



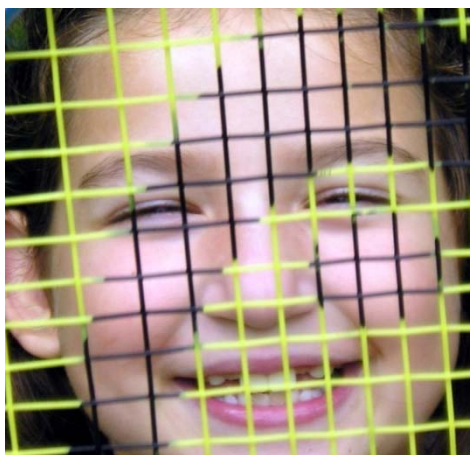
Maryland-National Capital Park and Planning Commission

Montgomery County Department of Parks



Task Force Report

Status of the Enterprise Division ♦ August 2008



Maryland-National Capital Park and Planning Commission
Montgomery County Department of Parks

Task Force Report
Status of the Enterprise Division

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Executive Summary

The Montgomery County Department of Parks provides a successful park system that is enjoyed by all residents. The Department is committed to providing safe leisure and recreational experiences to meet the needs of our citizens.

Some facilities and programs offered by the Department provide a more exclusive and individual benefit to the users, such as indoor ice rinks, indoor tennis, and golf courses. For use of these facilities, a user fee is typically charged to minimize or eliminate the impact on the tax supported funding to provide these facilities.

History

An Enterprise Fund was established in the early 1970s to account for these revenue producing operations. The benefits of Enterprise Fund accounting include an entrepreneurial approach to running governmental operations where revenues and expenditures are closely monitored and less rigid budgetary controls allowing for more flexibility to create new programs. At its inception, the Enterprise Fund policy stated that Enterprise facilities should cover their operating costs, but capital costs should continue to be borne by the tax supported Park Fund.

By the early 1980s, the Enterprise Fund facilities were so successful that the policy was changed to require the Enterprise Fund to be completely self-sustaining by paying for all expenses including capital costs, debt service, and operating costs.

Since the early 1990s, the Enterprise Fund has paid for, and thus saved the tax payers, almost \$35 million in capital improvement projects to construct five new facilities and to fund major renovations at four facilities.

Challenges

However, since the early successes of the Enterprise Fund, a number of factors have made it more challenging to operate profitably and have effectively reduced the viability of the model of complete self-sustainability. Included among those factors are the effects of a more competitive market (lower revenue) and rising operating and capital costs (increased expenditures).

In the 1990s, the Enterprise Fund's largest and most profitable facilities, golf courses, ice rinks, and indoor tennis, faced increasing competition from an explosion of similar public and private recreational facilities built in the area. Due to the unique appeal of these facilities, there weren't enough existing and new users to go around, effectively lowering the profit potential for both established and new operations. In addition, utility costs have soared and needed repairs and major maintenance costs on our aging facilities have come due. The result has been lower operating profits and in many cases operating losses.

As Montgomery County's population becomes more demographically diverse, the Department's philosophical goal regarding Enterprise Fund operations has shifted to place more emphasis on

being more inclusive by increasing opportunity and participation rather than emphasizing a positive bottom line. This philosophical shift is evidenced by the Enterprise Division's mission "to provide great affordable recreation for all" and new initiatives for the Department such as "no child left inside."

Purpose of the Task Force and status of the Enterprise Fund

The changing financial conditions and more inclusive community orientation have created a situation where the Enterprise Fund is no longer able to abide by the 1980's standing policy of total self-sustainability. To address this, the Parks Department convened a Task Force to examine the Enterprise Fund policy. The Task Force reviewed the historical and current Enterprise Fund operations and policy in Montgomery County and Prince George's County, and made recommendations for the future of the Montgomery County Enterprise Fund and Division.

- The Task Force found that the Prince George's County Parks and Recreation Department has chosen to promote the social service and community benefits as well as the economic development benefits derived from their user fee operations. To facilitate this, Prince George's Enterprise facilities are subsidized by the Park Fund in the amount of \$7.3 million in FY07 and \$8.4 million in FY08.
- In addition, the Task Force found that the Montgomery County has the most diverse collection of Enterprise facilities in the county and state, and that the policy on total self-sustainability for user fee facilities in the recreation arena is unique in comparison to most, if not all, local and state jurisdictions across the country.

Conclusion

After careful review, the Task Force supports retaining the Enterprise Fund and Enterprise Division but with an amended policy which allows the facilities to operate as efficiently as possible with tight financial management resulting in lower net costs for the tax payers. The Task Force submits that there is an urgency to take significant action at this time. The Enterprise Fund policy cannot remain as status quo without facing the crumbling infrastructure of the Enterprise facilities.

The Task Force developed the following recommendations for the Enterprise Fund

Recommendation #1 - Redefine the Enterprise Fund fiscal policy to maintain Enterprise Fund accounting model but to fund all capital costs and some operating costs from tax receipts.

- a) Amend the Enterprise Fund fiscal policy to maintain the Enterprise Fund accounting model, with capital costs, debt service, and some operating expenditures funded from tax receipts. This would be consistent with the Montgomery County government's long standing fiscal policy with respect to user fee facilities operated by the Department of Recreation. Retaining the Enterprise Fund model maintains the ability of Enterprise facilities to exceed budgeted expenditures and to take advantage of new revenue opportunities or adjust to growing demand and program participation.
- b) Include Enterprise facilities in the overall Parks' capital improvement program for needs assessment, planning, and construction/modernization based on service delivery priorities and facility condition, not according to source of funds.
- c) Change the practice of contributing an Enterprise Fund specific chargeback to Central Administrative Services for finance, personnel, and procurement.

- d) Transfer the division's administrative staff positions/work years and associated costs to the Park Fund. This change would be consistent with the policy for Prince George's County's revenue producing facilities.
- e) Change the vocabulary to mirror the change in policy – refer to any funds received from the Park Fund as “Park Fund Participation” rather than the term “Park Fund Subsidy” due to the widespread misunderstanding of that term.

Recommendation #2 - Retain facilities and services in an Enterprise Fund to maintain tight fiscal management of facilities and to lower net costs for tax payers.

Recommendation #3 - Develop innovative new programs to increase participation and profit while meeting the current and future demands of the public.

Recommendation #4 - Establish an Enterprise Management and Development Committee to steer current and potential future Enterprise facilities and programs.

Recommendation #5 - Change the name of the division to “Revenue Facilities and Services” to reflect that this is a Department of Parks' division with both Enterprise Fund and Park Fund responsibilities.

Maryland-National Capital Park and Planning Commission
Montgomery County Department of Parks

Facilities in the Enterprise Fund

Enterprise Division Managed Facilities

The following facilities are managed by Enterprise Division staff and operate as closely to a private business as possible.

- ❖ Ice Rinks - facility maintenance and programming
 - Cabin John Ice Rink
 - Wheaton Ice Arena
 - Wheaton Outdoor Rink
- ❖ Indoor Tennis – facility maintenance and programming
 - Pauline Betz Addie Tennis Center at Cabin John Regional Park
 - Wheaton Indoor Tennis Facility
- ❖ Event Centers – facility maintenance and programming
 - Rockwood Manor
 - Lodge at Seneca Creek
 - Woodlawn Manor
- ❖ Golf Course – lease administration
 - Little Bennett Golf Course (leased to Montgomery County Revenue Authority)
 - Needwood Golf Course (leased to Montgomery County Revenue Authority)
 - Northwest Golf Course (leased to Montgomery County Revenue Authority)
 - Sligo Golf Course (leased to Montgomery County Revenue Authority)
 - South Germantown Driving Range (leased to a private operator)
- ❖ Other – lease Administration
 - Cell Tower Contracts
 - Fiber Optic Contracts

Park Fund Managed Facilities – Administered by Enterprise Division

These facilities are primarily summer seasonal operations located in regional parks. They are accounted for in the Enterprise Fund but are managed and operated by the regional park staff. Some of these facilities cover their direct operating costs, but none cover all maintenance and operational expenses, let alone capital costs, significant or otherwise.

