



Executive Committee Meeting

Wednesday, February 4, 2015 – Teleconference

Attendance

Attending

National Officers

John Mogge

Jane Penny

Gary Engle

Joe Schroedel (non-voting)

Rich Khalil (non-voting)

Harold Rosen (non-voting)

Executive Committee Members

Bill Bersson

Bill Brown

Marvin Fisher

Bill Grip

Jim Hagan

Gita Murthy

Ben Redding

Robert Schlesinger

SAME Staff (non-voting)

Bill Anderson

Dana Bach

Marc Bialek

Nick Desport

Eileen Erickson

Desyree Jones

Ann McLeod

Kathy Wilson

Not Attending

National Officers

Mike Giorgione

Call to Order

The Executive Director, BG Joseph Schroedel, USA (Ret.), called the meeting to order at 1:00 PM, and the Pledge of Allegiance to the Flag was conducted. The XD then thanked everyone for being open to the new, virtual format of the XC meeting. The President, Col John Mogge, USAF (Ret.), then asked for a count for attendance. Dana Bach read the roster and marked all except for Michael Giorgione in attendance. Quorum was recognized.



Agenda Items

Approval of the SAME HQ FY2015 Budget including

1. *Establishing an investment committee*
2. *Revising SAME HQ Budget Timeline to have budget approval before the start of the fiscal year, starting in 2016*

Introduction

The XD stated that in the future the budget approval and strategic planning XC's will be split to allow for more careful consideration of both. The annual review of our strategic plan and progress on focus areas for the fiscal year will begin at the Post Leaders' Workshop (this year, being held in Phoenix, 19-22 Feb) and will be led by the president-elect. The benefit of this approach allows the president-elect to align his/her focus areas with the Strategic Plan review process and incorporates more of a bottom-up effort to engage the posts in support of our "one SAME" vigilant and vibrant to change focus area.

The XD highlighted the four-month long, bottom up, team building approach that was taken to develop this budget. He recognized the directors, especially Kathy Wilson, the Director of Finance and Accounting, for the detailed work in assembling the budget while preparing for the annual audit with a new auditor. Directors were highlighted during the presentation as they discussed their initiatives.

The XD also highlighted the fact that a very precise performance management system was in place and all budget objectives are embodied in performance plans. The XD also highlighted the formation of a new Compensation Panel that will objectively decide any compensation related matters in the HQ (raises, adjustments to industry standards, bonuses, and benefit adjustments) and the work of the panel will be tied to the performance management system.

The XD highlighted that a new SAME HQ Quarterly Management Review and Analysis system has been put in place to proactively manage results. The HQ will report to the XC quarterly on progress.

Budget Briefing

The XD emphasized that this budget will contribute to the Strategic Plan by accomplishing two overall goals:

1. Delivering results that add value to the entire society and support the Strategic Plan



2. Investing in SAME to set the stage for the future without incurring undue short-term risk

The main budget objectives as outlined by the XD were:

Revenue

Establish FY2015 as a revenue “floor” by diversifying and strengthening the stability of revenue streams for both the short and long terms

Expenses

Add value to membership by expanding support to posts and contributing to the SAME focus areas

Society Investments

Build on the reputation of SAME by investing in the Society in ways that support SAME’s expanded mission, Strategic Plan, and members

Risk Management

Actively manage short and long term risks such as investment accounts, HQ staffing, event planning, and sustaining membership

At this point, the President asked if these objectives were what the XC believes they should be, were there any objectives missing that needed to be addressed. Gary Engle responded that he believed that these were the correct objectives.

In reference to the risk management portion of the budget, in previous years risk ended up as an expense rather than being managed. Forecasting potential risk allows for a more active approach to financial stewardship.

FY2015 Revenue & Expense Summary

The 2014 forecast and actual budgets as well as the 2015 proposed budget were presented to the XC. The XD stated that Headquarters will always come to the XC with a balanced budget. He also emphasized that he felt the revenue projections were overly conservative. He also drew attention to the negative net from Operations and made sure to explain that this is not an operating deficit, but is mostly the discretionary spending for the Headquarters.

