

## MINUTES

### *Michigan State Parks Advisory Committee Special Meeting*

Wednesday, July 21, 2021  
2:00 p.m.

Microsoft Teams Meeting / (248) 509-0316 | ID: 788 596 276#

#### **PRESENT FOR THE MSPAC**

Attending remotely:

Ann Conklin; Canton Township, Wayne County, Michigan  
Dave Nyberg; Marquette, Marquette County, Michigan  
Shaun McKeon; Owosso, Shiawasee County, Michigan  
Mike Foote; Grand Rapids, Kent County, Michigan  
Mike MacDonald; Okemos, Meridian Twp., Michigan  
Mary Pitcher; Beulah, Benzie County, Michigan

#### **ABSENT**

Jim Bradley  
Julie Clark  
Bob Hoffmeyer  
Chris Graham

#### **OTHERS PRESENT**

Ron Olson, Chief, PRD  
Michael Desnoyer, PRD  
Vicki McGhee, PRD  
Dylan Smythe, PRD  
Chuck Allen, PRD  
Barbara Graves, PRD

#### **OPENING COMMENTS**

**Committee member Conklin** called the meeting to order at 2:02 p.m. and asked for a roll call.

#### **PUBLIC COMMENT**

None

#### **GENERAL UPDATES**

**Ron Olson, Chief, PRD**

While the park and recreation system had some great years in sales, to keep pace with expenditures and the increase in usership, shifts need to be made. Park Endowment revenues and royalties are down, and with the passage of Proposition 1 requiring 20% of Park Endowment to be used for infrastructure, the last three or four years the entire fund has had to be used for operations, thus there is a need to adjust the camping and lodging fees.

### **ACTION**

Michael Desnoyer, Administrative Services Chief, PRD, went over the proposed State Park Camping and Lodging Fees Increase summary (attached) to be approved by the Director.

Ann Conklin and Mike MacDonald expressed concern that this was put before the committee without feedback from them or other outside entities. Michael Desnoyer said with the passage of Proposal 1 in November, they had to update revenue projections and the impact that it would have for 2022. There was a limited time frame to research and come up with a solution. If you look at recommendations going forward, it is to analyze a market-based model and explore other revenue increase options.

Committee members Conklin and MacDonald thanked staff for the research that was put into the process, and Committee member Conklin said she realizes the timeframe they had to work with but stressed that the committee is there to help.

Committee member McKeon said he agrees that the fees need to be adjusted and asked if they will have to come back and do this again to keep up with the needs. The percentage of increases will go unnoticed from the public. Chief Olson said it is not the intent to keep raising fees and that this is not a long-term fix. They will have to find other ways to sustain the system due to the escalation in use and the increase in costs to operate.

Committee member Pitcher said it is a small increase compared to what is happening in the private sector.

### **Resolution No. 07-2021-02 to support the State Park Camping and Lodging Fees Increase**

**RESOLUTION IN SUPPORT OF:** Committee member Ann Conklin asked for a motion of support for approval of Resolution No. 07-2021-02 to support the 2021 Michigan Natural Resources Trust Fund and Federal Land and Water Conservation Fund Grant Applications. Committee member MacDonald motioned, with Committee member Foote seconding. The resolution passed unanimously.

With no further business, the meeting was adjourned at 3:00 p.m.



## MICHIGAN DEPARTMENT OF NATURAL RESOURCES

### INTEROFFICE COMMUNICATION

July 21, 2021

TO: Michigan State Parks Advisory Committee (MSPAC)

FROM: Ronald A. Olson, Chief, Parks and Recreation Division (PRD)

SUBJECT: State Park Camping and Lodging Fees Increase

Attached for your review and consideration is a proposal to adjust the state park camping and lodging fees, a move necessary to ensure our business model remains sustainable. Multiple issues led to the development of this fee modification proposal: 1) Park Endowment Fund revenues are decreasing while the cost to operate and maintain the state parks system is increasing due to rising payroll, utility, construction, and technology expenses, and 2) the recent approval of Proposal 20-1 requires that at least 20% of annual Park Endowment Fund spending be for state park capital improvements. Coupled with the decline in revenue, this new requirement limits the availability of Park Endowment Fund revenue to support state park operations.

