

- RH addressed GO re his query for info on finances and ZSC fees. **Addendum to minutes** outlines OS clarity for IYC on why R1500 was not sufficient to avoid Special levies. If this had been implemented, no Special Levies would be required
- Lots of robust discussion around this. Email of 17/02/2022 pasted below answers / outlines issues discussed:

EMAIL 17/2/2022

Hi Graham,

Post last night's ZSC Exco meeting, some thoughts from the night, to reinforce some of the main aspects of our discussion re ZSC fees, budgeting, special levies and cash flow capital.

if you agree, I think it would be helpful if you shared this mail with the current IYC exco
I don't want to start a long email debate,
but to counter certain persistent minority complaints, members need to be reminded of the context and constraints ZSC finances operate within

A study of the ZSC meeting and AGM minutes going back 10 years to 2011 shows that there are a few constant themes:

- ZSC income and thus budget is very sensitive to membership numbers (which ZSC does not directly control - A 20% change in membership numbers has a profound impact.)
- ZSC fees are being set to low
- ZSC has no working cash flow capital

Looking at the last 2 AGMs

This is what Rob G wrote in his 2020 treasurer's report which is in the 2021 minutes. I've added highlighting, underlining and boldening:

Breakeven analysis shows that the proportion of fees paid to ZSC by the constituent clubs will need to increase from the current level of R850. **The table below is showing the scenario per the year end financials. However, with inflation and possible drop in membership, R1,500 seems like the right number.**

This was Rob G's recommendation **without** addressing the fact that ZSC did not have any cash flow working capital.

But it also was offered together with the proposal that the 2 clubs start paying an additional fee on the non-common land that their members use to establish the Financial Reserve fund.

At the 2020 AGM, the majority of members voted this substantial increased fee proposal and the Financial Reserve fund in.

For at least the previous 10 years, ZSC operated without working capital.

De facto ZSC avoided insolvency because there was an understanding that PCC and IYC had working capital that could be called on when needed

This was done so regularly in the form of ad hoc loans that mostly were then formalised into *Special Levies*.

Budgets are planning tools, not reality, but without working cash flow capital no organisation can survive unexpected changes in income or expenses.

We thus have well established precedent of Treasurers asking for a Special Levy for running costs at any point in the year when the account is low.

Without checking I think the most recent one before Sivs at the end of 2021, was 2019 from Barbara Sher just before she resigned.

this established precedent is not trivial, it cannot just be waived away. Without it ZSC would not have survived.

We've since had the 2021 AGM.

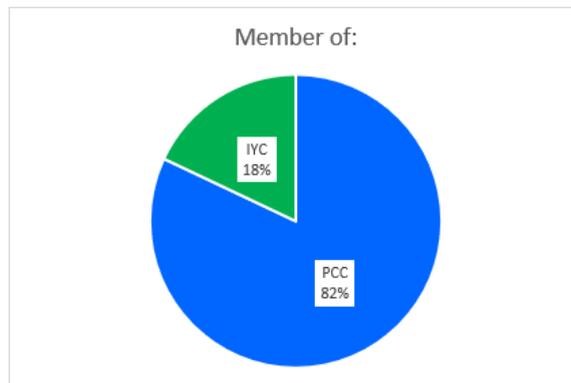
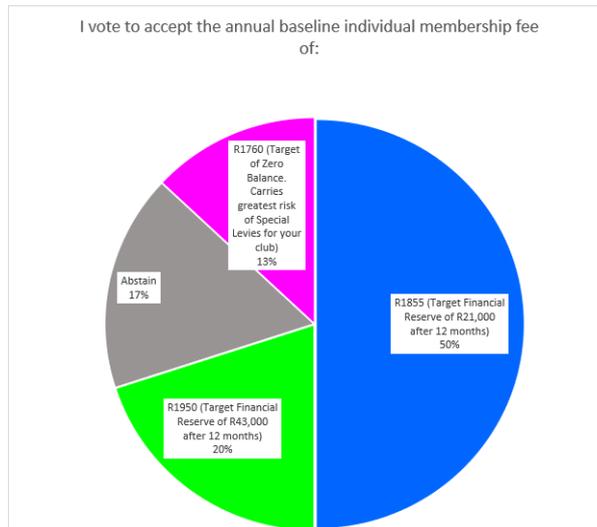
The ZSC members were presented with Siv's comprehensive document presenting facts and the matters ZSC have to consider when

trying to budget what the correct level of fees should be.

