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DOUGLAS LODGE COMPLEX ITASCA STATE PARK

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DIVISION OF PARKS & RECREATION
DEPARTMENT OF NATURAL RESOURCES
MARCH, 1988

Pursuant to 1987 Laws, ch 404
section 22, subd 5

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PREFACE

The 1987 Legislative Session passed legislation (Chapter 404, Section 22, Subdivision 5) which states:

"The department of natural resources may not subcontract the operation of the Douglas Lodge facilities at Itasca State Park so long as revenues are at least equal to the cost of operation. A management plan must be prepared by the commissioner that outlines specific steps and timelines to achieve self-sufficiency of the Douglas Lodge facilities. The management plan must incorporate recommendations concerning the best utilization of management, labor and other resources to achieve self-sufficiency. The commissioner must send the management plan to the legislature by March 1, 1988.

This plan is in response to that legislative request.

INTRODUCTION

The Douglas Lodge Complex, for purposes of this document, consists of three major operational components: food service, lodging and souvenir sales. It is located within Itasca State Park, Lake Itasca, Minnesota and consists of a 172 seat restaurant, a snack bar (Brower Inn), an 18 room motel (Nicollet Court, a 10 room clubhouse, 23 cabins (including the campground cabins and the Squaw Lake cabin), and two gift shops (Forest Inn and Mississippi Headwaters). Meeting rooms are available in the main lodge building to accommodate small conferences. The map (pp. 15 & 16) identifies the specific buildings making up the complex. These buildings are located throughout Itasca State Park and are intermingled with other park facilities and activities.

HISTORY

The buildings that comprise the Douglas Lodge complex have a long history and have become an important part of Itasca State Park. Itasca State Park was established as Minnesota's first state park in 1891 because of the public's desire to protect and preserve the area surrounding the Headwaters of the Mississippi River. Between 1891 and 1900, several acres of land were acquired by the state within the original statutory boundaries of the park.

In 1901, the State Legislature, acting on a proposal by Attorney General Wallace B. Douglas, expanded the original park boundaries and authorized the sale of several acres of dead and down timber located within the park. The proceeds from these timber sales were to be deposited in the Itasca park fund and to be used for the construction of a state house at Itasca. In 1903, the Legislature appropriated monies supplementing this fund for the construction of the proposed state house on the shore of Lake Itasca. In 1904, a contract was issued for construction of the state house that would eventually be named after its chief support, Attorney General Douglas. This facility was built from timber found within the park and was completed in 1905. This building, which is listed on the National Register of Historic buildings, was the first building of what would become the Douglas Lodge Complex.

Between 1905 and the end of the 1930's, several major construction projects were completed that expanded the size of the lodge complex. In 1909, funds were appropriated to build four cabins adjacent to the lodge to accommodate an increasing number of tourists. The original Forest Inn was built in 1919. Nicollet Court, an 18 room motel, was built in the 1920's. Two additions to the original lodge structure and several employees' cabins were also constructed during this period. The Civilian Conservation Corps (CCC) reconstructed Forest Inn during the late 1930's. The stone and log structure is much larger than the original building. Brower Inn, named after Itasca's first park commissioner, was constructed in 1963. This structure now serves as a snack bar and natural history center.

Since its construction, several different methods have been used to manage the Douglas Lodge complex. From 1904 to 1914, the Itasca State Park superintendents managed the lodge and were allowed to retain any profits made by the facility for their personal use. From 1914 to 1943, the lodge was leased to private parties. During this period of private leasing, the state received complaints regarding leasee impropriety and favoritism. Itasca State Park was also controlled by the Division of Forestry until the Division of Parks and Recreation was created in 1935. The complaints and the change in park management caused the Division of Parks and Recreation to assume direct management of the lodge complex in 1943. Since 1943, the lodge has been under state management.

Currently, the lodge is operated by the Department of Natural Resources, Division of Parks and Recreation. Until the 1985 season, the restaurant/hotel portion of the lodge and Brower Inn were managed by a seasonal state employee under the direct supervision of the Itasca State Park Manager, who was responsible for daily supervision of the seasonal staff, scheduling, ordering of supplies and bookkeeping. A second seasonal employee was responsible for supervision of the gift shop operations at Forest Inn and the Headwaters under the direct supervision of the lodge manager.

