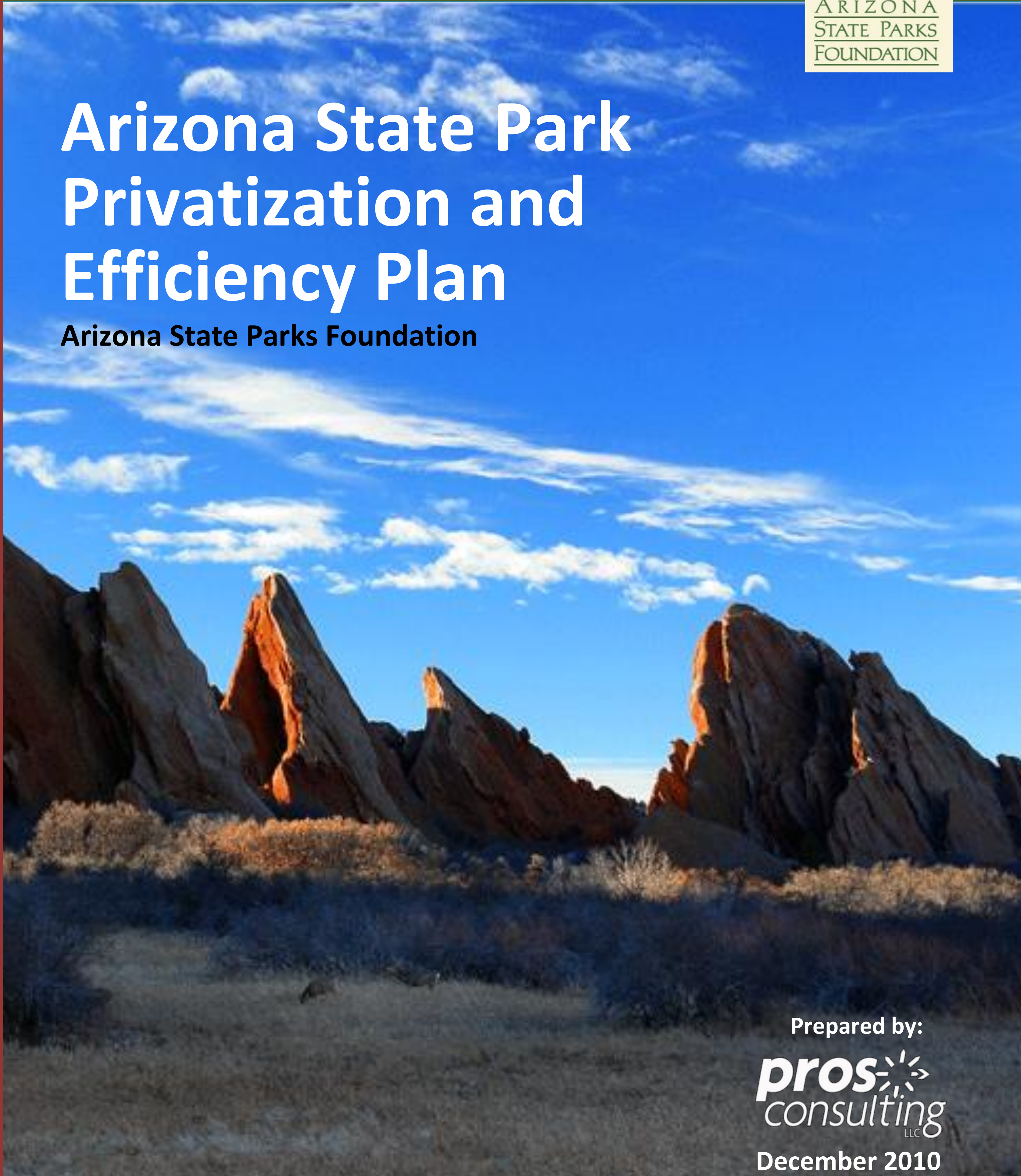
ARIZONA STATE PARKS FOUNDATION

Arizona State Park Privatization and Efficiency Plan

Arizona State Parks Foundation



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Executive Summary

Arizona remains a frontier state. Today Arizona is on the front line of a struggle that is occurring all over the United States among citizens and taxpayers, elected officials, governmental agencies, and the ideals behind what constitutes the core functions of government - public services paid for and provided for the public good. This is the challenge where the expectations of citizens and law makers often outpace the available resources to meet the demands of all constituencies. State parks have become one of the critical battlegrounds of this debate.

Privatization ***– the act of turning previously government-provided services over to the private sector to manage for the state***

The paramount issue is that the State of Arizona is going through a period of severe financial turmoil. The financial scarcity of State funding has cast a spotlight on the debate between what are appropriate government functions, and where government has grown beyond what is necessary and affordable. This project team does not take a philosophical perspective on this question in this report. **The primary intent of this plan is to craft a reasonable, realistic, and tactical approach for the state park system to maintain its viability while attending to the financial needs of the State and the political issue of appropriately sized government.**

It is also an important distinction to note that the pressures for privatization of state parks come from the financial challenges of the state versus a failure of state parks as a public service. State parks in Arizona, as well as around the United States, continue to provide a public service that is treasured as both a statewide and local asset. **In Arizona state parks play a pivotal role in the economic vitality of rural communities, protecting the integrity of naturally and culturally significant resources for current and future generations, as a tourism asset for the state, and contribute to the quality of life for residents.**

The push to privatize aspects of state parks makes sense in current times because of the nature of services provided. So many services at state parks are attractive to privatization because of user-pay circumstances, opportunities for community fundraising, or both. Many other functions of government do not lend themselves to these alternative funding options.

As a point of clarification for the readers of this report, private sector means commercial as well as non-profit entities. Non-profit organizations are also viable private sector partners as demonstrated by the recent efforts of the City of Phoenix to attract non-profit entities to support keeping public parks open.

Guidelines of the State Park Privatization and Efficiency Plan

The guidelines of this plan are to balance and achieve the following key objectives:

1. Preserve the legacy and vision of the Arizona State Park System for current and future generations of Arizona residents and visitors.
2. Maintain equitable access to the recreational opportunities made available to Arizona residents and visitors via Arizona State Parks.
3. Protect the integrity and quality of the significant natural, historic, cultural, and recreational resources of Arizona that are within the state park system.
4. Reduce the financial dependence of the Arizona State Park System on the State of Arizona, and streamline the Arizona State Parks System by involving the private sector and other partners to support operational and capital demands.
5. Explore the creation of a quasi-governmental agency to maximize the potential of privatization and partnerships, as well as to incorporate a more business-like model for state park operations.

System-wide Recommendations

Protect State Assets

One of the unintended consequences of privatization is the loss of control the public sector has over the future quality of sites, assets, and infrastructure. Many worry that solely placing the control of Arizona State Parks in the hands of private, for profit enterprises risks the loss of site and capital integrity as businesses would be forced to starve state parks of the necessary reinvestment in order to achieve their financial objectives. **While the State does not have to maintain the same involvement with daily operation of state parks as it has in the past, the State of Arizona must retain control over the quality of the management of these naturally and historically significant sites, and how $150 million of State of Arizona facility and infrastructure assets are maintained into the future.**

Operate the State Park System in a Business-Like Manner

***Efficiency* – skillfulness in avoiding wasted time and effort**

It appears that the greatest recent efforts to operate Arizona State Parks in a more business-like manner are in large part, a reaction to the reduction or elimination of traditional operational funding resources. For example, revised operating schedules of parks that are more attuned to visitation patterns seem to be a reactive measure to reduced operational funds, versus a proactive strategy for improving the financial performance of parks that have "peak and valley" type visitation. **In some cases, borrowing best practices from the private sector may be more effective for managing Arizona State Parks than turning the operations over to a private operator.**

To demonstrate the effectiveness of recent measures at Arizona State Parks, the field operational costs of state parks in FY 2010 cumulatively were only $326,765 in excess of earned revenues as a result of reduced staffing and operating schedules, five parks being closed, five parks being operated by a partner, and $500,000 in operational support from local governments and non-profit organizations. This is compared to a $1,741,233 over revenues in FY 2009, and a $2,300,024 in FY 2008.[1] These statistics indicate that the financial efficiencies pursued as a reaction to reduced funding were effective for cutting costs, but the current *modus operandi* is not sustainable.

The following recommendations can improve the financial performance of Arizona State Parks:

1. **Continue with reduced operational schedules as a standard operating procedure for selected parks and selected park amenities, including converting some parks to seasonal schedules only, while effectively communicating these schedules with the public.**
2. **Work to establish a more flexible personnel system that will allow for improved flexibility of adjusting operations for business and market reasons.**
3. **Continue to transition park management to a regional approach where appropriate – teams oversee aspects of park management for multiple sites and seasonal demands.**
4. **Manage workload among personnel by reducing functions and levels of service, versus attempting to maintain traditional functions and levels of service with reduced resources.**
5. **Utilize alternative providers for key functions or whole park management where efficiencies and net cost avoidance can be gained, and where a total cost of service assessment and business plan has been performed by the potential providers.**

[1] These financial performance measures were provided by Arizona State Parks in the Actual Costs / Revenues per Visitor reports for FY 2007 – FY 2010.

The greatest challenge to the State of Arizona in considering the appropriate opportunities for alternative providers in partnership with Arizona State Parks is the reality that most operators will be interested in the parks and functions that generate the greatest earned revenues. The State would potentially be giving up earned revenues that are significant enough to support other responsibilities in the system in exchange for keeping functions that are the most costly. This could potentially result in an increase in the net funding requirements of Arizona State Parks, and no gains for reducing costs to the State.

Outsource Where it Makes Sense

There are certain functions of the Arizona State Park System, as well as potential new opportunities that are better suited for the private sector or other public providers to either manage or pursue, or to share the responsibilities with state parks. It is critical to evaluate these functions and opportunities against criteria that is aligned with the financial and service objectives of alternative providers. The distinction of common financial and service objectives by types of operators is further detailed in the table below.

Alternative Provider	Financial Objectives	Service Objectives
Other public entities (city, county, etc.)	50% - 100% recovery of operational expenses with earned revenues; remaining operational and capital funds provided by public financial support[2]	Ongoing economic impact, recreational opportunities in the community, tourism attractions, educational experiences, healthy lifestyles
Private, non-profit entities	100% recovery of operational expenses through earned revenues; capital reserves can be maintained from earned revenues and outside sources	Ongoing economic impact, recreational opportunities in the community, tourism attractions, educational experiences, healthy lifestyles
Private, for-profit entities	6%-20% profit from operations[3]; capital reserves can be maintained from earned revenues, investments, and credit	Exceptional experiences that enable improved marketability, customer retention, and new markets to be developed

[2] The experience of the consulting team working since 1995 in the parks and recreation industry is that most public providers of parks and recreation facilities and services seek between 50% - 100% recovery of operational expenses through earned revenues. While there are exceptions to this finding, current economic times have pushed many public agencies to seek higher cost recovery levels than previously pursued.

[3] Private, for-profit operators in partnership with public park and recreation agencies typically strive for a profit margin from operations of 6% to 25% of annual operational expenses. It is unusual to be able to produce a profit margin that exceeds this on the whole, albeit margins in certain types of functions (i.e. retail) can be higher. As a rule, if a private operator is seeking margins above 25% of annual operational expenses for most of the service-based functions (i.e. camping, rentals, etc.) then either the pricing is often too high and exclusionary, or the personnel of the operators are poorly trained, inexperienced, and inadequately resourced. This observation is based on the professional experience of the consulting team as public park system managers and in having completed over 700 park and recreation planning projects in 46 U.S. States since 1995.

Public Partners

Public-public partnerships also can be very successful for supporting park operations. This typically involves a partnership agreement between the State and another public jurisdiction. **The key to a successful public-public partnership is when the other public partner has the local interest, political will, and financial resources to support the functions they commit to.** The land and facilities usually remain a State asset, while partial or whole operations are managed by another governmental entity.

Current examples of this in the Arizona State Parks System are detailed in the table below.

Arizona State Parks Operated by State Employees With Local Partner Financial Support	Arizona State Parks Operated Completely by Local Partner without State Employees
Alamo Lake State Park	Boyce Thompson Arboretum State Park
Fort Verde State Historic Park	Tombstone Courthouse State Historic Park
Lost Dutchman State Park	Tubac Presidio State Historic Park
Lyman Lake State Park	Yuma Territorial Prison State Historic Park
Picacho Peak State Park	Yuma Quartermaster Depot State Historic Park
Red Rock State Park	
Riordan Mansion State Historic Park	
Roper Lake State Park	
Tonto Natural Bridge State Park	
Jerome State Historic Park	

** All of these agreements except for Boyce Thompson Arboretum State Park are short term and may not continue beyond a few years.*

Other forms of public-public partnerships involve contracts with local governmental or public entities to perform routine maintenance tasks and other specified services. This form of partnership relieves the State of the direct and indirect costs of personnel, materials and supplies, capital equipment, and often results in some cost-avoidance by the State.

