

NAUMANN'S NORCAL NEWS

**Don Naumann**  
Sierra Pacific Turf Supply

**Corey Isom** has left Cordevalle GC in San Martin to become the new Golf Course Superintendent at The Preserve GC in Carmel. Corey is replacing **Kevin Siring**. Kevin left The Preserve to become a local manufacturer of the material product, Stabilizer... **Jonathan Ivory** has left Marin CC in Novato to take a superintendent position in Massachusetts... **Kevin Iverson** has returned to Sharon Heights CC in Menlo Park to become the new Golf Course Superintendent. Kevin was a former assistant superintendent at Sharon. Kevin takes over for **Bob Rafferty III, CGCS** who has moved on to pursue other opportunities... **Dan Miller** of Half Moon Bay Golf Links has completed the remodeling of the spectacular eighteenth hole of the Links Course. The green was moved and the bluff was modified at the request of the California Coastal Commission.

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## GCSANC NEEDS YOUR FEEDBACK ON PROPOSED GCSAA DUES PRICING STRATEGY

Todd Lyijynen, Superintendent of Diablo Country Club, your GCSAA chapter delegate, wants your feedback on the proposed GCSAA dues pricing strategy to share at the 2006 GCSAA Chapter Delegates Meeting, October 13-15. Todd can be reached by e-mail at [lyijynenx4@comcast.net](mailto:lyijynenx4@comcast.net).

GCSAA members also will have the opportunity to ask questions and offer comments in an online chat with GCSAA Secretary/Treasurer David S. Downing II, CGCS, and Managing Director of Finance Cam Oury, to be scheduled in September.

After the last dues increase, chapter delegates asked GCSAA to develop an easy-to-understand dues pricing system that would (1) keep pace with increasing costs of providing member programs and services and (2) reduce or eliminate the negative impact that large, infrequent dues hikes have had on membership growth and retention, and facility budgets.

To date, GCSAA's board of directors, several GCSAA committees and participants in the 2005 Chapter Delegates Meeting have been involved in developing and refining the proposed "indexed" dues pricing strategy. GCSAA member feedback will be discussed at the 2006 meeting to gauge interest in a potential bylaws proposal to adopt such a system.

**The Details** – The proposed system is designed to make dues increases (Class A, SM and C) more manageable from a planning and budgeting perspective and more clearly tied to actual inflation factors. If adopted, the proposal would delegate authority to the GCSAA board to consider raising dues every two years according to the Consumer Price Index (CPI).

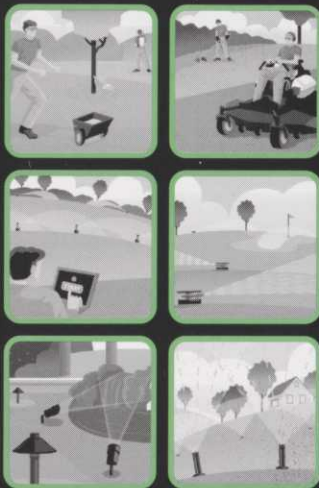
Specifically, a maximum potential dues increase would be calculated using the published CPI for 24 months ending on August 31st, and then rounded to the nearest \$5. At the GCSAA Plan and Budget meeting in the fall, the board of directors would determine whether to raise GCSAA dues by that amount, a lesser amount or not at all, taking into account other revenue sources, the association's financial position and other general economic and political factors. The board-approved increase, if any, would then be communicated to GCSAA members so that they could adjust their budgets accordingly, and take effect the following January 1st.

If, however, there were a future need for a dues increase exceeding the maximum tied to the index, it would require a majority vote of the membership at a GCSAA annual or special meeting. The average annual CPI increase over the last ten years has been 2.5%.

**The Impact** – Between 1988 and 2005, GCSAA dues (Class A and SM) rose from \$175 to \$300, with the increases of \$35, \$40 and \$50 – although merited – yielding corresponding drops of 11.3, 6.9 and 6.7 percentage points in the annual membership growth rate.

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However, if the proposed strategy had been in effect for that entire time, dues would have increased only \$10 to \$20 every two years to reach only \$285 today – \$15 less than actual current dues. Even with the lower ending dues price and no additional members, the policy of “keeping up” instead of “catching up” would have had no negative impact on revenues over that time. Furthermore, an average annual CPI increase of 2.5% over the next 14 years would yield dues revenue similar to larger increases given every five years, with no potential negative impact upon membership growth and retention.

**More on the Web** – Available August 1st - Log on to [www.gcsaa.org](http://www.gcsaa.org) to:

- Explore a detailed spreadsheet showing comparisons of the current dues pricing system and the proposed system, looking both back to 1988 and ahead 14 years
- Review frequently asked questions and answers regarding the indexed dues pricing proposal

**The following information will be posted on the GCSAA website the week of August 7th**

**What Do You Think?** Member feedback is needed on all components of the proposed strategy. Please contact your delegate with your feedback and/or questions.

