



# LSYC Newsletter

## March 2019

### **Upcoming Events**

March 16 at 18:00 Membership meeting for Merger Vote and St. Patrick's Day Celebration at Spectrum Consulting 129 West 4th Street, Lorain.

LAST CHANCE to make reservations for St Patrick's Day Dinner- this is a catered event, and we must submit the final count by mid-day Thursday Mar 14!

Note: you do not have to stay for the dinner to vote at the meeting, but why not enjoy a good meal and fellowship while supporting the club. Dinner is \$25 per person. Call or email Bobby Rhodes to make your reservation.

### **Commodore's Report: Joe Spainhourd**



The merger with Westlake Yachting Club cleared another big hurdle Monday 3/11. The Lorain City Council Parks and Recreation Committee met to discuss our merger, and specifically our D4 liquor license. At one point I was asked to speak about our progress thus far and how we are planning to proceed. Below is a copy of a handout I prepared for use at this meeting but never got the chance. The good news is they unanimously passed three motions. First was to allow LSYC to sublease to WYC, which will allow the liquor license to have an address. Second to allow a D4 license on our city-owned property. And, BONUS, to change our monthly lease payment from the Port Authority to the city so that the city will now accumulate the funds into a special account to be used for future site improvements they know they will need to make. Maybe, sometime before the turn of the next century, the sea walls inside the Lorain Small Boat Basin can be replaced. The motions will now move on to the full City Council for approval.

Never wanting to see anything go to waste, below is the handout I made with a few modifications. Sometimes it's just a good idea to take account of what all we do and not only tell the world but remind ourselves in the process.

## **Merger of Lorain Sailing and Yacht Club and Westlake Yachting Club**

### 1. Background

- LSYC is a 1996 merger of Lorain Sailing Club and Lorain Yacht Club. LSC was founded in 1928 and is the oldest continuing boating club on Lake Erie.
- WYC was founded in 1942, originally on the Rocky River. WYC moved to Lorain in 1988.

### 2. Benefits to the City of Lorain

- Primary Location for Spirit of America. This is a non-profit organization that educates youth in the 12 to 15 years old about Safe Boating. Originally sponsored by the Lorain City Schools, it is now run by the Lorain County Metro Parks. LSYC had been the on-the-water location for this educational program for over 14 years. Students spend one week learning about boating safety with power boats, sail boats, personal watercraft, canoes and kayaks. We have 80 to 90 participants each year in three separate sessions. Most of the volunteers are LSYC and WYC members.
- Location for a Sea Scout Ship. LSYC supplies free dockage for their boat and a location for meetings.
- LSYC is an accredited US Sailing School and offers adult sailing lessons for adults, open to the public and leading to a nationally recognized certification.
- Junior Big Boat Sailing Camp is a week-long sailing day camp open to the public for youth aged 12-17. This is a new program for 2019, targeted especially for graduates of the Spirit of America program who want to continue their boating education.
- First Sail is a US Sailing initiative designed to give the public first time sailing experience.
- Haul-out site for the Black River Cleanup using the club's lift capacity
- Safe Boating Classes
- Parade of Lights
- Host to Big Brothers/Big Sisters for a morning boating experience followed by a picnic
- Various Regattas and National Class Races. Most recently in 2017 LSYC held the Interlake Nationals with over 30 participants racing their one-design boats over a 3 day period to determine a national champion. The event drew both local sailors and sailors from out of state. The newly merged club will continue this fine tradition and expose more boaters to the excellent facilities in the Lorain Harbor.

### Why the Merger?

Most immediately, WYC lost their lease and needs a new home. LSYC needs new members in order to survive. Boating clubs all over the Great Lakes are losing members and shrinking. This merger will double the total number of members and has already brought about an increase in the number of docks leased compared to this time last year.

### Why the name change?

The word 'yacht' conjures up images of ascot and monocle wearing super wealthy owners, sitting in floating palaces of hand rubbed mahogany and polished brass, sipping martinis. Such clubs may exist, but that is not LSYC or WYC. Despite our best efforts to dispel the stereotype, it persists. Changing to a combination of our location and boat club says it all. Where we are and what we are about; boating in all forms no matter the means of propulsion.

### Merger Vote March 16 at 18:00

We are still on track to vote on the merger and new bylaws on March 16 at 18:00. The meeting will be brief, so we can move on to our St Patrick's Day dinner. The only business on the agenda is the merger and by-laws vote.

The proposed new board members, and the text for both the new by-laws and the merger agreement are below:

From LSYC	From WYC
Don Kaspar	Tim Brunk
Jim Morse	Rick Case
Jon Peter	Ed Rico
Dwight Sablack	Norm Scholl
Joe Spainhourd	Kevin Welch

[www.lsync.info/Hidden/ByLaws-FinalDraft.pdf](http://www.lsync.info/Hidden/ByLaws-FinalDraft.pdf)

[www.lsync.info/Hidden/MergerAgreement.pdf](http://www.lsync.info/Hidden/MergerAgreement.pdf)

### Board Of Trustees Activity

The last board meeting was held Monday March 4. In old business, it was noted that there are a few members who have accounts past due by more than 90 days. These past due amounts total about \$2500. These members have received past due notices.

