Executive Committee Meeting

Friday, December 16, 2016  ❖  10:00 a.m.

Conference Call

Attendance

Present
Mike Blount (Pres)  Sal Nodjomian (Pres Elect)  Marvin Fisher (VP)  Joseph Schroedel (XD)
Jane Penny (Past Pres)  Matt Altman  Brian Balukonis  Siokey Gastelum-Gaize
Bill Haight  Rich Khalil (non-voting)  Cindy Lincicome  Scott Prosuch
Hal Rosen (non-voting)  Bob Sidoti  Rodney Worden

SAME Staff (non-voting)
Nicholas Desport  Allison Ingram  Stephen Karl
Ann McLeod

Not Present
Kurt Ubbelohde (VP)

Call To Order & Welcome

The Executive Director ('XD'), BG Joseph Schroedel, USA (Ret.), called the meeting to order at 10:00 am. The President, Capt. Michael Blount, USN (Ret.) welcomed attendees and noted that there were enough participants for a quorum.

The XD then noted 2017 represented the second year in a row that the SAME national budget was being presented prior to the close out of the fiscal year, so the national staff was asking for the XC’s approval of the budget with the caveat that the staff would confirm the assumptions in the budget once the fiscal year was closed out in February.

Agenda and Discussion

Attached to these minutes is the presentation provided to the Executive Committee ("XC"). The presentation includes the agenda and the Board discussion topics.

Prior to the presentation, the XD reminded the XC that for the second year in a row, SAME would have an approved budget prior to the start of the year. Additionally, he described that bottom up approach that was used to build the budget and the constant reference to the Strategic Plan ensuring initiatives are consistent with the plan.
At the conclusion of the presentation, the XD opened the floor for questions or comments.

Scott Prosuch asked if STEM spending was built into the budget. It was confirmed that there were resources available to support STEM spending, particularly in the Camps Budget.

Hearing no other questions, President Blount called for a vote on approving the 2017 SAME operating budget. The budget was approved unanimously.

Joseph Schroeder
BG, P.E., F.SAME, USA (Ret)
Executive Director

2 Enclosures:
SAME National Office 2017 Budget Presentation
Consolidated SAME Budget
SAME National Office
FY 2017 Budget Proposal

Executive Committee Meeting
10:00 (EST), 16 December 2016

Agenda

- Briefing Purpose
- Strategic Plan 2020 Mission Essential Tasks
- National Office Organization
- FY 2016 Budget Execution
- FY 2017 Budget Summary
- Revenue (Objective 1)
- Expenses (Objective 2)
- Investments (Objective 3)
- Risk Management (Objective 4)
- Summary
Briefing Purpose

- Update the Executive Committee on the execution of the FY 2016 SAME National Office Budget.

- Obtain Executive Committee approval of the SAME National Office FY 2017 Balanced Budget.

Strategic Plan 2020 Mission Essential Tasks

"Gaining Momentum in 2017"

- Recruit Military and Government Members.
- Increase Member Participation.
- Enhance Industry-Government Engagement
National Office Priorities

Support Posts.

Support the National Direction (Strategic Plan 2020).

Enhance SAME’s National Reputation.

National Office Organization

Revenue

Value

Communications

Finance, Administration & Ops

Foundation

Stakeholders

Meetings & Marketing
Brandy Bond

Anne McDaid

Events & Volunteer
Manager

Membership
Valerie Wrenger

Marketing & Dev.
Manager

Marketing & Communications
Manager

Membership
Manager, Sr.

Publications
Manager

Programs & Peer Operations
Manager

Nancy O’Brien

Membership
Manager

Ivy Bowers

Membership Coordinator

Walter Lang

Director, Communications

Stephen Karl

Communications Director

Brett Cline

Director of Communications

Will Hoffman

Associate Director, Communications

Karen Kresser

Director, Operations

Nate Kellogg

Director, Operations

Brenna Jones

Director, Finance

Steven Stover

Director, Finance

Greg Carter

Director, Technology

Kathy White

Director, Technology

Support Posts.

