

Minutes - KTC Executive Meeting
June 20, 2018 @ 7:00pm
Claire's home

In attendance: Viki Andrevska, Mike Bartlett, Bob Goddard, Paula Loh, Taco Meuter, Nerissa Mulligan, Bud Nelson, Claire Tremblay, Chloe Wilson

Absent: Doug Bowie, David Stocks, Gill Turnbull
[Sam Faris resigned from the Board due to work commitments]

1. Review/approve minutes of meeting from May 22, 2018

Chloe moved, Bud seconded to approve the minutes. Carried.

2. Treasurer's Report – Appendix A

Paula noted that most of the club's revenues are received at the beginning of the season, whereas expenses such as payroll for the stewards and camp staff are incurred throughout the season. Our financial statements will not reflect an accurate picture of club operations until the season is complete.

Claire moved, Mike seconded to include the Treasurer's Report as part of the Minutes. Carried.

3. Hiring committee

- a. Try/Learn/Play update – postponed until next meeting
- b. Hiring a new part-time steward
Three people were interviewed and Owen Lloyd-Ellis was hired as a part time steward. He will start training on Friday.

4. Membership update

We are a little bit ahead this year regarding the numbers (464 vs 448). The membership committee has been passive so far but some action should be taken to increase the numbers. The point was raised that increasing the number of members will put more pressure on the courts in that members may not be able to book a court at desirable times and days. Also a point was made that we should do more marketing to make people aware of the existence of the Kingston Tennis Club. The discount for new members may also attract people to join the Club.

5. Fundraising Committee update

40 “thank you” emails were sent on May 25-27 to all members who made donations this season. In the process of preparing for the fundraising campaign, interviews were conducted to assess the values that members see in the Kingston Tennis Club.

6. Operating Manual Committee update – postponed until next month

7. Communications update (Nerissa)

Nerissa asked that text be fully drafted when board members submit items to be included in the weekly newsletters. A suggestion was made to post news permanently on the website for reference, but it was noted that members rely on emails to receive news and updates. It was also discussed that we might want to reduce the number of the emails when there is no new information. Nerissa is finding the interface of MailChimp to be cumbersome and would like to explore alternatives.

Paula offered to be a backup person for sending emergency emails to the membership.

8. Stewards update (Mike)

The stewards have a variety of tasks, both inside & outside. We are asking them to be: landscapers/office workers/bathroom cleaners/garbage people/customer service people. They have no control over how much of their time is taken up by members calling/visiting/emailing. If you see a steward working hard, give them some positive feedback.

Weeds have infested a lot of the green areas, and cutting off the tops with the weed whacker just means they grow back in a few days. The weed whacker cord breaks when it hits the fence; a lot of growth comes in through the fences. We need to document the standards for our site.

9. Slack (Nerissa)

Nerissa offered to do a demo of Slack. She will send an email to describe it and then we will decide if we want to use it.

10. Camp Parent Survey (Nerissa)

Nerissa will send a draft survey to the board for feedback.

11. Queen’s Tennis Proposal

- a. The Queen’s Tennis Club has proposed a similar arrangement with the KTC as in 2017. Details shown in separate document.

Last year worked well. Accepted as proposed, with one change regarding the timing.

12. Finance committee – Appendix B

- a. Terms of reference (one item to be discussed - Paula)

Taco moved and Mike seconded to keep the second sentence from the TOR. Carried.

- b. Separate document submitted by committee to be discussed and approved – We will discuss the report at a future meeting. Report to be included in the minutes as an appendix.

Bob moved and Mike seconded that this report has been accepted with the understanding that it will be discussed at a future meeting.

The committee added Dave Reid as a 4th member. Kristine Barker and others are to be considered as a committee member. The committee will provide a maintenance schedule and a 20-year forecast of revenues/expenses.

Chloe moved and Bud seconded that the finance committee is Chloe, Taco, Mike, and Dave Reid. Carried.