Following completion of the restaurant rehabilitation, a professional restaurant management consultant was retained for the 1985 season. This consultant assisted in training the kitchen staff in restaurant operations, redesigned the menu, evaluated the price structure for meals, developed methods of marketing the restaurant, provided advise on how the operation could become more efficient and developed recommendations for the future of the lodge's operation. During the 1986 and 1987 season, this same consultant was contracted with to provide day-to-day management of the restaurant operation. In both years, the complex was staffed with the existing Douglas Lodge labor force and supervision of the lodging and souvenir operation was accomplished by the state employed lodge manager.

COMPARING THE THREE PARTS

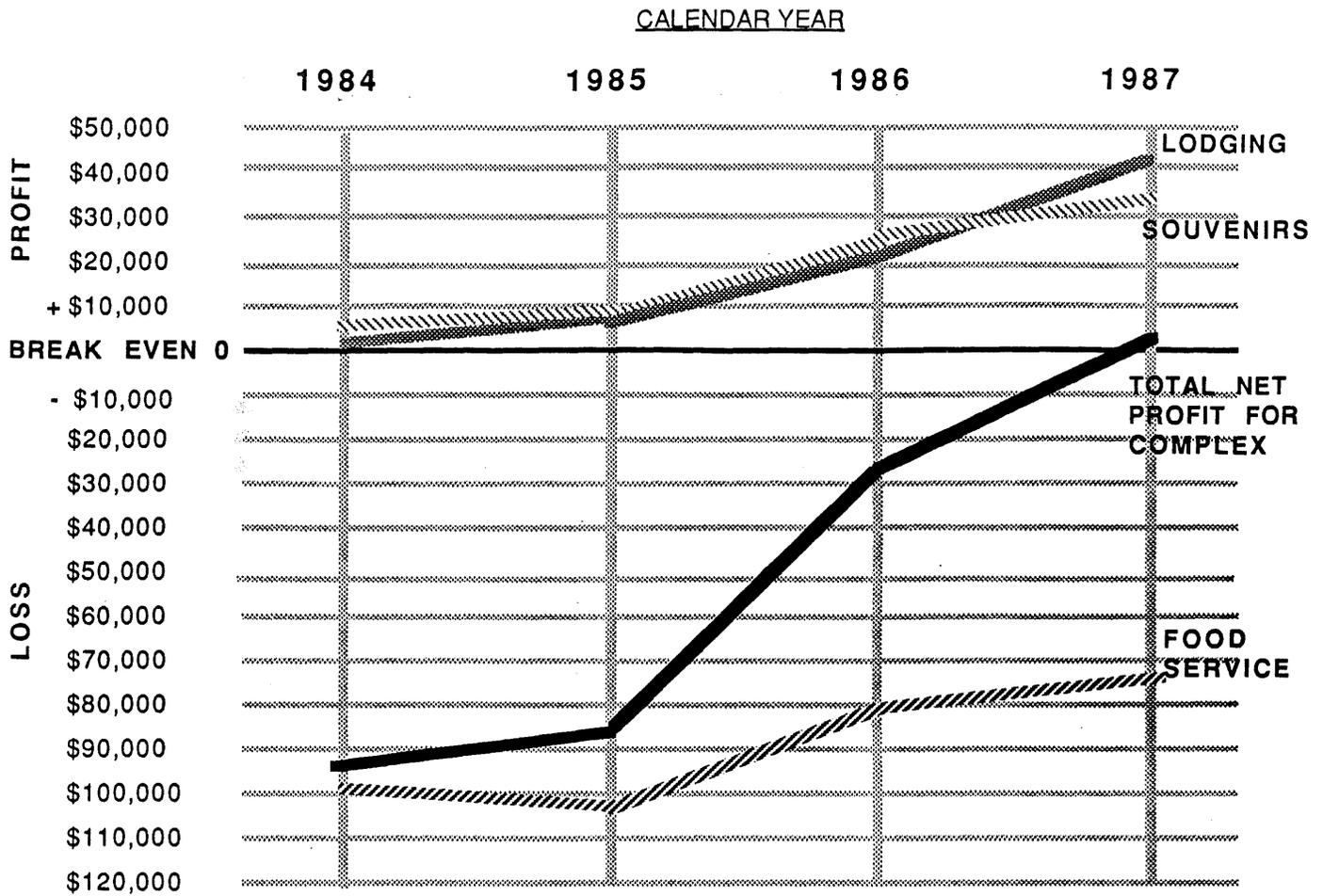
The Douglas Lodge Complex contains three distinct areas of operation: lodging, souvenir sales and food service. Both lodging and souvenir sales consistently make money. Food service usually loses much more money than lodging and souvenir sales make. Management effort must, therefore, be focused on reducing the food service liability or on making lodging and souvenirs even more productive.

