

Presidents Letter 2014

Our aim continues to be to provide a fun, safe and enjoyable experience to our members while generating sufficient income to sustain and grow the organization.

In 2014 we had more teams in our weekday competitions than ever. We had more participants in our development programs than ever. We had more registered players than ever. The increments were not marginal. Team numbers increased by 6.8% and registered player numbers by more than 8%.

We ended the year in a stronger financial position than ever. Again, the increment was not marginal as cash increased by more than 25%.

While we believe we have met our goal over the past year there remain many avenues for improvement. We continue to have the longer term goal of being the best regarded sporting association on the northern beaches. We have not yet reached that goal but the tangible evidence of improvement is increasing.

Perhaps the greatest measure of improvement is that the above three paragraphs are virtually unchanged on the past three years. We are performing well and we are doing so with consistency.

Financial Results

As can be seen from the accompanying accounts, profits and cash generation in 2014 were well ahead of 2012 and 2013, which were near record years. We again ended the year with a stronger balance sheet than at any time in the history of our association. A summary can be seen below.

MWBA Summary Financials

YE 31/12	2008	2009	2010	2011	2012	2013	2014	CAGR
Sales	819.1	864.7	905.9	993.6	1051.9	1114.2	1212.2	6.7
Profit	17.2	24.4	15.6	24.9	49.1	40.5	90.5	31.8
Cash generated	67.2	33.1	14.9	41.1	59.4	43.7	106.2	7.9
Cash at year end	207.9	241.0	255.2	296.3	355.7	398.8	505.0	15.9
Capital employed	65.6	56.8	58.2	42.0	25.9	23.4	7.7	-30.0

I would like to make the following points regarding these results.

First, our **staff** performs, in my view, at a very high level and has done so for many years. Without them the Association would probably cease to exist as we know it. We have to continue offering them a flexible and interesting working environment.

Over the past four years we have been developing a remuneration system that will enable the association to keep fixed costs low while leaving our staff over worked as opposed to over worked and under paid. This seems to be working well to date.

The private for profit sector will always be capable of paying more for staff than an organization such as ourselves. In order to attract and retain good people we have to be attractive for reasons other than pecuniary. This means we have to offer a level of interest, flexibility and autonomy that is greater than can be found in the private sector.

I believe our staff has an exceptional degree of autonomy which has been earned by their performance. We do, however, have to ensure that we offer support as required.

In 2010 we upgraded the web site. In 2011 we replaced all computing equipment in the organization. In 2012 we added a dedicated referees training person to our staff. In 2013 for the first time we provisioned for long service leave for staff. \$22k has subsequently been charged to the P&L. In 2014 we updated our phone system and the website and began the process of developing a social media presence.

We will continue to make investments to support staff as required. These are likely to include more technology upgrades and an expansion of fund raising capabilities. We are somewhat hampered in these efforts by uncertainty regarding the expansion of NBISC.

Second, we **have to manage our finances tightly**. It is impossible to convince people to make financial sacrifices in an organization that does not take financial discipline seriously. In regard to this the remuneration of the board remained unchanged at \$0 for the year. One could argue that the board is not always terribly effective, but we believe it impossible to argue that the board is over compensated.

Third, **NBISC** is, for all practical purposes, full. This impacts our capacity to grow the number of teams in our local competitions. In 2010 we reached the point where we were forced to decline nearly 10% of team applications for some competitions. This has continued every year since.

We have attempted to increase access to satellite courts with good success. We have tightened the game schedule to fit an extra game into our 4:30-10:30 competitions which adds roughly 300 game slots annually.

The combination of adding slots to our schedule and increasing the use of third party courts has had the effect of adding 25% to capacity. This is the equivalent of an additional court at NBISC with no capital costs. We may have to further tighten spacing by going to running time for all games or playing till 11pm. This would add a further 300 game slots.

Fourth, we believe **we have sufficient demand to enable a 50% expansion of NBISC** to be funded. Over the past five years **our numbers of registered and fee paying participants have increased by nearly 40% to more than 2700**. Over the same period the **number of teams in local competitions has increased by 33% to 613**.

A year ago I wrote that it was very likely that over the next few years we would have 600 teams in local competitions. We got there in 12 months.

Artistic Outcomes

The financial results are specific and easy to understand. The basketball outcomes are much more subjective. It does, however, appear to me that we continued to have some exceptional outcomes.

