

Minneapolis Park & Recreation Board

Minneapolis Park and Recreation Board
Financial Status Report
as of Second Quarter, 2022

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Budget Overview

Minneapolis Park and Recreation Board operating activities are accounted for in funds. The Park Board funds included in this financial status report are the General Fund, Enterprise Fund, Tree Preservation and Reforestation Fund, and Internal Service Funds. This report details the operations of these funds through June 30, 2022.

This interim financial report has been prepared by the Minneapolis Park and Recreation Board Finance Department. Financial information contained in this report is preliminary and has not been audited, nor is the information contained in this report a complete presentation of all financial activity within the Minneapolis Park and Recreation Board.

General Fund

The General Fund accounts for services and goods provided by the Park Board that are primarily supported by property taxes. To the end of 2022 General Fund revenues are projected to be \$94.3 million and expenditures are projected to be \$94.3 million.

The 2022 year-end fund balance is projected to be \$5.5 million, which is above financial policy requirements by \$657,142. This projected balance is a decrease of \$13,856 below the 2021 year-end balance.

Tree Preservation and Reforestation Fund

The Tree Preservation and Reforestation Fund accounts for a special property tax levy that funds the Park Board work addressing threats to the urban forest due to Emerald Ash Borer and tree loss due to storms. In 2022 the remaining Tree Preservation and Reforestation Fund balance of \$593,771 is being spent on the final ash tree replacement plantings. This will complete the nine-year Tree Preservation and Reforestation plan.

Enterprise Fund

The Enterprise Fund accounts for all business-type operations of the Park Board including golf courses, concessions, ice arenas, and permits. The fund is focused on income generation and supports Park Board programs and improvements. To the end of 2022, Enterprise Fund revenues are projected to be \$14.5 million, operating expenses are projected to be \$11.1 million and non-operating expenses are projected to be \$6.1 million. The 2022 year-end Enterprise Fund balance is projected to be \$4.0 million, \$2.7 million lower than the 2021 year-end balance.

Internal Service Funds

Internal Service Funds account for equipment fleet, information technology and self-insurance services to Park Board departments. To the end of 2022 Internal Service Fund revenues are projected to be \$11.6 million and expenses are projected to be \$11.1 million. The 2022 year-end Internal Service Funds balance is projected to be \$11.9 million. This projected balance is an increase of \$494,141 above the 2021 year-end balance of \$11.4 million.

General Fund

Summary

The General Fund is the operating fund of the Minneapolis Park and Recreation Board. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund began 2022 with a fund balance of \$5.5 million and has a current operating budget of \$96.2 million. Through June of this year, 44 percent of the Fund's appropriations have been spent with 50 percent of the year elapsed.

Revenue generated by the Park Board as of June 30, 2022 totaled \$40.9 million, up 7.1 percent from the \$38.2 million collected in the first half of 2021. Total revenues for 2022 are projected to be \$94.3 million, 8.7 percent higher than 2021 revenues.

As of June 30, 2022, actual expenditures totaled \$42.4 million, up 9.7 percent from the \$38.6 million spent in the first half of 2021. To the end of 2022, expenditures are projected to be \$94.3 million, eight percent higher than 2021 and two percent under budget.

The fund balance for the General Fund at fiscal year-end 2021 was \$5.5 million, exceeding the financial policy requirement of \$4.5 million (5 percent of the 2021 General Fund operating budget) by \$1.0 million. The fund balance for the General Fund is projected to be \$5.5 million at fiscal year-end 2022, above the financial policy requirement of \$4.8 million (5 percent of the 2022 General Fund operating budget) by \$657,142.

