

REPORT OF THE BOARD OF CONSERVATION AND
RECREATION

**AN EXAMINATION OF PUBLIC-PRIVATE
PARTNERSHIPS IN VIRGINIA STATE PARKS**

TO THE GOVERNOR AND THE CHAIRMEN OF THE HOUSE
APPROPRIATIONS COMMITTEE AND THE SENATE FINANCE
COMMITTEE



COMMONWEALTH OF VIRGINIA
RICHMOND
November 2016

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COMMONWEALTH of VIRGINIA
DEPARTMENT OF CONSERVATION AND RECREATION

November 2, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Chris S. Jones
Chair, House Appropriations Committee

The Honorable Thomas K. Norment, Jr.
Co-Chair, Senate Finance Committee

The Honorable Emmett W. Hanger, Jr.
Co-Chair, Senate Finance Committee

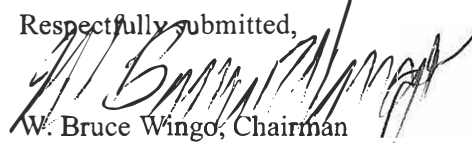
Dear Governor McAuliffe, Delegate Jones, Senator Norment and Senator Hanger:

I am pleased to provide this report, *An Examination of Public-Private Partnerships in Virginia State Parks*, on behalf of the Board of Conservation and Recreation (BCR) and the Department of Conservation and Recreation (DCR). This report is presented in accordance with requirements of the [Appropriation Act – Item 365 \(G\) \(Regular Session, 2016\)](#) and documents the results of our review and consideration of whether public-private partnerships would:

- result in greater operational efficiencies in the planning, development, construction, and operation of new state parks and in the management of existing state parks; and
- generate cost savings, allow for additional state park amenities, and increase operational revenues for state parks.

We have enjoyed the opportunity to review and explore existing and potential public-private partnerships and wish to acknowledge the Department of Conservation and Recreation staff and express our appreciation for their technical assistance and support. The results of this effort have been educational and informative for board members and have led to findings and recommendations that are useful to the Department in the management and future development of the Virginia State Parks System.

Respectfully submitted,


W. Bruce Wingo, Chairman
Board of Conservation and Recreation

Cc: Clyde Cristman, Director

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*State Parks • Soil and Water Conservation • Outdoor Recreation Planning
Natural Heritage • Dam Safety and Floodplain Management • Land Conservation*

Executive Summary

This report has been prepared in accordance with and fulfills the requirements of the [Appropriation Act Item 365 \(G\) \(Regular Session, 2016\)](#) which directs the Board of Conservation and Recreation to consider whether public-private partnerships would (i) result in greater operational efficiencies in the planning, development, construction, and operation of new state parks and in the management of existing state parks and (ii) generate cost savings, allow for additional state park amenities, and increase operational revenues for state parks.

Recent years reflect a growing interest in privatizing government services to reduce costs and increase efficiencies. Proponents of using private entities, including non-profit organizations, to operate a park or operate certain existing facilities within a park, believe the private sector is able to operate at a lower cost than the government entity or has special knowledge that will increase profitability. In contrast, research reflects an opposing view for the privatization of parks, park operations, and park facilities to include an unfavorable opinion regarding private entities profiting from the operation of traditional park services funded by tax revenue.

The Virginia State Park System has a long history of collaborating with private individuals, companies, and organizations to create and offer services to park guests. These include contracts with concessionaires, special permit events, infrastructure services; engineering and construction services; festivals and performance events; volunteer services; and most recently management and operation agreements as seen with the new Natural Bridge State Park and state park land in Loudoun County.

Several components must be present for a successful public-private partnership. Significant components include the legal authority of the public sector to enter into a partnership and the ability of the private entity to operate the park or provide services more efficiently and effectively and at a lower cost than the public sector. In examining the use of public-private partnerships, other factors to consider include how the land is acquired, potential limitations and restrictions on development, challenges pertaining to physical location of the park and general public support.

