

Finance Committee Assessment Study

Representative Meeting adopted the following minute (136-07), addressing SAYMA's financial situation:

"Finance Committee is asked to do a study to determine an appropriate assessment per person to meet operating expenses and contributions without operating in the deficit."

Background and analysis

While a straightforward-sounding question, the matter does not yield to a simple answer because of the following considerations:

1. SAYMA's operational expenses have increased steadily since 2005. Personnel expenses generally increase parallel to the Social Security COLA, but there have been occasional salary adjustments.
2. One component of operational expenses (delegate travel) has been largely unpredictable, contributing to the variation in operational expenses.
3. SAYMA's assessment revenue has grown little since 2005, consistent with relatively flat SAYMA membership. However, it has had enormous fluctuations during that time period, which are hard to explain. There is also wide variation in meetings' apparent definition of "regular attender."
4. Yearly meeting profit/loss has been a significant source of variation, particularly early in the period.
5. SAYMA projects (contributions to wider Quaker organizations and set-aside fund have been relatively stable over time, except for two crises.
6. Individual contributions to SAYMA have been a minor part of the budget, but have increased in times of crisis.

Based on that information, Finance Committee can project income and expense into the future, but only with considerable uncertainty.

Table 1 shows projections for five years, based on the following assumptions:

1. Expenses increase at the historical rate (3.4% per annum) from a baseline determined by the best fit to the past 11 years. 2016 is anomalously high, based on actual expenses to date, projected to year's end; FY 2017 is assumed to return to the trend line.
2. Contributions continue at the projected 2016 level and do not become a major source of income.
3. Assessment income is assumed level at its historical average.
4. Yearly meeting projects are at their historical average.

In this scenario, SAYMA's reserves would be inadequate in 2018 and SAYMA's cash balance exhausted by 2020.

Table 1*
Base Case

	2015	2016	2017	2018	2019	2020	2021
Assessments	42,458	42,000	40,555	40,555	40,555	40,555	40,555
Contributions	3,042	2,000	2,000	2,000	2,000	2,000	2,000
SAYMA operations	41,513	44,872	39,746	41,087	42,473	43,906	45,387
YM Projects	9,090	4,000	9,419	9,419	9,419	9,419	9,419
Surplus/deficit	(5,104)	(4,872)	(6,610)	(7,951)	(9,337)	(10,770)	(12,251)
Resulting fund balance	37,800	32,928	26,318	18,367	9,030	(1,740)	(13,991)
Reserves @50% of ops	20,757	22,436	19,873	20,543	21,236	21,953	22,694
Reserve surplus/deficit	17,043	10,492	6,445	(2,176)	(12,206)	(23,693)	(36,684)

Suppose SAYMA increased assessments. Table 2 shows the impact of 20% increase in assessment income starting in 2018. In that scenario, we postpone reaching critical reserve levels until 2021, but the trends from there on are alarming.

Table 2
Increase Assessments by 20% in 2018

	2015	2016	2017	2018	2019	2020	2021
Assessments	42,458	42,000	40,555	48,666	48,666	48,666	48,666
Contributions	3,042	2,000	2,000	2,000	2,000	2,000	2,000
SAYMA operations	41,513	44,872	39,746	41,087	42,473	43,906	45,387
YM Projects	9,090	4,000	9,419	9,419	9,419	9,419	9,419
Surplus/deficit	(5,104)	(4,872)	(6,610)	160	(1,226)	(2,659)	(4,140)
Resulting fund balance	37,800	32,928	26,318	26,478	25,252	22,593	18,453
Reserves @50% of ops	20,757	22,436	19,873	20,543	21,236	21,953	22,694
Reserve surplus/deficit	17,043	10,492	6,445	5,935	4,016	640	(4,240)

The reason that a one time increase in assessments does not solve the problem is that expenses are trending upward. To stay abreast of them, we would need to increase assessments roughly 10% every three years. The 20% increase used as an example merely catches up with recent increases in operational expenses, but does not get us ahead.

Another option is presented in Table 3. In that scenario, we limit expenditures for yearly meeting projects to the lesser of \$4,000 or the amount we can expend and still retain adequate reserves. That scenario might work until 2020, but we would then be in a major crisis, for reasons similar to the explanation of the assessment increase scenario.

* Note: in all three tables of projections, we have used the term “fund balance” to indicate the difference between assets and liabilities at a point in time. In budget reports, we have generally referred to this as “reserves.” In these projections, we wanted distinguish this amount from prudent reserves as recommended by the Finance Committee. These prudent reserves are 50% of each year’s operational budget, and are labeled “Reserves@50% of ops.” We show the excess or deficit of the fund balance (aka “reserves”) over the prudent reserves as “Reserve surplus/deficit.” Positive values are good.

Table 3
Freeze YM Projects

	2015	2016	2017	2018	2019	2020	2021
Assessments	42,458	42,000	40,555	40,555	40,555	40,555	40,555
Contributions	3,042	2,000	2,000	2,000	2,000	2,000	2,000
SAYMA operations	41,513	44,872	39,746	41,087	42,473	43,906	45,387
YM Projects	9,090	4,000	4,000	4,000	4,000	1,983	0
Surplus/deficit	(5,104)	(4,872)	(1,191)	(2,532)	(3,918)	(3,334)	(2,832)
Resulting fund balance	37,800	32,928	31,737	29,205	25,287	21,953	19,121
Reserves @50% of ops	20,757	22,436	19,873	20,543	21,236	21,953	22,694
Reserve surplus/deficit	17,043	10,492	11,864	8,662	4,051	0	(3,573)

Recommendations

Finance Committee recommends that SAYMA take the following actions in response to the projected deficits:

1. Increase the assessment rate by \$5.00 per member and active attender starting in FY 2017, with a further increase of \$10.00 per member and active attender in FY 2018. This staggered increase will allow us to see the impact of the initial increase on assessment revenues. The total increase after FY 2017 would be 20%, which is slightly less than the increase in the Consumer Price Index between 2005 and 2015*. The assessment rates would then be:
 FY 2017: \$65
 FY 2018: \$75
2. Appoint an ad hoc committee to study the matter of how people are counted for the purpose of assessment

* For this calculation, we used the change in the broadest measure of consumer prices, the CPI-U. Its annual average value was 195.3 in 2005 and 237.017 in 2015, according to the Bureau of Labor Statistics. The percentage increase over that time period was 21.3%.