



REGION X REPORT
William "Bill" Shackelford
Summer 2019

The Summer 2019 Meeting of the National Executive Board (NEB) was held at the Westin-Keirland Resort located in Scottsdale, Arizona from July 7 – 10, 2019. This NEB meeting was also a joint meeting with the NARFE Federation Presidents.

During the meeting the NEB and the Federation Presidents were provided with a series of presentations and updates:

NATIONAL PRESIDENT'S ANNUAL REPORT

President Ken Thomas recognized that for almost a century as the go-to association devoted exclusively to serving and protecting the earned entitlements, rights and benefits of all federal retirees, employees and survivors. NARFE's vision is to be the 100 year old go-to association advocating for and protecting the earned benefits of federal employees and annuitants but there are questions:

Question 1: Can NARFE survive another one hundred years?

Question 2: If NARFE goes out of business, which organization would defend our earned entitlements?

What is known??

- NARFE is a membership based business.
- NARFE's membership has been on a steady decline since the late 80s (300,000/61% loss)
- Federations – 21 on life support – 4 ready to merge
- Chapters – 980 Closed since 2014 – 983 remaining
- National Members – 49% of membership
- Continued existence requires membership to grow: Dues revenue dependent = new members, renewals, and reinstatements.
- Continued existence requires gains in non-dues revenue

- Growing membership is a shared responsibility: face to face recruiting by our current members

President Thomas made it clear that NARFE is now in the midst of a historic transformation that will enable us to have an even greater impact going forward. He is fully confident that NARFE's hardworking and talented team will continue to build our association and enter our second one hundred years advocating for and protecting the earned benefits of federal employees and annuitants.

NATIONAL ADVOCACY

- Grassroots efforts have placed greater emphasis on identifying and training CDLs. The number of CDLs grew by 21 percent while the number of federations with CDL programs increased from 26 to 33.
- Some of NARFE-PAC goals were reached, results as of October 31, 2018 include contributions from NARFE members: \$1.85 million (the goal was \$1.5 million), disbursements to candidates: \$1.102 million (the goal was \$1 million), local fundraisers: 105 (the goal was 100), and increase in sustainers: 33% (the goal was 50%).

COMMUNICATIONS

- Challenges encountered were addressed, such as the need for effectiveness in editorial processes and revising e-newsletter strategy.
- Focusing on expansion and maintenance of digital/social media presence.
- Taking steps towards a better NARFE website would involve the following: finishing the Branding Initiative, developing a Content Management System (CMS) for members to use, and CMS to tie into the Association Management System (AMS). Additionally, all of this has to be completed in order to complete the mobile app.

MARKETING AND MEMBER RESOURCES

- Working on for next year an overall event strategy. Specifically, where we go to exhibit, what events do we attend, and how do we focus on those events that have a high concentration of federal employees.
- Using the new AMS to ensure advance marketing/tracking capabilities.

BUDGET & FINANCE COMMITTEE REPORT

National Secretary/Treasurer Katherine Hensley provided attendees with an update on budget and investment matters within NARFE.

The NARFE Budget and Finance Committee continues its work to constantly review ways to enhance and add new tools to protect our assets and lower our operating costs. Projections are on target at the mid-year point to meet our budget projections with increased monitoring and reporting. Our goal is for a break even financial report at the end of 2019. It has been pointed out to the NEB that the costs associated with building the Association Management System (AMS) is expected to be paid from Unrestricted Funds being held at Morgan Stanley. At the end of May, total revenue was \$4.4M vs. the budget-to-date of \$4.2M. Included in the revenue was Investment Income of \$382K from

interest income and gain on investments. Net membership income is approximately \$224K lower than budgeted, as was the case in 2018. Staff expects to see this gap closed during the months of September to November time period as these are typically increased membership months.

Two items of financial advancement for the organization in 2019 have been approved. One is the endorsement of a Line of Credit (LOC) with a limit of \$500K that can only be drawn against with the approval of two signatures from the President, Secretary/Treasurer, and Executive Director. This is a normal operating procedure and best practice for an organization to have available when needed.