The State Park system in Virginia remains open to potential public-private partnerships, but in general the conditions that favor [privatization of entire parks](#) or [major park services](#) in the federal government and some states, mainly high employee and other operating costs, are not present in Virginia. In conclusion, the Board of Conservation and Recreation offers the following recommendations for the Department of Conservation and Recreation:

Recommendation 1: Proactively consider and identify additional facilities and services within its mission that can be created through public-private partnerships, consult with the private sector as to the feasibility of these projects, and solicit such arrangements if opportunities exist. Incorporating the identification of facilities and services that could be provided through public-private partnerships could be included as a component of the existing state park master planning process set out in [§10.1-200.1](#) of the Code of Virginia.

Recommendation 2: Explore potential partnerships with nonprofit organizations as a way to bring in development capital or special services on properties that are otherwise restricted to partnerships with for-profit businesses.

Recommendation 3: Continue to explore potential partnerships to improve electronic communications and connectivity services in State Parks.

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1. Trends in Privatization of Parks

Recent years reflect a growing interest in privatizing government services to reduce costs and increase efficiencies; to some extent, this trend extends to federal and state parks. The U.S. Forest Service and the Tennessee Valley Authority (TVA) have been especially active in creating private management contracts for their campgrounds. The National Park Service has traditionally used private concessionaires for lodging, merchandise, and food operations at its major parks, including Grand Canyon, Yosemite, and Yellowstone National Parks. At the state level, most systems utilize concessionaires for at least some park services. Interest in private management of park services has recently involved efforts to find management companies for the operation of resort-style parks. These parks typically include large-scale hotel or restaurant operations combined with golf courses or marinas and are usually built to provide local employment and stimulate the local economy. Recent economic downturns has increased the interest to utilize public-private partnerships for the operation of state parks and several states have partnered with a private management company or a non-profit organization to manage the entire park operation in response to a budget shortfall.

Proponents of using private entities, including non-profit organizations, to operate a park or operate certain existing facilities within a park, believe the private sector is able to operate at a lower cost than the government entity or has special knowledge that will increase profitability. Additionally, proponents claim that the private sector can pay lower wages, manage personnel more fluidly, and manage job workloads to enable additional employees to concentrate on other areas of park management.

In contrast, research reflects an opposing view for the privatization of parks, park operations, and park facilities to include an unfavorable opinion regarding private entities profiting from the operation of traditional park services funded by tax revenue, such as cabins and camping. A primary concern is what is termed “cherry picking”, where the private entity contracts to operate the high revenue generating parks while the public sector continues to operate the less profitable parks. Bundling revenue-generating parks with less profitable parks in the same contract may reduce the effects of cherry picking but may not mitigate the effect entirely. Additional issues of concern include the loss of quality control, the expectation that it will take extensive time to supervise the contractor, and the inclusion of services that are not compatible with the park mission. However, many of these concerns, including quality control assurances and potential amenities provided at the park, can be addressed through well-articulated specifications in the contract between the private entity and the public sector owner.

2. The Public-Private Landscape in Virginia

Several components must be present for a successful public-private partnership. Significant components include the legal authority of the public sector to enter into a partnership and the

ability of the private entity to operate the park or provide services more efficiently and effectively and at a lower cost than the public sector.

2.1 Legal Framework and Authority

Several authorities in the *Code of Virginia* (Code) allow for the use of public-private partnerships. Specific authority is provided to the Department of Conservation and Recreation (Department) in [§10.1-112](#) of the Code to "make and execute leases and contracts...for the development and operation of revenue-producing capital improvement projects in Virginia state parks upon the written approval of the Governor"; the Department must solicit the private entities under this authority. Furthermore, the Department has authority under [§10.1-104](#) to establish noncompetitively procured contracts with private nonprofit organizations to conduct revenue generating activities as long as revenues from the activities are used for the benefit of Virginia State Parks and the Natural Areas Preserve System.

