



**CITY OF MORRO BAY
HARBOR ADVISORY BOARD
A G E N D A
AMENDED**

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, January 7, 2016
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 December 3, 2015
Staff Recommendation: Approve minutes.

B. PUBLIC HEARINGS, REPORTS, AND APPEARANCES

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

C. BUSINESS ITEMS

- C-1 Update from the Marine Services Facility/Boatyard Ad-Hoc Committee on Committee's Recent Activities
Staff Recommendation: Receive and file.
- C-2 Update from the Finance & Budget Ad-Hoc Committee on Committee's Recent Activities
Staff Recommendation: Receive and file.
- C-3 Update from the Eelgrass Ad-Hoc Committee on Committee's Recent Activities
Staff Recommendation: Receive and file.
- C-4 Update from the Marine Sanctuaries Ad-Hoc Committee on Committee's Recent Activities
Staff Recommendation: Receive and file.
- C-5 Status Update of the State Park Marina and Discussion and Input on Possible Dredge Material Disposal Options
Staff Recommendation: Receive update and provide staff input on State Park Marina dredging issues identified in the body of this report, including advisability of pursuing cost-effective ocean or aquatic dredge material disposal options, researching use of marina dredge material in possible nearby upland fill locations, and researching the option of filling part of the marina to preserve the rest.
- C-6 Election of Harbor Advisory Board Chair and Vice Chair
Staff Recommendation: Elect a Chair and Vice Chair.

D. DECLARATION OF FUTURE AGENDA ITEMS

E. 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.morrobay.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.

Mr. Reisner said there will be a public information session on Trident's proposed Morro Bay Offshore Wind Project on Thursday, December 10, 2015, from 6-8 PM at the Vet's Hall.

Mr. Reisner requested a standing Marine Sanctuary Ad-Hoc Committee Agenda Item for the Committee in order to report any activities. He also reminded the public that this Committee is purely for the purpose of educating the Harbor Advisory Board and City Council regarding Marine Sanctuary Act impacts to Morro Bay; he said this is not an advocacy group.

PUBLIC COMMENT

Mr. Jeremiah O'Brien thanked the Board for their work on many formidable projects in the past and on the horizon for the Board. He said the Ad-Hoc Committee on the Marine Sanctuary Act should probably include dredging and harbor maintenance issues, which is always a concern of the Morro Bay Commercial Fishermen's Organization. He also said the Drive-In Movie at the Rock was a lot of fun.

A. CONSENT CALENDAR

A-1 MINUTES

Mr. Doughty said his comment during the Member Announcements should say that his work at Morro Bay Landing was not yet complete. Mr. Alward said the month of the minutes should be October not November; and that the Wind Walker is 66-feet in length. Mr. Alward moved the November 5, 2015 Harbor Advisory Board minutes be approved with corrections as stipulated. The Motion was seconded by Mr. Doughty and carried unanimously.

A-2 MINUTES

Mr. Maloney moved the October 22, 2015 Special Harbor Advisory Board minutes be approved as submitted. The Motion was seconded by Mr. McClish and carried unanimously.

B. PUBLIC HEARINGS

B-1 Harbor Department Status Report

Mr. Endersby briefed the Board on the following topics:

Kayaker Rescue Nov 6

Vessel *Fiesta* Patient Transport Nov 8

Hazardous Bar Warning Nov 14

Harbor Patrol Rescue of Sailboarder Nov 15

SCBA (Breathing Apparatus) and Fire Turnouts for HPOs

Dungeness Crab Closure

Upcoming Events:

Dec 2-7 – Lady Washington Tall Ship

Dec 5 – Lighted Boat Parade 6:30 PM

Jan 6 – NOAA – National Marine Sanctuary Process

Past Events:

Nov 8 – MB Triathlon

Nov 13 – Movie Night at the Rock

Nov 16 – Advisory Boards and Bodies Appreciation Night

NEP Executive Director Retired

Sunken Boat in State Park Marina

C. UNFINISHED BUSINESS

C-1 Update from the Marine Services Facility/Boatyard Ad-Hoc Committee on Committee's Recent Activities, and Consideration and Recommendations on the Concept Site Plans as Developed by RRM Design Group

Mr. Endersby said the Ad-Hoc Committee will present its recommendations on the RRM Concept Site Plans, viewed by the Committee and staff onsite in Morro Bay and also at the RRM Design office in San Luis Obispo on November 13. He displayed Option A and Option B designs, discussing with the Board the pros and cons of various layouts shown.

