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TECHNICAL NOTES

U.S. DEPARTMENT OF AGRICULTURE BERKELEY, CALIFORNIA SOIL CONSERVATION SERVICE

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TN - Recreation - 3

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GUIDE FOR DEVELOPING COST AND RETURN INFORMATION

of

RECREATION ENTERPRISES

Attached is material developed by Charles F. Lemon, Resource Development Specialist of the Regional Technical Service Center in Portland, to be used as a guide in developing cost and return information for local areas.

It is emphasized that this material describes a procedure and that examples used are hypothetical. It should not be filed "as is" in Unit Technical Guides. By modifying items as necessary and using local figures for costs and values, this data may be used as a technique for developing information and assisting in planning recreation enterprises. Such information may be included in Section V C of Unit Technical Guides. The figures used locally should, of course, be accurate and as much as possible be those obtained from the landowner or operator concerned and should reflect his experience or opinion. It is the landowner or operator who makes the decisions and who stands to make a profit or take a loss because of those decisions. The job of the SCS is to provide the best information available and to guide the decision making as well as possible.

Fred A. Haughton, Jr.
State Soil Conservationist

Attachment

INCOME PRODUCING POTENTIAL-DUCK POND
(Hypothetical Data)

Estimated Investment Needed:

Pond	\$ 750
Duck blinds-4 @ \$100	400
Total	<u>\$1,150</u>

Estimated Annual Fixed Cost:

Pond amortized for 20 years at 6% (\$750 x .087)	\$ 65
Duck blinds amortized for 3 years at 6% (\$400 x .374)	150
Total	<u>\$ 215</u>

Estimated Annual Operating Expense:

Taxes	\$ 15
Operation & Maintenance	50
Insurance	70
Advertising	20
Barley for Feed-10 acres @ \$10/ac	100
Water for Flooding 10 acres (15 ac.ft. @ \$3)	45
Labor	100
Total	<u>\$ 400</u>

Total Annual Cost (Fixed & Operating) \$ 615

Breakeven Point:

An individual or group membership fee of \$600 would be needed to defray all costs. A \$125 charge per blind for the season would also gross \$600. Also, a fee of \$25 per day per hunter would require 24 hunter-days to break even; and could be accomplished in 6 days with one hunter per blind (100% occupancy), or 4 days with two hunters per blind (75% occupancy).

Annual Fixed Cost:

2.

	<u>Feeding</u>	<u>Non-Feeding</u>
Lake & Land Improvements	\$ 250	\$ 250
<u>Annual Operating Expense:</u>		
Advertising	\$ 50	\$ 90
Insurance	50	50
Taxes (Est. @ 50%)	100	100
Fish Purchased		
16,000, 3" Fingerlings @ \$40/thousand	640	
1,600, 3" Fingerlings @ \$40/thousand		65
Fish Food		
20¢ per lb. of fish x 4,000 lbs.	800	
Operation & Maintenance (\$2,900 x .05)	150	150
Labor	300	150
Total	<u>\$2,090</u>	<u>\$ 565</u>
Total Annual Cost (Fixed + Operating)	\$2,340	\$ 815

Estimated production with feeding is 1,000 pounds per acre. Production from non-feeding is 100 pounds per acre. At a charge of \$1.60 per pound of fish, a maximum net return of \$4,060 (\$6,400 - \$2,340) could be realized with the feeding program. The maximum net return from non-feeding is a loss of (-) \$175 (\$640 - \$815). With the added expenditure of \$1,525 (\$2,340 - \$815), net return is increased \$4,235 (\$4,060 + \$175). This is a return of \$2.77 for each dollar invested in additional fingerlings and feed.

INCOME PRODUCING POTENTIAL-SHOOTING PRESERVE
(Hypothetical Data)

Estimated Investment Needed:

Clubhouse-820 sq. ft. @ \$12 per square foot	\$ 9,800
Holding pens and equipment-2 pens 144' x 12'	1,500
Dog Kennels	1,500
Traps	200
Dogs	500
Miscellaneous	500
Total	\$14,000

Estimated Annual Fixed Cost:

Clubhouse amortized for 30 years @ 6% (\$9,800 x .073)	\$ 720
All other items with the exception of the dogs amortized for 10 years @ 6% (\$3,700 x .136)	500
Interest on dogs (\$1,500 x .06)	90
Total	\$ 1,310

Estimated Annual Operating Cost:

Advertising	\$ 200
Utilities	100
Operation & Maintenance (\$13,500 x .05)	675
Dog replacement	100
Bird Feed	500
Bird purchase 2,500 @ \$2.50	6,250
Refreshments	500
Insurance	50
Taxes	100
Clay pigeons	100
License	50
Labor	4,000
Total	\$12,625

Total Annual Cost (Fixed & Operating) \$13,935

Breakeven Point:

Returns would be from several sources i.e., hunting, refreshments, dog training, traps, dressing birds, guide fees, etc. Therefore, it would be difficult to compute an exact number of birds that would have to be released to break even. However, assuming a fee of \$25 per day per hunter with a limit of three birds and a charge of \$6 per bird killed in excess of that amount and a release-kill ratio of 80 percent, approximately 2,000 birds would have to be harvested to defray all costs.

