



2022 MPRB BUDGET ISSUES

The following issues to consider impacting the financial condition of the Minneapolis Park and Recreation Board (MPRB) are in addition to direction already set forth by the Board in the adopted 2018-2022 Strategic Directions and Performance Measures.

- **Coronavirus pandemic (COVID-19) impacts**
 - The MPRB is a year into operating through the pandemic. From implementing service delivery changes, understanding financial impacts, and researching and acquiring COVID-19 relief funds the MPRB has remained innovative, responsive, and flexible. The MPRB has responded to the pandemic with a focused priority in the health and safety of its park visitors and employees.
 - **Service delivery impacts**

The MPRB has re-envisioned its programs and services as social distancing will continue to be required. Staff have established criteria for the proposal and development of virtual programs and modified programs for social distancing. Summer of 2021 will focus on outdoor, virtual, and modified programming to maximize opportunities for participation. As more vaccinations are administered, Center for Disease Control guidelines are modified, and executive orders allow, service delivery will be adjusted accordingly.
 - **Financial impacts**

Covid-19 has impacted the MPRB financially in various ways. The pandemic has significantly increased the outdoor use of parks and Golf is experiencing a resurgence. At the same time revenue generation in many areas continues to be negatively impacted as some buildings remain closed and event and program capacity remain limited. The MPRB has met these challenges through careful planning and the establishment of budget frameworks which guided the financial response to COVID-19 during 2020 and the development of the 2021 Budget. The MPRB was able to secure just over \$3.0 million in federal and other financial relief from the City, County and State in 2020 and relief funds will continue to be pursued in 2021.
 - **Economic impacts**

As COVID-19 continues to impact the country and world, the negative impact to the local and national economies continue. Although federal stimulus has reduced the impacts, the economic future of the local and national economies remains uncertain. The MPRB continues to monitor the financial condition of the State and City and the revenue streams provided to the MPRB including Local Government Aid, Parks and Trails Legacy grants, Operations and Maintenance funding, and the 20-Year Neighborhood Park Plan.
- **System growth, expansion, and service levels**

The MPRB's system is experiencing growth in both the regional and neighborhood systems. As parks and amenities are added to new residential areas that were traditionally non-residential in support of the City's growth patterns and other development, improvements and expansion occurs within our

system, service delivery models will need to be analyzed, adjusted or changed to support the needs of these areas. Consideration needs to be given to how current service levels associated with this growth is built into the annual budget process and communicated and supported by the City, Board of Estimate and Taxation and the public.

- **Downtown Service Area**

Based on the directions of the Downtown Service Area Master Plan, staff have been working to acquire land for the creation of the North Loop Park. In fact, that process is at the point where a purchase agreement for the acquisition of land and basic park improvements is happening. Development of the Eighth Avenue Streamscape, largely based on parkland dedications, is proceeding incrementally, again based on the directions of the Service Area Master Plan. As these parks come online, longtime gaps in park service will be eliminated. The need to manage, program and care for the North Loop Park become a core need. The master plan anticipates some degree of programming to occur at the North Loop Park as well as a “storefront” center.” Both are being developed by staff.

- **North Service Area**

The 26th Avenue Overlook is nearly complete, with opening expected during the second quarter of 2021. The Overlook serves as the river terminus to the city’s 26th Avenue North pedestrian and bicycle improvements. Eventually, the overlook will be a feature along a west bank trail. Like other 2021 park system introductions, the overlook and its associated site are small, but it will likely be popular as it quickly becomes one of the upper riverfront’s primary attractions.

- **Central Mississippi Riverfront Regional Park**

Water Works is a new component of Mill Ruins Park within this regional park will be introduced in 2021. The most prominent feature is a restoration of portions of historic mills, a part of which will house restrooms and a new restaurant. The site features large steps descending the slope from First Street to a narrow lawn perched above the parkway and overlooking the river. The building and site both require maintenance, although the long-term goal is for the restaurant to be eventually operated as a microenterprise, with its revenue directed to support park operations.

- **Market Square**

This addition of the park system, located on the southwest quadrant of Lake Street and Hiawatha Avenue, will be delivered to the MPRB as a completed park in the fourth quarter of 2021. While Hennepin County HRA and the project’s private sector developer will pay a portion of the costs of operations, the MPRB will be responsible for its day-to-day care and management. Market Square will host a farmers market two days per week during the market season and it is adjacent to the Lake Street LRT station, the combination of which will draw significant numbers of people into the new park.

