

## MEMORANDUM

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**DATE:** August 9, 2022

**TO:** Honorable Mayor and City Commission

**VIA:** James Slaton, City Manager

**FROM:** Stephanie Edwards, Support Services / Recreation Manager

**SUBJECT:** Pilot Services Agreement Amendment – Kayaks and Paddleboards

**SYNOPSIS:** *The City Commission will consider amending the Pilot Services Agreement with Rent.Fun for Kayaks and Paddleboard Rentals.*

### RECOMMENDATION

It is recommended that the City Commission take the following action(s):

1. Approving the Amended Pilot Services Agreement with Rent.Fun.
2. Authorize the City Manager to execute the Amendment on behalf of the City.

### BACKGROUND

City Commission approved the Agreement with Rent.Fun and authorized a \$15,000 activation fee for an 8 unit Kayak and Paddleboard System. The Rent.Fun has been affected by substantial cost increases and delays of the electrical components following their supplier's Covid-related shutdown. Rent.Fun has provided the following information:

#### **“COST INCREASES**

We have been hit with unexpected and substantial cost increases on our electronic components following our supplier's Covid-related shutdown in Shanghai. While we now have access to the supply that we need, our hardware costs have increased substantially, and inflation and gas prices have hit us hard at the same time. To ensure our programs are sustainable for the long-term, we've been forced to increase our list prices. It is now \$15,000 for a 4-unit station, and \$25,000 for an 8-unit station.

#### **4-UNITS STATIONS ARE NOW OUR STANDARD OFFERING**

Furthermore, after an in-depth analysis of utilization patterns across our 10 live locations, we've discovered that 4-units are sufficient to meet the demand in the vast majority of locations, as it is extremely rare for more than 4-units to be checked out at once. (On average, this occurs less than once per month at each of our programs). For this reason, we are now recommending to all of our customers to start with a 4-unit rental station, as 4-unit stations take up less space in your parks and generate just as much revenue as an 8-unit station.

**YOU'RE IN GOOD COMPANY WITH A 4-UNIT STATION.**

Below is a list of customers who have already signed on at the new list price of \$15,000 for a 4-unit station.

South Bend, IN

Warsaw, IN

Olmsted County, MN

Bay City, TX

Lenexa, KS

Mt Dora, FL (pending)

**WE STILL EXPECT 100% COST RECOVERY FOR LAKE WALES.**

Based on average rental revenues from our other programs, we are still confident that Lake Wales will achieve 100% cost recovery (and more) on its investment of \$15,000. As demonstrated by the gross revenue figures below, each of our locations are currently averaging between \$1500 and \$2200 per month.

<b>MONTHLY RENTAL REVENUE BY LOCATION</b>		
	June 2022	July 2022
Warsaw IN - Pike lake	\$1,470.00	\$2,580.00
Warsaw IN - Center Lake	\$1,005.00	\$810.00
Akron, Ohio	\$1,050.00	\$1,730.00
Minster, Ohio	\$1,160.00	\$1,570.00
Genesee County, MI	\$998.00	\$2,145.00
South Bend, IN	\$1,064.00	\$1,029.00
Harvard Town Beach	\$3,700.00	\$5,870.00
La Porte, IN - Stone Lake Beach	\$2,100.00	\$2,060.00
Carbondale IL - Cedar Lake Boat Ramp		<b>\$1,540.00</b>
<b>AVERAGE</b>	<b>\$1,568.45</b>	<b>\$2,148.22</b>

Even if the Lake Wailes location performs **half as well** as our current averages, (aka \$750 per month), with the proposed revenue share arrangement, the City would be collecting \$7200 per year and would make its money back in year 3 of the agreement.

Supporting calculation:

$\$750 \text{ per month} * 12 \text{ month operating season} = \$9000 \text{ per year} * 80\% \text{ revenue share} = \$7200 \text{ per year for Lake Wales, FL. "}$

#### **OTHER OPTIONS**

1. The City Commission may choose to no longer move forward with the Agreement with Rent.Fun
2. The City Commission may choose to move forward with the 8 – unit piece for an additional \$10,000.

#### **FISCAL IMPACT**

The Commission approved the Activation Fee for an 8 - unit system in the amount of \$15,000. The City shall receive 80% of the gross rental revenue received from Watercraft Rentals until the City recoups the Activation in full. After the City recoups the Activation Fee, the City shall receive 20% of program revenue for the duration of the contract.

#### **ATTACHMENTS**

Rent.Fun Agreement Amendment