Franklin Regional Council of Governments
Finance Committee — *MINUTES*

Date /Time:	Thursday, March 22, 2018 / 5:00 p.m.
Location:	JW Olver Transit Center, 12 Olive Street Greenfield, MA – Library
Facilitators:	Lynn Sibley, Chair, Finance Com & Bill Perlman, Chair Personnel Committee

ATTENDEES:
- **Lynn Sibley**, Chair, Whately
- **John O'Rourke**, Conway
- **John Payne**, Shelburne
- **Kevin Fox**, Colrain
- **Michele Giarusso,** Leyden

STAFF:
- **Linda Dunlavy**, Executive Director
- **Pat Auchard**, Retiring Finance Director
- **Claire McGinnis,** Finance Director Designate
- **Rebekah Boyd**, Admin Services Coordinator

1. Review and adopt 1.11.18 minutes

Lynn S. opened the meeting at 5:33 p.m.
John O. moved to adopt the 1.11.18 minutes. Kevin F. seconded. The motion passed unanimously.

2. Correct the FY19 Pooled Budget (OPEB line)

The OPEB Pooled Budget line included a reduction for retiree costs of $33,292 *(see attachment A)*. Pat realized that instead of a reduction, the budget should have only had a notation. The budget passed by the Council was too low. Staff identified the following new potential revenue sources to ultimately offset this budget:

- An estimated $14,700 of direct charges by Department Heads under the DLTA contract
- Partnership for Youth's proposal to Drug Free Communities, a funding source with which we have more than 10 years of history. If this is awarded, it will cover the deficit.

Linda explained that when staff built the FY19 budget, they were conservative about large Partnership for Youth (PFY) grants, as most will expire in September. Since budget development, PFY staff has submitted applications for five competitive grants. They have a strong grant awards record. Other possible sources will be revealed after July 1.

Michele G. made a motion to approve a corrected FY19 Benefit Pool budget of $916,415. John O. seconded. Motion passed with all in favor.

3. Increase Pooled Sick FY18 budget to accommodate for unexpected FMLAs

Pat explained that an increase in sick expenses resulted from two FMLAs this year and several people out with serious illness. *(See attachment B).* If sick time continues on the same track, staff expects a budget deficit of $5,707. Because this budget often surprises the Finance Department, by year-end, staff has had to frequently request an increase of $15,000. Indirect revenues are coming in above projections and staff predicts they will cover the increase. Pat is bringing this to the committee now so Claire doesn't have to inherit this as new finance director.

Michele G. asked why the budget must increase if sick time isn't increased. Pat explained that, unlike other benefits, sick time is expensed as it's used, not as it's earned. Linda added that sick time used is approved by supervisors.

Michele G. made a motion to approve the amended FY18 "Accrued Benefit Pool" budget of $914,497. John O. seconded the motion, which passed with all in favor.

4. Request for Cash Match transfer

Pat explained that grant match is part of our approved FY18 Miscellaneous & Contingency budget that can't be accessed until the Finance Committee votes to move the funds to a match-tracking budget. Currently, a 1:1 EDA grant requires match, a DLTA grant calls for $19,000, and if the above mentioned PFY grant is awarded, another $120,000 will be required. Whenever possible, staff use in-kind for match but the suggested $12,000 Grant Match transfer gives us flexibility when there is a shortfall. Any unused portion of the $12,000 is rolled into next year's budget.

Michelle G. made a motion to transfer $12,000 of Grant Match funds from the Misc. & Contingency budget to the Grant Match tracking budget. John O seconded. The motion passed with all in favor.

5. Request to transfer funding from Unassigned Fund Balance to Capital Reserve

Linda reported that after a recent meeting with the FRTA, Pat and she looked closely at the lease agreement. The final federal earmark designated to the Transit Center is dwindling; available existing funds will be gone in the next 3-4 years, assuming no major unanticipated repair. There is currently no expectation of funding for short and long-term capital projects once the final earmark is gone. The FRCOG and FRTA will then be required to share, approx. 55%/45%, all building-related costs, including capital repairs and replacements. Linda feels it's a good time for FRCOG to determine how to become more involved in capital decisions, equipment purchases, and other decisions with a long-term financial impact on the FRCOG, and/or to consider whether lease renegotiation to a market rate rent is preferable. See Lease Review memo (attachment C) for lease terms.