Discussion by the Ad-Hoc Committee members on the designs.

Public Comment:
None.

Discussion by the Board on the various options of both concept designs, the Travelift route, and potential parking areas. Discussion on the dry storage area as a potential money-maker.
Discussion on Dynegy property not being an option as a site since it is not City owned.

MOTION: Mr. Reisner moved that the Harbor Advisory Board recommend to the Morro Bay City Council to consider RRM Design's Mini-Master Plan Concept Option "A" for the Triangle Lot, which includes a boatyard, boat dry storage, a Maritime Museum, and enhanced parking. The Motion was seconded by Ms. Meissen and carried with a vote of 6 to 1 with Mr. Doughty voting no.

Further discussion by the Board and City Councilmember Makowetski.

C-2 Update from the Finance & Budget Ad-Hoc Committee on Committee's Recent Activities

Mr. Maloney said the Ad-Hoc Committee met on November 23, 2015 and discussed short-term goals. With the six-month review of the 2015 budget coming up, the Committee intends to fully support the Harbor department in any way possible. The Committee is currently developing its 2016 calendar, and would like to see the Harbor Department's budgetary calendar for this period in order to put specific action items on the Committee's calendar to further support the Harbor Department in future budgetary planning for 2016 and 2017.

Mr. Maloney said the Committee is interested in how the City's current Cost Allocation Plan applies to the Harbor Department. The City recommended waiting until the Management Partners Study was implemented before viewing the Cost Allocation Plan; however, because of the unknown timing of this implementation the Committee prefers to address this issue in January in order to give an update to the Harbor Advisory Board. Mr. Maloney said the Committee continues to be focused on necessary funding both short-term and long-term of needed harbor infrastructure repairs and construction, which is referred to by the City as the Harbor Accumulation Fund.

Discussion by the Board and Mr. Endersby.

D. NEW BUSINESS

None.

E. DECLARATION OF FUTURE AGENDA ITEMS

The Board agreed by consensus to remove three items from the Future Agenda list; following is the updated list.

Future:

- Status of State Park Marina and City's Involvement
- Coast Guard Building Location Plans
- Condition of Restrooms on the Embarcadero
- Inspecting Marine Sanitation Devices on All Vessels in Morro Bay Harbor

F. ADJOURNMENT

This meeting was adjourned at 8:20 PM.
Submitted by,

Polly Curtis
Harbor Department



AGENDA NO: B-1

MEETING DATE: January 7, 2016

Staff Report

TO: Harbor Advisory Board

DATE: December 29, 2015

FROM: Eric Endersby, Harbor Director

SUBJECT: Harbor Department Status Report

RECOMMENDATION

Receive and file.

DISCUSSION

Recent Department Activity: On December 9 the Harbor Patrol and Coast Guard trained in hazmat response and oil boom deployment to ensure coordinated and effective response to spill incidents in Morro Bay.

Harbor Patrol vessel 3868, the 27-foot Radon built in 1984, recently had two new engines installed with grant funding from the Division of Boating and Waterways, as well as significant structural and cosmetic refurbishment work done in-house as well at the Radon yard in Goleta. Vessel 3868 is the department's oldest vessel and serves as a backup vessel to 3864, the newest 29-footer put into service two years ago. This recent work, spearheaded by Harbor Patrol Officer Jeremiah Jacobs and with significant assistance from Officer Dana Stein, should provide another 3-5 years of life to this vessel to enable the department to plan for and fund its replacement. A photo of the final results is at the bottom of this report.

Friends of the Morro Bay Harbor Department: With funds donated by the Friends, including proceeds from the recent drive-in movie at the Rock, department personnel purchased a new stainless steel beach wheelchair for public use and two new rescue training boards for the Junior Lifeguard program. A photo of the new beach wheelchair is at the bottom of this report.

On January 21 at 6:00 p.m. at the Morro Bay Yacht Club the Friends will have a 2016 Goals Setting meeting. Check the Friends' website at www.friendsoftmbhd.org for more info.

