



# AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING  
Meeting Date: June 18, 2019

Agenda Item 6Y  
**Approvals:**  
City Manager [Signature]  
Dept. Head [Signature]  
Attorney [Signature]  
Finance [Signature]

**Department:** Finance & Administrative Services  
**Prepared By:** Michael Johnston, Management Analyst

**Subject:** *APPROVAL OF LEASE AGREEMENT TO OPERATE THE NORTH BEACH CONCESSION.*

**Fiscal Impact:** Yes. An estimated \$7,500 to \$12,500 increase in annual General Fund revenue. However, this estimate is not built into the FY2019-20 budget.

**Summary:** Following a comprehensive Request For Proposal (RFP) process, staff is recommending the selection of Reef Point Company as the North Beach Concession operator.

**Background:** The City maintains a small concession area in the North Beach Restroom Building that has provided beach concession food and beverages to the public for many years. The concession building has been operated by a three separate concessionaires since 2007.

In 2012, City Council approved the transfer of the concession agreement to Marty Foxman for the remaining 15 ½ year term of the existing lease.

In early 2014, Mr. Foxman indicated his desire to cease operations. A new buyer was identified and a transfer of the lease and equipment was presented and approved by Council action.

The concession was then purchased by Sunny Mehta, who operated the concession under the name of Hearties during the summer of 2014. Mr. Mehta attempted to sell the concession the following year and failed to open for the summer of 2015, until presented with a Notice of Default of Lease, on July 6, 2015. Mr. Mehta subsequently opened the concession in August and operated for approximately 6 weeks before closing the concession for the winter.

Winter storms in early 2016 caused significant sand erosion around the North Beach building, destroying the guardrails on the decking adjacent to the concession site. With the extent of the damage undetermined and no identifiable funding for repairs, the City terminated Mr. Mehta's lease.

**Discussion:** Staff prepared a Request For Proposal (RFP) to identify a concessionaire for the North Beach concession. The RFP was posted on the City's website via Planetbids, and notification of the RFP was published twice in the Orange County Register (April 24<sup>th</sup>, 2019 and April 29, 2019) to solicit local interest.

One qualified bid was received and the bidder was invited to present their proposal to a selection committee comprised of City staff. Following their presentation, staff is recommending Reef Point Company. Reef Point Company was selected based on their response to the RFP, presentation and interview, supplemental questions, and qualifications.

The new concession agreement will require 6% of annual gross receipts with a minimum monthly rent of \$300. An initial term of 3 years is recommended with one three-year extension, subject to review and approval by the City Manager.

**Recommended**

**Action:** STAFF RECOMMENDS THAT the City Council approve and authorize the City Manager to execute the Lease Agreement by and between Reef Point Company and the City of San Clemente to operate the North Beach concession.

**Attachments:** Reef Point Company Proposal

**Notification:** All qualified bidders to RFP



# PROPOSAL

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## North Beach Concession City Of San Clemente

### Reef Point

San Clemente, CA  
949-769-9419  
[reefpointco@outlook.com](mailto:reefpointco@outlook.com)

# North Beach Concession Proposal

Attn:

Michael Johnston  
 City of San Clemente  
 910 Calle Negocio  
 San Clemente, CA 92673

Please find below the proposal for Food Services at the North Beach Concession Building from the local company Reef Point.

## Business Plan

Our goal with the North Beach Concession is to provide locals and visitors with quality concession items that embrace the San Clemente lifestyle. Food items provided will have a strong focus on healthy eating. We want to have food items that people can joyfully eat while enjoying the beach or trail and even after a surf or run. We will ensure our concession stand helps beautify the north beach area such as the Ole Hanson Pool and The Casino have in the recent years. Having strong roots in San Clemente will not only make it effortless but extremely enjoyable to provide an impact in beautifying our gorgeous hometown. We will fully embrace the beach lifestyle with the concession stand and strongly promote ocean awareness and cleanliness. It will be hard to match the enthusiasm of a local resident when it comes to being part of a larger plan to make San Clemente as enjoyable as possible for residence and visitors.

