Strengthening Communities through Municipal Partnerships

DOING MORE TOGETHER

A study commissioned by the Mid-Major Group of YMCAs

ABOUT THE AUTHORS

JEFF ANDRESEN, PRESIDENT/CEO

YMCA of Greater Williamson County — Round Rock, Texas

Jeff Andresen is the President/CEO of the YMCA of Greater Williamson County. His Y career spans more than 27 years; he previously held positions at YMCAs in Wyoming, Hawaii, Oregon and Arizona.

Creative partnerships have been the hallmark of Jeff's career, including school district, city and county, and state-funded YMCAs. Hospital collaborations, bond-funded initiatives, and private partnerships have resulted in an expanded Y presence in communities that would be underserved using a more traditional method. The YMCA of Greater Williamson County has been recognized year after year as a preferred strategic partner with area cities, county government, and educational institutions in central Texas.

As part of his ongoing research on highly effective partnerships, Jeff recently authored "Influencing Social Change: Getting a Seat at the Table," which was published in the Journal of Community Strengthening.

Jeff holds a bachelor's degree in psychology from Montana State University and was a two-time All-American gymnast. In 2013, he was inducted into the Montana State University Athletic Hall of Fame. Jeff is married and has four children.

JEANNE MARIE ELLIS, OWNER

JME Group — Austin, Texas "Our mission is advancing yours."

Jeanne Marie Ellis is the owner of JME Group, a boutique firm specializing in advancement strategies for nonprofit organizations, schools and municipalities. Her team provides customized solutions for community relations, strategic planning and resource development.

Jeanne Marie holds a bachelor's degree in Public Relations from Texas Tech University. Her career spans more than 25 years. Prior to founding JME Group, Jeanne Marie was an executive with the YMCA of Greater Williamson County, where she led marketing and financial development, working alongside Jeff Andresen and others to develop partnerships and advance the Y mission. She also directed public relations for a large school district and various hospitals. Jeanne Marie has served on the YMCA of Austin Metropolitan Board and was a board chair for their downtown branch, TownLake YMCA. In 2012, she received the YMCA of Austin Gerald T. Olson Distinguished Service Award.

Jeanne Marie is married and has two children. During free moments, she writes fiction, studies dance, plays the bassoon and designs jewelry for charity auctions.

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EXECUTIVE SUMMARY

It's ironic that as we sit here in the 21st century, some of us as YMCA professionals have the audacity to claim that partnering is our generation's innovative contribution to advancing the YMCA movement.

If one thinks back to the time of the industrial revolution, the YMCA's approach to addressing social ills was to gather young men together. Whether it was for Bible study or community betterment, the belief was that people aligned in a common purpose can achieve more. Isn't the act of bringing people together and capitalizing on the benefits of a collective the cornerstone of any partnership?

Are we audacious? Or is this generation of YMCA leadership truly innovative in our continual quest to maximize mission impact? Perhaps our enthusiasm for the greater good can be misinterpreted as audacity. Perhaps it is enthusiasm, (rather than audacity), that compels us to be inclusive in our approach to addressing community needs. There is something in the DNA of good YMCA professionals that drives us to look for better ways to find solutions and often the better way involves others. There is a very fine line between enthusiasm and audacity. Regardless of how it shows up, it represents motivation. Most likely, the evangelical driving force that inspired our peers of old reflects the same fervent inspiration that motivates many of us to seek nontraditional solutions to further our mission.

Historically, the YMCA's "partnering wheelhouse" was program-service focused. The managerial skills required for this level of collaboration are now commonplace and a hallmark expectation of all YMCA professionals. Today's partnership models include a wide range of nontraditional components such as capital asset ownership arrangements, multi-layered financing, legal requirements regarding the use of public funds and a multitude of long-term agreements. The skills required for this level of partnership are far more complex and ultimately have long-lasting implications for future generations of the YMCA leadership who inherit these agreements. That being said, why would today's YMCA professional be enthusiastic about pursuing these complex relationships? It is because when successful, the efficiencies and mission impact for all partners are significant.

There are leaders in the movement today who are pioneering and perfecting the intricacies of municipal partnerships. Identifying trends and best practices in the process will benefit other YMCA leaders who are seeking guidance as they explore municipal partnerships. For this reason, in September of 2012, the CEOs from the Mid-Major Group of the YMCA decided to commission a study that would:

1. *Demonstrate how YMCA work is strengthened through municipal partnerships*
2. *Utilize an objective survey tool to gather specific information on partnerships resulting in:*
    - *Significant, jointly-funded programs, facilities and/or other community assets*
    - *YMCA as either sole operator or part of a joint operating agreement*
3. *Identify universal components of successful municipal partnerships*
4. *Use the findings to identify meaningful tools needed to help YMCAs confidently identify and establish sustainable municipal partnerships.*

The preliminary findings of this study were presented to the Mid-Majors group in September 2013. Ideally, this report will provide a beneficial tool for those YMCA leaders who are embarking on municipal partnerships.

STUDY PROCESS AND PARTICIPANTS

A small taskforce of YMCA executives was established to support the research process for this study. The taskforce helped develop the survey tool to ensure universal relevance of the data collected. Members included:

Jeff Andresen	*YMCA of Greater Williamson County* *Round Rock, TX*
Jan Brucato	*YMCA of the USA* *Chicago, IL*
Danny Carroll	*Peninsula Metropolitan YMCA* *Newport News, VA*
Dan Dummermuth	*YMCA of Middle Tennessee* *Nashville,TN*
Doug Kohl	*Akron Area YMCA* *Akron, OH*
Sandy Morander	*YMCA of Greater San Antonio* *San Antonio, TX*
Dane Woll	*YMCA of Southern Arizona* *Tucson, AZ*

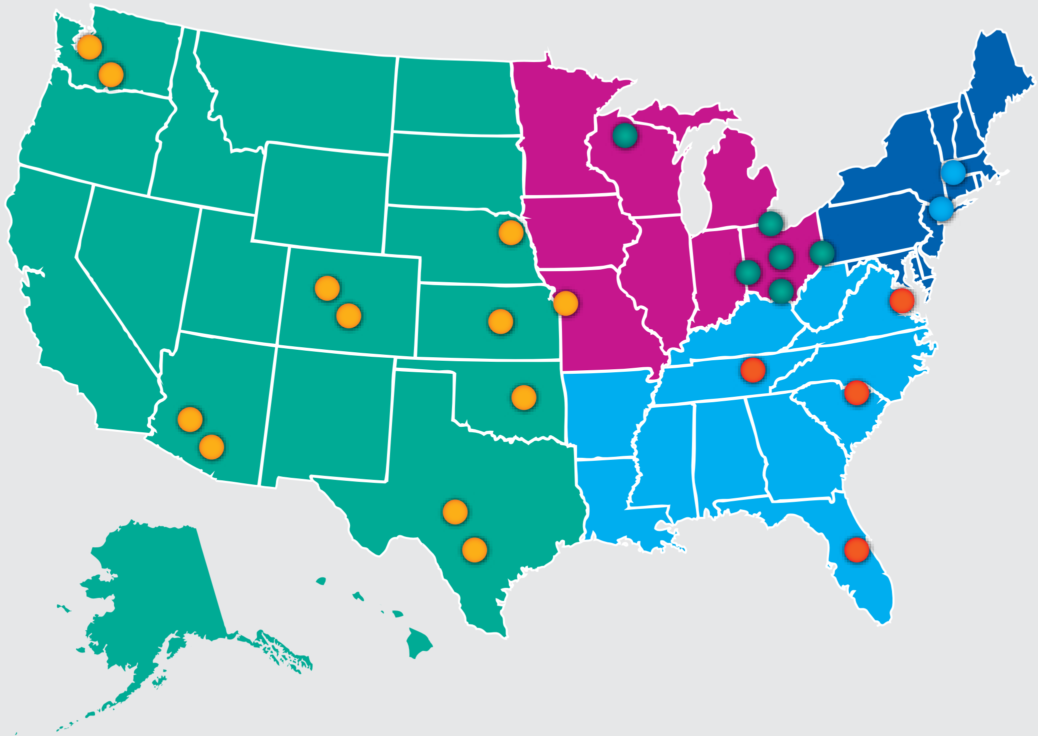
Data for the study was collected via a telephone survey containing 20 questions. The taskforce developed these questions to objectively explore:

- *Partnership Types and Classifications*
- *Partnership Development/Due Diligence*
- *Contractual Phase*
- *Community Impact*

Research participants represent a sample of YMCA/municipal partnerships with demonstrated success and a cross-section representation of YMCAs by region. Participants self-identified or were recommended for participation by YMCA leadership. A breakdown of study participants is detailed in Table 1.

TABLE 1:

STUDY PARTICIPANTS



WEST

Greater Wichita YMCA (KS)
YMCA of Greater Kansas City (KS)
YMCA of Greater Oklahoma City (OK)
YMCA of Austin (TX)
YMCA of Greater San Antonio (TX)
YMCA of Southern Arizona (AZ)
Valley of the Sun YMCA (AZ)
Denver Metropolitan YMCA (CO)
YMCA of the Pikes Peak Region (CO)
YMCA of Greater Omaha (NE)
YMCA of the Inland Northwest (WA)
YMCA of Pierce and Kitsap Counties (WA)

SOUTHEAST

Peninsula Metropolitan YMCA (VA)
YMCA of Greater Charlotte (NC)
YMCA of Memphis and the Mid-South (TN)
YMCA of Central Florida (FL)

MIDWEST

Akron Area YMCA (OH)
YMCA of Central Ohio (OH)
YMCA of Greater Cleveland (OH)
YMCA of Greater Dayton (OH)
YMCA of Starke County (OH)
YMCA of the Fox Cities (WI)

NORTHEAST

YMCA of Metuchin, Edison, Woodbridge and South Amboy (NJ)
YMCA of Metropolitan Hartford (CT)

NORTHEAST	2
SOUTHEAST	4
MIDWEST	6
WEST	12

24 TOTAL

CREDIBILITY = A SEAT AT THE TABLE

At the beginning of each telephone survey, every participant—without exception—emphasized the significance of establishing and maintaining a reputation of credibility prior to pursuing a partnership opportunity.

Credibility—being worthy of trust—is the primary foundation upon which long-term relationships with potential partners can be built. Excerpts of these comments are listed on page 9.

Historically, nonprofits have stayed in a reactive, responsive role, often categorized for good work in a specific service niche (Whitaker & Drennan, 2007). In recent years, nonprofits have gradually earned a reputation as an obvious first choice to share the burden of resolving complex quality-of-life issues that face society as a whole (Bryson, Crosby & Stone, 2006). There are circumstances where municipalities and big business recognize the resources that nonprofits can bring to the table to garner support and maximize community impact (Whitaker & Drennan, 2007). In these cases, the choice to bring the nonprofit to the table is a reflection of specific leadership characteristics that are recognized and valued by potential partners.

