

Part 1 – Analysis of A Breakeven Cost/Session Fee Structure for the VLDS

An objective of the Board is to maintain a session fee structure that covers the operating costs of the Vancouver Life Drawing Society (VLDS). There are some months where Basic loses money despite fairly good attendance. Table 1 lists the Studio's Fixed Daily Costs from the 2010 financial statements estimating an average cost of approximately \$89/day. Adding the modeling costs the 1 and 2 Session/Day Total Costs are estimated at \$160 and \$230 per day respectively. Table 2 is the fee structure presently in place.

The fee for the 30 Day Pass varies incrementally to the number of sessions attended. For example assuming an average use of 10 sessions the fee would be \$8 per session. Assuming equally weighted attendance by all fee types the average value to the Society would be \$10 per **paying artist* (*A paying artist excludes volunteers who do not pay for sessions). To cover costs it would require an average attendance of 16 and **13 artists per session (**2 session days amortize the \$89 fixed costs between both sessions so each session needs an average of 12.5 attending artists or a total of 23 through the day) or a ***weighted weekly average attendance of 13.8 artists (***given 4 days are 2 session days and 3 are 1 session days).

Based on the 2011 Session Receipts (current to October 31, 2011) Basic Inquiry has averaged **13.5** paying artists per session. Any fee structure that requires a breakeven weekly average attendance greater than the 13.5 the Society earns means operating at a loss.

To estimate how well the fee structure is covering costs their value weighted by actual attendance is used. Table 3 is a compilation of data from the 2011 Session Receipts and estimates the incremental return from the 30 Day Pass Cards at \$5.25 per session (given an average use of 15.25 sessions per 30 Day period). The weighted average value of all sessions is estimated to be \$8.91 giving a breakeven weekly attendance of 14.3 artists. The present fee structure is not effectively covering costs and increasing the price of the undervalued Pass Card is the best way of correcting it.

Table 4 calculates the breakeven weekly attendance from graduated price increases of 30 Day Passes from \$90 to \$120. A price of \$110 produces the breakeven weekly attendance of 13.4 artists, about the same number as the estimated average attendance of 13.5 artists Basic presently gets. Given no dramatic change in attendance and/or costs (as the price of the 30 Day Pass increases it is expected more attendance will shift to tickets thus changing attendance distribution) this will hopefully rectify the situation where Basic loses money. The Board of Directors proposes the price of the 30 Day Pass Card be increased to \$110 effective December 1, 2011.

Table 1: Studio Fixed Daily Costs; from 2010 Finances

Rent	18,705	
Insurance	2,710	
Studio Supplies	1,722	
Utilities	1,349	
Telecommunications	818	
Repair & Maintenance	552	
Office	541	
Accounting	*2,400	
Bank Charges	433	
Sundry	1,832	
Printing	1,499	
Total Fixed Costs	32,561	
<u>Days in the Year</u>	<u>365</u>	
Daily Fixed Costs	89	
1 Session/Day Model Cost	70	
2 Session/Day Model Cost	140	
1 Session/Day Total Cost	159	approximately \$160/Day
2 Session/Day Total Cost	229	approximately \$230/Day

**Estimates based on \$200/month average cost*

Table 2: Present Fee Structure

- Non Member Drop Ins (NMDI) \$14/session
- Member Drop In (MDI) \$11/session
- Tickets \$ 9/session
- 30 Day Passes \$80/30 Days

Table 3: Breakeven Attendance for 1 and 2 Session Days Based on 2011 Estimates to October 31

Values	NMDI	MDI	Tickets	Passes	No. of Passes	Totals/Averages	Breakeven 1 Session Day	Breakeven 2 Session Day	Breakeven Weekly Attendance
Attendance	1,033	593	2,605	1,830	120	6,061	18.0	25.8 (26)	14.3 (15)
Value/Session (\$)	14.00	11.00	9.00	5.25	80	* 8.91			
Revenue (\$)	14,462	6,523	23,445		9,600	54,030			

Average number of uses per 30 Day Pass is 15.25. Payoff on the \$80 pass based on \$9 session ticket is 9 sessions.

Basic is averaging 13.5 paying artists per session. The present fee structure has a shortfall of 4.5 artists per 1 session day and is 1 over breakeven on 2 session days for a weighted average weekly breakeven attendance of 14.3 artists per session.

* *Weighted average value for all Drop Ins, Tickets and Passes is \$8.91*

Table 4: Breakeven Attendance As 30 Day Pass Increases In Price Assuming No Change In Attendance

Price of 30 Day Pass (\$)	Pass Revenue (\$) (Assuming 120 sold)	30 Day Pass Average Value	No. of Sessions to Payoff (based on \$9 ticket)	Weighted Average Value of all Fee Types (\$)	Breakeven Attendance 1 Session Day	Breakeven Attendance 2 Session Day	Breakeven Weekly Attendance
90	10,800	5.90	10.0	9.11	17.6 (18)	25.2 (26)	14.0
100	12,000	6.56	11.1	9.31	17.2 (18)	24.7 (25)	13.7 (14)
110	13,200	7.21	12.2	9.51	16.8 (17)	24.2 (25)	13.4 (14)
120	14,400	7.87	13.3	9.71	16.5 (17)	23.7 (24)	13.1 (14)

Assuming the same attendance distribution it is estimated 30 Day Pass Card Price of \$110 produces a weighted average session value of \$9.51 and a breakeven weekly attendance of 13.4 artists; more or less equal to the attendance Basic averages.

The President

6/11/2011