## MENU

Our menu will steer away from greasy foods and offer options that revolve around healthier eating. The target will be for all our items to be easily eaten while at the beach, on the go and before or after enjoying the trail or ocean activities. Many of our items will be organic, and we will have multiple gluten-free, dairy free, vegan, kosher & vegetarian options. Our key menu item will be our delicious and healthy Acai Bowls that are the perfect meal or snack while at the beach. We want to be as appealing as possible to all demographics, from trail joggers, to families enjoying a beach day, to surfers, to train takers and even the elderly couples taking a nice walk on the trail.

### Morning Options:

- Bagels...\$3.00
- Oatmeal Bowls...\$6-\$10 (Vegan)
- Acai Bowls...\$8-\$12 (Vegan, Gluten-Free, Dairy Free, Organic & Vegetarian)
- Fruit Bowls...\$4-\$10
- Trail Mix...\$3
- Healthy Bars...\$2.50-\$4.50
- Coffee...\$3.50
- Milk...\$3.00

Orange Juice...\$3.00  
 Chocolate Milk...\$3.00

Day/Afternoon Options:

Acai Bowls...\$8-\$12 (Vegan, Gluten-Free, Dairy Free, Organic & Vegetarian)  
 Cold Deli Sandwiches...\$7 (Turkey, Roast Beef & Vegetarian)  
 House Salad...\$8  
 Quinoa Salad...\$8  
 Hummus & Pita Chips...\$6  
 Smoothies...\$5-\$8  
 Water...\$2  
 Coconut Water (Real Coconut) ...\$3  
 Cold Brew Coffee...\$4  
 Yerba Mate...\$3.50  
 Vitamin Water...\$3  
 Soft Drinks...\$3-\$4

\*Most morning and afternoon options will be available all day.

**PROPOSED ITEMS**

Items for Sale:

Sunscreen  
 Tanning Lotion  
 Beach Towels  
 Sand Toys  
 Surf Wax  
 Fishing Bait/Tackle  
 San Clemente Souvenirs

Items for Rent:

Umbrellas  
 Beach Chairs  
 Soft Surfboards  
 Bodyboards

Party trays for large groups will be available in addition to group/catering packages for Acai Bowls.

## STAFFING & MANAGEMENT PLAN

Staffing will be adjusted as seen necessary, but it is anticipated to have a minimum of two staff members during average hours and a minimum of three staff members during peak hours. Each shift will always have a Manager present.

### Manager Responsibilities:

- Opening and closing the concession stand
- Supervising other staff members
- Opening and closing cash drawer
- Maintaining supplies inventory
- Ensuring all equipment is running and addressing any repairs needed
- Help coordinate staff work schedule
- Help with all other regular staff member responsibilities

### Regular Staff Member Responsibilities:

- Preparing food orders
- Processing rental items
- Running the cashier
- Help clean interior and exterior of concession stand

## CUSTOMER SERVICE PHILOSOPHY

Our customer service will revolve around providing a great experience through quality items and a fun beach vibe. Cleanliness of the surrounding beach and concession stand will also be a high priority.

The marketing strategy would revolve heavily around social media applications such as Instagram for the younger age groups and Facebook for the broader age groups. We hope to use small temporary attractive signage around the North Beach area such as nice small chalk board signs that can be placed and removed at the beginning and end of each day. -Temp signage

Along with our quick service, quality items, a fun beach vibe and cleanliness, we can also implement punch cards that will award a free acai bowl after the purchase of ten acai bowls. We can also implement a sunset special once a week and/or provide student discounts.

The signature dish will be the "San Clemente Acai Bowl" that will be made with quality unique toppings that are healthy, beachy and nutritional. Toppings in consideration include, passion fruit, star fruit, fresh mango, chia pudding and more. We hope to develop a one of a kind acai bowl that can create a small buzz for North Beach and keep people coming back for more. Love it!

