November 2, 2026

Review of PACIF and VERB Consultant Materials and Summary of Negotiations

Ted Brady
Executive Director
Vermont League of Cities and Towns
tbrady@vlct.org
(802) 316-4475

During October 2nd PACIF Board Meeting:

- PACIF corporate counsel presented incomplete facts about negotiations.
- PACIF consultants presented an alternative allocation methodology for indirect costs based on their opinions and value judgements.
- PACIF consultants alleged that VLCT has overcharged PACIF for administration services.
- PACIF consultants used factually incorrect information to support their opinions and value judgements.

PACIF's consultants shared selected portions of a June 2026 proposal to VLCT, omitted VLCT's response to the proposal and the decision of PACIF and VERB to ignore VLCT's response.

- PACIF's proposed new agreement would have resulted in 60 percent of current VLCT staff no longer reporting to the Executive Director, including the entire finance team.
- PACIF's proposal reduced shared service staff allocations to the trusts from 79.5 percent to between 5 percent and 60 percent, with an average of 22 percent.
- PACIF proposed to keep VLCT whole for 2027, but PACIF and VERB Board Members said they would seek financial savings in future years.
- Established an institutional value fee that was the difference of 2026 indirect costs and the new 2027 indirect cost (approximately $1.2 million).

VLCT offered a counter proposal that aimed to address PACIF's financial and governance concerns:

- Gave PACIF and VERB veto authority of VLCT budget
- Gave PACIF direct management authority of key risk management staff, including the Director of Risk Management and the PACIF General Counsel
- Established a new matrixed reporting structure that gave PACIF more oversight and control of the VLCT CFO
- Reduced the indirect allocation by more than 10 percent – based on headcount of staff dedicated to risk management services – to 70.5 percent.
- Established an institutional value fee of $1.2 million (approximately the same as the PACIF proposal) to compensate VLCT for endorsement and use of VLCT name.

PACIF and VERB chose not to respond to VLCT's proposal.

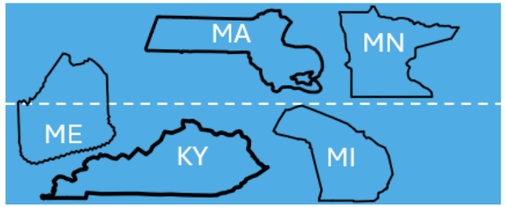


PACIF proposed an amicable separation instead

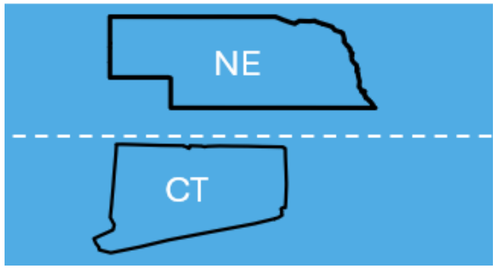
Any future relationship should be based on national best practices.

VLCT studied 11 other league / pool relationships:

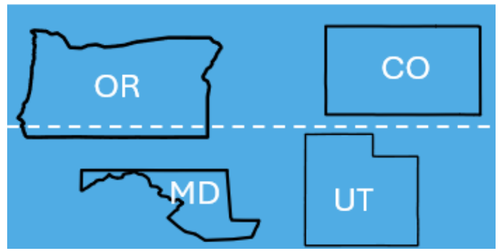
Tight Integration



Integration Challenges



Little to No Integration



Five Key Takeaways
From the VLCT Consultant's Report

1

Little consensus on best allocation methodology of administrative costs.

There is no widely agreed-upon approach to allocating administrative costs across leagues and trusts.

2

It is common for league and pool boards to have overlapping board members.

Many leagues and trusts share board members, reflecting common governance practices.

3

The Executive Director of the league usually has a role in the governance of the trust.

League executive directors typically participate in, or have a formal role in, trust governance.

4

The most common employment arrangement is for the league to serve as the administrator of the trust, and employees to all report through the league board.

In most cases, the league employs trust staff, and all employees report through the league board.

5

Most leagues charge their trusts an institutional value fee.

It is common practice for leagues to charge their trusts an institutional value fee for the services and support provided.

