



# *CITY COUNCIL AGENDA REPORT*

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MEETING DATE: APRIL 19, 2005

ITEM NUMBER:

**SUBJECT:** COSTA MESA SENIOR CENTER LEASE

**DATE:** APRIL 6, 2005

**FROM:** ADMINISTRATIVE SERVICES DEPARTMENT – RECREATION DIVISION

**PRESENTATION BY:** JANA M. RANSOM, RECREATION MANAGER

**FOR FURTHER INFORMATION CONTACT:** JANA M. RANSOM, 714-754-5300

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## **RECOMMENDATION:**

The City Council is requested to:

- Approve the agreement and authorize the Mayor to sign the agreement on behalf of the City for the building lease of the Costa Mesa Senior Center effective July 1, 2005 for an initial term of 5 years, with extension options.
- Approve the option of hiring and placing a full time Maintenance Services employee at the Senior Center for facility maintenance.

## **BACKGROUND:**

At the June 7, 2004 regular meeting, City Council directed staff to extend the lease agreement with the Costa Mesa Senior Corporation for the final one-year option and to negotiate a long-term lease. Staff had previously presented a programming overview (Attachment 1, 1a, 1b) at the March 8, 2004 Study Session and at that time, Council indicated the existing programming arrangement was acceptable, was meeting the needs of Costa Mesa seniors, and the City would not take over the programming of the Senior Center. Staff is now presenting a new building lease between the City and the Costa Mesa Senior Corporation for the Costa Mesa Senior Center (CMSC) building.

## **ANALYSIS:**

Recreation staff and representatives from the CMSC have met several times over the last year to negotiate a new agreement for the building located at 695 W. 19<sup>th</sup> Street. During those discussions, it became clear that a number of issues brought forward by seniors to both the City and the Costa Mesa Senior Corporation Board centered on the maintenance and upkeep of the building. In the existing lease, the CMSC is responsible for all interior maintenance, including heating and air conditioning (HVAC), cleaning, plumbing and interior doors, with the City responsible for exterior maintenance. The CMSC budgets approximately \$58,000 per year on building maintenance and upkeep, but this has not kept pace with wear/tear. The additional maintenance expenditures has resulted in reduction of the level of programs and services offered to seniors.

Over the years, the condition of the building has been declining and, because the CMSC rents the building to outside agencies to supplement income, wear/tear has increased. The CMSC does not have staff dedicated to the maintenance of the building and will either contract out or use existing staff in a “handyman” role. As a result, the building has suffered and senior participants have complained.

For the last three years, the City has budgeted additional dollars to assist the CMSC with “deferred maintenance”. The intent was for the City to assist and pay for items that were not otherwise anticipated in the CMSC budget. For example, repair of water damage, repair of HVAC components, and replacement of ice machine have all fallen under this “deferred maintenance” assistance. While this type of maintenance assistance has helped, it has not had the impact on the building that was intended and overall, the condition of the building has declined.

With these issues in mind, and the otherwise successful programming, City staff and Costa Mesa Senior Corporation representatives have negotiated a lease with the following major terms and conditions:

- Five (5) year term with three (3) options of five (5) years each,
- Costa Mesa Senior Corporation is responsible for all senior programming and services,
- Subject to funding and approval, City shall provide grant assistance in the annual amount of \$225,000, payable in four quarterly installments,
- The existing “Matching Grant” is deleted,
- The City will take over and be responsible for all maintenance of the facility, both interior and exterior, except for tenant owned property (furniture, computer equipment, desks, etc),
- City shall assign a City employee to the Costa Mesa Senior Center to perform all necessary maintenance work,
- On an annual basis, the Costa Mesa Senior Corporation shall provide a detailed program report that will list all programs offered, the goals, accomplishments, and number of participants of each program offered,
- On an annual basis, the Costa Mesa Senior Corporation shall survey not less than six (6) other Orange County CA cities and provide a report comparing Costa Mesa Senior Center programs with those in the surveyed cities. The surveyed cities must include Newport Beach, Fullerton, and Santa Ana.
- Subject to funding from OCTA, the City will continue to provide the Senior Mobility Program.

City and Costa Mesa Senior Corporation staff believes this proposed lease, with the City responsible for maintenance, will enhance the condition of the building and reduce the complaints received relative to the condition of the building.

The proposed lease will result in an increase of City funding to the Costa Mesa Senior Corporation. Currently, the City provides a base grant of \$150,000 per year, a matching grant (City matching dollar for dollar fundraising efforts by the Costa Mesa Senior Corporation) of \$100,000 per year and a deferred maintenance grant of up to \$50,000 per year, for a total commitment of \$300,000. In addition to these commitments, the City oversees the Senior Mobility Program which is funded by a grant from OCTA, provides copying and printing services from the Central Services section, staff liaison on the Costa

Mesa Senior Corporation Board, landscape maintenance, and emergency maintenance. Finally, the CMSC was awarded two public service grants totaling \$40,250 through the Housing and Community Development Division of the City.

