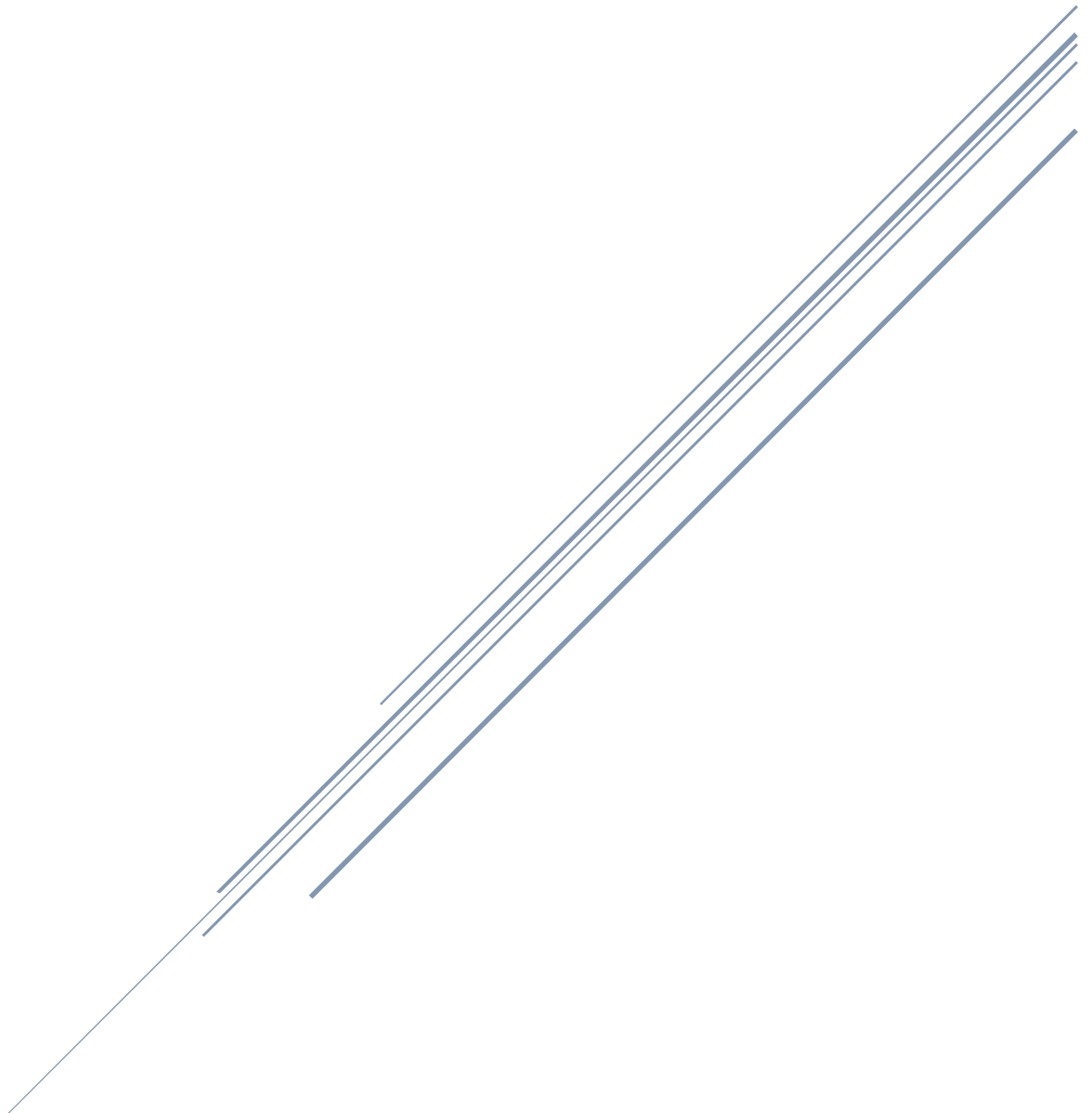


REPORT

Committee on Area 57 Finance



March 16, 2014

Forward

On the following pages the Committee on Area 57 Finance reports to the Area Committee of Area 57 concerning the work they have done to examine our money and operations. Formation of this Committee was announced in my November 2013 Newsletter article.

It would be easy to either exaggerate or minimize Area 57's current financial situation - it's both a material and spiritual problem. However, I believe the negative **trends** in contributions (declining) and expenditures (growing) are fairly obvious (see the discussion on Report pp. 3-4).

