

**RICHMOND REGIONAL PLANNING DISTRICT COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
OF FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2016**

Presented here is the Management Discussion & Analysis Report for the Richmond Regional Planning District Commission (RRPDC) for the fiscal year ending June 30, 2016. Responsibility for the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the RRPDC’s financial position, and the result of operations of the various funds of the RRPDC. All disclosures necessary to enable the reader to gain an accurate understanding of the RRPDC’s financial activities have been included.

The Executive Director, Assistant Executive Director, and the Finance and Contracts Administrator, under the direction of the Chairman of the RRPDC, are responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the RRPDC are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that all assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the RRPDC using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the RRPDC’s financial statements as reported in the annual audit. This annual audit consists of three components:

1. Management’s Discussion and Analysis (this document)
2. Basic Financial Statements
3. Other Required Supplementary Information

Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires employers to recognize a liability as employees earn their pension benefits and recognize annual pension cost under an earnings approach.

Basic Financial Statements

The statement of net position presents information on all of the RRPDC’s assets, deferred outflows of resources, liabilities, deferred inflow of resources and net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the RRPDC is improving or deteriorating.

The statement of activities shows the actual revenues and expenditures of the RRPDC for the fiscal year 2016 and the resulting change in net position. It is important to realize that the RRPDC, while not in the business of making a profit, should be managed in such a way to assure that adequate fund balances are maintained for the continuation of services.

The RRPDC adopts an annual operating budget for the upcoming fiscal year in December. The timing of this budget process provides the Region’s jurisdictions an estimate of local membership dues that can be used for their budgeting purposes. A final budget which includes updated information on expenditures and revenues is presented to the RRPDC Board for final approval again in May before the start of the fiscal year.

A budgetary comparison has been provided to demonstrate compliance with the budget. The actual revenues and expenditures are compared to those budgeted for the fiscal year and the resulting variance is calculated.

Finally, the resulting excess of revenues over expenditures is added (or subtracted if expenditures exceeded revenues) from the fund balance at the beginning of the year. This results in the new fund balance or “operating reserve”. The “operating reserve” represents the funds the RRPDC uses for those programs, studies, and tasks not otherwise funded by a specific grant or other current revenues. The “operating reserve” is also used to provide funding for grant programs until reimbursement is made by the grantor. This amount also includes a board designated \$1,000,000 reserve for continuing operations in the event of shortfalls in funding or unforeseen financial crises.

The MD&A illustrates significant changes in financial position and differences in operations between the current and prior years.

The notes following the financial statements provide additional information that is *essential* to a full understanding of the data provided in the statement of financial position and the statement of revenues, expenditures and changes in fund balance statements.

Government-Wide Financial Analysis

<i>Statements of Net Position</i>	<u>2016</u>	<u>2015</u>
Current Assets	\$1,256,966	\$1,211,350
Capital Assets	<u>62,928</u>	<u>61,331</u>
Total Assets	<u>\$1,319,894</u>	<u>\$1,272,681</u>
 Deferred Outflows of Resources	 \$ <u>125,871</u>	 \$ <u>119,108</u>
Current Liabilities	\$ 212,453	\$ 147,049
Net Pension Liability	<u>497,328</u>	<u>515,249</u>
Total Liabilities	<u>\$ 709,781</u>	<u>\$ 662,298</u>
 Deferred Inflows of Resources	 \$ <u>120,689</u>	 \$ <u>162,232</u>
Total Net Position,	<u>\$ 615,295</u>	<u>\$ 567,259</u>

Current assets are comprised of cash and investments, accounts receivable and prepaid expenses. These are resources available to the Commission for on-going operations.

Capital assets consist primarily of furniture and equipment used for the operation of the Commission. In an effort to maximize the capacity of a reduced Computer Operations budget the Commission has begun leasing its computer equipment in an attempt to reduce the outlay of cash to only dispose of the equipment as salvage every three years. It should also be noted that some assets purchased with funds from a grantor may revert to the grantor in the event the program for which they were purchased is discontinued. However, it should be noted that this option has not yet been exercised by any agency providing funding to the RRPDC.

Deferred outflows of resources represent current year pension payments which will be applied against the net pension liability in the actuarial report prepared as of June 30, 2016, which the Commission expects to receive in January 2017.

Current liabilities represent the obligations of the Commission. This category includes accounts payable and accrued expenses, compensated absences and deferred revenue.

Net pension liability represents the actuarially calculated pension obligation of the Commission.

Deferred inflow of resources represents current year differences between the projected and actual pension earnings per the actuarial report prepared as of June 30, 2015.

