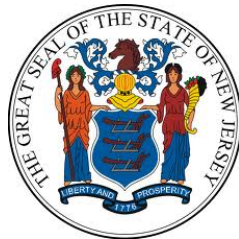


Sustainable Funding Strategy for New Jersey State Parks

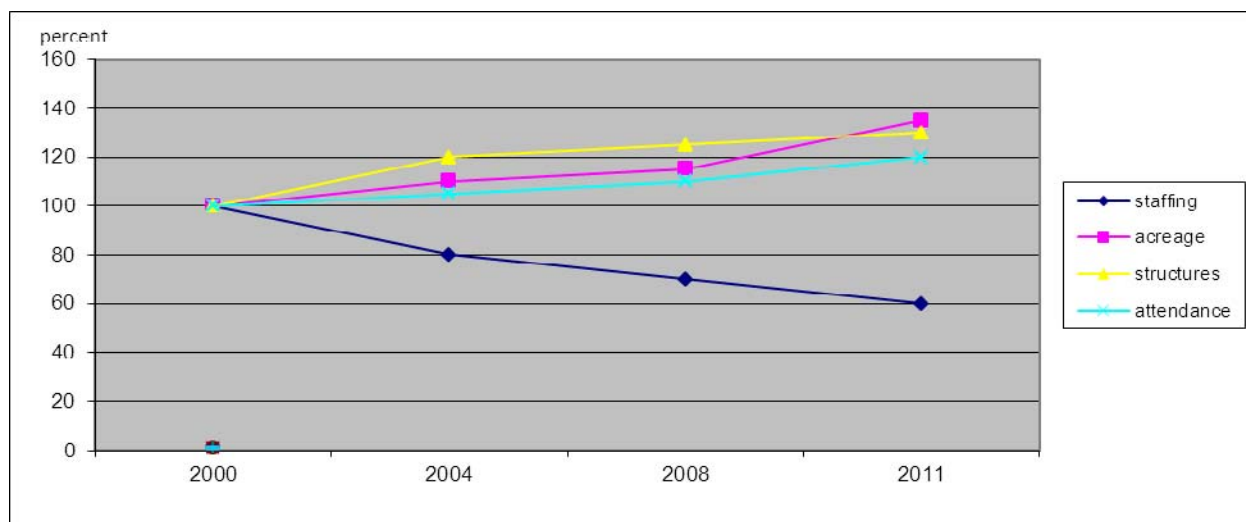


November 2011

Sustainable Funding Strategy for New Jersey State Parks

The Need For A Sustainable Funding Strategy For State Parks

The Department of Environmental Protection's ability to provide safe and reliable access to New Jersey State Parks and facilities is at risk. For each of the past three years, one-time funding solutions have barely kept the Parks open. Since 2000, supervisory staffing is down 41 percent, and police patrols are now regional rather than Park-specific to accommodate reduced staffing. During the same period, land administered by the State increased by 153,000 acres. Repair and oversight of 1,900 structures is quickly becoming unmanageable with 30 percent fewer maintenance staff. During this time of limited resources, severe staffing attrition, and expanding acreage, attendance is at a historic high of more than 18 million visitors annually.



Since 2000, acreage, structures and attendance have risen, while staffing has fallen dramatically.

The remaining 20 park superintendents are the field area managers who oversee 39 active recreation areas with seven-day, year-round operations. New Jersey Parks include 1,313 campsites, 53 cabins and group cabins, 18 yurts, 26 shelters and 32 lean-tos. More than 50 historic sites—ranging from stand-alone buildings to historic districts and villages—are managed statewide with varied hours of operation. These facilities, structures and battlefields are sited across the State's 600,000+ acres and include more than 500 miles of maintained hiking and riding trails, and 10 miles of sandy beaches.

Visitor safety and protection of our precious environmental resources continue to be key goals, yet with the small remaining team of supervisors and staff, and the very large number of seasonal employees, oversight of our swimming and camping areas hosting thousands of visitors is difficult.

Efforts Already Underway Or In Planning

A number of steps already have been taken to ensure public safety and environmental protection. As a resource- and cost-saving measure, the DEP reduced Parks' administrative office winter hours of operation to a five-day schedule in 2008. This allowed the State Park Service to reduce the number of winter seasonal employees hired with general appropriation funds by more than 50 percent.

In the past year, the State Park System restructured supervisory staffing to reallocate resources to adjust for budget reductions and significant staff attrition. The State Park System's administrative regional offices were reduced from four to three. Oversight of several parks that were previously staffed by a dedicated superintendent was consolidated into a nearby area. Continued superintendent retirements could result in the need for further consolidation and potential reduction in services or closures.

Where feasible, the DEP is continuing its transformation policy of entering into shared service management and use agreements with interested and like-minded government, private concessions and nonprofit entities to provide greater operational efficiencies and access to resources.

