MEMORANDUM

Date: October 27, 2014

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

Re: **Colossal Cave Mountain Park Performance Audit**

Attached for your review is a copy of the Executive Summary of the Colossal Cave Mountain Park Performance Audit by Audit Committee members Jon Baker, Wally Armer, Dr. Deborah Colodner, Dr. Randy Gimblett, Shela McFarlin, Joe Yarchin, Gale Bundrick and Tim Vimmerstedt. A complete copy of the audit report will be provided to each Board office under separate cover.

This audit will be on the November 18, 2014 Board of Supervisors Agenda for review, discussion and direction to staff.

CHH/anc

Attachment

c: Hank Atha, Deputy County Administrator for Community and Economic Development
Tom Moulton, Director, Economic Development and Tourism

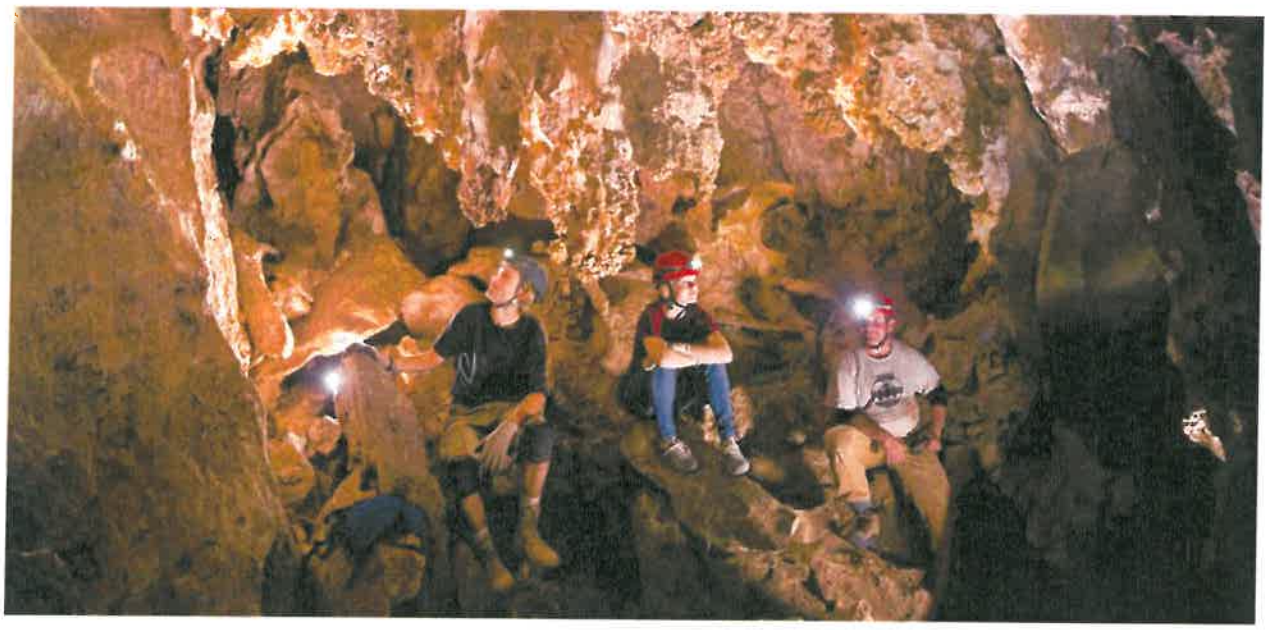
PIMA COUNTY

ECONOMIC DEVELOPMENT & TOURISM

Executive Summary

of the

Colossal Cave Mountain Park Performance Audit



for the

Government of Pima County, Arizona

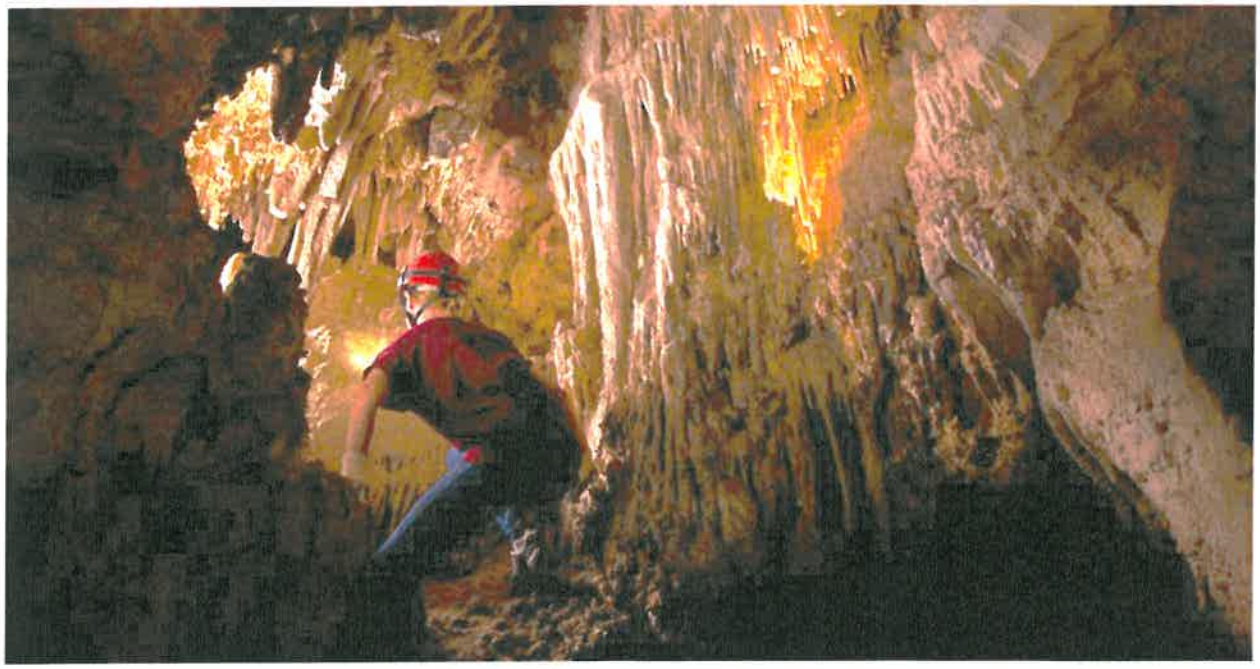
Audit Committee Members

Jon Baker - Committee Chair, Wally Armer, Dr. Deborah Colodner,
Dr. Randy Gimblett, Shela McFarlin, Joe Yarchin, Gale Bundrick, Tim Vimmerstedt

November 18th 2014

Performance Audit Committee's Conclusion

"Colossal Cave Mountain Park is at a crossroads but we find it has tremendous potential. Realizing that potential will take significant investment to stabilize and repair its infrastructure, find an operator with vision and backing, and publicize the new approach and features to the public. We believe the investment is worthwhile and that it will produce significant long term benefits for both the park and Pima County. However, if we defer investing in Colossal Cave Mountain Park now, the costs to re-open or repair will only increase over time."



All images in this report are from the "Wild Cave Tour" at Colossal Cave Mountain Park – Courtesy of Pima County Communications Office & Colossal Cave Mountain Park Staff

PIMA COUNTY
ECONOMIC DEVELOPMENT & TOURISM

Executive Summary
of the
Colossal Cave Mountain Park Performance Audit

I. Background, Purpose, and Process.

On the 23rd of August 2013, Pima County Administrator C. H. Huckelberry tasked the Department of Economic Development and Tourism (ED&T) to prepare a plan for a citizen-led performance audit of Colossal Cave Mountain Park (CCMP) and the park's current operator, Escabrosa Inc. (Escabrosa)[1][2] The scope of the committee was to:

- Generate specific recommendations to support continuous improvement and accountability
- Establish specific objectives and priorities for park management
- Implement a comprehensive plan of action to manage both the cultural and natural heritage areas as well as the program's activities (NOTE: This objective was later amended by the committee to developing a range of options for the park that would then set the conditions necessary to develop specific plans for the future)

This plan was approved by the County Board of Supervisors (BOS) on September 9th, 2013.[3]

The resulting Colossal Cave Mountain Park Audit Committee (Committee) met between December, 2013 and September, 2014. This included an intensive, week-long on-site visit in March 2014 with two consultants, Ed Stone, a marketing and management expert, and Bruce Herschend, a Show Cave expert.[4] The consultants, county staff and various Committee members conducted multiple site visits, staff interviews, inspections and comparisons with other caves and parks for performance and best management practices. During the same time period, Escabrosa submitted to an independent financial audit of its business records for the 2012 fiscal year which was completed and submitted to the Committee on 1st August, 2014.

II. Findings.

These visits, followed by months of deliberation during which each Committee member and the consultants provided input from their various areas of expertise,[5] and a review of Escabrosa's completed financial audit, resulted in the following findings:

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[1] Pima County Administrator, Memorandum, dtd 23rd Aug, 2013, re: Colossal Cave Mountain Park (Appendix 1)
[2] Land Ownership Map of Colossal Cave Mountain Park and Surrounding Properties (Appendix 5)
[3] Pima County Administrator, Memorandum, dtd 9th Sept, 2013, re: Colossal Cave Mountain Park (Appendix 2)
[4] Consultant Resumes (Appendix 16)
[5] Ibid

A. **Financial.** The independent auditor's report for the year ending December 31, 2012, shows a deficit of $207,213, including advances from the Director of $162,120. However, 2013 financial statement indicates a $4,716 profit for Escabrosa/CCMP and the first three (3) months of 2014 posts an $18, 924 net profit for Escabrosa, not including advances. There was no evidence of illegal activity or malfeasance.[6]

1. The net outstanding balance of the advances at December 31, 2012 was $162,120.[7]

2. Cash flows from financing activities for 2012 show that the Director provided $41,000 from her own finances to keep the park operating.[8]

3. "The Director permits Escabrosa to utilize a cash account that is owned by the Director for its operations. As such, all disbursements into the account are considered as advances from the Director and all deposits to the account are considered to be repayments to the Director."[9]

4. Director allows Escabrosa to utilize credit cards that are in the name of the Director for operational expenses. The outstanding balance on the credit cards at December 31, 2012 of $33,002 is included in Director advances.[10]

5. "The operational deficits of the Park have been funded by advances from the Director. Without the continued advances by the Director it would be unlikely that Escabrosa could continue its daily operation of the Park."[11]

Except for 2013, CCMP has lost money every year since 2004. Major changes must take place for Escabrosa to sustain its position at CCMP.

We recommend that Pima County develop a contingency operational plan to cover any interruptions in management or leadership at CCMP and that Pima County should have a clear understanding of the current Director's succession plan, financial obligations, property inventory and be prepared to go out for bid to select a long-term management group for CCMP.

B. **Business and Marketing Plan.** The overall decline in business and attendance at CCMP is a result of many factors, including the national and local economic recession; poorly timed historical restorations at a time of tourism recovery which resulted in an estimated $400,000 in sales in 2003-2005, the sickness and death of Joe Maierhauser, followed by a string of unsuccessful business decisions which shifted resources from the