Additionally, recreational facilities are included as allowable projects under the Public-Private Educational Facilities and Infrastructure Act of 2002(PPEA), [§56-575.1 et seq.](#) of the Code of Virginia. The PPEA allows private entities to provide unsolicited proposals to a public entity including state agencies, rather than requiring the private entity to wait for the public entity to request a proposal.

Lastly, the Department allows private entities to utilize state parks for special events through its Special Use Permit process, as outlined in the [Virginia State Parks Regulations](#) (4VAC5-30 et seq.). Businesses such as river outfitters or for-profit day care centers can use park facilities by purchasing a simple daily or annual commercial user permit.

2.2 Cost and Employment Factors

Utilizing private entities, rather than the public sector, to operate a park can reduce employee-related costs, such as wages; however, this is not likely the case for the operation of Virginia's state parks. The federal government and many other states pay relatively high wages to seasonal employees, and many provide some level of employee benefits such as health insurance. This is especially true in states with unionized public workforces. However, according to a review of similar job titles with the Bureau of Labor Statistics, the Virginia State Park system pays anywhere from 12% to 44% below the average Virginia hourly wage (public and private) for the most common seasonal positions associated with park services. For example, a state park lifeguard makes an average of \$8.87 an hour, approximately \$4.00 less than the average wage for lifeguards across Virginia.

2.3 Specialized Situations

Certain park services and facilities require expertise or access to resources that are not normally, or practically, available to the public sector provider. These situations create a significant opportunity for a public-private partnership. For instance, with powerboat rental services in state parks, the private operator must make frequent repairs and upkeep to outboard motors, buy and sell new and used boats, and potentially shift equipment between

business locations to meet demand. These business-related processes are difficult to provide within a park by state park employees. In other instances, the private entity employs specially licensed individuals such as a licensed captain necessary for boat tours or individuals with certifications necessary to supervise canopy (zip line) tours. The Department engages these private entities when it is cost efficient to do so and when the activity provided is appropriate for the park.

3. Potential Challenges and Limitations

In examining the use of public-private partnerships, several factors to consider include how the land is acquired, limitations and restrictions on development, challenges pertaining to physical location of the park and general public support.

3.1 Use of Tax Exempt Bonds

The Internal Revenue Service and Virginia Department of Treasury guidelines and requirements limit the use of private-public partnerships on lands funded and developed utilizing tax-exempt bonds. Excessive private business use of the proceeds of facilities financed with tax-exempt bonds may cause the interest on the bonds to be taxable to the bondholder. While, there are provisions that allow for a small percentage of bond proceeds for private use, this is closely monitored by the Virginia Department of the Treasury. It is possible for the state to sell taxable bonds in cases of anticipated private use, but there is a cost penalty to the state. The state is able to utilize public-private partnerships with tax-exempt public serving organizations, such as a 501(c)(3), if the purpose of the partnership is within the purpose of the tax-exempt organization and the Department of the Treasury reviews and approves the partnership.

3.2 Land and Water Conservation Funding

The Land and Water Conservation Fund (LWCF), established by Congress in 1964, utilizes the investments from earnings related to offshore gas and oil leasing to provide funds for the acquisition and development of public outdoor recreation areas and facilities. Government agencies that receive grants from the LWCF must agree to maintain the lands and facilities acquired or developed for outdoor recreation opportunities in perpetuity. In most cases, using a private contractor to provide a park service does not violate this provision. However, any venture, including any public-private partnerships, which includes services not considered outdoor recreation would be a violation of this grant requirement.

3.3 Virginia Capital Outlay Process

The provisions of the Commonwealth's capital outlay process can be laborious and expensive compared to normal private sector procedures; this can be discouraging to potential private entities. The process for PPEA projects does not include any special provisions to exempt or give special status to private partners regarding the state's capital outlay process, and actually adds additional steps and time to the process. These provisions increase the costs to the private

entity and can create disparities between the repayment of applicable financing and the start of the project's revenue generation.

