

TO: House of Delegates
FROM: Dawson Hughes, Susan Kuhlman
DATE: September 05, 2017
SUBJECT: Business plan in support of the 2018 draft budget

Enclosed is the 2018 proposed USMS budget designed to support initiatives developed based on the [USMS Strategic Plan](#) . This document provides priorities and goals for 2018. Among these goals are: USMS 3.0 (IT modernization initiative reviewed and approved by the Finance Committee and Board in 2017), greater direct support for local program development, a new event series focused on attracting fitness oriented members and supporting the Swimming Saves Lives Foundation, and continued development of added fitness programming. The draft budget bottom line reflects a net operating deficit of **\$8,561**.

2018 BUDGET ASSUMPTIONS EXECUTIVE SUMMARY

*For detail, Program Revenues, page 3
see the full 2018 Business Plan, pages 3 - 9*

- Compensation: 2.1% decrease from 2017 budget. One full time IT leadership position now filled by a contractor. (Off setting expenses are in Membership budget.) One new full time marketing coordinator position is budgeted to be added 4/1.
- Insurance costs: 4% increase.
- Membership revenue: 2.0% membership increase over the 2017 membership forecast for a total of 67,650 members. Membership fee increase of \$2 to \$43 for 2018 (4th of 5 years of \$2 increase per year approved in 2014).
- IT: Phase I and II of IT Modernization Project to be implemented. Modern website via new software platform that provides an improved mobile experience, allows us to capture data on visitors to the website to use in re-marketing USMS membership, provides a personalized experience while navigating usms.org, among many more upgrades. We will also be moving all USMS software to the cloud.
- Magazine costs: Assume 35% choose digital version of *SWIMMER*. Replace the paper copy with a digital version to non-renewed members in January/February. Savings of \$103K from 2017 budget.
- Education Services: Renamed Program Services. For 2018 change to 11 instructional weekends that will include almost all courses in one location.
- Program revenues: 1085 clubs, 450 workout groups at \$43 each, 1,400 designated coaches and instructors, 500 coach certification participants, 210 ALTS instructor participants, and 490 stroke development clinic

participants. New fitness and local swim programs. Decrease of \$99K from 2017 budget.

- Program costs: Reduced travel costs by consolidating offerings in hub locations. Decrease of \$82K from 2017 budget. \$10K placeholder for 2018 National Coaches Conference held every other year.
- Adv/sponsorship: 20 sponsors, 14 magazine advertisers, \$25K in new revenues for a total of \$483K. \$50K in value-in-kind products.
- Marketing costs: Increase internet advertising to utilize new Potential Member database - \$50K. One time cost to support sponsors during UANA Pan American Championships (Pan Ams) - \$18K. New sponsorship sales agency - \$10K.
- College Club: Full year revenue/cost center for 2018. Pro-rated club memberships began 8/15/17. Expenses include a leadership summit - \$15K, national event development and marketing -\$21K and USAS convention-\$4K.
- Admin-Volunteers: Expenses are \$33K less than 2017 budget. This is off year for the LMSC Leadership Summit.
- Admin-Staff: \$34K Increase related to the software amortization of Phase I and II of the IT Modernization Project capital investment.

2018 BUDGET AS SUBMITTED

SUMMARY OF 2018 DRAFT BUDGET PROGRAM REVENUES		2018	2017	Change
MEMBERSHIP FEES*				
Membership Fees	full year	\$43	\$41	\$2
	partial year	\$20-\$35	\$20-\$35	\$0
Club Fees		\$43	\$41	\$2
Workout Group Fees		\$43	\$41	\$2
One Event Fees		\$15	\$15	\$0
*\$2 per year increase for 5 years approved during 2013 Convention. 2018 is year 4 of 5-year schedule.				
PROGRAM SERVICES REGISTRATIONS				
Coach Certifications	level 1&2	\$190	\$185	\$5
	level 3	\$205	\$225	(\$20)
Stroke Development Clinics	members	\$50	\$50	\$0
	non-members	\$75	\$75	\$0
	coaches	\$45	\$50	(\$5)
Fees - Designated Coach & Instructor		\$30	\$30	\$0
Adult Learn to Swim Instruction		\$250	\$300	(\$50)
EVENT/SANCTION CHARGES				
	Sanctioned/Recognized			
Pool meet	sanctioned	\$50	\$50	\$0
Pool meet	national championship	\$5 per person	\$5 per person	\$0
Pool meet	national championship	\$12 event surcharge	\$12 event surcharge	\$0
Pool meet	recognized	\$100	\$100	\$0
Open water swim (max charge of \$1,000)	sanctioned	\$100 plus \$5 per participant	100 plus \$5 per participant	\$0
Open water swim	sanctioned national championship	\$5 per, +\$3 surcharge	\$5 per, +\$3 surcharge	\$0

