Martha's Vineyard Commission

Budget FY2016

Adopted by the Martha's Vineyard Commission on January 22, 2015

1. Introduction

Looking Back at FY2014 and FY2015

In FY2014, the last year for which we have audited financial statements:

- The MVC had additional grant revenue of about $90,000 which was largely offset by additional related expenses such as for salaries, contractual expenses, licenses, travel/conference, and supplies. Interest and other income was down about $15,000, mainly because of lower DRI fees.
- Payroll expenses were up about $40,000, consisting of normal salary increases as well as an increase of about $19,000 in Health and Disability Insurance, due to two employees converting to family plans from individual plans, as well as an increase of approximately $6,200 in pension plan (Dukes County Retirement System ("DCRS")) payments.
- Legal fees were $63,461, well under the budgeted amount of $120,000.
- Equipment and maintenance expenses were higher than budget because of several factors: unusually high snow-clearing costs, computer repair costs, pest control measures, and painting of the interior offices.

As a result, the Commission had a surplus of $11,746 in FY 2014, which was used to replenish the General Reserve Fund.

In FY2015, the Commission's budget included a $75,000 surcharge to replenish the General Reserve Fund, reimbursing a withdrawal made in August 2013 to pay the costs associated with a series of lawsuits seeking to overturn Commission DCPC and DRI decisions supporting town proposals, notably in Edgartown and Aquinnah, with implications for all Island towns. So far, the FY2015 income and expenses are on track with the budgeted amounts.

Looking Forward to FY2016

For FY2016, the Commission budgeted a normal modest increase in ongoing annual costs, resulting in an annual increase of $42,462 (3.1%). The budgets for Grants/Contracts/Gifts and the Interest/Other Income was kept constant, so this is also the increase in the Town Share. However, since last year's budget included the $75,000 surcharge to reimburse the General Reserve Fund, the Town Share is $34,538 (3.3%) less than last year.

The MVC's assessments are collected for the Commission by the towns, and are based on the valuation of each property irrespective of which town that property is located in. A typical house assessed at $500,000, will pay $26.72 in FY2016.

The Commission's salaries are adjusted using a formula based on the average of the towns and County increases for the previous fiscal year, namely 1.66% average inflation increase (COLA) and 2.40% average merit increase equivalent to the town's average step increases. The budget includes an on-going effort to pre-fund Other Post-Employment Benefits ("OPEB") of $25,500, based on the Commission's policy of increasing this payment by $5,000 a year. It also includes a policy to use any annual surplus, after the General Reserve Fund is fully funded, to go to OPEB payments. The budget includes funds for the transition to a new Executive Director including funds for a search firm and some overlap between the current and future directors.

Please see the section 5 - General Comments and section 8 – Specific Comments for further explanation.

2. Legal and Administrative Context

The Martha's Vineyard Commission is an independent Regional Planning Agency ("RPA") created by the Massachusetts legislature and operating under the Martha's Vineyard Commission Act, namely Chapter 831 of the Acts of 1977, as amended. The Commission has both legislative and quasi-judicial functions.

The Commission is the only RPA in Massachusetts where the majority of its Commissioners are elected. Of the seventeen Commissioners entitled to vote on regulatory matters, nine are elected, one is appointed by the Governor, one is appointed by the County Commission, and one is appointed by each of the six Martha's Vineyard Boards of Selectmen. In addition, the Governor may appoint up to four additional Commissioners who are not entitled to vote on regulatory matters but may vote on other matters such as the budget.

Section 4, Assessments, Accounting of the Martha's Vineyard Commission Act 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.*

The preparation of the budget is overseen by the Martha's Vineyard Commission Finance Committee. This committee is chaired by the Commission's Clerk-Treasurer and is made up of one member from each town and the County, (including many Commissioners appointed by Boards of Selectmen).

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, Town Finance Committees are invited to attend a special meeting to explain the Preliminary draft budget and invite questions, input and comments. The preliminary draft budget is reviewed by the Commission's Finance Committee and a Draft Budget is adopted. The draft budget is forwarded to the Commission and the town Finance Committees with the preliminary amount of each town's assessment for their inclusion in that town's budgeting process.
- In December and January, as requested, Commission representatives meet town's finance committees to discuss the budget.
- In January, the MVC Finance Committee may meet again to discuss possible changes to the draft budget.
- At the Regular Meeting of the Commission in January (normally held on the third week of January but scheduled in 2015 on January 22), the final budget is adopted. 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 approximately the equivalent of two months' operating expenses, namely $160,000. This fund can also be used to deal with short-term cash flow. The fund balance at fiscal yearend 2014 was $75,279, down approximately $75,000 from the previous year to pay legal fees incurred in FY2011 to FY2013. It has since been replenished.

