

Oregon Parks and Recreation Commission

November 7, 2012

Agenda Item: 9a Action
Topic: Park System Plan - Draft Approval
Presented by: John Potter

Background:

The Oregon Parks and Recreation Commission has been conducting a series of public workshops since March 2011 around longer term business planning for the state park system. These workshops have been focused on developing a greater understanding of how the park system functions and what financial opportunities and challenges are likely over the next ten years. There have been presentations and discussions regarding the current business model, the relative mission impact and economic viability of various park system activities, the ways in which the park system creates value and wealth for the state, and estimates of future revenues and expenditures. A number of strategies have been suggested and refined about how best to sustain the park system and to continue and improve its valuable contributions to the state economy and to the quality of life for Oregonians. These are summarized in a set of policy directions grouped in the following areas: service delivery, park system maintenance, park system enhancement, workforce maintenance, and park system funding. If approved, these will be used to guide investment, staff effort, and decision-making.

Prior Action by Commission: None

Action Requested: Staff requests approval of the general business direction and draft park system plan.

Prepared by: John Potter

DRAFT - Park System Plan

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Introduction

The Oregon Parks and Recreation Commission has been engaged in doing long term business planning for the state park system. They have focused on developing a greater understanding of how the park system functions and what financial opportunities and challenges are likely over the next ten years. The Commission has reviewed the current business model; the relative mission impact and economic viability of various park system activities; the ways in which the park system creates value and wealth for the state; and projections of future revenues and expenditures. A number of strategies have been examined and refined about how best to sustain the park system and to continue and improve its valuable contributions to the state economy and to the quality of life for Oregonians. These are summarized in a set of policy directions in the following areas: service delivery, park system maintenance, park system enhancement, workforce maintenance, and park system funding. This park system plan summarizes this work, and is intended to be used to guide investment, decision-making, and staff effort. The state park system generates significant wealth and value in Oregon, and good decisions today can keep this source active and contributing.

Strategic Planning Need

Although the Oregon state park system has enjoyed a national reputation for its quality parks, it is facing an uncertain financial future due to rising costs and declining revenues. The Commission undertook a strategic planning effort to figure out how best to invest limited future funding as well as how it might beneficially improve the business model.

The story line of the park system is how it developed as a statewide effort representative of the state as a whole and how it became broadly supported by Oregonians. During the period from 1920 through 1989, state parks were started up and built into a comprehensive outdoor recreation system more-or-less as a hobby of the state highway commission. Visionary state leaders responsible for the state highways realized that Oregon meant more to Oregonians than simply a great road system. They cadged together a portfolio of great places-to-go, but did so with limited spending and as possible, as opportunities presented themselves. This long period of beginning transitioned in 1990 when the department became a unique entity of government

with a focused mission around the provision of state parks. From 1990 to 1998, the agency gained respect across the state for good service on a shoestring, but the burdens of a long period of capital investment and development began to reveal themselves as major maintenance of the highway commission's legacy had to be deferred in order to provide service to visitors. During the next decade from 1999 to 2010, the park system enjoyed better funding through dedication of a small proportion of state lottery proceeds to its maintenance, enhancement, and operation. Unfortunately, this funding source was gradually eroded by various budgetary diversions during this time to such an extent that, together with simultaneous growth in the cost of the workforce, the cost of services, and of supplies, the park system is again faced with difficult choices.

Today, the department realizes that there are hard limits not only to how the park system can be further improved to meet future demand, but also to the extent that prior investments can be sustained with necessary levels of maintenance and operations. The acquisition and development of state parks in the past had not necessarily been done with a strongly realistic understanding of the ongoing costs to take care of what was created and provide the level of service that is expected by and acceptable to Oregonians. This planning effort starts the difficult process of reflecting on the situation and right-sizing the park system to put it in a condition where it can continue to contribute positive value to the state.

External Business Environment

Oregon's state park system exists in a support role to the primary industry clusters in the state. It does this by contributing to a key driver of state prosperity – "place." Along with other components of the state economy, the park system contributes to the quality of life in Oregon by protecting and providing great places to go. This quality of life attracts and retains talented people. Many of the values that Oregonians expect and desire for their quality of life coincide with the values that are basic to the park system: natural beauty, open space, great places to go, a sense of community, active involved neighbors, thriftiness, independence of self, environmental quality, a sense of familiarity, and participation with family.

Competition

Numerous venues exist along with the state park system that contribute to this aspect of the state economy. These include a variety of primary destination "markets" represented by other parks, historic sites, golf courses, and zoos, as well as wineries, libraries, resorts, and stadiums. While the state park system "competes" in a sense with these other types of business, it also functions in a highly complementary fashion where the existence of a state park helps draw visitors to a locale or region to experience a multitude of available offerings.

The principal “competitors” of the state park system are federal lands, other state lands, county/municipal/recreation districts, adjacent state park systems, and private for profit/non-profit park providers. Potential park visitors make a choice on where to go for any given weekend based on their perception of how these various providers differentiate on attributes such as:

- Quality and quantity of park resource attractors;
- Amount and capacity of support facilities;
- Level of service provided;
- Presumed safety and security;
- Affordability of direct and indirect costs to park visitors;
- Accessibility and proximity to users; and
- Freedom from rules.

The state park system subjectively competes very well on these factors with the possible exception of freedom from rules. As other states and providers invest less in their park systems due to other social priorities, the extent to which the Oregon state park system continues to be competitive on these attributes will determine whether its market share increases or not.

Trends

Trends related to the external business environment include a number of both adverse as well as advantageous possibilities. Major adverse trends that may constrain the park system in the future are:

- An aging visitor base;
- Increasing visitor travel costs;
- Electronic media ascendance in use of leisure time;
- Shifting wealth through privatization; and
- Competition for public support funding.

These adverse trends are balanced by those favorable trends that may work to the advantage of the state park system, including:

- People choosing to live in Oregon;
- Increasing civic engagement and volunteerism;
- Rising educational levels and health awareness;
- Interest in structured recreational experiences; and
- Diminishing investment in other park systems.

While specific predictions around these trends are difficult or impossible to make, their consideration is a necessary factor for future investments and business model adjustments. While the adverse trends may be challenging over the next ten years, the state park system is well-positioned to continue providing good value to Oregonians in a competitive (or

“complementary-competitive” environment) of contributing to a high quality of life that attracts and retains talented people in Oregon – especially as other park systems disproportionately reduce investment in the quality of their parks.

Internal Business Assessment

The Oregon state park system and its excellent park staff have been able to generate good value for Oregonians over the past 90 years with a business model primarily dependent on retail park visits. The value created by these park visits has driven a dual revenue stream of earned user fees and public support funding which has been balanced against workforce, supply, and capital expenditures necessary to deliver quality park experiences. The challenges of budgetary diversions from public support funding, increasing workforce costs, and aging facilities have been off-set to some degree by attracting volunteers, leveraging funding with grants and donations, making internal adjustments to the workforce, improving internal functions and processes, and increasing the use and effectiveness of technology.

Mission, Vision, and Values

The mandate for the department is to provide, protect, and enhance areas of outstanding natural, scenic, cultural, and recreational value in Oregon for the enjoyment and education of present and future generations. The park system is in the business of protecting the treasures of the state and making them available for people in ways that do not diminish them, in ways that provide great experiences, and in ways that contribute to a love, affection, and pride in Oregon. The department has adopted a vision for the park system called *Centennial Horizon* that describes what it wants ten years hence:

- Oregon’s most special places are saved;
- People are connected to the outdoors;
- The parks are lasting and sustainable;
- People are learning about Oregon with the department;
- A park system that is built with purpose;
- Many partners contributing good ideas;
- To be doing the important, core activities first; and
- Employees taking care of the park system who love their work.

The State of Oregon has also been establishing a vision for the future which is referred to as the *10-Year Plan for Oregon*. The park system plays a potential role in support of each of the six outcome areas of this plan: education, growing economy, healthy environment, healthy people, safety, and improving government. Its contributions to the healthy environment outcome area are perhaps the most direct and potentially significant.

Core values of the park system staff include a basic desire to serve people well, to be an exceptional park provider, and to always take a positive approach. In serving people well, the following concerns drive park staff. They:

- Think like a visitor and help each other to do that;
- Keep an eye on things and fix them if they are wrong;
- Make park visits easy, reassuring, and hassle free; and
- Do not offer people a disappointment.

It is a constant quest to live these values, and it means sometimes saying “no” to requests in order to protect them. In being an exceptional provider, the following basic thoughts are behind staff efforts. They:

- Enforce limits to maintain quality;
- Contain but accept some degree of impact;
- Keep parks part of communities; and
- Defend future visitors.

These core values are the park staff’s no-huddle offense; they are done routinely without direction. In always taking a positive approach, the following ideas drive park staff. They:

- Do the right things even if it hurts;
- Know decisions are unique but make them as consistently as possible;
- Accommodate and allow whenever possible; and
- Allow each other to have good judgment.

It is these types of values that are cultural tendencies within the department. They persist and are passed from staff to staff over time. They are an approach that the workforce is constantly striving for and trying to achieve.

Value Generation

The state park system, through its existence and operation, creates value and wealth in Oregon primarily of these types:

- Visitor intrinsic value (importance of park experiences to visitors themselves);
- Visitor economic activity (spending by park visitors);
- Operational economic activity (department spending to deliver the park system);
- Property value enhancement (increased value of real property near parks); and
- Other values (such as ecosystem services, health, educational, amenity, and existence values).

State park visitors derive individual benefit from their park experiences which can be translated into monetary terms. Based on studies of reported payments necessary for visitors to substitute work for leisure (i.e., 178-211% of wages needed to work instead of recreate), it was estimated

that the average intrinsic value of a visit to the state park system is \$106 (for visitors 16 and older). This equates to a \$3.65 billion intrinsic benefit generated annually for these visitors.

Visitor economic activity is one way that the value of a park experience gets monetized. Spending for food, fuel, supplies, activity fees, and lodging is a significant benefit to communities and local economies that are located near state parks. Each dollar of public support funding that the department spends to deliver service at state parks yields nearly \$17 of visitor spending at businesses within 30 miles, based on recent surveys. This \$735 million in annual economic activity generates the equivalent of 11,600 full-time jobs across the state. The department captures an average of \$0.47 per visit in earned revenues that goes to help cover the costs of operations and maintenance.

There is an average of 42.8 million visits to the park system each year (+/- 0.6 million). These consist of 2.4 million overnight stays and 40.4 million day trips. The department generates this visitation through a business model that relies on several different channels through which value is delivered to people. These are:

- Retail overnight sites
 - recreational vehicle sites
 - standard tent camping
 - alternative camping
 - historic inns
 - park product sales
- Retail passive day-use sites
 - recreation areas
 - heritage sites
 - natural areas
 - rest areas

With the possible exception of rest areas, these are the core business lines of the department. They vary based on their relative impact to the agency mission and on their profitability. Preliminary analysis indicates that most state park business lines have high mission impact, but low profitability from a strictly revenue-generating standpoint. From an economic activity-generating standpoint, calculations show that most state park business lines not only have high mission impact, but are also highly profitable to local communities.

Revenues

The park system relies on a dual revenue stream of earned revenues (i.e., overnight charges, day use charges, and sales of goods) and public support revenues (i.e., dedicated lottery funding, license revenues, grants and donations). The earned revenue makes up about 30% of overall revenues, and public support sources provide the balance. Average annual revenues from fiscal

year 2007 through 2011 were \$64 million (+/- \$8 million). A portion (68%) of the dedicated lottery funding that comes into the agency goes toward supporting the park system. This has been averaging \$26 million per year and constitutes 41% of the park system revenue stream. It has been declining recently. Public support to the park system has shifted over the years from principally the highway fund to general fund, and now to dedicated lottery.

Since 1999 and the voter-approved ballot measure that dedicated lottery funding to parks, there has been a gradual diversion of funding away from the agency's core purpose. This diversion amounts to a total of \$212 million since 1999 or approximately \$26 million per year. The diversions have included the withdrawal of all general fund for parks, assignment of the state fair debt, the operation of the state fair, the transfer of additional recreational vehicle funding to county parks, the institution of fee waivers to benefit foster children and disabled veterans, direct funding transfers to other state agencies, and management of the state capitol grounds. Had these diversions not occurred, the state park system would have been able to completely retire its deferred maintenance of facilities; fully fund ongoing preventive maintenance; acquire, develop, and staff three new full service state parks like Stub Stewart and ten new day use or heritage areas like Fort Yamhill; protect and manage an additional 15,000 acres of natural areas; and increase operational level of service from the current 40% of industry standard up to a 55% coverage.

Expenditures

On the expenditure side, the state park system breaks even every year. If there are \$64 million in revenues, then there are approximately \$64 million in expenditures or slightly less with contributions to the ending balance. The amount of expenditures that go into the direct delivery of service is 79%. Major maintenance accounts for 12% of spending, and enhancement including land acquisition averages about 9%. As mentioned, public support funding augments the capacity of the state park system allowing it to deliver a level of mission impact as well as to generate a degree of economic activity in local communities beyond what is possible through earned revenues alone. The cost recovery for overnight service delivery is currently about 50%, and it is about 10% for day use. Major maintenance, acquisitions, and enhancements are entirely funded by public support dollars.

The majority of expenditures (50% in the current biennium) go towards compensating the workforce for providing approximately 1.1 million hours annually. Of this, 76% or 700,000 hours is dedicated to the field program with another 9% in resource programs and 15% in administration and management. Trends within the park system workforce include a 10% reduction in supervisory management hours over the past six years. In the current year, 156,000 hours of supervisory time will support 943,000 hours of staff time and 529,000 hours of volunteer time.

An analysis of the lands and facilities of the Oregon state park system, based on the International Northwest Parks and Recreation Association industry standard, indicates that to complete all routine maintenance, preventive maintenance, customer service, and interpretive service should take 1.9 million hours of effort annually. Park staff currently provides 40% of this effort. Volunteers including park hosts, friends groups, and individuals, donate 28% of the need. Private service contracts and corrections work crews each provide about 2%. The remaining 28% (550,000 hours) is the park system doing without. This means that service levels are reduced in selected parks such that, for example, the standard number of restroom cleanings goes from twice daily to twice a week, litter patrol becomes once a week instead of daily, and so forth.

Maintenance of lands and facilities is a critical task for the park system to keep visitors satisfied. There is a significant asset infrastructure with an estimated replacement value of \$456 million in 2011 dollars (i.e., \$208 million for the 1,900 buildings; \$63 million for the 600 major utility systems; and \$185 million for the 45 million square feet of transportation infrastructure). The park system assets are aging and in many cases have reached their expected service lives. The average age of buildings is 35 years, of utility systems is 29 years, and of transportation assets is 37 years. When park facilities do not get the attention necessary to keep them operating as designed and in support of functional requirements, work accumulates that is necessary to bring them back to useful and optimal condition. There is currently an estimated \$77 million in identified deferred maintenance projects (575) across the system. This translates to asset condition index of 17% (i.e., ratio of deferred maintenance to current replacement value) which is considered a “fair” or “managed care” condition by industry standards. Since 1999, the park system has reduced its 1999 list of backlog deferred maintenance by \$97 million (in 2011 dollars), but has simultaneously accrued an average of \$3.6 million in newly emerged deferred maintenance annually (0.8% of current replacement value).

