

## Budget & Finance Committee Meeting Minutes – Fall 2016

Conducted via WebEx on 9/29/16.

Present – Chad Sartini, Melissa Shepherd, Debra Johnson, John Brandt, Brad Scaggs

Not Present – Biz Daniel, Vern Fairchilds

Call to Order – 3:08pm

### Old Business:

*Several items were addressed previously but were not addressed by the Board at the Transition Meeting in June which allows us to revisit before presenting to them.*

*The following items should be presented to the Board for consideration at their fall meeting October 6, 2016.*

### **ITEM 1: Committee Makeup – Brad**

- At the previous (June 2016) committee meeting we proposed formalizing the committee membership per below and all members were in agreement.
  - Treasurer, Treasurer-Elect, President, President-Elect, Funds Manager, Assistant Funds Manager, and 2 others with the hope that they could be groomed as future Treasurers.

DISCUSSION: Reviewed suggested P&P. There was discussion about the size of the Budget and Finance Committee and not making it too large that it couldn't be filled. However, there was consensus for increasing the Committee to 9 for two reasons – allowing the Past-Treasurer to remain involved and provide continuity as the prior fiscal year winds down; and allowing 2 non-board members to serve to be groomed for leadership in the Association while learning about the finances of the Association.

MOTION: B&F Committee recommends that the Board adopt the following P&P revision:

#### **4.3.4 Budget and Finance Committee**

The Budget and Finance Committee shall review the financial management of the Association and make recommendations to the Board of Directors, including review and analysis of VASFAA's fiscal affairs in the following areas:

- ◆ Sue Deaton Ross Endowment Fund (Section 7.10.1)
- ◆ Insurance (Section 7.90)
- ◆ Investments (Section 7.10)
- ◆ Reserve Fund Policy (Section 7.11)
- ◆ Surplus Revenue Distribution Plan (Section 7.12)
- ◆ Bank Card Use Policy (Section 7.13)
- ◆ Preparation of the annual budget to include revenue and expenditure projections
- ◆ Assist in development of vendors and sponsors activities each year (Section 7.14)
- ◆ Long-range planning to promote financial stability

The Committee shall be comprised of 9 VASFAA members in good standing as follows:

- ◆ Committee Chair (non-Board member)
- ◆ Treasurer
- ◆ Treasurer-Elect
- ◆ Past Treasurer
- ◆ President
- ◆ President-Elect
- ◆ Funds Manager (non-Board member)
- ◆ Assistant Funds Manager (non-Board member)
- ◆ One additional member in good standing

## **ITEM 2: Reserve Policy – Brad**

- At the previous (June 2016) committee meeting we adopted the idea that the Reserve Fund is the fund of last resort and that the P&P should reflect this. We also suggested that we adopt the policy of defining its requirements as 1/3 of the operating budget at time of adoption less Sue D Ross, VERP Funding (as income), and the Buddy Award. Recent conversation has even suggested that we consider a flat amount.

DISCUSSION: Review suggested P&P. There was discussion about clarifying the Reserve Fund's position as one of last resort to only be used when all VERP Funds have been liquidated in a financial catastrophe. Additionally, we discussed the administrative burden of following the current P&P and suggested that the Reserve Fund amount be set proportional to the budget for the duration of the fiscal year to alleviate the requirement of balancing accounts and adjusting the fund. There was also discussion of just making the Reserve Fund requirement a flat dollar amount but consensus was to set it proportionally. Also, we discussed the management of the Reserve Fund.

MOTION: B&F Committee recommends that the Board adopt the following P&P revision:

### **7.11 Reserve Fund Policy**

The Board of Directors requires that the Treasurer set aside reserve funding to provide for the continuance of the essential projects and activities of the Association in the event of a financial catastrophe. In this manner, Reserve Funds are considered by the Association to be funds of last resort. They shall be used in the event that all other financial resources are exhausted. The amount to be set aside shall be calculated annually at the time of budget approval to equal not less than one-quarter of the operating budget less income provided by liquidation of VERP assets to balance the budget, the Buddy Award amount, and the Sue D. Ross Scholarship amount.

