

## **Audit/Finance/Facilities Committee**

### **Meeting Notes November 7, 2018**

#### **Members Attending:**

George Spagna, Treasurer/Chair  
Jim Holland  
Pat O'Bannon  
Canova Peterson

#### **Staff Attending:**

Martha Shickle  
Julie Fry

#### **Others Attending:**

Jill Swinger, Warren Whitney

---

Chairman Spagna called the meeting to order at approximately 1:35 and thanked everyone for their time and attendance. He asked Ms. Shickle to review the meeting agenda.

Ms. Shickle said today's meeting will focus on a review of the draft FY18 audit and the edits that were made following input from committee members during last month's meeting. She said Ms. Swinger will also review revisions to the FY19 budget and provide an overview of a preliminary FY20 budget.

Ms. Shickle also announced that she will be meeting with the CAOs/Managers of the four large jurisdictions next week and will provide a budget overview to them as well.

#### **a. Update from FY18 Audit**

Ms. Swinger noted that following last month's audit review, corrections were made to the statement of net position and the balance sheet-governmental funds (handouts of pages 9 and 11). She noted that Henrico County staff had also found these inconsistencies which were subsequently corrected. Ms. Swinger said these will be pointed out to members of the full Board during tomorrow's meeting.

Ms. Swinger reminded the committee that during last month's meeting, staff indicated that revisions to the fringe and indirect rates would also be made to help the agency recover more revenue from grant funders that will not pay indirect costs. She said by making these adjustments, the fringe rate has been adjusted from 27 percent to 50 percent and the indirect costs have been adjusted from 94 percent to 65 percent.

#### **b. FY19 Mid-Year Budget Review**

Ms. Swinger said she included on the handout the final FY18 budget as well as the FY19 budget that was approved by the Board in June. The third column shows the adjusted FY19 budget. She noted that the adjusted budget shows a \$51 thousand deficit at the end of the fiscal year. Ms. Swinger said this takes into consideration hiring a Director of Transportation.

Ms. O'Bannon asked if the shortfall is due to open staff positions or other incurred expenses. She said she believed available funding needs to be spent on priority needs. Ms. O'Bannon said a breakdown of expenses that have led to the deficit should be provided.

Ms. Swinger noted that the budget approved by the Board allowed an expenditure from the reserve funds in the amount of \$125 thousand, which was to be used for upgrades to the audio system in the Board Room and for work to enhance the website, although not all the funds were expended.

Ms. O'Bannon said she thought some of the capital expenditures could be deferred until there is revenue to pay for the expenses. She said a priority should be to hire staff who can work on grant-funded tasks. She said all costs need to be transparent.

Mr. Peterson asked for the plan to recover the deficit and to get back to a point where the fund balance is whole. Ms. Shickle noted that the deficit of \$50 thousand is projected and could improve if other sources of revenue are identified.

Mr. Peterson asked if a reduction in expenses is being considered. Ms. Shickle noted that the budget shows projected salary for six months for the new Director of Transportation. A new contract for managed IT services is being negotiated and that amount will be confirmed as soon as the contract negotiations are finalized. She said part of the technology plan is to transition to a virtual environment which will eliminate the need for hardware capital expenses over time. There are no technology capital expenses anticipated this year.

Mr. O'Bannon emphasized the need to see details of the expenses.

Ms. Swinger said in previous mid-year budget revisions, very little changed. There have been more changes this year than past years. She said staff is being more conservative on costs while working toward identifying a more consistent revenue plan. She said staff will continue to monitor the budget and hopes to be able to provide a better outlook at the end of this fiscal year.

Mr. Holland said he believed a hard look at expenses should be taken to see what can be reduced. A dues restructure/increase should be a last resort but should not be taken off the table. He said it looks as if the FY20 projected budget will be a break-even budget.

Mr. Peterson asked what other sources of revenue are being considered. Ms. Shickle said she recently met with the Virginia Department of Agriculture and Consumer Services

regarding a survey to help them assess where land can be used for solar opportunities without impacting prime agriculture space. Discussions have been held with The Community Foundation about assisting with a community engagement project. She noted that she is also discussing with Richmond Memorial Health Foundation regarding assistance with development of an arts and culture plan. They will meet with representatives from the Atlanta regional planning agency to discuss a similar program they have in place. All of these opportunities will be discussed with the CAO/Managers to see if they feel these are projects the agency should undertake.

