

**NORTH COUNTRY COUNCIL BOARD OF DIRECTORS MEETING MINUTES**  
**Tuesday June 18, 2019**  
**North Country Council Conference Room**  
**161 Main Street, Littleton, NH**  
**3:00 pm – 5:00pm**

**BOARD MEMBERS PRESENT:** Robin Irving, Vice Chair; Carl Martland, Board Member; Paul Robitaille, Secretary.

**BOARD MEMBERS ABSENT:** Doug Grant, Chair; Jennifer Fish, Treasurer.

**STAFF MEMBERS PRESENT:** Kathleen Frenette, Co-Executive Director & COO; Michelle Moren-Grey, Co-Executive Director & CEO

**GUEST:** Eric Waters, Waters Consulting, LLC

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### Welcome & Minutes

Vice Chair Irving opened the meeting at 3 pm.

Minutes reviewed from the May 21<sup>st</sup>, 2019 Board meeting

**MOTION: Motion made by Secretary Robitaille to approve the minutes from the May 21<sup>st</sup>, 2019 Board meeting. Seconded by Vice Chair Irving. Board Member Martland abstained. Motion carried.**

**NEW BUSINESS:** Waters Consulting, LLC, presenting “North Country Council Operational Review”

**PRESENTATION:** Vice Chair Irving introduces Eric Waters, who thanks the board for the invitation. He states that he will be giving an abbreviated version of the thick report, a “living document” so to speak, a scope of the project through financial analysis and a list of recommendations. He discussed his education and experience as an MBA graduate working first as a COO for many years in the hospital industry and then for years as a CFO at another non-profit entity.

Mr. Waters then begins presenting the operational review to the board members. Some of his time was spent talking with people in the NCC region, 25 total, either in person or on the phone about issue discovery. He spoke with current municipal members, past municipal members, some NCC Board Members as well as spending a great deal of time with Kathy and Michelle. A survey was sent out with eight questions to a total of 55 communities were sent out, and only 2

responses were received. Board Member Martland questioned who the surveys were sent to. Per Ms. Moren-Grey, the surveys were sent to the primary point of contact that is in the NCC records, as well as a couple of follow-up emails.

The strategic plan was reviewed by Eric as well as past board meeting minutes, finance committee meeting minutes and past audits. He found that the strategic plan was performed in 2013 and was last updated with a progress report in 2015. It's been four years since there was any work done on it. What struck him were the 43 goals that were part of the plan. For a small staff, 43 goals is a large number and many did not have a measureable goal as they were not very specific. A measureable metric is needed and the goals assigned to someone. Much of what was in there for goals is still relevant, which is good news from the feedback that came his way in the 25 meetings he had.

Some of the issues raised were past leadership, which many spoke about, as well as the concerns raised as the cause for the operating losses, which may or may not be the case. The fact that the staff is smaller came up often. They felt that there was a decreased understanding of knowledge of the work of the Council which seemed to happen where the Selectboard had changed and the hand off of information to new people is not being done well. Many communities talked about the pressure to keep taxes low. Most communities want to operate in the community, and there is a reluctance to look at things from a regional view for these communities. The Council is seen as an entity to bring people together and facilitate. Eric's conclusion is it is not in our bailiwick to drive regional approaches. Michelle concurred as there are lots of conversations about regionalizing EMS services, we can facilitate the conversation but the reality is there has to be champions within those communities to pick it up and run with it or the long term success is not there.

The other comment that came out in almost all of his meetings was that the current leadership team is doing a good job getting things stabilized. There is a momentum moving in a very positive direction.

Talk about the old NCCDC and the building acquisition and has put a burden financially on the Council. There is an accounts receivable on the books associated with NCCDC and it has now become an operating loss. The way that operating loss was made up was by borrowing money which will be discussed later. NCC is a 501(c)(4) organization and contributions are not tax deductible, which can disqualify the Council from foundations and other types of giving organizations. NCCDC was dissolved not that long ago and if things move slowly there may be a way to get that back to be able to keep that 501(c)(3) entity. It would be a vehicle to use to get other types of money and funding that can't come directly through the Council. Per Board Member Martland at the last meeting he went to about three years ago regarding NCCDC, people were anxious to get rid of it. Ms. Moren-Grey discussed that she had given a presentation on NCCDC a number of years ago and explained the benefits of having NCCDC is of significant value. Foundation funds can come through there to be used as match money, there may be less

prequalifiers with NCCDC and it is/was a valuable tool. The mission of that organization may be non-specific enough to qualify for various funding. If re-established, NCCDC and NCC should be clearly divided as two separate entities. Keeping them separate is omnipotent. Ms. Moren-Grey is unsure if it has been fully dissolved or not. NCCDC was around for 40 years but was just dissolved in February or March of this year. Discussion ensued of the benefits of having a 501(c)(3) and the Board members in attendance agreed they would not have let it go.

