

# SECTION III: BUDGET AND FUNDING

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## A. Budget Process

The budget process consists of an examination of operations to determine any new initiatives, modifications, or service level changes projected to impact the budget.

The City budget book begins with the City of Ann Arbor’s guiding principles, goals, and priorities. Next there is an overview of the City budget with charts and graphs showing expenditures by category and revenues by source, along with information about City millages.

Parks and Recreation Services is a service unit within the Community Services Area. Field Operations, Natural Area Preservation, and Parks Forestry are part of a service unit within the Public Services Area. Each service area has a section in the budget book. There is a description of what each service unit does, along with tables of revenue and expenses by category and fund along with the full time equivalent (FTE) employee count. Next, service unit goals, along with specific unit measurables, are described.

The Parks and Recreation budget is one of the more complex within the City. The diversity of services and operations, the fact that the Parks system is budgeted in two distinct service areas, as well as the mixture of funding sources and revenues, makes the task of preparing the Parks budget a significant endeavor. The City uses a July 1 to June 30 fiscal year and a two-year budget cycle; the first year is adopted by City Council, and the second year is an adopted plan. The budget process begins in the late fall, with extensive staff time spent on budget preparation in January, February, and March. The City Administrator submits a recommended budget to the City Council in April and the Council is required to adopt the budget by their second meeting in May.

### **Budget Calendar**

<i>July 1, 2010</i>	Fiscal Year 2011 Begins
<i>January – March 2011</i>	Budget Preparation – Budget is entered in financial system, impact sheets and scenarios are created, and fees are evaluated.
<i>March 2011</i>	Staff meets with members of the Budget and Finance Committee, a standing committee of the Park Advisory Commission to review budget information.
<i>April 2011</i>	City Administrator’s Budget submitted to City Council for review.
<i>April 2011</i>	PAC makes recommendation to City Council on proposed City Administrator’s Budget. Opportunity for public commentary on proposed budget.

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<i>May 2011</i>	City Council adopts Fiscal Year 2012 Budget and Fiscal Year 2013 Plan
<i>June 30, 2011</i>	Fiscal Year 2011 Ends
<i>July 1, 2012</i>	Fiscal Year 2012 Begins

### **B. Annual Budget for Fiscal Year 2011**

For the 2011 fiscal year, the City of Ann Arbor's General Fund was faced with decreasing revenues and increasing costs. The City was faced with eliminating \$5.2 million from projected expenses to balance the budget. As a result, all units within the General Fund were tasked with identifying potential cuts to assist in bridging that gap. Consequently, there was much discussion about the elimination or reduction of services across the City, and Parks was no exception.

In Parks & Recreation Services, the approved plan for FY2011 included the closure of Mack Indoor Pool and the Senior Center. Task forces consisting of staff, user groups, PAC members, and Council members were created by Council to examine the operations of both facilities. Ultimately, recommendations were provided and implemented that helped to bridge the net operating costs of both facilities and saw them restored in the approved budget for FY2011.

In Field Operations, mowing is the single largest budget expense funded by the General Fund. Mowing cycles were extended from 14 to 19 days to help achieve necessary budget reductions.

#### **1. Parks and Recreation Services**

The Parks and Recreation Services Unit includes Parks Administration, Parks Planning, and Recreation Facilities, and consists of 18 full-time employees and approximately 300 part-time and seasonal employees. Parks Administration is responsible for the development of park policy, capital and operating budgets, park planning and improvements, park shelter reservations, special events, and the Parks and Recreation Boards and Commissions, including the Park Advisory Commission and Land Acquisition Committee. Parks Administration coordinates and manages the service unit while overseeing short and long-term planning, capital projects, infrastructure improvements, and budget.

The Recreation Facilities, which include four pools, two ice rinks, two golf courses, two canoe liveries, two community centers, farmers market, senior center, an historic house and a farm site, a science education center, and park shelters are managed by Parks and Recreation Services staff.

The Parks and Recreation Services budget includes seven funding sources:

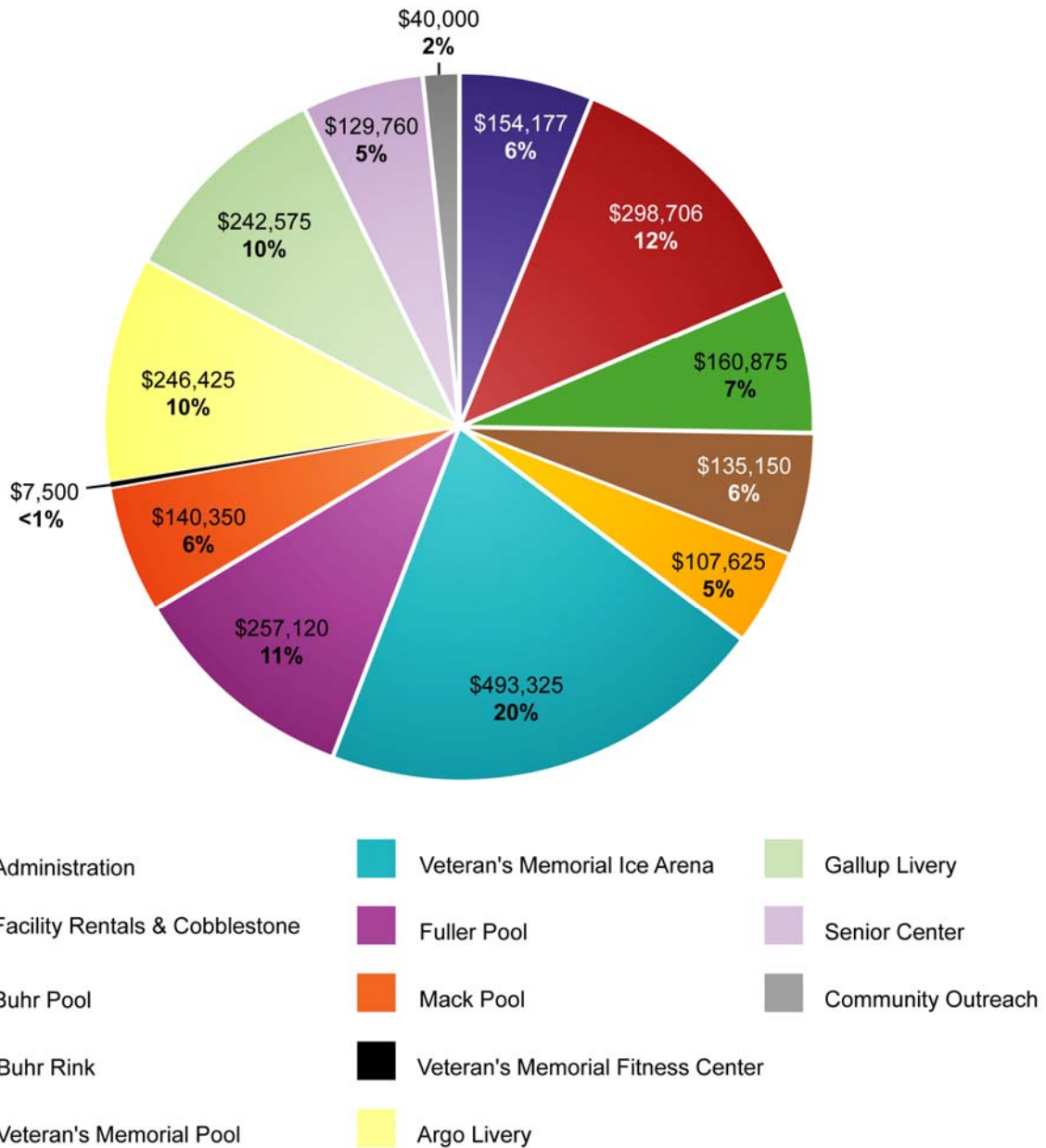
- Fund 10 – General Fund: the General Fund supports Parks Administration, along with numerous recreation facilities.
- Fund 24 – Land Acquisition Funds: these funds result from the Open Space and Parkland Preservation Millage and are used to purchase new parkland.

