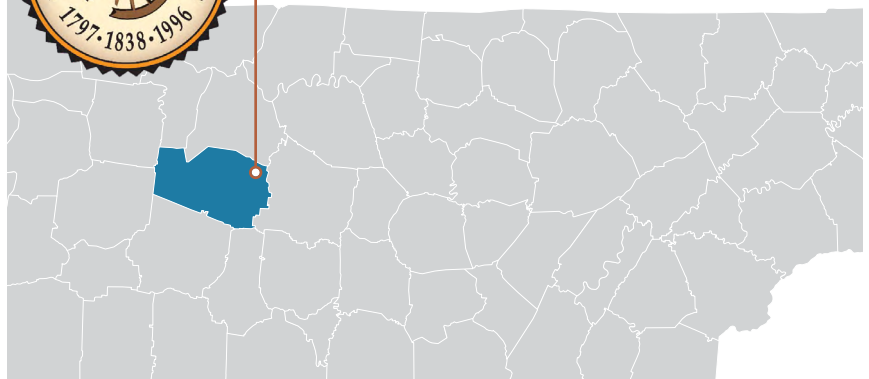
functions, while also providing necessary segregation of duties. The following fiscal year, the town created a human resources department that included the hiring of a full-time human resources director to manage personnel matters.

The new organizational structure has proven more responsive and sustainable for the town's continued growth and ongoing needs, and citizens have provided support and positive feedback. For example, when the town's first budget book was produced, one resident wrote: "Breaking news! I have never been more proud of my government than I am right now. I got involved in town government because of financial transparency issues I saw when I first moved here. ... Municipal government starts and ends with budgets. We barely notice it when we argue about density and visions, but it's by far the most important process. And we finally have a strong foundation."

Recognizing the need for human resource functions to keep up with the employee growth in the organization, a standalone human resources department was created. Public safety is the town's biggest focus area for recruiting and retaining, so it's important to have a competitive benefits package to keep up with neighboring municipalities. HR undertook several initiatives to improve employee recruitment and retention, including hiring a benefits broker to change the town's healthcare plans and providers to improve the level of service and coverage for employees. The town was now able to offer full family coverage and to provide contributions toward health savings accounts, while also saving almost \$90,000 a year in premium expenses. A consultant also reviewed compensation, allowing the town to adopt a new pay scale in FY 2023 that will keep Nolensville aligned with market rates.



Located in Williamson County, Tennessee, the Town of Nolensville is approximately 22 miles southeast of Nashville. According to the United States Census Bureau, the town has a total area of 10.44 square miles, all land. The population was 15,487 at the 2020 census.





The new organizational structure also complements the new council-manager form of government that was recently enacted, following a citywide referendum on changing the form of government. Department heads serve often in multiple roles in Nolensville, which is a common situation in smaller municipalities. Citizens viewed the town's previous form of government (mayor-aldermanic) as inadequate to keep up with the many challenges of a growing municipality. Citizens voted for a structure that divided control equally across multiple board members, solving the problems of limited segregation of duties and insufficient staff to handle the amount of work that was needed to bring the departments up to date on policies. The town is also experiencing significant growth, and the new structure satisfies the need to keep up with future growth.

### THAT'S A LOT OF RESERVES

Nolensville also has a healthy general fund reserve balance, so one of the first initial projects for the Finance Department was to establish and implement a fund balance policy. While no municipality is going to complain about having a good amount of money in reserve, the town had accumulated nearly 200 percent of its annual operating budget in reserves. The savings grew significantly because of one-time monies collected on development; the town was experiencing significant growth and had no prior policy in place for what to do with revenues associated with development.

The amount of reserve—nearly 200 percent of annual operating budget—was significantly more than guidelines recommended by the Municipal Technical Advisory Service in Tennessee, and more than

other municipalities consider as best practice. There were concerns that because of the excess savings, the town would be perceived as not using the money to fund necessary infrastructure and roadway improvements, along with other important capital projects.

