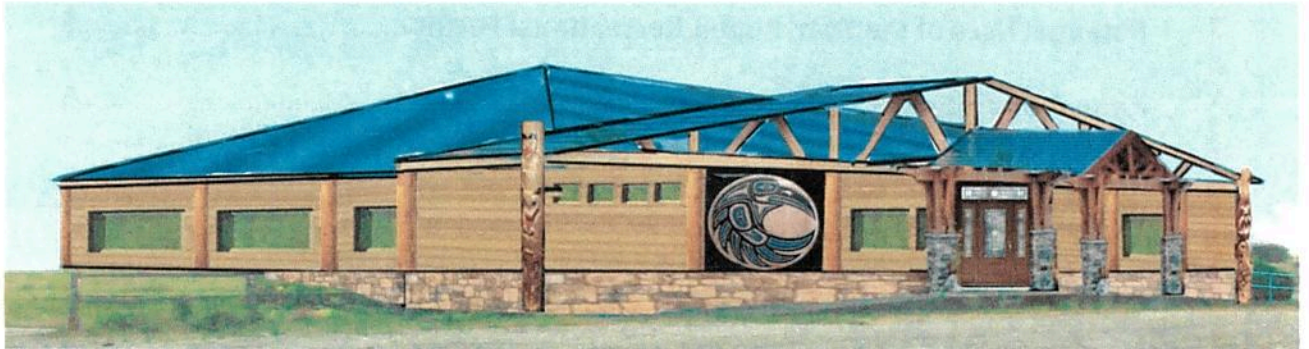


Alternative Visions:

A Report to the Admirals Cove Beach Club Membership



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Introduction and Purpose

At the ACBC Annual Members Meeting on October 24, 2014, the members passed a motion requiring the ACBC Board of Directors to appoint an ad hoc committee named Alternative Visions. The Board of Directors appointed members on December 12, 2014. As stated in the member's motion, the charge of the subcommittee is as follows:

This ad hoc committee will evaluate an alternative recreational use for the property on which the current pool is located so that it will become an asset that is a year-round indoor facility. The ad hoc committee will compare the costs and benefits of an indoor recreational and conference facility to the costs of operating and refurbishing the pool in compliance with all state and federal standards. The ad hoc committee will also explore how revenue generated from an indoor recreational facility could potentially be used to fund a pool on an alternative site. This study shall be presented to the membership no later than March 1, 2015.

The subcommittee presented the ACBC Board of Directors with a report on March 1, 2015. The Board of Directors also called for a meeting to be held on March 1, 2015 for the Alternative Visions committee to present its report to the ACBC membership.

All data contained in this report was collected or compiled by members of the subcommittee. Some data was taken directly from ACBC documents, such as pool records, budgets, tax and bank records, and professional estimates for the costs of refurbishing the pool. Other data was collected from Island County documents, such as zoning restrictions and permitting. Finally, data was collected from a contractor and a certified public accountant who volunteered to provide estimates and opinions. Throughout the report, we specify the data sources for each data table presented. It should be noted that no ACBC funds were used to support or produce this report.

Description and Uses of a Year-Round Recreational Facility

The charge to the Alternative Visions committee is to develop an idea about how the ACBC property where the current pool is located could be transformed into a year-round indoor recreational center. See Figures 1 and 2 for conceptual sketches of a floor plan and an exterior view. Please note that these are only initial sketches. Specific designs would need to be developed by qualified professionals after discussion with the community.

A brief description of possible facilities that a year-round recreational center might include is provided below.

Front Desk/ACBC office: The Front Desk is a friendly reception area for ACBC members and guests to check in. An ACBC office/meeting room is located behind the Front Desk to hold club records, and to provide a closed meeting area for Board members or for other private meetings of club groups.

