

FY18 Budget Comments

Revenues

Assessments: In fiscal years 2012 through 2015, the Board consistently budgeted expected assessment revenues significantly lower than actual receipts. During FY16, the Executive Committee allowed for a modest increase of \$200K in the assessment revenue budget. During FY17, the committee felt it was best to budget under a new philosophy based on prior year actual receipts, for a budgeted amount in FY18 of \$14,000,000. Management agrees with this approach as actual assessment revenues have consistently increased over this same time period. Current information has not led us to believe that there will be a significant drop in production for FY18 and this budgeted amount is reasonable.

Contribution Revenue: NFPT/NCPT contribution revenues are recognized as they are used in the NFPT/NCPT expense line items. Please see comments under Program expenses and an updated cash projection addition for amounts in FY17 and FY18.

Food Truck Revenue: Food truck revenue is budgeted at \$250K for the Denver truck and \$250K for the DC truck. Strategy changes during FY17 including more days running for each truck, increased participation and catering, are expected to roll forward into FY18, supporting this revenue budget.

Investment Income: During FY17, USDA provided Potatoes USA with potential changes in allowable investment vehicles, specifically brokered CDs. Purchases of brokered CDs has historically been Potatoes USA main investment vehicle. As such, Potatoes USA has allowed for liquidation of 100% of the CDs and to date, is awaiting a response on approval for purchase of CDs. Should Potatoes USA be granted approval, purchases of CDs would not come due until mid-to-late FY18, significantly limiting expected Investment income amounts. Therefore, budgeted amounts remain at \$18,000 to reflect the impact of this issue.

Total Budgeted Revenues for FY18: \$20,831,000

Program Expenses

Marketing: The Marketing budget amount of \$9,965,236 maintains the same budgeted amount for FY17, with an additional \$300K for the increased amount for assessment revenues budgeted, as well as two reductions of expenses, and an additional adjustment for salaries and benefits. One reduction is for \$15,000 to CEO travel in administrative expenses. Formerly, CEO travel was split between Administration and Marketing, but to be consistent with salary allocations, the remaining amount for CEO travel was moved to Administration in FY18. \$12,000 was moved to Research and Analysis for funding for the newly formed PRAC committee, funded in FY17 via Special Project funding. Remaining differences from FY17 are updated amounts for salary and benefits.

Food Truck Expenses: Food truck expenses are separated into Operations, the daily operations of the truck, and Marketing line items that include expenses for total marketing initiatives regardless of the city. The total of these lines for FY18 are \$768,828 and \$25,000, respectively. Increases were made to line items including: salary and benefits adjusting to actual staffing, commissary recognizing commissary at current rates, and higher amounts for products and beverages as sales increase. Overall, Marketing expenses

were reduced significantly in FY18, by about \$100K as the initial start-up marketing activities for the two trucks should be in place by that time.

Industry Outreach: FY18 budgeted amounts for Industry Outreach are the same amounts as FY17, totaling \$358K. A budget amendment was created during FY17 to move amounts that had originally been specified as Industry Communications and Policy following the department restructure. Amounts were moved between the newly created Industry Outreach line item, which supports the activities of the committee and various outreach tasks that Potatoes USA participates in during the year, and amounts that now reside in Marketing and Administration.

Research and Analysis: Research and Analysis increased to a total of \$1,483,655 in the FY18 budget. This reflects additional funding for the newly formed PRAC committee, funded in FY17 via Special Project funding, as well as updated salary and benefits amounts. All other amounts are the same as the FY17 budget.

NFPT/NCPT: Budgeted NFPT and NCPT activities for FY18 total \$310,000 and \$343,000, respectively. Amounts expended in these accounts are offset by equal amounts in the revenue accounts to recognize current and previous year's roll-forward revenue amounts. An additional \$30,000 was added to each line item for the FY18 to reflect FTE charges for the overall Research and Analysis program.

In addition to budgeted amounts for FY18, NFPT and NCPT committees requested that one year of funding for the program be represented as designated funds to assist in close out costs, should any or all of the contributors wish to leave the program. \$616,000 is reflected in the cash projections at the bottom of the FY17 and FY18 budgets. This is a change on presentation and designation for both years.

Special Projects: The USDA approved special project funding of \$458,000 for FY18. An additional \$358,000 was approved for the Potatoes Performance Market Research program and \$100,000 was approved for the salad bar program.

Remaining Program Expenses: No changes were made from the FY17 budgeted amounts for the following accounts: Annual meeting, Board Member, Admin Committee, Exec Committee, and the Contingency Fund. There was a \$1,000 increase to the Check-Off Coalition line item bringing the budgeted total to \$4,000.

Total Budgeted Program Expenses for FY18: \$19,851,819

Administrative Expenses

Salaries and Benefits: FY18 budgeted amounts total \$1,417,709, which reflects updated salary and benefits amounts for administrative staff, including the CEO. During FY17, salary amounts were reflected in this total, but benefits charges remained distributed in the former allocation process to the Marketing line item. Benefits amounts were included during the FY18 budgeting process for consistent and complete presentation. A reduction of \$28,000 was made to this line item and moved to Research and Analysis to fund the newly formed PRAC committee that had been funded in FY17 via Special Project funding.

Office Expenses and Insurance: There was a \$3,000 increase to the Office Expense and Insurance line item in FY18 to reflect increased bank fees. No other line items in this grouping changed from FY17, with an expected total in FY18 increasing to \$145,334.

Office Lease: During FY17, Potatoes USA took a Special Executive Committee and Administrative Committee vote to approve additional office space two floors above the main office. This space will house the Accounting and Finance Department and storage. Additional lease costs were included in FY18 totaling \$46K for the new office space. Also during FY17, parking space amounts were added to lease costs totaling \$14K. Parking space amounts will be included in the FY18 budget. This was an unknown increase during the FY17 budget planning process. The overall amount for Office Lease for FY18 is \$201,403.

Compliance: The \$143,518 budgeted amount for Compliance uses the same costs as FY17 plus a 10% increase for travel costs. It also includes an updated salaries and benefits amount, as well as funding for additional staff to travel and attend two to three compliance visits with the Compliance Investigator. The additional staff travel will ensure this position has adequate back-up and support within the department.

USDA User Fee: The FY18 \$201,836 budgeted amount for USDA User Fees agrees to the most information just provided by USDA for FY17, expecting consistent costs for FY18.

Remaining Administrative Expenses: No changes were made from the FY17 budgeted amounts for the following line items: Travel -Administrative and Executive Committee, Professional Services, Compliance Audits, State Collection Fees, and the Miscellaneous line item.

Total Budgeted Administrative Expenses for FY18: \$2,284,249