Challenges

Future considerations related to the internal business include a number of challenges as well as advantages that could be built upon. Major challenges that may constrain the park system in the future are:

- Aging facilities and infrastructure;
- Increasing labor and retirement costs;
- Loss of institutional knowledge through retirements;
- Inability to attract and retain staff;
- Declining morale;
- Lack of full cost accounting capability;
- Park planning backlog; and

- Limitations of the campground reservation system.

These challenges are offset by several internal advantages which could be used to move the park system forward in positive ways, including:

- A park culture that favors long-term care of the parks;
- In-house capabilities of staff support;
- An attractive volunteer network;
- Organization that minimizes transaction costs;
- Commitment to maintenance standards;
- Customer service mindset of staff;
- Interest in donations to support the park system; and
- High quality park resources from past, excellent acquisitions.

Both the challenges and opportunities are addressed in the following financial projections to a degree, although their full impacts are difficult to assess.

Financial Projections

To try to understand what the challenges and opportunities might look like over the ten year planning horizon, park system staff developed a financial model based on a set of assumptions around future revenues and future expenditures including a pessimistic, moderate, and optimistic scenario for each. Because Oregonians are proud of their park system, the department is going to disappoint them over the next ten years if the moderate and pessimistic conditions prevail. This will be due to the inability to maintain minimum expected staffing levels, keep up facility and land maintenance standards, and continue its reputation for great parks, unless adjustments are made.

Financial Model

The financial projections grew revenues and expenditures by biennium over the next ten years out to 2021-23. For revenues, the key drivers were:

- Overnight occupancy;
- Overnight rates;
- Sales of goods;
- Day use numbers;
- Day use rates;
- License revenues;
- Grants and donations; and
- Lottery earnings.

Growth rates for the moderate scenario were based on current State of Oregon projections for lottery earnings (6.3%) and modest increases in attendance (0.2%), use charges (3.5%), and other sources (3.5%). For the pessimistic scenario, lottery earnings were limited to 2.5% growth; there was an assumption of 0% growth in attendance; and the other factors were set at 2%. The optimistic scenario relied on an 8.5% rate for lottery, 15% for grants and donations, 10% for sales of goods, 5% for use charges, and 3-4% for attendance. These assumptions generate an annual revenue outlook in the 2021-23 biennium of between \$82 and \$109 million with a moderate scenario projection of \$95 million.

For expenditures, the key drivers were:

- Workforce costs;
- Standard inflation;
- Utility inflation;
- Fuel inflation; and
- Fleet inflation.

Growth rates for the moderate scenario were based on current State of Oregon projections for inflation and personal services (workforce) which assume 12% for people and 3.5% for inflation. For the pessimistic scenario, the model assumed 14% growth in workforce costs, 5% in standard inflation, 6.5% for fuel, 6% for utility costs, and 5% for fleet. The optimistic scenario assumed workforce costs could be kept at 9% growth and that the inflation costs would range from 2.6% to 4% which might be achieved by a combination, for example, of lower than expected charges and reduced use. These assumptions generate an annual expenditure outlook in the 2021-23 biennium of between \$92 and \$114 million with a moderate scenario projection of \$103 million.

Predictions

A matrix of projected revenues against expenditures in the 2021-23 biennium indicates an annual gap for most outcomes ranging from \$5 to \$32 million in the red. If optimistic revenues prevail and expenditures are kept to moderate or optimistic, then the system could be \$6 to \$17 million in the black. Taking the moderate-moderate case as most likely, there would be an \$8 million deficit in the last year of the planning period.

This \$8 million deficit is more problematic than it first appears due to the shifts within the budget that would be necessary to sustain operations in the park system. Because the workforce costs are expected to grow faster than revenues, they would take an increasing percentage of the overall budget, even if the number of hours is kept constant. While workforce took 50% of the budget in the last biennium, it is projected to take 62% of the budget in 2021-23 for the same amount of work effort. Under the moderate scenario, the annual workforce cost in 2021-23 will be \$32 million and the additional annual revenue will be \$18 million. If all of the increased revenue were allocated to the workforce, then this still leaves a

\$14 million annual gap. This gap would be the equivalent of 239,000 hours of time in 2021-23 (22% of the workforce). It could be partially filled by reducing acquisition, enhancement, and major maintenance funding within the budget although this would cause other problems, especially on the maintenance side.

An analysis was performed on the problem of aging park infrastructure, major maintenance budgets, and how it might relate to the moderate scenario projection. This analysis assumed an ongoing maintenance demand determined at 4% of annual asset replacement value which is on the aging end of the 2-4% public works rule-of-thumb and informed by recent experience in the park system. Asset values were grown at inflation according to current State of Oregon estimates and assumed no net growth in total assets. The results under the moderate scenario for the 2021-23 biennium indicate a gap between budgeted maintenance and the projected need of \$2 million annually and an accrued level of deferred maintenance of \$113 million (a 20% asset condition index). This would be compounded if the maintenance budget had to be reduced to partially cover the growing workforce costs.

If the park infrastructure were reduced over the ten year period by 2% of asset value per year (or a total 20% reduction), then it would be possible to reverse the annual maintenance gap to make as much as \$3 million of additional funding available. This could be applied to bring down the level of projected deferred maintenance in the 2021-23 biennium to \$90 million, and the park system would be situated to continue attacking it in the out-biennia.

Consequences

The financial projections based on the model developed reveal some significant challenges over the planning period. Under the moderate and pessimistic scenarios, the park system is going to disappoint people in the following ways (unless adjustments are made):

- Staffing levels and current levels of service will not be maintained;
- Facility and land maintenance standards will not be met;
- Litter, vandalism, and general deterioration will be increasingly evident;
- Unsavory behaviors in the parks will not get addressed by staff and will become more prevalent;
- Friends groups and volunteers will get tired and lose interest in helping out;
- Staff morale will decline and add to these disappointments;
- Local businesses and communities will see less visitors and more problems;
- Complaints to the department, governor's office, counties, and legislators will increase;
- Patches to the obvious worse declines will thin out attention to the remaining parks;
and
- There will be a downward spiral of declining quality in the park system.

Oregon will begin losing its reputation for great parks and great outdoor recreation opportunities. The concurrent loss of competitive advantage, value creation, and economic activity would be a shame and a poor reflection on the state and its citizens.

Policy Implications

The main things the state must do to retain a quality park system in a competitive “place” industry is to build on the things that set Oregon’s state park system apart, to generate better value with sensible business model shifts, and to move towards the optimistic revenue and expenditure assumptions. This translates into a series of strategies regarding service delivery, park system maintenance, park system enhancement, workforce maintenance, and system funding.

In the past, Oregon has enjoyed a national reputation for its quality parks. The park system has provided people with diverse and affordable opportunities to experience the state, and it has been able to accomplish this financially, so far. The high level of support for the 2010 ballot measure on park funding, that passed statewide with 69% of the vote (972,000 “yes” votes) and a majority approving it in every one of the 36 counties, indicates that Oregonians are proud of their park system and would like it to continue to thrive.

As is increasingly evident in states that have reduced park budgets, quality parks take investment in good staff and good facilities. Volunteer efforts can be significant, but are often not sustainable without the support and energy of paid staff. Private efforts can end up costing more than originally anticipated and may also be unsustainable when facilities need renovation or replacement. The fact that other park systems and the federal government appear to be disinvesting in their parks (and reducing their parks’ quality as a result), may be an opportunity for Oregon. The opportunity to exploit an already existing competitive advantage of a great park system is a promising way to increase local economic activity and the draw of business into Oregon. It is also a way that the state might generate broad outcomes in line with the overall 10-year plan.

Overall Strategy

Because the current park system business model is not sustainable without adjustments, Oregonians who support the park system need to coordinate and align their thinking. Future investments must be made carefully, and a series of simple strategies can help maintain a quality park system and mitigate the negative consequences that could otherwise develop. *What must we do?* As the department goes forward with what is faced in terms of financial and

operational challenges, the following general strategy is recommended to retain a quality park system:

- Build on the things that set the state park system apart;
- Generate better value for the state with innovative, community-based business model shifts;
- Move towards the optimistic revenue assumptions; and
- Move towards the optimistic expenditures assumptions.

In terms of building on the park system's competitive advantages, focus should be placed in several key areas:

- Resource attractors that are most significant to Oregon;
- Signature service at every park, every time; and
- Affordability and value.

By investing in the resources that are unique and exceptional to Oregon, the park system can serve as a pull factor for the state, be it as a draw for tourism or talent. This investment would be effective first in terms of protection, but then secondarily to make the natural, cultural, and scenic resources better, easier to access, and better known. Investments in the existing service culture are crucial to extending the reputation and attractiveness of the park system. This primarily means finding ways to keep from thinning out the quality and level of service at the parks offered. Attention to detail, delivery on established service standards, and constant alignment with the visitor perspective are important facets of this strategy. Finally, affordability and value can be advanced by over-delivering on visitor expectations and by continuously improving visitor convenience where it does not impact resource protection. It is important to maintain some free opportunities for access by everyone to state park property, and to maintain a sense of value, the experiences should not be diminished by overly intruding commercialism.

With respect to generating better value for the state, there are two areas of recommended focus:

- Delivering on 10-Year Plan outcome areas; and
- Generating local economic activity.

The department has the potential to be a multi-modal agency with respect to the state's 10-Year Plan outcome areas and can create value in all of them in several key ways. Finding specific ways to contribute not only to healthy environment and growing economy outcome areas, but also education, healthy people, and safety, are both attainable and consistent with the mission. The focus on generating economic activity can be manifested in various ways, but important approaches for staff to develop are partnerships with local businesses, keeping in-park demands on wallets low, and investing in quality employee development.

Accomplishing the optimistic revenue assumptions is a tall order, but one that an aligned approach throughout the department and by its supporters could be done. Recommended goals include the following:

- Regular, incremental increases to visitor use charges;
- Keep growing visitation and occupancy;
- Experiment with innovative business models; and
- Increase the capacity for donations and limited sponsorships.

A regular 5% increase in visitor charges may not be achievable, but such a goal would significantly mitigate the disproportionate increases in workforce costs that are expected. The practicality of this goal may depend upon on what other service sector fee inflation occurs. Growing visitation is tied to several activities and functions including communicating opportunities well, social interactive approaches, control of the camping reservation process, and innovative programs like Let's Go. Experimenting with innovative business models is addressed in detail below, but finding new revenue sources that are consistent with the agency mission is a critical goal. Concurrently, protecting the rear flank and maintaining or improving the current business model by stopping budgetary distractions is critical. By preventing the addition of new agency responsibilities or loss of current revenue streams will allow the department to transform the business model and get it in a position to absorb the projected expenditure challenges. Finally, close partnerships with non-profits, notably the Oregon State Parks Foundation, should allow for increasing the capacity for donations and sponsorships to move towards the 15% optimistic revenue goal for this part of the stream.

Accomplishing the optimistic expenditure assumptions implies several key goals:

- Getting labor costs under control;
- Reducing overhead; and
- Using capital to reduce long-term operating costs.

Because the department is joined with the overall state as employer, it is difficult to have an impact on levels of compensation determined through labor negotiations. Nevertheless, one goal should be to participate as much as possible in bargaining and bring forward the needs of the agency with respect to reasonable approaches that balance the need to attract and retain quality staff with the need to keep costs down. Other ways to match labor costs with the optimistic expenditure assumptions include better management of seasonality within the park system, adjusting service levels to strategically sacrifice some revenue in favor of cost savings, and shifting certain properties to other providers for economies of scale. Reducing overhead will help match future expenditures to the optimistic assumptions for inflation. Goals around overhead could include investment in technological effectiveness and central systems that automate certain functions; full utilization of administrative staff; process re-designs and improvements to minimize redundancies and find savings through risk adjustments; and hard negotiating for support service cost reductions. Finally, there are several steps that should be considered to help make sure that capital is effectively used to reduce long-term operating costs

keeping inflation in check. These include: featuring a consideration of operating costs as a major component of all designs; optimizing site-to-staff ratios; using scarce dollars in some cases to eliminate facilities with low mission impact; and keeping enhancement and major maintenance decisions aligned but separate.

Business Model Shifts

As business model shifts are considered either in the context of generating local economic activity or the context of meeting optimistic revenue and expenditure assumptions, there are some essential features that are necessary under any innovative approach. The business model should maintain:

- Diverse choices of special places to go across the state;
- Access for all with some places available at no cost to get in;
- Primary and direct accountability of state employees to allow for timely response to problems;
- Park experiences that are quality, that feel right, and are not commercial; and
- Attraction of the park system to volunteers.

With those considerations in mind, there are some business model shifts within the current retail park experience approach that could be beneficial. For example, delivery of park experiences could shift to generate better revenue, greater local economic activity, higher occupancy, or find expenditure efficiencies in some of the following ways:

- Retail overnight sites: shift investment towards overnight;
 - Recreational vehicle sites: favor electric over full;
 - Tent camping: increase low cost, quality opportunities;
 - Alternative camping: capitalize on public interest in cabins and yurts;
 - Historic inns: accept mission over profitability, but emphasize community attraction;
 - Park product sales: emphasize visitor convenience but balance with community;
- Retail passive day-use sites: reduce under-performing day-use;
 - Recreation areas: focus on trails and water access;
 - Heritage sites: focus on statewide significance;
 - Natural areas: focus on statewide significance; and
 - Rest areas: shift to other providers or reduce.

Other ways that business model adjustments might innovate beyond the current approach, in whole or in part, include the use of variable (dynamic) pricing or memberships; packaging and bundling experiences; rewards for loyal visitors; community public-private cooperation and sales channel sharing; and forms of donations, sponsorships, concessions, and advertising.

Relative Impact

Individual facilities and lands will need to be evaluated for their level of mission impact along with other considerations. Some of the criteria for such evaluations include:

- Breadth of impact: how much does the facility or land impact a large number of people;
- Excellence in execution: how much does the facility or land help provide park experiences in an outstanding, superior way;
- Depth of impact: no matter how many people are impacted, how much does the facility or land really provide deep and memorable experiences;
- Filling an important gap: to what extent do other or could other providers meet the need addressed by the land or facility there or elsewhere nearby;
- Alignment with core mission: how much does the facility support core vs. peripheral mission activities; and
- Building community: how much does the land or facility contribute to communities around the park system.

