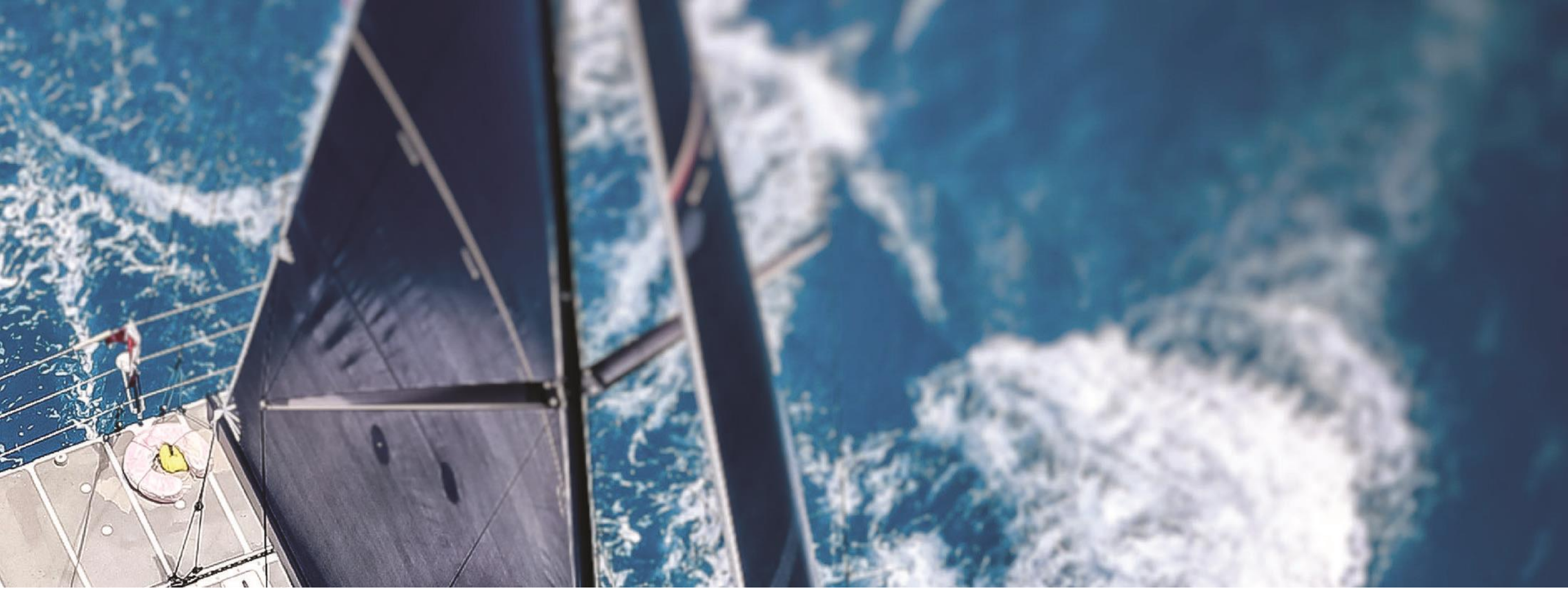

Club Fee review

Project Summary

20th June, 2018

Australian Sailing

Club Fee review

- The One Sailing project has implemented a new national delivery model for the sport
- Funding of services is derived from a number of sources with affiliation fees contributing approx. 1/3 of revenue (ex High Performance)
- The basis of calculation varies across all eight States. Each of these models were designed to suit specific local needs.
- A number of clubs, the States and Australian Sailing have all identified that there is a need to address the inequity in the current funding structures
- Following discussions at the State Presidents meeting in May 2017, it was agreed to establish a working group to review the existing fee structures and develop a proposal for a new model that is equitable and nationally consistent; and ensures that the financial footing for our sport is sustainable

Committee & Charter

The objectives of the committee were to assist the AS board to:

