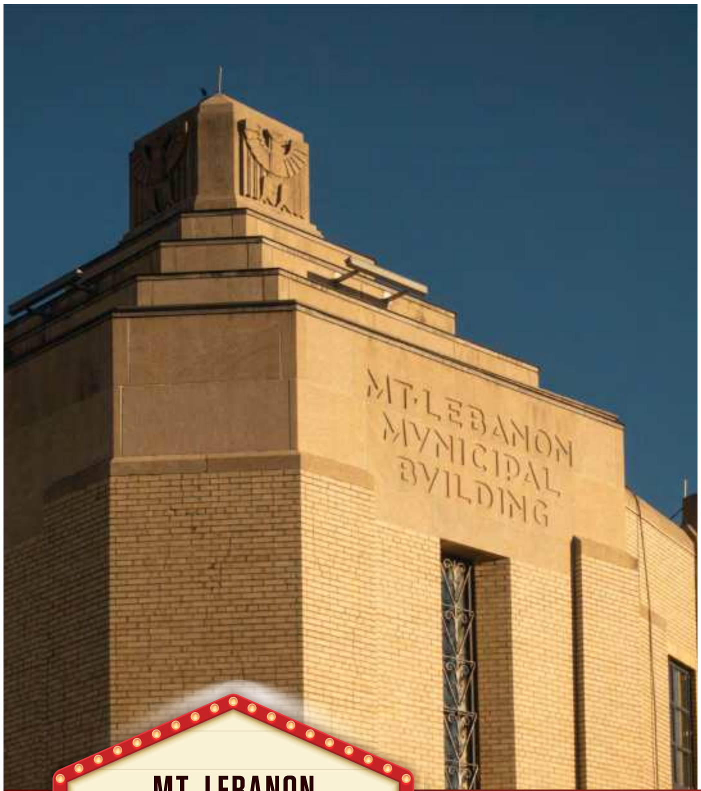

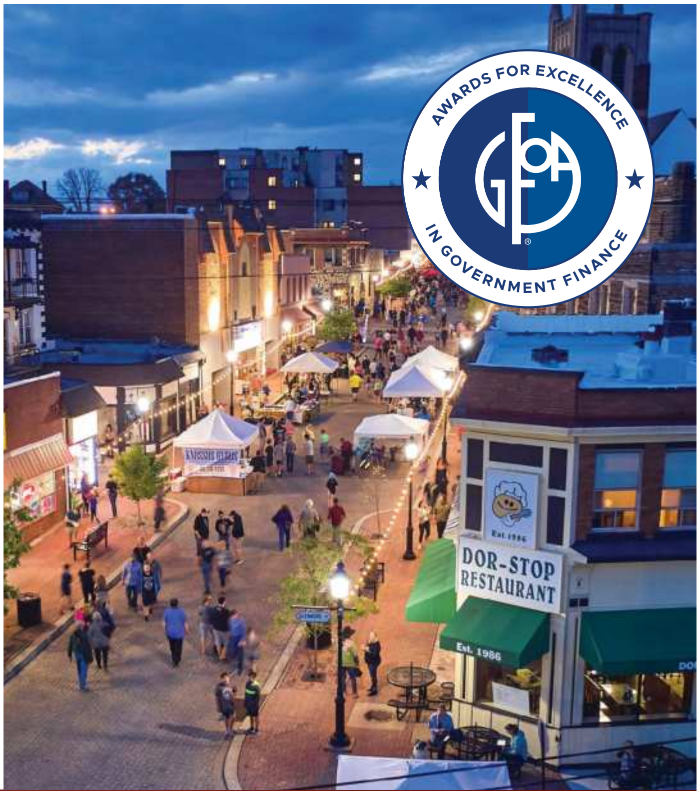

MT. LEBANON MUNICIPALITY AND THE BOROUGH OF DORMONT

Finance Cooperatives

ABOUT THE MUNICIPALITY AND BOROUGH

The Mt. Lebanon Municipality provides municipal services including public safety, recreation, public works, community development, library, parking, and administrative services for approximately 34,000 people in Allegheny County, Pennsylvania. The municipality has a combined budget of $69 million, an operating budget of $41 million, and 163 full-time employees.

