

Committee Name: Board of Directors	Session #: 1	Report #: 1
Committee Chair: Nadine Day	Vice Chair:	
Minutes recorded by: Chris Colburn	Date/time of meeting: May 19, 2014 8:30pm EDT	

Motions Passed:

1. MSA to ratify the vote approving the 3/17/2014 BOD Conference Call minutes.

Number of committee members present: 21

Absent: 7

Number of other delegates present: 1

Committee members present (list all, including chair and vice chair): Nadine Day - President called the meeting to order at 8:32pm EDT. Also present were: Ed Tsuzuki - VP of Administration; Chris Stevenson - VP of Local Operations; Chris McGiffin - VP of Programs; Chris Colburn – Secretary; Phil Dodson – Treasurer; Patty Miller - Legal Counsel; At-Large Directors: Bruce Hopson (Breadbasket), Dave Diehl (Colonies), Maria Elias-Williams (Dixie), CJ Rushman (Great Lakes), Hugh Moore (Northwest); Jim Clemmons (Oceana) and Phil Whitten (Southwest); Rob Butcher – Executive Director; Past Presidents: Rob Copeland, Jim Miller, Nancy Ridout, Jeff Moxie and Ted Haartz; Jeff Gudman – USA Swimming Liaison to USMS..

Not present: Jody Smith -VP of Community Services; Jill Gellatly (South Central); Tom Boak, Dan Gruender, Mike Laux and June Krauser – Past Presidents; Mel Goldstein is recused from the Board due to his contractor position with USMS.

Guests: Ralph Davis, Chair, Headquarters Task Force.

Minutes

The meeting was recalled to order at 8:32pm EDT.

1. HQ Task Force (Ralph Davis, Chair): Ralph discussed the data and analysis from the Headquarters Task Force and made some recommendations based on some upcoming vacant space owned by the City of Sarasota. Rob Copeland and Jim Miller asked some clarifying questions regarding the options Ralph explored, including the aforementioned space. Rob Butcher provided clarification about the space, the lease possibilities, and the laws in Florida related to a potential transaction. The conversation continued covering options for using the space on this property, which is more than USMS anticipates needing. Nadine thanked Ralph for the information he provided to the BOD, and appreciated the establishment of an appropriate sense of urgency.
2. President's Report (Nadine Day): Nadine will be attending the USAS meeting at ISHOF in Ft. Lauderdale. She made the recommendation to reappoint Tom Boak to USAS and both Mel Goldstein and Dr. Jim Miller as the USMS UANA Masters representatives. We will discuss this at our July BOD meeting. Confirmation for both will be voted upon at the September USAS meeting in Jacksonville.
3. Secretary's Report (Chris Colburn): Chris Colburn requested ratification of the vote approving the 3/17/2014 BOD Conference Call minutes. **Unanimous MSA to approve.** Chris asked if there had been sufficient reading of the April minutes for a vote. Since the Board had not yet had a chance to read them, a vote was not taken at this time on the April minutes. Chris discussed an attachment problem that Ted was having. He is looking for solutions.
4. Treasurer's Report (Phil Dodson): Phil mentioned that we are ahead of budget for this time of the year and that we are in control of our own destiny for the year to grow the membership and increase/improve revenue.
5. 16 Month Update (Ed): Ed mentioned that this should be referring to a 4+12-month membership package. The Registration Committee discussed this, and asked the BOD to weigh in on the fee structure. The committee recommended the current fee structure, which allows the LMSCs to define their own fees, because of the potential financial impact. Ed discussed the issues surrounding the case for this membership option and the issues faced by members without this option. Ed mentions that this offering will help to retain members and increase customer goodwill with no negative impact to the LMSCs' fee structures. Phil asked some clarifying questions about the fee structure. Nadine asked further clarifying questions related to how fees could change in the future. Ted asked more about these implications. Ed outlined the next steps for the Registration and Finance Committees. Rob B mentioned that Registration had a call to discuss this option with the IT department and the National Office.
6. Policy Manual Update (Hugh): Hugh apologized for not getting the manual posted soon enough for the BOD to digest it. He indicated that the policies covered are those that the BOD have already passed. Discussion centered around if the document should be more virtual/dynamic so that it's easier to update. Nadine suggested that members can make comments and recommendations on the manual in the discussion forum thread.
7. Chris McGiffin posted a VP Programs report to the BOD Discussion Forum. The volunteer recognition from the report will be added to the minutes (see Appendix below).

