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LEGISLATIVE PERFORMANCE REVIEW

WEST VIRGINIA PARKWAYS ECONOMIC DEVELOPMENT AND TOURISM AUTHORITY

AUDIT OVERVIEW

The Retail Activity at Parkways Authority Tourist Information Centers Is an Improper Use of Toll Revenue and It Foregoes the Opportunity to Maximize Revenue

The Number of Staffed Tourist Information Centers Along the Turnpike Can Be Reduced at a Cost Savings of Over \$500,000 and With a Minimal Loss of Service to the Traveling Public

The State Should Consider Having the Division of Tourism Assume Staffing Responsibilities of the Tourist Information Centers Along the West Virginia Turnpike



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December 9, 2008

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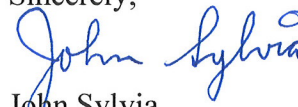
Dear Chairs:

We are transmitting a Performance Review of the *West Virginia Parkways Economic Development and Tourism Authority*, which will be presented to the Joint Committee on Government Operations and Joint Committee on Government Organization on Tuesday, December 9, 2008. The issues covered herein are "*The Retail Activity at Parkways Authority Tourist Information Centers Is an Improper Use of Toll Revenue and It Foregoes the Opportunity to Maximize Revenue;*" "*The Number of Staffed Tourist Information Centers Along the Turnpike Can Be Reduced at a Cost Savings of Over \$500,000 and With a Minimal Loss of Service to the Traveling Public*" and "*The State Should Consider Having the Division of Tourism Assume Staffing Responsibilities of the Tourist Information Centers Along the West Virginia Turnpike.*"

We transmitted a draft copy of the report to the West Virginia Parkways Economic Development and Tourism Authority on November 19, 2008. We held an exit conference on November 25, 2008. We received the agency response on December 2, 2008.

Let me know if you have any questions.

Sincerely,


John Sylvia

JS/tlc

Joint Committee on Government and Finance

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EXECUTIVE SUMMARY

Issue 1: The Retail Activity at Parkways Authority Tourist Information Centers Is an Improper Use of Toll Revenue and It Foregoes the Opportunity to Maximize Revenue.

The Parkways Authority's Tourist Information Centers have two primary functions, assist motorists with travel information and sell merchandise. The merchandise being sold comes from the agency's Tamarack economic development project. The result is the creation of "mini Tamaracks." The concern is the Parkways Authority's use of toll revenue to expand this project, which the Legislative Auditor contends is an improper use of toll revenue under the agency's agreement with the Federal Highway Administration. In addition, the Tamarack retail activity at the TICs is marginally profitable, and consequently, it has a significant opportunity cost. There are alternative uses for the floor space that TICs use to display Tamarack products, one of which is food service, similar to what is provided at the travel plazas. This alternative use would be a significant enhancement to revenue compared to the current retail activity. **The Legislative Auditor recommends that the Parkways Authority consider discontinuing the Tamarack retail activity at all TICs and explore more profitable alternatives for the floor space.**

The Parkways Authority can enhance its revenue significantly if it replaced the Tamarack retail activity at the TICs with more profitable vendor services.

Issue 2: The Number of Staffed Tourist Information Centers Along the Turnpike Can Be Reduced at a Cost Savings of Over \$500,000 and With a Minimal Loss of Service to the Traveling Public.

In comparison to other comparable state turnpike authorities, the Parkways Authority has a significantly greater frequency of staffed TICs per lane mile. The primary reason is the close proximity of the Parkways Authority's TICs. The Princeton and Bluestone TICs are approximately nine miles apart in the southern region of the Turnpike, and the Beckley TIC is less than one mile from the TIC located within the Tamarack facility. The Morton TIC is directly accessible only from the northbound side of the Turnpike and it is repetitive given the Beckley, Bluestone and Princeton locations on the northbound lanes. Staffing the Bluestone, Tamarack and Morton TICs is relatively redundant and it adds a significant cost to the agency's operations. Consideration should be given to discontinuing staffing these three TICs. Tourist information can still be displayed at these three locations without staff. The staffing recommendations of this report have estimated cost savings of approximately \$570,310.

Staffing the Bluestone, Tamarack and Morton TICs is relatively redundant and it adds a significant cost to the agency's operations. Consideration should be given to discontinuing staffing these three TICs.

Issue 3: The State Should Consider Having the Division of Tourism Assume Staffing Responsibilities of the Tourist Information Centers Along the West Virginia Turnpike.

One of the initiatives the Parkways Authority has taken to address its financial constraints is a Refocusing Mission, which would have the agency phase out its current economic development and tourism activities and focus on the principal mission of maintaining the Turnpike. The Parkways Authority should include in this Refocusing Mission having the staffing responsibilities of its TICs transferred to the Division of Tourism. The TICs have a primary function of promoting the state's tourists attractions, and supporting the agency's Tamarack economic development project. Currently, the West Virginia Department of Transportation has all of its eight Welcome Centers staffed by the Division of Tourism, and it is common for turnpikes in other states to have their TICs staffed by a tourism-related state agency. Although there would be a tradeoff of costs between the Division of Tourism and Parkways, the approximately \$1.2 million annually to the Parkways Authority is much needed for road maintenance. The cost to the State would only be about \$650,000 if the staffing recommendations of this report are implemented by the Division of Tourism. Also, another way to help alleviate the costs of providing TICs is to consider charging a fee for the display and distribution of non-state tourism brochures.

Having the Division of Tourism staff the TICs along the Turnpike would give the Parkways Authority much needed funds for road maintenance and repair.

Recommendations

1. *The Parkways Authority should consider discontinuing the Tamarack retail activities at all Tourist Information Centers.*
2. *The Parkways Authority should consider using all floor spaces at TICs currently used for Tamarack retail activities for more profitable retail activities such as food services.*
3. *All Travel Plaza facilities should be restructured to have centralized floor space in the lobby for a travel information desk or wall racks to display tourist information, depending on whether a TIC is staffed or unstaffed.*
4. *The Parkways Authority should consider discontinuing staffing the Morton, Tamarack and Bluestone Tourist Information Centers. Tourist information should be provided at these locations in an unstaffed manner, with contact information for motorists if they need to speak to a travel counselor at one of the staffed TICs.*

5. *The Parkways Authority should consider reducing staff by two positions if it discontinues Tamarack retail activities at the Princeton Tourist Information Center.*
6. *The Legislative Auditor recommends that the State consider transferring all staffing responsibilities of the Tourist Information Centers along the West Virginia Turnpike to the Division of Tourism within the Department of Commerce.*
7. *The Legislative Auditor recommends that the Parkways Authority or the State consider charging a fee for display and distribution of non-state tourism brochures at Tourist Information Centers along the Turnpike and state Welcome Centers.*

OBJECTIVE, SCOPE & METHODOLOGY

This performance review of the West Virginia Parkways Economic Development and Tourism Authority is authorized by West Virginia Code, Chapter 4, Article 2, Section 5. The Parkways Authority is statutorily established by West Virginia Code §17-16A and is created to oversee the maintenance and operation of the West Virginia Turnpike, which is a four lane toll highway, 88 miles in length, from Charleston to Princeton, West Virginia. The Parkways Authority also has a statutory responsibility to promote and enhance economic development and tourism.

Objective

The Parkways Authority operates five staffed Tourist Information Centers. This review examines what cost cutting measures the Parkways Authority can utilize, regarding the TICs, to be more economical and efficient in managing the Turnpike.

Scope

The scope of this review covers the years from the inception of the Parkways Authority in 1989, when it was created to replace the abolished West Virginia Turnpike Commission, through December 2008. This report concerns the operation of the five Tourist Information Centers of the Parkways Authority.

Methodology

The analysis for this review was conducted primarily through information provided by the Parkways Authority, interviews of agency staff, observations by staff of the Legislative Auditor's Office, information received from other state agencies and from turnpike authorities of other states. All aspects of this performance review are in accordance with Generally Accepted Government Auditing Standards.

