

Circle K International Committee on Finance

Report #3 (Final)

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Introduction:

In December 2007 the Executive Committee of the Circle K Board of Representatives decided to form a sub committee to review the financial situation of Circle K International. The committee formed had a good diverse background ranging from past Circle K Club officers, District officers, International officers and Circle K advisors. In addition, the committee had members coming from different CKI districts (Large, medium and small).

The committee was asked to assist the executive board with the following:

- 1) Assist with short term recommendations to cut costs where possible
- 2) Recommend long term financial changes in how CKI uses **and** generates its income.

When the committee was formed we were provided with countless files ranging from committee work of past task forces, special committees, past International boards and most importantly: past CKI general and convention budgets (last 10 years).

The more the committee reviewed the budgets the more we came to realize that this report should not be directed to just the International board of representatives and the members of CKI. Circle K International does not control much of its funds and thus this report is also meant to be reviewed by the Kiwanis International Board and International staff.

The committee would also like to acknowledge that we are not proposing a solution, but more of a direction as to where these finance problems can be fixed. We were formed to assist the CKI executive committee with their directive. Unlike a Task Force committee, which specifically proposes a direction, we were formed to help. A committee that meets by conference call for 2.5 months cannot come up with all the solutions. This is going to be a very long process and we hope that the formation of this committee is a sign of things to come in taking CKI's finances more seriously.

CKI Income Recommendations:

CKI Financial Structure

Majority of the work the committee has done has focused on the financial structure of CKI. This is an area where CKI members can take more charge (for the most part). The committee has agreed for the most part that:

- *A physical structure change to CKI will not be necessary to help improve the financial well being of the organization.*
- *A financial structure change is necessary*
- *Funds generated to CKI should be the primary responsibility of **Club** rather than members (At least for the most part).*

Circle K International Clubs are treated equally. As long as a club meets its minimum requirements each club is given the same resources. All clubs receive the same mailings, the same resources and each member can run for any position. In addition, each club is given 2 delegates to represent them at the Circle K International House of delegates (regardless of size). Finally, now that the CKI magazine is only printed once a year it can now be said that CKI funds are primarily used for the clubs and not the individual member. A flat membership due is not the most desirable system as it creates a disincentive to growth, treats clubs unequally, and misaligns beneficiaries from the entities charged costs.

The committee has come up with 3 different alternates to change the financial structure of CKI. Those changes are:

- 1) A Club fee combined with member dues
- 2) A Club fee combined with a one time new member fee
- 3) A Club fee only

Here are 3 different ways to look at each proposal:

** The numbers used in each table does not reflect the preference of the committee and are just being used to show how each structure proposal works.*

1) Club Fee with member Dues:

Club Fee	Fee	Number	
Art. 21 §1 clubs (countries with per capita GNI > \$10,000US)	\$360	444	\$159,840
Art. 21 §2 clubs (GNI between \$10,000US and \$5,000US)	\$240	1	\$240
Art. 21 §3 clubs (GNI < \$5,000US)	\$120	30	\$3,600
Total Income from Clubs			\$163,680
Membership Dues	\$11	11,260	\$123,860
Average Member Pays (assuming no club fee reimbursement)	\$26.00		\$287,540

2) A Club Fee only:

Club Fee	Fee	Number	
Art. 21 §1 clubs (countries with per capita GNI > \$10,000US)	\$600	444	\$266,400
Art. 21 §2 clubs (GNI between \$10,000US and \$5,000US)	\$400	1	\$400
Art. 21 §3 clubs (GNI < \$5,000US)	\$200	30	\$6,000
Total Income from Clubs			\$272,800
Membership Dues	\$0	11,260	\$0
Average Member Pays (assuming no club fee reimbursement)	\$25.00		\$272,800

3) Club Fee with a one time new member fee:

Club Fee	Fee	Number	
Art. 21 §1 clubs (countries with per capita GNI > \$10,000US)	\$550	397	\$218,350
Art. 21 §2 clubs (GNI between \$10,000US and \$5,000US)	\$300	1	\$300
Art. 21 §3 clubs (GNI < \$5,000US)	\$200	30	\$6,000
New Membership Fee	\$10	8183	\$81,830
Total International Dues			\$306,480

For clarification the 8183 new member estimate is off the average of new members over the last 3 years.