Grand Room: A large area with a vaulted ceiling and skylights. The estimated occupancy is 200, but this number would need to be determined by the Fire Marshall and by parking requirements. This is a large enough space to support major public and private meetings and even indoor sports events. The Grand Room would face out for a spectacular view of the sound and the ACBC beach. The room could also include a covered deck or gazebo facing the ACBC beach. This space includes storage for large round folding tables, chairs, and equipment.

Library: A warm and cozy area with comfortable chairs and a few small tables for people to relax, read, or play cards/board games. It would be located off of the entryway. A fireplace could be located in this area and bookshelves could support a small lending library.

Club Lounge: A club lounge area could have booths or tables for people to watch sporting events on TV or just socialize. The Club Lounge could open to an outdoor deck area.

Kitchen: A kitchen could be reserved for use by caterers or for potlucks for ACBC gatherings, wedding receptions, sporting events, youth activities, and special ACBC dinner events.

Bathrooms: The women's room would have 4 stalls and 3 sinks. One of the 4 stalls would be ADA compliant. The men's room would have 2 stalls, 2 urinals and 3 sinks, with one of the 2 stalls being ADA compliant.

Figure 1: Conceptual Sketch of the Recreation Center Floor Plan

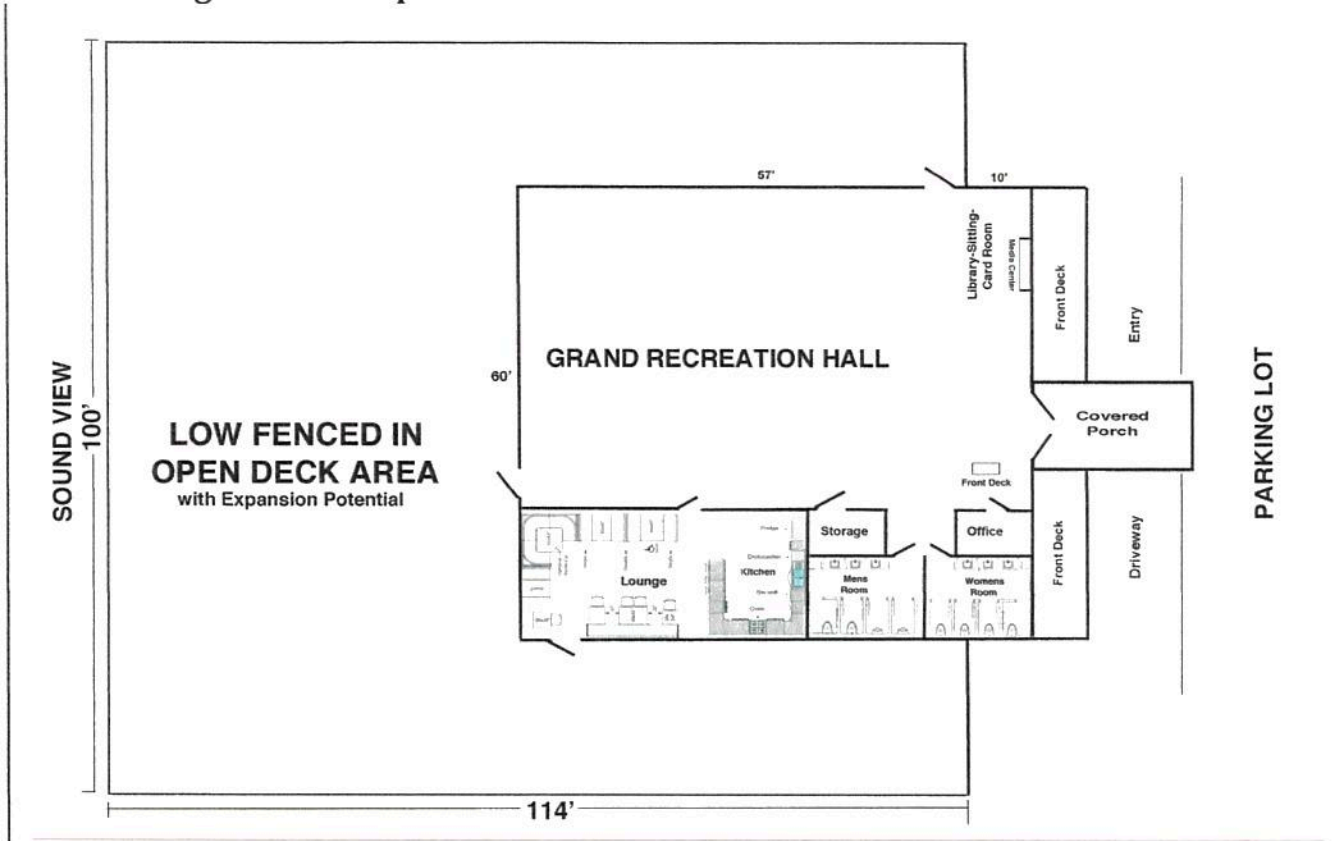


Figure 2: Conceptual Sketch of the Exterior of the Recreation Center



Potential Uses of the Year-Round Recreational Facility

A wide variety of uses are possible, and specific uses should be discussed with the membership to identify activities that have the broadest appeal and activities that meet the varied interests of the ACBC membership. First and foremost, the recreational facility would be an asset for the ACBC membership to enjoy. Some of the members-only activities that are potentially possible are listed below:

Membership activities

- ACBC Board meetings, annual members meetings, and committee meetings
- ACBC-sponsored events and activities such as:
 - Coffees
 - After-school events for children and youth
 - Game nights, movie nights
 - Book clubs
 - Indoor exercise (e.g., zumba, yoga, dance)
 - Poker games/casino night
 - Barbeques, holiday parties
 - Dances/Dance lessons
 - Sporting events
 - Other ACBC social gatherings or events for members

Community-Based Activities

