



DATE: April 3, 2013

TO: Honorable Mayor and City Councilmembers
President and Directors of the Harbor District Board

FROM: Public Works Department – Harbor and Beaches

SUBJECT: **DIRECTION ON THE HARBOR MANAGEMENT OUTSOURCING PROPOSALS**

SYNOPSIS

Staff requests City Council/Harbor District Board direction on how to proceed with the Harbor Management Outsourcing proposals.

BACKGROUND

In an effort to identify potential cost savings and reduce the budget through privatization, staff solicited proposals from qualified private companies in August 2012 to perform Harbor management, customer service and marina maintenance services. These services are currently performed by City staff which consists of a manager, supervisor and twelve employees and includes administration of the marina's slip rental program and maintenance of the boat docks, service buildings, parklands, parking lots and other marina related facilities. Maintenance of Harbor Beach, two beach restrooms and six public parking lots were not included in the Request for Proposal (RFP).

RFPs were sent to qualified firms in August 2012, as well as noticed in local newspapers and on the Internet. After receipt of four proposals, one was rejected as being incomplete.

In early December, staff from the City, Orange County - Dana Point Harbor, and The PFM Group conducted interviews with the proposers. At the conclusion of the interviews, California Yacht Marinas (CYM) of Torrance was the highest scoring firm and Almar Management, Inc. was second. The lowest scoring company, Marinas International, was rejected as being nonresponsive to requests for additional information.

Both of the proposers complimented staff on how efficient the Harbor is currently run. The marina docks and buildings are well maintained and the marina is the only non-yacht club owned marina in San Diego County and South Orange County that has had a slip-waiting list for over thirty years. One of the proposers indicated it typically made sense to outsource when customers weren't satisfied with service and this has not been the case. City staff is providing a good service to the public while keeping the slip-rents at a below market average level. While CYM's proposal is nine percent lower than the City cost, staff feels that the savings will be lower due to unanticipated expenses such as emergency work, repairs from accidents, theft, vandalism, misuse and acts of nature. Directed work and other unforeseen repairs are unpredictable and this uncertainty could cause costs to creep higher.

ANALYSIS

City staff costs, contractor costs, and costs to remain are provided below. City staff costs include all labor at the fully burdened rate, materials, tools, equipment and incidentals used to perform these services and are based on the FY 12/13 budget. Unfunded pension liability is also included in the analysis. Costs to remain will continue to be charged to this program even if services are outsourced which will provide no additional savings to the City.

City Staff Costs vs. California Yacht Marinas & Almar Management, Inc. (Annual)

<u>CITY STAFF</u>	
Personnel Costs (12 Employees - Full Burdened Rate)	\$885,386
Unfunded Pension Liability	7,978
Parts/Supplies/Outside Services	852,156
TOTAL	\$1,745,520
<u>CALIFORNIA YACHT MARINAS</u>	
Personnel Costs	\$505,000
Parts/Supplies/Outside Services	852,156
Overhead Expenses	30,000
Administrative Costs and Management Fees	210,000
TOTAL FIRST YEAR	\$1,597,156
Potential Savings to the City	\$148,364
<u>ALMAR MANAGEMENT, INC.</u>	
Personnel Costs	\$498,958
Parts/Supplies/Outside Services	1,076,440
Overhead Expenses	106,200
Administrative Costs and Management Fees	298,828
TOTAL FIRST YEAR	\$1,980,426
Difference in Costs	(\$235,021)
<u>These costs will remain if services are outsourced:</u>	
City Staff (contract administration, beach and public area maintenance, elected officials, partial salaries of City Manager, Electrician)	\$484,908
Debt Service	411,342
Tidelands Lease to be Paid to the City	508,830
Infrastructure	100,000
Other Marina Related Costs to be Paid by the City (water quality monitoring, lobbying)	100,000
Transfer to Oceanside Police for Harbor Unit	1,938,156
Harbor Beach and Other Public Area M&O	162,311
Interfund (Fleet, General Admin)	304,272

Several staff members will be retained to provide contract administration, oversight and to maintain the public beach, restroom buildings and adjacent areas. The Internal Service Charges are fixed and will continue to be charged to this program.