In 2012, Jeff Andresen authored a white paper that specifically explores these specific leadership characteristics. Utilizing data from three comprehensive case studies, "Influencing Social Change: Getting a Seat at the Table" offers four primary messages to the reader:

1. *Specific leadership skills are required for nonprofit leaders to get a seat at the table where social change is affected.*

2. *Three examples of leadership styles that demonstrate superior performance and an extraordinary ability to galvanize support for social change.*

3. *Barriers for nonprofit leaders to attain superior leadership skills.*

4. *Solutions for nonprofit leaders to attain and master superior leadership skills.*

The pioneers highlighted within these case studies significantly raised the public perception of nonprofit organizations with regard to driving social change that resulted in significant, efficient and tangible community benefit. Their success can be attributed to the superior mastery of a singular or blended leadership style,

INTERVIEW EXCERPTS

WHAT BUILDS CREDIBILITY?

"Be proactive even before the partnership opportunity presents itself. Get your staff involved in the community. Be of service."

Bill Breider
YMCA of the Fox Cities - Appleton, WI

"You must have a history of being trustworthy and doing what you say you will do."

Jim Ferber
YMCA of Central Florida - Orlando, FL

"Be intentional about building relationships so that potential partners understand who the Y is, what we do, and why we do it."

James Finck
YMCA of Austin - Austin, TX

"Engage in meaningful work with potential partners and invest in them. This will establish allies, advocates and folks who are willing to take a risk with you and invest their resources."

James Morton
YMCA of Metropolitan Hartford

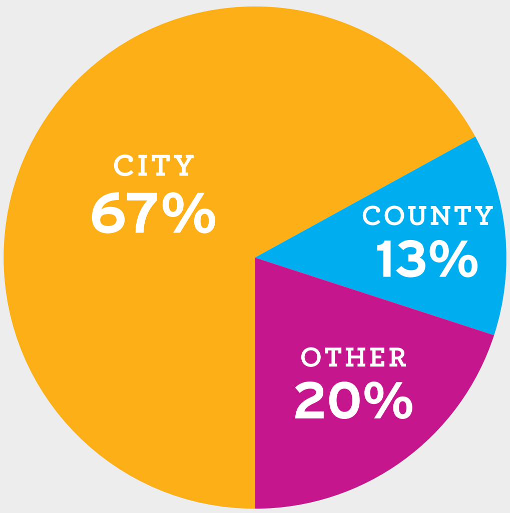
deeply rooted in a guiding principle and primary motivation, along with the ability to effectively demonstrate the value he or she provided to address the social issue at hand. Leaders with these attributes are unique. While many nonprofit leaders may strive to sit at the table, providing input on public policy and social issues, many do not possess the inherent skills universally recognized by others. Without leaders who have mastered these skills, the role of the nonprofit as a key partner for influencing social change will not exist or will be significantly marginalized. Bottom line: the perception of a leader's ability to bring benefit to a partnership is the basis for credibility and ultimately, participation.

TYPES OF PARTNERSHIPS

While many of the interviews resulted in identification of partnerships that included multiple agencies, in most instances, it was evident that a primary partner existed. Primary partners and partnership classification are detailed below.

STUDY FINDINGS: TYPE OF PARTNERSHIPS

Primary Partner



** School district, hospital, university, private company*

Classification

75%............**Operation of a New Facility**

67%............**Operation of an Aquatics Complex**

42%............**Various Classifications****

33%............Co-funding of a Significant Program

33%............Joint Operation of Significant Program

33%............Operation of a Park Program

29%............Operation of an Existing Facility

25%............Operation of a Senior Center

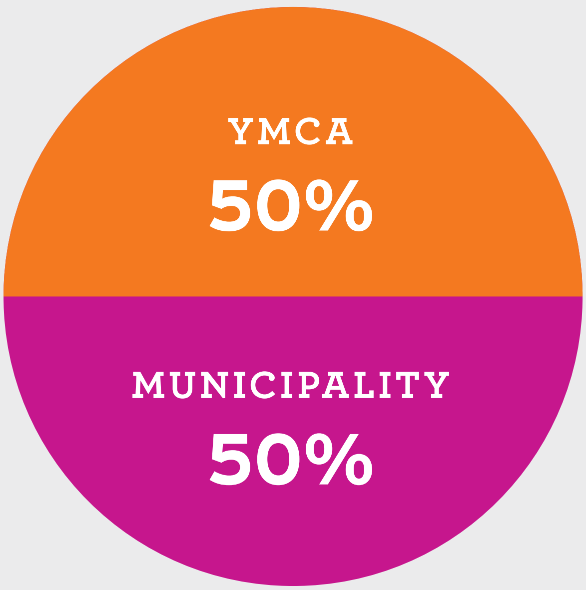
*** Land lease, college services or programs, other educational programs, hospital services or programs, sports complex/destination. Some respondents added operational subsidy/funding for operational deficit as a classification.*

STUDY FINDINGS:
PARTNERSHIP DEVELOPMENT

Interestingly, as shown below, the study revealed that conversations about partnering were initiated as frequently by the municipality as the YMCA. The term “primary driver” refers to both the people and the process that served as the tipping point for the partnership development process.

STUDY FINDINGS: PARTNERSHIP DEVELOPMENT

Who Initiated the Partnership?



PRIMARY DRIVERS

- **46%** Advocates within municipal leadership
- **38%** Third party data which verified community need
- **33%** Well-defined value propositions for all parties
- **29%** Pre-cultivated relationships utilizing tours, awareness-building techniques

PRIMARY DRIVERS

- **38%** The YMCA was the only agency contacted
- **21%** The YMCA responded to RFP developed specifically for the YMCA
- **17%** Other*

* Developer with deep pockets, city leadership on the board, healthy combination of public and private meetings, foundation of trust already existed

SETTING THE STAGE FOR SUCCESS:
DEFINING THE VALUE PROPOSITION

Overwhelmingly, study participants emphasized the importance of articulating the value their YMCA brought to the overall collaborative effort. The act of articulating value to potential partners is called the "value proposition." This is the tool used to validate why a potential partner should collaborate with others to create a community benefit. It demonstrates that working together adds more value, versus attempting to meet a community need independently.

While this may sound simplistic and obvious, it is truly the foundational starting point that galvanizes a group to work collectively. Successful collaborations require each of the partners to bring something of value to the table. Everyone around the table must universally recognize the value of each partner and appreciate their role (London, 1995). But it is more than that. Each person must believe that other table partners have the "greater good" first and foremost in their motivational hierarchy. "Greater good" trumps individual partner value. This sense of "greater good" is the glue that holds the group together throughout the complexities of the partnership development process and allows the community value to prevail.

MOTIVATING FACTORS FOR PARTNERING

Collaborative efforts often start as a result of the internal identification of unmet needs. From the YMCA's perspective, unmet needs are typically identified through the strategic planning process. Through their strategic planning process, YMCA leaders identify gaps in service, unmet needs, lack of financial capacity, etc. with regard to mission service delivery. As a result, some YMCAs look outward for solutions. When asked about the primary driver for pursuing partnerships, the study participants categorized them as noted below.

STUDY FINDINGS:
VALUE PROPOSITIONS (YMCA)

Expanded Service Area	**92%**
Capital Funding	**75%**
Minimizing Risk related to serving special group(s)	**63%**
Emerging Market	58%
Low Income Area	46%
Under-populated Area	29%
Unique Population	46%
Joint funding/other operational benefit (program)	**46%**
Revenue Generaged from a Management Contract	**38%**
Other*	**8%**

** Alternative funding options for fast-tracking facility development, building community relevance, boosting quality of life*

MOVING FROM INTERNAL MOTIVATION TO VALUE PROPOSITION

Ironically, many of the study participants described the existence of a similar dynamic happening almost simultaneously with their municipal partner. The term "stars aligning" or "perfect storm" were common phrases used to describe this phenomenon. In instances when a YMCA and a municipality are wrestling with how to address unmet community needs, what inspires them to collaborate? At this point in the process, it is highly likely that neither of these groups is aware that their internal need is parallel to an unmet need of another community agency. Study participants referred to the eventual recognition process as "mission alignment" and referenced it as a fundamental building block of preliminary discussions.

Each partner must be able to present value to the potential partners in a way that is universally understood. When properly articulated, a viable value proposition will not be self-serving or motivated by individual gain.

Recognition of an unmet need does not represent a value proposition for either partner. In order for an identified need to qualify as a "value proposition," each partner must be able to articulate how their organization can contribute to a collaborative solution.

Each partner must be able to present value to the potential partners in a way that is universally understood. When properly articulated, a viable value proposition will not be self-serving or motivated by individual gain. Furthermore, the value proposition must be delivered using a method that is easily understood by paid professionals, as well as lay leaders and elected officials. Tables 2-6 illustrate an objective way to present value to a potential municipal partner.

VALUE PROPOSITION OVERVIEW

When considering the cost of operating a recreation facility, there are universal costs that exist, regardless of ownership and operations. From a YMCA's perspective, the cost of constructing, equipping, operating and maintaining a facility is not much different than a municipal recreation facility of similar size. The real difference is in the YMCA's ability to recapture those costs associated with capital debt, equipment, annual operations and long-term maintenance through our expertise in fundraising and service delivery. Municipalities are often placed in the difficult position of subsidizing recreational amenities due to taxpayer intolerance.

This model, which does not rely on 100% recaptured costs, can eventually force the municipality to reduce recreational services in order to meet the required core service needs (emergency services, water, sewer, etc.).

The intent to improve quality of life does not end with the capital investment for a recreation facility. This capital investment is often eclipsed by the ongoing cost of an unsustainable operating model. The YMCA's value proposition lies in its ability to paint a picture that illustrates its ability to successfully share the financial risk of providing this community benefit, while meeting the community's expectation for quality of life as it relates to recreation.

The value proposition can be effectively articulated by presenting a logical illustration which outlines the costs of constructing, operating and maintaining a facility, regardless of ownership. The approach should establish a common understanding of how costs and risk can be shared if a partnership exists. These costs/risks should be detailed over the term of facility use. For the purpose of this illustration, a term of 20 years is utilized. While cost of construction and municipal recapture rates may vary, typically the municipality will be aware of local construction costs and the recapture rates of not only their city, but also typical municipal standards. The illustration serves as a baseline example to establish how the municipality can achieve monetary value and shift risk. Table 2 shows step one of this process, which is to define typical costs for construction, operations, equipment and capital maintenance costs over the life of a facility, regardless of ownership. This example assumes $10 million capital construction, $2 million annual operating budget ($40 million over term with a 50% recapture rate, which amounts to a $20 million dollar unrecovered operating subsidy), initial $1 million FF&E investment, followed by an additional $4 million in equipment replacement and upgrade ($5 million over term), and $80,000 average annual capital maintenance and repair and replacement costs ($1.6 million over term). The combination of all of the anticipated costs in this example total $36.6 million over the term. This lays the groundwork for the YMCA's value proposition. The next step is to determine how the YMCA can help.

DEFINE THE VALUE PROPOSITION: HOW?

Suppose "Partnersburg, USA" is considering building a recreation center on its own. It is realistic to assume...