8. Next meeting will be June 16, 2014 at 8:30pm EDT.
9. The Board moved into Executive Session at 9:23pm EDT to discuss the upcoming Election and the Election Operating Guidelines. The Board members running for At-Large Director positions this Fall left the call before the discussion took place.

The meeting was adjourned at 9:48pm EDT.

Appendix: Volunteer Recognition from the VP Programs Report of 5/18/2014

Volunteer Recognition

Donn L. recognized the following people for their extraordinary contributions:

★ Susan Kirk, Lead; Ann Svenson, Ali Hall, Robert Zeitner, & Denise Brown -- on the NC Selection Working Group for their efforts in meeting 2 of our LDC goals early in the year. They revised the bid document and made it easier for bidders to submit. Included in this is the festival format idea and encouraging bids for this type of event.

★ Bob Bruce, Lead -- he has done a great job in gathering possible rule changes and putting them in a format that the committee can easily understand and vote on.

Lynn H. recognized Jim Wheeler.

★ Jim Wheeler for his leadership in open water safety education. Jim delivered the first of two Safety Webinars on March 16, 2014. The second webinar will be on April 13. He is also planning a series of in-depth webinars, which will be presented by Jim and Bob Bruce from May through August. These education opportunities will expand on topics brought up in the first two webinars as well as topics from the attendees. Links to a video of the first webinar and a copy of the slides have been posted on the Open Water Guide to Operations.

Appendix: Headquarters Task force report to the BOD (added 9/7/2014)

TO: USMS BOARD OF DIRECTORS

FROM: HEADQUARTERS TASK FORCE

Task force members: Tom Boak, Phil Dodson, Tom Holmberg, Ralph Davis, Nadine Day, Rob Butcher, Susan Kuhlman

DATE: APRIL 6, 2014

National Office Background

At the winter of 2009 board of directors meeting, Sarasota was selected as the community we would establish the USMS National Office. Sarasota was selected for several reasons; non-profit is a significant industry supported by the Sarasota private and public community, more than 2,000 non-profits are based in Sarasota providing a pool of professional talent we could recruit who embrace the non-profit working culture, swimming and open water facilities existed and were made available should we desire to host events, and the Sarasota community had an established Masters Swimming community with a demonstrated spirit of volunteerism.

In June of 2009, USMS entered into a lease with the city of Sarasota for our national office headquarters. The Pagoda Building we occupy is a stand-alone building located within the historic district of downtown Sarasota. The building is 1,956 square feet. It is designated a historic landmark. Our lease term on the Pagoda Building expires May 31, 2019. The fixed lease rate is well below market value at \$1,200 a month or roughly \$7PSF. The lease increases 3% each June 1st. The lease has two five-year renewal options allowing the potential for the lease to continue through May 31, 2029. In total, USMS has invested approximately \$70,000 in necessary improvements so we can function within the space (The depreciated value as of 12/31/2013 was \$43,600 with annual depreciation around \$7,000). Twelve full time and one part time employee work out of the national office. Storage was moved offsite so we could maximize all available working space. Unless we implement "shifts" or shared working stations, there is no room to add any additional employees within the current space. The Pagoda Building is a designated historic landmark so the building walls and roof may not be moved.

Task Force Update

Recognizing our business plans calls for continued dues increase and revenue generation so we may develop and deliver programs and services, some of which will require new national office staff, President Nadine Day commissioned a headquarters task force at the 2013 summer board of directors meeting. The headquarters task force, as documented in the meeting minutes, was charged with the responsibility of recommending our future headquarters growth needs and whether USMS should buy or rent. Task force members are Tom Boak, Tom Holmberg, Ralph Davis, Susan Kuhlman and Rob Butcher. Phil Dodson was added to the task force when he was elected Treasurer at convention.

Our preferred option has been that another city owned property would become available and we could enter into another favorable lease arrangement. The Visitors Center immediately next door to the Pagoda Building would have fit the bill. It is 6,700 square feet but around Christmas time, the Visit Sarasota tenant renewed their lease. The old Sarasota library is two blocks away from the Pagoda Building and is available. It is 33,000 square feet. We spoke with the city about the property and would have needed a partner to consider it an option. The library needs an estimated \$500,000 in repairs just to get a certificate of occupancy. The city isn't going to invest the money so the tenant(s) would be responsible. The city recognizes USMS as a good tenant providing tangible economic and employment value, the reality is space is just not available. The stars lined up for us when we took over occupancy of the Pagoda Building in 2009.

