



TO: House of Delegates
FROM: Dawson Hughes, Susan Kuhlman
DATE: September 2020
SUBJECT: Business plan assumptions for 2021

Before covering 2021 budget assumptions it is important to recap the numerous adjustments made since April in response to the pandemic.

As soon as the severity of the pandemic was recognized, USMS changed its primary focus to supporting USMS members efforts to stay healthy out of the water and help clubs and coaches stay engaged with their swimmers. The initial plan, designed to prepare the organization for a return to normal operations within a few months, continued to be adjusted as the long-term nature of this challenge became more apparent. The Board of Directors (Board) in collaboration with the Finance Committee (FC) and the national office made some difficult decisions to remain financially responsible while continuing to provide feasible services and programs to support members and remain prepared to rebuild as soon as possible. In April over \$1 million in expenses were cut from the 2020 budget in order to address the forecasted drop in membership. At the same time, work began to establish a promotional membership offer (i.e. modified year plus) to release when appropriate and approved, build a virtual event that could be launched, should hosting events continue to be problematic, and numerous other initiatives to support our mission.

Below is a timeline of high level decisions and projects that have taken place since April.

2020 Timeline of COVID-19 financial strategies:

Internal:

March/April- submitted a revised financial plan and cash flow for 2020 and 2021 to both the FC and Board for review. The revised plan specifically addressed the COVID-19 challenges.

April/May- implemented approved financial plan revisions. All USMS contracts and activities were reviewed, renegotiated, and updated as needed.

- Event sanctions were cancelled
- Spring Nationals and later Summer Nationals were cancelled
- College Club Swimming events were cancelled
- A new virtual championship was developed, and plans outlined to both engage members and fulfill partner commitments to the extent possible.
- All travel and hotel commitments were cancelled
- Coach certifications and ALTS instructor programs were cancelled
- The national office lease was renegotiated to reduce expenses.



- Mid-year audit of insurance premiums was requested and received based on membership and activities and was reduced by \$55k.
- Partner commitments were renegotiated based on USMS cancellation of events
- National office staffing needs were revised, and three positions were eliminated. One position was reduced from full time to part time after one staff retired.

May - present

- The year plus membership option for \$60 was introduced to attract 2020 renewals and new members.
- A COVID-19 USMS Club Relief Fund-Matching Grant program was announced. This was reviewed by the FC and approved by the Board. The LMSCs and USMS National will assist clubs by providing a per member dollar amount in grant assistance to help the clubs return to the water as soon as possible. Potential grants may equal \$250k (or more) from LMSCs and a matching of up to \$250k from National.
- The 2020 USAS Convention was cancelled in coordination with United States Aquatic Sports (USAS).
- Joined the newly formed Aquatics Coalition to develop direction and tools to advocate for a safe return to purpose-driven, instructional aquatics throughout the country.

External:

April- received a Small Business Administration (SBA) loan through the Paycheck Protection Program. \$276k (a to-be-determined portion of this loan will be forgiven)

May- received a one-time SBA emergency grant for \$10k.

June through August- reviewed options for additional financing for short term seasonal cash flow needs and decided on a line of credit with a local community bank. To date, no funds have been needed.

The adjustments made in April and the flexibility and diligence of USMS have brought us to September with a forecasted net loss of under \$100k which is \$61k better off than was originally budgeted prior to the pandemic.

2021 BUDGET ASSUMPTION OVERVIEW

The Board and the FC have reviewed and provided input on the following assumptions which will be used to prepare the 2021 USMS budget in the coming months. There are a wide range of outcomes in 2021 and these assumptions consider a range of membership scenarios between 40,000 and 50,000 members. We have effectively developed two sets of assumptions and early draft budgets: the first assumes that events and club operations return near full capacity early in 2021, the second assumes they do not until later in the year with some pools remaining closed and larger events being unable to be held.

