

Minneapolis Park & Recreation Board

Minneapolis Park and Recreation Board
Financial Status Report
as of Year-End, 2023

Prepared by: Minneapolis Park and Recreation Board Finance Department
2117 West River Road
Minneapolis, Minnesota 55411-2227
www.minneapolisparcs.org

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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, and Internal Service Funds. This report details the operations of these funds through December 31, 2023.

This interim financial report has been prepared by the Minneapolis Park and Recreation Board Finance Department. The financial information contained in this report is preliminary and has not been audited, nor is the information contained in this report a complete presentation of all financial activity within the Minneapolis Park and Recreation Board.

General Fund

The General Fund accounts for services and goods provided by the Park Board that are primarily supported by property taxes. In 2023 General Fund revenues were \$97.5 million and expenditures were \$98.1 million, resulting in a decrease to fund balance of \$623,896. The 2023 year-end fund balance is projected to be \$4.1 million, below financial policy requirements by \$894,704.

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 2023 was \$3.6 million. The 2023 year-end Enterprise Fund balance is projected to be \$6.4 million. This projected balance is a decrease of \$2.5 million below the 2022 year-end balance of \$8.9 million, due to the planned spending at the Bde Maka Ska Pavilion.

Internal Service Funds

Internal Service Funds account for equipment fleet, information technology and self-insurance services to Park Board departments. In 2023 Internal Service Fund revenues were \$11.8 million and expenses were \$13.2 million. The 2023 year-end Internal Service Funds balance is projected to be \$9.9 million, \$1.4 million lower than the 2022 year-end balance due to the Board approved transfer to the Harriet Bandshell and Concessions Pavilion renovation project.

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 2023 with a fund balance of \$4.7 million and ended 2023 with a fund balance of \$4.1 million.

In 2023 revenue generated by the Park Board totaled \$97.5 million, up \$4.0 million from 2022 revenues. Revenues increased in 2023 due to increased property tax revenue and American Rescue Plan Act funding.

In 2023 expenditures totaled \$98.1 million, up \$1.6 million from 2022 expenditures.

The fund balance for the General Fund at fiscal year-end 2023 is \$4.1 million, below the financial policy requirement of \$5.0 million (5 percent of the 2023 General Fund operating budget) by \$894,704.

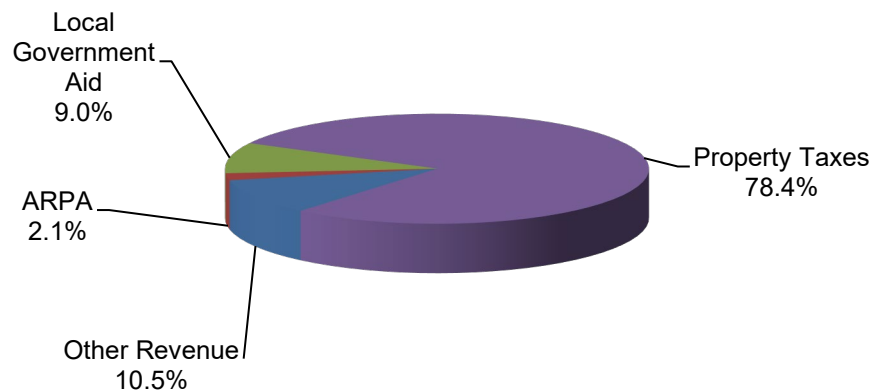
The financial information contained in this report has not been audited. The audited 2023 financial information may fluctuate from the information contained in this report.

General Fund Revenues

Actual revenues to the end of 2022 totaled \$97.5 million, up 4.3 percent or \$4.0 million from 2022 revenues. Revenues increased in 2023 due to increased property tax revenue, fee revenue, and American Rescue Plan Act funding.

Revenues by Major Category

	2022	2023		
	Actual Year-End	Current Budget	Actual Year-End	Percent Recognized
Property and Other Taxes	\$73,792,013	\$77,671,722	\$76,464,902	98.4%
Local Government Aid	9,233,125	8,788,509	8,788,509	100.0%
Fees, Fines and Other Revenues	9,899,521	12,282,898	10,242,841	83.4%
American Rescue Plan Act	538,612	1,092,000	2,010,572	184.1%
Total Revenues	\$93,463,271	\$99,835,129	\$97,506,824	97.7%



Property Taxes

Property taxes provided 78.4 percent of revenue, the largest funding source of the General Fund. Property tax revenue was under budget by \$1.2 million. Property owners, especially large commercial properties, have been winning tax court cases that reduce the property's valuation, reducing the property tax received by the Park Board.

