

BOARD MEETING MINUTES

June 10, 2019

Call to Order

President Mike Jacobs called the Study Session of the Shoreline Board of Directors to order in Room D105 of the Administrative Offices at the Shoreline Center at 4:00 p.m. on June 10, 2019.

Roll Call

Present: Mike Jacobs, President; David Wilson, Vice President; Heather Fralick, Member; Dick Nicholson, Member; and Dick Potter, Member.

The following topic was discussed:

Swimming Pool Options

Rebecca L. Miner, Superintendent; Marla S. Miller, Deputy Superintendent; and Don Dalziel, Director of Athletics, presented.

Superintendent Miner announced that this same information would be presented at the June 17 regular meeting and at that time, she would like to receive direction from the Board as to which option to move forward for recommendation at the July 15 regular meeting. This timeline would still give the City ample time before they take action at the end of July. Similar information was presented to the Board at the June 3 regular meeting. A question was asked at that meeting as to whether or not the City would be building a pool with eight lanes, capacity to dive, and a larger viewing deck if the District didn't have an interest in being a participant in the process. The answer that she received was that they hadn't really talked about that scenario. There was some level of community involvement in a competitive swim and dive facility but the primary driver for the enhancements was from those connected with the school district.

The City of Shoreline is developing a proposal to seek voter approval to build a new Community and Aquatic Center (CAC). The City's preferred option is as follows:

- Will be built on property to be acquired by the City, moving the City's pool from its current location on school district property
- Will include rooms to provide a community center in addition to a community swimming pool
- City Council has provided direction to include expanded capacity to accommodate high school swim and dive team practices and competitions
 - Two additional lanes beyond the six lanes needed for a community pool
 - Larger viewing deck to accommodate attendance at swim meets

In light of the City's proposal, school district staff has proposed six possible options for the District to contribute to this plan:

1) Contribute to the construction of the new pool

- Estimated cost \$2.43 million
- Funding source: 2006 Bond (following public process to repurpose funds)
- Requires renegotiation of Joint Use Agreement with City
- Assures the swim/dive teams of preferred and consistent practice schedules
- District teams use pool without maintenance or use fees for 50 years

A question from the Board came in regarding what would happen if we agreed to this option and then the voters didn't approve the bond measure. Ms. Miller explained that this would likely involve the negotiation of a two-step process. The first step would be to agree to make a commitment for these funds and for this purpose contingent upon the successful passage of the proposal by the City. The second part of the agreement/contract would outline the District's participation in the construction process and the ongoing rights to use the pool.

The most recent example of the bonds repurposing process was the North City site. In answer to a question from Director Fralick, Ms. Miller explained that if the process for repurposing bonds took place but the City's proposal didn't pass, there would not be a need to re-enter the process to undo the repurposing. A conditional statement in the initial documents would suffice, e.g. "in the event that this occurred, we have the authority to spend these funds but if it doesn't occur then we would not."

2) Pay annual fees to use the City's new pool

- Estimated cost \$48,000 per year (at 2018 hours of use and 2022 rates)
- Funding source: General Fund
- Requires renegotiation of Joint Use Agreement with City
- Annual payment provides access to the pool for swim/dive teams; includes guaranteed practice times
- Leaves remaining 2006 Bond authorization for other priorities
- Places a burden on future General Fund to continue pool access
- Fees are subject to future change

3) Partner with a new entity to access an existing pool (basically the same as option #2 but with a different entity)

- Unknown cost – to be negotiated
- Funding source: General Fund
- Need to find a viable partner
- Likely increase to transportation costs and time – may impact student athletes' instructional time
- Places a burden on future General Fund to continue pool access
- Unknown guarantee of preferred practice times

4) District builds a new pool

- Unknown cost – based on City's recent estimates, would likely require approval of additional construction bonds
- Funding source: Capital Bonds (remaining 2006 Bond or new bond?)
- Need to begin design and confirm cost estimates
- Likely need to run a construction bond; if the City has already run a bond to build a new pool it may be difficult to garner community support for a separate pool
- Places significant continuing obligation on General Fund to pay annual operating costs

