

NAR

S.M.A.R.T. INITIATIVES



NATIONAL
ASSOCIATION *of*
REALTORS®

**“ We cannot afford – we have no right
– to look back. We must look forward. ”**

– Winston Churchill

With the same determination of Churchill, the 2018 NAR Leadership Team is not flinching from our responsibility to move the National Association of REALTORS® into the future. At NAR's Budget Review & Finance Committee meetings, we passed a budget with **\$35 million** in new programming, which we are calling the **S.M.A.R.T.** Initiatives— Strategic Measures Advancing REALTORS® to Tomorrow. In an effort of complete transparency, we are excited to share all of the thinking that went into developing this budget, and why we believe the accompanying investment in our members' future is the best option to continue to serve NAR's **1.3 million** members.

The budget includes dollars to:

- Define measurable increases in professionalism
- Increase influence in an uncertain legislative, regulatory and political environment
- Take the management of real estate data to the next level
- Ensure the role of the REALTOR® is essential to the consumer

When we took office last November in Chicago, each of us was clear-eyed about the tough decisions that lay ahead. After all, we didn't accept the mantle of leadership to kick the can down the road. The 2019 NAR budget is perhaps the most shining example of your NAR leadership team living up to our collective "Own It" moment.

The budget will be presented at the NAR Board of Directors meeting on **May 19th**. Over the next seven weeks, we look forward to discussing with every member, and state and local AE about why this budget and these **S.M.A.R.T.** Initiatives are essential to position REALTORS® for success in an era of change and disruption.

Elizabeth Mendenhall • President

John Smaby • President-Elect

Vince Malta • First Vice President

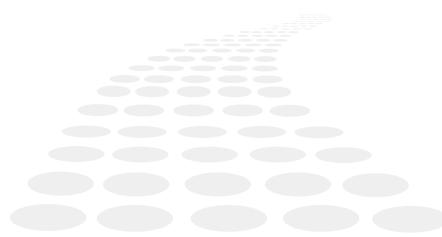
Tom Riley • Treasurer

Kenny Parcell • Vice President of Government Affairs

Colleen Badagliacco • Vice President of Association Affairs

Bill Brown • Immediate Past President

Bob Goldberg • Chief Executive Officer



1 THE BUDGET PROCESS

- Each NAR staff group leader and their teams reviewed/assessed each of their programs, cutting costs for efficiency wherever possible
- They focused on maximum efficiency to deploy/redeploy assets to where most needed to serve our members
- The NAR Budget Review Committee shared the proposed 2019 budget with the Finance Committee, and the Finance Committee agreed to move the proposed 2019 budget forward to the Board of Directors meeting in May

2 TRANSPARENCY

- New five year look, reflecting forward thinking approach
- Focus of the 2018 budget meetings was on fiscal year 2019
 - ◆ Only 2019 going forward to Board for approval

3 THE S.M.A.R.T. INITIATIVES

Strategic Measures Advancing REALTORS® to Tomorrow

We **ARE** ready to tackle the future needs and challenges of the industry

**\$35+ MILLION
NEW PROGRAMMING
TOTALS**

*Original dollar
amounts discussed -
closer to \$45 million*

- \$6 MILLION**
NAR occupancy costs
(Building maintenance and renovation)
- \$7.5 MILLION**
Forms/transaction management platform
(previously paid from NAR reserves)
- \$2 MILLION**
Commitment to Excellence
Financial Wellness
Strategic Business, Innovation & Technology
- \$20 MILLION**
REALTOR® Party programming
(depending on election cycle)

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REALTORS PROPERTY RESOURCE®

- AMP program eliminated in 2018
 - ◆ Immediate impact on 2018 budget: \$1.7 million (*7.25% savings*)
 - ◆ 2019 impact: savings to NAR \$5.25 million (*22% savings*)

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FORMS & TRANSACTION MANAGEMENT PLATFORM

- NAR software available for every member were funded by reserves from 2016 – 2018
 - ◆ Cost of this funding – More than \$38 million over a 3 year period
- Beginning in 2019, any provision of these services to our members **must be funded** from dues
 - ◆ \$7.5 million reflected in 2019 budget and beyond as a place marker for the provision of this service to our members

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S.M.A.R.T. INITIATIVES CAN'T BE FUNDED FROM RESERVES.

Since 2015, NAR's reserves have been drawn

45%

- ◆ **\$38 million** for Forms & Transaction Management Platform
- ◆ **\$12 million** for AMP & Upstream

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EXPENSE REDUCTION



NAR headcount decreased from 2017 actual to 2018 budgeted levels by net amount of **12** staff
Decreases of **18** offset by additional needs of **6**



ESTIMATED SAVINGS

**MORE THAN
\$1.5 MILLION**

2019 budget reflects net increase of **2.5** staff



Concentrated in new areas of programs beginning in 2018; expanding in future years



\$100K cut in Global Travel



EXPENSES AND HEADCOUNT HAVE BEEN REDUCED WHEREVER POSSIBLE



TOTAL CUTS IN EXCESS OF **= \$2.0 MILLION**
FROM 2017-19

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PROPOSED DUES INCREASE

- \$30 increase in 2019:

- ◆ \$17 dedicated to REALTOR® Party programming
 - New dues level - \$57
- ◆ \$13 for operation and program
 - New dues level - \$93
- ◆ **Total per member** - \$150
- ◆ The 2019 budget is based on an estimate of 1.3 million members, per the projection of NAR Chief Economist Dr. Lawrence Yun and the recommendation of the Finance Committee

This forward-looking budget includes an annual 2.5% increase to dues for each year beginning in 2020.