- ❖ Agricultural History Farm Park
- ❖ Black Hill Boats
- ❖ Lake Needwood Boats
- ❖ Cabin John Train
- ❖ Wheaton Train and Ovid Hazen Wells Carousel at Wheaton
- ❖ Little Bennett Campground
- ❖ South Germantown Splash Playground and Miniature Golf
- ❖ Brookside Gardens
- ❖ Regional Park Shelters

Maryland-National Capital Park and Planning Commission
Montgomery County Department of Parks

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Background

The Montgomery County Department of Parks provides safe, natural places for people to gather, where parents can relax, and children can play. Our successful park system promotes a strong sense of community through shared spaces and experiences, property value increases, and healthy lifestyles through increased activity. One has only to visit our parks on the weekends to see the extent to which they are essential to, and popular with, the community.

Part of the Department's mission is to provide leisure and recreational experiences. This includes playgrounds, trails, picnic areas, ballfields, tennis courts and park activity buildings. Benefits of a comprehensive, well run park system are so well recognized that county residents are willing to support the development, operation, and maintenance of the system through the tax base.

In recognition that some recreational programs and facilities offer a more exclusive and individual benefit to the users, such as golf courses, indoor ice rinks, indoor tennis, or miniature golf, a user fee is typically charged to minimize or completely eliminate the impact on tax supported funding to provide these experiences.

The Department of Parks began adding revenue producing recreation facilities to the Parks' building portfolio in the 1960's. Built before the creation of the Enterprise Fund, these facilities, namely golf courses and ice rinks, were built through the tax-supported Capital Improvements Program (CIP). However, operations were paid for primarily through user fee revenue.

Recognizing the value of Enterprise Fund accounting in managing such operations, in the early 1970s, the Maryland-National Capital Park and Planning Commission (Commission) explored the creation of Enterprise Funds in Montgomery and Prince George's Counties for the accounting and management of revenue producing facilities and activities that were predominately self-supporting through user fees.

Enterprise Fund Accounting

Enterprise Fund accounting is a common means to establishing a more entrepreneurial approach in a governmental setting. It improves the accuracy of the financial reporting for self supporting activities and provides a valuable management tool.

An Enterprise Fund is a set of rules for an accounting system established by the National Council on Governmental Accounting (NCGA). NCGA allows governments to use Enterprise Fund accounting for any service for which there exists a significant potential for financing through user fees, even if the governing board decides not to finance the service and instead to subsidize it from general governmental resources.

The Governmental Accounting, Auditing, and Financial Reporting (GAAFR) manual has a chapter on Enterprise Funds that states that "governments providing such services must decide

whether they want to recover all, some, or none of the costs of providing them through user charges. This is a policy decision that should not be confused with the decision to account for the service as an Enterprise Fund or in governmental fund types. ... When a government elects to not fully recover the total cost of providing a service through user charges, Enterprise Fund accounting indicates the amount of subsidy for the service which must be financed from taxes or other sources.”

The GAAFR manual goes on to say that once a facility is established and accounted for as a self-supporting operation, “its expenditures should not be controlled by means of detailed and rigid appropriations. These expenditures will vary with timing and level of demand for service, and if rigidly controlled, may delay necessary expansion of activities or impede satisfactory performance.” This does not eliminate the need for a comprehensive annual budget for each enterprise activity. On the contrary, a comprehensive budget is essential for good management. It should not be construed to be a rigid control of revenues and expenditures, but rather a forecast of anticipated futures, subject to constant change and revision throughout the operating year contingent primarily upon revenues received. A budget is necessary to ensure that service objectives of the enterprise will be attained, expenditures are properly controlled, and adequate resources will be available, all the while being flexible to respond to customer needs, wants, and demands.

With proper Enterprise Fund accounting, management can make decisions as to whether 1) rates are appropriate, 2) subsidies should be provided, 3) operating methods and procedures need to be revised, 4) excess revenues are available to provide financial support to other desirable activities, and/or 5) continuation of present policies is desirable.

The Evolution of the Montgomery County Enterprise Fund

By the early 1970’s, the Parks Department was already self-operating two ice rinks and was soon to be self operating an indoor tennis bubble. In addition, the Department was administering concessionaire contracts on a number of other revenue producing facilities including golf courses, train rides, snack bars, and a permanent structure indoor tennis facility.

The Enterprise Fund was officially created circa 1974 for the administration of these operations. Initially, facilities continued to be developed and built through the tax supported Park Fund CIP. User fees covered only operations and maintenance of the facilities and programs.

In the late 1970s or early 1980s, there were few daily fee golf courses available to the public and the demand for golf was increasing. After analysis by staff, the Parks began self-operating the three previously concession-operated, park-owned golf courses, Northwest Park, Needwood, and Sligo. The increase in revenues in excess of expenditures was considerable. As a result, the Enterprise Fund reserves grew and formed the financial foundation of the Montgomery County Enterprise Fund.

Largely as a result of the growing reserves in the Enterprise Fund, in the mid to late 1980’s the policy governing the Enterprise Fund in Montgomery County had evolved to the point where not only operating costs, but also all capital expenditures were expected to be funded through user fees and other non-tax sources of revenue.

The Montgomery County Council also embraced a policy requiring facilities that were not self-supporting after five years be removed from the Enterprise Fund, or remain in the Enterprise

Fund for financial tracking purposes but receive a subsidy from the Park Fund. The Armory Place was the only facility that met this criterion and received an annual Park Fund subsidy. While other facilities met this criterion over the years, no other facility received a Park Fund subsidy to offset operating losses.

As the Enterprise Fund balance grew, more pressure came to bear to fund new initiatives and projects out of the Enterprise cash reserves and net annual operating income. Since the 1990s, the Enterprise Fund has paid for, and thus saved the tax payers, almost \$35 million in capital improvement projects to construct five new facilities: the Wheaton Indoor Tennis semi-permanent structure; Little Bennett Golf Course, Wheaton Ice Arena, South Germantown Mini Golf Course and Splash Playground, and the expanded and reconstructed Cabin John Ice Rink. Three of the new facilities were primarily financed by revenue bonds/notes totaling \$14.6 million.

Enterprise user fees also funded major renovations or upgrades to other four facilities (Wheaton Outdoor Ice Rink; Northwest Golf Course; Needwood Golf Course; and the enclosure of Cabin John Ice Rink in FY91), as well as numerous smaller repair/renovation projects.

Due to the financial bonding of improvements to the Wheaton Ice Arena and Cabin John Ice Rink, the Enterprise Fund is currently burdened with nearly \$1 million per year in debt service payments. Though the ice rinks have been able to offset a portion of the debt service payments through user fees, that effort has been made more challenging due to ever-increasing utility costs for what are two of the biggest energy users in the park system. Overall, utility costs have increased an average of 21.6% over the last five years and are budgeted at \$1.8 million for FY09 for these two facilities.

FY03 was a devastating year for the Enterprise Fund. Adverse weather conditions, the Washington, D.C. area sniper, and facility closures for repairs combined for significant revenue losses and large one-time expenditures which, after capital improvement expenditures and debt service payments, culminated in a \$1.8 million loss that significantly reduced Fund balance reserves.