ASSUMPTION DETAILS AND BUSINESS PLAN SUPPORT FOR 2018

MEMBERSHIP SERVICES

- The budget assumes a 2.0% increase in overall 2018 membership, based on the 2017 forecast. USMS will end 2017 with approximately 66,000 members. The membership registration fee, as approved by the [House of Delegates](#), will increase by \$2 to \$43. This is the fourth year of the five-year plan incorporating a \$2 annual fee increase. The total membership budget for 2018 is 67,320.
- Registrations that occur after June 30 will be given a choice to either pay the full fee for the current year or take advantage of the reduced fee for the current year and add on the following year. This will provide an improved value proposition for registering for the following full calendar year.
- In 2018 the year plus member option will begin in July. New members will have the choice to pay the full year rate of \$43 or opt for the year plus. The year plus consists

of a six to three-month membership (July - December) for the year 2017, plus prepayment of a full-year (12-month) membership for 2018. The 2017 portion of the registration fees will include progressive discounts based on the month of the registration: July = \$35; August = \$30; September = \$25 and October = \$20.

- Of the \$183,110 increase in membership revenue, 28% is from member growth and 72% is from fee increases.
- Significant Membership Services, IT, and Administrative staff time are allocated to programming, accounting, service, communication, maintenance, and safeguarding of the in-house registration system and the membership database.
- Office IT services and commonly required system maintenance is outsourced - \$24K.

Member Services Support Staff provides member benefits, customer service, communication, and engagement for our members and extensive volunteer network, including supporting the efforts of USMS's nearly 1,500 Masters Swimming clubs and workout groups and 52 LMSCs. The staff is responsible for day-to-day operations that cover customer service, registration, volunteer and member communication, the planning and coordination of the USMS annual meeting at the USAS convention, publishing and printing of the Rule Book and issuance of certificates of insurance, on an on-going basis.

- **Membership Services** primary responsibility is servicing and supporting our 65,000+ members including athletes, volunteers, coaches, and event directors year-round. They develop and execute member campaigns targeted to increase both new and renewing membership goals through phone, email, text, survey and contest campaign efforts. They are also coordinating the updates for the Places to Swim and club listings databases. In 2017 the new College Club initiative was implemented. The support for these new members is also facilitated by this department.
- **Volunteer Services** provide training to enhance volunteer roles for LMSC leadership and foster strong communication and best practices so that USMS volunteers have the resources they need to support the membership. Training includes: creation of tutorials; phone and email support.

IT focus for 2018 (USMS 3.0)

- Website redesign and re-platform to a modern content management system that supports mobile friendly presentation. (Projects approved and began in 2017. Phase I implementation first quarter 2018 and Phase II implementation by end of 3rd quarter 2018.)
- Streamlining registration and renewal process to improve conversion rates. Reduce the number of registration screens and increase the autofill fields; improve the mobile registration process.
- Move website and membership management system to the cloud for improved security and redundancy - \$25K. Eliminates the need for capital investment in new servers.

- Development of an interface to the USMS membership system that enables external systems (e.g. event registration, club management, fitness tracking applications) to access USMS data and share data with USMS.
- Implementation of a new email management system that includes email subscription management functionality - \$16K.
- Improved communications with current and perspective new members after planned implementation of new software by the end of the first quarter.

COMMUNICATIONS AND PUBLICATIONS

- Our Communications and Publications business unit produces six issues of *SWIMMER* magazine, 30 issues of *STREAMLINES*, video content, regular features to usms.org, and social media programs. In addition, event communications surrounding our national events, including 10 pre-event email updates and the meet programs, are managed and produced in-house.
- Assume that 35% of membership will opt to receive the digital version of *SWIMMER*. This is compared to 25% in 2017. The related printing and postage savings is approximately \$41K.
Send non-renewed members the digital version of the Jan/Feb *SWIMMER* in place of a paper copy for an estimated savings of \$17K.

