



FINANCE COMMITTEE

MEETING NOTES

JUNE 23, 2014

Members Present: Rita Armstrong, Finance Committee Chair
John Dorrer
George Gervais

Members Absent: Dan Daggett
John Peters
Steve Weems

Board Members Present: none

Others Present: none

Staff Present: Jeffrey K. Jordan, Deputy Director
Michael Russo, Bookkeeper

Location: Room 118, Hangar 6

The meeting was called to order at 8:03 a.m.

1. **Agenda**

The Chair announced there was a quorum.

2. **Review Meeting Notes – May 12 and May 15, 2014**

The Finance Committee reviewed the meeting notes of the May 12 and May 15, 2014 meetings. A motion was made and seconded to approve the meeting notes for May 12 as presented. **Vote:** In Favor – 2; Opposed 0; Abstention – 1 (did not attend meeting).

A motion was made and seconded to approve the meeting notes for May 15 at presented. **Vote:** In Favor – 3; Opposed 0.

NEW BUSINESS

3. **Financial Reports as of May 31, 2014**
 - a. **Consolidated financial reports – profit and loss, balance sheet and statement of cash flows for all MRRRA entities for the period ending May 31, 2014**
 - b. **Bank Reconciliation Statement – April 30, 2014**
 - c. **Detail Transaction Report for April 2014**
4. **Forecast to June 30, 2014**

Agenda items 3 and 4 were discussed simultaneously.

The Deputy handed out a revised and updated Forecast to June 30 prepared on June 18. The forecast has been changed to the following:

	Estimated Net Revenue (Expenditures) at June 30, 2014
MRRRA Operating Budget	(\$75,600)
Office of Economic Adjustment	\$0
Brunswick Executive Airport	(\$321,000)
Electrical Utility	(\$23,800)
Water Utility	(\$17,800)
Sanitary and Stormwater Sewer Utility	\$4,600
Total	(\$433,600)

The expected deficit is \$133,600 over what was budgeted and anticipated. With a total estimated expenditures at June 30, 2014 at \$6,127,300, this deficit represents 2.1% of total expenditures.

At May 31, we are 92% the way through the fiscal year.

- **FY 2014 MRRRA Operating Budget.** The Deputy noted that revenues are running at 113%. Revenues include June's lease revenue which as billed on May 21. The sale of property income from the Affordable Midcoast Housing was budgeted on a net basis (after transfer of funds to the Navy and the contribution to the Capital Reserve) and the actual revenue is gross revenue. In retrospect the budget should have been \$268,000. As of the end of May we are at \$259,407. The Intergovernmental Revenue of \$15,579 is the revenue from the Jobs Tax Increment Financing law from the State Income Taxes and the Miscellaneous Revenue is the Color Me Rad venue fee, the sale of the piano and organ from the Navy Chapel and Annual Dinner revenues.

Expenditures overall at running at 110% or \$118,460. Largest contributors to the over expenditure include: legal services at \$27,762, snow removal at \$93,863, and building repairs at \$60,880.

With transfers of \$209,771 in there is a current budget surplus of \$69,224. The Deputy noted that the budget would likely end the year in a deficit position of at between \$50,000 and \$75,000 without accrued payroll at June 30.

- **FY 2014 Airport Budget.** Revenues at the end of May are \$639,540; 98% collected (this includes June rent which was billed in May). However, the revenue budget includes a very rough estimate of what MRRA might collect from heating charges within building 250 with no history on cost of heating that building. Transient aircraft/fuel flowage fees are running ahead of projections at 118% of budget.

