



500 West Big Beaver  
Troy, MI 48084  
troymi.gov

## CITY COUNCIL AGENDA ITEM

Date: September 17, 2020

To: Mark F. Miller, City Manager

From: Robert J. Bruner, Assistant City Manager  
Robert C. Maleszyk, Chief Financial Officer  
Elaine S. Bo, Recreation Director  
Brian Goul, Assistant Recreation Director  
Kurt Bovensiep, Public Works Director  
Dennis Trantham, Facilities and Grounds Operations Manager

Subject: Troy Family Aquatic Center

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### History

The Troy Family Aquatic Center (TFAC) was opened to the public in 1991 and the Aquatic Center Fund was established in FYE 1992. The Aquatic Center Fund has lost money in 26 of 29 years (see Exhibit 1 attached). It lost more than \$3.6 million during that time (see Exhibit 2 attached); an average of more than \$125,000 annually. The Aquatics Center Fund's FYE 2020 Ending Fund Balance was \$542,710.

The Aquatic Center Fund is an enterprise fund used to account for the operations of the Aquatic Center. An enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business, i.e. the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges (FYE 2021 Budget page 325).

In other words, an enterprise fund is a self-supporting government fund used to account for the sale of goods and/or services to the public for a fee. The City's other enterprise funds include the Sanctuary Lake Golf Course Fund, Sylvan Glen Golf Course Fund, Sewer Fund, and Water Fund. The City's Revenue Policies include the following:

*The City establishes user charges and sets fees for services for its enterprise funds at a level that fully supports the total direct and indirect costs of the activities. Indirect costs include the recognition of annualized depreciation of capital assets. Cash flow requirements to adequately defray bond retirement and capital outlay are primary determinants in the development of user charges (FYE 2021 Budget page 10).*

The City has not established user charges and set fees for the Aquatic Center Fund that fully support the total direct and indirect costs of the Aquatic Center. Instead, the City transferred more than \$4.2 million from the Capital Projects Fund to the Aquatic Center Fund between FYE 1992 and FYE 1995 (\$3,784,206 in FYE 1992; \$203,169 in FYE 1993; \$152,354 in FYE 1994; and \$27,771 in FYE 1995). Those taxes collected in the 1990s have been subsidizing Aquatic Center users ever since.



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### **Calendar Year 2020 Season (Fiscal Years Ending 2020 and 2021)**

The TFAC traditionally opens Memorial Day weekend and closes Labor Day weekend so each season spans two fiscal years. Although the TFAC did not open in 2020, it generated revenue and incurred expenses in the fiscal year that began on July 1, 2019 and ended on June 30, 2020 (FYE 2020). Aquatic Center Fund expenditures exceeded revenues by \$205,345 in FYE 2020, the largest shortfall in recent history. The budgeted shortfall was only \$41,430. The budgeted shortfall for FYE 2021 is \$147,370 but the actual shortfall will likely be much greater because the TFAC did not open in 2020 and therefore did not generate any revenue in the first half of FYE 2021.

### **Calendar Year 2021 Season (Fiscal Years Ending 2021 and 2022)**

The Aquatics Center Fund's FYE 2020 Ending Fund Balance was \$542,710. City staff estimates projects totaling \$285,000 (nearly 53% of fund balance) are required to reopen in 2021. The plaster repair and resurfacing project alone accounts for 23% of fund balance.

FYE	Project	Cost
2021	Plaster repair and resurfacing	\$125,000
2021	Deck and drain concrete repairs	\$125,000
2021	Deck lighting upgrades	\$30,000
2021	Concession area repairs	\$5,000
<b>Total</b>		<b>\$285,000</b>

These projects and other tasks necessary to open in 2021 are described below.

#### ***September 2020***

In the winter of 2020, a dry valve failed and allowed water to enter a fire suppression line. The line froze and burst causing water damage in the concession area, restrooms, and storage room. City staff is currently repairing the fire suppression system. Once the fire suppression line is repaired, City staff will charge the system and test the dry valve and make the necessary repairs. The initial repair is estimated to be \$2,000 and likely another \$2,000 to repair the failure that caused the leak.