The examination and analysis of the Committee concludes that Area 57 is currently **spending about \$6,000 more than our contributions** (Report pp. 3-4).

Left unchecked, over time our options to address it may be reduced and our ability to fulfill our primary purpose may be jeopardized. The goals of this Committee on Finance were outlined in my note to the Committee Chair, Ross D., and the 'charter' is provided as Appendix I of this report. I was clear the Committee was to 'do footwork' and provide information to the Area Committee to help develop informed Group Conscience.

The Recommendations, Options and Background Information Summary (Report Appendix II) offers two types of suggestions. The Committee was able to arrive at substantial unanimity regarding the Recommendations, which are somewhat easier to put into effect quickly, and have less or no negative effect on the services provided to the Fellowship. The Options were not able to achieve the same high level of support within the Committee, would be more difficult and/or more painful to implement - yet, the Committee believes these Options are worth forwarding to the Area Committee for its further consideration.

Recommendations:

1. Reduce support for the General Service Conference.
2. Pursue efficiencies in operations.
3. Improve the budget process.
4. Simplify the "Prudent Reserve".

Options:

1. Reduce officer travel allowances and service committee spending.
2. Reduce the secretary's workload and hours

This is your Fellowship, and the Group Conscience as expressed in the Area Committee and/or Area Assembly will decide how to best address this situation, whether by adoption of the discussed Recommendations and/or Options, by further study by another committee, or some other means.

Area 57 has not come quickly to this financial situation, and it isn't likely that we can quickly solve it. Regardless of how the Area Committee ultimately chooses to deal with the Recommendations and Options of this Committee, its members have worked hard over many months to provide you the enclosed report.

It deserves your thoughtful and prayerful consideration.

I hope you will take time to express your thanks to the members of the Committee (members are listed on Report p. 2).

Jamie

Area Chair

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Committee Membership

Ross D (Chair)
 Harold N
 Ottis D
 Steve S

Beth S
 Jay M (Area Treasurer)
 Patty L

Bruce G
 Micki H
 Paul K

Committee on Area 57 Finance

Final Report

March 16, 2014

Introduction

In September 2013 during the budget process, it became apparent that Area 57 finance was on a downward trend, that the Area was consistently spending several thousand dollars per year more than its income and that the Area was below its prudent reserve. To address this situation, the Area Chair, in November 2013, established a Committee on Area 57 Finance to investigate ways to financial stability. This is the final report of that committee. I was asked to form the Committee and to serve as Chair.

Per its charter, this committee’s focus was on money saving ideas. That in no way reduces the need for DCMs and GSRs to let their groups know of the situation and encourage them to respond with added contributions.

Area 57’s Current Financial Situation

As can be seen in Figure 1, Area 57 expenses have been about equal to, or exceeded our income most years. And in the last two years, the pattern of spending more than we take in has become notable.

The exception in 2009 tells a story in itself. In 2009, after several years of expense exceeding income, we dropped below our prudent reserve level. We let the Fellowship know of the situation and made it a point to encourage contributions. The Fellowship responded with increased contributions from districts, groups, and individuals. Also, 2009 income included \$7,600 profit from the state conference plus a sizable contribution from ICYPAA. The result was much larger income for 2009 that more than covered expenses that year.

Figure 2 shows the results over time. After the temporary boost in 2009, our financial position remained more or less steady for a couple of years, boosted in part by unusually large State Conference overages. But in the two full years since, our cash position has