Coast Guard Safety Zone Establishment: On December 7 the fishing vessel *Golden Chalice* was directed by the Coast Guard to not enter Morro Bay during extremely hazardous harbor entrance conditions with 18-22-foot breaking surf. The Coast Guard was exercising this authority under a newly authorized safety zone establishment issued by the Captain of the Port, Los Angeles-Long Beach. In short, it gives the Coast Guard the authority to restrict vessel traffic

Prepared By: EE

Dept. Review: EE

in and out of Morro Bay in hazardous entrance conditions as deemed necessary in the interest of safety by the local station. A copy of the notice of this zone is included with this report as Attachment 1.

Recent City Council Activity: At their December 8, 2015 meeting the Council approved two new license agreements for the Great American Fish Company and Harbor Hut lease sites to store their trash and recycling needs in the enclosure built for that purpose in the Front Street parking lot next to the Harbor Department oil recycling yard.

Also at the December 8 meeting, the Council approved the Assignment and Assumption of lease site 65-66/65W-66W, the Salt Building, from Abba Imani to Rick and Teri Gambril. The Gambrils have proposed repairing and maintaining the building in its historic state.

Fishery News: Both the commercial and recreational Dungeness crab season openers are still closed due to high levels of domoic acid poisoning affecting the crabs. Testing of the crabs is ongoing and new results from the most recent round of testing are forthcoming.

Morro Bay National Estuary Program: Morro Bay NEP Executive Director Adrienne Harris will be stepping down December 31 to fully dedicate herself to her new role as a mother. Lexi Bell, currently the Assistant to the Executive Director, will be replacing Adrienne. We thank Adrienne for her years of service, wish her well and welcome Lexi to the helm.

Upcoming Events: The Morro Bay Winter Bird Festival, now in its 20th year, runs January 15-18, 2016. This annual eco-tourism event promotes an understanding and appreciation of birds and other wildlife and an awareness of environmental and conservation issues of the Central Coast, while contributing to the well-being of the Morro Bay community. The event is sponsored by the Morro Coast Audubon Society in collaboration with California State Parks, the Central Coast State Parks Association, and the City of Morro Bay. See www.morrobaybirdfestival.org for event details.

Past Events: The tall ship *Lady Washington* was in port at Marina Square from December 1-8, one day earlier than anticipated for unknown reasons and one day later than planned due to high surf creating dangerous harbor entrance conditions.

The annual Holiday Lighted Boat Parade occurred on Saturday, December 5 and saw good weather, boat participation and public attendance.

In anticipation of upcoming El Nino storms, on December 9 and 10 personnel from the City's Police, Public Works, Administrative, Harbor and Fire departments, along with a large crew of California Conservation Corps members and two Dynegy power plant representatives, participated in a cleanup of trash and debris that has accumulated over the years from the numerous homeless camps in and around Morro Creek and in the dunes next to the dirt Embarcadero extension, including on some areas of power plant property in and around the creek. Over 200 cubic yards of trash and debris were removed, and all remaining property from

the homeless camps was collected and stored by the Police Department for those individuals wishing to claim it. On the tally of items removed was over 30 used hypodermic needles. Because of this large-scale effort, none of that material will find its way onto our beaches or into the ocean if and when the creek does begin flowing with the winter rains.

Although still in the future as of this writing, January 1, 2016 will see another Polar Bear Dip at noon at the Cayucos pier. The Harbor Department traditionally provides water safety personnel and equipment, and will again this year, which also serves as an inter-agency training drill.

Also in the future as of this writing, but will be a “past” event by the time of this Advisory Board meeting, on January 6, 2015 from 6:00-9:00 p.m. at the Vet’s Hall in Morro Bay, NOAA Sanctuary personnel will be presenting an information session for the public and others to learn about national marine sanctuaries on the West Coast, how the sanctuary designation process works, and the status of the Chumash Heritage National Marine Sanctuary nomination that was accepted for consideration by NOAA earlier this year. *Please note this meeting is not a hearing to receive testimony or take any action on this nomination, it is merely an informational session on sanctuaries and the sanctuary designation process in general.*

ATTACHMENT

1. Coast Guard Safety Zone Establishment notice for Morro Bay Harbor

Harbor Patrol vessel 3868 in foreground.



