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DEPARTMENT OF NATURAL RESOURCES

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Mr. John M. Schaff, CIA
Auditor General
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PO Box 145315
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Dear Mr. Schaff:

This letter contains our response to the Performance Audit of the Division of State Parks and Recreation (Report No. 2011-03).

I would like to thank your staff for the professional manner in which they conducted this comprehensive review of the state parks and programs. The auditors have visited with staff at most of the state parks, region offices, and within the Salt Lake office. They were willing to learn about the state park system and the unique role and responsibilities within the Division.

The report generated several recommendations where the Division can improve and we appreciate this assistance. Many of these ideas are in the process of being implemented. We have been committed to change and the audit has given us additional opportunity to further our efforts.

I will address the recommendations made in Chapters II - V of the audit report.

Chapter II

1. The Utah state park system was created to provide recreation and educational opportunities for citizens of Utah and to stimulate local economies. This was done using a public service funding model that relied on general funds to provide support for these affordable public services. The Division recognizes the model is changing.

A reduction in General Fund appropriation of \$1.5 million per year for 2012 through 2014 to \$4 million would come with significant impacts. Any reduction in general funds at this point, as noted by the auditors, will result in seasonal and full closures of parks, reduced services and access to state lands, diminished public safety, and limited resource protection. The Division recognizes efficiencies can certainly be made and business planning elements implemented to enable a reduction. There must be strategic planning to make this significant reduction in a way that accounts for the varied park visitor profiles, resources, facilities, and community involvement.



If it is the legislature's desire to decrease general funds, the Division's recommendation is to reduce the general fund appropriation to no less than \$6 million and spread the amount over fiscal years 2012 through 2015. This approach can be accomplished with fewer park closures, more efficient staffing, better business planning, and legislative supported fee increases to boat and OHV registrations. It also allows the agency and Legislators to work together in selecting parks for closure.

2. The Division agrees that revenues and expenditures for each park should be monitored and reported. A detailed and in-depth revenue and expenditure report is published and distributed each month to Department staff as well as the Fiscal Analyst. The Division carefully monitors the contribution margin (the percentage of expenditures covered by fees and merchandise sales) which is a primary performance measure.

The Division further agrees with the audit that the "full cost" of each park should be identified, reported, and monitored. Full costing refers to the application of overhead (primarily administrative and region maintenance costs) to the direct operating costs of each park and to identifying "off-park duty" costs related to OHV or boating activities. Full cost accounting is a good management tool for decision making and is a good business practice.

The Division has developed a full costing model which was used by the auditors as a basis to develop the numbers used in this report. The Division is further refining this model, in conjunction with the Department, to find ways to more accurately identify and record costs by activity (e.g., OHV, boating, recreation, federal, etc.), and apply the appropriate funding to those costs. A "full-cost" report is being developed and will be published to DNR staff as well as the Fiscal Analyst.

3. The Division agrees and will continue rewarding park managers for their financial performance using a system implemented several years ago that provides funding for requested projects based on a number of criteria including: first and foremost the project must be of benefit to the park and visitors, it must have a positive return on the investment, be part of the park's business plan, be doable within the time frame available, and the park must have exceeded the revenue target and stayed within budget that fiscal year. The Division will also continue using the staff-driven employee incentive award process where employees nominate each other to receive financial awards in several categories that recognize them for superior work. As the creation and implementation of business plans improve and expand, they will play a larger role in recognizing employees for improving their financial performance. The Division believes that all employees, not just park managers, can be rewarded for making their parks more profitable and will work to find ways to reward all employees who contribute in this effort.

4. The Division agrees. The Division's business plans focus on increasing visitation and revenues, reducing costs, and meeting the park's mission. Business planning started in 2006 at Starvation State Park when the Division joined with the Bureau of Reclamation to develop a template for all federal BOR areas. Being the first of its kind, this joint effort took 18 months to complete and the Division was recognized for its participation by President Bush's administration.

Efforts to get business plans developed for the highest revenue parks began in 2008 but were slowed by staff shortages due to budget reductions. In late 2009, business planning became a major initiative and several plans were completed in 2010. The majority of the remaining plans are in process, and all parks will have a business plan in place by July 1, 2011. The Division will pay close attention to those parks that have the capacity to significantly impact revenue and expenditures.