13. Club maintenance update

- a. Painting of courts 4, 5, 6 – work on the courts started today and if perfect weather should be done in five days. Paula will ask about additional maintenance for Courts 2 & 3.
- b. Men’s washroom plumbing repair – the toilet was replaced

14. Capital Project Committee update

The committee met on May 29 and discussed timelines for the project and items for the upcoming pre-consultation meeting with the City. These included: site drainage options; court lighting; review minor variances already received; hitting wall (clarify that it can be built parallel to Napier Street as part of the relocated fence line); parking (are we exempt from providing a Disabled parking spot on site); tree removal options; can impost fees/development charges be waived.

At the pre-consultation meeting of June 19, civil engineer Doug Prinsen proposed that a subsurface retention system be constructed to retain surface and sub-surface drainage, then releasing the water to the Napier Street combined sewer via a restricted orifice. This system would address the high groundwater in our area. City staff stated this connection would not be permitted and suggested that we consider a hookup to the sewer on Hill Street, if roadwork was not scheduled in the near future to upgrade the sewer on Napier Street.

City staff said there were no zoning concerns and asked that the Club provide light shields for the new court lighting, and provide a landscape plan and tree inventory. They will check on the setback for the hitting wall.

15. Other business

Gauvin Bailey submitted information regarding possible heritage status of the existing clubhouse. To be discussed at the next meeting.

16. Next meeting date: Wednesday, July 25th, 7pm at the Common Ground at the ARC

17. Adjournment – 9:42pm

Appendix A

Treasurer's Report June 20, 2018

Operating Budget (*Statements up to May 31 on pages 4-6.*) The budget information is largely correct, apart from expense items that have not been submitted in time. Our cash flow will come in a bit lower than expected as a result of lower lesson revenue, additional repairs to the clubhouse and courts, and the new \$2,500 outlay for engineering services.

Up to Date Info: Since the KTC tennis season runs only from the end of April to early October (23-24 weeks), it is essential that treasurer's reports include up to date information as those additional (in this case, three) weeks provide much-needed progress information, compared to month-end statements.

2018 Collection of **Revenues** (Jan 1-June 19): \$194,512 (2017: \$196,790).

Cash Position: As of May 18: RBC: \$13,910; Tangerine: \$205,261; DS: \$300,206

Member #'s: Total 469: Adult 167, Student&Jr 35, Couple 130, Family 137. New Membership Revenues to June 19 are \$113,913 (on track to meet the budget: \$119,500; same date 2017: \$109,396)

Camps (completed registrations):

	Today	Last month	Two months ago
Week 1	F24 M14 A8	F17 M16 A3;	F13 M10 A3 ;
Week 2	F19 MF A9	F15 MFull A4;	F16 MFull A2 ;
Week 3	F23 MF A6	F19 MFull A3;	F14 M15 A1 ;
Week 4	F15 MF A4	F13 M13 A2;	F8 M7 A2 ;
Week 5	F7 MF A8	F6 M14 A 9;	F6 M7 A9 ;
Week 6	F14 MF A1	F8 M12 A1;	F8 M10 A0 ;
Week 7	F9 M15 A2	F7 M12 A2;	F2 M10 A2 ;
Week 8	F13 M14 A2	F11 M 10 A2;	F8 M8 A2 ;
Week 9	F7 M6 A0	F5 M5 A0;	F3 M0 A0

(Maximum spots: Full 24, Morning 16, Afternoon 16.)

Recognition of Camp revenues is more volatile early in the season: at the end of April revenues were \$34,500 (2017: \$38,500). On May 18 those numbers are \$43,700 and \$50,400. On June 19 they are \$57,917 and \$56,395, respectively. So the slow start seems to have given way to expectations, but it is clear that some weeks (esp. 5, 7, 9) are consistently undersold for some or all of the camp sessions, and afternoon sessions are again almost uniformly undersold, despite their lower cost. The camp committee should assess for action plan.

