

Attachment D

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DETAILED DISCUSSION

The Resource Management Agency (RMA), now successor Department of Public Works, Facilities, & Parks (PWFP), was assigned responsibility for County Parks in 2016. The Board received reports on the conditions of the Lakes, which generated a request for a business plan for lake operations (Plan). In developing that Plan, it was determined that Lake San Antonio (LSA) was set up to operate more like a County Park whereas Lake Nacimiento was designed to operate more like a resort. County parks tend to have expenses exceed revenues, whereas the resort has potential to make a profit in a favorable water conditions year.

Based on this information, ahead of the development of a Final Plan, the Board approved the removal of LSA from the Enterprise Fund when presented that it was better suited to operate in a similar fashion to a regional County park under the General Fund. With LSA removed from the Lakes Enterprise Fund, negotiations between Basecamp and the County focused on developing a facilities management agreement for resort and recreational areas at Lake Nacimiento. The initial Draft Reservoir Recreational Area Plan for LSA (Draft Plan) was prepared under this context. The Draft Plan was released to the public on March 20, 2019, and shortly thereafter, presented to the Lockwood community, Parks Commission, Parks Ad Hoc Committee, Capital Improvement Committee, and Budget Committee.

Staff continued to work on an Operations Plan based on Board direction. A new Management Agreement with Basecamp for the operation and maintenance of the Lake Nacimiento resort and recreation area went into effect August 1, 2019. This action included the transition of LSA operations to the County that resulted in the loss of 17 support positions. The Board approved one additional position for RMA, but deferred discussion of full staffing until a Plan was completed. The Board provided additional comments on expectations for the Plan, including a request that demographics be included in it.

A draft Lake San Antonio Operations Plan (Plan) was prepared for Board consideration and approval. To maintain existing LSA service levels previously performed by Basecamp, RMA requested a baseline budget adjustment for additional funding for the remainder of Fiscal Year (FY) 2019-20. Capital costs were not included; however, a timeline was developed to create a capital plan for all parks, including LSA. This capital plan was to be brought back for Board consideration after the Plan was adopted and RMA had a better understanding of potential impacts from the major reservoir planned projects (tunnel, spillway) being handled by the property owner, Monterey County Water Resources Agency (MCWRA).

On December 10, 2019, an updated LSA Operations Plan was presented to the Board of Supervisors and the Board was asked to amend FY 2019-20 Adopted Budget, Fund 001, Appropriation Unit RMA104, to increase appropriations by \$1,714,758, financed by an increase in Park Revenues of \$703,530 and a decrease in General Fund Contingencies, Fund 001, Appropriation Unit CAO020 of \$1,011,228, and to amend RMA-Parks Operations, Fund 001, Appropriation Unit RMA104, to add one Parks Building and Grounds Worker II and five Park Service Aide II positions.

The Board did not act on December 10, 2019 resolution and requested staff to return with more information on options for operating LSA, including reducing the annual recurring expenses.

In April 2020, the Chief of Parks and Parks Administrative Operations Manager left County employment. These position vacancies caused a significant delay in bringing the revised Plan to the Board. Over the last several months, PWWP was faced with multiple, significant challenges, including: the COVID-19 pandemic, several large wildfires affecting County Parks, and the dissolution and restructuring of the RMA based on the Citygate report recommendation. As a result of these challenges, no appropriations or budget amendments relative to LSA were requested for FYs 2019-20 or 2020-21. LSA has been operating within the confines of the existing Parks budget. With reduced service offerings, LSA expenses have been successfully absorbed due to the existing attrition rate. However, operating LSA without additional funding in place is not sustainable and has resulted in significant decreases in service offerings and revenues.

Per the Board's request to re-create and present a revised Operations Plan, an analysis was done of LSA's historical operations as well as the recent drought's detrimental effects to the facility's viability. Visitation after the drought never fully rebounded due to reduced services and limited marketing efforts. Despite current visitation and revenue generation, the potential to revitalize the previously viable operation remains.

Current staffing shortages, resulting from the loss of the 17 positions from Basecamp, have created an unsustainable operation with significantly reduced service offerings. At current staffing levels, comprised of five (5) Full-Time Equivalents and four (4) Temporary positions, lodging units sit vacant, entry gates are run on an inconsistent, abbreviated basis, full campground inventory cannot be maintained or opened, retail locations remain closed, and no on-site customer-facing positions are funded. The Guest experience has significantly declined, as indicated in recent on-line reviews and comments to staff. For the first time in recent history, excluding the closure during the severe drought conditions, LSA is now unable to provide required vessel inspection on a consistent daily basis during peak season.

In response to the above challenges and the current state of the operation, staff created four scenarios with varying service offerings and estimated revenues for the Board's consideration. The scenarios presented in Attachment A of this report range from full closure of LSA to the public to provision of additional funding for permanent and temporary/seasonal staffing and operating expenditures to sustainably operate the facility. Additional staffing would allow the operation to increase revenues and investment potential over the upcoming years. Without increases in funding in the short term, service offerings and revenues will continue to degrade making investment and minimization of required General Fund contributions impossible. The scenarios listed in Attachment A include "revenue capture rates" for the entire Parks System as well as LSA's share of expenses and revenues systemwide. It should be noted that the national average revenue capture rate, according to the National Recreation and Parks Association is 25.9%. Pre-COVID-19 conditions produced a systemwide capture rate of 24.5%.

PWWP is now returning to the Board of Supervisors to present additional scenarios for the Board's consideration.