Support the National Direction (Strategic Plan 2020).

Enhance SAME’s National Reputation.
Society of
American Military Engineers

FY 2016 Budget Execution

Table: Statement of Activities (by Functional Expense Allocation)

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual Expenses Through October 31, 2016 and Projections for Remainder of Year</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conferences and Meetings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising and Publicity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Editorial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education and Mentoring Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,208,262.00</td>
<td>1,850,800.00</td>
</tr>
</tbody>
</table>

**Total Actual Expenses:** 6,206,036.00

**Projected Budget:** 6,215,451.00

FY 2016 Budget Execution

"Behind the numbers"

- **Continued increasing Support to Posts**
  - Increased operational support by 10% over prior year.
  - Increased attendance at Post Leaders Workshop (50 over budgeted) - 170, consolidated spring and fall workshops (concern - posts use what taught).
  - Supported Japan Post with $10,000 (unbudgeted).

- **Continued Investing in major events - Value**
  - Hired consultant to help assess JETC and sell booths.
  - Implemented JETC table top exercise - finalizing 2017 concept.
  - Continued to invest in high quality key note speakers (eg: Kelly, McNichol, Jackson, LGT Lynch - avg. cost $25,000).
  - Continued increasing program quality and education (execution costs).

- **JETC**
  - JETC net revenue was approximately $165K lower than 2015, 2016 budget.
  - Need to reimagine JETC to build on Table Top Exercise – capabilities focus, leverage coalition of military societies, enhance support to veterans.
  - JETC and SBC add unique value for industry, military and government.
FY 2016 Budget Execution
“Behind the numbers” - (Continued)

☑ Operationalized the Investment Committee
  • Investment Policy guidance revised to match investing goals
  • Transferred Merrill Lynch assets to Orion Investment Advisors resulting in lower fees and increased foundation investing expertise.

☑ SAME Foundation Established
  • Founding Board approved governance (bylaws, etc); Rolled Out at JETC.
  • **TAX EXEMPT STATUS RECEIVED 10 NOV 2016 (no clarifying questions from IRS).**
  • Full Board (14) approved by SAME Board membership and Chair (John Mogge) at the November Board meeting.
  • Foundation Board meets January 2017 (fund raising, post support, professional development scholarships to support recruiting).

☑ Continued Quarterly Management Review and Analysis (QMR)
  • Financial Statements have been redesigned to enhance understanding.
  • Reporting to national leadership on budget execution is routine.
  • Enabled identification of system issues and hidden expenses.
  • Quarterly Management Review was key to managing risk.

☑ Continued Controlling Expenses
  • Disciplined approach continues – creative initiatives.
  • Reduced Overhead (IT expenses reduced by 30K, personnel expenses reduced).
  • Realizing efficiencies from System Integration Initiative (increased productivity through matrix teams).

☑ Created Sales Function (part commission)
  • Full Time Employee was added to target new companies and opportunities.
  • Concept was successful and will be further expanded and refined in 2017.

☒ Membership Dues continues decreasing trend
  • Sustaining Members reducing numbers of memberships in posts.

☑ Advertising reversed the 2015 trend through aggressive and creative sales

☑ SBC Far Exceeded High Revenue and Value Expectations
## Status of 2016 Revenue Growth Initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Sales Person</td>
<td>Concept was successful. Certain elements required refining, but overall the sales person contributed to positive revenue growth.</td>
</tr>
<tr>
<td>Fellow Investiture, Golf Tournament and Conclave</td>
<td>The success of this initiative was more strategic than financial. Progress in engaging Fellows was achieved.</td>
</tr>
<tr>
<td>CEO Roundtable</td>
<td>While the roundtable didn’t create significant changes towards revenue growth the relationship value was immeasurable.</td>
</tr>
<tr>
<td>SBC and JETC Revenue Growth</td>
<td>SBC exceeded budget. JETC was below budget. Overall, when combined, the meetings came in about budget, which was a revenue growth success.</td>
</tr>
<tr>
<td>Partnership Program</td>
<td>Last year there were 12 partners and $892K. In 2017, there are currently 14 partners at $912K.</td>
</tr>
</tbody>
</table>