5. The Division agrees and believes that a careful analysis is important when evaluating capital projects. The Division does use financial and analytical methods such as Internal Rates of Return and Net Present Value to evaluate projects but believes it can improve the forecasting methods. New capital budgeting guidelines and processes are currently being developed in order to further improve and refine capital development decision making methods.

Chapter III

1. The Division agrees efficiencies can be made. The Division's current staffing model already depends heavily on seasonal employees to augment the full-time staff during the busy visitor season. In fact, as pointed out in the audit report, the Division's staffing more than doubles during the visitor season. Those full time, year-round employees that remain following the summer season have significant responsibilities in the repair and maintenance of facilities, hosting visitors who enjoy coming to the parks when they are less crowded, and providing snowmobile trail grooming and patrols. Whenever a vacancy occurs in full time staff, whether in the field operations or in an administrative office, the Division critically evaluates that position to see whether or not the position is critical and whether or not the position could be filled by a seasonal employee. The Division will continue to evaluate park operations in order to reduce full-time employees and replace them with seasonal (part-time) employees in work units. In some of the rural park areas, however, quality seasonal employees that are able to provide the level of service our citizens have come to expect at their State parks are difficult to find and retain.

2. The Division agrees. While a 19% overhead cost, as reported by the auditors, is a reasonable cost by for-profit standards, the agency is taking steps to reduce costs in the Salt Lake office and has already reduced costs at the region level by eliminating a region office. In FY2010, 13 positions were eliminated in the Salt Lake office. By closing one region office, three positions were eliminated. Every position is analyzed and reconfigured, if necessary, before being filled and that practice will continue. Duties are being shifted among employees and most staff in these support positions have seen their responsibilities increased.

Position titles don't fully reflect the breadth of duties performed, especially in the Salt Lake and region offices. Program coordinators and assistant region managers serve beyond their subject matter specialties to serve agency wide needs such as, coordinating the writing and review of guidelines and rules, involvement in legislative affairs, and fund raising. What might appear as a duplication of efforts when reviewing job titles, isn't as apparent when reviewing lists of tasks.

As the Division continues examining and reorganizing staffing in the Salt Lake office, regions and the law enforcement program, overlap of duties will receive on-going attention.

3. The Division agrees and has been actively looking at these options for providing appropriate public safety services for several years. The Division will continue actively evaluating these varied proposals for feasibility as conditions surrounding each individual component change to allow for such a move. The Division will evaluate every law enforcement position to identify those positions where a non-law enforcement individual would be more appropriate. The Division will maximize efficiency by working with the Division of Wildlife Resources to assist one another in fulfilling statutory responsibilities.

4. The Division agrees with this approach to management and has been complexing park units under consolidated management for the past 20 years. Currently, this practice is employed at the Sand Hollow/Quail Creek Complex, the Huntington/Millsite/Scofield Complex, the Fremont/Otter Creek/Piute Complex, and the Steinaker/Red Fleet Complex. In other areas, park staff at a developed state park will provide management oversight to an undeveloped area. Such is the case with Territorial Statehouse State Park managing the historic Fort Deseret site, Frontier Homestead State Park managing the Old Iron Town site and Great Salt Lake State Park managing the Danger Cave site. In most instances, the Division has found that complexing parks has been a wise management strategy. However, some instances have not worked out as well, and separate management has been the more effective protocol. Geographical separation, park purpose, and the individual complexities of the associated park units are all factors that will ultimately determine the success of the complex. The Division, however, believes that complexing parks where appropriate is a valuable management tool and will continue looking for opportunities to complex parks. It should be noted, however, that it becomes increasingly difficult to fully account for costs at individual park units as management, staff, equipment, and supplies are shared among the complexed parks.

Chapter IV

1. The Division initiated a one day per week closure for Heritage Parks in fiscal year 2010. This one day closure is projected to save approximately \$67,000 by reducing the need for additional seasonal staff. Because our museums, historic sites, and cultural sites generally do not have campgrounds associated with them (Fremont Indian State Park being the exception), this closure has been effective. At recreation and scenic parks, where camping is among the provided opportunities, a one day closure may not be feasible; especially during the summer season. However, utilizing the same evaluation tool the Division can build on that and identify appropriate closure days for other park units.

2. The Division will begin an analysis of parks to identify those where a seasonal closure is appropriate. Visitation, cost of winter operations, additional off-peak duties (including winter snowmobile operations and facility maintenance), resource and facility protection, and other operational factors will be considered in the analysis.

