



Minneapolis Park and Recreation Board
Financial Status Report
as of Third Quarter, 2017

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Budget Overview

Minneapolis Park and Recreation Board (Park 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 September 30, 2017.

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 2017, General Fund revenues are projected to be \$76.7 million and expenditures are projected to be \$77.2 million. NPP20 startup costs are being expended in 2017. Those costs were reimbursed by the City of Minneapolis in 2016.

The 2017 year-end fund balance is projected to be \$5.8 million, which exceeds financial policy requirements by \$2.0 million. This projected balance is a decrease of \$489,000 below the 2016 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. To the end of 2017 Tree Preservation and Reforestation Fund revenues and expenses are projected to be \$1.7 million.

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. Enterprise Fund operating income is projected to end the year at \$2.6 million. To the end of 2017 Enterprise Fund revenues are projected to be \$11.2 million, operating expenses are projected to be \$8.6 million, and non-operating expenses are projected to be \$3.2 million.

The 2017 year-end Enterprise Fund balance is projected to be \$1.4 million. This projected balance is a decrease of \$632,490 below the 2016 year-end balance of \$2.1 million.

Internal Service Funds

Internal Service Funds account for equipment fleet, information technology and self-insurance services to Park Board departments. To the end of 2017 Internal Service Fund revenues are projected to be \$10.0 million and expenses are projected to be \$8.4 million. The 2017 year-end Internal Service Funds balance is projected to be \$12.6 million. This projected balance is an increase of \$1.5 million above the 2016 year-end balance of \$11.0 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 2017



with a fund balance of \$6.3 million and has a current operating budget of \$77.2 million. Through September of this year, 72.0 percent of the Fund’s appropriations have been spent with 75 percent of the year elapsed.

Revenue generated by the Park Board as of September 30, 2017 totaled \$40.9 million, up 6.5 percent from the \$38.4 million collected in the first three quarters of 2016. Total revenues for 2017 are projected to be \$76.7 million, 5.1% higher than 2016 revenues, due to increased property tax revenue.

As of September 30, 2017 actual expenditures totaled \$55.6 million, up 11.3 percent from the \$50.0 million spent in the first three quarters of 2016. To the end of 2017 expenditures are projected to be \$77.2 million, 7.5 percent higher than 2016. Expenditures are projected to end the year at budget.

The fund balance for the General Fund at fiscal year-end 2016 was \$6.3 million, exceeding the financial policy requirement of \$3.5 million (5 percent of the 2016 General Fund operating budget) by \$2.8 million. The fund balance for the General Fund is projected to be \$5.8 million at fiscal year-end 2017, exceeding the financial policy requirement of \$3.8 million (5 percent of the 2017 General Fund operating budget) by \$2.0 million.

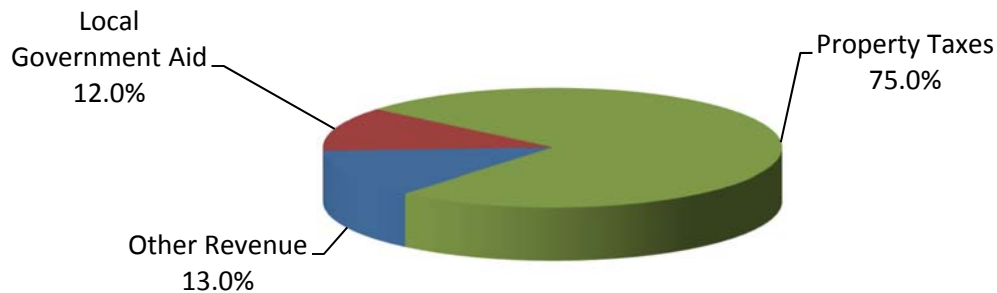
This report contains estimates. Unforeseen changes in revenue and expenditures will cause actual results to fluctuate from the projected results.

General Fund Revenues

As of September 30, 2017 actual revenues totaled \$40.9 million, up 6.5 percent from the \$38.4 million collected in the first half of 2016.

