



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: RES 19-101, **Version:** 1

- a. Receive a report on the Financial Condition of the Lakes Enterprise Fund;
- b. Receive a report on Tier options for operating Lake San Antonio and provide direction to staff on the option to incorporate into the Reservoir Recreation Plan for Lake San Antonio;
- c. Support RMA recommendation to retain the current level of service at Lake San Antonio through November 30, 2019, while staff finalizes the Reservoir Recreation Plan for Lake San Antonio;
- d. Authorize the Auditor-Controller to amend the Fiscal Year 2019-20 Adopted Budget, Fund 001, Appropriation Unit RMA104, to increase appropriations consistent with Board direction to proceed with either Tier I, by \$933,634, or Tier II, by \$1,232,827, financed by a corresponding decrease in appropriations in General Fund Contingencies, Fund 001, Appropriation Unit CAO017 (4/5 vote required);
- e. Amend RMA Park Operations, Fund 001, Appropriation Unit RMA104, to add one (1) Administrative Operations Manager and one (1) Special Events Manager (4/5 vote required);
- f. Authorize the Auditor-Controller to incorporate the two (2) approved positions in the RMA-Park Operations, Fund 001, Appropriation Unit RMA104; and
- g. Direct the Human Resources Department to implement the changes in the Advantage HRM system.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a report on the Financial Condition of the Lakes Enterprise Fund;
- b. Receive a report on Tier options for operating Lake San Antonio and provide direction to staff on the option to incorporate into the Reservoir Recreation Plan for Lake San Antonio;
- c. Support RMA recommendation to retain the current level of service at Lake San Antonio through November 30, 2019, while staff finalizes the Reservoir Recreation Plan for Lake San Antonio;
- d. Authorize the Auditor-Controller to amend the Fiscal Year 2019-20 Adopted Budget, Fund 001, Appropriation Unit RMA104, to increase appropriations consistent with Board direction to proceed with either Tier I, by \$933,634, or Tier II, by \$1,232,827, financed by a corresponding decrease in appropriations in General Fund Contingencies, Fund 001, Appropriation Unit CAO017 (4/5 vote required);
- e. Amend RMA Park Operations, Fund 001, Appropriation Unit RMA104, to add one (1) Administrative Operations Manager and one (1) Special Events Manager (4/5 vote required);
- f. Authorize the Auditor-Controller to incorporate the two (2) approved positions in the RMA-Park Operations, Fund 001, Appropriation Unit RMA104; and
- g. Direct the Human Resources Department to implement the changes in the Advantage HRM system.

SUMMARY:

The Lakes Enterprise Fund will require a General Fund subsidy to break even, where profits are equal to costs, for Fiscal Year (FY) 2018-19. The Resource Management Agency (RMA) is projecting that the Lakes Resort and Operations Fund will engender an operating deficit of \$1,084,869 (operating revenues less operating expenses) and a deficit cash balance of \$1,943,158 for FY 2018-19. Since the formation of the Lakes Enterprise Fund, the Lakes operations have yet to break even. For the last five fiscal years (FYs 2013-14 through 2017-18), the Fund experienced annual losses ranging between \$1 to \$3 million, requiring General

Fund subsidies. Major contributing factors to this negative financial outcome include heavy reliance on reservoir levels for recreational purposes, unpredictability of the annual weather cycle, and unprofitable scale of operations at Lake San Antonio (LSA).

Monterey County Water Resources Agency (MCWRA) owns and operates two dams, which formed the two bodies of water known as Lake Nacimiento and Lake San Antonio (collectively referred to as “the Lakes.” MCWRA operates these reservoirs to provide flood-control services and to maintain a sustainable water resource for Monterey County residents (current and future), including the Agricultural sector. MCWRA provides an estimated annual reservoir release schedule, but actual releases are governed by annual rainfall.

Droughts are a recurring feature of the California climate. Between Fall 2011 and Fall 2015, California experienced the driest period since recordkeeping began in 1895. This latest drought elicited a formal emergency declaration by then Governor Jerry Brown that began in January 2014 and did not end until April 2017. Periodic droughts hit agricultural-intensive areas like Monterey County particularly hard by increasing the demand for reservoir water for irrigation, which dramatically lowers reservoir water levels. The County’s lease of the Lakes’ land from MCWRA for recreational activities comes with no guarantee of yearly water levels. Consequently, the Lakes operations cannot depend solely on reservoir water levels to attract visitors.

