



**FINANCE COMMITTEE MEETING MINUTES
TUESDAY, JULY 28, 2020**

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

ITEM 1 – CALL TO ORDER AND WELCOME

1. The meeting was called to order at 11:00 AM EDT by Craig Neuenswander, Kansas Commissioner, Treasurer and Finance Chair. Executive Director (ED) Cherise Imai conducted the roll call.

ITEM 2 – AGENDA AND MINUTES

3. The agenda was motioned for approval by Commissioner Bob Buehn (FL), and seconded by Commissioner Alan Kerr (SD). Motion carried.
4. The meeting minutes from May 26, 2020 were motioned for approval by Commissioner Buehn, seconded by Commissioner Kerr as presented. Motion carried.

ITEM 3 – REPORTS

5. **Executive Committee (EXCOM)** – Chair Neuenswander yielded the floor to ED Imai for the report. ED Imai reported the EXCOM discussed planning logistics for the upcoming Annual Business Meeting which will be held virtually due to the pandemic crisis. The confirmed dates are October 1-2 and the platform are through *GoToWebinar (GTW)*. Several Commissioners expressed preference for the Zoom platform, however ED Imai explained a couple of Commissioners are unable to utilize the platform on their government computers. In addition, the GTW system is both secure and cost effective since the Commission currently subscribes to the platform at a cost of \$600 annually. The registration will be released this or next week. Regarding cost, the event will be held at no charge to non-Commission member attendees. The agenda includes committee reports, and program updates, as well as new initiatives. She added the Compliance committee extended the deadline for state reports and council meetings due to the pandemics – to provide states extra time to hold their annual meeting. Lastly, the National Guard and Reserve Task Force will present their recommendation at the ABM.

6. **Strategic Plan** – Chair Neuenswander reviewed the committee's goals and action items. The committee is on target to meet the Year 1 goal to draft the Investment Policy in response to the 2018 Audit recommendation, which will be discussed later in the meeting.
7. **FY20 Dues, Budget and Expenses, Investments** – Chair Neuenswander reported New Mexico's dues is the last state to pay which closes the fiscal year. He stated dues from two states for \$12,464 were inadvertently recorded to FY20 and will be corrected to FY21. Total June expenditure are projected at \$100,000 and we are projected to end the year \$44,000 under budget. This is partly due to the one staff vacancy, and he expressed appreciation for the national office staff in tracking the budget and maintaining operations with two staffers – especially in dealing with the pandemic. He stated the final FY20 reports are anticipated from Accounting on August 12.
8. **FY21 Dues and Budget** – Chair Neuenswander reported 15 states have paid dues - a total of just under \$98,000 or 15% of the budget – which represents 29% of member states to date. He reviewed the budget spreadsheet and noted the annual audit has increased from \$6,000 to \$6,300, and we secured a 3-year contract. At the last EXCOM meeting, we approved an amended budget, which included a reduction in the line item for the Annual Business Meeting which will be held virtually. In addition, employee medical benefits continue to rise annually and has increased by 12%. He noted a significant budget item continues to be the Kentucky Retirement System in which we contribute 50% of employee salary.
9. ED Imai reported staff checked with the Marriot Little Rock Hotel, the Commission will not incur penalties for moving the meeting to 2021. However significant cost increases were anticipated to meet pandemic health and safety regulations for the meetings, including individual meals instead of buffet style; individual tables for Commissioners and microphones; and additional meeting room necessary to accommodate the general and breakout sessions. She concluded she would need to add \$30,000 to the initial budget for audio visual cost alone and would like project \$10,000 more for food and beverage and logistics expenditures.

ITEM 4 – OLD BUSINESS

10. **Small Business Association Payroll Protection Program** – As reported last month, ED Imai stated the Council of State Governments (CSG) was approved for 8 weeks of employee salary and benefits under the Payroll Protection Program (PPP). The projected amount for forgiveness is about \$30,000, if CSG is approved for forgiveness. If approved, it would be reflected in the FY21 budget, not in the FY20 budget as initially reported.

