MEMORANDUM

To: NWCCOG Council
From: Jon Stavney, Executive Director and Becky Walter, Finance Manager
Date: 14 October 2022
Re: **2023 Budget and Revised 2022 Budget Highlights**

- **Increase in number of Employees (about 50 and climbing) as well as increase in Indirect rate (from 15% to 16.5%) means that 3.5 FTE (as well as increased IT costs) are fully covered by revenues to Indirect. Indirect is finally able to cover a considerable portion of Executive Director, meeting a goal I've had for 5 years, which is a relief to Regional Business.**
- **The two "new" in-house fiscal positions are proving to be adding value to the organization.**
- **Increase in Indirect revenues means that Admin and nearly half of ED wages are fully covered by programs and their funding sources rather than by Dues.**
- **With 45% to Indirect covering ED wages, Dues are primarily covering grant matches to programs and providing other benefits to the region. This puts less of an upward strain on Dues in the future after multiple years of 10% increases, and 8% for 2023.**
- **2023 Budget covers employee wage increase of 7% across the board (with a few exceptions in programs with grant limitations). At start of Budget process, Denver Boulder Consumer Price Index (CPI) was peaked at 9%. It has since dropped 12-month average to 7.7% due to slight reduction in inflation and gas prices (reduction may or may not last). Social Security Admin announced on Oct 11 a rise in benefits of 8.7% for 2023. COG leadership didn't believe NWCCOG could cover those higher wage markers fully, so budget was built with a 5.5% COLA and 1.5% Merit for total of 7%.**
- **Proposing that Wage Ranges approved in 2021 for 2022 budget be increased by 5.5% for 2023 to keep up with CPI and have less dramatic changes when next Wage Range analysis is completed. (Note: Executive Director Wage Range assess delegated to Executive Committee).**
- **NWCCOG reserves and general fund balances were robust enough to cover cost of $1M building purchase and $300K tenant finish for 4 months until Loan is closed in early November! Reserves will be fully paid back with loan closing.**
- **Transfers from Elevator Program (EIP) to backfill Broadband and other programs are being reduced significantly in 2023, with no EIP funds supporting Regional Business in 2023.**
- **Budget leverages some EIP funds to balance to one-time elimination of running deficit in EDD from overestimates of EDA grants ability to cover additional employee wages in past three years grant cycles. EDA has not raised base grant since EDD Director started in this position nearly a decade ago, and even with 100% match from NWCCOG Dues, with increased costs, going mostly wages, EDD is not balancing. Have completely pulled Executive Director wages out of EDD to compensate (was as high as $30K in 2021).**
- **NLF is another fund that doesn't cover operational costs by closing on loans. NLF has revolved funds and interest income to draw upon until can close greater volume of loans in future. For**

next budget cycle will separate loans from operating budget for NLF. Is now confusing and misleading showing deficits some years.

- **End of Year actual EIP revenues will exceed current projections, and will be adjusted up again with final approval in Dec. Budgeted EIP is closer to 2022 actuals for 2023 EIP budget so program revenues should be closer to actuals this time next year.**
- **Energy Program is poised to grow from $1.8M program in 2021 to $2.8M in 2022 to $4.5 M program in 2023! With full support of Colorado Energy Office, and ramped up employee training, Energy has begun filling new positions, most created in Eagle County to ramp up for BEECH program. There still remains much organizational planning and restructuring to be done in 2023 in Energy Program to strategically address growth.**
- **Establishing revolving Inventory Fund for Energy cash flow purposes from EIP excess revenues over expenses in 2022. This is a one-time occurrence. The $300K account will cash flow inventory which had been pre-purchased out of a variety of Energy accounts in previous years, creating messy tracking and accounting. Energy work is partially pre-paid, then precisely reimbursed after closeout of each job. Accounting and inventory practices for Energy will be completely reshaped with full review in 2022 and 2023 to adapt.**
- **Broadband program is closer to covering it's own costs. One reason for lowered transfer from EIP to BB was that Project THOR is now paying a portion of Regional BB Directors wages and some of Fiscal Manager as well. Five year Project THOR budget is gradually covering admin and other operational costs deferred in start-up budgets in previous years. The plan is to gradually ramp that up in coming years.**
- **Funding for BB Director: the two-year grant for BB position will reapplied for in 2023.**
- **Overall, many programs are re-setting revenue projections to "normal" after influx of temporary COVID recovery revenues is ending—including Vintage, EDD, and NLF. These programs budgets were significantly increased and complicated by these temporary programs.**
- **New Regional Grants Navigator Position is being funded through OEDIT with help from DOLA directly to COGs which is in budget. There is a state template we've all created for the position, but will discuss with NWCCOG about possible refinements to focus of position – including possible regional climate-goal-related grants from passage of IRA instead of focus on technical assistance to local jurisdictions on IIJ and IRA grant opportunities.**
- **Regional Business also proposes a DOLA grant currently under consideration budgeted for 2023 that has been conceived with NWCCOG and Insights Collective following EDD Summit presentation related to providing metrics for communities transitioning from tourism/marketing focus to residential services focus.**