An Offer to Help Keep State Parks Open

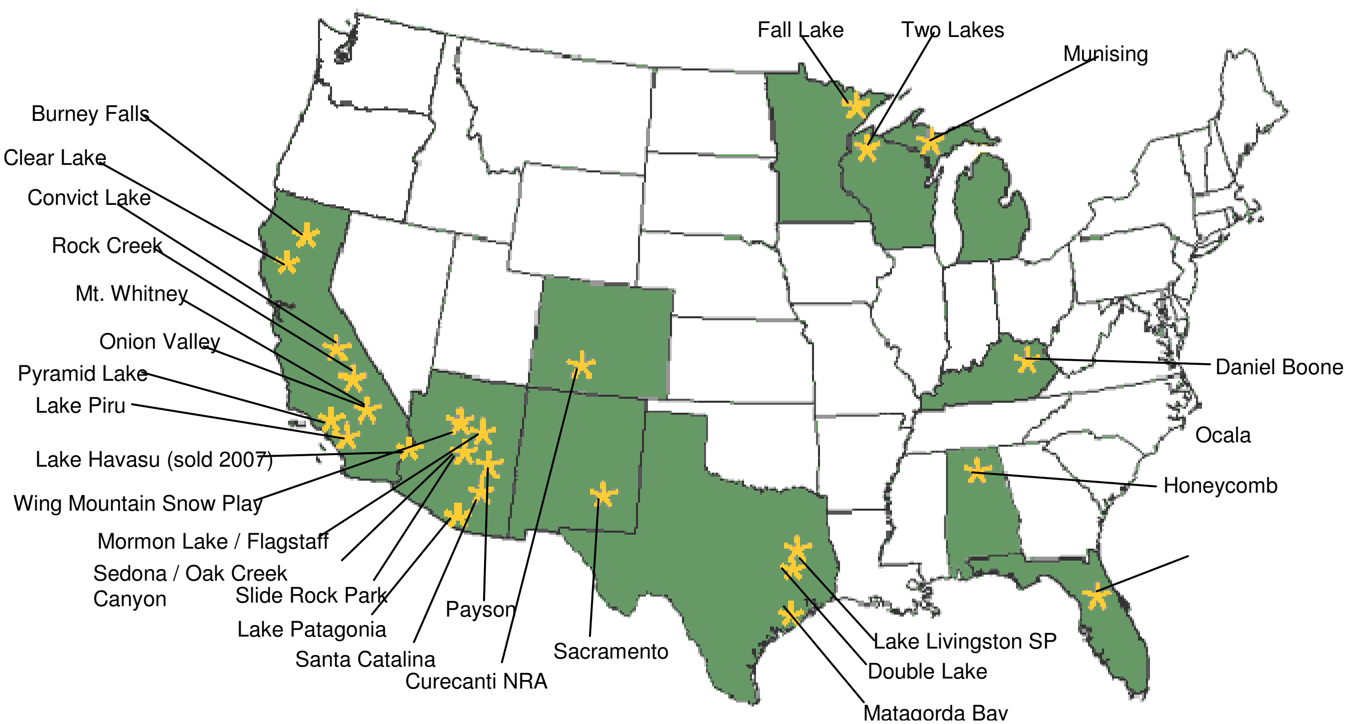
Warren Meyer
President, Recreation Resource Management
Warren@CampRRM.com
www.camprrm.com
602-569-2333

Traditional Concessions vs. Whole Park Concessions

- Many state park systems already have a number of traditional in-park concessions
  - e.g. stores, marinas, bike rentals, etc.
  - Our company runs a number of these (in California, Arizona, and Texas)
- My presentation is on whole park concessions, or the leasing of the entire park for private operation within very strict guidelines
- Few state parks organizations currently have whole-park concessions, though such arrangements are common in other public recreation authorities (e.g. US Forest Service, Tennessee Valley Authority)

