C I T Y O F M O R R O B A Y
HARBOR ADVISORY BOARD
A G E N D A

The City of Morro Bay is dedicated to the preservation and enhancement of the quality of life. The City shall be committed to this purpose and will provide a level of municipal service and safety consistent with and responsive to the needs of the public.

Regular Meeting - Thursday, April 2, 2015
Veteran's Memorial Building - 6:00 P.M.
209 Surf Street, Morro Bay, CA

Bill Luffee, Chair	Marine Oriented Business
Dana McClish, Vice Chair	Recreational Boating
Alan Alward	Morro Bay Commercial Fishermen's Organization
Gene Doughty	South Bay/Los Osos
Neal Maloney	Waterfront Leaseholders
Lynn Meissen	Member at Large
Ron Reisner	Member at Large
Tom Hafer	Alternate to Alan Alward (MBCFO)
Joe Conchelos	Alternate to Alan Alward (MBCFO)

ESTABLISH QUORUM AND CALL TO ORDER
MOMENT OF SILENCE
PLEDGE OF ALLEGIANCE
CHAIR AND ADVISORY BOARD MEMBER ANNOUNCEMENTS & PRESENTATIONS

PUBLIC COMMENT PERIOD
Members of the audience wishing to address the Board on City business matters other than scheduled items may do so at this time. To increase the effectiveness of the Public Comment Period, the following rules shall be followed:

- When recognized by the Chair, please come forward to the podium and state your name and address for the record. Board meetings are audio and video recorded and this information is voluntary and desired for the preparation of minutes.
- Comments are to be limited to three minutes.
- All remarks shall be addressed to the Board, as a whole, and not to any individual member thereof.
- The Board respectfully requests that you refrain from making slanderous, profane or personal remarks against any elected official, Board member and/or staff.
- Please refrain from public displays or outbursts such as unsolicited applause, comments or cheering.
- Any disruptive activities that substantially interfere with the ability of the Board to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.
- Your participation in Board meetings is welcome and your courtesy will be appreciated.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Harbor Department's Office Assistant at (805) 772-6254. Notification 24 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

A. CONSENT CALENDAR

A-1 Approval of Minutes from Harbor Advisory Board meeting held on March 5, 2015
Staff Recommendation: Approve minutes.

B. PUBLIC HEARINGS, REPORTS, AND APPEARANCES

B-1 Harbor Department Status Report
Staff Recommendation: Receive and file.

C. UNFINISHED BUSINESS

C-1 Review of Harbor Department Rules and Regulations Document and Morro Bay Municipal Code Chapter 15 for Harbor Advisory Board Input and Direction Regarding Prohibiting Careening of Vessels on the Sandspit Except in Emergencies, Limiting the Amount of Repair on Vessels in-Water (25%) that Should Go to a Boatyard, Adding/Strengthening Best management Practices, and Marine Sanitation Devices and Discharge Into the Bay
Staff Recommendation: Review Harbor Department Rules and Regulations document, Morro Bay Municipal Code Chapter 15 and other documentation provided for input and direction on areas noted.

C-2 Update from the Marine Services Facility/Boatyard Ad-Hoc Committee on Committee's Recent Activities, Findings and Recommendations with Regard to the Draft Work Products Received to Date from Lisa Wise Consulting
Staff Recommendation: Receive and file.

C-3 Update from the Capital Improvement Planning Ad-Hoc Committee on Committee's Recent Activities
Staff Recommendation: Receive and file.

D. NEW BUSINESS

D-1 Concession Public Input Meeting Regarding Future Development and Operation of the Morro Bay State Park Marina and Restaurant Concessions
Staff Recommendation: Receive public input, and provide Harbor Advisory Board input, if any, to State Parks and City personnel regarding the State Park Marina and Restaurant redevelopment and dredging projects and future operation of the marina and restaurant concessions.

E. DECLARATION OF FUTURE AGENDA ITEMS

F. ADJOURNMENT

This agenda is subject to amendment up to 72 hours prior to the date and time set for the meeting. Please refer to the agenda posted at the Morro Bay Harbor Department, 1275 Embarcadero, for any revisions or call the department at 772-6254 for further information.

Materials related to an item on this Agenda are available for public inspection during normal business hours at the Harbor Department and at Mill's/ASAP, 495 Morro Bay Boulevard, or online at www.morro-bay.ca.us. Materials related to an item on this Agenda submitted to the Board after publication of the Agenda packet are available for inspection at the Harbor Department during normal business hours or at the scheduled meeting.

AGENDA NO: A-1

MEETING DATE: April 2, 2015

CITY OF MORRO BAY

HARBOR ADVISORY BOARD

SYNOPSIS MINUTES

The regular meeting of the City of Morro Bay Harbor Advisory Board was held Thursday, March 5, 2015 at 6:00 PM in the Veteran's Hall, 209 Surf ST, Morro Bay, California.

ESTABLISH QUORUM AND CALL TO ORDER

Present:	Members:	Alan Alward (MBCFO Rep)
		Gene Doughty
		Bill Luffee
		Neal Maloney
		Dana McClish
		Lynn Meissen
		Ron Reisner
	Staff:	Eric Endersby, Harbor Director
		Lori Stilts, Harbor Business Coordinator

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

CHAIR AND ADVISORY BOARD MEMBER ANNOUNCEMENTS & PRESENTATIONS

Mr. McClish said the 9th annual Big Rock Regatta, hosted by the Morro Bay Yacht Club will take place this weekend.

Mr. Reisner said the annual Dixon Spaghetti Dinner takes place Friday, March 20th at the Morro Bay Community Center, contact the Recreation Department for tickets. He said the annual citywide yard sale happens the third weekend in April, sponsored by Morro Bay Beautiful.

PUBLIC COMMENT

Mr. Drew Jacobson said two weeks ago the charter sail he was on had a catastrophic engine breakdown, and the Morro Bay Harbor Patrol responded with professional, efficient and friendly assistance.

Mr. Michael Roland said the Harbor Patrol has been awesome this year.

Mr. Richard Boren said he lives on a large vessel with his family, and requested the pumpout be given priority space for vessel use by signage or painting the dock.

Mr. Jeremiah O'Brien presented information to the Board against the proposed marine sanctuary on the Central Coast, saying this is an extremely important issue to the community. Discussion by the Board. Mr. O'Brien said people can find information online at Sanctuary Nominations at NOAA.gov.

Councilmember Matt Makowetski said he agrees with Mr. O'Brien that the City Council has not yet formally discussed the proposed marine sanctuary, and that we need to start talking to people about this subject.

A. CONSENT CALENDAR

A-1 MINUTES

Ms. Meissen said a correction should be made to the February 5, 2015 Minutes on her sea lion report, to delete: "scare the sea lions away, and then they might not return to the bay" and add: "discourage the number of sea lions making their homes in this bay." Mr. McClish moved the February 5, 2015 Harbor Advisory Board minutes be approved with the correction. The Motion was seconded by Mr. Alward, and carried unanimously.

B. PUBLIC HEARINGS

B-1 Harbor Department Status Report

Mr. Endersby briefed the Board on the following topics:

Recent City Council Actions
Recent Events
Snowy Plover Fencing
Cable Committee Grant
Emergency Management Earthquake Training
Social Media
Skiff and Surplus Gear Auction
Harbor Patrol Happenings

C. UNFINISHED BUSINESS

C-1 Review of Harbor Department Rules and Regulations Document and Morro Bay Municipal Code Chapter 15 for Harbor Advisory Board Input and Direction Regarding Requiring Insurance for Use of City Facilities, Impoundment of Vessels As an Enforcement Tool, Requiring Insurance for Liveaboards, Restriction of City Slips to Owners/Crew/Guests Only, Language Clean-Up in Certain Sections and Establishing a Defined Appeals Process

Mr. Endersby asked the Board to review the Harbor Department Rules and Regulations document, and the Morro Bay Municipal Code Chapter 15, and other documentation provided, as follows:

B – Policy

1. Requiring vessel insurance for use of City facilities.
3. Use of impoundment of vessels for other than non-payment of fees as an enforcement tool.
6. Insurance required for Liveaboards.
11. Specific reference to City slips for owners/crew/guests only.
15. Cleaning up the section that mentions Associated Pacific and Jim Entwisle.
16. A defined appeal process.

Mr. Endersby reviewed each Policy topic in detail, and stated his recommendations. Discussion by the Board and public on Policy item numbers 1 and 6.

Motion: Mr. McClish moved to form a Liability Risk Management Ad-Hoc Committee to review liability of vessels and Liveaboards on City facilities (Policy Numbers 1 and 6 in the Staff Report). The Motion was seconded by Mr. Alward, and carried with a vote of 6 to 1, with Ms. Meissen voting no.

Chair of the Liability Risk Management Ad-Hoc Committee will be Ms. Meissen, and members will be Mr. Alward and Mr. Reisner, along with other members selected from the public.

Discussion on Policy item number 3: item tabled, and will be carried to a future Harbor Advisory Board meeting.

Discussion on Policy item number 11: Specific reference to City slips for owners/crew/guests only.

Motion: Mr. Doughty moved to accept Staff recommendation to enact a restriction in the Rules and Regulations to access to City slips to slip holder owners, crew, guests and mooring owners/renters requiring skiff access to their moorings. The Motion was seconded by Mr. Reisner, and carried unanimously.

Discussion on Policy item number 15: that the stipulation on the mooring ownership of A2-0-21A and A1-2-7A remain but the Rules and Regulations be amended to eliminate the reference to private individuals or entities.

Motion: Mr. Doughty moved to accept Staff recommendation that the stipulation on the mooring ownership of A2-0-21A and A1-2-7A remain but the Rules and Regulations be amended to eliminate the reference to private individuals or entities. The motion was seconded by Mr. Maloney, and carried unanimously.

Discussion on Policy item number 16: a defined appeal process. Mr. Endersby recommended a defined appeal process for certain administrative decisions of the Harbor Department be enacted that follows an ascending "chain of command" as to the route of an appeal as follows: Harbor Director, City Manager, Harbor Advisory Board (recommendation to City Council), City Council.

Motion: Ms. Meissen moved to recommend the defining of the appeal process as is stated in the Staff recommendations for Policy item number 16 that the route of an appeal shall be as follows: Harbor Director, City Manager, Harbor Advisory Board (recommendation to City Council), City Council. The Motion was seconded by Mr. Doughty, and carried unanimously.

C-2 Update from the Marine Services Facility/Boatyard Ad-Hoc Committee on Committee's Recent Activities, Findings and Recommendations with Regard to The Draft Work Products Received to Date from Lisa Wise Consulting

Mr. Reisner, Ad-Hoc Committee Chair, deferred to the Harbor Director. Mr. Endersby briefed the Board on the Draft Report currently being revised by Lisa Wise Consulting. Discussion by the Board. Mr. Endersby said he did a physical count of all the boats in the bay, which resulted in a total of 450 boats, not counting transient boats. He said the Draft Report should be out for public review by the end of this week.

C-3 Update from the Capital Improvement Planning Ad-Hoc Committee on Committee's Recent Activities

Mr. Endersby said the Ad-Hoc Committee should be meeting within the next couple of weeks to discuss Capital Improvement Planning.

D. NEW BUSINESS

D-1 Review of Harbor Lease Sites with Construction or Other Lease/Lease Site Activity Currently Underway

Mr. Endersby presented a brief oral report to the Board on various lease sites, as listed in the staff report.

E. DECLARATION OF FUTURE AGENDA ITEMS

March Declarations:

State Park Marina Operating Agreement
Proposed Marine Sanctuary Presentation
Harbor Rules and Regulations

Future:

Ad-Hoc Committee on Boatyard/Haulout
Best Management Practices, HAB Review
Coast Guard Building Location Plans
Morro Bay Fish Quota Share and Trawl Permits
Annual Review of All Waterfront Lease Sites
Water Lease Site Improvements Including Dock Configurations
Mooring Field Design and Maintenance
Inspecting Marine Sanitation Devices on All Vessels in Morro Bay Harbor
Planning for Power Plant Property
Sea Lion Abatement in Morro Bay

F. ADJOURNMENT

This meeting was adjourned at 9:25 PM.
Submitted by,

Polly Curtis
Harbor Department

AGENDA NO: B-1

MEETING DATE: April 2, 2015

Staff Report

TO: **Harbor Advisory Board** **DATE: March 25, 2015**

FROM: **Eric Endersby, Harbor Director**

SUBJECT: **Harbor Department Status Report**

RECOMMENDATION

Receive and file.

DISCUSSION

Chumash Heritage National Marine Sanctuary Proposal: On March 6, NOAA completed its sufficiency review of the Chumash nomination proposal and deemed it insufficient for further consideration for sanctuary designation. A copy of the letter from NOAA to the Chumash is included with this report.

CMANC Washington DC Week: This year's conference in DC with the California Marine Affairs and Navigation Conference was March 9-11. Although our contingent of the Mayor, City Manager and Harbor Directed was fully-funded with a generous Cable Committee grant, your Harbor Director contracted influenza and was unable to make the trip. The Mayor and City Manager had productive meetings with the Corps of Engineers, our legislative representatives and NOAA, among others.

Dredging: The dredge ship YAQUINA is funded this year for approximately 20 days of dredging the harbor entrance, starting May 10. While we requested $7M in Federal funding for a whole-harbor dredging episode in Federal fiscal year 2016 (that begins this October), we appear only to be receiving sufficient funding for the YAQUINA to conduct her usual entrance dredging, with $7M possibly slated for fiscal year 2017.

Lifeguard Tryouts: On March 15 we had our annual Lifeguard tryouts. Of the 25 that applied and showed up to test, we'll be hiring five. This year we will be conducting our Lifeguard Training Academy over the weekends of April 17-18-19 and 24-25-26.

Vessel Demolitions: On March 2-6, with contractor Garcia Excavating we demolished the derelict fishing vessel SHILLELAGH at the launch ramp. We also demolished four derelict turn-in vessels - one 38-foot power boat, one 24-foot sailboat, one 24-foot power boat, and one 18-

Prepared By: EE **Dept. Review:** EE

foot runabout. The total cost was $25,340, all of which will be reimbursed under our DBW grants.

Fishing Seasons: Recreational rockfish season opened April 1, giving fisherman one more month in this year's season as compared to last year. This year recreational salmon season, south of Horse Mountain in Northern California, opens April 4. Commercial salmon season will likely open May 1, but has yet to be determined.

Skiff and Surplus Gear Auction: On March 8 the Harbor Department skiff and surplus gear auction netted $1,500.

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
NATIONAL OCEAN SERVICE

Office of National Marine Sanctuaries
1305 East-West Highway
Silver Spring, Maryland 20910

March 6, 2015

Fred Collins
Northern Chumash Tribal Council
67 South Street
San Luis Obispo, CA 93401

Dear Mr. Collins:

Thank you for submitting the nomination for the proposed "Chumash Heritage National Marine Sanctuary." We appreciate your interest in how a national marine sanctuary could assist in meeting conservation objectives for waters adjacent to San Luis Obispo and Santa Barbara counties in California.

This letter is to inform you that the Office of National Marine Sanctuaries has completed its sufficiency review of the nomination. The sufficiency review is the first of three phases of review, and determines if the nomination provides enough of the information required for us to proceed with a more in-depth review. It is followed by phase two, which reviews a nomination against the four national significance criteria and phase three, which evaluates a nomination against the seven management considerations. We have concluded the nomination, as submitted, is not sufficient to move forward with a more detailed review. As you give consideration to potentially resubmitting your nomination there are few clarifying points that may be helpful.

For management consideration #3 it is important that a nomination describe how the current or future uses and activities threaten the area's significance, values, qualities and resources. Providing only a list of uses and activities that threaten the area is not sufficient. With management consideration #4, it is important a nomination describe the ways in which a national marine sanctuary would provide unique conservation and management value for a proposed area or adjacent areas. Nominations should be strengthened with detail on the non-regulatory options a proposed national marine sanctuary could implement to best manage the resources in or adjacent to the proposed area. Management consideration #5 should describe the ways in which a national marine sanctuary could supplement or complement existing regulatory or management authorities in the area. A list of existing regulatory and management authorities for the area is not sufficient.

With regard to management consideration #6, a nomination should make as clear as possible the extent to which any partners have made commitments to the nomination concept, including how those partnerships would aid conservation or management programs for the area. When considering all of these recommendations, note that we encourage any resubmittal of a nomination be provided as a complete package as outlined at http://www.nominate.noaa.gov/. Note as well that any letters of support may be submitted as an appendix beyond the 25 page

limit. Moving support letters to an appendix allows a nomination package to more thoroughly address criteria and management considerations.

As you reconsider your nomination, staff from our West Coast Regional Office (Bill Douros, West Coast Regional Director, william.douros@noaa.gov), as well as our headquarters, stand by to address any questions you have. We encourage you to review other nomination packages we have received and our correspondence with the nominators, which are available on our website.

Sincerely,

Daniel J. Basta, Director

AGENDA NO: C-1

MEETING DATE: April 2, 2015

Staff Report

TO: **Harbor Advisory Board** **DATE: March 24, 2015**

FROM: **Eric Endersby, Harbor Director**

SUBJECT: **Review of Harbor Department Rules and Regulations Document and Morro Bay Municipal Code Chapter 15 for Harbor Advisory Board Input and Direction Regarding Prohibiting Careening of Vessels on the Sandspit Except in Emergencies, Limiting the Amount of Repair on Vessels in-Water (25%) that Should Go to a Boatyard, Adding/Strengthening Best Management Practices, and Marine Sanitation Devices and Discharge Into the Bay**

RECOMMENDATION

Review Harbor Department Rules and Regulations document, Morro Bay Municipal Code Chapter (MBMC) 15 and other documentation provided for input and direction on areas noted.

FISCAL IMPACT

None.

BACKGROUND

Starting last fall, the Harbor Advisory Board considered several areas of the Harbor Department Rules and Regulations and MBMC Chapter 15 (Harbor and Ocean Regulations) for possible revision. At the November 6, 2014 Advisory Board meeting, the Board identified 16 items that it wished to consider at a future date for input on possible revision. Those 16 items were enumerated and categorized into four categories (Definitions, A-Environmental, B-Policy, C-Operational) and staff began bringing them before the Board; first on December 4, 2014 where the Board considered and provided input on the "Definitions" in Chapter 15 of the MBMC, on February 5 where the Board provided input on the "C" list of items that were "operational" in nature, and most recently on March 5 where the Board provided input on the "B" list of items that were "policy-related" in nature.

DISCUSSION

Staff are bringing forward the "A" list items as follows, maintaining the numbering of the individual items from the original list of 16:

Prepared By: EE **Dept. Review:** EE

A – Environmental

9. Prohibiting careening of vessels on the sandspit except in emergencies
10. Limiting the amount of repair on vessels in-water (25%) that should go to a boatyard
13. Adding/Strengthening Best Management Practices
14. Marine Sanitation Devices and discharge into the bay

9. Prohibiting careening of vessels on the sandspit except in emergencies

ISSUE: With Morro Bay's abundance of hard, flat bottom areas exposed at extreme low tides, the practice of "careening," or allowing a vessel to lay on its side on the bottom to do work on it as the tide is out, has historically occurred to a limited degree in Morro Bay. Although not in recent years because the Harbor Department has not allowed it, some of these careening projects have been quite extensive and included full bottom sanding and repainting. In today's environmental and regulatory climates any practice that can or has the potential to spill materials or pollute the environment is regulated in one way or another and must employ best management practices ("BMP's"). This includes maintenance, repair and bottom work on vessels

CURRENT RULE/CODE: Although no vessel project on Morro Bay waters can discharge pollutants to the bay under several local, State and Federal codes, there currently exists no Morro Bay rule or code specifically addressing careening of vessels.

STAFF-PROVIDED INFORMATION: Under the City's "Clean Marina" certification and in accordance with widely accepted industry BMP's, bottom jobs are to be done in a proper boatyard, all hazardous materials used in boat maintenance and repair are to be properly stored and controlled while in use and all sanding material, scrapings and other material coming off of a vessel as a result of maintenance and repair are to be properly controlled to prevent discharge and pollution. In a careening situation out on open sand or mud flats, doing these things properly and in compliance with BMP's isn't possible.

RECOMMENDATIONS: Staff recommends that a prohibition on careening of vessels for repair and maintenance be enacted in Morro Bay, except in the case of extreme emergencies such as a failed through-hull fitting, where pollution will be highly unlikely in the repair and access to a boatyard is not available on a timely basis.

