

PNW Kiwanis Dues Increase Proposal

Questions and Answers

NOTICE

Why is this the first we've heard of it?

The dues increase proposal was brought to the attention of all Lieutenant Governors and other board members at the Midwinter Conference in March. It has also been part of the Governor and Governor-Elect presentations at each of the Zone Conferences. Written notice was given 30 days prior to Convention, as is required for any bylaw change.

PURPOSE OF DUES

What do district dues pay for?

District dues help subsidize the travel costs of Lieutenant Governors, District Chairs, District Officers, and others, as well as supporting our Service Leadership Programs (Aktion, K-Kids, Builders Club, etc.), although typically only a small portion of their total travel costs. District dues also cover the cost of having a district office, including three staff members, leased office space, office equipment, taxes, etc. The district office supports not just the 340 clubs and 10,000 members of Kiwanis but also more than 11,000 members of our Service Leadership Programs (especially in regard to supporting their District Conventions).

NEED FOR DUES INCREASE

Why do we need a dues increase?

Membership has been declining by approximately 3% per year for the past several years and the district (like all organizations) faces inflationary pressures (wages, supplies, taxes, etc.).

Can't a dues increase wait?

The previous 5-year cycle of \$1 per year dues increases was not enough to keep up with inflation and declining membership, and there was no increase at all this year. There is only so much that can be cut, so it is essential for this organization to have a dues increase this year.

What will keep you from asking for another dues increase next year?

The staggered dues increase approach is designed to avoid having to ask for another dues increase for at least five years. The last time this was done, no further dues increases were proposed during the five-year period.

WHY A DUES INCREASE IS NEEDED

Shouldn't we be reducing rather than expanding our administration?

The need for a dues increase does not reflect expanded administration at the district level. The need for a dues increase is the result of declining revenue (as a result of declining membership) and inflationary pressures.

SCALE OF DUES INCREASE

How much is the dues increase?

The dues increase is \$2 per year (about the cost of four or five postage stamps), over a five-year period. That works out to an extra 17 cents per month in the first year (2010/11). The monthly cost of the increase would rise to 83 cents by the fifth year (2014/15).

Why is this dues increase \$2 per year, instead of \$1 per year like last time?

Until this year, the district had an annual increase of \$1 per year, and this was not sufficient to address declining revenue (as a result of declining membership) and inflationary pressures. Cost savings have been found, and the district has had to make significant cuts to how much it can reimburse district leaders for their expenses, but there is only so much that can be cut without significantly impacting services to Kiwanis clubs and the Kiwanis family. Anything less than \$2 per year will not be sufficient.

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AFFORDABILITY

Won't this dues increase make membership unaffordable for many Kiwanians?

The dues increase is a marginal increase. For most Kiwanians, 17 cents a month will not be a noticeable difference. Kiwanis clubs do have the option of using administrative fundraisers to absorb this increase, rather than simply increasing their club dues.

Won't membership numbers drop if we increase dues?

Past experience shows modest dues increases such as this one do not have an appreciable impact on membership. Reducing services to clubs – the ultimate result of not passing the dues increase – would likely have a more significant impact on membership than the dues increase.

Other non-profit and charitable organizations don't charge dues; why does Kiwanis?

There is a cost to running any organization. While most non-profit organizations use funds from the public (or from government) to cover administrative costs, Kiwanis places that cost on its clubs (and ultimately, its members). This allows us to say that all funds raised in the community are used for community service. For other organizations, inflationary pressures and declining memberships are not an issue because they can just use a greater portion of funds they receive from the public to cover those costs. We don't have that option, so we have to turn to the members to increase their support.

Wasn't an option passed that would allow clubs to use 10% of their service revenue for administration?

There is no 10% rule at this time. There is a proposal that will be voted on in the House of Delegates, but even if PNW's House of Delegates approves it, it would still require the Kiwanis International Board to approve such a change. If this were to happen, clubs would be able to reduce club dues.

Has the district considered other options to make dues more affordable?

The Pacific Northwest District has presented to KI a model that could significantly reduce how much members need to pay their clubs to cover district and international dues. District and KI dues are being used to support not just administrative costs but also service aims as well – service aims such as Kiwanis Family, Foundations, the World-Wide Service Project, and the Young Children Priority One program. Our district has proposed allowing clubs to pay for the *service-destined* portion of their international and district dues from their Service accounts. This would allow them to reduce the dues clubs charge to members. So far we have not had a response from the International Board.

EXPENDITURES

Can't we just cut costs?

Cost savings have been found in a number of areas, such as negotiating a lower rent and moving from regular mail to email. The District has cut costs repeatedly over the years, including \$40,000 that had to be cut out of the budget last year as a result of declining membership. However, there is only so much that can be cut without harming services to Kiwanis clubs, to Key Club, and to CKI, and there is also only so much financial burden that we can pass on to our volunteer leaders (Lt. Governors, District Chairs, District Officers, etc.) before we have real challenges finding anyone willing to serve.

What has been done to cut costs?

The District has taken a number of steps to contain or reduce costs. For example:

- The District no longer provides a 1-800 number for people to call.
- The District has moved to electronic communication (email and web) rather than sending information out by mail. For example, information for club leaders that used to be provided in Inside the District is now posted on the district website.
- At Lt. Governor training, Lt. Governors are now provided CDROMs rather than large binders of materials.