- Building Reserve Fund (Capital Improvements): This separate fund is for building renovations and improvements. 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. The Building Reserve Fund budget amount remained constant for FY2013, FY2014, and FY2015 at $2,000. The fund balance at fiscal year-end 2014 was $4,403. For FY2016 the budgeted amount will be increased to $10,000 to fund the purchase of a new copier and installation of air conditioning in the MVC's conference room, where Commission meetings are held.

Both reserve funds are maintained in separate accounts at the Edgartown National Bank, 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 payable 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% ($136,000 to $184,000), then the budget shall provide for re-establishing the normal amount. This

involves either adding the shortfall back to the previous fiscal years balance or subtracting the excess from the subsequent year's budget back to 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. In FY2013 it was necessary for the MVC to withdraw $75,000 from the Reserve Fund to meet current operating expenses. In FY2014 the General Reserve Fund was replenished by a special assessment to the Towns in the amount of $75,000.
- 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 FY2016 Budget

- **Assessments:** The total of town assessments for FY2016 is $1,012,940. On an operational basis the assessments to the town shows an increase of $40,462 (4.2%) from the FY 2015 assessed amount of $972,478. The total equalized valuation of all properties in Dukes County was $18,954,893,600 in the current fiscal year. The taxes paid to support the MVC are currently $0.0534 per $1,000 in assessment, which comes out to about $26.72 for a typical year-round house assessed at $500,000. This is approximately 14.8% 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 a merit increase (based on job performance and experience; equivalent to the purpose and cost of the grade-and-step system generally used by towns on Martha's Vineyard).

  The MVC's overall budget for salary adjustments for the coming fiscal year are equal to the town averages for the previous year for both the inflation and step components. A survey of town inflation (COLA) increases for the previous year is updated on an annual basis, and a survey of step increases is updated every five years, or could be updated sooner if any towns change their step-and-grade tables. The COLA increase is awarded to all employees. The step increase is awarded within a range based on individual performance evaluations so that the total does not exceed the budgeted amount.

  The FY2016 Budget has a 1.66% COLA and a 2.40% merit adjustment.

  During the course of FY2011 and FY2012, the Commission engaged 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 on 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."*

The Commission worked with Mr. Morse to update the Salary Policy, setting maximum salaries for each position as recommended by Mr. Morse to ensure that salaries for each position remain at competitive levels.

- **Other Post-Employment Benefits ("OPEB"):** Based on 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 employer'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 OPEB cost is calculated based on the *annual required contribution ("ARC") of the employer,* 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.

  There are two components to OPEB: (1) funding the MVC's share of retirees' healthcare for the current fiscal year; and (2) the long-term liability to set aside funds to pay post-employment benefits of future retirees.

  It would be desirable to increase the OPEB contributions as much as possible in order to limit future liability for the Commission and the towns. Some Vineyard towns are attempting to at least stay current with their contributions, recognizing that there is an historic shortfall that also has to be addressed. In the case of the MVC, the ARC in order to remain current for FY2015 and not fall further behind would have been $84,506. In order to gradually increase the Commission's contributions, the Commission made an OPEB contribution of $10,500 in FY2013, and agreed to increase this contribution by $5,000 per year until it reaches the recommended contribution. To speed up reaching this level, the following protocol will be used for dealing with any future budget surpluses.

  1) Any surplus at the end of the year would go first to replenish the General Reserve Fund if it is less than the targeted amount, presently $184,000 (i.e. $160,000 plus 15%).
  2) Next, any additional surplus would be used to increase our OPEB contribution up to the amount needed to not fall further behind for that year, i.e. increase the $25,500 contribution up to $84,506.
  3) Next, any remaining surplus would be used to reduce the town assessments in the following year.

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 Massachusetts General Laws ("MGL") assigns the authority to establish and amend benefit provisions. The contribution requirement has been based on a pay-as-you-go financing method. In addition, the Commission may pre-fund an additional amount as determined annually by the Commission and through the end of FY 2015 the MVC will have funded $57,000 of future liability.