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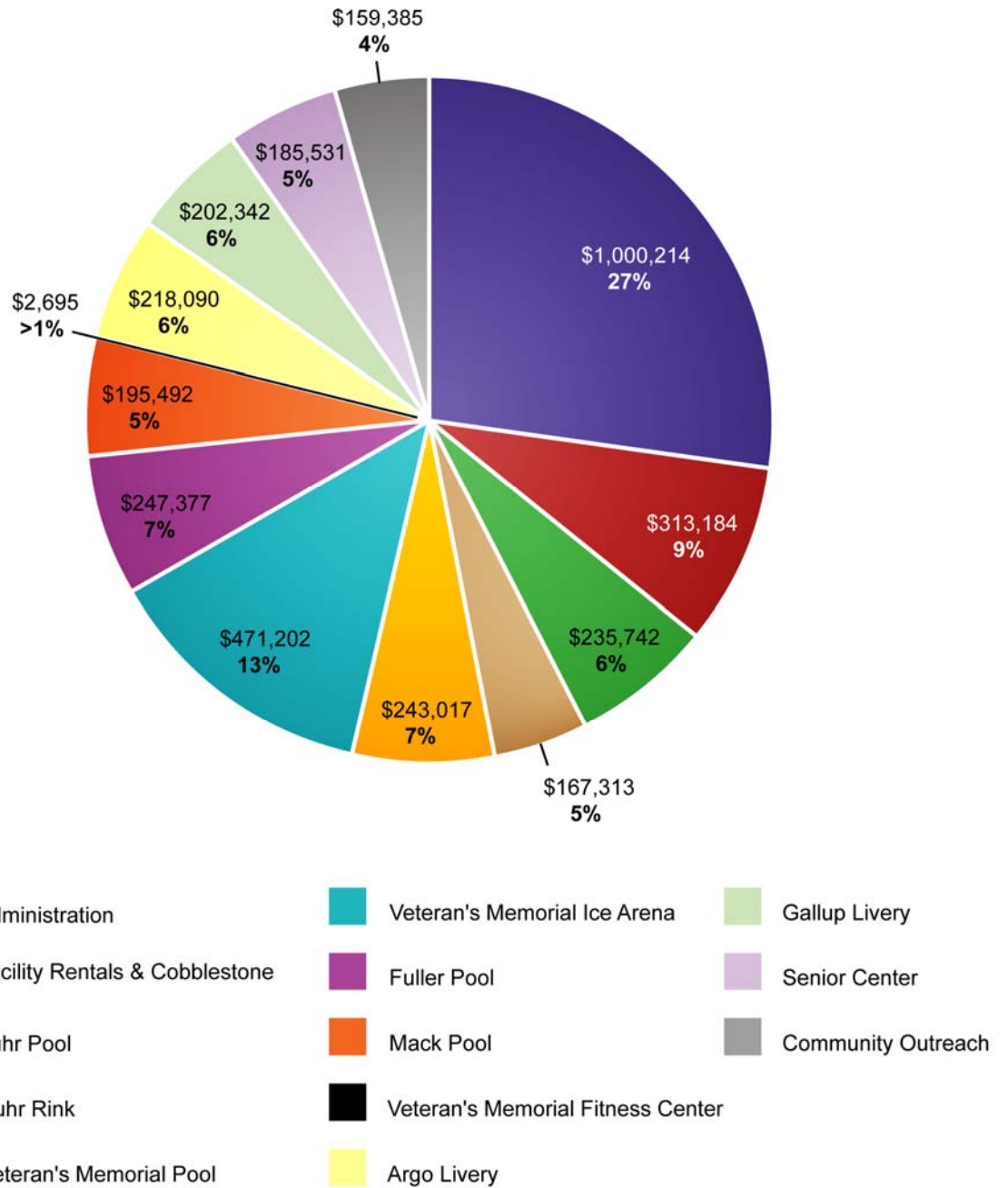
- Fund 25 – Bandemer Park Fund: this fund is designated for use specifically at Bandemer Park.
- Fund 33 – Gifts and Memorials Fund: this fund constitutes donations and developer contributions and associated expenses.
- Fund 46 – Market Enterprise Fund: an enterprise fund for Farmers Market Operations.
- Fund 47 – Golf Enterprise Fund: an enterprise fund for Golf Course Operations.
- Fund 71 – Parks Maintenance and Capital Improvements Millage: this fund supports capital projects, park planning functions, and volunteer outreach.

Charts on the following pages detail the Parks and Recreations Services Revenue and Expenditure budgets for Fiscal Year 2011.