Under the PPEA, the Department, in partnership with a private entity, successfully established a private operation that offers zip line canopy tours at Shenandoah River state park. The private entity estimates that development costs were at least 50% higher than a similar facility built on private land and an entire season of revenue was lost due to the lengthy state process. Additional comments from the private entity include:

- Engineering standards for capital projects on state-owned land exceeds those standards required by local building codes for the same type of building (e.g. concrete floor loads far in excess of what was necessary, and required warranties on windows longer than the normal 10-year warranty for commercial windows);
- Excessive testing and inspection requirements;
- Requiring a state-licensed engineer to sign off on installations (zip line facilities) that were designed and installed by an experienced construction company following nationally-approved standards;
- The payment system (pay by hour) for design reviews by the Bureau of Capital Outlay Management; and
- The time required to receive approvals for adjustments and corrections to plans during construction.

3.4 Park Locations

Numerous demographic aspects are considered when determining the location of a state park such as natural features, scenic values, and access to public waters. Business concerns, such as revenue generation, are not traditionally considered. As a result, several parks are in locations that are difficult to access, lack public utilities, present engineering challenges to development, and may have a limited employment pool. Many parks also have very poor cell phone or broadband connectivity. These factors can increase the development and operational costs of potential projects and may exclude a private entity, heavily reliant on technology, entirely from participating in a public-private partnership.

3.5 Public Perception

In order to further examine views of the public, a short email survey was sent to approximately 3,000 recent park visitors of which 1,050 responded. The responses reflect a skepticism and opposition to many ideas related to privatization of park facilities and services. Several key results include:

- Park users overwhelmingly reject the idea that the private sector can operate park services at a lower cost than the state. A total of 73.5% are somewhat or very sure that the private entity would have higher costs while only 13.5% are somewhat or very sure the private sector could operate with lower costs.

- A higher percent of park users are opposed to private build-and-operate projects. Fully 66.8% are somewhat or very much against the idea, versus only 19.0% very much or somewhat in favor.
- Users believe private operators would provide worse service than the state. 61.5% feel that service would decline under private operation against 12.0% who believe service would improve.
- Park users are convinced that private operators will drive up the costs of park services. A total of 89.5% are somewhat or very sure the price of the existing service would go up under private management versus on 3.7% who believe the price would go down.

When asked which park facilities or services would be most appropriate for operation by a private entity, the preferences tended to follow the pattern of park concessionaire services currently or previously provided in the parks. The top preferences selected were restaurants (59.3%), snack bars (47.5%), and retail sales areas (41.5%). Only 23.8% indicated that no facilities or services would be appropriate for private operation.

In an effort to measure the broader public's stance on privatization of parks and park operations, the 2011 Virginia Outdoors Survey results were examined. This survey is a random survey of Virginia households conducted as part of the development of the Virginia Outdoor Plan. While specific questions in the survey do not directly measure public support or opposition to park privatization, a few questions suggest a public position on the issue.

When respondents were asked if they prefer a public or privately-owned campground, 51% had no preference. Of those respondents who did have a preference, public campgrounds were preferred. A second question asked if public campgrounds should be built in state parks even if private campgrounds were nearby; 61% of the respondents favored the public campgrounds versus 12% in opposition (27% had no opinion). The responses to these two questions seem to indicate that the general public has a fairly strong preference for the manner in which the public sector manages this one type of park activity.

4. Current Public-Private Partnerships

From the inception of the Virginia State Park System in 1936 to the 1980's, virtually every state park had a private concessionaire that ran the swimming area, snack bar, boat rentals, and, in a few parks, horseback riding. However, the rising costs of concessionaire operations, including insurance costs, during the 1980's and 1990's resulted in a lower profit margin and subsequent requests for concessionaires went unfilled. In response, the Department undertook the operation of these concessions. Within a few years, the Department was able to operate the concessions effectively, utilizing for the most part, existing park management employees. In most cases, the services offered to the public were improved and expanded.

