

UNIVERSITY BARGE CLUB

STRATEGIC PLANNING COMMITTEE

PRESENTATION TO MEMBERS

November 9, 2010

OUTLINE

A. WELCOME

B. PROCESS

C. BUILDING BLOCKS OF THE STRATEGIC PLAN

1. VISION/MISSION/VALUES
2. GOVERNANCE
3. DAY-TO-DAY OPERATIONS
4. POLICIES AND PROCEDURES
5. CALCULATION OF FUTURE COSTS
6. WAYS TO PAY FOR FUTURE COSTS
7. FINANCIAL MANAGEMENT GOALS

D. RECOMMENDATIONS

E. Q AND A

PROCESS

- **SURVEY** covering a sample of members
- **REPORT OF SURVEY** findings at 2010 Annual Meeting
- **ORGANIZATION OF STRATEGIC PLANNING COMMITTEE** (Curtin, Heller, Isdaner, McLelland, Meigs, Morano, O'Malley, Pearlman, Shay, Wesson, Miller)
- **DATA COLLECTION IN SEVEN AREAS**
 - Vision/Mission/Values
 - Governance
 - Day-to-day operations
 - Programs, meaning the social and rowing offerings of the Club
 - Membership considerations
 - Commitments (Schuylkill Navy, HOSR, 1871, scholastic programs)
 - Finances
- **MODELS DEVELOPED BY FINANCE COMMITTEE**
- **EC ACCEPTANCE OF RECOMMENDATIONS**
 - Vision/Mission/Values as a working draft in July, revised in November
 - Governance and Day-to-day in September
 - Financial models and management guidelines for next five years in October
 - Policies, procedures, standards and measures in November (tabled)
 - Job descriptions, September through November
- **PRESENTATION TO MEMBERSHIP**

BUILDING BLOCKS OF THE PLAN

1. VISION/MISSION/VALUES

- **REFLECTION OF COMMON UNDERSTANDING OF MEMBERS AND A GUIDE TO FUTURE DECISIONS AND ACTIONS**
 - **VISION** Organized for the purpose of instruction and improvement in, and enjoyment of, the art of rowing, and the cultivation of a friendly feeling in all who participate in this amusement and exercise. (The original “Mission” of UBC written in 1870)
 - **MISSION** To provide a congenial environment for masters rowers to pursue their sport, bound together by ties of friendship and a love of the River. To do this, we foster opportunities for recreational and competitive rowing, social engagement, volunteerism, and stewardship.
 - **VALUES**
 - Equality and egalitarianism—we all have equal access to superior equipment that fits our rowing class and weight.
 - Respect and support for each member’s rowing objectives.
 - Intergenerational bonds and interactions.
 - Engagement in, and contribution to the good of the Club.
 - Propagation of Club traditions.
 - Care for the facility and equipment.
 - Responsibility to the larger rowing community.

BUILDING BLOCKS OF THE PLAN

2. GOVERNANCE FRAMEWORK

- **GOOD GOVERNANCE PRINCIPLES**

- Decisions are transparent
- Members can have input
- Decisions are communicated promptly
- Responsibilities are delegated to one person
- Opportunity to participate is open to all

- **NO CHANGES IN BY-LAWS**

- **CREATE GOVERNANCE GUIDELINES**

- Executive Committee continues to be responsible for all policy decisions
- Definition of President/COO role
- Detailed job descriptions and lines of responsibility
- Committee work AND nominating and appointment processes more transparent
- Improve communications with the members—Executive Committee and member agendas and minutes
- A second yearly membership meeting (around October) to review proposed operating and capital budgets

BUILDING BLOCKS OF THE PLAN

3. DAY-TO-DAY OPERATIONS

- **THREE POSITIONS ARE INVOLVED IN THE DAY-TO-DAY OPERATIONS, AND RESPONSIBILITIES ARE DIVIDED AMONG THEM**
 - Coxswain will be responsible for all activities for the boats and related equipment, launches, exercise equipment, the Club's tenants and Associate Members.
 - House Committee Chairman will be responsible for maintaining the cleanliness and physical order in the Boathouse; and for preserving, maintaining and repairing the interior, the landscaping and other Club-owned property.
 - Lilacs Warden will be responsible for all Club social functions, for assisting members in the rental and use of the Lilacs Room and Lea Balcony, and for supplying the day-to-day needs of the Club.
- **PRESIDENT IS RESPONSIBLE FOR OVERSEEING THE THREE POSITIONS TO ASSURE DUTIES ARE DISCHARGED IN ACCORDANCE WITH THE BY-LAWS AND THE POLICIES AND PROCEDURES ESTABLISHED BY THE EXECUTIVE COMMITTEE.**