OVERVIEW

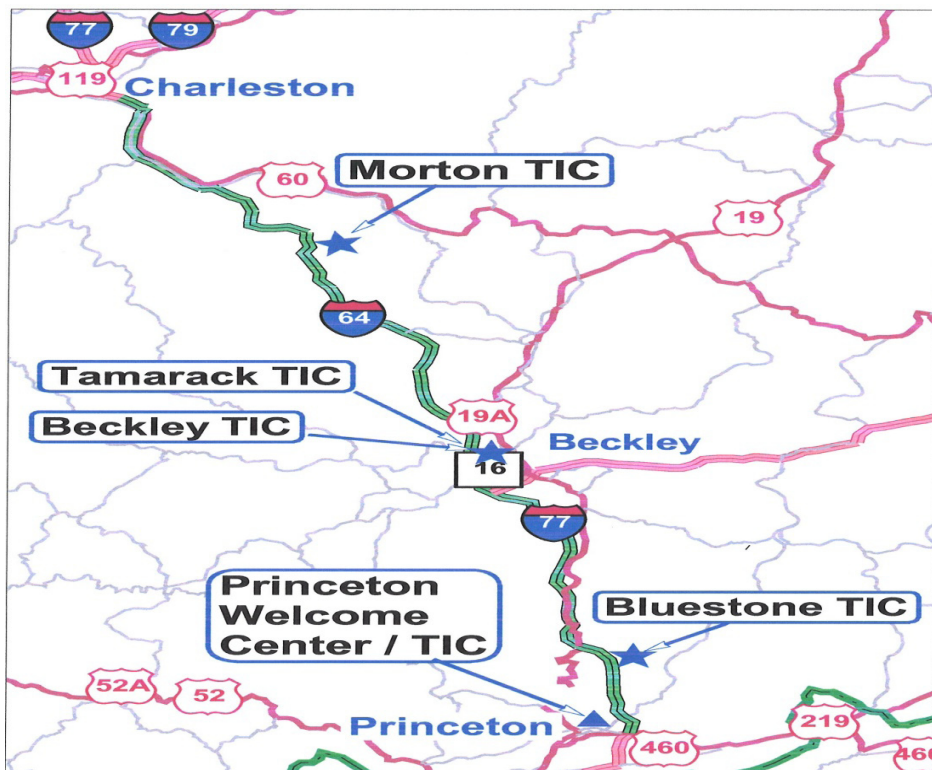
The Parkways Authority Has Too Many Staffed Tourist Information Centers and They Have Retail Activity That Prevents the Agency From Maximizing Its Revenues.

This report concerns the operation of the Tourist Information Centers (TICs) of the West Virginia Parkways Economic Development and Tourism Authority (Parkways Authority). The Parkways Authority operates five staffed TICs along the 88 miles of the West Virginia Turnpike (Turnpike). The map below shows the locations of each TIC. As an overview, the Legislative Auditor finds that the number of staffed TICs along the Turnpike exceeds what is necessary and economical. The number of staffed TICs can be reduced from five to two with a minimal loss of service to the traveling public. Also, the State should consider having TICs along the Turnpike staffed by the Division of Tourism which would reallocate over \$1 million towards maintenance of the Turnpike. Finally, the retail activity currently at TICs should be discontinued and replaced with more profitable alternatives. The present use of floor space by TICs to conduct their retail activities prevents the Parkways Authority from maximizing its revenues.

The number of staffed TICs can be reduced from five to two with a minimal loss of service to the traveling public.

The present use of floor space by TICs to conduct their retail activities prevents the Parkways Authority from maximizing its revenues.

Figure 1: West Virginia Turnpike

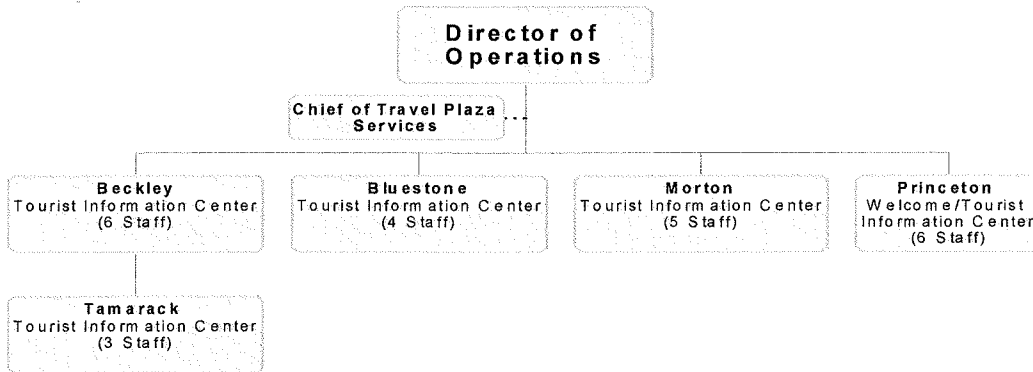


Tourist Information Center Operations

According to Parkways Authority’s financial records, the total operating cost for the five TICs for FY 2008 was \$1,277,673. The TICs are staffed with travel counselors who assist motorists with travel information. The TICs also sell exclusively West Virginia made crafts such as quilts, pottery, glassware, wooden items and a variety of West Virginia foods, all of which are supplied through the agency’s Tamarack economic development project. Below is the organizational chart for the TIC operations.

According to Parkways Authority’s financial records, the total operating cost for the five TICs for FY 2008 was \$1,277,673.

Figure 2: Organizational Chart of Tourist Information Centers



All TICs are located within a travel plaza with the exception of the information desk at Tamarack and the Princeton Welcome Center. The Tamarack TIC only provides tourist information. The TICs are open from 8:30 a.m. to 6:30 p.m. Monday through Sunday, except for the Tamarack TIC which is open from 8:00 a.m. to 8:00 p.m. The peak months for each TIC vary, but typically the busiest months are April through August. The three travel plazas cater to travelers by providing restrooms and food vendors that are overseen by Host Marriott Services (HMS). The Parkways Authority signed a ten-year food service contract with HMS to operate its food and restaurant concessions effective January 2000. The travel plazas were renovated during fiscal year 2001 to provide new

food selections and greater services. The retail activity at TICs requires significant floor space to display Tamarack products. However, this report indicates that the current retail activity is marginally profitable and is foregoing significantly higher revenue if the floor space were used for alternative retail activity such as food vendors. This is discussed further in Issue 1. Brochure displays vary at each TIC based on the number of spaces available. Morton has 212 slots, Bluestone can display 172, Princeton can accommodate 456, Beckley has space for 330 and Tamarack has 152 spaces.

The 24 full-time employees consist of TIC managers and travel counselors.¹ The Chief of Travel Plaza Services is not included in the total number. TIC managers are responsible for ordering and obtaining stock to be sold in their shops. TIC travel counselors are responsible for providing tourist information, selling merchandise, packing and sealing of goods, stocking items, cleaning the shop, transporting goods, and at the Beckley TIC distributing tourist brochures to all TICs. Products are received from the craft warehouse or are physically obtained from Tamarack.

The retail activity at TICs requires significant floor space to display Tamarack products. However, this report indicates that the current retail activity is marginally profitable and is foregoing significantly higher revenue if the floor space were used for alternative retail activity such as food vendors.

Morton TIC



The TIC located in the Morton Travel Plaza (mile marker 72 northbound) has five allocated positions, one manager and four travel counselors. It is estimated that there is a 50-50 split between the functions

¹Although there are 24 budgeted positions, one position is currently vacant and it may be eliminated.

of selling merchandise and providing travel information. The total net revenue from the sale of Tamarack products at Morton for FY 2008 was \$23,253.

Beckley TIC



The TIC located at the Beckley Travel Plaza (Exit 45) has six full-time allocated positions, one manager and five travel counselors. The Beckley TIC serves as the receiving and distribution point for most brochures displayed at all five TICs on the Turnpike. The Beckley TIC also maintains inventory control of retail packing materials such as boxes, bags, bubble wrap and tissue paper for the other TICs. A position at the Beckley TIC is designated for traveling weekly to all centers with brochures and packing supplies. The Beckley TIC has a small detached storage building housing about 2,500 different brochures. The estimated time per employee can be divided into 45 percent retail, 45 percent tourist information, and 10 percent brochure distribution. As shown in the second picture above, a Travel Board is located in the three travel plazas (Morton, Beckley, and Bluestone). The Travel Board provides a map, lodging locations, and other tourist information 24 hours a day. There is a telephone available for travelers to use to make hotel reservations at local destinations. The Travel Board is provided by Travel Boards Incorporated at no cost to HMS. HMS does receive a commission from the advertising on the board quarterly. The ads cost approximately \$200 per year. The Beckley TIC had total net revenue from the sale of Tamarack products for FY 2008 of \$44,804.

The Beckley TIC serves as the receiving and distribution point for most brochures displayed at all five TICs on the Turnpike.

