

# WHEN THE BUCKET LEAKS FASTER

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# THAN IT FILLS

*Why the Capital-Intensive YMCA Model Has Reached an Inflection Point  
And What Mission-Driven Leaders Can Do About It*

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March 2026 | Draft for Discussion

## The Water Is Rising Around the Foundation

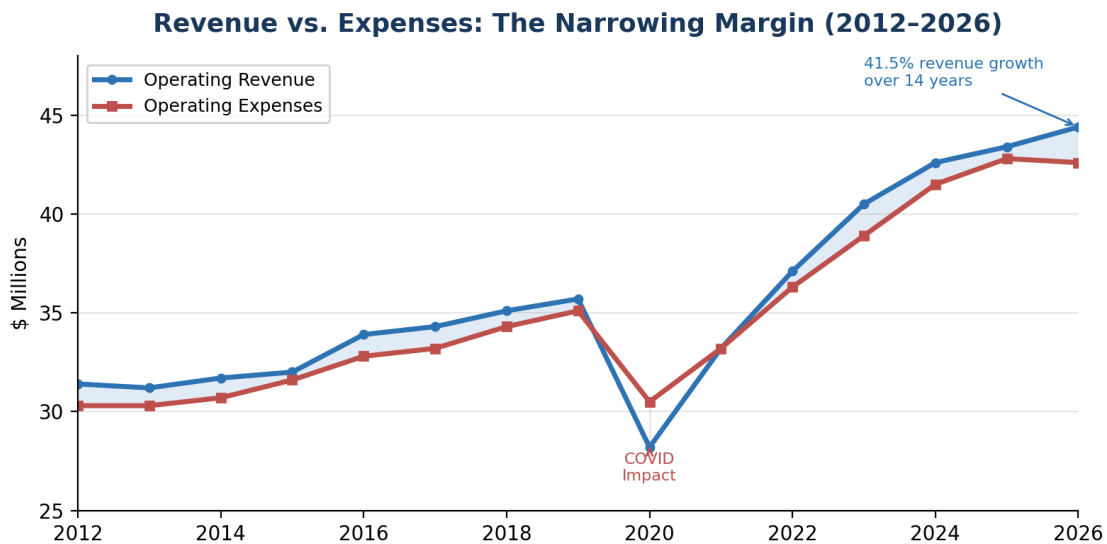
Imagine your organization as a house built on a floodplain. For decades, the water stayed low. You built wisely, maintained the structure, and even expanded. But now the water table is rising—not from a single storm, but from a slow, steady shift in the landscape beneath you. The house still looks solid. The reserves are strong. But the math that kept it above water no longer works.

This is the reality facing YMCAs and facility-intensive nonprofits across America. The operating model that sustained community-centered organizations for generations—large buildings, broad programming, membership-subsidized budgets—is being structurally undermined by forces that are accelerating, not receding. Post-2020 inflation did not create this problem. It revealed it.

This paper uses fourteen years of financial data from the YMCA of Greater Cincinnati as an illustrative case study<sup>1</sup> to demonstrate that the traditional capital-intensive nonprofit model has reached an inflection point. The patterns documented here are not unique to one city. They are structural realities shared by facility-dependent mission-driven organizations across the country. More importantly, this paper proposes a path forward—one built on mission clarity, smaller footprints, strategic partnerships, and the transformative potential of artificial intelligence.

## The Evidence: A 14-Year Structural Shift

Between 2012 and 2026, the YMCA of Greater Cincinnati grew operating revenue from \$31.4 million to \$44.4 million—a 41.5% increase over fourteen years, or roughly 2.5% annually. During the same period, operating expenses rose from \$30.3 million to \$42.6 million—a 41% increase. On the surface, revenue kept pace. Beneath the surface, the composition of those costs shifted dramatically, eroding the margin that once funded capital reinvestment and mission expansion.



<sup>1</sup>YMCA of Greater Cincinnati Budget Books, 2012–2026. All financial data referenced in this paper is drawn from audited actuals (2012–2024), board-approved forecasts (2025), and planning documents (2026). The Cincinnati Y is used throughout as an illustrative case study; the structural patterns described are observable across the national YMCA movement.