6. MVC FY2016 BUDGET

	FY 2014 Budget	FY2014 Actual	FY2015 Budget	FY2016 Budget	Change $	Change %	Notes
INCOME							
Grants/Contracts/Gifts	$ 358,000	$ 450,091	$ 358,000	$ 358,000	$ -	0.0%	A
Interest/Other Income	$ 50,000	$ 36,115	$ 50,000	$ 50,000	$ -	0.0%	
Town Share - without Reserve (a)	$ 917,350	$ 917,350	$ 972,478	$ 1,012,940	$ 40,462	4.2%	
Sub-Total without Reserve	$ 1,325,350	$ 1,403,556	$ 1,380,478	$ 1,420,940	$ 40,462	2.9%	
Town Share - Replenish Reserve (b)			$ 75,000	$ -	$ (75,000)		
Town Share - Total (a) + (b)	$ 917,350	$ 917,350	$ 1,047,478	$ 1,012,940	$ (34,538)	-3.3%	B
TOTAL INCOME	**$ 1,325,350**	**$ 1,403,556**	**$ 1,455,478**	**$ 1,420,940**	**$ (34,538)**	-2.4%	
EXPENSES							
Payroll							
Salaries	$ 734,456	$ 758,155	$ 771,266	$ 810,575	$ 39,309	5.1%	C
Pension Plan (DCRS)	$ 128,429	$ 133,659	$ 133,547	$ 139,795	$ 6,248	4.7%	D
Health & Disability Insurance	$ 132,064	$ 150,922	$ 140,571	$ 159,740	$ 19,169	13.6%	E
Other Post-Employment Benefits (OPEB) - Current	$ 34,776	$ 29,332	$ 31,161	$ 21,278	$ (9,883)	-31.7%	F
Other Post-Employment Benefits (OPEB) - Future	$ 15,500	$ 15,500	$ 20,500	$ 25,500	$ 5,000	24.4%	G
Medicare/Social Security, Unemployment & Other Payroll Costs	$ 13,439	$ 18,181	$ 16,017	$ 16,990	$ 973	6.1%	
Worker's Comp	$ 1,600	$ 641	$ 1,671	$ 1,686	$ 15	0.9%	
Sub-Total Payroll	**$1,060,264**	**$1,106,390**	**$1,114,733**	**$ 1,175,564**	**$ 60,831**	5.5%	
Administration & Operating							
Advertising/Communcations	$ 2,000	$ 2,848	$ 2,000	$ 2,000	$ -	0.0%	
Audit Fees	$ 8,400	$ 8,000	$ 8,400	$ 8,500	$ 100	1.2%	
Capital Improvements	$ 2,000	$ 2,000	$ 2,000	$ 10,000	$ 8,000	400.0%	H
Contractual	$ 18,000	$ 41,344	$ 18,000	$ 34,500	$ 16,500	91.7%	I
Dues/Subscriptions/Licenses	$ 6,700	$ 9,783	$ 6,700	$ 6,700	$ -	0.0%	
Equipment	$ 10,000	$ 17,444	$ 10,000	$ 10,000	$ -	0.0%	
Insurance	$ 12,350	$ 13,765	$ 13,509	$ 14,540	$ 1,031	7.6%	J
Legal Fees	$ 120,000	$ 63,461	$ 120,000	$ 68,000	$ (52,000)	-43.3%	K
Maintenance	$ 6,000	$ 24,440	$ 6,000	$ 10,000	$ 4,000	66.7%	L
Mortgage Interest	$ 21,826	$ 21,809	$ 20,694	$ 19,558	$ (1,136)	-5.5%	
Mortgage Principal	$ 21,805	$ 20,755	$ 22,937	$ 24,073	$ 1,136	5.0%	
Postage	$ 2,400	$ 2,915	$ 2,250	$ 2,250	$ -	0.0%	
Printing	$ 1,000	$ 85	$ 1,000	$ 800	$ (200)	-20.0%	
Registry Fees	$ 975	$ 750	$ 975	$ 975	$ -	0.0%	
Rent	$ 350	$ -		$ -	$ -	0.0%	
Supplies	$ 12,180	$ 25,812	$ 12,500	$ 12,500	$ -	0.0%	
Travel/Conference	$ 6,500	$ 16,461	$ 6,500	$ 6,500	$ -	0.0%	
Utilities: Electric	$ 4,500	$ 4,389	$ 4,000	$ 5,200	$ 1,200	30.0%	M
Utilities: Oil	$ 3,200	$ 3,696	$ 3,300	$ 4,300	$ 1,000	30.3%	M
Utilities: Telephone	$ 4,500	$ 5,183	$ 4,500	$ 4,500	$ -	0.0%	
Utilities: Water	$ 400	$ 480	$ 480	$ 480	$ -	0.0%	
Sub-Total: A & O	$ 265,086	$ 285,420	$ 265,745	$ 245,376	$ (20,369)	-7.7%	
Sub-Total: Expenses w/o Reserve	$ 1,325,350	$ 1,391,810	$ 1,380,478	$ 1,420,940	$ 40,462	2.9%	
Replenish Reserve	$ -	$ -	$ 75,000	$ -	$ (75,000)		
TOTAL EXPENSES	**$ 1,325,350**	**$ 1,391,810**	**$ 1,455,478**	**$ 1,420,940**	**$ (34,538)**	-2.4%	

