FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
August 29-30, 2012
Room 7C13
441 G Street NW
Washington, DC 20548

Wednesday, August 29, 2012

Administrative Matters

- **Attendance**

The following members were present throughout the meeting: Chairman Allen, Messrs. Dacey, Dong, Granof, McCall, Reger, Showalter, Smith, and Steinberg. The executive director, Ms. Payne, and general counsel, Ms. Hamilton, were present throughout the meeting.

- **Approval of Minutes**

The minutes of the June meeting were distributed at the meeting and approved.

Agenda Topics

- **Federal Reporting Entity**

Staff, Melissa Loughan, explained the Federal Reporting Entity agenda item would begin with an educational session on the Federal Reserve System. The session objectives are to respond to questions posed by a member regarding the Federal Reserve System and to provide an opportunity for a representative from the Federal Reserve to present information and respond to Board member questions.

Staff explained the accompanying Board materials for the session presented Mr. McCall's questions followed by staff responses. The material also presented attachments that provide (1) summary information describing the Federal Reserve System, (2) relevant excerpts from the publication *The Federal Reserve System-Purposes and Functions,* and (3) Sections 1 through 19 of the Federal Reserve Act.

Mr. Donald V. Hammond, Deputy Director, Division of Reserve Bank Operations and Payment Systems, Federal Reserve Board of Governors, and Mr. Greg Evans, Deputy Associate Director, Division of Reserve Bank Operations and Payment Systems, provided an excellent overview of the Federal Reserve System. The presentation focused on the transparency, governance structure, and differences in accounting of the Federal Reserve System. He also provided a brief overview of the purpose, functions, and unique aspects of a central bank as it relates to economic policy and his views on how this differs from fiscal policy. This provided an excellent opportunity for the members to learn more about the Federal Reserve and ask questions.

The session was educational in nature and did not result in any formal decisions by the Board. However, the attached transcripts provide an account of the discussion (see pages 10- 64).

Staff explained the next agenda item related to the draft Exposure Draft. The session objectives were to approve changes since the last meeting to the Draft ED but staff noted that it was agreed Mr. Steinberg would develop new language for reconsideration at this meeting. Therefore, the Board materials include an Alternate Draft of Proposed Standards. Staff explained an efficient way to consider the alternate draft would be to consider the key differences. Therefore, the Board considered each difference and determined the following.

During its deliberations of the differences, the Board considered a proposal to add a fourth inclusion principle "for entities created by the federal government to perform sovereign powers" and the votes were as follows:

Board Member	**Yes**—Add New Inclusion Principle for entities created by the federal government to perform sovereign powers	**No—Don't add**
Mark Reger		X
Hal Steinberg	X	
Sam McCall	X	
Michael Granof	X	
Scott Showalter	X	
Graylin Smith		X
Bob Dacey		X
Norman Dong		X
Tom Allen		X

The Board determined not to add the new inclusion principle for entities created by the federal government to perform powers sovereign powers.

The Board also considered whether a definition should be added to the standard, glossary, or remain silent for "sovereign powers" since it is a common term or term that appears to have a well known meaning from other sources. The Board votes were as follows:

Board Member	No Definition	Definition in Standard	Definition in Glossary
Mark Reger	X		
Hal Steinberg		X	
Sam McCall	X		
Michael Granof		X	
Scott Showalter			X
Graylin Smith	X		
Bob Dacey			X
Norman Dong	X		
Tom Allen	X		

The Board vote not to add a definition.

~Lunch Break~

The Board discussed the enumerated disclosures tailored to and required for entities exercising powers reserved to the sovereign that they requested to be added (par. 71 in proposed ED) at the June meeting. After reviewing it in the context of the entire disclosures, the Board determined it appeared to be a repeat of the previous paragraphs. The Board voted unanimously to remove the paragraph from the ED.