Food service is a desirable service for the entire complex. It is several miles to the nearest restaurant. Lodging use would decline dramatically if food service was not provided. Present clientele continue to return to dine at Douglas Lodge because of the quality service oriented dining experience in the rustic lodge on the edge of Lake Itasca. A major change in the dining experience provided at Douglas Lodge will have a major impact on use by existing clientele. Whether or not a new clientele can be established is open to speculation.

It will be difficult to dramatically increase the income for lodging. The cabins and rooms are essentially full all weekends. Openings can still be found mid-week during the spring and fall. The quality of lodging provided is good in the cabins, but poor in Douglas Lodge and Nicollet Court. The rooms are small, few have air conditioning, furnishings are spartan and most bathrooms are in need of replacement. Major capital investment is needed to bring the lodging rooms up to a reasonable standard of quality. The rates charged for the rooms and cabins is at or above local private sector rates for the quality of lodging provided. The only way to significantly increase the income from lodging is to greatly expand the number of rooms provided. Local private lodging providers have always opposed a significant increase in the number of rooms provided by the state.

Souvenir sales can, however, be increased. With proper product line selection, marketing, inventory monitoring, display and management of the income from souvenir sales can be increased. This is a high priority for divisional staff at present. Forest Inn is presently being remodelled. A new product line will be developed and made available for the 1988 season.

PROFIT/LOSS FOR DOUGLAS LODGE



1986, Reasons for increase: Douglas Lodge worker position established-waitress only, remodeled kitchen and dining facilities at Douglas Lodge.

1987, Reasons for increase: Good weather, larger park use, marketing of state parks, improved management of new facility, Douglas Lodge worker position established for maids.

PROFIT/LOSS FOR DOUGLAS LODGE COMPLEX
(does not include indirect costs or depreciation)

FOOD SERVICE

	1984	1985	1986	1987
GROSS SALES	173,600	246,729	273,167	318,112
Cost of Goods	69,500	73,636	92,671	99,608
Labor	153,500	204,898	174,516	202,106
Expenses	20,000	20,951	26,265	25,157
Unemployment	30,350	36,000	37,000	36,740
GROSS PROFIT	(99,650)	(88,756)	(57,285)	(45,499)
Food Service Mgr.		15,000	24,000	28,000
NET PROFIT	(99,650)	(103,766)	(81,285)	(73,499)

Staff in 1986 was cut to the minimum to save costs, creating a number of situations of poor service. Labor was added to improve service in 1987.

LODGING

	1984	1985	1986	1987
GROSS SALES	135,600	177,663	194,991	219,432
Cost of Goods	N/A	N/A	N/A	N/A
Labor	96,800	125,941	121,378	124,349
Expenses	15,800	21,986	22,780	33,321
Unemployment	21,900	21,900	26,000	19,828
NET PROFIT	1,100	7,836	24,833	41,934

