



Local governments working together for a better metropolitan region

Date: April 7, 2010

To: COG Board of Directors

From: David Robertson, Executive Director

Subject: FY 2010 Budget Contingency Reserve Reprogramming

- District of Columbia*
- Bladensburg**
- Bowie*
- College Park*
- Frederick*
- Frederick County*
- Gaithersburg*
- Greenbelt*
- Montgomery County*
- Prince George's County*
- Rockville*
- Takoma Park*
- Alexandria*
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- Fairfax County*
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- Loudoun County*
- Manassas*
- Manassas Park*
- Prince William County*

**Adjunct member*

Recommendation

I recommend that the COG Board of Directors approve two budget reprogramming requests from contingency reserve: 1) \$100,000 to cover extraordinary unbudgeted snow/administrative leave for COG employees during the 2009-2010 snow season in FY 2010; and 2) \$50,000 (\$20,000 in FY 2010 and \$30,000 in FY 2011) to support one-time consultant and conference expense in support of COG's adopted focus on jobs and economic resiliency. I recommend this action be docketed for the April 14, 2010 COG Board meeting. The COG Budget and Finance Committee (members listed at the bottom of this memo) concurred in this recommendation.

Background

The COG Budget and Finance Committee (BFC) is responsible for advising the COG Board of Directors on overall budget and fiscal matters, in addition to reviewing and recommending management's proposed work program and budget prior to COG Board adoption.

COG is on a July 1 fiscal year. FY 2010 began on July 1, 2009 and will end on June 30, 2010. The adopted FY 2010 work program and budget included a contingency reserve line item. Contingency reserve is funded through COG building and investment income. The COG Board approved contingency reserve expense for several priority programs in the FY 2010 budget. The balance of the contingency reserve is unallocated. As warranted during the fiscal year, the COG Board may also reprogram contingency reserve in response to unanticipated expenses and/or to support priority program needs. At the end of the fiscal year, unallocated contingency reserve is added to COG's general reserve.

FY 2010 Contingency Reserve (3/19/2010 forecast)	1.	\$ Amount
Building income		550,000
Investment income		230,000
Total contingency reserve income		780,000
Allocated to programs in FY 2010 budget		235,874
Allocated by subsequent COG Board action		115,000
Unallocated		429,126
<i>Proposed FY 2010 allocation, 4/14/2010</i>		<i>120,000</i>
Revised unallocated		309,000

Recommendation #1, Snow/Administrative Leave

COG has an indirect cost allocation plan that supports agency-wide costs associated with its program activities. The indirect allocation plan includes overhead/management staff salaries; employee benefits; sick and administrative leave; and indirect costs, e.g. building rent.

When COG is closed for snow or inclement weather and employees may not be able to perform work and charge to their project/grant budgets, employees are authorized to charge to snow/administrative leave.

COG budgeted one snow day (approximately \$38,000) in FY 2010, an amount that has proven sufficient in recent years, but clearly not this fiscal year when the region experienced several record-breaking snow storms. For the fiscal year ending June 30, 2010, COG authorized employees to charge a total of three and one-half days of snow/administrative leave, resulting in an additional \$109,000 of unbudgeted expense. COG was closed fewer days and incurred fewer snow/administrative leave days than the federal government (four and one-half days) and some of its member governments during the 2009-2010 snow season. COG based its decision to open or close on information discussed during regional snow calls. On several dates management's options were extremely limited due to the closure of above-ground METRO stations, very severe reduction in commuter rail service, and cancellation of bus service.

Management recommends that the COG Board approve reprogramming of contingency reserve in an amount not to exceed \$100,000 in FY 2010. Management estimates at least \$9,000 and perhaps more of the unbudgeted expense of \$109,000 can be accommodated by expense reductions and/or expenses that are projected to come in under budget between now and June 30, 2010.

COG's budget is largely labor and labor-related costs, so there are few options available to find offsetting expenses in the three months remaining in the fiscal year. This season's snow storms were extraordinary and unlikely to be repeated. In preparation for next year's snow season, management will also broaden COG's telework policy and procedures to enable additional employees to telework in the event of snow or inclement weather. Employees who work from home and charge time to project budgets rather than snow/administrative leave will maximize productivity and reduce future snow/administrative leave expense.

