

METROPOLITAN COUNCIL
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TO: Metropolitan Parks and Open Space Commission

FROM: Arne Stefferud, Planning Analyst-Parks (651) 602-1360

SUBJECT: (2011-xxx) 2012-17 Metro Regional Parks Capital Improvement Program Policy Review

INTRODUCTION

The Metropolitan Council is authorized to prepare a 5-year parks capital improvement program (CIP) under MS 473.147 Subd. 1, and to issue up to \$40 million of general obligation bonds to help finance it under MS 473.325. This memorandum analyzes existing policy positions of the Metropolitan Council on financing the regional parks CIP and allocating funds from it to acquire and improve regional recreation open space. It recommends that those policy positions be reaffirmed and used in creating the 2012-17 Metropolitan Regional Parks CIP.

AUTHORITY TO REVIEW

MN Statute 473.147, Subdivision 1 requires the Metropolitan Council, after consultation with the Metropolitan Parks and Open Space Commission (MPOSC), municipalities, park districts and counties in the metropolitan area to prepare and adopt a system policy plan for regional recreation open space as part of the Council's development guide. The law also requires the Council to include a five year capital improvement program (CIP) in the parks policy plan, which should be revised periodically, and to establish criteria and priorities for the allocation of funds from the capital improvement program.

MN Statute 473.325, Subdivision 1 allows the Metropolitan Council to by resolution authorize the issuance of general obligation bonds such that the amount outstanding and undischarged at any time shall not exceed \$40 million for the acquisition and betterment of regional recreation open space.

MN Statute 473.315, Subdivision 1 allows the Metropolitan Council with the advice of the Metropolitan Parks and Open Space Commission to, "make grants, from any funds available to it for recreation open space purposes, to any municipality, park district, or county located wholly or partially within the metropolitan area to cover the cost, or any portion of the cost, of acquiring or developing regional recreation open space in accordance with the policy plan..."

ANALYSIS

A. Prioritizing projects and allocating funds among park agencies

The Parks CIP must in accordance with MS 473.147 include "criteria and priorities for the allocation of funds". For the 2012-17 CIP as with past CIP's, capital projects proposed for funding must be consistent with Metropolitan Council approved regional park or trail master plans in accordance with MS 473.315. To address the requirement to, "prioritize the allocation of funds", the Metropolitan Council decided in 2007 to create a formula that allocates a portion of the CIP among the 10 regional park implementing agencies using the following factors:

1. The population of each park implementing agency compared to the region's population. This factor was weighted 70%.
2. The amount of visits a park agency hosted from persons who live outside the park agency's jurisdiction (non-local visits). This factor was weighted 30%.

The population factor recognizes the need to provide funds for park capital improvements to serve every person in the region relatively equally. The non-local visits factor recognizes that these regional parks serve a regional and state-wide population. Therefore a combination of both factors is accounted for in the CIP formula. Data for each part of the formula came from the same year in order to recognize that changes in both parts of the formula will occur over time.

Projects proposed by each regional park implementing agencies are prioritized by that agency. Each park agency has unique capital needs which that park agency can best determine. As long as the projects are consistent with Metropolitan Council-approved park and trail master plans, granting funds from the CIP for projects in priority order for each agency meets the requirement of MS 473.315.

B. Leveraging Metropolitan Council bonds with State bonds

As permitted in MS 473.325 the Metropolitan Council can issue general obligation bonds to help finance the acquisition and betterment of regional recreation open space. But that legislative authorization is limited to \$40 million of bonds outstanding at any point in time. From 1974 to 1994, the Parks CIP was financed primarily with either Metropolitan Council bonds issued in 20 year notes, or State bonds. The Council issued \$38.5 million of its bonds in 1974-75 under 20-year notes. It consequently was dependent on State bond appropriations from 1976 to the early 1990s. State bonding appropriations fluctuated significantly over this time period. Park agencies could not plan and phase their projects because of these fluctuations in funding. In 1994, the Metropolitan Council made two policy decisions:

1. The Metro Council should issue on average \$7 million per year of 5-year bonds. The premise for this policy is that it provides a stable level of funding from year to year within the constraints of the \$40 million bonding limit. This also stabilizes the tax levy from year to year for paying the debt service on the bonds. Finally, it also provides some assurance to park agencies that financing for their capital projects will be stable so they can plan and phase projects within the fiscal constraints of applicable policy.
2. The Metro Council bonds should finance 40% of the Parks CIP and State bonds should finance 60% of the Parks CIP. Another way to describe this is that every \$3 of State funds is matched with \$2 of Council bonds. The combination of Regional and State sources acknowledges the local, regional and statewide benefits to taxpayers. Metropolitan Area residents pay Regional and State taxes that finance the CIP. Residents from outside the Metropolitan Area pay State taxes for a portion of the State's appropriation to the CIP. Their use and subsequent benefit derived from these regional parks is paid for with their State tax contribution. Some State appropriations have also been made under the requirement that every \$3 of the State appropriation is matched with \$2 of Metro Council bonds.

C. Allocating half of the Council's bonds for land acquisition and half for facility renovation and development

Since the inception of the legislation creating the Metropolitan Regional Park System in 1974, there have always been demands for funding to acquire land for new parks and trails, to develop those new parks and trails and to finance the renovation of existing parks and trails. The Metropolitan Council chose to spend

half of the funds available to it for park/trail land acquisition and half for park and trail renovation and development of facilities. Under this policy and within the \$7 million Council bonds per year policy, \$3.5 million per year is devoted to land acquisition and \$3.5 million per year to facility renovation and development.

