



MONTGOMERY COUNTY DEPARTMENT OF PARKS
 THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

MCPB Date: 11/13/2014
 Agenda Item # 6

MEMORANDUM

DATE: November 6, 2014
 TO: Montgomery County Park Commission
 VIA: Michael F. Riley, Director of Parks *MR*
 Mitra Pedoeem, Acting Deputy Director of Parks
 FROM: Karen Warnick, Budget Manager, Management Services *KWarnick*
 SUBJECT: FY16 Parks Budget Approval - Enterprise Fund, Property Management Fund, Special Revenue Fund, Park Fund Estimated Revenue, and Capital Equipment Internal Service Fund (ISF)

Staff Recommendation

Approve the expenditure funding levels for the Department of Parks FY16 Proposed Budgets for 1) Enterprise Fund, 2) Property Management Fund, and the 3) Special Revenue Fund. Additionally, approve the FY16 Estimated Revenue collected by the Department excluding the property tax collected by the County and interest earned by the Fund, as well as an increase in the Capital Equipment ISF.

Background

In addition to the tax supported Park Fund, the Department of Parks also manages the budgets for the Enterprise Fund, Property Management Fund, and the Special Revenue Fund. These fund summaries are presented in this memo.

Aside from property tax revenue, a portion of the Department of Parks budget is funded by revenue generated from user fees, grants, and other sources including revenue from the County's Water Quality Protection Fund. The proposed revenue budget is also presented in this memo.

Lastly, the Department of Parks purchases large pieces of equipment and computer systems through the Capital Equipment ISF.

Proposed Budget Information

The Proposed Budget information is included in attachments to this memo.

Attachment 1	Enterprise Fund	Self Sufficient	\$8,631,262	0.1% below FY15
Attachment 2	Property Management Fund	Self Sufficient	\$1,126,800	9.8% above FY15
Attachment 3	Special Revenue Fund	Largely Self Sufficient	\$1,834,794	0.8% below FY15
Attachment 4	Park Fund Revenue:	Non-Tax Revenue	\$5,553,432	6.8% above FY15
Attachment 5	Capital Equipment ISF - Debt Service	Tax Supported	\$95,000	An increase of \$95,000

Next Steps

The next steps in the FY16 budget process are:

Planning Board approves the FY16 Park Fund Budget	November 20, 2014
Full Commission approves the FY16 Proposed Budget Resolution	December 17, 2014
M-NCPPC submits Budget in Brief according to statutory mandate to County Executive and County Council	January 15, 2015
County Executive makes recommendations	March 15, 2015
County Council hold Public Hearings on budget	April 2015
County Council Reviews M-NCPPC Budget	April & May 2015
Montgomery and Prince George's County Councils Meet	May 2015
County Councils Adopt Budget	May 2015

Enterprise Fund Summary

Enterprise Fund Overall FY16 Proposed Budget

The Enterprise Fund oversees the operation of the revenue producing facilities. The funds are primarily generated through user fees, rentals and other non-tax supported sources. The Enterprise Fund proposed FY16 budget reflects \$10,316,041 in revenues and \$8,631,962 in expenditures for a net profit of \$1,684,779.

The Enterprise Fund is required to be self-sustaining. This includes operating costs, capital improvements, administrative costs and debt service payments. Any net income at the end of each fiscal year is used to meet the fund balance policy required reserve amount and to make on-going investments in life cycle replacements and improvements for each facility.

The chart on page 5 shows the FY16 proposed revenues and expenditures for the Enterprise Fund.

FY16 Changes

Revenues

The FY16 Enterprise Fund proposed revenues of \$10,316,041 is \$588,536 more than the FY15 approved budget due to an across the board increase in fees to help offset the higher minimum wage as well as transaction fees that will be charged in the new combined registration system, Active Net. The total amount for the transaction fees is largely unknown at this time.

The rental revenue at the Agricultural History Farm Park is proposed to increase approximately \$50,000 due to a re-negotiated lease with the current tenants and will help cover the operating expenses for that facility. Brookside Gardens' revenue is proposed to increase approximately \$150,000 over the FY15 budget due to the reopening of the facility after extensive renovation projects this past year that limited the programs and special events offered including the butterfly show and winter light show.

