

## Long-Term Leasing of State Skating Rinks: A Competitive Contracting Success Story



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## Executive Summary

This paper looks at the success of competitive contracting in addressing long-term capital needs, reducing operating costs, and expanding access to state-owned skating rinks since the 1990s. It argues that the lessons learned from the experience can be applied not only to other assets in recreation portfolio that are suffering from budget cuts and neglect, but also to many other services and activities that the Commonwealth has been performing directly.

Competitive contracting has faced an uphill struggle in Massachusetts. Following a series of competitive contracting initiatives in the early 1990s (some of which concerned the state-owned skating rinks), the Massachusetts Legislature enacted changes to state contracting laws<sup>1</sup> that created tremendous hurdles to private contractors and effectively ended the use of competitive contracting by state agencies. The ongoing application of competitive contracting for additional rinks after 1993 has only been possible through individual legislation naming specific skating rinks. Currently, the Legislature is considering a proposal that would complete the process of putting all state-owned rinks under long-term management and operations leases.

However, the public's attitude throughout this period has been much more flexible and empirical than the Legislature. While the public, and especially that part of the public dependent on the public skating rinks, employees, skaters, hockey players, coaches, and parents, mostly from the working-class and middle-classes, were initially skeptical, if not opposed, to the competitive contracting, they have been slowly won over by the evidence of their eyes: facility improvements, stable prices, and greater access to longer seasons.

For the state-owned rinks, the benefits of competitive contracting have taken the following forms:

- **Increased Availability:** Rinks operated under competitive contracting are now available an average of 43 weeks per year in fiscal year 2005, versus 34 weeks per year under the previous management system in fiscal year 1991.
- **Affordability:** The average hourly cost of ice time at rinks under competitive contract has grown from \$110 in 1991 to \$160 in 2005, a growth rate of 2.7% per year. However, state-owned rinks operated by a private contractor remain the least expensive of any rinks in the state<sup>2</sup>.
- **Attendance:** Rink usage has grown from 2.3 million in 1991 to almost 4.9 million in 2005
- **Capital Investment:** Private contractors invested \$2.28 million in state-owned rinks in 2005.

By paying careful attention to a program's constituencies, and looking for constant improvement in the contract process in order to improve program performance, competitive contracting programs can be designed and implemented that will enhance services, stabilize prices, and ease the burden on the state and taxpayer.

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<sup>1</sup> Massachusetts General Law, Chapter 7, Sections 52–55.

<sup>2</sup> Facility Management Corporation Spring 2006 Survey of 95 Rinks. See Appendix I.

## Evolution of the State Skating Rink System

Massachusetts has the largest number of state-owned ice-skating arenas in the country.<sup>3</sup> The Metropolitan District Commission (MDC) and the Department of Environmental Management (DEM) operated a combined 43 skating rinks in the mid-1970s during the peak of public skating rink management. The MDC served metropolitan Boston, while DEM's rinks were located primarily in urban areas throughout the rest of the state.

Beginning in 1993, the management of DEM's 18 indoor skating arenas was competitively contracted. The initial contracts were for leases of no more than three years. Since that time, the two park systems have merged into the Department of Conservation and Recreation (DCR), and a total of 26 indoor skating arenas have been put out under competitive contract. The initial short-term leases have been replaced by leases of 25 years—a significant and instructive change. Twelve indoor arenas are still managed by DCR, with plans to seek legislative authorization to allow those remaining rinks to also be made available for alternative management through a competitive contracting process.

The state's involvement with indoor skating arenas can be divided into distinct phases. Each phase offers lessons, not only about the evolution of competitive contracting, but also about the role of the private sector in the provision of public amenities.

## Initial Construction of State Skating Facilities

Before World War II, most Massachusetts residents learned to skate outdoors. Whether on a frozen pond or river, a flooded town recreation field, or a homemade rink in the backyard, the skating season was limited by the weather. Only the privileged few could join a private skating club and enjoy a perfect skating surface in a controlled environment any time of year.

In the postwar years, Americans with leisure time wanted more places to take their families. The baby boom generation needed places to play, summer and winter. In Massachusetts, the Legislature responded by approving millions of dollars in bond authorizations for the construction of recreation facilities. Parks, beaches, and pools were constructed on public lands. Skating rinks were added to the bond authorizations in the early 1950s, and, in 1954, the MDC opened the first state-owned outdoor skating rink in Milton.