ITEM 5 – NEW BUSINESS

11. **FY2020 Audit** – Chair Neuenswander reported the Commission's preliminary audit documents have been submitted to the auditor, Blue and Co., and the audit will commence once CSG has finalized the end-year reports. ED Imai added the firm has conducted the Commission's audits since our inception.
12. **Areas of Opportunities** – Chair Neuenswander reported in June, the committee requested the National Office provide a list of future needs of the organization. In addition to needs, the document included projected cost for each initiative and budgetary impact. Opportunities included:

- Operations audit - included in the Strategic Plan, and one of the Finance committee priorities. This initiative would require securing an outside firm to conduct the audit, and would analyze current staffing, operations, programs, and identify areas of improvement.
- System Management Software and Database – Investing in a system to manage data and daily operations was needed to support operation efficiency and accuracy.
- Training and Development - investing in software to house and create virtual training webinars. Under the pandemic, this option is optimal to continue the effort to educate stakeholders.
- Ambassador Program – The initiative is new and under the Communications and Outreach committee. Due to the pandemic, they recently postponed the initiative and moved the program discussion to year 2-3.

13. Chair Neuenswander said it was an ideal time for an operations audit, with the current staff of two maintaining operations, with one staffer vacancy. ED Imai said it was a challenge to hire and train a new employee under the pandemic and teleworking environment. She stated in the interim, the EXCOM had approved hiring a temporary administrative assistant and communications intern to support operations.

14. Commissioner Buehn stated they recently hired a new staffer at his University, and it was a challenge for the new person to be trained and to do anything virtually. He empathized with ED Imai in her situation. He asked for clarification on the system data base, and if it was a one-time cost, or would it require ongoing costs? ED Imai replied the projected amount is based on development of a data base or modification of an existing software – she was unsure which option was more suitable without more research. She anticipated monthly costs or an annual subscription fee.

15. **Investment Policy Draft** – In response to Commissioner Clarke Orzalli's (MA) inquiry at the last meeting, if the investment portfolio included foreign companies as there are foreign taxes that are mandated. ED Imai reported she followed up with CSG Finance Director who stated less than 1% of the portfolio is with foreign investments, and to his knowledge CSG or MIC3 have made tax payments, however on the other 99% of the investments do not fall into the category. In sum, CSG, nor MIC3, has filed taxes because we are tax-exempt organizations.

16. The following revision was made by the committee under 'Return Objectives' – “achieve a net rate of return of a minimum of 3% per year.”

17. Commissioner Orzalli motioned to approve the Investment Policy with revisions, seconded by Commissioner Buehn. Motion passed.

18. **Operating Reserve Policy Draft** – The committee agreed to on the goal to target a minimum reserve fund equal to two-year average operating costs.

19. They considered three approaches for authority to use the operating reserves and determined the Executive Director will submit a request to use Operating Reserves to the Finance Committee. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The Executive Director would submit a recommendation to the Finance committee. The EXCOM, on behalf of the Interstate Commission, is authorized to approve or modify the request, and authorize transfer from the reserve.

The authority to use operating reserves' process outlined in this section may be enacted by the Finance Committee should the *Operational Reserve Goal* be attained as described in Section II of this policy.

20. Commissioner Tyler Backus (ME) asked for clarity once the operational reserve was reached, and suggested language be added the Finance committee would have the flexibility to determine what would be done next. The committee asked National Office staff to draft the verbiage for this clause, and voting would be conducted via email, with an affirmation at the next committee meeting.

21. Chair Neuenswander noted the committee was aware these types of questions may arise, especially in light of the recent inquiry by the state of Tennessee who expressed interest in a refund of a portion of their dues. However, under the current pandemic, the impact to the commission and operations is unknown at this time.

22. Commissioner Buehn motioned to approve the Investment Policy draft with the final approval of the verbiage to be conducted through email. Seconded by Commissioner Debra Jackson (NY). Motion carried.

ITEM 6 – ITEMS FOR THE EXECUTIVE COMMITTEE

24. No items from members were received.

ITEM 7 – OTHER BUSINESS

25. Pandemic Impact – Members shared about the impact of the pandemic on their state, communities and schools.

26. Chair Neuenswander thanked members for their time and support, especially during this challenging time. He encouraged everyone to stay strong in working through the pandemic – and the work and effort we make benefits students and families.

ITEM 8 – ADJOURNMENT

26. With no further business to conduct, Commissioner Hal Stearns (MT) motioned to adjourn the meeting, seconded by Commissioner Backus. Chair Neuenswander adjourned the meeting at 11:53 AM EDT.

Respectfully submitted by,
Cherise Imai
Secretary/Executive Director