



2016 MPRB BUDGET ISSUES

Issues to consider impacting the financial condition of the MPRB

- **Closing the gap between General Fund revenue and expenditures**

Current 2016 projections estimate expenditures will exceed revenue by \$2.5 million. State legislative actions, City Council actions, and Board decisions will impact the amount that is needed to close this gap.
- **Annual operating budget considerations**
 - **Park maintenance**

While operational improvements have been implemented over the past 3 years to improve operating efficiencies and worker safety, there is still inadequate funding for general park maintenance activities. Additional resources are necessary to provide adequate park maintenance services. The implementation of standard operating procedures in conjunction with facility and park amenity assessments will identify areas to focus.
 - **Recreation Centers and Programs and Youth Development services**

Operational improvements have been implemented to improve service delivery over the past 4 years; however, the level of resources available is inadequate to deliver quality recreation services, particularly youth services. Staff/Consultants are currently assessing needs both at the center level as well as administratively in order to sustain and improve both programmatic and service delivery. RecQuest is addressing many of these challenges.
 - **PCI costs**

PCI Security DSS 3.x rules will be released late in 2015 that we will be required to comply with. This could include additional costs, training, and processes.
- **Capital funding considerations**
 - **Neighborhood capital**

Specific focus is needed to develop an annual capital improvements funding stream for neighborhood parks. Historically, annual funding has not come close to meeting the annual capital needs in neighborhood parks. The current annual capital demand for existing assets in our neighborhood parks is estimated to be \$14.3 million. While current capital contribution to neighborhood parks is roughly \$5 million, historically, funding has been well below that level, resulting in current annual capital needs across neighborhood parks at a level that is much greater than \$14 million. In addition, some of the funding for neighborhood parks has been spent on failing parkway paving and lighting in recent years.
 - **Parkway paving and parkway lighting**

An analysis of parkway road surface and lighting conditions was completed in 2012 and provides a guide for investment level decisions. To improve pavement and lighting conditions continued commitment is required to obtain adequate funding. The level of funding currently provided by the City of Minneapolis has been inadequate to meet the demands and, as a result, the MPRB has contributed additional pay-as-you-go capital towards parkway paving and lighting.

- **RiverFirst**
RiverFirst is underway and community expectation is building for park development of the Scherer site as the phase-one capital project. However, reduced legislative funding in the 2014, and possibly in the 2015, session will have a significant impact on the scope of phase-one construction. Environmental review and permitting are currently underway for the Hall's Island portion of the project.
- **Reinvesting in operation facilities**
Many of our operations facilities provide poor working conditions, inadequate space for equipment storage, and inadequate work space. In 2014 the community engagement process resulted in a halt to developing the Michael P. Schmidt Operations Facility. Planning and operations staff refocused on existing facilities and developed a plan to rebuild both North and Northeast service facilities by 2018. The Michael P. Schmidt Operations Facility will be used as an interim operations center while upgrades are made to the other service centers.
- **Infrastructure and Utilities**
Utility infrastructure is aging throughout the system. In regional parks, storm sewers are generally 40 to 50 years old and are at or near the end of their service life. While these aging and failing facilities typically serve only the regional park (and are not part of the city's storm sewer system), failures should be anticipated and eventual replacement should be planned. In neighborhood parks, older water and sanitary sewer facilities serve buildings throughout the system. While records exist on age and location of these facilities, extremes in weather (which are not predictable) can result in failure. Reserves should be available to facilitate repairs when failures occur, but when they do it necessitates a closure of the building and a redirection of staff resources while the failure is corrected.
- **Managing rising operating costs**
 - **Health care**
In 2015 employers that employ at least 50 full-time employees became subject to the shared responsibility requirements of the Patient Protection and Affordable Care Act. City of Minneapolis Benefits office is working with the MPRB help train supervisory staff on new procedural and reporting requirements and added costs implications for the City overall. The MPRB is continuing to assess policies and practices to capture both the cost implications and potential changes that need to be made in how the MPRB approaches health care and hiring of staff working 30+ hours on average (definition of full-time employee under Affordable Care Act). MPRB is monitoring cost implications to best predict needs for future budget cycles.
A future implication of the Patient Protection and Affordable Care Act is the Cadillac Tax to take effect in 2018. It is an annual excise tax on employers that provide high-cost benefits through an employer sponsored group health plan. The tax is 40% of the cost of plans that exceed predetermined threshold amounts. City of Minneapolis Benefits office is monitoring developments as regulations have not been finalized.
 - **Temporary, part-time and seasonal workforce**
Changes to MPRB policies and practices for hiring temporary, part-time and seasonal staff are expected to be implemented by 2016 and will have cost implications going forward.
 - **Minimum wage**
The minimum wage increased to \$8.00 per hour as of August 1, 2014 and will have additional increases to \$9.00 per hour as of August 1, 2015 and \$9.50 per hour as of August 1, 2016. After the final increase, the minimum wage will then be linked to inflation beginning in 2018. The inflationary increase is capped at 2.5% per year. This will impact the Park Board General and Enterprise Funds, as part-time staff will see pay increases. In

