



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 21-940, Version: 1

Authorize and direct Public Works, Facilities, & Parks to negotiate an amendment to the existing management agreement with Urban Park Concessionaires for management of Lake Nacimiento Resort operations incorporating provisions for a concessionaire-owned and managed boat rental fleet.

RECOMMENDATION:

It is recommended that the Board of Supervisors authorize and direct Public Works, Facilities, & Parks to negotiate an amendment to the existing management agreement with Urban Park Concessionaires for management of Lake Nacimiento Resort operations incorporating provisions for a concessionaire-owned and managed boat rental fleet.

SUMMARY/DISCUSSION:

On May 3, 2011, the Board of Supervisors approved a management agreement, including a vehicle/ vessel lease, with Urban Park Concessionaires (UPC) to manage the resort businesses at Lake Nacimiento and Lake San Antonio. This Agreement was subsequently renewed to provide continued facilities management services. On January 15, 2019, the Board approved the removal of Lake San Antonio (LSA) from Enterprise Fund 452, and the County gradually assumed full management of the LSA recreational facilities. On July 23, 2019, per the Request for Proposals (RFP) #10674 solicitation for facility management services, the Board approved a new management agreement with UPC, the sole responder to the RFP, to manage the resort and recreation areas at Lake Nacimiento from August 1, 2019 to December 31, 2026. Under this new agreement, UPC continued leasing County-owned vehicles and vessels.

For several years, County budgetary constraints have limited the investment in Lake Nacimiento's infrastructure and revenue-generating amenities. Initially, the County's boat rental inventory was comprised of 23 motorized boats and produced significant annual revenue. The business plan provided for replacement of rental vessels after five years of service with new units. Budgetary constraints obviated the planned replacements and ongoing fleet renewal. Since 2011, the number of rental vessels remaining in service has eroded to five units.

Boat rentals are a primary draw at a lake resort. The decrease in available vessel rentals at Lake Nacimiento has negatively impacted not only marina revenues, but also revenues across all sectors of the resort operation. The deteriorating rental fleet has had a domino effect, greatly reducing marketability of the offering, which, in turn, attracts less visitors and adversely impacts day use, lodging, camping, fuel sales, and boat and equipment rental revenue-generation sectors at the park. The chart below highlights annual lost revenue as compared to the revenue generators available at the inception of the initial agreement in 2011. As the revenue generators at the resort continue to deteriorate, the ability to realize a profit or *break even* within the Enterprise Fund declines correspondingly.

<u>Revenue Generator</u>	<u>Service Units Removed</u>	<u>Average Annual Revenue/Unit</u>	<u>Annual Lost Revenue</u>
Rental Trailers	2	\$18,000	\$ 36,000

Lakeview Lodges	5	20,000	100,000
Mobile Homes	1	30,000	30,000
Boat Rentals	18	30,000	<u>540,000</u>
		TOTAL	\$706,000

UPC has proposed purchasing ten new Crest Classic LX 240 SCL pontoon boats to bolster Lake Nacimiento's rental fleet and improve the resort's overall operation. A full fleet of rental boats yields the preponderance of revenue at a resort and enhances all other revenue-generating sectors as well. Lake Nacimiento's boat rental revenue alone with a revitalized fleet is projected to generate \$300,000-\$400,000 annually. Attachment A lists the vessels proposed for purchase to invigorate the rental fleet before the 2022 peak season along with potential daily rental rates. An amendment to the existing management agreement to incorporate provisions for a concessionaire-owned and managed boat rental fleet is necessary. The addition of new boats to the rental fleet will allow UPC to increase marketing efforts, thereby increasing park visitation. Ancillary revenues generated are projected to exceed \$280,000 annually, excluding boat rental revenue.

Public Works, Facilities, & Parks (PWFP) views this proposal as a unique, mutually beneficial opportunity to increase guest satisfaction, revenue generation, and overall visitation at the Lake Nacimiento Resort with minimal to no County capital outlay. The proposed amendment would allow for UPC to purchase and operate a rental fleet under the terms of the management agreement. All finances related to the UPC-owned fleet would be run under a separate set of financials, which would be available to the County for audit purposes. The County would receive 15% of gross revenues attained by the rental fleet as well as all ancillary revenues including, but not limited to: fuel sales, admissions, and accommodations. UPC would be solely responsible for all operating costs related to the UPC-owned rental fleet. To efficiently operate and respond to fluctuations in demand, UPC would independently set and adjust its fleet rental fees. County-owned vessels would continue to be rented at the approved rates listed in Article V- Parks User Fees. If required, Article V-Parks User Fees would be amended to add a category of concessionaire-owned boat rental rates. The current term of UPC's management agreement, through December 31, 2026, would remain unchanged.

Alternately, if the Board should decide to fund the fleet purchase, the estimated procurement cost for a comparable fleet is \$510,000. A revitalized County-owned fleet is estimated to produce annual Gross Revenues of \$336,000 with related operating expenses of \$196,000, generating an approximate net income of \$140,000 annually. Operating expenses include depreciation and Vehicle Acquisition Management Plan (VAMP) expenses assuming a 7-year useful life. Though participation in the VAMP program is optional, it is highly advisable given the need to replace rental vessels every 5-7 years. While annual profits realized would exceed the Franchise Fee proposed by \$80,000-\$95,000 a year, a capital injection of this amount would be more suitably directed to permanent County infrastructure assets (e.g., lodging, campgrounds, roads) given existing deferred maintenance needs.

PWFP requests the Board authorize and direct PWFP staff to negotiate an amendment to the UPC management agreement to incorporate provisions for a concessionaire-owned and managed boat rental fleet. If such direction is provided, PWFP anticipates returning for approval of the agreement amendment in January 2022.

FINANCING:

If the agreement amendment is approved for a concessionaire owned/managed rental fleet, Lake Nacimiento fleet rental revenues are expected to increase by \$45,000 to \$60,000 annually (15% Gross Revenue), plus additional ancillary revenues are projected at \$280,000 annually. UPC would be solely responsible for all costs associated with the proposed concessionaire-owned/managed rental boat fleet.

OTHER AGENCY INVOLVEMENT:

If the recommendation is approved, PWFP staff will work with County Counsel in the preparation of an agreement amendment. This item was presented to the Parks Commission on November 3, 2021.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This recommendation is consistent with the Board of Supervisors' Economic Development, Administration, and Health & Human Services Strategic Initiatives. Efficient, cost-effective management of County Parks and proactively seeking alternative funding enhance the County's ability to offer expanded public recreational facilities at Lake Nacimiento. The availability of County parks and open spaces provides opportunities for healthy living activities. The potential new boat rental opportunities will increase the marketability of the park thereby increasing park visitation which will also stimulate economic development in the surrounding community.

X Economic Development
X Administration
X Health & Human Services
Infrastructure
Public Safety

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Reviewed by: Tom Bonigut, PE, Interim Assistant Director of Public Works, Facilities, & Parks

Approved by: Randell Ishii, MS, PE, TE, PTOE, Director of Public Works, Facilities, & Parks

Attachment:

Attachment A-Proposed Concessionaire Fleet & Rental Rates

(Attachment is on file with the Clerk of the Board)