

**2019-2020 Governing Board
Finance Committee MEETING OF THE WHOLE – FY21 Budget Proposal
September 10, 2019**

MINUTES

Committee Members Present: Julie Waters, Chair; Elizabeth John, Vice-Chair; Raj Mehra, Treasurer; Terri Markwart, Secretary; Maria Foderaro-Guertin; Suzanne LeMenestrel; Xavier Jimenez; Alicia Plerhoples

Committee Members Absent: Carole Herrick; Megan Markwart; Carla Post

Staff Members Present: George Sachs, Executive Director; Ashok Karra, Comptroller; Holly Novak

Guests: Lori Carbonneau (MPA); Joe Polito (MPA); Paul Kohlenberger (Greater McLean Chamber of Commerce)

CONVENE THE MEETING

Finance Committee Chair Mehra convened a Meeting of the Whole of the 2019-2020 Governing Board of the McLean Community Center (MCC) on September 10, 2019 at 7:35 p.m., for the purpose of reviewing MCC's budget proposal for FY21. Following tonight's substantive review, the budget proposal will be presented at a Public Hearing on the FY21 Budget on September 25. Announcement of the Public Hearing has been widely publicized to Small Tax District 1A-Dranesville residents via print and electronic media. After the Public Hearing, the proposed FY21 Budget will be available for public inspection for a period of 15 days. Following the public review period, it will be submitted to Fairfax County as "final" at the end of October.

AGENDA The Agenda for the meeting was approved as written.

PUBLIC COMMENT Members of the public were invited to introduce themselves and give remarks if they wished.

Paul Kohlenberger (Greater McLean Chamber of Commerce).

Joe Polito (MPA) - has been working on ArtFest expenses and sponsorship for 12 years now.

Lori Carbonneau (Executive Director of MPA) – MPA is thrilled to be back in the MCC building! MPA thanks the Board for making the amendment to supply the full \$20K in cash. What has changed this year is in working with the police - they are making strong recommendations about: traffic control; access to the park; how to handle security in the park; presence of 6 uniformed and 4 under-cover officers in the park during the event. Security will be a significant expense (in FY21, MPA will request \$25K as MCC's contribution) as they anticipate what is necessary.

Answer to a previous question from Programs & Outreach Committee about the number of local McLean artists participating in ArtFest 2019: 48 professional artists in tents "Artists Circle" (curated-in through a blind curatorial process). Curation decision: 1st criteria = artistic merit; 2nd criteria = variety and what will make an interesting festival. 62 artists applied; 69% of those who applied were from McLean. 50% of those who applied and who were accepted were from McLean; only 3% who were from Dranesville were not accepted. In addition to the 48 curated artists, MPA also provides a significant venue for the McLean Art Society (who are fellow art makers and art lovers in McLean). This is one of their biggest sales days of the year (ArtFest provides a tent free-of-charge). ArtFest event supports MCC's mission to the community in several ways: access to curated artwork; local artists have a sales venue; McLean-area school pyramids participate through Children's Art Walk. McLean residents are also engaged in the event as it becomes a big 'camp-out' for local Boy Scouts -who are among the 200 volunteers who will be helping! It is a grand community effort.

Several in-depth questions were raised about ArtFest2019 and MCC's budgeted contribution:

Question: So, is there no longer art exhibit programming in the MCC interior ramp space? Why is that?

MPA is also no longer using the ramp at MCC because it was problematic: fire code; security issue (continuously open entrance); structural problems (leaking during rain downpours). McLean Art Society is no longer present in the ramp space at MCC; but they will have Emerson Gallery in spring 2020.

Question: Where will all the kids' artwork be exhibited at ArtFest? Children's art will be featured in the Emerson Gallery.