SOUVENIRS

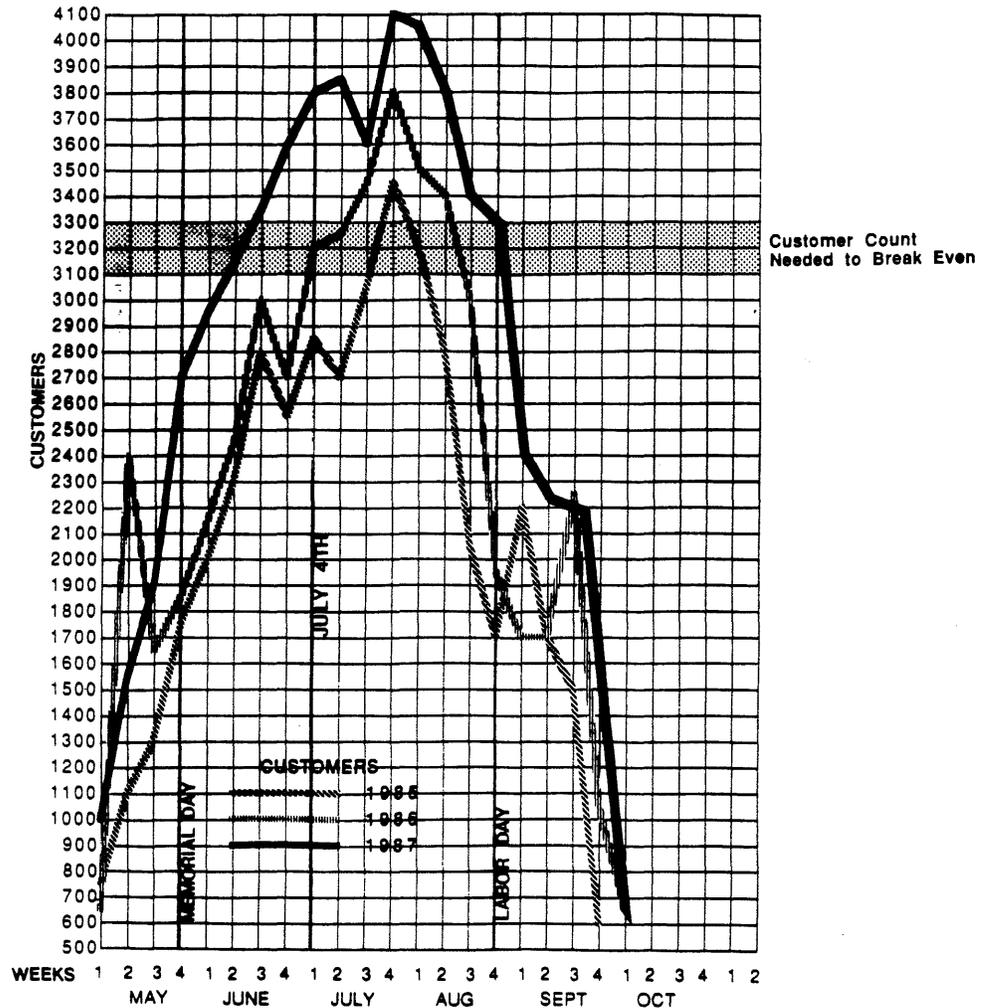
	1984	1985	1986	1987
GROSS SALES	224,600	216,382	257,897	341,466
Cost of Goods	113,500	84,504	115,209	173,036
Labor	80,700	96,929	92,903	105,495
Expenses	1,450	2,644	3,376	6,474
Unemployment	22,850	22,850	18,000	21,967
NET PROFIT	5,500	9,455	28,409	34,494
TOTAL NET PROFIT FOR DOUGLAS LODGE COMPLEX	(\$93,050)	(\$86,475)	(\$28,043)	\$2,929

SEASON OF OPERATION

Volume business is essential for the Douglas Lodge food service operation to make a profit. A large staff is required whenever the Douglas Lodge Dining Room is open. This is due to both the desire to provide quality service and union agreements which require that a hostess and a waitress both be on duty and that schedules be made out two weeks in advance. A weather change can require additional staff on short notice, who must be paid time and a half. When the use is light, particularly during the spring and fall and some weekdays, the dining room losses are significant. When the park is full of visitors and the dining room has lots of customers, the food service section makes money. But so much is lost during the shoulder seasons that it cannot be made up during the few weeks of high use.

Park management is continually torn between the need to provide public service and keep the lodge open and the need to break even. Improved marketing can increase shoulder season use, but it is doubtful that use can be increased enough to break even with present staff costs. One market that has been discussed was small conferences and meetings during the spring and fall. Companies and organizations will not plan their events for Douglas Lodge if we cannot tell them for sure that the lodge will be open 6-12 months in advance.

Food Service Use



WAGE COMPARISONS

A survey conducted during the fall of 1987 shows that the wages paid under the DNR union contract are significantly higher than other food service providers in the area and even significantly higher than restaurant union employees in the Minneapolis & St. Paul area. Over 63% of the cost of operating food service facilities at Itasca State Park is wages. Only 27-32% of most private food service providers cost is wages. These high wages are clearly the main reason the Douglas Lodge complex must have a banner season to break even.

