

Business Operations
Joe Arriola, Chief Business Officer

SUBJECT: AUTHORIZATION TO EXECUTE A LEASE AMENDMENT AND RENEW THE AGREEMENT WITH MIAMI-DADE COUNTY FOR THE SOUTH DADE SKILLS CENTER

Introduction

Since 1976, the School Board (Board) has leased 41,651 square feet of space located at 28300 S.W. 152 Avenue, for the South Dade Skills Center (see location map), from Miami-Dade County (County). The County occupies an additional 3,565 square feet of the 45,216 square foot facility, for the operation of its Farm Worker Training Program. The term of the current lease agreement will expire on November 30, 2002, and the Board has the option of renewing the agreement for one additional five-year period. The County provides all janitorial and maintenance services, utilities, guard service and lawn care. The rental amount for the period of December 1, 2001 through November 30, 2002 is \$384,688.17 (\$9.24/square foot). This amount will increase each year by either 5% or by the Consumer Price Index, whichever is less.

In addition, the Board currently leases facilities at a number of schools to the County for the operation of the County's Head Start Centers. The County utilizes a total of 13 classrooms and 30 portables at 27 different school locations for the Head Start program, under a Master Lease Agreement, at an annual lease rate of \$1. The County also uses the former Goulds Elementary School (10 acres of land and approximately 29,634 square feet of building area), the former Bethune Elementary School (2.8 acre school site and building) and a portion of the playfield at Leisure City Elementary for the placement of portables, at a combined annual rent of \$3. District staff have been working with the County for some time to establish parity in connection with the facilities leased between the two governmental entities. In an attempt to reduce the rental rate paid to the County by the Board for the lease of the South Dade Skills Center, as consideration for the County's use of various school sites to operate its Head Start program, the Board, at its meeting of November 14, 2001, authorized the renewal of the Master Lease Agreement with the County to allow the continued use of school sites for the operation of Head Start Centers for the period of December 1, 2001 through November 30, 2002. This was done with the understanding that staff would revisit or reconsider the continuation of the lease agreement in the event the County is unable to reduce the rent paid by the Board at the South Dade Skills Center to a rate intended solely to off-set actual expenditures generated by the District's use of the premises.

Economic analysis and proposed amendment

In light of the above, and as part of the District's ongoing review and analysis of all current lease agreements, staff completed a preliminary study of the South Dade Skills Center which indicates that the District would be able to provide all routine building

operating expenses at a cost savings from the rent now being paid to the County. Under such a scenario, the District would assume responsibility for building operations, with the rental rate to be reduced to \$1 per year. It is envisioned that the District would provide certain building operations (such as custodial services, grounds maintenance and routine building maintenance), through the use of District and non-District personnel. Specifically, it is envisioned that if the Board approves vacation by the District of the 4300 Biscayne Boulevard lease facility, as recommended in Board item E-8, existing District resources utilized at that location (such as custodial personnel), or other District expenses (such as guard service), would be reallocated to the South Dade Skills Center, at no additional incremental cost to the District.

District staff completed a preliminary economic analysis based on a number of assumptions; and results seem to indicate that it is possible to reduce the District's expense from \$9.24/square foot to approximately \$6.08/square foot (an estimated reduction in annual expenditure from \$384,688.17 to \$253,225), for an annual estimated savings of \$131,463.17.

ESTIMATED ANNUAL COST SAVINGS

Service	County's Current Estimated Cost	Proposed Estimated Cost	Estimated Annual Savings
Electricity	\$70,000	\$60,000 (1)	\$ 10,000
Natural gas	\$ 1,000	\$ 1,000 (1)	\$ 0
Water and sewer	\$10,000	\$11,000 (1)	\$(1,000)
Solid waste collection	\$ 2,000	\$ 2,400 (1)	\$(400)
Pest control	\$ 1,500	\$ 500	\$ 1,000
Guard service	\$58,000	\$80,000 (2)	\$(22,000)
Routine building Maintenance	\$79,543	\$18,000 (2)	\$ 61,543
Lawn service	\$ incl.	\$ 10,000	\$(10,000)
Nightly custodial	\$85,216	\$ 82,000 (2)	\$(3,216)
Materials/supplies	\$ 8,000	\$ 10,000 (2)	\$(2,000)
County staff/supervision	\$86,037	n/a	\$ 86,037
Reimbursement from County for 3,565 sq. ft. of office space	n/a	\$(21,675) (3)	\$ 21,675
TOTAL	\$401,296.00 \$384,688.17 (4)	\$253,225	
Total Estimated Annual Savings			\$131,463.17

(1) Represents annualized current County cost (amount substantiated by the District's Division of Safety, Energy, Communications and Fiscal Management).