Between 1957 and 1967, 15 more rinks were built on MDC lands in metropolitan Boston. Many of these were initially built as outdoor rinks, but were later converted to indoor arenas with roofs, walls, and refrigeration systems to make ice when outdoor temperatures rose above freezing. Ultimately, the MDC built 25 public skating rinks, with the last rink going up in Boston's North End in 1975.

Legislators outside the MDC district wanted to fund recreation facilities in their districts, too. In 1966, the Legislature approved a five million dollar bond authorization for the construction of pools, beach facilities and the first state-owned skating rinks outside metropolitan Boston.<sup>4</sup> The rinks were built for the Department of Natural Resources

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<sup>3</sup> Interview with Peter Martell, Executive Director, Ice Skating Institute, Dallas, TX, March 6, 2006.

<sup>4</sup> Massachusetts General Laws, Chapter 632 of 1966.

(later the Department of Environmental Management). The first two arenas opened in Springfield and Brockton. They were quickly followed by arenas in North Adams, Greenfield, Peabody, Haverhill, New Bedford, Taunton, Marlborough, Worcester, and Holyoke. Subsequent bond authorizations in 1969 funded indoor arenas in Plymouth, Fall River, Newburyport, Lowell, Franklin, Gardner, and Auburn.<sup>5</sup>

As the 18 DEM rinks came on line in the late 1960s and early 1970s, they were considered state-of-the-art recreation facilities.<sup>6</sup> The enclosed buildings made it possible to keep an ice surface year round, and once open, the arenas operated 24 hours a day, seven days a week. New Freon and glycol refrigeration systems cooled the ice, and Zambonis maintained the surface. Locker rooms on the men's side of the arenas provided a place for the boys' and men's hockey teams to shower and change. Arena services included skate rentals and snack bars. Bleachers accommodated hundreds of spectators at hockey tournaments and figure skating competitions. Experienced skating instructors were available to teach figure skating and hockey. Ice skating fees were low, or free.

The rinks were immediately popular, due in part to the success of Bobby Orr and the Boston Bruins, whose 1970 Stanley Cup win helped spur the popularity of skating all across Massachusetts. With a full-time complement of 24 staff at each rink, it was possible to keep each rink spotless. Since many of the rinks were intentionally located near high schools, youth hockey and figure skating programs became an integral part of school sports in many of the rinks' host communities. The day the Brockton Rink opened in 1968, the line to sign up children for hockey snaked through the lobby, out the door, and down the street.<sup>7</sup> During the 1970s and early 1980s hockey and figure skating programs flourished. Besides the skating programs, the arenas also hosted events such as disco nights, flea markets, wrestling tournaments, and even appearances by the Lipizzaner Stallions.<sup>8</sup>

## Physical Decline and Fiscal Trauma

In the late 1970s, and again in the late 1980s, the DEM operating budget endured a series of cuts. One consequence was a reduction in staffing and hours of operation at the DEM rinks. Rising energy costs ate into already slim operating margins, and budget shortfalls meant that arena staff were reassigned to other facilities in the spring and summer months, rather than staying at the rink to perform off-season maintenance.

As the late 1980s progressed, budget uncertainties made it difficult for DEM to operate on a predictable annual schedule, frustrating coaches trying to build a hockey or figure skating program. The rinks had also failed to keep up with technology and changing user needs. Newer, safer, propane-powered Zambonis that did not emit carbon monoxide were financially out of reach. The absence of locker rooms for women meant female figure skaters and women's hockey teams had no place to shower and change unless the men's locker rooms were available.

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<sup>5</sup> Massachusetts General Laws, Chapters 743 and 906 of 1969.

<sup>6</sup> Interview with DCR Staff, January 5, 2006.

<sup>7</sup> Interview with Rita Blair, Blair School of Figure Skating, Wareham, MA, March 1, 2006

<sup>8</sup> Interview with Ken Foley, former Franklin Rink Manager, January 5, 2006

While the inadequacy of both services and facilities was frustrating, the declining condition of the rinks was a more intractable problem. Maintenance budgets, which had never been generous, were slashed. Compressors, rink dasher boards, and dehumidifiers all needed replacing. Parking lots needed resurfacing, and rain came in through leaky roofs. Perhaps most critical of all, the slabs—the cement skating surface containing the thousands of feet of piping for refrigerant that allows water to be frozen to ice—were beginning to show signs of failure. The corrosive effects of dampness on the cement-embedded piping systems meant that a tiny pinhole leak could send Freon gas outside the system and into the atmosphere. Leaks had to be repaired by jack-hammering up sections of the concrete slabs in a laborious process that required infrared equipment, money, and time.

