

**ESS Finance Subcommittee
Teleconference Meeting
August 12, 2024**

Members Present: Stacie Herridge, Sheri Jones, Melissa Bahnsen, Susan Smith, and Amy Assink.

Other Participants: Nancy Booten, ReNae Arnold, Robert Endriss, Phil Dunshee, Lisa Long, Samantha McMahon, and Kristen Delaney-Cole.

The meeting was called to order at 9 AM.

Meeting Summary

The Finance Subcommittee reviewed the July 11, 2024, meeting summary. A motion was made by Stacie Herridge and seconded by Melissa Bahnsen to approve the summary. The motion was approved.

Accounts Receivable Update

The Account Manager provided a comprehensive update on the status of accounts receivable. A key point included a late Fund 255 payment from the State Treasurers Office, which has recently been received.

The discussion also covered outstanding maintenance fees from several counties. ESS has reached out to remaining counties, who have their payments on the way.

The report further noted that the remaining outstanding payments are related to the upcoming deputies conference. Additionally, Community Choice Credit Union had an outstanding amount due. This was from a chargeback and has since been paid in full.

July Summary of ESS Payments

The Accounting Coordinator detailed various accounts payable expenses and credit card expenditures for the Subcommittee. The final progress billing payment for Denman was noted, relating to the recent audit that occurred in April. Yearly insurance payments to Nationwide and Travelers were also explained, and it was noted that insurance costs had stabilized following substantial increases in recent years.

The report showed several credit memos from Lightedge Solutions, Inc. For several months, billing coming from the company was overstated. This was due to an internal billing system problem with the company. The credit memos have brought the expenses back to the contracted amount. ESS does not foresee any further billing issues coming from Lightedge. Additionally, payments were made to Fidlar and Tyler Technologies, for fiscal year 2025 maintenance fees. ESS is expecting to pay the remaining service providers in August.

The Project Manger commented on the relationship with Computer Integrated Services which is a reseller for ILR system operating software. The subscription for the virtual machines and associated software was discussed, and it was noted that the ESS team is working on finding an alternative.

A motion to approve the July summary of ESS payments was made by Melissa Bahnsen, with Susan Smith seconding. The motion was approved.

July Fund 255 Reimbursement Invoice

The Subcommittee reviewed the Fund 255 reimbursement invoice for August, 2024, which was based on the amount of two payroll expenses in July. The amount of the reimbursement request was \$40,134.30.

Melissa Bahnsen moved to approve the August reimbursement invoice. Amy Assink seconded. The motion was approved.

June, 2nd Quarter, and Year-To-Date 2024 Financial Reports

The Subcommittee reviewed the financial reports for June 2024. Notably, the Bankers Trust account had an opening balance of \$1,211,163.08 and a closing balance of \$1,315,484.76. The Profit & Loss (P&L) statement for the month showed budgeted income of \$309,583.59 against budgeted expenses of \$121,862.48, resulting in budgeted net income of \$187,721.11.

The ESS revolving income for June stood at \$2,941,591.42, contributing to a total income of \$3,251,175.01 for the period. Revolving expenses amounted to \$2,932,303.25, with total expenditures totaling \$3,091,589.73. The total net income came to \$159,585.28 for June 2024.

For the 2nd quarter 2024 report, the budgeted income stood at \$585,821.44 against budgeted expenses of \$376,971.77. ESS revolving income for the quarter stood at \$8,952,821.01 and revolving expenses amounted to \$8,933,959.47. The total net income, inclusive of all expenses, amounted to \$730.51. These values did include a catch-up depreciation entry from the first quarter, also computer equipment was retired in this quarter.

For the year-to-date Profit & Loss (P&L) statement, budgeted income stood at \$952,515.95 against budgeted expenses of \$671,020.75. Revolving income came to \$15,996,006.62 and revolving expenses amounted to \$15,986,421.41. The total net income, for the year-to-date report, ended at \$36,239.81.

Key points when explaining the financial reports included the fiscal 2025 maintenance fee income in the amount of \$184,241.82. Maintenance fees to the providers are not paid out until the 3rd quarter of 2024, however the counties are billed in the 2nd quarter. Depreciation was also discussed – noting the effects of depreciating software as well as the retirement of the computer equipment. Overbilling by Lightedge Solutions was highlighted, but the issue has been resolved and will be reflected in the 3rd quarter reports.

The Balance Sheet indicated total assets and liabilities at approximately \$2,957,657.54, with \$1,323,094.06 specifically held within the Bankers Trust Settlement account. It's important to note, given the accrual-based accounting, that the balance sheet figures may appear higher than the actual bank account balance.

