



# KDA 2021 Budget

Process, History, Factors to Consider, Recommendations  
to the Executive Board



# Process

- Todd Edwards and the Secretary/Treasurer develop a budget in April of each year based on the year end data for December 31 of the preceding year. At this time, we only have one quarter of data from the current fiscal year to use to modify budgeted amounts.
- The Budget and Finance Committee reviews the budget and modifies as it believes appropriate, and makes recommendation to the Executive Board related to the adoption of the budget and other financial oversight matters.
- The Executive Board reviews the budget and approves as recommended or with modifications, generally in June.
- The House of Delegates reviews the budget and approves as recommended or with modifications at the Annual Meeting, in August.



# 2019 Major Revenue Sources

- Dues & Assessments: Budgeted \$532,000, Realized: \$530,114 **-\$ 1,886**
- Annual Session: Budgeted \$ 80,000, Realized: \$ 95,612 **+\$15,612**
- ADABEI: Budgeted \$ 21,000, Realized: \$18,715 **-\$ 2,285**
- Association Gloves Budgeted \$ 2,500, Realized: \$ 4,740 **+\$ 2,240**
- KDA Insurance Budgeted \$ 20,000, Realized: \$ 18,229 **-\$ 1,771**
- Total Rental Income Budgeted \$ 67,500, Realized: \$ 67,500 **0**



# Dues & Assessments: Who Pays What Now

- Active Members: Full dues, Assessment
- Active Retired Members: 25% dues reduction, No Assessment
- Retired Life Members: No dues, No Assessment
- New Dentist Members: No dues year of graduation, 50% discount year two, 25% discount year three, no assessment
- Student Members: No Dues, No Assessment
- Graduate Student Members: No dues, No Assessment



# What is the Assessment For & How Long Will It Continue?

- The Assessment is an additional amount paid to the KDA for the purpose of retirement of the mortgage debt on the KDA Building. It was added in 2006 when KDA moved into its new building.
- The amount of the Assessment was established by dividing the mortgage payment by the number of Active Members in order to collect an amount equal to the annual mortgage. But this group of members has borne a disproportionate amount of this expense because no other category of members have contributed to this expense.
- The Assessment is to be discontinued when the mortgage on the building is retired, which is currently estimated to be in 2030 under the current loan.



# Overview of 2019 Budget Year

- Total Budget Amount Initially \$738,580
- Year End Budget \$822,6282
- Despite over realization of revenue on Annual Session of \$15,0612, expenditures exceeded revenues
- Balanced budget was achieved by contributions from the Journal Fund and the Reserve Fund of a total of \$24,984. **NOT A SUSTAINABLE PRACTICE**



## 2019 Expenditures: Exceeded Budget by 4.6%

- Category A: Utilities, Maintenance, Professional Services, Postage Insurance and Miscellaneous was **overspent by \$17,237**. The majority of this was related to unbudgeted campaign contributions for candidates for ADA offices for 2020 (Thompson and Rapini) and from an increase of our rent (in lieu of mortgage) of \$8276.
- Category B: Equipment Rental, Tech Support, Officers Expenses, ADA Delegates Expenses, Executive Board Expense, Council and Workgroup Expenses, Student Support was **overspent by \$5423** due to higher than anticipated expenses for Equipment Rental and Maintenance, and increased contributions to Student Support and Council Support. This category would have been much more overspent were it not for the lack of reimbursements claimed by Drs. Lee and Moats in their respective offices.



## 2019 Expenses Continued

- Category C Expenses: Staff Salaries, Benefits, Retirement Contributions, Payroll Taxes, and Executive Director Expenses was **overspent by \$28,688** in part due to a Bonus paid to the Executive Director based on metrics reached, but not tied to overall budget performance by the Executive Committee. Rick hit most of his metrics including membership increases and revenue increases from the annual session, but expenditures, many of which he does not control, overshadowed the revenue increases.
- Category D Expenses: Fund Contributions to various other KDA Funds, was budgeted at \$8000, but no contributions were made due to over expenditures in other categories.





## 2019 Expenditures Continued

- Category E Expenditures: (ADA Grant Expenses, Investment Fees) were budget neutral, with no variance from the amount budgeted, and in the case of the ADA Grant, with expenses matching grant revenue.