Budget Objectives

Objective 1: Establish FY2015 as a revenue “floor” by diversifying and strengthening the stability of revenue streams for both the short and long terms – eventually, achieving sustained growth.

Trends 2013-2014

- Revenues declined 5% : SM Dues, event registrations, advertising and sponsorship levels.



- HQ Response (expense): reduced expenses to meet balanced budget by
 - Eliminated three staff positions
 - Reduced service contracts, cancelled non-essential service contracts
 - Reduced stipends
 - Reduced employee benefits
 - Eliminated annual salary increases for HQ staff
 - Reduced Large Post dues payments in 2013
 - Reduced JETC revenue share in 2014
- HQ Response (revenue): balanced budget by using overall net surplus from investment income to compensate for operations deficit.

Approach for 2015

- Use the investment income to balance the operating deficit. However, operating deficit includes new program expenses and society investments, largely leveraging staff capacity to generate short- and long-term revenue streams.
- Short-Term Actions
 - Individual Member and Sustaining Member dues increase
 - Increase in price of advertising
 - Communications has hired Naylor, an advertising sales firm to help drum up new sales. This is a no risk situation as Naylor will take 40% of the revenue they generate. The XD was quick to reinforce that 60% of something is better than 100% of nothing
 - TME Online and Directory Online, with no printed directory, we are saving on the printing cost as well as the postage to mail the directories out.
 - TME Vietnam Special Edition with LTG Stroup as a guest Editor.
 - The President mentioned that with the Vietnam Recognition event at SBC this year a memorial issue of TME is appropriate.
 - 8 Events & 3 Camps
 - Professional development
 - Continuing Education Programs – 5 CEP, 1 seminar, 10 webinars, WOD
 - Implementation of Red Vector
 - The XD restated that Programs has never been a place where the HQ has sought to create revenue. Programs exist to add value to the SAME membership.
 - Investment Interest & Dividends, no budgeted capital gains
 - Mini SEG's
 - JETC Cost Share Task Force to implement their recommendations with JETC 2016
- Long-Term Actions (first possible revenue in 2016)
 - Grants



- Initially to fund TISP, determine later potential
- SAME Foundation
 - Task Force is underway; however not until there is total agreement on the purpose and goals of the foundation will we start to draw together financial plans

Objective 2: Add value to members by expanding support to posts and contributing to the SAME Strategic Plan focus areas

Trends 2013-2014

- Reduced expenses to meet declining revenues
- Eliminated three staff positions

Approach for 2015

- Monitor and control expenses while expanding support to posts and the SAME Strategic Plan by leveraging staff capacity and identifying specific actions that meet the goals and objectives
- Actions
 - Maintain current staff (24 full time)
 - Provide up to 3% salary increase
 - New performance management system in place with new HR handbook
 - Ownership of internal controls
 - Creation of a Compensation Panel to determine salary increases
 - Compensation Panel will be made up of directors
 - Continue benefits
 - 5% 401K match, no non-match
 - New ACA healthcare was less expensive than old plan
 - Budgeted End of Year Performance Bonus
 - Based on stretch objectives, not guaranteed
 - New Auditor
 - Report to Audit committee upon completion of audit
 - Implement Quarterly SAME HQ Management Review and Analysis
 - Report to National Leadership quarterly on budget execution and outlook
 - Increase Stipends 45%
 - Increase Post Support
 - Staff travel to help implement Best Practices system
 - Redirect HQ priorities to supporting posts

Expense Variance Analysis 2014-2015 (all expenses listed are part of discretionary spending)

- Advertising, Publications, Postage (+16%)



