**Budget Work Session – Wednesday, May 24, 2017 at Randolph College (Lynchburg, VA)**

**Goal:** Discuss investment strategies and provide a recommendation to the Funds Manager. Draft a 2017-2018 Budget and ready it for Board approval at the June 11-13, 2017 Transition Retreat.

In Attendance: Chad Sartini, Biz Daniels, Melissa Shepherd, Debra Johnson, Robin Gregory, Vern Fairchilds, Ashley Reich, and Brad Scaggs.

Via WebEx: Joan Zanders and Beth Armstrong

Not Present: Stephanie Walden, John Brandt, and Sherika Charity

CALL TO ORDER – 11:08AM

Brad stated the goal of the meeting and indicated that based on the past transition meeting, the Association’s current fiscal realities, and the previous work done at the Financial Summit, that a Budget Work Session was necessary so the incoming Board could be fiscally aware and have deeper input into the Budget creation.

He then alerted everyone to a change in the order of the agenda due to participant availability. He indicated that Conference was our biggest expense and yielded to the past conference chair, Joan Zanders, to provide insight on the 16-17 conference as a model for planning 17-18 and the budget.

1. **Discussion of 16-17 Conference**

Joan indicated that her strategy was to try to cost the conference out on a per person basis as a means for identifying appropriate rates. To the best of her ability given the figures she believed that $275/pp is the accurate amount. However, she noted flaws including the not knowing how many registrations were comped. Joan indicated that the conference’s total expenses were approximately $55,000. This is significantly over budget, but vendor support was also significantly higher than expected. A/V costs and meals and beverages continue to be challenging for conference planning. As attendees go up, so do these expenses which are already the biggest outlays for a conference.

Joan shared that it might be better for the Budget to outline each item of conference expense in the future so that the incoming chair would better be able to track expenses. This was taken up a great length and discussed, but the sentiment was that the Association’s budget should only provide a lump sum amount and that the chair use the amount in the way best appropriate. The downside of micromanaging the line item expenses was not desired.

Group discussion after Joan departed revealed that comps included two life members and 23 vendors/presenters at full conference registration. One additional comp was made for a day rate attendee. Total registrations were 174 full and 16 day attendees. Payments have been received for 132 full registrants and 15 day attendees as of the end of April. Current payments total $38,550 although there are some outstanding invoices that Melissa indicated will need to be cleaned up.

1. **Review Current (16-17) Budget**

Melissa and Debra discussed the current budget and shared that their figures were as of the end of April. Final figures are expected to be tabulated by the Transition Retreat. Important from the budget discussion included the following.

* ***Membership is down***. At last year’s Transition the B&F Committee recommended and the Board approved membership dues based on 360 members. At the time that was disliked by some since the previous year (15-16) had membership of 369. As of April we had membership of 318. This trend must be reversed. Biz called on everyone, not just the Membership Chair, but the Board as well to assist in a membership drive.
* ***Vendor Revenue exceeded expectations***. Many believe that this level of vendor support will be hard to replicate if vendors do not see a return. There were a few complaints from vendors despite better location at the conference, lunch and learns, and the conference location. Some complained of no interaction with attendees and lamented the missed opportunity of “stamps” collected by attendees for vendor interactions as other conferences do. Total vendor revenue was $33,500 but this included several add-ons for additional Lunch and Learns, support of conference items like bags, and other things. Total sponsorship levels were 4 platinum, 8 gold, 9 silver, and 1 bronze sponsor.
* ***Final VERP liquidation requirements do not look as dire as planned***. Melissa indicated that despite conference expenses and membership shortages some things like vendor sponsorships moved in our favor so she does not expect us to have to draw down any VERP assets, in fact there is a surplus expected.
* ***Budget surplus will likely exist***. Melissa is confident that we will have a budget surplus since as of right now most bills have been paid and our checking account contains $16,000. There are a few items left to pay, the Transition Retreat, bonding, and a few reimbursements but otherwise we should have a surplus.

1. **Investment Strategy Discussion**

Vern began with an analogy for his investment strategy which describes the staggered approach of our CD investments into 1, 2, 3, and 5 year terms. He affectionately refers to this approach as frogs, since they “hop” into a new CD at each maturity date on intervals. However, Vern described the recent challenges that has placed on earnings since shorter term CD rates have shrunk to below 1%. Additionally, since maturity of these CDs occurs at different points in the year, Vern astutely pointed out the difficulty in having all of his projected earnings available at one time. His total forecast cannot be realized until May of each year.

