

FINANCE COMMITTEE MINUTES
Wednesday, August 24, 2022

PRESENT	Brian Henry Darcy Benway Brian Halstead Debra Jackson Rosemarie Kraeger Greg Lynch Craig Neuenswander J. Clarke Orzalli Douglas Ragland Kyle Fairbairn	Missouri Commissioner Illinois Commissioner Nebraska Commissioner New York Commissioner Rhode Island Commissioner Washington Commissioner Kansas Commissioner Massachusetts Commissioner Alabama Commissioner Military Impacted Schools Association	Committee Chair
EXCUSED	Bob Buehn	Florida Commissioner	
STAFF	Cherise Imai Lindsey Dablow Stephanie Ramsey	Executive Director, MIC3 Training and Operations Associate, MIC3 Communications Associate, MIC3	

ITEM 1 – CALL TO ORDER

1. The meeting was called to order at 11:05 AM ET by Treasurer and Chair Brian Henry (MO). Roll call was conducted by Executive Director Cherise Imai. A quorum was established.

ITEM 2 – APPROVAL OF THE AGENDA

2. Commissioner Greg Lynch (WA) moved to approve the agenda. The motion was seconded by Commissioner Rosemarie Kraeger (RI). Motion carried.

ITEM 3 – APPROVAL OF THE MINUTES

3. Commissioner Craig Neuenswander (KS) motioned to approve the minutes from July 27, 2022. The motion was seconded by Commissioner Lynch. Motion carried.

ITEM 4 – EXECUTIVE COMMITTEE (EXCOM) REPORT

4. Treasurer Henry reported the recent EXCOM meeting was focused on reports and general business of the Commission.

5. ED Imai said the EXCOM reviewed and approved three rule proposals by the Rules Committee, and an Open Records policy which would be brought forth to the Commission at the upcoming Annual Business Meeting (ABM) for decision-making; the Compliance Committee was tracking end-of-year reports and the status of state council meetings. ED Imai also stated the Tier group meetings were ongoing to discuss and answer questions regarding the National Guard and Reserve and the Citation Correction issues.

6. She notes the Leadership Nomination Committee met on the Monday the 18th and approved the Election Guide for dissemination to the Commission in September. The Committee will reconvene in November to debrief the ABM electoral process.

7. ED Imai said Ms. Dianna Ganote, the DOD Representative to the Commission, provided an update on the School Liaison program. They facilitated a panel at the summer Military Child Education Coalition (MCEC) seminar, which was well-received and attended. They are preparing a year-long calendar of podcasts and will share the topics once it is finalized. She stated a study on DSLO initiatives will be conducted on the effectiveness of the program related to military child education initiatives. It will consist of a literary review, analysis of initiatives and issues, locale surveys and interviews.

ITEM 5 – REPORTS

8. **FY2022 Balance; Revenue and Expenses** – Chair Henry reported the final reports were provided for review.

9. **FY2023 Dues, Balance, Revenue and Expenses, Vanguard Investment** – Chair Henry reported as of July 31, the total amount in dues for FY23 is \$672,687. To date, 25 of 51 members (49%) have paid \$281,808 (42%). The remaining balance was \$390,879 (26 states). The deadline is June 30, 2023.

10. Chair Henry noted as of July 31st, the fund balance is 1,999,350. He reviewed Revenue and Expenses. Total budget expenditures were \$41,423 (5.6%) of the Commission's \$672,681 budget.

11. Chair Henry reported the Vanguard Investment statement as of July 31, 2022, shows the initial investment was \$350,000. That amount was invested into an asset mix among Stocks (61.5%) and Bond (38.5%). The total value of the portfolio on July 31, 2022, was \$520,122. Good news was at end June, it was \$489,792, so this was a net gain of \$30,330 over last month. However, it was still a loss of \$91,162.36 (15.6%) since December 2021 (\$580.857).

ITEM 6 – OLD BUSINESS

12. **State Fiscal Support Memorandum** – Treasurer Henry informed the Members the document provides guidance for member states who are interested in working with headquarters on funding for oversight and implementation of their Compact programs. The memorandum was released to the Commission last week. The Chair reported that at this time no interest has been expressed.

