

NECC 2016 BUDGET and DUES

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**OCTOBER 24, 2015 DRAFT TO BOARD
NOVEMBER 2 AND 17, 2015 SUPERVISORS
NOVEMBER 24, 2015 EXECUTIVE COMMITTEE
DECEMBER 8, 2015 BOARD**

12-30-15

MISSION AND VALUES

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- The Northeast Community Center's focus is on helping families and individuals achieve their wellness, recreational, and learning goals, while being part of a friendly, welcoming community in our historic building.

Caring

Respect

Transparency

Inclusiveness

Sustainability

Non-Profit

VISION - CONTINUITY

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- Maintain and solidify current membership. Use the increase in membership and programs to maintain affordable dues and fees for individuals and families.
- Pursue financial policies that allows for fair compensation for staff, adequate resources to address deferred maintenance on historic building.
- Utilize the additional Annex space to expand services to members; provide additional classes and recreational options to members; expand outreach and wellness educational activities for the community.
- Replace roof and rehab existing pool by addressing major vulnerabilities.
- Consistent with our non-profit status, provide charitable services to the community through financial assistance, free community events, and free or reduced fee use of our space.

VISION - FUTURE EXPANSION

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- Strengthen the fabric of surrounding neighborhoods by expanding services to underserved populations
- Construct a new facility adjoining the current historic building with pool and possibly multi-purpose rooms.
- Employ the additional and improved space to expand services to populations such as youth, families and seniors, provide additional classes and recreational options to members, expand outreach and wellness educational activities for the community, and offer greater financial assistance to qualified members.
- Consistent with our non-profit status, provide charitable services to the community through financial assistance and free community events, and free or reduced fee use of our space.

PURPOSES OF BUDGET PROCESS

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1. Spend money on what you value
2. Clarify major policy choices
3. Offer employees & Board the opportunity to discuss major priorities
4. Build understanding of implications of choices made
5. Plan for 2017 based on issues identified and choices made

OPERATIONAL VALUES

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- Financially sustainable programming at reasonable annual dues and program fees
- Quality services to our members and the community
- Adequately compensated staff enthusiastic about their work
- Commitment to provide Financial Assistance to Qualified Members and Program Scholarships
- Well maintained facility
- Adequate reserves to survive emergencies
- Solid long-term plan to maintain and/or replace facility

THE MEMBERSHIP BENEFIT

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Participation in and support of a non-profit, wellness-centered organization where neighbors and members are actively engaged in building a healthy community while improving their own physical and social environments.

SPECIFIC MEMBERSHIP BENEFITS

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- More than 80 weekly adult Fitness, Aquatics & Family Classes (e.g. Yoga, Zumba, Water Workout, Family programs, etc.) and Special Programs (Flick 'N Float, etc.)
- Adult Basketball drop-in, Open Swim, Lap Swim, Cardio & Weight equipment, Functional Training facility, Open Gym
- Child Watch – free drop-in child care for youth members
- Parking
- Program Discounts on all fee-based programming
- Priority Registration on all fee-based programming
- Equipment Orientation upon joining
- Five annual Guest passes
- No Joining or re-joining fee

MAJOR ACCOMPLISHMENTS 2015

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- Increased membership 20% from 2014 monthly average (814) to 2015 monthly average (978). (As of 12-30-15, membership = 1134)
- Solidified staffing by implementing second year of three year plan to bring employees towards market wages and adding key staff
- Expanded & Diversified Youth and Adult Programming through the additional space provided by the Annex (September, 2015)
- Celebrated 10 years as a non-profit through a series of activities throughout the year.
- Initiated discussion of future options for the Center through the Strategic Planning process.