Facility Capital	Operating Subsidy	Capital Equipment	Capital Maintenance
(construction)	*($1M annually)*	*(and ongoing equipment investment)*	*(80K annually)*
$10M	**$20M**	**$5M**	**$1.6M**

$36.6M

Define the Value Proposition = Determine how you can help

(TABLE 2)

HOW TO DEFINE THE VALUE PROPOSITION

STEP ONE: DETERMINE YOUR MEMBERSHIP POTENTIAL

Traditionally, membership represents 60% of a stabilized YMCA revenue mix. One of the benefits that the YMCA brings to a partnership is its expertise and success in establishing and maintaining a strong membership base.

In defining your value proposition, the YMCA should focus first on its ability to generate membership revenue. Municipalities typically utilize the terms “annual user” and “day user” rather than the YMCA’s standard terminology “annual membership” and “daily member”. While these terms are obviously synonymous to some, “membership” may conjure a sense of privatization and alarm municipal leadership. Adequate time should be spent on ensuring that regardless of terminology, accessibility for all is not in jeopardy. The YMCA’s operating model relies on a stable membership base, which the YMCA culture fundamentally understands. However, our value-add approach to member acquisition and retention is a concept that most municipalities do not understand or utilize. The use of reliable data is critical to convey the YMCA’s ability to capture our traditional market share, which we require to remain sustainable. To benchmark how YMCAs can perform in various communities, the YMCA of the USA utilized SEER Analytics to establish

DEFINE THE VALUE PROPOSITION: HOW?
Determine your potential market penetration.

	Suburban	Big City Residential	Big City Commute	Town (Pop 50-100K)	Town (Pop Under 50K)
	n=207	n=92	n=64	n=49	n=79
25th Percentile	1.7%	0.6%	.7%	3.0%	4.6%
Median	3.4	1.3	2.4	4.8	8.3
75th Percentile	6.4	2.5	5.6	7.4	13.1
Minimum	0.1	0.1	0.1	0.8	.7
Maximum	48.1	6.9	13.7	34.1	53.5

Source: SEER Analytics

(TABLE 3)

market penetration data related to community size. Table 3 provides an excerpt of this data. In order to establish a fundamental baseline, a YMCA can use the SEER data as a reliable starting point prior to investing in expensive site-specific market research.

Table 3 delineates community size horizontally by category. Market penetration is presented vertically and segmented by comparison (25th percentile, median and 75th percentile). For a readily accepted, conservative example, determine the corresponding size of your community and utilize the median. Once you have identified this information and are ready to present this information to potential partners, fill in the appropriate blanks and utilize a statement such as, in a community like _______, the average YMCA can expect to achieve a _______% penetration rate. This is the first step in the formula of determining how a YMCA can utilize membership revenue to help recapture facility operating and program delivery costs.

The next step in the formula is to use demographic and industry standard information in order to project potential annual membership revenue. Table 4 illustrates this step. Demographic information can be secured from your recent census, your chamber of commerce or local municipality. Insert community-specific information into the formula accordingly. The national industry standard for recreational allowance represents discretionary funds that a typical household will spend annually on a facility membership such as a YMCA. This figure is a reliable data point for any community. As an example, Table 4 reflects a community population of 125,000 with an average household size of 3, which provides you the number of households (41,666) through simple division. Utilizing the SEER data from Table 3, the community size falls between the categories of "town" and "suburban." As stated previously, it is recommended to apply the median penetration rates, which would be 4.1% (a blend of 4.8% and 3.4%, respectively). The number of households (41,666) multiplied by the projected market penetration rate (4.1%) results in the number of membership units that a typical YMCA should achieve at maturity (1,708). Please note that membership ramp-up is not considered in this formula. Due to its unique, site-specific nature, membership growth is a consideration that should be addressed during the formalized market research process.

> *"Do not underplay the added value that the Y brings to the project. Do your homework. Understand your value—be able to quantify it and articulate it."*
>
> ***Doug Kohl***
> ***Akron Area YMCA - Akron, OH***

The median income in this illustration is $60,000. Multiplying the median income by the national industry standard for recreational allowance (1.3%) provides an annual estimation of a potential family membership rate ($780). Dividing this annual rate by 12 will give you a starting point to determine a monthly membership rate ($65). By the same token, multiplying the membership units (1,708) by the annual family membership rate ($780) will provide an overall membership revenue figure ($1,332,240). It is understood that membership rates have not been established prior to this calculation. Indeed, a true mixed rate, established through a determination of membership categories and price point study, is not available at this point in the process.

Keep in mind that this formula is a scientific approach but not an exact science. It is meant to serve as a credible basis for your value proposition which will ideally be confirmed through site-specific market research.

DEFINE THE VALUE PROPOSITION: HOW?

Determine your membership potential.

EXAMPLE:

Population	125,000	
Average Household Size	3	
Average # of Households	41,666	
Average Penetration Rate		
Suburban	3.4%	(4.1% blended rate)
Town	4.8%	

Potential Membership Units *(based on national average)*	1,708
Median Community Income	$60,000
Nationally Recognized Recreational Allowance	1.3% *of annual income*
Projected Annual/Monthly Rates	$780/$65

ANNUAL MEMBERSHIP REVENUE POTENTIAL

$1,332,240

(TABLE 4)

STEP TWO: DETERMINE YOUR TOTAL REVENUE POTENTIAL

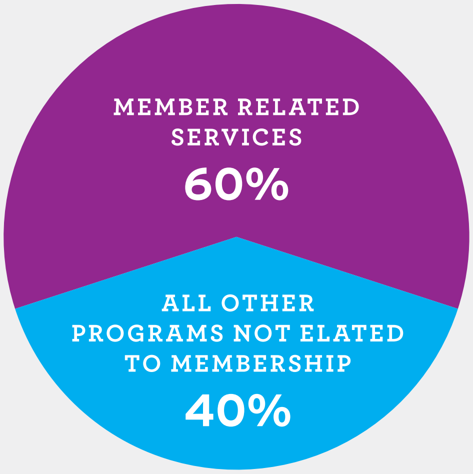
As stated previously, typically membership represents 60% of a stabilized YMCA revenue mix.

In this example the steps addressed in Tables 3 and 4 have provided baseline membership revenue of $1,332,240. The next step is to define the remaining 40% of total potential revenue, which includes revenue generated from any activity that is not included in membership fees. Similar to estimating the membership revenue, this figure is a calculation of the whole. The first step is to determine that the estimated membership revenue of $1,332,240 (see Table 4) represents 60% of $2,220,400 ($1,332,240 divided by .60). This means that the remaining 40% of the $2,220,400 is equal to $888,160 ($2,220,400 x 40%). When the two totals are combined, the total revenue potential is $2,220,400. This represents national YMCA standard operating mix and median community membership penetration rates.

Note: Ramp up is not considered in this formula.

DEFINE THE VALUE PROPOSITION: HOW?
Determine your total revenue potential.

The typical YMCA operates with a 60/40 revenue mix.



STEP THREE: DETERMINE YOUR POTENTIAL OPERATING EXPENSES

In order to provide potential partners with an understanding of the anticipated operating costs, you can utilize the standard operating cost ratios provided by the YMCA of the USA. It is important to keep in mind that these ratios are an average and will vary from market-to-market and do not account for the unique nature of expenses related to the ramp-up phase. When you apply the national operating expense ratios to your total revenue, it is important to verify the actual dollar amounts per category against similar operating costs of a comparable facility and staffing structure. While the YMCA of the USA average staffing allowance is 61%, your local staffing costs may vary slightly and you can adjust accordingly if significant. On another note, if the revenue potential is low, due to small population or low socioeconomic conditions, the average cost ratios provided by YMCA of the USA will be insufficient to fund the operation. In this instance, you will need to adjust the ratios and be prepared to explain how the overall operating costs exceed the revenue potential. However, this is not a reason to forego partnering. Most likely, the YMCA's operating costs will still be significantly less than that of a municipality.

You will notice in Table 5 that the direct operating costs of this YMCA reflect 91% ($2,020,564) of the $2,220,400 total revenue. The remaining 9% is available reserves, debt service, contingency, capital maintenance or other shared partner expenses. In this example, 5% ($111,020) has been set aside for YMCA reserves/ contingency, which leaves 4% ($88,816) for shared partner expenses.

Furthermore, the value proposition is strengthened by the YMCA partner's ability to demonstrate that direct expenses can be consistently managed through operating expertise. Additional value may be brought to the table by dedicating a portion of any surplus to shared partner expenses, once all other operating costs are met.

DEFINE THE VALUE PROPOSITION: HOW?
Determine your operating costs utilizing national YMCA operating expense rations.

Revenue

Membership (should = 60% of overall revenue)	1,708 (4.1% PMP) × $65 (mixed rate) $111,020 × 12 months =	**$1,332,240**
Program Fees (should = 40% of overall revenue)	Community Specific	**$888,160**
	Total	**$2,220,400**

Expenses

Salaries & Benefits	61.1%	**$1,354,346**
Supplies	6.9%	**$153,207**
Occupancy	12.3%	**$273,109**
Other	10.7%	**$237,582**
Total	91.0%	**$2,020,564**
Available for Reserves, Debt Service, Contingency, Capital Maintenance and/or other shared partner expenses	**9.0%**	**5% of Total Revenue for Reserves/ Contingency = $111,020** **4% of Total Revenue for shared partner expenses = $88,816**

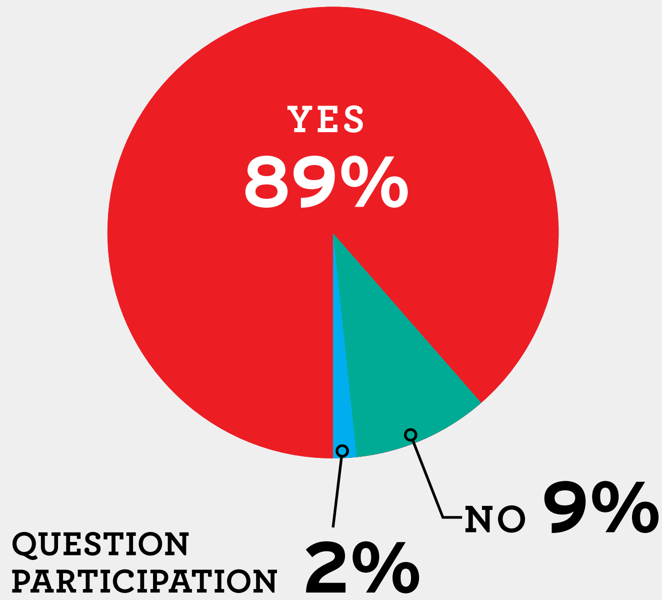
(TABLE 5)

STEP FOUR: DETERMINE YOUR FUNDRAISING CAPACITY

Obviously, fundraising can play a pivotal part in the YMCA's value proposition. Determining fundraising potential is very community-specific.

If fundraising feasibility studies have been conducted, then specifics related to the actual fundraising potential may be utilized. If fundraising feasibility has not been established, then the fundraising potential will be nebulous and may not be a credible component to your value proposition. In Table 6, the example provides fundraising potential established at $3.5 million. In this case, unless restricted, the YMCA may choose to offer the use of these funds to offset the cost of capital, initial equipment and furnishings, or ongoing equipment replacement. Depending on the municipality's capacity to fund capital costs versus equipment or vice versa, use of fundraised dollars will vary.

