

A Tale of Two Parks

Keeping Public Parks Open Using Private Operations Management

Let's look at two public parks near Sedona, AZ.

- One is operated by a public agency --Red Rock State Park, a part of the Arizona State Park system
- One is operated by a private company -- Crescent Moon / Red Rock Crossing Recreation area, part of the US Forest Service

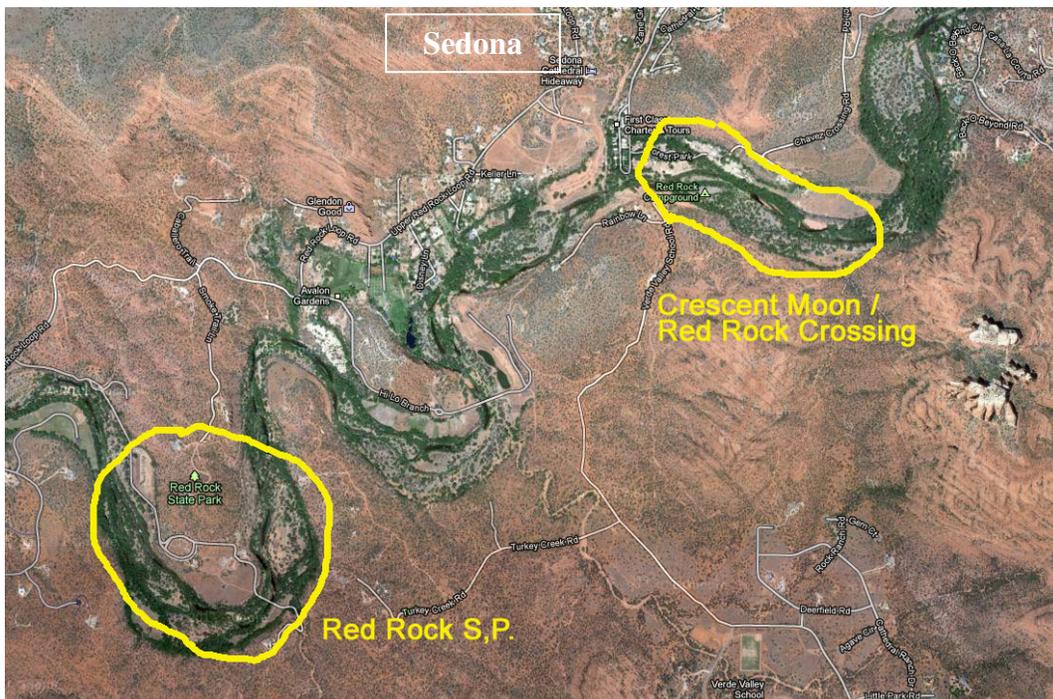
Summary

These two parks are very similar in location, facilities, and visitation. The main difference between the two is that one, Red Rocks SP, is operated by a public agency while the other, Crescent Moon, is operated by a private concessionaire.

The bottom line: while the state-operated park loses as much as \$234,000 per year for the state, the privately managed site generates nearly \$45,000 a year for the US Forest Service. As a result, the operation of the state-operated park is less financially sustainable, and this park was included on the 2010 Arizona State Park closure list.

Location and Size

The two parks are both publicly-owned. They are almost directly adjacent to each other and the visitor areas are roughly the same size



Both public agencies (Arizona State Parks and the US Forest Service) have constructed similar facilities at each park, which will be illustrated below with photos.

Both have a manned gate house to collect fees and provide visitor information (in all the photo sets below, Crescent Moon is on the left and Red Rocks is on the right).



Both have public bathrooms



Both have picnic and group shelters



Parking



Trails



There are a few differences. Crescent Moon is a popular wedding spot and manages a lot of weddings. Red Rock SP has a nice museum and store



On the other hand, the private company that operates Crescent Moon is required to use the revenue from that park and other sites in the contract to operate the Oak Creek Visitor Center, which is the main visitor information site in busy Oak Creek Canyon.



Finally, Red Rock SP offers guided nature hikes at least once per day at Red Rock SP. No guided hikes are offered at Crescent Moon.

Revenues are Very Similar

From a revenue and visitation perspective, the parks are very similar as well. In 2009, the revenues for the two parks were almost identical:

Red Rock SP	\$281,000
Crescent Moon	\$304,854

Fees are Very Similar, Though the Private Operator Charges Less Than the State

In 2011, visitor fees were

Red Rock SP:	\$10 per vehicle
Crescent Moon	\$9 per vehicle

In addition, the concessionaire at Crescent Moon offers an annual pass good at Crescent Moon and two other popular local parks (Grasshopper Point and Call of the Canyon) for \$40. Arizona State Parks offers an annual day use pass good at any of their parks for \$75.

The Biggest Difference is The Privately Operated Park Generates Money, While the Publicly Operated Park Costs Taxpayer Money

In 2009 Red Rock State Park had direct costs of \$370,943. In addition, its share of the regional operations office costs was about \$24,062. Finally some operations support costs are charged at the state park headquarters level (e.g. IT, HR support). The Morrison Institute estimated these costs at \$4 million in total, of which the Red Rock SP share

would be \$120,000 (though even the Morrison Institute admitted this was only an educated guess).

This creates the following financial picture for Red Rock SP:

Gate Revenue:	\$281,000
Expenses	
Direct	\$370,943
Regional ofc.	\$ 24,062
Subtotal	\$395,005
Net Cost, excl HQ	(\$114,005)
Allocated HQ costs	\$120,000
Net Cost w/ HQ	(\$234,005)

Government agency accounting is not set up well to support this kind of analysis. The costs above actually exclude a number of costs covered by the private company below, including liability insurance and equipment purchases.

The financial picture to the USFS at Crescent Moon, using the private operator, is quite different. The concessionaire keeps the park gate fees and pays all park operating expenses. So the only costs born by the USFS are oversight of the concessionaire and the revenues are the rents or fee paid by the private operator.

Concession Fees	\$ 54,873	(18% of gate revenue)
Expenses		
Park Op. Costs	\$ 0	
Oversight	\$ 10,000	
Net Revenue	\$ 44,873	

Typically, the USFS reapplies this net revenue back to improvements and new visitor facilities in the park. In this way, the public recreation areas in the USFS continuously improve, in stark contrast to the deferred maintenance and failing infrastructure in many Arizona State Parks.

Using the private operator rather state operation converts a loss of \$114-234 thousand to a gain of \$45 thousand, for a net benefit to the public of up to \$279 thousand a year!
