To: Honorable Mayor and Members of the City Council

From: Gerry Beaudin, City Manager

Date: July 6, 2026

Supplemental Memo regarding Recommendation to Authorize the City Manager to Execute an Agreement with Wickman Construction, Inc., in an Amount Not-to-Exceed $32,364,200, including Contingency, for Construction of the City Aquatic Center Located at 800 Atlantic Avenue; and Adoption of Resolution Amending the Fiscal Year 2026-27 Capital Budget Reappropriating $4,998,747 from General Fund Unassigned Reserve to CIP C55400 Expenditure Appropriations by $4,998,747

SUPPLEMENTAL INFORMATION

This memo is being provided to supplement the staff report already published for the July 7, 2026 City Council meeting.

The following includes questions received by a member of the City Council and staff responses.

1. After the proposed $4,998,747 General Fund reserve transfer [for the Aquatic Center], what will the City's projected unassigned General Fund balance be, and how much "excess" reserve will remain above the City's reserve policy?

   If the proposed Aquatic Center increase of $4,998,747 is approved by City Council, the City's projected excess unassigned General Fund Balance at the end of the Biennial Budget period (at June 30, 2027) is expected to be $9.7 million. Slide 6 of the presentation for Mid-Cycle Adoption on June 2, 2026 (found here) includes more detail.

2. Is this project, after receiving these new funds, fully funded through completion, including all construction, contingencies, project management, design, inspection, and related costs? If not, what additional funding risks remain?

   With approval of the proposed $4,998,747, the project will be fully funded for all construction activities and soft costs including design, inspection and all related costs. If these additional funds are approved, the project will have a $3 million contingency. Staff will work with the project management team during construction to minimize usage of the contingency and any remaining balance would return to the General Fund.

3. Please provide more detail on how the total project budget has evolved over time, including the major reasons for cost increases (e.g., inflation, design changes, site conditions, regulatory requirements, or added project features).

   When City Council approved the initiation of the Aquatic Center project in 2023, that included a preliminary budget of $30 million. This amount was based on similar Aquatic Centers projects being built in the Bay Area during that time. Those projects also had significant cost increases that occurred after the comparison point. The City's project team then went through an extensive design development and community input process, resulting in a project with a 30-meter pool and an activity pool, which was approved by City Council. The project team also included multiple cost estimations as the design developed. These cost estimations were conducted by a specialized consultant who utilizes Bay Area construction comparators.

In 2025, toward the end of detailed design, the cost was estimated at $42 million based on current Bay Area construction costs. Staff conducted significant value engineering and City Council approved the final design and project budget in the amount of $35.5 million which included an additional General Fund allocation of $4.5 million plus $1.1 million from additional bond proceeds. The project team informed Council at that time, inflation was impacting construction costs annually by 4-6% and the uncertain construction market may impact the overall final cost. The increase was based on the following key factors that were shared with City Council during approval of the final design and budget increase.

- As directed by City Council, the design included **full facility electrification**, including the heating equipment, to support the Climate Action and Reliance Plan. This added $1.5 million in costs.
- The **project site conditions** presented additional complexities with budget implications. The geotechnical report revealed the Aquatic Center site is subject to liquefaction to a depth of 35 feet. Without significant design elements to address the soils, the pools would likely shift more than 3 inches, rendering the pool drainage and filtration system unusable, as regulated by the Alameda County Health Department. To minimize the extent of damage from a significant earthquake, the structural engineer recommended stabilizing the soil to a depth of 35 feet under the buildings and both pools. The soil improvement costs added $1.6 million. However, staff determined this was a worthwhile investment because the estimated costs to repair the entire deck, drainage and filtration system after a major earthquake were approximately 2.5 times more and would require a significant facility closure period.

4. What are the project's largest remaining construction and financial risks, and how much contingency remains available to address them?

   The remaining potential risk for the project is the groundwater condition. Monitoring wells were installed in 2024 to determine the depth and tested for contamination. The ground water depth varies throughout the year from two feet to five feet below the surface which will require substantial de-watering for construction. While the project site test results met EBMUD standards, de-watering may move contaminants from other parts of Jean Sweeney Park. If detected, the water will need to be treated prior to distribution into EBMUD storm water system. The costs for the filtration would be funded by the project contingency budget by an undetermined amount and staff does not anticipate any request for additional funds.

5. What is the projected annual operating subsidy once the facility opens, and how will those ongoing costs be accommodated within future General Fund budgets?

   In the first year, the annual operating subsidy is estimated to be $400,000. This is the net remainder after expenses and program revenues. As aquatic programs are expanded, the net expenses are anticipated to decrease over time. However, aquatic centers are rarely fully cost recovery and there will likely always be an annual operating cost for the Aquatic Center. In addition, it is best practice to establish a replacement fund for major capital facility repairs. Staff will be recommending earmarking $250,000 annually toward this replacement fund with a fund cap, however, City Council can reallocate these funds for other use, as needed.

   The City already made three payments (of thirty) on the Aquatic Center debt service in the amount of $895,000 annually. This annual payment is already included in the City's General Fund expense budget.

6. Given current economic uncertainty and the City's broader fiscal outlook, under what circumstances, and to what extent, could this project reduce the City's financial flexibility or affect funding for other major City priorities?

   The proposed $5 million increase for the Aquatic Center would be funded from the General Fund excess reserve account. While this is the City's most discretionary funding, $9.7M of available funding would remain after fully funding the Aquatic Center, which is a healthy amount of discretionary funding that is in addition to the City's reserve fund. It is also important to note that of the total Aquatic Center budget, $3 million is construction contingency. Staff will be closely monitoring any use of the contingency and all funds remaining at the end of the project will be returned to the General Fund.

   Just like all projects and initiatives, allocating additional unrestricted resources to the Aquatic Center requires balancing the project benefits with other existing and future needs. Important considerations are the extensive community benefits of the Aquatic Center. This project has been in planning and discussion with the community since 2019 and the Aquatic Center is anticipated to serve over 15,000 people annually with 100,000 contact points in programs.

Respectfully submitted,
Justin Long, Recreation and Parks Director