

Agenda Report

TO: City Council

DATE: January 7, 2008

FROM: City Manager

SUBJECT: APPROVAL OF LEASE TERMS WITH ROSE BOWL AQUATICS CENTER AND ACCEPTANCE OF \$112,800 IN FULL PAYMENT FOR PAST UTILITY OBLIGATION

RECOMMENDATION:

It is recommended that the City Council:

- A. Authorize the City Manager to execute a lease between the City and the Rose Bowl Aquatics Center (RBAC), a non-profit 501c3 organization, as the sole agreement that replaces any and all prior City-RBAC agreements regarding use and operation of the property known as the Rose Bowl Aquatic Center, located at 360 North Arroyo Boulevard, Pasadena CA; and
- B. Accept \$112,800 as full settlement from RBAC for prior utility obligations (from 1996 to 2002).

EXECUTIVE SUMMARY:

Since December 11, 1987, the City and the Rose Bowl Aquatics Center (RBAC), a nonprofit public benefit corporation, have entered into a series of agreements and amendments to support the construction, operation, licensing and financing of the community aquatics facility known as the Rose Bowl Aquatics Center located on City land in Brookside Park. The City and RBAC have been in negotiation to enter into a comprehensive new agreement to extend this longstanding relationship. The recommended Agreement assures the continued success of this partnership and of this outstanding aquatics facility, including provisions for community benefit through scholarships for local residents from limited income households.

BACKGROUND:

After the former City pools at Brookside Park were deemed beyond repair in the 1980's, a new concept emerged to build a community aquatics facility on City land that would serve the local community and be operated by a private non-profit organization. On December 11, 1987, the City and the Rose Bowl Aquatics Center (RBAC) entered into an Operating and License Agreement for RBAC to build and operate swimming facilities owned by the City in the designated area of

Brookside Park. From 1987 through 2001, the City and RBAC entered into a series of agreements and amendments that addressed the construction, operation, licensing and financing of the Aquatic Center. The property consists of some 141,100 square feet which includes two Olympic-size swimming pools and a therapy pool, diving facilities, a center with appropriate support facilities (restrooms, showers, dressing areas, offices, aquatics-related concessions, staff offices, equipment storage, etc.), an exercise and fitness room and related amenities. The RBAC is operated as a community aquatics facility serving Pasadena residents and neighboring communities, providing recreational, educational and competitive aquatics experiences for individuals and teams, serving children as well as adults. The total City investment in the RBAC facility (capital improvements) is approximately \$7.1 million dollars.

The last City-RBAC operating agreement expired in December 2002 and, while eligible for renewal, that option was not formally exercised as the two organizations entered into negotiations to develop a new, comprehensive agreement that would replace all prior contracts and reflect the current facility and operations. Since that period, the City and RBAC have continued to operate under the general terms of the prior agreements, as amended.

While RBAC endured significant financial challenges during the construction and first 15 years of operation, in recent years RBAC has stabilized and has been establishing a capital reserve fund, developing a strategic plan for the future, exploring new opportunities, and maintaining an effective partnership with the City and Pasadena community.

During the period from 1996 to 2002, RBAC experienced significant financial challenges and was unable to fully fund its water, trash and power expenses resulting in a total balance owed to the City of \$256,169. Rather than pay this sum off over an extended period of time, staff recommends accepting \$112,800 as full and final settlement of the outstanding obligation. This sum represents an amount that if invested at the City's current earnings rate would yield approximately the same dollar value as receiving interest-free payments from RBAC over a ten year period, after adjusting for the amounts that were to be credited by the City towards RBAC utilities under the prior agreement, but which were not (\$12,200).

Key Terms for Agreement

Staff is recommending the following terms to the RBAC Agreement:

- A. New Language
 1. The City Manager or his/her designee will serve as a non-voting member on the RBAC Board Executive Committee.
 2. City will be responsible for routine maintenance and repairs for building systems (e.g. plumbing, HVAC, paint, carpentry, locks, electric).