The department's new beach wheelchair.



U.S. Department of
Homeland Security

United States
Coast Guard



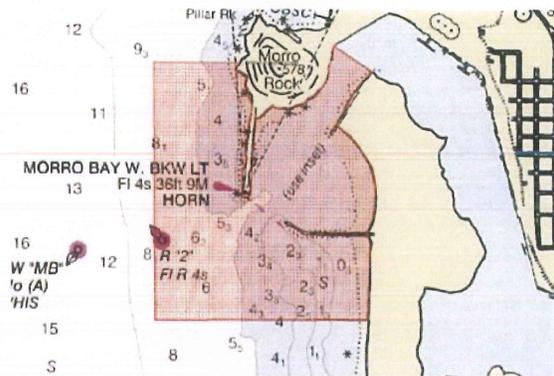
Commander
United States Coast Guard
Sector Los Angeles – Long Beach

1001 S. Seaside Ave
San Pedro, CA 90731
Staff Symbol: spw
Phone: (310) 521-3860
Fax: (310) 521-3869

16670

IMPORTANT NAVIGATION NOTICE **DEC 06 2015**
SAFETY ZONE ESTABLISHMENT

By the authority of Part 165 of Title 33 of the Code of Federal Regulations, vested in me as Captain of the Port, I am establishing a temporary safety zone at the Morro Bay Harbor Entrance. This action is necessary established to reduce significant hazards subject to the vessels, the harbor, and the public during periods of poor weather conditions. This rule will encompass all navigable waters from surface to seafloor within the following highlighted area illustrated to the right. During the enforcement period, vessels may be prohibited from operating within the designated area unless authorized by the Captain of the Port or his/her designated representative. The general boating public will be notified prior to the enforcement of the temporary safety zone via Broadcast Notice to Mariners.



PENALTY FOR VIOLATING THIS ORDER

Section 1232 of Title 33 U.S. Code (Ports & Waterways Safety Act) provides the penalties for violation of this order:

Any person who is found by the Secretary, after notice and an opportunity for a hearing, to have violated this chapter or a regulation issued hereunder shall be liable to the United States for a civil penalty, not to exceed \$40,000 for each violation. Each day of a continuing violation shall constitute a separate violation. The amount of such civil penalty shall be assessed by the Secretary, or his designee, by written notice. In determining the amount of such penalty, the Secretary shall take into account the nature, circumstances, extent and gravity of the prohibited acts committed and, with respect to the violator, the degree of culpability, any history of prior offenses, ability to pay, and such other matters as justice may require.

Any person who willfully and knowingly violates this chapter or any regulation issued hereunder commits a class D felony.

Any vessel subject to the provisions of this chapter, which is used in violation of this chapter, or any regulations issued hereunder, shall be liable in rem for any civil penalty assessed pursuant to subsection (a) of this section and may be proceeded against in the United States district court for any district in which such vessel may be found.

COAST GUARD POINT OF CONTACT FOR THIS NOTICE

The Sector Los Angeles - Long Beach Command Duty Officer may be reached on VHF channel 16 or (310) 521-3801.

Sincerely,

J. F. Williams
Captain, U.S. Coast Guard
Captain of the Port
Los Angeles – Long Beach



AGENDA NO: C-1

MEETING DATE: January 7, 2016

Staff Report

TO: Harbor Advisory Board

DATE: December 23, 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, if any. This is a standing committee report agenda item.

Prepared By: EE

Dept. Review: EE



AGENDA NO: C-4

MEETING DATE: January 7, 2016

Staff Report

TO: Harbor Advisory Board

DATE: December 23, 2015

FROM: Eric Endersby, Harbor Director

SUBJECT: Update from the Marine Sanctuaries Ad-Hoc Committee on Committee's Recent Activities

RECOMMENDATION

Receive and file.

DISCUSSION

The Marine Sanctuaries 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

On December 4, 2015 the issue was again brought to the City Council in closed session for direction, and the City will be writing another letter for the Mayor's signature in the near future reiterating its position.

