



Memorandum

TO: HONORABLE MAYOR AND
COUNCIL

FROM: Albert Balagso

**SUBJECT: PROPOSED CHANGES TO
THE FEES AND CHARGES FOR THE
CITYWIDE AQUATICS PROGRAM**

DATE: February 19, 2008

Approved

Date

2/22/08

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

It is recommended that the City Council adopt a resolution amending and superseding Parks and Recreation Fees and Charges Resolution (Res. No. 73832) effective April 1, 2008 for the 2008 Summer Aquatics Season:

- (a) Recreational Swim:
 - (1) Amend the fee for recreational swim to \$2.25 per youth per session and \$3.00 per adult per session; and
 - (2) Establish a rate for seniors and persons with disabilities equal to the youth rate.
- (b) Group Discounts: Establish a group discount of \$2.00 per person for pre-registered groups larger than 35 participants for the Summer Swim Programs.
- (c) Family Pass for Recreational Swim: Establish a family pass rate of \$9.00 per session of recreational swim for a family of four [Family to include at least one adult and two youth and up to four additional admissions would qualify for the youth rate for a maximum of 8 admissions per family pass or a total of \$18].
- (d) Individual Recreational Swim Pass: Amend the fee for admission passes to ten visits for \$20 for youth, seniors and disabled and a pass of 11 visits for \$30 for adults.
- (e) Swim Lessons:
 - (1) Increase the fee for entry level swim classes (for nine, 30-minute lessons) to \$50 for youth, seniors and disabled and \$59 for adults.
 - (2) Increase the fee for competitive swim and junior lifeguard programs (for nine, 65-minute lessons) to \$118 [non-residents will pay an additional \$10 per session, regardless of type].
- (f) Discounts and Scholarships for Swim Lessons:
 - (1) Establish a swim lesson discount of \$10 per qualified child per session.
 - (2) Establish a full scholarship opportunity for 25 qualified participants with a preference for siblings in swim lessons [proof of government assistance or other low-income verification is required to be eligible for the scholarship and discounts].

OUTCOME

This report will provide the City Council with recommendations for adjusting the fees and charges for the 2008 summer swim season. Fee changes must be established by April 1, 2008 to be implemented for the 2008 summer season.

EXECUTIVE SUMMARY

In an effort to increase the sustainability of the aquatics program, the Parks and Recreation Commission recommended that an analysis of the current pricing structure be conducted. Over the past several months, staff has collected market data from surrounding agencies, solicited community input through neighborhood meetings and on-line surveys and developed the recommendations that seek to balance the increase of fees with new discounts and scholarships in order to maintain affordability for all residents. At this time, staff is requesting approval of these recommendations effective for the 2008 Summer Aquatics Season.

BACKGROUND

In considering the City-wide Aquatics Master Plan in January, 2007, the Parks & Recreation Commission recommended that program fees for the Aquatics program be adjusted to a level that would balance the need to maintain affordability while striving to improve the sustainability of the program. The Commission recognized that in order to ensure a quality program, a review of the City's pricing structure relative to market demand was needed. The Commission also recommended that staff conduct an analysis and explore alternative strategies to increase revenue such as group pricing, program passes, and fee increases. The purpose of this memorandum is to bring forward the results of that analysis and to recommend appropriate adjustments to the City's Fees and Charges resolution for the 2008 Summer Aquatics season.

ANALYSIS

The City-wide Summer Aquatics Program is an eight-week program that generates revenue from recreational swim, swim lessons, and group facility rentals. The total budget for the 2007 summer swim program was \$796,571, with an offsetting revenue target of \$308,046. Due to infrastructure issues and unusually cold weather, actual revenue collected was \$286,921¹ or 93% of the revenue target. In all, 32,717 residents participated in the program with approximately 2,000 hours of recreational swim and lessons offered. The cost recovery rate for the 2007 summer program was 36%.

¹ Of this amount, recreational swim accounted for 45% of the total operational hours while swim lessons accounted for 55%. It should be noted that from a revenue standpoint, swim lessons accounted for 85% of the total revenue (\$232,917) versus 15% for recreational swim (\$40,266). An additional \$2,038 was generated through group facility rentals and \$11,700 from subcontracting use of the Camden pool to West Valley College during the renovation of their facility.

