

# **TREE FUND MEMORANDUM**

Date: May 8, 2018

To: TREE Fund Board of Trustees

Fm: J. Eric Smith, President and Chief Executive Officer

Re: Report for May 21, 2018 Trustee Meeting

## **INTRODUCTION:**

Three years ago this month, I was beginning my family transition from Des Moines to Chicago, while the TREE Fund Board of Trustees was holding its last meeting with Janet Bornancin as your President and CEO. Eight weeks later, we'd shaken hands (virtually speaking) on an offer for me to serve as your new principle executive. The time since then has passed quickly, and I believe we have accomplished a great deal together in three years.

For me, one of our most important accomplishments was our new 2018-2020 Strategic Plan, which is exceptionally helpful for me and the staff as we work to turn your collective strategic visions into executable tactical realities. By keeping the plan deliverables in front of us in all of our Board Committee meetings, we work together effectively and efficiently, and I am pleased that we are on track and schedule with all milestones this year.

I consider the Tour des Trees analysis required by the Strategic Plan to be a particularly important piece, and I appreciate your thoughtful review and consideration of the options and recommendations communicated there. I have encouraged Chairman Geist to hold the Board's deliberations on this document in executive session, to allow frank discussion and debate at a governance level that might be hampered by staff (myself included) participation. I hope that discussion is fruitful and results in both internal and external clarity on what the Tour is supposed to be, why we do it, and what we expect from it.

Because that report ran nine dense pages, I will keep this report brief, only documenting items of particular concern and interest, mirroring our Committee reports.

## **GOVERNANCE/EXECUTIVE:**

- The Governance/Executive Committee has reviewed and concurred with my Tour des Trees recommendations, and will be carrying them in for discussion at the Board meeting.
- I also worked with the Committee to develop a new form and schedule for conducting my annual evaluation; Chairman Geist will discuss this with you at the Board meeting as well.

## **AUDIT/FINANCE:**

- We completed our second annual review with Sassetti LLC as our independent financial auditor, and received a clean bill of health with no reportable items of note. The Audit/Finance Committee accepted Sassetti's report on behalf of the full Board of Trustees, and we will be filing our 990 this month per normal State and Federal schedules.

- Our 2018 budget is a conservative one, specifically designed to help us recover from a challenging year in 2017 with several unexpected financial hits. We are doing well against budget so far this year on a macro, accrual basis, especially with endowment commitments like the Davey Fund instrument of gift, but we are still running tight on the operating cash side, with several large grant payments for new and ongoing work due in the next few months. Tour revenue will be peaking over the summer, and we are focused hard this month on securing corporate partners before we go into Tour and ISA International production and printing, so we should be in good balance between those factors.
- Before we were accurately reflecting the nature of our relationship with Chicago Community Trust (CCT) in our financials, we had transferred unrestricted funds to CCT to achieve better earnings than those offered in our general banking accounts. In our 2016 audit, we properly reflected that all funds transferred to CCT are, by definition, permanently restricted per the terms of our instrument of gift with the Trust – including those funds that could and should have been available for operations, but which now are not readily transferred back to operations without action by both TREE Fund's and CCT's boards. As part of our cash management plan this year, as donor restricted gifts come in for the endowment, we are transferring funds from this formerly-unrestricted pool, rather than from our operating bank account. We will continue to do so until we draw that pool down, probably later this year. We began this process late in 2017, and I have kept our Auditors and the Audit/Finance Committee aware as we move forward with cleaning up this last relic of our inaccurately documented relationship with CCT. The downside is that the total CCT endowment value does not increase, but I consider this to be an acceptable situation for now as we rebuild cash balances in anticipation of new audit requirements this year to publicly disclose liquidity information in our financial statements. The Audit/Finance Committee has a strategic plan deliverable later this year to evaluate our cash reserve policies and positions.

## **COMMUNICATIONS:**

- We recently engaged the Kansas State University Center for Rural Enterprise Engagement to conduct an audit of our social media platforms and usage; they are experts on helping green industry businesses leverage social media to achieve organizational goals.
- We launched the new *TREE Press* newsletter in April and have had favorable feedback on the design and contents. We will be doing a quarterly *Research Reports* supplement beginning this summer, and going into deeper detail on recent projects or findings of note. We also published a standalone Annual Report as a mail-ready promotional piece.
- We have added two new webinars to our 2018 calendar, bringing the total to six. I continue to consider this a great programmatic success for us, as we are averaging over 400 participants on each of these calls, and doing an excellent job of getting our researchers' findings out for general practitioners.

## **DEVELOPMENT:**

- Tour rider fundraising is ahead of where it was at this time last year, though rider registrations are at about the same level as they were last year at this time. Registration closes May 31, so we are pushing hard to encourage sign-ups throughout the month. I am hopeful that our rider contingent will be about the same size as it was two years ago in the Carolinas, when we had a record-setting level of rider and team fundraising.

