



# STAFF REPORT

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October 18, 2023  
File Number 0600-10; A-3424

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## **SUBJECT**

### **AQUATICS FACILITY PROJECT**

## **DEPARTMENT**

Community Services

## **RECOMMENDATION**

Request the City Council approve one of the following options or provide alternative direction:

Option A: Provide direction not to move forward with the Aquatics Facility at this time.

Option B: Select and approve one design concept to proceed through design development only.

Option C: Provide direction to proceed with the construction of the Aquatics Facility, including the selection and approval of one design concept to develop into construction drawings and direct staff to engage with the consultant(s) required to further develop a financing model for Council approval.

Staff Recommendation: Provide Direction (City Manager's Office: Joanna Axelrod)

Presenters: Deputy City Manager Joanna Axelrod and Finance Director Christina Holmes

## **PREVIOUS ACTION**

On May 17, 2023, City Council adopted Resolution No. 2023-41 approving the Grape Day Park Master Plan.

On July 27, 2022, City Council adopted Resolution No. 2022-111 approving a consulting agreement with LPA, Inc for the completion of a Grape Day Park Master Plan and design of an Aquatic Center on Woodward Avenue.

On September 29, 2021, City Council adopted Resolution No. 2021-146 approving a budget adjustment allocating \$5 million of American Rescue Plan Act funds to the Aquatics Facility Project.

## **BACKGROUND**

The desire for a modern Aquatics Facility that can support both the recreational needs of our community as well as the competitive needs of our students has been a point of discussion for the community for



# CITY of ESCONDIDO

## STAFF REPORT

decades. The City of Escondido currently operates the Washington Park Pool and the James A. Stone Pool. Both are aging and neither truly support the competitive needs of the community's student population – particularly for water polo. On July 27, 2022, City Council adopted Resolution No. 2022-111 approving a consulting agreement with LPA Design Studios, Inc for the completion of a Grape Day Park Master Plan and the design of an Aquatics Facility on the current location of the James A. Stone Pool. The Grape Day Park Master Plan, which shows the largest possible Aquatics Facility option that fits on the footprint, was unanimously adopted by the City Council on May 17, 2023.

### Outreach

A variety of tools were utilized for engaging with the community – 2 community-wide surveys, 3 workshops, 5 focus group meetings, and 12 stakeholder interviews. Many of the participants in the focus groups, stakeholder interviews, and community workshops represented aquatics-specific interests ranging from competitive student athletes, aquatics and maintenance staff, recreational users, coaches, parents, operators of club teams, and members of the local school districts.

### Design Options and Operational Impacts

Taking into account all of the community feedback, input from the City Council, the unique requirements of the California Interscholastic Federation's (CIF) guidelines for high school sports, and the input of the design professionals from Aquatics Design Group and LPA Design Studios, the following two design concepts are presented as the most feasible options for balancing the varied priorities. Both of these options provide the same pool building and support functions, the same recreation pool with slides to improve cost recovery, connections to Grape Day Park, parking, and landscaping. The difference is in the size of the competitive body of water. With either of these options, a 1-meter diving board (the standard for CIF) could be added at the direction of the City Council during the schematic design process.

Having separate competitive vs. recreational bodies of water allows for each to be maintained at different water temperatures therefore accommodating the warmer needs of recreational swimmers and the cooler needs of competitive athletes. It allows for operations to continue should one body of water need to be closed for the purposes of cleaning, maintenance, or biohazard remediation. It also provides more operational flexibility as portions of the pool deck could be closed off during low season times of the year savings on staffing costs.

As a baseline for better understanding the increase in costs to operate either of these options, the City's current annual operating costs for James A. Stone Pool are estimated at \$450,000, net of the revenues from operating programs. This does not include the cost of utilities which are currently challenging to separate out as the meters for the pool are shared with the entire park. The significantly increased recreational value of either new conceptual design plan would effectively increase the operating cost by approximately \$250,000 annually. The operational model takes into account efficiencies in the new facility as well as expanded participation from the community.



