

# CITY OF PALM DESERT STAFF REPORT

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MEETING DATE: March 13, 2025

PREPARED BY: Shawn Muir, Community Services Manager

SUBJECT: ADOPT A RESOLUTION TO INCREASE ADMISSION FEES FOR THE  
PALM DESERT AQUATIC CENTER

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## **RECOMMENDATION:**

1. Hold a public hearing on approving a one-time increase of admissions fees to the Palm Desert Aquatic Center based on Year 2 of a proposed 5-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."
3. Authorize appropriation totaling \$497,527 to the appropriate Aquatic Center Expenditure Accounts from available Aquatic Facility Fund Balance.

## **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, lack of fee adjustments for many years, and lower attendance, cost recovery for operations dipped to approximately 34% in 2023. Staff and the operator have increased programming in an attempt to improve revenues, as operating hours for concessions and recreational swimming was reduced following the pandemic. The increased city subsidy for operational expenses combined with the financial impact of potential future capital improvement projects for new amenities, prompted a fee analysis in FY 2022-23 to ensure the PDAC plans for 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 were 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. Staff found that most aquatic centers are operated by the city, charge similar or higher fees at PDAC, and do not have a formally established recovery rate. Also, most facilities do not have as many attractions or amenities as PDAC.

Staff conducted a separate financial analysis to determine the need to address the rising annual city subsidy in relation to the 60% cost recovery goal set in the original resolution (2011-32). A 5-year plan that to incrementally manage (and hopefully mitigate) the rising city subsidy of the facility was developed. The increase was kept at a moderate level, and an income-qualified discount program was established. The plan was presented to the Parks and Recreation Committee and was approved to move forward for City Council approval. The City Council

approved Resolution No. 2023-045 to increase the PDAC fees on September 14, 2023, and the new rates were implemented beginning January 1, 2024.

As part of the 5-year plan that was presented in 2023, staff committed to analyzing the effect of the fee increase on attendance rates, the City subsidy, and utilization of the income qualified discount program for the community. The income qualified discount program is based on existing programs in place with electric, water, and gas companies in the Coachella Valley. A PDAC visitor requesting to utilize the income qualified discount program 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 (2011) and would not be subject to the proposed increase.

Following a full year of the new fee structure, staff observed that attendance increased slightly from 46,385 to 47,190. The fee increase accounted for \$108,000 in additional net revenue than would have been received had the fees not changed. The income-qualified discount program was used by 87 people (<1% of total admissions). Of the 87 discounted entries provided, 64 (74%) of them occurred in June-August when recreational swimming is available. Overall, the city subsidy for operational costs is projected to increase as cost recovery is expected to decrease from 33% in Fiscal Year 2023-24, to an estimated 28% in 2024-25 as new food options, programs, and other amenities are explored.

An analysis of the Year 1 increase was presented to the Parks and Recreation Committee at their regular meeting on February 4, 2025, along with two options to further increase the PDAC fees in 2025. These options are hereafter described as the “Original Proposal,” which was included in the 5-year plan presented in 2023, and the “Alternative Proposal,” which was calculated as part of the annual review at the end of year 1 (see chart in Financial Impact section below). The presentation also included information about the next steps for approval and roll-out of the new fee structure. Below is a timeline illustrating this plan:

**April 1, 2025: Year 2 Fee Increase**

January 2024	February 2025	March 2025	Spring 2026
Implementation of first fee increase. Establishment of income-qualified admissions discount.	Review and consideration by Parks & Recreation Committee. Unanimous vote to recommend Alternative Option	Staff recommend City Council adoption of Resolution to increase fees in concurrence with Parks & Recreation Committee	Staff will evaluate 2025 data to determine the effect of the Year 2 increase. Information will be brought to the Committee and Council for Year 3 consideration.

The Parks and Recreation Committee voted unanimously to recommend that the City Council consider an increase to the PDAC fees according to the Alternative Proposal, allowing for a more moderate increase than the Original Proposal.

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 have prepared an estimate of the costs for 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 April 1, 2025, 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.

Adoption of the Original Proposal for the Year 2 fee increase is projected to generate approximately \$130,000 in additional revenue to support PDAC activities. In contrast, adopting the Alternative Proposal, endorsed by the Parks and Recreation Committee, is estimated to generate approximately \$74,000—resulting in a revenue difference of \$56,000.

**Legal Review:**

This report has been reviewed by the City Attorney's Office. Specifically, the requirement for a public hearing pursuant to Government Code, Section 66018 and the noticing schedule presented by staff was reviewed.

**Appointed Body Recommendation:**

At the February 4, 2025, Parks and Recreation Committee meeting, staff provided a presentation updating the Committee on the 2024 fee increase, and two options for increasing the fees for Year 2 of the 5-Year plan. The Original Proposal followed the 5-Year plan increase, and the Alternative Proposal provided a more moderate increase based on lower-than-anticipated operating costs in 2024. The Committee voted unanimously to allow for the implementation of the more moderate Alternative Proposal increase. Should the City Council approve the recommendation, the 5-year plan will be updated to match the new trajectory to level the city subsidy of the PDAC. A reassessment of the program will be conducted in 2026 to determine the future implementation of the fee increase plan.

**FINANCIAL IMPACT:**

City of Palm Desert  
 Approve Fee Increase for PDAC

If the Alternative Proposal is adopted, the resulting revenue increase would reduce the FY 2024-25 General Fund subsidy for PDAC operations by approximately \$74,000, lowering it from \$2.48 million to approximately \$2.40 million.

