Dad's Club Board of Director's Meeting Minutes
Monday, 24 March 2025, at 6:30 p.m.
Studio A of Dad's Club Aquatic Center

I. Declaration of Quorum / Call to Order at 6:32 p.m. (Justin C)

a. Present:

- Rey Aguilar
- Justin Chapman
- Chris DelGardo
- Erich Hoffpauir
- Linda Kutac
- Dustin Heitmann
- Andy Laegeler
- Earl Lee
- Robert MacNaughton
- Jeff Manley
- Cheryl Nealon
- Carolina Sierra
- Carli Tyson

b. Absent:

- Jussi Thomas

c. Guests:

II. Review and approval of minutes (Chris D)

a. Motion to approve the minutes as presented for February 2025:
   i. Motion: Robert
   ii. Second: Carli
   iii. Vote: Approved unanimously

III. Treasurer Report / Financials (Earl L)

a. Treasurer report
   i. February YTD Net Profit: $26,326
   ii. 5-year trend comparison

1. Last year, our YTD Net Profit was ~$60K
2. We have about $50K in unique items this month
    a. ~19K Fonn Villas lease – did not have that last year. This covers December through April, and we'll be accruing additional revenue over the next months for this cost.
    b. ~20K water leak in February
    c. ~5K in modular office movement
    d. ~5K water leak in January
    e. MM interest income for February is set to be paid in March
3. Accounting for these unique items, we are roughly on-par with where we were last year.
4. Money Market balance = ~$1.65 MM
5. $2.2 MM in notes payable to Veritex

iii. 12-month cash flow projection
1. Net out the capital purchases not included in the projection – about $140K above the projection
2. We're projected to be around $2.7MM in Feb 2026

IV. Board discussion of Operating Cash Account and Reserve Account Setup

a. Operating Cash Account

i. Purpose:
1. To manage all routine financial transactions, including program costs, utilities, staff salaries (if applicable), and operational expenses.

ii. Deliverables and Steps:
1. Determine Account Requirements:
- Allocate $400,000 as the initial balance to cover annual operating expenses or a significant portion thereof.
- Project monthly cash inflows (e.g., membership fees, donations, swim lesson revenue) and outflows to ensure sufficient liquidity.

2. Select Account Type:
    a. Recommendation: Business Checking Account
        - Supports frequent transactions (checks, debit cards, online payments).
        - Prioritize low/no-fee options for non-profits.
    b. Potential Providers in Houston:
        - Veritex: Current banking relationship
        - Prosperity Bank
        - Truist Bank – Dad's Club Sponsor
        - Cadence Bank – Dad's Club Sponsor
        - Amegy Bank: Non-profit banking with local presence.
        - Houston Federal Credit Union: Low-fee, community-oriented accounts.
        - Chase Business Checking: Online tools and potential non-profit benefits.
3. Open the Account:
    a. Gather required documents: EIN, Texas non-profit registration, board resolution, and IDs for signatories.
    b. Open the account and deposit $400,000.
4. Establish Access Guidelines:
    a. Authorized Users: Limit to Bookkeeper (Bonnie), Executive Director and/or Aquatic Director (Eva)
    b. Access Limitations:
        - Require dual signatures for non-routine expenditures (ex: excl utilities, meet entry fees, etc.) that exceed $10,000
        - Enable multi-factor authentication (MFA) for online banking.
        - Assign a board member or bookkeeper (Cynthia) for monthly reconciliations.
5. Periodic Review and Replenishment:

a. Frequency: Quarterly reviews (January, April, July, October) for timely oversight.
    i. *Note: Following a discussion in the board meeting, the decision was made to shift this quarterly review cycle to March, June, September, December to account for the learning curve of new board members in January.*
b. Process:
    - Compare balance to a minimum threshold (e.g., 6 months of operating expenses, ~$200,000 if $400k is annual).
    - Assess cash inflows versus outflows.
    - Flywheel Mechanism: Allocate 50% of surplus operating cash flow (revenue minus expenses) to replenish the account if below threshold.
      For example: Q1 revenue $120k, expenses $90k = $30k surplus; $15k (50%) to operating account.
    - Document in a quarterly board report.

6. Monitor and Maintain:
    a. Track spending monthly against budget.
    b. Adjust threshold or replenishment rate annually as needed.

iii.

b. Reserve Account

i. Purpose:
    1. To serve as an emergency-only fund, set aside separately, and used solely for significant disruptions (e.g., prolonged operational shutdown due to natural disaster, legal crises, or facility damage). These funds are explicitly not for daily operating expenses.

ii. Deliverables and Steps:
    1. Determine Account Requirements:

- Allocate $562,400 as the initial balance, sized for emergency resilience (e.g., 12-18 months of operating expenses, assuming $400k is annual).
- Define emergencies explicitly: prolonged disruption (e.g., hurricane damage closing the pool for months), not routine shortfalls or operational costs.

2. Select Account Type:
   - Recommendation: High-Yield Savings Account
     i. Ensures liquidity and earns modest interest (e.g., 4-5% APY in March 2025) while preserving capital.
   - Potential Providers in Houston:
     i. Veritex: Current banking relationship
     ii. Charles Schwab
     iii. Prosperity Bank
     iv. Truist Bank – Dad's Club Sponsor
     v. Cadence Bank – Dad's Club Sponsor
     vi. Ally Bank (Online): High-yield savings, ~4.5% APY, no fees.
     vii. Frost Bank (Houston): Local money market, ~2-3% APY.
     viii. Capital One Business Savings: Competitive rates, online access.
3. Open the Account:
   - Use the same documentation as the operating account.
   - Open at a separate institution (recommended) to reinforce its distinct emergency-only purpose.
   - Deposit $562,400.
4. Establish Access Guidelines:
   - Authorized Users: Restrict to board officers (Treasurer, President, and Executive Director) with explicit board approval.
   - Access Limitations:

   i. Must be by recommendation of the Finance Committee and approval by majority of the Board, documented in minutes, with a clear justification of the emergency (e.g., "pool closure exceeding 60 days due to flooding").
   ii. Prohibit use for daily operating expenses, even in minor cash flow shortages.
   iii. Secure with a unique login and MFA, distinct from the operating account.