The operating surplus that once averaged 3–5% of revenue has compressed to roughly 2.3% in the 2026 plan—and turns into a negative loss once depreciation is included. The Cincinnati Y closed four branches since 2019 (reducing from sixteen to eleven locations), yet total expenses still grew by \$3.7 million during that period. This illustrates a critical insight visible in YMCAs nationally: **the cost pressure is not about having too many locations. It is embedded in the cost structure of every location.**

Three cost categories tell the story most clearly.

## **The Three Forces Reshaping the Cost Structure**

**Staffing: Fewer People, Higher Cost, Deeper Strain.** Combined salary and benefit costs at the Cincinnati Y grew from \$19.2 million (2012) to \$26.2 million (2026)—a 36% increase.<sup>2</sup> But the headline number obscures a more troubling reality. Since 2019, the organization has reduced its actual staff team by approximately 30%. The Y is paying roughly one-third fewer employees the same total amount—or more—than it paid a full team just six years ago. Entry-level wages in the recreation and childcare sector have risen 28–35% nationally, and YMCAs now compete for talent against employers offering \$18–22/hour for positions that were \$11–14/hour before 2020. The result is a workforce that is smaller, more expensive per person, and increasingly difficult to recruit and retain. Benefits have compounded the pressure: medical premiums rose 20% in a single year, and benefits now consume 12% of total expenses, up from 11.3% in 2012.

**Insurance: The Silent Crisis.** In 2012, insurance costs totaled \$404,000. By 2026, that figure will reach \$1.7 million—a 321% increase.<sup>3</sup> Nationally, 80% of childcare providers report significant premium increases, with some experiencing 75–150% jumps in a single renewal cycle. For organizations operating both pools and childcare—as most YMCAs do—this creates a compounding liability exposure that is largely invisible until renewal day. Insurance is the fastest-growing cost category in the typical Y budget, and there is no operational lever to control it.

**Occupancy and Utilities: The Cost of Keeping the Lights On.** Occupancy costs—utilities, property maintenance, and facility operations—grew from \$2.3 million in 2012 to \$4.2 million in 2026, an 83% increase.<sup>4</sup> Utility costs alone have been driven by rising natural gas and electricity prices, which increased 38% and 22% nationally over the same period. When most facilities are 25 years old or older, the energy efficiency of aging HVAC systems, boilers, and pool heating equipment means these price increases hit harder than they would in newer buildings. This is not a line item that responds to belt-tightening—it is the baseline cost of occupying the structures.

**Capital and Maintenance: Death by a Thousand Cuts.** Construction input prices have risen 43% since early 2020.<sup>5</sup> When most of your buildings are 25 years old or older, every roof, HVAC unit, and pool system becomes a ticking clock. Recognizing this unsustainable trajectory, the Cincinnati Y has already taken action: its Cash Flow Health plan projects significantly reduced capital

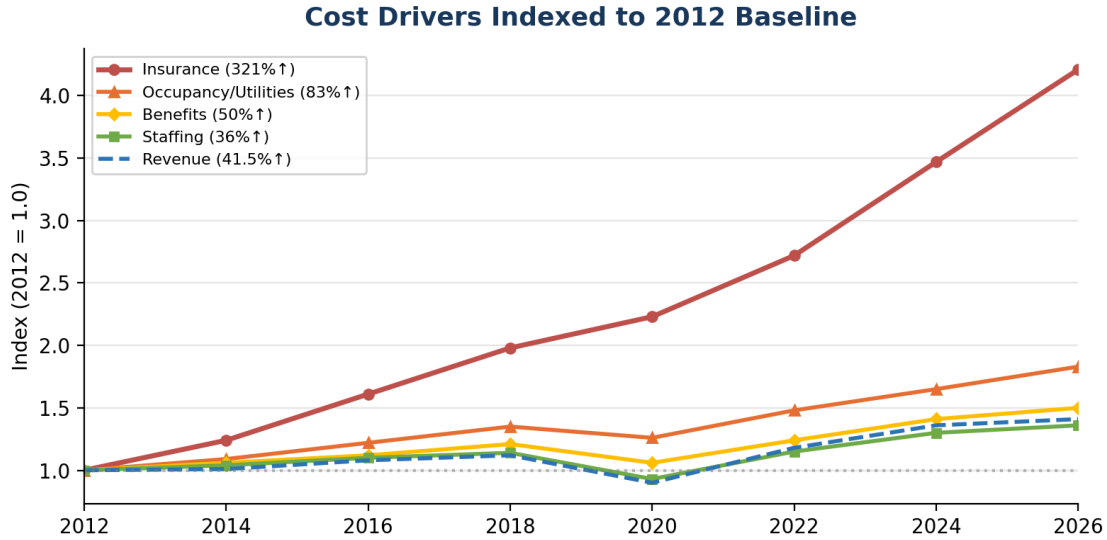
<sup>2</sup>U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, 2019–2025. Median hourly wages for recreation workers and childcare workers rose 28–35% nationally, outpacing general CPI.