### BUILDING A FIRE DEPARTMENT

Given the growth the town was experiencing and the amount of money it had available, officials decided the town would be best served by using some of its reserves to help create its first fire department. Nolensville originally contracted with a 501(c)(3) volunteer fire organization, providing funds each budget year to cover the costs of providing fire protection and emergency response to the town. Fire protection became a major focus through the FY 2021 budget process.

The town explored the strategy of creating a combination department by hiring a minimum number of full-time staff members and maintaining the current volunteers. The change would be funded through a tax increase to cover the operational costs of the additional staff. The town's growth was resulting in more calls to the volunteer organization (and therefore additional expense), making it clear that some full-time staff would be necessary for the town to ensure that a sufficient level of fire protection and emergency response was being provided.

A budget amendment proposed shortly after the FY 2021 budget was approved provided funds for nine full-time firefighters and a fire chief to address the immediate need for full-time fire suppression coverage, while starting the town down the path of establishing the first town combination department. Hiring an experienced and professional full-time fire chief was the first objective. The fire chief was tasked with initiating the plan and implementing the combination department, which would provide the foundation of a full fire department that would still be supported by the amazing volunteers who had been servicing the town for years.

## A FUND BALANCE POLICY

The fund balance was being discussed at the same time, and it was recognized that implementing the fund balance policy would likely open up a significant amount for spending on capital needs for projects such as land acquisition and construction of a new fire station. Town leadership realized there would be significant capital project requirements, including building construction and the acquisition of fire apparatus. Since the town was starting from scratch, this was going to be a significant undertaking.

The fund balance policy was adopted and implemented in August

2020 to mitigate current and future risks, plan for future capital projects and equipment needs, and ensure stable tax rates. The fund balance will be limited to unanticipated expenditures; specific and reasonable cash flow purposes; grant anticipation reimbursement; new public health and safety needs; service enhancements; early retirement of debt; and one-time capital expenditures that align with essential services. The objectives of the policy will maintain reservations of fund balance in accordance with GASB statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The policy establishes:

- **Fund balance policy** for the general fund.
- **Reservations of fund balances** for the general fund.
- **The method of budgeting** in the general fund, the amount of estimated unrestricted fund balance available for appropriation during the annual budget adoption process, and the actions that may be needed if the actual fund balance is significantly different than the budgeted fund balance.
- **The spending order** of the general fund's fund balance.

## CAPITAL IMPROVEMENT AND DEBT

Adopting a fund balance policy was a catalyst to many other opportunities for developing and implementing best practices and updates that the town needed. One of these was making funding available for appropriation to create a capital improvements fund, which led to the creation of a capital improvements advisory committee. This committee is made up of both town staff and five local citizens who represent town residents. The committee is responsible for making recommendations to the Board of Commissioners on the selection and prioritization of capital projects. The advisory committee provides

both added transparency into the capital improvement plan (CIP) process as well as an opportunity to engage citizens in the process. The committee's monthly meetings are open to the public.

With a multi-year CIP comes the possibility of incurring debt, depending on the sufficiency of other funding sources to cover the town's many capital project needs. These include road infrastructure (such as road widening, a major thoroughfare plan, turn lanes, flashing beacons, traffic lights, crosswalks, bike lanes, sidewalks) and facilities expansion (for instance, fire station, police headquarters, public works maintenance building expansion, land, and opportunities for town parks). Currently, all town staff, including the Police Department, are in the Town Hall, but as the town continues to hire additional staff, facility expansions and new facilities will be necessary. The Fire Department is currently using the county-owned volunteer fire station, but the town has plans underway that include land acquisition and the design and construction of a new fire station to support its growing fire suppression needs.

The Finance Department began rewriting the outdated debt management policy, adopted 10 years ago, to reflect contemporary best practices for debt management, ensuring that fiscally sound debt management practices will be followed. The previous debt policy had vague limitations and guidelines. For example, there was no set limit on the total outstanding debt obligations—it was just indicated that the total amount of debt obligations would be determined by the board. The new policy bases the town's debt limit on a percentage of annual revenues, along other factors. It also includes a bundle of financial policies, including the fund balance policy, an operating budget policy, a capital improvements plan policy, investment policies, and a cash



management policy, along with more specific and formalized guidelines.