The fee increase proposal combines the Consumer Price Index (CPI) and occupancy of the state parks to establish a reasonable rate increase to our customers. Adjusting these rates would help avoid unfair competition with privately owned campgrounds, alleviate the budgetary issues associated with the two key issues outlined above, and allow the state parks system to meet its core responsibilities:

- Ensure rates are keeping pace with fixed costs to serve (e.g., utility rates, equipment replacement, staffing, etc.)
- Maintain high customer satisfaction and expectations
- Invest in the resources to accomplish PRD strategic goals

The recommendation is to adjust the camping and lodging fees by the following CPI and demand-based pricing model:

- **CPI adjustment:** The Detroit CPI has increased by 4.7% from 2017 to 2020. Using \$32 per night as a current average campsite rate, a 4.7% increase results in an adjustment of \$2 per night for all state park campsites.
- **High occupancy rate adjustment:** Increase state park campsite rates by an additional \$3 per night for locations with occupancy rates of 90% and above.
- **Weekend and holiday fee:** Add an additional \$3 per night fee for weekends and holidays (Memorial Day weekend through September) for state park campsites. Market research revealed private, municipal, and other state park system campgrounds charge additional fees for weekends and holidays.

- **Lodging fee increase:** Market analysis revealed that DNR lodging resources are undervalued compared to similar resources in other Midwest states and private campgrounds across Michigan. A \$10 per night increase for lodging will align closer to, but remain below, private campgrounds and other state park systems with similar resources.
- **Rustic campsite fee increase:** Research revealed that rustic campsite fees are between \$5 and \$7 less than other state park systems across the Midwest. Rustic sites with a nightly fee ranging from \$15 - \$19 will increase to \$20. Rustic sites with a nightly fee greater than or equal to \$20 will increase to \$25. These adjustments include all sites located in state forest campgrounds.
- **Other:** Increased lodging, meal, conference, and programming fees at the RAM Center; increased rental and admission fees at the Outdoor Adventure Center; increased rental fees at Belle; phase II of alternative lodging programs; and modernization of current commercial use fees.

The last increase in camping fees occurred in 2017. At that time the rates increased by an average of \$2.67, \$2.42, and \$1.13 per camp night based on occupancy of greater than 84%, 66%-83%, and less than 66%, respectively. Full hook up nights increased by \$4.23 per camp night, rustic sites increased by \$4 per camp night, state forest and equestrian camp nights increased by \$2.00, and cabins, tepees, yurts, shelters, and other lodging were increased by 5.2% (based on CPI).

Attached are the supporting documents for the camping fee increase. Please contact me if you have any questions regarding these proposals.

#### Attachments

cc: Director Dan Eichinger  
Shannon Lott, DNR Deputy  
Mark Hoffman, DNR Chief Administrative Officer  
Trevor VanDyke, DNR Legislative & Legal Affairs Director  
Jacklin Blodgett, PRD  
Michael Desnoyer, PRD  
Jason Fleming, PRD

**Fee Modification Proposal for  
Camping and Lodging in Michigan State Parks  
July 21, 2021**

**Background**

The primary sources of revenue for the Park Endowment Fund are investment revenue and oil, gas, and mineral royalty revenue. Not more than 50% of oil, gas, and mineral royalties plus interest and earnings can be spent annually on operations, maintenance, and capital improvements at state parks. Over \$2 million (adjusted annually for economic changes) is designated from Park Endowment revenue for Mackinac State Historic Parks each fiscal year. The FY 2020 budget included a \$10 million net-to-zero fund shift between the Park Endowment Fund and Park Improvement Fund to begin diverting more Park Endowment Fund from operations to capital outlay due to the volatility of its revenue sources.

\$11.4 million Park Endowment Fund remains appropriated for annual state park operations. Due to declining oil and gas production, low oil and gas prices early in the fiscal year, and uncertainty surrounding future investment returns, it is estimated that a lapse of nearly \$1.0 million could be needed in FY 2021 to ensure spending does not exceed available resources. FY 2021 Park Endowment lapses are currently projected to exceed \$4.0 million due to the spending restrictions tied to Executive Directive 2020-3 and lags in filling positions held due to the hiring freeze.

With the fund balance expected to be largely exhausted by FY 2023, it is estimated that Park Endowment lapses of \$2.6 million and \$3.4 million could be needed in FY 2023 and FY 2024, respectively, to ensure spending does not exceed available revenue. FY 2021 - FY 2024 projected revenues include \$2.5 - \$6.5 million of annual metallic revenue from Eagle Mine, with little to no revenue expected beyond FY 2024 – a significant decline from the \$8 - \$9 million of annual metallic revenue collected in recent years. Decreased fossil fuel use may negatively impact oil, gas, and mineral royalty revenue, further limiting future Park Endowment revenue.