DISCUSSION

Unless a viable and less expensive method of dredge material disposal is identified, the revenues from the marina will not support the original estimated expenditure required to dispose of the dredged materials in an upland location that is not in or very near Morro Bay. The City was unable to identify such a location in the original scoping and environmental assessment. Should the City successfully convince Parks to allow the City to manage the café RFP and subsequent café concession via a modified Operating Agreement, including collection of the café concession revenues, it could adequately boost overall marina and café revenues to the point of making a remote upland dredge material disposal location financially viable. This is, however, highly speculative at this point.

In recent years, several new developments have occurred that may provide viable and cost-effective upland disposal options. One of those is the City embarking on a project to move its wastewater treatment facility from its current Highway 41 location near the beach to an upland location approximately 1-3 miles up Highway 41. This location, as well as the current location to be abandoned, will likely need fill material that the State Park Marina dredging project could provide. The timeline for completion of the new facility is five years.

A second development is the closing of the Morro Bay Power Plant, currently owned by Dynegy. While Dynegy currently has no plans to repurpose the plant or plant site beyond the current preliminary wind and wave energy project proposals, they are trying to sell the property which could see eventual redevelopment that requires fill material. This possibility is highly speculative as well.

Finally, while not an alternative considered in the original environmental impact report, recent discussions have brought to light the notion of closing and filling one portion of the State Park Marina with dredged materials from the remaining part of the marina to be left open. In short, sacrificing one part of the marina to save or preserve the rest. Although too early to tell without further analysis, this method could include replacement of some of the lost slip capacity in the filled portion with new slips built in the remaining open portion.

CONCLUSION

This report is primarily an update on the status of the State Park Marina and Operating Agreement; however, staff believe the dredge material disposal issue must be resolved by successfully identifying a suitable and cost-effective disposal location before the City further commits in any significant way to the dredging and renovation project, because without it being resolved, no financial scenario works for dredging and renovating the marina without a significant infusion of outside funding from the State, which does not appear forthcoming. Therefore staff is seeking Harbor Advisory Board input and concurrence on the advisability of the following:

1. Engaging a consultant to pursue getting regulatory approval for a cost-effective ocean or other aquatic disposal option. These options could include use of the existing nearshore disposal site or an in-bay “confined aquatic disposal” site that could also serve to provide new eelgrass or other ecologically significant habitat. Staff believe this is an important task to undertake.

2. Researching the use of the dredge material as upland fill in nearby projects including the new Water Reclamation Facility site up Highway 41, the current but to-be-abandoned Waste Water Treatment Plant facility site on Highway 41 at the beach, or on the Morro Bay Power Plant site if a project is proposed requiring fill material there. Staff believe this should be thoroughly researched.

3. Researching the possible option of closing part of the marina to receive dredge material to save or preserve the rest of the marina to be dredged. Staff believe this should be thoroughly researched.

ATTACHMENTS

1. September 11, 2015 letter from City to State Parks proposing the City manage the café RFP and concession.
2. November 24, 2015 response letter from Parks on City’s proposal.
3. Memo from Advisory Board member Reisner to the Board addressing letter received from State Parks.

Addendum to HAB Agenda item C-5 has been amended by adding an attachment 3 which is now available.



CITY OF MORRO BAY

CITY HALL
595 Harbor Street
Morro Bay, CA 93442

September 11, 2015

Lisa Ann Mangat, Parks Director
California Dept. of Parks & Recreation
1416 Ninth Street
Sacramento, CA 95814

RE: MORRO BAY STATE PARK MARINA CAFÉ PROPOSAL

Dear Ms. Mangat,

The City of Morro Bay considers the Morro Bay State Park Marina vital to regional boating. Potential loss of this facility due to lack of dredging and renovation would substantially devalue boating infrastructure and public access in Morro Bay that would be very difficult, if not impossible, to replicate elsewhere in the area. It was for these and other reasons the City entered into the Operating Agreement with the California State Parks Department to preserve and enhance this facility.

This letter serves as a formal request for discussion related to a revised operating agreement to allow the City of Morro Bay to be provided additional oversight over the land side and Bayside Café property in order to provide a revenue source for enhanced dredging and renovation of the marina and café.

As originally envisioned, the dredging and renovation project became financially unfeasible, due primarily to the very high cost of dredged material disposal in an upland location. In 2012 all available funding was expended to dredge approximately 1/3 of the material identified for removal.