10. Limiting the amount of repair on vessels in-water (25%) that should go to a boatyard

ISSUE: Vessel BMP's, as well as Clean Marina guidelines, stipulate that any maintenance or repair project done on a vessel in the water be limited to involving less than 25% of the vessel's surface above the waterline. This is to ensure that larger projects better suited to a boatyard are done in a boatyard in order to properly contain and control the project to prevent pollution.

CURRENT RULE/CODE: Although no vessel project on Morro Bay waters can discharge pollutants to the bay under several local, State and Federal codes, there currently exists no Morro Bay rule or code specifically addressing the amount of work that can be done on a vessel in-water.

STAFF-PROVIDED INFORMATION: With one small boatyard in Morro Bay that is very limited in what vessels can haul there, options for vessel owners to accomplish moderate projects in Morro Bay are limited.

RECOMMENDATIONS: Staff recommend at this time, without a full-service boatyard that can accommodate the majority of vessels in Morro Bay, this BMP not be codified as a requirement, but remain a BMP recommendation. Requiring extra measures, however, to mitigate larger in-water projects, such as tenting and tarping, are recommended to be codified as a compliance requirement.

13. Adding/Strengthening Best Management Practices

ISSUE: Many BMP's for clean vessel ownership/operation exist, none of which are specifically codified in Morro Bay.

CURRENT RULE/CODE: Section 15.24 of the Morro Bay Municipal Code addresses harbor sanitation in general, and is a "catch-all" for prohibition of various forms of discharge pollution. No reference or requirement to utilizing accepted BMP's for vessel ownership, operation or repair/maintenance exists in our Municipal Code or Rules and Regulations.

STAFF-PROVIDED INFORMATION: By codifying some specific BMP's, expected and reasonable measures meant to reduce pollution will be more relevant, and enforcement of them will be more effective.

RECOMMENDATIONS: Staff recommend our Municipal Code and/or Harbor Department Rules and Regulations be amended to require employment of and compliance with certain accepted BMP's for vessel ownership, operation and repair/maintenance. Those BMP's could include but are not necessarily limited to:

- Mandatory use of vacuum-bag sanders.
- An oil absorbent pad or pillow be kept in a vessel's bilge area subject to engine and fuel leaks at all times.
- Only use of phosphate-free, biodegradable and non-toxic products is allowed for cleaning and "graywater" purposes that can or will result in overboard discharge, and all such products be used in minimal amounts.
- Oil absorbent pads or other containment devices be used around fuel nozzles when fueling to prevent accidental spillage.
- Prohibition of application of any soaps, detergents, emulsifiers or cleaning materials to spilled fuels or oils on the water.
- Prohibition of fueling in slips, at piers or locations other than properly equipped and permitted fuel docks.
- All materials and products used in projects or day-to-day operations shall be stored indoors or in covered containers. If covered containers are used outdoors, they must be

secured and watertight. Open containers in use must have secondary containment to prevent spillage.
- Pet waste shall be properly disposed of, and not allowed to accumulate on vessels, docks, slips or piers.
- All solid, liquid or hazardous waste must be properly and legally disposed of.
- Specific prohibition of fish waste disposal within any City waters.

14. Marine Sanitation Devices and discharge into the bay

ISSUE: Two issues have been raised regarding marine sanitation devices ("MSD's") in Morro Bay waters: (1) should all vessels using Morro Bay waters be required as a general matter to have some type of Coast Guard-approved and operational MSD aboard at all times?; and, (2) are Type I ("LectraSan's" for example) and Type II MSD's that treat and discharge sewage allowed to legally discharge in Morro Bay waters?

CURRENT RULE/CODE: Regarding issue 1, Section 775 (1) of the State of California Harbors and Navigation ("H&N") Code states in the interest of uniform standards and procedures, vessel owners should not be subject to any local or state regulation as to the type of marine sanitation devices installed on vessels, and that marine sanitation device use be in conformance with the Federal Water Pollution Control Act (33 U.S.C. Sec. 1321). Further, H&N Code section 782 (a) states that no vessel is subject to any other state or local government law, ordinance, or regulation with respect to the design, manufacture, installation, or use within any vessel of any marine sanitation device.

Federal law stipulates that if a vessel has a toilet aboard, it must have a Coast Guard-approved MSD capable of preventing direct discharge of untreated waste overboard. Federal law does not stipulate which type of MSD should or can be installed, simply that if one is required to be installed it must be compliant.

Regarding issue 2, unless in a Federal No-Discharge Zone (Morro Bay is not one), Federal law allows Type I and II-treated sewage to be discharged into State waters. H&N Code section 782 (b) states "notwithstanding any other provision of law, nothing in this chapter precludes or restricts a city, county, or other public agency from adopting rules and regulations with respect to the discharge of sewage from vessels."

Morro Bay Municipal Code section 15.24.010 (A) strictly prohibits discharge of any "human or animal excreta" into Morro Bay waters. This section is mute as to whether treated human excreta is allowed, therefore, absent a qualifier it is a prohibition of any discharge, treated or untreated.

STAFF-PROVIDED INFORMATION: Regarding regulation of MSD types and installation, it is staff's interpretation of State and Federal law that the City of Morro Bay has no authority to regulate or require use or installation of a MSD beyond that required by Federal law, which State law defers to. In the case of liveaboards, the requirement to have an approved MSD aboard is a

condition of obtaining a permit for a specific activity (living aboard), and thus falls outside the H&N prohibition of locally-promulgated MSD requirements for the general boating population.

Regarding discharge of treated or untreated waste, it is staff interpretation of State law that the City of Morro Bay does have the authority to enact sewage discharge regulations or prohibitions (treated or untreated), and Municipal Code section 15.24.010 is in compliance with State law. Generally speaking, local laws can be more restrictive than State or Federal ones, but never less restrictive.

RECOMMENDATIONS: It is not recommended that the City of Morro Bay attempt to regulate MSD type or installation on vessels generally, as it would run afoul of State law.

As to Type I and II MSDs, staff recommend Municipal Code section 15.24.010 be amended to clarify that discharge of both untreated and treated sewage of any kind is prohibited. If Type I or II devices were allowed to discharge in Morro Bay, some means and methods of effluent sampling, testing and proof that the units are operating as-designed would have to be established and enforced. In addition, such discharges may be subject to State of California Regional Water Quality Control Board permitting.

CONCLUSION

Staff are seeking public and Advisory Board input on the issues outlined for possible revision of the applicable Harbor Department Rules and Regulations and/or MBMC pertaining to them. Any proposed revisions will be brought to the City Council for consideration at a future date. A copy of the Rules and Regulations and MBMC sections quoted herein are included with this staff report.

ATTACHMENTS

1. Harbor Department Rules and Regulations
2. Morro Bay Municipal Code Section 15.24
3. Harbors and Navigation Code Section 775
4. Harbors and Navigation Code Section 782

EXHIBIT "A"

CITY OF MORRO BAY - HARBOR DEPARTMENT
RULES AND REGULATIONS
FOR VESSELS USING CITY PIERS, DOCKS AND OFFSHORE MOORINGS

INTRODUCTION

The City of Morro Bay directly operates 2 piers, approximately 50 slips and 70 individual moorings. The City also provides a floating dock and anchorage area for transient vessels. City-managed individual mooring sites are in the A2, A1-1 and A1-2 mooring areas as shown in the attached map. The City leases out the A1-3 and A1-4 mooring areas to the Morro Bay Yacht Club and Morro Bay Marina respectively which manage individual mooring assignments in those areas. Most Embarcadero slips and the State Park Marina slips are privately operated with rules and regulations set by the operator. Following are rules and regulations for City-managed facilities and general operation of the Harbor within City limits. The Harbor Department shall mean the Harbor Director, or any designated employee of the City of Morro Bay Harbor Department.

1. MORRO BAY HARBOR DEPARTMENT - GENERAL REGULATIONS

No person shall anchor, moor or secure a vessel or any object within the City of Morro Bay except in designated areas and locations set by the Morro Bay Harbor Department and the Morro Bay Municipal Code. Any vessel or object moored, anchored or secured in violation of this section may be declared a hazard pursuant to California Harbor and Navigations Code Section 523 and shall be relocated to a safe anchorage or berthing location by the Harbor Patrol. The owner will be charged for all costs associated with such relocation and may be subject to impoundment at the fee shown in the Master Fee Schedule. No vessel may exceed 5 MPH speed limit within the Morro Bay City limits with the exception of governmental agencies in the performance of duties. Discharge of sewage is strictly prohibited. No person may liveaboard a non-transient vessel in excess of 4 days without first obtaining a permit as provided for in Morro Bay Municipal Code, Section 15.40.

To use or occupy City docks, City moorings, City Piers, the A1-5 anchorage area or City floating dock a vessel must be registered with the Harbor Department including submission of a signed RENTAL AGREEMENT or transient berthing agreement card.

2. CITY SLIPS

A: General

City slips shall be assigned to commercial fishing vessels as defined in Morro Bay Municipal Code 15.04.150 and Resolution 23-91 of the City of Morro Bay. Rental agreements for use of City slips are not transferable. If a vessel is sold or ceases to qualify for a slip, the agreement is terminated. No city slip agreement holder may allow the use of any city slip by another vessel without the prior permission of the Harbor office. The City may rent any unoccupied slip on a temporary basis.

A commercial fisherman with a qualified commercial fishing vessel, as defined, occupying a City slip may, at the fisherman's discretion, occupy said slip with a second qualified commercial fishing vessel owned by the fisherman in place of the first vessel provided that said second vessel is of an appropriate size for said slip, and that both vessels remain qualified commercial fishing vessels as defined. This allowance will in no way be used by said fisherman for the purposes of transfer of the slip to a second owner or owners of either vessel in order to bypass the commercial slip waiting list by the

second owner or owners.*(Resoluiton 60-13)*

Berthing space behind head floats on City slips will be designated as "head float berth" in the City's Master Fee Schedule and may be assigned to qualified commercial fishing vessels which will be charged at the monthly commercial slip rate. Vessels other than skiffs or qualified commercial fishing vessels desiring to use the "head float berth" will be charged as set forth in the City Master Fee Schedule. This "head float berth rate" may be adjusted annually by the City Council. Head Float Berth spaces will be assigned on a first come, first serve basis with prior approval of the Harbor Department.

B: Waiting List Procedures And Assignment Of Vacant Slips

The City has established a Commercial Slip Waiting List with a refundable fee as set forth in the City Master Fee Schedule and a Recreational Slip Waiting List with a refundable fee as set forth in the City Master Fee Schedule. When a slip vacancy occurs, the slip will be assigned to the next eligible vessel on the commercial slip waiting list. It is the responsibility of all waiting listees to keep the Harbor Office informed of current address and contact numbers. If no response is received after two attempts to contact waiting listee at the address and/or phone number on record with the Harbor Office, then the waiting listee will be passed over until such time as they recontact the Harbor Department.

A vessel and the vessel's owner must meet the definition for commercial fishing vessels to be placed on the commercial slip waiting list and must qualify for the year in which they are offered a permanent slip. A vessel owner may substitute a different vessel and maintain the same position on the list up to one time in any three-year period. Anyone on the commercial slip waiting list for more than 5 years will have to re-qualify as a commercial vessel to remain on the list. Failure to re-qualify the vessel will result in removal from the list and a refund of the deposit.

The recreational slip waiting list would be used in the event the City develops new slips for recreational boaters.

C: Temporary Cancellation Of City Slips And Slip Subleasing

Any City slip agreement holder may, by giving City notice at the Harbor Office of a pending absence and vacation of the slip in excess of 30 days, have their slip fees reduced to 25% of the regular monthly fees listed in the Master Fee Schedule. If the slip holder returns to the slip in a period less than the 30 days and another vessel is occupying the slip under a sublease, the slip holder will have to dock at the T-Piers as space is available. Vessels on the Commercial Slip Waiting List will have priority for subleases. The City will maintain a slip sublease waiting list and will make the vacated slip available to the next available qualified vessel on the slip sublease waiting list if there is no vessel on the Commercial Slip Waiting List which desires a sublease. If a vessel or person on the sublease waiting list declines a slip sublease assignment or if the City is unable to contact the person after two attempts; then that person's name shall be removed from the waiting list. The City may assign any vessel to a vacated slip on a daily basis at the daily transient fee but no subleases will be allowed for a period less than one month. No vessel will be allowed to use any vacated slip either on a transient daily fee or monthly sublease basis without paying in advance. As long as there are vessels on the sublease waiting list, there will be a 3-month maximum for any one vessel to remain in a sublease slip. If there are no suitable vessels on the sublease waiting list or commercial waiting list, a vessel may remain in a sublease slip in excess of 3 months.

If a vessel on temporary cancellation does not occupy the assigned slip for a period of at least 3 months in any 24-month period then the City may terminate the berthing agreement and assign the slip to the next qualified vessel on the commercial slip waiting list.

3. OFFSHORE MOORINGS

A: Moorings - General

Moorings are allowed only in designated locations within the outlined mooring zones or as approved by the Harbor Director and allowed by the Morro Bay Municipal Code. Some mooring locations have tackle and gear owned and installed by the City; most mooring locations have tackle and gear owned and installed by the private party. Each mooring is for one vessel and its associated tender. Floating docks or arrangements other than mooring tackle and gear as outlined and approved by the Harbor Department are prohibited.

Mooring sites A2-0-21A and A1-2-7A were assigned when previous unpermitted floating docks were removed off these moorings. The Harbor Department at its sole discretion shall set maximum vessel size limits for these moorings. Mooring sites A2-0-21A and A1-2-7A are owned by Jim Entwisle and Associated Pacific Constructors respectively and may not be sold, transferred or assigned to new parties. Should Jim Entwisle or Associated Pacific Constructors no longer desire to use mooring sites A2-0-21A or A1 - 2-7A then these moorings shall be removed.

Assigned mooring agreement holders must at all times keep the Harbor Department notified of the vessel which is currently using the mooring site.

If an offshore mooring agreement is terminated for non-payment of rent or failure to inspect mooring gear, the City may take possession of the location and any personal property as outlined in Chapter 15 of the Morro Bay Municipal Code. In such case the Harbor Department may either take the mooring location out of service or install City owned mooring tackle and gear on the location.

B: Moorings - Tackle And Gear Privately Owned

Mooring locations where a private party owns the mooring tackle and gear shall be held under a monthly rental agreement. Said agreement may be assigned to another party, subject to approval of the City of Morro Bay, by making written request to the Harbor Department. The City reserves the right of approval of any assignment and may not approve such assignment if the mooring agreement holder or assignee is in violation of these rules and regulations or has a past due account with the City or if the proposed use of the mooring will violate these rules and regulations or the Morro Bay Municipal Code or safe boating practices as determined by the Harbor Director. The rental agreement shall have a month-to-month term and fees shall be set forth in the Master Fee Schedule under Offshore Moorings.

C: Moorings - Tackle And Gear City Owned

The City will rent City owned moorings on a daily or monthly agreement at fees set forth in the Master Fee Schedule under City Owned Moorings. City owned mooring agreements are not assignable or transferable or to be subleased.

The City may set up a waiting list for City moorings with no fee or deposit required. It is the responsibility of the person on the waiting list to provide the City with a current

mailing address and phone number at all times. If a phone number is disconnected and/or the mail comes back as undeliverable, the person shall be removed from the waiting list. If a person is offered a mooring and refuses it, they shall be removed from the waiting list.

D: Mooring Tackle And Gear Maintenance
The offshore mooring holder shall maintain the tackle and gear to the specifications set by the Harbor Department including biennial inspections meeting the requirements set by the Chief Harbor Patrol Officer. The City will maintain and inspect City owned moorings. Moorings leased to the Morro Bay Yacht Club and Morro Bay Marina will be maintained and inspected by those lessees to meet the specifications set by the Harbor Department.

4. T-PIERS, FLOATING DOCK OR ANCHORAGE AREA

The T-Piers, floating dock or anchorage area shall be available to registered transient vessels on a first come first serve daily basis at fees established in the Master Fee Schedule, except that no vessel may use the anchorage area or floating dock for more than 30 days in any six month period. To maintain safe and efficient Harbor operations, the Harbor Department may relocate vessels or designate specific sites for certain vessels at these facilities at any time.

5. HARBOR DEPARTMENT RESPONSIBILITY TO PROTECT SAFE AND EFFICIENT OPERATION OF CITY-MANAGED FACILITIES

When a vessel enters a mooring or docking facility or anchorage area in the waters of the City of Morro Bay, it immediately comes under the jurisdiction of the City and may be moored or docked or anchored at the direction of the Harbor Department. The Harbor Department may refuse use of City-managed facilities to any vessel or vessel operator who represents, in the opinion of the Harbor Department, a potential to pollute or that potentially threatens the safety and security of City facilities.

When a vessel or vessel operator, who has been denied use of City facilities, continues to use those facilities without permission, that vessel or vessel operator shall be subject to impoundment under Morro Bay Municipal Code 15.56.010 and/or fines for violation of Section 525 of the Harbor and Navigations Code.

Any vessel using City-managed facilities shall operate under its own power and be seaworthy and maintained in good and safe condition as determined by the Harbor Department. Any vessel that requires Harbor Patrol emergency assistance to pump out, take under tow or otherwise care for the vessel more than once in any 12-month period will be subject to termination of its use of City facilities and/or its berthing agreement.

All vessels at City-managed facilities including piers, moorings, docks and wharves must be operable and seaworthy.

> ***Operable*** means capable of maneuvering under a vessel's own power to the Harbor entrance or to an inspection site designated by the Harbor Director and back to its berthing location.
>
> ***Seaworthy*** shall mean the vessel's hull, keel decking, cabin, and mast are structurally sound and generally free from structural rusting, delamination, or dry rot.

If a vessel at any City-managed facility is determined to potentially be not seaworthy or inoperable, at the sole determination of the Harbor Department, then the Harbor Department shall provide the owner of the vessel a 30-day written notice. The notice will either require the owner to prove the vessel is operable as described above, or it may require the owner to prove the vessel is seaworthy by obtaining the opinion of a qualified independent marine surveyor as to the seaworthiness of the vessel at the owner's expense.

If the vessel owner fails to successfully respond to the notice within the 30-day period, the vessel owner will be granted an additional 120 days to make repairs for seaworthiness or to prove the vessel is operable as defined above.

If after this period of time the vessel cannot successfully complete the required test, the mooring or slip agreement shall be terminated or the vessel will be denied further use of City-managed facilities and the vessel may be subject to citation and impoundment as outlined herein or in Morro Bay Municipal Code, Section 15.56.

6. FEES

Fees for use of City-managed facilities shall be set in the City's Master Fee Schedule. All fees are due and must be paid in advance. The Harbor Department may allow billings for qualified and registered vessels with current account status at the discretion of the Harbor Department. Transient fees must be paid in advance provided that the Harbor Department may allow 48 hours after arrival for any vessel to make payment or acceptable arrangements for payment. Transient Vessels not complying with this section within 48 hours of arrival shall be subject to impoundment as specified in Chapter 15, Section 15.56of the Morro Bay Municipal Code.

The City will refund upon request any prepaid unused transient fees in excess of $20. Unused prepaid transient fees of less than $20 may be held as a credit to payee's account. City slips and moorings will be billed on a monthly basis in advance, will be delinquent and subject to a late payment penalty if not paid by the 10th day of the month, whether the tenant receives a bill or not. After a City slip or offshore mooring assignment is made and until the mooring or slip agreement is cancelled or assigned with prior approval of the Harbor Department, the agreement holder shall be responsible for payment of all fees whether the agreement holder occupies the slip or mooring or not. All fees will be adjusted annually as set forth in the Master Fee Schedule. Slip fees shall include electricity services but T-Pier fees shall not and the harbor patrol will limit electric service on the piers to those vessels, which pay the daily use fees. The established electric use fee will be for one vessel only and must be paid prior to use.

The Harbor Department may terminate any vessel's use of City-managed facilities and/or their berthing rental agreement for violation of these requirements or of any other section hereof.

7. DAMAGE TO CITY PROPERTY

Any vessel that causes damage to City property will be responsible for repaying the cost of repair to such damage as determined by the Harbor Department and submitted in a written statement itemizing costs.

8. EMERGENCY MEASURES, CITY HELD HARMLESS

In the event of severe storm or tidal wave, the vessel owner, operator and/or agreement holder will provide preparation and damage prevention protection for their property. The vessel owner or their agent is solely responsible to take all emergency measures possible, and the City does not assume any responsibility for said protection and or damages to the vessel from storm or tidal wave action. The City assumes no responsibility for the safety of any vessel using City-

managed facilities, and will not be liable for fires, theft, loss or damage to said vessel, its equipment, or any property in or on said vessel.

