

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT General Services Agency	(2) MEETING DATE 7/09/2013	(3) CONTACT/PHONE Curtis Black, Deputy Director Parks 805-781-5204	
(4) SUBJECT Request to approve Amendment No.4 to the concession contract with CPS Amusements, Inc. revising the term and rent schedule for operation of the Mustang Water Slides at Lopez Lake. District 4.			
(5) RECOMMENDED ACTION It is recommended that the Board, acting as the San Luis Obispo County Flood and Conservation District, approve Amendment No. 4 to the Mustang Water Slides at Lopez Lake Concession Services Contract and authorize the Chairperson to sign it.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT Estimated - \$21,507	(8) ANNUAL FINANCIAL IMPACT Varies per year	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____ ) <input type="checkbox"/> Board Business (Time Est.____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: <u>8/18/2009</u> _____	
(17) ADMINISTRATIVE OFFICE REVIEW			
(18) SUPERVISOR DISTRICT(S) District 4 -			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: General Services Agency / Curtis Black, Deputy Director Parks  
805-781-5204

DATE: 7/09/2013

SUBJECT: Request to approve Amendment No. 4 to the concession contract with CPS Amusements, Inc. revising the term and rent schedule for operation of the Mustang Water Slides at Lopez Lake. District 4.

## **RECOMMENDATION**

It is recommended that the Board, acting as the San Luis Obispo County Flood and Conservation District, approve Amendment No. 4 to the Mustang Water Slides at Lopez Lake Concession Services Contract and authorize the Chairperson to sign it.

## **DISCUSSION**

The Mustang Water Slides (MWS), located at Lopez Lake (see Location Map, Attachment #1), are operated through a concession contract with CPS Amusements, Inc. and Christopher P. Simpson, together referred to as "Concessionaire." The original concession contract began when the facility was constructed in 1978 by a previous concessionaire. The current contract began in 1996, and has been assigned or amended three times previously. The current contract was approved by the District on August 18, 2009 and is set to terminate on January 23, 2018.

The current rental rate is 12% of total annual gross receipts. In April 2013, Mr. Simpson proposed a rental rate reduction to 5% of annual gross receipts for each year of the remaining five year term. This rental rate reduction was requested because MWS has not had a positive cash flow and personal and corporate resources have been exhausted. The Concessionaire has requested a reduction to the rental rate to allow the business to remain open and continue to provide recreational services.

Services provided by MWS are essential to Lopez Lake visitors, many of whom plan their camping trips to make use of the water slides. Failure and cessation of the MWS operations at Lopez Lake will likely have a significant negative impact to camping revenues that are derived from visitors to the lake. However, staff was not in agreement with the proposed reduction to 5% per year for each of the remaining five years and entered into discussions with the Concessionaire to reach an acceptable plan.

Staff evaluated several rental rate scenarios which were discussed with the Concessionaire. The contract amendment submitted for approval reflects the result of these negotiations and proposes a graduated rent schedule starting at 5% of annual gross receipts in calendar year 2013 and increasing 1% per year through year 2016 when it reaches 8% of gross receipts, where it is proposed to remain through the termination of the contract. The amendment also offers one additional option to extend the contract termination date from the current date of January 23, 2018 to December 31, 2022 with the rent schedule remaining at 8% of annual gross receipts. Additionally, the County's standard contract language is updated with respect to smoking, stormwater pollution prevention, indemnification, and insurance, and the commercial liability insurance now requires an additional separate \$2,000,000 excess policy.

The ten-year financial projection (Attachment 3) was completed as a cooperative effort of County Parks and Concessionaire staffs. It provides:

- projected annual receipts with nominal growth per year
- percentage and amount of annual receipts proposed to be received by the County
- projected increase to County camping revenues due to concessionaire's marketing campaigns
- projected total County Parks revenues related to this amendment

As compared with the current agreement, this projection notes a \$34,072 reduction in County Parks' revenues projected over the ten-year span of this agreement. In return, the Concessionaire has committed to conducting and paying for a new marketing and promotions campaign at an approximate cost of \$20,000 per year. This new campaign will promote the lake as a whole and is intended to increase the number of campers that come to the campgrounds. Through this effort, additional campers will also visit MWS; thereby, enhancing MWS annual receipts and County camping and concessions revenues.

If the new marketing strategies provide increased visitors and campers at Lopez Lake above what has been projected, total revenues to County Parks would also improve. If financial performance is as projected, Parks proposes to offset the decrease in revenues by reductions in expense for the purchase of materials and supplies.

**OTHER AGENCY INVOLVEMENT/IMPACT**

County Counsel has reviewed Amendment 4 as to form and legal effect.

**FINANCIAL CONSIDERATIONS**

Rents to County Parks are paid by percentage of total annual gross receipts at MWS. Attachment 3 shows a projection which is based on revenues that grow less than 3% per year, a decrease in concessions revenues and an increase in camping revenues are anticipated over the life span of the ten-year agreement resulting in a projected revenue decline of \$34,072 less than what would potentially be received under the current contract. If no additional camping revenue is assumed over the ten year time frame, the estimated reduction in revenue to Parks from implementation of Amendment 4 would be \$71,524 as compared to the current contract.

It is anticipated that Concessionaire marketing efforts included in Amendment 4 would potentially result in annual gross receipts increases above those projected in Attachment 3. If this occurs, County Park's rents revenues would also increase and result in revenues equal to or exceeding the amount currently planned.

Specific ten-year projected financial information is as follows:

Projected County Parks MWS rents income per current contract:	\$187,800
Projected County Parks MWS rents income per Amendment 4:	\$116,276
Projected County Parks Camping Revenue Increase per Concessionaire Marketing:	\$ 37,452
Projected County Parks Total MWS and Increased Camping Revenues:	\$153,728
Projected County Parks Amendment 4 Revenue to Current Revenue:	<\$34,072>

The projected first year decreased revenues is \$21,507. Years two and three project lessor amounts of decreased revenues. In year four the projected revenues begin to exceed current amounts and grow through to the end of the contract. Projected decreased revenues in the first three years will be offset by similar decreases in materials and supplies spending if other sources of revenues do not provide the offset.

Although the Amendment 4 ten-year projection may provide less revenue than would be seen with the current contract, the concessionaire has clearly stated that, given the financial situation of MWS, he is not able to continue operations within the current contract framework. Therefore, staff sees the reduced amount of revenue as an acceptable means to provide some financial support that allows the concessionaire to continue providing essential recreational services to Lopez Lake visitors. If the new marketing strategies provide an increase in visitors to Lopez Lake above what has been projected, total revenues to County Parks would also improve.

**RESULTS**

Approval of Amendment No. 4 to the Concession Services Contract will help to ensure the continued operation of the Mustang Water Slides for the recreational benefit of County residents and visitors. This action contributes to a communitywide result of a Healthy and Livable Community.

**ATTACHMENTS**

1. Location Map
2. Amendment No. 4
3. Ten Year Financial Projection