<sup>3</sup>National Association of Insurance Commissioners, 2024 Market Report; Nonprofit Risk Management Center, 2025 Survey of Childcare Insurance Availability. Premiums for organizations operating both aquatic and childcare facilities have seen the steepest increases.

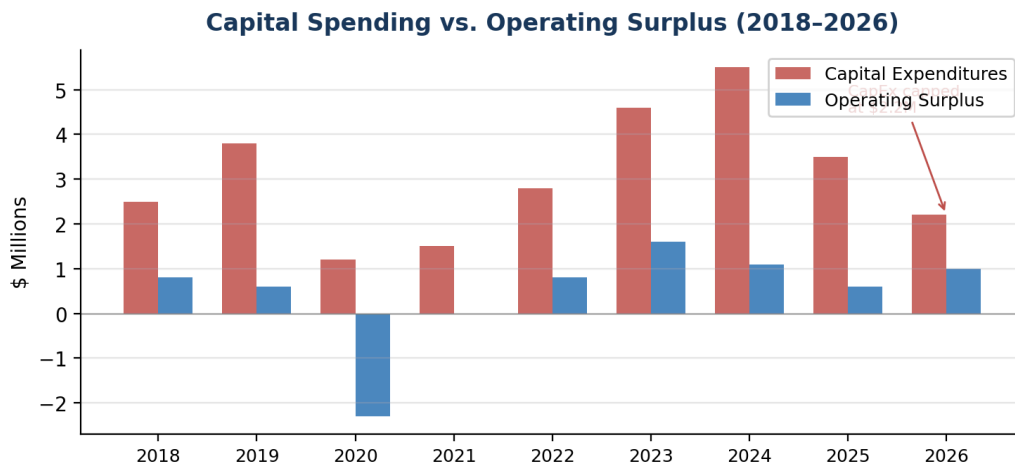
<sup>4</sup>U.S. Energy Information Administration, Commercial Sector Energy Price Indices, 2012–2025. Natural gas prices for commercial customers rose 38% nationally; electricity prices rose 22% over the same period.

<sup>5</sup>Bureau of Labor Statistics, CPI for All Urban Consumers, 2020–2025. Construction input prices rose 43% from January 2020 to December 2025. Producer Price Index for Building Materials (BLS Series ID: WPUFD4).

expenditure, capping CapEx at \$2.2 million in 2026—down from \$5.5 million in 2024.<sup>6</sup> Even at this reduced level, capital spending exceeds the \$1 million operating surplus by more than 2:1. The arithmetic is clear: when maintaining aging infrastructure costs more than the operation generates, the model requires either perpetual reserve drawdown or a fundamental redesign.



Insurance costs grew 4x while revenue grew 41.5% over the same period. Occupancy costs nearly doubled.



Even with CapEx capped at \$2.2M in 2026 (down from \$5.5M in 2024), capital needs still exceed operating surplus.

## Why Cost-Cutting Alone Will Not Solve This

The instinct in moments like this is to tighten: cut programs, freeze hiring, defer maintenance. These are necessary disciplines, and every well-run Y should pursue them. But they are insufficient for a structural problem.