Question: Are you asking for \$25K in the FY21 budget? Yes, MPA is asking for \$25K in the FY21 budget. We are looking ahead and realizing that we must make it work with our current budget this year (\$20K). MPA will work with Mr. Sachs and Mr. Karra on making adjustments as necessary. There will be no skimping on security; we are doing careful planning. The partnership arrangement is: MCC gives 'facilities' type dollars to support logistical costs of ArtFest; MPA handles the programming and curation.

Question: Where are you getting the money for it this year? If MCC wasn't able to do it – where would you get that?

It would come from other programming monies (perhaps there will be a further request to MCC for cost-sharing). We don't have an estimate from the police dept. yet; but as a percentage of the ArtFest budget, these costs are significant. Mr. Sachs has some ideas about finding additional resources who could volunteer as a stronger presence in crowd control. Security costs are a reality; we will have to bring it to Mr. Sachs and Mr. Karra and respond back to the Board prior to Sept. 25. MPA accepts your guidance on this point.

Clarification by staff: Tonight is the appropriate time to discuss FY21 level of support to ArtFest.

Question: I'm curious why this [increased security] has not been considered before?

Clarification by MPA: There were a couple of high-profile incidents just prior to ArtFest three years ago; McLean 5K was cancelled due to threats of potential violence. MPA ArtFest went on as scheduled, but with added 'terrorist/act of violence' insurance. Now MPA carries both: 1. event insurance (liability/cancellation) and 2. 'terrorist/act of violence' insurance.

Clarification by staff: MCC has this kind of coverage for McLean Day and 4th of July. It's an unfortunate global situation. It's an awareness; and security is something that MCC must provide. ArtFest is a "targeting-civilians" type of situation.

Clarification by MPA: MPA walked through the park with the police dept. to learn best practices. ArtFest has been such a pleasant experience in the past. But that is considered naïve. In today's harsh realities, guidance from police is that we turn over control to them entirely for security and emergency response. Sunday hours will be overtime for police officers (overtime for 10 people on two shifts). The police gave stunning statistics – 120 armed officers within 90 seconds responded to the recent situation at Gannett bldg. in Tysons. This is a new day where massive police response runs toward the danger... and civilians need to immediately get out of the way and move quickly away from the threat.

Clarification by staff: At the McLean 5K, we must have security (MCF is funding it); such costs must be factored in.

Question: So, for general context, what is the budget for ArtFest as a whole?

ArtFest2019 entire budget (non-personnel) = \$40K. MCC's contribution is considered "elite community sponsor". Next major source of income is fund-raising (biggest gift is \$5K); then smaller contributions and tent rentals. MPA has 6.5 FTE's. MPA's cash budget is \$600K annually: \$230K is personnel; \$150K is pure programming (the rest is supplies & events). Such a \$5K swing is a huge issue for MPA. It was a surprise because the police have volunteered for ArtFest in the past. The police no longer volunteer for such duty; they have a different liability profile now in the current environment.

REVIEW FY21 BUDGET PROPOSAL

Fiscal Year 2021 = July 1, 2020 to June 30, 2021.

Mr. Karra explained detailed financials of the FY21 Budget proposal; board members' questions and requests for clarification are shown. MCC has had very strong financial stewardship over the past few years. After relocating back to the facility in January 2019, FY21 is a full year's projection, based on the full year of FY20. A small shortfall of \$1,634 is shown. The county asked us to assume no increases in real estate taxes. In January 2020, the tax assessment will be realized; then we will make an adjustment to FY20 numbers. One big component still-to-come: Compensation/Benefits. The county advised keeping same baseline as FY20's Compensation/Benefits levels. They have not yet compiled the new numbers. We are projecting pretty much a flat line for FY21. **Our recommendation is to keep the tax rate at 2.3 cents per \$100 of assessed value, for FY21.**

Explanation of Revenues: 78.7% of revenue comes from real estate taxes. About \$1.294M comes from programs and classes, special events, Performing Arts. Interest rates boomed in FY20, so we have a more aggressive interest estimate for FY21. Class revenue is down a little more conservatively than FY20. Special Events estimate for FY20 was aggressive, so we now dropped it back down more conservatively. This reflects a more realistic approach of using specialized outside vendor companies contracted for logistics of events instead of having everything being handled by in-house staff. Performing Arts anticipates growth because of big-name performers. OFC revenue is consistent. Rentals are strong and we project the same; but they may be yet even more. Interest will probably be \$70K. All the renovation

costs have been paid-off (which reduces the Fund). Summer Camp revenues are dependent on the chosen location; Chesterbrook Elementary as the location for Summer Camps tends to drop revenue.