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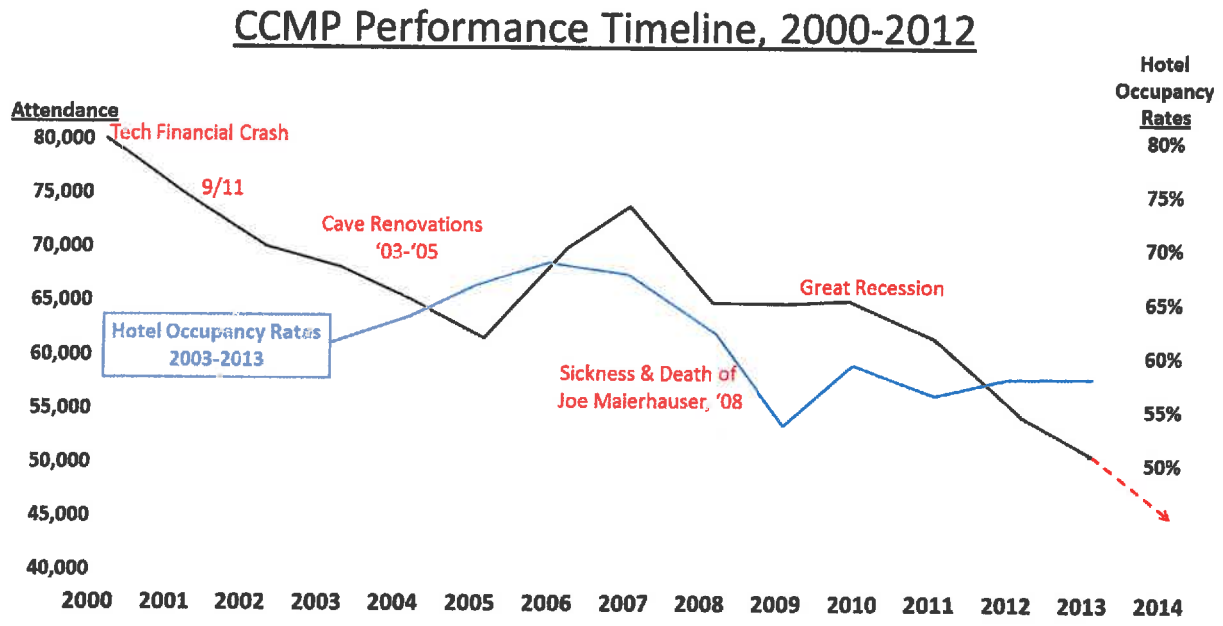
[6] Addington & Associates, PLLC, Independent Auditors Report for 2012 (Appendix 3)
[7] Ibid
[8] Ibid
[9] Ibid
[10] Ibid
[11] Ibid

profitable cave portion of the park to the un-profitable Posta Quemada Ranch; the County-inspired imposition of a fee station and road realignment which may have deterred and deflected visitors; and deferred infrastructure maintenance which has impacted the appearance and functionality of the park. Our analysis of Escabrosa's "Strategic Plan" reveals a document that is long on aspiration and short on implementation and measurable objectives. Only a few of the strategic goals have been accomplished. In addition, the marketing for CCMP has not kept up with current trends and practices and is significantly underfunded compared to other show caves. The website is dense and needs updating and the social media strategy has been neglected. These factors were aggravated by incomplete financial record keeping and physical property accountability, and high staff turnover which contributed to irregular execution within the organization.



A brief analysis of the timelines above show that until 2010, CCMP's attendance generally tracked the Hotel Bed Occupancy trends (our best indicator of the number of out of town visitors available). After the extended period of cave renovations in 2003-2005, the park's attendance rebounded to near pre-financial crash numbers through 2006-2007, only to fall sharply in 2007, again keeping pace with the overall tourism trend for the rest of Pima County. However, in 2010, we see a distinct point of departure with overall tourism to Pima County stabilizing, while attendance at CCMP has continually dropped for the past three years by 23%, and continues downward in 2014.

