



STAFF REPORT

AGENDA NO: STUDY

MEETING DATE: March 18, 2019

To: Honorable Mayor and City Council

Date: March 18, 2019

From: Lisa K. Goldman, City Manager – (650) 558-7243

Subject: Update on Negotiations Regarding Burlingame Aquatic Center Construction Project

RECOMMENDATION

Receive an update on the negotiations between the City and the San Mateo Union High School District (SMUHSD) regarding the Burlingame Aquatic Center construction project.

BACKGROUND

In November 1997, the City and the San Mateo Union High School District (the District) entered into an agreement to jointly fund the construction and ongoing repair, improvements, and operations of a new 25-yard pool at Burlingame High School. The agreement included terms regarding scheduling of the facility, maintenance, record keeping, and the distribution of costs. In August 1999, after an anonymous donor agreed to provide funding to upgrade the 25-yard pool facility into a 50-meter pool, the City and the District approved a first amendment to the original agreement. The amended agreement expanded the hours that the facility (the Burlingame Aquatic Center) could be open and made various other changes. The total project cost \$2,676,695, with the anonymous donor paying \$1,210,000, the City paying \$1,166,695, and the District paying \$300,000.

Between the time the pool opened (2000) and 2011, the City operated the community programs at the pool, including recreational swimming, lap swimming, swim lessons, and fitness classes, and managed the scheduling. In 2011, the City contracted with the Burlingame Aquatic Club (BAC) to operate these programs on the City's behalf. BAC was already managing competitive programs in adult and youth swimming and water polo at the pool.

DISCUSSION

In 2016, the City and the District approved a new pool agreement that extends the term by three years, to January 1, 2026, and covers how maintenance and operating expenses are split (the City pays 78%, while the District pays 22%), and how capital expenses are split (50-50 basis). The new agreement also includes language related to when the City has exclusive use of the pool and when the pool is to be shared with the District, and when the pool can be closed for annual maintenance and where BAC is to be relocated during closure periods. The new agreement includes as an exhibit a 2015 District-commissioned Aquatic Design Group facility audit of the aquatic center. The

intent of the audit was to help the City and District jointly develop a capital replacement program. Among the items included in the five-year timeframe were removal and replacement of the pool deck and drainage and removal and replacement of the pool finish in the competition pool.

Last year, the District undertook the renovation of the aquatic center; the project included removal and replacement of the deck, removal and replacement of the pool finish, and the replacement of the interior lights with LED fixtures. The entire project, which was to begin June 1 and be completed by September 21, had a projected budget of **\$1,902,659**, with the City's share **\$951,330**. (The City originally budgeted \$600,000 for its share of the project, prior to the bidding and approval of the construction contract.) Due to a variety of factors, including the need to re-bid the project and delays getting approvals from the Department of the State Architect, which approves school construction projects, demolition of the deck actually began on July 2.

In July, District staff notified City staff that the pool shell contained problems related to rebar and waterproofing, and that there were additional problems with the light fixtures and electrical work. The cost to make the repairs to the electrical exceeded the Public Contract Code limits that the District must follow, and the repair work needed to be formally bid, delaying any progress on the pool.

Throughout August, the contractor uncovered additional problems with corrosion of the rebar at various locations, such as the lights, stairs, and floor inlets, and improper concrete coverage in many areas. (Per State Code, concrete coverage should extend at least three inches between the soil and the rebar to maintain structural integrity and at least three inches between the rebar and the pool shell to prevent water intrusion and subsequent corrosion. The current coverage is about one each on either side.) In early September, the District requested that its pool engineer produce an existing conditions report that highlighted the various challenges with the pool. The report, completed later in September, concluded that the pool shell is compromised and should be replaced, rather than repaired.

City staff and District staff met on September 28 to discuss options for moving forward, including repair of the pool, at an estimated cost of **\$2,538,406** (with the City's share 50%, or **\$1,269,203**), or replacement. At that time, City staff was under the impression that the estimated cost of replacement was **\$4,988,452**. At the District's Board meeting of October 11, the District staff recommended that the District pursue the replacement option given the many uncertainties associated with the repair option. In particular, the staff and the District's engineers and consultants are concerned that there will be additional maintenance costs and significant pool downtime as the pool shell steel continues to erode, and the new plaster dislodges. In addition, the engineers and consultants believe that the pool will need to be replaced in 10-15 years, at an estimated cost of \$11.9 million in ten years, or \$19.2 million in 15 years. This cost will be on top of the \$2.54 million spent now to bring the pool back online. Under the replacement option, in contrast, the consultants and engineers believe that the life of the pool shell will be extended to 50 years, and the new shell will require less maintenance than the repaired shell.