Question: Regarding Youth Camps, are the revenue numbers coming in smaller for Camp McLean? And we never find out where it's going to be until after the county decides, correct?

We don't find out where camp is going to be until after February 2020. There is no way to request it (MCC has no control over the decision). We have been relegated to Chesterbrook for the past two years.

Opinions expressed: Just as a point of context... all schools offer their own camps (that MCC competes with). Chesterbrook Elementary's own camp made \$140K last year! So it was huge, and we will not get those families who are already participating in the school-offered camps, which are a big draw.

Question: Who makes the determination about where camps will go?

Fairfax County Park Authority does the scheduling. They have oversight of all requests for the different camps and they choose the respective locations. There is a lot of shared space of more than one camp at these schools.

Explanation of Operating Expenses: Compensation = 42.4%; Benefits = 19.1%; Operating expenses = 38.5%. Compensation & Benefits are now shown in the totals, based on Finance Committee + CFC requests: \$1.44M (administration) total. Major expense for administration is PC replacement (cyclical replacement of X number of personal computers every year). This ensures that MCC is up to-date on PC technology. PIO – major expense is postage (3 program guides per year; ancillary items that go out for Alden Theatre); commercial media (MCC-wide). If for Alden Theatre, or specific to a department, it goes to their budget. Web site maintenance is becoming expensive because of requested changes/updates. Requests are coming in (sorting functions; mobile app). The web designer has provided quotes for enhancements: \$20K could rise to \$60K potential expenses to keep up with changing technology. We are researching if it's worthwhile to do. MCC's web site has everything in it; you can access it from Google and get everything you want. But some people prefer apps. Web site development is a placeholder of \$30K.

Question: Is there any risk of distributing the Compensation/Benefits numbers into each department... by program and personnel (instead of a total number)?

Clarification by staff: We could. But we don't know what that would look like. A lot of MCC staff is part-time personnel, in different employee 'categories' (summer camp personnel are temporary and part of the payroll).

Question: Is posting and printing costs of \$80K primarily for the Program Guides?

Yes, but also for the announcements and ads about the election of the Governing Board. Anything to do with postage for the Center as a whole; but it is mostly for mailing out the Program Guide.

Facilities: The major portion of facilities Operating Expenses is building maintenance. MCC's footprint has increased by almost 10,000 sq. feet. A lot of things are coming through; we are looking carefully at what is immediate priority and what can wait (maintenance of the building). HVAC breakdowns (\$83K Capital + maintenance); maintaining the planters in our front patio (they were never budgeted but we just put them there); everything adds up. We always have some cushion to work with. We are very careful about containing costs as much as possible.

Question: What do you mean by 'telecom charge-backs'? Is that a cash expense?

The telephones in the MCC building are county property; it's an allocation of what the county is charging back to MCC based on the number of lines we have. "Telecom services" is Verizon: what we pay to Verizon for usage of the phone and IT support - which is charged to each agency. There are about 54 computers throughout MCC; we are told to replace 11 computers every year ('rotation' number assigned by the county).

Instruction: Operating Expenses look a little high because it's based on revenue. If we do \$450K in revenue, we project classes to come in at 74-75% of the class revenue as being paid out to instructors. Also, there are finance charges; MCC pays a 5% charge on all registrations that are done online (adds up to \$25-\$30K).