Consider the math. If a typical YMCA eliminated every dollar of discretionary spending—conferences, travel, marketing, strategic initiatives—it might save \$1–2 million. That

<sup>6</sup>YMCA of Greater Cincinnati Cash Flow Health Analysis (2025). Internal document projecting reduced capital expenditure targets and multi-year path to cash flow neutrality. CapEx capped at \$2.2M for 2026, down from \$5.5M in 2024.

helps, but it does not close the structural gap between what operations generate and what aging buildings consume. Rate increases help but face real limits. Membership units at many Ys remain 10–20% below pre-pandemic levels even as revenue has recovered or exceeded 2019 figures—a testament to pricing power, but also a signal that price sensitivity is real. Push too hard, and you lose the families and individuals who need the Y most.

The Cincinnati Y has already taken meaningful steps. It consolidated from sixteen locations to eleven. It capped capital spending at \$2.2 million. It projects a path toward cash flow neutrality.<sup>7</sup> These are responsible, forward-looking decisions. But even with these measures, the fundamental tension remains: **aging, capital-intensive facilities cost more to maintain each year, while the revenue model that subsidizes them grows slower than the costs it must cover.**

*The old equation—Big Building + Membership + Programs = Enough Margin—is broken. The question is not whether to change, but what to change into.*

## The Benchmark Paradox: Green Lights on a Road That’s Disappearing

Some will read this paper and point to the YMCA’s national financial benchmarks as evidence that the model is working.<sup>8</sup> These are well-designed metrics—twelve indicators covering everything from liquidity and debt coverage to operating margin and charitable support. A Y that hits green across all twelve is, by every traditional measure, healthy. And that is precisely the problem.

Think of benchmarks as the dashboard gauges on a car. They tell you the engine temperature is fine, the oil pressure is good, and you have gas in the tank. What they do not tell you is that the road ahead has turned into a river. **The benchmarks measure how well you are operating the current model. They do not ask whether the current model has a future.**

Consider the specific blind spots:

**The Operating Margin benchmark ( $\geq 3\%$ ) assumes a stable cost structure.** It was designed for a world where expenses grow at roughly the same rate as revenue. When insurance inflates at 321%, occupancy at 83%, and wages at 28–35%—all while revenue grows 41.5% over the same fourteen years—hitting 3% margin becomes exponentially harder each year. A Y that barely reaches 3% today is working twice as hard as a Y that reached 3% in 2012. The benchmark does not capture the increasing *effort* required to meet it.

**The Depreciation Coverage benchmark ( $\geq 100\%$ ) is actually the closest thing to a warning light**—and it is the one most Ys are failing. The benchmark document itself acknowledges that covering depreciation is “an aspirational goal for some Ys.” That is a polite way of saying that most YMCAs are not generating enough margin to replace what is wearing out. The prescribed remedies—drive membership, evaluate pricing, strengthen the annual campaign—are all sound advice. But they assume incremental improvements can close a structural gap that is widening every year.

<sup>8</sup>YMCA of the USA, Understanding the Financial Benchmark Report. National benchmarks include: Operating Margin  $\geq 3\%$ , Staffing Productivity  $\leq 60\%$  of revenue, Annual Charitable Support  $\geq 15\%$  of operating revenue, Depreciation Coverage  $\geq 100\%$ , Current Ratio  $\geq 1.5$ , and Membership Revenue Growth  $\geq$  CPI.

**The Staffing Productivity benchmark ( $\leq 60\%$  of revenue) measures cost ratio, not workforce health.** A Y could hit 58% and look green on the dashboard—while actually running 30% fewer staff at higher per-person wages, struggling to fill positions, and delivering a diminished member experience. The number says “efficient.” The reality on the ground says “stretched thin.”

**The Membership Revenue Growth benchmark ( $\geq$  CPI) reveals the assumption underneath everything.** The entire framework presumes that if membership revenue keeps pace with the Consumer Price Index, the Y is maintaining its buying power. But when specific cost categories—insurance, utilities, construction materials—inflate at three to eight times the general CPI, growing revenue at CPI is actually falling behind. You are matching the average while getting hit by the extremes.

**The Annual Charitable Support benchmark ( $\geq 15\%$ ) sets the right target but prescribes an incomplete path.** The recommended actions—run a robust campaign, track donor behavior, develop major gifts—are correct and necessary. But they treat fundraising as a standalone function rather than an outcome of how members experience the Y. The ARB research demonstrates that *how* you engage members fundamentally changes their giving behavior. A member who achieves goals, builds friendships, and finds belonging donates \$1,000 more annually. The benchmark does not account for this connection between experience design and philanthropic capacity.