Revenues by Major Category

	2016			2017			
	Actual Year-End	Actual As of 9/30	Percent Recognized	Current Budget	Actual As of 9/30	Percent Recognized	Projected Year End
Property and Other Taxes	\$52,414,899	\$26,699,065	50.9%	\$57,462,870	\$29,322,939	51.0%	\$57,560,929
Local Government Aid	9,180,669	4,590,335	50.0%	9,194,054	4,601,688	50.1%	9,194,054
Fees, Fines and Other Revenues	9,586,279	6,819,164	71.1%	9,956,570	6,964,104	69.9%	9,951,219
NPP20 Start-up Funds	1,500,000		0.0%	0			0
Storm Damage Reimbursement	288,234	288,233	100.0%	0	19,148		19,148
Total Revenues	\$72,970,081	\$38,396,797	52.6%	\$76,613,494	\$40,907,879	53.4%	\$76,725,350





Property Taxes

Property taxes provide 75 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, 51.0 percent of budgeted property taxes. Property tax revenue is projected to exceed budget by \$98,000 at year-end.

Local Government Aid

Local Government Aid (LGA) is projected to provide 12 percent of 2017 revenue. The State Budget included the 2017 City of Minneapolis LGA allocation of \$79.3 million. The City of Minneapolis revenue distribution policy provides for the transfer of a portion of this LGA to the Park Board. The Park Board expects to receive its full budgeted LGA amount of \$9.2 million.

Fees, Fines and Other Revenue

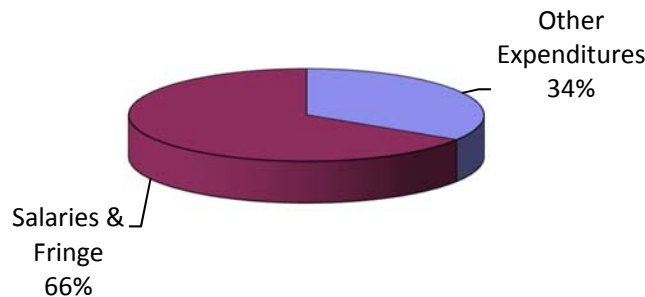
Fees, fines and other revenue provide 13 percent of projected revenue, the second largest funding source in the General Fund. The Park Board has recognized 69.9 percent of the budgeted fees, fines and other revenue for 2017. Revenues are projected to meet budget by year-end.

General Fund Expenditures

As of September 30, 2017 actual expenditures totaled \$55.6 million, up 11.3 percent from the \$50.0 million spent in the first three quarters of 2016.

Expenditures by Major Category

	2016			2017			
	Actual		Percent	Current	Actual	Percent	Projected
	Year-End	As of 9/30	Expended	Budget	As of 9/30	Expended	Year End
Salaries & Fringe	\$47,161,985	\$35,047,758	74.3%	\$52,953,022	\$37,727,510	71.2%	\$51,057,897
Other Expenditures	24,642,133	14,930,547	60.6%	24,267,669	17,892,073	73.7%	\$26,156,067
Total Expenditures	\$71,804,118	\$49,978,305	69.6%	\$77,220,691	\$55,619,583	72.0%	\$77,213,964



Salaries and Fringe Benefits

Salaries and fringe benefits are 71.2 percent expended with 75 percent of the year elapsed.

Other Expenditures

Other expenditures include materials, supplies, contractual services and capital outlay. Other expenditures are 73.7 percent expended with 75 percent of the year elapsed.