Chapter V

The Division is confident that it can meet the recommendations to increase public-private partnerships at the parks and can, as a result, help the parks operate more efficiently. Strategies have been developed to do this while maintaining the level of service that visitors have come to expect. Staff recognizes that private businesses have the capacity to effectively offer valuable services and opportunities in a manner that is beneficial to the state and currently operate with 39 private business contracts.

The audit defines privatization as the contracting of the operational aspects (except for public safety responsibilities) of state park(s) to private business partners/concessionaires. Under this definition, the state maintains ownership of lands and associated resources, and would likely be responsible for all facilities and infrastructure maintenance, development, and improvement (see p. 43). To a large degree, the current Division practices are in harmony with this definition through public-private partnerships. For instance, at Wasatch Mountain State Park there are six private concessionaires operating at the park, one of whom (Soldier Hollow Legacy Foundation) is operating at Wasatch in virtual lock step with the audit's definition.

This past year, Yuba State Park contracted with a private partner to provide boat and personal watercraft services to park visitors. Several other parks are engaged in successful partnerships with private entities. These examples showcase the "comparative advantages" of a strong public-private relationship; the private entities use their skills and expertise to provide commercial-oriented opportunities and services, while Division staff ensure there is a safe, well-maintained experience for visitors.

This model is the same as the U.S. Forest Service model. The Forest Service does not privatize the forest, they contract with a concession operator to provide camping. In much the same fashion, the Division does not privatize our natural resources, but manages concession contracts for park functions and could examine opportunities to create concession contracts for operations at some campgrounds. That could, however, come with some loss in revenue so a detailed cost/benefit analysis would need to be examined.

The Division believes this model works and can be expanded. Enhancing private opportunities at Utah State Parks has become a top priority. This past year, the Division launched an in-depth effort to expand public-private partnerships through enhanced concession operations at Utah's state parks. Five primary objectives were identified to operate more efficiently through expanded private opportunities within the parks. These are listed as follows:

- 1.) Help parks become more financially self-sufficient;
- 2.) Establish standards and procedures to help park staff develop mutually beneficial relationships and to enhance concession services with private partners;
- 3.) Ensure that all park managers understand that private partners provide valuable, specialized services that are demanded by the recreating public; and
- 4.) Help stimulate the local economy through enhanced private partnerships at its parks.
- 5.) Provide additional opportunities to attract more visitors, more often.

Through 2010, staff identified improvements that needed to be made to ensure that its relationships with its private partners result in mutually beneficial outcomes. Policies and procedures were developed to meet the five goals and a formal training program was designed to ensure that all park managers clearly understand the Division's policies and priorities in expanding private partnerships, and enhancing relationships with its existing partners.

The Division believes that this approach is a reasonable solution for the recommendations listed within Chapter V. The audit clearly points out several pitfalls with wholesale privatization of Utah's State Parks. As noted above, the audit recommends that functions such as public safety and facilities maintenance, improvement, and development functions probably should remain with the state to help ensure that private partnerships are viable.

The Division is confident that it can expand public-private opportunities in the parks in accordance with this definition. This is being accomplished by the development of a new public-private framework with new policies, practices, and training which will: 1.) help the parks reduce reliance on general funds; 2.) enhance public-private opportunities at the parks; and 3.) ensure that the recreating public enjoys a safe and satisfying recreational experience.

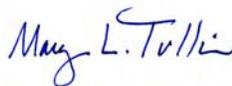
Conclusion

In FY2010 during an economic recession, the Division increased revenue \$449,907, (3.4%) while reducing expenses by \$727,582, (2.3%) and served over 4.6 million visitors. In 2009, Utah State Parks was named as one of the top three state park systems in the country by the National Recreation and Parks Association. This Gold Medal Award for Excellence in Park and Recreation Management recognized the agency for its excellence in long-range planning, fiscal management, and citizen support systems.

The Division believes it can implement most of the suggestions in the audit to some degree throughout the system over the next several years in order to decrease general fund appropriations. The audit recognizes the impacts in doing so, including the full and seasonal closures of parks, reduced services and access to state lands, diminished public safety, and limited resource protection. Further impacts may also include reduced economic benefit to local communities, diminished state revenues, reduced restricted funds, higher local unemployment rates, and fewer tourism opportunities.

The Division appreciates the opportunity to respond to the audit and will continue to implement strategies in the recommended areas.

Sincerely,



Mary L. Tullius
Director

cc: Mike Styler, DNR Director