RMA staff recently completed a draft Reservoir Recreation Plan for LSA (Draft Plan) based on the Board of Supervisors decision to transition LSA into the County Parks system and continue Lake Nacimiento operations as a resort under a third-party management agreement. The Draft Plan’s present construction provides a business strategy for operating LSA-North and South Shores as a regional park, including five-year capital plans and a staffing proposal. The total combined cost to implement the Draft Plan is \$6.8 million for FY 2019-20. The Draft Plan also includes references to Lake Nacimiento operations, as RMA staff will provide strict oversight of contractor performance delivery per the terms of the management agreement as well as perform all planned capital improvements.

The Draft Plan has been presented at Community meetings and to the Parks Commission and Budget and Capital Improvement committees for consideration. Input obtained from the committees/commissions and community outreach has been incorporated in the Draft Plan. The Draft Plan will be presented to the Board in early Fall 2019.

Prior to finalizing the Reservoir Recreation Plan for Lake San Antonio, RMA seeks specific direction from the Board on how Lake San Antonio should be operated moving forward. Also, with the peak season underway, to avoid impacting park visitors, RMA staff recommends that the current level of services be continued while management responsibilities are transitioned from the third-party management company to the County. Accordingly, RMA requests an increase in appropriations of \$933,634. For the amount requested, \$150,000 is to request Basecamp continue to staff LSA for the remainder of the peak season from August 1, 2019 through November 30, 2019 to allow for a seamless transition for the County to assume 100% operations and not disrupt park patrons. An additional \$536,537 is to provide funding for existing staff that was budgeted to support Lake Nacimiento (County Park Rangers) funded under the Enterprise Fund. With the approval of the proposed Management Agreement, Basecamp will be responsible for providing security, and the General Fund will no longer receive reimbursement for the staff. Staff is recommending County Park Rangers be reassigned to support those County Parks funded out of the General Fund which will require an increase in General Fund contributions. The remaining \$247,089 is for nine months of salary and benefits for the addition of two new positions: one (1) Administrative Operations Manager (\$167,605 annual salary and benefits) that will be assigned to manage Basecamp, as well as provide oversight of LSA and San Lorenzo Park in King City; and one (1) Special Events Manager (\$161,857 annual salary and benefits) to focus developing a marketing plan for

all County Parks, with emphasis on attracting large special events and a marketing campaign to increase patronage in County Parks. Staff is requesting the addition of these two positions regardless of the Tier selection by the Board, and staff is seeking funding at this time to begin the hiring process. RMA staff is requesting \$933,634 from General Fund contingencies to support the additional staff requested.

DISCUSSION:

Oversight of the Lakes Resort and Operations was delegated to RMA on July 20, 2016, and later officially integrated within RMA by Board action on December 13, 2016. An Agreement with Urban Park Concessionaires (UPC), dba Monterey Lakes Recreation Company (Basecamp), was in place to manage the resort businesses at both Lake Nacimiento and Lake San Antonio. Over the last 2-1/2 years, RMA staff has gained significant “hands-on” experience and direct knowledge of the daily Lakes operations. Concurrently, staff researched the history of the operations dating back to 1954. Managing the enterprise fund to be cost neutral has and continues to present a challenge.

RMA continues to develop and refine models to forecast revenues and expenses at the Lakes based on water levels and attendance, using historical trends and current water levels and reservoir release schedules. The operating deficit forecast reported to the Budget Committee has shifted throughout FY 2018-19 from a low of \$980,736 to a high of \$2,272,355. Although historical trends can be useful, predicting financial outcomes for the Lakes using normal trends is imprecise. At this time, Basecamp has delivered financials through May 2019 and provided estimated gross revenue projections for June 2019. Currently, the estimated deficit is \$1,084,870, which excludes the one-time funding subsidy recommended by the County Administrative Office.