When it became apparent after the New Year that a city option isn't in the foreseeable horizon, Susan Kuhlman and Rob Butcher invested time into looking at both lease and purchase options that would satisfy our three needs outlined in this memo. We consulted with Kerkering Barberio on tax issues, Sarasota County on real estate tax exemption, ESIX on insurance, and Wells Fargo for loan qualifying. We were also able to glean good real estate information during our interview process with prospective outside legal counsel.

Susan and Rob worked with a local commercial real estate agent to conduct extensive "on the ground" hunting for properties that fit our three needs and uncovered two properties, one a lease and one a purchase. They had planners visit each location ensuring it could meet our space needs. A comprehensive side-by-side comparison was developed that included monthly expenses (i.e. occupancy cost, insurance, maintenance, electricity, etc.), rental income from the owned property, and intangibles such as parking, how many bathrooms, break room, and so forth. We did not though negotiate with either property owner so as not to demonstrate unapproved interest.

From a timing perspective, we are on the front end of preparing the 2015 budget. Our business plan documents adding at least one full time person in 2015, and possibly two. We have enough preliminary financial data to placeholder an estimate for 2015 occupancy costs, with the final number determined by the decision the board makes. Knowing that we want to eliminate surprises or even the perception of, it would be wise to include the 2015 occupancy costs in the 2015 budget rather than come back and ask for an over budget especially when we know we will be doing something in 2015.

Identified Needs

- a. Geography: close to downtown Sarasota as that is the most central location for our employees;
- b. Size: ability to accommodate up to 25-employees as projected in our five year plan (we are currently at 12-full time and one part-time employee);
- c. Cost: Whether we lease or purchase, the ability to establish a predictable national office budget (regardless if we buy or lease, there will be costs such as moving, depreciation write offs, remodel/update a purchase or lease depending on terms, furniture, and potentially terminating our lease with the city of Sarasota).

Options

The HTF identified three options that are listed below. The options are in order of recommendation from the HTF.

Option #1

USMS purchase and own its headquarters.

Comments:

- Commercial inventory that can accommodate our projected employee plan over the next 5-10 years and within the Sarasota downtown area is available;
- Current commercial property values are 25-35% below historical values;
- Interest rates are favorable;
- Owning and subletting unused space allows USMS to generate rental income to offset mortgage payments, when the time comes we can expand into the rented space;
- We could sell the building in the future and potentially be able to recapture some equity;
- Sarasota based non-profits are exempt from paying real estate taxes although we would pay tax on any portion that is sublet and generating rental income;
- Owning would provide some real estate exposure to our investment portfolio;
- USMS would need to accept full responsibility of owning.

Option #2

USMS lease a larger space intended to accommodate our national office needs for the next 5-7 years.

Comments:

- We would be leasing and paying market rate rent on a space larger than we need in 2015, 2016, 2017, and possibly 2018 and 2019 as our staff model systematically develops;
- If revenue continues to grow and programs and services required from the national office continue to increase and staff is needed to deliver, and if incremental space is not available within the new leased environment, we may be looking for a new headquarters again in 5-7 years;
- Market rate, competitive all in gross leases are available providing predictable costs;
- Leasing removes the burden of building maintenance and building costs from USMS;
- USMS would have no exposure should the real estate market depreciate or crash.

Option #3

We maintain our current existing office space and seek additional space to rent within downtown Sarasota thus have a split-working environment.

Comments:

- Our lease term on the Pagoda Building is favorable and renovation expenses have already been incurred;
- The split space we lease would likely not need to be as big in size as Option 2 thus Option 3 would likely be more economical than Option 2;
- While this option would likely be the most lease economical, the staff is not in support of a split environment as it has the potential to fragment the good working chemistry and efficiency from our staff.

Conclusion

The board of directors underwent a successful headquarters selection community process in 2008. While we could issue an RFP to other communities who desire to have USMS and provide favorable lease terms (i.e. \$1 per year lease), the reality is those arrangements come with conditions. For example, USMS may need to guarantee a certain number of jobs or events to receive that kind of deal. Further, USMS would experience significant and real costs with employee relocation and some employees not wanting to move. We continue to believe that the Sarasota community provides the necessary foundation to promote our mission and meet our business objectives.

The idea of buying a headquarters is new territory for USMS. The HTF unanimously agrees that the board of directors should discuss the options, generate input, decide on its own preferred option, then define the process and decision making authority for the organization to move forward. We recommend the Executive Director, President, CFO, Treasurer, and Legal Counsel is the authorized representatives to implement the board authorized option.

Respectfully Submitted,
Chris Colburn, Secretary
