

## Adjustment of Dues and Fees

### Recommendations of the Finance Committee and the Big Picture Budget Review Committee

February 12, 2024

#### Charge to the Joint Committee

The Big Picture Budget Review Committee (BRBRC) submitted its report on findings and recommendations dated September 6, 2023 (see Attachment 1). The Board then directed the Finance Committee and the BPBRC to develop actions to implement the recommendations. The recommendations can be summarized as follows (see attachment for more details):

- Increase dues and fees to ensure the long-term financial health of the Club
- Ensure that reserves are established for capital improvements (minimum \$100K) and for a catastrophic emergency (minimum \$125K)
- Implement an annual adjustment of dues and fees to reflect inflation (an annual Cost of Living Adjustment or COLA)
- Better align fees with costs (e.g., moorage electricity fees collected in 2023 were \$7,961 yet bills for electricity were \$32,628; the dredging fee is \$15/quarter yet the actual costs are \$58/quarter)

#### Methodology

The Club's necessary expenses can be highly variable year to year. For example, the dredging program has fairly low operating expenses every year, but when the dredging permits need to be renewed, costs for consultants are high. Now that the dredge is a few years old, we can expect dredging costs will include routine maintenance every five years and a major overhaul every ten years.

The Joint Committee built a long-term financial model to illustrate the movement of fixed and variable expenses into the future. The model projected income and expenses year by year and calculated a year-end operating surplus or deficit that was carried over into the next year. Projecting out each year's end-of-year difference between income and outgo allowed us to adjust income to ensure that the balance of liquid assets (i.e., cash) never dropped below zero while accumulating and maintaining the required reserves.

Using the model, the committee was able to run various scenarios. Some costs were projected based on historical data for the preceding four years and other expenses were projected using an assumed inflation rate. The committee tried to use reasonable estimates when it had to make assumptions. One factor that has a large impact is the upcoming project to repair or replace the breakwater. Both the cost and timing of this project are unknown at this time. The committee assumed that \$500K would need to be raised by 2030 for the breakwater project and that, if the project costs exceed \$500K, loans would be procured.

Once we had an understanding of long-term costs and the increase in dues and fees that was needed, we looked at restructuring those dues and fees. The committee ran several scenarios for income adjustments. We first looked at a “one-time” increase of dues and fees. Then we looked at a combination of a “one-time” increase with an annual COLA. It should be noted that the funds presently dedicated to the loan fund will continue to be collected and will be re-purposed to other categories of member revenue.

## Recommendation

### *1. Increase in and restructuring of funds, dues and fees to be implemented effective July 1, 2024*

- The current charge amounts for the existing Loan Fund and Capital Improvement Fund will continue but the two funds will be combined into a single Capital and Reserve Fund for collection purposes
- The revenues of the Capital Improvement Fund will be distributed as needed by the Finance Committee into the Capital Improvement Fund and the newly created Emergency Reserve Fund
- Dues remain at \$25 per quarter
- Electricity Fees that presently vary from \$11 to \$24 become a set Utilities Fee at \$39 per quarter per moored member
- Dredge Fund Fee increases from \$15 to \$60 per quarter
- Activities Fee increases from \$15 to \$25 per quarter
- Moorage Fee increases per quarter:
  - Walk 1 - \$217 to \$230
  - Walk 2 - Up Stream Slips stay at \$100, \$152 to \$155, \$187 to \$200
  - Walk 3 & 4 - \$171 to \$185
  - Walk 5 - \$201 to \$230
  - Boathouse S - \$411 to \$455
  - Boathouse L - \$350 to \$390
  - Added cost per inch per quarter for extra width over 13 ft beam all walks - \$2.00
- Moorage Fee increase per month:
  - Cost per foot per month for boats moored on the breakwater - \$2.00

2. *Initiate an Annual Cost of Living Adjustment (COLA) to begin April 1, 2025*

Initiate an annual adjustment for inflation after approval by the Board in the February, 2025 Board meeting if relevant CPI data supports such a COLA for the year. Any subsequent annual increase will be presented by the Treasurer each February and approved or rejected by the Board.

The distribution to dues and fees of an approved annual adjustment will be determined by the Finance Committee and implemented in the 2rd quarter billing of the impacted year. The COLA would be based on a CPI such as the Consumer Price Index for All Urban Consumers (CPI-U), US City Average, All Items, 1982-84=100, not seasonally adjusted.

An amendment to the RCYC By-Laws to enable and prescribe this cost-of-living adjustment is attached to this report (see Attachment 2) and is recommended for Board and subsequent Membership approval.

Context- Comparison to other moorage options

To put the proposed increase in context we created the following table. Even with the increase, RCYC is still far less expensive than commercial marinas which do not offer the same comprehensive membership experience as does our Club.

	30' sailboat per quarter	40' sailboat per quarter
RCYC current	462	505
RCYC with increase	559	604
Salpere Bay Marina *	990	1,188
Tomahawk Bay Marina *	768	1,104
McCuddy's Marine Drive	705	870

\* Electricity extra

## BIG PICTURE BUDGET REVIEW COMMITTEE FINDINGS AND RECOMMENDATIONS

September 6, 2023

As the result of concerns of the Board and membership about RCYC's fiscal well-being, the Commodore appointed the BPBR Committee. This committee is comprised of Karen Jacobson, Judy Oxborrow, Kelly Brown, Jim Calnon, Matt Richard, Bruce Newton and Rene' Emch and met regularly from May through August. Activities have included a review of historical and current documents and data, including budgets, financial statements, long range planning spreadsheets and transaction details. This is the Committee's report as of September 6, 2023.