Figure 1

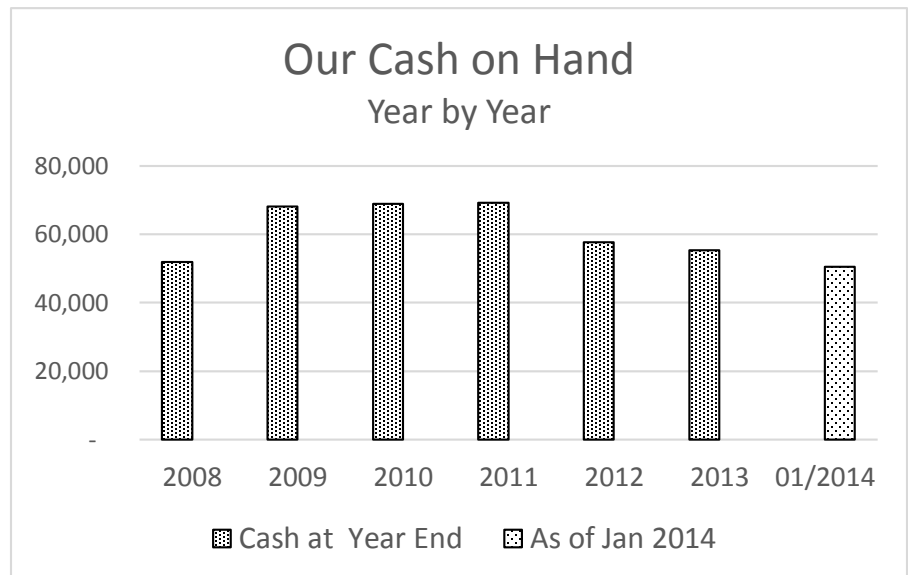


Figure 2

been dropping as we have spent considerably more than we have taken in, and the trend continues into this year.

What is behind this trend of the last two and a half years or so? In 2010, we increased the secretary's pay by \$3,800 per year. In 2011, we increased officer travel allowances by over \$1,100 per year. In 2012, we increased support for the General Service Conference by \$400. The sum is about \$6,000 per year in added expenses. During this same period, regular contribution from groups (our principal source of funds) declined. A small increase in Gratitude Contributions has not made up the difference.

The Committee believes that the underlying problem lies in our budget process rather than in any specific expense category. Our current budgeting process does not adequately consider projected income, and does not provide enough time and information to allow a truly informed group conscience by the Area Assembly. Thus the recommendations of this Committee call for some improvements in that process, along with possible ways to reduce costs in the short term in order to stop the erosion of our funds on hand.

It appears that a balanced budget will require \$5,000 to \$6,000 per year reduced expenses or greater contributions.

Committee Charter

The full text of the Committee Charter is shown as Appendix I. In Summary, the Charter calls for the Committee to:

1. Review the Area 57 Budget
2. Offer a range of options with the aim of aligning Area 57 expenditures to actual Fellowship contributions
3. Consider everything "on the table"
4. Provide a report at the March 2014 Area Meeting

Membership

Members of the Committee were chosen to represent a wide variety of experience and background. Thus the membership includes a wide range of lengths of sobriety and of age, as well as a wide range of experience in service. Members come from groups in both our major metro areas and from more rural groups.

The members are listed on page 2. I wish to thank the Committee for their excellent and extensive work. Individuals on the committee sometimes had varied and strong ideas, yet in the discourse, all were listening openly. I believe we had a true group conscience.

It is important to note that in the end, we reached consensus on all the recommendations and options to be presented. . Appendix II fully explains what is meant by Recommendations and Options.

Method of Operation

Given the breadth of our charter, the committee undertook to consider all aspects of Area 57 finance. We systematically reviewed our budget line by line and brainstormed many possible ideas. Then, through a gradual process of research and conversation, those were narrowed down to a manageable set of realistic alternatives from which we chose the recommendations and options presented by this report.

Area finance was divided into five broad categories for further research into possibilities.

- Support for General Service Conference
- Area Meeting Expense
- Office & Payroll Expense
- Printing and Mailing Expense
- Officer Travel Expense
- Service Committee Expense

Subcommittees were formed to research the possibilities for savings in those areas, and of considering the implications of such savings. Much thanks is due the committee members for their extensive work and thoughtful considerations,

Figure 3 shows the breakdown of our expenses in 2013. Note that a relatively large cut in the smaller categories would make a relatively small difference in the total, whereas a relatively small cut in the larger areas could make significant difference in the total. Thus it is not surprising that most of our proposals address the larger slices of the pie

