



Staff Report

File #: REPORT 20-0713, Version: 1

**Honorable Mayor and Members of the Hermosa Beach City Council
Regular Meeting of November 10, 2020**

**APPROVE THE SECOND AMENDMENT TO LEASE
AGREEMENT BETWEEN THE CITY OF HERMOSA BEACH
AND STAR EDUCATION TO TEMPORARILY REDUCE
INSURANCE LIABILITY LIMITS AND MODIFY VENDOR
INSURANCE REQUIREMENTS**

(Community Resources Manager Kelly Orta)

Recommended Action:

Staff recommends that the City Council approve a second amendment to the lease agreement with STAR Education that would:

- Reduce the required insurance liability limits through December 31, 2020 due to STAR's inability to obtain a \$2 million policy so close to the expiration of its existing policy; and
- Remove vendor insurance requirements that are already fulfilled in its existing policy.

Executive Summary:

In July 2015, the City entered into a lease agreement with STAR Education, a non-profit organization based out of Los Angeles, to utilize classroom 7 and the courtyard of the Community Center to provide daycare services and enrichment programming for children attending kindergarten in the Hermosa Beach City School District (HBCSD). A new three-year lease agreement was approved by the Council at its July 23 meeting to continue STAR's program and use of City facilities commencing with the start of the new school year. Following the announcement that schools would be held virtually when it resumed in the fall, City staff, HBCSD, and STAR representatives worked collectively to accommodate an enhanced program that would provide a safe space for children to participate in virtual learning and recreational activities. This expanded program was retroactively approved by the Council at its August 22 meeting by way of a first amendment. Due to difficulties in obtaining the required \$2 million insurance liability policy, STAR requests a temporary reduction to \$1 million through the expiration of its current policy on December 31, 2020. Additionally, STAR requests insurance requirements included in its first amendment be modified related to its fence vendor as they are already fulfilled through its existing liability policy.

Background:

On July 23, 2020, the City entered into a lease agreement with STAR Education (STAR) to utilize

classroom 7 and the courtyard of the Community Center to provide daycare services and enrichment programming for children attending kindergarten in the Hermosa Beach City School District (HBCSD). The agreement, included as **Attachment 1**, continues STAR's afterschool program, which has been in place since 2015. At the Council's August 22 meeting, it approved a first amendment (**Attachment 2**) to STAR's lease agreement that allowed STAR to expand its kinder program and provide daycare services for all school-aged children enrolled in the HBCSD. This program now provides dedicated time and resources for online learning as well as outdoor, recreational activities in small 10 to 12-person cohort groups. This expanded program will remain in effect while school instruction is held virtually or in a hybrid model under COVID-19 precautionary measures.

Discussion:

STAR is a non-profit organization based out of Los Angeles that provides recreational and enrichment programming for school-aged children in a variety of programs and settings. STAR's team developed the Hermosa Beach kinder program collectively with City staff and HBCSD representatives and created a state licensed childcare program that met the needs of the community when HBCSD transitioned from full day to half-day kindergarten classes due to impacted classroom space. The partnership between the City and STAR has been positive since its inception in 2015 and its program has been able to take place amongst other activities in the Community Center without concern or conflict.

Following the execution of the lease agreement and the first amendment, STAR reached out to Staff and requested additional modifications related to the insurance liability limits as well as the insurance requirements required for the fence vendor that constructed the fence on the Community Center's north lawn. The following includes additional information related to each request, which are reflective in the proposed second amendment (**Attachment 3**).

Reduction of Insurance Limits

Since execution of the lease agreement, STAR has provided a \$1 million insurance liability policy, which is lower than the \$2 million limit required in the agreement. It has made continual efforts to obtain the required \$2 million insurance liability policy but has been unsuccessful due to a change in the insurance market since the onset of the COVID-19 pandemic. Additionally, given the current policy's expiration of December 31, 2020, STAR expressed that they have been unable to modify its policy to include a higher limit so close to the expiration. STAR expressed a level of confidence that they will be able to obtain the requested \$2 million insurance liability limit upon policy renewal, which would be effective January 1, 2021. In the interim, the proposed second amendment reduces the limit to \$1 million through December 31, 2020 and requires the reinstatement of the higher limit of \$2 million on January 1.

The City's Risk Management team reviewed this request and although there are no major concerns with this temporary measure, the reduction might increase the City's potential exposure in a serious liability case for an injury occurring through the end of the calendar year. This increase of potential

exposure is unlikely but is worth noting as part of the consideration of the proposed second amendment. As of today, there have been no incidents or injuries that have resulted from STAR's program at the Community Center.

Modifications to the Fence Vendor Requirements

The first amendment, approved by the Council on August 22, provided an opportunity for STAR to expand its program to provide daycare services for all school-aged children enrolled in the HBCSD participating in virtual learning. A component of this agreement was the use of additional outdoor space located on the Community Center's north lawn. The affordance of outdoor space is a State Childcare licensing requirement and necessary for STAR to expand its program under its current license. In order to make this area safe for program participants, it must be completely enclosed to prevent access from those that are not part of the program.

Included in the first amendment is language that includes additional insurance requirements to be carried out by the vendor that erected the fence on the north lawn. Specifically, this language requires the vendor to provide a policy that indemnifies and names the City as additionally insured. Upon looking into this further and confirming with the City's Risk Management team, these additional insurance requirements from the fence vendor are not necessary. STAR's current insurance fulfills the liability concerns associated with the fence. Therefore, the proposed second amendment removes the additional insurance requirements associated with the fence vendor.

General Plan Consistency:

This report and associated recommendation have been evaluated for their consistency with the City's General Plan. Relevant policies are listed below:

Parks & Open Space Element

Goal 2. Abundant parks, open space, and recreational facilities to serve the community.

Policies:

- **2.1 Diverse programs and facilities.** Offer diverse recreational programs and facilities to meet the needs of all residents.
- **2.5 Shared use agreements.** Work with adjacent jurisdictions, the school district, and private facilities to offer recreational opportunities or activities not available at City of Hermosa Beach facilities.

Goal 3. Community parks and facilities encourage social activity and interaction.

Policies:

- **3.6 Availability of City facilities.** Consider the demand and availability of City facilities for general community use in the long-term lease and/or rental of City facilities.

Fiscal Impact:

The proposed second amendment has no fiscal impact as it does not modify STAR's lease payment

schedule.

Attachments:

1. Lease Agreement with STAR Education
2. First Amendment to Lease Agreement with STAR Education
3. Proposed Second Amendment to Lease Agreement with STAR Education

Respectfully Submitted by: Kelly Orta, Community Resources Manager

Concur: Vanessa Godinez, Human Resources Manager

Noted for Fiscal Impact: Viki Copeland, Finance Director

Legal Review: Mike Jenkins, City Attorney

Approved: Suja Lowenthal, City Manager