

**National Park Service
Alternative Transportation Systems Financial Analysis
Phase I Findings and Results**



Executive Summary

In August 2009, the National Park Service (NPS) contracted with Booz Allen Hamilton and Volpe National Transportation Systems Center to conduct a financial analysis of its alternative transportation systems (ATSs). This financial analysis is part one of a two-phase effort looking at the financial condition of NPS ATSs, including possible funding streams for future operations and maintenance (O&M) and vehicle recapitalization, and the impacts to Federal Lands Enhancement Act (FLREA) 80%/20% revenue and related projects and transportation fee levels from FY 2010 to FY 2014 (for parks with transportation fee approval or who are seeking transportation fee approval). Phase I examined ATSs at Acadia National Park (ACAD), Cumberland Island National Seashore (CUIS), Voyageurs National Park (VOYA), and Zion National Park (ZION), along with the March 2009 financial analysis for the ATS at Grand Canyon National Park (GRCA). A simplified review of the Lyndon B. Johnson National Historical Park's (LYJO) ATS was also generated.

Current transportation fee legislation allows the NPS to set reasonable and appropriate fees to cover the cost to operate a transportation system. Legally, the NPS can raise transportation fees to cover costs, but internal NPS policy limits transportation fees to the caps of FLREA fees. Recently, the NPS changed FLREA fee policy, which has created additional challenges for parks seeking to manage ATSs proactively.

This financial analysis reveals critical funding shortfalls for ATSs across the NPS in the short term: current fee revenues cannot sustain ATS O&M in the long term under current NPS policies and restrictions, and other revenue sources are either highly competitive or cannot be used for O&M purposes. It also examines the choices available for closing these shortfalls using fee program and legislative changes.

Key Findings

Although each park's ATS has a unique configuration and operating model, the financial analysis revealed the following findings applicable across park ATSs:

- The primary sources of ATS funding currently used for O&M for the parks in Phase I of this analysis are as follows: Transportation Fee: 85.9%; ONPS: 8%; FLREA Recreation Fee: 0.01%; and Partnership, State, and Other Contributions: 6%. Total aggregate O&M costs for the Phase I parks are projected to be \$13 million by 2014. Total aggregate capital costs for Phase I parks are projected to be \$24 million by 2014, or \$37 million in combined O&M and capital costs.
- Assuming that all existing NPS policies (revenue and cost structures and entrance fee caps) remain constant and that transportation fees will not be used to fund capital costs, the projected financial shortfall for all Phase I transportation systems would total \$2.9 million by 2014, requiring escalating operating subsidies from other sources. Likewise, these projected cost escalations for ATS operations would decrease the FLREA 80% funds available for other park projects between FY 2010 and FY 2014 by \$27.3 million (\$651,000 at ACAD, \$194,000 at ZION, and \$26.5 million at GRCA¹).

¹ ACAD will be able to fund all "critical" projects in the park's FLREA 5-year comprehensive plan, but it will not be able to fund its remaining "noncritical" projects. At ZION, all critical and noncritical projects in its FLREA 5-year comprehensive plan can be funded. The projected aggregate impact to 80% funds for FY 2010–FY 2014 for ACAD, ZION, and GRCA would be \$27.3 million *below* current projected comprehensive fee plan projections. Likewise, the projected aggregate impact to 20% Servicewide FLREA funds would be \$1.8 million *below* current levels by 2014.

