

Minneapolis Park & Recreation Board

Minneapolis Park and Recreation Board
Financial Status Report
as of Year-End, 2021

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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 December 31, 2021.

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.

Coronavirus Pandemic

In 2020, the United States, State of Minnesota and City of Minneapolis declared states of emergency related to urgent conditions created by the Coronavirus Pandemic (COVID-19). The spread of COVID-19 necessitated unprecedented actions including social distancing requirements and stay-at-home orders and impacted the Park and Recreation Board's ability to deliver services. As vaccines have become available and the impact of COVID-19 has lessened, Park Board operations have slowly begun to return to a new normal. All departments continue to be impacted by COVID-19, however, with the closures of the recreation centers, the Recreation Division has experienced the most significant reductions in the level of services that can be provided. In addition, a nationwide worker shortage has made hiring part-time and seasonal staff challenging.

General Fund

The General Fund accounts for services and goods provided by the Park Board that are primarily supported by property taxes. In 2021 General Fund revenues were \$86.8 million and expenditures were \$87.7 million, resulting in a decrease to fund balance of \$952,728. The 2021 year-end fund balance is projected to be \$7.5 million, which exceeds financial policy requirements by \$3,028,928.

Tree Preservation and Reforestation Fund

The Tree Preservation and Reforestation Fund accounts for a special property tax levy that funds the Park Board work addressing threats to the urban forest due to Emerald Ash Borer and tree loss due to storms. In 2021 Tree Preservation and Reforestation Fund revenues were \$1.4 million and expenses were \$1.1 million. The 2021 year-end fund balance is projected to be \$596,635 and will be used in 2022 to replace the ash trees removed in 2021.

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 in 2021 was \$3.7 million. The 2021 year-end Enterprise Fund balance is projected to be \$7.0 million. This projected balance is an increase of \$821,304 above the 2020 year-end balance of \$6.2 million.

Internal Service Funds

Internal Service Funds account for equipment fleet, information technology and self-insurance services to Park Board departments. In 2021 Internal Service Fund revenues were \$9.9 million and expenses were \$10.0 million. The 2021 year-end Internal Service Funds balance is projected to be \$11.6 million, \$111,990 lower than the 2020 year-end balance.

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 2021 with a fund balance of \$8.4 million and ended 2021 with a fund balance of \$7.5 million.

In 2021 revenue generated by the Park Board totaled \$86.8 million, down \$184,126 from 2020 revenues. Revenues decreased in 2021 due to \$2.8 million of COVID-19 related Federal & State aids being received in 2020.

In 2021 expenditures totaled \$87.7 million, up \$5.0 million from 2020 expenditures as the effects of COVID-19 began to subside and spending returned to prior levels. In addition, there was \$2.5 million of board approved one-time spending in 2021.

The fund balance for the General Fund at fiscal year-end 2020 was \$8.4 million, exceeding the financial policy requirement of \$4.5 million (5 percent of the 2020 General Fund operating budget) by \$4.0 million. The fund balance for the General Fund at fiscal year-end 2021 is \$7.5 million, exceeding the financial policy requirement of \$4.5 million (5 percent of the 2021 General Fund operating budget) by \$3,028,928.

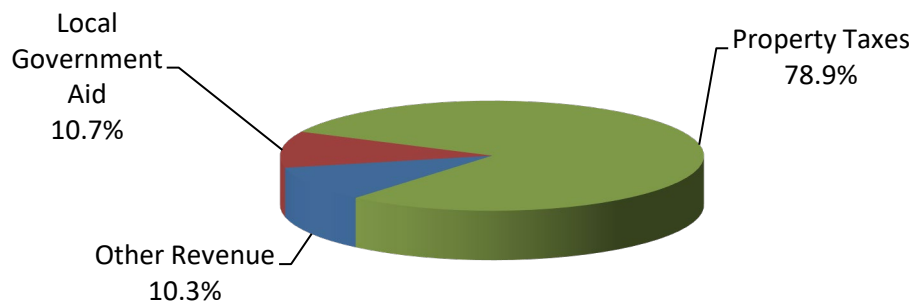
The financial information contained in this report has not been audited. The audited 2021 financial information may fluctuate from the information contained in this report.