Non-profit Partners

Partnerships with private, non-profit entities are very successful and often do not come with the public perceptions that parks have been "turned over" to private enterprise. Among the greatest benefits of working with non-profit partners is their ability to attract donations and grants to support their operations, to recruit and retain volunteers, and their innate tendency to reinvest in sites and capital assets more often than for-profit operators. A major difference between a non-profit partner and a for-profit partner is the independent approach that the organizations take for attracting capital funds and operating dollars from outside sources. For-profit businesses predominantly do this in the form of investors or debtors that expect their money back plus a margin of return or interest. Non-profit organizations do this in the form of donations, contributions, and/or memberships that most often do not involve the expectation of any direct financial return.

There are numerous examples of successful public-private partnerships involving non-profit organizations as the private entity responsible for all or part of a park's operations. More notable examples of this from around the United States are:

- Hermann Park – Houston, Texas
- Central Park – New York, New York
- Golden Gate National Recreation Area– San Francisco, California
- Piedmont Park – Atlanta, Georgia
- Georgia State Parks – Stone Mountain
- Cuyahaga Valley National Recreation Area – Cleveland, Ohio

For-profit Partners

It is unrealistic to expect that for-profit operators will be interested in performing functions within the state park system that do not produce earned revenues to support their associated costs or where the costs prevent the ability of the operator to earn a reasonable profit margin on the whole. There are numerous current examples of public-private partnerships that work exceptionally well because each of the partner's expectations and responsibilities are aligned with their objectives. For-profit operators are often willing to take on more responsibilities that are inherently costly if there are sufficient revenues overall to account for these expenses and still allow for a reasonable profit to be earned.

***Partnership* – a cooperative relationship between parties who agree to share responsibility for achieving some specific goal**

One should not prejudge for-profit operators working in the parks and recreation field regarding their motives for sustainable business practices. With the exception of large, destination or amusement parks, there are few public parks that have the capacity to earn revenues that are large enough to make profits that are above 25% of operational expenses. Where these opportunities do exist at public parks, it usually involves substantial infrastructure such as lodges, marinas, or golf courses that also require significant reinvestment every five to 10 years in order to maintain the quality of the asset and viability of the business. **The cases where most for-profit operators fail at public parks is when there is insufficient visitation to support a viable business, there are inadequate revenue generating opportunities present at the site(s), or there are unique characteristics of the site(s) that inhibit the sustainability of a viable business.**

The willingness of private sector involvement in park functions is often circumstantial based on the operating environment unique to each park. Private sector operators are most commonly interested in visitor services as these frequently have revenues associated with them, and typically rely on the public sector to manage the core functions of the site. The matrix below distinguished the common state park functions that are often preferred and not preferred by private operators, some of which exist in Arizona and some that do not. A more thorough evaluation of each of these park functions is provided later in the report.

Develop a Quasi-governmental Agency

There are many different forms of quasi-governmental agencies – legal entities created to undertake activities on behalf of an owner government that may be more commercial in nature than traditional governmental functions. In 2003, voters in Maricopa County approved a referendum to create a special health care district to operate its hospital and health care system. Members of the Board of Directors are elected by districts. A recently developed quasi-governmental agency in Arizona is the Arizona Commerce Authority established in June 2010. These organizations are typically supported by those who value that the "proper objective in governmental management is to maximize performance and results."[4]

Quasi-governmental agencies can be bound by the same obligations and expected transparencies of a public agency for conducting its operations and daily business, but typically also features private sector practices and flexibility that allow the organization to produce financial outcomes beyond the means of a typical public entity. **The best solution for privatization of Arizona State Parks is to transition the current agency to a quasi-governmental entity accountable to the State of Arizona for purposes of managing state parks, promoting rural economic development, and developing financially beneficial partnerships.** This would not prevent the further development of private sector partnerships or partnerships with other public entities for management of Arizona State Parks and some of its functions, and would most likely enable these partnerships to flourish under a more sustainable management structure. **While future funding mechanisms for the quasi-governmental agency can be determined at a later time, it is critical that the current agency funding be held harmless through the transition.**

Maintain the Economic Impact to Rural Arizona

In February 2009, the Arizona Hospitality Research and Resource Center of Northern Arizona University (AHRRC-NAU) completed an economic impact study for the Arizona State Parks Board. This study evaluated the economic impact of 27 state parks based upon data collected from visitor intercept surveys conducted by Arizona State Parks in 2001 and 2006.[5] The 2009 study utilized data collected in 2006, predating most of the dramatic economic downturns experienced in Arizona and other parts of the United States. **Visitation has changed in 2009 and 2010 from earlier years as a result of the economic recession and changes in the operations and accessibility of state parks.** In fact, visitation at state parks has dropped 3.8% from 2,298,155 in FY 2007, to 2,210,953 in FY 2010. Coupled with the average reduction in visitor spending during the same time period[6] and the economic conditions in the state and nation, the total economic impact of state parks has seen some significant losses.

Arizona State Parks play a vital role in the economic vitality of numerous small and local communities around the state. Based on the analysis performed and reported in this report, the economic impact of state parks has been reduced by 16%. **This loss of economic activity in the State of Arizona totaling $43,686,034 attributed to a loss in visitation to state parks from 2007 to 2010 and reduced visitor spending.** This fact reinforces the value of the State's investment in state parks as a public service with multiple benefits – recreational, social, and economic. The continuation of the state park system is clearly critical to the overall health of Arizona communities for many reasons.

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[4] Kosar, K. (2008). *The Quasi-Government: Hybrid Organizations with both Governmental and Private Sector Legal Characteristics.* Washington, DC: Congressional Research Service.

[5] Arizona Hospitality Research and Resource Center (2009). *The economic impact of Arizona State Parks.* Flagstaff, AZ: Northern Arizona University.

[6] Dean Runyan Associates (2010). *Arizona travel impacts 1998-2009p.* Portland: OR.

Privatization – Criteria for Success vs. Failure

Based on recent and historic survey data, public parks and recreation remains a highly valued service in our social value sets as Americans. Unfortunately, the demands on our public budgets have grown exponentially over the last three decades and have forced public park systems from our national parks to local parks to operate in a more entrepreneurial manner and with less reliance on public financial support. Herein is the challenge for the public to face – how to keep a treasured public service that provides immeasurable benefits to the quality of our lives and the vibrancy of our communities, but that we increasingly cannot afford through our traditional funding and finance methods.

Partnerships and Privatization

There is a great stigma attached to the concept of privatization of traditional public services. While most people would accept partnerships as a "work smarter, not harder" solution to the increasing demands of operating public parks with limited resources, the mention of privatization usually conjures one of two dichotomies – either it is the panacea to all our budgetary and financial woes, or it is the end of quality services and facilities. Interestingly enough, in the case of state parks, privatization is most often just another form of partnership.

Where most people have a distasteful opinion of privatization of state parks is in the assumptions that private operators will chase profits over prudent reinvestment in facilities and services, costs to the user will soar, facilities and infrastructure will deteriorate, and parks that were traditionally open to the public on a reliable schedule will have limited accessibility. While there is some reality to these assumptions as private operators only have the financial resources they generate through earned revenues, investments, or debt in which to support their operating costs, there are numerous examples of private partnerships with public park systems that are successful. **That being said, if private developers / operators cannot generate revenues from their operations of public parks then the ability to support and reinvest in the quality of facilities, infrastructure, resource management, and services is limited or non-existent.**

Finally, privatization often comes with the assumption that the private operators are commercial, for profit organizations. To the contrary, some of the more successful private-public partnerships can and do involve private, non-profit organizations.

Where Privatization Works

Privatization in public parks and park systems generally succeeds under the following circumstances:

1. Existing uses of the park(s) generates sufficient revenues where a private operator can cover all direct and indirect operating expenses, including a potential concessionaire fee back to the public land owner / entity, and either break even or make a reasonable profit.
2. Partnership agreement terms are relative to the investments and/or revenue sharing of the private operator. (i.e. larger investments or revenue sharing have longer term agreements associated with them in order for the private operator to get their money back within a reasonable time period)
3. Additional developments or uses of the park and/or park amenities are appropriate to the natural and cultural resource management principles and land use restrictions of the public partner relevant to the specific site(s) included in the partnership.
4. Public management oversight of the partnership is consistent and allows for private operators to meet their financial objectives in accordance with the partnership terms.

5. The public entity receives equitable and reasonable benefit from the partnership in which to meet the statutory requirements for providing services that support the park(s) that are not necessarily revenue generating activities.

6. Equitable and reliable public access to the park and its amenities is preserved to the level that is appropriate for that site(s).

7. Costs to the user are managed so that either the costs are within the expected market value, or there are tiered levels of service present to balance more expensive and exclusive revenue generating activities at the park with free or low cost activities that the public expects.

8. The conditions of the site, relevant facilities, and infrastructure are of the quality and integrity that will enable a private operator to promote a sense of value to the user for a park experience(s) that is aligned with the costs to the user necessary to support the revenue goals of the partnership.

Successful private-public partnerships require favorable conditions on all of these criteria while failure often only requires unfavorable conditions on only one.

Where Privatization Fails

Privatization in public parks and park systems generally fails under the following circumstances:

1. There is insufficient traffic to the park and/or usage of key amenities to produce sufficient revenues and cover both direct and indirect operating costs for the private operator.

2. The partnership agreement terms are too restrictive in relation to the investments and/or revenue sharing for the private operator to get their money back within a reasonable time period.

3. The additional developments, traffic or uses of the park and/or park amenities required to generate sufficient revenues for the private operator to cover all operating costs are deemed inappropriate to the natural and cultural resource management principles or land use restrictions associated with the specific site(s).

4. Public management oversight of the partnership and its terms is inconsistent and too restrictive to allow for private operators to meet their financial objectives.

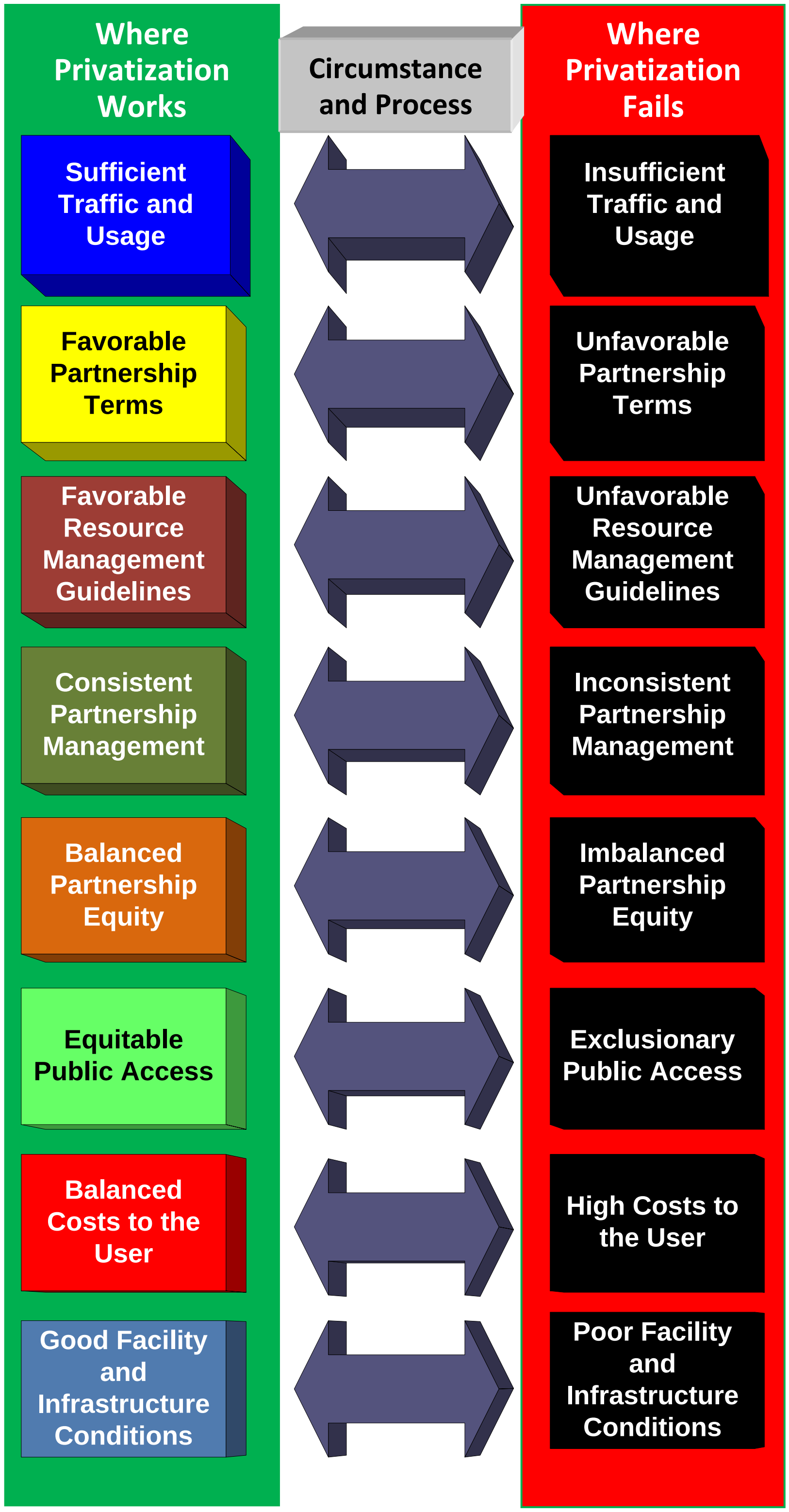
5. The public entity gives all revenue generating activities to private operators with insufficient return from the partnership to cover the costs of providing the services that support the park(s) and the statutory obligations of the agency.

