



## **PRESIDENT'S REPORT FOR BOARD OF TRUSTEES MEETINGS DECEMBER 6 TO 8, 2015**

### **Introduction:**

- I am marking my third month as President and CEO of the TREE Fund as I prepare this report in advance of our December meetings. I remain honored by the confidence the Board has placed in me, am delighted by the strong support I have received from staff and volunteers, and am impressed as I visit and participate in a variety of tree care industry meetings, events and conferences. I am looking forward to the year ahead!
- My personal management style in terms of Board reporting is to not simply repackage the many details contained in the documents you are receiving in your Board packages, but rather to provide a consolidated, strategic overview of recent, current and planned activities that can bear on or impact the Board's governance and fiduciary responsibilities.
- Several of the themes embodied in this report will be topics of group conversations at our Joint Trustee-Liaison Meeting, so they are provided to give you an advance sense of my perspective to help frame these talks.

### **Financial Management:**

- Both operating revenues and expenses were down at the end of the third quarter, per the detailed report provided as part of the Consent Agenda. Bottom line is that our net operations are ahead of budget and we have positive operating cash flow year to date, though our investments are down as of our most recent reports, so total assets are not as robust as I would like. The losses in the investment portfolio appear to be deeper than broad market forces would have caused. Chicago Community Trust will make a presentation at our Board meeting, and we should collectively question and make sure we understand the factors that impacted our portfolio's year-to-date performance.
- I have completed a "bottoms up" review of our current budget and made recommendations to the Finance Committee for a 2016 budget that consolidates accounts and shifts functional allocations. These changes will support clarity in reporting and improve our program expense percentages. The budget reflects a variety of structural changes (e.g. adapt Auction to become more of a "friend-raising" event, adopt new 403b benefits for employees, etc.) that are specifically discussed in other attachments in the Board package.
- Note that the endowment reinvestment spreadsheet provided with your Board materials does not yet contain my recommendations. These will be contingent on Finance Committee's agreement at our December 1 meeting that we should draw down surplus operating reserves (we are sitting on ~\$600,000 in our operating accounts right now) in lieu of additional investment draws in 2016 as we begin an endowment building campaign. I will complete this recommendation within 48 hours after the Finance Committee meeting to support your review before our full Board meeting.

**Facilities:**

- Our current lease at 552 S. Washington Avenue in Naperville expires in the summer of 2016. I consider our space inadequate for our needs, and am actively working to find us a new home in a cost-effective fashion. I am seeking a property of ~1,000 square feet within reasonable walking distance of the Naperville (first choice) or Lisle (backup) train stations to mitigate impact on all current staff, while still allowing me to commute to the office from downtown Chicago via public transit. Key goals for the new property include moving off-site storage in-house, providing a common meeting area, improving environmental controls, and ensuring that all staff members have enough privacy to engage in routine daily activities without distracting or being distracted by others. The proposed 2016 budget reflects both lease increases and moving costs associated with finding a new office home.

**Personnel:**

- Carol Holmes has done exceptional accounting work for the TREE Fund in 2015 as an independent contractor, working 12 hours per week. Her current contract expires on December 31, 2015. As much as I would like her to stay, I feel we need more office time from our financial staff than Carol desires as we move into an endowment building campaign period. Carol and I mutually agree that the most effective way to achieve this goal is to hire a new staff member on a three day/20-hour per week basis after Carol's contract ends. I am currently advertising for this position and expect to conduct interviews before the Board meetings with a goal of having a new person in place on or around January 4, 2016. Carol has graciously agreed to continue working with us through transition, and I have asked her to prepare an "as needed" hourly consulting arrangement for 2016, since I see her being an important contributor to the audit process early in the year.
- The budgets provided in your Board packages contain a single personnel line that incorporates salaries, benefits, payroll taxes, etc. The specific salary details behind this line were provided to the Finance Committee to document my intentions in these areas and to allow the Treasurer to affirm to the full Board that they are sound. Given the sensitivity associated with widely sharing individual salary lines, however, these elements are not reproduced in the budgets provided with your Board packages.