Guiding Principles for Review of Pricing Structure

In evaluating the City's pricing structure, five key messages from the Aquatics Master Plan process were considered:

1. Fees need to remain affordable;
2. Fees should encourage a family-friendly environment and strive to foster community;
3. The pricing structure should encourage new users and large groups to maximize capacity;
4. The pricing structure should facilitate multiple visits; and
5. Fees should be structured so that a quality program is sustainable and an acceptable level of cost recovery is achieved. Where appropriate, fees should reflect market demand and ability to pay. In general, the level of subsidy and/or cost recovery should have a direct relationship to the nature and level of benefit received. For example, entry level swim lessons for youth are of high community benefit as a public safety issue. As such, this program should be offered at the lowest cost recovery rate possible. In contrast, lifeguard instructor class is a highly individualized benefit and should have the least amount of subsidy and fees should be set as close to full cost recovery as possible.

Methodology

The recommendations contained in this report are based on three elements: 1) Market data collected from other jurisdictions; 2) an on-line survey and 3) community input from neighborhood meetings and the November 7, 2007 public hearing on aquatics fees held by the Parks and Recreation Commission.

Market Research

The market research indicates that San Jose's pricing structure is below the market average of agencies surveyed. Attachment A provides a summary of San Jose's pricing structure relative to those agencies.

According to the data collected, the market average for recreational swim is \$2.78 for youth recreational swim and \$3.41 for adults². San Jose's rate is \$2.00 per recreational swim session for all participants. The disparity between San Jose's pricing structure and that of the market rate is even greater with respect to swim lessons. The market rate is \$70 per swim session (nine, 30-minute lessons). In contrast, the City of San Jose currently charges \$45 per session for residents and \$55 per session for non-residents. As such, the market data would indicate that San Jose should move in the direction of higher fees.

² Please note that the City of Morgan Hill is included in this amount. By removing Morgan Hill from the survey matrix, due to their specialized program features, the new average rate would be \$2.25 for youth recreational swim and \$2.93 for adults.

On-line Survey & Community Outreach

An on-line survey was posted on the PRNS website from November 19 through December 14, 2007. This survey provided residents the opportunity to evaluate alternative proposals and indicate preferences. In all, 117 completed surveys were submitted.

To inform the community of this survey, staff made presentations to the Parks and Recreation Commission, attended community meetings in areas where aquatic facilities are located and utilized the email distribution lists available through the City's Neighborhood Development Center as well as past program participants.

In general, the survey results indicated a preference in maintaining affordable rates for youth, disabled and seniors and increasing rates for adult and specialized programs to market rate. The survey also indicated significant interest in group/family passes, discounts, scholarship programs and support for more entrepreneurial efforts such as special events, facility rentals and concessions.

Proposed Fees and Charges

Recreational Swim

While the market research supports an increase in fees, customer feedback indicated a reluctance to adopt a full market rate for youth recreational swim. Moreover, an increase to full market rate for adults would result in a significant increase of approximately 59%. As such, staff is recommending a moderate increase to \$2.25 for youth and \$3.00 for adults. In addition, staff is also recommending that the proposed youth rate of \$2.25 also apply to seniors and persons with disabilities. The rationale for not adjusting to full market rate for adults is that the level of adult participation has historically been low. With the reopening of the pool sites and changes in programming and outreach, it is anticipated that numbers will go up. However, without a proven track record, staff is recommending a more prudent approach of adopting a moderate increase, focusing on increasing participation rates and then adjusting to full market rate in future years. Due to the lack of identification for minors, it is not recommended to use a resident/non-resident rate for recreational swim.