The year-round facility can also potentially be made available to local community and civic organizations, many of which have ACBC members as participants. Some examples include meetings or events sponsored by Boy and Girl Scout troops, 4-H clubs, Lions Club, Audubon Society, Rotary Club, Church groups, and a variety of other potential groups.

Rental Possibilities

All or part of the facility could also be made available on a limited basis for rent. Possibilities include weddings, corporate conferences, art shows, writers' conferences, and day retreats. See page 7 for a discussion about the limitations on income from rentals based on IRS requirements for a nonprofit social club.

The next sections of this report provide an analysis for a year-round facility compared to a renovated pool with respect to operating costs, income generation, and capital costs.

Operating Cost Comparison

We estimated the annual operating costs of the Recreation Center compared to a Renovated Pool. Please note that these are operating costs only and do not include the cost of construction or renovation. (Capital cost comparisons are provided on page 10).

The cost estimates used for the Renovated Pool were taken directly from the ACBC Board's 2015 Budget Document as it appears on the ACBC website. Based on our analysis of the costs and income from the pool in prior years, we believe that these 2015 estimated costs provided by the Board are accurate. Appendix A contains data regarding the operating costs and income from the pool for the years 2003-2011.

As one can see from Table 1, the estimated annual cost for operating a year-round facility is \$11,800 less than the estimated annual cost for operating a renovated pool for only 2-3 months.

In estimating operating costs for the Recreation Center, we assume that part-time personnel would be needed to open and close the Center, do recordkeeping, facility cleaning and maintenance, supervise some activities, manage rental contracts and communicate with the membership about facility use. Thus, we estimate personnel costs to be equal to the estimated costs for the pool in 2015. Thus, there is no increase in personnel costs for year-round use of the Recreation Center compared to summer-only use of the pool.

Potentially, the personnel costs for the Recreation Center could be lowered through the use of volunteers or reducing the number of hours needed for facility management. However, for purposes of this analysis, we chose to include what we estimate to be the highest possible operating cost for the Recreation Center.

