

TO: House of Delegates
 FROM: Dawson Hughes, Susan Parker
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 SUBJECT: Business plan assumptions for 2022

Before covering 2022 business plan assumptions, it's important to recap the high-level results of the adjustments made in 2021 in response to the pandemic. These changes are the basis of the increase in members and activities included in business plan assumptions for 2022.

The 2021 2nd quarter forecast suggested a net operating loss of -\$25K, which is \$218K better than the revised plan of -\$243K. The forecast is \$528K better than the original approved 2021 budget of -\$552K. The chart below shows the significant changes compared to the original 2021 budget that resulted in the improved bottom line.

Activity (000s omitted)	Forecast 2021	Revised Plan 2021	Favorable/ Unfavorable
Revenues			
Membership			
# of members	48,500	42,500	Favorable
Registration revenues	+\$333	+\$100	Favorable
Advertising/Partnerships	+\$73	+\$100	Unfavorable
Government Grants (SBA PPP)	+\$275	+\$275	= revised plan
Budget Neutral			
Events			
National pool championships	2 events	none	Favorable
National open water championships	4	none	Favorable
College Club Swimming	1 regional	none	Favorable
Pool sanctions/recognized	150	none	Favorable
Open water sanctions	30	none	Favorable
Expenses			
Compensation	+\$110	+\$78	Unfavorable
SWIMMER- print all issues	+\$57	+\$63	Favorable
Marketing campaigns	+\$38	+\$70	Favorable
Volunteer			
In-person Board meeting	+\$25	+\$25	= revised plan
Annual meeting	-\$70	-\$70	= revised plan
Net Operating Loss	-\$25	-\$243	Favorable

2022 BUSINESS PLAN ASSUMPTION OVERVIEW

The board and the Finance Committee have reviewed and provided input on the following assumptions that'll be used to prepare the 2022 USMS budget in the coming months. USMS is on the road to recovery, and membership numbers and events are expected to increase in 2022.

An overriding assumption is that USMS can and will return to a membership close to 52,500 by the end of 2022 and continue to rebuild from there. The 2022 assumptions were developed with the idea that USMS would continue to weather the effects of the pandemic while continuing strategic investment in the future and revisiting long-term strategies to support the USMS Mission and Vision.

During the 2021 annual meeting, it's expected that some committees will discuss and potentially propose initiatives to include in the 2022 budget. At this time, the assumptions included in the business plan support typical committee activities with cost-conscious recommendations and adaptations for post-pandemic activities.

While reviewing these assumptions, it should be noted that USMS reserve levels have grown to \$3,948,000 and forecasted membership will end 2021 at close to 50,000. Considering the reduced number of events nationwide, staggered pool re-openings, and the cascading effects of the pandemic on aquatic facilities, USMS can be proud of our initial and ongoing response.

The current assumptions in this plan result in a net operating budget deficit of -\$135K before depreciation.

Draft Business Plan Summary	2022
Revenues	\$3,450,900
Expenses	\$3,586,300
Net Operating Income/(Loss) before depreciation	(\$135,400)
Depreciation	\$224,400
Net Operating Income/(Loss) after depreciation	(\$359,800)
Net Other Income/Expenses	\$7,400
Net Income/(Loss)	(\$352,400)

HOD Action Items for 2022 Budget: None. No changes in fees from 2021>2022

SUMMARY OF 2022 BUDGET RATES		2022			2021
MEMBERSHIP FEES		USMS	LMSC	Total	
Membership Fees	full year	\$48.00	\$12.00	\$60	No Change
Membership Year Plus Fees *	Offered July 1 - Sept 30, 2022	\$79.20	\$19.80	\$99	No Change
CCS Bridge Membership		\$25	\$0	\$25	No Change
Club Fees		\$48	\$12	\$60	No Change
Workout Group Fees		\$48	\$12	\$60	No Change
One Event Fees		\$12	\$3	\$15	No Change
*\$31.20 national / \$7.80 LMSC applied to 2022, full year fee applied to 2023.					
EVENT/SANCTION CHARGES		Sanctioned or Recognized			
Pool Meet		sanctioned	\$50		No Change
Pool Meet		recognized	\$100		No Change
Open Water Swim (min charge = \$200 and max charge= \$1,000)		sanctioned	\$100 plus \$5 per		No Change
Open Water Swim		sanctioned national	\$5 per, +\$3 surcharge		No Change

2021 BUDGET ASSUMPTIONS

Compensation: The compensation budget assumptions were reviewed by the Compensation and Benefits Committee. Market increases in benefits are included.

Staffing will be maintained at current levels of 14.3 full-time equivalents.

Insurance costs: The general and umbrella liability premiums are variable based on the number of members, events, and general insurance market. Applications for the premium year beginning Oct. 1, 2021, are in-process, and actual costs will be available for the detailed draft budget. Assumed increases are included in the plan with a range of 10–25%.

Membership revenue: Assume 52,500 members.

- 47,500 full-year members. \$60 fee is split 80%/20%, the USMS portion of the fee is \$48 and the LMSC portion is \$12.
- 15,000 Year-Plus members. Offered from July-October. \$99 fee is split 80%/20%, the USMS portion of the year plus fee is \$79.20 and the LMSC fee is \$19.80.

- Introduce new USMS+ add-on package option for \$199 (before 12/31/2021)/\$229 (beginning Jan. 1, 2022). The price is inclusive of the traditional USMS membership. The net new revenue (after expenses) above the traditional membership (\$60) will be split 80%/20% (USMS/LMSC). Membership+ to include:
 - All “virtual” national events
 - Member package (card, cap, branded item selection)
 - 3 webinars-motivational, goal setting, Olympians
 - Patches and Community badge
 - Foundation donation

The USMS-College Club Swimming (CCS) Bridge Membership for 2022 is for 75–100 members and a fee of \$25 each.