(2) Current costs for custodial, maintenance and guard services at 4300 Biscayne Boulevard to be reallocated to this facility.

(3) Proportional share of the utility and maintenance costs for space occupied by the County.

(4) Amount charged as rent to District is limited by lease terms to \$384,688.17. Estimated annual savings shown reflects actual amount paid to County, not the County's current estimated cost.

County staff have expressed their willingness to allow the Board to assume responsibility for routine building expenses for a one year trial period to determine whether the District can actually provide these services at a lesser rate than that charged by the County as annual rent. At the end of one year, this arrangement would be revisited by District staff to ensure it remains cost-beneficial to the District.

Proposed terms of the lease amendment include, substantially, the following provisions:

- ° the annual rental rate shall be reduced from \$384,688.17 to \$1;
- ° the District shall assume responsibility for the payment of water and sewer, electrical, gas, waste removal and any other utilities serving the facility (estimated at \$74,400.00 per year);
- ° the District shall assume responsibility for routine building and grounds maintenance, security and custodial services (estimated at \$200,500 per year);
- ° the County shall retain responsibility for the maintenance and repair of the building structure and exterior (including exterior walls, windows and the roof), major components of the heating/ventilation/air conditioning system (including the repair or replacement of compressors and condensers), and major components of the plumbing and electrical systems;
- ° the County shall pay the District for its proportional share of the building utility and routine maintenance costs for the 3,565 square feet of space occupied by it (estimated at \$21,675 for the first year, based on a cost of \$6.08/square foot), but will be initially established at a rate equal to the District's actual cost of providing these services. The cost shall increase each year by either 5% or the Consumer Price Index, which ever is less;
- ° no later than October 1st of each year of the lease term, the Board, at its sole option, may elect to either continue to provide these building operations services for the period of December 1st through November 30th of the next annual lease period (with annual rent remaining at \$1), or resume rental payments to the County in an amount representing the County's actual cost to maintain the facility, as jointly determined. This amount will be proffered by the County for review by staff, and approval by the Board, prior to making this election. Thereafter, for the balance of the next annual lease period, the County shall

provide all building operations at its expense; and

- ° the Superintendent shall be the party designated by the Board to grant or deny all approvals required by this lease agreement, or to cancel this agreement.

The proposed amendment will be reviewed by the School Board Attorney's Office, the Office of Risk and Benefits Management, the principal of the South Dade Skills Center, the Assistant Superintendent of the Bureau of Adult/Vocational and Alternative Education, and the Chief Facilities Officer (Maintenance).

Additional Information

In addition to completing an economic analysis with the assumption that certain costs/functions would be reallocated from the 4300 Biscayne Boulevard Building, staff also explored the option of utilizing non-District personnel to provide routine building maintenance, nightly custodial and lawn care services. Informal bids were received from three potential vendors. Use of the lowest bid amount received would reduce the proposed estimated cost for the District to operate the facility from \$253,225 to approximately \$231,115 (\$5.55/square foot). This would result in an estimated annual savings of \$153,573.17, rather than the \$131,463.17 noted above.

Lease renewal

As stated above, the current agreement will expire on November 30, 2002. The District has the option to extend the agreement for one additional five-year period (December 1, 2002 through November 30, 2007). In light of the proposed lease amendment to allow the District to assume responsibility of routine building expenses for a one year trial period, and the continuing need for this facility to provide adult educational services in the Leisure City community, it is staff's recommendation that the Board exercise its renewal option for the period of December 1, 2002 through November 30, 2007. The Board shall retain its right under the agreement to cancel the lease at any time by providing the County with 60 days prior written notice.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida:

1. authorize the Superintendent or his designee to execute an amendment to the lease agreement with Miami-Dade County for the South Dade Skills Center, to reduce the annual rental amount from \$384,688.17 to \$1, with the District to assume responsibility for routine building operations for a trial period of one year. At the end of this one year trial period or annually thereafter, the Board, at its sole option, may elect to either continue to provide these building operations services (with annual rent remaining at \$1), or resume rental payments to the County in an amount representing the County's actual cost to maintain the facility (with this amount to be presented to the Board for approval prior to making this election), with the County to thereafter provide all building operations at its expense, and under the terms and conditions set forth above; and
2. authorize the renewal of the lease agreement with Miami-Dade County for the South Dade Skills Center, at an annual rental rate of \$1. The term of the renewal period will commence December 1, 2002, and will end November 30, 2007. All other terms and conditions of the lease agreement, other than as set forth above, will remain unchanged.

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LOCATION MAP

