

Minneapolis Park & Recreation Board

Minneapolis Park and Recreation Board
Financial Status Report
as of Second Quarter, 2019

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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, 2019.

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 2019, General Fund revenues are projected to be \$84.0 million and expenditures are projected to be \$83.5 million.

The 2019 year-end fund balance is projected to be \$4.8 million, which exceeds financial policy requirements by \$630,469. This projected balance is an increase of \$517,413 above the 2018 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 2019 Tree Preservation and Reforestation Fund revenues and expenses are projected to be \$1.8 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. To the end of 2019, Enterprise Fund revenues are projected to be \$12.2 million, operating expenses are projected to be \$9.4 million and non-operating expenses are projected to be \$2.2 million. The 2019 year-end Enterprise Fund balance is projected to be \$3.4 million. This projected balance is an increase of \$562,565 above the 2018 year-end balance of \$2.8 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 2019 Internal Service Fund revenues are projected to be \$10.7 million and expenses are projected to be \$10.5 million. The 2019 year-end Internal Service Funds balance is projected to be \$12.7 million. This projected balance is an increase of \$222,402 above the 2018 year-end balance of \$12.5 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 2019 with a fund balance of \$4.3 million and has a current operating budget of \$84.3 million. Through June of this year, 43.8 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, 2019 totaled \$38.4 million, up 4.4 percent from the \$36.8 million collected in the first half of 2018 due to increased property tax revenue. Total revenues for 2019 are projected to be \$84.0 million, 4.7 percent higher than 2018 revenues and 0.4 percent under budget.

As of June 30, 2019 actual expenditures totaled \$36.9 million, down one percent from the \$37.2 million spent in the first half of 2018 due to rehabilitation project funds being spent in the first half of 2019. To the end of 2019 expenditures are projected to be \$83.5 million, 3.3 percent higher than 2018 and 1.0 percent under budget.

The fund balance for the General Fund at fiscal year-end 2018 was \$4.3 million, exceeding the financial policy requirement of \$4.0 million (5 percent of the 2018 General Fund operating budget) by \$289,218. The fund balance for the General Fund is projected to be \$4.8 million at fiscal year-end 2019, exceeding the financial policy requirement of \$4.2 million (5 percent of the 2019 General Fund operating budget) by \$630,469.

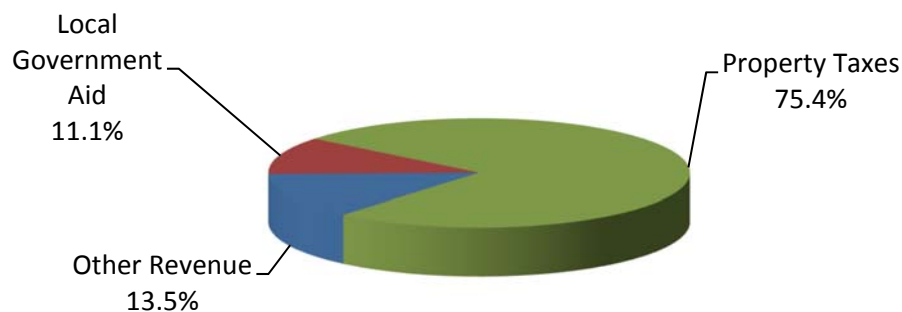
This report contains estimates. Unforeseen changes in revenue and expenditures will cause actual results to fluctuate from the projected results.

General Fund Revenues

As of June 30, 2019 actual revenues totaled \$38.4 million, up 4.4 percent from the \$36.8 million collected in the first half of 2018. Projected year end revenue is \$84.0 million, \$314,861 under budget.

Revenues by Major Category

	2018			2019			
	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	\$59,942,687	\$32,164,008	53.7%	\$63,295,650	\$32,249,021	50.9%	\$63,304,829
Local Government Aid	9,346,869		0.0%	9,355,257	1,366,029	14.6%	9,355,257
Fees, Fines and Other Revenues	10,888,113	4,621,643	42.4%	11,632,994	4,800,276	41.3%	11,308,954
Total Revenues	\$80,177,669	\$36,785,651	45.9%	\$84,283,901	\$38,415,326	45.6%	\$83,969,040





Property Taxes

Property taxes provide 75.4 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, 50.9 percent of budgeted property taxes. Property tax revenue is projected to exceed budget by \$9,179 at year-end.