Repairing and upgrading the rinks would require millions of dollars, but by 1990 the Commonwealth of Massachusetts was in a fiscal crisis. The electorate had made it clear, in sending William Weld to the Governor's office, that increased taxes were not a way out of the state's fiscal situation. Raising user fees was also not a viable option, as these revenues were sent to the state's General Fund and would not have been used to improve the rinks. In a time when Massachusetts, indeed the entire country was in the grip of a recession, it was hard to justify spending on recreation facilities when budgets for education, local aid, human services, and other state-funded programs were facing drastic cutbacks.<sup>9</sup>

## The Emergence of Competitive Contracting

Governor Weld and his team set about looking for ways to balance the state's precarious financial situation without raising taxes, as promised. In mid-1991, several rounds of unusual midyear budget cuts underscored the seriousness of the situation. As his administration searched for solutions to end the state's downward fiscal spiral, Governor Weld called on state agencies to identify services and programs that had the potential to be competitively bid to the private sector. Principal goals were the enhancement of service quality, the probability of significant savings, and the assurance of government accountability. Later, after the state public employee unions made their influence felt, added to the list of goals was a minimal impact on state employees.<sup>10</sup> Prison health care, hospital consolidation, child support enforcement, and highway maintenance were among the early efforts to competitively contract for services.<sup>11</sup>

Within the Environmental Secretariat, the DEM skating arenas were identified as candidates for private sector management. It selected the DEM rinks over those of the MDC because the former were in better condition, its management was less resistant to competitive contracting, and the rink system's budget was distinct from the rest of DEM, so that a general idea of their expenses and revenue was available. The rinks were also on plots of land that were separate from other DEM park facilities. Since there were other

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<sup>9</sup> M.E. Malone, "Weld's \$1.3B Savings Plan Due Today Package Includes Revisions in Medicaid, Hikes in Fees," *Boston Globe*, January 31, 1991.

<sup>10</sup> Executive Office of Administration and Finance, *Privatization in Massachusetts: Getting Results Commonwealth of Massachusetts*, August 14, 1993: 2–4.

<sup>11</sup> *Ibid.*, 12–18

public and privately-run skating arenas around the state, there was a pool of potential managers with ready experience.

There were significant obstacles. Some were specific to the agency, while others were common to all of state government. The DEM could only offer a short-term management agreement due to laws limiting its leasing abilities, and a provision in the state Constitution which prohibited the sale of state park land without a two-thirds vote of the Legislature. The Environmental Secretariat decided to try a test case.

Four rinks in Worcester County were selected for their geographic proximity, variety of facility type, and ranges of revenue generated. A Request for Proposals (RFP) was issued in August 1991. After reviewing several proposals the DEM signed a concession agreement with Minuteman Flames Minor Hockey Association to operate the rinks in Auburn, Worcester, Marlborough, and Gardner for the term of February 1, 1992 through April 30, 1995.

The state made specific demands of the contractor, regarding both service levels and financial responsibilities. The management team was required to implement a detailed building, ground, and equipment maintenance plan, with agency monitoring and oversight. They were solely responsible for annual cumulative capital infrastructure repairs up to \$7,500 per rink, for the building and grounds and DEM-owned equipment.

Due to the short term of the agreement, the DEM retained responsibility for infrastructure repairs in excess of \$7,500, with the caveat that it was under no obligation to address capital repair and rehabilitation requests but would make a reasonable effort to attend to priority items. The pilot program extended the typical DEM skating season at all four rinks by two to 10 weeks, maintained the public skating schedule, ice rental rates, and public skating fees, and honored traditional ice time allocations for youth hockey and figure skating programs.

With the pilot barely begun, DEM was forced to make a quick decision regarding its remaining rinks. State finances were not improving dramatically, and there was a risk of running a budget deficit that would lead to further park program cutbacks—a most undesirable outcome. The pilot had proven there was private sector interest in managing the rinks under short-term agreements. In the fall of 1992, the DEM issued RFPs seeking candidates to manage the remaining 14 skating arenas. The agency staff, with the experience of the pilot behind them, as well as input from the Inspector General, had refined the RFP documents to ensure a better financial return to the Commonwealth. The new RFP more closely mirrored DEM's own program priorities for rink management and maintenance as well.