Statements of Activities

Changes in net position for the years ending June 30, 2016 as compared to 2015 are as follows:

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Expenses		
General and administration	\$ 686,000	\$ 515,904
Project costs	<u>1,911,788</u>	<u>1,943,659</u>
Total expenses	<u>2,597,788</u>	<u>2,459,563</u>
Program revenues		
Operating grants and contributions	735,385	723,479
Charges for services	<u>1,873,920</u>	<u>1,694,135</u>
Net program revenue (expense)	<u>11,517</u>	<u>(41,949)</u>
General revenue		
Miscellaneous and unrestricted investment earnings	<u>36,519</u>	<u>39,925</u>
Change in net position	48,036	(2,024)
Net position, beginning of year, as restated	<u>567,259</u>	<u>569,283</u>
Net position, end of year	<u>\$ 615,295</u>	<u>\$ 567,259</u>

RRPDC Activities

Actual Revenues, Expenses and Fund Balance for FY 2016

	<u>2016</u>	<u>2015</u>
REVENUES		
Grants and appropriations:		
Federal grants	\$ 1,532,514	\$ 1,453,190
State grants and appropriations	293,665	277,978
Local grants and appropriations	783,126	686,446
Other revenues:		
Miscellaneous and interest	<u>36,519</u>	<u>39,925</u>
TOTAL REVENUES	<u>2,645,824</u>	<u>2,457,539</u>
EXPENDITURES		
Salaries	1,622,312	1,507,516
Employee benefits and payroll taxes	486,922	423,612
Office rent	219,885	324,507
Computer operations	74,272	71,575
Professional services – pass-through	37,000	-
Printing	36,947	46,293
Travel	26,210	10,633
Office supplies and expenses	25,991	7,494
Audit and insurance	24,541	23,562
Organizational dues	11,678	10,298
Miscellaneous	9,649	3,346
Telephone	9,288	7,621
Legal	8,619	10,126
Training	8,158	2,769
Postage	5,555	8,278
Vehicle expense	4,441	5,161
Books and periodicals	460	444
TOTAL EXPENDITURES	<u>2,611,928</u>	<u>2,463,234</u>
Excess of Revenues over Expenditures	33,896	(5,695)
Fund Balance – Beginning of Year	<u>1,176,298</u>	<u>1,181,993</u>
Fund Balance – End of Year	<u>\$ 1,210,194</u>	<u>\$ 1,176,298</u>

As of June 30, 2016, the total fund balance of the RRPDC was \$1,210,194, including cash and investments and receivables. In FY 2016, operations contributed \$33,896 to the fund balance, which is \$33,996 more than was approved in the RRPDC budget. Between Fiscal Years 2015 and 2016, total expenditures increased by \$148,694.

The current RRPDC dues structure for member localities was adopted in 1992. The dues contain two parts, the first being a General Assessment of \$0.55 per capita and the second part is an assessment to cover funds needed to match TPO funds received from the Commonwealth and Federal government. This TPO assessment was set in 1992 at \$0.05 per capita resulting in total per capita dues from member localities at \$0.60. The current TPO assessment covers only 27.83% of the match it was intended to cover. The remaining 72.17% is funded by the General Assessment.

In May 2015, the per capita dues were calculated. It was found that an additional TPO assessment needed to cover the match of funds from the Commonwealth and Federal government was \$0.1292 which would have raised member dues to \$0.73 per capita. To-date, the Commission has not acted on a change in the dues structure.

The RRPDC manages its resources in order to provide high quality services to its member jurisdictions in the most cost effective manner. The breadth and type of services provided has changed significantly since 1992 providing valuable regional data resources used by our localities at the same time appropriations by the Commonwealth have declined by 37.2%. The RRPDC's per capita assessment is one of the lowest of the 21 Planning District Commissions in the Commonwealth of Virginia. In addition, the RRPDC has the lowest staff to population ratio of any PDC in the State that staffs a TPO. In FY 2016, local membership dues covered approximately 23.5 percent of the operating costs of the RRPDC.

In fiscal year 2004, staff received instruction from the board to maintain a balance of \$1,000,000 in its accounts to hedge against unforeseen economic downturns and possible cuts in funding from the Commonwealth or Federal sources or unforeseen financial crises. In 2006, the RRPDC completed financial projections indicating that the RRPDC fund balance would be below the \$1 million level in 2012 and that a membership dues increase should be considered at that time. Despite these projections, at the conclusion of FY 2016, the RRPDC fund balance remains at \$1,226,900, including cash and investments and grants receivables.

The ability of the RRPDC to maintain a fund balance above the \$1 million threshold without the need for a membership dues increase is the result of careful financial management, cost containment, and by deliberately seeking funding from non-traditional sources and project-based special assessments in accordance with the RRPDC Charter. Six occupied full time positions have been eliminated over the past six years.

In addition, management has placed limitations on expenses in areas such as travel, training and professional development to reflect current economic limitations. A strong core planning team has emerged from the downturn of the 2008-09 recession; internships have successfully served as an effective training ground to retain interns as permanent full-time employees with capacity to grow if given a clear career path. Planners with greater technical skills in Geographic Information Systems have contributed to the Commission staff's ability to assimilate, analyze, and display data on behalf of member jurisdictions. Ensuring growth and progress for this core planning team is essential in the more competitive job market if the Commission is to retain its most valuable employees.

In FY 2016, the RRPDC paid \$292,043 to lease office space. The new lease (amended and restated) began on July 1, 2015 and runs through October 31, 2022. The total lease expense for the first 9 months of the new lease will be \$244,012 which equates to \$20.29 per square foot. Beginning May 1, 2016 the rent will fall to a total of \$18.00 per square foot. The new lease represents a savings of \$220,000 over the term of the lease (expiration of October 2022) to the Commission and its member localities.

