PRELIMINARY DRAFT - December 6, 2010

Martha's Vineyard Commission

Budget FY2012

Note: This is the Preliminary Draft Budget of the Martha's Vineyard Commission. See section 3 for an explanation of the Commission's budgetary process.

1. Introduction

The following are highlights of the Martha's Vineyard Commission's preliminary draft budget for Fiscal Year 2010. This budget reflects current economic conditions.

- There is no increase in the overall budget or in overall assessments to Island towns. New equalized valuations may result in increases or decreases to the assessments of individual towns.
- The cost of living adjustment to employees is 0 percent.
- This budget includes an initial effort to pre-fund Other Post-Employment Benefits (OPEB).

Please see the section 5 - General Comments and section 6 – Specific Comments for further explanation.

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 formula for apportioning town assessments, set out by the Legislature in the Martha's Vineyard Commission Act, calls for the assessments to be divided based on each town's equalized valuation.

> *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 Commission budgetary process is similar to that of the towns.

- In October, Commission staff prepares a preliminary draft budget.
- In November, the preliminary draft budget is reviewed and revised by the Commission's Finance Committee. This committee is chaired by the Commission's Clerk-Treasurer and is made up of one member from each town (including many Commissioners appointed by Boards of Selectmen). The preliminary draft budget is presented to the All-Island Finance Committee for their input and recommendations, and is revised as necessary.
- Late November. The MVC Finance Committee votes on a Preliminary Working Budget. It is subsequently sent to town Finance Committees requesting preliminary questions, inputs and comments.
- Late December, MVC Finance Committee adopts a Draft Budget and presents it to the Commission for consideration. The preliminary amount of each town's assessment is forwarded to the town's administrator for inclusion in that town's budgeting process.
- In December and January, as requested, Commission representatives meet town's finance committees to discuss the budget.
- On the third Thursday of January, the final budget is adopted at the Regular Meeting of the Commission. The adopted budget is then sent to each town.

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. The fund balance at fiscal year-end was $147,698.51.

- Building Reserve Fund (Capital Improvements): This separate fund is for building renovations and improvement. Each year, the budget normally includes $12,000 for building renovations and these funds are accumulated until there is enough to undertake a specific renovation project. For the last two fiscal years this amount has temporarily been reduced to $7,000. The fund balance at fiscal year-end was $7,012. Note that the fund had been depleted in the previous year to carry out extensive building renovations.

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

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

- 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.
- 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.

5. General Notes on the FY2012 Budget

- **Assessments:** The total of town assessments for FY2012 is $794,125, as it is in the current fiscal year. The total equalized valuation of all properties in Dukes County was $21,026,695,900 in the current fiscal year. The taxes paid to support the MVC are currently $.0379 per $1,000 in assessment, or about $19 for a typical year-round house assessed at $500,000. This is about 11% of the maximum assessment authorized in the Martha's Vineyard Commission Act.

- **Salaries:** The Commission has ten staff members (the same number it had a decade ago) namely an Executive Director, an Administrator, an Administrative Assistant, and seven planners, namely the Senior Planner, the Water Resources Planner, the Transportation Planner, the Coastal Planner / DCPC Coordinator, the Economic Development and Affordable Housing Coordinator, the DRI Coordinator, and the GIS Coordinator.

  Salaries are determined according to the Commission's Salary Policy. This includes an inflation component (a COLA adjustment) and an experience component (based job performance and experience; equivalent to the purpose and cost of the grade-and-step system generally used by towns on Martha's Vineyard).

  In FY2012, the preliminary draft budget has a 0% COLA and a 2.5% overall experience adjustment. The latter is based on a survey of the average of similar increases by towns and other public entities carried out two years ago, that indicated an average of 2.9% increase by these other entities. The MVC is in the process of updating this survey, and if the average for the current fiscal year is less than 2.5%, the intention is to lower the MVC's budget to conform to this amount.