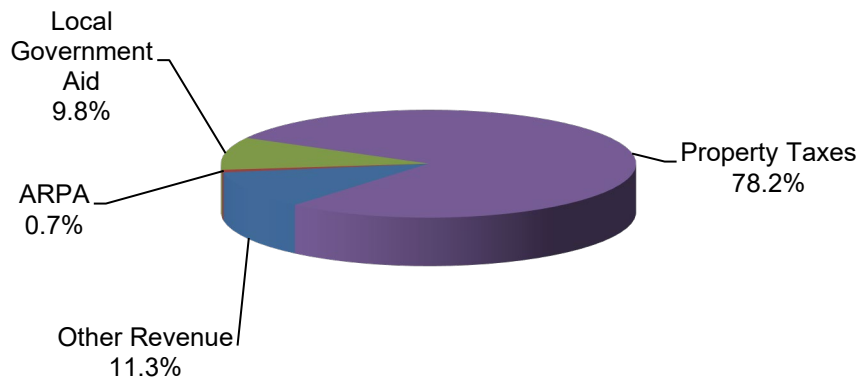
This report contains estimates. Unforeseen changes in revenue and expenditures will cause actual results to fluctuate from the projected results.

General Fund Revenues

As of June 30, 2022, actual revenues totaled \$40.9 million, up 7.1 percent from the \$38.2 million collected in the first half of 2021. Projected year end revenue is \$94.3 million, \$1.8 million under budget.

Revenues by Major Category

	2021			2022			
	Actual Year-End	Actual As of 6/30	Percent Recognized	Current Budget	Actual As of 6/30	Percent Recognized	Projected Year End
Property and Other Taxes	\$68,495,212	\$35,053,549	51.2%	\$73,694,610	\$37,196,132	50.5%	\$73,722,734
Local Government Aid	9,296,534	0	0.0%	9,233,125	0	0.0%	9,233,125
Fees, Fines and Other Revenues	8,979,499	3,106,633	34.6%	11,937,084	3,667,202	30.7%	10,665,938
American Rescue Plan Act				1,300,000			700,000
Total Revenues	\$86,771,245	\$38,160,182	44.0%	\$96,164,819	\$40,863,334	42.5%	\$94,321,797


Property Taxes

Property taxes provide 78.2 percent of projected revenue, the largest funding source of the General Fund. The Park Board received the first half property tax payment from Hennepin County, 50.5 percent of budgeted property taxes. Property tax revenue is projected to exceed budget by \$28,124 at year-end.

Local Government Aid

Local Government Aid (LGA) is projected to provide 9.8 percent of 2022 revenue. The State Budget included the 2022 City of Minneapolis LGA allocation of \$78.3 million. The NPP20 Ordinance provides for the transfer of 11.79% of this LGA to the Park Board. The Park Board expects to receive its budgeted amount of 2022 LGA.

Fees, Fines and Other Revenue

Fees, fines and other revenue provide 11.3 percent of projected revenue. Revenues are projected to end the year \$1.3 million under budget due to reduced project chargebacks and free programming.

American Rescue Plan Act (ARPA)

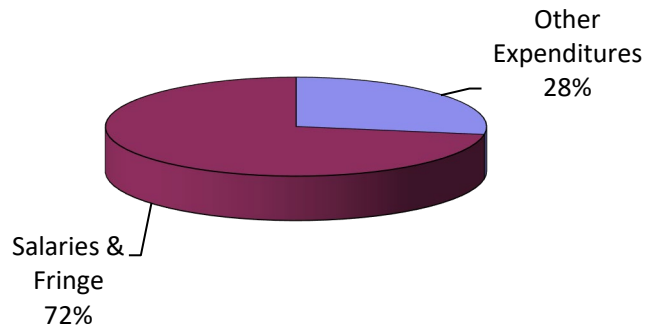
ARPA funding is being received through the City of Minneapolis to fund investment in the Youth of Minneapolis. Since hiring of the 22 new youth focused full-time positions is taking place during 2022, the full \$1.3 million will not be spent and reimbursed during 2022. The remaining \$600,000 is expected to be received in 2023.

General Fund Expenditures

As of June 30, 2022, actual expenditures totaled \$42.4 million, up 9.7 percent from the \$38.6 million spent in the first half of 2021. Projected year end expenditures are \$94.3 million, \$1.9 million under budget.