Moving on Eric discussed that dependency is mutual with some communities and the Council, and those communities use the services that they don't have staff for. Services that are being utilized with the Council, the communities that Eric spoke with, see them as very valuable.

SWOT analysis—meaning of SWOT discussed, which is strengths, weaknesses, opportunities, and threats. Eric developed the following from this issue discovery work.

#### Strengths:

- Planning support for roads and zoning
- Access to grants and grant reporting by the Council is seen as very good work as the Council provides good information
- Grant assistance and the entity that keeps track of what is going on in individual communities.

#### Weaknesses:

- Vacancies on the board
- Financing model of RPC's
- Current financial health such as the operating losses in the past five years and the debt the Council has.
- Some people discussed damaged relationships from past leaders, effort to get out and let community know things are different.

#### Opportunities:

- The Council is seen as a regional leader and convener.
- People want to hear more about what the council is doing.
- Grant writing and management services
- Lastly decreased volunteerism was heard. That can create opportunities for the Council to provide some services and create some revenue to help these towns out.

Threats:

- Property tax sensitivity, budget pressures get tighter and decreased dues revenues can happen if the people on the Planning and Select Boards don't know what the Council can do.
- Former employees competing with the Council for some of the same planning work.
- Costs were brought up, that others were less expensive than the Council. Can the Council work it differently to get that work? But the Council is in a weak financial position to make those types of investments.

Board Member Martland discussed decreasing volunteerism and towns rely on volunteers. Vice Chair Irving states that younger people are not in as many volunteer positions, for example volunteer fire departments. Secretary Robitaille states that volunteers are having to be taught more and the time commitments need to be looked at. Staff Member Ms. Moren-Grey states that maybe the way "the ask" is done for acquiring volunteers perhaps needs to change; go with young ideas.

Eric discussed the finances and the net position (AKA Retained Earnings) of the organization. The current ratio, which is the current assets divided by current liabilities, the target for that should be 1.0. Operating reserves is the NCC cash divided by operating expenses, and the target is to have three months of operating expenses in the bank. Very few non-profits have that kind of reserve but it is something that NCC should be thinking about and a goal to strive for. Actual performance to budget discussed. It is best to compare to budget. Looking at past financials they are done comparing to last year and they should be done comparing to budget. The way the reports have been done have probably been going on for years. Staff Member Ms. Frenette said that with the FY 2020 budget now approved she has begun the process of inputting the budget into QuickBooks to be able to have the financials in the 2020 fiscal year compare actual to budget. She said she has questions that she will be asking Tammy Letson from Crane & Bell when she works with her on the financials beginning on July 9<sup>th</sup>. Eric spoke about the debt payment to CDFR in the amount of \$50,000 that is due in December needs to be addressed. An extension needs to be requested because there will not be enough revenue to cover that debt by December 2019. Debt payments to BFA, the NH AG's office and interest payments to CDFR are current and made on time.

Eric reviewed the past audits from 2014 to 2017 discussed the net position changes as a result of writing off the NCCDC loan and how things transpired. The change in position is the profit and loss. Big loss in 2017 as the NCCDC debt was written off as a loss so the year closed at a negative \$209k. NCC's debt was higher in 2014 and 2015 but has been coming down over the last couple of years with the total debt being at approximately \$181k. Eric went on to say that Ms. Frenette has been doing a great job paying the bills and paying the interest, but she doesn't have much to play with. The budget was discussed in regards to expenses to go in the budget

including depreciation that occurs over time. A variance should also be decided upon, what is the number that the budget is off by that needs an explanation as to why.

