



2021 PATC Proposed Budget Narrative

Operating Budget

	2021 Proposed	
Revenue	982,206	The 2021 PATC proposed operating budget projects revenues of \$982,206 and expenditures of \$1,128,847, for a net operating deficit of \$146,641; the proposed operating budget is recommended for Council approval by the Finance Committee and ExCom.
Expenses	1,128,847	
Net Revenue	(146,641)	

For several years the Club has entered the fiscal year with a projected budget deficit. Typically, the Club's budget versus actual performance is better than anticipated at yearend, particularly with respect to expenditures being under budget; however, when considering the full financial impact of operations¹ (see Summary of Annual Operating Activities section below), the Club will post its third consecutive operating deficit in 2020. Current year operations were significantly negatively impacted by Covid-19, but the trend even in the preceding years has been such that fiscal year revenues have not covered expenses. Arguably, a deficit may be unavoidable in 2021 due to the effects of COVID-19; however, excluding the COVID-19 deficit effect, the core, persistent, accounting-based operating deficits are not sustainable in the long term.

Previous Annual Budget Figures

Original Budget	2018	2019	2020
Revenue	998,115	1,037,833	1,073,030
Expenditures	1,077,063	1,113,982	1,106,358
Net Revenue (Budget)	(78,948)	(76,149)	(33,328)

Revised Budget	2018	2019	2020
Revenue	998,115	1,056,191	839,928
Expenditures	1,090,163	1,111,593	1,064,494
Net Revenue (Budget)	(92,048)	(55,402)	(224,566)

Summary of Annual Operating Activities

	2018	2019	2020 Proj.	2021 Budget
Revenue	1,061,785	1,091,513	838,000	982,206
Expenditures	1,032,803	1,009,149	924,765	1,128,847
Net Revenue (Actual)	28,982	82,364	(86,765)	(146,641)
Accounting Adjustments*	(93,378)	(120,944)	(104,204)	(90,928)
Adjusted Total	(64,396)	(38,580)	(190,969)	(237,569)

*Accounting adjustments include depreciation expense, writeoffs, and reconciliations between purchases and COGS. These adjustments intend to illustrate a more comprehensive view of the Club's operational health, in particular how the annual operating budget translates into financial reporting.

- The trend of a recurring annual deficit using the adjusted figures raises concerns about long-term sustainability.

¹ Net revenue per the budget/internal reporting on a cashflow basis historically has portrayed Club operations in a more positive light than is the case when all operating expenses required for accounting purposes are included, e.g., depreciation; or when accounting adjustments are made, as for example, when publication budget outlays may be recorded as an asset (inventory) rather than as an expense (cost-of-goods sold). In this sense, while the budget gives the club a picture of the availability of funds to pay for goods and services required during the year, the adjustments made for accounting purposes provide a more accurate picture of how the budget affects PATC's financial health.

During the Finance Committee review of the operating budget, discussions focused on how to effectively address the challenges facing the long-term operational sustainability of the Club. The Executive Committee (ExCom) concurred with the Finance Committee's view that there is a need to undertake a number of actions to attempt to close the current budget deficit and that the timeframe should be over the coming year. Among the actions offered for consideration are: reviewing the club's fee and pricing policies, exploring options to diversify revenue sources beyond sales, cabins and membership, and examining where it may be possible to improve operational efficiencies. More likely than not, any attempt to reduce the operating deficit will require a combination of these strategies. ExCom recognizes that such a comprehensive review will take time and recommended that it take place over the coming year so that the recommended actions can be reflected in the 2022 budget presentation. ExCom will explore how to undertake this review at its annual planning meeting in January 2021. Thus, the proposed 2021 budget before Council does NOT reflect any proposed changes in revenue sources, operational efficiencies or fee and pricing policy changes. For reference, a summary of activities for the Club's three largest programs is below:

Summary of Activities for 3 Largest Programs by Revenue

Expenditures include both direct expenditures and indirectly allocated general and management expenditures

Cabins	2018	2019	2020 Proj.	2021 Budget Est.
Revenue	440,559	420,672	305,000	375,100
Expenditures	232,622	254,106	226,000	257,998
Net Revenue	207,937	166,566	79,000	117,102
Accounting Adjustments*	(52,030)	(52,680)	(52,983)	(53,983)
Adjusted Total	155,907	113,886	26,017	63,119

- Cabin revenue has shown a declining trend even pre-pandemic, yet program costs continue to rise relative to revenue.
- As the Club's largest revenue stream, a large surplus in cabin revenue is necessary to offset deficits in other program areas, e.g., Trails, Shelters, Lands.

