Dead Horse Point State Park Business Planning Strategies

2010 - 2013

Utah State Parks

Acknowledgements

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OVERVIEW AND SUMMARY

In 2007, the Division completed a comprehensive Resource Management Plan (RMP) for Dead Horse Point State Park. One of the recommendations contained in this plan was for the park to develop a business plan to help the park operate more efficiently, to maximize park revenue, and to help the park become more self-sufficient.[1] This plan helps meet that recommendation.

Dead Horse Point State Park has the potential for a number of low cost development opportunities and programs that yield significant increases in revenue and positive returns on investment. Staff identified seven projects that, if implemented, could lead to an annual net increase in park revenues of more than $88,000. This equates to an approximate 14 percent increase in fiscal year 2010 park revenues.

These projects along with the annual expected net cash flows are summarized as follows:

Table 1: Summary of Potential Impacts from Business Planning Proposals

New Proposal/Project	Annual Net Cash Flow
Develop Campground Yurts	$16,453
Improve Gift Shop Revenues	$31,823[2]
Promote use of Group Site	$2,400
Expand the Intrepid Mtn. Bike Trail	$5,186
Add Remote Campsites	$5,365
Provide Private/Public Business Opportunities (beverage/food concession)	$5,000[3]
Increase Camping Fees	$21,983
Totals:	**$88,210**

[1] Utah State Parks, Dead Horse Point Resource Management Plan, April 2007, p. 24.
[2] Annual Net Cash Flows are anticipated to increase to more that $58,000 from this action within 3 years of implementation.
[3] The annual net cash flows could be significantly higher as this proposal will likely attract more gift shop patrons.

All of these opportunities and programs are consistent with the park's mission and vision and are in high demand among park visitors. Moreover, they are cost effective and do not require a significant infusion of capital to implement. They all have internal rates of returns on discounted net cash flows in excess of 18 percent.

The time horizon for implementing these strategies is relatively short; all actions within this plan can reasonably be implemented within the next one to two years.

Additional actions are also included in this document that are likely to increase park revenues as well. However, more analysis is needed to clearly identify what the impacts would be. These actions are identified as longer-term business planning strategies.

This document first presents the park's mission statement as defined in the 2007 Resource Management Plan and shows how the proposed business planning strategies are consistent with the park's mission. Next, it summarizes the park's major expenditure and revenue categories to show how funds and expenditures are allocated. The document then examines specific short-term strategies to enhance park revenues. Here, each program or proposal is described along with the estimated benefits and costs. A financial analysis for each program is included to show that each is cost effective at assumed discount rates and over the estimated life of each project. The document concludes with a brief summary of longer-term strategies that will require additional research and study prior to implementation.

PARK MISSION

In the park's 2007 Resource Management Plan (RMP), the planning team developed the following park mission statement:

The mission of Dead Horse Point State Park is to provide a variety of quality recreational and educational opportunities to visitors, have a positive impact on the local and state economies, and promote and ensure the protection of park resources, viewshed, and environment.[4]

The mission statement is founded on two basic principles; first, that the park is an important provider of area recreational opportunities; and second, that the parks resources, particularly the park's scenic views, are the reason why visitors come to Dead Horse Point. Such attributes should be preserved for the future. Park staff are confident that the recommendations included in this plan will have minimal impacts on park's biological community or viewshed.

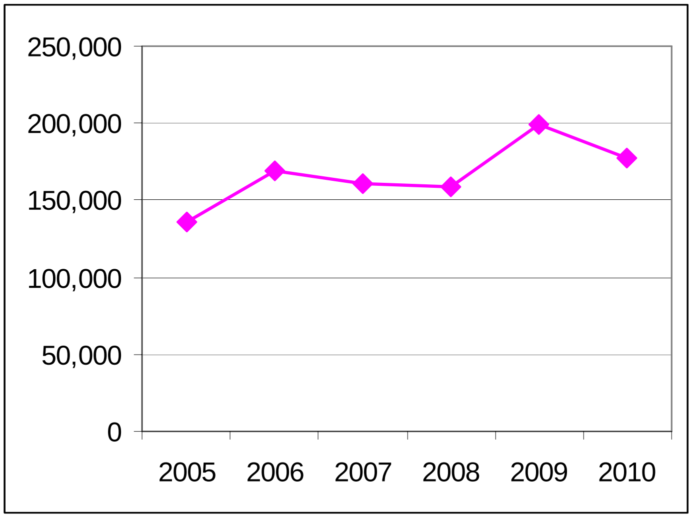
This mission statement guides the recommendations contained in the 2007 RMP. The RMP recommends that actions be taken to help the park operate more efficiently and to help it become less dependent upon the State's general funds. The RMP directly recommends that staff develop a business plan to achieve this goal.[5] This business plan will fulfill this recommendation.

PARK VISITATION, REVENUES, AND EXPENDITURES

Visitation data from the park show a slight upward trend over the period fiscal year 2005 through fiscal year 2010. Despite relative year over year declines in visitation in fiscal years 2007, 2008, and 2010, current visitation (177,388 visitors in fiscal year 2010) is more than 30 percent higher than it was in fiscal year 2005. These trends suggest that park visitation will continue to increase in the future. Park visits for the period are shown in figure 1, below.