Discussion regarding the availability of having an accounting firm such as Crane & Bell as a second set of eyes when needed or if Ms. Frenette has a question was brought up. Eric explained that he always had a CPA to ask questions of or to take a second look at things when needed. Having that resource in place will be asset to her for knowledge and also being a nonprofit the record keeping is trickier and they don't teach you this stuff in school. Vice Chair Irving described her accounting work where Tammy from Crane & Bell does a piece and then the auditors. Eric said that that will be the same way here at the Council with Crane & Bell there to assist when needed and then the audit. Vice Chair Irving had a question about the delay on the audit. Ms. Frenette explained that the 2017 audit was not paid off until January 2019 then on March 15<sup>th</sup> Board Chair Grant signed the letter of engagement so the FY 2018 audit could begin. Clarification was stated that NCC is on a July 1 to June 30 fiscal year and not on a calendar year.

Different types of revenue went on to be discussed. Restricted revenue is a function of time, specific to the type of work and specific to the type of expense. Understanding that every grant is different and has different restrictions. Ms. Frenette is having to put in multiple entries per grant. Spending according to the grant is vital as what happened in the past in not doing that has caused a debt that has to be repaid to NH DOT through the NH AG's office. Member dues is a source of unrestricted money which can be used to pay down the debt. Work for hire- if the Council gets a contract for \$10,000 to do a traffic study and the Council only spends \$8,000 then that \$2,000 can be used elsewhere to offset other expenses or to pay down debt.

Significant financial issues are the debt at \$181,000 with \$79,500 forgivable with the net owed at \$101,500. The CDFA line of credit that expires in 2019. The NCC budgets have been break-even and the delayed 2018 audit and there is a backlog of reconciliations. Depreciation is needed in a budget as it builds a reserve and more revenue is needed to pay back the debt.

In looking at the core competencies, the staff understands the financial model. They understand how to maximize the funding for the projects. Members are satisfied with the service from the Council. Alex has gotten many compliments regarding his work Eric said. The Council provides services in 9 areas and is proficient in 6 with basic knowledge in 3 areas. The basic knowledge then gives an opportunity to build their skills in those areas.

The key issues for staff are financial stability, let them know we are struggling but doing better and that the "train" so to speak is still on the tracks. That is important with recruitment and retention. The staff might want funding sources to allow sufficient administrative time and developing descriptions of services for staff. Are there brochures on various types of work the Council can do so if a staff member is out and asked if the Council does a certain thing the staff member can give them a handout with information?

## **Recommendations:**

- **Leadership**
  - Continue to increase outreach to build awareness.
  - The need to build the marketplace on the services the Council can provide.
  - Learning the needs of the communities with regard to master plan updates, regional issues and support for vacant positions in communities. A brief discussion about how support for those vacant positions would work and what it would look like. The past idea of a planner circuit rider program to assist communities with planning that do not have a planner on staff.
  - Strategically request funds and understand the competition.
  - Look to identify potential 501(c)(3) organizations that may provide access to fund raising opportunities.
  - Suggestions for the board agenda that should be included are member value and satisfaction, staff recognition and issues, regional outlook and financial position.
- **Finance**
  - Budget for depreciation and a 3% margin.
  - Determine budget variance thresholds.
  - Provide a second set of eyes and accounting support.
  - Complete financial close checklist and distribute information well in advance.
- **People**
  - Monitor employee satisfaction.
  - Maintain flexibility and maximize time allocation to project related work.
  - Increase the time devoted to external relationships (Co-Executive Director & CEO)
  - Codify decision making authority for Co-Executive Director & CEO to direct all staff.
  - Develop contingency plans for key people.

## **The Next Steps**

- Prioritize the recommendations and keep the number small.
- Develop smart goals which are specific, measurable, attainable, relevant and time based; have one point person for it.
- Assign a leader to make any final decision.
- Create action plans and then execute.
- Eric suggested a short-term goal is needed and have the Board and staff work together on it.
- The Council needs a short term action plan and get the debt reduced before doing a strategic plan.

Eric inquired if any questions on recommendations. The Board thanked Eric for his time for the presentation, answering questions and his assistance in this process.

**Adjourn**

**MOTION: Move to adjourn at 4:56 pm by Secretary Robitaille. Seconded by Board Member Martland. The motion carried.**

Respectfully Submitted,

Anne Klein, Recording Secretary

Klein Transcribing

Approved 08/20/2019