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DEPARTMENT OF PARKS  
AND COMMUNITY SERVICES

CITY OF SACRAMENTO  
CALIFORNIA

1231 I STREET  
SUITE 400  
SACRAMENTO, CA  
95814-2977

ROBERT P. THOMAS  
DIRECTOR

February 12, 1987

916-449-5200

G. ERLING LINGGI  
ASSISTANT DIRECTOR

DIVISIONS:

CROCKER ART MUSEUM  
GOLF  
METROPOLITAN ARTS  
MUSEUM & HISTORY  
PARKS  
RECREATION  
ZOO

Budget and Finance Committee  
Sacramento, California

Honorable Members in Session:

SUBJECT: Riverfront Commercial Tour Vessel Lease

SUMMARY

This report provides information relating to the provision of commercial riverfront tours in Old Sacramento. This report: (1) requests authorization to reject all proposals relating to the provision of commercial riverfront tours in Old Sacramento in accordance with Section 12.38 of the Sacramento City Code; and (2) requests authorization to negotiate a lease for the Riverfront Commercial Tour Vessel in Old Sacramento with Channel Star Excursions, Inc., in accordance with Section 12.39 of the Sacramento City Code.

BACKGROUND INFORMATION

The Old Sacramento Riverfront Master Plan project includes the reconstruction and revitalization of approximately 4.5 acres of riverfront area. Designed to interpret the 1849 to 1870 period, principal elements of the plan include historic riverfront buildings, floating hulks, and historic ships. Proposed uses for the riverfront area are commercial, tour boats, public open space, and riverfront access. The Specific Use and Leasing Plan approved January 1985 includes historic ships to be moored on the reconstructed riverfront which will contribute to the historic ambience of the area. The Plan includes docking facilities at several locations along the riverfront.

The Department of Parks and Community Services, in cooperation with the Sacramento Housing and Redevelopment Agency, developed a request for proposal for a lease for a riverfront commercial tour vessel in Old Sacramento. On October 14, 1986, the City Council authorized the call for proposals in accordance with the specifications entitled "Invitation to Propose for Riverfront Commercial Tour Vessel Lease in Old Sacramento." Following City Council authorization, an advertising campaign designed to encourage proposals was implemented. Interest in this proposal opportunity was high with 24 firms requesting proposal packages within the first week of the proposal period. Fourteen individuals representing tour vessel companies throughout California attended the pre-proposal conference held on October 29, 1986.

Due to the level of proposer interest and the detailed descriptions required by the RFP, including renderings and financial data of the proposed vessel, City Council authorized on November 5, 1986 extending the lease proposal period to December 9, 1986.

The City received eight proposals for a Riverfront Commercial Tour Vessel Lease. In order to ensure the selection of the best responsible proposer, a selection panel was established with representatives from the Department's Revenue Development and Management Section, Waterfront Management Section, SHRA and the Executive Director of the Museum and History Division. The selection panel was assisted by the expertise of the Executive Director of the Steamer Virginia V Foundation, a Seattle based nonprofit historical society which owns and operates a historic tour vessel on Washington's Puget Sound. Serving in a consulting capacity, the Executive Director, Michael Boston, provided expert guidance regarding the provision of historical riverfront tours.

All proposers were interviewed by the selection panel and were evaluated on their experience maintaining and operating similar or related tour boat operations on government waters; quality and design of proposed western-style riverboat depicting the interpretive period of 1849 to 1870; quality of proposed services and proposed rent to the City.

A comparison of the top three proposals is contained in Exhibit A. The panel was unanimous in recommending that the Riverfront Commercial Tour Vessel lease be negotiated with Channel Star Excursions, Inc., a family-owned, Stockton-based corporation. A check of the proposer's business and credit references and a site evaluation of the proposed vessel further supported this conclusion. Channel Star Excursions has successfully operated a riverfront tour vessel business in Stockton since 1976. The success of this business, operated under a leasing arrangement with the Waterfront Yacht Harbor, clearly indicates that Channel Star Excursions has the proven experience, operational plans and ability to perform above the other proposals. Channel Star Excursions' record of providing quality riverfront tour experiences to the public in a market which is similar to Sacramento and of the scope deemed ideal for the Old Sacramento Waterfront project, is strongly supported by financial records and by key representatives from both the Stockton Chamber of Commerce and the Waterfront Harbor. In comparison, the second-ranked proposer, Messrs. Poole and Kruetel, are experienced primarily in sport fishing and other charter type services with no experience in providing food and beverage services; while Capital City River Boats, the third ranked proposer, is experienced solely in the area of private charters, an orientation which carries over into their Sacramento proposal. Further, Channel Star Excursions is the only one of the top three proposers who currently has an acceptable vessel of a "western style riverboat" depicting the interpretive period of 1849 to 1870. While other top ranking proposers would require approximately one year to construct a vessel, Channel Star Excursions has proposed to bring their existing vessel to Sacramento immediately upon negotiation and subsequent execution of a lease agreement, thereby enabling riverfront tours to begin in conjunction with the upcoming Old Sacramento Waterfront Dedication. Provision of riverboat tours at this time will contribute