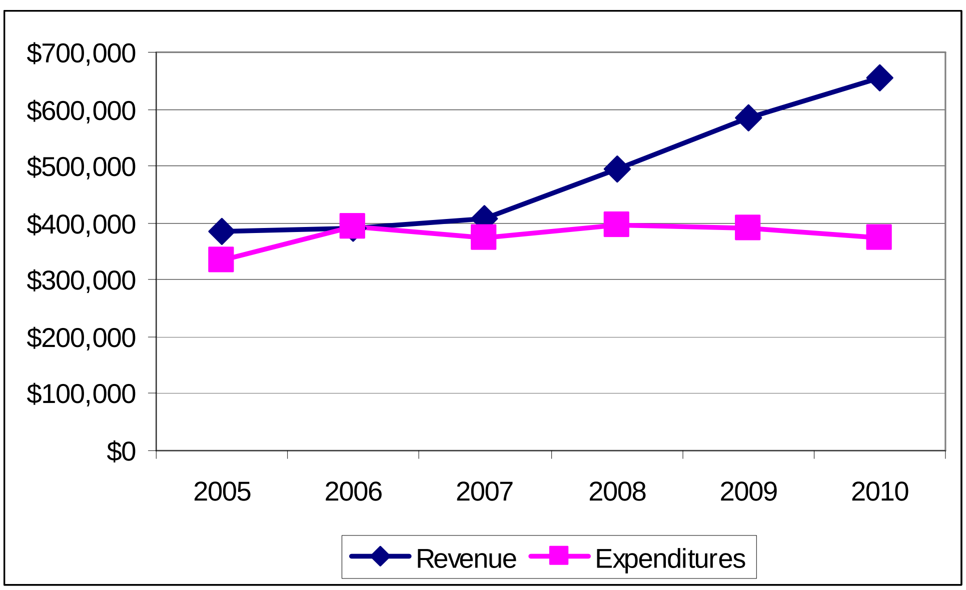
[4] Utah State Parks, Dead Horse Point Resource Management Plan, April 2007, p. 3.
[5] Ibid, p. 24.

Figure 1: Visits to Dead Horse Point State Park, Fiscal Years 2005 - 2010



Recent trends show significant increases in park revenue collections. Park revenues have exceeded park expenditures for five out of the past six fiscal years. Fiscal year 2010 revenues totaled $654,972, an amount that is 70 percent higher than fiscal year 2005 revenues which came to $385,106. At the same time, park expenditures have held steady over the past five years, with the park posting slight expenditure declines over the past three fiscal years. Figure 2 illustrates park revenue and expenditure trends over the past six years.

Figure 2: Dead Horse Point State Park, Revenues and Expenditures, Fiscal Years 2005-2010



With the operational efficiencies that are being realized by effective park management, and with the increasing year-round demand for many of the park's recreation opportunities, Dead Horse Point is positioned to reap even greater efficiencies through strategies that will enhance the park's fiscal viability, satisfy visitor needs, and result in positive impacts for the Division. Staff identified the following strategies to help the park capitalize on these opportunities.

PART I – SHORT TERM BUSINESS PLANNING STRATEGIES

I - Develop Campground Yurts

-Estimated Impact:- $16,453 in Additional Annual Revenues

Background and Information

There is a prime opportunity to install two (possibly three) yurts in the park's campground. Yurts would serve a broader market and would provide an alternative to recreational vehicle (RV) or tent camping. The yurts would be located near the existing campground, as shown in figure 3.

Figure 3: Potential Yurt Location

Park staff are confident with the high year-round occupancy rates of the existing campground, there is latent visitor demand for this proposal.[6] Moreover, staff views this proposal as a relatively low-cost opportunity to capitalize on a recreation option that will yield significant returns while meeting visitor needs in a manner that is entirely consistent with the park's mission and vision.

The proposed yurts would accommodate up to four people and would be available year-round. Furnishings for the proposed Dead Horse Point yurts would include wooden lattice walls and ceilings, indoor lighting, and screened skylights. They would also include screened windows for summer cooling and thermostat-controlled propane stoves for heating. Additional features would include a double bed, a futon/couch, and amenities for preparation of food. The sites would also include picnic tables, and barbeque grills. No indoor cooking would be allowed, and visitors would bring their own bedding, cooking supplies and eating utensils.

Yurt rentals are currently available at East Canyon State Park, and may serve as a model for development. East Canyon currently charges $60 per night for yurt rental. A security deposit is also required.

Assumptions

The following financial assumptions were made for this project:

1. The two sites would have an annual occupancy reaching approximately 55 percent, year-round, after the 2nd year of operation (it is assumed that initial annual occupancy is 20 percent).[7]
2. Total acquisition and development costs for each yurt are $27,000.[8]

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[6] Staff note that several park visitors have requested yurt camping opportunities.

[7] Based on a model developed by Department of Natural Resources Internal Audit Group which is as follows: $Y_t = \frac{(0.55 - Y_{t-1})}{2} + Y_{t-1}$ where *Yt* is the occupancy rate in year *t* and *Yt-1* is the occupancy rate from the previous year. The parameter 0.55 in the model's numerator represents the assumed maximum annual occupancy rate, and the parameter 2 in the denominator represents the rate (in years) at which the project approaches maximum occupancy.

[8] Project construction costs totaling $54,000 are estimated as follows: Labor and equipment $15,000 (for both yurts); Yurts $22,000 ($11,000 each); Materials (decking, furnishings, etc.. – for both yurts) $17,000. Note that labor and equipment costs are included in the total cost estimate, but these are opportunity costs, as Southeast Region construction crews will develop the project. Hence, total actual *cash* outlay is approximately $39,000 for development of both yurts.