INCOME PRODUCING POTENTIAL--PICNIC AREA
(Hypothetical Data)

Estimated Investment Needed:

Land Improvement	\$ 500
Table-bench combinations-20 @ \$40	800
Metal-grill fireplace-20 @ \$50	1,000
Well	2,000
Trash cans-20 @ \$7	140
Electric lines & poles	300
Open group shelter (8 tables)	2,000
Total	\$6,740

Estimated Annual Fixed Cost:

Land improvement and open group shelter amortized for 20 years @ 6% (\$2,500 x .087)	\$ 220
Well amortized for 25 years @ 6% (\$2,000 x .078)	160
Tables & fireplaces amortized for 15 years @ 6% (\$1,800 x .103)	190
Electric lines & poles amortized for 30 years @ 6% (\$300 x .073)	20
Trash cans amortized for 3 years @ 6% (\$140 x .37)	60
Total	\$ 650

Estimated Annual Operating Cost:

Advertising	\$ 50
Utilities	50
Supplies (wood, etc.)	200
Maintenance	300
Taxes	20
Insurance	50
Truck expense ^{1/}	100
Labor 600 hrs. per year	750
Total	\$1,520

Total Annual Cost (Fixed & Operating) \$2,170

Breakeven Point:

At an average fee of \$1.00 per day per table and assuming a 150-day season, it would require a 52 percent occupancy for each day of the season to defray all costs.

^{1/} Prorated share of ownership and operating cost.

INCOME PRODUCING POTENTIAL-CAMPGROUNDS
(Hypothetical Data)

Estimated Investment Needed:

Site preparation	\$ 1,000
Tent sites-leveling, table, fireplace, waste receptable, parking spur and prorated share of road - 25 sites x \$500	12,500
Pit toilets - 3 @ \$500	1,500
Trailer sites-leveling, graveling, table, fireplace, parking spur, electrical outlet, waste receptable and prorated share of road - 25 sites x \$600	15,000
Electric line with poles	600
Septic tanks and drainage field	2,500
Well	3,500
Distribution line- $\frac{1}{2}$ mile @ \$2.50/ft.	6,600
Water taps-one per trailer site & 1 per 10 tent site - 28 x \$100	2,800
Flush toilets - 2 @ \$3,500	7,000
Total	<u>\$53,000</u>

Estimated Annual Fixed Cost:

Pit toilets amortized for 10 years @ 6% (\$1,500 x .136)	\$ 200
Electric line & poles amortized for 30 years @ 6% (\$600 x .073)	40
Septic tanks, well, distribution line and water taps amortized for 15 years @ 6% (\$15,400 x .103)	1,600
Flush toilets amortized for 20 years @ 6% (\$7,000 x .087)	600
Total	<u>\$ 2,440</u>

Estimated Annual Operating Expense:

Advertising	\$ 50
Utilities	500
Operation & Maintenance	1,200
Insurance	150
Taxes & License	50
Truck expense ^{1/}	200
Miscellaneous	300
Labor	2,000
Total	<u>\$ 4,450</u>

Total Annual Cost (Fixed & Variable) \$ 6,890

Breakeven Point:

Assuming a 150-day season and fees at \$2.00 per day per tent site and \$3.00 per day per trailer site, a 40 percent occupancy for the season would cover all costs.

^{1/} Prorated share of ownership and operating cost.

INCOME PRODUCING POTENTIAL-HUNTING AND PLEASURE PACK TRIPS
(Hypothetical Data)

Estimated Investment Needed:

Horses-10 @ \$200	\$2,000
Horse barn	2,000
Truck	2,000
Saddles-10 @ \$100	1,000
Packing equipment	500
Tents & Camping equipment-4 tents, 6 sleeping bags, etc.	600
Total	<u>\$8,100</u>

Estimated Annual Fixed Cost:

Horse barn, truck, saddles & packing equipment amortized for 10 years @ 6% (\$5,500 x .136)	\$ 750
Interest on horses (\$2,000 x .06)	120
Tents & Camping equipment amortized for 5 years @ 6% (\$500 x .237)	120
Total	<u>\$ 990</u>

Estimated Annual Operating Cost:

Advertising	\$ 100
Truck operating expense	200
License	20
Horse replacement-one horse per year	200
Maintenance	200
Insurance	150
Horse Feed	2,400
Labor	1,200
Taxes	50
Total	<u>\$4,520</u>

Total Annual Cost (Fixed & Operating) \$5,510

Breakeven Point:

Assuming five horses per two hunters and guide and a fee of \$30 per day per hunter, it would require 46 days of hunting to defray all costs. Use in excess of this amount and any use from pleasure packing would represent a net return to the enterprise.