Expenditures by Major Category

	2021			2022			
	Actual Year-End	Actual As of 6/30	Percent Expended	Current Budget	Actual As of 6/30	Percent Expended	Projected Year End
Salaries & Fringe	\$59,290,215	\$27,833,315	46.9%	\$69,659,233	\$31,033,331	44.6%	\$66,106,853
Other Expenditures	28,433,758	10,785,267	37.9%	26,528,586	11,320,298	42.7%	28,228,800
Total Expenditures	\$87,723,973	\$38,618,582	44.0%	\$96,187,819	\$42,353,629	44.0%	\$94,335,653



Salaries and Fringe Benefits

Salaries and fringe benefits are 44.6 percent expended with 50 percent of the year elapsed. Hiring and staffing levels have increased since 2021, but the nation-wide worker shortage continues to impact Park Board hiring, especially in seasonal staffing.

Other Expenditures

Other expenditures include materials, supplies, contractual services and capital outlay. Other expenditures are 42.7 percent expended with 50 percent of the year elapsed. Transfers to Capital Projects will take place in the second half of the year. The Park Board is experiencing the effects of inflation, especially in utilities and supplies, and will end the year over budget in other expenditures.

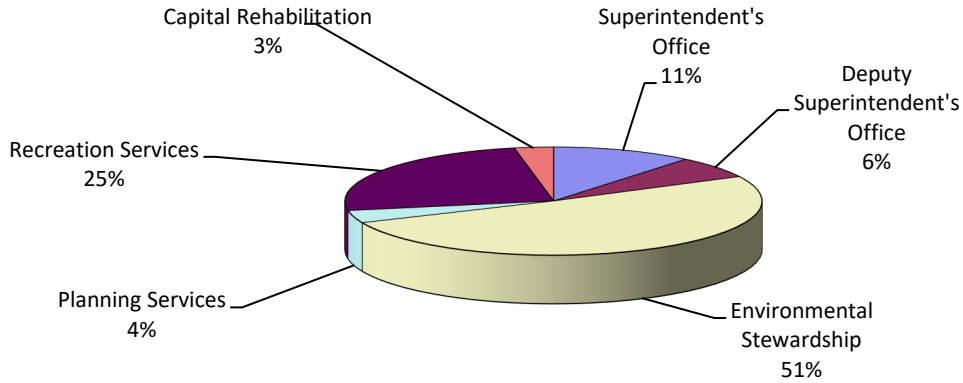
Expenditures by Service Area

	2021			2022			
	Actual Year-End	Actual As of 6/30	Percent Expended	Current Budget	Actual As of 6/30	Percent Expended	Projected Year-End
Operating Departments							
Superintendent's Office							
Superintendent's Office	\$994,459	\$502,826	50.6%	\$1,009,058	\$474,662	47.0%	\$1,006,040
Board of Commissioners	737,536	387,697	52.6%	739,022	367,928	49.8%	794,834
Communications & Marketing	897,937	432,442	48.2%	963,389	451,373	46.9%	962,300
Community Connections & Violence Prevention	1,187,775	566,660	47.7%	1,315,455	494,649	37.6%	1,066,558
Park Police	6,149,252	3,145,308	51.1%	6,525,336	3,331,517	51.1%	6,491,385
Deputy Superintendent's Office							
Customer Service	1,270,661	602,283	47.4%	1,637,711	701,422	42.8%	1,537,039
Deputy Superintendent's Office	449,520	238,757	53.1%	527,479	236,595	44.9%	524,706
Finance	1,262,290	632,207	50.1%	1,415,488	657,868	46.5%	1,391,544
Human Resources	1,159,111	504,629	43.5%	1,481,292	638,643	43.1%	1,384,289
ITS - Copy Center				74,360	49,686	66.8%	74,284
City Management Fee, Contributions & Other	1,673,936	485,830	29.0%	1,311,849	873,406	66.6%	1,310,107
Environmental Stewardship							
Forestry	9,909,351	4,754,121	48.0%	10,570,823	5,365,918	50.8%	10,558,369
Asset Management	31,670,619	14,197,525	44.8%	31,607,449	15,685,316	49.6%	32,758,882
Environmental Management	3,680,199	1,554,312	42.2%	5,156,762	1,834,285	35.6%	4,660,630
Planning Services							
Design & Project Management	1,912,012	938,151	49.1%	2,073,123	934,606	45.1%	1,995,811
Strategic Planning	1,551,163	706,188	45.5%	1,571,708	715,285	45.5%	1,534,340
Recreation Services							
Athletic Programs & Aquatics	2,538,306	947,278	37.3%	3,325,665	1,139,807	34.3%	2,992,602
Youth & Recreation Center Programs	16,032,514	6,609,351	41.2%	22,023,524	8,400,663	38.1%	20,433,607
Total Operating Expenditures	\$83,076,641	\$37,205,565	44.8%	\$93,329,493	\$42,353,629	45.4%	\$91,477,327
Capital							
Pay-as-You-Go-Rehabilitation	4,647,332	1,413,017	30.4%	2,858,326	0	0.0%	2,858,326
Total Capital Expenditures	\$4,647,332	\$1,413,017	30.4%	\$2,858,326	\$0	0.0%	\$2,858,326
Total General Fund	\$87,723,973	\$38,618,582	44.0%	\$96,187,819	\$42,353,629	44.0%	\$94,335,653