- Advertising sales rep for TME ad sales (+\$64K)
 - \$64K is a rough estimate
- No print directory (\$42K savings)
- TISP Promotional (+\$5K)
- Professional Fees (+30%)
 - JETC Consultant to identify vertical markets (+\$25K)
 - Hiring the consultant will help stop the downward trend in booth sales for JETC and help identify new markets to expand our booth sales into.
 - Consultant will also do a strategic business review of the event and help identify reasons why people may not be returning.
 - PLW Speaker Fees (+\$10K)
 - Focus Group for strategic communications (+\$15K)
 - Market Research quarterly economic report to members (+\$17K)
 - First report will be sent out in March 2015
 - This is a standard for most other associations; however, it is not in the A/E/C associations. Will provide another value add to membership.
 - Legal Fees for E&M Foundation review (+\$16K)
- Office Expense (+10%)
 - IT infrastructure enhancements including network audit, cloud storage, membership database upgrade, and online directory upgrade (+\$20K)
 - LivePerson Chat website customer service function (+\$3K)
 - E-mail service (\$5K)
- Other (Facilities, Member Support) (+12%)
 - Increase stipends for YM, NCO, RVPs, Public Sector Presidents, Scholarships (+\$33K)
 - Associated stipend slide is attached to these minutes
 - Post Webinars to assist with best practices (\$3K)

Objective 3: Build on SAME's reputation by investing in the Society in ways that support SAME's expanded mission, Strategic Plan, and members.

Trends 2013-2014

- Reduced expenses to meet declining revenues
- No significant initiatives to invest in Society or examine ways to improve support to Society

Approach for 2015

- Increase support to posts
- Respond to member feedback
- Leverage HQ staff capacity to implement creative initiatives that have significant promise and limited risk



- Continue active management of the investment accounts
- Establish an investment committee

Actions (\$161 K)

- Legal fees for E&M Foundation review (\$16K)
- Advertising sales rep for TME and online directory (\$64K)
- Strategic communications focus group (\$15K)
- Market research consultant for JETC (\$25K)
- Post operations webinar series on Best Practices (\$3K)
- LivePerson chat for website customer service function (\$3K)
- CV upgrade, cloud storage fees, and e-mail marketing service (\$18K)
- Economic trend report to members (\$17K)

Budget Payments to Support Posts (\$545K)

Tables are included in the attached PowerPoint presentation

- Stipends (\$46.5K)
 - Public sector presidents to attend JETC (\$16K)
 - Support for RVP Post visits (\$10K)
 - Streamer award winners to attend TISP Critical Infrastructure Symposium (\$2.5K)
 - YM/NCO stipends to attend JETC (\$8K)
 - Post Leaders/Student Leaders/Student Chapter Workshop and Miscellaneous (\$10K)
- 2015 JETC revenue share to post (\$80K)
- 2015 Post Leaders/Student Leaders/Student Chapter Workshops (\$115.5K)
- Web contract support to Small Posts (\$22K)
- Post Portion of Dues (12% of collected dues)
 - Individual Member dues (\$47K)
 - Sustaining Member dues (\$234K)

Investment Accounts

Tables are included in the attached PowerPoint presentation

- Value at 12/31/14 was \$6,108,860
- Interest + Dividend Income (242% increase from 2011)
 - CD's + Money Market Accts = PFCU + NFCU + BBT
 - Merrill Lynch Investment Account = Mutual funds, Agency Securities
 - Baird Investment Accounts (2) = Bonds, Stocks, Cash
- Purpose of Accounts



- CD's with staggered maturity dates (2 – 5 years), renewal rates low, maturity funds transferred to investment accounts
- Merrill Lynch: General Reserve Funds – 60% Equity/40% FI
- Baird: E&M + Operating – managed accounts, 40% Equity/60% FI, 3.6% earnings
- Capital Gains (ML + Baird Accounts)
 - No budget for gains or losses
 - Market correction expected in 2015 – possibility for unrealized loss
 - Investment income significantly increased when HQ established Baird investment accounts (2012) and robust stock market gains (3 years)

FY2015 Value Added Opportunities

- Unfunded Opportunities (will be executed if opportunity is identified during quarterly budget review)
 - Higher Logic Virtual Community
 - Private web community to facilitate communication between HQ, committees and posts (\$24K)
- Net Zero Opportunities that may provide a potential surplus
 - Special Issue TME commemorating 50th anniversary of Vietnam War (+\$70K)
 - Europe JETS, possibly July or August (net zero)
 - SAME HQ Store update with expanded merchandise offerings (unknown)
 - TISP Workshops for Energy Sector and Structure Damage Assessment Training (net zero)
 - Leadership workshops on specific topics based on recommendations of the 2014 Emerging Leader Alliance Class (registration revenue, minor expense)
 - SAME – DBIA Federal Project Delivery Symposium in August (+\$2K)

Objective 4: Actively monitor and anticipate actions required to minimize short and long term risks.