As expected, the process of competitive contracting elicited a vocal response from rink patrons, host communities, and rink employees. Many skaters, coaches, parents, and elected officials were not convinced of the merits of competitive contracting. They feared that service might decline, or that fees would be raised dramatically to meet the contractors' financial obligations. The threat of scheduling changes, in particular, was a source of great anxiety. The annual event of scheduling ice time for youth hockey was a rite that defined the lives of parents, coaches, and players. Preferred hourly slots for practices were coveted, and could take years to win. Many coaches had carefully cultivated relationships with arena managers in order to keep those preferred ice time slots. New management could jeopardize long-standing arrangements.

Anticipating these concerns, and realizing that any one group might derail the competitive contracting process, DEM designed program standards to offer high quality, affordable skating services in well maintained arenas. The RFP set strict limits on fee increases, established priority ice time for youth hockey and figure skating programs, and required a detailed program of arena improvements. Yet, concerns remained that too much would change when the rink management was turned over to unknown parties.

In response, some host communities bid directly for arena management contracts. Haverhill, for example, won the management contract for the DEM arena in that city. “We heard from a lot of coaches who were worried that their programs would suffer under a new management group,” said Vincent Ouellette, Director of Recreation. “We wanted to run the rink as close to the way the state had run it as possible, and run it at a local level,” he added.

The employees at the 14 rinks were all interviewed by the selected arena managers for prospective employment, as required by DEM. Although a number of them were offered positions, most chose to stay with their state jobs rather than gamble on what was in 1992 only a three-year commitment. As a result, only a handful of DEM employees left state service to join the new arena management. Since DEM urgently needed these employees to staff parks, beaches, and pools, they were all reassigned to other park facilities once the arenas were turned over to arena management groups. The first group of employees, laid off in 1992 when the four pilot Worcester-area arenas were put out under agreement, were all ultimately offered recall to employment pursuant to negotiations with the state employee unions.

The leasing contracts delineated contractors’ obligations; they also codified the DEM’s ongoing responsibilities. The agency would have an oversight role in arena management and maintenance. Fee increases were to be capped annually, and over the life of the contracts. In 1992, the ice time rates were \$110 per 50-minute hour, and the contractors were required to maintain that price for the first year of operation. In subsequent years, the ice time rate could not increase more than \$20 per hour in any given year, with an hourly rental rate cap of \$140 per hour over the term of the three-year agreement. Public skating fees were also capped. The \$3 adult skating fee could not exceed \$5 and the \$1 children’s skating fee could not exceed \$2 for the term of the agreement. These terms were negotiated by a team of DEM policy, legal, and operations staff for each selected arena operator following the format outlined in the RFP.

In December 1992, the agency signed three-year agreements for the management of 12 DEM ice arenas. Three private management entities took over a total of 9 rinks, and the cities of Haverhill, Peabody, and Springfield undertook the management of their local rinks. The system’s remaining two rinks, North Adams and Greenfield, which were the most geographically isolated and had some of the lowest user and revenue figures, would require a third round of RFPs before finding suitable managers in the summer and fall of 1993. The Greenfield rink went to a private management group, and the North Adams rink would operate under a special agreement with North Adams State College (later renamed Massachusetts College of Liberal Arts).

The first round of competitive contracting had an immediate effect on arena maintenance and operation. Stakeholders in both privately-run and municipally-operated arenas noted the improvements. In Haverhill, Vin Ouellette was able to address a long-standing concern of the local neighborhood and reroute rink-bound traffic off a narrow local city street. “Since the rink abuts Haverhill High School, we were able to close off



access to nearby Brook Street, which had been used by many as a route to the rink, and redirect traffic through the High School,” Ouellette said. “It made the neighbors on Brook Street happy. I guess we could have done it when the state ran the rink, but once we had the management agreement, it just made it so much easier to do since we controlled both the rink and the high school,” he explained.<sup>12</sup>