**PARKS AND RECREATION SERVICES**  
*General Fund*  
**FY2011 REVENUE BUDGET**  
 Total \$2,413,588



**PARKS AND RECREATION SERVICES**  
*General Fund*  
**FY2011 EXPENSE BUDGET**  
 Total \$3,641,584

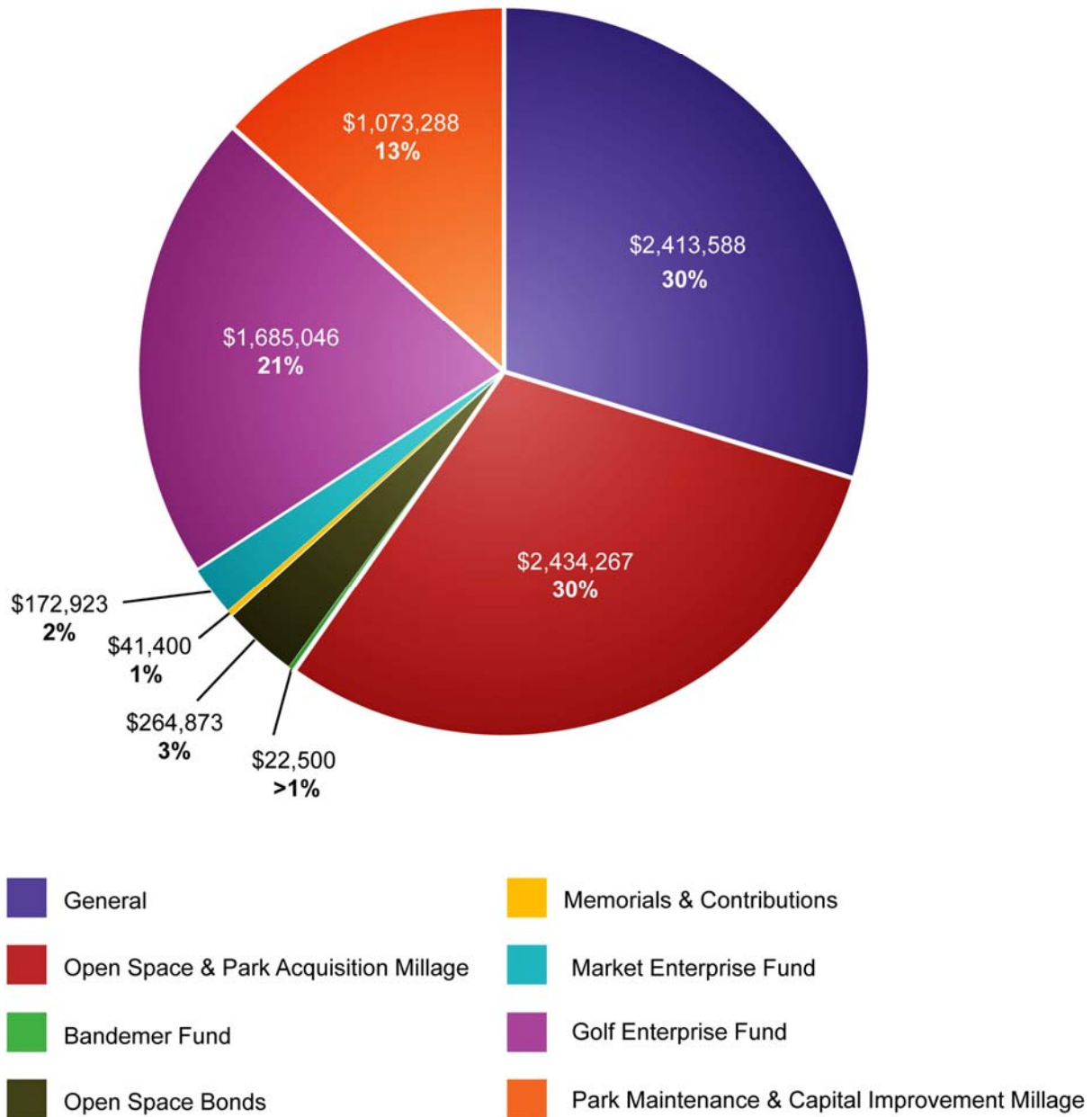


**PARKS AND RECREATION SERVICES**

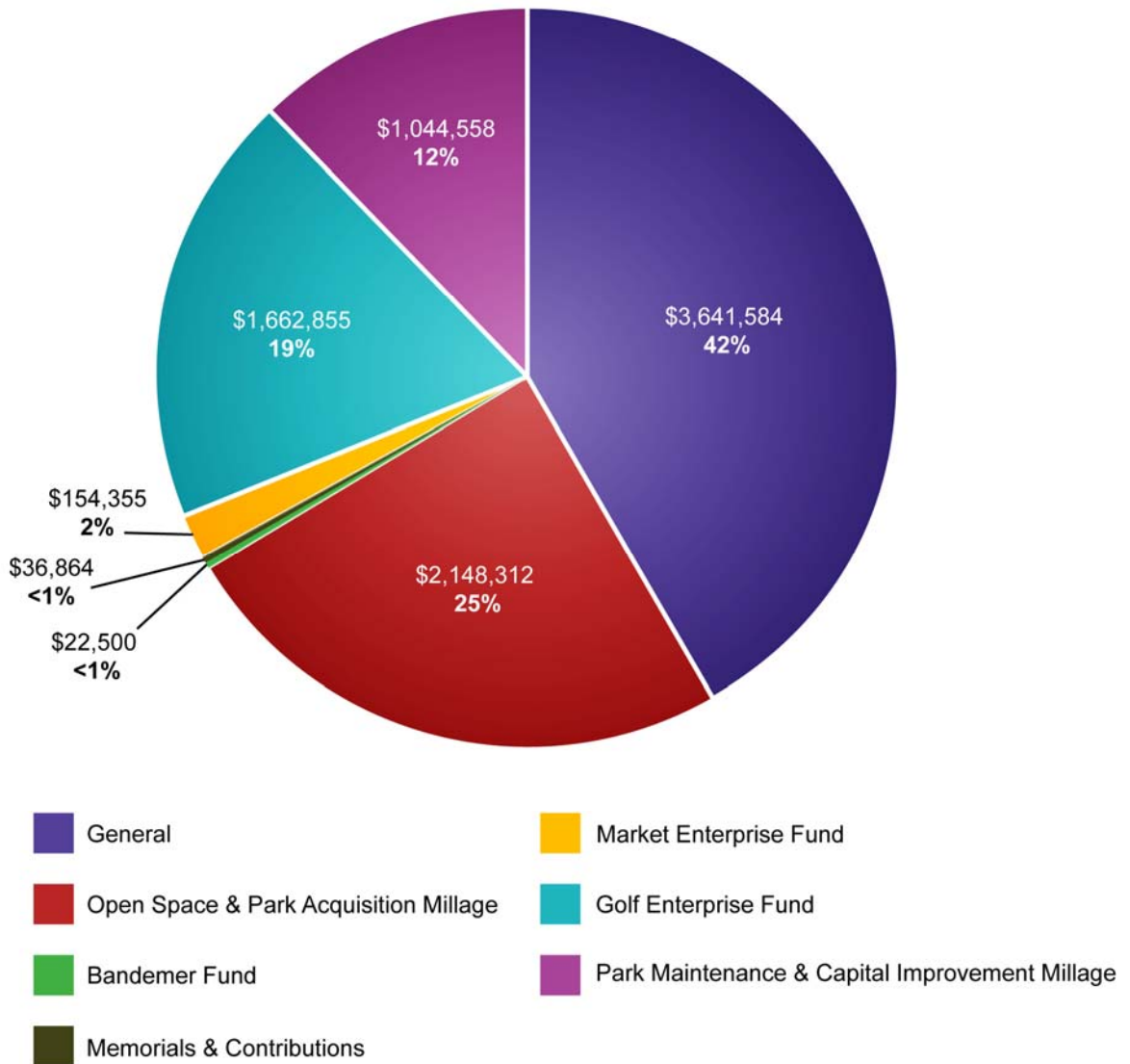
*All Funds*

**FY2011 REVENUE BUDGET**

Total \$8,107,885



PARKS AND RECREATION SERVICES  
*All Funds*  
FY2011 **EXPENSE BUDGET**  
Total \$8,711,028



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### 2. **Parks – Field Operations**

Field Operations, Forestry, and Natural Area Preservation; all parts of the Public Services Area, are responsible for maintenance in the parks, playgrounds, shelters, and at the recreation facilities, along with the management of Natural Areas and Adopt-a-Park programs and parks forestry functions. There are 27 full-time employees responsible for these tasks and seasonal staff as needed.

