The following issues to consider impacting the financial condition of the Minneapolis Park and Recreation Board (MPRB) are in addition to direction being set forth by the Board in the development of the draft 2023-2026 Strategic Directions and Performance Goals.

- **Coronavirus pandemic (COVID-19)**
  It’s been slightly more than two-years since the MPRB first responded to the COVID pandemic and staff continue their efforts to stay safe while delivering important recreation services and facilities to the public. COVID Community Levels remain low, but COVID is still here. The MPRB continues to track data with a focused priority on the health and safety of its park visitors and employees. The MPRB has remained responsive and flexible, continues to adjust service delivery when necessary, and continues to manage the financial and economic impacts related to the pandemic.

- **System Equity Investment**
  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**
      As parkland continues to be developed according to the Downtown Service Area Master Plan, the need to provide programming and operations support to the new park facilities continues to grow. In particular, the creation of a new downtown park at the North Loop Park affords the long-desired hope for a park in the North Loop to become a reality. The master plan suggests programming be brought to the park, even including the rental of a proximate storefront to support park users and activities. Those tasks along with the completion of the North Loop Park will require funding to meet the goals of the Downtown Service Area Master Plan. With the additions of The Commons Park, North Loop Park and Waterworks, the 2022 MPRB budget included additional staff for programming and maintenance of the new parks, in some cases with one-time funds for programming staff. As the new parks are activated park safety and security needs should also be considered.
    - **North Service Area**
      With the completion of the 26th Avenue Overlook in 2021, staff is now directing attention to the necessary connection to Ole Olson Park, a linkage of less than a half mile that forges a connection to more than 40 miles of pedestrian and bicycle trails. The connection is made difficult because of adjacent industrial properties and the need to pass under the BNSF Railroad Bridge. While funds supporting the connection are available from the state, the need to acquire land or easements remains and is potentially expensive.
    - **Graco Park**
      The recent approval of a concept plan puts planned improvements at Graco Park on a path to be open to the public in Fall of 2023. The Park building will be completed in Spring or early Summer 2024. Operations of the building suggest the need for staff presence, particularly
with the combination of programming related to an open lobby and the Spark’d Studio. While the park opens in late 2023, an underpass allowing safe movements between Graco Park and Boom Island Park is dependent on funding through a regional solicitation for federal funding, leaving that part of the project to a second stage of the first phase of work. This new park and the unique landscape features will also require additional resources to successfully maintain the space.

- **Upper Harbor Terminal**
  The 19.5-acre park at Upper Harbor Terminal is moving through its design process with an anticipated opening of the park in 2024. Significant coordination among the project partners has resulted in slower than anticipated progress toward a final design. When complete, staffing becomes a concern, particularly because of the site’s relative disconnection until the private development gains traction.

- **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 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, 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 support operations of the Minneapolis Sculpture Garden continue to be developed. Planning for 2023 assumes less restrictions to use related to COVID-19. Staff are actively developing programming and vending strategies and anticipate bringing agreements forward for Board consideration in 2022. If approved, staff anticipate getting closer to revenue requirements in 2023. 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 2023 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 began in 2021. 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. In 2022, focus will be on developing the programming model that serves the resident, worker, and visitor of Waterworks. In 2023, there is still an expected need for additional support from the Enterprise Fund.

  - **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 have developed replacement plans for the security and alarm systems throughout the park system. Many of the current systems are out of date, not in working order, and 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
ensure park patron and staff safety, reduce time individuals spend operating the systems, and improve operations of the equipment.

- **Parkway paving and parkway lighting**
  Parkway paving is a function of the City of Minneapolis as a result of an arrangement between the MRPB and City called “Service Redesign.” While complaints about the condition of pavement in MPRB parkways continue, the funds available for rehabilitation or reconstruction continue to be funded at the same level—$700,000 annually—as occurred during the first year of Service Redesign. With costs rising continually, that amount paves or rehabilitates a lesser amount of parkway each year, which has the unfavorable effect of a continually decreasing condition of parkway pavements. Still, staff continues work on the delivery of a parkway pilot aimed at providing temporary but regular closures of parkways. Methods used to close parkways to vehicle traffic would be easier to accomplish, allowing for possibly more frequent closures. Should the parkway pilot be successful, funding to expand the pilot will need to be identified.

