

SWFRPC BUDGET & FINANCE COMMITTEE MEETING

September 14, 2011

The SWFRPC's Budget & Finance Committee held a meeting/conference call on September 14, 2011 at the offices of the Southwest Florida Regional Planning Council. The following members and staff were in attendance:

Committee Members

Councilwoman Teresa Heitmann, City of Naples (Chair)
Ms. Andrea Messina, Charlotte County Governor Appointee
Councilman Forrest Banks, City of Fort Myers
Ms. Laura Holquist, Lee County Governor Appointee
Commissioner Karson Turner, Hendry County BOCC

Other Council Members

Commissioner Butch Jones, Glades County BOCC
Councilwoman Martha Simons, City of Bonita Springs

Others

Ms. Liz Donley, SWFRPC Interim Executive Director
Ms. Nancy Doyle, SWFRPC HR Operations Manager
Ms. Janice Yell, SWFRPC Finance Manager
Ms. Nichole Gwinnett, SWFRPC Sr. Administrative Assistant
Mr. Dan Trescott, DRI Coordinator
Mr. David Crawford, Senior Planner

Call to Order

Committee Chair Heitmann called the meeting to order at 9:00 a.m. and then introductions were made.

Item #2 - Approval of the Minutes (June 29, 2011, July 18, 2011, August 18, 2011)

Ms. Holquist moved and Ms. Messina seconded to approve the minutes of June 29, 2011, July 18, 2011 and August 18, 2011. The motion carried unanimously.

Item #3a - Lee County MPO Lease

Ms. Donley explained that staff has submitted a current draft lease proposal to the Lee County MPO. Staff is working on calculating a per square foot rent amount and have also reviewed the rates which the Lee County MPO have received from other vendors. Ms. Yell is setting up a separate cost center for the Lee County MPO so that they will be dealt with on a budget basis in a parallel manner. Currently, the MPO's space is folded into the Council's indirect rate which is applied to all of the salaries within the

building. The MPO wants a separate lease agreement where they will pay for their space, so staff is working on a way to give them a fair lease value and also calculate an indirect rate that would be fair to everyone's salary. She noted that Mr. Don Scott, Director of the Lee County MPO will be giving a presentation to the MPO on the status of the proceedings.

Ms. Messina asked Ms. Donley what prompted the Lee County MPO to start the proceedings. Ms. Donley explained that it is her understanding that Federal Highway Administration (FHWA) requires the new Services Agreement through FDOT the MPOs to pay rent. So the manner in which the Lee County MPO operated for so many years is no longer approved by FHWA. The MPO was supposed to have this done by the end of September and they have asked for a continuation from FHWA and FDOT in order to proceed along the path in which they have taken. It is her understanding that FDOT fully endorses taking additional time to see if something can be worked out for the MPO to stay here. She knows in the long term, the Lee County MPO has been looking at that there will be consolidations of the MPOs in the region and the Lee County MPO being an independent MPO places them in a better position as being the MPO into which everyone consolidates.

Councilwoman Heitmann asked what the deadline is which the lease has to be confirmed. Ms. Donley replied that the Lee County MPO Board directed their staff to work on the lease and bring it back to their board by November. She said that she believes that staff will have an amount that they can take to the Lee County MPO for their attorney's review. In order for the MPO to move out of the Council's offices there are additional costs involved besides rent and salary. They will need to acquire infrastructure and they also need a line of credit, because currently they use the Council's funds to pay upfront since they are a cost reimbursable contract with FHWA and FDOT. So that is a service that we provide as their host agency.

Ms. Messina asked how is that going to affect the Council when we were attributing that to indirect costs and now we will actually have some revenue generated. Ms. Donley explained that it is her understanding that the lease is going to be a direct cost. Ms. Yell stated that she doesn't believe that there isn't going to be any more revenue. Ms. Donley stated that if this works out correctly, it should be zero summed.

Ms. Holquist asked if the Council should be charging the Lee County MPO for using their line of credit. Ms. Donley replied that it is a policy decision.

Commissioner Turner asked Chair Heitmann if it was possible to show what the value is on paper, because clearly there is a fee associated with which the Lee County MPO is not having to experience. Chair Heitmann replied showing it as a cost and it is really an in-kind service that the Council provides is an important point. She then asked staff to obtain a cost for allowing the Lee County MPO to use the Council's line of credit.