Additional procedures have been recommended and will be added to the Association's operating procedures. The second is a new corporate credit card program to allow for a tightening of potential risk and is expected to result in some amount of non-dues revenue as well as enhancing the use of a headquarters purchase order system to monitor day-to-day expenditures more closely.

BRANDING

Executive Director Barbara Sido gave a presentation on branding, topics addressed include the following: Federal Benefits Experts, various templates for branding, brand guidelines, and branding question and answer guide in development. Additionally, some of the questions and answers that have been addressed include the following: incorporating NARFE's new brand, federation and chapter logos, brand guidelines, timeframe for transitioning to new logo, and new websites.

NARFE HEADQUARTERS – DEPARTMENT REVIEWS

Additionally, Executive Director Sido gave a presentation on NARFE Headquarters' Reports, which addressed current activities, challenges encountered, steps to address challenges, and next items in the following departments: Advocacy, Communication, Finance & Administration, and Marketing & Member Resources. Additionally, the presentation concluded with the Executive Director's 2019 Priorities, which addressed six major focus items. The presentation of ED Sido can be reviewed at www.narferx.org under the Regional Vice President tab along with this report.

The six major items are as followed:

- Financial Sustainability
- HQ Building
- Centennial
- Branding
- Referendum
- Building Relationships

MID-YEAR 2019 BUDGET REVIEW

Staff Vice President (SVP) of Finance & Administration Johann De Castro presentation covered the budget summary, revenue summary, revenue variance, expenses, and material variances on expenses, NEB budget, and the treatment of AMS expenditures.

NARFE's management develops two operating budgets for the year. The initial budget is approved, generally, at the NEB fall meeting, and the mid-year budget is approved during the NEB summer

meeting. Management provided the mid-year budget to the Finance Committee for review and recommendation in June 2019. The NARFE's Finance Committee met on June 28th to discuss the items in the budget. The Finance Committee now recommends the 2019 Mid-Year Operating Budget to the NEB for approval. The documents include the comparison of the 2019 Approved Budget against that which was prepared for the 2019 Mid- Year Budget. Since the NEB approved the 2019 Budget, staff asks that the NEB focus on the variances to the approved budget. NARFE's 2019 Mid-Year Budget shows revenue of \$10,041,726, expenses of \$9,902,039 with the resulting Change in Net Assets (bottom line) of \$139,687. Change in Net Assets, excluding investment income is {\$460,313} or \$120K higher than the approved budget. However, included in the expenses is the 2019 fee to build the AMS which is \$251K. Change in Net Assets after the adjustment for the AMS fee is (\$209,013) or \$100K better than the originally approved budget.

Discussion centered on the Mid-Year 2019 Budget and the AMS. Staff recommended that the cost associated with building the AMS should not be counted against the operations of the organization, but shown below the line, as an adjustment. Some items occurring on income statements are reported separately from normal income because they are considered irregular and non-recurring. Special considerations are given to so-called unusual or infrequent items to provide clarity about special or rare circumstances to investors or regulators about a firm's current and/or future financial performance. It is important to report unusual or infrequent items separately to help ensure the transparency of financial reporting as they are not considered part of normal business operations.

A database that supports the organization overall operations, with a useful and economic life greater than one year, requires special consideration. The Committee asked to recognize that the funds spend to build the AMS be reported "below the line". Staff will spend approximately \$395K to build the AMS. The 5 years subscription for support on the AMS started June 3, 2019. SVP De Castro will contact ProTech concerning an adjustment to the clock on the subscription because it was not useable on the June 3, 2019 rollout date.

SVP De Castro will provide the NEB through the Budget and Finance Committee a monthly cash flow analysis moving forward. The Budget and Finance committee will be meeting with SVP De Castro on a monthly schedule. A report by the Budget and Finance Committee will be provided to the NEB after the monthly meetings.