Tenant expressly and by their use of City-managed facilities agrees to hold City and its officers and employees harmless from any claim tenant or any of tenant's crew, guests or agents have against City for damage to the vessel or other property or for personal injury arising from tenant's use of City property or facilities.

9. STORAGE AND SECURING OF VESSELS

Tenders and skiffs will be stored on board larger vessels when possible and are not allowed at City slips and docks except as designated by the Harbor Department personnel. The water space between the shore and City docks shall be used primarily for the storage of tenders, skiffs or dinghies used to serve vessels occupying moorings in a non-commercial mooring zone. Each City mooring holder may berth one tender or skiff (as defined by the Harbor Department) in this manner at no charge. Other users may store tenders skiffs or dinghies on City docks at designated locations with the prior approval of the Harbor Department at a fee of $1.00 per day. No dock boxes, steps or any other installations may be made to City slips, moorings or other facilities without prior permission from the City. No rafting or storage of more than one vessel on any slip, mooring or anchorage is allowed without the permission of the Harbor Department. Temporary storage of crab or fish receivers may be allowed with the prior written permission of the City. It is the responsibility of each vessel owner or operator to safely secure that vessel to its berthing. Vessels shall be secured in their berths, moorings or anchorage in a manner acceptable to the City or the Harbor Department personnel may adequately secure the vessel and assess a service fee.

10. FISH UNLOADING OR SALES

Fish may be unloaded off City piers and slips only by the owner or operator of the commercial fishing vessel which caught the fish. Operations including commercial truck loading by fish processors or fish buyers are prohibited from City piers and docks, including the boat launch ramp. Commercial unloading of any cargo or materials (including kelp) requiring special heavy vehicles (such as crane, boom or stake bed trucks) is prohibited without the prior permission of the Harbor Department. Permission by the Harbor Department may be contingent on provision of an insurance certificate and payment of a fee.

Commercial fishermen may sell their catch only from their vessels at city slips and docks provided they are in conformance with these rules and regulations, State and Federal law, providing that such sales shall not negatively impact the safe or efficient operation of the harbor, at the discretion of the Harbor Department. Signage shall be minimal and fish sold from vessels must be fish that was caught by the vessel owner.

11. VIOLATIONS OF THE MORRO BAY MUNICIPAL CODE OR OF THE RULES AND REGULATIONS

Violations of Chapter 15 of the Morro Bay Municipal Code, the Harbor and Navigations Code or these Rules and Regulations are punishable by fines as follows:

1. Violation of MBMC 15.12.010, prohibiting operation of a vessel in excesses of 5 MPH, or in a manner which causes damaging wake within Morro Bay Harbor. $100 first offense, $200 second offense and each offense thereafter.

2. Violation of MBMC 15.24.010, prohibiting discharge of waste or refuse from vessels and prohibiting allowing vessels materials waste or refuse to remain on shorelines within City limits. $200 first offense, $500 second offense and each offense thereafter.

3. Violation of MBMC,15.32.010, establishing rules and regulations for City wharves, piers and docks by resolution of the City Council. Violation of Harbor Rules and Regulations: first offense $100 second offense and each offense thereafter $200.

4. Violation of MBMC 15.40.030, requiring a permit for occupying or owning a liveaboard vessel in Morro Bay Harbor. First offense $100, second offense and each offense thereafter $200.

5. Violation of Harbor and Navigations Code Section 525, prohibiting abandoning a vessel without the facility owner's permission: $500 first offense, $1500 second offense and each offense thereafter.

For any violation of the Morro Bay Municipal Code or these Rules and Regulations for which a citation is not issued, or for which a vessel is not impounded, the City may provide written notice to tenant to correct such violation. Failure to comply with such written notice may subject the tenant or violator to suspension of future use of City-managed facilities and or termination or cancellation of a mooring or berthing agreement. For example: use of sub standard electrical cords or equipment after one warning may result, at a minimum, in suspension from use of City-managed facilities for 30 days.

12. STORAGE AND ELECTRICAL SERVICE

No storage of supplies, materials, accessories, fishing gear or debris will be allowed on piers or slips. No charcoal fires or open fires of any kind will be allowed on any City-managed facility. Electrical power cords must meet the standards of NFPA and the National Electric Code as determined by the Harbor Department. The Harbor Department may make exceptions during temporary supervised projects. No doubling off a unit is allowed.

13. OPERATIONS FROM CITY FACILITIES

No sport fishing, tour boat, charter boat or rental business operation shall be conducted from any City slip, pier, street end dock, mooring, anchorage or other City facility or beach except as specifically allowed under a lease or license agreement. Occasional charters for environmental research or commercial fishing research related purposes by qualified commercial fishing vessels in an assigned City slip may be allowed only by prior approval of the Harbor Department and at the Harbor Department's sole discretion.

14. SOUTH T-PIER HOIST

A. No fish, shellfish or seafood products are to be unloaded with the hoist except in the following cases:

1. All other commercial fish unloading facilities in the Morro Bay area are closed, overloaded, or unable to off-load the boat of the requesting party.

2. That the unloading by one of the commercial unloaders, in the Morro Bay area, would be untimely and cause extreme hardship or loss to the requesting party.

B. A key deposit of $20 or a valid driver's license may be required.

C. A fee set by the Master Fee Schedule shall be by the hour for any part of an hour with a one-hour minimum.

D. No overweight use of the hoist is allowed and the Harbor Department may refuse use of the hoist to any party for any reason to insure proper safe and efficient use of Harbor facilities.

15. TIDELANDS PARK SIDE TIE DOCK, STREET END DOCKS AND BOAT LAUNCH RAMP

The Launch Ramp boarding floats are for temporary tie-up while launching and retrieving a vessel only. The Tidelands Park side tie dock shall be a 3 hour maximum tie up in any 24 hour period facility and may not be used for tie up from 10:00 p.m. through 4:00 a.m.. Vessels which exceed the three hour tie up limit in any 24 hour period, or are tied up to the Tidelands Park side tie dock between the hours of 10:00 p.m. through 4:00 a.m., shall be in violation of these Rules and Regulations and subject to citation and fines as outlined in Section 11 hereof. Tenders and skiffs assigned the inside portion of the Tidelands Park side tie dock under Section 9 hereof shall be exempt from the time limits above.

In an emergency or when all other available facilities are occupied, the City may, at the sole discretion of the Harbor Department, waive the 3-hour time limit on the Tidelands Park side tie dock. In that case, the Harbor Department shall issue a special permit at fees established in the City Master Fee Schedule for a period not to exceed 7 continuous days and said permit shall be displayed in open view on the permitted vessel.

No vehicle shall park or use any parking space in the boat Launch Ramp in excess of 72 hours. The Harbor Patrol shall monitor and enforce rules and regulation for the boat Launch Ramp parking lot to ensure that it is available for boaters. No storage or haul out is allowed in the Launch Ramp parking lot. Repairs and mechanical work are not allowed in the Launch Ramp parking lot except those minor immediately necessary jobs which will not result in any discharge or disposal of contaminants, as approved by the Harbor Patrol. Double stalls at the boat Launch Ramp are for trailers and towing vehicles only. Single vehicles without trailers attached using the double stalls shall be in violation of these Rules and Regulations. Double stalls shall be painted yellow. Parking time limits and regulations within the parking lot shall be appropriately signed and designated.

Use of floating docks at the end of Morro Bay Blvd., Harbor St. and Anchor St. and the Launch Ramp shall be limited to transient tie-ups by recreational boats. No overnight tie-ups will be permitted. Maximum duration of tie-ups at these docks shall be for a period not to exceed 3 hours per day. Shore fishing and angling shall not be permitted from the viewing platforms or the floating dock at the ends of Harbor St., Morro Bay Blvd., Marina St. and Anchor St.

The launch ramp docks are for temporary tie-up while launching and retrieving a vessel only. No vehicle shall park or use any parking space in the boat launch ramp in excess of 72 hours. The Harbor Patrol shall monitor and enforce rules and regulations in the boat launch ramp parking lot to ensure it is available for boaters. No storage or haul out is allowed.

16. PRIOR CITY RESOLUTIONS

A. Incorporation of Prior Resolutions:

City of Morro Bay Resolutions #112-89, 23-91 and 60-13 are incorporated into these rules and regulations by reference.

B. Rescinding of Prior City Resolutions:
Adoption of these rules and regulations shall serve to rescind City of Morro Bay Resolutions # 115-67, #30-74, #1-75, #66-78, #85-80, #86-80, #09-81, #27-82, #72-82, #123-82 #124-82, #19-83, #58-83, #59-83, #60-83, #95-83, #122-83, #8-84, #125-84, #90-85, #61-86, #85-87, #11-89, #76-89, #104-92, #83-97, #115-98.

Chapter 15.24 - HARBOR SANITATION

Sections:

15.24.010 - Refuse discharge prohibited.

A. No person shall discharge, or permit or allow any other person on a vessel under his control or command to discharge any human or animal excreta into the waters of Morro Bay.

B. No person shall throw, discharge, deposit or leave or cause, suffer or permit to be thrown, discharged, deposited or left, either from the shore or from any pier or vessel any refuse matter of any description, into the navigable waters of Morro Bay or on the shore of Morro Bay or any navigable water within the boundaries of the city where the same may be washed into Morro Bay or such navigable water, either by tides, by floods or otherwise.

C. No person shall place or allow vessels, boats, materials, garbage, refuse, timber or waste matter of any description to remain on or upon the shorelines of the Pacific Ocean or on the shorelines of Morro Bay within the city. The harbor director may remove the same with or without notice, at his option, and the cost thereof may be recovered from any person owning the same, or placing same or causing same to be placed on the shoreline.

(Ord. 364 § 1 (part), 1989: Ord. 119 § 1 (part), 1974: prior code § 9405.1)

15.24.020 - Flammable material discharge prohibited.

No person shall pump or discharge from any vessel or tank into the waters of Morro Bay, oil, spirits or any flammable liquid, or deposit any rubbish, refuse matter or articles of any offensive character therein or upon any pier or street leading to such facility.

(Ord. 119 § 1 (part), 1974: prior code § 9405.2)

15.24.030 - Dead animals.

No person shall throw, place or leave any dead animal, bird or putrefying matter into or in the waters of Morro Bay, or on or along the shore thereof or the shore of any tidewater within the city.

(Ord. 119 § 1 (part), 1974: prior code § 9405.3)

15.24.040 - Live bait receivers defined.

A "live bait receiver" is an object for confining live bait which is afloat in the water of Morro Bay or the Pacific Ocean, either moored to a pier, bulkhead or seawall, or moored by means of an anchor or other weight to the bottom of the bay or ocean; provided, however, that a live bait receiver shall not be deemed to be a "structure" within the meaning of Chapter 15.20 of this title.

(Ord. 119 § 1 (part), 1974: prior code § 9405.4)

15.24.050 - Bait receiver—Permit—Required—Issuance.

No person shall install or operate within the waters of Morro Bay any bait receiver without first obtaining a permit and paying a fee as established in the Master Fee Schedule. No permit shall be issued until the design of the receiver is approved by the harbor director and the community development director. All applications for permits provided for herein shall be made to the harbor director and accompanied by plans showing the design of the receiver.

(Ord. 364 § 2 (part), 1989: Ord. 225 § 92, 1982; Ord. 119 § 1 (part), 1974: prior code § 9405.5)

15.24.060 - Bait receiver—Permit—Suspension or revocation.

A permit for a bait receiver shall be issued for an indeterminate period. Any permit for a live bait receiver shall be revoked by the city council if the receiver is in a state of disrepair, does not comply with the requirements of this chapter, has become a source of pollution of the bay, or is a nuisance or becomes detrimental to persons or property in the vicinity. The permittee shall be given written notice of the intention to revoke the permit at the address shown on the permit not less than five days before the matter is to be considered by the city council. Such notice may be delivered to the permittee personally or by first class mail with postage prepaid.

(Ord. 119 § 1 (part), 1974: prior code § 9405.6)

HARBORS AND NAVIGATION CODE
SECTION 775-786

775. (a) The Legislature hereby finds and declares all of the following:

(1) Marine sanitation devices should be regulated pursuant to uniform standards and procedures, and California vessel owners should not be subject to any local or state regulation as to the type of marine sanitation devices installed on their vessels.

(2) The proper use of marine sanitation devices is critical to the protection of water quality throughout California, and use of marine sanitation devices is required to be in conformance with the Federal Water Pollution Control Act (33 U.S.C. Sec. 1321 et seq.).

(3) For proper utilization of retention-type marine sanitation devices installed in conformance with the federal Water Pollution Control Act and for the protection of the quality of the waters of this state, adequate vessel pumpout facilities are essential.

(b) It is the intent of the Legislature that every vessel with a toilet shall comply with federal standards for marine sanitation devices.

782. (a) Excepting laws regulating the discharge of sewage into or upon the navigable waters of any lake, reservoir, or freshwater impoundment of this state, and notwithstanding Section 660, no vessel, as defined in subdivision (e) of Section 775.5, is subject to any other state or local government law, ordinance, or regulation with respect to the design, manufacture, installation, or use within any vessel of any marine sanitation device.

(b) Notwithstanding any other provision of law, nothing in this chapter precludes or restricts a city, county, or other public agency from adopting rules and regulations with respect to the discharge of sewage from vessels.

(c) State and local peace officers may enforce state laws relating to marine sanitation devices and may inspect vessels if there is reasonable cause to suspect noncompliance with those laws.

(d) A state or local peace officer who reasonably suspects that a vessel is discharging sewage in an area where the discharge is prohibited may board that vessel, if the owner or operator is aboard, for the purpose of inspecting the marine sanitation device for proper operation and placing a dye tablet in the holding tank.

AGENDA NO: C-2

MEETING DATE: April 2, 2015

Staff Report

TO: **Harbor Advisory Board** **DATE: March 25, 2015**

FROM: **Eric Endersby, Harbor Director**

SUBJECT: **Update from the Marine Services Facility/Boatyard Ad-Hoc Committee on Committee's Recent Activities**

RECOMMENDATION

Receive and file.

DISCUSSION

The Marine Services Facility/Boatyard Ad-Hoc Committee will be presenting an oral update on their activities and progress, if any. This is a standing committee report agenda item.

Prepared By: EE **Dept. Review:** EE

AGENDA NO: C-3

MEETING DATE: April 2, 2015

Staff Report

TO: **Harbor Advisory Board** **DATE: March 25, 2015**

FROM: **Eric Endersby, Harbor Director**

SUBJECT: **Update from the Capital Improvement Planning Ad-Hoc Committee on Committee's Recent Activities**

RECOMMENDATION

Receive and file.

DISCUSSION

The Capital Improvement Planning Ad-Hoc Committee will be presenting an oral update on their activities, if any. This is a standing committee report agenda item.

Prepared By: EE **Dept. Review:** EE

AGENDA NO: D-1

MEETING DATE: April 2, 2015

Staff Report

TO: **Harbor Advisory Board** **DATE: March 23, 2015**

FROM: **Eric Endersby, Harbor Director**

SUBJECT: **Concession Public Input Meeting Regarding Future Development and Operation of the Morro Bay State Park Marina and Restaurant Concessions**

RECOMMENDATION

Receive public input, and provide Harbor Advisory Board input, if any, to State Parks and City personnel regarding the State Park Marina and Restaurant redevelopment and dredging projects and future operation of the marina and restaurant concessions.

FISCAL IMPACT

No fiscal impact at this time.

BACKGROUND

In 2002 the City of Morro Bay entered into a 20-year operating agreement (Agreement) with the State of California to operate the State Park Marina including management of the existing marina portion of the concession contract with Associated Pacific Constructors, and collection of a portion of the State's revenues from that concession. The objective of the Agreement was for the City to spearhead major dredging and renovation projects in the marina. Under the Agreement the State maintained oversight of the restaurant concession.

The major obligations of the City under the Agreement are to:

1. Actively pursue the agreed-upon dredging and renovation projects.
2. Continue to operate the marina as-designed.
3. Manage the APC concession including receipt of revenue and continued major maintenance planning and execution specific to the marina operations.

In 2008 environmental impact report documentation was completed for the renovation and dredging projects as originally envisioned, along with an engineer's cost estimate of them.

Prepared By: EE **Dept. Review:** EE

Primarily because of the very high cost of dredge material disposal that would require "upland" or non-ocean disposal, project scoping was significantly reduced and in 2012 approximately 1/3 of the material in the marina identified as being required to be dredged was removed with nearly all available funding (grants and concessionaire's payments).

In the intervening years the Harbor Advisory Board, City Council and State Parks have all considered the future of the marina and provided their staff recommendations and direction as to the continued and future involvement in the renovation and dredging projects, as well as in future operation of the marina. In all cases there is strong support to continue in the Agreement and attempt to see the dredging and renovation projects through to completion to the maximum extent feasible. There also exists the desire of both the City and State Parks to review and amend the Agreement to better match the current realities of the projects and involvement of the parties thereto.

In 2013 State Parks commissioned an economic analysis for the marina and restaurant operations to enable a better understanding of possible funding scenarios in moving forward with the projects, Agreement and operation of the marina and restaurant. That analysis, issued in May, 2014, evaluated the amount of funding that could likely be contributed by both the marina and restaurant toward the cost of needed renovation and dredging improvements. Pro-forma projections were prepared for a 30-year period under three different funding "scenarios," and it appears that each scenario, while having different funding outcomes, will support some degree of marina and restaurant renovation and marina dredging.

DISCUSSION

State Parks and the City are now at the point of soliciting public input regarding the State Park Marina and Restaurant concession operations in terms of future development and operation of them, and desired facilities, amenities and services provided therein.

The purpose of this meeting is to solicit public and Harbor Advisory Board input and ideas to be considered in the preparation of Requests for Proposals (RFP) from qualified parties to develop, operate and maintain the State Park Marina facilities under long-term contracts. Those inputs and ideas will be used to inform the RFP process, which in turn will inform which financial "scenario" to best move forward with in order to realize the projects through to completion.

Concurrently with creation of the RFP, the City and State Parks intend to reconcile the Agreement with the anticipated project path forward.

CONCLUSION

State Parks and City staff are seeking public input and ideas as to the future development and operation of the State Park Marina and Restaurant concessions. This input could range from what facilities, services and amenities the public wishes to see continued and/or developed, to operational aspects of the marina and restaurant. This input will be used by

State Parks and the City to develop RFP terms to redevelop, operate and maintain the marina and restaurant under long-term contracts. It is noted that existing statute authorizes the marina contract term up to 30 years; and the restaurant up to 20 years commensurate with proposed facility improvements. It is anticipated that an RFP for the marina concession will be brought to the City Council, along with an amended Operating Agreement, for approval some time this summer. While the City will manage the marina concession RFP process, State Parks will concurrently manage the restaurant concession RFP process.

ATTACHMENTS

1. The Pacific Group Economic Analysis dated May 2014
2. Overhead photo of State Park Marina area

ECONOMIC ANALYSIS
FOR
MORRO BAY STATE PARK
CAFÉ AND MARINA OPERATION

Prepared for:

Department of Parks and Recreation
State of California

Prepared by

Pacific Group

1233 Capuchinio Ave, Suite #1
Burlingame, CA 94010
650-340-8760
PacificGrp@aol.com

May 30, 2014

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INTRODUCTION

The California Department of Parks and Recreation (DPR) is considering soliciting concessionaire proposals for the Morro Bay Café and the Morro Bay Marina, both located along the waterfront in the Morro Bay State Park. The marina has been operated through an Operating Agreement with the City of Morro Bay since 2002, under which the City receives a rent of 20% of the marina revenues in exchange for operating and maintaining the facilities.

Both facilities are in need of some refurbishing and the marina is in need of some additional dredging. Thus DPR retained Pacific Group to assist in evaluating the amount of funding that the concessionaire(s) of these two facilities could contribute to the needed improvements.

At this time there is not a recent and complete cost estimate for the required dredging and other improvements at the marina. There is also no identified public source of grants or subsidies for these costs. In light of this, the purpose of this study is to determine the maximum amount the concessionaire could contribute to these future costs and still maintain a viable operation.

