**Piedmont Triad Regional Council**

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**Kernersville, North Carolina**

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**Recommended Budget**

**Fiscal Year 2021 – 2022**

**1398 Carrollton Crossing Drive**

**Kernersville, North Carolina 27284**

**Budget Message:**

Board Members,

It is an honor to present the Piedmont Triad Regional Council’s 2021–22 budget to you for your consideration. As the lead regional organization for the twelve county Piedmont Triad, this organization continues to strive to provide valuable services to its members at a level of efficiency and effectiveness unparalleled by our peers. Fiscal 2020/21 has been a year of upheaval and opportunity. The impacts of COVID, and the subsequent disruption of administrative and operational norms could have been crippling. Many organizations struggled to cope with the rapid drastic changes. It is with great pride that I recount the dexterity PTRC exhibited in continuing to perform at a high level throughout. Technology acquired during less turbulent times paid dividends as our staff transitioned to remote work and meetings. Systems produced as designed. Structures for supervision and accountability performed. Your staff met every challenge with an attitude of innovation that overcame every obstacle. It is with the recognition of these positive outcomes that I provide a road map to the coming year and near future.

**Revenue Projections:**

Revenue streams have remain strong for the PTRC. The current fiscal year produced revenues never before experienced by our organization. Ongoing projects and programming opportunities brought on by stimulus propelled massive increases. As I tell our staff, if you can deliver at a high level of effectiveness and efficiency you will be sought out as a partner. Again and again we have found ourselves to be the go to partner for State and Federal partners looking to quickly and efficiently activate funds. The revenue projections for 2021 – 22 show an approximate three percent decline from the current year. That seems to demonstrate a negative trend, and there are some areas of concern. The largest declines are in Aging and Workforce Development, which I will discuss further below. There are two mitigating factors that lead me to discount the revenue trend year over year. First, PTRC budgets very conservatively, and does not project any funds that are not already in hand in our budget. Most of the revenue loss is due to the unusual impacts of stimulus funds. We know we will receive additional funds from the American Recovery Act which will offset, if not eclipse the current year. Second, the overall historical trends, without stimulus are extremely positive. The last pre-COVID budget, 2019-20, was $33,800,000. That budget was part of a constant trend since merger of increasing revenue. Our beginning budget this year, though lower than last year, is still a fifteen percent increase over our budget just two years ago. The trend, outside of the peaks and valleys caused by the current un-natural flow of contracts and cash, remains strongly positive.

That being said, there are two areas of specific decrease. The Aging program had a huge influx of CARES Act funding for nutrition and supportive services over the last two years. These funds were almost exclusively pass through funds that impacted the bottom line, but did not impact internal structures negatively. We will continue to see funding for these services spike during this budget year. Though we do not include projected revenue in the budget until we have contracts in hand, all indications are that we will actually see an increase in Aging funding year over year as American Recovery Act funds for Aging programs are allocated. We also have been offered additional contracts to assist DHHS with some special projects that are in process. Aging programs are on a strong footing.

Workforce is an area that will see a true decrease in revenue this year. Federal allocations for workforce programs are allocated on a formula basis. The funding is largely based on unemployment figures that lag two years behind. This year’s allocation is impacted by the extremely low unemployment figures for our region during that period. There is some good news hidden in this negative situation. The North Carolina Department of Commerce was very slow in getting the allocations out this year. We had to project conservatively based on the state allocation before we knew our true figures. This budget projects a ten percent decrease, estimated, based on the ten percent cut North Carolina received as a state. Our actual allocation by formula only produced a five percent decline in revenue. Since our budget had already been presented, we will rectify this discrepancy with a budget amendment in the first quarter. As always, our staff will look for opportunities to supplement our programs through other funding steams and will attempt to mitigate any possible negative impacts on job seekers or employers.

Our total revenues for 2021-22 are projected to be $38,787,325.

**Expenditure Projections:**

Expenditures for the coming year will be dictated by the trends exhibited by our revenue stream. Our primary goal is to maximize the impact of the dollars we receive for our customers. People are the focal point of all we do. We serve the citizens of our region by designing and directing high level services in an efficient and effective way. Our people, the staff of the PTRC, provide dedicated and professional service across a broad range of disciplines. Personnel costs are the largest expenditure item for the PTRC outside of pass through of funds for services. A suddenly hot employment environment has put pressure on our compensation system and we have been challenged to fill open positions. You as a Board have been aggressive in providing the tools we feel we need to be competitive. Adjustments to the pay and classification system will take effect this fiscal year. As in previous years, a combination of one time and recurring merit increases are requested to maintain our current system structure. There are no cost of living increases in our system.

As previously stated, PTRC strives for the highest level of service and innovation while stressing efficiency. To this end, our staffing did not follow the trend of our revenues during the past year. PTRC did not use one time funds to expand recurring costs. Our staff faced the stress of meeting our own goals for innovation and effectiveness with far greater funding while maintaining consistent staffing levels. We did provide the highest level of technological support and resources to allow this high level of production. Your staff came through every time! I do not envision any major changes in staffing this year unless new, sustainable programs develop.