INVESTMENT COMMITTEE REPORT

Committee Chair Kathryn Hensley (National Secretary/Treasurer) advised that the NARFE Investment Committee met with the investment advisor, Morgan Stanley Wealth Management. The Piedmont Wealth representative who handles the PAC investment portfolio was not available and another meeting is planned with them. During that meeting, the committee discussed the performance of the investments for the three funds held at Morgan Stanley; Operating Fund, Life Membership Fund and the Contingency Fund. The advisor discussed the performance against the set benchmark as well as performance against other indicators in the US market. The committee asked the advisor to rebalance the Operating and Contingency Funds, and the advisor, completed as requested. The committee will advise the advisor, whether to rebalance the Life membership Fund or not.

Through May 2019, NARFE's investment portfolio had increased over the December 2018 ending period. Below were the balances for the three funds as compared to the December 2018 close.

Fund	May 2019	December 2018	% Change
Operating Fund (Not Reserved)	\$3,177,714	\$2,964,408	7%
Contingency Fund (reserved)	\$2,287,617	\$2,119,789	8%
Life Membership Fund (reserved)	\$1,299,179	\$1,194,435	9%

AUDIT COMMITTEE

Financially, the Consolidated Financial Statement for the Year Ended December 31, 2018 was audited and Committee Chair RVP Rodney Adelman (Region VII) noted that the audit report was in the June 2019 issue of the *narfe* magazine as required. Two ongoing projects were discussed:

- developing a Audit Committee charter
- request for proposal (RFP) for new auditors

Additionally, RVP Adelman asked for the RFP to be moved up.

BYLAWS AND RESOLUTIONS

Robert Allen (Immediate Past President – North Carolina), Chair of the 2019 Bylaws & Resolution Committee, gave a presentation on the 2019 National Bylaws Referendum via Go-To-Meeting during the joint meeting with the Federation Presidents. The following information was discussed: the responsibilities and purpose as stated in the 2018/2019 Bylaws and Resolutions Committee charter, committee process, 2019 Bylaws and Resolutions Committee Deliverables, and 2019 Referendum. Ballots to approve bylaws and standing rules amendments shall not include recommendations by the Bylaws and Standing Rules Committee, each ballot choice shall be listed in numerical order, and there shall not be "adopt all" or "reject all" options, or segregation by committee recommendation. The full presentation of Committee Chair Allen can be reviewed at www.narferx.org under the Regional Vice President tab along with this report.

BYLAWS SUBMISSION DEADLINE

Following discussion and vote the NEB decided to set the bylaws submission deadline as January 1, 2020.

NARFE-FEEA

Scholarships:

- 2,300 Applicants (out of that amount a total of 226 NARFE applicants)
- 200 Application reviewers
- 214 Scholarships awarded (out of that amount a total of 10 NARFE scholarships awarded)

FEEA 5K Walk:

- 534 Walkers
- 42 Average age of walker
- \$64,000 Netted

Disaster Loans:

- 37 Loans since 01/2019
- NARFE Disaster (Prior Fund): \$118,796
- NARFE Scholarship (Prior Fund): \$12,190
NOTE: This will be reduced by \$8,750 when scholarships are paid out next month
- NARFE General Combined (New Fund): \$10,259

Inasmuch as the current disaster and scholarship funds cannot be comingled in spite of the fact that there is now one NARFE-FEEA fund account it will be necessary to award ten \$1,000 scholarships (one per Region) in the next cycle to exhaust the current scholarship fund with the balance to come from the new combined fund.

Other areas that FEEA and NARFE could partner such as FEEA Public Service Charity Run/Walk co-content of website development, and other financial aid programs FEEA administers (Emergency Hardship loans).

CONFIGURATION ADVISORY BOARD (CAB)

RVP William Shackelford (Region X) discussed the issues federations within Region X are having with the CAB. He requested a better charter for the CAB. Executive Director Sido will talk with SVP De Castro on working with the chair of the CAB in order that the NEB may receive a proposed revised CAB charter.

