

# KEY CLUB®



## Key Club Dues Increase Amendment (#4): Frequently Asked Questions

### ***Why are we talking about increasing dues?***

A majority of the revenue from a dues increase will support new strategic initiatives. Some of the revenue will reduce current deficits in the budget and some will add to the reserves (savings).

The last dues increase to happen was from \$3.50 to \$6.50 in 2003. \$6.50 in 2003 is equivalent to \$8.50 (the proposed dues increase) in 2014.

### ***What creates the current deficit for Key Club International?***

Projections for the 2014-15 budget year show a deficit of roughly **US\$170,000** in the Key Club budget. Some of this can be attributed to increased costs on existing spending. The “cost of doing business” for any organization goes up every year. For example, flight costs have caused Key Club to budget more for events that require travel. Program costs for Builders Club and K-Kids also add to the deficit.

### ***Why do we need to put money into reserves?***

The reserves can best be described as a the savings account for Key Club. Should something catastrophic happen that would prevent the organization from taking in revenue, it is a good idea to have at least the total of one-year’s operating expenses in the savings. This would be US\$2.5 million for Key Club, which means the organization is about US\$500,000 short. Key Club doesn’t need to cover that gap immediately. A 5-year plan to reach this mark would be an investment of roughly **US\$100,000** per year until 2019.

### ***What strategic initiatives would be funded with the new revenue?***

This is ultimately a collaborative decision between the elected leaders of Key Club and Kiwanis. Priorities may change as situations change. A good roadmap is the 2011-2016 Key Club strategic plan, which was developed by student leaders and advisors.

Based on 260,000 members, shifting the YOF contribution to the Key Club operating budget results in US\$130,000 in new revenue. Increasing dues by US\$2.00 would result in US\$520,000 of increased revenue. In total, should both amendments pass, the Key Club International budget increases by **US\$650,000**. This is an estimated amount since membership numbers fluctuate. If **US\$170,000** covers the deficit, and **US\$100,000** is placed in reserves, this leaves **US\$380,000 (58% of the new revenue)**.

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Using this as the basis, these funds could be entirely devoted to strategic initiatives. These aspects of the strategic plan are currently not funded, or under-funded:

Making Key Club More International. The new revenue could fund a growth plan, especially in nations currently with few or no Key Clubs. Funds could be used to translate Key Club literature and provide more outreach to clubs throughout the world.

Making Key Club More Inclusive. All students and schools deserve a chance to experience Key Club. New funds could be used to develop dues-reduction programs to encourage growth in lower-income communities.

Making the Member Experience More Connected. New revenue could go towards better member communications, such as a relevant Key Club smartphone app based on member and club needs.

Making the Public More Aware of Key Club. New revenue could fund development of new promotions and public relations initiatives, such as videos, advertisements, parent resources, communications to school administrators, etc. As the strategic plan states, "*make Key Club a school-wide name.*"

Making the Club Experience Better. Clubs can be more successful with effective leaders and engaged advisors. For example, new revenue could fund online training module for club officers, advisors, and sponsoring Kiwanis clubs.

Making Key Club Less Dependent on Dues. This sounds counterintuitive for a dues-increase document, but new revenue could be used to fund an aggressive effort to acquire additional non-dues revenue from educational foundations, corporate foundations, and others. With added sources of revenue, dues would not need to be increased again for a long time, if at all. There is a chance they could be lowered eventually as well.

Since the last dues increase lasted for over 10 years, the amount requested builds in a small amount for unforeseen priorities that future boards may pursue. Until that time, funds not immediately used for the above initiatives can be used to build reserves at a faster rate.

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## ***What About Key Leader?***

Key Leader is technically a part of Key Club International, but Kiwanis has assumed the budgetary responsibility for the program for the next two years. During that time, staff will work diligently to address the program's budget deficit. This potential dues increase would not be used for Key Leader.

## ***But many students and districts, especially in low-income communities, cannot afford a dues increase...***

As mentioned above, new revenue for the organization could result in subsidizing dues for those in financially difficult situations. Currently, there is no room in the budget to pursue such a strategy, thus leaving everyone - no matter their circumstance - to pay the same amount.

## ***Why can't we cut expenses?***

We can, we should, and we have. For example, the projected 2014-15 budget reduces the costs for GATC by 19% and the costs for Key Club TV by 42%. However, cutting expenses can only go so far. Take for example the Key Club Magazine. This year's budget set aside US\$120,000 for printing and distribution of one print issue of the magazine. If that were cut completely, there would still be a budget deficit and the inability to fund any of the goals above. Plus, the organization would still likely want to have some type of magazine or communications similar to that, and so cutting all of the money is not realistic.

## ***Would this impact our district or club dues?***

Districts and clubs set their own dues amounts. A couple of districts have bylaws that automatically increase their dues to the International amount, but a vast majority would need to decide that on their own. If the dues increase amendment passes, then for a wide majority of Key Club members, their dues for 2014-15 will be only US\$2.00 more than in 2013-14.

## ***Would this impact membership numbers?***

It could. The last time dues were increased, they were doubled and the organization saw a small decrease in membership the following year. However, it then started on an upward trajectory. The question to consider is what would impact membership more: an increase in dues, or a reduction in services/member benefits? Plus, much of the new revenue will be put towards growth initiatives, and so this dues increase could likely result in more members and more clubs in new places.