	DNR UNION CONTRACT INCLUDING FRINGE		EMPLOYEE REQUEST	MPLS/ST. PAUL	FARGO/	BEMIDJI
	1987	1988		HOTEL/MOTEL RESTAURANT EMPLOYEES UNION CONTRACT	MOORHEAD FULL SERVICE HOTEL	FULL SERVICE MOTEL
Cook	10.08-12.16	10.38-12.53	10.38-12.53	7.80	5.50	4.75-5.25
Douglas Lodge Worker						
Kitchen	6.45-6.59	6.64-6.79	8.80-10.38	5.73	4.75	4.75
Dishwasher	6.45-6.59	6.64-6.79	8.80-10.38	5.21	3.50	3.35
Lodging	6.45-6.59	6.64-6.79	8.43-8.80	5.42	3.85	4.00-4.50
Waitress	6.45-6.59	6.64-6.79	8.80-10.38	3.51	2.85	3.18
Hostess	9.16-10.92	9.44-11.24	9.44-11.24	5.26	5.50	5.00-6.00

The current salaries are well above industry standards, even in the Twin City area. The state pays \$20,000 a summer more for Douglas Lodge workers than equivalent employees earn in the Mpls./St. Paul Hotel/Motel Restaurant Employees Union and nearly \$40,000 more per summer than full service motels workers earn in the region. Current negotiations to change the Douglas Lodge Worker designation must be met with equivalent action (such as dropping shift differential and vacation pay) to stabilize total staff cost. If the Douglas Lodge staff had been paid at Food Service Worker or General Maintenance Worker levels in 1987, it would have added another \$41,757 to the cost of operation. Even with the extremely high use during 1987, the Douglas Lodge Complex would have registered a loss of \$38,728.

PROPOSED STEPS TOWARD SELF-SUFFICIENCY

To make the Douglas Lodge Complex self-sufficient, the Division of Parks and Recreation must stabilize salaries, increase customer volume, maintain high customer satisfaction and provide good management.

Stabilize Salaries

State employee salaries can be stabilized only through negotiation. The Division of Parks and Recreation staff is negotiating at present with union representatives. Since September 1985, the consultant and management have met several times with employees and AFSCME representatives to discuss and develop ideas to improve profitability of the Douglas Lodge Complex.

Increase Customer Volume & Maintain Satisfaction

Most of the following actions are dependent on funding from the legislature. They are based on suggestions raised by park visitors, Douglas Lodge employees and other staff members. If implemented, they could help increase business in the Douglas Lodge Complex. Volume business is necessary to increase sales. Increasing Itasca State Park visitation in general will increase the market potential for the Douglas Lodge Complex. For Statewide promotion, the division will continue to support organizations that promote Itasca State Park and tourism in the vicinity, such as Heartland, Vikingland and Land of Legends. Douglas Lodge promotional efforts will be focused initially on the present Itasca State Park and area visitors and local population centers.

Action 1: Develop a colored promotional brochure on Douglas Lodge which describes the character of the area and facilities available, and another brochure on the conference capabilities of Itasca State Park.

Set aside sufficient operation dollars to implement during 1990.

Action 2: Advertise the fall color in Itasca to the Fargo/Moorhead area.

Have advertisements designed, and set aside sufficient operation dollars to implement in the fall of 1989.

Action 3: Make sure park visitors and local resort owners are aware that boats and motors are available for rent in Itasca State Park on Lake Itasca, Squaw Lake, Elk Lake and boats only on Mary Lake. Have this information in the "Itasca Interpreter" handout and distribute to local residents as well as park visitors.

Information will be in the 1988 handout.

Action 4: Advertise promotional packages available at Itasca such as dinner and boat ride, dinner and special naturalist program. Continue food specials to attract campers to Brower Inn and Douglas Lodge. These were successful during the 1987 season and should be continued.

Continue in Spring of 1988.

Action 5: Celebrate Itasca State Park's 100th Anniversary during 1991. This will include a series of special events and activities at Itasca and throughout the state park system.

Request funding from the 1990 legislature.

Action 6: Study the feasibility of establishing a scheduled shuttle bus throughout the park for internal transportation by lodge residents, campers and day visitors. This will provide a desirable service to park visitors and reduce traffic and parking lot congestion.

Douglas Lodge is 5 miles from the Headwaters of the Mississippi, 3 3/4 miles from the swimming beach, three miles from Bear Paw Campground. Many park visitors have expressed the need for public transportation. This would be particularly desirable for Douglas Lodge visitors and campers who don't want to move their vehicle once they are set up. It would also be an excellent opportunity for public information such as park orientation and resource interpretation.

