



Aquatics annual report and financial review, fees and amended agreement

City Council, March 11, 2025

Recommendations

Staff recommends that the City Council:

- A. Receive the aquatics program annual report
- B. Receive an independent analysis of the aquatics operator financial report
- C. Consider and adopt a resolution to increase aquatics fees
- D. Provide direction on amending the aquatics operator agreement



Aquatics annual report (Att. A)

- Total program hours with schedules of individual programs
- Participation statistics by program area including Menlo Park resident and non-resident use
- City-administered aquatics survey results
- User fees collected by program area, including fees paid by Menlo Park residents and non-residents
- Pool schedules and allocations by program for the previous year and projections to the upcoming year.



Independent financial review (Att. B)

- The City contracted with a government finance consultant to conduct an independent financial review of Operator's profit and loss statements related to City-owned swim centers
- The independent financial review verified that the Operator's financial statements are true and accurate
- The review also found that the Operator's internal controls and financial accounting practices are sound and consistent with generally accepted accounting principles.

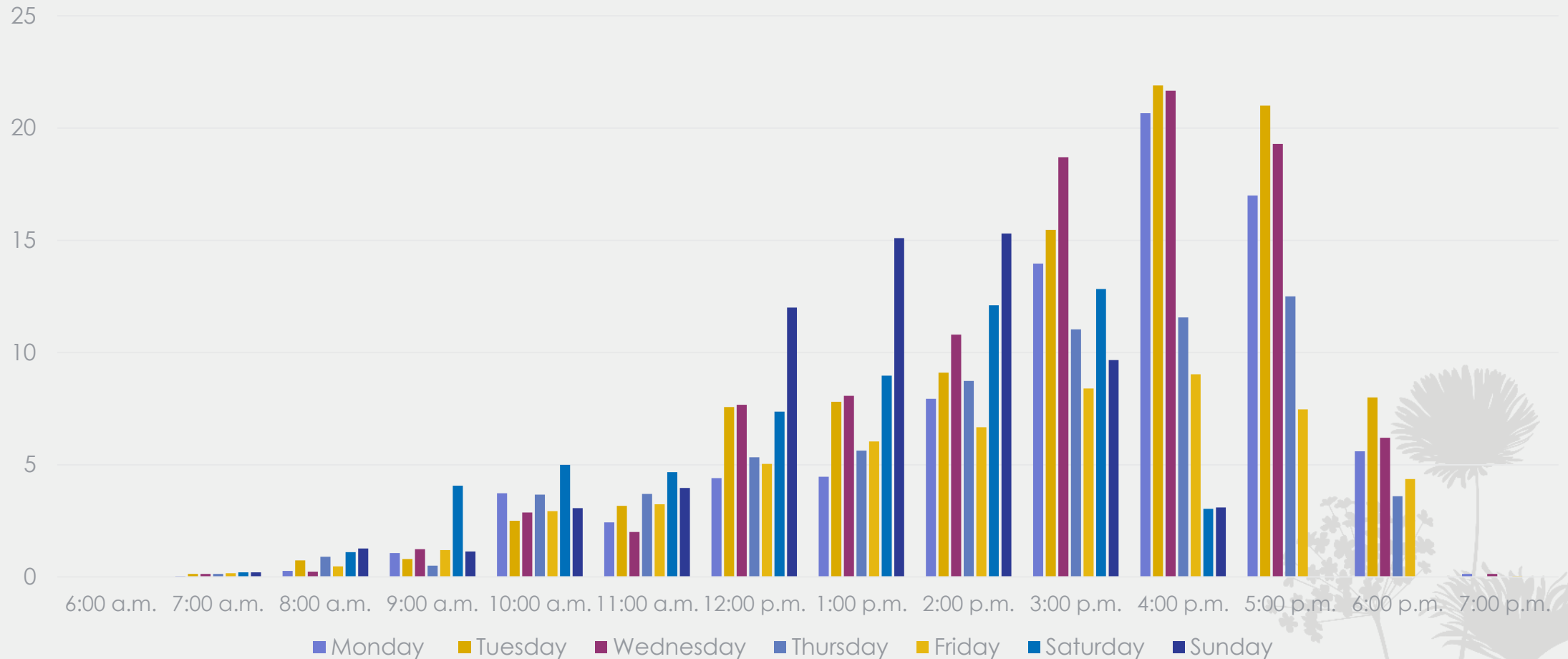


Financial overview at Belle Haven Pool

- Usage at the new Belle Haven Pool has been significantly and persistently lower than hoped despite concerted efforts to increase attendance
- The extremely low attendance at Belle Haven Pool combined with minimum hours requirements in the aquatics Agreement that keep labor costs high have resulted in significant, unsustainable financial losses for the pool Operator
- If no action is taken to immediately stem the financial losses at Belle Haven Pool, the City risks the possibility of a major service interruption in the aquatics program.

