

Committee of the Whole

Tuesday, 10.45 am – 12 noon

Centennial F



Committee of the Whole Meeting Agenda, November 13, 2001

ACTION ITEM: Expense Accounts for Unit Directors

ACTION ITEM: Indirect Cost Recovery and Compensation Policies

FY 2002 Budget Update and Preliminary Budget for FY 2003

Meeting Evaluation

Tuesday, November 13, 2001

10.45 am - 12 noon
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Committee of the Whole

AGENDA

1. Report and Action of the Executive Committee



Executive Committee Meeting Minutes (see items in Tab 1)



Audit Report for FY 2001 (distributed separately)



Process for Building or Purchasing the WICHE Working & Learning Center (see item in Tab 1)

2. Report and Action of the Issue Analysis and Research Committee



Developing an Online Course-Rating Tool (see item in Tab 6)

3. Report and Action of the Programs and Services Committee



Expense Accounts for Unit Directors



Indirect Cost Recovery and Compensation Policies

6. Information Item: FY 2002 Budget Update and Preliminary Budget for FY 2003



Election of Chair and Vice Chair

8. Remarks from the New Chair

9. Selection of 2002 Executive Committee Members

10. Report of the Site Selection Committee

11. WICHE's 50th Anniversary

12. Meeting Evaluation

13. Other Business

14. Adjournment

ACTION ITEM

Expense Accounts for Unit Directors

Summary

The Executive Committee, during its September 27, 2001, conference call meeting approved this item for advancement to the Committee of the Whole. This action item proposes the establishment of expense accounts for WICHE's unit directors.

Background

Currently, WICHE provides its executive director with a \$3,500 expense account to defray job-related expenses (meal expenses for guests, etc.). Unit directors, however, do not have resources for these expenses, even though they are often incur them. This action items proposes that unit directors be provided with up to \$2,500 for expense accounts to defray job-related expenses. The funding of these expense accounts will not result in an increase in any unit's General Fund support. While this would not represent an increase in the General Fund budget, it would change WICHE's policy, and consequently commission approval is being sought.

Action Requested

Approval to establish expense accounts for WICHE's unit directors in the amount of \$2,500 per fiscal year to defray job-related expenses.

ACTION ITEM

Indirect Cost Recovery and Compensation Policies

The Executive Committee, during its September 27, 2001, conference call meeting approved this item for advancement to the Committee of the Whole. This action item proposes a redistribution of indirect costs received on grants and contracts.

Indirect Cost Recovery

Currently, WICHE charges indirect costs of 15 percent against most contracts, grants, and other externally funded activities. The resources recovered through these charges help support the costs of general administrative services, including: accounting, budgeting, human resources, mailing services, facilities management, editorial and graphic design services, and others. Each unit is also charged for clearly allocable costs, such as office rent, computer support, printing, telephone, etc. Concerns have been raised that our indirect cost recovery policies may be unfair to our two self-supporting units, as they can end up paying WICHE more than the actual costs of shared services when the units are successful in obtaining substantial grants and contract revenues.

As a result, a few months ago the WCET Executive Board asked that WICHE consider a new approach that would allow the WCET to retain a reasonable portion of indirect cost recoveries generated by WCET activities. This would allow the cooperative to build up its reserves and to support important projects that are not directly funded by outside sources. The discussion was expanded to include the WICHE Mental Health Unit, another self-supporting group. Although all unit directors have participated in these discussions, the recommended changes would not apply to the other WICHE units because they, unlike the two self-supporting groups, receive General Fund support.

After substantial discussion and examination of various alternatives, we propose a policy change that will share indirect cost recoveries that are above a specific threshold - the threshold will represent a reasonable approximation of the actual indirect cost impact on WICHE on a project basis. The amount of the threshold will be determined by whether the project is a federal or nonfederal grant.

Sharing: We are proposing a sharing of indirect cost recoveries above the identified thresholds because we agree that the self-supporting units incur indirect costs aside from those incurred by WICHE for which they should accrue benefit from the resources they have acquired. We also believe that WICHE should receive a portion of the indirect cost recoveries above the threshold levels, thus fostering a continued organizational partnership arrangement. Specifically, we propose that the WCET and the Mental Health units will receive 80 percent of indirect cost recoveries above the proposed thresholds, and WICHE will receive 20 percent.

