

# Finance Committee

Meeting Notes of

November 13

October 17

October 11

September 24



## FINANCE COMMITTEE

### MEETING NOTES

NOVEMBER 13, 2013

Members Present: Rita Armstrong, Finance Committee Chair  
John Dorrer  
Dan Daggett (by conference phone)

Members Absent: none

Board Members Present: none

Others Present: none

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

Location: Executive Conference Room, B201, Hangar 6, 2 Pegasus Street

The meeting was called to order at 1:03 p.m.

#### 1. **Agenda**

The Chair announced there was a quorum.

#### 2. **Review Meeting Notes – October 17, 2013**

The Finance Committee reviewed the meeting notes of the October 17, 2013 meeting. The Committee accepted the notes as presented. **Vote:** In Favor – 3; Opposed 0.

#### **OLD BUSINESS**

#### 3. **Revised Five Year Financial Forecast (postponed from last meeting)**

The Finance Committee reviewed in detail the 33 page *Five Year Operating Budget Financial Forecast and Capital Improvement Plan*. The Deputy began the review with a detailed description of the assumptions built into the model along with the schedule of supporting materials including:

- ❑ A projected time line for leases of buildings currently without tenants or for buildings that have not been transferred as yet to MRRRA for all EDC and PBC property.
- ❑ A schedule of projected revenue from the Revenue Sharing Agreement with Affordable Midcoast Housing
- ❑ A schedule of projected Job Tax Increment Financing (J-TIF) revenue based on existing and projected employment for only those businesses that currently have leases at Brunswick Landing.
- ❑ A schedule and projection of Tax Increment Financing (TIF) revenue for the two districts based on the build out schedule submitted to the Town of Brunswick within the TIF documents.
- ❑ A detailed Capital Improvement Plan for the next five years and schedule for Military Airport Program funding from the FAA.
- ❑ Debt Service Schedule for a \$2.5 million infrastructure revenue bond.
- ❑ A schedule of property sales at Brunswick Landing and the Topsham Commerce Park over the next five years.
- ❑ A consolidated financial forecast for all operating activities as well as individual budget forecast for the MRRRA budget, Airport budget, OEA grant budget, the Electric Utility budget, Water Utility Budget and Sanitary and Stormwater Sewer budget.
- ❑ A schedule of the repayment of the Line of Credit to the Maine Department of Transportation.
- ❑ A schedule to repay the Navy a \$3.0 million debt and projections on the 25.0% Navy EDC Covenant Agreement.
- ❑ A schedule that annuitizes sale revenue for buildings that will be sold in 2013 (ones in which we have purchase and sale agreements) over the next five years.

The Finance Committee then walked through each of the forecasts for individual budget in detail. The consolidated five year financial project shows that next year, FY 2015 the projected deficit is just over \$400,000 and then moves into positive territory the following year as more and more hangar space is projected to be leased.

	<b>Revenues</b>	<b>Expenditures</b>	<b>Surplus (Deficit)</b>
<b><i>FY 2013 Actual</i></b>	\$3,506,469	\$4,262,288	(\$755,820)
<b><i>FY 2014 Budget</i></b>	\$4,640,918	\$4,940,918	(\$300,000)
<b><i>FY 2015</i></b>	\$5,788,240	\$6,189,577	(\$401,337)
<b><i>FY 2016</i></b>	\$6,559,523	\$6,523,138	\$36,385
<b><i>FY 2017</i></b>	\$7,247,447	\$7,043,848	\$203,598
<b><i>FY 2018</i></b>	\$7,726,370	\$7,579,942	\$146,428
<b><i>FY 2019</i></b>	\$7,941,261	\$7,961,364	(\$20,103)

The Committee asked that the Deputy prepare a one or two page narrative summary of the major assumptions built into the model and where the greatest risk points are for large swings in revenues and expenditures to present to the Board.

The Committee voted to accept the Five Year Financial Forecast and Capital Improvement Program and authorized its presentation to the Board of Directors. **Vote:** In Favor: 3 Opposed: 0

**NEW BUSINESS**

**4. Financial Reports for October 31, 2013**

- a. Consolidated financial reports – profit and loss, balance sheet and statement of cash flows for all MRRA entities**
- b. Bank Reconciliation Statement – October 31, 2013**
- c. Detail Transaction Report for October**

The Deputy provided a brief overview of the financial reports for the period ending October 31, 2013.

At 33.3% through the fiscal year, MRRA’s operating budgets are in relatively good shape; of course the winter heating and snow season have not impacted those budgets. The deficit in the OEA budget is a function that the federal government has not funded a drawdown since the beginning of the grant on July 1, 2013.