Table 1: Estimated Annual Operating Costs of the Recreation Center and the Renovated Pool

Cost Category	12-month Recreation Center	3-month Renovated Pool	Difference (Center-Pool)
Salaries*	\$24,300	\$24,300	\$0
Payroll Taxes	\$5,700	\$5,700	\$0
Furniture/Fixtures	\$1,000	\$1,000	\$0
Maintenance/Supplies	\$2,000	\$6,000	-\$4,000
Repairs/Plumbing	\$1,000	\$3,000	-\$2,000
Pool Heater	\$0	\$500	-\$500
Propane	\$1,200	\$7,500	-\$6,300
Permits and Licenses	\$350	\$350	\$0
Electricity	\$3,000	\$2,000	\$1,000
Garbage	\$800	\$800	\$0
Telephone/Internet	\$1,400	\$1,400	\$0
Water	\$600	\$600	\$0
TOTAL	\$41,350	\$53,150	-\$11,800

Note: These estimates do not include the cost of insurance for either option

Potential Income Comparison

For both the Recreation Center and the Renovated Pool, the annual operating costs are offset to some degree by income received from sources other than membership dues. For the Renovated Pool, income sources have included pool use fees (either season passes or single use passes) from Members and Associate Members and their guests, and rental of the pool facility to outside groups (such has been the case with the Lions Club for many years) for swim lessons or other activities.

Since providing recreation activities to ACBC members is the primary purpose of the Recreation Center, we assume that use of the Recreation Center is free of charge to ACBC members for all activities in which all ACBC members are invited.

- As is the case with the pool, the Recreation Center could also rent the facility to outside groups.
- If ACBC Members and Associate Members wish to use the facility for a personal, restricted event (such as a birthday party or family reunion), they would pay a rental fee that would be significantly lower than the rental fee for outside groups.

The number of days in which the facility is rented will be limited for two reasons:

- (1) the facility is primarily for the use of ACBC members
- (2) there are limitations on the amount of income that can be generated through outside rentals given that ACBC is a nonprofit social club.

The ACBC is a corporation that is recognized as tax exempt under code section 501(c)7. We consulted with a certified public accountant for an explanation of the IRS rules regarding income. Please note that we recognize we would need legal and accounting professionals to review our description and analysis prior to finalizing any decisions. Put simply, the rules state:

- (1) All sources of income other than membership dues and activities that provide for social activities of members cannot exceed 35% of the total from membership dues.

For example, the ACBC 2015 budget estimates that income from dues will be \$108,000. Thus, the maximum revenue from other sources in 2015 would be $35\% \times \$108,000 = \$37,800$

- (2) 15% of the allowed total revenue can be income from non-member use of facilities.

In 2015, the maximum amount allowable from non-members would be $15\% \times \$108,000 = \$16,200$

- (3) Tax must be paid on income from outside groups at the regular tax rate for corporations (15% on net revenue up to \$50,000).

In order for an event rental to be excluded from the maximum income limit, attendance at the event must consist of either over 75% Members/Associate Members, or the event would need to be attended by no more than 8 people, with at least one as a Member.

Given these limitations on income, Table 2 provides an example of the maximum income that could potentially be generated from rental of the Recreation Center, including estimated taxes that would need to be paid on income. In this example:

- We use a rental rate of \$1,000 per 8-hour day for private outside groups.
- For ACBC members who may wish to rent the facility for personal and restricted use (e.g., a family reunion), we use a rate of \$400 per day. This includes the use of tables, chairs, and kitchen facilities.
- We assume that it may be at least 12-18 months before the facility will be rented at the maximum use.

To determine the rate for private outside groups, we conducted a review of the occupancy and rental rates of existing facilities on Whidbey Island. Appendix A contains a table that provides the data we collected. After examining this data, we determined that \$1,000 per day for rental of the entire facility by outside private groups was comparable to other facilities on Whidbey Island with similar occupancy capacity and similar facilities. Rentals can also be done by half-day or hourly (with a minimum of 2 hours). ACBC may also provide retail services to Members, such as sale of meeting or party supplies.

