






## MEMORANDUM

To: Budget Analysts, City of Olmstead


From: [REDACTED], Board of *Water Water Everywhere* 



Re: Pool Renovations Proposal


Date: October 28, 2013

*Water Water Everywhere (WWE)* is a large Washington-based non-profit that seeks to create accessible recreational centers for communities across the state. WWE's mission is to ensure affordable access to low-income residents while creating green facilities that reduce energy and water consumption. WWE encourages local partnerships with organizations to introduce new activities that meet the needs of diverse demographics, and provide a fun and safe place for family recreation. We are proposing a \$2.5 million, six-month renovation to upgrade the Olmstead Falls Recreation Center (OFRC) with modern amenities and new community spaces.  

### TRANSFORMING OLMSTEAD




 A revitalized OFRC will open to the public in July 2014. A gleaming pool hall will feature a sophisticated look and modern amenities. Structural improvements and a newly painted facade will visually integrate the building's exterior with the surrounding city park. The specific renovations include:


- A new environmentally friendly salt water filtration system that will reduce energy costs and irritation associated with chlorine 
- Comprehensive environmental improvements, making the OFRC the first Leed Silver Certified facility in the City of Olmstead 
- A series of water park-like amenities that are destined to be an Olmstead tourist attraction. They include zero-depth entry, high and low dive boards, spray features, and two "Force 3" water park slides

 WWE is committed to maintaining affordability and access to low-income residents. The pool will maintain at least four hours of open swim and regular swim team hours. In addition, WWE will offer free swim lessons to low-income residents each week. The three classrooms will be renovated into community spaces to house yoga and spinning classes.



### FINANCES

#### **Capital Investment**

During the 2013 Fiscal Year (FY) (January 1, 2013  December 31, 2013), the Olmstead Falls Recreation Center ran a deficit of \$140,000. FY 2014 will start with a six-month closure of the pool for renovations. In consensus with the consultant hired by the City of Olmstead, WWE believes the renovations will cost \$2.5 million. WWE maintains a healthy donor base and has the cash on hand to provide  500,000 of the capital investment. The remaining \$1.9 million will come from a 10-year bank loan at 6.00% in concurrence with the WWE's 10-year lease of the 

pool (*see Capital Budget*). Financial projections indicate the loan will be fully paid off by the time WWE returns control of the pool to the City 




### Expenses

 Based on similarly remodeled pools in the State of Washington, WWE expects to see a 30% increase in attendance per month from FY 2013. In addition, OFRC's annual expenses will  shrink from \$760,000 (FY 2013) to a projected \$643,842.34 (*see Budget Comparison*). The new expense budget will include the following:


- WWE's full-time staff will have hourly rates of \$25, down from \$32.37
- Lifeguards will continue to be paid the going rate of \$12 per hour. However, there will be an increased number of months with an extra lifeguard
- The highly efficient electric system will eliminate the gas bill, saving \$10,000 annually. The result will only be an increase of \$1,000 to the base electric bill
- The new saltwater filtration system will decrease filtration expenses by 51%
- Annual maintenance and operations will be approximately 40% lower after renovations
- WWE will hire a coach to teach the free open swims at an hourly rate of \$25

### Revenues

WWE is committed to maintaining affordable access to the pool and will not raise rates for open swim. The new revenue projections (*see Assumptions*) are as follows:

- Rental fees and usage rates will remain the same 
- Prices for open swim will increase at a rate less than inflation, leading open swim to in  effect become cheaper over time
- The pool will work with local partnerships to rent out the renovated classrooms on a permanent monthly basis. The partnerships will result in \$72,000 in revenue annually. This will help keep WWE's costs down and hedge WWE's risk 
- The new water slide will bring in \$42,120 annually through the \$1 per ride fee collected with turnstiles
- 10 hours from Monday to Friday will be blocked off for partner organizations to run water aerobics classes. WWE will charge \$150 fee to the partnership organization for every hour they use the pool. WWE anticipates a 45% usage rate, generating \$4,050 monthly

### Projections

Inflation over the past decade has averaged 2.3% and projections account for expenses rising at that rate. Employee salaries will increase at a 3% rate to slightly exceed inflation. Based on projections, revenue will only need to be raised at a rate of 1.8% annually (*see Income Statement*). Due to the closure of the pool, the pool will run a \$124,230 deficit through FY 2014. WWE has the cash on hand to cover that short-term loss. Starting FY 2015, there is a projected steady surplus to recoup losses by FY 2019. After WWE recovers FY 2014 losses, the City will  receive 97% of a surplus in any given FY. This leaves the WWE with a 3% margin of safety. By the end of the lease, WWE will have given the City \$105,268 in addition to a business model that will continue to generate a surplus into the coming decades.