Tamarack TIC



The Tamarack TIC is located within the Tamarack facility and is staffed by Parkways employees. The Tamarack TIC is a full-time information desk. There are three full-time employees and one seasonal temporary who fills in at other TICs as needed. Due to the Tamarack facility being open 12 hours a day, the TIC is also staffed 12 hours a day. The front desk employees count visitors entering the front door using a hand-held counter, answer telephones after 5:00 pm week days and weekends, keep records of tour busses, distribute meal vouchers to tour operators, administer wheel chairs, make announcements, and many other duties that help Tamarack in its day-to-day operations. A Southern West Virginia Convention and Visitors Bureau employee works alongside the Parkway employees at the information desk and performs the same tasks.

The Tamarack TIC is a full-time information desk within the Tamarack facility.

Bluestone TIC



The TIC located within the Bluestone Travel Plaza (mile marker 18 northbound) has four full-time allocated positions, one manager and three travel counselors. The area around the Princeton Welcome Center is becoming commercially congested, so some travelers prefer the easy access of the Bluestone TIC for eating and refueling compared to the Princeton exit, which is around nine miles south of Bluestone. According to the Bluestone staff, it is estimated that 30 percent of the employees' time is spent on providing tourist information and 70 percent of their time is selling goods from the gift shop. The majority of the patrons who utilize the travel plaza are truck drivers. The total net revenue from the sale of Tamarack products for FY 2008 was \$13,486.

Princeton Welcome Center/TIC



The TIC at the West Virginia Welcome Center, located in Princeton, WV (Exit 9), has six full-time allocated positions, one manager and five travel counselors. Employees alternate during the day between working at the information desk and in the gift shop. The Welcome Center's vital location accommodates travelers commuting on Route 460 (east and west) and Interstate 77 (north and south). Although the Welcome Center does not have food vendors on the property, travelers have a variety of restaurant choices close by due to Princeton's recent growth and development in commercial businesses, particularly the restaurant industry. The TIC employees estimate that they spend 60 percent of their time providing tourist information and 40 percent of their time selling goods in the gift shop. The sale of goods generated total net revenue for FY 2008 of \$38,583. However, the Princeton Welcome Center is set up differently from other TICs in that its retail area is in a separate and enclosed area from the information desk. It has distinct labor costs in selling Tamarack products which the Legislative Auditor estimates is \$59,900. Therefore, the Princeton TIC had an estimated revenue loss of \$21,317.

The Welcome Center's vital location accommodates travelers commuting on Route 460 (east and west) and Interstate 77 (north and south).

Significant Cost Savings Can Be Achieved in the Parkways Authority's TIC Operations

This report has three issues that identify areas in the TIC operations that could result in cost savings for the Parkways Authority if the recommendations are implemented. The following are the high points of the report.

- The Parkways Authority has expanded its Tamarack economic development project into its TICs using toll revenue, which is an inappropriate use of toll revenues. In addition, the Tamarack retail activity at the TICs is marginally profitable. The Parkways Authority should discontinue the Tamarack retail activity at all TICs and use the floor space for more profitable retail activity. The revenue enhancement would likely be significant (see Issue 1).
- The number of staffed TICs can be reduced from five to two, without a significant loss of service to motorists. Also, eliminating the retail activity at the Princeton TIC would result in the reduction of two staff positions. The total cost savings would be \$570,310 (see Issue 2).

The Parkways Authority should discontinue the Tamarack retail activity at all TICs and use the floor space for more profitable retail activity.

Staffing reductions can be made at a cost savings of \$570,310 with a minimal loss of services to motorists.

- The State should consider having TICs along the Turnpike staffed by the Division of Tourism which would free up as much as \$1.2 million to Parkways Authority for road maintenance and repair. If the Division of Tourism follows the staffing recommendations of this report, the costs shifted to the State would be approximately \$650,000 (see Issue 3).

If these recommendations are implemented, the Parkways Authority would realize over \$1.2 million in net gains, with minimal loss of service to the traveling public.

ISSUE 1

The Retail Activity at Parkways Authority Tourist Information Centers Is an Improper Use of Toll Revenue and It Foregoes the Opportunity to Maximize Revenue.

Issue Summary

The Parkways Authority TICs have two primary functions, assist motorists with travel information and sell merchandise. It is of particular interest that the merchandise sold at TICs is exclusively from the agency’s Tamarack economic development project. The concern with this arrangement is that the Parkways Authority is using toll revenue to expand an economic development project, which is an improper use of toll revenue under the agency’s agreement with the Federal Highway Administration. In addition, this retail activity is marginally profitable. The Legislative Auditor estimates that total revenue from all four locations that sell Tamarack merchandise cover costs by a relatively small margin each year (see Table 1). Furthermore, there is an opportunity cost in this retail activity. The TICs have relatively large floor space to accommodate the large display of Tamarack products. There are alternative uses for this floor space, one of which is food service, similar to what is provided at the travel plazas. This alternative use would be a significant enhancement to revenue compared to the current retail activity. **The Legislative Auditor recommends that the Parkways Authority consider discontinuing the retail activity at all TICs and explore more profitable alternatives for the floor space.**

The TICs have relatively large floor space to accommodate the large display of Tamarack products. There are alternative uses for this floor space, one of which is food service, similar to what is provided at the travel plazas. This alternative use would be a significant enhancement to revenue compared to the current retail activity.

**Table 1
Retail Activity
At Parkways Tourist Information Centers**

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenue:					
Gross Retail Sales Revenue	\$734,578	\$784,117	\$814,489	\$797,461	\$799,453
Expenses (Actual & Estimated):					
Total Cost of Tamarack Goods	\$753,748	\$696,180	\$676,469	\$726,256	\$679,326
Estimated Labor Costs For Retail Activities (Princeton Location)	\$45,867	\$49,032	\$52,416	\$56,033	\$59,900
Total Estimated Costs	\$799,615	\$745,212	\$728,885	\$782,289	\$739,226
Est. Net Revenue (Loss) From Retail Activity	(\$65,307)	\$38,905	\$85,604	\$15,172	\$60,227

Source: PERD analysis of Parkways Authority data.

Using Toll Revenue for an Economic Development Project Is Improper

Four of the five TICs along the Turnpike sell merchandise.² The products sold are exclusively from the agency’s Tamarack economic development project. Toll revenues are used to purchase Tamarack products and pay the salaries and benefits of TIC employees. The concern is that the Parkways Authority has expanded the Tamarack project to other locations along the Turnpike, namely the TICs, thus creating “mini Tamaracks.”

The Parkways Authority has a Tri-Partite Agreement with the West Virginia Department of Transportation and the Federal Highway Administration that specifies that toll revenues, “will be used only on the Turnpike for construction and reconstruction costs and for costs necessary for the operation, maintenance, payment and refinancing of debt service of the Turnpike including resurfacing, reconstruction, rehabilitation and restoration.”³ A legal opinion from the Legislative Auditor’s Office concludes that “...money spent from toll revenues for the total cost to have TIC employees sell Tamarack products violates the 1988 Tripartite Agreement.”

The Parkways Authority responded to the legal opinion. In a response dated September 26, 2008, which is also referenced in Appendix B, the Parkways Authority made several comments in an attempt to justify the sale of Tamarack products at TIC’s. The following statements were made:

Your conclusion that the activity within the TIC operations is only an extension in support of Tamarack ignores the fact that Parkways Authority carefully segregates funds into discrete accounts as a result of which toll revenues are not co-mingled with Tamarack operating funds ear marked for the payment of Tamarack bonds. In other words, as I indicated in our prior letter, the Parkways Authority actually purchases items from the Tamarack system for resale in its Tourist Information Centers. It pays for those in two separate operations, but nevertheless they are clearly paid for with funds transferred from one discrete fund to another to recognize those transactions....The Tri-Partite Agreement does not in any way govern the sources from

Toll revenues are used to purchase Tamarack products and pay the salaries and benefits of TIC employees. The concern is that the Parkways Authority has expanded the Tamarack project to other locations along the Turnpike, namely the TICs, thus creating “mini Tamaracks.”

A legal opinion from the Legislative Auditor’s Office concludes that “... money spent from toll revenues for the total cost to have TIC employees sell Tamarack products violates the 1988 Tripartite Agreement.”

²The Tourist Information Center located within the Tamarack facility does not sell merchandise.

³Memorandum of Supplemental Agreement between the West Virginia Department of Highways, the West Virginia Turnpike Commission and the Federal Highway Administration, Department of Transportation, pp. 2-3.

which retail items may be purchased for resale at TIC's.... It does not seem to make retail sense to purchase goods from other sources and especially such items as "rubber tomahawks" from China, when better quality goods are available to be purchased at wholesale from the Tamarack system and resold at retail by the TICs. The real issue here appears to be the issue involving segregation of funds preventing co-mingling of toll revenues, and revenues generated from and for the Tamarack System operations and bonds.

