

To: Board of Delegates
Fr: Susan Hockenberry
November 17, 2016
RE: 2017 Budget Memo

The purpose of this memo provides a summary of the 2017 Budget, adopted November 16, 2016.

Revenues -The budget provides for the continuation of COG operations through a combination of intergovernmental revenue, membership dues, fees for service, grants & programs, and other revenues, and use of cash.

1. Intergovernmental Revenue – The budget relies on \$49,402 in CD Project Administration Fees and \$7,500 in general fund support from Allegheny County. The County provides these funds to the 7 COGs in Allegheny County to streamline its operations administering federal funds for community block grants to 130 municipalities. The QVCOG performs this service for 14 municipalities.

In order to maximize the benefit of this revenue the COG must efficiently and effectively perform the application process, procurement and contact administration as well as assure compliance with County policies and federal requirements.

For 2017, the COG submitted a cost allocation plan to Allegheny County which provides for \$45,159 in reimbursement for salaries and benefits and 4,243 in project management including overhead. The \$7,500 in general fund revenue is available for general operations.

2. Membership Dues – The budget is based upon Membership Dues charged to member municipalities. Dues provide the most basic funding necessary for the COG to exist, establish and maintain membership. Increases in staff expenses, a historical failure to keep dues relevant as a percentage of the cost of operations, as well as a lack of effort to correlate dues to economic and population conditions necessitated a dues change. The Finance Committee reviewed other COG’s dues schemes as well as examined the financial needs of the QVCOG and recommended a dues change that was adopted by the Board on October 17, 2016.

Population*	Amount
Less than 250	\$1100
251 – 1000	\$2200
1001 – 4000	\$3300
4001+	\$4400
*2010 US Census	

The Finance Committee considered several factors in recommending this schedule.

- a. Financial resources for the COG—the rate addresses the need for the adjustment that is overdue as well as current financial needs. The last rate adjustment was in 1998.
- b. Leveraging additional funding opportunities – the increased revenue will serve as the required match for the Municipal Assistance Program application to DCED. Average grants from the MAP program are \$25,000 and this dues structure increases revenue sufficiently to make that match.
- c. Amounts paid to other COGs was researched. Although each COG is unique, and provides different services from dues, we gained enough insight to determine the average dues per member municipality. QVCOG members pay the lowest average dues of the Allegheny County

COGs; 30% lower than the next lowest and 250% lower than the highest. Not all COGs account for differences in population; in situations where other COGs' members pay a flat fee, QVCOG's dues remain significantly lower. The adjustments needed over time have been made by other COGs but not by QVCOG.

The Finance Committee, while comparing the details of the dues structures with other Councils of Governments, also considered the practicality and fairness of implementing a change in dues structure in the context of the recent COG challenges and changes. Ultimately, while there is a need to develop a formula for determining dues, an incremental change that preserved the existing tranches (with the exception of splitting the lowest into two tiers at the 250 population level), was selected as a means to raise needed revenue while maintaining consistency for the members.

Throughout the discussion, the Finance Committee and the Board of Delegates considered input being received from municipalities at the listening sessions that were being conducted concurrently with all 14 members. Additionally, the Managers and Secretaries group was consulted and advised of the expected change in dues so that they could appropriately budget. That engagement netted input suggesting the dues change was long overdue, not cost-prohibitive, and greater value was likewise expected. We will continue to discuss dues among the Board of Delegates, the Managers & Secretary group, and the member municipalities throughout 2017.

It is recommended that the dues policy be aligned with a financial policy of current revenues meeting current expenditures. A model that establishes dues as the source of funds for 60% of annual operating expenditures (excluding County funds) is suggested as a means to balance the need for financial sustainability and an expectation that the COG be entrepreneurial. For 2017 that amount is \$69,922. This recommendation was not adopted at this time.

Dues income is expected to be \$41,800 in 2017. An ongoing discussion of dues among the Board of Delegates, the Managers & Secretary group, and the member municipalities will continue throughout 2017.