## Capital Budget

Bank Loan	
PV	1,900,000.00
Interest rate	6.00%
nper	10
Length of Loan (yr)	10
Times Compounded/yr	1
pmt	(258,149.12)

Capital Revenue	
Donor Base	600,000.00
Bank Loan	1,900,000.00
<b>Total</b>	<b>2,500,000.00</b>

2014 Capital Expenses	
<b>Building</b>	
Locker Room Renovation	\$ 100,000
Classroom Remodels	\$ 125,000
Structural	\$ 405,000
Interior Decoration	\$ 136,000
Exterior Paint	\$ 9,000
Environmental Certification Improvements	\$ 400,000
<b>Building Total</b>	<b>\$ 1,175,000</b>
<b>Contracts (incl. labor)</b>	
Aquatic Ventures Inc.	\$ 700,000
Shades of Green Building Co.	\$ 400,000
<b>Contracts Total</b>	<b>\$ 1,100,000</b>
<b>Pool</b>	
Liner	\$ 43,000
Zero-Depth Entry	\$ 35,000
Salt-Water Treatment System	\$ 59,000
High/low Dive	\$ 20,000
Water Slides	\$ 38,000
Spray Features	\$ 11,000
<b>Pool Total</b>	<b>\$ 206,000</b>
<b>Misc.</b>	<b>\$ 19,000</b>
<b>Expenses Total</b>	<b>\$ 2,500,000</b>

Olmstead Pool 2013 Budget vs. Future Budget

2013 Actual Budget					
Position Title	Hours	Rate	Benefits	Base	Amount
Full Time Employees	6240	32.37	18000		219,989
Lifeguards	14352	12	0		172,224
Extra Lifeguards	398.666667	12	0		14,352
<b>Contract Workers</b>					
Swim Team Coaching					25,000
Specialized Pool Maintenance					50,000
Janitorial Services					25,000
<b>Personnel Total</b>					<b>506,564.80</b>
<b>Operating Expenses</b>					
Insurance					45,000
Operations					50,059
<b>Utility Payments</b>					
Gas			120000		10,000
Electric Light and Power		0.08333333		18,000	40,063
<b>Equipment and Supplies</b>					
General Office Supplies					2,000
Chemicals		0.067192		25000	33,063
Cleaning					5,000
Other Operating Supplies					10,000
<b>Ongoing Maintenance</b>					
Material Building Maintenance					25,032
Materials Pool Maintenance					25,032
<b>Operating Total</b>					<b>245,248.12</b>
Misc Expense					8,187.08
<b>Total Expenditures</b>					<b>760,000.00</b>

Projected Expense Base Budget (After Renovation)					
Position Title	Hours	Rate	Benefits	Base	Amount
Full Time Employees	6240	25	18,000		174,000
Lifeguards	14352	12	0		172,224
Extra Lifeguards	398.666667	12	0		38,272
<b>Contract Workers</b>					
Swim Team Coaching					25,000
Specialized Pool Maintenance					25,000
Janitorial Services					25,000
Free Lesson Coach		208	25		5,200
<b>Personnel Total</b>					<b>464,696.00</b>
<b>Operating Expenses</b>					
Insurance					45,000
Operations					40,000
<b>Utility Payments</b>					
Electric Light and Power		0.1838583		9,000	39,705
<b>Equipment and Supplies</b>					
General Office Supplies					2,000
Saltwater Filtration System					16,000
Cleaning					5,000
Other Operating Supplies					10,000
<b>Ongoing Maintenance</b>					
Material Building Maintenance					10,000
Materials Pool Maintenance					10,000
<b>Operating Total</b>					<b>177,705.08</b>
<b>Total Expenditures</b>					<b>642,401.08</b>