13. **FY2022 Audit** – Treasurer Henry reported the audit was conducted by Blue & Co, a firm located in Lexington, KY. Commenced on July 26th and ended yesterday. No material findings were found again this year.

14. Commissioner Lynch motioned to approve the audit. The motion was seconded by Commissioner Kraeger. The motion carried.

15. **Blue & Company Agreement** – Chair Henry reported feedback was received by a Finance member on why Blue & Co conducts our audit - if it was through an RFP or if they were connected through the Council of State Governments (CSG). ED Imai inquired with CSG Finance on the history. Three years ago, on KS Commissioner Craig Neuenswander's direction, we obtained a three-year agreement for services at a rate of \$6,300/year. We will discuss if we should seek another agreement.

16. He noted Blue & Co was the auditor for CSG and 10 other affiliates and was familiar with CSG's financial practices and processes. Blue IS able to rely on testing and work from the CSG audit that crosses over on affiliate audits, so it creates an efficiency for the actual work as well as providing lower fees. Should MIC3 use a new firm it would require significant additional work from both MIC3 and CSG. There was a cost savings since the same firm WAS used throughout. ED Imai stated if the Commission wished to pursue an RFP, CSG could provide some support to seek other bids, however it would likely be more than Blue's fees. In addition, if a new firm was used, there would be significantly more work as they will not have the knowledge of CSG's practices.

17. The Committee discussed the background and rationale to retain Blue & Co. The agreed the consistent cost for three years was a benefit. While it was noted there was value and satisfaction with the work by the current auditor, concern was expressed about transparency and the value in switching to a new firm. Several members expressed that school districts are required to seek new firms to ensure the audits avoided complacency - a new firm may prove to be helpful and ensure the same for the Commission.

18. Members directed ED Imai to seek a new three-year agreement with Blue & Co. They agreed the Committee would revisit the discussion to seek a new auditor after the next agreement expires. **(OPEN ITEM)**

ITEM 7 – NEW BUSINESS

19. **FY2023 Employee Benefits Rate** – ED Imai reported CSG Human Resources negotiated with Anthem and employee premiums would remain the same again for benefits in 2023. This is the third year in which we have been able to do this. While we received no cost changes across all coverages, with the exception of medical, for which we received a 2.5% reduction.

20. **2024 Annual Dues and Budget Proposal** – Chair Henry reviewed the proposed budget and dues proposal for FY2024. The line-item increases included: the Annual Business Meeting dues to cost increases in food and beverage, and air travel costs; consultant and legal fee due to utilization of legal counsel for both general advisory and litigation business; and travel costs for staff due to increased requests for in-person training by states on the Compact. Dues decreased due to decrease in the number of dependents which has been a trend over the past several years.

21. Commissioner Jackson motioned to approve the dues and audit. The motion was seconded by Commissioner Lynch. The motion carried.

22. **Compact Citation Correction** – ED Imai reviewed the item and referenced the memorandum provided by General Counsel. She noted Tier Groups met in May, and two of the four met this month to discuss the way ahead and to prepare members for the vote at upcoming ABM. Members were encouraged to attend their Tier Group meeting and/or view the recordings which are posted on the website and disseminated via Constant Contact.

23. Due to time constraints, the following agenda items were tabled to the September meeting: Investment Policy and Withdrawal; and Operational Reserve Policy. **(OPEN ITEM)**

ITEM 8 – OTHER BUSINESS AND ANNOUNCEMENTS

24. **2022 ABM** – Chair Henry reminded members to register for the ABM and book their hotel room.

He stated the webinar on the travel policy and reimbursements is posted on the website for review. He highly recommended members to review the webinar prior to making their arrangements to ensure they are compliant and are aware of commission requirements.

25. **Dues & Budget Proposal and ABM Slides** – The Chair stated that during the Committee's August meeting the Members would review and approve the 2024 Dues and Budget Proposal. The Committee would also review the Finance Committee's slides that will be presented during the 2022 ABM.

ITEM 9 – ITEMS FOR THE EXECUTIVE COMMITTEE

26. No items for the EXCOM were received.

ITEM 10 – ADJOURNMENT

27. With no further business to conduct, Commission Kraeger motioned to adjourn the meeting. Commissioner Neuenswander seconded the motion. The motion carried. Chair Henry adjourned the meeting at 12:04 PM ET.