5) District upgrades the existing pool

- Unknown cost – based on City's recent estimates, would likely be a significant cost and may require approval of additional construction bonds
- Funding source: Capital Funds (remaining 2006 Bond or new bond?)
- Requires renegotiation of Joint Use Agreement with City
- Need to begin design and confirm cost estimates
- Likely need to run a construction bond; if the City has already run a bond to build a new pool it may be difficult to garner community support for a separate pool
- Places a significant burden on the General Fund to pay annual operating costs

6) Discontinue swim and dive teams

- No construction costs or annual use fees
- Represents loss of program and participation opportunities for Shoreline students
- Potential loss of community support for school district

Ms. Miller shared information regarding the status of the 2006 Bond.

Original authorization: \$149,500,000

Issued: \$124,500,000

- \$23,300,000 issued but not yet spent (does not reflect projected but unencumbered cost of currently anticipated needs)
- \$25,000,000 not yet issued

Approved categories of uses include improvement of existing facilities for PE/athletics.

Currently anticipated needs for approved projects with remaining issued but unencumbered funds (\$15-20 million):

- 2017 Bond Contingency Reserve
- Completion of North City Renovation
- Field upgrades: Aldercrest, Echo Lake, Brookside, North City, Parkwood, Einstein, Kellogg
- Safety improvements: Secure elementary school vestibules

Additional anticipated requests for use of funds:

- Ongoing facility improvements: roofing, HVAC, painting, drainage, other significant maintenance needs at different schools
- Installation of energy conservation measures, including solar panels at existing sites, lighting upgrades, others

At this point, Director Potter stated that he had prepared a seventh option to share with the Board and staff.

Option #7 involves re-engaging with the City regarding locating the facility (CAC) on the Shoreline Center site. Assumptions used by Director Potter in creating this proposal included:

- City project cost evaluation is accurate
- Comparable facilities at both sites
- Project costs include demolition of old pool facility and storage facility (Midvale option)

Director Potter reviewed some of the issues he noticed with the Midvale plan versus the Shoreline Center option:

- 1) Cost differential of stricter (more vigorous) MUR 70 building permit requirements for the District site
 - Trade off in cheaper operating costs due to higher efficiency
 - Why isn't City conforming with the more rigorous zoning requirements at the Midvale site as a demonstration of their commitment to the environment and also to enhance operating efficiencies and lower utility costs to offset higher construction costs?
- 2) Public accessibility
 - Shoreline Center is within walking distance to highest population density area in Shoreline (North City) due to recent massive apartment development as a result of rezoning
 - Shoreline Center will also be within walking distance to Link light rail (external revenue source) – this could include residents catching light rail from the 145th Street station which further alleviates parking problems
 - Shoreline Center has easier access to I-5 north and southbound traffic (fewer traffic lights) (external revenue source)
 - Both locations have good proximity to bus lines
- 3) Lost property tax revenue
 - Removing Midvale land from the property tax rolls more than offsets the \$100K differential
 - Revenue loss must be made up by the taxpayers. Director Potter provided a spreadsheet reflecting property tax ramifications for removing the Midvale property from tax rolls over a 50-year period of time, ranging from \$8,097,837.50 (no inflation) to \$384,988,209.88 (rate of 11.38% compounded) based on the \$162K taxes and fees billed for 2019.