The Field Operations budget includes two funding sources:

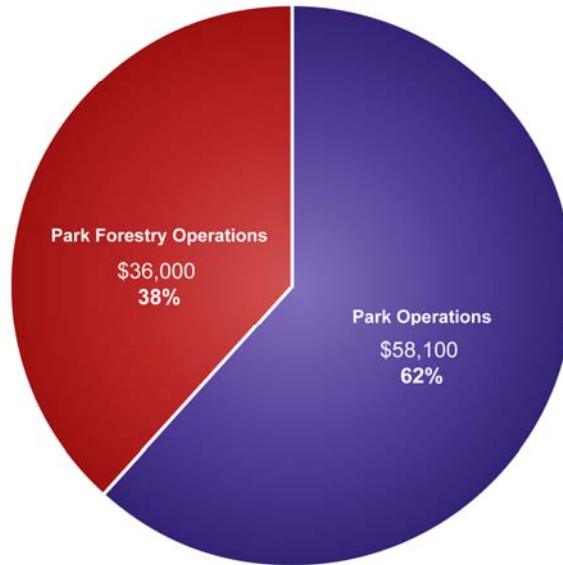
- Fund 10 – General Fund: the General Fund supports core parks maintenance functions such as mowing, line trimming, and snow removal.
- Fund 71 – Parks Maintenance and Capital Improvements Millage: this fund supports parks, playground, and recreational facility maintenance functions, parks forestry functions, and the Natural Area Preservation program.

Charts on the following pages detail the Parks Revenue and Expenditure budgets for Field Operations for Fiscal Year 2011.

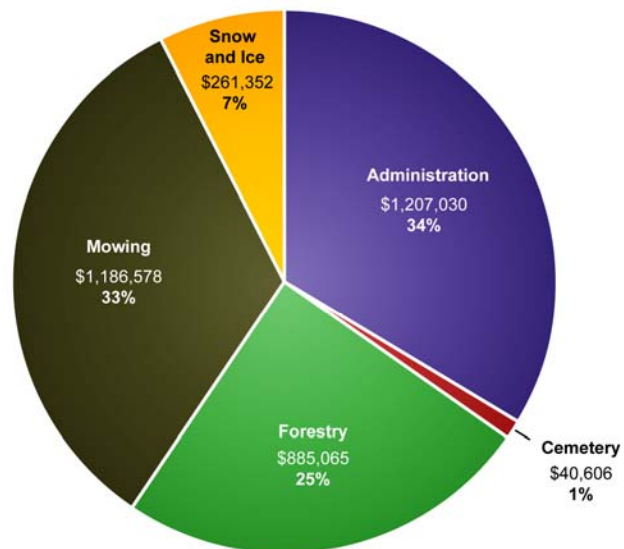


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PARK OPERATIONS AND FORESTRY  
*General Fund*  
FY2011 **REVENUE BUDGET**  
Total \$94,100