Plymouth’s experience was an example of successful private management. Ray Leather of Plymouth Youth Hockey remembered the years before competitive contracting. “The rink would shut on May 1, and be sitting there unused all summer. The privatization really opened up the utilization of this asset to the community,” he said.<sup>13</sup> Once under private management, the Plymouth rink schedule went from operating six months a year to 10 months a year within a few seasons. Staff accountability improved as well. “Sometimes when the state ran the rink we would show up for an early morning practice, only to find the doors still locked,” said Leather. “If the state employee was late, who could we complain to? If that were to happen now, someone would get an earful!”<sup>14</sup> A visiting Canadian hockey team confirmed the improvement. According to Leather, the team made a trip to Plymouth every year to participate in an annual tournament. When they arrived at the rink the year after it was managed by Southeastern Massachusetts Arenas (later Facility Management Corporation), the team was shocked at the changes, Leather reports their reaction: “What had happened? Had the rink been sold? Everything looked so much better!”<sup>15</sup>

Building on this track record, the program was expanded. The next round of RFPs addressed concerns raised by the Inspector General and the State Auditor. The Inspector General had made a series of audits of the procurement process. The State Auditor assigned two staff auditors to spend a full six months at the DEM offices reviewing documents. The audit findings focused on the pilot program and the early years of privatization; by the time they were published in 1994, all of the negative findings had already been addressed by DEM.

DEM issued another round of RFPs in 1995, extending the leases’ term to five years. Successful bidders awarded five-year permits in 1996 included the cities of Haverhill and Peabody, as well as Facility Management Corporation, who won the right to manage 10 rinks in this round (including the four from the initial pilot program). Newburyport and Lowell went to North Shore Rink Management. The rinks in Springfield and Greenfield were turned over to a new group, the Pioneer Valley Associates. Mass Skate of Holyoke won the Holyoke rink again. North Adams, still the most challenging rink to manage, continued to be operated by the Massachusetts College of Liberal Arts under a special annual agreement with the DEM.

## Competitive Contracting with Long-term Leases

Over the course of the second phase of rink leases, the limitations of short-term contracting became painfully and expensively clear. Contractors could improve service

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<sup>12</sup> Interview with Vin Ouellette, Director of Recreation, City of Haverhill, MA, March 2, 2006.

<sup>13</sup> Interview with Ray Leather, Plymouth Youth Hockey, February 15, 2006.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

delivery and rink utilization, but the facilities' capital demands far exceeded their year-to-year revenue-generating capacity. DEM remained responsible for major capital repairs, but lacked the financial resources when those repairs became necessary.

Catastrophic failures of the ice slabs and other parts of the infrastructure became commonplace during the 1990s as the rinks reached the end of their design lives. Skating slabs failed in Taunton, Holyoke, Haverhill, and New Bedford between 1993 and 2000. The roofs at Lowell and Newburyport failed a year apart in 1999 and 2000. After such disasters, the rink management had to reschedule ice time that was booked 10 to 12 months a year, often 12 hours a day. Hockey parents found themselves driving long distances to ensure their children had a place to skate. "The year Taunton went down, we drove to Dennis, we drove to Brookline—anywhere we could find ice," said Rick Murphy of Bridgewater, former president of Taunton Youth Hockey.<sup>16</sup>

The rinks' capital needs—estimated at \$35 million in the mid-1990s—were only a portion of DEM's maintenance backlog. The agency's total capital needs exceeded \$100 million at that time. Upgrades were urgently needed in a broad spectrum of public park facilities, and annual caps on bond spending instituted by the Weld Administration as a means of improving the state's bond rating limited the agency's ability to embark upon a broad construction program.

Capital improvements to state assets can be financed in a variety of ways. An ice arena is a capital-intensive asset, requiring constant maintenance and periodic replacement of major components. These costs can be financed by user fees, but if fees at the state rinks had been increased enough to directly cover all capital costs, then they would discourage use and price some customers out entirely. This was and is incompatible with the goals of public provision of recreational facilities.

Third-party operation of these facilities can address this problem, if the operator is granted a long-term lease of the facility. The operator can finance capital investment by borrowing against expected revenue. This arrangement makes the most effective use of state authority—to enforce the terms of the lease and protect the public interest—and private contractors, who can access needed capital more flexibly than the state.

For several years, DEM worked intensively to convey these program constraints to the Legislature, whose constituents were growing increasingly satisfied with the new state skating rink management model. In 2000, the Legislature authorized the Division of Capital Asset Management (DCAM) and the DEM to enter into long-term leases for the 18 skating rinks.<sup>17</sup> DCAM issued a "Request for Proposals to Provide Long Term Operation and Management Services and Capital Improvements for State-Owned Ice-Skating Rinks" on December 3, 2001, but a review by the Inspector General caused the agency to revise and reissue the RFP on April 5, 2002.

