

revenue that would not otherwise be realized. This includes new boats and lodge repairs for units at Lake Nacimiento that currently cannot be rented. For FY 2019/20, capital costs in the Draft Plan total \$4,824,968.

Staffing Plan. Assuming management and operations for Lake San Antonio would require adding eight new positions plus temporary/seasonal support to supplement existing staff levels. For FY 2018/19 the current year estimate assumes utilizing Basecamp for the two months while we transition Lake San Antonio to the County as hire permanent and temporary staff. At this time staff is not requesting additional funds for the remaining two months of FY 2018/19. For FY 2019/20, staffing costs in the Draft Plan total \$1,209,320.

Attachment A to this report provides a summary overview of revenue and expenditures of proposed operations, as well as capital requests for the remainder of this fiscal year and next by each of the Lake facilities. Staff is presenting this plan for input from the Budget Committee. This report identifies a number of options for the Board to consider. Staff will present these options for consideration of the full Board to determine if we continue forward as currently drafted or in some other manner.

DISCUSSION:

On December 13, 2016, the Board of Supervisors approved the integration of the Monterey County Parks Department (Parks) into the Resource Management Agency (RMA). With this integration, RMA assumed responsibility for most of the Monterey County Parks agreements. After RMA was able to gain enough understanding of the Lake operations, it was determined that a new RFP for long-term lake resort management services would be issued. In September 2018, after completion of the RFP process, the RMA made a tentative award to one proposer. As this tentative award is still under negotiation, RMA has negotiated an additional two (2)-month term extension with Basecamp to provide continuity of services during this negotiation phase.

In late 2018, the Board asked RMA to develop an Operations/Business Plan for the lakes with the intent of identifying viable solutions to bring the lakes into a positive net position. On January 15, 2019, the Board was presented with three (3) viable options for the lake operations including: 1) 100% managed by an outside vendor (Status Quo), 2) Transfer of LSA operation into County parks system, and 3) 100% County management of lake operations. Following deliberations, the Board approved Option 2, which included the following actions:

Lake Nacimiento: Remain as enterprise fund and remains open all year. Negotiate an agreement for the third-party management of the resort.

Lake San Antonio: Remove from enterprise fund and County manages this facility as regional park with low impact activities such as camping, boating, fishing, hiking and horseback riding. Staff suggested an initial management strategy, depending on water levels where South Shore would remain fully open during peak season and partially open (weekends) during off season. North Shore would remain fully open during peak season and partially open (weekends) during off season, except the equestrian center could remain open year-round. Higher water levels could warrant keeping the facilities open for longer periods.

RMA developed a Draft Plan based on this option (**Attachment B**). As currently drafted, the proposed Draft Plan provides a business analysis and strategy of operations for North Shore and South Shore to serve as a regional park that includes overnight camping, boating and events. Some reference is also made to Nacimiento operations as County staff will have responsibility for strict oversight of that management agreement and all capital improvements.

The Draft Plan also outlines a strategy for the ongoing management and maintenance expenses of operations at LSA, and capital improvements at Nacimiento. A separate operations plan for Nacimiento will be developed as

part of the third-party management agreement. This analysis proposes to show the anticipated impacts of immediate changes to reduce operating expenses, exploring market trends and productive partnerships to increase patronage to the Lakes, and obtain funding to grow advantageous revenue-generating centers.

As originally intended, the Draft Plan is designed to minimize reliance on general funds for Lakes operations while providing quality recreational services to the community. The goal is for Nacimiento to become self-sustaining as a resort operation under the enterprise fund. This will require the facility to operate under a business philosophy. The County is currently negotiating a third-party agreement for the operation of Nacimiento, while the County retains responsibility of the land and facilities. Deferred maintenance has impacted the ability to generate revenues in certain venues. Initial capital investment will be required to generate revenue that can be used to reinvest in park facilities.

LSA has a large amount of deferred maintenance that has resulted in failing infrastructure and substandard amenities. The Draft Plan starts with strategically investing in areas that will improve the customer experience and result in greater utilization. The Draft Plan also looks to include events at LSA, particularly in the off-season to generate revenue that can help offset costs. With increased usership, there may be opportunities to expand the operation in the future.

Alternative Options:

The Draft Plan focuses on the Board's direction from January 19, 2019. However, it is important to note that there are various alternate options to consider for each facility (Lake Nacimiento, Lake San Antonio- North Shore, Lake San Antonio-South Shore). Alternate options include, but are not limited to, the following:

Agreements - The County can issue a Request for Proposal to seek third-party agreement(s) for one or more aspects of the business operation. This concept would include separate businesses operating their respective business within the resort property. For example, the marina could be operated by a separate business/concessionaire than the lodging, store, restaurant, etc. Each business would be responsible for marketing and operating their individual business. The County would remain in control of the contracts and the overall operation of the property. This concept is similar to the way an airport manages an airport terminal where multiple businesses operate in the airport-owned facility. This concept would require County management staff to manage contracts, and likely a strong County presence in the day to day operations of the Lake.

