



PROGRAM EVALUATION

STATE PARK MARINAS

Research Report No. 278

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STATE PARK MARINAS

Adopted Report and Recommendations of the Program Review and Investigations Committee

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Research Report No. 278

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Frankfort, Kentucky

Committee for Program Review and Investigations

July 1997

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The Program Review and Investigations Committee is a 16-member bipartisan committee. According to KRS Chapter 6, the Committee has the power to review the operations of state agencies and programs, to determine whether funds are being spent for the purposes for which they were appropriated, to evaluate the efficiency of program operations and to evaluate the impact of state government reorganizations.

Under KRS Chapter 6, all state agencies are required to cooperate with the Committee by providing requested information and by permitting the opportunity to observe operations. The Committee also has the authority to subpoena witnesses and documents and to administer oaths. Agencies are obligated to correct operational problems identified by the Committee and must implement the Committee's recommended actions or propose suitable alternatives.

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FOREWORD

The Program Review and Investigations Committee directed its staff to review the State Park Marinas. The study report was presented to the committee on December 15, 1994 and the final recommendations were approved on January 24, 1995. Final committee adoption of the report was delayed as a consequence of on-going litigation between marina owners, the Tourism Cabinet, Parks Department, and the Program Review and Investigations Committee. The final report was adopted on June 24, 1996.

The report is the result of dedicated time and effort by the Program Review staff and secretaries Jo Ann Paulin and Bonnie Jezik. Program Review staff expresses sincere appreciation to the state park managers, marina operators, the Parks Commissioner, the staff of the Parks Department and the Secretary of the Tourism Cabinet.

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MEMORANDUM

TO: The Honorable Paul E. Patton
 The Legislative Research Commission
 Affected Agency Heads and Interested Individuals
 Representative Jack Coleman, Chairman
 Senator Joey Pendleton, Co-Chairman

FROM: Program Review & Investigations Committee

SUBJECT: Program Evaluation: State Park Marinas

DATE: August 5, 1996

Attached is the final report and recommendations of a study of Kentucky's State Park marinas. The study was presented to the Program Review and Investigations Committee on December 15, 1994. Recommendations were approved on January 24, 1995 and final committee adoption of the report was delayed as a consequence of on-going litigation between marina owners, the Tourism Cabinet, Parks Department, and the Program Review and Investigations Committee. The final report was adopted by the Program Review and Investigations Committee on June 25, 1996.

This report is an outgrowth of an earlier examination of the Kentucky State Park system. In that study it was found that marinas generated significant revenue for Parks but the revenue base was declining, opportunities for increased revenue were being missed, and oversight of marina leases needed evaluation. The attached study found the presence of several problems, all of which relate to income received by Parks from marinas and Parks' oversight of its marinas, especially the licensed private operations.

State Park marinas are of two types: state owned and operated or "licensed". There are seven state owned and operated marinas and eight marinas which are licensed or leased to private owner/operators. The study found that income productivity is higher from state owned and operated marinas (although the total income is limited by their smaller size).

The major findings of the attached study center on marina license agreements and Department of Parks contract management responsibilities. It was found that license agreements have been made for 25-year terms, several with 30-year extensions, issued without open bids. These contracts contain unnecessarily vague language. Additionally, they reduce income to Parks through lower, complex and unclear commission rates. It was also found that Parks' oversight (contract management) has been inadequate. Neither Parks nor the marina operators have been complying with Parks regulation 304 KAR 1:010 (which governs the auditing and accounting procedures for licensed marinas).

Finally, the study found several restraints on increasing revenue from Parks marinas. These include restrictions on services and fees, unnecessary costs, and restrictions on marina expansions.

The report contains eleven recommendations related to findings. Due to the delay between the presentation of the report and its final approval, there has been adequate time for Parks to address the findings and recommendations of the report prior to its final printing. Thus, the report also contains a description of Parks' current responses to each of the eleven recommendations

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STATE PARK MARINAS

SUMMARY

Purpose of Study

This study is an outgrowth of a Program Review and Investigations Committee (Program Review) study on the Kentucky State Parks system, approved by the committee on May 9, 1994. In that study marinas were identified as a substantial source of revenue to the Department of Parks (Parks). The report recommended that Parks and the Finance Cabinet review existing license agreements to determine whether they are in the best interests of Parks and the Commonwealth. Finally, the study suggested that expansion, where feasible, of state-owned and operated marinas could generate more revenues for the parks system.

There are seven state-owned and operated marinas. These are usually smaller than the private, "licensed" marinas, of which there are eight. These are larger, full-service operations with substantial rental boat fleets, including houseboats.

Scope of Study

This study focuses on state park marinas, both state-operated and privately operated. It examines the legal and contractual aspects of privately operated facilities, the fiscal effects of

the two approaches, management and oversight, areas of lost revenues, and the possibilities for expansion.

Marina Facilities and Services

The fifteen state park marinas have a variety of facility ownership and operation combinations. The marinas located at state parks are recognized as either "state-owned and operated" or "leased". Seven marina facilities are state-owned, operated, and managed entirely by Parks' personnel. A leased marina is one that a private operator has a "lease" or "license" to operate. Eight marinas are leased to private operators. The leased marinas have some variations in ownership of the floating facilities located at the marina; however, the park retains all ownership of land, shoreline and permanent structures at the marina site. Four marinas are partially owned by the state and the private operator, three are owned and operated entirely by a private operator, and one is entirely owned by the state but is privately operated.

The size and locations of marinas impact revenues and the potential for enhancement of facilities. State-owned and operated marinas are smaller and provide fewer services. With the exception of Dale Hollow, this is due in part to their location on smaller bodies of water. Leased marinas generally provide a larger number of facilities and services due to investments by private operators. These investments are feasible because their strategic locations on large lakes attract large numbers of water recreationists.

Marina Revenues and Expenditures

In the 1994 Program Review study of state park revenue generators, marinas were found to be significant contributors to Parks' revenue. Several factors impact the revenue

generated by the state park marina facilities. The size and location may impact the state-operated marinas, while established commission rates will impact the revenues received from leased marinas. Most state-owned and operated marinas are smaller in facility size and services offered than leased marinas. In addition, the state-owned and operated marinas are primarily located on smaller bodies of water. State owned and operated marinas generated a net income of 43% over their expenses for FY 1993. However, the accounting system used for budgetary purposes in the Department does not enter maintenance projects costs against net income for a fiscal year. During FY 1989-94, after applying the maintenance project costs against the net income figures, the state-owned and operated marinas averaged a net income of 33%.

The leased marinas pay commission rates to the Department based on varying category rates established in their lease agreements. Thus fragile revenue base for the Department has been created, as it is now receiving the majority of its commissions from a minority of marinas and categories. A significant change at one particular marina or in a particular category could dramatically impact the revenues received by the Department. Some significant changes have occurred as a result of lease agreement amendments during the past five years, and the revenue implications are now being realized. As a percentage of gross income, rent commissions are low and decreasing. The average of gross receipt percentages paid to Parks from 1991 to 1994 has decreased from 7.27% to 6.43%. During this period of time, the private operators of leased marinas experienced an increase in revenue of 19% and the Department's commission income increased only 10% (see Tables 3.5 and 3.9). Additionally, the Department has maintenance responsibilities for state-owned facilities at licensed marinas. While the cost of this maintenance is not accounted against the revenues received from licensed marinas, these

maintenance project costs effectively decrease the revenues reported by the Department from these marinas (see Table 3.10).

Agency Responsibilities for Marina Operations and Contract Management

Agency responsibilities for marina operations and contract management are shared among cabinets and departments. The Parks Department has sole responsibility for state-owned and operated marina management. However, the Department shares responsibilities with the Finance Cabinet for leased marina contract management. Finance's Division of Real Properties' primary involvement in contract management is to ensure that all license/lease documents and terms are legal. The assignment of additional responsibilities and authority required for the license agreement contracting and negotiation processes are undefined and unclear. Recently, the Department of Parks has contracted with the Auditor of Public Accounts to audit selected licensed and state-operated marinas. These audits are in addition to routine audit work performed by the Department. The audits conducted by the Auditor's Office will continue, so that all marinas will be reviewed in more detail by an independent source.

RECOMMENDATION #1: MARINA MANAGEMENT

The Department of Parks should continue its efforts to increase marina management and oversight. There should be a formalized management structure for marina supervision. This should include formal assignment of marina responsibilities, and job descriptions should be amended to reflect these responsibilities. Committee responsibilities should be defined. This management structure and assignment of responsibilities should define a more central role for local park managers in managing and monitoring marinas at their parks. At leased marinas, these responsibilities should relate to contract agreements and negotiations, contract compliance, commission verification, construction oversight and auditing.

Department of Parks Follow-Up Response, May 1996

Parks created a Leased Marina Committee and a Marina Inspection Team. The Leased Marina Committee is to meet within two weeks of the receipt of audits and Parks is to provide written notification to lease holders regarding "adequacies and deficiencies" of their audits.

Program Review Staff Follow-up Response, June 1996

Staff requested copies of audit notification letters to marina owners. These letters reflected a continuing absence of full compliance with all 304 KAR 1:010 audit requirements (see Appendix B), and some situations required reconciliation between revenues reported throughout the year and revenues reported in annual audit reports.

License Agreements

All relationships between Parks and its licensed marinas, and all income Parks will derive (and expenses it will pay) are dependent on the language of agreements. Proper contract management is essential to ensuring full collection of revenues and proper service delivery. The document which governs the relationship between a private marina operator and the state is called a "license agreement". These license agreements may be "assigned"; that is, a marina owner/operator may wish to sell his facilities and his license interest to someone else. If Parks and Finance agree, an "assignment" of the license agreement can be made.

Several license agreements have been given for 25 years and extended for an additional 30 years. Agreements can be extended and/or have terms or conditions changed without terminating the original agreement. This is called an "amended and restated" agreement. These current license agreements have complex rate schedules, ambiguous language and lower commission rates. These factors have resulted in reduced income for Parks, legal actions and compliance problems. Bid and procurement statutes have not been applied to these contracts. Models for such bidding and contracting can be taken from corrections privatization and Department for the Blind Vendors contracts. Kentucky's Model Procurement Code does not clearly address the contracting out of government services and the use of government facilities by leasees.

RECOMMENDATION #2: LICENSE AGREEMENT CLARIFICATION

The Department of Parks should continue, and improve, its recent policy to simplify and clarify marina license agreements. This policy should include a complete rewriting of agreements so that all terms and conditions are located in one document. It should also include clear language concerning maintenance responsibilities and specifications for quality standards of required construction, simplified rent considerations, and minimum service and facility requirements.

Department Of Parks Follow-up Response, May 1996

Parks restated its January 1995 position, citing case law preventing the unilateral change of contract language, but noted that it will take advantage of license assignments and extensions to rewrite, simplify and standardize contracts.

RECOMMENDATION #3: FINANCIAL ANALYSIS OF MARINA OPERATIONS

The Department of Parks should develop and use a financial/cost-benefit analysis system as the basis for its decisions regarding license agreement terms and conditions. This should include commission rates, contract duration, and other terms and considerations. This analysis should provide a basis for deciding whether to bid existing licenses or to commit the state to ownership of the marina.

Department Of Parks Follow-up Response, May 1996

Parks restated its January 1995 agreement with this recommendation and added that the "LRC Program Review & Investigations committee has passed a resolution suggesting that

the Department of Parks utilize the Privatization Commission's check list to try to determine whether or not leased Marinas could be better operated by the Department."

Program Review Staff Follow-up Response, June 1996

Parks came before the committee (with the Commissioner of Facilities Management from the Finance and Administration Cabinet) on November 9, 1996, stating the need for \$100,000 (in the 97-98 budget) to do a privatization/parks operation study for Lake Barkley Marina. The Program Review & Investigations Committee unanimously passed a motion that Parks and the Tourism Cabinet do a privatization analysis of state park marinas, both owned and leased, according to Privatization Commission Guidelines, the results to be submitted by February 1, 1996 to the Program Review & Investigation Committee and the Privatization Commission. Parks stated in its May 31, 1996 follow-up response to Recommendation 6 of the Parks Study that it made a request in its 1996-98 budget for \$100,000 for the Lake Barkley study, and "this request was not funded."

RECOMMENDATION #4: LICENSES SHOULD BE OPEN BID AND SHORTER IN DURATION

The Department of Parks should subject future licenses to open bidding. These licenses should be for periods considerably less than the current Twenty-five years and should not be extended without an open bid.

Department of Parks Follow-up Response, May 1996

Parks reaffirmed its agreement of January 1995 to subject new leases to an RFP bid process. Regarding existing leases, Parks maintains that the non-competitive negotiation

process can produce immediate renovations, additions and upgrades. Regarding shorter lease terms, Parks maintains an "industry standard" of 20-25 years is appropriate.

RECOMMENDATION #5: AMENDMENT OF MODEL PROCUREMENT CODE FOR PRIVATIZATION

The General Assembly should amend KRS 45A (Model Procurement Code) and any other necessary statutes by creating new sections addressing the privatization of state facilities and services. These revised statutes should include the following:

- competitive bidding as the preferred method on all projects
- public hearings
- submission of contracts to the Capital Construction and Bond Oversight Committee, and to the Personal Service Contract Review Subcommittee
- state agency oversight and powers
- financial management requirements
- open records status for all private provider documents
- legislative committee access to all private provider records that the state agency has
- unannounced inspections of the facilities
- penalties for noncompliance

Department of Parks Follow-up Response May 1996

Parks reaffirmed its January 1995 agreement with this recommendation.

Program Review Staff Follow-up Response, June 1996

House bills related to privatization were introduced in the 1996 legislative session but did not pass. In response to a Supreme Court decision, Finance & Administration promulgated a regulation (200 KAR 5:314) addressing the open-records nature of private contractor audits and other documents, which states that all documents directly pertinent to the contract are subject to public disclosure "regardless of the proprietary nature of the information".

Oversight of License Agreements

If agreements are poorly managed, the state may receive less than it is due, or pay more than is necessary. The Parks' regulation which guides the oversight of marina record keeping and auditing is not being followed. Additionally, Parks is not collecting all the commission income to which it is entitled. There are other areas in need of increased oversight, such as subleasing and the required prior approval for construction.

RECOMMENDATION #6: ENFORCEMENT OF MARINA REGULATIONS

The Department of Parks should enforce 304 KAR 1:010. This enforcement will require the development and usage of a comprehensive set of procedures.

Department of Parks Follow-up Response, May 1996

Parks reaffirmed its January 1995 agreement with this recommendation and its associated procedures for enforcement of 304 KAR 1:010.

Program Review Staff Follow-up Response, June 1996

Staff asked Parks on June 5, 1996 to provide copies of letters (January 3, 1996; May 31, 1990) sent to marina operators as part of its stated policy that, "The Marina operator will be informed in writing of its compliance or noncompliance with all aspects of the license agreement". Copies of these letters were received from Parks on June 13, 1996. These letters indicated that several marina audits still do not address the issue of compliance with the license agreement.

RECOMMENDATION #7: REVIEW MARINA COMMISSION INCOME

The Department of Parks should review all commissions received during the past five years, along with the terms and conditions for such commissions as set forth in license agreements. A report should be presented to the Program Review and Investigations Committee (by March 1, 1995) identifying all commission underpayments, along with a plan for their recovery. This plan should also identify what steps will be taken to ensure that such underpayments will not occur in the future.

Department of Parks Follow-up Response, May 1996

A final reconciliation of audits and monthly concession reports resulted in the payment to Parks of \$40,190.54 by State Dock, Inc., and an agreement to pay Parks \$58,267.10 by the Green River Marina owners. These figures represent unpaid commissions owed to Parks.

RECOMMENDATION #8: PRIOR APPROVAL AND FULL DISCLOSURE

The Department of Parks should rigorously enforce license agreement provisions which require prior approval for building, subleasing and other activities. Construction projects should require prior approval of plans and specifications. Sublease approval should require full disclosure of corporate structures and finances. This disclosure should include the identification of all shareholders, officers, partners and all sister and subsidiary corporations, rate schedules and contract terms.

Department of Parks Follow-up Response, May 1996

Parks' response of May 31, 1996 reaffirmed its January 1995 response. This response stated that "all lease holders have been notified that any subleases entered into without the Department of Parks prior approval will be considered a breach of contract. Any existing subleases are to be brought to the attention of the Department of Parks to ensure approval was previously given." Additionally, in April 1995 the Commissioner of Parks stated before the Program Review Committee that:

- Several procedures are in place to determine subleases
- Parks is reinstituting the dockage license agreement
- The Auditor of Public Accounts (APA) would participate in six audits.

Program Review Staff Follow-up Response, June 1996

- On June 6, 1996 Program Review & Investigation staff requested Parks to provide staff with copies of notifications sent to marinas regarding this issue

and all marina responses. Copies of these notifications, marina responses and related documents were provided by Parks on June 13, 1996.

- The owner/controller of the company that holds the license for Lake Cumberland, State Dock (MMS) stated to Parks that he would fire anyone who gave information about a slip renter or houseboat renter to a park manager.
- The APA halted audits of marinas, due to the Supreme Court ruling that annual marina audit contents could not be made public.

Making State Marinas More Productive

For state park marinas to operate more productively, it will be necessary to identify restrictions to productivity and revenue enhancements. Alternatives and initiatives that can be undertaken to address these issues should be reviewed. Privatizing park facilities in order to increase their profitability has been in discussion for a number of years. It has not been demonstrated that such arrangements provide the most profitable alternative for the Parks, even though the private sector has flexibility in fiscal and procurement management that Parks does not. Limitations on Parks' capacity for effective management, such as statutory and budget restrictions, impact its ability to expand and manage rental fleet equipment. These restrictions limit timely maintenance funding. This can produce more costly problems by the time funds are available. Parks' ability to generate revenues is restricted by such facility limitations as size and location, and by a lack of business practices, such as marketing and competitive pricing.

There are areas where Parks can enhance revenues through initiatives within its control. Increased awareness of the targeted markets for marinas can improve merchandising selections in marina ship stores and marketing approaches to attract more marina customers. Rates

should be kept competitive with those of surrounding marinas. Items or services that cannot be provided by Parks can be made available by sublease agreements, attracting additional customers.

RECOMMENDATION #9: REDUCING REGULATORY AND POLICY RESTRICTIONS

The Department of Parks and the Finance and Administration Cabinet should review regulations and policies restricting purchasing and surplusing at marinas. New policies or regulatory relief should be developed, enabling marinas to operate in a more business-like fashion. This should include the ability to make more timely surplus sales and to replace boats and equipment. Proceeds from surplus sales should be returned directly to the marinas for the replacement of boats and equipment. Additionally, flexibility for timely maintenance and repairs of boats and equipment should be considered. The Department of Parks should conduct a pilot program at one marina with a schedule of boat sales and replacements as per this recommendation. Development and implementation of this pilot should be reported to the Program Review and Investigations Committee on July 1, 1995.

Department of Parks Follow-up Response, May 1996

The May 1996 follow-up response of Parks reaffirmed its January 1995 response and added the statement that "The Department indicated on January 23, 1995, that a pilot project would be undertaken involving a schedule of boat sales and replacements per Program Review's recommendation. Enclosed is a copy of commissioner Lovely's letter of May 8, 1995, which outlines the department's approach to the pilot project." The last sentence of the

January 1995 response, "Maintenance and repairs to boats will be addressed in the long range plan developed in recommendation #10," is deleted in the Parks' May 1996 response.

Program Review Staff Follow-up Response, June 1996

The Parks Commissioner's May 8, 1995 letter states that a 3-year pilot will be started in 1996. On June 12, 1995 staff requested that Parks provide staff with the name of the marina at which the pilot is being conducted and the number of boats purchased and/or sold in accordance with this pilot. The marina is Kincaid Lake; two pontoon boats were purchased. The purchase, rental, and resale pilot is for one year. The Commissioner's 3-year pilot period matches the recommendation by Program Review and Investigations staff.

RECOMMENDATION #10: MARINA LONG RANGE BUSINESS PLAN

The Department of Parks should develop a long range business plan for marinas that identifies goals and objectives for increasing revenues. The plan should include, but not be limited to, targeted marketing initiatives, expanded sales areas, and year round operation of marinas. This plan should be submitted to the Program Review and Investigations Committee by July 1, 1995.

Department of Parks Follow-up Response, 1996

In January of 1995 Parks agreed with the recommendation and provided the Program Review committee with a University of Kentucky report, "A Study of Four Kentucky State Park Marinas". The four marinas were: Buckhorn, Dale Hollow Lake, Jenny Wiley, and Rough River Dam. This report was submitted in August of 1995 and again as the Parks' May 1996 response.

Marina Expansion

The most obvious source for revenue increase is the addition of marina facilities. Obstacles to expansions of marina facilities include private marina owner protests over increased competition, and the uncertainty of whether an improved state-operated marina would remain state property or be taken over by a private operator. Necessary resources for additional facilities are scarce; however, some expansions could recapture costs in a short period of time. Additional slips could be added at several state-operated marinas without increasing personnel or operating expenses.

RECOMMENDATION #11: PLAN FOR MARINA EXPANSION

The Department of Parks should develop a comprehensive plan identifying feasible marina slip and dock expansion at all state parks. It should identify those projects which can be accomplished with current personnel resources and those which will require additional personnel. This plan should review projects currently included in the Parks Revitalization Bond Issue for expansion possibilities related to the present project proposal. This plan should be submitted to the Program Review and Investigations Committee by July 1, 1995.

Department of Parks Follow-up Response, 1996

In January of 1995 parks agreed with the recommendations and provided the Program Review committee a University of Kentucky report, "A Study of Four Kentucky State Park Marinas". The four marinas were: Buckhorn, Dale Hollow Lake, Jenny Wiley, and Rough River Dam. This report was submitted in August of 1995 and again as the Parks' May 1996 response. The key finding was that Buckhorn, Jenny Wiley, and Rough River marinas faced

EXECUTIVE SUMMARY

significant physical constraints regarding the ability to expand. Dale Hollow, by contract, could increase revenues through a substantial expansion of dock slips. Other methods of increasing revenue at these marinas were discussed.

CHAPTER I

INTRODUCTION

Purpose of Study

This study is an outgrowth of a Program Review and Investigations Committee (Program Review) study on the Kentucky State Parks system, approved by the committee on May 9, 1994. In that study, marinas were identified as a substantial source of revenue to the Department of Parks (Parks). However, it was found that the annual audits of marina revenue sent to Parks each year were not in compliance with the audit requirements of Parks Administrative Regulation 304 KAR 1:010. Additionally, the report recommended that Parks and the Finance Cabinet review existing license agreements to determine whether they are in the best interests of Parks and the Commonwealth. Finally, the study suggested that expansion, where feasible, of state-owned and operated marinas could generate more revenues for the parks system.

There are seven state-owned and operated marinas. These are usually smaller than the eight private, "licensed" marinas. These marina licenses are corporately owned. These are larger, full-service operations with substantial rental boat fleets, including houseboats.

Scope of Study

This study focuses on state park marinas, both state-operated and privately operated. It examines the legal and contractual aspects of privately operated facilities, the fiscal effects of the two approaches, management and oversight, areas of lost revenues, and the possibilities for expansion.

Methodology

Research activities included extensive field work involving interviews at licensed marinas and state-owned and operated marinas. A structured set of questions was used to guide the interviews, but time was taken for spontaneous discussions of issues as they were revealed. These interviews were conducted with park managers, park business managers, marina owner/operators, marina managers, and officers of the Corps of Engineers. Additionally, staff spoke with the operators of private marinas not located at state parks. These recent field interviews were combined with other interviews of marina managers conducted by Program Review staff for the State Parks Study done early in 1994.