Sales	2018	2019	2020 Proj.	2021 Budget Est.
Revenue	186,501	153,012	145,000	158,500
Expenses	214,651	185,110	170,724	181,906
Net Revenue	(28,150)	(32,098)	(25,724)	(23,406)
Accounting Adjustments	(1,494)	(32,842)	(20,790)	(6,928)
Adjusted Total	(29,644)	(64,940)	(46,514)	(30,334)

- Sales figures suggest that profit margins may be insufficient to cover program costs.
- If product sales are a membership benefit that the Club wishes to provide, revenue is needed to subsidize losses from this program.

Membership	2018	2019	2020 Proj.	2021 Budget Est.
Revenue	154,758	189,949	195,000	208,000
Expenses	164,549	166,101	192,725	213,683
Net Revenue	(9,791)	23,848	2,275	(5,683)
Accounting Adjustments	0	0	0	0
Adjusted Total	(9,791)	23,848	2,275	(5,683)

- Membership is at an all-time high and is expected to continue to grow; however, increases in operating expenses outpace revenue growth.

These three major programs and other key programs/accounts discussed by the Finance Committee included:

Cabins - The \$35k increase in 2021 projected cabin revenue takes into account that rentals will remain open on a weekend only basis through at least midyear and the complete closure of the cabin rental system for two months in 2020, which is reflected in the 2020 budget figures. The Finance Committee recommended a Cabins Committee review of the current rental rate structure to determine if rate increases are appropriate to keep pace with rising costs and to support critical program areas that do not have significant, primary revenue-sources.

Sales – Similar to the cabins program, the 2020 sales revenue budget accounts for the complete closure of the store for two months in 2020. The increase in the 2021 projected revenue figures assumes that the store will be able to fulfill orders for the entirety of 2021. However, the Finance Committee acknowledged that significant headwinds face the sales program from a consumer shift to digital products, uncertainty surrounding the impact from ATC's decision to discontinue its own sales program, and perennial operating deficits. The Finance Committee recommended a Sales Committee review of the current product pricing structure to determine if price increases are warranted. Additionally, the Finance Committee supported an evaluation of digital products as a potential new revenue stream.

Membership – Despite a setback in spring 2020 due to the pandemic, memberships are at all-time highs and expected to continue to increase into 2021. This growth accounts for the significant increase in projected membership dues revenue from 2020 to 2021. As with the cabin rates, the Finance Committee recommended a Membership Committee review of membership dues rates to keep up with rising costs as well as a reevaluation of automatic membership renewals and automatic contributions.

Ridgerunners – Budgeted revenue and expenditures related to the Ridgerunner program assume a fully operational season in 2021.

Land Tax Credits – The sale of tax credits related to the easement on the Weaver tract are expected in late 2021, assuming Council approves the easement.

Employee Expenses – Included in the 2021 projected staff expenses is an average 2% salary increase for the majority of employees. An 8% salary increase is included for the Cabin and Lands Coordinator due to additional responsibilities assigned and to bring their salary up to comparable positions at similar nonprofits in the region. Employee expenses also reflect the cost for an increase of 10 work hours per week for the Communications Coordinator to be directed toward engaging membership, targeting a younger demographic, creating content, fundraising, and raising overall awareness. The original budget submission included a proposal to increase the Communications Coordinator from the current 20 hours per week to make it a full time (40 hrs/week) position. The Finance Committee and ExCom elected to support increasing the Communications Coordinator's hours by 10 hours per week and to defer consideration for any additional increase in hours until the Club can assess how the more modest investment pays off.

