

TO: House of Delegates
FROM: Dawson Hughes, Susan Kuhlman
DATE: September 14, 2018
SUBJECT: Business plan in support of the 2019 draft budget

NOTE: For background and context on initiatives that are underway, to understand how they relate to our 2019 strategy and budget, and how they connect with our long-term strategic plan, please review the [CEO Report](#) prior to reading this document.

Enclosed is the 2019 proposed U.S. Masters Swimming budget designed to support initiatives developed based on the [USMS Strategic Plan](#). This document provides priorities and goals for 2019. Among these goals are the following: Phase III of USMS 3.0 (IT digital transformation: formerly IT modernization); greater direct support for local programs, coaches, clubs, and development; expansion of the Regional Program Developer and Local Swim Programs by adding one new location for each program; and continuing to develop the SmartyPants Vitamins USMS Fitness Series that is focused on attracting fitness-oriented members and supporting USMS Swimming Saves Lives Foundation programs. The draft budget bottom line reflects a net operating deficit of \$123.7K. A deficit budget of up to \$150K was approved by the Board during the summer meeting.

Quick look at 2019 investments and spending changes:

- New email subscription service tied to new website functionality -\$36K
- New member community software to improve and enhance engagement -\$33K
 - Both the e-mail and member community platforms are still being researched and budgeted at the higher end of current estimates.
- LMSC Leadership Summit scheduled every other year -\$31K
- New Coach Mentoring program - \$12K and 1 coach to FINA World Championships Korea -\$8K
- Additional depreciation for IT digital transformation Phase I-II -\$65K
 - Total of \$185K

2019 BUDGET ASSUMPTIONS EXECUTIVE SUMMARY

see the full 2019 Business Plan, pages 3 - 10

Compensation: 3.0% increase from 2018 budget and 8.7% over the 2018 forecast. The 2019 budget is higher than the forecast due partly to two full-time positions that were not filled for six months or more in 2018 and a reorganization of duties for the Communications staff. FTEs (# of full time employees) remain the same.

Insurance costs: Actual premiums through Sept. 30, 2019 and 2% increase for 4th quarter of 2019. Note: \$14K decrease from 2018 forecast.

Membership revenue: 2.0% membership increase over the 2018 membership forecast for a total of 61,527 members. In 2018 the membership budget was for 67,320 members. Membership fee increase of \$2 to \$45 for 2019 (final year of five years of \$2 increase per year approved in 2014). New USMS-College Club Swimming Bridge Membership included for 1,000 members and a fee of \$25.

IT/Digital: Continue with Phase III of USMS 3.0 - IT digital transformation project. In addition to continued development of digital benefits possible with redesigned website launched in 2018, Phase III will involve the research and selection of a new membership relationship management system to streamline process and improve flexibility of communication. The IT team will consist of two staff web developers and contractor IT leadership and support. New software subscriptions for email services and member community will be in place for the full year 2019.

Magazine costs: Assume 50% of members choose the digital version of *SWIMMER*. Replace the paper copy with a digital version to non-renewed members in January/February. This is compared to 43% in 2018. Annual savings of \$120K from a print only option.

Program Services: In 2019 11 instructional weekends will continue with almost all courses taught during each of the 11 weekends.

Program revenues: 1085 clubs and 450 workout groups at \$45 each, 1,654 designated coaches and instructors at \$30 each, 412 coach certification participants, 242 ALTS instructor participants, and 588 stroke development clinic participants. Add second local swim program. Decrease of \$5K from 2018 budget.

Program costs: Increase of \$13K from 2018 budget. Adding a second local swim program and regional developer program, one coaches for FINA World Masters Championship in South Korea - \$8K, and a new coach mentoring program - \$12K.

Adv/Partnership: 17 partners, 14 magazine advertisers and \$11K in royalties for a total of \$506K. \$50K in value-in-kind products.

Marketing costs: Increase digital advertising by \$20K to utilize new potential member database for a total of \$70K. (see p. 7)

College Club: Full year revenue/cost center for 2019. Expect 135 clubs and 5,000 members. Expenses include a leadership summit - \$15K, national event development and marketing -\$36K and USAS

convention-\$4K. In 2019 USMS CCS will contst the CCS Nationals at Ohio State University.

Admin-Volunteers: Expenses are \$34K more than 2018 budget. Most of the increase is due to the LMSC Leadership Summit that is scheduled for 2019.

Admin-Staff: \$70K increase over 2018 budget. \$65K related to the software amortization of Phase I and II of the IT digital transformation project capital investment.