Swim Lessons

The survey indicated that the market rate for a session of swim lessons is \$70 versus the City of San Jose's current rate of \$45 per session for residents and \$55 per session for non-residents. Moving to market would represent a significant increase of 55% over the present rate and could present a significant barrier for many families. Moreover, swim lessons constitutes approximately 85% of the program's revenue and staff is cognizant that a major increase to this fee could result in lower participation rates. As such, staff is recommending that there be an increase in the fee to \$50 for entry level classes (youth, seniors and disabled swim lessons, adult/child participation and tot programs) and to \$59 for adult swim lessons. Competitive swim and junior lifeguard programs are offered in 65 minute sessions and the proposed rate per session

would be \$118, representing a 31% increase from the current fee of \$90 for this specialty class. As done in previous years, an additional \$10.00 would apply for non-residents for all types of swim programs. While San Jose would still remain below market, the increases proposed here are intended to increase revenue while providing the opportunity to evaluate the impact on overall participation rates. Should the impact be minimal, staff would return with an additional recommendation to move closer to market rates in subsequent years.

Discounts

Maintaining affordability has been a key message throughout the Aquatics Master Plan process. Discounts such as group rates, frequent user/family passes and scholarships are different tools that can be used to maintain affordability as well as encourage multiple visits.

Staff is recommending the following discounts be offered:

1. Group Discounts: Establish a group discount of \$2.00 per person for pre-registered groups larger than 35 participants.
2. Family Pass for Recreational Swim: Establish a family pass rate of \$9.00 per session of recreational swim for a family of four. Family to include at least one adult and two youth. Up to four additional admissions would qualify for the youth rate for a maximum of 8 admissions per family pass or a total of \$18.
3. Individual Recreational Swim Pass: Offer a pass of ten visits for \$20 for youth, seniors and disabled and a pass of 11 visits for \$30 for adults.
4. Discounts and Scholarships for Swim Lessons: Establish a swim lesson discount of \$10 per qualified child per session. There will be 2,150 discounts of \$10.00 available. Establish a full scholarship opportunity for 25 qualified participants with a preference for siblings in swim lessons. Proof of government assistance or other low-income verification is required to be eligible for the scholarship and discounts. Only one scholarship per family will be offered on a first-come, first-serve basis during pre-registration. There will be 25 scholarships offered. In future years, staff will apply for grants to increase the number of available scholarships.

The on-line survey provided multiple discount options. The items recommended by staff represent the options with the highest level of support.

Other Revenue Generating Activities

In addition to the fee adjustments proposed in this report, staff is also moving forward on other more entrepreneurial efforts as well.

1. ***Extended Season*** – Staff is proposing to extend the season from the current 8 week season to a Memorial to Labor Day season at the two largest City-owned sites (Camden and Fair). Programming beyond the current 8 week season would be limited to swim lessons and facility rentals. There was significant community interest expressed during the Master Plan process for an extended season. This effort would allow the City to pilot

the program on a cost recovery basis. In the event that the program is not cost recovery in summer 2008, the Department will absorb the costs and make any necessary adjustments during the mid-year budget review process. In future years, if it is not cost recovery, the Department will not continue the pilot program.

2. ***Special Events/Facility Rentals*** – Staff will be actively marketing the availability of facility rentals to local businesses and community groups for special events. Historically, facility rentals have represented a small percentage of total revenue. Staff believes there is potential to work with SNI groups, neighborhood associations, and business organizations to sponsor special events at City pools. The normal facility rental fee of \$125 per hour for residents and \$150 for non-residents (User Type III³) will still apply. However, the organized group could establish a higher admission price that would allow them to cover these costs as well as make a profit. There will be no limit to the amount of revenue generated as a profit by the individual groups. Staff has set a goal of 20 facility rentals for the 2008 Summer Season.
3. ***Concessions*** – Staff is evaluating the feasibility of concessions as a means of broadening customer service and creating additional revenue. PRNS would like to offer 3 to 5 general products for purchase at all City-owned sites⁴. Examples of items that will be sold are healthy snacks, goggles, water diapers, and suntan lotion. Pricing for these items will be determined by the Director of PRNS in accordance with existing Fees and Charges resolution depending on the type of product offered and the bulk price at which it is purchased.