In his presentation he indicated that he has been able to reach the Board’s desired investment earnings of $1200. In fact, he is able to exceed that and he recommended an Interest Income amount of $1400 for 17-18. However, Vern indicated that he had discovered a new way to continue to provide the Board liquidity options in case of emergencies, while at the same time keeping our investments safe. He indicated that while, it goes against all he has believed that the Association, upon CD maturities could opt to place all CDs into longer term 5-year CDs to maximum annual earnings as rates are higher. He would then cash the CDs annually and pay the early withdrawal penalty of three month’s interest. This would leave the Association with interest income equal to 9 months, which he has calculated is better than the rates currently being offered. The group was in agreement with this strategy.

Vern provided a check to the Treasurer for payment of Sue D. Ross scholarship for the current president’s (Chad Sartini) scholarship. Then he discussed a Sue D. Ross backlog of unpaid scholarships for Ashley Riech, Michael Farris, and an accounting issue with payment of Tarik Boyd’s scholarship. Due to funding deficits in VASFAA’s recent past all but Tarik need to receive their scholarship awards.

After much discussion about how to do this, either by way of liquidation of Sue D. Ross assets, making multi-year payments, or using the $2500 VERP excess currently managed by the Treasurer, it was decided that the Association should take a one-time hit in the 17-18 Budget and make payment to these folks. It is hoped that the budget surplus expected by the Treasurer will be ample enough to cover these payments. The Treasurer made note to make a motion at the Transition Retreat for the Board to consider this strategy. Vern also discussed the earnings shortfall that Sue D. Ross is experiencing and expressed concerns about being able to maintain a $1000 commitment to the scholarship in the future. After the Budget drafting process described below, Chad, Ashley, and Biz offered that the Association should only pay $1000 in scholarship to each of them.

1. **Review of 2017-18 Conference Contract**

A brief discussion of the upcoming conference was held. Although the contract has been signed much of the particulars are unknown since food and beverage fluctuates. Biz believed the minimum guarantee to be $38,000. Additionally, all in attendance were concerned for the extra expenses that will have to be absorbed due to increase in life member attendance and events at our 50th Anniversary Conference. As such, a one-time increase in budget expenses that will not be supported by income is expected. The final figure that was agreed upon was $60,000. This is exclusive of an additional $1000 budgeted for a deposit on the following year’s conference.

Many other ancillary ideas about the conference were considered including whether or not to create specific tracks for career levels to drive up interest, incorporating pre-conference workshops into the agenda, etc. This will be shared with the Conference Committee later.

1. **2017-18 Budget Drafting Process**

The budget drafting process began using last year’s budget as a template and examining each item line by line. The needs of committees for the upcoming year were discussed, as were income projections and the current financial commitments of the Association to operate. The highlights of the process are below.

**INCOME:**

* ***Fees****.* As adopted by the Board at the Spring Conference the budget is based on the following fees:
  + $45 for annual membership
  + $275 for Full Conference registration
  + $150 for Day Conference registration
  + Four tiered Vendor Support levels
    - $2000 Platinum
    - $1250 Gold
    - $1000 Silver
    - $500 Bronze
  + $25 for Non-conference Training registration
  + $25 for Pre-conference Training registration
* ***Membership****.* Despite membership trending downward (as documented earlier) those in attendance feel with a concentrated effort from the Membership Committee and Board members, and by virtue of it being our 50th Anniversary year, that we could increase membership this year to 330 paid members.
* ***Conference Registrations.***Since this is our 50th year and the Conference is to be held in a new hotel with new events planned it was decided that we based our projections on 130 full registrants and 15 day rate attendees.
* ***Vendor Revenue.***Vendor revenue is projected to be down from last year as it was an anomaly and some feedback suggests some vendors may not return. Projections were based on 3 Platinum, 4 Gold, 4 Silver, and 1 Bronze sponsorship.
* ***VERP Interest Income.*** Based on projections from Vern we anticipate VERP to provide $1400 in interest income. This year, for the first time, this money has been earmarked to support the two awarded Buddy Awards in a total amount of $775 and a one-time VASFAA commitment to host the Hospitality Suite at SASFAA as a result of being the selected host state, therefore a corresponding expense was set aside in the budget for $625.
* ***Other Income.*** Other items are simply pass-throughs, meaning that each item has an equal corresponding expense. The charity is identified as a $0 amount as the income will all be paid to the charity at the conference and the amount is dependent on what is raised at the conference.
* ***VERP Asset Liquidation.*** Vern will be able to provide a maximum of $19,000 of VERP assets (cashed CDs) to cover larger than normal expenses. Unfortunately, even this amount leaves us in a budget deficit. It is hoped that Vendor Revenue, Prior-Year Carryover, and Membership revenue exceed our conservative estimates so that this large liquidation does not have to take place to extent projected. This is a precarious position to put the Association in as it would reduce our assets to $111,000 further reducing our future VERP Interest Income.