As part of the planning for this project, and prior to soliciting interest from concessionaires, DPR retained Pacific Group to assist in the preparation of an Economic Analysis for the proposed project. Specifically, Pacific Group undertook the following tasks:

1. Meet with local DPR staff and a City representative to evaluate the site and obtain relevant background information.
2. Inspect the premises.
3. Review the characteristics of comparable projects.
4. Assist in defining alternative financing approaches the site.
5. Review costs estimates for marina improvements (if any) provided by the City.
6. Prepare a proforma financial analysis for the café and marina.
7. Recommend lease/fee terms that will maximize the contribution from the concessionaire.
8. Estimate and compare the projected ROI to the concessionaire and Rent to the State for the two uses under different financing approaches.

The analysis does not include any structural analysis of buildings or slips, site plans, environmental assessments or regulatory assessment. To the extent that these types of analysis have been done in the past, they were considered and referenced as appropriate.

Pacific Group wishes to thank the staff of DPR for their cooperation and assistance during this study, including Teresa Montijo, Nick Franco and Brooke Gutierrez, and Eric Endersby, Director of the Morro Bay Harbor Department, who all provided data, background information and ongoing management and policy guidance for this analysis.

LIMITING CONDITIONS

The information in this report was compiled from a variety of sources including DPR staff, other government agencies, review of public documents, and third parties deemed to be reliable. Although Pacific Group believes all of the information in this report is correct, it does not warrant the accuracy of such information.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study using currently available economic data and other relevant information. It is the nature of forecasting however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore no warranty is made by Pacific Group that the projections in this report will actually be achieved.

This study is intended for the internal use of the California Department of Parks and Recreation (DPR) in their consideration of the economic potential of alternative approaches to financing improvements to the project. This report is not to be used in conjunction with any public or private offering of securities or for any purpose other than that for which it was prepared.

No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of Pacific Group.

No investor should rely solely on this report and anyone considering investing in this project should undertake their own investigation and due diligence study of the site, the potential development costs, and other potential project risks.

1. EXECUTIVE SUMMARY

The California Department of Parks and Recreation (DPR) is considering soliciting concessionaire proposals for the Morro Bay State Park Café and Marina, both located along the waterfront in the Morro Bay State Park. Both facilities are in need of some refurbishing and the marina is in need of some additional dredging. Thus DPR retained Pacific Group to assist in evaluating the amount of funding that the concessionaire(s) of these two facilities could contribute to the cost of the needed improvements.

THE SITE AND CURRENT FACILITIES

The Morro Bay State Park Marina and Café are located at the southernmost part of the Morro Bay Harbor. The marina offers direct access to the National Estuary which is rich in fish, birds and spectacular scenery. These facilities are within walking distance of the Morro Bay State Park 18-hole Golf Course, the Morro Bay State Park Museum of Natural History and the Morro Bay State Park Campground. Below is a brief description of the marina and café.

The Bayside Cafe

The Bayside Café is situated in an attractive, well maintained wooden structure along the waterfront with direct views of the bay. The overall ambiance is an authentic and casual waterfront café. According to the current concessionaire there are approximately 50 seats inside the main dining room and an addition 45 seats on the patio, which has outdoor heaters.

Marina Facilities

The Morro Bay State Park Marina consists of 114 slips. The current concessionaire states they can accommodate boats of 25 to 45 feet. The slips are fully occupied and there is a wait list of approximately 30 boats. The only other salt water slips within a 100-mile radius are the 185 recreation slips available in the Morro Bay Harbor. These are located in two small marinas of 25 slips each and in scattered locations along the waterfront. The next closest salt water slips are in Monterey (130 miles north) and Santa Barbara (106 miles south). These slips are full and have a wait list. There is unlikely to be any new salt water marinas built in this area in the future.

ANALYSIS OF OPERATIONS

This analysis included:

- A review of demographic trends in the region
- A review of tourism trends in the region
- A review of boat ownership trends in the market area
- A review of restaurant expenditure patterns in the area
- A survey of comparable salt water marinas on the Central Coast
- A survey of comparable cafes in Morro Bay
- A survey of local boat rental facilities
- A review of industry standards for sales and operating ratios for comparable restaurants
- A review of industry standards for sales and operating ratios for comparable marinas
- A review of recent operating statements from the Morro Bay Café and Marina

- Interviews with individuals familiar with the facilities and the local market including DPR Staff, the current concessionaire, the Director of the Morro Bay Harbor Department and others
- A visual inspection of the current facilities.

Based on all of this information, the analysis prepared a proforma projection of revenues and expenses for the two facilities. These projections of revenues and expenses and the resulting Net Operating Income (NOI) then formed the basis for the Financial Analysis.

FINANCIAL ANALYSIS

No detailed physical analysis or plans have been done for the structures and there are no current estimates of the costs to undertake the required dredging and other improvements at the site. Thus, the purpose of the financial analysis is to determine the maximum amount the concessionaire could contribute to the future dredging and improvement costs for the two facilities. The financial analysis starts with the NOI projections derived in this report and then adjusts for fixed expenses including a maximum amount of contribution to improvements. A full financial analysis was undertaken for the marina and the café as well as for the combined operations. This will allow DPR to identify potential sources of funds from each operation in the event they decide to issue to separate Requests for Bids for each use. Each of these analyses was run using three financing approaches (scenarios). A total of six proforma 30-year cash flows are included in this report.

The financial analysis was done for three financing approaches (scenarios). In all of the scenarios, <u>all of the projected funding for improvements in the analysis is derived from the concession operations</u>. **No public funding is included anywhere in this financial analysis.** Supplemental public funding may be added later, as needed. The only difference in the scenarios is how the payments for improvements are collected, the particular financing vehicle used, who controls the funds and how they are administered.

- **Scenario 1: Public Financing Vehicle (no public investment beyond the payments from operations).** This scenario assumes that the concessionaire receives sufficient income to cover all expenses, pay the same percentage Rent to the State as is currently paid and provide a reasonable operating profit. <u>All of the remaining revenues are collected by a public agency</u> (DPR or City) and used to defray the costs of improvements. The public agency can use these funds to amortize a bond or they can simply earmark the funds and use them to pay for improvements as available.

- **Scenario 2: Public Wait & Save**. In this scenario the public agency receives the same amount of funds. But instead of using the concessionaire payments as they are received, a Capital Improvement Account is set up to accumulate the funds. They simply save the funds (at 3% interest) and spend it in lump sums for improvements. The funding from the concessionaire is the same as Scenario 1, but it supports more investment because it is saved and invested rather than being used as it is received.

- **Scenario 3: Private Financing.** In this scenario <u>the concessionaire retains all of the revenues that would have been paid to public agencies</u> in Scenario 1 or 2 and uses them to amortize the maximum debt they can support through private loans. The

concessionaire is also expected to invest equity (30%) per a normal commercial loan agreement. In this case, the concessionaire is allowed sufficient income to provide a reasonable ROI/IRR on their equity investment. This approach generates the least amount of improvements because it uses loans and equity investments which have higher costs. This scenario is the typical DPR approach where the concessionaire arranges their own financing rather than make payments to DPR for improvements.

The results of all of the detailed financial analysis in this report are summarized below. For a more detailed explanation, see the body of this report. The estimated total amount of supportable investment from the facilities under the three financing approaches is shown below in Table S-1.

Table S-1
IMPROVEMENTS SUPPORTABLE BY OPERATIONS
(Based on a 30 Year Contract Term)

	Scenario 1 Public Finance	Scenario 2 Wait & Save	Scenario 3 Private Loan
Total Marina and Cafe	**11,757,178**	**15,703,586**	**9,142,857**
Supported by Café	3,664,608	4,894,669	4,285,714
Supported by Marina	8,092,570	10,808,917	4,857,143

As shown in the table, there is a wide range of supportable investment for the required improvements, depending on the approach to financing which is selected. However, in all financing scenarios there is the potential to receive a substantial contribution to the improvement costs from the concessionaire(s). Note that the total supportable investment can be spent on any required investment for these facilities regardless of whether they are for the marina or the café.

Table S-2 summarizes the allocation of the profit from 30 years of operations (before rent and investment) among the concessionaire, the payments for improvements/amortization and Rent to the State.

Table S-2
ALLOCATION OF TOTAL NOI FOR
THE MARINA AND CAFÉ COMBINED

	Scenario 1 Public Fin. Vehicle		Scenario 3 Private Loan	
	$	%	$	%
Rent to State	5,049,783	20%	5,049,783	20%
Improvement Payments	14,808,849	59%	9,884,160	39%
Profit	5,418,720	21%	10,343,409	41%
Total (NOI)	25,277,352	100%	25,277,352	100%

In all cases, the Rent to the State is set to remain at the same percentage of revenues as it is currently and it is not spent on improvements. As can be seen, the total of concessionaire improvement payments plus profit is the same for all scenarios. But more of this total is allocated to profit in Scenario 3—the private finance alternative, because in this scenario the concessionaire must receive a return on their equity, which reduces the amount available for improvements.

Only the Scenario 3 analysis shows an IRR because only this scenario requires equity investment. The projected IRR target for the two uses is considered to be reasonable for the level of equity investment and for a project of this type. While there are some unknowns, it is assumed that a public agency will obtain all required permits and commitments for all necessary funding before soliciting a concessionaire. If this is done and considering that both concessions have a long track record of successful operation, these IRRs and the total profits are considered to be adequate to attract an investor/concessionaire.

The analysis also compares the current and projected amount of Improvement Payments for the concessions. Currently the two concessions combined pay approximately 8% of revenues for rent to the City and the Major Maintenance Account (MMA), which generates approximately $125,651 per year. The projections show this amount can be earmarked for improvements and it can increase substantially due to several factors:

- The current City rent and MMA are allocated to improvements.
- An additional annual payment of 6.2% for the café and 10% for the marina is added.
- Revenues are increased initially from price increases, operating efficiencies and marketing initiatives.
- Thereafter, all revenues are escalated at 3% per annum.

Based on these assumptions and factors, it is anticipated that the average annual payment from the two facilities for improvements could provide twice the current amount by year four and three to four times this amount (including escalation) on average over the next 30 years. Note that the current percentage Rent to the State is assumed to remain the same and these payments are <u>not</u> allocated to support future improvements in the analysis.

The current lease rate for the café is assumed to remain the same for purposes of the analysis in order to calculate the maximum amount the concessionaire could contribute to improvements. However, it is anticipated that in the Request for Bids the bidders will be given leeway to propose both a lease rate and a level of improvements. In this case, DPR anticipates that the current rate of 6.8% of café revenues will be the minimum allowed lease rate in the bid and the actual rent percent could be higher.

2. THE SITE AND REGIONAL BACKGROUND

This section of the report describes the region, the site and the current development at the Morro Bay State Park Marina and Café.

THE LOCAL AREA

Morro Bay is a major tourist destination along the Central California Coast. See Figure 1. It is located approximately midway between Los Angeles and San Francisco.

Figure 1
Map of the Central Coast of California

Morro Bay is well known for its bay, which is designated as a National Estuary, its active fishing industry and Harbor and the imposing Morro Rock at the entrance to the Harbor. The Morro Bay Harbor offers a full range of services for both the commercial and pleasure boater, including slips, moorings, vessel haul out and storage, marine sales and service, public pump-out stations, public showers, old disposal facility and others. The City operates T-piers, a floating dock and anchorage area available to transient vessels. Use of the City launch ramp at Tidelands Parks is free.

According to the Chamber of Commerce, the city has 35 hotels and motels. In addition it has four private RV Parks, and most significantly nearby are two State Parks and a State Beach with a total of 263 campsites, including 134 campsites at Morro Bay State Park where the marina and cafe are located. The waterfront along the Embarcadero is an attractive area for shopping, dining, waterfront activities and simply enjoying the views and activity of an active fishing port.

THE SITE AND CURRENT FACILITIES

The Morro Bay State Park Marina and Café are located at the southernmost part of the Harbor and are situated within the Morro Bay State Park. The marina offers direct access to the National Estuary which is rich in fish, birds and spectacular scenery. These facilities are within walking distance of the Morro Bay State Park 18-hole Golf Course, the Morro Bay State Park Museum of Natural History and the Morro Bay State Park Campground. Below is a brief description of the marina and café. (See Section 4 for more detailed information.)

The Bayside Cafe

The Bayside Café is situated in an attractive, well maintained wooden structure along the waterfront with direct views of the bay. The overall ambiance is an authentic and casual waterfront café. According to the current concessionaire there are approximately 50 seats inside the main dining room and an addition 45 seats on the patio, which has outdoor heaters. The concessionaire recently refurbished the outdoor patio with a laminated wood deck at a cost of $20,000. The facilities also include two trailer pads directly behind the café, which are currently occupied with two small mobile homes occupied by employees and could be an additional source of income for the concessionaire.

Marina Facilities

The Morro Bay State Park Marina consists of 114 slips of the following lengths:

25'	55 slips
32'	44 slips
40’	15 slips

The current concessionaire states they can accommodate boats of 25 to 45 feet. The slips are fully occupied and there is a wait list of approximately 30 boats.

The only other salt water slips within a 100-mile radius are the 185 recreation slips available in the Morro Bay Harbor. These are located in two small marinas of 25 slips each and in scattered locations along the waterfront. The next closest salt water slips are in Monterey (130 miles north) and Santa Barbara (106 miles south). These slips are full and have a wait list. There is unlikely to be any new salt water marinas built in this area in the future.

The concessionaire also operates a rental operation for kayaks, canoes and aluminum rowboats called the Kayak Shack. Immediately adjacent to the marina is a small boat launch and two restrooms maintained by the State Department of Parks and Recreation. There is also parking for 149 cars along the sea wall immediately adjacent to the marina.

In general, the site is attractive and well maintained. Being situated in a State Park, the environment is very natural and physically appealing. During the course of our assignment, several people commented that this marina is considered to be one of the best locations in the area for berthing a sailboat.

MARKET DEMOGRAPHICS

Population and Income

Table 2-1 summarizes the demographics trends in San Luis Obispo County and California.

Table 2-1
POPULATION TRENDS IN CALIFORNIA
AND SAN LUIS OBISPO COUNTY

	San Luis Obispo Co.	California	Morro Bay
Population-2012	274,804	37,999,878	10,370
Population % change (2010-2012)	1.9%	2.0%	-
Median Household Income (2008-2012)	59,628	61,400	48,604
Persons 65+ years (2012)	16%	12%	
Projected Population			
2015	273,793	38,801,000	
2025	299,996	42,451,000	
% Increase	10%	9%	
California Per Capita Personal Income			
2008		43,609	
2013		47,401	
% Inrease		9%	

Source: US Census, California Department of Finance,
Department of Commerce-Bureau of Economic Analysis and Pacific Group

As show, San Luis Obispo County is projected to increase 10% to almost 300,000 by 2025. The median household income is $59,628 approximately the same as the statewide average of $61,400.

Restaurant Expenditures

Table 2-2 presents statistics on expenditures in full service and limited service restaurants for California and for San Luis Obispo County.

Table 2-2
EXPENDITURES IN RESTAURANTS IN THE MARKET AREA
(2012-$000)

	Full Service	Limited Service	Total
California-total	29,578,793	25,966,454	59,037,320
California per capita	781.01	685.63	1558.85
San Luis Obispo Co.-total	317,084	164,501	499,765
San Luis Obispo Co.-per capita	1,154	599	1,819

Source: California Board of Equalization and Pacific Group

As shown, the expenditure per capita for full service restaurants is significantly higher than for California as a whole. Generally this is an indication that the county is a tourist destination that attracts expenditures from nonresidents. This is certainly true for the City of Morro Bay which has over 70 eating establishments including 27 restaurants and cafes along the Embarcadero.

Boat Ownership

Boat ownership by type of boat is one measure of the potential market for boat slips. There is no method that can project demand exactly, but it is possible to derive an indicator of potential demand. Table 2-3 summarizes statistics from the California DMV on boat ownership in California and selected counties surrounding Morro Bay.

Table 2-3
NUMBER OF PLEASURE BOATS REGISTERED IN CALIFORNIA AND SELECTED COUNTIES

	2014 (1)	2011
San Luis Obispo	12,413	12,043
Monterey	7,507	7,431
Santa Barbara	8,918	8,876
Subtotal	28,838	28,350
Kern	16,121	15,824
Kings	2,776	2,756
Tulare	8,655	8,381
Fresno	21,246	20,715
San Benito	1,700	1,632
Subtotal	50,498	49,308
Total Local Market (2)	73,093	71,445
California Total	807,537	797,552
Local Market share	9%	
CA Total sailboats	42,282	
% 20' to 50'	67%	
CA Sailboats 20' to 50'	28,130	
Local Market		
% in local market	9%	
Sailboats 20'-50' local	2,546	
Total salt water slips-local (3)	871	
Bertable sailboats per slip	2.92	

(1) As of January.
(2) Excludes70% of Santa Barbara County boats.
(3) In SLO and Monterey County.
Source: California DMV and Pacific Group

As can be seen, there are a substantial number of pleasure boast in San Luis Obispo County and the seven surrounding counties. Since the southern portions of Santa Barbara County would be more likely to prefer slips to the south, the table includes only 30% of the Santa Barbara County boats to estimate the total pleasure boats in the local market at 73,093. This table also shows the total sailboats in California and the number of these that are 20’ to 50’ in length. Assuming the local counties have the same proportion of these boats as they have of total pleasure boats, the table calculates a total of 2,546 sailboats in the local market of 20-50 feet. When this figure is compared to the total salt water slips in the local area, including Morro Bay Harbor, Moss Landing and Monterey Harbor and Breakwater Cove in Monterey, it can be see that there are almost 3 times as many sailboats in the local market as there are salt water slips. Indeed, the marina currently has 5-10 power boats, and the ratio of boats to slips would be even higher if these types of boats were to be included in the statistics.

TOURISM TRENDS

In evaluating marinas and waterfront cafes, particularly when located in a State Park within a tourist destination, it can be useful to review the general tourism trends in the region. This is done in Table 2-4, which presents statistics on recent tourism trends in San Luis Obispo County.

Table 2-4
TOURISM INDICATORS FOR SAN LUIS OBISPO COUNTY
($Millions)

	2002	2007	2011	2012	2013	Annual % Change
TOT Receipts						
SLO Total County	16.0			25.4	27.4	6.5%
Unicorporated County (2)	4.3			6.4	7.3	6.3%
Room Sales						
SLO County	167.0			260.7		5.6%
Unicorporated County	47.7			71.0		4.9%
Spending by Accomm Type						
CG	95.4		103.5	106.0		1.1%
Hotel/Motel	480.5		692.7	762.0		5.9%
Total	900.0		1,211.0	1,318.0		4.6%
Total spending-SLO County		1,138.0		1,300.0		2.8%
Spending on eating and drinking		308.0		378.0		4.5%
Spending on accommodations		264.0		301.0		2.8%
San Luis Obispo/Paso Robles						
Occupancy rate-lodging			59%	65%	68%	9.0%
Rev Par (1)			71	77	84	9.2%
Increase in Rooms sold (2011-2012)						4.7%

(1) RevPAR (revenue per available room) = ADR X occupancy rate.

Source: CTTC, Dean Runyan and Pacific Group

As shown, virtually every indicator of tourism in the region has been growing at a significant annual rate.

3. CHARACTERISTICS OF COMPARABLE PROJECTS

This section reviews the characteristics of selected comparable projects for the café and the marina.

COMPARABLE CAFÉs

There are many restaurants in Morro Bay serving both locals and visitors. However there are only a few that are full service, high quality and directly on the waterfront. This report evaluated three of these restaurants which are consider to be comparable to the Bayside Café.

- Window on the Water
- Rose's Landing
- Dutchman's Seafood

Table 3-1 summarizes the characteristics of these selected waterfront restaurants in Morro Bay.

Table 3-1
CHARACTERISTICS OF SELECTED WATERFRONT RESTAURANTS IN MORRO BAY

	Bayside Cafe	Windows on the Water	Rose's Landing	Dutchman's Seafood
Seating capacity inside	53	150	100	80+
Seating capcity-outside	45	-	patio	20
Alcohol served (1)	BW	BWL	BWL	BWL
Lunch served	Daily	Daily	Daily	Daily
Dinner Served	Thurs-Sun	Daily	Daily	daily

(1) Beer, Wine, Liquor
Source: Pacific Group Survey of Selected Restaurants in Morro Bay

As can be seen in the table, all of these restaurants are open for lunch and dinner seven days a week except the Bayside Cafe. In addition they all have a liquor license except The Bayside Café. On the other hand, the character of these three restaurants seems to be more "touristy" than the Bayside Café in terms of the location, service, atmosphere and décor.

Table 3-2 presents a summary of the prices at these three restaurants and the Bayside Café for similar types of dishes.

