

**CITY OF OAKLAND
AGENDA REPORT**

FILED
OFFICE OF THE CITY CLERK
OAKLAND
2004 JUL -1 PM 2:07

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Office of Parks and Recreation
DATE: July 13, 2004
RE: Report and Recommendations to Issue a Request for Proposals for the operation of Oakland City Stables and to Proceed with Capital Improvements

SUMMARY

This report provides information regarding the total cost of operating Oakland City Stables, the cost of the capital improvements, expenditures to date, and the possibilities of providing a youth program at City Stables under the leadership of the Office of Parks and Recreation (OPR).

After analyzing the cost of a City-run stable operation that includes boarding and youth programs, staff concludes that such an operation would not be cost covering. Issuing a Request for Proposals will give an opportunity to assess whether there are qualified concessionaires who would be able to establish a quality program without subsidy from the City. In addition, staff recommends proceeding with basic repairs and safety improvements at the stables this summer. Staff plans to return to the Council in November with a recommendation to authorize a concession contract, or to present other options for the stables.

FISCAL IMPACT

Under the City-run operation, City Stables expenditures currently exceed revenues by \$1,911 per month within the self-sustaining revolving fund 1820. Monthly expenditures include \$5,505 for OPR staffing of the stables and \$2,419 for grounds maintenance, which is now part of the park maintenance budget under Public Works Agency (PWA).

Operation of a youth program and assuming a boarding program at full capacity, as discussed later in this report, would impact the revolving fund by an additional \$2,557 for total impact of \$4,468. The \$4,468 monthly impact of the youth program would be the result of the loss of \$4,950 in monthly paddock rental revenue that would be used to subsidize the youth riding activities less \$482 in net income.

California Parks and Recreation Prop 12 Bond Act and the City's Multipurpose Reserve Budget are funding the projected capital improvements.

BACKGROUND

On April 26, 2004, the Office of Parks and Recreation assumed the responsibility of City Stables following the termination of the City's contract with Wildcat Canyon Ranch Youth Program (WCRYP) for failure to obtain liability insurance. On April 27, 2004, staff hired an onsite caretaker and three part-time stable hands to work alternate days and allow days off for the onsite caretaker.

The City has absorbed the cost of WCYRP's unpaid invoices in the amount of \$3,119 for shavings required for stable operations. Mallard Creek, the only vendor for the shavings in Northern California,

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refused delivery to the address until the past due was paid. OPR also incurred a one-time expense of \$2,993 for equipment and minor repairs of safety hazards.

KEY ISSUES AND IMPACTS

Council requested a report on the revenues and expenses of OPR's month-to-month horse boarding operation to understand whether the operation could pay its own way as a boarding facility only.

There are currently 31-boarded animals. Two of the boarders have not paid; one left at the end of May without paying and the other horse is still there with no payment for boarding for May or June. Staff is pursuing the collection of fees according to the City's standard procedures.

Table One provides a statement of monthly income and expenses based on actual boarders paying required fees in May 2004, including administrative, park and part-time staff costs. Table Two presents a cost-covering scenario that involves boarding horses at full capacity and at full fees.

Table One - Actual Boarders May 2004 **Oakland City Stables** **Statement of Income and Expenses**

Income

Boarding Fees		
	Stall Rental (8 in Use @ \$315)	\$ 2,520
	Paddock Rental (23 in use @ \$275)	6,325
Total Income* (assumes collection of 2 delinquent payments)		\$ 8,845

Operating Expenses

Stable Payroll (caretaker and ranch hands)		\$5,505
OPR Maintenance Payroll (one-time)		\$1,557
OPR Administrative Payroll		\$862
Utilities		
	Water	550
	Power	500
	Phone	58
Shavings		347
Feed		1,230
Insurance		147
Total Operating Expenses		\$10,756
Operating Income (Deficit) before one time or periodic expenses		\$ (1,911)

One Time or Periodic Expenditures (May)

Equipment Expense	1,720
Gravel	1,018
Total Expenses (May 2004)	\$13,494

Net Income (Deficit) **\$ (4,649)**

With the recent increase in the unfunded part-time salaries, the estimated monthly expenses will far exceed revenues unless additional income is generated through additional boarders. Table Two shows expected income and expenses at full capacity, with all boarders paying the established rate per the Master Fee Schedule.

Table Two -- Full Capacity
Oakland City Stables
Projected Income and Expenses

Income

Boarding Fees		
	Stall Rental (24 in Use @ \$315)	\$ 7,560
	Paddock Rental (24 in use @ \$275)	6,600
Total Income		\$ 14,160

Operating Expenses

Payroll (Stable and Administrative)		\$ 7,267
Utilities		
	Water	726
	Power	660
	Phone	58
Shavings		458
Feed		1,624
Insurance		147
Total Operating Expenses		\$10,940
Operating Income (Deficit) before one time or periodic expenses		\$ 3,220

One Time or Periodic Expenses

Periodic Maintenance (PWA)		
Equipment Expense		1,720
Gravel Expense		1,018
Total Expenses		\$13, 678

Net Income **\$ 482**

Horse Boarding: The above table does not provide a complete picture of the expenditures, as we do not yet know what annual expenses will be for pest control, routine equipment repair and replacement, and minor repairs and maintenance. Also, we probably will not be able to attract the boarders for full capacity use until some of the planned capital improvements are made.