**Income Statements (Month, Year, Decade)**

2014 Monthly Projections (w/Capital Construction Period)													
Revenues	January	February	March	April	May	June	July	August	September	October	November	December	Year Total
Open Swim Fees	-	-	-	-	-	-	54,600	46,800	54,600	62,400	78,000	85,800	382,200.00
Swim Lessons	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Slide Fee	-	-	-	-	-	-	2,948	2,527	2,948	3,370	4,212	4,633	20,638.80
Studio Rentals	-	-	-	-	-	-	6,000	6,000	6,000	6,000	6,000	6,000	36,000.00
Pool & Lockerroom Rentals	-	-	-	-	-	-	1,661	1,424	1,661	1,898	2,373	2,610	11,625.25
Aerobics	-	-	-	-	-	-	4,050	4,050	4,050	4,050	4,050	4,050	24,300.00
Swim Team Fees	-	-	-	-	-	-	667	667	667	667	667	667	4,000.00
<b>Total Revenue</b>	-	-	-	-	-	-	69,925.82	61,467.37	69,925.82	78,384.27	95,301.17	103,759.62	478,764.05
<b>Expenses</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>Year Total</b>
<b>Personnel Expense</b>	-	-	-	-	-	-	18,332	18,332	18,332	18,332	18,332	18,332	109,994
Full Time Employees	-	-	-	-	-	-	18,332	18,332	18,332	18,332	18,332	18,332	109,994
Lifeguards	-	-	-	-	-	-	14,352	14,352	14,352	14,352	14,352	14,352	86,112
Extra Lifeguard	-	-	-	-	-	-	-	-	-	4,784	4,784	4,784	14,352
<b>Contract Workers</b>	-	-	-	-	-	-	2,083	2,083	2,083	2,083	2,083	2,083	12,500
Swim Team Coaching	-	-	-	-	-	-	2,083	2,083	2,083	2,083	2,083	2,083	12,500
Specialized Pool Maintenance	-	-	-	-	-	-	2,083	2,083	2,083	2,083	2,083	2,083	12,500
Janitorial Services	-	-	-	-	-	-	2,083	2,083	2,083	2,083	2,083	2,083	12,500
Free Lesson Coach	-	-	-	-	-	-	433	433	433	433	433	433	2,600
<b>Operating Expenses</b>	-	-	-	-	-	-	3,750	3,750	3,750	3,750	3,750	3,750	22,500
Insurance	-	-	-	-	-	-	3,333	3,333	3,333	3,333	3,333	3,333	20,000
Operations	-	-	-	-	-	-	3,333	3,333	3,333	3,333	3,333	3,333	20,000
<b>Utility Payments</b>	750	750	750	750	750	750	2,926	2,640	2,926	3,213	3,787	4,074	24,066
Electric Light and Power	750	750	750	750	750	750	2,926	2,640	2,926	3,213	3,787	4,074	24,066
<b>Equipment and Supplies</b>	-	-	-	-	-	-	167	167	167	167	167	167	1,000
General Office Supplies	-	-	-	-	-	-	167	167	167	167	167	167	1,000
Saltwater Filtration System	-	-	-	-	-	-	1,333	1,333	1,333	1,333	1,333	1,333	8,000
Cleaning	-	-	-	-	-	-	417	417	417	417	417	417	2,500
Other Operating Supplies	-	-	-	-	-	-	833	833	833	833	833	833	5,000
<b>Ongoing Maintenance</b>	-	-	-	-	-	-	833	833	833	833	833	833	5,000
Material Building Maintenance	-	-	-	-	-	-	833	833	833	833	833	833	5,000
Materials Pool Maintenance	-	-	-	-	-	-	833	833	833	833	833	833	5,000
<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payment	21,512	21,512	21,512	21,512	21,512	21,512	21,512	21,512	21,512	21,512	21,512	21,512	258,149
<b>Total Expenses</b>	22,262.43	22,262.43	22,262.43	22,262.43	22,262.43	22,262.43	75,306.49	75,019.67	75,306.49	80,377.31	80,950.95	81,237.77	601,773.24
<b>Surplus (Deficit)</b>	(22,262.43)	(22,262.43)	(22,262.43)	(22,262.43)	(22,262.43)	(22,262.43)	(5,380.67)	(13,552.31)	(5,380.67)	(1,993.04)	14,350.22	22,521.85	(123,009.19)