Capital: Phase III of the USMS IT digital transformation. Retire the current back-end registration system and replace it with a member relationship management system and database. The estimated investment for 2019 is \$250K. Capital equipment replacement budget is \$10K.

SUMMARY OF 2019 DRAFT BUDGET RATE CHANGES		2019	2018	Change
MEMBERSHIP FEES				
Membership Fees	full year	\$45	\$43	\$2
	partial year	\$25-\$40	\$20-\$35	\$5
CCS Bridge Membership (NEW)		\$25	\$0	\$25
Club Fees		\$45	\$43	\$2
Workout Group Fees		\$45	\$43	\$2
One Event Fees		\$25	\$15	\$10
PROGRAM SERVICES REGISTRATIONS				
Coach Certifications	level 1&2	\$190	\$190	\$0
	level 3	\$205	\$205	\$0
Stroke Development Clinics	members	\$50	\$50	\$0
	coaches	\$45	\$45	\$0
Fees - Designated Coach & Instructor		\$30	\$30	\$0
Adult Learn to Swim Instruction		\$250	\$250	\$0
EVENT/SANCTION CHARGES				
	Sanctioned or Recognized			
Pool Meet	sanctioned	\$50	\$50	\$0
Pool Meet	national championship	\$5 per person	\$5 per person	\$0
Pool Meet (changed in 2018 \$12>\$17)	national championship	\$17 event surcharge	\$17 event surcharge	\$0
Pool Meet	recognized	\$100	\$100	\$0
Open Water Swim (max charge of \$1K)	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 2019

MEMBERSHIP SERVICES

- The budget assumes a 2.0% increase in overall 2019 membership, based on the 2018 forecast. USMS will end 2018 with approximately 60,320 members. The membership registration fee, as approved by the [House of Delegates](#), will increase by \$2 to \$45. This is the final year of the five-year plan incorporating a \$2 annual fee increase. The total traditional membership budget for 2019 is 61,527.
- The Year-Plus Membership Campaign will start again on July 1. To stay in line with annual membership costs, the cost per month will be \$5 more per month than in 2018 with a similar \$5 sliding discount each month through October. LMSCs again have the option to adjust their fees accordingly to further improve the value proposition to register through the following membership year. This will provide an improved value proposition for registering for the following full calendar year.
- July = \$40; August = \$35; September = \$30 and October = \$25.
- This is the first year of the new USMS CCS Bridge Membership. Assume that 25% of the CCS swimmers will opt for the Bridge Membership; \$25 fee x 1,000 new members = \$25K.
- Membership revenue is budgeted \$63K less than the 2018 budget due to the forecast 5.8% decrease in membership in 2018.
- 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, required system maintenance and Sitecore support are outsourced and contracted -\$33K.

Member Services Support Staff

Provides member benefits, customer service, communication, and engagement for members and extensive volunteer network, including supporting the efforts of USMS's 1,500 plus Masters Swimming clubs and workout groups and 52 LMSCs. In addition, they also provide many of these services to support CCS. 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. Their support function will expand in late 2018 with the addition of a new email service and member community software.

- **Membership Services** primary responsibility is servicing and supporting our 65,000 plus members (USMS and CCS) 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 USMS Club Finder, USMS Gold Club and the Calendar of Events database.

- **Volunteer Services** provides 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 the following: creation of tutorials and phone and email support. It will be heavily involved in supporting the 2019 LMSC Leadership Summit.

IT focus for 2019 (USMS 3.0) Note: please see [technical definitions](#) for reference for a definition of terms.

- The third planned phase of the USMS IT digital transformation will take place in late 2019. This phase consists of retiring the current back-end registration system and replacing it with a member relationship management system and database. The estimated investment for 2019 is \$250K in capital. An RFP will be sent out late 2018.
- In late 2018 a new email system will be implemented that will improve customization of information to our members. Currently, we have two separate e-mail communication systems, one for marketing and one for transactional emails. Members have the option to receive all emails or opt out of all emails but are required to opt out of both systems, creating confusion and a poor experience. We also don't have the capability for members to choose the types of communications they would like to receive (i.e. open water focused, membership information only, etc.) We will continue to enhance member communication and engagement with the new email subscription functionality. Using one database and marketing e-mail system will allow us to keep pace with ongoing changes to database marketing (i.e. spam) regulations. The final selection of vendor and cost will be completed after the annual meeting. The current estimate which is on the high end of the range is an annual subscription of \$33K.
- New member community software will be implemented in late 2018 and the functionality will be expanded in 2019. This on-line community is an additional way to engage members and to enhance their user experience in a secure environment. It will replace and update the following: forums, group communication, coached workouts and possibly member profiles. New functionalities will include: digital badging (e.g. recognition for completed events, distance thresholds, etc.), reviews, article commenting and social sharing. The current estimate which is on the high end of the range is an annual subscription of \$36K.
- Club 2.0 ([Club Finder](#)) will be implemented when the 2019 club registration window is open in late 2018. This will allow USMS to gather greater details on USMS clubs and workout groups. Accurate and detailed club information will be available to prospective and current members that are looking for a Masters club. In 2019, work will continue to improve usage and functionality.