addition, such increases may exert pressure on collective bargaining wages especially for low wage earners. In 2014 the impact was \$5,000 for the general fund and \$7,000 for the enterprise fund. In 2015 the impact will be an additional \$43,000 for the general fund and \$32,000 for the enterprise fund. In 2016 the impact will be an additional \$33,000 for the general fund and \$31,000 for the enterprise fund. By 2018 the general fund is projected to have annual increased costs of \$101,000, and the enterprise fund projections are \$83,000.

- **Workers Compensation**

The workers compensation rate model was reviewed during the 2015 budget process. With the number of new, finalized and closed claims, rates will rise and will impact the General and Enterprise Funds. Rate increases will be phased in over the next three years.

- **Specialized Funding Initiatives**

- **Development of an enterprise operating model for the Minneapolis Sculpture Garden**

With the allocation of bonding dollars for the Sculpture Garden, MPRB and Walker Art Center staff is developing the Sculpture Garden with the goal for it to operate as an enterprise operation. The MPRB entered into an operating agreement with the Walker Art Center on April 3, 1985 to operate the Sculpture Garden and the Cowles Conservatory. This agreement was amended in 1987 with a 25 year term and was extended through 2014. Staff is working with the Walker Art Center to develop a new agreement that will allow for it to operate closer to a self-supporting facility than it has in the recent past.

- **Land Acquisition Fund**

The MPRB land purchase reserve fund was established in the Special Revenue Fund to account for monies received from land designated as surplus and sold. Dollars from the sale of land can only be used for future land purchases. The current fund balance is \$327,000. As more parcels become available for purchase this fund will be depleted and a funding mechanism has not been established to replenish this fund.

- **Sustainability Fund**

The Sustainability Fund was established with the adoption of the 2011 Annual Budget to finance capital investments and activities that promote MPRB sustainability efforts. The budget provided for 25% of the FY2010 excess fund balance of the General Fund to be directed to the Sustainability Fund. The fund was established with an initial allocation of \$395,162. In 2012, the Board approved six projects to be funded from the sustainability fund for a total disbursement of \$136,000. The balance remaining in the fund is \$259,162. This fund was established with one time monies and no financing mechanism was adopted to replenish this fund.

- **Park Dedication Fee**

The Parkland Dedication Ordinance was fully implemented January 1, 2014. With current development norms, the fee will have a significant impact on capital funding in some parts of the city and negligible impacts elsewhere. Downtown, where there is a lack of park space, the fee offers the greatest opportunity to secure and develop new park space.

