



DATE: January 16, 2024

TO: Mayor and Members of the City Council

VIA: Stefan Chatwin, City Manager
Marlene Subhashini, Assistant City Manager

FROM: Derek Schweigart, Parks and Recreation Director

DEPARTMENT: Parks and Recreation

SUBJECT: RECREATION CENTER REBUILD PROJECT (CIP 301-678) –
PROJECT BUDGET UPDATE

RECOMMENDATION

It is recommended that the City Council, by Minute Order, receive and accept the update on the Recreation Center Rebuild Project (Project) budget and provide policy direction on preferred funding options.

EXECUTIVE SUMMARY

At the City Council Regular meeting on September 18, 2023, staff and Group 4 Architecture, Research + Planning, Inc. (“Group 4”) presented to City Council a full schematic design presentation which included an estimate of probable construction costs and a list of bid alternatives with cost information for City Council’s consideration. The City Council accepted the schematic design budget estimate of \$63,356,000 for the Project and provided direction on additional project enhancements to be included resulting in an increase to construction estimate by \$2,172,000.

In addition, the City Council approved the temporary facilities and transition plan for the Project at the City Council Regular meeting on November 6, 2023, resulting in an increase to the Project budget. When accounting for this increase, the increase to the construction budget estimate with the added Project enhancements, contingency and escalation factors, the current Project budget estimate is \$65,943,000.

Following the City Council meeting on September 18, 2023, the City Council directed staff to return to an upcoming meeting to present funding options that would help address the additional funding that the Project would require to address the budget shortfall, which is \$10,567,750, the difference between the Project budget appropriation of \$55,375,250 and the current Project budget estimate of \$65,943,000.

Per the City Council's direction, staff explored various funding strategies to offset the Project budget shortfall that includes identifying potential revenue sources, realized savings from other capital projects, and the use of funding from capital projects which are recommended to be deferred or eliminated through reprioritization. The report contains various funding options for the City Council's consideration and staff are seeking direction from the City Council on the preferred funding options to address the Project's budget shortfall which will inform the FY 2024-2025 budget process that is currently underway.

BACKGROUND

At the City Council Special meeting on January 31, 2022, the City Council proposed to move forward with Recreation Center Rebuild Project (RCRP/Project) with the "build-to-budget" option with a not-to-exceed budget of \$55 million by using \$36 million from the Capital Asset Acquisition and Replacement Fund (CAAR Fund 326) and \$19 million from General Fund 001 Reserves.

At the City Council Regular meeting on March 21, 2022, the City Council adopted City Resolution No. 2022-26 authorizing the appropriation of funds in the amount of \$36 million from the Capital Asset Acquisition and Replacement Fund and \$19 million from the General Fund Reserves to City CIP Fund 301 for the Project (CIP 301-678) with an approved balance of \$55 million for professional design, bidding support and construction of the Project.

On November 21, 2022, the City Council approved an agreement with Group 4 for professional design, bidding, and construction support services for the Project (CIP 301-678) in the amount of \$5,483,957 as well as a contingency in the amount of \$650,000.

On March 20, 2023, the City Council approved an agreement with Griffin Structures, Inc. for construction management and support services for the Project (CIP 301-678) in the amount of \$1,890,000 as well as a contingency in the amount of \$283,500.

On April 17, 2023, the City Council approved the first contract amendment for \$74,250 with Group 4 for Boardwalk Master Planning Services for the Project (CIP 301-678) and approved an additional appropriation in the same amount from Fund 301 to the existing Project budget to fund Amendment No. 1.

At the City Council Regular meeting on May 15, 2023, the City Council confirmed: 1) the preferred conceptual two-story building design and site plan with the parking option that extended the exiting parking lot to the north, 2) confirmed alternates for consideration at

the end of schematic design, and 3) received an update on the conceptual design cost estimate and project budget. At this conceptual design milestone, the budget was approximately 5% over the budgeted \$42 million for construction and almost 12% for escalation to the midpoint of construction.