Expenditures by Division/Department

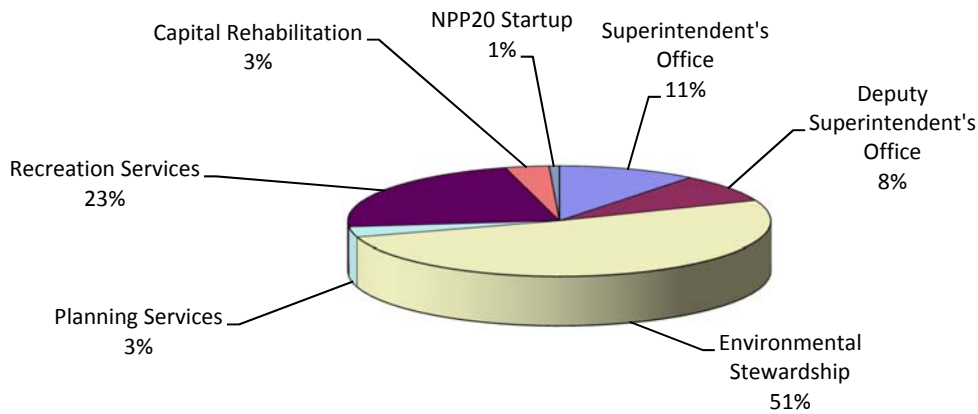
	2016			2017			
	Actual As of 12/31	Actual As of 9/30	Percent Expended	Current Budget	Actual As of 9/30	Percent Expended	Projected Year-End
Operating Departments							
Superintendent's Office							
Superintendent's Office	\$900,668	\$622,545	69.1%	\$749,070	\$635,930	84.9%	\$830,028
Board of Commissioners	711,266	514,724	72.4%	658,984	605,660	91.9%	768,900
Communications & Marketing	622,675	438,058	70.4%	738,349	583,950	79.1%	737,360
Park Police	5,514,774	4,067,984	73.8%	5,867,073	4,070,356	69.4%	5,837,280
Deputy Superintendent's Office							
Community Outreach	1,332,811	1,003,490	75.3%	1,426,118	867,489	60.8%	1,418,507
Customer Service	421,304	305,704	72.6%	440,769	397,789	90.2%	458,311
Deputy Superintendent's Office				254,832	181,843	71.4%	248,388
Finance	888,242	636,025	71.6%	1,068,970	779,857	73.0%	1,066,474
Human Resources	911,121	605,446	66.5%	1,102,950	794,231	72.0%	1,101,987
City Management Fee, Contributions & Other	2,426,820	1,273,785	52.5%	2,180,093	1,486,634	68.2%	2,179,097
Environmental Stewardship							
Forestry	9,100,660	6,594,458	72.5%	9,352,470	7,297,155	78.0%	9,348,834
Asset Management	23,808,118	17,688,652	74.3%	27,187,375	19,453,918	71.6%	27,122,108
Environmental Management	2,332,126	1,730,102	74.2%	3,073,957	1,938,905	63.1%	3,050,575
Planning Services							
Design & Project Management	1,426,443	988,951	69.3%	1,486,470	1,114,242	75.0%	1,488,809
Strategic Planning	577,321	423,641	73.4%	867,699	525,282	60.5%	860,164
Recreation Services							
Athletic Programs & Aquatics Recreation Centers & Programs	2,695,395	1,965,352	72.9%	2,881,845	2,273,945	78.9%	2,867,012
Youth Development	10,374,740	7,889,275	76.0%	10,629,090	7,868,586	74.0%	10,622,951
	3,901,678	2,593,176	66.5%	4,067,380	2,967,614	73.0%	4,019,982
Total Operating Expenditures	\$67,946,163	\$49,341,368	72.6%	\$74,033,494	\$53,843,386	72.7%	\$74,026,767
Capital							
Pay-as-You-Go-Rehabilitation	\$2,965,152	\$250,000	8.4%	\$2,580,000	\$1,169,000	45.3%	\$2,580,000
NPP20 Start-Up	892,803	\$386,937	43.3%	607,197	607,197	100.0%	\$607,197
Total Capital Expenditures	\$3,857,955	\$636,937	16.5%	\$3,187,197	\$1,776,197	55.7%	\$3,187,197
Total General Fund	\$71,804,118	\$49,978,305	69.6%	\$77,220,691	\$55,619,583	72.0%	\$77,213,964



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



Divisions

Two divisions make up approximately 74 percent of the projected General Fund expenditures: Environmental Stewardship and Recreation.

General Fund Budget Appropriation Changes

One budget appropriation change has occurred during 2017. Expenditures were increased by \$607,197 for initial costs for capital improvements to, rehabilitation of, or operating expenses relating to the Neighborhood Park System (NPP20). This increase is for the remaining expenses of the \$1.5 million NPP20 startup funding that was reimbursed by the City of Minneapolis in 2016.

2017 Original Budget	\$76,613,494
NPP20 Startup funds	607,197
2017 Current Budget	\$77,220,691



General Fund Balance

The 2017 year-end fund balance is estimated to be \$5.8 million, 7.7 percent lower than 2016. NPP20 startup costs are being expended in 2017. Those costs were reimbursed by the City of Minneapolis in 2016.