On October 16, 2018, the Board of Supervisors received a report on the Financial Condition of Lake Resort Operations for both Lake Nacimiento and LSA that reflected the need for subsidies since Fiscal Year 2011-12. The Board requested staff to return with a Business Plan for the operation of the Lakes. Subsequently, RMA developed the Draft Reservoir Recreation Plan for LSA and to date has presented it to the local community, Parks Commission, Parks Ad Hoc Committee, Capital Improvement Committee, and Budget Committee.

On January 15, 2019, the Board of Supervisors (Board) selected an option whereby Lake San Antonio (LSA) would transition to be managed entirely by the County, no longer part of the enterprise fund. Lake Nacimiento would continue to operate under a third-party agreement through the enterprise fund. The County would retain responsibility for capital improvements at both facilities. This context served as the basis for a preliminary draft “*Monterey County Lakes Operation Plan*”: Reservoir Recreation Plan for Lake San Antonio (Draft Plan), released on March 20, 2019.

During the budget hearings, RMA presented three tier options for managing services at Lake San Antonio:

Tier I: Reduced Service Levels/Day-Use Facility.

Tier I requires augmented funding and one (1) additional Administrative Operations Manager for the South County area to provide appropriate oversight for all operations and one (1) Special Events Manager responsible for increasing special event use of the Lakes properties throughout the parks system. If selected, this option would result in lower service levels than what Basecamp currently provides. This option would operate the LSA facility as a day-use park, using an iron ranger for park entry fee collection and require all boats to be inspected (quagga and zebra mussel) at Lake Nacimiento prior to launching at Lake San Antonio. Minimal facility maintenance would be performed resulting in further degradation of the facilities. Estimated Cost: \$933,634 for the remainder of FY 2019-20 and an annual cost of \$1,500,000 (includes non-salary operating expenses).

Tier II: Status Quo Services/Overnight Camping Permitted.

Tier II requires augmented funding and eight (8) additional staff positions (1 Administrative Operations Manager, 1 Special Events Manager, 1 Parks Building and Grounds Worker, and 5 Park Services Aides) to maintain current service levels (overnight camping, entry-gate operations, quagga inspections, housekeeping/janitorial, and routine maintenance). Estimated Cost: \$1,232,827 for the remainder of Fiscal Year 2019-20 and an annual cost of \$2,500,000 (includes non-salary operating expenses).

Tier III: Capital Improvement Plan.

Tier III requires funding for capital improvements for both Lake Nacimiento and LSA. RMA is compiling a priority list of capital projects to bring to the Board through the Capital Improvement and Budget committees in early Fall 2019.

With the current management agreement with Basecamp set to expire on July 31, 2019 at the height of peak season, RMA requests that the Board authorize the RMA Director, or RMA Deputy Director of Administrative Services, to negotiate a transition plan with Basecamp that would be effective August 1, 2019 through November 30, 2019 to maintain existing service levels (entry gate, vessel inspections, housekeeping/janitorial, and routine maintenance) to ensure minimal disruption to park patrons at LSA for a cost not to exceed \$150,000. In addition, \$536,537 from the General Fund is necessary to cover existing Ranger salaries and benefits that were budgeted in FY 2019-20 as a reimbursement from the Enterprise Fund. In accordance with the new Management Agreement, Basecamp is responsible for providing security for the Resort and Recreational areas at Lake Nacimiento, resulting in a loss of reimbursement to the General Fund. Staff is requesting additional funding to maintain existing levels of staff that will be reassigned to support other County Parks throughout the County. Over the last few years, the number of County Park Rangers has decreased, down to five (1-County Park Ranger Supervisor, 2-County Park Ranger III and 2-County Park Ranger II). The predominant need for Ranger support has been at the Lakes, more so at Lake Nacimiento than at San Antonio Lake. As a result, there has been reduced Ranger presence in the other County Parks where there is a need for Ranger support. With the transition of security responsibilities in the proposed Management Agreement, the reduced Ranger presence at Nacimiento will allow for an increase presence at the other County Parks. An additional \$247,089 is being requested at this time to hire two additional positions (Administrative Operations Manager and Special Events Manager) prorated for nine months. Both of these amounts are included in the Tier I and II FY 2019-20 cost proposals. During the transition period, RMA will finalize the Reservoir Recreation Plan for LSA to assist the Board in its decision regarding an appropriate long-term tier option and undertake preparations for the County RMA assuming full management activities for LSA. Should the Board elect Tier II, which involves hiring six new positions, in addition to the Administrative Operations Manager and Special Events Manager, the six additional staff could be hired by January prior to peak season start in April 2020. Initial funding for these positions would be required for last six months of FY 2019-20.