The State's Economic Analysis indicates approximately \$8 million to \$10 million for improvements could be accumulated and spent over a 30-year period from marina concession revenues alone. This assumes, however, substantial (40%) revenue increases and that all available revenues would go toward improvements.

Under current fees and operating structures, our analysis indicates approximately \$6 million could be garnered over 30 years. While \$8 million to \$10 million is roughly what would be required for the renovation and dredging – with dredge material disposal offshore (which is not currently permitted) – neither scenario provides for any operating overhead for the City of Morro Bay. If dredged material disposal must occur upland, as is currently permitted, the cost of dredging likely doubles.

In addition, State Parks, with cooperation from the City, held a public meeting at our Harbor Advisory Board to discuss and release a Request for Proposals (RFP) for the Bayside Cafe concession. That meeting provided overwhelming community support for the City of Morro Bay to pursue management of the Bayside Cafe concession. Our Harbor Advisory Board made a formal recommendation stating such to the City Council. The City has been managing waterfront State Lands lease sites since its incorporation, and we have the organization and policies to do so. This would include managing both concessions into the future and revenue collection under a revised Operating Agreement, so that the maximum funding can be leveraged to complete marina dredging and renovation and café renovation and other improvements. The ultimate goal is to keep the area an attractive and vibrant local- and visitor-serving recreational and culinary destination serving the park, city and county.

As Mayor, I have been authorized by the City Council to propose the City of Morro Bay assume management of the State Park Marina café RFP process in conjunction with the marina RFP, and to manage both concessions under the concession requirements and guidelines of the California Public Resources Code. We look forward to working with State Parks on this important facility and project.

Sincerely,



Jamie L. Irons
Mayor



November 24, 2015

The Honorable Jamie L. Irons
City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442

Dear Mayor Irons:

Thank you for your letter regarding Morro Bay State Park and the City's interest in expanding its Operating Agreement.

I'd like to take this opportunity to outline the history of the concession contract with Associated Pacific Constructors and also the 20-year Operating Agreement between California State Parks and the City of Morro Bay, which expires in 2022.

California State Parks entered into an Operating Agreement with the City of Morro Bay after the concession contract for the marina and the restaurant were already in place with Associated Pacific Constructors. The Operating Agreement with the City related solely to the marina operation, to facilitate the dredging project for the Morro Bay Marina, as you mentioned in your letter. As a result of that Operating Agreement, the Department amended the concession contract with Associated Pacific in order to provide marina revenue to the City, to help offset its costs, while continuing to retain the restaurant revenue for State Parks. The terms of the Operating Agreement with the City stipulated that the concession contract (with Associated Pacific) would remain in place until such time as the City determined the feasibility of the dredging project. As noted in your letter, in 2012, all available funding was expended to dredge roughly 1/3 of the material identified for removal.

Associated Pacific, as the concessionaire, subcontracted out the restaurant operation to Bayside Café. The concession contract between State Parks and Associated Pacific Constructors, for the operation of the marina and the restaurant, expired quite some time ago. The Department continued on a month-to-month basis with Associated Pacific and delayed going out to bid because of the City's dredging project. However, Public Resources Code §5080.05 and §5080.06 require concession contracts to be competitively bid, which is why the Department will be issuing a Request for Proposal (RFP).

Based on the findings of the 2014 feasibility study, the Department has come to the following conclusions regarding the City's request to modify the Operating Agreement, placing the marina and land facilities under the City's control:

The Honorable Jamie L. Irons
November 24, 2015
Page 2

1. The feasibility study indicates the marina operation will produce sufficient revenue to fund future dredging needs given a 30-year contract term.
2. Visitor demographics, as reinforced in public meetings, illustrate that the marina and restaurant user groups are substantially different. The restaurant serves as a permanent land structure frequented by local, regional and statewide visitors for the purpose of dining, independently from the marina visitors.
3. The restaurant concession has not been competitively bid, as required by statute.

The Department values its partnership with the City of Morro Bay and appreciates the investment made to maintain the Morro Bay State Park Marina, which has enhanced the recreational opportunities available to the public.