  During the course of the past year, the Commission asked Mark Morse of MMA Consulting Group, to review the Commission's compensation current salaries and policies. With respect to the current salaries, Mr. Morse said: *"I have reviewed your current salary ranges and compared the ranges to the comparative salary data that you provided to me. I believe that the ranges are reasonable, based the data that I reviewed and on my general knowledge of salary trends. . . . The current assignment of positions to salary ranges appears to reflect the responsibilities set forth in the job descriptions."*

  We also asked him to advise us on our use of a compensation plan based on job performance rather than a grade-and-step system for salary increases. His conclusion was: *"The compensation plan that the Commission uses is the type of plan that we would recommend for a professional organization with a small number of staff members. . . . I would recommend that you maintain the salary range plan."*

In the coming year, the Commission will work with Mr. Morse to update the Salary Policy to incorporate a mechanism to ensure that salaries for each position remain at competitive levels in the field.

- **Other Post-Employment Benefits** Based on new requirements of the Governmental Accounting Standards Board (GASB Statement 45), all public agencies must show as a liability in their financial statements the amount that would have to be put into trust in order to ensure that funds are available to pay the employee's share of health care and other benefits, other than pension, of retired employees. There is no legal requirement to pre-fund this liability; however, it is desirable to do so.

  The Commission's annual Other Post Employment (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

  In FY2012, the line item for OPEB of $18,000 not only includes the amount needed to fund the current year amount (currently $7,500), but also provides that the remainder be used to partially pre-fund the long-term liability (namely $ 10,500 if the cost of funding the current year remains the same).

- **Medical Insurance:** The Commission's healthcare plan is a single-employer defined benefit plan administered by the Commission. The Commission provides medical and dental benefits to current employees, eligible retirees, and their spouses. Chapter 32B of the Mass. General Laws assigns the authority to establish and amend benefit provisions. The contribution requirement has been based on pay-as-you-go financing method. In addition the Commission may pre-fund an additional amount as determined annually by the Commission and through FY 2011 has not chosen to provide any additional funding.

  Over the past two years, in order to reduce expenses in the short and especially the long term, the Commission revised the employee's contribution of employee health benefits from 90% to 75%, and eliminated a more expensive Master Medical health plan.

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6. MVC FY2012 PRELIMINARY WORKING BUDGET

	FY 2010 Budget	FY2010 Actual	FY2011 Budget	FY2012 Budget		Notes
INCOME						
Grants/Contracts/Gifts	$310,000	$396,346	$328,500	$325,500	*-0.9%*	*A*
Interest/Other Income	$55,000	$60,160	$45,000	$48,000	*6.7%*	
Town Share	$796,497	$796,497	$794,125	$794,125	*0.0%*	
TOTAL	**$1,161,497**	**$1,253,003**	**$1,167,625**	**$1,167,625**	*0.0%*	
EXPENSES						
Payroll						
Salaries	$657,272	$670,075	$694,404	$701,764	*1.1%*	*B*
Pension Plan (DCRS)	$92,512	$88,122	$98,665	$90,500	*-8.3%*	
Health & Disability Insurance	$176,970	$149,181	$128,498	$131,600	*2.4%*	
Other Post-Employment Benefits	$17,500	$13,924	$13,788	$18,000	*30.5%*	*C*
Medicare-Other Payroll Taxes	$10,185	$10,585	$10,490	$10,491	*0.0%*	
Worker's Comp	$3,328	$2,617	$3,650	$3,500	*-4.1%*	
DET	$1,664	$1,261	$1,660	$1,660	*0.0%*	
subtotal	**$959,431**	**$935,765**	**$951,155**	**$957,515**	*0.7%*	
Administration & Operating						
Advertising/Communcations	$750	$5,153	$1,000	$2,000	*100.0%*	
Audit Fees	$7,400	$8,425	$7,600	$8,500	*11.8%*	
Capital Improvements	$7,000	$7,000	$7,000	$7,000	*0.0%*	*D*
Contractual	$20,000	$77,502	$18,416	$18,518	*0.6%*	
Dues/Subscriptions/Licenses	$7,000	$6,166	$7,175	$6,695	*-6.7%*	
Equipment: Contract	$4,000	$1,729	$4,000	$3,500	*-12.5%*	
Equipment: Purchase	$2,000	$6,694	$4,000	$5,000	*25.0%*	
Equipment: Repair	$2,750	$546	$2,000	$2,000	*0.0%*	
Insurance	$12,500	$13,290	$12,500	$13,000	*4.0%*	
Interest	$35,750	$35,274	$34,550	$25,000	*-27.6%*	*E*
Legal Fees	$46,000	$66,184	$60,000	$60,000	*0.0%*	
Maintenance	$5,200	$7,152	$5,200	$6,000	*15.4%*	
Mortgage Principal	$14,500	$14,500	$15,000	$14,600	*-2.7%*	*F*
Postage	$3,500	$1,964	$3,000	$2,500	*-16.7%*	
Printing	$1,000	$23,158	$1,000	$1,000	*0.0%*	
Registry Fees	$1,000	$375	$1,000	$1,000	*0.0%*	
Rent	$0	$135	$350	$350	*0.0%*	
Supplies	$12,500	$15,174	$12,813	$13,133	*2.5%*	
Travel/Conference	$6,616	$7,613	$6,781	$6,951	*2.5%*	
Utilities: Electric	$4,500	$4,920	$4,735	$4,853	*2.5%*	
Utilities: Telephone	$4,750	$4,627	$4,800	$4,920	*2.5%*	
Utilities: Oil	$3,000	$2,176	$3,200	$3,200	*0.0%*	
Utilities: Water	$350	$383	$350	$390	*11.4%*	
Other Costs						
subtotal	**$202,066**	**$310,140**	**$216,470**	**$210,110**	*-2.9%*	
TOTAL	**$1,161,497**	**$1,245,905**	**$1,167,625**	**$1,167,625**	*0.0%*	
SURPLUS/DEFICIT						
	$0	**$7,098**	**$0**	**$0**		