The current city staffing level consists of one manager, three full-time and one part-time administration staff, one maintenance supervisor, nine full-time maintenance workers and one part-time maintenance worker. Two of the full-time maintenance workers and the part-time maintenance worker spend approximately 84% of their time maintaining harbor beach and other non-marina areas that were not included in the RFP.

CYM has proposed to have a staffing level of one manager, three administration staff and five maintenance staff. This is the same number of people that CYM has at their Cabrillo Marina in San Pedro, an 885 slip marina. CYM is confident that the service level will be maintained at the current level. Additional staffing can be added at an additional expense to the city.

CYM's administrative costs and management fee are based on 5% of the harbor's annual slip rental related revenues. The figure in the table above was based on 2012 revenues of \$4,200,000. For the first five years of the contract, they will retain current boat slip rent pricing with the exception of previously approved bi-annual increases based on the Consumer Price Index (CPI). Subsequent to that, CYM will be allowed to raise slip rents without Harbor Board approval to a level equal to that of the average per foot slip rent of all non-yacht club marinas in San Diego Bay, San Diego Mission Bay and Dana Point Harbor. Slip rents and miscellaneous fees cannot be raised at anytime if the occupancy level in Oceanside Harbor Marina falls below 90%.

The administrative costs and management fees will be taken from the Harbor Fund, the same source that funds the Harbor Capital Improvement Program. Because of the overall savings to the Harbor Fund, future capital projects should not be affected.

FISCAL IMPACT

The individual yearly costs for California Yacht Marinas are \$1,597,156 for the first year, \$1,629,099 for the second year, \$1,661,681 for the third year, \$1,694,915 for the fourth year, \$1,728,813 for the fifth year, \$1,763,389 for the sixth year, \$1,798,657 for the seventh year, \$1,834,630 for the eighth year, \$1,871,323 for the ninth year and \$1,908,749 for the tenth year for a ten year total of \$17,488,413.

Assuming a 2% CPI increase in City costs, the ten year City total will be \$19,111,698, a difference of \$1,623,285.

COMMISSION OR COMMITTEE REPORT

At the March 21, 2013 special meeting, the Harbor and Beaches Advisory Committee was updated on the harbor management outsourcing proposals.

CITY ATTORNEY ANALYSIS

City Attorney analysis does not apply at this time. Should the City Council elect to outsource the harbor management, a Professional Services Agreement will need to be drafted by the City Attorney. In addition, the City will need to meet and confer with the appropriate bargaining units concerning the impacts and effects of layoffs that will occur with this action.

RECOMMENDATION

Staff requests City Council/Harbor District Board direction on how to proceed with the Harbor Management Outsourcing proposals.

PREPARED BY:

SUBMITTED BY:



Frank Quan
Harbor and Beaches Coordinator



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager



Teri Ferro, Financial Services Director



**PROPOSAL COST
OCEANSIDE MARINA**

PROPOSAL:

FIRST YEAR COST:	
a. Personnel Costs:	\$ 498,958
b. Parts/Supplies/Outside Services:	\$ 1,076,440
c. Overhead Expenses:	\$ 106,200
d. Administrative Costs and Management Fees:	\$ 298,828
CONTRACTOR ANNUAL TARGET COST:	\$ 1,980,426
CITY PASS-THROUGH COSTS:	\$ 124,000
TOTAL FIRST YEAR COST:	\$ 2,104,426
TOTAL FIRSY YEAR MONTHLY COST:	\$ 175,369

TEN YEAR COST SUMMARY:	
Year 2	3.4%
Year 3	3.4%
Year 4	3.4%
Year 5	3.3%
Year 6	3.0%
Year 7	3.0%
Year 8	3.0%
Year 9	3.0%
Year 10	3.0%
TOTAL TEN YEAR COST:	\$ 24,600,407

	\$ 2,176,147
	\$ 2,249,918
	\$ 2,325,799
	\$ 2,406,890
	\$ 2,479,096
	\$ 2,553,469
	\$ 2,630,073
	\$ 2,708,975
	\$ 2,790,245

