

FIVE COUNTY ASSOCIATION OF GOVERNMENTS

Finance Committee Meeting

MINUTES

Date: May 13, 2026	Time: 12:30 PM
Location: Festival Hall, Cedar City, Utah	Called to Order by: Committee Chair Wade Hollingshead

1. Call to Order and Attendance

The Finance Committee Budget Meeting was called to order at 12:30 PM on May 13, 2026. The Chair noted that all members present were known to one another and introductions were waived by consensus.

Members present included Commissioners from all member counties. FCAOG staff present included Executive Director Darin Bushman, CFO Allison McCoy, HR Director Jen Wong, Deputy Director Carrie Schonlaw, and other administrative staff.

2. FY2027 Indirect Cost Allocation Plan -- Review and Approval

Discussion

Allison presented the Fiscal Year 2027 Cost Allocation Plan and indirect cost formula. Key points discussed:

- FCAOG has elected to use the federal de minimis indirect cost rate of 15% for FY2027, rather than negotiating a customized rate.
- The prior internally calculated rate came to approximately 16%, which was considered slightly too high and would stretch certain program budgets.
- The cost pool is based on direct salaries, wages, and applicable fringe benefits.
- The de minimis rate does not require negotiation or approval from a federal cognizant agency, in contrast to a negotiated rate, which can take 6 to 9 months to process through a federal agency, most likely EDA.
- Some state grants limit indirect cost recovery by contract (e.g., child care is capped at 10% of total direct costs). The overall agency plan rate is 15%.
- FCAOG will charge 15% on most grants unless a lower rate is specified by contract.
- Adopting the de minimis rate results in slightly more overhead recovery than prior practice and significantly reduces administrative burden compared to a negotiated rate.
- The plan includes a listing of all current FCAOG programs and their cost allocations.
- The Executive Director signs the required certification. Finance Committee approval is required before forwarding to the Steering Committee for adoption.

Action

Motion:	Approve the FY2027 Indirect Cost Allocation Plan using the federal de minimis rate of 15%, and recommend adoption to the Steering Committee.
Moved by:	Committee member Gil Almquist
Seconded by:	Committee member Jerry Taylor

Vote:

Approved unanimously

3. FY2027 Fringe Benefit Rates -- Review and Approval

Discussion

Staff presented a comparison of current and proposed fringe benefit rates. Key items discussed:

- Social Security match: unchanged.
- Utah State Retirement (URS): rates decreased by 1% across all tiers. Employees elect a tier upon entering the URS system and remain in that tier.
- Workers compensation rate: decreased slightly from its prior level; county/clerical employees carry different rates.
- Unemployment insurance rate: decreased to 0.002.
- Salary deferral (401k): A grandfathered 1.25% employer contribution from 1995 applies to one remaining employee (Janeil Esplin Jackson). No other employees carry this legacy benefit.
- Holidays: 13 recognized holidays, consistent with the State of Utah schedule. FCAOG observes Juneteenth on the actual date rather than the state's observed Monday. Committee members expressed a preference if they could go back, that if Juneteenth is retained, consideration should be given to eliminating another holiday such as Presidents Day, as the total number of holidays was viewed as high yet no motion was made.
- Vacation and sick leave: Accruals are calculated on a 24 pay-period basis (bimonthly) despite FCAOG operating on 26 pay periods annually.
- Full-time employees accrue 8 hours vacation and 8 hours sick leave per month for a new hire. Accrual rates increase after 5 and 10 years of service (vacation only, by 2 hours per tier).
- Vacation accrues up to 240 hours; excess is forfeited on January 1. Sick leave accrues up to 480 hours.
- The high sick leave bank was noted as appropriate, given Utah has no state disability program; employees use sick leave to cover FMLA and extended personal leave.
- Sick leave documentation: a physician's note may be required after 3 consecutive days of absence or if abuse of policy is suspected.
- A correction was noted to the benefit sheet regarding leave accrual language (per-pay-period language does not accurately reflect bimonthly accrual); staff will update.