Such funds may be comprised of both savings and investments, and shall be maintained by the Treasurer separate from other financial resources including checking accounts, Sue D. Ross Funds, and VERP/New Century Funds.

When the annual budget is adopted the calculation of the Reserve requirement shall be made. If excess funds exist in the Reserve fund at that time they shall be transferred to the Funds Manager for reinvestment in VERP.

The Board reserves the right to require larger Reserve Fund amounts.

### **ITEM 3: Buddy Awards – Brad**

- At the previous (June 2016) committee meeting we discussed better advertisement of the Buddy Award, creating an application, and establishing a deadline.

DISCUSSION: Review suggested P&P. We discussed the lack of a timeframe for the Buddy Award application, lack of advertisement to all members, lack of a deadline for determining an award, and the duplication of duties created by the required “President’s Council” in the current P&P. We talked about the need to allow all members to have a fair shake at the award. As such we recommended that the membership be notified of the opportunity, that the application be posted online by a particular time and that no award be made until the deadline has passed. Additionally, we discussed the elimination of the President’s Council and transferring the selection and management of the process to the Budget and Finance Committee. The Committee chair agreed to create the application for posting on the Association’s website if the Board adopts the Committee’s recommendations.

MOTION: B&F Committee recommends that the Board adopt the following P&P revision:

#### **7.10.2 Buddy Awards (previously New Century Educational Endowment Fund)**

##### **7.10.2.1 Establishment of the Fund**

In April 1999, VASFAA created the New Century Educational Endowment Fund (the Fund). The purpose of the Fund is to promote the professional development, preparation and effectiveness of the members of VASFAA through programs of training, community service, systematic studies, research support and other activities in keeping with the stated purpose of VASFAA. The Fund was capitalized with an initial contribution of \$50,000 from VASFAA’s general fund. Awards from the fund shall be known as “Buddy Awards” so named in honor of H.S. “Buddy” Johnston, the proponent for the establishment of the New Century Endowment Fund, a former VASFAA President (1976-1977) and VASFAA Life Member (awarded in 1985).

At its summer 2016 Transition Meeting the Board approved the combining the New Century funds with the VERP funds to ease the burden of managing two separate, yet similarly purposed funds. The Board took this action while remaining committed to providing annual “Buddy Awards” to eligible members in the spirit of the original purpose of the New Century Funds.

##### **7.10.2.2 Advertisement of the Award**

The Budget and Finance Committee shall advertise the availability of the Buddy Awards by November 1<sup>st</sup>. They will provide an online application that shall be posted on the Association’s website. Each year a priority filing date of March 1<sup>st</sup> shall be used to promote equity in the awards. Applications may be accepted at any time during the fiscal year, but no awards will be made until after the priority filing date and any late applications will only be considered if sufficient funding remains after consideration of all on-time applications.

##### **7.10.2.3 Selection of Recipient(s)**

Recipients shall be selected by a vote of the 9 member Budget and Finance Committee. The Committee may choose to make multiple awards in a fiscal year. Applicants will be selected based on the following criteria:

- ◆ Applicant must be an active, paid VASFAA member at the time the award is made and at the time it will be used.
- ◆ Activity's alignment with VASFAA's mission
- ◆ Applicant's Professional Development, Preparation, Training, and Effectiveness
- ◆ Community Service Opportunity
- ◆ Studies or Research that advances VASFAA's purpose
- ◆ Applicant's agreement to provide a report to the membership after the conclusion of the activity or event, to be submitted within 60 days of the close of the activity or event. The report shall be sufficient to explain the activity, how the funds were utilized in achieving the applicant's goal, and the results or outcomes of the activity or event. The Committee may also require the recipient to present pertinent information obtained as a result of the activity at the following Annual VASFAA Conference

Recipients shall be notified by March 31st. If no applications are deemed eligible VASFAA is not required to make an award and the budgeted award amount shall be kept in principal for that year.