Following a competitive review process, on June 20, 2002, leases with terms of 25 years were executed by DCAM for 17 of the 18 rinks. Again, the North Adams rink remained without a competitive proposal. The cities of Haverhill and Peabody won the long-term agreements for their rinks. Facility Management Corporation kept 10 rinks from its previous agreement, and added Greenfield, Holyoke, and Springfield. North Shore Rink Management kept Newburyport and Lowell. Certain key elements were car-

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<sup>16</sup> Interview with Rick Murphy, Taunton Bruins Youth Hockey, February 18, 2005.

<sup>17</sup> Chapter 159, Section 366 of the Acts of 2000, later amended by Chapter 88, Section 30 of the Acts of 2001.

ried forward from the short-term leases: priority ice time allocation for public skating and youth hockey and figure skating, longer hours and seasons of operations, creative programming, and affordable ice time fees.

Most importantly, the 17 rinks would see more than \$37 million in private sector investment over the life of the leases, with guarantees that major capital work would be done in the first five years of the leases. The Commonwealth would continue to receive a percentage of gross revenues, and most rinks proposed establishing a separate maintenance reserve fund for additional work as needed. DEM staff would continue to oversee operations on a monthly basis.

The final stage of competitive contracting in the area of skating facilities involves the rinks originally built for the MDC. In July 2003, the MDC and DEM were merged into one unified agency, the Department of Conservation and Recreation (DCR). Like the former DEM rinks, most former MDC rinks had exceeded their design lives and were in need of extensive renovations, in spite of continual investment by the agency during the 1990s. By the time of the merger in 2002, the median age of an MDC rink from original date of construction was 35 years. Many had begun as open air rinks and later converted to indoor arenas. The MDC's remaining 20 rinks each operated a five-month season on average in FY03 at a loss of \$1,098,097.<sup>18</sup> An evaluation by DCR and DCAM staff in late 2003 and early 2004 concluded that the MDC rinks needed an immediate capital infusion of \$28 million over the next three years, or \$92 million over the next 25 years in order to repair and reconstruct the rinks.

Although the MDC and DEM rinks had different beginnings, there was one common thread. For both agencies, many rinks were located in urban areas whose clientele had few financial resources to skate at private rinks. Whether in Brockton, Fall River, Gardner, Holyoke, Lowell, North Adams, Revere, Lynn, Brighton, Weymouth, or Everett, children of working-class parents who wanted to skate used the public rinks. Private rinks were simply charging too much in hourly ice time fees for many programs to book a lot of time. And, some of the youth hockey organizations relied upon revenues generated by running snack shops located within the rinks. As the rinks were put out under initial management agreements, the hockey organizations with agreements to run snack bars kept them. But, as hours and seasons of operations grew at the rinks, most small organizations did not have the staff or resources to keep snack bars open while the rinks were open. Intent on offering better service, many arena managers took over the snack bar operations as the years wore on.

With the DEM model in hand, the DCR set about the process of obtaining legislative authorization to obtain long-term leasing authority for the MDC rinks, too. In July 2004, the Legislature authorized DCAM to enter into competitive, long-term contracts for management of eight rinks in Arlington, Cambridge, Everett, Lynn, Newton, East Boston, Revere, and Waltham (Chapter 149, section 279 of the Acts of 2004). The law was amended in the fall of 2004 to allow host cities and towns to pre-qualify as rink managers. As a result, the town of Arlington, and the cities of Everett and Waltham now manage those rinks. The remaining rinks were competitively contracted, with results similar to those of the DEM. The DCR also recently renewed a long-term lease with the town of Canton for the MDC rink in that community under terms and conditions sim-

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<sup>18</sup> Department of Conservation and Recreation FY03 DUPR Rinks P&L.

ilar to those of the rinks noted above. Already, \$4.02 million has been invested in these rinks, with an expected \$20 million investment over the next 20 years. Five of the eight will operate 10–12 months a year, existing ice time allocations will continue to be honored, and ice time fees will continue to be competitively priced.