Digital Capabilities:

The digital capabilities will continue to be upgraded with a change in the membership database of record in 2022. The technical leadership, support, and guidance for the digital transformation and ongoing development will continue through contracted resources. This relationship has proven effective both from a cost management and development progress standpoint. The contractor support costs are variable depending on the number of projects and changes/updates needed to support existing services.

Communications/
Publications:

- Assume 50% of members choose the digital version of *SWIMMER*.
- A digital content upgrade is planned for the first half of 2022 to improve the online magazine delivery.
 - Member-only access to content expanded.

Program Services:

- New club development strategy for 2022
- Identify existing clubs with untapped potential growth and provide support.
 - Identify facilities for new Masters clubs and provide start-up support.
 - Identify coaches with interest and potential to connect with new opportunities.
 - Repurpose budget amounts similar to previous club development budget levels for new strategy.

Coach and instructor training program's goal is to be able to continue to deliver high-quality training that's revenue neutral or positive, including staff and contract resources. The coach training program will also be used to recruit interested Masters coaches with potential to lead and grow Masters clubs that can be viable for the long term. Other training may be available to LMSCs or clubs on a break-even or better basis.

- Level 1 Coach Certification will be presented online. This change increases the course availability and lowers the cost of training. Gold Club applicants may more readily meet the certified coach requirement.
- Level 2 and 3 Coach Certifications, Clinic Courses for Coaches, and ALTS Instructor classes:
 - In-person instruction with regional resources in conjunction with club development strategy
 - Additional classes available when requested and supported by LMSCs

Mentorship Program

- Connect experienced Masters coaches with new coaches for information sharing. Match will be made with geographic proximity considered.

National Coaches Clinic

- Wet-side specific
- Revenue neutral or better

Events:

Assume the return of all national events. Planned to be budget neutral or positive. No changes in fees.

- Pool national championships - 2
- Open water national championships - 6
- College Club Swimming – 4 regional and 1 national championship
- LMSCs resume local pool and open water meets
- Virtual challenges
 - Fitness Series
 - Go the Distance
 - National event – tbd

Events expenses:

- National pool championships planned with support for related expenses.
- Championship, Long Distance, and Officials Committee travel for liaison function.
- Open water event registration incentives to provide data collection for one-event members.

Adv/Partnership: Assume revenues increase 10% over 2021 forecast.

- 14 Partnerships including joint partnerships with USA Swimming.
- Similar advertising, royalty, and in-kind revenue as previous years.

Marketing costs: Include broad range of member/program/event support:

- Digital advertising support for:
 - New club development strategy
 - Increased event-specific marketing
 - Try Masters Swimming
 - 1–2 other large-scale campaigns.
 - Ongoing membership engagement by using social media, coach/ALTS programs
- New member and USMS+ welcome kits
- Partner support for Nationals and headquarters visits.

College Club: Assume a roughly break-even scenario based on the planned number of club registrations and related activities.

- Maintain program until more university facilities loosen restrictions.
- Registered clubs ~135 clubs
- Registered swimmers ~4,000 to 5,000
- Targeting 2023 to bring CCS registration into the national registration system. (Currently registered through outside vendor)
- The CCS activities will include the leadership summit, event support, and virtual attendance at the annual meeting.

Admin-Volunteers: Changes in the purpose and focus of in-person meetings

- [Volunteer Relay 2022](#).
- One in-person board meeting
- Virtual annual meeting

Admin-National: Assume return of business operations and support of USMS events.

- Savings from reduced headquarters office space ~\$43K
- Hybrid office/remote work for staff
- Includes pre-pandemic normal travel

Depreciation: Increase based on 2021 and planned 2022 digital transformation implementation - \$224K annual total. This is a non-cash expense. The digital transformation capital investment will be depreciated over a five-year period. 2022 will be the largest amount and it will decrease each year until the project is fully depreciated.

Capital: **Request \$75K** to complete the final stage of the multi-year digital transformation investment.

The 2017 approved digital transformation project will be completed in 2022 and will involve the implementation of a new membership relationship management (registration) system targeted for the first half of 2022. The new system will run in parallel with the legacy system to ensure a successful and seamless transition.

Digital Transformation Capital Investment (.000s)			
Approved Project - 2017	Original \$\$	Timeframe/Phase	Actual \$\$
Sitecore License (perpetual 5 yr life)	\$70	Phase 1 - 2018	\$306
Phase 1 Implementation	\$175	Phase 2 - 2018/2019	\$232
Phase 1	\$245	Phase 2 - EOY 2019	\$107
Phase 2	\$150	Phase 2 - EOY 2020	\$83
		Phase 2 - Implement Community 2021	\$103
Phase 3	\$544	Phase 2/3 - Forecast 2021	\$215
		Phase 3 - Estimate 2022	\$150
Sub-total Digital Transformation	\$939	Total Project Forecast to Complete	\$1,197
Adjustments to add to capital budget:		Software in Progress as QTR2 2021	
Reclass IT leadership exp>capital	\$83	Phase 3: CRM (Registration)/Other	\$146
Community SaaS expense>capital	\$100	(Included in Phase 2/3-Forecast 2021)	
Sub-total adjustments from operating	\$183	PROJECT FORECAST OVERAGE	
Total Digital Transformation Projects	\$1,122	Forecast vs Approved-2017	\$75

Request \$25K for replacement of partner signage. USMS uses two different types of signage for sponsorship fulfillment at nationals. The replacement was delayed during the pandemic. These were last purchased in 2012 and 2014.