The **performance of our Rep teams and players** is covered separately. I would summarize by noting that we continue to bat above our weight in both individual and team success.

Our **development** efforts are covered separately, but it is worth noting that full courts, successful rep programs and profitable development programs are not an accident. The board has insisted on funding development programs in both good and bad times and the excellent work done by Brad Dalton and the people who work with him in this role can be felt throughout the association.

Our Saturday learn to play program, run by Jerome Lee and John Peet, attracted over 2000 children last year, an increase of 50% over the past four years. We expect further growth this year as the value proposition of this service is excellent.

The growth in our women's program has lagged for the past few years. We started a Pink Ball development program in 2013 as a consequence. The first cohort had 48 players, which was well beyond our expectations. Under Jess Snell the program was extremely successful and we have had to cap numbers due to court availability.

Our Potter League competition, which is run by Brad Dalton, has more than doubled team numbers over the past five years and continues to be an important feeder for local competition.

Volunteers

Volunteers are a major part of the association, particularly in the rep programs. We have a long standing policy that rep programs must be self funding. This requires considerable fund raising and volunteer effort across a broad variety of tasks. Typically the 80/20 rule applies in volunteering and we continue to try to create an atmosphere conducive to more volunteers, particularly for regularly scheduled events. This appears to be working reasonably well but is an area where further progress is required

Bev Boyd Fund

Bev Boyd was a life member of the Association, and the Boyd family has been long time members and benefactors. Bev Boyd was a major contributor to fund raising efforts prior to the construction of NBISC.

Mrs Boyd left a bequest of \$25,000 to the Association in her will in 2005. The Association has from time to time added modestly to the fund. The money is to be used to help defray incremental expenses incurred by MWBA rep players while participating at a higher level (eg, State or National teams).

Mrs Boyd left no specific instructions as to how the fund was to be administered. What the board has done is use the income from the fund to defray expenses for those who make state or national teams.

With the success of our junior reps and the halving of deposit rates expenditures in the fund are up and revenues are down hence expenditure from the fund has exceeded income for the past three years.

Due to prudent management there remains roughly as much money in the fund as Mrs Boyd bequeathed us nearly 10 years ago. **We expect that the fund will have a future life of more than 25 years and assist more than 250 members.**

Growth

Over the past six years the NSW economy, until lately, has generally performed sluggishly. Our little corner of it has been exceptionally strong, as the following indicate:

- From 2008 through 2013 the **number of registered players** increased by 34% to 2532. Over the past year growth has accelerated to over 8%;
- Our **team numbers** increased by 23% over five years through 2013. Last year they grew by 6.8%;
- Our **revenue increased by 36%** over the five years to 2013. Last year it grew by almost 9%, in line with player numbers. This is a function of a deliberate attempt to try to hold or reduce prices. Revenue has been growing at the same pace as player numbers. In real terms revenue per player has fallen over a decade;
- Our **margins**, as befits a not for profit with a high level of fixed costs, have approximately doubled but remain below 8%. We aim to make about 3c per player per game; and,
- Our profits have more than doubled and our cash on hand has increased by 2.4x.

To cope with this growth we have regularly added new positions or new staff and tried to give staff better procedural and technological tools with which to operate. This will continue to be an ongoing effort.

For a number of years we have been considerably handicapped by the unknown of the NBISC expansion. A deliberate effort has been made to keep all project related work at board level so that staff can focus on operating the Association.

This has worked reasonably well to date. We have, however, put off a number of potential IT related projects that at some point will have to be done while we await an outcome on the expansion.

Board

The role of the board has evolved progressively over the past decade. In 2004 the Association lost \$1200 per week and ended the year with \$17k in cash. At the beginning of 2005 we had sufficient cash to cover losses for 14 weeks and limited financial information available. This was clearly not a tenable situation.

The board was radically changed and new management installed. Of particular importance was separating the functions of managing basketball games and programs and managing the financials in a manner that gave the board up to date information.

As the new management team demonstrated its capabilities the board has progressively withdrawn from day to day functions. The board presently functions as an oversight and strategy group and leaves day to day decisions to staff. This is as it should be.

The board consists of one person with 20 years' service, three with 10 years' service and two with more than five years service. We added three new directors over the past year in an effort to upgrade and refresh the board.

John Hart, who has been a director for nearly a decade, has decided to retire. John has made significant contributions to our Rep program, referees and coaches over that time. He has played an integral part in moving the board away from day to day operations to focus on more strategic issues. He has been as important to the success of the association over the past decade as any member.

