



GENERAL SECRETARY-TREASURER

FRANK V. LÍMA**SENIOR TRANSITION TEAM**

BUDGET and FINANCE

OVERVIEW

The Budget Subcommittee is charged with reviewing the IAFF budget process, financial reporting, the impact on the operations and constitutional authority and responsibility of the office of the General Secretary-Treasurer (GST), and to make recommendations for compliance and/or improvement.

The Budget Subcommittee interviewed current and former IAFF employees, contractors and consultants for other non-profit organizations on best practices. Additionally, they reviewed Budget and Finance Executive Board Committee reports, IAFF Executive Board minutes, IAFF Executive Board policies, the IAFF Executive Board Ethical Practices Committee (EPC) recommendations and consultant reports.

FINDINGS

The IAFF has an annual budget of approximately \$75 million separated into more than 110 budget lines. This budget includes grant funds, profits from an IAFF solely held company and members' dues contributions. The IAFF manages two pension plans, a principal officers' retirement plan, a 401(k) plan and the associated compliance requirements of the plans.

Key stakeholders including IAFF staff and IAFF Executive Board members reported that the time allocated for review of proposed budgets was not adequate and that the presentation of the proposed budget lacked clarity. Stakeholders also reported there was a lack of consistency in how positive variances, or "roll overs", are handled at the end of the fiscal year. In other words, there was no consistency in determining which lines had funds roll over to the next fiscal year versus those that would be absorbed by the General Fund.

The IAFF Executive Board reviews financial reports during the three Executive Board meetings held during the fiscal year. Several District Vice Presidents (DVPs) have requested that these reports be more intuitive and that they be provided on a more frequent basis.

Over the last several years, the Executive Board has had numerous discussions on interfund balances and how to handle the repayment of funds owed from the General Fund to designated funds. It was also noted that the balance owed from the general fund to some designated funds far exceed what is needed (Union Justice and PROP are examples).

RECOMMENDATIONS

1. Implement a solution for budget development and presentation that provides:
 - a. Training to managers on how to review their current actuals and input their proposed budget for the next fiscal year **Completed**
 - b. Adequate time for staff to input their proposed budget **Completed**
 - c. The IAFF Executive Board information on the preliminary budget for the next fiscal year prior to IAFF managers entering their proposed adjustments. **Completed**
 - d. A more intuitive presentation of the proposed budget for Board consideration and adoption **Completed**
2. Develop a more intuitive process to present the financials of the IAFF to the Executive Board, Trustees, affiliate leaders and members. **Completed**

IAFF financials are viewed by individuals who have a broad base of familiarity/experience with financial documents. It is important to receive input from those users and strive to develop reports that are clear and easy to understand.

The IAFF Executive Board requested that a report be created to detail Executive Board actions that might affect the IAFF Financials to include who raised the item and any action that occurred as well as the outcome of the request. This report, titled *Summary of Executive Board Financial Actions*, was then created and is actively updated after each Executive Board meeting. It is then communicated to the appropriate parties and posted under the process in Recommendation 2 below.

3. Develop an online Financial Library to provide the Executive Board and Trustees access to monthly reports dealing with the financials including a per capita. **Completed**

The subcommittee noted that there were several locations that IAFF financials were housed, however, their locations were not always clear to relevant parties.

At the direction of the General Secretary-Treasurer, his office implemented the core tenet of ***transparency through simplicity*** regarding the IAFF's financials, and worked diligently to develop clear and detailed reports, graphs, and documents that would be housed in one central location for ease of access by the parties mentioned. Providing this information via e-mail has been at the forefront of the office functions to then relay the developed documents as well as their location.

This online Financial Library will enable the Executive Board to see the financial health of the organization as documents and reports are updated and posted

monthly. By increasing the ability to more frequently review the finances, the Executive Board will have a more in-depth understanding of organizational financial health. The per capita report should include designated funds and performance over multiple fiscal years.

Feedback regarding the creation of this Financial Library from the IAFF Executive Board members has been positive. This Financial Library also contains a glossary of financial terms to encourage informed interaction with the IAFF's financials, historical record of the past three years' audits of the IAFF and its relevant foundations and/or pension plans, actuarial reports of the employee and staff pension plans, as well as official records of Office of Labor Management Standards Form LM-2¹ and Internal Revenue Service Form 990² filings.

An investments page contains performance reports and a pension contribution forecast that illustrates historical and future pension payments to aid the Executive Board with additional information.

All additions to the IAFF Financial Library are routinely updated with the most current applicable report to ensure that the transparency recommended by the subcommittee has been accomplished.

4. Post the monthly bank statements from the IAFF's bank accounts in the financial library. Completed

The IAFF maintains approximately 28 bank accounts as part of the IAFF financial operations. While the IAFF Executive Board and Trustees review various financial statements at the IAFF Executive Board meetings, the Executive Board and Trustees should have easy access to the monthly bank statements that will allow them to review the actual transactions within each account for maximum transparency.