Understanding How VLCT Allocates Indirect Costs (2026 Example):

VLCT

Shared Administrative Services

- General Expenses (Rent, Board, Utilities)
- Information Technology
- Human Resources
- Operations and Executive Management
- Communications
- Finance

79.5% ALLOCATED

PACIF (76.5 %) + VERB (3 %)

Pay allocated shared-service costs under the allocation methodology and receive services

Understanding the history of VLCT's indirect allocation methodology:

Prior to 2023

- Created by former VLCT CFO Gilbar
- Based on estimated hours worked by department
- Ranged from 50 percent to 95 percent
- Adjusted annually

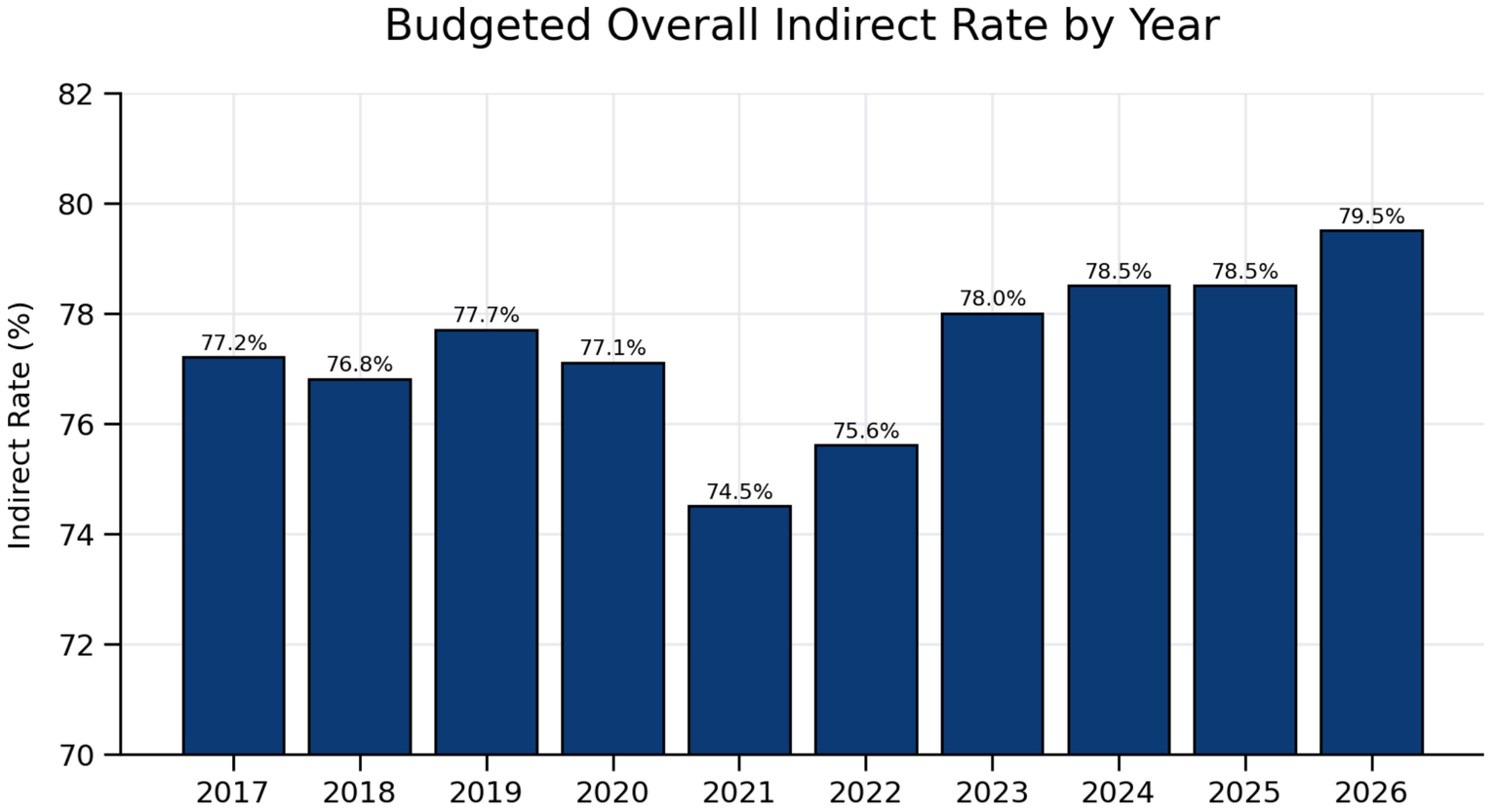
In 2023

- Simplified by averaging prior year allocation percentages
- Applied same indirect rate across all departments
- Same monetary result

Since 2023

- Applied same indirect rate across all departments for simplicity
- Adjusted annually based on operational needs of PACIF, VERB and VLCT

