

RPYC Town Hall Meeting

January 16th, 2019



Club Update and Where Do We Go From Here ?



Royal Palm Yacht Club

By – Finance Committee

- ✓ Determine our Priorities and Define Our Future
- ✓ Develop our Multi-Year Operating Plan
- ✓ Ensure Club Assets are Positioned to Support Member Objectives
- ✓ Create an Actionable Time Table

- Welcome Commodore Dick Devlin
- Background Marv Market
- Looking ahead Sean Foley
 - Projections Sean Foley
- Questionnaire Dick, Marv & Sean
 - Dissolution plan
 - Activities
 - Charitable giving foundation
- Conclusions Dick, Marv & Sean

Purpose: Establish a multi-year operating plan and define our legacy

Considerations

- Membership levels
- Ongoing activities
- Annual events – cruises, excursions and other significant events
- Foundation & charitable giving
- Ongoing management of ~\$1M Club financial assets

Recent History

- Sold the RPYC facility October 13, 2013
- Net sale proceeds were ~\$1.15M
- January 2015 began investing Club assets in a balanced portfolio
- Club portfolio being used to support ongoing operations and Member activities
 - \$322K cumulative funds withdrawn since January 2015 to support Club activities
 - ~\$200K portfolio earnings-to-date result in the current \$1,030,000 portfolio balance

	2013	2014	2015	2016	2017	2018
Membership	112	65	65	58	53	46

Operating Income

Dues	10,000
Misc - Guest Income	800

Total Operating income 10,800

Operational Expenses

General, Liability & D&O Insurance ⁽¹⁾	
Labor - contract payroll	3,600
Accounting	5,100
Legal & Banking Fees	3,960
Website	3,930
Constant Contact fee	960
Storage units	3,000
Freds awards and Burgees	1,500
Office supplies, Postage & Misc.	3,800
Donations	1,000

Total Operational Expense 26,850

Activity Expenses

Monthly meeting expense	10,500
Event expense	31,400
Mississippi Cruise ⁽²⁾	10,000

Total Activity Expenses 51,900

Total Expenses 78,750

Net Income	-67,950
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- Annual “Business as Usual” (BAU) funding needs are ~\$67,950 (round to \$70K)
- Dues revenue supports only about 13% of baseline operations
- Membership expected to decline by about 3 to 5 annually from current 46
- RPYC is heavily reliant on the Club portfolio to support BAU events
- Our portfolio produces ~\$30K per year in cash dividends and interest towards the ~\$70K funding need
- RPYC needs an additional ~\$40K annually from the portfolio to fund BAU operations
- Annual events such as cruises or charitable giving will require additional withdrawals

(1) D&O insurance is prepaid through 2020.

(2) Note: \$10K still to pay, but the Mississippi cruise has largely been funded already and RPYC received a ~12% discount for early payment.

Three different scenarios for discussion purposes only (no recommendations suggested or implied)

- Scenario #1: BAU with no more big annual excursions and no charity/foundation
- Scenario #2: BAU plus one major annual event through 2022 (nothing sacred about 2022)
- Scenario #3: BAU plus a major trip through 2022 and plus charitable contribution amounts for discussion purposes

Scenario #1: Business as Usual, no major excursions and no charitable foundation

Beginning Portfolio Value \$1,030,000	2019	2020	2021	2022	2023	2024	2025	2026
Baseline Projection (no excursions, no foundation)								
Baseline Budget	-67,950	-64,958	-62,032	-58,920	-55,616	-54,478	-50,828	-46,968
Portfolio Income	29,881	28,784	27,742	26,760	25,845	24,969	24,138	23,396
Net Club Expense	-38,069	-36,174	-34,290	-32,160	-29,771	-29,509	-26,689	-23,572
Ongoing Net Worth: Baseline	991,931	955,757	921,467	889,307	859,536	830,027	803,337	779,765
Cumulative % Drawdown	-4%	-7%	-11%	-14%	-17%	-19%	-22%	-24%

Projected 2026 Balance **\$779,765**

- Club ongoing BAU expenses gradually decline on fewer numbers
- Portfolio interest and dividend income gradually declines as portfolio balance is drawn down by ~3% per year
- ~25% cumulative drawdown of the portfolio through 2026
- ~780K remaining portfolio by 2026
- Market gains or losses will impact the projections⁽¹⁾

(1) These projections are simply educated guesses for discussion purposes only. Our Club portfolio is currently exposed to a balanced mix of stocks and bonds. Market returns can be positive or negative. The Club has earned an annualized total return of about 5% since inception in January 2015. No guarantees are expressed or implied.