6. Appropriate, equitable and reliable public access to the park and its amenities are disrupted for purposes of the commercial gain of the private operator.

7. Costs to the user exceed market value for similar services, or become exclusionary by becoming unaffordable to the substantial socioeconomic strata of the public.

8. The conditions of the site, relevant facilities, and infrastructure are deteriorated to the point where they inhibit the promotion of value to the user that supports the required pricing of services to meet the revenue goals of the partnership.

Privatization in public parks, or private-public partnerships to manage and operate public parks in part and as a whole, requires accomplishing each of the following criteria in order to succeed. Successful private-public partnerships require favorable conditions on **all** of these criteria while failure often only requires unfavorable conditions on one.



Privatization in Arizona State Parks

There are numerous opportunities for privatization within state parks in Arizona, as well as many constraints. Opportunities exist where the private sector can perform functions more efficiently and with greater outcomes than the state. Typically this is in areas of service where the private sector traditionally excels. Within the Arizona State Park System this would include responsibilities in asset management, hospitality, retail, and recreational services.

Key Opportunities

Specifically, the following areas of service would likely have successful privatization opportunities:

- Overnight accommodations – campgrounds, cabins, yurts, etc.
- Marina management
- Gift and retail shops
- Food and meal services
- Guided recreational programs
- Site security (excluding law enforcement)
- Site maintenance

Key Constraints

There are, however, more constraints to privatization of state parks in Arizona than in many other states due to a few prevailing circumstances:

1. Many parks are remote and feature limited or insufficient traffic to support the business plan of a private operator.
2. The State of Arizona actually owns only 31% of the state park lands – 69% of state parks lands are long-term leases and permits with the State Land Department and federal land management agencies. Two parks, Sonoita Creek and San Rafael, account for 57% of total state-owned state park lands.
3. Lease and deed restrictions inhibit the State from "turning over" state parks to private operators without steep penalties and long term consequences to the State, and in some cases it is not allowed by the federal agency land owners.
4. The condition of state park facilities and infrastructure is generally poor and would require a major infusion of capital funding to restore the potential of revenue generating assets.
5. The vast investments and capital projects funded by federal grants, namely Land and Water Conservation Fund, encumber parks where violations to the grant agreements would require millions of dollars of reimbursements by the State of Arizona and would likely make Arizona ineligible to receive other forms of federal grant dollars beyond those related to parks, land management and conservation.

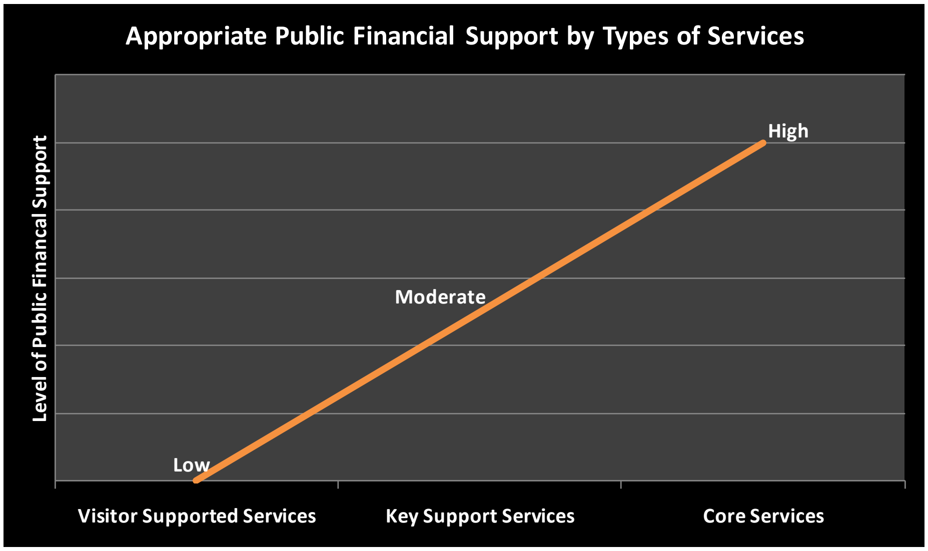
One of the greatest issues with public-private partnerships involving state parks in Arizona is that private operators are interested in the functions and areas of service that are revenue generating, and not interested in many of the statutory obligations of the agency that are more costly to perform and have little or no earned revenues to support those costs. Essentially, the few state parks that generate substantial earned revenues from operations support the costs for the state park agency to perform statutory obligations in public safety and natural and cultural resource management that are not revenue generating activities.

It can be more costly to the State to hand over the revenue generating functions of the Arizona State Park System to private operators with only concession fees from these operations to support the costs of performing the functions the private sector is not interested in.

CLASSIFYING SERVICES – IDENTIFYING APPROPRIATE PROVIDERS

There are three major classifications of programs and services at Arizona State Parks – core or essential services, key support services, and value-added or visitor supported services. Every function of the park can be classified within one of these three categories based upon the mission and public mandates for both the site and the agency. There are financial performance expectations that align with these service classifications and should be a baseline for how programs and services are evaluated and privatization opportunities are explored.

Programs and services that are considered core or essential are those that must be provided in order to meet the statutory obligations of the agency. These typically are expected to perform with little to no cost recovery from earned revenues. Key support services are expected to have a balance of public financial support and earned revenues to support the costs of providing those services. Value-added or visitor supported services should be heavily or fully supported by earned revenues and have the highest potential for privatization or alternative management. Making these distinctions helps the park and agency leadership monitor the success of programs, adjust offerings and prices, and manage the financial outcomes of each park's major functions. This is illustrated in the diagram below.



Programs and services at Arizona State Parks have been classified into three distinct categories as described and listed below and on the following pages.

Category 1 – Core Services (Public Financial Support)

Core services are programs, services and facilities the agency <u>must</u> provide and/or are essential in order to capably govern and meet statutory requirements. The failure to provide a core service at an adequate level would result in a significant negative consequence. The criteria for programs or services to be classified as essential are:

- The Agency is mandated by law, by a charter or is contractually obligated by agreement to provide the service.

- The service is essential to protecting and supporting the public's health and safety.
- The service protects and maintains valuable assets and infrastructure.
- Residents, businesses customers, and partners would generally and reasonably expect and support the Agency in providing the service.
- The service is one that cannot or should not be provided by the private sector, yet provide a sound investment of public funds.

The following programs and services offered are typically defined as **core services**:

- Protect the integrity of natural and cultural resources of the site through active management
- Open and public access to the site and its resources
- Self-directed and site appropriate education, interpretation, and recreational opportunities
- Public safety
- Site, grounds, facility, and infrastructure maintenance

Category 2 – Key Support Services (Balanced Financial Support)

Key support services are programs, services and facilities the agency <u>should</u> provide, and are important to governing and effectively serving residents, businesses, customers, and partners. Providing Category 2 services expands or enhances the ability to provide and sustain core services. The criteria for programs or services to be classified as important are:

- Service provides expands, enhances or supports identified core services.
- Services are broadly supported and utilized by the community, and are considered an appropriate, important, and valuable public good. Public support may be conditional upon the manner by which the service is paid for or funded.
- Service generates income or revenue that offsets some or all of its operating cost and/or is deemed to provide economic, social or environmental outcomes or results.

The following facilities, programs and services are typically defined as **key support** services:

- Self-guided (passive) recreational opportunities
- Picnicking / day use
- Tent camping
- Trails

Category 3 – Value-Added and Visitor Supported Services (No Public Financial Support)

Visitor supported services are programs, services and facilities that the agency <u>may</u> provide when additional funding or revenue exists to offset the cost of providing these services. Category 3 services provide added value above and beyond what is required or expected. The criteria for programs or services to be classified as value-added are:

- Service expands, enhances or supports Core Services, Category 2 Services, and the quality of life for local communities.
- Services are supported and well utilized, and provide an appropriate and valuable public benefit.
- Service generates income or funding from sponsorships, grants, user fees or other sources that offset some or all of its cost and/or provides a meaningful benefit to users.

The following facilities, programs and services offered are typically defined as **value-added** and visitor supported services:

- Equestrian activities
- RV camping
- Improved accommodations (cabins, yurts, etc.)
- Visitor centers / retail
- Food service
- Facilitated programs and events
- Marinas
- Watercraft / equipment rentals
- Lodges
- Golf courses

A matrix detailing the predominate services at each state park and the corresponding classification is provided in the matrix below. This can help to determine the appropriate role for alternative providers.

Function / Activity	Core Service	Key Support Service	Visitor Supported Service	Service Characteristics and Provider Observations
Natural resource management	X			Natural resource management can be outsourced on occasion, but is most commonly managed by the public entity.
Cultural resource management	X			Cultural resource management can be outsourced on occasion, but is most commonly managed by the public entity.
Daily maintenance of site and facilities	X	X		The private sector sometimes can be more cost effective, except with volunteers working for public operator.
Fee collection		X	X	Fee collection is generally more costly for public providers unless automated or managed by volunteers.
Overnight accommodations (camping, cabins, etc.)		X	X	Accommodations management is successful for private operators <u>when</u> priced appropriately and there is sufficient traffic to produce necessary earned revenues.
Recreational support services (rentals, etc.)			X	The private sector generally can support a stronger financial return from recreational support services.
Retail sales			X	The greatest financial return from retail sales come from operations who understand the consumer, stock appropriate inventory, and manage labor costs.
Recreation / education / interpretation	X	X	X	Most <u>facilitated</u> programs traditionally do not recover all direct and indirect costs, although private non-profit providers often are involved in programming.
Special Events		X	X	Special events can be efficiently and effectively managed by all providers.
Public safety – emergency response	X			Emergency and incident response is most appropriately and effectively provided by public operators.
Public safety - security	X	X		Site security is most efficiently provided by volunteers or campground hosts with their presence being a deterrent.
Capital development	X	X	X	Capital investment can be appropriate for any provider depending on the type of development and terms of any partnership agreement.
Risk management / insurance / indemnity	X			This generally is more costly for the private sector.

Balancing Shared Costs and Benefits in Public-Private Partnerships

In many cases private operators in public park systems are only interested in revenue generating services, which tend to be the important and visitor-supported functions, and are not interested in the core services of the agency. Core services rarely generate sufficient revenues to support their costs. **Public agencies are often caught in an inequitable partnership that relieves them of the operational burden of managing some functions in their system, but does not necessarily improve their financial circumstances or sufficiently protect the public assets.**

In order for privatization to produce an equitable return for both the private and the public partner, the division of services and partnership terms must support the financial objectives of each party. Some of the most successful public-private partnerships involve public partners that are not seeking any financial returns from the partnership, but are only looking for total relief of operational costs. **Arizona State Parks will most likely retain some responsibilities and will require financial returns from private operators to support those costs.**

A foundation principle of determining the appropriateness and terms of privatization in state parks should be the outcome that the financial obligations of the State for supporting operations should be reduced. **If costs to the State increase as a result of retaining responsibilities that cost more than the revenues generated back to the State from the partnership, then essentially the State is subsidizing the opportunity for a private operator to conduct business on public land.**

There have been multiple cases of public parks around the United States that operate at a reasonable level of cost recovery under full public management and become co-managed with a private operator with greater net costs to the public entity. These cases are most often those where a public agency sheds significant operational costs, but doing so requires giving up all of the directly earned revenues from the park in exchange for a percentage of gross receipts from the private operator that is too low to cover the public agency's retained costs. **It is critical that prior to creating any public-private partnerships to improve the financial performance of parks, a brief analysis should be conducted to verify it will actually improve or reduce the net operating liability of the State of Arizona.**

There are an equal number or more examples to the contrary where the privatization of certain functions can *improve* the net operating costs of the public entity. **Generally, the basic criteria for when and where private operators can improve the financial costs to the state park agency for whole or part of park operations are the following:**

- → **Where services are labor intensive, and require tooling and training more traditional to private sector operations.**
- → **Where successful and effective marketing and promotions are pivotal for the desired financial performance of the service or park (services in a highly elastic and competitive market).**
- → **Where more flexible purchasing, procurement, and pricing procedures are required to remain price competitive and to recover the total costs of service.**
- → **Where the private sector operator is uniquely positioned for leveraging financing and funding from outside sources to support operational and capital costs.**
- → **Where private operators can genuinely perform functions with equal or better quality and with fewer costs, and completely relieve the public partner of major on-site responsibilities.**

Two Willing Parties are Required

A reality for attempting to convert many or most functions of Arizona State Parks to public-private partnerships is that it will require a willing and able private party. **In order for the State of Arizona to attract viable private partners, there will need to be reliable opportunities for these operators to generate sufficient revenues to support their costs plus a reasonable profit margin (in the case of for-profit entities), including the ability to make a fee payment back to State each year that is large enough to cover the State's associated costs retained with state parks.** This is furthered challenged in many cases where significant capital improvement will be required to bring facilities and infrastructure back to a quality that supports sustainable positive cash flow opportunities for a private operator.