The Board considered whether a new objective, "Organization," for the disclosures relating to non-core/ disclosed entities should be added. This was proposed in the alternate ED so that readers will understand the governance structure that differentiates the disclosed entity from consolidated entities. After discussion, the Board considered integrating the objective in several ways:

Board Member	No new Objective—ED remains as proposed	New Objective for Organization Added	Add w/Relationship Objective
Mark Reger			X
Hal Steinberg		X	
Sam McCall	X		
Michael Granof	X		
Scott Showalter			X
Graylin Smith		X	
Bob Dacey	X		
Norman Dong			X
Tom Allen			X

The Board vote determined the organization title would be added with the relationship objective to clarify that the established objective addresses both organization and relationship.

The Board also discussed the difference in the alternate proposal that required disclosures about intervention entities even if they are not owned or controlled so that all interventions are addressed in a single standard. The Board unanimously agreed the treatment should remain as proposed in the ED but the Basis for conclusion should acknowledge there are other intervention activities that may exist and other standards would be applicable and capture the financial effects of those activities. A Board member also suggested that this may be an area the Board should consider a question to respondents.

The Board deliberated the alternate draft's revised terminology. Specifically, the alternate draft replaced the following: 'core' with 'consolidated' and 'non-core' with 'disclosed.' After discussion, one member noted the Board was not quite satisfied with either proposal and perhaps additional time should be given for staff to develop additional alternatives. However, another member requested a vote. The Board votes were as follows:

Board Member	Core/Non-Core	Consolidated/Disclosed	Allow staff time to research new alternatives
MR		X	
HS		X	
SM		X	
MG		X*	X*
SS			X
GS			X
BD		X	
ND		X	
TA	X		

_X* Mr. Granof was not sure how to vote since he prefers "Consolidate/Disclosed" over "Core/Non-Core" but was hoping staff could come up with a better alternative.

The Board vote determined the terms Consolidated and Disclosed would be used in the ED. However, the Board directed staff after the vote that it could have latitude with the term "disclosed" as it may be problematic to incorporate.

The Board also discussed the change of the term "included" to "report" in the alternate draft. The Board unanimously agreed that it should not be a universal change throughout the document but the notion of "inclusion principles" should remain. The Board directed staff to use words interchangeably as they see fit and as necessary for the flow of the document but suggested the use of following: to include, to incorporate and to report.

The Board also requested staff to consider adding questions to respondents in the following areas:

- Organizations that receive funding from appropriations and other sources (donations or revenues) such as Museums
- Intervention activities that are beyond the scope of this standard because they do not meet the inclusion principles

Chairman Allen requested members to send any additional comments or suggestions to staff. Staff will also consider other enhanced wording changes from the alternate ED that are clear improvements. Where an improvement in wording does not change a requirement, staff will adopt the edit for the Board's consideration in the next version.

The attached transcripts provide an account of the discussion for the meeting and can be reviewed at pages 64-166.

The last topic on the Federal Reporting Entity was the discussion of the related party draft language and disclosure requirements. Staff provided a draft that relied heavily on listing parties to be included and excluded. In addition, the staff proposal provided room for judgment by incorporating a misleading to exclude provision.

While the Board did not have a formal vote on the language, it did appear they were in agreement with the direction. The Board requested some minor revisions—such as to move the notion of misleading to exclude (see par. 6 c in Tab C page 5) so it is more prominent, perhaps listed first, they also suggested that par. 7h provide examples of special interest groups. Staff will incorporate these and other suggestions by members.

One member also suggested that a question to respondents be considered so the Board can gather additional information if there are other organizations that should be excluded from related party reporting to better ensure there are no unintended consequences.

The attached transcripts provide an account of the discussion for the meeting and can be reviewed at pages 166-179.

CONCLUSION: Staff will incorporate agreed upon changes. Some changes will be circulated by email before the October meeting. Staff hopes to provide a pre-ballot draft for consideration at the October meeting.

- **Asset Impairment**

Mr. Allen introduced the project by referring members to the briefing memo and asking Mr. Savini to begin the discussion. Mr. Savini distributed a revised pre-ballot draft document to include member (Messrs Dacey, Granof, and Showalter) comments received after the advance briefing materials were shipped. Members were asked to use the revised document as a basis for discussion and pre-balloting.