Expenditures at the end of May total \$1,108,777 or 110% expended. Legal Services is running well ahead of schedule as a result of the appeal from the Assessor's decision to tax Kestrel Aircraft to the Board of Assessment Review; \$19,022 over budget. Rental Expenses are running ahead of schedule, \$25,568 over budget because of the payment of property taxes (IMS and Naval Museum) and the \$10,147.73 commission to CBRE Boulos for the TRI Star lease. Navigation Aids is ahead of budget as we spent about \$30,816 so far repairing runway LED lights. The Deputy noted that this week, MRRA received four bills from Enterprise Electric for significant repairs to transformers, secondary wires and bad ballasts for an additional \$46,000 that will be billed in June. The local FAA MAP match expenditure at the end of May is \$121,058 of an \$82,315 budget. Projects are progressing at a faster pace than anticipated back in March of 2013. Building Maintenance at the end of May is at \$345,870 with a budget of \$228,000; an over-expenditure of \$117,870. We also expect to repair doors at hangar 6 before the end of the fiscal year and replace the roof on top of building 200, and baton down the roof above Savilinx.

With transfers of \$241,431 including a supplemental transfer of \$94,355 from the sale of equipment (fire trucks, flat bed trailers etc.) in there is a current deficit of \$227,804. The Airport anticipated a June 30 deficit of \$300,000. The Deputy noted that by year end, he expected the deficit in the Airport budget to be approximately \$320,000 to \$330,000 or \$20,000 to \$30,000 over budget.

- **FY 2014 OEA Budget.** To date, expenditures total \$1,222,173 or 74.9% expended (92% through the fiscal year) of the approved budget. The Electrical Distribution Grid Analysis project is complete and 89% billed (\$50,572 of a \$56,600 contract). The Property Condition Assessment study is just starting. There is still an outstanding deficit because OEA is sitting on drawdown requests of \$215,715. The Deputy noted that a request to extend the grant deadline to December 31, 2014 is in process thereby allowing the Building Condition Study to continue through the fall.
- **FY 2014 Electric Budget.** The report for May does not include May utility revenues as those will not be received until next month along with related expenses to Maine Power Options and Central Maine Power. Revenues from sales represent about 58% of Constellation and CMP charges. Expenses for energy and T and D totaled \$906,945. Infrastructure investment to date is \$128,390 of a \$100,000 budget. Expenses are related to system improvements recommended by Power System Engineering, replacement of transfer serving BEQs, new service to building 592, new transformer for building 54. The current budget deficit is \$49,332, because we have not invoiced Oxford Networks for a portion of the upgrade. The expected

deficit for the Electrical budget is projected at \$25,000, in large part because of the anticipated \$30,000 over expenditure in the Infrastructure Maintenance budget.

- ❑ **FY 2014 Water Budget.** The report for May does not include May utility revenues as those will not be received until next month along with related expenses to the Brunswick and Topsham Water District. Revenues collected represent about 30.4% of charges from the Water District. A number of the buildings are currently being assessed based on engineering estimates as meters will be installed this spring. The current budget surplus is \$5,136.99; largely as a result of the transfers in from the sale of property of \$101,530. With repairs to broken hydrants in May, which have not been billed yet, the expected budget deficit at year is estimated at approximately \$20,000.
- ❑ **FY 2014 Stormwater and Sewer Budget.** The report for May does not include May utility revenues or expenditures as those will not be received until next month. The current budget surplus is \$59,084, largely as a result of the transfer from the sale of property and transfer from MRRRA totaling \$323,118 and the fact that we have only spent \$66,923 of a \$150,000 infrastructure maintenance line item. We have recently approved work for the Sewer District to jet clean a large line on Admiral Fitch and spot repairs on that line; which has not been billed yet. We expect to finish the year at close to balanced.
- ❑ **Grant Fund Budget.** The Grant Fund budget is a cumulative budget back to the date of the respective grant award. This includes the State Bond Issue, all FAA AIP funds (ten projects – over \$8.84 million), the MaineDOT match, and two EDA Projects. Deficits in this budget are caused by delays in drawdown requests or payments.
- ❑ **BREC Study** –There is a current deficit of \$9,095, requiring a draw from EDA and MTI. This program was closed out as of December 31, 2013. We are continuing to work with EDA to draw down the final payable of just over \$40,000.
- ❑ **Reserve Funds** – The Reserve Fund has been reformatted to make it clearer for the Board and Finance Committee to understand the commitment of funds from the sale of property and also what has been transferred into capital reserve accounts from MRRRA's Operating and the Airport Budgets. The current reserve budget balance is \$7,961,153.86. This will change by drop of \$3.0 million next month a result of the payment on the outstanding principal of the Navy note.
- ❑ **MHC Project Operating Account** - This is an operating account to manage the activities of Mölnlycke Healthcare building program. There is a deficit in this account of \$177.13
- ❑ **MHC Project Restricted Account** - This account was set up to receive contributions next year from Mölnlycke Healthcare for the principal reserve. The current balance is \$433.57.
- ❑ **Homeless Assistance Fund** - In May 2012, funds began being distributed to Tedford Housing. As of May 31, \$188,535 had been distributed to Tedford. There is also balance sheet deferred revenue of \$315,998.45.