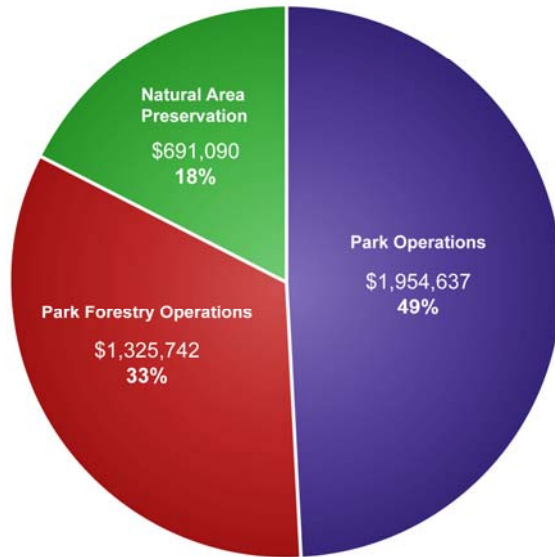


PARK OPERATIONS AND FORESTRY  
*General Fund*  
FY2011 **EXPENSE BUDGET**  
Total \$3,580,631

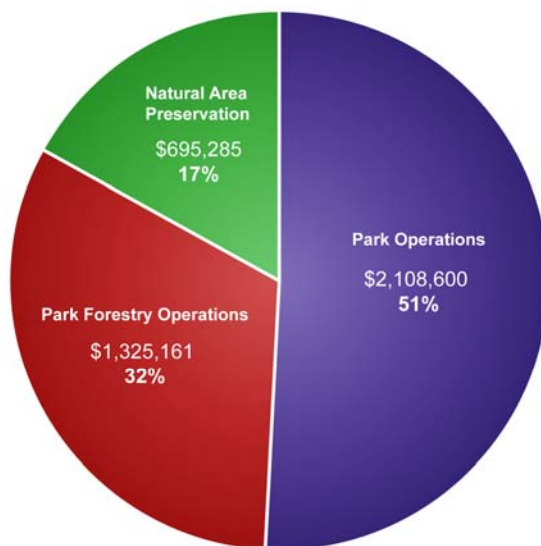


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PARK OPERATIONS, FORESTRY  
AND NATURAL AREA PRESERVATION  
*Park Maintenance & Capital Improvement Millage Fund*  
FY2011 **REVENUE BUDGET**  
Total \$3,971,469



PARK OPERATIONS, FORESTRY  
AND NATURAL AREA PRESERVATION  
*Park Maintenance & Capital Improvement Millage Fund*  
FY2011 **EXPENSE BUDGET**  
Total \$4,129,046

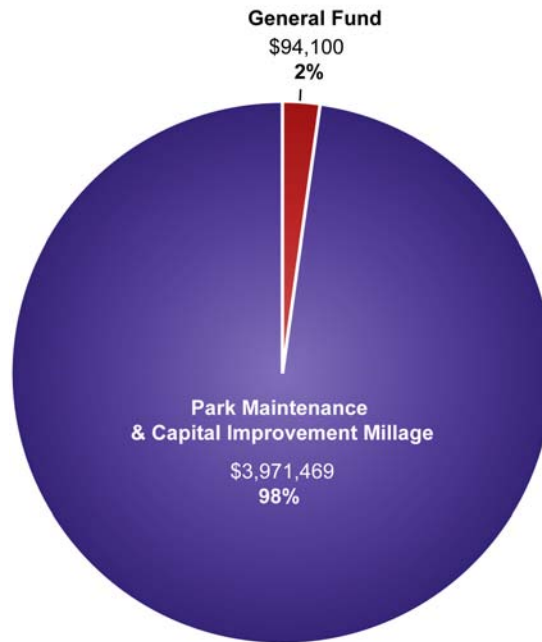


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PARK OPERATIONS, FORESTRY  
AND NATURAL AREA PRESERVATION  
*All Funds*

