

To: Board of Delegates

Fr: Susan Hockenberry

September 18, 2018

RE: 2019 Budget Memo

The 2019 proposed budget is was introduced at the August 15, 2019 Board of Directors meeting. On August 22, 2018 the Supervisory Committee met to provide guidance on the budget presented on August 29 at a for Special Budget meeting to provide member communities an opportunity to participate in the budget process. This message reflects the direction was given as a result of these board deliberations thus far.

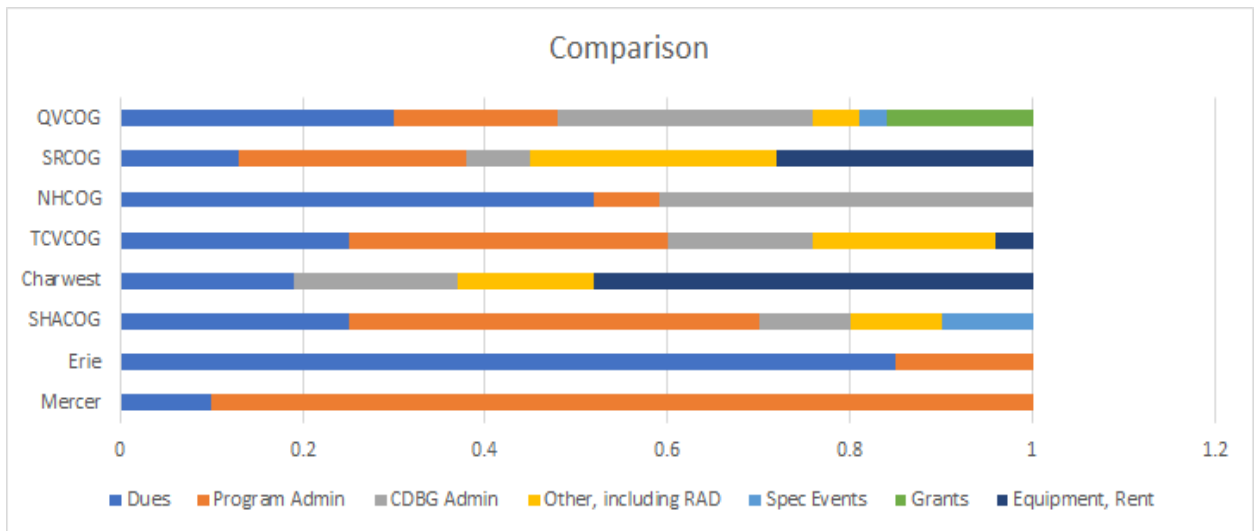
Revenues

The budget presents COG operations through a combination of intergovernmental revenue, membership dues, fees for service, grants & programs, and other revenues, and cost reductions.

1. Intergovernmental Revenue – The budget relies on \$49,000 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 currently performs this service for 15 municipalities. In order to maximize the benefit of this revenue the COG must efficiently and effectively perform the application process, procurement and contract administration as well as assure compliance with County policies and federal requirements.

For the fiscal year of 07/01/2018-09/30/2019, the COG submitted a cost allocation plan to Allegheny County which provides for \$45,159 in reimbursement for salaries and benefits and \$4,654 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 14 member municipalities, \$40,700.00. Dues the most basic funding necessary for the COG to exist. Dues were increased for 2017, but were unchanged in 2018 and the 2019 budget assumes no increase. A presentation to the Board on the Financial Sustainability revealed the reliance on the dues by QVCOG and comparable Councils of Governments.



It is a consistent recommendation that the dues policy be based upon sound budgetary practice of current revenues meeting current expenditures, given the QVCOG’s historical absence of program based income. Dues should cover 60% of annual operating expenditures (excludes County reimbursement). For 2019, after reductions in costs, the dues amount falls short of that standard by \$25,675.

3. Fees for Service – Fees for COG administrative services include a utilization fee is included in the budget.
 - a. \$13,000 in utilization fees. Utilization fees are a variable amount of dues paid determined by amount of grant administration performed by QVCOG. This fee is comprised of 2 parts:
 - i. A flat application fee of \$500 for applications the COG completes on behalf of municipality. This excludes Pre-Applications for CDBG funds. Assuming 7 applications, this would generate \$3500.
 - ii. For each grant awarded a 2% percent of admin fee for the grant. This estimate is based on 2018 expected revenues in this category.
 - b. \$15,700 is estimated for fees from programs. These are direct billed services to subscribers to services provided by the QVCOG.
 - i. Financial Administration Service and Technical Assistance
 - ii. QVCOG-Wide GIS Licenses and Technical Assistance
 - iii. Fees for Stormwater Educational Programs
 - iv. Property Ratings, Proactive Code Enforcement, Zoning Technical Assistance
 - v. Other programs as requested by QVCOG members