State Parks with Financial Challenges

State parks that traditionally face financial performance challenges, most likely do not represent reasonable opportunities for privatization or public-private partnerships. These parks generally have unique characteristics that inhibit improved financial performance including, but not limited to:

- Remote location
- Minimal visitation / traffic
- Limited revenue generating capacity
- Limited market appeal
- Deteriorated facilities and infrastructure
- Costly natural or cultural resources to be managed

Most of the parks that feature these characteristics will be of little interest to private operators and will likely remain a responsibility of the state park agency. **This reality reinforces the need that any future public-private partnerships with Arizona State Parks must generate earned revenues to the State that are significant enough to cover retained operational costs throughout the state park system.**

Bundling

"Bundling" is a strategy for privatization and/or public-private partnerships of Arizona State Parks that has been suggested among state and local leaders. This involves packaging parks or types of park services to be negotiated into partnership or operational agreements. Bundling is a strategy to ensure that parks with financial performance challenges can be involved in partnerships or operational agreements, and not just left to the State because of little or no interest from alternative operators. The two major approaches to bundling are:

1. Bundle parks for total management of park operations
2. Bundle park functions or activities for partial management of park operations

The distinct tactics detailed below are recommended for any pursuit of bundling Arizona State Parks with alternative park operators. These recommendations are based on the potential management challenge of the State to oversee bundles of parks that include poor performers that are managed by for-profit operators with little or no incentive to maintain or improve conditions at those sites. **While it sounds logical in theory to bundle parks that have financial challenges with those that are strong financial performers, there is little or no real incentive for a private, for-profit entity to invest anything beyond that which is minimally required in sites that lose significant amounts of money each year.**

Even though there are private operators who have indicated they would be willing to take parks that lose substantial operational dollars in exchange for taking those that make money, the State is relying on the altruism of a for-profit operator to maintain financially challenged sites at the same level of care and public accessibility as a public agency or non-profit organization would. **It is a contradictory assumption that the private sector which is market driven would willingly depart from its core financial principles and lose money at multiple sites.**

To pursue bundling whole parks and total park management responsibilities with for-profit operators will drastically weaken the State's bargaining position to recover retained costs through the partnership. **It is most sustainable if bundling whole parks for total park management is only considered for partnerships with public or non-profit entities and not private, for-profit contractors.**

Bundling Parks

- **Total park management - autonomous and complete management of the site**
- **Agreements with local governments, regional governmental collaborations, or non-profit operators / partners**

Bundling Park Functions

- **Selected functions such as campgrounds, cabins, yurts, retail, landscaping, visitor services, site maintenance, facility maintenance**
- **Agreements with for-profit operators**

Performance Management

Privatization within state parks requires varying degrees of performance, or contract management by the existing agency. **Effective contract management also features a cost to the state that must be accounted for, and requires measureable performance criteria that are established and built into all agreements.** With the circumstances that park sites and assets are long term investments made by the State of Arizona, it is crucial that contract and performance management of both private and public partners reflects the values of protecting the state's assets into the future.

Most examples of private-public partnerships that have failed or demonstrate a deteriorated quality of experiences or assets could have been prevented by more effective contract management.

Obstacles to Privatization and Efficiency of Arizona State Parks

There are many complex issues surrounding the privatization of Arizona State Parks, some of which are not clearly understood by advocates of privatization in the private sector. The following summary details the largest obstacles to full privatization of the system and reinforce the value of balanced privatization where private operators are appropriately integrated into state park operations to improve the efficiency and financial outcomes of the State is the most sensible course of action.

Land Ownership Issues

Approximately 69% of the state park lands are owned by either the State Land Department or federal land management agencies. While the terms of these lease agreements and permits do not prohibit the involvement of private sector operators on each of the sites, the nature of that involvement is restricted. Violation of these lease agreements and permits can result in the reversion of these lands back to the land owner, a loss in significant public recreation lands which could only be replaced at prohibitive costs to the State. Further analysis of each lease agreement and permit should be completed for each site being considered for private sector operational support.

Facility and Infrastructure Conditions

Due to the reality that Arizona State Parks have been deprived of general capital funds since 2003 to repair and replace major assets, facilities, and infrastructure as needed, the current conditions of facilities and infrastructure is generally deteriorated. There are examples of newly completed projects that had independent funding support throughout the system. There are also examples of projects that Arizona State Parks have been able to creatively execute over the last seven years. **On the whole, however, the general state of utilities, infrastructure, roads, parking lots, and buildings are not optimal for supporting a seamless transition to private sector or alternative management.** Capital investment either by the state or by private operators will most likely be required in order to bring the quality of facilities and infrastructure back to a position that will support a viable business plan. Capital investment that the State expects from private operators will require reliable success of the business as perceived by the private operator and a negotiated agreement satisfactory to the private party for recovering the costs of their investment.

Consent Order

In 2006, it was determined by the Arizona Department of Environmental Quality that most of the water and wastewater systems of Arizona State Parks are in violation of the environmental regulations of the State. This is not the result of poor management, but of an aging infrastructure and a consistent lack of funding since 2003 to address the maintenance needs of these systems. State parks have been working to address these issues to the level that funding allows, but it is estimated than an additional $6 – 10 million investment is required to bring these assets into compliance. **This investment will most likely be required before full transfer of park management responsibilities can be made to any party.**

Costs of Closure

While there are numerous state parks that do not have Land and Water Conservation Fund restrictions (see chart on the following page), land ownership, or other types of encumbrances on them to prevent park closure without direct penalties, there are known and proven costs to managing closed facilities. **The costs of managing a closed park has been analyzed in previous studies conducted by the planning team and by staff of Arizona State Parks, and have consistently been found to be approximately 10% of the total operating costs of the park if it is open and running.** These costs include, but are not limited to site security, natural resource management, and asset protection.

LAND AND WATER CONSERVATION FUNDS

There have been numerous grants from the Federal Land and Water Conservation Fund (LWCF) that have been invested in sites and facilities at Arizona State Parks. These funds do not prohibit the involvement of private sector operators on each of the sites, but the nature of that involvement is restricted as with the land ownership issue. The following excerpts detail some of these restrictions:

1. In order to protect the public interest, the project sponsor must have a clear ability to periodically review the performance of the lessee/concessioner and terminate the lease/agreement if its terms and the provisions of the grant agreement, including standards of maintenance, public use, and accessibility, are not met.
2. The lease/agreement document should clearly indicate that the leased/concession area is to be operated by the lessee/concessioner for public outdoor recreation purposes in compliance with provisions of the Land and Water Conservation Fund Act and implementing guidelines (36 CFR 59). As such, the document should require the area be identified as publicly owned and operated as a public outdoor recreation facility in all signs, literature and advertising. It should also be identified that the area is operated by a lessee/concessioner in the public information to eliminate the perception the area is private.
3. The lease/agreement document should require all fees charged by the lessee/concessioner to the public be competitive with similar private facilities.
4. The lease/agreement document should make clear the compliance with all Civil Rights and accessibility legislation (e.g., Title VI of Civil Rights Act, Section 504 of Rehabilitation Act, and Americans with Disabilities Act) as required, and the compliance will be indicated by signs posted in visible public areas, statements in public information brochures, etc.

The table below details the 13 state parks that have received LWCF investments and the amount for each. It is important to note that regardless of the amount of LWCF investments at any park, the presence of that federal investment encumbers a parcel within the park or the entire park. **Violation of the LWCF terms requires either full repayment of these grant funds *plus* the assessed recreational and economic value of the encumbered land and its facilities back to the federal government, or replacement of this public recreation asset at the same or equal value.**

State Park	LWCF Investments
Buckskin Mountain State Park	$68,033
Catalina State Park	$1,019, 351
Cattail Cove State Park	$18,867
Dead Horse Ranch State Park	$1,002,770
Homolovi Ruins State Historic Park	$62,500
Lake Havasu State Park	$87,437
Lost Dutchman State Park	$839,843
Lyman Lake State Park	$6,616
Patagonia Lake State Park	$903,686
Picacho Peak State Park	$912,386
Red Rock State Park	$98,991
Roper Lake State Park	$72,562
Slide Rock State Park	$441,528
TOTAL	$4,515,219

Develop a Quasi-Governmental Agency

Quasi-governmental agencies can be bound by the same obligations and expected transparencies of a public agency for conducting its operations and daily business, but typically also feature private sector practices and flexibility that allow the organization to produce financial outcomes beyond the means of a typical public entity. **The best solution for privatization of Arizona State Parks is to transition the current agency to a quasi-governmental entity accountable to the State of Arizona for purposes of managing state parks, promoting rural economic development, and developing financially beneficial partnerships.** This would not prevent the further development of private sector partnerships or partnerships with other public entities for management of Arizona State Parks and some of its functions. It would most likely enable these partnerships to flourish under a more sustainable management structure.

Future funding needs of the quasi-governmental entity could be explored as the partnership opportunities and economic environment of the state allows. This organization would have increased flexibility to manage daily operations of state parks, generate earned revenues, and leverage private sector involvement and investment into state parks sites, facilities, and infrastructure. **While future funding mechanisms can be determined at a later time, it is critical that the current agency funding be held harmless through the transition.**

In addition to the use of a special district mechanism, another example of a quasi-governmental entity of this nature is the Jekyll Island Authority in the State of Georgia. This quasi-governmental agency was established in 1950 to govern and manage the Island, and to oversee its conservation and development. The Jekyll Island Authority obtains operating revenues from leases, park fees, and amenities on the island.[7] Revenues are used to maintain, develop, beautify, and promote Jekyll Island as a world-class destination, albeit the Jekyll Island Authority receives occasional capital funding support from the State of Georgia for major asset reconstruction, repair, and replacement. In the 2009 state legislative session, the authority was appropriated $25 million to support the costs of revitalizing key assets on the island. While the consulting team is not aware of an existing authority for state parks, there are multiple regional park authorities to note including: East Bay Regional Park District, Fairfax County Park Authority, Prince William County Park Authority, and Metro Parks Tacoma.

In the case that a quasi-governmental agency cannot be developed for Arizona State Parks, then State leadership should consider a similar organization for the administration of the numerous grants overseen by the agency. This would eliminate the confusion and illusion surrounding the budget of the agency and highlight the true and limited operating resources the agency has to operate Arizona State Parks. A model for this approach is Colorado's Great Outdoors Colorado Trust Fund (GOCO) which was created in 1992 by the citizens of Colorado. The Fund receives 50% of the proceeds from the state lottery to preserve, protect and enhance Colorado's wildlife, parks, rivers, trails, and open spaces. GOCO's funding is capped at $35 million per year adjusted for inflation, which resulted in $56 million in funding for FY2010. Since the first grants in 1994, GOCO has awarded nearly $690 million for eligible and approved projects throughout the State of Colorado. The 17-member Board of Directors of GOCO are appointed by the Governor and subject to confirmation by the State Senate. The board includes two representatives from each state congressional districts, the executive director of the Colorado Department of Natural Resources, and a representation from both the Colorado Board of Parks and Outdoor Recreation and the Colorado Wildlife Commission. The staff of GOCO works for the Board of

[7] *The Jekyll Island Authority*. Retrieved December 9, 2010, from http://www.jekyllislandauthority.org.

Directors and manages granting in the organization's four key areas of focus - wildlife resources, outdoor recreation resources, open space and natural areas, and open lands and parks.