As all significant technical matters were resolved prior to the pre-ballot stage, member comments and suggestions were primarily editorial in nature. The following page and/or paragraph references and notations reflect the most significant edits/suggestions made during the meeting:

1. Page 4: Summary – Add a second paragraph to clarify board's intent in light of presumption that entities have existing processes in place; that is, if management determines that such processes are not sufficient, additional procedures may be needed.

2. Paragraph 16a – Simplify the first sentence to state that costs become disproportionate to the new expected service utility.

3. Paragraph 21 – Eliminate requirement for agencies to disclose measurement methods.

4. Paragraph A4: conform to edit made in the Summary as described in item 1 above.

CONCLUSION/NEXT STEPS: Noting a general agreement among members to move ahead to the next step, Ms. Payne welcomed any additional edits and advised the Board that a ballot draft would be forthcoming via email requesting member votes. Mr. Allen then concluded this portion of the meeting thanking staff and members.

- **Risk Assumed**

Julia Ranagan and Monica Valentine, FASAB project staff, presented the briefing materials on risk assumed. In response to staff's first question—Does the board approve the staff recommendation to begin developing revised standards for insurance and guarantee programs to address current inconsistent and duplicative reporting in a more timely manner?—Mr. Allen asked for members' views and then directed staff to begin developing options for addressing insurance and guarantee programs but not proceed with developing a separate exposure draft at this time. A formal vote was not taken.

In response to question 2a—Does the board approve the staff recommendation to amend SFFAS 5 to address the inconsistency in reporting of major insurance and guarantee programs between FASAB and FASB reporting entities?—Mr. Allen directed staff to further explore the issue and provide the board with potential options for addressing the issue that include a full discussion of advantages and disadvantages. A formal vote was not taken, but there were no objections from other board members.

Mr. Allen tabled questions 2b—Does the board approve the staff recommendation to develop a separate disclosure framework for insurance and guarantee programs?—and 2c—Does the board approve the staff recommendation to pursue disclosure of risks assumed by some insurance and guarantee programs in the notes to the financial statements rather than as RSI—stating that the board did not have enough information to answer the questions at this time.

In response to question 3—Does the board approve the staff recommendation to rename the project "Risk Assumed and Other Contingencies" to encompass reporting about risks assumed as well as other risks and fiscal exposures that are facing the federal government?—Mr. Allen said he does not see the value in deciding for sure what the name of the project should be at this time since the scope may change in the future. A formal vote was not taken, and other board members did not offer additional views.

In response to question 4a—Does the board approve the staff recommendation to pursue reporting on outstanding grants, contracts, and other undelivered orders beyond one aggregate number in the notes to the statements?—Mr. Allen directed staff to start working towards some potential disclosure that is essential or useful to users to understand the overall financial condition of the federal government. A formal vote was not taken, but there were no objections from other board members.

Questions 4b—Does the board approve the staff recommendation to pursue detailed disclosures about all contractual obligations and other commitments, similar to current disclosures about capital and operating leases?—and 4c—Does the board approve the staff recommendation to pursue developing a detailed disclosure framework for commitment and contingency reporting?—were not discussed.

CONCLUSION / NEXT STEPS: Staff will continue to approach the risk assumed project from a broad perspective but will focus current efforts most heavily on reporting by insurance and guarantee programs. Staff will begin to develop options for addressing the inconsistent and duplicative reporting on the risks assumed by insurance and guarantee programs to present to the board at a future meeting at which time members will decide whether to (1) go ahead and issue a separate exposure draft on insurance and guarantees, or (2) hold out for a more comprehensive standard on all significant future outflows of the federal government.

- **Steering Committee Meeting**

The Steering Committee discussed the present staff vacancy and noted the uncertainty arising from the potential sequester in January. Ms. Payne will continue working with GAO officials regarding the vacancy. No need for changes in the FY2013 or 2014 budget were noted.

Adjournment

The Board meeting adjourned for the day at 5:00 PM.

