

## HOD - Overview of Event Fee Proposal

### PROPOSED EVENT SANCTION FEE BACKGROUND INFORMATION

The USMS Board of Directors has submitted legislative and budget proposals that are drafted to create a more equitable and sustainable solution to the costs associated with our liability insurance premium. This document seeks to provide high-level information that we hope will help delegates at the USMS convention understand the basic tenets of the proposed solution. A presentation is planned during a House of Delegates session to provide more details related to the analysis and the rationale.

#### INSURANCE INCREASE AND FUTURE OF OPEN WATER

USMS's liability insurance premium more than doubled from 2012 to 2013. In 2013, with insurance costs continuing to rise, the board of directors underwent a year-long assessment and debate, concluding that open water is a valued offering enjoyed by more than 25% of our members and that USMS should continue to cover open water as an insured activity. Necessary investments have been made by USMS into open water with enhanced risk management, education, and compliance. The intent is that our open water activities are becoming safer for members.

In 2013, in an attempt to help offset a portion of the rising insurance costs, USMS put in place a program to charge LMSCs \$1,000 for each open water sanction it approves. The \$1,000 charge continued in 2014 and 2015. However, the House of Delegates voiced concern that the current the \$1,000 charged by USMS for each open water sanction has contributed to a decrease in the number of sanctioned open water events and requested that the board of directors come up with a better event sanction fee solution for the viability of open water swimming. The following table clearly shows the trend of open water sanctioned event including open water national championships.

Year	Number of Open Water Sanctions
2012	109
2013	57
2014	57
2015	50 – projected

#### TASK FORCE CREATED TO DEVELOP A NEW SOLUTION

A task force was constituted at the 2014 convention with representation from open water, pool swimmers, LMSCs, Finance Committee and the National Office. Their charge was to study the issue of event sanction fees and bring forward a recommendation that would provide opportunity for open water growth without taking dollars from existing programs.

The task force looked at all USMS sanctioned events concluding the cost of insurance and



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event risk is not isolated to only open water events. Sanctioned pool events benefit from USMS insurance and other event costs and should be contributing to help offset USMS insurance costs just like open water events, clubs and workout groups. Therefore, the task force recommended an event sanction fee model that adjusts the fee for open water events and adds a fee for pool events.

USMS's 2016 insurance expense is projected to be \$406,000. The proposed event sanction fee model is projected to generate \$67,000 from open water events and \$28,000 from pool events for a total of \$95,000 in event sanction fee revenue. The Board of Directors feels that this is sufficient revenue to contribute to coverage of the insurance expense while not overburdening event costs.

### HOW AND WHEN WILL NEW MODEL BE IMPLEMENTED

LMSCs will continue to sanction open water and pool events. After an event is completed, the LMSC will be billed the applicable event sanction fee. As with the existing open water sanction fee, LMSCs determine how to cover that cost. USMS will continue our sanction rebate program for LMSCs that are not able to absorb the new model.

The chart on the below indicates the changes expected for 2016. If the House of Delegates approves the proposed legislation and they approve the 2016 Budget (with the new sanction fees), the new event sanction fee model for 2016 will take effect October 4, 2015.

	<b>Current Event Sanction Fee Model</b>	<b>Proposed Event Sanction Fee Model</b>
Pool Sanctions	No charge	\$70 billed to the LMSC that sanctions the event and collected by USMS from the LMSC once the event is concluded
Pool Clinics	No charge	No event sanction fee charge
Spring and Summer Pool Nationals	Defined by contract with the event host	Defined by contract with the event host, not subject to the \$70 event sanction fee
Open Water Sanction	\$1,000 billed to the LMSC approving the sanction	<ul style="list-style-type: none"> <li>a. \$300 billed to the LMSC that sanctions the event and collected by USMS from the LMSC once the event is concluded</li> <li>b. \$5 for each participant billed to the LMSC that sanctions and collected by USMS from the LMSC once the event is concluded</li> <li>c. Minimum charge of \$500 and maximum charge to the LMSC not to exceed \$3,000</li> </ul>
Open Water Clinics	No charge	No event sanction fee charge

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Open Water Nationals	Defined by contract with the event host, \$3 per each entrant is paid as a Nationals host fee	<ol style="list-style-type: none"><li>\$300 base sanction fee is waived</li><li>Defined by contract with the event host, \$3 per each entrant is paid as a Nationals host fee</li><li>\$5 for each participant billed to the LMSC that sanctions and collected by USMS from the LMSC once the event is concluded</li><li>Minimum charge of \$500 and maximum charge to the LMSC not to exceed \$3,000</li></ol>
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*\*Solo open water events will not be sanctioned, and events must expect a minimum entry of 20 USMS swimmers*

### WHY NOT PAY FOR INSURANCE PREMIUMS FROM OTHER FUNDS?

Some may ask why the Board of Directors isn't proposing to cover the full cost of liability insurance premium from other revenue, such as our ongoing member dues increase, or from reserves.

The purpose of the membership dues increase was to develop a national infrastructure so the four pillars of the USMS Strategic Plan could be implemented. In round numbers, USMS is adding approximately \$120,000 in new gross revenue from the member dues increase each year. This revenue is being invested into programs and services to support the strategic plan initiatives. Some services such as usms.org, our results database, and *SWIMMER* magazine were in need of significant revamping and continue to have funds allocated so members can have a better experience. Other programs, such as Masters Coach education, the LMSC Leadership Summit and Swimming Saves Lives Foundation have been incubated and are being grown with the dues proceeds.

The USMS reserve has been intentionally developed the past five years with a year-to-year purpose of providing operational income for programs, and a long-term view that USMS have a strong balance sheet should we experience another crisis or decide to make strategic investments that support our strategic plan.

### WHO SUPPORTS THE NEW SOLUTION

The Board of Directors, Long Distance and Open Water Committees, and the Finance Event Sanctions Sub Committee support the proposed event sanction fee model.