#### **7.10.2.4 Award Amount**

Awards are at the discretion of Budget and Finance Committee but may not exceed the annual budgeted amount approved by the VASFAA Board, either singly or in combination with multiple awards. An amount of \$500 is deemed to be the maximum that can be approved for expenses related to a state, regional, or federal financial aid conference (e.g. VASFAA, SASFAA, NASFAA, & FSA). Exceptions to these limits may be made by a unanimous vote the Budget and Finance Committee.

Funds may only be used for costs associated with activity or event for which they were awarded. Any unused funds by the recipient must be returned within 60 days of the close of the activity or event for which the award was made.

#### **ITEM 4: VERP Funds Policy – Brad**

- At the previous (June 2016) committee meeting we proposed that the Board combine the New Century and VERP accounts and the Board adopted it at the June Board Transition Meeting.

DISCUSSION: We discussed the lack of VERP Fund guidance in the current P&P manual. As such, VERP has been used for a variety of purposes recently. The Committee felt it necessary to lay parameters out that described the history, intent, uses, maintenance, and management of the fund. The firewall threshold was discussed in detail as were the amounts/distribution of the funds into Treasurer and Fund Manager assets. There was unanimous support for this addition to the P&P.

MOTION: B&F Committee recommends that the Board adopt the following P&P addition:

#### **7.10.3 VERP Funds**

The VASFAA Enrichment and Reinvestment Program (VERP) was created in 2011 by Board action. The Budget and Finance Committee saw an opportunity to leverage existing savings

accounts for enrichment and reinvestment into the Association. Prior to the creation of VERP, excess cash was deposited into savings accounts with little purpose other than to increase capital. VERP was created for the purpose of both increasing VASFAA assets and viability, while also defining a use for these funds. The creation of the fund was announced to members at the 2012 Spring VASFAA Conference.

Initially, the fund was created so that the Board could receive expenditure requests which could then be evaluated by the Budget and Finance Committee. The Board would consider the Committee's recommendation and make a decision on the expenditure request. The purpose is similar to that of the New Century Educational Endowment Fund since VERP is designed to enrich VASFAA, but differs because it allows the Board the flexibility to support Association-wide initiatives where the New Century Educational Endowment Fund has been used to support particular members (see 7.10.2.1).

Initial VERP expenditures were made to increase the capital of the Sue D. Ross fund, at a time when Buddy Award expenditures were outpacing earnings, and for a mid-year increase to the budget of the Membership Committee. Other recommendations for its use in the first year of its existence included bringing guest speakers to the membership, zero-cost workshops for the membership, and hosting SASFAA. In recent history VERP has been accomplishing these goals indirectly by supplanting the Association's Operating Budget as expenditures have been greater than income.

During its June 2016 Transition Meeting the Board, desiring to simplify the Association's financial management and maximize the investment strength of the combined funds capital, voted to roll the New Century Funds into VERP. In doing so, the Board committed to providing Buddy Awards in perpetuity but sought to make them more viable. Since the strength of these investments have been combined VERP will no longer be required to capitalize New Century and greater earnings may be possible by combining the principal.

#### **7.10.3.1 Acceptable Uses of VERP**

VERP funds should be used judiciously by the Board for the purposes outlined in Section 7.10.3. It is important to remember that the use of VERP is not limited to those examples provided but VERP was created for the "enrichment and reinvestment" in the Association. Additionally, by combining New Century and VERP funds the Board had committed to the continued availability of Buddy Awards, but not a particular dollar amount. All uses must weigh the enrichment activity they provide with the diminished investment opportunity the expenditure creates.

Acceptable uses are intended to be broad to allow the Board maximum flexibility. VERP has historically been used to support the following areas, although none of the following should be considered permanent commitments with the exception of Buddy Awards:

- ◆ Buddy Awards (Section 7.10.2)
- ◆ To provide for a balanced Association budget when project annual revenue does not meet expenses
- ◆ For the promotion of non-recurring Association initiatives that further VASFAA's mission as defined in the By-Laws, recent examples include the 2016 Director's Summit but other suggestions outlined in 7.10.3 have also been considered.

### **7.10.3.2 Maintenance of VERP funds**

VERP Funds shall be maintained at a minimum of 70% the operating budget at the time of budget approval or \$90,000 whichever is greater, barring any financial catastrophe which would require the liquidation of VERP. The VERP funds shall be kept in two parts: Investments managed by the Funds Manager and in liquid assets managed in a checking account by the Treasurer.

