

FINANCIAL ANALYSIS OF FACILITY TO REPLACE THE JUANITA AQUATIC CENTER

An analysis of the probable operating costs and revenue potential for each facility option was prepared. Facility options include:

- Aquatic Center with an 8-lane pool and recreation pool
- Aquatic Center with a 50 meter pool and recreation pool
- Recreation and Aquatic Center with an 8-lane pool and recreation pool
- Recreation and Aquatic Center with a 50 meter pool and recreation pool

The proposed space components for the full-service facility include:

- Lap pool with 8-lanes
- Recreation pool with waterslides, sprays and current channel
- Locker rooms
- Family and special needs locker rooms
- Meeting/Birthday party room
- Gymnasium
- Fitness center
- Wood floor studio
- Childwatch room
- Community Hall
- Kitchen
- Art studio
- Dance room
- Program classroom
- Management and operations support space

The analysis also included the same option except with a 50-meter pool in lieu of an 8-lane pool.

The proposed space components for the aquatics only facility include:

- Lap pool with 8-lanes
- Recreation pool with waterslides, sprays and current channel
- Locker rooms
- Family and special needs locker rooms
- Meeting/Birthday party room
- Management and operations support space

The analysis also included the same option except with a 50-meter pool in lieu of an 8-lane pool.

Probable Operating Costs

The major expense categories for the operation of a recreation center and/or an aquatics center are salaries and benefits, utilities, repairs and maintenance, supplies, marketing, contract labor, and capital reserves.

Salaries and employee benefits typically represents approximately 50%- 60% of the total operating cost. The second largest expense category is utility costs. The financial analysis assumes that the building will employ energy-efficient design. Utility costs estimates include electricity, gas, water, sewer, and trash removal. Costs have been prepared using actual costs incurred by similar facilities in the region. Repairs and maintenance is the next highest expense category.

The probable operating costs are developed based on a series of assumptions such as hours of operation, likely programs and activities offered, etc. If the decision is to build the full recreation center, other key assumptions include:

- North Kirkland Community Center will move its current operations and staff to the new recreation center.
- The existing building will be re-purposed for another use, leased, or demolition if the NKCC is the site for the new facility.
- The existing operating budget and staff from North Kirkland Community Center will be transferred to the new recreation center.
- The operating budget for the new recreation center includes new (additional) revenue and new expenses only.

The existing North Kirkland Community Center has an annual operating expense of \$579,458 (direct and indirect costs) and revenue of \$368,264 resulting in a subsidy of \$211,194. As previously noted, the existing staff, programs, and services will be transferred to the new facility.

Staffing for a new recreation and aquatic facility is assumed to require the following additional staff:

- Center Supervisor
- Event Technician (.75 FTE)
- Building Maintenance and Pool Technician
- Program Assistants (1.5 FTE)

Additional part-time, hourly staff includes:

- Customer Service Associates
- Lifeguards
- WSI instructors
- Gym attendants
- Child watch
- Contract and program instructors
- Facility attendants

Staffing for a stand-alone aquatic facility is assumed to require the following staff:

- Center Supervisor
- Event Technician (.50 FTE)
- Building Maintenance and Pool Technician
- Guest Services/Accounting Tech

Additional part-time, hourly and contract staff includes:

- Lifeguards
- WSI instructors
- Water exercise instructor
- Party and event hosts
- Contract and program instructors
- Customer service associates
- Facility attendants

Assumed hours of operation:

Monday – Friday	5:30am – 9:00 pm
Saturday	8:00am – 8:00 pm
Sunday	11:00am – 6:00 pm

Revenue Potential

Assumptions regarding fees and charges were made to develop the estimates of revenue potential. Daily fees were developed with consideration of affordability, cost recovery goals, and market comparisons. All fee assumptions are stated in 2014 dollars:

<u>Age</u>	<u>Fee</u>
0-2 yrs	Free
Child (2-6)	\$4.50
Youth (7-18)	\$5.00
Adult (19-64)	\$5.50
Senior (65+)	\$4.50
Family	\$17.00

Annual Pass fees

Annual passes provide a 20% discount to residents.

<u>Age</u>	<u>Resident</u>	<u>Non-Resident</u>
Child (2-6)	\$300	\$360
Youth (7-18)	\$375	\$420
Adult (19-64)	\$450	\$540
Senior (65+)	\$355	\$430
Family	\$750	\$900

Revenue is generated from a variety of sources with nearly half derived from daily admissions and annual pass sales. Class fees and rentals make up the balance of the revenue. The Sports Management Group worked with staff to develop a room-by-room schedule of activities and classes for the new facilities. Estimates of participation were used to project revenue for each space and type of activity.

Cost Recovery

The cost recovery, the percentage of operating expense that is funded from revenue, was calculated for each option. Operating costs and revenue were calculated in a range from low to high. The "average" of the range is the expected performance level of a Kirkland Center upon opening. The operating cost, revenue potential and cost recovery is reported below. The first set of figures does not include a funding commitment to a building renewal fund (see Building Reserve Fund below). The second set of figures includes the Building Reserve Fund.