At a time when Park Endowment Fund revenues are declining, 20% of all appropriated revenues are now required to be spent for capital improvements pursuant to Proposal 20-1. State Park operating costs continue to increase each year due to a myriad of factors, including annual increases of approximately \$350,000 for every increase in the state minimum wage of roughly \$0.25 per hour. An increase in the federal minimum wage to \$15 per hour from the proposed FY 2022 short-term worker rates would increase state park operating costs by \$5.5 million, further exacerbating this funding shortfall. Although state park net campsites nights booked and Recreation Passport sales through May have increased (39% and 11%, respectively) compared to 2019, sustained demand will lead to additional expenses (staffing level adjustments, reservation software, preventative maintenance, etc.).

Governor Whitmer's plan to invest \$250 million in federal relief dollars from the American Rescue Plan will help to significantly reduce the backlog of park infrastructure projects but it does not address operational deficiencies due to declining Park Endowment Fund revenues and increasing expenses.

## Process

DNR Parks and Recreation Division (PRD), Finance and Operations Division (FOD), and Executive staff met on March 11, 2021 to discuss options to increase funding, including increasing state park fees, modifying the Recreation Passport distribution formula, raising the Recreation Passport fee, pursuing a Recreation Passport opt-out, and reducing operating expenditures. PRD developed three separate teams (Camping and Lodging, Innovative, Special Facility) to explore fee increases for the 2022 season, including flat nightly fee increases, demand pricing (e.g. holiday and weekend), and reservation fee increases.

## Investments

Pay rates for career staff have increased by 7% since FY 2018 and are expected to increase an additional 3% in FY 2022. Other operating investments that have or are expected to result in increased annual expenditures since FY 2018 (including FY 2022 proposed investments):

Adjusting short-term worker rates due to minimum wage increases and to improve recruitment and retention	\$ 2,150,000
Improving the recruitment and retention of state park supervisory staff by realigning park supervisor/manager classifications	\$ 630,000
Increasing staff hours and adding additional career positions to better align with customer demand.	\$ 3,150,000
Replacing obsolete vehicles and equipment	\$ 500,000
Aligning spending authority with increased utility costs	\$ 600,000
Aligning spending authority with increased reservation software costs	\$ 740,000
Increasing authority for miscellaneous investments (Recreational Search Software, marketing, preventative maintenance, trail signage, green initiatives, small projects, training, etc.)	\$ 1,300,000
<b>Total Investments</b>	<b>\$ 9,070,000</b>

PRD also invested an additional \$2 million in one-time expenses in FY 2019 to replace equipment and purchase supplies/materials for cabins, tiny houses, and preventative maintenance. Seasonal ranger staff were also extended to construct the cabins and tiny houses and perform preventative maintenance activities. In addition, state park net campsite nights booked through May are 39% higher than 2019, increasing projected FY 2021 reservation software expenses by \$1.2 million.

While the investments identified above sum to \$9,070,000, it is important to note that not all these costs have come to fruition yet, while other investments have been offset by increases in revenue. For example, the introduction of cancellation and modification fees in 2017, a CPI increase from \$11 to \$12 per Recreation Passport, and the additional \$5 charge implemented in 2018 for Recreation Passports purchased in state parks have all contributed additional revenues and have offset a portion of these outlays. Further, due to COVID-19 and the resulting statewide hiring freeze, fewer short-term workers were hired in 2020, so the costs of increasing those wages have not been fully realized. Last, the realignment of supervisor/manager classifications has not yet been implemented. As such, the goal

of these fee modifications is to generate an additional \$6 million to \$7 million in revenues annually to help offset the impacts of Proposal 20-1 and the proposed FY 2022 investments.

**FY 2022 Impacts**

Proposal 20-1	\$4.5 million
Proposed investments	<u>\$2.4 million</u>
<b>Total</b>	<b>\$6.9 million</b>

**Revenue Impact of Proposed Fee Adjustments**

The following table represents the proposed campsite fee adjustments to be implemented for the 2022 camping season:

<i>State Park Campsites Only:</i>	<b>Occupancy #</b>	<b>Revenue Impact</b>
<b><i>Base Rate Increases: CPI and Occupancy</i></b>		
CPI Adjustment: \$2 / Night (All Locations)	1,119,727	\$ 2,239,454
High Occupancy Rate Adjustment: \$3 / Night (31 Locations with July Occupancy ≥ 90%)	645,364	\$ 2,095,164
<b>Base Rate Increases: CPI and Occupancy</b>		<b>\$ 4,334,618</b>
<b><i>Demand-Based Rate Increases: Weekends/Holidays</i></b>		
\$3 / Night Increase for Weekends (Fri/Sat) and Holidays – Memorial Day Weekend Through Last Full Weekend in Sept	459,668	\$ 1,379,004
<b>Demand-Based Adjustments</b>		<b>\$ 1,379,004</b>
<b><i>Lodging: Modern/Cabins/Yurts/Teepees</i></b>		
\$10 / Night Increase*	26,034	\$ 260,340
<b><i>Park Improvement Fund: Revenue Impact</i></b>		<b>\$ 5,973,962</b>
<b><i>Forest Rec Account: Revenue Impact - \$5 / Night Increase for State Forest Campgrounds (Occupancy Based on 3-Yr Avg)</i></b>		
	99,742	\$ 498,710
<b>Total Revenue Impact (Based on FY19 Occupancy Unless Otherwise Noted)</b>		<b>\$ 6,472,672</b>

\* Overnight lodging reservations can be made up to a year in advance. Therefore, additional revenues will not be realized until FY 2023.

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**Impacts to Visitors**

<i>High Occupancy Location</i>	Current Rate		Proposed Rate		Customer Impact	
	50 AMP	20/30 AMP	50 AMP	20/30 AMP	50 AMP	20/30 AMP
<b>Ludington</b>						
1 night Stay	\$ 45.00	\$ 41.00	\$ 50.00	\$ 46.00	\$ 5.00	\$ 5.00
1 Night ( Fri or Sat)	\$ 45.00	\$ 41.00	\$ 53.00	\$ 49.00	\$ 8.00	\$ 8.00
3 Day - Midweek	\$ 119.00	\$ 107.00	\$ 134.00	\$ 122.00	\$ 15.00	\$ 15.00
3 Day (Thurs/Fri/Sat)	\$ 119.00	\$ 107.00	\$ 140.00	\$ 128.00	\$ 21.00	\$ 21.00
1 Week	\$ 267.00	\$ 239.00	\$ 308.00	\$ 280.00	\$ 41.00	\$ 41.00
1 week includes Holiday	\$ 267.00	\$ 239.00	\$ 311.00	\$ 283.00	\$ 44.00	\$ 44.00

Percent Change	
50 AMP	20/30 AMP
11%	12%
18%	20%
13%	14%
18%	20%
15%	17%
16%	18%

<i>Lower Occupancy Location</i>	Current Rate		Proposed Rate		Customer Impact	
	50 AMP	20/30 AMP	50 AMP	20/30 AMP	50 AMP	20/30 AMP
<b>Sleepy Hollow</b>						
1 night Stay	\$ 37.00	\$ 33.00	\$ 39.00	\$ 35.00	\$ 2.00	\$ 2.00
1 Night ( Fri or Sat)	\$ 37.00	\$ 33.00	\$ 42.00	\$ 38.00	\$ 5.00	\$ 5.00
3 Day - Midweek	\$ 95.00	\$ 83.00	\$ 101.00	\$ 89.00	\$ 6.00	\$ 6.00
3 Day (Thurs/Fri/Sat)	\$ 95.00	\$ 83.00	\$ 107.00	\$ 95.00	\$ 12.00	\$ 12.00
1 Week	\$ 211.00	\$ 183.00	\$ 231.00	\$ 203.00	\$ 20.00	\$ 20.00
1 week includes Holiday	\$ 211.00	\$ 183.00	\$ 234.00	\$ 206.00	\$ 23.00	\$ 23.00

50 AMP	20/30 AMP
5%	6%
14%	15%
6%	7%
13%	14%
9%	11%
11%	13%

Rates include on-line reservation fee (\$8)

