

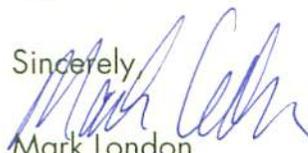
December 9, 2009

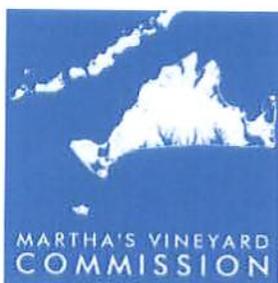
Marshall Carroll, Chair
Town of Chilmark Finance Committee
P.O Box 119
Chilmark, MA 02535

Dear Members of the Finance Committee,

Please find attached the MVC Draft Budget for Fiscal 2011. This budget was approved for your review, comments and questions by the MVC Finance Committee on December 3, 2009. We would be pleased to meet with your committee at any time prior to the second week in January for further review. The MVC Finance Committee will be presenting its Budget to the full Commission on January 21, 2010.

Please feel free to contact me if there are any questions or to schedule an appointment.

Sincerely,

Mark London
Executive Director



DRAFT – December 3, 2009

Martha's Vineyard Commission

Budget FY2011

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1. Introduction

The Martha's Vineyard Commission's FY2011 budget reflects two main factors.

- The economic situation continues to place great strain on the Commission and towns. The Commission's anticipated grant revenue projections continue to be significantly lower than before the crisis. This has resulted in a significant effort to restrain expenses.
- The Commission is modifying the split of health insurance contributions to be 75% employer - 25% employee, similar to the towns.

The overall budget total is almost the same as last year, and it has been possible to slightly lower the assessments to the town.

2. Legal and Administrative Context

The Martha's Vineyard Commission is an independent agency created by the Massachusetts legislature and operating under Chapter 831 of the Acts of 1977 as amended. Section 4, Assessments, Accounting outlines the Commission's funding mechanism and procedure.

The commission shall annually in the month of January estimate the amount of money required to pay its total expenses for the following fiscal year, deduct estimated contributions from sources, and pro rate the net expenses to each town on the basis of its latest equalized valuation for property tax purposes as established pursuant to section nine of chapter fifty-eight of the General Laws. The commission shall certify the amount so determined to the town clerk and assessors of each town within the commission's jurisdiction who shall include the sum in the tax levy of the year.

Upon order of the commission, each town treasurer shall, subject to the provisions of sections fifty-two and fifty-six of chapter forty-one of the General Laws, pay to the commission clerk-treasurer the town's share of the commission's net expenses. The amount so determined and levied shall not exceed .036 per cent of the latest equalized valuation for each town. A penalty of eight per cent per annum shall be paid by towns delinquent in paying their assessed appropriations to the commission if not paid within sixty days of the notice of payment due.

3. The MVC Budgetary Process

The following is an outline of the process that the MVC uses to prepare its budget. This process has been modified from previous years in order to provide for greater transparency and input.

This process is overseen by the Clerk/Treasurer and the Commission's eight-member Finance Committee, made up of the Treasurer, a Commissioner (usually the Board of Selectmen's appointee) from each town, and the Commissioner appointed by County of Dukes County. The MVC Chair is an ex-officio member of the MVC Finance Committee.

The process used to determine line item budget numbers is based on the MVC's historical financial history and looking forward in terms of projected and known grants, health insurance projected costs, Dukes County Retirement projected contribution, potential planning projects and attributable expenses. The Administrator discusses with staff members possible plans or projects

which could impact the budget. Two to three years of actual operating financials are compared to budgeted and factored into a best estimate of increases in line item expenses.

The following are the main steps in the budgeting process.

- October: The Administrator and Executive prepare an Initial Draft Budget (Initial Draft Budget). The MVC Finance Committee reviews the Initial Draft Budget, discusses critical areas of concern and areas of revision, and arrives at a consensus on the approach. The revised Initial Draft Budget is reviewed again by the MVC FinCom, is revised, and is forwarded to town members of the All-Island Finance Association.
- November: The MVC Treasurer and staff meet the All-Island Finance Association, inviting questions, and comments. The MVC FinCom meets to discuss input from All-Island FinCom and make further revisions to the Initial Draft Budget.
- December: The MVC FinCom adopts the DB and presents to full Commission for consideration. A copy of the Draft Budget is also sent to the Chair of each Island Finance Committee for further review and comments. The Treasurer and MVC staff are available to meet town finance committees.
- January: At its regular Commission meeting, held on the third Thursday of the month, the full Commission adopts the budget.
- February: The MVC send the certification to towns and to the Commonwealth.

4. MVC Reserve Funds

The following is an explanation of two reserve funds maintained by the Commission.

- General Reserve Fund: The Commission maintains this fund to cover urgent, unforeseen expenses during the course of the year. This is similar to the towns' Stabilization funds and the high school's Excess and Deficiency fund. It is set at the equivalent of two months' operating expenses, approximately \$160,000. This fund can also be used to deal with short-term cash flow.
- Building Reserve Fund (Capital Improvements): This separate fund is for building renovations and improvement. Each year, the budget includes \$12,000 for building renovations and these funds are accumulated until there is enough to undertake a specific renovation project. We have temporarily reduced our Capital Improvements budget in FY2010 and FY2011 from \$12,000 to \$7,000.