Additional considerations for whether or not a facility or property is performing well include the following:

- Does the department own the land?
- Are the main resource attractors under department control and in reliably good condition?
- Is it part of an iconic experience?
- Are there strong seasonal limitations?
- Does it support the department in areas of competitive advantage?
- Are other providers available who could step in or give similar service?
- Could workforce be shifted easily?
- Does it contribute relatively less to local economic activity and department profitability?
- Is the cost to reduce going to be high?
- Is it a good fit with overall long-term trends?

High performing day-use parks will have certain characteristics, the more of which are provided, the higher mission impact they have. These include:

- Reliability for the visitor getting what they expect every time;
- Relatively safe place to park, organized and clear what to do;
- Some staff presence with friendly, helpful, welcoming, well-informed and professional staff;
- Updated, easy to understand signs;
- Clean restroom with water, soap, and paper towels;
- Drinking water;
- Attractive, well-tended landscapes;

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Oregon Parks and Recreation Department

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- Available place to have your sandwich at a table;
- Trails to take at least a half-hour walk on with good maps;
- Ideally some water access;
- Interesting information about the park and community;
- Something unique and remarkable; and
- Good second option if full.

Additionally, the best overnight parks will have:

- All or most of the features of a high impact day use park;
- Range of available overnight opportunities (cabin/yurt, electric sites with dump station, segregated tent sites);
- Hot showers within easy walking distance of all or most sites;
- Adequate room and screening between sites;
- Sites available year-round and last minute;
- Site identification, parking, fire ring, and table at every site;
- Overnight staff or host presence and good response capability for noisy neighbors;
- Place for extra vehicles;
- Even better information about the park and community than day use;
- Place for kids to safely ride a bicycle;
- Readily available 2+ hour hiking opportunities; and
- Place to dispose of trash.

These are the type of criteria that staff should focus on when making decisions about maintenance investments, enhancements, commitment of staff effort and priority, and other operational needs.

For each of the resulting strategies below, the main points are listed along with supporting criteria or guidance, as well as an indication of possible metrics.

Service Delivery Strategy

The strategy for service delivery is to:

- Make visitor experiences convenient, positive, and remarkable at every park;
- Extend visitor experiences into local communities; and
- Grow the market through improved outreach and communications.

Some of the key value propositions for this approach are cleanliness of the lands and facilities; friendliness and helpfulness of staff; enough facilities for the demand; quality of natural, cultural, scenic, and recreational resources; something remarkable about each park to drive word-of-mouth; and affordability. The service delivery metrics for consideration are:

- Percent of parks with a completed comprehensive management plan;
- Percent of frontline staff who score high on mystery shopper surveys;

- Visitor satisfaction;
- Occupancy rates;
- Overall and repeat visitation;
- Second-level visitor complaint escalation rates; and
- Visitor spending within 30 miles of the park.

System Maintenance Strategy

The strategy for maintenance of the park system is to:

- Maintain up-to-date land and facility condition and mission effectiveness assessments;
- Consider profitability, mission impact, and economic activity prior to every maintenance investment decision to reduce under-performing assets and related activities;
- Complete preventive maintenance on facilities with high mission impact; and
- Reserve and dedicate a portion of earned revenues to a fund to be used for preventive maintenance.

Determinations about system maintenance investments should rely on many of the criteria provided in the section above. Where maintenance can bring a lower performing property more in line with these criteria, then they are better maintenance projects to consider. The system maintenance metrics for consideration are:

- Percent of scheduled preventive maintenance tasks completed;
- Ratio of facility-closure months to total park facility program months;
- Percent of lands and facilities with condition assessments less than five years old;
- Asset condition index; and
- Ratio of under-performing assets to total assets.

System Enhancement Strategy

The strategy for enhancement of the park system is:

- Create new projects, parks, programs, and services without expanding existing department staff;
- Focus land acquisitions on improving performance of existing parks and addressing under-served markets; and
- Create opportunities for new trails, water access sites, nature viewing, and learning about history by finding internal savings and generating external support.

Determinations about system enhancement investments should rely on many of the criteria provided in the section above. Where enhancements can bring a lower performing property more in line with these criteria, then they are better enhancements to consider. The system enhancement metrics for consideration are:

- Current operating expenditures for previous biennium enhancements;

- Change to park system staffing levels;
- Percent of parks with significant in-holdings, adjacent unprotected natural areas, or access problems;
- Percent and density of Oregonians within a 60 minute drive of five or more destination parks; and
- Value of external support towards capitalization of enhancements.

Workforce Maintenance Strategy

The strategy for maintenance of the park system workforce is:

- Invest in frontline workforce;
- Reduce central overhead through process improvements, technology, and investment in the supporting systems necessary to operate;
- Use private workforce on value-added tasks away from the mission; and
- Invest in staff development, training, internal communications, and volunteers.

The workforce maintenance metrics for consideration are:

- Ratio of frontline hours to total park system hours;
- Ratios of private workforce expenditures to total workforce expenditures for service delivery functions;
- Ratio of workforce training expenditures to total expenditures;
- Staff satisfaction with training and internal communications; and
- Ratio of volunteer hours to total park system hours.

System Funding Strategy

The strategy for funding the park system is:

- Operate within available resources by shifting investments away from under-performing assets, programs, properties, and activities;
- Balance costs to visitors for increased charges at more parks with ensuring access for all as well as value to communities; and
- Improve capacity of supportive non-profit organizations such as the Oregon State Park Foundation to bring in donations and other external support.

Further guidance for the system funding strategy includes goals for cost recovery through earned use charges in the various business lines. These goals are the following:

- Overnight
 - Cabins and yurts (90%);
 - Full and electric RV sites (70%);
 - Standard tent sites (30%);
 - Historic inns (20%);

- Park sales (>100%);
- Day Use
 - Fee parks (20%);
 - Non-fee parks (10%);
 - Special use (100%);
 - Non-profit special use (50%);
 - Rest areas (0%).

Further discussion of the thinking under-pinning these goals is provided in the conclusion below.

The system funding metrics for consideration are:

- Ratio of under-performing assets, programs, properties, and activities to totals for profitability and impact;
- Average cost recovery per visit by business line;
- Ratio of free day-use parking spaces to total parking spaces;
- Affordability index;
- Visitor spending within 30 miles of the park;
- Ratio of donations, grants, and in-kind to overall revenues.

Conclusion

The approach described in this plan positions Oregon to progressively right-size its state park system over the next ten years, retaining its quality reputation and enhancing its ability to generate value and wealth for the state. A basic philosophy of this plan is that some level of public support funding is necessary and desirable to sustain a great park system that can contribute to local economic activity and pride in the state. Some people believe that government activities should be 100% cost recovery or not done at all. This plan rejects that notion for the harm it would do to the care and long-term availability of Oregon's treasured parks.

Public support to the park system is a positive benefit to Oregonians today and in the future. While this support currently comes in a form other than taxes, it is essential to the maintenance and operation of the park system as described in this plan. What the public support funding provides is a diversified revenue stream that buffers the park system from economic and social disturbances. The department has pieced together bits of revenue from many sources and adds value by combining these into a comprehensive program around its mission. While the strategies of this plan call for further diversification of revenues, ongoing public support will always be required to some degree.

Public support funding is also a broad benefit to local communities throughout the state. The local economic activity generated by the presence of a state park as an attractor is significant.

So long as adequate funding allows the parks to continue as healthy and positive places for the public to visit, they will continue to bring people into communities in the future. The balance is around what amount that park visitors are willing to pay for their trip should be monetized in the park by the park system and what amount should be left in their wallets for extra-park activities in the local communities. Public support funding allows for more local business spending that could be shifted elsewhere if the park properties were overly managed with private concessions or if the department tried to capture too much in park user charges. As indicated in the goals for cost recovery, not all business lines are equal in terms of what visitors would be willing to pay for, and yet the waysides and small parks provide a benefit to the state. Base campground parks in a management unit underwrite the ability for staff to take care of satellite parks. The management of the parks is like an ecosystem and therefore changes to how it operates should be made gradually to limit unintended consequences that may turn out to be undesirable.

In many ways, recreational opportunity is like a public utility in Oregon. Similar to public education, water supply, and public safety, good outdoor recreation is an essential need of a healthy community. Without it, the state is diminished. It is an everyday and every year necessity. There are certain economies of scale to providing it with well-trained, professional staff, attractive lands, and good facilities. These require public support in order to create them in the first place and then to have the security of knowing that they will be there in the future. The state and its elected officials determine a reasonable level of service at a fair cost that helps the whole community.

This strategic plan identifies the financial challenges that the park system faces over the next ten years as well as some of the consequences that will result if steps are not taken. If the state does not take a strategic approach to its park system, then people will be disappointed with worse service, sketchy parks, and nasty restrooms. Just when the technological pulls of society are making it imperative that people get outdoors more, bad decisions today could make the park system less attractive to visitors over the next ten years and beyond. While other park systems are dis-investing, Oregon has an opportunity to bank on its values and be the “go-to state for parks and public lands.” This plan provides a pathway to this outcome by strategies and policy that continue to adapt management for sustainability, focus it on accountable results, and through thoughtful investment, shift the park system to the right-size. State parks generate significant wealth and value in Oregon, and this strategic approach can sustain that and make it even greater in the future.



DRAFT Park System Plan

Oregon Parks and Recreation Department
November 2012

Park System Story Line

- ❖ Beginnings: 1920-1989
 - ❖ Oregon meant more to Oregonians than a great road system
 - ❖ Great Places to Go -- As Possible

- ❖ Young Agency: 1990-1998
 - ❖ Small agency gaining respect for good service on a shoestring
 - ❖ New Statewide Focus on Parks

- ❖ Developing: 1999-2010
 - ❖ Better funding but additional responsibilities
 - ❖ Optimistic and Rapid Growth

- ❖ Reflective: 2010-present
 - ❖ Realization of limits for taking on more and doing with less
 - ❖ Need to Right-size the Park System



Samuel Boardman, the first state park superintendent

Why Park System Planning?

- ❖ Comprehending What System Means to Oregonians
- ❖ Recognizing Limits
- ❖ Wanting to be Realistic about the Future
- ❖ Guiding Investment and Business Model Decisions



External Business Environment

Primary industry clusters in Oregon:

- Natural Resources
- Clean Technology
- High Technology
- Footwear, Outdoor Gear, and Apparel
- Advanced Manufacturing
- Other

4 Ps for Prosperity



People



Productivity



Place



Pioneering
Innovation



1. **P**eople – A talented workforce
2. **P**roductivity – Quality infrastructure, resource utilization, competitive regulations and business costs
3. **P**lace – A high quality of life that attracts and retains talented people
4. **P**ioneering Innovation – A culture of research, commercialization and innovation in product and process design

Competitive Differences



Resources

- Quality and quantity of resource attractors



Facilities

- Amount and capacity of support facilities



Service

- Level of service provided



Safety

- Presumed safety and security



Affordability

- Affordability of direct and indirect costs



Accessibility

- Accessibility and proximity to use



Rules

- Freedom from rules

Adverse Trends

External Environment



Aging visitor base

Increasing travel costs / smaller home ranges

Leisure time and technology – electronic media

Aging parks elsewhere – competition for support

Inflation and labor costs – increasing

Privatization – shifting wealth

Less public support funding – competition



Favorable Trends



Educational levels
and health
awareness

Structured experiences –
program + place

Less investment
in other park
systems

People choose
Oregon

Civic engagement –
engaging with
volunteers



Reason for Being



Centennial Horizon

Principals We Want



1) Oregon's special places to be saved



2) People to be connected to the outdoors



3) Lasting and sustainable parks



4) People learning about Oregon with us



5) A state park system that was built with purpose



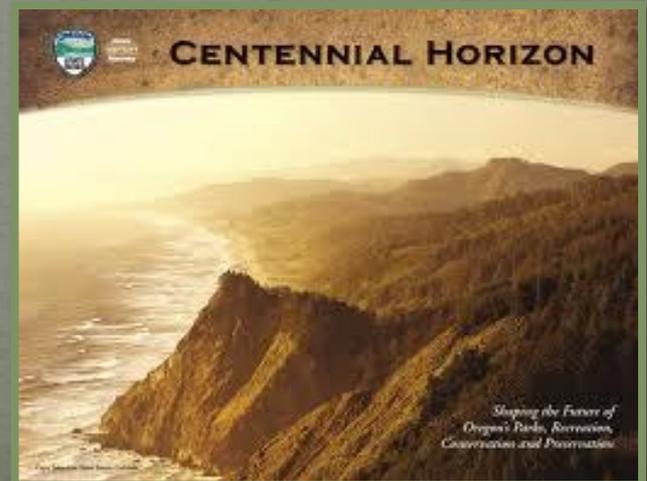
6) Many partners with good ideas



7) To be doing important core activities first



8) The people taking care of the parks to love their work



10-Year Plan for Oregon

Outcome Areas



1) Education



2) Growing Economy



3) Healthy Environment



4) Healthy People



5) Safety



6) Improving Government

Primary Value Creation

State Park System Creates Value and Wealth in Oregon:

1. Visitor Intrinsic Value
2. Visitor Economic Activity
3. Operational Economic Activity
4. Property Value Enhancement
5. Other Values: Ecosystem Services, Health, Educational, Amenity, and Existence



Visitor Intrinsic Value



1,406,300,000

Annual Hours of
State Park Visits,
16 and Older



\$17.50

Average
Hourly Wage
per Visitor,
16 and Older



178%

Percent of
Wage Needed to
Work Instead of
Visit



\$3,645,500,000

Annual Intrinsic
Value of State
Park Visits, 16
and Older



\$106.47

Average
Intrinsic
Value per
Visit, 16 and
Older

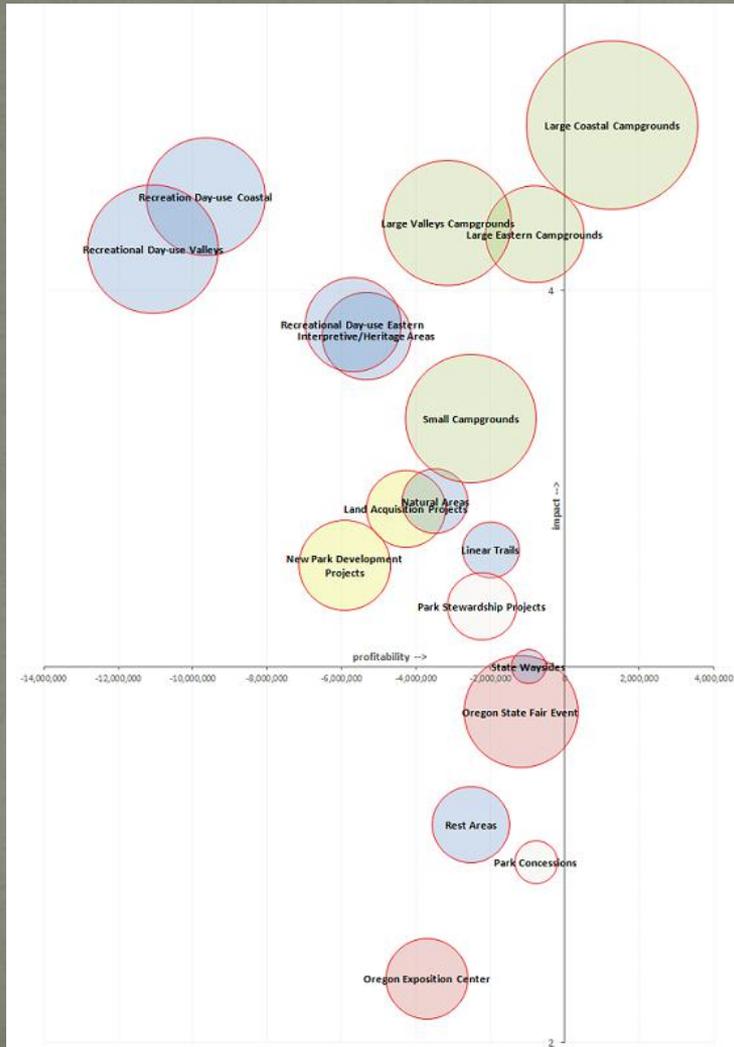
Nearly \$3.65 billion of visitor intrinsic value is generated annually for state park visitors 16 and older.