DEFINE THE VALUE PROPOSITION: HOW?
Determine your fundraising potential.



Limited Fundraising: (approximately $3.5 million)

(TABLE 6)

DEMONSTRATING THE VALUE PROPOSITION

Once all of the above steps have been completed, you will be able to illustrate the potential value of partnering. Going back to the initial example, which defined typical costs for construction, operations, equipment and capital maintenance costs over the life of a facility, we can apply the value proposition details to each cost center.

The original example assumed $10 million capital construction, $2 million annual operating budget ($40 million over term with a 50% recapture rate, which amounts to a $20 million dollar unrecovered operating subsidy), initial $1 million FF&E investment followed by an additional $4 million in equipment replacement and upgrade ($5 million over term) and $80,000 average capital maintenance repair and replacement costs ($1.6 million over term). The combination of all anticipated costs in this example total $36.6 million over the term. In this instance, the value proposition does not affect the total capital construction costs for the facility. The cost remains static at $10 million. With regard to the $2 million annual operating budget ($40 million over term with a 50% recapture rate, which amounts to a $20 million dollar unrecovered operating subsidy), the work completed in Tables 2-6 establishes that the YMCA will be able to underwrite 100% of the costs associated with daily operations at maturity (the formula does not consider loss due to ramp up). Therefore, this reduces the municipality potential financial burden by $20 million over the term. The YMCA's fundraising feasibility study confirmed the potential for generating $3.5 million dollars. Timing for pledge fulfillment provides an excellent approach for the YMCA to fund initial equipment and furnishings purchases, as well as future equipment replacement, reducing the overall cost to $1.5 million. By designating the 4% ($88,816) remaining balance of operating surplus to shared partner expenses, (noted as capital maintenance and replacement costs), the YMCA is further able to contribute an additional $1.6 million. The total YMCA value proposition is $25.1 million over the term of the partnership. In this example, the municipality's original cost expectation of $36.6 million is now reduced to $11.5 million, which is a 2-to-1 community partner match by partnering with the YMCA. The value proposition is illustrated in Table 7.

Note: Formal market research will need to be completed and findings may vary.

DEFINE THE VALUE PROPOSITION: HOW?

Facility Capital
(construction)
$10M

Operating Subsidy
($1M annually)
~~$20M~~
$0

Capital Equipment
(and ongoing equipment investment)
~~$5M~~
$1.5M

Capital Maintenance
(80K annually)
~~$1.6M~~
$0

~~$36.6M~~ **$11.5M**

Value Proposition = $25.1M (2 to 1 Community Partner Match!)

(TABLE 7)

VALUE PROPOSITION TAKEAWAYS

While the obvious measurement for the value proposition is monetary, there are a number of other benefits that are related to this process. An initial sense of credibility can easily be established through the use of data provided by the YMCA of the USA. In addition, the use of third-party studies or data (fundraising feasibility, etc.) can augment the validity of estimated financial resource potential unavailable to government agencies. Furthermore, the YMCA's nationally-recognized service delivery model and commitment to providing financial aid for individuals who would otherwise be unable to afford recreational services, due to financial hardship, is a significant value-add to the value proposition. Possibly, the most beneficial aspect of this approach lies in the fact that it allows for very little financial commitment prior to confirming a partner's interest.

> *"One of our charges is to ease the burden on municipalities, but we cannot risk our own sustainability to do that. The eyes of the community will be on you—you must be able to deliver."*
>
> ***Dan Dummermuth***
> ***YMCA of Middle Tennessee***
> ***Nashville, TN***

DEFINE THE VALUE PROPOSITION: HOW?
Example Summary: Value Proposition for Partnersburg, USA

Value Proposition is ***$25.1M***
over the term of the agreement (20 years)

2 to 1 community partner match!

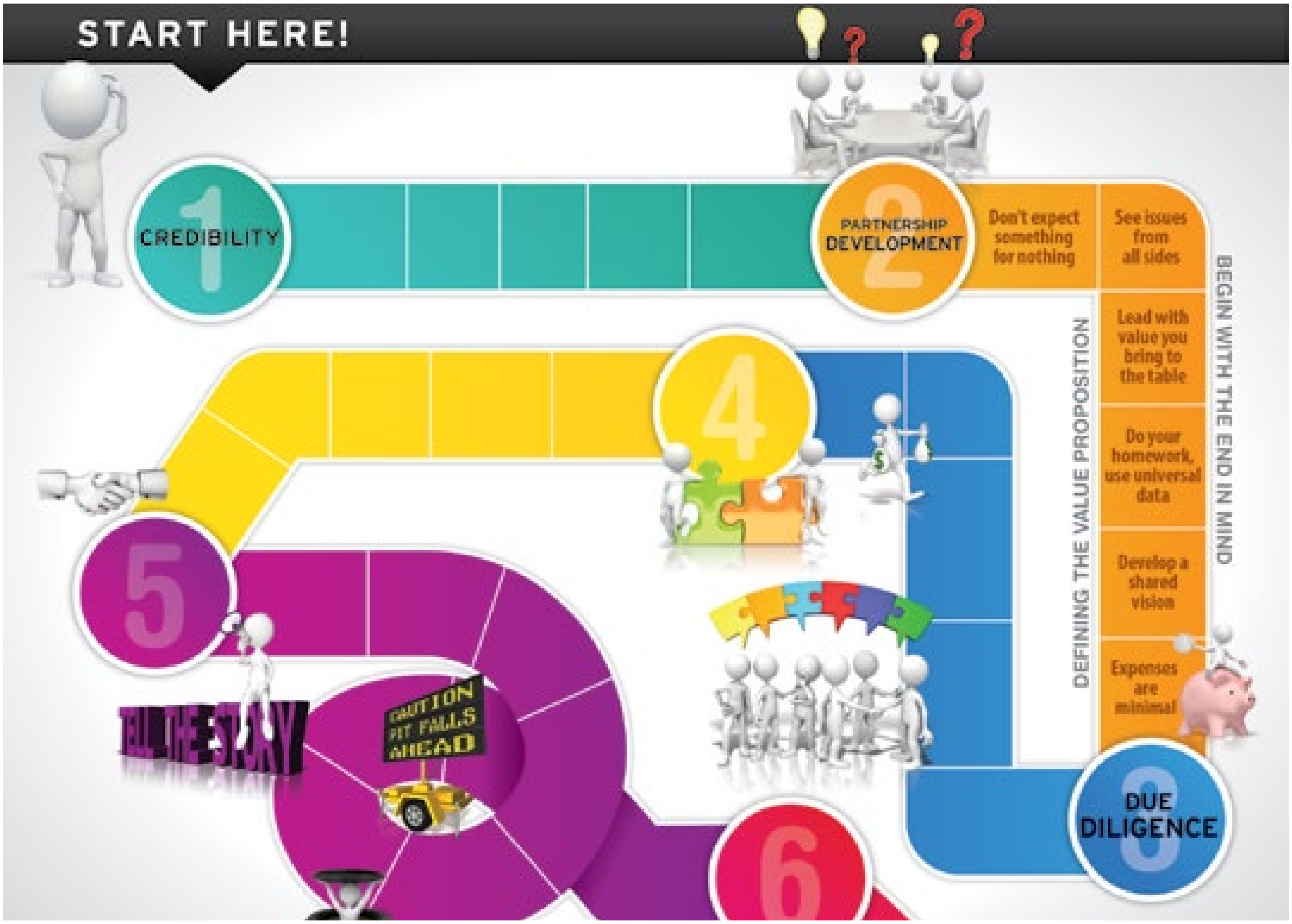
Projections are credible based on...

Minimal money spent at this time/ phase

National Penetration Rates Averages

National Operating Rations

Fundraising Feasibility



STUDY FINDINGS:

TYPICAL DUE DILIGENCE EXPENSES, OUTCOME AND DURATION

Once the value proposition is clearly recognized, the idea of partnering will graduate from being conceptual to being one that merits community-specific research and other due-diligence activities. At this point, resources will need to be spent and the delineation of "who spends what" will need to be determined. The allocation of costs is unique to each project. However, the types of costs are often similar. Participants universally expressed a desire to share costs in order to minimize sunk costs prior to ultimate commitment by all parties. The study provided input related to professional services utilized and how costs are typically shared between the YMCA and municipalities (See Tables 8 and 9). The study also provided information related to the outcome of the investment (See Table 10). This information is categorized by partnerships that included facility-related investments and those that were focused solely on programmatic partnerships. The typical duration of the due diligence process is detailed in Table 11.

STUDY FINDINGS: DUE DILIGENCE

Most Common Professional Services Engaged

75%	Architects
67%	Engineers
63%	Market Research Consultants
50%	Other*
33%	Fundraising Feasibility Consultants
33%	YMCA of the USA
29%	YMCA peers with relevant expertise
17%	Attorneys

**Negotiating consultant, existing data provided by YMCA or partners, municipality peer to peer consultations with other communities, benchmarking data from other YMCAs*

(TABLE 8)

STUDY FINDINGS: TYPICAL EXPENSES

YMCA

46%	Staff Time
38%	Professional Services *(Architect, Engineers, etc.)*
33%	Market research
29%	Legal
21%	None

MUNICIPALITY

38%	Design Development Professional Services *(Architect, Engineers, etc.)*
29%	None
13%	Market research
13%	Land
8%	Paid all expenses

(TABLE 9)

STUDY FINDINGS: DUE DILIGENCE OUTCOMES

OUTCOME	FACILITY	PROGRAM
Operating proforma utilizing market research	83%	17%
Project timeline	83%	21%
Preliminary construction budget	75%	N/A
Approved Memorandum of Understanding	75%	17%
Market research results that clearly defined projected service delivery opportunities and revenue generation potential	71%	13%
Schematic facility design	71%	N/A
Preliminary operating budget which established debt requirements, potential partner capital and operating subsidy, and ramp-up timeline	58%	21%
Potential fundraising target	33%	8%

(TABLE 10)

STUDY FINDINGS: DURATION OF DUE DILIGENCE PHASE

29%........Less Than One Year

54%........1–2 Years

8%........3–5 Years

4%........6–10 Years

4%........Not Sure

(TABLE 11)

NO SHORTCUTS

Market research was utilized by a majority of study participants. While market study research is a commonplace tool for YMCAs, it is not always recognized similarly by potential partners.

This perspective may result in varied commitment levels related to shared costs. Participants were adamant that market research data be used as a credible foundation for operating proformas, facility requirements, debt service capacity and potentially shared subsidies related to operations and long-term maintenance. Significant discussion was conducted with participants regarding market research data that was under-utilized and the retrospective repercussions. An example of the beneficial information generated through market research is detailed in Table 12. This information is invaluable when defining the facility components and phasing necessary to generate anticipated YMCA program and membership revenue.

DUE DILIGENCE: MONEY WELL SPENT

Market Study—tests the facility site for potential unit counts, confirms operating proforma and clarifies the need for an operating subsidy.