Performing Arts: The Alden Theatre is very expensive to maintain, but it is an excellent venue and we must do all necessary projects and not fall behind in any operating maintenance in order to continue offering to our community the high-quality performing arts experience. 100 artists are scheduled for FY21.

More extensive discussion about MPA and ArtFest: Visual Arts: Expenses are going up another \$5K.

Comment about MCC's sponsorship to MPA ArtFest: As a placeholder, it makes sense to increase MCC's sponsorship to \$25K.

Question: For comparison, at McLean Day, what has been MCC's cost for security and policing? Is it similar to what they are now suggesting for ArtFest? Yes. 17K attendees were at McLean Day; ArtFest will have 10K people and it's only a

one-day event; they scaled their estimate. We hired a security company for McLean Day to supplement the police force. Mostly on DAY-OF is when MCC was paying for police presence and traffic control.

Question: For McLean Day and July 4th, is security already factored into the Operating expenses for those events? Yes.

Question: Do you have a ballpark for police/security costs for ArtFest? Security for McLean Day was about \$8K; police cost was \$3,500-\$4K. We will spend a lot on security. There is no argument that you never know what is going to happen. We must be cautious, especially with a crowd of 15K to 30K people coming into the park for 1 ½ days (overnight security). There are three elements to providing adequate security for ArtFest:

1. Traffic control (provided by volunteer police);
2. Crowd control (pathways in and out of the event; keep crowds moving in proper direction);
3. Active violence preparedness with increased uniformed and under-cover police (overtime charge; extra people). Patrols on bikes; dogs sniffing trash receptacles.

Question: Realizing that MCC is a primary sponsor of ArtFest and that we are now moving from \$17K cash to \$25K in cash... what is the "level" of sponsorship (\$25K out of \$40K of operating costs) that highlights that MCC is an even bigger contributor than MPA?! What are WE getting out of it?

Clarification by MPA: Even with MPA putting all our expenses against it – MCC's contribution is probably more like 70%. You are exactly right about the significance of the contribution. One exciting aspect is that MCC is always being recognized in ArtFest radio and press releases. Our communications teams are working together to promote MCC in everything MPA does during the fall (an innovation this year).

Clarification by Mr. Sachs: It's being presented as a package deal of showing what Fairfax County is doing for the community – Park Authority; Library; MCC; MPA. Fall season is a great kick-off of what everyone is doing.

*Opinions expressed: **We completely understand the reasoning. We all want a safe community. It is an extension of MCC's mission to provide safety at all events - that's an important rationale and justification. A further rationale with the increased contribution is to make sure that MCC is being recognized as visibly as possible as a major sponsor of ArtFest.***

Question: Being a new board member, I did not realize that MPA was a separate organization from MCC.

A lot of people probably think that; it is presumed that MPA is funded. However, MPA's mission is the classes that we teach; outreach to Title I, to seniors and to individuals with special needs; and the gallery. ArtFest is a special event for the community. We have \$43K in sponsorships against our costs; MPA is not making significant money off it. Everything that MCC is able to support makes a huge impact.

Clarification about the history and significance of the contribution by MCC Board to sponsor and assist with ArtFest:

MCC doesn't write a check; we don't operate that way. We are concerned with stewardship and transparency of taxpayer money that MCC managing; and that it is going toward the appropriate expenses. In the challenge of trying to document the contribution to MPA, MCC started with an 'in-kind' donation: facility and manpower, equipment contributions. But the ArtFest event needed more funding. Then the conversation about MCC's presence and the community's support of the event made it a "reasonable" expense from the point of view of our taxpayers, to support the common and very similar respective missions. There have not been any concerns from the general public about why MCC is putting money toward a non-profit organization. But we must be careful because other non-profit organizations in McLean would similarly have an interest in receiving such funding. ArtFest is a special arrangement as a "lead community sponsor" because it ties into what MCC does in the community as a whole. The board made a decision years ago to increase from a \$5K donation to ArtFest...to \$10K... to \$20K; and it has been at that level for the past 10 years. The need for a further increase this year is that \$17K cash not to exceed is near the threshold of actual current costs.