	<i>Revenues</i>	<i>Expenditures</i>	<i>Surplus (Deficit)</i>
FY 2014 MRRA Operating Budget	\$443,927.49	\$326,485.96	\$117,441.53
FY 2014 Airport Budget	\$148,047.64	\$127,916.51	\$20,131.13
FY 2014 OEA Grant Budget	\$111,946.00	\$273,162.44	(\$161,216.44)
FY 2014 Electrical Utility Budget	\$78,633.92	\$39,617.47	\$39,016.45
FY 2014 Water Budget	\$5,478.99	(\$6,332.63)	\$11,811.62
FY 2014 Sewer and Stormwater Budget	\$7,386.66	(\$49,263.89)	\$56,650.55
Grants Fund CIP Budget	\$7,504,924.68	\$8,093,391.37	(\$588,466.69)
EDA MTI BREC Study	\$270,348.49	\$272,557.03	(\$2,208.54)
Project Operating	\$50.00	\$145.53	(\$95.53)
Project Restricted	\$200.00	\$18.12	\$181.88
Homeless Assistance	\$120,031.82	\$132,876.17	(\$12,844.35)
Reserves	\$1,586.49	(\$5,318,676.94)	\$5,320,263.43

The Committee voted to accept the financial reports as presented. **Vote:** In Favor: 3 Opposed: 0

**Proposed Budget Amendment to the FY 2014 Grant Budget**

With the award of the successful *Make It in America Challenge* Grant application, the Deputy is recommending that the Finance Committee recommend to the Board of Trustees the acceptance of the \$750,000 grant award from the Economic Development Administration, acceptance of grants from MaineDECD and the Brunswick Development Corporation (\$250,00 each) to fund a portion local match, the transfer of funds from the sale of property (AMH sale) to the Grant Budget and authorize the appropriation of \$1.5 million for the development of *TechPlace*.

The Committee voted on a recommendation to the MRRRA Board to accept a budget amendment to (1) accept the \$750,000 grant from the Economic Development Administration (EDA); (2) accept \$250,000 from the Maine Department of Economic and Community Development; (3) accept \$250,000 from the Brunswick Development Corporation (BDC); (4) authorize MRRRA to transfer \$250,000 from the Sale of Property from AHM Account to the Grant Budget Account; and (5) authorize an appropriation of \$1,500,000 for the development of *TechPlace*. **Vote:** In Favor: 3  
Opposed: 0

Meeting was adjourned at 2:30 p.m.

Respectfully Submitted,

Jeffrey K. Jordan  
Deputy Director

**Next Meeting:** December 18, 2013



## FINANCE COMMITTEE

### MEETING NOTES

OCTOBER 17, 2013

Members Present: Rita Armstrong, Finance Committee Chair  
John Dorrer

Members Absent: Dan Daggett

Board Members Present: John Peters

Others Present: none

Staff Present: Jeffrey K. Jordan, Deputy Director

Location: Conference Room 118, Hangar 6, 2 Pegasus Street

The meeting was called to order at 9:00 a.m.

#### 1. **Agenda**

The Chair announced there was a quorum.

#### 2. **Review Meeting Notes – September 18, 2013, September 27, 2013 and October 11, 2013**

The Finance Committee reviewed the three sets of meeting notes from the meetings of September 18, September 27 and October 11, 2013. John Peters noted that the word “like” was missing from the eleventh line on page 3 of the notes of the September 18<sup>th</sup> meeting. The Committee accepted the notes as presented and amended for September 18. **Vote:** In Favor – 2; Opposed 0.

#### **New Business**

3. **a. Review Financial Reports for September 30, 2013**
  - i. **Financial Dashboard**
  - ii. **Consolidated Profit and Loss Statement**
  - iii. **Consolidated Balance Sheet**

**iv. Consolidated Statement of Cash Flows**

**v. Budget Reports**

1. **MARRA Operating**
2. **Brunswick Executive Airport**
3. **OEA Grant**
4. **Electrical Utility**
5. **Water Utility**
6. **Stormwater and Sanitary Sewer**
7. **Grants Fund Budget**
8. **Brunswick Renewable Energy**
9. **Reserves**
10. **MARRA Molnlycke Operating**
11. **MARRA Molnlycke Restricted**
12. **Homeless Assistance Fund**
13. **Brunswick Landing Economic Development Company**
14. **Brunswick Landing MHC USA, LLC**
15. **Brunswick Landing Realty Development Corporation**