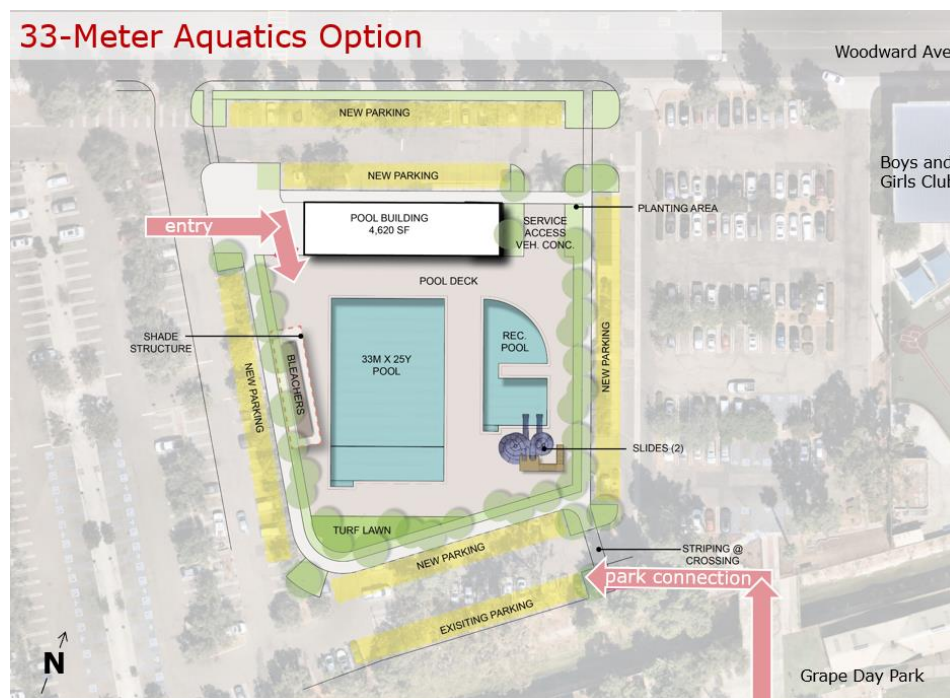
# CITY of ESCONDIDO

## STAFF REPORT

### 33-Meter Pool Option

A 33-meter x 25-yard pool provides everything the community needs to meet the programming requirements for hosting swimming competitions and practices, with the only exception being it cannot host long-course swimming events. This pool also accommodates regulation CIF water polo tournaments. A 33-meter pool will accommodate 11 deep water lanes for racing competitions and practice, and two additional shallower lanes for swim lessons, recreational uses and open swim flexibility in scheduling. This pool would accommodate a 25-yard x 30-meter water polo zone with floating goals, the ideal configuration for CIF guideline competitive play and practice.

As of May 2023, the estimated total project cost for this option is ~\$30.5 million.



### 50-Meter Pool Option

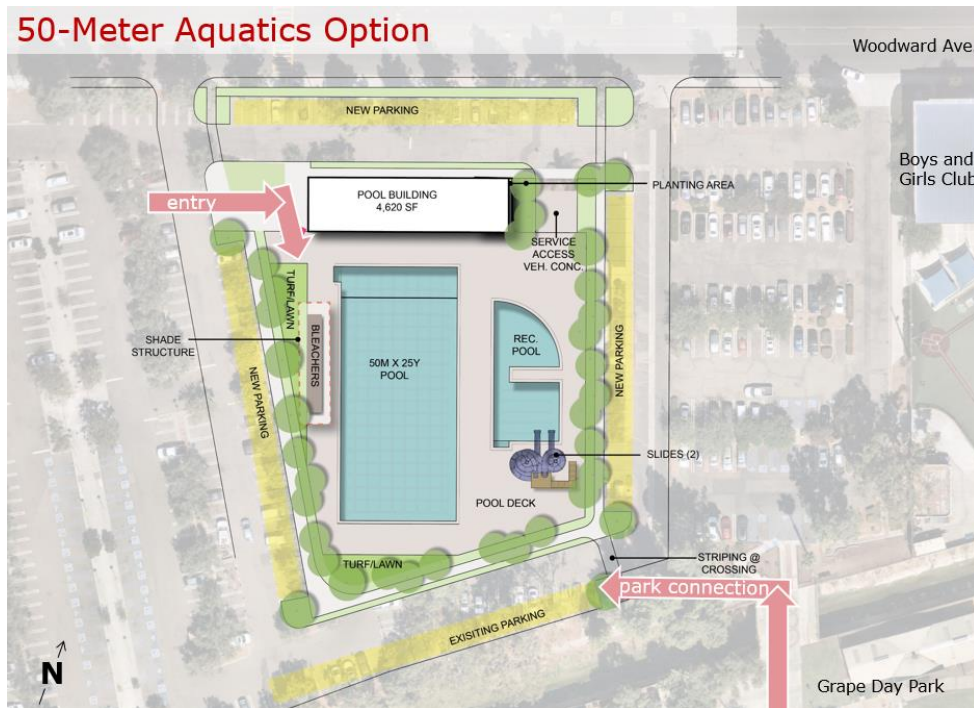
A 50-meter pool expands on the benefits of a 33-meter pool by allowing for more swimmers to be in the water at any given time, for more teams to be utilizing the facility at the same time, and for the City to capitalize on the opportunities laid out in the Comprehensive Economic Development Strategy around sports tourism and hosting tournaments. The 50-meter pool would accommodate 17 deep water lanes plus two additional shallow water lanes for learn-to swim programs, open swim programming flexibility and recreational uses. The standard CIF floating goal water polo course of 25-yd x 30-meter would be accommodated, and practices could be expanded to two floating goal courses or three if turned sideways.