General Fund Revenues

Actual revenues to the end of 2021 totaled \$86.8 million, down \$184,126 from 2020 revenues. Revenues decreased in 2021 due to \$2.8 million of COVID-19 related Federal & State aids being received in 2020.

Revenues by Major Category

	2020		2021	
	Actual	Current	Actual	Percent
	Year-End	Budget	Year-End	Recognized
Property and Other Taxes	\$67,050,276	\$68,221,890	\$68,495,212	100.4%
Local Government Aid	9,602,849	9,233,125	9,296,534	100.7%
Fees, Fines and Other Revenues	10,302,246	8,407,491	8,979,499	106.8%
Total Revenues	\$86,955,371	\$85,862,506	\$86,771,245	101.1%


Property Taxes

Property taxes provided 78.9 percent of projected revenue, the largest funding source of the General Fund. Property tax revenue exceeded budget by \$273,322 at year-end.

Local Government Aid

Local Government Aid (LGA) provided 10.7 percent of 2021 revenue. The State Budget included the 2021 City of Minneapolis LGA allocation of \$78.3 million. The NPP20 Ordinance provides for the transfer of 11.79% of this LGA to the Park Board. LGA was over budget in 2021 due to the City of Minneapolis calculation methodology.

Fees, Fines and Other Revenue

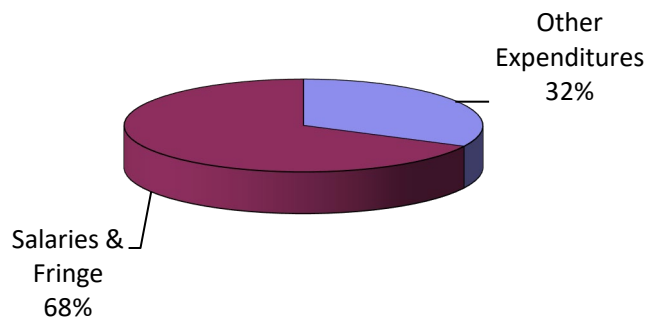
Fees, fines and other revenue provided 10.3 percent of 2021 revenue. The Park Board budget included a revenue reduction of \$3.3 million for COVID-19 Impacts. Programming and rentals were impacted by COVID-19 however, with these activities slowly returning to pre-pandemic levels, the actual reduction in fees, fines and other revenue was \$2.8 million, lower than the budgeted \$3.3 million reduction.

General Fund Expenditures

Actual expenditures to the end of 2021 totaled \$87.9 million, up 6.3 percent from the \$82.7 million spent in 2020.

Expenditures by Major Category

	2020		2021	
	Actual	Current	Actual	Percent
	Year-End	Budget	Year-End	Expended
Salaries & Fringe	\$56,917,675	\$61,377,454	\$59,290,215	96.6%
Other Expenditures	25,764,322	27,053,971	28,433,758	105.1%
Total Expenditures	\$82,681,997	\$88,431,425	\$87,723,973	99.2%



Salaries and Fringe Benefits

Salaries and fringe benefits ended the year 96.6 percent spent. In the first quarter of the year positions were left vacant in an effort to offset revenue losses due to building closures and program cancellations. As the effects of the pandemic have lessened, full-time positions were hired. Part-time and seasonal positions were hired as well, but there is a nationwide worker shortage that impacted Park Board hiring, especially in recreation and aquatics. The Salaries and Fringe Benefit budget was reduced by \$3,323,971 for impacts of COVID-19.

Other Expenditures

Other expenditures include materials, supplies, contractual services, and capital outlay. Other expenditures ended the year 5.1% over budget. The effects of inflation and increasing utility expenses began to impact other expenditures, especially in the Asset Management budget. In addition, legal fees caused the Board of Commissioners department to exceed budget, and a Board Approved transfer for the purchase of a park site in the North Loop neighborhood caused Capital to exceed budget.