Year Round Youth Program:

The City Stables Advisory Board and members of the public have identified a need for a youth program at City Stables. Staff consulted experienced stable operators to get an understanding of important factors to consider for youth programs. All agree that no successful educational/recreational program can be offered without securing horses with the appropriate temperament and training, and being attentive to their environment.

Based on that research and the City Stables physical features, 18 school horses would be the desirable number for a program to address the needs of Oakland youth. If the City elects to subsidize the 18 horses for youth programming, the City would lose \$ 4,950 per month in paddock rentals, and outside boarding revenue would be limited to \$ \$ 9,210 per month for the remaining 30 stalls and paddocks. To operate a full service youth program at City Stables, OPR staff or contractors would be required to have a minimum of 5 years experience in working with and understanding the care of horses. In addition, the City would be expected to purchase and own its program horses.

One of the significant challenges is securing adequate insurance for youth programs. The City will not be able to to secure insurance for youth programming until we are able to address direct questions as to who would be served, what type of lessons will be provided and how long the training program will take place. In fact, the insurer that is currently covering the boarding operations has declined to cover youth programs at the stables.

In conclusion, it is difficult to cover costs of a 100% boarding operation; with any combination of boarders and subsidized youth school horses, it is unlikely that the City would be able to operate City Stables as a cost covering enterprise.

Request for Proposals for a Concessionaire:

The question remains as to whether an experienced private concessionaire would be able to generate enough revenue to sustain youth educational/recreational programs along with a boarding stable.

OPR staff has spoken with staff at stables in Portola Valley, Marin County and East Bay Regional Parks District. The program in Portola Valley is comprised of 50% educational programs, allowing a large portion of the revenue to come from riding lessons; the balance comes from the boarders and instruction. Marin County provides only 12% of their horses for the programs and depends heavily on income from the boarding of horses. Anthony Chabot Stables, operated by the East Bay Regional Parks District on Skyline Drive, provides boarding and lessons only. All instructors are outside trainers, pay 10% of gross receipts, and show proof of insurance for teaching and must insure the lesson horses as well.

For an educational and recreational youth program, the long-term goal for a concessionaire and the expectation of the Office of Parks and Recreation would be to create an atmosphere that allows the widest variety of creative equestrian sports programs, offering both private and public lessons. By encouraging creativity, this can be both very attractive to the bidder, the boarders and the community and cost effective for everyone. Programs to be considered include:

- Hosting equestrian shows
- Kids camps, parties and special events
- Programs for the disabled population
- On-going teaching of a comprehensive instruction program on the care of horses and stables
- Opportunities for gardening (organic vegetables and flowers)
- Interpretive nature walks using the stable as an outdoor classroom in partnership with East Bay Regional Park Rangers

Horse camps are fun, an asset to any stable and they also provide the opportunity to involve a larger number of youth. Payment can be on a sliding scale, which would allow the program to be cost effective for the operator, the City and the student, who may not have had the opportunity for such exposure. Clinics and exhibitions are great ways to highlight the stables and to bring in revenue for the operator, and could offset the cost of youth programming subsidized by the City. In programming for youth, there are certainly many ways to enrich the experiences for youth and generate revenue.

The City would need to establish a set of standards and accountability mechanisms for the new operator, and the City would support the operator's efforts to market the programs. Re-connecting with the school district, probation department, non-profit and for-profit groups would add value and generate income for the stables. Relationships should be forged with the Girl and Boy Scouts of America, the Boys and Girls Clubs, the YMCAs and YWCAs, and many other outdoor agencies that could benefit from such a unique setting that is accessible, affordable and fun. OPR would incorporate these values and approach in a Request for Proposals (RFP) to obtain a concessionaire, should the City elect to offer youth programs at City Stables. The process of issuing a RFP, interviewing and selecting a concessionaire, and start-up could take 6-7 months.

Planned Capital Improvement Projects (CIP)

The City currently has \$572,000 set aside for the upgrade and repairs of City Stables. These funds have been allocated since 2003 with \$400,000 coming from a State of California Parks and Recreation Proposition 12 grant and \$172,000 in matching funds from the City's multi-purpose reserve fund. The State deadline to expend these funds is 2008. The current design work is very preliminary and some other constraints may develop.

On May 6 and May 11, 2004, OPR staff met with the Public Works Agency (PWA) and Amphion Environmental to review the master plan and to establish internal priorities for capital improvements based on safety hazards. On May 12, 2004, PWA, OPR and Amphion met with the Advisory Board to discuss capital improvements. In summary, the City and the Advisory Board agreed to move forward in phases.