At the City Council Regular meeting on September 18, 2023, staff and the Group 4 design team presented to City Council a full schematic design which included a detailed estimate of probable constructions costs, and a list of bid alternatives with cost information for City Council's consideration. A summary of the City Council's actions and direction received include:

- 1) Approval of the schematic design concept for the Project, a two-story building with curved (wing) roof lines, material, and color palette.
- 2) Approval of the design concept for the Project site/landscape design (public terraces along lagoon and controlled access yards/patios on Shell Boulevard).
- 3) Accepted construction budget estimate update (\$63,356,000) for the Project based on current escalation factors.
- 4) Requested to add the following options to the project scope and budget (Additional Project enhancements = \$1,176,800):
 - A2 – Café
 - AE1 – Shell Boulevard and Entry Façade Enhancements
 - L1 – Expanded Preschool Patio and Playground
 - L3a – Bocce Court Expansion
- 5) Elected to **not** include the following options to the project scope and budget:
 - AE3 – Shell Boulevard and Events Wing Roof Enhancement
 - L3b – Park Restroom
- 6) Approval of the following bid alternatives for the Project with the option to award after the project bids are received:
 - A1 – Expanded Entry Trellis {first 10' in base bid}
 - A3 – Fitness Room Operable Partition
 - L2 – Terrace Wind Break
 - AE2 Shell Boulevard Site Enhancements
 - E1- Photovoltaic Array Allowance

After the City Council approved the schematic design budget estimate of \$63,356,000 for the Project (CIP 301-678) and provided direction on additional enhancements to be included in the Project, the construction budget estimate increased by \$2,172,000 or a total of \$49,478,300 as indicated in Table 1.

TABLE 1

FOSTER CITY RECREATION CENTER REBUILD				UPDATED PER 9/18/23 CITY COUNCIL	
SCHEMATIC DESIGN COST MODEL					
	Hard Cost*	Escalation**		Hard Cost* + Escalation**	
		11.00%	12.50%	11.00%	12.50%
Building & Sitework					
Building	\$33,900,000	\$3,729,000	\$4,237,500	\$37,629,000	\$38,137,000
Sitework	\$8,150,000	\$896,500	\$1,018,800	\$9,046,000	\$9,168,800
SUBTOTAL	\$42,050,000	\$4,625,500	\$5,256,300	\$46,675,500	\$47,306,300

* Hard Costs includes direct costs, markups + design contingency
**Escalated to mid-point of Construction July 2025 (Construction Sept. 2024 to June 2026)

APPROVED ADDITIONAL PROJECT ENHANCEMENTS				
	Budget	Available Funding	Additional Funding	Total Increase
Expanded Preschool Patio + Playground (L1), ERF \$70,200	\$385,000	\$70,200	\$314,800	\$385,000
Bocce Court Expansion and Improvement (L3a) CIP 301-655 \$925,000	\$1,009,000	\$925,000	\$84,000	\$1,009,000
Café Equipment & Space (A2)	\$428,000		\$428,000	\$428,000
Shell Blvd + Entry Façade Enhancements (AE1)	\$350,000		\$350,000	\$350,000
SUBTOTAL			\$1,176,800	\$2,172,000
TOTAL CONSTRUCTION BUDGET W/ ADDITIONAL PROJECT ENHANCEMENTS				\$49,478,300

TABLE 2

FOSTER CITY RECREATION CENTER REBUILD – PROJECT BUDGET				
SCHEMATIC DESIGN				
		2022 PROJECTED ESTIMATE	2023 SCHEMATIC DESIGN ESTIMATE	2023 NOVEMBER ESTIMATE
1)	2018 Study + Outreach	\$242,172	\$242,172	\$242,172
2)	Architecture + Engineering (incl. A+E contingency)	\$6,208,200	\$5,958,207	\$5,958,207
3)	Surveys (included in 2)	\$0	\$0	\$0
4)	Environmental	\$0	\$70,000	\$70,000
5)	Special Inspections + Testing	\$330,000	\$800,553	\$835,941
6)	Direct Construction Cost	\$46,200,000	\$52,026,875	\$54,396,075
a.	Building		\$33,900,000	\$34,678,000
b.	Site		\$8,150,000	\$9,544,000
c.	Escalation		\$5,256,250	\$5,256,250
	SUBTOTAL			\$49,478,300
d.	Construction Contingency		\$4,730,625	\$4,917,825
7)	Temporary Facilities	\$210,000	\$380,000	\$562,000
8)	Fixtures, Furnishings, + Equipment (FF+E)	\$100,000	\$1,190,000	\$1,190,000
9)	Electronic Systems and Special Equipment	\$0	\$115,000	\$115,000
10)	Construction Management	\$2,173,500	\$2,173,500	\$2,173,500
11)	Utility Company Connections Services + Fees	\$100,000	\$135,000	\$135,000
12)	City Fees + Administration	\$400,000	\$102,814	\$102,814
13)	Soft Cost Contingency	\$0	\$151,777	\$162,646
	TOTAL	\$55,964,000	\$63,356,000	\$65,943,000

On November 6, 2023, the City Council approved the temporary facilities and transition plan for the Project which resulted in an increase to the temporary facilities budget line item and to the overall Project budget. When accounting for this increase, the increase to the construction budget estimate with the added Project enhancements, contingency and escalation factors, the Project budget estimate is currently \$65,943,000 as indicated in Table 2.