## The Results of Competitive Contracting

Financial and operational measurements lend evidence to the success of competitive contracting in the skating rink program. In FY1991, before the eighteen DEM rinks were competitively contracted, they operated 30 to 35 weeks annually. The average season for all rinks was 34 weeks, or 8 months. The attendance was 2,342,201 for the final year of state operation, and the revenue from all rinks from all sources was \$4,240,010. The heaviest attendance was Franklin, with 188,850, and the lightest was North Adams, with 12,792.<sup>19</sup>

### Rink Availability, Cost, Attendance and Investment

	FY91	FY97	FY05
Average season (weeks)	34	42	43
Ice time rate (average hourly rate for groups)	\$110	\$140	\$159.75
Yearly attendance	2,342,201	3,331,092*	4,894,333
Capital investment by contractors	N/A	\$580,000*	\$ 2,282,549

\* with one rink closed due to slab failure

Source: DEM Monthly Reports obtained from operators

By FY1997, with all rinks out under competitive management for at least three years, the rink season of operation was averaging 10 months annually for all 18 rinks. Attendance at all rinks increased to 3,331,092, in spite of the closure of the New Bedford rink due to a slab failure. North Adams' attendance had jumped to 62,611; Franklin's was 194,154. During that same year, again, with one rink closed, revenue was \$6.4 million. Rink managers made capital investments totaling \$580,000 and payments to the Commonwealth totaling \$496,143. (It should be noted that Greenfield and North Adams were exempted from payments to the Commonwealth, owing to their near break-even financial condition, and New Bedford's was greatly reduced because the rink was closed.) Rink managers put another \$313,000 in a capital repair "rainy day fund" and rented 43,653 hours of ice time collectively. Furthermore, the DEM was saving over \$1.4 million in utility and other non-personnel expenses annually.<sup>20</sup>

From 1993 to 2002, rink operators were not liable for major capital repairs or replacements owing to the short-term nature of their agreements. Three- to five-year lease contracts made it infeasible to absorb million-dollar slab-replacement costs.

<sup>19</sup> Department of Environmental Management Annual Report 1991.

<sup>20</sup> Department of Environmental Management Rink Attendance and Revenue, FY97.

During the period of 1993 to 2002, the DEM spent \$3,566,859 to make contractually agreed upon repairs to major capital elements such as compressors, slabs, and roofs.

Rink managers were held responsible for investing in more capital improvements, especially after 1996, when the terms of the contract went from three to five years. During the initial three-year contract period beginning in 1993, the rink managers spent approximately \$290,755 for capital work at the rinks. From 1997–2001 under the five-year agreements, capital expenditures totaled \$2,344,859. Rink managers exceeded their required capital payments (\$1,810,462) by more than \$500,000 during that five-year period.<sup>21</sup>

By 2005, the rinks were open, on average, for 43 weeks per year. And attendance had increased to almost 4.9 million users. In addition, private contractors were spending significant amounts of money—\$2.28 million—on maintenance and capital repairs. Appendix I contains a rink-by-rink comparison of attendance, capital expenditures, and hourly fees.

### ***Conclusions and Next Steps***

There is much to learn from the state's experience with competitively contracting its skating rinks, and many lessons to be applied when considering and implementing a similar program to other state services.

First, the responsible agency should consider what constituencies will be affected and what the goals of the competitive contracting are. In the case of the DEM rinks, those constituencies were skaters and hockey enthusiasts who could not afford the fees charged by private skating rinks. The goal was to keep the rinks running despite sagging state budgets and the need for expensive and overdue maintenance and modernization.

Second, a robust and transparent contract development process should allow input from users and be structured to result in the desired goals, with clear performance measures to be utilized by public oversight agencies. Moreover, the contracting process needs to be looked at as a process, allowing for correction and improvements over time. While the DEM's first attempts at competitive contracting resulted in lower operating costs and greater rink availability, the Inspector General and State Auditor, after studying those first attempts, suggested a number of revisions to the contract solicitation wording which improved the overall quality of the selection process. Because the short term of the initial contracts made it nearly impossible for the private rink operators to make large-scale capital investments, those terms were increased to 25 years in the third round of contracts, encouraging larger capital investments.

Regarding rinks, the opportunity to utilize long-term leases for the remaining 12 former MDC rinks is currently pending before the Legislature. Given the improvement in facility performance and availability, as well as the cost savings, from the previous rounds of competitive contracting, putting these rinks out for competitive contracting would be expected to provide similar results.

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<sup>21</sup> Department of Conservation and Recreation, *Interim Report with Accompanying Recommendations for Legislative Actions by the Department of Conservation and Recreation, Relative to the Feasibility and Merits of Executing Long Term Lease Arrangements for Recreational Facilities that are Under the Control of the Department*, January, 2004: 5

<sup>22</sup> "2005 Annual Report," Department of Conservation and Recreation: 2.

