

Table Fee Increase Announcement & Fact Sheet

On August 1, Table Fees for games owned and run by Bill, Sherry, Nancy and Mark will increase \$1 to \$8 per game. The additional revenue will be shared between Club Owners and the Unit. The Unit will use the money to reduce its operating deficit (see below).

These four Club Owners, whose Sublease Agreement with the Unit renews on August 1, and the Unit discussed two options: (1) paying more of the expenses out of their revenue; or (2) increasing Table Fees. Jane and Robin do not have to make any decision until their Sublease Agreement renews on January 1, 2014.

The accompanying financial information below is the basis for the Unit's decision. Please review and if you have questions or comments please contact any member of the Unit Board of Directors. Thank you for your understanding and continuing support.

Endowment Objective

Dolores Abrams left the Unit approximately \$400,000 in 2002. The Unit Board of Directors has a mandate to maintain the endowment at an inflation-adjusted value of \$370,000 in 2007 dollars, assuming a 2.25% inflation rate. The endowment, held in a Vanguard portfolio, has a value of approximately \$340,000 instead of the 2013 target amount of \$430,000. The Unit Board felt it must take action now to conserve the endowment, which is what Dolores Abrams wished as well.

Unit Annual Deficits

Here are the Unit's annual operating deficits for the last four years:

<i>Year</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
<i>Deficit</i>	<i>\$17,027</i>	<i>\$17,726</i>	<i>\$21,369</i>	<i>\$20,942</i>
<i>% of portfolio</i>	<i>5.8%</i>	<i>5.3%</i>	<i>5.9%</i>	<i>6.0%</i>

The Unit's 2013 annual deficit, not including depreciation, is currently projected at 7.2%, which is an alarming amount above the portfolio return rate. The Unit pays for these deficits using portfolio interest and dividends and fundraising. There is an additional financial burden on the horizon; the current lease will increase by the inflation rate, capped by 6%, every year beginning August 1, 2015.

Bay Area Table Fees

The Table Fees at the SCBC have not been raised for six years and are lower than any other center in our area. Our players are getting a good deal which will continue provided the Unit effectively manages finances and the endowment.

Exhaust Endowment

Why not spend down the portfolio rather than raising Table Fees? The portfolio was the financial security necessary to obtain our West Marine lease. Putting aside Ms. Abrams' wishes and the Strategic Objective set in 2007, if the portfolio was exhausted in the future, Table Fees would need to increase \$5.40 in current dollars to cover expenses. The Unit Board believes a better solution for current and future Santa Cruz bridge players is to raise Table Fees by \$1 now evenly spreading the financial burden across the years and players.