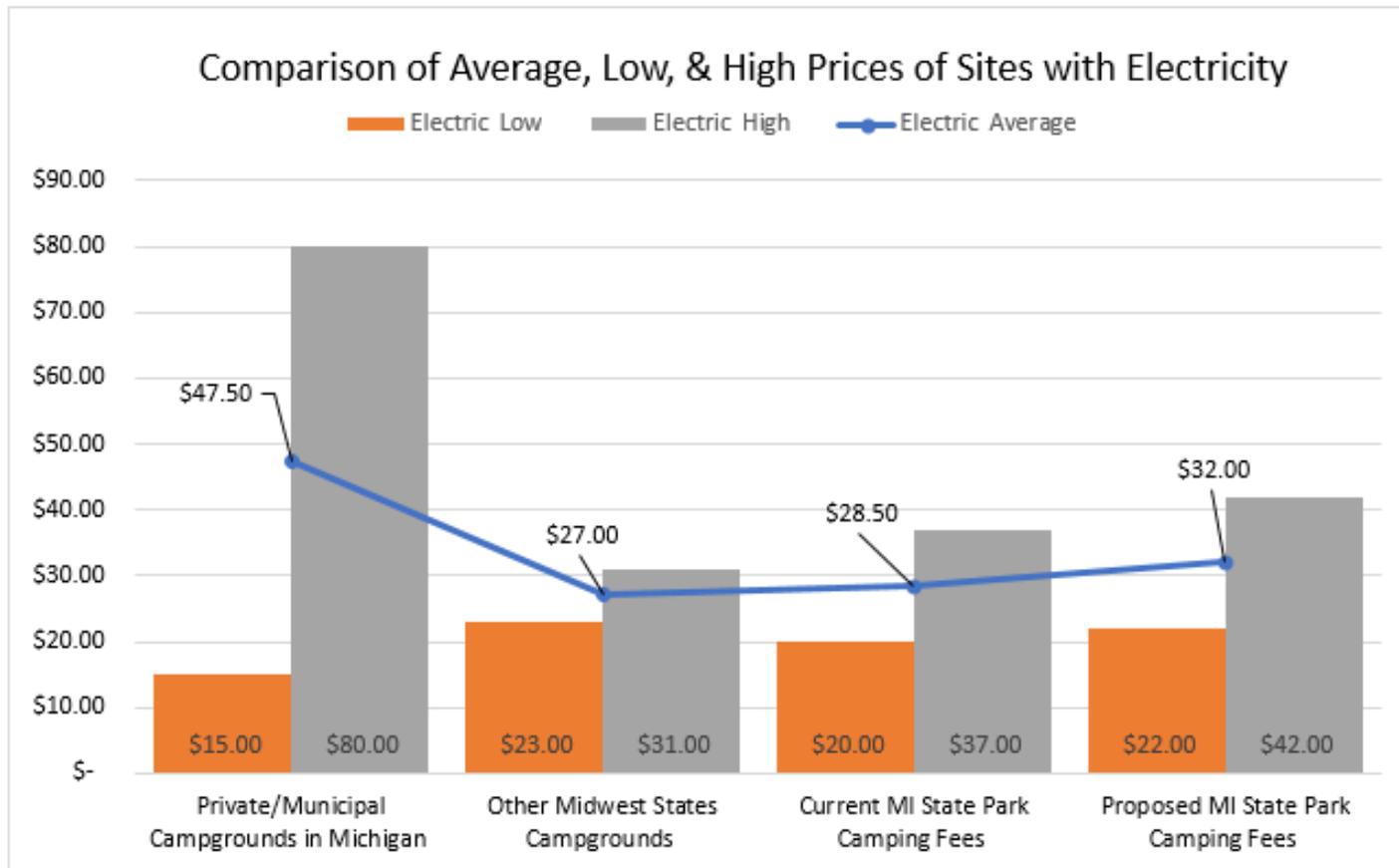
50AMP Ludington			
	Current	Proposed	Customer Impact
3 Night Stay: Thurs/Fri/Sat			
On-line Reservation fee	\$ 8.00	\$ 8.00	\$ -
Site Fee	\$ 111.00	\$ 132.00	\$ 21.00
<b>Total</b>	<b>\$ 119.00</b>	<b>\$ 140.00</b>	<b>\$ 21.00</b>