DCR has oversight of a vast number of recreational facilities: 450,000 acres of open space, 1,753 buildings, 3,525 campsites, 67 beaches, 60 playgrounds, 55 ball fields, 39 swimming pools, and two golf courses.<sup>22</sup> The backlog of deferred maintenance for these assets has been estimated at \$750 million in 2005.<sup>23</sup> Competitive contracting, carefully and wisely implemented, can be a crucial tool for some of these assets, as it was for public skating rinks, for addressing long-term capital needs, reducing operating costs, and expanding access.

Most broadly, the private sector may be able to bring some of these benefits to many of the activities and services that the Commonwealth performs directly. Right now state contracting law severely limits the state's ability to contract out services. The Legislature should reexamine these laws and allow for competitive contracting to be considered as an option for the provision of certain state functions.

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<sup>22</sup> "2005 Annual Report," Department of Conservation and Recreation: 2.

<sup>23</sup> Ebbert, Stephanie, "State Lags on Upkeep of Parks System", *Boston Globe*, November 28, 2005, [http://www.boston.com/news/local/massachusetts/articles/2005/11/28/state\\_lags\\_on\\_upkeep\\_of\\_parks\\_system/?page=1](http://www.boston.com/news/local/massachusetts/articles/2005/11/28/state_lags_on_upkeep_of_parks_system/?page=1), last accessed on April 3, 2006.

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## Appendix I

### Hourly Ice Time Fee Survey, Spring 2006

Operator	Cost/Hour
State-owned rinks under long-term lease, private operator	\$160
State-owned rinks under long-term lease, municipal operator	\$172
Municipal rinks	\$189
Non-profit rinks	\$199
College rinks	\$204
School rinks	\$215
Private rinks	\$240

Source: Facility Management Corporation Spring 2006 survey of 95 rinks

### Attendance

	FY 1991	FY 1997	FY 2005
Auburn	119,099	203,095	277,221
Gardner	161,591	151,915	187,892
Marlboro	166,540	176,595	258,079
Worcester	115,719	238,773	249,248
Brockton	126,230	180,637	259,850
Fall River	160,378	197,181	188,176
Franklin	188,850	226,938	282,672
New Bedford	170,564	138,248	177,933
Plymouth	158,825	194,368	287,163
Taunton	96,722	238,773	273,169
Haverhill	157,153	315,502	784,905
Peabody	133,808	413,875	901,170
Lowell	180,464	92,231	54,350
Newbypt	180,485	172,332	71,018
Greenfield	87,982	82,404	158,131
Holyoke	87,108	180,386	189,881
Springfield	47,891	126,818	232,040
North Adams	12,792	62,611	61,435

Source: DEM Monthly Reports obtained from operators



**Capital Expenditure by Lease Operator**

	<b>FY97</b>	<b>FY05</b>
Auburn	23,818	47,017
Gardner	18,422	49,946
Marlboro	62,570	105,542
Worcester	58,724	296,793
Brockton	71,077	188,134
Fall River	98,044	53,041
Franklin	42,330	212,914
New Bedford	14,052	47,560
Plymouth	97,018	70,387
Taunton	15,171	42,791
Haverhill	6,797	26,021
Peabody	—	300,065
Lowell	13,439	29,368
Newbypt	18,741	535,141
Greenfield	24,557	66,410
Holyoke	20,047	80,156
Springfield	22,761	99,722
North Adams	—	31,602

Source: DEM Monthly Reports obtained from operators

**Hourly Ice Time Fees**

	<b>1 991</b>	<b>1997</b>	<b>2005</b>
Auburn	\$95	\$110	\$155
Gardner	\$95	\$110	\$155
Marlboro	\$95	\$110	\$155
Worcester	\$95	\$110	\$155
Brockton	\$95	\$120	\$155
Fall River	\$95	\$120	\$155
Franklin	\$95	\$120	\$155
New Bedford	\$95	\$120	\$155
Plymouth	\$95	\$120	\$155
Taunton	\$95	\$120	\$155
Haverhill	\$95	\$115	\$190
Peabody	\$95	\$115	\$180
Lowell	\$95	\$110	\$190
Newbypt	\$95	\$110	\$190
Greenfield	\$95	\$120	\$155
Holyoke	\$95	\$140	\$155
Springfield	\$95	\$125	\$155
North Adams	\$95	\$110	\$150

Source: DEM Monthly Reports obtained from operators

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