Commissioner Turner stated that if the Council is doing it for any other smaller organizations there needs to be a set rate, so it can be shown that the Council is being more responsible. Ms. Messina stated that she agrees with Commissioner Turner's comment.

Councilwoman Heitmann asked for the cost deficit that the Council will incur if the Lee County MPO moves out of the Council's offices. Both Ms. Donley and Ms. Yell stated that they don't currently have that information available, but will send it after the meeting.

Councilman Banks stated that there is more to it because all of the counties own part of this building. So Lee County owns approximately 35% of the building so when we are discussing the rent on the building, we are representing the counties who own the building. If there is to be a regional MPO you would think that the counties that own this building would want them housed within this building rather than renting space somewhere else. There is a bottom line figure and we need to make sure that they accept that bottom line figure so they don't move out, because he doesn't believe that the Council can afford to have the MPO move out. There are members on the MPO that would like to see the MPO move out of the Council's offices.

Ms. Donley explained that the Council has come in below Lee County's proposal. One of the problems is making sure what we propose to the MPO is made very clear that all of the amenities come with it. Such as, not needing to move, they already have the infrastructure, it is paid for, etc.

Item #3b – SWFRPC Building Promissory Note Discussion

Chair Heitmann asked Ms. Donley to clarify if whether or not the CHNEP and MPO own the building along with the SWFRPC. Ms. Yell explained that all six counties signed the promissory note, so all six counties (Charlotte, Collier, Glades, Hendry, Lee and Sarasota) own the building and they are obligated for the note.

Ms. Donley explained that it goes back to the Council's Interlocal Agreement.

Chair Heitmann asked who signed the promissory note. Ms. Donley replied that the note was signed by the Chair of Council at the time.

Chair Heitmann stated that this is an ongoing discussion because we need to look at the amount due and how we will need to proceed in addressing the promissory note.

Ms. Donley explained that when she met with Lee County's Administrator, Ms. Karen Hawes, regarding the City of Cape Coral issue, we also briefly discussed the Council's promissory note because they were wondering what the rate of interest was and whether or not it was worth renegotiating the rates. When she told them the amount of the outstanding note and the rate, they were relatively comfortable with the rate. She noted that Ms. Yell did research alternative funding sources and the balance of the promissory note is not large enough to be able to go through those institutions for refinancing.

Ms. Donley stated that she would like to recommend that we approach Bank of America and ask if they would allow us to refinance internally with them again. Because the last time we tried to refinance we were going with a different financial institution and Bank of America was going to evoke the prepaid penalty which made the refinance not financially feasible. Ms. Yell explained that she spoke with Bank of America and they advised her to wait until the time of the balloon payment comes due and then refinance at that time.

Chair Heitmann asked Ms. Yell if there has ever been a plan to pay off the promissory note. Ms. Yell replied no, at the time we took the loan and when refinancing was discussed the answer was from the banks was to refinance at the time when the balloon payment came due. Chair Heitmann stated so there has never been a plan on setting aside funds to meet the balloon payment. Ms. Donley replied no, not that she is aware of.

Chair Heitmann made a recommendation to have the Council's Finance Department move forward in researching the possibility of refinancing the building with Bank of America.

Ms. Messina recommended that staff have that information available at the next Budget and Finance meeting.

Item #3c – Two Phase Salary and Job Description Analysis Proposal

Councilwoman Simons gave a verbal presentation on a two phase salary and job description analysis proposal. She stated that she is very concerned that this is a “planning” Council -- planners, planners, planners – but the core mission of the Council is planning and as the State has reduced the oversight of DCA over local government and local government is going to be more responsible for taking on their planning responsibilities. To get rid of planners seems to be counterintuitive to the purpose, mission and goals of this agency.

Ms. Messina stated that you may also cause detriment to the agency in not performing the salary and job description analysis. She stated that she feels that it is crucial for the forward movement of the Council, but also she has felt that there shouldn't be any staffing changes under an Interim Executive Director. She feels that those decisions are best to be made by the new Executive Director and she is concerned that if staffing changes are made that we won't have valid numbers to support or research/analysis to provide, then we may not attract the type of Executive Director Candidates that we want.