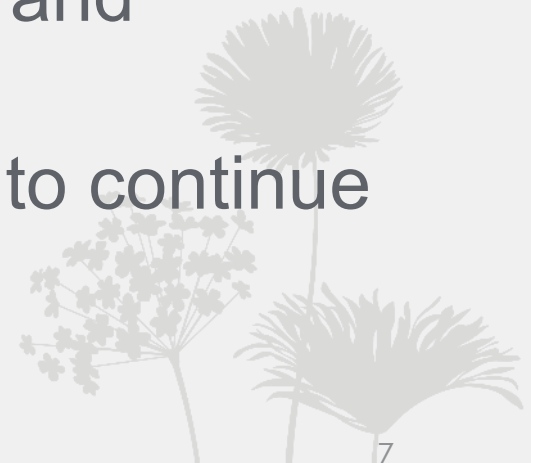
Average visitors by day of week and time of day

Belle Haven Pool – May 20 to Dec. 31, 2024



Financial overview at Belle Haven Pool

- The City owns two pools: Belle Haven Pool and Burgess Pool
- In 2024, both pools combined generated total revenue \$2.72 million and total expenses \$2.79 million (net loss \$67,000)
- Burgess Pool accounted for \$2.55 million revenue and \$2.44 million expenses
- Belle Haven Pool accounted for \$174,000 revenue and \$346,000 expenses from May 20 to Dec. 31
- Financial losses at Belle Haven Pool are projected to continue in 2025 on average \$37,000 per month.



Financial overview at Belle Haven Pool

On Jan. 22, the Parks and Recreation Commission (PRC) recommended that City Council strongly consider several remedies to sustain operations at Belle Haven Pool:

1. Temporarily suspend the requirement for a minimum 63 hours of operation per week in the Agreement
2. Increase user fees 5%-7% but defer the escalation of non-resident fees to 35% above the resident fees to a later time
3. Increase the fees for lane rentals to be more consistent with the higher rates charged in other jurisdictions
4. Waive the operator's revenue share payment to the City.

Financial overview at Belle Haven Pool

- On Feb. 11, City Council received an informational report concerning the PRC's recommendations for Belle Haven Pool
- Enforcement of the minimum 63 hours requirement at Belle Haven Pool had been temporarily suspended through April 14, pending additional review and action by City Council
- Belle Haven Pool is currently operating 32 hours per week, while retaining a seven-day per week schedule, with two weekdays per week open by 10 a.m.



Aquatics user fees (Attachment C)

- Staff recommends that City Council adopt the resolution in Attachment C adjusting aquatics fees in the master fee schedule effective April 1
- The recommended fees keep hyperlocal resident, senior resident, children and family swim fees the same with no increases
- The recommended fees continue the current strategy of phasing-in the escalation of non-resident fees by increasing some, though not all, non-resident fees by a greater degree than the corresponding resident fees
- Analysis of the proposed fee changes is provided in Attachment J.

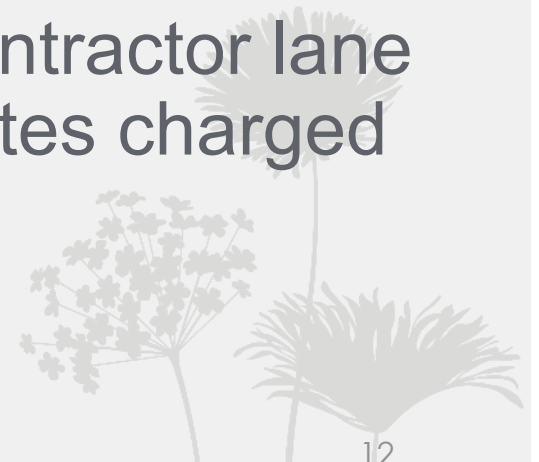
Aquatics user fees (Attachment C)

- Based on noticing requirements for fee modifications, the City Council may adopt fees at or below the levels as shown in Attachment C
- If fees higher than shown in Attachment C are desired, City Council can direct staff to return at a future meeting, once noticing requirements are met, to consider higher fees than currently proposed.