Historic indirect cost allocations to trusts for the past 10 years:



Significant business initiatives benefiting PACIF in past five years impacting indirect rate:

- Implementation of VLCT largest IT project, association management system / member database (2022)
- Creation of diversity, equity and inclusion plan and committee (2021 onward)
- Largest PACIF IT project, risk information management system software (2024 onward)
- IT director succession planning (2025)
- Consultant costs for investigation and planning for VLCT’s new home at end of lease (December 2026)
- Salary pressures and cost of health insurance

PACIF's consultant reports undervalue VLCT's services:

Inaccurate Overcharge Calculation

- Based on the difference between the actual allocation rate used by VLCT historically and the June 2026 PACIF proposed allocation methodology.
- **Subjective assumptions** based on consultant **opinion** and what value they placed on line-by-line review of indirect costs

Proposed Allocation Not Supported by Data

- Propose a **60 percent allocation** of most indirect costs
- Assigns **random allocation** to certain shared services staff (average of 22 percent instead of 76.5 percent)
- Based on value as determined by consultants
- **No data used** to arrive at allocation methodology

Administrative Services Have Value

- Incorrectly assigns cursory value to communications and administration services.
- **PACIF pays 1.8 percent of its revenue for communications** services, far below industry standards
- **Operations Team is front door and internal glue**
- Member database management

PACIF Benefits from NLC

- Membership in NLC required for NLC Mutual and NLC RISC membership
- NLC dues based largely on operating budget of league
- **Dues 2-3 times higher due to RMS** $6 million budget
- Dues 34th highest amongst leagues($19,000) despite being 2nd smallest state

PACIF Benefits from Town Fair

- RMS Director **serves on planning committee**
- PACIF annual meeting typically at Town Fair
- **Dedicated RMS educational sessions** (3 in 2026)
- Complimentary prime exhibit space

VLCT Audit Benefits PACIF and VERB

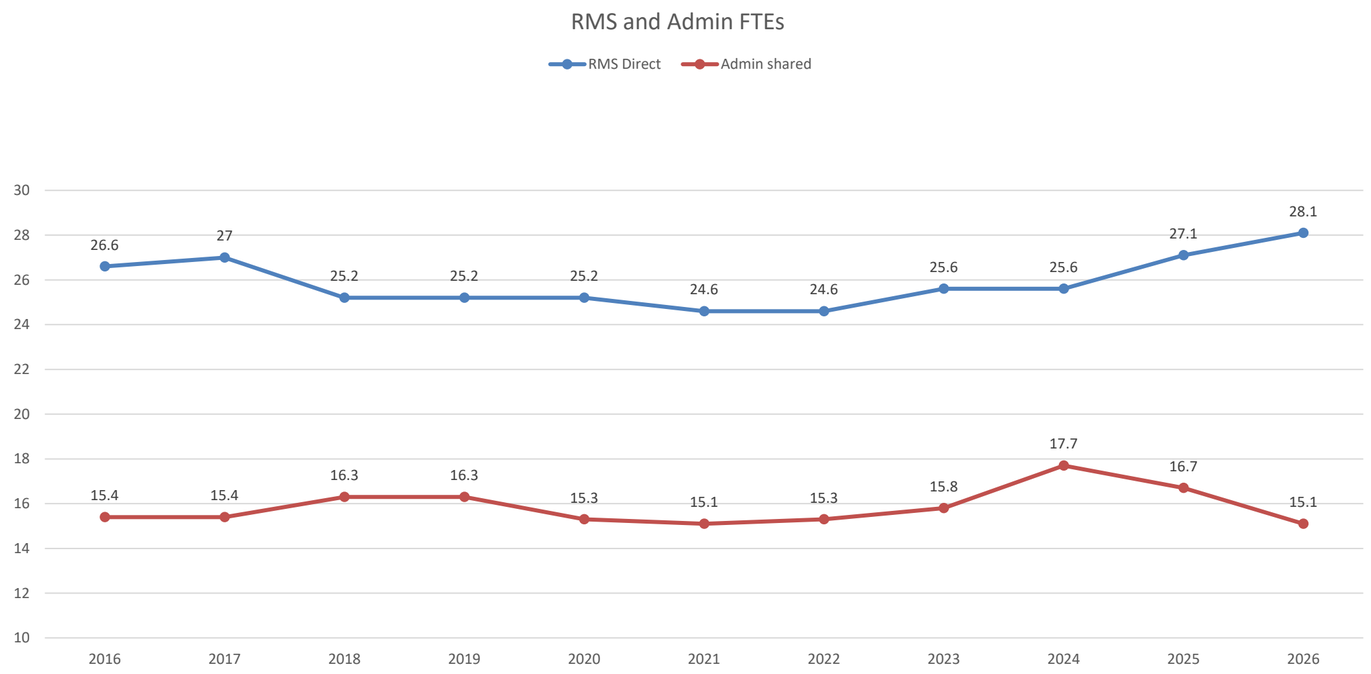
- Audit covers payroll, benefits, capital assets, which are **centrally managed within VLCT** for all three entities
- Audit necessary to ensure regulatory compliance with DFR
- **More complicated because of RMS**

