Partnership Possibilities

Leander Recreational Facility

January 26, 2016
On a regular basis, I get the following phone call...

“I was recently visiting one of the communities that your YMCA serves and saw your AMAZING facility! How can I get one of those where I live?”
Today, over 60% of the YMCAs built in the Country are accomplished through a partnership with a municipality, hospital, school district, developer...often times multiple entities collaborate.
In those communities where leadership is committed to “doing more good together for less”...you will find municipalities, YMCAs and school districts partner to maximize community impact...while ensuring the best stewardship of the taxpayer and donated resources.
The YMCA of Greater Williamson County, as well as, a few other Associations are considered the benchmark for partnership models. Let’s take a look at a few…
Boise, Idaho - YMCA/Library/Elementary School City Park/Health Care Center
San Antonio, Texas –
YMCA/Library/Senior Housing
CHASCO Family YMCA (Round Rock, TX)
So, what makes a municipality consider a partnership? Typically, it is a couple of things…

Sticker shock…the cost of building and operating it on their own

The desire to shift ongoing operating cost & liability to a third party

The desire to have a YMCA in their community
About 4 months ago, the City of Leander, YMCA of Greater Williamson County, Austin Community College and Leander ISD began discussions surrounding a partnership approach to bringing a YMCA to Leander.
Isn’t the YMCA a membership organization…can anyone utilize a municipal facility that is operated by the YMCA?

Yes, the term “member” is synonymous with “annual user” which is the terminology typically utilized in a municipal recreation center. Community members can choose to pay an annual or a day pass fee.
Common questions related to YMCA/Municipality Partnerships

Does the YMCAs Christian heritage restrict admission to the facility?

The YMCA is a 501(c)3 social service charity which focuses on healthy living, youth development and social responsibility and does NOT discriminate against gender, race or religion.
Common questions related to YMCA/Municipality Partnerships

Will taxpayers tolerate “YMCA utilization pricing” if they underwrite facility construction through property taxes?

Studies have found that while taxpayers may expect below market pricing from a municipality...there is little or no resistance paying appropriate rates to a non-profit organization for quality services.

The YMCA turns no one away due to the inability to pay.
Common questions related to YMCA/Municipality Partnerships

Can a partnership with the YMCA save our taxpayers money?

- Without a partnership, taxpayers pay to construct, operate & maintain municipal recreational facilities.
- The use of property taxes can ensure recapturing the cost of capital construction.
- The average municipal recreation center only recovers 50% of the annual operating costs.
- Long term maintenance & un-recovered operating costs burden the general fund.
- Often YMCA partnership can help defray the burden to the municipalities general fund.
National Partnership Survey Results

Primary Partner

Classification

75%  Operation of a New Facility
67%  Operation of an Aquatics Complex
33%  Operation of a Park Program
33%  Co-funding of a Significant Program
33%  Joint Operation of Significant Program
29%  Operation of an Existing Facility
25%  Operation of a Senior Center
Suppose “Anytown, USA” is considering building a recreation center on its own…and operating it for 20 years

It is realistic to assume…

Facility Capital (construction) $20M
Operating Subsidy ($1M annually…average re-capture rate) $20M
Capital Equipment (and ongoing equipment investment) $2.3M
Capital Maintenance ($100K annually) $2M

$44.3M
How could the YMCA help to offset these costs?
Let’s see what the Leander market research told us…
600 phone calls
200 to existing Twin Lakes members

Key Questions:
Would you join?
Would you transfer?
What would the facility need to have in it?
What would you pay?
Which site do you prefer?
Site #1
(near new high school)

New Units Achievable 3,290
Cannibalized units from TL 263
Potential New Membership Revenue $1,867,155

Site #2
(ACC)

New Units Achievable 2,832
Cannibalized units from TL 888
Potential New Membership Revenue $1,607,171

Blended New Units
(regardless of site)
3,000 units
$1,700,000
The typical YMCA operates with a 60/40 revenue mix.

- Membership: 60%
- Childcare and Other: 40%

Member related services

All other programs not related to membership
# Projected Leander YMCA Operating Proforma *(based on 4 Square Research)*

## Projected Income

<table>
<thead>
<tr>
<th>Category</th>
<th>Explanation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Membership Revenue</td>
<td>Blended new unit count (site 1&amp;2) 3,000 units</td>
<td>$1,700,000</td>
</tr>
<tr>
<td>Program Revenue (at maturity)</td>
<td>40% of Total Revenue (at maturity)</td>
<td>$1,113,000</td>
</tr>
</tbody>
</table>

**Total Projected Revenue at Maturity** $2,813,000

## YMCA-GWC Expense Ratios

<table>
<thead>
<tr>
<th>Category</th>
<th>5 Year Ramp Up Period</th>
<th>At Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>34%</td>
<td>32%</td>
</tr>
<tr>
<td>Benefits</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>44%</td>
<td>40%</td>
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<tr>
<td>Association Support</td>
<td>11.2%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Association Reserves</td>
<td>3.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Contingency</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Total Expense Ratio** 104% 97%

**Available for Partnership Contribution** *(4% $112,500) Annually x 5 years = $562,000* 3% $84,390 Annually
Facility Capital (construction) $20M

Operating Subsidy ($1M annually) $20M
$562,000 considers 5 year “ramp up” to maturity

Capital Equipment (and ongoing equipment investment) $2.3M
$1M YMCA Fundraising $1.3 use of $84K surplus

Capital Maintenance $2M ($100K annually)

Demonstrating the Partnership Value Proposition

$22,562,000

Compared to $44,300,000 (2 to 1 Community Partner Match!)
Unique Study Findings

There is a great deal of interest (12.7%) of all households expressed an interest...compared to the national average of 4.5%

A full facility YMCA including warm water pool and gymnasium is required to meet the 12.7% penetration rate

The two locations studied had significant impact on Twin Lakes Family YMCA transfers. The site near the new high school resulted in less cannibalization

Low price sensitivity was referenced
In Summary

Preliminary market research combined with a YMCA of Greater Williamson County/City of Leander partnership approach to a recreational facility would result in:

$21,738,000 of taxpayer savings over 20 year operating agreement

YMCA underwriting cost of ALL operations (after first 5 years)

YMCA underwriting cost of ALL FF&E (furniture, fixtures & equipment) $2.3M over the term

YMCA underwriting ALL scholarship participants through annual fundraising anticipated to be $50K-$100K per year
Partnership Possibilities

QUESTIONS?