Full Year - 2015 Monthly Projections													
Revenues	January	February	March	April	May	June	July	August	September	October	November	December	Year Total
Open Swim Fees	78,000	70,200	70,200	62,400	62,400	54,600	54,600	46,800	54,600	62,400	78,000	85,800	780,000.00
Swim Lessons	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Slide Fee	4,212	3,791	3,791	3,370	3,370	2,948	2,948	2,527	2,948	3,370	4,212	4,633	42,120.00
Studio Rentals	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000.00
Pool & Lockerroom Rentals	2,373	2,135	2,135	1,898	1,898	1,661	1,661	1,424	1,661	1,898	2,373	2,610	23,725.00
Aerobics	4,050	4,050	4,050	4,050	4,050	4,050	4,050	4,050	4,050	4,050	4,050	4,050	48,600.00
Swim Team Fees	667	667	667	667	667	667	667	667	667	667	667	667	8,000.00
<b>Total Revenue</b>	95,301.17	86,842.72	86,842.72	78,384.27	78,384.27	69,925.82	69,925.82	61,467.37	69,925.82	78,384.27	95,301.17	103,759.62	974,445.00
<b>Expenses</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>Year Total</b>
<b>Personnel Expense</b>	18,332	18,332	18,332	18,332	18,332	18,332	18,332	18,332	18,332	18,332	18,332	18,332	219,989
Full Time Employees	18,332	18,332	18,332	18,332	18,332	18,332	18,332	18,332	18,332	18,332	18,332	18,332	219,989
Lifeguards	14,352	14,352	14,352	14,352	14,352	14,352	14,352	14,352	14,352	14,352	14,352	14,352	172,224
Extra Lifeguard	4,784	4,784	4,784	4,784	4,784	-	-	-	-	4,784	4,784	4,784	38,272
<b>Contract Workers</b>	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Swim Team Coaching	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Specialized Pool Maintenance	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Janitorial Services	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	25,000
Free Lesson Coach	433	433	433	433	433	433	433	433	433	433	433	433	5,200
<b>Operating Expenses</b>	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000
Insurance	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	40,000
Operations	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	40,000
<b>Utility Payments</b>	3,787	3,500	3,500	3,213	3,213	2,926	2,926	2,640	2,926	3,213	3,787	4,074	39,705
Electric Light and Power	3,787	3,500	3,500	3,213	3,213	2,926	2,926	2,640	2,926	3,213	3,787	4,074	39,705
<b>Equipment and Supplies</b>	167	167	167	167	167	167	167	167	167	167	167	167	2,000
General Office Supplies	167	167	167	167	167	167	167	167	167	167	167	167	2,000
Saltwater Filtration System	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	16,000
Cleaning	417	417	417	417	417	417	417	417	417	417	417	417	5,000
Other Operating Supplies	833	833	833	833	833	833	833	833	833	833	833	833	10,000
<b>Ongoing Maintenance</b>	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Material Building Maintenance	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Materials Pool Maintenance	833	833	833	833	833	833	833	833	833	833	833	833	10,000
<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payment	21,512	21,512	21,512	21,512	21,512	21,512	21,512	21,512	21,512	21,512	21,512	21,512	258,149
<b>Total Expenses</b>	80,950.95	80,664.13	80,664.13	80,377.31	80,377.31	75,306.49	75,306.49	75,019.67	75,306.49	80,377.31	80,950.95	81,237.77	946,539.00
<b>Surplus (Deficit)</b>	14,350.22	6,178.59	6,178.59	(1,993.04)	(1,993.04)	(5,380.67)	(5,380.67)	(13,552.31)	(5,380.67)	(1,993.04)	14,350.22	22,521.85	27,906.00

Projected 10-Year Operating Budget												
Time Period (yr)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	
<b>Total Revenue</b>	478,764	974,445	991,985	1,009,841	1,028,018	1,046,522	1,065,360	1,084,536	1,104,058	1,123,931	9,907,459	
<b>Expenses</b>	210,458	430,485	443,399	456,701	470,402	484,514	499,050	514,021	529,442	545,325	4,583,799	
Personnel	133,166	257,905	263,063	268,324	273,691	279,165	284,748	290,443	296,252	302,177	2,648,934	
Other	258,149	258,149	258,149	258,149	258,149	258,149	258,149	258,149	258,149	258,149	2,581,491	
Loan Payment	601,773	946,539	964,612	983,175	1,002,242	1,021,828	1,041,947	1,062,613	1,083,843	1,105,651	9,814,224	
<b>Total Expenses</b>	(123,009)	27,906	27,373	26,666	25,775	24,694	23,413	21,923	20,215	18,279	93,235	
<b>Surplus (Deficit)</b>	601,773	946,539	964,612	983,175	1,002,242	1,021,828	1,041,947	1,062,613	1,083,843	1,105,651	9,814,224	
Payment to City of Olmstead	-	-	-	-	-	23,953	22,710	21,265	19,608	17,731	105,268	

Loan Repayment												
Owed (w/interest)	2,014,000	1,861,202	1,699,236	1,527,552	1,345,567	1,152,663	948,185	731,438	501,686	258,149	-	

