

**Janice K. Brewer**  
Governor

**Bryan Martyn**  
Executive Director



Board Members

**Walter D. Armer, Jr.**, Vail, *Chair*  
**Maria Baier**, State Land Commissioner, *Vice Chair*  
**Kay Daggett**, Sierra Vista  
**Alan Everett**, Sedona  
**Larry Landry**, Phoenix  
**William C. Scalzo**, Phoenix  
**Tracey Westerhausen**, Phoenix

September 10, 2012

Debra K. Davenport, CPA  
Auditor General  
State of Arizona  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The Arizona State Parks Board is responding to your recent letter and latest preliminary report draft of August 31 of the Auditor General's Performance Audit and Sunset Review of the Arizona State Parks Board.

Part One of this letter will address Finding 1 and Finding 2 with Auditor Recommendations and the Agency's responses.

Part Two provides comments from the Arizona State Parks Board which will further clarify details that will be helpful for readers to understand the agency's mission and management of issues in these unprecedented times.

## **PART ONE**

### **Findings and Recommendations and Agency Responses**

#### **Auditor General - Finding 1 (Left side of Page 11)**

*The Arizona State Parks Board (Board) faces a number of risks to the financial sustainability of the State Parks system. Many of these risks relate to the large reductions in board funding brought on by the State's budget difficulties in recent years and declining visitation. Closing parks could have an adverse effect on local economies near many of these State Parks. So far, the actions the Board has taken have allowed the State Parks to remain open or re-open, thus minimizing the potential negative impact of park closures to surrounding communities. These actions have included partnering with various organizations to help operate or support specific State Parks, reducing operating expenditures, and taking measures to increase State Park revenues. Auditors have identified some ways in which these actions could be further improved.*

**Recommendations (In report on Page 22)**

- 1.1 *The Board should continue to maintain and expand partnerships.*

**Agency Response**

For the past four years, Arizona State Parks has had a continuing priority of expanding and maintaining partnerships. This has resulted in 19 funding partnerships, including agreements with Native American Nations, state agencies and local communities such as Arizona Game and Fish, Yavapai County and the City of Yuma. Partnerships with many other entities are also prominent in the other divisions of the agency as well.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

- 1.2 *The Board should assess the impact of its recent revenue-enhancement measures – including amenities added to increase revenue potential, implementation of its new reservation system, and implementation of its adjustable fee schedule – to evaluate the effectiveness of these measures and make modifications as needed based on the results.*

**Agency Response**

Since many of the changes to revenue enhancements are new and additional revenue enhancements are being implemented, twice a year the Arizona State Parks Board will examine these revenue enhancements and alter these as appropriate.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

- 1.3 *The Board should continue the development of a new marketing plan and implement it when finalized.*

**Agency Response**

A revised comprehensive marketing plan following the OSPB Smart Guidelines will be presented to the ASP Board for review and approval.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

- 1.4 *The Board should implement the recommendations related to its cash-handling controls and asset inventories made in the Office of the Auditor General's 2012 procedural review.*

**Agency Response**

The cash handling procedures recommended by the Auditor General are already being implemented.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

- 1.5 *The Board should continue its efforts to improve the accuracy of its visitor counts. Specifically, the Board should develop and implement procedures for standardizing methods for counting visitors across parks, as appropriate. The Board should ensure that the park employees who are responsible for making visitor counts are trained in these new procedures.*

**Agency Response**

Standardized methods of counting visitors have been implemented and will be constantly monitored.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

**Auditor General - Finding 2 (Pages 28-29)**

*Additional actions appear necessary to help address risks to the State Parks system's long-term financial sustainability. The Arizona State Parks Board (Board) should improve its planning efforts to determine how the State Parks system can best be sustained in an environment in which the Board's financial resources have changed. Specifically, The Board should:*

- *Assess the strengths, weaknesses, opportunities and threats related to the agency's and specific parks' financial sustainability;*
- *Define financial sustainability as a way of providing strategic direction for future planning;*
- *Develop goals, objectives, and action plans for achieving long-term financial sustainability; and*
- *Develop performance measures to assess and monitor progress toward sustainability goals.*