Local Government Aid

Local Government Aid (LGA) is projected to provide 11.1 percent of 2019 revenue. The State Budget included the 2019 City of Minneapolis LGA allocation of \$79.3 million. The NPP20 Ordinance provides for the transfer of 11.79% of this LGA to the Park Board. In 2019 there was a special one-time early distribution of 14.6% of LGA. The Park Board expects to receive the remainder of its budgeted LGA amount of \$9.3 million in the second half of 2019.

Fees, Fines and Other Revenue

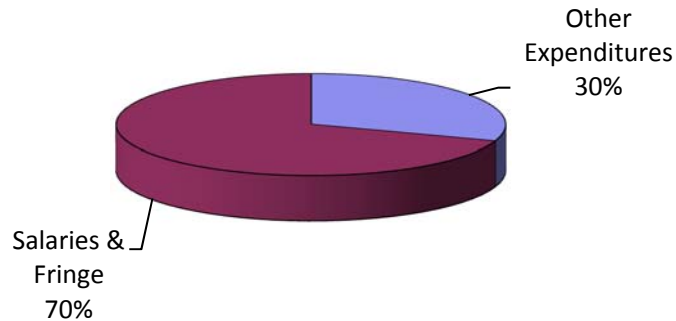
Fees, fines and other revenue provide 13.5 percent of projected revenue, the second largest funding source in the General Fund. The Park Board has recognized 41.3 percent of the budgeted fees, fines and other revenue for 2019. Revenues are projected to be under budget by \$324,040 at year-end due to reduced revenue from vacant positions in planning that are funded through project billings to the capital projects fund.

General Fund Expenditures

As of June 30, 2019 actual expenditures totaled \$36.9 million, down one percent from the \$37.2 million spent in the first half of 2018. Projected year end expenditures are \$83.5 million, \$832,275 under budget.

Expenditures by Major Category

	2018			2019			
	Actual Year-End	Actual As of 6/30	Percent Expended	Current Budget	Actual As of 6/30	Percent Expended	Projected Year End
Salaries & Fringe	\$54,803,567	\$26,532,718	48.4%	\$58,742,889	\$26,655,966	45.4%	\$57,438,666
Other Expenditures	25,943,372	10,656,609	41.1%	25,541,012	10,241,323	40.1%	\$26,012,960
Total Expenditures	\$80,746,939	\$37,189,327	46.1%	\$84,283,901	\$36,897,289	43.8%	\$83,451,626





Salaries and Fringe Benefits

Salaries and fringe benefits are 45.4 percent expended with 50 percent of the year elapsed.

Other Expenditures

Other expenditures include materials, supplies, contractual services and capital outlay. Other expenditures are 40.1 percent expended with 50 percent of the year elapsed.