Document reviews included an examination of monthly marina income reports, Parks' end-of-year marina income reports, marina audits, license agreement contracts, file correspondence, legal research and court documents, parks marina income and expense reports, and the contract files in the Division of Real Properties, Finance and Administration Cabinet. Two separate discussions were held with members of the Parks Department Licensed Marina Committee and other Department managers. A list of 78 questions was submitted to the Commissioner of Parks and a written response to all questions was received, along with supporting documents, where required.

Both the scope and methodology of the study were limited by court orders obtained by the license holder at Lake Cumberland State Dock and four other marinas (Green River, Lake Barkley, Kentucky Dam, and Barren River). These court orders prevented the Program Review and Investigations Committee (and the Finance and Administration Cabinet) from obtaining and disclosing certain financial records in the possession of the Parks Department and Tourism Cabinet. Consequently, analysis of marina finances during the past several years is difficult and incomplete. Additionally, information regarding corporate and subsidiary ownerships of marinas is absent. In the case of MMS/State Dock at Lake Cumberland, this may involve twenty to thirty related corporations.

Overview

The first part of this study profiles the seven marinas owned and operated by the Department of Parks, and eight others which are licensed to private operators. It describes the range of facilities and services provided. Additionally, it examines the revenues produced by these marinas and responsibilities for the management of these marinas by the Department of Parks and other agencies.

The remaining chapters provide an analysis of marina oversight, contracts and operations. They examine licensed marina agreements and contract compliance. Finally, they provide a review (with recommendations) of supervision decisions regarding contract management, license agreement negotiations, marina expansions, and other sources of revenue enhancement.

CHAPTER II

MARINA FACILITIES AND SERVICES

The fifteen state park marinas have a variety of facility ownership and operation combinations. The marinas located at state parks are recognized as either "state-owned and operated" or "leased". Seven marina facilities are state-owned, operated, and managed entirely by Parks' personnel. A leased marina is one that a private operator has a "lease" or "license" to operate. Eight marinas are leased to private operators. The leased marinas have some variations in ownership of the floating facilities located at the marina; however, the park retains all ownership of land, shoreline and permanent structures at the marina site. Four marinas are partially owned by the state and the private operator, three are owned and operated entirely by a private operator, and one is entirely owned by the state but is privately operated.

The size and locations of marinas impact revenues and the potential for enhancement of facilities. State-owned and operated marinas are smaller and provide fewer services. With the exception of Dale Hollow, this is due in part to their location on smaller bodies of water. Leased marinas generally provide a larger number of facilities and services, due to investments by private operators. These investments are feasible because their strategic locations on large lakes attract large numbers of water recreationists.

Appendix A is a comprehensive profile of each marina, containing information on facilities, revenues, operating costs, capital investments, income and Parks' commissions. Table 2.1 displays all marinas, their gross income for FY 1993, and the mix of floating facility ownership, i.e., "all private", "state-owned but privately operated", "part private and part state", or "state-owned and operated".

TABLE 2.1
MARINA FACILITY OWNERSHIP AND FY 1993 INCOME

State-owned/Operated Marinas	Facility Ownership Status	FY 1993 Income
Buckhorn Lake Marina	State-owned/Operated	\$71,034
Dale Hollow Boat Dock	State-owned/Operated	\$143,940
Greenbo Lake Boat Dock	State-owned/Operated	\$68,676
Jenny Wiley Marina	State-owned/Operated	\$186,662
Kincaid Lake Marina	State-owned/Operated	\$43,238
Lake Malone Marina	State-owned/Operated	\$12,616
Rough River Marina	State-owned/Operated	\$206,953
Leased Marinas		
Barren River Marina	Part Private/Part State	\$344,454
Green River Marina	Part Private/Part State	\$547,586
Kentucky Dam village Marina	Part Private/Part State	\$1,188,603
Lake Cumberland State Dock	Part Private/Part State	\$5,078,862
Lake Barkley Marina	State-owned/Privatey Operated	\$583,735
Kenlake Marina	Privately Owned/Operated*	\$525,319
Painstville Lake Marina	Privately Owned/Operated	\$124,673
Taylorsville Lake Marina	Privately Owned/Operated	\$491,739

SOURCE: Information by Department of Parks.

* Kenlake Marina converted from state-owned/privately operated to privately owned/operated status in 1994.

State-Owned And Operated Marinas

The seven state-owned and operated marinas are located as follows:

- | | |
|--------------------------|---|
| • Buckhorn Lake Marina | Buckhorn State Resort Park, Buckhorn, KY |
| • Dale Hollow Boat Dock | Dale Hollow State Park, Bowling Green, KY |
| • Greenbo Lake Boat Dock | Greenbo State Resort Park, Greenup, KY |

- | | |
|---------------------------------|---|
| • Jenny Wiley Marina | Jenny Wiley State Resort Park, Prestonsburg, KY |
| • Kincaid Lake Marina | Lake Kincaid State Park, Falmouth, KY |
| • Lake Malone State Park Marina | Lake Malone State Park, Dunmore, KY |
| • Rough River Marina | Rough River State Resort Park, Falls of Rough, KY |

The Seven State-operated Marinas Are Limited in Size and Services

The smallest (based on number of slips) state-owned and operated marina is Lake Malone (20 slips), which generated a net income loss of \$2,453 in FY 1993, and the largest state-operated marina (205 slips) is Jenny Wiley, which generated a net income of \$109,286 in FY 1993.

Table 2.2 provides a description of the state-owned and operated marinas' slips, rates, rental equipment and services. As noted in Table 2.2, while there is a wide variance in the size of the marinas, the majority of the state-operated marinas are smaller operations with limited rental equipment and services. State-operated marinas provide a variety of rental equipment; however, in most cases the equipment is dated and worn. Additionally, two very popular rental items are not available in the parks' rental fleets: houseboats and jet skis. Most leased marina operators provide these amenities, either through direct ownership or by a subcontractor. Private operators indicated that they were very much in demand by guests and provided a generous return on their investment.

TABLE 2.2

Facilities and Services - State-owned Marinas (1994)

MARINA	SLIPS	SLIP RENTAL RATES	BOATS FOR RENT	SERVICES
Buckhorn Lake Marina Buckhorn, KY	96 Open Slips	\$20/mo. for single slip, \$40/mo. for double slip	Fishing boats, small pontoons, large pontoons	Gasoline, fishing supplies, food snacks, souvenirs
Dale Hollow Boat Dock Bow, KY	36 Open Slips	\$1100/yr. for all slips (effective Jan. 1, 1995)	Fishing boats, pontoons, runabouts	Gasoline, souvenirs, restaurant
Greenbo Lake Boat Dock Greenup, KY	55 Open Slips	\$35/mo. or \$245/yr. for all slips	Pontoons, motor boats, row boats, canoes, paddle boats	Gasoline, fishing camping and RV. supplies, grocery snack items, souvenirs
Jenny Wiley Marina Prestonsburg, KY	205 Open Slips	\$2/ft. per month for houseboats/pontoons/runabouts	Pontoons	Gasoline, snacks, fishing supplies, souvenirs
Kincaid Lake Marina Falmouth, KY	34 Open Slips	\$15/month for motor boats, \$30/month per 2 pontoon slips, \$150/yr. per slip, \$2 for overnight tie-up per slip	Row boats, paddle boats, pontoons, motor boats	
Lake Malone State Park Marina Dunmore, KY	20 Open Slips	\$18/mo. for fishing boats & \$35/mo. for pontoons	Pontoons, motor boats, row boats, paddle boats	
Rough River Marina Falls of Rough, KY	48 Covered Slips 29 Houseboat Slips 121 Open Slips	\$400 min. to \$600 maximum 9 month season	Pontoons, fishing boats, row boats	Gasoline, fishing supplies, grocery, snack items, souvenirs

SOURCE: Department of Parks and marinas

Leased Marinas

The eight privately operated state park marinas, and their locations are as follows:

- | | |
|------------------------------|---|
| • Barren River Marina | Barren River State Resort Park, Glasgow, KY |
| • Green River Marina | Green River Lake State Park, Campbellsville, KY |
| • Kenlake Marina | Kenlake State Resort Park, Aurora, KY |
| • Kentucky Dam Marina | Kentucky Dam Village Resort Park, Gilbertsville, KY |
| • Lake Barkley Marina | Lake Barkley State Resort Park, Cadiz, KY |
| • Lake Cumberland State Dock | Lake Cumberland State Resort Park, Jamestown, KY |
| • Paintsville Lake Marina | Paintsville Lake State Park, Paintsville, KY |
| • Taylorsville Lake Dock | Taylorsville Lake State Park, Taylorsville, KY |

The Eight Licensed Marinas Vary in Corporate Ownership and Management

As previously noted, in most cases a portion of licensed marina facilities are owned by the state and the balance are owned by the license holder. However, they are all operated by a private license holder. The license holder operates the marina as a private business, with exceptions specified in license agreement contract terms.

Table 2.3 identifies each licensed Marina "licensee" by the state park with which it is associated, its common "DBA" ("doing business as") name, and the corporate ownership name used in the License Agreement with the Commonwealth.

TABLE 2.3

Marina Licensees

STATE PARK	DBA NAME	CORPORATE OWNERSHIP
Barren River	Barren River Marina	Barren River State Boat Dock, Inc.
Green River	Green River Marina	Green River Marina, Inc. and Green River Associates, Inc.
Kenlake State Park	Kenlake Marina	Kenlake Marina Corp.
Kentucky Dam Village	Kentucky Dam Marina	Barnes Marina Holding Company
Lake Barkley	Lake Barkley Marina	Higgins Marina, Inc.
Lake Cumberland	State Dock	Marina Management Services, Inc.
Paintsville	Paintsville Lake Marina	Madonna Cline (Paintsville Lake Marina)
Taylorsville	Taylorsville Lake Dock	Taylorsville Lake Dock, Inc.

SOURCE: Marina License Agreements

Licensed Marinas Offer More Services and Facilities Than State-owned and Operated Marinas

In most cases the private operators have made significant facility and equipment investments in their marinas. Table 2.4 provides information regarding the size, rental rates, equipment and services available at the licensed marinas. This table was compiled from 1994 information submitted to Program Review staff by the marina operators and the Department of Parks.

Conflicting information was provided to Program Review staff by Parks and marina operators regarding the number of slips and rental rates. The conflict in the number of slips results in part from differing definitions of "slips". Some marina operators define a slip as the space which is created between two fingers (a finger is a dock section running perpendicular to the main walkway). Others define a slip as where a boat is actually moored, e.g., two small boats between two fingers, or one large boat moored between two fingers (or to the outside of a finger). For example, Barren River is identified by the operator and the Department as having

40 covered slips and 120 open slips. However, in the case of the 120 open slips, most of the dockage has room for only one large boat between the dock fingers but the space is identified as two slips. Thus 120 slips may accommodate as few as 60 large boats.

TABLE 2.4
Facilities and Services - Licensed Marinas (1994)

MARINA	SLIPS	SLIP RENTAL RATES	BOATS FOR RENT	SERVICES
Green River Marina Campbellsville, KY	60 Covered Slips / 25 Open Slips * 95 Covered slips/55 Open Slips*	\$710/yr. minimum to \$2,250/yr. maximum	Houseboats, pontoons, ski boats, wave runners, fishing boats	Mechanical dealership, new boat sales and service, store, food service/ gas dock services, souvenirs
Kenlake Marina Aurora, KY	130 Covered Slips	\$1275/yr. for 30' slips (min.), \$1900/yr. for 40' slips, \$2400/yr. for 50' slips (max.) Yearly outside dockage rates are based upon \$2.50 per ft. per mo.	Fishing boats, pontoons, ski boats, wave runners	Restaurant, groceries, snacks, marine parts and accessories, gasoline, mechanical services, fishing supplies
Kentucky Dam Marina Gibbertsville, KY	196 Covered Slips / 92 Open Slips Total transit-55 slips (Note: Continually adding more slips) 204 Covered Slips / 135 Open Slips (61 Transit slips)	\$735/yr., minimum to \$4,250/yr. maximum (houseboat size to sailboat size)	Houseboats, fishing boats, pontoons, ski boats, personal water crafts	Snacks, souvenirs, boating supplies and parts, fuel, repair service
Lake Barkley Marina Cadiz, KY	112 Covered Slips 48 Open Slips	Open Slips \$44 min. per month/ \$2 per ft. per month. Covered slips \$1848 max. (annually)	Fishing boats with and without motors, pontoons, ski boats, wave runners, paddle boats	Snacks, groceries, boating supplies, fishing supplies, gasoline
Lake Cumberland State Dock Janestown, KY	159 Open Slips	\$650/yr. minimum to \$900/yr. maximum	Houseboats, ski boats, personal water crafts, pontoons, fishing boats	Full service food-supplies, gas, video rentals, boat rentals and souvenirs
Barren River Marina Glasgow, KY	40 Covered Slips 120 open Slips	\$650/yr. minimum to \$1400/yr. maximum	Houseboats, deluxe pontoons, passenger pontoons, passenger ski boats, wave runners, bass boats, fishing boats with motors	Snacks, fishing supplies, souvenirs, gasoline
Paintsville Lake Marina Paintsville, KY	106 Open Slips (covered available) 40 Covered Slips / 66 Open Slips	\$780/yr. minimum to \$990/yr. max.	Houseboats, double decker pontoons, fishing boats, Jon boats, jet skis	Restaurant, groceries, fishing supplies, gasoline, limited mechanical services
Taylorsville Lake Dock Taylorsville, KY	144 Covered Slips / 51 Open Slips 72 Covered Slips / 51 Open Slips	\$840/ yr. minimum to \$1785/yr. maximum	Pontoons/ Fishing Boats	Deli and snacks, gasoline, mechanical services, marine supplies, fishing supplies, souvenirs

SOURCE: Data supplied by the Depart. of Parks and marinas (except Kenlake, Lake Barkley, Lake Cumberland and Barren River).

* Bold = Information supplied by the marina operators. * Unbold = Information supplied by the Department of Parks.

CHAPTER III**MARINA REVENUES AND EXPENDITURES**

In the 1994 Program Review study of state park revenue generators, marinas were found to be significant contributors to Parks' revenue. Several factors impact the revenue generated by the state park marina facilities. The size and location may impact the state-operated marinas, while established commission rates will impact the revenues received from leased marinas. Most state-owned and operated marinas are smaller in facility size and services offered than leased marinas. In addition, the state-owned and operated marinas are primarily located on smaller bodies of water. State-owned and operated marinas generated a net income of 43% over their expenses for FY 1993. However, the accounting system used for budgetary purposes in the Department does not enter maintenance projects costs against net income for a fiscal year. During FY 1989-94, after applying the maintenance project costs against the net income figures, the state-owned and operated marinas averaged a net income of 33%.

The leased marinas pay commission rates to the Department based on varying category rates established in their lease agreements. Thus fragile revenue base for the Department has been created, as it is now receiving the majority of its commissions from a minority of marinas and categories. A significant change at one particular marina or in a particular category could dramatically impact the revenues received by the Department. Some significant changes have occurred as a result of lease agreement amendments during the past five years, and the revenue implications are now being realized. As a percentage of gross income, rent commissions are

low and decreasing. The average of gross receipt percentages paid to Parks from 1991 to 1994 has decreased from 7.27% to 6.43%. During this period of time, the private operators of leased marinas experienced an increase in revenue of 19% and the Department's commission income increased only 10% (See Table 3.5 and 3.9). Additionally, the Department has maintenance responsibilities for state-owned facilities at licensed marinas. While the cost of this maintenance is not accounted against the revenues received from licensed marinas, these maintenance project costs effectively decrease the revenues reported by the Department from these marinas (See Table 3.10).

State-owned and Operated Marinas

The size and locations of these marinas impact their revenue generation. Most state-owned and operated marinas are considerably smaller than the eight marinas leased to private operators. With the exception of Dale Hollow, the state-owned and operated marinas are also located on smaller bodies of water than the leased marinas. Table 3.1 provides a breakdown of the revenues the seven state-operated marinas produced in FY 1991/92 and FY 1992/93. The table shows seven categories, including boat rentals, slips and buoy rentals, and sale of merchandise and utilities. Staff interviewed the park and marina managers of the five larger of these seven marinas (Dale Hollow, Rough River, Jenny Wiley, Buckhorn and Greenbo Lake). All five indicated that more revenue could be generated if facilities were expanded or opened year round. Several stated that additional operating expenses for these changes would be minimal.

The "sale of merchandise" category includes gas sales and ice sales. These are substantial at Dale Hollow and Rough River. Although the sales area at Dale Hollow is very small (10' X 10') and allows little display area for merchandise, its sales are the greatest of the

seven state-operated marinas. This is due in part to the size of the lake and distance (5 to 15 miles) to the next marina. Moorage rental categories include rental of anchored buoys to which to tie boats that can't get dock space. These buoys rent at considerably lower rates than docks, but can produce substantial income. The Dale Hollow buoy rental totaled \$6,700. At Buckhorn Lake the \$14,000 generated by buoy rental was greater than the \$12,000 produced by available boat slips.

TABLE 3.1
STATE OPERATED MARINAS ANNUAL INCOME FY 1991/92 AND FY 1992/93

	Boat Slip Rentals		Rental Pontoon Boats		Sales of Merchandise		Utility Service	
	FY 91/92	FY 92/93	FY 91/92	FY 92/93	FY 91/92	FY 92/93	FY 91/92	FY 92/93
Kincaid Lake	773	688	7,294	8,037	12,838	14,490		
Lake Malone	615	474	4,896	3,925	5,726	5,199		
Buckhorn Lake	22,564	25,692	14,685	16,813	29,132	28,074		
Dale Hollow Lake	31,906	30,968	4,863	5,745	117,203	107,354	743	2,164
Greenbo Lake	6,917	5,581	17,334	20,321	26,470	31,438		
Jenny Wiley	94,823	97,832	20,385	20,513	55,373	51,645	22,783	19,543
Rough River	68,087	69,022	34,173	34,705	100,154	98,970	1,589	1,904
TOTAL	\$225,685	\$161,304	\$103,630	\$110,059	\$346,896	\$337,170	\$25,115	\$23,611

	Paddle Boats		Rental Fishing Boats		Rental Power Boats		Total Gross Revenue	
	FY 91/92	FY 92/93	FY 91/92	FY 92/93	FY 91/92	FY 92/93	FY 91/92	FY 92/93
Kincaid Lake	7,092	7,110	497	569	15,500	14,582	43,993	45,476
Lake Malone	698	681	122	98	3,065	2,933	15,121	13,309
Buckhorn Lake					3,360	3,032	69,742	73,611
Dale Hollow Lake					4,878	3,995	159,592	150,229
Greenbo Lake	2,711	2,887	1,393	1,765	9,410	9,980	64,235	71,972
Jenny Wiley	2,884	2,458					196,248	191,991
Rough River	1,292	1,444	493	2,328	8,926	6,530	214,713	214,899
TOTAL	\$14,677	\$14,580	\$2,505	\$4,760	\$45,139	\$41,052	\$763,644	\$761,487

BOAT SLIPS INCLUDE: Buoy, locker rentals, and other accommodations.

SALE OF MERCHANDISE INCLUDES: Gas, ice sales, and meeting room rental, and telephone commissions.

CATEGORY TOTALS INCLUDES: Sales tax where collected, does not include food sales.

SOURCE: Compiled by Program Review staff from information received from Department of Parks year to date marina Income Statements

The totals on Chart 3.1 demonstrate a slight drop in revenue between FY 1991/92 and FY 1992/93 because of inclement weather. The FY 1993/94 Marina Income Report reveals that nearly all state-operated marinas increased in revenues over FY 1993.

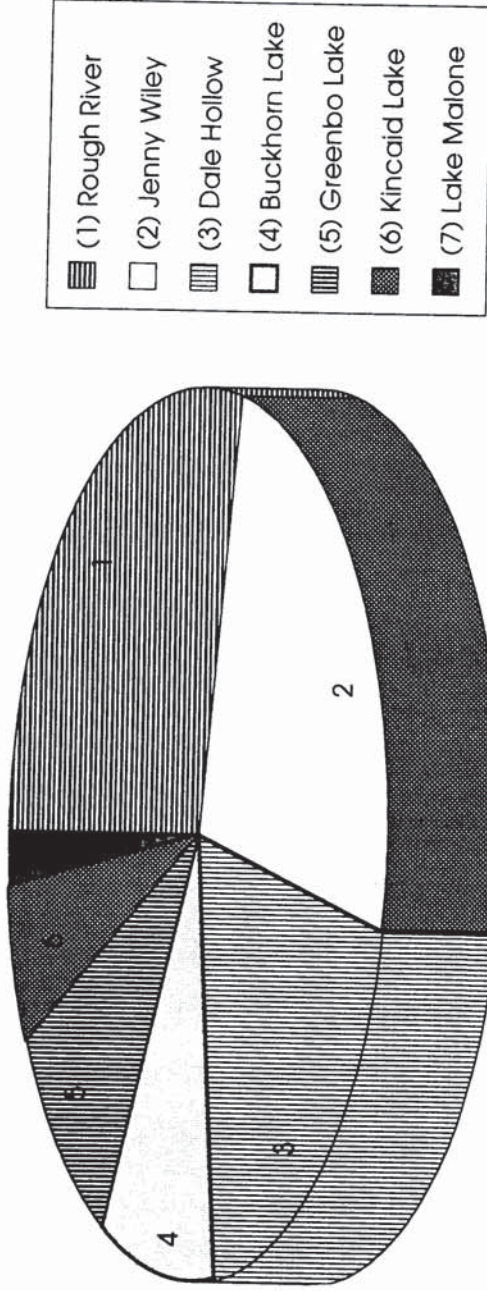
Table 3.2 represents the total revenue generated by state-operated marinas displayed as a percentage of the total state-operated marina revenue received by parks. The largest producer, Rough River, is operational for only half the year. Because the lake is drawn down in the winter, the dock has to be disassembled every fall and shoved out into the lake, and all boats have to be pulled out. Boat owners, especially houseboat and cruiser owners, want to leave their boats in the water year around, but cannot because of winter lake pull downs.

State-operated Marina Revenues Exceed Costs by 43% for FY 1992-1993

Chart 3.3 provides a breakdown by park of the net sales, expenses, and net income (or "profit") generated by the seven marinas operated by the Parks. The chart shows that they produced an average net income 43% above expenses. Most of these are on smaller lakes. According to the Department of Parks 1993 Marina Income Statements, the projected end-of-year total revenues were higher than 1992 for all marinas. Capital expenditures for significant repairs made at marinas do not appear in the income reports as an expense or operating cost. When these costs are factored in, the net income is approximately 33%. Also, the expenses or operating costs identified in Table 3.3 do not include such indirect or undistributed costs as utilities, house cleaning, grounds maintenance, and security. Table 3.4 identifies major repair costs at state-owned and operated marinas over the past five years, along with net sales, expenses and net income for the period FY 1989-94.