Summary of Phases:

- Phase One: Repair of stalls, barn doors, and walls. Estimated cost: \$40,000 to \$50,000.
- Phase Two: Prefabricated barn and feed shed. Estimated cost: Less than \$50,000.
- Phase Three: Reconstruct 12 pipe rail paddocks and grading. Estimated cost: \$200,000.
- Phase Four: Construct 12 new paddocks and address the 25% slope to be reduced as much as possible, consuming the remaining funds. Estimated cost: Unknown at this time.

Phase One – Portions of the barn buildings have been noted to be in very poor condition. A repair "in-kind" project will be implemented during the summer to mitigate some of the existing hazards. Repairs will be made to the stalls, barn doors, walls, etc. The value of the contract will be approximately \$40,000 to \$50,000. Public Works will utilize an informal bidding process. The objective of this portion of work is to eliminate some major hazards, and to allow some of the horses to be moved back inside to stalls. This is minimal work that must be done if the stable is to continue operations.

Phase Two – The hay barn and feed shed are in very poor condition and pose a safety hazard at the stables. PWA has agreed that their consultants will prepare a performance specification on the feasibility of installing a pre-manufactured shed to replace the existing facility. The manure barn will also be relocated and will become part of the new shed. The total value of the construction contract is estimated to be less than \$50,000 and will also be issued under an informal contract. This project will run concurrently with the barn repairs and will be implemented during June – October dependent on some permitting issues. This work is also required to maintain safe conditions for people and horses.

Phase Three – The area behind the existing hay barn and feed shed has been identified as an area to reconstruct a total of 12 paddocks (with pipe rails). The amount of earthwork and grading is relatively small in comparison to the other paddock areas. Some drainage and wastewater collection improvements will also be required. Permitting will need to be addressed. Design will start immediately and should be completed over the next two months or so. PWA will need to review the best way to execute a construction contract or contracts to allow work to start by the latter part of summer. The total value of the construction is estimated to be in the range of approximately \$200,000. The objective of this portion of work is to complete the 12 new paddocks before the next winter season so as to allow some horses to move out of the existing paddocks, which are in poor condition.

Phase Four – The remaining funds will be utilized to perform localized, minor grading and other improvements to construct 12 new paddocks below the barn areas. Many site challenges exist and the existing slopes of up to 20% to 25% will be reduced as much as possible. The Advisory Board understands that the configuration of the new paddocks in this area will not necessarily be together and that the pre-manufactured building that they previously envisioned is not within the current budget of the project. This portion of work may not start until after the winter season due the site grading issues.

A construction estimate has not been made as of yet, but the goal is to minimize the greatest expenses, site grading and the import of fill, so as to be able to construct 12 new, individual paddocks.

The PWA is prepared to move forward with the outlined phased work stated above. Staff recommends that Phase I and II proceed, concurrent with the issuance and evaluation of the RFP, in order to *maintain safe conditions, make the site more attractive to prospective bidders and honor a commitment to the Advisory Board and community.* Phase III and IV work should, at a minimum, be discussed with the prospective concessionaire, once the operator has been selected.

Staff will return to Council in November with recommendations for a stable concessionaire and for proceeding with the remaining capital work.

SUSTAINABLE OPPORTUNITIES

Economic: There will be sustainable opportunities for local vendors if they are successful in the bid process and in their delivery of a variety of services.

Environmental: There will be instruction in organic gardening to implement methods that will protect the environment. The outdoor classroom setting gives program users awareness and appreciation of nature.

Social Equity: Low-cost youth programming will make horseback riding, equestrian training and life skills within the reach of disadvantaged and at-risk youth.

DISABILITY AND SENIOR CITIZEN ACCESS

As part of the RFP process, disability and senior access will be required. Facility access improvements have been made and other improvements are being planned.

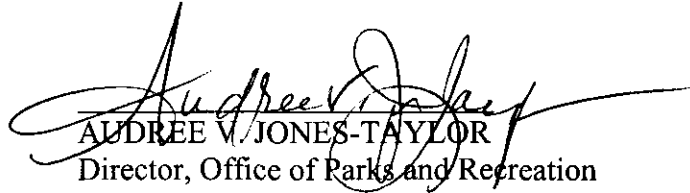
RECOMMENDATIONS AND RATIONALE

Staff requests Council to accept this report and the recommendation to proceed with issuing a Request for Proposal. The RFP process would enable the City to determine whether qualified concessionaires are available to operate City Stables so as to meet a demand for horse stables in the city and to expose youth to program and educational opportunities that they otherwise would not have. Staff further recommends proceeding with the Phase One and Phase Two basic repairs and safety improvements at the stables this summer.

ACTION REQUESTED OF THE CITY COUNCIL

Accept the report and recommendations and provide guidance on key issues to consider in the RFP.

Respectfully submitted,


AUDREE V. JONES-TAYLOR
Director, Office of Parks and Recreation

APPROVED AND FORWARDED TO
LIFE ENRICHMENT COMMITTEE:


Office of the City Administrator

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