Thresholds to Cover Actual Costs and Be Differentiated for Federal and Nonfederal Activities: We have proposed that the first \$7,500 recovered from nonfederal projects and the first \$15,000 recovered from federally supported indirect cost recoveries would accrue to WICHE to cover the costs of providing services to help manage these grants and projects. We have differentiated between federal and

nonfederal projects because of the substantially greater actual costs to WICHE of administering federal grants and contracts.

Project-by-Project Basis: We propose pursuing this on a project-by-project basis - rather than on an annual allocation or some other method - because each externally funded project imposes real, measurable costs on WICHE.

As illustrated by the attached table, the budgetary impact of this proposed change during the current fiscal year (FY 2002) would be to return \$99,126 of WICHE's indirect cost recovery to the WCET. There would not be a similar sharing of indirect cost recoveries with the Mental Health Unit at the present time because none of their current grants reach the proposed threshold. The proposed change would reduce WICHE's General Fund budget by nearly \$100,000, which would leave the general fund with projected revenues in excess of expenditures (a surplus) of approximately \$40,000 in FY 2002.

Compensation

The WCET Executive Board has also raised a concern that WICHE's current compensation plan limits its ability to reward exceptional staff. Given lucrative opportunities for these high-demand professionals elsewhere, the ability to adequately compensate them for extraordinary performance becomes a staff-retention issue. WICHE's salary structure is also somewhat lower than those of similar organizations. This is particularly problematic for the WCET because it recruits staff and directly competes with for-profit institutions and high-tech companies. To respond to this dilemma, I am proposing that the self-supporting units be allowed to use a portion of the indirect cost recovery funds from nongrant funded projects and activities to provide **performance-based bonuses**. The bonuses would be up to 20 percent of the annual base salary for key staff. The unit director or executive director would approve these bonuses based on annually established performance objectives and results.

If approved, it is recommended that this new policy be re-evaluated in two years (FY 2004).

Action Requested

Approval to change WICHE's policy on distribution of indirect cost income. The following thresholds will apply: nonfederal grants, \$7,500, and federal grants, \$15,000, in the amount of 80 percent to the responsible self-supporting unit and 20 percent to WICHE. In addition, compensation for exceptional staff may be adjusted by up to 20 percent as a performance-based bonus.

Proposal for Sharing Indirect Cost Allocations with Programs - WCET for FY 2002

All Amounts on a per Fiscal Year Basis

Sept. 20, 2001

		Non-Federal Funds	Federal Funds
A	Dollar threshold for the Base Indirect:	\$ 50,000 ^a	\$ 100,000 ^a
B	Percentage threshold for the Base Indirect:	15.0%	15.0%
C	Resulting Base Indirect:	\$ 7,500	\$ 15,000
D	Share Rate to Program above Base Indirect:	80.0%	80.0%

Acct. #	Project Name	Indirect Rate	Est'd. Total Direct Expendtrs.	Charged Indirect	Base Indirect	Indirect to be Shared	Share Rate to Program	Share Amount to Program
1	Non-Federal Funds:							
2	20-00 WCET Primary Account	1.5%	\$ 456,039	\$ 6,841	\$ 6,841	\$ -	80.0%	\$ -
3	20-11 WC - Annual Meeting	15.0%	\$ 116,113	\$ 17,417	\$ 7,500	\$ 9,917	80.0%	\$ 7,934
4	21-00 WC - MDE	15.0%	\$ 87,050	\$ 13,058	\$ 7,500	\$ 5,558	80.0%	\$ 4,446
5	22-00 WC - Consulting	10.0%	\$ 60,000	\$ 6,000	\$ 6,000	\$ -	80.0%	\$ -
6	23-00 WC - Hewlett Foundation (4 accts.)	15.0%	\$ 746,624	\$ 111,994	\$ 7,500	\$ 104,494	80.0%	\$ 83,595
	Non-Federal Sub-Total	10.6% Avg.	\$ 1,465,826	\$ 155,310	\$ 35,341	\$ 119,969		\$ 95,975
7	Federal Funds:							
8	24-52 WC - FIPSE - TCM 2nd Yr.	8.0%	\$ 122,489	\$ 9,799	\$ 9,799	\$ -	80.0%	\$ -
9	24-61 WC - FIPSE - LAAP	8.0%	\$ 236,741	\$ 18,939	\$ 15,000	\$ 3,939	80.0%	\$ 3,151
	Federal Sub-Total	8.0% Avg.	\$ 359,230	\$ 28,738	\$ 24,799	\$ 3,939		\$ 3,151
10	TOTAL	10.1% Avg.	\$ 1,825,056	\$ 184,048	\$ 60,140	\$ 123,908		\$ 99,126