CHART 3.2
FY 1993 REVENUE FROM STATE OPERATED MARINAS

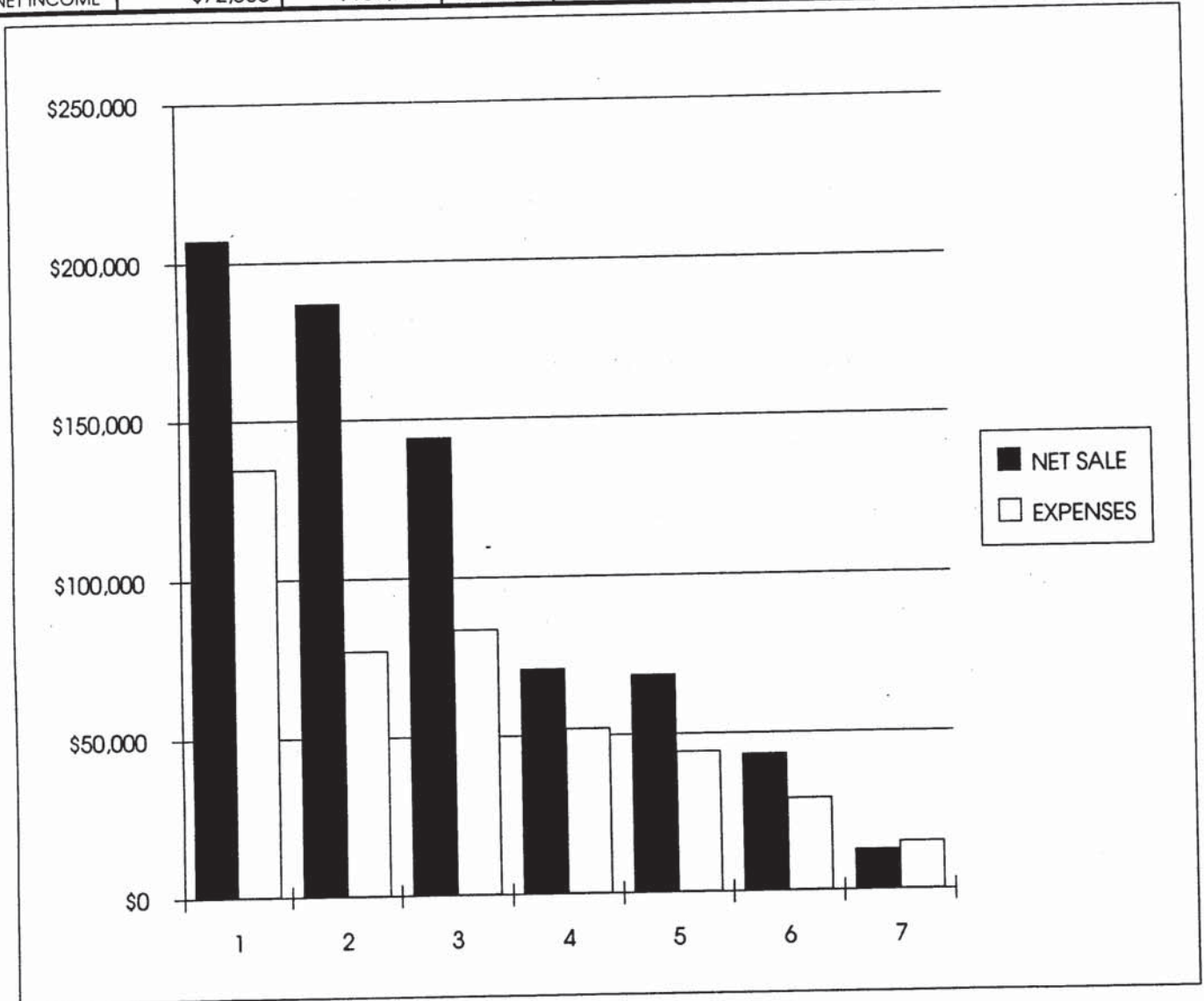
(1) Rough River	(2) Jenny Wiley	(3) Dale Hollow	(4) Buckhorn Lake	(5) Greenbo Lake	(6) Kincaid Lake	(7) Lake Malone	TOTAL
\$214,899	\$191,991	\$150,229	\$73,611	\$71,972	\$45,476	\$13,309	\$761,487



SOURCE: Compiled by Program Review staff from information in the Department of Parks FY 1993 Report.

CHART 3.3
STATE OPERATED MARINAS
FY 1992/93 NET SALES LESS EXPENSES

MARINA	ROUGH RIVER	JENNY WILEY	DALE HOLLOW LAKE	BUCKHORN	GREENBO	KINCAID	LAKE MALONE	TOTAL
NET SALE	\$206,953	\$186,662	\$143,940	\$71,034	\$68,676	\$43,238	\$12,616	\$733,119
EXPENSES	\$134,573	\$77,375	\$83,593	\$52,049	\$44,336	\$29,191	\$15,070	\$436,187
NET INCOME	\$72,380	\$109,286	\$60,347	\$18,985	\$24,340	\$14,048	(\$2,454)	\$315,917



(1) Rough River (2) Jenny Wiley (3) Dale Hollow Lake (4) Buckhorn (5) Greenbo (6) Kincaid (7) Lake Malone

Net Sale Income includes sales tax.

SOURCE: Compiled by Program Review staff from parks 1993 Statement of Income report.

TABLE 3.4
State-operated Marina Income and Expenses
FY 1989-94

Marina	Net Sales	Total Expenses*	Net Income	Maintenance Projects**
Rough River	\$1,249,236	\$827,737	\$421,499	\$90,890
Jenny Wiley	\$1,128,212	\$480,987	\$647,225	\$141,924
Dale Hollow	\$838,092	\$487,500	\$350,591	\$40,001
Buckhorn	\$438,166	\$308,375	\$129,791	\$26,686
Greenbo	\$369,466	\$259,597	\$109,869	\$12,968
Kincaid	\$238,468	\$160,093	\$78,575	
Lake Malone	\$90,857	\$90,015	\$841	
TOTAL	\$4,352,497	\$2,614,304	\$1,738,391	\$312,469

Source: Compiled by Program Review staff from information received from the Department of Parks.

* Includes salaries, wages, repairs, resale merchandise, supplies.

** Capital expenditure and maintenance pool projects.

Leased Marinas

Licensed Marina Rate Variations Are Significant

The eight leased marinas pay commissions or rental fees to the Department of Parks based upon their lease agreements (Table 3.5). Commission rates vary from marina to marina but all are based upon percentages of gross income/receipts generated by categories. These percentages vary widely for different categories of income, such as 4% for food and groceries, 5%-12% for boat rentals, 7% to 27% of gas sales, 50% for covered slips, and 12% for "other" categories. This is further complicated at five marinas by annually incremented rates of 1% to 5.5% over a period of six years for those additions to marinas which are financed by the owner-operator. The complexity (and interpretation) of these varied rates now requires even greater scrutiny in accounting and auditing by Parks in order to ensure that the appropriate portion of gross revenues are paid to the state.

The Department of Parks' Leased Marina Revenue Base Is Fragile

Table 3.5 presents the FY 1993 reported gross receipts, commission payments and rates for each category of income reported to Parks. Chart 3.6 demonstrates the proportional contribution that each licensed marina makes to the total commission payments made to Parks for all licensed marinas in FY 1993. Chart 3.7 compares each marina's FY 1993 gross income with the rent/commission paid on this income to Parks. An examination of these three charts and tables reveals the following:

- The bulk of Parks FY 1993 commission income is derived from only two marinas; State Dock at Lake Cumberland and Kentucky Dam Marina.
- The bulk of Parks FY 1993 commission income is derived from the covered boat slip rentals at only four marinas and the houseboat rentals at State Dock. Here it may be noted that in 1994 Kenlake reduced its covered slip rental rate from 50% to 1% of gross receipts.
- In terms of the actual percentage of FY 93 gross receipts paid to Parks as commissions, the range is from 1.08% (Green River) to 19.26% (Lake Barkley).

The above situation creates a certain "fragility" regarding the income Parks derives from marinas. The loss of houseboat rentals at Lake Cumberland State Dock and/or the loss of covered slip (50% of gross) income would have an immediate effect on Parks revenues.

TABLE 3.5
Sources of Marina Commissions and Rates
Paid to Parks FY 1993

Food and Groceries			Boat & Motor Rentals	
Barren River	\$684	4%	\$746	12%
Green River	\$299	4% to 2%	NA	NA
Kenlake	\$4,161	4%	\$1,428	2%
Kentucky Dam	\$1,342	4%	\$11,221	5% and 12%
Lake Barkley	\$1,042	4%	\$1,874	12%
Paintsville	NA		NA	
Taylorsville	NA		NA	
Lake Cumberland	\$11,491	4%	\$4,151	12%
TOTAL	\$19,020		\$19,419	
Covered Boat Slips			Gasoline	
Barren River	\$28,938	50%	\$3,917	27%
Green River	\$1,723	1% to 2%	\$557	1% to 2%
Kenlake	\$53,649	50%	\$5,825	27%
Kentucky Dam	\$157,164	50%	\$12,418	27%
Lake Barkley	\$75,482	50%	\$3,469	27%
Paintsville	NA		NA	
Taylorsville	NA		NA	
Lake Cumberland	\$0	50%	\$37,109	7%
TOTAL	\$316,955		\$63,295	
Houseboat Rental			Parts & Service (Private Boats)	
Barren River	\$6,045	5%	\$26	5% (parts & servicing)
Green River	\$2,842	1% to 2%	NA	NA
Kenlake	NA		\$1,217	5% (servicing)
Kentucky Dam	\$17,222	5%	\$266	5% (parts)
Lake Barkley	\$6,685	5%	\$33	5% (servicing)
Paintsville	NA		NA	NA
Taylorsville	NA		NA	NA
Lake Cumberland	\$172,055	5%	\$48	5% (service)
TOTAL	\$204,848		\$1,591	

TABLE 3.5 CONTINUED				Open Slips		
Moorage						
Barren River	\$4,582	12%	NA	NA	May be "moorage"	
Green River	NA			NA	May be "other sources"	
Kenlake	\$753	12%		NA	May be "rental" or "moorage"	
Kentucky Dam	NA			\$17,245	12%	
Lake Barkley	\$3,649	12%		NA	May be "moorage"	
Paintsville	NA			NA		
Taylorsville	NA			NA		
Lake Cumberland	\$2,085	7%		NA		
TOTAL	\$11,069			\$17,245		
Gasoline Tax Refund				Rentals		
Barren River	\$1,539	27%		NA		
Green River	NA			NA		
Kenlake	NA			\$4,551	5%	
Kentucky Dam	\$4,732	27%		NA		
Lake Barkley	\$3,469	27%		NA		
Paintsville	NA			NA		
Taylorsville	NA			NA		
Lake Cumberland	NA			NA		
TOTAL	\$9,740			\$4,551		
Sale of Merchandise				Income from Sub-License Agreement		
Barren River	NA			NA		
Green River	NA			NA		
Kenlake	NA			NA		
Kentucky Dam	\$6,601	12%		\$357	5%	
Lake Barkley	NA			NA		
Paintsville	NA			NA		
Taylorsville	NA			NA		
Lake Cumberland	\$15,032	7%		NA		
TOTAL	\$21,633			\$357		

TABLE 3.5 CONTINUED		Other Sources		Total Commissions	
Barren River	\$2,058	12%	\$48,515		
Green River	\$517	12% to 2%	\$5,937		
Kenlake	\$6,841	12%	\$78,414		
Kentucky Dam	NA		\$228,950		
Lake Barkley	\$5,397	12%	\$104,977		
Paintsville	NA		\$6,758		
Taylorsville	NA		\$19,051		
Lake Cumberland	\$0	12%	\$241,972		
TOTAL	\$14,812		\$734,574		

Source: Compiled by Program Review staff from Department of Parks end-of-year Marina Income report for FY 1993

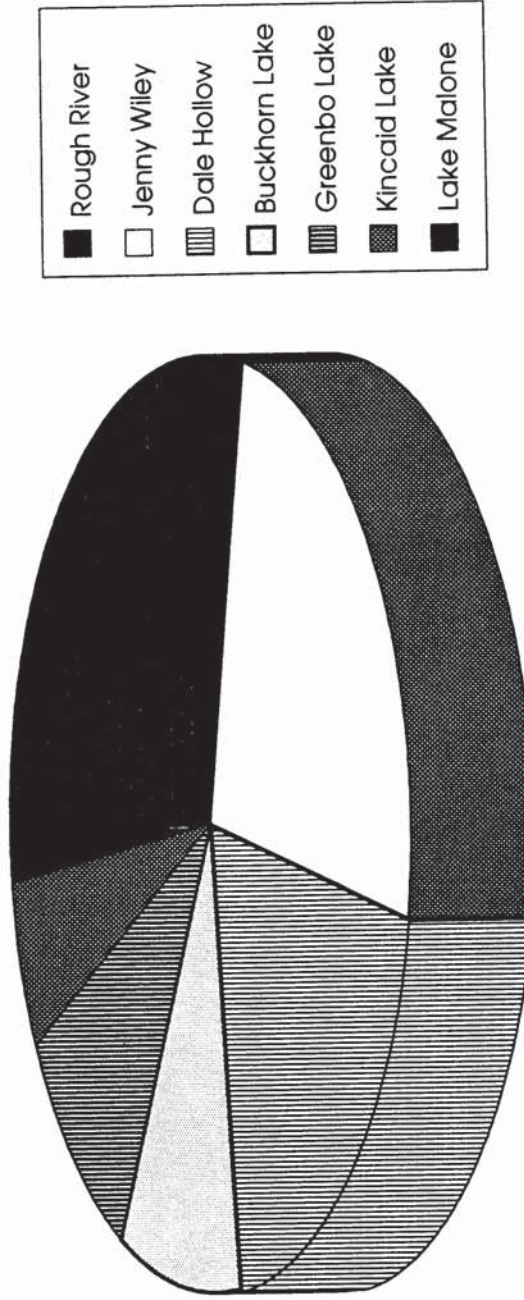
NOTES: "NA" means "not applicable". There are no categories of income or commissions for Paintsville or Taylorsville. In other cases, "NA" means that the particular category name is not used to record Marina Income or commissions paid to Parks.

All Paintsville Commissions are paid at 5.5% and Taylorsville are paid at 4%.

Totals include sales tax in gross income figures, only two marina lease operators, KenLake and Kentucky Dam Village paid rent percentages based on gross revenues including sales tax. The other six deducted sales tax before figuring rental percentage rates.

CHART 3.6
FY 1993 REVENUE FROM STATE OPERATED MARINAS

	Rough River	Jenny Wiley	Dale Hollow	Buckhorn Lake	Greenbo Lake	Kincaid Lake	Lake Malone	TOTAL
	\$214,899	\$191,991	\$150,229	\$73,611	\$71,972	\$45,476	\$13,309	\$761,487

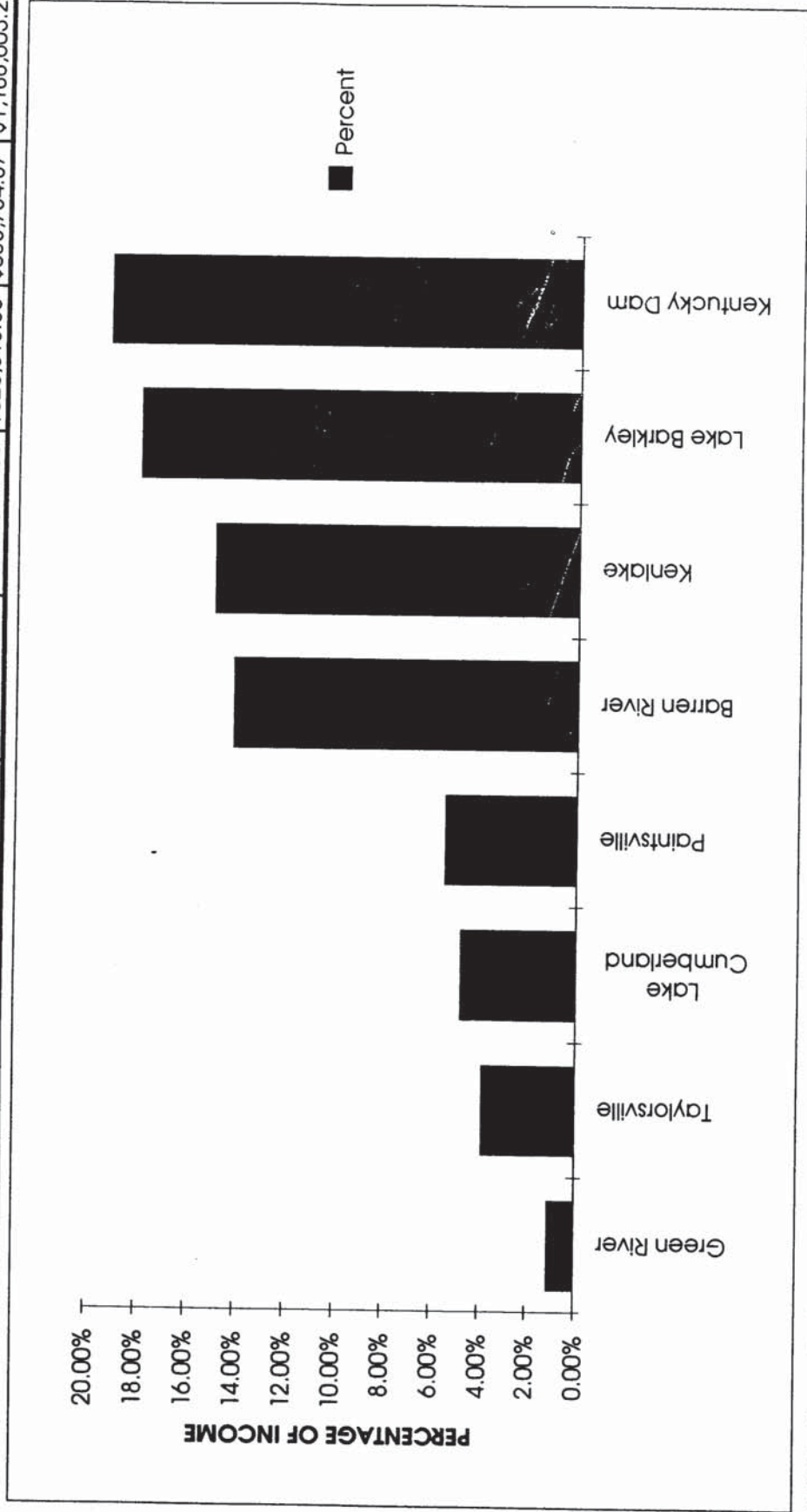


SOURCE: Compiled by Program Review staff from information in the Department of Parks FY 1993 Annual Marina Income Report.

CHART 3.7

**FY 1993 LICENSED MARINA INCOME AND COMMISSIONS COMPARISON
BY PERCENTAGE PAID TO PARKS**

MARINA	Green River	Taylorville	Lake Cumberland	Paintsville	Barren River	Kenlake	Lake Barkley	Kentucky Dam
Percent	1.08%	3.87%	4.76%	5.42%	14.13%	14.93%	17.98%	19.26%
Commission	\$5,936.92	\$19,051.48	\$241,971.54	\$6,757.57	\$48,515.12	\$78,414.18	\$104,976.72	\$228,950.38
Total Gross								
Income/Receipts	\$547,585.51	\$491,738.52	\$5,078,861.78	\$124,673.09	\$343,454.03	\$525,318.83	\$583,734.87	\$1,188,603.23



SOURCE: Compiled by Program Review staff from the Department of Park's 1993 Marina Income report.

As a Percentage of Gross Income, Rent Commissions Are Low and Decreasing

Income from commissions to Parks is not keeping pace with increases in marina income. Table 3.8 displays gross receipts and commissions paid to Parks during the "peak season" month of July for 1991, 1992, 1993, and 1994. This table demonstrates that Parks' July commission income rose \$16,286 (a 10% increase) between 1991 and 1994. However, during this same period the July gross receipts at marinas increased by \$531,740 (a 19% increase).

Table 3.9 amplifies this development by displaying the reduced percentages of gross receipts paid as commissions by five of eight marinas in 1994, as compared with 1991. This decrease may be expected to continue throughout the coming years as rent/commission rates decrease while gross receipts increase. While **commission rates** vary between 50% and 1% of gross income, when "all is said and done" the actual rent/commission **payments (as percentages)** are quite low and decreasing. For example, excepting Lake Barkley and Kentucky Dam (10.87% and 16.89% of gross respectively) the average percentage of gross receipts actually paid to Parks during the peak season month of July 1994 was only 3.93%.

TABLE 3.8

COMPARISON OF PEAK SEASON (MONTH OF JULY) REPORTED RECEIPTS AND
COMMISSION PAYMENTS TO PARKS, 1991 - 1994

<i>BARREN RIVER</i>				
YEAR	1991	1992	1993	1994
GROSS RECEIPTS	58,009	56,108	94,393	99,877
COMMISSION PAID	5,099	4,915	7,260	5,863
<i>GREEN RIVER</i>				
YEAR	1991	1992	1993	1994
GROSS RECEIPTS	115,459	138,873	210,121	289,064
COMMISSION PAID	2,398	1,333	3,975	8,153
<i>KENTUCKY DAM</i>				
YEAR	1991	1992	1993	1994
GROSS RECEIPTS	269,876	248,358	285,427	203,524
COMMISSION PAID	31,046	26,532	33,196	34,383
<i>KENLAKE</i>				
YEAR	1991	1992	1993	1994
GROSS RECEIPTS	94,163	96,015	111,865	145,403
COMMISSION PAID	8,485	9,131	10,720	1,208
<i>LAKE BARKLEY</i>				
YEAR	1991	1992	1993	1994
GROSS RECEIPTS	89,739	98,392	115,316	141,436
COMMISSION PAID	11,357	8,055	11,161	15,373
<i>LAKE CUMBERLAND</i>				
YEAR	1991	1992	1993	1994
GROSS RECEIPTS	1,547,730	1,707,143	1,437,150	1,819,565
COMMISSION PAID	77,257	81,886	68,846	86,389
<i>PAINTSVILLE</i>				
YEAR	1991	1992	1993	1994
GROSS RECEIPTS	22,045	40,888	23,574	36,790
COMMISSION PAID	1,184	2,186	1,279	2,008
<i>TAYLORSVILLE</i>				
YEAR	1991	1992	1993	1994
GROSS RECEIPTS	75,387	62,028	68,681	68,489
COMMISSION PAID	2,857	2,350	2,747	2,590
TOTAL PARKS' COMMISSION	\$139,681	\$136,390	\$139,185	\$155,967
TOTAL GROSS RECEIPTS	\$2,272,408	\$2,447,803	\$2,346,527	\$2,804,148

SOURCE: Compiled by Program Review staff from information received from Parks yearly and monthly income and commission reports.

TABLE 3.9

**A COMPARISON OF THE PERCENTAGE OF GROSS RECEIPTS PAID BY
LICENSED MARINAS TO PARKS IN JULY OF 1991 WITH THE PERCENTAGE
PAID IN JULY OF 1994**

NAME	1991	1994
Barren River	8.9%	*5.8%
Green River	2.1%	2.81%
Kentucky Dam	11.50%	16.89%
Kenlake	9.01%	1.00%
Lake Barkley	12.65%	10.87%
Lake Cumberland	4.99%	4.75%
Paintsville	5.37%	5.46%
Taylorsville	3.79%	3.78%
AVERAGE	7.27%	6.43%

Source: Compiled from data received from marinas' monthly income statements to Parks and Parks annual reports.

* **Bold** = decrease

Parks Has Maintenance Responsibility for State-owned Facilities at Licensed Marinas.

