RESNET
RESIDENTIAL ENERGY SERVICES NETWORK

Setting the Standards for Home Energy Efficiency

20 YEARS OF SUCCESS | Setting the Standards for Quality 1996 - 2016

Results of RESNET Board Reconsideration Electronic Ballot on Adopting of the 2017 RESNET Budget

December 30, 2016

Shall the RESNET Board of Directors approve the December 22, 2016 RESNET Executive Committee's proposed 2017 RESNET Budget Request that contains the authorization and revenues previously approved by the RESNET Board for final adoption?

Yes (13)	No (3)	Abstain (3)
Jacob Atalla	Ben Adams**	Dave Bell
David Beam	Brett Dillon ***	Steve Byers
Philip Fairey	Barb Yankie	Daran Wastchak
Matt Gingrich		
David Goldstein*		
Roy Honican		
Cardice Howard		
Mark Jansen		
Frank O'Brien-Bernini		
Lee O'Neal		
Jim Petersen		
Nancy St. Hilaire		
Kelly Stephens		

*David Goldstein's comment on his yes vote, ***"I wish to retain my original vote   Brett has a long analysis of what he thinks staff and executive committee are doing wrong but offers no actionable alternative either in substance or in process."***

*Ben Adams comment on his no vote, ***"Insufficient justification of budget line items and particularly budget expansion as it relates to Provider impact."***

**Brett Dillon's comments on his no vote:

"The budget process used so far this year has illuminated serious structural flaws in the way this Board governs the organization. It was started too late in the year and we were presented with the threat that if we didn't pass this proposed budget the

organization would be shut down and staff would be furloughed until we did. It appears we do not have a written budgeting process and calendar, and the Executive Committee produced this budget instead of the Finance Committee…

The proposed budget is based on what I believe to be flawed assumptions:

1. *We need a WERS Standard Manager at $90k/year because WERS takes up too much of Steve and Kathy's time. Rick Dixon is our Standards Manager and he is budgeted at $50k/year. He manages the Standards Development for SDC 200 (Training), SDC 300 (Technical), and SDC 900 (Quality Assurance) for both ANS and non-ANS produced by RESNET. Rick manages the Standards Management Board, SDC 200 (9 members), SDC 300 (12 members) with 4 Subcommittees (21 members who are not SDC 300 members) and 2 Task Groups (10 members who are not SDC 300 members), and SDC 900 (11 members). This Board is regularly sent a report on the activities he oversees, with most of the secretarial support for the committees and subcommittees/task groups coming from Laurel. The WERS project has 3 co-chairs and nearly 150 volunteers committed to it. Why should we hire someone and pay them 80% more than Rick to manage a legacy project that no longer fits our mission? Shouldn't we pay Rick a bit more and get him the full-time secretarial support he needs, which would allow him to handle the WERS in addition to the rest of the Standards? Do we really want a legacy WERS Standards Manager going forward that duplicates the same type of work Rick is already doing?Is that the most effective way to use our resources?*
2. *We need 2 more people to support Laurel in the QA program for a total of $90k/year. While we have seriously overworked Laurel (who is probably the best investment this organization has made in human resources), providing Rick with much needed full-time secretarial support and outsourcing the conference coordination frees up a lot of her time to focus on her role. I have seen QA Genie in action and managing that doesn't appear to take that much time- it provides a focus on who to talk to by surfacing outliers through behavioral algorithms. Hiring a manager for QA contractors when the Standard that authorizes the creation of QA contractors is less than 25% of the way through development simply doesn't make any sense. This Board has yet to see a staffing analysis to demonstrate where we are understaffed in our current business model, and I'm not certain we even have written job descriptions for current staff. We also have zero dollars in the budget for staff development- for example, not a single RESNET staff member is or has been a certified HERS Rater or QAD. While Laurel's position may not require her to be a certified RESNET Rater or QAD, she should be provided the opportunity to become certified in Quality Management through the American Society for Quality (ASQ).*
3. *Current staff leadership can lead a team that is doubled in size. While Steve has experience managing a large number of people in during his time working for the State of Alaska, he isn't allowed to manage the staff because he hired his daughter-in-law, Stephanie DeZee, to work for the organization. That conflict caused this Board to authorize hiring Kathy Spigarelli as Deputy Director to manage staff. Does Kathy have the requisite skills and experience to manage a remote team that is double the current size? Managing and coordinating remote teams require a different set of skills than managing teams face-to-face in a traditional office setting.*