Local Government Aid

Local Government Aid (LGA) provided 9.0 percent of 2023 revenue. The State Budget included the 2023 City of Minneapolis LGA allocation of \$74.5 million. The NPP20 Ordinance provides for the transfer of 11.79% of this LGA to the Park Board.

Fees, Fines and Other Revenue

Fees, fines and other revenue provided 10.5 percent of 2023 revenue, \$2 million under budget. Programming and rentals have not returned to pre-pandemic levels, and the board approved free programming has impacted revenue collections, as the budgeted donations to replace fee revenue were not received.

American Rescue Plan Act (ARPA)

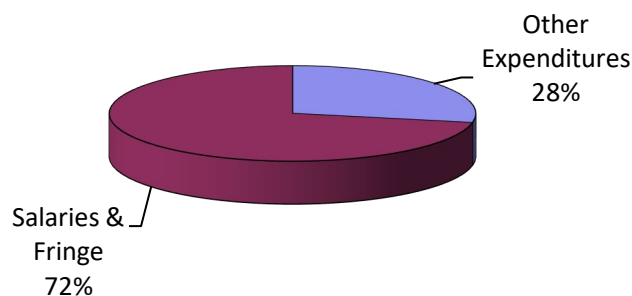
ARPA funding is being received through the City of Minneapolis to fund investment in the Youth of Minneapolis. The Park Board received the 2023 allocation, the remainder of the 2022 allocation that was not received in 2022, and \$157,000 of the 2024 allocation was received early.

General Fund Expenditures

Actual expenditures to the end of 2023 totaled \$98.1 million, up 1.6 percent or \$1.6 million from 2022 expenditures.

Expenditures by Major Category

	2022	2023		Percent Expended
	Actual Year-End	Current Budget	Actual Year-End	
Salaries & Fringe	\$65,659,243	\$72,113,614	\$68,678,864	95.2%
Other Expenditures	30,906,977	28,159,647	29,451,856	104.6%
Total Expenditures	\$96,566,220	\$100,273,261	\$98,130,720	97.9%



Salaries and Fringe Benefits

Salaries and fringe benefits ended the year 95.2 percent spent. Full-time staffing increased from prior years, but there was still difficulty filling part-time and seasonal positions.

Other Expenditures

Other expenditures include materials, supplies, contractual services, and capital outlay. Other expenditures ended the year 4.6 percent over budget. The effects of inflation and increasing utility expenses impacted other expenditures. Legal fees caused the Board of Commissioners department to exceed budget, and tree purchases, stump grinding, and wood chipping caused Forestry to exceed budget.

