

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS
777 North Capitol Street NE
Washington, DC 20002

Date: February 13, 2008
To: COG Board of Directors
From: David J. Robertson, Executive Director
Subject: Recommendation for FY 2008 Budget Reallocation

Recommendation

The COG Board of Director is asked to approve a management recommendation to reallocate \$150,000 from the FY 2008 contingency reserve to support the Greater Washington 2050 program (Resolution R8-08). The Greater Washington 2050 program was endorsed by the COG Board in October (Resolution R62-07) and December 2007 (Resolution R70-07).

Budget Schedule

The COG Board of Directors approved the FY 2008 (July 2007 to June 2008) work program and budget in November 2006, well before the Greater Washington 2050 project and its anticipated revenue and expense requirements were known. COG's fiscal work program and budget previously required approval by the membership, which traditionally only met in December. Also, the early approval allowed member governments to incorporate approved assessments into local budget preparation. Bylaws changes approved in November 2007 will now allow the budget to be approved closer to the beginning of the fiscal year but still in sufficient time to incorporate assessments into local government budgets.

Contingency Reserve

The contingency reserve is a sub-category of the operating budget and allows the COG Board of Directors to invest in high priority program activities or meet additional expense requirements not anticipated when the fiscal year work program and budget was approved. The contingency reserve is traditionally funded by building and interest income. Consistent with adopted Board policy, unspent contingency reserve funds are allocated to COG's general reserve. COG has consistently grown its general reserve to meet Board-approved reserve targets.

Past Use of Contingency Reserve

In the previous fiscal year, the COG Board of Directors approved two management recommendations for reallocation of the contingency reserve to support new program actions. One was to approve \$100,000 for the climate change program in April 2007. The second was to approve \$125,000 for legal fees associated with a lawsuit related to COG/TPB activities on the

Inter-County Connector in February 2007. Ultimately, COG’s insurance coverage supported the bulk of ICC-related legal fees, less a \$10,000 insurance deductible expense. There has been no use of the contingency reserve to date in FY 2008.

Projected FY 2008 Contingency Reserve

Funds to support the FY 2008 contingency reserve are projected to exceed the approved FY 2008 work program and budget as a result of higher than budgeted building and interest income. The increase in building income is due to the legal restructuring of the building corporation and mortgage refinancing between ICMA, ICMA-RC and COG to a Real Estate Investment Trust (REIT). As a result of REIT restructuring, the IRS code requires 100 percent distribution of earnings to the shareholders, which is a change from the cash availability formula under the previous corporate agreement. Management projects that the COG Board can approve Resolution R8-08 and still contribute significant unspent contingency reserve funds to the general reserve at the end of FY 2008.

Contingency Reserve	Budgeted	Projected (as of Jan. 2008)
Building income	300,000	641,000
Interest income	350,000	400,000
Subtotal	650,000	1,041,000
Applied to FY 2008 programs	110,000	**260,000
Contingency reserve balance	\$540,000	\$781,000

** Includes staff recommendation for \$150,000 for GW 2050 budget reallocation.

Use of Funds

The projected Greater Washington 2050 program budget is \$400,000 for the period January 2008 through June 2009. The COG Board of Directors stressed the need for actions and deliverables associated with this program, rather than lengthy deliberation and “visioning”.

COG Board of Directors approval of Resolution R8-08 will enable Greater Washington 2050 leadership and COG staff to quickly commence several project tasks, while continuing to seek grant and other support for program activities. The recommended budget reallocation will be used to support several early key tasks associated with the Greater Washington 2050 work program:

- An assessment of local and regional planning and policy goals for land use, growth, and environmental quality.
- Implementation of a regional survey to determine the public’s attitudes concerning growth and quality of life issues.
- Development of technical tools (measures of effectiveness) to inform public officials of the range of potential impacts of alternative growth scenarios.

In approving the Greater Washington 2050 program in December 2007, COG Board of Directors discussion noted the value of COG financially supporting this priority program, rather than having it largely supported by non-COG sources. The approved FY 2009 work program and

budget included \$50,000 in COG financial support for Greater Washington 2050. The projected budget assumes half from COG and half from non-COG sources.

Summary

The Greater Washington 2050 program is a high-priority, public-private initiative led by COG. While Greater Washington 2050 leadership and staff will aggressively seek non-COG funding support, ultimately COG is responsible for the successful execution of this program. The requested budget reallocation will enable COG to invest in this program and quickly commence actions and deliverables, and still have a projected contingency reserve balance at the end of FY 2008 to fund the general reserve.