FY2015 Risk Focus Areas: Investment Accounts, Sustaining Membership, HQ Staffing, Event Planning.

Trends 2013-2014

- Investment Accounts have weathered variability of market, domestic and global economic issues, and met performance goals.
- Sustaining membership has fluctuated amid growing concerns over large SMs who are facing restructuring and other challenges
 - DoD constraints impacted participation of some SM
- Focus of HQ staffing is to build a cohesive team that is dedicated to supporting posts, supporting the SAME strategic plan, and building SAME's reputation.



- Event Planning has been historically conservative; however, revenue budgets lead to confidence in process, illustrate the competence of staff, and allowing mitigation of risk to major portion of revenues.
 - Longstanding JETC cost share issue now being addressed by JETC Task Force

Approach for 2015

Deliberate focus on managing risks focus areas.

Actions

- Investment Accounts:
 - Quarterly Review and Analysis
 - Establish Investment Committee
 - President has asked that all parties who may be interested in serving on the Investment committee contact him. Applicants should have some knowledge of investing and financial markets.
- Sustaining Memberships
 - SEG revision
 - Increase venues: Mini SEGs, Executive Forum, other venues
 - Open the aperture of the strategic vision and bring other agencies to table, deliberately
 - Expand knowledge and experience at post level
- HQ Staff Management:
 - Leverage capacity
 - Performance management in place
 - Refined job descriptions
 - Stretch objectives
 - Ownership of outcomes
 - Build teamwork, enhance positive service attitude
- Event Planning
 - Sustain conservative revenue budgeting approach
 - Establish early national calendar coordination (internal and external)
 - Manage vendor risk

Revised SAME HQ Budget Development Timeline

Recommend revised timeline for future budget proposal, review and approval

- September
 - HQ Directors prepare draft budget for internal review and XD approval.
- Early October
 - Treasurer review and comment on proposed budget.



- Late October
 - Proposed budget presentation to SAME Executive Committee. Recommend XC meeting be coordinated with schedule of SEG/USAG meeting in late October.
 - XC approves proposed budget.
- November
 - Report to Board of Direction XC's approval of budget and highlight budget assumptions and program changes in the approved budget.
- January
 - SAME HQ operating within approved budget

Impact of new budget development timeline: Forecasting annual results in September allows for budgeting of new year activities using bottom-up approach and building on quarterly reviews. This will produce better forecasting over time.

The XD finished the budget briefing emphasizing that the FY2015 is a balanced budget that will:

1. Deliver results that add value to the entire society and support the strategic plan.
2. Invest in SAME to set the stage for the future without incurring undue short-term risk.

The President asked for a motion to approve the budget. Jane Penny made the motion; it was seconded by Bill Brown. The President then asked for any questions regarding the motion.

Bill Grip raised a question regarding TISP, stating that he felt it was cost neutral and that in the future, perhaps the value of TISP should be reevaluated for the society. He also raised a question in regards to the HQ staff raises, stating that they may potentially be too generous and that when an organization is financially suffering, that raises should be the last thing budgeted.

The XD responded to Bill Grip's statement about the salary increases stating that the salary raises are going to address gaps in the compensation level of certain staffers at HQ and that the Compensation Panel would address those gaps first.

Gary Engle raised a question about the Navy STEM Camp in Port Hueneme and if there would be investment into it in FY2015.

The XD responded to Gary's question that unfortunately it seems the Navy STEM camp is at an impasse; the Navy has been unable to coordinate with private sector, and the post simply does not have the volunteer force to support the camp. However, a possible solution may be STEM day camps sponsored by the posts, which would eliminate the travel and accommodation costs of the current STEM camps.



Jim Hagan asked a question regarding advertising revenue and whether banner ads on the SAME website have been considered as a revenue stream.

Eileen Erickson responded that it had been considered, however HQ felt that banner ads were not a good direction for the Society. Sponsorship packages for future email marketing have been considered.

With all questions answered the President called for a vote, Dana Bach read the roster and indicated responses. The vote was unanimous for approval.