Thursday, August 30, 2012

Agenda Topics

- **Reporting on Fiscal Projections**

Mr. James Dalkin, Director of Financial Management, Government Accountability Office, and Chair of the Prospective Information Task Force, and Mr. Charles Landes, AICPA Vice-President, Professional Standards Group provided an update on the Prospective Information Task Force's efforts. The Auditing Standards Board (ASB) organized the Prospective Information Task Force to review the auditor's responsibility for prospective financial information like the Statement of Social Insurance (SOSI) and statement of long-term fiscal projections. The ASB task force was also charged with looking at the Governmental Accounting Standards Board's (GASB) Preliminary Views of the Governmental Accounting Standards Board on major issues related to Economic Condition Reporting: Financial Projections.

Mr. Dalkin noted that the GASB's preliminary views document would require prospective financial information as required supplementary information (RSI) and the task force concluded that the audit procedures were sufficient. With respect to the FASAB's statement of long-term fiscal projections, the task force considered whether the statement could be auditable once it becomes a basic financial statement. He noted that the statement involves 75-year projections predicated upon economic conditions; therefore, it would be difficult for an auditor to obtain a high level of assurance (reasonable assurance) that the statement was fairly presented given the length of time and subjectivity of the events. Accordingly, the task force considered the following options:

- FASAB retaining the statement as RSI. If retained as RSI, this approach would be consistent with GASB's approach for prospective information and would present fewer issues from an audit prospective. Mr. Allen noted that some believe that procedures performed regarding RSI do not provide any assurance because the auditor compares the RSI for consistency with the basic financial statements and projections do not have a relationship to the basic financial statements.

- Auditors providing a bifurcated opinion. This approach would involve auditors providing a traditional opinion on the historic financial information and, for the prospective financial information, the auditor would provide an attest service and examine the assumptions. The task force distinguished between prospective amounts and calculations that link to historic financial statements as compared to a separate presentation of prospective information. The bifurcated opinion would be new ground and some accounting standards-setters may have problems with this approach. Also, the conditions for both the statement of long-term fiscal projections and SOSI are similar, so the two financial statements should be considered together.

- FASAB considering whether the statement has met its intended purpose. Auditors believe that there are some substantial issues in their ability to audit it.

Mr. Dalkin noted that, according to the 2011 Financial Report of the United States Government, the outlook for the government is improving, but other organizations have noted that the outlook for the government is getting worse. Thus, there will be differences in opinions when discussing long-term fiscal projections. Mr. Allen noted that the Board may not have clearly delineated when changes in methods or assumptions should be made. When a structure and discipline has been established, the auditor can get comfortable with the information.

Mr. Granof noted that the difference is that we are discussing projections based on current law rather than predictions. The auditor should be able to get comfortable with a projection based on current law.

Mr. Dacey noted that the Board intended to reflect the impact of changes in laws from one year to the next. The change in long-term fiscal projections from 2010 to 2011 is due to the Budget Control Act rather than changes in methodologies or estimates.

Regarding why the auditors were able to get comfortable with rendering an opinion on the SOSI, Mr. Dalkin noted that standards evolve and the facts and circumstances have somewhat changed over time. For instance, Medicare has become more complex due to the changes in legislation. Social security is a benefit payment and auditors can review the actuaries' procedures. However, long-term sustainability involves very judgmental numbers that are not tied to the financial statements and auditors are being asked to provide assurance on something that is going to happen in the future. This presents a risk for auditors and there is a concern whether an audit is the best approach.

Mr. Reger noted that FASAB and other standards-setters are looking at presenting sustainability issues, but the audit community seems to be focusing on historical perspectives. He would encourage the audit community to look at ways to move ahead. Mr. Landes noted that the community supports working with accounting boards to provide prospective information. Also, Mr. Landes noted that present value amounts, such as a liability that impacts financial position, are different from a separate presentation of forward-looking amounts that do not link to a historical financial statement. If reviewing a 75-year projection, is it more appropriate for the auditor to make the claim that this is fairly stated at this point in time or say that the presentation has been appropriately presented. This is the issue that the task force considered.