President Thomas requested that RVP Marshall Richards (Region VI) ask CAB chair, Dorothy Creswell, to give the NEB an update on the AMS on Wednesday, July 10, 2019. Dorothy Creswell, Chair of CAB, discussed the CAB's involvement with the AMS during the early stages, the roll out, and currently. Items touched on during the discussion, include the following: discussed testing stages of the database, discussion of various issues with the system, and documentation of those issues within the system.

RVP Cindy Blythe (Region V) stated that we need to obtain a copy of the requirements document that was submitted to ProTech. CAB needs to take that requirements document and test every single requirement. If it fails then the subscription stops until the requirements document is given to us a 100% complete from ProTech. As previously stated, SVP De Castro will contact ProTech concerning an adjustment to the clock on the subscription because it was not useable on the June 3, 2019 rollout date.

NEW COMMITTEES

Based on concerns raised by various RVPs, the NEB addressed the issue of the lack of notification of previous members who volunteered for the Special Committees but were not appointed. Efforts will be made to increase amount of notification that is given by NARFE Headquarters and RVPs in order

to obtain a significant increase in volunteers for various Committees. Volunteers will also be advised of non-selection, if appropriate.

1) Establishment of Ballot Oversight Committee:

The Ballot Oversight Committee will be re-established subject to the charter being approved by the NEB to continue through October 31, 2020.

2) Building Committee Report:

Committee Chair RVP Cyndy Blythe (Region V) gave a summary of the 2019 Building Committee Report. The purpose of the Committee was to investigate all reasonable options available to NARFE with regard to use or sale of the NARFE building. Such investigation shall be done in collaboration with the Executive Director and any designated staff. Interim reports shall be given as directed by the President. The final report to the NEB shall include the options considered along with a short synopsis of relevant pros and cons for each, a final recommendation agreed to by at least a majority of the committee, and a motion to enact that recommendation for deliberation by the NEB, written in consultation with the parliamentarian.

NARFE's management, in its due diligence to examine the effective use of NARFE's assets, engaged a real estate company to provide an analysis on the NARFE building. The building is not being fully utilized, given the vast amount of space (26,000 square feet) when staff ideally needs approximately 10,000 square feet (or less) for operations, plus room for growth. NARFE's National President appointed a committee to review the real estate analysis, determine the best use of NARFE's asset (building) and make a recommendation to the NEB.

Committee Chair Blythe went over the five scenario options for the building, the pros and cons of each option, and the 10 year cash flow analysis.

- Option 1 – Own and lease. NARFE maintains ownership of the building, makes all necessary renovations necessary to comply with ADA requirements and any occupancy code requirements.
- Option 2 – Sell and leaseback. NARFE sells the building as-is with the contract to leaseback two vacant floors.
- Option 3 – Sell and relocate with lease. NARFE sells the building as-is and procures space through a lease contract.
- Option 4 – Sell, relocate and purchase smaller building. NARFE sells the building as-is and purchases a smaller building to accommodate the smaller footprint necessary for NARFE operations.
- Option 5 – Own and lease to suitable tenant, relocate to a smaller building with lease. NARFE would maintain ownership of the property and make renovations where necessary. The entire building would be leased to tenants. NARFE would relocate operation to a smaller building with lease.

After discussion, a motion was presented made by the 2019 Building Committee that the NEB authorize the President, Secretary/Treasurer, and Executive Director to pursue the sale of the NARFE building at 606 N Washington Street, Alexandria, VA. Further, the President, Secretary/Treasurer,

and Executive Director are directed to bring to the NEB recommendations for a headquarters location according to the prevailing conditions. This motion was approved.

3) Centennial Committee Report:

RVP Kathy Adams (Region II) provided a brief overview of the 2019 Centennial Committee Report. Discussion centered on the 2019 Centennial Committee's recommendations. Highlights from the discussion include the following:

NARFE will mark 100 years of service to the federal community in 2021. During the next two years, NARFE headquarters, working collaboratively with the newly created Centennial Committee, will develop and execute a multifaceted campaign commemorating this historical development before policy-makers, the press and general public. An effective campaign that accomplishes publicity objectives requires the involvement of every department within headquarters. While NARFE's centennial is two years out, planning for a dynamic, engaging and effective campaign begins now.