MAJOR POLICY DECISIONS FOR 2016

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- How does the Board finish its commitment to raise employee wages over a three year period to bring wages closer to market?
- How can the Center move towards an increase in the minimum wage it pays its employees?
- How does the Board fund current deferred maintenance and future facility needs to maintain the current building and anticipate future needs? Specifically, how and when do we replace roofs and rehab the pool?
- Can the Board develop a fundraising strategy to complement its increase in membership to fulfill future revenue needs?
- **Overall strategy:** Increase membership dues to implement more competitive wage structure; adjust fees; continue to encourage family memberships; begin major capital fundraising.

FUNDING OVERVIEW – WHERE OUR REVENUE GOES

**EARNED REVENUE
GENERAL DONATIONS**

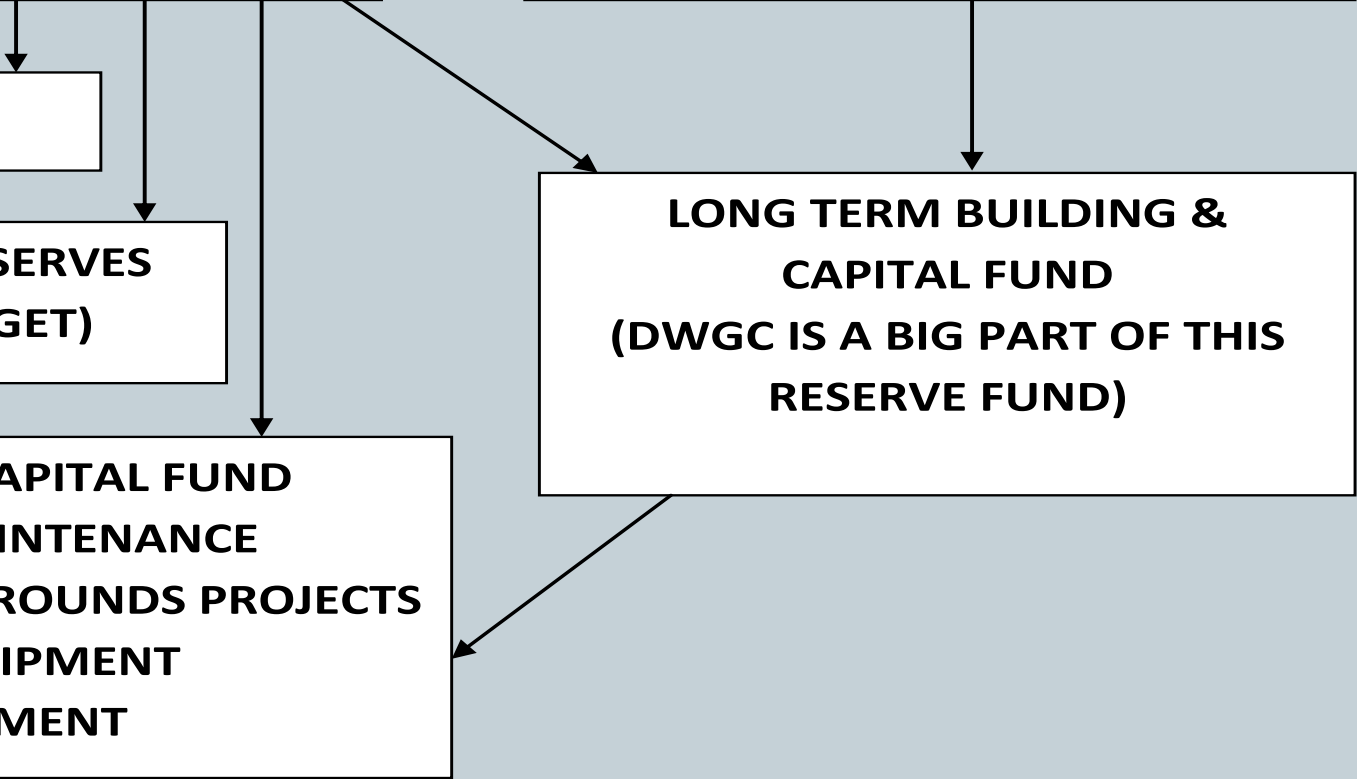
**RESTRICTED REVENUE
(DWGC DONATIONS OR GRANTS)**

OPERATIONS

**OPERATING RESERVES
(10% of BUDGET)**

**LONG TERM BUILDING &
CAPITAL FUND
(DWGC IS A BIG PART OF THIS
RESERVE FUND)**

CURRENT YEAR CAPITAL FUND
* DEFERRED MAINTENANCE
* BUILDING & GROUNDS PROJECTS
* EXERCISE EQUIPMENT
* OFFICE EQUIPMENT



BUDGET PROCESS – Projecting Revenue & Expenses

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- Projected 2016 revenue based on current membership dues & programming fees structure
- Projected 2016 expenditure increases
 - Annualized current year wage increases and previously committed increases, and set minimum NECC wage at \$11/hour by end of 2016 (phased-in depending on individual circumstances).
 - Annualized funding for events and outreach coordinator (10 hours/week).
 - Added offerings that are included with membership.
 - Included funding for critical reserves and Capital Building & Equipment expenses.
- Projected 2016 expenses exceeded projected 2016 revenue

BUDGET PROCESS - Projecting Revenue & Balancing

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- Identified and analyzed sources for additional revenue, including membership dues, class fees, and additional fee-based classes.
- Identified 2016 Earned Revenue Increases (\$128,139)
 - Projected 7% increase in annual membership revenue based on historical average of \$53.50/member \$48,360 over 2015 budget
 - Increased fitness/adult classes - \$31,000 over 2015 budget
 - Increased aquatics revenue - \$24,000 over 2015 budget
 - Increased youth revenue \$17,000 over 2015 budget
- Identified major revenue issues for the 2017 budget. (e.g. fundraising; membership dues).