Ms. Holquist asked about the need to revisit the decision which was made by the Council for the FY2012 Budget, because she feels that it was well thought through on how those budget numbers were going to be reached and how the decisions were going to be made. We have already dipped into the reserves quite significantly with the last part of the previous projects and she is real concerned if we wait another six months to make any reductions in our costs it will go through most of the reserves and place the Council in a worst position. Also, there has been so much turmoil within the Council that we have to move forward, as far as an analysis of positions with the work that we are currently doing in the visioning group we are looking at a totally different Council going forward. She agrees that once we agree on that and there are some decisions made and looking at the makeup of the Council, it would be a decision after we know the future direction of the Council, hire a new Executive Director, and then it is appropriate at that point to maybe conduct an analysis.

Ms. Holquist explained that it is a two-step process and we have fiscal requirements. We don't have the luxury of waiting to make these critical decisions. Her guess is that there is going to be significant changes in direction and there has been a lot of hard work that went into preparing the FY2012 Budget which was approved by the Council. We need to stick to the course that was approved in July and then move forward in four to six months when there is a new Executive Director. She said that she agrees with salary analysis, but unfortunately the Council doesn't have the funds currently for such a project.

Commissioner Turner stated that he agrees with Ms. Holquist. He agrees with Councilwoman Simons' proposal; however, he feels that it is the “cart before the horse” because whether the Council is hiring an HR professional or a consultant to perform the study; this is the definition of creating the makeup of the Council and this is what he would like to see the new Executive Director do. He then noted that it also coincides with the visioning effort which Ms. Holquist is working on, so he cannot support it at this time.

Ms. Holquist stated that she wanted to touch on Councilwoman Simons' comment that the Council was a "planning" agency and "planners". She said that she believes that the future of the Council is not going to be the old planning ways of reviewing DRIs which will be going away and the different long-term strategic planning for the region is going to come into play. So the whole makeup of the Council over the next year will probably change, so we have to be open to that and not take the past and analyze the past, but look into the future and analyze the future. We are way behind all of the other RPCs.

Councilman Banks stated that he agrees with Commissioner Turner that the study is not appropriate at this time, but in the future it would be.

Councilwoman Simons stated that the Council is making staffing decisions based on salary and job descriptions that may not be accurate at this time. So you may be keeping people on staff that is getting overpaid and then cutting another position that is essential. As far as moving forward with the visioning process, the visioning process is a long term process and the new Executive Director will be part of that plan, but meanwhile you might be carrying people forward. The cost of the study is very minimal, approximately \$7,500. She then said that she agrees with Ms. Messina that this is not the time to make staffing changes under an Interim Executive Director.

Ms. Holquist gave the timeframe for the visioning effort.

- Full recommendations at the SWFRPC October 20th Board Meeting
- Approval of new Direction of the Council at the SWFRPC October 20th Board Meeting or at the November 16th SWFRPC Board Meeting
- Hire of new Executive Director at the December 15th SWFRPC Board Meeting

Ms. Holquist explained that decision on the visioning process is to whether to go forward or incubate the regional visioning process and not to actually accomplish it. Job descriptions are going to need to be funded for the visioning effort in the first part of 2012 in order to accomplish the effort and staff is currently working on a grant to accomplish that. You can't look at job descriptions for the past; you need to look at job descriptions for the future and the future hasn't been defined as of yet.

Ms. Messina asked then do we lay off staff based on the past and not knowing what the future is. Ms. Holquist replied that there is a lot of talk within the legislature and she spoke with people during the week about eliminating the requirement of DRI review at the RPC level. So now you are going to be looking at jobs that the State may not require any longer.

Chair Heitmann stated that she agrees with both statements made by Ms. Holquist and Ms. Messina, because we don't know what the legislature will do or if they will do it, so that is basing it on an assumption. Again, the whole reason that we are in this transition is because of the potential job cuts and the State funding being removed. She then asked for Ms. Yell to present the new financial information which was brought to her attention earlier. She recommended tabling this item due to the recent financial information which she received from staff.

Councilwoman Simons stated that as you move forward you are still carrying the past because you are still paying those salaries that were hires back when times were good which job descriptions that might have been more open and there was a smaller labor pool. So by not making decisions and not

conducting a job functions analysis and putting off those decisions is costing the Council more money in the long run.

Chair Heitmann stated that she agrees that there needs to be a job description and salary analysis conducted, but she wants to have a discussion on how it does tie in with the visioning process and with the new Executive Director. She believes that there was a consensus to not make any changes to positions until the new Executive Director was hired and there was also the same consensus that we make changes because we had no choice when it came to the current financial situation that we are facing. Both sides have good arguments and good reasoning for not moving forward with layoffs and for analyzing it and waiting until the new Executive Director comes in.