Following the City Council meeting on September 18, 2023, the City Council directed staff to return to an upcoming meeting to present funding options to address the Project budget shortfall.

ANALYSIS

Following the City Council meeting on September 18, 2023, staff explored various funding options to offset the Project budget shortfall that staff estimate is approximately \$10,567,750 after the Design Development phase of the Project concluded in December. The following funding options have been thoughtfully prepared for the City Council's consideration based on several criteria including current versus future availability of funding, an analysis of currently identified capital improvement projects and possible elimination or reprioritization, and size and type of funding source. It is important to note that deferring the design and construction of a capital project may result in increased costs due to inflation and other market conditions. Staff are seeking direction from the City Council on the preferred funding options to address the Project's budget shortfall which will inform the FY 2024-2025 budget process which is currently underway.

1. **Gilead Foundation Grant (\$500,000)** – Appropriate grant received from Gilead Foundation to the Project budget intended to help fund the Project's LEED Silver Certification and the Project's environmentally sustainability goals. The City received funds, but City Council action is needed to designate and appropriate grant funds to the Project (CIP 301-678).
2. **Leo Ryan Park Lawn Conversion & Bocce Court Expansion (\$1,009,000)** – There are a few options for the City Council to consider concerning this project. At the City Council meeting on September 18, 2023, the City Council took action to add the Bocce Court Expansion project to the Recreation Center project scope and budget. This project was originally identified as a priority in FY 2015-2016 but was placed on hold until the completion of the Recreation Center project. The following strategies can be taken into consideration regarding this funding option:
 - a) There is currently \$895,435 available in the Leo Ryan Park Lawn Conversion and Bocce Court Expansion project (CIP 301-655) fund which helps to reduce the overall Project shortfall by the same amount once these funds are appropriated to the Project (CIP 301-678).
 - b) Eliminate the Bocce Court Expansion project scope and budget from Project (CIP 301-678) which reduces the Project budget shortfall by \$1,009,000. This action does not eliminate the Bocce Court Expansion for

the future or the available funds to complete it. The Bocce Court Expansion is currently planned as a bid alternate for the Project.

- c) Eliminate the Bocce Court Expansion project scope and budget from the Project (CIP 301-678) reducing the Project shortfall by \$1,009,000 AND appropriate the funds from (CIP 301-655) to the RCRP/Project further reducing the Project shortfall by an additional \$895,435.
3. **Levee Project General Fund Appropriation (\$5 million)** – The City Council committed to fund up to \$10 million of the Levee project costs above the \$90 million authorized by Measure P. In March 2023, the City Council authorized the release of \$5 million of these funds for the Levee project, leaving a remaining balance of \$5 million. The remaining unused \$5 million levee funds can be appropriated to the Project (CIP 301-678).
4. **Sea Cloud Maintenance Shed (\$2,300,000)** – Eliminate the Sea Cloud Maintenance Shed project (CIP 301-714) which is partially funded this fiscal year (\$300,000) for design with construction planned in FY 2024-2025 when full funding is anticipated. The maintenance shed serves as the primary storage for the Parks and Recreation Department for light and heavy park maintenance equipment, a staff work area, and storage space for sports user groups. Due to limited staff capacity to complete the project this year, staff recommends that a building investigation and useful life assessment be completed to determine if or when a building replacement is needed and/or alternatives for both the City and sports user group storage.
5. **East Hillsdale and Foster City Boulevard Median Refurbishment (\$500,000)** – Eliminate project which was scheduled to be funded and completed in FY 2024-2025 and appropriate funding in the amount of \$500,000 to the Project (CIP 301-678). The project was intended to replace outdated and poor irrigation infrastructure as well as landscaping. There is no immediate need to complete this project and staff believe a significant amount of the work could be completed in-house and phased in over time.
6. **Amphitheater Shade Structure (\$1 million)** – Eliminate project which was scheduled to be funded and completed in FY 2025-2026 to coincide with the opening of the new Recreation Center and appropriate the amount of \$1 million to the Project (CIP 301-678). The project was expected to be a significant enhancement to the City's amphitheater in Leo Ryan Park which is used for numerous community events and festivals throughout the year. Staff recommends the project be eliminated and concept considered during the City's Parks Master Plan process which will help prioritize all City park improvement needs and the limited City resources that are available.
7. **Park Impact Fees for Gilead Building at 331 Lakeside Drive (\$594,000)** – Staff anticipate collection of Park Impact fees in FY 2023-2024 for the new Gilead building at 331 Lakeside Drive in the amount of \$594,000. Upon receipt of these

fees, City Council approval of an appropriation of these fees for the Project (CIP 301-678) will be needed. New Development Impact Fees were adopted by the City Council on June 20, 2022, per City Resolution No. 2022-75 and Ordinance 650. The fees collected are intended to provide for new park facility improvements, walkway and trail improvements, and recreation facilities. The new recreation center facility was included as part of the Foster City Comprehensive Development Impact Fee Nexus Study that was completed in May 2022.