Both reserve funds are maintained in a Massachusetts Municipal Depository Trust Account where they accrue interest at prevailing interest rates.

The following is the policy for the use of the General Reserve Fund.

- The General Reserve Fund may be used for a short-term (30-90 days) working capital infusion not to exceed \$50,000 to bridge receipt of town assessments or grant disbursements. The Administrator and Executive Director must authorize such use, and the funds so used are to be replaced once the assessment or grants are received.
- Utilization of the General Reserve Funds for extraordinary, non-budgeted purposes must be approved by the Executive Director and majority vote of the Finance Committee.
- In preparing its annual budget, the MVC calculates the balance of the General Reserve Fund at the end of each fiscal year. If this balance – less any outstanding accounts

payables and any amount being used for short-term cash flow at the end of any given fiscal year – is less than or exceeds the \$160,000 limit by more than 15%, then the budget shall provide for re-establishing the normal amount. This involves either adding the shortfall or subtracting the excess from the subsequent year's budget.

5. General Notes on the FY2011 Budget

- The total town assessments for FY2011 are \$794,125, a 0.3% decrease over the FY2010 assessment of \$796,497.
- Payroll expenses & administration costs budgeted at \$1,167,625, a \$6,128 or 0.5% increase over the previous fiscal year.

6. MVC FY2011 DRAFT BUDGET

	FY 2009 Budget	FY2009 Actual	FY 2010 Budget	FY2011 Budget		Notes
INCOME						
Grants/Contracts/Gifts	\$420,000	\$371,906	\$310,000	\$328,500		A
Interest/Other Income	\$65,000	\$49,641	\$55,000	\$45,000		B
Town Share	\$796,497	\$796,497	\$796,497	\$794,125	-0.30%	
TOTAL	\$1,281,497	\$1,218,044	\$1,161,497	\$1,167,625	0.53%	
EXPENSES						
Payroll						
Salaries	\$635,250	\$615,519	\$657,272	\$668,704	1.7%	C
Salary adjustment for health				\$25,700		D
Pension Plan (DCRS)	\$88,954	\$93,043	\$92,512	\$98,665	6.7%	
Health & Disability Insurance	\$173,500	\$153,876	\$176,970	\$128,498	-27.4%	E
Retirees Insurance	\$22,500	\$16,795	\$17,500	\$13,788	-21.2%	
Medicare-Other Payroll Taxes	\$9,793	\$9,455	\$10,185	\$10,491	3.0%	
Worker's Comp	\$3,200	\$4,339	\$3,328	\$3,650	9.7%	
DET	\$1,600	\$1,510	\$1,664	\$1,660	-0.2%	
subtotal	\$934,797	\$894,537	\$959,431	\$951,155	-0.9%	
Administration & Operating						
Advertising/Communications	\$9,000	\$2,901	\$750	\$1,000	33.3%	
Audit Fees	\$7,400	\$7,600	\$7,400	\$7,600	2.7%	
Capital Improvements	\$12,000	\$12,000	\$7,000	\$7,000	0.0%	F
Contractual	\$98,000	\$83,458	\$20,000	\$18,416	-7.9%	G
Dues/Subscriptions/Licenses	\$13,500	\$15,714	\$7,000	\$7,175	2.5%	
Equipment: Contract	\$6,500	\$3,475	\$4,000	\$4,000	0.0%	
Equipment: Purchase	\$3,000	\$2,393	\$2,000	\$4,000	100.0%	
Equipment: Repair	\$2,250	\$372	\$2,750	\$2,000	-27.3%	
Insurance	\$12,500	\$9,546	\$12,500	\$12,500	0.0%	
Interest	\$37,000	\$38,356	\$35,750	\$34,550	-3.4%	
Legal Fees	\$60,000	\$88,849	\$46,000	\$60,000	30.4%	H
Maintenance	\$4,700	\$5,198	\$5,200	\$5,200	0.0%	
Mortgage Principal	\$15,000	\$14,000	\$14,500	\$15,000	3.4%	
Postage	\$4,000	\$1,405	\$3,500	\$3,000	-14.3%	
Printing	\$15,000	\$5,344	\$1,000	\$1,000	0.0%	
Registry Fees	\$1,000	\$1,650	\$1,000	\$1,000	0.0%	
Rent	\$750	\$375	\$0	\$350		
Supplies	\$22,000	\$18,748	\$12,500	\$12,813	2.5%	
Travel/Conference	\$8,500	\$9,571	\$6,616	\$6,781	2.5%	
Utilities: Electric	\$5,500	\$5,305	\$4,500	\$4,735	5.2%	
Utilities: Telephone	\$4,750	\$4,743	\$4,750	\$4,800	1.1%	
Utilities: Oil	\$4,000	\$2,571	\$3,000	\$3,200	6.7%	
Utilities: Water	\$350	\$358	\$350	\$350	0.0%	
Other Costs			\$0			
subtotal	\$346,700	\$333,932	\$202,066	\$216,470	7.1%	
TOTAL	\$1,281,497	\$1,228,469	\$1,161,497	\$1,167,625	0.53%	
SURPLUS/DEFICIT						
	\$0	-\$10,425	\$0	\$0		