**vi. Balance Sheets for each entity**

**vii. Statement of Cash Flows for each entity**

**b. Bank Reconciliation Statement as of September 30, 2013**

**c. Detail Transaction Report for September 2013**

The Deputy noted that there have been substantial changes to financial reports (as outlined above) in order to provide a concise overview of the all of the entities under the umbrella of the Midcoast Regional Redevelopment Authority. The new reports include a two and half page *Financial Dashboard* which shows the following:

- A consolidated revenue and expenditure report for all operating entities (fiscal year to date)
- A consolidated revenue and expenditure report for all grant and reserve fund activities (from the date of initiation to date)
- A definition of all MARRA entities
- A consolidated Balance Sheet for all entities
- Fixed Asset List
- Outstanding Long Term Liabilities
- Pie Chart of operating entities sources of revenues
- Pie Chart of operating entities expenditures by category
- Consolidated Statement of Cash Flows for all MARRA entities

The Financial Statements now include three tables which show a consolidated Profit and Loss Statement for all MARRA entities, a consolidated Balance Sheet for all MARRA entities and a

consolidated Statement of Cash Flows for all MRRA entities. This is followed by the budget reports that had been historically provided.

The Deputy noted that we are 25.0% the way through the fiscal year (one quarter). The Deputy walked through the Financial Reports for the period ending July 31, 2013. Highlights include:

- ❑ **FY 2014 MRRA Operating Budget.** The Deputy noted that revenues are running ahead of budget at 34% (proportionate share of the year 25.0%). Expenditures overall at running at 26%, pretty much on target, although full year premiums have been paid on workers compensation, automobile and building insurance and property taxes (rental expenses) for those buildings which we do not pass along property tax expense. Cost associated with the ADC conference for Board members and staff is reflected in Board and Executive Director expense, training budget and donations. Building repairs budget so far is only 12% expended (yeah!). The snow budget and heating budget stand in the wings. There is current surplus of \$117,442.
- ❑ **FY 2014 Airport Budget.** Revenues at the end of September 2013 are \$148,048; 22.7% collected. With net expenditures of just over \$127,917 there is a current surplus of \$20,131. 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. Rental Expenses are running ahead of schedule 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. Building insurance has been paid for the year. Again, heating and snow removal expenses stand in the wings.
- ❑ **FY 2014 OEA Budget.** To date, expenditures total \$313,542.44 or 19.2% expended (25.0% through the fiscal year) of the approved budget. None of the special consulting services contracts have been issued at this point. There is an outstanding deficit because of the Federal Government shutdown with OEA staff not working and the ability to process drawdown requests.
- ❑ **FY 2014 Electric Budget.** The report for September does not include September utility revenues as those will not be received until October along with related expenses to Maine Power Options and Central Maine Power. Expenses totaled \$154,427. The current budget surplus is 39,617 because of transfers of revenue into the Electric budget; over \$114,000 worth of transfers in.
- ❑ **FY 2014 Water Budget.** The report for September does not include September utility revenues as those will not be received until October along with related expenses to the Brunswick and Topsham Water District. The current budget surplus is \$11,812; largely as a result of the transfers in from the sale of property of \$27,690.
- ❑ **FY 2014 Stormwater and Sewer Budget.** The report for September does not include September utility revenues or expenditures as those will not be received until October. The current budget surplus is \$56,650, largely as a result of the transfer from the sale of property and transfer from MRRA totaling \$107,133. This will change next month as we begin the service contract with the Brunswick Sewer District to repair inflow and infiltration problems in the collection system.
- ❑ **Grant Fund Budget.** Grant funds are in a deficit position of \$588,467; largely receivables due from the FAA. We did receive the final payment from the State of Maine on the bond issue of \$3.25 million, which had been a receivable at June 30.



- ❑ **BREC Study – Minor** payments were made for consulting services to E2Tech. There is a current deficit of \$2,208, requiring a draw from EDA and MTI.
- ❑ **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 \$95,53.
- ❑ **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 \$181.88.
- ❑ **Homeless Assistance Fund** - In May 2012, funds began being distributed to Tedford Housing. As of September, \$132,876 had been distributed to Tedford. There is also balance sheet deferred revenue of \$384,885.
- ❑ **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 MRRA’s Operating and the Airport Budgets. The current reserve budget balance is \$5,320,263.

#### **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 \$389,897 in lease revenue year to date from Mölnlycke Health Care USA, paid \$105,035 in interest expense on the Loan from CCML Community Development XXII and transferred \$135,860 to MRRA.
- ❑ **Brunswick Landing Realty Corporation** - There has not been any activity this year to date.
- ❑ **Midcoast Charitable Foundation of Maine** - There has not been any activity this year to date.