PROGRAM SERVICES (formerly Education Services)

- In 2018 the budgeted fees for club and workout groups are equal to the national member registration fee of \$43. This is a \$2 increase over 2017. Per the USMS rulebook, clubs are defined as members.
- Change in the structure of existing course offerings:
 - Strategically schedule 11 education weekends in larger hub cities throughout the U.S.
 - Combine coach certification levels 1-2, level 3, clinic course for coaches, ALTS classes and stroke clinics in each location.
 - Overall budgeted attendance for 2018 is 1200 participants for all classes. Increases the opportunity for course variety and networking in one location.
- New 2018 initiatives:
 - The fitness program is being developed in 2017 and will be rolled out in 2018. The development process will continue through the end of 2017.
 - Local Swim Programs will be staff/contractor coach managed swim programs in locations where there are swimmers and facilities, but lack a formal masters swimming program structure and leadership. USMS will assume the financial risks during the establishment of the new program(s). (See Goals and Objectives Document attached)
- The Adult Learn-to-Swim (ALTS) instructor certification program will move 5 classes under a separate Swimming Saves Lives initiative that will be available to communities that may not have a Masters' program, but have a demonstrated need in the community to teach adults to swim.
- Program Services will continue its outreach initiative by making club visits and presenting at five or more conventions with strategic partners.

- The National Coaches Conference is scheduled for 2018 and will be supported by a collaboration between the Coaches Committee, LMSC host and staff.
- Regional Program Developer – The National Office is planning to contract with at least 1 regional program developer in 2018. (See Goals and Objectives document attached)

EVENTS

- The biggest change in Events is that the 2018 Summer Nationals will not be contested in favor of supporting the 2018 UANA Pan American Masters Championship in Orlando. This has an impact on many various related revenue and expense items.
 - Loss of revenues for championship meet surcharges and \$5 per swimmer sanction fee for an estimated reduction of \$25K
 - Savings of approximately \$16K for direct event support. These savings are directly offset by the additional sponsor support costs under the Marketing Department that will be incurred for participation in the UANA Pan Ams. This is an acceptable sponsor alternative that satisfies our contractual obligations.
 - Officials Committee budget is unchanged with plans to support the UANA Pan Ams.
- In 2017 we hired a new full time Events and Programs Coordinator. In 2018 we established a new Event Development budget that will be used to support the activities of this new position. In 2017 the budget was included under Program Services; Club and Coach Development.
- There are no planned Event fee changes for 2018.

MARKETING SERVICES

- The 2018 budget reflects 20 sponsors, 14 magazine advertisers and royalties for a total revenue of \$483,200 this includes \$25,000 in new sponsor revenues. In addition, the sponsors will provide \$50,000 of value-in-kind (products) used to support ongoing programs.
- The 2018 budget includes \$10,000 for sponsorship sales agency support, who will assist USMS with attracting new sponsors outside of endemic swimming brands.
- The USMS digital footprint will continue to expand through use of Google and Facebook advertising. The goal is to successfully drive membership leads from the new customer experience software; through the process of registering for membership. In 2018, a lead generation database will be created consisting of those individuals that visit and read our content, but are not members. The benefits of joining USMS will be marketed to this group through email campaigns and digital ads. We will also use this money to advertise our events and clubs that require membership. The budget for the membership digital advertising campaign is \$50,000.
- Due to UANA Pan Am Masters being hosted in Orlando in 2018, \$18,000 has been added to the Marketing budget to fulfill contractual obligations for sponsors. This is

offset by savings of \$16,000 in the Events budget for the suspended 2018 Summer Nationals; in favor of supporting Pan Ams.

COLLEGE CLUB

- For several years, USMS has been a supporter of the college club championships and hosted college club swimming summits in early 2016 and 2017. The summits included 11 college club presidents and three different college club advisors. From these summits, the task force gained insight into what the college club swimmers and clubs are looking for to enhance their swimming experience. The current college club structure is disjointed and program offerings are inconsistent. In 2018, the goal for USMS is to unify these clubs to create a national community, to help the clubs grow and to become the organizational backbone so that more swimmers continue to swim through college. USMS can begin to engage with these swimmers at the college club level with the goal of transitioning them to Masters Swimming after graduation.
- The revenue budget for 2018 is \$36,900 and consists of fees for 80 clubs. The college club membership begins on August 15 to coincide with the beginning of their swim season. This revenue model is based on the number of members per club instead of the individual members. The program is being developed to fit within the recreational college sports structure.
- To activate this new program, expenses for 2018 include: college club leadership summit - \$15,000; national event development and marketing - \$21,300; and attendance of three delegates to the USAS Convention - \$3,600.
- Staff resources will need to be identified to support this program.
- Currently, it is estimated that there are 5,000 college club swimmers in 200+ clubs. The 2018 budget assumes 85 registered college clubs.