In October 2003, the Department presented a report on the "Status of the Enterprise Fund" to the Planning Board. The report was a snapshot of the current state of the Enterprise Fund and made recommendations for policy adjustments. Included in the report's 10 attachments was 1) a Performance Audit of the Montgomery County Enterprise Fund by KPMG which looked at the performance of, and provided recommendations for, the Fund as a whole as well as specifically targeting the golf courses and ice rinks, and 2) the results of a nation-wide Enterprise Fund survey (1000 surveys sent out) with responses from 67 agencies around the country regarding their policies for revenue producing facilities. Many of the KPMG recommendations regarding the Fund and the ice rinks have been implemented. (Copies of these two reports are in Attachment 1 along with a summary matrix listing all the KPMG recommendations and staff comments and assessments regarding implementing the recommendations.)

In the subsequent years, the Fund balance reserves were still well below the amount set by policy. With the golf courses no longer being the "cash cows" they once were, the operations and maintenance were turned over to the Montgomery County Revenue Authority (MCRA) in April 2006. The payments from MCRA cover the annual debt service payments for the construction of the Little Bennett Golf Course, but do not provide any additional revenue to fund other desirable projects or to cover the costs of administering the contract.

Although the Montgomery County Enterprise Fund has been largely successful since its inception in funding operations as well as significant capital improvements for a growing park system, currently most, if not all, of the facilities in the Fund cannot sustain operations, let alone fund needed capital improvements strictly through user fees. As a result, many required improvements or enhancements to the facilities are being indefinitely deferred, and maintenance/operating budgets are substantially strained.

In August, 2007, the Department of Parks contracted with Facility Engineering Associates, Inc. (FEA) to provide infrastructure inventory and condition assessments of 15 Enterprise facilities. FEA developed a 20-year capital expenditure forecast, which represents a compilation of facility condition assessment planned work requests.

For the Enterprise facilities, FEA recommends repairs of \$883,000 in the 1st year and \$933,000 in the 2nd year to complete deferred maintenance projects. Projects identified for repairs in the 1st year are typically to correct deficiencies, deferred maintenance items, code violations, or life safety issues. These dollar figures include specific projects at each facility that would repair or improve the useful life of an asset. FEA also included some amounts identified as an allowance for electrical and plumbing repairs. Not included in these figures is FEA's recommended preventive maintenance amount of \$97,100 per year. (See Attachment 2 for a list of the FEA's recommended first two years top and secondary priority maintenance and repair projects by facility.)

Making the goal of total self-sustainability for the Enterprise Fund even more challenging is the Department's philosophical shift regarding Enterprise Fund operations to be more inclusive, where opportunity and participation are more heavily emphasized than achieving a positive bottom line. This philosophical shift is evidenced by the Enterprise Division's mission "to provide great affordable recreation for all" and new initiatives for the Department such as "no child left inside."

Even with a competitive pricing structure, self-sustaining facilities may inadvertently exclude participation by certain segments of the community that the park system is trying to reach. As a governmental agency, we must ensure that all residents have fair and reasonable access to the best park experience possible. A well run park system should serve to bring together diverse populations and connect our many neighborhoods, not segregate them by virtue of their economic demographics.

With the changing financial picture and the more inclusive community orientation, the Enterprise Fund is struggling to sustain operations under the long-standing policy of total self-sustainability. If these facilities are to continue to be self-operated and administered under an Enterprise Fund, a fundamental change in the Enterprise Fund policy will be required.

Task Force to Review Enterprise Fund Policy

In recognition of the Enterprise Fund's changing financial condition, the Director of Parks, in concert with the Enterprise Division, requested that a Task Force be convened to review the Montgomery County Enterprise Fund policy. The Task Force reviewed the historical and current Enterprise Fund operations and policy in Montgomery County and Prince George's County, and made recommendations for the future of the Montgomery County Enterprise Fund and Division.

The Task Force met in the summer of 2007. The members represented the Montgomery County Enterprise Division, the Northern and Southern Regions, the Department of Finance, the Department of Human Resources and Management, and the Prince George's County Department of Parks & Recreation.

Prince George's Enterprise Fund Model

In reviewing the history of the Enterprise Fund in both Prince George's County Parks and Recreation Department and Montgomery County Department of Parks, we noted that Prince George's policy makers have taken a different path over the years. As opposed to operating with a strict profit/loss mindset, Prince George's County has chosen a more affordable and inclusive approach, emphasizing the social and community benefits of all its user fee facilities. Part and parcel of this philosophy has also been a conscious effort to use its Enterprise facilities to bolster Economic Development Initiatives in the County.

In Prince George's County, the Enterprise Fund facilities are not required to cover their full operating costs. In FY07, all but two of the facilities received subsidies from the Park Fund, which totaled \$7.3 million. (See Attachment 3 for a list of the Prince George's Enterprise Fund facilities and the amount of subsidy received) The Enterprise facility staff salaries are paid for by the Enterprise budget. However, unlike Montgomery County, there is no chargeback for division management oversight, administrative support, or maintenance support.

Regarding capital improvements, all CIP projects, whether for new facilities or major renovations, are constructed from the Park Fund CIP. When construction is complete, the asset is transferred to the Enterprise Fund. In addition, modest renovations are completed through the Park Fund's Major Maintenance operating budget. These improvements are not accounted for by a transfer to the Enterprise Fund.

In short, Prince George's County's philosophy with respect to Enterprise Fund accounting has employed a more inclusive, accessible approach rather than a private sector, entrepreneurial emphasis.

Montgomery County's Enterprise Fund Model

In actuality, while the philosophical change, based on growing reserves, moved the Montgomery County Enterprise Fund towards total self-sustainability in the mid-1980s, this was not the philosophy endorsed by Parks staff in setting up the fund. A 1975 report noted that "notwithstanding the sound management reasons that generally exist in support of the use of enterprise fund accounting, it is generally acknowledged that the achievement of the overall parks management philosophy and objectives may be paramount. ... There are situations in which an activity may not be supporting itself, not making a profit, but should continue to be operated at a loss – in other words, subsidized, because of its public benefit." Net profit is only one measure of whether an operation is successful; meeting a public need is another important indicator. These statements are still true today.

The Enterprise Fund surpluses of the 1980's and early to mid 1990's waned when the bills came due for a number of new and renovated facilities. Also, good policy decisions that resulted in the construction of certain facilities, in retrospect, were bad financial decisions for the Fund. In addition, we find that operating a for-profit business in a normal governmental setting with restrictive governmental policies, procedures, and staffing is challenging if not impossible.

At the same time, evidence suggests that facilities that are managed and administered through user fees through the Enterprise Fund, with emphasis placed on monitoring revenues and expenditures, is a more fiscally sound approach than if they were placed in the Park Fund. For example, in Prince George's County, the swimming pools were removed from the Enterprise Fund where they covered approximately 60% of their operating costs; now, in the Recreation Fund, they cover approximately 45% (not including utilities, insurance or maintenance), which, in effect, is a higher cost to the tax payers.

Other Counties' Enterprise Fund Models

In addition to reviewing the Commission's Enterprise Fund policies for both counties, the Task Force took note that the policy on self-sustainability for Enterprise facilities is unique for recreation facilities in Montgomery County and for many local and state jurisdictions across the country. If the requirement to cover operating as well as capital costs were set aside and Enterprise facilities were viewed in the same fiscal manner as the County aquatic or ballfield complexes where revenue must cover operating but not capital costs, the Montgomery Parks Enterprise Fund facilities compare quite favorably.