Visitor Economic Activity



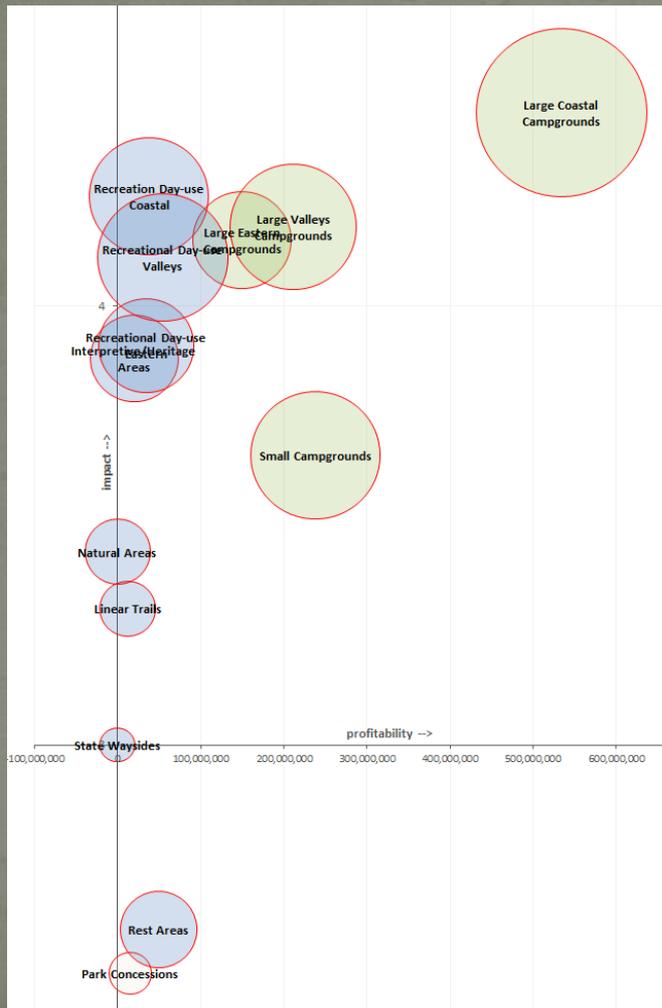
Each dollar of investment yields a \$16.70 return to the local economy from visitor spending.

Dual Bottom Line



Preliminary analysis indicates that most state park business lines have high mission impact, but low profitability -- from a strictly revenue-generating standpoint.

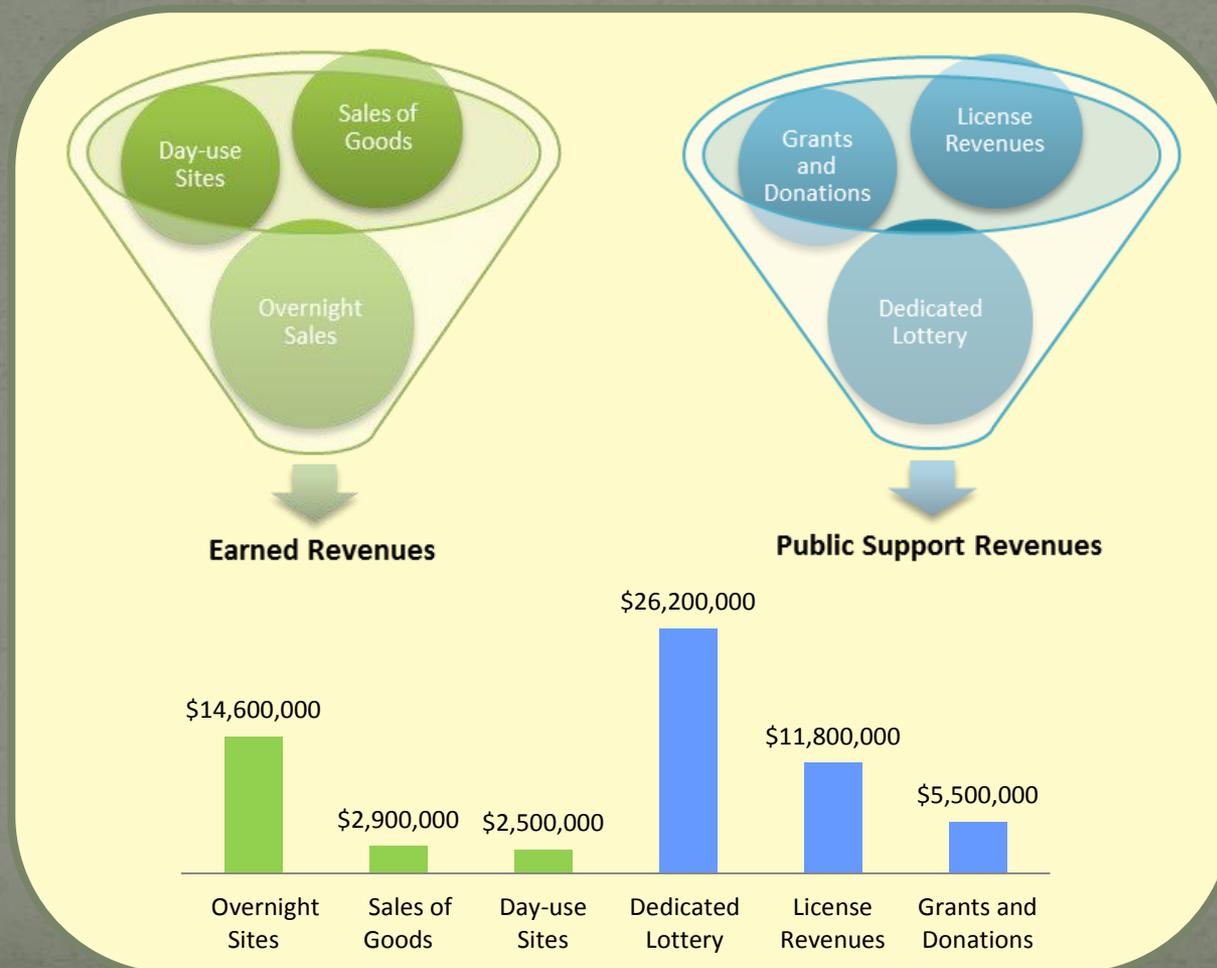
Visitor Economic Activity



From an economic activity-generating standpoint, preliminary calculations indicate that most state park business lines not only have high mission impact, but are also highly profitable to local communities.

Revenue Sources

FY 2007 through FY 2011, average annual revenues = \$64 million (+/- \$8 million)

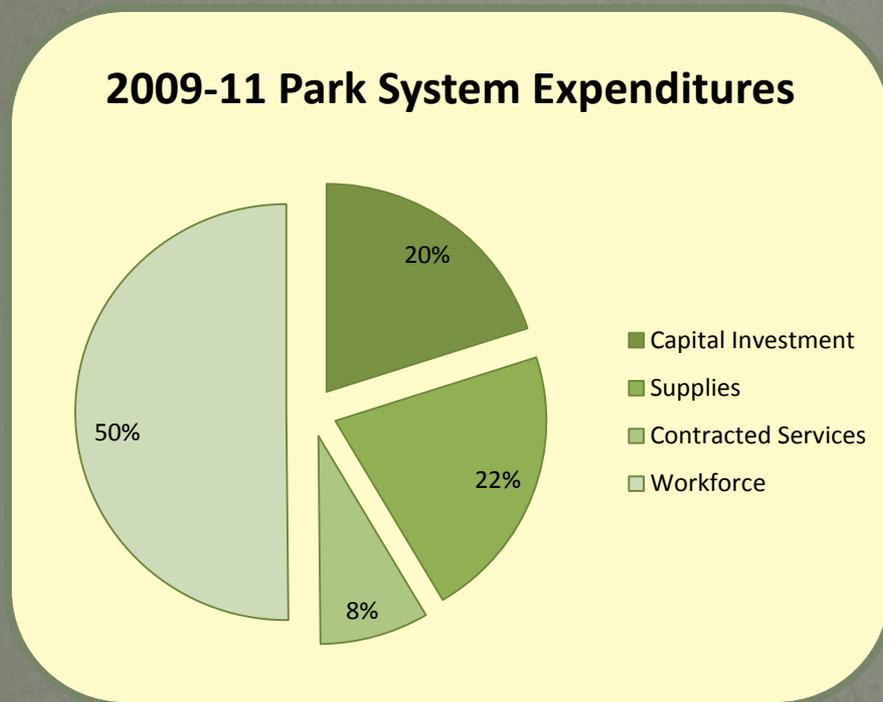


Diversion Equivalents

Budgetary Equivalents	Capital Cost	Biennial Cost
Deferred Maintenance Retired	\$77 million	---
Ongoing Maintenance (up to Fully Funded)	---	\$12 million
(3) New Full Service State Parks	\$95 million	---
Ongoing New State Parks Operating Costs	---	\$8 million
(10) New Day Use / Heritage Areas	\$16 million	---
(15,000) Acres of Natural Areas Protected	\$24 million	---
Ongoing New Day Use / Natural Area Costs	---	\$7 million
Operate Existing Parks at 55% of Standard	---	\$25 million
TOTAL	\$212 million	\$52 million

Expenditure by Type

For the 09-11 biennium, expenditures by type were as follows:

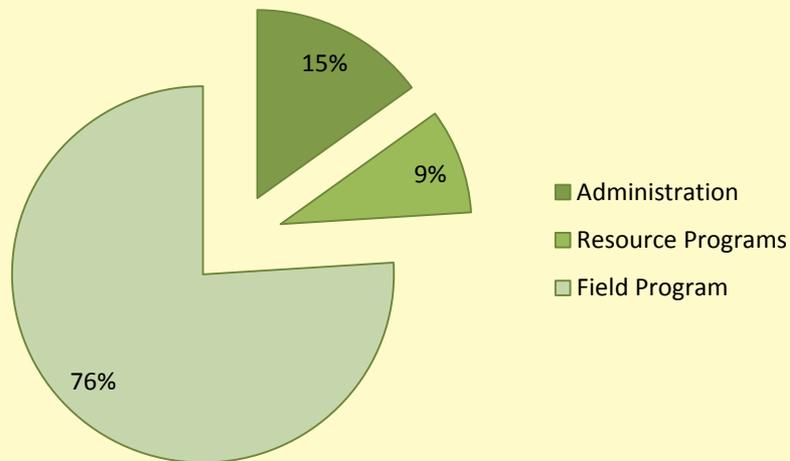


Expenditure Type	Amount
Workforce (aka Personal Services)	\$65.5 million
Supplies	\$28.0 million
Contracted Services	\$10.9 million
Capital Investment	\$26.2 million
TOTAL	\$131 million

Workforce Allocation

The majority of current workforce allocation within the park system goes to direct operation of parks.

Park System Workforce Allocation

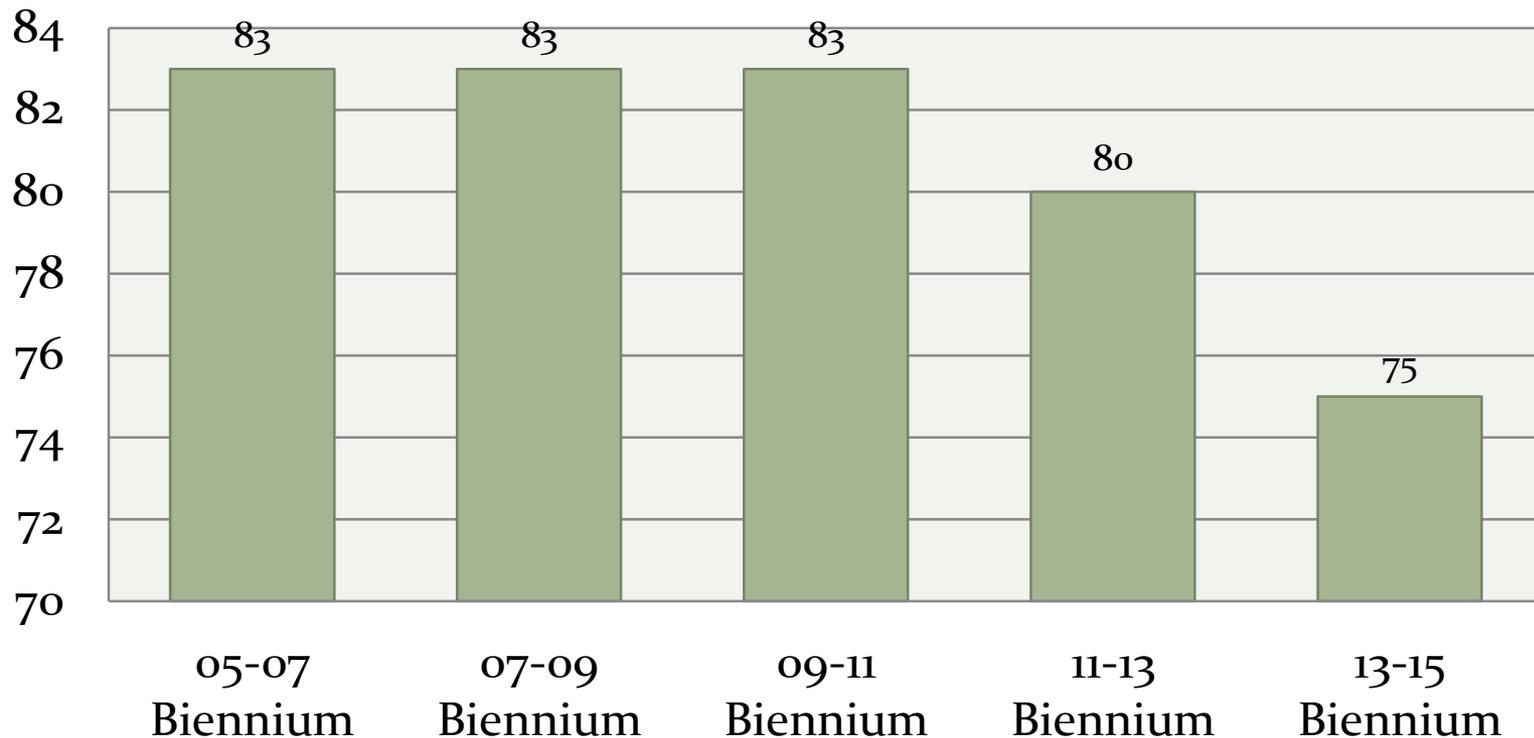


Total Biennial Workforce	2.2 million hours	(100%)
Field Program	1.7 million hours	(76%)
Resource Programs	0.2 million hours	(9%)
Administration and Management	0.3 million hours	(15%)

Workforce Trends

Over the past several biennia, a net of 33,000 hours of biennial supervisory time has been reclassified into park system non-supervisory staff time or to other parts of the agency.