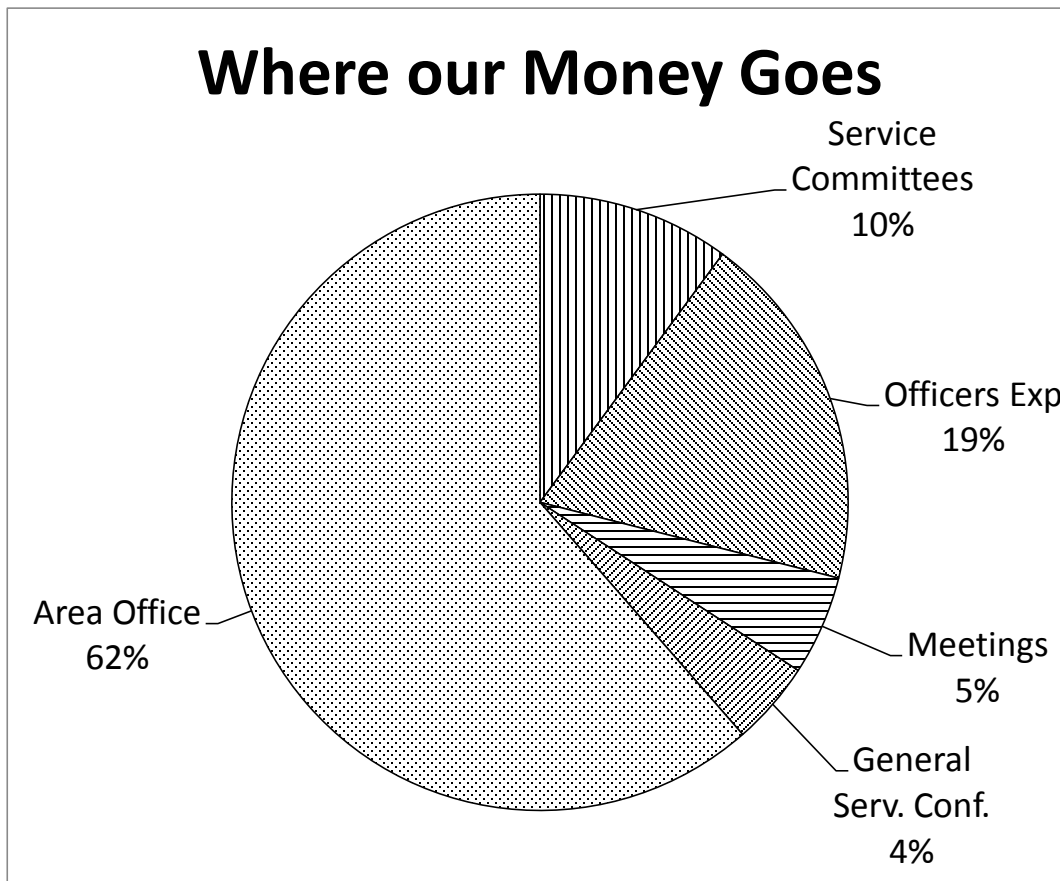


Figure 3

About the Secretarial Role

The secretarial role is described by a formal document entitled "Duties of the Secretary" on file at the Area office. The duties there described were categorized into four basic functions:

- Treasury functions having to do with handling contributions and checks
- "Registrar" functions having to do with maintaining group and individual records.
- Newsletter Editor function
- Secretarial functions; filing, minutes, meeting preparation etc.

The Committee learned that in other Areas, these four functions are generally carried out by four elected or appointed officers, namely the Treasurer for the financial operations, a Registrar for maintaining records, a

Newsletter Editor to edit the newsletter, and a Secretary in the more common sense of the word for minutes, files, etc. The Registrar position, while unfamiliar to Area 57, is described in the A.A. Service Manual as a common part of Area service structure.

We realized that what we in Area 57 call our "Secretary" involves much more than the name suggests. In addition as one of the two officers that do not rotate every two years, the secretary brings a continuity to the Area that might not otherwise exist.

Presented Recommendations and Options

The Committee's Recommendations and Options are given in detail in Appendix II. The Committee herewith presents four "RECOMMENDATIONS" and two "OPTIONS".

"RECOMMENDATIONS" are items agreed upon with substantial unanimity. The Committee agrees these deserve immediate consideration.

However, the savings represented by the Recommendations fall far short of the amount required for financial stability. There was substantial unanimity that tougher choices will need to be made if we as an Area are to achieve that goal.

"OPTIONS" are items, neither one of which was agreed with substantial unanimity. However there was agreement that these or other tough choices will need to be made if we as an Area are to reach financial stability. We just couldn't agree on which is more desirable (or less undesirable).

Very briefly, the recommendations and options are:

Recommendations:

5. Reduce support for the General Service Conference.
6. Pursue efficiencies in operations.
7. Improve the budget process.
8. Simplify the meaning of "Prudent Reserve".

Options:

3. Reduce officer travel allowances and service committee spending.
4. Reduce the secretary's workload and hours

Other Alternatives Not Presented

Given our brain storming approach, it is not surprising that the Committee looked at several other options. Some were more or less immediately dismissed as impractical, some were given consideration and research and are not recommended or even presented as options at this time. That is not to say they may not be considered by the Fellowship at a later date.

