

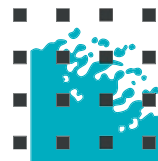
Municipal Aquatic Facilities

A Regional Economic Feasibility Analysis

Republic Missouri Aquatic Facility

Date: January 3rd, 2006

Revised: December 5th, 2006



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REGIONAL CASE STUDY:

Republic Missouri comprises a SIX square mile area with a current population of 9,936. Springfield Missouri lies 14 miles away and has a current population of 150,704.

The City of Republic is located in the South West of Greene County. This suburban area provides an additional population of 160,640 residents within a 20 minute drive of Republic Aquatic Center.

CITY OF REPUBLIC	
Population	9,936
Median Age	33.3
Age 10-19	14%
Median Household Income	\$34,611

Republic Parks and Recs department operated a Municipal Pool which was open from the sixties until 2003. The financial viability of this earlier pool versus their new Aquatic Center is the subject of this case study. This analysis is between the old aquatic facility (for the 2003 fiscal year) versus the new facility which opened on Memorial Day 2005 and operated for two seasons. The two facilities of contrast are operated seasonally and the table below shows a comparison between them:

REPUBLIC MISSOURI, AQUATIC FACILITY COMPARISON			
Year	2003	2005	2006
Type of Facility	25 Meter / 10 Lane Pool	FlowRider® 1800, Zero Depth Entry, Play Structure, Therapy Area, Children's Play Area, Two Slides, 25 Yard Lap Pool with 6 Lanes	FlowRider® 1800, Zero Depth Entry, Play Structure, Therapy Area, Children's Play Area, Two Slides, 25 Yard Lap Pool with 6 Lanes
Total Attendance	8,100	62,300	57,000
Avg. Swim Fees	\$2.00 / \$2.50	\$4.00 (+\$2.00 up charge for FlowRider®)	\$4.00 (+\$2.00 up charge for FlowRider®)
Avg. Hours/Week Open	40	50	50
Facility Cost	Unknown	\$3,700,000	N/A
Annual Revenue	\$22,600	\$274,000	\$242,000
Annual Expenses	\$162,000	\$177,000	\$170,000
Profit/Loss	-\$139,000	\$97,000	\$72,000
Operating Days	85	85	74
Revenue per Day	\$266	\$3,224	\$3,270

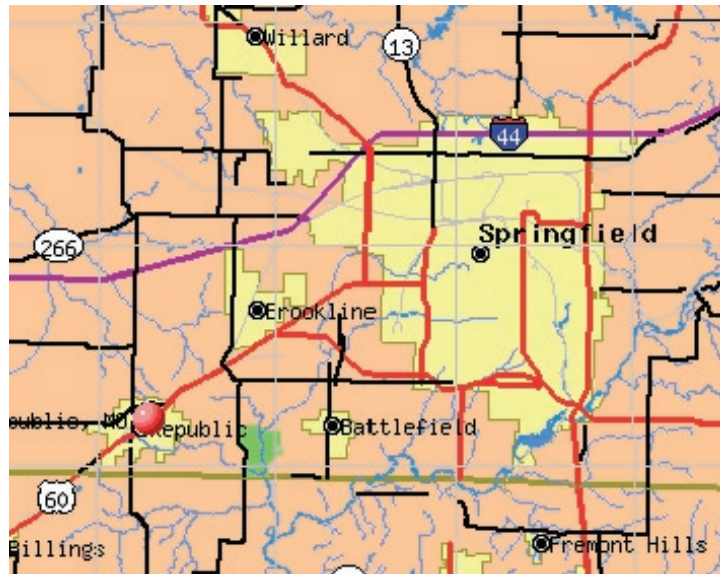
SUMMARY:

As shown above, the traditional municipal swimming pool lost in its last year of operation \$139,400. The new Aquatic Facility plus FlowRider and supplemental water attractions made \$97,000 profit in 2005 and \$72,000 in 2006. (The drop in revenue in 2006 was caused by a reduction in the operating days due to weather, from 85 to 74.).

Republic Missouri is located in the heart of America, in Southern Missouri. Its population is very modest yet they were still able to fulfill every municipally run Aquatic Centers dream: Provide services to the community without being a drain on society.

DEMOGRAPHIC:

Their original plan was to reach a target market within a 25 mile radius. Much to their surprise their actual market ended coming in from 100 miles away. This was largely due to the FlowRider's influence on the teen market. As stated by Jared Keeling, Parks and Recreation Director, "Whole families would come from as far as 100 miles away because the teens within that family wanted to ride the FlowRider." Their target market was families with teens, they achieved this through their well organized mix of Attractions. Below is a map of the area to help create perspective:



Jared Keeling, Park and Recreation Director for the City of Republic, stated that the Cities original plan was to simply build a new municipal pool. But after a careful analysis of the high long-term cost of operating a traditional municipal pool, the larger capital outlay (approximately \$4 million) required to build a waterpark with a FlowRider as its main attraction was clearly a better long term strategic choice. Rather than the continual drain of a hundred thousand dollars each year for a municipal pool, the City could actually subsidize other activities through seasonal waterpark revenues.

FINANCIAL ASPECTS OF A WAVEPARK SUBSIDY:

The primary objective of any City run operation is to provide services to the community. There goal is to attain funding from the community to construct the facility and then hopefully operate the facility whilst breaking even. Construction of a FlowRider and waterpark requires additional capital above the cost of the traditional competition pool. The city then placed an issue on the August 2003 ballot asking:

Shall the City of Republic Missouri impose a sales tax of $\frac{1}{4}$ of 1% for the purpose of funding local park improvements? Including but not limited to the construction, operation, and maintenance of an Aquatic Facility. Such tax to terminate in 20 years.

The citizens overwhelmingly passed the ballot issue by a margin of 74-26. The city financed the construction of the aquatic center through Certificate of Participation (COP) to be paid off in 20 years. The ¼ cent sales tax generates approximately \$400,000 annually. This tax is considered by the City as income to pay for the loan. Any extra money will go towards other park improvements. Unlike the public sector the City strives to maintain a low ticket price thereby giving back to the community for their investment and providing further services to its citizens. Simply put the citizens pay for the Aquatics Center through a tax and in turn the City allows its citizens to enjoy the services for a very low entry price.

The Present Value is calculated as follows:

PROJECT FINANCING COP Financing, \$4 million project		
Year	2005	2006
2005 Aquatic Facilities Profit	\$97,000	\$72,000
¼ Cent Sales Tax income	\$400,000	\$400,000
Annual Payment Against Interest and Principle at 4% Interest Rate	(\$283,000)	(\$283,000)
Principal Amoritization	20 Year	20 Year
Excess Funds for Ancillary Park and Rec Improvements	\$214,000	\$189,000

According to the City, “the extra money earned from the Aquatic Center has helped us to funnel further monies into improving other park functions.” Not only did the Aquatic Center exceed all expectations by not incurring a loss but the additional earnings are considered a bonus which allows them to enhance their services to the community.

CONCLUSION:

Traditional municipal competition swimming pools are money losing operations. However, a FlowRider enhanced aquatic facility can subsidize the cost of a traditional competition pool, as well as provide additional aquatic recreational services to the local community.

As stated by Jared Keeling, Parks and Recreation Director, “The inclusion of a FlowRider® to our aquatic center created the “buzz” which dramatically boosted park attendance. The mayor and the board decided to include it and it was absolutely the best decision they could have made.”



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