

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: September 14, 2023

PREPARED BY: Shawn Muir, Community Services Manager, Public Works
Liberty Urban, Deputy Director of Finance

REQUEST: RESOLUTION TO APPROVE FEE INCREASE FOR THE PALM DESERT
AQUATIC CENTER

RECOMMENDATION:

1. Hold a public hearing on the matter of approving a one-time increase of admissions fees to the Palm Desert Aquatic Center based on Year 1 of the proposed five-year fee increase plan.
2. Adopt a resolution entitled, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, INCREASING CERTAIN ENTRY FEES FOR THE PALM DESERT AQUATIC CENTER AND TAKING OTHER ACTIONS THEREIN."

BACKGROUND/ANALYSIS:

The Palm Desert Aquatic Center (PDAC) was opened as a new recreational amenity for the community in 2011. At that time, entry fees were established by Resolution No. 2011-32 (Attachment 1), and a 60% cost recovery goal was set. Due to rising operational costs, cost recovery is now down to approximately 35%. This, combined with the financial impact of planned future capital improvement projects, prompted a fee analysis to ensure the PDAC continues on a sustainable path forward.

Staff first reviewed this information with the Parks and Recreation Committee at their meetings in August 2022 and February 2023. Some considerations given by the Committee were the benefits that new attractions would bring to the PDAC and a program for low-income residents should the fees be increased. A presentation was given to the City Council during a Study Session on March 23, 2023. At that meeting, Staff was asked to gather additional data about other aquatic centers in the region for comparison on fees, cost recovery, operator and staffing, amenities, size, and other such factors. In addition, information was requested about PDAC users to better understand who uses the pool, what activities they are most interested in, and how to best serve the community moving forward. Other important points to consider included the ancillary benefits of non-resident use of the facility and the need to reserve funds for maintenance and improvements in the future.

Staff continued collecting the requested information and developed a plan to gradually increase the cost recovery at the PDAC over 5 years to come closer to the 60% cost recovery goal, with the least amount of impact to PDAC patrons. The plan provides for fee increases to day passes ranging from \$1-\$3 annually, depending on the pass type. The options for a 25-Punch Card pass, 3-Month Unlimited pass, and Annual Unlimited pass were also adjusted accordingly, and will continue to provide cost savings for both residents and non-residents who wish to attend the facility more frequently.

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To alleviate any financial burden on low-income households, the City will offer a program for reduced entry fees. Under the program, residents of any of the nine cities in the Coachella Valley may present their utility bill showing that they qualify for a reduced fee program. These programs include Southern California Edison FERA or CARE, Imperial Irrigation District REAP, Coachella Valley Water District or Desert Water Agency (through United Way of the Desert), or Southern California Gas Company CARE programs.

Staff propose to increase the PDAC fees according to Year 1 of the 5-Year plan and reassess the impact at the end of the summer recreational swim season in August 2024. This will allow Staff to determine the affect that the increase has had on attendance of residents and non-residents at the PDAC. Staff would seek input from the Parks and Recreation Committee and City Council in Fall 2024 to determine whether the City will move forward with Year 2 of the plan, or make adjustments based on the outcome. Below is a timeline illustrating this plan:

September 2023				
August 2022	March 2023	June 2023	January 2024	Fall 2024
Analysis and discussion began at the Parks & Recreation Committee. The Committee voted to increase fees in February 2023.	A City Council Study Session informed decision-making factors for increasing fees. Additional research was needed.	Staff presented their research to the Parks & Recreation Committee. The Committee voted to implement Year 1 and return for Year 2 consideration.	PDAC moves forward with a new operating contract and new fee schedule based on Year 1. Financial assistance program implemented.	Staff will evaluate eight months of data to determine the effect of the Year 1 increase. Information will be brought to the Committee and Council for Year 2 consideration.

To increase the PDAC fees the City Council is required to hold a noticed public hearing pursuant to California Government Code section 66018. Notice was published twice in a newspaper of general circulation at least ten (10) days prior to today’s public hearing with at least five (5) days intervening between each publication. The notice provided the date, time, and location of this evening’s public hearing.

At the public hearing, the City Council will hear all oral and written presentations regarding the PDAC fees from the public. Staff has prepared an estimate of the costs establishing the proposed PDAC fees and determined the fees do not exceed the reasonable estimate of costs to maintain and provide the PDAC facilities and services.

The City Council may decide to establish fees at a lower rate should the public interest and welfare be served. If adopted, the fees attached in Exhibit A will be effective January 1, 2024, and all previous PDAC fees referenced in the attached exhibit will be superseded. The adoption of these fees does not impact any other City fee, charge, or rates previously adopted by the City Council.

Committee Recommendation:

At the June 6, 2023, Parks and Recreation Committee meeting, Staff provided a presentation on the proposed 5-year cost increase plan. The plan included the annual increases, plus the implementation of a financial assistance program that the PDAC operator would implement for low-income individuals in the community. The financial assistance program is based on existing programs in place with electric, water, and gas companies in the Coachella Valley. A PDAC visitor requesting financial assistance would only need to bring a current bill showing their participation in one of these programs to qualify. If qualified, their group would be charged for facility use based on the previous fee structure and would not be subject to the proposed increase. The Committee voted unanimously to allow for the implementation of Year 1 of the 5-year plan, with a reassessment of the program during the fall of 2024 to determine whether Year 2 would move forward.