Table 3-2
COMPARATIVE PRICES AT SELECTED WATERFRONT RESTAURANTS IN MORRO BAY (1)

	Bayside Cafe	Windows on the Water	Rose's Landing		Dutchman's Seafood
			Bar&Grill	Steak&Seafood	
Lunch					
Soup or salad	6-9		6-9		8-13
Starters	7-13		6-15		10-13
Entres	9-12		11-16		10-17
Dinner					
Starters	7-13	15-18		13	9-15
Entres	19-25	30-39		28-34	15-30
Desserts	6	6-9		9-10	
Specialty drinks	na	10-15	8	8-10	

(1) Prices are the predominant range.
Source: Pacific Group Survey of Selected Restaurants in Morro Bay

In general all of the other waterfront restaurants surveyed had a higher price range for most categories of dishes. While it is not suggested that the Bayside Cafe should try to match these higher prices, this does seem to suggest that limited price increases could be initiated without a major impact on the café's competitiveness.

COMPARABLE MARINAS

Marinas have many different characteristics, services, sizes and management structures. This makes it difficult to establish what a true comparable marina is. Firstly, we focused on salt water marinas because it is generally accepted in the industry that the experience and ambiance of a salt water marina is very different from an inland marina and appeals to a different market segment. Morro Bay Harbor and the State Park Marina are the only salt water marinas within a 100 mile radius of Morro Bay on the Central Coast of California. In this way, these two areas are the only option for boaters who wish to berth their boats within this 200 mile stretch of the Central Coast of California. (Port San Luis 25 miles south of Morro Bay offers moorings but no slips.)

There are a few marinas on the coast which are somewhat comparable and possibly competitive with the Morro Bay Marina and which can provide some useful comparisons. However, in reviewing these marinas it is important to be cognizant of the differences among them. This analysis focuses on six marinas, but they vary in terms of their relevance. The salient characteristics of these marinas are presented in Table 3-3.

Table 3-3
CHARACTERISTICS OF OTHER SALT WATER MARINAS

	Monterey Harbor	Breakwater Cove	Harbor District	Santa Barbara Harbor	Vintage Marina	Morro Bay Harbor (2)	MBSP Marina
Location	**Monterey**	**Monterey**	**Moss Landing**	**Santa Barbara**	**Oxnard**	**Morro Bay**	**Morro Bay**
Distance from MB	130	130	140	106	145	-	-
No. of Rec. Slips	300	72	200	1030 (total)	145	185	114
Size Range	20-50	20-50	20-60	20-100	25-50	30-60	20-45
Rent per foot (1)	9.04	14.32	8.50	9.14	13.16	9.00	6.00
Wait list	yes	yes	no	yes	yes	yes	yes
Services							
Visitor's Dock	x	x	x	x	x	x	
Store		x	x	x		x	
Restaurants	x	x	x	x		x	x
Fuel	x	x	x	x		x	
Launch Ramp	x	x	x	x		x	x
Bilge pump-out	x	x	x	x		x	
Oil pump-out	x	x	x	x		x	
Restrooms	x	x	x	x	x	x	x
Showers	x	x	x	x	x		
Boat Rental			x	x		x	
Haul out/hoist	x		x	x		x	

(1) Average for boats of 25' to 40' in 2013.
(2) Number of slips and average rates provided by Morro Bay Harbor Department.
Source: Pacific Group Survey of Salt Water Marinas on the Central Coast

There are several important points that can be derived from this table:

- Morro Bay Harbor has approximately 185 recreation slips in two small marinas of 25 slips each and scattered along the waterfront. These slips are fully occupied and have waiting lists.
- All of the other marinas in the table are over 100 miles from Morro Bay.
- Two of the marinas in Southern California (Santa Barbara Harbor and Vintage Marina) have significantly higher slip rental rates than Morro Bay—primarily due to the warmer weather and significant market population.
- Virtually all of the marinas have a long wait list and in some cases there is a substantial fee charged to transfer a wait list position.
- All of the marinas offer a wider range of services and amenities than the State Park Marina, although most of these services are available in the nearby Morro Bay Harbor.
- All but one of the marinas have significantly more slips than the State Park Marina.
- All of the marinas charge significantly higher rates than the State Park Marina.

Slip Rental Rates

Table 3-4 focuses on the rental rates for these marinas.

Table 3-4
SLIP RENTAL RATES AT COMPARABLE MARINAS

Marina	Rate per Foot (1)
Monterey Harbor	9.04
Breakwater Cove	14.32
Moss Landing	8.59 (2)
Santa Barbara Harbor	9.14
Vintage Marina, Oxnard	13.16
Morro Bay Harbor-slip	9.00 (3)
Morro Bay Harbor-mooring	8.33
Morro Bay State Park Marina	6.00
Average-comps only-2013 (4)	8.82
Average-comps only-2015 (5)	9.35

(1) Rates are the average for 25'to 40' boats in 2013.
(2) Rate includes a $47 per month amenity fee.
(3) Midpoint of the range estimated by Morro Bay Harbor Departmen
The rate for moorings in Morro Bay averages $250 per
per month, which for a boat of 30' would be $10 per month.
(4) Average excludes Breakwater, Vintage, Santa Barbara
and Morro Bay State Park, but includes Morro Bay Moorings.
(5) Inflated at 3% per annum for two years.
Source: Pacific Group Survey of Salt Water Marinas

This table presents the average rate for slips of 25 to 40 feet for all of these marinas. However, it also presents an average rate for selected marinas considered to be most comparable to the State Park Marina. This rate is $8.82 per foot as of 2013. Virtually all marinas escalate their fees each year by 3-4%. Table 3-5 shows that making this adjustment to the current average rates for comparable marinas would result in an average rental rate of $9.35 per foot by 2015.

It should be noted that these fees do not include the costs of parking. Moss Landing provides one free space per boat. Monterey Harbor provides one lower cost parking permit per slip. But for most of these marinas, there can be a significant cost to park for the boat owner and any crew or guests. For example a $10 parking fee 4 times a month would add $1.30 per foot costs per month for a 30’ boat.

LOCAL BOAT RENTALS

The State Park Marina also includes a boat rental operation which rents kayaks and canoes. In addition, tours are available from an independent company. The boat rentals currently generate approximately 32% of the marina’s total revenue. There are numerous locations along the waterfront in Morro Bay that offer kayak and canoe rentals and related services. Table 3-5 summarizes the prices and services offered at five of these facilities.

Table 3-5
RATES PER HOUR AT SELECTED BOAT RENTALS IN MORRO BAY

	Kayak-single	Kayak-double	Canoes	SUP (4)	Elec Boats	Tours
Kayak Shack	12/6	16/8	14/7			55-79(3)
Sub Sea Tours	10/5	20/10	25/10 (5)	15/5		14
Central Coast				20		at Kyak Shack
Kayak Horizons	12/8	18/10 (2)	22/10	12/8		59
Rock Kayak	12/8	20/8		15/8		by appt.
Catch the Wind					75	tiki boat

(1) First hour/each additional hour.
(2) With rudder, $22/$10.
(3) Through Central Coast
(4) Stand Up Paddleboard.
(5) 3-5 person canoe=30/15 per hour.
Source: Pacific Group Survey of Boat Rentals in Morro Bay

There are several points that can be seen in this table:

- There are only three facilities that offer kayak and/or canoe rentals besides the Kayak Shack.
- All three of these have higher rates than the Kayak Shack for kayak and canoe rentals.
- All three of these facilities plus Central Coast Tours offer stand up paddleboard rentals.
- All of the competing operations offer tours. Kayak Shack offers tours only through a separate company.

This suggests that there may be opportunities to increase the revenues from the rental operations.

4. IMPROVEMENT PROGRAM AND COST ESTIMATE

This section of the report describes the Preliminary Improvement Plans for the marina and cafe and presents a discussion of preliminary improvement costs. Figure 2 depicts the site.

Figure 2
Site of Morro Bay State Park Marina and Café

IMPROVEMENT PROGRAM

Throughout this report, the terms “Improvements” and “Improvement Costs” are used to refer to any and all improvements to either the marina or café facility. This can include dredging, marina renovations, any required replacement or refurbishment of existing slips and gangways, or any improvements to the café.

Bayside Café

The original café was built in 1949 but has undergone substantial expansion and renovation since then. Currently the café consists of:

- Indoor seating area with direct view of the marina--50 seats
- Outdoor patio with heaters on side an behind the café--44 seats
- Lunch counter--4 seats
- Kitchen
- Parking-direct access to the 149-space parking lot serving the marina and cafe.

In addition there are two pads with hook ups directly behind the café, which are currently occupied by two mobile homes.

A detailed structural analysis of the café has not been performed as part of this study. A brief walk through and discussions with the concessionaire and with DPR staff indicate that there are no known significant physical problems with the building. The decking for the outdoor patio was just recently replaced with a laminate wood surface at a cost of approximately $20,000. There may be a need to make minor improvements to meet ADA standards. Preliminary estimates indicate this will be a relatively small amount and would easily be covered by the repair and maintenance budget included in the revenue and expense projections later in this report.

One of the primary appeals of the café is its ambiance as a waterfront café, with the feel of an authentic, casual restaurant which fits well with its dockside location and park-like setting. Any remodeling or expansion would most likely want to retain this weathered character of the building. However, this analysis does not anticipate any major new investment in the café, except for any required ADA improvements and the normal level of ongoing repair and maintenance.

Morro Bay State Park Marina

The Morro Bay State Park Marina is located adjacent to the National Estuary within the Morro Bay State Park, approximately 2 miles from the center of the waterfront in Morro Bay. The Marina was built in 1949. It consists of:

- 114 slips ranging in size from 25 to 40 feet, which can accommodate boats up to 45 feet
- Water and electric service for all slips
- Dockage for approximately 22 skiffs
- A small building on the dock (The Kayak Shack) is used for renting kayaks and canoes
- A small boat launch
- Direct access to the parking spaces located adjacent to the docks
- Fueling and pump-out services and haul-out are available at various locations in the main Morro Bay Harbor.

No detailed analysis of the structural condition of the docks was conducted as part of this study. A brief tour and visual inspection suggested that the Marina is generally well maintained and in good condition, although much of the structure is quite old. Over the past 12 years approximately 15% of revenue has been invested by the concessionaire in major maintenance projects for the facilities. Examples of major maintenance items addressed in 2008-09 are:

Reconstructed and enlarged the Kayak launching and recovery docks
Finger piers on a number of Docks
Electric switches replaced upgraded and new conduit on most docks
Reconstruction of dock #2 finger piers
Reconstruction of storm damage to dock 7 and dock 4
Ongoing replacement of finger floatation, dock connections and pile hoops
Electrical circuit repair and replacement
Fire system replacement on many dock sections
Total Costs-$77,782

The Morro Bay Harbor Department anticipates that there are still improvements that need to be made including replacing some gangways.

Over the years, being at the southernmost point in the harbor, the State Park Marina has experienced a silting problem. The main channel from the harbor entrance is well maintained by periodic dredging by both the U.S. Army Corp of Engineers and the City of Morro Bay. Every five years The U. S. Corp of Engineers does major dredging for the harbor channel down to the boundary of the State Park, which is approximately a half mile from the MBSP Marina. In addition the City does some dredging every year for their moorings.

However, the location of the Morro Bay State Park Marina at the farthest inland point of the estuary has resulted in the accumulation of silt. The main channel into the marina was recently dredged and is relatively clear, but the slips are silted and some of them experience limited difficulty of access during low tide. The current concessionaire estimates that approximately 60 slips (Docks 5, 6 &7) in the marina are somewhat tidal dependent. This means that during certain hours of the day it is difficult to maneuver in and out of these slips. So far they have been able to deal with this issue by assigning smaller vessels to the most affected slips, explaining the problem before renting slips and working with the tenants on an individual case by case basis. However, obviously the efficiency of the marina operations would be enhanced by undertaking the appropriate dredging of these slips.

In 2011, the City of Morro Bay undertook a dredging operation which removed approximately 30,000 cubic yards of dredged material from the State Park Marina. But it is estimated that another 60,000 cubic yards remains to be dredged.

PRELIMINARY COST ESTIMATE

Throughout this report, the term “Improvement Costs” is used to refer to any and all improvements to either the marina or café facility. This can include dredging costs, marina renovations, any required replacement or refurbishment of existing slips and gangways, or any improvements to the café. These costs are to be distinguished from normal ongoing maintenance

and repair expenses, which have been included in estimates of operating expenses for the facilities.

Bayside Café

During the courses of this study no significant structural improvements needed for the café were identified to the consultant, except for ADA improvements which are expected to be relatively limited. Based on a DPR ADA Survey, DPR staff estimates these costs would be minimal—probably $30-$40,000. This amount could easily be covered by the normal amount of repair and maintenance expense included in the proforma. However any potential bidder for this concession should conduct their own due diligence of the building.

Morro Bay Marina

A normal amount for ongoing repair and maintenance is included in the projected revenues and expenses for the marina presented later in this report. In addition the City of Morro Bay provided a preliminary estimate of the possible costs for the dredging operation. These estimates are summarized in Table 4-1. However any potential bidder for this concession should conduct their own due diligence of the facilities.

Table 4-1
PRELIMINARY COSTS ESTIMATES
FOR MARINA IMPROVEMENTS
(2015 Dollars)

	Total
Dredging 60,000 cubic yards (1)	3,000,000
Marina renovations (2)	4,994,600
Subtotal	7,994,600
Added cost if dispose inland	unknown

(1) If current permits are used and dredged material is disposed of offshore.
(2) Based on: "Preliminary Engineering Report, Marina Renovation Morro Bay SRA", December 2002.
Source: City of Morro Bay, Harbor Department

The biggest unknown in these costs estimates is whether the dredged material can be disposed of off shore, which was done for the first phase of dredging. However, if the dredged material must be disposed inland, the costs could increase substantially. As of now, no disposal site has been identified and no one knows what this would cost.

Site Utilities

According to DPR Staff, the infrastructure at the site is underpowered for the needs of the concessions. Also the electrical/water in the café needs to be brought up to code requirements. A specialist would need to assess the needs of the operations and evaluate the current condition of the systems in order to get a better overall picture for the condition and repair/replacement needs.

The financial analysis later in this report estimates the amount that a concessionaire could contribute to defray these costs.

5. PROJECTED OPERATIONS

This section of the report first reviews the current operations, then considers industry standards for similar operations and finally present a projection for future operations. This is done for both the Bayside Café and the State Park Marina. All of the projections reflect the fact that DPR is facing substantial costs to make improvements to the marina and revenues from these two concessions will necessarily be a significant source of funding for this work. The operating projections in this section are incorporated into the financial analysis in the following chapter which starts with the Net Operating Income and then nets out rent and other fixed charges, including the costs of dredging.

CAFÉ OPERATIONS

Current Operations

The café is currently on a month to month lease under the following rent terms:

- 5% of food and beverage receipts up to $12,000
- 7% of food and beverage receipts over $12,000.
- Plus the concessionaire must allocate 2% of gross sales for café maintenance.

The average rent percentage paid by the café has consistently been 6.8% of receipts in recent years, as shown in Table 5-1.

Table 5-1
GROSS SALES AND RENTS FOR THE CAFÉ
FY 07/08 to FY 12/13

Fiscal Year	Gross Sales	Rent to DPR (1)	Rent Percentage
2012-13	$1,245,679	$85,098	6.8%
2011-12	$1,123,915	$76,574	6.8%
2010-11	$1,069,660	$71,996	6.7%
2009-10	$1,075,136	$72,380	6.7%
2008-09	$1,182,890	$79,922	6.8%
2007-08	$1,110,784	$75,830	6.8%
Annual Growth		2.32%	

(1) 5% up $12,000 gross, then 7%.
Source: DPR from Form 54.

In part, because the café is not located in the major tourist area of the downtown waterfront, the local population is their primary market. Many of the customers are long term customers, who are attracted by the waterfront ambiance, the quality food and in some cases, the proximity to the Morro Bay Golf Course. The 135-site Morro Bay State Park Campground also provides some additional support for the café.

Industry Standards for Operations

In order to evaluate the operations of the Bayside Café, we compared their sales and operating ratios with those of similar restaurants. As part of this evaluation we considered information

available from numerous industry sources including; Urban land Institute, Dollars and Cents of Shopping Centers, Restaurant owners.com Survey of Restaurants, National Restaurant Association Survey of Restaurant Operations-2010 and other sources. The National Restaurant Association survey breaks down the data into many useful categories by sales volume, number of employees and average check and thus is most pertinent.

The first step was to review the level of revenues at the café. Table 5-2 presents various industry standards for judging these restaurant sales.

Table 5-2
COMPARISON OF SALES FOR BAYSIDE CAFÉ
AND INDUSTRY STANDARD

Bayside Café-2013	
Total Sales	1,280,333
Seats	98
Sales per Seat	13,065
Employees	27
Sales per employee	47,420
Industry Standard (1)	
Sales per Seat	
Sales between $1-2 million	13,374
Sales of $2.0 million+	24,587
Avg check $25+	18,777
Avg check $25-33	17,772
Avg check $$33+	21,063
Sales per employee (FTE)	
Avg check over $25	65,200
Avg check $15-25	60,000

(1) National Association of Restaurants Survey, 2010, full service.

All of this data relates to full service restaurants. The sales per seat at Bayside Café ($13,065) is comparable to that for all full service restaurants with sales between $1.0 and $2.0 million ($13,374). However when compared to restaurants with an average check above $25, it has lower sales per seat ($13,065 versus $18,777). The same is true when the café sales per full time equivalent employee ($47,420) is compared to full service restaurants with an average check over $25 ($65,200 per employee) or with an average check of $15-$25 ($60,000).

Of course these standards are just indicators. Obviously the unique features of each restaurant play a role. Factors such as the waterfront location and the hours of operation need to be taken into consideration in any projections for the café. However, these comparisons do indicate that there may be opportunities to increase the revenues at the Bayside Café.

Using data from the National Restaurant Association Survey for full service restaurants, Table 5-3 compares operating ratios for the café and various industry standards.

Table 5-3
COMPARISON OF OPERATING RATIOS FOR BAYSIDE CAFÉ AND INDUSTRY STANDARD

Category	Bayside Café (1)	Industry Standard Median (2)	Variance from Standard	Upper Quartile
Total Cost of Sales	38%	33%	5%	35.8%
Operating Expenses				
Wages/Salaries & Benefits	35%	32%	3%	38.8%
Rent	6.8%	5.4%	1.4%	8.0%
Other Expenses	15%	27%	-12%	
Total Operating Expenses	57%	65%		73.8%
Cost of sales + Operating Expenses	**95%**	**97%**	-3%	
Net Operating Income	5%	3%	2%	6.6%

(1) Based on FY 12/13 Income Statement.
(2) National Association of Restaurants, 2010, full service, average check above $25.
Source: Bayside Café concessionaire and National Restaurant Association

For most of these major operating ratios, the Bayside Café is similar to the industry standard—the median for full service restaurants with an average check of $25+. In general, the café has a higher ratio of cost of sales and wages/benefits, but offsets this with a lower ratio for other expenses. As a result, the café is able to achieve a higher NOI ratio (5%) than the median for this category (3%). When cost of sales and operating expenses are combined, the café's total expenses are very similar to the industry standard. The ratios for the upper quartile of restaurants in this category are also shown. Note that these are the upper quartiles in each ratio and thus are not additive. But they do give an indication of the upper limit for each ratio. For example, the upper quartile pays 8% for rent versus 6.84% for the café. On the other hand, the café has an NOI of 5% compared to 6.6% for the upper quartile of NOIs in this category. But all of these ratios appear to be basically comparable.

Projected Operations

In general, the Bayside Café appears to be run relatively efficiently, both in terms of its sales and its operating expenses. However, given the need to identify funding to dredge the marina and maintain both the marina and café operations, there may be several things that could be done by a concessionaire to improve performance somewhat.

- Opening for dinner 6 nights instead of 4 nights. This would add 50% to the number of dinner seats available. Dinner currently represents 43% of total sales, so a 10% increase in sales due to expanded night service is reasonable to anticipate from this change. This might entail using part time employees which would not raise total expenses proportionately, but would certainly raise gross sales.
- Furthermore dinner prices are approximately twice the price of lunch and thus could contribute more than proportionately to revenues.
- Consideration should be given to obtaining a full liquor license to further boost revenues.
- While the café should not seek to match the prices at other waterfront restaurants, given the comparison of prices in Table 3-2 there appears to be the potential to raise prices an average of 5% and still remain competitive in the market.