OTHER AGENCY INVOLVEMENT:

RMA staff consulted extensively with Basecamp in determining the costs for operations for the period August 1 through November 30, 2019.

FINANCING:

The Lakes Enterprise Fund is projected to end FY 2018-19 with a deficit of \$1,084,869. A subsidy is required to offset this deficit. RMA will return to the Board through the Budget Committee to request a subsidy to offset the deficit after Basecamp provides final financial statements.

FY 2018-19 Expenses are anticipated to be \$6,305,944, \$316,385 above the adopted budget. Factors contributing to the increase in expenses include additional staff costs associated with drafting the Reservoir

Recreation Plan for LSA, higher costs from Basecamp, and increased Fleet charges.

Revenues are anticipated to be \$5,221,075, \$806,343 below the FY 2018-19 Adopted Budget. Factors contributing to the decrease in anticipated revenues include: \$434,405 loss of revenue due to the cancellation of two planned special events and a decrease in Basecamp gross revenue as attendance was down early in the year due to low water levels.

The Lakes Enterprise Fund's cash is projected to end with a negative balance of \$1,943,158, which will require a short-term temporary loan in FY 2018-19. There are outstanding receivables totaling approximately \$1,631,193 from Basecamp for May and June profits and utility reimbursements, which offset a large portion of the negative cash. However, the Lakes also received \$700,000 from the Agricultural Commissioner from FY 2015-16 through FY 2016-17, for the restricted purpose of monitoring and exclusion of Zebra and Quagga Mussel and noxious weed abatement. These cash funds need to be restored to use for the restricted purpose approved by the Board. RMA will bring a request to replenish the cash funds through the Budget Committee to the Board in early fall.

The Recommended Budget for FY 2019-20 does not include funding for staffing and/or capital improvements for the recreational operations at LSA. Approval of the recommended action will require an increase in appropriations in the amount of \$933,634 for Tier I or \$1,232,827 for Tier II in the General Fund 001, Appropriation Unit RMA104, Budget Unit 8150. RMA staff is requesting support for recommended actions to be financed by a decrease in appropriations in General Fund Contingencies, Fund 001, Appropriation Unit CAO017 (4/5 vote required) in the current year. In future years, there will be an overall increase in salary and benefit costs to the General Fund for the reassignment of rangers to County Parks funded out of the General Fund and additional positions requested by staff. RMA will address the increased cost in the General Fund as part of the baseline budget process. Revenues generated by Park fees at Lake San Antonio vary significantly each year depending on water levels and water quality (Algae Blooms) that directly impact patronage at the Park. Over the past five years, revenues generated by Park fees, excluding Special Events, have fluctuated annually from as low as \$149,840 in FY 2015-16 to as high as \$735,640 in FY 2017-18. Over the past three years, the average revenue, excluding Special Events, has been \$537,502. Since the closure of LSA in 2013-14 as a result of the drought, LSA has continued to operate in a negative net position where revenues are not sufficient to offset expenditures.

The County does not need a separate contract to transition services at LSA as the services are covered under the proposed new Lakes Management Agreement, Section 14 Additional Services, which is also being considered by the Board of Supervisors today.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Actions resulting from the recommendation support the Board of Supervisors' Economic Development, Administration, Health & Human Services, and Infrastructure Strategic Initiatives by providing enhanced recreational opportunities for the public through efficient, cost-effective management of County Park facilities and operations.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Approved by: Shawne Ellerbee, RMA Deputy Director of Administrative Services
Approved by: Carl P. Holm, AICP, RMA Director

Attachments:

Attachment A-Analysis on Fiscal Status of the Lake Resorts (2018)

Attachment B-Lake San Antonio Transition Costs by Tier

Attachment C-Resolution

(Attachments on file with the Clerk of the Board)