We emphasize that this is the maximum potential income. How often the Recreation Center should be rented and for what purposes is an issue we believe should be discussed by the membership.

**Table 2
Potential Maximum Yearly Income from Rental of the Recreation Center**

Income Source	Rental Rate*	Maximum Number of Days	Maximum Income Allowed
Rentals by Private Outside Groups	\$1,000/day	16	\$16,000
Rentals by Members for Private Events	\$400/day	54	\$21,600
Use by Members for ACBC activities	no charge	295	\$0
Maximum Gross Income for Non-Social Services			\$37,600
Tax on Income	tax rate is 15%		\$5,640
Net Maximum Income			\$31,960

Table 3 compares the estimated income from the Recreation Center and the Renovated Pool. We provide an analysis for both total operating costs and net operating costs and provide analysis of cost per day and cost per ACBC member.

Table 3: Comparison of Operating Costs and Income for the Recreation Center and the Renovated Pool

	Recreation Center	Renovated Pool
Annual Operating Cost	\$41,350	\$53,150
Annual Estimated Income*	\$31,960	\$10,625
Net Cost to be Funded by Membership Dues	\$9,390	\$42,525
Annual Total Operating Cost per Day**	\$138	\$759
Annual Net Operating Cost per Day	\$31	\$608
Annual Total Operating Cost per Member***	\$83	\$106
Annual Net Operating Cost per Member	\$19	\$85

**Income from the pool is estimated at \$12,500 less 15% tax on income from outside groups*

***Assumes the pool operates 70 days per year and the Recreation Center operates 300 days per year*

****500 is used as the estimate for the number of members*

When viewing these cost and income comparisons, it is important to note that ACBC members currently pay an additional fee to use the pool. These fees are included in the estimated income for the Renovated Pool. However, ACBC members would not pay an additional fee to use the Recreation Center.

Capital Cost Comparisons

In this section, we describe the capital costs associated with the new construction of a Recreation Center compared to the renovation of the existing pool buildings and the pool.

The cost estimate we use for the renovated pool and pool building is \$650,000. We use \$650,000 because that is the amount that was stated in the May 2013 ballot that was sent to the membership. We wish to note the following important caveats involved in using this estimate:

- The cost for the renovated pool and pool building are based on 2013 estimates, and construction costs have risen since that time.
- The cost estimates for the renovated pool and building do not include any potential costs associated with any repairs/replacement of the underground plumbing.
- We are comparing *renovation* costs of the pool and pool building with *new* construction costs for the Recreation Center.
- In the long term, a refurbished pool and pool building may have additional costs for repair compared to new construction.
- Costs of the renovated pool and pool building do not include the cost of making the Shelter ADA compliant, nor would there be any ADA compliant bathrooms available for the 9 months of the year when the pool is closed.
- Several different estimates for the cost of pool renovation have been circulated. For example, at the Annual Members Meeting in 2014, it was stated that the assessment for the pool could be \$1700 per lot. If one uses 500 as the number of paid assessments, then the total cost for the pool renovation would be \$850,000 (\$1700 per lot x 500 lots). We chose to use the lower amount for the cost of pool renovation for purposes of comparison to a new Recreation Center.

In order to provide a general estimate of capital costs for building a Recreation Center, we asked a general contractor who volunteered his time to evaluate the potential capital costs involved in pool decommissioning, demolition of the existing building, site preparation, design and construction of the new facility. Please note that these are general estimates based on site inspections, the conceptual sketches, and a discussion about square footage and purposes of the Recreation Center. Based on the data provided by the general contractor, our estimate for all capital costs associated with a new, 4,000 sq.ft. Recreation Center is \$589,000. This estimate includes pool decommissioning, demolition, site preparation, sales tax, architectural design,

permitting, construction, and construction management. However, this is just an estimate and a more formal analysis would be needed.