General Fund Balance

	2016			2017			
	Actual		Percent Recognized	Current Budget	Actual As of 9/30	Percent Recognized	Projected Year End
	Year-End	As of 9/30					
Total Revenue	\$72,970,081	\$38,396,797	52.6%	\$76,613,494	\$40,907,879	53.4%	\$76,725,350
Total Expenditures	71,804,118	49,978,305	69.6%	77,220,691	55,619,583	72.0%	\$77,213,964
Revenue Over/(Under) Expenditures	\$1,165,963	(\$11,581,508)		(\$607,197)	(\$14,711,704)		(\$488,614)

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. Based on un-audited figures, the year-end 2017 balance is estimated at \$5.8 million, which is 7.6 percent of the current year adopted expenditure appropriation. This fund balance exceeds financial policy requirements by \$2,015,498.

2017 Projected General Fund Year-End Fund Balance

Fund Balance, January 1, 2017	6,334,787
Projected Revenues in Excess of Expenditures	<u>(488,614)</u>
Projected Fund Balance, December 31, 2017	5,846,173
Fund Balance Requirement (5%)	<u>3,830,675</u>
Fund Balance in Excess of Requirement	<u>\$2,015,498</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.

	2016			2017			
	Actual		Percent Recognized	Current Budget	Actual As of 9/30	Percent Recognized	Projected Year-End
	Year-End	As of 9/30					
Revenues	\$1,729,440	\$874,510	50.6%	\$1,714,503	\$874,043	51.0%	\$1,728,516
Expenses	1,742,615	1,555,496	89.3%	1,754,937	1,650,208	94.0%	1,754,005
Net Income	(\$13,175)	(\$680,986)		(\$40,434)	(\$776,165)		(\$25,489)

Revenues

Tree Preservation and Reforestation Fund revenues come from a property tax levy dedicated to tree preservation and reforestation. The Park Board has received the first half property tax payment from Hennepin County.

Expenses

Tree Preservation and Reforestation Fund expenses include tree removal, stump removal and tree planting costs. Tree purchases for 2017 are complete, causing expenses to exceed 75 percent of budget as of September 30.

Fund Balance

Any unspent funds remaining at the end of the year are designated for tree preservation and reforestation purposes, and will be programmed in future years.

Tree Preservation and Reforestation Projected 2017 Year-End Fund Balance

Fund Balance 1/1/2017	\$51,049
Expenditures in Excess of Revenues	<u>(25,489)</u>
Fund Balance 12/31/2017	<u><u>\$25,560</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; debt service; and general fund support.

Enterprise Fund by Service Area

	2016			2017			
	Actual		Percent Recognized	Current Budget	Actual As of 9/30	Percent Recognized	Projected Year-End
	Year End	As of 9/30					
Golf							
Revenues	\$4,967,999	\$4,321,917	87.0%	\$5,948,255	\$4,496,573	75.6%	\$5,180,586
Expenses	5,522,824	4,264,411	77.2%	6,604,084	4,950,845	75.0%	6,280,908
Net Income	(\$554,825)	\$57,506		(\$655,829)	(\$454,272)		(\$1,100,322)
Use & Events Permitting							
Revenues	\$1,123,695	\$660,074	58.7%	\$1,129,860	\$702,704	62.2%	\$1,136,325
Expenses	686,119	543,079	79.2%	706,371	471,323	66.7%	621,363
Net Income	\$437,576	\$116,995		\$423,489	\$231,381		\$514,962
Concessions							
Revenues	\$1,655,040	\$1,142,744	69.0%	\$1,523,500	\$1,162,047	76.3%	\$1,653,866
Expenses	222,604	131,810	59.2%	203,292	133,833	65.8%	200,181
Net Income	\$1,432,436	\$1,010,934		\$1,320,208	\$1,028,214		\$1,453,685
Parking							
Revenues	\$1,960,007	\$1,522,836	77.7%	\$1,968,000	\$1,860,074	94.5%	\$2,147,245
Expenses	465,207	333,660	71.7%	501,242	374,211	74.7%	519,546
Net Income	\$1,494,800	\$1,189,176		\$1,466,758	\$1,485,863		\$1,627,699
Ice Arenas							
Revenues	\$962,691	\$575,167	59.7%	\$1,039,000	\$692,742	66.7%	\$1,040,266
Expenses	796,841	551,524	69.2%	845,795	584,329	69.1%	831,647
Net Income	\$165,850	\$23,643		\$193,205	\$108,413		\$208,619
Winter Recreation							
Revenues	\$100,467	\$96,441	96.0%				
Expenses	736,739	574,405	78.0%				
Net Income	(\$636,272)	(\$477,964)		\$0	\$0		\$0
Sculpture Garden & Cowles Conservatory							
Revenues	\$0	\$0		\$57,800	\$0	0.0%	\$0
Expenses	64,358	42,810	66.5%	219,511	85,969	39.2%	128,702
Net Income	(\$64,358)	(\$42,810)		(\$161,711)	(\$85,969)		(\$128,702)