1. Review and understand the existing fee structure for each State

2. Develop a proposal that would harmonise fees and specifically the methodology for assessing the fees in a nationally consistent and equitable manner in consideration of the financial needs to conduct our sport

3. Aim to achieve a cash neutral outcome (plus CPI) for the quantum of fees collected

4. Consider and recommend a timeframe for transition to the proposed fee structure

- The Committee comprised 8 members- 3 appointed by AS and 5 appointed by States
- 12 meetings held, commenced July 2017
- Structure accepted by State Presidents and Australian Sailing board, May 2018

The consensus view is that fees are a contribution to the sport, not just a "value for money" question

Research

- The funding models of Sailing in a number of countries was considered (GBR, USA, CAN, NZL)
- Other sports within AUS were also reviewed (Golf, Rowing, Bowls, Cycling)
- The size of organisation and membership base, relative importance of membership income and services delivered vary significantly
- Fees and services dilute as they pass through federated structures
- There is a predominance of capitation/ subscription structures- most are struggling to survive

- Within Sailing in AUS, all MYA's (except QLD) have a banded model
- Flat fee models have shown that they put a limit on growth and are difficult to manage
- Our strength is our clubs and a capitation model would undermine this

Conclusion:

- **A banded model is relatively straightforward- we may already have the answer but it needs alignment**

Banded model

Bands:

- Need to be wide enough to encourage growth and allow for club financial planning
- Bands work when there is stability but a review mechanism needs to ensure it can address movement of clubs that grow or contract

Reviews:

- The number of bands needs to be sufficient that movement between bands is not a financial shock
- The number of bands and their range should be reviewed every three years

Assessing a club:

- It is essential that there is a strong knowledge of all clubs circumstances so that hardship can be assessed properly
- We don’t want to penalise growth and also ensure we give clubs incentives to grow
- Other criteria such as motorboats or social membership need to be assessed on a case by case basis that is not captured in the data

Financial:

- A clubs income is reflective of its capacity to pay
- Accessing timely and accurate financial information is important

Financials: Banding criteria

Model assumptions:

- Target income = $3.1m in 3 years - based on all clubs having transitioned to paying the full amount in their band
- Fees split approximately 80/ 20 between category A and Category B
- Category A= 70 clubs in 12 Bands, total income target ~$2.35m
- Gap between bands approx. 20%- 25% (based on Compound Annualised Growth Rate formula)
- Category B= 290 clubs in 10 bands, total income target ~ $775k
- CPI= 2.0% (annual increases)
- Transitions: if fees move (+/ -) by more than 20% = 3 years; if between 10- 20% = 2 years; if less than 10% = year 1

It was agreed by the group that the most representative criteria for assessing a club were:

- Club membership income and total income
- Fees charged relative to peers
- The total number of members
- Type of management (professional or volunteer)
- Considerations for clubs with other activities

Implied fee calculation:

- Total fee income (A) to be collected from this category is required in advance as an input for the model to work.
- Two pieces of data are required from clubs, Membership Income (M), and Total Revenue (R) (all sources) in order to derive a figure for All Other Income (O). O = R - M
- Each clubs proportion of total membership and total other income will then be weighted to derive their percentage of total fees. Initial weighting will be membership 80% / other income 20%
- This weighted % multiplied by total fee income (A) calculates the implied fee for a club.
- The implied fee will be used to allocate a club to a band where the fee falls within the upper and lower bounds of the adjacent bands. Clubs with an implied fee that exceeds the highest band will be capped and allocated to that band.
- There is scope for subjective assessment of the allocation of a club to a band
- Formula: Implied fee = (M x [0.8] + (O x [0.2]) x A ($100)