Operating Departments

Operating department budgets are monitored closely throughout the year and adjustments are made, if necessary, to ensure budget targets are met.

Expenditures by Division and Capital



General Fund Budget Appropriation Changes

One revenue budget appropriation change has occurred during 2022. Rec Plus Scholarship Program at Webber Park for the 2021-2022 school year was adopted by the Board in resolution 2021-116. Additional fund balance appropriation items will be added to the budget as the expenditures are incurred.

2022 Original Revenue Budget	\$96,187,819
Rec Plus Scholarship Program at Webber Park	<u>(23,000)</u>
2022 Current Revenue Budget	<u>\$96,164,819</u>

General Fund Balance

The 2022 year-end fund balance is estimated to be \$5.5 million, the same as the end of 2021.

	2021			2022			
	Actual Year-End	Actual As of 6/30	Percent Recognized	Current Budget	Actual As of 6/30	Percent Recognized	Projected Year End
Total Revenue	\$86,771,245	\$38,160,182	44.0%	\$96,164,819	\$40,863,334	42.5%	\$94,321,797
Total Expenditures	87,723,973	38,618,582	44.0%	96,187,819	42,353,629	44.0%	94,335,653
Revenue Over/(Under) Expenditures	(\$952,728)	(\$458,400)		(\$23,000)	(\$1,490,295)		(\$13,856)

General Fund Balance

Park Board financial policy requires the General Fund balance to be maintained at a level of 5 percent of the current year adopted expenditure appropriation to provide financial reserves for unanticipated one-time expenditures, revenue shortfalls, and/or emergency needs. Based on un-audited figures, the year-end 2022 balance is estimated at \$5.5 million, which is 5.7 percent of the current year adopted expenditure appropriation. This fund balance is above the financial policy requirements by \$657,142.

2022 Projected General Fund Year-End Fund Balance

Fund Balance, January 1, 2022	\$5,480,389
Projected Expenditures in Excess of Revenues	<u>(13,856)</u>
Projected Fund Balance, December 31, 2022	\$5,466,533
Fund Balance Requirement (5%)	<u>\$4,809,391</u>
Fund Balance Above Requirement	<u>\$657,142</u>

The projections in this report are based on estimates and unforeseen changes in revenue or expenditures could cause actual results to vary considerably from the projected year-end results.

Tree Preservation and Reforestation Fund

Summary

The Tree Preservation and Reforestation Fund accounts for a special property tax levy that funds the Park Board work addressing threats to the urban forest due to Emerald Ash Borer and tree loss due to storms.

