**Comments by Jon Sakol regarding Creating a Break-Even Pool Model at Tax Review Committee Meeting on 8/17/11 *(Emphasis added by PCA Editors)***

**Obstacles to a Break-Even Pool**

I speak only to address that part of the committee's report that, according to the press, would require the city to end subsidies to the pool on July 1, 2012.  I do so because that requirement is impossible to meet and I don't see what purpose is served by including a condition that cannot be met or suggesting to the broader public that something that is impossible is possible.  In fact, imposing a condition that cannot be met is counterproductive.  It allows the recipient to say that’s impossible; they don’t know what they are talking about.  Rather than making your point, it makes your point ignored.

You can question how we got here--why the council chose this time of tight government budgets to give up a system of private financing for the pool that other communities were searching to adopt and decide instead to use public funds.  And **you can certainly question how we got here without one public hearing on whether the city could afford to take over operation of the pool** and where the money would come from, though the city's staff report told the council, as the city's outside consultants had told it in 2006 and as I repeatedly told it, that it could cost the city $300,000.

There is no question, however, that we are now where we are: we have a publicly financed pool.  I don't know what factual analysis your committee has done on the finances of running the pool.  I do know that no financial analysis could lead you to the conclusion that the pool can exist as a public pool with no subsidies as of July 1, 2012, or ever.  Here is why.

First, no one is going to take on the risk of major maintenance and capital improvements for a 47 year old facility.  The city cannot charge an initiation fee, as the club did, to cover those expenses.  Those expenses will always remain the city's and will require taxpayer subsidies.

Second, the Piedmont Swim Team and the Piedmont Unified School District use about $130,000 of water time, almost all of it free (the PST has paid and is scheduled to pay about $16,500).  The city required the club, in lieu of rent, to cover those costs.  Without the club, the city has two choices: it can make the swim team and the school district pay for the water time they use or it can cover those costs.  If the city makes the political judgment to continue those subsidies, as it has to date, that $100,000+ has to be covered.

**The Break-Even Pool Model**

Third, there is a fundamental trade-off between expanding access to the pool on a drop-in basis and limiting the necessary taxpayer subsidy--the more access, the greater the subsidy.  I suggested to the city **a possible revenue model that over time might allow the city to run the pool on a break even operating basis** (but major maintenance and capital improvements would still need to be funded by the city).  I say over time because the model **required first that about 100 new resident pass-holders** **(net of the usual 10% annual turnover) be added** to the existing club members to return the number of resident users to where it had traditionally been under the club and that 125 non-resident users be added, as well.  That would take a few years, not a few months.  Then, the model required two additional things: **significant contributions from PST and PUSD** and continuing to **limit drop-in use** to what it had been for the last 18 years--one day a week (one Saturday a month and otherwise Fridays).  Everyone else would have to buy an annual or seasonal pass.  The rec commission felt that so restricting drop-in use was inconsistent with their notion of a public pool.  It came up with a compromise that **allowed almost daily drop-in use** during some hours**.  That political choice will require substantial, on-going public subsidies.** (Some argue that the drop-in rates should be competitive with other public pools, rather than $10 for an adult, that would make them $5 or less.  That would make the problem worse and the need for public subsidy greater.)

**Drop-in Use Shrinks Pass Sales**

Let me give you a concrete example of this problem.  **My break-even model required the city to sell 450 seasonal passes.** After the rec commission compromise, I assumed it would sell 255.  (The staff's model, based on a subsidy from the city of between $330-380,000, assumed the city would sell 275)  **As of July 26, the city had sold 162,** and only 40 of them to prior swim club members, the group you would have assumed most likely to have bought them, which means over 300 club members have not bought passes. As of now, I can only speculate about why: a few were members out of loyalty to support the club, their kids having long since grown; some represents the normal turnover of about 10% as families move and kids grow up; some saw no reason to buy a seasonal pass that started in July, given vacations and the approaching start of school; some found it cheaper to pay by the swim; some found the weather too cold to entice them to the pool.)

What does all this mean.  The pool will always require taxpayer subsidies.  Every public pool does.  It will take time to get the word out to new potential pass buyers, both resident and non-resident and, therefore time to determine just how many passes of what variety can be sold.  The city won't even get a fair read on how many seasonal passes can be sold until it can sell them next spring for a full May - October season.  **The key to minimizing the tax subsidy is the sale of seasonal passes and that means striking the right balance between how much daily access you allow and at what price compared to the cost of a seasonal pass.**  It will take time to strike that balance both politically and arithmetically.  There is no way it will happen by July 1, 2012.

If what the committee means to say to the city council is “having decided to operate the pool with public funds, go find the money elsewhere in the budget to pay for it,” say it that way.  Don’t say “stop subsidizing the pool” because the pool will always need to be subsidized.

Thanks for considering my thoughts.

Jon Sakol