Management Agreement - The County is currently negotiating a third-party agreement to operate the facility. This setup allows the County to maintain control of the operations. This arrangement is similar to how the Lakes have been operated in recent years. The County of Monterey realizes both gains and losses and maintains ownership and control over the entire operation.

County Management - The County could elect to manage a facility entirely with County staff. This remains a viable option but is not without its challenges. The County could operate the campground and gate with relative ease, but other portions of the business would be more challenging. The County is not in the business of operating retail stores, marinas, or lodging; however, the County has done this before during a lapse in concessionaire operations. The County would need to recruit many employees each year to staff up for summer operations placing a burden on Human Resources. We would need to be agile in our ordering of store inventory and would need multiple service and purchase contracts to adequately operate the resort.

Vacate the Lease - Monterey County Water Resources Agency (MCWRA) owns the land, and Monterey County leases that land to operate Lake recreational facilities. The Board could terminate lease(s) with the MCWRA, which would effectively eliminate our involvement with the Lake operations and would transfer all

interest to the MCWRA. It would then be the responsibility of MCWRA to decide how, and if, they would want to lease those lands. Recreation may or may not continue after such a transfer taking place, but it is not MCWRA's mission or area of expertise and would be a challenge to the organization.

Assign lease for Lake Nacimiento to San Luis Obispo County - Lake Nacimiento is located in San Luis Obispo County. As such, all taxes (sales, TOT, property) generated at Lake Nacimiento go to SLO County. Therefore, an option could include conferring with the County of San Luis Obispo to discuss their interest in assuming operating Lake Nacimiento Resort. This option would require "buy in" from the (MCWRA) since an assignment of the lease would require MCWRA approval. This option would absolve the County of Monterey from resort operations responsibilities.

Day Use Only - There is an option to operate these parks as day use only, probably more effective at Lake San Antonio versus Lake Nacimiento given the nature of operations. The focus of this scenario is to minimize the amount of managed acreage, along with the amount of staff required to operate the facilities. Benefits of reduced management include; the reduction of staff hours spent on managing the acreage and a reduction in the amount of capital expense to maintain the facilities. In effect the lands would become "open space" with no amenities other than parking lots, roads, occasional basic restroom facilities, and some trash service, not unlike Bureau of Land Management (BLM) managed facilities. Any fees would be collected by an iron ranger with occasional trash service to be completed with existing staff and volunteers.

Close Facilities - Lake San Antonio was closed for a period prior to RMA assuming parks in December 2016. The result was deferred maintenance and facilities deteriorating. The Board specifically provided direction to reopen LSA because it serves as the only regional park for South County residents. While not desirable, it remains an option.

OTHER AGENCY INVOLVEMENT:

Staff consulted with the Parks Ad Hoc Committee and County Administrative Office during the development process of this Draft Plan. The draft plan is set for review by the Capital Improvement Committee on April 8th, prior to moving forward to the Board for consideration on April 23, 2019.

Community outreach efforts have been conducted during the development process of this plan. On February 19, 2019, staff held an initial community meeting in Lockwood, CA. to obtain input on future potential uses and events at LSA. Input obtained from that public forum is incorporated within the draft plan, under the "Community Outreach" section and is attached to this report as *Attachment C*. A second public forum is set to take place on March 21, 2019, to review and obtain public input on the draft plan. A copy of the draft plan has been distributed to stakeholders and community members. The public will have an opportunity to provide comments on the draft plan up until mid-April. Comments/input received during this time will be taken into consideration prior to finalizing and submitting the draft plan for Board consideration on April 23, 2019.

FINANCING:

The Draft Plan includes a detailed accounting of the management and financial history for the Lakes. Fund 452 was established in 2011 to capture profits from Lake San Antonio and Lake Nacimiento and reinvest them into the facilities. To date, the fund has failed to be self-sufficient. From FY 2013-14 to FY 2017-18, Fund 452 realized an annual loss ranging from \$1.5 million to \$3 million. A key factor was the unprofitable scale of operations at Lake San Antonio.

An existing third-party Agreement has been extended to April 30, 2019 under the same terms, which addresses facilities at both Lakes. Costs for these management services for the Lakes are included in the FY2018-19 Adopted Budget, Fund 452, Appropriation Unit RMA102.

The plan is designed to move Lake Nacimiento toward being more self-sustaining under the enterprise fund and move Lake San Antonio under Park Operations with the other County parks under the general fund. Due to the accumulation of deferred maintenance, significant capital investment is required for both Lake facilities in order to maintain current levels of operations. Staff has attempted to spread costs out over multiple years to reduce immediate impacts.

If the Board chooses to move forward with a plan that requires capital investment, funding will be required. Staff would look for possible grant opportunities. In addition, the State offers loans for infrastructure improvements (I-Bank) that could be evaluated.

Approved by: Carl P. Holm, AICP, RMA Director

Attachments:

Attachment A - Summary Overview of Revenue and Expenditures

Attachment B - Draft Monterey County Lakes Operations Plan

Attachment C - Community Outreach