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 2023-2026 Strategic Directions and Performance Goals.

- Staff care, hiring and retention
  - Hiring and retention incentives and staffing shortages in specific categories
    Public sector jobs have been slow to rebound in the aftermath of the COVID19 pandemic. More specifically, in Minneapolis, the death of George Floyd and subsequent civil unrest, along with increases in violent crime, on-going concerns related to homelessness, and political division have further disenfranchised potential public employee candidates. This worker shortage is not confined to the MPRB and is impacting public service delivery across many agencies and workgroups. As a result, public agencies are in competition with each other due to a scarcity of candidates in certain fields. Within the MPRB, worker shortages are pervasive within the ranks of police officers, lifeguards, park keepers, and seasonal hiring. To remain competitive within the job market, the MPRB must consider adopting hiring and retention incentive pay for certain, in demand job titles. For example, the Metro Transit Police Department is currently offering a $4,000 hiring incentive for candidates who successfully complete six months of employment and another $4,000 in incentive pay after completing one year of employment. Today, there are currently 132 job postings for police officer positions in Minnesota. Many of these postings are for multiple vacancies. During the last MPRB police officer job posting, only three candidates applied, and none were successfully hired. If the MPRB desires to be an “employer of choice” there must be new and creative approaches to recruiting and retaining employees. Compensation, including hiring and retention incentives, must remain top of the market. In addition, consideration must be given to innovative work schedules, insurance for part-time employees and benefits. Without a stable and fully staffed workforce, MPRB service levels will inevitably shrink.
  - Statewide paid Family and Medical Leave Insurance Program
    The state legislature continues discussion on a bill that would create a state administered mandatory paid family and medical leave insurance program that would provide partial wage replacement for both family and medical leave. The program would be administered by the Department of Employment and Economic Development (DEED) where employees would apply to for leave. Premiums for the program would be split 50/50 between the employer and employee, and employees may choose to use the employer’s leave instead of the state program. Employee eligibility for the state leave program and length of leave may be greater than what is currently available under federal law. Details are still being discussed. The impact to the MPRB suggests higher employee costs to fund the program, more employees qualifying for family and medical leaves and perhaps being out for longer periods of time and the need to allocate staff and resources to cover for those employees who are unable to work.
  - FMLA/ADA requests
    The MPRB is a part of a larger nationwide trend of needing to respond to and administer increasing numbers of Family Medical Leave (FMLA) requests and requests for medical
accommodations due to a health or medical condition, impairment, or disability (ADA). The requests and timely follow-up and administration require significant HR time and must be handled confidentially due to the medical information involved. Some employers are moving to outsourcing such administration. The impact to the MPRB suggests higher costs if a third-party vendor is involved and allocating staff and resources to cover for those employees who are unable to work.

- **Workers’ compensation**
  There are two areas of workers’ compensation for the MPRB to pay attention to in the coming year. One is reported work injuries from first responders with post-traumatic stress disorder (PTSD) which can result in costly settlements, and the second is potential changes coming in how permanent partial disability (PPD) ratings are calculated. PPD refers to a workers’ compensation benefit paid as compensation for the loss of use of or the loss of body function due to a work comp injury. Not every claim result in a PPD rating; it depends on the severity of the injury. There is a proposal to restore PPD benefits to where they would be if indexed to wage growth since 1983 – potentially resulting in substantial additional costs to employers and insurers. The Department of Labor estimates a 238% increase while other sources estimate closer to a 305% increase. Going forward there would be an annual cost of living assigned to PPD benefits.