It is the opinion of the Legislative Auditor that the arguments made by the agency are not justification for expanding the Tamarack economic development project into the TIC operations using toll revenues. One of the Parkways Authority's arguments is that the issue is the segregation of funds to prevent the co-mingling of toll revenues and Tamarack revenues. However, the Tri-partite Agreement is primarily concerned with the "use" of funds, not the segregation of funds. While the agency does well to segregate its funds appropriately, it is clear from the agency's response and other evidence that funds from the toll operations are going to the fund for the Tamarack project. Also, the labor costs associated with selling Tamarack products is paid out of the toll road operating fund. Regardless of the segregation of funds, the fact is that toll revenues are being used to expand the agency's Tamarack economic development project.

In response to the Parkways Authority's argument that the Tri-Partite Agreement does not govern the sources from which retail items may be purchased for resale, the Legislative Auditor concludes that this is not necessarily true. The purchase of retail items for resale is governed by the agreement, in that purchases must be in keeping with the intent of the agreement. Items being purchased for resale are coming from the agency's economic development project. It is clear that these purchases (close to \$1 million per year) have been a significant support to the Tamarack project. Therefore, the Legislative Auditor concludes that the Parkways Authority is not in compliance with the intent of the Tri-Partite Agreement in the use of toll revenues.

The TIC Retail Activity Prevents the Agency From Maximizing Revenue

Another concern with the expansion of the Tamarack project into the TICs is that it has denied the agency the opportunity to maximize its revenues. Although the retail activity at the TICs is able to cover the associated costs, the profitability of the overall operation is marginal and erratic as indicated in Table 1 on page 21. The floor space that is used to display Tamarack products at TICs is sizable and can be used for more

Regardless of the segregation of funds, the fact is that toll revenues are being used to expand the agency's Tamarack economic development project.

The Legislative Auditor concludes that the Parkways Authority is not in compliance with the intent of the Tri-Partite Agreement in the use of toll revenues.

profitable retail activities. The Parkways Authority is not concerned with the relatively low profit generated at the TICs. It considers any revenue generated at the TICs as “bonus income.” The Parkways Authority has the view that the TICs are established to provide a service for the traveling public. According to the agency,

...the Tourist Information Centers are basically going to cost the same with or without craft sales. The crafts are an additional attraction to the public... any net revenues generated by crafts sales at the TIC’s should be viewed as “bonus income” to offset the already established costs of providing the public tourist information at the travel centers.

The Legislative Auditor agrees that TIC costs would be about the same with or without the retail activity, with the exception of the Princeton TIC. This determination is made through comparing the staffing levels between the Parkways Authority TICs and the Department of Transportation’s (DOT) Welcome Centers that are staffed by the Division of Tourism. The DOT Welcome Centers do not sell merchandise, but the staffing levels are similar to Parkways Authority TICs. However, the Princeton TIC is the exception because it is setup differently. The Princeton TIC has its retail activity in a separate and enclosed area that requires a staff person to be there primarily for retail service, while other staff are in another area to strictly provide tourist information. In the other TICs, the retail activity and tourist information are in the same area, so a staff person is simultaneously available to serve in either capacity. Therefore, there is a distinct cost to provide the retail service at the Princeton TIC.

Table 2 shows the cost estimate to provide the Tamarack retail service at Princeton for FY 2008. Two positions are necessary to work seven days a week, one working 40 hours and the other working 30 hours. The Parkways Authority currently has six full-time non-supervisory staff working at the Princeton TIC, which includes a temporary person. Calculations and estimates were made to determine the average annual income of the non-supervisory staff for FY 2008, and the benefits and payroll costs. Benefits and payroll costs for Princeton were estimated at 41.7 percent of salaries, based on actual salaries, benefits and payroll costs for all TICs. As Table 2 indicates, the Legislative Auditor estimates the total labor cost of providing retail services at the Princeton TIC for FY 2008 is approximately \$59,900. The average annual growth of salaries for these same employees for their employment tenure is 6.9 percent a year. Based on this annual growth rate, Table 1 (on page 21) shows the estimated cost of the retail activity at the Princeton TIC for the 2004-2008 period.

Although the retail activity at the TICs is able to cover the associated costs, the profitability of the overall operation is marginal and erratic as indicated in Table 1. The floor space that is used to display Tamarack products at TICs is sizable and can be used for more profitable retail activities.

Table 2 FY 2008 Estimated Cost for the Retail Activity at the Princeton TIC	
Average Annual Salary*	\$24,159
Benefits to Salary Ratio**	41.7 Percent
Average Annual Income and Benefits for one full-time position.	\$34,229
Cost of one staff person working 30 hours (75% of \$34,229).	\$25,671
Total 2008 Cost for Retail Activity at Princeton TIC	\$59,900
<p><i>Source: PERD analysis of Parkways Authority data.</i></p> <p><i>* Includes salaries of non-supervisory positions, including a temporary position, at the Princeton TIC.</i></p> <p><i>**Includes agency retirement contributions, FICA, health premium payments, and workers compensation.</i></p>	

When the cost for providing retail services at the Princeton TIC is combined with the cost of goods for all TICs, the profitability of the Parkways Authority’s retail activity at its TICs is inconsistent and marginal (see Table 1 on page 21). The retail activity at the Princeton TIC has lost money in each of the five years (2004-08) reviewed. Although this is not a concern to the agency, the Parkways Authority should reevaluate its current TIC retail activity in light of more profitable alternatives. The concern is that the floor space used at TICs to display Tamarack products is sufficient to have other food vendors operate more profitably, which would significantly enhance net revenue to the agency above what it receives from the sale of Tamarack products. Furthermore, discontinuing retail activities at the Princeton TIC would eliminate the need for two staff positions, which would save the agency nearly \$60,000. Travel information can still be provided through strategically located travel information desks, similar to the Princeton TIC. The Ohio Turnpike Commission has service desks located in the common lobby area of its Service Plazas. Its staff does not sell merchandise.

Travel information can still be provided through strategically located travel information desks, similar to the Princeton TIC. The Ohio Turnpike Commission has service desks located in the common lobby area of its Service Plazas. Its staff does not sell merchandise.

The amount of revenue that the Parkways Authority is foregoing because of the Tamarack retail activity is a significant opportunity cost. Currently, three of the five TICs are located within a travel plaza where food service is provided. The Beckley travel plaza is the largest of the three. The Bluestone travel plaza has a Blimpie, Uno Pizza, Starbucks Coffee, Travel Mart, and TCBY (The Country’s Best Yogurt). The Beckley and Morton travel plazas have Burger King, Starbucks Coffee, and TCBY. Additionally, the Morton Travel Plaza has a KFC/Pizza Hut Express, and the Beckley Travel Plaza has a Travel Mart, Quiznos and Sbarro Italian Restaurant. Table 3 shows the total amount of sales revenue from all concession at the three travel plazas.

Table 3
Parkways Authority Travel Plazas
Food Service Gross Sales

Calendar Year	Total Food Service Gross Sales
2007	\$10,549,234
2006	\$9,965,965
2005	\$9,039,134

Source: The West Virginia Parkways Economic Development and Tourism Authority.

The Parkways Authority has the Host Marriott Services Corporation manage the food service concessions at the travel plazas. The Parkways Authority receives 18 percent of gross sales from all travel plaza food services. Table 4 shows the Parkways Authority’s share of travel plaza food service revenues at each location. The Parkways Authority received over \$1.8 million in concession revenues in calendar year 2007.

Table 4
Parkways Authority’s Share
of Travel Plaza Food Service

Calendar Year	Morton	Beckley	Bluestone	Grand Total
2007	\$493,937	\$1,126,328	\$267,492	\$1,887,756
2006	\$444,557	\$1,063,404	\$274,678	\$1,782,639
2005	\$400,167	\$974,940	\$240,564	\$1,615,672

Source: The West Virginia Parkways Economic Development and Tourism Authority.

It is difficult to estimate how much additional revenue would be generated if the current Tamarack retail activities at the TICs were replaced by new food vendors. There are a number of variables that influence the amount of concession revenue that the Parkways Authority receives through travel plaza food services. The location of the travel plaza is a major factor, but the type of food concept is also important. Also, adding a new food vendor would likely take away sales from current vendors. Furthermore, the Parkways Authority would likely have to assume some initial capital cost to add vendors depending on what type of vendor is added.

Adding new vendors at the three travel plazas and at the Princeton Welcome Center would generate significantly more revenue than the current retail activity.

