

METROPOLITAN COUNCIL
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DATE: October 25, 2011

TO: Metropolitan Parks and Open Space Commission

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

SUBJECT: (2011-xxx) Park Acquisition Opportunity Fund Grant Rule Change

INTRODUCTION/BACKGROUND

In 2001, the Metropolitan Council established a Park Acquisition Opportunity Fund grant program to assist regional park agencies in acquiring land for the Metropolitan Regional Park System. Land that is acquired must be within Metropolitan Council approved master plan boundaries for that particular park or trail unit. To-date, about \$21.8 million has been granted for the acquisition of 1,868 acres. The total related acquisition costs and market value of this land is about \$61.3 million.

The Park Acquisition Opportunity Fund is comprised of two accounts:

1) Environment and Natural Resources Trust Fund Acquisition Account, which is used to purchase land with high quality natural resource characteristics. No residential structures can be acquired with this account. The account is financed with appropriations from the Environment and Natural Resources Trust Fund (ENRTF) and Metropolitan Council bonds. Appropriation rider language requires every \$3 of ENRTF appropriations for these grants to be matched with \$2 of Metro Council bonds.

2) Parks and Trails Legacy Fund Acquisition Account, which is used to purchase land that has low natural resource characteristics and any related structures –typically a parcel with a house or other buildings. This account is financed with Parks and Trails Fund appropriations from the Land and Legacy Amendment and Metropolitan Council bonds. State law requires every \$3 of Parks and Trails Legacy Fund appropriation for these grants to be matched with \$2 of Metro Council bonds. (M.S. 85.53, Subd. 3)

One of the rules for the grants limits the amount a park agency can receive in a State Fiscal Year (July 1 to June 30th) to \$1.7 million cumulatively from both accounts. This memorandum proposes a change in the rules that would allow a maximum amount per park agency of \$1.7 million from each grant account during the State's Fiscal Year.

AUTHORITY TO REVIEW

Minnesota Statute Section 473.315 authorizes 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, county or Park District 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 *Regional Recreation Open Space Policy Plan*”.

ANALYSIS

Table 1 illustrates the amount in each Park Acquisition Opportunity Fund Account broken down by funding sources, date the State appropriation becomes available, the amount of the State appropriation, the amount of the Metro Council bond match, and the date the State appropriation expires. Any unspent balance of the State appropriation is not available after that date unless legislation is enacted to extend that appropriation's expiration date.

**Table 1: Park Acquisition Opportunity Fund Grant Accounts
--Environment and Natural Resources Trust Fund (ENRTF)
--Parks & Trails Legacy Fund**

Account Name and (Date State Appropriation Starts)	State Appropriation	Metro Council bond match to State Appropriation	Total	Expiration Date of State Appropriation
ENRTF (July 1, 2009)	\$ 1,204,443	\$ 802,962	\$ 2,007,405	June 30, 2012
ENRTF (July 1, 2011)	\$ 1,125,000	\$ 750,000	\$ 1,875,000	June 30, 2014
ENRTF (July 1, 2012)	\$ 1,125,000	\$ 750,000	\$ 1,875,000	June 30, 2014
Total in ENRTF Account	\$ 3,454,443	\$ 2,302,962	\$ 5,757,405	
Parks & Trails Legacy Fund Account (July 1, 2011)	\$ 1,576,000	\$ 1,051,000	\$ 2,627,000	June 30, 2014
Parks & Trails Legacy Fund Account (July 1, 2012)	\$ 1,614,000	\$ 1,076,000	\$ 2,690,000	June 30, 2015
Total in Parks & Trails Legacy Fund Account	\$ 3,190,000	\$ 2,127,000	\$ 5,317,000	
Cumulative Total Both Accounts	\$ 6,644,443	\$ 4,429,962	\$ 11,074,405	

The ENRTF appropriation balance of \$1,204,443 that began on July 1, 2009 will end on June 30, 2012. It is imperative that all of this appropriation be spent under grant agreements before it expires on June 30, 2012. All ENRTF appropriations are restricted to acquiring high quality natural resource lands without residential structures. That restriction and the fact that grants are awarded when willing seller transactions occur means there is a possibility that a portion of this appropriation may not be spent before June 30, 2012.

To increase the likelihood that the ENRTF appropriation that expires on June 30, 2012 is expended, it is reasonable to consider changing the maximum amount a park agency could receive in a fiscal year. It is proposed that \$1.7 million be the maximum amount an agency can receive from each Park Acquisition Account instead of both accounts in a fiscal year.

The reasons for changing the maximum amount an agency can receive in a State Fiscal Year are:

1. There are two accounts financed from two sources of State appropriations specifically limited to lands that contain high quality natural resources without structures, and those that don't. Consequently, it is reasonable to allow park agencies to seek grants from both accounts that are equal in size over a year's time.
2. As noted above, there is \$1.2 million of an Environment and Natural Resources Trust Fund appropriation from 2009 that must be spent by June 30, 2012. The rule change would increase the likelihood that the appropriation would be spent in time.