- **Ensuring recreation facilities and programs meet the needs of diverse communities**

The demand for programs and services has increased as communities have grown and become more diverse. The challenge for the MPRB is to provide innovative programs that meet diverse community needs, identify and provide adequate financing including outside resources to support these programs, and provide sufficient facilities and space for the programs to occur. There is also a need for the MPRB Recreation Division, in particular Recreation Centers and Programs and Youth Development Departments, to partner with community groups that are already doing the necessary work in neighborhoods. In 2015 RecQuest, a two-year process to develop a recreation facilities and

programs strategic plan and implementation plan is beginning. The process will provide a guide for long-term recreation facility investment and program and service decisions.

- **Continuing investment in Information Technology Services**
Continued investment in ITS services, infrastructure, and personnel is needed to sustain MPRB technology, provide improvements for greater accessibility, service delivery, operating efficiencies and enhancements to core services. Investment in an asset management system, video security system, Criminal Justice Information Systems upgrades (Download station, additional connections to the County and State, and updated ticket writers), and upgraded messaging systems, and an upgraded Intranet have been identified as current priorities.
- **Managing internal fleet operations**
Restructuring of fleet operations will continue. Implementation of the changeover to M5 data and financial information, payroll, operating expense, parts, repair, and preventative maintenance is well underway and will be completed in 2015. Modification to work flow practices have been determined and will be implemented this year as well. The rate model has been revamped to an activity based costing system which is representative of actual shop overhead, direct and equipment replacement costs. In 2015 the only cost estimated is repair and parts which for 2015 is based on historic data. As Fleet Operations is fully transitioned to M5 fleet management system the repairs and parts cost will be billed as they occur. The equipment replacement program has been fully evaluated and updated to reflect realistic lifecycles, future replacement costs, expected salvage value and back log of replacements. The 5-year replacement plan and corresponding budget will have a dramatically positive impact to the fleet over the next 3-5 years.
- **Maintaining the urban forest canopy and responding to threats**
The General Fund current service level funding for tree planting is 5,000 trees. In 2014, funding for planting an additional 2,800 trees was provided through the MPRB Tree Preservation & Reforestation Fund property tax levy. This quantity puts the Forestry Department at capacity for tree planting with a primary spring plant and a secondary fall plant. Dutch elm disease continues to threaten the urban forest but with far fewer losses than just 5 years earlier. Positive confirmations of Emerald Ash Borer (EAB) are taking place as the population of the insect increases. Forestry began its Ash Canopy Replacement plan, by marking and removing 5,000 trees in 2014 and 2015. Replanting occurs the year following removals. There will be a decrease in urban forest canopy until the new smaller trees reach maturity. Maintaining the General Fund current service level funding for tree planting and approving year 3 of the Tree Preservation & Reforestation Fund property tax levy is crucial to effectively respond to storms and Emerald Ash Borer infestation. Of the fourteen neighborhoods with confirmed EAB infestations, 3 were discovered in 2015.
- **Develop Environmental Management Natural Resource program/operations expansion**
For years the MPRB has been increasing its naturalized areas, but has not developed a natural areas management plan or increased staffing levels and professional knowledge. Current staffing levels are not adequate to meet the existing needs. Maintenance of natural areas is managed through external contracts. Minneapolis residents have consistently expressed the desire for expansion of natural areas throughout the park system. This is exemplified in the Nokomis/Hiwatha Masterplan.
- **Continuing to address issues associated with workforce injuries**
The Safety & Occupational Health Consultant has identified the need for a centralized Safety and Health Management System. Records are currently stored in various locations and by various departments. This system will provide long-term record retention as well as detailed reporting.

Currently divisions are supporting training out of existing budgets and future training requires dedicated funding.

- **Asset Management System**

The importance of quantifying and tracking our assets is essential for short-term and long-term planning and budgeting. In 2015, Asset Management will develop an RFP with the intent of selecting a vendor the spring of 2016. The surveying and verification of our current assets will continue throughout 2016.

- **ADA Transition Plan Implementation**

The ADA Transition Plan is expected to be completed in 2015. The plan is expected to recommend near, mid and long-term implementation steps that will require additional funding.

- **Recreation Management Software**

The MPRB will be entering a new contract with a recreation management software vendor in 2015. It is possible that the negotiated contract will contain additional services that are not included in the current contract and may require additional fees.