A difficult start of the season also resulted in slower than expected income from lessons, but revenue from lessons now generally lag last year's: \$8,649 vs \$12,595.

Investment

We opened an account at RBC DS to gain access to a variety of GIC's. The Club invested based on the policy indicated in April's treasurer's report:

To safely disperse approximately \$300,000 of the reserve funds across four institutions over a one year period. The remainder will be kept liquid, at Tangerine.

Investment Solution

\$300,000 of the reserve funds was dispersed across four institutions over a one year period:

GI	Amount	Rate	Expiry
C	\$12262.77	2.605	31/1/19
H2	\$20405.80	2.605	31/1/10
H3	\$50000	2.36	21/5/19
G	\$36330	2.31	21/5/19
E	\$90000	2.35	21/5/19
I	\$90000	2.35	21/5/19

Liquidity

The KTC currently has \$219,000 left over in liquid assets separate from this plan. This is more than enough that there is little expectation of requiring the GIC funds prior to maturity.

Recommendation:

On reflection of A) the short duration of the first two above GIC's (\$33,000 due Jan 31, 2019), B) the \$219,000 in Tangerine, and C) little likelihood of major expenditures this year, I recommend putting up to an additional \$90K in a 1-year GIC, at 2.3%-2.45%. Based on the budget progress, this should leave about \$70K in liquid assets at the end of this financial year, and produce \$1,000 in interest income for the GIC's duration.

Evaluation of payment through the website; use of Jegysoft

The more we work with Jegysoft, the more we realize how many problems it has. In addition, problems persist with the "online" payment system (by cheque or e-transfer) that the previous board set up through Jegysoft. Asking JS to do some programming to permit us to accept credit cards and charge members for that feature would incur programming costs. However, it might only be useful for another three months if we decide to switch to a better admin system, that seamlessly accommodates electronic uploads to Quickbooks, as I have proposed we do.

Similarly, any further midstream improvements to the JS system are actively discouraged by the bookkeeper, as they will apparently cause confusion at the auditors' and more work for her than she signed up for. This will result in a third consecutive year that our QB records have gaps in information, limiting its value as a longitudinal management information system.

Kingston Tennis Club					
2018 OPERATING BUDGET					
	YTD Actual Oct-May 2018	2018 Budget	2017 Actual	2016 Actual	
MEMBERS & GENERAL REVENUES					
Fees	112,873	119,500	117,841	121,229	
Lessons - net	6,605	7,000	7,858	7,609	
Guest fees	315	3,300	3,610	3,023	
Donations	3,024	2,200	2,956	1,603	
Clubhouse Sales - net	(311)	300	(98)	1,032	
Socials and Tournaments - net	(43)	200	68	198	
Parking revenue - net	(210)	0	(304)	296	
HST	(7,031)	(12,000)	(11,697)	(12,289)	
CONTRIBUTION, MEMBERS & GENERAL	115,222	120,500	120,234	122,701	
JUNIOR CAMPS					
Revenue	49,500	85,900	84,980	79,774	
Supplies	0	(5,200)	(3,519)	(6,379)	
Try, Learn, Play (2017 Wages)	0				
Wages	0	(40,100)	(32,575)	(32,419)	
CONTRIBUTION, JUNIOR CAMPS	49,500	40,600	48,887	40,976	
SHARED COSTS					
Advertising	(178)	(700)	(865)	(545)	
Amortization	0	(2,900)	(2,515)	(2,763)	
Bank Charges	(1,045)	(1,300)	(1,296)	(6,096)	
Bookkeeper	(2,575)	(5,100)	(4,425)	0	
Insurance	(1,241)	(1,800)	(2,024)	(2,264)	
Interest Income	2,960	4,800	3,596	1,066	
Office Supplies	(661)	(1,500)	(1,304)	(1,938)	
OTA Fees	0	(1,500)	(1,545)	(1,545)	
Professional Fees	(3,310)	(3,500)	(3,192)	(5,180)	
Property Tax	(9,107)	(12,400)	(11,542)	(9,716)	
Repairs & Maintenance	(2,778)	(5,000)	(4,491)	(11,418)	
Software expense	(973)	(4,300)	(4,047)	(4,521)	
Steward Wages	(3,196)	(27,400)	(28,021)	(29,153)	
Transportation	(226)	(200)	(188)	(223)	
Utilities & Communication	(1,918)	(4,200)	(4,214)	(4,051)	
TOTAL, SHARED COSTS	(24,246)	(67,000)	(66,072)	(78,347)	
REVENUE less EXPENDITURES - RECURRING	140,476	94,100	103,049	85,330	
HST Recovery - non recurring	0	0	0	32,097	
REVENUE less EXPENDITURES	140,476	94,100	103,049	117,427	
ADD: Amortization	0	2,900	2,515	2,763	
EBITDA	140,476	97,000	105,564	120,190	
LESS: Capital Spending	(4,374)	(15,300)		(14,573)	
Increase in Working Capital	0	0		(5,523)	
Cash Flow after Working Capital Changes	136,102	81,700	105,564	100,094	
CASH:					
Beginning, Total cash and cash equivalents	389,073	389,073	283,509	183,392	
Ending, Total cash and cash equivalents	525,175	470,773	389,073	283,509	