- Activity at the marina is expected to increase with the planned dredging and other improvements, which should have a positive impact on the café sales.
- It is also reasonable to expect a 5% increase in overall business could be achieved with some additional marketing initiatives such as:
    - Coordinate marketing and packages with local hotels, especially for groups.
    - Expand use of the facilities for banquets, receptions and other special events.
    - Coordinate with DPR and the marina to sponsor periodic event at the marina.
    - Work with DPR to promote more with the guests at the Morro Bay State Park Campground and at the Natural History Museum, perhaps including a discount program—especially on during the expanded nighttime operations.

In light of all of these factors, it is reasonable to expect that these types of operating changes and marketing efforts could raise gross sales of the café by 15% over three years, in addition to inflation of 3% (i.e. 8% per annum for years 1 to 3). At the same time, increasing volume and using part time employees for some shifts could reduce the operating expenses ratio before rent slightly from 50% currently to 48%. The direct expense ratio of 35% is applied based on the industry standard for the median and the upper quartile shown above. The effects of these changes are shown in Table 5-4 for Year 1 of a new concession agreement.

Table 5-4
PROJECTED REVENUES AND EXPENSES FOR THE CAFÉ

		Year 1
Projected Gross Sales/Income (1)		1,423,872
Less: Direct Expenses	35%	498,355
Gross Income		925,517
Less: Operating Expenses	48%	683,459
Net Operating Income		242,058

(1) Sales increase 8% in years 1 to 3, then 3% escalation thereafter.

These operating projections are used in the following section of this report in the detailed 30-year cash flow projections for the café.

MARINA OPERATIONS

Current Operations

The marina is currently on a month to month lease under the following rent terms:

- 20% of gross sales
- Plus the concessionaire must allocate 15% of gross sales for major maintenance projects for the marina.

Under an operating Agreement signed with the City of Morro Bay in 2002, the City receives the 20% rent and monitors the 15% Major Maintenance Account and in exchange the City has taken responsibility for maintaining and improving the marina including any required dredging. The Gross Sales and Rent paid to the City in recent years are shown in Table 5-5.

Table 5-5
GROSS SALES AND RENTS FOR THE MARINA
FY 07/08 to FY 12/13

Fiscal Year	Gross Sales	Rent to City (1)	Rent Percentage
2012-13	$335,918	$67,184	20.0%
2011-12	$333,954	$66,791	20.0%
2010-11	$307,912	$61,582	20.0%
2009-10	$311,685	$62,337	20.0%
2008-09	$331,629	$66,325	20.0%
2007-08	$272,773	$54,556	20.0%
Annual Growth	4.3%		

(1) 20% of gross.
Source: DPR from Form 54.

Industry Standards

Marinas have many different characteristics, services, sizes and management structures. This makes it difficult to establish a true "industry standard" for any given marina. Firstly, salt water marinas are quite different from inland marinas in terms of customers, services and boating experience. Secondly, there are many types of salt water marinas including recreation, commercial, ports, boatworks and boat services. Thirdly, there are various types of management/ownership structures including private, municipal, harbor districts and combinations of these. Finally there are many types of services offered by marinas including fuel, dry rack storage, liveaboards, laundry, ship stores, boat repair, boat sales, and others. In fact many marinas are incorporated into mixed-use project and derive a large share of their revenues from non-marina activities such as retail and office lease, parking fees, day use fees and the like.

The Morro Bay Marina is also unique in various ways:

- It is located in a State Park.
- It does not need to provide or maintain parking and restrooms.
- It does not provide security service.
- It is located adjacent to a full service restaurant.
- It is not located within a major metropolitan area.

Thus, it is important to understand the nature and character of this particular marina. It is somewhat unique in that it is small for a salt water marina in California and one of the few with no ancillary services such as fuel, oil dumps, showers, boat storage, etc. The following analyses in this report focus on the most relevant comparables and industry standards for the Morro Bay Marina.

Slip Rental Rates

The first step in evaluating the operations of the marina was to review the current slip rental rates relative to other similar marinas. This was done in Table 3-4, which showed that the average

rental rate for comparable marinas in 2013 was $8.82 per foot and when adjusted to 2015 rates would be $9.35 per foot. This compares to the current rental rate at the marina of $6.00 per foot. One other indication that rates are below market is that the marina has been 100% occupied and there has been a long wait list for many years. Typically this is an indication that rates are below market. Many marina operators believe that there should be a minimum vacancy rate which reflects the normal friction and turnover in an efficient market at competitive rates.

Section 3 also included Table 3-5, which reviewed the rates at other boat rental facilities in Morro Bay. Based on this review, it appears that the rates at the Kayak Shack could be raised and that various complementary services could be added.

Operating Expense Ratios

In order to evaluate the operations of the Morro Bay Marina this report also compared their operating ratios with those of similar marinas. This analysis reviewed data from numerous sources including Robert Morris Associates Industry Benchmarks, Urban Land Institute, reports from selected marinas, recent research from trade publications (Boating Magazine, Marine Dock Age, etc.), National Marine Manufacturers Association, recent P&Ls from the current concessionaire, and the International Marine institute, which surveys over 1,000 marinas and complies operating data by marina size and performance. A brief summary of the relevant industry standards is shown in Table 5-7.

Table 5-7
COMPARISON OF OPERATING RATIOS FOR MBSP MARINA AND INDUSTRY STANDARD

Indicator	Operating Expense Ratio (1)
IMI-Top 25% under $800,000 revenues	43%
IMI-private operators	43%
Valejo Municipal Marina	42%
San Francisco West Basin (2)	43%
MBSP Marina-average 2012/13	44%

(1) Ratio to total revenues. Excludes rent and depreciation, but does include normal maintenance and repair expense.
(2) Along the Marina Green
Source: IMI Survey of Marinas and selected marina operators.

For purposes of this analysis, the Operating Expense Ratio Before Rent is considered to be the most relevant. This is the factor that best illustrates the amount of income that remains for rent, improvements and profit. As can be seen in the above table, Operating Expenses Before Rent has been 44% at the Morro Bay Marina in the recent past. This is just slightly above the experience at other comparable marinas. As shown the top 25th percentile of marinas with revenues under $800,000 has an Operating Expense Ratio of 43%. Even the Vallejo Marina, which is operated by the city, has an operating expense ratio of 42% (excluding internal City overhead charges).

Some of the other factors considered in projecting the operating expense ratio for the marina are:

- There is no need for a full time on site personnel.
- There are no costs of goods sold (for fuel, merchandise, food and beverage, etc.).
- There is no labor costs for selling fuel, merchandise, food and beverage, etc.
- There is no security needed, since ark rangers provide this.
- There is no expense for land side maintenance for parking, restrooms, boat launch, etc.
- As revenues increase with fairly stable fixed costs, the expense ratio will decline.

In general, the State Park Marina appears to be run relatively efficiently in terms of its operating expense ratio. All of the reasons listed above, as well as the experience of comparable marinas, suggest that there may be room for a minor reduction in the Operating Expense ratio. However, because the marina and its revenue potential is quite small, this analysis keeps this ratio at the current level of 44%. Note that the sensitivity testing at the end of the report evaluates the effect if this ratio varies up or down by 2%.

PROJECTED OPERATIONS

Projected Revenues

There is strong evidence that the slip rental rates are below market rates for comparable slips. Raising slip rental rates is always controversial. However, in this case there is a clear need to increase the revenues from the marina to defray the costs of dredging and to maintain the long term viability of the facility. In fact, the financial analysis in the next section of this report does not seek to maximize slip rental rates but rather seeks to identify the minimum slip rental rate that is consistent with maintaining the marina operation.

While an increase in slip rental rates may cause some dislocation, it would not be expected to result in a significant vacancy rate. The Morro Bay Marina is considered to be the best location in the area due to its easy parking, natural setting and proximity to the Bayside Café. The potential for new interested boat owners would be drawn from a wide pool, including:

- Current users who stay—it is expected that most will
- The Wait List
- Moves from Harbor moorings--100
- Moves from Harbor slips--270
- Moves from Moss Landing, Monterey, Nacimiento, and other marinas.

It is common with well run marinas to have a small vacancy rate, which indicates that rental rates are at or close to market rate. However, Morro Bay Marina may have goals other than profit maximization.

Given the need to identify funding to dredge the marina and maintain both the marina and café operations, there may be several things that could be done by a concessionaire to improve marina performance:

- Plan and announce a dredging program.
- Plan and announce proposed improvements to the slips and gangways.

- Undertake an information campaign to inform current and future boaters of the plans for improvements.
- Coordinate marketing efforts with DPR including featuring it on the DPR website, to increase the marina's visibility and identity in the market.
- Coordinate a marketing effort with DPR to attract campers to the kayak rental and lessons.
- Consider adding a program for rental of sailboats, longboards, bicycles and/or paddle boats.

It is reasonable to expect that these types of operating changes and marketing efforts, as well as rate increases, could raise revenues at the marina in the following ways:

- In light of the typical rates for slips at comparable marinas, slip rental rates could be raised from $6 to $8.50 per foot, which would raise revenues from slips by 42%. This is not considered to be the maximum achievable rate but rather the minimum rate that will allow the marina to remain viable, keeping in mind that there are a relatively small number of slips and slip fees are the primary source of revenues. This rate increase should be coordinated with a public information campaign and dredging should begin coincident with or reasonably soon thereafter.
- Dredging will make it possible to attract larger boats but it is difficult to estimate how many since many existing boats will remain at the marina.
- Equipment Rentals-a joint marketing with DPR and a small rate increase could raise revenues by 20%. Perhaps there could be a program of sailboat rentals and sailboat lessons, bicycle rentals and paddle boat rentals. These types of activities could be an added attraction for campers at the campground.

The effects of these changes would be to increase revenues at the marina by 40% to $493,526 in Year 1 of a new concession agreement.

Projected NOI

Table 5-8 summarizes the impact of raising rates and expanding programs and marketing and also shows the projected operating expenses and NOI for year 1 of a new agreement.

Table 5-8
PROJECTED REVENUES AND EXPENSES
FOR THE MARINA

		Year 1
Projected Gross Sales/Income		474,919
Less: Direct Expenses	0%	
Gross Income		474,919
Less: Operating Expenses	44%	208,964
Net Operating Income		265,954

Using these assumptions and inputs, the Net Operating Income for the marina in year 1 is projected to be $265,954. This figure is then escalated over the 30 year term of a new concession agreement. The resultant Net Operating Income projections are used in the following section of this report in the detailed proforma cash flow for the marina.

6. PROJECTED CASH FLOW AND SUPPORTABLE INVESTMENT

This section of the report describes the basic inputs and assumptions, and then describes the results of the financial analysis. The financial analysis starts with the NOI projections from the previous section of this report and then adjusts for fixed expenses including the cost of dredging. A full financial analysis was undertaken for the marina and the café as well as for the combined operations. This will allow DPR to identify potential sources of funds from each operation in the event they decide to issue to separate Requests for Bids for each use. Each of these analyses was run using three financing approaches (scenarios). A total of six proforma cash flows are included in this report.

DEFINITION OF A FEASIBLE PROJECT

Feasibility analysis is an analysis of the future and thus is inherently based on judgment. In this sense, feasibility cannot be proven or disproven. The standard for testing feasibility is not absolute proof but whether it is a reasonable expectation.

This analysis has been conducted prior to solicitation or receipt of any specific proposals. As such it is intended as a prototype of what a typical proposal might look like under a set of reasonable assumptions. The circumstances and resources of bidders will vary widely and thus, so will the parameters of any bids received.

At this time there is not a recent and complete cost estimate for the required dredging and other improvements at the marina. There is also no identified public source of grants or subsidies for these costs. In light of this, the purpose of this study is to determine the maximum amount the concessionaire could contribute to these future costs and still meet these requirements:

1. Cover operating expenses and any fixed expenses including debt service
2. Pay Rent to the State at the current percentage rate at the cafe.
3. Return a reasonable profit to the investor.

GENERAL ASSUMPTIONS

The assumptions used for costs, revenues and expenses are based on industry sources, similar projects and discussion with numerous developers and operators. They are considered to be reflective of a midrange of proposals which might be received for this project. There are many combinations of products, services and prices that could be instituted so the actual figures in any specific concession bid may vary significantly, depending on their approach.

In addition to the specific inputs to the financial analysis there are several important macro economic assumptions that should be monitored:

- The concessionaire is assumed to be a financially strong company, with a long term management succession plan, that will provide quality management for the proposed facility and will retain an experienced manager to manage the overall project. Even if two concessions are awarded, ultimately, the success of the marina and the café will be interrelated.

- There will be no major physical catastrophe to affect the project or the Central Coast region and no prolonged major economic downturn that affects the tourism and local markets.
- Marketing of the facilities will be coordinated with DPR, the City of Morro Bay, local hotels and the Morro Bay Chamber of Commerce.

PROJECTED CASH FLOW-GENERAL APPROACH

Three Financing Scenarios

The café and marina are evaluated separately and then also as a combined concession. This will allow DPR to determine whether there should be two separate concessionaires or one overall concessionaire. All three of these analyses are done using three financing scenarios:

Scenario 1: Public Financing Vehicle. This scenario assumes that the concessionaire receives sufficient income to cover all expenses, pay the same percentage Rent to the State as is currently paid and provide a reasonable operating profit. All of the remaining revenues are collected by a public agency (DPR or City) and used to defray the costs of improvements. The public agency can use these funds to amortize a bond or they can simply earmark the funds and use them to pay off an "internal debt". A 3% interest is charged for the internal loan to reflect the costs of capital to the public sector. This is similar to an enterprise fund approach. The concessionaire makes no equity investment, which would require paying them a high ROI. In effect, the Net Profit is a management fee. (Presented in Tables 6-1, A-2 and A-3.)

Scenario 2: Public Wait & Save. In this scenario the public agency receives the same amount of funds. But instead of using this future income stream to support an internal loan, they simply save the funds (at 3% interest) and spend it as there are sufficient funds available for specific improvements. The funding from the concessionaire is the same as Scenario 1, but it supports more investment because it is saved and invested.

Scenario 3: Private Financing. In this scenario the concessionaire retains all of the revenues that would have been paid to public agencies in Scenario 1 or 2 and uses them to amortize the maximum debt they can support through private loans. The concessionaire is also expected to invest equity (30%) per a normal loan agreement. In this case, the concessionaire is allowed sufficient income to provide a reasonable ROI/IRR on their equity investment. (Presented in Tables A-3, A-4 and A-5.)

It is important to note that in all of the scenarios, all of the projected funding for improvements in this analysis is derived from the concession operations. **No other public funding is included anywhere in this financial analysis.** Supplemental public funding may be added later, as needed. The only differences in the scenarios is how the payments for improvements are collected, the particular financing vehicle used and who controls the funds.

SCENARIO 1 AND 2: PUBLIC FINANCING VEHICLE (without public investment)

Table 6-1 presents a 30 year Projected Cash flow for the combined café and marina concession under the Scenario 1 and 2 financing approach.

Table 6-1
PROJECTED CASH FLOW FOR THE MARINA & CAFÉ-Scenario 1: Public Finance Vehicle

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Projected Gross Sales/Income		1,898,791	2,026,948	2,164,646	2,229,585	2,296,472	2,365,367	2,436,328	2,509,417	2,584,700	2,662,241	2,742,108	2,824,371	2,909,103	2,996,376	3,086,267
Less: Direct Expenses		498,355	538,224	581,282	598,720	616,682	635,182	654,237	673,865	694,081	714,903	736,350	758,441	781,194	804,630	828,768
Gross Income		1,400,436	1,488,724	1,583,364	1,630,865	1,679,791	1,730,185	1,782,090	1,835,553	1,890,619	1,947,338	2,005,758	2,065,931	2,127,909	2,191,746	2,257,499
Less: Operating Expenses		892,423	953,368	1,018,876	1,049,443	1,080,926	1,113,354	1,146,754	1,181,157	1,216,591	1,253,089	1,290,682	1,329,402	1,369,284	1,410,363	1,452,674
Net Operating Income		508,013	535,356	564,488	581,422	598,865	616,831	635,336	654,396	674,028	694,249	715,076	736,529	758,624	781,383	804,825
Less: Pymts for Improvements																
Current Rent to City		94,984	97,833	100,768	103,791	106,905	110,112	113,416	116,818	120,323	123,932	127,650	131,480	135,424	139,487	143,671
MMA Pymt to City		71,238	73,375	75,576	77,843	80,179	82,584	85,062	87,614	90,242	92,949	95,738	98,610	101,568	104,615	107,754
New Pymt for Improvm.		136,484	145,028	154,184	158,810	163,574	168,481	173,536	178,742	184,104	189,627	195,316	201,176	207,211	213,427	219,830
Total		302,705	316,236	330,529	340,445	350,658	361,178	372,013	383,174	394,669	406,509	418,704	431,265	444,203	457,529	471,255
Less Debt Amortization																
Less: Rent to State	6.8%	96,823	104,569	112,935	116,323	119,812	123,407	127,109	130,922	134,850	138,895	143,062	147,354	151,775	156,328	161,018
Net Profit Before Taxes		108,484	114,551	121,024	124,655	128,395	132,247	136,214	140,300	144,509	148,845	153,310	157,909	162,647	167,526	172,552
Net Profit %		5.7%	5.7%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Cash Flow Before Tax																
Equity (Negative Cash Flow)																
NCF (Net Cash Flow)																
IRR																

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	total
Projected Gross Sales/Income	3,178,855	3,274,221	3,372,447	3,473,621	3,577,829	3,685,164	3,795,719	3,909,591	4,026,878	4,147,685	4,272,115	4,400,279	4,532,287	4,668,256	4,808,303	96,855,969
Less: Direct Expenses	853,631	879,240	905,618	932,786	960,770	989,593	1,019,281	1,049,859	1,081,355	1,113,795	1,147,209	1,181,626	1,217,074	1,253,587	1,291,194	
Gross Income	2,325,223	2,394,980	2,466,830	2,540,834	2,617,060	2,695,571	2,776,438	2,859,732	2,945,524	3,033,889	3,124,906	3,218,653	3,315,213	3,414,669	3,517,109	
Less: Operating Expenses	1,496,254	1,541,142	1,587,376	1,634,997	1,684,047	1,734,569	1,786,606	1,840,204	1,895,410	1,952,272	2,010,840	2,071,166	2,133,301	2,197,300	2,263,219	
Net Operating Income	828,969	853,838	879,454	905,837	933,012	961,003	989,833	1,019,528	1,050,114	1,081,617	1,114,066	1,147,488	1,181,912	1,217,370	1,253,891	25,277,352
Less: Pymts for Improvements																
Current Rent to City	147,982	152,421	156,994	161,703	166,555	171,551	176,698	181,999	187,459	193,082	198,875	204,841	210,986	217,316	223,835	
MMA Pymt to City	110,986	114,316	117,745	121,278	124,916	128,663	132,523	136,499	140,594	144,812	149,156	153,631	158,240	162,987	167,877	
New Pymt for Improvm.	226,425	233,218	240,214	247,421	254,843	262,489	270,363	278,474	286,828	295,433	304,296	313,425	322,828	332,513	342,488	
Total	485,393	499,955	514,953	530,402	546,314	562,703	579,584	596,972	614,881	633,327	652,327	671,897	692,054	712,816	734,200	14,808,849
Less Debt Amortization																
Less: Rent to State	165,848	170,824	175,949	181,227	186,664	192,264	198,032	203,973	210,092	216,395	222,886	229,573	236,460	243,554	250,861	5,049,783
Net Profit Before Taxes	177,728	183,060	188,552	194,208	200,035	206,036	212,217	218,583	225,141	231,895	238,852	246,017	253,398	261,000	268,830	5,418,720
Net Profit %	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	

ASSUMPTIONS

Contract term (Yrs)	30	Yr 1 Gross sales	1,898,791
Beginning Yr	2015	Growth Rate	3%
Total Investment		Costs of Goods Sold	
Equity %		Operating Expenses:	*average of*
Equity Investment		Rent to State	*marina*
Loan Amount		Current Pymt to City	*and café*
Loan Term (Yrs)		Added Pymt to City	
Loan Interest rate			
Annual Loan Payment			

These projections are based on the assumption that all of the payments made to the public agency are used to defray the costs of improvements. Similar separate Scenario 1 projections for the café and marina are included in Appendix Tables A-1 and A-2. The results for the combined concession are discussed below. But all of these analyses are summarized later in this section. Note that the gray shaded lines in the Cash Flow are not used in the Scenario 1 analysis. However they are used in the Scenario 3 analysis and so they are included to provide a consistent format for the Cash Flow Projections across all Scenarios.