to the goal of recreating a thriving, active, and historically representative riverfront area.

In addition to the qualifications above, Channel Star Excursions proposes a menu of services to what they have successfully provided in Stockton for the last decade including narrated sightseeing tours; luncheon, brunch, happy hour and dinner/dancing cruises as well as charters and cooperative ventures with tour groups, conventions and other leisure industry organizations. An extensive marketing plan for Old Sacramento riverfront tours draws heavily on both the proposer's operational, administrative and marketing expertise and network of contacts developed over the past ten years.

Section 12.39 (f) of the City Code authorizes the negotiation of a lease including terms and conditions when the Council finds and determines that special circumstances make the use of the bid procedure inappropriate. The nature of the Old Sacramento Waterfront project dictates crucial consideration of such factors as historical authenticity, quality and design of proposed vessel; scope and nature of services to be provided to the public; management and operation experience of proposer and proposed marketing plan, as well as revenue to the City in the selection of a lessee for the Riverfront Commercial Tour Vessel lease. The selection criteria to determine the best responsive proposer for the Riverfront Commercial Tour Vessel lease, as approved by City Council on October 14, 1986, reflects the importance of these factors in selecting that proposal which is in the best interests of the City. These criteria were applied during the proposal review and interview process. As a result, the review panel is unanimous in recommending negotiations with Channel Star Excursions in accordance with the provisions of Section 12.39 (f) of the City Code.

Pending Council authorization, a negotiating team comprised of a Department of Parks and Community Services Revenue Development and Management staff person, the Deputy City Attorney and the Director of SHRA will begin negotiations with Channel Star Excursions. Once these parties come to terms and conditions acceptable to City Council, staff proposes to return to City Council with that agreement for Council approval. It is anticipated this subsequent report to City Council will occur within a month's time.

#### FINANCIAL DATA

Revenue from this lease will be contingent on the terms negotiated. A comparison of the revenue to the City as proposed by the top three proposers based on their individual sales projections is as follows:

Estimated Rent to City

<u>Proposer</u>	<u>% Rent</u>	<u>Guaranteed Minimum</u>	<u>Estimated Rent to City</u>		<u>Estimated Rent to City</u>	
			<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
			<u>Gross Sales/Rent</u>	<u>Gross Sales/Rent</u>	<u>Gross Sales/Rent</u>	<u>Gross Sales/Rent</u>
Channel Star Excursions	2% of 1st \$40,000; 1 1/2% of 2nd \$20,000; 1% of 3rd \$60,000	\$10,000	\$600,000/ \$11,400	\$690,000/ \$12,800	\$759,000/ \$13,700	\$834,900/ \$14,200
Wm. Poole & Dennis Kruetel	10% tours 5% food & beverage	\$10,000 1st year \$15,000 thereafter	*\$0/\$10,000	\$250,000/ \$25,000	\$312,000/ \$30,000	\$365,000/ \$36,000
Capital City River Boat Cruises	1% 1987-92; 1.75% 1992 on	\$10,000	*\$0/\$0	\$1,015,710/ \$10,157	\$1,186,052/ \$11,860	\$1,420,262 \$14,202

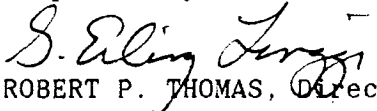
\*Vessel under construction

RECOMMENDATION

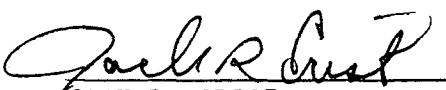
It is recommended that the Budget and Finance Committee review this report and forward it to the full City Council for action. Further, it is recommended that the City Council, by resolution:

1. Authorize the rejection of all proposals relating to the provision of a commercial riverfront tour vessel in Old Sacramento in accordance with Section 12.38 of the Sacramento City Code;
2. Authorize negotiation of a lease for the Riverfront Commercial Tour Vessel in Old Sacramento with Channel Star Excursions, Inc. in accordance with Section 12.39 of the Sacramento City Code.