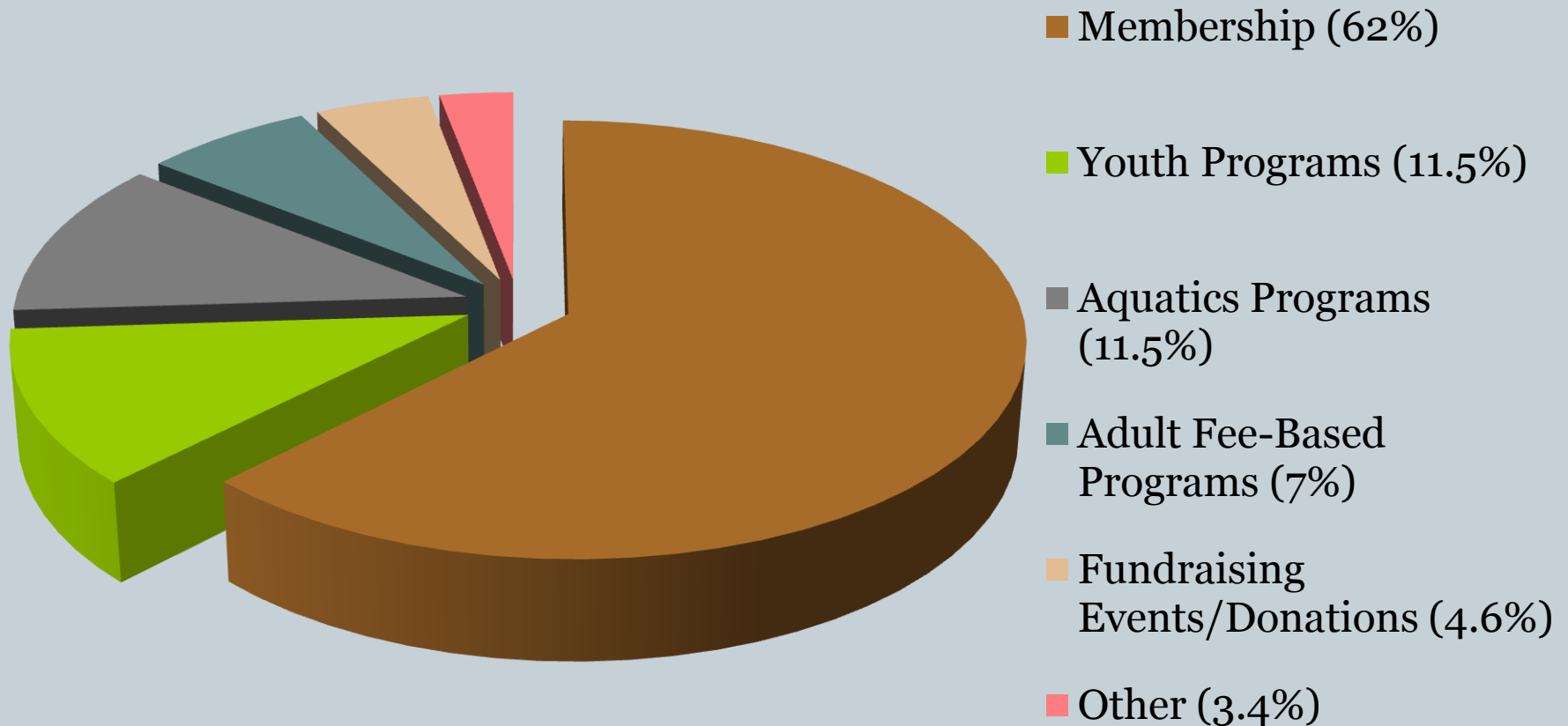
2016 REVENUE ASSUMPTIONS \$1,073,961

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- **Membership:** est. \$670,595
 - 2015 budget = \$622,235
- **Youth Programs** est. \$124,040
 - 2015 budget = \$107,089
- **Aquatics Revenue** est. \$124,836
 - 2015 budget = \$100,810
- **Fitness/Adult classes** est. \$73,300
 - 2015 budget = \$42,963
- **Misc. Income (rentals, art, etc.)** est. \$31,800
 - 2015 budget = \$23,375
- **Contributions** est. \$49,350
 - 2015 budget = \$50,300

2016 - REVENUE MIX (Total \$1,073,961)

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STRATEGIC REVENUE QUESTIONS

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- How to maximize membership revenue without overcrowding facility? When are slack times on facility use and who are likely groups to target for those times?
- Are dues at the appropriate level or do we need to consider an increase?
- How to adjust youth, aquatics, and fitness programming to maximize revenue and meet community needs?
- What is the proper balance between fee-based classes versus classes included-with-membership and open gym/swim time?