Customer satisfaction will be mainly monitored via tracking returning customers. Yelp and other websites can also be used to help monitor customer satisfaction.

A maintenance schedule for equipment on the premises will be established once the menu is finalized and it will be ensured that maintenance procedures follow all equipment manufacture requirements. In the event of equipment failing to operate, menu items affect will be temporary be removed until equipment is back and running. Rental equipment will also be obtained if needed.

## **QUALIFICATIONS AND EXPERIENCES**

Reef Point Company is a family owned business that was established a year ago and is currently focusing on providing Acai Bowls at special events such as, Marathons, City Street Fairs, Music Festivals and Sport Competitions. As a young and local San Clemente small business, Reef Point is eager to establish a location and begin growing a strong customer base. The current form of vending in quick durations of 1 to 3 days has served as expedited learning experiences that have allowed for the understanding of licensing, health permits, effective of branding, marketing, pricing and the importance of providing excellent customer service in order to be successful.

Key personnel will include Carlos Hernandez, the owner of Reef Point along with Ilse Hernandez, the wife of Carlos, as heads of the operation. Renato Bramen and Janaina Bramen will the other key members that will act as main Managers for the operation. All have been successfully working together on the Reef Point company project over the last year and combined have a total of more than 18 years of experience in the food service industry, including catering, fast food, special events vending and dine-in.

Initial capital will be obtained from the Reef Point's company funds and private funding from Carlos Hernandez. A bank loan can be obtained if deemed necessary.

### **Reference Contacts:**

Betty Roberts, Vendor Manager, OC Market Place, (714) 957-9116 (Reef Point Ref.)

Andy Suckiel, Gen. Manager, McDonalds, (949) 370-6911 (Janaina Ref.)

Christie Cole, Buku Events, info@bukulax.com (Reef Point Ref.)

## **EQUIPMENT AND FURNISHINGS**

Additional items needed in order to operate included a commercial refrigerator, commercial freezer and blender. All equipment shall be kept clean throughout the day and thoroughly cleaned at the end of each day and maintained per manufacture recommendations. Once awarded, and if allowed, options to provide tables with benches or standing tables for customers would be a great option and if space is available giving the fluctuating sand level and tide.

## PRO FORMA AND COMPENSATION

Please refer to the Pro Forma attached. These are conservative numbers with a proposed compensation amount is 9.5% of gross receipts for the City of San Clemente. Please note that this is a foundation from which we expect to grow from.

In summary all key figures of the operation are local San Clemente residents with great pride of our "Spanish Villa by The Sea". Everyone has a great experience, passion, desire and excitement to open an awesome Concession at North Beach. Carlos and Ilse Hernandez have grown up here in San Clemente. Literally living foot steps away on the bluffs that oversee North Beach on the street Buena Vista. Surfing at 204's in the early mornings and enjoying the trail in the afternoons, we are more than confident that we have a full comprehension of the various demographics that enjoy the North Beach area and hope to make it even more enjoyable with the North Beach Concession.

Thank you for the opportunity to provide this proposal. Please feel free to contact us with any questions.