- **Enterprise Fund stabilization**

An Enterprise Fund is established to account for government activities that operate as businesses and provide goods or services to the public on a consumer charge basis. Enterprise activities are meant to be self-supporting and include operations, capital improvements and debt service, and do not receive tax support. The MPRB Enterprise Fund historically included activities that are not business-type activities and are not self-supporting. In addition, the MPRB Enterprise Fund subsidized General Fund activities to the detriment of the enterprise activities the fund is designed to support. Significant modifications have been made since 2012, realigning activities between the Enterprise and General Funds, yet not fully realigning all activities. The Superintendent supports continued work to properly align activities in the Enterprise and General Funds and improve the financial condition of the Enterprise Fund.

- **Development of an enterprise operating model for the Minneapolis Sculpture Garden**
Methods of orchestrating a micro-enterprise to partially support operations of the Minneapolis Sculpture Garden have continued to be explored. It is anticipated that the model used in this location would be similar to a model that could be used across the upcoming downtown spaces that the MPRB will be responsible for programming. Planning for 2022 assumes less restrictions to use related to COVID restrictions. Staff are actively developing programming and vending strategies and anticipate bringing agreements forward for Board consideration in 2021. If approved, staff anticipate getting closer to revenue requirements in 2022. Ultimately, staff is seeking a service delivery and programming model that provides revenue sufficient to offset operating costs and long-term asset replacement. However, in 2022 there is still an expected need for additional support from the Enterprise Fund.
- **Development of an enterprise operating model for Waterworks**
Methods of orchestrating a micro-enterprise to support operations of the Waterworks will begin to be implemented in 2021. It is anticipated that the model used in this location would be similar to a model that could be used across the upcoming downtown spaces that the MPRB will be responsible for programming. The current pro-forma indicates a five-year plan to profitability and considerations will need to be made to support the operations as it starts up and is established.
- **Golf Operations**
The MPRB has a long history with offering Golf operations and recognizes the value of those services to the community. The Superintendent intends to review with the Board the status of golf operations which will lead to the development of long-range and sustainable plans for golf within the MPRB system.
- **Capital investment needs**
 - **Security and alarm upgrades**
Staff are currently developing replacement plans for the security and alarm systems throughout the park system. Most of the current systems are out of date and/or require extensive people hours to sustain. Over the years funding for replacements and upgrades has most typically been sporadic and uncoordinated. A more dedicated approach is required to reduce time individuals spend operating the systems and improve operations of the equipment.
 - **Parkway paving and parkway lighting**
Staff continues its process of coordinating with Minneapolis Public Works so that pavement conditions for parkways match conditions for city streets on an aggregate basis, a direction agreed to following the city's adoption of the 20-Year Street Plan. The discovery of macadam under the existing roadway has slowed progress on the current parkway work at Theodore Wirth Parkway. Disposal of macadam requires special landfill requirements, which costs more than ordinary disposal of soils. As a result, the Theodore Wirth Parkway project will likely be extended one year, with completion anticipated in 2022
 - **RiverFirst**
Sufficient funding for all the projects anticipated as a part of RiverFirst remains uncertain. Regional park funding, the most likely source for most of the work, remains a question. The most immediate RiverFirst concerns include:
 - Graco Park and Hall's Island - The final design for Graco Park, including extension of at least one bridge to Hall's Island, will begin in June. Park improvements will begin in 2022 and be coordinated with flood barrier improvements as specified in the settlement agreement with Graco. The opening of the park will be in 2023, a date which will be coordinated with Graco. A park supporting building on Lot 2 will likely be completed in early 2024, although scheduling may allow its completion earlier.

While funds for the building on Lot 2 are available as a result of the Graco settlement, additional funding is likely needed and may be pursued through philanthropic means.

- Staff continues efforts to identify and potentially acquire properties within the bounds of the Above the Falls Regional Park. While funds are limited, opportunities for acquisition will rely on unique transactions arrangements (incremental payments, donations as a part of the purchase price) and creating partnerships with other entities to achieve funding (MWMO) and more aggressively pursuing existing sources of funds that have become more competitive (Metropolitan Council). Staff is also strategizing easements as a lower cost option for using portions of parcels. Significant and expensive acquisitions remain, particularly on the west bank where large industrial operations occupy large tracts of riverfront land.
- **Reinvesting in operation facilities**

A consultant engaged to conduct preliminary design for the Hiawatha Tool site has completed most of its work. Staff is working with the consultant to identify a logical first phase of evolution for the buildings and site and a source of funds for the necessary and incremental improvements for the property. There have been some efforts at the South Side Operations Center to better secure the building and equipment yard.
- **Infrastructure and utilities**

MPRB's utility infrastructure continues to age, with stormwater infrastructure in regional parks generally nearing the end of its service life. Funding for repairs through typical regional park funding is limited. Failures remain common. Funds for below grade infrastructure rehabilitation in neighborhood parks are available through the 20-Year Neighborhood Park Plan to address issues as they arise, but those funds are insufficient to reconstruct aging infrastructure in a fully planned way. Assessments continue to be conducted to understand the conditions of below grade infrastructure more fully in neighborhood parks and to set priorities for addressing the necessary repairs.
- **Enterprise Fund capital investment**