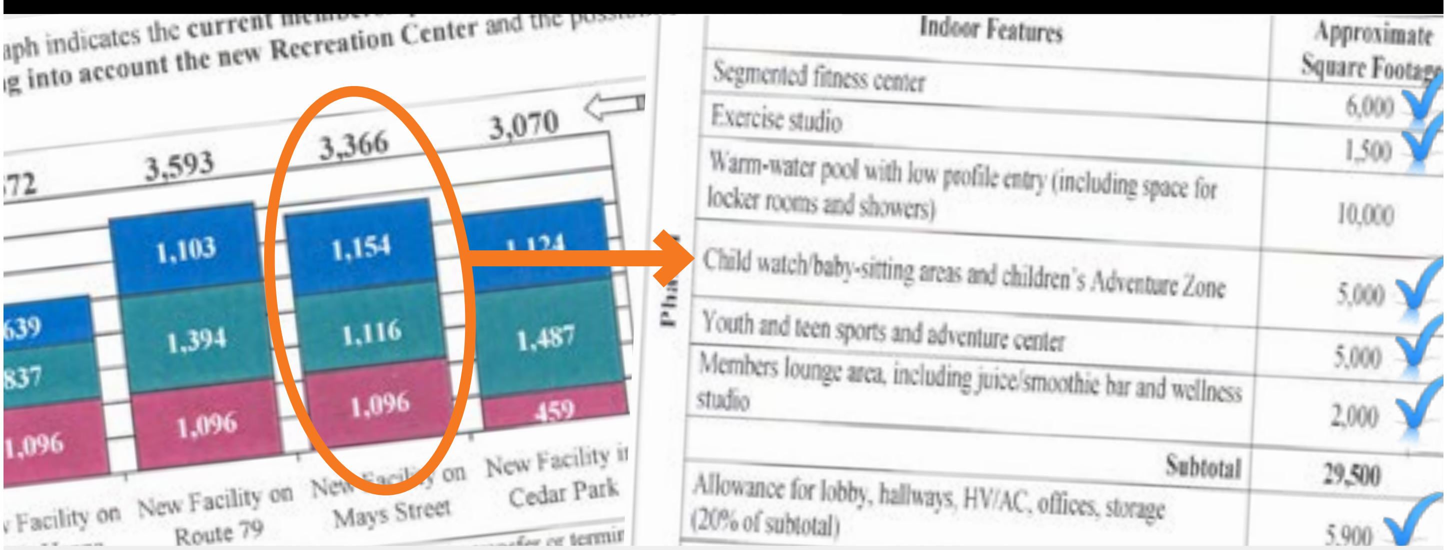
"Always conduct a market study to make sure that what you are doing can support itself and cover appreciation costs. If it is a program, make sure your plan covers escalating expenses over time."

Len Romano

YMCA of Greater Omaha - Omaha, NE

DUE DILIGENCE: WORK THE PLAN

The importance of a market study (continued)



Site specific market research should provide market penetration rates, membership and program price points, facility amenities that relate to potential member use and facility space allocation recommendations. Data points similar to the example above should be utilized as an objective guide.

(TABLE 12)

CREATING THE PERFECT STORM

The processes for securing potential partners varied greatly among study participants. Participants described the need for a "perfect storm"-type environment where the YMCA's timing and that of its potential partners was in sync.

This "perfect storm" relies on the assumption that all partners are in the same place at the same time. This rarely happens. As a result, the due diligence process is elongated. The study identified a unique tool utilized by a YMCA where a request for proposal (RFP) was generated by the YMCA for the purpose of alerting and identifying potential partners. This RFP was successful in clarifying the preliminary commitment levels of potential partners and their due diligence requirements. While this is just one example, study participants universally agreed that the "perfect storm" required the potential partners' ability to confirm the following:

- *What is the incentive/benefit that the YMCA brings to the partner?*
- *What is the incentive/benefit that the potential partner brings to the YMCA?*
- *How does this potential partnership benefit each partner's mission and the community?*
- *What steps are necessary in order to formalize an agreement?*
- *How does each partner's commitment and funding time line affect the proposed project schedule?*

Municipalities have many options related to how they fund capital improvements. Certain funding mechanisms and debt issuance models have taxable implications related to the operator's tax status, sub-lease arrangements, etc. Due to these restrictions, if the YMCA is considering pursuing additional partners to occupy a facility that is wholly or partially funded by a municipality, it is critical to determine whether a potential tenant complies with the municipality's intended funding parameters.

"Patience and perseverance are crucial. There may be times when there is no dialogue with the potential partner about moving forward. Just be patient and remain open to continuing to dialogue."

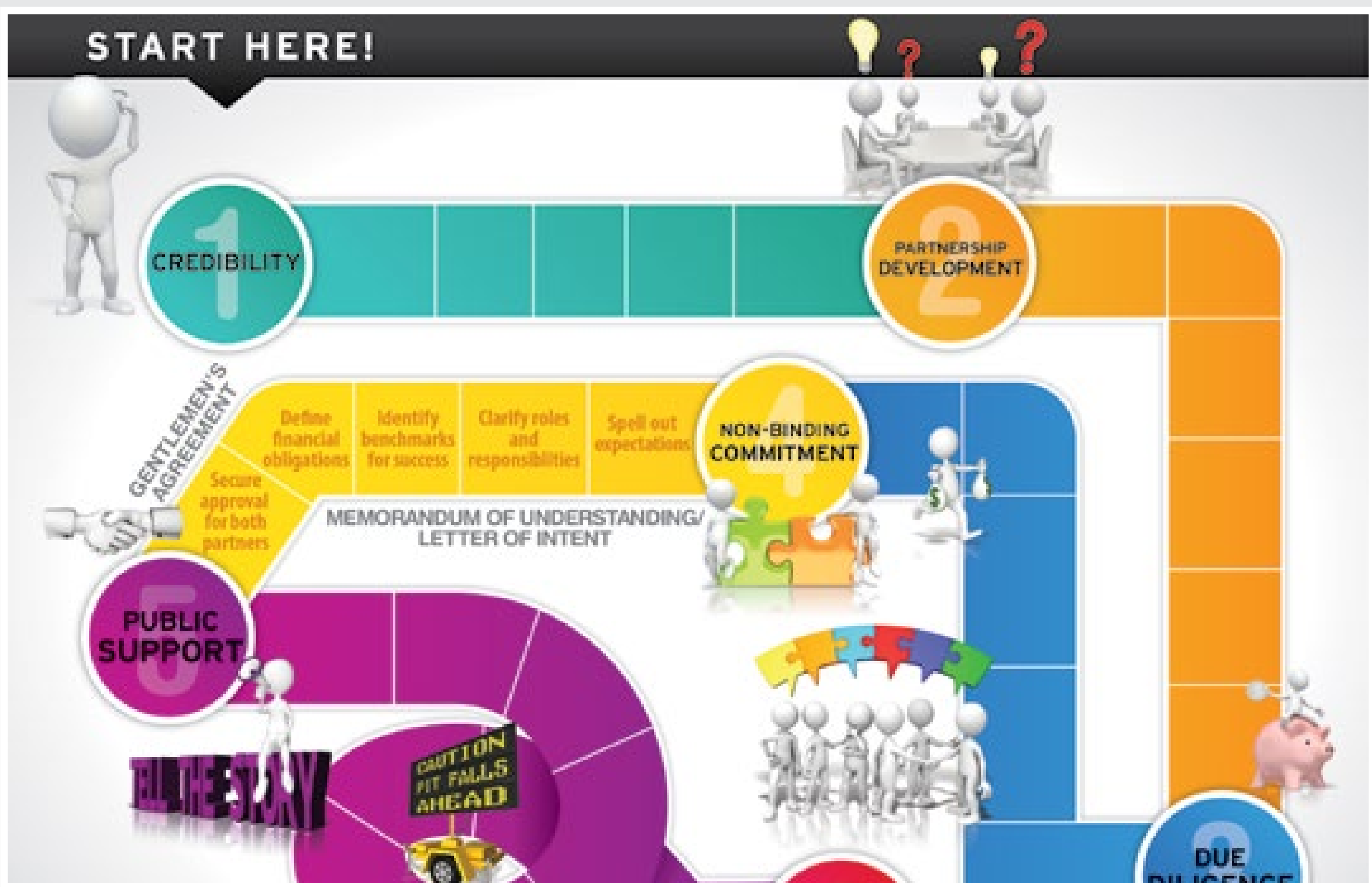
Mike Grady

YMCA of Greater Oklahoma City
Oklahoma City, OK


START HERE!
CREDIBILITY
PARTNERSHIP DEVELOPMENT
NON-BINDING COMMITMENT
Share costs
Determine fundraising capacity
Define operating surplus
Reserve opportunities
Conduct market study
INITIAL VERIFICATION OF CAPACITY
Explore municipal funding options
DUE DILIGENCE
BEGIN WITH THE END IN MIND
TELL THE STORY
CAUTION PIT FALLS AHEAD
1
2
3
4
5
6

MEMORANDUM OF UNDERSTANDING

While it is understood that the Memorandum of Understanding (MOU) is a non-binding document, it doesn't preclude the need to be comprehensive with an emphasis on simplicity and clarity. Ultimately, the better the Memorandum of Understanding, the more likely this document will evolve into the framework of the long-term contract. At this stage of the partnership process, many unknowns may still exist. This study concluded that many of the participants' MOUs included assumptions due to timing. These assumptions took into consideration anticipated benchmarks that were necessary for the project to move forward. This did not preclude the MOU from being activated prior to reaching the various benchmarks. For example, the success of a future bond election, which would allow a municipality to participate financially in the partnership, may be a benchmark that is referenced in the MOU as a requirement that is anticipated but not yet achieved. The essential elements that will be included in the contract should be included in the MOU as if the project will move forward—not in detail, but in simplistic clarity—and should define each partner's responsibilities, financial investment, asset ownership, term and community benefit.



BUILDING PUBLIC SUPPORT

Historically, community recreation centers are a component of a municipality's service delivery system. As a result, they tend to be included in their traditional funding process, where community needs are identified and the community is willing to support capital expenses.

If funding is secured, operations are provided and underwritten by the municipality – similar to the way a municipality approaches service delivery for their core services. The Y needs to remember that this process (from inception to funding approval) brings with it an emotional tie among municipal leadership and staff just as it would within the YMCA. It should be assumed that a municipality that is sophisticated enough to carry a community center concept through all these phases is also sophisticated enough to determine how they will internally fund operations. As stewards of public funds, the community expectation is that their motivation will be driven by maximizing community value, while minimizing taxpayer burden.

Our ability to relate to the emotional aspects of the municipal process, as well as our shared commitment to the philosophy of stewardship, sets the YMCA apart from other potential partners. Utilizing this platform of mutual respect as the foundation for establishing trust is perhaps the most critical cornerstone of the partnership development process. We must resist the trap of assuming that only the YMCA understands the high calling of stewardship when in fact, stewardship is inherent to those municipalities that value the potential partnerships may offer. Our tax-exempt status brings with it the responsibility to ease the tax burden. Likewise, municipalities have the responsibility to challenge the nonprofit sector to assist them to do the same. This mutual perspective is the catalyst for creating the "perfect storm."