- Continue to improve/enhance the design, functionality, and user experience of the Phase I-II website redesign, with a focus on membership benefits, resources and value.

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 50% of membership will opt to receive the digital version of *SWIMMER*. This is compared to 43% in 2018. The related printing and postage savings is approximately \$120K annually compared to print only option.

PROGRAM SERVICES

- In 2019 the budgeted fees for club and workout groups are equal to the national member registration fee of \$45. This is a \$2 increase over 2018.
- Continue with the educational weekend structure that began in 2018.
 - Strategically schedule 11 education weekends in larger hub cities throughout the U.S.
 - Combined coach certification levels 1-2, level 3, clinic course for coaches, ALTS classes and stroke clinics in each location. (Level 3 is offered in limited locations.)
 - Overall budgeted attendance for 2019 is 1242 participants for all classes. Increases the opportunity for course variety and networking in one location.
- Program Services will continue its outreach initiative by making club visits and presenting at five or more conventions with strategic partners.
- The Adult Learn-to-Swim (ALTS) instructor certification program will conduct five classes under a separate USMS 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.
- New 2019 initiatives:
 - Local Swim Programs- second program will be added in 2019. In 2018 the City of San Diego Masters swim program was begun where swimmers and facilities are located but lacked a formal masters swimming program structure and leadership. USMS will assume the financial risks during the establishment of the new program(s).
 - Regional Program Developer – second program will be added in 2019. In 2018 the initial (beta) regional program developer began in the Colorado LMSC, with some reach into New Mexico.
 - Regional stroke clinics run by staff/contractors. Four clinics are planned in 2019. These regional clinics will be scheduled in addition to the 11 education weekends.

EVENTS

- The biggest change in Events is that in 2019 both the Spring and Summer Nationals will be contested. This has an impact on various related revenue and expense items compared to the 2018 events when the Summer Nationals was not contested due to the UANA Pan American Masters Championships being held in the U.S.
- One-event membership fees will change from \$15 to \$25. If a swimmer wants to participate in more than one USMS sanctioned event, he or she is financially incentivized to become a member.

MARKETING SERVICES

- The 2019 budget reflects 17 partners, 14 magazine advertisers and royalties for a total revenue of \$506K this includes \$45K in new partner revenues. In addition, the partners will provide \$50K of value-in-kind (products) used to support ongoing programs.
- 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 2019, a potential member list (database) will be created from individuals who 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 [Gold Clubs](#). The budget for the membership digital advertising campaign is \$70K.
- In the second half of 2018, the Marketing Coordinator position was filled. The focus of this position is to use the database and website analytics to acquire new members, engage current members, branding, content coordination and marketing fulfillment.

COLLEGE CLUB

- In 2019, the goal for USMS is to continue to unify these clubs into a national community, to help the clubs grow and to become the organizational backbone so that more swimmers continue to swim through college. USMS has begun to engage with these swimmers at the college club level with the goal of creating a pipeline of future USMS membership.
- The CCS bridge membership is being implemented for 2018-19. This membership will encourage the CCS swimmers to swim in USMS events and follow a path to full membership after graduation. The revenue is included under membership.
- The CCS revenue budget for 2019 is \$59K and consists of fees for 135 clubs. These clubs are budgeted to register 5,000 swimmers. The college club membership begins on Aug. 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 was developed to fit within the recreational college sports structure.

- The USMS CCS Nationals will be held at Ohio State University in 2019. USMS has assisted and attended a national college club meet in previous years, but this is the first year that the CCS board collaborated with USMS to plan and award nationals. Revenue of \$5K for this event is budgeted for timing and merchant card fees.
- Expenses for CCS include the following: college club leadership summit - \$15K; national event development and marketing - \$36K; and attendance of three delegates to the USAS convention - \$4K.