In advancing this recommendation, COG management is mindful of the need to make a business case for all expenses and ensure that other cost-cutting measures or revenue sources are considered. COG membership assessments have been frozen at the FY 2009 level in FY 2010 and FY 2011 and most federal and state grant revenue (the largest share of COG's revenue) is flat. In addition, COG management implemented a number of cost-cutting measures in 2009:

- Reductions-in-force of overhead/management staff
- Elimination of pay-for-performance merit salary increases (COG does not provide a COLA)
- Increase in employee contributions to COG's defined benefit pension plan and health insurance plan
- Restrictions on travel and training expense
- Delay in the purchase of employee personal computer replacement
- Reductions in information technology consultant expenses
- Reduction in expenses associated with ongoing COG activities such as the annual leadership retreat and publications

These and other actions will continue in the current and next fiscal year, as well. This is a request for reprogramming of the contingency reserve, which is a line item in COG's adopted FY 2010 work program and budget and is not a request for reprogramming of COG's General Reserve, which consistent with adopted COG policy also must be approved by the COG Board but only in response to the most urgent programmatic or budget needs.

Management has examined other options to address what is likely a one-time expense and has concluded there is no other source of revenue or offsetting expense that would be sufficient to close this budget gap and strongly recommends COG Board approval of the contingency reserve reprogramming request.

Recommendation #2, Consultant and Conference Expense

The COG Board is responsible for overseeing COG's mission and implementing its work program and activities and annually adopts a policy focus and priorities to guide this work. In March, the COG Board adopted its 2010 Policy Focus and Priorities which directed COG to refocus and intensify its work on economic development, economic recovery and jobs. Historically, the adopted priorities have fallen within existing COG programmatic areas with the staff and resources available to support new and ongoing initiatives. As a member association COG must be able to appropriately and effectively respond to the emerging and changing needs of the region. For the foreseeable future, those needs are bolstering economic recovery and shrinking unemployment.

Management has committed to examine COG's ongoing policy and program activities to identify opportunities to strengthen or elevate economic recovery or sustainability. A comprehensive review of the impact federal recovery spending has had on job retention and creation in the region and the identification of opportunities on how remaining or new funding can be prioritized to maximize jobs and economic impact will require analysis that is outside of COG's current capacity. In order to meet the Board's objectives, management is recommending the strategic use of consultant support, in an amount not to exceed \$30,000, to assist in conducting this analysis. Management recommends this expense be approved for FY 2011. Management will look to area universities, leveraging existing relationships for maximum return on investment, which specialize in regional economic development.

The COG Board has also directed management to expand its workforce development initiative, a key component to economic recovery and sustainability. Staff is planning a conference for the late spring that will bring together a wide-range of workforce stakeholders in the education, business, government and civic communities to: 1) address immediate sectoral employment needs in the National Capital Region; 2) identify a regional strategy for integrating workforce and economic development efforts; 3) develop meaningful and sustainable partnerships; and 4) position COG as a regional leader and resource for workforce development collaboration.

Management has reallocated staff time to build capacity for the workforce development program; resources however, are not available within the current work program and budget to cover the costs associated with the conference. While sponsors are being sought to offset some of the cost, management anticipates the need for additional resources, in an amount not to exceed \$20,000, to fully support expenses. Management recommends this expense be approved for the current fiscal year, FY 2010, so that preparation for the conference can begin immediately.

Management recommends that the COG Board approve reprogramming of contingency reserve in an amount not to exceed \$50,000 (\$20,000 in FY 2010 and \$30,000 in FY 2011) for the economic recovery and sustainability consultant and workforce conference expenses.

Summary

Management seeks COG Board approval of both contingency reserve reprogramming requests. COG Board concurrence will enable COG to meet its program responsibilities, end the fiscal year with a positive fund balance and add to the General Reserve.

COG Budget and Finance Committee

Kwame Brown, District of Columbia, COG Board Chairman
 Andrea Harrison, Prince George's County, COG Board Vice Chairman
 Frank Principi, Prince William County, COG Board Vice Chairman
 David Snyder, City of Falls Church, TPB Chairman
 Leta Mach, City of Greenbelt, MWAQC Chairman
 Dan Drummond, City of Fairfax, COG Secretary-Treasurer