PACIF's consultants incorrectly allege administration costs are primary driver of PACIF cost increases.

- Over the past ten years, PACIF has on average become a smaller percentage of VLCT's budget.
- PACIF's indirect costs have gone down in recent years.
- PACIF business decisions have resulted in more direct staff over the past decade.
- PACIF's direct costs have risen 35 percent in 10 years.
- PACIF's indirect costs have risen at a slower pace – 33.5 percent – in the same period.

		PACIF Allocation (budgeted)					
Year	Capital Reimb	Equity & IT Asmnts	MAC training	Direct	Indirect	Total	% of VLCT
2017	72,909		55,000	2,600,852	2,208,772	4,937,533	74.2%
2018	135,857		55,000	2,414,018	2,325,922	4,930,797	73.1%
2019	113,656		55,000	2,476,930	2,409,276	5,054,862	75.2%
2020	78,985		55,000	2,390,834	2,304,547	4,829,366	72.7%
2021	75,986		55,000	2,455,826	2,270,173	4,856,985	73.9%
2022	94,520	250,000	55,000	2,604,356	2,428,902	5,432,778	72.2%
2023	94,520		55,000	2,893,259	2,766,547	5,809,326	71.1%
2024	56,464		100,000	3,047,064	2,983,987	6,187,515	74.5%
2025	72,877	50,000	105,000	3,298,762	2,906,675	6,433,314	69.7%
2026	48,592		107,625	3,537,357	2,914,084	6,607,658	70.4%

PACIF's consultants incorrectly allege VLCT has increased administrative staff and increasingly relied on RMS funding to fund that increase.



- Administrative support staff has decreased in the past 10 years.
- PACIF direct staffing has increased at the request of PACIF (loss control, panel counsel, law enforcement expert, business analysts).
- Salaries, VMERS, and health insurance increases have driven cost increases across the board.
- Temporary administrative staff increases in 2024 and 2025 were primarily for transition planning.

RMS indirect cost allocations have increased at less than one third the rate alleged by PACIF consultants.

- The consultants appear to have studied five years – from 2022 – 2026.
- Total indirect costs allocated to the trusts have increased 20 percent in that five year period.
- Salaries and benefits costs of indirect staff alone increased 19.7 percent during that time period, or 6.32 percent annually.
- Healthcare coverage costs in small group plans increased by 60 percent since 2021.

INACCURATE

Historical Data Analysis - Reference Tables

Salaries and Benefits Admin Support Only		
	RMS $ Admin Share	RMS % Increase
2022	1,056,474	10.5%
2023	1,110,976	5.2%
2024	1,284,840	15.6%
2025	1,800,446	40.1%
2026	1,703,729	-5.4%
Overall increase during 5 year Period		61.3%

Source: September 18, 2026 Analysis of RMS Indirect Cost Allocations Prepared by Fred Satink and Mike Gilbar

CORRECT

Salaries and Benefits Admin Support Only - Corrected

		RMS Admin Share			
Source	Year	Salaries	Benefits	Total	% Increase
Actual audited	2022	1,056,474	367,036	1,423,510	13.1%
Actual audited	2023	1,110,976	424,966	1,535,942	7.9%
Actual audited	2024	1,284,840	491,635	1,776,475	15.7%
Actual audited	2025	1,279,466	520,976	1,800,442	1.3%
Budgeted	2026B	1,237,406	466,323	1,703,729	-5.4%
Total Increase 2022 to 2026 budgeted amount:				$ 280,219	19.7%

Source: October 23, 2026, VLCT evaluation of audited financials and 2026 budget

VLCT grant programs are not putting cost pressure on PACIF and VERB.