Mr. Steinberg noted that the information needs seem to be evolving rather than the standards. There needs to be ways to keep pace with the needs of users. Mr. Showalter also noted that he would encourage the AICPA to develop an answer. The bright line between historical and prospective information is getting blurred each day. Financial statements include forward looking information such as the future values. Also, the Financial Accounting Standards Board developed different levels for fair value information and a reader is informed of the differences among the levels. In addition, Mr. Showalter noted that he was not sure what the risk is from the auditor’s perspective. An informed reader would know that the 75-year projections are different from the cash amount presented in the other financial statements, and providing adequate disclosures would help manage any risks.

Mr. Landes noted that the ASB is moving forward and agreed that amounts being presented in financial statements are based on some type of future flow. However, the statement of long-term fiscal projections is not trying to tie a number back to the financial position or cost of operations. Also, the bifurcated opinion approach does provide some assurance on the projection.

Mr. Allen explained that there is a fundamental difference between the SOSI and statement of long-term fiscal sustainability. As a result of the “grand compromise” on social insurance, the SOSI presents the liability number, but that number is not on the balance sheet. However, the statement of long-term fiscal sustainability was intended to show a projection of current law and the results of changes in laws. The auditor is saying that the amounts presented in the statement of long-term fiscal sustainability are consistently calculated from year to year. The Board could look at whether additional discipline is needed with respect to the statement of long-term fiscal sustainability.

Mr. Dalkin noted that Congress is including futuristic provisions in legislation. For example, provisions in the Affordable Care Act are predicated upon health care costs growing at a lesser rate than inflation, which historically has not been the case. As a result, provisions are based on a future event that may or may not happen. This uncertainty presents a difficult challenge for an auditor trying to determine whether a number is fairly stated. Mr. Allen noted that the standard likely tells the preparer to choose an approach, but in revisiting the standard the Board could decide to permit two projections – one based on current law and one based on what is most likely to occur (considers historical trends).

Mr. Dacey noted that under the bifurcated opinion approach, the auditor would be stating that the prospective information is presented in accordance with a set of standards and would provide a statement about the reasonableness of the assumptions, given those standards. Mr. Dalkin added that with respect to the prospective financial information, the auditor would be reviewing the assumptions used in the projection rather than providing reasonable assurance on the bottom-line numbers, which could vary. Mr. Landes added that the bifurcated opinion approach does presume that an examination would be performed regarding the prospective information and there would not be a "step-down" per se in the level of assurance that the auditor is being asked to obtain.

Mr. Dalkin summarized that, from the task force's perspective, the bifurcated opinion would be more tenable than providing a traditional opinion, but retaining the long-term fiscal projections as RSI would be most tenable. FASAB members expressed concern about the level of audit assurance that RSI might provide.

Mr. Dalkin suggested that FASAB meet with other accounting standards-setters to discuss the audit challenges regarding prospective financial information. FASAB members expressed interest in having a joint meeting with the GASB, but the issues would need to be framed.

> **CONCLUSION:** FASAB staff will frame the likely issues and pursue a joint-meeting with the GASB regarding prospective financial information.

- **Public-Private Partnerships (P3)**

The Chairman asked Mr. Savini to discuss and clarify his question and related Board recommendation. Messrs Allen and Savini reminded members that staff (1) had originally asked the Board to defer the P3 project and (2) consider issuance of a Technical Bulletin in lieu of a Standard.

<u>Deferring the P3 Project</u> - Mr. Savini detailed his initial concerns earlier in the year (April) which lead him to ask the Board whether the project should be deferred until additional progress was made on the following two related projects:

1. <u>Federal Entity</u> – due to the structural complexity of many P3 arrangements that currently exist, certain P3's that would not meet either the ownership or control

tests would be subject to a related party test. The related party definition[1] staff has proposed to the Board reads as follows:

> Related parties are not controlled or owned by the federal government. **Parties are considered to be related** if the relationship or one party to the relationship has the ability to exercise **significant influence over** the other party in making **financial <u>and</u> operating** decisions. (Underscoring and bolding are added for emphasis)

As currently drafted, <u>if a sponsoring agency or agency party to a P3 did not have both financial and operating influence</u>, a P3 relationship that had either financial or operating (but not both) <u>would be exempt from federal reporting</u>.

