

BOARD REPORT NO. 15-6-105B

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Tom Bauer, Vice Chancellor, Auxiliary Services 358-6782

**APPROVAL TO RENEW THE MANAGEMENT AGREEMENT WITH EXOS/MEDIFIT, INC.
TO CONTINUE OPERATING THE SAN MATEO ATHLETIC CLUB AND OTHER DISTRICT
OWNED COMMUNITY BASED FITNESS CENTER(S) IN PARTNERSHIP WITH THE
DISTRICT**

On January 27, 2010, the Board of Trustees approved the recommendation for the District to enter into a management agreement with Medifit Corporate Services, now known as EXOS/Medifit, to operate the San Mateo Athletic Club and Aquatic Center (SMAC) located on the campus of College of San Mateo. During the RFP process in 2009, the District was focused on finding a partner who was an industry leader offering innovative, award winning programs. In addition, we were focused on identifying a vendor who could achieve profitability in a reasonable amount of time and manage expenses effectively while creating a dynamic marketing and outreach program. We were seeking a partner that would exemplify the high customer service standards of this District and demonstrate the ability to partner with our academic professionals.

Since opening our doors on April 1, 2010, all of the measures of success one would use to judge the operations of SMAC have been exceeded. Financially, we have exceeded our goal year after year; membership is now just over 5,400 members. Initial projections were for SMAC to have 2,500 members after five years of operation. SMAC members made 288,276 visits last year averaging 24,023 each month. Students enrolled in Kinesiology classes at College of San Mateo made 61,745 visits last year, averaging 4,728 each month. The group exercise programming has grown year over year with now more than 4,300 classes taught each year with attendance in those classes exceeding 73,000 last year. The aquatics program boasts the award winning San Mateo Masters Swim Team with more than 300 members and the Bulldog Swim Club with more than 200 youth swimming for the team, along with two junior Olympic qualifiers. The program also hosts a number of countywide swim meets, clinics and workshops and supports charity events including Swim Across America and the Special Olympics each year.

SMAC's net revenue before other District expenses and program support exceeds \$1.9 million through the end of fiscal year 2014 with a projection of an additional \$1 million added when we close fiscal year 2015. SMAC has absorbed and/or donated a total of \$964,837 in expenses that would have otherwise been charged to Fund 1 last year with a projection of an additional \$400,000 at the close of fiscal 2015. In the years since the initial recommendation to the Board, there have been more than 20 written reports to the Board detailing the success of SMAC as well as information reports given at a number of Board meetings. The goals of the District in partnering with EXOS/Medifit have been achieved beyond our initial expectations and we continue to grow the membership as a now mature health club. SMAC also provides

our community broader access to the College of San Mateo and demonstrates in a very real way that the District is a community-based organization serving a wide spectrum of educational and training opportunities.

SMAC, through its partnership with EXOS/Medifit, has exceeded every expectation the District had when we first started down this path back in 2008, exploring the concept of creating a community-based fitness facility operating side by side with our own exceptional academic program in an active classroom environment. EXOS/Medifit has brought a wealth of industry experience and specialized club management expertise combined with a firm belief in fitness as a lifestyle. This partnership has resulted in SMAC which is now known to be among the top fitness clubs in San Mateo County and the Bay Area working to improve people's lives every day.

RECOMMENDATION

It is recommended that the Board of Trustees authorize the Executive Vice Chancellor to negotiate and execute an agreement with EXOS/MediFit to operate the San Mateo Athletic Club in addition to any other community-based fitness center(s) owned by the District for a period of five years beginning July 1, 2015 with an option for a five year renewal at the sole discretion of the District.

APPROVAL TO IMPLEMENT A FEE STRUCTURE FOR DISTRICTWIDE ELECTRIC VEHICLE CHARGING STATIONS (15-6-104B)

It was moved by Trustee Holober and seconded by Trustee Schwarz to approve the implementation of the fee structure as detailed in the report. Trustee Holober asked if there is a projection of the revenues to be brought in with the institution of a fee structure. Joe Fullerton, Energy and Sustainability Manager, said this is difficult to predict; however, applying the recommended \$5.00 per hour fee to people who have stayed over the four hour limit to date would generate revenues of \$16,000 annually. Imposing an energy-based fee would generate an additional \$7,000. Mr. Fullerton said the recommended fee structure is designed to cover the District's annual costs.

Vice President Mandelkern said he is a board member of an organization called Charge Across Town; its charter is to place charging stations in public facilities around the Bay Area and throughout the State. He said there is a shortage of charging stations for the number of electric and hybrid plug-in vehicles that currently exist. He said he believes that imposing a fee structure is a reasonable approach to encouraging people to cycle through as soon as their charging is complete. Vice President Mandelkern suggested that, rather than simply covering costs, incremental revenue could be used to help pay for additional charging stations. Vice Chancellor José Nuñez said additional stations will be added over the next 12 months.

Trustee Schwarz, noting that the recommendation calls for the stations to be used free of charge for up to four hours for staff and students, asked how it will be determined which vehicles belong to staff and students. Mr. Fullerton said staff and students will receive an email asking them to let the Facilities team know if they intend to use the charging stations. Those who respond will be sent a code which can be entered at the stations along with other identifying information.

President Miljanich asked if a vehicle can be charged for a more limited amount of time and have the capacity to go for some distance. Mr. Fullerton said this depends on a number of factors. He said most vehicles will go from completely empty to completely full in four hours.

Trustee Holober asked if there is a continuing relationship with the company that was involved with the project initially. Mr. Fullerton said the installation of the charging stations was part of a California Energy Commission grant which stipulated that there be no fees for six months. The grant was administered by Schneider Electric. Mr. Fullerton said the new recommended fee structure does not include a continuing relationship with Schneider Electric.