Examples of items not presented as recommendations or options in this report.

- Eliminating, downsizing or relocating the office.
- Eliminating or downsizing storage and display space for Archives
- Moving or otherwise changing the facilities for our Area Meetings.
- Eliminating the secretary position.
- Eliminating or reducing the size or frequency of the Area newsletter.

Conclusions

This Final Report is presented with gratitude for the opportunity for service we have been given. We deliver it into the hands of the Area Chair and the Area Committee for their consideration. We will not be campaigning for anything contained in it, but are available for questions or discussion.

The Committee on Area 57 Finance

Ross D, Chair

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Appendix I

Committee Charter

In commissioning the Committee, the Area Chair gave us the following charter:

A Committee will review the Area 57 Area Committee budget and offer a range of options with the aim of aligning Area 57 expenditures to actual Fellowship contributions. In reviewing the budget, the Committee should consider everything "on the table," and provide a preliminary report at the March, 2014 Area Committee meeting.

At a minimum, the Committee should consider:

- Can Area Committee Services / Operations be made more efficient, or be accomplished by other means, and thereby reduce expenditures?
- Are there Area Committee Services / Operations that should be discontinued because they are:
 1. No longer useful? or
 2. Have become too expensive?
- Is the current means of determining our prudent reserve resulting in an amount sufficient to:
 1. Allow orderly reduction of operations due to insufficient Fellowship contributions, and
 2. Protect against unexpected expenses, such as the liability that might arise from a State Conference that is not 'self-supporting' (i.e., it loses money)?

In addition, the Committee adopted the following Guidelines:

The committee will present options, and present some recommendations, but our charge does not include encouraging or discouraging any given course. Those decisions would be strictly up to the Fellowship.

The committee will include looking for fundamental changes that make a significant financial impact.

The committee's recommendations will be realistic and "do-able". That is recommendations will not be vague goals like "reduce the cost of the newsletter". Our recommendations would present specific means by which that would be accomplished.

The committee's work will be completed with the recommendations at the March Area meeting, unless the Fellowship asks for follow-up, such as investigating our recommendations in more depth, or pursuing other options.

Appendix II

Recommendations, Options, and Background Information Summary

This document sets forth the Recommendations and Options presented by the Committee on Area 57 Finance. Following the statement of the Recommendations and Options, this document continues with some summary background information to add context. Note that items are stated in a format suitable for making motions so that proposals may be made and discussed readily and clearly by Area Committee Members. (For example, "I move we adopt Recommendation #1" etc.)

The Need to Encourage Contributions

Per its charter, this committee's focus was on money saving ideas. That in no way reduces the need for DCMs and GSRs to let their groups know of the situation and encourage them to respond with added contributions.

Short Form of Recommendations and Options

Recommendations:

1. Reduce support for the General Service Conference.
2. Pursue efficiencies in operations.
3. Improve the budget process.
4. Simplify the meaning of "Prudent Reserve".

Options:

1. Reduce officer travel allowances and service committee spending.
2. Reduce the secretary's workload and hours

Fully Stated Recommendations

"RECOMMENDATIONS" are items the Committee agreed upon with substantial unanimity. We agree these deserve immediate consideration.

1. **Reduce support for the General Service Conference** to the amount requested by GSO. (Savings: \$400 per year.)
2. **Pursue efficiencies in operations:** (Savings: about \$1,100 per year)
 - a. Reduce the number of handouts prepared for Area meetings.
 - b. Reduce the number of printed copies of the Area newsletter.
 - c. Have an outside printer print, collate and fold the newsletter.
 - d. Investigate the possibility of eliminating duplication of data between the Area database and the GSO database.
3. **Improve the Budget Process** - Change Policy and Procedures to improve the budget process by creating a Financial Oversight and Budget Committee to develop budgets and oversee finance generally. (Savings: through better budgeting and financial control)
4. **Simplify "Prudent Reserve"** - Change Policy and Procedures to simplify "prudent reserve" from its current complex formula to simply requiring cash on hand to exceed previous year's budget (adjusted for extraordinary items) by 10%. (Savings: through better understanding of our financial status.)