The concessionaires in the parks are generally customer-oriented and provide exceptional services and amenities for visitors. However, there have been instances that required the Department to assume responsibility for a concessionaire-based operation either because the concessionaire resigned or because the concessionaire contract terminated for cause. In those instances, the Department strives to continue the operation, at a minimum, through the peak season.

The Department retains all revenues collected from park visitors and payments from concessionaires. These funds are used throughout the State Park System. Approximately one-half of all park operating funds are generated through park revenues, including revenues from cabins, camping, and swimming. The Department is incentivized to utilize good business practices for all park revenue services. Many of the services previously operated by private concessionaires currently operate at equal or lower costs. However, other specialized situations have provided for productive private-public partnerships that are currently in operation. The key to successful concessions appears to be situations in which the contractor incorporates the park operations into an existing larger business such as a boat rental service operated by a local marine sales and service business. This allows the contractor to reallocate work force and equipment between businesses to lower costs and avoid service interruptions.

4.1 Park Concessions

Boating Services: Virginia State Parks currently has four concessionaires that offer boating services at lake or waterfront parks. The services vary from sailboat-specific rentals at Leesylvania State Park to the rental of power-boats, jet skis, non-power boats, and kayaks at Occoneechee State Park, Smith Mountain Lake State Park, and Claytor Lake State Park. The percentage of gross revenues paid to the Commonwealth of Virginia varies between 3% and 12% plus an annual contract fee of \$1,000.

Retail: There is one retail concessionaire located at First Landing State Park. The Commonwealth of Virginia receives a 10% commission plus an annual contract fee of \$2,000.

Wi-Fi: Virginia State Parks entered into a concessionaire contract to offer Wi-Fi operations at Kiptopeke State Park in 2015. The concessionaire was responsible for establishing an internet connection separate from that which the park uses, all equipment, network setup within the park, and for receiving payments and addressing service concerns. Equipment and network setup took longer than expected; therefore, the 2016 season will be the first full operating season to determine customer use and the service/revenue benefit. Once equipment costs are recovered, the Commonwealth of Virginia will receive 25% of gross revenue in the first year and 35% of gross revenue in the following years plus an annual contract fee of \$1,000.

Virginia Canopy Tours: There is currently one concessionaire, Virginia Canopy Tours, offering zip line canopy tours at Shenandoah River State Park. Virginia Canopy Tours provided all the funding for the development and operation of the facility. The operation is currently in its third season. The agreement requires the concessionaire to pay the Commonwealth \$1,000 each

month in the first partial year, \$25,000 total in the first 3 full years, and \$40,000 annually in years four through thirteen of the contract. For 2015, DCR received only the minimum fees, as total revenues did not exceed the threshold that would have yielded a participation fee payment.

The table below shows current PPEA and concession contract revenues for fiscal year 2016:

Park	Retail Operations	Boating	Sailing	Zipline	WiFi
First Landing	\$282,996				
Kiptopeke					\$0
Leesylvania			\$64,662		
Claytor Lake		\$222,302			
Smith Mountain Lake		\$117,625			
Occoneechee		\$66,111			
Shenandoah River				\$511,888	
TOTALS	\$282,996	\$406,038	\$64,662	\$511,888	\$0

4.2 Infrastructure Partnerships

Point of Sale System: Virginia state parks has operated a modern, computerized Point of Sale (POS) system for over 20 years provided by a private partner who maintains and modifies the operating systems as needed.

Reservations System: Virginia state parks has operated a modern, computerized Reservation System for over 20 years. This system is provided by a private partner, ReserveAmerica, now known as Active Advantage Works. The software is maintained and customized to suit the needs of Virginia and other states that use this software for park facility reservations.

Grounds keeping and landscape management: Virginia state parks contracted with a private concessionaire for grass mowing services in limited areas at two parks. While the arrangement worked in these particular circumstances, there is difficulty in creating contract terms that are flexible enough to consider fast growing seasons and dry periods. The park employees responsible for grass mowing are also responsible for many other maintenance functions, including repairs to cabins and campsites.

