

Fargo Youth Hockey Association, Inc.

STRATEGIC PLAN

MISSION STATEMENT

The purpose of Fargo Youth Hockey Association (FYHA) is to promote, develop and administer a youth hockey program. This program is meant to serve the youth of Fargo who reside within the boundaries of the Corporation and petitioning players who reside outside the boundaries of the Corporation. The Corporation's principal purpose is to provide the athletes in the appropriate age group the opportunity to have fun participating in hockey by offering (i) high quality coaching, (ii) adequate ice time for practice and skill development, and (iii) exposure to advanced competition through participation in high caliber games and tournaments.

FYHA is an affiliate of USA Hockey (USAH). USAH rules and policies govern the manner in which we manage the programs we offer.

STRATEGIC PLAN OVERVIEW

It is the goal of this strategic plan to provide a path for the short- and long-term planning of the FYHA in terms of how it operates as a business. All FYHA functionality and resources should be related to the Mission Statement above

The FYHA functionality has been broken into segments that are addressed below in terms of current situation, short-term planning and long-term planning where applicable.

FACILITIES

Currently FYHA owns and operates H.A. Thompson Arena, which is also the corporate headquarters of the non-profit entity. H.A. Thompson Arena provides a single ice sheet which FYHA utilizes almost exclusively during the traditional "in season" part of the calendar year (late October through early March).

Financially the arena shows as a \$855,000 asset on the balance sheet. In reality, because the Fargo Parks & Recreation Department owns the land, and because the building does not have an HVAC system capable of heating it, the Fair Market Value (FMV) is much lower. (NOTE: For the purpose of this document the City of Fargo and Fargo Parks & Recreation will be considered the same). The notion the building could be sold, for example, without the HVAC and with a governmental third party involved, is fairly far-fetched. This is why the FMV is much lower than what one would normally assume with a building of this stature.

Within the Profit & Loss statements for the past three years, the arena costs FYHA an average of an extra \$119,000 per year to operate (a \$119,000 annual loss). From a strict business standpoint – looking only at the annual bottom line -- selling the building or even walking away from it (turning it over to the City) would make financial sense. FYHA would retain an estimated \$40,000 in expenses in office rent and storage space for an elimination of a net \$80,000 per year in overall expenses.

In addition to the bottom-line P&L benefit, divesting of the building would also eliminate the pressure and/or the need for the following:

- Having a capital plan for equipment replacement such as a Zamboni or Olympia ice cleaning machine, refrigeration system, dehumidifier, ceiling/sprinkler system issues, etc.
- Dedicating any of the current \$800,000 treasury, that has been built up over the past six years, to capital improvements or major equipment replacement.
- Carrying an additional large expense line item in the P&L for arena and equipment repairs in a 30-year-old building (\$51,000 in 2020-21).
- Having arena staff salary, hourly wages, benefits and payroll costs underneath FYHA
- Having a rink manager/facilities manager serve in the dual role of salesperson to sell non-FYHA ice on a regional or national level (not a skill generally associated with a Facility Manager). Rinks in the commercial marketplace are staffed with GMs, facility managers, marketing/salespeople, admin, etc.
- Owning a rink is a different business than running a hockey club unless it's viewed as a variable-cost amenity for the club, which also comes with the aforementioned capital improvement and upkeep burden

The comparison of the artificially low hourly price of ice in Fargo (\$145 per hour) to the Farmers Union (FUIC) building (\$185+ per hour) is frequently cited as a disparity in cost. The data shows that FYHA would have to charge itself \$256 per hour just to break even with its own building (still not counting resources committed to capital improvements). We are charging ourselves a higher-than-premium rate when we could be enjoying the artificially low price we enjoy at five of the six other sheets of ice. In speaking directly with the Fargo Parks Facilities Director, he estimates they lose \$50,000 per ice sheet per year, which is still a better performance than what we experience with our own facility. Simply put, the Parks & Rec Department is subsidizing the FYHA program within our rental and scheduling agreements. The more partnership we have with Parks & Rec the more subsidization we receive and less overhead we manage. We improve our financial performance on top and bottom of the P&L.

Divesting from the arena would also allow all fundraising, sponsorship and annual profit efforts and proceeds to go directly to the day-to-day operations of the non-profit company and its Mission Statement, in addition to future partnering with the Parks & Recreation Department for additional sheets of ice (on which we would enjoy the same artificially lower ice cost with no overhead).