The Department of Parks has the responsibility for maintenance and repairs of state facilities located at a licensed marina. Table 3.10 shows the repair costs that the Department has assumed for the period 1989-94 at five licensed marinas. These repair costs include such items as docks, flotation, and covered slip roof replacement, electrical upgrades, and anchoring. Kentucky Dam Village and Lake Barkley have received significant funding for marina repairs. Lake Barkley repairs have exceeded income to Parks during the past six to eight years. In addition to the recent \$679,000 investment, Kentucky Dam Village will receive a new head dock/ship store from the Parks Revitalization Bond Issue. Disagreements over the level of maintenance and repair responsibilities have arisen between Parks and license holders. Further discussion of these disagreements and some of the consequences are presented in Chapter V.

TABLE 3.10**FY 1989-94 STATE MAINTENANCE PROJECTS AT LEASED MARINAS**

Marina	Project Costs
Barren River	\$40,971
Green River	\$13,596
KY Dam Village	\$679,151
Kenlake	\$133,170
Lake Cumberland	\$2,957
Lake Barkley	\$894,914
TOTAL	\$1,764,759

Source: Compiled by Program Review staff from data supplied by Department of Parks

CHAPTER IV**AGENCY RESPONSIBILITIES FOR MARINA OPERATIONS AND CONTRACT MANAGEMENT**

Agency responsibilities for marina operations and contract management are shared among cabinets and departments. The Parks Department has sole responsibility for state-owned and operated marina management. However, the Department shares responsibilities with the Finance Cabinet for leased marina contract management. Finance's Division of Real Properties' primary involvement in contract management is to ensure that all license/lease documents and terms are legal. The assignment of additional responsibilities and authority required for the license agreement contracting and negotiation processes are undefined and unclear. Recently, the Department of Parks has contracted with the Auditor of Public Accounts to audit selected licensed and state-operated marinas. These audits are in addition to routine audit work performed by the Department. The audits conducted by the Auditor's Office will continue so that all marinas will be reviewed in more detail by an independent source.

From May 1964 to May 1986, responsibility for marina management was placed with a Division of Campgrounds and Boat Docks. This division was abolished in 1986. In January 1990, the Department identified the current Director of Operations as the contact person for marinas.

The Department of Parks has no formal, written mission statement for marina operations: licensed, leased, or state-owned and operated. Likewise, there are no formal plans,

goals or objectives. Developing a stated mission for marinas, or even a viable set of plans and objectives, has been difficult, given the political context of marina origins and operations. Staff was informed by Legal Counsels for the Finance and Administration Cabinet and the Department of Parks, and several park managers and officials, that political favoritism guided the creation of the original marina leases. As one Park manager noted, "These were political deals handed out years ago and now we have to pay the price." One "price" has been the difficulty of contract management and compliance supervision. As another park manager put it, "Because of who was involved they (the marinas) haven't been looked at". The result has been a lack of oversight and loss of revenue. However, all marina operations are now being "looked at" and increasingly supervised as a consequence of:

- approaching license expiration dates
- mounting maintenance costs for older facilities
- increasing attention the state parks have received during the past two years.

While there is no formal mission for licensed marinas, a number of recent goals and initiatives are now being pursued by Parks. Briefly, they are:

- To convert leased facilities from Parks ownership to private ownership through the nominal-price sale of existing structures, and through expansion and replacement of existing docks and boat slips with privately built facilities (1989)
- To re-write and supervise maintenance agreements in such a way as to place more responsibility for maintenance on marina owners (1989)
- To organize existing personnel resources within the Parks Department, in order to more adequately supervise contracts (license/lease agreements) and marina operations (1994)

- To negotiate and write license agreements which are more uniform, more precise, and more clearly understood (1994)
- To increase efforts to recover rent underpayments (1994)
- To increase efforts to secure compliance with the Parks marina regulation, 304 KAR 1:010 (1994).

The above initiatives and management structures were nominally begun in 1989 with the first of several new license agreements. However, active pursuit of most of these goals has only taken place during the past two years, and especially during the past eight months, subsequent to the approval of the Parks study done by the Program Review and Investigations Committee, and the initiation of this marina study.

Parks Is Responsible for State-owned and Operated Marina Management

The eight state-owned and operated marinas are run as budgetary and functional units of the park at which they are located. That is, they are a unit such as the lodge, campground, or golf course. The manager and the other personnel employed at the marinas are park employees, directly supervised by the park superintendent. With regard to budget development or personnel, they have a role similar to other park supervisors, such as the dining room supervisor, or the chef, or head housekeeper. Decisions regarding marina facilities, fleet maintenance, purchases, and rates are essentially made by the Department of Parks. As stated, the Director of Operations for the Department of Parks was assigned (by letter in 1990) as the contact person for Marina operations and presumably would be at the center of these decisions.

Parks and the Finance and Administration Cabinet Are Responsible for Leased Marinas

Oversight of leased and licensed marinas by the Department of Parks has varied over the years. The Department has recently established committees with responsibility for various

marina oversight functions. A Marina Inspection Team, established in the late 1980's, conducts annual inspections of all marinas at the state parks and files reports identifying deficiencies and maintenance/repair needs that leased marina owner/operators must correct. Some leased marinas have provisions in their license agreements for escrow accounts to pay for these identified repairs.

In May of 1994 Program Review staff reported several deficiencies regarding marinas' compliance with annual audits required by Parks Administrative Regulation 304 KAR 1:010. A June 24, 1994 memorandum requested the establishment of a "Leased Marina Committee" and recommended that this committee "review all current leased marinas for compliance with lease provisions and . . . review audits received yearly to ensure continued compliance."

The Department of Parks currently has 14 Central Office staff assigned to some responsibility for marina management and oversight. The Department did not provide Program Review staff with descriptions of individual committee member responsibilities or any job descriptions which specify responsibility for marina oversight. Therefore, management responsibilities cannot be identified.

Parks shares responsibility for licensed marina contract management with the Division of Real Properties in the Finance and Administration Cabinet. Finance and Administration is responsible for ensuring that all license/lease documents and terms are legal. It maintains a file on each licensed marina contract. This file contains all contracts, with amendments, negotiation documents, and financial documents regarding marinas and marina owners.

Finance and Administration is also responsible for tracking contract obligations, such as required insurance coverage, and is required to receive annual audits of licensed marina operations. Receipt of these audits has not been enforced. Currently, Finance and

Administration is installing a computerized contract management system to keep track of compliance requirements and timelines. This will not be operational until a projected office relocation takes place. Additionally, the Finance and Administration Cabinet's Division of Real Properties has offered the Department of Parks assistance in obtaining accurate data on the marinas, through the utilization of their CAD (Computer Assisted Drafting) system. This CAD system will provide a computerized drawing of each marina, identifying all specifications of the marina (as built), much like the design plans for a home. Any changes at marinas noted during Parks annual inspections can then be entered into the CAD system in order to keep the profiles updated. This project has not been undertaken to date. The Division of Real Properties has requested assistance from Parks in obtaining the initial data.

License Agreement Contracting and Negotiation Responsibilities Are Undefined

Program Review staff could find no policies or procedures which would guide the process of negotiations for marina licenses. The decision to bid a new license or to assign and/or extend an old license agreement appears situational. The Collins administration adopted the policy that license agreements would run to expiration dates and then be subjected to an open bid. Subsequently, the Wilkinson administration returned to the no bid policy, which continued under the Jones administration.

An example of the above policy reversal is the Lake Cumberland State Dock license. Parks had denied a license extension in 1986 to the former licensee and stated that the Department intended to let the license expire and subject it to an open bid process. Parks held a similar position on other marinas. However, in 1991, during the final days of the Wilkinson administration, negotiations with the new owner, Marina Management Services, Inc., were conducted by the Commissioner of Parks, the Secretary of Tourism, and the Secretary of Finance. Marina Management Services, Inc., received a license extension until 2015.

Marina Auditing Involves Private Auditors, the Auditor of Public Accounts, and the Parks Department

Parks regulation 304 KAR 1:010 specifies that audits be done by private auditors each year for licensed marinas and submitted to the Parks Department and to the Finance and Administration Cabinet. These audits have been done annually and submitted to Parks but they have not been submitted to Finance. Recently, at Parks' request, the Auditor of Public Accounts has audited selected licensed and state-operated marinas. Audit findings from these reports are discussed in Chapter VI. Parks has made arrangements with the State Auditor for additional marina audits. A schedule for this has not been determined. Auditors in the Department of Parks have responsibility for marina audits, in addition to their other responsibilities.

RECOMMENDATION #1: MARINA MANAGEMENT

The Department of Parks should continue its efforts to increase marina management and oversight. There should be a formalized management structure for marina supervision. This should include formal assignment of marina responsibilities, and job descriptions should be amended to reflect these responsibilities. Committee responsibilities should be defined. This management structure and assignment of responsibilities should define a more central role for local park managers in managing and monitoring the marina at their parks. At leased marinas these responsibilities should relate to contract agreements and negotiations, contract compliance, commission verification, construction oversight and auditing.

Department of Parks Follow-up Response, May 1996

Parks created a Leased Marina Committee and a Marina Inspection Team. The Leased Marina Committee is to meet within two weeks of the receipt of audits and Parks is to provide written notification to lease holders regarding "adequacies and deficiencies" of their audits.

Program Review Staff Follow-up Response, June 1996

Staff requested copies of audit notification letters to marina owners. These letters reflected a continuing absence of full compliance with all 304 KAR 3:010 audit requirements, and some situations which required reconciliation between revenues reported throughout the year and revenues reported in annual audit reports.

CHAPTER V

LICENSE AGREEMENTS

All relationships between Parks and its licensed marinas, and all income Parks will derive (and expenses it will pay) are dependent on the language of agreements. Proper contract management is essential to ensuring full collection of revenues and proper service delivery. The document which governs the relationship between a private marina operator and the state is called a "license agreement". These license agreements may be "assigned", that is, a marina owner/operator may wish to sell his facilities and his license interest to someone else. If Parks and Finance agree, an "assignment" of the license agreement may be made. Several license agreements have been given for 25 years and extended another 30 years. Agreements may be extended and/or have terms or conditions changed without terminating the original agreement. This is called an "amended and restated" agreement. These current license agreements have complex rate schedules, ambiguous language and low commission rates. These factors have resulted in reduced income for Parks, compliance problems and legal actions. Bid and procurement statutes have not been applied to these contracts. Models for such bidding and contracting may be taken from corrections privatization and Department for the Blind vendors contracts.

The Assignment of Licenses is a Form of Non-Bid Contracting that Commits State Resources for up to Sixty-three Years

When a license is assigned, and the assignment is followed with an extension of the term expiration, it has the same practical effect as a new contract without bid procedures. Such

contracts (there are five) are now continuous from their origination dates in the early 1970's until the second decade of the next century. The longest is for Kentucky Dam, originally leased in 1955 and extended to 2018: 63 years. Table 5.1 identifies for each license the following:

- the original license date,
- the original term of expiration,
- the date of the new agreement date, and
- the new license expiration date.

Replacing state-owned facilities with private facilities, extending expiration dates for up to 30 years, and significantly changing commission rates all combine to create entirely new agreements.

TABLE 5.1

ORIGINAL AND EXTENDED TERM AGREEMENTS

Marina	Original License Date	- Original Term Expiration	Date of New Agreement	New License Expiration Date
Barren River	8/10/65	9/1/97	4/15/94	2017
Green River	12/1/71	12/31/90	10/13/89	December 31, 2015
Kenlake	8/2/62		4/19/93	November 23, 2017
Kentucky Dam	11/14/55	12/30/98	10/15/90	December 31, 2018
Lake Barkley	7/1/65	12/31/99		
Lake Cumberland	8/9/73	10/1/2000	12/5/91	October 1, 2015
Paintsville	8/14/85	8/13/2005		
Taylorville	12/9/83	12/1/2003		

SOURCE: Marina License Agreements Provided by The Department of Parks

New Extended License Agreements Reduce Parks' Commissions and Increase Private Capital Outlay

Beginning in 1989 (and continuing through the April 1994 Barren River extension) these assignments and extensions have been changing the contractual relationship between

Parks and the licensed marinas. The original licenses involved state-built and owned marinas that were "leased" to private corporate or individual "owners" to operate. These current private facility expansions and replacements move these marinas toward a status of full privatization and reduce the income Parks will receive (e.g., from 50% on covered slip rentals to 1-5.5%). It is Parks' current position that this reduced income is offset by the costs of facility replacement and maintenance which Parks will no longer have to pay under the terms of these new agreements, and by the increased revenues which may result from facility expansion. However, Parks could not supply any financial or cost-benefit analysis or documentation to support this present policy. Facility expansion may generate more income for parks, regardless of commission rates. However, if new facilities replace rather than expand old facilities, income to Parks will decline significantly. For example, Kenlake marina's July payment to Parks (at 12% and 50%) was \$8,485 in 1991. In 1994, the commission rate was reduced to 1% and the July commission payment dropped to \$1,208. Kenlake's total 1993 commission to Parks was \$78,414. The total 1994 commission will be about \$8,000; a loss of \$70,000 in Parks' annual revenue.

Lease Agreements Are Confusing and Need Clarification

The structure of most marina licenses is complicated by the fact that, except for Barren River (April 1994), existing license agreements are not formally terminated or rewritten. Rather, most agreements are continuous, comprised of the original license and subsequent amendments, restatements, assignments (of ownership) and addenda. It is often necessary to assemble all of these documents, spanning many years, in order to interpret the entire contractual agreement currently in force at a particular marina.

As an example, the current Lake Cumberland State Dock agreement with Parks consists of the Amended and Restated License Agreement of 1991, which incorporates by reference:

- The original May 11, 1982 Agreement
- The May 1, 1983 Amendment
- The March 26, 1987 Amendment (executed May 4, 1987)
- The October 15, 1989 Assignment from State Dock, Inc., Moore, Owen, Thomas and Company, to Marina Management Services Inc.

These other documents (agreements) are incorporated by reference only and are not contained in the main agreement. This sort of practice has led to confusion and differing interpretations of agreement terms and commission rates (described in this and the following chapter).

The general contents of Marina licenses are identified in Table 5.2 below.

TABLE 5.2

CONTENTS OF MARINA LICENSE AGREEMENTS

• Description of property	• Term of license
• Purpose of license	• Rental consideration
• Contractual relations	• Termination
• Laws and regulations	• Taxes
• Permits and regulations	• Protection of premises
• Manipulation of water levels	• Alteration of structures
• Utilities	• Maintenance of premises and structures
• Construction and removal of structures	• Right of entry
• Non-warranty	• Indemnity and release
• Schedule of rates and prices	• Operation Records
• Waiver of claims on interest or estate	• Assignment of interest
• Agreement to be subject to lease agreement between United States and Commonwealth of KY	• Binding clause
• Improvements to be made by licensee*	• conflict of law and choice of law provisions*
• Extended term agreement*	• Severability clause *
• Insurance*	• Notice*

Source: Marina License Agreements

*additional contents of newer, amended and restated license agreements

The contents of current license agreements which are the primary concern of this study are as follows:

License terms (expiration dates)	Extended term agreements
License purposes	Rental considerations
Operation records	Schedules of rates and prices
Termination clauses and conditions	Laws and regulations
Improvements to be made	Maintenance requirements

License Agreements Have Inconsistent and Complex Commission Rates

With the exception of Paintsville and Taylorsville, which are flat rate rental considerations (5.5% and 4% respectively), most original license agreements called for marinas to pay "rent" to Parks according to a general schedule, as follows:

- 12% of gross income from business transacted on the premises except for,

- 50% of gross income from covered slips,
- 4% of gross income food and groceries,
- 7% of gross income on gasoline sales (later changed in most agreements to 27% of gross profit),
- 5% of gross income from boat parts and servicing, and
- 5% of gross income from boat rentals.

Adding to the complexity of combining new licenses with old licenses and variable commission rates, there are now additional variations in commission rates paid to Parks. These changes are displayed in Table 3.3, which records the following variations among marinas:

- Kenlake has moved to a graduated commission rate of 1% to 5.5% (over six years) from all sources of income.
- Green River is now paying rent/commissions according to the same terms as Kenlake, that is on all sources of income (although the license agreement is like that of Barren River, Kentucky Dam and Lake Cumberland below, which pay the 1 to 5 % commissions only on new facilities).
- Barren River's commission rate is now an annually graduated rate of 1 to 5.5% on new facilities, combined with its original variable commission rates for other sources of income, including the old state-owned slips.
- Kentucky Dam has a new rental consideration agreement like that of Barren River.

- Lake Cumberland is similar to Barren River and Kentucky Dam, except that it pays 7% of gross on gasoline sales (instead of 27% of gross profit) and 7% for "moorage" rental of open slips (instead of 12%) and 7% of gross for "sale of resale items" (instead of 12% of gross for "other").
- Lake Barkley is unchanged, with an original variable commission rate schedule of 4% to 50%, as described in Table 3.3.
- Paintsville and Taylorsville both remain unchanged, at 5.5% and 4% of all "gross receipts" respectively.

TABLE 5.3
COMMISSION RATES FOR LICENSED MARINAS (1994)

MARINA	CURRENT SCHEDULE
BARREN RIVER	12% OF ALL GROSS INCOME, EXCEPT: 50% OF GROSS INCOME ON COVERED SLIPS 4% of gross income on food 5% of gross income from servicing boats 5% of gross income from boat rentals 27% of gasoline sales gross profit and a 1% to 5.5% commission on new facilities paid at 1% for the first two years and then moving up (over the next 4 years) to 5.5% in year 6, (i.e., 2% in year 3, 3% in year 4, 4% in year 5 and 5.5% in year 6)
GREEN RIVER	12% OF ALL GROSS INCOME, EXCEPT: 50% of gross income on covered slips 4% of gross income on food and a 1% to 5.5% graduated schedule (like Barren River) for gross receipts on new facilities
KENLAKE	50% OF GROSS INCOME FROM COVERED SLIPS 4% of gross income from food and groceries 12% of commissions on license 5% of gross income from labor and servicing 27% of gross profit on gasoline sales 5% of boat rentals 1% to 5.5% (over 6 years) of gross receipts <u>on all income</u> <u>after new facilities are built</u>
KENTUCKY DAM	12% OF ALL GROSS INCOME EXCEPT: 5% of gross income from boat rentals 50% of gross income from covered slips 4% of gross income from food and groceries 27% of gross profit from gasoline sales 1% to 5.5% over 6 years on new facilities
LAKE BARKLEY	12% ON ALL GROSS INCOME EXCEPT: 50% of gross income from covered slips 4% of gross income from food 27% of gross profit from gasoline sales 5% of gross income from boat rentals
LAKE CUMBERLAND	12% ON ALL GROSS INCOME EXCEPT: 7% of gross on sale of resale items 7% of gross income on all open boat slips 4% of gross on sale of food items 5% of gross on houseboats, ski boats and pontoons 1% to 5.5% over 6 years on new facilities
PAINTSVILLE LAKE	5.5% OF ALL GROSS RECEIPTS
TAYLORSVILLE LAKE	4% OF ALL GROSS RECEIPTS

Source: Compiled by Program Review staff from Marina License agreements.

Maintenance Agreements Are Unclear and Costly

The Commonwealth built six of the eight licensed marinas and committed to maintaining them for the term of the license agreement. This has been a costly decision. Repairs and maintenance costs at Lake Barkley during the past five years (\$894,914) were more than twice the commissions Barkley paid to Parks during that period. Kentucky Dam is a similar example, with maintenance costs exceeding rental income for the recent four-year period.

License agreement maintenance provisions can be subject to differing interpretations as a consequence of the way in which they are stated. For example, the Barkley agreement states that:

The licensee shall maintain all the premises and structures furnished by Parks under this agreement except roads and parking lot in as good condition as when possession thereof was delivered to the Licensee by Parks, ordinary wear and tear, damage caused by acts of God, civil commotion, or sole negligence of Parks excepted.

However, later in the maintenance section the agreement states that:

Licensee shall make all necessary repairs to the premises licensed thereunder, maintain and paint all structures, mechanical engineering, heating, air conditioning, electric lines, water lines and all other property hereby licensed. In the event of destruction by fire, storm or other catastrophe, Parks shall promptly replace all of said property...

As stated, during the six-year period 1989 - 1994, Parks spent \$894,914 for repairs at Lake Barkley; this included \$258,914 for electrical repairs. In 1989 Parks was compelled to pay for emergency electrical repairs at Lake Barkley. This was the result of three years' of negotiation between Parks and the marina owners regarding responsibility for the repairs. Parks sought a declaratory judgment against Higgins Marina Inc. (the Lake Barkley marina

owner) in order to obtain reimbursement for the expense. The court ruled in favor of Higgins Marina Inc. and Parks did not recover the funds.

In short, under the terms of the Lake Barkley agreement (which is like five other original marina agreements) Parks agreed to build and maintain the marina and receive in return a commission, which during the last eight to ten years has not matched the cost to Parks of maintaining and repairing the marina. These current costs are in addition to the original construction costs, the debt service, local park in-kind and undistributed costs, and personnel costs incurred by the Commonwealth for its supervision of contracts.

Recent Agreements Place More Maintenance Requirements on Licensees

As described previously, five licensed marinas are now operating with new agreements, including expansion and replacement facilities and reduced commission rates. Four of these new license agreements (five, including Paintsville, 1993) also have new maintenance agreements. In these agreements Parks continues to have maintenance responsibility similar to that described above for those components of the facility that remain the property of the Commonwealth.

The major difference between the old and new maintenance agreements is the addition of an escrow account for maintenance and repairs in four of the new agreements. This account is funded with 2.5% of marina annual gross receipts, deposited in a reserve account by the marina owner. It is a joint account between Parks and the Marina, requiring joint signatures for withdrawals. Parks is to annually inspect facilities (with marina owners) and determine needed maintenance. Nominally, this account will cover maintenance of the old state-owned facilities as well as the new marina-built facilities. However, the precise nature of a marina operator's obligations regarding remaining state-owned facilities is still subject to the difficulty of

interpretation described above. Table 3.10 in chapter three reported the maintenance and repair costs at licensed marinas during the past six years. The extent to which the escrow accounts would cover the repairs identified in Table 3.10 is not clear, due to the ambiguity previously described.

The repairs which were identified in Table 3.10 (Chapter III) were for items one could expect, such as "storm damage" (Barren River) and some others one might not expect, such as "minor repairs" after 1989 at Green River, which was privatized that year and was paying a 1% commission to Parks. It would appear that marina owners (and escrow accounts) are responsible for the maintenance and repair of marina-owned facilities and for the routine maintenance of any remaining park facilities. However, maintenance agreements continue to hold parks responsible for "repairs" to remaining state-owned property, the reduced commissions to Parks notwithstanding.

There are some "big ticket" items of repair, replacement, and upgrading for which Parks continues to be responsible. There is a current understanding that Parks remains responsible for the anchorage and major repairs of its remaining docks. Parks continues to maintain responsibility for the replacement of its head dock at Kentucky Dam Marina. Its replacement is one of the 1994 Parks Revitalization Bond Priorities.

The new Maintenance Agreement Escrow Accounts identified above need additional policy clarification. Marina licensees believe that escrow funds can be withdrawn each year if no maintenance/repair requirements are determined by the Parks inspection team. Since this inspection occurs annually before funds are deposited to the escrow, this is an opportunity for disagreement. Maintenance agreements state that the purpose of maintenance escrow accounts is to "indemnify" Parks for maintenance costs. If funds are withdrawn by a licensee in a prior year and there is disagreement between Parks and the Marina owner the next year regarding maintenance, there may be no funds left in the account to indemnify Parks. In any event, the

2.5% of the previous year's gross income may not be enough to cover the repairs needed. Escrow provisions state that in no case need a marina owner keep more than \$50,000 in the escrow account. It seems prudent regarding indemnification to require that there be no withdrawals except for identified maintenance and repairs until this \$50,000 limit has been reached.