A comparison of amenities for the CAC at each site:

| Midvale Site | Shoreline Center Site |
|---------------------------|--|
| Pool | Pool |
| Senior Center/gymnasium | Senior Center/gymnasium |
| Commercial kitchen/dining | Commercial kitchen/dining |
| | Tennis courts |
| | Soccer fields |
| | City park and mountain playground |
| | Other open green space |
| | Shoreline Stadium |
| | Shoreline Center auditorium |
| | Shoreline Room and other meeting rooms |
| | Spartan Recreation Center |
| | Overflow parking capacity |

Concerns the City has with the Shoreline Center site were reviewed by Director Potter:

- Requires removal of the four existing lighted tennis courts and placement elsewhere
- Requires removal of public restrooms
- Probable relocation of some district maintenance buildings
- Extend land lease to 50 years and compensate for the un-depreciated value if removal was required prior to the end of the facility’s useful life

Director Potter proposed some possible solutions to the above concerns:

- Locate the new pool and community center facility in the area designated as “added parking” (as listed on the siting map)
- Retain tennis courts at no cost
- Retain public restrooms at no cost
- Old pool remains open until new pool is ready – no phasing issues or downtime
- Convert old pool area into parking for tennis courts, soccer fields and city park

Advantages to this plan according to Director Potter include:

- Significantly reduces overall project cost to taxpayers (differential between construction on Midvale site versus construction on Shoreline Center site is approximately \$16 million--could be dramatically reduced by following these recommendations)
- Continued collection of property taxes from Midvale site
- Centralized activity center with easy access from high population density areas of the city
- District has access to adequate facilities to meet educational needs

Director Nicholson asked Don Dalziel if he approved of the City’s design concept. In a previous presentation to the Board, Mr. Dalziel provided a number of options, one of which included increasing the number of lanes to eight and a diving option other than a separate diving well. As he said previously, this wouldn’t have been the most ideal option for the swim and dive coaches, but they could make it work.

Director Nicholson also asked if the District currently pays any of the maintenance costs. Ms. Miller responded that when there is an extraordinary replacement expense, the District shares the cost with the City. A recent example was the bulkhead that was replaced a couple of years ago. It is based on an assessment of which entity primarily uses the component that is being replaced. The District does not pay operating costs.

Director Nicholson asked what the annual net loss is for operating the pool. Superintendent Miner stated she couldn't respond with absolute certainty but the number she remembered was approximately \$800,000 and Mr. Dalziel agreed.

Director Nicholson expressed concerns about cost escalation for a pool project and the lack of inclusion of the District in decision-making. With a contribution of \$2.43 million, how does the District have a say in controlling costs after the award of contract? Ms. Miller spoke about her previous experiences from Edmonds School District in working on joint projects with the cities of Edmonds and Lynnwood. In both cases, there was a construction agreement facilitated for the school district by Perkins Coie, which included contingencies that outlined in the event that the cost escalates, it would be the responsibility of the City (construction manager). There was approval of the design of the portion of the project that was being built to meet school district requirements. The agreement also included clauses for timeliness in reviewing designs and providing information and feedback. She recommended caution in taking on too much liability. There would be a separate agreement on the maintenance side that kicks in once the construction is complete. In regard to a further question about a cap on cost escalations, Superintendent Miner stated that early conversations with the City have indicated that the \$2.43 million contribution would be the cap.

Director Nicholson asked if there was an ethical issue with the District being asked to invest in City-owned property, and how the Office of the Superintendent of Public Instruction (OSPI) looks at this type of an arrangement. Ms. Miller likened it to building a stadium. The stadium is not technically used for our school-day programs but it is most definitely used for our athletic programs. There is nothing legally that prevents the district from building a stadium or a swimming pool but it comes down to what a district desires to include in its athletic and PE programs. Funds for this project would come out of the 2006 bond and would not be matched by OSPI. Superintendent Miner added that along that line, option #2 parallels what occurs with other sports, which is basically pay to play. The District doesn't own a golf course so we pay fees for the golf team; we don't have a gym to accommodate gymnastics so we pay to use a gym in Mountlake Terrace. Ms. Miller added that from a risk standpoint, she prefers the idea of another entity having the liability of owning a swimming pool.