An overriding assumption is that USMS can and will return to a membership close to 55,000 by the end of 2022 and begin to rebuild from there. The 2021 assumptions were



developed to continue to weather the effects of the pandemic on Masters swimming while continuing strategic investment in the future and revisiting long-term strategies to support the USMS Mission and Vision.

During the 2020 Annual Meeting, it is expected that some committees will discuss and potentially propose initiatives to include in the 2021 budget. At this time, the assumptions included in the business plan support typical committee activities with cost conscious recommendations.

While reviewing these assumptions, it should be noted that USMS reserve levels remain at \$3,555,000 and forecasted membership will end 2020 at 50,000 (~5000 new registrations since May 25). Considering the lack of events nationwide, pool closures of varying length (some continuing) since March and cascading effects of the pandemic on aquatic facilities, USMS can be proud of our initial response.

The current assumptions in this plan result in a net operating budget deficit with a range of \$(346k) to \$(474k).

Draft Budget 2021 Summary		
Membership	40k	50k
Revenues	2,553,400	3,230,600
Expenses	3,027,000	3,576,700
Net Operating Loss	(473,600)	(346,100)

HOD Action Items for 2021 Budget

- Approve national membership registration fee of \$48 plus \$12 LMSC fee = unified fee of \$60 (80/20% fee split)
- Approve club and workout group registration fee of \$48 plus \$12 LMSC fee = unified fee of \$60 (80/20% fee split)
- Approve national membership registration fee for year plus (offered from July to October 2021) of \$79.20 plus \$19.80 LMSC fee = unified fee of \$99
- Approve pool sanction fees of \$50 (no change)
- Approve open water sanction fees of \$100 (no change)
- Approve recognition fees of \$100 (no change)

SUMMARY OF 2021 BUDGET RATE CHANGES		2021	2020
MEMBERSHIP FEES			
Membership Fees	full year	\$48	\$45
LMSC Unified Fee Contribution		\$0	\$3
(Unified fee total = \$48 USMS plus \$12 LMSC)		\$60	\$60
2020 rate after pandemic	partial year plus	\$39	\$0
(Unified fee total including LMSC)		\$99	\$60
CCS Bridge Membership		\$25	\$25
Club Fees		\$48	\$45
Workout Group Fees		\$48	\$45
LMSC Unified Fee Contribution		\$0	\$3
(Unified club & WOG fee total = \$48 USMS plus \$12 LMSC)		\$60	\$60
One Event Fees		\$12	\$15
(Unified one event fee total = \$12 USMS plus \$3 LMSC)		\$15	
EVENT/SANCTION CHARGES			
	Sanctioned or Recognized		
Pool Meet	sanctioned	\$50	\$50
Pool Meet	national championship	\$5 per person	\$5 per person
Pool Meet (changed in 2019 \$12>\$17)	national championship	\$17 event surcharge	\$17 event surcharge
Pool Meet	recognized	\$100	\$100
Open Water Swim (max charge=\$1K)	sanctioned	\$100 plus \$5 per participant	\$100 plus \$5 per participant
Open Water Swim	sanctioned national championship	\$5 per, +\$3 surcharge	\$5 per, +\$3 surcharge

2021 BUDGET ASSUMPTIONS

Compensation: Under both budget scenarios the staff will focus on core programs. The compensation budget assumptions have been reviewed by the Compensation & Benefits Committee.

Any reduction in payroll beyond the proposed level will significantly curtail services for USMS members and/or will limit capabilities to rebuild post-pandemic. Payroll will be left at current levels until the end of Q1, 2021 and will be re-evaluated at that time based on the membership/revenue forecasts.

Insurance costs: The general and umbrella liability premiums are variable based on the number of members and events. Applications for the



premium year beginning 10/1/2020 are in-process and actual costs will be available for the detailed draft budget. A mid-year audit will be requested to address the variability in members and events.

50k assumptions: the insurance cost will be 83% of 2020 budget.

40k assumptions: the insurance cost will be 75% of the 2020 budget.