### CHARGE TO THE COMMITTEE

Per the Commodore and Board, the Big Picture Budget Review Committee was tasked with addressing the following questions:

- Are Club reserves sufficient for our needs?
- Is revenue sufficient to meet current and projected expenses?
- Do we need to adjust dues and fees for inflation?
- How do we plan to fund big ticket items such as the breakwater on the long range planning list?
- What happens when the dredge loan and Walk 5 loan are paid off?
- What improvements can we make to the budgeting process?

### FINDINGS

- We are overspending our cash flow and capital improvement funds annually by approximately \$40,000.
- We do not have sufficient reserves in two areas: the Capital Improvement Fund and separate reserves for a catastrophic emergency. If a catastrophic event were to occur, the total of the Club's insurance deductibles is \$125,000. Several years ago, the Board passed a resolution that the Capital Improvement Fund should end each year with a minimum balance of \$100,000. This requirement has been largely ignored.
- There is a need to strengthen budget development and spending control practices.
- The Board does not use the personnel on the Finance and Long-Range Planning Committees to determine if or when capital expenditures should be made. As a result, the last two capital projects have been largely funded out of current general operating cash flow.

- The present dues and fees schedule is insufficient. As described in the recommendations below, this should be both an automatic COLA increase and an adjustment to the set dues and fees schedule.

## RECOMMENDATIONS

### 1. Reserves

- The Capital Improvement Fund should have a minimum balance of \$100,000 per prior Board policy decisions. For the last several years, this balance has not been maintained and funds have had to be transferred into the Capital Improvement Fund to cover shortages. This was feasible in the last few years only because COVID reduced operating expenses in other areas of the budget. We recommend the Capital Improvement Fund be built up over a period of three to five years to a reserve balance of \$100,000.
- The Board should establish an Emergency Reserve Fund totally separate from the Capital Improvement Fund. As a minimum, the fund should be \$125,000 – the total of our insurance deductibles if a catastrophic event were to befall the Club. We recommend that this fund be built up over a period of three to five years and then maintained at a level that reflects current insurance deductibles as well as funds to cover unforeseen or emergency Club expenses.

### 2. Budget and Spending Practices

- The Board should not approve major projects or expenditures until the proposal has been reviewed by both the Long- Range Planning Committee and the Finance Committee. The Long Range Planning Committee and the Finance Committee should meet and jointly provide a recommendation to the Board for whether the proposed project or expenditure is consistent with the current capital improvement plan and can be funded with no detrimental impacts to the Club's fiscal health. The Board should have a strong and compelling justification if they choose to not follow the recommendation. Currently, funds are being spent equal to or exceeding the Capital Improvement Funds accumulated from quarterly billings to members. We recommend that projects should only be approved after this review and only when funding has been determined and finalized.
- Chairs of committees that have budget needs should be more involved in the annual budget process. The Finance Committee and Long Range

Planning Committee need to receive timely information prior to the preparation of the next year's budget and meeting with the Board to finalize that budget. We recommend that all Committee Chairs should be instructed to submit specific requests to the Treasurer before October 15.

- Spending by Committee Chairs and event coordinators needs better controls. We recommend that the Board require the membership to follow the spending guidelines adopted by the Board and contained in the RCYC Activities Guide. We also recommend the Board establish more clearly defined guidelines to determine when **prior** Board approval is needed for expenditure of funds.

### 3. Dues and Fees

- A dues/fees increase is necessary. The last dues increases were in 2009 and 2015 (when we purchased the new dredge). For example, a recent dredge maintenance study indicates \$58 per quarter is needed to fully fund dredge operations. Currently, a \$15 per quarter fee is being assessed. We recommend the Board task this committee or the combined Long Range Planning and Finance Committees with reviewing the current dues/fees structure and make recommendations for an increase. The committee doing this study should also review the increased operating costs in insurance, utilities, taxes, etc.
- Dues and fees need to be adjusted periodically for inflation. We recommend the Board submit for approval by the membership a Bylaws change to incorporate a new Section 2 to Article XVII – Fees, Dues, Charges and Assessments. Recommended language was discussed by the committee and is available. We recommend that this inflation adjustment (COLA) be automatic.
- The dredge loan will be paid off in March 2024. This will create an increased cash flow of \$42,000. The Walk 5 loan will be paid off in August 2025 further increasing the cash flow by \$64,000. We recommend that those funds no longer needed for loan payments be distributed equally between the Emergency Reserve fund and Capital Improvements Fund to begin building those funds to a fiscally responsible level to meet future needs.

### **Bylaws Change**

Amend Article XVII Fees, Dues, Charges and Assessments to read:

Section 1. The membership initiation fees, other fees, dues, charges and assessments of the Club shall be established from time to time by a majority vote of the Voting Membership. All Club fees, dues, charges and assessments are payable in advance. They shall be billed periodically as directed by the Board and these Bylaws.

Section 2. An annual cost-of-living adjustment (COLA) may be made to Club fees, dues, charges and assessments as part of normal Club operations and upon approval of the Board. The COLA will be based on a suitable Consumer Price Index (CPI) such as the CPI-U, index for all urban consumers. During the annual budget planning meeting, the Treasurer will present the recommendation of the Finance Committee regarding a COLA and allocation of funds among the billed categories to reflect changes in Club obligations. At the Board meeting where the budget is formally approved, the Board will act separately upon the recommendation regarding the COLA and allocation of funds. After approval by the Board, the COLA will be implemented with the next billing cycle as stated in the recommendation as passed.