

- **Board of Directors**
Diamond Valley Recreation Special Committee

December 10, 2002 Board Meeting

8-3

Subject

Approve amendment to an existing lease agreement with the Riverside County Regional Park and Open-Space District for management of recreation facilities at Lake Skinner

Description

On January 2, 1973, the Metropolitan Water District of Southern California entered into a lease with the County of Riverside for a portion of Metropolitan's Lake Skinner properties. The lease was in response to the County's "desire to establish and assume the operation and control of public recreation facilities utilizing a portion of Lake Skinner and certain contiguous Metropolitan property, and to incorporate said recreation facilities into its comprehensive recreational program for the general area" (Lease Agreement - Item 3). The term of this lease agreement was for a period of 30 years, with an expiration date of January 1, 2003. The lease agreement also permitted the term of the lease to be extended for two successive periods of ten years each; however, such an extension was conditional upon an agreement mutually acceptable to Metropolitan and the County prior to January 2, 2002.

The County of Riverside Regional Park and Open Space District has indicated that recreation at Lake Skinner remains one of the premier attractions under their management. Nevertheless, recreational amenities at Lake Skinner have continued to operate with a consistent annual deficit of between \$200,000 and \$400,000. There have been numerous studies that have helped identify options to improve finances; however, many of the options identify the need for infrastructure and capital improvements. Generally, the Park District has recently refrained from substantial investment in recreational development at Lake Skinner given the fact that the long lease term was nearing conclusion.

It is also apparent that the recreational resources at Lake Skinner remain an important outlet for the local Temecula/Murrieta/French Valley area. Metropolitan's Board has expressed its desire to augment these facilities with a comprehensive development of recreational amenities at Diamond Valley Lake. It is also the expressed desire of Metropolitan's Board that opportunities for further capital recreation improvements at Lake Skinner be part of a larger master plan analysis. This analysis, coupled with options and recommendations, and ultimately potential infrastructure development may take up to three years. In the interim, the Park District has indicated its unwillingness to exercise the available ten-year extension of the existing lease, primarily due to its financial loss on operations. The Park District has also indicated that their concern is further compounded by the recent adoption by Metropolitan's Board of revised boating rules and regulations requesting use of MTBE-free, non-pollutant, engines on Lake Skinner, effective July 1, 2003.

Metropolitan staff has also researched the option of managing the recreation facilities through a contract with a concessionaire for an interim period. However, the costs associated with this approach are higher than the Park District's.

In response to both the Park District and Metropolitan's commitment to uninterrupted recreational amenities at Lake Skinner, an amendment providing for a short-term extension of the existing lease is proposed. This lease extension would be limited to two years in order to permit Metropolitan an opportunity to coordinate with the Park District to study development options for additional recreational resources and would provide for additional one-year extensions upon mutual agreement of the parties. The term also allows Metropolitan the option of requesting proposals for management contracts for Lake Skinner singularly or in conjunction with Diamond

Valley Lake at the end of the lease period. For the Park District, the extension of the lease term offers some relief on their financial burden while maintaining a presence at a critical recreational resource within the County.

Additionally, the lease amendment would waive the current \$10,000 annual fee rather than commit to partial reimbursement of the Lake Skinner recreation deficit of up to \$400,000 and credit Eastern Municipal Water District, on the County's behalf, for an amount of water equivalent to that used by the recreational facilities at Lake Skinner. Finally, as part of the amendment, Metropolitan would explore the purchase of a number of boats and engines to be used on Lake Skinner and to coordinate with the County on development options for increased public use of the lake's recreation facilities, including new facilities, utility upgrades, and a revised fee schedule.

Policy

Metropolitan Water District Administrative Code § 8115(a) requires board action for contract amounts that may exceed \$250,000 over the contract term. Metropolitan Water District Administrative Code § 8230 authorizes grants of property interests including leases to public entities that will not interfere with the District's operations.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt under the provisions of CEQA, since it involves amending an existing lease agreement for the operation and the control of existing public recreational facilities, as well as to carry out possible feasibility and planning studies. These activities may be as part of a study leading to actions which a public agency has not yet approved, adopted, or funded. As such, this proposed action qualifies both as a feasibility and planning studies exemption (Section 15262 of the State CEQA Guidelines) and as a categorical exemption (Class 1, Section 15301 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under both a feasibility and planning studies exemption and a categorical exemption (Class 15262 and Class 1, Section 15301 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and authorize amendment of the existing lease with the County of Riverside Regional Park and Open-Space District for the management of the recreational facility at Lake Skinner consistent with the terms outlined in this letter.

Fiscal Impact: \$100,000 per year for two years representing revenue impacts associated with the loss in retail sale of water used at the Metropolitan facility.

Option #2

Do not accept the terms and conditions of the amendment to the existing lease with the County of Riverside Regional Park and Open-Space District resulting in the termination of the existing lease on January 2, 2003.

Fiscal Impact: Undetermined. Park closure should require maintenance cost while feasibility analysis and long-term recreation management options are developed.

Staff Recommendation

Option #1

 _____ Roy L. Wolfe Manager, Corporate Resources	11/20/2002 _____ Date
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 _____ Ronald R. Gastelum Chief Executive Officer	11/21/2002 _____ Date
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BLA #2014