

Attachment A

YMCA Clarifications and Comments on the Ballard/King Feasibility Study February 20, 2017

1. Additional City Costs incurred by Taxpayers: On page 90, the Study mentions usual and customary "**city administrative service charges**" were not included while preparing the projected City profit and loss statement for operating a City-run recreational facility. As Councilor Kim Young pointed out at the 2/7/17 Council Work Session, these charges would substantially add to the City's cost of running the operation. The Study also omits equipment purchases and some maintenance features. The replacement cost of the YMCA equipment alone may exceed \$1 million.

Page 75 notes that *transitioning from the YMCA* "...could be difficult and could disrupt operations for a period of 6 months or more..." *It would be constructive to have Ballard quantify these types of disruption costs, as well as the impact on membership revenues.

NOTE: for comparative purposes, the City of Wilsonville's 2016 bid to run its proposed facility created a **\$7.4 million dollar loss** over 5 years, which was derived from Wilsonville's public records. This scenario is similar to the City of Portland's and City of Hillsboro's historical losses, and provides a factual data point as to the amount of risk Sherwood residents may experience.

2. The Study noted on page 74 that it was "**remarkable**" the YMCA paid for 74% of the City's expansion-related debt, but the "remarkable" number wasn't quantified in the report. According to YMCA documents, the YMCA paid \$1.46 million in principal bond payments and raised an additional \$250,000 for a total of **\$1.71 million to voluntarily complete the Teen Center Annex as a gift to the City**. This precedent is relevant given the public's interest in further expanding and upgrading the buildings.
3. Pages 67, 73, 78 describe that per the *mutually agreed upon contract*, the YMCA of Columbia-Willamette is authorized to charge a yearly 15% "management fee" (the fee comes out of YMCA Sherwood branch cash flow, not from the City). * He also notes that wages and salaries were on the low-end. However, that's because it omits the above-referenced "management fee" which includes accounting, HR, legal, marketing, insurance, etc. Hence, the reader should be aware these two figures *should be combined to get an accurate picture of total staffing and overhead costs*.

In addition, the YMCA-CW *hasn't charged the full 15% management fee*. Over the years, the YMCA has **voluntarily gifted** the city over \$400,000 in fees that it could have charged. This is in addition to routinely using part of the yearly fee for new equipment and facility improvements.

*Our "shared services" (management fee) is a common and proven business practice amongst firms which have multiple branches. We recoup a similar percentage from each of our other branches. Also, note the YMCA "management fee" portion is only 3-5% of the 15%, whereas the vast majority is made up of "shared services" *direct payroll costs*. (See attachment B)

4. Page 73 mentions that the agreement between the Y and the City makes provision for the "excess revenues" or distribution of the annual net proceeds from operations...where part goes to the City and part to the Y. *The YMCA has never taken a distribution based upon this formula*. The YMCA **voluntarily** gave up its right to share in the net proceeds and instead invested those funds back into the City-owned facility. Our independent Auditor, Bashar and Johnson PC, performed an analysis a few years ago and determined the YMCA voluntarily gave up over \$200,000.
5. At the City's direction, the scope of Ballard's work did not include surveying members or residents to determine their satisfaction level with the YMCA. However, the author noted on page 62 that he read the YMCA's **independent Foursquare report**. That report contained survey results which were translated into a Net Promoter Score. The Ballard Study omitted the fact that the Sherwood YMCA had an overall Net Promoter Score* of **87**, of which Foursquare reports, "...any score 80 or above is considered excellent." *(NPS is defined as percentage of promoters minus detractors, and is a respected metric used by most of the Fortune 500 companies.)
6. Ballard notes the YMCA's free child watch program on page 69. Based upon YMCA research, no operator in the Portland Metro area (other than the elite clubs), has a *free* child watch program.
7. The Study notes on page 69 the YMCA does not have "an identified maintenance staff." This is *incorrect*, as the Sherwood YMCA employs a full-time *Custodial Manager* who reports to our Sr. Director of Facilities and Maintenance. The YMCA also employs a part-time *Maintenance Manager* with 10+ years in his field. Furthermore, the YMCA employs maintenance agreements covering the building's mechanical systems.

