FINANCE STRATEGIC PLAN PROPOSAL

August 2021

ACCORDING TO THE IPS

(INVESTMENT POLICY STATEMENT)

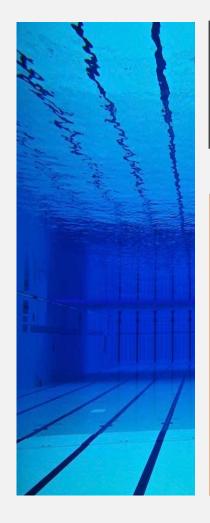


Liquidate Bernstein portfolio

- Very, very poor investment results costing LSC millions
- Did not follow IPS: high risk/inappropriate investments, excessive international exposure
- No accountability
- All monies invested in proprietary funds i.e. all Bernstein products

Transfer to Merrill Lynch and reinvest

- Follows the IPS
- Goal is to outperform the market and protect the core portfolio
- Allows for accountability
- Low to modest risk with quarterly risk assessment while tracking the major indexes
- Fixed income cash returns are put into a money market account for LSC use instead of being reinvested



REINVESTED PORTFOLIO

AS OF JULY 26, 2021

FUNDS

- \$1,100,000 Thornburg Limited Income Fund (Short term, low duration, cash equivalent)
- \$500,000 Blackrock Strategic Income Fund (Total return fund with higher risk fixed income, more speculative fixed income)
- \$200,000 MFS International Diversification (Basket of MFS International funds)
- \$700,000 Western Asset Core Bond (Intermediate to long-term bond fund in high quality, investment grade bonds.

ETF'S

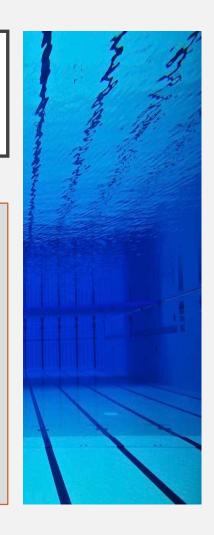
1367 shares IWM IWM (Russell 2000, small cap)

• 854 shares DIA SPDR tracks DJIA

908 shares SPY SPDR tracks S&P Index

4037 shares TLT 20 year treasury bond

814 shares QQQ Tracks NASDAQ



YEAR OVER YEAR INVESTMENT STRATEGY

- Follow the IPS mandate
- Review investment results and assess risk tolerance risk tolerance may be too low at 60% fixed income & 5% cash
- Modify IPS as deemed appropriate
- Meet with Financial Advisor quarterly to review portfolio performance
- Transfer interest and dividend income to a money market account



YEAR OVER YEAR INVESTMENT GOALS

- Outperform market in the majority or all of the investment allocations
- Finance Committee makes recommendation for the timing of transfer and use of funds in the money market account and presents recommendation to the Board
- Finance Committee develops a long term strategic plan for SCS funds



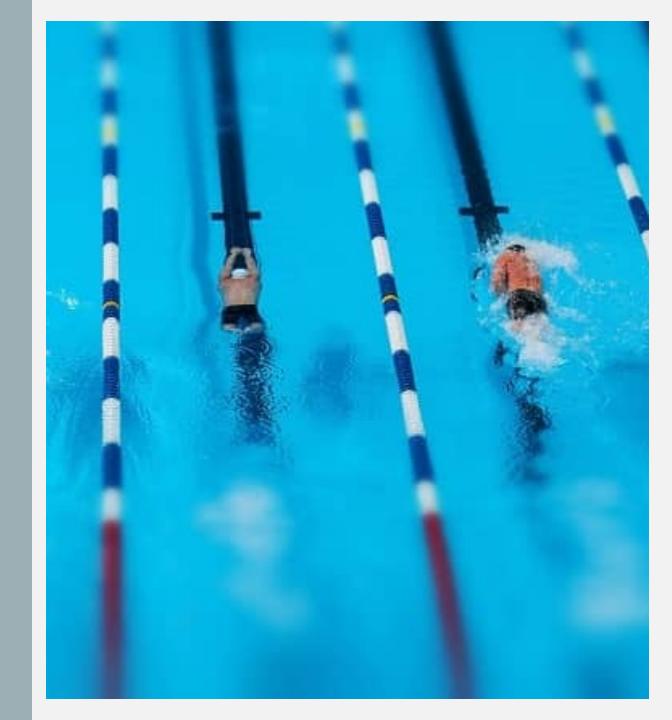
QUESTIONS TO ASK

What is the *purpose* of the investment portfolio?

What is the *long-term strategic plan* for the portfolio?

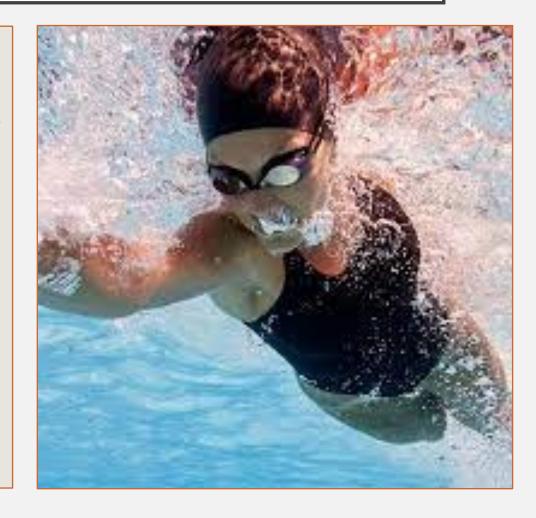
What is the *appropriate* amount of money to maintain in the investment account?