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## Status of 2016 Revenue Growth Initiatives (continued)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam Issue of TME</td>
<td>The Vietnam issue generated approximately $35k additional advertising revenue. Additional copies are still available for sale for future revenue potential</td>
</tr>
<tr>
<td>Engineering Capabilities Workshop</td>
<td>This initiative was put on hold in 2016, however, the pause allowed the concept to be refined and developed for 2017.</td>
</tr>
</tbody>
</table>

Overall, operational revenue increased by approximately $500K, or 10%...

*Adopt same aggressive approach for 2017...*
FY 2017 Budget Goals

The SAME National Office FY 2017 Budget will contribute to Strategic Plan 2020 by accomplishing two overall goals:

- **Deliver Results** that add value to the entire society and industry to support the Strategic Plan.
- **Invest in SAME** in order to set the stage for the future without incurring undue short term risk.

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FY2017 Budget Objectives

"Gaining Momentum in 2017"

- **Revenue**: Continue to diversify and strengthen the short and long term stability of revenue streams; establish clear business lines and sales initiatives to support.
- **Expenses**: Align expenses to Strategic Plan 2020.
- **Society Investments**: Fuel long term growth and unity of effort of the One Society to achieve the letter and intent of Strategic Plan 2020 and the SAME Foundation.
- **Risk Management**: Manage risk continuously; aggressively attack shortfall areas (e.g. membership); implement multipronged risk mitigation strategies.
FY2017 Budget Overview

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Actual FY 2015</th>
<th>Actual FY 2014</th>
<th>Actual FY 2013</th>
<th>Projected 2016</th>
<th>Proposed 2017 Budget</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership</td>
<td>$2,329,000</td>
<td>$2,090,000</td>
<td>$2,336,000</td>
<td>$276,000</td>
<td>$14%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publications and Advertising</td>
<td>157,000</td>
<td>361,000</td>
<td>295,000</td>
<td>64,000</td>
<td>17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conferences and Meetings</td>
<td>2,916,000</td>
<td>3,425,000</td>
<td>3,430,500</td>
<td>7,720</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Operations</td>
<td>593,500</td>
<td>67,000</td>
<td>77,500</td>
<td>8,500</td>
<td>11%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing Education/Programs</td>
<td>37,000</td>
<td>40,000</td>
<td>39,000</td>
<td>1,000</td>
<td>31%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td>31,000</td>
<td>1,200</td>
<td>226,000</td>
<td>110,000</td>
<td>43%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Dividends</td>
<td>229,000</td>
<td>149,000</td>
<td>110,000</td>
<td>(39,000)</td>
<td>17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$7,887,000</td>
<td>$6,683,000</td>
<td>$6,195,000</td>
<td>$6,414,000</td>
<td>$6,707,400</td>
<td>$264,400</td>
<td>5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Actual FY 2015</th>
<th>Actual FY 2014</th>
<th>Actual FY 2013</th>
<th>Projected 2016</th>
<th>Proposed 2017 Budget</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership</td>
<td>$17,000</td>
<td>$32,000</td>
<td>$125,000</td>
<td>$72,100</td>
<td>42%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publications and Advertising</td>
<td>235,000</td>
<td>294,000</td>
<td>285,000</td>
<td>1,200</td>
<td>1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conferences and Meetings</td>
<td>1,915,000</td>
<td>2,303,400</td>
<td>2,520,300</td>
<td>119,000</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Operations</td>
<td>605,000</td>
<td>642,000</td>
<td>564,400</td>
<td>(48,600)</td>
<td>8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing Education/Programs</td>
<td>162,000</td>
<td>56,300</td>
<td>42,600</td>
<td>(16,400)</td>
<td>17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education and Mentoring Fund</td>
<td>56,000</td>
<td>38,000</td>
<td>38,000</td>
<td>(18,000)</td>
<td>47%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and Administrative</td>
<td>2,922,000</td>
<td>2,034,300</td>
<td>3,163,500</td>
<td>329,500</td>
<td>12%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$1,177,000</td>
<td>$6,143,000</td>
<td>$6,193,000</td>
<td>$5,744,000</td>
<td>$6,707,400</td>
<td>$920,000</td>
<td>6%</td>
</tr>
</tbody>
</table>