The Finance Committee and ExCom also each discussed a proposal to increase the Sales Coordinator's hours from 35 to 40 hours per week to allow for more time to recruit new wholesale customers and expand PATC's product offerings. Given the concerns about the profitability of the sales program and based on past experience that merely increasing hours is unlikely to materially increase revenue, both the Finance Committee and ExCom did not support an increase in the Sales Coordinator's hours at this time. Some alternative ideas discussed included relying on more volunteers to fulfill orders in the short term, alleviating the need for additional paid hours. Over the longer run, recommendations included analyzing and adapting to the changing market for maps and publications, perhaps with greater emphasis on digital

products, which may help improve sales volume, revenue and provide opportunities for cost-saving operational efficiencies.

Capital Budget

The total of capital expenditures recommended for Council approval by the Finance Committee and ExCom is \$84,077.

The capital expenditures that are rollovers/previously approved in 2020 were recommended for inclusion in the 2021 capital budget. These include:

Hermitage Cabin Roof Replacement - \$5,485 – The balance remaining to replace Hermitage roof, which has been delayed by the pandemic.

Crozet Cabin Refurbishment - \$13,092 – The amount of the approved 2020 budget remaining to refurbish Crozet cabin. This project was significantly delayed due to the pandemic.

Tuscarora Trail Easements - \$22,000 - \$12,000 for proposed Tuscarora Trail easement on the Torbin property in Warren County, and \$10,000 for the renewed effort to acquire 4 additional Tuscarora easements, which were surveyed and paid for by PATC in 2012. This amount was included in the 2020 budget but will not be expended.

Correct Outdoor Drainage at HQ - \$20,000 – Currently water pools around the back of the building as it has no drainage pathways. The Committee agreed that this is an issue that will only get worse with time and so it should be addressed as soon as possible. This project was included in the 2020 capital budget but removed during the revision process due to the transition in the Staff Director position and the over-budget expenditure realized on the back outdoor stairwell replacement.

Highacre Porch Replacement - \$15,000 – Replacing the Highacre porch decking with a PVC product to match the appearance of the original tongue and groove floor and repair the rot in the posts. This project was included in the original 2020 capital budget but removed during the budget revision process due to delays related to contractors.

New capital expenditure recommended for approval:

Clarke County (Kohn) Cabin Refurbishment - \$5,500 – The lease with Clarke County for the Kohn Cabin has been signed. The agreement with the County includes provisions that PATC prepare the cabin to enter the rental system, which the Cabins Committee projects will cost \$5,500.

Video Publishing and Production Equipment - \$3,000 – The Committee agreed that a staff ability to produce high-quality videos could allow for better member engagement, promotional opportunities, and trainings. There were some concerns over technical troubleshooting but the software in mind is not very advanced and the current staff member who would use the equipment has some experience with it.

New capital expenditure proposals *not* recommended for approval:

GPS Trimble System - \$4,100 – John Hedrick discussed this proposal with one of the individuals behind it, Jim Tomlin. Jim acknowledged that he allows the Club to use his personal Trimble device and that the Club purchasing its own unit in the face of large operating deficits may not be warranted at this time. This purchase can be revisited as part of the next year's budget.

Blackburn Outdoor Bathhouse - \$9,000 – This project has been included in the capital budget for the past two years. Given the deficit facing the Club and uncertainty of when this project could be completed, the project can be delayed at least another year.

Videoconferencing equipment for HQ Council Room - \$4,900 – The Committee agreed that improved videoconferencing capabilities will be needed at HQ in the future. However, given that the current remote operating status will last for the foreseeable future, this outlay can be revisited midyear or later.

Bear's Den Budget

The 2021 proposed Bear's Den operating budget projects revenues of \$62,750 and expenditures of \$83,943 for a net operating deficit of \$21,193.

Given the prediction that hostel occupancy will remain under capacity through mid-2021 due to the pandemic, revenues are projected to be significantly lower than a typical year. Additionally, the proposed budget does not include any assistance from ATC to fund the caretaker's salary (ATC will cover half of the caretaker salary in 2020), though such assistance should be addressed in forthcoming discussions regarding the renewal of the lease, which expires December 31, 2020. Should ATC continue to subsidize the caretaker salary, this will significantly lessen the burden on PATC to carry the currently projected operating deficit. Parking revenues are projected to increase due to efforts to increase fee signage and the use of a QR code system to allow visitors to pay for parking on their smartphones. The Finance Committee and ExCom approved the proposed 2021 Bear's Den operating budget with the understanding that continued financial assistance from ATC is likely.