New Licenses Call for the Construction of Additional "Slips" but the Definition is Imprecise and Quality is Unspecified

In license agreements, piers are called "fingers" and are specified according to width and length and the distance between them (e.g., 20 feet). However, the license agreements do not say whether the 20-foot space between two fingers is two slips or one slip. The part-owner (1/4) and manager of the Barren River Marina defines a "slip" as the space between two piers. The 3/4 owner of this same marina (and Parks personnel) defines this same space as "two slips". In this case, since 48 slips must be built by December 1994 (according to the license agreement) this difference in definition amounts to a difference between building 24 piers/fingers or building 48-50 pier/fingers. Practically, this means building docks for 24 - 48 boats versus 48 - 96 boats. The license does not specify how many piers/fingers are to be built. It would seem that the only sensible construction definition of a "slip" is the "space between two piers". Otherwise, depending on the size of boats docked, the space between two piers can be one slip one day (where a larger houseboat is docked) and two slips the next day (where two smaller boats are docked).

Recent marina licenses do not specify the quality of construction. It is unclear whether the dollar figures assigned to new facility construction contained in new license agreements represent contractual obligations and construction quality or whether they are only estimates of possible costs. Parks has decided in the case of Green River that the estimated costs of

construction are contracted obligations and must be spent by the marina owner. It may be assumed that this policy extends to the April 1994 Barren River Agreement and the Phase I construction scheduled for completion in December 1994.

Aside from the stated cost of construction, recent agreements make no specifications regarding construction quality. There are numerous designs for docks, piers, and floating buildings. Some are considerably better than others. These contracts do not contain any quality requirements. However, designs must be approved by Parks, and Parks can use this opportunity to control quality.

Non-Bid Extensions Are Not in Best Interest of State

The Commonwealth has extended license agreements for up to 29 more years of non-bid marina operation. As described, Parks departed from its earlier stated intention to let licenses expire and then submit them to open bid procedures. This reversal was not supported by any documented analysis of the costs and benefits involved, nor by any consistent policies and procedures to guide the decision. Without open bids, it is impossible to know if a better deal could have been obtained by Parks than it got with license assignments and extensions. Without significant financial analysis, we cannot be certain that repairing and replacing facilities that pay high rent commissions would have been the wrong choice. The State Parks Study, approved by the Program Review Committee May 9, 1994, recommended that:

The Finance Cabinet should examine all existing marina leases to determine their value to the state in comparison with state-operated marinas.

While license holders now have substantial property rights regarding their facilities, the "license" and its terms are the Commonwealth's to grant. Marina owners may sell their facilities, but must have Parks' permission to sell (assign) their license to operate a marina at a state park. The current 1% to 5.5% rates may not cover Parks' remaining costs for

maintenance, infrastructure, undistributed costs, and contract supervision expenses. There may be opportunities to improve its position regarding commissions and maintenance responsibilities.

Some guidance regarding the separation of facilities from the license to conduct business is provided by vendor contracts made through the Department for the Blind. As found during a 1993 Program Review study of the Bureau for the Blind Vendors' Program, these contract agreements have the following characteristics:

- They are advertised for public bid.
- They are awarded on a shorter term basis.
- Fair market value is assessed against fixed improvements financed by the lease holder.
- The next successful bidder must include in his bid the purchase of the previous lease holder's fixed improvements as terms of the contract.

RECOMMENDATION #2: LICENSE AGREEMENT CLARIFICATION

The Department of Parks should continue, and improve, its recent policy to simplify and clarify marina license agreements. This policy should include a complete rewriting of agreements, so that all terms and conditions are located in one document. It should also include clear language concerning maintenance responsibilities and specifications for quality standards of required construction, simplified rent considerations, and minimum service and facility requirements.

Department of Parks Follow-up Response, May 1996

Parks restated its 1995 citation of case law preventing the unilateral change of contract language, but noted that it will take advantage of opportunities to rewrite, simplify and standardize contracts (e.g., license assignments or extensions).

RECOMMENDATION #3: FINANCIAL ANALYSIS OF MARINA OPERATIONS

The Department of Parks should develop and use a financial/cost-benefit analysis system as the basis for its decisions regarding license agreement terms and conditions. This should include commission rates, contract duration, and other terms and considerations. This analysis should provide a basis for deciding whether to bid existing licenses or to commit the state to ownership of the marina.

Department of Parks Follow-up Response, May 1996

Parks restated its January 1995 agreement with this recommendation and added that the "LRC Program Review & Investigations Committee has passed a resolution suggesting that the Department of Parks utilize the Privatization Commission's check list to try to determine whether or not leased Marinas could be better operated by the Department."

Program Review Staff Follow-up Response, June 1996

Parks came before the committee (with the Commissioner of Facilities Management from the Finance and Administration Cabinet) on November 9, 1996, stating the need for \$100,000 (in the 97-98 budget) to do a privatization/parks operation study for Lake Barkley Marina. The Program Review & Investigations Committee unanimously passed a motion that Parks and the Tourism Cabinet do a privatization analysis of state park marinas, both owned and leased, according to Privatization Commission Guidelines; the results to be submitted by February 1, 1996 to the Program Review & Investigation Committee and the Privatization

Commission. Parks stated in its May 31, 1996 follow-up response to Recommendation 6 of the Parks Study that it made a request in its 1996-98 budget for \$100,000 for the Lake Barkley study, and "this request was not funded."

Leased Marinas Are a Service or Concession

Leased marina operations should be considered as a service or concession. The private operator provides a service for the state by operating a marina. The state is paid commissions, but still has some obligation to appropriate funds in conjunction with marina maintenance related to grounds, utilities, parking, and any state-owned structures. In addition, Parks retains its legal obligations to the Corps of Engineers and to Kentucky citizens for the protection, maintenance and proper use of land and resources. Recent contract changes have required more capital investment from lease holders. Seven of these marina operations required privately financed construction of the docks and marina. The last five contract renewals have included privately financed construction of additional slips for the marina. In each case, the state extended the length of the contract in exchange for private investment.

Marina Licensing Is not Clearly Identified by the Model Procurement Code

This type of public/private partnership for the provision of government services is a form of contracting not clearly identified under the Kentucky Model Procurement Code, KRS 45A. No explanation by the Finance and Administration Cabinet has been found to date to explain why these do not follow the requirements for competitive bidding. Inquiries and unsolicited bids received by Parks and Finance indicate possible competition. "Sole source" or "best source" does not seem to apply, since several leasees had no previous marina business experience. The Finance Cabinet has bid out only two of these marina operations. Both the Paintsville (1984) and Taylorsville (1983) marinas were successfully bid out through the

request for proposal process. However, the Finance Cabinet recently attempted to bid out the Yatesville Lake project twice. Both times, there were no responses to the bid. This was a startup project requiring the leasee to build all facilities and docks. The rest of the marina operations were not bid out by the Finance Cabinet. Almost all initial agreements predate the enactment of the Kentucky Model Procurement Code. All extensions have been after enactment.

These marina operations combine a service element with a real property interest. The service element consists of the sale of goods and services and the management of the marina. The license or lease is an interest in real property. Legally, licenses are revocable permits to use the property of another for a particular purpose. On the other hand, leases are exclusive possessory interests in land for a definite time period. An example is the landlord/tenant relationship. Taylorsville and Paintsville have been characterized by the Finance Cabinet as leases; all the rest are licensing agreements.

Since the Finance Cabinet has allowed bids and extended contracts without bidding, it would be helpful to examine the statutes regarding these practices. The Kentucky Model Procurement Code allows at least three options in contracting: competitive sealed bidding, under KRS 45A.080, competitive negotiation, under KRS 45A.085 - 090, and noncompetitive negotiation, under KRS 45A.095. The first two are bid processes. In competitive sealed bidding, the lowest bid or evaluated price generally wins, while competitive negotiation requires an evaluation based on the criteria listed in the RFP, coupled with the lowest price. The last procedure, noncompetitive negotiation, is a non-bid process used when competition is not feasible or when there is a single source provider. Under KRS 45A.135, any type of contract in the best interest of the state may be used.

The statutes give the Finance Cabinet control over the procurement of most goods and services, plus the disposition of property.

. According to the Finance Cabinet, its Division of Real Property handles all these concessions primarily under KRS 56.463, KRS 56.500, KRS 45A.045 and KRS 148.011, .021 and .026. By classifying these leases as real property transactions, the Finance Cabinet has a great deal of discretion. KRS 56.463 allows the Finance Cabinet to:

- Sell or dispose of all property;
- Control the use of real property owned or held by state agencies and determine the time periods and purposes of the use;
- Lease any real property or any interest in the property;
- Lease any real property or any interest in real property owned by the state; and
- Take all actions necessary to perform any requirements of KRS Chapter 56.

Transactions under KRS 56.463 must be done in compliance with KRS 45A.045. That statute authorizes the Finance Cabinet to sell, trade or dispose of property that is not needed, is unsuitable for public use, or would be better used in another manner. Unless the Secretary determines the cabinet should proceed in another manner, the property (including any interest in real property) shall be sold at public auction or by sealed bids. Neither the Finance Cabinet nor Parks have identified any written determination of the Finance Secretary which would exempt the marina leases from competitive bidding requirements.

There is very little law dealing with the contracting out of marina operations. In fact, Kentucky law and regulations do not deal very much with the legal issues of privatizing government services at all. Marinas may be regarded as services that should be competitively bid, since the state is providing a government service through a private company.

At least two marina operations have been bid out through the RFP process. The Finance Cabinet acknowledges that bidding is a possible route to take. Similarly, the state has bid out the Department for the Blind's operation of the vending sites at the interstate rest areas. There is a definite need for statutory clarification concerning the bidding out of state services.

Statutes May Be Needed to Govern Privatization and Contracting Services Involving Facilities

A comprehensive statute dealing with privatization, similar to the one for prisons, is needed. This statute would include such operations as prisons and state marinas. In addition, the state is considering contracting out other services, such as the operation of a state mental hospital. These arrangements have special considerations separate from statutes on contracting and disposal of property. Since there is very little statutory guidance on this subject, the recent statutes on privatizing prisons are the most relevant guide. In 1988, the General Assembly enacted KRS 197.500 - 530 to deal with the issue of privatizing state prisons. Although the issues are not totally similar, the topics covered are ones which could apply to marinas and other forms of privatization. For example, in the initial definition of private correctional facilities providers, there is a requirement that the company be licensed to do business in Kentucky and be in the business of establishing, operating and managing correctional facilities in Kentucky. The General Assembly could define the term "private provider" in the context of the marina operations or in more general terms.

KRS 197.505 allows the state to enter into contracts with a private provider to establish, operate and manage prisons. Next, the statute sets out certain contractual provisions that the private provider shall meet. In all these contracts, the state must maintain supervisory and monitoring powers over the operation and management of the facilities. Finally, KRS 197.510 requires:

- Compliance with any applicable industry standards;

- Compliance with KRS 45A, the state model procurement code;
- A written budget for the facility;
- A fiscal system that accounts for all income and expenditures on an ongoing basis;
- An annual independent audit report;
- Written fiscal policies and procedures;
- A written policy for inventory control of all property and assets;
- A plan for disseminating information to the media;
- Background investigations for all employees prior to employment; and
- Unannounced inspections of the facilities.

Although there are many other provisions dealing with personnel and other issues, the ones identified above may be useful in the state's transactions with marina operations. The statute also specifies that the state may withhold payments if required services, products or facilities are not provided or maintained pursuant to the contract. The Department of Corrections has the authority to promulgate regulations to govern the operation or management of the prisons, or to set standards. Finally, administrative fines may be assessed against the private provider, if necessary.

One area to be dealt with is the open records nature of some or all information provided to Parks or other government bodies. The statute on privatizing prisons includes a provision that all documents and records, except financial records, maintained by the private provider are public records under KRS 61.870, the Open Records Act. Whether such restrictions should apply in other circumstances is a policy question that needs to be addressed.

RECOMMENDATION #4: LICENSES SHOULD BE OPEN BID AND SHORTER IN DURATION

The Department of Parks should subject future licenses to open bidding. These licenses should be for periods considerably less than the current twenty-five years and should not be extended without an open bid.

Department of Parks Follow-up Response, May 1996

Parks reaffirmed its agreement of January 1995 to subject new leases to an RFP bid process. Regarding existing leases, Parks maintains that the non-competitive negotiation process can produce immediate renovations, additions and upgrades. Regarding shorter lease terms, Parks maintains an "industry standard" of twenty - twenty-five years is appropriate.

RECOMMENDATION #5: AMENDMENT OF MODEL PROCUREMENT CODE FOR PRIVATIZATION

The General Assembly should amend KRS 45A (Model Procurement Code) and any other necessary statutes by creating new sections addressing the privatization of state facilities and services. These revised statutes should include the following:

- **competitive bidding as the preferred method on all projects**
- **public hearings**
- **submission of contracts to the Capital Construction and Bond Oversight Committee, and to the Personal Service and Contract Review Subcommittee**
- **state agency oversight and powers**
- **financial management requirements**

- open records status for all private provider documents
- legislative committee access to all private provider records that the state agency has
- unannounced inspections of the facilities
- penalties for noncompliance

Department of Parks Follow-up Response, May 1996

Parks reaffirmed its January 1995 agreement with this recommendation.

Program Review Staff Follow-up Response, June 1996

House bills related to privatization were introduced in the 1996 legislative session but were not passed. In response to a Supreme Court decision, Finance & Administration promulgated a regulation addressing the open-records nature of private contractor audits, and other documents, which states that all documents directly pertinent to the contract are subject to public disclosure "regardless of the proprietary nature of the information".

CHAPTER VI

OVERSIGHT OF LICENSE AGREEMENTS

If agreements are poorly managed the state may receive less than it is due, or pay more than is necessary. The Parks' regulation which guides the oversight of marina record keeping and auditing is not being followed. Additionally, Parks is not collecting all the commission income to which it is entitled. There are other areas in need of increased oversight, such as subleasing and required prior approval for construction.

Parks Regulation 304 KAR 1:010 Requires an Approved Records System and Annual Audits

Each license agreement has an "Operation Records" or "Reports and Records" section which requires licensed marinas to keep operation records (according to a system approved by Parks) and to submit annual audits to Parks and the Finance Cabinet. Parks' Administrative Regulation 304 KAR 1:010 governs the nature of these records and the content of related audits. The purpose of this regulation is stated as follows:

In order to control and evaluate the business activities of various licensees the Department of Parks finds it necessary to prescribe certain accounting procedures to be used by its licensees.

This administrative regulation is always cited in original licenses. It is also often cited in the new, amended, and restated licenses. However, some newer license language does not

specifically cite the regulation by number or attach it as part of the agreement. Nevertheless, the requirements of this regulation are clearly binding on all licensees. Appendix B contains the full text of 304 KAR 1:010.

Briefly, the Accounting Records requirements of 304 KAR 1:010 are as follows:

- Licensees must have an accounting firm develop a system of accounting and internal controls in support of the license agreement.
- This system must meet the specific approval of Parks.
- All cash registers, receipts documents, contracts, and other means of supporting income transactions must be approved by Parks.
- The accounting system must be able to disclose the amount of income derived from each category of business "in order to facilitate compliance with rental consideration provisions under the license agreement."

The 304 KAR 1:010 Auditing requirements are as follows:

- There must be an annual examination of assets, liabilities, income and expenses (that is, an annual audit).
- Income should be reported in the audit according to the category of business conducted.
- There must be a written memorandum reviewing (and setting forth any weaknesses in) accounting and/or internal control systems.
- There must be a statement of compliance or noncompliance with the provisions of license agreements and all related rules and regulations.
- The names of the Commissioner of Parks and the Commissioner of the Executive Department for Finance and Administration must be on the audit.

- Audits must be submitted by the 15th day of the fourth month following each fiscal year.
- A schedule of names and addresses of all officers, stockholders, and partners must be included.

Marina Audits Are Not in Compliance with the Parks Marina Regulation

Table 6.1 describes the extent of compliance of the eight marina audits submitted in 1993 with the seven audit requirements of 304 KAR 1:010. This table demonstrates that significant audit requirements of 304 KAR 3:010 are not being met. The specific intended purpose of 304 KAR 1:010 was to create an approved record-keeping and auditing system that would verify compliance with license agreements on an annual basis. The submitted audits are nearly useless for this purpose. With few exceptions each contains only the most general description of a marina corporation's financial condition and in no significant way addresses the purpose for which audits are intended, support for license agreement compliance. Parks has recently notified Marina owners in writing (October 1994) of their audit/regulation non-compliance and the required contents of subsequent audits.

TABLE 6.1

CONFORMITY OF AUDITS WITH 304 KAR 1:010 REQUIREMENTS (1993)

AUDIT	COMPLIANCE WITH 304 KAR 1:010						
	1.	2.	3.	4.	5.	6.	7.
(Barren River) Barren River State Dock, Inc. (1993) Baird, Kurtz and Dobson	✓					✓	
(Lake Cumberland) State Dock, Inc. (1994) Deloitte and Touche	✓					✓	
(Green River) Green River Marina, Inc. (1993) Studle, Mattingly & Spears, PSC	✓	✓				✓	✓
((Kenlake) Kenlake Marina Corporation (1993) Thurman, Martin, and Colson	✓						
(Kentucky DAM Marina) Barnes Marina Holding Company, Inc. (1993) Williams, Williams and Lentz	✓	✓				✓	
(Lake Barkley) Higgins Marina, Inc. (1993) Newton and Kern, PSC	✓	✓				✓	
(Paintsville Lake Marina) R.K.A., Inc. (1993) Miller, Mayer, Sullivan and Stevens	✓	NA					
(Taylorsville Lake) Taylorsville Lake Dock, Inc. (1993) Jerome C. Stykes	✓	NA				✓	

SOURCE: Compiled by Office of Program Review and Investigations from FY 1993 marina audits submitted to parks.

✓ = Those that are in compliance with 304 KAR 1:010 requirements.

NA = There are no rent categories; commission is on all gross receipts.

1. An annual examination of assets, liabilities, income and expenses (that is, an annual audit).
2. Income should be reported in the audit according to category of business conducted.
3. A written memorandum reviewing (and setting forth any weaknesses in) accounting and/or internal control systems.
4. A statement of compliance or noncompliance with provisions of license agreement and all related rules and regulations.
5. The names of Commissioner of Parks and the Commissioner of the Executive Department for Finance and Administration must be on the audit and the audit should be submitted to both agencies.
6. Must be submitted by the 15th day of the fourth month following each fiscal year.
7. Schedule of names and addresses of all officers, stockholders, partners must be included.

Parks Isn't Collecting All the Rent Commissions to Which It Is Entitled

Rent commissions have been underpaid during the past several years. One consequence of contracting for complex and variable commission rates, which are phased in over a six-year period, is that Parks cannot quickly or easily detect underpayments. Program Review staff have

identified more than \$288,449 in rent commissions that have been underpaid by two marinas to Parks during the last four years. When Parks does not accurately compare incoming rent payments with new and changing rate schedules, substantial underpayments can occur. For example, Green River Marina has paid rent to Parks at a rate of 1% for 1991 and 1992, 2% for 1993, and 3% for 1994 **on all adjusted gross receipts**. This rate should have been applied only to new facilities. This practice has resulted in a reduction of income to Parks of over \$200,000 between April 1990 and December 1994. The correct payment schedule, according to the license agreement, is as follows:

The marina agrees to pay to the Commonwealth rent in the form of a percentage of gross receipts in accordance with the license agreement dated December 1, 1971, except that all new facilities erected and installed, constructed and maintained, by the Marina pursuant to this agreement shall be in the form of a percentage of gross receipts under the following schedule:

For the first 24 months of operation, one percent (1%) of gross receipts;

For the next 12 months of operation, two (2%) of gross receipts;

For the next 12 months of operation, (3%) of gross receipts;

For the next 12 months of operation, four percent (4%) of gross receipts.

For the remainder of the original term of this Amended and Restated License Agreement, five and one half (5 1/2%) of gross receipts.

The "percentage of gross" in the 1971 license referred to above is:

12% of all gross income to the licensee from business transacted on the licensed premises, with the exception of the covered boat slips of which the licensee agrees to pay to the department of parks (50%) of all gross income derived from their rental, and with the further exception of food and grocery items sold by the licensee on the premises, as to which the licensee agrees to pay

to parks four percent (4%) of gross income derived from their sale.

This discrepancy (paying 1-3% instead of 4% to 12%) has been made known to Parks and Parks has concurred (November 4, 1994), stating that it "is currently reviewing all payment schedules to determine if there are any improprieties."

Recently, other marinas have also paid less than what is required by their license agreements. A Parks review of audit reports for Marina Management Services, Inc. (d.b.a. State Dock at Lake Cumberland State Park) detected \$129,094 in income not reported to Parks for the period 1991-93. The difference was detected by a Parks comparison of audit reports with the income concession reports delivered to Parks. These audit reports and other financial documents were denied to the Program Review and Investigations Committee by Marina Management Services.

At the time of the Paintsville Lake Marina assignment in 1993, the Rocky Knob Associates (owners of the lease) were \$30,000 in arrears on their rent payments to Parks. The new licensee (assigned in 1993) agreed to pay this outstanding obligation as part of the assignment of the license from Rocky Knob Associates to them. In August of 1994 Parks determined that Paintsville Lake Marina owed Parks \$455.09 in additional rent for April, May, and June of 1994.

All marina licenses require various percentages to be paid to Parks on "gross income" or "gross receipts" earned, but only one marina, Kentucky Dam Village, reports paying on gross receipts. The other marinas are deducting sales tax before calculating the rental percentage paid to Parks. It may be argued that this practice is fair, but it is not in accordance with the contract. The likely purpose of basing commissions on gross income was to establish a simple, non-adjustable index for determining what marinas owe to Parks.

State Dock at Lake Cumberland assigns all the sales tax it collects to the "other income" category which carries the highest percentage of 12%. By deducting the tax in this category the loss of revenue owed to the state is increased. In FY 1992/93 State Dock collected \$274,143 in sales tax. At 12% this represents a \$32,897 underpayment.

As with the sales tax deductions, all licensed marinas deduct fishing licenses from gross income before calculating the rate to the state, even though that is not a term of the license agreement. The funds collected for fishing licenses are paid to the state, less an issuer's fee. The Auditor of Public Accounts found that rent is not paid on the issuer's fee received by State Dock. However, based on the terms of the lease agreement, State Dock should pay 12% of gross receipts received from the sales of fishing licenses. For FY 1993, this payment would have been \$5,914.

State Dock at Lake Cumberland is also deducting from its total gross revenue the income it receives from boat damage deposits that it uses to make repairs to boats (shown as "Damage to Boats"). This gross income was \$246,835 for FY 1992/93, and, if assessed at 12%, would yield \$26,020. This is an underpayment to the state. The deductions for sales tax and income received for boat damage made by State Dock at Lake Cumberland amounts to a \$58,917 commission underpayment in FY 1992/93. As noted above, five other marinas are making similar deductions from gross income. Staff could find no reference in contracts to allow for such deductions from the rate paid the state.