CONCLUSION

With the re-opening of three closed pools this summer, the City will operate 5 City-owned pools and 4 leased school sites for the 2008 Summer Season. Staff has been working with the community to develop program enhancements that will move the program towards greater sustainability so as to maintain a consistent level of service and avoid the level of disrepair that resulted in the original closure of the pools. The Council's and community's support of the Aquatics Master Plan has provided the opportunity to re-evaluate the City's programming, marketing and pricing structure. It is clear from the market research that the City of San Jose should move towards increasing fees. It is also clear that while the community supports the concept of moving towards market rate, there are concerns regarding maintaining affordability and access for all San Jose residents that must also be considered. As such, the proposals outlined in this report are intended to be a balanced package—moderate adjustments to fees and an extended swim season at the Camden and Fair sites offset by new discounts and additional revenue from improved marketing, customer service and outreach efforts.

³ User Type III is identified in this section per the City of San Jose Fees and Charges Resolution #73832 section I X, Y, and Z. Resident of San Jose charging a fee resulting in a profit from the rental of the facility without tax exemption or classification as a non profit organization.

⁴ Concessions at leased sites would be subject to School District approval. Consequently, the initial proposal is to only sell concessions at City-owned sites.

EVALUATION AND FOLLOW-UP

The Citywide Aquatics Program will continue to track performance with customer satisfaction surveys. In addition, staff will continue to gather fee information from other locations to obtain best practice and market rate information from the region. Yearly progress reports will be provided to the Neighborhood Services & Education (NSE) Committee on the outcome of the Citywide Aquatics Summer Program. In addition, the aquatics fees and revenue will be reviewed annually as part of the annual budget process for recreational swim, swim lessons, and rental fees associated with the Aquatics Program.

POLICY ALTERNATIVES

Alternative #1: Maintain existing fee schedule.

Pros: San Jose fees would remain well below market rate and therefore, affordable to the greatest number of residents.

Cons: Low fees create a greater reliance on the General Fund.

Alternative #2: Increase all fees to market rate

Pros: The sustainability of the program would be greatly improved. While not being at the top of the market, the fees generated would ensure that there would be less reliance on the General Fund.

Cons: Moving to market rate would be a significant increase and may have unintended consequences of lowering participation rates such that the additional revenue brought in may not be sufficient to offset lost revenue from lower participation rates.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets Criterion #3. This memorandum will also be posted on the City's website for the March 11, 2008 City Council agenda.

Honorable Mayor and City Council

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The 2008 Summer Aquatics Program proposed fees and charges were sent via email to current swim participants, posted on the PRNS website, and advertised in the Mercury News on Sunday, October 21, 2007 and Wednesday, October 24, 2007, in advance of the November 7, 2007 Parks and Recreation Commission meeting.

As a result of the Commission's request for additional community input, staff developed an on-line survey to solicit input regarding the adjustment of aquatics fees. Staff posted the survey on the PRNS website, emailed the survey to the current aquatic user's database, and solicited input from SNI Neighborhood groups. There were 117 respondents to the aquatics survey.

On February 20, 2008, the Parks and Recreation Commission held a public hearing on the proposed fees and charges. The Commission complemented staff on the analysis and voted unanimously to support the proposals. It should be noted that the proposals were also presented to each of the Community Project Advisory Groups for the pool repair projects and no negative feedback was received. In fact, the Gardner Advisory Council voted to place on their February agenda an action item to write a letter of support to the City Council. This action is scheduled to take place the last week of February.

COORDINATION

This memo has been coordinated with the City Manager's Budget Office, City Attorney's Office, and the Department of Planning, Building and Code Enforcement.

FISCAL/POLICY ALIGNMENT

The recommendations contained in this report are consistent with the City's Aquatics Master Plan and overall efforts to explore alternative revenue sources to reduce the reliance on the General Fund.

COST SUMMARY/IMPLICATIONS

If approved, it is estimated that an additional \$26,885 in revenue would be generated based on prior year's performance for recreational and swim lessons. This would bring the Summer Aquatics Program to an estimated 41% cost recovery level. Revenue generating efforts such as concession sales, pre-sold facility rentals for special events and the proposed extended pilot season at Camden and Fair are also expected to generate new revenue. However, these items are subject to negotiation at this time and the associated revenue cannot be pre-determined.

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CEQA

Not a project.



Albert Balagso
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For questions please contact Cynthia Bojorquez, Deputy Director, at 535-3581.

Attachment A: Market Research

Attachment B: Amended Fees and Charges Schedule