- With UARF, Appleton and Barborinas Funds completed in 2017, our primary endowment building focus in 2018 is on our new Tree and Soil Research Fund for Landscape Architects. We are currently working with Jim Urban to develop a leadership committee for this effort, and are pursuing various direct appeal approaches to early gifts. I believe we need an analog of PG&E's matching gift program for UARF for this campaign as well, so we are also working with Jim quietly on identifying some major donors who may be able and willing to establish such a challenge or matching gift.
- We will be partnering with Ohio Chapter ISA (OCISA) this year for our TREE Fund After Hours event at ISA International in Columbus. We are taking the event off-site to remove some of the "institutional" feel of holding it in a convention center space, and also to dramatically reduce costs, with OCISA paying 60% of the total food, drink and space costs.

## **RESEARCH AND EDUCATION:**

- Dr. Hudler will be providing his committee's recommendations for your vote at our meeting. We will be awarding one Hyland Johns Grant, one Safe Arborist Techniques Fund Grant, one Utility Arborist Research Fund Grant, one Ohio ISA Education Grant, and seven scholarships from our various programs. This spring grant cycle was the first one we managed since abandoning the WizeHive system. I believe it went very well – and it saved us \$11,000 in fees for a software application that was glitchy and complicated for applicants and reviewers alike. Our remaining grant programs will be processed in the fall cycle, so we no longer have a summer application and review season.
- One of the Kimmel grants awarded in December to Dr. Liliana Franco-Lara of Universidad Militar Nueva Granada in Colombia has not been contracted. Dr. Franco-Lara has presented a variety of evolving concerns and challenges with her institution, and I am skeptical at this point as to whether this grant will go forward. We have given her and her institution until June 30 to complete the contract process, with the offer rescinded after that. Canadian TREE Fund (who pays for these grants) is only likely to fund a single grant in 2018 (they base their payments to us on the number of Tour riders on Team Canada), so if this one falls through, we will still offer two in 2018, using residual Canadian funds from last year.
- We awarded \$5,000 to Dr. Eric Wiseman last year to conduct an Arboriculture Education Benchmark Review to help us better define the types of education programs we fund. The original plan was to have his final report in hand before this month's Board meeting, but he recently informed us that he has experienced some delays, and the report will not be submitted until June 15. As part of Davey's pledge to establish a new education fund, we have committed to providing them with this report so that they may work with us to make sure that when the Davey Fund goes live, its educational grants are supported by these findings.
- We also awarded \$20,000 to Drs. Andrew Koeser and Rich Hauer last year for a Research Impacts and Outcomes Survey, attempting to better understand and document how the research we have funded has benefited our industry. This report is due in November, in advance of our December meetings at the Bartlett Labs in Charlotte, North Carolina. The day after our normal Trustee and Liaison meetings, we will be holding a Research Workshop where we will invite a dozen or so representatives of our research community to help us evaluate the findings of the Koeser-Hauer report, and use them to create more specific RFPs for all of our research grants for the next three to five years, to ensure we are seeking proposals that will address the most pressing and important issues in our fields of study.

- We have been administering two scholarship programs – the Horace M. Thayer and Fran Ward Women in Arboriculture Scholarships – for PennDel Chapter of ISA for several years. These scholarships are restricted to students from Pennsylvania and Delaware, and one of them is restricted to female students. We get very few qualified applicants for either grant, despite significant efforts to recruit applicants. There is no endowment underlying these grants, nor any current plans by PennDel to establish one; PennDel just provides the funding for the scholarships, plus our customary 7.5% administrative fee, which does not begin to cover the time and effort we put into these programs. Unless PennDel elects to make a significant endowment gift, or changes the scope of these scholarship programs to be national, as is the case for all of our others, I do not see any justification for TREE Fund continuing to administer these programs. Most ISA Chapters have scholarship funds and programs that they administer internally, and PennDel should be doing so for this scholarships as well, since regional, non-endowed programs are inconsistent with our operating practices and principles.
- I have been working with Dave Krause at Asplundh and Carolyn Mahan at Penn State University to have TREE Fund become the contract administrator for the “Bramble and Byrne” projects on State Game Lands 33 and associated sites. The current contract for this work expires at the end of June, so we are working to see if we can get a new contract in place before then, under our Sponsored Grants Program. We’ve run into some hurdles, but I am still cautiously optimistic that we can get a one-year contract in place with two option years. Even though it is a pass-through arrangement (we get a 7.5% administrative fee), it will help our program percentage numbers significantly, since we will award a research contract of about \$120,000 this summer, a significant increase over our budgeted amount this year.

#### **LIAISON:**

- We continue to work with the liaisons on moving Chapters from the “chapter challenge” retail approach to fundraising, and into a “partnership” model consistent with how we engage corporate supporters. I believe the transition continues to go well, and most of the Chapters have declared their partnership intentions for 2018.
- As per the 2018 budget, we are traveling less as a team to Chapter and other events this year, trying to focus on those with the greatest returns on investments in terms of making or retaining friendly, supportive relationships. We are also sharing the travel load in the office this year, with Karen Lindell and Monika Otting representing TREE Fund at events where I have travelled in the past two years.

#### **CONCLUSION:**

As always, please let me know if you have any questions, concerns or comments on anything in this report. I remain grateful for your wise counsel and support.

All best,



J. Eric Smith,  
President and Chief Executive Officer