Nevertheless, staff noted that in light of this recently proposed definition the P3 project is in a much better position to proceed.

2. <u>Leases</u> - due to the transactional complexity of many P3 arrangements that currently exist, if operating leases are retained and in some manner changed, P3 reporting could be affected.

   Staff noted continued concern with the uncertainty of the Leases project.

Members did not see a compelling reason to delay the project and were in general agreement that staff should continue its efforts coordinating with both the Federal Entity and Leases initiative.

<u>Technical Bulletin</u>

The Board reviewed staff's recommendation to issue a Technical Bulletin instead of a Statement. Staff noted that it would like to avoid duplication with existing FASAB GAAP which is fairly robust in providing guidance to help preparers account and report for P3's. Staff believes that a Technical Bulletin or "How to" guide would be more beneficial to preparers.

Members generally noted that P3's are complex and would require significant study before such a conclusion could be reached noting that staff might in fact find gaps in existing guidance. As a result, the Board reserved judgment in this regard.

<u>CONCLUSION:</u> Staff acknowledged the Board's advice and counsel and will work with the Executive Director to revise and implement a detailed project plan. Mr. Allen then concluded this portion of the meeting thanking staff and members.

[1] TAB C Federal Reporting Entity- Related Party, Memo date 10 August 2012.

- **Annual Report**

Ms. Payne noted that the draft annual report provides an initial summary and discussion of the performance survey results without benefit of hearing the members discuss the concerns and suggestions presented in the individual surveys. She anticipates making adjustments based on the discussion today. As a reminder, she noted there are required components of the annual report. She opened the floor for discussion.

Mr. Dacey noted he would provide editorial suggestions but had a process question. He asked if we would be discussing the concerns and suggestions raised in individual surveys. Ms. Payne indicated that we should discuss them at this meeting.

Mr. Allen noted that members perceive matters differently. He thought a single comment on an area should be something he works on with Ms. Payne. He would not raise that to an area of concern. If there is an area with two or three comments, he would raise that for discussion.

Mr. Dacey pointed to a paragraph on page 10 identifying matters raised by individual members. He thought the implication may be that we are not doing that today. For example, seeking specialized expertise is something we do through task forces today. Including the comment could imply that we do not have specialized expertise today. Mr. Showalter noted that he read it differently—that a single member raised the concern. He wondered if the same philosophy was applied to a, b, and c on the list.

Ms. Payne noted that she prepares the draft before the members have a chance to discuss them. She looks to this meeting as an opportunity to see if any members join in the individual concern once it is raised. She also noted that the AICPA monitors the survey and what we do with the survey. She felt that she should give members a chance to join on each individual comment where it is a comment that the members can address. Regarding specialized knowledge, she gave some examples and asked if members felt there was a need to improve the process. Mr. Dacey asked if members had suggestions to improve in that area.

Mr. Showalter asked if these would be converted to action items. Mr. Dacey noted that if these are operational items then we should plan to resolve them.

Mr. Granof noted that we can always improve things but some do not need to be part of a formal process.

Mr. Dacey asked if a, b, and c are issues we need to do something about. Mr. Granof indicated that he would take out the paragraph. Ms. Payne noted that if not these ideas, then were there others that should be elevated. She pointed out that encouraging the federal financial management community to be more proactive was not included.

Mr. Reger indicated that b is troubling because it is not clear that we need additional resources for the reporting model. Ms. Payne agreed that today we do not need additional resources but we might later. Mr. Showalter indicated that this is part of our normal process and is not a problem.

Ms. Payne noted that she saw nothing new in comparison to the 2011 improvement efforts and suggested that the 2012 action items would be to continue to work on those recommendations.

