

Improvement/Expansion Plan – 1968 Dues Increase

This section concerns a dues increase in August 1968 occasioned by the new \$1.60 an hour minimum wage law under the Fair Labor Standards Act, and by the Club's need for additional funding for the Club's Improvement/Expansion Plan.¹

Treasurer's Recommendation, April 1968

At the meeting of the Board of Governors on April 24, 1968, the Treasurer submitted a report recommending a dues increase effective July 1, 1968, which the report attributed to the new \$1.60 an hour minimum wage law. On May 28, 1968, the Executive Committee approved the Finance Committee's recommendation of a dues increase to \$35 (up from \$31 per month) for presentation to the Board.

Special Meeting of the Board, June 13, 1968

On June 13, 1968, the Board met in a special meeting to discuss the issue. The Chairman of the Finance Committee, Rear Admiral Kenneth Ray Wheeler, advised the Board that the Club had exceeded the \$750,000 authorization for the Improvement/Expansion plan by \$12,000, that other projects would increase the Club's obligations another \$30,000 to \$40,000, and that a dues increase was imperative even to support an austere program.



K.R. Wheeler

On behalf of the Membership Committee, the Club's Secretary, Colonel Charles Daniel (who was also a member of the Membership Committee) presented three alternatives: 1) do nothing, 2) increase dues 11% across-the-board, or 3) increase dues to \$35 per month for Resident members (except widows and 30-year members over 64 years old), and to \$40 per year for Inactive Resident members. Colonel Daniel advised the Board that the Membership Committee supported the third alternative.²

Considerable discussion ensued as to the merits of this third alternative, because it did not include Absent members. "The viewpoint...[that] received considerable support" was that the Club needed younger members and that an increase in Absent dues would work against this goal. After lengthy discussion, a motion for a 10% across-the-board dues increase received a majority of the votes, but not the two-thirds required. Subsequent motions and amendments brought the Board no closer to a conclusion; the Board voted to table the matter until its next regularly scheduled meeting, on July 24, 1968.

On June 25, 1968, The Executive Board requested Admiral Wheeler to prepare a memorandum for the committee chairmen³ "concerning the fiscal operations of Army Navy Country Club

¹ See the "New Minimum Wage Law, 1967 – 1968" section for more specifics on how the FLSA affected the Club's finances.

² According to the minutes of the Membership Committee's meeting on June 11, 1968, at that meeting the Membership Committee "concluded that its position should be to recommend a \$4.00 increase in the Inactive and Active Resident monthly dues, but also to inform the Board of Governors on 13 June of the effective No Dues raise and a 13% across-the-board increase [sic]."

³ The committee chairman at the time were Admiral J. L. Howard, Finance Committee, Colonel J. H. Hamlin, Golf Committee, Colonel Keith Lain, Green Committee, Captain Charles Stein, Jr., House and Entertainment Committee, Admiral W. A. Schoech, Membership Committee, General R. H. Curtin, Lt. Col. A. C. Schoner, Swimming Committee, and Captain D. L. Munns, Tennis Committee.

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through calendar year 1970.” In response, Admiral Wheeler sent out the following memorandum:

MEMORANDUM FOR COMMITTEE CHAIRMEN

FROM: Chairman, Finance Committee

SUBJECT: Budget Projections for Last Half Calendar Year 1968, Full Year 1969 and Full Year 1970.

1. Last month the outgoing Comptroller-Treasurer [Captain J. R. Ahern (USN)] presented to the Executive Committee a cash flow analysis for the club projected over a 30-month period commencing 1 July 1968. His analysis concluded that unless current operating funds could be substantially reduced, a dues increase of some 11% (\$4.00 per month for Resident members) is required in the immediate future to meet the anticipated monthly cash requirements of the club in the absence of other additional funding over the period of the projection.
2. In arriving at these conclusions, Captain Ahern took into consideration all of the known and anticipated fixed-cost increases and made several assumptions concerning the controllable cost areas. Among his assumptions were the following:
 - a. That liquidation of the costs incident to the currently approved capital improvement program will effectively reduce the available cash reserves of the club to a point where further reductions are not fiscally prudent. This includes use of borrowed capital, savings, and proceeds from the Chantilly property sale.
 - b. That execution of the last approved mortgage loan will raise the club's mortgaged debt to approximately \$2,000,000 principal (\$4,000,000 payback including principal and interest), which is considered to be the prudent limit of encumbrance. Financial experts have opined that the club is now essentially fully mortgaged.
 - c. That no major capital improvements other than those already approved and budgeted would be undertaken during the remainder of calendar year 1968 and that such improvements would be limited to \$25,000 per year over the next two calendar years, (if additional funds are projected in this area, the recommended monthly raise in dues would go up in the ratio of one dollar per month, per active Resident member for each additional \$25,000 per year).
 - d. That the controllable budgets administered by the various committees would be allocated on an essentially level-funding basis for 1969 and 1970, using the 1968 allocations as the benchmark, with an approximate 4% per year increase due to inflation.
 - e. That provision should be made to fund normal depreciation of equipment and facilities. Based on past experience, this figure was projected to be approximately \$4,000 - \$5,000 per year and was included in the fixed-expense category over and above the operating budgets.
 - f. That provision for non-recurring special projects should be made, again over and above the operating budgets, to the extent of some \$12,000 per year.
 - g. That general depreciation on buildings and installations would not be funded.
3. At the Executive Committee meeting on 25 June, you were provided with a schedule which outlined the alternatives and budgetary consequences for the last half calendar 1968 and the full year 1969 if no additional income is generated.
4. To ensure that any dues recommendations of the Executive Committee are based on valid data, valid assumptions and, additionally, reflect to the maximum degree the experience and considered advice of the committee chairmen, each of you is requested to submit the following data to the Chairman of the Planning Committee, no later than 1600 on 10 July:
 - a. Comment on the adequacy of the remaining unobligated balance in your 1968 budget.