3. Total annual operations and maintenance costs for each yurt are $1,149.[9]
4. Annual depreciation expense for each yurt is $1,300 based on the fully-depreciated cost of a yurt ($11,000) and the materials/furnishings costs for each yurt ($8,500).
5. An imputed (sales, transient room) tax rate of 10.2% is calculated on estimated annual benefits.
6. A rate of $65 per night is charged for rental.
7. Useful life of each yurt is 15 years.
8. Assume a 5% discount rate.

Financial Analysis

If the assumptions are correct, the project is clearly cost-beneficial, and yields excellent returns on the initial funds invested. Table 2 highlights the financial analysis.

The proposed project yields an excellent internal rate of return (the discount rate needed to have a "breakeven" discounted net cash flow) of 24 percent. In addition, the project has a benefit-cost ratio of 1.6, which signals that the project is cost-effective.

Table 2: Financial Analysis - Development of Two Yurts at Dead Horse Point State Park

Financial Measure	Amount
Average Annual Net Cash Flow Less Up-Front Capital Costs	$16,453
Average Annual Net Cash Flow Including Up-Front Capital Costs	$12,049
Net Present Value of Project Benefits	$111,111
Project Benefit/Cost Ratio	1.6
Internal Rate of Return	24%

With a projected $16,453 in new revenues annually, this project would increase current park revenues by about 3 percent[10], all other things held constant. If it would not detract from the mission or the aesthetics of the park, staff may want to consider adding another yurt to the program, as this would result in even

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[9] Annual operation costs for each yurt, as reported by East Canyon State Park staff (who currently manage yurt operations at the park) are as follows: Maintenance, $495.00; propane/utilities, $300.00; cleaning $300,00; insurance $54. These costs total $1,149. As these costs represent the actual expenditures from 2 years of yurt operations at East Canyon, we believe this figure provides a reasonable representation of expected operations and maintenance costs for the Dead Horse Point yurt proposal.

[10] Annual park revenues received averaged about $535,770 over the four-year period fiscal years 2007 through 2010.

greater increases in the park’s annual revenues without any loss in project cost-effectiveness.

II – Hire a Dedicated Gift Shop Manager to Increase Annual Sales Volumes
-Estimated Impact: $31,823 in Additional Annual Revenues

Background and Information
The park’s visitor center includes a gift shop that generates revenue and extends the interpretive mission by selling educational merchandise and souvenirs. In fiscal year 2010, the gift shop grossed more than $116,000 in revenue. Resale revenues from the gift shop are the park’s second greatest revenue source following day use revenue, accounting for about 20 percent of all park receipts.

Staff estimates that approximately 60 percent of all park visitors enter the visitor center. Based on that assumption, the Dead Horse Point gift shop generates $1.10 per gift shop visitor.[11] Staff believes that this figure is too low relative to other area parks, and that improvements to this figure can be realized using a proper approach.

The Canyonlands Natural History Association utilizes a minimum standard of $2.00 per (gift shop) visitor which is consistently met or exceeded at most of the association’s venues. Table 3 shows how gross sales per visitor figures from other parks in the Division’s Southeast Region compare with Dead Horse Point:

Table 3: Average Gross Gift Shop Sales Per Visitor, Southeast Region State Parks

State Park	Estimated Gross Gift Shop Sales per Visitor
Edge of the Cedars	$2.77
Anasazi	$2.56
Goblin Valley	$2.41
Utah Field House of Natural History	$1.46
Dead Horse Point	***$1.10***
Average	**$2.06**

[11] $116,000 in current retail revenue divided by 60% of current total visitation (which equates to about 106,000 visitors) is approximately $1.10 per visitor.

Dead Horse Point's gross sales per visitor figure from its gift shop operation is the lowest in the region, averaging almost $1.00 lower than the regional mean. Staff identified actions to make significant improvements to this figure.

In critically assessing its gift shop sales performance, park managers believe that low per visitor gift shop revenues is attributable to the lack of a dedicated gift shop manager. This was an issue identified in the park's recent Resource Management Plan.[12] Gift shop duties are ancillary responsibilities typically divided among full-time and seasonal staff. Park management indicates that with staff currently stretched thin, it is very difficult to devote the needed amount of staff time to this function without negatively impacting current park operations. More specifically, there are a minimum of four shifts required per day during the season to operate Dead Horse Point (entrance station, visitor center, maintenance and park closing/interpretation responsibilities). This is equivalent to 28 shifts required each week. With four full-time employees and three seasonals, assuming a four-ten schedule means there are 28 shifts available per week (providing no one is taking time-off, is sick, or is attending training). In other words, there is simply not enough staff time available that can be dedicated to provide the gift shop with the management attention needed to better maximize revenue.

Additional gift shop management staff time is needed to better stock and organize shelves, complete timely merchandise orders, and to provide for more effective product development. This plan recommends that park management secure a dedicated gift shop manager position to ensure more efficient operations.

Staff estimate that the compensation package for a nine-month seasonal position is $18,717. Staff would be able to recruit for this nine-month lead seasonal position from universities and technical colleges across the country. Park management is confident that with the incentive of housing offered along with the position, they would be able to recruit qualified candidates. Staff would

[12] See Dead Horse State Park RMP, p. 24.

focus their recruitment efforts on candidates with experience or training in business management, marketing, or sales.