Ms. Shickle noted that the large jurisdictions do not need as much assistance from the agency as the small jurisdictions. She said she's speaking with those jurisdictions to see if there are projects the agency can assist with that the small jurisdictions may want the agency to undertake for a fee.

Ms. O'Bannon asked if there was anyone on staff who researched grant opportunities. Ms. Shickle said there are some staff members, including herself, with limited grant writing experience.

Ms. O'Bannon said she is concerned that funding may be lost and the agency will not be able to fulfill its obligations to the jurisdictions as required, thus resulting in the agency being dissolved.

Ms. Shickle said staff or the localities can assist with grant research. Four new grants have been awarded through the Emergency Management program, but these only offer 5 percent of the grant award.

Mr. Peterson asked where expenses can be cut. Ms. Shickle noted that the two largest expenses for the agency are personnel and rent. She said a staff reorganization is underway to ensure that the right staff is in the right position. There have been too many staff members in administrative positions whose work cannot be charged back to grants.

Mr. Peterson said program areas can also be reviewed to see if any of those can be eliminated.

Ms. O'Bannon asked if the new Director of Transportation will understand that all agency staff members can be asked to assist with all transportation related projects. Ms. Shickle said currently, all staff who work in that area are working on tasks from the UPWP, including some staff members who have not traditionally taken on such projects. She said she's also working to ensure that staff is not overcharging hours to grants. With regard to rent, there will be a cost associated with moving the office.

Mr. Peterson asked if there is a timeframe for all of these changes.

Mr. Shickle said the Bylaws require that the Board take action to approve a preliminary budget in December for the upcoming fiscal year. Typically an adjusted budget for the current fiscal year is also presented in December.

Mr. Peterson said all Board members should be made aware of expense and revenue details as well as all options to address shortfalls, such as dues, program cuts, etc.

Ms. Shickle said she'd like for the committee and the CAOs/Managers to help with identifying a plan of action.

Mr. Holland requested that a report for the past three years be developed to show the trend of dues versus other revenues and expenses. He pointed out that the localities are working on their budgets now and will need to know what their financial obligations are to the agency.

Ms. Shickle noted that another expense that can be reviewed is health care costs. Mr. Holland suggested that the agency investigate a partnership with one of the localities could help with those costs. Ms. Swinger said she'd like to suggest that a review be made to the current policy of paying health care costs for retirees until they reach age 65 and the policy of paying accrued benefit hours at retirement.

Mr. Peterson said all options should be brought to the Board for discussion. Ms. Shickle said changing to an accrual-based reporting process will also help staff monitor the agency's financial position.

Ms. O'Bannon asked why the practice of taking funds from the reserves to pay for capital improvements was begun if there was no mechanism to return the funds. She also suggested that discussions be held on whether or not the current reserve fund is adequate.

Mr. Holland suggested that a review also be made of the benefits to move the agency to a more cost-effective location. Ms. Shickle said the attorney has reviewed the current lease and there will be a cost associated with breaking the lease.

Mr. Peterson suggested that Ms. Shickle begin to develop a financial plan with the CAOs/Managers that can be brought back before the committee for further input. Ms. Shickle suggested that the committee meet in January to review a plan. She asked how the committee would like to proceed with regard to presenting the budget in December.

Dr. Spagna said he thought only the preliminary FY20 budget needed to be brought to the Board.

Mr. Peterson said he'd like to discuss options for a one-time special dues assessment to help with the current deficit. Ms. Shickle said she will discuss all of this with the CAOs when she meets with them next week. She will also provide information on the dues rates of other PDCs. She said another option would be to develop a base rate and then a cost based on population.

Mr. Peterson said a base cost that the small jurisdictions could afford would not matter to the large jurisdictions as they would need to pay the same amount.

Ms. Shickle said she will develop a list of options to bring back to the committee in January.

There was no additional business to bring before the committee. Dr. Spagna adjourned the meeting at approximately 2:50 p.m.