The state may also be collecting less "rent" than it is due as a consequence of marinas' generating income in categories they don't report. Policy development and inquiry into these practices seems warranted. Some of the categories include:

- Used fleet boat sales - boats are sold on a scheduled basis to generate revenue for replacement boats; Parks regards this as "not income" but has no written policy.
- Private owner used boat sales brokerage commissions (some marina owners receive commissions for private boats sold at their marina).
- Slip rental forfeitures - MMS/State Dock was found by the Auditor of Public Accounts not to be paying rent on income obtained from forfeited deposits.
- Sub-leasing income producing activities and assigning the income out of the "marina" to another corporation.

Required Prior Approvals Are Often Sought after the Fact

License agreements between the Parks Department and a marina operator contain several reporting and approval requirements. Many of these reports and approvals are provided after the fact, resulting in diminished control or input by the Department. Some recent examples include requiring Department approval for sublease agreements and reconfiguration of docks and slips and expansions. While reviewing lease files at the Division of Real Property, Program Review staff noted sublease agreements which had been entered into by marina operators without prior notification to the Department of Parks. In addition, during field interviews, Program Review staff also encountered sublease agreements of which the Department has not been made aware by the operator.

The extent of subleasing (approved or unapproved) is difficult to determine. Marina Management Services (MMS) is a subsidiary of The Helvex Group (a Nevada Corporation). Related to Helvex and MMS are perhaps eight to ten other sister and subsidiary corporations. These corporations and their relationship to MMS/State Dock, Inc. cannot be ascertained until audits comply with 304 KAR 1:010 and financial records are made available for legislative

oversight. Multiple subleasing can reduce commissions by changing reportable income attributed to the leasee.

RECOMMENDATION #6: ENFORCEMENT OF MARINA REGULATIONS

The Department of Parks should enforce 304 KAR 1:010. This enforcement will require the development and usage of a comprehensive set of procedures.

Department of Parks Follow-up Response, May 1996

Parks reaffirmed its January 1995 agreement with this recommendation and its associated procedures for enforcement of 304 KAR 1:010.

Program Review Staff Follow-up Response, June 1996

Staff asked Parks on June 5, 1996 to provide copies of letters sent to marina operators as part of its stated policy (January 3, 1996; May 31, 1990) that, "The Marina operator will be informed in writing of its compliance or noncompliance with all aspects of the license agreement". Copies of these letters were received from Parks on June 13, 1996. These letters indicated that several marina audits still do not address the issue of compliance with the license agreement.

RECOMMENDATION #7: REVIEW MARINA COMMISSION INCOME

The Department of Parks should review all commissions received during the past five years, along with the terms and conditions for such commissions as set forth in license agreements. A report should be presented to the Program Review and Investigations Committee (by March 1, 1995) identifying all commission underpayments, along with a

plan for their recovery. This plan should also identify what steps will be taken to ensure that such underpayments will not occur in the future.

Department of Parks Follow-up Response, May 1996

A final reconciliation of audits and monthly concession reports resulted in the payment to Parks of \$40,190.54 by State Dock, Inc., and an agreement to pay Parks \$58,267.10 by the Green River Marina owners. These figures represent unpaid commissions owed to Parks.

RECOMMENDATION #8: PRIOR APPROVAL AND FULL DISCLOSURE

The Department of Parks should rigorously enforce license agreement provisions which require prior approval for building, subleasing and other activities. Construction projects should require prior approval of plans and specifications. Sublease approval should require full disclosure of corporate structures and finances. This disclosure should include the identification of all shareholders, officers, partners and all sister and subsidiary corporations, rate schedules and contract terms.

Department of Parks Follow-up Response, May 1996

Parks' response of May 31, 1996 reaffirmed its January 1995 response. This response stated that "all lease holders have been notified that any subleases entered into without the Department of Parks prior approval will be considered a breach of contract. Any existing subleases are to be brought to the attention of the Department of Parks to ensure approval was previously given." Additionally, in April 1995 the Commissioner of Parks stated before the Program Review Committee that:

- Several procedures are in place to determine subleases

- Parks is reinstituting the dockage license agreement
- The APA would participate in six audits.

Program Review Staff Follow-up Response, June 1996

- On June 6, 1996 Program Review & Investigation staff requested Parks to provide staff with copies of notifications sent to marinas regarding this issue and all marina responses. Copies of these notifications, marina responses and related documents were provided by Parks on June 13, 1996.
- The owner/controller of the company that holds the license for Lake Cumberland State Dock, MMS, stated to Parks that he would fire anyone who gave information about a slip renter or houseboat renter to a park manager.
- The APA halted audits of marinas, due to the Supreme Court ruling that annual marina audit contents could not be made public.

Open Records Status of Financial Reports

Beginning early in 1994, the Program Review Committee tried to procure the license agreements and marina audits for the last three fiscal years. The Tourism Cabinet refused to provide the audits, because the Franklin Circuit Court had entered a temporary restraining order

blocking their release in a case between the private company (MMS) and its predecessor. In April 1994, MMS actively sought to block the investigation of the state parks marinas. Initially, MMS refused to authorize the Parks Department to release its licensing agreements and audits, forcing Program Review to subpoena the documents from the Parks Department on August 24, 1994.

Thereafter, MMS sued to enjoin Program Review from obtaining these documents from the Department of Parks, the agency required to maintain these records. MMS took action to inform the other marina operators of the pending release of their audits. On October 11, 1994, the Franklin Circuit Court allowed additional marinas to intervene in the lawsuit.

On December 7, 1994, after an in camera review of the marina audits, the Court held that the audits (and other documents) are not confidential or proprietary documents under the open records statute. In the opinion of the court, the release of these documents would not give an unfair commercial advantage to competitors. Regarding audits, the court order stated:

Even assuming the reports required by 304 KAR 1:010 Section 2 would meet the requirements under KRS 61.878(1)(c)1c., it is the Opinion of this court that KRS 61.878(5) provides for the sharing of this information with the Legislative Program Review and Investigations Committee. The General Assembly, exercising its role of oversight and review, must have access to certain information if that oversight and review of state agency operations are to be conducted in a complete and thorough manner. The information request by the General Assembly is ". . . necessary in the performance of a legitimate government function." KRS 61.878(5).

The Kentucky Court of Appeals agreed with the Circuit Court. When the matter was appealed to the Supreme Court of Kentucky, that court affirmed the committee's statutory right to the financial audit under KRS 6.900, the committee's statute. However, without an in camera review of the audits, the court also refused to allow the release of the audits to the public, stating

that they contained proprietary information that is exempt from disclosure under the Kentucky Open Records Act, KRS 61.870-884.

In a dissenting opinion, two Supreme Court Justices agreed with the lower courts that these audits should be disclosed to the public. The dissent stated:

Currently, there is a trend in government toward the privatization of various services which have been traditionally performed in the public sector. It is thought that in many cases privatization would improve the efficiency, economy and delivery of services. However, it would be unfortunate that this worthwhile development might be tainted by the cloak of secrecy. It would be unfortunate if by contracting out any service, information which had been available to citizens and taxpayers could be hidden from public scrutiny. The result would be an absence of public oversight of both the private contractor and the public oversight who awarded such private contracts. When public funds are involved in any way, the public has an absolute right to expect that clear and open accountability be maintained.

CHAPTER VII

MAKING STATE MARINAS MORE PRODUCTIVE

For state park marinas to operate more productively, it will be necessary to identify restrictions to productivity, and revenue enhancements. Alternatives and initiatives that can be undertaken to address these issues should be reviewed. Privatizing park facilities in order to increase their profitability has been in discussion for a number of years. It has not been demonstrated that such arrangements provide the most profitable alternative for the Parks, even though the private sector has flexibility in fiscal and procurement management that Parks does not. Limitations on Parks' capacity for effective management, such as statutory and budget restrictions, impact its ability to expand and manage rental fleet equipment. These restrictions limit timely maintenance funding. This limitation can produce more costly problems by the time funds are available. Parks' ability to generate revenues is restricted by such facility limitations as size and location, and by a lack of business practices, such as marketing and competitive pricing.

There are areas in which Parks can enhance revenues through initiatives within its control. Increased awareness of the targeted markets for marinas can improve merchandising selections in marina ship stores and marketing approaches to attract more marina customers. Rates should be kept competitive with those of surrounding marinas. Items or services that

cannot be provided by Parks can be made available by sublease agreements, attracting additional customers.

In Chapter III it was demonstrated that state-operated marinas produce revenues substantially above operating costs (43% over cost in FY 1992/93). Gross receipts from these seven state-operated marinas produce greater gross revenue than the rent/commission payments to the state from the eight leased full service marinas. The changing ownership of leased marinas, the declining commissions paid the state, the loss of state control, and increased resistance by marina operators to disclose mandated financial and operational information all combine to suggest that privatization is not providing an easy solution for Parks' marina budget difficulties.

In order to operate marinas more productively it will be necessary to identify restrictions to productivity, and revenue enhancements. Parks needs to address these barriers to increased revenue production at marinas by changing policies and procedures as necessary, or by recommending statutory changes where applicable. Whatever procedures are put into place, they will not be effective unless properly managed.

Statutory and Budget Restrictions Limit Effective Management of Park Facilities and Services

Parks officials indicate that the realities of the state's budget process make it difficult to divert capital outlay dollars to purchase rental boats when more pressing park needs are specified to be covered from those funds. This report does not argue that certain purchases are more necessary or more important than others. However, one of the most popular services provided at the state-operated and leased marinas is the rental of a variety of boats, including fishing and paddle boats, pontoon and power boats, and houseboats. The latest boat attraction

is jet skis, which rent for \$30 to \$40 dollars an hour. These boat rentals generate millions of dollars for leased marinas.

One budget restraint encountered by managers of state-operated marinas prevents maximizing revenues from rental fleets. Managers say the budgeting process seems to favor expensive repairs over replacement. The private sector usually sells their rental boats according to a predetermined schedule, in order to ensure that resale value is maximal and repair costs are minimized. Pontoons are scheduled to be sold at three years, houseboats at five to seven years, and jet skis in as little as 30 days for one marina. Funds received from sales are rolled back into their rental fleet for replacement boats. The state however, must keep its boats as long as it can keep them afloat, and often spends more than they are worth to rebuild them. According to one state marina manager, Parks spent \$6,250 to rebuild and re-engine several old pontoon boats, when new boats with full warranties could be purchased for \$8,995. Before these repairs were made, over half the rental fleet was disabled through the season, producing no income, estimated at a season loss of \$9,000 - \$11,000 for 1993. This happens because, while funds for repurchase are not available, state policies and regulations do allow for extensive repair expenditures.

The discounted cost the state has been able to get for boats/motors through price contracting or bid processes is so favorable that, according to one marina manager, "the state could sell rental boats after three years of use and recapture nearly eighty percent of their original purchase price." New boats could then be purchased to replace them, minimizing repair cost and down time, while maximizing rental desirability and customer satisfaction. According to Parks, new pontoon boats sell for an average of \$8,995. If used for three years and sold for 80% of the purchase price (\$7,200), the actual cost per year would be \$600. If rented for \$4,667 a season, the adjusted gross profit would be \$4,000 in excess of the

amortized cost per year. Using these figures, a fleet of ten pontoon boats will generate \$120,000 in three years, less expenses.

According to Parks marina managers and private marina operators, rental boats, including the limited boats at several state-operated marinas, generated revenues above their cost many times over. Additionally, these boats stay fully booked during the season, particularly weekends and holidays. The marina at Rough River produced \$41,684 in rental income from April through September of 1994, with seven to nine pontoon boats, an average revenue of \$4,667 per boat for a season.

Funds from the Sale of Surplus Equipment Are Lost to Park Marinas

When state-operated marinas sell surplus equipment (including rental boats) the proceeds are not returned directly to the marina to offset boat replacement costs. Ten percent is retained by the Finance Cabinet to cover the cost of the sale, and ninety percent accrues to the Parks' agency receipt accounts for re-appropriation. Revenue from surplus sales could be returned directly to the Park marinas to be used as a revolving fleet fund. Precedent for this is found in the state motor pool, where proceeds from vehicle sales and auctions are diverted to a revolving fund from which new vehicles are purchased.

The critical need for ongoing maintenance, renovation and repair of parks facilities in general is no less important for its marinas. Over the last two decades, neither Parks nor the lease operators have carried out in a timely manner the full extent of marina maintenance and repairs necessary to keep them up to standard. This is due in part to the dispute over who is responsible for the cost. This lack of timely maintenance has resulted in Parks expending \$1,764,579 for 1989-94 to bring some leased facilities up to standard. In spite of these state expenditures, the remaining need for marina renovation or replacement was so great at some

facilities, that the Department of Parks allowed some lease operators to gain ownership of floating facilities by purchasing replacement facilities with their own funds. Due to this gradual replacement of components at state-owned marina facilities, it is difficult to keep track of what portions of these marinas are still owned by the state.

State-operated marinas are also showing age, and repair funds are included in the Revitalization Bond Issue for three of these marinas. If a percentage of revenues from each park-operated marina were earmarked for repairs, renovations or maintenance, and held in escrow until needed, budget requests for state general funds for marinas could be focused on capital expansion or replacement items only. The 1994 General Assembly approved legislation allowing Parks to increase fees at the parks and earmark the increase to a revolving maintenance fund. This pool would be established for the entire park system, not specifically for individual facilities. While the creation of this fund by parks is a sound decision, it will be some time before it can support the entire park system. A specific account for marinas would better protect them from deterioration and ensure that they remain operable, generating income, and under state operating control.

Privatization May Not Be the Solution to Marina Productivity

There have been numerous discussions over the last decade regarding privatization of state parks. The findings of this report regarding difficulties with lease operator records, declining lease payment percentages, and the general difficulties encountered in managing contracts do not appear to support full privatization as the best or only way to increase marina productivity. Greater revenues could be realized by Parks if leases were renewed or re-negotiated, with agreements from the lease operators to pay a greater percentage of revenues. Parks may also refuse the approval of leased marina sales without an improvement in the state's

position, or by opening leases to publicly advertised, open bid processes. This approach could identify other private operators who may be interested in offering better terms for existing contracts, including a greater return to the state.

Annual Disassembly of Rough River Marina Reduces Revenue and Increases Expenses

Rough River Reservoir is a flood control lake and the water level is dropped each fall to reserve room to impound winter floods. The water level at the present location of the Rough River Marina is so shallow that the marina has to be evacuated, disassembled, and pushed out into the lake before the Corps draws down the lake. All boats must be pulled out and dry-docked for five to six months each year. This practice is costly and risks damage to larger, heavier boats, such as houseboats and cruisers.

If this marina were permanently moved to deeper water, as proposed by the current and former Park Managers, it could remain open and generate revenue all year. The marina manager stated that houseboat and cruiser owners want to stay in the water and there is a waiting list for 45 additional slips. This change would generate substantial additional revenue, estimated by the park manager at \$30,000 annually, and reduce the wear and tear this marina sustains from being moved twice each year. The Parks Revitalization Bond Issue contains nearly \$1,000,000 for renovation and repairs at this marina. If, when planning the expenditure of those funds, Parks were to include moving the marina to a location capable of sustaining a sufficient year-around water depth, this marina would produce larger revenues.

Ship Stores and Head-Docks Can Generate More Revenue

Increasing the sales area and carrying a good stock of boater merchandise were consistently mentioned by marina operators as an underutilized way to increase revenues.

These included "hot" items, like life and ski jackets, inflatables, boat supplies, food items, clothing and fishing gear. Private and leased marina operators had substantially increased sales areas or were attempting to do so. The state-operated marinas, including the three highest use marinas, have very small sales areas, and marina managers stated they would have greater sales if they had more space. Dale Hollow marina has the highest traffic and generates the largest merchandise sales (\$108,558 for FY 1993/94) despite having the smallest sales area, a 10' X 10' room, which also houses all marina operations. Most of the Dale Hollow sales revenues are from gas and ice sales, but other sales could be substantially increased if the head dock had an expanded merchandise display and sales area, and was stocked with high demand merchandise.

Parks initiatives, such as surveying customers to determine what merchandise should be stocked for sale in the ship store, or determining what other marinas are selling, could increase sales at all facilities. Surveying customers regarding additional services desired could also be beneficial and result in greater productivity at state-operated marinas.

Targeting Marketing Initiatives Can Attract More Marina Customers

Few fishing tournaments are held at state park marinas. The marina operators did not appear to be enthusiastic about these events and only participated if the park has initiated the event. However, a private marina resort operator on Kentucky Lake indicated that the fishing tournaments he was attracting were going to "make his off season." Most fishing tournaments are held in the early spring and fall and provide additional business before and after the busy summer vacation months. This resort just opened a new lodge facility in May 1994 and is expecting a profit to be realized the first year. Fishing tournaments have become this marina's "niche" marketing target. The operator's primary concern wasn't in attracting more business in

the summer months. His facilities could only handle a limited number of guests, and that number was always reached. During Program Review's visit to this marina a Red Man Fishing Tournament was beginning and the tournament officially ran Friday through Sunday. However, Wednesday and Thursday were practice days, and participants began registering on Tuesday. He expected to clear approximately \$30,000 on the event.

Realizing the financial benefits of these tournaments, this operator took initiatives to "cater" to the needs of participants by providing additional staff in the parking lots to assist with parking, loading and unloading of boats. The restaurant opened at 4:30 a.m. to serve breakfast before the start of the tournament. These services took additional time and effort but appear to be paying off. For the 1995 season, this operator estimated that approximately thirty fishing tournaments have been booked at his resort during the off season.

Accommodating tournaments of this caliber and size at a state resort park would require a cooperative effort between the park and licensed marina operators. However, it appears that the cooperative effort could be beneficial to both parties.

State-owned Marina Rates May Be Below Market

Leased marina operators and park managers indicate that the Parks Department has been reluctant to approve requests for increased boat slip rental rates. Private industry continually monitors rates charged by competitors for like services and adjusts rates, as necessary, to remain competitive. While this approach may require occasional rate reduction, generally the adjustment is upward. By contract agreement, the Department of Parks controls rates charged by leased marinas. It also sets rates at state-operated facilities. The reluctance to approve rate increases has resulted in a loss of revenue. In one marina manager's words these low rates result in "a loss of the better boats whose owners come to the marina regularly and

spend money at the facilities. . .” On the other hand, owners who only want storage for their boats in the least expensive slips available seldom use the facility or spend any money.

Parks has indicated its intention to keep rates low in order to make the facilities available to as many Kentucky citizens as possible. There are no discounts, however, or priority preferences for Kentucky boaters over out-of-state boaters using these marinas. A substantial percentage of boat slip renters are out-of-state boaters, who prefer to store their boats rather than transport them long distances. Generally these marinas remain full, with waiting lists for available slips. If state marina slip rates are lower than those of other marinas in the area, the discount may attract more out-of-state boats, resulting in fewer slips available for Kentuckians. Parks should monitor comparable rates at other private marinas and adjust their rates accordingly.

Furthermore, lower rates offered at state marinas represents unfair competition to other marinas, which must keep their rates lower accordingly. This may be detrimental to private operators who do not have the benefit of partial subsidy by the state. It seems it would be in the best interest of all concerned to keep pace with private marina rates.

Additional Services May Be Provided or Subcontracted to Obtain Additional Revenues

State-operated marinas might enhance their productivity by expanding service offerings. Several marina managers and Park managers suggested additional services they would like to provide, including:

- A full-time marina mechanic to service customer boats while maintaining the parks’ rental boat fleet;
- Lease of jet skis through a sub-contract provider; and

- Expanded rental fleets, slips, bait and tackle, and specialty items.

The major hindrance to an employee or manager taking the initiative to push for an expansion of services is that additional funds generated at the marina can't be returned to the facility to cover other costs, such as renovation or additional equipment.

Parks should challenge marina operators and managers to investigate revenue-generating expansion areas and make proposals for their addition to marina service offerings. If policy changes are inadequate to clear the way for productive proposals, Parks should recommend statutory flexibility from the next General Assembly. If the state wants initiative from park managers and employees, some tangible benefit to their park should be expected in return.

RECOMMENDATION #9: REDUCING REGULATORY AND POLICY RESTRICTIONS

The Department of Parks and the Finance and Administration Cabinet should review regulations and policies restricting purchasing and surplusing at marinas. New policies or regulatory relief should be developed, enabling marinas to operate in a more business-like fashion. This should include the ability to make more timely surplus sales and to replace boats and equipment. Proceeds from surplus sales should be returned directly to the marinas for the replacement of boats and equipment. Additionally, flexibility for timely maintenance and repairs of boats and equipment should be considered. The Department of Parks should conduct a pilot program at one marina with a schedule of boat sales and replacements as per this recommendation.

Development and implementation of this pilot should be reported to the Program Review and Investigations Committee on July 1, 1995.

Department of Parks Follow-up Response, May 1996

The May 1996 follow-up response of Parks reaffirmed its January 1995 response and added "The Department indicated on January 23, 1995, that a pilot project would be undertaken involving a schedule of boat sales and replacements per Program Review's recommendation. Enclosed is a copy of commissioner Lovely's letter of May 8, 1995, which outlines the department's approach to the pilot project." The last sentence of the January 1995 response, "Maintenance and repairs to boats will be addressed in the long range plan developed in recommendation #10," is deleted in the Parks' May 1996 response.

Program Review Staff Follow-up Response, June 1996

The Parks Commissioner's May 8, 1995 letter states that a 3-year pilot will be started in 1996. On June 12, 1995 staff requested that Parks provide staff with the name of the marina at which the pilot is being conducted and the number of boats purchased and/or sold in accordance with this pilot. The marina is Kincaid Lake; two pontoon boats were purchased. The purchase, rental, and resale pilot is for one year. The Commissioner's letter and the example given by Program Review and Investigations staff in support of the recommendation talk in terms of a 3-year pilot period.

RECOMMENDATION #10: MARINA LONG RANGE BUSINESS PLAN

The Department of Parks should develop a long range business plan for marinas that identifies goals and objectives for increasing revenues. The plan should include, but not be limited to, targeted marketing initiatives, expanded sales areas, and year round

operation of marinas. This plan should be submitted to the Program Review and Investigations Committee by July 1, 1995.

Department of Parks Follow-up Response, 1996

In January of 1995 Parks agreed with the recommendation and provided the Program Review committee with a University of Kentucky report, "A Study of Four Kentucky State Park Marinas". The four marinas were Buckhorn, Dale Hollow Lake, Jenny Wiley, and Rough River Dam. This report was submitted in August of 1995 and again in May 1996 as the Parks' response.

CHAPTER VIII

MARINA EXPANSION

The most obvious source for revenue increase is the addition of marina facilities. Obstacles to expansions of marina facilities include private marina owner protests over increased competition, and the uncertainty of whether an improved state-operated marina would remain state property or be taken over by a private operator. Necessary resources for additional facilities are scarce; however, some expansions could recapture costs in a short period of time. Additional slips could be added at several state-operated marinas without increasing personnel or operating expenses.

Several possible revenue enhancements would not be capital intensive; others would not be labor intensive. With some capital investments, facility expansions, and changes to year around operations, state-operated marinas can produce greater revenue. Several million dollars in Parks Revitalization Plan bond funds approved by the 1994 General Assembly will be allocated to marinas for capital expenditures, including Rough River, Jenny Wiley, and Dale Hollow. If Parks, while planning these expenditures, builds in revenue enhancement projects along with repairs, the marinas could return even greater revenues to the parks. Operational policy, administrative regulations, and even statutory changes may be necessary to free up marinas to produce a greater return. Policies directing quicker turnover of boat rental fleets

and directing surplus funds from sales to the repurchase of replacement boats may require statutory change.