An outline of expected activities was produced in March 2019 with two proposed goals for both NARFE and the federal workforce. The first goal is, of course, to celebrate NARFE and the federal community on the occasion of the centennial. The second goal is to generate publicity and recognition for NARFE's value and promote positive stories of federal workers and retirees in the context of NARFE's centennial.

The committee charges that centennial planning to be forward-thinking as well as nostalgic and honor being prepared for the next 100 years.

To celebrate the centennial, the committee recommends the following:

- The adoption of the following theme. "NARFE: A Century of Civil Service."
- A special gala event to be held during the same timeframe as LEGcon21, if it is feasible to do so.
- Development an integrated communications plan that will include an 18-month public relations plan and special features in NARFE print and digital publications and platforms featured regularly in editorial calendars throughout the year.
- A logo treatment, consistent with the newly adopted overall NARFE brand, that can be used for events tied to the centennial as well as used for the production of commemorative keepsake items.
- A centennial toolkit for NARFE regions, federations and chapters to incorporate centennial events in their activities.
- Production of a video to drive engagement and participation.
- A special membership marketing campaign and related recruiting materials
- Sponsorship of a research project in partnership with a major research university that focuses on the future of civil service.
- Resources be allocated to create a shareable digital exhibit of NARFE history and explore the possibility of a commemorative book.
- Exploration of sponsorships for a national centennial event and selected merchandise.

4) Membership Committee Report:

Committee Chair RVP Helen Zajac (Region VIII) provided a brief overview of the 2019 Membership Committee report. The committee discussed their collective concerns with NARFE membership, an overview of current headquarters' recruitment and retention efforts was presented and committee members shared success stories and observations from field recruitment. Much of the discussion centered on the number one issue addressed by the committee which was the NARFE Membership Application and ways in which membership applications might be improved.

One recommended change to the form would be the following wording: "Would you like to receive a FREE one-year chapter membership? Choose one: Chapter closest to home OR Chapter #_____." Additionally, Executive Director Sido was asked to discuss with SVP of Marketing and Member Resources Bridget Boel the order of the points on the Membership Applications with regards to the new messaging.

Committee Chair Zajac also advised that there would be no budget implications inasmuch as the magazine application requires only in-house design update and any printed applications will be updated as inventory is depleted.

After discussion, a Motion was presented by the Membership Committee that the NEB approve the revised membership application as recommended by the Membership Committee. This motion was approved.

5) Non-Dues Revenue Committee Report:

Committee Chair RVP Clarence Robinson (Region III) provided a brief overview of the 2019 Non-Dues Revenue Committee Report and addressed the nine areas of non-dues revenue in NARFE. Discussion centered on the suggestions for new sources of non-dues revenue.

The Non-Dues Revenue Committee convened via conference call twice. Following is a report of the issues discussed:

The committee reviewed an analysis (attached) of the performance of NARFE's current sources of non-dues revenue. The purposes of the document are to highlight the variety and complexity of NARFE's sources of non-dues revenue and to present financial performance (as of May 2019) compared to the 2019 budget and 2018 actuals.

Several suggestions for new sources of non-dues revenue were discussed. One suggestion that stood out was placing *narfe* magazines on newsstands and in stores.

Additionally, the following have been forwarded to staff for analysis and recommendations at a future meeting:

- a. **Job Corps/Job Matching.** Some federal retirees are receptive to information about job opportunities. This program would either directly charge a hiring organization to post a position via an NARFE channel or partner with organizations that currently make such placements in return for a revenue share.
- b. **Legislative Partners.** There are other organizations that are interested in advocacy issues similar to NARFE's. This program would identify such partners who would pay NARFE to activate our grassroots members.