Local resorts may be interested in providing shuttle service to Itasca for their patrons if public transportation was available at the park once they arrived.

Request funding for analysis from the legislature.

Action 7: Convince Greyhound to re-establish service to Douglas Lodge or establish a shuttle bus service between the Park Rapids Greyhound Depot and Douglas Lodge.

Initiate discussion with Greyhound in 1988.

Action 8: Provide a shuttle bus to the launch dock from Douglas Lodge as a service for handicapped and elderly visitors. Second phase could be widening the existing access road to allow two-way traffic.

Provide the shuttle bus for the 1988 season. Request development funds to widen the road from the legislature as part of the 40 million statewide state park system need.

Action 9: Remodel Nicollet Court and the dormitory to provide 20 comfortable units for three season use. One half of which should be handicapped accessible. Present Nicollet Court rooms are extremely small and in poor condition.

Development funds will be requested in the future once staff salaries have been stabilized and the future of lodging in Itasca is clear.

Action 10: Air condition the Douglas Lodge kitchen and cafe and improve the air circulation in the dining room. Temperatures over 100°F are not uncommon in the kitchen. The cafe and the dining room can also get uncomfortably hot.

Will be done in 1988.

Action 11: Construct a major visitor center near the headwaters of the Mississippi. A joint facility with the Minnesota Historical Society is envisioned. The center will include: Interpretive displays, meeting rooms, public restrooms and interpretive staff offices. A central focus for park visitor information and interpretive program is essential for park visitor orientation and satisfaction.

Request development funds in time for the 1991 100th anniversary celebration.

Action 12: Develop playground areas in the Douglas Lodge Area and picnic grounds. The second phase will be to develop one in Bear Paw Campground. These facilities have often been requested by park visitors and would improve the satisfaction of visitors with young children.

Request development funds from the legislature as part of the 40 million statewide state park system need.

Action 13: Develop an open picnic shelter in the picnic grounds. This will provide a needed service to the tourists and facilitate group picnics. Consideration could also be given to catering group picnics.

Request development funds from the legislature as part of the 40 million statewide state park system need.

Action 14: Once the visitor center is built (Action 3), remodel the museum into an enclosed picnic shelter for inclement weather use and group gatherings.

Request development funds from the legislature as part of the 40 million statewide state park system need.

Management Recommendations

Since 1985, the lodging and souvenir operations have been managed by a state employee and the food service has been managed by a consultant. Both of these positions are supervised by the Itasca State Park manager. The expertise and experience of the food service consultant has increased the efficiency and cost effectiveness of the food service operation. There are at present, two needs that should be met for more efficient DNR operation.

- Automate the record keeping for Douglas Lodge Complex, including Lodge reservations, Lodge bookkeeping, food service staffing schedule, food service inventory, souvenirs inventory, souvenir bookkeeping. This will improve food service and souvenir ordering and allow for improved management.
- Work to resolve the need for on duty management at least 15 hours per day (6:00 a.m. - 9:00 p.m.), seven days a week for Douglas Lodge and the food service. This duty is currently being handled by two people.

Funds and positions to meet both these needs will be requested from the legislature in the future.

MANAGEMENT OPTIONS

Shorten season

If the Douglas Lodge Complex was only operated from Memorial Day to Labor Day it would have a better chance to break even because the slow season would be avoided. Many park visitors who enjoy visiting Itasca during the spring or fall color would be disappointed. Local tourism organizations who are trying to increase off season use will be concerned. There would be fewer visitors in the area, creating a negative impact on the regional tourism economy.

Close Douglas Lodge

If the rooms in Nicollet Court and Douglas Lodge and the main Douglas Lodge dining room were closed, the food service and lodging costs can be greatly reduced. A good lodging experience cannot be provided without some food service. Therefore, the cabins should be converted to provide kitchenettes, and the Brower Inn Snack Bar opened during the busy season. Douglas Lodge has been serving visitors for 83 years and should be preserved. It could be converted to a visitor's center with interpretive displays. This option minimizes capitol costs, continues the cabin lodging and reduces staff costs.