- **Capital investment**
  - **NPP20 Capital and Rehabilitation Funds**
    When the NPP20 program was established, the apportionment of work between capital and rehabilitation projects could not be defined explicitly. Capital projects, based on approved master plans, were viewed as significant work occurring over the 20-year period of the program. Rehabilitation would be necessary because some aspects of neighborhood parks would not be in the capital program until near the end of the program, creating the potential for assets in some parks to degrade even as the program aimed to improve every neighborhood park. Ultimately, a split of about 2/3 Capital to 1/3 Rehabilitation was configured, with the Rehabilitation work divided into ten categories, each with an allotment for Trades staff and materials. While NPP20 allocations are approved by the Board of Commissioners with each year’s budget, staff adjust Capital and Rehabilitation allocations each year, as well as any needed adjustments to the allocations in the ten Rehabilitation categories. Other nuances occur as parks are upgraded through Capital or Rehabilitation. When a Capital project is occurring through a construction contract, some Rehabilitation work might be added to the Capital project. It’s far more efficient from a whole project perspective to have more work accomplished under a single contract than having some work performed by a contractor and some by Trades staff. This also has the benefit of shorter closure impacts for park users. An increase in funding for NPP20 occurred in 2021, bringing more funding for 2022-2026. This infusion was instrumental in catching up to the rising costs of implementation (resulting from inflation and a highly competitive construction market). Even with these added dollars, amounts allocated to materials in certain Rehabilitation categories (Neighborhood Amenities, General Building, HVAC, Roofs, Operations Facilities, and Sidewalks and Pavement) is falling short of the need. A reallocation to address this issue will be incorporated into the NPP20 budget in the 2024 Capital Improvement Program (CIP).

  - **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**
  Beginning in 2015, the MPRB Annual Budget has included a General Fund transfer of $230,000-$500,000 to assist with reinvesting in operation facilities. The amount for 2023 is $363,326. The available balance as of December 31, 2022 is $1,453,304.
  A consultant engaged to conduct preliminary design based on the incremental evolution of Hiawatha Tool site has completed its work. Staff have worked with the consultant to identify a logical first phase project using of the available balance in the Operations Facilities fund. Efforts at the South Side Operations Center (SSOC) aim 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. There are other operations facilities throughout the park system that require improvements. Currently equipment and material storage is full at all operations centers. Additional equipment/operation materials will need additional storage solutions as operations facilities don’t have the capacity to handle additional staff or equipment. Due to the lack of storage options MPRB currently pays for off site storage. A key goal is addressing each based on the needs of employees, ensuring that facilities required to support their work are present, functioning, and accommodating. As operations facilities are considered for improvements, providing new capacity for storage is also necessary. A plan accomplished in 2018 demonstrates that operations facilities, while reasonably distributed, support staff to varying degrees. As evidence, the former North Operations Center did not have a functioning restroom; that facility has now been replaced by the Schmidt Operations Center utilizing this fund.

- **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 2023 is $272,606. The available balance as of December 31, 2022 is $388,430.
  As acquisitions are considered to complete Above the Falls Regional Park, the Missing Link, and other opportunities that might be presented to the MPRB, this funding mechanism should be augmented. Sources typically used by the MPRB to offset the costs of parkland acquisition for regional parks continue to be more competitive and often 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 are increasing. 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 or more. 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.

- **Enterprise Fund capital investment**
  Historically, the Enterprise Fund has financed its CIP 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. 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 is committed to phase in these increases and the 2023 Annual Budget included the Enterprise Fund 2023-2028 CIP.

- **Nicollet Island Pavilion**
  The Nicollet Island Pavilion is a unique asset which is housed in the Enterprise Fund and has been host to contractual Enterprise Concessions Agreements with an outside vendor for operations of the space. The current agreement is nearing expiration and staff have been exploring the future of the facility. However, years of deferred maintenance due to resource constraints have resulted in the need for a large-scale renovation of the building. As part of the East of the River Master Plan, MPRB Planning obtained a grant from the St. Anthony Falls Heritage Foundation for an East Bank Park Implementation Study. This study laid groundwork and guidance for implementation of the Master Plan’s recommendations. The study revealed that an overhaul and renovation of the building would require a five-year timeline that would include stabilization, redesign, and construction at an estimated project cost of $14.86 million.

