



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Grant Yates, City Manager

Prepared by: Jason Simpson, Assistant City Manager

Date: April 9, 2019

Subject: Authorize the City Manager to Negotiate and Execute Purchase Orders Acquiring Boats

Recommendation

Approve and authorize the City Manager to execute purchase orders of up to four/five (4/5) fishing boats in the amount not to exceed \$65,000.00 and up to six (6) pontoon boats for recreation and fishing rentals at the Boat Launch in the amount not to exceed \$260,000.

Background

Staff has researched several boat rental opportunities to capitalize on unique camping and marketing experiences and incorporating these experiences into the construction of the RV Resort Rehabilitation Project. For example, a boat rental for a typical day could be \$100 per hour and up to \$650 per day for the rental of a boat at the boat launch. There is a market for this type of recreational opportunity and the reservation of boat rentals is a popular and hot camping amenity for the recreational vehicle and camping world. Industry professionals have confirmed the demand for boat rentals in a not so rugged setting can be a park amenity while simultaneously creating a site as a destination.

The two pontoon boats purchased in June 2017 paid for themselves within 12 months during the time when the campground was closed. Staff is receiving calls regarding boat rentals on a consistent basis and a large demand in anticipation of the Fishing Derby in May at Launch Pointe.

Discussion

Through boat manufacturers and local dealers in Riverside County there are several, new but older year boats they are offering significant deep discounts off MSRP. This is a niche market and by offering a unique pontoon or boat rentals and tours on Lake Elsinore, so visitors can enjoy the lake and surrounding views at their own pace while cruising along the water, sun bathing, and fishing. The anticipated price for each boat (model years between 2017 to current) will range between \$12,700 and \$38,000. It is in the City's best interest to purchase these boats from a local dealers and suppliers with proven reliability. Therefore, it is requested that the City

Council find that it is not in the City's best interest to go out to bid and authorize the City Manager execute purchase orders for pontoon as well as fishing boats.

In anticipation of these purchases staff will attempt to get multiple prices on compatible boat rental vessels but in some cases multiple pricing may not be available. The timing of these purchases will take place as soon as possible and the utilization and camp rental of the boats will be available by May 3, 2019 Fishing Derby. In the end, the RV Resort will have several rental boats that will be centrally located at the South end of the park near the lake. It is anticipated these boat rentals will be very popular and in high demand. It can be anticipated that additional units may be needed to stratify the demand and optimize the revenue opportunities of the boat launch facility. Once this is fully realized, staff shall return to Council for additional authorization and subsequent purchases.

Fiscal Impact

Staff estimates that the purchase cost will be recovered through daily rental fees of up to \$500 to \$650 (\$75 to \$200 per hour) with a return on investment within the first year. The projections are based upon 35% of capacity annualized, while staff believes the revenue stream will be higher, the following table illustrates a conservative estimate.

Purchase Orders – Acquiring Boats

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ANNUAL ESTIMATE			
PONTOON BOATS	ANNUAL RENTAL	CAPITAL COST	NET - YEAR 1
1- Pontoon (Existing)	\$ 98,000	\$ 30,000	\$ 68,000
2 - Pontoon (Existing)	98,000	30,000	68,000
3- Economy Pontoon 1	98,000	35,000	63,000
4- Economy Pontoon 2	98,000	35,000	63,000
5- Economy Pontoon 3	98,000	35,000	63,000
6- Economy Pontoon 4	98,000	35,000	63,000
7- Economy Pontoon 5	98,000	35,000	63,000
8- Economy Pontoon 6	98,000	30,000	68,000
SUBTOTALS	<u>\$ 784,000</u>	<u>\$ 265,000</u>	<u>\$ 519,000</u>
FISHING BOATS			
1 - 16' boat	\$ 44,000	\$ 16,250	\$ 27,750
2 - 16' boat	44,000	16,250	27,750
3 - 16' boat	44,000	16,250	27,750
4 - 16' boat	44,000	16,250	27,750
SUBTOTALS	<u>\$ 176,000</u>	<u>\$ 65,000</u>	<u>\$ 111,000</u>
	<u>\$ 960,000</u>	<u>\$ 330,000</u>	<u>\$ 630,000</u>
Less: Staffing			\$ 177,191
Insurance			50,000
Fuel			28,000
Maintenance			36,000
			<u>\$ 291,191</u>
Net Projected			<u>\$ 338,809</u>