Historically, the Enterprise Fund has financed its capital improvement program with profits generated in the current year. If profits generated in that year were not enough to cover the costs of all scheduled projects, the projects would be deferred or cancelled based on prioritized need. In 2020, due to COVID-19 and anticipated revenue losses, 2020 capital projects were once again deferred. This financing model along with other factors resulted in Enterprise Fund capital improvement project deferments reaching a critical stage. The level of deferments and the critical capital needs within the Enterprise Fund is a major concern for the long-term viability of the fund. As capital improvements become necessary and reserves are not available, debt is being utilized which is not financially prudent. Staff identified targets for annual set-asides aimed at repair and replacement cannot be realized until the Fund is generating significantly greater revenue. The Superintendent committed to phase in these increases and the 2021 Annual Budget included an Enterprise Fund 2021 – 2026 Capital Improvement Plan.
- **Land Acquisition Fund**

The MPRB land purchase reserve fund was established in the Special Revenue Fund to account for revenue from land designated as surplus and sold. Revenue from the sale of land can only be used for future land purchases. Beginning in 2016, the MPRB Annual Budget also included a General Fund transfer of \$300,000 - \$400,000 to assist with future land purchases. The amount for 2021 is \$315,000. The available balance as of March 31, 2021 is \$130,000. As acquisitions are considered to complete Above the Falls Regional Park and the Missing Link, this funding mechanism should be continued. Other sources typically used by the MPRB to offset the costs of parkland acquisition for regional parks continue to be more competitive and cannot support all requests. Further, as development continues to focus on the upper

riverfront and the city intensifies land uses along primary corridors, the value of properties will likely increase. While near-term acquisitions or gaining commitments to sell properties to the MPRB might help avoid speculative pricing, either strategy requires funding. It becomes especially important for properties zoned or guided for residential use, as those uses, when compared to commercial or industrial uses with tenancies measured in decades, tend to be perpetuated for a generation. Without the sources of funding to complement the MPRB's own resources, opportunities for acquisition necessary to complete key initiatives in the upper river risk being lost to at least a generation of non-park uses.

- **Historic and iconic homes**

The MPRB is exploring methods of rehabilitating the exteriors of its historic and iconic homes including the Ard Godfrey House, John H. Stevens House, Longfellow House, and Theodore Wirth Home and Administration Building. Funds have been allocated for the John H. Stevens House and the Longfellow House, and funds exist through other sources for the Ard Godfrey House, which is in a neighborhood park. While those funds will not fully rehabilitate the exteriors, based on bids received for work at the Ard Godfrey House, a means of accomplishing critical work is being developed.

- **Environmental issues**

- **Pesticide free parks**

Staff continue working both to reduce the use of landscape pesticide products and introduce organic land management practices on Minneapolis park land. Two sites were identified for a natural turf care pilot project in partnership with the national organization Beyond Pesticides. The Lyndale Park Rose Garden is also implementing a trial project utilizing certified organic products. These projects are expected to last a minimum of three years in order to begin to view results and understand operational and user impacts. These will be used to inform next steps including work plans and program creation. Additionally, staff must continue to comply with the Minnesota Noxious Weed Law which aims to protect the state from ecological and economic impacts created by the introduction and spread of noxious weeds. Small incremental changes are implemented as alternatives become viable and obtainable within our current operational structure. The impacts of pesticide free and/or organic land management will need to be addressed in budgets for labor, equipment, and materials both for the maintenance of existing park features as well as when new implementations and renovations occur within the system. The impacts are not fully realized at this time and our pilot projects aim to better inform staff to continue this work.

- **Water quality and lake monitoring**

Algae blooms are not limited to Minneapolis but are regional and national issues. Following are a few facts about MPRB's past and current actions as part of its water quality program:

- The MPRB has analyzed algae in Minneapolis lakes for years and regularly compares levels to certain MPCA risk benchmarks.
- MPRB regularly consults with agency partners like DNR, MPCA and local watershed districts regarding algae blooms.
- In 2020, to better protect visitors and communicate risk at all Minneapolis beaches and lakes, staff created a Lake Water Quality Map that is updated in real time to denote beach status and the potential for blue green algae bloom presence. Updates are based on visual and physical data collected during each lake sampling trip and beach sampling session – including winter monitoring for algae blooms.
- In 2020, staff joined an Interstate Technology and Research Council project on Harmful Algae Bloom monitoring and response and plans to use findings in our water quality program.

