



United States Department of the Interior



NATIONAL PARK SERVICE

1849 C Street, N.W.

Washington, D.C. 20240

IN REPLY REFER TO:

C3825(2410)

MAR 26 1999

Memorandum

To: Director

From: Associate Director, Park Operations and Education *Manuel Jimenez*

Subject: Use of Concessioner 20 Percent Franchise Fee Account

Title IV (National Park Service Concessions Management) of Public Law 105-391 (October 13, 1998) provides for use of concession franchise fees by the National Park Service. Section 407 states that:

"All franchise fees (and other monetary consideration) paid to the United States pursuant to concessions contracts shall be deposited into a special account established in the Treasury of the United States.

Twenty percent of the funds deposited in the special account shall be available for expenditure by the Secretary, without further appropriation, to support activities throughout the National Park System regardless of the unit of the National Park System in which the funds were collected. The funds deposited into the special account shall remain available until expended."

The remaining 80 percent is returned to the park from which it was generated.

This memorandum provides criteria and procedures for use of the concessioner 20 Percent Franchise Fee Account. It is also a request for approval of use of funds in FY 1999 for certain urgent needs that were discussed earlier with you and others in the Directorate, as well as with Assistant Secretary Barry and his staff.

A. CRITERIA FOR USE OF THE 20 PERCENT FRANCHISE FEE ACCOUNT

The 20 Percent Franchise Fee (20%FF) account will be used primarily for three concession program purposes: operational costs of the Concession Management Advisory Board, contracting for concession program services, and assistance to parks to meet concession related needs.

1. P.L. 105-391 established a Concession Management Advisory Board, consisting of seven members. They are required to address certain specific concession related issues, provide other advice to the Secretary, and report annually to the Secretary. Funds from the 20%FF account will be used for meetings and other costs related to board activity.
2. Implementation of the new law requires a considerable amount of contracting for services. These services will be contracted to help the Service efficiently and expeditiously deal with the backlog of contracts which resulted from an earlier freeze on contracting, and a recent freeze on contracting and resulting canceling of prospectuses until new regulations and standard contract language are prepared. Funding needs for appraisal services to make the transition from possessory interest to Leasehold Surrender Interest (LSI) will be large for the next few years, and additional financial analyses will be needed to develop prospectuses and provide input into the appraisal process. Funds are also being considered to help the Service evaluate and enhance concession operations, develop environmental programs, assist with risk management, assist with rate reviews, and to develop facility inventories and

condition assessments, all of which are suggested by provisions of the new law. Each of these needs reflect guidance provided in the new law for contracting of services.

3. It is also anticipated that some of these funds will be made available for concession related needs at parks that cannot generate sufficient franchise fee funds.
4. These funds will not be used for permanent staffing in FY 1999. A decision on possible use of 20%FF account will be made in FY 2000.
5. There may be other uses of the fund proposed at a later time.

B. PROCEDURES

Determination of use of 20%FF account funds will be coordinated by the Washington Office (WASO) Concession Program Division and contracting for services will be coordinated by the Concession Program Center. Because FY 1999 is a transition year, with most of the deposits into the account occurring later in the summer, and, in order to meet heavy existing needs for appraisal and financial analysis work, the use of the funds will be determined by WASO for this year.

Beginning with FY 2000, the Concession Program Manager will develop a proposed list of uses of funds based on servicewide concession program needs and submissions from regions for park projects. Regional Concession Chiefs and Regional Associate Directors for Park Management and Education will review the list prior to presentation to the Director for approval. The Concession Program Manager may propose additions to the FY 1999 list of projects.

Procedures are being developed for application by parks for funding of concession related projects.

At the end of the fiscal year, a report will be prepared listing the uses of the fund, as well as income, expense, and carry-over totals.

C. FY 1999 FUNDS

Most of the funds are generated in the summer as concessioners make monthly electronic deposits to Treasury. An estimate of \$3.4 million will eventually be deposited; however, most of the 20%FF account will not be available for use until late summer.

Because FY 1999 is a start-up year, many projects and contracts will serve only a partial year, however, the use of funds for on-going appraisals of possessory interest and related financial analyses is expected to be high. With this in mind, the following uses are proposed as an initial list for FY 1999:

1. Concession Management Advisory Board

Assuming the board is activated later in 1999, and will have at least two meetings, including an orientation session at a park area, the FY 1999 cost is initially estimated at \$75,000.

2. Contracts for Services

The cost estimates for items "a" through "g" are early estimates, and will be refined later this year. Items "h" and "i" are firm estimates.

- | | |
|---|-----------|
| a. Risk management program advice and oversight of concessioner compliance | \$ 50,000 |
| b. Insurance/risk management transfer program revision and advice | 50,000 |
| c. Quality assurance evaluations and follow-up assistance (to supplement program as needed and provide assistance to small companies with operational problems/needs) | 150,000 |

d. Environmental audits for smaller companies and development of NPS concessions "green" standards for concession operations	100,000
e. Analysis of concession investment needs and funding sources; for use in development of commercial services plans, concession contracts, and funding considerations	50,000
f. Specialized rate approvals, such as medical services; prepare standardized lists of comparables (similar companies operating outside parks)	50,000
g. Development of guidelines for capital improvements, and conducting facility inventories and condition assessments	100,000
h. Possessory interest appraisal services	800,000
i. Financial analyses (for appraisals, fee determinations, feasibility studies, etc.)	500,000
TOTAL	\$ 1,850,000

3. Assistance to Parks

Requests for approval for park projects will be provided in separate memorandums.

Initial Request for Approval

Of the above-proposed expenditures, approval is requested at this time for the following items. Following some additional review of the other items, a subsequent request for approval will be made with possible adjustments in the funding levels for the first two items.

> Concession Management Advisory Board	\$ 75,000
> Possessory interest appraisal services	800,000
> Financial analyses (for appraisals, fee determinations, feasibility studies, etc.)	500,000
Total of initial request for approval	\$ 1,375,000

The above are current estimates of need, and may need to be revised during the course of the year. These funds are no-year funds, and the balance of available funds will be carried over to the next fiscal year.

Your concurrence is requested of the proposed criteria and procedures for administering the 20%FF, and for the expenditure of funds requested above.

Concur:


 Director **APR 2 1999**

cc: Bruce Sheaffer, Comptroller
 Associate Regional Directors, Park Operations and Education
 Regional Concession Chiefs
 Bruce Wadlington, Manager, CPC
 Barclay Trimble, CPC