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TO: **International Executive Committee**
International Governing Council
International Board of Directors

FROM: **International Finance Committee:**
James Olschewski, SR/WA, International Treasurer, Chair
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Brian Taylor, SR/WA, Committee Member
Daniel Stekol, Interim CEO
Rakhshan Mazarei, CFO

DATE: **January 18, 2020**

RE: **2020 – 2021 Budget and Recommendations**

The Finance Committee met January 17-18, 2020 to review the International Right of Way Association (IRWA) proposed Fiscal Year 2020-2021 (FY21) budget created by staff. The proposed FY21 budget and Finance Committee review was based on analysis of the past 5-years of the Associations actual finances, current trends and future projections to meet the needs of the Association, and detailed discussion by the Finance Committee members present.

The Committee also took the opportunity to create several recommendations for the Association to create future revenues and/or reduce expenses and has provided these recommendations to be discussed at the next IGC meeting, Region Spring Forums and as part of this recommended budget to the Board of Directors for approval.

BUDGET BRIEF

I. EDUCATION

Education is a major source of income for and is a core mission of the Association. The Committee recognized an ongoing declining trend with the numbers of courses that our Association has been conducting in classroom settings and an increase in online courses. In the past, aggressive budgets were prepared with the intention for the Association to meet these goals based on either incentive programs or marketing or both by the Association and/or the individual Regions and/or Chapters. However not enough time has been given for the incentive programs to take hold in all areas and a change in the focus of education from achieving designations to that of training has become a current movement. Based on these changes, the Committee recognized the following:

1. **Online Education** – This past year, two new online courses were rolled out along with minor edits to a select few courses. Fiscal Year 2019-2020 (FY20) forecasted **3,173 online participants**

as an achievable target (which was an increase from previous years) however the Association is currently trending to fall short of this goal and has not meet the previous Fiscal Years goals. The Committee sees a potential plateau has been reached for the coming year(s) with online courses unless required updates, incentives, or additional courses are provided (none currently planned) and is therefore taking a more conservative approach to the FY21 budget with the following:

a. On average there are 100-150 participants per month
b. Promotional Sales are generating 400-500 participants during their respective promotions

Based on the previous 5-years and with the current incentive programs launched this past year, FY21 is projecting that **3,173 online participants** will be achievable with a budgeted value of **$963,372.** This budgeted amount is the same as FY20 which fits the current Association trends. Any additional growth would be a surplus for the Association and could be re-invested.

2. **Classroom Education** – The Committee reviewed the past 5-years and based on this analysis is seeing a decrease in the number of Classroom courses being offered by the Regions and Chapters with some fluctuations due to the previous new courses rolled out. In conjunction with this, a tendency of smaller classrooms is also being manifested than previously anticipated.

   Fiscal Year 2018-2019 (FY19) budgeted **361 Classroom** courses with **346 Classroom** courses actually being conducted. FY20 budgeted **368 Classroom** courses and current projections are trending towards a shortfall of +/- 40 courses.

As with the reduction in the number of Classroom courses, class sizes have also been dipping. The 5-year average is **14.4 students** attending Classroom courses and looking at an even larger snapshot shows this continuing to drop unless as with the Online courses additional attention is given specifically to this area by the Association.

Given this trend for the number of Classroom courses and students per class, the Committee opted for a more conservative approach for the preparation of the FY21 budget with the following:

a. Using a slightly higher average than the 5-year trend for Classroom courses, the committee based this budget on **341 Classroom** courses as a more representative goal for the Association
b. Seeing a declining trend in the number of participants in each classroom, the Committee felt that an average of **13 students** was appropriate at this time.

The Committee investigated the options provided by the past Finance Committee, the additional possibilities provided by the IDEAS Task Force, and suggestions by Staff to help reverse the downward movement for the Classroom courses and participation. However, at this time, no additional actions or implementations by the Association have taken place.

II. MEMBERSHIP

Like education, membership is a major source of income for the IRWA and there have been mixed efforts applied to this area with varying results as the Association has been losing members over the last few years.

1. **New Membership** – As with FY20, the Association is currently trending on 84 new members a month and has set in place several membership campaigns with incentive programs at the Chapter level aimed to increase this to an average of adding 92 members to the Association each month with a Budgeted value of **$16,818** per month based on the following:

   a. New Membership campaigns are being held twice a year (September-October and March-April).
   b. Chapters are starting to see this shift to individual member incentives for obtaining new members.

Based on the previous 5-years and with the current incentive programs launched this past year, FY21 is projecting that the trends for new members should remain with the same aggressive campaign as last year with **92 new members per month** with a budgeted value of **$201,816**.

2. **Membership Retention & Renewal** – The Association has been struggling with retaining members from year to year even with an impressive 87% average retention. FY20 sought to build on this with an aggressive budget based on $1.68M generated from membership renewal during the 2019-2020 fiscal year. Current projections are showing that this number will not be achieved and that for the last five years the budgeted amount has not been attained by the Association. Retention Campaigns from last year included:
   a. After April 15, 2020 if a Region obtains 30 additional renewals – the Region Secretary receives a free conference registration.
   b. ***Or*** if your Region obtains 90% retention – the Region Secretary receives a free conference registration.