In addition to the 2003 nation-wide survey, the Department conducted a recent survey of nearby county parks and recreation agencies regarding revenue producing facilities. The survey revealed that no other nearby agency has a policy requiring their revenue producing facilities to be completely self-sustaining in the same manner as Montgomery County Parks. Any exceptions to this pertain only to golf courses. Three counties, Baltimore, Frederick, and Anne Arundel, do not have an Enterprise Fund for revenue producing facilities. In addition to Prince George's County, only the Fairfax County Park Authority and Howard County have an Enterprise Fund.

It is interesting to note that Baltimore County established an Enterprise Fund in 1995 and required their revenue producing facilities to be completely self sustaining including capital costs and debt service. However, the Fund was eliminated in 2000 after it was determined that they were not able to achieve that goal. While Anne Arundel's revenue producing facilities are included in the general fund, the agency has a day care program that is included in an Enterprise Fund.

Fairfax County's Enterprise Fund pays for a portion of capital renovations as surplus profits permit and only the golf courses pay for new construction. Howard County's golf course is expected to cover all costs including capital expenditures but the other facility in the Self Sustaining Fund is expected to cover only 50% of its operating costs.

In addition, none of the revenue producing facilities at any of the agencies surveyed, including the Montgomery County Department of Recreation, pay a chargeback for central administrative services such as budget, human resources, and procurement except for M-NCPPC's Prince George's County Department of Parks and Recreation and Montgomery County Department of Parks.

The survey results for the 6 counties are included in Attachment 4.

Task Force Recommendations

The history and factors listed above do not preclude the adoption of a new Enterprise Fund policy that maintains an entrepreneurial focus, while achieving the Department's goal of access

and inclusion, and providing funding relief for much needed deferred maintenance and capital improvement projects.

After reviewing all the data, the Task Force supports retaining the Enterprise Fund and Enterprise Division with an amended Enterprise policy that, with facilities operated as efficiently as possible, results in tighter financial management for these facilities and lower net costs for the tax payers. An Enterprise Fund provides greater flexibility for an operation overall, allowing a profit from one facility to be used by another facility or to be carried over to be used for a future expense.

The Task Force developed the following recommendations for the Enterprise Fund. Each of the recommendations is fully developed below.

Recommendation #1 - Redefine the Enterprise Fund fiscal policy to maintain Enterprise Fund accounting model but to fund all capital costs, including debt service, and some operating costs from tax receipts.

Recommendation #2 - Retain facilities and services in an Enterprise Fund to maintain tight fiscal management of facilities and to lower net costs for tax payers.

Recommendation #3 - Develop innovative new programs to increase participation and profit while meeting the current and future demands of the public.

Recommendation #4 - Establish an Enterprise Management and Development Committee to steer current and potential future Enterprise facilities and programs.

Recommendation #5 - Change the name of the division to "Revenue Facilities and Services" to reflect that this is a Department of Parks' division with both Enterprise Fund and Park Fund responsibilities.

Recommendation #1

Redefine the Enterprise Fund fiscal policy to maintain Enterprise Fund accounting model but to fund all capital costs and some operating costs from tax receipts

- a) Amend the Enterprise Fund fiscal policy to maintain the Enterprise Fund accounting model, with capital costs, debt service, and some operating expenditures funded from tax receipts. To the degree that the Fund is successful in exceeding budget targets, selected capital improvements could be funded from Enterprise receipts.

This would be consistent with the Montgomery County government's long standing fiscal policy with respect to swimming pools operated by the Department of Recreation; namely that fees are asked to cover most operating expenses, but capital costs are funded from tax receipts. Retaining the Enterprise Fund model maintains the ability of Enterprise facilities to

exceed budgeted expenditures and to take advantage of new revenue opportunities or adjust to growing demand and program participation.

- b) Change the practice with regard to facility planning and development where Enterprise facilities are typically not included in the CIP process unless funding reserves are available in advance or the facility can clearly demonstrate the ability to pay for the capital costs. Enterprise facilities would be included in needs assessment, planning and construction/modernization according to service delivery priorities and facility condition, not according to source of funds.

The Departments' consultant, FEA, conducted an infrastructure inventory and assessment of the Enterprise buildings. The preliminary report indicates that the Department is not keeping up with the deferred maintenance required at these facilities.

Even the best, most innovative programming efforts will not be totally effective if facilities no longer meet the current needs and demands of the public, if they no longer project a professional, well maintained, and attended-to appearance; or if the facility features and amenities are unable to support new programs and activities.

- c) Change the practice of contributing an Enterprise Fund specific chargeback to Central Administrative Services for finance, personnel, and procurement. No other nearby Parks and Recreation agency's revenue producing facilities, including Montgomery County Department of Recreation, contributes a chargeback for these services.
- d) Transfer the division's administrative staff provides positions/work years and cost to the Park Fund. The administrative staff provides management oversight to the facility managers as well as providing budget preparation, human resources, and procurement assistance, and software system administration for ParkPASS. These staff members, while assigned to the Enterprise Division, also provide assistance to many Park Fund initiatives. This policy change would be consistent with the current policies for Prince George's and Howard Counties' revenue producing facilities.
- e) Change the vocabulary to mirror the change in policy – refer to any funds received from the Park Fund as "Park Fund Participation" rather than the term "Park Fund Subsidy" due to the widespread misunderstanding of that term.

Recommendation #2

Retain facilities and services in an Enterprise Fund to maintain tight fiscal management of facilities and to lower net costs for tax payers

Current Enterprise Division Managed Facilities

The large revenue producing facilities and certain services that are currently managed by Enterprise Division staff must remain in an Enterprise Fund to have them operated as closely to a private business as possible and yet maintain the flexibility to exceed budgeted expenditures if necessary to grow new programs and take advantage of other newly identified sources of revenue. However, in accordance with an amended Enterprise Fund fiscal policy, all CIP costs, including debt service, would be paid for by tax receipts.

The following is a list of facilities and services that are included in this group.

- ❖ Ice Rinks – Cabin John, Wheaton, Wheaton Outdoor – facility maintenance and programming.
- ❖ Indoor Tennis - Cabin John and Wheaton – facility maintenance and programming
- ❖ ParkPASS - administration
- ❖ Camps and Programs - programming
- ❖ Golf Course Leases - administration

Details regarding each facility or service are provided below.

A. Ice Rinks – Cabin John, Wheaton, Wheaton Outdoor – facility maintenance and programming.

Historically, ice rinks are provided by the public sector as recreational activities that are generally not profitable enough for the private sector. For example, the Garden's Ice House, built in partnership with M-NCPPC Prince George's County, has struggled to cover all its expenses and ARC Ice in Rockville has been in Chapter 11 bankruptcy more than once in the last several years.

The Parks' ice rinks collectively cover operating expenses but are unable to fully cover debt service payments. The debt service payments for Cabin John and Wheaton are approximately \$1 million annually. The chart below reflects that, for FY06 and FY07, the ice rinks operated at a profit, but with debt service, still had an overall loss, even with a subsidy from the Park Fund covering a portion of the debt service.

Combined Ice Rink Profit/(Loss)		
	FY06	FY07
Operating Profit	\$311,000	\$271,000
Debt Service Payment	\$987,000	\$965,000
Park Fund Subsidy	\$569,000	\$319,000
Overall Profit/(Loss)	(\$120,000)	(\$410,000)

The construction costs for the new Wheaton Ice Arena and for the demolition and rebuilding of the Cabin John Ice Rink in the late 1990s were \$3.6 million and \$6.3 million respectively. The Enterprise Fund did not have the cash reserve to pay for these facilities. Through FY07, the Enterprise Fund has paid \$8.7 million in debt service payments for these two facilities and these payments will continue until 2012 for Wheaton and 2014 for Cabin John. If the Park Fund had paid the construction costs, the ice rinks would have collectively covered their operating expenses and been able to reinvest in the facilities to reduce the deferred maintenance backlog. (See Attachment 5 for a chart showing the operating revenue, operating expenditures, and capital costs for all Enterprise Fund facilities the past 5 years.)