7. MVC FY2011 BUDGET - ASSESSMENTS

Assessments to Towns - July 1, 2010 - June 30, 2011

	Aquinnah	Chilmark	Edgartown	Gosnold	Oak Bluffs	Tisbury	West Tisbury	TOTAL	Notes
Equalized Valuation	\$778,441,100	\$3,166,248,400	\$7,558,924,400	\$279,836,000	\$3,129,657,500	\$3,128,701,200	\$2,984,887,300	\$21,026,695,900	
Share of Planning	3.70%	15.06%	35.95%	1.33%	14.88%	14.88%	14.20%	100.00%	I
Share of Regulatory	3.75%	15.26%	36.43%	0.00%	15.08%	15.08%	14.39%	100.00%	
Assessment - Planning	\$19,110	\$77,728	\$185,563	\$6,870	\$76,830	\$76,806	\$73,276	\$516,181	J
Assessment - Regulatory	\$10,429	\$42,418	\$101,266	\$0	\$41,928	\$41,915	\$39,988	\$277,944	K
Total Assessment 2011	\$29,539	\$120,146	\$286,829	\$6,870	\$118,757	\$118,721	\$113,264	\$794,125	

Source: Massachusetts Department of Revenue Division of Local Services for use in FY2011

8. Specific Notes on Budget

Note that the budget and actual expenses from FY2009 included those related to the Island Plan.

- A. The grant revenues represent a conservative estimate of what will be received in the FY2011 fiscal year, and what grant revenues can be expected on an ongoing basis, in that we don't want to count on one-time grants for core funding. The grant revenues consist of the following:
- The second year of a four-year contract with the Massachusetts Department of Transportation (MassDOT, formerly MassHighway) will provide \$303,500.
 - A conservative estimate of other grant and contract income that is able to be sustained on an ongoing basis is \$25,000.

This results in a total of grant and contract income of \$328,500. Should the MVC receive additional grants and contract revenues, they will be used for project-related costs and overhead. If there are additional revenues for items to be used for items already budgeted, such as salaries, they could be used for other expenses or to replenish the reserve fund as described in section 4.

- B. The lower overall Other Income reflects lower anticipated DRI Fees due to the economic situation and lower interest rates on reserve accounts.
- C. The Salary expense is based on an increase of 2.5% which is a preliminary estimate of the average of towns and other public entities on the Island. This budget is based on the preliminary assumption that the COLA will be 0%, and the average increase related to experience (grade/step and longevity) is about 2.5%. The MVC proposes to work closely with the All-Island Finance Association and the County to compile accurate information from Island entities to allow for an objective calculation. After the towns and other entities have adopted their budgets, the Commission is committed to revise the MVC salary adjustment to be aligned with the average of the other entities. The Salary expense also reflects a reduction of \$5000 for a summer intern. Note that the Commission intends to carry out a Classification and Compensation Study of its staff positions and current employees as soon as possible.
- D. The Commission is modifying the split of health insurance contributions to be 75% employer - 25% employee. The budget reflects a shift of the related amount, namely \$25,700, from Health and Disability Insurance to Salaries, to allow for compensating employees for this shift for FY2011. Thus, the total compensation to employees (salaries and other costs) and the total cost to the Commission related to this remain unchanged in FY2011.
- E. Health Insurance premiums are projected to increase by 8%, but this budget amount is offset by the \$25,700 reduction savings as employees will now be paying a 25% share of health insurance premiums. Note that, in FY2010, the MVC eliminated the more costly Master Medical Indemnity plan and is now providing only the Blue Care Select (PPO) for all staff, which continues to afford the MVC with approximately \$13,000 in annual savings.
- F. We continued a \$5,000 reduction of our normal \$12,000 building reserve allocation, currently funded at \$7,000. In order to make some needed improvements and to maintain the property and building, this will need to be reinstated to the normal level when economic conditions improve.

- G. Cut back in the use of outside contractors.
- H. Legal fees are increased to accommodate an active lawsuit in one town and projected legal costs related to various proposals to modify the regulation and planning of wind energy facilities on the land and in the waters of Dukes County.
- I. Planning accounts for 65% of the Commission's budget. Regulatory accounts for 35%. This allocation is based on a past analysis of the proportion of staff hours and other expenses related to the two parts of the Commission's mandate.
- J. All seven towns in Dukes County share the cost of Planning according to their relative equalized valuation.
- K. The six towns on the Island of Martha's Vineyard share the cost of the Regulatory and Planning expenses.

Draft approved by the Martha's Vineyard Commission Finance Committee on December 3, 2009