**Development Activities:**

- Gross revenue for STIHL Tour des Trees is just below \$610,000 at the time of this report, with several payments still pending (most notably Team Canada funds). The Tour met the budgeted revenue level (\$587,000), but has not yet reached the public stretch goal (\$625,000). The 2016 revenue budget for the Tour is slightly lower than 2015 reflecting uncertainty about impact of a second year's decoupling from the ISA International Conference. The 2016 public goals will be carefully set once final 2015 numbers are in to reflect at an ambitious and achievable level.
- The Raise Your Hand for Research Auction under-performed this year both financially and in terms of attendance, grossing ~\$92,000 against a budget of ~\$114,000. We are working with ISA Texas to reconfigure this event in 2016, trying to make it as much of a "friend-raising" event as it is a fundraiser. The proposed operating budget for 2016 reflects lower gross revenues as a result of this plan, ideally shifting some sponsors and participants toward unrestricted operating gifts in lieu of auction purchases.

- The 2015 Year-End Appeal launched in November under the theme “Who Benefits From The TREE Fund’s Work? Everyone!” This is the first step toward better marketing the end benefits of our work to communities, businesses and individuals beyond the tree care industry as we launch an ongoing annual operating campaign approach in January 2016.
- I have a letter ready to mail to all current Heritage Oak Society members to formally document and better understand the depth and nature of our existing planned giving program, to give us data to support its expansion. These letters will go out in early January, to preclude any confusion with or undermining of the Year-End Appeal. Results will be tallied and disseminated before March 1, 2016.
- Chapter support and endowment contributions are down in 2015, in part because of the leadership transition putting fundraising activities in a holding pattern for several months, and in part because endowment building campaigns for the Skiera Fund and UARF have either ended or stalled. Both of these funding streams should bounce back robustly in 2016; we know already that we will receive a ~\$200,000 grant via the Utility Arborist Association next spring, and my planned engagement activities with U.S. chapters should engender support for our Chapter Challenge and other decentralized fundraising initiatives.

#### **Communications:**

- Our website is overdue for a refreshing, both in its traditional web format, and in terms of its accessibility and utility on portable digital devices. I have included funding for this work in the proposed 2016 Operating Budget.
- Staff members continue to devote time and attention to social media applications, though I do not see that we are reaching any new audiences via these approaches, but rather simply affirming relationships with existing friends. This has value, but we need to ensure that “preaching to the choir” does not take precedence over new engagement initiatives.
- Communications and strong media placements beyond the tree care industry’s publications will be crucial as we work to expand fundraising in the year ahead. In early 2016, I will be evaluating costs and potential returns associated with hiring a public relations agency beyond the contract work done to support the STIHL Tour des Trees each year. I have had success with this approach in earlier positions, and do not feel that we can create an effective national marketing presence using only in-house personnel.

#### **President and CEO Goals:**

- Following our last Board meeting, the Executive Committee and I completed the Memorandum of Understanding between me and the Board as to our respective responsibilities and expectations, and also produced a set of goals for me through March 1, 2016. I am on track with these goals to date, and will provide a complete report before our May meeting. I appreciate the clarity the Board has provided me via these documents.
- A key goal for my first year is to visit all 20 U.S. Chapters of ISA. To date, I have attended TREE Fund, ISA, TCIA or ASLA events and/or participated in other private meetings with leadership in six of the 20 ISA Chapters in the United States: Wisconsin, Texas, Illinois, Midwestern, Florida and Penn-Del. I am on track to visit all 20 Chapters by September 2016, consistent with goals established in my performance evaluation plan. I am seeking the opportunity to publicly address attendees (when practical) as part of these visits to discuss TREE Fund objectives in the years ahead. As part of the Joint Trustees-Liaison Meeting, I will offer my observations and reactions to date to frame some of our group conversations.