What is the plan for *continuity*? How is the plan communicated to a position that is elected every two years?



LONG-TERM CONSIDERATIONS

- \$4,000,000+ is an excessive amount of funds without a dedicated plan
- The annual operating budget for the LSC is normally and optimally covered out of current income less expenses
- No known transfer of funds from the investment account to the general fund have been made
- Requires a **DECISION** on whether to build the portfolio for a long-term major project or reduce the holdings and use the funds for the current membership



PLAN TO REDUCE THE SIZE OF THE PORTFOLIO OVER TIME

Why reduce the size of the portfolio?

- > \$4,000,000 is doing nothing to benefit the current membership
- Growth without purpose isn't a plan
- The LSC can maintain a large core portfolio while actively supporting Board-approved allocations
- Reducing the portfolio to \$3,000,000 is less dramatic and less drastic than it seems when viewed from the "10,000 feet" perspective
- The plan does not jeopardize the health/viability of the LSC going forward
- The Board can reverse the process at any time



DISTRIBUTION OF \$200,000 PER YEAR

Year	Beginning Balance*	Distribution	Beginning Bal less Dist.	Investment Earnings at 3%	Ending Balance**
1	\$4,400,000	\$200,000	\$4,200,000	\$126,000	\$4,326,000
2	\$4,326,000	\$200,000	\$4,126,000	\$123,780	\$4,249,780
3	\$4,249,780	\$200,000	\$4,049,780	\$121,493	\$4,171,273
4	\$4,171,273	\$200,000	\$3,971,273	\$119,138	\$4,090,412
5	\$4,090,412	\$200,000	\$3,890,412	\$116,712	\$4,007,124
6	\$4,007,124	\$200,000	\$3,807,124	\$114,214	\$3,921,338
7	\$3,921,338	\$200,000	\$3,721,338	\$111,640	\$3,832.978
8	\$3,832,978	\$200,000	\$3,632,978	\$108,989	\$3,741,967
9	\$3,741,967	\$200,000	\$3,541,967	\$106,259	\$3,648,226
10	\$3,648,226	\$200,000	\$3,448,226	\$103,447	\$3,551,673
Year 15***	\$3,135,612	\$200,000	\$2,935,612	\$88,068	\$3,023,680

^{*} Does not include any money transferred from General Fund to the investment account

^{**} Does not include investment advisor fee

^{***} Will take 15 years to reduce the holdings to \$3,000,000 in this scenario

DISTRIBUTION OF \$200,000 WITH \$50,000 FUNDRAISING/SPONSORSHIP PER YEAR

Year	Beginning Balance*	Distribution	Beginning Bal less Dist.	Investment Earnings at 3%	Ending Balance**
1	\$ 4,326,000	\$ 150,000	\$ 4,176,000	\$ 125,280	\$ 4,301,280
2	\$ 4,301,280	\$ 150,000	\$ 4,151,280	\$ 124,538	\$ 4,275,818
3	\$ 4,275,818	\$ 150,000	\$ 4,125,818	\$ 123,775	\$ 4,249,593
4	\$ 4,249,593	\$ 150,000	\$ 4,099,593	\$ 122,988	\$ 4,222,581
5	\$ 4,222,581	\$ 150,000	\$ 4,072,581	\$ 122,177	\$ 4,194,758
6	\$ 4,194,758	\$ 150,000	\$ 4,044,758	\$ 121,343	\$ 4,166,101
7	\$ 4,166,101	\$ 150,000	\$ 4,016,101	\$ 120,483	\$ 4,136,584
8	\$ 4,136,584	\$ 150,000	\$ 3,986,584	\$ 119,598	\$ 4,106,181
9	\$ 4,106,181	\$ 150,000	\$ 3,956,181	\$ 118,685	\$ 4,074,867
10	\$ 4,074,867	\$ 150,000	\$ 3,924,867	\$ 117,746	\$ 4,042,613
Year 32	\$ 3,089,934	\$ 150,000	\$ 2,939,934	\$ 88,198	\$ 3,028,132

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^{**} Does not include investment advisor fee

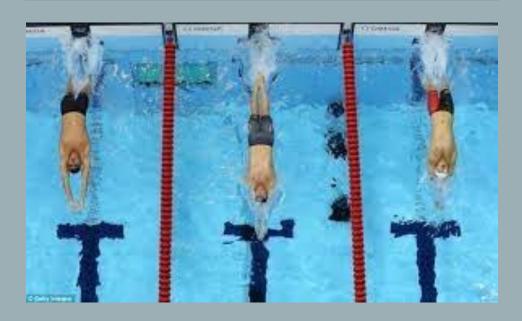
^{***} Will take 32 years to reduce the holdings to \$3,000,000 in this scenario

SHORT TERM STRATEGY



- Reduce the portfolio by 25-50% over time and fund Board approved projects and initiatives
- Support additional funding of travel and expenses on a tiered basis
- Develop club support for small teams
- Develop sponsorship and support fund for SCS signature events
- Financial aid for low income families
- Create a health insurance platform that pays for 50% of premium for a HMO plan like Kaiser for coaches and officials
- Create a sponsorship and fundraising team within SCS

LONG TERM STRATEGY



- Create a "Legacy Project"
- Corporate and/or municipal partnership to build a renown indoor facility
- Extend "LA 84" project to increase swim base through swim lessons, summer swim program, and novice league development
- Create a sponsorship and fundraising team within SCS