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## Market Analysis

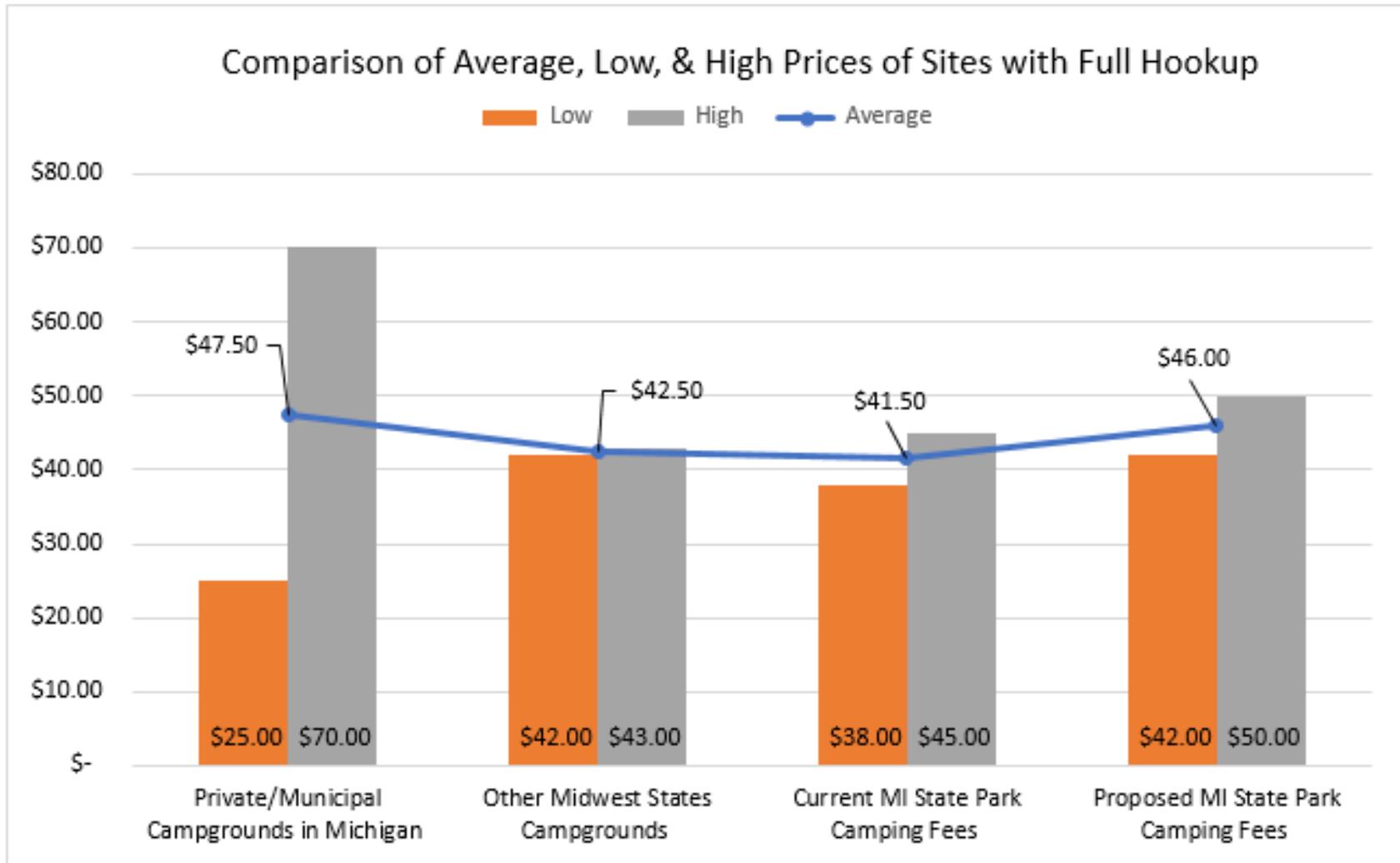
The following charts illustrate the average, low, and high costs of camping and lodging at private/municipal and other Midwest campgrounds, and juxtapose those against the current and proposed Michigan State Park camping fees.