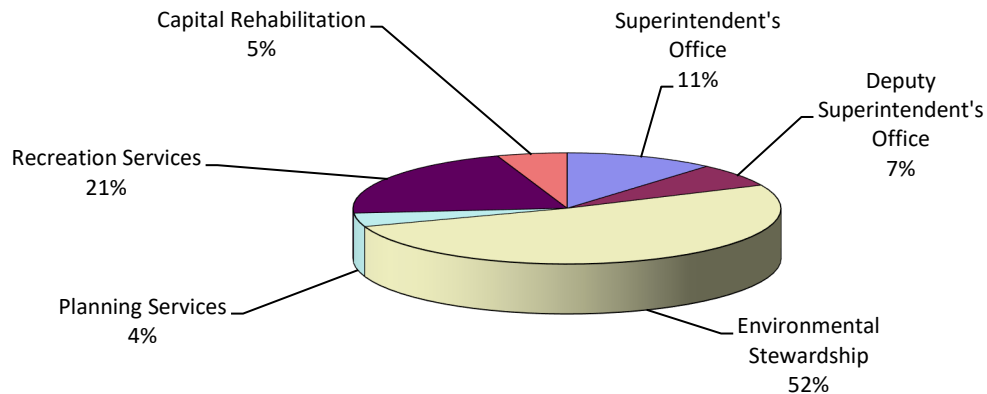
Expenditures by Service Area

	2020	2021		
	Actual Year-End	Current Budget	Actual Year-End	Percent Expended
Operating Departments				
Superintendent's Office				
Superintendent's Office	\$837,771	\$996,644	\$994,459	99.8%
Board of Commissioners	732,865	694,876	737,536	106.1%
Communications & Marketing	856,179	899,459	897,937	99.8%
Community Connections & Violence Prevention		1,390,801	1,187,775	85.4%
Community Outreach	696,827			
Park Police	6,403,503	6,302,867	6,149,252	97.6%
Deputy Superintendent's Office				
Customer Service	981,657	1,492,167	1,270,661	85.2%
Deputy Superintendent's Office	451,009	473,763	449,520	94.9%
Finance	1,256,709	1,323,069	1,262,290	95.4%
Human Resources	1,281,252	1,416,714	1,159,111	81.8%
City Management Fee, Contributions & Other	1,893,918	1,704,851	1,673,936	98.2%
Environmental Stewardship				
Forestry	10,049,171	9,934,208	9,909,351	99.7%
Asset Management	30,457,430	31,436,652	31,670,619	100.7%
Environmental Management	2,967,807	3,715,739	3,680,199	99.0%
Planning Services				
Design & Project Management	1,799,392	1,913,127	1,912,012	99.9%
Strategic Planning	1,227,986	1,572,269	1,551,163	98.7%
Recreation Services				
Athletic Programs & Aquatics	2,583,028	2,585,839	2,538,306	98.2%
Recreation Centers & Programs	11,623,833			
Youth & Recreation Center Programs		16,112,017	16,032,514	99.5%
Youth Development	3,385,660			
Total Operating Expenditures	<u>\$79,485,997</u>	<u>\$83,965,062</u>	<u>\$83,076,641</u>	<u>98.9%</u>
Capital				
Pay-as-You-Go-Rehabilitation	<u>3,196,000</u>	<u>4,466,363</u>	<u>4,647,332</u>	<u>104.1%</u>
Total Capital Expenditures	<u>\$3,196,000</u>	<u>\$4,466,363</u>	<u>\$4,647,332</u>	<u>104.1%</u>
Total General Fund	\$82,681,997	\$88,431,425	\$87,723,973	99.2%

Operating Departments

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

Expenditures by Division and Capital



General Fund Budget Appropriation Changes

Two revenue budget and eleven expenditure budget appropriation changes occurred during 2021. The revenue changes and first eight expenditure changes listed were adopted by the Board in resolution 2021-116. The increases for Facility Emergency Preparedness, Ordinance Review, and MPRB Comprehensive Plan were adopted by the Board in resolution 2018-340.

