

To: **Mayor and City Council**
Through: **Ryan Schroeder, City Manager**
From: **Dave Schletty, Assistant Parks & Recreation Director**
Date: **March 8, 2021**

Discuss New Contract with YMCA to Operate WSP Pool in 2021

BACKGROUND INFORMATION:

The City has been contracting with the YMCA, since 2010, to operate the WSP Pool. There has been two contracts during those 10 years (previous contracts attached) and 2020 was the final year of the last contract. Staff has been meeting with the YMCA and both parties wish to continue the partnership with a new contract. The pool stayed closed in 2020, due to COVID-19. The summer of 2019 was a bad weather season, and it reflected on the attendance at the pool, where final numbers were the worst in the previous 3 years. We are hopeful that numbers will increase in 2021 with better weather, additional promotion, easing COVID restrictions, and with the closing of the YMCA's West St Paul facility and pools.

The City originally approached the YMCA to run the pool, as a way budget for annual losses and not be so dependent on weather and revenue collection. For the years 2007-09, the pool had an average net loss of \$37,670, with debt and depreciation factored in. The contract was structured so the City could budget its expenses and plan for an annual loss of no more than \$30,300, based on average expenses in 2007-09. The YMCA expected to spend no more than \$40,900 to pay staff and operate the pool. Average revenue of the pool for 2007-09 was \$47,000. Based on these numbers the initial contract set a Net Revenue amount at \$40,900, with any revenue above that number being split 50/50 with the City.

This contract was re-evaluated and renegotiated in 2013. After 2 years operated the WSP Pool successfully, the YMCA felt comfortable with the operation and were willing to lower the breakeven point to \$39,000. The new contract also removed concessions from the net revenue. From 2015-19 the pool operation had a net revenue of \$40,020, with two of those years falling below the \$39,000 threshold. These budget numbers and averages date back to 2007 and have never been adjusted or evaluated for inflation.

As we look at negotiating a new contract, many things have changed; the YMCA closing their WSP branch and no longer operating a pool, as well as still being in the midst of a global pandemic. COVID-19 has been a struggle for many businesses and has been especially hard on the YMCA. This has meant a new budgeting structure that now must include all overhead costs. In previous years running the WSP Pool, the YMCA never accounted for the overhead costs (mainly salaried staff that supervised the operation). This is now a direct expense for them and must be included in their budgeting proposal. With so many restriction still in place, it is expected that attendance may be down in 2021, but could also mean dealing with capacity limits and restrictions. All these factors have led to a modest revenue

projection in 2021 of \$35,000. The YMCA has set their operating budget at \$60,000. This would mean the YMCA operating a \$25,000 deficit budget. The attached spreadsheet shows past (2015-19) and projected revenue and expenses for the YMCA. Their past budget expenses also include the overhead costs that were previously not included in their budgeting.

The YMCA is asking the City to agree to cover any budget deficit, up to \$25,000. The new contract would also have the concession operation turned back over to the City. This could be run by the City without a loss and have potential of a small profit. Additionally, the YMCA may begin running morning exercise classes that would also be offered to WSP residents for a fee. The City would also include language that YMCA members would not pay less than WSP residents for season passes. Finally, prices for season passes need to be studied and potentially adjusted, as they were the same in 2019 as in 2009, which could help offset the projected decline in revenue.

To Summarize:

- YMCA is asking the City to cover the operation gap for the pool, up to \$25,000.
- The YMCA has internally restructured all their financial accounting (due to COVID). In the past contracts the Y never charged for overhead (full-time staff costs), but this is now a direct expense for them that must be accounted for. The attached budget reflects these costs both upcoming and historically.
- The original contract in 2010 used historical data (both revenues and expenses) to calculate a breakeven point of \$40,900 that both parties were comfortable with. This number was never adjusted for inflation.
- Neither daily pass or season pass costs have been adjusted since the original 2010 contract was established. Staff believes the daily pass costs are in line with other pools, but the season passes could be increased and help lessen the operational gap.
- These numbers also reflect the YMCA turning over the concession operation to the City, which staff believes the City could operate without a loss.
- There is also opportunity for the YMCA to run morning exercise classes (since ISD 197 will no longer rent the space for swim lessons). This would be an added benefit for residents and potentially a way for the City to make up some of the \$25K gap commitment.
- COVID restrictions and capacity limits will most certainly impact capacity limits and usage this summer. Therefore, staff would recommend this be a 1 year contract that should be revisited next fall after the pool season wraps up.

FISCAL IMPACT:

As noted above the City would have up to an additional \$25,000 in expense under the new proposal from the YMCA.

STAFF RECOMMENDATION:

Discuss options for the WSP Pool including but not limited to: a new contract with the YMCA to continue operating the WSP Pool for the 2021 season, closing the facility indefinitely, or consider the City resuming full operation of the pool.

ATTACHMENTS: 2010 & 2013 Pool Operations Agreements, YMCA Budget Analysis