BUILDING BLOCKS OF THE PLAN

4. POLICIES AND PROCEDURES

- **SIX KEY POLICIES AND PROCEDURES, APPROVED BY THE EXECUTIVE COMMITTEE, GUIDE OPERATIONS**
 - Boathouse Rules
 - Boat Handling Rules
 - Rules of the River
 - School Leases
 - Lilacs Rental Agreement
 - Guest and New Member Rowing Rules

- **OFFICERS AND COMMITTEE CHAIRMEN HAVE ROLES IN IMPLEMENTING AND ENFORCING THESE RULES**

- **STANDARDS AND MEASURES WILL BE ESTABLISHED TO ACHIEVE DESIRED RESULTS (MOSTLY FOR TIMELY RESULTS)**

BUILDING BLOCKS OF THE PLAN

5. FUTURE EXPENSES – WHAT DO WE NEED/WANT

- **HIGH QUALITY BOATS AND EQUIPMENT**

- Priority is to purchase and maintain boats/equipment at the current high level of quality/performance
- To do so, it is anticipated that boat budget will increase from \$30,000 in 2010 to +/- \$45,000 by 2015
 - Based on turnover of 2-3 boats per year
 - Includes resale of boats being sold/replaced (resale approx. 20-30% of purchase price for boats +/- 10 yrs. old)
 - Approximate current cost of new boats
 - Single: \$10,000
 - Double/Pair: \$17,500
 - Quad/Four: \$25,000
 - Eight: \$35,000 to \$40,000

- **MAINTAIN BOATHOUSE INTERIOR**

- Goal is to keep up with the required/desired maintenance of our building
- Have been spending +/- \$7,000 a year to do minimal maintenance; costs will increase with inflation (see “Ongoing Costs” in the table below)

- **MODEST INTERIOR BOATHOUSE UPGRADES** (over next three years)

- Purchase a new hot water system (\$25,000)
- Expand the Women’s Locker Room (\$20,000)
- Upgrade the Kitchen (\$20,000)

- **MEET ON-GOING OPERATING EXPENSES/COSTS**

- Must be able to meet our on-going operating expenses (likely to increase from \$98,000 in the current budget to \$113,000 assuming growth at 3% each year).

- **EXTERIOR MAINTENANCE (1871 FOUNDATION)**

- Approximately \$690,000 should/must be spent over the next five years to offset deferred maintenance on the boathouse structure. Some items may be able to be delayed, but some, like the roof (\$250,000), the Boat Bay Wall (\$25,000) and the Dock (\$90,000) are imminent.
- Although the UBC 1871 Foundation has responsibility for the boathouse structure, the Club is affected by UBC 1871’s ability to raise funds and make required repairs.

CLUB OPERATING AND EQUIPMENT COSTS

	2010	2011	2012	2013	2014	2015	2011 - 2015
BOATS	\$35,000	\$40,000	\$40,000	\$45,000	\$45,000	\$45,000	
UPGRADES		25,000	20,000	20,000	0	0	
ONGOING COSTS	97,700	100,600	103,600	106,700	110,000	113,200	
Total:	\$132,700	\$165,600	\$163,600	\$171,700	\$155,000	\$158,200	\$814,200
EXTERIOR (1871)	\$28,000	\$219,000	\$343,000	\$29,000	\$98,900	\$6,700	\$696,600

- Note: The UBC 1871 Report concluded that approx. \$2M will be needed over next 15 years. The figures above, which account only for the next 5 years, were adjusted slightly downward from those in the 1871 Report due to changes in market conditions.
- **DO ALL OF THE ABOVE WHILE REMAINING TRUE TO OUR MISSION/VALUES AND PRESERVING THE EXISTING UBC CULTURE/EXPERIENCE**

BUILDING BLOCKS OF THE PLAN

6. WAYS TO PAY FOR FUTURE COSTS

NON-UBC 1871 FOUNDATION INCOME AND EXPENSES

- **UBC HAS TWO SOURCES OF INCOME**

- Non-Member Income (School Rentals, Lilacs Rentals, Boat Storage, Location Fees)
- Member Income (Dues and Initiation Fees)

- **INCOME VS. EXPENSES**

- Non- Member Income is \$49,100 in the current year (\$30,000 of which is from the School leases). Non-member income is projected to increase to \$62,100 in 2015. Total 5-year non-member income over 2010-2015 will equal +/- \$284,447
- Operating Expenses over the next 5 years – based on prior years adjusted for inflation – will be \$814,200 (again, excluding UBC 1871 Foundation expenses)
- The shortfall between Non-Member Income and Operating Expenses is (must be) closed by **Member Income**

CUMULATIVE GAP TO BE MET BY MEMBER INCOME – 2011 to 2015

Non-member Revenue	Operating and Equipment Costs	Gap
\$284,447	\$814,200	(\$529,800)