Item #3d – Other Items

Ms. Yell explained that when staff originally predicted what the amount was that needed to be taken out of reserves staff was working with what they knew then and based on that and those predictions, everything would have been fine if everyone had stayed within their funding categories, but if anyone moves from fringe to local or indirect when they are charging then it changes everything. At the end of August, we had a net loss of \$71,000 and currently we are at a net loss of \$113,000. There is \$46,000 in unassigned reserves that we have access to, but we are still going to need to access to the assigned reserves. So at the current rate and without any changes it is going to keep getting worse, \$40,000 to \$60,000 every couple of weeks.

Ms. Messina stated that we cannot continue on this trend.

Ms. Yell explained that also with indirect and fringe, the more staff that charge to those expense line items the higher the rates are going. We started out at 82% for indirect and now we are at 87% which also gets charged to other grants, so we are using their money as well. So between the severance pay from Mr. Heatherington and staff charging to local, there is no more money left in local. She is looking at as we have lost funding and we have to compensate for it.

Councilman Banks asked how much the Council losing per week. Ms. Donley replied that the direct payout per week just in salaries is \$23,000, plus the fringe (44%) and indirect (87%) on top of that so it totals to approximately \$48,000 per week.

Ms. Messina stated that she feels that the Council members recognize that there needs to be some staffing cuts, because we cannot look at deficits and we cannot look at deficits increasing and not address it. She feels that the problem comes in and we are not fully addressing it, except through a long-term visioning process, that the confusion comes with maintaining what appears to be more support roles and doing away with the professional roles. That is where if we don't acknowledge the disparity of what people think may or may not happen or what they believe should happen, there is going to be a big explosion at the next board meeting. Because some staff maybe scheduled to be laid off and she doesn't know if the Council members are going to be fully supportive of that. The confusion is that it seems that professional staff seems to be the ones let go as opposed to support staff. That is the feeling that she is receiving from the members of the Council.

Ms. Donley explained that the FY2012 Budget which was approved by the Council had a proposed organizational chart and that organizational chart had staffing for both professional and support staff. They were delineated where the top part of the chart had the professional staff and the bottom part of

the chart had the support staff. The original chart recommended reduction of staff and she tried to convert the language over to "full-time equivalent" so it wasn't talking about a specific staff person, but a position. She has been reviewing recommendations from the budget and the organizational chart and she believes that her recommendations to the Executive Committee on September 30th are going to somewhat align with that organizational chart, but are not going to be completely in sync with it. The FY2012 Budget requires reclassification of staff as Councilwoman Simons has suggested, so some of the things that she would like to have occur are actually required by the FY2012 Budget. The direction that she received was those positions where there is a manager or director that don't have staff reporting to them, those positions were to be eliminated and reclassified. So there is going to be some savings with the elimination of the managerial positions and the reclassification at the professional level, but not in a managerial position. She also has been looking at those positions that have been charging to indirect and the sources of funding and she has some additional recommendations that will supplement what was in the FY2012 Budget. She doesn't believe that the cuts are going to be on the professional staff, because that is not going to be her recommendation to the Executive Committee. Staff has been filling out the new electronic timesheets and reporting what they have been doing. She has additional tools in-place so she can examine the work of the Council and what people are doing, what we are being asked to do and we can't due to the lack of funding. To be able to put together a staffing matrix that will best serve the Council on its mission going forward and also enable the new Executive Director to have the tools in place to be able to implement regional visioning.

Chair Heitmann stated that when she reads the minutes (page 21) which are scheduled to go before the Council for approval. This wasn't an issue so she is extremely disturbed on how the Council's finances have reached their current status.

Councilman Banks stated that he doesn't understand that we had a FY2011 Budget and an approved FY2012 Budget. Now we are being told that we keep going into the red on the FY2011 Budget unless something isn't done. How did we reach this situation? Ms. Yell explained that originally there wasn't that many staff charging to the local assessments as we currently have. When it was originally calculated, it was calculated on past percentages where staff charged their time. Currently, there is 12.5% more staff charging to local than before.

Chair Heitmann asked if part of the issue was the former Executive Director's severance package because the full amount was not included. Ms. Yell replied yes. Commissioner Turner asked for clarification if \$92,000 was put in the budget for Mr. Heatherington's severance package, but it worked out to be approximately \$60,000. Ms. Donley explained that the severance package was \$67,000 and then there was his pay out which included his salary and vacation which totaled \$92,000.