If you have any questions or would like to discuss this further, please contact me at 916-653-1570.

Sincerely,



Lisa Ann L. Mangat
Director

Memo

To: Morro Bay Harbor Advisory Board
Subject: Harbor Advisory Board January 7, 2016 Agenda Item C-5 -
Status Update of the State Park Marina
From: Ron Reisner; Harbor Advisory Board Member
Date: December 30, 2015

Two opening points: The Morro Bay State Park Marina is likely more important to Morro Bay than to the State of California; and, The marina as an operational boat moorage facility is at very real risk of becoming increasingly unusable without significant dredging, and without significant infrastructure improvements.

In the California Department of Parks and Recreation Director's letter to the City of Morro Bay dated November 24, 2015, the Director states in part:

- "Based on the findings of the 2014 feasibility study, the Department has come to the following conclusions regarding the City's request to modify the Operating Agreement, placing the marina and the land facilities under the City's control: 1. The feasibility study indicates the marina operation will produce sufficient revenue to fund future dredging needs given a 30-year contract term."

Therefore, the Director is apparently relying on a 2014 "feasibility study" in arriving at conclusion number 1. above – a conclusion that impacts the survivability of the Morro Bay State Park Marina.

In its *Introduction*, the actual Pacific Group study dated May 30, 2014, which is entitled "*Economic Analysis*" rather than feasibility study states, "Both facilities [café and marina] are in need of some refurbishing and the marina is in need of some additional dredging". Further, in its *Introduction* the *Analysis* states, "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. "

Concerning the critical question of physical conditions within the Marina (moorage facilities, restaurant facilities, and public facilities), and the feasibility of addressing those physical needs, the Pacific Group's *Analysis* states in its *Introduction*, "The analysis does not include any structural analysis of buildings or slips, site plans, environmental assessments or regulatory assessments". It is not clear that the State Parks and Recreation Director has factored into conclusion number 1. above consideration of potential costs related to the multiple factors stated as not being included in the *Analysis*. For example, as it relates to just the issue of needed dredging, the Harbor Advisory Board and the City are well aware of the potential regulatory entanglements, and their potential impact on dredging costs.

One might expect the "feasibility study" referred to by the Director to include projected financial costs for the identified "refurbishing" and "dredging" needs. However, the stated purpose of

2014 *Economic Analysis* commissioned by the State's Department of Parks and Recreation was, ". . . to determine the maximum amount the concessionaire could contribute to these future costs and still maintain a viable operation". Clearly, therefore, the "feasibility study" referred to in the Director's letter was no such thing, but rather an analysis of potential revenue that could be realized from marina operations and café operations.

Additionally, the analysis of potential revenue from marina and café operations utilized data that does not in all cases appear relevant to the Morro Bay State Park Marina facility. Per the *Analysis*, data from the following was utilized:

- "restaurant expenditure patterns in the area"; a "survey of comparable cafes in Morro Bay"; a "survey of comparable salt water marinas on the Central Coast"; a "review of industry standards for sales and operating ratios of comparable restaurants"; a "review of industry standards for sales and operating ratios for comparable marinas; and a "visual inspection of the current facilities" in deriving the economic projections used by the consultant in "evaluating the amount of funding that the concessionaire(s) of these two facilities [the marina and the café] could contribute to the cost of the needed improvements".

Close examination of this referenced data in some cases raises questions as to its direct applicability to Morro Bay State Park Marina operations. For example, in projecting café revenue, the *Analysis* ". . . 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". Seating capacity for Windows is noted as 150, for Roses 100, and for Dutchman's 80+ - while seating for the Bayside Café is noted as 53. In addition to each of the three exemplar restaurants being substantially different in location, character and cuisine from the marina café, one has to wonder how the economies of scale would actually compare.

All in all, it is difficult if not impossible to understand how the Director of State Parks and Recreation could conclude that ". . . marina operation will produce sufficient revenue to fund future dredging needs given a 30-year contract term", much less to dismiss the City's stated request on September 11, 2015 to, ". . . allow the City of Morro Bay to be provided additional oversight over the land side and Bayside Café property in order to provide a revenue source for enhanced dredging and renovation of the marina and café".

Addendum to HAB Agenda item C-6 has been added to the agenda and now available.