# 2018 Budget

- **Expenditures exceeded budget by 6.2%**



## Five Year Budget Revenue & Expense Trend 2017-2021, Initial 2021 Budget

YEAR	2017	2018	2019	2020	2021	DOLLAR Δ	PERCENT Δ
Revenue	722,180	772,781	822,682	765,730	783,805	61,625	8.5
Catg. A	169,801	184,591	193,527	176,630	182,605	12,804	7.5
Catg. B	64,876	88,008	83,986	82,500	90,550	25,674	39.6
Catg. C	464,119	488,888	494,865	505,850	509,650	45,531	9.8
Catg. D	0	5,000	0	0	0	5,000	
Catg. E	817	1,000	675	750	1,000	183	22.4
J Fund +	0	19,706	7,080	17,577	18,052		
R Fund +	0	28,274	17,904	0	0		
Cont. to R Fund	20,312	0	0	0	0		



# Original Budgeted Contribution from Journal Fund for 2021

- Exceeded the total amount of net revenue in that fund for the entire year of 2019. This did not seem to be prudent
- While our KDA Today continues to have a net profit from advertising, the size of the printed journal is decreasing. At the present time, KDA is one of only two dental associations with a profitable hard copy printed membership publication. National trends would caution us against using profit from this fund as a way to balance the operating budget in an ongoing manner.



# Factors Contributing to Budget Overruns

- Membership numbers have not hit projections in all categories
- Membership numbers of Active Members continues to decline as a factor of an aging membership populations, thus discounted dues and no assessments are paid by many members
- Poor fiscal restraint with respect to approval of unbudgeted expenses
- Staff salaries increasing in an unsustainable manner and in the absence of a provision related to budget performance
- Mediocre revenue from Annual Session



# Factors Contributing to Budget Overruns Continued

- ADA Delegates Travel Expenses no longer sustainable
- Dangerous attitude about use of the Reserve Fund and the Journal Fund
- Structural Deficit in Legislative Fund due to very large increase in expenditure related to hiring a professional lobbying firm without matching dedicated revenue. **Not sustainable- even with dues increase totally dedicated to this fund.**
- We do not have a formal mandatory mechanism to “true up” the budget at year end. We should adopt such a process and revise the budget for the remainder of the year to prevent budget overruns.



# Reserve Fund

- Per the KDA By-laws, the balance of the Reserve Fund at a MINIMUM must be 35% of our annual operating budget. The original budget brought forward to the Budget and Finance Committee did not meet this guideline.
- Reserve Fund Balance History

2017     \$295,799

2018     \$279,392

2019     \$270,675

2020     \$271,154



# Membership Trend: 2014 to 2020

Year	Active Members	Total Members
2014	999	1306
2015	945	1232
2016	886	1193
2017	863	1183
2019	787	1149
2020	729	1410





# Membership Status

- Despite an increase in total number of members, we have not seen an increase in full dues paying members
- Our membership trends status parallels that of the ADA
- This is why, just as the ADA did, the Executive Board has **a Resolution going to the 2020 House of Delegates to revise our dues structure to eliminate the 25% discount for Active Life Members, shorten the time period of discount for New Dentists, and add Assessment to Active Life Members dues statements.** The revenue projects for Due Revenue are dependent on this Resolution passing at the House of Delegates meeting and will require education from Executive Board Members to HOD Members in their components.



## Legislative Fund Status

- End of Year Fund Balance 2017 **-\$ 60,537**
- End of Year Fund Balance 2018 **-\$111,488**
- End of Year Fund Balance 2019 **-\$162,918**
- **This is obviously not sustainable and is detrimental to the KDA**



# Legislative Fund Source of Revenue

- A fixed percentage of dues is directed to the Legislative Fund (and similarly to the Journal Fund) each year.
- When the Executive Director was doing all of the lobbying for the KDA, this was adequate to fund expenses associated with lobbying.
- Now that we are using McCarthy Strategic Solutions, we are continuing to increase the deficit in this Fund annually, and its expenses have to be covered from other sources.
- **A dues increase specifically earmarked to begin addressing this structural imbalance in the budget is necessary. Either that, or we must reduce the level of services from our professional lobbyists to fit within our budget.**



# Investing in the Future of the KDA

- We have not been holding a Leadership Conference to engage younger members
- We have not been contributing to the Capital Expenditures Fund
- We have been raiding the Journal Fund and the Reserve Fund to balance the Operating Budget
- We have not dealt with the structural deficit in the Legislative Fund
- **These actions are not conducive to building a future for KDA!**



# Budget and Finance Committee Recommendations

- Based on the information just presented, the Budget and Finance Committee believed strongly that the initial budget for 2021 was not fiscally responsible. This is NOT a reflection on Todd Edwards- he develops the budget using an incremental model based on past budgets, trying to please everyone who is making requests or accustomed to having a specific level of funding.
- The budget that Dr. Robert Millay will be presenting to you is a very conservative budget, reflecting a realistic approach to revenue and some difficult cuts to expenditure that impact officer of the KDA, the staff, the Executive Director, and ADA Delegates. This budget addresses some investment in the future of the KDA, protection of the Reserve Fund and the Journal Fund, and an initial approach to eliminating the deficit in the Legislative Fund via a small dedicated dues increase directed to that fund.