

MID-EAST COMMISSION
BUDGET HIGHLIGHTS
FISCAL YEAR
2013-2014

(Updated thru March 11, 2013 for March 21, 2013 MEC Board Meeting)

Overall Budget

The Mid-East Commission will begin the upcoming fiscal year with an anticipated \$1,197,204 decrease (-15%) in revenue over last fiscal year's original budget. Total revenue is anticipated at \$7,046,825 as compared to the original 2012-2013 budget of \$8,244,029.

Workforce Development

Workforce Development realized a \$456,327 decrease (-15%) in revenue over last fiscal year's original budget. The official grant award notice from the NC Division of Workforce Solutions has not been received. Notice has been received indicating there will be reductions in Federal funding due to the sequestration process. Per information furnished by staff the budget presented is a fair estimate of available funding at this point. The Workforce Development 2013-2014 budget includes carryover funding estimated at \$253,463. Total revenue is anticipated at \$2,674,711 as compare to the original 2012-2013 budget of \$3,131,038.

Area Agency on Aging

Area Agency on Aging realized a \$146,722 decrease (-4%) in revenue over last fiscal year's original budget. The official grant award notice from the NC Division of Aging and Adult Services has not been received. Notice has been received indicating there will be reductions in Federal funding due to the sequestration process. Per information furnished by staff the budget presented is a fair estimate of available funding at this point. Total revenue is anticipated at \$3,488,979 as compared to the original 2012-2013 budget of \$3,635,701.

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 2012 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 2012-2013 was appropriated at \$22,918. Anticipated revenue of \$21,449 is budgeted for 2013-2014. This level of funding reflects a decrease of \$1,469 (-6%).

Planning Services, Economic Development, Community Development

Planning Services and Economic Development, Community Development realized a \$173,454 decrease (-22%) 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 are added as budgeted for to aid in this expansion.

Programs represented in this area are often multi-year projects. The 2013-2014 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 an increase in the Fringe Benefit rate from 56.297% to 61.501% for 2013-2014. The increase 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 new positions anticipated.

An 8% increase is budgeted for Medical Insurance in the 2013-2014 fiscal years. A contract with First Carolina Care out of Pinehurst, NC to provide medical insurance to Mid-East Commission staff is currently in place. Staff is researching insurance coverage with the North Carolina League of Municipalities (NCLM) as well as various delivery methods. Both NCLM and First Carolina Care utilize the MedCost network of health providers. 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 increase in July 2013. The Local Government Employees' Retirement System (LGERS) Board of Trustees voted to increase the employer normal contribution rate for general employees by 0.33%. The death benefit rate continues to be reduced by 0.10%, for the second of three years. The new LGERS employer rate for general employees for the 2013-2014 fiscal years for Mid-East Commission will be increased from 6.74% to 7.07.

Indirect Costs

Mid-East Commission staff anticipates the Indirect Cost Rate will be 58.945%. This is a 3.571% decrease as compared to last fiscal year's original budgeted rate of 62.516%. The indirect cost rate is comprised of Administrative Expense and Building Occupancy expenses.

The Administrative Indirect Rate will be charged at 42.912% compared to last fiscal year's rate of 44.078%. Building Occupancy Indirect Rate will be charged at 16.033% compared to last fiscal year's rate of 18.438%.

Mid-East Commission management began the process to study office spacing requirements and the feasibility of owning verses renting during 2010-2011 year. Staff continues working in this direction.

Staffing

Full-time equivalents for the Mid-East Commission for 2013-2014 are 27.98. Full time equivalents for Indirect Staff are 4.75. This is a net

increase of 2.87 over last fiscal year's 2012-2013 original budgets. Additional staff positions in Workforce Development / Beaufort County Joblink, Area Agency on Aging, and Planning are included.

Compensation

The 2013-2014 adopted budgets includes a 2.4% increase calculated on the CPI % Change from February to February for the past three years. This process ensures current employees are kept in line with new hires. This is in keeping with board goals when the Salary Classification Study was put in place.

A pool for Merit Pay is included in the adopted budget at \$15,542. Merit is awarded based on performance evaluations at the discretion of the Executive Director.

There is a 2.4% increase to the Salary Ranges adopted based on the average change in the CPI as explained above. This results in a COLA of \$30,715 per twelve months. As in previous years the timing of the award of the COLA will be at the discretion of the Board.

Longevity payments in accordance with personnel policy as revised on 09/20/12 are included at a cost of \$16,248.

Capital Budget – Computer Software / Hardware Upgrades

The recommendations for the current fiscal year are presented in Schedule X – Technology and Equipment Needs. The notes from this section are included below for reference.

NOTE 1: (Update as of January 22, 2013 MEC has been live in the cloud with VOA from VC3!!)
VIRTUAL OFFICE ADVANTAGE an internet hosted environment for the computer hardware and support needs of MEC has been put in place.

NOTE 2: VOIP Hosted Phone Solutions

SEE ATTACHMENT (NOTE 2: VOICE ADVANTAGE - VC3)

A voice over IP (VOIP) telephone solution has been determined to be the prudent course of action to replace the existing phone system. Preliminary estimates include one time cost of \$326 per phone (est. \$13,682 for 42 phones) plus \$39.37 per month per desktop phone (est.

\$19,842 for 42 phones ongoing costs). The total first year estimated cost is \$33,524. The average annual cost for phones service and support is currently \$34,927. The VOIP telephones offer the capacity to move locations, even from building to building, effortlessly. The only requirement to be up and working once relocated is access to the internet. Everything else is handled via the internet and the service provider. The current phone system is owned by MEC. It is no longer supported by the phone company and any maintenance is done piece meal by a retired phone company worker on an hourly basis. Any major 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 (not unusual since they are not user friendly instructions). Handsets are no longer available for replacement unless purchased from a third party and are often defective when used. The current local and long distance phone service from Century Link would be replaced by Sudden Link internet lines which are already in place. Equipment necessary for VOIP phones that has already been installed during the hosted cloud migration has been deducted from the original quote for the internet phones. Cost comparisons were done with VOIP telephone solutions from VC3, Century Link directly and through a third party (Ty Carter) within the past several years. VC3's Voice Advantage hosted phone solution was the best value of the three based on the comparison.

NOTE 3: Financial Software Upgrade or Replacement

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 after March 2014. At that point maintenance and payroll updates will not be forthcoming from SAGE. The payroll updates are necessary to keep the tax tables in the payroll system current. Strong Software is a third party provider of the Sage payroll updates and will be available on an ongoing basis as of now..

MEC Staff are currently in the process of issuing a RFP for financial software. Based on estimates from other local governments the price to replace SAGE could be as much as \$70,000 for the licensing & installation and between \$12,500 and \$24,000 annual maintenance and support. These estimates do not include non recurring costs which could run between \$10,000 and \$20,000 depending on how much history is converted.

The migration to the cloud based hosted desktop solution with VC3 resulted in MEC staff abandoning the TMS software for electronic time keeping all together. During the RFP process for financial software the electronic time keeping question will be addressed to integrate with the new product.

NOTE 4: Vehicle Replacement Schedule

SEE ATTACHMENT (NOTE 4: VEHICLE REPLACEMENT SCHEDULE)

MEC staff has developed a Vehicle Replacement Schedule based on feedback from the board of directors. Each vehicle will be used for 5 fiscal years. The vehicle will then be declared as surplus the following year provided it has reached at least 100,000 miles. All estimates are conservative. Replacement vehicles would be comparable to the vehicle being replaced unless authorized by the board of directors. Replacement vehicles are estimated to include a 15% price increase. The vehicle replacement schedule will be reviewed and included with the proposed budget in future years.