4.3 Capital Projects

The majority of the Department's capital projects rely heavily on public-private partnerships. In most cases, capital projects are designed and supervised under professional contracts with architectural or engineering firms. Additionally, private contractors handle construction on all but a few simple projects that are managed by park labor.

4.4 Natural Bridge State Park

An example of a public-private partnership is the recent operation agreement between the Department and the Virginia Conservation Legacy Fund, Inc. (VCLF). In 2014, VCLF purchased Natural Bridge and remains responsible for the loan on the property. On September 9, 2016, the Department and VCLF entered into an agreement to operate Natural Bridge as the 37th Virginia state park.

The Department manages the property and personnel necessary to operate Natural Bridge as a state park providing outdoor recreation, educational experiences, and hiking trails. The Department manages the gift shop and merchandising operations and contracts with a public entity for the management of the existing Monacan Indian Living History exhibit. VCLF continues to operate and manage the Natural Bridge Hotel, the food and beverage operations, the Caverns at Natural Bridge, and the transportation for hotel guests visiting the Bridge. Both partners are working together to identify revenue opportunities and pay operating expenses.

The Department and VCLF strive to provide a seamless transition for guests to book packages that include a stay at the hotel along with a visit to the Bridge and Caverns even though the operation of the two facilities is separate. The current operational relationship between both parties will allow future partnership opportunities for weddings and group tours.

4.5 Loudoun County Property

The Department received a donation of a large tract of land for use as a state park in Loudoun County. However, conservation easements on the property restrict development of many typical state park facilities and funds are not available for development or operation. A private non-profit organization currently operates an environmental center (the Blue Ridge Center for Environmental Stewardship) on adjacent property. The Department has implemented a concession arrangement under which the state land is available to the public for hiking and other purposes under the supervision and maintenance of the Blue Ridge Center. In return, the Center is able to conduct its environmental stewardship activities on the state land and collect normal park entrance user fees.

4.6 Non-contract Related Partnerships

Virginia's state parks make extensive use of volunteers, a special form of public-private partnership. For the most recent record period, over 1,300 volunteers donated 227,467 hours to parks. This represents a labor savings of approximately \$5.9 million.

Numerous private businesses in Virginia benefit from state parks even without formal partnership arrangements. A recent study conducted by the Virginia Tech Pamplin School of Business estimates the total economic impact of the Virginia State Park system to be \$139.4-\$171.2 million dollars per year. Private businesses that benefit include grocery and convenience stores near the park; real estate sales are enhanced by the presence of a park; food, retail, and fuel businesses along travel routes to parks; and recreational equipment sales and rental

operations. Additional studies have shown that the presence of park services and facilities in a locality can lure additional private businesses.

4.7 Special Events

There are special events that offer public-private partnership opportunities such as the concert series at Pocahontas State Park. The Heritage Amphitheatre, an outdoor venue at Pocahontas, hosts concerts and other large gatherings. Vendors often set up booths and displays and have activities in this area. Numerous other festivals, events, and fund-raisers, including charity runs, are held at state parks throughout the year. The Department receives the parking fees for many of these events, bringing additional revenue into the park. Opportunities for special events can be as simple as renting facilities to the sponsor or collaborating with a sponsoring group. In many cases, such as the Pork, Peanut, and Pine Festival at Chippokes Plantation State Park and the annual Arts and Crafts Festival at Hungry Mother State Park, the entire park is dedicated to the event. On the days of the festival a special parking/entrance fee is collected and split between the park and the sponsor.

5. Potential Partnerships for Virginia State Parks

The General Assembly instructed the Board of Conservation and Recreation to examine potential partnerships for state parks that might lead to cost savings and operational efficiencies or that may allow the park system to expand facilities and services to the public. With the previous discussion of the factors that create a favorable environment for these partnerships in mind, the following section discusses the possibilities of creating additional public-private partnerships that would achieve these goals.