- VLCT has received approximately $2 million in state and federal grants since 2021.
- No new administrative staff have been added because of grants.
- A 2026 Northern Border Regional Commission grant included $75,000 for indirect costs out of a $500,000 grant.
- A 2026 Municipal Technical Assistance Program grant included $30,000 for indirect costs out of a $200,000 grant.
- A 2024 $1M USDA grant included $86,000 in indirect costs.
- The federal government de minimis indirect rate is 15 percent.

INACCURATE

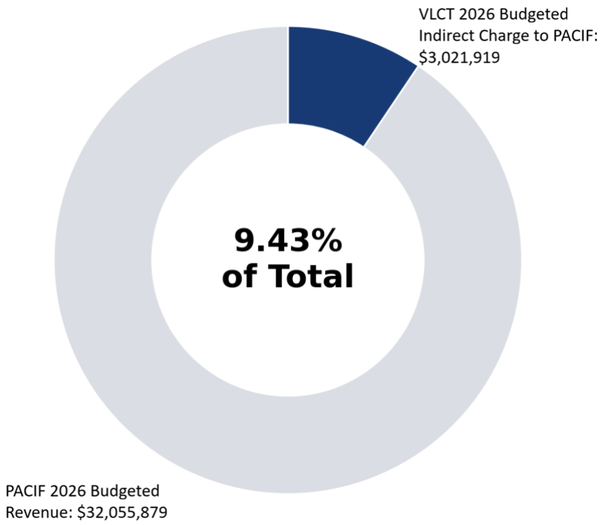
2026 Budget Allocation Table 1

Cost Item	Allocation at 79.5%	Allocation at 60%	Difference/Overpayment
RMS-Salary & Benefits	$1,703,728.79	$1,285,833.05	$417,895.74
RMS- All other Overhead	$1,356,486.96	$1,020,763.75	$335,723.22
VLCT Grant Prog	$0.00	$246,179.43	$246,179.43
*Special Overhead Adjustment	-	-	$150,552.00
Total Overcharge to RMS	$3,060,215.75	$2,552,776.23	**$1,150,350.39**

Source: September 18, 2026 Analysis of RMS Indirect Cost Allocations Prepared by Fred Satink and Mike Gilbar

- The Satink/Gilbar memo incorrectly states no indirect costs were charged to grants in 2026.
- The Satink/Gilbar memo proposes that VLCT charge $246,179 of indirect costs to federal grants totaling $565,833 in 2026 – a 44 percent indirect rate.
- **The Satink/Gilbar memo proposal exceeds the federal de minimis rate.**

VLCT's "indirect" rate to PACIF was less than 10 percent in 2026.



- Compared to PACIF's 2026 budgeted revenue of $32,055,879, the $3,021,919 VLCT indirect cost allocation equates to a 9.43 percent indirect cost to PACIF.

- Combined with the direct costs of administering PACIF, which includes the risk management staff, VLCT was budgeted to charge PACIF $6.6 million in administrative costs in 2026.

- PACIF is paying VLCT 20.5 percent in administrative costs, on par with the consultant's alleged "typical admin overhead" for non-profits.

PACIF Consultant Claim:

- **"This is an excessive overcharge, compared to typical admin overhead of 20 percent for non-profits."**

Source: Page 23 of the October 2nd consultant presentation to PACIF Board.

PACIF and VERB are not subsidizing VLCT member services, operations or net gains.

PACIF Consultant Claim:

- **PACIF is subsidizing non-PACIF members by $97,000 – Satink/Gilbar memo**
- **PACIF contributed to 93 percent of VLCT's 2025 net gains – RHR Smith memo**

- There is no data in any consultant report explaining where the $97,000 alleged subsidy number came from, and it is not mentioned in either report. VLCT can not recreate this math.
- VLCT's audited net gain in 2025 was $250,879, less than the alleged $303,000 of net gain RHR Smith claims PACIF contributed to VLCT. VLCT can not recreate this math.
- VLCT's net gain was generated by higher sponsorships in 2025, interest revenue, underspending on consulting and software maintenance, and changes to GASB 87 lease amortization rules.
- VLCT's 2025 finances reflect a $92,000 balance due to PACIF reflecting less actual direct costs incurred than budgeted.

Stay informed, share your perspective:

VLCT Updates on PACIF/VERB Contract Negotiations
Webpage: www.vlct.org

Provide input using our online form:
https://www.vlct.org/vlct-updates-pacifverb-contract-negotiations#feedback

Email VLCT at info@vlct.org

Ted Brady
Executive Director
Vermont League of Cities and Towns
tbrady@vlct.org
(802) 316-4475