Conclusion

2014 was another excellent year for the association. We presently expect that 2015 will also be a strong year financially, although cash generation will almost certainly not be as strong as last year.

In the longer term the continued success of the association depends upon the strength of our staff and volunteer efforts. The board must, however, make every effort to access long term increases in court capacity or the association will eventually atrophy.

NBISC Expansion

This project has been ongoing since 2008. While the process has been torturous we have experienced clear progress over the past six months, albeit at considerable financial cost.

By way of background it is important to understand that **MWBA does not own NBISC**. NBISC, like ourselves, is a not for profit company. It was formed by Pittwater Council, MWBA and Academy Netball to build the existing facility. Each of the members has the right to appoint one director. Our finance director sits on the board. All directors of NBISC serve on a voluntary and unpaid basis. NBISC has no full time employees.

NBISC provides roughly 65% of the rental hours we consume every year and we account for roughly 70% of their revenue. Therefore there is, and has long existed, a strong symbiotic relationship between ourselves and NBISC.

While the board of MWBA is extremely supportive of the expansion in the final analysis the decisions and economic risks sit with NBISC itself. We have, and will continue to, expend considerable resources on behalf of the expansion but we do not control the decision making process.

In **December 2011 NBISC**, after nearly \$20k of costs and considerable time in discussion with Council, **applied for a DA for the expansion**. This was granted after a 53 week process which required the intervention of the then Planning Minister.

In early 2013 NBISC began the process of getting a Construction Certificate. **After two years and a further \$65k in costs** (including replicating the original traffic, parking, disabled access and landscaping reports) NBISC has been granted the Construction Certificate.

The NBISC board, working with a consultant, is in the process of drawing up tender documents. These will be sent to a variety of contractors. This process will probably cost a further \$50k. Over the next 8-12 weeks we would expect to get some firm indications of the cost of the facility.

The project will include:

- A new water pipeline from Jacksons Rd, which is required because water pressure in Namona St does not meet standards for bush fire prone areas. NBISC has managed the rare double of being in a bush fire prone flood zone;
- An expansion of the parking facilities on the eastern side of the building and possible overflow facilities on the western side of the building to be augmented by planting of eucalyptus robustus, as mandated by Council;
- Movement of the offices and new toilet and shower facilities to the mezzanine level to be accompanied by a lift for disabled access; and,
- The present office and canteen area will be torn down and two courts running east-west will be built on the front of the building, with a canteen and foyer area between them.

The expansion is intended to be as utilitarian as the existing facility.

While we will not have firm figures until tender documents are returned it seems likely that the total cost will be around \$3.5m prior to GST. As a capital project we would expect GST to be rebated relatively quickly.

While the project is a regionally significant project (ie, it overlaps multiple local Government areas and Federal electorates) the Commonwealth Government is unlikely to

offer even moral support. The two local Federal MP's have varied between general disinterest and aggressive dismissal of the project.

The three relevant state MP's have been very supportive. To date under the NSW Community Building Partnership MWBA and NBISC have won grants totaling \$125k.

Pittwater Council, who initiated the project, has committed \$400k and will do design services for the eastern carpark.

This leaves roughly \$3.0m to be funded by NBISC, Academy Netball and ourselves. NBISC has roughly \$1.1m in cash which it will contribute to the expansion. We are likely to contribute \$300k in new equity and perhaps \$200-300k in long term prepayments in two or three tranches depending on near term earnings. AN will contribute proportionally to us. All our agreements with NBISC to date have been verbal. We would anticipate signing an agreement once capital costs are known.

This would leave around \$1.3m to be financed. The majority of this will have to be debt financed by NBISC, most likely without Government guarantees. Whether NBISC can access that much debt is not known.

The balance of probabilities is that we will want to raise fairly substantial amounts of money to get the debt closer to \$1.0m. To date we have not attempted to raise money from members as we have had virtually no certainty regarding timing of an expansion or the amount of money that will be required.

As we are able to reach some conclusions regarding timing, capital costs and borrowing capabilities we will begin the process of trying to convince members to financially support the expansion.

This will likely involve a number of events (cocktail functions, dinners), sale of tiles or bricks such as the buy a brick campaign from the initial stadium build, corporate sponsorship and cash donations.

We will be open to any and all suggestions regarding raising funds. The funding gap is likely to represent less than 10% of project value and less than \$100 per registered member. It therefore ought not to be an insurmountable task.