Cabin John Ice Rink, in the Cabin John Regional Park, is an enclosed facility with two full size sheets of ice and one studio size sheet. This regional county facility is located in the affluent Rockville/Bethesda area. It is an extremely successful facility by almost any

measure. It generates approximately \$3 million in revenues per year and nets an operating profit of \$450,000 per year.

The Learn to Skate program is arguably the largest in the country. Figure skaters this year have placed fourth at national events. Many hockey teams call this facility home. This facility holds more general skating sessions each week than any other ice rink in the area. Attendance is over 300,000 patrons per year, which averages to over 850 patrons per day. (See Attachment 6 for a chart showing annual attendance for all Enterprise Fund facilities the past 5 years.)

From FY01-07, the renovated and expanded facility cumulated operating profits of \$2.8 million. During that same time period, the facility incurred debt service payments of \$4.7 million. The \$330,000 that the Park Fund has provided to offset the debt service payments does not alleviate the full burden of the debt.

One expense that is growing at over 21% per year is the cost of utilities. For FY07, the total cost for all utilities at Cabin John was \$565,600. That is almost 19% of the total revenues generated at the facility. The facility has implemented several energy saving measures recommended by an energy consultant to keep the energy costs from soaring higher. However, the consultant also indicated that the utility savings by installing technologically improved, energy efficient lighting over the ice sheets would pay for the new lights in 5-7 years. While this would be prudent and ecologically sound, the Enterprise Fund cash reserves have not been sufficient to cover all high priority deferred maintenance projects, much less to replace working fixtures with newer fixtures.

Wheaton Ice Arena, in the Wheaton Regional Park, is an enclosed facility with one full size sheet of ice. This regional county facility is located in the demographically diverse eastern area of the county. A market analysis done in 1995 indicated that a one sheet facility in this area would not be able to cover its costs. Despite this recommendation, Parks' management and policy makers believed the citizens of the eastern area of the county deserved a new, upgraded facility.

The Wheaton Ice Arena serves its population well. It has a well received Learn to Skate program and many hockey teams call this facility home. Revenues in FY07 were \$1.1 million. Attendance at the Wheaton Ice Arena is over 100,000 patrons per year, which averages to over 300 patrons per day.

The rink has thriving ice dancing program. It is home to the Wheaton Ice Skating Academy, a world class training program run by Russian and Gold medal skaters. Students from the academy have placed in the top spots in national competitions. And in one category, Wheaton pairs swept the three medals. This program has attracted students from near and far.

Despite these successes, in any year from FY01-07, the facility has not covered its operating expenses or any of its debt service. During this time, the facility has had a cumulative operating loss of \$800,000, CIP expenditures of \$500,000, and debt service payments of \$2.8 million. The \$556,000 payment from the Park Fund has only slightly helped offset the \$4.1 million loss.

Ice rinks have typically been provided to communities by the public sector because they have not been profitable for private sector operators. Today, the few private sector

facilities in the area have multiple sheets to take advantage of cost effective programming and the economies of scale in overhead and staffing costs. Even so, the two privately owned rinks in the vicinity are struggling financially to cover costs.

Single sheet facilities are a thing of the past. They cannot cover their operating costs nor compete with today's multiple sheet facilities. In addition, Wheaton, like Cabin John, has experienced soaring utility costs, and also like Cabin John, Wheaton would benefit from the installation of energy efficient lighting.

Things can and have been done to improve Wheaton's bottom line. Improved marketing, particularly the advertisement of the group lesson programs through the joint Parks and Recreation Departments Guide, has increased public awareness of the facility. Rink management is also exploring the possibility of forming our own in-house adult hockey league and alternative uses to draw patrons to facility such as offering bumper car rides on ice.

Another area that staff is exploring to improve the ice rinks' bottom line is to revisit the ice rinks' policy on ice scheduling. In 2000, a volunteer advisory group comprised of patrons representing hockey, figure skating, leased ice, and public skating convened to create the policy. This advisory group was created in order to address concerns and ensure a fair and effective use of the ice rinks. The policy, approved by the Planning Board, indicates that "As a guideline, roughly 30% of all programmed time will be allotted to each of these three [public skating, figure skating, and hockey] activity categories."

The staff at Cabin John and Wheaton have made a concerted effort to comply with this policy. Cabin John, known as a figure skating rink, has devoted approximately 25% of its time to hockey, 27% to public skating, and 47% to figure skating. For Wheaton, the break out of times allotted is similar to Cabin John with approximately 11% of its time to hockey, 30% to public skating, and 56% to figure skating for this past year.

A large portion of the figure skating time is during the low demand time of weekdays in the late morning and early afternoons when hockey players do not want to rent the ice. However, there is a cost to provide all these sessions such as electricity to keep the lights on over the rinks and the cost to zamboni the ice after the session. Staff is beginning to weigh the high cost of providing these sessions versus providing customer service to our patrons.

The chart in Attachment 7 shows that no other rinks in the area have a formal ice scheduling policy and that the managers will readily admit that hockey is the most profitable activity but that other activities must be provided to meet the demands of the patrons.

The reality of today's ice rink market is that, even with improved lighting to reduce costs, and innovative programming to attract more patrons, Wheaton may never cover all of its operating costs. In addition to the Park Fund paying for the debt service, the Task Force recognizes that this facility may need additional Park Fund subsidy payments to offset the operating losses.

Wheaton Outdoor Rink, in the Wheaton Regional Park, is an outdoor covered single ice sheet. This regional county facility was built in 1968 with the tax supported CIP funding, and is now familiarly known as the "old Wheaton Ice Rink." The facility has an ice sheet in

winter months and is primarily used for hockey (90%) and other rentals (10%). In the summer months, the facility is home to the popular Week in the Park camp and is available for events such as rentals for dog shows or flea markets. The Wheaton Outdoor Rink serves the citizens of the eastern area of the county and over 20,000 patrons utilized the facility in FY07.

This facility is desperately in need of renovation and upgrading. The building is a patchwork quilt of expanded and renovated spaces, none of which adequately meet the demands of the current programming. Parks' staff frequently receives complaints that the facility is dirty, and despite the best efforts of staff to keep it clean, the interior finishes are just too worn to project a fresh, clean look. The roof structure over the ice sheet is 40 years old, and by best estimates can no longer be patched to prevent leaking; it will need to be totally replaced.

If this facility is to continue to serve county residents, in whatever form and function is determined to be its highest and best use, it will need a complete facelift; or, like Cabin John Rink in 1999, a virtual complete teardown and reconstruction. However, that funding is currently unavailable in Enterprise Fund receipts and is likely to be unavailable in the foreseeable future, if ever. It, like other Enterprise Fund facilities, would benefit from an amended fund policy that would allow it to compete for renovation or reconstruction dollars due to need and demand, not just its funding source.

B. Indoor Tennis - Cabin John and Wheaton – facility maintenance and programming

There are about 100 indoor courts in approximately 18 facilities in Montgomery County. Sixteen of these facilities are privately owned and charge membership fees in addition to hourly court charges to play tennis. Two of these facilities, housing 6 courts each, are owned by the Department of Parks and operated by the Enterprise Division. These facilities are located in Cabin John and Wheaton Regional Parks and serve the citizens in the surrounding areas and the county at large.

