

Sponsorship

From: SSCBC <sponsorship@sscbc.com.au>
Sent: Monday, 7 February 2022 4:28 PM
To: Sponsorship
Subject: Funding of the Clubhouse Redevelopment and Zoom Tuesday 8 February 6:30pm



Funding Of The Clubhouse Redevelopment

7 February 2022

Dear Members,

The General Committee (Committee) of Sorrento Sailing Couta Boat Club (SSCBC or Club) has recently executed definitive agreements to commence the Clubhouse redevelopment project. This milestone is the culmination of several years of detailed planning by the current and former General Committees, relevant sub-committees and our management team (Management).

Funding is a critical element of the project and impacts both project delivery and the ability of our Club to continue to deliver its sailing, training and social programs and other capital expenditure requirements both during the redevelopment and in the following years. Key elements of the funding strategy are addressed below.

Project cost and funding

Project cost

The fixed price building contract value is \$5.9m. Allowing for consultants, furniture, fittings and equipment plus a conservative allowance for contingencies, the funding strategy modelling has assumed a total project cost of \$6.75m. The process for builder selection and contract negotiation was robust and resulted in a project cost and program which was favourable to expectation and initial estimates. These factors were critical to the decision to proceed.

Accumulated cash reserves

At the time of writing, the Club's cash balance is \$4.85m. This healthy position is attributable to fundraising initiatives in recent years and the prudent management of finances by current and former General Committees.

Debt finance with National Australia Bank ("NAB")

The Club has secured a finance facility with NAB of \$3.0m. The facility offers flexible terms and a competitive interest rate. The NAB facility underpins the execution of the construction contract and establishment and operation of our temporary facility. Notwithstanding the sufficiency of this facility to undertake all elements of the project and continue Club operations, additional complementary fundraising from Members will be sought to:

- reduce reliance on NAB funds;
- lower interest expense; and
- expedite repayment.

Based on conservative assumptions, peak debt is projected to be \$2.5m, allowing headroom of \$0.5m excluding any funds raised through the Member funding initiatives outlined below.

Member opportunities to support funding

Member bond issue

The issuance of Member bonds to fund capital works has been highly successful for similar Clubs (Sandringham Yacht Club is a key example) and provides a flexible, low-cost mechanism to raise debt. The interest rate paid will be significantly higher than you would achieve with a financial institution, however lower than our NAB facility, effectively transferring the margin which would otherwise be paid to our bank to the benefit of the Club. The proposed structure contemplates periodic interest (coupons) and the repayment of face value plus any accrued interest after five years.

The Club has partnered with Income Asset Management (IAM) which has agreed to provide its platform and administrative services to SSCBC on no-fee basis (a director and major shareholder of IAM is a Club Member). A term sheet detailing the terms of proposed bond offering is included in the redevelopment section of our website (<https://sscbc.com.au/redevelopment/>) and further details are available for interested Members via scheduled information sessions or engagement directly with Club staff or me (contact details are below).

Donations

In recent years, Members have generously pledged donations to the redevelopment project via our specific Australian Sporting Foundation (ASF) campaign. Additional donations through the ASF will be gratefully received. Details and links are provided on the website (<https://sscbc.com.au/redevelopment/>) and we confirm the tax deductibility of any pledge. [Click here](#) for an overview of the various donor options.

Recognition of contributing Members

All Members who have pledged in previous campaigns or the current donation and bond issue campaigns may have their individual or family names (subject to consent) recognised on a board which will be displayed prominently in our new facility. I encourage all Members to participate and have your name displayed on this perpetual memorial.

Ongoing operations and capital programs

Sailing and temporary Clubhouse

The Committee is acutely aware of COVID related disruptions to Member access and amenity over the last two years and is committed to continuing sailing programs and operating a high quality temporary Clubhouse throughout the redevelopment. You may have seen the construction and commissioning of the temporary facility in recent days and we are all excited to have a unique venue to meet, socialise and observe both on-water and construction activity.

Staff and administration

Work from home restrictions through COVID have proven our Club's ability to operate with staff working remotely. All administrative aspects will continue uninterrupted throughout the construction period.

Our team has demonstrated a tremendous culture underpinned by comradery and job flexibility. These attitudes will be critical over the next 10 months as we navigate the challenges of moving out of our current facility, operating from home and the temporary facility, and then moving back in. We are committed to retaining our great people and they are committed to be flexible to assist wherever required and utilise leave balances during quieter periods.

Non redevelopment capital expenditure

The modelling which underpins our decision to proceed envisages continuing to invest in our operations in the near and medium term including:

- proceeding with the support boat replacement program;
- jetty repairs and refurbishment as required;
- maintaining vehicles; and
- ensuring software and systems are appropriate and upgraded in a timely manner.

Notwithstanding these intentions, throughout the indebted period all investments will be assessed against requirement and capital availability. Member support of the bond issue and donation initiatives will increase capacity and flexibility in respect of future investments.

Debt repayment

Operating surpluses

Notwithstanding disruptions to operations in recent years, the underlying operating position of the Club is positive and improving. The redeveloped Clubhouse is projected to further increase Member engagement, patronage and functions, driving increasing cash surpluses.

A significant revenue source for capital improvement and debt repayment is new Member joining fees. As our membership base has grown and demographics changed, we are observing a higher level of churn. Demand for membership is strong and this dynamic drives joining fee income without expansion in the total quantum of Members.

Building levy

As has previously been announced, the Club will implement a building levy from 1

July 2022. The precise structure and scope is not finalised however expected to be in the range of 10-15% of Members' subscription fees in a given year and be applied for no longer than five years.

Period of indebtedness

The Committee is committed to returning the Club to a surplus funds position in an expeditious manner and our modelling on multiple stress tested scenarios projects full repayment of debt (including Member bonds) within five to seven years.

Conclusion

The Committee and Management has invested extensive time to ensure a sustainable funding strategy which delivers the project and minimises:

- the interruption to Member amenity; and
- the financial impost placed on Members.

Further information about the funding strategy and Member funding initiatives will be provided through online forums and via the website, the first of which is **Tuesday 8 February at 6:30pm (see button below)**. I warmly invite all Members to attend these sessions and give strong consideration to participating in the funding initiatives available.

The 2022 Clubhouse redevelopment is an exciting moment in SSCBC's proud history and we look forward to delivering a world class facility to one of Australia's largest sailing club by membership.

As always, I am happy to address any question or query at the arranged forum, via email shaungchalmers@gmail.com or mobile 0425 833 338 or via the Club's email: fundraising@sscbc.com.au. Thank you for your interest in the Clubhouse redevelopment project and funding strategy.

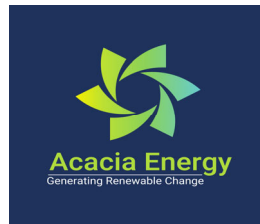
Zoom meeting - Tuesday 8 February 6:30pm - [Click here](#)

Fair winds and following seas,



Shaun Chalmers
SSCBC Treasurer

Thank you to our valued partners



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