The Junior Big Boat program will require the Club to take out additional insurance coverage, the amount will be covered by the program fees, and will vary depending on how many participants we get. No action will be taken until the registration is closed and we now exactly how much insurance we need.

We have one new docker, who purchased a boat from a member, so the total dock count is unchanged. Cash flow will still be tight come sometime, but not the current projections to not take into account new monies that would come from the merger.

In new business, the One Design Regatta has been rescheduled from July 13 to July 20. This is in response to an Interlake fleet request, as they had a conflict already on the schedule.

The board authorized spending \$35 to secure a new domain name for the post-merger website. ([LorainHBC.org](http://LorainHBC.org)) The board has received some criticism for moving forward with remodeling prior to the official vote on the merger. It should be noted that the board is attempting manage the timeline by pursuing low risks tasks that can be started early. While there is some risk to this, it significantly shortens the time to get things up and running, and the board has not exceeded its authority. Our current constitution gives the board control over club assets. But we still need the merger vote in order to adopt new by-laws and change who is on the board to include people from WYC.

Several members of the board have been meeting regularly with the City. It looks like the City Council will support our merger and we are making good progress ironing out the details with them. It was noted that the temporary occupancy permit is expired, and we will not likely get a permanent permit without completing addition of a restroom to the gas-dock building. The board will be addressing this at their next meeting.

The board authorized donation of miscellaneous kitchen ware that is unlikely to be used.

Budget for the first phase of bar renovations are firming up at about \$10,000.

Next board meeting scheduled for April 8, though this may change if the merger is approved this week.

In email voting, the board approved the donation of a dock and membership for a Ducks Unlimited fundraiser auction. As long as we have so many open docks, this costs us nothing, and may result in the winner of the dock deciding to stay on as a member. Note, current members are not eligible for this free dock.

### **The Gas Dock at LSYC : Jon Peter**

When I joined the club a few years back, I thought it was nice that the Club had its own gas dock. Then I'd hear bits and pieces that left me thinking that the relationship between the Club and the gas dock was unusual and confusing. It wasn't until I was elected to the board that I understood that yes, the gas dock

arrangement is unusual, but its also a clever solution to a sticky problem. Since there are probably other members that are not aware that the gas dock really isn't the "LSYC gas dock", and with the merger bringing new members from WYC, I'll try to explain it, but bear with me, the reasoning requires understanding a bit of the tax codes.

The terms of our lease with the city, signed way back in 2002, require the Club to manage the gas dock, and that a portion of the gas dock's net profits be returned to the city as part of our rent. The problem comes from the fact that the club is chartered as a non-profit corporation, and subject to IRS rules for 501(c)(7) corporations. IRS 501(c)(7) rules deal with social clubs, which is easier to type, so when I say "social club" I'm referring to organizations covered under IRS 501(c)(7).

Social clubs are exempt from paying income tax because they are essentially supported by dues and other payments from members who have already paid their income tax. But the Club's tax exemption comes with some rules. There are strong restrictions on the amount of money the Club can receive from non-members (generally less than 15% of total income) and a social club is not allowed to engage in any commercial activity.

Fortunately, providing docks to members is considered a traditional activity for yacht and boat clubs and so is not viewed as commercial activity. Likewise, having a bar or restaurant for members and the occasional guest encourages camaraderie among members and therefore contributes to the purpose of the club. However, operating a gas station open to the public is considered commercial activity. Attempting to get around the rules by selling low cost memberships so the public could use the gas dock as "members" would be considered a sham by the IRS, and there are tax court cases that have ruled that operating a gas station is a forbidden commercial activity even if sales are limited to members.

So there's the problem: our lease requires us to manage the gas dock, but keeping our tax exempt status prohibits us from running the gas dock. We are allowed a small amount of income from investments or leasing property controlled by the club, so the solution is to sub-lease the gas dock to a separate, and independent entity.

The gas dock is sub-leased by Bobby Rhodes and is set up with its own business license and even a separate street address. The gas dock pays a small rent to the Club, but all the profits from the gas dock belong the gas dock (except 25% of the net profits flow through the club to the City as required by the Club's lease, and the gas dock sublease.)

This arrangement allows us to fulfill the requirements of our lease to manage the gas dock without making the Club a for-profit business and losing its tax-exempt status. What makes this arrangement even better is that the Club also employs Bobby as a part-time Club Manager. Since Bobby needs to be in or around the gas dock most of the time, this arrangement means that the Club effectively gets a full time manger at a part-time cost. Truly a win-win situation.

***Note: the Club is tax-exempt under 501(c)(7) rules meaning that the Club is not subject to most business income tax. The Club is still liable for sales tax under Ohio rules for most things, including member dues, but not in-water storage contracts. Also, the Club is not a 501(c)(3) charity so payments by members to the Club, including donations, are not deductible on the member's income tax returns.***



*Submit items for the newsletter to Jon Peter at [jtpeter@att.net](mailto:jtpeter@att.net) in rich text format (.rtf) by the 25th of the month.*