- **Legacy infrastructure**
  - **Historic and iconic homes** The MPRB will be entering its third year of collaborating with Hennepin County’s Productive Day program aimed at rehabilitation of historic and iconic homes within the Minneapolis park system. In 2021, the work focused on the Ard Godfrey House in Chute Square and the effort was successful in completing an exterior restoration and placing six individuals in positions with local construction companies. The MPRB continued its participation with Hennepin County during 2022, this time with a longer construction period and work occurred at the Longfellow House with exterior siding. This work will be completed in 2023. Future funding to fully support the carpentry training program will require additional resources.
  - **Stevens House stabilization**
    After a series of fires, Stevens House has been significantly damaged. The MPRB is faced with a question of how the MPRB should view the house moving forward and what level of financial commitment the MPRB is willing to make to restore, program and protect the home. The range of scenarios span from the MPRB restoring, maintaining, and operating the home in the existing location; consideration of moving the home to a location within the park system that is easier to secure; working with partners to relocate the home; or to finding partner(s) to assist with any aspect of maintaining, programming and/or restoring. Currently, the MPRB does not have a dedicated operating or programming budget for the home, and there are a few groups interested in assisting with programming.
  - **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.

- **Undeveloped parks**
  Chapter 17 of the MPRB Code of Ordinances requires staff to assess and rank every park in the neighborhood park system relative to equity metrics defined in the ordinance. Undeveloped Parks are those parklands that do not include any of the five core park assets (playground, wading pool, court, recreation field, recreation center). Staff has asserted that assignment of such a rank, according to the ordinance, applies to ALL parks, not just those
with existing assets. While establishing an equity ranking for Undeveloped Park is not an issue, they will have to be addressed eventually through NPP20. Staff is advocating for that process to begin with the 2024 CIP.

- **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. In 2023, the Board dedicated $50,000 to creating a replacement fund for existing security and alarm upgrades with a planned $50,000 additional funding to be phased in over the next four years until the fund reaches $250,000. This does not include the additional systems. There are currently 80 sites where aging equipment needs to be replaced. Depending on the size of the site the cost ranges between roughly $12,000 and $24,000 per site.

- **Enterprise asset management software**
  The MPRB VueWorks contract is up for review this year and expires in 2024. MPRB Asset Management and Information Technology would like to replace our enterprise asset management software VueWorks and have engaged with industry expert consultants Simplar to solicit RFI's to potentially replace VueWorks with a solution which better aligns with both Asset Management and IT’s business needs going forward. VueWorks software has some significant gaps which impact both end users and service delivery in both IT and Asset management. These gaps include a poor user experience due to an antiquated user interface, difficult and expensive software enhancements, lack of functionality in work order and service request ticketing, and an inability to integrate with industry standard GIS software. Current direction is for IT to concurrently evaluate and implement an IT service management system separate from an enterprise asset management system. Initial estimates for year one software and implementation costs are around $356,000 for an asset management system, and $35,000 for an IT service management system for a total year one cost estimate of $391,000, with a combined ongoing maintenance cost of around $143,032 annually. The total estimated five-year cost for the combined effort is $963,128.

- **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. Staff are actively developing programming and vending strategies and anticipate bringing agreements forward for Board consideration in 2023. If approved, staff anticipate getting closer to revenue requirements in 2023 and 2024. 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 2024 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, Waterworks exceeded expectations for revenue. This was in large part due to the very successful concessions operator at the site. Additionally, the site was not fully staffed. In 2023, the focus will be on implementing the full staffing and programming model and there may need to be additional support from the Enterprise Fund. In 2024, we project a small dependency on the full Enterprise Fund. In April 2023, the building endured an electrical fire that has resulted in a temporary closure. Staff will be monitoring the situation to see if there any longer-term impacts that would become factor for the 2024 budget.

