California Department of Parks and Recreation
Revenue Generation Program

Guidelines and Criteria
For
Capital Outlay Projects
FY 2012-2013

Introduction

Legislation passed in 2012 amended the Public Resources Code (PRC) to require the Department of Parks and Recreation (DPR) to develop a Revenue Generation Program. The program consists of two separate funds, the State Parks Revenue Incentive Subaccount and the California State Parks Enterprise Fund, from which DPR is to pay for projects, including minor and major capital outlay projects that generate revenue. This document outlines the department's selection process for capital outlay projects funded by the program.

Program Funding

State Parks Revenue Incentive Subaccount

SB 1018 (Chapter 39, Statutes of 2012) created the State Parks Revenue Incentive Subaccount (the Subaccount) within the State Parks and Recreation Fund (SPRF), and requires the Controller to annually transfer $15.34M into the Subaccount from SPRF. Funds within the Subaccount are continuously appropriated through fiscal year 2013-2014. DPR may spend up to $11M per year on projects consistent with the administration and development of the state park system, and $4.34M on Revenue Incentives and the Office of State Audits evaluation.

Of the $4.34M, the Department has elected to fund temporary help, some capital improvements, and to support department-wide efforts to build revenue generating programs. Funds in the Subaccount must be encumbered by June 30, 2014 and liquidated by June 30, 2016.

California State Park Enterprise Fund

AB 1478 (Chapter 530, Statutes of 2012) created the State Park Enterprise Fund (Enterprise Fund) and transferred into it $3M from DPR's unexpended Proposition 40 funds and $10M from unexpended Proposition 84 funds, for a total of $13M. The Enterprise Fund provides working capital to pay for revenue generating infrastructure enhancements. Funds must be encumbered by June 30, 2014 and liquidated by June 30, 2016.

For FY 2012-2013 and FY 2013-2014, the department established revenue targets for each park district. Every June 1, the Department will transfer into the Enterprise Fund from SPRF the amount of revenue received in excess of the statewide revenue targets.

Pursuant to AB 1478, a portion of future SPRF revenues deposited into the Enterprise Fund will be used to create a Revolving Loan Program. Future projects funded by the Revolving Loan Program will be treated as loans and require repayment of the initial investment. Only those districts that exceed their revenue targets and receive incentive payments will be eligible to apply for funding through the Revolving Loan Program. The application and project selection process for the Revolving Loan Program will require more detailed project planning and headquarters review.

In accordance with AB 1478, the initial bond funds will not be treated as a Revolving Loan Program requiring repayment to the Enterprise Fund. These funds will be considered one-time seed money and will be administered through existing bond programs. However, project selection will occur through a newly developed review process that also screens for revenue potential. Revenue generating business concepts will be submitted for review through the Parks Infrastructure Database (PID), screened to ensure mission-consistency and project viability, and ranked according to predetermined selection criteria described below.

Eligibility Criteria

To receive funding from the Subaccount or the Enterprise Fund, revenue generating capital outlay project applications must meet the following eligibility criteria:

- Consistent with the mission of California State Parks;
- Consistent with the Purpose, General Plan and Management Plan for the park unit;
- Complementary to the public investment in the park that provides public recreational opportunities consistent with the protection of significant historical, cultural and natural resources;
- Contributes to the success of the department's revenue generation program by either:
  a) Creating new opportunities that increase revenue potential.
  b) Maintaining existing opportunities that prevent revenue loss.

Examples of the types of capital outlay projects to be funded include:

- New campground development;
- Installation of utility hookups, cabins, tent cabins or other lodging;
- Installation of new revenue and fee collection equipment and technologies (These projects typically involve installation of equipment with life spans less than 20 years. In most cases these projects will be funded through the Subaccount);
- Repair or restoration of closed or outdated campgrounds or day use areas;
- Upgrades to special event or concession facilities;
- Enhancements to underutilized buildings and structures to allow for new services;
- Deferred maintenance projects that will increase or maintain revenues.

