

Community Development Committee

For the Community Development Committee meeting of July 17, 2017

For the Metropolitan Council meeting of July 26, 2017

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 93, Article 1, Sec. 5; 2040 Regional Parks Policy Plan, Chapter 5

Staff Prepared/Presented: Deb Streets Jensen, Senior Parks Finance Planner 651-602-1554

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 2018 operation and maintenance funds, as shown in Table 1.

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) reports 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.

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 parks and trails has in proportion to the total use of the regional park system. Usage is determined through 2016 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 were determined following the eligibility review of 2016 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 2016 acreage as reported to the Council by each Agency.

The calculations underlying this year’s distribution are attached as Table 2.

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%. For the 2016 O&M reporting year, the state will reimburse 8.43% of the reported costs.

Review of submitted costs. During the spring and summer of 2016, staff from the Council’s Finance and Regional Parks departments visited each Agency headquarters to meet with Agency Finance and Operations staff. These meetings gave Council staff an updated understanding of how each Agency handles its accounting for O&M costs, charts of accounts, financial software, etc. In November and January, the Council hosted two meetings for staff from all the agencies to discuss cost eligibility and improvements in reporting, categorizing, and reviewing the costs. The Council’s Controller was actively involved in identifying a simplified method of determining eligible costs, which significantly streamlined the review process.

During the review, staff found two errors in the distribution amounts from previous years that have been corrected in the FY2018 distribution. In one error, Carver County was overpaid by \$39,798; in the second, Three Rivers Park District was overpaid by \$25,984. This resulted in the other Agencies being underpaid for the period. These errors have been corrected in the state FY2018 distribution.

The total eligible O&M expenditures for calendar year 2016 were \$101 million.

Rationale

Because the Regional Parks System draws a significant percentage of its visits from outside the Twin Cities metropolitan area, the state Legislature funds a portion of the expenses necessary to run the System. The O&M appropriation comes from the State in its entirety; the Council neither matches the funds nor withholds any for administrative costs. The law requires the Council to review the claims presented by each Agency for eligibility, and it requires MPOSC to report the claimed costs to the Council so the amounts are paid appropriately. That is the purpose of this business item.

Thrive Lens Analysis

This item is consistent with Thrive’s Stewardship outcome as this funding helps the ten Regional Park Implementing Agencies take care of existing infrastructure for the Twin Cities’ world-class Regional Parks System. O&M funding is done on a reimbursement basis for money actually spent on operating and maintaining the System.

Funding

The [Legislature appropriated](#) \$8,540,000 for O&M funding for the Regional Parks System for state fiscal year 2018, which begins on July 1, 2017. The appropriation included \$2,540,000 from the state general fund and an estimated \$6,000,000 in lottery-in-lieu of sales tax revenue (LIL). The general fund appropriation will be distributed as a lump sum on August 1, 2017 or as soon thereafter as the Council receives the funds from the state. The State pays the Council 1/12th of the estimated LIL amount each month throughout the fiscal year, and the Council in turn pays each Agency their share on a monthly basis. Because the LIL funding depends upon the sales of lottery tickets, it may vary from the original 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 2018, as based on their reported actual expenditures.

Table 1 – State Fiscal Year 2018 O&M Distribution

Agency	Reported actual 2016 O&M	Estimated distribution amount (including corrections)
Anoka County	\$6,311,350	\$763,962
Bloomington Parks	1,203,458	102,739
Carver County	1,317,975	87,769
Dakota County	5,796,073	464,591
Minneapolis Park Board	20,983,526	2,077,222
Ramsey County	6,765,176	701,648
Saint Paul Parks	17,353,153	1,365,043
Scott County	1,553,384	144,140
Three Rivers Park District - Hennepin & Scott	36,137,373	2,478,959
Washington County	3,851,945	353,927
Total	\$101,273,413	\$8,540,000

Known Support / Opposition

No known support or opposition.