Park System – Supervisory Positions



Maintenance Management

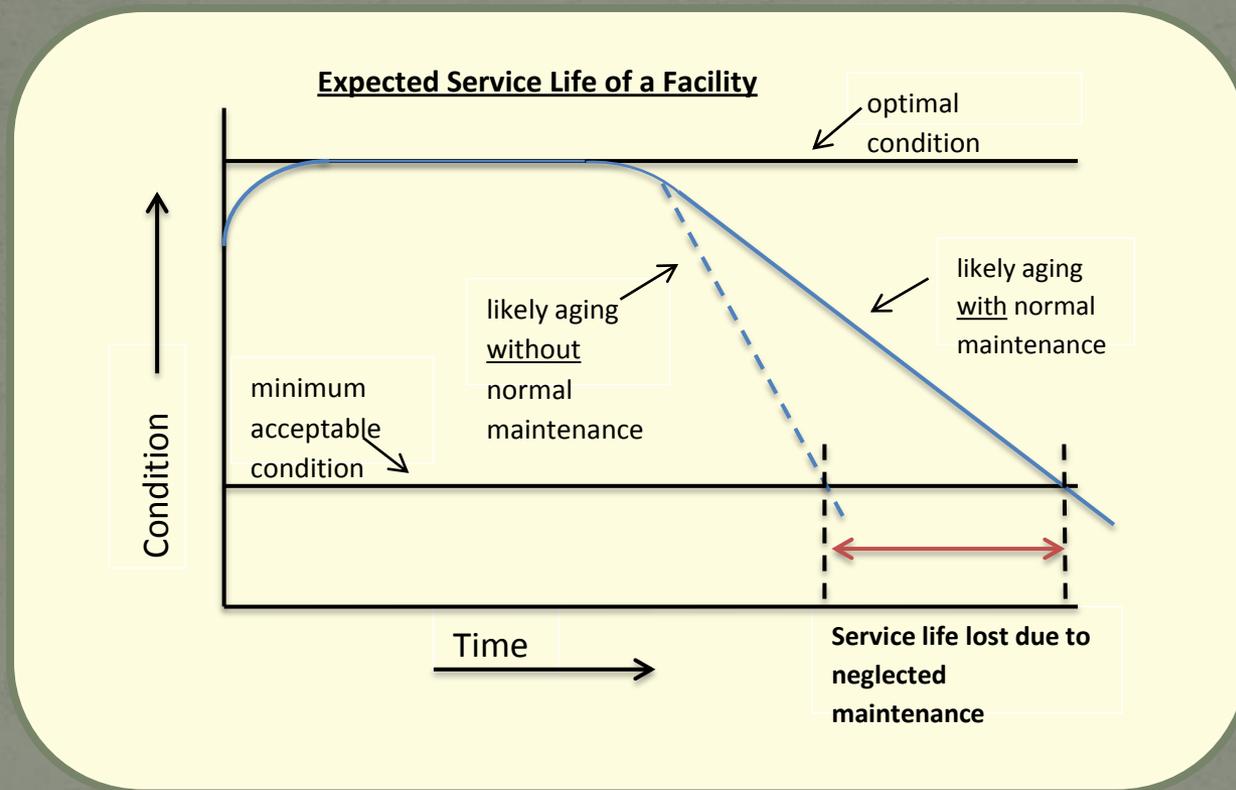
The following table gives a best estimate how the gap is addressed system-wide:

	Estimated Hours	Percent
Maintenance Management Standard	1,929,000	100%
Park System Staff	770,000	40%
Volunteer Hours	529,000	28%
Corrections Work Crews	46,000	2%
Private Contractors	34,000	2%
Doing Without	550,000	28%



Currently the park system is operating at 40% of the FTE needed to meet industry standards. Volunteers, contractors, and inmates reduce the deficit to 28% alleviating the impacts to customer service and long-term maintenance deferral.

Asset Lifecycle



When park facilities do not get the attention necessary to keep them operating as designed and in support of functional requirements, work accumulates that is necessary to bring these facilities back to useful and optimal condition.

Deferred Maintenance

Deferred Maintenance is borrowing from the future – we'll pay more when we deal with it later...



Agency liability and risk go up and up and up until it become a choice between replacement or end of service



Summary of Park Assets

The 2011 replacement value for these built assets estimated and based on standardized cost data from engineering staff is as follows:

Replacement Cost Primary Assets

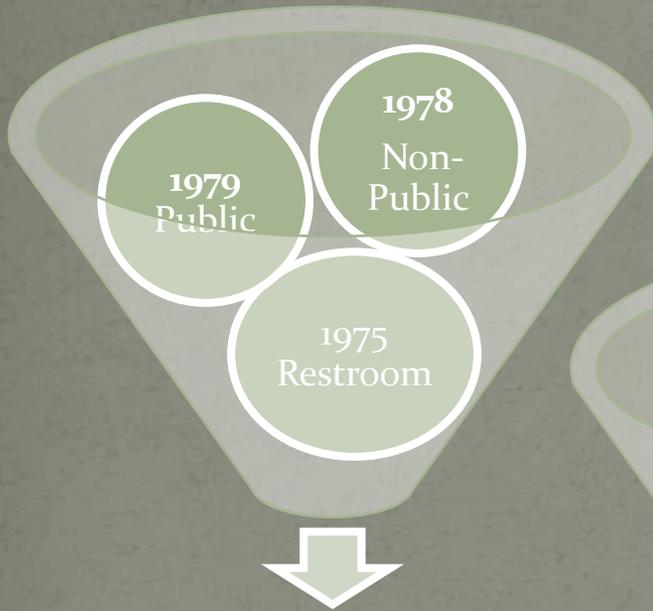


2011 replacement values

Type	Day Use	Overnight	Total
Facilities	\$106,900,000	\$100,900,000	\$207,800,000
Utilities	\$20,000,000	\$43,000,000	\$63,000,000
Transportation	\$124,200,000	\$61,000,000	\$185,200,000
Totals	\$251,100,000	\$204,900,000	\$456,000,000

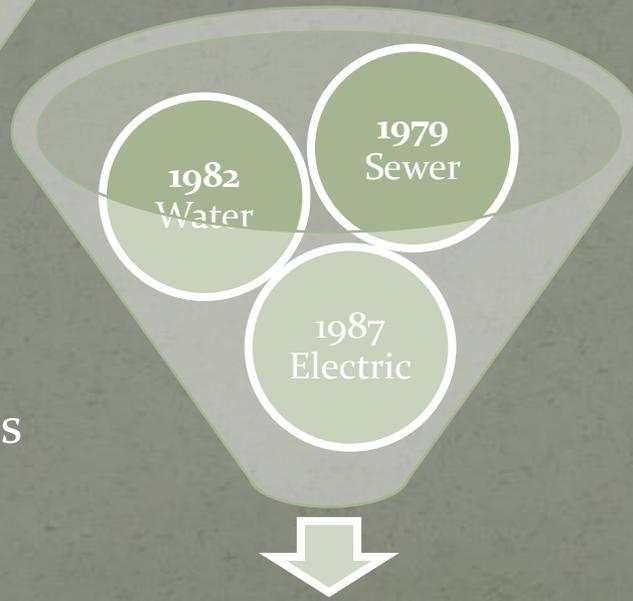
Aging Infrastructure

Buildings



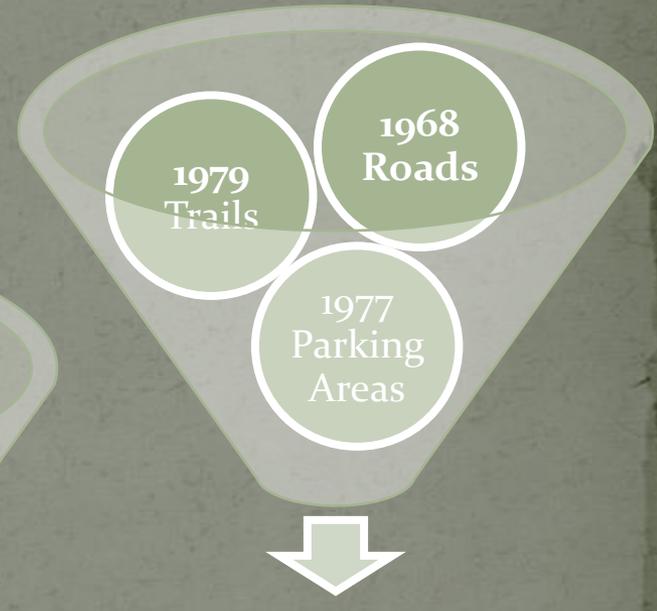
Average Age = 35 yrs

Utilities



Average Age = 29 yrs

Transportation

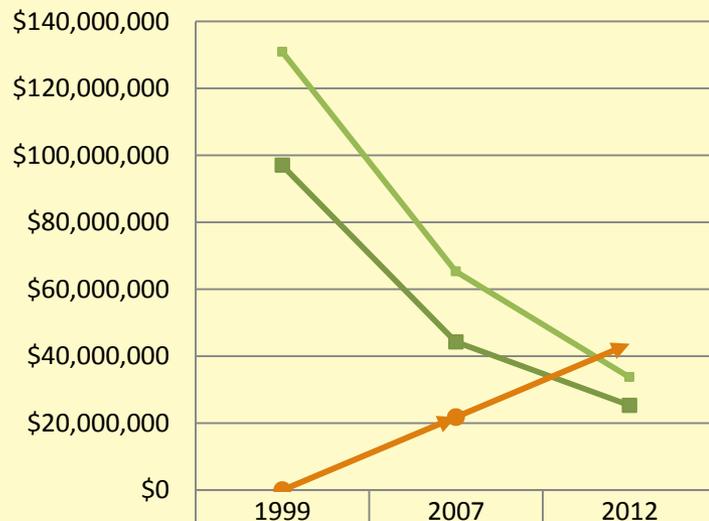


Average Age = 37 yrs

Continued Growth

A great emphasis was placed on completing the 1999 backlog list, but as those projects were being completed, additional deferred maintenance kept building.

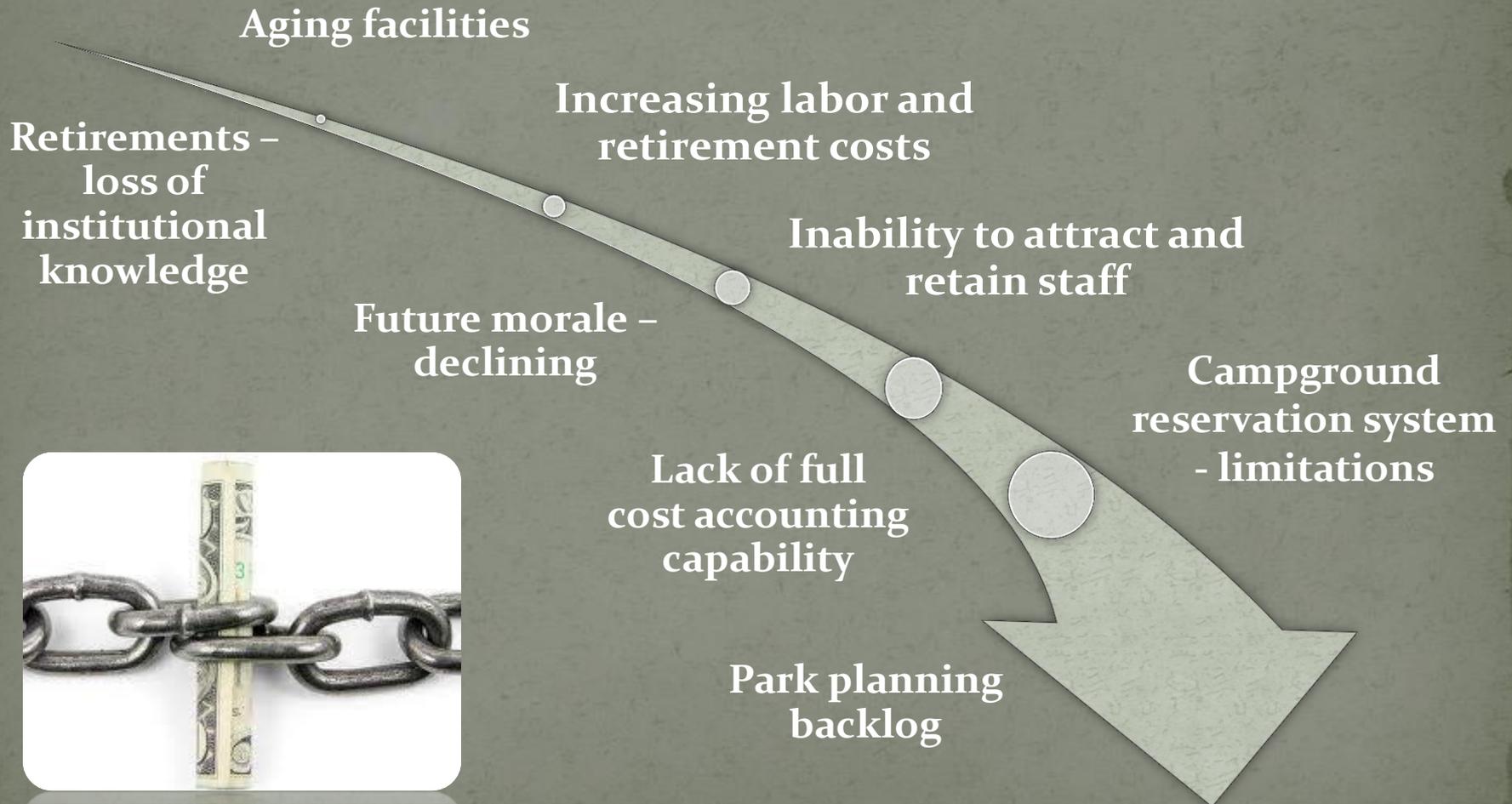
Deferred Maintenance Over Time



Original (backlog)	\$97,000,000	\$44,240,000	\$25,304,000
Original/Inflation	\$130,900,000	\$65,300,000	\$33,700,000
Emerged Projects	\$0	\$21,850,000	\$43,700,000