Expenditures

The FY16 Enterprise Fund proposed expenditures of \$8,631,262 is \$8,655 lower than the FY15 adopted budget. This is due to a combination of increases in personnel and Active Net expenses, which are offset by savings in utilities in risk management.

Personnel costs increased due to funding an authorized position that was unfunded in FY15, as well as an increase in compensation costs.

Also, additional funding is requested to cover costs for the implementation, management, and oversight of Active Net, which is the single database registration system shared between Montgomery Parks, Department of Recreation, and CUPF. The Department of Parks will reimburse the County Government for our portion of several new positions including an accountant, system administrator, web developer, and part of a project manager. These positions will reside within the County Government. These reimbursement costs will be shared between the Park Fund and the Enterprise Fund. Also, some additional equipment must be purchased that is compatible with this new system.

These increases are offset by a \$55,000 reduction in utility costs, primarily due to new energy efficient equipment that was installed in the ice rinks, and a \$75,900 reduction in risk management costs.

Staffing Changes

The accounting for the Wheaton Outdoor Sports Pavilion facility is being moved from the Ice Rink Fund to the Park Facilities Fund to place the record keeping for this facility with other similar facilities. One career position (1 WY) will move with it.

Staff needs at the Event Centers have been carefully evaluated and restructured. As part of this process, one career maintenance position (1 WY) was moved to the Enterprise Administration Fund and will be used to help meet maintenance needs at multiple Enterprise facilities.

The Enterprise Administration Fund has two authorized positions that were unfunded in FY15. For FY16, one of these positions is requested to be funded and moved to the Tennis Fund to address maintenance needs of the new Jack Shore Tennis facility, South Germantown Driving Range, and the South Germantown Splash Park and Miniature Golf facility. A portion of the personnel expense for this position will be charged back from the tennis facility to the other two facilities.

Capital Improvements

Capital improvement projects for the Enterprise facilities are approved in the CIP budget. The funding source is Enterprise reserves.

For FY16, the funding for the Enterprise CIP projects is increasing from \$785,000 in FY15 Adopted to \$800,000 in FY16 Proposed. The proposed capital projects include \$500,000 for a HVAC system installed in Pauline Betz Addie Tennis Facility, \$200,000 to replace the other dehumidification system at the Cabin John Ice Rink and \$100,000 to begin the design of a new entrance and reconfiguration of both main parking lots at Rockwood Manor.

FY16 Enterprise Fund Summary

Summary of Annual Comparisons by Major Object	Actual FY13		Budget FY14		Budget FY15		Proposed FY16	
REVENUE (MAJOR SOURCE)								
Fees and Charges	\$6,245,538		\$6,302,175		\$6,055,910		\$6,257,493	
Rentals	\$3,350,719		\$2,953,733		\$3,008,445		\$3,430,048	
Merchandise Sales	\$640,201		\$722,100		\$627,350		\$584,300	
Concessions	\$26,922		\$30,600		\$27,800		\$24,200	
Interest	\$7,982		\$22,200		\$8,000		\$20,000	
Total Revenue	\$10,271,362		\$10,030,808		\$9,727,505		\$10,316,041	
EXPENDITURE								
Personnel Services	\$2,985,293		\$3,421,653		\$3,134,408		\$3,369,012	
Administration	\$1,424,875		\$1,625,316		\$1,792,087		\$1,629,000	
Chargebacks	\$306,286		\$362,000		\$377,700		\$399,600	
Cost of Goods Sold	\$437,788		\$394,100		\$331,500		\$327,300	
Supplies & Materials	\$579,941		\$503,900		\$451,372		\$448,200	
Other Services & Charges	\$2,309,802		\$2,556,800		\$2,340,850		\$2,289,150	
Capital Outlay (Not Financed)	\$62,556		\$346,500		\$212,000		\$169,000	
Debt Service on Revenue Bonds	\$29,082		\$5,729		\$0		\$0	
Principal on Equipment Financed	\$828,474		\$222,228		\$0		\$0	
Interest on Equipment Financed	\$0		\$0		\$0		\$0	
Total Expenditure	\$8,964,097		\$9,438,226		\$8,639,917		\$8,631,262	
Revenue Over(Under) Expenditure	\$1,307,265		\$592,582		\$1,087,588		\$1,684,779	
CASH FLOW ELEMENTS								
Transfer In from Reserves	\$121,278		\$600,000		\$785,000		\$800,000	
CIP Transfers, Per Appropriation	\$121,278		\$600,000		\$785,000		\$800,000	
Positions/Workyears Full Time Career	32.00	31.50	32.00	32.00	34.00	34.00	34.00	34.00
Positions/Workyears Part-Time Career	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Positions/Workyears Total Career	32.00	31.50	32.00	32.00	34.00	34.00	34.00	34.00
Positions/Workyears Term Contract	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Seasonal/Intermittent		85.70		83.5		74.40		74.40
Chargebacks		3.90		2.40		0.9		0.9
Less Normal Lapse		<u>0.00</u>		<u>0.00</u>		<u>0.00</u>		<u>0.00</u>
Workyears Total		122.60		118.90		110.30		110.30