D. Application of Council park bonding policies to requests for State bond appropriations

As noted above, State funds have financed a portion of the Council’s regional parks CIP. State bonds, which are appropriated every two years, are used to finance facility renovation and development. Other State funding sources help finance land acquisition. Applying the policies described above results in a 2 year State bond financed CIP of \$17.5 million comprised of:

- a. \$10.5 million of State bonds
- b. \$ 7 million of Metro Council bonds (\$3.5 million per year for two years as the \$2 match for every \$3 of State bonds)

The State bond requests for the 2008-09 biennium and the 2010-11 biennium have been \$10.5 million per biennium. Both requests were appropriated. Subsequently, the Council matched those \$10.5 million State bond appropriations with \$7 million of Council bonds.

E. 2012-17 Parks CIP Preparation Timeline

The CIP is a proposed spending plan. It is used to request State appropriations to finance the State’s portion of the CIP and to allocate grants from the CIP to each park agency in proportion to that park agency’s CIP share. By prioritizing projects for each regional park agency, the State and Metropolitan Council appropriations to the CIP can be granted in proportion to each park agency’s share of the CIP and the highest priority project(s) of each park agency can be funded.

State bond appropriations to the Parks CIP authorized in 2012 would finance the State’s share of the CIP for 2012-13. To meet statutory deadlines for requesting State bonds and to coordinate the preparation and adoption of the Parks CIP with the Metropolitan Council’s Unified CIP later in 2011, the following preparation timeline is proposed in Table 1:

Table 1: 2012-17 Regional Parks CIP Preparation Timeline

Date	Activity
April 5	MPOSC reviews these Parks CIP policy recommendations and forwards its recommendations to the Community Development Committee
April 18	Community Development Committee (CDC) considers these Parks CIP policy recommendations. It forwards its recommendations to the Management Committee.
April 27	Metropolitan Council Management Committee considers these Parks CIP policy recommendations and forwards its recommendations to the Metro Council.
May 11	Metropolitan Council considers Management and CDC recommendations and adopts policies on the Parks CIP.
May 12-24	Regional Park Agencies submit their preliminary prioritized 2012-13 CIP project list to Metropolitan Council based on CIP policies adopted by the Metro Council on May 11. This is the basis for a Preliminary 2012 State bond request.
June 7	MPOSC reviews 2012-13 Parks CIP project lists from each agency for consistency with Metro Council-approved master plans and makes a recommendation to CDC.
June 20	CDC considers MPOSC recommendation and acts on behalf of the Council to allow Council staff to submit the Preliminary State bond request for the 2012-13 Parks CIP.

June 24	Submittal of 2012 Preliminary State bond request containing 2012-13 Parks CIP
July-August 14	<p>Park Agencies may reconsider and revise their prioritized CIP project list for 2012-13 and submit a final prioritized project list to the Metropolitan Council.</p> <p>Park Agencies must also submit to the Metropolitan Council their prioritized CIP project lists for 2014-15 and 2016-17 that are consistent with their agency's amount proposed for 2012-13.</p>
August 15-31	<p>Metro Council staff prepare the Final 2012 State bond request containing the Final 2012-13 Parks CIP</p> <p>Metro Council staff adds the Final 2012-13, plus 2014-15 and 2016-17 Parks CIP to Metropolitan Council's 2012-17 Unified CIP.</p>
September	Submit Final 2012 State bond request containing Final 2012-13 Parks CIP
October	Public Hearing on Metropolitan Council's 2012-17 Unified CIP
November/Dec.	Metropolitan Council adopts 2012-17 Unified CIP.
Jan.-May 2012	Legislature considers and may appropriate State bonds for 2012-13 Parks CIP.
June 2012	Metro Council considers an amendment to the Metro Council's 2012 Capital Budget and Unified CIP that includes grants for projects that are funded from the State bond appropriation and Metro Council bonds consistent with the prioritized list of each park agency in the 2012-13 Parks CIP. Assuming the CIP amendment is adopted, grant agreements are executed and grant funds disbursed under the terms of the grant agreement for each project.

CONCLUSIONS

Reaffirming past Council policy positions on the Parks CIP as recommended below has the following effects:

1. Issuing \$7 million of park bonds per year by the Council in short term notes provides a stable source of capital funding for the Metropolitan Regional Park System within the fiscal limitations of State law.
2. The Council's tax levy for debt service on its park bonds remains constant since the amount issued remains constant.
3. Every \$2 of the Metro Council's park bonds leverages \$3 of State funds. Half of the Council's bonds and the matching State funds are used for land acquisition and the other half is used for park facility renovation and development.
4. Each of the 10 regional park agencies is assured of a share of the State bond appropriation and Metro Council bond match based on a Parks CIP formula that considers each agency's population and the regional use of that agency's parks and trails.
5. Projects of each regional park agency are funded in the priority order of that agency. Each park agency has the ability to spend whatever is appropriated for the Parks CIP in the best way possible.

RECOMMENDATIONS

That the Metropolitan Council reaffirms the following policy positions for Metro Regional Parks capital spending:

1. Issue \$7 million of short term bonds annually to provide a \$2 match to \$3 of State appropriations for the Council's Park Acquisition Opportunity Fund grants and to State bonds appropriated for the Regional Parks Capital Improvement Program (Parks CIP). Half of the Council bonds are allocated to each program each year.
2. Request \$10.5 million of State bonds in June 2011 as the preliminary State bonding request for the 2012 Legislative session to finance 60% of the 2012-13 Regional Parks CIP.
3. Continue to determine the amount each of the 10 regional park agencies receive from the 2012-13 Regional Parks CIP based on the following formula:
 - 70% based on each park agency's share of the region's population, and
 - 30% based on each park agency's share of non-local visits it hosted. ("non-local visits" are visits by persons that do not live in the park agency's jurisdiction).
 - Data for each part of the formula should come from the same year.