Performance Evaluation and Step Increases

Staff discussed the performance evaluation and pay progression system:

- Employees are eligible for a step increase on their annual hire-date anniversary, subject to satisfactory performance evaluation and budget availability.
- Supervisors conduct evaluations and recommend step increases to the Executive Director, who reviews and approves before forwarding to HR and Payroll.
- Step increases are budget-dependent and have not occurred annually in all prior years (e.g., a multi-year pause occurred around the COVID pandemic period).
- Evaluations use a standard form with narrative sections and goal-setting components. Ratings follow a meets/does not meet/exceeds expectations framework.
- The committee emphasized the importance of accurate, honest evaluations -- particularly documenting performance deficiencies contemporaneously -- to support any future disciplinary action. Inflated evaluations create significant legal and managerial complications.

- New hires serve a 6-month probationary period. An informal check-in is conducted at 3 months.
- Pay grade scales are publicly posted; employees can see their current step and potential progression.

Discussion

Staff proposed a 3% COLA effective July 1, 2026 (start of Fiscal Year 2027). Historical COLA rates were noted: 2% (FY2026), 3% (FY2025), 7% (FY2024).

A typographical error in materials listed "July 1, 2027" as the effective date; staff clarified the correct date is July 1, 2026 (the start of FY2027).

The committee discussed at length whether the COLA should be applied as a percentage of individual salary (current practice) or as a flat dollar amount distributed equally across all employees (former practice). Key points:

- Under the percentage model, higher-paid employees receive a larger dollar increase, which over time widens the wage spread between top- and lower-tier employees.
- Under the flat-dollar model, lower-paid employees receive a proportionally larger adjustment, which moderates wage compression over time.
- The flat-dollar approach had been in use prior to approximately FY2020 and was changed to the percentage model around that time.
- Several committee members favored returning to the flat-dollar model on equity grounds (the "loaf of bread" principle -- the cost of living increases equally for all employees regardless of salary).
- It was noted that allowing the percentage model to continue eventually forces a wage compaction correction anyway, effectively resulting in double cost.

Action

Motion:	Approve the FY2027 fringe benefit rates and related employment policy terms as presented, Approve a 3% COLA for FY2027 and direct staff to calculate and distribute the COLA as a flat dollar amount (equal dollar distribution across all eligible employees, prorated for part-time), rather than as a percentage of individual salary and recommend adoption to the Steering Committee.
Moved by:	Committee member Paul Cozzens
Seconded by:	Committee member Jerry Taylor
Vote:	Approved unanimously

4. FY2027 Employee Insurance Benefits -- Review and Approval

Health Insurance

Staff reported that the incumbent carrier (UnitedHealthcare) proposed a 22% premium increase for FY2027. FCAOG went out to bid and evaluated multiple carriers. Key points:

- Select Health was selected as the new health insurance carrier. Their proposed rates represent approximately a 2.5% decrease compared to current UHC costs.
- PEHP (Public Employees Health Plan) was also evaluated and came in at approximately 8 to 10% increase depending on plan selected.

- PEHP was noted to offer more rate stability, with a guaranteed cap of 7% in year two if FCAOG had selected them. The committee acknowledged that FCAOG could absorb an 11% Select Health increase in year two and still be ahead of where PEHP would have been.
- Transition risks were acknowledged: some employees may need to change pharmacies, primary care providers, or specialists. Staff committed to communicating proactively and encouraging employees to explore prescription discount programs (GoodRx, etc.) and ask pharmacies about cost-without-insurance comparisons.
- HSA contributions are being significantly reduced to make the high-deductible plan financially viable: family monthly employer contribution drops from \$630 to a flat \$250 per pay period. This change was necessary given the reduced rate differential between the HSA and PPO plan options.
- The employee premium cost-sharing split remains unchanged at 89% employer / 11% employee.

Dental and Vision

Aflac was selected for dental and vision coverage. Dental costs reflect a slight savings. Vision reflects a minor increase (a few dollars per month). Net effect is approximately cost-neutral.

Employee Assistance Program (EAP)

Select Health's EAP program was retained at the same rate, which has held steady for approximately four years. The program continues to expand its benefit offerings including monthly training webinars for employees.