Under the proposed lease terms, the base and matching grants provided by the City will be consolidated and reduced to \$225,000 per year (a decrease of \$75,000 from the current \$300,000 total). The City is proposing to hire a full time employee who will be assigned to the Costa Mesa Senior Center to maintain and repair the building. The cost of the operations and maintenance (supplies, service contracts, tools, services, etc) is projected to be \$80,950 per year (Attachment 2). The anticipated cost of a full time employee (salary and benefits) is projected to be \$54,700. An alternative option would be a part time employee with an anticipated annual cost of approximately \$18,000. Coupled with the \$80,950 maintenance and operations costs, the

Cost of Full Time employee and all maintenance & operations: \$135,650

Cost of Part Time employee and all maintenance & operations: \$ 98,950

Thus, in either scenario, the City will be committing between \$25,000 and \$61,000 additional annual funding to the Senior Center, depending on the type of employee hired (the difference between the \$75,000 reduction in grants, and the higher funding for maintenance). These costs will vary over time. The salary costs will increase as salary schedules are adjusted, and maintenance costs may initially be higher to “catch up” on overdue maintenance. As the facility continues to age, replacement of major replacement systems will be necessary and are not currently included in these figures. For example, replacement of the stoves, refrigerators, electrical panels, and other major components will occur, but the timing is unknown. However, the City will have complete control of the building repair and maintenance and be better able to monitor the condition of critical systems. Finally, the City employee based at the Costa Mesa Senior Center will have the City’s entire Maintenance Services staff as a resource.

As mentioned earlier, the Costa Mesa Senior Corporation does budget approximately \$58,000 for building maintenance, but has not been able to keep up with wear/tear and repairs. The cost to the City is higher than the CMSC budgeted amount for a couple of reasons. First, the Costa Mesa Senior Corporation does not have staff dedicated to the building. Staff at the Senior Center are programmers who are running senior programs and services, planning events, and providing other needed services. Any maintenance was done on a “handyman” basis or by service contract, not by trained, professional maintenance personnel. Second, the City standard for building maintenance is at a high level for safety and public use reasons, and to bring the Senior Center up to that level will require additional funds. Finally, the primary mission of Maintenance Services is maintenance of City facilities, whereas the Costa Mesa Senior Corporation’s mission is to provide services, support and programming to Costa Mesa seniors. The maintenance budget of the Senior Center is a compromise between offering quality programming and services to seniors and administrative costs (overhead). The higher the administrative costs, the fewer programs and services offered. Any budget for maintenance will mean fewer programs and fewer services to seniors.

The existing agreement (Attachment 3) will expire on June 30, 2005. Staff is bringing this proposed agreement (Attachment 4) to Council two months before the expiration and two months prior to budget adoption for the City. If the City Council approves this agreement, with the associated funding and maintenance responsibility, they will be contractually

obligated to provide these services for the term of the contract. Approval of this agreement will require Council to adopt funding for the Senior Center when Council adopts the City budget in June 2005. In addition, if the Council selects the Full Time option, the City will be adding a new position to the City payroll, which will require salary adjustments in future years. If approved, the City will work to prepare for the takeover of maintenance of the facility. There will be some "lag time" as the employee is selected and materials prepared. City staff will work closely with the CMSC for an orderly and efficient changeover.

**ALTERNATIVES CONSIDERED:**

The City Council can extend the existing Senior Center agreement, under the same terms, conditions, and grant amounts.

The City Council can terminate all funding for senior services.

The City Council can direct staff to take over the operation of the Senior Center.

The City Council can select the part time maintenance services employee (with an estimated cost of \$18,000 per year, with future salary adjustments).

**FISCAL REVIEW:**

The City's current funding of \$300,000 for the Senior Center is included in the proposed FY05-06 budget. The estimated cost for a Maintenance Worker is approximately \$54,700 annually, if City Council approves staff's proposal to hire a full-time additional staff to maintain the facility. This amount will increase as salary adjustments are given. As stated in the preceding paragraphs, additional operating costs of approximately \$81,000 may be also incurred. Once approved, the total amount will be included in the proposed FY05-06 budget.

**LEGAL REVIEW:**

The City Attorney's office has reviewed the lease agreement and approved as to form.

**CONCLUSION:**

The Costa Mesa Senior Corporation provides a wide variety of senior programs and services at a lower cost than the City could. Based on prior City Council direction, staff is presenting a new long-term lease for the Costa Mesa Senior Center building that proposes the City take over all maintenance responsibilities. Many of issues that arise from the existing contract are from inadequate maintenance of the building. City maintenance will allow the Costa Mesa Senior Corporation staff to focus on senior services and fundraising, without the expenditure for building repair.

The City Council is requested to:

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ADMINISTRATIVE SERVICES DIRECTOR

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MARC R. PUCKETT  
DIRECTOR OF FINANCE

DISTRIBUTION: City Manager  
Assistance City Manager  
Maintenance Services Manager  
Senior Corporation Board of Directors  
Senior Center Executive Director

ATTACHMENTS: 1 [Study Session Report March 8, 2004](#)  
1a [Program Comparison March 8, 2004](#)  
1b [Senior Center Assessment March 8, 2004](#)  
2 [Projected Maintenance Costs](#)  
3 [Existing Senior Center Agreement](#)  
4 [Proposed Agreement](#)