   Complicating the member retention numbers are the distinguishing of Affiliates, Agency and now Corporate Memberships. With these categories in mind, the Finance Committee took a more conservative approach and again, consistent with the previous 5-years, believes that a more achievable goal for membership renewal is **$1,585,400** based on the following factors:
   c. Affiliate Agreement:
      i. Japan Compensation Consultant Association (JCCA) has an International Affiliate Agreement and pays an annual affiliation fee. JCCA has approximately 1,000 members who have the right to apply individually for IRWA membership if they so choose. Currently JCCA pays $5,000 regardless of how many participate and currently they have 1,023 members. This affiliation is not a Full Membership and presently only desires access to the ROW Magazine as part of their affiliation.
      ii. South Korea Appraisal Board also has an International Affiliate Agreement like that of JCCA. Currently there are 80 members, and each pays $30.00/person and is also not Full Memberships.
      Based on how affiliates are recognized and included in the budget, it is the recommendation of the Finance Committee to list them separately and out of the Membership totals so that they do not distort the actual membership numbers.
   d. Agency Agreements:
      Based on 12 agencies with 460 members. Only a few DOTs are currently increasing their membership, while other agencies are decreasing their overall numbers.
   e. Corporate Agreements:
      Are still currently being developed and defined. At present, all corporate members are being included in the Membership Renewal category and this line item will be created and tracked in the next Fiscal Year.

   Based on the changes in reporting of membership categories, new corporate members and a reasonable expectation of both new and the retention of current members, the Finance Committee believes that a projected **$1,897,116** in Total Membership revenue is the most appropriate figure to base the remaining budget and expenses against for FY21.

III. TRAVEL

Using the same 5-year model in the above-mentioned categories, this section was reviewed, and several categories were reevaluated to fit current needs for Field Operations and Staff to travel in support of the Association and its volunteer leadership.

1. **Staff Travel** – Was refined to meet the needs of Field Operations and to allow the new CEO to travel as needed to the Regions and Chapters. This refinement also provided an additional savings from previous budgets and is now projected at **$76,500**.

2. **IEC/IGC Travel** – This category was adjusted to account for the addition of the extra meeting required at the Annual Conference and increased to a budgeted value **$211,000**.

a. IEC is currently budgeted to only attend the one Region Forum in 2020 or 2021.
b. Budgeted funds in "Other Travel" to be used for unanticipated travel and was set at the 5-year average of $10,000.
c. Like last year, the Finance Committee discussed a proposed budget for Region Secretary/Treasurer travel and determined that the IGC should discuss options for funding or requiring Regions & Chapters to finance with dues or out of Region Expenses.

3. **Service & Industry Committees** – Budgeted travel for most all of the Industry, Community of Practice (CoP) and Services Committees remained at the same levels as the FY20 approved budget.
   a. Industry Committees & CoP share a pooled fund to be used as requested. **Budgeted value of $10,000**.
   b. Service Committees:
      1. Ethics Committee - $5,000.
      2. Credentialing Committee - $5,000.
      3. Finance Committee - $10,000 budgeted for an annual budget workshop.
      4. Nominations and Elections Committee - $18,000 for the committee to attend conference and oversee the Annual Elections.
      5. PIPE - $30,000 was increased to allow for the expansion of this committee as per the IDEAS Task Force recommendations and as part of their approved Strategic Plan.
      6. Young Professional Committee - $3,000.
   c. Budgets may be used as needed for approved travel but not to exceed the budgeted amount. Budgets may be used to attend the annual conference only if mandatory or authorized prior to attending. **Budgeted value of $71,000**.

IV. TRAINING AND DEVELOPMENT

1. **Leadership Development** – still remains a concern for the Association as presently there is not a plan to execute this category. The same budget amount from last year of $5,000 is earmarked waiting for the IEC/IGC and/or new CEO to determine.

2. **Staff Training and Development** – was increased to aid in the training opportunities of key staff members and for future training. This budget item comes with some new expectations and requirements for certifications and continued education.

3. **Professional Consulting** – was increased to allow for continued Human Resource activities with Staff and while the new CEO comes on board.

4. **Staff Recruitment and Temporary Help** – Both categories were increased to allow for the hiring of two replacement staff due to retirement and of vacant positions.

RECOMENDATIONS

I. Remove Affiliate membership from Key Measures and Total Membership Category
Add 2nd Page to explain all levels of memberships
II. Database CRM (Capital Expense)
III. Hire Temporary help to work on Course updates
IV. Cancel Nossaiman, LLC legal email updates
V. Begin review and edit of course manuals as soon as possible (temporary or permanent help)

FUTURE DISCUSSIONS

I. State Certifications paid by Headquarters
II. Credit card processing fees paid by Headquarters
III. Investment Committee needs to be convened next year as the loan for the building that IRWA now owns has been paid in full
IV. Increase course fees as courses are modified or enhanced
V. Provide electronic course materials as an alternative to Printed Materials
VI. Ongoing debate of color v black and White printing for select courses and future development of course material