*Although accomplishing these efforts with diminished resources poses a challenge, the Board has access to some resources that can help with the task, such as the Governor's Office of Strategic Planning and Budgeting (OSPB) and planning approaches developed by other states.*

**Recommendations:**

- 2.1 *The Board should assess its current strengths, weaknesses, opportunities and threats related to its financial sustainability. This assessment should include conducting park-*

*level assessments. In conducting its park-level assessments, the Board should at a minimum assess each park's strengths, weaknesses, opportunities and threats, as it has done in the past. In addition, it should consider conducting a more information-driven assessment similar to Georgia's model, which would provide a more detailed picture of each park's operating situation and future prospects.*

**Agency Response**

Every year the ASP Board develops and approves a comprehensive strategic plan. The Board will take advantage of the offer to use the OSPB technical format for the next five-year plan, which is due from all agencies by October 1. The ASP Board has an adopted policy that the agency strategic plan is a "living," constantly updated document that includes action steps. Quarterly, the ASP Board will review and update its strategic plan. Arizona State Parks has begun efforts to develop a new Strategic Plan, including an analysis of the strengths, weaknesses, opportunities and threats (SWOT) facing each park in the system. In addition, the Board, as is the case with all state agencies, will be required to have a Five Year Plan for the annual budget submission to OSPB by October 1, 2012

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

- 2.2 *The Board should develop a specific definition of financial sustainability for Arizona's State Parks and establish criteria for assessing sustainability that can provide strategic direction to board staff.*

**Agency Response**

Obtaining sustainable funding has been and continues to be the top priority of the Arizona State Parks Board. While Arizona State Parks formally endorsed the proposed 2012 parks funding ballot measure on June 6, 2012, that measure did not obtain enough signatures to make the November 2012 ballot. The Board's recommendation for the FY 2012-2013 budget to OSPB requested \$30 to \$34 million dollars for annual operations. This amount was consistent with reports from both the independent Morrison Institute and from Pros Consulting. Further, the Board has submitted its funding request for FY 2013-2014. The Board also directed staff to explain the \$202 million capital needs of Arizona State Parks to the Arizona Legislature.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

- 2.3 *To improve the long-term financial sustainability of the State Parks system, the Board should improve existing goals and objectives or develop new ones that directly address factors that affect financial sustainability. As recommended by the OSPB model planning practices, the goals should describe the agency's desired results, and the objectives should be specific, measurable, aggressive, results-oriented, and time-bound. In addition, the Board should include park-level goals and objectives based on the*

*individual conditions and opportunities at each park. Collectively, the Board's goals and objectives should address:*

**Agency Response**

These recommendations have been and are part of the ASP Board's current goals.

**AGENCY:**

- Managing agency expenses through personnel assignments for parks, Phoenix administrative staff and Partner program staff
- Adjusting operations and service levels at the parks and in the programs
- Seeking additional revenue sources for Parks and Partner Programs

**PARKS:**

- Increasing visitors to Parks through reconstructed marketing/media tactics
- Maintaining and expanding partnerships, including partnerships related to operations, funding, concessions, programs, marketing and other services
- Enhancing revenue-generating strategies through action plans, marketing plans, capital improvements, innovative programming and special events, and increased partnerships and concessions

**PROGRAMS**

- Combining staffing, cross-training individuals to accomplish section goals
- Statewide research programs have been severely curtailed, however going forward more partnerships with other agencies will be developed
- To increase outdoor recreation opportunities, the ASPB will boost the staffing to support remaining and future grant programs

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

- 2.4 *The Board should develop strategies through actions plans, marketing plans, capital improvement plans or other plans that guide staff to achieve agency-level and park-level goals and objectives. The Board's plans should identify who is responsible for achieving actions steps, when steps should be completed, and the resources needed to complete them.*

**Agency Response**

The ASP Board has focused on best practices governance issues with clear direction to the Parks' Executive Director to implement the necessary approved strategic plan and the Executive Director is formally evaluated on the agency's accomplishments and achievements in relation to the adopted strategic plan.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

2.5 *The Board should ensure that it has adequate performance measures to track its progress in meeting its revised and/or new goals and objectives. Specifically, the Board should:*

- a. Develop various measures to assess agency performance, including input, output, outcome, efficiency, and quality measures as appropriate;
- b. Determine baseline information in order to assess future progress; and
- c. Ensure that it has reliable data for measuring progress.

