

Possible Operation Scenarios

Public Management

As shown in the examples earlier in this chapter, public or semi-public ownership can be performed in two ways:

Option 1 - the facility owned and managed exclusively by the Borough using Borough employees.

Pros

- facility totally owned and managed by one entity
- funding and expenditures totally controlled by Borough Assembly
- all employees report to the Borough Manager
- ability to draw on expertise from other departments and employees
- potential revenue source to offset loss of property and other taxes

Cons

- likely higher wage and benefits than private industry
- establishing new job classes that may not pay comparable wages to other borough employees
- employees subject to layoffs and “bumping” rights
- competition with services normally provided by private industry (i.e., food and beverage service)
- restrictive purchasing processes that cannot react to time sensitive situations
- limited flexibility to establish rates and programs
- borough needs to ensure appropriate funding if facilities not in the “black”

Option 2 – semi-public ownership structured to be managed on a daily basis by an independent “enterprise” with a “Board of Directors” appointed by the Mayor and approved by the Assembly (see Winter Park prior to Intrawest partnership example).

Pros

- independent management that reports only to the Borough Assembly
- prepares and has responsibility for all financial and operational decisions
- has ability to hire employees outside of borough personnel system
- flexibility in setting wages and benefits
- ability to use purchasing processes more closely aligned and utilized by larger private industries
- ability to hire appropriate concessionaires outside of borough contracting process
- flexibility to establish rates and programs
- ability to respond quickly to changing markets and conditions
- profits returned into continuing maintenance and development

- has existing models and a history of successfully working in state government in Alaska (Alaska Railroad Corporation, Alaska Housing Authority, Alaska Aerospace Corporation and Alaska Industrial Development and Export Authority)

Cons

- employees may be part of the borough's wage and benefit system, unless organization or association is established to run independently of borough government personnel and purchasing requirements (see Winter Park Resort example)
- public may still perceive that the facility is operated by the borough with borough employees
- competition with services normally provided by private industry (i.e., food and beverage service) unless those services are contracted out

Non-Profit

Ownership and management by a totally independent 501(c)(3) organization with no ties to the Borough other than some board members would be appointed by the Borough Mayor and approved by the Assembly.

Pros

- no borough employees
- all profits must be reinvested into the ski and recreation areas
- area may be operated the same as a private facility
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Cons

- no organization currently exists, nor has there been any interest from the public in creating one
- difficult to create and continue an organization that will manage both the North (Alpine) and South (Nordic) sectors on an equal and equitable basis
- little, if any, borough control over its investments
- no borough revenue return on its investment
- non-profit groups do not have a solid history of managing recreational facilities throughout the country
- requires "active" management to be successful
- start-up and lean years may require outside funding
- no guarantee that programs for all segments and ages of the public will be offered

Private Management

Utilize a joint venture agreement for a manager and developer

Pros

- no borough employees
- area operated as a private profit making facility
- borough will receive some revenue for its investment

Cons

- area will be managed for a profit and not necessarily support local needs
- hard to find private corporation to manage a recreational facility without a real estate (housing, hotels, etc.) component
- there has been no indication from the private sector that anyone is willing to enter into an agreement to just operate the skiing facilities that has no proven track record
- no firm in Alaska currently exists with experience in successfully managing all the components necessary to operate a day-use skiing facility in Alaska

Recommended Operational Structure

When Hatcher Pass is ready to open, it will most likely be in a transition phase – as a new recreational facility with no history on use, revenue potential or operating expenses. While the completed facility could likely entice a private developer to operate it, the likely cash return to the Borough would be much less than marketing an established facility with a proven “track record” of performance and revenue.

In order to maximize mid to long-term revenue to the Borough and to give the public and Assembly more future management and financial options, it is recommended that the Borough does not immediately try to privatize both the Northern and Southern Sectors.

Instead RWS Consulting recommends that the “keys to the facilities” be turned over to an independent “enterprise” or “commission” similar in structure to an LLC. The organization should have an independent board of directors who report directly to the Borough Assembly.

The Borough would be an equity partner in the organization.

The general manager of the organization would hire all employees; establish appropriate pay scales, etc. Employees of the organization, except possibly the general manager would not be borough employees. The general manager would be recommended by the organization, but approved by the Borough Assembly.

The organization would establish its own purchasing and procurement processes to be approved by the Borough Assembly. The purchasing and procurement processes should be established and

operated similar to the private sector, but with competitive bidding where appropriate. The organization should be encouraged to privatize functions, especially food and beverage service and retail sales, which can be operated by private industry without jeopardizing the mission of the ski area facilities.

Once it is operational, at least through Phase I, and with a proven track record (expected in 3 – 5 years), the organization should be required to actively seek or issue a competitive Request for Proposals to turn over full operations of the area to private industry. Because the Borough is the landowner and likely owner of all the facilities, the Borough should always be an equity partner, unless all the facilities are sold for fair market value.