### Sites with Electricity:



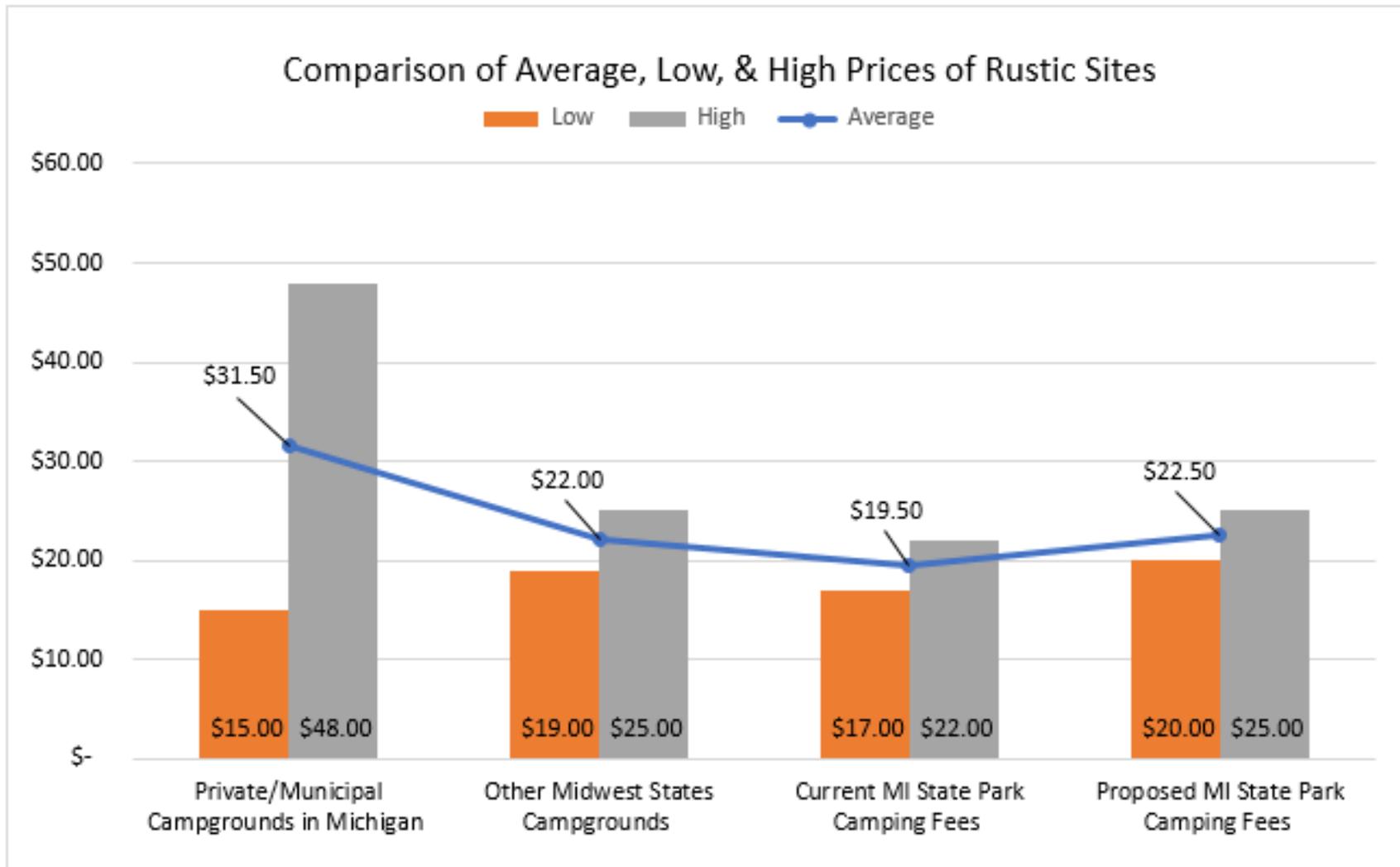
Note that the average cost of sites with electricity (\$32.00) would be slightly above other Midwestern campgrounds (\$27.00), and well below the average cost in other Michigan private and municipal campgrounds (\$47.50).

Sites with Full Hookup:



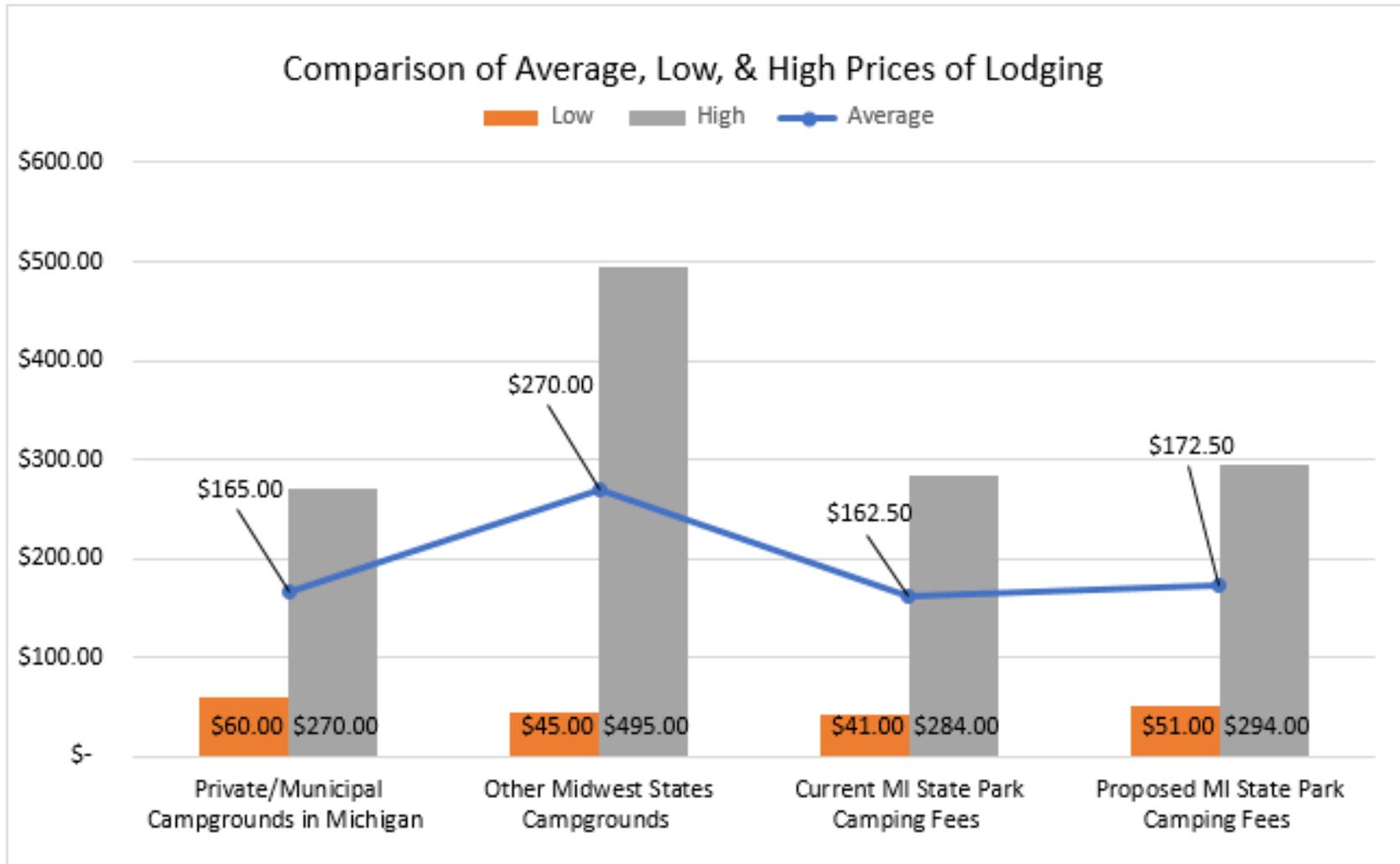
Note that the average cost of sites with full hookup (\$46.00) would be slightly above other Midwestern campgrounds (\$42.50) and slightly below the average cost in other Michigan private and municipal campgrounds (\$47.50).