**Agency Response**

These recommendations are consistent with past and current ASPB practices. The ASPB will continue to improve in this area and in the next five-year plan.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

2.6 *Once its plans are developed, the Board should implement its plans and use its performance measures to monitor its progress toward achieving its financial sustainability goals and objectives.*

**Agency Response**

These are currently policies and actions by ASP. Consistent with earlier comments in this report, the ASP Board will continually embrace best practices.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

**Sunset Factors**

In accordance with Arizona Revised Statutes (A.R.S.) §41-2954, the Legislature should consider the following factors included in this report in determining whether the Arizona State Parks Board (Board) should be continued or terminated.

This analysis includes a recommendation for the Board to continue to contract with additional concessionaires where possible. (see Sunset Factor 12, pages 36-37).

**Agency Response**

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

## PART TWO

### Comments from the Board:

#### **Page 5 – Comment: Other Board Responsibilities**

In addition to the other responsibilities, we would also like to mention that the Main Street Program was added to SHPO's responsibilities in July of 2012, and is another program managed by Arizona State Parks Board.

#### **Page 13 – Comment: Park Visitation Section**

While State Parks struggled with the ongoing public perception that “all the parks were closed” after 2010, system-wide visitation dropped slightly. However, it should be noted that during this national recession, visitation to National Parks in Arizona was also down 1.8% in 2011. The Arizona Office of Tourism also reported that overall domestic and international travelers to Arizona were down 2.2% in 2011 as well.

#### **Page 14 – Agree: Park Receipts Discussion**

Until recently, the public, nationally and locally, seldom considered self-funding to be a goal of government. Without remarking on that philosophy itself, it should be noted that agencies, including Arizona State Parks, were not created, designed or legislatively intended to cover expenses. The Arizona Legislature initiated and financed the acquisition of numerous Arizona State Parks. They were created as economic engines to drive tourism to rural Arizona communities.

The financial impact of parks is usually indirect through the generation of sales in surrounding areas that generate thousands of dollars in taxes for all levels of city, county and state General Funds.

That funding reductions for Arizona State Parks have necessitated a keen focus on cash flow at Arizona State Parks has been a necessity created by circumstance, not explicit policy. Arizona State Parks is fortunate in having a few parks with substantial visitation that, when combined with dramatic cuts to staffing levels, now have a positive operating margin (as defined) that help support the other parks that were never intended to cover operating expenses, and are unlikely to ever reach that level.

#### **Page 16 – Agree: Park receipts have not been sufficient to cover other board costs.**

As of June 30, 2012, Arizona State Parks had \$153 million of fixed assets as reported to the General Accounting Office. By any of the standards of providing scheduled necessary maintenance for capital assets, the current total lack of capital funding in Arizona State Parks' financial resources is an unsustainable business model.

Insufficient capital funding is estimated at this time to be approximately \$202 million dollars, which affects the Board's ability to maintain existing assets. This also increases the risk of park closures because of public safety concerns.

**Page 17 – Comment: Park Closures would have a negative impact.** The Board has stated that its policy is to keep as many parks open as possible, which has been successfully achieved, at least by having all parks operating at some capacity. However, most Arizona State Parks were created by acts of the Legislature. We think the closure of a park should be a decision ratified by either the Governor, now that the ASP Director is an appointee, and the Legislature after review and recommendation by the Board.

**Page 21 – Comment: New Marketing Plan**

A new marketing plan is being finalized at this time. However, the agency's existing marketing plan was written, managed and maintained based on prior levels of staff and funding resources. With reductions by more than half in staff and funding, staff internally implemented numerous tactics to maintain visitation. More than 1,200 media stories, millions of web page views, 7,000 facebook fans and 6,000 Twitter followers occurred each year, even with the large number of changes in the operation of the entire park system.