Commissioner Turner stated that we knew that the State took \$250,000 and then there was another \$100,000 for the severance package and now we are \$48,000 per week in the red. He doesn't understand why this wasn't able to be forecasted ahead of time. He said to Ms. Yell that he is assuming that because staff is charging to non-chargeable projects that it is being brought to the forefront. Ms. Yell replied that is correct.

Chair Heitmann asked why they are being highlighted now. Commissioner Turner asked why they weren't brought to our attention two or three months ago when we could prevent this. Ms. Yell explained that it all depends where staff is charging on their timesheets.

Ms. Holquist asked Ms. Yell what revenue source did you expect those staff members to charge to. Ms. Donley explained that they were grants which came through, but not in amount that was originally forecasted in the FY2011 Budget. There is work that is currently being done for our partners that is being charged to local, which in the past would have been charged to the DCA funds. The DRIs are self funding, but there hasn't been the over abundance of DRI work as there has been in the past.

Chair Heitmann asked since the former Executive Director's salary was already included in the FY2011 Budget why there was a deficit due to his severance package. Ms. Donley explained that it was due to the result of the pay out of his unused scheduled leave, his salary until September 16th, health insurance and FRS.

Ms. Donley explained that if everything ran as the three quarters before we would have only a \$10,000 deficit. Ms. Yell stated that originally we thought it would be \$36,000 then we reduced it to \$10,000 because we felt that Mr. Heatherington's severance package wasn't going to be as much as it was.

Councilman Banks stated that it seems to him that the grants/projects seem not to be managed properly if they are allowed to be overspent.

Chair Heitmann asked if there is an analysis and if so, she would like to have that information.

Commissioner Turner stated that we need to have some faith in the information that is being given.

Ms. Yell stated that we have lost the DCA funding and those staff members are now charging to local. Those staff members are not funded, so if you have staff members who have lost their funding source what are you going to pay them with. We have been paying them with the local assessments and they are running out because they run out every year. There is not a lot of surplus and the Council is asking to keep these staff on and they are going to charge to local because there is no other funding for them to charge to.

Commissioner Turner stated that he would like to be able to present the information in a detailed manner to the full Council at its September meeting with the Budget & Finance Committee's recommendation.

Chair Heitmann asked if someone could recall that there was a recommendation by Commissioner Butch Jones to research furloughs and salary reductions. Was it ever implemented? Ms. Donley replied that she believes that it was suggested in June and rejected by the Council, because it was one of the concerns that we needed to implement some fiscal changes immediately and the Council turned it down.

Commissioner Butch Jones stated that for discussion purposes one thing to consider is reducing the hours of the existing staff if you have to keep other personnel on another hour or two a week.

Chair Heitmann asked if the furlough and salary reduction suggestion was ever presented to the Budget and Finance Committee or Executive Committee to discuss the exact amounts of those reductions. Ms. Donley replied that she doesn't believe so and she feels that is part of the problematic issues that we had in June and July.

Ms. Holquist reminded the members that there was also the FY2012 Budget Committee which met approximately two times per week.

Ms. Donley stated that the actions of the former Executive Director in the beginning of June in the anticipation of reduction of revenue in the upcoming quarter. Those staffing changes were going to alleviate the budget crunch and that decision was reversed by the Council. In July when the FY2012 Budget Committee's recommendations were brought before the Council it was also asked if the Council would implement those changes immediately to assist us with the anticipated budget crunch of 2012. At that point the Council rejected that suggestion and said to wait until October 1st and implement the changes then.

Councilman Banks asked Ms. Yell how much the Council currently is in the red. Ms. Yell replied \$113,000. Councilman Banks clarified that the Council is currently \$113,000 over the FY2011 Budget. Ms. Yell replied yes, of which \$46,000 in unassigned reserves that we can use. Over that \$46,000 we will need to use assigned reserves.

Chair Heitmann asked where did the money for Mr. Heatherington's severance and buy out come from. Ms. Yell replied it came from partially from unassigned, his scheduled leave came from fringe, and his salary came from indirect and local. Chair Heitmann stated that in order for decisions to be made she needs to have these facts.

Commissioner Turner agreed. He also stated that we approved the budget with the concept that we were going to take \$10,000 from reserves and there is going to be an upset from the Council when they are informed that we need to take another \$93,000 out of reserves in order to balance the FY2011 budget.