Expansion of state park marinas would generate revenues that are much needed by Parks. The Parks Revitalization Bond Issue, when presented to the General Assembly, was to include revenue enhancement projects. However, projects relating to marinas are almost exclusively replacements or renovations, rather than expansions.

Park marinas cannot expand or become more productive unless the Department of Parks and the Tourism Cabinet overcome a reluctance to operate facilities that generate revenue similar to that of privately operated facilities. Restricting marinas from operating at a capacity they can sustain and which maximizes revenue is a political decision rather than a sound fiscal decision. The 1994 Program Review state parks study reported that the Secretary of Tourism had agreed not to build any additional rooms at state park lodges, in exchange for the private sector's support of the bond issue to revitalize the state parks.

Private Marina Owner Protests Have Limited Expansion of One State Park Marina

When staff asked Parks why it had not expanded the slips at Dale Hollow Marina (located on a major lake with no real competition within miles), Parks stated that the Corps of Engineers would not permit expansion, due to the limited space within the cove that holds this marina. When asked for written documentation of a formal request to approve dock expansion that was denied by the Corps, Parks provided Program Review staff with a letter to the Corps of Engineers requesting 30 additional slips (dated August 1994). Staff obtained a copy of the original site plan for the marina (early 1970s) and discovered that the originally proposed marina would have included 190 slips (100 open and 90 covered).

Corps of Engineers (COE) officials disagreed with Parks' statement regarding COE-imposed limitations based on the size of the Jones Branch cove. COE officials informed staff that the 154 other slips were never built because protests from private marina operators to their respective Kentucky and Tennessee congressional delegations had secured an agreement from Parks not to build the marina as planned. The agreement also provided that the 36 slips that were built were to be courtesy docks and were only later converted to "rental" slips. However, the additional docks have not been built. Staff inspection of the cove reveals that over two hundred slips could be located there, if modeled after the original design. The COE informed staff that it would not apply the previous restriction. The proposed 30 slips were approved on December 2, 1994.

The Dale Hollow marina manager stated that if 100 additional slips were constructed, replacing the swinging buoys (boat tie ups), he could operate them without additional staff. He estimates that he might need to spend a couple of additional hours a day but would no longer have to work with the buoys, which waste space and time. Boats tied to these buoys swing a full 360 degrees, due to wind direction changes, and take up the room of six to eight boat slips. Further, he stated that in view of his waiting list, and the number of requests for slips he receives continually, he is sure they would fill up quickly.

Park Managers Restrict Marina Operations for Fear of Privatization

One park manager stated that he was somewhat reluctant to propose broad expansions for his marina, even though he was sure it would greatly increase the revenue produced at his park. His reasoning was that if the marina became too successful, a private operator would contact "the powers that be in Frankfort," acquire a long-term lease contract, and take the marina away from the park. Staff was informed by one park manager that inquiries have been

made and proposals have been tendered to gain control of existing state-owned or leased marinas. Citizens have a right to expect that Parks would not be required to give up its most productive revenue-producing marina operations for the private benefit of a few individuals.

Thirty to Forty New Slips Could Be Added Without Additional Personnel or Operating Expenses

Marina and park managers repeatedly told staff that 30 to 40 additional boat rental slips could be added to existing docks without requiring additional personnel, or without substantially increasing operating expenses. Managers provided Program Review staff with current waiting lists for dock space. New slips can be filled from their lists. The Department of Parks has requested approval from the Army Corps of Engineers for the addition of 30 slips at Dale Hollow State Park Marina. Representatives for the Corps' Nashville and Celina, Tennessee offices informed Parks that the additional slips were approved under terms outlined in their letter of December 2, 1994.

Construction Cost of Added Slips Recaptureable in Two to Three Years

The Parks Commissioner, in an August 2, 1994, letter to the Corps of Engineers, requested approval to add 30 new slips at Dale Hollow Marina. He estimated 30 new slips would generate \$30,000 in additional revenue annually, or \$1,000 a slip. If 100 slips were added and rented at \$1,000 annually, Parks would acquire \$100,000 in additional revenue at this marina annually, not including additional gasoline, merchandise, and other spin-off sales. Parks personnel informed Program Review staff that it costs between \$900 and \$2,500 per slip to construct additional boat docks during the off season. Rough River and other marinas construct or reconstruct these slips during the winter, as do several private marina operators. Calculating a per slip cost between \$1,000 and \$2,500, this investment could pay for itself in

two to three years, depending on minimal additional operating and maintenance costs and rental fees.

Appendix C is a copy of the original (1970's) proposed marina layout for Dale Hollow State Park, proposing 190 boat slips. This topographic map clearly shows that the Jones Branch Cove could accommodate considerably more slips than the proposed 190, including the present marina. In fact there are houseboat anchor buoys presently installed throughout this cove beyond the proposed dockage area.

Staff was informed December 3, 1994, that the Army Corps of Engineers has approved the expansion of thirty slips at Dale Hollow Marina. This marina is located on the largest body of water and has the most traffic of any of the state-operated marinas. Parks officials have indicated that if funding could be located to expand additional slips at this marina, the Department would approach the Corps for approval of the additional slips. If the Corps is now willing to allow expansion and Parks is willing to pursue it, this may be an opportunity to expand the state-operated marina having the greatest potential for increased productivity. Parks should begin investigating funding sources, including a Corps of Engineers matching fund project, or develop a proposal to bring before the General Assembly for authorization and appropriation.

Parks Is Not Prohibited from Expanding Leased Marinas

There is no prohibition against Parks building new covered slips at any of the leased marinas and requiring the lease operators to maintain and market them. The contract could specify that the new facilities would be maintained by the operator from a maintenance escrow account funded from revenues generated by the facility. During the last five years leased marina operators have assumed increasing responsibility for expansions and replacements of

declining facilities. These expansions of ship stores, slips, rental fleet moorage, and service areas are generating additional revenues for operators while revenue rates paid to the state are decreasing.

The state has invested in substantial repairs and renovations at Lake Barkley, where Parks still owns most of the facility. The major income source there is from covered slips, on which the state collects 50% of the revenues generated. The Department of Parks still retains language in most leased contracts stating that covered slips owned by parks will be reimbursed at 50% of gross revenue. Any additional state-owned slips would enhance revenues.

RECOMMENDATION #11: PLAN FOR MARINA EXPANSION

The Department of Parks should develop a comprehensive plan identifying feasible marina slip and dock expansion at all state parks. It should identify those projects which can be accomplished with current personnel resources and those which will require additional personnel. This plan should review projects currently included in the Parks Revitalization Bond Issue for expansion possibilities related to the present project proposal. This plan should be submitted to the Program Review and Investigations Committee by July 1, 1995.

Department of Parks Follow-up Response, 1996

In January of 1995 Parks agreed with the recommendations and provided the Program Review committee a University of Kentucky report, "A Study of Four Kentucky State Park Marinas". The four marinas were Buckhorn, Dale Hollow Lake, Jenny Wiley, and Rough River Dam. This report was submitted in August of 1995 and again in May 1996 as the Parks' response. The key finding was that Buckhorn, Jenny Wiley, and Rough River marinas faced

significant physical constraints to expansion. Dale Hollow, by contrast, could increase revenues through a substantial expansion of dock slips. Other methods of increasing revenue at these marinas were discussed.

APPENDIX A

PROFILE

MARINA	Buckhorn Lake Marina
Location:	Buckhorn State Park Buckhorn, KY
Status: Marina Park	State-owned Resort
Owners/Operators	Department of Parks
Contract Date/Expiration:	NA
Facilities and Rates:	96 Open Slips \$20/mo. for single slip \$40/mo. for double slip
Rental Equipment:	Fishing boats, pontoons
Services:	Gasoline, fishing supplies, food snacks, souvenirs
Commission Rates	NA
State Repair/Renovation Cost 1989-1994	\$26,686
FY 1994 Net Receipts:	\$81,220
FY 1994 Operating Cost:	\$53,184
FY 1994 Net Sales (Income to State):	\$28,035

PROFILE

MARINA	Greenbo Lake Boat Dock
Location:	Greenbo Lake State Park Ashland, Kentucky
Status: Marina Park	State-owned Resort
Owners/Operators	NA
Contract Date/Expiration:	NA
Facilities and Rates:	55 Open slips \$35/mo. or \$245/yr.
Rental Equipment:	Pontoons, motor boats, row boats, canoes, paddle boats
Services:	Gasoline, fishing supplies, food snacks, souvenirs and RV supplies
Commission Rates	NA
MARINA Continued	Greenbo Lake Boat Dock

State Repair/Renovation Cost 1989-1994	\$12,968
FY 1994 Net Receipts:	\$67,486
FY 1994 Operating Cost:	\$43,116
FY 1994 Net Sales (Income to State):	\$24,369

PROFILE

MARINA	Jenny Wiley Marina
Location:	Jenny Wiley State Park Prestonsburg, Kentucky
Status: Marina Park	State-owned Resort
Owners/Operators	NA
Contract Date/Expiration:	NA
Facilities and Rates:	205 Open slips \$2/ft. per mo.
Rental Equipment:	Pontoons
Services:	Gasoline, fishing supplies, food snacks, souvenirs
Commission Rates	NA
State Repair/Renovation Cost 1989-1994	\$141,924.26
FY 1994 Net Receipts:	\$180,984
FY 1994 Operating Cost:	\$83,842
FY 1994 Net Sales (Income to State):	\$96,243

PROFILE

MARINA	Dale Hollow Boat Dock
Location:	Dale Hollow State Park Bow/Burkesville, Kentucky
Status: Marina Park	State-owned Recreation
Owners/Operators	Department of Parks
Contract Date/Expiration:	NA
Facilities and Rates:	36 Open slips \$1,100/yr. (effective 1/1/95)
Rental Equipment:	Fishing boats, pontoons, runabouts
Services:	Gasoline, souvenirs, restaurant, boating supplies
Commission Rates	NA
State Repair/Renovation Cost 1989-1994	\$40,001
FY 1994 Net Receipts:	\$163,996
FY 1994 Operating Cost:	\$76,907
FY 1994 Net Sales (Income to State):	\$87,389

PROFILE

MARINA	Kincaid Lake Marina
Location:	Kincaid Lake State Park Falmouth, KY
Status: Marina Park	State-owned Recreation
Owners/Operators	NA
Contract Date/Expiration:	NA
Facilities and Rates:	34 Open slips \$15/mo. for motor boats \$30/mo. per 2 pontoon slips \$150/yr. per slip \$2 overnight tie-up
Rental Equipment:	Row boats, paddle boats, pontoons, motor boats
Services:	

Commission Rates	NA
State Repair/Renovation Cost 1989-1994	N/A
FY 1994 Net Receipts:	\$40,987
FY 1994 Operating Cost:	\$28,047
FY 1994 Net Sales (Income to State):	\$12,940

PROFILE

MARINA	Lake Malone Marina
Location:	Lake Malone State Park Dunmore, Kentucky
Status: Marina Park	State-owned Recreation
Owners/Operators	NA
Contract Date/Expiration:	NA
Facilities and Rates:	20 Open slips \$18/mo. for fishing boats \$35/mo. pontoons
Rental Equipment:	Pontoons, motor boats, row boats, paddle boats
Services:	NA
Commission Rates	NA
State Repair/Renovation Cost 1989-1994	N/A
FY 1994 Net Receipts:	\$13,259
FY 1994 Operating Cost:	\$13,874
FY 1994 Net Sales (Income to State):	(\$615) CR

PROFILE

MARINA	Rough River Marina
Location:	Rough River State Parks Falls of Rough, KY
Status: Marina Park	State-owned Recreation
MARINA CONTINUED	Lake Malone Marina
Owners/Operators	NA
Contract Date/Expiration:	NA

Facilities and Rates:	48 Covered slips 29 Houseboat slips 121 Open slips \$400 min. \$600 max.
Rental Equipment:	Pontoons, fishing boats, row boats
Commission Rates	NA
State Repair/Renovation Cost 1989-1994	\$90,890.00
FY 1994 Net Receipts:	\$226,555
FY 1994 Operating Cost:	\$143,396
FY 1994 Net Sales (Income to State):	\$83,159

PROFILE

MARINA	Barren River Marina
Location:	Barren River Lake State Park Lucas/Glasgow, Kentucky
Status: Marina Park	State-owned/licensed Corps of Engineers Lake
Owners/Operators	Barren River State Boat Dock, Inc.
Contract Date/Expiration:	Original term: 9/1/77 - 9/1/97 Amended term: 4/15/94 - 2017
Facilities and Rates:	40 Covered slips 120 Open slips \$650/yr. min. \$1400/yr. max.
Rental Equipment:	Houseboats, deluxe pontoons, passenger pontoons, ski boats, wave runners, bass boats, fishing boats w/motors
Services:	Snacks, fishing supplies, souvenirs, gasoline

MARINA CONTINUED	Barren River Marina
Commission Rates	12% gross income except; 50% covered slips rental 4% good sales 5% boat services 5% boat rentals 27% gas gross sales 1% to 5.5% in annual graduated increases for newly constructed facilities paid for by leasee (These contract amounts have not been followed by License.)
Financial Investments State Repair/Renovation Cost '89 - '94 Licensee Investment	\$40,971 \$440,000*
FY 1993 Gross Receipts:	\$343,454
Income to State FY 1993	\$48,515
Operating Cost	

*This investment was to be made as a result of a lease renegotiation in 8/94. The investment is to be made on projects to be completed by 1/97.

PROFILE

MARINA	Green River Marina
Location:	Green River Lake State Park Campbellsville, KY
Status: Marina Park	State-owned/licensed Recreation Corps of Engineers
Owners/Operators	Green River Marina, Inc. Green River Associates, Inc.
Contract Date/Expiration:	Original term: 12/1/71 - 12/31/90 Amended 10/13/89 - 12/31/2015

MARINA CONTINUED	Green River Marina
Facilities and Rates:	60 Covered slips 25 Open slips 95 Covered slips 55 Open slips \$710/yr. min. \$2,250/yr. max.
Rental Equipment:	Houseboats, pontoons, ski boats, wave runners, bass boats, fishing boats
Services:	Mechanical dealership, new boat sales and services, gasoline, snacks, groceries, boating supplies, souvenirs
Commission Rates	12% gross income except; 50% gross rent covered slips 4% gross sales 1% to 5.5% annually graduated for newly constructed facilities at leasee expense (These contract amounts have not been followed by License).
Financial Investments	
State Repair/Renovation Cost '89 - '94	\$13,596 \$374,300*
Licensee Investment	
FY 1993 Gross Receipts:	\$547,586
FY 1993 Operating Costs:	
FY 1993 Income to State:	\$5,937

The bolded numbers on this page indicate the numbers of slips as counted by the marina operation, the other numbers are the slip counts provided by the Department of Parks.

*This investment was to be made as a result of a lease renegotiation in 8/94. The investment is to be made on projects to be completed by 1/97.

PROFILE

MARINA	Kenlake Marina
Location:	Kenlake State Park Aurora, Kentucky
Status: Marina Park	Leased Resort Tennessee Valley Authority Lake
Owners/Operators	Kenlake Marina Corp
Contract Date/Expiration:	Original term: 8/12/1962 - NA Amended term: 7/1/1988 - 11/23/2017
Facilities and Rates:	130 Covered slips \$1275/mo. for 30' slips (min) \$1900/yr. for 40' slips \$2400/yr. for 50' slips (max) Yearly outside dockage rates are based upon \$2.50/ft. per mo.
Rental Equipment:	Fishing boats, pontoons, ski boats, wave runners
Services:	Restaurant, groceries, snacks, marine parts and accessories, gasoline, mechanical services, fishing supplies
Commission Rates	50% on all gross income except: 4% of gross income from food and groceries 12% of commissions on license 5% of gross income from labor and servicing 27% of gross profit on gasoline sales 5% of boat rentals 1% to 5.5% over 6 years of gross receipts <u>on all income after new facilities are built</u>
MARINA	Kenlake Marina
Financial Investments	
State Repair/Renovation Cost '89 - '94	\$133,170 \$1,200,000
Licensee Investment	
FY 1993 Gross Receipts:	\$525,319
FY 1993 Operating Costs:	\$13,874
FY 1993 Income to State:	\$78,414

PROFILE

MARINA	Lake Barkley Marina
Location:	Lake Barkley State Park Cadiz, KY
Status: Marina Park	State owned/licensed Resort Corps of Engineers lake
Owners/Operators	Higgins Marina, Inc.
Contract Date/Expiration:	2/27/1974 to 12/31/1999
Facilities and Rates:	112 Covered slips 48 Open slips \$44 min. per mo. or \$2/ft. per mo. open slips \$1,848/yr. max. covered slips
Rental Equipment:	Fishing boats with and without motors, pontoon, ski boats, wave runners, paddle boats
Services:	Snacks, groceries, boating and fishing supplies, gasoline
Commission Rates	12% on all gross income except: 50% of gross income from covered slips 4% of gross income from food 27% of gross profit from gasoline sales 5% of gross income from boat rentals
Financial Investments State Repair/Renovation Cost '89 - '94 Licensee Investment	\$894,914.00 N/A
FY 1993 Gross Receipts:	\$583,743.87
FY 1993 Operating Costs:	
FY 1993 Income to State:	\$104,976.72

PROFILE

MARINA	Kentucky Dam Marina
Location:	Kentucky Dam Village State Park Gilbertsville, Kentucky
Status: Marina Park	Partial state owned/leased Resort Tennessee Valley Authority Lake
Owners/Operators	Barnes Marina Holding Company
Contract Date/Expiration:	Original term: 6/13/73 - 12/30/1998 Amended term: 10/15/1990 - 12/31/2018
Facilities and Rates:	34 Open slips 196 92 Open slips (55 transit slips) (Note: continually adding more slips) 204 covered slips 135 Open slips (61 transient slips) \$735/yr. min. \$4,250/yr. max.
Rental Equipment:	Houseboats, fishing boats, pontoons, ski boats, personal watercraft.
Services:	Snacks, souvenirs, boating supplies and parts, fishing supplies, gasoline, repair service
Commission Rates	12% on all gross income except: 50% of gross income from covered slips 4% of gross income from food 27% of gross profit from gasoline sales 5% of gross income from boat rentals
Financial Investments State Repair/Renovation Cost '89 - '94 Licensee Investment	\$679,151.46 \$1,275,000.00
FY 1993 Gross Receipts:	\$1,188,603.23
FY 1993 Operating Costs:	
FY 1993 Income to State:	\$228,950.38

The bolded numbers indicate the number of slips as counted by the marina operator, the other numbers are the slip counts provided by the Department of Parks.

PROFILE

MARINA	Lake Cumberland State Dock
Location:	Lake Cumberland State Park Jamestown, Kentucky
Status: Marina Park	Leased Resort Corps of Engineers Lake
Owners/Operators	Marina Management Services, Inc. State Dock Inc.
Contract Date/Expiration:	Original term: 8/9/1973 - 10/1/2000 Amended term: 12/5/1991 - 10/1/1215
Facilities and Rates:	159 Open slips \$650/yr. min. \$900/yr. max.
Rental Equipment:	Houseboats, ski boats, personal watercraft, pontoons, fishing boats
Services:	Full service food, groceries, gasoline, video rentals, souvenirs
Commission Rates	12% on all gross income except: 7% of gross sale of resale items 7% of gross income on all open boat slips 4% of gross income from food items 5% of gross income from houseboats, ski boats and pontoons 1% to 5.5% over 6 years on new facilities
Financial Investments State Repair/Renovation Cost '89 - '94 Licensee Investment	 \$2,956.97 \$1,364,000*
FY 1993 Gross Receipts:	\$5,078,862
FY 1993 Operating Costs:	
FY 1993 Income to State:	\$241,673

PROFILE

MARINA	Paintsville Lake Marina
Location:	Paintsville Lake State Park Paintsville, Kentucky
Status: Marina Park	Licensed Recreation
Owners/Operators	Rocky Knob Associates, Inc.
Contract Date/Expiration:	RFP Original term: 8/15/85 - 8/13/2005
Facilities and Rates:	1069 Open slips 40 Covered slips 66 Open slips \$780/yr. min. \$990/yr. max.
Rental Equipment:	Houseboats, deluxe pontoons, passenger pontoons, ski boats, wave runners, bass boats, fishing boats w/motors
Services:	Restaurant, groceries, fishing supplies, gasoline, limited mechanical services
Commission Rates	5.5% of all gross receipts
Financial Investments State Repair/Renovation Cost '89 - '94 Licensee Investment	\$0 \$600 - \$700,000.00 RFP
FY 1993 Gross Receipts:	\$124,673.09
FY 1993 Operating Costs:	
FY 1993 Income to State:	\$6,757.62

PROFILE

MARINA	Taylorsville Lake Dock
Location:	Taylorsville Lake State Park Taylorsville, Kentucky
Status: Marina Park	Licensed Recreation Corps of Engineers lake
Owners/Operators	Taylorsville Lake Dock, Inc.
Contract Date/Expiration:	RFP Original term: 12/9/83 - 12/1/2003

MARINA CONTINUED	Taylorsville Lake Dock
Facilities and Rates:	144 Open slips 38 Open slips 26 overnight tie-ups 72 Covered slips 51 Open slips \$840/yr. min. \$1,785/yr. max.
Rental Equipment:	Pontoons, fishing boats
Services:	Deli, snacks, gasoline, mechanical services, marine supplies, fishing supplies, souvenirs
Commission Rates	4% of all gross receipts for services
Financial Investments	
State Repair/Renovation Cost '89 - '94	\$0 \$550,000 RFP
Licensee Investment	
FY 1993 Gross Receipts:	\$491,739
FY 1993 Operating Costs:	
FY 1993 Income to State:	\$19,051

APPENDIX B

304 KAR 1:010. Accounting procedures.

RELATES TO: KRS 148.021

STATUTORY AUTHORITY: KRS Chapter 13A

NECESSITY AND FUNCTION: In order to control and evaluate the business activities of its various licensees the Department of Parks finds it necessary to prescribe certain accounting procedures to be used by its licensees. This administrative regulation will enable the Department of Parks to evaluate the records and operation of its licensees' businesses.

Section 1. Accounting Records. (1) Prior to commencing business or upon written notice, licensees shall obtain the services of a Certified Public Accountant or a firm of Certified Public Accountants for the purposes of developing an accounting system including a system of internal controls covering all business operations conducted upon the premises covered by the license agreement in order to maintain accurate financial records and books relating to the licensee's operation. The accounting system developed shall meet the specific approval of the Department of Parks. All cash registers, receipt documents, contracts, and other means of supporting a cash or income transaction shall meet the specific approval of the Department of Parks. The licensee shall bear all expenses related to development of an accounting and internal control system including cash registers, receipt forms, and rental contract documents.

(2) The system used to record income must be in sufficient detail to disclose the amount of income derived from each category of business conducted on the premises in order to facilitate compliance with rental consideration provisions under the license agreement. A complete income chart of accounts proposed for use and the rate of rental consideration due from each source shall be submitted as a part of the accounting system study as set out in subsection (1) of this section.

Section 2. Audit of Records. (1) Each licensee shall provide for an annual examination of the statement of assets, liabilities, and capital income and expenses performed by an independent Certified Public Accountant or firm of Certified Public Accountants. The examination must include a review of the system of internal control and the accounting of year-end closing procedures and other supporting evidences necessary for the expression of an opinion on the financial statements. A written memorandum shall be made setting forth the weaknesses, if any be ascertained, in internal control and accounting procedures together with related suggestions for the improvement thereof as noted during the normal review of internal control. A statement shall be made in the audits as to compliance or noncompliance with the provisions of license agreement and all related rules and administrative regulations pertaining thereto.