The argument against divesting is solely related to utilizing the sheet of ice, which is in turn solely a hockey discussion. Simply put, one fewer sheet of ice would lead to a slightly smaller hockey club in terms of overall membership and opportunity. The tournament business could also be adjusted slightly downward with margins remaining exactly the same. Being leaner with higher margins (after shedding all the losses from arena operation) and less liability is not a bad posture to seek.

Should FYHA elect to continue utilizing H.A. Thompson Arena there are improvements that are vital to the continued operation and customer experience within the facility. These improvements will require a capital plan so FYHA can follow a timely replacement schedule

in hopes of circumventing a large equipment failure, or to alleviate financial fallout from a bad run of expensive repairs, over and above what is budgeted. FYHA has built up a sizable treasury, most of which would need to be dedicated to the liability side of the building.

A “middle ground” alternative, at least in the short term (next 2-5 years), is to operate in conjunction with the legitimate capabilities of H.A. Thompson Arena and the climate of Fargo. FYHA can remove the ice from the arena as soon as the traditional “in season” portion of the calendar has been completed. This removes the need for a dehumidifying system (estimated \$125,000 for purchase and installation), but more importantly eliminates the \$8-10,000 utility bills (electric, gas, water and sewer) for a five-month period each year (\$35-40,000 savings plus hourly wage costs to staff the building daily).

For FYHA spring/summer activities we can work in partnership with the Parks & Recreation Department to pay for ice at Southwest for a six- to eight-week fixed cost. The Parks & Rec will put ice back in provided we pay rent of \$7,000 per month. We can compress our programming into this six- to eight-week window and continue to offer our usual summertime HAT customers subleased ice at Southwest. At a bare minimum this will save us \$15,000 per summer and give the mechanical equipment a break from blowing cold air over hot air, freezing ice all summer and having to continually prep the ice after a night of ceiling drips.

The two options for the “middle ground” choice would be to:

1. Cooperate with the Parks & Rec Department on the new Fargo Sports Complex, securing FYHA as the main tenant. This would mean a capital plan to be a one-time investment in that sheet of ice, but no continuing overhead. When completed this could mean we move into that facility (offices, etc.) and be in a position to help drive future, additional sheets of ice. When completed and opened, we could then shut down H.A. Thompson Arena in a one-for-one ice sheet trade.
2. No. 1 above but FYHA continues to operate H.A. Thompson Arena. The downside of this is it will tie up some of our resources in a capital plan for building repairs and mechanical improvements. It is a distinct possibility that when the design and building costs are finalized the ice sheet is eliminated from the initial build-out unless we or another benefactor gets involved.
3. Cooperate with Parks & Rec to build an additional sheet at Southwest Arena, but this would mean also cooperating with the new water park/mixed use entity to utilize the proposed parking ramp to the southwest of the current ice rink. The only place to add a sheet of ice is to demo the parking lot (expensive demo) and build to the east of the current building. This could also be a one-for-one trade and we move our offices and utilize an off-ice training facility in that building, while shedding the liability of owning our own rink.

In speaking with representatives from Black Bear Sports, which is the largest rink owner/operated in the United States and specializes in assuming financially stressed ice rinks, a minimum of \$1 million would be required to improve a building like H.A. Thompson Arena to make it efficient and to justify making any improvement such as dehumidification. There is no additional need to go into the necessary infrastructure needs of the building as that has been done separately during the past three years.

I understand this is a lengthy assessment of a facility, but it will be a big factor in how we can set up a future business strategy for FYHA.

STAFF

As with any business, the employees and people who make the engine of the business run are the most important assets. Keeping turnover at a low level and ensuring each employee can efficiently perform his/her job description will keep FYHA moving forward in a positive manner for members, staff and leadership.

From a staffing perspective the hockey director is the most important position within the company and should be the highest priority. The hockey director, if allowed to run the hockey department, sets the stage for culture and overall product experience (we sell hockey) from top-to-bottom. Having a competent professional in this position, with a hockey vision for short- and long-term, is imperative for changing the culture and creating an environment where new players want to join, attrition is kept to a minimum and our standing in the hockey world continues to improve.

A tournament “division” in the company, responsible for 41 percent of all gross income (actual 2020-21 percentage), is clearly a vital division. To have the director who is responsible for that 40 percent leave the company, and not be replaced, will only reduce the 40 percent of income, and in turn the gross income. The only question will be, “How quickly or will the income disappear?” The tournament director, in terms of the business, is the second-most important person in the company.

Running tournaments is very specialized and centers on ensuring the customers have a great experience in Fargo. This goes way beyond the actual playing of tournament games. This is a detail-oriented event manager, not a hockey club-type of position. Without such attention to the pomp and circumstance for which the FYHA tournaments are known, it’s a given that attendance will drop in these events. This is a pattern over the past 25 years with tournament operators – the ones who start to cut corners lose their entire business quickly (e.g. Silver Stick International).