Councilman Banks clarified that the \$93,000 only gets the Council through today not to October 1st when the FY2012 budget takes effect. Ms. Yell stated at the very least it would be \$93,000.

Commissioner Turner stated that it makes him very uncomfortable if our Finance Manager doesn't feel that the \$93,000 will get us through to October 1st. If there was a problem with the severance package then he will accept that responsibility, but that is not the only problem. Chair Heitmann stated that is correct that is not the only problem and one of the problems is where the funds came from for the severance package. We need to look at the full picture with facts in front of us. She feels that this committee is unprepared to have this discussion.

Councilwoman Simons stated that in light of what is being discussed you are going to continue to carry staff that is being overpaid to the end of the year.

(The Committee took a break and will resume at 10:40)

Ms. Yell explained that when she pulled up the local for the whole year in the first nine months \$28,000 was charged to local. In the last three months \$10,000 was charged to local. She then showed a spreadsheet which illustrated each employee and the percentage which they charged to each project. She also showed the overages to grants which the Council will not recoup the money.

Chair Heitmann asked what the overall affect from the indirect is and fringe. Ms. Yell replied that there were certain employees who were not anticipated to charge to local; however, some of the employees which are over are looking for grants.

Ms. Donley referred to the over/under prediction row which lists a percentage which is the percentage which that particular revenue stream went over the amount which was available. Ms. Yell replied yes. She also explained that some of the grant's fiscal year end on June 30th.

Commissioner Turner asked for clarification that when the Hurricane deliverable went out the door it was already negative \$17,000. Ms. Yell replied yes and then it attributed \$9,000 more because of the indirect rate going up.

Chair Heitmann asked staff if there is a form on when we go over what their overages are and justification. Both Ms. Donley and Ms. Yell replied no. Ms. Yell stated that we go by the hours charged and she notifies staff when they are reaching the end of the grant's budget. Ms. Donley stated that there is no official notification along the way (25% complete, 50% complete, 75% complete, 100% complete). Project managers do receive a monthly printout and they can request more frequent information about their budgets. Ms. Yell stated that she used to do the reconciliations monthly, but now she does them weekly if she can. Ms. Donley stated that there isn't a formal process where if a Project Manager goes over they can solicit the Executive Director or someone higher for permission to go into the local funds to be able to fund that project. Chair Heitmann stated that there needs to be a policy.

Commissioner Turner stated that he feels that the times have always been so good that it has been allowed to go on this way.

Ms. Holquist asked what decisions have to be made today. Chair Heitmann replied how to stop the bleeding immediately for the FY2011 Budget. Ms. Holquist asked if the same situation is expected to roll into the FY2012 Budget. Ms. Donley replied that it will only be the same situation for the FY2012 Budget if we don't implement the budget as it was approved. The budget as it was approved will prevent this from occurring. It was actually a balanced budget with a little bit of surplus.

Commissioner Turner stated that the FY2012 Budget as approved has a surplus due to removing some of the costs associated with more costs to the local because it is not funding itself. Ms. Donley stated that is correct and also it will lower the indirect rate because the approved budget also reduces staff that charged to indirect.

Chair Heitmann asked Ms. Yell what are her recommendations in trying to rectify the deficit that we have. Ms. Yell replied that since there are only two weeks left to the fiscal year, we will have to take the money out of reserves. There is \$634,000 in assigned reserves and she suggests taking at least \$100,000 out.

Ms. Holquist made a recommendation that in order to cover the current deficit of the FY2011 Budget to take the money out of the Council's reserves and also implement the FY2012 Budget as approved. Ms. Yell stated that if everything keeps going as it is today the Council will end up with another deficit in 2012.

Commissioner Turner asked Ms. Holquist if she would be receptive to opening up the FY2012 Budget to see what other cuts would have to occur. Ms. Holquist replied that from the work that occurred in July and what Ms. Yell had just stated and what Ms. Donley's recommendations are going to be to move forward with the FY2012 Budget, she feels that there is no need to open it up for discussion.

Ms. Holquist moved and Commissioner Turner seconded to approve the money to be taken out of reserves to fill the deficit of the FY2011 Budget to September 30th. To implement the FY2012 Budget as it was approved and to support what Ms. Donley is going to recommend to the Executive Committee for implementing the FY2012 Budget.

Chair Heitmann asked for clarification for the reserves. Ms. Holquist stated that there needs to be approval by the Council to take the money out of the assigned reserves. She suggested defining a dollar amount of up to \$110,000 being taken out of reserves.