TABLE 3
Summary of RCRP/Project Funding Options with Bocce Court Expansion Included

No.	Funding Source Description	FY	Amount
1	Gilead Foundation Grant	23-24	\$ 500,000
2	Appropriating Bocce Court Expansion Funding (CIP 301-655)	23-24	\$ 895,435
3	Appropriate remaining \$5 million of contingency funding for the Levee Project to the Project (CIP 301-678)	23-24	\$ 5,000,000
4	Park Impact Fees for Gilead 331 Lakeside Drive	23-24	\$ 594,000
TOTAL AVAILABLE FUNDING			\$ 6,989,435
5	Eliminate Sea Cloud Maintenance Shed (CIP 301-714)	24-25	\$ 2,300,000
6	Eliminate East Hilldale and Foster City Blvd. Medians	24-25	\$ 500,000
7	Eliminate Amphitheater Shade Structure	25-26	\$ 1,000,000
TOTAL FUTURE FUNDING			\$ 3,800,000
TOTAL FUNDING (CURRENT + FUTURE)			\$10,789,435

As noted previously, eliminating the Bocce Court Expansion from the scope of the Project would reduce the overall Project Budget Estimate from \$65,943,000 to \$64,934,000 and the Budget Shortfall would reduce from \$10,567,750 to \$9,558,750. Additionally, appropriating the currently available \$895,435 from the Bocce Court Expansion Project (CIP 301-655) would further reduce the Project Budget Shortfall from \$9,558,750 to \$8,663,315. If the City Council were to direct staff to move forward with removing the Bocce Court Expansion from the scope of the Project and appropriate funds from CIP 301-655, then one or more of the future CIP projects identified in the table above need not be eliminated.

Staff would also like to note that impact fee funds from future development projects may be used to offset the costs of the Project.

Capital Asset Acquisition and Replacement Fund (CAAR Fund 326)

In addition to the funding proposals above, there is currently a balance of \$3.38 million in the City's Capital Asset Acquisition and Replacement Fund. As was discussed, the City Council took action to fund the Project with \$36 million from CAAR Fund 326 and \$19 million from General Fund 001 Reserves for a total of \$55 million. Use of the CAAR funds requires a resolution and 4/5 majority of the City Council to approve. In recent years the CAAR fund has been used to help fund the development of workforce housing from which the City receives revenue through rents. Options the City Council may consider concerning the CAAR Fund may include the following:

1. Take no action.
2. Use some or all the CAAR funds (\$3.38 million) towards the Project (CIP 301-678) in lieu of using the entire \$19 million in General Fund 001 Reserves.
3. Use some or all the CAAR funds (\$3.38 million) towards the Project (CIP 301-678) instead of using one or more of the funding options discussed above in Table 3.

Staff recommends the City Council provide policy direction on the funding options provided which will help inform the City's budget process for FY 2024-2025 which is currently underway. The City Council may also direct staff to return to a future City Council meeting to provide additional information on either the proposed options or provide additional funding options to consider.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

This update to receive and accept the report by staff on the Project budget for the Recreation Center Rebuild Project (RCRP/Project) is exempt from review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15262 as it is being undertaken for the purposes of determining feasibility for future actions relating to the Project. Additionally, it is exempt under the "common sense" exception pursuant to CEQA Guidelines section 15061(b)(3) because it can be seen with certainty that there is no possibility that this action to receive and accept the report and provide confirmation of direction to staff may be a significant effect on the environment. Additionally, on November 16, 2023, the Planning Commission of City of Foster City adopted two resolutions (Resolution Nos. P-19-23 AND P-20-23) to approve Initial Study and Mitigated Negative Declaration (IS/MND) for the Recreation Center Rebuild Project and issued the Use Permit for the proposed demolition and rebuild of the project itself.

FISCAL IMPACT

The current Project budget estimate including contingency and escalation factors is \$65,943,000. The current projected budget exceeds the Project budget appropriation by 16% or \$10,568,750. Based on Council discussion of the funding options discussed

above and direction provided at the January 16th meeting, staff will bring forward a future item for Council action.

CITY COUNCIL VISION, MISSION, AND VALUE/PRIORITY AREA

Facilities and Infrastructure

ATTACHMENTS

None