

MID-EAST COMMISSION
BUDGET HIGHLIGHTS
FISCAL YEAR
2012-2013

(Updated thru May 7, 2012)

Overall Budget

The Mid-East Commission will begin the upcoming fiscal year with an anticipated \$1,071,267 increase (15%) in revenue over last fiscal year's original budget. Total revenue is anticipated at \$8,244,029 as compared to the original 2011-2012 budget of \$7,172,763.

Workforce Development

Workforce Development realized a \$207,107 increase (7%) in revenue over last fiscal year's original budget. The official grant award notice from the NC Division of Workforce Development has been received. Per information furnished by staff the budget presented is a fair estimate of available funding at this point. The Workforce Development 2012-2013 budget includes carryover funding estimated at \$455,015. Total revenue is anticipated at \$3,131,038 as compare to the original 2011-2012 budget of \$2,923,932.

Area Agency on Aging

Area Agency on Aging realized a \$444,310 increase (14%) in revenue over last fiscal year's original budget. The official grant award notice from the NC Division of Aging and Adult Services has been received. Total revenue is anticipated at \$3,635,701 as compared to the original 2011-2012 budget of \$3,191,391.

State Technical Assistance

Council of Government Funds Appropriation or State Technical Assistance as it is commonly known is funding appropriated by the General Assembly each year. During the 2011 Legislative Session, House Bill 200 appropriated the State Technical Assistance funding. The funds require submission of the annual report due to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by September 1st of each year. House Bill 200 outlines the use of this funding.

Section 14.12A.(b) A regional council of government may use funds allocated to it by this section only to assist local governments in grant applications, economic development, community development, support of local industrial development activities, and other activities as deemed appropriate by the member governments.

Actual revenue for 2011-2012 was appropriated at \$21,449. This was a \$3,551 decrease over the original budget of \$25,000. Anticipated revenue of \$22,918 is budgeted for 2012-2013.

Economic Development, Community Development and Planning Services

Planning Services and Economic Development, Community Development realized a \$293,025 increase (57%) in revenue over last fiscal year's original budget. Planning Services has grown as a result of additional contracts for services within the region. Staff positions were added as budgeted for last fiscal year to aid in this expansion.

Community Development increased \$20,000 to fund contract grant writing. The grant writing is to benefit the entire organization. The funding is provided from Mid-East Development Corporation, the non-profit arm of the Mid-East Commission. The funds use furthers their mission of improving life for the citizens in the region.

Programs represented in the Economic Development and Community Development area are often multi-year projects. The 2012-2013 funding will be applied to contracts and programs at various stages of completion. Mid-East Commission management continues to review and adjust this

department as necessary to ensure programs are self-sustaining in order to promote the fiscal integrity of the Mid-East Commission.

Fringe Benefits

There is a decrease in the Fringe Benefit rate from 55.991% to 55.391% for 2012-2013. The decrease is the result of several changes in benefits as noted below for Medical Insurance coverage and NC Local Government Employee Retirement. Fringe benefits based on salary increased due to budgeted compensation increases and the addition of two additional full time staff positions.

A 7% increase is budgeted for in Medical Insurance in the 2012-2013 fiscal years. The NC Association of County Commissioners Group Benefits Pool no longer operated at the end of last plan year (June 30, 2011). A contract was secured with First Carolina Care out of Pinehurst, NC to provide medical insurance to Mid-East Commission staff. Overall the change has been beneficial. Preliminary claims experience reports from First Carolina Care indicate claims are running at 46% of premium. This leads to a favorable ongoing relationship with the company. It is hoped when the final analysis is completed the increase will be slightly lower, in the 5%-6% range.

NC Local Government Employee Retirement rate is set to decrease in July 2012. The Local Government Employees' Retirement System (LGERS) Board of Trustees voted to reduce the employer normal contribution rate for general employees by 0.14% and the death benefit rate by 0.10%. The new LGERS employer rate for general employees for the 2012-2013 fiscal years for Mid-East Commission will be reduced from 6.98% to 6.74% for 2012-2013 fiscal years.

Indirect Costs

Mid-East Commission staff anticipates the Indirect Cost Rate will be 59.356%. This is a 0.711% increase as compared to last fiscal year's original budgeted rate of 58.645%. The indirect cost rate is comprised of Administrative Expense and Building Occupancy expenses.

The Administrative Indirect Rate will be charged at 42.409% compared to last fiscal year's rate of 45.915%. Building Occupancy Indirect Rate will be charged at 16.946% compared to last fiscal year's rate of 12.730%.

Mid-East Commission management began the process to study office spacing requirements and the feasibility of owning versus renting during 2010-2011 year. The space needs study was completed. An extension was worked out with the current building owner through May of 2012. Another extension to the building lease for 12 additional months has been signed as allowed in the original lease. Consideration on the rate was requested of the building owner. Concession was given to allow up to \$100,000 of the lease payments to go toward purchase at the current location. Increased funding for the lease resulting from the addition of all utilities to the contract continues to be included in the occupancy budget.

Staffing

Full time equivalents for Indirect Staff are 5.0. Full-time equivalents for the Mid-East Commission for 2012-2013 are 27.96. This is a net decrease of 3.02 over last fiscal year's 2011-2012 original budgets. Additional staff positions in Workforce Development were not added due to funding reductions in the final awards from the NC Division of Workforce Development.