The projected cash flows in Table 6-1, and all of the subsequent proformas in this report, are considered to be prototypes of what could be expected under various assumptions and inputs. Individual bidders will have their own approaches and assumptions which may affect their projections and the actual outcomes. As can be seen in Table 6-1, the projection starts with the projected Operating Revenues and Expenses for the concession. Then non-operating expenses are deducted for improvement costs and Rent to the State. Each of the major components of the cash flow is described below in more detail.

Projected NOI

The Year 1 projected gross sales are the same as presented in Section 5, based on past operations and a review of industry standards. The basic assumptions are:

- All of the revenues and expenses are escalated at 3% per annum.
- The COGs for the café are 35% of sales and the operating expenses are 48% of sales.
- The operating expenses for the marina are 44% of sales.

Rent to the State

In Table 6-1 Rent to the State is shown as a separate expense. It was not included in the operating expense projections or in the Payments for Improvements. It is calculated as 6.8% of the revenues from the café only, which is the same percentage rent as the State has received in each of the past five years. This is considered the minimum rent and could be higher.

Payments for Improvements-Scenario 1 and 2: Public Finance

Table 6-1 shows various payments from the concessionaire to help pay for the improvement costs. These payments are:

- The rent 20% rent currently being paid to the City
- The 15% of revenues being allocated to the Major Maintenance Account (MMA) for major repairs
- A New Payment for Improvements. This payment is 6.2% of sales from the café and 10% of sales from the marina. The percent was simply chosen as the maximum amount the concessionaire could pay and still make a reasonable profit.

Net Profit to Concessionaire

The projected net profit from the café is 4.2%. The net profit from the marina is 11%. In dollar terms over 30 years this represents the following profit for the concessionaire(s):

Profit from cafe	$2,933,330
Profit from marina	$2,485,390
Total	$5,418,720

It is not possible to evaluate these figures in terms of a traditional Return on Investment (ROI) because the concessionaire is not required to make a front-end equity investment in the project in this scenario. So the profit is simply a payment for management time—in effect a management fee. Each of these figures as a percent of revenues is in line with the industry standards for comparable restaurants and marinas, as discussed in more detail at the end of this section. It should be noted that in most cases the operating expenses include some compensation to the "owner/manager" under the Salaries and Wages category. It is also true that since many concessionaires have more than one operation, they can spread their overhead costs over several operations.

Supportable Investment

Table 6-2 shows the level of capital expenditure on improvements that could be supported by the payments from the concessionaire presented in the cash flow projections under Scenario 1—assuming the payments are collected by a public agency and used to support either a public bond or internal financing. For comparison the table also includes a calculation of the supportable investments under Scenario 2, assuming that payments from the concessionaire are spent every 5 years, after they accumulate, beginning in year 5.

Table 6-2
SUPPORTABLE IMPROVEMENTS USING PAYMENTS FROM THE MARINA AND CAFÉ COMBINED OPERATIONS
Scenario #1 and Scenario #2

	Scenario 1: Public Financing		Scenario 2: Wait & Save
Years	**Average Payment Available (1)**	**Supportable Improvements**	**Supportable Improvements**
1-15	385,405	4,601,299	6,145,348
16-30	601,852	7,185,433	9,597,707
Total		**11,786,731**	**15,743,055**

(1) Using the average means that any deficit in the early years is offset by extra funds availabe in the later years of the period. Thus the need to include a cost of capital.

Since the payments from the concessionaire will be increasing over time, the analysis makes the following assumptions that could apply if any actual debt is issue or if the payments are simply earmarked and used to repay "internal loans" made by one or more public agency.

- In Scenario 1, two self- amortizing 15-year loans are assumed. This reflects the fact that the improvements can be undertaken over time. This is also done to make the analysis comparable to the private sector analysis where 30-year financing on a leasehold improvement is not available.
- The annual debt service amount used for each loan is the average of the concessionaire's annual payments for improvements during the applicable period.

- The interest rate paid in Scenario 1 is 3%, to represent the cost of capital for the State, whether any actual interest payments are made or not.
- The interest rate earned in Scenario 2 is 3%. The Supportable Improvements amount in Scenario 2 includes total payments from the concessionaire in each period plus 3% per annum accumulated interest. Within each period, funds can be expended as they match needs. Using any funds before the end of the period would reduce the accumulated interest. The figure shown assumes payments accumulate in 5 year increments and then are fully expended at the end of that period.

As shown in the table, using these assumptions indicates that the proposed payments from the concessionaire could amortize (support) $11.6 million in debt (capital cost), assuming a 3% interest rate (cost of capital) for the State. However in the Scenario 2 approach (Wait and Save), there would be approximately $15.5 million available for improvements starting after year 5.

SCENARIO 3: PRIVATE LOAN

All of the operating assumptions for Scenario 3 are the same as for Scenario 1 and 2. The only difference is that instead of making the Payments for Improvements to the public sector, it is assumed that all of the revenues from all of these sources (excluding Rent to the State) will be retained by the concessionaire and used to amortize a private loan to defray the cost of marina improvements. The primary differences in this approach are:

- The private loan will be at a higher interest rate—6%.
- The concessionaire will be required to invest substantial equity (capital injection) in the project in order to qualify for the loan. (Alternatively the concessionaire could use internal funds or could borrow against other assets.)
- The concessionaire will require a rate of return on this equity at risk significantly higher than the interest rate on debt. This is a major fixed expense which reduces the funds available for improvements. This return on equity (IRR) is a critical measure of feasibility for the concessionaire in Scenario 3.
- The concessionaire is unlikely to get a 30 year leasehold loan, so two sequential 15 year loans would be necessary. This results in faster payback and lower ROI/IRR.
- Since the income available for debt service increase each year, the analysis assumes the concessionaire obtains a loan based on the average amount available for debt service over the 15 year terms of the loans in order to smooth out the payments for the loans.
- Even if this approach is possible, the concessionaire may have difficulty getting a leasehold improvement loan on the marina without outside collateral.
- A business loan may be possible but would depend on the past performance of the marina.
- The amount of debt and equity the concessionaire can invest is constrained by the amount of NOI available to pay the related debt service and a reasonable rate of return (IRR) on the equity investment.

For all of these reasons the cost of capital (both debt and equity) for the project under Scenario 3 will be higher and conversely the amount of improvements that the same amount of concessionaire's payments can support will be lower.

The detailed cash flow projections for the Scenario 3 approach are shown in Appendix Tables A-3 through A-5.

SUMMARY OF FINANCIAL ANALYSIS

Following is a summary of the numerous analyses undertaken in this study. The results for the combined concession are most accurate. The results for the individual uses are somewhat more subjective because they require judgments about how to share the improvement costs, and consequently the ROI. (In fact, at this point it is not even known if there will be any improvement costs for the café.) In all cases, we have sought to maximize the amount of funds received by the public sector while still leaving sufficient net income for the concessionaire(s). There was no attempt to determine whether the payments required of the two concessions are reflective of the relative benefits they each might receive from the marina improvements. For example, the café was required to take on more debt in Scenario 3 simply because the revenues were there. Although, it could be argued that without these improvements both concessions would eventually wither away. In other words, the analysis calculates the maximum supportable investment from each use not the amount that is needed to make improvements for each use.

Table 6-3 presents a summary of one possible break down of the amount of investment supportable by the combined concession operations by time period.

Table 6-3
TOTAL SUPPORTABLE IMPROVEMENTS
FOR THREE APPROACHES TO FINANCING
BY TIME PERIOD
(Combined Concession)

Period	Scenario 1 Public Finance	Scenario 2 Wait & Save (1)	Scenario 3 Private Finance
Yr 1	4,601,299	6,145,348	4,142,857
Yr 16	7,185,433	9,597,707	5,000,000
Total	11,786,731	15,743,055	9,142,857

(1) In this scenario, funds for improvements are assumed to be saved and spent every 5 years beginning in year 5.

As expected Scenario 3 provides the lowest amount of supportable investment and Scenario 2 provides the most. Note that if Scenario 1 uses an internal loan from the State at zero interest, then the amount available for improvements is simply the total amount of payments for improvement over 30 years, since there is no discount for interest payments. These funds could be spent as received or the State could make the up front investment and receive an equal amount in future payments without interest. In this approach the total investment for Scenario 1 would be $15,021,500.

Table 6-4 provides a summary of the financial analysis over thirty years for the three scenarios broken out by type of use. Obviously, any change to the assumptions for either use will affect the returns of the other use, if the total supportable investment is kept at the same level.

Table 6-4
SUMMARY OF FINANCIAL ANALYSIS
FOR THREE APPROACHES TO FINANCING
BY TYPE OF USE

		Scenario 1 Public Finance	Scenario 2 Wait & Save	Scenario 3 Private Loan
A	**Gross Revenues-Café and Marina**	**96,855,969**		**96,855,969**
	Café	74,261,515	All the same	74,261,515
	Marina	22,594,455	as Scenario 1	22,594,455
B	**NOI** (before rent, debt service or pamt for improvemer	**25,277,352**		**25,277,352**
	Café	12,624,457		12,624,457
	Marina	12,652,895		12,652,895
B	**Improvements-Supportable by Operations (1)**	**11,786,731**	**15,743,055**	**9,142,857**
	Supported by Café	3,694,162	4,934,141	4,285,714
	Supported by Marina	8,092,570	10,808,914	4,857,143
C	**Concessionair's Improvement Payments (2)**	**14,808,849**		**9,884,160**
	Payments from Café	4,641,345		4,633,200
	Payments from Marina	10,167,505		5,250,960
D	**Concessionaire's Total Net Profit (3)**	**5,418,720**		**10,343,409**
	Net Profit from Café	2,933,330	All the same	2,941,474
	Net Profit from Marina	2,485,390	as Scenario 1	7,401,935
E	**Rent to State-Café + Marina**	**5,049,783**		**5,049,783**
	Rent to State from Café (6.8%) (4)	5,049,783		5,049,783
	Rent to State from Marina (0%)	-		-
F	**Total Rent & Improvm Pymts by Concessionaire**	**19,858,632**		**14,933,943**
	Café-Total	9,691,128		9,682,983
	Marina-Total	10,167,505		5,250,960
G	**Rent & Improvment Payments as % of Revenues**	**21%**		**15%**
	Café (5)	13%		13%
	Marina	45%		23%
H	**Equity Investment Required**	-	-	**2,742,857**
	Café	-	-	1,285,714
	Marina	-	-	1,457,143
I	**Equity Required as % of NOI**	-	-	**11%**
	Café	-	-	10%
	Marina	-	-	12%
J	**IRR**	-	-	**15%**
	Café	-	-	15%
	Marina	-	-	15%

(1) In Scenario 3 this includes the equity investment.
(2) Includes all payments, or debt amortization except Rent to the State. Improvement Payments are lower in Scenario 3 because more revenues are used to provide a return to the equity investment and pay higher interest on private loan rather than make payments for improvements.
(3) Note more profit (cash flow) is required for Scenario #3 becauses of the requirement for equity investment.
Net profit in Scenario 1 is after payments for improvements. In Scenario 3 it is after debt amortization.
(4) Rent to Sate remains at the same percent as currently received in all scenarios.
(5) Includes 6.8% Rent to State.

As shown in the table, there is a wide range of supportable investment for the required improvements, depending on the approach to financing which is selected. However, in all financing scenarios there is the potential to receive a substantial contribution to the improvement costs from the concessionaire(s). Note that the total supportable investment can be spent on any required investment regardless of whether they are for the marina or the café.

As can be seen, the total of concessionaire improvement payments (C) plus profit (D) is the same for all scenarios. But more of this total is allocated to profit in Scenario 3—the private finance alternative. This can be seen more clearly in the following simplified summary of the Table.

Table 6-5
ALLOCATION OF TOTAL NOI FOR
THE MARINA AND CAFÉ COMBINED

	Scenario 1 Public Fin. Vehicle		Scenario 3 Private Loan	
	$	%	$	%
Rent to State	5,049,783	20%	5,049,783	20%
Improvement Payments	14,808,849	59%	9,884,160	39%
Profit	5,418,720	21%	10,343,409	41%
Total (NOI)	25,277,352	100%	25,277,352	100%

Only Scenario 3 shows an IRR because only this scenario requires equity investment. (The IRR uses the same NOI but instead of comparing this to revenues it compares it to investment on a time-discounted basis to calculate a compound annual ROI.) Because equity investment requires a higher rate of return, this will reduce the amount of the revenues that can be used for improvements. There is no one set IRR which is sufficient for all investors and which makes any project "feasible". Each investor will have his own target rate of return which makes a project acceptable to him. This target rate of return is often influenced by factors outside of the project such as the cost of capital, a desire to utilize excess capacity, availability of alternative investments, a desire to enter new markets and so forth.

The projected IRR target (15%) for the two uses are considered to be reasonable for the level of equity investment and for a project of this type. While there are some unknowns, it is assumed that a public agency will obtain all required permits and commitments for all necessary funding before soliciting a concessionaire. If this is done and considering that both concessions have a long track record of successful operation, these IRRs and the total profits are considered to be adequate to attract an investor/concessionaire.

It is also useful to compare the projected level of revenues and profit for the café and marina to the past performance and to industry standards. Keeping in mind that the total profit and the ROI/IRR are is better measures of performance than the ratio to sales. This is done in Table 6-6.

Table 6-6
PROJECTED REVENUES & PROFIT COMPARED TO PAST PERFORMANCE

		Projected	
	Current	**Scenario 1 & 2**	**Scenario 3**
Café			
Annual Revenues (1)	1,280,333	2,475,384	2,475,384
Annual Profit-dollars (1)	66,000	99,015	98,049
Annual Profit-% of revenues	5%	4%	4%
Industry Standard-% of revenues (2)	3%	3%	3%
Improvement Payments-avg	-	153,474	154,440
Improvement Pymts-% of revenues	0.0%	6.2%	6.2%
Marina			
Annual Revenues	353,125	753,148	753,148
Annual Profit-dollars (2012/13 avg)	50,000	82,846	82,846
Annual Profit-% of revenues	17%	11%	26% (4)
Industry Standard-% of revenues (3)	6%-16%	6%-16%	6%-16%
Improvement Payments-avg (5)	125,651	338,917	175,032
Improvement Pymts-% of revenues	36%	45%	23%
Café & Marina			
Annual Revenues	1,633,458	3,228,532	3,228,532
Annual Profit-dollars	116,000	181,862	180,895
Annual Profit-% of revenues	7.1%	6%	6%
Industry Standard-% of revenues	na	na	na
Improvement Payments-avg	**125,651**	**492,391**	**329,472**
Improvement Pymts-% of revenues	**8%**	**15%**	**10%**

(1) Projections are the averages over 30 years. Includes 3% excalation per annum.
(2) National Restaurant Association Operations Report.
Median, check over $25 per person, total sales $1-2 million.
(3) IMI Survey of Marinas; 6% for marinas under $800,000 in revenues; 16% for all marinas.
(4) With a relatively small revenue base, the marina needs a larger share of the revenues to provide an adequate IRR on its equity investment.
(5) Includes 20% currently paid as rent to City, which becomes an Improvement Payment.

As shown, the annual profit in dollars is projected to be well above the current levels for both the café and the marina. Furthermore, the profit as a percent of revenues is above the industry standard for both uses. As noted above, profit as a percent of revenues is difficult to define for marinas because of the wide variation in the amount of investment and equity reported. However, overall these figures indicate that the prototype financial projections for both uses should be attractive to some potential concessionaires.

Table 6-6 also shows the current and projected amount of Improvement Payments for the concessions. Currently the two concessions combined pay approximately $125,651 (8%) of revenues for rent and MMA. This amount can increase substantially due to several factors:

- The current City rent and MMA are pooled together and allocated to improvements.
- An additional payment of 6.2% for the café and 10% for the marina is added.
- Revenues are increased initially from price increases, operating efficiencies and marketing initiatives.

- Thereafter, all revenues are escalating at 3% per annum.

Due to the relatively small scale of the marina, the limited services offered, and the need to maximize the contribution to the cost of improvements, it may be that a smaller company with low overhead would be the best fit for the marina concession. Moreover, the number of slips and potential revenues are relatively small and may not be sufficient to attract the larger marina operators. There may be some financial advantage to having one concessionaire for both the marina and café because this reduces management costs and overhead. On the other hand, it may be more difficult to find one company that has the in-house expertise to run both a marina and a full service restaurant efficiently.

SENSITIVITY TESTING

As has been noted several times in this report, on any project still in the early stages of planning, all projections must be considered as estimates within a range. Thus it is useful to consider the sensitivity of the key assumptions and inputs. For this purpose, the analysis was rerun assuming variations in certain key inputs which would have an impact of the financial results. The results of these sensitivity tests are summarized below in Table 6-7.

Table 6-7
EFFECTS OF SELECTED VARIATIONS IN ASSUMPTIONS ON THE PROJECTIONS

	Change in Assumption	Change in Improvements Supportable by Concessionaire Payments Scenario 3: Combined Uses (1)	
	increase initial slip rate from $8.50 to $9.00	142,857	
	delay increase to $8.50 for 2 years	(571,400)	
2%	decrease marina operating expense ratio to 42%	142,857	
2%	increase marina operating expense ratio to 46%	(142,857)	
5%	decrease in projected NOI (marina & café)	(286,035)	
	drop New Paymt for Imprv. for café from 6.2% to 3%	(1,773,000)	(2)
	drop New Paymt for Imprv. for marina from 10% to 5%	(899,000)	(2)

(1) All changes assume concessionaire profit (IRR) remains at 15%.
But in fact some of the negative effects could be shifted to the concessionaire profit.
(2) These negative impacts occur in Scenario 1, since there are no Improvement Pymts in Scenario 3.

Scenario 3 is used as a test case, but similar outcomes would result from all of the scenarios. These results indicate that the financial projection model is very stable. That is, even if there are variations in the key assumptions, the overall results of the financial analysis do not change significantly. The basic conclusion is that modest changes in the operating projections would not have a significant effect on the supportable investments. This so because the primary drivers of supportable investment are the existing base of revenues, the existing rent and MMA payments, the proposed new improvement payments (Scenarios 1 and 2 only) and the financing terms. However, the table also shows that reducing the proposed new improvement payments (Scenarios 1 and 2 only) by half would have an impact on the total supportable investments. In this case, for the café this change would reduce the combined supportable investment by 15%. For the marina this change would reduce combined supportable investment by 8%.