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- b. Comment on whether or not you can save any of your 1968 balance. If so, what would be deferred?
 - c. Comment on the effect in your functional area of a level-budget for calendar 1969 (your 1968 budget plus an approximate 4% percent cost of living increase).
 - d. Comment on the effect in your functional area of a reduction in your budget in 1969 to the level projected in the no-dues-increase analysis (96.5% of 1968 budget).
 - e. Comment on the validity of the assumptions listed under para. 2 above as a basis for projecting future operating requirements. If you have specific exceptions in the capital improvements, then submit a separate schedule listing your particular needs by year.
 - f. Do you favor a dues increase now?
 - g. If your answer is yes, and considering the historical purpose and mission of the club, the make-up and financial circumstances of the membership, etc., what is your estimate of the maximum dues increase that would be acceptable at this time?
 - h. How do you recommend applying a possible dues increase as between membership categories?
5. The Chairman of the Planning Committee is requested to submit his comments on the total submissions to the Chairman of the Finance Committee no later than 1600 on 15 July.
6. The Executive Committee will meet at 1800 on 18 July to develop details of the resolution to be presented to the Board of Governors at the regular 25 July meeting.

At the Executive Committee meeting on July 18, 1968, Admiral Wheeler presented a summary of budgets proposed by the committees (as submitted by the committee chairmen, presumably in response to this memorandum) from 1968 through 1970. General Curtin, the Chairman of the Planning Committee, then explained the Planning Committee's proposed budget (presumably based on the proposed budgets submitted by the committee chairmen), emphasizing that the Club needed to meet its commitments to the membership, such as the rebuilding of a number of the golf greens and fairways on both courses, and maintaining the existing facilities in good condition. Admiral Wheeler then presented data on rising costs, such as debt servicing, and the effect of accepting the Planning Committee budget or "the unlimited budget drawn from the Committee budget analysis sheets."

Following these presentations, the Executive Committee concluded that a dues increase of between \$4.00 and \$3.00 per month was in order, and that the details as to the specific amount, and whether the dues increase should be incremented would be the subject of a special meeting on July 23.

Executive Committee Approval

At the Executive Committee's meeting on July 23, 1968, after a "very thorough presentation" by the Finance and Planning Committees and an exchange of views," the Chairman of the Executive Committee, "with the concurrence of the heads of the activity committees," agreed that the following dues increases would be presented to the Board of Governors at its meeting on July 24, 1968:

	<u>PRESENT</u>	<u>PROPOSED</u>
Resident	\$31/month	\$37/month
Temporary	\$40/month	\$42/month
Absent:		
0-5 and up	\$18 /year	\$20/year

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0-4 and under	\$9/year	\$10/year
Inactive Resident	\$36/year	\$38/year

Board Approval

At the Board’s meeting the next day (July 24, 1968), General Curtin presented a history of past expenses by activity committees and a projection of future expenses as previously submitted by these committees. The Treasurer, Captain E. C. Chapman (USN),⁴ then discussed the resources available to meet the projected expenses. He advised that without a dues increase, by December 31, 1970, the Club would accumulate a \$275,100 deficit, and that projected non-recurring expenses for the same period amounted to \$270,000. To meet operating expenses, maintain existing facilities, and effect the necessary improvements as proposed by the activity committees, the Club would need to raise a total of \$545,100. Captain Chapman further advised the Board that the amounts that would be accumulated over the period August 1968 - 1970 depending on the amount of the dues increase were as follows:

<u>Dues increase</u>	<u>Total Accumulated</u>
\$4	\$258,200
\$5	\$316,200
\$6	\$374,200
\$7	\$432,200
\$8	\$490,200

According to the minutes for this meeting, Captain Chapman then advised the Board that “to meet the deficit, at least a \$5.00 raise was called for[,] and that to meet the major non-recurring expenses and necessary maintenance, a raise of \$6.00 was proposed by the Membership Committee,”⁵ which would result in the following schedule of dues increases, by membership category:

<u>Category</u>	<u>Present</u>	<u>Proposed</u>
Resident	\$31/month	\$37/month
Temporary	\$40/month	\$42/month
Inactive Res.	\$36/year	\$38/year
Absentee		
0-5 and above	\$18/year	\$20/year
0-4 and below	\$9/year	\$10/year

The minutes for this meeting indicate that the above schedule “was that which was proposed to the Board of Governors for approval. Other alternatives which were suggested were shown to be of secondary benefit. A motion was made and seconded to make the proposed schedule as an amendment to Article V. The motion was carried by a vote of 17 of the 21 members present. The increase was to be put into effect on 1 August 1968.”

⁴ At its meeting on April 24, 1968, the Board of Governors elected Captain Chapman to replace Commander J. R. Ahern (due to re-assignment) as the Club’s Treasurer-Comptroller, effective May 1, 1968.

⁵ It is not clear when the Membership Committee made this recommendation. As noted above, at its meeting on June 11, 1968, it recommended a \$4.00 per month dues increase. There is no reference to a dues increase in the minutes for its meeting on July 9, 1968, its last meeting before the Board’s July 24 meeting.