*Treasurer-Managed VERP:* Funds should not exceed \$5,000 at the beginning of a given fiscal year and should be maintained in a checking account of the Treasurer's choosing that may allow for earnings, but must allow for maximum availability in the event that the Association experiences cash flow problems. If these funds are necessary to sustain normal Association operation during brief periods, they should be replaced as soon as financially feasible. No more than the amount of VERP funding approved by the Board via the budget process to balance the annual budget should remain absent this account at the end of any fiscal year. The Treasurer should maintain records of VERP funded transactions to ensure this practice is upheld.

*Funds Manager-Managed VERP:* The balance of VERP funds shall be maintained by the Funds Manager. The Funds Manager will adopt a "ladder" investment strategy that allows for a staggered approach to fund maturity while maximizing the investment opportunity. This approach should mirror the strategy outlined in the Sue Deaton Ross Scholarship Fund (7.10.1.5). The earnings from these investments will be made available to the operation of the Association annually and considered income for the Board's use. However, if these earnings should represent excess cash not necessary for the operation of the Association to cover budgeted expenses they shall be re-capitalized in the VERP fund.

### **7.10.3.3 Spending VERP funds**

In keeping with its original intent, VERP funds can be spent by the Board at the request of a VASFAA member. This request is not required to be formalized by any application. Consideration for the Acceptable Uses of VERP (7.10.3.1) should be made, and upon receipt of a VERP expenditure request the Board shall consult with the Budget and Finance Committee before making such expenditures as the funds are finite and future availability is contingent upon the rate of use and earnings. Additionally, VERP funding may be recommended for use by the Budget and Finance Committee in order to balance the annual operating budget at the time of annual budget adoption. The funds may be made available to the Treasurer at the time of adoption if necessary to make immediate payment for outstanding bills or to ensure the Treasurer-managed VERP funds remain at \$5,000. Otherwise, this amount will be infused at the end of the budget year if necessary. Finally, the Treasurer may request an emergency expenditure of VERP funds at any time in order to maintain continuity of Association operations, but the Board shall consult the Budget and Finance Committee.

## **ITEM 5: Bank Card Discussion – Brad**

- Concern about bankcard access, overdrafts, and acceptable use, so in order to prevent overdrafts and allow the Treasurer greater oversight of the checking account some limitations/acceptable uses are being suggested.

DISCUSSION: There was much discussion about who should/who currently has bank card access. The Committee took the approach of mirroring those outlined in the current policy in its revision, but due to some concern about current future needs and current access we allowed for additional cards to be issued with Board approval.

MOTION: B&F Committee recommends that the Board adopt the following P&P revision:

### **7.13 Bank Card Use Policy**

The Treasurer may, at the discretion of the Board, issue bank card/debit card(s) to be used by the President, Secretary, Treasurer, and Treasurer-Elect for VASFAA expenses to be drawn on the Association's checking account to ease the burden of reimbursement processing. Others may be issued a bank card with Board approval. The issued card(s) shall be used by only those members whose name appears on the card for their expenses on behalf of the Association or in the execution of Association business.

- ◆ The cards shall be issued by the bank in which the Treasurer maintains the existing VASFAA checking account(s).
- ◆ Credit line shall be limited to \$2500 per card.
- ◆ Cards may be issued in the names of the VASFAA President, Secretary, Treasurer, and Treasurer-Elect.

Expenses charged must be for VASFAA related business only.

- ◆ The cardholder must verify with the Treasurer that the account has sufficient funds for the expense incurred prior to using the card.
- ◆ The cardholder must complete and submit a VASFAA expense form, including receipts, for all charges incurred within 10 business days of incurring the expense. Exceptions may be granted by the Board.
- ◆ All expenses will be reviewed by the Treasurer. Failure to submit the expense report may result in the cardholder being required to reimburse the Association.
- ◆ The cardholder, upon issuance and by acceptance of the card, agrees to reimburse the Association for any expenditures deemed improper in accordance with the procedure outlined in 7.3.