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

The Committee asked that an agenda item be placed on the Board Retreat agenda to ask Board members what level of detail that they would like to receive regarding financial reports. Would consolidated profit and loss, balance sheet and statement of cash flows for all MRRA entities be sufficient?

The Committee voted to accept the financial statements and recommended that the Board of Trustees accept the financial statements for the period ending September 30, 2013. **Vote:** In Favor: 2, Opposed: 0.

#### **4. Quarterly Business Expense Report for the Quarter ending September 30, 2013**

The Deputy presented the quarterly Business Expense Report for the period ending September 30, 2013. Most of the expenses for the Executive Director and Board of Trustees related to our responsibility in hosting the national conference of the Association of Defense Communities in Portland and Brunswick.

**5. Draft Five Year Financial Forecast and Capital Improvement Plan**

This work product is still a work in progress, and the Executive Director requested that this item be postponed to the November Finance Committee meeting to allow further fine tuning of this dynamic model given the substantial activity on sales and lease prospects at the current time. The Committee agreed.

Meeting was adjourned at 9:40 a.m.

Respectfully Submitted,

Jeffrey K. Jordan  
Deputy Director

**Next Meeting:** To be Scheduled.



**Finance Committee**

**Meeting Notes**

**Meeting of October 11, 2013**

Members Present: Rita Armstrong, Finance Committee Chair (on speaker phone)  
Dan Daggett (on speaker phone)

Members Absent: John Dorrer

Others Present: none

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

Location: Executive Conference Room, Hangar 6, 2 Pegasus Street

The meeting was called to order at 9:00 a.m.

**1. Agenda**

The Chair announced there was a quorum.

**Old Business**

**2. Audit of the Financial Statements for the Period Ending June 30, 2013**

The Deputy mentioned that there were only two changes to the draft audit statements seen by the Finance Committee at its last meeting. The first is a change in the Management Letter that replaces the reference to needed improvements in the area of documentation of debt card purchases on a more timely basis with a recommendation to transition from debit cards to credit cards as a method of preventing and a way to dispute fraudulent charges if they ever happened.

The second had to do with how the Molnlycke Health Care building was recorded on the Balance Sheet. At June 30, 2013, the Deputy noted final payments to PC Construction as payables (mostly retainage due) and then moved the project - \$15.8 million from "Construction in Progress" (an asset on the Balance Sheet) to Building (another asset on the Balance Sheet) as of June 30, 2013. During the audit, KRO moved the \$15.8 million back to "Construction in Progress" as they thought there was

still additional work on the building. The Financial Statement presented at the last meeting had the \$15.8 million building recorded as Construction in Progress. After further discussion and review with RKO, they agreed with my original assessment and moved the \$15.8 million to Building on the Balance Sheet. The Balance Sheet has been adjusted to reflect that change

The Committee voted to confirm the recommendation that the Board accept the Audit Financial Statements for the period ending June 30, 2012 as amended by the two changes noted by the Deputy. **Vote:** In Favor – 2; Opposed 0.

Motion to adjourn. **Vote:** In Favor – 2; Opposed 0.

The meeting was adjourned at 9:08 a.m.

Respectfully Submitted,

Jeffrey K. Jordan  
Deputy Director



## **Finance Committee**

### **Meeting Notes**

#### **Meeting of September 24, 2013**

Members Present: Rita Armstrong, Finance Committee Chair  
John Dorrer (on speaker phone)  
Dan Daggett (on speaker phone)

Members Absent: none

Others Present: Marlene Dye, Contracted Bookkeeper  
Hank Farrar, Runyon Kersteen and Ouellette  
Timothy Gill, Runyon Kersteen and Ouellette

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

Location: Camo Conference Room, Hangar 6, 2 Pegasus Street

The meeting was called to order at 3:30 p.m.

#### **1. Agenda**

The Chair announced there was a quorum.

#### **Old Business**

#### **2. Audit of the Financial Statements for the Period Ending June 30, 2013**

Hank Farrar and Timothy Gill from Runyon Kersteen and Ouellette were on hand to present the draft audit of the Financial Statements for the period ending June 30, 2013.

##### **a. Letter to the Board of Trustees Regarding Internal Controls and Financial Statements.**

Mr. Farrar presented a draft letter to the Board of Trustees reporting Runyon Kersteen and Ouellette's (RKO) findings in relation to testing of internal controls and review of the Financial Statements. Mr. Farrar reported in detail on the processes used to test internal control procedures and then stated that they did not identify any deficiencies in MRRA's internal control procedures

(page 1). He also reported that MRRA's financial statements are free from material misstatement and their tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Accounting Standards Board requirements (page 2).

