MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
MAG REGIONAL COUNCIL EXECUTIVE COMMITTEE
March 17, 2014
MAG Offices, Ironwood Room
302 N. 1st Avenue, Phoenix, Arizona

MEMBERS ATTENDING

Mayor Scott Smith, Mesa, Chair
Mayor Michael LeVault, Youngtown,Vice Chair
Mayor W.J. "Jim" Lane, Scottsdale, Treasurer
#Mayor Gail Barney, Queen Creek
Mayor Marie Lopez Rogers, Avondale
Mayor Lana Mook, El Mirage
*Mayor Greg Stanton, Phoenix

* Not present
# Participated by video or telephone conference call

1. Call to Order

The Executive Committee meeting was called to order by Chair Smith at 12:06 p.m.

2. Call to the Audience

Chair Smith stated that according to the MAG public comment process, members of the audience who wish to speak are requested to fill out the public comment cards. He stated that there is a three-minute time limit. Public comment is provided at the beginning of the meeting for items that are not on the agenda that are within the jurisdiction of MAG, or non-action agenda items that are on the agenda for discussion or information only. Chair Smith stated no comment cards had been received.

3. Approval of Executive Committee Consent Agenda

Chair Smith noted that prior to action on the consent agenda, members of the audience are provided an opportunity to comment on consent items that are being presented for action. Following the comment period, committee members may request that an item be removed from the consent agenda.

Chair Smith requested a motion to approve the consent agenda. Mayor Lane moved to approve consent items #3A-#3C. Mayor LeVault seconded the motion and the motion carried unanimously.

3A. Approval of the February 18, 2014 Executive Committee Meeting Minutes

The Regional Council Executive Committee, by consent, approved the February 18, 2014 Executive Committee meeting minutes.

3B. Approval of Transit Planning Agreement

The Regional Council Executive Committee, by consent, recommended approval of the transit planning agreement (MOU) to be forwarded to the Federal Transit Administration and included in the FY 2015 MAG Unified Planning Work Program and Annual Budget.

The current Transit Planning Agreement was approved by Regional Council in March 2010 and signed by all parties in April 2010. Since then, a new federal transportation authorization bill, Moving Ahead for Progress in the 21st Century (MAP-21) was signed into law in July 2012, which has changed requirements for regional transportation planning. Valley Metro, MAG, and the City of Phoenix have been working on revising the Transit Planning Agreement to meet the new federal requirements since August 2013. The revisions include clarifications regarding transit representation on MAG Committees, regional transit planning coordination roles, inclusion of the Regional Programming Guidelines for Federal Transit Formula Funds in the programming process, acknowledgment of new funding sources, inclusion of the public hearing requirements, and new sections on performance measurement, safety plans & asset management, Title VI as required under MAP-21.

3C. Amendment to the FY 2014 MAG Unified Planning Work Program and Annual Budget to Accept Funding to Develop an Early Literacy Mapping Pilot Project with Read On America

The Regional Council Executive Committee, by consent, approved to accept the $40,000 grant from Virginia G. Piper Charitable Trust and approved to amend the FY 2014 MAG Unified Planning Work Program to develop an early literacy map in partnership with Read On America.

On March 10, 2014, a $40,000 grant from Virginia G. Piper Charitable Trust was awarded to Regional Community Partners to develop an early literacy map. The grant will support development of an interactive map with corresponding charts, tables, and training materials for Maricopa County and Pinal County that includes Census demographic data, school data, and indicators identified and provided by Read on Arizona. This item is to accept this $40,000 grant and approve an amendment to the MAG FY 2014 Unified Planning Work Program and Annual Budget (UPWP) to develop an early literacy map in partnership with Read On Arizona.

4. Discussion of the Development of the FY 2015 MAG Unified Planning Work Program and Annual Budget

Rebecca Kimbrough, MAG Fiscal Services Manager, stated that MAG's draft Unified Planning Work Program and Annual Budget for FY 2015 was on the agenda for information and discussion. She added that the MAG budget is presented incrementally each year from January through May and that the detailed draft budget is about sixty percent complete. Ms. Kimbrough stated that this month she was presenting the draft budget documents, including the detailed work program, program narratives and the estimated budget amounts for each project and program, and the Programs In Brief summary of new projects proposed for FY 2015.