2021 Original Revenue Budget	\$85,952,506
Rec Plus Scholarship Program at Webber Park	-40,000
Free Senior Programming for North Side Parks	-50,000
2021 Current Revenue Budget	\$85,862,506
2021 Original Expense Budget	\$85,952,506
Payoff Michael P. Schmidt Building mortgage	870,000
Payoff Webber NSP	538,037
Walt Dziedzic Innovation Fund	100,000
Wading pools and outdoor pools	100,000
Forgive four furlough days	364,936
Youth Violence Prevention Programming	74,735
Recreation Scholarship Fund	200,000
Parkway Closure Infrastructure	33,530
Facility Emergency Preparedness	150,000
Ordinance Review	1,700
MPRB Comprehensive Plan	45,981
2021 Current Expense Budget	\$88,431,425

General Fund Balance

The 2021 year-end fund balance is estimated to be \$7.5 million, 11 percent lower than 2020 due to Board adopted one-time spending.

	2020		2021	
	Actual	Current	Actual	Percent
	Year-End	Budget	Year-End	Recognized
Total Revenue	\$86,955,371	\$85,862,506	\$86,771,245	101.1%
Total Expenditures	82,681,997	88,431,425	87,723,973	99.2%
Revenue Over/(Under) Expenditures	\$4,273,374	(\$2,568,919)	(\$952,728)	

General Fund Balance

Park Board financial policy requires the General Fund balance to be maintained at a level of 5 percent of the current year adopted expenditure appropriation to provide financial reserves for unanticipated one-time expenditures, revenue shortfalls, and/or emergency needs. Based on un-audited figures, the year-end 2021 balance is estimated at \$7.5 million, which is 8.4 percent of the current year adopted expenditure appropriation. This fund balance is above the financial policy requirements by \$3.0 million, however the Board has adopted 2022 one-time expenses of \$2 million to be paid with fund balance.

2021 Projected General Fund Year-End Fund Balance

Fund Balance, January 1, 2021	8,445,480
Projected Expenditures in Excess of Revenues	<u>(952,728)</u>
Projected Fund Balance, December 31, 2021	7,492,752
 Fund Balance Requirement (5%)	 <u>4,463,824</u>
 Fund Balance Above Requirement	 <u>\$3,028,928</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. This fund was established as an eight-year program and 2021 is the final year for tree removals and 2022 will be the final year for tree planting.

	2020	2021		
	Actual	Current	Actual	Percent
	Year-End	Budget	Year-End	Recognized
Revenues	\$1,872,498	\$1,400,850	\$1,413,899	100.9%
Expenses	1,618,641	1,440,850	1,071,135	74.3%
Net Income	\$253,857	(\$40,000)	\$342,764	

Revenues

Tree Preservation and Reforestation Fund revenues come from a property tax levy dedicated to tree preservation and reforestation. Property tax revenues exceeded budget due to collection rates over 99%.

Expenses

Tree Preservation and Reforestation Fund expenses include tree removal, stump removal and tree planting costs. Positions were held vacant since they are eliminated in the 2022 budget, causing expenses to be lower than budgeted.

Fund Balance

Any unspent funds remaining at the end of the year are designated for tree preservation and reforestation purposes. The property tax levy supporting the Tree Preservation and Reforestation Fund has ended. The remaining fund balance will be used in 2022 to replace the ash trees removed in 2021.

Tree Preservation and Reforestation Projected 2021 Year-End Fund Balance

Fund Balance 1/1/2021	\$253,871
Expenditures in Excess of Revenues	<u>342,764</u>
Fund Balance 12/31/2021	<u><u>\$596,635</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, improvements, and debt service.

