

**FINANCE COMMITTEE MEETING MINUTES
TUESDAY, MAY 26, 2020**

PRESENT	<p>Craig Neuenswander Tyler Backus Bob Buehn Chad Delbridge Kyle Fairbairn Brian Halstead Dr. Debra Jackson Greg Lynch Clarke Orzalli Hal Stearns</p> <p>Cherise Imai Lindsey Dablow Beth Workman</p>	<p>Kansas Commissioner/Chair Maine Commissioner Florida Commissioner Wyoming Commissioner Military Impacted Schools Association/Ex-Officio Nebraska Commissioner New York Commissioner Washington Commissioner Massachusetts Commissioner Montana Commissioner</p> <p>Executive Director/Secretary Training and Operations Associate Communications Associate</p>
EXCUSED	Alan Kerr	South Dakota Commissioner

ITEM 1 – CALL TO ORDER AND WELCOME

1. The meeting was called to order at 11:02 AM EDT by Craig Neuenswander, Kansas Commissioner, Treasurer and Finance Chair. Executive Director (ED) Cherise Imai conducted the roll call.
2. Chair Neuenswander welcomed members to the meeting stating under the pandemic, it was unusual circumstances for all.

ITEM 2 – AGENDA AND MINUTES

3. The agenda was motioned for approval by Commissioner Greg Lynch (WA) and seconded by Commissioner Tyler Backus (ME). Motion carried.
4. The meeting minutes from January 29, 2020 were motioned for approval by Commissioner Lynch and seconded by Commissioner Hal Stearns (MT) as presented. Motion carried.

ITEM 3 – REPORTS

5. **Executive Committee (EXCOM)** – Chair Neuenswander reported the EXCOM discussed moving to the Annual Business Meeting to a virtual format this year due to the state COVID-19 restrictions regarding safety and health, and is researching the cost and ability to conduct a meeting on a virtual platform. Commissioner Lynch supported the move to meet virtually, and the prudence of this decision as the impact on states and schools during the fall are unknown at this time. He added it makes sense in the interest of time and cost to the organization to push Arkansas to 2021. Several members stated they utilized the Zoom platform for meetings which has worked well for their virtual meetings. Members expressed overall support for the virtual meeting with travel restrictions and the unknown impact of the pandemic on states.

6. **FY19 Dues, Budget and Expenses, Investments** – Chair Neuenswander reported New Mexico is outstanding and national staff and the Commissioner are working with state department on payment. The commission is projected to end the year \$20,000-30,000 below budget due primarily due to one staff vacancy, which represents 3 months of payroll; and reduced staff travel for training and meetings due to COVID-19. He added Advertising and Marketing is higher than anticipated due to replenishing inventory of collaterals and marketing items. As expected under the pandemic, the Vanguard Investments dropped significantly, however the balance is still higher than our initial investment 2 years ago and higher than the amount we would have gained with bank accrued interest. Overall, it was still a good decision to invest the funds with Vanguard. Regarding FY2020 Dues, New Mexico is the sole state outstanding, however the national office and Commissioner is working with the New Mexico Department of Education to secure payment.
7. Regarding the Marketing line item, ED Imai reported the need to replenish the commission stock for notepads, pens, screen wipes and challenge coins for the commission. She noted the coins were first ordered by former Executive Director, Norm Arflack in 2009 and the inventory has sustained the commission for ten years.
8. Chair Neuenswander reported the investment balance has been impacted by the pandemic however the balance is still higher than our initial investment two years ago, and better than interest we would have received had it remained in the bank account.
9. **FY20 Approved Budget and Dues** – Chair Neuenswander reported invoices were released on May 1, with a deadline for June 30, 2021. Three states have paid to date.

ITEM 4 – OLD BUSINESS

10. **Small Business Association Payroll Protection Program** – ED Imai reported the Council of State Governments (CSG) submitted an application and were approved for the Payroll Protection Program (PPP). As MIC3 and the other affiliate organizations are employees of CSG, we qualified for the subsidy. The program covers 8-weeks of payroll and some employee benefits. As the program is a forgivable loan, once the 8-weeks are completed, CSG will submit an application for forgiveness. If approved, CSG will not have to pay the funds back. If it is not approved, the organization will pay 1% interest on the amount. The projected amount is \$23,000-30,000; however, ED Imai will present more accurate numbers once provided by CSG.
11. Commissioner Clarke Orzalli (MA) questioned if the application is under CSG, then qualifying for the loan is based on CSG's ability (as a whole) to meet the terms. ED Imai affirmed the statement was accurate. She noted for the record CSG and the affiliates' revenue are based on individual dues and from conferences, sponsorships, and other national and regional meeting driven revenue – which is projected to decrease this current and next year. Some of the affiliates are concerned about the ability to meet payroll and retain their employees with the pandemic. On the other hand, MIC3's revenue is more stable as it is based on statute and the number of military dependents. In addition, not all organizations have a reserve like MIC3. For these reasons, the CSG Executive Committee felt it was necessary to apply for the program in order to ensure the organization would survive.
12. ED Imai appreciated the foresight of MIC3 to establish a two-year reserve to support the organization in unusual circumstances such as the pandemic, especially as other affiliates do not have

the same reserve or the capability to establish a fund. As a longtime member of the Commission and the Finance Committee, Commissioner Lynch stated early on the Finance Committee determined the organization would establish 24 months of reserve, however perhaps there was a need to explore other methodologies such as a percentage of the overall budget instead. (OPEN ITEM)