FY2011 **REVENUE BUDGET**

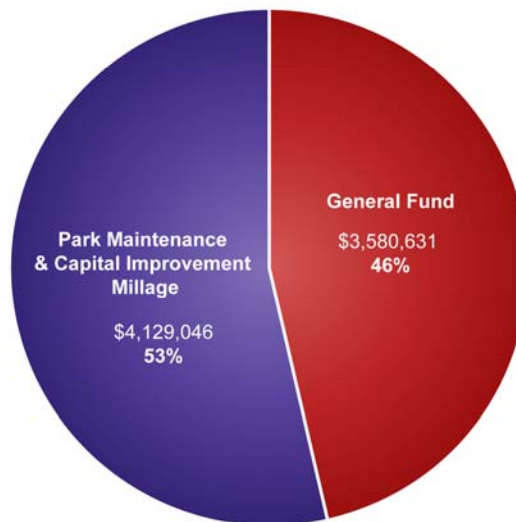
Total \$4,072,777



PARK OPERATIONS, FORESTRY  
AND NATURAL AREA PRESERVATION  
*All Funds*

FY2011 **EXPENSE BUDGET**

Total \$7,709,677

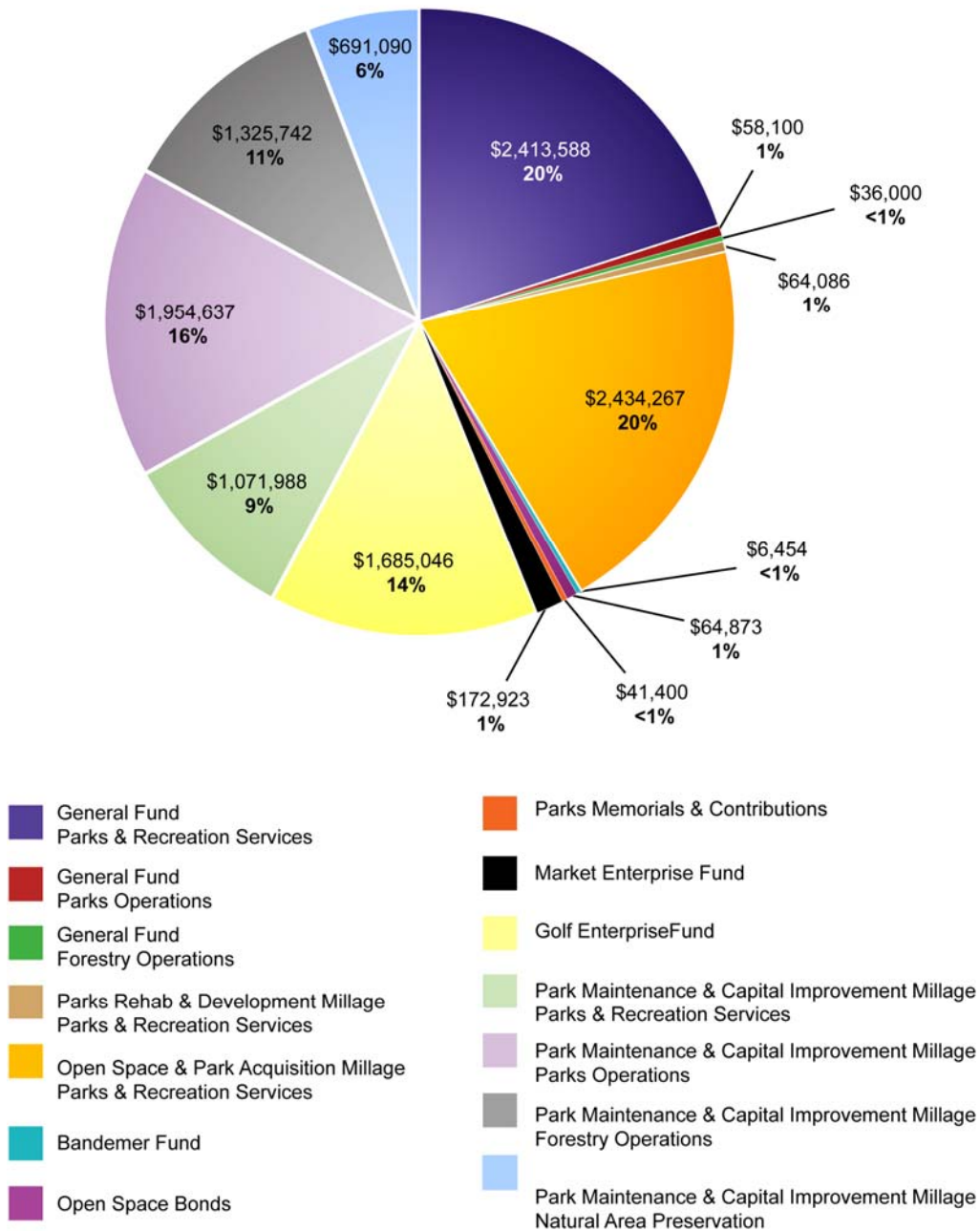


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3. Total Parks System

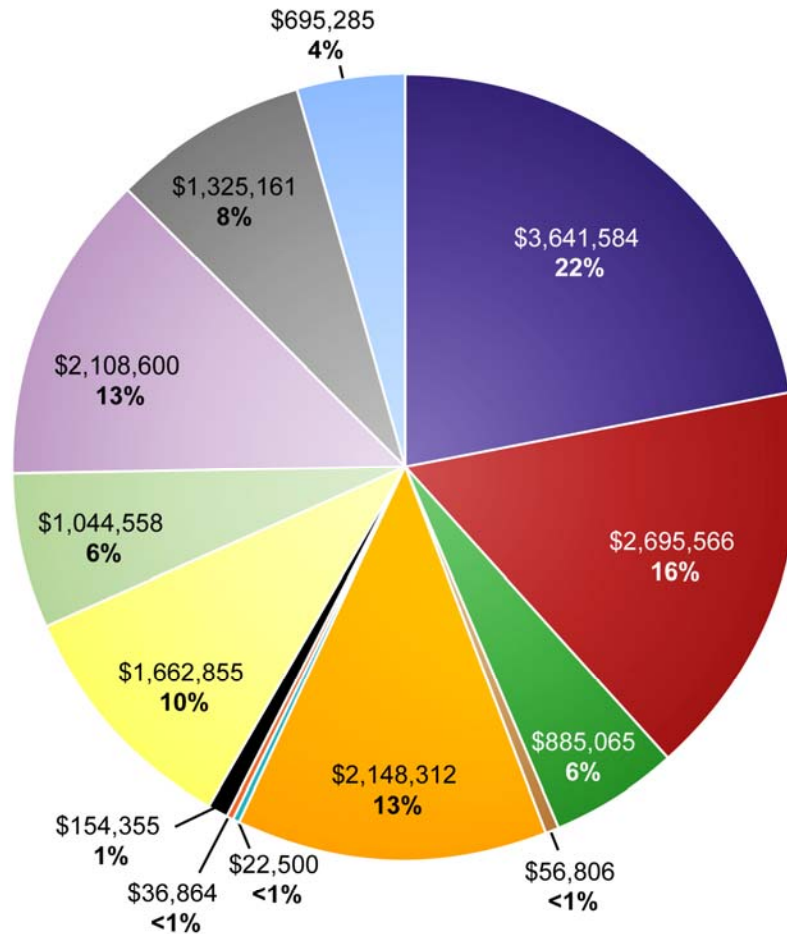
Charts below detail combined Revenue and Expenditure budgets for the entire Parks System for Fiscal Year 2011.

