



**SOUTH DAKOTA HIGH SCHOOL ACTIVITIES
ASSOCIATION
FINANCE ADVISORY COMMITTEE REGULAR
MEETING
SDHSAA OFFICE BUILDING**

February 22, 2017

10:00 a.m.

Pierre, South Dakota

The Finance Advisory Committee held a regular meeting on February 22, 2017, at the SDHSAA Office Building in Pierre, South Dakota with members present as follows:

Steve Morford Dr. Jason Uttermark Sandy Klatt Dr. Jeff Danielsen Chuck Wilson
Adam Shaw Darla Mayer

Members absent: Mark Naugle and Sherrie Kafka

Staff members present included Wayne Carney and Brooks Bowman. Brad Reinke, Reinke Gray Wealth Management Representative, was also in attendance as well as Dr. Kelly Glodt, Mr. Tom Cameron, and Mr. Dean Wink of the SDHSAA Foundation Board, former SDHSAA Board Member Mr. Curt Hart, and Superintendent Mr. Dan Swartos.

The meeting was called to order by Chairman Morford at 10:07 a.m. followed by the Pledge of Allegiance.

The Committee picked up with agenda item number 10 from the meeting of January 10, 2017:

10. Update on corporate contracts/extensions.

The Committee reviewed the correspondence from the four current corporate partners who have requested their financial contributions be directed to the SDHSAA Foundation. Sandy Klatt requested the following of the Foundation Board of Directors:

- 1) A guarantee how/where Foundation revenue would be spent,
- 2) A guarantee that the Foundation Board would act in such a manner as to help all member schools, and
- 3) Wanted to know the purpose of the SDHSAA contingency (reserve) fund—was the purpose of the contingency fund for operational expenses vs. on-going expenses?

Following review of many documents and much discussion, it was moved by Sandy Klatt, seconded by Dr. Jeff Danielsen, to make the following recommendations to the SDHSAA Board of Directors:

- The Board of Directors of the SDHSAA should consider the requests of the corporate sponsors as documented in the letters received from them.
- The Board of Directors should develop a policy to differentiate between SDHSAA corporate sponsors and SDHSAA Foundation partners including promotional benefits available to each.
- The SDHSAA should formalize in policy the allowable uses of SDHSAA foundation earnings.
- The revenue and expenditures of the SDHSAA should be reviewed and recommendations developed with the goal to make SDHSAA self-sufficient.

It was also a request from the Committee that a three year revenue and expenses projection be prepared and presented annually to the Finance Advisory Committee and to the membership during the Annual Meeting of the Association in April.

Executive staff presented the Committee with the following proposals which would allow the Association to eliminate the following costs to the member schools:

- 1) Catastrophic and liability insurance—\$170,000
- 2) Dues—\$10,000
- 3) Subscription and postage fees—\$22,500
- 4) Eliminate the participation fees—\$160,000

Budget Proposals 2017-2018 INCOME

<u>Line Item:</u>	<u>Description:</u>	<u>Income:</u>
4403	Invoice for subscription and postage fees:	\$22,500
4504	Invoice for membership dues:	\$9,500
4510	Invoice for catastrophic/liability insurance:	\$173,000

NOTE: Do not provide catastrophic and liability insurance for member schools.

Increase sub-state ticket price \$1.00 for all activities which have a sub-state event. \$210,000
Use that revenue to pay for line items 4403, 4504, and 4510 OR eliminate participation fees for all member schools in the amount of approximately \$155,000.

Leave sub-state ticket prices where they currently are but designate \$1.00 from \$210,000 each ticket to pay for line items 4403, 4504, and 4510 OR eliminate participation fees for all member schools in the amount of approximately \$155,000.

Enter into a clothing contract with a vendor for all SDHSAA state events. Team IP submitted a proposal for \$60,000 per year plus a possible percentage. Fine Designs submitted a proposal for \$80,000 per year for 3 years plus a possible percentage and staff clothing.