The majority of study participants stated that funds for their partnership project were secured by the municipality prior to partnership discussions. Typically, public funds are secured for a recreational project, and the city chooses to solicit for an operating partner. In this case, the process of building support for a YMCA's involvement is related to the municipality's choice regarding facility management. Galvanizing public support for the YMCA as the operator of choice depends primarily upon the YMCA's reputation and our ability to:

1. *Demonstrate community value related to quality program delivery*
2. *Minimize ongoing taxpayer burden associated with facility operations, and*
3. *Ensure that community access meets public funding parameters*

Overwhelmingly, the study confirmed that success was rooted in positive relationships between YMCA staff and city administration, complemented by the relationships between YMCA volunteers and elected officials. In the communities where the municipality and the YMCA had an established relationship (i.e., the municipality outsourced programs to the YMCA), the partnership development process for a community center was embraced more readily. The YMCAs that are proactive participants in their community's approach to addressing social needs tend to be included in the early stages of a municipality's strategic thinking. This is differentiated by public funds being dedicated to a YMCA versus a "community center" with an unknown operator. In this case, the YMCA's role in garnering public support is much more comprehensive. The public must perceive the YMCA as a community service agency with equal accessibility and universal benefit.

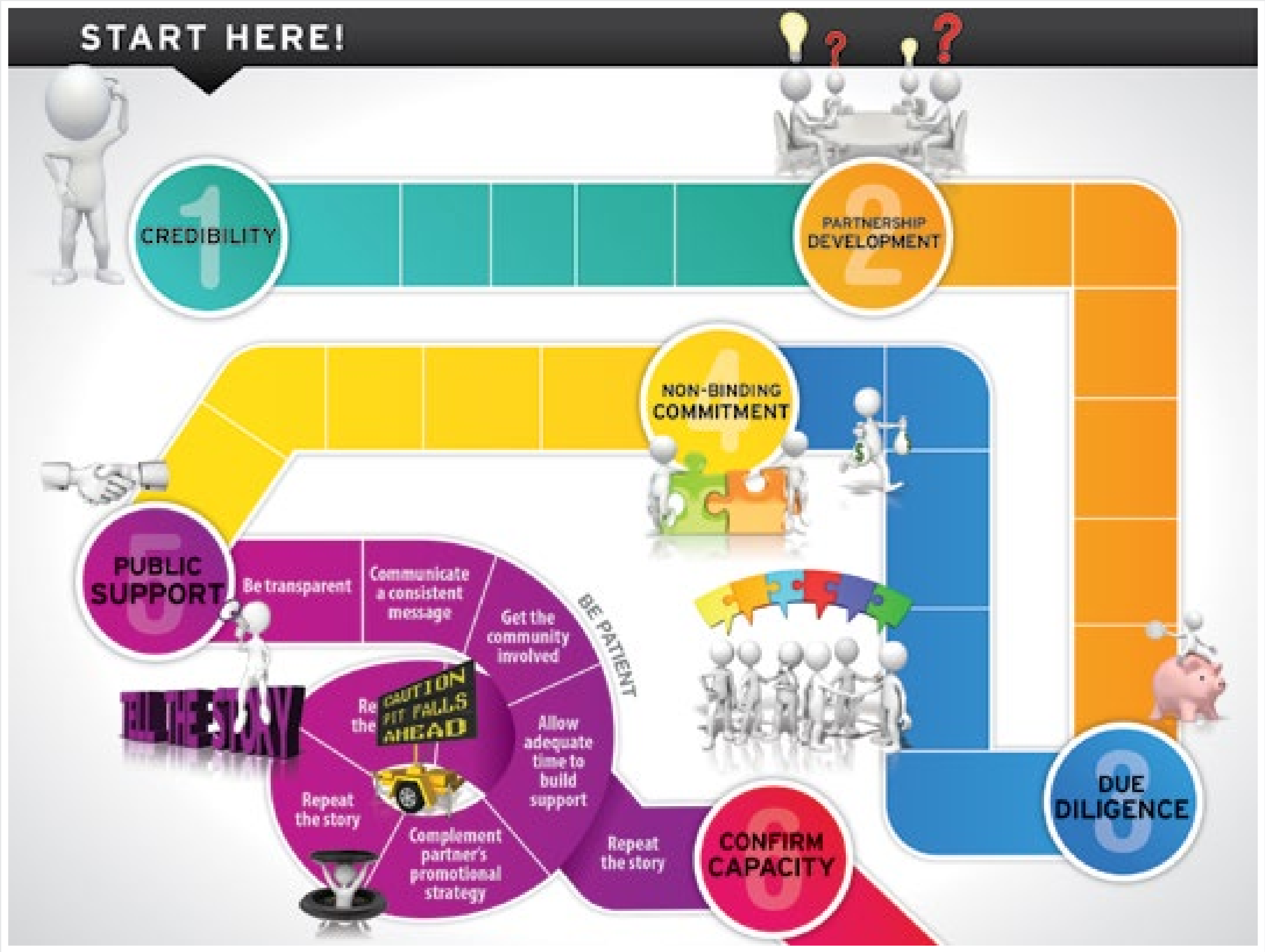
State laws regulate governmental involvement in the promotion of tax-funded initiatives. While these laws vary, typically, the municipality's role is to formulate the parameters for public-funding consideration and provide factual information to the community. In some states, private citizens are allowed to form political action committees for the purpose of promoting publicly-funded opportunities. The YMCA may play a role in community outreach efforts. Typically, these efforts have similar characteristics to our traditional community development initiatives, but may have legal limitations. It is important to be aware of the laws as set forth by the ethics commission in your particular state to determine how the YMCA is allowed to support the process.

"The political process is very, very difficult. The people who oppose a project genuinely believe their position—and they might say some really unpleasant things. It is hard to hear people say unpleasant things, but don't take it personally. Just keep saying what's true. Just keep educating."

Danny Carroll,
Peninsula Metropolitan YMCA
Newport News, VA

"Community buy-in is extremely important. We worked closely with the neighborhood association. It takes more time than you think. Double what you expect it to take, and you might have a realistic timeline."

James Finck
YMCA of Austin
Austin, TX



CONFIRMING CAPACITY: THE TIPPING POINT

The scope of capital projects often escalates in proportion to the level of enthusiasm among those involved. The more partners involved, the higher the likelihood for "scope creep." This "creep" is not only a product of enthusiasm but also is driven by partner-specific spaces that may not exist in a single-occupancy scenario. Funding for common areas or those areas with obvious community benefit may have a higher funding priority than facility areas required by only one partner. If funding gaps develop, they must be underwritten or scope must be adjusted. Typically, facility scope will eventually reach a point where value engineering (the process of determining preferred vs. essential features for each primary user) will help define the financial investment of each partner.

The terms "layered funding" or "gap funding" are commonplace in the private development arena and refer to a scenario where a predominant funding source is supplemented by others. This method of funding is also commonplace in the public/private partnership process. For example, a municipality may determine that their bonding capacity is limited to funding 75% of the total project. In this scenario, the YMCA has the choice to underwrite the remaining 25% on its own or—with the municipality's approval—seek a compatible partner or partners to participate in the process and bridge the funding gap. There is no standard formula for this process. Each scenario is unique and must be addressed according to specific community needs. When utilized effectively, a RFP process similar to the one referenced in "Creating the Perfect Storm" will identify potential partners that may have the capacity and interest to assist in the gap-funding process.

While the gap-funding process may sound foreign or complicated, it essentially requires the same skill set that YMCA professionals have been using for decades. In a very simplistic analogy, the traditional YMCA operating budget depends upon additional funds to supplement membership and program revenue. Supplemental revenue sources are the YMCA's version of "layered" or "gap" funding. Within the YMCA movement, the typical operator possesses an awareness of the inconsistencies surrounding supplemental funding sources. This awareness drives the YMCA professional to be entrepreneurial, collaborative and successful in identifying and securing alternative support. This combination of relatable skills should be leveraged as a value that the YMCA brings to the partnership process. This mindset, so inherent to the YMCA's business culture, is not always a fundamental norm within the culture of municipalities. As a result, the expectations of the YMCA as a partner often include the proactive leadership role in securing gap funding.

"You must have a community builder as your face in the community. There is an expectation that you will be very immersed in the community and that you want to be immersed."

Jim Hiner
Denver Metropolitan YMCA
Denver, CO

"Nothing is confidential when you are dealing with a municipality. Be aware of that when you share information."

Tim Helm
YMCA of Greater Dayton
Dayton, OH

Unresolved gap funding is a common barrier to advancing a successful partnership. Gap-funding solutions should be addressed during the MOU process. Unresolved funding gaps will not garner the council and voter support necessary to secure the primary funding source. Partnerships dependent upon public support will typically require an MOU for the primary funding partner as well as secondary gap funding partners. Educated voters expect and appreciate the total picture with regard to shared accountability. As with the primary partner agreement, the supplemental funding partners' primary commitments may also be contingent upon securing public support. It is a tightly-woven process of trust where the formal partnership hinges on a result that could not take place without every partner's commitment rooted in hope and faith.

THE ANATOMY OF A CONTRACT

The type of agreement used to formalize a private/public partnership depends upon the scope and purpose of that partnership. The delineation of agreements among study participants and an explanation of each agreement category are detailed in Table 13.

While ownership of a facility or land may be assumed or preferred by the YMCA, it may also be assumed or preferred by the municipal partner. In a public/private partnership, ownership preference may be overruled by

STUDY FINDINGS:
TYPES OF AGREEMENTS

Operating	63%
Fee for Service	4%
Operating/Fee for Service	17%
Joint Operating (program)	13%
Home Owners Association	3%

(TABLE 13)

legal requirements regarding the use of public funds. As such, it is prudent to be aware of the legal requirements related to ownership. Prior to initiating the partnership discussion, assumptions related to ownership can lead to misguided expectations. When the parameters of ownership are clearly understood by all parties, the remaining components of the partnership agreement tend to follow accordingly. Laws related to the use of public funds and ownership of capital assets varies from state-to-state. Study participants emphasized the importance of seeking reliable legal counsel related to the options and benefits surrounding this issue. In response to the question of ownership, the majority of land and facilities were owned by the municipality (See table 14).

STUDY FINDINGS:
OWNERSHIP AND OPERATIONAL SUBSIDY

Owns Land	
YMCA	21%
Municipality	79%
Owns Facility	
YMCA	25%
Municipality	75%

(TABLE 14)

More than ever, YMCAs and municipalities are seeking ways to provide recreational services in communities where there is a lack of population or a low socioeconomic demographic. Municipalities and YMCAs have both found that in situations such as these, they face the difficult choice of heavily subsidizing these facilities or not providing services at all on their own. Long-term subsidy is often no longer a viable option for a YMCA or a municipality. Based on the severity of the subsidy required, in these types of communities, both the municipality and the YMCA recognize that an annual operating subsidy will be a reality, regardless of who provides services. This recognition is relatively new. Historically, a YMCA/municipal partnership would place the operating risk on the YMCA regardless of the demographic situation. This new awareness has generated an emergence of partnership models where the YMCA and the municipality are sharing operational subsidy throughout the term of the agreement. The annual operating subsidy terms are clearly defined in these types of agreement (See Table 15).