Respectfully Submitted,


Randy Short
President

Almar Management, Inc.
3416 Via Lido
Suite G
Newport Beach, CA 92663


Thomas J. Hogan
Vice President

PROPOSAL QUALIFICATIONS & CONTINGENCIES:

- (1) First Year Costs and subsequent years monthly payments are paid at the beginning of each month during the management contract.
- (2) Costs are based on marina administration and maintenance contractual functions. Excluded are City costs for Police, City payroll, lease and parking lot administration for non-managed functions, capital improvements, and other City costs not applicable to the marina administration and maintenance contractual services.
- (3) City Pass Through Costs include the rent for the Harbor Administration Building.

CITY OF OCEANSIDE PROPOSAL DOCUMENTS

SECTION 6: PROPOSAL SUBMITTAL DOCUMENTS

INCLUDE WITH PROPOSAL

*FIRST YEAR COST

a. Personnel costs:	<u>\$505,000 (1)</u>
b. Parts/supplies/outside services:	<u>\$852,156 (2)</u>
c. Overhead expenses:	<u>\$30,000 (3)</u>
d. Administrative costs and management fees:	<u>\$210,000 (4)</u>
CONTRACTOR ANNUAL TARGET COST:	<u>\$1,597,156</u>
CITY PASS-THROUGH COSTS (Information	
Technology support, capitalized cost of facilities):	<u>\$124,000</u>
TOTAL FIRST YEAR COST:	<u>\$1,721,156</u>

PRICE ADJUSTMENT (% INCREASE PER YEAR)

<u>2%</u>	TOTAL SECOND YEAR COST:	<u>\$1,755,579 (5)</u>
<u>2%</u>	TOTAL THIRD YEAR COST:	<u>\$1,790,691</u>
<u>2%</u>	TOTAL FOURTH YEAR COST:	<u>\$1,826,505</u>
<u>2%</u>	TOTAL FIFTH YEAR COST:	<u>\$1,863,035</u>
<u>2%</u>	TOTAL SIXTH YEAR COST:	<u>\$1,900,295</u>
<u>2%</u>	TOTAL SEVENTH YEAR COST:	<u>\$1,938,301</u>
<u>2%</u>	TOTAL EIGHTH YEAR COST:	<u>\$1,977,067</u>
<u>2%</u>	TOTAL NINTH YEAR COST:	<u>\$2,016,609</u>
<u>2%</u>	TOTAL TENTH YEAR COST:	<u>\$2,056,941</u>

TOTAL PROPOSAL COST (SUM TOTAL OF ALL 10 YEARS) IN NUMERALS:
\$18,846,178

TOTAL PROPOSAL COST (SUM TOTAL OF ALL 10 YEARS) IN WORDS:
Eighteen Million Eight Hundred Forty-Six Thousand and One Hundred Seventy-Eight Dollars

CONTRACTOR SIGNATURE

NAME (PRINTED)



CONTRACTOR SIGNATURE
R. Kevin Ketchum

NAME (PRINTED)

22905 Lockness Ave.
Torrance, CA 90501

ADDRESS
310.534.8436

TELEPHONE NUMBER

* Please refer to notes attached

NOTES

- (1) Please refer to Exhibit "D" of CYM's RFP response dated October 10, 2012. Projected cost is based on the following recommended staffing levels:
 - i. Marina Manager (1)
 - ii. Office Manager (1)
 - iii. Assistant Office Manager (1)
 - iv. Office Assistant (1)
 - v. Dockmaster (1)
 - vi. Lead Maintenance (1)
 - vii. Maintenance (3)
- (2) Projected cost is based on City Cost Formula as to Parts, Supplies, Outside Services.
- (3) Fixed amount adjusted two percent (2%) annually.
- (4) Please refer to Section 6.7 (page 42) of CYM's RFP response dated October 10, 2012. Projected cost is based on estimated Gross Revenues of \$4,200,000.
- (5) Assumes two percent (2%) per annum CPI escalation for income and expenses. Overhead Expense in year one is a fixed amount adjusted two percent (2%) per annum.