Enterprise Fund by Service Area (Continued)

	2016			2017			
	Actual		Percent Recognized	Current Budget	Actual As of 9/30	Percent Recognized	Projected Year-End
	Year End	As of 9/30					
Total Operating Income							
Revenues	\$10,769,899	\$8,319,179	77.2%	\$11,666,415	\$8,914,140	76.4%	\$11,158,288
Expenses	\$8,494,692	\$6,441,699	75.8%	\$9,080,295	\$6,600,510	72.7%	\$8,582,347
Net Income	\$2,275,207	\$1,877,480		\$2,586,120	\$2,313,630		\$2,575,941
Non-Operating Expenses							
Improvements	\$963,837	\$830,110	86.1%	\$1,900,446	\$1,289,813	67.9%	\$2,418,794
Debt Service	730,338	223,844	30.6%	789,637	179,094	22.7%	789,637
Total Non-Operating Expense	\$1,694,175	\$1,053,954		\$2,690,083	\$1,468,907		\$3,208,431
Income after Non-Operating Expenses	\$581,032	\$823,526		(\$103,963)	\$844,723		(\$632,490)

Golf Operations

Golf revenues have been hampered by the continued closure of Meadowbrook Golf Course (re-opened in August) and construction at Wirth Golf Course. To the end of 2017 golf operations is projected to have a loss of (\$1,100,322).

Use & Events Permitting

Use & Events Permitting revenue is projected to increase slightly from 2016, while expenses are lower than 2016 due to a position vacancy. To the end of 2017 Use & Events Permitting is projected to have \$514,962 of net income, exceeding budget.

Concessions

Concessions net income is projected to increase by \$21,249 to \$1,453,685 in 2017.

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. Revenues are projected to be higher than 2016 due to fee increases and increased usage, and expenses are projected to increase due to the purchase and rehabilitation of parking pay units. To the end of 2017 parking operations is projected to have net income of \$1,627,699.

Ice Arenas

Ice arena operations consist of the Parade and Northeast Ice Arenas. Revenues are projected to increase by \$77,575 due to increased usage and a fee increase. To the end of 2017 ice arena operations is projected to have net income of \$208,619.



Winter Recreation

The Loppet has taken over Winter Recreation operations in 2017.

Sculpture Garden & Cowles Conservatory

Utility costs and some maintenance took place at the Sculpture Garden while it was being renovated. Operating costs are being incurred in the second half of 2017 as the Sculpture Garden has opened. To the end of 2017 this operation is projected to have a loss of (\$128,702).

Enterprise Operating Income

Operating income is the difference between operating revenues and operating expenses. Operating income in 2017 is projected to be \$2,575,941, higher than 2016 due to transfer of Winter Recreation to the Loppet.

Operating income is used for facility improvements and debt service. Improvements taking place in 2017 include expenses for the Wirth Golf Course irrigation, Columbia Golf Course bridge repair, well at Meadowbrook Golf Course and repairs at Meadowbrook Golf Course. The enterprise fund is also contributing \$1,000,000 for site improvements at Theodore Wirth Park related to the Adventure and Welcome Center (Board Resolution 2016-252).

Enterprise Fund Budget Appropriation Changes

Two budget appropriation changes have occurred during 2017. Expenditures were increased by \$90,446 for the Columbia Golf Course bridge repair (Board approved Resolution 2016-268). Expenditures were increased by \$1,000,000 for improvements at Theodore Wirth Golf Course related to the Adventure and Welcome Center (Board approved Resolution 2016-252).