# CITY of ESCONDIDO

## STAFF REPORT

with stationary water polo goals. The 50-meter course length is utilized in Olympic style competitions and is the standard size for a USA Swimming facility. This larger pool could enhance the rental capabilities of the facility for USA Swimming programs, as it would allow additional lanes for warmup and warmdown or long course swim meets.



As of May 2023, the estimated total project cost for this option is ~\$34 million.

It is very typical for a municipal aquatics facility to have a cost recovery rate between 30% to 75%. Cost recovery is calculated based on the level of participation in the programs and the expenses to run those programs. The estimated cost recovery rate for both of these options is ~64% which is driven in part by the recreational components including, for example, the water slides in the recreation pool.

### Project Schedule

If the City Council provides direction to proceed with this project to construction, it is estimated that the grand opening could be held Memorial Day weekend 2026. This is a very aggressive timeline and assumes that staffing resources are available to facilitate the process, that full project funding is secured, and that there are no significant weather, materials, staffing, or construction-related delays.



# CITY of ESCONDIDO

## STAFF REPORT

### Available Funding

On September 29, 2021, City Council adopted Resolution No. 2021-146 approving a budget adjustment allocating \$5 million of American Rescue Plan Act funds to the Aquatics Facility Project. There remains \$7.6 million in unallocated ARPA funds as well as \$4.6 million in lost revenue that could potentially be allocated to this project; however, those funds are projected to be used to stabilize the city-wide organization over the next several years and, therefore, it is not the staff’s recommendation to utilize additional ARPA funds.

Park Development Fees have also been earmarked for this project in the adopted FY 2024 Capital Improvement Project Budget. To date, funds of \$4,269,040 have been allocated to the project from Park Development Fees and additional revenue of \$1,004,720 is projected for FY 2024. However, per the State Government Code, Development Impact Fees can only fund a maximum 23% of total project costs. Given this limitation, and assuming a total project cost of \$34 million, a maximum of \$1,917,230 could be allocated to the project in FY 2024-25 assuming that actual Park Development Fees come in at the currently projected levels and that there are no other Park Development Fee-eligible projects competing for these funds.

The Escondido Union High School District has also expressed financial support for this project. An agreement committing to a final dollar amount has not yet been finalized, but the amount discussed with previous District leadership was \$2,000,000.