Clarification by MPA: The increase in costs quickly became obvious: tents from the vendor used to be \$12K; now they are \$17K. Last year was embarrassing because there weren't enough trash cans; overwhelming trash accumulation did not reflect well on the public's perception of the event. The higher contribution this year of cash up to \$20K should cover increased costs for event vendors. The reality is that everything is going up \$\$ (golf carts; tents; trash removal).

Recommendation by CFC Chair John: As a placeholder, the additional \$5K for ArtFest 2019 is very reasonable. It is mission-oriented; and the costs are reasonable given the comparable to McLean Day. It seems about right; and we can't skimp on security. We can put in a placeholder and then come back next year to assess the actual costs. We can be economical and make some smart choices to lessen costs. But I wouldn't want the budget to be a barrier to having the proper level of security for the event.

General observation on the FY21 budget proposal:

Opinions expressed: I wonder, if there's a way to get to a balanced budget? When was the last time that we've proposed a budget to the public that showed a deficit like this? Or any deficit at all? For the last two years, we haven't.

Clarification by staff: It's all based on real estate tax revenue numbers. Deficit arose largely based on the county OMB's suggestion to make FY21 numbers flatline to FY20 – we left the numbers the same; except for about \$40K in known Compensation/Benefits expenses. By mid-October, we will have the Compensation/Benefits (personnel salary) number for FY21.

Opinions expressed: Even just driving around McLean and seeing all the older houses being torn down and new houses being built... and sold for double the price of the old house – the tax revenues will likely increase. On the other hand, we can't be overly optimistic because of changes in the tax laws and cap on household deductions. Other affluent counties throughout the nation are similarly being affected. We may not see an increase in tax revenues.

CAPITAL IMPROVEMENT PROJECTS – FY2021

Following the discussion by CFC and Finance Committee on September 5, 2019, Mr. Karra and Ms. Garrett revised the CIP list based on the remediation reimbursements. Three big items were removed: 1. Stage replacement was removed from FY21 because the insurance will pay for that and it will suffice for what we expect to do; 2. Replacing brakes was compensated in full during the remediation (so it was removed). 3. The brake lifts chain hoist system was also removed. That brought Alden Theatre Capital Expenses in FY21, down to \$174K; however, the figure for non-theatre CIP projects is still the same. This information feeds into the Fund Statement.

Question: In Finance meeting on 9/5, we requested filling out the "TBD"s with a reasonable placeholder (realistic number).

Clarification by staff: We don't have exact numbers yet for the elevator and box office upgrade. Mr. Sachs recommends not listing those items. They require study in order to get to an accurate design number; there is no design plan yet. Until the design is done, we won't have accurate knowledge about total cost.

Question: So – does that mean? If we don't have the design done, is it actually going to happen in FY21?

Technically, you are correct; we are probably yet another year away - that should probably show in FY22. But we should leave it – because we are going to do the design even though, until we complete the design, we don't know what the total cost is going to be.

Opinions expressed: Then I would recommend just taking that out if, reasonably, we are not going to get it done until FY22. That's what I would recommend – it's either going to show as a 'TBD' or it will precipitate a question about what is happening, or another conversation. Similar for the box office ADA retrofit – we just don't know yet, from a design standpoint, what we are getting into and can't put a price on it. It will likely not be done in FY21.

Question: What is planned for the elevator?

We don't know yet. We will have the elevator estimate by Sept. 25, so we can keep this placeholder. We have no idea until we know what we're replacing. It's not replacing the car; just the guts (new brains and mechanism). Or... we could remove the elevator from the list and if it comes in during FY20, we can go through an approval process. We are so close to getting a quote, let's hold off until Sept. 25.