5.1 Operation of an Entire Park by Private Management

Prospects for operating an entire state park in Virginia under private management as a way to lower costs or create efficiencies are low. The Department operates state parks at a relatively low cost, even compared to the private sector. A private partner taking over operations of an entire park would be forced to increase the park's profitability. The primary mechanism utilized by private management to achieve this is the optimization of staffing and operations. This process is described in a policy study, *Parks 2.0: Operating State Parks Through Public Private-Partnerships* published by the Reason Foundation (2013):

“Financial self-sufficiency directly results from the opportunity to optimize operations through whole park operation PPPs. The key lies in the ability of concessionaires to dramatically lower operating costs, primarily through a more efficient staffing model. The traditional public operational model relies on high cost, inflexible labor that is ill-suited to meet the needs of parks. State agencies typically hire full-time employees for year-round jobs, with credentials that over-qualify them for the job at hand. These employees also require costly public pensions and other post-employment benefits. However, this top-heavy staffing model is inconsistent with the nature of park visitation, which requires

seasonal labor to conduct straightforward tasks such as cleaning bathrooms and maintaining campsites. By contrast, concessionaires in park operation PPPs rely primarily on seasonal labor that can be hired at a fraction of the cost at competitive market rates.”

A closer examination shows that conditions that favor privatization of an entire park simply do not exist in Virginia. The Virginia State Park System pays well below the average hourly wages (public and private) for the most common positions associated with park services. While the flexibility of hours and suitability of current park staff is subjective, the cost of their employment relative to any available alternatives is objectively low. Eighty-three percent of Virginia State Park personnel are either seasonal or part-time wage employees, non-classified positions that do not require any manner of post-employment benefit packages. It is highly unlikely that a private entity will be able to lower operating costs to the level required for the management to be a profitable venture.

The other avenue to increase the profitability of the park operation for private management is to increase park revenue. Generally, the easiest way to increase profitability is to increase fees. However, public and political resistance to large fee increases and fee compatibility with surrounding states leaves the private contractor with room for only marginal increases in visitor fees. If a private manager is unable to increase revenue from current sources then the number of revenue generating sources, i.e. features and amenities, offered by the park needs to be increased. This would require capital investment. If a private entity invests in expensive capital improvements, the entity will seek a long-term contract with the Department to ensure an adequate return on investment.

The high-risk nature of operating an initially unprofitable state park (one in which operating costs cannot be greatly reduced) demands a short-term contract for the private entity to protect against long term losses if the entity is unable to turn a profit. At the same time, the capital improvements required to increase revenue and bring the park into profitability are only sensible under a long-term contract. This creates a winless situation for both the public and private entities.

5.2 Operation of Existing Park Services by Private Management

There are mixed prospects for the operation of existing types of park services via private contracts. The traditional core park services such as camping, cabins, and swimming areas already experience low operating costs under state management. Furthermore, there are economies of scale that are created by using the same full-time park staff members to manage multiple park services. Allowing private entities to manage one or two park service areas would only partially reduce the demands on existing permanent staff.

However, the specialized types of park services such as power-boat rentals and zip line operations do seem to be successful, and the Department is interested in extending these operations. The Department does not believe it would be effective or efficient in internally developing the business processes or skills necessary for some of these types of operations.

5.3 Operation of Park Infrastructure by Private Management

The Department continues to utilize and explore public-private partnerships for park-related support systems such as the point-of-sale system and the overnight reservation system. The critical component for these partnerships remains finding systems that are strong and well supported but also highly customizable and scalable to the Department's needs.

The Department remains open to possible service contracts for the maintenance of grounds, buildings, and equipment. The dispersed geographic nature of the parks makes it difficult to combine services for several parks into a single contract that would lower costs. Previous experience seems to show that there is little potential for savings in this area.