None of this means the benchmarks are wrong. A Y that fails these metrics has urgent problems that demand immediate attention. But **meeting all twelve benchmarks does not mean a Y is structurally sustainable.** It means the Y is operating the current model as well as the current model allows. When the underlying cost trajectory continues to outpace the revenue model, green dashboard lights will eventually turn yellow, then red—not because leadership failed, but because the road changed.

*Benchmarks tell you how well you are driving. They do not tell you whether the bridge ahead is still standing.*

## A New Equation: Smaller Footprint, Bigger Impact

The YMCAs that will thrive in 2030 will not be defined by the size of their buildings. They will be defined by the depth of their impact. The path forward rests on four interconnected shifts.

### 1. Redefine the Value Proposition: From Fitness Access to Human Development

For too long, the public has perceived the YMCA as a gym with a pool. That perception invites direct competition with commercial fitness brands that will always offer shinier equipment in newer buildings. The Y cannot win that race. It should not try.

Research conducted at the YMCA of Greater Cincinnati offers a compelling alternative. Over four years, 26,000 member surveys revealed that individuals who experience Achievement (reaching goals), Relationships (making friends), and Belonging (connecting to a cause) report dramatically different outcomes.<sup>9</sup> Members experiencing all three dimensions—what the researchers call the ARB framework—have a Net Promoter Score of 79, world-class by any standard, compared to negative 59 for those who do not. Their retention rates are 20% higher. They donate \$1,000 more annually and volunteer at twice the rate.

Member Outcome	With ARB	Without ARB
Net Promoter Score	79	-59
Retention Rate Lift	+20%	Baseline
Avg. Annual Donation Increase	+\$1,000	Baseline
Volunteer Participation	2x more likely	Baseline

This is not soft data. It is a business model argument. **The Y’s competitive advantage is not equipment or amenities. It is the only scaled institution in America designed to help people achieve goals, build friendships, and find purpose.** That is an uncontested market position—if leadership has the courage to lean into it.<sup>10</sup>

When the Y redefines itself as an ARB Center of Community rather than a fitness facility, the physical footprint requirements change. Not every interaction that drives achievement, relationships, or belonging requires a 75,000-square-foot building with a pool. Some of the most powerful belonging experiences happen in a program room, a shared meal, or a small-group coaching session.

### 2. Right-Size the Physical Footprint

Not every Y branch needs a pool, a gymnasium, and a full weight room. Some communities would be better served by a 10,000-square-foot ARB hub—community space, program rooms, childcare, a focused fitness area—that costs \$500,000 per year to operate instead of \$2.5 million. Others might co-locate with health systems, school districts, or municipalities, reducing the capital burden by sharing walls with partners whose missions align.

<sup>9</sup>Perez, J. & Saunders, J. (2023). A Transformed Life: A Theory of Transformative Human Development. YMCA of Greater Cincinnati. Data based on 26,000 Listen 360 survey responses (2019–2023) cross-referenced with Daxko operations data.

<sup>10</sup>McKinsey & Company (2022). Business Model Reimagination. Prepared for YMCA of the USA. Report recommended shifting the YMCA value proposition from facility access to holistic community impact.

Consider the range of options emerging nationally: boutique-style program studios focused on specific populations (seniors wellness, youth development, family engagement); partnerships with school districts that provide space in exchange for afterschool programming; co-location with healthcare providers who need community health infrastructure; and mixed-use development that monetizes real estate while preserving mission space. These are not abandonment strategies. They are *mission preservation strategies* that recognize the building is a tool, not the mission itself.