Kingston Tennis Club		
Profit and Loss		
October 2017 - May 2018		
	Total	
	Oct 2017 - May 2018	Oct 2016 - May 2017 (PY)
INCOME		
5010 Donations		
5010-02 Donations from Memberships	3,024.00	2,836.00
Total 5010 Donations	\$ 3,024.00	\$ 2,836.00
5020 Guest Fees		105.00
5020-01 Court Rental	210.00	325.00
5020-04 Ball Machine Rental	105.00	45.00
Total 5020 Guest Fees	\$ 315.00	\$ 475.00
5030 Interest Income	2,960.35	1,766.24
5040 Junior Camp		
5040-01 Full Day Camp	26,970.00	29,080.00
5040-03 Half Day Tennis Camp	175.00	26,020.00
5040-20 Morning Tennis Camp	17,780.00	
5040-21 Afternoon Tennis Camp	3,850.00	
Total 5040-03 Half Day Tennis Camp	\$ 21,805.00	\$ 26,020.00
5040-05 Supervision		1,295.00
5040-50 AM Supervision	470.00	
5040-51 PM Supervision	255.00	
Total 5040-05 Supervision	\$ 725.00	\$ 1,295.00
Total 5040 Junior Camp	\$ 49,500.00	\$ 56,395.00
5060 Lessons		
5060-01 Group	1,920.00	4,460.00
5060-02 Private / Semi-private	860.00	1,795.00
5060-20 Lesson Private/Semi A	368.33	
Total 5060-02 Private / Semi-private	\$ 1,228.33	\$ 1,795.00
5060-04 Junior Group Lessons	3,680.00	3,180.00
5060-05 Shot of the Week	75.00	0.00
Total 5060 Lessons	\$ 6,903.33	\$ 9,435.00
5061 Lesson Re-imburement		
5061-01 Group	-123.33	
Total 5061 Lesson Re-imburement	-\$ 123.33	\$ 0.00
5070 Membership Dues		
5070-01 Adult Membership	54,849.00	51,916.00
5070-02 Couples Membership	32,565.00	33,847.00
5070-03 Family Membership	20,497.00	18,568.00
5070-04 Junior Membership	1,246.00	1,218.00
5070-05 Student Membership	3,716.00	3,847.00
Total 5070 Membership Dues	\$ 112,873.00	\$ 109,396.00
5090 Sales		
5090-02 Drinks	58.00	38.00
5090-03 Food		9.00 49.50
5090-04 Tennis Balls		463.50
5090-40 Tennis Balls NEW	1,426.50	
Total 5090-04 Tennis Balls	\$ 1,426.50	\$ 463.50
5090-06 Parking revenue	1,850.00	2,150.00
Total 5090 Sales	\$ 3,343.50	\$ 2,701.00
5095 Misc revenue		77.00
5100 Social Events	360.00	300.00
5100-01 Rogers Cup	375.00	105.70
Total 5100 Social Events	\$ 735.00	\$ 405.70
5150 Uncategorized Income - Unreconciled Deposits		941.20
5150-01 Uncategorized Income - Cheque Deposits		219.89
5150-02 Uncategorized Income - E-transfer Deposits		-768.20
5150-03 Uncategorized Income - POS Debit Deposits		0.00
5150-04 Uncategorized Income - POS Credit Card Deposits		0.00
5150-05 Uncategorized Income - Cash Deposits		0.00
Total 5150 Uncategorized Income - Unreconciled Deposits	\$ 0.00	\$ 392.89
Total Income	\$ 179,530.85	\$ 183,879.83
GROSS PROFIT	\$ 179,530.85	\$ 183,879.83