1. **Competitive Analysis.** Since 2000, the number of visitors touring CCMP dropped from 77,290 to 41,541 in 2013, a 46.25 percent decrease. CCMP's attendance for the past five years has declined -7.59 percent annually. CCMP's attendance drop places it in the bottom third of publicly owned caves in the southwest. Perhaps more

troubling is CCMP's continued decline since 2010. When compared to other attractions in Southeast Arizona from 2010 to 2013, CCMP records a loss in attendance of 14 percent compared to gains of 1.7 percent for Kartchner Caverns, and 1.1 percent for Saguaro National Park.[12]

2. **Other Economic Productivity Variables.** The economic recession negatively impacted all of the attractions in Southeast Arizona equally with significant drops in attendance in the first several years of the economic downturn. However, while other attractions have rebounded and in many cases have grown their attendance above pre-recession levels CCMP has not.[13] The conclusion of this committee is that CCMP has been unable to recover for a number of reasons:

   a. Lack of an executable strategic vision or plan to effectively market CCMP

   b. Outdated marketing tools and strategy

   c. Underfunded marketing

   d. Broken or unsightly infrastructure

   e. Poorly organized staff and operational structure

   f. $5 fee to enter the park with no clear value in return

   g. Realignment of Colossal Cave Road to Pistol Hill Road

   h. Limited community and stakeholder outreach

III. Operations.

The three components comprising the major value of CCMP to the citizens and government of Pima County are: the cave; the diverse and vital environment of the park; its biodiversity and the abundant cultural artifacts and archaeological sites found throughout the park, which are considered ancestral sites to the Tohono O'odham and other native peoples. Despite the recent decline in business operations, each of these components remains intact and apparently healthy.

A. **Colossal Cave.** From a business perspective, the cave is clearly the center of gravity for the attraction portion of the park and draws a majority of the visitors each year. While the cave electronics, lighting and communications systems need updating and the cave itself needs spot cleaning, the cave is in good shape and continues to provide a home to a small population of bats and other naturally occurring cave denizens. The bulk of visitors

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[12] Ed Stone & Bruce Herschend, Analysis, Colossal Cave Mountain Park: Overview and Recommendations of Committee and Consultants, pp 44-49 (Appendix 4)

[13] Ibid, pp 15-22

experience a half-mile long walking tour through the easily accessible "front" portions of the cave that were developed by the Civilian Conservation Corps (CCC) in 1933/1934. However, there are an additional three miles of mapped cave passages accessible to fit and adventurous visitors which have not yet been utilized to their full capacity.[14] Pima County Department of Finance & Risk Management conducted a survey of these "back areas", which included oxygen samples, staff interviews and physical assessments, and concluded that with a few minor adjustments the area was suitable for tours.[15] The majority of Colossal Cave remains a largely unrealized "Adventure Tourism" asset.

B. **Park Environment and Natural Resources.** The environment and diversity of the park plant and animal life has not been studied in depth since 1998. However, the initial impressions resulting from this audit are that CCMP wildlife and plant population are abundant and located throughout the park. A more complete monitoring of the park wildlife needs to be conducted, and a comprehensive Park Management Plan developed to better conserve and promote CCMP's natural resources.[16]

C. **Cultural, Historical and Archaeological.** Broadly speaking, the cultural, historical, and archaeological aspects of the park are: the prehistoric and native people's archaeological and sacred sites; the CCC structures and camps; and the Posta Quemada Ranch (PQR). The entire park is listed in the National Register of Historic Places.

1. The prehistoric and native people's sites have not been fully inventoried. The Agua Verde canyon and wash has drawn human habitation for thousands of years and there is physical evidence of multiple cultures and peoples across the park. Over the parks recorded history numerous groups of people, from the CCC to the Boy Scouts, have used the camping areas and picnic grounds for recreation and living areas. Many of the cultural artifacts have been removed and lost over time, but there are unknown quantities that remain and need to be surveyed so they can be preserved. This should be a priority.