Summary comment about the renovation: Renovation project cost is projected at \$7.4M. It is not finalized yet and there are many final bills still to come from the construction company (change orders still under negotiation).

REVIEWING THE FUND STATEMENT *The chart comparing FY19, FY20 and FY21 was reviewed in detail.*

Small District 1A-Dranesville is 17,000 households, which contribute \$20,538,253,000 in assessed value!

At the end of FY21, we project to have \$4.961M in our Fund. This is subject to two big factors: 1. Real estate taxes. 2. How much we can control our expenses. We control our Operating Expenses carefully; but there are always unusual expenses that come up that can eat away some of our surpluses.

Question: So you took out the Theatre capital expenditures in FY20 and FY21?

Yes - because we anticipated the insurance company paying for it. The Fund Statement also depends on finalized renovation costs (which are not concluded yet). We don't anticipate much; but there will be some issues we need to resolve. But MCC still has a good cushion of about \$5M in the Fund.

Question: Considering the Sept. 25 meeting with the public, if we add that \$5K (to MPA ArtFest) and then we end up with a \$6K deficit, will there be any negative response from the public? Do you think that's going to be an issue?

It hasn't been in the past – MCC has always shown a surplus. Being aware of public perception, what we did in

FY20 reflected some unknowns in coming back to the MCC facility; but we balanced it to zero. We can do that by working with our revenue projections and adjusting expenses in some places. In talking to Fairfax Co. OMB this year, a \$1,600 shortfall is an honest view. Coming out exactly at zero might seem odd. But now, taking it to a \$6K contribution to MPA ArtFest – I don't think that will make much of a difference in public perception. If questions are raised from the public, the overall explanation is:

1. We assure the public that property taxes will not go up and we will hold the line on projected tax revenue.
2. We have been instructed to hold the line on expenses.

MCC has a cushion in our expenses; and we are constantly looking at expenses carefully. We are conservative in revenue across-the-board in each department. MCC has not had a lot of public reaction; there is no issue driving it as of now. Regarding the renovation (which is now completed): we did what the public wanted us to do.

Question posed to the full board: We must publish this on Monday on the web site. Should Mr. Karra make the changes?

Chair Waters mentioned that she is in favor of that. It's still a working document.

Question: Are detailed budget notes also published?

Yes - this entire packet will be published on the MCC web site for people to review and comment; it is comprehensive and has the narrative to support it. We welcome input from the public. Public interest is usually not so much about requesting any changes to the numbers; rather, simply asking for explanation of the numbers. Tonight (and the previous Sept. 5 meeting) was the opportunity for us as a board to analyze. And then it becomes the public's turn to examine the information.

MOTION: To present the FY2019-FY2021 Fund Statement at a Public Hearing on September 25, 2019 at MCC, with the adjustments that we discussed tonight. Unanimously approved.

At the Public Hearing on September 25, the information will be available as printed copy (it will not be verbally presented again). The Finance Chair will explain the Motion that the recommended FY21 Budget has been proposed. He will open the floor to anyone from the public who is present and would like to give comments. If anything is submitted writing from the public, it will be read aloud at the meeting (if the public person is not present) and the written comment will be entered into the official Minutes of the meeting.

MCC RECEIVES PUBLIC AWARD RECOGNITION FROM VPRS

Mr. Sachs mentioned that MCC just won two awards: 1. for best new renovation (brick and mortar!) in the state of Virginia! 2. for the Program Guide and Summer Camp Guide (most innovative marketing pieces!). Mr. David Craig will attend the Sept. 25 board meeting to be recognized for his outstanding work as our new graphic designer. This was excellent recognition at a state-wide conference of the Virginia Parks and Recreation Society.

OLD / NEW BUSINESS

Nothing else was mentioned as a topic for discussion this evening.

ADJOURNMENT

There being no further business, Mr. Mehra adjourned the meeting at 9:00 p.m.

Respectfully Submitted, Holly Novak - Executive Assistant to the Governing Board