

MINUTES OF THE
EXECUTIVE COMMITTEE
(June 27, 2011)

Subject to the approval of the Executive Committee, the following minutes are submitted. The Executive Committee Meeting was called to order on June 27, 2011 at the Crowne Plaza Hotel, Colorado Springs, Colorado at 4:00 p.m. Those present were:

VOTING EXECUTIVE COMMITTEE MEMBERS:

<u>Name</u>	<u>Office Held</u>
Todd Walter	President
Patricia Doherty	Executive VP
Doug Taggart	Eastern VP
Mikel Miller	Immediate Past President

NON-VOTING PARTICIPANTS:

<u>Name</u>	<u>Position Held</u>
Lisa Beaty	Executive Director

AGENDA:

- Review FY 2010-'11 Audit
- Current status of ION's Mini-Urban Challenge (MUC). Government contracting and funding challenges associated with the same. Overhead costs to ION and impact on ION's cash flow management.
- Proposed Updates to ION's Reserve Fund Formula & Discussion
- Deferral to January 2012 of proposed change to ION's Reserve Fund Formula (as decisions made regarding impact of Mini-Urban Challenge will greatly impact proposal).

Review & Approve FY 2010-'11 Audit Materials

Lisa Beaty reviewed the FY 2010-'11 financial statements and reports with the Executive Committee and addressed the auditor's comments.

See Attached Files: [Audit Report 3-31-2011.pptx](#)
[2011 Final Institute of Navigation_FS.pdf](#)
[2011 Final Institute of Navigation_SAS 114.pdf](#)
[2011 Final Institute of Navigation_SAS 115.pdf](#)

MOTION: The Executive Committee approves the FY 2010-'11 audited financial statements, SAS 114 & 115 statements as submitted by Larson Allen, CPA's. Motion made by Doug Taggart, seconded by Pat Doherty and passed by the committee.

Status of Mini-Urban Challenge

In conjunction with the audit discussion, Beaty reported that she had currently spent approximately \$35,000 more for direct 2011 MUC expenses than ION had received in grant funding. It was reported that this was due to the delay in the passing of the federal budget that was not anticipated at the time the MUC program was beginning in 2011. It was reported that the Boston regional competition had been cancelled this past year as a consequence of the delay in government funding. Additionally, it was reported that the 2011 MUC had conservatively cost an additional \$52,000 in labor and \$11,000 in overhead. Lisa reported it was doubtful that AFRL grant money would cover any of this as AFRL was not likely to fund a program that had already concluded for the year. Beaty also reported that advancing MUC funding had made a significant impact on ION's cash management as amounts fronted this past year were equal to almost 1/3 of the ION's operating fund. It was recommended by Beaty, and supported by the ION's auditors, that Council should formally accept the possibility that MUC may need to be funded through the Institute's reserves during the budget process and any decisions made regarding MUC would need to be incorporated into the ION's proposed reserve fund formula that was scheduled to be presented to the Council in January.

Considerable discussion ensued as to the level of support ION should provide to the Mini-Urban Challenge in advance of government contracts, or in place of the same. Additional discussions included how MUC reserve funds should be managed in relation to ION's operating funds; and the extent to which ION should support the labor and overhead costs associated with MUC. (See charts 8-10 of [Audit Report 3-31-2011.pptx](#) referenced above.)

The Executive Committee agreed on the following in relation to MUC:

MOTION:

1. MUC continue to operate under the premise that it will be fully funded by government and corporate grants, including overhead expenses and direct labor costs.
2. MUC be included in the proposed Reserve Fund Formula, funded at 100% of funding for one year, with the understanding that should government contracts be delayed or reduced, ION would manage MUC in such a way as to mitigate expenses however possible. (25% of annual MUC expenses should be allocated to liquid operating account and 75% of budgeted annual expenses shall be invested in a short term fund.)
3. ION shall not advance any funds for competition expansion. No new regions shall be added to the existing program until new regions are fully funded with a grant in place to fund the same. New regions should be added only if it is reasonable that multi-year funding can be secured to ensure sustainability.
4. The particulars of how the MUC operates within the confines of the established budget shall be delegated to the National Office staff and MUC Competition Chairs.

The motion was approved by the Executive Committee.

Proposed Updates to the ION's Reserve Fund Formula

See charts 14-15 of [Audit Report 3-31-2011.pptx](#) referenced above.

The need to update the ION's reserve fund formula to include adequate reserves for biennial events (PLANS & AWS Workshop) and the MUC was discussed.

Various calculations were discussed, as were methods to keep the reserve fund and its tracking transparent.

The Executive Committee approved the following proposal be submitted to Council for review and formal vote at the January 2012 Council meeting:

MOTION: The Executive Committee approves the following proposal to be submitted to Council for review and formal vote at the January 2012 Council meeting:

PROPOSED RESERVE FUND FORMULA:

Operating Fund: cash fund made available to manage day-to-day operations
Liquid Operating Accounts (interest bearing)

- Operating funds of \$300K
- Any budgeted deficit amount for current fiscal year
- 25% of current budgeted MUC year expenses

Short Term Fund: contingency budget allocated to cover emergencies

Invested to Preserve Principal with 0-2 Year Outlook (Short Term Fund .23 beta)

- 15% of all budgeted fiscal year expenses (excluding MUC expenses)
- 15% of budgeted PLANS & AWS expenses (when not included in current fiscal year budget)
- 75% of budgeted MUC expenses
- 100% of budgeted New Initiatives
- \$100K New Initiatives Fund (short term investment)

Intermediate Fund: budget to implement new program; ION's R&D budget

Invested with a 2-4 year outlook (Intermediate Fund .53 beta)

- \$650K (the differential of \$750K and what is already allocated to the Short Term Fund)

Long Term Fund: the investment the organization makes in itself to ensure future vitality

Invested with a 5-10 year outlook (Long Term Investment Fund .95-1.2 beta)

- Calculated to be the balance remaining in the total reserve fund that has not yet been committed to any other funds.

The ION Executive Committee is authorized to regularly rebalance any of the ION's investments to meet the ION's Reserve Fund Formula based on March 31 financial statements. Trading authorization for all three ION investment accounts shall be delegated to Weber Asset Mgmt, ION Treasurer and ION Executive Director.

The Executive Committee reviewed the ION's current investment balances based on the proposed change to the reserve fund formula that would be presented to Council in January. Based on the proposed change to the formula/policy it was decided no action would be taken to rebalance the fund at this time.

RECORDING OF EXECUTIVE COMMITTEE MOTIONS SINCE LAST MEETING:

In February 2011 the Executive Committee passed the following motion by e-mail to accommodate the return of Rick Buongiovanni to the Institute's employ:

MOTION: The Executive Committee approves an increase to ION's FY '11-'12 personnel budget of up to \$40,000. The motion was passed in February 2011 by the Executive Committee e-mail vote.

The Executive Committee adjourned at 6:00 p.m.