

# REACT International Inc

## Dues Increase and Reduction Program 2011

### Introduction

As membership has continued to decline and revenue fall, the Board of Directors has undertaken to reduce expenses while trying to deliver enough benefit to keep the teams we have. Despite trying to make Family and Additional Family membership more attractive, membership has declined since 1999 at an annual average of 7% to 8% per year. Between 2010 and 2011 that decrease was a precipitous 15%.

In light of continued loss of membership and the related decrease in revenues to RI, the Board directed me as Chairman to write an open honest appraisal of our situation to the general membership. Feedback was minimal and ideas were nil. The Board of Directors therefore has undertaken discussions to save REACT by the only obvious thing left to do, raise revenue by increasing dues. We found ourselves fortunate enough to have an insurance cost reduction handed to us and used it to offset a dues increase but then decided to throw in a hefty penalty for late renewal. This did not sit well with all the Board members nor have the general membership taken kindly to even a mention of such an idea. The scuttle butt is that the Board has attempted to hide a dues hike in the guise of a late renewal fee. What we have done so far is a patch-work quilt of changes without any comprehensive guidance.

In reviewing all the prior discussions, workshops and Board meetings I have made a discovery and this has spurred me to develop the plan I am presenting here. Unlike such grand schemes in the past, I invite critique, improvement and comments of any kind. Anyone may shoot holes and I will not be hurt or ashamed of my attempt. This is not an attempt to railroad the Board into my line of thinking nor do I seek anything at all in return except that if it is a good idea or can be made into one, let's do it!

Stanton L. Walters  
Chairman, 2011

## Dues

Whereas the Consumer Price Index (CPI) is a basis for measuring the rise or fall in the price we pay for things we use everyday and this index is administered by the federal government and is one of a number of fundamental economic indicators, we will use it in our dues discussion. The CPI is centered around the year 1982 when the index was set to 100. By calculating the difference in the index from any year to another, the resulting number is the percentage of change from year to year anywhere in the index. Using July starting in 1999 and ending in 2011 the change in the CPI was 59, or 59%. That means that the things we buy everyday have increased in price 59% since 1999. REACT dues have remained fixed at \$20 for a Regular member during this time. Had the price of REACT membership risen with the CPI over time, today members would be paying \$31.80 for their annual dues. I want to commend and bring to your attention the remarkable work of Assistant Treasurer and former Director Frank Jennings. He began work on the dues matrix months before his term as Director ended and I consider him the primary architect of what we are trying to do. In early discussion with Frank he presented to me the idea that simply offsetting dues with a decrease in insurance was not going to be enough to make and keep us solvent if we lost %20% of our membership because of the dues increase. There is historical evidence that this could happen as it has in the past. He recommended Regular dues be set at \$30.00. I concur with his evaluation and find that using the CPI as a guide, Frank was right in line with his thinking.

## Insurance

REACT has not always collected a separate assessment for insurance. Way back when it came out of dues. Then we began to collect an insurance amount but the rest came from dues. Today we collect more than enough by a small margin. Using figures from the office for the insurance premiums from July 2011 through June 2012 the cost when spread out across the number of covered members reported is \$4.23 per member. ~~5%~~ \$5 would cover it.

## Membership Loss

Membership decrease has averaged 7.5% per year since 2000 and 15% last year to this. In the past when dues were raised, 20% of the membership left. We should expect somewhere between 15% and 20%. I hope that does not happen but we need to plan as if it will. Therefore, in light of all the above, I present the proposed fee schedule for REACT membership for 2012.

## Dues Schedule

Therefore the following fee schedule has been devised. It is in line with the CPI. Insurance is truly a pass through with very little margin. And we can sustain a 20% loss. But what happens after this?

	Regular	Family	Junior	Addnl	Affiliate	Active Affiliate	Pro/Bus	Life
Dues	30	25	25	20	40	45	60	375
Insurance	5	5	5	5		5		5
Total	35	30	30	20	40	50	60	5

### Incentive Plan or Auto Dues Reduction

In order to provide some way to guarantee that dues can go down with increased membership, the Board must also adopt a dues reduction policy. A dues reduction policy would restore dues to a lower level as team membership grows. Therefore the following schedule shows the effect of a \$1 decrease for every 235 net members added annually for 10 years. The growth is expressed as a percentage of membership.

	Members	Revenue	Percent	Increase	
2012	1643	46400			
2013	1878	51871	14.3	235	
2014	2113	56349	12.5	235	
2015	2347	60683	11.1	235	
2016	2582	64675	10	235	
2017	2817	68296	9.1	235	
2018	3052	71545	8.45	235	
2019	3287	74411	7.7	235	
2020	3524	76982	7.2	235	
2021	3760	79092	6.7	237	
2022	3985	80633	6	236	

#### Stimulate Growth

But even this is not enough. We need to re-galvanize teams and give the organization a unity it once had. Refer now to the REACT Resource Guide.