



**RESERVE OFFICERS ASSOCIATION
BALANCED BUDGET INITIATIVE**

4 FEBRUARY 2009

National Staff Recommendations

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INTRODUCTION – At their Meeting on 13 December, the ROA Executive Committee approved a policy stating that by FY 2015, through creation of a five-year fiscal plan, ROA will cease “Transfers” from the principal of non-restricted funds, and will operate without a budget deficit. In order to achieve this objective, FY 2011 “transfers” of principal shall be limited to 10% of the annual budget. Future Executive Committees will continue to reduce “transfers” as part of their annual budget process, with “transfers” to be at 0% by FY 2015 and subsequent years. The term “transfers” has been used in ROA budget parlance for many years, and is used in this policy to describe withdrawals of principal from non-restricted insurance funds.

BOTTOM LINE UP FRONT (BLUF) – The analysis and forms included show recommended methods of achieving those revenue enhancements and expense reductions to meet the policy adopted by the EXCOM. We recognize these are by no means all of the possibilities, but they reflect the best thinking of the National staff. It is also important to note that some recommendations require National Convention action or C&BL changes that will delay implementation.

We believe the primary issues to be considered are:

- Gradual Life and Term member dues increases
- Gradual elimination of Department dues rebates
- Scaled reductions in the salary account (primarily from conversion of some full time employees to part time or contract positions)
- Reduction in magazine costs (substituting newsletters and an on-line magazine for some print editions)

We also recommend some increases in expenses, for example the restoration of premium rebates to life insurance certificate holders and periodic increases in advertising expenditures.

REVENUE – The following revenue enhancements are recommended for consideration.

1. General dues increase – ROA’s dues income is dramatically lower than other professional associations of comparable size (46% of total expenses for peer associations compared to 21% for ROA). The recommendations in this report bring us more closely into line with peer associations by FY 2015; although it is unlikely dues will reach 46% of total expenses.
 - a. We recommend a scaled increase in Term Member dues of \$15 per year in years 3, and 5 based on an average Term Member population of 8,500. In Year 3 (FY-2013) Term Member Dues increase to \$55 per year, increasing revenue by \$127,500. In Year 5 (FY-2015) revenue would increase by an additional \$127,500, based on term dues of \$70 per year. Current term member dues at \$40 per year are significantly out of date. Many members, who joined in the late 1970’s paid \$30 per year. At \$55 per year beginning in FY 2012, the term dues amount would be more realistic.

- b. Ultimately an increase in Life Member Dues will be necessary, but determining the optimum pricing should be based on solid data that is not currently available. In the interim we recommend a suspension in the sale of Life Memberships until such time as a new actuarial study analyzes the financial requirements for sustaining the Life Trust. In the interim, recruiting emphasis will be for new Term Members. (Cost of an actuarial study is included in the FY 2011 Budget under “Consultants.”)
2. We recommend creation of a “Sustaining Life Member” program. Our traditional direct mail solicitations (calendars, note cards, etc.) produces net revenue of approximately \$200,000 per year. Replacing that effort with a “Sustaining Life Membership” program seeking \$50 per year per Life Member has significantly greater potential. Even if the response rate was no greater than the current direct mail rate, our net income would be \$400,000. With strong leadership emphasis, we should improve on that figure. This would also eliminate numerous fund solicitation mailings to members during a year and reduce the number to one¹.

EXPENSE REDUCTIONS - The following are expense reductions that we recommend as part of the total effort to create a balanced budget:

1. National Staff Salary and Expense Reductions (per schedule currently being developed²)
2. Department Dues Rebates – Reduction in Department Rebates by 20% per year (\$68,500 average) spread over 5 years.
3. Reduction in magazines to 6 issues per year, supplemented by 6 printed newsletters in the off months, and an on-line magazine. These changes will reduce production and distribution expenses.
4. Travel – Reduce travel expenses of EXCOM, Standing, and Ad Hoc committees. All committees will meet on site during National Convention and National Council meetings. Emphasize the conduct of “virtual” meetings using webcasting and similar collaborative tools.
5. Consultants – Reduce consultant expenses wherever possible. Add specialized contractors to fill previously full-time staff positions, reducing salaries and benefits.
6. Receptions will be reduced to only key ROA-sponsored meetings (e.g. “Meet the Chiefs,” Legislative, etc.) Other meetings would need to be self-funded through grants or registration fees.
7. 50% reduction in “Contingency” fund for critical use, only.

Two expense areas in which we recommend increases are: premium credits to Life Policy holders; and external advertising.

¹ We would not eliminate all solicitation mailings. Members would still receive mailings from our insurance partners and some other affiliated businesses. It would, however, eliminate 11-12 mailings per year.

² The revised National Staff organization responds to recommendations by PWG-21.

- A Gradual increase in Life Premium Credits back to 15% level by FY 2014. In the past two years that credit has been reduced to as low as 5%. The Insurance and Financial Services Committee traditionally recommends an annual 15% credit.
- An increase from \$30,000 to \$125,000 over the 5 year period for external advertising for the purpose of recruiting new serving members by letting them know about ROA's purpose and accomplishments. An advertising plan will be developed to recommend creative and media to support the program.

SUMMARY – In the attached analysis it is indicated that the budget will be brought into balance. In actuality, neither all of the revenue enhancements nor all of the expense reductions may occur precisely on this schedule. Some things such as market conditions, mortality rates, national conference attendance, and others factors cannot be precisely estimated. However, we firmly believe the budget can be brought into actual balance within the time frame set forth by the Ex-Com if four major areas are addressed:

- Gradual Life and Term member dues increases
- Gradual elimination of Department dues rebates
- Decreases in the national staff salary account
- Reduction in magazine costs.

Personal Comment of the Executive Director

If the steps proposed here are taken, I believe it is possible to create a budget surplus within the time period currently under discussion. If that happens, additional funds can be directed to our “advocacy through education” efforts, enhancing the capability and impact of our Association. This is the essence of the “flywheel” cycle described by Jim Collins in Good to Great and the Social Sectors, (see pages 23-27.)