Enterprise Fund by Service Area

	2020	2021		
	Actual	Current	Actual	Percent
	Year-End	Budget	Year-End	Recognized
Golf				
Revenues	\$7,383,311	\$7,468,630	\$8,117,867	108.7%
Expenses	6,100,447	7,414,255	6,927,493	93.4%
Net Income	\$1,282,864	\$54,375	\$1,190,374	
Use & Events Permitting				
Revenues	\$274,771	\$1,115,260	\$471,540	42.3%
Expenses	493,043	985,798	625,112	63.4%
Net Income	(\$218,272)	\$129,462	(\$153,572)	
Concessions				
Revenues	\$764,049	\$1,509,240	\$1,398,110	92.6%
Expenses	175,499	468,519	266,645	56.9%
Net Income	\$588,550	\$1,040,721	\$1,131,465	
Parking				
Revenues	\$1,953,626	\$2,565,358	\$2,309,157	90.0%
Expenses	625,330	751,571	655,370	87.2%
Net Income	\$1,328,296	\$1,813,787	\$1,653,787	
Ice Arenas				
Revenues	\$839,207	\$1,137,279	\$1,092,138	96.0%
Expenses	1,096,067	1,101,768	1,276,652	115.9%
Net Income	(\$256,860)	\$35,511	(\$184,514)	
Sculpture Garden & Cowles Conservatory				
Revenues	\$95,197	\$309,800	\$203,899	65.8%
Expenses	209,145	385,119	191,016	49.6%
Net Income	(\$113,948)	(\$75,319)	\$12,883	
COVID-19 Impacts				
Revenues		(\$2,500,000)		0.0%
Expenses		(1,500,000)		0.0%
Net Income	\$0	(\$1,000,000)	\$0	

Enterprise Fund by Service Area (Continued)

	2020	2021		
	Actual Year-End	Current Budget	Actual Year-End	Percent Recognized
Total Operating Income				
Revenues	\$11,310,161	\$11,605,567	\$13,592,711	117.1%
Expenses	\$8,699,531	9,607,030	9,942,288	103.5%
Net Income	\$2,610,630	\$1,998,537	\$3,650,423	
Non-Operating Revenue				
Minneapolis CARES Act	\$250,000			
Prior Period Revenue	\$122,492			
Transfers	\$77,927			
Insurance Proceeds	\$73,706		\$175,000	
Total Non-Operating Revenue	\$524,125	\$0	\$175,000	
Non-Operating Expenses				
Improvements	\$972,469	\$1,967,344	\$1,530,090	77.8%
MERF Payment	141,773	\$141,773	\$141,773	100.0%
Debt Service	717,404	\$1,316,563	1,332,256	101.2%
Total Non-Operating Exp	\$1,831,646	\$3,425,680	\$3,004,119	
Income after Non-Operating Expenses	\$1,303,109	(\$1,427,143)	\$821,304	

Golf Operations

Golf operations had another record year, with revenues over \$8 million. Golf ended 2021 with net income of \$1,190,374, over budget by \$1.1 million.

Use & Events Permitting

With the end of COVID-19 restrictions, events slowly returned in 2021. Events that did occur were still limited. Use & Events Permitting ended 2021 with a net loss of (\$153,572), under budget by (\$283,034).

Concessions

Concessions were operating in 2021 and business slowly returned to normal levels. Water Works is included in concessions in 2021, as operations began. In future years it will be shown as its own enterprise. Concessions ended 2021 with net income of \$1,131,465, over budget by \$90,744.

Parking

Parking operations include revenue collection and maintenance of on-street single-space parking meters, multi space pay and display machines, patron parking permit sales and event parking. Parking operations continued to be impacted by COVID-19 during 2021, with lower usage in the commuter parking lots. Parking ended 2021 with net income of \$1,653,787, under budget by \$160,000.

Ice Arenas

Ice arena operations consist of the Parade and Northeast Ice Arenas. Ice Arena usage has recovered from the impacts of COVID-19. Ice arena revenue was slightly under budget, while expenses exceeded budget due to increased staffing and utility costs. Ice arenas ended 2021 with net income of \$(184,514) under budget by (\$220,025).

Sculpture Garden & Cowles Conservatory

The Sculpture Garden revenue in 2021 is from parking and events. Although parking at the Sculpture Garden for events was reduced, daily visitor parking was up. The Sculpture Garden ended 2021 with net income of \$12,883, over budget by \$88,202.

Enterprise Operating Income

Operating income is the difference between operating revenues and operating expenses. Operating income in 2021 is projected to be \$3,650,423, higher than 2020 due to the reduction of the impacts of COVID-19.

Operating income is used for facility improvements, debt service, and the MERF pension plan payment. Improvements taking place in 2021 included the Meadowbrook Golf building, Bde Maka Ska concession building, Wirth toolshed roof, parking kiosk replacement and emergency repairs.