A supporting file with the governing document change for the club fee only proposal has already been submitted.

As far as the actual numbers being proposed (How much to charge) that will be determined to the International Board of Representatives. The amount chosen should be based on not only getting by as an organization, but to also have some breathing room.

The Legacy Fund – A New Way of Kiwanis Support

A possible new way for CKI to generate funds:

Kiwanians can make a big difference when they financially assist CKI.

Many KI members want to give to CKI, but don't know how.

A proposed new idea, with a working title of The Legacy Fund, **is a way in which KI members and clubs can support three major activities of CKI: service, leadership development, and scholarship.**

This program would be somewhat similar to an annual giving program, in which KI members, through their KI clubs, would donate funds to assist CKI in their NON-ADMINISTRATIVE functions.

The Legacy Fund would be maintained in the Kiwanis International Foundation.

Every Kiwanis Club in the international organization, regardless of whether or not they currently sponsor a CKI club, would be asked to make a donation to the fund. The suggested donation is **\$3 per Kiwanis Member, per year**. Therefore, a Kiwanis Club with 50 members would be asked to donate \$150 per year; a Kiwanis Club with 80 members would be asked to donate \$240 per year, etc.

All Kiwanis Clubs that make this club donation would receive a banner patch for each year in which the donation is made.

100 percent of donations would go to the fund. (This means any administrative expenses would have to be funded separately, however, there may be ways to minimize the expenses, see below).

Fund donations would be split into **three sub-funds** (service, leadership, scholarship), with **\$1 each going to each fund**. The funds would be set up as “restricted” funds... meaning that while the CKI board could decide each year how to spend the money in each fund, the money in each fund must be spent in a manner that is consistent with the intentions of the fund (i.e., service fund money could not be used to fund scholarships).

- Major Service Fund – This fund would be used to fund a major service project on behalf of CKI. The CKI Board would determine each year which major charity project to fund. The emphasis would be that a large chunk of money, directed at a single charity, could make a large impact.

An alternative to the Major Service Fund is:

- CKI Tomorrow Fund – The monies would be used to grow the CKI Tomorrow Fund endowment, in which the increasing fund balance would cause interest earnings to grow, meaning more money available for the fund to distribute to worthy projects.
- Leadership Foundation Fund – As the name suggests, this fund would be used to create and support leadership-building programs. Some suggestions of uses of money for this fund:
 - LeaderShape (or similar programs)
 - International Officer Training
 - Club/District Leadership Development

- Scholarship Fund – This fund could be used to dramatically increase the number and type of college scholarships provided to CKI members

If done properly, the results could be huge. For example, let's say the total number of clubs that contribute \$3 per Kiwanis Member represent 100,000 Kiwanis Members (less than 1/3 of current Kiwanis Membership). **This would result in \$100,000 going to the Major Service Fund, \$100,000 going to the Leadership Foundation Fund, and \$100,000 going to the Scholarship Fund. This would be a total of \$300,000 going to CKI! And this is on an ANNUAL basis!!!!**

The overriding purpose of these funds would be to directly and greatly improve the benefits available to CKI members and clubs.

So... how do we go about setting up this campaign? It can be done one of two ways:

1) Annual Campaign – Each year, say, every May, **information about the Legacy Fund is sent to each Kiwanis Club, along with information about how to participate.** Monies could be sent to the International Foundation. **All of the money would be collected at once.** Also, since the campaign would take place before ICON, each new CKI Board would know the results of the campaign when they took office, and could plan fund expenditures accordingly.

2) Kiwanis Dues Statement – Each year, the Kiwanis Club would get to make the donation **via a line on the annual Kiwanis Club Dues Statement. If the Kiwanis Club chose to participate, they would simply take the number of members for whom they are paying dues on that statement, multiply that number times \$3, and add that amount to the total amount sent to International.** Kiwanis International would then transfer that money to the Legacy Fund. If this method was chosen, any materials relating to the fund could be distributed with the dues invoices, as well as the Kiwanis Club would not have to write a separate check. This should greatly reduce administrative costs. However, **the funds would arrive throughout the year, not all at once.**

The Legacy Fund would have to be set-up by an attorney, but there has to be an Indiana-licensed attorney in Kiwanis who would be willing to donate the time.