Since taking over operation of the Cabin John Indoor Tennis facility (now the Pauline Betz Addie Tennis Center) from a concessionaire in 1992, this facility has generated more than \$4.8 million in operating revenue over expenditures, or roughly \$300,000 to \$400,000 in profits each year. Over 80,000 patrons come to Cabin John each year. That averages out to 2 people per court for every hour the facility is open year round.

While Wheaton has not had the success of Cabin John, in the same time frame, this facility has generated \$1.2 million in operating revenue over expenditures, or an average of \$75,000 in profits each year. The annual attendance at Wheaton is approximately 55,000 or 150 patrons coming to the facility every day.

These two facilities have and continue to offset the losses incurred at the ice rinks and golf courses. They are a significant part of the success of the Enterprise Fund. Currently, both facilities are being renovated. More renovations are needed at Wheaton and the excess demand at Cabin John would support building an additional six courts.

If the Enterprise Fund is characterized as currently being on life-support, the indoor tennis facilities, particularly Cabin John, are two of the key machines keeping the Fund alive. Indoor tennis receipts have been crucial of late in sustaining a positive Fund balance. Both facilities however have suffered from unintentional neglect with many

needed repairs and upgrades being indefinitely postponed due to the losses experienced in other Enterprise Fund operations.

By virtue of Program Open Space (POS) funding and county current receipts, Wheaton Tennis is currently undergoing a complete renovation of the tennis court structure including new lighting and HVAC systems. Due to the deteriorated condition of the facility, the tennis community was successful in lobbying the County Council to make a special funding exception to give new life to the popular facility. A new ancillary/support building is being planned as part of this project, but there is has been no decision at this time where funding will come from for design and construction.

Cabin John too has recently received some attention with the replacement of ceiling insulation and lighting over the courts. POS and Enterprise funds were used for this project. However, funding remains unavailable to address a long-standing demand to expand this facility and add air conditioning. Though Cabin John Tennis user fees would likely support such an expansion/upgrade, the Enterprise Fund cannot currently afford the loss of the Cabin John annual net operating income to help offset losses in the rest of the Fund.

The indoor tennis facilities are a backbone of the Enterprise Fund and should remain in the Fund under Park's management control. However, they like the other facilities would benefit from an amended Enterprise Fund policy to provide needed capital funding relief for repairs and improvements.

C. ParkPASS

ParkPASS is a Departmental function that encompasses a centralized automated registration, point of sale, and facility booking system utilized by all revenue producing facilities and programs. ParkPASS handles important customer data that provides valuable information for marketing, resource allocation, and financing our operations. The proper operation of this system is vital to the accurate accounting of all revenues and should remain in the Enterprise Division.

There are Park Fund operations as well as one Planning Department operation that utilize ParkPASS and the Park Fund shares for the cost of the salaries for the two System Administrators and the seasonal Help Desk staff. However, the System Manager's salary is paid for by the Enterprise Fund. These positions, work years and associated costs are recommended to be transferred to the Park Fund (see recommendation #1d).

D. Camps and Programs

This new service provided by the Enterprise Division began in the summer of 2006. It started with outdoor tennis camps and lessons as well as the immensely popular Week in the Park (WITP) camp. The WITP camp introduces campers to all that Wheaton Regional Park has to offer from ice skating daily, to tennis instruction, to nature center programs, to rides on the train and carousel. The camp is structured with flexibility in mind where parents can register their children for half day morning or afternoon sessions, or all day with extended hours for working parents. In 2008, the number, diversity, and location of camps is expanding.

Due to the flexibility of Enterprise Fund accounting, the Department was able to initiate this program with no prior budget approval to meet the growing demand for quality camps. In two summers, this program has served over 1000 children and their families. However, to start up a new program comes at a cost. In the first two years of camps and classes, the program has operated at a deficit of \$100,000.

The Task Force recognizes that this new program is in the first five years of operation and may need a Park Fund subsidy to offset the operating losses for the next few years. The need for tax supported funding should be assessed each year.

E. Golf Course Leases

The Department has four golf courses, Northwest, Needwood, Sligo, and Little Bennett, and one concessionaire-operated stand alone driving range in South Germantown Recreational Park.

The first three golf courses were built with Park Fund tax payer monies. Little Bennett Golf Course was constructed in the early 1990s and opened in 1994. The entire cost of construction came from Enterprise cash reserves and annual debt service payments, which cumulatively totaled almost \$13 million at the end of FY07. The debt service payments continue until FY13. If the Park Fund had paid for the construction costs at Little Bennett, the Enterprise Fund would have had sufficient reserves to cover much of the preventive and deferred maintenance at the golf courses and other Enterprise Fund facilities.

However, burdened with annual debt service payments, increased competition, lower operating profits, and a growing backlog of deferred maintenance, a decision was made in April 2006, to turn over the operation of the four golf courses to MCRA. As stated earlier in this document, the payments from MCRA cover the annual debt service payments for the construction of the Little Bennett Golf Course, but do not provide any additional revenue to fund other desirable projects or to cover the costs administering the contract.

MCRA's final payment will be in FY12. After that, the lease provides for profit sharing with MCRA when gross profits reach a specified level. The final debt service payment for the construction of Little Bennett will be made in FY13 and will be offset by any profit sharing received from the MCRA. The remaining balance will need to be paid with profits from other Enterprise facilities.

The concessionaire at South Germantown Driving Range opened for business in FY02. While the operation has struggled some over the past five years, the profits derived from this venture pay for the cost to administer this contract and will offset any expenses for the golf courses as well as the administration for the MCRA lease.

Park Fund Managed Facilities – Administered by Enterprise Division

These facilities are primarily summer seasonal operations located in regional parks. They are family oriented and most are unique facilities that are not typically offered by private business.

These facilities are currently accounted for in the Enterprise Fund but are managed and operated by the regional park staff. Some of these facilities cover their direct operating costs, but none cover all maintenance and operational expenses let alone capital costs, significant or otherwise. The Park Fund already indirectly subsidizes these facilities through management oversight and maintenance support; costs which are never reflected in the individual facility budgets.

These facilities could be moved to and accounted for in the Park Fund with park operations staff continuing to operate the facilities and capital improvements funded through the Park CIP. However, the Park Fund budget would still be constrained by the County's spending affordability guidelines (SAG). Even though the revenues in the Park Fund would increase under such a scenario, the expenditures for the Park Fund as a whole must still remain within SAG. Also, there would be no flexibility to increase expenditures within a given year even if a new program was implemented that generated revenues to cover those expenditures.

In Prince George's County's Department of Parks and Recreation, when their seasonal park facilities were taken out of the Enterprise Fund and put in the Park Fund, the entrepreneurial discipline went away and the net costs for the tax payers increased.

The following is a list of facilities and services that are included in this group.

- ❖ Agricultural History Farm Park
- ❖ Black Hill Boats & Lake Needwood Boats
- ❖ Cabin John Train & Wheaton Train and Carousel
- ❖ Little Bennett Campground
- ❖ South Germantown Splash Playground and Miniature Golf
- ❖ Brookside Gardens

Details regarding each facility or service are provided below.

A. Agricultural History Farm Park

The activities at the Agricultural History Farm Park that are included in the Enterprise Fund are the lease administration of the Activity Center, the rental of the multipurpose room at the Activity Center, and the fee based activities at the fall and spring festivals. The annual attendance at this facility is approximately 45,000.

For many years, the revenue generated from the lease of the building and the multipurpose room exceeded the cost for custodial work and utilities, and a modest profit was contributed to the Enterprise Fund. However, the amount of the lease rent received is tied to the amount of rent the Parks pay for another building and neither has increased in many years. In the past two years, the costs of the custodial service and utilities have increased and expenses now exceed revenues. This facility now operates at a loss.