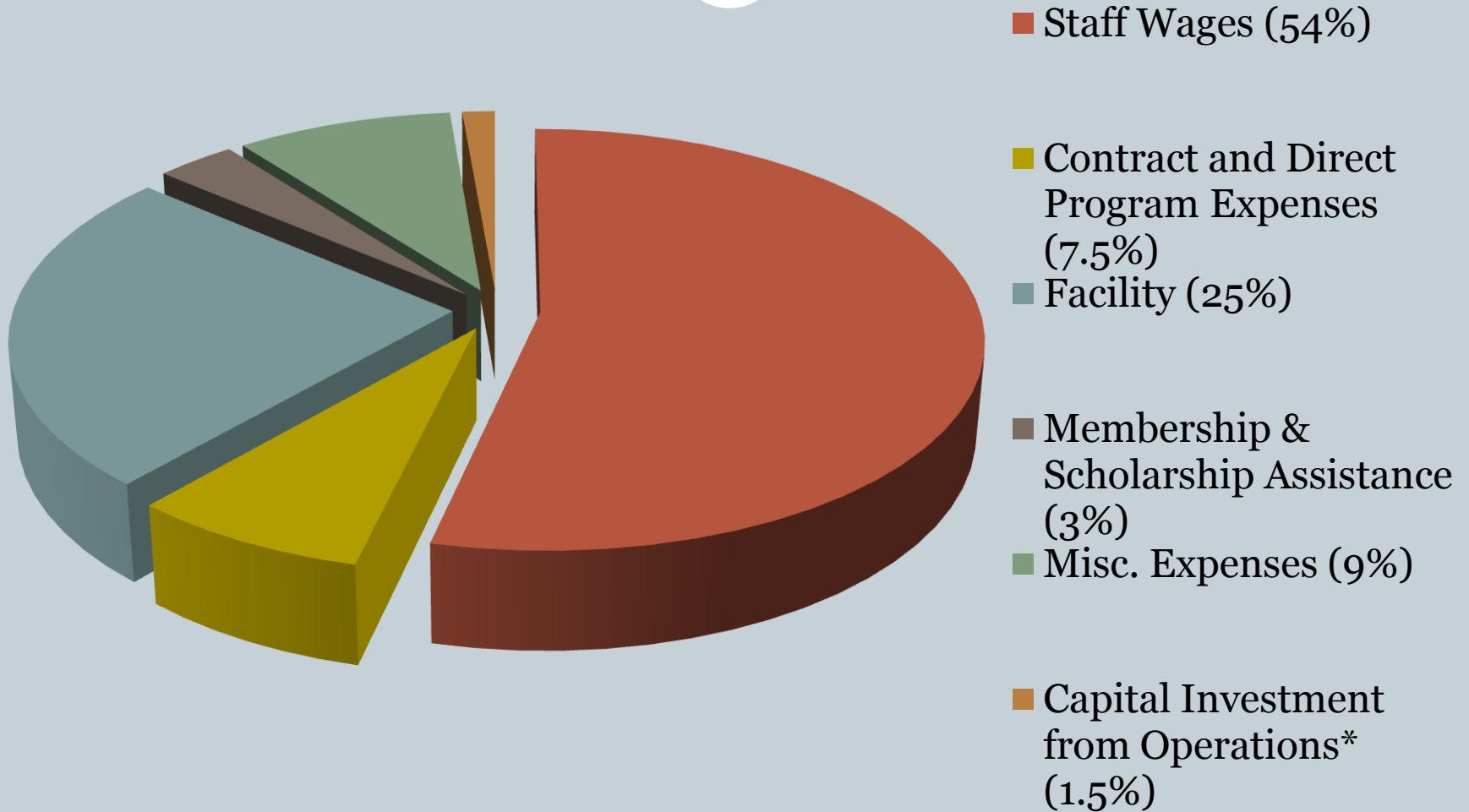
2016 OPERATING EXPENDITURE ASSUMPTIONS - \$1,059,002

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- Staff (wages & related expenses) est. \$576,642
 - 2015 budget = \$495,675
 - Contract & Direct Program expenses est. \$82,790
 - 2015 budget = \$68,195
 - Facility (see detail on slide 19) est. \$266,359
 - 2015 budget = \$222,573
 - Membership & Scholarship assistance est. \$35,925
 - 2015 budgeted = \$32,500
 - Misc. expenses est. \$97,286
 - 2015 budget = \$70,117 - Insurance, Advertising, Board Expenses, Admin Supplies, etc.
-
- Current Year Capital Funding from Operations est. \$32,500
 - Building (\$21,000) & Equipment (\$11,500)
 - 2016 Operating/Contingency Reserves Investment est. \$ 0
 - Fully funded for 2016: Operating Reserve at 8%, Contingency Reserve at 2%

2016 – EXPENDITURES

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Detail on 2016 Operating Facility Expenditures

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- **Building Overhead** est. \$122,394
 - Mortgage Principal, Depreciation
 - Annex
- **Utilities** est. \$73,795
 - Natural Gas, Electricity, Water, Garbage, Phone & Internet
- **Building Services** est. \$65,540
 - Facility Cleaning, Pool Maintenance, Equipment Maintenance, Building Maintenance, Laundry, etc.