Subcontractor lane rental fees (Attachment K)

- As shown in Attachment K, the lane rental fee has not meaningfully increased in the past several years
- Meanwhile the cost of operating the aquatics program and facilities has continually escalated over that same time period, and other aquatic fees have incrementally increased over the same time period
- The PRC Jan. 22 recommended to increase subcontractor lane rental fees to be more consistent with the higher rates charged in other jurisdictions.



Subcontractor lane rental fees (Attachment K)

- Menlo Park currently charges the second lowest lane rental rate amongst the comparison agencies, with only the City of San Ramon offering a range that spans \$13-16.25 per hour.
- The proposed fees in Attachment C increase the lane rental fee to \$20 per lane per hour for nonprofit renters and introduce a new fee for commercial renters at \$24 per lane per hour.
- A \$20 per lane per hour rental fee is equal to the rate charged by the cities of Oakland, Walnut Creek and San Francisco, and is below the median of the rates by all the comparison agencies.

Amendment to the Agreement (Attachment D)

- The Agreement established a public-private partnership
- Relieved the City of the significant cost, liability, and operational burdens of operating an aquatics program
- In light of the significant losses for the Operator, staff has identified that an Amendment to the Agreement is necessary
- Goal is to build a sustainable aquatics program at Belle Haven Pool.
- Recommend extending temporary suspension of minimum operating hours through April 14
- Staff anticipates returning to City Council to authorize an Amendment at its March 25 meeting.

Amendment to the Agreement (Attachment D)

Recommended scenario: Modify the minimum hours requirement at Belle Haven Pool

- Continue the temporary reduction in operating hours until attendance can support operations
- Phase-in approach to increasing hours based on quarterly financial reports, from minimum 28 hours per week to 42 hours per week and eventually back to 63 hours per week
- Without further action or direction by City Council, the minimum 63 hours would resume April 15, risking a major service interruption in the aquatics program.

Amendment to the Agreement (Attachment D)

Alternate scenario:

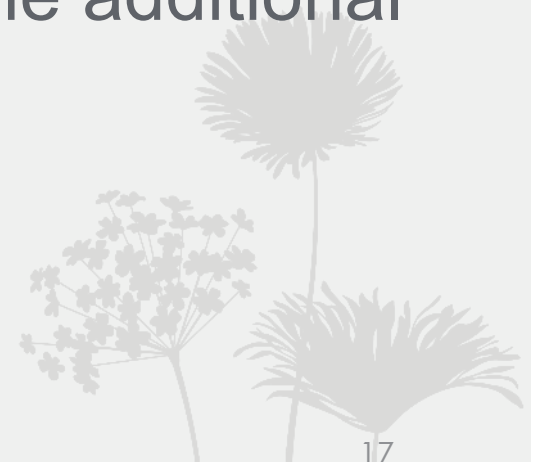
- Amend the Agreement to define seasonal changes in minimum hours, for example with fewer hours during the Winter/ Spring off season.



Amendment to the Agreement (Attachment D)

Recommended scenario:

- Waive the Operator's annual revenue share payment.
- The Agreement currently waives the Operator's revenue share payment in the first year (October 2023 to October 2024).
- In light of the losses experienced to date, it is recommended to waive the Operator's revenue share payment for one additional year (October 2024 to October 2025).



Amendment to the Agreement (Attachment D)

Alternate scenario:

- Waive the Operator's revenue share payment for an additional six months (total 18 months from the Agreement's effective date, from October 2023 through April 2024).
- Revisit the attendance data at Belle Haven Pool after the summer 2025 "peak season" is completed (October 2025) and evaluate the possibility of another revenue share waiver if financial shortfalls persist.



Recommendations

Staff recommends that the City Council:

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- C. Consider and adopt a resolution to increase aquatics fees
- D. Provide direction on amending the aquatics operator agreement March 25.

Thank you