| Change in Net Assets from Operation | $310,000 | $120,000 | $258,600 | $242,000 | $86,700 | $242,000 |

Revenue by Source

**SOURCES OF REVENUE**

- Conferences and Meetings: 53.4%
- Membership: 11.4%
- Publications and Advertising: 5.4%
- Continuing Education: 2.0%
- Post Operations: 1.7%
- Other Income: 1.0%
- Investment Income: 3.6%

2016 Budget: $6,789,800
2016 Projected: $6,614,600
2017 Budget: $6,701,400
Revenue

Objective 1: Continue to diversify and strengthen the short and long term stability of revenue streams; establish clear business lines and sales initiatives to support.

- Continuation of sales person to increase revenue in membership/sponsorship/exhibits.
- Reperio provided a list of over 65,000 new targets. Budgeted to gain .5% of the companies as new members.
- Continuation of Partnership Program to guarantee revenue and cash flow across departments (currently 14 partners and $912,500 revenue).
- Hiring new position for Exhibit Operations and Sales Manager to increase event revenue.
- Budgeted increase in advertising revenue based on newly developed opportunities such as the job board and website, and expanded TME advertising.

Expenses

Objective 2: Align expenses to Strategic Plan 2020.

- Several Programs were scaled back while they are strategically reviewed including:
  - Student Leader Workshop (SLW) – integrate into PLW?
  - Critical Infrastructure Symposium (CIS) – Resilience Committee workshop
  - Emerging Leaders Alliance (ELA) – YM TF – SAME sponsored Leader Training Course?
  - Market research firm – utility?

- Overhead Expenses:
  - IT costs continue to be closely monitored while hardware risks have been transferred to IT vendor.
  - IT capabilities have increased, with limited to no additional financial outlay.
  - Short term disability was added halfway through 2016.
  - No additional personnel benefit costs were added in the 2017 budget.
  - Professional Association employee affiliations reduced to only value added memberships.
Personnel Expense Analysis

Salary Analysis

- Leadership Team Salary
- Staff Salary

<table>
<thead>
<tr>
<th>Year</th>
<th>PTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>24</td>
</tr>
<tr>
<td>2016</td>
<td>22</td>
</tr>
<tr>
<td>2015</td>
<td>22</td>
</tr>
<tr>
<td>2014</td>
<td>21</td>
</tr>
</tbody>
</table>

Expenses by Functional Area

EXPENSES BY FUNCTIONAL AREA

2016 Budget: $6,789,800
- Conferences and Meetings: 32.8%
- Membership Activities: 0.9%
- Publications and Marketing: 3.2%
- Continuing Education: 1.9%
- Post Operations: 1.9%
- EAM Fund: 0.3%
- Management and General: 31.1%

2016 Projected: $5,856,280
- Conferences and Meetings: 32.8%
- Membership Activities: 0.9%
- Publications and Marketing: 3.2%
- Continuing Education: 1.9%
- Post Operations: 1.9%
- EAM Fund: 0.3%
- Management and General: 40.2%

2017 Budget: $6,701,400
- Conferences and Meetings: 37.3%
- Membership Activities: 0.4%
- Publications and Marketing: 4.4%
- Continuing Education: 0.4%
- Post Operations: 0.8%
- EAM Fund: 0.7%
- Management and General: 47.7%
Objective 3: Fuel long term growth and unity of effort of the One Society to achieve the letter and intent of Strategic Plan 2020 and the SAME Foundation.