We also conducted research on constraints that must be considered when constructing a facility such as a Recreation Center. These include zoning requirements, setback requirements, building height restrictions, parking requirements, septic considerations, and occupancy limitations. Recreational facilities of this type are allowed in Rural Residential zoning (which is the zoning for the ACBC property).

The Recreation Center would be sited more than 100 feet from the shoreline, and would be less than the 35-foot height restriction. The load on the existing septic system is anticipated to be less than the load from the existing pool, bathroom, and shower facilities. Given current requirements for parking, including ADA compliant parking spaces, there is adequate space to support an occupancy of at least 200 people.

Table 4: Comparison of Capital Costs of New Recreation Center and Renovated Pool

	Recreation Center	Renovated Pool and Building	Difference (Center-Pool)
Capital Cost	\$589,000	\$650,000	-\$61,000
Cost to Members	\$1,178	\$1,300	-\$122

Benefit/Cost Summary

Table 5 presents a summary of the major benefits and costs of a year-round Recreation Center compared to a Renovated Pool.

- We compare the days of operation, potential annual income, cost to members, operating costs, and capital costs.
- We also calculate the amount of revenue that would be available to ACBC for purposes other than operating the Recreation Center and the Renovated Pool.
- We believe that the data presented throughout this report supports the conclusion that a year-round indoor facility would be more cost-effective, while providing year-round enjoyment for ACBC members. Our specific conclusions and recommendations are presented in the final section of this report.

Table 5: Summary of Benefits and Costs for the Recreation Center and the Renovated Pool

Type of Benefit or Cost	Recreation Center (300 days per year)	Renovated Pool (70 days per year)	Difference (Center-Pool)
Benefits			
Days of Operation	300	70	230
Potential Annual Income After Taxes	\$31,960	\$10,625	\$21,335
Total Annual Revenue Available for Other Expenses, Purposes or Savings*	\$98,610	\$65,475	\$33,135

**The above calculation is: Estimated Dues + Estimated Income) - Total Operating Cost.*

Costs			
Total Annual Operating Cost	\$41,350	\$53,150	-\$11,800
Total Annual Operating Cost per Member	\$83	\$106	-\$24
Annual Net Operating Cost	\$9,390	\$42,525	-\$33,135
Annual Net Operating Cost per Member	\$19	\$85	-\$66
Additional Cost to ACBC Members for Facility Use	\$0	cost of pool pass	
Cost of Construction/Renovation	\$589,000	\$650,000	-\$61,000

Conclusions and Recommendations

Conclusions:

Based on the data and analysis presented in this report, the Subcommittee arrived at the following conclusions:

1. The estimated capital cost to build a Recreation Center is \$61,000 less than the estimated capital cost to renovate the existing pool and pool building.
2. The annual total operating costs of the Recreation Center are \$11,800 less than the estimated annual operating costs of the Pool.
3. The income generation potential of the Recreation Center is three times higher than that of a Renovated Pool (\$31,960 compared to \$10,625).
4. The net operating costs to ACBC members are \$19 per Member for the Recreation Center compared to \$85 per Member for the Pool.

5. The Recreation Center can operate year-round for a lower cost than operating a summer-only Pool.
6. The Recreation Center can provide multiple, year-round options for recreational use by ACBC members compared to the single, summer-only use of a Pool.
7. The Recreation Center would not need to charge ACBC members an additional usage fee for any activities that are open to all ACBC members. The Pool requires ACBC members to pay an additional usage fee.
8. The Recreation Center could generate income that can be used to support other recreational purposes, such as funds for constructing a new pool on existing ACBC property or on an alternative location. The total annual revenue available for other purposes is \$98,610 for the Recreation Center compared to \$65,475 for the Pool.