Property Management Fund Summary

Property Management Fund Overall FY16 Proposed Budget

The Property Management Fund is a self-sustaining program financed by the revenue derived from the rentals of park houses and other leases.

The FY16 budget request is \$1,126,800 or 9.8% higher than last year's budget largely due to the projected increase in revenue.

The chart on the next page shows the FY16 proposed revenues and expenditures for the Property Management Fund.

Property Management Fund Overview

The Property Management program establishes rental rates; advertises vacancies; negotiates, drafts and administers legal agreements for use of Park property; and serves as the landlord representative to the public and tenants.

The Property Management portfolio continues to reflect a steady growth in revenue, which is attributed to the rental of park activity buildings, land for parking use, and increased implementation efforts for standardization of annual increases to an annual fixed rate.

The Property Management unit continues to expand efforts on the oversight of leased property. The efforts to lease closed park activity buildings to private third party tenants presents challenges for both our maintenance resources and for potential tenants to achieve success in their business plans for a variety of reasons. Upon the conclusion of FY14, three of the original 11 closed park activity buildings are occupied: two are under lease with private businesses, and one is operated in-house by the Enterprise Division.

FY16 Changes

FY16 rental income is projected to be \$99,300 higher than the FY15 budget due to the progression of standardization and implementation of annual rental increases, additional tenants, and a higher percentage of tenants paying fair market rental rates for building and land rentals. The increase in rental activity requires additional contractual maintenance and property services.

FY16 Property Management Fund Summary

Summary of Annual Comparisons by Major Object	Actual FY13		Actual FY14		Adopted FY15		Proposed FY16	
<u>REVENUE</u>								
Rentals	\$934,265		1,012,246		1,024,500		1,123,800	
Interest	\$1,820		5,600		1,820		3,000	
Fund Balance from Prior Years	<u>\$0</u>		<u>\$858</u>		<u>\$0</u>		<u>\$0</u>	
Total Revenue	\$936,085		\$1,018,704		\$1,026,320		\$1,126,800	
<u>EXPENDITURE</u>								
Personnel Services	\$215,848		274,916		407,298		421,636	
Supplies & Materials	\$76,975		151,777		161,820		161,820	
Other Services & Charges	<u>\$428,214</u>		<u>312,505</u>		<u>282,910</u>		<u>372,244</u>	
Sub Total	\$721,037		738,998		857,918		955,700	
Chargebacks	<u>\$100,000</u>		<u>100,000</u>		<u>174,300</u>		<u>171,100</u>	
Total Expenditure	\$821,037		838,998		1,026,320		1,126,800	
Revenue Over(Under) Expenditure	\$115,048		\$179,706		\$0		\$0	
Positions/Workyears Full Time Career	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00
Positions/Workyears Part-Time Career	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Positions/Workyears Total Career	3.00	3.00	3.00	3.00	4.00	4.00	4.00	4.00
Positions/Workyears Term Contract	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Seasonal/Intermittent		0.00		0.00		0.00		0.00
Chargebacks¹		2.00		2.00		3.00		3.00
Less Normal Lapse		<u>0.00</u>		<u>0.00</u>		<u>0.00</u>		<u>0.00</u>
Workyears Total		5.00		5.00		7.00		7.00

1-Chargebacks: Chargebacks: FY13 and FY14: 0.5 WYs to Enterprise Fund and 2.5 WYs from Park Fund.
FY15 and FY16: 0.5 WYs to Enterprise Fund and 3.5 WYs from Park Fund.

