

2021 Finance Committee Budget Meetings

Committee Name:	Finance Committee	Session#2
Committee Chair:	Guy Davis	Vice Chair: Jill Gellatly
Minutes recorded by:	Guy Davis	Meeting date: November 9, 2021

Motions Passed:

1. The Finance Committee approves the adjusted draft 2022 budget with a net loss of \$567,844 subject to the Finance Committee's reservations that will be articulated separately in a memorandum from the committee to the Board.

Number of Committee Members Present: 13	Absent: 1	Number of Others Present: 2
Committee Members Present: Guy Davis (Chair), Jill Gellatly (Vice Chair), Ashley Braniecki, Ralph Davis, Elyce Dilworth, Phil Dodson, Jeanne Ensign, Brandon Franklin, Homer Lane, Laura Winslow, Teddy Decker (Treasurer, Ex-Officio), Susan Kuhlman (CFO, Ex-Officio), Dawson Hughes (CEO, Ex-Officio)		
Committee Members Absent: Tom Boak		
Others Present: Erika Braun (Chair, Compensation and Benefits Committee), Peter Guadagni (President)		

Minutes

The Zoom meeting was reconvened at 8:00 pm ET.

No conflicts of interest were declared.

Background: The meeting was the second of two FC meetings scheduled (11.2 and 11.9) to review the draft USMS budget for 2022. Prior to the meeting, Susan had circulated: Memo to the FC from the Compensation & Benefits Committee ("C&B") with 2021-22 recommendations; Master draft 2022 Budget spreadsheets with 3rd quarter forecast for 2021; Spreadsheet of multi-year analysis of USMS payroll and contractor costs; Pro forma analysis of 2023 breakeven membership based on the 2022 draft budget; updated 2022 Annual Meeting cost estimates under alternative assumptions; and a late budget request from the Diversity and Inclusion Committee.

In advance of the meeting, in the FC discussion forum and by email, committee members had provided observations and questions on the C&B budget in the context of historic payroll and contractor costs trends and key ratios, to which Dawson had responded with additional commentary. This provided additional background for the FC's discussion of the C&B Committee's recommendations.

Erika outlined the key points of the C&B memo. Generally, the job market is experiencing increasing competition for talent and higher employee turnover, and a return to pre-pandemic compensation increases. Referring to the Association of Chief Executives for Sport ("ACES") analysis of non-profit compensation trends, USMS salary levels are currently either in line with the sector average in some roles and below in others. USMS bonus levels have been generally a little below sector average. Both salary ranges and bonus levels are higher in the private sector than in the non-profit sector.

Based on the review, C&B is recommending a new salary and bonus structure for USMS with a view to better aligning USMS with non-profit norms and improving transparency and effectiveness of incentive bonuses.

The overall effect of the proposals would be to increase the total compensation expense in 2022 by 14% from the approved 2021 revised budget.

Dawson added that while the proposals had been developed by C&B independently of management, he supports the proposals, noting that the staff has been working at maximum capacity and that staff retention is a high priority given the hiring challenges in a highly competitive employment market and the costs of training new employees.

Guy thanked Erika and the Compensation & Benefits Committee for their work and their recommendations and Erika left the meeting.

The FC continued its discussion of the C&B recommendations in the context of the overall financial performance of USMS. Dawson noted that management's goal is to reduce payroll and contractor costs as a percentage of revenue to 50%. 2022 is a transition year from the pandemic and the budgeted ratio is 54.9%. However, historical trends in the growth of USMS total compensation expenses in comparison to the growth in total revenues and membership revenues present a concerning trend that cannot be sustained. These trends were in place before the pandemic which only made them worse. The FC agreed that the Board and staff need to develop a long term employee plan that is financially sustainable and non detrimental to maintaining a quality and dedicated workforce.

The committee reviewed updated estimates of the hybrid annual meeting costs. The committee recommended that the attending delegates be asked to pay a registration fee to attend the meeting in person to offset the hosting and hotel costs which will be paid by USMS. The draft budget was updated to reflect an updated estimate of Annual Meeting costs of \$111,945 which assumes half of qualified delegates attend in person with a per delegate registration fee of \$225.

The FC also considered a late request from the D&I committee. The FC approved a revised budget request which Dawson undertook to take back to the D&I committee to discuss how their goals could be achieved with the revised budget.

After these revisions, the draft budget shows a net operating deficit of \$567,844 (\$333,471 before non-cash depreciation expense). Excluding the estimated direct costs of the hybrid Annual Meeting, the budgeted net operating deficit is \$455,899 (\$221,526 excluding non-cash depreciation expense).

Motion (proposed by Jeanne, seconded by Ralph) The Finance Committee approves the adjusted draft 2022 budget with a net loss of \$567,844 subject to the Finance Committee's reservations that will be articulated separately in a memorandum from the committee to the Board. The motion was passed by a majority vote with 7 in members in favor and 3 members opposed.

Guy thanked Susan and Dawson for all their work on the budget.

Some members noted that the timetable to review and approve the budget had been challenging and requested the FC consider additional time for review. The general feeling of the members was that further review would not significantly add to the substance of the review, but could involve significant further management time to complete. However, it was agreed that a small group convened by the Chair would reflect on this year's budget review process and make recommendations on improvements for the future.

Guy thanked the Committee for their time and attention to the budget review and the meeting was adjourned at 9:34 pm ET.