**b. The Letter to the Board of Trustees Regarding Compliance for each Major Program as Required by OMB Circular A-133.**

Mr. Farrer then reviewed the second letter to the Board of Trustees regarding the required testing and reporting under the provisions of Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. This report is intended to test and report on compliance with federal grant requirements. Mr. Farrer noted that they identified one minor deficiency related the CFDA 20.106 Airport Improvement Program. He stated that the Authority drew down funds and did not disburse all of those funds prior to or immediately after receiving those funds (page 4). Jeffrey responded that MRRA has set up a system to transfer the responsibility of signing off on drawdown requests to the Airport Manager. The Airport Manager will be required to verify with the Finance Office that payments have been made to vendors prior to a drawdown request being authorized.

Mr. Farrar stated that MRRA has complied in all material respects with the types of compliance requirements that could have a material effect on each of the other major federal programs (i.e. Office of Economic Adjustment and Economic Development Administration grants). The Letter also stated that RKO did not identify any deficiencies in internal control over compliance (page 5). Finally, the Letter to the Board also reports on the Schedule of Expenditures of Federal Awards. The letter states RKO has audited MRRA's Financial Statements and issued an unmodified opinion (clean opinion) on those financial statements in accordance with the auditing standards Generally Accepted Accounting Procedures (GAAP) in the United States (page 5).

**c. Management Letter**

Mr. Farrer then reviewed the Management Letter. The Management Letter stated that RKO considered and reviewed internal control over financial reporting and did not identify any deficiencies in internal controls (page 1). While RKO issued an unmodified opinion on internal controls and the financial statements, they did identify one opportunity for strengthening internal controls and operating efficiency. Hank reported that their testing of debit card expenses revealed that there were four instances in which copies of receipts were not attached to financial records. Jeffrey reported that a new pre-authorization process has been established for pre-approval of debit card us by Department Heads.

**d. Financial Report.**

The report on Financial Statements begins with a two page letter to the Board of Trustees. The Letter describes both management's and the auditor's responsibility in in the preparation of financial statements. Runyon Kersteen and Ouellette stated that *"in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Midcoast Regional Redevelopment Authority as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance w with the accounting principles generally accepted in the United States of America."*

The Financial Report presents a statement of revenue, expenditures, assets and liabilities of the organization consistent with GASB 34, a format of governmental accounting that presents financial information in a format similar to a private business, rather than the historical method of governmental fund accounting, which did not capitalize or depreciate equipment or infrastructure. Mr. Farrar stated that overall Runynon Kersteen and Ouellette has provided MRRRA with an unmodified (clean) audit opinion.

The Committee discussed at length how MRRRA determined the value of assets (land, buildings, vehicle and equipment) transferred from the Navy over the last three years. Without the benefit of original cost information from the Navy, MRRRA relied upon an estimated cost to replace schedule provided by the Navy as a basis for valuing transferred assets. For the audit ending June 30, 2012, MRRRA staff presented a recommended restatement of the value of the assets. This restatement included an adjustment to deflate the cost of replacement back to an inflation adjusted number based on the year of construction of each building, as well as other adjustments to particular buildings which do not have a likely civilian reuse. Land values were also adjusted given the volume of land transferred and the historic absorption rate of commercial and industrial property and land in the Greater Brunswick region. Despite these adjustments, the market appraisals of buildings that have been sold are well below the inflation adjusted Navy estimated cost to replace. The Finance Committee discussed this with the Auditors and noted that they would like MRRRA staff to work on an update over the course of the year to the values to more accurately reflect the true value of the transferred assets. They requested that the audit statement include a reference to this ensuing work. Mr. Farrar suggested that the Deputy modify the Management Discussion and Analysis Statement to include references to this work.

Mr. Farrer reported that he and Timothy Gill have completed their review. The audit report and financial statements are going through a partner review. He stated that he did not expect the financials to change, however, the reports may not be in final form that would be presented to the Board. The Finance Committee as uncomfortable taking final action on the statements without them being in final form. So the Committee decided to take temporary action and then recess the meeting for further consideration.

The Committee voted to tentatively recommend that the Board accept the Audit Financial Statements for the period ending June 30, 2012 as presented provided there are not substantial changes or modifications made by Runynon Kersteen and Ouellette as a result of the pier review. **Vote:** In Favor – 2; Opposed 0.

Motion to recess the Finance Committee meeting to a time to be determined later by the Chair for further consideration of the audit report. **Vote:** In Favor – 2; Opposed 0.

Respectfully Submitted,

Jeffrey K. Jordan  
Deputy Director