Director Nicholson asked if the City would be requesting a resolution in support of the City's bond measure. Superintendent Miner responded that she didn't know the answer to that but that City Manager Debbie Tarry was aware of the Board's work in 2018 regarding not taking issues-based positions in the form of adopting resolutions.

Director Nicholson inquired as to whether or not voting on this topic would constitute a conflict of interest with one of the school board members being married to a city councilmember. Ms. Miller responded that recusal was a possibility but that would be a question for the District's legal team. Superintendent Miner added that she would consult with the legal team but added that there wasn't any personal gain to the board member from voting for or against this project.

In regard to concerns brought up during the meeting about cost escalations, President Jacobs reiterated that if option #1 was chosen, there is only the \$2.43 million contribution by the District regardless of any cost overruns. These funds are not from the General Fund so would not be taking away from the education of our students. Also, in regard to the question about conflict of interest, he recommended checking with legal counsel as was already stated.

President Jacobs stated that he was in favor of keeping the swim and dive teams and he didn't feel it was feasible financially to build a pool or provide upgrades to the current pool, which would eliminate options #4, 5, and 6. He didn't see partnering with a new entity (option #3) so it came down to options #1, 2 and 7. Option #7's re-engagement will take place between the City and the voters. If the City can't convince the voters that the Midvale option is a good idea, maybe they will reassess the Shoreline Center site, in which

case, the District would provide the land and not the \$2.43 million. He indicated that at this time, his preference would be option #1—this option leaves the General Fund intact and doesn't force the hypothetical possibility in the future of having to make a decision between paying for a librarian or nurse or pool fees.

In response to concerns about conflict of interests, Director Fralick stated that she was duly elected to represent District #2 in her position and that who she is married to does not diminish her seat at the table to make these decisions. In terms of the options before them, she liked Director Potter's option #7 of re-engagement with the City for a potential change in location on the Shoreline Center site. This would have significant taxpayer savings. She was curious if City Manager Tarry was aware of the calculations regarding tax revenue provided by Director Potter. Her second choice would be option #1—the contribution of \$2.43 million, which works out to \$48,600 per year over the 50-year period, which is the current ask for a rental fee. If options #7 and 1 fall through, she felt option #3, partnering with a new entity for a pool, would be a good back-up plan.

Director Potter suggested that if there was an available pool, maybe the District could possibly buy rights for a 50-year period for \$1.5 million. Ms. Miller thought it would be a good idea to put together an inventory of pools in the area that might be available. Director Wilson asked if the pools that might be available are any of the Forward Thrust pools built in the seventies that are collapsing. Ms. Miller responded they probably are; it's a short list of possible candidates and Superintendent Miner added that they likely are already in preferred partnerships with other school districts. Mr. Dalziel offered to look into what's available but added that partnering with another pool would involve significant transporting of students daily as well as off-hour practices, e.g. early a.m. or late p.m.

Director Nicholson and Director Potter both expressed interest in option #1—contribution of \$2.43 million in capital funds if re-engagement for the Shoreline Center property doesn't pan out.

President Jacobs again suggested further conversations with the City about the Shoreline Center property but if purchasing the Midvale property is their preferred option, then a capital funds contribution of \$2.43 from the District would be his preference.

In conclusion, Superintendent Miner summarized next steps by saying she would go back and talk to the City about option #7. She's of the impression that the coaches want the "preferred practice times" but she would ask Mr. Dalziel to survey pools in the surrounding area and to calculate transportation costs. These results as well as additional information about this meeting and the \$2.43 million would be discussed at the Board's regular meeting on June 17. An action item, possibly a commitment for the \$2.43 million if that's the final determination, would be placed on the July 15 agenda. Director Potter reiterated that if option #7 was chosen, there would not be a need to pay the \$2.43 million.

Adjournment: 4:59 p.m.

Michael Jacobs, Board President

Attest: July 15, 2019

Rebecca L. Miner, Secretary
Shoreline Board of Directors

All documents referenced in the minutes may be viewed in the Superintendent's Office during normal business hours.