Note that the Committee agreed that to achieve financial stability will require ongoing savings of \$5,000-\$6,000 per year. Also note that implementing all the recommendations above will save much less than is required. Thus, *to achieve financial stability, we will need to take some perhaps uncomfortable actions.* The Committee agrees that the following measures are perhaps undesirable, but given our current financial state and trend, we

believe them to be the best options to achieve stability. We believe that neither option would seriously affect carrying the message in Area 57.

Fully Stated Options

“OPTIONS” are items, neither one of which was agreed with substantial unanimity. However there was agreement that these or other tough choices will need to be made if we as an Area are to reach financial stability. We just couldn’t agree on which is more desirable. (...or less undesirable.)

1. **Reduce variable expenses** by: (Savings \$3,900 per year)
 - a. Cutting officer travel allowances by 35%
 - b. Cutting service committee spending by:
 - i. Encouraging prudence in service committee spending this year and
 - ii. Developing a 2015 budget for service committees totaling 20% less than last year’s actual spending.
2. **Reduce the Secretary’s workload** so that hours can be reduced from 16 hours per week to roughly 12 hours per week by: (Savings: about \$3,600 per year assuming pay per hour remains the same)
 - a. Implementing Recommendation 2 above (operational efficiencies).
 - b. Moving the secretary’s financial duties to the Area treasurer.
 - c. Moving the secretary’s activity with the Archives to the Archives committee.
 - d. Moving the secretary’s activity with Fun in the Fellowship to the Fun in the Fellowship committee.
 - e. Eliminating the Saturday office hours once a month.
 - f. Other duties remain the same. In other words, most of the job remains the same.

Note that this option does not eliminate or reduce any of the key services provided by the Area to the fellowship.

In broader perspective, these options can be looked at as the beginning of the Area finding the “right” level of resources (time and money) to be devoted to the “right” services for Area 57 to provide the fellowship. The second option can be regarded as the first phase of a process of determining the “right” amount of time and the “right” set of responsibilities for our paid employee. Whatever choices the Area Committee makes can be adjusted later as we learn from our experience.

Background information and detail are presented on the following pages.

Background information for Recommendations

1. **Reduce support for the General Service Conference** to the amount requested by GSO. (Savings: \$400 per year.)

GSO requests \$1,600 from each Area each year in support of the General Service Conference. We have been sending in \$2,000 instead—a nice gesture if we had sufficient funds.

2. **Pursue efficiencies in operations:** (Savings: \$1,100 per year)
 - a. Reduce the number of handouts prepared for Area meetings.

The “packet” of information handed to everyone at Area meetings is extensive and helpful, but expensive in terms of both printing and time. The Committee believes that the agenda, as a single sheet, is generally all that is really needed to be copied for every attendee. For some items (such as Group Change Forms, Group Contribution Reports, and Minutes) it would be sufficient to have a supply

available on a table in the back of the room for those who want to take home a hard copy. For other items (such as Treasurer's report and the text of P&P changes) it would be sufficient to have two or three copies of on each table for attendees to review. Other documents might be simply shown on the screen. For District events, state sponsored workshops, etc. it would be the responsibility of those putting on the event to create and distribute copies of flyers as they see fit. All handouts could be sent to those with email addresses in advance of the meeting.

- b. Reduce the number of printed copies of the Area newsletter.

Printing and mailing of paper copies of the Area newsletter are a significant expense, both in money and time. The Committee believes the number printed and mailed can be greatly reduced. We propose that for current trusted servants (GSRs, DCMs etc.) we should email the newsletter if we have an email address, mailing paper copy only for those for whom we have no email address or who specifically request paper copy. For those who have rotated or otherwise do not currently hold a position, it would again be emailed for those we have email address for, and would be mailed to others only on request—that request to be renewed bi-annually after each election assembly.

- c. Have an outside printer print, collate and fold the newsletter.

We have located a printer who will print, collate and fold the newsletter at less cost than we can do it in house, and with the corresponding savings in money and time.

- d. Investigate reducing the duplication of data between the Area database and the GSO database.

Currently our Secretary keeps both GSO and Area 57 databases of information on trusted servants (name, address, etc. for GSRs, DCMs, Service Chairs etc.), and on groups (meeting locations, contacts, meeting times, etc.) The information must be entered and changes made in each database separately. The Committee has found that the information in the GSO database is available to the Area, so that we may be able to eliminate much of the effort involved with maintaining two sets of identical data. Of course, some of the data in the Area database is unique to Area 57, and would have to be kept separately. But the potential for saved time and effort makes following up on this possibility well worth it.