(2) The audit report and memorandum must include the names of the Commissioner of Parks and the Commissioner of the Executive Department for Finance and Administration in the address.

(3) The audit and review of internal controls shall be performed annually as of the close of business on the day corresponding with the end of the licensees' fiscal year. The audit report and accompanying memorandum must be submitted to the Commissioner of Parks and the Commissioner of the Executive Department for Finance and Administration on or before the 15th day of the fourth month following the close of the licensee's fiscal year.

(4) Included as a part of the audit record required in this section shall be a schedule which sets out the names and addresses of all partners whether silent, active, or limited participating in licensee's business operation authorized by license agreement if licensee is partnership, or the names and addresses of all corporation officers and stockholders, if stock not publicly held, if licensee is incorporated.

(5) The licensee shall file with the Department of Parks a statement setting out the date on which he intends to end his fiscal year.

(6) The licensee shall bear all expenses connected with the audit examinations outlined in this administrative regulation. (PARKS-Rg-3; 1 Ky.R. 755; eff. 5-14-75.)

APPENDIX C

APPENDIX D

**PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE
KENTUCKY'S STATE PARK SYSTEM
RECOMMENDATION WORKSHEET**

June 20, 1996

Chapter VII

RECOMMENDATION #1: PARK NATURALIST

The Department of Parks should provide the services of a Park Naturalist (with a natural science degree) to each park with duties redefined to require responsibility for multiple parks within a region. The pay grade classification should be upgraded.

AGENCY RESPONSE:

STAFF RESPONSE/COMMITTEE ACTION:

TOURISM CABINET

The Cabinet intends to seek funds in the next biennium for additional positions, but does not address the recommendation to separate the naturalist and recreationist positions, or to regionalize the responsibility of the park naturalist

ACTION (August 10, 1995):

Six new naturalist positions will be requested in the 1996-98 Executive Budget. The park Naturalist classification is a pay grade 8. Two new classifications, Park Interpreter, grade 10 and Park Interpreter Supervisor, grade 11, were established as a result of the equity study referred to in Recommendation 10.

PARKS FOLLOW-UP (MAY 31, 1996):

Parks requested six (6) new naturalist positions in the 1996-98 budget. The positions were not approved.

RECOMMENDATION 2: STATE NATURALIST RECLASSIFICATION

The State Naturalist should be elevated to a policy-making level and should require a degree in natural sciences without an experience substitution.

AS AMENDED:

The State Naturalist should be elevated to a policy-making level and the position should require a degree in natural sciences without an experience substitution.

AGENCY RESPONSE:

TOURISM CABINET

Cabinet disagrees with the reclassification of the State Naturalist requiring a degree in natural science with no substitution of experience. The responsibility for the State Naturalist now includes "recreation" which requires additional skills beyond those obtained with a natural science degree. They further point out that Parks draws on the expertise of state universities and Natural Resources Cabinet when environmental issues are considered, and jointly manage 3,000 of the 42,000 acres as nature preserves with the Nature Preserves Commission.

ACTION (August 10 1995):

The State Naturalist is now reporting directly to the Deputy Commissioner for Park Management. It was agreed that anyone hired in the future for this position will be required to hold a degree in natural sciences without an experience substitution.

PARKS FOLLOW-UP (MAY 31, 1996):

The State naturalist now reports to the commissioner. Anyone hired in the future will be required to hold a natural sciences degree.

STAFF RESPONSE/COMMITTEE ACTION:

Chapter VIII

RECOMMENDATION #3: INCREASE THEFT INVESTIGATIONS

The Department of Parks should more vigorously pursue investigations and prosecutions of theft and embezzlement.

AGENCY RESPONSE:**STAFF RESPONSE/COMMITTEE ACTION:****TOURISM CABINET**

"For every instance of criminal activity which parks management is aware of, the case has been turned over to the appropriate law enforcement agency."

"Parks management has no information concerning theft or embezzlement which have not been pursued to the fullest extent through the proper channels."

ACTION (August 10, 1995):

We will continue to inform the proper law enforcement authorities of any situation deemed appropriate. Employees were sent a memorandum July 13, 1994, informing them of the Auditor of Public Accounts governmental abuse "800" hotline.

PARKS FOLLOW-UP (MAY 31, 1996):

An 800 hotline is in place; Parks expects the new Parks ranger director "to be more pro-active regarding investigations."

RECOMMENDATION #4: INCREASE AUDIT CAPACITY

The Department of Parks should increase its audit capacity, including contracting with the Auditor of Public Accounts; and impose uniform, regular auditing procedures on all parks.

AGENCY RESPONSE:**TOURISM CABINET**

Parks agrees that increased resources dedicated to additional audits could produce cost-savings.

AUDITOR OF PUBLIC ACCOUNTS

Agrees: The Auditor of Public Accounts is in the process of developing scope of work for year end June 1994, including compliance audits of individual park operations. They will pursue special audits of certain functions including receipts, reservations, inventories, fixed assets, and facilities such as marinas, gift shops, pro shops and restaurants. They will be exploring with Tourism Cabinet the expansion of Park's internal audit scope and an expanded role of the Auditors office.

ACTION (August 10, 1995):

The Auditor of Public Accounts performed selected audit functions during fiscal year 1993-94 and during fiscal year 1994-195. The Auditor of Public Accounts will continue to perform these audit functions during fiscal year 1995-96

STAFF RESPONSE/COMMITTEE ACTION:

PARKS FOLLOW-UP (MAY 31, 1996):

Parks states that "selected audit functions were performed by the State Auditor (APA) during fiscal years 1993-94, 1994-95 and these audit functions will continue "as their schedule permits".

STAFF RESPONSE: (JUNE 20, 1996):

It was anticipated that a pre-arranged set of APA audits would be done including State Dock at Lake Cumberland and Green River. These audits were placed on hold because APA reports must be public and an opinion by the Supreme court would seem to prevent the contents of APA audits of Marinas from being made public. It appears that the original intended relationship between Parks and the APA has been significantly reduced.

Chapter IX

RECOMMENDATION #5: ACCOMMODATIONS RECONSIDERATION (BOND ISSUE)

The Department of parks should provide to the Appropriations and Revenue committee cost benefit analyses of additional cabins and rooms and compare these to the analysis of current bond priorities 55 - 71, and consider substituting rooms for priorities which are unlikely to generate additional revenue.

AS AMENDED:

The Department of Parks should provide to the Appropriations and Revenue committee cost benefit analyses of additional cabins and rooms, comparing these to the analysis of current bond priorities 55 - 71, and consider substituting rooms for priorities which are unlikely to generate additional revenue.

AGENCY RESPONSE:	STAFF RESPONSE/COMMITTEE ACTION:
TOURISM CABINET Revenue enhancement projects (projects 55 through 71) were selected on bases other than revenue generation. The 5 criteria are: 1) Complement existing facilities; 2) Attract more tourists; 3) Fulfill local community need; 4) Generate sufficient funds to pay it's own way operationally; 6) Have favorable economic impact beyond it's return to Parks Department. ACTION (August 10, 1995): The Department of Parks has provided to the Appropriation and Revenue Committee all available economic analysis and economic impact information related to the Department of parks bond issue project package.	

PARKS FOLLOW-UP (MAY 31, 1996):

Parks states it has provided the Appropriations and Revenue committee with all available economic analysis and economic impact information related to the Parks bond issue project.

RECOMMENDATION #6: Evaluate Marina Leases

The Finance Cabinet should examine all existing marina leases to determine their value to the state in comparison with state-operated marinas. Leases determined not to be in the best interest of the state should be re-negotiated. All new leases should be standardized. The Department of Parks and Finance Cabinet should insure that all existing marina lease operations are audited annually in accordance with Administrative Regulation 304 KAR 1:010.

AGENCY RESPONSE:**STAFF RESPONSE/COMMITTEE ACTION:****TOURISM CABINET**

Parks agrees that many of the existing marina leases could benefit the state more and as these leases come up for renewal, they are being re-negotiated; and that maintenance clauses, escrow accounts, audit requirements and percentages paid to the Commonwealth are now standard language in all license agreements.

FINANCE AND ADMINISTRATION CABINET

Agrees, Finance and Administration will in conjunction with Department of Parks undertake the review of all existing marina leases.

ACTION (August 10, 1995):

All leased marinas have been made aware of Administrative Regulation 304 KAR 1:010. A Leased Marina Committee has been formed and is working on getting the marinas in compliance with the KAR. Progress is being made on getting leased marinas in compliance with 304 KAR 1:010.

PARKS FOLLOW-UP (MAY 31, 1996):

The Parks May 31, 1996 response to this Parks Study recommendation is similar to its May 31, 1996 response to Recommendation 3 of the Marina study. The Program Review and Investigations Committee directed Parks to work with the Privatization Commission. A Parks Budget request for \$100,000 for a Lake Barkley study was denied. (See Recommendation 3 of the Marina study.)

RECOMMENDATION #7: Expansion Of State-Operated Marinas

All state owned and operated marinas should be evaluated for expansion, in order to generate maximum revenues.

STAFF RESPONSE/COMMITTEE ACTION:**AGENCY RESPONSE:****Tourism Cabinet**

Of the four state-operated marinas on lakes large enough to expand to full-service, only a Rough River 40 slip covered marina expansion and Jenny Wiley State Park marina renovation are proposed for the bond issue. Dale Hollow and Buckhorn were not included.

Finance and Administration Cabinet

Agrees, and offers to assist the Department of Parks in conducting the evaluation.

ACTION (August 10, 1995):

Jenny Wiley, Buckhorn and Rough River Marinas will be renovated and expanded as a part of the upcoming renovation program. The Corps of Engineers has approved additional slips for Dale Hollow. Funding for additional slips for Dale Hollow will be requested in the 1996-98 biennium. The University of Kentucky study related to marinas, which is enclosed, analyzes marina expansion possibilities.

PARKS FOLLOW-UP (MAY 31, 1996):

Jenny Wiley, Buckhorn, and Rough River marinas are being expanded. Budget funding for the Dale Hollow marina expansion was not approved by the General Assembly. If surplus funds are available, a marina will be constructed at Yatesville Lake.

RECOMMENDATION #8: RELOCATION OF REGIONAL GROUP SALES COORDINATOR

The Department of Parks should relocate two Regional Groups Sale Coordinators to central office where their efforts can be concentrated on metropolitan or other areas of greatest benefit.

AGENCY RESPONSE:	STAFF RESPONSE/COMMITTEE ACTION:
<p>Tourism Cabinet Agrees.</p>	
<p>ACTION (August 10, 1995): All Central Office Group Sales employees are now located in Frankfort.</p>	
<p>PARKS FOLLOW-UP (MAY 31, 1996): Parks states, "all central office Group Sales <u>regular full-time</u> employees are now located in Frankfort" (Emphasis added by staff).</p>	<p>STAFF RESPONSE: (JUNE 20, 1996): A "part-time" regional group sales person has been employed in replacement of the previous full-time position that was in place at the time of the recommendation approval and the agreement by Parks to implement it (i.e., to relocate it to Frankfort).</p>

Chapter X

RECOMMENDATION #9: BOND IMPLEMENTATION COMMITTEE

The Governor should appoint an inter-agency Parks Revitalization Bond Implementation Committee. This committee should report to the Appropriations and Revenue Committee quarterly on its progress on the following responsibilities:

- Coordination of all agencies involved and affected by this park project bond issue regarding the issuance of bonds, fund investment, fund allocation, project design, contract award, and construction;
- Design and implementation of a systematic plan and scheduling for the comprehensive renovation of the state parks that will minimize down-time and loss of revenues;
- Coordination of individual parks' requirements during their individual construction and renovation programs.

STAFF RESPONSE/COMMITTEE ACTION:**AGENCY RESPONSE:****TOURISM CABINET**

Parks apparently rejects this recommendation. It's response consists of a description of planning meetings and an implementation time line.

ACTION (August 10, 1996):

Secretary Luallen appointed this committee on November 4, 1994. The committee consists of: (from the Finance and Administration Cabinet) Clark Beauchamp, Steve Haviland and Danny Shearer, (from the Governor's Office for Policy and Management) Bill Hintze and Earl Clemmons, (from the Department of Parks) Mark Lovely, Bob Bender, J. W. Young, and Hugh Smith.

PARKS FOLLOW-UP (MAY 31, 1996):

The committee has been established and reports to the A & R committee quarterly.

Chapter XI

RECOMMENDATION #10: Redesign Personnel System

The Department of Parks and the Department of Personnel should evaluate, prepare and implement a plan for redesigning the personnel system for the parks to reduce inequities between personnel positions, increase staff professionalism, open the selection process and reduce the complexity of paperwork surrounding firing and rehiring positions.

AGENCY RESPONSE:	STAFF RESPONSE/COMMITTEE ACTION:
<p>TOURISM CABINET</p> <p>Agrees.</p>	

DEPARTMENT OF PERSONNEL

The Department response, 4/29/94, states that the Department will work with the Department of Parks to evaluate and implement changes to the personnel management system that will benefit the Department of Parks, as well as other agencies and employees.

They indicate they will begin a process of amending administrative regulations to address the problem in the next two weeks.

ACTION (August 10, 1995):

An Equity Staffing Plan has been developed by the Department of Parks and reviewed by the Department of Personnel. several new classifications are established by this plan. The comprehensive study which was completed in order to develop the plan has resulted in the establishment of several new classifications into which existing personnel have been placed. This process is continuing at this time.

PARKS FOLLOW-UP (MAY 31, 1996):

Parks states that it has developed an Equity Staffing Plan with several new classifications into which existing personnel have been placed.

RECOMMENDATION #11: PERSONNEL CAP ADJUSTMENTS

The General Assembly should adjust the personnel cap limitations for the parks in order to provide the flexibility required to meet their unique staffing requirements.

AGENCY RESPONSE:	STAFF RESPONSE/COMMITTEE ACTION:
<p>Tourism Cabinet Agrees.</p>	
<p>ACTION (August 10, 1995): The personnel cap limit will be discussed in the 1996 General Assembly during the budget process.</p>	
<p>PARKS FOLLOW-UP (MAY 31, 1996): Parks observes that "No action was taken by the 1996 General Assembly concerning the existing personnel cap."</p>	

RECOMMENDATION 12: IMPROVE HIRING PROCEDURES

The Department of Parks should establish uniform formal personnel hiring procedures to be implemented at each park. These procedures should include open advertisement, interviews, and the participation of supervisory personnel.

AGENCY RESPONSE	STAFF RESPONSE/COMMITTEE ACTION:
TOURISM CABINET	
Parks combined their response to Recommendations 12 & 14. See agency and staff responses to Recommendation 14.	
DEPARTMENT OF PERSONNEL	
Agrees and indicates they will begin the process of amending administrative regulations to address this problem in the next two weeks.	
ACTION (August 10, 1995):	
Policy Memorandum #94-01-09 was issued on July 15, 1994, which established uniform hiring procedures. This was amended on October 4, 1994. A copy of the policy memorandum is enclosed.	
PARKS FOLLOW-UP (MAY 31, 1996):	
Parks encloses its Policy Memorandum of July 15, 1994 (amended October 4, 1994) establishing uniform hiring procedures, (including posting, advertising and interviewing).	STAFF RESPONSE: (JUNE 20, 1996) This recommendation (12) and recommendations 8, 14 and 15 were intended to improve the Parks personnel system by reducing the influence of patronage. Neither Parks nor Finance and Administration have ever conceded that patronage exists. Parks response to Recommendation 14: Eliminate Patronage is "see recommendation 12".

RECOMMENDATION 13: Reward Merit

The Department of Parks should provide a hourly pay increase above minimum wage for those seasonal employees who are routinely rehired each year in recognition of loyalty and merit.

AGENCY RESPONSE:**TOURISM CABINET**

Parks agrees with the recommendation and will seek an increased appropriation of \$97,000 in the 1996 Session to provide a 5% raise for employees who have worked 5 years or longer.

ACTION (August 10, 1995):

On July 7, 1994, the Department of Personnel was requested to implement a policy change which would allow seasonal employees who have completed twelve (12) months of service with the Department to receive a salary increase (the statutory increment). The regulation to implement this policy was effective March 1, 1995. all seasonal employees are receiving this adjustment as they begin their 13th month of service.

PARKS FOLLOW-UP (MAY 31, 1996):

A regulation was promulgated (effective March 1, 1995) through which all seasonal employees receive adjustments (the statutory increment) as they begin their 13th month of employment.

STAFF RESPONSE/COMMITTEE ACTION:

RECOMMENDATION 14: ELIMINATE PATRONAGE

The Tourism Cabinet and Department of Parks should take immediate action to stop local political influence on park personnel decisions; the process generally known as "patronage."

AGENCY RESPONSE	STAFF RESPONSE/COMMITTEE ACTION:
<p>TOURISM CABINET</p> <p>Park's response is in agreement with Recommendation 12. With regard to Recommendation 14, it may be implied that they are in agreement with Recommendation 14.</p>	
<p>DEPARTMENT OF PERSONNEL</p> <p>Did not respond to Recommendation 14.</p>	
<p>ACTION (August 10, 1995):</p> <p>See Recommendation 12.</p>	
<p>PARKS FOLLOW-UP (MAY 31, 1996):</p> <p>As indicated above, Parks states "See Recommendation 12."</p>	

RECOMMENDATION 15: ELIMINATE NON-ESSENTIAL POSITION JUSTIFICATIONS

The State Department of Personnel should permit the Department of Parks to staff its parks according to its personnel budget, and fill its annually established park complements without requiring additional justification.

AGENCY RESPONSE	STAFF RESPONSE/COMMITTEE ACTION:
TOURISM CABINET	

Agrees.

DEPARTMENT OF PERSONNEL

Disagrees. They feel it is not prudent to exempt Department of Parks from the requirements to justify filling positions, however they propose to work with Tourism on alternatives to streamline the process.

ACTION (August 10, 1995):

The Department of Personnel has not eliminated the additional justification requirement for filling vacant positions.

NOTE: At the Program Review & Investigations meeting August 10, 1995 the Secretary of Tourism reported the Personnel had changed its position and would discontinue that procedure.

PARKS FOLLOW-UP (MAY 31, 1996):

Parks states "The Department of Personnel has eliminated the additional justification requirement for filling vacant positions."

STAFF RESPONSE: (JUNE 20, 1996):

RECOMMENDATION 16: PARK MANAGER TRAINING:

The Department of Parks should arrange for or provide a rigorous training and certification program for new park managers appropriate to their park assignment.

AGENCY RESPONSE:

STAFF RESPONSE/COMMITTEE ACTION:

TOURISM CABINET

Agrees with this recommendation.

ACTION (August 10, 1996):

All Resort Park Managers will complete the Certified Hotel Administrator program as they meet the requirements for certification. Governmental Services Center was utilized in the fall of 1994 to train resort park managers in leadership training. Leadership training will continue in the Fall of 1995 and in 1996. A formal training program for all new park managers is partially developed and is in the process of being finalized. The agenda for the training program is attached.

PARKS FOLLOW-UP (MAY 31, 1996):

The Parks response describes its certified Hotel Manager training program and its use of GSC training. Parks attaches its agenda for formal training of new Park Managers.

Chapter XII

RECOMMENDATION 17: FORMALIZE TRAINING PROGRAMS

The Department of Parks should develop or provide formalized training programs for all park employees. The programs should include staff development in the areas of personnel supervision, hotel/restaurant management, hospitality and tourism.

AGENCY RESPONSE:**TOURISM CABINET**

Parks agrees with recommendation 17 and plans to develop a training unit in central office.

ACTION (August 10, 1995):

One of the Department's Strategic Planning teams has developed a program to train all employees in providing improved customer service. The program will begin in September 1995. A description of the proposed customer service training program is enclosed.

PARKS FOLLOW-UP (MAY 31, 1996):

The Parks response describes its developmental efforts to address this recommendation

STAFF RESPONSE/COMMITTEE ACTION:

RECOMMENDATION 18: COMPUTER AUTOMATION OF THE PARKS

The Department of Parks should implement computerized automation in the following functional areas: individual parks reservations; price contract ordering and inter-accounting, inventory, accounting, including reports electronically transmitted between the parks and the parks central office. The system should involve the development of a management information system which can provide individual parks and parks central office with current data on park operations. A "system" approach should be taken, but Parks should not wait on a "system" before giving management personnel stand-alone computers and training.

AGENCY RESPONSE

STAFF RESPONSE/COMMITTEE ACTION:

TOURISM CABINET

The Dept. of Parks is in full agreement with the recommendation.

FINANCE & ADMINISTRATION CABINET

Agrees that Parks should computerize many functions. The Cabinet recommends that Parks does not implement an automated purchasing, inventory, or accounting system other than what has already been developed for the rest of State Government.

Chapter XIII

RECOMMENDATION 18: COMPUTER AUTOMATION OF THE PARKS (CONTINUED)

AGENCY RESPONSE: STAFF RESPONSE/COMMITTEE ACTION:

ACTION (August 10, 1995):

The department has recently purchased a computer networking processor, which will enable the networking of some procedures. This processor will allow better access to state government systems such as the Kentucky Automated Purchasing System.

The Department has been the recipient of 80-100 personal computers from the Transportation Cabinet. Even though these P.C.'s are two, three and four generations removed from current technology they will provide much needed assistance in the parks, in providing better ways for inventory control, maintenance scheduling, payroll processing, etc. These P.C.'s are in the process of being prepared for delivery to the various parks.

The Department requested and has recently received "delegated authority" from the Department of Information Systems which will allow the Department to employ a trained programmer for personal computer systems. This will enhance the department's ability to move forward in the technology field.

The Strategic Planning Technology Committee will identify automation needs and make recommendations. Expanded computer automation will be requested in the 1996-98 Executive Budget.

PARKS FOLLOW-UP (MAY 31, 1996):

Parks states that budget funding was approved for a Resort Park Business Office Technology Upgrade (\$504,000) and for a Resort Park Computerized Reservation Systems (\$182,000).

Chapter XIV

RECOMMENDATION 19: ESTABLISH PARKS ADVISORY COMMISSION

The General Assembly should create an independent advisory commission for the Department of Parks. This commission should provide external oversight, continuity and stability of leadership. The initial priority of this commission should include:

- Defining the mission of the parks,
- Monitoring the implementation of the recommendations of this study,
- Implementing a central parks management design which recognizes the changes evolving in the tourism industry.

AGENCY RESPONSE:**STAFF RESPONSE/COMMITTEE ACTION:****TOURISM CABINET**

In view of the Park's Commission's advisory capacity, Parks has agreed with this recommendation.

ACTION (August 10, 1995)

House Bill 775 passed the 1994 General Assembly which established the State Parks Advisory Commission. This commission was appointed by Executive Order 95-110 dated January 31, 1995.

PARKS FOLLOW-UP (MAY 31, 1996):

House Bill 775 passed the General Assembly and was signed into law creating the "State Parks Advisory Commission" which was appointed by Executive Order 95-110, (January 31, 1995.)

STAFF RESPONSE: (JUNE 20, 1996):

The commission has met five times; once each quarter since it was created. Attendance has not been strong. The commission has not done much in the way of monitoring the implementation of Parks Study Recommendations. Otherwise, it appears to be viable.