The Borough of Dormont is also in Allegheny County, just northeast of Mt. Lebanon. The Borough provides public safety, park and recreation, planning, solid waste, sewer, street sweeping, and other services to an area encompassing three quarters of a square mile and a population of approximately 8,500. The Borough has a combined budget of approximately $17 million.

Summary

In March 2023, Mt. Lebanon Municipality and the Borough of Dormont initiated a financial services cooperative. Through this cooperative, the Borough of Dormont makes use of Mt. Lebanon's staffing and operations to run aspects of the Borough of Dormont's financial operations. The first year and a half of this set-up has been successful, and the two organizations collaborate to provide accounts payable, bank reconciliations, electronic cash receipting, payroll processing, and utility tracking. This initial success has led to other boroughs joining in a similar capacity. Mt. Lebanon is the hub, assigning members of its own staff to support these three other municipalities. The cooperative is mutually beneficial and allows Mt. Lebanon to grow its own staff while reducing costs and giving the

Mt. Lebanon (or "Lebo," as it is nicknamed) is a suburb of Pittsburgh with a population of approximately 34,000 and a combined budget of $69 million.

small governments access to resources they wouldn't have been able to afford on their own.

Crisis creates opportunity

In 2022, the Borough of Dormont discovered that it had been the victim of fraud and needed to replace its bookkeeper. A situation like this is always possible for small organizations with limited staffing, but it can be mitigated with proper internal controls, financial policies, and dependable staff. Unfortunately, in Dormont's case, things broke down and the borough was facing the need to hire a new bookkeeper, implement new policies, and restore trust. Given the current labor shortage, Dormont knew that finding someone was going to be difficult, and creating a smooth transition for what was a one-person department would be even harder.

Andrew McCreery, Mt. Lebanon's finance director, heard about the difficulty Dormont was facing and quickly thought that Mt. Lebanon, with its larger finance staff, might be able to help. He made a comment to that effect to Mt. Lebanon's assistant manager—who received a call a few days later from Ben Estell, Dormont's manager, to ask about that very possibility. It marked the beginning of a successful relationship.

Developing a relationship

Staff from the two organizations soon got together to explore possibilities for collaboration. Both governments had to rely on lean operations and had even worked together to provide efficiencies in the past—meaning there was an initial level of trust from the beginning that allowed discussions to proceed quickly. Dormont was able to present the option of not replacing its finance staff and instead contracting with Mt. Lebanon for these services. The council was receptive, and staff began working out details about how the arrangement would work.

Before moving too far, the governments agreed to a few simple but important boundaries. For example, Mt. Lebanon would not move money for Dormont or touch its cash. All payments would still be approved by Dormont. The organizations also explored ways in which various systems would work, ultimately deciding that Dormont would keep its ERP system and allow Mt. Lebanon staff to use it to manage Dormont's financials. At the same time, Mt. Lebanon was able to configure its own accounts payable automation system to accommodate Dormont's processes. McCreery explained, "We wanted to set up systems that did not make Dormont dependent on Mt. Lebanon. With this current arrangement, if Dormont wanted to take things back, they could." Mt. Lebanon also allowed Dormont to access its SharePoint site, and they began keeping a record of everything. This was important to the relationship between the two organizations, allowing for transparency and collaboration, and it became valuable during the audit, as auditors were able to get access to the same SharePoint site.

A residential suburb of Pittsburgh, the Borough of Dormont has a population of approximately 8,500 residents and a combined budget of approximately $17 million.

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ANDREW McCREERY, MT. LEBANON MUNICIPALITY FINANCE DIRECTOR

Finding the right mix of services

The organizations signed an official agreement in January 2023 and began working together in March 2023. As part of the agreement, Dormont pays Mt. Lebanon an administrative fee that is calculated in advance. Dormont then pays the hourly salaries and benefits of Mt. Lebanon staff members who work on the project. Mt. Lebanon's finance department is now made up of one part-time accountant, Lisa Gundel, who was hired for this project to take on the effort now required by Dormont. At the time, her position was also able to satisfy additional work that Mt. Lebanon needed in addition to the work for Dormont. Gundel is scheduled to work approximately 25 hours per week between the two organizations. At the beginning, she spent about 20 hours a week on Dormont. "Lisa's been fantastic and a huge part of why this has been so successful," McCreery said. "We hired the right person, and she really deserves a lot of the credit for how smoothly things have gone." Things have gone so smoothly, and the team has become so efficient, that the hours worked and the costs for Dormont have been reduced.