Arizona State Parks currently administers 11 grant and fund programs which could all be managed by a future quasi-governmental agency. The summary of these grant programs provided below was taken from *The Price of Stewardship – The Future of Arizona's State Parks* report produced by the Morrison Institute of Arizona State University in October 2009.[8]

Program	Description
State Lake Improvement Fund	**Portions of the motorized watercraft fuel taxes and a portion of the watercraft license tax dollars for local grants.**
Heritage Fund - Local, Regional and State Parks[∇]	**35% of Arizona State Parks' lottery proceeds help municipalities and counties for park development and land acquisition.**
Heritage Fund – Trails[∇]	**5% of Arizona State Parks' lottery proceeds support grants for non-motorized trail development in the state trail system.**
Heritage Fund – Historic Preservation[∇]	**17% of Arizona State Parks' lottery proceeds support grants to public and private organizations for historic preservation.**
State Off-highway Vehicle Registration Fund	**A small portion of the state's motor fuel tax and an OHV decal support motorized trail development and information.**
Law Enforcement and Boating Safety Fund	**Another component of the watercraft license tax supports the counties' law enforcement responsibilities for boating safety.**
Land Conservation Fund (statute expires in June 2011)	**The Growing Smarter land acquisition fund helps municipalities purchase State Trust land for conservation.**
Arizona Trail Fund	**Legislative appropriations to help complete and maintain the Arizona Trail.**
Land and Water Conservation Fund	**Federal offshore oil and gas receipts support park development, land acquisition, and local grants.**
Recreational Trails Program	**A portion of federal transportation funding for motorized and non-motorized trail development.**
Federal Historic Preservation Fund	**The Certified Local Government program is a conduit for support and assistance.**

The majority of these grant funds have been utilized by the State Legislature in FY 2009 and FY 2010 to address Arizona's state budget deficit issue, but the purpose and statutory authority for these funds remain. Total agency revenues from all sources in FY2011 are expected to be $43 million. Appropriated agency funds in FY2011 are about $30 million, including $20 million to the separate Growing Smarter

[8] Gammage, G., Welch, N., White, D., Hart, W., Stigler, M., Artibise, Y., & Meyers, D. (2009). *The price of stewardship – the future of Arizona's State Parks.* Tempe, AZ: Morrison Institute for Public Policy, Arizona State University. Retrieved November 22, 2010, from http://morrisoninstitute.asu.edu/publications-reports/special-reports/2009-201cthe-price-of-stewardship-the-future-of-arizona-state-parks201d.

[∇] Monies remaining in the Arizona State Parks Board Heritage Fund allotments on June 30, 2011, will revert to the State General Fund.

Program. Eighteen million dollars of total revenue sources are budgeted for FY 2011 agency operations and program administration, including administration of 11 grant programs.

Of the $18 million budgeted for operations and administration, $10.5 million is expected from revenues earned directly by the park system, with the remaining revenues coming from other designated sources. The multitude and complexity of these revenue sources and budgeted expenditures create a tremendous potential for misunderstanding the true cost of the state park system and the sources of funds that support it. **The least that should be done is to revise and clarify the revenue reporting format for the agency so that pass through funds and their related program administration are more easily identified and separated from park system operations.**

Ultimately, a State Park Authority represents the best option for privatizing state parks in Arizona while retaining the obligations and accountability to the citizens and taxpayers of the state. This authority could be governed by a Board of Directors appointed by the Governor and approved by the State Senate for four or six year terms, and closely resembles the existing Arizona State Parks Board that performs similar functions today. The executive staff would be hired by and report directly to the Board of Directors.

A graphic detailing the potential 'pros and cons' of a state agency versus a state park authority is provided below.

State Park Agency

- **Pros**
  - Remains under full public control
  - No legislation required
  - No agency transition required
- **Cons**
  - State retains financial risk for operations and capital
  - Agency funding is highly fluid, inconsistent, and unreliable
  - Limited flexibility in land and resource management
  - Limited flexibility in partnerships with private sector
  - Limited flexibility in business practices
  - Parks operate in a year-to-year model, with "bad" years and "good" years

State Park Authority

- **Pros**
  - Remain accountable to Legislature and taxpayers
  - Eliminates State's financial exposure for operations and capital
  - Funding is consistent and market driven
  - Increased flexibility in land and resource management
  - Increased flexibility in partnerships with private sector
  - Increased flexibility in business practices
  - Parks can operate in a multi-year model that can compensate for "bad" years
- **Cons**
  - Requires legislation to create
  - Requires transition of agency

Partnership and Efficiency Evaluations by Park

The best course of action for each state park that will allow state leadership to continue the tradition of the Arizona State Parks System while reducing or eliminating net public financial support is described in the following section of this plan. Essentially, pursuing private development / operation partnerships in key strategic parks that have the potential to generate significant revenues while also continuing to streamline the operations of the agency is most likely the "win-win" situation that state leaders are seeking. State parks remain accessible public assets, the vision and legacy of state parks are preserved, the integrity of the natural and cultural resources of the system are protected, the budgetary requirements of the system are drastically reduced, and the role of government is more appropriately defined.

Evaluation Components

Each state park and historic site within the Arizona State Park system was evaluated for the potential of privatization, partnerships, and efficiencies. The results of the evaluations are detailed in the pages that follow, and consistently include a review of the following components:

1. **Park Performance Measures**
   Operating costs, earned revenues, cost recovery

2. **Park Visitation**
   Annual visitation to the park

3. **Land Use Restrictions**
   Lease, deed or patent restrictions pertaining to the operation of the site

4. **Facility and Infrastructure Conditions**
   Summary of major facility conditions and requirements of the Consent Order addressing water and wastewater systems

5. **Encumbrances**
   Federal, state, local or private encumbrances of the operations of the park and land uses

6. **Unique Resource Management Requirements**
   Naturally or historically sensitive resources

7. **Unique Management Challenges**
   Extreme seasonality, frequent crime, remote location, certifications required to operate utilities and infrastructure

8. **Existing Concessions or Contracts**
   Contracts and agreements that currently involve the site

9. **Potential New Development Opportunities**
   Development of new or additional amenities to promote stronger financial performance

10. **Potential Operational Efficiencies**
    Operational efficiencies from alternative management techniques and/or providers

The results of this evaluation are intended to direct privatization and efficiency measures at each state park in order to meet the objectives of this plan. The state park evaluations are organized alphabetically within each park's management region.

Privatization and Efficiency Scorecard

PROS Consulting has developed a scorecard analysis to evaluate public parks for the potential of partnership opportunities, as well as the need for additional efficiency measures for operations. The analysis combines scores from each of the 10 evaluation components detailed on the previous page in order to develop a cumulative rating of the partnership and efficiency potential of the park. Scores and ratings are identified and assigned based on the criteria detailed below.[9]

Component	Score = 1	Score = 2	Score = 3	Score = 4	Score = 5
Annual Performance	0 – 20% cost recovery	21 - 40% cost recovery	41 - 60% cost recovery	61 - 80% cost recovery	81 - 100%+ cost recovery
Annual Visitation	0 - 2,000	2,001 – 20,000	20,001 – 40,000	40,001 – 50,000	50,001+
Facility / Infrastructure	Very Poor – near failure or current suspended use	Poor – seriously deteriorated and in need of major repair	Fair – minor repairs frequent, major repairs in 5-8 years	Good – normal repairs required, major repairs in 8-10 years	Excellent – newly developed or very well maintained
Land Restrictions	No access or use	Severe restrictions	Moderate restrictions	Few restrictions	None
Encumbrances	Legal citations or injunctions	Deed or patent	Grant or public funding	Private liens or entitlements	None
Resource Mgmt Requirements	Sensitive and confidential	Restricted access / heavily managed	Limited access / moderately managed	Limited management	None
Unique Mgmt Requirements	Severe	Heavy	Moderate	Limited	None
Contracts / Concessions	Policy restrictions	0 agreements, limited potential	0 agreements, but potential	1 – 2 existing agreements	3+ existing agreements
New Development Potential	None	Low revenue, unreservable	Moderate revenue, reservable	High revenue, mixed reservable	High revenue, only reservable
Additional Efficiency Potential	Seasonal closures / major outsourcing	Altered level of service	Reduced schedule	Reduced / contract staffing	None

It is important to note that sites with great partnership opportunities and sites that need additional efficiency measures are neither mutually exclusive nor presumed to be so by the scoring techniques of this evaluation model. Rather, the conditions that contribute to both can be linked. Different interpretations of these results are captured in the unique scales noted below for each.

The attractiveness of partnership opportunities are scored as follows:	The need for additional operational efficiency methods are scored as follows:
• 36 – 50 = High Privatization Potential = 3 • 26 – 35 = Moderate Privatization Potential = 2 • 0 – 25 = Low Privatization Potential = 1	• 0 – 30 = More Efficiency Recommended = 3 • 31 – 40 = Moderate Efficiency Potential = 2 • 41 – 50 = Little Additional Efficiency Potential = 1

[9] The recommended best practice for independent utilization of this ranking method is for scoring to be completed by a panel of recreation professionals.

Partnership and Efficiency Scorecard Analysis

Utilizing the *Partnership and Efficiency Scorecard*, alternative provider potential and the need for increased efficiencies for each state park has been rated. Results are provided in the pages that follow.

Park	Annual Performance	Annual Visitation	Facility / Infrastructure	Land Restrictions	Encumbrances	Resource Mgmt Requirements	Unique Mgmt Requirements	Contracts / Concessions	Development Potential	Efficiency Potential	Total	Partnership Score	Efficiency Potential Score
Park Management Region 1													
Alamo Lake State Park	5	5	4	3	4	4	4	4	4	3	40	3	2
Buckskin Mountain State Park	5	5	4	3	3	4	3	4	4	5	40	3	2
Cattail Cove State Park	5	5	4	3	3	4	3	4	4	4	39	3	2
Homolovi Ruins SHP	0	2	4	3	4	4	4	4	2	1	28	2	3
Lake Havasu State Park	5	5	5	3	3	4	3	4	5	5	42	3	1
Riordan Mansion State Hist. Park	3	3	4	4	4	2	3	4	2	1	30	2	3
Yuma Quartermaster Depot SHP	4	2	3	4	4	2	3	4	1	1	28	2	3
Yuma Territorial Prison SHP	4	5	4	4	4	2	3	4	1	1	32	2	2
Park Management Region 2													
Boyce Thompson Arboretum SP	1	5	3	3	4	5	4	4	3	4	36	3	2
Dead Horse Ranch State Park	5	5	3	5	3	4	5	3	3	5	41	3	1
Fool Hollow Lake Rec. Area	5	5	4	3	5	4	4	3	3	5	41	3	1
Fort Verde State Historic Park	0	2	3	5	5	3	3	4	2	1	23	2	3
Jerome State Historic Park	3	3	4	4	4	2	3	4	1	1	29	2	3
Lost Dutchman State Park	5	5	3	3	3	4	4	3	3	4	37	3	2
Red Rock State Park	3	5	2	3	3	3	4	4	3	1	33	2	2
Slide Rock State Park	5	5	2	3	3	3	4	4	3	5	37	3	2
Tonto Natural Bridge State Park	3	4	4	4	5	3	3	3	5	1	35	2	2
Park Management Region 3													
Catalina State Park	5	5	4	3	3	4	4	3	4	5	40	3	1
Lyman Lake State Park	2	3	4	3	3	4	3	4	3	1	30	2	3
McFarland State Historic Park	1	1	4	4	4	2	3	3	1	1	24	1	3
Oracle State Park	1	2	2	4	5	3	3	2	2	1	24	1	3
Patagonia Lake State Park	5	5	3	4	3	4	2	4	4	1	35	2	2
Picacho Peak State Park	3	5	3	3	3	4	3	4	3	1	32	2	2
Roper Lake State Park	3	5	4	3	3	3	4	4	3	1	33	2	2
San Rafael State Natural Area	1	1	2	3	4	2	2	4	1	2	22	1	3
Tombstone Courthouse SHP	4	4	4	4	4	2	3	4	1	1	30	2	3
Tubac Presidio SHP	1	2	3	4	4	2	3	4	1	1	25	1	3
Park Managed Separate from Regions													
Kartchner Caverns State Park	5	5	4	4	3	2	4	4	4	5	41	3	1

Results of the Analysis

The results of the partnership and efficiency analysis rank the state parks by their potential for partnerships with either the private or public sectors to support or manage their operations, and also rank them by their potential for additional efficiency measures to improve operational performance.

Partnership Potential Rankings

These parks are ranked from those with the greatest partnership potential to those with the least. **Partnership potential should not be misinterpreted as a mandate to fully or partially privatize these parks, but is an identifier for where partnered operations are most likely to succeed with either for-profit or non-profit organizations**. Some of these parks already feature privatization through various public-private partnerships and concessions. Also, because parks may be evaluated in a low partnership potential category does not mean there are no partnership opportunities available. This status only indicates there are likely difficulties or limitations to partnership opportunities at that site.