	2021			2022			
	Actual		Percent Recognized	Current Budget	Actual As of 6/30	Percent Recognized	Projected Year-End
	Year-End	As of 6/30					
Revenues	\$1,413,899	\$723,374	51.2%	\$0			\$0
Expenses	1,071,135	805,909	75.2%	600,000	593,771	99.0%	593,771
Net Income	\$342,764	(\$82,535)		(\$600,000)	(\$593,771)		(\$593,771)

Revenues

The property tax levy dedicated to tree preservation and reforestation ended in 2021. In 2022 the remaining Tree Preservation and Reforestation Fund balance is being spent on the final ash tree replacement plantings.

Expenses

Tree purchases for the 2022 spring planting have been made using the remaining fund balance.

Fund Balance

All funds from the property tax levy dedicated to tree preservation and reforestation have been spent, leaving a fund balance of \$0 and ending the nine-year Tree Preservation and Reforestation plan.

Tree Preservation and Reforestation Projected 2022 Year-End Fund Balance

Fund Balance 1/1/2022	\$593,771
Expenditures in Excess of Revenues	<u>(593,771)</u>
Fund Balance 12/31/2022	<u><u>\$0</u></u>

Enterprise Fund

Fund Description

The Enterprise Fund is a self-supporting fund established to account for all business-type operations of the Park Board including golf courses, concessions, ice arenas, permits and parking. Operating income from operations is reserved for capital rehabilitation, construction or improvements and debt service.

Enterprise Fund by Service Area

	2021			2022			
	Actual		Percent Recognized	Current Budget	Actual As of 6/30	Percent Recognized	Projected Year-End
	Year End	As of 6/30					
Golf							
Revenues	\$8,117,867	\$3,853,257	47.5%	\$7,051,830	\$3,418,973	48.5%	\$7,989,853
Expenses	6,927,493	2,794,924	40.3%	6,919,685	3,293,285	47.6%	7,318,490
Net Income	\$1,190,374	\$1,058,333		\$132,145	\$125,688		\$671,363
Use & Events Permitting							
Revenues	\$471,540	\$87,496	18.6%	\$1,283,812	\$268,163	20.9%	\$1,007,556
Expenses	625,112	266,862	42.7%	1,063,015	306,830	28.9%	838,337
Net Income	(\$153,572)	(\$179,366)		\$220,797	(\$38,667)		\$169,219
Concessions							
Revenues	\$1,398,110	\$135,319	9.7%	\$1,464,508	\$158,247	10.8%	\$1,418,694
Expenses	266,645	80,779	30.3%	446,794	127,574	28.6%	347,509
Net Income	\$1,131,465	\$54,540		\$1,017,714	\$30,673		\$1,071,185
Parking							
Revenues	\$2,309,157	\$978,674	42.4%	\$2,579,715	\$936,931	36.3%	\$2,319,386
Expenses	655,370	223,626	34.1%	772,543	173,711	22.5%	627,804
Net Income	\$1,653,787	\$755,048		\$1,807,172	\$763,220		\$1,691,582
Ice Arenas							
Revenues	\$1,092,138	\$598,208	54.8%	\$1,158,279	\$844,750	72.9%	\$1,267,125
Expenses	1,276,652	500,296	39.2%	1,178,440	632,983	53.7%	1,372,780
Net Income	(\$184,514)	\$97,912		(\$20,161)	\$211,767		(\$105,655)
Sculpture Garden & Cowles Conservatory							
Revenues	\$203,899	\$66,309		\$195,000	\$51,358	26.3%	\$188,949
Expenses	191,016	65,264	34.2%	358,338	73,832	20.6%	259,006
Net Income	\$12,883	\$1,045		(\$163,338)	(\$22,474)		(\$70,057)
Water Works							
Revenues				\$224,000	\$86,169	38.5%	\$289,505
Expenses				411,647	103,847	25.2%	309,672
Net Income	\$0	\$0		(\$187,647)	(\$17,678)		(\$20,167)

Enterprise Fund by Service Area (Continued)