INCOME PRODUCING POTENTIAL-FISHING GUIDE SERVICE
(Hypothetical Data)

Estimated Investment Needed:

Boat, motor and trailer \$1,500

Estimated Annual Fixed Cost:

Boat, motor and trailer amortized for 10 years
@ 6% (\$1,500 x .136) \$ 200

Estimated Annual Operating Expense:

Fuel	\$ 200
License	20
Taxes	20
Insurance	20
Car Expense	200
Advertising	30
Utilities (telephone)	30
Operation & Maintenance	150
Labor	750
Total	<u>\$1,420</u>

Total Annual Cost (Fixed & Operating) \$1,620

Breakeven Point:

At a minimum fee of \$20 per day for guide and boat, it would take 80
(\$1,600 ÷ \$20) boat days to defray all costs.

INCOME PRODUCING POTENTIAL-VACATION FARM
(Hypothetical Data)

Estimated Investment Needed:

Remodeling	\$1,000
Operating equipment	400
Miscellaneous	200
Total	<u>\$1,600</u>

Estimated Annual Fixed Cost:

Remodeling & equipment amortized for 10 years @ 6% ($\$1,600 \times .136$)	\$ 220
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Estimated Annual Operating Expense:

Labor	\$1,000
Advertising	30
Utilities	70
Supplies (includes cost of food)	950
Repairs	50
Insurance	30
Taxes	50
License	100
Miscellaneous	70
Total	<u>\$2,350</u>

Total Annual Cost (Fixed & Operating) \$2,570

Breakeven Point:

Assuming an average family of four (2 adults & 2 children) and fees of \$50 per week per adult and \$30 per week per child under sixteen, fifteen weeks of occupancy would be needed to cover all costs.

INCOME PRODUCING POTENTIAL-BOYS' RANCH
(Hypothetical Data)

Estimated Investment Needed:

Bunkhouse	\$15,000
Horses-15 @ \$200	3,000
Horse Barn	2,000
Saddles-15 @ \$100	1,500
Jeep	2,000
Athletic Equipment	500
Sleeping Bags-15 @ \$30	450
Total	<u>\$24,450</u>

Estimated Annual Fixed Cost:

Bunkhouse & horse barn amortized for 30 years @ 6% (\$17,000 x .073)	\$ 1,200
Interest on horses (\$3,000 x .06)	180
Saddles & Jeep amortized for 10 years @ 6% (\$3,500 x .136)	480
Athletic equipment and sleeping bags amortized for 3 years @ 6% (\$950 x .37)	350
Total	<u>\$ 2,210</u>

Estimated Annual Operating Expense:

Horse Replacement-3 horses every 2 years	\$ 300
Advertising	100
Utilities	300
Maintenance	1,100
Taxes	300
License	100
Insurance	200
Food-3,600 meals	2,700
Horse Feed	3,600
Laundry	300
Jeep operating expense	500
Miscellaneous	300
Labor	4,800
Total	<u>\$14,600</u>

Total Annual Cost (Fixed & Operating) \$16,810

Breakeven Point:

At a fee of \$375 per boy for a four-week program, it would require three sessions of 15 boys each to defray all costs. Any portion of the labor cost saved by the use of family labor would represent a family labor return.

INCOME PRODUCING POTENTIAL-FISHING LAKES
(Hypothetical Data)

Estimated Investments Needed:

Lake (4 acres)	\$2,000
Land Improvement (drainage, roads, electric power, etc.)	900
Buildings and permanent structures (snack bar, tackle shop, etc.)	2,500
Operating equipment (boats, tackle, snack bar, etc.)	1,200
Total	\$6,600

Estimated Annual Fixed Cost:

Lake and land improvements amortized for 20 years @ 6% (\$2,900 x .087)	\$ 250
Buildings amortized for 20 years @ 6% (\$2,500 x .087)	220
Operating equipment amortized for 5 years @ 6% (1,200 x .237)	280
Total	\$ 750

Estimated Annual Operating Expense:

Advertising	\$ 50
Utilities	200
Supplies (Food, etc.)	1,000
Insurance	50
License	10
Bait	50
Taxes	200
Fish Purchases-16,000 3" Fingerlings @ \$40/Thousand	640
Fish Food-20¢ per lb. of fish x 4,000 lbs.	800
Operation & Maintenance (\$6,600 x .05)	350
Labor	1,250
Total	\$4,600

Total Annual Cost (Fixed & Operating) \$5,350

Breakeven Point:

At a fee of \$1.60 per pound of fish caught it would require 3,300 (\$5,350 ÷ \$1.60) pounds of fish caught to cover all costs. Poundage caught in excess of that amount and all income from bait, tackle and the snack bar would be profit.

To analyze the fishing lake separately from the snack bar, tackle shop and boats, only those annual costs associated with the lake would be considered. The following analysis is for two levels of management--feeding versus non-feeding of the stocked fingerlings.