



Board of Supervisors Memorandum

March 20, 2018

**Colossal Cave Cooperative Management, Operation and Development Agreement for the
Operation of Show Cave and Other Facilities**

Background

In August 2015, Pima County selected Ortega National Parks, dba Colossal Cave, LLC, as the operator for Colossal Cave Mountain Park (CCMP). Following a Performance Audit of the previous operating entity, Pima County elected to issue a Request for Proposals for the CCMP operator, which resulted in the recommendation by a 10-member review committee of Colossal Cave, LLC, to the Board. On August 17, 2015, the Board of Supervisors approved the contract CT-ED-16-34, and Colossal Cave, LLC, entered into a new era of growth and partnership with Pima County.

For more than 60 years, a family was the primary operator of Colossal Cave. During that time, the CCMP grew to over 2,400 acres and included the La Posta Quemada Ranch. The selection of Colossal Cave, LLC, was due, in large part, to the company's expertise in operating attractions that include food and beverage facilities, major gift shops, lodging and educational programs. Colossal Cave, LLC, delineated plans to develop new attractions, upgrade food and beverage areas, waiting areas, and buildings and structures.

Pima County has been pleased with the management provided by Colossal Cave, LLC, and the results of the company's efforts are evident in the fact that last year, for the first time, the company exceeded gross revenues of \$1 million.

Section 13.3.1.2 of the Cooperative Management, Operation, and Development Agreement (Agreement) states,

If the Gross Revenues of the Property exceed one million dollars (\$1,000,000.00) in any year of the Term, the Renewal Term, or the Additional Renewal Term, a certified audit and annual financial report of the operations under the control of the Manager, for the preceding fiscal year, within sixty (60) calendar days of the conclusion of the Manager's fiscal year. Otherwise, Manager will provide a reviewed financial statement and may be subject to audit by the County.

While last year was successful, the operator estimates before-tax profit to be approximately \$80,000. The audit is anticipated to cost approximately \$20,000.

The Honorable Chairman and Members, Pima County Board of Supervisors
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Pima County has enjoyed a successful partnership with the Ortega Family and Colossal Cave, LLC. The operator joins in our commitment to the long-term success of CCMP. Both parties have recognized a need for improvements within CCMP, including road and building renovations. The conduct of a full audit could represent 25 percent of the company's before-tax profits for the year, which could affect operator's ability to address needed improvements. In less than three years, Colossal Cave, LLC, has made significant improvement at CCMP, which have resulted in gross revenues topping \$1,000,000 for the first time.

Recommendation

To encourage the ongoing commitment to enhancements on the property, I recommend the Board of Supervisors waive Section 13.3.2 of the Agreement for this year only and direct the operator to allocate the cost of the audit directly to improvements at the Colossal Cave Mountain Park. The operator will be required to provide a reviewed financial statement for the period.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/mp – March 7, 2018