	<u>Value in Dollars of 1999</u>	<u>Value in Dollars of 2011</u>
Deferred Maintenance in 1999	\$97,000,000	\$130,900,000
Remaining Projects from 1999 List	\$25,000,000	\$33,700,000
Deferred Maintenance in 2011	---	\$77,400,000
Projects Emerged since 1999 List	---	\$43,700,000
Average Estimated Annual Accrual	---	\$3,600,000
Accrual as % of Current Replacement	---	0.8%

Challenges



Advantages



Quality park resources – excellent past acquisitions

Customer service mindset – doing the right thing for visitors

Donations

In-house capabilities – staff support and expertise

Commitment to maintenance standards

Park culture – long-term care for the parks

Organized to minimize transaction cost

Volunteer network



Financial Projections

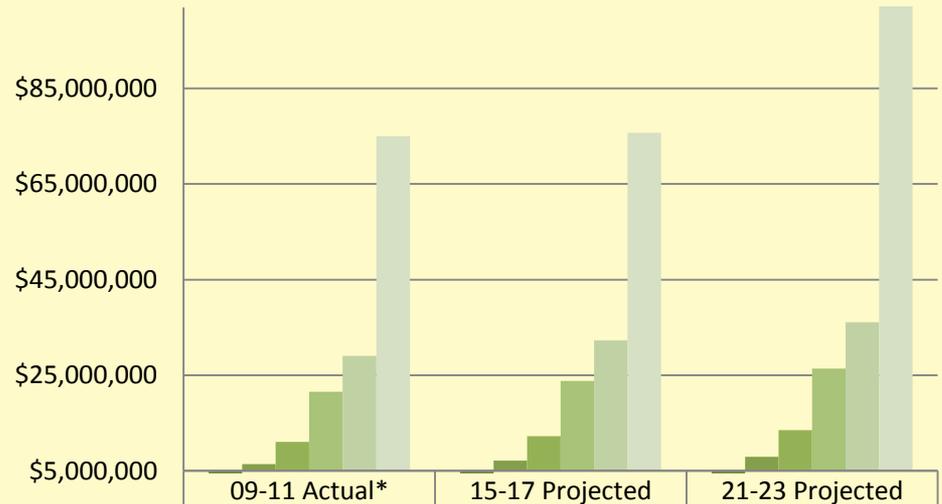
Projected Revenues by Type (Moderate Scenario)

Projected Revenues



■ 09-11 Actual*	\$146,500,000
■ 15-17 Projected	\$155,100,000
■ 21-23 Projected	\$190,700,000

By Revenue Types



■ Sales of Goods	\$3,600,000	\$4,000,000	\$4,400,000
■ Day Use	\$6,400,000	\$7,100,000	\$7,900,000
■ Grants and Donations	\$11,000,000	\$12,200,000	\$13,500,000
■ License Revenues	\$21,500,000	\$23,800,000	\$26,400,000
■ Overnight	\$29,000,000	\$32,300,000	\$36,100,000
■ Lottery Earnings	\$75,000,000	\$75,700,000	\$116,400,000

Projected Expenditures Outlook

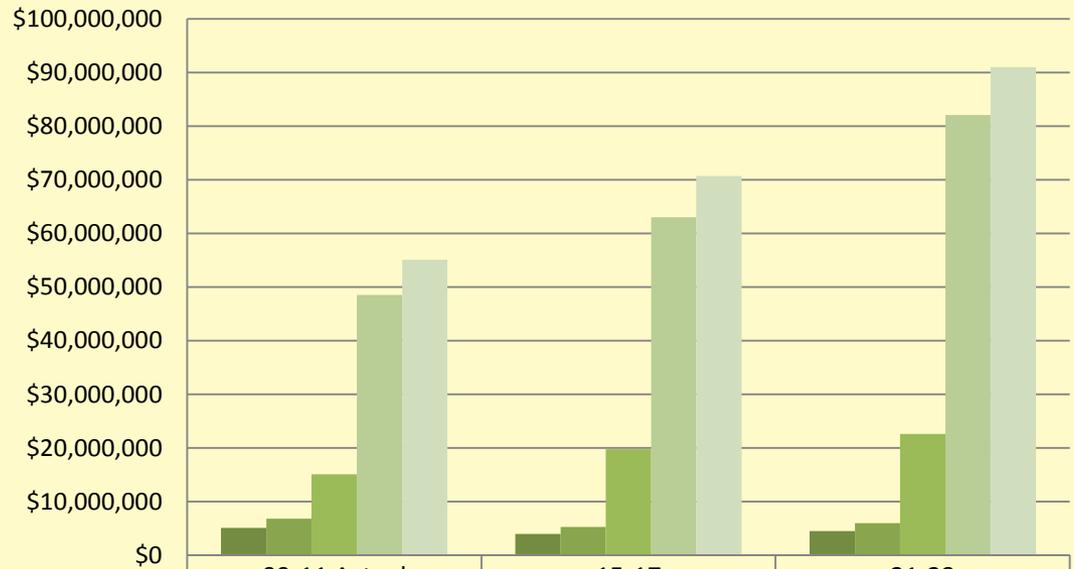
Projected Expenditures by Type (Moderate Scenario)

Projected Expenditures



■ 09-11 Actual	\$130,600,000
■ 15-17	\$162,700,000
■ 21-23	\$206,100,000

By Function

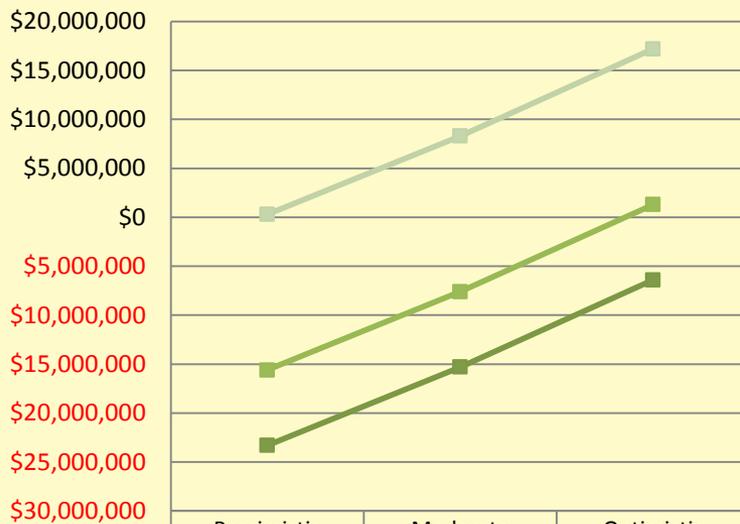


■ Acquisition	\$5,100,000	\$4,000,000	\$4,500,000
■ Enhancement	\$6,800,000	\$5,300,000	\$6,000,000
■ Major Maintenance	\$15,100,000	\$19,800,000	\$22,600,000
■ Day-use Delivery	\$48,500,000	\$63,000,000	\$82,100,000
■ Overnight Delivery	\$55,100,000	\$70,700,000	\$91,000,000

Funding Gaps or Surplus

The following tables show the gaps or surplus projected for the 2015-17 and 2021-23 biennium, respectively:

2015 - 17 Biennium



	Pessimistic Expenditures	Moderate Expenditures	Optimistic Expenditures
■ Pessimistic Revenues	(\$23,300,000)	(\$15,300,000)	(\$6,400,000)
■ Moderate Revenues	(\$15,600,000)	(\$7,600,000)	\$1,300,000
■ Optimistic Revenues	\$300,000	\$8,300,000	\$17,200,000

2021 - 23 Biennium



	Pessimistic Expenditures	Moderate Expenditures	Optimistic Expenditures
■ Pessimistic Revenues	(\$63,700,000)	(\$42,700,000)	(\$20,200,000)
■ Moderate Revenues	(\$36,400,000)	(\$15,400,000)	\$7,100,000
■ Optimistic Revenues	(\$9,100,000)	\$11,900,000	\$34,400,000

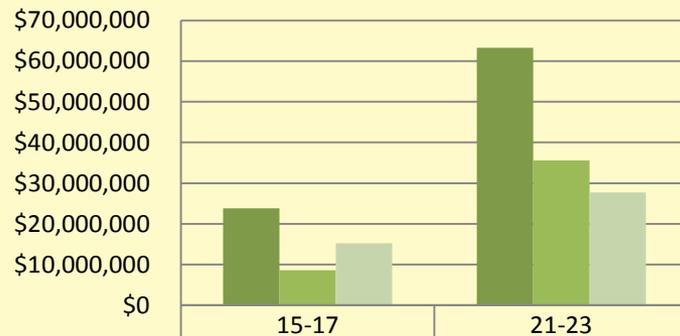
Personal Services and Revenue

Projections

	15-17 Biennium Projected	21-23 Biennium Projected
Personal Services Increase – biennial cost	\$23,800,000	\$63,300,000
Additional Revenue Projected – biennial total	\$8,600,000	\$35,600,000
Projected Labor Gap	\$15,200,000	\$27,700,000
Projected Enhancement Budget	\$9,300,000	\$10,400,000
Projected Major Maintenance Budget	\$19,700,000	\$22,600,000

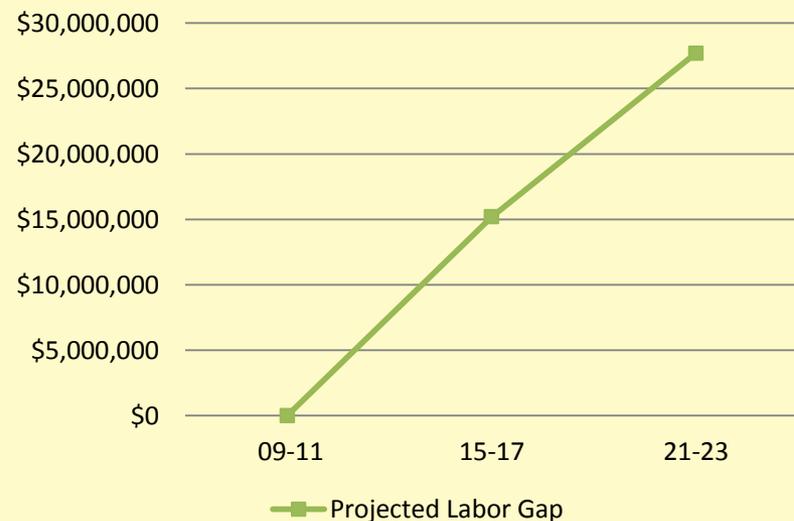
Projected Labor Gap (Moderate Scenario)

Projected Personal Services v. Revenue Available



Personal Services Increase	\$23,800,000	\$63,300,000
Additional Revenue Projected	\$8,600,000	\$35,600,000
Projected Labor Gap	\$15,200,000	\$27,700,000

Projected Labor Gap



Maintenance and Replacement

The following tables show the ideal maintenance and replacement commitment over the planning period, the amount of projected expenditure, and the maintenance gap not already provided for in the moderate scenario expenditure analysis.

Moderate Scenario

	Current Estimated	15-17 Biennium Projected	21-23 Biennium Projected
Ongoing Maintenance Need	\$36,800,000	\$39,600,000	\$45,200,000
Maintenance Budgeted	\$26,500,000	\$33,300,000	\$41,800,000
Maintenance Gap	\$10,300,000	\$6,300,000	\$3,400,000
Deferred Maintenance	\$82,400,000	\$103,600,000	\$112,500,000
Asset Condition Index	18%	20%	20%

20% Asset Reduction Scenario

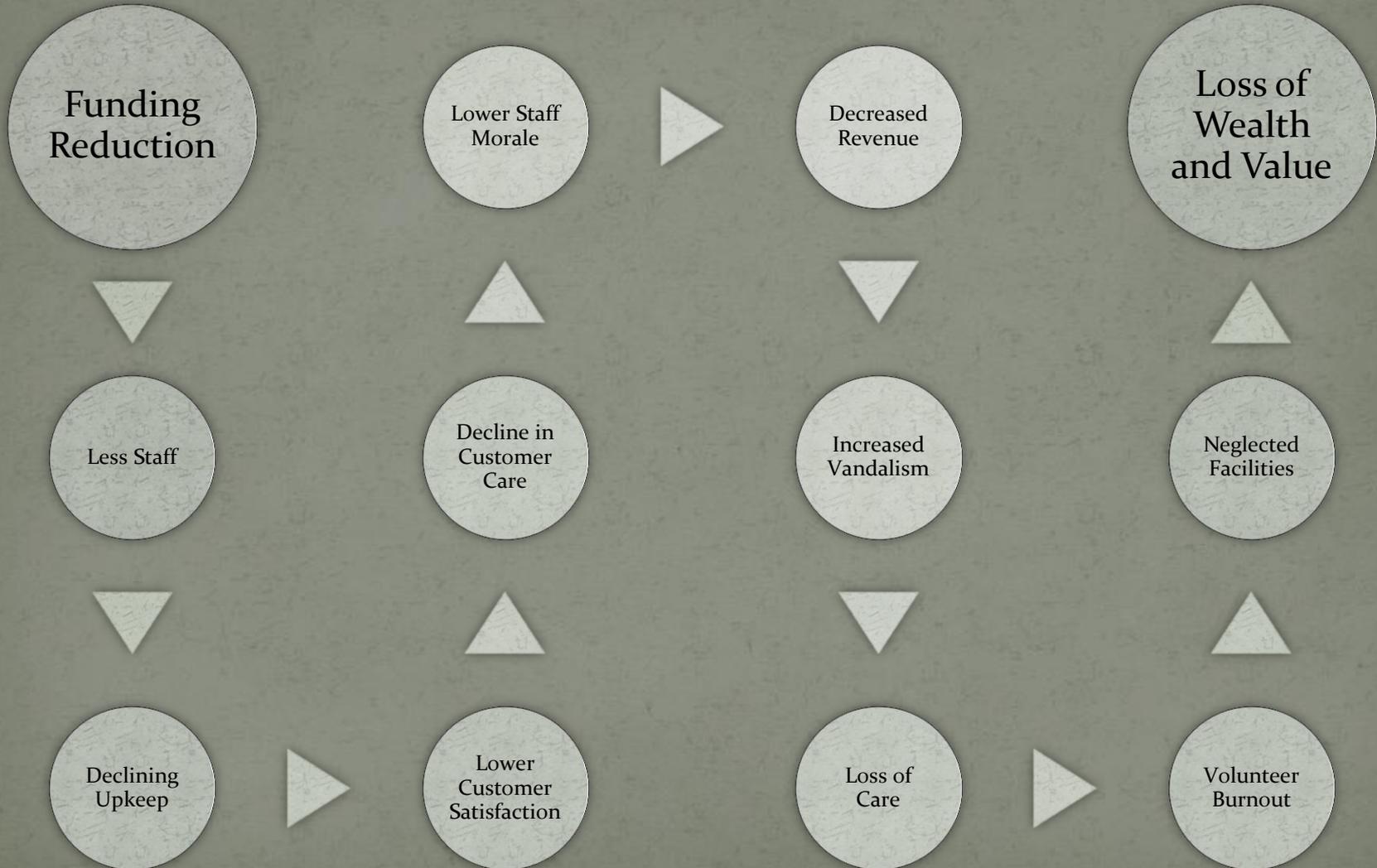
	15-17 Biennium Projected	21-23 Biennium Projected
Ongoing Maintenance Need	\$36,000,000	\$36,100,000
Maintenance Budgeted	\$33,300,000	\$41,800,000
Maintenance Gap	\$2,800,000	(\$5,700,000)
Deferred Maintenance	\$93,900,000	\$89,500,000
Asset Condition Index	21%	21%

Consequences

Under the moderate and pessimistic scenario financial projections, we are going to disappoint people in the following ways unless adjustments are made:

- ❖ Unable to maintain staffing levels and keep current levels of service at all parks;
- ❖ Unable to keep up with facility and land maintenance standards;
- ❖ Increasing numbers of disappointed visitors and disappointed local communities and businesses; and
- ❖ Oregon begins losing its reputation for great parks and outdoor opportunities.