RISK MANAGEMENT AND INSURANCE

- Risk management and insurance services will continue through partnership with Integro (formerly Entertainment Sports and Insurance eXperts). Integro 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.
- The draft budget includes the actual premiums through Sept. 30, 2019, and includes a 2% increase beginning Oct. 1, 2019.
- Insurance was reviewed by a third party that independently confirmed that the USMS premiums and coverages are competitive in the current marketplace.
- The insurance premium year is from Oct. 1, 2018 to Sept. 30, 2019.

ADMINISTRATION & VOLUNTEER

- The increase in Administrative expenses is mostly related to the amortization (depreciation expense line) of Phase I and II of the IT software digital transformation capital investment - \$111K. This is a \$65K increase over the 2018 budget.
- The LMSC Leadership Summit is scheduled for 2019 - \$31K. This successful face-to-face leadership summit is held every other year.

OTHER NEW INITIATIVES

The Coaches Committee budget includes a new Coach Mentoring Program. This is a gathering of successful coaches who will help lead and demonstrate best practices for USMS coaches.

The Officials Committee included \$1K in the budget to support the CCS Nationals.

CAPITAL REQUESTS

Per FOG, the threshold for capitalizing any equipment purchase is \$5K.

- Placeholder for equipment replacements - \$10K.
- Phase III of the long-term IT digital transformation plan is scheduled for implementation in late 2019. The estimated cost of the Phase III registration system is \$250K.
- The software amortization expenses related to both Phase I and Phase II are included in the 2019 operating budget under depreciation.

COMPENSATION

- 2019 compensation is budgeted to increase 3.0% compared to the 2018 budget.
- Staff full-time equivalents stayed the same and there was a shift in one position from IT Support to Marketing as the marketing staff takes a lead role with marketing technology (i.e. website and digital marketing). One full-time position in Communications/Publications transitioned to part time.
- Total 2019 draft compensation budget is \$1,807,700 which includes a 10% increase in health insurance and 3% salary merit pool.

Staff by Department	2019 Budget	2018 Budget	Variance
Administration	4.0	4.0	0.0
Communications/Publications	1.7	2.0	-0.3
Membership/LMSC Support	3.2	3.2	0.0
Marketing/Partner Support	3.2	2.2	1.0
IT Support	2.0	3.0	-1.0
Program Services	4.0	4.0	0.0
Total FTEs	18.1	18.4	-0.3

Metrics from the Compensation and Benefits Committee

Changes in Payroll Budget from 2018 Budget to 2019 Proposed Budget:

In 2018 two budgeted positions were vacant for part of the year. There was a shift in one position from IT Support to Marketing as the marketing staff takes a lead role with marketing technology (i.e. website and digital marketing). One full-time position in Communications/Publications transitioned to part time.

The 2019 budget assumes 18 filled positions, same as 2018, 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 2019 proposed budget is 3% of base pay,

the same as the 2018 merit pool. The merit pool reflects the Compensation and Benefits Committee recommendation based on market data reviewed by the committee.

II. Health Benefits Costs:

USMS received estimates for 2019 benefits changes from Trinet, 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 2019 plan year. [Note: A marketing review of our Professional Employment Organizations (PEO) including RFPs from 3 alternative providers was completed in 2018. After reviewing alternatives, it was determined that Trinet continues to have the most competitive, rates, benefits and services.]

III. Overall Compensation and Benefits Budget:

The total proposed budget, including compensation, benefits and taxes, is \$1,807,700, a 3.0% increase from the 2018 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.

2019 Budget Assumptions

COACH MENTORING PROGRAM SUPPORT

To: Susan Kuhlman
From: Club and Coach Services
Date: June 15, 2018

Recommendation: Club and Coach Services to host a business development summit (Coach Mentoring Program)

Rationale: Program leaders provide essential services at the grass root level for our current and potential members. Their responsibilities include:

1. Organizing the business structure of the Masters program
 - a. Registration
 - b. Human resources
 - c. Accounting
2. Securing pool space or an open water venue
3. Providing on deck or open water coaching
4. Hosting events
 - a. Meets
 - b. Clinics
 - c. Social activities
5. Providing an LMSC club contact

Goals: Gather a group of leaders from the most successful Masters programs in our organization to:

1. Share ideas and best business practices
2. Socialize membership growth strategies
3. Identify opportunities
4. Give feedback to the national office of current and future needs
5. Create a list of suggestions of how LMSCs can provide better support to Masters programs

Objectives:

1. Use the information compiled at the summit to build a successful Masters program model that will be readily available for any club leader to adopt
2. Determine what ideas and strategies can be implemented at the national, LMSC and local levels
3. Make recommendations to the LMSC Development committee of how the LMSCs can invest resources into local Masters programs and create enhanced value for clubs and members

Delivery: USMS will organize and host a business development summit for up to 10 program leaders. The national office will compile and post the results on the USMS.org website and other relative communication resources. The information will be shared with the LMSC Development committee for future peer-to-peer seminar consideration



Draft
2019 Budget

Guidelines for Use of SSLF Donations in Support of Program Expenses

Reminder: The SSLF funds are restricted and can only be used for specific purposes. Restricted funds provide reassurance to donors that their contributions are used in a manner they have chosen.

2019 Budget Proposal: This budget includes three departments under the Foundation umbrella: Program Operations, ALTS Instructor Courses, and Events. [Note: Indirect expenses such as staff program administration, office space, etc., is covered by U.S. Masters Swimming.]

In addition to the three departments, annually the Board of Trustees (BoT) reviews the formula for determining the funds available for grants, next year's overhead, and additional reserve funds. These amounts are reviewed and adjusted to meet the BoT goals for grant awards.

GRANTS

2018 Overview and Recommendation (see attached budget proposal for detail):

2017 Donations

(available to 2018 grant applicants for 2018-19 grant cycle): \$149,705

10% to be Transferred to Reserves: -0-

15% Program Expenses: (\$22,456)

2018 Grant Funds Available: \$127,249*

The BoT has the option to increase the amount of funds available for grants by adjusting the amount transferred to Reserves and to utilize any forecasted surplus anticipated from the SSLF departmental activities (i.e., the three departments discussed below). Total grants made in the prior year were \$126,443. An amount of \$132,500 in the current year would show a steady year over year increase. That would require an additional amount of \$5,251, which will be funded by use of the Reserves amount .

Per SSLF Financial Guidelines approved Aug. 25, 2017: ***The USMS Swimming Saves Lives Foundation, in conjunction with its review of the annual budget proposed by the USMS CEO, will consider placing up to 10% of annual donations into the Foundation Investment account. The reserve account funds will be considered in the event of a drop in annual donations (e.g., economic downturn) that limits the Foundation's ability to maintain consistency in providing grants and programs that support the mission. These funds could also be used if a new project is identified that meets the criteria of the Foundation mission. The USMS CEO will recommend a dollar amount as a percentage of annual donations (not to include event or ALTS instructor certification revenues) up to 10% of donations. This***



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2019 Budget

recommendation will be presented by the CEO and evaluated by the Foundation Board of Trustees in advance of the USMS Annual Meeting, and the Board of Trustees will decide on any investment amounts no later than the USMS Annual Meeting. Investment amount shall be deposited in four quarterly installments.

DEPARTMENTAL OVERVIEW

The 2019 draft budget for the three combined departments results in a net operating surplus of \$3,125.

PROGRAM OPERATIONS: This includes all direct program expenses (e.g., T-shirts, caps, goggles, program banners, thank you letters, bag tags, online fundraising platform, etc.).

The revenues to cover program operations expenses consist of the 15% program calculation from the prior year's contributions and from the Central Indiana Community Fund 5% grant.

The 2019 proposed budget is similar to what is forecast for 2018. There is a planned shift in providing T-shirts to the grant program volunteer instructors instead of the participants. The participants will receive goggles and caps. This is a better allocation of resources to help the program's swimmers.

ALTS INSTRUCTOR COURSES & SUMMIT: This includes stand-alone ALTS Instructor Certification courses (e.g., not held in conjunction with USMS Coach Certification weekend) to support underserved communities with high rates of non-swimming adults and grant program educational opportunities. The purpose of these classes is to educate instructors to be able to teach adults, not to generate revenue. The goal is to break even on the cost of these classes. If there is any shortfall, these classes will be made whole by using net Fitness Series event proceeds and net Program Operations proceeds.

In 2019 the biannual ALTS Instructor Summit is budgeted. The goal of the Summit is to train six new instructors on ALTS program best practices. They will then take this information back to their communities/LMSCs to further the SSLF mission.

EVENTS: In 2019, the Fitness Series will be held with the goal of attracting non-competitive fitness swimmers with convenient and fun events. The net proceeds from these events will go to the Foundation, and additional fundraising initiatives will be promoted around at least one of the Fitness Series events. So far in 2018, an additional \$13K in contributions was donated during the Fitness Series event registration process.