**EXPENSES:**

* ***Committees.*** Committee requests for 17-18 were considered in alignment with the President-Elects goals.
* ***Conference.*** The conference continues to be our largest expense, but given that this is our 50th year there was a feeling that the budget must be expanded to allow for celebratory events and comps for Life Members. It is hoped that a large majority of these folks will return. However, meals and beverage are big expenses for which the Association will not recoup any income to cover these Life Members.
* ***Bank Fees.*** We briefly discussed bank fees. Melissa indicated that we pay 7% per PayPal transaction. Ashley suggested based on experience with her church that as a non-profit we may be eligible for a cost reduction. Melissa indicated she would look into this. For now we are budgeting similarly to last year, but if we are able to reduce costs this could help our bottom line.
* ***Travel.*** This continues to be the Association’s second largest expense, but due to the location of SASFAA/NASFAA and other required events the President’s travel was increased and the President-Elect was level funded.
* ***Director’s RoundTable.*** This was a well-attended first time event last year. As we look to drive up membership and attract FA leaders in the state back to the Association, we felt it best to offer this again at no cost. Additionally, there are topics afoot in the Commonwealth, like standardized award letters and the awarding requirements for VSFAP funds that are hot button issues to be addressed. In the future that may be reconsidered. For now VERP Asset Liquidation will support this event.
* ***SASFAA Leadership.*** This event is still seen to add value to the Association, so it will continue to be supported. First, because VASFAA and SASFAA share the full cost with SASFAA waiving the registration fee for two VASFAA members if VASFAA will support their travel. VASFAA needs involvement of new members, so this is seen as an opportunity to develop leaders.
* ***Training.*** Last year the Board overspent the $1200 budgeted to purchase CORE licenses. Instead of 3 at $400 each, 8 were purchased for $1600. This licenses expire in May, so this provides the Association with an opportunity to use 6 during the year to promote events since only 2 were used at conference. $1600 was budgeted this year to renew this licenses in May 2018.
* ***Sue D. Ross.*** Sue D. Ross expense was reduced to $1000 for the upcoming year. The reason is due to earnings. Additionally, we discussed a backlog of two awards. Ashley Reich and Michael Farris were never paid their $2000 Awards. Vern provided the Treasurer with a check from Sue D Ross to pay Chad’s $2000 award. However, after much discussion, Biz agreed that her award should be $1000 this upcoming year. Chad instructed the treasurer to pay him $1000 of the $2000 Vern provided. Ashley agreed that her past-due award should also be reduced to $1000. Therefore, the treasure only has a backlog of Michael Farris’s $2000 award and an accounting transaction to show ½ of Tarik’s this (16-17) year based on the clearing of the check. The Treasurer will have motions to clear these backlogs at the Transition Retreat. However, it is hoped that the current year surplus will cover this and we can take a one-time budget hit in 16-17 to clear this.

1. **Excess Revenue Distribution Policy**

The final topic of the day that was discussed was the current excess revenue distribution policy that divides excess equally four-ways among carry forward, VERP, Sue D Ross, and Reserve. Considering that the Reserve is held as a fund of last resort that cannot be touched unless all other funds are exhausted and the Board changed the funding model for the Reserve account last year, this no longer seems prudent. Luckily, the policy provided the Board leeway to change this distribution.

Since it is anticipated that we will have excess it is hoped that it can first be used to clear the Sue D. Ross backlog in 2016-2017. Secondly, it is hoped that any remaining funds can be carried forward to solve our 17-18 budget deficit of $4310. The Treasurer will make motions to this effect at the June Transition Retreat.

In summary, a lot was discussed an many hard decisions made at the Budget Work Session but it is a worthwhile exercise to prepare for the upcoming budget so that everyone understands VASFAA’s financial reality. One of the hardest items to reconcile is the Reserve requirement. Since VASFAA has expanded the budget (as a one-time increase due to the 50th Anniversary year) we are required to set aside more Reserve Funding by policy. Doing so is not feasible without liquidation of Assets, which much be spent before the reserve is touched anyway. Also, by liquidating to move to the Reserve Fund the Association reducing its earnings potential. The group will recommend a one-time waiver of this requirement at the June Transition.

**Four action items for the June Transition Meeting were produced from this meeting.**

* *Old business*: Motion to use excess income to solve the Sue D Ross backlog in 2016-17 fiscal year should funds exist.
* *New business*: Motion to have a one-time waiver of Reserve Requirement and leave the funds as are due to the above underlined reasons.
* *New business*: Motion to carry forward all excess income remaining from 16-17 into the 17-18 budget after the Sue D Ross backlog is cleared (if Old business motion passes) should additional funds exist.
* *New business*: Pending the above motions, motion for adoption of final 16-17 budget and approval of 17-18 budget.

CLOSE AT – 3:17PM