

## POTOMAC VALLEY SWIMMING

### TREASURER'S RESPONSE TO BOARD OF DIRECTORS DISCUSSION OF CAPITAL FUNDING PROPOSAL HELD ON OCTOBER 6, 2008

October 23, 2008

Below is a short response to the major issues that I heard raised when we discussed the proposal to add \$30 to the annual membership fee in order to create a capital development fund. My notes may not be complete or representative, so please feel free to respond with added material from that discussion or to add new thoughts. I will add to and edit this paper as we continue our consideration of this topic.

1. \$30 is too much. The current registration fee is \$70 (increasing to \$75 over the next five years.) A quick survey of other youth league registration fees in my neighborhood turned up fees ranging from \$80 for a 10 week season to well over \$200 for a season. Some of these are inclusive, i.e. no additional cost to participate, but many of the more costly fees do not include the cost of being on a team – renting fields/courts, paying a coach, travel, etc. Compared to other “travel” sports, swimming’s registration fee is very reasonable. In addition, swimmers who are active in PVS competitions spend anywhere from \$800 or so a year to well over \$2000 in order to participate. An additional \$30 will not be a material consideration when they decide whether, how and where to participate.
2. What about the 8 and unders. Currently, PVS does not provide any significant programming for our 8 and under swimmers. Notwithstanding this, we register well over 1000 of them each year. Since most of these swimmers are in “clinic” or similar learning programs that cost less than \$300 annually, it only makes good sense to exempt them from the increase in annual fees.
3. What about location. Who benefits? Location is always a concern in PVS due to the traffic issues and also due to the major benefit of having a great facility in your own backyard rather than across the river or down the pike. As of the current time, there is no plan on the horizon at all. I have been using examples in McLean and Fairfax County because those are what I am most familiar with. But in reality, who can say or predict what opportunity might arise. It might not even be a new pool. It could be a renovation or an upgrade or something else. In any case, I believe that we on the Board today can proceed with integrity and without any conflict because it will be at least several years before PVS has the money to even consider an investment opportunity and most, if not all, of us will be off the Board at that time.

4. Where is the payback or equity for PVS members? This proposal is for the long term, so that is the only way that we can evaluate the benefit for our members. The objective of the capital fund is to invest in a facility that will make the needs of PVS its highest priority. At that point, all the membership will benefit when this facility is available for a variety of meet formats (age group, dual or tri, distance, etc.) that might not otherwise be feasible economically. Until PVS has completed this process, however, the payback is that the members will know that PVS is building this capital fund in order to assure the future for competitive swimming. They will see the fund value climb and be able to participate in the process as PVS gets closer to investing in a facility.
5. How will PVS invest in a facility? The core concept of the capital development fund is that PVS wants to use this fund as leverage to generate a new public-private venture. For example, if PVS had \$6 million to invest, perhaps one of the area's park authorities would offer \$4 million of land plus \$4 million of infrastructure work (utilities, roads, parking, etc) and another \$6 million for construction in order to build a new multi-purpose swimming facility. The PVS investment would be contingent on receiving both priority access and the right to participate in the management of the facility. In an ideal world, once PVS has a significant amount of money in its capital fund, there will be choices for our investment. As a practical matter, PVS probably will have to approach the various public entities and make proposals to them. If they show a real interest in working with us, we will have to negotiate a deal with each group and then make a decision as to which one is best for PVS.
6. If PVS invests in a facility, how will it be operated and who decides which PVS swimmers get the major benefit? This, potentially, is the touchiest issue because regardless what is built and where it is located, some members will be positioned to receive a larger benefit than others. There is no way around this. However, some firm principles will help guide us. For example, the facility will have to be operated on a commercial basis targeted at being profitable. This means that practice time will be priced at market, that community and non-competition swim programs will be offered, that multi-purpose space will be used for various rental activities and that the management will be focused on generating revenue and controlling expenses. Obviously, teams that operate in the same geographic area will be those most interested in renting practice lanes. However, PVS will want to reserve the opportunity to develop the competition schedule in order to balance a variety of competing objectives.
7. What time frame are we talking about? After about five years, the fund balance should be in the range of \$1.5 - \$2 million. Recognizing that it probably will take three to five years to complete a deal, PVS has the choice of either waiting until it has a significant fund balance or starting to search for a deal at some earlier point. As a bonus, this revenue source also will enable PVS to borrow money (assuming the financial markets resume normalcy sometime soon.) Therefore, PVS could pledge future revenues in exchange for a financing agreement in order to advance the schedule by several years.