Assumptions

With a staff person dedicated to and focused on managing the gift shop, park managers estimate that the net (after tax) sales per visitor ratio would increase to $1.25 per visitor. This would produce an additional $15,965 in gift shop revenue based on fiscal year 2010 visitation and assuming that 60 percent of visitors are gift shop patrons. Staff estimate that with a dedicated manager, this ratio can be increased to $1.50 over the next three year period, resulting in an additional $42,573 in gift shop revenues.

Significantly, the additional Gift Shop Manager position would free-up personnel to operate the entrance station for an additional 3 hours per day, representing a 25 percent increase of entrance station hours staffed. Currently, park management estimates that 33.3 percent of visitors do not pay the entrance fee when the entrance station is not staffed. The additional 3-hour per day entrance station coverage would result in a significant increase in day-use receipts collected.[13]

Park management estimated the increased day-use fee compliance by analyzing visitation occurring during periods when the station is closed. Using average visitor counts during these periods, and accounting for the 66.7 percent of visitors who would have voluntarily paid the entrance fee when the entrance station is unoccupied, it is estimated that the increased staffing would result in a 7.6 percent increase in total annual day use revenues collected. This is equivalent to an additional $35,575 in new day-use revenues beyond current levels.

The above assumptions for this proposal are summarized as follows:

[13] Increased entrance station staffing would occur during the period March – October, the period in which the Gift Shop Manager position would be funded.

(1) Costs of new position $18,717, plus $1,000 of new costs from uniforms and other incidentals from new seasonal position equals $19,717 in new costs.
(2) $15,965 in new annual revenue (net) from increasing sales per visitor ratio to $1.25.
(3) $42,573 in new annual gift shop revenues (net) is realized by as sales per visitor ratio increases to $1.50 by 2014.
(4) $35,575 in new annual revenue (net) from increasing entrance station staffing by 25% Match – October.

Financial Analysis

Based on the assumptions, the investment in a nine-month seasonal position is a cost-effective measure that will boost gift shop sales revenues. As noted above, and in light of the results from other parks in the region, it is not unreasonable to assume that targeted gift shop sales per visitor ratios of $1.50 are achievable in a short period of time, especially with park managers focusing on efficiencies in gift shop operations. Perhaps just as significant are the gains in staff productivity realized from this position as it effectively frees staff to engage in more profitable fee collection activities at the main entrance gate.

Assuming a "baseline" scenario whereby the position yields $15,965 in new annual gift shop revenues and $35,575 in new receipts are collected at the entrance station, the park can expect approximately $31,823 in new cash flows each year after costs of the position are netted-out. If staff can achieve the $1.50 ratio of gift shop sales per visitor, the park will realize approximately $58,431 in new annual cash flows, all other assumptions held constant.

III – Promote the Park's Group Use Area for Bicycle Groups

-Estimated Impact: $2,400 in Additional Annual Revenues

Park management argues that the current group use area is underutilized. The facility lies directly adjacent to the park's Intrepid mountain bike trail, making it an ideal camping experience for groups of bicyclists. Park management believes that the current facilities for the area are sufficient. Hence, this proposal merely entails enticing more groups to use the site.

The proposal would be to promote this site to mountain bike tour groups to increase occupancy. Currently, reservations data show that the group use site occupancy is approximately 31%, year round.[14] With effective marketing and promotion, park staff believe year round occupancy can be increased to 50%. Staff estimate that a one-time infusion of $2,000 will be used to initiate promotion efforts. Annual advertising costs will not exceed $1,000 per year.

Park staff would target marketing efforts for the site toward bicycle tour guide operators in Moab and elsewhere. They would seek to increase use of the site by the estimates provided above.

Division Marketing and Communications staff recommend some relatively inexpensive strategies to initiate marketing of the site. For example, the park could hold an open house with a ride and lunch/dinner along with an interpretive program. Staff could invite bike outfitters and other entities such as river guides and local tourism officials to this event. This would showcase the group site and the opportunities provided there. During this open house staff could invite each business to provide contact information including email addresses. This would enable park staff to send periodic email blasts reminding these groups about park services and other incentives to induce occupancy.

When these efforts are coupled with the proposed expansion of the park's Intrepid trail (see item IV, below), it is reasonable to assume that these actions will attract more bike trail usage at the park and increase demand for this site at the rates estimated.

Assumptions

As noted above, the primary objective is to invest approximately $2,000 (or less) in marketing funds for this purpose. It has been noted that the Division's Marketing and Outreach Coordinator may have funds for this effort. Park staff will need to work with the Marketing and Outreach Coordinator to determine strategies to implement this proposal.[15]

The program's assumptions are outlined as follows:

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[14] Based on fiscal year 2010 reservation data for the site.
[15] It is recommended that staff contact NPS concession staff for a listing of their commercial permit holders to help target marketing efforts.

1. Year-round occupancy increases from 31% to 50%, yielding about 68 more nights of occupancy.
2. Rates for the site are $50 per night.
3. One-time costs for marketing are $2,000.
4. Ongoing advertising/marketing costs are $1,000 annually.

Results

Table 4 shows that the occupancy increase yields additional revenues of about $2,040 with an annual marketing cost of about $1,000, resulting in a net revenue of $1,040 per year. The proposal is cost-effective and yields a positive internal rate of return.