Current plans for 2021 and beyond:

- Pilot program to test for algae-produced toxins at higher risk beaches in 2021 and a plan to communicate that information to the public to better protect public health. This pilot program will build the foundation for a future, more robust algal monitoring and communication program.
- Continue working with MPCA, DNR, and local watershed districts regarding recent algae blooms in Minneapolis lakes, including improved public communications.

Some Minneapolis lakes have MPCA-designated impairments that need to be addressed. Specifically, Powderhorn Lake is designated impaired for nutrients and has frequent blue green algae blooms. MPRB water resources staff and the City of Minneapolis are planning a diagnostic study to determine how best to address nutrients and algae in this lake and plan to execute restoration projects based on the study. The lake and Powderhorn Park are in one of Minneapolis' most diverse neighborhoods. Lake Nokomis is also designated impaired for nutrients and has an EPA-approved plan that requires nutrient reduction; in addition, MPRB staff believe managing internal loading sources of nutrients will be needed to restore this lake. The scale of both projects requires staff time and funding to implement. While Powderhorn Lake and Lake Nokomis are designated as impaired due to nutrient levels, Cedar Lake is not. Nokomis, Cedar and Powderhorn have all been experiencing recent harmful algal blooms. MPRB staff prioritize projects based on impairment status, the equity matrix, staffing levels and available funding. Additional funding for a diagnostic study of Minneapolis lakes that addresses the need for management of blue green algae blooms is necessary.

○ **Tree canopy replacement and tree levy**

Forestry developed the Canopy Replacement Plan (CRP) for dealing with the loss of trees to storms that occurred in Minneapolis between 2011-2013 and the future losses to Emerald Ash Borer infestation (EAB). The CRP provided for the replacement of tree loss to storms and the removal and replacement of 40,000 public ash trees over an eight-year period. To fund the CRP, the MPRB utilized its authority to implement the Tree Preservation and Reforestation levy. This levy was first established in 1969 to manage the loss of elm trees being killed by Dutch Elm Disease. The levy, adopted by the Board in 2014, funded the CRP. The funding is accounted for in a separate Special Revenue Fund and provides staff, tree removal, tree planting, stump grinding and equipment. In 2014, replacements for the loss of trees to storms were planted. Between 2014 - 2020, approximately 5,000 ash trees were removed annually. Infested trees were removed, and non-symptomatic ash were removed preemptively. Replanting took place the following springs. The final year of the levy and for ash tree removals is 2021 and will require replacement trees to be planted in 2022. The 2022 planting will be funded with remaining fund balance from the levy. Phasing removals and replanting over the eight-year period lessened the negative impact of sudden removals. With the planting in 2022, the CRP will be complete with 40,000 ash trees removed and 40,000 new trees planted. With the conclusion of the levy, forestry staff will be reduced with the elimination of the levy funded Crew Leader, four Arborists and Mobile Equipment Operator positions. Forestry has managed the attrition of these positions with vacancies throughout 2020 and 2021 to avoid layoffs. One less crew will result in less staffing available to care for trees, including the many new young trees that have been entered into our system.

○ **Tree canopy growth**

There has been a strong interest in growing the tree canopy of Minneapolis and the Minneapolis Tree Advisory Committee has consistently recommended a canopy campaign in their annual report for the past few years. The General Fund budget includes a base budget for the planting of approximately 3,000 trees annually which represents the replacement of trees removed by natural attrition. Current vacant planting sites indicate a continued need for planting at a level of approximately 8,000 trees annually. Identifying funding would allow

the MPRB to plant, prune and maintain more trees than are removed and transition from sustaining to growing canopy.

- **Wood processing site replacement**

From 2008 to 2016, MPRB had a lease agreement with Midtown Eco Energy, LLC followed by Koda Energy to perform processing of tree debris on MPRB property that was located across from the Neiman Sports Complex. Commonly referred to as the Fort Snelling Wood Processing Site. However, in 2015, the Veterans Administration opened a residential housing facility called the Upper Post Veterans Community on the west side of the Fort Snelling Wood Processing Site and adjacent to it. The proximity of the tree debris processing operation to these residences proved to be incompatible. After several years of searching for a new location, the MPRB acquired the property located at 4022-½ Washington Avenue North for future park development and the Fort Snelling Wood Processing Site was finally closed in fall of 2016 and relocated to 4022-½ Washington Avenue North. This site is well suited for tree debris processing since it would be years before park development would take place, it is an industrial location not close to residential housing, and it is readily accessible from Interstate 94. To use this location a zoning variance was required and obtained from the Zoning Board of Adjustments on December 1, 2016. This variance allows for the processing of tree debris to take place outdoors rather than within an enclosed building and expires in 2023. Given the complexity and limitations in identifying and securing a site to process wood debris, additional funds will be needed to fulfill this need.