

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 - \$322K cumulative funds withdrawn since January 2015 to support Club activities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 |
|-------------------|----------------|

- 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

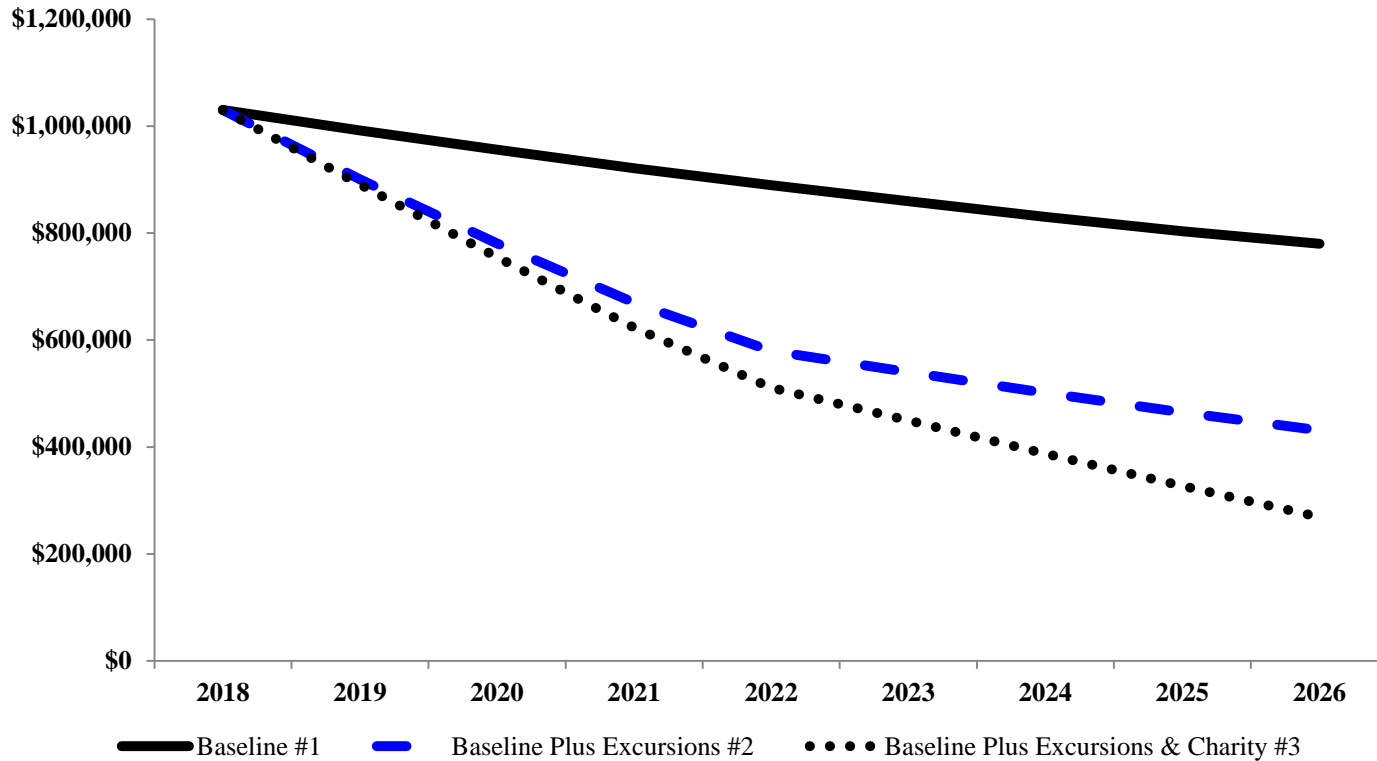
| Beginning Portfolio Value \$1,030,000 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Baseline Projection Plus Annual Event Plus Charity | | | | | | | | |
| Baseline 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 2019 | 2 years 2020 | 3 years 2021 | 4 years 2022 | 5 years 2023 | 6 years 2024 | 7 years 2025 | 8 years 2026 | 10 years 2029 |
|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|

Timetable – based on membership (circle one)

| | | | | | | | | |
|-----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|
| 1 year 2019 41 | 2 years 2020 37 | 3 years 2021 34 | 4 years 2022 30 | 5 years 2023 27 | 6 years 2024 24 | 7 years 2025 21 | 8 years 2026 19 | 10 years 2029 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 ie to maintain our tax exempt status
- controlled by RPYC membership > FinCom > RPYC Board
- managed by RPYC Board
- additional cost – none

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 |

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

- guidelines per RPYC Bylaws ie to maintain our tax exempt status
- controlled by RPYC membership > FinCom > RPYC Board > RPYC Foundation
- managed by RPYC Foundation members
- additional cost – one time set up cost, plus annual management fees = aprox \$0.00

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 AND MANAGED BY RPYC CHOSEN PROFESSIONALS: Yes ___ No ___

- guidelines per RPYC Bylaws ie to maintain our tax exempt status
- controlled by RPYC membership > FinCom > RPYC Board > RPYC CHOSEN PROFESSIONALS
- managed by RPYC CHOSEN PROFESSIONALS
- additional cost – one time set up cost plus annual management fees = aprox \$XXX

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 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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