Mr. Allen indicated that full disclosure suggests including the individual comments but it has the downside of elevating the issue so that it may appear to be more significant than it is. Mr. Dacey noted that if we do not convert it to an actionable item then it should not be included.

Mr. McCall asked about the shortened board meetings. Mr. Allen explained that some of the shortened meetings were driven by progress on projects—that is the timing of final documents. Mr. Dong asked if the shortening of meetings was related to staff changes? Mr. Allen said not entirely.

Mr. McCall asked if it was a matter of members being unwilling to spend more time. Mr. Steinberg said it was not that. He felt it was driven by a reduction in the number of staff available to develop materials. Ms. Payne noted that it was a mix of effects. For example, single day meetings usually occurred immediately after an exposure draft or final standards were issued. In most cases, the meeting will be a day and a half given the present staff size. On occasion, we may need a full two day meeting to accommodate a public hearing or complete a document.

Mr. Allen noted that the AICPA should be concerned only if we have many issues we are not able to address. He acknowledged our resources have diminished but it was difficult to say how much of a problem that is. Mr. Granof noted that we have cut back on the technical agenda because we do not have the staff to address them. Mr. Allen noted the projects we are not addressing have not been viewed as critical projects by members. There has not been a consistent view among members that a project should be advanced.

Mr. Granof asked if the progress on reporting model has been slowed by virtue of having one staff member. Mr. Allen noted some projects are simply hard to advance no matter what the size of the staff.

Mr. Dacey noted we meet six times a year and he believes the pace of projects is similar to prior progress. He recalled that it is normal for a single staff member to support a major project. While we have fewer projects, he believes the pace of progress on active projects is consistent.

Mr. Reger would see a resource issue if we prioritize projects in February and cannot address priority projects. It is hard to say which comes first – the staff size or the project priorities.

Mr. Steinberg indicated it is a truth that smaller staff reduces the productivity of the board.

Mr. Dong asked if the headline message is a resource problem. Mr. Allen noted that some members have consistently raised this concern. Mr. McCall noted that decisions are being made in the allotted time—going to two days would not seem helpful.

Mr. Allen noted we weren’t able to discuss editorial concerns the prior day and asked members to provide any comments to staff that were not discussed in each project. Mr. Showalter acknowledged that the community does not want us to produce more standards because of the strains in the community arising from budget constraints.

Mr. Allen stated that whether we have the right resources cannot be determined until we set priorities in February. Mr. Reger agreed.

Mr. Showalter noted that task forces were one way to address staffing needs.

Ms. Payne agreed—we have significantly increased the size and number of task forces and have used them effectively. She opined that the constraints on the community mean that the staff size, with the present vacancy filled, is appropriate. Mr. Allen agreed but reminded members the plans are based on filling the now vacant position. Any further cuts would impair the mission.

Mr. Allen asked members to pass any editorial comments to Ms. Payne. She indicated that another draft would be provided in two weeks with member comments requested before the October meeting. The goal is to approve the report at the October meeting.

Mr. Allen asked if members would be concerned if the opening paragraph addressed why it is important that we continue to do what we are doing. He read a new opening paragraph discussing fiscal challenges including fiscal sustainability and the need for information. No members objected.

Ms. Payne asked if members are comfortable with combining the annual report and the three-year plan so that stakeholders can comment on the three-year plan before the February meeting. Mr. Showalter asked about the two letters from the chairman and thought that would be confusing. Mr. Allen suggested highlighting the dual purpose of the report up front.

Mr. Dacey wondered if a separate issuance of the plan would gain more attention. He thought people might not notice the annual report also provides a chance to influence the technical agenda. Mr. Showalter shared the concern. Ms. Payne indicated she would look for ways to mitigate that effect. Mr. Allen said we could reduce burden on the readers by combining the two reports. He suggested changing the emphasis of the letter to focus on the request for feedback.

> **CONCLUSIONS:** The annual report will be revised and circulated for comment in two weeks so that it can be finalized at the October meeting.

Adjournment

The meeting adjourned at 11:30 AM.