- Alternatively, assuming that the 80% FLREA 5-year comprehensive plans are kept intact and are not affected by rising transportation fees, the projected financial shortfall for all Phase I ATSS (ACAD, ZION, GRCA) would total \$66.5M over the period FY2010 to FY2014.
- By 2014, the projected aggregate vehicle recapitalization funding need for parks in this financial analysis is \$20 million. Assuming that all existing NPS policies (revenue and cost structures and entrance fee caps) remain constant and that transportation fees would be collected for vehicle recapitalization, a projected financial shortfall of \$8.8 million would be incurred at ACAD by 2014 and \$2.7 million at ZION by 2014, with an aggregate financial shortfall projected at \$24 million by 2014 for all parks in this analysis. The resulting financial shortfalls in applying recapitalization costs to the projected transportation fee revenue needs suggest that sources of funding other than fees are needed for vehicle recapitalization and would be needed on a predictable and recurring basis.
- Changes in NPS fee policy could be made to address projected financial shortfalls, but would they would face substantial political and policy challenges in the process. Challenges aside, the following changes in fee policy could be considered:
 - If transportation fees were to be used as a major source of funding for vehicle recapitalization, a change in fee policy would be needed to allow “banking” of transportation fees over two or more fiscal years to accumulate the levels of funding needed for recapitalization of fleets. The “banking policy” is currently prohibited under NPS internal FLREA fee policy.
 - While transportation fees are not legislatively capped like the FLREA fees are, NPS policy manages transportation fees within the overall FLREA cap. If transportation fees were to escalate periodically to keep pace with escalating operating costs, the combined total of transportation fees and FLREA fees collected for each transaction would exceed the current individual park entrance fee caps. NPS policy allowing the combined fee total to exceed the entrance fee cap would need to be enacted.
- Under an assumption of current fee caps remaining in place and projected operating costs and visitation levels remaining constant, CUIS would require an operating subsidy from other fund sources of \$790,800 annually just to cover the costs of operations for a limited, two-year pilot shuttle system serving the South end of the island and extending north to Plum Orchard.
- There is no current financial or operational reporting system in place applied to NPS ATSS. Conducting this analysis has required significant time and financial investments on the part of park, region, and Washington Office (WASO) staff and programs. Future efforts to track this kind of data and provide this kind of analysis should be simplified and standardized.

Recommendations

Based on these key findings, recommendations for further consideration by NPS senior managers have been developed. The following recommendations, while only preliminary and based on emerging trends and outcomes from Phase I efforts, deserve highlighting at this time:

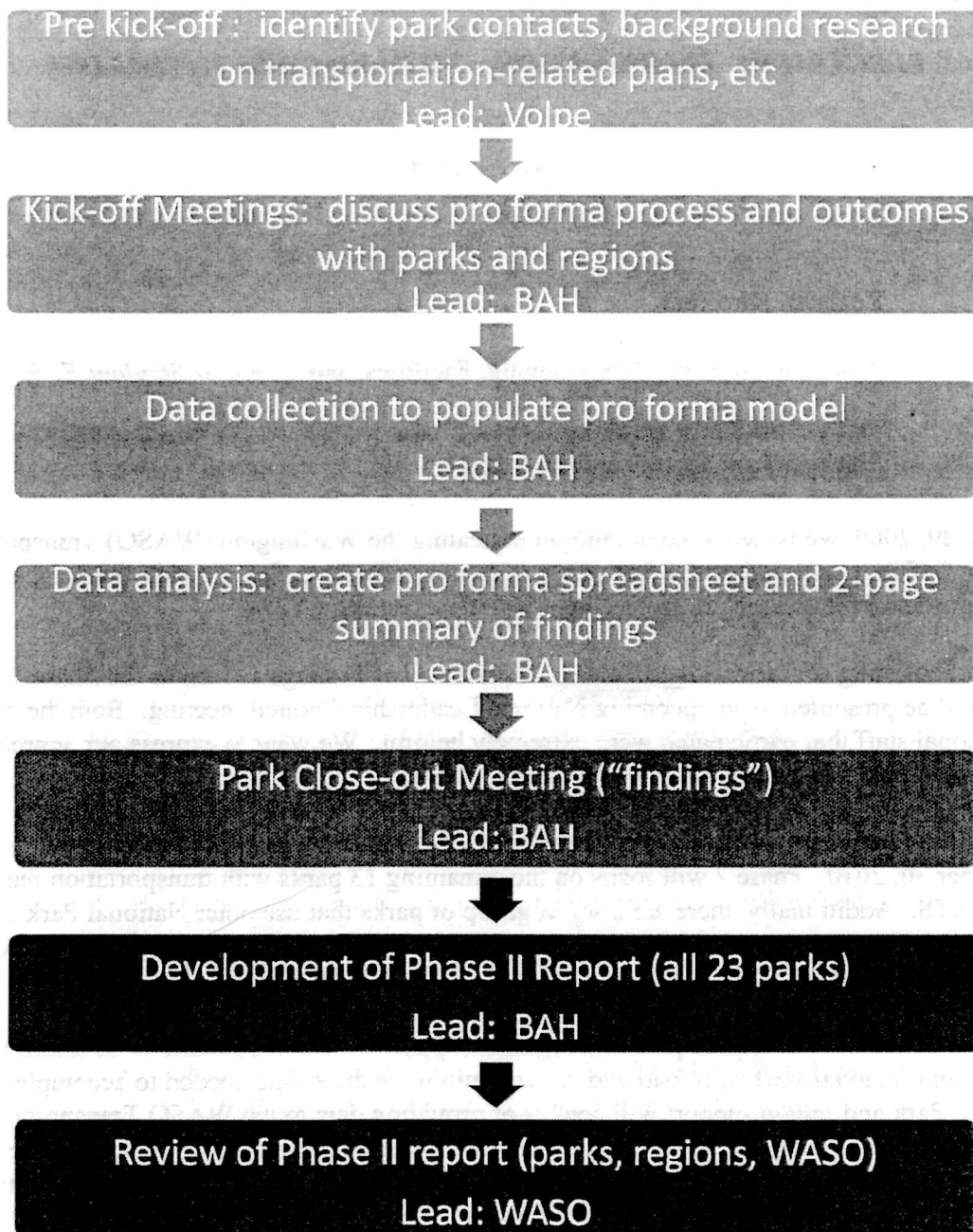
- **Based on this analysis and the Phase II analysis, identify and pursue a long-term, sustainable NPS ATS funding and policy strategy.** Build on the most stable funding sources (e.g., Fees, Federal Lands Highways Program [FLHP], Operation of the NPS [ONPS]) and pursue other funding sources, as available and appropriate, such as from the Federal Transit Administration (FTA) or partnerships, for O&M. Pursue legislative avenues for further capital and O&M through the next transportation bill reauthorization process (for FLHP and FTA).
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- **Address fee cap policies.** If NPS fee policy were to allow transportation fees to rise along with annual increases in ATS operating costs (above current caps), transportation systems would not face operating deficits and FLREA funds and projects would not be adversely affected by transportation fees. However, visitors would experience projected increases in transportation fees, ranging from \$15 (GRCA) to \$45 (VOYA) by FY 2014.
- **Address the transportation fee “banking” policy.** Determine the feasibility of and controls for park, region, or possible WASO collection and “banking” of funds from transportation fees (beyond the two-year cap) to help provide funding for full, or partial, vehicle recapitalization costs.
- **Address fiscal transparency, reporting, and accountability needs.** Establish a Servicewide database where regular, current, and reportable ATS financial and operational data could reside. Require data input and reporting tied to funding and fee collection approvals.
- **Establish contractual incentives to ATS operators and contractors** to implement more cost-effective, efficient operational measures while striving to achieve high levels of service.
- **Continue to frame the dialogue of addressing high NPS priority needs within a limited range and level of funding sources.** ATS needs are often a high priority in concert with other NPS facility needs, and coordination among the funding sources is needed to deliver and maintain those high-priority functions to the agency and its visitors. Transportation fees are not in “competition” with FLREA fees, but they should be considered funding sources that need to be allocated to high-priority NPS needs as a whole.
- **Involve all appropriate NPS Directorates, Divisions, and Programs in the collaborative decision making surrounding ATS policy and financial strategy decisions.** WASO Fees, Commercial Services, Transportation, Policy, and Legislative Affairs should have an opportunity to review and provide input on future ATS financial strategies.

Next Steps

Phase II of the ATS Financial Analysis will examine financial conditions in 23 ATSs to provide a broader portrait of current and projected financial conditions on a system by system and aggregate basis. This work is slated to begin in June 2010 and conclude by the end of September 2010.

Alternative Transportation System Financial Analysis (Phase II) Process to Create Pro Formas and Phase II Report



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May 28, 2010

Memorandum

To: Regional Directors

From: Associate Director, Park Planning, Facilities, and Lands /s/ *Stephen E. Whitesell*

Subject: Phase 2 Financial Analysis for Parks with Transportation Systems Funded by National Park Service Fund Sources

On May 29, 2009, we issued a memorandum indicating the Washington (WASO) Transportation Program Office would initiate the first phase of a comprehensive, Servicewide financial analysis of transportation fee-funded alternative transportation systems (ATS).