The DEP continues to review assets and resources that are not essential to park operations or visitor access, identifying vacant or underutilized buildings on State lands that were acquired through Green Acres funding. Where the property can be divided without impact to public use of the surrounding lands, such buildings are being slated for auction. Where such buildings are not feasible for auction, the DEP is planning to establish leases for their use by organizations whose missions align with that of the State Parks. Damaged properties that are neither eligible for the State or National historic registers nor feasible for lease or auction are prioritized for demolition to remove their risk to public safety.

Despite these significant steps already taken to relieve the impact of continued budget reductions, the services provided in New Jersey State Parks are unsustainable without substantive change. It is critical that the State establish a new operating model that maintains public access to our popular historic and natural resources. This new model would realize revenue production and achieve operational excellence, while partnering with like-minded nonprofits, foundations and corporations to ameliorate staffing losses.

Vision Of The Sustainable Funding Strategy For State Parks

What New Jersey State Parks look like with an implemented sustainable funding strategy:

- The Parks are financially stable.
- New funding sources are in place to sustain Parks with reduced reliance on the General Fund.
- The keys to financial sustainability are demonstrated value, expanded opportunities for marketing and revenue, and elimination of functions and expenses that are not mission-critical.
- Staffing and operations levels are increased through combinations of DEP staff and staff from partnering organizations.

Goals Of The Sustainable Funding Strategy For State Parks

What New Jersey State Parks achieve with an implemented sustainable funding strategy:

- The Parks are ecologically, environmentally and socially sound.
- We protect our natural and historic resources.
- We have consistent quality in every park while offering diverse, accessible experiences.
- We ensure public safety and provide stewardship, interpretive and maintenance staffing.
- We increase the number of visitors and the quality of their experience.

Historic Funding

The General Fund has contributed a majority of funding for New Jersey State Parks operations. Beginning in 2000 and continuing, General Fund contributions to Parks have been significantly reduced, and operations have been reliant on one-time funding sources.

Strategy Background And Direction

Since October 2010, the DEP has been conducting assessments and developing an initial revenue strategy consisting of:

- Expanding current services (such as more concessions at more Parks).
- Pursuing additional, new revenue opportunities (such as installing solar arrays on already-disturbed lands within Parks).
- Using outside professionals for specialized, non-DEP functions (such as lease management or concessions) to ease the burden on DEP staff resources.
- Leveraging the services and cost-sharing support of nonprofit organizations, foundations and corporate partners.

As a result of these efforts, DEP has several revenue-producing pilots underway. As designed, these initial projects would generate approximately one-quarter of the funding needed to keep the Parks open starting in 2015. To attain our vision, a second, parallel strategy for operational excellence is under development to address the additional revenue needed.

Key Findings To Date

There are five key findings from our assessment:

1. Only one park, Island Beach State Park, generates revenue in excess of spending. Three of New Jersey's four largest Parks each spend \$1 million per year more than they generate in revenue. In total, Parks spend \$18 million more than they collect.
2. Expanding current capabilities will not by itself generate enough additional revenue to sustain the Parks. A second, parallel effort is required to establish a new operational excellence philosophy based on each Park offering unique Park-centric amenities that provide value to our constituents and funding for the Parks.
3. Nonprofits and foundations are extremely wary of committing their resources to new funding initiatives for Parks without a State commitment to protect the funding solely for Parks use.
4. Most of our implementations are significant projects. Derived funding from initial projects will not be fully available until 2015.

New Directions In Strategy, Funding and Revenue

There are several new directions which we must pursue to change the parks funding paradigm:

- Increase overall funding for Parks by 15 percent over time to move to an “ideal sustained” total spending level.
- Greatly reduce dependence on the General Fund and preserve newly generated revenue for Parks operations.
- Keep entrance and parking fees at current levels to ensure New Jerseyans’ continued access to Parks.
- Establish a new operating philosophy based on each Park managing its resources and offerings, using business partners (e.g., a food services manager) to provide operating experience and resources.
- Leverage partners (e.g., nonprofit organizations, foundations and corporations) to provide functional staffing and financial support.
- Use new funding to support stewardship, interpretation, maintenance and police. Eliminate non-mission-critical functions and expenses.
- Increase visitation and visitor satisfaction.
- Ensure capacity to operate and maintain existing Parks and future acquisitions.
- Staff the Parks at sufficient levels to maintain operational excellence.
- Market the ecological significance of the Parks’ acreage in the State—and the investment required to maintain it.
- Enhance current services and capabilities.
- Pursue additional, new revenue opportunities.
- Market specific Parks’ offerings and amenities.
- Establish pricing for amenities that is in line with other states and our local competition.
- Use outside professionals for specialized functions (e.g. lease management) to ease the burden on DEP staff resources.

Two-Tranche Operational Excellence Strategy

Tranche 1: Strategy Underway To Generate 38% Of Operating Budget Annually By 2015

Tranche 1 would continue efforts to expand current Parks services and capabilities and to pursue additional, new revenue opportunities. These include extending revenue via solar arrays on already disturbed land, amenity fee modernization, creative programming opportunities and a voluntary park contribution from motor vehicle registrations.