### 3. Embrace AI as the Great Equalizer

This is where the conversation becomes genuinely transformational. Artificial intelligence is not a future possibility for mission-driven organizations. It is a present imperative.<sup>11</sup>

**Shared Services at Scale.** A typical YMCA corporate office runs at 10–13% of total revenue. AI-augmented shared services could enable a single finance, HR, and marketing backbone to serve multiple associations regionally. One team doing accounts payable, payroll, donor management, and campaign analytics for three or four Ys instead of each running its own. The potential savings are not incremental—they could represent a 40–60% reduction in back-office cost per association.<sup>12</sup>

**Radical Member Experience Enhancement.** Member-to-staff ratios in some facilities reach 1,000 to 1. AI-powered personalization—automated goal-setting through mobile apps, intelligent class recommendations based on ARB preferences, chatbot-driven scheduling—could actually *improve* the member experience while reducing the staffing load. The irony is that AI may enable more personalized human development delivery than current staffing models can achieve. When you have 30% fewer staff than six years ago, technology is not a luxury—it is how you maintain the human connection at scale.

**Predictive Maintenance.** IoT sensors monitoring HVAC, pool chemistry, and building systems can shift organizations from reactive repair to predictive maintenance, potentially cutting emergency costs by 30–40% and extending equipment life by years. For organizations where occupancy costs have nearly doubled in fourteen years, this is not a nice-to-have. It is a financial imperative.

**Fundraising Intelligence.** AI-driven donor prospecting, gift propensity modeling, and personalized cultivation journeys could accelerate individual giving growth without proportionally growing the development staff. For an organization like the Cincinnati Y, which already raises over 20% of its revenue from charitable sources (including grants from city, state, and federal governments), the specific opportunity lies in growing individual donor giving—currently at approximately 6.1% of revenue—toward a target of 10%. That shift alone would represent approximately \$1.7 million in additional annual support.

### 4. Build the Philanthropy Engine

Strong fundraising is not a nice-to-have; it is the financial bridge that makes everything else possible. Many YMCAs already raise meaningful charitable revenue when grants and public funding are included. The Cincinnati Y, for example, generates over 20% of total revenue from charitable sources broadly defined. But the composition matters. Government grants and public contracts, while

<sup>11</sup>Perez, J. (2025). *The Future Corporate Office: Operations Supported by AI and Values-Driven Leadership*. YMCA of Greater Cincinnati / The AI Collaborative. Projects that 30% of routine administrative tasks can be automated within 24 months of adoption.

<sup>12</sup>Giving USA Foundation (2025). *How AI is Transforming Nonprofits*. Estimates suggest 20–30% of routine administrative tasks can be automated within 24 months of adoption.

valuable, are often restricted and subject to political cycles. The more durable growth opportunity lies in individual donor giving.

The Cincinnati Y's individual giving currently represents approximately 6.1% of revenue. Their Cash Flow Health plan targets 10%.<sup>13</sup> Reaching that mark would generate roughly \$1.7 million in additional unrestricted annual support. Combined with the ARB data showing that deeply engaged members donate \$1,000 more annually, the strategy becomes circular: *invest in ARB experiences, deepen belonging, strengthen the donor pipeline, fund the mission*. Seventy-five YMCAs have already joined the Well-being Collaborative to implement the ARB framework—early evidence that this approach has traction beyond a single association.

## 5. Mobilize Volunteers as a Member Engagement Strategy

When the staffing model is under structural pressure—fewer people, higher costs, harder to recruit—the instinct is to look for savings. But there is a parallel strategy that most YMCAs underutilize: **mobilizing members themselves as an engaged volunteer workforce**. This is not about replacing paid staff with free labor. It is about recognizing that volunteerism, done well, is one of the most powerful member engagement strategies available—and it happens to address the staffing gap at the same time.

The YMCA of Greater Cincinnati illustrates what intentional volunteer engagement looks like at scale. In 2025, the organization mobilized 4,300 active volunteers who contributed over 109,000 hours across 460 projects.<sup>14</sup> Of those volunteers, 2,344 were Y members—nearly 10% of the total membership base. They coached youth sports teams, staffed welcome centers, led fitness classes, mentored teens, and organized community service projects. The scope is remarkable: competitive swim alone generated 18,000 volunteer hours; youth development programs logged nearly 19,000 hours; branch support functions—the very roles hardest to staff—accounted for over 17,000 hours.