The 2.5% escalator does not apply to the \$35 special assessment for the consumer advertising campaign. The special assessment is separate from member dues and approved to run through 2019.

- Key components of increase:

- ◆ REALTOR® Party increase centered on
 - Federal Issues Advocacy and IE's
 - State and Local Issues Mobilization and IE's
- ◆ Operating increase focused on
 - Forms
 - Occupancy costs
 - Strategic Business & Innovation
 - Commitment to Excellence
 - Financial Wellness Program for Members



With the transition to an information economy and the digital landscape populated with smart phones, smart TVs, and smart homes, the new day at NAR demands a smart NAR.

*- Bob Goldberg,
CEO, National Association of REALTORS®*

\$20 Million REALTOR® Party Programming

NEW/ENHANCED ACTIVITIES
ISSUES MOBILIZATION
STATE/LOCAL INDEPENDENT EXPENDITURES
CAMPAIGN SERVICES
RPAC DIRECT FUNDRAISING
CONSUMER ADVOCACY OUTREACH
FEDERAL PUBLIC ISSUES ADVOCACY
FEDERAL INDEPENDENT EXPENDITURES
TOTALS  \$17/MEMBER \$20 MILLION

BASED ON A MEMBERSHIP LEVEL OF 1.3 MILLION MEMBERS

- **75%** of the proposed dues increase is allocated to state and local services. The remaining **25%** is allocated to federal advocacy

To see the full PAG report, please visit
realtorparty.com/futurerp

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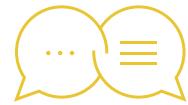
DUES INCREASE DOES NOT AFFECT MEMBERSHIP LEVELS

- We have not seen a definitive effect on membership levels following recent dues increases
- In 1995, after membership dues were increased, membership also increased that year
- In 2008 and 2012, membership in both of those years fell during the worst financial crisis since the Great Depression. As a result, membership was already falling
- It's therefore difficult to correlate the impact of a dues increase on membership, since dues are one of many factors that influence whether membership increases or decreases

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COMMUNICATIONS TIMELINE

- NAR will be communicating at every opportunity through the Board of Directors meeting in May



- To request an officer to speak or to request an online presentation to your association (via Skype, webinar, etc.), please visit: nar.realtor/requestofficer



- We are committed to leadership in the sunshine, and therefore want every member to have access to this budget summary, whether in hard copy or online at nar.realtor/smartzbudget. It is imperative that every member has the ability to review and discuss these S.M.A.R.T. Initiatives before they are voted on at the May meetings in Washington, D.C.

THE FOLLOWING TIMELINE INCLUDES EVENTS WHERE THE BUDGET WILL BE DISCUSSED





PARTICIPANTS OF THE JOINT BUDGET REVIEW TEAM AND FINANCE COMMITTEE MEETINGS

MARCH 20-21, 2018

LEADERSHIP TEAM

Elizabeth Mendenhall, *President*
John Smaby, *President-Elect*
Vince Malta, *First Vice President*
Tom Riley, *Treasurer*
Colleen Badagliacco, *Vice President*
Kenny Parcell, *Vice President*
Bob Goldberg, *Chief Executive Officer*

COMMITTEE LIAISONS

Fritzi Barbour
Tray Bates
Krista Clark
Mary Dykstra
Larry Keating
Julie Minto
Vicky Silvano
Eric Sain
Margo Wheeler
Ziggy Zicarelli

EXECUTIVE COMMITTEE REPRESENTATIVES

Jeff Barnett
Brooke Hunt
JoAnne Poole
Mike Theo
Bob Turner
Cathy Whatley

FINANCE COMMITTEE MEMBERS

Doug Azarian	Jared Martin
Diana Bull	Mike McGrew
Pat Callan	David McKey
Rene Galvan	Heather Ozur
Anne Gardner	John Sebree
Greg Hrabcak	Cynthia Shelton
Heidi Kasama	Linda St. Peter
Nancy Lane	Joe Stewart
Bradley Lois	Jack Torza
Andy Mahowald	

STRAT THINKING ADVISORY COMMITTEE REPRESENTATIVES

Maren Brisson
Quincy Clayton
Christine Hansen
Bobbi Howe
Tricia Thomas

*Also present were the Regional Vice Presidents and select guests



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VERSION 2.0 | MARCH 26, 2018