Recommendations and Next Steps:

1. We request that the ACBC Board publish this report on the ACBC website and make copies available to members who request them.
2. Based on the results of our work, we recommend that ACBC move forward with the idea of constructing a year-round Recreational Facility. To accomplish this, we recommend the following steps be taken:
 - Conduct a survey of the ACBC membership to assess the kinds of activities members would most want to see offered at the Recreation Center and also assess how often and when members would be most likely to use facilities. We could gather demographic data about members (e.g., how many have school-age children, grandchildren, retired, weekenders, work full time, etc.) that would be helpful in planning uses and events.
 - Take a conceptual sketch and outline of the project to Island County Planning and ask about the permitting and other zoning requirements. At least 2 members of the Alternative Visions subcommittee would need to participate in this meeting with County officials.
 - Ask the ACBC Board to fund a professional estimate of construction costs for a recreation center that is comparable in scope and detail to the assessment done for refurbishing the pool and pool buildings
 - Ask the ACBC Board to fund an assessment from a certified public accountant familiar with nonprofit organizations to verify the information presented in this report regarding IRS regulations and restrictions on income for nonprofit organizations like ACBC.
 - Host an *integrated design charrette* in which ACBC members are invited to come and brainstorm ideas about the design and purposes of a Recreation Center. Invite a design professional to facilitate the charrette, or perhaps invite a

professor and a team of students from the UW School of Architecture to develop, organize, and facilitate the charrette.

3. The subcommittee is very willing to continue to work with the ACBC Board on implementing these recommendations.

Appendix A: History of Operating Costs and Income for the Pool (2003-2011)

The following data was compiled from ACBC pool records for the years 2003-2011.

Year	Income	Lions Club Use Fees	Fees from Members/Guests	Operating Expenses	Operating Loss
2003	\$10,912	\$1,200	\$9,712	\$32,588	-\$21,676
2004	\$12,047	\$1,300	\$10,747	\$34,577	-\$22,529
2005	\$11,354	\$1,200	\$10,154	\$45,171	-\$33,817
2006	\$9,659	\$0	\$9,659	\$44,136	-\$34,477
2007	\$13,004	\$1,750	\$11,254	\$53,705	-\$40,701
2008	\$13,952	\$1,875	\$12,077	\$47,787	-\$33,835
2009	\$12,289	\$2,000	\$10,289	\$53,341	-\$41,052
2010	\$12,439	\$2,200	\$10,239	\$60,248	-\$47,809
2011	\$10,484	\$0	\$10,484	\$38,671	-\$28,187

Note: We did not include the years 2012-2014. In 2012 and 2014 the pool operated for only 3 weeks. The pool did not operate in 2013.

Averages from 2003 to 2011

Average Income per Year	\$11,793
Average Income less Lion's Income	\$10,513
Average Operating Costs per Year	\$45,580
Average Loss per Year	-\$33,787

2011 Pool Use Data

Average Pool Passes Per Day	10
Average Members Per Day	20
Average Guest Per Day	11
Average Total People per Day	31
Max Daily Passes Used	24
Max Daily Members Use	52
Max Daily Guest Use	36
Max Daily Use	79
Total Days Open	61

Appendix B: Information About Existing Rental Facilities on Whidbey Island

RENTAL FACILITIES ON WHIDBEY ISLAND

Facility	Pricing	Capacity
Coupeville Rec Hall	\$100/day Max	150
Crocket Barn & Events Center		200
Fireseed Catering & Events Ctr	\$2,500/day	225
Fort Casey – Garrison Hall	\$200/day	42
Four Springs House	\$1,250/7 hours	135
Freeland Hall	\$1000/day	250
Greenfield Farm & Gardens	\$3000/day	200
The Inn at Langley	\$500/day + food	40
Majestic Inn & Spa	\$1,000/day	160-200
Nordic Hall	\$350/day	120
Oak Harbor Yacht Club		120
Quintessa	\$1,700/day	45
Rhythm Waters	\$3,395/2 days	100
Roaming Radish Catering & Events	\$8 x 200=\$1,600	200
Rose Hill Community Center-Muk.	\$1600/day	250
Unity of Whidbey	\$20-45/hour	70
Useless Bay Golf & Country Club	\$800/day	200