Club name	Membership Income (M)	% of membership income	Total Income (T)	Other Income (O)	% of other income	Blended %	**Implied fee (I)**
ABC Sailing Club	$100	20%	$200	$100	7%	17%	**$17.33**
DEF Sailing Club	$100	20%	$300	$200	13%	19%	**$18.67**
GHI Sailing Club	$100	20%	$400	$300	20%	20%	**$20.00**
JKL Sailing Club	$100	20%	$500	$400	27%	21%	**$21.33**
MNO Sailing Club	$100	20%	$600	$500	33%	23%	**$22.67**
Total	**$500**	**100%**	**$2,000**	**$1,500**	**100%**	**100%**	**$100.00**

Club Fee Determination process:

Clubs split into two categories based on criteria:

1. Professional/ volunteer management
2. > $100k revenue
3. > 200 members

If 2 of 3 are met = Category A
All other clubs = Category B

Category A
Largest ~70 clubs
12 Bands
Highest= $126k
Lowest= $11.5k

Total target membership revenue = $3.1m
Cat A= $2.35m (75%)
Cat B = $775k (25%)

Category B
Approx. 290 clubs
10 bands
Highest = $8.4k
Lowest = $600

- Formula calculates all clubs % of total fees
- % of total derives an implied fee
- Implied fee used as basis of allocation to a band
- Subjective overlay used to ensure peer to peer equity

- Clubs assessed on peer to peer basis
- Membership numbers are the guiding reference point
- No data required from clubs (unless requesting a review)

1. Nationally consistent fee structure
2. Equitable on a club (not state) basis
3. Banded model gives clubs clarity for budgeting
4. Review mechanism in place for hardship
5. Transition plan available for clubs with large adjustments

Bands

	Band	# of clubs in band	Band Fee
Category A Clubs	1	4	$126,000
	2	6	$89,000
	3	3	$75,500
	4	0	$63,000
	5	8	$52,500
	6	2	$42,000
	7	1	$31,500
	8	3	$28,500
	9	6	$24,000
	10	6	$19,000
	11	7	$14,500
	12	23	$11,500
	Total Clubs	**70**	

	Band	# of clubs in band	Band Fee
Category B Clubs	13	14	$8,400
	14	18	$6,800
	15	8	$5,500
	16	11	$4,200
	17	36	$3,100
	18	20	$2,600
	19	36	$2,100
	20	28	$1,500
	21	52	$1,000
	22	66	$600
	Total Clubs	**290**	

Review/ appeal process

- A nationally consistent approach
- To be considered for financial hardship or perceived misallocation to bands
- All clubs have the right to appeal

Process:

- Club makes a submission to AS on a standardised form, which must include:
  - Detailed submission explaining why it believes its fee is not equitable
  - Whether it is requesting temporary relief (due to financial hardship) or a change of band
  - The clubs proposed solution
  - 3 x years of financial statements as provided to members (including all financial entities that are part of the club)
  - 3 x years of membership data (including membership categories)

Deliberation:

- AS considers submission with input from the Regional Manager, a State representative and any other relevant party

Implementation

- Presentation to MYA Presidents (1st May)
- AS Board considers recommendations of committee (2nd May)
- AS Board recommends fee structure to States (mid May)
- AS works with each State to develop implementation and transition plans (June >)

Current status:

- ACT, NSW, TAS and (VIC) = Full implementation from July ’18
- SA, QLD and WA = Fee increase from July ’18, adoption of new model to follow

Australian Sailing

Summary

1. We are trying to achieve equity across clubs, not states. The amount that is collected in each state relative to the current % will change but it is not a key factor in the process
2. The consensus view is that fees are a contribution to the sport, not just a ‘value for money’ question
3. A banded model is the preferred approach and provides budgeting certainty for both clubs and AS
4. There will be large adjustments for some clubs, the majority will see little change
5. A transition plan has been developed for clubs facing material fee increases
6. There is a review mechanism for hardship
7. Given the complexities relating to State Constitutions, implementation will be on a state by state basis
8. The review has not been exhaustive and there are gaps in the data. There may be clubs that still require adjustment as this structure is implemented
9. The fee structure should be reviewed on a 3 year rolling cycle with CPI applied in the years between reviews