Table 4: Financial Analysis – Increased Use of Group Site

Year	Benefits	Costs	Net Cash Flow
0	$0	$2,000	-$2,000
1	$3,400	$1,000	$2,400
2	$3,400	$1,000	$2,400
3	$3,400	$1,000	$2,400
4	$3,400	$1,000	$2,400
5	$3,400	$1,000	$2,400
6	$3,400	$1,000	$2,400
7	$3,400	$1,000	$2,400
8	$3,400	$1,000	$2,400
9	$3,400	$1,000	$2,400
10	$3,400	$1,000	$2,400
11	$3,400	$1,000	$2,400
12	$3,400	$1,000	$2,400
13	$3,400	$1,000	$2,400
14	$3,400	$1,000	$2,400
15	$3,400	$1,000	$2,400
16	$3,400	$1,000	$2,400
17	$3,400	$1,000	$2,400
18	$3,400	$1,000	$2,400
19	$3,400	$1,000	$2,400
20	$3,400	$1,000	$2,400
Net Present Values:	**$40,353.82**	**$13,773.53**	**$26,580.29**
-Benefit/Cost Ratio:	**2.93**		
-Internal Rate of Return:	**120%**		

The proposal would be cost effective, even if marketing efforts continue indefinitely (at the estimated costs listed above). More significantly, this is a proposal that can be implemented immediately, as funding may be available, and there are no development actions required.

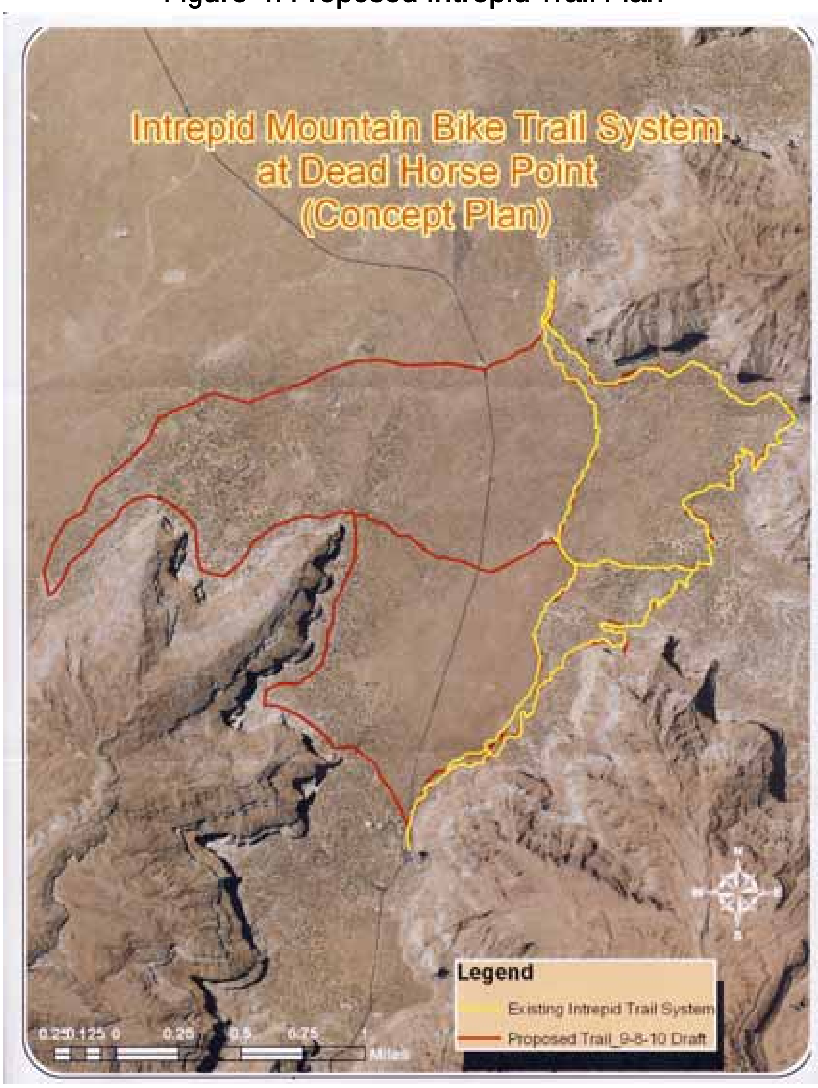
IV - Expand the Intrepid Mountain Bike Trail

-Estimated Impact: $5,186 in Additional Annual Revenues

Background and Information

The 2007 RMP recommended the development of a mountain bike trail within the park. Aided by donations of money from Intrepid Potash Inc., and with planning and labor provided by the nonprofit trail advocacy group, Moab Trail Mix, the Intrepid Trail was opened in May of 2008 (see Figure 4, below). It has become a popular additional recreational opportunity, and has been instrumental in bringing in a new group of visitors.

Figure 4: Proposed Intrepid Trail Plan



The current trail is nine miles in length and has three stacked loops. A trailhead is located at the park's Visitor Center. The trail runs along the eastern rim of the park's plateau and offers beautiful views of the Colorado River, La Sal Mountains and the Behind the Rocks Wilderness Study Area.

The proposed expansion would cross the plateau and travel along the rim of Shafer Canyon and would loop back to the Visitor Center. Views of the Needles and Island in the Sky Districts of Canyonlands National Park are dramatic from the proposed new alignment. This expansion would add an estimated 11 miles of trail, afford a couple more loops and could be marketed as a nested loop system. Furthermore, this expansion would facilitate the development of a rare backcountry camping opportunity for mountain bikers and hikers (see item "V" below).