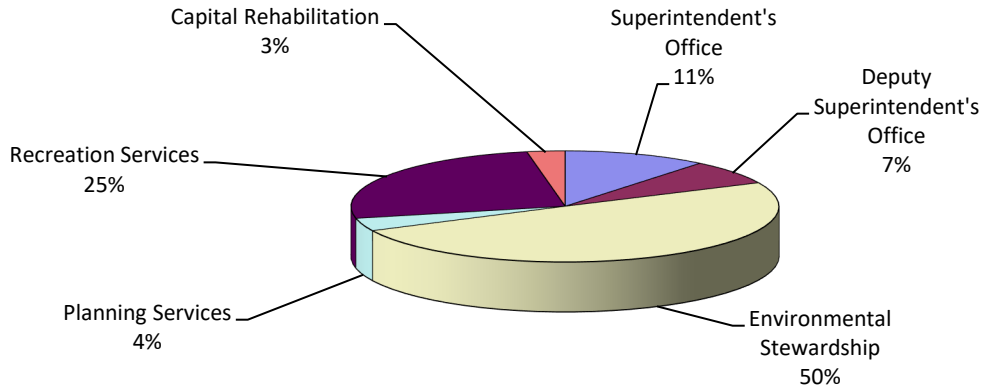
Expenditures by Service Area

	2022	2023		
	Actual Year End	Current Budget	Actual Year-End	Percent Expended
Operating Departments				
Superintendent's Office				
Superintendent's Office	\$1,006,657	\$1,024,135	\$1,002,762	97.9%
Board of Commissioners	1,070,019	974,948	1,135,110	116.4%
Communications & Marketing	954,496	1,084,194	1,042,640	96.2%
Community Connections & Violence Prevention	964,495	1,257,068	848,451	67.5%
Park Police	6,827,573	6,921,613	6,638,680	95.9%
Deputy Superintendent's Office				
Visitor Services	1,409,389	1,745,940	1,576,567	90.3%
Deputy Superintendent's Office	502,290	698,397	595,439	85.3%
Finance	1,404,403	1,521,738	1,507,684	99.1%
Human Resources	1,263,485	1,509,973	1,334,281	88.4%
ITS - Copy Center	73,435	72,942	3,671	5.0%
City Management Fee, Contributions & Other	1,410,573	2,070,189	2,015,392	97.4%
Environmental Stewardship				
Forestry	10,682,010	10,763,650	10,884,708	101.1%
Asset Management	33,792,882	32,718,005	32,702,584	100.0%
Environmental Management	4,715,731	5,273,819	5,195,432	98.5%
Planning Services				
Design & Project Management	1,959,534	2,088,622	2,014,260	96.4%
Strategic Planning	1,556,979	1,664,459	1,663,509	99.9%
Recreation Services				
Athletic Programs & Aquatics	3,063,044	3,317,798	3,315,949	99.9%
Youth & Recreation Center Programs	19,450,899	22,746,839	21,834,669	96.0%
Total Operating Expenditures	\$92,107,894	\$97,454,329	\$95,311,788	97.8%
Capital				
Pay-as-You-Go-Rehabilitation	4,458,326	2,818,932	2,818,932	100.0%
Total Capital Expenditures	\$4,458,326	\$2,818,932	\$2,818,932	100.0%
Total General Fund	\$96,566,220	\$100,273,261	\$98,130,720	97.9%

Operating Departments

Operating department budgets are monitored closely throughout the year and recommendations and adjustments are made to reduce overspending.

Expenditures by Division and Capital



General Fund Budget Appropriation Changes

Six expenditure budget appropriation changes occurred during 2023.

2023 Original Expense Budget	\$99,835,129	Board Resolution
Street Reach	47,320	2021-116
Cedar & Nokomis blue-green algae reduction diagnostic study and plan	26,958	2021-367
Governmental Alliance on Race and Equity Membership, Cultural Somatic Training, and Results Based Accountability	47,450	2018-340
Indigenous Reconciliation Plan	20,921	2022-324
Asset Management System	54,700	2022-324
Board Room Upgrades	240,783	2022-324
2023 Current Expense Budget	<u>\$100,273,261</u>	

General Fund Balance

The 2023 year-end fund balance is estimated to be \$4.1 million, 13 percent lower than 2022 due to property tax revenues below budget.

	2022		2023	
	Actual	Current	Actual	Percent
	Year-End	Budget	Year-End	Recognized
Total Revenue	\$93,463,271	\$99,835,129	\$97,506,824	97.7%
Total Expenditures	96,566,220	100,273,261	98,130,720	97.9%
Revenue Over/(Under) Expenditures	(\$3,102,949)	(\$438,132)	(\$623,896)	

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 2023 balance is estimated at \$4.1 million, which is 4.1 percent of the current year adopted expenditure appropriation. This fund balance is below the financial policy requirements by \$894,704. A plan to restore fund balance to a level above the 5 percent requirement will be devised during 2024.

2023 Projected General Fund Year-End Fund Balance

Fund Balance, January 1, 2023	4,720,949
Projected Expenditures in Excess of Revenues	<u>(623,896)</u>
Projected Fund Balance, December 31, 2023	4,097,053
Fund Balance Requirement (5%)	<u>4,991,756</u>
Fund Balance Below Requirement	<u>(\$894,704)</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.

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

	2022	2023		
	Actual Year End	Current Budget	Actual Year End	Percent Recognized
Golf				
Revenues	\$8,165,053	\$8,585,110	\$9,228,460	107.5%
Expenses	8,117,148	8,369,791	8,299,538	99.2%
Net Income	\$47,905	\$215,319	\$928,922	
Use & Events Permitting				
Revenues	\$979,858	\$1,333,812	\$830,183	62.2%
Expenses	749,839	1,113,735	954,977	85.7%
Net Income	\$230,019	\$220,077	(\$124,794)	
Concessions				
Revenues	\$1,518,808	\$1,307,828	\$1,422,691	108.8%
Expenses	307,188	453,471	339,955	75.0%
Net Income	\$1,211,620	\$854,357	\$1,082,736	
Parking				
Revenues	\$2,150,948	\$2,579,715	\$2,300,507	89.2%
Expenses	541,517	778,421	485,675	62.4%
Net Income	\$1,609,431	\$1,801,294	\$1,814,832	
Ice Arenas				
Revenues	\$1,362,292	\$1,528,279	\$1,528,445	100.0%
Expenses	1,543,806	1,546,409	1,608,920	104.0%
Net Income	(\$181,514)	(\$18,130)	(\$80,475)	
Sculpture Garden & Cowles Conservatory				
Revenues	\$193,145	\$195,000	\$217,323	111.4%
Expenses	262,521	358,920	338,531	94.3%
Net Income	(\$69,376)	(\$163,920)	(\$121,208)	
Water Works				
Revenues	\$475,994	\$260,000	\$620,949	238.8%
Expenses	263,220	504,330	482,904	95.8%
Net Income	\$212,774	(\$244,330)	\$138,045	