For FY 2008, the Bluestone TIC had \$13,486 in net sales of Tamarack goods, Morton’s Tamarack sales netted \$23,253, and Beckley’s Tamarack sales netted \$44,804. The Tamarack retail activity at the Princeton TIC has lost revenue in each of the past five years. The loss in FY 2008 was an estimated \$21,317 and the estimated loss was high as

\$132,097 in FY 2004. On the other hand, the average annual amount that the Parkways Authority received in commissions from vendors at Bluestone was about \$52,000 per vendor over the past three years. At Morton, the average annual commission generated from vendors was \$89,000, and at the Beckley the average was \$150,000 per vendor. The overall revenue enhancement from replacing the current Tamarack retail activity with new food vendors at the three travel plazas and an appropriate new vendor at the Princeton Welcome Center cannot be determined; however, it would likely be significantly above what is currently generated by the sale of Tamarack goods. Furthermore, replacing the current retail activity at the Princeton TIC would eliminate the need for two staff positions, at a cost savings of nearly \$60,000, as well as raise revenues.

Conclusion

Although it is common for turnpike authorities to provide travel information, selling merchandise at TICs varies. In a survey of comparable state turnpike authorities, the Legislative Auditor found that Kansas and Oklahoma sell merchandise at their TICs, while Maryland, New Hampshire and Ohio do not, and the Maine Turnpike Authority does not have TICs. This issue is important as it relates to the Parkways Authority because the present retail activity is marginally profitable and the foregone revenue of alternative retail activity is relatively high. Furthermore, given that the retail activity at the TICs involves selling products from the agency's Tamarack economic development project, the current retail activity is not an appropriate use of toll revenue.

Given this set of circumstances, the Parkways Authority should consider discontinuing the current Tamarack retail activities at all TICs and use the floor space for more profitable alternatives, such as food services. This would enhance revenue to the agency significantly. This would also be in line with a resolution the Parkways Authority adopted on April 12, 2007, that directed an examination of the agency's travel plazas with the objective to "maximize the revenue derived for Parkways operations."⁴ The Parkways Authority can still provide tourist information at travel plazas by using a travel desk in the lobby area of the travel plaza building or by having travel brochures displayed in wall racks.

The Parkways Authority adopted a resolution in April 2007 to examine its travel plazas with the objective to "maximize the revenue derived from Parkways operations." Discontinuing Tamarack retail activities at TICs would be in line with this objective.

⁴*Resolution, Refocusing Mission of the West Virginia Parkways Authority, April 12, 2007, West Virginia Parkways Economic Development and Tourism Authority.*

Recommendations

1. *The Parkways Authority should consider discontinuing the Tamarack retail activities at all Tourist Information Centers.*
2. *The Parkways Authority should consider using all floor spaces at TICs currently used for Tamarack retail activities for more profitable retail activities such as food services.*
3. *All Travel Plaza facilities should be restructured to have centralized floor space in the lobby for a travel information desk or wall racks to display tourist information, depending on whether a TIC is staffed or unstaffed.*

ISSUE 2

The Number of Staffed Tourist Information Centers Along the Turnpike Can Be Reduced at a Cost Savings of Over \$500,000 and With a Minimal Loss of Service to the Traveling Public.

Issue Summary

The Princeton and Bluestone TICs are approximately nine miles apart in the southern region of the Turnpike, and the Beckley TIC is less than one mile from the TIC located within the Tamarack facility. The Morton TIC is directly accessible only from the northbound side of the Turnpike and it is repetitive given the Beckley, Tamarack, Bluestone and Princeton locations on the northbound lanes. Having staff at the Bluestone, Tamarack and Morton TICs is relatively redundant and they add a significant cost to the agency's operations. Tourist information can still be displayed at these three locations without staff, and information can be posted for travelers to call the Princeton or Beckley TIC if they need to speak to a travel counselor. This would minimize the loss of service to the traveling public. In comparison to other comparable state turnpike authorities, the Parkways Authority has a significantly greater frequency of staffed TICs per lane mile. **The Parkways Authority should consider reducing the number of staffed TICs from five to two.** The estimated cost savings would be more than \$500,000.

Having staff at the Bluestone, Tamarack and Morton TICs is relatively redundant and they add a significant cost to the agency's operations. Tourist information can still be displayed at these three locations without staff, and information can be posted for travelers to call the Princeton or Beckley TIC if they need to speak to a travel counselor.

The Number of Parkways Authority TICs Per Lane Mile Is High

The Legislative Auditor compared the number of Parkways Authority TICs per lane mile to other comparable state turnpike authorities. The state turnpikes that were used in the comparison are the same ones used in a previous report on the Parkways Authority issued by the Legislative Auditor in May 2008. These state turnpikes were found to be comparable to the Parkways Authority in terms of traffic volume. As Table 5 indicates, the Parkways Authority has 1 TIC per 83 miles on average, while other turnpike authorities have significantly less frequency of TICs per lane mile. For example, the Kansas and Oklahoma Turnpike Authorities have one and three TICs respectively, but they are staffed by a tourism-related state agency. The Maryland Transportation Authority has two TICs along the JFK Highway, but one is staffed by the Authority and the other is staffed by another state agency. Therefore, the Maryland Transportation Authority has 1 TIC for 334 lane miles on the JFK Highway. The Ohio Turnpike Commission averages 1 TIC per 125 lane miles and the New Hampshire Turnpike System devotes 1 TIC per 156 lane miles.

The Parkways Authority has 1 TIC per 83 miles on average, while other turnpike authorities have significantly less frequency of TICs per lane mile.

When these factors are considered, it shows that the Parkways Authority’s financial resources dedicated towards TICs are relatively high. In addition, the comparison with other state turnpikes presents West Virginia an alternative of having TICs staffed by another state agency, which would free toll revenues for road maintenance and repair. Issue 3 of this report discusses the benefit of using the West Virginia Division of Tourism to staff TICs along the Turnpike.

**Table 5
Travel Information Centers Per Lane Mile
West Virginia & Other States**

	Staffed TICs on Turnpike	TICs Staffed by the Turnpike	Total Lane Miles	Turnpike Staffed TICs Per Lane Miles
WV Parkways Authority	5	5	415	83
Ohio Turnpike Commission	11	11	1,373	125
New Hampshire Turnpike System	4	4	625	156
Maryland Trans. Authority - JFK Highway	2	1	334	334
Oklahoma Turnpike Authority	3	0	2,389	0
Kansas Turnpike Authority	1	0	980	0
Maine Turnpike Authority	0	0	510	0

Source: The number of TICs was provided by staff of the respective Turnpike Authorities. Total lane miles for Kansas, Maine, New Hampshire, and Ohio were provided by staff of the respective Turnpike Authority, while lane miles for Maryland and Oklahoma were obtained through the Turnpike Authority’s Comprehensive Annual Financial Reports.

Over \$500,000 Can Be Saved by Cutting Three Staffed TICs

The primary reason for Parkways Authority’s high frequency of staffed TICs per lane mile is that it has TICs in close proximity to each other. Figure 1 in the Overview section of this report illustrates the locations of each TIC along the Turnpike. The Beckley and Tamarack TICs are less than a mile from each other, while the Princeton and Bluestone TICs are about nine miles from each other. Furthermore, the Bluestone TIC is directly accessible only on the northbound side, making it inaccessible to a significant number of motorists. The close proximity and limited accessibility make the Bluestone and Tamarack TICs relatively redundant. The additional cost to have staffed TICs this close to each other and one having limited accessibility, compared to the additional service it provides the traveling public is not economical, given the agency’s need of funds for road maintenance. Tourist information can still be provided at the Bluestone and Tamarack TICs without staff, along

The primary reason for Parkways Authority’s high frequency of staffed TICs per lane mile is that it has TICs in close proximity to each other.

with telephone numbers for the Beckley or Princeton TIC if a traveler at Bluestone or Tamarack needs to discuss tourist information with a travel counselor. This would significantly minimize the loss of human service to the traveling public at the Bluestone and Tamarack TICs. Furthermore, the Host Marriott Services Corporation provides a travel board at the Bluestone, Beckley and Morton TICs that is helpful to motorists.

There are currently three TIC employees at the Tamarack facility and four employees at the Bluestone TIC. The total actual 2008 annual salaries for these seven workers is \$186,180. Based on the salary/benefits ratio of 41.7 percent for all TICs, the total estimated benefits and payroll costs for the seven workers at Bluestone and Tamarack is \$77,637. The combined total staffing cost for these seven employees is an estimated \$263,817.