#### ***October 2020***

The plaster repair and resurfacing project previously scheduled for FYE 2020 was postponed to FYE 2021 due to the COVID-19 pandemic. City staff intended to begin the project in April 2021 and complete it in time to open Memorial Day weekend, as originally planned in 2020. However, the contractor notified the City it cannot perform the work in spring 2021 so it must be done in October 2020 before colder weather prevents the contractor from completing the work.

Once the plaster is dry, the pool must be filled and operated for two weeks while the plaster cures under water. This includes filling the main pool and splash pool, running the pumps, and maintaining chemical balance for two weeks at a cost of approximately \$20,000. The water cost alone is approximately \$3,300 each time the pools are filled (350,000 gallons).



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### ***November 2020***

Pools are drained and winterized. A contractor lowers the water levels and blows water out of the water lines at a cost of approximately \$4,000. City staff winterizes the pool heaters.

### ***January 2021***

The last time the pool plaster was repaired and resurfaced, the previous contractor washed plaster down the deck drains. This prevents the pool deck from draining properly. The standing water allows mildew to grow and creates slippery conditions. Pool staff must continuously keep the deck clean and safe. Each drain needs to be opened up and replaced. It is unknown how many linear feet of drain pipe actually needs to be replaced but the estimated cost is \$125,000.

The City will post the bid solicitation for this project in January so the procurement process can be completed in February and the work can be completed in March or as soon as the weather allows. City staff will also begin determining pricing and hours of operation for the season and begin recruiting seasonal staff.

### ***February 2021***

City staff begins hiring seasonal staff. This includes forty lifeguards, fifteen cashiers and eight managers for the pool as well as eight cashiers and four managers for the concession stand. Attracting and retaining seasonal staff had become more difficult before the COVID-19 pandemic and City staff has serious concerns about our ability to do so in 2021.

### ***March 2021***

A contractor will perform the pool deck and drain concrete repairs described above in March or as soon as the weather allows

### ***April 2021***

City staff will replace failing deck lighting and upgrade with led fixtures that will save money in the long-run. Rebates may be available and City staff will evaluate the Return-On-Investment in this upgrade. The estimated cost is \$30,000.

### ***May 2021***

City staff will repair the water damage in the concession area, restrooms, and storage room caused by the broken fire suppression line in winter 2020.

A contractor cleans the facility to prepare it for the season. The State of Michigan inspects the boilers. Facilities and Grounds staff inspects the pool heaters, fills the pools, reconnects pool equipment (circulation and filtration systems) and turns them on. They also put up sun shades and performs any



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maintenance necessary to open. Information Technology staff installs equipment and reconnects to the City network.

A lot of time and money must be spent to prepare for opening in 2021 before a single pool pass is sold. These costs could easily exceed 50% of the Aquatics Center Fund's balance. Unforeseen costs such as equipment failure could push this number even higher. Public health conditions could prevent opening in 2021 after these investments are made.

### Future

The Aquatics Center Fund's FYE 2020 Ending Fund Balance was \$542,710. The FYE 2021 budget includes a loss of \$147,370 but that was based on revenue and expenditure estimates before the COVID-19 pandemic. The actual loss will likely be much greater if the City Council decides to proceed with the projects outlined above.

The FYE 2022 budget includes a \$246,700 loss and the FYE 2023 budget includes a \$31,160 loss. According to those numbers, the Aquatics Center Fund's FYE 2023 Ending Fund Balance would be \$117,480. However, those forecasts were made before the COVID-19 pandemic. Instead, the Aquatics Center Fund seems likely to run out of money in FYE 2022 or FYE 2023 if the City continues to expend funds on maintenance and repairs.

As stated previously, the Aquatic Center Fund balance has been reduced by more than \$3 million in the last 25 years; an average of nearly \$123,000 annually. The remaining fund balance will not last long. The City Council must now decide whether to continue investing in the Aquatic Center or saving the money for a new facility in the future.

