



**TOWN COUNCIL INFORMATIONAL
WORK SESSION AGENDA**

**October 3, 2023
Starting at 6:00 PM**

- I. Call to Order and Roll Call**
- II. Pledge of Allegiance**
- III. Informational discussion on the following:**
 1. Chesapeake Beach Water Park discussion of a path forward.
- IV. Council Lightning Round**
- V. Closed Session - motion to close the meeting under the Statutory Authority of the Md. Annotated Code, pursuant to General Provisions Article, §3-305(b), subsection (3) “to consider the acquisition of real property for a public purpose and matters directly related thereto.”**
- VI. Adjournment**

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(410) 257-2230 (301) 855-8398



To: The Honorable Mayor and Town Council

From: Holly Wahl, Town Administrator

Subject: Chesapeake Beach Water Park

Date: September 29, 2023

I. BACKGROUND:

The Town of Chesapeake Beach released a community opinion survey over a 4 week period of time (July 2023 - August 2023) providing multiple modes of citizen input. A primary focus of the survey is the fiscal responsibility to taxpayers of the Town of Chesapeake Beach.

II. SURVEY REPORT:

To view the survey report please click [here](#).





To: Town Council
From: Brittany Moran, Town Treasurer

Subject: Chesapeake Beach Water Park – Looking Forward

Date: September 29, 2023

I. KEY ISSUES

As Town Staff closes out the 2023 season at the Chesapeake Beach Water Park and begins to plan for the 2024 season, we have analyzed seasonal results, as well as community survey results (*as discussed during the September 21st Town Council meeting*). Below are the critical issues and topics that are requiring discussion and attention from Town Council:

- A. Town residents have expressed (*through survey responses*) their strong desire for the Park to be utilized as a community amenity, which is accessible and affordable, as opposed to serving as a tourist attraction.
- B. Additionally, Town residents have communicated disapproval of offsetting the cost of Out-of-Town residents' use of the Park.
- C. Out-of-Town residents have expressed (*through survey responses and actual attendance*) an unwillingness to pay the true cost for use of the Park.
- D. Commitment to continue similar operations for the 2024 season will require an estimated \$975k in funding from the General Fund.
- E. Beyond the 2024 season, significant funding will be required from the General Fund (*use of reserves, through operating budget or long-term debt*), which includes a reoccurring annual operational cost offset, along with contributions for capital improvements.
- F. Forecasts and historical estimates do not include unallocated costs that the General Fund and Utility Fund have absorbed for past and current fiscal years.
- G. Utilizing a decreased rate structure (*based on community feedback*) **does not** reduce or eliminate the projected loss in revenue.
- H. Due to the significant deficit in reserves in the Water Park Fund, Town Council action is required.

II. 2023 SEASONAL RESULTS

As discussed during the FY24 budget process, a decline in attendance was anticipated. Due to unavoidable, substantial cost increases (*wages, utilities, chemicals, supplies*) and attendees unwillingness to pay current rates, along with a 47% decline in admissions, the estimated loss for the 2023 season is approximately \$700k. This is following a 2022 season loss of approximately \$137k.

Two additional notes to consider when reviewing seasonal results:

- A. The loss was mitigated with mid-season cost savings measures, which included limited grill operations and lower staffing levels.



- B. There are significant direct and indirect costs unallocated to the Water Park related to operations that are absorbed through the General Fund, in addition to approximately \$2M due to the Utility Fund relating to capital connections.

III. 2024 SEASONAL PROJECTIONS & NEEDED IMPROVEMENTS

Looking forward to the 2024 season, Town Staff has analyzed the 2023 seasonal data, economic forecasts relating to increasing costs, infrastructure needs of the Park and community feedback.

Season 2024 projections will vary greatly based on decisions and direction from Town Council along with the footprint of the Water Park. However, Town Staff is forecasting an estimated \$975k loss assuming operations and attendance similar to the 2023 season (*scenario 1*).

Town Staff then forecasted revenues and expenses for the 2024 season (*scenario 2*) utilizing survey results and a rate structure illustrated by customer willingness to pay (*lower admission rates*). However, results yield a guest count of double the 2023 season but a greater loss of revenue (*approximately \$1.1M*). The rate of revenue increase does not exceed the rate of increase in expenses. **Decreasing rates to increase attendance does not alleviate or improve the financial outlook**, as detailed below:

	<i>SCENARIO 1</i>	<i>SCENARIO 2</i>
	SEASON 2024	SEASON 2024
<i>Revenues</i>	495,047	897,753
<i>Expenses</i>	1,467,824	1,987,307
<i>Net Loss</i>	(972,777)	(1,089,554)
<i>Estimated Admissions</i>	12,972	31,740

**Scenario 1 – similar operations to the 2023 season and scenarios 2 – operations using rates highlighted through survey results and average cost survey participants are willing to pay.*

The two forecasted scenarios above also do not account for potential repairs and maintenance needed with the aging park, nor infrastructure needs. Capital improvements between \$4M and \$8M would be required to reconstruct the Water Park.

IV. ADDITIONAL CONSIDERATIONS

The Water Park Fund has reported a loss since FY18, totaling approximately \$1M without consideration of unallocated costs that have been burdened by the General Fund and Utility Fund.

To illustrate a comparison over fiscal years, the table below highlights operating loss by fiscal year along with seasonal guest count and percentage of admissions relating to Town Residents:

	UNAUDITED PROJECTED						
	FY18	FY19	FY20	FY21	FY22	FY23	FY24*
<i>Operating Loss</i>	(12,058)	(48,698)	(133,735)	(203,997)	(98,353)	(318,612)	(893,174)
<i>Total Seasonal Attendance</i>	41,349	42,721	14,911	31,718	31,292	16,600	12,972
<i>Town % of Admissions</i>	29%	29%	51%	33%	38%	61%	78%

**FY24 projections are based on scenario 1. The remaining projected seasonal loss of \$269k would carry over to FY25.*



Additionally, the Water Park Fund is reporting a **significant deficit in unrestricted net position**, including a \$3M liability to the General Fund.

To operate the Water Park Fund for the 2024 season and beyond, significant operating and capital funding would need to be provided through the General Fund with taxpayer revenue, reserves or through financing of long-term debt. If considering financing through a bond, bond costs and annual debt service will need to be budgeted through the General Fund in addition to an annual operational cost offset.

As of June 30, 2023 (unaudited), General Fund reserves consist of the following:

- A. Unallocated ARPA Funds: \$3.9M
- B. Rainy Day Fund: \$4M
- C. Total General Fund unrestricted: \$10M
 - a. \$7.3M of this balance are interfund receivables that may be potentially uncollectable depending on financial stability of the Town's enterprise funds.