



**GREAT LAKES UNITED**

Memo

To: GLU Board  
From: Phil Weller, Executive Director  
Date: January 15, 1992  
Re: 1992 Budget (This memo is a slightly revised version of a memo presented to the Executive Committee on January 5, 1992)

As you may know by now, on December 16, 1991 we were informed by the Great Lakes Protection Fund that our proposal for a two year pollution prevention project was only partially funded. The Protection Fund will provide \$60,000 to us over two years instead of the \$205,000 over two years as we requested. This decision by the Great Lakes Protection Fund means that we must change the 1992 budget which the board approved on September 22, 1991.

This memo will provide you with information on the implications of this funding shortfall. This background information is necessary to make changes to our budget for 1992 at the January 25 - 26 meeting in Chicago. John and I have agreed that a conference call of the Finance Committee prior to the Board meeting in January will lay the groundwork for making decisions about options for dealing with this problem.

**1) The implications of the funding shortfall from the Great Lakes Protection Fund.** In our approved 1992 budget we had anticipated revenues in 1992 from the Great Lakes Protection Fund of \$109,670. The Fund will provide us with \$30,000 per year. I have been told that this funding is for the continued production of the Bulletin of Pollution Prevention and the further development of a pollution prevention clearinghouse.

This means that the existing 1992 approved budget has a \$79,670 revenue shortfall. If we try to achieve a balanced budget we therefore must reduce expenditures by this amount or find additional revenue sources.

Although we have a substantial revenue deficit as a result of the decision of the Great Lakes Protection Fund there are also a number of expense items included in the existing 1992 budget related to work which the Protection Fund has not funded.

This means that as a result of the project scale-back we will not incur these project expenditures. This include items such as a \$7,000 grant to the Grand Cal Taskforce for work on a Good

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Neighbour Agreements and \$10,000 for hosting of Pollution Prevention Leadership meetings.

I have developed a budget which removes expenses that would have been incurred in completing the tasks we had outlined in our proposal to the Great Lakes Protection Fund that are not now funded by the Fund. The total amount of expenditures reduced in this manner is \$30,550.

The total shortfall of revenue over expenditures for 1992 as a result of the decision of the Protection Fund is therefore \$49,170.

2) 1991 Financial Picture. The most recent income statement which presents a picture of revenue and expenditures for 1991 through the end of November. After reviewing this information and examining anticipated income and expenses for December, it is my belief that we will conclude 1991 with a surplus in the U.S. accounts of approximately \$25,000.

This estimate of excess of revenue over expenses for 1991 is based on the fact that as of the end of November we had a surplus of revenue over expenses of \$36,624. This figure includes \$20,445 revenues from Alton Jones and Public Welfare for which we have not yet incurred any expenses (particularly paying a Technical Analyst). In December we should receive approximately \$18,300 of income. This includes \$1,000 from CIELAP, an overhead transfer of \$5,000 from the Canadian account, \$1,500 of donations and members dues, \$8,800 owed for completion of this years Protection Fund grant, and \$2,000 owed to us for a travel grant from the Great Lakes Protection Fund.

Our monthly expenses through 1991 are approximately \$24,000. Subtracting our expected revenue from expenses in December leaves us with \$5,700 excess of expenses over revenues. Subtracting this amount from the \$36,624 surplus at the end of November leaves us with \$30,924. It is possible that the expenses could be slightly higher in December because of \$4,000 paid out on the ARO/Murray project and costs for printing the citizen guides we are writing as part of the 1991 Pollution Prevention Project. I would estimate therefore that we will have at least a \$25,000 surplus for 1991. This, I believe, is a very conservative estimate. With these thoughts in mind I have developed a revised 1992 budget.

3) Revised 1992 Budget - Attached you will find a revised 1992 base budget. It is my belief that we should use this budget as the basis for making our 1992 budget changes. This budget is based on taking the existing 1992 Budget and making changes based on the revised circumstances for revenue and expenses brought about by the Great Lakes Protection Fund decision and a careful look at the income and expense items in the existing budget in the light of new circumstances and information.