Ms. Kimbrough stated since the draft budget was presented to the committee last month, MAG has added one new project called the Onboard Survey of Transit Users. She added that this project is a joint project with Regional Public Transportation Authority (RPTA), and the project will perform a detailed survey of transit users to determine rider characteristics and that this information feeds into the MAG travel demand model. Ms. Kimbrough noted the FY 2015 budget will be reviewed at the Intermodal Planning Group meeting scheduled on March 28, 2014. She stated that this budget review is conducted by the Federal Highway Administration and the Federal Transit Administration. Other partners invited to attend the review are the Environmental Protection Agency, City of Phoenix, RPTA, Valley METRO, ADOT and the Arizona Department of Environmental Quality. She added that any comments from the meeting will be presented back to this committee.

Chair Smith thanked Ms. Kimbrough for her presentation and asked if there were any comments or questions from the committee. There were none.

5. Information on the Development of a Fund Balance Policy

Rebecca Kimbrough, MAG Fiscal Services Manager, stated that at the last committee meeting, staff was requested to provide policy options for maintaining the MAG fund balance. The committee felt that a fund balance policy should be created in consideration of unanticipated events that could affect the financial condition of MAG. She added that the committee also requested that staff provide the minimum amounts for MAG Dues and Assessments that would keep MAG whole, and provide information on the programs that are paid for out of dues and assessments. Ms. Kimbrough stated that a memorandum was provided to committee members with the information for discussion on the development of a MAG Fund Balance Policy and information on amounts needed for MAG Dues and Assessments.

Ms. Kimbrough stated that expenses that are covered at MAG by undesignated fund balance and are items considered, for the most part, unallowable under federal cost principles. These costs are for items such as retreats and meetings that are not associated with federal eligible projects such as those meetings for the intergovernmental representatives, staff meetings, the lobbying portion of costs associated with membership dues for staff, and costs over the assessment amount of the projects that are paid for with assessment funding. She stated that costs associated with the direct purchase of capital items do affect cash flow, although the capital purchase costs are recovered in following years through depreciation expenses, which are recaptured each year over the life of the asset.

Ms. Kimbrough stated that the Government Finance Officers' Association (GFOA) recommends, as a best practice, that a fund balance policy be in place and that adequate levels of fund balance to mitigate a cash flow shortage be maintained. She indicated that adequate levels at MAG are considered to be about two to three months of expenditures, depending on the revenue collection time frame. She stated that considering the level of current MAG expenditures, to meet this goal, undesignated fund balance would be between $3.9 and $5.8 million. The GFOA also recommends as a best practice that the policy should address a situation for an entity that drops below a targeted fund balance, and that it be replenished within a three-year period. She noted that these best practices are recommended, but not required.

Ms. Kimbrough provided and explained four options for consideration in setting a fund balance policy for unassigned funds at MAG. These options included in Option 1: MAG can maintain a minimum unassigned fund balance in its General Fund ranging from [xx] percent to [xx] percent of [the prior year's expenditures and outgoing transfers]. This minimum fund balance would be set at a percentage needed to protect against cash flow shortfalls related to the timing of projected revenue receipts for a period of [xx] months as determined by the Executive Committee. The majority of funding at MAG is received on a cost reimbursement basis that can take up to 90 days and typically takes about 60 days for the reimbursement to be posted by MAG, so in order to ensure necessary cash flow according to this policy, the target amount for General Fund balance would need to be set for a two to three month period. Using the prior year's expenses on the financial statements, the General Fund balance is currently at $4,153,229 and expenses are $23,587,941. The General Fund balance is currently about 17.6 per cent of prior year expenses. Using a period of two months expenses as a target, the General Fund balance target would be set at about $3.9 million or about 16.5 percent, and using three months' expenses as a target, the General Fund balance would be set at about $5.8 million or about 24.6 per cent of expenses. Current practices have shown that a General Fund balance somewhere between these two percentages has worked for MAG in the past in managing cash flow.

Option 2: MAG can maintain no fund balance in its General Fund and do a call to members on an emergency assessment basis when necessary. Or, under this scenario, in place of calling members on an emergency basis, MAG could set up a line of credit. As shown in Attachment A, certain special assessments do not cover the costs of the project and member dues are used to cover these costs. A reconciliation of the special assessment expenses could be completed at the end of each fiscal year that would result in MAG proposing an increase of assessments for the next fiscal year in order to fund projects covered by assessments at 100 percent. (Under this option, this amount would not be determined until November upon completion of the financial audit.);

Option 3: MAG can maintain a small General Fund balance to cover a smaller percentage than option 1 with a call to the members for anything over that percentage. (This is a combination of the above two options.);

Option 4: MAG can cut back or eliminate programs that are funded from assessments.