While the majority of the expenses for the festivals were paid for by the Park Fund, the expenses attributed to the Enterprise Fund portion of the festivals were generally covered by the fees collected at the festival.

B. Black Hill Boats & Lake Needwood Boats

The boat rental operations at Black Hill and Rock Creek Regional Parks have their following of regulars, mostly fisherman that rent boats on a regular basis or pay to moor and launch their own boats, and summer day camps run by the Montgomery County Department of Recreation and others organizations that bring their campers to experience this great outdoor activity. Other than that, these operations are more likely to be visited by the occasional park visitor who may or may not have come to the park to use the boats. Both Black Hill's and Lake Needwood's boating operations attract around 15,000 patrons each summer.

That being said, there is no doubt that these operations provide a service and enhance the park visitors' experience, and therefore should continue as an important aspect of the overall park experience at these lake-based regional parks.

However, both operations are heavily subsidized, directly and indirectly by Park Fund staff and other resources, from management oversight of the operations, to the care, maintenance, storage, and launching of the rental boats.

Neither operation has the financial capacity to fund capital improvements. Even occasional capital equipment purchases strain or overspend the operating budget.

The Lake Needwood boat rental operation in Rock Creek Regional Park was recently the recipient of much needed repairs to the visitors' center/boat rental building and sea wall as a result of flooding damage during the summer of 2006. None of these repairs were funded through the Enterprise Fund.

Black Hill's rental operation is currently housed in two pre-fabricated sheds. This facility is in desperate need of a new, more functional boat rental building and storage facility along with infrastructure improvements; costs which cannot reasonable be borne by the Enterprise Fund.

Both of these facilities should continue to be administered under the Enterprise Fund for financial tracking and emphasis. But both would benefit from an amended Enterprise Fund policy that recognizes, but doesn't penalize, the operations for the Park Fund contribution to fund operating and capital costs.

C. Cabin John Train & Wheaton Train and Carousel

Much the same that was said for the boat rental operations can be said for the train and carousel operations; although the trains and carousel definitely have a following of families and groups. The Cabin John Train had over 60,000 visitors in FY07 while the Wheaton Train and Carousel's visitation reached almost 150,000. These facilities have recently benefited from some innovating programming such as birthday room rental packages and Halloween rides, as well as facility upgrades to make the facilities/activities more functional and attractive.

Like the boats, both operations receive and require substantial Park Fund support. And, also like the boat rental operations, major maintenance and capital costs strain or break the annual budget or are not feasible by virtue of using available Enterprise receipts.

Though both of these operations have been more financially solvent over the years than the boats, they still must rely on an infusion of Park Fund resources to remain safe, enjoyable park attractions.

However, maintaining the Enterprise Fund focus will no doubt continue to minimize the impact of these operations on the Park Fund budget and regional park staffs.

D. Little Bennett Campground

Even more than the boats, trains, and carousel, Little Bennett Campground relies very directly on regional park staff for maintenance support and management oversight. Even still, the operation is currently struggling to avoid significant operating losses on an annual basis.

Though the Task Force firmly believes that this regional park operation in particular would continue to benefit from Enterprise Fund oversight, continuing Park Fund support and significant tax-funded capital improvements are necessary to enhance the functionality of this facility, thus enabling it to generate more revenue. Programming alone will not solve its financial challenges.

Built in the early 1980s, Little Bennett Campground remains one of the very few camping facilities in the Washington area and the only full service campground in Montgomery County. It therefore should be in considerable demand by camping visitors to the nation's capital or campers on their way through to other destinations. While over 20,000 patrons spent the night in FY07, Little Bennett does not have other popular amenities, such as a pool or lake, to attract vacationers, and is not capable of accommodating the large RVs that currently frequent the nation's highways.

Campground staff regularly entertains calls from RV owners, but must turn them away due to the inadequate size and accommodations of the camp sites. Significant improvements are needed to increase the size of selected sites and upgrade the electric, water, and septic service for the large RVs.

E. South Germantown Splash Playground and Miniature Golf

This combination facility opened in 2002 and has an annual attendance of 50,000. The splash playground at South Germantown is wildly popular, particularly with the 2 to 10 year old age group. It often has capacity crowds on summer weekends. There is demand for an expanded water area as well as more seating and party rooms. To accommodate some of this demand, staff has added a tent outside the facility for party rentals.

The two 18-hole miniature golf courses struggle to find their niche. The courses are challenging and designed for adult players. The young splash playground patrons are frequently frustrated when they attempt to play miniature golf here. This facility would attract more play if the courses were softened to appeal to younger players. However, the Enterprise Fund does not have the capacity to pay for the needed changes.

Staff has done much in the last six years to fine tune the pricing structure and to accommodate the demands of the patrons. Even so, both of these facilities struggle to cover their operating costs and could benefit from an amended Enterprise Fund policy, as both facilities are in need of upgrades and major maintenance to enhance their functionality and/or repair wear and tear. Like the campground, increased programming alone will not increase the revenue and enhance the bottom line generated by these facilities.

F. Brookside Gardens (66% operating; 33% Enterprise)

The Enterprise model used at Brookside Gardens has proven to be an effective, successful means of identifying and maximizing revenue sources and opportunities while lessening the burden on the tax supported Park Fund to provide a largely free, award winning public garden for the county residents. Over 100,000 patrons participate in Enterprise programming at Brookside Gardens each year.

Staff believes that the Brookside model is a perfect example of how an amended Enterprise Fund policy would work, where accessibility and inclusion are emphasized, but user fees are employed to offset the need for tax funded support.

New Initiatives

The following is a list of facilities and services that are included in this section.

- ❖ Event Centers - Rockwood, Lodge at Seneca Creek, and Woodlawn Manor
- ❖ Park Permits
- ❖ Other - Regional Park Shelters, Fiber Optic Contracts, and Cell Tower Contracts

Details regarding each facility or service are provided below.

A. Event Centers - Rockwood, Lodge at Seneca Creek, and Woodlawn Manor

The event centers, even with a yearly subsidy, do not generate revenues in excess of expenditures. Though these facilities have been studied and discussed at length as to the reasons for their lackluster financial performance, despite opinions and perceptions to the contrary, the fact is that no similar government-run or non-profit funded operation in the Washington-metropolitan area survives or thrives through user fees alone.

Each of the three facilities is unique in its layout, location, features, and appeal. And none of the three were designed to be an event center. If the three are to continue to be rented out as in the past, they should continue to be administered under the Enterprise Fund to maintain the business-like mindset. But they should continue to receive substantial tax funded support, as, in many ways, these facilities differ little from the Park's activity buildings where Park Fund staff and budgets are needed to sustain operations despite the user fee revenue received from the public.

However, the event center operation as it is currently structured and administered will not under any circumstances achieve the financial success that has been so desperately sought by the Department and the Planning Board for 20+ years. There have been many

ideas proposed to increase the rental income or to develop innovative programming. The fact is though that all the ideas will require an infusion of staff and other resources, the cost of which may not be covered by the additional user/program fees.

With the benefit of considerable experience through studies of the event center operations, the Task Force recommends a new direction for these facilities.

Rockwood Manor is the largest and most unique of the three facilities, and has the most potential of the three for additional or alternative programming. Rockwood has come to be an important resource to the Department and the County as a retreat/event site for Park and County functions. Perhaps it is time to break this facility out as a single, separate operation with a dedicated staff and explore user fee programming and activities that enhance its functionality as a county and community resource, not just a subsidized meeting site for out-of-county agencies and businesses.