Special Revenue Fund Summary

Special Revenue Fund Overall FY16 Proposed Budget

The Special Revenue Fund has a beginning balance of \$397,382. The proposed FY16 budget reflects revenues of \$1,641,998 and expenditures of \$1,834,794. This level of expenditures will leave an ending balance of \$204,586.

The chart on page 10 shows the FY16 proposed revenues and expenditures for the Special Revenue Fund.

Special Revenue Funds - Background

Special Revenue Funds are used to account for the proceeds from specific revenue sources that are legally restricted to expenditures for specific purposes. Special Revenue funds are used when the expenditure of resources is restricted by the Commission or where there is a need to separate the accounting and budgeting for the expenditure of resources.

The Special Revenue budget is comprised of several separate funds. Special Revenue programs are shown separately if the annual appropriation is substantial. Smaller programs are combined, e.g. various interagency agreements.

Special Revenue Fund budgets are prepared as a proposal for revenues, expenditures, and associated workyears as well as fund balances. Special Revenue fund balances will not be shown consolidated with the tax supported funds to avoid confusing the resources of one fund type with another.

Special Revenue Funds Synopsis

The following is a synopsis of the special revenue accounts included in the FY16 proposed budget.

Park Police – Drug Enforcement Fund

This fund was established pursuant to Maryland law. The law provides the authority to seize property as a result of drug-related crime conviction. This is an on-going activity for drug enforcement within the Montgomery County Park system.

Park Police – Federally Forfeited Property

The Federal Forfeited Property Fund was established pursuant to Federal law. This fund allows for certain drug-crime related assets to be seized and forfeited to the agency. When a forfeiture is approved by the court, the seized funds may then be used to purchase equipment and other resources to combat drug-related crimes in the park system.

Interagency Agreements

The special revenue fund for interagency agreements includes revenues from other agencies and governments for work the Commission performs on a “reimbursement for service” basis. The Commission maintains agreements with Montgomery County to assist with public school ball field maintenance, and with other agencies for special policing and field maintenance requests.

Park Cultural Resources

This program provides supplemental funding for expanding and enhancing historic interpretation and archaeology educational camps and programs. Revenues are generated through seasonal employee-led archaeological programs, archaeological camps, special events at public historic sites, guided historical tours, and school programs. Expenditures are used for seasonal salaries as well as other non-budgeted expenses such as supplies and materials, performers, scholars, interpretive displays, and volunteer docent materials related to historic and archaeological programs.

Special Events

This fund provides for work the Commission performs on a “reimbursement for service” basis for special events and tournaments in the parks.

Nature Programs and Facilities

This fund provides supplemental funding through budgeted proceeds for expanding and enhancing nature and environmental educational programs and projects at the nature facilities. Revenues are generated through seasonal employee-led nature center camps and special event admissions. Expenditures are used for seasonal salaries as well as other non-budgeted expenses such as supplies and materials, performers, scholars, interpretive displays, and animal supplies/services related to the camps and special events. Revenues and expenses for camps or programs offered by career staff are accounted for in the Park Fund.

Special Donations and Programs

Special Donations and Programs include donations and contributions designated for specific purposes or projects that are not part of the normal tax-supported programs in the Park Fund.