Exhibit 1 - Aquatic Center Fund Net Income

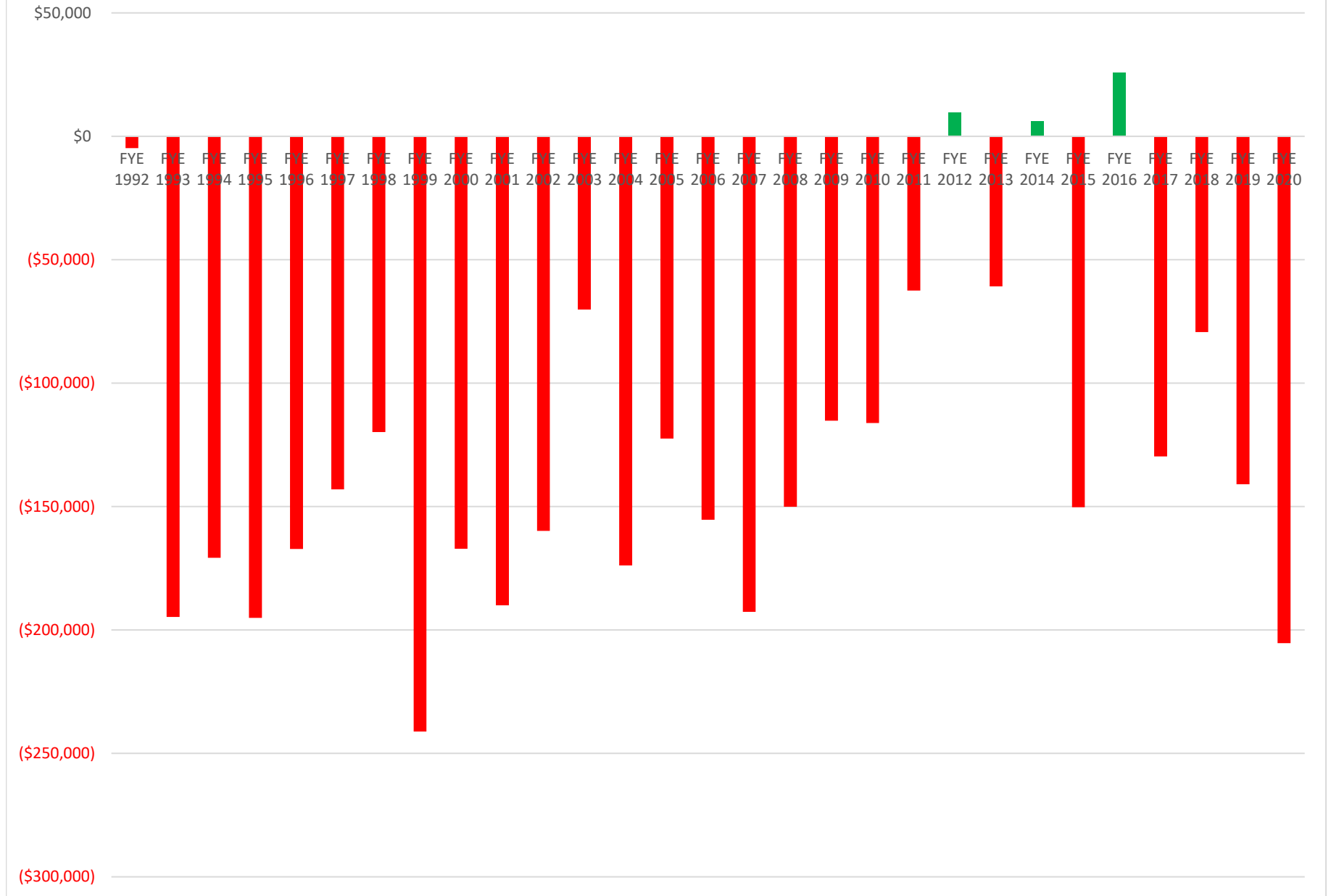


Exhibit 2 - Aquatic Center Fund Balance