RRM Background

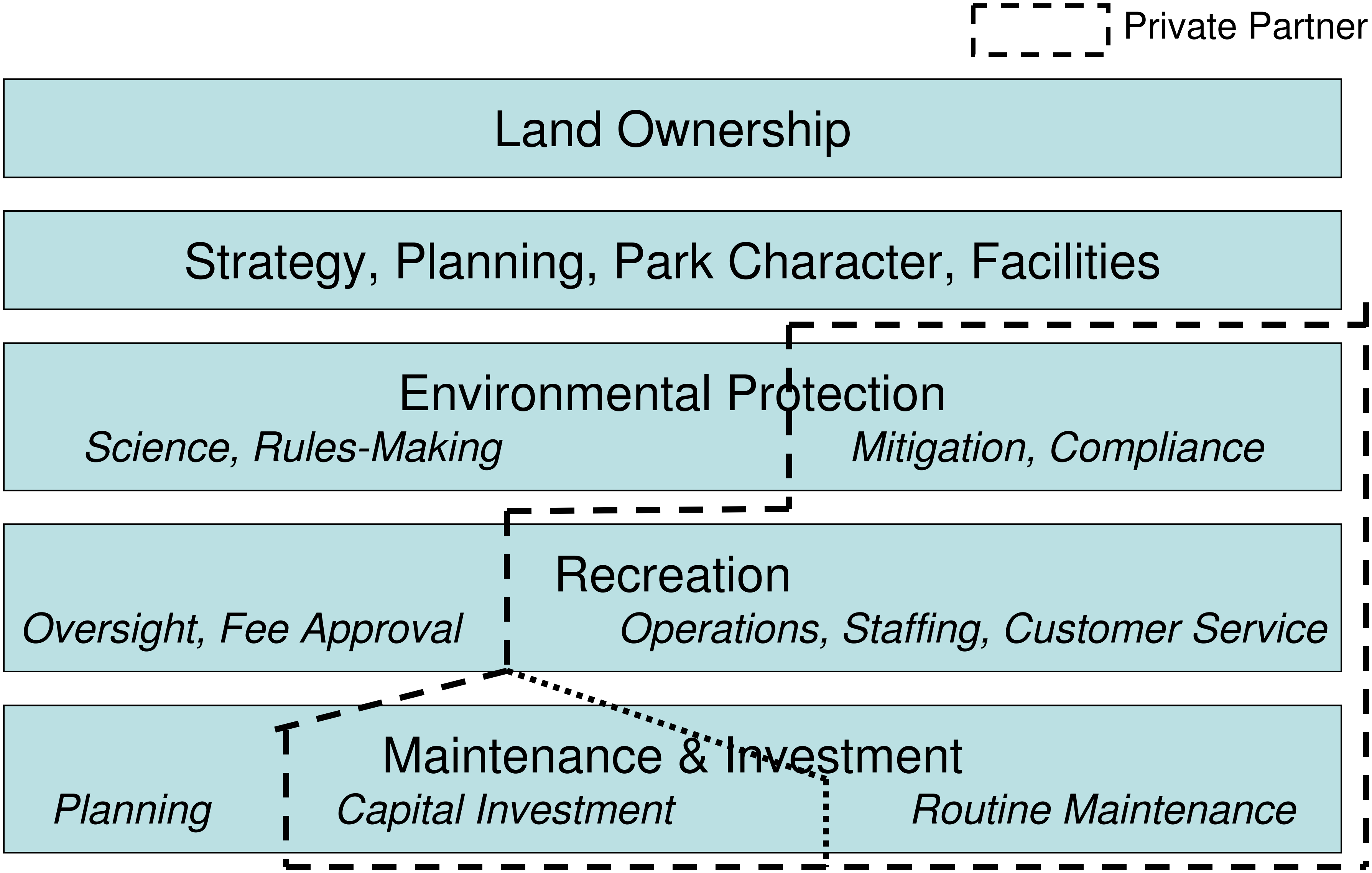
- $10 million annual fee revenue. 400 employees.
- Over 150 locations in 11 states, **the vast majority of which are complete parks and campgrounds, not concession operations within a park**.
  - Complete parks or entire camping loops with US Forest Service, Tennessee Valley Authority, California State Parks, Lower Colorado River Authority and the United Water Conservation District
  - Concession stores and marinas for California State Parks, Arizona State Parks, Texas State Parks, and the National Park Service
- “But our parks are different!” Probably not. We operate in wilderness areas (where no machinery of any kind is allowed), in historic buildings, and even in parks plagued with gang and crime activity before we took over. We operate parks with as many as 10,000 visitors in a single day.



Whole-Park Concession Facts

- Agreements typically structured as a commercial lease with very detailed operating requirements and restrictions
- All operation expenses covered by gate fees – no subsidy from general revenue required
- The typical operations split of responsibilities is: concessionaire does everything (within a strict and comprehensive operating agreement) except law enforcement and some capital maintenance; pays public entity a percent of revenues as rent.
- In most cases, we can increase the net revenue to the public agency *and* earn a profit, due in large part due to lower-cost procurement, a well-honed and defined management process, and a lower cost and more flexible labor force
- More than half our sites lose money, but are packaged in contracts with sites that make money
- Private management takes the park off the budget and removes it, forever, as a political football.