- Current Membership Levels (210 members) and Dues/Initiation Fees will not close the gap (\$58,900 deficit over next 5 years)
- **THERE ARE TWO WAYS TO BRIDGE THIS GAP WITHOUT RESORTING TO ASSESSMENTS OR CAPITAL CONTRIBUTIONS**
 - Raising dues and initiation fees can get the Club part of the way there.
 - Increasing members can add an important increment – and may help generate a reserve
 - The following six scenarios demonstrate the impact of different dues/initiation fees and member levels (note the table does not include UBC 1871 costs)

CUMULATIVE DUES AND FEES INCOME AND RESULTING RESERVE OR DEFICIT – 2011 to 2015

Members	Dues and Fees	Member Revenue	Operating and Equipment Shortfall	Reserve (Deficit)
210	0% increase	\$470,875	\$529,800	(\$58,900)
	3.75% per year	527,500	529,800	“Breakeven”
	5% per year	547,650	529,800	17,850
From 210 ('10) to 225 ('13 and after)	0% increase	517,100	529,800	(12,700)
	3.75% per year	602,200	529,800	72,400
	5% per year	625,500	529,800	95,700

- **BREAKING EVEN HAS BEEN THE PRACTICE/GOAL**
 - Break-even can be maintained in a number of ways (as shown in the shaded scenarios in the table above) without onerous steps
 - To avoid similar financial planning/budget issues in the future, however, UBC must consider a new model that provides for an accumulation of reserve funds over time

- However, there are additional expenses relating to the 1871 Foundation that may ultimately fall on the Club/Membership

UBC 1871 FOUNDATION EXPENSES (EXTERIOR)

- **UBC 1871 EXPENSES NEED TO BE CONSIDERED/PAID FOR**

- Expenses include: 1) routine replacement items, such as the roof and dock; 2) ongoing/preventative maintenance, such as paint; and 3) some deferred maintenance such as stonework. These items cannot be deferred indefinitely.
- Based on a third-party analysis, these expenses amount to approximately \$700,000 over the next 5 years

FUNDS NEEDED TO MEET EXTERIOR REPAIR AND REPLACEMENT NEEDS

2010	2011	2012	2013	2014	2015	2011 - 2015
\$28,000	\$219,000	\$343,000	\$29,000	\$98,900	\$6,700	\$696,600

- **HOW WILL THESE EXPENSES BE MET?**

- **UBC 1871 Foundation Capital Campaign**
 - UBC 1871 has indicated that it will soon begin raising funds, but there is no good indication of how much can be raised. It is likely that virtually all of what could be raised will be from the membership.
 - Significant member participation/contributions would be required to obtain any potential outside/third-party contributions from organizations such as foundations that support historic structures.

- **Existing Reserve Fund**

- The Club currently has a +/- \$270,000 reserve fund that could be used to meet costs that fall under UBC 1871’s mission, but it must be protected for emergencies – at least until there are sufficient funds given to 1871 to pay for all, or substantially all, of the projected boathouse expenses for which UBC 1871 Foundation is responsible.

- **Larger Dues Increases**

- In the event that UBC 1871 Foundation cannot raise sufficient funds to meet all of the projected building-related expenses, then higher dues and initiation fees can help bridge some of the gap.
 - The table below shows how much reserve from operations could be accumulated with at a 10% per year dues increase (10% was been picked arbitrarily to indicate impact of a very high dues increase).

CUMULATIVE DUES AND FEES INCOME AND RESULTING RESERVE OR DEFICIT – 2011 to 2015

Members	Dues and fees	Member Revenue	Operating and Equipment Costs	Reserve (Deficit)
210	10% per year	\$635,250	\$529,800	\$105,450
210 - 225	10% per year	\$726,700	\$529,800	\$196,900

- As demonstrated above, even relatively large annual increases will not meet the entire Club/UBC 1871 need
 - Over the next 5 years, the reserves created by the addition of 15 members and 10% annual dues/initiation fee increases (\$196,900), together with existing reserves (\$270,000), still leaves us approximately \$235,000 short of the overall Club need when 1871 expenses are included

- **Assessments**

- Viewed as a last resort

WHAT IS THE IMPACT ON THE MEMBERSHIP?

- **CHANGE FROM GOAL OF BREAK-EVEN TO INCREASING REVENUE/RESERVES**

- We must look at ways to increase revenue in order to have any realistic chance of covering our future costs that include some significant deferred maintenance
- As set forth above, this can be accomplished through:

- 1) increasing dues/initiation fees;
- 2) increasing membership;
- 3) instituting assessments; or
- 4) or some combination of 1), 2) and 3)

- **INCREASES IN DUES/INITIAION FEES WILL NOT BE WELCOME.** One of the values the members have is to keep costs down, including their own costs of membership. Nevertheless, it is clear that we must raise more money.
- **INCREASED MEMBERSHIP COULD IMPACT THE UBC CULTURE/EXPERIENCE**
- **ASSESSMENTS WOULD BE BURDENSOME.** To the extent that dues and other fees are not sufficient to cover needs, assessments may be required.