The recently offered Women's Retreat is an example of a program that contributes to the health and well being of county residents that choose to participate. It has also been suggested that Rockwood would be a good site for a ropes course, widely known as an effective team building and individual self-esteem building tool. Under such a scenario, the Task Force recommends that Rockwood continue to be administered under the Enterprise Fund with assistance from the tax funded Park Fund and staff as needed.

Woodlawn Manor is barely used for meeting and social events (only 13 social events were held there last year). While it has unique appeal, its appeal is limited due to its size, configuration, and level of difficulty in planning and running an event. For instance, a large indoor event is out of the question, and outdoor events require additional planning and arrangements to allow for the possibility of inclement weather. Potential renters have considerable options in the immediate and surrounding area for facilities that are bigger and offer complete party, wedding, and/or reception packages that minimize the effort on the part of the user.

Given Woodlawn's location and history and the future plans for the historic barn, the Task Force feels that there is a higher and better use for the manor house which is more suited to its features and historic significance. Given the track record of this facility as a social/event site, it makes little sense to continue to make this facility something that it is not. Woodlawn is a significant historic landmark in Montgomery County that may benefit from a historic or educational foundation to manage and program the facility.

Examples of the types of programming that might enhance the historic significance of Woodlawn are interpretive tours/programs, period holiday shows or workshops, and period dinner/social events.

Seneca Lodge, like Woodlawn, has its own unique appeal. Unlike Woodlawn, it is better suited for larger indoor events. Consequently, it receives more use than Woodlawn. However, Seneca Lodge is little more than an upscale activity building, albeit a fancier, well-landscaped version. Though the Task Force believes it could continue to command a higher fee than other Park activity buildings, the Task Force also believes that the time has come to consider moving it into the Department's portfolio of activity buildings and administering it accordingly through the Park Permits Office.

These recommendations require further analyses and discussion, and none of the three guarantees that the tax burden to maintain and operate these facilities will be lessened.

However, they all might serve a higher and better purpose than they currently do as a event center program under the Enterprise Fund.

B. Park Permits

The administrative expenses as well as the revenues from the Park Permits operation are accounted for in the Park Fund. User fees for services administered by the Park Permits Office, such as for ballfields and activity buildings, have typically been viewed in a different light than Enterprise Fund fees. Ballfield and activity building fees, for instance, are not meant to cover all direct and indirect costs. Throughout the history of the park system, they have remained at more affordable, if not very inexpensive, levels in order to keep these services widely accessible to the general public.

Though Park Fund fees will likely continue to remain at relatively affordable levels, the Task Force believes that a more entrepreneurial focus and emphasis on all Park Fund activities would help in identifying opportunities to raise selected fees or implement new fees that would not exclude users but would increase revenue to the park system.

It also makes management sense that an operation that is heavily fee oriented be administered under a management group that is staffed, trained, and focused to manage and report on fee based facilities, programs and activities.

The Task Force recommends that the revenues generated through Park Permits would remain in the Park Fund as would the administrative expense of providing the permitting services. The management and oversight of the Park Permits staff and operation would transfer the Park's division that focuses on revenue generating services.

In addition, the facility booking system used by the Park Permit Office may be migrating to the ParkPASS system in the near future. This centralized system will allow users to have one account to access all areas of registration and facility booking in the Department. The administration of ParkPASS is handled in the Enterprise Division and it would be beneficial for the proper operation of the system and accurate accounting of all revenue if all facilities and services using ParkPASS were under the direct supervision of the Enterprise Division.

C. Other - Regional Park Shelters, Fiber Optic Contracts, and Cell Tower Contracts

The revenues collected from the rental of the regional park picnic shelters are deposited into the Enterprise Fund. This allows for the replacement of the shelters as well as any amenities such as picnic tables and grills to be done on an as needed basis without any impact on the Park Fund. The Task Force recommends retaining the regional park shelter rentals in the Enterprise Fund.

The Enterprise Division manages rental leases with a few companies to run fiber optic cables in conduits and to place cell towers on park land. The administration of these leases is time consuming but the profits are significant. The Task Force recommends retaining the rental income in the Enterprise Fund and to use the profits to offset the operating losses at other facilities and to reduce the need for a subsidy.

Recommendation #3

Develop innovative new programs to increase participation and profit while meeting the current and future demands of the public.

The ideas for these innovative programs, as well as any future programs, are generated in a variety of means such as staff suggestions, patron requests, public/private partnership ventures, etc. Examples of innovative potential new programs are outlined below.

A. Ice Rinks

- Headlines Show with Admission Fee
- Exhibition Days
- Customer Appreciation Days
- In-house Hockey League
- Exercise/Weight Room for a Fee
- Weekday Fundraising Specials for Groups
- Bumper Cars on Ice Ride
- Partner with Montgomery County Public Schools for Physical Education Classes

B. Indoor Tennis

- QuickStart Tennis Program for young children ages 5-10
- Junior Team Tennis Program
- Home School Programs
- Exercise/Weight Room for a Fee
- Partner with Montgomery County Tennis Association for Leagues and Tournaments
- Partner with Montgomery County Public Schools for Physical Education Classes at Indoor Tennis Facility
- Wheelchair Tennis

C. Camps and Programs

- "Park and Play" At (insert name of a facility) Program (programs for days when students are out of school).
- After School Programs
- Day Bus Trips
- Dog Obedience Classes held at Dog Parks
- Tai Chi Classes
- Week in the Park Camp (Expanded to other Regional Park Locations)
- Teen Adventure Camp
- Camping Camp (Held at Little Bennett Campground)

D. Rockwood Manor

- Expansion of Women's Retreat
- Ropes Course
- Bridal Shows and Wedding Coordinator Classes
- Tai Chi Classes
- Cake Decorating Classes
- Etiquette Classes
- Culinary Camp (Held at Rockwood)
- Exercise/Weight Room for a Fee (for Overnight Guests)
- Work with the Friend's Group to develop programming

E. Departmental Concessionaire Leases

- Jet Skis at Seneca Landing

F. Departmental Events

- Participate in Parkapalooza Event
- Participate in Kids Fest
- Reach out to movie production companies to film at our facilities for a fee

G. Closure of facilities, or part of facilities, when expenditures exceed revenue (ex. not offering ice sessions that attract a small number of two skaters)

H. Corporate

Recommendation #4

Establish an Enterprise Management and Development Committee

The Task Force recommends the establishment of a committee comprised of representatives from the Regions, Park Development, Director's Office, Management Services, Public/Private Partnership coordinator, and the Public Information and Customer Service Unit for the following purposes:

- Brainstorming and sharing of information regarding new revenue sources, marketing outlets, cost control methods, etc. for existing facilities.
- Identification of tax-supported programs which might lend themselves to the enterprise approach.
- Identification of new enterprise activities and alternative sources of revenue which might be developed or pursued.
- Preparation of feasibility studies and/or special studies on individual facilities or programs.
- Identification of potential sites for new enterprise facilities.

Recommendation #5

Change the name of the division to "Revenue Facilities and Services" to reflect that this is a division of the Department of Parks with both Enterprise Fund and Park Fund responsibilities.

The name "Enterprise Division" has a historic association/perception among staff and elected officials that reflects that self-supporting nature of the Enterprise Fund facilities. As the Department reaches out to a more diverse population, we are offering more services such as summer camps that are not tied to a particular facility, thereby filling a need of the community and providing greater service to the citizens of Montgomery County. Also, with a name change, the division can be more inclusive of Park Fund operations, such as Park Permits. By changing the name to something such as the Revenue Facilities and Services Division, the name would more accurately reflect that this is a division of the Department of Parks with both Enterprise Fund and Park Fund responsibilities and would remove the historical stigma of the Enterprise Division name.