Facility costs are another important component of our plan. The Kernersville facility continues to provide high level space to our staff and membership. Use of our meeting rooms changed dramatically due to health concerns this year. Though it seems our building is relatively new, the meeting spaces here were designed at a time when in-person presentations were the primary focus. Over the last few years having virtual participation by presenters became more common. This trend was accelerated dramatically this year. Even as we move to the new normal, we realize that the expectation of remote access for need and convenience will be ongoing. We will continue in this budget year to expand our abilities to have remote access for meetings. We plan to have a Microsoft Certified presentation space completed by early fiscal 2021-22. Our technology reserve will cover these cost. PTRC is also transitioning to a new, fully remote accessible phone system and 1 Gig service for seamless online experiences. New WiFi will also be installed this year to improve our member and guest access to information. This facility will remain a go-to space for training and meeting opportunities. This cuts down on travel costs for participants and staff from our region. It is our hope that all of our members and partners see our facility as an extension of their own capacity. Facility costs for our primary location will continue to be eighteen dollars per square foot. This has been constant since we occupied this space. We are in year eight of a fifteen year note, and have sizeable equity in our building and property that continue to provide stability for the organization.

Other items of importance to our members are outlined below:

**Member Assessments:**

Piedmont Triad Regional Council is a voluntary membership organization which charges dues to members. These dues are used to provide matching funds for various grants and awards as well as covering some basic board support or general expenses of the council. The rate schedule for member assessments will remain unchanged at .21 per capita with a minimum of $550 for the 2021-22 fiscal year. The rate is applied to the most recent estimate of population provided by the North Carolina Demographer’s Office. Dues have not increased since PTRC was formed.

**Indirect Cost and Fringe Benefit Plans:**

**Indirect Cost**

Indirect cost is the accumulated costs that jointly benefit two or more programs and costs that benefit the organization as a whole and are not easily attributable to a direct cost or to a particular program or service. Indirect cost expenditures typically include: Administrative salaries and fringe benefits associated with overall financial and organizational administration; operation and maintenance cost for facilities and equipment and payroll and procurement services. The OMB Super Circular provides a more detailed list of what costs are allowed in an indirect cost pool.

**Indirect Cost Rate**

An Indirect Cost rate is a tool for determining the proportion of indirect costs each program should bear. The direct cost base selected should result in each award bearing a fair share of the indirect costs in reasonable relation to the benefits received from those cost. PTRC uses total direct salaries with fringe benefits as a base. The 2021-22 rate will decrease due to the continued work of our finance staff to fine tune and balance direct costs and shared costs. Our indirect cost rate for the year is 28.50%.

**Fringe Benefit Rate**

The fringe benefit rate is calculate as a proportion of total salaries for all PTRC staff. The rate includes Social Security taxes, Medicare, workers compensation, unemployment, retirement, health care, and wellness programs. Increased retirement costs are the primary factor in this year’s slight increase. This is a planned increase by the State. One more planned increase will impact the following budget as well. Health insurance costs are the largest cost factor in this rate. PTRC is self insured and will remain so moving forward. We have, with Board approval joined the NCHIP health insurance risk pool to spread our risk to a larger group. Due to this change we actually project a five percent reduction in healthcare costs for the coming fiscal year. A detailed listing of these costs are in your budget packet. The 2021-22 fringe benefit rate is 50.25%.

**Conclusion:**

I will conclude this budget message with a general assessment of our position moving forward and a projection of issues that are on the horizon. The PTRC continues to be on a firm footing due to the astute guidance of our board.

Our facility has been a stabilizing force and projects long term fiscal health. As our programs continue to grow our space needs also increase. The expansion space provided in our initial plans has all been filled with cubicles. At this time a dozen offices are equipped for double occupancy to meet our current needs. It is time to consider updating our facility plans. The Executive Committee, at its most recent meeting, approved the formation of an ad hoc committee to analyze our needs moving forward and recommend any pertinent actions. We hope to complete this work expeditiously, and report to the full board.

The expansion of the Piedmont Triad Regional Development Corporation will continue to have a positive impact on the coordination of efforts across a broad range of issues for the Triad. The Corporation activated two million dollars in micro loans to help small businesses impacted by COVID in the last year. Our portfolio now consists of four million dollars in projects which have saved or added hundreds of jobs to our communities. The revolving loan fund is engaged in projects that assist economic development efforts in downtowns, farming communities, and other development areas important to our members. We will look to recapitalize the fund which is currently fully expended. Community development initiatives are helping to drive the success of our member governments and demonstrating new growth in areas like food production, downtown revitalization, and workforce/talent engagement. The commitment and innovation of our exceptional staff is making a real difference in our member communities every day. PTRC will continue to search out opportunities to strengthen our members and region.

I would like to commend the finance staff for their continued good work in producing this document and their constant attentiveness to our fiscal health. I further thank the entire PTRC staff for their daily commitment to the success of our programs and their dedication to our member governments. Finally I thank the board of directors for their continued participation, support, and stewardship of our organization.

Sincerely;

Matthew L. Dolge

Executive Director