



TO: Mayor and Councilmembers

FROM: Matthew R. Fore, General Services Director

CONTACT: Cassidy Le Air, Management Analyst

SUBJECT: Utility Cost Sharing at the Goleta Community Center

RECOMMENDATION:

Approve the methodology to share utility costs among the City and its tenants at the Goleta Community Center based on square footage occupied by each tenant, effective retroactively to January 1, 2023.

BACKGROUND

On February 24, 2022, City Council approved a plan for the City to assume direct management of the Goleta Community Center (GCC), effective January 1, 2023, and to negotiate new lease agreements with the current tenants. On December 20, 2022, City Council approved 18-month lease agreements with Community Action Commission (CommUnify), Rainbow Childhood Education (Rainbow School), and Kevin Long Fitness. In December of 2022, staff began transferring various utility services (e.g., gas, water, wastewater, electricity) from the Goleta Valley Community Center non-profit entity (GVCC), the former operator of the GCC, to the City. The change was effective January 1, 2023. However, due to lengthy billing delays from Southern California Edison and questions surrounding the basis for apportioning utility bills in the past, the City has not yet invoiced tenants for utility costs incurred since January 1, 2023.

DISCUSSION:

The Goleta Community Center Campus comprises five buildings, four of which share various utility services, including water, sewer, electricity, and gas. The Boy's and Girl's Club building has its own utility meters, and the Club pays for its own utilities. Therefore, the Boys and Girls Club is excluded from further discussion in this agenda report.

The City's commercial lease agreements at GCC authorize the City to recover a proportional share of utility costs from its tenants.

"10. Utilities. Tenant shall pay its proportional share, as determined by Landlord, of all electrical charges for the Premises. Tenant shall be invoiced

for such electrical charges and such invoices shall be paid together with Rent in the month following receipt. Landlord reserves the right to invoice Tenant for any additional utilities and services furnished to or used by Tenant upon the Premises, including, without limitation, gas service, water, trash, janitorial, cable service, telephone services, security or alarm system and all connection charges...”

The Goleta Community Center campus totals approximately 33,653 square feet, which is leased to the following tenants and/or occupied by the City:

Table 1

Occupant	Sq Ft	Percentage of Total Sq Ft
CommUnify	4,933	15%
City of Goleta (Main Building)	19,607	58%
City of Goleta (Senior Center)	1,211	4%
Rainbow School	7,195	21%
Kevin Long	707	2%
Total	36,653	100%

Cost Recovery Methodologies Comparison

Previously, the GVCC invoiced its tenants for their share of utility costs based upon the percentages shown in Table 2. However, after speaking with GVCC staff and reviewing existing documentation, City staff are unable to determine the original basis for these percentages.

Staff recommends sharing utility costs based upon the square footage leased or occupied by tenants and the City. Square footage is a clear and transparent means of apportioning utility bills. If approved, this approach would be applied to utility bills retroactive to January 1, 2023, and the City would invoice tenants accordingly.

Former GVCC Method: (Gas + Electric + Water/Sewer allocated by GVCC-Derived Percentages)

Recommended Square Footage Method: (Gas + Electric + Water/Sewer allocated by Square Footage Leased or Occupied)

Table 2 – Percentage Comparisons

Occupant	GVCC Percentages	Square Foot Percentage
City of Goleta	25%	62%
CommUnify	34%	15%
Kevin Long	6%	2%
Rainbow	35%	21%

On September 6, 2023, City staff met with the tenants of the Goleta Community Center to discuss the billing methodology and proposed change. The tenants unanimously supported the proposed methodology for billing from January 1, 2023, onward.

Outcome

The recommended methodology will increase the City's payment of utility costs while all tenant payments will decrease. This outcome results because the City occupies the largest share of physical space of the GCC. As addressed in the next section, utility submetering would allow the City to apportion costs based on actual amounts used by the occupants. In the interim, and prior to the ability to apportion based on usage, utilizing square footage in allocation of utility bills reasonably and transparently apportions costs.

Future Refinements

The current lease agreements end on June 30, 2024. The next reiteration of lease agreements will likely be informed by a market value analysis of the available spaces and a related fee study to assist in reevaluating lease rates and rental fees, which may also inform the treatment of utility charges at the campus. Moreover, as capital improvement projects are undertaken at the GCC, staff will explore the feasibility of installing utility submeters for each building as part of any utility upgrade. The submeters would: (1) allow the tenants to manage their own utility accounts, thus eliminating the City's administrative burden related to invoicing and managing utility accounts, and (2) allow the City to apportion costs for utility fees based on usage rather than square footage. Though square footage provides a clear methodology, it may underestimate the actual usage of utilities by the occupants.

FISCAL IMPACTS:

Sufficient funding is available for to cover the City's portion of utility charges at the Goleta Community Center. No additional appropriations are requested with this Council action.

Expense	Account	FY 23/24 Budget \$
Utilities - Gas	217-60-6510-51051	9,000
Utilities - Electric	217-60-6510-51052	44,000
Utilities - Water & Sewer	217-60-6510-51053	32,500

ALTERNATIVES:

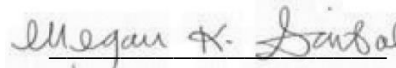
Council may direct staff to apportion utility costs based upon the former GVCC percentages or to develop additional methods for sharing costs for Council consideration.

Reviewed By:



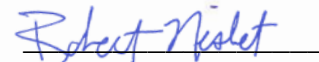
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