Enterprise Fund Budget Appropriation Changes

One budget appropriation change occurred during 2021. Golf revenues & expenditures were increased by \$847,000 for increased rounds played and the corresponding expenses.

2021 Original Revenue Budget	\$10,758,567
Golf Revenue in Excess of Budget	847,000
2021 Current Revenue Budget	\$11,605,567
 2021 Original Expense Budget	 \$12,185,710
Golf Expense Budget Increase	847,000
2021 Current Expense Budget	\$13,032,710

Enterprise Fund Projected 2021 Year-End Reserve for Renewal and Replacement

Reserve Balance 1/1/2021	\$6,171,824
Revenues in Excess of Expenditures	821,304
Reserve Balance 12/31/2021	\$6,993,128

Internal Service Funds

Summary

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

	2020		2021		
	Actual Year-End		Current Budget	Actual Year-End	Percent Recognized
Equipment					
Revenues	\$6,255,062		\$5,368,310	\$5,628,102	104.8%
Expenses	5,138,742		6,023,951	5,758,348	95.6%
Net Income	\$1,116,320		(\$655,641)	(\$130,246)	
Information Technology Services					
Revenues	\$2,368,605		\$2,338,923	\$2,338,923	100.0%
Expenses	2,202,398		2,473,923	2,343,667	94.7%
Net Income	\$166,207		(\$135,000)	(\$4,744)	
Self-Insurance					
Revenues	\$2,176,887		\$1,935,000	\$1,935,598	100.0%
Expenses	3,637,544		1,935,000	1,912,598	98.8%
Net Income	(\$1,460,657)		\$0	\$23,000	

Equipment

Equipment rental is charged to Park Board departments for use of equipment owned by the Park Board. In 2021 Equipment Services made equipment purchases that were delayed due to issues with the state purchasing contract and COVID-19, which accounts for the budgeted loss of (\$655,641). In 2021 a computer chip shortage delayed new equipment purchases, however equipment ordered in 2020 was received. At the end of 2020 the equipment reserve balance was \$4.8 million. The projected 2021 year-end equipment reserve balance is \$4.6 million.

Information Technology Services

Park Board departments are charged an annual fee for the use and service of computer workstations and access to the Park Board network. Information Technology Services ended the year with expenses under budget by \$130,256 due to savings from position vacancies. At the end of 2020 the Information Technology Services equipment reserve balance was \$894,911. The projected 2021 year-end Information Technology Services equipment reserve balance is \$890,167.

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 ended the year at budget, while expenses were slightly under budget. At the end of 2020 the Self-Insurance net asset balance was \$6.0 million. The projected 2021 year-end Self-Insurance net asset balance is \$6.0 million.

Equipment Services Equipment Reserve Balance

The Internal Service Fund equipment reserve at year-end 2020 was \$4.8 million. During 2021 expenses exceeded revenues by \$130,246, leaving the equipment reserve balance at \$4.6 million.

2021 Projected Internal Service Fund Year-End Equipment Reserve Balance
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Working Capital January 1, 2021	\$4,771,186
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Equipment Services expenditures in excess of revenues	(130,246)
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Working Capital December 31, 2021	\$4,640,940
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Information Technology Services Equipment Reserve Balance

The Internal Service Fund information technology services equipment reserve at year-end 2020 was \$894,911. During 2021 expenses exceeded revenues by \$4,744, leaving the equipment reserve balance at \$890,167.

2021 Projected Internal Service Fund Year-End Information Technology Equipment Reserve Balance

Working Capital January 1, 2021	\$894,911
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ITS expenditures in excess of revenues	(4,744)
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Working Capital December 31, 2021	\$890,167
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Self-Insurance Fund Net Asset Balance

The Self-Insurance Fund net assets balance at year-end 2020 was \$6.0 million. During 2021 revenues exceeded expenses by \$23,000, leaving the equipment reserve balance at \$6.0 million.

2021 Projected Self Insurance Fund Year-End Net Asset Balance
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Working Capital January 1, 2021	\$6,016,865
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Self Insurance Fund revenue in excess of expenditures	23,000
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Working Capital December 31, 2021	\$6,039,865
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