Assumptions

The total cost of the Intrepid Trail was $40,000, half of which was paid as a donation from Intrepid Potash Inc. ($20,000 of state funding for the project). Based on a sampling of records kept at the park's entrance station, staff estimate that in fiscal year 2010, the park generated an additional $18,740 from day use entrance fees from the new bike trail. This translates into approximately 5,355 visitors utilizing the trail, according to park staff.

The park collects an average of $1.10 per visitor in the retail store at the visitor center. Therefore, it is estimated that the 5,355 new visitors who came to use the trail generated an additional $5,890 of revenue in the gift shop in fiscal year 2010. Staff estimated that an additional $1,000 of revenue was generated in the off-season five month period from these trail users. Staff based visitation and use estimates on the park's peak season which runs between March 15 and October 15. Table 5 summarizes the estimated revenues generated from the new visitors utilizing the mountain bike trail in fiscal year 2010.

Table 5: Revenues from Mountain Bike Trail Use in Fiscal Year 2010

Park Entrance Fees	$17,850
Retails Sales to mtn. bikers	$5,890
Off-season use	$1,000
Total Revenue from trail	$24,740

This is equivalent to revenues of about $4.62 per bike visitor ($24,740 total revenues divided by 5,355 bike visitors). The Moab Trails Alliance predicts that by expanding the existing Intrepid trail from 9 miles to 20 miles as proposed, the park will realize an increase of at least 25% more mountain bikers (1,339 visitors). We can then predict an additional $6,186 (1,339 x $4.62) of new revenue from this addition.

Staff estimate that the total project cost of 11 new miles of trail will cost approximately $50,000. Staff also assume that private partners will donate 50 percent of the project costs for the naming rights of the trail. Therefore, total capital development costs to the state of Utah are estimated at $25,000. Staff project that annual operations and maintenance costs will not exceed $1,000, based on past experience with the existing trail.

Financial Analysis

The analysis uses the revenue and cost estimates listed above. It is also assumed that the project has a 25-year useful life and is developed using a 5% discount rate. If the assumptions are correct, the project is cost-effective and yields positive returns on capital investments made. Table 6 highlights the financial analysis.

The proposed project yields positive cash flows and a high internal rate of return (21%). The project’s benefit-cost ratio of 2.23 shows that it is cost-effective.

Table 6: Financial Analysis of Intrepid Trail Expansion

Year	Benefits	Costs	Net Cash Flow
0	$0	$25,000	-$25,000
1	$6,186	$1,000	$5,186
2	$6,186	$1,000	$5,186
3	$6,186	$1,000	$5,186
4	$6,186	$1,000	$5,186
5	$6,186	$1,000	$5,186
6	$6,186	$1,000	$5,186
7	$6,186	$1,000	$5,186
8	$6,186	$1,000	$5,186
9	$6,186	$1,000	$5,186
10	$6,186	$1,000	$5,186
11	$6,186	$1,000	$5,186
12	$6,186	$1,000	$5,186
13	$6,186	$1,000	$5,186
14	$6,186	$1,000	$5,186
15	$6,186	$1,000	$5,186
16	$6,186	$1,000	$5,186
17	$6,186	$1,000	$5,186
18	$6,186	$1,000	$5,186
19	$6,186	$1,000	$5,186
20	$6,186	$1,000	$5,186
21	$6,186	$1,000	$5,186
22	$6,186	$1,000	$5,186
23	$6,186	$1,000	$5,186
24	$6,186	$1,000	$5,186
25	$6,186	$1,000	$5,186
Net Present Values:	**$83,033.47**	**$37,232.33**	**$45,801.14**