Councilman Banks stated that currently we have a \$93,000 deficit. Ms. Yell stated that actually we have \$113,000 deficit, but there is \$46,000 in unassigned reserves that are available immediately. Ms. Yell explained that she needs authorization from the Council to access the assigned reserves which is the \$634,000.

Ms. Holquist stated let's make this straight forward and easy and not care what is unassigned and assigned. How much do you need of both the assigned and unassigned reserves combined? What is the total needed to be taken out of reserves to get us through to the end of the current fiscal year?

Chair Heitmann asked that there are no recommendations on furloughs or salary cuts? Ms. Yell replied that in the next two weeks you can't do it. This should have done back in July. Ms. Holquist stated that you can't just do furloughs, there needs to be sufficient time to give the employees notice.

Commissioner Turner stated that it is a mute point at this time; it is either take the money out of reserves or be in the red. Ms. Holquist stated that there is no choice but to take the money out of reserves.

Ms. Holquist asked staff how much money is needed to get through to the end of the fiscal year. Ms. Yell replied that she is going to estimate high at \$160,000.

Ms. Holquist moved motion and Commissioner Turner seconded to recommend that the Council approve to not to exceed \$160,000 out of reserves, any category, in order to fund the current FY2011 Budget deficit.

Commissioner Turner stated that in the interim can staff provide a more finite number because he feels that there is going to be a lot of controversy from the Council over this issue.

Ms. Holquist stated that she doesn't believe that there will be a lot of controversy from the Council because when she steps back from it and the Council didn't approve the layoffs back in June and the decision was made not to do any layoffs until after the end of the fiscal year. The Council knew that they would encounter a lot of costs that were going to come out of reserves. She wasn't surprised of the \$100,000, but she was surprised of the \$160,000. But she doesn't believe that the Council will be that surprised that there is going to be a deficit when our funding from the State stopped.

Both Chair Heitmann and Councilman Banks stated that they are surprised of the deficit. Commissioner Turner stated that he wasn't surprised, because he recalls Vice Mayor Denham and others stating that there needed to be changes made back in July and for whatever reason everyone said that there is human factor and we needed to hold off.

Commissioner Turner stated that he has no confidence that the Council will vote not to make any head count reduction and we will continue to tap the reserves even though we have staff that are not able to cover their costs.

Chair Heitmann stated that in the FRCA Policy Board meeting she asked the question that if there is a State Statute that tells us what we have to do, which is a mandate, and the RPCs don't have that funding, how do the RPCs justify or pay for those mandates. Almost every Executive Director replied "we will continue to provide the service that is under that State Statute because we have an obligation". She doesn't see how we have gone over budget just from planners. Ms. Yell explained that the Council has planners which have always been able to charge to the DCA contract.

Chair Heitmann stated that she cannot support the motion at this time because she feels that she needs more detailed information before moving forward.

Ms. Yell stated that she doesn't know if it is going to be the full \$160,000 at the end of the month (September 30th). She is trying to say that you are going to continue to be in the red unless something gets done. At the point that staff said that we needed \$10,000 out reserves everybody wanted to hear a number. She then asked if that was all that was needed and she responded yes and she shouldn't have, which is why now she isn't going to say \$160,000 is the magic number. She noted that back in June and July we tried to tell the Council then that changes had to be made and the Council didn't want to make any changes and that is why we are in the current position.

Councilman Banks stated that he is surprised that there are employees charging to unfunded projects and there is no cost control. They are allowed to continue charging to those projects and there are no repercussions.

Commissioner Turner stated that he understands that there needs to be some head count reduction.

Councilman Banks stated that he is surprised that there are no safeguards built into the system. If there are no safeguards then he isn't surprised at the number. So as we move forward he hopes that the safeguards issue is addressed. Ms. Yell stated that it has been going on for many years. Councilman Banks said to Chair Heitmann that there isn't choice at this time.

Ms. Holquist stated that there isn't any choice but to take the money out of reserves and then create policies and monitor the grants/projects carefully.

Chair Heitmann asked if there are any other recommendations to cover the deficit. Ms. Donley replied that we can do a mandatory furlough which would get us \$28,000.

Ms. Holquist stated that this is what the reserves are there for.

Councilman Banks made a friendly amendment to the motion to have a mandatory furlough the last week of September. Ms. Holquist stated that she wouldn't support that amendment.