Action

Motion:	Approve the FY2027 insurance benefit package including Select Health for medical, Aflac for dental and vision, and continuation of the Select Health EAP, as presented.
Moved by:	Committee member Gil Almquist
Seconded by:	Committee member Jerry Taylor
Vote:	Approved unanimously

5. Fleet Mileage and Facility Charges -- Review and Approval

Fleet Mileage Rate

Staff presented a proposal to increase the internal fleet mileage charge from the current \$0.35 per mile to \$0.55 per mile for FY2027. This charge is assessed to programs using FCAOG fleet vehicles.

- Estimated annual fleet miles for the prior fiscal year: 132,142.
- Estimated revenue impact from the rate increase: approximately \$26,500.
- The current rate of \$0.35/mile is well below the cost of operating the fleet and has not been updated for an extended period. The prior rate was \$0.20/mile approximately 10 years ago.
- The 2026 IRS standard business mileage rate was noted by a committee member to be \$0.725/mile; the proposed \$0.55 is still below that benchmark. The committee discussed but did

not move to adjust the proposed rate higher at this time, noting that programs need to be able to absorb the increase.

- An inconsistency was noted: FCAOG reimburses personal vehicle use at a higher rate than it charges programs for fleet use, which is illogical. The rate increase partially addresses this.

Facility/Building Charges

Staff proposed increasing the internal space charge for the Washington County building from \$0.65 per square foot to \$0.86 per square foot (the prior year rate had increased from \$0.50 to \$0.65).

- Estimated revenue impact to the building fund: approximately \$18,000.
- This charge is assessed to programs and departments proportionate to their space usage.

Action

Motion:	Approve the FY2027 fleet mileage rate of \$0.55 per mile and the facility space charge of \$0.86 per square foot as presented, and recommend adoption to the Steering Committee.
Moved by:	Committee member Gil Almquist
Seconded by:	Committee member Jerry Taylor
Vote:	Approved unanimously

6. Local Contribution Strategy and Financial Stability -- Discussion and Action

Background and Current Financial Condition

Executive Director Darin provided an overview of FCAOG's current financial position and the case for building an organizational reserve. Key points:

- FCAOG currently has no meaningful reserve. Audited financials have shown a negative position in 3 of the last 7 years, partly due to cash-to-accrual conversion timing in audits.
- A \$350,000 line of credit exists with State Bank of Southern Utah. The line has been drawn upon three times during the Executive Director's tenure, including a draw of approximately \$277,000 in February 2026 to cover payroll and operating expenses pending grant reimbursements.
- Grant reimbursements typically resolve line of credit draws quickly (interest costs have been minimal -- approximately \$200 per draw), but the reliance on short-term borrowing is viewed as a significant organizational risk.
- At any given time, FCAOG may have \$1,000,000 to \$1,500,000 in unreimbursed grant expenditures awaiting reimbursement. Staff committed to ensuring all billing goes out monthly with no delays.
- Total agency revenues have grown approximately \$4 million over the past seven years, while local match contributions have increased only \$20,000 -- approximately a 200:1 ratio of revenue growth to local match growth.
- The calculated average reserve-equivalent (including sinking funds and revolving loan fund receivables) is approximately \$332,000, representing roughly 2.6% of revenues.

- Note: \$420,000 was previously withdrawn from the revolving loan fund to cover construction cost overruns on the FCAOG building. Current revolving loan fund balance is approximately \$400,000 with \$250,000 in outstanding receivables.

Reserve Benchmarks (GFOA Standards)

The Government Finance Officers Association (GFOA) recommends the following reserve levels for governmental entities:

- Minimum floor: 16.7% of annual revenues
- Recommended: 20%
- Long-term target: 25%

Applied to FCAOG's revenue base, meeting the minimum GFOA standard would require a reserve of approximately \$2.56 million. The recommended and target levels would range from \$3.2 million to \$4.47 million. Current local contributions are \$160,000 annually.

