

**REPORT
HIGHLIGHTS**
PERFORMANCE AUDIT

Our Conclusion

The Arizona State Parks Board (Board) manages 30 State Parks located throughout the State. The State Parks system faces risks to its financial sustainability because of a decrease in annual revenues from approximately \$54.7 million in fiscal year 2008 to approximately \$25.7 million in fiscal year 2012 due to the State's budget difficulties. Additional risks to the system include low and declining park visitation and park receipts that are insufficient to cover park and board operating expenditures. Recognizing that closing parks may have a negative impact, the Board has kept parks open by partnering with various governments and organizations, reducing some operating costs, and promoting visits to parks. The Board should continue these efforts as well as create a new marketing plan. In addition, the Board needs to develop a new strategic plan to address financial sustainability.



2012

Board manages State Parks system

The Board manages 30 parks in the State covering a total area of 62,000 acres, with 28 percent of the land owned by the State and 72 percent of the land either leased or under easement from federal and state entities. There are four types of parks—environmental education parks, such as

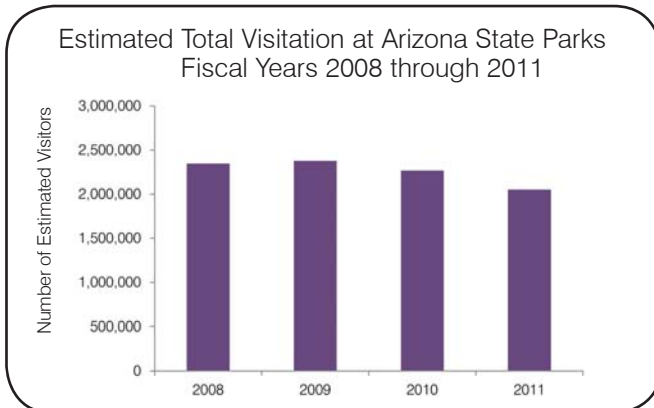
the Boyce Thompson Arboretum; historic parks, such as the Tubac Presidio; natural areas, such as the Verde River Greenway; and recreation areas, such as Kartchner Caverns and Slide Rock. The Board estimated that about 2 million people visited State Parks in fiscal year 2011.

Board actions to keep parks open in short term have generally succeeded but can be improved

Financial sustainability is a concern

—The Board's annual revenues decreased from approximately \$54.7 million, excluding \$20 million in Land Conservation Fund monies, in fiscal year 2008 to approximately \$25.7 million in fiscal year 2012. Over that same period of time, approximately \$72.1 million in board monies were reduced, redirected, or transferred to the State General Fund or other state agencies in accordance with various laws between fiscal years 2008 and 2012. These reductions, together with other factors, have put the State Parks system's long-term financial sustainability at risk. Key risks include:

- **Low and declining visitation**—Arizona has one of the lowest park visitation counts among western states, competing with many national and local parks for visitors.
- **Historically, park receipts insufficient to cover park-operating expenditures**—The loss of state funding for park operations has created a need for the State Parks system to transition from being publicly funded to paying for its own operating expenses. Histori-



cally, park receipts have not covered the operating expenditures allocated to the parks until recently, going from a deficit of more than \$2 million in each of fiscal years 2008 and 2009 to a surplus of more than \$328,000 in fiscal year 2011. However, certain direct operating expenditures, such as volunteer program administration and law enforcement, are not allocated to the parks. Board staff estimated that these unallocated expenditures totaled approximately \$4.3 million in fiscal year 2011.

- **Park receipts insufficient to cover other board costs**—Park receipts have not been sufficient to cover other board expenditures, such as capital projects and other board operating costs.

- **State General Fund and Board's Heritage Fund monies no longer available to expand parks system**—Historically, the Board used these monies to expand the park system, but these monies are no longer available.
- **Board monies could be transferred to the State General Fund in the future**—Like in the past, and similar to other state agencies' monies, because the Board's monies are not held in trust by the State, board monies are subject to potential transfers to the State General Fund.

Board has kept parks open—Despite these risks to sustainability, the Board has been able to keep parks open and reopen closed parks at least part-time. The Board has done this by partnering with various governments and organizations. For example, the City of Yuma and the Yuma Crossing National Heritage Area have operated the Yuma Territorial Prison and the Yuma Quartermaster Depot State Historic Parks with limited board support. The Board has also taken measures to reduce operating costs such as transferring the operation of some parks to partners. In addition, staff reductions, as

well as using part-time staff and volunteers, has reduced personnel costs by nearly \$7 million between fiscal years 2008 and 2012.

Board has taken measures to increase park revenues—The Board has added amenities such as electrical hookups for campsites, improved its reservation system for Kartchner Caverns and other State Parks, increased fees, and introduced a new fee schedule that accepts lower fees to attract campers during the off-season and higher fees when local events put camping sites at a premium. The Board has also increased its efforts to market State Parks by, for example, promoting special park events.

Recommendations:

The Board should:

- Continue and expand partnerships with interested governments and organizations;
- Assess the steps it has taken to increase revenues and make modifications as needed; and
- Create a new marketing plan—the old plan expired in fiscal year 2009.

Additional actions needed to address long-term financial sustainability

In 2009, the Board developed a strategic plan to address financial sustainability. As with most strategic plans, the Board's plan was intended to be a 2- to 3-year plan. However, the plan does not adequately address the State Parks system's long-term financial sustainability.

Perform board and park-level assessments—The Board will need to go through various steps to adequately develop a strategic plan. The first step is to conduct an assessment of the Board's internal strengths and weaknesses, and the external threats and opportunities. Extending these assessments to each individual park would help identify operational conditions and potential areas for improvement at each park.

Define what financial sustainability means for Arizona's State Parks—The Board should develop a specific definition of "financial sustainability" to provide direction for its future.

Improve goals and objectives; develop action plans—As part of its strategic planning, the Board

will need to develop goals and objectives that better address financial sustainability, and action plans to accomplish them. Georgia's Parks, Recreation, and Historic Sites Division's (Georgia) planning process, for example, focused on developing park-specific business plans.

Performance measures assess progress—Finally, the Board should develop performance measures to assess whether the Board is meeting its goals and objectives. For example, Georgia established specific measures to assess marketing efforts such as the percentage of repeat visitors within 12 months and the percentage of visitors referred by other visitors.

Recommendation:

The Board should undertake additional planning efforts to determine how the State Parks system can become more financially sustainable.