Contract with a Private Concessionaire

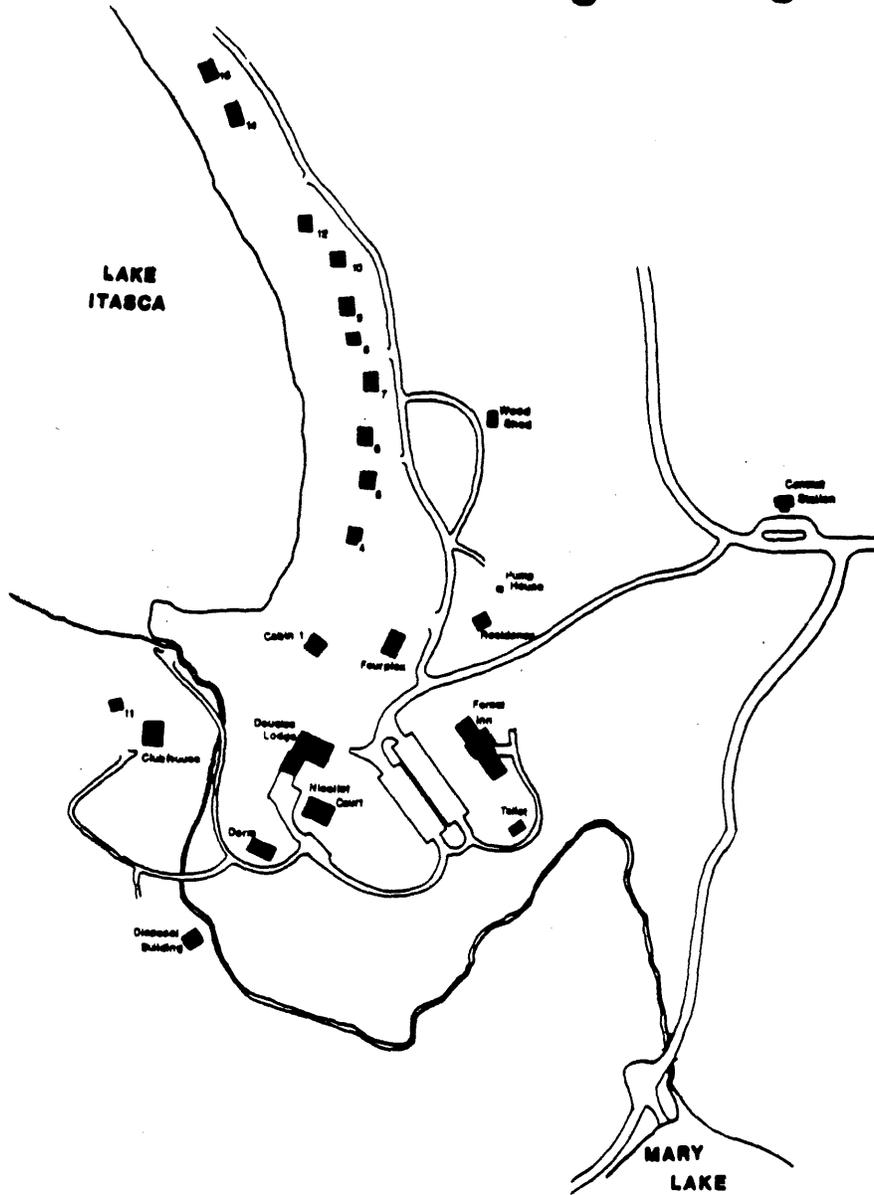
The Douglas Lodge experience can be provided for park visitors without the continued drain on park budget by contracting with a private concessionaire. At present, the National Park Service and several states have concessionaires operating lodges that have consistently provided excellent service for park visitors and some income for the state park system. The key seems to be starting with a good contract and assigning one individual the task of monitoring and managing the contract. This can assure that the present quality of service is maintained. The disadvantage would be that the 58 seasonal state employees could lose their jobs. Many would be rehired by the concessionaire, but undoubtedly, at a lower wage. If a concession operation is considered, the state would enter into discussion with appropriate labor unions and the concessionaire to promote jobs for all employees with the concessionaire.