- **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 concern is the acquisition of properties necessary for the eventual implementation of the Above the Falls Regional Park. 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 (SSOC) to better secure the building and equipment yard but funding for all needed improvements is limited. Staff is also conducting a workspace study at the SSOC to accommodate the staffing levels at the building.

- **Infrastructure and utilities**
  As noted in previous years, the condition of park-supporting below grade infrastructure remains a concern. Stormwater infrastructure in many parts of the regional park system continues to edge close to its service life and the costs for repair or replacement can be significant. Funding available for below grade infrastructure in neighborhood parks is limited to that available in the NPP20 Program, but those funds are insufficient to address deficiencies in a coordinated manner.

- **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 2022 Annual Budget included an Enterprise Fund 2022 – 2027 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 2022 is $315,000. The available balance as of December 31, 2021 is $213,709. 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.

- **Legacy Infrastructure**

  - **Historic and iconic homes**
    
    The MPRB will be entering its second year of collaborating with Hennepin County in a program aimed at rehabilitation of historic and iconic homes within the Minneapolis park system. Last year, as a pilot, the work focused on the Ard Godfrey House in Chute Square. While some work remains on that project, it is clear the program was beneficial to the county. Of the carpenter trainees who completed the training program, 100 percent either work for the county or a private contractor in the Twin Cities Area. The MPRB will be continuing its participation with Hennepin County the relationship around training during 2022, this time with a longer construction period and work occurring at the Longfellow House and the conditions of its exterior siding. Future work will include the Stephens House. While the Longfellow and Stevens Houses had some funds allocated to support necessary design work related to restoration activities, future work supporting the carpentry training program require additional resources.

  - **Other legacy infrastructure**
    
    Most other legacy infrastructure including bridges, WPA walls, art/statues, fountains, stairways, and shoreline/bluff walls have reached their useful life. Historic context of the infrastructure may limit options and replacement/renovation is expensive. In some cases, naturalization or resiliency techniques are a better solution to rebuilding. Currently, there is no dedicated funding and sources will need to be identified and explored.

- **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. In 2022, staff are working to revise the Integrated Pest Management (IPM) Policy that was last revised and adopted by the Board in 2008. The revised IPM Policy is being developed following the Community Engagement Policy and is expected to be adopted by the Board in the Fall of 2022.

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 2022 and beyond:

- Expand the 2021 pilot program to test for algae-produced toxins all MPRB beaches.
- Continue working with MPCA, DNR, and local watershed districts regarding recent algae blooms in Minneapolis lakes, including improved public communications.
- Allocated $430,000 for water quality work around blue-green algae blooms at Cedar Lake, Lake of the Isles, and Nokomis Lake.

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. To maintain the public tree canopy, the MPRB plants trees based on a 1-for-1 ratio (one tree planted for every tree removed). Typically, the MPRB removes between 2,000 to 3,000 trees with natural attrition which the General Fund base budget supports. If the MPRB wanted to grow the tree canopy, ideally that would mean a 3-for-1 ratio (three trees planted for each tree removed) and including natural attrition that would mean planting approximately 6,000 – 9,000 trees annually. In 2021, the MPRB entered into a fundraising agreement with Green Minneapolis and that work has yielded an opportunity to partner with City Forest Credits to bundle the MPRB tree plantings as a carbon offset project that is certified by City Forest Credits with Green Minneapolis acting as the Local Operator in brokering the carbon credits and returning the proceeds from the carbon credits to the MPRB. In 2022, Green Minneapolis is projecting proceeds from the first carbon credit
sale and if successful this will be a supplemental revenue to fund additional tree planting beyond what is currently in the General Fund budget.

- **Natural Area Maintenance**
  Phase II of the Natural Areas Management Plan has been completed and there is a growing interest in not only adding additional natural areas but enhancing the management of our natural areas. Additional resources will be necessary to expand not only the areas, but also enhance the management of the current spaces.

- **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.