Ms. Kimbrough stated that upon determining a fund balance policy, the committee may also wish to consider procedures for replenishing fund balance deficiencies and procedures for surplus amounts of fund balance if a fund balance target amount is set. Or, alternatively, if it is decided to not set a fund balance goal, amounts charged for dues and assessments could be set to vary each year depending on the prior year program costs. Ms. Kimbrough also provided documentation showing the minimum dues and assessments costs as well as the estimates for FY 2014 and 2015. The documentation provided the breakdown of the costs by program area for the fiscal years since MAG Dues and Assessments were reduced beginning in FY 2010 through actual costs for FY 2013. She added that the FY 2014 and proposed FY 2015 MAG Dues and Assessments revenues were also provided, as well as the estimates for FY 2014 and FY 2015 costs. Mr. Smith added that the special assessment programs are causing some of the issues and discussed the Solid Waste Committee assessment, the 911 assessment, and Human Services Planning and Homelessness Planning assessments, all of which are currently drawing from dues. He suggested that at the end of each year, this committee could review what items did not pay for themselves so that this body could decide what the appropriate action should be moving forward.

Chair Smith stated that he appreciates all the work Ms. Kimbrough has done. He added that there are really two issues. One is a fiscal policy issue and the other is a budgeting issue. The fiscal policy issue is that MAG has never had a formal fund balance policy. Having a formal policy will force action on the underfunded issues and how we allocate monies and deal with assessments. Mayor Lane stated that if there is an element of risk on how we make these assessments and determine the revenues that we received off these assessments versus our projected expenditures that we do not have a control over, it does run into a possible need of a reserve. He asked how MAG forecasts the revenues to be received on these special assessments versus the costs. Mr. Smith stated that special assessments were initially set up at the 100 percent level, it was when dues were cut to the 50 percent level when MAG ran into trouble. Mayor Lane asked that when MAG cut the revenue coming in through the dues, were modifications made in the expenditures. Mr. Smith stated that for the past five years, the remainder came from the reserves and now it is just too low. Mayor LeVault asked, based on the documentation received, does the FY 2015 projection that shows a surplus after the dues have been restored to 100 percent. Ms. Kimbrough stated that was correct. Mayor LeVault added that from his position he would be in favor of injecting as much stability into the system as we can to prevent any major problems.

Chair Smith stated that the question remains on how much in the reserves will this body hold. He added that the reason why we wanted this reserve was primarily to support the cash flow situation, because most of the activities, especially with the federal governments on a 60-90 day reimbursement schedule. The other is like a contingency balance to handle regular cash flow discrepancies. Mr. Smith stated that sometimes federal funds do not cover all of the costs, such as the Brookings expenses, which meant that $75,000 came out of the dues that took this fund balance down.

Chair Smith stated that perhaps the fund balance policy could be a minimum of two or three months of operating costs to handle regular cash flow discrepancies and a half percent to cover contingencies, or as a policy, we allow ourselves to dip into the cash flow with the understanding it has to be made up. With no other questions or comments from the committee, Chair Smith requested that Ms. Kimbrough prepare a two-part policy guideline to present at the next meeting.

6. Annual Performance Review of the MAG Executive Director

Mayor Lopez Rogers moved that the Executive Committee go into executive session regarding the annual performance review of the MAG Executive Director. Mayor Lane seconded the motion and the motion carried unanimously. The meeting went into executive session at 12:36 p.m. The Executive Committee reconvened regular session at 12:58 p.m.

7. Possible Action on the Annual Performance Review of the MAG Executive Director

Mayor LeVault made a motion to adopt a resolution based on the discussion that took place in the Executive session to increase the base salary of the Executive Director by the agreed upon amount of increase, which would be 50 percent of the ultimate pool percentage increase for the employees, plus four days of vacation. The increase for the Executive Director would be retroactive to January 1, 2014, and the cap of the pool of funds budgeted for performance-based staff salaries would be 4.64 percent. The Executive Committee discussed that the final pool percent increase for employees will be determined with the approval of the MAG FY 2015 Unified Planning Work Program and Annual Budget at the May 28, 2014 Regional Council meeting. Mayor Lopez Rogers seconded the motion and the motion carried unanimously.

8. Request for Future Agenda Items

Chair Smith asked if there were any requests for future agendas items. There were none.

9. Comments from the Committee

Chair Smith asked if there were any comments from the committee. Mayor Barney stated that he wanted to apologize for not being at this meeting in person. He added that he was meeting with Congressman Matt Salmon.

Adjournment

There being no further business, the Executive Committee adjourned at 1:01 p.m.

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Chair

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Secretary