STRATEGIC EXPENDITURE QUESTIONS

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- Are staff salaries fair and sustainable? What are the progression of increases in NECC's minimum wage and in resulting increases in staff wages & salaries to avoid compression and bring the NECC to a \$13.50 minimum wage by 2018?
- What is the cost to replace aging roofs and rehab the current pool? What are options for addressing these capital needs?

Background on Minimum Wage

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- City of Portland and Multnomah County have already implemented \$15/hour minimum for government employees
- Feb. 2016 Legislative action possible in special session:
 - \$13.50/hour statewide minimum implemented by 2018, OR
 - \$13.50/hour statement minimum with local option to cities of enacting higher increases
- Nov. 2016 Ballot Measure possibilities
 - \$15/hour implemented by 2018; supported now by 51% Oregon voters and 69% in Multnomah County; OR
 - \$13.50/hour implemented by 2018

RECOMMENDATION FOR NECC MINIMUM WAGE

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- The NECC will need the following amounts to implement an increased minimum wage (and address corresponding compression)
- For 2017 \$ 50,000 (est.)
- For 2018 \$50,000 ongoing + addt'l \$53,000 (est.)
- **RECOMMENDATION:** Implement a 5% membership dues increase in 2016 & an additional 5% increase in 2017 (approx. \$33.5k in 2016; additional \$35.2k in 2017). Schedule Board vote in January or February, 2016.
- Make up the difference with continuing increases needed in membership and increased fees.

SPECIFIC IMPACT OF WAGE INCREASE

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- Minimum wage increase will impact 45 employees, primarily in the following job classifications:
 - Front Desk, Administrative & Managerial Staff
 - Child Watch Staff
 - Aquatics Staff (swim lesson & fitness instructors & lifeguards)
 - Maintenance
 - Youth & Adult Programming
- Even employees who are not at the bottom of the wage scale, such as supervisors or employees with seniority, will be impacted because of compression (i.e. the need to maintain a wage spread among employees of the same classification based on experience, expertise, and performance)

HISTORY OF MEMBERSHIP DUES AT NECC

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	Y Dues	2005	2006	2007	2008 & current	5% increase - 2016	5% increase - 2017
Youth	16	20	20	21	23	24.25	24.5
College Student			30	32	35	36.75	38.5
1 Adult	35	40	45	48	52	54.5	57.25
1 Senior	28	35	40	42	45	47.25	49.5
2 Adults	46	55	65	69	75	78.75	82.75
2 Seniors	36	45	55	58	63	66	69.25
1 Adult + child/ren	46	52	60	60	65	68.25	71.75
2 Adults + child/ren		60	70	75	81	85	89.25

IDENTIFYING CAPITAL NEEDS FROM HORIZON LIST

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- NECC's Horizon List outlines major facility purchases and maintenance needs until 2022 – divided into five categories
 - Must do – safety issue
 - Should do – mission critical
 - Reduce Operating Costs
 - Improve facility / attract Members
 - Nice to Have / Deferrable

THREE YEAR – CAPITAL NEEDS OVERVIEW

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MAJOR CAPITAL NEEDS:

- Roof replacements
 - ✦ Main Roof - \$125,000
 - ✦ Gym Roof & Penthouse Roof - \$80,000
 - ✦ Pool Roof (\$78,000 included in pool rehab below)
- Major pool rehab (incl. roof) \$450,000
- Parking Lot Repaving \$30,000

POTENTIAL FUNDING SOURCES

- Don Waggoner Giving Circle (DWGC Steering Committee, currently Linda Rasmussen, Gary Gibbs & Eunice Waggoner, make recommendations to the Board for use of the DWGC funds).
- Board Designated Capital Building Fund
- Current Year Operations budget
- Year-end surplus from prior years operations
- Fundraising

NECC's Three-Year Capital Strategy

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- Early 2016, develop fundraising strategy and grant strategy for 2016 focused on pool rehab. \$450,000+ target to implement in 2017
- Spread roof replacements over three years
- Continue steady progress on deferred maintenance projects from Buildings and Grounds Horizon List
- Effectively utilize DWGC funds over three year period
- Raise annual operating commitment from \$21,000 to \$22,000, \$10,000 of which is used annually for Fitness Equipment