Scenario #2: Business as Usual plus annual excursions through 2022

	2019	2020	2021	2022	2023	2024	2025	2026
Beginning Portfolio Value \$1,030,000								
Baseline Projection Plus Annual Excursions								
Baseline Budget	-67,950	-64,958	-62,032	-58,920	-55,616	-54,478	-50,828	-46,968
Annual Event Expense	-90,000	-80,000	-70,000	-50,000				
Portfolio Income	28,531	24,843	21,433	18,462	16,548	15,393	14,275	13,237
Net Club Expense	-129,419	-120,115	-110,599	-90,458	-39,068	-39,085	-36,553	-33,731
Ongoing Net Worth: Baseline Plus Annual Event	900,581	780,466	669,867	579,409	540,342	501,257	464,704	430,973
Cumulative % Drawdown	-13%	-24%	-35%	-44%	-48%	-51%	-55%	-58%
Projected 2026 Balance	\$430,973							

- Club expenses increase through 2022 in order to fund annual excursions
- Portfolio assets decline by about 11% per year through 2022
- ~44% drawdown by 2022, with ~56% of the portfolio remaining
- Projected 2026 balance about \$430K
- Market gains or losses will impact the projections⁽¹⁾

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Scenario #3: Business as Usual plus annual excursions through 2022 plus a foundation

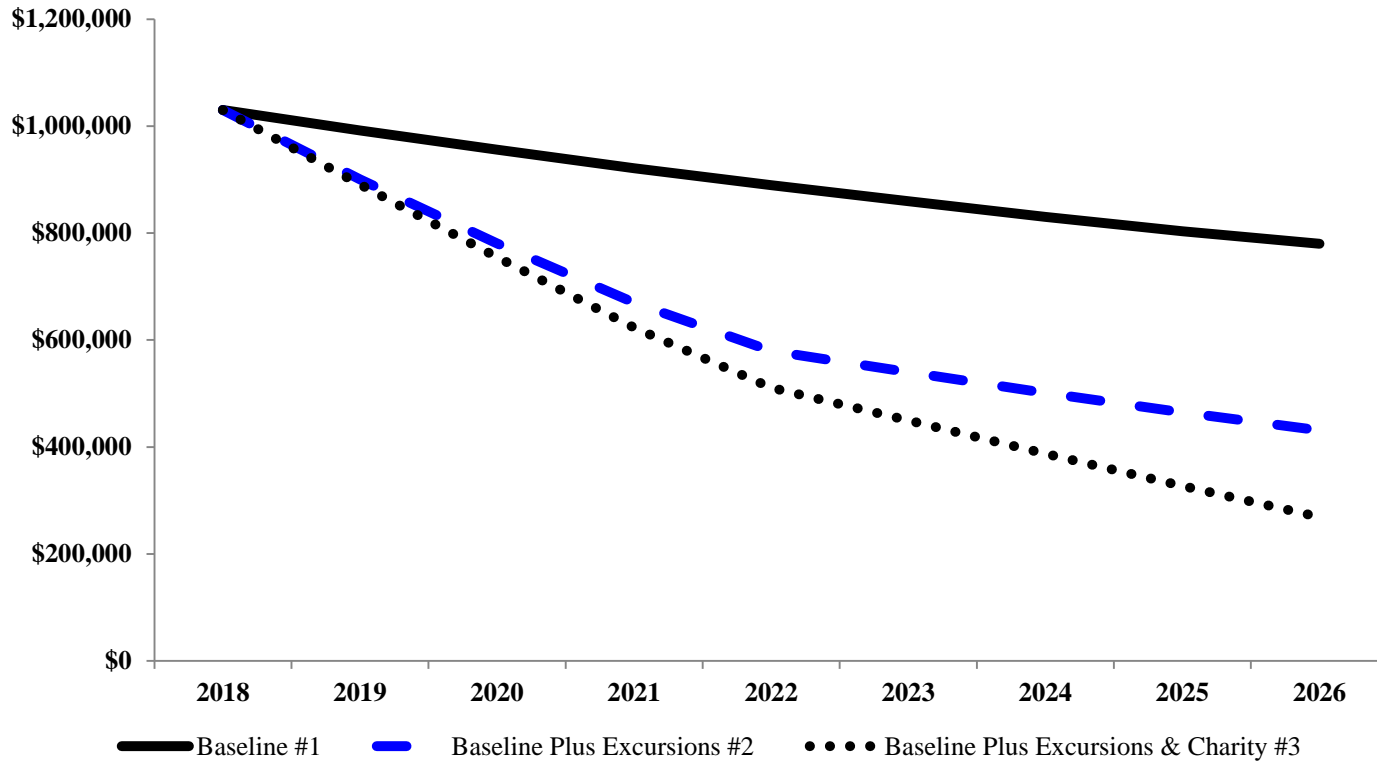
Beginning Portfolio Value \$1,030,000	2019	2020	2021	2022	2023	2024	2025	2026
Baseline Projection Plus Annual Event Plus Charity								
Baseline Budget	-67,950	-64,958	-62,032	-58,920	-55,616	-54,478	-50,828	-46,968
Annual Event Expense	-90,000	-80,000	-70,000	-50,000	0	0	0	0
Annual Charitable Foundation	-10,000	-15,000	-20,000	-20,000	-20,000	-20,000	-20,000	-20,000
Portfolio Income	28,381	24,314	20,363	16,760	14,194	12,369	10,560	8,810
Net Club Expense	-139,569	-135,644	-131,669	-112,160	-61,421	-62,109	-60,267	-58,157
Ongoing Net Worth: Baseline Plus Annual Event	890,431	754,787	623,117	510,957	449,536	387,427	327,159	269,002
Cumulative % Drawdown	-14%	-27%	-40%	-50%	-56%	-62%	-68%	-74%
Projected 2026 Balance	\$269,002							

