

City of Piedmont  
COUNCIL AGENDA REPORT

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DATE: June 5, 2017

TO: Mayor and Council

FROM: Paul Benoit, City Administrator

SUBJECT: Receipt of a Report on the Operational Analysis for the Aquatics Master Plan Conceptual Design and Possible Direction on Next Steps

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RECOMMENDATION

Receive a report on the Operational Analysis for the Aquatics Master Plan Conceptual Design and provide direction on next steps.

BACKGROUND:

On November 7, 2016 City Council accepted the Aquatics Master Plan Conceptual Design prepared by Harley Ellis Devereaux (HED) and recommended by the Recreation Commission. This conceptual design was the result of an extensive community process that arrived at a high level overview of how the community's aquatics needs could best be met within a slightly enlarged footprint at the existing location of the Piedmont Community Pool.

As the next step in this comprehensive master planning process, on April 3, 2017, City Council awarded a contract to HED to complete an operational analysis of the aquatics facility proposed in the conceptual design, to determine projected operational costs and anticipated revenue, in order to estimate the facility's need for an operational subsidy from the General Fund.

The operational study was based on research and analysis of current Piedmont Community Pool use and operations, area aquatic providers, market area demographics, and the operational expertise of the consultant. In addition, the impact of energy saving initiatives such as solar heating, water saving filters, and high efficiency pumps were analyzed for impact on operational costs. The operational plans include all expected revenues from programming and pass holders, as well as expected expenses. Expenses include labor, maintenance, contract services, chemicals and supplies, utilities, and a recommended capital replacement fund.

The consultant provided conservative estimates of probable revenue and expenses, as well as facility financial performance. The consultant provided three different scenarios based on the following assumptions:

1. Projected increase in attendance for the conceptual design based on demographics, climate, and surrounding area. This model uses the current Piedmont Community Pool fee structure and rates for passes and programs as well as current operating hours (Status Quo).

2. The second model is essentially the same as the first but incorporates energy and water saving initiatives (Status Quo with Green Tech).
3. The third model incorporates a five percent increase in pass holder rates and includes the green technologies (Fee Increase with Green Tech).

The results of the operational analysis estimates a General Fund subsidy of \$191,000 to operate the proposed facility in year one for the Status Quo model; \$174,000 for the Status Quo/Green model; and \$140,000 for the Fee Increase with Green Tech model. The chart below also includes an annual contribution to a capital replacement fund specifically for the pool, as recommended by HED, ranging between \$58,000-\$62,000 each year for capital repair and replacement. Accepting that as both prudent and best practice, the total annual subsidy, considering both operations and capital reserves, is projected at \$249,000; \$236,000; \$202,000 respectively for the three models for year one and \$191,000; \$176,000; \$127,000 in year five.

The estimated general fund subsidy for each of the three models over five years is detailed on the chart below. The first column of data is a five year average of financials at the current facility.

<b>Staus Quo</b> (Current Fee Structure with Expected Operation and Projected Attendance)	2012-17 Avg	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$ 541,429	\$ 918,304	\$ 968,669	\$ 1,028,062	\$ 1,072,527	\$ 1,133,743
Expense	\$ 633,146	\$ 1,109,605	\$ 1,146,626	\$ 1,189,823	\$ 1,224,285	\$ 1,266,543
<b>Operating Cash Flow</b>	<b>\$ (91,717)</b>	<b>\$ (191,301)</b>	<b>\$ (177,957)</b>	<b>\$ (161,761)</b>	<b>\$ (151,758)</b>	<b>\$ (132,800)</b>
Operational Recapture Rate	86%	83%	84%	86%	88%	90%
Capital Replacement Fund	\$ 40,000	\$ 57,900	\$ 57,900	\$ 57,900	\$ 57,900	\$ 57,900
<b>Total Subsidy (Operations and Maintenance)</b>	<b>\$ 131,717</b>	<b>\$ 249,201</b>	<b>\$ 235,857</b>	<b>\$ 219,661</b>	<b>\$ 209,658</b>	<b>\$ 190,700</b>
<b>Staus Quo/Green</b> (Current Fees with Green Technologies)						
	2012-17 Avg	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$ 541,429	\$ 918,304	\$ 968,669	\$ 1,028,062	\$ 1,072,527	\$ 1,133,743
Expense	\$ 633,146	\$ 1,092,412	\$ 1,129,003	\$ 1,171,760	\$ 1,205,770	\$ 1,247,565
<b>Operating Cash Flow</b>	<b>\$ (91,717)</b>	<b>\$ (174,108)</b>	<b>\$ (160,334)</b>	<b>\$ (143,698)</b>	<b>\$ (133,243)</b>	<b>\$ (113,822)</b>
Operational Recapture Rate	86%	84%	86%	88%	89%	91%
Capital Replacement Fund	\$ 40,000	\$ 62,100	\$ 62,100	\$ 62,100	\$ 62,100	\$ 62,100
<b>Total Subsidy (Operations and Maintenance)</b>	<b>\$ 131,717</b>	<b>\$ 236,208</b>	<b>\$ 222,434</b>	<b>\$ 205,798</b>	<b>\$ 195,343</b>	<b>\$ 175,922</b>
<b>5% Fee Increase/Green</b> (Increased Fees with Green Technologies)						
	2012-17 Avg	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$ 541,429	\$ 952,686	\$ 1,004,217	\$ 1,064,817	\$ 1,110,527	\$ 1,173,031
Expense	\$ 633,146	\$ 1,092,412	\$ 1,114,554	\$ 1,156,501	\$ 1,192,686	\$ 1,238,264
<b>Operating Cash Flow</b>	<b>\$ (91,717)</b>	<b>\$ (139,726)</b>	<b>\$ (110,337)</b>	<b>\$ (91,684)</b>	<b>\$ (82,159)</b>	<b>\$ (65,233)</b>
Operational Recapture Rate	86%	87%	90%	92%	93%	95%
Capital Replacement Fund	\$ 40,000	\$ 62,100	\$ 62,100	\$ 62,100	\$ 62,100	\$ 62,100
<b>Total Subsidy (Operations and Maintenance)</b>	<b>\$ 131,717</b>	<b>\$ 201,826</b>	<b>\$ 172,437</b>	<b>\$ 153,784</b>	<b>\$ 144,259</b>	<b>\$ 127,333</b>

At tonight's meeting, the operational study will be presented by John Dale of HED and Kevin Post of Counsilman Hunsaker. Mr. Post specializes in providing facility evaluations, aquatic facility business plans, city-wide aquatic master plans, and Certified Pool Operator instruction and certification. In addition, he has written numerous articles and hosted various presentations across the country on topics ranging from creating partnerships for a successful aquatic facility to sustainable aquatic business practices.

Working closely with our consultants, staff has applied conservative assumptions at each decision point in this study. Staff believes that the estimates above are a cautious representation of realistic operational expectations of the facility envisioned in the Aquatics Master Plan Conceptual Design.

By: Sara Lillevand, Recreation Director