### Financing Options

Given the funding sources noted above, and assuming that the maximum allowable Park Development Funds are allocated to this project, an estimated \$14.8 million is available to fund the project. Therefore, in order to complete the Aquatics Facility, the majority of the project would need to be financed. There are three options for financing a capital project: Private Placement Loan, Lease Revenue Bond, and General Obligation Bond. Below is a summary and comparison of each option:

<b>Private Placement Loan</b>	<b>Lease Revenue Bonds</b>	<b>General Obligation Bond</b>
Loan from a private equity company	Bond payments are secured by a lease of an existing asset – “City Hall”	Bond payments are secured by tax revenues – Property Tax Special Assessment
<b><i>Flexible Payment &amp; Payoff Terms</i></b>	30-Year Bonds	30-Year Bonds
Likely higher interest rates – July 2023 app. 6.5%	Depends on Market Conditions – July 2023 app. 4.6%	Depends on Market Conditions – July 2023 app. 4.6%



# CITY of ESCONDIDO

## STAFF REPORT

<b><i>Voter Approval Not Needed</i></b>	<b><i>Voter Approval Not Needed</i></b>	<b><i>2/3 Voter Approval Required</i></b>
<b><i>Source of Repayment is General Fund Resources which is not offset by programming revenue</i></b>	<b><i>Source of Repayment is General Fund Resources which is not offset by programming revenue</i></b>	<b><i>Source of Repayment is a tax on Property Owners – repayment would not impact the General Fund</i></b>

As noted above, the total project costs as estimated in May 2023 for these two options range from \$29 - \$34 million. To illustrate the impacts of future loan payments and the uncertainty of the other funding sources, staff currently estimate that roughly \$25 million would be needed to fund the project and that figure is used in the calculations below. Pending Council direction to proceed with the project, and following the finalization of schematic design, staff will return to Council with specific financing details.

Both a Private Equity Firm and the City’s Bond Counsel provided a financing model and repayment terms for each option, assuming the amount financed is \$25 million with interest rates as of July 2023. Under a 30-Year term, the annual repayment is estimated to be between \$1.5 million and \$1.9 million. The source of repayment for the debt is the General Fund, unless a bond is approved by 2/3 of eligible voters. Below is a comparison of the estimated total debt service of each financing option:

	<b>Private Placement Loan</b>	<b>Lease Revenue or General Obligation Bond</b>
Term	30 Years	30 Years
Interest Rate	6.5%	4.6%
Amount Financed	\$25,000,000	\$25,000,000
Estimated Interest Expense	\$31,664,083	\$22,192,500
<i>Total Debt Service</i>	<i>\$56,664,083</i>	<i>\$47,192,500</i>
<b>Annual Payment</b>	<b>\$1,876,593</b>	<b>\$1,573,083</b>



# CITY of ESCONDIDO

## STAFF REPORT

### Options

*Option A: Provide direction not to move forward with the Aquatics Facility at this time.*

This option would result in a cost savings from the remaining balance of the LPA Design Studios Agreement and the ability to re-allocate \$5 million in ARPA to support other high priority projects such as a splash pad at Grove Park, critical infrastructure needs, or sustaining non-essential City services over the next several years. The LPA Agreement would be amended to either suspend work on the project with the ability to reactivate quickly should funding become available or, alternatively, it would be amended to adjust the scope of work should the City Council direct staff to proceed with design and construction of the splash pad. Capitalizing on the work already performed by LPA and Aquatics Design Group around the splash pad would allow that project to proceed more expeditiously than starting from scratch.

*Option B: Select and approve one design concept to proceed through design development only.*

In addition to the opportunity to fund other needs detailed in Option A, Option B results in a set of plans that are not construction ready but that provide plan views, elevations, geotechnical calculations, and solid operational costs that could be utilized if there is a desire to pursue grant funding, private fundraising, a third-party operating agreement, or an alternative funding arrangement in the future. Proceeding to design development, but not completing construction drawings, buffers the City from the impacts of future changes to building codes, energy efficiency regulations, and other requirements that change every few years and would result in the need to update construction plans before they could be put out to bid.

*Option C: Provide direction to proceed with the construction of the Aquatics Facility, including the selection and approval of one design concept to develop into construction drawings and direct staff to engage with the consultant(s) required to further develop a financing model for Council approval.*

This option would not result in a cost savings and would require the City to either take on additional debt service (if the private placement loan or lease revenue bond financing options were selected) or bring a ballot measure forward asking voters to approve an increase in their property taxes. If a parcel tax is the selected financing option and ARPA remains a funding source for this project, it would be crucial for the ballot measure to go in November 2024 due to the funding deadlines associated with ARPA. If ARPA is removed as a funding source, the timeline becomes less critical and a ballot measure could be brought forward in a future election cycle.