

**City Of Piedmont
COUNCIL AGENDA REPORT**

DATE: June 4, 2007

FROM: Geoffrey L. Grote, City Administrator

SUBJECT: **Piedmont Swim Club Lease Renewal**

DISCUSSION

The lease with the City of Piedmont held by the Swim Club expires June 30, 2008 at the end of its fifteen year term. The lease, which is attached for your review, was the subject of controversy fourteen years ago and since then the operation and administration of the pool has from time to time been controversial. While there are many issues regarding public policy and the municipal governments role, lately the most intense disagreements revolve around allocation of time to the groups who wish to use the pool.

The current facility is over 40 years old and consists of three pools. None of these are suitable for competitive sports although practice time for some of these sports is a major bone of contention. At the core of disagreements regarding allocation of time, is the basic fact that the pools are inadequate to the task of providing sufficient time and water space to all the potential users. While many will disagree, it is this administrator's opinion that many of these controversies regarding use will continue regardless of who operates the pool. Specifically, the largest of the pools is not properly equipped or sized for water polo or competitive swim meets and there is severely limited capacity to allow practice sessions by lap swimmers and competitive sports teams during the desirable day-time hours.

If the lease expires on June 30, 2008, the city must take up operations on July 1, 2008, which is the first day of FY '08/09. This means that the proposed budget for FY '07/08 must cover the costs for preparing a transition plan whereby the city will be in a position to take over on July 1, 2008. Thus, it is important that the council and community reach a clear understanding of whether or not there will be any interim extension of the lease beyond its current expiration date. Simply put, if the lease is extended to cover the swim season of '09, an eighteen month extension, then we need not begin our preparations now or fund them in the upcoming budget. Without an extension, public funds will need to be expended throughout this upcoming fiscal year in both the development of an operations plan and an assessment of the physical plant so that we can begin to plan for capital maintenance expenditures. Both the Council and the city administrator believe it would be beneficial to have one final public discussion regarding the extension of this lease.

PUBLIC POLICY ISSUES

The overarching public policy issue is whether or not an aquatic center located on public land should be operated by a private club. While I do not underestimate that issue, I would

respectfully submit to the council and community that the current issue is of somewhat lesser magnitude. In this case, because any possible extension would be for a relatively brief time and would not involve the operation of any new aquatic facility, the issue is whether we should maintain the status quo while we make a decision regarding the design and funding of a new facility.

Those who think the city ought to take over operations on July 1, 2008, point out that the lease will have expired and that if the city assumed operations, it could make decisions with regard to the allocation of use that would not be dictated by the financial constraints of a private club. This is true. It is further accurate to point out that the cost to the tax payers to operate an aquatic facility, which is likely to be at a loss as it is in virtually all cities, is an expense that is frequently and properly born by the municipalities. In the long term, these two arguments may prevail and the city, if it can afford it, will at some time in the future take up aquatic operations. The downside of taking them up on July 1, 2008 is that the city may expend funds for two to three years which could otherwise be contributed to the capital costs attendant to the building of a new facility.

Some proponents of the swim club indicate that they would be willing to accept a lease extension but only in the event that it be for four or five years and that a variety of other amendments be made to the existing lease. Some Swim Club Board members have indicated that they would like to amend the rules regarding repurchase requirements and the payment of annual rent to the city. While there is much to recommend these suggestions in that they strengthen the ability of the club to perform its important role as the provider of the only aquatic center in Piedmont, it should be noted that an extension of four or five years would preclude the city from beginning construction on a new facility in a timely fashion

COMPROMISE PROPOSAL

1. Offer to extend the lease with the Piedmont Swim Club for eighteen (18) months commencing July 1, 2008 and ending December 31, 2009. An eighteen month extension would allow the swim club to operate two additional swim seasons. The club would complete the 2008 swim season and all of the 2009 season. In the event that the club were to cease operation at that time, it would allow the city to assume operations and perform any necessary maintenance during the winter months.
2. Authorize the City Administrator, in conjunction with the city attorney and the club board, to investigate the possibility of making amendments to the existing lease pertaining to the repurchase clause.

CONCLUSION

This recommendation is made with the full understanding that the Swim Club Board might reject the concept as inadequate and that the council and city administrator might be subject to criticism by those who feel the city should take over this operation as soon as possible. The above proposal is made in an effort to keep all options open until the council and community have decided whether or not to build a new swim facility and have made sufficient progress in funding this new facility.

If it is not possible to bring these disparate groups together, then the city is ready to begin planning and funding the operation of the existing facility as of July 1, 2008. This course of action will, by definition, necessitate the expenditure of tax payer funds that might otherwise have been used to create the next generation of an aquatic facility in Piedmont.