1. Lake Havasu State Park	**15. Roper Lake State Park**
2. Dead Horse Ranch State Park	**16. Picacho Peak State Park**
3. Fool Hollow Lake Recreation Area	**17. Yuma Territorial Prison SHP**
4. Kartchner Caverns State Park	**18. Riordan Mansion SHP**
5. Catalina State Park	**19. Lyman Lake State Park**
6. Alamo Lake State Park	**20. Tombstone Courthouse SHP**
7. Buckskin Mountain State Park	**21. Jerome SHP**
8. Cattail Cove State Park	**22. Yuma Quartermaster Depot SHP**
9. Slide Rock State Park	**23. Homolovi Ruins SHP**
10. Lost Dutchman State Park	**24. Tubac Presidio SHP**
11. Boyce Thompson Arboretum State Park	**25. McFarland SHP**
12. Tonto Natural Bridge State Park	**26. Oracle State Park**
13. Patagonia Lake State Park	**27. Fort Verde SHP**
14. Red Rock State Park	**28. San Rafael State Natural Area**

High Partnership Potential **Moderate Partnership Potential** **Low Partnership Potential**

While there are exceptions, in most cases the distinguishing qualities of parks with a high potential for partnerships are:

1. Large or reliable visitation[∇]
2. Significant revenue generation capacity[∇]
3. Facility and infrastructure that is generally in good condition[∇]
4. Moderate to few land restrictions
5. Moderate to few encumbrances
6. Moderate to few resource management challenges
7. Moderate to few unique management challenges
8. Existing contract agreements, or potential for agreements
9. New development potential that would feature moderate or high revenues
10. Few or no additional efficiency measures required

[∇] Large visitation, significant revenue generating capacity, and facilities and infrastructure that are in good condition are the most pivotal requirements that affect a park's privatization potential.

POTENTIAL FOR ADDITIONAL EFFICIENCY MEASURES

These parks are ranked from those with the greatest potential for additional efficiency measures to those with the least. **Efficiency potential is an evaluation that continued modifications to the operational strategy of these parks are likely needed in order to improve their financial performance.** Most of these parks already feature some efficiency measures such as reduced staffing or operational schedules. It is recommended that efficiency measures be utilized as a standard operating procedure and not a reaction to limited budget resources. Efficiency measures can include, but not be limited to:

- Seasonal closures
- Major outsourcing (public-private partnerships)
- Public-public partnerships
- Reduced level of service (amenity closures)
- Reduced operational schedule (days of the week)
- Reduced staff or more use of contract staff

1. San Rafael State Natural Area	**15. Red Rock State Park**
2. Fort Verde SHP	**16. Patagonia Lake State Park**
3. Oracle State Park	**17. Tonto Natural Bridge State Park**
4. McFarland SHP	**18. Boyce Thompson Arboretum State Park**
5. Tubac Presidio SHP	**19. Lost Dutchman State Park**
6. Homolovi Ruins SHP	**20. Slide Rock State Park**
7. Yuma Quartermaster Depot SHP	**21. Cattail Cove State Park**
8. Jerome SHP	**22. Buckskin Mountain State Park**
9. Tombstone Courthouse SHP	**23. Alamo Lake State Park**
10. Lyman Lake State Park	**24. Catalina State Park**
11. Riordan Mansion SHP	**25. Kartchner Caverns State Park**
12. Yuma Territorial Prison SHP	**26. Fool Hollow Lake Recreation Area**
13. Picacho Peak State Park	**27. Dead Horse Ranch State Park**
14. Roper Lake State Park	**28. Lake Havasu State Park**

More Efficiency Recommended **Moderate Efficiency Potential** **Little Additional Efficiency Potential**

Park by Park Recommendations

These recommendations have been developed using data provided by the Arizona State Park staff, local leadership in communities throughout Arizona, and statewide stakeholders with a vested interest in the future and success of the Arizona State Park System. The recommendations that follow are provided at a high level of detail as the rapid timeline of this project prevented the ability of the planning team to develop these recommendations further. It is highly recommended that each of these potential projects be vetted through an evaluation process that would involve potential private sector and public sector partners in order to identify the most prudent steps moving forward.

Region 1

There are eight state parks evaluated in Region 1 and include the following specific recommendations:

Alamo Lake State Park

FY 2010 Visitation	66,447
FY 2010 Operational Expenses	$374,525
FY 2010 Earned Revenues	$339,509
Partnership Potential Rating	High
Recommended Efficiency Need Rating	Moderate

Existing privatization, concessionaire, or partnership agreements:

- La Paz County – temporary park operation support of $30,000 / year

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Campground management
- Group accommodations
- Visitor services management
- Gift shop
- Site and facilities maintenance

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Cabins
- Yurts
- Lake-related development
- Seasonal café
- Lodge
- Golf course

Public-public partnership opportunities with existing amenities and facilities:

- La Paz County - park operation components

Potential efficiency measures:

- Additional revenue streams from new facilities / development
- More flexible labor costs – seasonal, temp and contract labor
- Outsourced operational functions that are determined to be cost effective
- Increased use of volunteers

Buckskin Mountain State Park / River Island

FY 2010 Visitation	95,496
FY 2010 Operational Expenses	$700,628
FY 2010 Earned Revenues	$612,604
Partnership Potential Rating	High
Recommended Efficiency Need Rating	Moderate

Existing privatization, concessionaire, or partnership agreements:

- Private operator – general store, restaurant, boat storage, fuel, market

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Campground management
- Visitor services management
- Gift shop
- Site and facilities maintenance
- Seasonal café

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Cabins
- Yurts
- Equipment / watercraft rental

Public-public partnership opportunities with existing amenities and facilities:

- None at this time

Potential efficiency measures:

- Additional revenue streams from new facilities / development
- More flexible labor costs – seasonal, temp and contract labor
- Outsourced operational functions that are determined to be cost effective
- Increased use of volunteers

Cattail Cove State Park

FY 2010 Visitation	84,940
FY 2010 Operational Expenses	$426,534
FY 2010 Earned Revenues	$433,939
Partnership Potential Rating	High
Recommended Efficiency Need Rating	Moderate

Existing privatization, concessionaire, or partnership agreements:

- Private operator – general store, restaurant, marina, personal watercraft, bait & tackle, boat and RV storage, campground

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Campground management
- Visitor services management
- Gift shop
- Site and facilities maintenance

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Cabins
- Yurts
- Equipment / watercraft rental

Public-public partnership opportunities with existing amenities and facilities:

- None at this time

Potential efficiency measures:

- Additional revenue streams from new facilities / development
- Increased use of volunteers

HOMOLOVI RUINS STATE PARK[10]

FY 2010 Visitation	6,570
FY 2010 Operational Expenses	$251,802
FY 2010 Earned Revenues	$17,788
Partnership Potential Rating	Low
Recommended Efficiency Need Rating	High

Existing privatization, concessionaire, or partnership agreements:

- Partnership in negotiation with Hopi Tribe for total park operations under an agreement with state parks

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Hopi tribe – total park management

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- None at this time

Public-public partnership opportunities with existing amenities and facilities:

- None at this time

Potential efficiency measures:

- Seasonal operation schedule
- More flexible labor costs – seasonal, temp and contract labor
- Outsourced operational functions that are determined to be cost effective
- Increased use of volunteers

[10] The campgrounds at Homolovi Ruins State Park closed on October 1, 2009, and the park transitioned to a five-day operating schedule. The park was closed on February 22, 2010, due to budget reductions, therefore the visitation and revenue data reflected do not reflect a full operating year as compared to other years.

Lake Havasu State Park

FY 2010 Visitation	340,269
FY 2010 Operational Expenses	$711,967
FY 2010 Earned Revenues	$967,766
Partnership Potential Rating	High
Recommended Efficiency Need Rating	Low

Existing privatization, concessionaire, or partnership agreements:

- Private operator – general store, watercraft rental, merchandise

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Campground management
- Visitor services management
- Gift shop
- Site and facilities maintenance

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Cabins (Contact Point)
- Yurts (Contact Point)
- RV Campground (Contact Point)
- Resort lodge (Contact Point)
- Equipment / watercraft rental (Contact Point)
- Restaurant (Contact Point)

Public-public partnership opportunities with existing amenities and facilities:

- City of Lake Havasu and Mohave County – development coordination of major private facilities under agreements with Arizona State Parks (Contact Point)
- Use of Industrial Development Authority Bond Funds

Potential efficiency measures:

- Additional revenue streams from new facilities / development
- Outsourced operational functions that are determined to be cost effective

RIORDAN MANSION STATE HISTORIC PARK[11]

FY 2010 Visitation	21,850
FY 2010 Operational Expenses	$215,425
FY 2010 Earned Revenues	$97,085
Partnership Potential Rating	Moderate
Recommended Efficiency Need Rating	Moderate

Existing privatization, concessionaire, or partnership agreements:

- Arizona Historical Society / Riordan Action Network - temporary park operation support of $78,000 / year

Privatization Opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Gift Shop

Privatization Opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- None identified at this time

Public-public partnership opportunities with existing amenities and facilities:

- City of Flagstaff – total park management
- Regional park authority – total park management

Potential efficiency measures:

- Seasonal closure (November - March)
- Reduced operating schedule April – October (five days per week)
- Outsourced operational functions that are determined to be cost effective

[11] As of October 6, 2009, Riordan Mansion State Historic Park transitioned to a five-day operating schedule. The park resumed a normal seven-day schedule on April 1, 2010. The Arizona Historical Society and the Riordan Action Network took over operations starting May 21, 2010. The revenue in the table represents revenue which came into the system prior to May 21, 2010, but does not include revenues after that date, and therefore are not equivalent to revenues generated in prior years.

Yuma Quartermaster Depot State Historic Site

FY 2008 Visitation	11,676
FY 2008 Operational Expenses	$296,779
FY 2008 Earned Revenues	$23,794
Partnership Potential Rating	Moderate
Recommended Efficiency Need Rating	High

Existing privatization, concessionaire, or partnership agreements:

- City of Yuma – operates the park under agreement with state parks

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Historic site and facility management
- Gift shop
- Museum management

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- None at this time

Public-public partnership opportunities with existing amenities and facilities:

- City of Yuma – total park management

Potential efficiency measures:

- Increased use of volunteers

Yuma Territorial Prison State Historic Site

FY 2008 Visitation	67,851
FY 2008 Operational Expenses	$238,999
FY 2008 Earned Revenues	$202,885
Partnership Potential Rating	Moderate
Recommended Efficiency Need Rating	High

Existing privatization, concessionaire, or partnership agreements:

- City of Yuma – operates the park under agreement with state parks

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Historic site and facility management
- Gift shop
- Museum management

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Seasonal café
- Special event venue (amphitheater)

Public-public partnership opportunities with existing amenities and facilities:

- City of Yuma – total park management

Potential efficiency measures:

- Increased use of volunteers

Region 2

There are nine state parks evaluated in Region 2 and include the following specific recommendations:

Boyce Thompson Arboretum State Park

FY 2010 Visitation	77.875
FY 2010 Operational Expenses	$38,243
FY 2010 Earned Revenues	$9,400
Partnership Potential Rating	Moderate
Recommended Efficiency Need Rating	Moderate

Existing privatization, concessionaire, or partnership agreements:

- University of Arizona and Boyce Thompson Foundation – operates the park under agreement with state parks

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Gift shop
- Site and facilities maintenance
- Remodel and operate Pickett Post

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- None at this time

Public-public partnership opportunities with existing amenities and facilities:

- University of Arizona and Boyce Thompson Foundation – total park management

Potential efficiency measures:

- Outsourced operational functions that are determined to be cost effective
- More flexible labor costs – seasonal, temp and contract labor

Dead Horse Ranch State Park (including Verde River Greenway and Rockin' River Ranch)

FY 2010 Visitation	157,432
FY 2010 Operational Expenses	$467,851
FY 2010 Earned Revenues	$574,275
Partnership Potential Rating	High
Recommended Efficiency Need Rating	Low

Existing privatization, concessionaire, or partnership agreements:

- None at this time

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Campground and cabins management
- Group accommodations
- Visitor services management
- Equestrian center (Rockin' River Ranch)

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Yurts
- Marina
- Seasonal café
- Equestrian center (Deadhorse Ranch)
- Cabins
- Special events venue (amphitheater)
- Bed and Breakfast

Public-public partnership opportunities with existing amenities and facilities:

- City of Cottonwood – total park management
- Yavapai County – total park management
- Regional park authority – total park management

Potential efficiency measures:

- Additional revenue streams from new facilities / development
- Outsourced operational functions that are determined to be cost effective

Fool Hollow Lake Recreation Area

FY 2010 Visitation	99.051
FY 2010 Operational Expenses	$510,455
FY 2010 Earned Revenues	$434,557
Partnership Potential Rating	High
Recommended Efficiency Need Rating	Low

Existing privatization, concessionaire, or partnership agreements:

- None at this time

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Campground management
- Visitor services management
- Gift shop
- Site and facilities maintenance

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Cabins
- Yurts
- Equipment / watercraft rental
- Marina

Public-public partnership opportunities with existing amenities and facilities:

- None at this time

Potential efficiency measures:

- Seasonal operating schedule
- Additional revenue streams from new facilities / development
- More flexible labor costs – seasonal, temp and contract labor
- Increased use of volunteers

Fort Verde State Historic Park[12]

FY 2010 Visitation	12,021
FY 2010 Operational Expenses	$149,629
FY 2010 Earned Revenues	$35,476
Partnership Potential Rating	Moderate
Recommended Efficiency Need Rating	High

Existing privatization, concessionaire, or partnership agreements:

- Town of Camp Verde – temporary park operations support of $105,000 / year

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Gift Shop

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Seasonal café

Public-public partnership opportunities with existing amenities and facilities:

- Regional park authority – total park management

Potential efficiency measures:

- Seasonal closure (November - March)
- Reduced operating schedule April – October (five days per week)
- Outsourced operational functions that are determined to be cost effective
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

[12] Fort Verde State Historic Park was operating on a five-day schedule in FY 2010.