4. Grant Revenues – The budget includes \$30,000 in estimated grant revenues based upon anticipated applications to funders to cover some of the cost of program administration for projects relating to programs
 - a. Document digitization
 - b. Municipal solar initiative

- c. Transportation corridor projects.
- 5. Other Revenues – Revenues from Recycling Grants, RAD funds, Dinner Receipts, Associate Members, and Interest represent the remaining revenue sources of \$29,225
 - a. Annual Dinner, \$6,000
 - b. Associate Members, \$5000
 - c. RAD, \$5000
 - d. Recycling Grant \$12,500 (no net revenue)
 - e. Bid documents, interest, MRM dividend, \$725

Expenditures

On the expenditure side, the 2019 Budget presents \$185,125.00. in expenses for Administration, Supplies and Contractual Services.

- 1. Salaries and Benefits – \$122,670 in pay, deferred compensation and payroll taxes is budgeted for 2 current staff members. A 10% cut in salaries is budgeted. Actual individual compensation remains to be determined. No health and welfare benefits are included in this budget.
- 2. Contractual Services and Supplies – all expenses associated with COG operations that are not payroll related are in this category and total \$62,455. This includes professional legal and advertising, insurance, software, machine maintenance, event expense (Hard to Recycle, Dinner), dues and education, office supplies, rent and utilities.

Fiscal Position

Fund Balance History		
Year	Amount	Change
2010	98,580	
2011	96,032	-2,48
2012	120,205	24,173
2013*	207,656	87,451
2014	168,083	-39,573
2015	146,893	-21,190
2015	140,162	-6,730
2016	125,760	-14,372
2017**	110,062	-15,698
2018***	110,112	50
*SMAC Fund transferred to General Fund		
**Unaudited		
***Estimated		

The 2018 year end estimate is reliant on \$40,000 in grant funds yet awarded. The 2019 budget is reliant on \$30,000 of grant revenues yet applied. The By-Laws now require a minimum fund balance, equal to 6 months expenditures based on prior year. For 2019, that amount is \$86,000.

The COG's fiscal position is of concern. 2018 program fees are significantly under budget. This exacerbates a concern about over-reliance on fund balance that has been well articulated. In 2017, the COG set a new dues schedule and had planned use of fund balance of approximately \$14,000. This compromise failed to establish a sustainable dues structure. The 2018 budget, the financial sustainability discussion of June 20, Board of Delegates meetings of August 15, 22 and 29 have not advanced that discussion.

Currently, the 2019 Budget is based 42% on sources from outside the QVCOG - committing the organization the the same requisite percentage of time dedicated to those programs. The sources of funds table in item 2 of the revenue section show how this is highly unusual for Council of Governments. Further, the 2019 budget is based upon cuts in payroll expense to be determined. If QVCOG is viable, this is a circumstance that must change.

It is incumbent on the Board of Delegates to assure financial sustainability of the organization.

