

## Presidents Letter 2015

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 2015 for the first time since 2009 team numbers in our weekday competitions were static. At 606 they have, however, grown at 24% over the past five years. We had more participants in our development programs than ever. We had more registered players than ever.

We ended the year in a stronger financial position than ever. The increment was not marginal as cash increased by more than 13%.

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 believe we are now the third largest sporting association in the area. Becoming the best regarded sporting association remains very much a work in progress.

### Financial Results

As can be seen from the accompanying accounts, profits and cash generation in 2015 were well ahead of 2012 and 2013, which were near record years but well below 2014, which was by far our best year. This is about as we expected when we reported to you a year ago. 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	2015
Sales	819.1	864.7	905.9	993.6	1051.9	1114.2	1220.7	1222.1
Profit	17.2	24.4	15.6	24.9	49.1	40.5	90.5	60.3
Cash generated	67.2	33.1	14.9	41.1	59.4	43.7	106.2	69.4
Cash at year end	207.9	241.0	255.2	296.3	355.7	398.8	505.0	574.4
Capital employed	65.6	56.8	58.2	42.0	25.9	23.4	7.7	-1.4

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 five 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 2011 we replaced all computing equipment in the organization. In 2012 we added a dedicated referees training and procurement person to our staff. In 2013 for the first time we provisioned for long service leave for staff. In 2014 we updated our phone system and the website and began the process of developing a social media presence.

In 2015 we continued to try and enhance our website and social media presence. At the end of the year staff moved upstairs to what are expected to be temporary offices during the construction phase. When construction is completed we expect to move into new offices adjacent the existing upstairs facilities. We believe that with these offices will come better internet and telephone access, modern layout and design and more space.

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.

In this regard it is worth noting that the capital employed in the business has reached zero. All capital has been converted to cash. This is unlikely to last, but has been critical in funding the NBISC expansion.

Third, **NBISC** is 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. We have resorted to byes and double byes where necessary.

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.

In 2013 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. We cannot realistically go higher without the expansion at NBISC.

## **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. Despite Jess moving back to Perth the program has continued to prosper.

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. Court 1 is named after her son Tim, an MWBA rep player who reached the NBL.

Mrs Boyd left a bequest of \$25,000 to the Association in her will in 2005. 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 occasionally exceeded income over the past four years.

The fund has paid out nearly \$20,000 over a decade. Due to prudent management there is more than \$30,000 remaining in the fund. **We expect that the fund will have a future life of more than 25 years and assist more than 250 members.**

It is possible that in the immediate aftermath of the NBISC expansion our lack of liquidity could cause temporary problems. If this were to occur the board would borrow from this fund in anticipation of repaying the funds within 12 months.

## **Life Members**

Over the past decade a number of our life members have deceased and some have left Sydney. In the past we have probably not been terribly effective at keeping them up to date with the happenings at the Association. We have started to rectify this issue and hope to see more of them in future.

The life members are the people who founded the Association and managed to raise the money to build the NBISC facility, without which we could not exist. When our new offices are complete we would expect to install a plaque honoring them.

## **Board**

The role of the board has evolved progressively over the past decade. In 2004 the Association lost \$1200 per week on revenues of \$624k 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 two new directors over the past two years in an effort to upgrade and refresh the board. At present the balance is about where it should be.

The board has primarily focused on the NBISC expansion, in order to enable staff to focus on running the association. In this we have had an extremely active role in funding the project and managing the builders. Jenny Saggus, our appointee to the NBISC board, and Brian Chapman have done yeoman work driving the project.

## **NBISC Expansion**

This project has been ongoing since 2008. While the process has been torturous we broke ground in December 2015 and expect to see the project completed by August. Roughly speaking the project will take 7 years from conception to start and 7 months to build.

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 Jenny Saggus 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 65% 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 expended considerable resources on behalf of the expansion but we do not and cannot control the decision making process. This means that there will be some compromises and we will likely not get everything we want.

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. Council retained the right to force changes to the design based on a flood study due to be published in February 2012.