Expenditures by Service Area

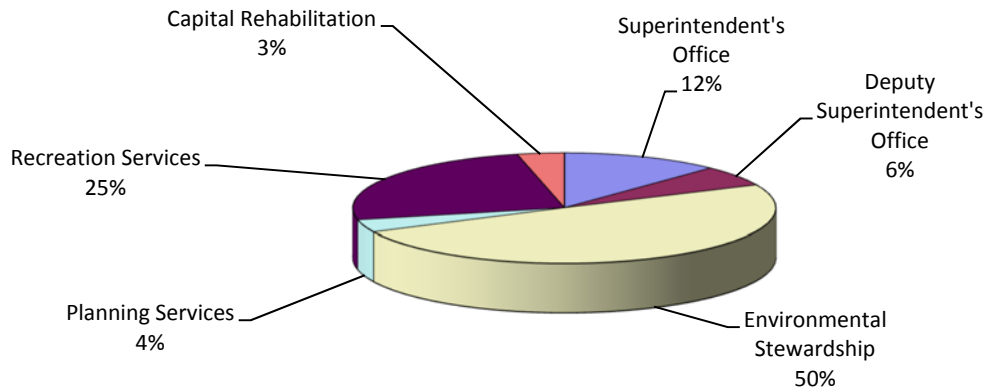
	2018			2019			
	Actual Year-End	Actual As of 6/30	Percent Expended	Current Budget	Actual As of 6/30	Percent Expended	Projected Year-End
Operating Departments							
Superintendent's Office							
Superintendent's Office	\$984,194	\$492,350	50.0%	\$780,066	\$353,628	45.3%	\$779,825
Board of Commissioners	\$915,189	454,059	49.6%	642,271	425,011	66.2%	641,669
Communications & Marketing	\$877,520	409,435	46.7%	896,689	419,193	46.7%	886,691
Community Outreach	\$1,365,204	644,688	47.2%	1,529,353	666,360	43.6%	1,403,325
Park Police	\$6,015,350	2,953,832	49.1%	6,637,416	3,070,479	46.3%	6,405,278
Deputy Superintendent's Office							
Customer Service	\$515,951	268,860	52.1%	580,020	263,255	45.4%	561,916
Deputy Superintendent's Office	\$298,806	152,727		284,675	128,881	45.3%	274,054
Finance	\$1,182,484	575,458	48.7%	1,292,793	582,134	45.0%	1,239,667
Human Resources	\$1,157,196	530,582	45.9%	1,183,346	574,545	48.6%	1,183,223
City Management Fee, Contributions & Other	\$1,781,846	785,336	44.1%	1,781,899	812,711	45.6%	1,781,714
Environmental Stewardship							
Forestry	\$9,627,939	4,724,188	49.1%	9,796,363	4,526,048	46.2%	9,784,008
Asset Management	\$27,768,229	13,313,566	47.9%	28,511,097	12,900,218	45.2%	28,508,596
Environmental Management	\$2,622,420	1,166,397	44.5%	3,357,472	1,204,894	35.9%	3,137,760
Planning Services							
Design & Project Management	\$1,869,177	849,411	45.4%	2,111,177	858,610	40.7%	1,977,519
Strategic Planning	\$1,107,649	478,804	43.2%	1,109,849	514,663	46.4%	1,069,588
Recreation Services							
Athletic Programs & Aquatics	\$3,399,359	1,311,916	38.6%	3,583,297	1,456,122	40.6%	3,568,753
Recreation Centers & Programs	\$11,735,915	5,849,748	49.8%	12,376,841	6,030,559	48.7%	12,428,027
Youth Development	\$4,255,902	2,011,531	47.3%	4,834,277	2,041,641	42.2%	4,825,013
Total Operating Expenditures	\$77,480,330	\$36,972,888	47.7%	\$81,288,901	\$36,828,952	45.3%	\$80,456,626
Capital							
Pay-as-You-Go-Rehabilitation	\$3,080,000	80,000	2.6%	2,995,000	68,337	2.3%	2,995,000
Asset Management System	\$186,609	136,439					
Total Capital Expenditures	\$3,266,609	\$216,439	6.6%	\$2,995,000	\$68,337	2.3%	\$2,995,000
Total General Fund	\$80,746,939	\$37,189,327	46.1%	\$84,283,901	\$36,897,289	43.8%	\$83,451,626



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



Divisions

Two divisions make up approximately 75 percent of the projected General Fund expenditures: Environmental Stewardship and Recreation.



General Fund Balance

The 2019 year-end fund balance is estimated to be \$4.8 million, 12 percent higher than 2018.

	2018			2019			
	Actual Year-End	Actual As of 6/30	Percent Recognized	Current Budget	Actual As of 6/30	Percent Recognized	Projected Year End
Total Revenue	\$80,177,669	\$36,785,651	45.9%	\$84,283,901	\$38,415,326	45.6%	\$83,969,040
Total Expenditures	80,746,939	37,189,327	46.1%	84,283,901	36,897,289	43.8%	83,451,626
Revenue Over/(Under) Expenditures	(\$569,270)	(\$403,676)		\$0	\$1,518,037		\$517,413

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. Based on un-audited figures, the year-end 2019 balance is estimated at \$4.8 million, which is six percent of the current year adopted expenditure appropriation. This fund balance exceeds financial policy requirements by \$630,469.

2019 Projected General Fund Year-End Fund Balance

Fund Balance, January 1, 2019	4,327,251
Projected Expenditures in Excess of Revenues	<u>517,413</u>
Projected Fund Balance, December 31, 2019	4,844,664
Fund Balance Requirement (5%)	<u>4,214,195</u>
Fund Balance in Excess of Requirement	<u>\$630,469</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.

	2018			2019			
	Actual		Percent Recognized	Current Budget	Actual As of 6/30	Percent Recognized	Projected Year-End
	Year-End	As of 6/30					
Revenues	\$1,737,097	\$931,005	53.6%	\$1,786,950	\$910,305	50.9%	\$1,793,301
Expenses	1,745,700	1,212,645	69.5%	1,806,950	1,364,547	75.5%	1,790,143
Net Income	(\$8,603)	(\$281,640)		(\$20,000)	(\$454,242)		\$3,158

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 2019 are complete, causing expenses to exceed 50 percent of budget as of June 30. Tree and stump removals are planned for the second half of the year.