As part of our negotiated indirect rate, we fully depreciated the capital costs related to our move, Pat explained. Refurbishing the Capital Fund Balance with the earned depreciation would have been timely, but instead, without knowing about the lease situation, staff closed the funds to the Unreserved Fund Balance. The depreciated funds total $144,988. Staff is asking the Finance Committee for a motion to recommend to Council a transfer of the amount from the Unreserved Fund Balance to the Capital Fund Balance. The $144,988 is equal to depreciation funds expensed over the past five years as part of the negotiated indirect rate and represents costs for moving into our FRTC office.

Fund balance review:

- Unreserved FY17 Fund Balance = $640,320
- FB reduced by depreciation = $495,332
- Capital FB increased by depreciation = $155,966

Linda has asked Tina and Brett for short- and long-term capital plans, as yet undelivered. Staff needs to know the life of the solar array and roof, and when creating the FY20 budget, they'll need to plan. Pat voiced concern over square foot rent, and the fact that the FRTA has no reserve, though they can still get capital money. It may not be that a new roof will be needed, but it's impossible to know. Kevin asked if capital reserve could be used for the radio system as well. Pat responded affirmatively, but remarked that FCECS could sink us with that cost.

Michele G. moved to recommend to the Council, a transfer of $144,988 from the Unreserved Fund Balance to the Capital Fund Balance. John O. seconded. Motion passed with all in favor.

6. Discuss new approach for Municipal Service Program administrative fees

FRCOG has charged all Municipal Services Programs 10% for administrative costs for more than a decade. Linda and Pat have realized over the last several years that 10% of an operating budget doesn't cover the full cost of administrative services for all of programs. (See the Municipal Services memo, attachment D). Last year, FCCIP gave money back to towns despite the fact that the program wasn't charged (and thus, paying) their full operating cost to FRCOG. Staff would like to raise the admin rate in the FY20 budget. For FY19, and for the close of FY18, staff would like the committee to consider charging an extra percent charge to any program that closes the year revenue positive and already has a 10% reserve fund or greater. Going forward, we'll also ask programs to build a longevity line into their budgets, as municipal service programs aren't covering any part of the longevity costs currently, Linda added.

Members asked the following:
Is every program undercharged at same level? Every municipal service program is charged 10% so that is consistent. The level of administrative assistance programs receive vary from year to year and from program to program depending on the needs and issues of a program.

Is it fair to do a flat rate or should each program be charged at different rates related to their needs? Pat said that staff tried tracking programs at different rates according to their needs and the method was extremely challenging. Administrative staff had to track everything they spent in 15 min increments, and cooperation was minimal. Estimates are possible, but program needs can shift very quickly.

How do you know 10% isn't enough? It's easy to take a program's direct rate and apply indirect to see the shortfall of limiting the admin charge to 10%.

Members discussed rate change percentages, the impacts on the stability of various programs, the impact on municipal assessments, each program's ability to pay a higher rate, and possible percent changes. After thoughtful discussion,

Michelle G. motioned to make the following changes to the administrative rate for Municipal Service Programs (Collective Purchasing, Cooperative Inspection, Cooperative Public Health and Town Accounting):

- **Starting in FY20, staff to evaluate charging an administrative rate of 12% of total program budget minus extraordinary, large capital reserves unique to the program in a fiscal year, plus the cost of longevity bonuses.**
- **At the close of fiscal years 18 and 19, evaluate the effect of an additional 2% administrative charge to any program that ends the year revenue positive and has a reserve of at least 10% of its average annual operating budget, plus the cost of longevity bonuses. Implement the higher administrative rate in municipal programs adequately funded to do so.**
- **Staff to report these findings to Finance Committee with recommendations for adjustments to program budgets in '19 and '20, considering impact on Town Assessments and program financial strengths.**

John O. seconded and the motion passed with all in favor.

7. Review FY17 Audit

The audit is complete with no findings or management issues. Unreserved is not different from what was reported, and all previous issues are cleared up. Claire will be absorbing the new GSBY report.

8. Say goodbye to Pat

All members voiced appreciation for Pat's 18 years of dedicated service and wished her well, saying they'd miss her.

9. Business Not Reasonably Anticipated 48 Hours in Advance of Meeting

John O. made a motion for adjournment, seconded by Michele G. Meeting adjourned at 6:26 p.m.

DOCUMENTS DISTRIBUTED:

- Agenda
- Draft minutes for 1.11.18 meeting
- Memo: Supporting documentation for certain agenda items, from Pat Auchard and Linda Dunlavy, dated March 22, 2018
- Attachment A: FY19 OPEB amendment
- Attachment B1: FY19 Pooled benefit budget amendment
- Attachment B2: FY19 Pooled benefit budget for reference
- Attachment C: Lease Review
- Attachment D: Municipal Services program fee change