**Page 23 – Comment: Board should perform agency and park-level assessments.**

The Board has asked Staff to perform a SWOT (strength, weakness, opportunity and threat) analysis of the agency's operations in every division and each park. This includes financial and operational planning, marketing, co-operation arrangements, and capital requirements.

However, we believe the Georgia planning efforts cited as an example provide only a template, albeit a generically clear general outline, for such planning efforts, for two reasons:

1) The State of Georgia Legislature has stated that the goal is for its park system to be 75% self sufficient, with state funding providing 25% of park system operations costs. The State of Arizona suddenly withdrew all state General Fund support in FY 2009 and FY 2010. The State provides 0% funding for Agency.

2) After discussing the implementation of the consultant's park system planning report with Georgia State Parks staff, they reported that the plan required an additional consulting contract with Pros Consulting because agency staff there could not sufficiently understand or implement it.

In fact, combined ASP park system revenues from gate fees and concessions generate, we believe, at least an 8 to 12% operating margin in the park system now, without any state General Fund support.

**Page 25 – Comment: The Board should improve financial sustainability goals and objectives and develop action plans for achieving them.**



The ASP Board has requested a new Strategic Plan exercise to establish a new operating plan that will focus on mission, tasks and sustainable financing of the agency, including the parks system. In addition, ASP will perform a 5-year strategic budget planning exercise for OSPB for submission by October 1, 2012. This is required of all Arizona agencies. The ASP and OSPB plans will probably contain some similar information, but differ in detail with the ASP plan probably being the more detailed.

**Page 28 – Comment: Planning resources available to assist the Board**

The Board and Staff will use the OSPB planning template but also other resources within the state and local governments to aid in the planning processes, including stakeholder groups and possibly private consultants.

**Page 37 - #10 – Disagree: The statement that terminating the Arizona State Parks Board would not significantly harm the public health, safety, or welfare is incorrect.**

The Arizona State Parks Board is responsible for the public safety, health and welfare of all 2.2 million visitors to the State Parks each year. Law enforcement personnel, as well as those in the parks with added certifications, are: first responders, wildland firefighters, wastewater and drinking water managers, e-coli water testers, and search and rescue experts. These are skills that park rangers must have to protect visitors.

Also, according to A.R.S. 41-511.03, the Board’s purposes and objectives include acquiring, preserving and maintaining areas of natural features, scenic beauty, and historic and scientific significance, pleasure, recreation and health of Arizona’s people. Other affected statewide programs would include the motorized and non-motorized recreational trails systems for residents and visitors. These programs would be eliminated as well. The State Historic Preservation Office would also be eliminated.

Further, many facilities have deed restrictions that require continual use as Arizona State Parks or the lands revert to the previous ownership.

And closing the Arizona State Parks department would create a severe economic hardship on those communities that have State Parks.

**Page 39 – Agree: Concessions Discussion**

The privatization plans created and endorsed by the Board are being implemented throughout the system in all categories, including expanding concession contracts. However, the Board is adamant that law enforcement, environmental education and habitat protection continue to be part of operations at the parks.

The Arizona State Parks Board and agency staff have appreciated the opportunity to work closely with the Auditor General's Staff during this performance and sunset audit process. We are continuing to implement the policies adopted by the Board to further the agency's mission, including the thorough and helpful recommendations in your report.

Sincerely,

Walter D. Armer, Jr. Chair  
Arizona State Parks Board

cc: Kevin Kinsall, Governor's Office Natural Resources Liaison  
Maria Baier, Vice-Chair, Arizona State Parks Board  
Kay Daggett, Member, Arizona State Parks Board  
Alan Everett, Member, Arizona State Parks Board  
Larry Landry, Member, Arizona State Parks Board  
William C. Scalzo, Member, Arizona State Parks Board  
Tracey Westerhausen, Member, Arizona State Parks Board