Membership revenue: Assume the \$60 Unified Fee is approved. Of the 80/20% fee split, the USMS portion of the fee is \$48 and the LMSC portion is \$12. **(HOD approval required).**

The year plus membership fee is \$99. Previously, these fees were progressively discounted by month. The total fee will be constant throughout the year plus registration offering from July to October. Of the 80/20% fee split, the USMS portion of the year plus fee is \$79.20 and the LMSC fee is \$19.80.

The USMS-College Club Swimming (CCS) Bridge Membership for 2021 is for 200 members and a fee of \$25 each.

Digital Capabilities The well-developed digital transformation plan has made it possible to adjust messaging, manage the volume of communications, rapidly update web resources, launch a vastly improved Workout Library, and host the Virtual Championships. With our currently low staffing levels these technology upgrades have made those projects possible. We have also been able to add a robust schedule of webinars and transition to Zoom for volunteer communication and the Virtual Annual Meeting.

The digital transformation project will continue in 2021 and will involve the implementation of a new membership relationship management (registration) system. The scope and timeline are in development now, contemplating release of an initial test version during the first half of 2021 that would be run in parallel with the legacy system to ensure a successful and seamless transition. Full transition is currently targeted for early 2022 (i.e. do not plan to launch at the start of a full membership renewal campaign in November 2021). The IT team will consist of one staff web developer/designer and contract technical leadership and support team.



USMS will continue to make use of the well-developed and cost-effective contractor relationship for technical support of the infrastructure. The contractor support costs are variable depending on the number of projects and changes/updates needed to support existing services.

Magazine costs:

Assume 46% of members choose the digital version of *SWIMMER*. (3% more than 2020 budget)

50k assumptions: the content and delivery of *SWIMMER* will be consistent with 2020.

40k assumptions: the delivery of *SWIMMER* will change to 100% digital for the 2nd half of 2021. New development of *SWIMMER* online content is planned in early 2021 and would need to be complete to make this transition.

Program Services:

The future structure of coach and instructor training programs is under review and details are not at the level of budgeting for 2021 yet. We do note that the primary focus in 2021 will be on supporting current clubs and coaches rebuilding and maximizing their membership. That doesn't preclude a methodical review and a restart of coach certification to support long term growth. A possible new delivery format is being developed and is likely to utilize a full range of blended learning tools (e.g. in-person and virtual) to effectively deliver training in a cost-efficient manner. The outcome of these discussions will be included in the budgeting process and assumptions at this point are simply place holders. However, it is a goal to be able to continue to deliver high quality training that is revenue neutral or positive, including staff and contract resources. Other training may be available to LMSCs or clubs on a breakeven or better basis.

Program revenues:

50k assumptions

- Assume total revenue at 53% of 2020 budget
- 900 clubs and 350 workout groups at \$48 each **(HOD approval required)**.

40k assumptions

- Assume total revenue at 53% of 2020 budget
- 800 clubs and 300 workout groups at \$48 each **(HOD approval required)**.



Program costs: Regardless of the outcome of planning for the future of USMS certification, all course materials will be provided digitally in place of notebooks. See notes under Program Services section.

- The new USMS Workout Library has proven successful in reaching more members thus far. But we are expecting slightly higher costs for the content.
- The 2020 National Coaches Clinic was cancelled and there is a desire to reschedule in 2021 if feasible.

Events revenues: In 2020 a new Virtual Championship was successfully developed and executed with over 1,200 participants after National Pool and Open Water Championships were cancelled. In 2021 the virtual events like this will continue either with or without the in-person championships.

Fees for both pool and open water events are unchanged, and the revenues are pro-rated based on membership scenarios.
(HOD approval required for sanction and recognition fees)

50k assumptions

- Assume total revenue at 73% of 2020 budget
- National Pool Championships planned.
- Recognition fees=\$100 and pool championship fees=\$5
- One event fees = \$15 (\$12 to USMS, \$3 to LMSC)
- Lower participation in open water national championships.