13. **Compact Membership and Value to States** – ED Imai reported there was a recent inquiry about the value of the compact to states as members of the commission. She referenced a one-page document available for download on the website.

14. **Finance 101 Brief** – As requested by the Committee, ED Imai reported the presentation slides from the fall ABM are posted on the website on the Commissioner page.

ITEM 5 – NEW BUSINESS

15. **FY2020 Audit** – ED Imai reported MIC3 conducts an annual audit in conjunction with CSG Accounting through the accounting firm, Blue and Co. She submitted the request to conduct the audit, which will take place in July-August timeframe once the June 2020 reports are finalized. She noted MIC3 is the first of the affiliates to request and conduct the annual audit in order to meet the deadlines for our Annual Report and Meeting reporting requirements.

16. **New Investment Policy Draft** – ED Imai stated the draft presented is based on the CSG Finance and Reserve Policy, as well as policies provided by other affiliate organizations. She thanked sub-committee members, Commissioner Bob Buehn (FL), Lynch, and Orzalli for their input and guidance, and recognized the CSG Finance Director, Wade Littrell for his support. The development of the policy was driven by the auditor's recommendation in 2018 as the organization started their investment program earlier that same fiscal year. The intent is for the Finance Committee to present a final draft for Executive Committee approval in August.

17. ED Imai reviewed the draft policy which includes the authority, applicability, key definitions. She asked for feedback regarding return objectives and highlighted the statement "to achieve a net rate of return of at least 7% per year based on a 3-year moving average," which was reflected as perhaps too aggressive for the organization. Commissioner Lynch agreed the 7% may be too aggressive and suggested 3% to be more realistic. Commissioner Orzalli stated once the reserve goal is achieved, the importance of annually keeping up with or beating inflation, and perhaps setting a more conservative goal. All agreed moving to a 2-3% return with a 3-year moving average.

18. ED Imai stated the following sections are verbatim from the CSG Investment policy guidelines: investment philosophy; preservation of principal and types of assets; prohibited transactions; and diversification of equity securities. Under *Investment Policy, Asset Allocation*, Chair Neuenswander asked for a correction to "Finance Committee believes that it should be the function".

19. The Committee reviewed the section under Fund Management. Commissioner Orzalli questioned if our portfolio includes foreign companies as there are foreign taxes that are mandated. ED Imai stated she would inquire with CSG Accounting. (OPEN ITEM)

20. The Committee reviewed Valuation of Investments, Monitoring and Fund Expenditures. Members agreed a section on Use of the Reserve should be added. (OPEN ITEM)

21. Commissioner Lynch emphasized the need of the committee and the organization to be forward thinking – for the future, and not just from year-to-year. Under the current strategic plan, the organization has identified goals and action items, however are there items that we need as an organization, for example, to support operations or the national office? He also noted ever changing environments, not just under COVID, and the impact to the organization. For example, will virtual meetings instead of in-person be typical in the future? Commissioner Lynch highlighted the need to continually assess the needs of the commission under these circumstances and the importance in having a priority list available.

22. ED Imai appreciated Commissioner Lynch's comments, and replied the staff analyzes the strategic plan and the projected needs of the commission to accomplish the goals and programs annually. She added staff has discussed opportunities of investment to support operational efficiency and will present a list for review in July. One area of discussion has been a database management system to track state information, data, process reports and conduct research – which are currently processed manually and has a margin for human error.

23. Commissioner Orzalli agreed with Commissioner Lynch's comments and is thinking from the Commissioner perspective while states and schools are closed now due to the pandemic, there are not a lot of activities or cases. However, states are reopening in vastly different timeframes and methods, that eventually Commissioners and the national office will be busier with activities and inquiries once we are back to the new normal. He stressed the need to keep this in mind as we are thinking through the budget and needs of the commission. **(OPEN ITEM)**

ITEM 6 – ITEMS FOR THE EXECUTIVE COMMITTEE

24. No items were received.

ITEM 7 – OTHER BUSINESS

25. Mid-Year Survey – ED Imai reminded members to complete the 17-question survey which will close on in two weeks.

ITEM 8 – ADJOURNMENT

26. With no further business to conduct, Chair Neuenswander adjourned the meeting at 11:57 AM EDT.

Respectfully submitted by,



Cherise Imai
Secretary/Executive Director