EXPENSES		
7000 Advertising/Publicity	177.96	327.00
7020 Canteen Expenses		
7020-01 Drinks	81.58	
7020-02 Food	27.67	
7020-04 Tennis Balls Purchased - Canteen	1,695.00	2,013.66
Total 7020 Canteen Expenses	\$ 1,804.25	\$ 2,013.66
7040 Insurance	1,241.23	1,405.73
7050 HST/GST Expense	7,030.78	6,306.14
7090 Office Supplies	670.99	691.16
7094 Bookkeeping	2,575.00	2,125.00
7095 Legal and Accounting	2,825.00	791.85
7105 Parking expenses	2,060.10	472.57
7110 Property Tax	9,106.61	4,968.68
7120 Repairs & Maintenance	2,777.50	2,428.21
7125 Infrastructure Project	485.00	
7130 Social Expenses		50.00
7130-01 Socials	778.04	835.90
Total 7130 Social Expenses	\$ 778.04	\$ 885.90
7140 Telephone	758.85	527.83
7170 Utilities	1,158.86	1,724.62
7190 Transportation	226.10	187.54
7200 Payroll Expenses		89.11
7200-02 Stew ards	3,195.50	4,697.44
7200-03 Tennis Pro Retainer	175.00	
Total 7200 Payroll Expenses	\$ 3,370.50	\$ 4,786.55
7500 Bank Charges	1,003.07	787.93
7505 Computer and Softw are expense	972.99	3,199.26
7520 Credit Card Charges	41.86	138.34
Total Expenses	\$ 39,064.69	\$ 33,767.97
OTHER EXPENSES		
7900 Over/Short	-10.00	13.55
Reconciliation Discrepancies-1		0.00
Total Other Expenses	-\$ 10.00	\$ 13.55
PROFIT	\$ 140,476.16	\$ 150,098.31

Appendix B

KTC FINANCE COMMITTEE - REPORT TO THE BOARD - *June, 2018*

In accordance with its Terms of Reference the Finance Committee has prepared the following report for approval by the board.

RESERVE FUNDS

OPERATING RESERVE

While the goal of a non-profit club is not to make money, it is important to have sufficient liquidity for operations as well as to meet unexpected expenses and/or have resources available to allow the club to adjust to adverse circumstances – i.e. a downturn in memberships etc.

We recommend that the club establish an operating reserve in the amount of \$100,000 which represents approximately one year's cash flow before capital expenses/repairs and debt servicing. Furthermore, we recommend that this reserve be increased by 2% per year to keep up with inflation.

CAPITAL RESERVE

The purpose of the capital reserve is to ensure that funds are available for ongoing maintenance and capital expenditures.

Courts are expected to require resurfacing every 25 years and repainting every seven years. Based on the club's history this amounts to \$350,000 (in current dollars) over 25 years for seven courts. This works out to \$2,000 per court per year – i.e. \$14,000 for seven courts or \$16,000 for eight courts.