Metropolitan Parks and Open Space Commission

Meeting date: July 11, 2017

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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.

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 parks and trails has in proportion to the total use of the regional park system. Usage is determined through 2016 visit count data provided by the Agencies to the Council.
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The calculations underlying this year’s distribution are attached as Table 2.

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Review of submitted costs. During the spring and summer of 2016, staff from the Council’s Finance and Regional Parks departments visited each Agency headquarters to meet with Agency Finance and Operations staff. These meetings gave Council staff an updated understanding of how each Agency handles its accounting for O&M costs, charts of accounts, financial software, etc. In November and January, the Council hosted two meetings for staff from all the agencies to discuss cost eligibility and improvements in reporting, categorizing, and reviewing the costs. The Council’s Controller was actively involved in identifying a simplified method of determining eligible costs, which significantly streamlined the review process.

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The total eligible O&M expenditures for calendar year 2016 were \$101 million.

Rationale

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Washington County	3,851,945	353,927
Total	\$101,273,413	\$8,540,000

Known Support / Opposition

No known support or opposition.

Table 2 – O&M Calculations

Agency	Weighted Regional Park Acreage	Acres %	Regional Park Visits	Visits %	Regional Park Eligible Expenditures	Eligible Expenditure %	FY18 General Fund Lump Sum	FY18 Lottery-in-Lieu Monthly Estimate*	Projected* total 2016 distribution	Correction for 2014 Carver County Visit Error	Correction for 2016 TR Acreage Error	Total Distribution with Corrections
Anoka	6,678.07	17.65%	3,360	7.04%	\$6,311,350	6.23%	\$224,550	\$44,203	\$754,982	\$2,739	\$6,242	\$763,962
Bloomington	162.25	0.43%	755	1.58%	1,203,458	1.19%	30,337	5,972	101,999	588	152	102,739
Carver	897.90	2.37%	583	1.22%	1,317,975	1.30%	37,691	7,420	126,727	(39,798)	840	87,768
Dakota	3,809.03	10.07%	1,294	2.71%	5,796,073	5.72%	136,847	26,938	460,106	933	3,552	464,591
MPRB	2,787.24	7.37%	17,134	35.92%	20,983,526	20.72%	612,882	120,646	2,060,636	13,980	2,606	2,077,222
Ramsey	4,713.26	12.46%	3,526	7.39%	6,765,176	6.68%	206,264	40,603	693,503	3,739	4,407	701,648
Scott	1,509.53	3.99%	293	0.61%	1,553,384	1.53%	42,096	8,287	141,534	285	2,321	144,140
Saint Paul	2,481.53	6.56%	9,193	19.27%	17,353,153	17.13%	403,221	79,374	1,355,713	7,926	1,404	1,365,043
Three Rivers	10,057.66	26.58%	9,875	20.70%	33,758,526	33.33%	684,059	134,657	2,299,947	8,032	(25,984)	2,281,995
TRPD/Scott	2,001.05	5.29%	338	0.71%	2,378,847	2.35%	57,937	11,405	194,795	298	1,871	196,964
Washington	2,738.01	7.24%	1,348	2.83%	\$3,851,945	3.80%	\$104,115	\$20,495	\$350,058	\$1,279	\$2,590	\$353,927
Totals	37,835.53	100.00%	47,699	100.0%	\$101,273,413	100.00%	\$2,540,000	\$500,000	\$8,540,000	\$(0)	\$(0)	\$8,540,000

* The \$6 million appropriation from Lottery-in-Lieu of Taxes is an estimate only; actual amounts distributed will be determined by lottery ticket revenues. If lottery ticket sales fall short of projections, the monthly distributions will be reduced commensurately.

The formula used to determine the distribution per agency is:

20% of each agency's share of acreage in the System **plus** 40% of each agency's share of the visits in 2016 **plus** 40% of each agency's share of the eligible 2016 expenditures for operation and maintenance.

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