Enterprise Fund by Service Area (Continued)

	2022	2023		
	Actual Year End	Current Budget	Actual Year End	Percent Recognized
Total Operating Income				
Revenues	\$14,846,098	\$15,789,744	\$16,148,558	102.3%
Expenses	\$11,785,239	\$13,125,077	\$12,510,500	95.3%
Net Income	\$3,060,859	\$2,664,667	\$3,638,058	
Non-Operating Revenue				
Transfer	\$3,281,404		\$302,995	0.0%
Total Non-Operating Revenue	\$3,281,404	\$0	\$302,995	
Non-Operating Expenses				
Improvements	\$4,674,774	\$5,059,878	\$5,017,993	99.2%
MERF Payment	\$141,773	\$141,773	\$141,773	100.0%
Debt Service	1,287,588	\$1,284,375	\$1,284,375	100.0%
Total Non-Operating Exp	\$6,104,135	\$6,486,026	\$6,444,141	
Income after Non-Operating Expenses	\$238,128	(\$3,821,359)	(\$2,503,088)	

Golf Operations

Golf operations had another record year, with revenues over \$9.2 million, up 13% from 2022. Rounds played in 2023 were the most since 2004. Expenses were \$8.3 million, up 2% from 2022. Golf ended 2023 with net income of \$928,922, \$881,017 higher than 2022 net income.

Use & Events Permitting

While the number of events are slowly returning to pre-pandemic levels, the loss of larger races is limiting revenue. The cancellation of Holidazzle, the Twin Cities Marathon and Rock the Garden also impacted 2023 revenues. Use & Events Permitting ended 2023 with a net loss of (\$124,794), under budget by \$344,871.

Concessions

Concessions are operating and business has returned to normal levels. Concessions ended 2023 with net income of \$1,082,736, over budget by \$228,379.

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 revenue and expense were both impacted by a vacant position, which was filled in November 2023. Parking ended 2023 with net income of \$1,814,832, over budget by \$13,538.

Ice Arenas

Ice arena operations consist of the Parade and Northeast Ice Arenas. Ice arena revenue and expense both ended 2023 over budget. Increased staffing and repairs at the ice arenas caused expenses to exceed budget. Ice arenas ended 2023 with net income of \$(80,475) under budget by \$62,345.

Sculpture Garden & Cowles Conservatory

The Sculpture Garden revenue is from parking and events. Revenue ended the year over budget due to increased parking revenue, while expenses were under budget. The Sculpture Garden ended 2023 with net income of (\$121,208), over budget by \$42,712.

Water Works

Water Works revenue is projected to exceed budget as the restaurant continues to be successful. Although a fire at the Water Works building caused the restaurant to close for two months, lost revenue was reimbursed by insurance. Expenses ended the year close to budget, while revenue was over budget by \$360,949. Water Works ended 2023 with net income of \$138,045, over budget by \$382,375.

Enterprise Operating Income

Operating income is the difference between operating revenues and operating expenses. Operating income in 2023 is \$3,638,058, \$577,199 higher than 2022 due to the increased revenue in golf operations.

Operating income is used for facility improvements, debt service, and the MERF pension plan payment. Improvements that took place in 2023 include the Bde Maka Ska concession building, work at the Lake Nokomis concession, and Wirth Golf Course drainage issues.

Enterprise Fund Budget Appropriation Changes

Three budget appropriation changes occurred during 2023. Golf and Ice Arena revenues & expenditures were increased to account for increased usage and the corresponding expenses. Bde Maka Ska Pavilion project balance was expended in 2023.