When considering this rule change, an analysis was done on the rate of grants awarded from 2008 to the present. The results of that analysis are as follows:

Table 2: Park Acquisition Opportunity Fund Grant Statistics (January 2008 to October 2011)

Total amount of grants awarded – Both Accounts	\$ 11,325,295
Total number of grants awarded –Both Accounts	28
Average number of grants awarded per year—Both Accounts	7
Average grant awarded – Both Accounts	\$ 404,475
Smallest Grant Award – Both Accounts	\$ 13,050
Largest Grant Awarded – Both Accounts	\$ 1,699,992
Maximum amount a park agency received in a Fiscal Year—Both Accounts	\$ 1,699,992
Total amount of grants awarded from ENRTF Account	\$ 2,632,162
Total number of grants awarded from ENRTF Account	10
Average grant awarded from ENRTF Account	\$ 263,216
Smallest Grant Award from ENRTF Account	\$ 17,700
Largest Grant Awarded from ENRTF Account	\$ 742,425
Maximum amount a park agency received in a Fiscal Year from ENRTF Account	\$ 742,425
Total amount of grants awarded from Parks & Trails Legacy Fund Account	\$ 5,787,758
Total grants awarded from Parks & Trails Legacy Fund Account	18
Average grant awarded from Parks & Trails Legacy Fund Account	\$ 321,542
Smallest Grant Award from Parks & Trails Legacy Fund Account	\$ 198,750
Largest Grant Awarded from Parks & Trails Legacy Fund Account	\$ 1,699,992
Maximum amount a park agency received in a Fiscal Year from Parks & Trails Legacy Fund Account	\$ 1,699,992

Although these statistics do not predict what will happen in the future, they do provide insight into what is likely to happen over a period of several years. The proposed change to allow a park agency to receive up to \$1.7 million from both accounts in a fiscal year could only occur if that agency acquired at a minimum two parcels that had acquisition costs of \$2,267,000 each. The grants would be financed with \$1.7 million from a Park Acquisition Opportunity Fund Grant from each account and \$567,000 of matching funds provided by the park agency for each grant. As noted in Table 2, one grant was almost \$1.7 million out of 28 grants awarded. It was also the only grant awarded to that park agency for that fiscal year period. The likelihood that two or more grants are awarded from each account that total \$1.7 million to one park agency during the July 1-June 30th period is very low.

Another factor to consider is whether this rule change would increase the likelihood of running out of grant appropriations to finance all park acquisition opportunities that may occur. To-date all grant requests have been funded. As noted earlier, there are two State funding sources along with Metro Council bond matches that finance the Park Acquisition Opportunity Fund accounts. One account is for high quality natural resource lands that don't contain structures on them and the other account is for other land that includes structures or may not contain high quality natural resources. Both accounts have over \$5 million available for grants.

A final factor to consider is the stability of the funding sources for the Park Acquisition Opportunity Fund grants. Both accounts are very stable for the following reasons:

1. Both State sources—the ENRTF and the Parks and Trails Legacy Fund are dedicated sources from amendments to the State's constitution that will be in effect until 2025 for the ENRTF and until 2035 for the Parks and Trails Legacy Fund.
2. State law (M.S. 85.53, Subd. 3) for the Parks and Trails Legacy Fund and appropriation rider language for the ENRTF require the Metropolitan Council to provide a \$2 match of Council bonds to every \$3 of State appropriations for the Park Acquisition Opportunity Fund grants.
3. State law (M.S. 85.53, Subd. 3) requires the Metropolitan Council to allocate ten percent of the Parks and Trails Legacy Fund appropriation for Park Acquisition Opportunity Fund grants.

The only threat to reduced State appropriations in the future is to not spend existing appropriations within the allotted time frame for the appropriation. The proposed rule change is intended to increase the likelihood that the State appropriations will be spent within the allotted time frame.

CONCLUSIONS:

1. Park Acquisition Opportunity Fund grants are financed from two accounts and from two constitutionally dedicated State sources—the Environment and Natural Resources Trust Fund (ENRTF) and the Parks and Trails Legacy Fund. Those amendments are in effect until 2025 for the ENRTF and 2035 for the Parks and Trails Legacy Fund.
2. State law and appropriation rider language from these State sources has required the Metropolitan Council to provide a \$2 match of Council bonds to every \$3 of State appropriations for the Park Acquisition Opportunity Fund grants.
3. An ENRTF appropriation from 2009 currently has an unobligated balance of over \$1.2 million that must be granted and spent by June 30, 2012 when the appropriation expires.
4. Changing the rules for Park Acquisition Opportunity Fund grants to allow up to \$1.7 million to be granted from each account during a State Fiscal Year instead of from both accounts will increase the likelihood that the State appropriations are spent within the allotted timeframe for the appropriation.
5. The likelihood of running out of grant funding at any point in time under the new rule change is very low.

RECOMMENDATION:

That the Metropolitan Council approve the following change to the Park Acquisition Opportunity Fund Grant Rules effective immediately:

The maximum grant(s) available to a park agency is \$1.7 million from the Environment and Natural Resources Trust Fund Acquisition Account and \$1.7 million from the Parks and Trails Legacy Fund Acquisition Account during the July 1 to June 30 time period.