APPENDIX A
SELECTED TABLES

Proforma Cash Flows

Public Finance Vehicle: Scenario 1 & 2

Table A-1	Café
Table A-2	Marina
(Table 6-1)	Café & Marina

Private Finance Vehicle: Private Loan

Table A-3	Café
Table A-4	Marina
Table A-5	Café & Marina

Table A-1
PROJECTED CASH FLOW FOR THE CAFÉ-Scenario 1: Public Finance Vehicle

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	Total
Projected Gross Sales/Income		1,423,872	1,537,782	1,660,804	1,710,628	1,761,947	1,814,806	1,869,250	1,925,327	1,983,087	2,042,580	2,103,857	2,166,973	2,231,982	2,298,942	2,367,910	2,438,947	2,512,116	2,587,479	2,665,103	2,745,056	2,827,408	2,912,230	2,999,597	3,089,585	3,182,273	3,277,741	3,376,073	3,477,355	3,581,676	3,689,126	74,261,515
Less: Direct Expenses	35%	498,355	538,224	581,282	598,720	616,682	635,182	654,237	673,865	694,081	714,903	736,350	758,441	781,194	804,630	828,768	853,631	879,240	905,618	932,786	960,770	989,593	1,019,281	1,049,859	1,081,355	1,113,795	1,147,209	1,181,626	1,217,074	1,253,587	1,291,194	
Gross Income		925,517	999,558	1,079,523	1,111,908	1,145,266	1,179,624	1,215,012	1,251,463	1,289,007	1,327,677	1,367,507	1,408,532	1,450,788	1,494,312	1,539,141	1,585,316	1,632,875	1,681,861	1,732,317	1,784,287	1,837,815	1,892,950	1,949,738	2,008,230	2,068,477	2,130,532	2,194,448	2,260,281	2,328,089	2,397,932	
Less: Operating Expenses	48%	683,459	738,135	797,186	821,102	845,735	871,107	897,240	924,157	951,882	980,438	1,009,851	1,040,147	1,071,351	1,103,492	1,136,597	1,170,695	1,205,815	1,241,990	1,279,250	1,317,627	1,357,156	1,397,871	1,439,807	1,483,001	1,527,491	1,573,316	1,620,515	1,669,131	1,719,205	1,770,781	
Net Operating Income		242,058	261,423	282,337	290,807	299,531	308,517	317,772	327,306	337,125	347,239	357,656	368,385	379,437	390,820	402,545	414,621	427,060	439,871	453,068	466,660	480,659	495,079	509,932	525,229	540,986	557,216	573,932	591,150	608,885	627,151	12,624,457
Less: Pymts for Improvements																																
Current Rent to City	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
MMA Pymt to City	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
New Pymt for Improvm	6.2%	88,280	95,342	102,970	106,059	109,241	112,518	115,893	119,370	122,951	126,640	130,439	134,352	138,383	142,534	146,810	151,215	155,751	160,424	165,236	170,194	175,299	180,558	185,975	191,554	197,301	203,220	209,317	215,596	222,064	228,726	
Total	6.2%	88,280	95,342	102,970	106,059	109,241	112,518	115,893	119,370	122,951	126,640	130,439	134,352	138,383	142,534	146,810	151,215	155,751	160,424	165,236	170,194	175,299	180,558	185,975	191,554	197,301	203,220	209,317	215,596	222,064	228,726	4,604,214
Less: Debt Amortization																																
Less: Rent to State	6.8%	96,823	104,569	112,935	116,323	119,812	123,407	127,109	130,922	134,850	138,895	143,062	147,354	151,775	156,328	161,018	165,848	170,824	175,949	181,227	186,664	192,264	198,032	203,973	210,092	216,395	222,886	229,573	236,460	243,554	250,861	5,049,783
Net Profit Before Taxes		56,955	61,511	66,432	68,425	70,478	72,592	74,770	77,013	79,323	81,703	84,154	86,679	89,279	91,958	94,716	97,558	100,485	103,499	106,604	109,802	113,096	116,489	119,984	123,583	127,291	131,110	135,043	139,094	143,267	147,565	2,970,461
Net Profit %		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Cash Flow Before Tax																																
Equity (Negative Cash Flow)																																
NCF (Net Cash Flow)																																
IRR																																

ASSUMPTIONS

Contract term (Yrs)	30	Yr 1 Gross sales	1,423,872
Beginning Yr	2015	Growth rate	3%
Total Investment		Costs of Goods Sold	35%
Equity %		Operating Expenses before	48%
Investment Equity		Rent to State	6.8%
Loan Amount			
Loan Term (Yrs)			
Loan Interest rate			
Annual Loan Payment			

Table A-2
PROJECTED CASH FLOW FOR THE MARINA-Scenario 1: Public Finance Vehicle

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	36	27	28	29	30	Total
Projected Gross Sales/Income		474,919	489,166	503,841	518,956	534,525	550,561	567,078	584,090	601,613	619,661	638,251	657,399	677,121	697,434	718,357	739,908	762,105	784,968	808,517	832,773	857,756	883,489	909,993	937,293	965,412	994,374	1,024,206	1,054,932	1,086,580	1,119,177	22,594,455
Less: Direct Expenses	0%																															
Gross Income		474,919	489,166	503,841	518,956	534,525	550,561	567,078	584,090	601,613	619,661	638,251	657,399	677,121	697,434	718,357	739,908	762,105	784,968	808,517	832,773	857,756	883,489	909,993	937,293	965,412	994,374	1,024,206	1,054,932	1,086,580	1,119,177	
Less: Operating Expenses	44%	208,964	215,233	221,690	228,341	235,191	242,247	249,514	257,000	264,710	272,651	280,830	289,255	297,933	306,871	316,077	325,559	335,326	345,386	355,748	366,420	377,413	388,735	400,397	412,409	424,781	437,525	450,650	464,170	478,095	492,438	
Net Operating Income		265,954	273,933	282,151	290,616	299,334	308,314	317,564	327,090	336,903	347,010	357,421	368,143	379,187	390,563	402,280	414,348	426,779	439,582	452,770	466,353	480,343	494,754	509,596	524,884	540,631	556,850	573,555	590,762	608,485	626,739	12,652,895
Less: Pymts for Improvements																																
Current Rent to City	20%	94,984	97,833	100,768	103,791	106,905	110,112	113,416	116,818	120,323	123,932	127,650	131,480	135,424	139,487	143,671	147,982	152,421	156,994	161,703	166,555	171,551	176,698	181,999	187,459	193,082	198,875	204,841	210,986	217,316	223,835	
MMA Pymt to City	15%	71,238	73,375	75,576	77,843	80,179	82,584	85,062	87,614	90,242	92,949	95,738	98,610	101,568	104,615	107,754	110,986	114,316	117,745	121,278	124,916	128,663	132,523	136,499	140,594	144,812	149,156	153,631	158,240	162,987	167,877	
New Pymt for Improvm	10%	47,492	48,917	50,384	51,896	53,453	55,056	56,708	58,409	60,161	61,966	63,825	65,740	67,712	69,743	71,836	73,991	76,211	78,497	80,852	83,277	85,776	88,349	90,999	93,729	96,541	99,437	102,421	105,493	108,658	111,918	
Total	45%	213,713	220,125	226,729	233,530	240,536	247,752	255,185	262,841	270,726	278,848	287,213	295,829	304,704	313,845	323,261	332,959	342,947	353,236	363,833	374,748	385,990	397,570	409,497	421,782	434,435	447,468	460,892	474,719	488,961	503,630	10,167,505
Less: Debt Amortization																																
Less: Rent to State	0%																															
Net Profit Before Taxes		52,241	53,808	55,423	57,085	58,798	60,562	62,379	64,250	66,177	68,163	70,208	72,314	74,483	76,718	79,019	81,390	83,832	86,347	88,937	91,605	94,353	97,184	100,099	103,102	106,195	109,381	112,663	116,042	119,524	123,109	2,485,390
Net Profit %		11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	
Cash Flow Before Tax																																
Equity (Negative Cash Flow)																																
NCF (Net Cash Flow)																																
IRR																																

ASSUMPTIONS

Contract term (Yrs)	30	Yr 1 Gross sales	474,919
Beginning Yr	2015	Growth Rate	3%
Total Investment		Costs of Goods Sold	0%
Equity %		Operating Expenses:	44%
Equity Investment		Rent to State	0%
Loan Amount			
Loan Term (Yrs)			
Loan Interest rate			
Annual Loan Payment			

Table A-3
PROJECTED CASH FLOW FOR THE CAFÉ-Scenario 3: Private Finance

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Projected Gross Sales/Income		1,423,872	1,537,782	1,660,804	1,710,628	1,761,947	1,814,806	1,869,250	1,925,327	1,983,087	2,042,580	2,103,857	2,166,973	2,231,982	2,298,942	2,367,910
Less: Direct Expenses	35%	498,355	538,224	581,282	598,720	616,682	635,182	654,237	673,865	694,081	714,903	736,350	758,441	781,194	804,630	828,768
Gross Income		925,517	999,558	1,079,523	1,111,908	1,145,266	1,179,624	1,215,012	1,251,463	1,289,007	1,327,677	1,367,507	1,408,532	1,450,788	1,494,312	1,539,141
Less: Operating Expenses	48%	683,459	738,135	797,186	821,102	845,735	871,107	897,240	924,157	951,882	980,438	1,009,851	1,040,147	1,071,351	1,103,492	1,136,597
Net Operating Income		242,058	261,423	282,337	290,807	299,531	308,517	317,772	327,306	337,125	347,239	357,656	368,385	379,437	390,820	402,545
Retain: Pymts for Improvements																
Former Rent to City																
MMA Pymt to City																
New Pymt for Improvm.																
Total																
Less: Debt Amortization		102,960	102,960	102,960	102,960	102,960	102,960	102,960	102,960	102,960	102,960	102,960	102,960	102,960	102,960	102,960
Less: Rent to State	6.8%	96,823	104,569	112,935	116,323	119,812	123,407	127,109	130,922	134,850	138,895	143,062	147,354	151,775	156,328	161,018
Net Profit Before Taxes		42,275	53,894	66,442	71,524	76,759	82,150	87,703	93,423	99,315	105,383	111,633	118,071	124,702	131,532	138,567
Net Profit %		3.0%	3.5%	4.0%	4.2%	4.4%	4.5%	4.7%	4.9%	5.0%	5.2%	5.3%	5.4%	5.6%	5.7%	5.9%
Cash Flow Before Tax																
Equity (Negative Cash Flow)	(428,571)															
NCF (Net Cash Flow)	(428,571)	42,275	53,894	66,442	71,524	76,759	82,150	87,703	93,423	99,315	105,383	111,633	118,071	124,702	131,532	138,567
IRR-30 years	**15%**															

		16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	Total
Projected Gross Sales/Income		2,438,947	2,512,116	2,587,479	2,665,103	2,745,056	2,827,408	2,912,230	2,999,597	3,089,585	3,182,273	3,277,741	3,376,073	3,477,355	3,581,676	3,689,126	74,261,515
Less: Direct Expenses	35%	853,631	879,240	905,618	932,786	960,770	989,593	1,019,281	1,049,859	1,081,355	1,113,795	1,147,209	1,181,626	1,217,074	1,253,587	1,291,194	
Gross Income		1,585,316	1,632,875	1,681,861	1,732,317	1,784,287	1,837,815	1,892,950	1,949,738	2,008,230	2,068,477	2,130,532	2,194,448	2,260,281	2,328,089	2,397,932	
Less: Operating Expenses	48%	1,170,695	1,205,815	1,241,990	1,279,250	1,317,627	1,357,156	1,397,871	1,439,807	1,483,001	1,527,491	1,573,316	1,620,515	1,669,131	1,719,205	1,770,781	
Net Operating Income		414,621	427,060	439,871	453,068	466,660	480,659	495,079	509,932	525,229	540,986	557,216	573,932	591,150	608,885	627,151	12,624,457
Retain: Pymts for Improvements																	
Former Rent to City																	
MMA Pymt to City																	
New Pymt for Improvm.																	
Total																	
Less: Debt Amortization		205,920	205,920	205,920	205,920	205,920	205,920	205,920	205,920	205,920	205,920	205,920	205,920	205,920	205,920	205,920	4,633,200
Less: Rent to State	6.8%	165,848	170,824	175,949	181,227	186,664	192,264	198,032	203,973	210,092	216,395	222,886	229,573	236,460	243,554	250,861	5,049,783
Net Profit Before Taxes		42,853	50,316	58,003	65,921	74,076	82,476	91,128	100,039	109,218	118,672	128,410	138,439	148,770	159,411	170,371	2,941,474
Net Profit %		1.8%	2.0%	2.2%	2.5%	2.7%	2.9%	3.1%	3.3%	3.5%	3.7%	3.9%	4.1%	4.3%	4.5%	4.6%	4%
Cash Flow Before Tax																	
Equity (Negative Cash Flow)	(428,571)	(857,143)															(1,285,714)
NCF (Net Cash Flow)	(428,571)	(814,290)	50,316	58,003	65,921	74,076	82,476	91,128	100,039	109,218	118,672	128,410	138,439	148,770	159,411	170,371	1,655,760
IRR-30 years	**15%**																

ASSUMPTIONS

Contract term (Yrs)		Yr 1 Gross Sales	
Beginning Yr		Growth rate	3%
Total Investment	4,285,714	Costs of Goods Sold	35%
Equity %	30%	Operating Expenses before I	48%
Investment Equity	1,285,714	Rent to State	6.8%
Loan Amount	3,000,000		
Loan Term (Yrs)	15 years		
Loan Interest Rate	6%		
Annual Loan Payment	2 loans		

Table A-4
PROJECTED CASH FLOW FOR THE MARINA-Scenario 3: Private Finance

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	36	27	28	29	30	Total
Projected Gross Sales/Income		474,919	489,166	503,841	518,956	534,525	550,561	567,078	584,090	601,613	619,661	638,251	657,399	677,121	697,434	718,357	739,908	762,105	784,968	808,517	832,773	857,756	883,489	909,993	937,293	965,412	994,374	1,024,206	1,054,932	1,086,580	1,119,177	22,594,455
Less: Direct Expenses	0%																															
Gross Income		474,919	489,166	503,841	518,956	534,525	550,561	567,078	584,090	601,613	619,661	638,251	657,399	677,121	697,434	718,357	739,908	762,105	784,968	808,517	832,773	857,756	883,489	909,993	937,293	965,412	994,374	1,024,206	1,054,932	1,086,580	1,119,177	
Less: Operating Expenses	44%	208,964	215,233	221,690	228,341	235,191	242,247	249,514	257,000	264,710	272,651	280,830	289,255	297,933	306,871	316,077	325,559	335,326	345,386	355,748	366,420	377,413	388,735	400,397	412,409	424,781	437,525	450,650	464,170	478,095	492,438	
Net Operating Income		265,954	273,933	282,151	290,616	299,334	308,314	317,564	327,090	336,903	347,010	357,421	368,143	379,187	390,563	402,280	414,348	426,779	439,582	452,770	466,353	480,343	494,754	509,596	524,884	540,631	556,850	573,555	590,762	608,485	626,739	12,652,895
Retain: Pymts for Improvements																																
Former Rent to City																																
MMA Pymt to City																																
New Pymt for Improvm.																																
Total																																
Less: Debt Amortization		195,624	195,624	195,624	195,624	195,624	195,624	195,624	195,624	195,624	195,624	195,624	195,624	195,624	195,624	195,624	154,440	154,440	154,440	154,440	154,440	154,440	154,440	154,440	154,440	154,440	154,440	154,440	154,440	154,440	154,440	5,250,960
Less: Rent to State	0%																															
Net Profit Before Taxes		70,330	78,309	86,527	94,992	103,710	112,690	121,940	131,466	141,279	151,386	161,797	172,519	183,563	194,939	206,656	259,908	272,339	285,142	298,330	311,913	325,903	340,314	355,156	370,444	386,191	402,410	419,115	436,322	454,045	472,299	7,401,935
Net Profit %		15%	16%	17%	18%	19%	20%	22%	23%	23%	24%	25%	26%	27%	28%	29%	35%	36%	36%	37%	37%	38%	39%	39%	40%	40%	40%	41%	41%	42%	42%	33%
Cash Flow Before Tax																																
Equity (Negative Cash Flow	(814,286)																(642,857)															(1,457,143)
NCF (Net Cash Flow)	(814,286)	70,330	78,309	86,527	94,992	103,710	112,690	121,940	131,466	141,279	151,386	161,797	172,519	183,563	194,939	206,656	(382,949)	272,339	285,142	298,330	311,913	325,903	340,314	355,156	370,444	386,191	402,410	419,115	436,322	454,045	472,299	5,944,792
IRR-30 years	**15%**																															26%

ASSUMPTIONS

Contract term (Yrs)	30	Yr 1 Gross Sales	474,919
Beginning Yr	2015	Growth Rate	3%
Total Investment	4,857,143	Costs of Goods Sold	0%
Equity %	30%	Operating Expenses:	44%
Equity Investment	1,457,143	Rent to State	0%
Loan Amount	3,400,000	Current Pymt to City	
Loan Term (Yrs)	15 years	Added Pymt to City	
Loan Interest rate	6%		
Annual Loan Payment	2 loans		

Table A-5
PROJECTED CASH FLOW FOR THE MARINA & CAFÉ-Scenario 3: Private Finance

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Projected Gross Sales/Income		1,898,791	2,026,948	2,164,646	2,229,585	2,296,472	2,365,367	2,436,328	2,509,417	2,584,700	2,662,241	2,742,108	2,824,371	2,909,103	2,996,376	3,086,267
Less: Direct Expenses		498,355	538,224	581,282	598,720	616,682	635,182	654,237	673,865	694,081	714,903	736,350	758,441	781,194	804,630	828,768
Gross Income		1,400,436	1,488,724	1,583,364	1,630,865	1,679,791	1,730,185	1,782,090	1,835,553	1,890,619	1,947,338	2,005,758	2,065,931	2,127,909	2,191,746	2,257,499
Less: Operating Expenses		892,423	953,368	1,018,876	1,049,443	1,080,926	1,113,354	1,146,754	1,181,157	1,216,591	1,253,089	1,290,682	1,329,402	1,369,284	1,410,363	1,452,674
Net Operating Income		508,013	535,356	564,488	581,422	598,865	616,831	635,336	654,396	674,028	694,249	715,076	736,529	758,624	781,383	804,825
Retain: Pymts for Improvements																
Former Rent to City																
MMA Pymt to City																
New Pymt for Improvm.																
Total																
Less Debt Amortization		298,584	298,584	298,584	298,584	298,584	298,584	298,584	298,584	298,584	298,584	298,584	298,584	298,584	298,584	298,584
Less: Rent to State		96,823	104,569	112,935	116,323	119,812	123,407	127,109	130,922	134,850	138,895	143,062	147,354	151,775	156,328	161,018
Net Profit Before Taxes		112,605	132,203	152,969	166,516	180,469	194,840	209,643	224,890	240,594	256,769	273,430	290,590	308,266	326,471	345,223
Net Profit %		5.9%	6.5%	7.1%	7.5%	7.9%	8.2%	8.6%	9.0%	9.3%	9.6%	10.0%	10.3%	10.6%	10.9%	11.2%
Cash Flow Before Tax																
Equity (Negative Cash Flow)	(1,242,857)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NCF (Net Cash Flow)	(1,242,857)	112,605	132,203	152,969	166,516	180,469	194,840	209,643	224,890	240,594	256,769	273,430	290,590	308,266	326,471	345,223
IRR-30 years	**15%**															

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	total
Projected Gross Sales/Income	3,178,855	3,274,221	3,372,447	3,473,621	3,577,829	3,685,164	3,795,719	3,909,591	4,026,878	4,147,685	4,272,115	4,400,279	4,532,287	4,668,256	4,808,303	96,855,969
Less: Direct Expenses	853,631	879,240	905,618	932,786	960,770	989,593	1,019,281	1,049,859	1,081,355	1,113,795	1,147,209	1,181,626	1,217,074	1,253,587	1,291,194	
Gross Income	2,325,223	2,394,980	2,466,830	2,540,834	2,617,060	2,695,571	2,776,438	2,859,732	2,945,524	3,033,889	3,124,906	3,218,653	3,315,213	3,414,669	3,517,109	
Less: Operating Expenses	1,496,254	1,541,142	1,587,376	1,634,997	1,684,047	1,734,569	1,786,606	1,840,204	1,895,410	1,952,272	2,010,840	2,071,166	2,133,301	2,197,300	2,263,219	
Net Operating Income	828,969	853,838	879,454	905,837	933,012	961,003	989,833	1,019,528	1,050,114	1,081,617	1,114,066	1,147,488	1,181,912	1,217,370	1,253,891	25,277,352
Retain: Pymts for Improvements																
Former Rent to City																
MMA Pymt to City																
New Pymt for Improvm.																
Total																
Less Debt Amortization	360,360	360,360	360,360	360,360	360,360	360,360	360,360	360,360	360,360	360,360	360,360	360,360	360,360	360,360	360,360	9,884,160
Less: Rent to State	165,848	170,824	175,949	181,227	186,664	192,264	198,032	203,973	210,092	216,395	222,886	229,573	236,460	243,554	250,861	5,049,783
Net Profit Before Taxes	302,761	322,655	343,145	364,250	385,989	408,379	431,441	455,195	479,662	504,863	530,819	557,555	585,092	613,456	642,670	10,343,409
Net Profit %	9.5%	9.9%	10.2%	10.5%	10.8%	11.1%	11.4%	11.6%	11.9%	12.2%	12.4%	12.7%	12.9%	13.1%	13.4%	11%
Cash Flow Before Tax																
Equity (Negative Cash Flow)	(1,500,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,742,857)
NCF (Net Cash Flow)	(1,197,239)	322,655	343,145	364,250	385,989	408,379	431,441	455,195	479,662	504,863	530,819	557,555	585,092	613,456	642,670	7,600,552

ASSUMPTIONS

Contract term (Yrs)	30	Yr 1 Gross Sales	1,898,791
Beginning Yr	2015	Growth Rate	3%
Total Investment	9,142,857	Costs of Goods Sold	
Equity %	30%	Operating Expenses:	*average of*
Equity Investment	2,742,857	Rent to State	*marina*
Loan Amount	6,400,000	Current Pymt to City	*and café*
Loan Term (Yrs)	15 years	Added Pymt to City	
Loan Interest rate	6%		
Annual Loan Payment	2 loans		

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