The full recreation center with the 8-lane pool has the highest cost recovery, followed by the full center with a 50-meter pool. With either of these options, it may be possible to absorb the current NKCC subsidy in the operation of the new center, thereby reducing the General Fund support of over \$200,000 annually.

Building Reserve Fund

In addition to the funding of annual maintenance, the financial analysis considered a building reserve fund. The reserve fund is used to pay for major repair or replacement of the building systems. Consideration should be given to setting aside approximately one percent of the facility construction costs each year to fund the reserve account. Over time, this allocation should be adjusted for inflation. At one-percent, the commitment to the reserves is \$280,000 for the full center or \$220,000 for the aquatics only facility. The reserve fund has been included as an option in the probable operating costs.

Summary of Revenue

Building Option – No Reserve Fund	Probable Operating Cost	Potential Revenue	Cost Recovery
Recreation and Aquatic Center	\$2,559,000	\$3,360,000	131%
Recreation and Aquatic w/ 50M Pool	\$2,803,000	\$3,436,000	123%
Aquatic Center Only	\$1,653,000	\$1,699,000	103%
Aquatic Center w/ 50M Pool	\$1,897,000	\$1,802,000	95%
Building Option – With Reserve Fund			
Recreation and Aquatic Center	\$2,839,000	\$3,360,000	118%
Recreation and Aquatic w/ 50M Pool	\$3,083,000	\$3,436,000	111%
Aquatic Center Only	\$1,873,000	\$1,699,000	91%
Aquatic Center w/ 50M Pool	\$2,117,000	\$1,802,000	85%

Preliminary Costs – Construction

38,500sf Aquatic Center

	JUANITA BEACH	NORTH KIRKLAND	SOUTH NORWAY
Building & Site Construction Cost	\$16,294,000	\$17,971,000	\$16,824,000
Contingency & Escalation to 2015	\$3,657,000	\$4,034,000	\$3,777,000
Budget for Construction	\$19,951,000	\$22,005,000	\$20,601,000
Other Project Costs	\$6,446,000	\$7,052,000	\$6,638,000
Construction Contingencies (10%)	\$1,995,000	\$2,201,000	\$2,060,000
Total Project Cost	\$28,392,000	\$31,258,000	\$29,299,000

72,000sf Recreation & Aquatic Center

	JUANITA BEACH	NORTH KIRKLAND	SOUTH NORWAY
Building & Site Construction Cost	\$22,779,000	\$24,854,000	\$23,669,000
Contingency & Escalation to 2015	\$5,113,000	\$5,578,000	\$5,312,000
Budget for Construction	\$27,892,000	\$30,432,000	\$28,981,000
Other Project Costs	\$9,068,000	\$9,843,000	\$9,400,000
Construction Contingencies (10%)	\$2,789,000	\$3,043,000	\$2,898,000
Total Estimated Project Cost	\$39,749,000	\$43,318,000	\$41,279,000

50-Meter Pool

	JUANITA BEACH	NORTH KIRKLAND	SOUTH NORWAY
Construction Cost	\$4,107,000	\$4,052,000	\$4,052,000
Other Project Costs	\$1,213,000	\$1,198,000	\$1,198,000
Contingencies (10%)	\$411,000	\$405,000	\$405,000
Total Estimated Premium	\$5,731,000	\$5,655,000	\$5,655,000

Revised construction cost estimates replace charts on page 8.

Summary of Costs – Construction/Operating Costs/Revenue

38,500sf Aquatic Center

	JUANITA BEACH	NORTH KIRKLAND	SOUTH NORWAY
Without 50-Meter Pool			
Total Project Cost	\$28,392,000	\$31,258,000	\$29,299,000
Operating Cost*	\$1,653,000	\$1,653,000	\$1,653,000
Revenue	\$1,699,000	\$1,699,000	\$1,699,000
Cost Recovery	103%	103%	103%
With 50-Meter Pool			
Total Project Cost	\$34,123,000	\$36,913,000	\$34,954,000
Operating Cost*	\$1,897,000	\$1,897,000	\$1,897,000
Revenue	\$1,802,000	\$1,802,000	\$1,802,000
Cost Recovery	95%	95%	95%

72,000sf Recreation & Aquatic Center

	JUANITA BEACH	NORTH KIRKLAND	SOUTH NORWAY
Without 50-Meter Pool			
Total Project Cost	\$39,749,000	\$43,318,000	\$41,279,000
Operating Cost*	\$2,559,000	\$2,559,000	\$2,559,000
Revenue	\$3,360,000	\$3,360,000	\$3,360,000
Cost Recovery	131%	131%	131%
With 50-Meter Pool			
Total Project Cost	\$45,480,000	\$48,973,000	\$46,934,000
Operating Cost*	\$2,803,000	\$2,803,000	\$2,803,000
Revenue	\$3,436,000	\$3,436,000	\$3,436,000
Cost Recovery	123%	123%	123%

*Operating cost does not include reserve fund