- **Forestry management software**

In 2016 the MPRB may replace its current management software that pertains to the urban forest. This may require an initial upfront cost, but will be more sustainable in the long-term.



2016 MPRB BUDGET STRATEGIES

Strategies to consider to address the financial challenges facing the MPRB

- **Establish a dedicated source of funding for neighborhood capital program with additional funding for operations and maintenance**

The Park Board is falling farther and farther behind in its ability to maintain its assets and forcing greater operational challenges in program and service delivery, while not providing adequate funding for the capital needs of neighborhood parks. A dedicated source of revenue is needed to fund the capital needs of neighborhood parks and additional funding is needed for operations and maintenance of these parks.
- **Determine sustainable level of Pay-As-You-Go Capital Investment**

The shift of MPRB operating funds to Pay-As-You-Go Capital Investment, while necessary in order to invest in neighborhood parks, has had a detrimental impact on the operational service levels at the MPRB. It is important that the MPRB establish a dedicated source of funding for the neighborhood capital program and eliminate pay-as-you-go dollars from capital investments to the general operating budget to ensure that both the capital and operational needs of the neighborhood park system are met.
- **Determine appropriate property tax levy in consideration of the capital and operations funding initiative**
 - The Board continues to be challenged with balancing available resources with capital, operational and community needs. A one percent property tax levy increase would generate \$517,748 additional revenue. A home valued at \$181,500 (assessed median value in Minneapolis) would experience a property tax increase of approximately \$2 if the MPRB levy was increased by one (1) percent. Specific new programs that are above and beyond current service levels, such as the Phillips Community Pool, should be funded with either operational cuts and/or new property tax levy dollars.
 - Identifying and acquiring dedicated funding sources are keys to stabilizing and enhancing MPRB service delivery. Special Tax authority and levies should be considered including Sales Tax revenue, dedicated levies and special taxing districts to establish a more stable and sustainable organization.
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- **Stabilize Organizational Performance and Efficiency Work (measuring performance, business planning, and streamlining work)**

The MPRB has made great strides in improving business practices and achieving efficiencies in operations. The next phase of work in 2015 and early 2016 will be to stabilize our work. The goal will be continue coordination efforts and assisting employees in managing their workload.

- **Continue Implementing workplace safety strategies**
 Building upon the Occupational Health and Safety Review and Recommendations report released March 2, 2012 the Occupational health consultant will assess and develop a Safety and Health Management System.
 - Safety policy review
 - Performance review safety component
 The safety consultant will work with the HR to develop safety performance indicators.
 - Job design and equipment selection
 Occupational health (especially ergonomics) has become an element of job design and equipment selection. With the health and safety professional now on board, the MPRB will be able to incorporate occupational health into job design and equipment selection.
 - Tracking and reporting health and safety metrics
 Report and analyze safety metrics as key indicators to reduce injuries and improve work practices.

- **Continue developing alternative revenue sources including partnerships, sponsorships, grants, donations, and tax revenues to stabilize and enhance service delivery.**
 - **Successful Partnerships**
 Partnerships offer the MPRB the ability to stabilize and enhance revenue streams. Concession agreements with Sea Salt, Tin Fish, Bread & Pickle and Sandcastle are examples of this type of partnership. Partnerships also offer the MPRB the ability to enhance service delivery. The Twins Cities Mobile Jazz Project, Minneapolis Institute of Arts – Art in the Park Programs and the Loppet Foundation are examples of this type of partnership. Additionally, we have multiple “partners” at the recreation center level. Park Leadership Funds have allowed for creative partnership programs including Archery, Family Zumba, neighborhood festivals, and cultural-specific programs at parks. Efforts are underway to establish consistency where appropriate with these partnerships.
 - **Grants and Donations Jennifer**
 The grants and donations committee provides structure and support for the MPRB grant and donation processes. This committee allows for effective tracking and monitoring of grant applications by internal staff and external partners. This is resulting in ensuring applications meet the goals of the organization. In 2014, 45 grants were submitted and \$2.9 million of funds were secured. The work of this committee will continue in 2016.