The Morton TIC, located at the northern section of the Turnpike, can also be cut with minimal loss to the traveling public. The Morton TIC is directly accessible only from the northbound side of the Turnpike. According to a 2005 traffic study conducted for the Parkways Authority by Wilbur Smith Associates, nearly half of the passenger vehicles on the Turnpike pass completely through West Virginia.⁵ When all other traffic on the southbound lanes is considered, the traffic study indicates that over half of Turnpike travelers are either passing the Morton TIC on the southbound side, or they have had the opportunity to stop at Princeton, Bluestone, Tamarack, and Beckley for tourist information. Having a staffed TIC at Morton is too costly compared to the additional service it may provide the traveling public. Furthermore, tourist information can be provided at Morton without staff in the same manner as recommended for Bluestone and Tamarack. The total actual and estimated staffing cost for the Morton TIC is \$246,592.

Finally, if Tamarack retail activities at the Princeton TIC are discontinued, the need for two staff positions would be eliminated for a cost savings of \$59,900. The combined annual cost savings to the Parkways Authority if the Bluestone, Tamarack and Morton TICs were unstaffed and two staff positions were eliminated by discontinuing the retail activity at the Princeton TIC is around \$570,310.

The additional cost to have staffed TICs this close to each other and one having limited accessibility, compared to the additional service it provides the traveling public is not economical, given the agency's need of funds for road maintenance.

When all other traffic on the southbound lanes is considered, the traffic study indicates that over half of Turnpike travelers are either passing the Morton TIC on the southbound side, or they have had the opportunity to stop at Princeton, Bluestone, Tamarack, and Beckley for tourist information. Having a staffed TIC at Morton is too costly compared to the additional service it may provide the traveling public.

⁵*Traffic and Toll Revenue Update Study 2005, prepared for the West Virginia Parkways Economic Development and Tourism Authority by Wilbur Smith Associates, November 2005, pp. ES-1, 3-11.*

Conclusion

The number of staffed TICs along the Turnpike is relatively high compared to other comparable state Turnpike Authorities. This is the result of the close proximity of the Bluestone TIC to the Princeton TIC, and the Beckley TIC to the Tamarack TIC. Besides its proximity to the Princeton TIC, the Bluestone TIC is directly accessible only to northbound traffic. This is also true for the Morton TIC. With five staffed locations along the northbound side of the Turnpike to acquire tourist information, having staffed TICs at Morton, Tamarack and Bluestone is relatively redundant. Although it is understood the importance of providing assistance to motorists, the staffing cost of the TICs is disproportionate to the benefits to motorists. Given the agency's financial constraints and need for funds to maintain the roadway, consideration should be given to reducing the number of staffed TICs from five to two.

With five staffed locations along the northbound side of the Turnpike to acquire tourist information, having staffed TICs at Morton, Tamarack and Bluestone is relatively redundant.

Recommendations

4. *The Parkways Authority should consider discontinuing staffing the Morton, Tamarack and Bluestone Tourist Information Centers. Tourist information should be provided at these locations in an unstaffed manner, with contact information for motorists if they need to speak to a travel counselor at one of the staffed TICs.*
5. *The Parkways Authority should consider reducing staff by two positions if it discontinues Tamarack retail activities at the Princeton Tourist Information Center.*

Given the agency's financial constraints and need for funds to maintain the roadway, consideration should be given to reducing the number of staffed TICs from five to two.

ISSUE 3

The State Should Consider Having the Division of Tourism Assume Staffing Responsibilities of the Tourist Information Centers Along the West Virginia Turnpike.

Issue Summary

Over the last several years the Parkways Authority has been experiencing financial constraints in providing the necessary maintenance and repair of the West Virginia Turnpike. In a previous report, the Legislative Auditor found that the Parkways Authority has made efforts to become more economical, but there are still areas where cost savings can be achieved. One of the initiatives the Parkways Authority has taken to address the financial constraints is a Refocusing Mission, which would have the agency phase out its current economic development and tourism activities and focus on the principal mission of maintaining the Turnpike. While this is a much needed initiative, the Legislative Auditor does not see any evidence that the TIC operations are being incorporated in the Refocusing Mission. The TICs have a primary function of promoting the state's tourists attractions, and supporting the agency's Tamarack economic development project, which suggests that TICs should be included in the phase-out process of the agency's Refocusing Mission. This can be accomplished by considering having the Division of Tourism assume the staffing responsibilities of the TICs. Currently, the West Virginia Department of Transportation has all of its eight Welcome Centers staffed by the Division of Tourism, and it is common for turnpikes in other states to have their TICs staffed by a tourism-related state agency.

The shifting of the staffing costs from the Parkways Authority to the Division of Tourism would save the Parkways Authority approximately \$1.2 million annually that would be available for the maintenance of the road. Furthermore, the staffing costs that the Division of Tourism would assume would be considerably less if it cuts three of the staffed TICs as recommended in Issue 2 of this report. **Therefore, the Legislative Auditor recommends that the State consider transferring the staffing responsibilities of the TICs along the West Virginia Turnpike to the West Virginia Division of Tourism.**

The Parkways Authority's Refocusing Mission Should Include TIC Operations

In April 2007, the Parkways Authority passed a resolution to address the agency's financial constraints. The resolution is entitled "Refocusing Mission of the West Virginia Parkways Authority"

The TICs have a primary function of promoting the state's tourists attractions, and supporting the agency's Tamarack economic development project, which suggests that TICs should be included in the phase-out process of the agency's Refocusing Mission.

The shifting of the staffing costs from the Parkways Authority to the Division of Tourism would save the Parkways Authority approximately \$1.2 million annually that would be available for the maintenance of the road.

(Refocusing Mission). The intent of the Refocusing Mission is to refocus the agency’s mission back to its core responsibility of operating and maintaining the West Virginia Turnpike. The Refocusing Mission makes the following statements.

...With regard to Turnpike Travel-Service Plazas, explore all appropriate options consistent with the new directives and recommend courses of action to: (a) maximize the revenue derived for Parkways operations, and at the same time to (b) minimize the cost to the Authority of such operations;

Develop and identify a series of initiatives that can be pursued to make the Authority more efficient and responsive to the needs of our citizens; among those initiatives will be the elimination and phase-out of all economic development and tourism projects from Parkways Authority activities;

Provide all cooperation and planning necessary to lay the groundwork for the transfer of Tamarack operations to the Department of Commerce and cooperation with that Department to develop an improved business plan for Tamarack.

As indicated in the Refocusing Mission, an objective is for the agency to eliminate and phase out all economic development and tourism projects. Although TICs are not a tourism project by definition, they are primarily serving an economic development and tourism function by selling Tamarack products from the agency’s economic development project, and by promoting tourist attractions of the state to the traveling public. Issue 1 of this report finds that selling Tamarack products at TICs should be discontinued because it is contrary to the agency’s Tri-Partite Agreement, and it precludes the agency from maximizing revenues from its Travel Plazas. Furthermore, promoting tourist attractions of the state would fit best with the Division of Tourism. As such, the retail activities of the TICs should be discontinued in accordance to the phase-out process under the Refocusing Mission, and the tourism-related aspects of TICs should be transferred to the Division of Tourism.

As indicated in the Refocusing Mission, an objective is for the agency to eliminate and phase out all economic development and tourism projects. Although TICs are not a tourism project by definition, they are primarily serving an economic development and tourism function by selling Tamarack products from the agency’s economic development project, and by promoting tourist attractions of the state to the traveling public.

West Virginia’s DOT Uses the Division of Tourism to Staff Its Welcome Centers

According to the West Virginia Division of Highways, all eight Welcome Centers located along West Virginia interstate highways are owned and maintained by the Department of Transportation, but the staff who assist motorists and provide travel information are employees of the Department of Commerce’s Division of Tourism. The staffing costs are

the responsibility of the Division of Tourism. Currently, the Division of Tourism has 31 employees working at the 8 Welcome Centers, averaging around 4 employees per Center. Merchandise is not sold at the Welcome Centers.

Other State Turnpikes Use Tourism Employees to Staff TICs

Given the information received from six turnpike authorities that are comparable to the Parkways Authority, it is not unusual to have another state agency staffing TICs along the turnpike. Table 6 shows that the Kansas, Maryland and Oklahoma Turnpikes have TICs that are staffed by another state agency related to economic development or tourism.

Given the information received from six turnpike authorities that are comparable to the Parkways Authority, it is not unusual to have another state agency staffing TICs along the turnpike.

**Table 6
Travel Information Centers
West Virginia & Other States**

	Number of Staffed TICs	Number of TICs Staffed by Another State Agency	Time of Operations	Are Fees Charged for the Display and Distribution of Travel Brochures?
Kansas	1	1	Year Round	No
Maine	0	n/a	n/a	Yes*
Maryland	2	1	Year Round	No
New Hampshire	4	0	Year Round	Yes
Ohio	11	0	Year Round	Yes
Oklahoma	3	3	Year Round	No
Parkways Authority	5	0	Year Round	No
West Virginia DOT	8	8	Year Round	No

*Source: Respective Turnpike Authorities and the West Virginia Department of Transportation.
Maine charges a fee for its Welcome Centers around the state.