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- While Kiwanis International does not allow the District Board to meet electronically, the Finance, Executive, and Membership Committees have all used teleconferences in place of in-person meetings.
- The district has purchased audio-visual equipment in order to avoid exorbitant fees charged by convention centers and hotels. These are used at District meetings, Zone Conferences, Club Leadership Education sessions, youth conferences/conventions, etc.
- The District Office relies on volunteers and youth workers when extra support is needed.
- The District has held the mileage rate to 31.5 cents per mile despite significant increases in the price of gas.

What else has been considered to reduce costs?

The District has looked at other options to reduce costs. For example:

- The District looked at the possibility of finding a location with lower rent. While this was not successful, we were able to negotiate a lowering of our rent this year. The Executive are continuing to look at options to reduce office space costs.
- The District Board has authorized the Executive Committee to investigate the potential for purchasing a building that would allow us to pay our own mortgage rather than someone else's (and potentially also to generate rental income).
- Eliminating the District Store was considered, but the Store generates a modest profit and provides a valued service to our clubs and members – especially those in Canada and Alaska where FedEx rates from Indianapolis are sky-high.
- Selling the District van was considered, but it is needed on a daily basis for running errands such as making bank deposits and is needed regularly for transporting equipment and towing the district trailer to Kiwanis events. The van is also used to transport youth members at Key Club district meetings and to transport visiting international officers.

What if we got the Builder Magazine online rather than in paper format?

Funds raised for the magazine (\$4 per member) must be used for the magazine; they cannot be diverted to balance the district's budget.

Could we save money by reducing the number of paid staff in the district office?

There are only three paid employees in the district office, serving the District Officers, the Kiwanis District Board, about 340 Kiwanis clubs and 10,000 Kiwanis members, as well as supporting the District Boards of Key Club and CKI and the more than 11,000 Aktion and youth members in our Service Leadership Programs. The District Office receives a huge volume of requests every day, and staff strive to respond to every request in a timely manner while also planning Lt. Governor training, district board meetings, conventions, etc. The district office cannot be reduced without eliminating many of the services it currently provides. Our District's hard-working staff include an Executive Director (Cleve), a technology/publishing expert (Gary), and a book-keeper/receptionist (Rebecca).

Could we save money by reducing the number of district chairs?

Most district chairs have no budget and are only eligible for mileage (31.5 cents per mile) to attend district board meetings. District chairs provide a great service to this district, and reducing the number of chairs would have a minimal impact on the budget shortfall.

Couldn't we save money by eliminating board meetings or going to online meetings?

District board meetings do not significantly impact the finances of the district – the registration fees are set at a rate to cover the costs of the meetings. Eliminating meetings or going to online meetings will not close the budget gap, and Kiwanis International will not allow online board meetings or conventions (conventions are our Annual General Meeting).

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IMPACT OF NOT APPROVING DUES INCREASE

What is the impact of not increasing dues?

Last year, we had to cut the budget by \$40,000 due to declining revenue from membership loss. This drop in revenue was equivalent to cutting district dues by \$4.00 per member. That meant reducing the amount this district can provide to reimburse expenses of those members who volunteer their time to serve in leadership positions (Lt. Governors, District Chairs, Officers, etc.). As a result, these volunteers have to pay more and more out of their own pocket – often thousands of dollars each year – in order to serve in those positions. The proposed dues increase will not make up for the \$40,000 drop in revenue but will help the district maintain existing levels of support despite cost pressures and declining membership. Without the dues increase, we would have to consider eliminating or severely reducing reimbursements for leaders (Lt. Governors, Chairs, etc.), which would mean more current and potential leaders would not be able to afford to serve.

How important are per-member district dues to the finances of the district?

Dues account for approximately two-thirds of the district's revenue, with Builder Magazine subscriptions, new member interim dues, and registration for district events each accounting for another 8% of revenue. The bulk of the other revenue is registration revenue from district events. Sales from the district store account for 6% of district revenue.

ALTERNATIVE REVENUE SOURCES

How can we increase revenue to avoid a dues increase?

The need for a dues increase is a combination of declining membership and inflationary cost pressures. There is a provision in the dues increase proposal that would suspend dues increases if we return to a membership level of 12,000 or more.

Why can't the district find other sources of revenue rather than coming back to members?

It is important for the district to not compete with Kiwanis clubs for revenue. This year the district adopted a unique way to help clubs fundraise while bringing in additional revenue for the district. During the initial four months of the Kiwanis Decal Program, clubs purchased approximately 150 decals for re-sale to local merchants, allowing them to raise nearly \$12,000 for community service while raising nearly \$3,000 for the district. As more clubs participate, this revenue stream could potentially raise tens of thousands of dollars for the district and hundreds of thousands of dollars for clubs to spend on child/youth-related services.

Can't we just rely on fundraising to provide the needed revenue?

Our best potential fundraiser is the Kiwanis Decal Program. An amendment may be made in the House of Delegates to suspend the dues increase in any given year if more than 5,000 decals are sold in the first nine months of the previous year.

GRADUATED OR PRORATED DUES

Will the district be moving to prorated dues for new members?

This is not being proposed at this time. The Finance and Fundraising Committee will be examining the impact on revenue of Kiwanis International's move, and is concerned about the impact on district revenue. Such a change would have to come before the House of Delegates at next year's District Convention.