Budget Cuts

The committee looked at several areas in the convention and general budgets. The convention budget has already gone through some cuts as the event **MUST** break even. CKI is losing a lot of money and thus the committee had to aim at big line items that are “difference makers”.

The committee had to weigh in many things. With the money CKI was losing it's to the point where not only do you have to look at the unnecessary line items, but even to consider cutting out items that are beneficial to CKI.

The committee understands that it's not likely all areas below will actually be cut from either budget. However, the committee believes in order to make a real dent in fixing CKI's financial problems the items below must be seriously looked into.

The committee would also like to point out that budget cuts should not be researched randomly by a sub committee. Budget cuts should be considered every year and reviewed by the CKI board of Representatives and general membership for input. Some of the people that served on this sub committee recall their experiences on the International Board and remember approving the CKI and General budgets without any review prior to the board meeting. The budgets were given to us the day of the board meeting and if they were not approved of then it would put CKI in jeopardy. **THIS HAS TO CHANGE!**

The committee would also like to point out that financial decisions don't only fall upon CKI's membership. Much of the spending is determined by the Kiwanis International staff and of course approved of by the Kiwanis International Board of Trustees. This report (as well as all other supporting items from previous reports) should be reviewed by KI Director Rob Parker, KI Staff members and the Kiwanis International Board.

Areas for possible budget cuts (Areas written by committee members):

1) Circle K Magazine

Completely eliminating the Circle K Magazine represents the single greatest potential savings for the organization. The Committee recommends not merely eliminating the actual, physical magazine, but any potential replacement such as an “e-zine” or optional subscription. We offer the following rationale:

- *The magazine provides a relatively minor benefit to the membership.*
 - One of the most common complaints amongst CKI members is that the magazines do not reach them, or that they reach them weeks or months after publication.
 - Due to unavoidable scheduling and publication timetables, magazine content is months old by the time it reaches members.
 - The vast majority of the membership simply do not read the magazine.
 - This committee has found no empirical evidence that the magazine is a useful recruitment tool.

- *A print magazine has an extremely high economic and ecological cost.*
 - Currently, CKI members pay \$2.22 per member, per year for the magazine. This represents almost 10% of a member’s dues!

- *Any potential replacements would only create additional financial and resource costs while providing a diminished benefit.*
 - An electronic version of the magazine would negate \$17,500 of the projected 2007-2008 savings.
 - An electronic version would further burden the already over-taxed IT and web development staff.
 - The fixed costs associated with an optional subscription model would not justify the cost of the magazine, and would cost roughly \$7.00 per year, per member.
 - Having an electronic version would require members to visit the CKI website. The problem is not all members go to <http://www.circlek.org>. People who don't visit the website don't get their benefit for paying this part of their dues.

The following savings would be realized by eliminating the magazine:

Membership Budget						07/08	06/07
DESCRIPTION					DETAILED EXPLANATION OF CONTENT OF EACH ACCOUNT	PRELIM BUDGET	FINAL BUDGET
2	120	7000	0050	Magazine-Articles	Writers for feature content	5,000	5,400
2	120	7000	0100	Magazine-Art/Photos		500	4,000
2	120	7000	0150	Magazine-Contract Designer		0	0
2	120	7000	0300	Magazine-Printing	Web development costs (\$7,500); 1 print magazine (\$7,500)	15,000	18,750
2	120	7000	0400	Magazine-Postage	1 printed issue	4,000	8,750
2	120	7100	0150	Travel-Staff	Magazine staff to ICON (airfare, lodging, per diem)	500	500
Total Savings						25,000	37,400

2) Parliamentarian at International Convention

This was a tough issue. We had to look at the pros and cons of having a parliamentarian. This issue lies under “Something good for the organization, but not entirely needed.” The committee’s only recommendation is for CKI and KI to review this line item seriously and weight in the pros and cons (aside from the ones we provide).