Here is the critical insight: this is not a cost-saving program dressed up in mission language. **It is an ARB strategy**. When a member coaches a swim team, they achieve a leadership goal. When they serve alongside other members at a community event, they build friendships. When they see their contribution making a visible difference in their neighborhood, they belong to something bigger than a gym membership. The Cincinnati Y's volunteer program is explicitly branded under its ARB framework—“Promoting Achievement, Relationship, and Belonging”—because the data confirms what intuition suggests: volunteers are among the most retained, most generous, and most connected members in the building.

The YMCA's Togetherhood program takes this further, creating member-led service committees that design and run community projects. Members do not just show up to help—they own the work. They identify neighborhood needs, organize project teams, and lead execution. The Y provides the platform; members provide the passion and purpose. The result is a virtuous cycle: the community benefits, the member deepens their sense of belonging, and the Y extends its mission reach without adding headcount.

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<sup>14</sup>YMCA of Greater Cincinnati, Volunteerism 2025 Final Report. 4,300 active volunteers contributed 109,522 hours across 460 projects. 2,344 member volunteers (99% of goal). Volunteer engagement is explicitly framed under the ARB (Achievement, Relationships, Belonging) strategy.

Research on nonprofit organizational health identifies volunteerism as one of six foundational vital signs—alongside financial management, facilities, staffing, fundraising, and board development.<sup>15</sup> When volunteer engagement is healthy, it strengthens every other vital sign: it supplements staffing capacity, it deepens the donor pipeline (volunteers give more), it connects the board to the community, and it extends facility utilization beyond what paid staff alone can support. In a model where you are operating with 30% fewer employees than six years ago, an intentional volunteer strategy is not optional. It is how you maintain mission delivery at scale.

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<sup>15</sup>Perez, J. & Francis, C. *Vital Signs & Prescriptions for Success: Measuring a Nonprofit's Organizational Health*. Identifies six operational vital signs including Volunteerism as a foundational success indicator, alongside Financial Management, Facility Management, Staff Team, Fundraising, and Board/Community Development.

## The New Equation

$$\left| \begin{array}{l} ARB + AI + \textit{Right-Sized Footprint} + \textit{Philanthropy} + \textit{Volunteer Engagement} \\ = \textit{Sustainable Mission Delivery} \end{array} \right.$$

The old model assumed that big buildings filled with members would generate enough margin to sustain themselves. That equation depended on low inflation, younger facilities, manageable insurance, and a labor market that no longer exists.

The new model inverts the logic. Start with impact—what does this community need to achieve, relate, and belong? Then design the smallest, most efficient delivery system that creates those outcomes. Use AI to amplify human capacity. Mobilize members as volunteers—not as free labor, but as deeply engaged participants whose service strengthens their own belonging while extending the Y's reach. Fund the gap between cost and revenue through intentional philanthropy and strategic partnerships. And measure success not by the square footage you operate, but by the lives you transform.

This is not a retreat from mission. It is a deeper commitment to it. The YMCA was founded 180 years ago not to build buildings, but to build people. The buildings were always just a means to that end. When the means become the primary cost driver—when maintaining the vessel consumes more energy than the voyage—wise leaders redesign the vessel.

The Cincinnati Y is already moving in this direction: consolidating locations, capping capital spending, investing in ARB as a value proposition, mobilizing 4,300 volunteers as an intentional engagement strategy, exploring AI-augmented operations, and building a philanthropy strategy aimed at growing individual giving to 10% of revenue. Other Ys are experimenting with co-location, boutique formats, and regional shared services. These are not isolated experiments. They are the leading edge of a movement-wide reinvention.

## A Call to Fellow Leaders

The data in this paper is drawn from one YMCA, but the patterns are national. If your organization operates aging facilities, serves childcare populations, competes for hourly workers, and relies on earned revenue to cover capital costs, this structural challenge is yours too.

The good news is that we are not starting from weakness. Many of our organizations hold significant reserves, carry low debt, and enjoy deep community trust. We have time—but not unlimited time—to make deliberate, strategic shifts. The question is whether we use our strength to evolve proactively, or wait until the water rises high enough to force reactive decisions.

The inflection point is here. The bucket is leaking. The answer is not to pour faster. It is to build a better vessel—one sized for impact, powered by technology, funded by mission-aligned philanthropy, and centered on what only the Y can do: help people achieve, relate, and belong.

We invite fellow leaders to join this conversation. The model must evolve. The mission must endure.

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