- **INCREASED DUES/INITIATION FEES**

- Careful consideration must be given to balance the needs of the Club with the expectations and ability of members/prospective members to pay dues/initiation fees

- **IMPACT OF INCREASED MEMBERSHIP**

- Too many additional members could lead to unwanted changes in the UBC culture/experience
- Among other things, the following are core elements of UBC that we need to be careful to preserve. Care needs to be taken that these are not lost as the model is implemented incrementally:
 - The camaraderie
 - The ease of use and availability of high-quality equipment
 - The “shabby charm” of the Boathouse
 - The habits and traditions of daily life
- Consideration must be given to safeguards should crowding strain the Club’s capacity, or deteriorate in any way the quality of the UBC experience and/or the Club mission and values
 - A series of contingency remedies could be instituted to relieve any resultant strain

CONTINGENCY/REMEDIES?

- **MEMBERSHIP SIZE/GROWTH**
- **LOCKER ROOMS**
- **PRIVATE BOAT STORAGE**

- **CHA/SS ARRANGEMENTS (OWNERSHIP/RENTAL)**
- **BOAT SHED/EXTERIOR STORAGE**
- **WEIGHT/ERG ROOM**

RECOMMENDATIONS

- **WORK FROM, AND TRY TO PRESERVE, EXISTING UBC VALUES/MISSION/EXPERIENCE**
- **RAISE DUES AND INITIATION FEES ONLY AS REQUIRED TO MEET BOATHOUSE EXPENSES/NEEDS AND GENERATE A MODEST RESERVE FUND**
 - Must meet operating expenses
 - A reserve fund should be created/maintained to help cover unanticipated costs/shortfalls
 - Suggest future budgets include a contribution to reserve fund equal to 10% of annual gross revenues
- **INCREASE TOTAL MEMBERS ON AN INCREMENTAL BASIS (5/YR.) AND WATCH FOR EFFECTS**
 - In concert with increased dues/initiation fees, membership should be incrementally increased by 5 new members a year to a maximum of 225 members with an annual review of the impact on the membership experience
 - Will require Elective Committee to recruit 10-15 new members each year, depending on attrition (5-10 member a year attrition has been assumed)
- **INSTITUTE CONTINGENCIES/REMEDIES AS APPROPRIATE**
 - Full impact, cost, benefit, etc. of each should be studied in the interim

- **REGULAR REVIEW OF RENTAL ARRANGEMENTS/AGREEMENTS**
 - Ensure market returns

- **CAREFUL MANAGEMENT OF EXISTING AND FUTURE RESERVES/REGULAR REVIEW OF PERFORMANCE VERSUS TARGETS**
 - Need to meet cash flow requirements and be prepared for contingencies

- **USE THE FOLLOWING MODEL AS GUIDE AND EVALUATE ANNUALLY**
 - Much will depend on
 - 1) the timing of certain events (particularly, member response to UBC 1871 Foundation fund raising and project necessity/completion) and
 - 2) the policy regarding, and the actual use of, existing reserve funds

RECOMMENDED MODEL (SUBJECT TO ANNUAL EVALUATION)

Assumes Growth of 5 Members per Year and 5% Annual Dues/Initiation Increases

UBC Finance Committee Recommended Model – Income Projections							
INCOME	2010	2011	2012	2013	2014	2015	2011-2015
Net New Members		10	10	10	5	5	
Total Members		215	220	225	225	225	
Dues and Initiation		\$103,504	\$113,530	\$124,300	\$135,863	\$148,272	\$625,469
Non-Member		51,673	54,263	56,871	59,497	62,142	\$284,446
Total Income:		\$155,177	\$167,793	\$181,171	\$195,360	\$210,414	\$909,915
EXPENSES							
Operating Costs		\$100,621	\$103,639	\$106,749	\$109,951	\$113,249	\$534,209
New Boats		40,000	40,000	45,000	45,000	45,000	\$215,000
House Projects		25,000	20,000	20,000			\$65,000
Total Expenses:		\$165,621	\$163,639	\$171,749	\$154,951	\$158,249	\$814,209
Net New Reserve/Deficit		-\$11,676	\$1,467	\$5,035	\$34,054	\$43,547	\$95,706

- Does not include expenses that fall under responsibility of UBC 1871 Foundation (+/- \$700,000)
- Assumes preservation of existing reserve fund, if possible
- **UBC LEADERSHIP SHALL ENCOURAGE/SUPPORT UBC 1871 FOUNDATION EFFORTS TO RAISE MONEY**