- Club expenses increase through 2022 in order to fund annual excursions
- Additional expense from foundation contributions throughout the planning period
- Portfolio assets decline by about 50% by 2022
- Projected 2026 balance about \$270K
- Market gains or losses will impact the projections⁽¹⁾

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We are fortunate to be in a fully funded position with the ability to choose our future.

RPYC Financial Projections



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Question 1: - Dissolve the corporation without a dissolution plan & let the remaining assets go without a clear direction.

Yes ___ No ___

Timetable – based on years (circle one)

1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	10 years
2019	2020	2021	2022	2023	2024	2025	2026	2029

Timetable – based on membership (circle one)

1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	10 years
2019	2020	2021	2022	2023	2024	2025	2026	2029
41	37	34	30	27	24	21	19	15

notes -

Thank-you for your valuable input in defining our Club's Future!

Question 2: – Use club assets for activities for the benefit of members:

Yes ___ No ___

Timetable - until members are no longer able to participated in the activities

notes -

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Question 3 –Should we use the club assets in the following activity categories?

use club assets to subsidize dues Yes ---- No ____

- dues \$250./ member .. operations cost \$671 / member

use club assets to subsidize membership meeting Yes ____ No ____

use club assets to subsidize membership luncheons Yes ____ No ____

use club assets to subsidize membership cruises Yes ____ No ____

use club assets to subsidize membership special events (ie change of watch) Yes ____ No ____

use club assets to subsidize membership special outside events
(ie performing arts, musicals and dinner theater, sporting events, etc) Yes ____ No ____

notes -

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Question 4 – With respect to the amount of money spent on member’ s subsidized activities:

please give your opinion as to the amount of money being spent with
”1” being decrease the amount, ”2” being about right and ”3” increase the amount.

- use club assets to subsidize dues 1 2 3
 - dues \$250 / member .. operations cost \$671 / member
- use club assets to subsidize membership meeting 1 2 3
- use club assets to subsidize membership luncheons 1 2 3
- use club assets to subsidize membership cruises 1 2 3
- use club assets to subsidize membership special events (ie change of watch) 1 2 3
- use club assets to subsidize membership special outside events
(ie performing arts, musicals and dinner theater, sporting events, etc) 1 2 3

notes -

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Question 5: – continue charitable giving as we have been doing (BAU) until members are no longer able or willing to participated : Yes ___ No ___

- Guidelines per RPYC Bylaws
- Controlled by RPYC Membership >FinCom >Board
- Managed by RPYC Board
- No additional costs
- Short term solution
- Does not provide a legacy for the RPYC

Timetable – based on years (circle one)

1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	10 years
2019	2020	2021	2022	2023	2024	2025	2026	2029

Timetable – based on membership (circle one)

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41	37	34	30	27	24	21	19	15

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Question 6: – establish a charitable giving foundation controlled AND MANAGED by RPYC members:
Yes ___ No ___

- Guidelines per RPYC ByLaws
- Controlled by RPYC Membership > FinCom> Board
- Managed by RPYC Foundation members
- One time setup cost plus annual investment fees, = approx.,\$0.0
- All legal, accounting and investment tasks done by RPYC
- Establishes a legacy for RPYC
- Eventually must be turned over to a community foundation as members and RPYC pass away

Timetable – based on years (circle one)

1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	10 years
2019	2020	2021	2022	2023	2024	2025	2026	2029

Timetable – based on membership (circle one)

1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	10 years
2019	2020	2021	2022	2023	2024	2025	2026	2029
41	37	34	30	27	24	21	19	15

notes -

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Question 7: - establish a charitable giving foundation controlled by RPYC members via a letter of intent and managed by the Southwest Florida Community Foundation. Yes___ No___

- Guidelines per RPYC ByLaws
- Controlled by RPYC Membership > FinCom> Board >letter of intent>Southwest Florida Community Foundation (SWFCF).
- All legal, accounting and investment tasks done by SWFCF
- Costs: 1.33 % of assets annually.
- long term solution as well managed assets last indefinitely
- Establishes a legacy for RPYC

Timetable – based on years (circle one)

1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	10 years
2019	2020	2021	2022	2023	2024	2025	2026	2029

Timetable – based on membership (circle one)

1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	10 years
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41	37	34	30	27	24	21	19	15

notes -

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Question 8: - If you would like to create a foundation, either internally or externally, how much annual funding is appropriate? (circle one)

\$10,000 \$25,000 \$50,000 \$100,000 other \$ _____

notes -

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