

ELC Charter Fee Work Group

Conference Call

Monday September 25, 2017

11:00 AM EDT

NOTES

In attendance: *Ken Naquin, Mike Salsgiver, Len Toenjes, Mike Dunham, and Toby Crow*; AGC staff: *Dave Lukens, Monique Ford, Carolyn McFadden, Christi Beatty*
Absent: *Jack Ramage*

1. Opening Remarks

Ken Naquin welcomed everyone to the meeting, thanked them for their time and reminded everyone that AGC's Executive Committee had created a task force to study the AGC Charter Fee System and is looking to the ELC Work Group to come up with recommendations for changes to the system.

Ken once again acknowledged that the chapter execs in an earlier survey had rated the Charter Fee system highly, saying that chapter execs seemed to like the ease and simplicity of the new system. Specifically, Ken said the task force is interested in hearing the Work Group's recommendations on the following:

1. Ideas for educating execs and chapter staff on Charter Fee Compliance
2. Annual Charter Fee caps (*individual chapter scenarios provided*)
3. Cap stratifications
4. Charter fee discounts and penalties for late payment

2. ELC Work Group Discussion

Dave Lukens explained that, per the Work Group's request during its September 11 call, the work group was provided with the following data for categories of small, medium and large chapters:

- Per member fee
- % of IRS 990 revenue
- % of IRS 990 member dues
- % of IRS 990 expenses

Lukens explained that while the ranges are larger than the averages in each of the presented categories, the averages across all chapter categories were very similar. And, because of the way in which some chapters account for various categories of revenue (i.e., industry advancement fund income, for example), the ranges appear to be significant in some cases.

Lukens went on to say that AGC of America is interested in possibly creating some charter fee caps and looking at implementing a 3-year average for calculating the charter fee year over year in an effort to smooth large increases and decreases that chapters sometimes experience. This would help keep chapters insulated from huge increases (and decreases) in charter fee owed to AGC of America. This approach also helps protect AGC of America’s budget from overall dips in dues revenue as a result of economic downturns, for example.

Lukens suggested that, if the work group has a desire to take a closer look at charter fee equity over the long-term, he would suggest a larger, more diverse representation of chapters participate in such a discussion. He further suggested that conducting such a study would take 18 months to 2 years to complete.

3. Ideas for Educating Chapters

The work group briefly discussed ways in which AGC of America could better educate chapters on how the charter fee works. This includes making the charter fee compliance process even more clear for chapter execs and their staff. Simplicity is especially important for smaller chapters that have limited staff resources. Staff noted that, while most chapter execs reported on the survey that they found the process to be much easier since adopting the charter fee process, several chapters still have some confusion about which revenue number to submit to AGCA.

It was suggested that in 2018 chapters be required to upload a pdf of the page from their IRS Form 990 – Part VIII – Statement of Revenue that shows Membership dues revenue reported. This may help clarify what revenue figure is required and ensure the correct figures are reported from year to year.

It was also suggested that AGC restore and update some of the educational material provided to the chapters when the charter fee system was adopted, especially in light of the large number of new execs that have been hired by chapters over the past 3-5 years. A webinar series for chapter execs and chapter finance staff was also recommended.

4. Work Group Recommendations

Proposed Brackets for Chapters – the work group recommended that AGC implement the following brackets for charter fee calculations beginning in 2018.

	Proposed Bracket Caps for Chapters <small>(based on prior year charter fee amount)</small>	
Less than \$100k	\$100 - \$200k	Over \$200k
15%	12%	8%

3-Year Average for Chapters – the work group recommended that AGC implement a 3-year average when calculating charter fee increases and decreases to help smooth out any large increases or decreases. For example: the 2018 Charter Fee adjustment would be reflective of the average of the increase/decrease of reported Chapter Membership Dues and Fees from 2013-2014, 2014-2015, and 2015-2016.

Base Charter Fee for Adjustment Calculations – In the event that a Chapter is eligible for a discounted Charter Fee due to reaching an Increase Cap, the Chapter's net discounted Charter Fee (not the gross charter fee) would become their base fee for calculating the following years' Charter Fee.

Discounts for Chapters that Pay Early – the work group recommended that AGC keep the 3% for chapters that pay their charter fee in full by March 1st. The group suggested getting rid of the 90/10 arrangement due to possible confusion it created.

In the past, if the chapter remitted 90% or greater of their charter fee by March 1st, they were eligible to take the 3% discount on the 90% (or greater) payment at that time. Then, the chapter was also eligible to take a 3% discount on the remaining 10% payment if that remaining 10% payment was remitted to AGC of America (postmarked) by July 1st. And, if the chapter remitted some portion of the fee by March 1, a 3% discount applied only to the amount remitted by March 1.

Late Payment Fee – the work group recommended a late fee of 0.5% be assessed on a monthly basis for chapters that fail to pay their charter fee by July 1st.

A Long-term Study of the Charter Fee System - the work group recommended that AGC of America and the ELC take a longer-term look the Chapter Charter Fee System with the idea of including a more diverse group of chapter execs in the discussion. Specifically, one of the goals of such a study would be to identify ways to make the charter fee system more equitable from chapter to chapter.

5. Next Steps

AGC staff agreed to draft the notes from the meeting, circulate the notes and recommendations to the work group and then provide them to the AGC of America Charter Fee Review Task Force. The Task Force is set to meet in early October prior to the AGC of America Board meeting.