Commissioner Turner stated that he wouldn't support that amendment to motion. He believes that there would be legal repercussions.

Motion carried unanimously.

Ms. Holquist asked what the next step for the HR analysis. Chair Heitmann explained that it will be brought before the Council at its September meeting and from her discussion with Ms. Donley; it will be brought forward as we move forward within the 2012 Budget. We will have a presentation and may be a recommendation that with the HR Department that they give this Committee an analysis of what they can do to contribute to this and maybe have a subcommittee, similar to the visioning, which would run simultaneously to see what positions, descriptions and salaries can be looked at so we can do some footwork prior to or if we hire a professional organization.

Ms. Holquist stated that Councilwoman Simons wanted to amend the FY2012 Budget to not do the proposed employee layoffs and reductions, are you still wanting to move forward with that. Chair Heitmann stated that she feels that the FY2012 Budget is going to need to be reopened.

Ms. Holquist stated that there is no need to reopen the FY2012 Budget. Ms. Donley has already explained that she has recommendations on meeting the budget. We need to move forward with the staff changes that Ms. Donley recommends to keep the budget inline or it is going to be exactly what you say this last month and bleeding into our reserves. She feels that the staff review needs to take place once we have a new direction and a new Executive Director.

Chair Heitmann suggested forming a subcommittee to review the employees' salaries, job descriptions as we run simultaneously with the visioning process because we are making a lot of assumptions with the visioning, just like we are making a lot of assumptions with the elimination of jobs.

Ms. Holquist asked Chair Heitmann if she could not see us eliminating payroll costs at this moment. Can we really afford not to do that? Chair Heitmann replied that it is not about not looking at eliminating overhead and costs. It is about taking the time to have a subcommittee to really analyze it. Ms. Holquist asked so a subcommittee can analyze better than Ms. Donley. Chair Heitmann replied no. Ms. Holquist said that we have put it off since June and we have to now move forward with staffing changes. Something has to start happening now in order to balance the budget.

Chair Heitmann stated that she would make the recommendation to review the cost structure within 30 days/prior to the next meeting for a recommendation and that recommendation would be immediate release or reopening the budget. Ms. Holquist stated so you are proposing putting off making any staff changes for another month and assuming that this committee is going to come up with ideas different than from what Ms. Donley has. She reminded Chair Heitmann that both Ms. Donley and Vice Mayor Denham had done a lot of work on that issue along with the rest of the FY2012 Budget Committee to review various alternatives for the FY2012 Budget. So you are proposing to reopen all of the work that the Committee did to reanalyze these positions.

Chair Heitmann stated that she would disagree slightly. We made a recommendation, but there was no discussion or review from the full Council. The recommendation was accepted without discussion. What concerns her the most is having another disruption with the Council.

Councilman Banks stated that the Council has a cost control structure that is broken, if it even exists. He feels that when the Council is presented with the \$160,000 deficit they need to be aware of the issue with the cost control and we need to recommend that the Interim Executive Director take immediate steps to figure out how to best get those under control and that the FY2012 Budget be re-examined to recognize that those things are not under control and if the budget has been based on cost controls that don't exist it needs to be looked at so we don't end up with the same mess as 2011.

Ms. Holquist agrees with the control measures, but not re-examining the FY2012 Budget. She recommended that staff put the control structures in place and provide them in October.

Ms. Donley stated that the information will be available at the Executive Committee meeting on September 30th if not before.

Commissioner Turner stated that having the DCA funding removed from this Council could have been the best thing that could've happened because now it has brought this issue to the forefront and can be stopped.

Chair Heitmann stated that she agrees and that is why she feels that the costs control and structure needs to be discussed at the Council. She suggested that presentation be given by Ms. Yell.

Chair Heitmann requested that the materials presented at today's meeting be sent to the Council members along with financials and minutes.

CD

Ms. Yell asked for authorization to cash the CD because the Council needs the cash.

Chair Heitmann stated that she needs a financial recommendation of why to take the money out.

Ms. Yell explained that there is \$100,000 sitting in the government pool. She explained that the CD matured on September 7 and she has ten days to let the bank know what the Council's decision is on what they want to do with the CD.

Commissioner Turner asked Ms. Yell to contact Iberia Bank and explain the situation and ask for an extension.

Item #4 - Set Next Meeting Date and Time

The next meeting date and time will be set for sometime in November.

Item #5 - Adjournment

The meeting adjourned at 11:50 a.m.