Consequences



What Must We Do?

As we go forward with what we face, what must we do to retain a quality park system?

1. Build on the things that set the state park system apart;
2. Generate better value for the state;
3. Move towards Optimistic Revenues scenario; and
4. Move towards Optimistic Expenditures scenario.

Business Model Innovation

If the business model were adjusted to better meet anticipated gaps, what essential features are necessary under any approach?

- ❖ Diverse choices of special places to go;
- ❖ Access for all – some places are no cost to visit once you get there;
- ❖ Quality park experience – it feels right, not commercial;
- ❖ Primary and direct accountability by state employees can address problems in timely manner; and
- ❖ Attraction to volunteers not diminished.

Policy Implications



System Funding Strategy

Service Delivery Strategy

Workforce Strategy

System Maintenance Strategy

System Enhancement Strategy

Park System Plan - OPRD

Key figures:

- Ending Balance: \$4.0 million (7%)
- Lottery Earnings to San Jacinto System: \$33.8 million (93%)

2011-13 Lottery Transfer

Budgetary Division	Impact in 2011-13	Fund Type
Revenue of General Fund	\$4.0 million	General
San Jacinto	\$4.2 million	Lottery
San Jacinto Operations	\$1.4 million	Lottery
OTF Funding Special Local Parks	\$1.4 million	Other

The following table shows how divisions have assumed to impact available funding for the next park system.¹

1. Data for the table is based on the 2011-13 Lottery Transfer and OPRD from 2011-13. Funding is assumed to be 65% rounded 20% per year in the 2011-13 Lottery Transfer.

Service Delivery Strategy

1. Make visitor experiences convenient, positive, and remarkable;
2. Extend visitor experiences into local communities; and
3. Grow the market through improved outreach and communications.



Possible Delivery Metrics

1. Percent of parks with completed comprehensive management plan.
2. Percent of frontline staff who score high on mystery shopper surveys.
3. Visitor satisfaction.
4. Occupancy rates.
5. Overall and repeat visitation.
6. Second-level visitor complaints.
7. Visitor spending within 30 miles of the park.

System Maintenance Strategy

1. Maintain up-to-date land and facility condition and mission effectiveness assessments.
2. Consider both profitability and mission impact prior to every maintenance investment decision to reduce underperforming assets and related activities.
3. Complete preventive maintenance on facilities with high mission impact.
4. Retain a portion of earned revenues to re-invest in preventive maintenance.

Criteria for Shifting Investment

As criteria are developed for considering whether or not a facility or property are performing well, some considerations are:

- ❖ Do we own the land?
- ❖ Are the main resource attractors under our control and in reliably good condition?
- ❖ Are there strong seasonal limitations?
- ❖ Does it support us in areas of our competitive advantage?
- ❖ Are other providers available who could step in or give similar service?
- ❖ Does it contribute relatively less to local economic activity and our own profitability?
- ❖ Is the cost to reduce going to be high?

Possible Maintenance Metrics

1. Percent of scheduled preventive maintenance tasks completed.
2. Ratio of facility closure-months to total park facility program months.
3. Percent of lands and facilities with condition assessments less than five years old.
4. Facility condition index.
5. Ratio of under-performing assets to total assets.

System Enhancement Strategy

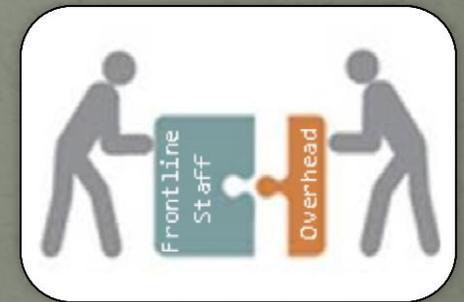
1. Create new projects, parks, programs, and services without expanding existing staff;
2. Focus land acquisitions on improving performance of existing parks and addressing under-served markets; and
3. Create opportunities for new trails, water access sites, nature viewing, and learning about history by finding internal savings and generating external support.

Possible Enhancement Metrics

1. Current operating expenditures for previous biennium enhancements.
2. Change to state park system FTE.
3. % of State Parks with significant in-holdings, adjacent unprotected natural areas, or access problems.
4. % of Oregonians within 60 minute drive of 5 or more Destination Parks.
5. Value of external support towards capitalization of enhancements.

Workforce Maintenance Strategy

1. Invest in frontline workforce;
2. Reduce central overhead through process improvements, technology, and systems necessary to operate;
3. Use private workforce on value-added tasks away from the mission; and
4. Invest in staff development, training, internal communications, and volunteers.



Possible Workforce Metrics

1. Ratio of frontline hours to total park system hours.
2. Ratio of private workforce expenditures to total workforce expenditures for service delivery functions.
3. Ratio of workforce training expenditures to total expenditures.
4. Staff satisfaction with training and internal communications.
5. Ratio of volunteer hours to total park system hours.

System Funding Strategy

1. Operate within available resources by shifting investments away from under-performing assets, programs, and activities;
2. Balance costs to visitors with ensuring access for all and value to communities; and
3. Improve capacity of supportive non-profits to bring in donations.

Goals for Cost Recovery from Users

- Overnight
 - Cabins and Yurts (90%)
 - Full and Electric RV Sites (70%)
 - Standard Tent Sites (30%)
 - Historic Inns (20%)
 - Park Sales (>100%)
- Day-use
 - Fee Parks (20%)
 - Non-fee Parks (10%)
 - Special Use (>100%)
 - Non-profit Special Use (50%)
 - Rest Areas (0%)



Possible Funding Metrics

1. Ratio of underperforming assets, programs, and activities to totals for both profitability and impact.
2. Average cost recovery per visit.
3. Ratio of free day-use parking spaces to total parking spaces.
4. Affordability index.
5. Visitor spending within 30 miles of the park.
6. Ratio of donations, grants, and in-kind to overall revenues.

Right-size: 2012 on

- ❖ Adapting management for sustainability
- ❖ Focusing management on accountable outcomes
- ❖ Investing to shift the park system to right-size

- ❖ Oregon: “Go-To- State for Parks and Public Lands”



Support from Legislators

1. Protection from further erosion of park services that comes from redirecting revenue or adding new agency responsibilities.
2. Authority for greater flexibility on pricing services and charging rates.
3. Support or at least informed consent when we have to reduce or end service at a lower performing park.
4. More freedom to work with private non-profits on innovative ways to generate donations and volunteers.

Discussion



Oregon Parks and Recreation Commission

November 7, 2012

Agenda Item: 9b

Information

Topic: Park-a-Year Program Review

Presented by: John Potter

Background: At the direction of the governor's office, the Oregon Parks and Recreation Department implemented a Park-a-Year Program that began in 2004 and concluded in 2011. Over this period, eight new state parks were acquired, designed, constructed, and opened to the public in communities across the state. These parks ranged from full service campgrounds and welcome centers to historic areas and low amenity campgrounds. Visitation to these new parks has been increasing each year, and from July 2011 to the end of June 2012, it totaled nearly 400,000 visits (an increase of 1.7% over the previous year).

An analytical model was developed to look at the expected return on investment to local economies from these parks. This model made the following assumptions: that the rate of visitation to these parks will accelerate at 0.05% per year through 2016 at which time it will level off at 3.7%; and that the average visitor will spend \$16.70 (adjusted for inflation) in the local community consistent with results from recent economic impact studies. Based on these assumptions, it is projected that by the end of 2016, total visitation to the new parks will have exceeded 3.5 million visits. The original investment by Oregonians of \$50.5 million to acquire and build the parks will have been equaled in the form of visitor spending in local communities as early as 2015.

Adding new state parks can have a significant economic impact for local communities. The majority of the new parks were built in rural Oregon near small towns or communities. These communities typically experience high unemployment rates and lower median incomes. Having a state park in the local vicinity is not a complete answer for these economies, but they do bring tourist dollars, create employment opportunities, increase property values, and in turn help diversify and raise the standard of living. Beyond economic value, the new parks have added to the quality of life of those who have visited them. The most common intrinsic value to visitors is the addition of recreational opportunities where none existed before. Additional values include cultural awareness and ecosystem health, along with educational and therapeutic values. All of these returns will continue to be generated by these parks, if they are maintained and operated at a standard and service level that is attractive to visitors.

Prior Action by the Commission: None

Action Requested: None

Prepared by: Eric Timmons

Park A Year Visitation Counts and Projections

10-17-21012

Actual Visitation to Date		Fiscal Years							
Created	Park	TOTALS	2006	2007	2008	2009	2010	2011	2012
2004	LL STUB STEWART STATE PARK	306,119			36,054	46,682	55,712	80,622	87,050
2005	SUNSET BEACH - FORT-TO-SEA TRAIL	584,138	62,982	115,166	66,276	100,040	89,476	79,082	71,116
2006	FORT YAMHILL STATE HERITAGE AREA	198,628			16,280	51,100	47,772	43,808	39,668
2007	THOMPSONS MILLS STATE HERITAGE AREA	19,529			2,167	3,575	3,877	5,112	4,798
2008	CRISSEY FIELD STATE RECREATION SITE	592,456				109,236	162,336	162,840	158,044
2009	IWETEMLAYKIN STATE HERITAGE SITE	6,097					1,509	1,888	2,700
2010	BEAVER CREEK STATE NATURAL AREA	50,778						19,326	31,452
2011	BATES STATE PARK	4,620							4,620
		1,762,365	62,982	115,166	120,777	310,633	360,682	392,678	399,448

Projected Visitation		Fiscal Years							
Created	Park	TOTALS	2013	2014	2015	2016	2017	2018	2019
2004	LL STUB STEWART STATE PARK	621,657	87,485	87,922	88,362	88,804	89,248	89,694	90,142
2005	SUNSET BEACH - FORT-TO-SEA TRAIL	507,868	71,472	71,829	72,188	72,549	72,912	73,276	73,643
2006	FORT YAMHILL STATE HERITAGE AREA	283,285	39,866	40,066	40,266	40,467	40,670	40,873	41,077
2007	THOMPSONS MILLS STATE HERITAGE AREA	34,264	4,822	4,846	4,870	4,895	4,919	4,944	4,968
2008	CRISSEY FIELD STATE RECREATION SITE	1,128,657	158,834	159,628	160,427	161,229	162,035	162,845	163,659
2009	IWETEMLAYKIN STATE HERITAGE SITE	19,282	2,714	2,727	2,741	2,754	2,768	2,782	2,796
2010	BEAVER CREEK STATE NATURAL AREA	224,612	31,609	31,767	31,926	32,086	32,246	32,407	32,569
2011	BATES STATE PARK	32,993	4,643	4,666	4,690	4,713	4,737	4,760	4,784
		2,852,619	401,445	403,452	405,469	407,497	409,534	411,582	413,640

Oregon Parks and Recreation Commission

November 7, 2012

Agenda Item: 9c

Information

Topic: Beaver Creek–Ona Beach Comprehensive Planning Process

Presented by: Ron Campbell

Where are we in the planning process?

In late April of this year, the Department held issue scoping meetings to invite public comments on planning for Beaver Creek State Natural Area and Ona Beach State Park. Meetings were held with the planning stakeholder committee, park neighbors and the general public to identify issues and ideas for consideration in the development of the comprehensive plan for the parks. Staff also presented key findings of park resource assessments and what these findings tell us about the opportunities and constraints related to future use and management of the parks. Comments from the meeting participants reflected the high degree of public support for the new Natural Area and for the expanded boundaries of Ona Beach, and called attention to some key issues that will affect park design and use. Natural resource management, environmental education opportunities and highway safety issues were at the forefront of the discussions.

For several reasons including highway safety issues, the Department decided to contract for design consulting services to assist the planning process, and hired GreenWorks, a landscape design consulting firm based in Portland. The contract with Greenworks includes two subcontracting firms, Kittelson and Associates and KPFF, that specialize in traffic analysis and related engineering design. Work under the consulting contract is now underway.

In addition, the Department and ODOT are involved in discussions leading to probable colocation of office and maintenance facilities at the existing ODOT office and maintenance complex that adjoins the expanded Ona Beach property.

Key Issues

Not surprising, a primary message that came out of issue scoping meetings was that public uses in the parks must be managed to protect important natural resources, especially the Beaver Creek estuary. Environmental education activities, also of particular interest to meeting participants, must be balanced with the need to protect natural resources from overuse, like public uses in general. Highway safety is of particular concern for two reasons. First, the only feasible location for vehicular access to new development on the expanded Ona Beach property is directly from Highway 101, and this reach of highway is known for its high accident rate. Second, the available area for new park facilities is disconnected from the beach by the highway, and there are currently no safe crossings for pedestrians and bicycles. Improvements that will likely be needed to address these issues will be a key part of the new park design.