Of the options presented, the lower fee to break-even was not the choice of the majority. The majority (50%) chose a higher amount of R1855.

And then they chose a further increase when they voted to accept Pensioner's discount, raising it to R1915.

20% wanted an even greater increase. 18% of voters were from IYC. So just the proportion of voters who wanted the highest fee outnumbers the entire voting weight of IYC.



Lis has also already shown ZSC that during lockdown the club basic expenses carry on being expensive. The idea that the club can run on a subsistence budget is a myth. It really is time for those who keep punting this idea to come to grips with reality. In addition the democratic process continues to demonstrate that the majority of members are prepared to pay what is required. The majority of members want a smooth working, clean, tidy, secure and safe club space. They don't want to be hassled with gate etc breakdowns, bathrooms not working, failing infrastructure etc

Without being disrespectful of dissenting views, if there were 20 IYC members who supported the IYC SGM call for reduced ZSC fees, this is less than 10% of the total ZSC membership!

ZSC does not want to loose members or discriminate against those who honestly cannot afford the current fees. As briefly discussed, We can look at options to address the affordability issue for those with constraints but suggest that this starts with a well thought through proposal from your / IYC side that can then be discussed and developed at ZSC level.

Asides from the above proposal, please also make it clear to IYC Exco that it is the current ZSC Exco majority position that IYC need to settle the outstanding special levy (ref Siv's emails Dec 2021). A simple glance at the last set of IYC financials indicates that your feedback that 'the cash isn't immediately available'

is questionable ?

If settlement by the end of February is not possible, then we need a proposal in writing from IYC Exco with a proposed payment plan as well as financials that support the need for a payment plan.

Thanks

Regards
Robert Hart

Hi Siv

Trust you are well.

*I've been speaking with IYC com around the special levy.
There is a lot of confusion around why this levi would/ should be required:*

- *The previous fees agreed (R1500) were meant to according the previous AGM create a breakeven/ surplus - why has this not been the case*
- *The AGM financials were different to the those now being communicated - I have tried to explain the loan issue but the documents I have don't show this clearly*
- *Why the salaries were increased if the money wasn't available to do so - this should have been communicated to IYC that the increase would require a special levi*

*When you get a chance could you please send through the last ~18 months of management accounts.
My understanding from Rob G is that these are easily extracted from the accounting software.*

Rob H - to answer your question from the meeting the cash isn't immediately available.

*Thanks
Graham*

8. MATTERS ARISING

Action

- Property fence need repair:
 - RF proposed a budget and quotes. IYC finances queried re a Special levy for this.
 - RH proposed any special levy from IYC must 1st go to paying their outstanding debt.
 - Further discussion around IYC AGM, fees, special levies etc.
 - Agreed that IYC need to prepare a propose to either repay or an arrangement similar to the Karate members that is acceptable to IYC for what they want, can afford, and ZSC can work with to make ZSC work acceptably in the future as a viable club **GO**
- Had an enquiry re a Yoga Group who need a space. LH and RF to engage with them, we need members **LH**