Phase 1, consisting of 5 parks, is complete. A summary of findings as well as the Phase 1 final report will be presented in an upcoming National Leadership Council meeting. Both the park and regional staff that participated were extremely helpful. We want to express our appreciation for their valuable and timely contributions to this effort.

Phase 2, the final phase, is expected to commence June 14, 2010, and will conclude by September 30, 2010. Phase 2 will focus on the remaining 13 parks with transportation fee-funded ATS. Additionally, there are a select group of parks that use other National Park Service (NPS) fund sources for the operation and maintenance of their systems that will also be included in the Phase 2 effort.

Phase 2 will continue to require park and regional support. We will continue to be mindful of the park and regional staff workload and we will minimize their time needed to accomplish this analysis. Park and region support will consist of providing data to the WASO Transportation Points-of-Contact, including financial information about the transportation system/services, projected visitation numbers/rates, updated comprehensive fee plans, and review the output models to verify accuracy and ensure that all information is included. We request that the regions designate a park and regional contact within 10 days of signature of this memorandum for the Phase 2 parks. Once the points-of contacts are established, the WASO Transportation Office will follow up with them to discuss the process and the timeline for this analysis.

Phase 2 efforts will continue to focus on:

- Projected costs needed to support ATS as compared to projected revenues within a 5 year timeframe. Variable factors such as visitation growth, vehicle recapitalization, impact to support facilities (i.e., shuttle stops, trailheads and restrooms), operational needs (i.e., service headways and expansion of new routes), among others, will be built into the financial model for analyzing alternative assumptions and scenarios.
- An aggregate, Servicewide analysis of Transportation Fees upon Federal Land Recreation Enhancement 80 and 20 percent fund sources and projects, as well as an analysis of, and recommendations for policy and legislative changes governing funding for NPS ATS.

The WASO Transportation office will coordinate and will fund the analysis, employing the services of the United States Department of Transportation Volpe Center and the consulting firm of Booz Allen Hamilton.

If there are any questions, please contact Kevin Percival, at 303/969-2429 or Jennifer Getz, at 202/513-7030.