Development and Management Opportunities and Constraints

The attached Opportunities and Constraints map (current draft) illustrates areas where the park plan will emphasize natural resource protection and management (shades of green and blue), areas that are now developed with facilities (yellow), and areas that may be considered for either future facility development or natural resource restoration (amber). The largest portion of the expanded Ona Beach property is development-constrained, either by steep topography, wetlands, valuable late succession forest, or proximity to neighboring properties. Thinning of young, dense

conifer forest is needed over much of this area. The Beaver Creek property is highly valued for its wetland and upland natural resource values, and the management emphasis will continue to favor these values except where development now exists at the welcome center, paddle access parking, and pole barn sites.

Next Steps

The consulting contract requires delivery of a schematic concept plan for the parks in mid-February, which will be the basis for internal review in February and discussions at the next round of public meetings in early March. Development of the draft comprehensive plan for the parks will follow, which will include detailed park design plans to be delivered by the consultants for internal review in late April. The draft plan will be discussed at public meetings in June. Staff anticipate providing another update at the June Commission meeting and presenting the draft comprehensive plan at the August Commission meeting.

Action Requested: Information only.

Prior Action by Commission: Staff updated the Commission on the planning process in April this year.

Prepared by: Ron Campbell

Legend

- Roads
- - - - Roads Primitive
- Walkways
- - - Trails
- Surface Drainage
- Approximate OPRD Boundary
- ▨ WC Easement
- Wetlands Conservancy

Existing Facilities

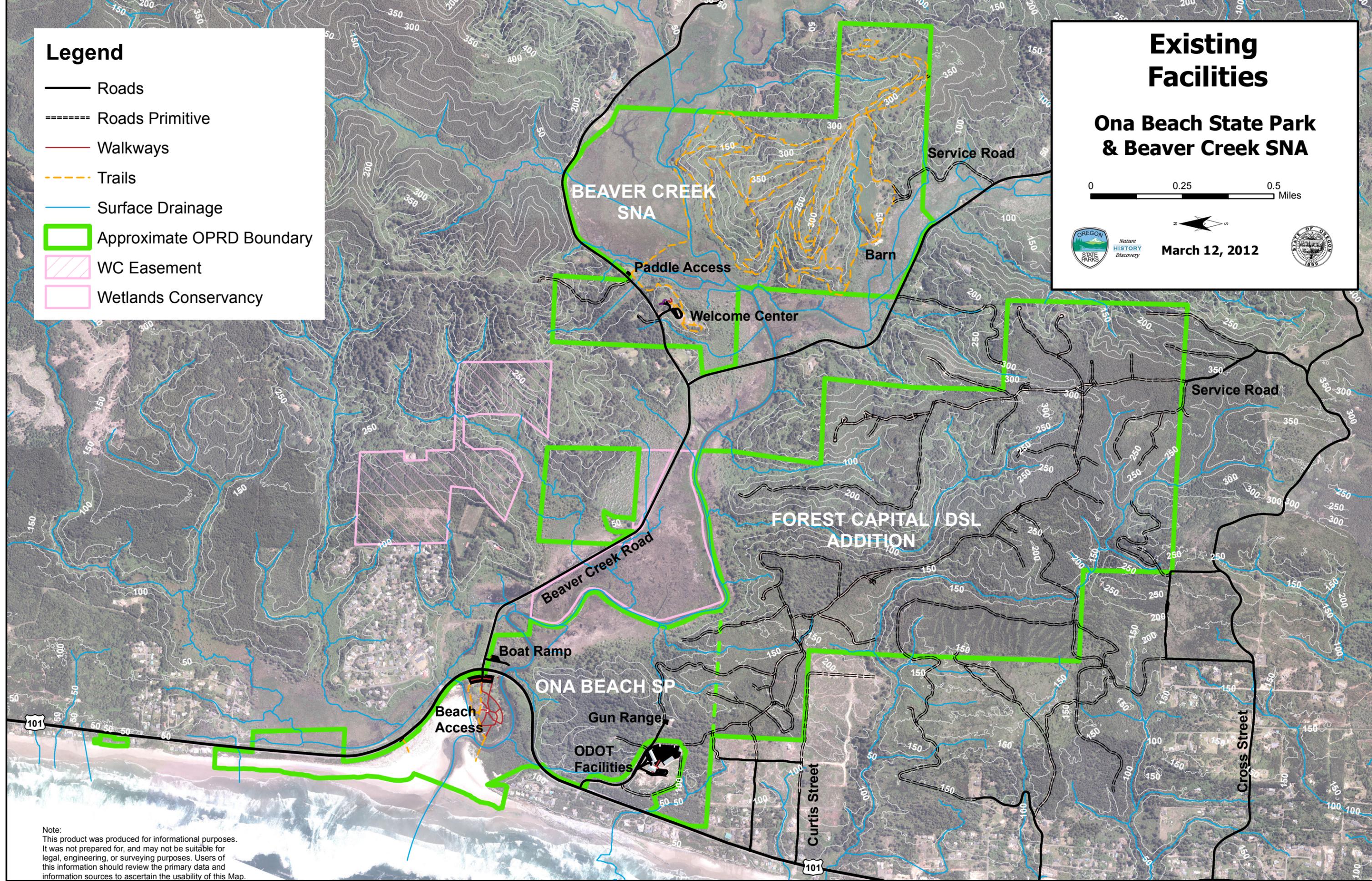
Ona Beach State Park & Beaver Creek SNA

0 0.25 0.5 Miles



Nature HISTORY Discovery

March 12, 2012



Note:
This product was produced for informational purposes.
It was not prepared for, and may not be suitable for
legal, engineering, or surveying purposes. Users of
this information should review the primary data and
information sources to ascertain the usability of this Map.

Legend

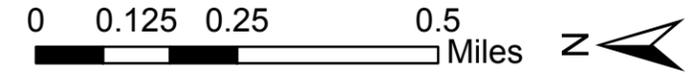
Opportunities

Type

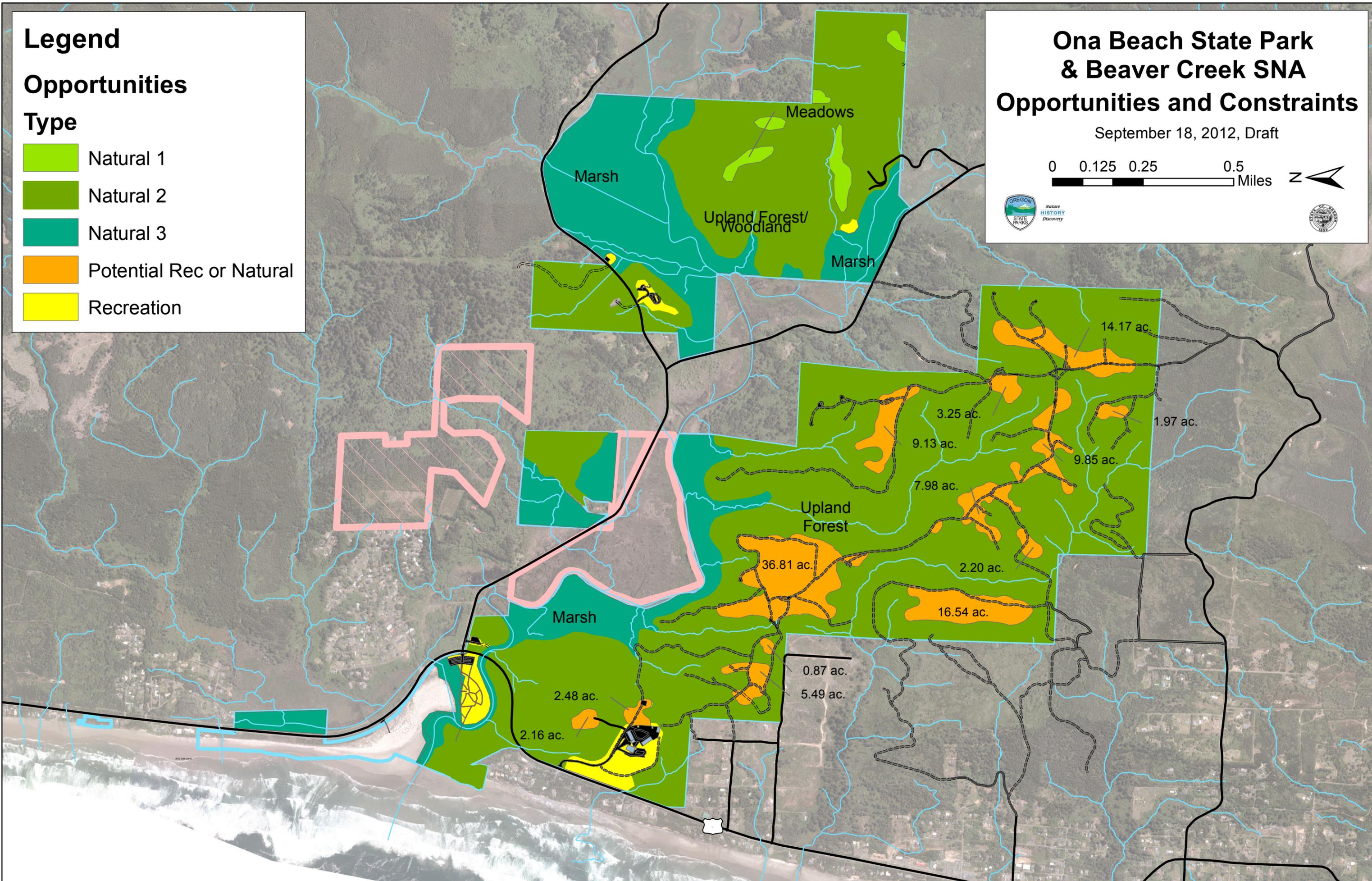
-  Natural 1
-  Natural 2
-  Natural 3
-  Potential Rec or Natural
-  Recreation

Ona Beach State Park & Beaver Creek SNA Opportunities and Constraints

September 18, 2012, Draft



Nature
History
Discovery



Oregon Parks and Recreation Commission

November 7, 2012

Agenda Item: 9d

Information

Topic: Cottonwood Canyon State Park Update

Presented by: MG Devereux

Cottonwood Canyon State Park is moving forward toward an anticipated opening in the fall of 2013. OPRD staff continue to work on a number of issues to advance the project toward completion.

Land Use

In September 2012 the final draft of the emergency plan, including the communications, fire, and emergency response items ordered in the conditional land use approval, was submitted for review and approval by Sherman County emergency service providers. After review of the plan the Sherman County Sheriff expressed concern that the radio system proposed for the park using the standard ODF radio frequencies would not interface sufficiently with the emergency communication system that supports Sherman, Gilliam, and Wheeler Counties. OPRD is working with ODF and communication contractors representing Sherman County to develop a cost benefit analysis of the radio system alternatives. That analysis will be used to try to develop an implementation strategy for communication that allows the conditional use requirements to be met, and development of park facilities according to schedule.

BLM

OPRD and BLM staff met to outline the process for moving forward with Recreation Public Purposes Application. This meeting was an opportunity to clarify OPRD intent for the request, create a list of areas where additional work might be needed, and outline a potential work plan. This discussion also included a representative from the Confederated Tribes of the Warm Springs, who have interest in the management of public lands in the John Day Basin. Moving the application forward will focus on a potential lease of identified properties, a patent transfer would not be possible due to BLM responsibilities under the Wild and Scenic River Act. It is anticipated that the process will take approximately 18 months to complete the review of the park comprehensive plan, conduct additional research that might be required, and complete public notice requirements.

Oregon Solutions

On October 10, 2012 the Cottonwood Canyon Experience Center Oregon Solutions Project culminated with a Declaration of Cooperation signing ceremony. Over 10 local, regional, and state partners gathered on site to sign the Declaration of Cooperation. The Declaration of Cooperation helps define community commitment to support the Experience Center through educational programming and future partnership opportunities. The work of the Oregon Solutions Project will be used help design the experience center building and create opportunities for a fundraising effort lead by the Oregon State Parks Foundation.

Park Opening Construction

OPRD staff from across the agency has finalized construction documents for the proposed park opening facilities. These designs focus on the primary visitor support facilities in the West Day Use Area, park maintenance and operations areas, and utility support for current and anticipated phases of development. It is anticipated that the construction contract for the first phase of facilities will be submitted for Commission approval at the January 2013 meeting. The contract will also include construction alternatives for reach projects to develop the overnight camping facilities.

Previous Action: Approval Cottonwood Canyon State Park Comprehensive Plan July 2011
Approval Main Entrance Construction Contract June 2012

Prepared/Submitted by: MG Devereux

Oregon Parks and Recreation Commission

November 7, 2012

Agenda Item: 9e

Information

Topic: Salmonberry Corridor Project

Presented by: MG Devereux

Background

In 2007 historic winter storms severely damaged the Salmonberry Rail Corridor that runs between Banks and Tillamook. The rail line, owned by the Port of Tillamook Bay Corporation, was forced to cease operation due to an estimated 54 Million Dollars in damage. The rail corridor has remained largely unused since 2007, except for a growing scenic tour line run from Tillamook by the Oregon Coast Scenic Railroad. In early 2012, a coalition of potential stakeholders came together to explore the potential for reconnection of the corridor with a recreational trail. The coalition including Oregon Department of Forestry, Cycle Oregon, Oregon Parks and Recreation Department, the Oregon Coast Scenic Railroad, and the Port of Tillamook Bay Corporation, have been meeting to create a high level feasibility study of a potential trail.

Feasibility Study

With support from OPRD, ODF, and Cycle Oregon a high level feasibility analysis of a rails and trails project along the Salmonberry rail line has been undertaken. This analysis is designed to provide coalition members with a framework to understand the major decision points such as: infrastructure condition; property ownership; resource condition; economic connections; maintenance and operation costs; and potential partnerships. The analysis will identify fatal flaws, suggest development potential, and provide an overview on options for the corridor. OPRD and ODF staff are taking the lead in creating this framework, and have contracted the design firm of Walker Macy to assist with the technical elements of the feasibility work.

Public Outreach

Developing the Salmonberry Corridor into a trail connection would require a significant investment of public and private resources. A significant element of the feasibility analysis is to engage the citizens and communities that would be affected by the trail. Two listening post meetings were held, one in Tillamook and one in Banks to present the trail concept and hear concerns and the ideas of the community. These meetings were very productive and issues raised included: the need for safe, healthy recreation opportunities; potential for economic development; working with scenic railroad to maximize trail potential; management of trail users; as well as costs and timelines for development. The materials from those meetings are posted on line as an ongoing public outreach effort.

Next Steps

The initial feasibility analysis will be completed by the end of November 2012. The Salmonberry Coalition will evaluate the study and use the decision making framework to decide the next course of action. If the coalition decides to move forward with the trail concept additional work will be done to identify priority trail segments, detailed cost and construction analysis, and catalyst projects that will help jumpstart awareness and community support.

Previous Action: Information provided March 2012 on long term property acquisition potential

Prepared/Submitted by: MG Devereux