a In the future, adjusted periodically to reflect inflation, in \$25,000 increments.

INFORMATION ITEM

FY 2002 Budget Update and Preliminary Budget for FY 2003 Income & Expenditures

\$99,000 --- Full Member Dues --- \$104,000
\$99,000 --- Affil. Member Dues --- \$104,000

A	B C D E				F G H I J					
	FY 2002				FY 2003					
	FY 2002 Budget (a)	FY 2002 Estimate	Estimate Better or (Worse) than Budget \$ %		"1st Version" FY 2003 Budget	Comparing FY 2003 to FY 2002 Better or (Worse) than FY 2002 Budget \$ %		Better or (Worse) than FY 2002 Estimate \$ %		
1	Income:									
2	Member dues	1,485,000	1,485,000	0	0.0%	1,560,000	75,000	5.1%	75,000	5.1%
3	Interest	(b) 144,000	122,000	(22,000)	-15.3%	(b) 114,000	(30,000)	-20.8%	(8,000)	-6.6%
4	Indirect cost recovery	340,000	453,000	113,000	33.2%	365,000	25,000	7.4%	(88,000)	-19.4%
5	Publication sales, transfers, misc.	12,000	12,000	0	0.0%	12,000	0	0.0%	0	0.0%
6										
7	Total Income	1,981,000	2,072,000	91,000	4.6%	2,051,000	70,000	3.5%	(21,000)	-1.0%
8	Expenditures:									
9	SEP - Programs	296,476	296,476	0	0.0%	296,318	158	0.1%	158	0.1%
10	Policy Analysis & Research	277,642	254,920	22,722	8.2%	303,062	(25,420)	-9.2%	(48,142)	-18.9%
11	Communications & Public Affairs	275,913	275,913	0	0.0%	285,537	(9,624)	-3.5%	(9,624)	-3.5%
12	Commission Meeting Expense	100,235	100,235	0	0.0%	(c) 129,860	(29,625)	-29.6%	(29,625)	-29.6%
13	Executive Director's Office	341,797	341,797	0	0.0%	350,467	(8,670)	-2.5%	(8,670)	-2.5%
14	Administrative Services	(d) 467,819	467,819	0	0.0%	(d) 488,162	(20,343)	-4.3%	(20,343)	-4.3%
15	Miscellaneous Expenses	(e) 74,203	74,197	6	0.0%	(e) 75,040	(837)	-1.1%	(843)	-1.1%
16	Staff Salary & Benefit Cost Increases for FY 2002	(f)				(f) 55,000	na	na	na	na
17	Staff Turnover/Vacancy Estimate (1.5% of Salaries & Bn	(12,910)	(12,910)	0.0%	0	(15,000)	2,090	-16.2%	na	na
18	Program Development Fund	20,000	20,000	0	0.0%	20,000	0	0.0%	0	0.0%
19	Total Expenditures	1,841,175	1,818,447	22,728	1.2%	1,988,446	(147,271)	-8.0%	(169,999)	-9.3%
20	Surplus (Deficit) for the Fiscal Year	139,825	253,553			62,554				
21	Better or (Worse) than Budget or Estimate			113,728	6.2%		(77,271)	na	(190,999)	-75.3%
22	Reserves:									
23	Beginning of the Fiscal Year:									
24	Minimum Reserve	(g) 205,440	205,440	0	0.0%	(g) 238,614	33,174	16.1%	33,174	16.1%
25	Reserves in Excess of the Minimum	305,468	305,468	0	0.0%	391,352	85,884	28.1%	85,884	28.1%
26	Total Reserves - Beginning of the Fiscal Year:	510,908	510,908	0	0.0%	629,966	119,058	23.3%	119,058	23.3%
27	Changes During the Fiscal Year:									
28	Surplus (Deficit) during Fiscal Year (Line 20 - above)	139,825	253,553	113,728	81.3%	62,554	(77,271)	(1)	(190,999)	-75.3%
29	Consultant - Association Mgmt. Software	(h) (1,000)	(5,000)	(4,000)	400.0%	(h) 0	1,000	-100.0%	5,000	-100.0%
30	Records Retention or Assoc. Mgmt. Software	(h) (50,000)	(50,000)	0	0.0%	(h) 0	50,000	-100.0%	50,000	-100.0%
31	Office Move	(h) (36,599)	(37,844)	(1,245)	3.4%	(h) 0	36,599	-100.0%	37,844	-100.0%
32	Office Furniture & Equipment	(h) (41,651)	(41,651)	0	0.0%	(h) 0	41,651	-100.0%	41,651	-100.0%
33	Net Changes During the Fiscal Year	10,575	119,058	108,483	1025.8%	62,554	51,979		(56,504)	
34	End of the Fiscal Year:									
35	Minimum Reserve	(g) 205,440	205,440	0	0.0%	(g) 238,614	33,174	16.1%	33,174	16.1%
36	Reserves in Excess of the Minimum	316,043	424,526	108,483	34.3%	453,906	137,863	43.6%	29,380	6.9%
37	Total Reserves - End of the Fiscal Year:	521,483	629,966	108,483	20.8%	692,520	171,037	32.8%	62,554	9.9%
38	Change in Total Reserves - Increase or (Decrease)	10,575	119,058			62,554				
39	Better or (Worse) than Budget or Estimate			108,483	20.8%		51,979	-491.5%	(56,504)	47.5%
	<small>(From the Beginning of the Fiscal Year to the End of the Fiscal Year)</small>									