2017 Original Budget	\$10,679,932
Columbia Golf Course Bridge Repair	90,446
Wirth Golf Course Renovations	1,000,000
	<hr/>
2017 Current Budget	<u>\$11,770,378</u>

Enterprise Fund Projected 2017 Year-End Reserve for Renewal and Replacement

Reserve Balance 1/1/2017	\$2,078,861
Revenues in Excess of Expenditures	<hr/> (632,490)
Reserve Balance 12/31/2017	<u><u>\$1,446,371</u></u>



Internal Service Funds

Summary

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

	2016			2017			
	Actual		Percent Recognized	Current Budget	Actual As of 9/30	Percent Recognized	Projected Year-End
	Year End	As of 9/30					
Equipment							
Revenues	\$5,136,280	\$3,830,175	74.6%	\$5,764,389	\$4,367,457	75.8%	\$5,806,962
Expenses	3,904,417	3,151,161	80.7%	6,336,088	3,388,165	53.5%	4,531,645
Net Income	\$1,231,863	\$679,014		(\$571,699)	\$979,292		\$1,275,317
Information Technology Services							
Revenues	\$1,718,122	\$1,288,592	75.0%	\$1,789,672	\$1,342,247	75.0%	\$1,789,215
Expenses	1,444,251	962,134	66.6%	1,779,672	1,444,992	81.2%	1,735,191
Net Income	\$273,871	\$326,458		\$10,000	(\$102,745)		\$54,024
Self-Insurance							
Revenues	\$2,429,443	\$1,791,749	73.8%	\$2,197,208	\$1,820,864	82.9%	\$2,370,183
Expenses	2,155,107	1,369,212	63.5%	2,197,208	1,641,393	74.7%	2,151,187
Net Income	\$274,336	\$422,537		\$0	\$179,471		\$218,996

Equipment

Equipment rental is charged to Park Board departments for use of equipment owned by the Park Board. Budgeted equipment purchases in 2017 have been delayed due to issues with the state equipment purchase contract. Equipment is being ordered and will be received in 2018. The projected 2017 year-end equipment reserve balance is \$5.1 million, which will be reduced in 2018 when 2017 equipment orders are received.

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. Budgeted hardware and software purchases took place in the first three quarters of 2017, causing expenses to exceed 75 percent of budget as of September 30. At the end of 2016 the Information Technology Services equipment reserve balance was \$620,025. The projected 2017 year-end Information Technology Services equipment reserve balance is \$674,049.

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 and expenses are expected to end the year near budget, although expenses are dependent on the number and amount of claims paid out. At the end of 2016 the Self-Insurance net asset balance was \$6.6 million. The projected 2017 year-end Self-Insurance net asset balance is \$6.8 million.



Equipment Services Equipment Reserve Balance

The Internal Service Fund equipment reserve at year-end 2016 was \$3.8 million. During 2017 revenues are projected to exceed expenses by \$1,275,317, leaving the equipment reserve balance at \$5.1 million.

2017 Projected Internal Service Fund Year-End Equipment Reserve Balance	
Working Capital January 1, 2017	\$3,801,029
Equipment Services revenue in excess of expenditures	<u>1,275,317</u>
Working Capital December 31, 2017	\$5,076,346

Information Technology Services Equipment Reserve Balance

The Internal Service Fund information technology services equipment reserve at year-end 2016 was \$620,025. During 2017 revenues are projected to exceed expenses by \$54,024, leaving the equipment reserve balance at \$674,049.

2017 Projected Internal Service Fund Year-End Information Technology Equipment Reserve Balance	
Working Capital January 1, 2017	\$620,025
ITS revenue in excess of expenditures	<u>54,024</u>
Working Capital December 31, 2017	\$674,049

Self-Insurance Fund Net Asset Balance

The Self-Insurance Fund net assets balance at year-end 2016 was \$6.6 million. During 2017 revenues are projected to exceed expenses by \$218,996, leaving the net assets balance at \$6.8 million.

2017 Projected Self Insurance Fund Year-End Net Asset Balance	
Working Capital January 1, 2017	\$6,625,288
Self Insurance Fund revenue in excess of expenditures	<u>218,996</u>
Working Capital December 31, 2017	\$6,844,284