In places where line items have been modified from the existing budget approved in September, the old figure is provided in brackets and an explanation is provided in the end notes on why a change is justified. You will note that both expenses and revenues have been adjusted. It is my belief that the figures in this budget are as close as possible to reality should be used as the base upon which all other budget options are discussed.

Based on this calculation the deficit of revenue over expenses for 1992 without further adjustment will be \$43,978.

#### 4) Options for Budget Changes

##### Option A - Eliminate Funding Development Coordinator Position

As you all know, Kris Miller resigned from her position of Funding/Development Coordinator in early December. Until decisions are made by the board regarding the 1992 budget I do not intend to hire a funding/development coordinator.

A decision not to rehire this position throughout 1992 would mean that salaries and benefits for this position would not be expended. While I think this is prudent decision given the circumstances, we will have to ensure that the work needed for funding/development is picked up by other staff and that we examine other options, such as hiring consultants, for undertaking this very necessary activity.

##### Option B - Salary Freeze for 1992

If salaries were frozen at their present level for 1992, the total salary and benefit expenditures for 1992 would be \$192,408 (this does not included the funding/development position). This would be a savings of \$10,505 over the existing Budget. This of course also means that there are no expenditures included for a funding/development coordinator.

##### Option C - Staff Benefit Reduction

At present we provide the option of full family or individual health care coverage to individuals employed at Great Lakes United. We also provide eye care and life insurance. Under the Revised Budget the total benefit costs in 1992 will be \$37,462. This figure is based on 20 percent of our total salary costs including the funding/development position. In 1991 this percentage slightly overestimated our benefit costs but in 1992 it probably will be closer to the actual costs based on a 1992 increase of %16 in health care costs. Health care costs are by far the largest single portion of this item comprising over 80% of the total.

Reductions in benefit payments by Great Lakes United are possible as a cost cutting measure. Any number of options are

available as a way of saving money. For example, GLU could eliminate the option for family coverage and only pay the employees costs or ask the employees to pay a percentage of the health costs.

**Option D - Eliminate the Technical Analyst Position as of August 31, 1992**

As of January 1, 1992 we have hired Glen Gelinas as a Technical Analyst to do the work committed to in the program of activities submitted to the Public Welfare and Alton Jones Foundation. The grant for this position started on September 1, 1991 and will conclude on August 31, 1992. The 1992 Budget as approved in September includes the continuation of the position of Technical Analyst throughout the whole of 1992.

The position of technical analyst is only funded by grant funds until August 31, 1992. By terminating this position at that time, unless other funds become available, the salary and benefit expenses would be reduced. In order for this to occur, it would be imperative that other staff do some of the work required by the grants.

**Option E - Reduce the Hours or Duration of the Position of Pollution Prevention Researcher**

Because the Great Lakes Protection Fund has reduced the scope of activities for the Pollution Prevention project a reduction in hours for this position may be necessary. Alternatively a cutoff date would be established by which the position would be eliminated if no new funds became available.

**Option F - Reduce the Hours of the Administrative Staff**

Currently we have one full time and one part-time (30 hours per week) administrative staff. Reductions in the hours of the administrative staff would reduce the total salary costs. The amount would be dependent upon the amount of hours reduced.

**Option G - Reduce the Hours of the Production Assistant**

The production assistant has been employed in 1991 in a half time position. In the early part of 1992 he will be needed to work extensively on completing the Pollution Prevention Guides being written under the 1991 Great Lakes Protection Fund grant. After that time the specific activities will be somewhat diminished although his skills are necessary to complete the Bulletin of Pollution Prevention. One possible way to retain his skills and to reduce the costs for his work would be to retain him as a contractor. We could bring him in to do work as needed in addition to establishing a permanent contract for his work on the Bulletin.