In early 2013 NBISC began the process of getting a Construction Certificate. **After two years and a further \$70k in costs** (including replicating the original traffic, parking, disabled access and landscaping reports) NBISC was granted the Construction Certificate.

In 2015 NBISC contracted with Paynter Dixon to build the facility for \$3.0m. They also contracted CMS to be Project Manager. The project began just before Christmas. In February 2016 in response to a S96 change request Council forced a new flood study to be done (the February 2012 Council study was finally published this year) at a cost of \$30k.

The project will include:

- A new water pipeline and additional firefighting capability. There will also be an upgrade of all drainage assets to handle a 1 in 100 year event. NBISC has managed the rare double of being in a bush fire prone flood zone;
- Overflow parking on the western side of the building as mandated by Council;
- Movement of the offices and a new meeting room to the mezzanine level to be accompanied by a lift for disabled access;
- 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; and,
- There will be a new canteen and foyer area between the new courts with new shower and toilet facilities.

The expansion is intended to be as utilitarian as the existing facility. If you want someplace stylish and upmarket to go to, we cannot help.

The total cost is likely to break down as follows:

- Studies, fees, etc \$200k (\$120k of which were incurred pre building);
- Construction of the building \$3.0m; and,
- Fixed sporting equipment \$200k.

While the project is a regionally significant project the Commonwealth Government will not offer even moral support. The two local Federal MP's have varied between general disinterest and aggressive dismissal of the project.

The three state MP's have been very supportive. To date under the NSW Community Building Partnership MWBA and NBISC have won grants totaling \$150k. We would hope to win further modest grants. Pittwater Council, who initiated the project, has committed \$460k. Thus \$610k will come from Government.

This leaves roughly \$2.65m to be funded by NBISC, Academy Netball and ourselves. NBISC has funded all prebuilding expenses (\$120k). It has roughly \$1.15m in cash which it will contribute to the expansion.

We will contribute \$300k in equity and \$300k in prepaid court hire. AN will contribute \$50k. Of our \$600k contribution \$500k has been paid to date. The total from NBISC and users will be \$1.8m, leaving \$850k to be debt funded.

Banking facilities have been organized with Bendigo Bank and await final approval by the Department of Education, who are the landowner.

## **Outlook**

We expect to have a solid year, however the disruptions caused to date by construction suggest that results will be more like 2012 or 2013 than the past two years.

At 31 March MWBA had paid \$500k of our \$600k commitment to NBISC. The final \$100k is due in July.

Following payment of all monies due NBISC we will have roughly \$170k in the bank. Because of the seasonality of our business we make all our profits in the first three months and lose money in the last nine months (\$78k last year). We therefore expect to end the year with modest or minimal cash to hand.

We will have to progressively fill 50% more court space at NBISC. In the first instance we will move games from satellite courts, however we want to maintain as much capacity outside NBISC as we can so that we have capacity to grow the business. In addition the cost of NBISC is up to 50% higher than that of the satellite courts.

As a consequence our margin for error as a business will shrink at a time when our balance sheet is incapable of handling errors. To prepare for this we have approved the temporary loan of up to \$30k from the Bev Boyd fund to MWBA and we have arranged a \$150k line of credit with BBNSW.

For a number of years we have deferred going to members for donations as we were not certain that the project would progress. We have now reached the point where we can begin the process of trying to convince members to financially support the expansion.

At present we are focusing on selling seats and signs within NBISC. NBISC will need the seats and we have reached an agreement so that MWBA can keep \$100 out of every seat we sell. There is room for around 200 seats surrounding the new courts, hence a potential \$20k market.

Signs are progressing slowly, however we have agreement with NBISC that we can keep half the value of signage. This will include signs on safety cushions that are to be installed under the hoops on each court. We believe there is a \$20-25k market potential for signs.

We would like to raise \$50k over 12 months. We will be open to any and all suggestions regarding raising funds. The funding gap represents less than 1.5% of project value and less than \$20 per registered member. It therefore ought not to be an insurmountable task.