3. Fees for Service – Recognizing that a heavy reliance on dues can be unfair to municipalities that utilize less of the COG services in a given period, a utilization fee is included in the budget. \$13,110 is estimated as revenue for services. One of those service areas is in the area of grantseeking & administration. This fee is comprised of 2 parts:

-A flat application fee of \$500 for applications the COG completes on behalf of municipality. This excludes Pre-Applications. Assuming 7 applications, this would generate \$3500.

-For each grant awarded a 2% percent of admin fee for the grant. Utilizing the existing portfolio of grant admin services the QVCOG provides, a sample year is presented here:

Grant Amt	Rate	Amount
\$59,000	2%	\$1,180
\$42,250	2%	\$845
\$50,000	2%	\$1,000
\$5,000	2%	\$100
\$18,323	2%	\$366
\$300,000	2%	\$6,000
\$20,000	2%	\$400
\$494,573		\$9,891

These funds provide resources for the COG to develop additional capacity to assist members in seeking project funding. This includes time to research and develop grant opportunities, development and oversight of grant application and project management software and activities.

4. Program and Grant Revenue – The budget includes estimated income from program and grant revenues that fund COG operations in the amount of \$20,000. This source will be entirely project driven and does not have a correlating expense beyond the general operating of the COG.
5. Other Revenue – Revenues from Hard-to-Recycle Events, RAD funds, Dinner Receipts, sale of publications, interest represent the remaining revenue sources of \$20,735.
6. Use of Cash- The COG’s undesignated fund balance will be relied upon for \$13,110 in 2017. This is in addition to an expected \$22,000 draw for the end of 2016.

On the expenditure side, the 2017 Budget presents \$165,938 in expenses for Administration, Supplies and Contractual Services.

1. Salaries and Benefits – staffing by 2 current staff members is allocated in the budget. Salaries, required payroll taxes and deferred compensation for retirement are budgeted. No health and welfare benefits are included in this budget. Staffing, which represents the lion’s share of the COG’s budget totals \$122,915.
2. Contractual Services and Supplies – all expenses associated with COG operations that are not payroll related are in this category and total \$41,731. This includes professional legal and engineering services, advertising, insurance, software, machine maintenance, event expense (Hard to Recycle, Dinner), dues and education, office supplies, rent and utilities.

Fiscal position – The QVCOG is experiencing a period of recovery that is well understood by the Board of Delegates. From financial point of view, the COG must adhere to policies that assure financial wherewithal of the COG if it seeks to be a going concern. The most basic of these policies is that current revenues must match current expenditures. The proposed budget does not yet achieve this standard. The following table presents a summary of the Use of Cash (fund balance) for the last 3 years and the 2017 projection.

2014	39,573
2015	21,190
2016 (estimated)	21,449
2017 (projected)	13,110

This pattern results in estimated undesignated fund balance at the end of 2017 equal approximately \$112,000, which is 74% of revenues and 68% of expenditures. When when considered in terms of operational sustainability, this fund balance assures continuance of operations of only 6 months.

Further, it should be noted that this is attainable only with the revenue plan represented here. As stated above, this relies on 3 changes in revenue policies: increased dues, program and grant funds, and utilization fees. Without these changes, and the anticipated financial performance of these sources, the 2017 budget will rely on \$51,000 additional in fund balance, bringing the estimated 12/31/2017 amount to \$59,000, which would most likely result in a management comment in the 2017 audit about the COG's viability as an organization and certainly send the wrong signal to potential funders and other governments.

Concluding - In addition to assuring the governmental organizations that you represent at the Quaker Valley Council of Governments are well informed about the financial policies as they affect their budget, please continue to engage with all stakeholders about the specific concerns of their community to inform a regional agenda. Assure your elected official's full participation in the QVCOG member survey (tinyurl.com/qvcogms). And lastly, continue your active engagement with stakeholders inside and outside of government about the potential of municipalities working together.