Pros for having a paid professional parliamentarian:

- In recent year, CKI has contracted Chris Dickey as the parliamentarian. Chris has been an invaluable asset to the president during the House of Delegates, helping to keep order in the House and stay within parliamentary procedure. In addition, Chris helped CKI merge its constitution and bylaws.
- CKI has had a large amount of amendment proposals over the last 3 years consisting of changes to the CKI structure. With such important changes having a professional review the CKI governing documents and proposals is beneficial. Chris has in the past found amendments that were out of order and not appropriate for CKI to discuss and vote for. These catches might not have been caught by a volunteer.
- Having a professional strikes out speculation that the parliamentarian could have a bias preference towards any amendment proposal.

Cons for having a paid professional parliamentarian:

- It costs CKI so much annually to contract a parliamentarian
- Each member pays \$0.31 cents, representing 1.24% of membership dues for the parliamentarian.
- At its current position in the Membership Budget, each member of CKI is paying for the parliamentarian regardless of whether or not he or she attends convention – 100% of the membership is bearing the cost of an item that arguably benefits only 3% of the membership.
- There will likely be some “down years” in the future where there will be very little amendments proposed yet CKI pays the parliamentarian the same amount because of the contract agreed upon.

The following savings would be realized by eliminating the parliamentarian:

Membership Budget					07/08	06/07
DESCRIPTION				DETAILED EXPLANATION OF CONTENT OF EACH ACCOUNT	PRELIM BUDGET	FINAL BUDGET
2	120	7500	0250	Contract Serv-Parliamentarian parliamentarian for ICON	3,500	3,500
Total Savings					3,500	3,500

Once again the committee only proposes to seriously review this line item.

3) The CKI Meeting Connection and Convention specialist

CKI may be an international organization, but it simply cannot run a convention similar to Key Club and especially Kiwanis. The committee sees no reason spending **\$10,000** for the use of the Meeting Connection as well as well as spend **\$20,473** on a professional for a convention that hardly hits 600 attendees. There

are a couple districts that hold conventions about 2/3rd the size of ICON and don't use these luxuries.

CKI needs to put more of a purpose to the "host committee." We understand that KI staff can't do all logistical work, but there are Kiwanians VERY capable of handling logistics. One of the criteria for selecting a host district is ability to handle logistics concerning hotel rooms, registration and meeting rooms.

4) Additional areas to look into:

- In the General Budget can we eliminate the cost of printing club and district officer guides such as the ones handed out at GATC? Printed items such as these may be printed out by the individual at a later date. There is no need for this line item cost. Districts already distribute their own contact guides and this cost should be a district cost only if they see it necessary. Many printed items may be posted online instead of printed and handed out. This is an unnecessary action that is environmentally and fiscally unsound.
- In the Convention Budget can we find a way to do away with unnecessary costs such as AV and food budgets? We are highly concerned with the amount this costs International each year. Why not simplify our conventions and have reasonable expectations of the appearance of our stages and convention rooms. Why can't we just have a plain stage with only the basics? We understand that a lot of cost is due to contracts that

have been set but what we don't understand is the gross estimations that are within these contracts. Attendance expectations should be made reasonably. The fact is that contracts are what are costing the International system too much money and with elimination of unnecessary cost on certain things we can subsidize this cost. Why can we not have a plain convention with the basics that look professional but not over zealous? We like the idea of having conventions in schools where the cost would be minimal and we wish the International board would take a strong look at planning the next contract on a campus. What better way for a school to host an International Convention than on their own campus where they can get better deals.

- Keynote Speaker at ICON (\$3000, ~3% of convention budget)
2-130-7150-0025
 - Eliminating a keynote speaker is another potential item to be eliminated. However, all delegates attend the opening session, and it is good to begin the conference with a high-impact presentation from an experienced and engaging speaker. An alternate might have to be considered to entertain the crowd during a session.