FY16 Special Revenue Fund Summary

Special Revenue Fund Summary	Actual FY14	Budget FY15	Estimated FY15	Proposed FY15
BEGINNING FUND BALANCE	\$455,645	\$389,773	\$451,836	\$399,381
<u>REVENUE</u>				
Intergovernmental Revenues	\$945,791	\$921,800	\$921,800	\$866,500
Sales	\$0	\$600	\$500	\$1,000
Charges for Services	\$5,203	\$0	\$0	\$0
Recreation/User Fees	\$192,327	\$217,600	\$231,600	\$291,000
Rentals/Concessions	\$70,435	\$71,500	\$75,000	\$49,000
Interest	\$990	\$500	\$500	\$1,000
Miscellaneous Revenues	<u>\$32,024</u>	<u>\$410,000</u>	<u>\$522,000</u>	<u>\$433,498</u>
TOTAL REVENUE	\$1,246,770	\$1,622,000	\$1,751,400	\$1,641,998
<u>EXPENDITURE</u>				
Personnel Services	\$308,726	\$475,700	\$471,200	\$382,500
Supplies and Materials	\$84,967	\$272,300	\$283,617	\$248,850
Other Services and Charges	\$771,410	\$996,845	\$1,021,314	\$1,116,944
Capital Outlay	\$0	\$30,000	\$34,000	\$46,000
Other Classifications	<u>\$40,600</u>	<u>\$74,200</u>	<u>\$38,600</u>	<u>\$40,500</u>
TOTAL EXPENDITURE	\$1,205,703	\$1,849,045	\$1,848,731	\$1,834,794
Total Revenue Less Expenditure	<u>\$41,067</u>	<u>(\$227,045)</u>	<u>(\$97,331)</u>	<u>(\$192,796)</u>
ENDING FUND BALANCE	\$496,712	\$162,728	\$399,381	\$206,585
Workyears	0.00	1.30	1.30	1.30

Park Fund Operating Revenue Summary

Park Fund Operating Revenue Fund FY16 Proposed Budget

The FY15 Park Fund Operating Revenue is projected to be \$5,542,132. This is \$344,170 higher than the FY15 Adopted Budget due to some increase in user fees, but mostly due to an increase in the intergovernmental transfer from the Water Quality Protection Fund.

Facilities user fees are projected to be \$68,243 higher than FY15 Budget primarily due to an increase in ballfield revenue derived from an increase in fees.

The Grants budget accounts for small grants that may be received throughout the year.

The Intergovernmental Transfer from the Water Quality Protection Fund began in FY12 to cover the costs of personnel, contracts, supplies, and materials in support of water quality related park programs such as storm water management and federally mandated National Pollutant Discharge Elimination System (NPDES) requirements. In FY13, the slight increase is to cover the increased personnel costs for health care and retirement. In FY14, the increase is for NPDES activities including the additional personnel plus additional funding for equipment, cleaning of oil/grit separators, and interpretive signage/website improvements. In FY15 and FY16, the increase is to address deficiencies in post construction storm water management. The increase in FY16 is \$271,627.

The chart below shows the FY16 proposed operating revenues for the Park Fund.

FY16 Proposed Park Fund Revenue

	Actual FY13	Budget FY14	Budget FY15	Proposed FY16
<u>REVENUES</u>				
Facilities User Fees	\$1,955,682	\$2,048,939	\$2,356,200	\$2,435,743
Grants	\$640,959	\$400,000	\$400,000	\$400,000
Intergovernmental Transfer (Water Quality Protection Fund)	\$1,558,600	\$2,037,862	\$2,314,762	\$2,586,389
Miscellaneous Revenue	\$220,288	\$106,500	\$122,000	\$126,300
Interest	(\$68,776)	\$5,000	\$5,000	\$5,000
Total Revenue	\$4,306,753	\$4,598,301	\$5,197,962	\$5,553,432

Capital Equipment Internal Service Fund (ISF)

Debt Service for Internal Service Fund (ISF) Capital Equipment

The Department of Parks purchases equipment through the internal service fund (ISF) which finances equipment costing more than \$5,000 that has a life expectancy of greater than 6 years (the length of the financing term). Since FY08, the Department has spent \$1.75 million each year on larger pieces of equipment including work trucks, construction equipment, large mowers, and computer and information technology system upgrades.

The Planning Board approves these purchases by approving the debt service payment each fiscal year. For FY16, the Department of Parks requests to increase the ISF equipment purchases to \$2.25 million with a commensurate increase in the debt service payment of \$95,000. The amount of equipment purchased has been at the \$1.75 million level since at least FY08.

To keep the FY16 request as low as possible, Parks is asking for an increase in ISF equipment funding so that the payment is spread out over 6 years rather than absorbing the full cost this year if we requested capital outlay funding.