The District Board did not make a decision at the October 11 Board meeting and, instead, asked staff to come back with additional information. At the October 25 Board meeting, the District Board approved proceeding with the New Pool Project and hiring an architect.

In November, the City Manager met with the Council's pool subcommittee (then-Mayor Brownrigg and then-Vice Mayor Colson) to discuss the City's proposed terms for a new agreement, and the City Council discussed the proposed terms at a study session on November 19. The City proposed contributing \$2.5 million toward the \$4,988,452 cost, with \$1 million paid as bills come due, and \$1.5 million paid in the future, \$150,000 per year for ten years. The City also proposed a long-term lease, and a 50-50 split on operating expenditures for the first three years, followed by a re-evaluation of the split based on actual BAC usage as it will take some time for BAC to rebuild its programs. The City also wanted an opportunity to evaluate how the locker room building can be rebuilt to improve the locker rooms and make space to accommodate transgender pool users and employees.

On December 13, the SMUHSD Board met to receive an update on the pool and discuss the City's proposal. Just prior to the District's Board meeting, as the City Manager and the School Superintendent were discussing the City's proposal and the Superintendent's upcoming presentation to his Board, the Superintendent informed the City Manager that the estimated cost of the pool reconstruction project was not \$4,988,452, which was the figure described as "Total Project Cost" on an October District slide, but **\$6,430,108**. Apparently, the Total Project Cost figure did not include the estimates of the costs to date (\$851,655), or the contract termination fee (\$108,000). The other cost not included in the Total Project Cost figure was \$482,001 for mechanical room upgrades. The cost has continued to change since October; the estimate presented to the District Board in February was just under \$6.5 million.

At the December 13 Board meeting, which then-Mayor Brownrigg, the City Manager, and the Parks and Recreation Director attended, the District Board rejected the City's earlier offer but did not come to a consensus on what they expected the City to contribute.

In early February, Mayor Colson, Councilmember Brownrigg, the City Manager, and the Parks and Recreation Director met with the School Superintendent and the School Board's newly appointed subcommittee (President Greg Land and Clerk of the Board Robert Griffin) to develop a new term sheet. Unfortunately, the School Board did not agree to that term sheet at their meeting on February 21, though they did eventually come to consensus on some of the items, including the City's new offer of a \$2.7 million contribution toward the capital costs.

The City Manager and School Superintendent have continued to work on the term sheet since the February Board meeting. The latest iteration, which has not yet been considered by the School Board or the City Council, includes the following terms:

Payment: \$2.7 million total, with \$1,269,203 (less anything the City has paid so far toward the repair project) paid in 2019. This amount is the City's half of the Option 1 repair only costs. For cash flow purposes, the remainder of the funds would be paid after the City completes the new Community Center, but no later than June 2023. The Superintendent included the following language in the draft term sheet: "The City's contribution of \$2.7 million shall be divided such that \$1,000,000 is for the cost of the deck, \$250,000 is for the mechanical room cost, and \$1,450,000 is for the new pool shell. Note - the reason for this division is that it corresponds to roughly the

same proportion of the cost of the components of the reconstruction as the city is contributing, in total.”

Term: The term of the agreement will be extended from January 1, 2026 to January 1, 2040. After January 1, 2035, either party can give the other party five years’ notice that it does not intend to negotiate a continuation of the agreement. If SMUHSD ends the agreement, it must reimburse the City for the City’s unamortized contribution to the cost of the components of the BHS Pool replacement. If the City ends the agreement, it shall be eligible for reimbursement on the components it has paid for as identified in payment section above. The schedule for amortization of the components shall be based on the following expected lifespans:

Mechanical Room	16 years
Pool Shell	50 years
Pool Deck	27.5 years

Locker Room Facility: In order to comply with the Americans with Disabilities Act and other current standards, the City or the School District may wish to make further improvements to the Aquatic Center or its environs. If so, both parties commit to working with the other with the goal of improving the facility for all users.

Operating Expenses: The City’s share of maintenance and operations expenses will be changed from 78% prior to the pool shutdown in 2018 to 50%. The change will be implemented the week after the Notice of Completion is filed for the new BHS replacement project and will remain in place for one full year. After the one-year period, the pool usage formula will be reviewed and revised based usage.

Annual Pool Maintenance Closure and Usage Allocation: The language in the existing agreement would remain in place, allowing BAC exclusive use of the pool at certain times of the day, and shared use in the early mornings, weekday afternoons, and Saturday mornings except during high school competition times (water polo games and swim meets).

FISCAL IMPACT

The total cost to the City is unknown at this time and will depend on the final negotiated agreement.