FINANCIAL IMPACT:

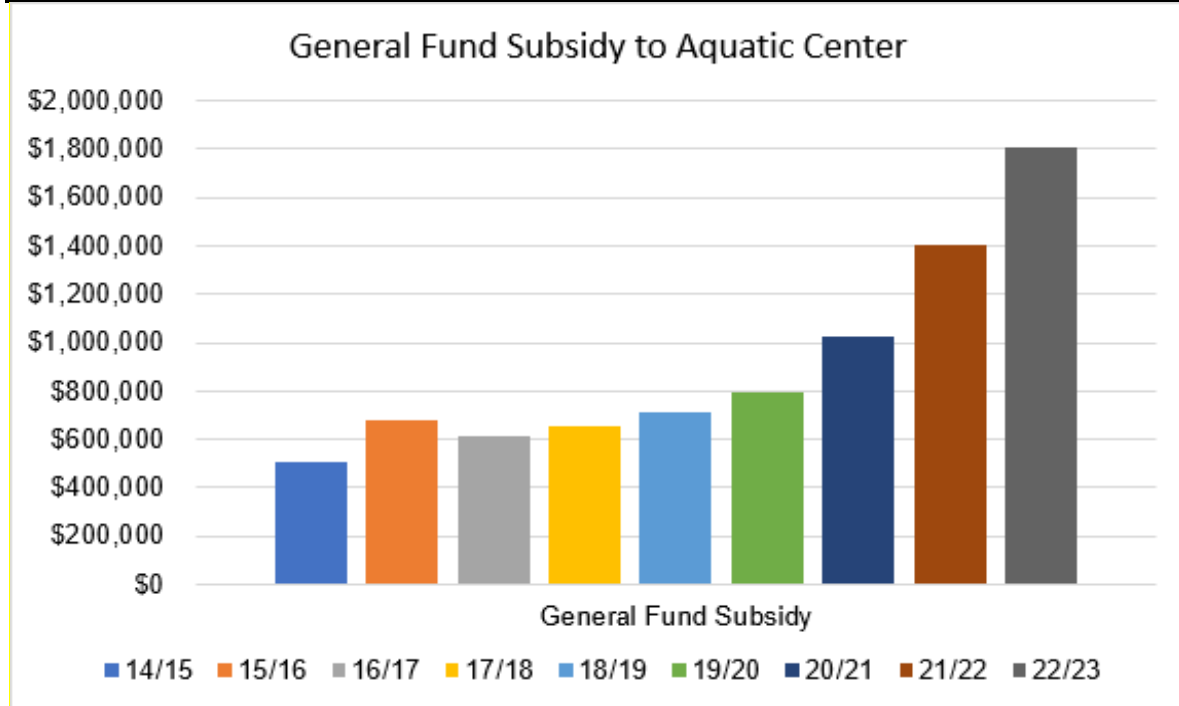
Adopting the proposed fee increase is estimated to generate approximately \$158,000 in additional revenue to support PDAC activities in the first year of implementation. This increase in revenue should reduce the annual General Fund subsidy transferred to PDAC to support operations.

Proposed PDAC Fee Schedule			Current Fee	Proposed Fee	Proposed Increase	Projected Annual Admissions	Projected Revenue Increase
Resident	Day Pass	Adult	\$4.00	\$5.50	\$1.50	7,890	\$11,835
		Youth/Senior	\$3.00	\$4.25	\$1.25	6,070	\$7,588
		Junior	\$2.50	\$3.50	\$1.00	1,280	\$1,280
	25-Punch Card	Adult	\$94.00	\$125.00	\$31.00	45	\$1,395
		Youth/Senior	\$65.00	\$95.00	\$30.00	50	\$1,500
	3-month unlimited	Adult	\$150.00	\$200.00	\$50.00	10	\$500
		Youth/Senior	\$110.00	\$155.00	\$45.00	10	\$450
	Annual Unlimited	Adult	\$420.00	\$560.00	\$140.00	2	\$280
Youth/Senior		\$550.00	\$435.00	(\$115.00)	1	(\$115)	
Non-Resident	Day Pass	Adult	\$6.00	\$9.00	\$3.00	22,800	\$68,400
		Youth/Senior	\$4.50	\$7.00	\$2.50	14,690	\$36,725
		Junior	\$3.75	\$5.75	\$2.00	4,480	\$8,960
	25-Punch Card	Adult	\$142.00	\$205.00	\$63.00	100	\$6,300
		Youth/Senior	\$98.00	\$160.00	\$62.00	120	\$7,440
	3-month unlimited	Adult	\$225.00	\$325.00	\$100.00	30	\$3,000
		Youth/Senior	\$165.00	\$250.00	\$85.00	20	\$1,700
	Annual Unlimited	Adult	\$630.00	\$910.00	\$280.00	5	\$1,400
		Youth/Senior	\$825.00	\$700.00	(\$125.00)	5	(\$625)
	Total Projected Revenue Increase (Year 1)						

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Because PDAC fees are not structured to achieve full cost recovery, the General Fund must make a contribution to subsidize the activities of the PDAC each year. The chart below shows how the amount of General Fund contribution has steadily increased over the last several years, and how the cost recovery percentage has decreased. If fees remain unchanged, it is anticipated that the PDAC deficit will continue to grow and require larger subsidies from the General Fund in future years due to rising operational costs and increased capital expenditures.

Fiscal Year	General Fund Subsidy	Cost Recovery %
14/15	\$503,641	63%
15/16	\$683,341	56%
16/17	\$613,833	59%
17/18	\$657,877	59%
18/19	\$709,937	58%
19/20	\$794,884	40%
20/21	\$1,026,000	26%
21/22	\$1,400,500	33%
22/23	\$1,805,294	32%
	(budgeted)	(estimated)



ATTACHMENTS:

1. Resolution No. 2011-32
2. Resolution and Exhibit A - PDAC Fee Schedule (2024)