CONCLUSION

The Department of Natural Resources believes that for the benefit of park resources and visitors across the entire state park system, the following strategies should be followed:

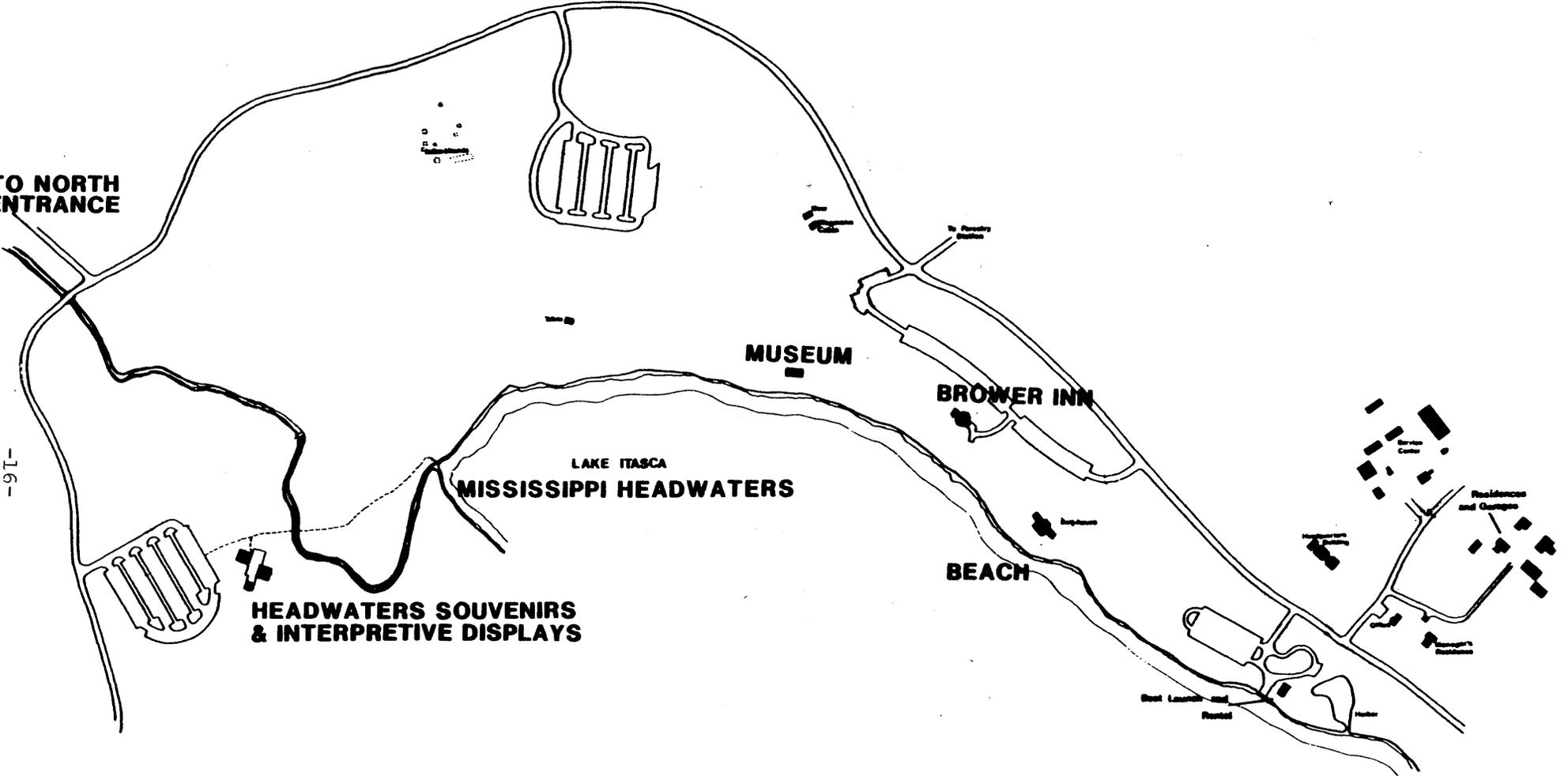
- The Division of Parks and Recreation will operate the Douglas Lodge Complex on a break even basis or will take steps to get as close as possible.
- The general Douglas Lodge Complex management structure will remain unchanged to ensure efficient management.
- The Douglas Lodge Worker wage scale must be continued or equivalent actions taken (such as dropping shift differential and vacation pay) to stabilize total staff cost allowing the Douglas Lodge Complex a chance to break even.
- The Department of Natural Resources will continue to seek funding to improve Itasca State Park facilities and resources.

Douglas Lodge Area



TO NORTH
ENTRANCE

-91-



HEADWATERS SOUVENIRS
& INTERPRETIVE DISPLAYS

MUSEUM

BROWER INN

LAKE ITASCA
MISSISSIPPI HEADWATERS

BEACH

Day Use Area