**Rustic Sites:**



Note that the average cost of rustic sites (\$22.50) would be on par with other Midwestern campgrounds (\$22.00) and well below the average cost in other Michigan private and municipal campgrounds (\$31.50).

**Lodging:**



Note that the average cost of lodging (\$172.50) would be well below other Midwestern campgrounds (\$270.00) but above the average cost in other Michigan private and municipal campgrounds (\$165.00).

**Recommendations:**

In the short term, the DNR Parks and Recreation Division recommends approval of this proposed fee adjustment for the 2022 season. Doing so will address the funding shortfall identified in this proposal and help ensure that our business model remains viable. Additionally, PRD will pursue modification of the Recreation Passport distribution formula to provide flexibility on the allocation of funds for capital outlay and/or operations. Last, continued research on other fee adjustment options could provide additional resources to ensure sustainable operations. Examples include the development of a true cost-to-serve funding model, target market analysis for lodging fees, premium site pricing, seasonal campsites, reservation fee adjustments, group camp pricing, equestrian fee adjustments, and fees based upon the size and type of camping unit.

In the long term, PRD will pursue raising the Recreation Passport fee as a means of securing more substantial long-term funding to meet the growing cost of state park operations, maintenance, and capital improvement needs.

# RESOLUTION NO. 07-2021-02

## MICHIGAN STATE PARKS ADVISORY COMMITTEE (MSPAC)

### RESOLUTION TO SUPPORT STATE PARK CAMPING AND LODGING FEES INCREASE

**ADOPTED: July 21, 2021**

**WHEREAS**, a proposal to adjust the state park camping and lodging fees, a move necessary to ensure our business model remains sustainable;

**WHEREAS**, Park Endowment Fund revenues are decreasing while the cost to operate and maintain the state parks system is increasing due to rising payroll, utility, construction, and technology expenses;

**WHEREAS**, the recent approval of Proposal 20-1 requires that at least 20% of annual Park Endowment Fund spending be for state park capital improvements, coupled with the decline in revenue, this new requirement limits the availability of Park Endowment Fund revenue to support state park operations;

**WHEREAS**, the last increase in camping fees occurred in FY2017 and it is recommended to the DNR Director that this adjustment is approved;

**THEREFORE, BE IT RESOLVED**, the attached proposal is approved by the Michigan State Parks Advisory Committee to be effective November 1, 2021:

Submitted by: Michigan State Parks Advisory Committee

**Motioned by: Mike MacDonald**

**Seconded by: Mike Foote**

**Yeas: 6**

**Nays: 0**

**Abstained: 0**

**Absent: 4**

*This Resolution was adopted by the Michigan State Parks Advisory Committee at their special meeting on July 21, 2021, as Resolution No. 07-2021-02*