5. Periodic Review and Replenishment:
   - Frequency: Biannual reviews (January and July) to balance oversight with the account's long-term focus.
      i. *Note: Following a discussion in the board meeting, the decision was made to shift this semi-annual review cycle to March and September to account for the learning curve of new board members in January.*
   - Process:
      i. Confirm the balance meets a target range (e.g., $500k-$600k).
      ii. Review potential emergency risks (e.g., hurricane season, aging facilities).
      iii. Flywheel Mechanism: After replenishing the operating account, allocate 25% of remaining surplus cash flow to the reserve if below target. For example: Q1 surplus $30k; $15k to operating account, $7.5k (25% of $30k) to reserve.
      iv. Recalculate the target biannually based on prudent financial management (e.g., adjust for inflation or increased emergency risks).
      v. Report findings to the board, emphasizing the emergency-only restriction.

6. Monitor and Maintain:
    - Track interest earned quarterly and report to the board.
    - Ensure strict separation from operating funds and other assets.

c. Motion to authorize the creation of

a. an operating cash account with an initial balance of $400,000 and
b. a reserve account with an initial balance of $562,400,

and authorize the finance committee to select a bank, and set the access limitations as identified above, and that we review these accounts as described above.

i. Motion: Robert
ii. Second: Cheryl
iii. Vote: Approved unanimously

V. Organization Review / Committee Updates

b. Operations Report (Kutac)
    i. We've had a few operations challenges this month
        1. Our facility opened 8 minutes late on Saturday – first time in 19 years. Traffic, Train, Bridge, Light, etc. contributed to this.
        2. Spring Branch is going to have a bond to build a new natatorium.
            a. Current information is that it won't happen on our side of the freeway, nor on our side of the beltway – but there is the risk that if it happens, another team could come into the new natatorium and push us out of west Houston.
            b. However, it is known that all people who rent space in the current natatorium will be automatically moved to the new one.

c. To this end, Linda and Rey are going determine whether it would be in our best interest to rent space in the current Spring Branch natatorium prior to August of 2027 as a risk mitigation.
d. They will work with the board (e.g., Finance to help with projections, Long Range Planning Committee to determine if this is a good option for us).

3. A lot of USA Swimming teams that have rented from us in the past are not going to be able to do so this year.
    a. We've had 4-5 teams doing so in the past, and so far, we have none this year.
    b. Our rates are not out of norm with others, instead some teams are choosing not to train long course in the summer. Others are choosing to train at lesser-cost pools near their area to reduce transportation costs.
    c. This could have a significant impact on our budget – previously we have earned as much as $30K in the summer from this income stream.
    d. This is a trend that has become apparent over the past 2-3 years.
    e. Some teams have inquired about cutting back on rental time, and we are open to that, to keep them as a customer.

ii. We do have some options to help recover some of the lost revenue discussed above.
    1. Streamline has 83 swimmers at Fonn Villas and 44 swimmers at our main campus. Each of those swimmers is $300 in revenue.
    2. Lifeguard academy is at 85 this year. We usually run only about 35.

c. Swim Team Report (Rey)
    i. Swim team size

1. 535 swimmers on the team.
2. 519 swimmers, same time last year.
3. These are the only two years we've been over 500 in March.

ii. Retention rate for last year was ~5 points higher than national average.
1. This is unusual because Texas is generally lower than the national average.
2. We received an email from USA swimming that we're one of the top 85 teams in the country for retention rate. USA swimming wants to visit to learn what we're doing.

iii. Fonn Villas is only a seasonal satellite. Once they start their summer league, those swimmers will come to our main campus.

d. Fundraising
i. Annual fund
1. First communication will come on 22 April and will include verbiage on how the fund has been used in years past (e.g., derecho, heaters).
2. In previous years, we've had recommended contribution buckets of $75, 375, and $750. This year, we'll standardize to more 'normal' buckets of $100, $200, and $500.
3. We'll develop a more constant social media campaign with weekly communications.

ii. Marathon
1. We still have a few months to identify a chairperson.

iii. Passive fundraising
1. We're going to renew our focus on our passive fundraising opportunities (e.g., Kroger Plus card, merchandise sales).
2. We will investigate more merchandising opportunities as well.

e. Long-Range Planning
i. North property

1. Property is under contract.
2. Buyer has deposited the earnest money.
3. Buyer is working on survey.
4. Title commitment has been issued to the buyer.
5. Buyer is doing due diligence at this time.

ii. New temporary building
1. We've had some permitting delays. Lesson learned: we'd do well to hire a professional construction management contractor to lead any similar projects going forward.

iii. LRPC will meet within two weeks and will report back at the next board meeting.

iv. Recent project progress:
1. We have a plan for improved entrance, parking, and traffic flow. We need to do a traffic study to validate whether this is a good plan or not (will it improve the difficult situation we currently have?).
2. We have a quote on bathroom improvements.
3. We completed emptying the basement, so we can now start shoring up the ceiling. Engineer needs to come in and give us a recommendation on next steps

f. Other / New Business

VI. Adjourn at 7:36 p.m. (Justin C)