At its April 12, 2007 meeting the Commission approved a resolution for all eligible staff enrolled in the Virginia Retirement System (VRS) to be able to purchase all prior service with the RRPDC for which each person is eligible. All staff hired after July 1, 2001 are required to participate in VRS. Staff not participating in VRS are eligible to remain in the International City/County Management Association (ICMA) 401k program. All staff is eligible for the ICMA 457 deferred compensation program.

Each fiscal year a budget is prepared for formal presentation to the Executive Committee and full Commission beginning in December with a preview to the Executive Committee in November. This presentation includes the new budget for the upcoming fiscal year as well as an updated budget for the current fiscal year. The budget development process is conservative with regard to expected income and expenses. A final budget is presented to the Board for the upcoming fiscal year in May with updated revenue and expenditure estimates.

Income is shown in the budget at the amount the RRPDC can expect to receive from Member Dues, the Commonwealth's appropriation for Planning District Commissions, miscellaneous income, interest income, and the amounts that are reimbursable from the Virginia Department of Transportation for PL (Public Law) and SPR (State Planning and Research) funds, the Department of Environmental Quality for Coastal Zone Resource Management Planning and the Virginia Department of Rail and Public Transportation for Section 5303 funds. Other sources of funding come from the Virginia Department of Emergency Management to fund a planning position for the State Homeland Security Program; private foundation funding for the Regional Community Indicators Project; and special local assessments upon request for specific projects.

The term "reimbursable" requires the RRPDC to submit invoices monthly, quarterly, or semi-annually as stated in the agreement or contract to the above named organizations to be reimbursed for work already completed and expenses already paid on behalf of that program. Some programs require the PDC to provide matching funds. For example; PL funds received from the Virginia Department of Transportation require a ten percent match in personnel and direct expenses from the RRPDC. Other grants require matching funds as high as fifty percent while others will cover most all of the associated expenses.

Additionally, the RRPDC maintains insurance to protect from losses of assets from negligence, accident, theft, or fire. Policies are issued through the agency's insurance carrier—Virginia Commonwealth Corporation. The underwriters of these policies are The Travelers, Fidelity and Deposit Company of Maryland, and the Virginia Department of Treasury, Division of Risk Management. The policies are evaluated annually and are adjusted according to need, economics and advice from insurance professionals.

The RRPDC has legal representation with the law firm of John R. Amos, PLLC. The contract for legal services has been renewed three times. The current contract is effective through December 31, 2016.

The RRPDC maintains a professional relationship with the accounting firm of Dunham, Aukamp and Rhodes, PLC. The contract for audit services has been open to competitive bidding several times. Because of costs and the relationship built with Dunham, Aukamp and Rhodes they have remained our auditor since 1998. The current contract with Dunham, Aukamp and Rhodes expires following the completion of the audit for fiscal year 2016.

To foster professional development, each member of staff is permitted to join a professional organization directly related to their job responsibilities at the RRPDC at no cost to the employee.

The RRPDC participates in the Local Government Investment Pool managed by the Virginia Department of the Treasury. It provides the RRPDC with an investment vehicle with rates equaling or exceeding those offered by most commercial banks and liquidity in the event that funds are needed for current obligations.

Also, as part of the agency's banking with SunTrust, the RRPDC is paid some interest for its deposits on hand.

Capital Asset and Debt Administration

The capital assets in the governmental funds consist of computer equipment, furniture and building improvements.

Economic Factors, Rates, and 2015-2016 Budget

The Richmond Regional Planning District Commission serves the third largest planning district measured by population in the Commonwealth after the Northern Virginia Regional Commission and the Hampton Roads Planning District Commission. The Richmond Region is poised for further growth and to that end the RRPDC is positioning itself to broaden the level of service to and in support of its member governments. This has required an entrepreneurial approach to provide services that are valuable, and clearly establish a return on investment to the region. The RRPDC of 2015 is recognized as a convener, a collaborator, and a partner with many different stakeholders in all sectors while focused on driving the Mission of the RRPDC: “To strengthen the quality of life throughout the Richmond region by serving as a regional forum of member local governments to address issues of regional significance, providing technical assistance to localities, and promoting and enhancing the collective consensus on the economic, transportation, social, environmental and demographic interests of the region.” (adopted 2004)

Every effort is made on the part of the Administrative staff to accurately predict revenues and expenses for the upcoming year so that staff can provide the Board with the best estimates for budgeting and planning. Factors such as the regional economy, past spending patterns, past funding, and population growth estimates are taken into consideration to develop estimates for current and future revenues and expenses.

Contacting RRPDC’s Financial Management

This financial report is intended to provide Federal, State, and Local grantors, as well as member localities with a general overview of the RRPDC’s finances and to show accountability for the funds it receives and expends. If you have questions about this report or need additional information, contact the Executive Director or the Finance and Contracts Administrator at the Richmond Regional Planning District Commission, 9211 Forest Hill Avenue, Suite 200, Richmond, Virginia 23235, and telephone (804) 323-2033.