**Government/Military Membership**
- Targeted Membership and Post support in Japan and Europe ($20k).
- Overall new membership materials and campaign ($10K).
- New programmatic offerings in Europe (ECW).
- Develop strategic partnerships that benefit members.
- Travel/Recruiting: Military Schools (Fort Leonard, etc.).

**Industry/Government Engagement**
- CEO Roundtable twice a year.
- Partnership Agreements.
- Enhanced relationships with other peer organizations and governmental agencies.
- Additional advocacy endeavors (PPP).
- Army-Navy Club Socials (Chiefs, XD's, CEO/Presidents).

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**Foundation Establishment**
- Net assets will be transferred to the Foundation in January 2017.
- Foundation management assumed by SAME National staff, with no reimbursement by Foundation.
- Revenue and expense previously associated with E&M Fund will be transferred to the Foundation.

**JETC and SBC**
- Increased educational sessions to increase value to participants
- High profile speakers enhancing value to attendees (2017: Galloway, Collins; 2018: Gary Sinise)
- Reimagine JETC.

**Member Participation**
- Include two tracks at PLW to further the education of prior attendees.
- Continue increase in post spending, including making funds available to the international posts.
- Develop the Best Practice System.

**Communications and Marketing**
- Develop and implement strategy
**Society Investments** (Continued)

**Systems Integration Status**
- Systems successfully integrated:
  - eShow pulling membership data from Clear Vantage (improves member experience)
  - All CV financial transactions are now being imported directly into Dynamics (Financial management system.)
  - Payroll and Expense reporting are being automatically imported into Dynamics.
  - Partner Program will be automated in 2017, rather than manually tracked.
  - Approximately 32 staff hours per month saved as a result of the integration.
- Open Integration Items:
  - eShow transactions and updates need to be pushed back to CV to be imported into Dynamics.

| Investment Amount as approved by Executive Committee | $43,000 |
| Amount Spent                                         | $26,200 |
| Remaining Balance                                    | $16,800 |

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**Risk Management**

**Objective 4:** Manage risk continuously; aggressively attack shortfall areas (e.g. membership); implement multipronged risk mitigation strategies.

**National Staff Management:**
- Continue proactively managing discretionary funds.
- Accountability: continue developing ownership of outcomes, creativity, agility.
- Teamwork: continue building teamwork, positive service attitude.
- Personnel costs conservatively budgeted (full 401k match, full health care burden, HRA maxed out).
- New TPO HR consultant – great fit with national office team!

**2020 SAME Strategic Plan Implementation:**
- Mission Essential Task Focus: Industry-Engagement; Mil/Gov membership; Member Participation.
- National Staff focus: 5 January Implementation assessment and planning workshop.
- Written Annual Report (synch post reports, streamers, Ops manual revision, etc.)
Risk Management (continued)

Membership:
- New SM targets from Repperlo list.
- Increased engagement and support to overseas Posts.
- New campaign specific aimed at recruiting military and government members.

Event Planning:
- Sustain conservative revenue budgeting approach.
- Establish early national calendar coordination (internal and external).
- Manage vendor risk.
- Continue improving event quality (program, speakers).
- Further develop Facilities Management Workshop as third major national event.

Advertising:
- Advertising revenue budgeted based on 2016 experience and growth based on new targets. Partnership Program serves as solid base of revenue for advertising.

Summary

- The SAME National Office FY2017 budget is a balanced budget that will:
  - DELIVER RESULTS that add value to the entire society and support the 2020 SAME Strategic Plan.
  - INVEST in SAME in order to set the stage for the future without incurring undue short term risk.

- Strongly Recommend XC Approval of the SAME National Office FY2017 Budget
  - Verify after Year End Close Out in January
  - Adjust if necessary and report to XC
  - 2017 salary adjustments – 1 April (allow close of FY, audit, performance system close out and panel)