STUDY FINDINGS:
OWNERSHIP AND OPERATIONAL SUBSIDY

Operating Subsidy?	
YES	54%
NO	46%

(TABLE 15)

During this study, participants expressed interest in identifying, benchmarking and comparing contract components. The results of this analysis are detailed in Tables 16 and 17. The tables are specific to facility-related partnerships and program-specific partnerships.

STUDY FINDINGS:
FACILITY CONTRACT COMPONENTS*

CONTRACT COMPONENT	INCLUDED
Ownership - LAND	**71%**
Ownership - FACILITY	**86%**
Design and Construction Funding	57%
Lease Agreement - LAND	34%
Lease Agreement - FACILITY	43%
Operating Agreement	**90%**
Operating Hours	**81%**
Fees and Scheduling	**76%**
Operational Subsidies (amounts, responsibility)	**76%**
Daily Maintenance and Repair	**86%**
Term and Cancellation	**90%**
Construction of Improvements (funds, obligation)	**71%**
Insurance Requirements and Responsibilities	**95%**
Disputes, Defaults, Remedies and Termination	**86%**
Tax Covenants (YMCA and Municipal)	33%
General Provisions	57%
Special Provisions	52%
Long Term/Major Maintenance (funds, obligation)	**86%**
Applicable Attachments	**71%**
Other (signage, promotion, parking)	57%

**Data reflects 88% of total respondents*
Items listed in bold reflect over 70% of respondents

(TABLE 16)

STUDY FINDINGS:
PROGRAM CONTRACT COMPONENTS

CONTRACT COMPONENT	INCLUDED
Description of Program Partner Responsibilities	**75%**
Participant Fees	45%
Participant Revenue Distribution	40%
Dates of Service	**65%**
Promotion and Public Relations	45%
Insurance	**65%**
Effective Date and Term of Agreement	45%
Modifications	25%
Indemnity and Release	50%
Sponsorship Proceeds Distribution	10%
Termination Agreement	40%
Other - ADA, signage, reduced rates for special group	10%

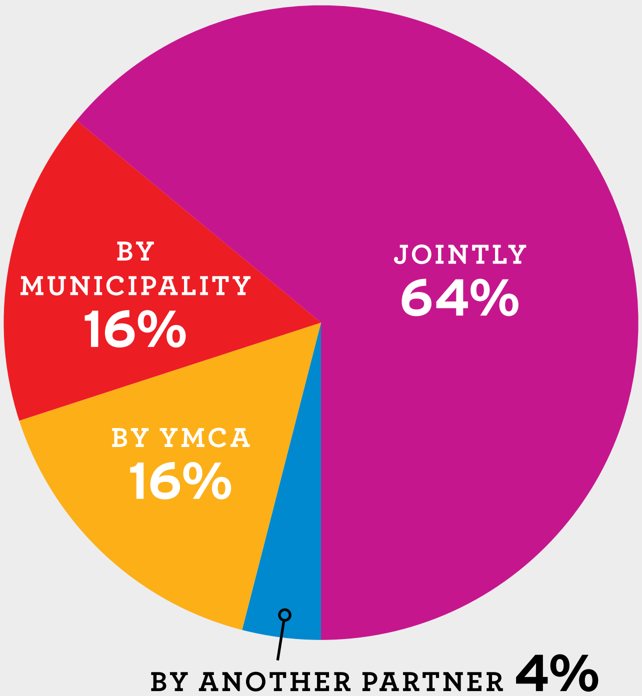
Items listed in bold reflect over 50% of respondents

(TABLE 17)

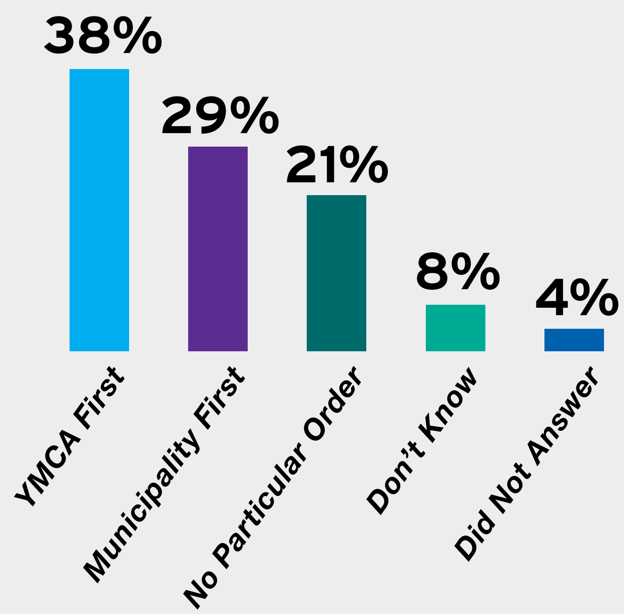
In this study, 64% of the contracts were developed and funded (written and paid for) jointly among the partners. While the timing and order of contract ratification may appear to be a significant issue at the onset (who signs first and when), study participants reported that the significance of this concern typically dissipated as the level of trust increased throughout the partnership development process. See Table 18 for specific statistics related to contract development and ratification.

STUDY FINDINGS: CONTRACT DEVELOPMENT PROCESS

Development and Funding



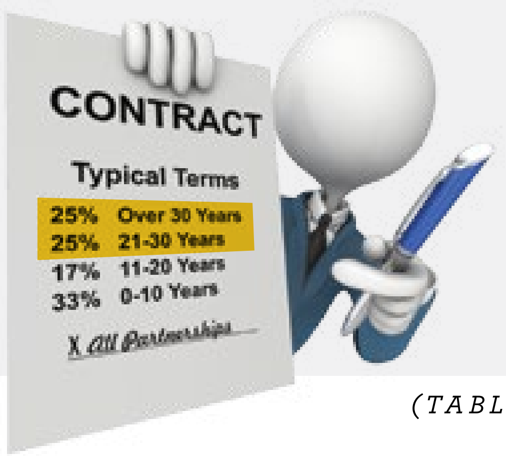
Order of Ratification



(TABLE 18)

Table 19 shows the duration of the typical contract among study respondents. In this study, 50% of the agreements have a term of 20 years or more. The impact of this length-of-term increases the importance of a contractual agreement that will withstand the test of time. Every partnership evolves at a specific time with a group of likeminded individuals. However, the agreement that defines the partnership over the long term must take in consideration the passing of time and leadership. While each partnership is unique, the study participants expressed interest in identifying the core components that should be included in every agreement. This basic "anatomy of a contract" is detailed in Table 20.

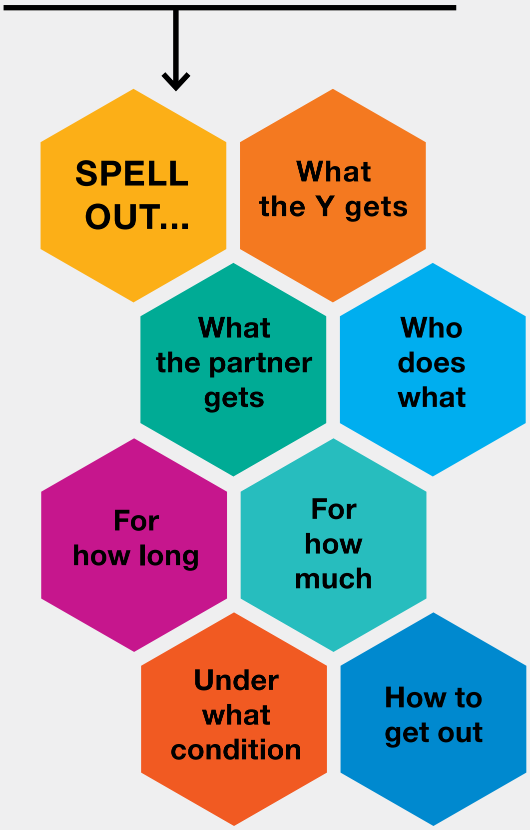
STUDY FINDINGS: TYPICAL CONTRACT DURATION



(TABLE 19)

SEAL THE DEAL WITH A SOLID CONTRACT
Remember, these documents last a lot longer than you.

The basic anatomy of a contract



(TABLE 20)

"Make sure your objectives are clear and in writing. Be sure to determine who is going to be the managing partner and who will coordinate logistics."

Dane Woll
YMCA of Southern Arizona
Tucson, AZ

PRE-CONSTRUCTION PHASE

Study participants emphasized the importance of the YMCAs role in the pre-construction/construction process. In many cases, the YMCA was viewed as a valuable resource due to our extensive background in constructing highly-functional recreation facilities.

While YMCAs often utilize philanthropic and historical relationships to their benefit when constructing an independently-funded facility, the procurement requirements associated with the use of public funds may not allow for this in a partnership arrangement. Approved construction delivery methods for municipalities vary from state-to-state (i.e., construction management at risk, construction agent, design build, sealed bid proposal, etc.). Understanding the benefits and limitations of each method and applying them to your specific project will increase the YMCA's value throughout the process.

THIRD PARTY CONSULTANTS

Study participants emphasized the value of utilizing third party construction expertise to guide the design and construction development processes, value engineering, etc. When YMCAs are constructing projects independently, it is commonplace to utilize third-party construction consultants as a resource for maximizing the value of the project for the dollars spent. Often these third-party consultants are part of YMCA boards and committees and may provide these services on an in-kind basis. However, if in-kind services are not available, the YMCA will find a way to fund these services because the value of professional insight is universally recognized in our industry, which has a long history of facility management.

Another guiding principle used by YMCAs throughout the pre-development/construction process is market research. This information is not shelved once initial need is verified. It becomes road map to the final destination. Participants of this study noted the importance of revisiting initial market research because it is an excellent way to remind each partner of the relevance of the data and to demonstrate that this research informs the process from beginning to end. It is important to remember from Table 17 that the partnership development process may take several years. It is also very dynamic by nature. Many different individuals representing each partner may move in-and-out of the process at various times of the development journey. The timing of each participant may limit their understanding of the rationale for decisions based on market research findings and contractual agreements. Taking the time to educate all partner representatives throughout the process will maintain synergy.

*"Prepare today and tomorrow for those that follow. Every community deserves a great Y, but you have to make sure that you have the leverage from an **enterprise perspective** that allows you to support all of your work and all of your assets **long term**."*

Glenn Haley
YMCA of Greater Cleveland
Cleveland, OH

Concern was expressed among participant CEOs who inherited partnership projects where the market research recommendations did not match the ultimate facility components. Unanimously, these respond-ents recommended a staunch adherence to the market res-earch recommendations, which provide a reliable foundation for future operating performance expectations.

While the use of third-party construction expertise and market research is central to the YMCA's pre-development/ construction process, they may not be included in the municipality's procurement plans and funding allowance. In this instance, many of the study participants funded these costs through the YMCA due to the significance of their value.