7. MVC FY2016 BUDGET - ASSESSMENTS

Assessments to Towns - July 1, 2015 - June 30, 2016

	Aquinnah	Chilmark	Edgartown	Gosnold	Oak Bluffs	Tisbury	West Tisbury	TOTAL	*Notes*
Equalized Valuation	$ 786,395,800	$ 3,238,385,900	$ 6,954,386,400	$ 231,837,400	$ 2,643,282,300	$ 2,627,842,800	$ 2,472,763,000	**$ 18,954,893,600**	*N*
Share of Planning	4.15%	17.08%	36.69%	1.22%	13.95%	13.86%	13.05%	100.00%	*O*
Share of Regulatory	4.20%	17.30%	37.14%	0.00%	14.12%	14.04%	13.21%	100.00%	
Assessment - Planning	$ 27,316	$ 112,488	$ 241,565	$ 8,053	$ 91,816	$ 91,280	$ 85,893	**$ 658,411**	*P*
Assessment - Regulatory	$ 14,891	$ 61,320	$ 131,684	$ -	$ 50,052	$ 49,759	$ 46,823	**$ 354,529**	*Q*
Total Assessment FY2016	**$ 42,207**	**$ 173,808**	**$ 373,250**	**$ 8,053**	**$ 141,868**	**$ 141,039**	**$ 132,716**	**$ 1,012,940**	
Previous Assessment FY2015	*$ 40,840*	*$ 176,600*	*$ 384,043*	*$ 9,615*	*$ 149,526*	*$ 148,604*	*$ 138,520*	*$ 1,047,748*	

Source: Massachusetts Department of Revenue Division of Local Services for use in FY2016

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. Town Share assessments to the towns have decreased to $1,012,940 from $1,047,478, a reduction of $34,538 or 3.3%.

C. Salaries will increase in FY2016 from $771,266 to $810,575 or $39,309 (5.1%). The increase reflects a COLA increase of 1.66% for each employee, a step increase averaging approximately 2.40%, to the ten full-time MVC employees, and an allowance of $8,000 to provide some overlap between the current and future Executive Director.

D. The budget for FY2016 shows an increase to pension costs payable into the Dukes County Retirement System, increasing $6,248 (4.7%) from $133,547 to $139,795. The mandatory contributions of plan members and the County are governed by Chapter 32 of the MGL and are based on an actuarial report.

E. The cost of health and disability insurance goes up $19,169 (13.6%) as two employees have gone from individual to family plans.

F. Other Post-Employment Benefits ("OPEB") is the cost to the Commission for payment of a portion of retirees' medical and dental insurance coverage. A decrease in the MVC share to fund the current portion of OPEB costs is reflected in the FY2016 budget, decreasing from $31,161 to $21,278, a reduction of $9,833 (31.7%) due to change in the rate and the number of retirees

G. As in Fiscal Years 2012 to 2015, the MVC will continue to pre-fund payments for future retirees and will be deposited in the Dukes County Pooled OPEB Trust Fund. The Commission is increasing the annual contribution by $5,000 a year, and the FY2016 budget includes $25,500 to contribute to the OPEB Trust Fund.

H. For the previous three fiscal years, the budget included $2,000 to add to the Building Reserve Fund, to pay for major capital improvements. For FY2016 the budgeted amount will be increased to $10,000 from $2,000. This increase and the amount currently in the Building Reserve account ($6,400) will be used to purchase a new copier and install an air conditioning system in the MVC's conference room where Commission meetings are held.

I. Contractual expenses have been budgeted at $34,500, an increase of $16,500 (91.7%) to compensate for the fees of a recruitment firm and expenses such as advertising associated with the search for a new Executive Director, to replace the retiring Mark London.

J. Insurance has increased slightly from $13,509 to 14,540 ($1,031 or 7.6%) to reflect the higher premium associated with the MVC's professional liability coverage.

K. The budget for legal expenses has been reduced from $120,000 to $68,000, in line with the 2014 spending and the average costs for many years, other than a relatively brief period a few years ago where there were several simultaneous and costly lawsuits that had to be defended.

L. The Maintenance budget has been increased to $10,000 (66.7%) from $6,000 to more accurately reflect the Commission's costs to maintain the building, computers, and other equipment.

M. Utility costs for both electric and heating oil have been increased by 30% to indicate projected higher energy costs over the next year.

N. This apportionment of assessments is based on the equalized valuations report dated January 1, 2014 from the Massachusetts Department of Revenue.

O. 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.

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

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

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