- **Build innovation and sustainability into capital infrastructure and site investments.**
 - **Build buildings and site development to LEED and B-3 standards to reduce operating costs**
 MPRB builds facilities that the organization will operate for decades. Incorporating LEED and B-3 standards for lower energy consumption, low-impact materials, and sustainable design techniques will increase construction costs but will provide a positive return on investment and reduce organizational operating expenses.
 - **Invest in facility energy efficiency/rehabilitation to improve facility operations**
 MPRB buildings constructed over 30 years ago lack energy efficient insulation, heating, cooling, windows, doors, lighting, airlock entry systems and centralized controls. Investments in new technology would have a return on investment time frames ranging from 5 to 15 years.
 - **Implement stormwater best practices to reduce pollution and utility fees**
 The stormwater fee for the City of Minneapolis provides credits for improvements that reduce stormwater runoff. Capital projects will incorporate best practices that clean stormwater and reduce runoff. Partnering with adjacent development to accept, infiltrate and reuse clean stormwater could result in new revenue streams.
 - **Analyze resource consumption to understand where to improve**

Energy and water consumption are now being continually measured in most Park Board buildings. The data can be used to inform capital and rehabilitation projects to reduce consumption and maximize return on investment.

- **Develop Environmental Management Natural Resource program/operations expansion**

Develop an Environmental Planner position to assess, evaluate, and develop a long range natural resource management plan in coordination with MPRB Ecological Systems plan.

 - Analyze current system of natural areas that are maintained through contracts, work performed by Conservation Corps of Minnesota Youth Outdoors, and performed by MPRB maintenance staff.
 - Establish recommendations for expanded internal maintenance operations for natural resource management.

- **Continue to evaluate enterprise fund activity structures**

An Enterprise Fund is established to account for government activities that provide goods or services to the public on a consumer charge basis. Most government business-type activities are accounted for and reported in enterprise funds, and this is true for the MPRB. Enterprise activities are meant to be self-supporting including operations, capital improvements and debt service.

 - **Golf Operations**

Continued improvement of forecasting both revenues and expenses will lead to better financial decision making at the courses that are open. This includes understanding revenue flow to make operational and marketing decisions and controlling expenses in a way that does not diminish the product or negatively impact customer satisfaction. We are working with FEMA to determine the best conceptual course of action at Hiawatha and Meadowbrook that will produce revenues and allow us to better control operating expenses.
 - **Winter Recreation/Outdoor Adventure**

Immediate plans to hire and structure new department, clearly establishing responsibilities and expectations. Continuing to establish MOU and operational agreements with the Loppet. Full strategies to be determined in 2016 budget planning. Improvements in operations are key to improved revenue and customer satisfaction. Must determine if Winter Recreation should be enterprise or general fund
 - **Sculpture Garden**

As a component of the Sculpture Garden rehabilitation, the Cowles Conservatory will be repurposed to include enterprise opportunities. Options for the Conservatory's future are being explored and evaluated as part of the design process being conducted in 2014/15 with the goal of creating as financially self-sustainable operation as possible.

- **Develop strategies to reduce Health Insurance costs (aside from increased costs due to Affordable Care Act)**

Continue to work in partnership with the City of Minneapolis to develop strategies to reduce health care costs. Considerations include wellness programs, plan design options, increased employee education, incentives to use low cost health providers for routine tests or procedures, and vendor management/negotiations. .

- **Temporary, part-time, seasonal work force**

Human Resources continues working with the Recreation Division, where the largest volume of temporary staffing occurs, to ensure that staffing for part-time and seasonal work is in compliance with all applicable laws and policies. Evaluation of the staffing necessities at each recreation site and identification of the job requirements needed to perform the duties are nearly complete. This information will be reviewed with Finance staff to determine costs and develop a strategy for 2016.