- ***Realize that partners are looking to the YMCA for facility-related expertise. Don't be shy.***
- ***Adhere to the findings of the Due Diligence phase (market study).***
- ***Construction delivery methods are mandated by government code. This may compromise benevolent relationships.***
- ***Don't be cheap. Utilize credible third party expertise to ensure that your project is on time and on budget and meets the quality expectations of both partners.***

OUTCOMES, ADVICE AND LESSONS LEARNED

The culmination of the study process focused on mission advancement: partnership outcomes, economic impact, peer-to-peer advice, typical challenges and lessons learned.

Since this type of data is typically more personal in nature, it is not easily captured in a graph/chart format. Despite this, some excellent insight was collected from the study participants through the conversational aspects of the interview process. These details are outlined in Tables 21-25.

STUDY FINDINGS: PARTNERSHIP OUTCOMES*

57%	Met significant community need
52%	Expanded both partners reach into community
52%	Expanded mission – serving more folks
48%	Increased Y's relevance as community partner
43%	Provided much-needed facility for community
38%	Exceeded membership goals
33%	Exceeded market study projections

**Data reflects 88% of total respondents; several facilities pending completion—no outcomes to report during this survey*

(TABLE 21)

STUDY FINDINGS: ECONOMIC IMPACT

65%	Provides Jobs
55%	Municipality funds saved can be repurposed
55%	Improves Quality of Life
30%	Increased Sustainability
25%	Attracts New Residents

(TABLE 22)

STUDY FINDINGS:
TOP 10 PEER-TO-PEER ADVICE

10.
"Make sure your mission aligns with theirs."

9.
"Be patient and persevere. These things take time."

8.
"Understand value proposition and be able to articulate it."

7.
"Develop a consistent message and educate your community from the very beginning."

6.
"Be open and transparent."

5.
"Conduct a market study."

4.
"Take the appropriate amount of time to plan. Whatever you think you need, double it."

3.
"Make sure the project is sustainable (upon opening and over time)."

2.
"Establish trust. Building relationships with municipal leaders on a personal level is critical."

1.
"Establish a shared vision and goals."

(TABLE 23)

STUDY FINDINGS:
TYPICAL CHALLENGES

1. **Communications**
2. **Relationship building within a political environment**
3. **Keeping everyone on the same page**
4. **Political dynamics**
5. **Building trust among municipal departments with a stake in the project—minimizing turf issues** *(ex. Parks and Rec)*
6. **Keeping the finish line in the forefront**
7. **Blending municipal systems with Y systems** *(accounting, HR, facility cleanliness standards, etc.)*
8. **Dealing with the details**
9. **Moving through election changes** *(newly elected leadership may not be committed to your partnership)*

(TABLE 24)

STUDY FINDINGS:
LESSONS LEARNED

- **With regard to contracts:**
    - Lengthen the term
    - Be more specific—won't assume anything
    - Be less specific (too many details get in the way of operations)
    - Always include an option for renewal
- **Make sure efforts are jointly funded from the beginning (market study) of the process**
- **Educate community from "Day 1" as to what their funds pay for—to help clarify the difference between capital funds and membership dues**
- **If a future project requires fundraising in conjunction with a public vote, we will secure donor commitments before the levy/bond election**

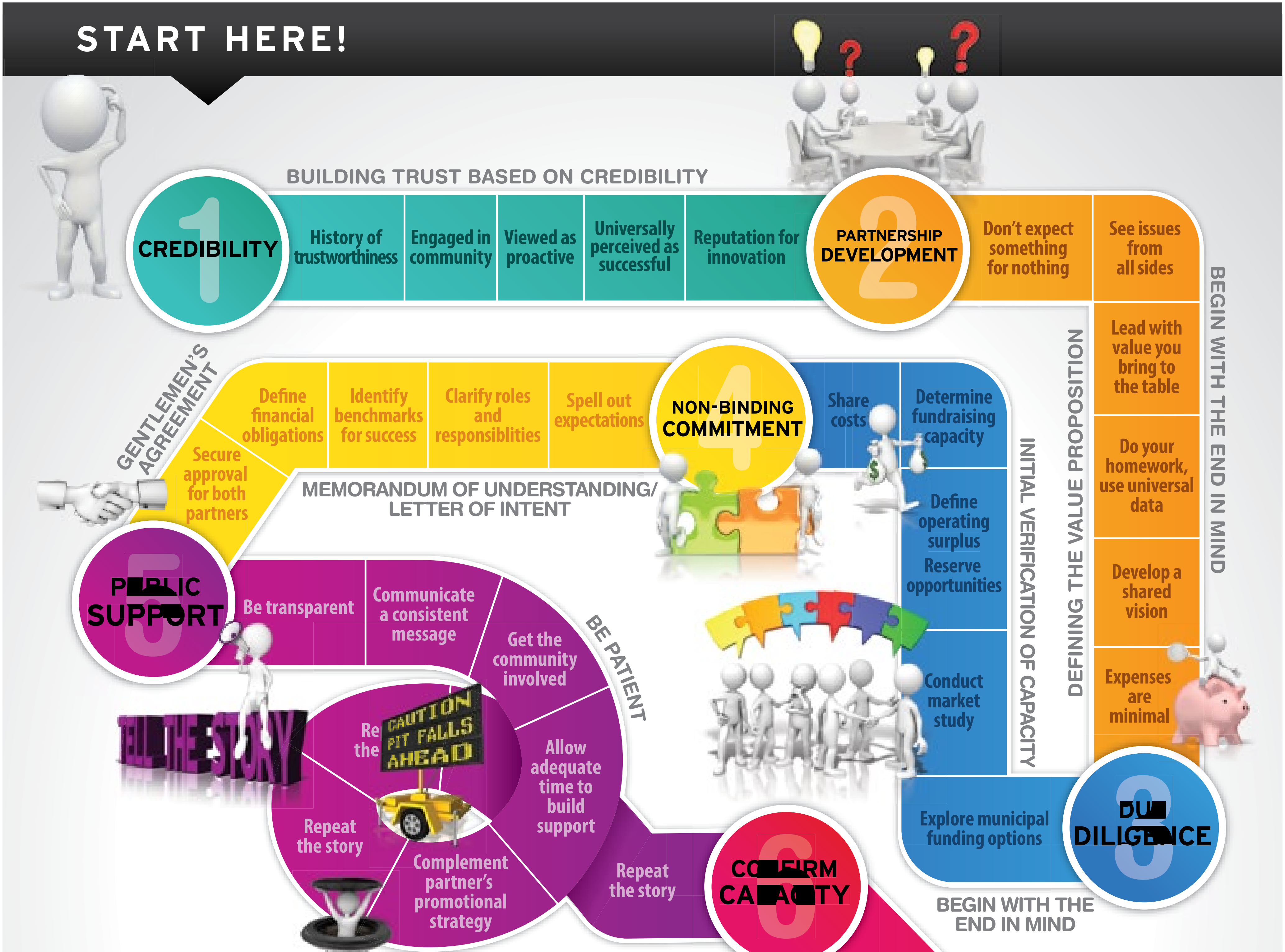
(TABLE 25)

"Stay focused. Do a few things very well and do them to scale. Serve as many folks as you can within the scope of your partnership."

Dennis Schoenebeck
Greater Wichita YMCA
Wichita, KS

"Make sure the playing field is level. In a true partnership model, every partner is equally invested and shares in the collective good or the collective bad."

Sandy Morander
YMCA of Greater San Antonio
San Antonio, TX



START HERE!
BUILDING TRUST BASED ON CREDIBILITY
1 CREDIBILITY
History of trustworthiness
Engaged in community
Viewed as proactive
Universally perceived as successful
Reputation for innovation
2 PARTNERSHIP DEVELOPMENT
Don't expect something for nothing
See issues from all sides
Lead with value you bring to the table
Do your homework, use universal data
Develop a shared vision
Expenses are minimal
BEGIN WITH THE END IN MIND
DEFINING THE VALUE PROPOSITION
3 DU[redacted] DILIG[redacted]NCE
BEGIN WITH THE END IN MIND
Explore municipal funding options
INITIAL VERIFICATION OF CAPACITY
Conduct market study
Define operating surplus
Reserve opportunities
Determine fundraising capacity
Share costs
4 NON-BINDING COMMITMENT
Spell out expectations
Clarify roles and responsiblities
Identify benchmarks for success
Define financial obligations
Secure approval for both partners
MEMORANDUM OF UNDERSTANDING/ LETTER OF INTENT
GENTLEMEN'S AGREEMENT
5 P[redacted]IC SUPP[redacted]RT
Be transparent
Communicate a consistent message
Get the community involved
BE PATIENT
Allow adequate time to build support
Complement partner's promotional strategy
Repeat the story
Re the
CAUTION PIT FALLS AHEAD
TELL THE STORY
Repeat the story
6 CO[redacted]IRM CA[redacted]TY


EXTERNAL PROCESS, PUBLIC
Conduct bond/levy election, sell C.O.s
Vote
Complete private fundraising
Secure additional funding if needed
FOR[redacted]AL CON[redacted]ACT
Use MOU as framework
Establish terms
Delineate roles and responsiblities
Define financial obligations
QUALIFIED LEGAL COUNSEL RECOMMENDED FOR EACH PARTNER
CONTRACT
PROVIDE EXPERTISE
PRE-CON[redacted]UCTION
CONS[redacted]R[redacted]CTION
Use market research for facility design
STAY INVOLVED
Understand local government code
Use qualified project manager
COMMUNITY RECREATION CENTER
NOW OPEN!
FINISH HERE!

In summary, have we answered the question of whether or not the contribution of today's YMCA professionals should be credited as pioneers in partnership? For that, the answer is no. However, the complexity of today's partnerships—which include intricate capital asset arrangements, layered financing and multi-agency, long-term agreements—requires a new type of YMCA pioneer in order to be successful.

Today's pioneers are not dissimilar to our forefathers. The enthusiasm that Captain Thomas Sullivan shared about the good work being done in London by George Williams was replicated in Boston, the first YMCA in America. Likewise, today's partnering pioneers have a contagious enthusiasm for expanding the mission of the YMCA which is cultivated through peer-to-peer modeling. As mentioned in our preface, there is a fine line between enthusiasm and audacity. So, in light of this research, is this generation of YMCA leaders audacious or innovative? They may be a little bit of both. There is a very select group of pioneers that are developing cutting-edge partnerships which are not only complex, but also based on sound principles that require all partners to participate and accept accountability for long-term solutions for community betterment. By its nature, this phenomenon has the potential to breed audacity. So be it. Our conclusion is that this group is demonstrating innovation fueled by motivation in the context of a modern-day America. The YMCA mission has been advanced this way for years. Regardless of the era, every community wants more. In communities where solving social issues is considered a global responsibility and the YMCA is progressive, you will find YMCA leadership at the table with other civic leaders finding ways to do more together for less. Our national tagline, "The Y...so much more" is a perfect reflection of this timeless philosophy of social responsibility beyond our gyms and pools. Time has allowed YMCA professionals to master the skills necessary for collaborative program delivery. Time will also be necessary for YMCAs and municipalities to collaborate effectively when it comes to meeting needs within today's complex social and economic environment. Ideally, this study will be a useful tool in our ongoing quest to positively impact youth development, healthy living and social responsibility.

ADDITIONAL RESOURCES

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