The Accounting Coordinator shared the journal entries that were made in June and July. The entries included correcting entries for a few one cent rounding errors, the detailed depreciation entries, and reversing test entries for the drawdown account in CAS. There was a detailed explanation of the DB2 expenses being moved to the reserve account, in June. The report further noted the SUSE expenditure also being moved from budgeted expenses to reserve expenses in July.

The beginning balance of the credit card account was \$2,040.48, and the ending balance was \$1,771.32. The account was reconciled successfully.

Regarding Fund 255 for June, the account opened with a balance of \$149,303.54 and closed at \$158,631.30. This was consistent with the expected income outlined in the reimbursement invoice, confirming the successful reconciliation for the month.

A motion was made by Sheri Jones to approve the financial reports. Melissa Bahnsen seconded, and the motion was approved.

Audit Report

The auditor presented the 2023 audit report. Assurance was given to the fact that the audit was clean and there were no concerns from the firm. The audit was conducted in accordance with auditing standards generally accepted auditing standards.

The report showed that the financial statements represent, in all material respects, the financial position of Electronic Services System as of December 31, 2023, and 2022. The changes in its financial position and its cash flows for the years then ended in accordance with the financial reporting requirements of the Electronic Services System 28E Agreement.

Total revenues decreased by 18.2% or \$7,543,707 in 2023, primarily due to decreases in overall recording activity and any associated recording service fees. Expenses decreased by 17.5% or \$7,239,982 in 2023, primarily due to decreases in recording distributions. Total documents processed decreased by 16.09% or 55,991 documents to 291,909 in 2023. The change in net position for 2023 was -\$91,594. The beginning net position was \$2,749,363, with an ending net position of \$2,657,769.

The decrease in cash balances, recording fees, and distributions are due primarily to operating losses in the current year resulting from high inflation, increasing interest rates, higher housing costs and a general slowdown in the real estate market.

A motion to approve the 2023 audit report was made by Sheri Jones, with Amy Assink seconding. The motion was approved.

Budget Amendment

The Project Manager provided a summary of a proposed budget amendment, with a detailed spreadsheet that depicted the recommended adjustments to the ESS 2024 budget.

Adjustments to the revenue included projected income for the Deputies Conference which was changed to match the projected budgeted income. Income for E-Submission exceeded projections in July, which helped with the overall budget. The budget also reflected the overall decline of recording activity which continued to be below prior projections. Projected revenue from the Fund 255 account was reduced.

Several expenditures were changed and an analysis of the increasing cost for benefits was given. ESS open enrollment for benefits started in August. The benefit costs are expected to increase by 15% or more. Payroll expenses for the remainder of the year were increased to reflect the expected increase in cost for the full-time employees.

Because ESS will be engaged in a legislative advocacy effort this fall and winter, the budget amendment provided more resources for this purpose for the period of September through December. Education and outreach activities were also increased, including participation in the PRIA conference, a new subscription to the software "CANVA," and a purchase of some promotional materials.

Some key decreases in the budget expenditures included a decline in resources needed for office technology and support. Additionally, expenses for Amazon Web Services have been lower than originally projected. Resources for that purpose have been modestly reduced.

It was noted that fees associated with the updated point-of-sale system have been higher than projected and costs are being reviewed with the Professional Solutions team. It is hoped that this review will result in lower costs.

With all the changes in the budget net income is projected to increase by \$8,637.19, for an estimated total net income of \$15,096.58. Revenue is seen to decline by \$13,791.88 while expenses are projected to decline by \$22,429.07.

Susan Smith made a motion to approve the budget amendment. Amy Assink seconded. The motion was approved.

ESS Financial and Strategic Review

July Metrics

E-Submission activity for July 2024 was slightly above the July 2022 level and well above the July 2023 mark. In June we saw a historical drop in E-Submission from the prior month. However, July numbers increased from June, which has not happened in recent years. The jump in E-Submission in July shows hope for improvement from 2023. While the trend line is expected to follow previous years' month-to-month movements, the trend is in-line current expectations.

POS System Transition Update

An update was provided on the recent point-of-sale (POS) transition. It was reported that all counties have now transitioned to the new devices. ESS has worked with Professional Solutions on some reporting issues that have caused delays in some disbursements to the counties. The team is continuing to work with Professional Solutions on some fees that were not foreseen.

Recording Fees and Modernization Update

The Subcommittee received a brief update on the development of a new fee policy for recording and Iowa Land Records. Slight changes to the previous proposal, that was presented in June, were made by the Fee Policy Working Group. A fee handout was presented and will be distributed to the stakeholders.

The meeting was adjourned. The next meeting of the Finance Subcommittee is a web conference scheduled for Thursday, September 12, 2024.