

October 2, 2012

OFM comments on September 17, 2012 Fort Worden State Park Business and Management Plan

FROM: Jim Cahill, Senior Budget Assistant to the Governor, Office of Financial Management

Mr. Robison,

OFM staff have completed our review of the Working draft of the Fort Worden State Park Business and Management Plan (September 17, 2012 version). We appreciate the consultants addressing some of the initial concerns raised in our review of the first draft including:

1. Clarifying the levels and distribution of capital costs between the Commission, the Public Development Authority (PDA) and Partner Organizations.
2. Adding funding for marketing activities.
3. Providing more detail on the cost projections in the Pro Forma as well as Implementation Recommendations and Phasing of work through 2024.
4. Adding potential performance metrics to measure the success of the management agreement and hold partners accountable.

Our latest review continues to identify many of the concerns included in our first review. These include:

1. The plan does not discuss in a coherent way the options for management of Fort Worden. It primarily focuses on the merits of the PDA managing the Campus Area of Fort Worden without discussing clearly other options.
2. Although the Pro Forma does add 2011 actual revenues and expenses, the current draft does not clearly describe or compare the current level of expenditures by the Commission on operating and maintaining the Fort Worden Campus Area. This information must be provided to make informed decisions related to the management of the campus by the PDA.
3. No information was provided on how the additional revenue from liquor sales were calculated. There is also no discussion on whether this would be allowed by state rules and regulations and what changes to these same rules and regulations would be required.
4. Although the plan does discuss the distribution of capital costs between the Commission, the Public Development Authority (PDA) and Partner Organizations, the plan does not provide any explanation for the priority and timing of capital projects. The plan also does not discuss what minimal capital expenditures would be required to maintain the existing revenue streams. The Combined Capital Plan also does not specify responsible organization for each particular project over the next 11 years. Assigning responsible organizations and amounts for each project would provide the Governor, Legislature and PDA with an initial road map for future funding requests.

5. Although the report provides a list of options to fund capital projects to be lead by the PDA it does not provide examples of where these types of options have been successful at other parks or facilities across the nation. It would be good to provide examples of projects at other similar facilities Fort Ross, Asilomar State Park where partnerships were successful used to renovate facilities.
6. The report does not clearly identify the net financial impact of this business and management plan on the State Parks and Recreation Commission. Given the difficult funding situation facing State Parks in the 2013-15 Biennium the full impact to the Commissions operating expenses and revenues needs to be understood. It would be desirable for the PDA and the consultant to work with the Commission to clearly identify these impacts in the final report, including the level of subsidy, for the 2013-15 Biennium and beyond.
7. Although the report does specify a \$250,000 reserve fund, it does not discuss what would happen if this reserve is exhausted and who would be responsible for this loss.
8. The plan assumes that the Commission would provide the PDA \$150,000 towards the \$300,000 in mobilization funding. There are significant concerns with this proposal given the current fiscal stress on the Parks Commission and the overall fiscal health of state government which currently faces an estimated \$1 Billion shortfall in revenue available to carry forward current programs into the 2013-15 Biennium.

Attached is a more detailed set of comments on the plan.

Finally, OFM has received a copy of a letter sent to the PDA inquiring about a potential conflict of interest of several members of the PDAs Board of Directors. I would hope that the PDA takes these concerns seriously and addresses them as appropriate as they finalize the business and management plan and the governance approach in any management agreement.