As an additional note to this item, in 1991 the Production Assistant helped produced the RAP PAC Newsletter for which he was paid out of the Canadian account in addition to his existing salary. If funds for this activity were brought into the U.S. budget and made up a portion of his salary there would be saving in salary costs.

#### Option H - Reduced Board Meeting Frequency

In 1991 we held only four board meetings. This reduced the expenses in the U.S. such that we will end 1991 having spent approximately \$2,400 less than the \$7,000 we budgeted. The budgeted expenses in the Revised 1992 Base Budget are again \$7,000. Reducing the Board meeting frequency would mean that this figure could be reduced.

#### Option I - Reduced Frequency of Newsletter From Four to Three Issues Per Year

It currently costs approximately \$900 per issue to mail our newsletter. Printing costs for each issue are approximately \$2,300. Reducing the frequency of issues of the newsletter would reduce costs by approximately \$3,000.

#### Option J - Reduced Number of Free Copies of the Newsletter

We currently mail our newsletter to a large number of people (approximately 5,000) for free. These include elected representatives, media, friends of GLU etc. If we reduced the number of people on this list we would save postage and printing costs. It is my understanding that the savings for printing costs would not be large and that mailing costs would also not be substantial.

We could also send an additional notice to people on this list asking them to join or be dropped from the list. If 5% of these people joined the organization that would add about 200 U.S. members. This would amount to about \$4000. It should be noted, that many of the people on this list are critical to ensuring that our message gets out and is utilized in decision making.

If we reduced the number of copies of the newsletter we mailed we could send extra copies to our member groups and ask them to distribute them for us.

#### Option K - Find Other Grant Funds

In order to maintain our existing level of organizational activity we are going to need to find additional grant funds. One option which will be pursued immediately is to determine if some of our pollution prevention work could be supported by the Kellogg Foundation. They have in the past expressed an interest in supporting us and this option will therefore be pursued. I

have already contacted them and they are not back in the office until January 6, 1992.

I also suggest that we determine if a revised pollution prevention program proposal could be supported in the next round of Great Lakes Protection Fund grants.

It should be noted, that our existing 1992 budget had a revenue item of \$25,000 for new grants. Kris before she left had done some background work that will be helpful in pursuing this option although it will take a commitment of staff time to make these ideas become real.

#### Option L - Produce Special 10th Anniversary Publication

A suggestion that arose during a staff brainstorming on the budget was to produce a special edition publication in support of our 10th anniversary. The publication would include selling advertising space to businesses and groups who want to congratulate us or sell some product to our members. It was suggested that other organizations have raised \$5-10,000 in this way.

#### 5) Summary

The decision of the Great Lakes Protection Fund has presented us with a difficult challenge. Based on the Revised 1992 Budget we have a deficit of revenue over expenses of \$43,988. In addition to this we have a \$25,000 revenue item in that budget based on receiving supplemental grants. While all other grants have been confirmed for 1992, there is of course no guarantee we are going to get the \$25,000 we have listed in the budget. We do, however, have a 1991 surplus of approximately \$25,000.

It is my belief that the major portion of the 1991 surplus money should be used in 1992. In fact it is probably inaccurate to call the entire amount surplus because it is in large part based on activities that will be done in 1992 but for which the funding was received in 1991. In particular, I am referring to the Alton Jones and Public Welfare Foundation grant.

With this information in mind the board has a number of decisions it needs to make. These are the key ones I believe the finance committee should focus on:

- 1) Is the Revised 1992 Budget realistic.
- 2) What percentage, if any, of the 1991 surplus should we utilize in 1992?
- 3) What options or combination for reducing expenses are best?

- a) Salary freeze
- b) Benefit payment reduction
- c) Reduction of Staffing
- d) Reduced Board Meeting Frequency
- e) Reduced Newsletter Frequency or Distribution

4) What possible additional revenue sources are there?

If you need additional information or would like to discuss this memo prior to the meeting please see me.