

Dear WHSC Member/Owner,

The Annual Meeting of the West Howard County Swim Club will be held at **7 PM Wednesday, February 6, 2019** at the **Lisbon Fire House**, 1330 Woodbine Rd, Woodbine, MD 21797. This year's meeting will include several important and informative topics:

- President's report on the past year.
- Update on the capital project that was approved at the special meeting in August.
- Discussion and vote for approval of proposed bylaws changes. The Board conducted a comprehensive review of the bylaws and is recommending several changes and additions to improve and clarify our bylaws.
- Discussion and vote for approval of the 2019 operating budget.
- Election of new Board members. This year one position is open.

If you are interested in joining the Board, self-nominations are accepted. Please contact any Board Member and plan to attend the Annual Meeting.

Included with this letter are the proposed budget, a Balance Sheet, the summary of proposed bylaws changes, and a proxy form. The full proposed bylaws document can be found on our website, <https://westhowardswimclub.wordpress.com>. The proxy form includes separate sections on all items to be voted upon at the meeting. If you cannot attend the meeting, please complete the enclosed proxy form and mail it to the address on the form, or provide it in-person to any board member, no later than February 1, 2018. ***It is very important to submit your proxy forms, as the Club cannot conduct any voting without a quorum.***

The proposed budget includes both the Operating Budget and Capital Reserves activity, and provides a comparison of the 2018 budget and actuals in addition to the proposed budget for 2019. The 2018 actuals serve as the Income Statement for the Club's 2018 fiscal year. The 2018 net operating income was ~\$22,100 compared to a planned ~\$27,600. The shortfall was due entirely to the fact that a refund of ~\$12,300 of federal taxes withheld erroneously in FY2017 was expected to be received in FY18 but was not received until November of 2018 which is in the Club's 2019 fiscal year. This refund, and associated interest paid to the Club by the IRS, is included in the 2019 budget. The other significant deviation from the 2018 budget was that the Club did not purchase additional CD's for Capital Reserves as originally planned. The Club intentionally held off purchasing the CD's to await the results of the membership vote on the capital project. As a result, no CD's were purchased in fiscal year 2018 and no CD's will need to be liquidated to fund the capital project.

The proposed 2019 budget includes the actual closing costs and planned monthly payments for the capital project loan, the proposed dues increases necessary to cover the loan costs (see table below in the Capital Project Summary), and a proposed additional \$20,000 in Club funding toward the capital project as discussed below. The resulting budget forecasts a net operating income of ~\$19,400.00. The proposed budget is based on maintaining the Club's current

December 29, 2018

membership limit of 350 memberships. One of the proposed bylaws changes is to increase the membership limit to 375. If approved at the Annual Meeting, this would allow for up to \$13,125 of additional dues revenue and \$5,000 additional capital reserves funding. Since the ability to increase membership is uncertain, the proposed budget is based on current membership numbers.

In accordance with the current bylaws, members have until January 21, 2019 to review and comment on the proposed budget. Please take time to review the budget, and, if you wish to provide comments or have questions, contact any Board member directly or e-mail the Treasurer at [whsctreasurer@gmail.com](mailto:whsctreasurer@gmail.com).

As a reminder, upon passage of a budget at the annual meeting, dues notices will be sent with a due date for payment by April 1, after which time a \$50 late fee will be assessed. Similar to last year, since we are now fully transitioned to our online membership database, you will not receive your dues notice via postal mail, but rather by email to your email address as listed in your Member Splash account profile. Please take a moment to verify and update your contact information in Member Splash (<https://westhoward.membersplash.com>) in order to receive your dues notice and other communications from WHSC.

Note that this letter and all attachments are available on the Club's website <https://westhowardswimclub.wordpress.com>. The WHSC Board looks forward to your participation in the Annual Meeting.