2. The CCC structures and camps are well utilized and functional. The most obvious examples are the cave house and the pathways and stairs inside the cave which still function as intended. Nonetheless, these structures are eighty years old and in some cases the earth beneath them is subsiding. Cracks are appearing in the southern retaining wall at the cave house, and the original adobe post office for the camp needs stabilizing. Additionally, the wiring in the cave house poses a potential safety hazard and needs to be updated. The plumbing in all structures is old and needs

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[14] Colossal Cave Map (Complete) (Appendix 5)

[15] Pima County Department of Finance & Risk Management, Colossal Cave Mountain Park Report, dtd 28th May, 2014 (Appendix 6)

[16] Randy Gimblett & Kerry Baldwin, Colossal Cave Management Plan Assessment and Recommendations, May 2014 (Appendix 7)

replacing. Many of the historic buildings do not allow compliance with ADA standards for park settings.

3. The historic buildings at PQR were lost to a fire in 1965. The replacement buildings are not historical but remain serviceable and could be used or repurposed to add value to the visitors' experience. Themes related the ranch's history can be represented in exhibits and other mufti-media presentations. Most of these structures are almost fifty years old and need significant plumbing and electrical work, as well as HVAC and environmental systems to make them useful for year-round visitation.

D. **Capital Improvements and Maintenance to the Park.** Since 2001, Escabrosa has invested $163,954 in non-reimbursable capital improvements and maintenance, ranging from picnic tables to replacing roofs, to rebuilding restrooms and septic systems. Additionally, Martie Maierhauser estimates she and her late husband Joe invested in excess of $1.5 million on La Posta Quemada Ranch improvements between 1992 and 2000. Pima County has invested over $996,812 to renovate historical structures, rebuild the entrance ramada roof and water crossings, well maintenance, and repair storm damage.[17] An additional $5 million has been spent purchasing surrounding properties to provide a development buffer and create wildlife corridors and environmental mitigation areas.

E. **Transportation improvements to the Park and Pistol Hill Road.** In 1992 Pima County closed the portion of Colossal Cave Road located within CCMP boundaries and redirected traffic to the newly aligned Pistol Hill Road. The intent was to improve safety, reduce vandalism, control traffic through the park and create a single entry point so that an entry fee could be collected. Construction of the new road was delayed and CCMP management incurred additional costs for operating and maintaining the newly acquired ranch property without access to the entry fee. By rerouting traffic away from the park and collecting an entry fee, people began to forget the park existed and were not able to drive through and view it on their daily commute. Additionally, County road maintenance was diverted from the road leading to the Park and it fell into disrepair. The result is that to visit CCMP today one has to make a conscious decision to turn down a mile-long stretch of badly pitted, washed-out and uninviting county road and then pay a $5 fee to enter a park with no clear idea of what they will encounter on the other side of the gate.[18]

F. **Training and supervision of CCMP employees and contractors.** Escabrosa provided the outline of an established training program and guidelines for all employees and contractors at CCMP. However, during numerous staff interviews some employees seemed confused about their job roles and responsibilities and an understanding of operational objectives for the park seemed lacking. The committee and consultants were unable to verify that broad training has actually taken place on a consistent basis.[19]

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[17] Ed Stone & Bruce Herschend, Analysis, Colossal Cave Mountain Park: Overview and Recommendations of Committee and Consultants, pp. 54-56 (Appendix 4)

[18] Ibid, pp 31-33 (Appendix 4)

[19] Ibid, pp. 17-18, 101-105 (Appendix 4)

G. **Maintenance plan for CCMP.** There is currently no effective or proactive maintenance plan in place at CCMP. While maintenance did improve slightly from 2011 to 2013 as indicated by annual inspections conducted by Economic Development & Tourism, lack of operational funds limit maintenance to replacing or repairing items of immediate need or safety or as directed by Pima County.[20] Maintenance workers often volunteer their own equipment and vehicles to make necessary repairs and on some occasions buy the necessary repair materials out of pocket.[21]

IV. Sustainability.

Under current conditions and management practices, CCMP is not sustainable as a business operation or a county attraction. It has only been kept operating through the personal loans of Escabrosa's President and current Park Director, Martie Maierhauser. At the behest of Pima County Economic Development and Tourism Office, Pima County staff from several agencies including the PC DOT, Facilities, Capital Projects Group, and NRPR surveyed CCMP infrastructure and buildings to determine what repairs are necessary to bring the park up to an acceptable operating standard. The resulting estimate of $1.56 million is more than Escabrosa can invest. The reality is that without a significant part of this investment, the park will not be able to operate safely or present an appearance that will attract new tourists and increase attendance.