4. ***We need to hire a full-time Marketing Director and spend more money marketing RESNET through specified activities. We need a marketing director and they need a budget. I absolutely agree with that. However, the marketing effort is doomed when we tell the marketing director where that money should be spent (as we have with this budget). The marketing director should do their research on this industry and then come back to us with a budget request that tells us why we should invest in certain marketing activities. I don't need to go into the messy details of our current no-bid contracts with outsourced marketing, but we shouldn't hobble the new marketing director with pre-conceived concepts of what is needed when zero marketing research has been done to uncover what our customers need from us.***
5. ***Only 680 Raters will continue to be Raters by passing the new Rater Practical Exam, and the remaining Raters will downgrade their certification to Rating Field Inspector. This assumption impacts the projected revenues by predicting that test revenues won't be as much as we thought. There are about 1600 active Raters…not all of whom do ratings, but need the certification for a variety of reasons. When staff predicts that we are going to go from 1600 to 680 because of a new test, we should probably question which is more valuable: the number of available raters to satisfy market demand or the revenue generated by a questionable test?***

In addition to these flawed assumptions, we have some troubling signs: 4 members of the Standards Advisory Board (manufacturers) are not renewing, no new members are joining the Standards Advisory Board and regular membership is dropping 30%. These are clear signs that the value RESNET generates for them is less than the price these customers are willing to pay. To quote an article from entrepreneur.com "Prices don't exist in a vacuum. Like the earth under your feet, a price is supported by the value the customer perceives in the product or service to which the price is attached." (https://www.entrepreneur.com/article/66010, retrieved 12/29/2016).

When I pointed out to this Board that the organization's primary customer is the Rating Provider, we were told in an email from Roy dated December 16, 2016: "I would also like to address your statement that Rating Providers are the main customer of RESNET. We are not a trade association of providers, but rather our customers are builders (who pay for ratings), HERS raters, product suppliers, contractors and such stakeholders as the ICC, NRDC, Appraisal Institute, ACCA."

The customer (those who pay for services) and stakeholders (those who benefit from services) has been conflated by this organization. Providers are directly paying RESNET more than 70% of the revenues projected by this budget. They are the primary customer. If they don't see the value in having their costs increased by a significant amount, they won't pay the price. They will find alternatives- and those aren't nearly as hard to find as we might think. Our flagship standards are in the public domain- anyone can use them. If a trade association were created that provided the required services for Providers with a better value proposition, Providers will likely go there. Some Providers have already figured out another method to meet their needs under the current system, and RESNET is kept out of the process…and it isn't in violation of the current rules we operate under.

In 2015, a Provider doing 15,000 ratings a year paid RESNET roughly $22,000 for services.
In 2016, a Provider doing 15,000 ratings a year paid RESNET roughly $74,500 for services (a 238% increase over 2015).
In 2017, a Provider doing 15,000 ratings a year will pay RESET roughly $114,250 for services (a 419% increase over 2015).

The Providers I've spoken with saw zero value generated to them for the price increase in 2016. They paid the price because they had expectations of performance. Those expectations were not realized, resulting in significant disappointment and frustration.

For us to take the attitude that RESNET can raise money for our dream budget by simply raising prices to cover the expenses and our customers will pay because they have nowhere else to go is a very dangerous assumption, perhaps the riskiest of all I've presented here. Our customers will find a way to satisfy their needs, and we have created conditions ripe for a disruptive competitor to come in and meet their needs.

This is why I'm voting "No" on this budget and I encourage my colleagues to reconsider their votes. If needed, we can pass an emergency budget at current funding levels to keep the doors open until we come up with a budget plan that doesn't force our customers to go elsewhere."

The RESNET 2017 Budget was approved.