Trustee Mohr asked what the ideal number of charging stations throughout the District would be. Mr. Fullerton said the market for electric vehicles is increasing. He said he recommends adding stations in phases, beginning with the District Office and Cañada College which have the highest usage, while continuing to monitor usage.

Trustee Schwarz asked if the solar field at Cañada College makes the cost less at that location. Mr. Fullerton said the energy costs for charging vehicles is minimal; the majority of costs are for installation, operation and administration.

After this discussion, the motion to approve implementation of the fee structure carried, with Vice President Mandelkern abstaining and all other members voting "Aye."

APPROVAL TO RENEW THE MANAGEMENT AGREEMENT WITH EXOS/MEDIFIT, INC. TO CONTINUE OPERATING THE SAN MATEO ATHLETIC CLUB AND OTHER DISTRICT OWNED COMMUNITY-BASED FITNESS CENTER(S) IN PARTNERSHIP WITH THE DISTRICT (15-6-105B)

It was moved by Trustee Schwarz and seconded by Trustee Mohr to approve renewal of the contract as detailed in the report. Trustee Holober said the recommendation speaks to "any other community-based fitness center(s) owned by the District." He said the District is discussing having a fitness center at Cañada College; he asked if there is any doubt that the District would choose EXOS/MediFit as the management company. Chancellor Galatolo said the process for the contract renewal reinforced the fact that the District did due diligence and finds EXOS/MediFit to be the best provider. He said EXOS/MediFit would likely be the partner for a facility at Cañada College. He added that if the District has issues with EXOS/MediFit at the time a new facility is to be built, it could look for another provider.

Trustee Mohr said the potential fitness center at Cañada College can provide an incentive to EXOS/MediFit in terms of negotiating a good contract. Tom Bauer, Vice Chancellor of Auxiliary Services and Enterprise Operations, said he envisions the District creating its own "chain" and would not want something that would compete with itself. He said EXOS/MediFit is the top management company currently but the contract could be reexamined if this changed.

Vice President Mandelkern asked if there is certainty that the District will not be required to conduct a separate bid process for a new facility at Cañada College. Vice Chancellor Bauer said he was informed by County Counsel that a separate bid process is not required.

Vice President Mandelkern said that, based on previous discussions, he hopes that AFSCME will be included in the conversation as part of the contract negotiation. He said he hopes a solution can be found whereby a number of bargaining unit employees can do some of the janitorial work currently being contracted out.

President Miljanich said she agrees that EXOS/MediFit will have an incentive to negotiate a favorable new contract and to perform well.

After this discussion, the motion to renew the management agreement carried, all members voting "Aye."

APPROVAL OF 2017-2021 FIVE-YEAR CAPITAL CONSTRUCTION PLAN (15-6-106B)

It was moved by Trustee Schwarz and seconded by Trustee Holober to approve the Plan as detailed in the report. Trustee Mohr commented on the escalating costs of construction and asked if there is a prediction about whether it will continue. Vice Chancellor Nuñez said the construction budgets were based on the cost estimates provided by the consultant hired by District. He said the District is faced with challenges now because of the large number of construction projects available. He said some people believe costs will come down in approximately three years while others believe costs will continue to be high.

Trustee Schwarz asked if there is dialogue in Sacramento regarding a Statewide bond measure. Vice Chancellor Nuñez said there is no discussion about a bond measure at the State Chancellor's Office; however, there is a proposed initiative for the 2016 ballot that would provide funds for K-14 facilities projects. He said that the District would receive \$35 million if the initiative qualifies and wins approval. Chancellor Galatolo said he believes the initiative will qualify for the ballot but is not sure it will be approved by voters.

After this discussion, the motion carried, all members voting "Aye."

ACCEPTANCE OF GRANT FROM THE CALIFORNIA ENERGY COMMISSION AND ALLOCATION OF FUNDS FOR THE COLLEGE OF SAN MATEO SOLAR PROJECT (15-6-107B)

It was moved by Trustee Schwarz and seconded by Trustee Holober to accept the grant and allocate funds as detailed in the report. Vice President Mandelkern said the report implies that there will be solar cells or fields at College of San Mateo to generate electricity. He asked where these will be located. Mr. Fullerton said there are several options, including the Bulldog and Beethoven lots and rooftop locations. He said a thorough analysis will be conducted before a decision is made. Vice President Mandelkern asked if a final recommendation, including the location, will be brought to the Board for action. Mr. Fullerton said staff will bring the recommendation to the Board. After this discussion, the motion carried, all members voting "Aye." Vice Chancellor Nuñez acknowledged the high quality of work done by Mr. Fullerton.

ADOPTION OF THE 2015-16 TENTATIVE BUDGET (15-6-108B)

It was moved by Trustee Holober and seconded by Vice President Mandelkern to adopt the tentative budget. Executive Vice Chancellor Blackwood outlined the budget guidelines: make sure the budget addresses Board goals, the District Strategic Plan and community needs; balance the budget projections in each of the next three years; and use one-time funds for one-time expenses.

Executive Vice Chancellor Blackwood discussed assumptions for the tentative budget:

- State FTES Access/Growth and State COLA – included in State adopted budget but does not affect the District
- Property tax increase – was 7.20% for the tentative budget; now at 7.64%.
- RDA Funds - \$6.9 million
- Non-Resident FTES – 60% growth based on International Education plans
- Inflation – 3.1% or best guess for each line item
- Student Fees – no increase

Executive Vice Chancellor Blackwood said projected Fund 1 revenues total \$150.6 million, 80% of which come from property taxes and RDA funds. Additional revenue comes from Student Fees; Proposition 30; Non-Resident Tuition;