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 2019 Year-End Fund Balance

Fund Balance 1/1/2019	\$2,952
Expenditures in Excess of Revenues	<u>3,158</u>
Fund Balance 12/31/2019	<u><u>\$6,110</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

	2018			2019			
	Actual		Percent Recognized	Current Budget	Actual As of 6/30	Percent Recognized	Projected Year-End
	Year End	As of 6/30					
Golf							
Revenues	\$5,701,352	\$2,414,750	42.4%	\$6,035,082	\$2,464,617	40.8%	\$5,762,020
Expenses	6,242,761	2,620,968	42.0%	6,535,763	2,618,770	40.1%	6,254,868
Net Income	(\$541,409)	(\$206,218)		(\$500,681)	(\$154,153)		(\$492,848)
Use & Events Permitting							
Revenues	\$1,179,176	\$462,882	39.3%	\$1,172,760	\$515,682	44.0%	\$1,223,575
Expenses	727,653	293,802	40.4%	826,147	384,884	46.6%	802,733
Net Income	\$451,523	\$169,080		\$346,613	\$130,798		\$420,842
Concessions							
Revenues	\$1,612,943	\$278,789	17.3%	\$1,637,500	\$235,121	14.4%	\$1,484,275
Expenses	250,309	116,146	46.4%	401,078	115,376	28.8%	395,581
Net Income	\$1,362,634	\$162,643		\$1,236,422	\$119,745		\$1,088,694
Parking							
Revenues	\$2,245,320	\$958,197	42.7%	\$2,334,980	\$1,017,557	43.6%	\$2,391,133
Expenses	556,598	242,717	43.6%	589,968	248,830	42.2%	552,892
Net Income	\$1,688,722	\$715,480		\$1,745,012	\$768,727		\$1,838,241
Ice Arenas							
Revenues	\$1,373,133	\$738,868	53.8%	\$1,129,279	\$477,513	42.3%	\$1,161,778
Expenses	1,328,855	494,945	37.2%	1,007,231	567,497	56.3%	1,206,911
Net Income	\$44,278	\$243,923		\$122,048	(\$89,984)		(\$45,133)
Sculpture Garden & Cowles Conservatory							
Revenues	\$163,732	\$55,950		\$309,800	\$62,841	20.3%	\$192,766
Expenses	179,280	64,737	36.1%	355,406	64,389	18.1%	235,938
Net Income	(\$15,548)	(\$8,787)		(\$45,606)	(\$1,548)		(\$43,172)



Enterprise Fund by Service Area (Continued)

	2018			2019			
	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	\$12,275,656	\$4,909,436	40.0%	\$12,619,401	\$4,773,331	37.8%	\$12,215,547
Expenses	\$9,285,456	\$3,833,315	41.3%	\$9,715,593	\$3,999,746	41.2%	\$9,448,923
Net Income	\$2,990,200	\$1,076,121		\$2,903,808	\$773,585		\$2,766,624
Non-Operating Expenses							
Improvements	\$809,622	\$76,947	9.5%	\$1,319,878	\$201,779	15.3%	\$1,302,080
MERF Payment				\$177,092			\$177,092
Debt Service	729,887	163,244	22.4%	724,887	184,231	25.4%	724,887
Total Non-Operating Exp	\$1,539,509	\$240,191		\$2,221,857	\$386,010		\$2,204,059
Income after Non-Operating Expenses	\$1,450,691	\$835,930		\$681,951	\$387,575		\$562,565

Golf Operations

Golf revenues have been affected by a rainy first half of the season, causing temporary course closures due to flooding. To the end of 2019 golf operations is projected to have a loss of (\$492,848), over budget by \$7,833.

Use & Events Permitting

To the end of 2019 Use & Events Permitting is projected to have \$420,842 of net income, over budget by \$74,229.

Concessions

Concessions net income will be under budget in 2019 due to the fire at Bde Maka Ska pavilion, which has disrupted concessions at that location. To the end of 2019 concessions net income is projected to be \$1,088,694, under budget by \$147,728.

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 increase from 2018 due to fee increases. To the end of 2019 parking operations is projected to have net income of \$1,838,241, over budget by \$93,229.

Ice Arenas

Ice arena operations consist of the Parade and Northeast Ice Arenas. Revenues are projected to end the year slightly over budget, while expenses are projected to end the year over budget due to several one-time expenses. To the end of 2019 ice arena operations is projected to have a net loss of (\$45,133), under budget by \$167,181.



Sculpture Garden & Cowles Conservatory

The Sculpture Garden is fully open in 2019. Staff is working to increase revenue, which includes rental income, concessions and parking. To the end of 2019 this operation is projected to have a loss of (\$43,172), over budget by \$2,434.