7. MVC FY2012 BUDGET - ASSESSMENTS

Assessments to Towns - July 1, 2011 - June 30, 2012

	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**	*G*
Share of Planning	3.70%	15.06%	35.95%	1.33%	14.88%	14.88%	14.20%	100.00%	*H*
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**	*I*
Assessment - Regulatory	$10,429	$42,418	$101,266	$0	$41,928	$41,915	$39,988	**$277,944**	*J*
Total Assessment FY2012	**$29,539**	**$120,146**	**$286,829**	**$6,870**	**$118,757**	**$118,721**	**$113,264**	**$794,125**	*Preliminary*
Previous Assessment FY2011	*$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

Important Note: The equalized valuations for FY2012 have not been finalized by the Department of Revenue yet. This table is based on the current equalized valuations. Actual assessments for each town may be more or less than these amounts.

8. Specific Notes on Budget

A. Grant revenue varies every year. This budget is based on the continuation of a four-year contract that the MVC has with MassDOT grant and, a conservative estimate of additional government funding anticipated on an ongoing basis. The MVC seeks additional grant funding on an ongoing basis. Additional grant revenue is generally accompanied by additional costs in terms of hiring consultants, interns, and increased expenses.

B. The Salary expense in FY2012 is based on a 0% COLA and an average 2.5% job performance adjustment. Our current Administrator is likely to retire in the coming year; we budgeted anticipated savings of $10,000.

C. OPEB funding for the single MVC retiree is $7,500, which would leave a balance of $10,500 to be deposited in the Dukes County OPEB Trust Fund to pre-fund this long-term liability.

D. A second yearly reduction of $5,000 from the normal $12,000 due to the current economic situation. In order to maintain the property and building, this will need to be reinstated to the normal level as soon as the economic climate improves.

E. Mortgage refinanced at a lower rate from current rate of 6.75% to 5.00%.

F. Mortgage refinanced at a lower rate from current rate of 6.75% to 5.00%.

G. This apportionment of assessments is based on the previous equalized valuations. New figures from the Department of Revenue are expected within the next few months.

H. 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.

I. All seven towns in Dukes County share the cost of Planning according to their relative equalized valuation.

J. The six towns on the Island of Martha's Vineyard share the cost of the Regulatory and Planning expenses.