## Assumptions

2013 Budget (Pre-renovation)				
2013 Open Swim Attendance by Month				
Month	Open Swim Distribution by Month	2013 # Swimmers/ month	Open Swim Revenue	Future # Swimmers/ month
Jan	10.00%	12000	\$60,000	15600
Feb	9.00%	10800	\$54,000	14040
Mar	9.00%	10800	\$54,000	14040
Apr	8.00%	9600	\$48,000	12480
May	8.00%	9600	\$48,000	12480
Jun	7.00%	8400	\$42,000	10920
Jul	7.00%	8400	\$42,000	10920
Aug	6.00%	7200	\$36,000	9360
Sept	7.00%	8400	\$42,000	10920
Oct	8.00%	9600	\$48,000	12480
Nov	10.00%	12000	\$60,000	15600
Dec	11.00%	13200	\$66,000	17160
<b>Year Total</b>	<b>100.00%</b>	<b>120000</b>	<b>\$600,000</b>	<b>156000</b>

2013 Attendance, Fees, and Rentals - Actuals				
Receipts	Quantity	% Usage	Fee	Total
Open Swim	120000		5	600000
Swim Team	5		1600	8000
<b>Rentals</b>				
Goggles	2500	2.08%	1	2500
Lockers	10000	8.33%	0.5	5000
Towels	1000	0.83%	2	2000
Water Wings	1000	0.83%	2.5	2500
<b>Total Revenues</b>				<b>620000</b>

2014 Revenue Assumptions	
<b>Pool Assumptions</b>	
Average # Swimmers/yr prior to 2014	120,000
Open Swim Fee	5
Projected % increase in attendance after improvements	30.00%
Projected Water Slide Usage	27%
Water Slide Fee	1
<b>Rental % Usage Assumption (based on 2013)</b>	
Goggles	2.08%
Lockers	8.33%
Towels	0.83%
Water Wings	0.83%
<b>Rental Fees</b>	
Goggles	\$1.50
Lockers	\$1.00
Towels	\$2.00
Water Wings	\$2.50

Base Revenue Projection												
Month	#											
	Total Visitors Per Month	Swimmers/ month	Open Swim Revenue	Water Slide Revenue	Goggle Rental	Locker Rental	Towel Rental	Water Wing Rental	Partner-ship Fees	Aerobics	Swim Lessons	Swim Team Fees
Jan	16,517	15600	78,000	4,212	488	1,300	260	325	6,000	4,050	-	667
Feb	14,957	14040	70,200	3,791	439	1,170	234	293	6,000	4,050	-	667
Mar	14,957	14040	70,200	3,791	439	1,170	234	293	6,000	4,050	-	667
Apr	13,397	12480	62,400	3,370	390	1,040	208	260	6,000	4,050	-	667
May	13,397	12480	62,400	3,370	390	1,040	208	260	6,000	4,050	-	667
Jun	11,837	10920	54,600	2,948	341	910	182	228	6,000	4,050	-	667
Jul	11,837	10920	54,600	2,948	341	910	182	228	6,000	4,050	-	667
Aug	10,277	9360	46,800	2,527	293	780	156	195	6,000	4,050	-	667
Sept	11,837	10920	54,600	2,948	341	910	182	228	6,000	4,050	-	667
Oct	13,397	12480	62,400	3,370	390	1,040	208	260	6,000	4,050	-	667
Nov	16,517	15600	78,000	4,212	488	1,300	260	325	6,000	4,050	-	667
Dec	18,077	17160	85,800	4,633	536	1,430	286	358	6,000	4,050	-	667
<b>Year Total</b>	<b>167,004</b>	<b>156,000</b>	<b>\$ 780,000</b>	<b>\$ 42,120</b>	<b>\$ 4,875</b>	<b>\$ 13,000</b>	<b>\$ 2,600</b>	<b>\$ 3,250</b>	<b>\$ 72,000</b>	<b>\$ 48,600</b>	<b>\$ -</b>	<b>\$ 8,000</b>

Remodeled Classroom Rental Fees	
Yoga Studio Partnership Price	\$2,500
Spinning Studio Partnership Price	\$2,000
Community Classroom Partnership Price	\$1,500

Water Aerobics Revenues/Month	
Available Pool Hours	60
Rental Fee	150
Projected % of hours rented	0.45
Projected Class Participants	293

Swim Lesson Revenues/Month	
Available Pool Hours	16
Rental Fee	0
Projected Swim Lesson Participants	624

Swim Team Revenues	
Number of Swim Teams	8
Yearly cost of Swim Team	1000

10-Year Budget Assumptions	
<b>10-Year Salary Increase/Inflation Projections</b>	
Employee Salary Increase/yr	3%
Projected Revenue Increases	1.5%
Inflation	2.3%
<b>Revenue Returned to City of Olmstead</b>	
% of Total Annual Profit	10.00%