(a) Budget approved by the commission in May of 2001, adjusted for actual carry over from FY 2001 and adjusted for actual salary increases by unit.

(b) Budget for FY 2002: Average daily balance of \$3,976,000 at 3.63%. Estimate for FY2002: Ave. daily balance of \$4,019,000 at 3.05%.

Budget for FY 2003: Average daily balance of \$4,035,000 at 2.84%.

(c) Includes WICHE Commission Meeting in Juneau, Alaska in June of 2003.

(d) Includes the following functions for all units and projects within WICHE: Accounting, payroll, auditing, financial management, facilities management, purchasing, H.R., and mailing service

(e) Includes property & liability insurance, legal fees, unallocated rent, and other miscellaneous costs not allocated to unit budgets (plus \$10,000 for moving expenses for WICHE's new executive director, whose move is now planned for FY 2002).

(f) Estimate of base salary and benefit cost increases during FY 2003.

(g) The minimum reserve level authorized by the commission (12% of budgeted expenditures, per May 2000 meeting).

(h) Approved by the commission at the Nov. 2000 meeting in Seattle, WA. For line 30, a total of \$15,000; for line 31, a total of \$50,000; for line 32, a total of \$50,000, and for line 33, a total of \$80,000.

Meeting Evaluation

WICHE Commission Meeting
November 12-13, 2001
Broomfield, Colorado

Use the other side of the form or additional pages, if necessary. Thanks.

Please give us your suggestions on the following areas:

Program (presentations and discussions, Committee of the Whole structure, and speakers):

Agenda Book (format, content):

Schedule (structure, schedule, pace of meeting):

Facilities (hotel, sleeping rooms, food):

Future topics for policy discussions:

Other comments you care to make:

Your name (optional) _____