



# **CITY COUNCIL STAFF REPORT**

## **MEETING DATE: May 20, 2020**

PREPARED BY: Chris Ghione, Public Services Director  
APPROVED BY: City Manager

### **APPROVE SIXTH AMENDMENT TO THE CENTENNIAL RECREATION CENTER (CRC) PARTNERSHIP AGREEMENT WITH THE YMCA OF SILICON VALLEY**

#### **RECOMMENDATION(S)**

Authorize the City Manager to execute a sixth amendment to the Centennial Recreation Center Operating Agreement with the YMCA of Silicon Valley.

#### **COUNCIL PRIORITIES, GOALS & STRATEGIES**

##### **Ongoing Priorities**

Supporting Our Youth  
Seniors  
and Entire Community

#### **REPORT NARRATIVE:**

The Covid-19 crisis and resulting shelter-in-place orders for the State of California and Santa Clara County have required significant changes in the overall City operations, including the closure of all the City owned recreation facilities. The City partners with the YMCA of Silicon Valley for operations of the Centennial Recreation Center. On March 17, the closure of the facility effectively reduced operations to providing minimal staffing for maintenance of the facility, support for the pickup of senior lunches and the CRC virtual membership. This closure resulted in furlough of most staff currently working at the facility for both the YMCA and City.

The City and YMCA have shared in a risk/reward scenario based on both expenses and revenues associated with operating the CRC. With the closure, both the revenues and expenses have gone to almost zero. City and YMCA staff agree that the closure of the facility and associated loss of revenue and expenses was not anticipated by the City or the YMCA during the development of the partnership agreement and believe the process of determining the ultimate risk/reward payment component is unclear. Additionally, developing a budget scenario for the next fiscal year with a risk/reward component is not feasible without understanding the future of the Covid-19 crisis and current and future shelter-in-place orders.

For the reasons outlined in this report, staff is recommending approval of an amendment to the agreement eliminating the risk/reward component for the current year and FY 2020-21, which is the final year of the agreement. The amendment will result in the City paying the YMCA only for expenses incurred in operating the CRC. The

amendment also requires the City and YMCA to review and update the partnership budget prior to December 31, 2020 based on known conditions relating to Covid-19.

The YMCA of Silicon Valley has been a long-standing partner with the City of Morgan Hill and is experiencing the same financial difficulties as the City, and the Mt. Madonna YMCA serving the South County has been significantly impacted. This amendment will support the ongoing partnership of the City and YMCA during these difficult times. The City and YMCA are working towards the next phase of the partnership as the agreement is set to expire in June 2021.

**COMMUNITY ENGAGEMENT: Not Applicable**

No community engagement has occurred for this item, as the amendment was negotiated between the City and YMCA staff.

**ALTERNATIVE ACTIONS:**

The City Council could choose to not approve this amendment. This will likely result in prolonged legal review in determining responsibility relating to the risk/reward component of the agreement.

**PRIOR CITY COUNCIL AND COMMISSION ACTIONS:**

The City Council approved the original agreement with the YMCA for operating the CRC in 2006. The Council has approved amending the agreement five times previously, including two 5-year extensions on the term of the agreement.

**FISCAL AND RESOURCE IMPACT:**

It is estimated that YMCA expenses will total \$1,290,000 for FY 2019-20, approximately \$430,000 below the budget. It is estimated that CRC membership revenue for FY 2019-20 will total \$3,550,000, approximately \$1,210,000 below budget. Under the proposed amendment there will be no risk/reward payment associated with this revenue and expense. For FY2020-21, the amendment would provide for the City to fund the YMCA costs in operating the CRC, which will be determined through the budget process.

**CEQA (California Environmental Quality Act):**

Not a Project

Since the resulting activity is an administrative program that will not result in a change to the physical environment, this action is not a project under the California Environmental Quality Act.

**LINKS/ATTACHMENTS:**

1. CRC 6th Amendment Signed