QVCOG 2019 Proposed Budget

General Fund	Actual to Date 07/31/2018	2018 budget	2018 Year End Estimate	2018 yr end est vs budget \$	2019 budget	2019 vs 2018 budget	% change 2018-2019 Budget	2019 bud vs 2018 est actual \$	2019 bud vs 2018 est actual %
Revenue									
4001101 Membership Dues	44,000.00	44,000.00	44,000.00	0.00	40,700.00	-3,300.00	-8%	-3,300.00	93%
4002101 Project Management	25,000.00	45,000.00	49,000.00	4,000.00	49,000.00	4,000.00	9%	0.00	100%
4003101 Interest Income	25.00	25.00	25.00	0.00	25.00	0.00	0%	0.00	100%
4004101 Bid Documents	0.00	600.00	620.00	20.00	500.00	-100.00	-17%	-120.00	81%
4005101 Grant Revenues	0.00	30,000.00	40,000.00	10,000.00	30,000.00	0.00	0%	-10,000.00	75%
4005102 General Funds CDBG	7,500.00	7,500.00	7,500.00	0.00	7,500.00	0.00	0%	0.00	100%
4006101 Annual Dinner	0.00	5,700.00	5,700.00	0.00	6,000.00	300.00	5%	300.00	105%
4006102 Recycling Income	9,340.00	1,000.00	12,500.00	11,500.00	12,500.00	11,500.00	1150%	0.00	100%
4006103 Utilization Fee	8,000.00	13,000.00	18,000.00	5,000.00	13,000.00	0.00	0%	-5,000.00	72%
4006104 Associate Members					5,000.00	5,000.00		5,000.00	
4007101 Regional Asset Tax	4,360.00	6,800.00	4,360.00	-2,440.00	5,000.00	-1,800.00	-26%	640.00	115%
4008101 Commission/Dividends	0.00	199.00	192.00	-7.00	200.00	1.00	1%	8.00	104%
Program Revenue	12,000.00	32,670.30	15,684.00	-16,986.30	15,700.00	-16,970.30	-52%	16.00	100%
Total Revenue	\$ 110,225.00	\$ 186,494.30	\$ 197,581.00	\$ 11,086.70	\$ 185,125.00	\$ 1,369.30	-1%	\$ -12,456.00	94%
Gross Profit	\$ 110,225.00	\$ 186,494.30	\$ 197,581.00	\$ 11,086.70	\$ 185,125.00	\$ 1,369.30	-1%	\$ -12,456.00	94%
Expenditures									
Total 6001000 Advertising	\$ 60.00	\$ 500.00	\$ 500.00	\$ 0.00	\$ 500.00	\$ 0.00	0%	0.00	100%
Total 6001101 Administration Payroll	\$ 69,494.95	\$ 125,620.00	\$ 124,180.00	\$ 1,440.00	\$ 112,540.00	\$ -13,080.00	-10%	\$ -11,640.00	91%
Total 6002110 Employer Paid Taxes	\$ 7,139.45	\$ 11,078.80	\$ 10,925.80	\$ 153.00	\$ 10,130.20	\$ 948.60	-9%	\$ 795.60	93%
6004101 Travel Expense	225.00	300.00	300.00	0.00	300.00	0.00	0%	0.00	100%
6008101 Office Supplies & Maintenance	3,025.00	4,000.00	4,000.00	0.00	4,000.00	0.00	0%	0.00	100%
6008102 Dues, Memberships, Subscriptions	1,800.00	3,600.00	3,600.00	0.00	3,600.00	0.00	0%	0.00	100%
6008103 Miscellaneous Expenditures		300.00	300.00	0.00	300.00	0.00	0%	0.00	100%
6008104 Recycling	9,340.00	0.00	12,500.00	12,500.00	12,500.00	12,500.00	#DIV/0!	0.00	100%
6008106 MS4 Stormwater		400.00	400.00	0.00	500.00	100.00	25%	100.00	125%
6008107 Meeting Meals	58.00	500.00	500.00	0.00	300.00	-200.00	-40%	-200.00	60%
6010100 Bank Fees	301.00	270.00	500.00	230.00	500.00	230.00	85%	0.00	100%
6010101 Legal and Accounting	5,958.00	5,000.00	5,000.00	0.00	5,000.00	0.00	0%	0.00	100%
6010102 Engineering		0.00	0.00	0.00	0.00	0.00	0%	0.00	100%
6012101 Phone and Internet Expense	1,289.00	2,184.00	2,184.00	0.00	2,184.00	0.00	0%	0.00	100%
6013101 Annual Dinner Expense		5,700.00	5,700.00	0.00	5,700.00	0.00	0%	0.00	100%
6014101 Insurance Expense	26.00	1,960.00	1,960.00	0.00	1,960.00	0.00	0%	0.00	100%
6014102 Bond Insurance									
6016101 Office Rent Expense	4,045.00	6,640.50	6,640.00	-0.50	6,640.50	0.00	0%	0.50	100%
6016102 Utilities Expense	660.00	1,980.00	1,980.00	0.00	1,980.00	0.00	0%	0.00	100%
6016103 Data Processing	11,119.00	15,211.00	15,211.00	0.00	15,211.00	0.00	0%	0.00	100%
6017101 Conference & Meetings	574.00	250.00	250.00	0.00	279.30	29.30	12%	29.30	112%
6019101 SHACOG Joint Purchasing		1,000.00	1,000.00	0.00	1,000.00	0.00	0%	0.00	100%
Total Expenditures	\$ 115,114.40	\$ 186,494.30	\$ 197,630.80	\$ 11,136.50	\$ 185,125.00	\$ -1,369.30	-1%	\$ -12,505.80	94%
Net Operating Revenue	\$ 4,889.40	\$ 0.00	\$ 49.80	\$ 49.80	\$ 0.00	\$ 0.00	#DIV/0!	\$ 49.80	0%
Net Revenue	\$ 4,889.40	\$ 0.00	\$ 49.80	\$ 49.80	\$ 0.00	\$ 0.00	#DIV/0!	\$ 49.80	0%