The following projects are underway:

- Planning for a significant restructuring of State Park concessions has already begun. The State’s goal is to have multi-capable concessionaires to handle amenities so that the DEP can concentrate on stewardship activities. Individual vendors that can provide more than one service to Park visitors—food services, event planning, canoes, boating, lifeguards, etc.—will generate better financial return to the State while enabling Parks staff to focus on their core mission. An RFP for Liberty State Park has already been issued.

- Pilot sites have been identified for installation of solar arrays. Potential sites have impervious surfaces or are already disturbed. We will not disturb trees or install solar over grassy areas.
- All four of our golf courses are now leased. DEP staff who worked at a golf course were redeployed into others areas of Natural and Historic Resources.
- Plans for rehabilitation and upgrade of the Waterloo Village Meeting House are out for construction bids. The next step is an RFP to lease the Meeting House as a banquet facility.
- Discussions between the DEP and the Motor Vehicle Commission are ongoing to add a voluntary donation to automobile registration renewals, to be used for Parks' operations. These changes will be scheduled to coincide with major changes to MVC systems and software.
- Parks properties that are attractive, vacant and do not require significant work to bring them up to code are being assessed for their potential as vacation rentals, beginning with two houses that overlook Delaware Bay at Fort Mott, and a historic house with fishing on a river in a Sussex County forest.
- We will not change Parks entrance and parking fees for New Jersey residents. Our amenity fees, however, listed in the Administrative Code, have not been altered in eight years. A review of the fees charged by other states and local entities providing similar services demonstrates that New Jersey's are significantly lower. We have a plan in place to increase the per-camper nightly fee at Group Campsites from \$1 to \$3. Pennsylvania, which has the next lowest fees, charges residents \$4 per night, non-residents \$5. New Jersey is one of the few states that do not charge higher fees to non-residents. Twenty percent of Pennsylvania's park visitors are from out of state. New amenities will be offered at fees that are competitive with other states and local providers. These fee changes will require a change in the administrative code.
- Fees for private events and concerts are under review. Liberty State Park over the past few years has hosted the Red Bull Air Races, Cirque du Soleil and a Paula Abdul concert, and in no case were the fees charged to promoters in line with competitive rates. While nearby Randall's Island in New York charges \$18,000 per day plus a percentage of tickets and concession revenue, the Administrative Code only allows Liberty to charge \$550 a day for a field (no acreage limit) and overtime costs for staff. We do not intend to increase the number of large-scale events at State Parks, but must receive fair compensation when we do elect to host them.
- To offset some staffing shortages, partnerships with nonprofits are needed. Some partnerships are already in place. The Conserve Wildlife Foundation is providing interpretive programming at Allaire and Island Beach State Parks and soon will add Spruce Run State Park. The DEP continues to approach additional like-minded organizations to provide support to DEP staff.

Tranche 2: Operational Excellence Strategy To Generate Additional Revenue

We are adding a second and parallel strategy to achieve operational excellence through revenue generation and management, continuous improvement, and tailoring operations to each Park's heterogeneous features—that is, not treating every Park the same.

Initial candidates are our four large “anchor” Parks, each of which has more than 1 million visitors per year: Island Beach State Park, Liberty State Park, Wharton State Forest, and Cheesequake State

Park. For Island Beach, Liberty and Wharton, strategies will employ each of the parks' unique amenities. Cheesequake, as a more traditional recreational park, will be a model for similar, smaller recreational parks across the state.

DEP's operational excellence goal will be to generate enough revenue to cover one-third of the Parks' spending. For our four largest, this would require:

- An external infusion of capital, planning expertise, and constituent and legislative support, some of which will be gained by partnering with nonprofits, foundations and corporations.
- Initiatives focused on enhancing attributes of individual parks when there are opportunities for revenue generation. This will allow us to continue to also offer those amenities that do not generate revenue.
- Charging comparable market rates for services.
- More efficient management based on subject matter expertise, maximizing Parks staffs' existing skill sets, and using outside professionals for specialized, non-DEP functions (such as lease management or concessions).
- "Proofs of concept" to ensure successful ventures before rolling out statewide (e.g., when adding aquatic programs, have a trial implementation at one Park before introducing it at other Parks, with any modifications necessary based on lessons learned from the pilot).
- Buy-in from the local communities, Friends of the Parks groups, and the Legislature.

Retained Funding

For this strategy to be viable, all revenue generated from the Parks must be retained by DEP for Parks operations.

Next Steps

The DEP will continue the Tranche 1 Strategy to expand current services, pursue new opportunities, and complete implementation of projects already underway to achieve our 2015 goal.

The DEP will begin to pilot the Tranche 2 strategy of operational excellence projects in Liberty State Park, followed by Island Beach State Park. While it is difficult to assess a timeline until implementation plans are developed, the target date to achieve the first revenue is by 2015.