-Benefit/Cost Ratio:	**2.23**
-Internal Rate of Return:	**21%**

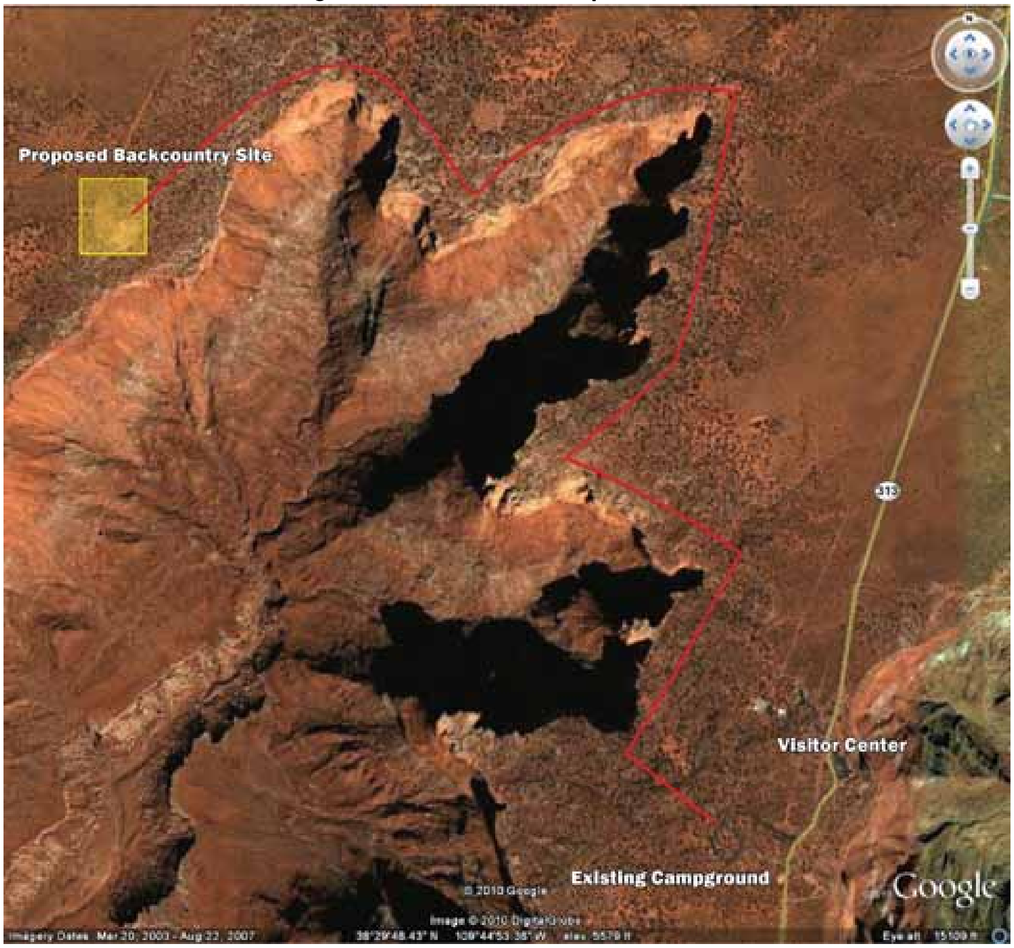
V – Develop Remote Camping Sites

-Estimated Impact: $5,365 in Average Additional Annual Revenues

Background and Information

This proposal would involve development of three unique, remote, primitive campsites with the installation of a "CXT-type" single vault pre-cast restroom. Each site would also include a picnic table. The area would provide for a back-country experience with a prime view of the park's scenery.

Figure 5: Remote Campsite Area



This area is located approximately 3.5 miles north of the campground along the canyon rim. It would provide an exclusive, private and remote camping experience for visitors. In addition, it would be in close proximity to the park's expanded Intrepid mountain bike trail system. Because these are exclusive sites, the park would charge premium rates.

Assumptions

The following assumptions are outlined for this proposal:

1. The three sites would have an annual occupancy reaching approximately 27.8 percent, year-round, after the 2nd year of operation (it is assumed that initial annual occupancy is 10 percent).[16]
2. A fee of $25 per night, per site would be charged.
3. Development costs would total $25,468[17]

[16] Estimated occupancy is developed using the same model listed in footnote "8" above. Here, the numerator parameter is 0.278, representing the assumed maximum annual occupancy rate, and denominator parameter is 2 representing the rate (in years) at which the project approaches maximum occupancy.

4. Annual variable costs are as follows: Operation, maintenance, and cleaning, $1000; insurance $30; imputed taxes would be about 10.2% of annual revenues.
5. Annual depreciation expense would be about $619 (based on the $15,468 CXT vault restroom with a 25-year useful life, w/no salvage value).
6. A discount rate of 5% is assumed to determine present values.
7. A 25-year useful life is used for the financial analysis.

Financial Analysis

If the assumptions are correct, the project is also cost effective and yields positive returns on capital investments made. Table 7 highlights the financial analysis.

Table 7: Financial Analysis - Development of Three Remote Sites

Financial Measure	Amount
Average Annual Net Cash Flow Less Up-Front Capital Costs	$5,365
Average Annual Net Cash Flow Including Up-Front Capital Costs	$4,179
Project Net Present Value	$47,167
Project Benefit/Cost Ratio	1.7
Internal Rate of Return	18%

The proposed project yields a net present value of about $47,167, and an internal rate of return of about 18 percent. The project's benefit-cost ratio is about 1.7, which shows that it is cost-effective.

VI – Provide Private Business Opportunities (Concession)

-Estimated Impact: $5,000 in Additional Annual Revenues

Background and Information

Park managers are confident that the park would provide excellent opportunities for collaboration with private businesses. This would be in the form of concession services with the initial goal of providing coffee, beverages, and other miscellaneous food items to visitors. Park management notes that there are a large number of park visitors who regularly request such services. With a large

[17] Costs for this proposal include a CXT single vault toilet, $15,468, $7,000 for labor, and miscellaneous other development items (picnic tables, misc. materials, etc.) totaling $3,000.

visitor base, it is anticipated that such a venture would be successful. Staff believe that these concession services would be provided more efficiently by private concerns.

This concession would be located on the grounds of the park's visitor center. The visitor's center is an ideal location, as it is a major park attraction for most visitors. In addition, park management proposes that the outdoor overlook area on the visitor center's north end be furnished with chairs and tables for customers. This would help attract even more visitors to the visitor center and gift shop area. The concession area would be designed to be attractive and to blend in well with the visitor center design and aesthetics.

The concession would be responsible for all development and operation costs. In addition, staff will review development plans to ensure that the design is sound, and that the development is consistent with the park's aesthetic values. Park staff will work with the Division's Concession Management team in developing a request for proposal (RFP) to secure an entity through a competitive selection process.