3. RBAC will be responsible for tenant improvements (e.g. adding a new electrical socket, changing a lock due to a lost key) and for repairs and maintenance of the exterior area, including the pool and deck areas.
4. For years one through five of the contract, the City will pay \$10,000 per month for City utilities and RBAC will pay the balance. For years six through ten of the contract, the City will pay \$12,500 per month for utilities and RBAC will pay the balance. For years eleven through fifteen of the contract, the City will pay \$15,000 per month for utilities and RBAC will pay the balance. At the end of each year, an account reconciliation will be completed to determine if the total actual utility bills for the year were less than the total amount the City committed to pay. If there is a positive balance, then this amount will be deposited into a capital reserve account.
5. Provide \$240,000 in years one through five of the contract in community benefit, of which at least 75% will consist of scholarships and fee reductions for Pasadena residents and PUSD students from limited income households, and other local community service and the balance may include capital improvements. Consistent with the increases in future City utility contribution, in years six through ten of the contract, the community benefit amount would increase to \$275,000 and in years eleven through fifteen it would increase to \$325,000.

Other key terms of the Agreement are summarized as follows.

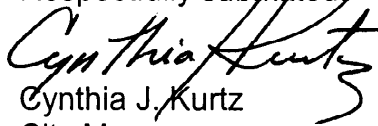
- A. City continues to:
 1. Lease premises to RBAC for \$1 per year to operate as a community aquatics facility (including related fitness and exercise activities) for the general benefit of the Pasadena community.
 2. Grant non-exclusive use of 200 parking spaces in Brookside Park Lot I.
 3. Reserve the right to require facility closure up to five days per year; should special events require closures beyond five days, RBAC will be reimbursed for 1/360 of prior year revenue lost for the sixth or subsequent days.
 4. Provide \$41,000 per year in building maintenance (specific use each year to be negotiated per an annual Maintenance Plan) and reimburses RBAC \$11,500 per year for landscape services.
 5. Pay debt service on the 1989 Certificate of Participate for construction of the aquatics facility which has an average net amount of \$420,000 annually.
- B. RBAC will continue to:
 - a. Operate as a year-round community aquatics facility for the general benefit of the Pasadena community.

- b. Be responsible for capital improvements and exterior repairs, as needed to keep the facility safe and in good operating condition.
- c. Provide supplies, equipment, materials and services, and maintenance and landscaping beyond the annual City allocation (\$41,000 for maintenance and \$11,500 for landscaping).
- d. Provide liability and property insurance satisfactory to the City.
- e. Have a community scholarship advisory body that reviews eligibility and recommends scholarship awards to applicants, applying the same economic and family size criteria as used by City.
- f. Submit an annual Operations Report that includes a detailed account of community contributions; copy of the latest federal tax return filed by RBAC; and a Board of Directors roster.
- g. Maintain open recreational swim hours of at least 21 hours per week (three hours per day) during the school year and at least 17 hours per week during the summer (three hours per weekday and Sunday, plus two hours on Saturday), for which fees will be comparable to said fees for City-operated pools.
- h. Notify the City in advance when operating schedule is changed due to swim meets or related RBAC special events.
- i. Maintain a 21-member RBAC Board of Directors that will include five voting members appointed by Mayor with City Council concurrence and the City Manager or his/her designee as a non-voting member.
- j. The Executive Committee of the RBAC shall be created by the current Board of Directors and will include the City Manager or his/her designee as a non-voting member.
- k. Selection of the RBAC Executive Director requires at least five votes of the Executive Committee of the Board.

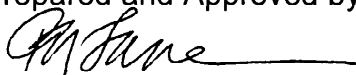
FISCAL IMPACT

Approval of this action will repay \$112,800 to the City utility funds; continue annual appropriations to RBAC of \$172,500; continue annual debt service to retire the construction bond; and secure community scholarships and public benefit of not less than \$240,000 per year.

Respectfully submitted:


Cynthia J. Kurtz
City Manager

Prepared and Approved by:



Patricia A. Lane, Department Director
Human Services and Recreation