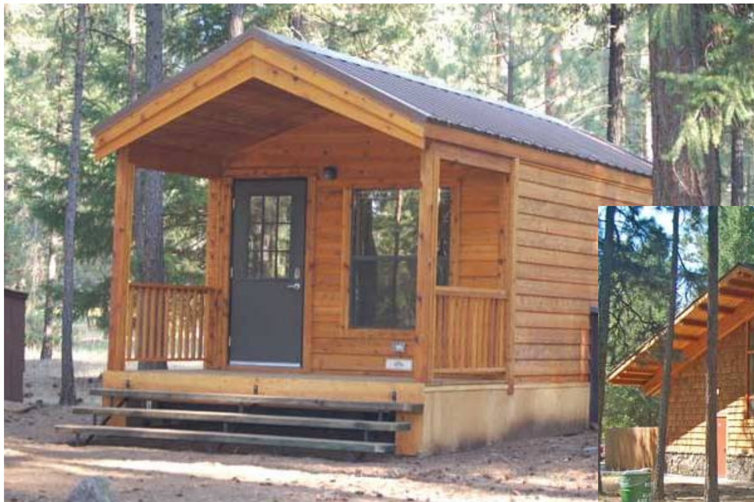
Public-Private Partnership



Capital Investment in a Public-Private Recreation Partnership

- Responsibility for capital maintenance (e.g. the roof just caved in) and capital investment (e.g. we want a new picnic ramada) vary by contract
- The key variable is contract term – the longer the term, the more private companies are willing to invest their own capital
- California State Parks are using concession contracts as a key source of capital to fix years of accumulated deferred maintenance problems – most all new contracts demand a capital investment in the park
- We are investing in a number of parks on 20-30 contract terms
  - California: $500,000 for 24 cabins in a camping loop refurbishment
  - California: $750,000 for a new store and visitor center
  - Alabama: $750,000 for entirely rebuilding a 140-site campground and day use area.

Example Private Investments in Public Parks



Quality Concerns

- We operate some of the highest rated parks in the country
  - On the Camp Arizona web site, in their top 10 public campgrounds for 2009, we operated the #2, #4, and #5 parks (The AZ State Parks organization did not have any campgrounds that made the list).
  - The facilities we operate have been named 15 times in the last 5 years to the list of America's Top 100 Family Campgrounds (including 2 in AZ)
  - Publications from Sunset Magazine to Camping Life to USA Today have included a number of parks we operate in their "best of" lists
  - A canoe run we operate through a wilderness area in Florida has been named recently as the top attraction in the state.
- Our incentives are well-aligned with the public's – if people don't want to come back to the park, we lose money
- In a number of states (e.g. CA, AZ), we have held fees in check at the public parks we operate while the state parks have raised their fees substantially
- While many public parks have accumulated deferred maintenance, the parks we operate have to stay on top of repairs (a variety of contract protection mechanisms exist to guarantee this).

Example Proposal: Keeping Arizona State Parks Open

1. We can immediately take over, on a lease/concession basis, parks on the current closure list:
   - Any or all of: Lost Dutchman, Tonto Natural Bridge, Alamo, or Roper Lake. Probably Picacho Peak and Red Rocks as well, particularly if packaged with one of the others
   - Existing concessionaires within the park may stay (they should be happy the park remains open) and will receive our full cooperation. We also would add concessions at parks currently without them – Alamo is a good example
   - We will work to partner with and purchase from local businesses
2. We can take over parks that are staying open but where we could provide a net revenue increase to ASP:
   - Any or all of: Buckskin Mountain, Fool Hollow, Patagonia, Cattail and Deadhorse
   - We would take a 1-year contract today paying 8% - 12% rent (see chart next page)
3. We would consider multi-park packages:
   - Smaller, less viable parks might be accepted for operations when packaged with nearby larger parks

Example Proposal (cont)

Economic Analysis of Arizona Proposals (based on ASP FY 2009 figures)