40k assumptions

- Assume total revenue at 30% of 2020 budget
- National Pool Championships not able to be held.
- Recognition fees=\$100 and -0- pool championship fees
- One event fees = \$15 (\$12 to USMS, \$3 to LMSC) revenue 50% of 50k assumptions
- Lower participation in open water national championships

Events expenses: 50k assumptions

- Assume total expense at 85% of 2020 budget
- National Pool Championships planned with support related expenses.
- Championship, Long Distance and Officials travel for liaison function.
Event Development-absorb Club Assistant fees for open water events.

40k assumptions

- Assume total expense at 25% of 2020 budget



- National Pool Championships will not be contested.
- Championship, Long Distance and Officials travel for liaison function cancelled.
- Event Development- reduced amount for Club Assistant fees for fewer open water events.
- Lower costs for approving open water safety plans.

Adv/Partnership: 50k assumptions (National Pool Championships resume) All revenue streams are assumed to be 50-75% of pre-pandemic engagement.

40k assumptions (National Pool Championships cancelled) Overall revenue streams are assumed to average 50% of pre-pandemic engagement.

Marketing costs: 50k assumptions (National Pool Championships resume) All expenses are assumed to average 80% of pre-pandemic engagement

- Marketing budget to support on-going membership engagement including; social media, coach/ALTS programs and Olympic year.
- Partner support for Nationals and headquarters visits. Collaborate with USA Swimming for AquaZone booth at Olympic Trials.

40k assumptions (National Pool Championships not held due to COVID-19 restrictions) All expenses are assumed to average 55% of pre-pandemic engagement

- Marketing budget to support on-going membership engagement including; social media and coach/ALTS programs.
- Partner support and headquarters visits.
- Collaborate with USA Swimming during Olympic Trials (AquaZone booth participation cancelled).

50th Anniversary: May develop some no cost ideas to celebrate in a limited fashion at Nationals and/or 2021 annual meeting.

College Club: Assume a roughly breakeven scenario based on number of club registrations and related activities.

50k assumptions

- Club registrations: 65% of pre-pandemic registrations, regional and national championships will be contested.
- The CCS activities will include the leadership summit, event support and attendance at the annual meeting.



40k assumptions

- Club registrations: 40% of pre-pandemic registrations, regional and national championships will be contested with lower participation numbers.
- The CCS activities will include event support and attendance at the annual meeting.
- The CCS in-person leadership summit will be cancelled.

Admin-Volunteers:

50k assumptions

- No change in total from 2020 budget
- Annual meeting may include programming for the National Coaches Conference, LMSC Leadership Summit and ALTS Summit. Backloading these planned and rescheduled events allows time to determine viability and a clearer picture of 2020 revenues and strategies.
- USMS to pay 100% of annual meeting hotel costs for LMSCs.
- One in-person Board meeting.

40k assumptions

- Assume total expense at 68% of 2020 budget
- Annual meeting may include programming for the National Coaches Conference, LMSC Leadership Summit and ALTS Summit.
- USMS to pay 100% of annual meeting hotel costs for LMSCs
- Annual meeting may be shortened by one day.
- No in-person Board meetings as the health or financial situation requires virtual meetings.

Admin-National:

50k assumptions

- 22% reduction in expenses.
- Largest savings from reduced headquarters office space. This expense may be lower depending upon when the vacated office space is leased.
- Includes relatively normal travel for key USMS events and business operations.
- Depreciation will increase to \$171k for IT investment. This is a non-cash expense.

40k assumptions

- 30% reduction in expenses.
- Largest savings from reduced headquarters office space. This expense may be lower depending upon when the vacated office space is leased.
- Includes limited travel



- Depreciation will increase to \$171k for IT investment. (This is a non-cash expense.)

Swimming Saves Lives Assumptions:

- The structure of the SSL financials will change. Activity will be included in the USMS budget.
- Direct support expenses will be covered from SSL contributions up to 15% and covered by SSL transfer.
- Move Fitness Series event activity and registration to USMS Events. Net event activity transferred to SSL (or new entity, for same purpose). Contributions recorded under SSL.
- CICF transfer recorded as USMS revenue.