- **Index Factor** – Tying dues increases to a broad, representative index reflecting the overall change in prices for products and services purchased seems fair. The Consumer Price Index (CPI) is a trusted and generally

accepted indicator of overall price changes. Would the CPI be a fair index to use, or would a different index be better? The following link is a non-technical guide to the use of price indexes – [www.house.leg.state.mn.us/hrd/pubs/indexes.pdf](http://www.house.leg.state.mn.us/hrd/pubs/indexes.pdf)

- **Interval** – Dues increases that span more than three years are typically “catching up” with expenses that are continually rising. Would a two-year interval be too long, too short or just right?
- **Rounding** – Another factor to consider in tying dues increases to a price index is rounding. From 1988 to 2005, rounding to the nearest whole dollar would have produced approximately the same revenue for GCSAA as rounding to the nearest \$5. Should the indexed increase be rounded to the nearest \$1, \$5 or \$10 increment?
- **Implementation Dates** – Surveys show that a significant majority of GCSAA members’ budgets follow the calendar year (as does GCSAA’s), so it seems logical to have the dues increases effective January 1. Working back from that date, the latest month that could be included in the data would be August, allowing time for the index to be published and the board to consider the dues pricing strategy within the context of GCSAA’s fall budget process. Would there be sufficient time between when the board considers the GCSAA budget in the fall and a January 1 implementation date for members to budget for any change?
- **Pricing Strategy** – Are you comfortable giving the GCSAA board authority to approve a dues increase not to exceed the index amount, as

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long as a membership vote is required for any larger increase?

### Frequently Asked Questions

#### **How would funds from indexed dues increases be used?**

Adjusting dues to keep pace with the rising cost of providing member programs and services would allow those services to continue at the current level that members are accustomed to receiving. Membership dues account for only 25 percent of GCSAA's total revenue. Revenue from industry and user fees also increase regularly in order to recover higher costs for delivering services. If dues were the only source of support for the association, professional members would have to pay \$1,200 annually to receive the same benefits.

#### **Why increase dues when total membership has declined the past few years?**

The board would only be allowed to increase dues based on the CPI. The key word is "allow." The board would not be required to increase the dues every two years and, as a practical matter, it may not. Pricing strategy is one of many factors that the board would consider in its review process.

#### **What would happen if the proposed indexed dues strategy were not approved?**

If members would prefer not to tie dues to an index to regularly adjust for raising costs, the current process would continue with significant "catch-up" raises, which do not cover higher future costs and tend to negatively impact member retention. Based on the average of the last four dues increases, the next increase would be \$50 in 2008.

On the other hand, a \$15 increase in 2008 would be the likely outcome if a programmed dues increase policy were approved at the 2007 annual meeting in Anaheim, CA.

#### **Why not bring this programmed dues increase to a member vote at the annual meeting on a two-year cycle?**

Because the annual meeting occurs in the second month of GCSAA's budget, the association would have to wait 10 months to implement the increase, meaning it would always be playing catch-up with regard to higher costs. It would also eliminate the opportunity for the board to consider GCSAA's current financial condition and other general economic factors that might merit a lower, or no, dues increase.

The board of directors is responsible for making decisions that have major financial impact on the organization, including appropriate increases for user and industry fees, as well as dues for all membership classes except A, SM and C. Delegating the board authority to make timely dues increases not to exceed the CPI would provide for optimal fiscal management of resources.

On the other hand, if a future situation calls for an increase above the allowable CPI rate, then member approval will be required.

#### **If the board wants to increase dues, they should communicate the reasons to members.**

True. The board is ultimately accountable to the membership for providing the services, programs and future direction of the association. The membership has every right to expect the board to keep the impact of inflation in operating costs from creating shortfalls as a normal part of doing business. As part of those efforts, GCSAA will continue to explore and try additional sources of non-dues revenue.

In contrast, failing to prevent future dramatic dues increases would be counterproductive to membership growth and retention strategies.

#### **Why increase dues when the investment reserves are over**

#### **\$9,500,000?**

The investment reserves have two specific purposes: (1) to provide major funding for planned future needs and (2) to prevent significant interruption of member benefits, services or programs caused by a significant unanticipated event. It is both financially prudent and responsible for an organization like GCSAA to have this level of reserves in order to operate successfully and maintain viable options for future planning.

If the proposal were adopted, the board would consider the financial health of the association and other relevant economic indicators when reviewing options to increase dues or not. This review would, of course, include consideration of the investment reserve levels.

#### **Have other associations tried a similar indexed dues pricing strategy?**

Yes, there are other associations who have implemented an indexed dues increase process with positive results and few pitfalls. These organizations report that their respective memberships embraced the change after some initial reservations and have experienced almost no negative impact regarding decreases in membership or dissatisfied members. The most numerous comments on developing a successful process include demonstrating that the membership will not lose control (Board of Directors to be held accountable and increase not to exceed a fixed amount) and keeping it simple.

### GCSANC Dues Facts

- Employers pay the dues for 97% of GCSAA members
- Large dues increases have had a significant negative impact on GCSAA membership growth and retention:

Year	Dues Increase Amount	Membership Growth Rate		
		Year Before	Year of	Year After
1991	\$35	17.0%	5.7%	8.3%
1998	\$40	11.1%	4.2%	7.3%
2003	\$50	3.2%	- 3.5%	- 3.3%

- Currently, changing the dues for Class A, SM and C members requires a majority vote at the annual meeting (Article II, Section 1 of the GCSAA bylaws). A bylaws change would be required to adopt an indexed dues pricing strategy.
- GCSAA's membership dues revenue is about \$4.5 million, or about 25% of the total revenues, compared to an average of 32% for similarly-sized associations.