CREATION OF A PARK FUND

By: Diana Lund, Finance Officer

Background:

On June 10, 2004, City Council held a joint meeting with the Park & Recreation Commission. During this meeting, the creation of a new Park Fund was discussed. The Park Commission, as well as City Council was in agreement that a new fund should be created.

The purpose of this meeting is to discuss what the purpose of this Park Fund is, that is, what are its eligible expenditures and sources.

It was determined that the "Park Fund" would be a Trust Fund. Trust Funds are used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and/or other funds.

I have provided a brief summary of the questions that need be answered in regards to the creation of the new Park Fund with possible answers.

1. What will the Park Fund be used for?
   Possible Definition-The Park Fund will be used to account for resources accumulated to defray the cost of maintaining and/or acquiring park improvements.

2. What Revenue Sources will fund the Park Fund?
   a. Donations
   b. Excess General Fund Revenue Transfer in the amount of 10% (Will need to change current policy).
   c. Interest Earnings from pooled interest earnings.
   d. Park and Trail Fees (future?)

3. What expenditures will be allowed from the Park Fund?
   a. Yearly transfer to the General Fund in the amount of ___% of accrued Interest earnings to offset park maintenance costs.
   b. Any Capital Expenditures (non-operating) that would utilize principal And are approved by a four-fifths vote of the City Council.
   c. Fund balance shall be increased to and maintained at $3,000,000 unless Council declares an emergency situation exists.

These are just some ideas that were presented at the Joint meeting with Planning Commission. Minutes from this meeting are attached.

Recommendation:

For Discussion Only.

Council Action:

Discussion of the creation of Park Fund. Once Park Fund terminology is established, City Fund Ordinance will need to be amended.

FC: 8/10/04

Case #1: Creation of a Park Fund

Finance Officer Lund explained the purpose of this case was to discuss the creation of a new Park Fund and its possible funding sources and uses.

Finance Officer Lund explained most park projects are currently being funded from the Park Trust Fund, which is funded from Park Dedication Fees received from developers when a parcel is developed. Park dedication fees are deposited 50% into the respective park district and the remaining 50% can be spent in any park district. While this fund has a healthy balance, it does not take into consideration those park districts that have little or no development fees to help fund necessary projects. Also, the City is currently in a growth mode, with much development occurring, which generates park dedication fees. What happens when development stops, the parks still need to be updated, maintained, etc.

Finance Officer Lund noted that it is felt that with the additional park costs attributed to the ongoing maintenance, improvements, and acquisition that it was necessary to begin the implementation of an additional fund. Council directed staff at the Finance Committee meeting of May 25, 2004, to have this item presented at the June 10, 2004 Park Commission meeting so that the City Council and Park Commission could jointly determine the necessary funding uses and sources of this fund.

Finance Officer Lund stated the creation of an additional fund requires the adoption of an ordinance amending Chapter 3, Section 3.40 entitled "City Funds".

Chairperson Johns asked if this was an addition to or was it included in the current Park Fund. Ms. Lund stated it was a separate fund. She stated that there is The Park Improvement Revolving Fund and this fund is only for park improvements and construction but not upkeep. She stated they wanted to have a blended fund that would allow for acquisition and maintenance.

Commissioner Olds asked where the funds for maintenance came from. Ms. Lund stated they are included in the general fund right now and subject to the levy limit. She stated this would allow any of the upkeep coming online with the new parks, if levy limits were to remain in place; they will always be contained to what is in the general fund budget for the park maintenance. This would allow for a rainy day sort of fund.

Councilmember Elvig stated a lot of this started last year when they were struggling with some of their budgeting. He stated they ran into some overages in the General Fund and they were wondering how they were going to disperse some of those funds. What the Park Commission is running into is they are developing the community but they do not know how they are going to pay for maintenance in the long term when the opportunity for new growth has stopped and they cannot keep the new growth happening. He stated this way, they can put some dollars into a fund sort of like an endowment and they would have something they would pull off of on a yearly basis.

Chairperson Johns asked where the funds were coming from. Councilmember Elvig stated they were coming from development dollars.

Chairperson Johns stated they were designating a specific portion of park dollars to this maintenance fund. Councilmember Strommen stated these are surplus funds at the end of the year. She stated currently they do not have anything for park maintenance.

Discussion ensued in regards to how this idea was brought up in the City Council and how the fund could be used along with possible park user fees.

Councilmember Elvig asked if they had an issue with a cap on this fund. Finance Officer Lund stated she did not know of any cap because the State lumps all of the money together.

Mayor Gamec stated he had some of his own ideas and he has been working with other cities on how they maintain their parks and he thought the youth in the City needed up to date parks.

Councilmember Strommen stated that if they are going to go forward with this and the Mayor has other ideas, they should possibly discuss this.

Mayor Gamec discussed his idea with the City Council and Park Commission.

Commissioner Ostrum stated he cannot see any difference between the current fund and the extra fund for maintenance, why not let the parks use the current fund the way they want. Finance Officer Lund stated the current fund is restrictive and it cannot be used for maintenance.

Commissioner Cook stated whenever they take money from a developer, they have to show how this benefits their development and maintenance of the parks would not be considered a benefit to the developments.

Councilmember Elvig stated they talk about using the funds but he sees this as something that continues to grow over the next ten to fifteen years without touching it except for the interest earned. Chairperson Johns stated she agreed with the concept and thought on the whole is in the right direction.

Councilmember Elvig wanted to propose they have x number of years where they do not touch the fund and he wanted to try to wrap some language around it. Councilmember Cook asked if there was a way to accept donations into this fund. Finance Officer Lund stated it would be listed as part of this.

Councilmember Elvig proposed an initial three to four millions for a cap before they can use the fund. Councilmember Cook thought they would need to use the money for park maintenance before they would accumulate that much money into the fund.