Park	User Fees	Operating Costs	ASP Net Revenues	Possible Concessionaire Rent Percent	Possible Concessionaire Rent Dollars	ASP Increased Funds
To Be Closed -- Sites We Could Definitely Run						
Alamo	$ 318,324	$ 304,361	$ 13,963	5.0%	$ 15,916	$ 1,953
Roper Lake	$ 270,673	$ 453,589	$ (182,916)	5.0%	$ 13,534	$ 196,450
Lost Dutchman	$ 266,772	$ 276,353	$ (9,581)	5.0%	$ 13,339	$ 22,920
Tonto	$ 172,249	$ 296,854	$ (124,605)	5.0%	$ 8,612	$ 133,217
						$ 354,540
To be Closed -- Sites We Could Run if Packaged with Others or With Changed Focus						
Red Rock	$ 168,329	$ 358,514	$ (190,185)	3.0%	$ 5,050	$ 195,235
Picacho Peak	$ 205,592	$ 371,239	$ (165,647)	3.0%	$ 6,168	$ 171,815
						$ 367,050
To Remain Open -- Sites We Could Likely Increase ASP Net Revenues						
Patagonia Lake*	$ 594,707	$ 550,000	$ 44,707	12.0%	$ 71,365	$ 26,658
Buckskin	$ 509,738	$ 606,740	$ (97,002)	10.0%	$ 50,974	$ 147,976
Dead Horse*	$ 614,279	$ 560,000	$ 54,279	12.0%	$ 73,713	$ 19,434
Fool Hollow	$ 408,920	$ 466,128	$ (57,208)	8.0%	$ 32,714	$ 89,922
Cattail Cove	$ 396,686	$ 405,174	$ (8,488)	8.0%	$ 31,735	$ 40,223
						$ 324,213
				Total All Groups:		$ 1,045,802

* I didn't have the data to remove Sonoita and the VRG from the Patagonia and Dead Horse numbers so I had to guess from some other sou

Frequently Asked Questions

Does your company take ownership of the park? No. The parks and all the facilities remain the property of the public agency. We merely sign an operating lease, with strict rules, wherein we operate the park, keep the fees paid by the public, and pay the state a “rent” based on a percentage of the fee collections. Even when we invest in facilities, they become the property of the public at the end of the contract.

Are you going to build condos and a McDonald’s? No. The fact that this is such a common question is amazing to me, as we operate over 100 parks in this manner across the country and you would not be able to tell the difference between the facilities we manage and any other public park. Under the terms of our operating contract, we cannot change fees, facilities, operating hours, or even cut down a tree without written approval from the parks organization. We are willing to accept whatever recreation mission or preservation mission the public owner of the park sets and manage the park to that mission. If the site is to remain primitive, we keep it primitive. If the public agency wants new facilities, we help bring capital investment in new facilities (all approved in advance by the public agency).

Are you just going to let the infrastructure run down to make a profit? Just the opposite. In a long-term contract, we plan for substantial amounts of money to be spent over time to keep facilities in good condition. In fact, we are often able to do a better job at this than public agencies, where capital maintenance budgets are among the first to be starved for money when finances are in crisis.

Won’t private companies just cherry-pick the best parks and leave the money-losers with the state agency? Well, I won’t say I would turn down a contract for the best parks, but it is not up to private companies to determine the public agency’s procurement strategy. Agencies like the US Forest Service, who has been doing this for decades, have learned to create regional packages of parks, including both money losers and money makers. Probably half the parks we operate lose money, even with our lower cost structure, but we still operate them as part of larger packages that do make money.

How can the state afford to pay you if they have no budget? We are not paid by the state, and receive no subsidy. 100% of our revenue is from fees paid by visitors to the park we operate. If we don’t run a good operation that is attractive to visitors, we don’ t make any money.

Frequently Asked Questions (cont.)

Doesn't the state lose out if you keep all the fees? In many cases we can make a net operating loss for a public agency go away and replace it with a steady stream of rental payments.

Are you going to just jack up fees? No. All of our offers generally contain a multi-year commitment on fee levels. We cannot raise fees without state approval, and we work hard to keep public recreation affordable. Last year was a very good year for us because, in a recession, our low-cost recreation options gave many families on a budget a chance to have a quality recreation experience. As public agencies face budget troubles, they are raising their fees far higher than those we charge.

Why should the public trust a private company? We are financially stable, with total fee revenues and visitation larger than many state parks organizations. We have a proven record with decades of positive performance reviews from government agencies around the country.

What is your biggest benefit to the public? I could say that we save the public money from lower cost operations, or that we provide excellent services to visitors. These are both true, but perhaps the biggest single benefit is that we keep treasured public parks open. Privatizing park operations takes them off the government budget, and makes them immune from being pawns in government budget battles. Typically, threatened park closures are used as leverage by government officials to increase taxes in tough times, since the public nearly always reacts very negatively to such threats. Under private management, the parks are no longer dependent on money from general revenues, and so no longer fall victim to such budget battles. In the 1990's, when a disagreement between President Clinton and the Republican Congress shut down the government, the only federal parks to remain open were those operated by private concessionaires.