Sincerely,  
**Your WHSC Board of Directors**

## **Capital Project Summary and Proposed 2019 Dues Structure**

The Board has secured funding, finalized the work scope, and selected the prime contractor for the pool and deck work. Permits are being finalized, and work is planned to begin in January. All work will be complete in time for opening on Memorial Day weekend.

The first step in the capital improvement project was securing a loan. Five banks were contacted – Sandy Spring (our current bank), BB&T (our prior lien-holder), M&T, Howard, and Bank of America. Offers were received from all except Bank of America; the Club did not meet Bank of America's requirement for at least \$3M in annual revenues. Sandy Spring offered the lowest interest rate (5.45%). All other terms and conditions of the offers were comparable. The Board selected Sandy Spring and proceeded with the loan process.

The bank performed an in-house appraisal to help keep closing costs low. The appraised value of the property was \$355,000 which was significantly lower than the expected value based on the county's tax assessment of \$580,700. With a maximum loan-to-value ratio of 75%, this limited the loan principle to \$266,250. The implications of this reduced loan amount are discussed later in this letter. The loan closed on December 10<sup>th</sup>. The Club is in the process of opening a new checking account at Sandy Spring specifically and solely for the purpose of tracking the funds for the capital project. The proceeds of the loan will be moved into the new account, along with \$50,000 of the Club's existing funds as approved at the August special meeting. All costs of the capital project will be paid out of this new account, and the account will be closed when the project is complete. All closing costs were paid out of the Club's primary operating account, and all loan payments also will be made from the primary account. This will ensure the capital project funds are kept separate from the Club's operating funds, and will facilitate tracking of project costs to ensure we remain within the approved budget.

Due to the lower than planned loan principal, the total project budget is limited to \$316,250.00 (the loan principle of \$266,250 plus the Club's contribution of \$50,000). In accordance with the project priorities discussed at the August special meeting, the Board has agreed on reductions to the overall project work scope. However, to cover the cost of the reduced scope, the Board is recommending use of an additional \$20,000 of Club funds, for a total of \$70,000. This additional \$20,000 is included in the draft budget for FY19. The project now includes the following work:

1. New pool deck, including enlarging the south-side steps and installing LED pool lighting
2. New pump
3. New coping and tiles
4. Main pool resurfacing
5. New wading pool with beach entry, bubbles and small water feature
6. New roof
7. Update bathrooms
8. Painting of building and bathrooms

If the budget allows, flashing and siding for the building will also be included. The pool cover and all activities improvements have been removed from the project scope. The deck will include the hooks for the covers so the Club may proceed with covers in the future, if desired. Activities improvements will be addressed in future budgets.

Another impact of the reduced loan principle is that the dues increase necessary to cover the annual loan payments is less than the maximum amount approved at the August meeting. At the meeting, the Club approved a dues increase of up to \$94, however an increase of only \$75 for regular memberships and \$60.00 for senior/single memberships is sufficient to cover the annual cost of the loan. Therefore, the Board is proposing the following dues structure for the 2019 season:

<b>Membership Type</b>	<b>2018 Dues</b>	<b>2019 Dues (proposed)</b>
Regular	\$450.00	\$525.00
Senior/Single	\$360.00	\$420.00
Associate	\$75.00	\$85.00
Caregiver	\$75.00	\$85.00
August Membership	\$150.00	\$175.00

The bond fee and new member capital reserves assessment will remain at \$700.00 and \$200.00, respectively. Registration, late payment, and guest fees also will remain the same as in 2018.

The next major step in the process was selecting a prime contractor for the pool and deck work. Formal, written bids were received from three contractors – DRD (our current pool management company), Lothorian, and Atlantic Pools. DRD was selected due to offering the lowest price and having detailed knowledge of our pool. DRD is finalizing permits with the county and plans to begin the demolition work in January. DRD projects that all work can be completed in March and April. Thus, even with potential weather delays, we anticipate being ready to open the pool Memorial Day weekend.

The Board will provide additional updates as the project progresses.