2016 - CAPITAL BUDGET - \$97,800

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- Capital Facility Budget from Horizon List \$86,300
 - Funded from:
 - ✦ Operations Revenue
 - ✦ Long Term Building Fund (which includes Don Waggoner Giving Circle and Restricted Building Fund Reserves)
 - ✦ See Next Slide for Details

- Capital Fitness Equipment Budget \$10,000
 - Funded from Operations Revenue

- Capital Office Equipment Budget \$1,500
 - Funded from Operations Revenue

2016 CAPITAL FACILITY BUDGET - \$83,800 approved

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- **Horizon List: \$30,800 total:** Includes first floor carpet; tile repair; exhaust blower motor; upgrade electrical panel; etc.
- **Parking Lot repaving & striping: \$30,000**
- **Funding sources**
 - \$21,000 annual operating revenue earmarked for Capital facility projects
 - \$30,000 Board restricted building fund
 - \$32,700 Don Waggoner Giving Circle
 - \$2,100 Energy Trust (from parking lot lighting project)
- **Main Roof Replacement – \$125,000 (on hold)**
 - Previously est. at \$23,000 and included in 2016 capital budget. Additional information indicates cost is \$125,000, and therefore, project is currently unfunded – Board will utilize any excess funding available from above funding sources and seek other methods to fully fund this project.

2017 CAPITAL FACILITY PROJECTS - \$479,440

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- Horizon List: \$29,440: 2nd floor carpet; lighting in family change room; repaint men's lockers, etc.
- Complete Pool rehab and pool roof (possibly, August 2017): \$450,000
- Funding
 - \$21,000 Operations
 - \$40,000+ DWGC
 - \$429,940 Capital Fundraising Appeal and/or Grants aimed at sustaining our community resource

2018 Capital Facility Projects - \$99,000

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- Horizon List: \$19,000
- Gym roof and rehab penthouse roof and siding: \$80,000
- Funding
 - \$22,000 Operations
 - \$20,000 DWGC
 - \$69,500 Capital Fundraising and Grants

STRATEGIC FACILITY QUESTIONS

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- How do we meet the needs identified in the Horizon Plan?
- Should NECC's planning efforts focus on a new facility or major maintenance/improvement efforts on the existing facility? At what time do we need to answer this question? Are new construction costs realistic? What level of membership is necessary to sustain a new building?
- What are the mutual roles of the Board and ED in soliciting grants and fundraising?
- What approach(es) are likely to appeal to major contributors to the NECC? Do we have the energy and resources to engage in a major capital campaign?
- Who should direct the outreach and fundraising efforts that implementing a long term facilities plan will entail?

OPERATING RESERVES \$106,290

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- **Contingency (2%) \$21,480**
 - Can be used at the discretion of the ED based on unexpected expenses necessary to carry out mission of NECC or health and safety requirements; contingency funds are currently in the checking account and likely not spent and carried over in large part to 2016.
- **Operating reserve (8%) un-appropriated \$85,915**
 - Met goal of 8% of annual operating budget by the end of 2015. (about equal to one month operating expense – balance = \$95,258)
 - Cannot be used except by Board action based on emergency criteria or significant growth or service opportunity

2017 ISSUES

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- Combination of salary increases, minimum wage increases, and unfunded facility deferred maintenance indicate that additional ongoing revenue necessary for 2017
- Three largest potential sources for ongoing funds are:
 - Membership Dues
 - Additional members
 - Fee-based programming
- Two largest potential sources for one time funds are:
 - Fundraising
 - Grants

HOW YOU CAN HELP

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- How can your energy and passion best help the Center? Options:
 - Committee work on key policy issues
 - Involvement with discussions growing out of Strategic Plan
 - Discussing long term NECC revenue issues with other members
 - Fundraise or plan fundraising events