If TICs Were Staffed By the Division of Tourism, Over a Million Dollars Would Be Available for Turnpike Road Maintenance

The Parkways Authority’s total operating cost for TICs for FY 2008 was approximately \$1.2 million. The Legislative Auditor estimates that the total net revenue from the sale of goods at the TICs was about \$60,000, which, of course, does not cover the operating costs of the

TICs. Although providing travel information serves a useful purpose in promoting the state, the \$1.2 million could serve a more useful purpose by funding Turnpike road repair and maintenance projects.

The TICs are staffed by 24 full-time employees that consist of TIC managers and travel counselors. This total does not include the Chief of Travel Plaza Services who oversees all TIC operations. Issue 2 of this report indicates that three of the five TICs could be cut because of redundancy and considering the close proximity of these TIC locations.

If the State transferred all staffing responsibility of TICs along the West Virginia Turnpike to the Division of Tourism, the \$1.2 million currently for TICs would become available for Turnpike road repair and maintenance. If the Division of Tourism implements the recommendations to cut three staffed TICs and reduce staff by two at the Princeton TIC by eliminating the Tamarack retail activity, the total cost to the Division of Tourism would be approximately \$650,000 per year.

A Fee Could be Charged for the Display and Distribution of Tourism Brochures

Another way to help alleviate the costs of providing TICs is to consider charging a fee for the display and distribution of tourism brochures. The Beckley TIC serves as the receiving and distribution point for most brochures displayed at all five TIC centers on the Turnpike. The Beckley TIC has a small detached storage building housing about 2,500 different brochures. Brochure displays vary at each TIC based on the number of spaces available.

Table 6 shows that three of the state turnpikes surveyed charge a fee for displaying and distributing tourism brochures. The New Hampshire Department of Resources and Economic Development, Division of Travel and Tourism Development charges a fee for its tourism brochures but not for state sponsored brochures. A fee is charged for businesses to display their brochures in the New Hampshire State Welcome/ Information Centers. For example, non-profits organizations pay \$2 per center per standard size brochure for a year, business organizations (like a chamber of commerce) pay \$5 per center per standard size brochure for a year, and for-profit businesses pay \$10 per center per standard size brochure for a year. The participants are required to contract with one of the state approved distribution companies to deliver their brochures, for which they pay for themselves. Only state agencies are allowed to deliver their own literature to the centers. The program generates approximately \$30,000 per year in rack fees.

Although providing travel information serves a useful purpose in promoting the state, the \$1.2 million could serve a more useful purpose by funding Turnpike road repair and maintenance projects.

If the Division of Tourism implements the staffing recommendation of this report, the total cost to the Division of Tourism would be around \$650,000 per year.

Another way to help alleviate the costs of providing TICs is to consider charging a fee for the display and distribution of tourism brochures.

The Maine Tourism Association collects approximately \$100,000 a year for brochure warehousing, distribution, and inventory at Maine's seven Interstate Travel Centers. The cost to display tourist brochures at all seven centers is \$135 per brochure for 12 months. In addition, a 12 month membership fee of \$150 is charged to be able to display brochures at the centers.

Convention and Visitors Bureaus (CVBs) also display and distribute tourism brochures, but they administer the distribution by charging a fee. CVBs are non-profit organizations whose primary function is to market their designated area through funds generated by membership fees to the organization. The Parkways' TICs distribute brochures free of charge.

Conclusion

Given the financial constraints the Parkways Authority is experiencing, the State should consider having Turnpike TICs staffed by the Division of Tourism. Although the Parkways' TIC staff performs an important service, the Governor's Refocusing Mission for the Parkways Authority makes it reasonable to have the TIC staff administered by the Division of Tourism. This would also meet the objective of the Refocusing Mission to "minimize the cost to the Authority of such operations." Implementing this recommendation would make \$1.2 million available for repair and maintenance of the Turnpike. Although this represents a reallocation of funds, the State should consider the importance the funds would have towards maintaining the West Virginia Turnpike. Furthermore, the cost to the State would be around \$650,000 if the staffing recommendations of this report are implemented. This would be a consistent approach to having a tourism-related state agency staff TICs similar to the arrangement between the West Virginia Department of Transportation and the Division of Tourism. In addition, consideration should be given to charging a fee for the display and distribution of non-state tourism brochures to help offset the operating costs for TICs.

Recommendations

6. *The Legislative Auditor recommends that the State consider transferring all staffing responsibilities of the Tourist Information Centers along the West Virginia Turnpike to the Division of Tourism within the Department of Commerce.*

The Parkways' TICs distribute brochures free of charge.

Although the Parkways' TIC staff performs an important service, the Governor's Refocusing Mission for the Parkways Authority makes it reasonable to have the TIC staff administered by the Division of Tourism.

Implementing this recommendation would make \$1.2 million available for repair and maintenance of the Turnpike. Although this represents a reallocation of funds, the State should consider the importance the funds would have towards maintaining the West Virginia Turnpike.

7. *The Legislative Auditor recommends that the Parkways Authority or the State consider charging a fee for display and distribution of non-state tourism brochures at Tourist Information Centers along the Turnpike and state Welcome Centers.*

Appendix A: Transmittal Letter

WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
(304) 347-4939 FAX



John Sylvia
Director

November 19, 2008

Mr. Gregory C. Barr, General Manager
West Virginia Parkways, Economic Development and Tourism Authority
P.O. Box 1469
Charleston, WV 25325-1469

Dear Mr. Barr:

This is to transmit a draft copy of the Performance Review of the West Virginia Parkways, Economic Development and Tourism Authority concerning the operations of its Tourist Information Centers. This report is scheduled to be presented during the December 7-9, 2008 interim meetings of the Joint Committee on Government Operations, and Joint Committee on Government Organizations. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committees may have.

We need to schedule an exit conference to discuss any concerns you may have with the report. We would like to have the meeting on November 24 or 25, 2008, whichever is best for you. Please notify us to schedule an exact time. In addition, we need your written response by noon on December 1, 2008 in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, December 4, 2008 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

Handwritten signature of John Sylvia in blue ink.
John Sylvia

Joint Committee on Government and Finance

Appendix B: Agency Response to the Legal Opinion

JOE MANCHIN III
Governor



WEST VIRGINIA PARKWAYS
ECONOMIC DEVELOPMENT AND TOURISM
AUTHORITY

P.O. BOX 1469
CHARLESTON, WEST VIRGINIA 25325-1469
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September 26, 2008

John Sylvia, Director West Virginia Legislature
Performance Evaluation & Research Division
Building 1, Room W-314
1900 Kanawha Blvd., East
Charleston, WV 25305-0610

RE: West Virginia Parkways Economic Development and Tourism
Authority response to request for documents and information

Dear Mr. Sylvia,

This letter is written in response to your email message to me of Tuesday, September 23, 2008, which was responding to my letter to you of September 19, 2008 which was written in response to your letter of September 8, 2008 requesting information regarding the Parkways Authority Tourist Information Centers. (TIC's)

Respectfully, sir, the Parkways Authority and its counsel must take issue with your characterization of its responses to you in its September 19, 2008 letter.

After reviewing your email message, I will endeavor to further illustrate the terms of the Authority's response in an effort to more fully explain Parkways Authority's position.

As to issue No. 1, I will respond to your statement: "If your TIC's were selling products from separate, private companies, there would be no issue."

Since you no longer question the Parkways Authority's ability to operate TIC's as part of its Turnpike operations, this matter becomes much easier to address. Your conclusion that the activity within the TIC operations is only an extension in support of Tamarack ignores the fact that Parkways Authority carefully segregates funds into discrete accounts as a result of which toll revenues are not co-mingled with Tamarack operating funds ear marked for the payment of Tamarack bonds. In other words, as I indicated in our prior letter, the Parkways Authority actually purchases items from the

WEST VIRGINIA PARKWAYS ECONOMIC DEVELOPMENT AND TOURISM AUTHORITY

Tamarack system for resale in its Tourist Information Centers. It pays for those in two separate operations, but nevertheless they are clearly paid for with funds transferred from one discrete fund to another to recognize those transactions.