2023 Original Revenue Budget	\$14,504,744
Golf Revenue in Excess of Budget	1,000,000
Ice Arena Revenue in Excess of Budget	285,000
2023 Current Revenue Budget	<u>\$15,789,744</u>
2023 Original Expense Budget	\$15,726,103
Golf Expense Budget Increase	1,000,000
Ice Arena Expense Budget Increase	285,000
Bde Maka Ska Pavilion Project Balance	2,600,000
2023 Current Expense Budget	<u>\$19,611,103</u>

Enterprise Fund Projected 2023 Year-End Reserve for Renewal and Replacement

Reserve Balance 1/1/2023	\$8,946,227
Expenditures in Excess of Revenues	<u>(2,503,088)</u>
Reserve Balance 12/31/2023	\$6,443,139

Internal Service Funds

Summary

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

	2022	2023		
	Actual Year End	Current Budget	Actual Year End	Percent Recognized
Equipment				
Revenues	\$6,155,298	\$6,205,934	\$6,538,165	105.4%
Expenses	8,039,917	\$8,543,854	\$6,813,271	79.7%
Net Income	(\$1,884,619)	(\$2,337,920)	(\$275,106)	
Information Technology Services				
Revenues	\$2,536,352	\$2,807,052	\$2,807,280	100.0%
Expenses	\$2,645,406	\$2,857,352	\$2,795,550	97.8%
Net Income	(\$109,054)	(\$50,300)	\$11,730	
Self-Insurance				
Revenues	\$3,736,151	\$2,353,227	\$2,483,226	105.5%
Expenses	\$1,761,666	\$3,614,677	\$3,606,532	99.8%
Net Income	\$1,974,485	(\$1,261,450)	(\$1,123,306)	

Equipment

Equipment rental is charged to Park Board departments for use of equipment owned by the Park Board. In 2023, Equipment Services planned to make equipment purchases that had been delayed due to issues with the state purchasing contract and COVID-19, which accounts for the budgeted loss of (\$2,337,920). However, the autoworkers strike delayed purchases, causing expenses to end the year under budget. At the end of 2022 the equipment reserve balance was \$2.6 million. The projected 2023 year-end equipment reserve balance is \$2.3 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. In 2023 revenues were at budget, and expenses were slightly under budget due to position vacancies. At the end of 2022 the Information Technology Services equipment reserve balance was \$785,512. The projected 2023 year-end Information Technology Services equipment reserve balance is \$797,242.

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 over budget while expenses ended the year under budget. In 2022 a one-time distribution of \$1.3 million from the Workers' Compensation Reinsurance Association was received. Board Resolution 2022-331 allocated this amount to the Harriet Bandshell and concessions pavilion renovation.

At the end of 2022 the Self-Insurance net asset balance was \$7.9 million. The projected 2022 year-end Self-Insurance net asset balance is \$6.8 million.

Internal Service Fund Budget Appropriation Changes

Two budget appropriation changes occurred during 2023. Self-Insurance revenues & expenditures were increased based on actual revenues and expenses. The Workers' Compensation Reinsurance Association surplus distribution received in 2022 was allocated to the Harriet Bandshell and Concessions Pavilion renovation in Board Resolution 2022-331.

2023 Self-Insurance Original Revenue Budget	\$2,020,000	Board Resolution
Revenue in Excess of Budget	333,227	
2023 Self-Insurance Current Revenue Budget	\$2,353,227	
2023 Self-Insurance Original Expense Budget	\$2,020,000	
Expense Budget Increase	333,227	
Harriet Bandshell Renovation Funding	1,261,450	2022-331
2023 Self-Insurance Current Expense Budget	\$3,614,677	

Equipment Services Equipment Reserve Balance

The Internal Service Fund equipment reserve at year-end 2022 was \$2.6 million. During 2023 expenses exceeded revenues by \$275,106, leaving the equipment reserve balance at \$2.3 million.

2023 Projected Internal Service Fund Year-End Equipment Reserve Balance	
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Working Capital January 1, 2023	\$2,584,205
Equipment Services expenditures in excess of revenues	<u>(275,106)</u>
Working Capital December 31, 2023	\$2,309,099

Information Technology Services Equipment Reserve Balance

The Internal Service Fund information technology services equipment reserve at year-end 2022 was \$785,512. During 2023 revenues exceeded expenses by \$11,730, leaving the equipment reserve balance at \$797,242.

2023 Projected Internal Service Fund Year-End Information Technology Equipment Reserve Balance	
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Working Capital January 1, 2023	\$785,512
ITS expenditures in excess of revenues	<u>11,730</u>
Working Capital December 31, 2023	\$797,242

Self-Insurance Fund Net Asset Balance

The Self-Insurance Fund net assets balance at year-end 2022 was \$7.9 million. During 2023 expenses exceeded revenues by \$1,123,306, leaving the net asset balance at \$6.8 million.

2023 Projected Self Insurance Fund Year-End Net Asset Balance
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Working Capital January 1, 2023	\$7,900,640
Self Insurance Fund revenue in excess of expenditures	<u>(1,123,306)</u>
Working Capital December 31, 2023	\$6,777,334