Comparative AOG Contribution Analysis

Staff conducted a survey of all AOGs in Utah to establish context for FCAOG's current local contribution rate. Highlights:

- Six County AOG (Region 6): ~\$312,000, including a special economic development assessment.
- Southeast Utah AOG: ~\$400,000, with portions earmarked for specific programs (aging).
- Wasatch Front Regional Council (MPO): ~\$400,000.
- Bear River AOG: limited funding; financially stressed \$95,000 ~47 cents per capita.
- Mountain Lands AOG: ~\$700,000 at 86 cents per capita.
- Uintah Basin AOG: \$9.91 per capita (benefiting from oil and gas revenues), generating ~\$575,000.
- FCAOG: \$160,000 at approximately 57 cents per capita.

Service Distribution Dashboard

Staff presented an interactive service unit dashboard developed by Carrie and her team, built using geographic and program data. Key points:

- The dashboard displays units of service by community across all FCAOG programs, accessible by hovering over any city or town in the five-county region.
- A "unit of service" varies by program: it may represent 15 minutes of caseworker time, delivery of an HVAC unit, heat assistance payment, weatherization service, etc.
- Data reflects only client-demographic-tracked (registered) service units; significant additional services (e.g., senior transportation) are not client-specific and do not appear in this count.
- Hurricane City slightly edges St. George City as the community with the highest total units of service.
- Example community data presented: St. George (34,938 units), Hurricane (~24,000+ units in aging alone), smaller communities such as Alton and New Harmony with meaningful service volumes in aging, heat, and community action programs.
- The dashboard will be published on the FCAOG website.

Proposed Contribution Framework

The Executive Director presented a financial stability framework with the following elements:

- Target annual increase in local contributions: \$400,000 per year (recognizing the full GFOA minimum is not immediately achievable).
- Of the \$400,000 annually, initial years would prioritize fleet replacement (most vehicles are beyond useful life; the agency recently considered spending \$3,700 in repairs on a vehicle worth \$2,000). Approximately \$200,000 per year would flow toward reserve building.
- Five-year goal: reach \$1,000,000 in reserve.
- A conceptual distribution model was presented showing a potential 70% / 20% / 10% split among counties, cities, and school districts, respectively.
- The founding bylaws (Article 2F) contemplated that counties would assess their member cities and school districts for a proportionate share of AOG costs, a structure that has not been implemented. The Executive Director has researched Title 11 of Utah Code and the interlocal agreement framework supporting this approach.
- Staff noted that amending the bylaws to formalize a new assessment structure would require a two-thirds vote of the full Steering Committee (including city and school district members).
- A base-plus-per-capita model was recommended over a pure per-capita model, to account for fixed costs of administering the organization regardless of county population size.
- Washington County would see the largest increase under any distribution model, given its population. Iron County would see the second-largest increase.
- One committee member suggested exploring a third component (beyond base and per capita) to reflect the additional cost of serving geographically dispersed or rural communities.

The committee discussed the significant value FCAOG provides relative to the local match investment - approximately \$160,000 in local contributions generating nearly \$14 million in services annually. Individual program examples were cited, including the Veterans Service Officer (VSO) program serving all five counties at under \$100,000 per year.

Next Steps

The committee agreed on the following process:

- Schedule a dedicated Finance Committee working meeting to develop the detailed contribution framework and policy.
- Follow with a Steering Committee working meeting, potentially inviting all mayors from member cities, to present the concept and build support.
- Budget finalization target: June 2026 (for FY2027 budget). Billing to members typically occurs in January.
- Cities are finalizing budgets now; the committee noted this timeline constraint.
- Individual commissioners may also wish to convene their own county mayors separately to introduce the concept.

Action

Motion:	Approve the concept of increasing the total local government contribution to FCAOG operations by \$400,000 annually, and direct staff and the Finance Committee to develop a detailed distribution model and policy for Steering Committee consideration.
Moved by:	Committee member Celeste Meyers
Seconded by:	Committee member Paul Cozzens
Vote:	Approved unanimously

7. Adjournment

The Finance Committee meeting was adjourned with a two-minute recess before the next scheduled meeting. The Chair noted that significant work remains to be done to develop the contribution model ahead of the June budget deadline.

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