Application Process

The department will use the Parks Infrastructure Database (PID) to quantify and automate the process of selecting projects to be funded. PID has been modified to accept information about revenue generation projects as required by legislation, such as demand for the project, anticipated cost of operation, annual revenue, and return on investment. Districts will submit proposals by adding entries to the PID that include the following information:

- A clear description of the project, including maps, GPS coordinates and drawings as applicable;
- A clear justification of how the project is consistent with the department's mission and the unit's purpose;
- A written analysis demonstrating demand for the proposed project or service;
- Projected lifespan of the project;
- Projected upfront capital costs, including but not limited to, design, planning, and construction (costs should include lost revenue due to construction where applicable);
- A financial pro-forma that includes:

    - Projected revenue, including specific assumptions for annual income, fees, occupancy rates, pricing, and other relevant criteria upon which the forecast was based;
    - Projected ongoing operational costs, including but not limited to, staff, utilities, supplies, maintenance, marketing, and IT;
- Amount of capital costs paid for by the district or other source of matching funds;
- Estimated timeframe (in months) for implementation, including all necessary reviews and permitting.

Project Coordination Team and Initial Screening

Proposed projects will be compiled by Revenue Generation Program staff and reviewed by a Project Coordination Team composed of the Park Operations Northern and Southern Division Chiefs, Policy Division Chiefs, and the Acquisition and Development Division Chief. The Project Coordination Team will screen projects for eligibility and establish a candidate list of qualified projects based on the following criteria:

- Consistency with the department's mission and purpose of the park unit;
- Ability to generate new revenue or prevent revenue loss;
- Capacity to improve services and park experiences for visitors;
- Future impact on park unit annual operating costs;
- Percentage of total project costs covered by the district or other source of matching funds.

Once complete, the Deputy Director of Park Operations will submit the candidate list of qualified projects to the Chief Deputy Director and Director for review and approval.

Project Review

After the initial screening, the department's Acquisition and Development Division will examine the candidate list and assess individual project viability and validate project implementation costs and timelines. Revenue Generation Program staff will confirm revenue assumptions, pricing strategies and estimated annual operating costs. Revenue Generation Program staff will then rank the candidate projects based on the following criteria:

- Annual revenue;
- Annual operating costs;
- Percentage of project costs paid with matching funds;
- Net return on initial investment;
- Implementation timeframe.

Project Selection

The ranked list will be returned to the Project Coordination Team to authorize projects and determine the appropriate project manager (Acquisition and Development Division, District Office or Other). The designated project manager will serve as the lead and be responsible for implementing the project from start to finish. The approved project list will then be submitted to the Director for final review and Budget Office to coordinate external control agency review and establish project cost accounts (PCAs) and fund balance.

External Review and Approval of Bond Funded Projects

Revenue generating projects funded by initial bond funds deposited into the Enterprise Fund will require additional levels of external review. The Budget Office will submit the project list to the State Treasurer's Office (STO) for approval. STO is required by law to review all projects that have been allocated cash from a bond sale prior to using cash for project expenditures. Concurrently, the project list will be submitted to the Joint Legislative Budget Committee (JLBC) and Department of Finance (DOF) for review and approval. The Budget Office is unable to authorize funds until 30 days after approval has been given by the STO, JLBC and DOF. Additionally, the Budget Office will submit those projects classified as major capital outlay to the State Public Works Board for approval. No funds shall be expended for major capital outlay projects without **prior** approval of the State Public Works Board. (See attachment for complete details - External Review and Approval for Bond Funded Projects)

Disbursement, Reporting, and Tracking

Once funding becomes available through the Budget Office, Revenue Generation Program staff will negotiate project agreements with designated project managers. Agreements will specify how the project manager will report progress and future revenue generated by the project. Unique circumstances will be addressed in the project agreement. Once the project agreement is signed, the total amount of requested project funds will be immediately available to the project manager.

Project managers will be required to submit quarterly reports that include:

- Cash flow analysis and dollars spent;
- Milestones achieved;
- Time to completion of project and whether project is on track;
- Photographs to document work completed;
- Projects funded with initial bond funds are required to be entered into the Proposition 84 website within 30 days of their approved project agreement and updated to reflect project completion.

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DPR:BRJR