Financial Analysis

It is estimated that the concession would attract an average of about 150 customers per day over a 200-day season. This would be equivalent to about 30,000 customers per year. Assuming that average receipts are about $3.00 per customer, annual revenues from this concession would gross approximately $90,000 per year. The park would receive about 5 percent of gross receipts, for a total of $4,500 per year at no or little incremental cost. In addition, a minimum $500 annual concession fee would also be received by the park. Park staff estimate that the additional traffic attracted to the visitor's center due to the concession could bring as much as an additional $10,000 (net) to the gift shop area. As a result, the park could receive an additional $15,000 per year.[18]

[18] Under these assumptions, the discounted present value of net cash flows to the park would total $90,000, using a 20-year life and a 5% discount rate.

VII – Increase Camping Fee from $20 per night to $25 per night.
-Estimated Impact: $21,983 in Additional Annual Revenues

Background and Information

There is an opportunity to obtain approximately $25,000 annually by an increase campground fees. The park's campground has some of the Division's highest year-round occupancy rates of any state park in the system. The campground is filled to capacity approximately 85% of each night of the year. With such apparent high demand for campground sites, it would not be unreasonable to increase campground fees.

Staff propose increasing fees by differential rates, where high-demand sites would receive a premium rate. As a baseline scenario, staff recommend increasing fees from 20$ per night to 25$ for 16 of the campground's largest sites.[19] The 20$ per night fee would still be in place for the remaining 5 sites (which would accommodate primarily tent campers).

As there is higher electricity usage by R.V. units at the larger sites, it is reasonable that fee increases would be applied to these sites to enhance cost recovery. It is anticipated that there would be negligible "buyer resistance" to such a fee increase given the latent high demand for sites.

Financial Analysis

As there are no capital or operational costs associated with this proposal, the analysis will focus only on the increase in receipts from the new fees. Staff identified the following assumptions for this proposal:

1. Apply a $5 increase to 16 campground sites.
2. Occupancy rates for these sites are 85%, year round, resulting in 16 sites being filled on 306 days (nights) of the year (360 days x 85%).
3. Additional revenues from this proposal are $21,983 calculated as follows:

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[19] Under this proposal, it is possible that all 21 sites could be RVs with a fee of $25 applied on one night or more than 5 tent sites at $20 for another night, so staff emphasize that fee differentials will be based on prevailing conditions and associated demand. However, for purposes of the financial analysis, we assume the $20 to $25 differential represents a baseline scenario to calculate potential financial impacts, as noted above. In addition, it is likely that subsequent fee increases will be implemented over the next 4-year period.

a. 306 days (nights) occupied x 16 sites = 4,896 sites occupied annually
b. 4,896 x $5 increase = $24,480 in new revenues.
c. Imputed tax rate of about 10.2% (transient room and sales taxes) would result in a deduction of $2,497, which would yield the net figure of $21,983.

4. There is no drop-off in campground use.

PART II – LONG-TERM BUSINESS PLANNING PROPOSALS

Park staff identified additional proposals that will require additional time and research prior to implementation. These include development of a paved bike trail connecting the park to Island in the Sky mesa in adjacent Canyonlands National Park, and the addition of a bicycle rental concession at the park.

It is likely that the paved connecting trail will require a significant amount of funding and in-kind resources from a number of area partners. Significant staff time and effort will be needed to marshal these resources. Likewise, Division staff need to conduct further study and analysis regarding the feasibility of securing a bicycle rental concession. With these issues in mind, a brief description of each proposal follows.

I – Develop a Paved Bicycle Trail

Moab City and Grand County have put a great deal of resources into a paved bike trail system that will soon reach to within five miles of the Dead Horse Point State Park boundary. By connecting the park to the end of this existing paved trail system, the park would be able to offer a highly marketable "epic" ride that, with shuttle transportation to the park, would provide bike riders with a 37-mile downhill trip to Moab entirely on separated paved bike trail or lanes. The National Park Service would like to partner and link their Island in the Sky visitor center to Dead Horse Point's visitor center.

The 2007 Dead Horse Point recommends that connecting trails such as this be developed, as they would be a major recreational opportunity and attraction for visitors to the area.[20] Staff are confident that there would be significant increases in park visitation with the addition of this project.

The Moab Trail Alliance estimates that such a project would result in an additional $8,000 in annual park revenues, with increases in subsequent years. Staff estimate that the Dead Horse Point portion of the trail would cost around $150,000. There would be nominal annual operation and maintenance costs

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[20] See Dead Horse Point State Park RMP, pp, 20-21.

totaling about $1,000. Using these estimates and assuming both a 20- year and 30-year project life under a 5 percent discount rate with which to calculate present values, staff found that the project is not cost-effective. However, the Division has previously been successful in obtaining grants and donations for bike trails. Staff created a second scenario, this one assuming that the entire costs of the project were covered by grants and donations. As there are no internalized capital costs in this scenario, and as annual operation and maintenance costs ($1,000) would be only a fraction of the estimated $8,000 in revenues, the project then becomes a cost-effective recreational opportunity.

II – Provide Additional Private/Public Business Opportunities: Bicycle Concession

Park staff propose that another concessionaire be secured to provide bicycle rentals at the park. Bicycle use at the park has increased with the addition of the Intrepid trail. It will almost certainly increase further with the expansion of this trail, and with the development of the Island in the Sky connecting trail.

This is a function that would meet a need of increasing numbers of park visitors seeking a biking experience. At the same time, it would yield additional revenues to the park at negligible cost. As with the food/beverage concession proposed above, this is a function that would be better suited to the private sector. This is something that can be done in a relatively short time frame, but needs further study and analysis.

It is recommended that staff take the necessary steps to acquire additional information on these projects to examine the feasibility of each.