3. **Improve the Budget Process** - Change Policy and Procedures to improve the budget process by creating a Financial Oversight and Budget Committee to develop budgets and oversee finance generally. (Savings: through stronger budgeting and financial control)

The Committee believes that the current process for creating budgets in Area 57 does not allow for a truly informed group conscience. Currently, a preliminary budget is developed in about one hour by a budget committee, is then submitted to the Area Committee for review and to make any changes. Finally, this "proposed" budget is submitted to the Assembly for final review, changes if any, and approval. There is no time for any extended planning, time to research alternatives, or develop an expense budget in line with expected income.

The proposed Financial Oversight and Budget Committee would meet at least four times per year, to review quarterly financial reports in depth and keep abreast of the developing financial situation of the Area. They would be charged with developing a *balanced* budget to present to the Area 57 budget committee. Realistic estimates of income would be a part of that budget process. The budget process from that point would be unchanged.

We suggest that the Chair of the new committee be appointed by the Area Chair. Four members in turn would be appointed for two year terms by the Financial Oversight and Budget Committee Chair. Half the committee members would rotate on even numbered years, and half on odd numbered years. Half would come from urban districts (10, 20, 30, and 40) and half from rural districts (50, 60, 70, and 80).

If this recommendation is approved by the Area Committee, the Committee would begin working with the P&P Chair to develop the exact wording of the changes to P&P.

4. **Simplify “Prudent Reserve”** - Change Policy and Procedures to simplify “prudent reserve” from its current complex formula to simply requiring cash on hand to exceed previous year’s budget (excluding extraordinary items) by 10%. (Savings: through better understanding of our financial status.)

The formulas for calculating and tracking prudent reserve are unnecessarily complex. The committee believes that complexity clouds understanding of the current financial status of the Area. This proposal would simplify determination of prudent reserve to something akin to “Do we have enough money on hand to last through the next year?” This change would leave the prudent reserve amount at approximately the same place it is now, but greatly simplify and make it more understandable.

If this recommendation is approved by the Area Committee, the Committee would begin working with the P&P Chair to develop the exact wording of the change to P&P.

Background Information for Options

1. **Reduce variable expenses** by: (Savings \$3,900 per year)
 - a. Cutting officer travel allowances by 35%
 - b. Cutting service committee spending by:
 - i. Encouraging prudence in service committee spending this year and
 - ii. Develop a 2015 budget for service committees totaling 20% less than last year’s actual spending.

While the Committee agrees that this option cuts at the heart of what the Area is about, it is one way to achieve the needed financial stability

2. **Reduce the Secretary’s workload** so that hours can be reduced from 16 hours per week to roughly 12 hours per week by: (Savings about \$3,600 per year assuming pay per hour remains the same)
 - a. Implementing Recommendation 2 above. (operational efficiencies)
 - b. Moving the secretary’s financial duties to the Area treasurer.
 - c. Moving the secretary’s activity with the Archives to the Archives committee.
 - d. Moving the secretary’s activity with Fun in the Fellowship to the Fun in the Fellowship committee.
 - e. Eliminating the Saturday office hours once a month.
 - f. Other duties remain the same. In other words, most of the job remains the same.

The committee wishes to emphasize the importance of the secretary position to Area 57. As the center of so many of our services, the secretary position is truly key. But by removing some of the secretary’s duties. The committee believes that the secretary’s hours can be reduced while still maintaining the key functions performed by the secretary.

This option has the advantage that it does not reduce or eliminate any key services to the fellowship. All services are either performed by another trusted servant, or are accomplished more efficiently or simply. Keep in mind that a dollar saved in “administrative costs” is a dollar that can be used for service committees or to otherwise carry the message.

Note that the reduction from 16 hours to 12 hours is an estimate of the time savings that might be achieved by the option. The transition would need to be monitored and the right change in the secretary’s hours might be different—perhaps 6 hours or 10 hours or something different will turn out to be more appropriate. Nonetheless, some significant savings should be achieved.

This option can be regarded as the first phase of a process of determining the “right” amount of time and the “right” set of responsibilities for our paid employee. In subsequent phases the fellowship might, say, create a Registrar position to take on record keeping functions, further reducing the Secretary’s workload. Another phase might be to name a newsletter editor to further reduce workload. At some point, the secretarial role might even not require a paid employee or maintaining office space for the work.