

Metropolitan Parks and Open Space Commission

Meeting date: July 5, 2016

For the Community Development Committee meeting of July 18, 2016

Subject: Annual Metropolitan Regional Parks Operation and Maintenance Allocation

District(s), Member(s): All

Policy/Legal Reference: MN Stats 473.351 and 297A.94 (e)(3), Minnesota Session Laws Chapter 4, Article 3, Sec. 3 Subd. 5(5), and the 2040 Regional Parks Policy Plan

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Division/Department: Community Development Division / Regional Parks & Natural Resources

Proposed Action

That the Metropolitan Parks and Open Space Commission report to the Metropolitan Council the requests from the ten Regional Parks Implementing Agencies for state fiscal year 2017 operation and maintenance funds.

Background

Statutory requirements. By law, the Council serves as the fiscal agent to distribute state funds to the Regional Parks Implementing Agencies (Agencies) for operation and maintenance costs.

Minnesota Statute 473.351 requires that by July 15th of each year, the Metropolitan Parks and Open Space Commission (MPOSC) must report to the Metropolitan Council “the funding requests from the implementing agencies based on the actual expenditures made” in the previous year. The statute defines “operation and maintenance expenditures” as

The cost of providing for the operation and maintenance of waters, lands and facilities that are a part of the metropolitan area regional park and open space system, including but not limited to, the provision of fire, police, maintenance, forestry, rehabilitation expenses pertaining to routine care, and the allocation of the administrative overhead costs of the regional park and open space systems.

The statute further requires each Agency to submit to the Council by July 1 of each year a “statement of the next annual anticipated operation and maintenance expenditures of the regional recreation open space parks systems within their respective jurisdictions and the previous year’s actual expenditures.”

Staff conducts a review of the Agencies’ operation and maintenance (O&M) submittals to determine eligibility of claimed costs and the appropriate dollar distribution. The statute provides that the distribution is based on three factors:

- 40% is based on the *use* that each Agency’s regional park and trails has in proportion to the total use of the regional park system. Usage is determined through 2015 visit count data provided by the Agencies to the Council.
- 40% is based on the O&M *expenditures* made by each Agency in proportion to the total O&M expenditures for the entire regional park system. These numbers are determined following the eligibility review of 2015 calendar year Agency submittals.

- 20% is based on the *acreage* for each Agency's regional park and trails, in proportion to the acreage of the entire regional park system. The numbers are based on 2015 acreage as reported to the Council by each Agency.

While the statute says that each Agency "must receive no less than" 40% of each Agency's actual O&M expenses, it provides that if insufficient state funds are available, each Agency will "share the available money in proportion to the amounts they would otherwise be entitled to under the formula." Since 1985, when the statute was enacted, the highest percentage provided by the state for O&M costs was 17.69%.

Review of submitted costs. Both of the Council's staff members who conducted these reviews for more than the past decade retired since numbers were reported for calendar year 2014. Current staff in Finance and Regional Parks updated the reporting requirements and submittal forms after conducting a review of existing procedures, past reviews, and recommendations from internal audit and the Office of the Legislative Auditor (OLA) in both 2004 and 2016. This resulted in a careful review of eligibility of reported costs as the Council performed its fiduciary duty.

Costs historically excluded include: amateur sports facilities; contingency funds; lobbying; debt reduction; goods for resale; acquisition, stewardship, natural resource restoration, and development costs that are eligible for the Council's capital improvement program or other regional parks funding sources; major reconstruction or rehabilitation of existing facilities; inflation, entertainment; travel; costs associated with renting property to third-party operations or incurred by any other agency; and the direct lease or rental of capital equipment owned by the agency itself. These items were excluded from O&M in previous years and remain excluded this year.

In a change from previous years, the Council refined its practices regarding O&M funding for enterprise operations. This change implements recommendations from the OLA and broadens the enterprise operations for which the Council can distribute funds.

This change, in addition to the careful review of submitted materials, as well as the short period of time between the July 1 deadline for submittal of the information by the agencies and the July MPOSC meeting resulted in the review still being completed and ongoing at the time of the meeting.

Rationale

The law requires that MPOSC "report to the Metropolitan Council the funding requests" from the Agencies by July 15th of each year and begin distribution of O&M funds by August 1st. As staff's review of submitted materials is not yet complete, this year's O&M report is split into two business items. This first item meets the statutory requirement to report on the O&M funding requests made by the Agencies. A follow-up item will be presented in August with the final funding amounts. Distribution of O&M funds will be done by the dates required in statute.

Staff will convene a working group later this summer to review the changes made during this cycle and set expectations for the next cycle. The operating and finance directors from each agency will be invited to attend or designate their representatives. A follow-up report will be presented to MPOSC after the work of the group is complete.

Among the working group's topics will be the recommendation to seek a change in the deadlines in the O&M statute. Agencies are not required by law to tender their O&M submittals until July 1st, while staff must review and MPOSC must report on the Agencies' requests by July 15th and the Council must begin payments by August 1st. In 2016, the mailing deadline for the July MPOSC meeting was the day prior to the Agencies' submittal deadline making a careful review not accomplishable.

Funding

The [Legislature appropriated](#) \$8,540,000 for O&M funding for the regional parks system for state fiscal year 2017, which began on July 1, 2016. The appropriation included \$2,870,000 from the state general fund and an estimated \$5,670,000 in lottery-in-lieu of sales tax revenue (LIL). The general fund appropriation has been received by the Council and will be distributed as a lump sum on August 1, 2016. Because the LIL funding depends upon the sales of lottery tickets, it may vary from the estimate. If the lottery revenue varies, the monthly distribution of O&M funds will vary commensurately.

Table 1, below, shows the Agencies' initial requests for O&M funding for state fiscal year 2017, as based on their reported actual expenditures.

| Agency | Reported actual 2015 O&M |
|---|--------------------------|
| Anoka County | \$ 5,789,152.91 |
| Bloomington Parks | \$ 1,027,247.96 |
| Carver County | \$ 1,157,186.61 |
| Dakota County | \$ 5,204,539.12 |
| Minneapolis Park Board | \$ 19,683,706.40 |
| Ramsey County | \$ 6,418,277.15 |
| Saint Paul Parks | \$ 21,090,393.81 |
| Scott County | \$ 1,259,129.80 |
| Three Rivers Park District - Hennepin & Scott | \$ 33,040,709.21 |
| Washington County | \$ 3,299,019.02 |
| Total | <u>\$ 97,969,361.99</u> |

Known Support / Opposition

No known support or opposition.