SWIMMING SAVES LIVES FOUNDATION

- During the 2018 budgeting process a distinct SSLF budget is being proposed (This budget would include three departments under the Foundation umbrella: Operations, ALTS Instructor Courses and Events).
- The impact on the USMS budget will be to remove the SSLF budget centers; including the Central Indiana Community Foundation annual transfer.
- Since inception, the long-term plan was to have the SSLF be self-supporting. Philosophically, the National Office Staff time spent on SSLF initiatives will be viewed as the organization's contribution to the Foundation, but the USMS operating budget would not be impacted by other direct expenses.

RISK MANAGEMENT AND INSURANCE

- Risk management and insurance services will continue through partnership with Entertainment Sports and Insurance eXperts. ESIX charges USMS a flat, non-commissionable annual management fee to provide risk management and insurance brokerage services. Risk management programs include expanded

insurance coverage, an online sanction database, a national-level event compliance review and a waiver. Per ESIX, the insurance budget includes a 4% increase.

- The actual costs will be known prior to Convention.

ADMINISTRATION & VOLUNTEER

- The increase in Administrative expenses is mostly related to the amortization of Phase I and II of the IT software modernization capital investment - \$34K.
- This is an off year for the LMSC Leadership Summit and the next event is scheduled for 2019. This successful face-to-face leadership summit is planned every other year.

CAPITAL REQUESTS

- Per FOG, the threshold for capitalizing an equipment purchase is \$5K. The following capital is budgeted for 2018: other capital - \$10K.
- A long-term IT Modernization plan was included in the five-year plan approved by the BOD in February, 2017.
- In June, 2017 an IT Modernization Phase I overbudget request was approved by the Board and Finance Committee for \$245K. See BOD June 19, 2017 meeting minutes, item #4. <http://www.usms.org/admin/minutes/bod-2017-6-19-1.pdf>
- Phase II of the long-term IT Modernization plan is scheduled for implementation in late 2018. The estimated cost of Phase II is \$150K.
- The software amortization expenses related to both Phase I and Phase II are included in the 2018 operating budget.

COMPENSATION

- 2018 compensation is budgeted to decrease 2.1% compared to the 2017 budget.
- One new full time marketing coordinator position will be added 4/1.
- In 2017 we hired two summer interns. The program was very successful and two summer interns are included in the 2018 budget.
- Total 2018 draft compensation budget is \$1,754,800, which includes a 10% increase in health insurance and 3% salary increase.

Staff by Department	2018 Budget	2017 Budget	Variance
Administration	4.0	4.0	0.0
Communications/Publications	2.0	2.0	0.0
Membership/LMSC support	3.2	3.2	0.0
Marketing/Sponsor support	3.0	2.2	0.8
IT Support	2.0	3.0	-1.0
Program Services	4.0	4.0	0.0
Total FTEs	18.2	18.4	-0.2

Metrics from the Compensation and Benefits Committee

Changes in Payroll Budget from 2017 Budget to 2018 Proposed Budget:

In 2017 four budgeted positions were vacant for part of the year. A new full time Marketing Coordinator position will be filled after the first quarter. The 2018 budget assumes 18 filled positions, same as 2017, and that all other non-intern positions are filled for the full year.

I. Merit Increases:

Merit increases are awarded by the Chief Executive Officer (CEO) based on individual employee performance. The merit pool in the 2018 proposed budget is 3% of base pay, the same as the 2017 merit pool. The merit pool reflects the Compensation and Benefits Committee recommendation based on market data reviewed the committee.

Bonus pool:

The proposed 2018 budget includes a bonus pool that is a percentage of eligible wages. The percentage remains unchanged. Bonus awards are determined at the discretion of the CEO and awarded based on accomplishment of organizational and employee goals. Part time and hourly employees are not eligible for bonuses. Administration of the Employee bonus plan is governed under the Staff Bonus plan document approved by the BOD.

II. Health Benefits Costs:

USMS received estimates for 2018 benefits changes from Trinet/SOI, our benefits provider. They have estimated rate changes will add 10% to health care and other benefits costs. As with the salaries mentioned above, we have budgeted benefits for all eligible positions for the full 2018 plan year.

III. Overall Compensation and Benefits Budget:

The total proposed budget, including cash compensation, benefits and taxes, is \$1,754,848, a 2.1% decrease from the 2017 approved budget. The Compensation and Benefits Committee and the Finance Committee have reviewed the assumptions used by staff to construct the budget and both committees agree the assumptions are appropriate and aligned with market trends.