

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

107



**FROM:** Parks Department

**SUBMITTAL DATE:**  
March 8, 2004

**SUBJECT:** TERMINATION OF LEASE WITH THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FOR RECREATIONAL DEVELOPMENT OF LAKE SKINNER – District III

**RECOMMENDED MOTION:** that the Board:

- 1) Approve the attached Notice of Termination for Lease Agreement between the Metropolitan Water District of Southern California (MWD) and the County of Riverside for Recreational Development of Lake Skinner pursuant to the provision of Section 10 "c) of the Fourth Amendment;
- 2) Authorize the Chairman to execute three copies of the termination notice on behalf of the Board;
- 3) Direct the Clerk of the Board to return two copies of the termination notice to the Parks Department for further processing; and
- 4) Authorize the Parks Director to take all actions necessary to effectuate the Lease termination.

**BACKGROUND:** The Parks Department and MWD entered into a Lease for Recreational Development of Lake Skinner on January 2, 1973. That Lease was subsequently amended on July 2, 1974, July 17, 1975, February 4, 1986, and February 11, 2003.

Attachments: Notice of Termination (3)  
M.O. 3.28 Fourth Amendment to Lease

406-Termination of Lease between MWD & County for Recreational Development SKN

*Paul Frandsen*  
Paul Frandsen, Parks Director

Departmental Concurrence

<b>FINANCIAL DATA</b> n/a	Current F.Y. Total Cost:	\$	<b>In Current Year Budget:</b> Budget Adjustment: For Fiscal Year:
	Current F.Y. Net County Cost:	\$	
	Annual Net County Cost:	\$	

<b>SOURCE OF FUNDS:</b> n/a	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:**

**APPROVE**

*H. Sigmond*

**County Executive Office Signature**

FORM APPROVED  
COUNTY COUNSEL

MAR 09 2004

BY *Jordan V. Woo*

- Policy
- Policy
- Consent
- Consent
- Dep't Recomm.:
- Per Exec. Ofc.:

Prev. Aan. Ref.: | District: III | Agenda Number:

**ATTACHMENTS FILED  
WITH THE CLERK OF THE BOARD**

3.17

COUNTY OF RIVERSIDE  
CLERK OF THE BOARD  
EXECUTIVE

Subject: TERMINATION OF LEASE WITH THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FOR RECREATIONAL DEVELOPMENT OF LAKE SKINNER – District III

The first three amendments modified specific provisions of the original 30-year Lease. The fourth and most recent amendment further modified some provisions, but also greatly reduced the Lease term from 30 years to two, ending on January 2, 2005. During the negotiation of the fourth amendment, the Park District sought to obtain either a long-term lease or a management contract from MWD, but was unsuccessful.

Annual operating deficits of \$200,000 or greater have been incurred at Lake Skinner for a number of years, with revenues generated by other Park District activities subsidizing the losses. However, in 2003 MWD instituted major changes in its regulations for use of the lake, requiring more technologically advanced engines and cleaner fuels for all watercraft. Since the majority of Lake Skinner boating patrons could not meet the new regulations, patronage declined significantly.

Patronage reductions resulted in reduced fee revenues, thereby worsening operating deficits at the site. For the first six months of FY 03/04, the Park District incurred an operating loss of \$153,716. It is projected that total FY 04 operating losses at Lake Skinner will exceed \$300,000. In light of recent directives to reduce expenses, an operating loss of that magnitude is very difficult for the Park District to absorb.

Adding to this problem of expanding operating deficits is the need for significant near-term capital investments at the facility. Immediate improvements to the aging water system are needed, with an initial cost of \$17,000 and subsequent annual expenses of \$10,000 per year. In addition, improvements are needed to the pool, water lines, roads, restrooms, and buildings. Park District staff estimates that capital investments exceeding \$1.7 million will be needed to repair and modernize those infrastructure elements. Approximately two years ago, Park District staff supplied a proposed capital improvement program and cost estimates to MWD at their request, but no action was taken. As approved by your Board, all capital improvement grant funds available to the Park District are fully committed to other parks and facilities, and in light of the short term of the Lease, major capital investments could not be justified.

Section 10 c) of the Fourth Amendment to the Lease provides that in the event MWD does not take actions acceptable to the County to offset anticipated impacts of the new boating regulations, the County may terminate the lease upon the provision of a three-month written notice. Although MWD did provide a limited number of rule-compliant rental boats for Lake Skinner visitors and also allowed a credit for the Park District's use of water at the facility, those efforts have proven insufficient to stem the mounting operating losses. Regrettably, those losses, combined with the capital investment needs described above, make the continued operation of Lake Skinner financially infeasible.

At this point, staff sees no realistic alternative to terminating the Lease. The Park District Advisory Commission endorsed the option to terminate the lease earlier with the three-month written notice at their meeting on March 4, 2004 and recommends the same to your Board. Staff recommends that your Board approve a termination of the Lease effective on July 12, 2004, approximately six months prior to the expiration of the Lease in order to eliminate the severe operating losses.