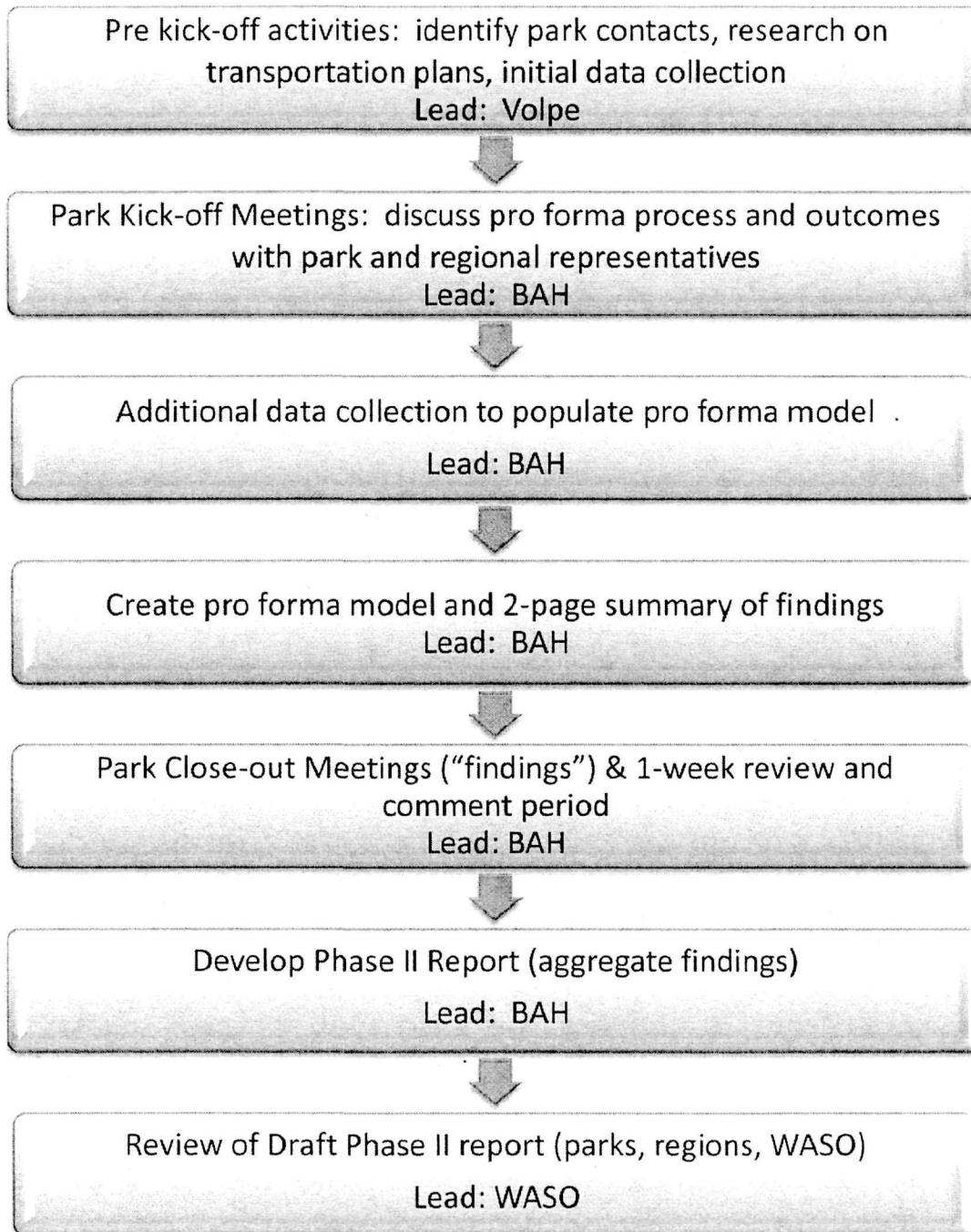
Attachment

cc: Regional Recreation Fee Program Managers
Regional Transportation Managers
Regional Facility Management Program Coordinators
Regional Chiefs of Maintenance
Regional Commercial Service Coordinators

Attachment

Park Name	Region
Phase II A	
Cape Cod NS	NER
Castillo De San Marcos/Ft. Matanzas NM	SER
Colonial NM	NER
Eisenhower NM	NER
Glacier NP	IMR
Harpers Ferry NHP	NCR
Lewis & Clark NHP	PWR
Mount Rainier NP	PWR
Rocky Mountain NP	IMR
San Juan NHS	SER
Scotts Bluff NM	MWR
Sequoia & Kings Canyon NP	PWR
Phase II B	
Adams NHP	NER
Bryce Canyon NP	IMR
Eugene O'Neill NHS	PWR
Home of FDR	NER
Kennesaw Mountain NBP	SER
Lowell NHP	NER
National Mall and Memorial Parks	NCR
North Cascades NP	PWR
Pinnacles NM	PWR
Point Reyes NS	PWR
Yosemite NP	PWR

Alternative Transportation System Financial Analysis (Phase II) Process to Create Pro Formas and Phase II Report



NPS Project Team

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Point of contact for parks: Linda MacIntyre, DSC Transportation Planner (303) 969-2483

Alternative Transportation System Financial Analysis Briefing IMR – July 9, 2010

Grand Canyon NP (GRCA)

- For FY 2010, GRCA's operating expenses are \$6.6M.
- Currently \$13 of every \$25 entrance fee (491,000 vehicles currently paying \$13 per car as a portion of the full entrance fee of \$25) is captured as transportation fee revenue.
- GRCA is scheduled to receive \$812,223 annually in base funding through FY2014.
- GRCA is one of 2 NPS ATS that has dedicated ONPS funds for their transportation system.
- By 2014, most of the \$25 entrance/transportation fee would be needed to cover O&M and capital costs leaving the park no ability to fund other critical projects in their FLREA comprehensive plan.

Zion National Park (ZION)

- Current Transportation Fee is \$19 of every \$25.
- Model looked at the costs associated with Springdale loop separately from the park loop.
- Based on the costs associated only with the Springdale loop, there is the potential for the town of Springdale to seek a Rural Transit Grant for the Springdale portion only.
- Model looked at potential for collecting a \$1 fee for riders on the Springdale portion.
- ZION is able to fund all critical projects on FLREA Comprehensive Plan through FY 2014.