Other MRRA Entities

- ❑ **Brunswick Landing Economic Development Corporation** – There has not been any activity this year to date.
- ❑ **Brunswick Landing MHC USA, LLC** - Brunswick Landing MHC USA has taken in \$1,169,689.80 in lease revenue year to date from Molnlycke Health Care USA, paid \$560,192.19 in interest expense on the Loan from CCML Community Development XXII and transferred \$146,250 to MRRA as lease revenue and \$319,404.36 into the reserve for the balloon payment due in 2018.
- ❑ **Brunswick Landing Realty Corporation** – In March \$10,000 was transferred from MRRA to support the initiation of TechPlace. The Realty Corporation also signed a lease with Tempus Jets for space in building 250. To date, BL Realty has taken in \$7,194.17 in lease revenue. State and Federal Income taxes were also paid totaling \$4,467.42 leaving a balance of \$12,726.75.
- ❑ **Midcoast Charitable Foundation of Maine** - The Foundation has only spent \$850 to submit an application to the Internal Revenue Service for a 501(c)(3) application and a \$35 Annual Report filing fee to the Secretary of State's office.

The Deputy also presented the Balance Sheet, Bank Reconciliation Statement, Statement of Cash Flow, and Detailed Transaction Report for all MRRA entities and detail transaction report for February.

The Committee voted to accept the financial statements for the period ending May 31, 2014 as presented. **Vote:** In Favor: 3; Opposed: 0.

5. Revaluation of Fixed Assets

The Deputy reported that he had a meeting with Timothy Gill and Hank Farrer of Runynon Kersteen and Ouellette (RKO) to discuss his work on revisions to the fixed asset list to correct values based on recent sales and market appraisals. He reported that RKO approved the approach and analysis to revalue property in preparation of the FY 2014 audit.

The Deputy explained the process he used to revalue buildings transferred to MRRA through the EDC conveyance process and presented a schedule which showed the changes in valuation to EDC parcels. The revisions reduced building values by \$7,788,116; from \$59,992,005 down to \$52,203,888.98.

6. Contracts and Bid Dates

The Committee voted to table the updated Contract and Bid Date table to its next regular meeting given the time.

7. Other Business – Agenda Item for the Next Meeting

The Chair Rita Armstrong noted that given recent press reports regarding embezzlement by staff in a number of public, private and not for profit entities she would like to have a discussion with our auditors in July as to what systems, checks and balances or other processes should be put in place by

the Finance Committee as a measure to detect fraud. Jeffrey stated that he had called Hank Farrer to attend the next Finance Committee meeting on July 16. Hank was not available on that date so we will need to work together to schedule another date that is convenient for Mr. Farrer and the Finance Committee.

Meeting was adjourned at 9:50 a.m.

Respectfully Submitted,

Jeffrey K. Jordan
Deputy Director

Next Scheduled Meeting: Wednesday, July 16, 2014, Room 118, Hangar 6. This will likely be rescheduled to fit the schedule of the Finance Committee and auditor Hank Farrar.