A. **Proposed three-year business and marketing plan.** The Committee and consultants considered and reviewed several options for the sustainability of CCMP. In accordance with the recommendations in the section below, we recommend that Pima County conduct an open bid process, with national reach, to find a park operator that will create a strategy and re-imagine the potential of CCMP and be able to take over operation of the Park by August 2015 (the conclusion of the current contract period). This process should be open to any and all parties meeting the minimum conditions of the RFP and the consensus of this committee is that Escabrosa should be permitted to participate in the bid. The committee also encourages Pima County to invest the necessary funds to rehabilitate the parks infrastructure to a safe and acceptable standard.

B. **Recreational opportunities that could be utilized at CCMP.** The committee feels that any other opportunities contemplated for CCMP must respect, highlight and preserve the environment and cultural legacy of the park and the region. Nonetheless, there are a number of activities that might easily be accomplished, provided these are appropriately sited and do not impact the natural and historic values of CCMP:

1. Increase the number of "Wild Cave" and adventure tours within the park (https://www.youtube.com/watch?v=wofh2uQwCgg&list=PL925988EFA69C913C)

2. Restore and develop new camping areas to attract visitors from outside the region

[20] Gale Bundrick, Colossal Cave Mountain Park Inventory Report – 2104 (Appendix 8)

[21] Ed Stone & Bruce Herschend, Analysis, Colossal Cave Mountain Park: Overview and Recommendations of Committee and Consultants, pp. 17, 113 (Appendix 4)

3. Install zip lines to transport visitors from one area of the park to another to visit cultural and wildlife interpretive displays and exhibits similar to the "Predator Zip Line" attraction at the "Out of Africa Wildlife Park" in Camp Verde, Arizona (http://predatorzipline.com/)

4. Install a "ropes course" similar to the "Flagstaff Extreme Adventure Course" attraction currently operating in the Coconino Fairgrounds (http://www.flagstaffextreme.com/)

5. Install a gravity-driven alpine coaster, similar to the one at "Glenwood Caverns Adventure Park", in Glenwood Springs, Colorado (http://glenwoodcaverns.com/thrill-rides.html) (https://www.youtube.com/watch?v=TeEWu4XJSb4)

6. Add an "Adventure Playground" for children and young families[22]

7. Increase the trail network to cultural and wildlife sites within the park and enhance with interpretive displays and exhibits

8. Remodel the PQR Ranch House into a bed and breakfast facility for tourists

9. Build an expanded museum to properly interpret the CCC contributions to the area as well as properly house and exhibit materials.

10. Develop and offer "Cowboy Cookouts" and guided horse camping

11. Build an upscale café concession at the cave to celebrate the experience of the "Wild Cave" tours and take advantage of the views from the heights overlooking the park

12. Recreate the pond above the PQR picnic area

C. **Management Performance Matrix.** In coordination with our consultants, this committee has developed a proposed Management Performance Matrix for the current conditions at the park. However, we recognize that if we put the management of the park up for a public bid in 2015, the new management may develop other structures and needs. This performance matrix may be found on page 44 of this report.

[22] Penny Wilson, The Playwork Primer, 2010 (Appendix 15)

V. Recommendations.

A. **Pima County should develop a contingency operational plan to cover any interruptions in management or leadership at CCMP.** Pima County should have a clear understanding of the current Director's succession plan, financial obligations, property inventory and be prepared to go out for bid to select a long-term management group for CCMP.