- **Climate resiliency and environmental issues**
  - **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 implement resiliency projects that will help mitigate long-term impacts on parkland, providing benefits to the city and region. Climate resiliency work also must consider the 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 increased 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. During 2023 and 2024, the MPRB hopes to gain insights on some climate change initiatives through a research project championed by the Toro Company, which will help the MPRB identify efficiencies in operations leading to a net zero emissions position.

  - **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 has implemented a trial project utilizing certified organic products. These projects are expected to last a minimum of three years to view results and understand operational and user impacts and are included in the annual Pesticide Use Report. This work has preliminarily informed the development of 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 2023, 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 2023.

  - **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. The Park Board was notified by the Veterans Administration
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. 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. In 2017, the MPRB entered into a five-year lease agreement with a private company to process wood waste at 4022–½ Washington Avenue North. A condition of the lease agreement required the company to accept all wood waste from Forestry Department operations and to pay a rent of $1,500 per month. At the conclusion of 2022 the lease agreement with the private company expired. In addition, economic conditions have lowered the demand for woodchips as a biofuel. As a result, the Forestry Department will be hiring a private company to process the wood waste that is generated during 2023. There will also be a request to extend the zoning variance beyond 2023. The Forestry Department continues to look for new locations where wood waste processing can take place. 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 2023 Budget is the second year of operating with the $2.6 million youth investment. All staff have been hired and programming has begun. For 2023, this investment in youth is provided through a $1.6 million in MPRB property tax levy ($260,000 increase from 2022) and an allocation of $1.0 million in American Rescue Plan Act (ARPA) funding to the MPRB. The City’s financial forecast provides for an ongoing commitment of gradual annual increases ($260,000) to the MPRB property tax levy from 2024 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 2024 ($875,400). 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.
  - **Free youth programming funding gap**
    Beginning in the summer of 2022, registration fees were eliminated for all youth programs, activities, and sports leagues based at MPRB parks, recreation centers, and facilities located within census-designated Areas of Concentrated Poverty (ACP). Also, three Rec Plus School-Age Childcare sites located within census-designated ACPs became donation-based sites. When this direction was implemented, the Board shifted the revenue budget from fees/charges to grants/donations. At the time of the 2023 budget development, sufficient data was not yet available to determine the full impact on the revenue streams of the MPRB. Adjustments to the revenue line-item budgets were not made in 2023, allowing for impacts to be determined during the financial forecasting and setting of the 2024 tax levy request.
  - **Inflationary costs**
    The last few years have seen a significant increase in material and contractual costs. Yearly budget increases have not kept up with inflation. From 2019 to 2022 inflation has risen by 18%, while Park Board inflationary increases to materials and contractual budgets have only been 6%. This is a $1 million impact on the purchasing power of the General Fund and will lead to decreased service levels. There is also expected upward wage pressures and increased turn over due to changes in labor and economic markets.
  - **Review of organization-wide staffing levels and capacity**
Between 2018 - 2021 the Board’s commitment to youth investment, increasing youth access to programs and services, and the protection of that investment during the pandemic 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 the 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 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 youth investment increase 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 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 payors bear 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. For 2023, the CIP was updated to reflect that the 2022 legislative session did not include a bonding bill, thus reducing the funding available for regional park capital improvements. The 2023, legislative session is showing promise in areas of capital and operations/maintenance categories. During the 2024 budget session, there may be a need to determine how to allocate one-time funding and additional, ongoing, Lottery in Lieu funding.

- **Data requests**

  Over the past five to six years the MPRB has experienced more significant resource needs to address data requests. Requests are increasing in number and in many cases require extensive review of emails, many requests have over 30,000 emails to review. Staff and legal counsel are both engaged in working toward fulfilling requests, but additional resources are needed on occasion to provide timely responses in context of other organization needs. In 2023, we are on track to double the number of data requests received. In reviewing the past three years, we have been between 20 – 30 requests by the beginning of April. As of the beginning of April, we are at 61. A large number of the requests we have received have large quantities of data that require review. A half dozen data requests will take months to a year for one or two staff (MPRB/Legal) to fulfill due to the amount of data requested.