	2021			2022			
	Actual		Percent Recognized	Current Budget	Actual As of 6/30	Percent Recognized	Projected Year-End
	Year End	As of 6/30					
Total Operating Income							
Revenues	\$13,592,711	\$5,719,263	42.1%	\$13,957,144	\$5,764,591	41.3%	\$14,481,068
Expenses	9,942,288	3,931,751	39.5%	11,150,462	4,712,062	42.3%	11,073,598
Net Income	\$3,650,423	\$1,787,512		\$2,806,682	\$1,052,529		\$3,407,470
Non-Operating Revenue							
Insurance Proceeds	\$175,000	\$175,000	100.0%				
Total Non-Operating Revenue	\$175,000	\$175,000		\$0	\$0		\$0
Non-Operating Expenses							
Improvements	1,530,090	291,891	19.1%	4,720,000	1,158,868	24.6%	4,720,000
MERF Payment	141,773	70,887	50.0%	141,773	70,887	50.0%	141,773
Debt Service	1,332,256	133,537	10.0%	1,280,663	111,269	8.7%	1,280,663
Total Non-Operating Exp	\$3,004,119	\$496,315		\$6,142,436	\$1,341,024		\$6,142,436
Income after Non-Operating Expenses	\$821,304	\$1,466,197		(\$3,335,754)	(\$288,495)		(\$2,734,966)

Golf Operations

Golf courses had a late start to the season due to weather. However, with the full re-opening of Columbia Golf Course and a sunny summer, 2022 should approach 2021's record revenue. To the end of 2022, golf operations is projected to have net income of \$671,363, exceeding budget by \$539,218.

Use & Events Permitting

With the end of COVID-19 restrictions, events are returning to previous levels. Staffing issues are limiting new events. To the end of 2022, Use & Events Permitting is projected to have net income of \$169,219, under budget by \$51,578.

Concessions

Concessions are operating and business is returning to normal levels. To the end of 2022, concessions net income is projected to be \$1,071,185, exceeding budget by \$53,471.

Parking

Parking operations include revenue collection and maintenance of on-street single-space parking meters, multi space pay and display machines, patron parking permit sales and event parking. Parking operations have been impacted by the installation of replacement parking meters. To the end of 2022, parking operations is projected to have net income of \$1,691,582, under budget by \$115,590.

Ice Arenas

Ice arena operations consist of the Parade and Northeast Ice Arenas. Ice Arena revenue and expenses are both projected to end the year over budget. To the end of 2022, ice arena operations is projected to have a net loss of \$105,655, under budget by \$85,494.

Sculpture Garden & Cowles Conservatory

The Sculpture Garden revenue is from parking and events. Parking revenue at the Sculpture Garden has been impacted by the installation of replacement parking machines. To the end of 2022, the Sculpture Garden is projected to have a loss of (\$70,057), over budget by \$93,281.

Water Works

Water Works began operating in 2021 but the operations and maintenance budget was put in place in 2022. Water Works revenue is projected to exceed budget as the restaurant has been very popular, and expenses are projected to be under budget as staff comes to understand the needs of the operation. To the end of 2022, Water Works is projected to have a loss of (\$20,167), over budget by \$167,480.

Enterprise Operating Income

Operating income is the difference between operating revenues and operating expenses. Operating income in 2022 is projected to be \$3,407,470, exceeding budget due to continuing success in golf operations.

Operating income is used for facility improvements, debt service, and the MERF pension plan payment. Improvements planned for 2022 include the Meadowbrook Golf building, Bde Maka Ska concession building, parking kiosk replacement and emergency repairs.

Enterprise Fund Projected 2022 Year-End Reserve for Renewal and Replacement

Reserve Balance 1/1/2022	\$6,706,243
Expenditures in Excess of Revenues	(2,734,966)
Reserve Balance 12/31/2022	\$3,971,277

Internal Service Funds

Summary

The Internal Service Funds provide accounting for equipment fleet, information technology and self-insurance services to Park Board departments.

