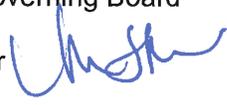


**SAN JOAQUIN RIVER CONSERVANCY***Agenda Item*Item: G-4
(proposed for addition to the agenda)

November 2, 2016

TO: San Joaquin River Conservancy Governing Board

FROM: Melinda S. Marks, Executive Officer 

SUBJECT: **C. Additions to the Agenda: Recommended for Addition Pursuant to Government Code § 54954.2(b)(2)**

G-4. Authorization to Amend Vulcan Materials Gravel Mining Lease to Allow Credit for Required Repairs in lieu of Lease Payments

RECOMMENDATION:

C. *The need to consider amending the Vulcan Materials lease to expedite repairs to a Conservancy building was identified after preparation of the agenda, and there is a need to take immediate action in order to protect health and safety, and minimize further damage if possible; therefore, it is recommended the Board add consideration of this item to the agenda in accordance with the voting requirements of the Brown Act.*

G-4. It is recommended that the Board authorize the Executive Officer to execute a lease amendment with Vulcan Materials Inc., allowing the company to receive credit in lieu of lease payments for required roofing and related repairs of a State-owned structure Vulcan occupies. The repairs would be performed by Vulcan in accordance with the lease, in compliance with the law, and with the review and approval of the Conservancy Executive Officer. The lease amendment would be reviewed and approved as to legal sufficiency by Conservancy legal counsel.

SUMMARY:

The Conservancy assumed an existing gravel plant lease with Vulcan Materials Company when it acquired the Gibson property in 2008. Under the terms of the lease, Vulcan pays the Conservancy rent of \$235,000 per year, which will be prorated to \$650.00 per day beginning January 1, 2017, until processing operations cease later in the year. Vulcan also rents a State-owned building for office space at the site for \$1,200.00 per month.

In June 2016, Vulcan informed Conservancy staff that the roof of the building leaked during rains the past year. Staff suggested Vulcan consider making the repairs as necessary with credit against its rent and lease payments; however, Vulcan preferred at the time to have the Conservancy proceed with repairs.

An inspection by Conservancy and Vulcan personnel in August revealed that ceiling texture had come loose in two places. October 20 test results provided by a lab indicate the ceiling texture contains asbestos, a material that is hazardous if it becomes friable and is released into the air. Vulcan has moved an employee from his office in the affected area, and sealed the door to the area with plastic, pending repairs.

It is recommended that the Board authorize the lease amendment as an option that would expedite repairs and eliminate the impact to the Conservancy of the unbudgeted expense. It is estimated the

repairs may total \$30,000, including a new roof, flashing, and fascia; asbestos-containing ceiling texture removal; tree trimming; new ceiling texture where necessary; and painting the ceiling throughout. The lease payment credits would recoup the repair costs within approximately two months. Approximately \$30,000 less revenue would accrue this year, affecting the cumulative SJRC fund balance and future appropriations. The Conservancy has developed a scope of work for the repairs with the professional assistance of Kris Cessna, Maintenance Supervisor at Millerton Lake State Recreation Area. Vulcan would be required bid the work items, ensure proper licensing, have the contractors name the Conservancy as additional insured, provide contracts and receipts, and secure Conservancy approval of the work.

Alternatively:

- 1) Conservancy staff can proceed to bid and contract for all required services, using its SJRC fund appropriation and significantly reducing other expenditures as necessary to stay within budget; it is expected to require several months to complete the repairs; or
- 2) Under the terms of the rental agreement, Vulcan can be required to vacate the building as a temporary suspension or permanent termination of the agreement, while the Conservancy would proceed with repairs as time and budget allow; a Vulcan representative expressed concern about relocating the staff that occupies the building.