Carlos Hernandez  
Reef Point Owner  
(949)769-9419  
reefpointco@outlook.com





## North Beach Concession Five Year Projection

Yearly Increase Sales	20%		10%		7%		5%	
<b>SALES</b>	Year One	Year Two	Year Three	Year Four	Year Five			
Food	\$ 107,925.94	\$ 129,511.13	\$ 142,462.24	\$ 152,434.59	\$ 160,056.32			
<b>Bar</b>								
Sale of Items	9,102.19	10,922.63	12,014.89	12,855.93	13,498.73			
Rentals	13,003.13	15,603.75	17,164.13	18,365.61	19,283.89			
Alch. Bev.	-	-	-	-	-			
Total Bar	\$ 22,105.31	\$ 26,526.38	\$ 29,179.01	\$ 31,221.54	\$ 32,782.62			
<b>TOTAL INCOME</b>	\$ 130,031.25	\$ 156,037.50	\$ 171,641.25	\$ 183,656.14	\$ 192,838.94			
<b>COST OF GOODS</b>								
Cost of Food	\$ 33,457.04	\$ 36,802.74	\$ 44,163.29	\$ 48,579.62	\$ 55,866.57			
<b>Cost of Bar</b>								
Sale of Items	\$ 3,185.77	\$ 3,504.34	\$ 4,205.21	\$ 4,625.73	\$ 5,319.59			
Rentals	650.16	715.17	858.21	944.03	1,085.63			
Alch. Bev.	-	-	-	-	-			
Total Cost of Bar	\$ 3,835.92	\$ 4,219.51	\$ 5,063.42	\$ 5,569.76	\$ 6,405.22			
<b>Total Cost of Goods</b>	37,292.96	41,022.26	49,226.71	54,149.38	62,271.79			
<b>Gross Profit from Sales</b>	\$ 92,738.29	\$ 115,015.24	\$ 122,414.54	\$ 129,506.76	\$ 130,567.16			
Operating Exp. Increases		7%	12%	7%	8%			
Expenses Fixed Exp Incse		10%	20%	10%	15%			
<b>OPERATING EXPENSES</b>								
Wage Expense	\$ 19,504.69	\$ 20,870.02	\$ 23,374.42	\$ 25,010.63	\$ 27,011.48			
Management	32,507.81	34,783.36	38,957.36	41,684.38	45,019.13			
Total Labor	52,012.50	\$ 55,653.38	\$ 62,331.78	\$ 66,695.00	\$ 72,030.60			
FICA	3,978.96	4,246.35	4,755.91	5,088.83	5,495.94			
FUTA	2,808.68	1,669.60	1,869.95	2,000.85	2,160.92			
SUTA	3,120.75	1,669.60	1,869.95	2,000.85	2,160.92			
Workmen's comp	1,560.38	3,339.20	3,739.91	4,001.70	4,321.84			
Payroll Processing	730.00	730.00	730.00	803.00	803.00			
Total Labor Expenses	\$ 64,211.26	\$ 67,308.13	\$ 75,297.51	\$ 80,590.23	\$ 86,973.21			
Repairs & Maintenance	260.06	278.27	311.66	333.48	360.15			
Office Expense	91.02	97.39	109.08	116.72	126.05			
Telephone	130.03	130.03	130.03	130.03	130.03			
Trash Removal	-	-	-	-	-			
Replacement Allow.	195.05	208.70	233.74	250.11	270.11			
Cleaning & Paper Supplies	260.06	278.27	311.66	333.48	360.15			
Equipment Rental	-	-	-	-	-			
Entertainment/Music	-	-	-	-	-			
Advertising	390.09	417.40	467.49	500.21	540.23			
Licenses & Permits	910.22	1,001.24	1,201.49	1,321.64	1,519.88			
Bank Fees	910.22	910.22	910.22	910.22	910.22			
Flowers, Decoration, Etc	195.05	208.70	233.74	250.11	270.11			
Credit Card Expense	-	-	-	-	-			
Laundry & Linens	-	-	-	-	-			
Legal Fees	390.09	390.09	390.09	390.09	390.09			
Alcohol Beverage Tax	-	-	-	-	-			
Parking	260.06	260.06	260.06	260.06	260.06			
Utilities	3,900.94	4,174.00	4,674.88	5,002.13	5,402.30			
Insurance	1,560.38	1,669.60	1,869.95	2,000.85	2,160.92			
Rent	17,337.50	18,551.13	20,777.26	22,231.67	24,010.20			
CAM Charges	-	-	-	-	-			
Miscellaneous Expense	390.09	417.40	467.49	500.21	540.23			
Total Operating Exp.	\$ 91,392.12	\$ 96,300.64	\$ 107,646.36	\$ 115,121.23	\$ 124,223.97			
<b>NET INCOME</b>	\$ 1,346.17	\$ 18,714.60	\$ 14,768.18	\$ 14,385.53	\$ 6,343.19			