- **Other issues**
  - **Youth investment funding gap**
    The MPRB 2022 Budget includes a $2.6 million youth investment increase. This investment in youth is provided through a $1.3 million increase in the MPRB property tax levy and an allocation of $1.3 million in American Rescue Plan Act (ARPA) funding to the MPRB in 2022. The City’s financial forecast provides for an ongoing commitment of gradual annual increases ($260,000) to the MPRB property tax levy from 2023 through 2027 to meet the full $2.6 million in youth investment requested by the Board as well as an ongoing commitment of ARPA funding for 2023 and 2024 ($1,092,000 and $875,400, respectively. As described, the full $2.6 million investment requested by the MPRB will be implemented over the next six years, utilizing one-time funding for years 2022 – 2024, this results in a gap in youth investment in years 2025 and 2026 that will require either an accelerated property tax levy or identification of another one-time source in those years. The Board, Superintendent, Mayor, and staff will work to address this issue in those years without impacting the programs and services that will be implemented with the 2022-2024 funding.
  - **Review of organization-wide staffing levels and capacity**
    Over the past four years the Board’s commitment to youth investment, increasing youth access to programs and services, and the protection of that investment during the pandemic has required tough decisions be made within every MPRB division. Additionally, the Board began to make investments in system equity expansion to staff new and emerging facilities. The budget process included significant reductions in many divisional budgets except the youth funding allocated within those divisions and system equity expansion funding in some areas, most non-youth related budget requests were not approved, positions were eliminated in non-youth or system equity expansion areas when budget cuts were necessary, other expenditures reduced, and non-youth program fees and charges were increased to support and protect the youth investment. Also, during this time, the Superintendent and Board
approved organizational structure changes to increase accountability, better serve our communities, and streamline the Recreation Division reporting structure. The MPRB has successfully obtained the increase to youth investment and made positive steps in addressing system equity expansion and is now focused on implementing those changes. As the MPRB remains committed to providing excellent services and maintaining an extraordinary park system within available resources, it is also important to review staffing levels and capacity organization-wide to ensure operational challenges are met by evaluating and adjusting core services, increasing workforce flexibility, improve worker safety, and evaluating the allocation of resources based on utilization and community need.

- **Regional system funding**
  The MPRB regional parks are the most visible, most used areas of the park system. It is estimated that more than 2/3 of all visits to Minneapolis parks occur within its regional parks. The State of Minnesota by State Statute should be providing 40 percent of the operating and maintenance funding for the regional system and currently is providing approximately 11 percent through State General Fund and Lottery in Lieu. Therefore, Minneapolis tax payor bears a greater burden of these daily maintenance costs. The State and Met Council, however, provide nearly 100% of the capital funding for the regional system through Parks and Trails Legacy Funding, Met Council/State Bonds, and direct State Bond appropriations. The primary exceptions would be federal grant sources, watershed funding, parkland dedication and City of Minneapolis funding via its capital program (primarily for stormwater related improvements). It is important to note that the MPRB allocates the Lottery in Lieu funding it receives to rehabilitation projects versus daily operations and maintenance. Poor conditions of some of the highest demand regional assets such as trails, restroom, iconic structures, and concessions facilities have resulted in community concerns and negative reports. The MPRB is beginning to identify and quantify the needs of the system to determine the funding gaps and provide the framework for pursuing funds to close those gaps.

- **Climate resiliency**
  The MPRB, like many land-based public agencies across the world, will increasingly be called upon to be a leader in shaping our climate future. Impacts of climate change are already being felt by the MPRB as it addresses more rapid swings in weather – rain, wind, drought. The MPRB must increasingly plan for the budget impacts of more frequent storm events and implementing resiliency projects that will help mitigate long-term impacts on parkland, providing benefits to the city and region. Climate resiliency work also must consider needs of people as climate migration becomes more well understood. Minneapolis is being identified as a desirable destination for climate migration. The MPRB will be wise to look ahead and prepare for increase demands on park and recreation resources to meet potential increases in population density. Currently the MPRB does have master plans that set forth climate resilience capital projects. New sources of funding will be needed to realize the vision of these plans.