Jerome State Historic Park[13]

FY 2008 Visitation	60,114
FY 2008 Operational Expenses	$272,988
FY 2008 Earned Revenues	$162,133
Partnership Potential Rating	Moderate
Recommended Efficiency Need Rating	High

Existing privatization, concessionaire, or partnership agreements:

- Yavapai County – temporary park operations support of $30,000 / year
- Jerome Historic Society – operates gift shop

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Total park management – recommended with a non-profit operator only
- Visitor services management
- Gift shop

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- None identified at this time

Public-public partnership opportunities with existing amenities and facilities:

- Town of Jerome – total park management
- Regional park authority – total park management

Potential efficiency measures:

- Seasonal closure (November - March)
- Reduced operating schedule April – October (five days per week)
- Outsourced operational functions that are determined to be cost effective

[13] Jerome State Historic Park performance data is provided from FY 2008 instead of FY 2010, because FY 2008 was the last year in which the park operating in more of its traditional format.

Lost Dutchman State Park

FY 2010 Visitation	103,727
FY 2010 Operational Expenses	$281,904
FY 2010 Earned Revenues	$328,578
Partnership Potential Rating	High
Recommended Efficiency Need Rating	Moderate

Existing privatization, concessionaire, or partnership agreements:

- City of Apache Junction / Friends of Lost Dutchman State Park – temporary park operations support of $24,000 / year

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Campground management
- Visitor services management
- Gift shop
- Site and facilities maintenance

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Cabins
- Yurts
- RV campground

Public-public partnership opportunities with existing amenities and facilities:

- None at this time

Potential efficiency measures:

- Seasonal operating schedule
- Additional revenue streams from new facilities / development
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

RED ROCK STATE PARK[14]

FY 2010 Visitation	59,097
FY 2010 Operational Expenses	$298,586
FY 2010 Earned Revenues	$183,656
Partnership Potential Rating	Moderate
Recommended Efficiency Need Rating	Moderate

Existing privatization, concessionaire, or partnership agreements:

- Yavapai County / Benefactors of Red Rock State Park – temporary park operations support of $160,000 / year
- Benefactors of Red Rock State Park – operate educational program

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Gift Shop
- Education program – recommended with a non-profit operator only

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Seasonal café
- Environmental education center
- Special events venue (amphitheater)

Public-public partnership opportunities with existing amenities and facilities:

- City of Sedona – total park management
- Regional park authority – total park management

Potential efficiency measures:

- Seasonal closure (November - March)
- Outsourced operational functions that are determined to be cost effective
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

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[14] Red Rock State Park operated on a five-day schedule starting November 3, 2009, and resumed a seven-day schedule on January 29, 2010.

SLIDE ROCK STATE PARK[15]

FY 2010 Visitation	237,676
FY 2010 Operational Expenses	$490,694
FY 2010 Earned Revenues	$710,115
Partnership Potential Rating	High
Recommended Efficiency Need Rating	Low

Existing privatization, concessionaire, or partnership agreements:

- Private operator – park store, orchard maintenance

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Gift Shop

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Seasonal café
- Canopy tour / zip line

Public-public partnership opportunities with existing amenities and facilities:

- City of Sedona – total park management
- Regional park authority – total park management

Potential efficiency measures:

- Seasonal operating schedule
- Outsourced operational functions that are determined to be cost effective
- Increased use of volunteers

[15] Slide Rock State Park operated on a five-day schedule starting November 3, 2009, and resumed a seven-day schedule on January 28, 2010.

TONTO NATURAL BRIDGE STATE PARK

FY 2010 Visitation	58,640
FY 2010 Operational Expenses	$309,727
FY 2010 Earned Revenues	$217,106
Partnership Potential Rating	High
Recommended Efficiency Need Rating	Moderate

Existing privatization, concessionaire, or partnership agreements:

- Town of Payson – temporary park operations support of $15-20,000 / year
- Star Valley – temporary park operations support of $5,000 / year
- Friends of Tonto Natural Bridge State Park – temporary park operations support of $10,000 / year

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Gift shop
- Site and facilities maintenance
- Museum management
- Lodge management
- Seasonal café / grill

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Cabins
- Yurts
- Campground

Public-public partnership opportunities with existing amenities and facilities:

- City of Payson – total park management
- Regional park authority – total park management

Potential efficiency measures:

- Seasonal operating schedule
- Outsourced operational functions that are determined to be cost effective
- Additional revenue streams from new facilities / development
- More flexible labor costs – seasonal, temp and contract labor

Region 3

There are 11 state parks evaluated in Region 3 and include the following specific recommendations:

Catalina State Park

FY 2010 Visitation	170,344
FY 2010 Operational Expenses	$409,233
FY 2010 Earned Revenues	$695,091
Partnership Potential Rating	High
Recommended Efficiency Need Rating	Low

Existing privatization, concessionaire, or partnership agreements:

- None at this time

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Campground management
- Gift shop
- Site and facilities maintenance
- Seasonal café / grill
- Equestrian center

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Cabins
- Yurts
- Special events venue (amphitheater)
- Education and meeting center

Public-public partnership opportunities with existing amenities and facilities:

- None at this time

Potential efficiency measures:

- Additional revenue streams from new facilities / development
- More flexible labor costs – seasonal, temp and contract labor

LYMAN LAKE STATE PARK[16]

FY 2010 Visitation	28,951
FY 2010 Operational Expenses	$316,374
FY 2010 Earned Revenues	$87,716
Partnership Potential Rating	Moderate
Recommended Efficiency Need Rating	High

Existing privatization, concessionaire, or partnership agreements:

- None at this time

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Campground management
- Gift shop
- Site and facilities maintenance
- Seasonal café / grill
- Cabins / yurt management

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Lakeside lodge
- Marina

Public-public partnership opportunities with existing amenities and facilities:

- None at this time

Potential efficiency measures:

- Seasonal operating schedule
- Outsourced operational functions that are determined to be cost effective
- Additional revenue streams from new facilities / development
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

[16] Lyman Lake State Park was closed February 22, 2010, but reopened through an operational partnership with Apache County from Memorial Day to Labor Day and was closed again on September 7, 2010. Revenue and expense data from FY 2010 do not reflect a full year's operation.

McFarland State Historic Park

FY 2008 Visitation	4,945
FY 2008 Operational Expenses	$196,067
FY 2008 Earned Revenues	$8,479
Partnership Potential Rating	Low
Recommended Efficiency Need Rating	High

Existing privatization, concessionaire, or partnership agreements:

- Town of Florence – partnership in negotiation for the town to operate the park under agreement with state parks

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Gift shop
- Museum

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- None at this time

Public-public partnership opportunities with existing amenities and facilities:

- Town of Florence – total park management

Potential efficiency measures:

- Seasonal operating schedule
- Outsourced operational functions that are determined to be cost effective
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

ORACLE STATE PARK[17]

FY 2010 Visitation	3,457
FY 2010 Operational Expenses	$110,639
FY 2010 Earned Revenues	$4,740
Partnership Potential Rating	Low
Recommended Efficiency Need Rating	High

Existing privatization, concessionaire, or partnership agreements:

- None at this time

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Gift shop
- Site and facilities maintenance

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Campground
- Education center
- Remote / low impact resort

Public-public partnership opportunities with existing amenities and facilities:

- None at this time

Potential efficiency measures:

- Seasonal operating schedule
- Outsourced operational functions that are determined to be cost effective
- Additional revenue streams from new facilities / development
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

[17] Oracle State Park is currently closed to the public except through reservation by school groups and special events. Previous annual visitation (FY 2008) was 9,898, operating expenses were $278,398, and earned revenues were $14,492.

Patagonia Lake State Park

FY 2010 Visitation	190,303
FY 2010 Operational Expenses	$567,590
FY 2010 Earned Revenues	$681,480
Partnership Potential Rating	Moderate
Recommended Efficiency Need Rating	Low

Existing privatization, concessionaire, or partnership agreements:

- Private operator – general store, boat rentals

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Campground management
- Market and gift shop
- Site and facilities maintenance
- Marina

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Cabins
- Yurts
- Lakeside / low impact resort

Public-public partnership opportunities with existing amenities and facilities:

- None at this time

Potential efficiency measures:

- Seasonal operating schedule
- Outsourced operational functions that are determined to be cost effective
- Additional revenue streams from new facilities / development
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

Picacho Peak State Park

FY 2010 Visitation	85,000
FY 2010 Operational Expenses	$414,359
FY 2010 Earned Revenues	$294,354
Partnership Potential Rating	Moderate
Recommended Efficiency Need Rating	Moderate

Existing privatization, concessionaire, or partnership agreements:

- City of Eloy – temporary park operations support of $20,000 / year

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Campground management
- Gift shop
- Site and facilities maintenance

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Cabins
- Yurts
- Education center

Public-public partnership opportunities with existing amenities and facilities:

- City of Eloy – partial park management, public safety

Potential efficiency measures:

- Seasonal operating schedule
- Outsourced operational functions that are determined to be cost effective
- Additional revenue streams from new facilities / development
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

Roper Lake State Park

FY 2010 Visitation	73,450
FY 2010 Operational Expenses	$412,370
FY 2010 Earned Revenues	$268,531
Partnership Potential Rating	Moderate
Recommended Efficiency Need Rating	Moderate

Existing privatization, concessionaire, or partnership agreements:

- Graham County / Arizona Game and Fish Department – temporary park operations support

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Visitor services management
- Campground management
- Gift shop
- Site and facilities maintenance

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- Cabins
- Yurts
- Equestrian center
- Remote / low impact resort (Dankworth Pond)

Public-public partnership opportunities with existing amenities and facilities:

- Graham County – partial park management, public safety
- Game and Fish Department – natural resource management

Potential efficiency measures:

- Seasonal operating schedule
- Outsourced operational functions that are determined to be cost effective
- Additional revenue streams from new facilities / development
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

San Rafael State Natural Area[18]

FY 2010 Visitation	0
FY 2010 Operational Expenses	$120,025
FY 2010 Earned Revenues	$2,250
Partnership Potential Rating	Low
Recommended Efficiency Need Rating	High

Existing privatization, concessionaire, or partnership agreements:

- Private operator – grazing lease

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Natural resource management

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- None at this time

Public-public partnership opportunities with existing amenities and facilities:

- Game and Fish Department – natural resource management

Potential efficiency measures:

- Outsourced operational functions that are determined to be cost effective
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

[18] San Rafael State Park is currently closed to the public, however, a public road allows traffic through the park.

TOMBSTONE COURTHOUSE STATE HISTORIC PARK[19]

FY 2010 Visitation	33,918
FY 2010 Operational Expenses	$118,829
FY 2010 Earned Revenues	$111,774
Partnership Potential Rating	Low
Recommended Efficiency Need Rating	High

Existing privatization, concessionaire, or partnership agreements:

- City of Tombstone – temporarily operates the park under agreement with state parks

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Gift shop
- Museum
- Cultural resource management

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- None at this time

Public-public partnership opportunities with existing amenities and facilities:

- City of Tombstone – total park management

Potential efficiency measures:

- Reduced operating schedule
- Outsourced operational functions that are determined to be cost effective
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

[19] As of March 1, 2010, Tombstone has been operated by City of Tombstone. Tombstone was operated on a five-day schedule from April 21, 2009, through April 1, 2010. Revenues reported represent those generated while Arizona State Parks was operating the park only.

Tubac Presidio State Historic Park

FY 2010 Visitation	8,515
FY 2010 Operational Expenses	$158,674
FY 2010 Earned Revenues	$23,948
Partnership Potential Rating	Low
Recommended Efficiency Need Rating	High

Existing privatization, concessionaire, or partnership agreements:

- Santa Cruz County / Tubac Historic Society – temporarily operates the park under agreement with state parks

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Gift shop
- Museum
- Cultural resource management

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- None at this time

Public-public partnership opportunities with existing amenities and facilities:

- Santa Cruz County and Tubac Historical Society – total park management

Potential efficiency measures:

- Reduced operating schedule
- Outsourced operational functions that are determined to be cost effective
- Additional revenue streams from new facilities / development
- Increased use of volunteers
- More flexible labor costs – seasonal, temp and contract labor

Parks Not Managed in a Park Management Region

Kartchner Caverns State Park

FY 2010 Visitation	139,086
FY 2010 Operational Expenses	$2,219,639
FY 2010 Earned Revenues	$2,920,214
Partnership Potential Rating	High
Recommended Efficiency Need Rating	Low

Existing privatization, concessionaire, or partnership agreements:

- Private operator – gift shop, vending

Privatization opportunities with for-profit or non-profit operators and existing amenities and facilities:

- Gift shop

Privatization opportunities with for-profit or non-profit developer / operators with new amenities and facilities:

- None at this time

Public-public partnership opportunities with existing amenities and facilities:

- None at this time

Potential efficiency measures:

- More flexible labor costs – seasonal, temp and contract labor

System-wide Efficiencies

There are a multitude of recommendations provided in this report that may be implemented partially, wholly, or not at all. Regardless of the degree to which recommendations are pursued and implemented, there are a few key observations for how the system can improve its overall efficiency in managing tasks and outcomes in the organization. This can even apply to a potential state park authority if created.