I also have to take issue with your conclusion that: “What has happened is that the TIC’s have been allowed to function, in part, as ‘Mini-Tamaracks’ using toll revenue.” The Tri-Partite Agreement does not in any way govern the sources from which retail items may be purchased for resale at TIC’s. Since we are no longer discussing the issue of whether or not operation of TIC’s falls under normal Turnpike operations, then it should be clear the sale of goods from the TIC’s is clearly not governed by either the Tamarack Bonds Trust Indenture or the Tri-Partite Agreement.

It seems clear that if the Parkways Authority was not selling goods purchased from the Tamarack system at its TIC’s, it would be selling other items from other West Virginia vendors such as Mountain Made and others. It does not seem to make retail sense to purchase goods from other sources and especially such items as “rubber tomahawks” from China, when better quality goods are available to be purchased at wholesale from the Tamarack system and resold at retail by the TIC’s. The real issue here appears to be the issue involving segregation of funds preventing co-mingling of toll revenues, and revenues generated from and for the Tamarack System operations and bonds.

In response to issue number two, your statement “What takes place in the TIC is no different than what takes place at Tamarack. They are both in the same agency, under the same umbrella, and they are furthering an economic development project, yet the net revenues are going into different areas of the company. This appears to be in violation of the Tamarack Trust Indentures”, does not fairly characterize what actually occurs.

I think the most effective response is to point out to you that what takes place in the TIC’s is in fact different from what takes place at Tamarack in a number of areas. First of all, the employees in the TIC’s are Tourism Information Counselors, who provide timely and courteous information to travelers as well as promoting and enhancing tourism in West Virginia as part of the Turnpike driving experience. The sale of West Virginia made arts and crafts to travelers is just another service that is offered through the TIC’s to further promote the State. Funds from the sale of retail items in the TIC’s are recaptured by the Parkways Authority operating account. Funds from the sale of items at Tamarack, are directed to the discrete fund set up to segregate funds used or usable for the payment of the Tamarack Bonds under its Trust Indenture. Those funds are not co-mingled with toll revenues. The employees at Tamarack are not paid from toll revenues, but in fact are leased employees ultimately paid by the same fund as the fund which captures revenue from the sales at Tamarack.

Your description of what takes place in the TIC’s to be fair, also clearly needs to take into account the successful efforts made by the Parkways Authority since 1996 to segregate funds between toll revenues and those revenues generated from the Tamarack project which are destined for the payment of operations and Tamarack bond payments.

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Again, I have to emphasize the Parkways Authority's position. The operation of the TIC's in their current configuration does not violate the Tri-Partite Agreement nor does it violate the Tamarack Trust Indenture.

For a number of years, Tamarack items were sold at wholesale to State Parks and to other retail outlets within the State of West Virginia as well as the TIC's. As it now stands, the wholesale transactions from selling to the TIC's are one of the last vestiges of that wholesale Tamarack system operation.

It is difficult to fathom your conclusions that because the Parkways Authority purchases crafts from the Tamarack project for resale, rather than purchasing them from an outside private entity, that action represents improper use of toll revenues and a violation of the Tri-Partite Agreement. Again, I emphasize that the Tri-Partite Agreement does not in any way govern the determination of where Parkways Authority can purchase crafts for resale at its TIC's.

Hopefully, this response will assist you in your current evaluation.

As always, if you need any further information, do not hesitate to contact me.

Very truly yours,



Gregory C. Barr
General Manager

GCB/tgn

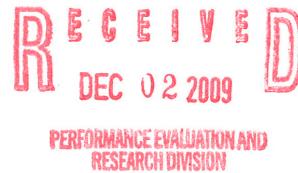
Appendix C: Agency Response

JOE MANCHIN III
Governor



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December 2, 2008



Mr. John Sylvia
Director
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Building 1, Room W-314
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Charleston, West Virginia 25305-0610

Re: West Virginia Parkways Authority Response to PERD Recommendations for the Tourist Information Centers (TIC)

Dear Mr. Sylvia:

The Parkways Authority has a seven member Board, of which the Chairman is the Governor of West Virginia. This report, and all of its recommendations, will be presented to our Board for review, discussion and possible action.

Issue 1: The Retail Activity at Parkways Authority Tourist Information Centers Is an Improper use of Toll Revenue and It Foregoes the Opportunity to Maximize Revenue.

Recommendation:

1. The Parkways Authority should consider discontinuing the Tamarack retail activities at all Tourist Information Centers.

Response

The Parkways Authority supports the opinions of its General Counsel and Bond Counsel concerning the Tri-Partite Agreement and the Bond Trust Indenture. In their opinion, the use of toll revenues to purchase retail items for resale at the Tourist Information Centers is not a violation of the two documents.

It is important to note that in the Parkways Authority's enabling legislation (West Virginia Code §17-16A-1), the Authority has a statutory mandate to promote and enhance the tourism industry and stimulate agricultural, economic and industrial development of the State. As a result of this mandate, the Authority decided to not only provide tourist information centers, but to also open retail shops in each of their travel plazas that would sell *"The Best of West Virginia"* arts, crafts and food products. This was done to further promote not only the tourism industry, but also, the artisan craft industry throughout the State of West Virginia.

Recommendation:

2. The Parkways Authority should consider using all floor spaces at Tourist Information Centers, currently used for Tamarack retail activities, for more profitable retail activities such as food services.

Response

The Parkways Authority staff will examine the current use of the retail floor space and explore the possibilities of a more profitable retail or food concept. HMS Host, the travel plaza food service provider for the Parkways Authority, would need to evaluate the viability of any new food concept in the plazas. They are very sensitive to the proper mix of vendors in order to maximize their revenues and not cannibalize existing concepts. There would also be sizable up front capital improvements needed to add new concepts and convert the existing facilities. Depending upon whether the Parkways Authority or HMS Host pays for those capital improvements would have a large impact on the amount of concession revenues generated for the Parkways.

Recommendation:

3. All Travel Plaza facilities should be restructured to have centralized floor space for a travel desk or wall racks to display tourist information, depending on whether a Tourist Information Center is staffed or unstaffed.

Response

The Authority will review the concept of restructuring the floor space to include a travel desk or use of existing wall racks to display tourist information, while maintaining a personal level of service to the public. Additionally, there are travel boards in place to assist travelers during the unstaffed times of travel.

Issue 2: The Number of Staffed Tourist Information Centers Along the Turnpike can Be Reduced at a Cost Savings of Over \$500,000 and With a Minimal Loss of Service to the Traveling public.

Recommendation:

4. The Parkways Authority should consider discontinuing staffing the Morton, Tamarack and Bluestone Tourist Information Centers. Tourist information should be provided at these locations in an unstaffed manner.

Response

The Parkways has reduced the number of Tourist Information Center staffed employees by restructuring its operating hours and will continue to do so in the future through attrition. Your recommendation will be presented to the Parkways Authority Board for review, discussion and possible action.

It is important to note that the West Virginia Turnpike is arguably the most traveled highway in the State by out of state motorists. With the importance of tourism to the State of West Virginia, providing personal assistance to these travelers in the form of hotel reservations, answering questions about state tourism venues, and directing them to other retail and food establishments increases the likelihood of them spending their tourism dollars in West Virginia. The tourist information counselors are both well trained and versed on the tourism offerings of West Virginia and, in many cases, the only face of West Virginia that a tourist encounters and therefore serves as the sole ambassador for West Virginia.

Recommendation:

5. The Parkways Authority should consider reducing staff by two positions if it discontinues retail activities at the Princeton Tourist Information Center.

Response

This recommendation will be presented to the Parkways Authority Board for review, discussion and possible action.

Issue 3: The State Should Consider Having the Division of Tourism Assume Staffing Responsibilities of the Tourist Information Centers Along the West Virginia Turnpike.

Recommendation:

6. The Legislative Auditor recommends that the State consider transferring all staffing responsibilities of the Tourist Information Centers along the West Virginia Turnpike to the Division of Tourism within the Department of Commerce.

Response

Tamarack is in the process of being transitioned to the Department of Commerce; however, the funding issue has not yet been resolved. Seventy-six percent (76%) of toll revenue comes from out of state travelers, therefore, over three-fourths of the Turnpike's Tourist Information Centers current funding is generated by out of state travelers. The idea of transferring all staffing responsibilities of the Tourist Information Centers to the Tourism Division will shift 100% of the funding to state taxpayers. This transfer of operations would only serve to exacerbate the present funding dilemma for Commerce taking over Tamarack operations.

Thank you for the opportunity to comment on this report. On behalf of myself, staff and members of the Parkways Authority Board, I want to express our sincere appreciation for the professionalism of both you and your staff. Please let me know if I can offer further information or assistance.

Sincerely,



**Gregory C. Barr
General Manager**

GCB/tgn



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