As a side note, the City is represented on the Sherwood YMCA's Board of Manager's Facilities Committee, having two current representatives. They are invited to all Committee meetings and we welcome their presence. Furthermore, City representatives have complete access to the facility at any time, and we would welcome their direct feedback on maintenance or cleanliness, should they choose to do so. We sincerely appreciate very specific constructive criticism, as it's an opportunity for us to perform even better.

8. Page 68 describes a \$129,000 "lease payment" being paid for the facility expansion...which will end in 2017 (see item #2 above). The author further

recommends this should be redirected to funding maintenance and other improvements. Relevant to this, the YMCA purchased approximately **\$100,000 in new equipment** in November, 2016.

While the YMCA will continue to improve maintenance and equipment, we are primarily *directing the former \$129,000 payment towards **increased Sherwood wages***. 2017 Sherwood wages and benefits are projected to increase **by over \$300,000** vs. 2016, and are scheduled to increase significantly over the next five years due to increases in the minimum wage and resulting "wage compression" at the supervisory level.

9. On page 68, under the heading "Staffing," the author describes a staffing model which has since been modified (on 1/2/17). In place of an Executive Director, we now are led by three Sr. Program Directors with a combined 35+ years at the Sherwood Facility (two were recently promoted). They report to the YMCA-CW's Chief Operating Officer, who frequently offices out of the branch. In contrast to comments on pages 72 and 77 (in the "Cons" section) that says decisions are made by an out of area YMCA, ***the Sr. Directors run the day-to-day operations of the facility***. We anticipate hiring a new Executive Director sometime in 2017.
10. Page 78 refers to the YMCA's "religious background" in the "Cons" section. On the contrary, respectfully view this point as a *positive attribute*, not a negative one... and we think the Sherwood community largely agrees.

For instance, true to our Christian heritage, we are **100% inclusive**, "*loving all, employing all, and serving all.*" You can see these values reflected in the way our Sherwood team treats our members, each other, in our staffing diversity, and in our community volunteer activities.

*Note: the YMCA of Columbia-Willamette is a registered 501c3 Social Services non-profit, and is *not* classified as a religious organization. We employ a strong inclusion and anti-discrimination policy.

11. On pages 74 and 97, the Study advocates for building expansion and improvements needed due to its age. *The YMCA wholeheartedly agrees with this assessment*. For instance, adding new swim lanes, 20,000 + sq. ft. of exercise space, plus modernization will create an enviable community center, which may be especially beneficial considering Sherwood's expected growth and the new high school being built across the street from the Y.

We welcome discussions with the City regarding the YMCA's possible contributions to this expansion effort in conjunction with renewing the City's existing bond. For instance, a \$10 million expansion bond (plus a possible YMCA bond contribution) may be ***feasible without any increase to taxpayers***.

12. Mr. Ballard commented during his 2/7/17 City Council presentation that, **"the YMCA does a great job meeting the needs of the community through scholarships and other services."** Pages 72 and 77 describe this in more detail, noting low-income families receive affordable child care and after school programs; over \$300,000 in fees are given in scholarships; the needs of seniors and the disabled are

met; promotes healthy lifestyles to prevent obesity; partners with a variety of local, community-based organizations in which an extensive number of volunteer hours are donated to the community worth \$207,000 annually. He sums this up by saying, **"there are an extensive number of ways in which the YMCA shows community responsiveness."**

Given the aforementioned, plus the fact that City leaders created this as a Community Center partnership, **why** would the City entertain bids from **for-profit health clubs**? For instance, clubs like 24 Hour Fitness rarely employ lifeguards, which eliminates the opportunity for kids and many seniors to participate, much less all the other social services our Community Center does.

In our communication with residents and members, the overwhelming majority have expressed a desire for the original plan to continue. ***Do City leaders and the City Council have a different vision? When will the City be surveying residents*** on a representative basis for their input? As long-time partners with City management and its citizens, the YMCA encourages a meeting (preferably, an open "Town Hall") where all interested stakeholders can state their opinions *prior to the City constructing a Request for Proposal.*

Respectfully submitted, 2/20/17

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YMCA of Columbia-Willamette