- c. Affinity partnerships/"Member Perks." Further highlight the fact that in addition to the financial benefits to members who use these products and services, NARFE receives a royalty based on usage.
- d. **Non-Member Subscriptions.** Analyze a price point for non-member subscriptions to NARFE magazine to determine whether the advantages of a greater number of subscribers (recruitment potential and increased readership of the magazine, which is attractive to advertisers) outweigh the potential cannibalization of members currently paying full dues who may decide all they really want is the magazine and who then opt to pay a lower non-member subscription rate.
- e. **Pre-Retirement Seminars.** Explore potential partnerships with organizations that have already secured inclusion on the GSA schedule (already under way).

COMBINING STRUGGLING FEDERATIONS

RVPs James Risner (Region I), Rodney Adelman (Region VII), Helen Zajac (Region VIII), and William Shackelford (Region X) each discussed the issue of struggling federations in their respective regions.

RVP Zajac mentioned previous guidelines on merging federations that were drafted in March 2017. Additionally, she mentioned the guidelines drafted by former Region I RVP James Crawford and brought to the board in November 2017. RVP Risner stated that the Vermont Federation is looking for guidance on merging federations.

National Secretary/Treasurer Hensley brought up several points concerning merging federations that must be taken into consideration: governance, membership categories, and bylaws requirement concerning national only members.

General Guidelines for Merging NARFE Federations were provided to the NEB for review. President Thomas requested that Executive Director Sido and RVP Risner provide a report and recommendations for the November 2019 NEB meeting with a six week report to him about merging federations.

OTHER BUSINESS

Policy Manual

Parliamentarian Colette Collier Trohan provided a brief overview of the drafting process and changes in the NARFE policy manual.

The NEB members made comments on each section of the draft NARFE policy manual. Changes and corrections were addressed during the discussion. Following discussion, the NEB approved the proposed NARFE policy manual as amended.

Alzheimer's Update

Harry Johns, Alzheimer's Association President & CEO, started his presentation with two new video television spots that will be airing soon. They contain positive messages about the disease. He discussed Alzheimer's public policy agenda and research projects. The new Alzheimer's videos will be posted on the conference website and can be accessed at www.narfe.org.

Deadline For Candidate Statements

The NEB set the opening date for the 2020 election cycle candidate statements as September 1, 2019, and that the closing date be December 13, 2019 at 5:00 pm Eastern Standard Time.

Federation Presidents' Meeting

Federation Presidents openly discussed issues/challenges as well as recommendations for meeting the challenges which will ensure NARFE remains STRONG for the next 100 years. The Federation Presidents realize it is no longer "business as usual" and that we must step outside of our comfort zone. The group shared many ideas and after extensive discussion, analyses, and deliberations, agreed on a number of priority issues. Some of the priority issues are reflected below and are not listed in any priority rank order.

- Establish a Federation Presidents' Advisory Committee
- Hire a nationally recognized spokesperson for NARFE, especially to recruit younger, active federal employees;
- Participate in more trade shows;
- Sponsor "Family Membership," which would allow spouses and immediate family members to join and renew at a lower rate;
- Provide more in-depth training for Chapter and Federation Service Officers;
- Further develop and inform us of the excellent advocacy contacts, communications and coalition partners collaboration;
- Increase social media targeting to attract younger members;
- Expand telling Federal employees' stories, using Maryland, Virginia, Pennsylvania and Washington, D.C.'s "*Profiles in Civil Service*" Template;
- Send a "bill" (as do AARP, AAA) instead of the NARFE Membership Renewal Form;
- Establish a "Closed Group Blog," specifically targeted for Federation Presidents' exclusive use.

Some of the issues will require changes to the National Bylaws/Standing Rules while others can be implemented by Headquarters. These issues will be reviewed and discussed by the NEB at a future meeting.

Next National Executive Board Meeting

The NEB November 2019 meeting will take place at the Holiday Inn & Suites Alexandria – Old Town.

- Address: 625 First Street Alexandria, VA
- Meeting Dates November 6th, 7th, and 8th 2019
- Travel Dates November 5th and 9th 2019