The update was presented to the Board of Commissioners in July 2021, and the finance director and town manager also recommended engaging a financial advisor to advise town leaders about debt and fiscal practices, and to help the town secure the best solutions for financing capital investment needs. This includes providing suitability and needs analysis, developing a plan for financing or refinancing, preparing, and reviewing material for bond rating interviews, and other services related to issuing debt obligations. Through all of this, the town has become proactive in establishing strategic and long-term planning in a fiscally responsible manner. The town manager and finance director created a five-year operating budget and 10-year CIP, as well as fiscal analysis that helps the board

understand the long-term impacts of potential developments as far as the revenue to be received and the expected operating costs.

### A NEW REPORTING PLATFORM

The Finance Department remains committed to seeking opportunities to improve performance and efficiencies. In November 2021, Finance achieved its goal of implementing new software, updating a dated and limited onsite reporting platform to a cloud-based platform that provides efficiencies, eliminates redundancies, and streamlines manual processes across departments.

Before the upgrade, when another department would submit a request for purchasing, that request was submitted by paper to the Finance Department. Finance was then responsible for entering the request into the system for processing payment, a time-consuming manual

process. The new system allows every department to submit their own requests via the software, which channels through an integrated approval process based on available department fiscal resources and in accordance with the purchasing policy. The software provides instant and simultaneous updates, including a department dashboard to track and monitor fiscal performance.

Since all the historical data had to be loaded into the town's new software, the Finance team also capitalized on the timing of this upgrade to change over the town's old chart of accounts format to the state's standard chart of accounts. This was done manually by mapping each account under the old chart of accounts. This allowed for better account options that helped make the town's budgeting more transparent and consistent with those of other municipalities as well as the state.

### NOLENSVILLETN.CLEARGOV.COM

As part of the effort to increase transparency, the Town of Nolensville launched an innovative module that provides an easy-to-understand, interactive view of the town budget by fund, department, source, debt, demographics and more.





The Finance team, working with the town manager, conducted a very transparent budget process, providing information to the board of commissioners and the public in graphical and tabular form for the first time ever. The budget process included launching an innovative Finance transparency module that provides web-based data using dynamic infographics that tell the town's financial story. The module is hosted on the town's Finance page (at [nolensvilletn.cleargov.com](http://nolensvilletn.cleargov.com)), where it's available to the public. The information presented in the module provides an easy-to-understand, interactive view of the town budget (expenditures and revenues) by fund, department, source, debt, demographics, and more. The next step is to walk viewers through the CIP, showing the status of each project, amount of funding expended to date, total budget per project, project overview, and location.

## THE TOWN'S FIRST BUDGET BOOK

Following the annual fiscal budget approval, the Finance Department


produced its first-ever budget publication, for which the town received the GFOA Distinguished Budget Presentation Award. Before this, the budget was prepared in Excel and only provided to the public in the form of the ordinance that was required by the state. This meant the public was receiving very limited information about revenues and expenditures with little to no details. There were no visuals or explanations, making it very difficult for citizens to understand the scope and breadth of the town's budget. The new budget document format and content, which provide significant detail on revenues and expenditures, have been well received by elected officials as well as citizens.

## PURCHASING AND PROCUREMENT PRACTICES

The Finance Department has continued to reevaluate and improve on processes and practices. For example, the department created the town's first purchasing policy that provides a formalized process for all types of procurement of goods and services. As a result, the bidding

process has been formalized and aligned with best practices. The Finance Department also issued a request for proposals for new municipal auditing services and a request for proposals for purchasing cards to provide more control over spending while enabling purchases from vendors that don't accept checks.

## CONCLUSION

The Finance Department's ongoing goal and commitment is to shape a culture of efficiency while continuing to evaluate current systems, policies, and processes. This will help us identify opportunities to best optimize resources by eliminating redundancies and increasing automation, while also promoting the development of new policies and guidelines for consistent and efficient improvements. The focus of these efforts is to provide transparency to our citizens, and to provide excellence in finance. 

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