During the 2015-2016 fiscal year sub-state events generated \$1,093,584.00 in revenue of which the Association received either 30% or 40% depending on the event being a district event or a region event. The percentage to the Association was \$390,726, or 35.7%. The remaining amount, \$702,858, was divided between the schools involved in the contests. If the Association percentage were set at 50%, this would have generated an additional \$156,066 dollars which would cover the cost of the current participation fees for all member schools with the remaining \$546,792 to be divided among the schools involved in the contests.

EXPENSES

<u>Line Item:</u>	<u>Description:</u>	<u>Savings:</u>
5335	Eliminate board of directors travel reimbursement, OR: Reimburse at 50%	\$25,000 \$12,500
Various	Reimburse team expenses at 40%--see NOTE below	\$100,000
5314	Eliminate financial assistance to SDHSCA summer clinic	\$5,000
5331	NFHS Summer Meeting—executive staff attendance only	\$15,000

NOTE: Allow board members one summer meeting during their time on the board

5359	Eliminate financial assistance to SDIAAA	\$2,000
5361	Eliminate printing and make available on line	\$1,000
5362	Eliminate printing and make available on line	\$7,500
6290	Eliminate sub-state football losses	\$2,200
Various	Eliminate tournament bands	\$4,800
5390	Eliminate third year clothing allowance for BOD's member	\$500
6661	Eliminate digital music ballots	\$3,100

NOTE: General Sport Section of the Athletic Handbook, page 16:

TEAM EXPENSES

Each school shall pay the entire expense of all its contestants and coaches at the various state meets. Each school will receive partial reimbursement by the Association as described hereinafter.

NOTE: There will be no reimbursement for team expenses in any sport until the conclusion of the fiscal year. Schools may utilize reimbursement money in such a way as deemed appropriate to help defray cost for the tournaments. It should be emphasized that there is no reimbursement in the sports of tennis, golf and cross country. (This policy was adopted by the Board of Directors at the June 17-18-19, 1981 meeting.) **In the event that SDHSAA expenditures exceed receipts, reimbursement for team expenses will be reduced in all sports on a pro-rated basis in order to realize a balanced budget.**

In recent years, when team expenses are reimbursed at 100% of the current formulas, the total dollar amount is approximately \$250,000. As a result, each 20% is equivalent to \$50,000.

SUMMARY:

It would be the goal of the Association to eliminate the following costs to the member schools:

- 1) Catastrophic and liability insurance—\$170,000
- 2) Dues—\$10,000
- 3) Subscription and postage fees—\$22,500
- 4) Eliminate the participation fees—\$160,000

Total: \$362,500

Those costs can be covered by:

OPTION 1:

With the:

- \$1 sub-state ticket, \$210,000,
- increase the current 30%/40% district/region income to 50%

An additional \$365,000 would be generated.

OPTION 2:

With the:

- Increase the current 30%/40% district/region income to 70%

An additional 374,000 would be generated.

Team reimbursements would be determined at the end of the year to balance the budget, and this would allow for growth in the Foundation by recommending to the BOD's that all corporate dollars be directed to the Foundation as per the request of the corporate sponsors.

It was moved by Sandy Klatt, seconded by Dr. Jeff Danielson, that the SDHSAA Board of Directors should recommend to the SDHSAA Foundation Board that the SDHSAA Foundation should become a 501(c)(3) tax-exempt nonprofit organization.

The motion passes 5-2. Those voting aye were: Dr. Jason Uttermark, Sandy Klatt, Dr. Jeff Daniels, Adam Shaw, and Darla Mayer.

Those voting nay were: Steve Morford and Chuck Wilson.

Being no further business to come before the Committee, it was moved by Sandy Klatt, seconded by Dr. Jason Uttermark, to adjourn.

The motion passed 7-0.

Respectfully submitted,

Wayne Carney
Executive Director