



Southeast Metro Stormwater Authority Board of Directors

••• 12.13.06

Agenda

- Introduction
- Who We Are
- What We Heard ... Why Do Something and Why Now
- What You Need ... Recommendations
- Summary and Discussion
- Next Steps

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• • • Who We Are

A Heritage of Creating More Value

- Atlanta, Georgia-based firm **founded in 1993**
- Strategic, Financial, and Technology **Leadership**
- **3,000+ clients** across a broad base of industries
- **600+ Executive Financial and Technology** Partners and Principals
- **30+ Offices** Nationwide

Tatum Overview

Tatum is the largest and fastest-growing **executive services** firm in the United States, helping new companies and those in transition to **accelerate business success** and **create more value**.™

Through more than 30 offices nationwide, Tatum's 500+ **executive partners and principals** provide **strategic and operating leadership** in **finance and information technology**.

Functional Responsibilities

- Financial Leadership Agenda Functional Responsibilities:
 - > Corporate Planning
 - > Capital Structure
 - > Treasury
 - > Controllership
 - > Executive Reporting
 - > Strategic Transactions
- Technology Leadership Agenda Functional Responsibilities:
 - > Business & Information Technology Alignment
 - > Governance & Controls
 - > Program Management
 - > Security / eCrime
 - > Outsourcing
 - > CIO Essentials Training

Velocity

Objectivity

Leadership

••• Velocity

- > Immediate integration into clients' operations
- > Mobilize strategic, financial and technology leadership on-demand

••• Objectivity

- > Experienced, outside assessment
- > Remediation recommendation focused on results

••• Leadership

- > Active leadership in the achievement of results
- > On-going assessment to maximize results

The Tatum Difference

- Ability to mobilize the right people quickly
- Immediately integrate into your Operations
- Objectively pursue the Project
- Lead the Achievement of Results
- Provide the experience and expertise needed, in the “increments” needed
- Ability to leverage the experience and expertise of over 600 experienced financial/accounting and technology professionals

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• • • What We Heard ... Why Do Something and Why Now

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Background

- Southeast Metro Stormwater Authority (“The Authority”) is a public start-up Authority whose purpose is to plan, fund, construct, acquire, operate, and maintain drainage and flood control facilities in the communities within its jurisdictional boundaries.
- The Authority has obtained a \$3M loan from COBiz Bank to fund the start up of the operations.
- Ongoing revenues to The Authority will be in the form of fees residents and businesses within the jurisdictional boundaries collected by Arapahoe County and paid over to the Authority on a monthly basis. Revenues are expected to approximate \$7.5M annually.

The Situation

What We Heard

- No Financial Infrastructure
 - > No financial accounting manual, internal controls, or policies and procedures
 - > No budgeting or capital approval processes
 - > No ability to track expenditures
 - > No ability to track actual results vs. budget
- No Project Accounting
 - > No ability to accurately track spend on construction projects.
 - > No analysis of cost variances
- No Financial Reporting
 - > No ability to analyze, report and explain the operational results to the Board of Directors

Implications

- Not able to operate The Authority efficiently and be assured that it is under control.
 - > Lack of accounting controls results in an inability to safeguard the assets and accurately and timely report results
 - > Inability to control cash collections and disbursements
 - > Inaccurate and untimely information to support capital and operational decisions and reporting to stakeholders in the Authority
 - > Unable to compare actual costs to the budget
- Not able to determine and compare actual costs to estimated and budgeted costs of projects.
 - > Inaccurate and untimely information to support project decisions.
- Inadequate board oversight of The Authority

What Tatum Observed

- The Authority's strategic, financing, and operational decisions can be more sound and executed more efficiently if experienced CFO leadership and accounting expertise is present from the start
 - > CFO leadership is focused on:
 - Corporate Planning
 - Controllershship
 - Executive Reporting
 - Governmental Agency Compliance
 - > Technology Leadership is focused on:
 - Business & Information Technology Alignment
 - Governance & Controls
 - Program Management
 - Security / eCrime
 - Outsourcing

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• • • What You Need ... Recommendations

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Recommendation Summary

- On a Project (Consulting) Basis, Tatum will:
 - > Gain a complete understanding of the purpose and the scope of The Authority
 - > Based on that understanding, develop the financial infrastructure to meet the needs of The Authority, specifically:
 - Accounting processes and general ledger software package
 - Project cost accounting system
 - Financial policies, procedures, and controls
 - Financial and project construction reports
 - Assist in the hiring and training of accounting personnel
 - > Create an appropriate risk management program applicable to both the start-up and operational phases of the project

Understand the business

- Meet with Steve Gardner and Scott Tucker
 - > Discuss & understand the purpose and scope of The Authority
- Review financial model and projections and the timetable underlying the goals and expectation of the Board of Directors

Develop Financial Infrastructure

- Utilize local and national Tatum Resources
- Define system requirements for the general ledger and project accounting systems
- Provide guidance for software selection & implementation
- Create financial policies and procedures and implement accounting and management controls
- Develop management reporting system

Review Risk Management Program

- Define risk profiles and review current and anticipated needs for business insurance products
- Recommend and introduce the Authority to insurance brokers and agents who have the necessary expertise to evaluate and propose proper risk management strategies

Tatum Resources

- We envision a team approach for this project. The leader would be a CFO partner and this partner would leverage accounting and technology resources (Principal level) as needed and appropriate
- We estimate that the hours will be split approximately evenly between Partner and Principal level resources.
- Prior to engagement we would agree a specific project plan; timeline of goals and objectives; and estimated fees for the project.
- Based on the information and the time table discussed with Steve Gardner and Scott Tucker, we estimate that it will take approximately two to three months to complete the project based on an average of twenty hours per week.
- Standard rates for our professionals:
 - > Partner Level - \$250 per hour
 - > Principal Level - \$150-\$175 per hour

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