Enterprise Operating Income

Operating income is the difference between operating revenues and operating expenses. Operating income in 2019 is projected to be \$2,766,624, lower than 2018 due to the disruption of concessions at Bde Maka Ska and reduced income at the Ice Arenas.

Operating income is used for facility improvements, debt service, and the MERF pension plan payment. Improvements planned for 2019 include expenses the Hiawatha Golf Course master plan, adding a parking lot at Minnehaha Park, parking equipment, and flooring at Parade and Northeast Ice Arenas.

Enterprise Fund Projected 2019 Year-End Reserve for Renewal and Replacement

Reserve Balance 1/1/2019	\$2,788,808
Revenues in Excess of Expenditures	<u>562,565</u>
Reserve Balance 12/31/2019	<u><u>\$3,351,373</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.

	2018			2019			
	Actual		Percent Recognized	Current Budget	Actual As of 6/30	Percent Recognized	Projected Year-End
	Year End	As of 6/30					
Equipment							
Revenues	\$5,818,941	\$2,853,621	49.0%	\$5,795,976	\$3,018,825	52.1%	\$5,963,065
Expenses	5,847,478	1,970,141	33.7%	6,089,125	3,836,950	63.0%	6,207,775
Net Income	(\$28,537)	\$883,480		(\$293,149)	(\$818,125)		(\$244,710)
Information Technology Services							
Revenues	\$2,012,764	\$1,006,383	50.0%	\$2,288,893	\$1,144,447	50.0%	\$2,288,893
Expenses	2,081,679	920,712	44.2%	2,288,893	752,227	32.9%	2,136,724
Net Income	(\$68,915)	\$85,671		\$0	\$392,220		\$152,169
Self-Insurance							
Revenues	\$2,624,084	\$1,162,814	44.3%	\$2,172,586	\$1,266,446	58.3%	\$2,432,892
Expenses	1,784,355	662,912	37.2%	2,172,586	787,527	36.2%	2,117,949
Net Income	\$839,729	\$499,902		\$0	\$478,919		\$314,943

Equipment

Equipment rental is charged to Park Board departments for use of equipment owned by the Park Board. In 2019 Equipment Services is making equipment purchases that have been delayed due to issues with the state purchasing contract, which accounts for the budgeted loss of (\$293,149). As of June 30, \$1.9 million of the \$2.7 million of budgeted equipment purchases for 2019 had been made. At the end of 2018 the equipment reserve balance was \$4.6 million. The projected 2019 year-end equipment reserve balance is \$4.4 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. Hardware purchases and software license payments are expected in the second half of 2019. At the end of 2018 the Information Technology Services equipment reserve balance was \$627,825. The projected 2019 year-end Information Technology Services equipment reserve balance is \$779,994.

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. At the end of 2018 the Self-Insurance net asset balance was \$7.2 million. The projected 2019 year-end Self-Insurance net asset balance is \$7.6 million.



Equipment Services Equipment Reserve Balance

The Internal Service Fund equipment reserve at year-end 2018 was \$4.6 million. During 2019 expenses are projected to exceed revenues \$244,710 leaving the equipment reserve balance at \$4.4 million.

2019 Projected Internal Service Fund Year-End Equipment Reserve Balance	
Working Capital January 1, 2019	\$4,621,491
Equipment Services expenditures in excess of revenues	<u>(244,710)</u>
Working Capital December 31, 2019	\$4,376,781

Information Technology Services Equipment Reserve Balance

The Internal Service Fund information technology services equipment reserve at year-end 2018 was \$627,825. During 2019 revenues are projected to exceed expenses by \$152,169, leaving the equipment reserve balance at \$779,994.

2019 Projected Internal Service Fund Year-End Information Technology Equipment Reserve Balance	
Working Capital January 1, 2019	\$627,825
ITS revenue in excess of expenditures	<u>152,169</u>
Working Capital December 31, 2019	\$779,994

Self-Insurance Fund Net Asset Balance

The Self-Insurance Fund net assets balance at year-end 2018 was \$7.2 million. During 2019 revenues are projected to exceed expenses by \$314,943, leaving the equipment reserve balance at \$7.6 million.

2019 Projected Self Insurance Fund Year-End Net Asset Balance	
Working Capital January 1, 2019	\$7,245,330
Self Insurance Fund revenue in excess of expenditures	<u>314,943</u>
Working Capital December 31, 2019	\$7,560,273