- Awards (\$5000 in CKI general budget)
2-120-8100-0150
 - In the interests of reducing expenses, we propose cutting this to \$1000-\$2000. We do not want to eliminate the awards, but there is no need for luxurious awards. We propose printing very crisp large certificates (potentially with a seal on them). This

would reduce costs while maintaining a **professional appearance**. Also, we recommend giving a banner patch to accompany the certificate. This would allow the club or district to proudly display their hard earned awards at any events they hold

- Could expenses for Kiwanians (the KI Counselors in line 49 and the SLP Conference on line 55 of the CKI Budget, for example) be subsidized by Kiwanis? This doesn't exactly change how much is spent, but if Kiwanis is sponsoring us, does it make sense for college students to be paying for the expenses of the organization that ends up subsidizing CKI anyway? We know that we are trying to minimize this subsidy, but this would better make sure that dues from CKI members pay for CKI and Kiwanis members pay for Kiwanis. Especially for the SLP Conference, since this is a program of Kiwanis, Kiwanis should pay for the administrators to attend. Kiwanis used to cover the Administrators meeting and then the KI Board made the decision to move it to the 120 budget about three years ago. Why?
- The practice of having members from a host district for ICON pay less than everyone else needs to go away. Not only is there no financial justification for this, it's simply not fair, especially to the members in districts that have no chance at ever hosting a CKI convention. For those individuals in the host district who provide a lot of support to the convention, perhaps some sort of other arrangement can be done, such

as complimentary registration. However, those host district members who do nothing to support convention should not benefit (they already do with far less traveling costs).

The Circle K International Convention:

It is no secret that the International Convention has been a huge reason for CKI's debt. CKI ICON alone needs a special committee to review all angles. Areas to look into include (Ideas discussed for many years).

* *Facility for ICONS:* The idea of holding convention on college campuses has intrigued many people. It presents the opportunity to offer the CKI convention experience at a much lower cost. It also makes the chance of holding ICON at major cities (listed above) more realistic.

* *Shortening the Convention & LSSP-* A large service project makes total sense for a service organization. Does it need to be 4 to 5 days long? Not really. Does the International Convention need to be 4 days long? Not really. When you combine LSSP, ICON and travel time we are asking members to spend around 10 days away from home. While again we have dedicated members who will give that amount of time, you will likely lose those "border line" members contemplating whether to attend or not. Rather than have 2 separate events, LSSP should be a part of ICON that should last no more than 5 days total. That

way you have a conference that truly reflects the organization and does not take up a lot of time.

* Most large items concerning ICON are either contractually obligated or are allocated expenses. *In fact 90% of the CKI budget is contractually fixed.* This has to change! We cannot support the large expenses incurred by our current contracts and allocated fees.

Recommendation to the International Board: Reevaluate the look and feel of the convention; after the Board refines the convention format, a future committee can better evaluate and modify the budget to fit this new format.

In Conclusion:

This sub committee's creation was not meant to solve CKI's financial problems. It was created to assist the CKI executive committee in looking into CKI's finance. We hope that the creation of this committee is the start of a long, serious review into CKI's finances. The CKI convention alone needs special review by CKI and KI (That would take years to do).

Over the last 3 years structure change as been a big issue in CKI. Countless proposals have been made only to be turned down by the House of Delegates. Change is scary, but must be made to improve the current state of CKI. It is much easier to turn down a proposal than to pass one. The harsh, real fact is that

CKI's finances are a mess. It's not all about money for the organization... but without the necessary stable finances, the organization will crash. **This is THE LAST CHANCE CKI WILL HAVE to bring stability to the finances of the organization.** If this time, there is not real, meaningful change, KI will implement a structure upon CKI (and have every right to do so).

We as a committee challenge the following:

The Kiwanis International Board and Staff: Allow CKI to take more responsibility with their budgets. It is not acceptable to have the CKI board look over the convention and general budgets the weekend of a board meeting for a decision to be made that same weekend. Budgets should be reviewed with a decent amount of time and allow for feedback from the membership. We also ask that the KI staff and KI board review the areas they currently control. We ask that they seriously consider cutting certain areas such as the meeting connection and A/V. CKI cannot function in certain ways that Kiwanis and even Key Club can.

The current and future CKI Board of Representatives: Continue to look into the fiscal situation of CKI. It needs to be a priority issue until CKI is no longer losing money. Please don't let ideas die away. Be more aggressive and show the KI board and KI staff that you want to solve your financial problems.

As the chairperson of this committee I want to thank all the committee members that dedicated their personal time looking into countless files and giving their

thoughts and ideas. In addition, I would also like to thank Bobby Schroeder for his insight not only as a past dedicated member to CKI, but as a financial professional.

Respectfully submitted by
Armando Velazquez