Acceptable expenses include, but are not limited to:

- ◆ Travel, lodging, meals, fees and miscellaneous expenses in accordance with 7.5 or other expenses required to fulfill Association mandated duties as set forth in the Association By-Laws.

### *New Business:*

#### **ITEM 1: Committee Goal Discussion – Brad**

- Brad quickly discussed these items which had previously be shared.
- Enhance the Budget Process by making it more transparent. outlining each line item in the annual proposal
- Update/clarify policies and procedures to make financial management less burdensome.
- Facilitate budget discussions that result in prioritization of our expenses to fulfill VASFAA's mission and ensure its longevity.

## **ITEM 2: Balance Sheet Review – Melissa**

- Updates on Revenue and Expenses
- Melissa indicated that there had been some difficulties with making deposits so we should not be alarmed by the current membership income. She indicated that we were on pace with historical trends.
- Discussed the posting of an April check to FY17 and received clarity from John that this has been the historical practice. Funds should be charged to the budget year that they clear the bank. Because of this we may need to revisit FY16 to adjust expenses and examine a possible carry forward.

## **ITEM 3: VERP Update – Brad**

- Discussed the status of combination of VERP/New Century
- Also highlighted the increase in the Savings Accounts associated with the funds as a result of earnings from matured funds.

## **ITEM 4: Sue D. Ross Scholarship – Tabled due to time – should be revisited at future meeting.**

- Do we want to continue to recommend awarding \$2000 annually or do we update the P&P to allow for adjustments based on earnings?
- Review 7.10.1.13 – it sets a de minimus of \$1000.
- Do we recommend that others besides just the President's colleges are eligible to apply?
- Board selection?

## **ITEM 5: Buddy Award Applications – Not needed the Board's approval of \$1200 of VERP made this a non-issue and Buddy Awards were discussed at length during the P&P discussion.**

- Review two current applications for 16/17
  - Lisa Chilton – CVCC/???

## **ITEM 6: Review Enhanced Budget – Brad**

- Expense/Asset Discussion entailed showing the breakdown of all the accounts, amounts, and maturity dates of the assets.
- Talked about Reserve Excess and need to transfer excess to Funds Manager for investment in VERP.
- Asked for feedback about the format. Everyone agreed that this was helpful and should be used going forward.

## **ITEM 7: Suggestions – Brad**

- Proposed Board and Committee Joint Financial Summit due to the rate at which we are spending down funds. Vern projects VERP will be gone in 22 years. Melissa has concerns about the timing of bills that we incur over the summer and expressed a desire to reevaluate whether she'll need more VERP funds in future years to bridge the gap between Conference income and Membership Renewal. It is important that we act now to evaluate our budget – both expenses and income to prevent dissolution of the VERP funds.

All members were in support with Chad suggesting a dedicated meeting at the February Board meeting. The Chair and Chad will continue to work toward this Summit with the goal of having it prior to FY18 budget adoption.

- Historical Review of Budgets
  - Review our expenditures and revenue indicate which income source supports which expense
  - SASFAA Leadership Symposium/Director's Summit/Other New Expenditures and impact on Reserves
  - VERP earnings
  - VERP rate of spend down
  - Membership Dues
  - Conference Fees
  - Non-conference Fees
  - Decision points
- Surplus Revenue Distribution Policy – Tabled to later meeting due to time and since any FY17 surplus will not be realized until June 2017. However, mentioned the need to have a policy that addresses Reserve Fund Excess and Budget Surplus. Should it be returned to VERP, especially if VERP assets were being liquidated to balance the budget?
    - 7.12 Surplus Revenue Distribution Plan  
In the event that surplus funds remain at the end of the fiscal year, such funds will be distributed in the following manner and to the following accounts:
      - 25% Sue D. Ross Endowed Scholarship Fund
      - 25% New Century Educational Endowment Fund
      - 25% Reserve Fund
      - 25% Carryover to the next year's operating budget Based on its judgment, the Board may, at its discretion, revise the percentages or accounts to be credited each year.

ADJOURNMENT - 3:12 PM