



Strategic Planning Update #1 April 2006

WHY STRATEGIC PLANNING NOW?

- The VCF has grown significantly and is in a strong and stable position to embrace a new set of “community leadership” activities that can build the impact of Vermont-focused philanthropy.
- Increasingly, donors, nonprofits and community leaders are asking us to engage in new activities that increase the local impact of individual giving and foundation grantmaking.
- In addition to providing enhanced services to Vermont-focused donors, there is increased demand to expand our offering of services to nonprofits that help build their financial sustainability and their organizational capacity.
- At our new size, we need to rebalance our resources to ensure financial sustainability and generate capital for investment in community leadership activities. Like many other community foundations around the country, the VCF has an outdated fee structure. While management fees cover the majority of costs, the VCF has had to supplement operating costs with discretionary funds and annual fundraising.

WHAT HAS BEEN THE STRATEGIC PLANNING PROCESS?

- The Board of Directors and a small handful of VCF donors funded a comprehensive process to explore some bold options for our future.
- We commissioned Foundation Strategy Group, an internationally respected firm that helps significant foundations position themselves for greater social impact.
- We interviewed and surveyed a large and representative sample of VCF donors, grantees and community leaders and have integrated their hopes, ideas and concerns into our thinking.
 - We tested and prioritized a number of potential strategic roles for the VCF
 - We tested a number of potential revenue models to sustain our work
- We thoroughly analyzed our organizational economics and business model to ensure that we are operating efficiently and can be financially sustainable in perpetuity.
- We have taken advantage of field-wide knowledge and experience from other successful community foundations.

WHAT HAVE WE LEARNED SO FAR?

Community Leadership Role:

- Donors believe that we can play an enhanced philanthropic advising role by creating systems for acquiring, sharing and exchanging knowledge about community needs and opportunities.
- Donors and some nonprofit leaders believe that the VCF should not create specific social change initiatives or advocate on specific social issues facing Vermont, but rather should protect its neutrality and focus on building philanthropic leadership among Vermont-focused donors. All participants were clear that “neutrality” does not mean “passivity.” The VCF has an active role to play in building philanthropic leadership that improves community life.
- While advising us against issue-specific initiatives and advocacy, donors and nonprofits believe that we can do better at helping them *understand* the local issues that can be addressed by charitable giving and nonprofit leadership and how giving can be structured to be most effective.
- Donors and nonprofit leaders believe that we have a natural role to play in ensuring that public awareness, public opinion and the regulatory environment are supportive and knowledgeable of Vermont-focused philanthropy.
- Donors and nonprofits believe that charitable giving in Vermont could be enhanced if we did better outreach and programming in all regions of the state.

Revenue Model:

- Donors want the ability to choose whether or not to financially support VCF’s additional community leadership activities, beyond current operations, and would like to know clearly what their voluntary contributions and mandatory fees are paying for.
- Donors want to feel confident that the VCF is operated in a cost-effective way.
- Most donors are fee-sensitive. However, multiple donors expressed a belief that fees should cover the full costs of fund administration and that individual funds should “pay their fair share” of operating expenses.
- Donors expressed “donor fatigue,” and don’t want the VCF to “add to the fundraising noise.”
- Perpetuity of funds is very important to about 1/3 of donors interviewed. For them, perpetuity means that they want their fund to last throughout their lifetime and possibly the lifetime of their children. Some of the donors who prioritized perpetuity as a reason for choosing the VCF felt very strongly about preserving it.
- Donors and nonprofit leaders are sensitive to the fact that the VCF should not directly compete with the fundraising efforts of other nonprofits.

HOW MIGHT WE STRUCTURE A REVENUE MODEL TO SUPPORT OUR WORK?

- Revenue will be rebalanced in such a way that fees cover baseline operating expenses, more discretionary funds are able to be devoted to community grantmaking programs, and new resources will be raised to pay for new community leadership activities. The revenue model will be fully transparent, showing how money is being used for operations, grantmaking and community leadership.
- Donors will have options with regard to how they would like to support a new set of community leadership activities.
- A new fee structure will be created that is simplified and comprehensible to donors. The goal is to create permanent sustainability for the VCF at an operating-to-assets ratio that is within the standard practice of the field of community foundations. Some fees may be increased to achieve this. Our fees are not currently standardized and many of our activities are subsidized with discretionary grantmaking dollars and annual fundraising appeals.
- We would like to continue to subsidize fees on agency endowment funds so nonprofits continue to feel supported by our agency endowment management program and the planned giving program.
- The new fee structure will be cost-effective to administer.

WHAT HAPPENS NEXT?

- We will be getting feedback from the VCF Membership in regional meetings during the month of May. The VCF Membership is a group of 165 community leaders throughout the state that are appointed by the Board of Directors. The VCF Membership is intended to function as “the eyes and ears” of the VCF. We believe that their input is important.
- We are sharing these Strategic Planning Updates broadly with fundholders and constituents and actively soliciting additional feedback.
- The VCF will finalize programmatic and financial decisions at the Board of Directors meeting scheduled for early June.
- Next month you will receive another Strategic Planning Update that will lay out the draft strategy and revenue plan in greater detail. We will describe specific new services and activities, a draft timeline for phasing in and scaling the new activities to our resources, and further analysis of the revenue model.
- In the meantime, feel free to contact Brian directly by phone or email. (802.388-3355; BByrnes@vermontcf.org) We welcome your feedback.