	2021			2022			
	Actual		Percent Recognized	Current Budget	Actual As of 6/30	Percent Recognized	Projected Year-End
	Year End	As of 6/30					
Equipment							
Revenues	\$5,628,102	\$2,912,762	51.8%	\$5,723,064	\$2,968,672	51.9%	\$5,818,580
Expenses	5,758,348	3,034,459	52.7%	8,160,319	3,207,515	39.3%	6,718,898
Net Income	(\$130,246)	(\$121,697)		(\$2,437,255)	(\$238,843)		(\$900,318)
Information Technology Services							
Revenues	\$2,338,923	\$1,169,462	50.0%	\$2,536,352	\$1,268,176	50.0%	\$2,536,352
Expenses	2,343,667	1,233,876	52.6%	2,711,352	1,290,079	47.6%	2,570,846
Net Income	(\$4,744)	(\$64,414)		(\$175,000)	(\$21,903)		(\$34,494)
Self-Insurance							
Revenues	\$1,935,598	\$967,649	50.0%	\$1,980,000	\$2,256,978	114.0%	\$3,246,978
Expenses	1,912,598	743,747	38.9%	1,980,000	426,362	21.5%	1,818,025
Net Income	\$23,000	\$223,902		\$0	\$1,830,616		\$1,428,953

Equipment

Equipment rental is charged to Park Board departments for use of equipment owned by the Park Board. In 2022, Equipment Services is making equipment purchases that have been delayed due to issues with the state purchasing contract and COVID-19, which accounts for the budgeted loss of (\$2,437,255). In 2022 the computer chip shortage continues to delay new equipment purchases, however equipment ordered in 2021 is being received. At the end of 2021 the equipment reserve balance was \$4.5 million. The projected 2022 year-end equipment reserve balance is \$3.6 million.

Information Technology Services

Park Board departments are charged an annual fee for the use and service of computer workstations and access to the Park Board network. Microsoft licenses were purchased in the first half of 2022, and Spark'd Studio equipment will be purchased in the second half of 2022. At the end of 2021 the Information Technology Services equipment reserve balance was \$888,436. The projected 2022 year-end Information Technology Services equipment reserve balance is \$853,942.

Self-Insurance

Self-Insurance premiums are collected from Park Board departments to fund activities including workers compensation; property, fire and vandalism insurance; and general, automotive and police professional liability. Self-Insurance revenues are expected to end the year over budget while expenses are expected to end the year under budget, although expenses are dependent on the number and amount of claims paid out. A one-time distribution of \$1.3 million from the Workers' Compensation Reinsurance Association was received in 2022. At the end of 2021 the Self-Insurance net asset balance was \$6.0 million. The projected 2022 year-end Self-Insurance net asset balance is \$7.5 million.

Equipment Services Equipment Reserve Balance

The Internal Service Fund equipment reserve at year-end 2021 was \$4.5 million. During 2022, expenses are projected to exceed revenues by \$900,318, leaving the equipment reserve balance at \$3.6 million.

2022 Projected Internal Service Fund Year-End Equipment Reserve Balance
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Working Capital January 1, 2022	\$4,522,478
Equipment Services expenditures in excess of revenues	(900,318)
Working Capital December 31, 2022	\$3,622,160

Information Technology Services Equipment Reserve Balance

The Internal Service Fund information technology services equipment reserve at year-end 2021 was \$888,436. During 2022, expenses are projected to exceed revenues by \$34,494, leaving the equipment reserve balance at \$853,942.

2022 Projected Internal Service Fund Year-End Information Technology Equipment Reserve Balance

Working Capital January 1, 2022	\$888,436
ITS expenditures in excess of revenues	(34,494)
Working Capital December 31, 2022	\$853,942

Self-Insurance Fund Net Asset Balance

The Self-Insurance Fund net assets balance at year-end 2021 was \$6.0 million. During 2022, revenues are projected to exceed expenses by \$1,428,953, leaving the equipment reserve balance at \$7.5 million.

2022 Projected Self Insurance Fund Year-End Net Asset Balance
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Working Capital January 1, 2022	\$6,040,055
Self-Insurance Fund revenue in excess of expenditures	1,428,953
Working Capital December 31, 2022	\$7,469,008