B. **Increase County oversight and participation in operational management of CCMP and its natural resources.** The operators of CCMP need closer supervision in how they manage this asset for the citizens of Pima County. Economic Development &Tourism and Natural Resources Parks & Recreation should develop a plan to cooperatively provide oversight to the park operator to ensure best management practices both as an historical attraction and as a conservation area. The park operator should be focused on developing and running a profitable attraction that will draw tourism from outside the region while remaining accessible to Pima County residents.

C. **Develop a plan for CCMP, including its cave resources, to ensure that its conservation values are defined, and a strategy to capitalize on the natural resources, cultural resources, and "Adventure Tourism" aspects of the park.** The undeveloped regions of the cave itself and the desert canyon topography of the park lend themselves to attracting tourists looking for adventures and experiences they cannot find elsewhere. Arizona's personal liability laws allow us to operate the cave in ways that are not possible in other states, and yet still run a safe and responsible operation. Combining high net profit "Wild Cave Tours" with other attractions, such as zip lines, nature tours, citizen scientist opportunities and ropes challenges courses would magnify the adventure aspects of the park and create a unique set of related attractions. This new focus would not exclude the current audience or use of the park; it would only add a more profitable layer to CCMP.

D. **Place the park operating agreement up for a competitive bid process and conduct a national search for a park operator.** The current management agreement for CCMP is up for renewal in August 2015. CCMP has been managed by the same operator since 1956. Even though the park needs significant repairs and maintenance, the underlying assets of cave, natural resources and location make it an attractive property. A national search for an operator capable and willing to invest in and develop the park into a geo-tourism and adventure attraction that highlights and uses the natural and cultural resources to attract visitors from outside the region could breathe new life into the park and develop added economic impact for Pima County. This process should be open to any and all parties meeting the minimum conditions of the RFP.

E. **Invest in repairing and replacing damaged or inadequate park infrastructure.** If Pima County desires to attract qualified park operators it should present a property that is ready to develop and will not need prohibitive initial repairs or upgrades before it can

open for business. Pima County has been entrusted with assets in this park that must be repaired in order to be preserved and used for the good of the people. If Pima County makes these initial investments wisely and can attract an operator willing to invest in the funding necessary to develop a world class nature and adventure based attraction, then the initial investment could pay substantial dividends in the long-term life of CCMP.

Key areas of focus

1. **Park Roads/Parking Lots. Estimated Subtotal = $887,510**
2. **Buildings. Estimated Subtotal = $189,200**
3. **Other park features. Estimated Subtotal = $459,800**

Summary of Colossal Cave Infrastructure. Based on the review of the team, it is conservatively estimated that over **$1,566,510** should be invested in the initial repair and enhancement of the current state of Colossal Cave Mountain Park to bring it back to a more user friendly condition following best management and maintenance standards.

Performance Audit Committee's Conclusion

Colossal Cave Mountain Park is at a crossroads but we find it has tremendous potential. Realizing that potential will take significant investment to stabilize and repair its infrastructure, find an operator with vision and backing, and publicize the new approach and features to the public. We believe the investment is worthwhile and that it will produce significant long term benefits for both the park and Pima County. However, if we defer investing in Colossal Cave Mountain Park now, the costs to re-open or repair will only increase over time.

Executive Summary

of the

Colossal Cave Mountain Park Performance Audit

Prepared and Submitted by

Community Volunteer Members

Jon Baker, Executive Director, Southwestern Fair Commission - *Audit Committee Chair*

Wally Armer, Parks Commissioner, Arizona State Parks

Dr. Deborah Colodner, Director of Conservation, Education and Science, Arizona-Sonora Desert Museum

Dr. Randy Gimblett, Chair, Landscape Assessment and Analysis Program, School of Natural Resources and the Environment, University of Arizona

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