The FYHA has made a decision to hire an executive director to manage the day-to-day operations of the overall business. This position, while important, is absolute overhead in at least the first two years while efficiencies are identified and implemented. The short-term benefit will be noticed mostly by the Board of Directors and the executive committee within, which has managed the day-to-day operations for much of the past decade. Providing an electronic infrastructure and managing day-to-day operations will be healthy for the future of the business, create seamless turnover when applicable and allow the BOD to become much more efficient in respect to the time of the individuals who are serving.

Similar to the hockey director position, having a professional in place who can proactively manage the business will be vital. If the Board of Directors chooses to manage the daily operations of the business, the executive director position is not vital and a secretary should be hired to execute the BOD’s plans and mandates. This would knock down the salary

dedicated to execution by at least 50 percent but require a BOD member/members to manage this person, and the execution of tasks, on a daily basis.

The Administrative Assistant is also a vital position and currently filled by an excellent, conscientious employee. This position is currently worry-free, with the exception of potential turnover. Specific to the individual currently in this position, if turnover takes place FYHA will be in scramble mode on a daily basis. Like all positions it is important to create a tighter job description to allow the scope of work to be more efficient vs. touching on all phases of FYHA operations. Much like the executive director position, the administrative assistant is in an overhead role but it is hard to financially assess customer satisfaction and customer service within community-based hockey other than overall word of mouth and general public opinion discussions among members.

The Rink Manager and staffing positions are dedicated solely to the daily operation and maintenance of the H.A. Thompson Arena. The FYHA rink manager also is tasked with a large scheduling process that includes all the ice sheets in Fargo, in addition to carving out a template for FYHA teams.

FYHA also possesses a modest inventory for sales and sponsorships across the board to include facility signage, player jerseys, tournament naming rights, etc. Coordinating a running list of inventory items that can be sold is part of this process, while having a dedicated person to execute the actual sales on the street – and generate the income – is the logical way to ensure this income, in addition to growth, gets into the bank.

With a business the size of FYHA it is reasonable to shift some narrow-focused tasks to professional subcontractors who are paid a small stipend to execute only these tasks. For example, a scheduler could handle all FYHA scheduling as his/her sole position within FYHA, a Gaming Manager can handle FYHA gaming activities and coordination, etc.

While some personnel may handle more than one “position” it is important for FYHA to keep separate job descriptions for all the functionality in the event of turnover. The current positions include, but are not limited to:

- Executive Director
- Bookkeeper/Financial Assistant
- Hockey Director
- Tournament Director
- Administrative Assistant
- Sales & Marketing Coordinator
- FYHA Scheduler (specific to FYHA teams and club activities)
- Rink Manager
- Rink Staff
- Gaming Manager

HOCKEY PROGRAM – ON ICE COMPONENT

Currently the FYHA – in general -- attempts to create equal resource commitment across the board for all hockey programming. With such a diverse set of programs, the equal-across-the-board approach is likely holding the on-ice product back slightly.

With the leadership of the Hockey Director, FYHA can further define each level of participation/competition within the organization without being held to equal resource allocation. Creating different levels of commitment and pricing for each level can help the FYHA focus on its mission of providing opportunity to play and having a fun/safe atmosphere, while also allowing for the more serious student-athlete to train at a higher level.

It's not a popular sentiment with some, but it's inarguable that talent development at the top end – college and professional players – is how the public deems the success of a program. Few people ask about how a non-profit hockey organization functions in terms of efficiency and bottom-line financial strength, rather they point to the top-end players who are developed.

Committing resources to having successful top-end players, for those who want to pursue that path, is not a loss leader. The hockey culture in Fargo will change much faster with top-end success as a partner to sound organizational practices.

In addition, an unstated goal of the FYHA on-ice programming is to feed the three Fargo high school hockey programs with talented boys and girls. The success of these high school programs is out of our control once our players "graduate" from the Freeze but in general the better job we do at producing high quality players the better the high school programs will be.

While caution must be taken to formally linking our on-ice success with that of the high school programs, it would be better FYHA-wide to make this unstated goal a stated goal and bring the high schools and their coaching staffs into the process at an arm's-length degree of involvement. Much like advocating for a more comprehensive relationship with the Parks & Recreation Department for subsidization of our business, the high school programs can be utilized directly and indirectly for the overall on-ice programming success.