5.4 Development of New Parks

The potential for a private entity to build and operate an entire park is low. Development costs can be extensive for typical park sites since existing roads, water, sewer, and electric utilities are rarely present. A fully developed park in a good location and with a full array of revenue producing facilities, cabins, and camping may eventually produce a return on investment, but the timeframe is well beyond what is normally available for private financing.

The Department holds lands for five future parks that have limited funding for development. However, all of these lands were acquired using tax-free bonds, which would limit operation by a private entity. Partnerships with other government agencies or nonprofit organizations are the most feasible due to these limitations. Additionally, it may prove beneficial in the future, if the Department is aware of potential public-private partnership opportunities to request portions of bond funding not be issued tax free in order to address these limitations.

5.5 Development of New Specialty Facilities

The development of new specialty facilities presents the greatest potential for the expansion of park services through public-private partnerships to build and operate facilities. The Department pursues these types of partnerships in its contracts with park concessionaires and reviews and responds to all proposals offered by private entities for projects that are within the state park mission. In some of these cases, the concessionaire constructed or placed minor structures to support horseback riding and rental operations. As these contracts are short term and do not permit the contractor to gain any property interests in state land, any improvements are removed or become state property at the end of the contract.

As the demographics of the visitors to Virginia state parks changes, the preferences for the amenities and activities offered also changes. It is important that the activities and amenities offered in state parks attract a variety of consumers. However, the State Park System must balance the need for new types of recreational activities with the need to protect the essential nature of the parks.

Although the climate and topography of the Commonwealth may preclude many popular winter related amenities such as skiing and snowmobiling, there are still many other activities

and amenities offered by state parks nationwide, which could be included in the offerings at Virginia state parks. Private concessionaires rather than park employees could operate a high percentage of these amenities. Moving forward, the Department will continue to utilize public-private partnerships to identify and provide activities and amenities that enhance the experience at the state parks.

5.6 Development of Communications Infrastructure

The remote locations of some parks provide poor access to cellular and internet services; however, these are increasingly important amenities sought by park users. The Department has met with major communications providers in Virginia on this issue. There are two primary avenues of pursuit. One approach is for cell phone providers to erect towers in parks without seriously affecting the scenic values of the park and where it makes economic sense to the provider. However, relatively few park sites will potentially meet these criteria. The second approach is to provide Wi-Fi connectivity for park users. This may be possible through “pay for use” type concessionaires, which is not popular with park users, or through arrangements where the Department covers the cost of the service as a cost of operations. The Department has issued a Request for Interest (RFI) recently to investigate possible solutions.

5.7 Corporate Partnerships

An additional opportunity for exploration is to leverage private sector corporate social responsibility (CSR) resources. Many Fortune 500 companies, including those in Virginia, have CSR charters that encourage local community engagement and service. The Department has benefited from a number of such projects, such as donations of funds and labor from the Dominion Foundation (Dominion Power) and special promotions with The North Face and REI companies in which they funded free park pass entrance fees. The Department could explore additional partnerships with companies that have a desire to contribute funding or other resources for social projects beneficial to the parks or programs within the parks.

6. Conclusions and Recommendations

The State Park system in Virginia remains open to potential public-private partnerships, but in general the conditions that favor privatization of entire parks or major park services in the federal government and some states, mainly high employee and other operating costs, are not present in Virginia. In conclusion, the Board of Conservation and Recreation offers the following recommendations for the Department of Conservation and Recreation:

Recommendation 1: Proactively consider and identify additional facilities and services within its mission that can be created through public-private partnerships, consult with the private sector as to the feasibility of these projects, and solicit such arrangements if opportunities exist. Incorporating the identification of facilities and services that could be provided through public-private partnerships could be included as a component of the existing state park master planning process set out in [§10.1-200.1](#) of the Code of Virginia.

Recommendation 2: Explore potential partnerships with nonprofit organizations as a way to bring in development capital or special services on properties that are otherwise restricted to partnerships with for profit businesses.

Recommendation 3: Continue to explore potential partnerships to improve electronic communications and connectivity services in state parks.