Mt. Lebanon and Dormont prioritized areas where Dormont needed the most help, and the first area taken on was accounts payable. This was followed by bank reconciliations. In other cases, Mt. Lebanon staff was able to adopt the same practices Dormont used. Up next was transferring responsibilities for processing credit card payments. This required a little more effort, but Mt. Lebanon was able to tap into McCreery's experience as finance director to help throughout the process. The arrangement also has Mt. Lebanon completing after payroll processing for Dormont.

Flexibility and expansion

When the initial agreement was signed, both organizations agreed to a 90-day out clause in case things weren't working. They also agreed to re-evaluate services after two years to determine if anything could be improved.

The partnership has already provided additional benefits for both organizations. Shortly after signing the agreement, both Krystal Watt, the assistant manager for Dormont, and Ben Estell, its manager, left the organization. Financials were never in question during this change, which allowed Melinda Szabo to transition into her role as assistant borough manager successfully. "When I came in, I didn't have a big finance background, and having Andrew to bounce ideas off of was valuable," Szabo said.

"It makes it much easier for everyone in Dormont to do their job and move forward with full confidence that we have the team at Mt. Lebanon's support," Estell said. And in many ways, Dormont also benefits from more experienced and connected staff. For a very small organization, Dormont was primarily hiring staff at a bookkeeper level. Mt. Lebanon provides access to a more experienced and knowledgeable finance director.

In fact, based on word-of-mouth marketing, Mt. Lebanon was also approached by two other small communities, Etna Borough and Churchill Borough, about a similar relationship. Before agreeing to take them on, staff in Mt. Lebanon reflected on the Dormont experience and decided to make a few changes. Most importantly, it was decided that both Etna and Churchill would use Mt. Lebanon's ERP system to achieve better standardization for staff. The organizations were also able to take advantage of a few state grants focused on municipal cooperation, which reduced the cost of the initial software setup. Mt. Lebanon also hired a new staff member to take on the additional workload, and to help reduce some of the stress related to its own financials, and to build in important redundancies and cross training.

Mutually beneficial partnership

This solution has allowed the municipality to create both a part-time and full-time position to establish greater resiliency throughout the finance department and the cooperatives it serves. For the client municipalities, the impact is much greater. Of the three clients Mt. Lebanon currently serves, one of them has been able to access much-needed controls after experiencing internal fraud. Another municipality was able to repurpose its lone staff member from a position of finance data entry to finance review and analysis.

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>
> **BEN ESTELL**, BOROUGH OF DORMONT'S MANAGER

The last borough was able to create significant efficiencies by modernizing its practices, with the assistance of the cooperative—a task it had been attempting to achieve for years, without success.

Lessons learned for other governments

Local government cooperatives aren't new, but the approach Mt. Lebanon and Dormont used could help more local governments explore opportunities. McCreery pointed out that this type of idea really wasn't new for their region. Mt. Lebanon participated in an animal control cooperative that used six staff positions to serve 13 municipalities. In the past, there was a regional dispatch center. There have also been other such opportunities with public safety, recycling centers, code enforcement inspections, and a few others through the regional council of governments.

Looking back on the finance cooperative, McCreery and Estell both stressed the importance of the relationship being a two-way street, which comes from mutual trust and good communications. This allows specific tasks to be adjusted based on ongoing lessons learned. Estell commented that "this probably could have been scary, but we had a strong relationship both at an organizational and elected levels to begin with."

McCreery emphasized the importance of Dormont trusting Mt. Lebanon. Dormont was able to provide almost full access to its ERP system and visibility into financial transactions because it trusted that Mt. Lebanon wouldn't use that access to be what's referred to in authentic Pittsburgh-ese as being "nebby." (That's "overly inquisitive," for those outside the area.) Mt. Lebanon also has plenty of incentive to make the relationship work. Revenue from the cooperative helps pay for additional staff on the Mt. Lebanon team, which brings added internal controls, cross training, and subject matter expertise.

Both parties also agreed that for this concept to succeed on a larger scale, there would need to be more standardization in systems and policies to provide economies of scale. McCreery noted that while he doesn't feel that using two different systems is that difficult, it would be easier to only use one. Also, while most of the current responsibilities that are shared involve transactional tasks, there is huge potential for coordination of budget analysis, policy development, or taking on new initiatives.

Contacts

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