& RF

9. DATE, TIME AND FORMAT OF NEXT MEETING

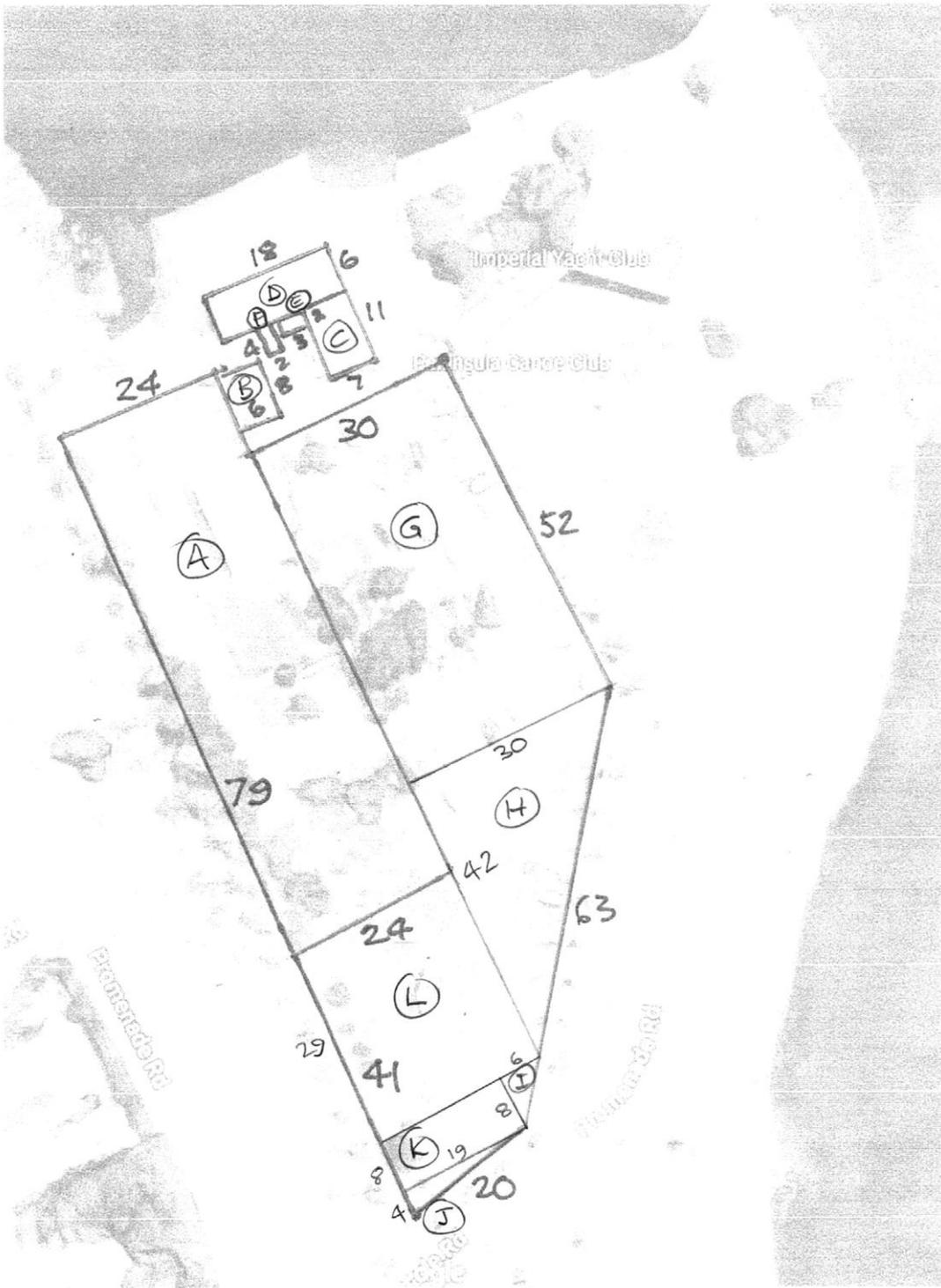
- 23 March, some not available between 1 and 15th, but all are anticipating to be available on 23rd

10. CLOSING - THANKS ALL !!!

Working Capital Fund: space usage as at 16/2/22, with calculation of sums due per month from 1 February 2022

	Total	PCC	IYC
50% reduction until review at 2022 AGM: Monthly	2,762	1,065	1,697





SCALE = ~1:1000

Section	Area m ²	Length m	Width m	0.5
A	1896	79	24	1
B	48	8	6	1
C	77	11	7	1
D	108	18	6	1
E	6	3	2	1
F	8	4	2	1
G	1560	52	30	1
H	630	42	30	0.5
I	24	8	6	0.5
J	38	19	4	0.5
K	152	19	8	1
L	696	29	24	1
Total	5243	100%		
PCC	2021	39%		
IYC	3222	61%		