A rule of thumb for durable assets such as buildings, lights and fences is that reserves should be set aside in the amount of 1% of their replacement value. Assuming a value of \$1M for the total value of facilities other than courts – this would amount to an additional \$10,000 per year.

We recommend that a capital reserve be established in the amount of \$24,000 per year (to be increased by 2% per year to allow for inflation) for a seven court facility.

INVESTMENT POLICY

We have discussed investment policy and determined that capital preservation is the primary investment goal, and as a result investments will be limited to high interest savings and Guaranteed Investment Certificates.

We also recognize that there is a tradeoff between the liquidity that is offered by a savings account and the higher interest rates that may be realized by locking in funds for a longer period of time.

We recommend that the Treasurer be authorized to invest the funds as he/she sees fit in either high interest savings or one to five year GICs. The Treasurer will make these decisions by balancing the need for liquidity against the opportunity to earn a higher rate of interest.

CAPITAL PROJECT – BORROWING CAPACITY

The committee recognizes that there is a separate capital project committee working on proposals for various possibilities for a capital project. Our purpose was to determine how much the club could borrow for this project, while ensuring the ongoing sustainability of the club.

There are two main conditions established by Infrastructure Ontario, the most likely lender, that the KTC would need to meet.

DEBT TO EQUITY RATIO

The first condition is that debt should not exceed 60% of the value of the assets (see also the addendum).

Our projected usable surplus at the end of 2018 is approximately \$346,000 after allowing for a \$100,000 operating reserve and a \$24,000 capital reserve. This is assuming that no extra maintenance is authorized in the meantime, other than the planned painting of courts four, five and six.

This would imply a maximum capital expenditure of \$865,000 - \$346,000 of equity and \$519,000 of debt. While 40% is the minimum equity component of any capital project, we recommend that the club require a minimum of 50% equity in any capital project undertaken. This would imply a maximum debt in the range of \$350,000.

(In 2019 our usable surplus would increase by up to \$94,000 (estimated 2019 surplus), increasing the maximum debt by up to \$47,000.)

DEBT SERVICE COVERAGE RATIO > 1.3

This requirement says that the annual cash flow must exceed the debt service requirements by 30%. Calculating this is a little more difficult because it depends both on unknown future cash flows and additional expenses that will be added to overhead as a result of the project.

Examples of additional expenses would be:

- Municipal taxes

- Utilities
- Increase in wages (part of this is the expected increase in the minimum wage which does increase costs although it is not related to the capital project)
- Insurance costs
- Loss of interest on current capital balance

We already know that wages are slated to increase by approximately \$7,000 this year and over \$11,000 in the next couple of years, while property taxes are going to be \$3,700 higher by 2021, even without any increase in assessment due to a capital project.

Thus, even without the capital project, costs for wages and property taxes are anticipated to increase by almost \$7,000 over the next couple of years. We estimate that the capital project will add another \$23,000 to \$30,000 in additional costs (property taxes alone would increase by \$20,000 on a \$1.5M project). Using the average of these figures the total additional anticipated costs are \$26,500.

Based on this we can come up with a rough estimate of cash flow once the project is completed.

Estimated EBITDA for 2018	\$94,000
Less anticipated increase in expenses	(26,500)
Less ongoing capital reserve (assuming 7 courts)	<u>(24,000)</u>
Sustainable cash flow	<u>\$43,500</u>

If the club is required to have 30% left over after debt service this would allow an amount of \$33,500 for debt service.

Using an interest rate of 4% the annual cost of borrowing based on a 25 year amortization is about \$6,400 per \$100,000.

This would imply a maximum loan of \$525,000.

These calculations assume that staffing is maintained at current levels and that the number of courts remains at seven. If for example a club manager were to be hired, or additional steward hours were considered necessary or an eighth court were to be built – the sustainable cash flow would be further reduced.

RECOMMENDATION

The above calculations suggest a maximum debt for any capital project of \$350,000 to \$525,000. Taking both these figures into account, the committee recommends that the maximum debt be set at \$450,000.