In the coming weeks I look forward to working with you to develop the QVCOG strategic plan, as well as good financial policies. Included in those policies should be a Dues Policy and Fund Balance Policy, embodying the principals of predictability for members and prudence of operations.

The QVCOG communities have the people and infrastructure assets to be premiere communities in the region. Intergovernmental cooperation is the means for local governments to capitalize on those assets for the benefit of existing and future residents. This budget begins the steps needed to develop the QVCOG into an organization that facilitates that progress.

Respectfully Submitted,

A handwritten signature in black ink that reads "Susan G. Hockenberry". The signature is written in a cursive, flowing style.

Susan G. Hockenberry
Executive Director

QVCOG Proposed 2017 Budget - Adopted 11-16-2016			
Category	2015	2016	2017
	Actual	Estimated	Proposed
Revenues			
Membership Dues	\$22,550	\$22,550	\$41,800
CD Project Management	\$30,124	\$21,810	\$49,402
Interest Earned: CITIZENS SAVINGS	\$35	\$35	\$35
Spec Books to Contractors	\$900	\$1,000	\$1,000
Dinner Receipts	\$600	\$0	\$5,700
Recycling	\$8,424	\$0	\$6,500
Allegheny County GF	\$7,500	\$7,500	\$7,500
Revenue Prior CD Year	\$2,875	\$196	\$0
Revenue Prior Recycling Year	\$0	\$0	\$0
RAD Monies	\$8,842	\$4,415	\$6,000
Utilization fees	\$0	\$0	\$13,391
Grant and Program Revenue	\$0	\$0	\$20,000
Miscellaneous	\$0	\$0	\$0
Use of Cash	\$26,745	\$21,448	\$13,110
Advertisement Reimbursement	\$0	\$1,500	\$1,500
Total Revenue	\$108,595	\$80,454	\$165,938
Administration - Salaries & Benefits	Actual	Estimated	Proposed
Salaries	\$54,841	\$45,466	\$107,000
Social Security/Medicare	\$4,195	\$3,478	\$8,186
Health Benefits	\$1,684	\$0	\$0
Life Insurance	\$179	\$0	\$0
Deferred compensation	\$4,684	\$1,500	\$7,490
Unemployment	\$0	\$25	\$40
Worker's Comp	\$32	\$175	\$200
Total Salaries & Benefits	\$65,615	\$50,644	\$122,916
Payroll Processing	\$1,292	\$1,292	\$1,292
TOTAL ADMINISTRATION	\$66,908	\$51,936	\$124,208

	2015	2016	2017
EXPENDITURES	Actual	Estimated	Proposed
Advertising CD	\$0	\$1,500	\$1,500
Advertising Other	\$330	\$500	\$500
Annual Dinner	\$0	\$0	\$5,700
Audit/Legal	\$11,337	\$7,000	\$7,000
Engineering			\$3,000
Bond Insurance	\$276	\$276	\$350
Conference/Meetings	\$113	\$130	\$130
Dues & Education	\$582	\$600	\$3,600
General Insurance	\$1,991	\$1,991	\$1,991
Office Rent	\$6,175	\$4,740	\$4,740
Office Supplies/Maintenance	\$3,997	\$4,000	\$4,000
Recycling	\$9,155	\$0	\$4,000

SHACOG Joint Purchasing	\$1,504	\$1,500	\$1,500
Telephone/Maintenance	\$3,725	\$4,000	\$1,440
Travel Expense	\$296	\$300	\$300
Utilities	\$2,205	\$1,980	\$1,980
Total Office Expense	\$41,687	\$28,517	\$41,731
GRAND TOTAL EXPENSES	\$108,595	\$80,453	\$165,939
(foot)	\$0.22	-\$0.25	\$0.40

GF Fund Bal History

as % of exp as % of rev

2010	98580			
2011	96032	-2548		
2012	120205	24173		
2013	207656	87451		transfer from SMAC of 96754 so actual loss of 9303
2014	168083	-39573		
2015	146893	-21190		
2016	125,445	-21448		
2017	112,335	-13110.5	68%	73.64%