These statements are now posted in the Financial Library. Now, for the first time ever, the Executive Board and Trustees are provided the monthly bank statements from all 28 accounts. It doesn't get more transparent than that.

5. Educate the membership on the budget including showing how per capita funds are allocated. Completed

Every IAFF member deserves to know how their hard-earned dues are invested in the IAFF. This transparency is critical in maintaining our members' trust in the IAFF finances.

¹ Required for labor organizations with \$250,000 or more in total annual receipts

² United States Internal Revenue Service form that provides the public with financial information about a nonprofit organization

The General Secretary-Treasurer and his staff have developed a clear report that illustrates how per capita funds are allocated. This report was developed with suggestion from the IAFF Executive Board and subsequent update from the GST staff. It compares the membership totals of both active and retired members from the current year and previous year demonstrating the relationship between membership and per capita funds. This report has been published (and updated monthly) on the IAFF secured online Financial Library as well as distributed to membership at IAFF sanctioned events to promote the level of transparency recommended by the subcommittee.

6. Have a report that distinguishes designated funds and balances.

Completed

It is important for the board to understand how the funds that have been approved for specific purposes are used. This helps transparency regarding the reasons the funds were raised and how they are being managed. This provides better tracking and accountability for each fund as it relates to the overall budget.

Within the IAFF Financial Library, a page dedicated to this fund designation was created to house individual reports for each of the relevant funds to show their balances. For historical record keeping purposes, previous month balances also exist to clearly show balance history to the Executive Board.

7. Develop reports that clearly show the Interfund balances. **Completed**

In reviewing recent challenges the Executive Board has dealt with, it is evident that the Board would benefit from a report that clearly shows interfund balances and how they are paid down over time. This clarity empowers the Board to make informed decisions when addressing how to make future decisions in regard to paying down these balances.

The General Secretary-Treasurer worked with his staff to have this report, titled "Interfunds: Annual Comparison" that clearly shows the interfund balances and to support the subcommittee's recommendation. This report is in the IAFF Financial Library and is accessible to the IAFF Executive Board.

8. Develop a plan to pay down the Interfund balances. **In Progress**

The Executive Board has taken decisive action to address some of the interfund balances such as the Emergency Disputes Fund (EDF). With the ability to now easily view interfund balances and any pay downs on the IAFF Financial Library, a plan to address remaining balances will allow the Board to make more informed decisions on future spending needs. IAFF Executive Board action taken in June 2021 has initiated this plan to address a portion of the Union Justice and PROP interfund balances for example.

9. Adopt a per capita policy that:

a. Defines the value of One Cent Completed

There is no written policy for the measurement date to determine this value or the threshold for when these increments should change. The IAFF has been following a verbal instruction that the budgetary value of one cent shall only change in \$2,500 increments. This should be codified in policy.

During the June Executive Board meeting, the General Secretary-Treasurer, along with his AGST/Comptroller, brought forth a policy to clearly illustrate the budgetary value of one cent and outlines the budgetary value of one cent only changing in \$2,500 increments. This policy was subsequently unanimously adopted by the IAFF Executive Board.

b. Defines the rounding of Convention Cost Factors Completed

During the June Executive Board meeting, the above-mentioned policy defined the rounding of convention cost factors to the nearest ¼ cent.

c. Defines the rounding of CPI-W Completed

During the June Executive Board meeting, the above-mentioned policy defined the rounding of CPI-W annual measurement to the nearest tenth of a percent, and the subsequent calculated per capita increase rounded up to the nearest cent, consistent with the IAFF Constitution & Bylaws Article VIII, Section 5.

d. Defines the amounts allocated to designated funds Completed

Some funds and programs receive per capita based on actual membership figures from month to month – PAC, EDF, Disaster Relief Operations, Reserve, Foundation, and the Fallen Fire Fighter Memorial program. All other programs receive the per capita calculated on the one cent equals method. To create a consistent practice, the policy set all funds and programs to the one cent equals method.

The per capita tax policy unanimously adopted during the June Executive Board meeting encapsulated the recommendations listed in number seven.

10. Adopt a policy to ensure adequate operating cash in both the U.S. and Canadian banks. Completed

Within the last decade, the IAFF General Fund has experienced an excess of operating cash available (over \$5M in Canadian operations) and a shortage of operating cash available (less than \$500k in US operations). After studying the

cash cycles over the last two years, a policy designed to give the General Fund an appropriate amount of cash to meet the day-to-day demands, while also providing an early warning system for cash management issues, was needed.

The Cash Management Policy should also provide a mechanism for handling transfers/rollovers of a budget line item's funds from one year to the next. By recording these rollovers in the General Fund budget and actuals as a planned "Reserve Draw" the recordkeeping will be clearer and more transparent.

During the June Executive Board meeting, the above-mentioned policy was brought forth to the IAFF Executive Board and included the provision of a mechanism for assessing budgetary "rollovers" while closing out the IAFF's fiscal year books. Language was added to this policy to clearly state the responsibility of the General Secretary-Treasurer to inform the IAFF Executive Board of any line-of-credit draws. The policy was unanimously adopted as revised.