

Holiday Island Suburban Improvement District

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TO: HISID Board of Commissioners

FROM: Kevin Crosson, District Manager *ka*

DATE: April 14, 2009

SUBJ: *Discussion, Holiday Island Marina Lease Agreement*

The District is currently entering its final year of a 5-year agreement with Marina Concessions, LLC for the operation of the Holiday Island Marina. Allan and Brenda Krier were originally awarded a 5-year lease on March 1, 2000, with a 5-year contract extension approved on June 28, 2004.

The Holiday Island Marina is currently the only District operation that consistently generates a self-contained profit (Attachment #1). Under the original lease agreement, the District generated a \$45,086 average annual operating profit over the term of the lease; under the current lease agreement, the District generated a \$61,757 average annual operating profit. The Kriers have successfully ensured that the facility has remained 100% occupied since the original award of the lease in 2000.

A common misconception about marina operations, and the Holiday Island marina in particular, is that it is operated on a seasonal basis – in our case, basically from Memorial Day to Labor Day. While it is true that 80% of the usage occurs within this timeframe, it is incorrect to assume that management of the facility occurs within this 4 month period. The Lessee has important responsibilities all year long, including moving the docks as dictated by lake levels, coordinating slip vacancies and rentals, customer service assistance, routine and emergency security checks, wildlife management, billing and collections, and enforcement of Corp of Engineers rules.

From a business standpoint, 2007 and 2008 were exceptionally difficult years, given the extraordinary rainfall and flooding the region experienced. With the current economic crisis, the District needs to retain a qualified, experienced and proven operator at the marina to ensure continued 100% occupancy to the extent possible.

The Kriers are interested in a lease renewal now in order to continue their commitments with their vendors and make capital decisions regarding the replacement of their rental fleet. District staff proposes that the Board of

1. District staff recommends the Board authorize the District Manager to negotiate a lease renewal for an additional 5-year period for Board consideration and approval. The current lessee has a proven track record of performance from a financial standpoint, and has consistently operated the marina with minimal impact on District operations over a 10 year period.
2. If the Board is not inclined to renew a negotiated lease, staff would then recommend the solicitation of Qualifications Statements (Attachment #2) for the selection of a marina lessee. If deemed appropriate, the attached RFQ could be modified to include a price proposal for those candidates that meet the minimum qualifications standards. Selection of a lessee based on competitive bidding would not be recommended for a recreation-based type of service, particularly given the poor economic climate.

Please feel free to contact me at your convenience with any questions or comments regarding this lease. Thank you.

Holiday Island Suburban Improvement District
Marina - Actual Profit/(Loss)
Original Lease Term - March 1, 2000 through January 31, 2005

| | <u>Actual</u> 2000 | <u>Actual</u> 2001 | <u>Actual</u> 2002 | <u>Actual</u> 2003 | <u>Actual</u> 2004 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| INCOME: | | | | | |
| Slip Rentals | 89,591 | 108,172 | 111,202 | 113,122 | 115,380 |
| Misc. Income | 0 | 0 | 0 | 150 | 0 |
| TOTAL INCOME: | 89,591 | 108,172 | 111,202 | 113,272 | 115,380 |
| LESS OPERATING EXPENSES: | | | | | |
| *Current Lease Terms* | 40% | 40% | 40% | 40% | 40% |
| Lease Payment | 35,836 | 43,269 | 44,481 | 45,249 | 46,152 |
| Other/Miscellaneous | 51,184 | 6,647 | 9,814 | 13,150 | 16,404 |
| TOTAL OPERATING EXPENSES: | 87,020 | 49,916 | 54,295 | 58,398 | 62,556 |
| OPERATING PROFIT/(LOSS): | 2,570 | 58,256 | 56,907 | 54,873 | 52,824 |
| <i>Avg. Annual Operating Profit over Term of Lease:</i> | | | | | 45,086 |
| LESS CAPITAL: | | | | | |
| Capital Facilities/Equipment | 7,194 | 30,393 | 0 | 5,177 | 12,782 |
| TOTAL CAPITAL: | 7,194 | 30,393 | 0 | 5,177 | 12,782 |
| TOTAL EXPENDITURES: | 94,214 | 80,309 | 54,295 | 63,576 | 75,338 |
| NET PROFIT/(LOSS): | (4,624) | 27,863 | 56,907 | 49,696 | 40,042 |
| <i>Avg. Annual NET Profit Over Term of Lease:</i> | | | | | 33,977 |

Holiday Island Suburban Improvement District
Marina - Actual/Projected Profit/(Loss)
1st Renewal - February 1, 2005 through January 31, 2010

| | <u>Actual</u> <u>2005</u> | <u>Actual</u> <u>2006</u> | <u>Actual</u> <u>2007</u> | <u>Projected</u> <u>2008</u> | <u>Budgeted</u> <u>2009</u> |
|---|------------------------------|------------------------------|------------------------------|---------------------------------|--------------------------------|
| INCOME: | | | | | |
| Slip Rentals | 121,152 | 125,841 | 134,056 | 140,598 | 141,898 |
| Misc. Income | 0 | 0 | 0 | 5,778 | 0 |
| TOTAL INCOME: | 121,152 | 125,841 | 134,056 | 146,376 | 141,898 |
| LESS OPERATING EXPENSES: | | | | | |
| *Current Lease Terms* | 47% | 47% | 47% | \$57,500 Cap | \$57,500 Cap |
| Lease Payment | 56,941 | 59,145 | 63,006 | 57,500 | 57,500 |
| Other/Miscellaneous | 10,381 | 22,418 | 7,057 | 16,931 | 9,659 |
| TOTAL OPERATING EXPENSES: | 67,322 | 81,563 | 70,063 | 74,431 | 67,159 |
| OPERATING PROFIT/(LOSS): | 53,830 | 44,278 | 63,992 | 71,945 | 74,739 |
| <i>Avg. Annual Operating Profit over Term of Lease:</i> | | | | | 61,757 |
| LESS CAPITAL: | | | | | |
| Capital Facilities/Equipment | 93,734 | 1,973 | 3,990 | 0 | 20,000 |
| TOTAL CAPITAL: | 93,734 | 1,973 | 3,990 | 0 | 20,000 |
| TOTAL EXPENDITURES: | 161,056 | 83,536 | 74,053 | 74,431 | 87,159 |
| NET PROFIT/(LOSS): | (39,904) | 42,305 | 60,002 | 71,945 | 54,739 |
| <i>Avg. Annual NET Profit Over Term of Lease:</i> | | | | | 37,817 |