On-ice success will lead to a more popular choice to play hockey by many households in the Fargo area. Successful player recruitment is a byproduct of having on-ice success as people naturally gravitate towards successful opportunities.

Ensuring proper resources are continually funneled into these grass roots and developmental programs is of utmost importance. Entry-level participation ties directly to the top-end success from a marketing perspective. Looking across the river, Moorhead Youth Hockey Association re-tooled its program with a hockey committee and commitment to resources before its high school team had any statewide success. Everything starts with the entry to the program – what happens after kids get into the sport can be re-formatted slightly so players can choose a path aligned with their goals.

Treating each team/program the same within the program does not lead to overall improvement. There is no reason Fargo, N.D., cannot be a nationwide hockey hotspot. With the obvious exception and importance of the entry level of play, hockey is one business that can be effectively built from the top-down simply because of how the public perceives "success" and how kids and parents make choices for organized activities at a young age.

GAMING

The FYHA is currently committing resources to pursuing electronic gaming in addition to the raffle permit(s) it already utilizes. Another area that is not related to running a hockey organization, the potential payoff with a successful gaming division, in addition to the fact several organizations in Minnesota and North Dakota help fund their programs in this manner, makes this a priority.

We have re-organized our efforts in conjunction with the assistance of our longtime bookkeeper who has many years of experience with the City of Fargo gaming and licensing procedures. Acquiring the ability to utilize electronic gaming is the immediate, step-by-step goal.

CAPITAL PLAN – UTILIZING RESOURCES

The FYHA is in a very healthy position in terms of finances. As of May 31, 2021 (end of fiscal year) the organization possesses a little more than \$850,000 in cash. This is a testament to the work of the Board of Directors since the merger of all the Fargo youth associations. Putting this money to work is the next step.

Per the Facilities section above, committing to a path with the H.A. Thompson Arena is something that should be decided upon before discussing a financial plan. The sheer amount of money needed to address potential equipment replacement will tie up a large chunk of the \$850k treasury in addition to dictating how future funds can be utilized.

Regardless, having an institutional advisor manage our excess funds will create a modest stream of income over and above what a savings account is currently paying. If FYHA continues in a healthy manner it can get more aggressive with its investment strategy. The Board of Directors can look at the financial plan put forth to the Treasurer and decide on a prudent reserve, a fixed income allocation and an equity investment allocation.

BOARD OF DIRECTORS

The current Board of Directors, numbering 20 with room for additional members, can be restructured with the goal of efficiency in mind. Much of the impressive amount of work done within the current BOD can be rebranded as committee functionality, which alleviates the need for BOD positions and allows the people doing the work to focus solely on the committee work.

The Operations Committee and the Level Director positions can be shifted outside the overall BOD, which in turn allows the BOD to become strictly charged with oversight of the non-profit corporation. The current executive committee of eight members (when all positions are filled) can be reduced to seven, by combining the positions of Vice President and Vice President of Hockey Development, and become the Board of Directors.

The Board is then charged with approving an annual budget and formally hiring/firing and monitoring the performance of FYHA employees and subcontractors. The Operations Committee positions can work hand-in-hand with the executive director and the Level Directors can work hand-in-hand with the hockey director.

Formally proposing amendment(s) to the Bylaws for a restructure is a simple process that can be voted on and approved by the current Board of Directors per Article 13 of the FYHA Bylaws.

PROGRAM GROWTH

The growth of the FYHA, much like the growth of the sport nationwide, is dictated by the addition of new sheets of ice. To dedicate energy to a growth plan when all ice sheets are essentially full during the in-season portion of the hockey season, is not a priority.

There are currently organizational stances that can be addressed to open up some additional ice availability, such as utilizing Wednesday evenings and Sunday mornings in full.

Per the Facilities section of this document, should the FYHA decide to pursue an additional building or an additional sheet of ice, a more comprehensive growth plan can be discussed and put into motion. Until such time the organization can focus on getting membership back to pre-pandemic numbers and working toward 100 percent capacity.

At the grassroots level the organization can continue to aggressively market to the 4-8-year-old age group via Fargo Public Schools Back to School Nights, targeted Facebook advertising in the appropriate ZIP codes and any other outreach efforts where young Fargo children -- who are just starting their recreational sport involvement -- can be convinced to give hockey a try.

We already have a very strong initiation program (First Shift) which can continue to be built and marketed both within our club and in the community. First Shift is the lifeblood of the FYHA as hockey is a difficult sport to grow after kids reach the age of nine or 10. Making this a flagship program within the Freeze and continuing to enhance the already-solid foundation is critical.