Two additional staff positions are included in the proposed budget. These include a staff position in the Area Agency on Aging budget for a Family Caregiver Specialist and an additional Planning Technician position. Beaufort County Joblink often has staffing changes as a result of funding award increases or decreases from Workforce Development. In all cases the department budgets are able to sustain the additional staff positions.

Compensation

The 2012-2013 proposed budgets includes a 2.9% increase calculated on the CPI % Change from February to February for the past three years thus keeping current employees in line with new hires in keeping with board goals when the Salary Classification Study was put in place.

A pool for Merit Pay is included at a cost of \$18,922. Merit is awarded based on performance evaluations at the discretion of the Executive Director.

There is a 2.9% increase to the Salary Ranges proposed based on the average change in the CPI as explained above. This results in a COLA of \$37,442 per twelve months. The Board chose last year to award the COLA effective December 1st. Maintaining this approach the awarded COLA of \$21,841 would reflect a \$15,601 reduction in fiscal year salaries as budgeted for 2012-2013.

Longevity payments in accordance with personnel policy are included at a cost of \$16,084.

Capital Budget – Computer Software / Hardware Upgrades

An inventory of computer equipment and some related programs currently in use by Mid-East Commission is included in the first part of Schedule X Technology and Equipment in the proposed budget packet. The second section of Schedule X includes replacement costs based on the method historically used in that process and the costs associated with that replacement. The narrative that follows Schedule X tables mirrors that presented in last year's budget.

In light of recent developments regarding location of office facilities and the need to replace the Executive Director, major changes in this area have been placed on hold. Through the current fiscal year only necessary replacements have been made.

Staff budgeted funds to cover equipment upgrades and those costs. However staff will continue to be frugal in the approach taken to allow transition time for the new manager.

It is proposed to use Beaufort County Joblink as a venue to test the internet hosted option for computer replacement. This would involve replacement of 24 public workstations. The proposal has been put together for cost comparison and brought to the board as a separate agenda item at the May 17, 2012 meeting.

The recommendations from last year are still relevant. They are reiterated below for reference.

An internet hosted environment for the computer hardware and support needs of MEC is being investigated. Preliminary estimates indicate the option runs roughly \$150 per month per workstation for the 26 computers replaced this year the cost would be estimated at \$46,800, which includes support and maintenance. The goal is to phase completely out of the computer hardware ownership business. There will be no hardware purchases for individual machines or servers going forward. Hardware will belong to the hosting company, be updated on a set schedule, and utilize the higher capacity and speed of the larger host servers, often as much as 3-4 times faster than current set-up. Backup of data in offsite locations will also be part of the package. Email backup and retrieval is a hot ticket item in the public records arena currently, and is also included. In the event of an emergency or disaster, the entire IT infrastructure can be up and operational in another location in less than 24 hours!!! This move will free up staff, funding, as well as space for storing and disposing of the outdated machines. The implementation can be accomplished through a phasing out based on the age of the machines currently in place with proper disposal procedures included in the price stated above. In the event a workstation needs to be changed it can be added (or removed) at any time for the stated cost per item with no penalty. The average annual cost of IT hardware and support is \$92,839; of this figure \$57,913 is for IT support only and with an average \$34,926 in IT hardware and upgrades or maintenance. \$106,133 is budgeted for IT hardware and support (\$77,120 for servers and computers plus \$29,103 budgeted for annual maintenance and licenses.)

A VOIP telephone solution is being investigated. Preliminary costs include one time cost of \$200 per phone (est. \$8,000 for 40 phones) plus \$25 per month per desktop phone (est. \$12,000 for 40 phones ongoing costs). The VOIP phones offer the capacity to move locations, even from building to building. The only requirement to be up and working is access to the Internet. Everything else is handled via the Internet. The current phone system is owned by MEC. The phone company no longer supports it and any maintenance is done piece meal by a retired phone company worker on an hourly basis. Upgrades are hard to implement and often do not produce desired results due to the age of the setup in place. The system was moved from the waterfront location ten years ago when MEC relocated to the

current location. Many existing phones are not fully functional or programmed properly. Handsets are no longer available for replacement unless purchased from a third party and are often defective when used. The average annual cost for phones service and support is currently \$34,927. Century Link and Sprint long distance are the carriers. The T1 line for data is included in this amount.

SAGE PRO 200 FOX PRO Financial software now being used is currently a 32-bit program; Windows 7 is compatible with 64-bit system (FOX PRO). SAGE will not sell modules for the old system. SAGE estimates it will no longer support the old system within the next two years. At that point payroll updates will not be forthcoming which are necessary to keep the tax tables in the payroll system updated. Sage offers a 64-bit program upgrade free. Implementation for converting to the 64-bit system would run between \$7,500 and \$13,000. TMS the electronic time keeping system developed prior to 2007 exclusively for MEC needs to be replaced --integration into payroll and general ledger have not been completed at this point, which was one of the main reasons for the development of the software -- efforts have been made to salvage the TMS system with little success. Twenty out of the last 24 payroll periods required some kind of outside intervention from a programmer to complete the TMS process. The MEC staff time that would be saved is a major factor as well. Funds would be better spent on a new solution going forward