Arizona State Parks as an agency is subject to all the usual characteristics of public bureaucracies, albeit the reduced operating capital budgets that began in FY 2003 have forced many changes in the system including a 40% reduction in employees. It has been a painful process that the agency has endured for the last three years - resulting in an organization that is eager for a brighter future and operating in fear of further cuts. While this report does not suggest that previous executive management was at fault or contributed in any way to the circumstances of today, the change in executive leadership in 2009 provided an opportunity for the agency to begin charting a new course through tumultuous times.

These economic and political times are dramatically changing the public parks and recreation industry all over the United States. Public parks and recreation have always been and remain today a highly valued social benefit by citizens. Our parks very much are a part of our identity as Americans, and that is certainly true in the case of Arizona where the natural landscapes are world famous. Times have changed in the last 30 years and the demands on our public budgets and financial resources have grown exponentially in the areas of health and human services, education, emergency services, transportation, and public works and infrastructure since the 1980's. **This has put public parks and recreation in a difficult position – they are highly valued for the social benefits provided, but are at the bottom of public funding priorities.**

These circumstances have evolved much faster than many public park organizations. Park agencies, especially state park agencies, have traditionally been managed under a social management model where social responsibilities, public good and social benefits provided are the foundational values from which daily operational and capital decisions are made. Park professionals cannot be blamed for operating in a social model because this is where the industry came from. Times have changed.

Today, public park agencies are required to operate more entrepreneurially – recovering as much operating costs through earned revenues as possible – in order to strike the perfect balance between self-sufficiency and public financial support that is right for the political and economic values of the jurisdiction the agency is a part of. At the same time the private sector has emerged with a powerful industry in leisure, amusement, and entertainment that often competes with traditional park and recreation facilities and services. **As a result, parks and recreation are now the closest thing in the public sector to an actual retail business – providing services in a competitive environment to consumers who have a choice.**

The greatest challenge with this new reality is that most public park and recreation agencies are still expected by many members of the public to not behave like a business. Arizona State Parks are in a tough position to operate in a business-like manner under the principles of an organization that makes decisions based on indiscriminately providing services for the public good. **The agency is in an identity crisis stand-off between what the leadership of the state expects for financial outcomes, what the public expects from their highly varied perspectives on state parks, and an existing infrastructure that is not easily worked around the new reality of operational requirements.**

Arizona State Parks are at the breaking point in late 2010. **Something significant will and must happen to evolve the organization that is a steward of a great system of public treasures into a sustainable, economically feasible system with a politically palatable future.** The recommendations contained within this report pertaining to system-wide efficiencies are provided to support the agency's transition from a social management model to a business management model – where social benefits provided are balanced with business and financial principles as a decision making framework for how the system is managed. **These recommendations are not intended as punitive or reactionary to current political trends, but reflect a prudent and fiscally responsible approach for managing to outcomes given scarce operational resources.** In other words, everything cannot be done the way it has always been done, just with less. The means and methods of the agency must evolve to produce the desired outcomes differently than it has in the past.

Market Driven Operations

The simplest form of privatization for Arizona State Parks is for the existing state agency to adopt more private sector principles in its operations. The traditional *modus operandi* of state parks is to be open seven days a week, 52 weeks each year. This is the model that parks are ready when you are – reliably open at all times despite a very dynamic visitation pattern dominated by peak seasons, holidays and weekends. Not all parks feature the same visitation patterns because of their unique amenities and attractors that appeal to the public. Yet, for the most part public parks do not have a steady stream of visitors every day of the year.

Market driven operations are a new reality that many park systems must face. Where seasonal closures and parks that are closed certain days of the week are commonplace in the private sector, public parks have typically only embraced these measures as a response to budget reductions and funding shortfalls. The following best practices are recommended for Arizona State Parks in order to adopt market driven operations as a standard operating procedure:

1. Seasonal closures of parks that experience low visitation periods of 60 days or more. Low visitation is defined as periods of time at least 60 days in length where visitation is no more than 25% of visitation during 60 days of the peak season.
2. Reduced operating schedules for days of the week in shoulder seasons, and throughout the year for some parks. Four-day, five-day, and six-day operating schedules are not uncommon in the private sector and this practice should be emulated by state parks where it is appropriate.
3. Altered levels of service where services and amenities are not recovering desirable financial outcomes. In other words, discontinue the availability of services and amenities that are not being commonly used by visitors. Park systems are often guilty of maintaining amenities or services that few or no visitors use.
4. More reliance on seasonal and contract labor to perform duties in the park system will enable the agency to be more flexible with staffing commitments.
5. The total labor budget of the agency, including employee related expenses, should not exceed 65% of the agency's total operating budget. Staffing costs that exceed 65% usually represent operations with insufficient resources to support employees doing their jobs.
6. Utilize outsourcing and concessionaires to perform duties that are labor intensive and more appropriate for alternative providers while protecting the quality of the resource and the visitor experience.

7. Structure operations around the rule and not the exception. It is a common malady of public agencies to develop policies, procedures, and staffing around exceptional circumstances versus typical circumstances. Structure operations around the typical operating environment and plan for the exceptions through alternative means and methods.
8. Adjust the perceptions of staff and the public regarding public safety. There are two types of public safety services – emergency medical and criminal response, and site security. It is estimated that approximately 80-90% of the public safety services provided by state parks is more site security than emergency response, with some parks being the exception. Site security can be managed by staff or volunteer presence as a deterrent versus constant presence of a park ranger. This has been proven by the concessions and campgrounds of both the U.S. Forest Service and Bureau of Land Management.
9. Adopt more heuristic procedures. Identify policies and procedures that are cumbersome, time consuming and labor intensive, and explore alternative methods that produce the same outcome with less effort.
10. Evolve the culture of the organization to be outcome-focused versus effort-focused. The staff should expect to produce viable outcomes for their efforts on a productive timeline. One of the most common perceptions of public agencies is that bureaucracies are slow, reactive versus proactive, and engage in wasteful time-consuming steps to get things done. The "new normal" of public park and recreation agencies requires staff to produce measureable outcomes as quickly and safely as possible. Reward and incentive is focused on being effective as efficiently as possible instead of just being effective.

Regional Management – Function-based vs. Site Based

One of the more challenging recommendations of this report for the agency is to transition to more of a function-based organization versus a site-based organization. Specifically, the staffing of state parks appears to be organized around performing designated functions *at* each site, with a few exceptions such as education and volunteer management. This report recommends that greater efficiency can be obtained while still effectively managing the natural and cultural resources, protecting the assets, and managing the visitor experience by moving purely to a function-based organization that is not site-focused.

This approach requires that people oversee functional responsibilities at multiple sites, and that market driven operations as recommended herein are adopted. Due to the remote locations and distance between some parks this may not be the most advantageous for all sites, but certainly for nearly all of them. A thorough analysis should be performed on parks that would not be able to operate well with the staff that oversees responsibilities at multiple sites.

Economic Impact Analysis Update

In February 2009, the Arizona Hospitality Research and Resource Center of Northern Arizona University (AHRRC-NAU) completed an economic impact study for the Arizona State Parks Board. This study evaluated the economic impact of 27 state parks based upon data collected from visitor intercept surveys conducted by Arizona State Parks in 2001 and 2006. [20]

The 2009 study utilized data collected in 2006, predating most of the dramatic economic downturns experienced in Arizona and other parts of the United States. **Visitation has changed in 2009 and 2010 from earlier years as a result of the economic recession and changes in the operations and accessibility of state parks.** This report provides an update to the economic impact analysis completed in 2009 by applying broad-based variable changes to the results of the 2009 study without conducting new visitor intercept surveys and data analysis. **The purpose of this update is to show the general change in economic activity from state parks that are the result of the circumstances that began in 2008.**

Summary of 2009 Study

Data collected from 2006 visitor intercept surveys were evaluated utilizing the IMPLAN™ economic impact model.[21] This model estimates the total income generated in the county economy, including direct, indirect income, induced income, and the number of jobs supported in the county economy by this level of visitor spending. All of the information provided below was taken directly from the AHRRC-NAU study completed in 2009:[22]

- 27 state parks located in 13 counties were evaluated.
- Economic impact was determined as a function of visitation and direct visitor spending, with multipliers reflecting the extent of re-circulation visitor spending in local economies.
- Visitation in FY 2007 was 2,298,155.
- Direct spending by Arizona State Park visitors in FY 2007 totaled $162,799,442, equating to an average of $70.84 per person.
- Economic impact was calculated for visitors from outside a 50-mile radius of the park the data was collected from, and utilizing their spending within that 50-mile radius.
- The three parks with the largest total economic impact were:
  - Lake Havasu State Park - $34.5 million in 2007
  - Slide Rock State Park - $30.1 million in 2007
  - Catalina State Park - $19.6 million in 2007
- **The total calculated economic impact of Arizona State Parks on the state was $266,436,582.**
  - Total direct expenditures: $162,799,442
  - Total State indirect and induced income: $103,637,140
  - Total State jobs impact: 3,347
  - Total tax impact: $43,933,953

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[20] Arizona Hospitality Research and Resource Center (2009). *The economic impact of Arizona State Parks.* Flagstaff, AZ: Northern Arizona University.
[21] Minnesota IMPLAN Group, Inc.
[22] Arizona Hospitality Research and Resource Center (2009). *The economic impact of Arizona State Parks.* Flagstaff, AZ: Northern Arizona University.

Methodology of this Update

The methodology of this update is to adjust the economic impacts reported in 2009 in the AHRRC-NAU study by applying the changes in state park visitation, as well as the changes in visitor spending as noted in additional data sources. State park visitation data was from FY 2010 as provided by Arizona State Parks, and corresponding visitor spending adjustments were taken from Arizona travel industry research conducted by an independent research firm for the Arizona Department of Tourism.[23]

The variable changes of visitation and visitor spending were directly applied to the 2006 data of the 2009 study[24] to generally calculate the approximate change in the economic impact of state parks in local areas. The summary of data collected and utilized for this update is provided below.

- Visitation to Arizona State Parks in FY 2010 (2009-2010) was 2,210,953, a reduction of 3.8% from FY 2007 (2006-2007).
- Total visitor spending from tourism in Arizona in 2009 was approximately $16.6 billion, a reduction of 13.1% from 2007.

While this method can be used for a generalized estimation of changes in economic impact, it cannot substitute for the value of data collected directly at state parks from state park visitors. The limitations of this method are that the assumptions of changes in total visitor spending for tourism within the State of Arizona apply to visitor spending at state parks. This could be true from a generalized perspective, but is not completely accurate regarding any unique spending patterns of state park visitors versus tourists overall. Regardless, short of conducting a new economic impact study this method is relevant for estimated general changes for impact to the state on the whole.

Applying Variable Change

Based upon the change in visitor spending as noted in the Dean Runyan Associates (2009) report from 2007 to 2009, the average per visitor spending at Arizona State Parks was reduced by 13.1%. This reduction applied to the average per visitor spending of $70.84 in 2007, resulted in the average per visitor spending in 2009 of $61.56.

This updated visitor spending statistic was then multiplied across the total number of state park visitors in 2009-2010, equaling $136,106,178 in estimated direct spending at Arizona State Parks. Utilizing the multipliers from the 2009 AHRRC-NAU study, indirect income is estimated to be $39,476,190 and induced income is estimated to be $47,168,180. **This sums to a total estimated economic impact in FY 2010 of $222,750,548, reflecting a loss of 16% or $43,686,034 from FY 2007.** This is detailed in the table below.

	FY 2007	FY 2010
Visitation	2,298,155	2,210,953
Change in Visitor Spending	-13.1%	
Spending per Visitor	$70.84	$61.56
Direct Spending	$162,799,442	$136,106,178
Indirect Income	$47,218,295	$39,476,190
Induced Income	$56,418,845	$47,168,180
Total Economic Impact	$266,436,582	$222,750,548

[23] Dean Runyan Associates (2010). *Arizona travel impacts 1998-2009p.* Portland: OR.
[24] Arizona Hospitality Research and Resource Center (2009). *The economic impact of Arizona State Parks.* Flagstaff, AZ: Northern Arizona University.