	Total	PCC	IYC
Total Expenses less Maintenance & Improvements 2020	326,642		
Total Expenses less Maintenance & Improvements 2021	336,285		
Average Total Expenses less Maintenance & Improvements	331,464		
1/5 of Average Total Expenses less Maintenance & Improvements	66,293		
Annual revenue if 100% space used	66,293		
Area of space used m ²	5243	2021	3222
% space use	100%	39%	61%
Annual revenue to be realised from space used	66,293	25,554	40,739
Monthly revenue to be realised from space used	5,524	2,129	3,395
50% reduction until review at 2022 AGM: Annual	33,146	12,777	20,370
50% reduction until review at 2022 AGM: Monthly	2,762	1,065	1,697

- We are a year late in implementing this and it has had a meaningful impact on our income and contributed to the need for Special Levies.
- Members are questioning why this has not been done; Cliff Leach raised the topic at the last AGM so we must be seen to be following through.
- The fact that the external fence needs repair really drives home how important this is for ensuring we have adequate funds readily at our disposal to protect our physical assets.

We are going to kick in from this month, so please can the constituent clubs make the following payments for February, and same again from 1 March onwards:

	Total	PCC	IYC
50% reduction until review at 2022 AGM: Monthly	2,762	1,065	1,697

Fencing

Note: The section of common fencing between PCC and IYC sections is not considered/included in these figures.

	Common	External	Internal	External plus Internal
PCC	N/A	103	13	116
IYC	N/A	134	72	206

- PCC has 103m of fencing along the external boundary and IYC has 134m.
- PCC also has a 13m internal section behind their newest racks.
- IYC also has 72m of internal section along the ZSC carpark and then alongside the path to the PCC racks.

From the minutes of the 2020 AGM:

Implementation

1. Confirmation of areas occupied and amounts due

At the beginning of January 2021, a physical check will be done to confirm the extent of areas occupied within fixed (e.g. fences) and temporary (i.e. where there is no fence/wall) boundaries.

This will be rounded up to the nearest 1% of total space available.

By 15 January the monthly amounts due will be calculated and the information distributed amongst ExCo by email.

2. Payments

Payments for each month to be paid in advance by the first day of each month.

First payment will be due by 1 February 2021 for that month.

3. Adjustment according to latest AGM Financial Statements

The Treasurer will advise at each AGM what the latest expense-based figures are and what future payments are to be.

Revised payments to be effective from the next payment due after the AGM.

After the first year, to allow for changes in inflation and in proportions of total space used, consideration should be given to try and ensure that the future contributions cover the previous year's Special Levy payments. It may then be necessary to calculate using a different fraction of Total Expenses less Repairs and Maintenance (e.g. change from 1/10 to 1/5)

4. Changes in space usage

Expansions are to be approved by ExCo; contractions will simply require formal notification to ExCo.

Revised contributions to be effective from the next payment due after approval granted/notice received.

Should an unapproved expansion occur, additional full month's FRF contributions will be due for that area and be paid in arrears by the first day of the following month. Calculations of area will be rounded up to the nearest 1% of total area.

5. Temporary Use of Land Reserve for Events

This is to be approved by ExCo.

To be calculated in the normal manner and the equivalent of a full month's FRF contributions paid in advance at the beginning of the month.

The period of right to use this area will be limited to three days before and three days after the event.

(This will allow for use of the area for multiple events within a given month.)

6. Other Contributions

If the FRF is ring-fenced, it would be possible to ensure that revenue from fund-raising events or any contributions made by members or outsiders towards this are allocated specifically to the fund.

Additional Notes:

1. Measurements are plus/minus and to the nearest metre.
2. They have been checked for correlation against the measurements (which are also plus/minus) in the plans provided by the CoCT as part of the lease agreement.
3. Any changes should be made in one or two straight lines either parallel or perpendicular to the long western boundary.
4. Where there are no fences the boundary should be easily and obviously visible.
5. The Constituent Club making any changes is wholly responsible for measuring these up and notifying ExCo by the 15th of the month to allow time to be approved and checked so they come into operation from the first day of the following month.
6. Failure to comply with timelines in point 5 above means that any changes in amounts due are then deferred for an additional month and the Constituent Club is solely liable for all amounts due.