Respectfully submitted,

*for*   
 ROBERT P. THOMAS, Director  
 Parks and Community Services

Recommendation Approved:

  
 JACK R. CRIST  
 Deputy City Manager

RPT:ja

February 24, 1987  
 District No. 1

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION REJECTING ALL PROPOSALS RELATING TO  
THE PROVISION OF A RIVERFRONT COMMERCIAL TOUR  
VESSEL IN OLD SACRAMENTO AND AUTHORIZING  
NEGOTIATIONS OF A LEASE FOR THE RIVERFRONT  
COMMERCIAL TOUR VESSEL IN OLD SACRAMENTO  
WITH CHANNEL STAR EXCURSIONS, INC.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That the City Council deems that the acceptance of any proposals relating to the provision of a riverboat commercial tour vessel in Old Sacramento is not in the best interests of the City and hereby rejects all proposals relating to the provision of a Riverboat Commercial Tour Vessel in Old Sacramento in accordance with Section 12.38 of the Sacramento City Code.
2. That the City Council finds and determines that special circumstances make the use of the bid procedure inappropriate and intends to commence negotiations of a lease for the Riverfront Commercial Tour Vessel in Old Sacramento with Channel Star Excursions, Inc. in accordance with Section 12.39 of the Sacramento City Code.

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MAYOR

ATTEST:

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CITY CLERK

**EXHIBIT A**

<u>Proposer</u>	<u>Channel Star Excursions</u> Stockton, CA	<u>Wm. Poole and Dennis Kreutal</u> San Diego, CA	<u>Capital City River Boat Co.</u> South Lake Tahoe, CA
<u>Vessel</u>	Matthew McKinley 149 passengers Built 1985	Proposed: 150- 300 passengers, 75' to 80' in length	Proposed: 350 passengers
<u>Availability</u>	In service	In service 1 year from award of contract	In service April 1988
<u>Financial</u>			
<u>% Rent</u>	2% of 1st \$40,000 1 1/2% of 2nd \$20,000 1% of 3rd \$60,000	10% tours 5% food/beverage	1% gross 1987- 1992 1.75% 1992-
<u>Minimum Guarantee</u>	\$10,000	\$15,000 (\$10,000 during 1st year while vessel is under construction	\$10,000
<u>Projections</u>			
<u>Gross Rent</u>	\$600,000 \$11,400 1st year up to \$15,200 in the 5th year	\$250,000 1987-88 \$10,000; 1988-89 \$25,000; \$40,000 by 5th year \$10,000 deposit to be returned after 2 years*	\$1,015,710 1987-88 \$0; 1988-89 \$10,157 \$14,925 by 4th year
<u>Deposit</u>	\$10,000		\$10,000
<u>Term</u>	10 years with two 5-year options	20 years	10 years
<u>Services</u>			
<u>Types &amp; Cost</u>	Cruises: sightseeing tour (\$10/\$5); luncheon (\$20); prime rib dinner (\$27.50); dinner/dance (\$30 & \$40)	Cruises: sight- seeing (adults, \$10; children \$5; seniors \$8;) dinner (\$29); brunch (\$20); Cocktails (Unknown)	Cruises: (adults \$8-\$10; children \$6); buffet dinner/ dance (\$25-\$30)
<u>Food &amp; Beverages</u>	Prepared on board	Food would be via catering arrangement	Leased out
<u>Experience</u>	Has been operating in Stockton since 1976	Sport fishing, whale watching and sight- seeing tours (San Diego) - 1958-present	Director, sales and marketing, High Sierra Casino Hotel; operation of Sierra Tahoe charter vessel
<u>Marketing</u>	\$72,000 1st year Travel agencies Direct mail	\$50,000 1st year	\$350,000 1st year (1988)

\* replaced with \$2,500 first and last month's rent