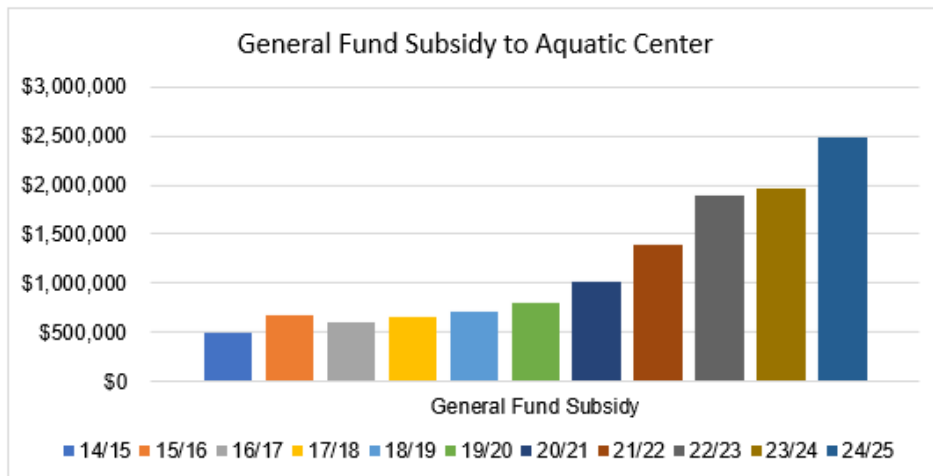
Proposed PDAC Fee Schedule		Resident			Non-Resident		
Admission Type	Category	Current Fee* est. 1/1/24	Original Proposal from prior plan Begins 4/1/2025	Alternative Proposal based on update Begins 4/1/2025	Current Fee* est. 1/1/24	Original Proposal from prior plan Begins 4/1/2025	Alternative Proposal based on update Begins 4/1/2025
Day Pass	Adult	\$5.50	\$7.50	\$6.50	\$9.00	\$12.00	\$10.50
	Youth/Senior	\$4.25	\$5.50	\$5.00	\$7.00	\$9.00	\$8.50
	Junior	\$3.50	\$4.50	\$4.00	\$5.75	\$7.75	\$7.00
25-Punch Card	Adult	\$125	\$170	\$145	\$205	\$270	\$235
	Youth/Senior	\$95	\$125	\$115	\$160	\$205	\$190
3-month unlimited	Adult	\$200	\$270	\$235	\$325	\$430	\$380
	Youth/Senior	\$155	\$200	\$180	\$250	\$325	\$305
Annual Unlimited	Adult	\$560	\$755	\$660	\$910	\$1,205	\$1,065
	Youth/Senior	\$435	\$560	\$505	\$700	\$910	\$855

Since PDAC fees are not designed to achieve full cost recovery, the General Fund must provide an annual subsidy to support PDAC operations. The chart below illustrates the steady increase in the General Fund subsidy over the past several years, alongside a decline in the cost recovery percentage. If fees remain unchanged, the subsidy is expected to continue growing, necessitating additional General Fund support in future years due to rising operational costs.

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	\$1,890,294	34%
23/24	\$1,961,250	33%
24/25 est.	\$2,482,387	28%

\*Operations only. Capital Projects at PDAC may also require General Fund support.

City of Palm Desert  
 Approve Fee Increase for PDAC



Although the fee increase will help reduce the initially estimated General Fund subsidy, the report presented to the Parks and Recreation Committee in February underestimated projected operational costs. Coincidentally, the midyear budget adjustments approved on February 13, 2025, for PDAC included expenditure reductions that were later found to be necessary based on actual and anticipated costs through the end of June. Therefore, staff is requesting an appropriation of \$497,527 to the appropriate Aquatic Facility Expenditure accounts listed below for FY 2024-25.

Object	FY 24-25 Original Budget	FY 24-25 Adjusted Budget	Mid Year Request	Post Midyear Budget	Current Budget Adj Request	FY 24-25 Adjusted Budget
Supplies-Pool Chemicals	195,000	195,000	(75,752)	119,248	5,849	125,097
Supplies-Other	25,000	32,500	(2,468)	30,032	10,904	40,936
Prof - Other	246,500	246,500	(26,606)	219,894	27,844	247,738
Prof-Other Admn Expenses	200,000	210,441		210,442	100,264	310,706
Replacement Expenditures	30,000	30,000	(10,000)	20,000	-	20,000
Contracted Pool Maint	380,000	375,000	(100,000)	275,000	223,735	498,735
Utilities-Water	30,000	30,000	(21,016)	8,984	1,806	10,790
Utilities-Gas	65,000	65,000	(51,234)	13,766	53,234	67,000
Utilities-Electric	180,000	180,000	(32,132)	147,868	12,132	160,000
Filing Fees	5,000	5,000		5,000	(1,315)	3,685
Telephones	5,000	5,000		5,000	(1,500)	3,500
COGS - Food & Merch	60,000	62,500	9,666	72,166	25,173	97,339
Aquatic Contracted Labor	1,830,000	1,819,558	4,284	1,823,842	39,399	1,863,241
<b>Total</b>	<b>3,251,500</b>	<b>3,256,500</b>	<b>(305,258)</b>	<b>2,951,242</b>	<b>497,528</b>	<b>3,448,770</b>

Projected Rev 1,044,864  
 GF Subsidy 2,403,906

**ATTACHMENTS:**

1. Resolution No. 2025-\_\_\_\_, includes Exhibit A – PDAC 2025 Fee Schedule
2. Resolution No. 2011-32

3. Resolution No. 2023-045