TOTAL PARK SYSTEM  
FY2011 REVENUE BUDGET  
Total \$12,020,194



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**TOTAL PARK SYSTEM  
FY2011 EXPENSE BUDGET**  
Total \$16,477,511



- General Fund Parks & Recreation Services
- General Fund Parks Operations
- General Fund Forestry Operations
- Parks Rehab & Development Millage Parks & Recreation Services
- Open Space & Park Acquisition Millage Parks & Recreation Services
- Bandemer Fund
- Parks Memorials & Contributions
- Market Enterprise Fund
- Golf Enterprise Fund
- Park Maintenance & Capital Improvement Millage Parks & Recreation Services
- Park Maintenance & Capital Improvement Millage Parks Operations
- Park Maintenance & Capital Improvement Millage Forestry Operations
- Park Maintenance & Capital Improvement Millage Natural Area Preservation

## **C. Sources of Funding for the Parks and Recreation Budget**

The parks and recreation system is funded through a combination of general fund dollars, millages, and revenues from recreation facility programs, grants, and donations.

### **1. General Fund**

The General Fund in 2011 provides 22% of all parks funding. The General Fund is the major account for financing the City's routine operations. The largest source of revenue for the General Fund is property tax. A small portion of the overall City General Fund revenue is from sources other than local property taxes. Parks & Recreation Services generates over \$2,000,000 in revenue annually. No General Fund support is available for capital improvements for park rehabilitation, development, or acquisition.

### **2. Property Tax Millages**

The Parks and Recreation System currently has two millages; the Park Maintenance and Capital Improvements Millage and the Open Space and Parkland Preservation Millage. Millages are based on assessed valuation of properties in the City. Consequently, revenues increase or decrease as the total valuation of property changes.

#### **a. PARK MAINTENANCE AND CAPITAL IMPROVEMENTS MILLAGE**

In November 2006, Ann Arbor voters approved the six-year (2007-2012) Park Maintenance and Capital Improvements Millage. The millage annually levies a tax of 1.25 mills on all taxable real and personal property within the City for the purpose of financing park maintenance activities in the following categories: forestry and horticulture, natural area preservation, park operations, park security, and recreational facilities, and for the purpose of financing park capital improvement projects throughout the park system. The annual cost to a homeowner based on a median home valuation of \$250,000 is approximated to be \$156.25 for fiscal year 2011 (or \$13.02/month).

Ann Arbor City Council approved guidelines for the administration of the Parks Maintenance and Capital Improvements Millage, including the following:

- Annual allocation for maintenance is to be between 60% and 80% and for capital improvements between 20% and 40%, with a total annual allocation being 100%.
- Originally, the Natural Area Preservation Program budget received a minimum 3% annual increase to enhance the stewardship of increased acreage of natural park areas. As part of the FY2011 budget process, and as recognition that the revenue generated by the millage was decreasing, this guideline was amended to provide equality between all City units receiving funding from this millage.
- If future reductions are necessary in the City's general fund budget, not including the budget for Safety Services, during any of the six years of this

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millage, beginning in the fiscal year of 2007-2008, the general fund budget supporting the Parks and Recreation System, after subtracting the revenue obtained from fees for parks and recreation, will be reduced no greater than the average percentage reduction, for each particular year, of the rest of the City general fund budget, not including the budget for Safety Services, for each of the applicable six years of this millage.

- If future increases occur in the City's general fund budget, not including the budget for Safety Services, during any of the six years of this millage, beginning in the fiscal year of 2007-2008, the general fund budget supporting the parks and recreation system, after subtracting the revenue obtained from fees for parks and recreation, will be increased at the same rate as the average percentage increase, for each particular year, of the rest of the City general fund budget, not including the budget for Safety Services, for each of the applicable six years of this millage.
- The millage is not subject to a municipal service charge, but is subject to appropriate information technology and fleet charges.

### b. OPEN SPACE AND PARKLAND PRESERVATION MILLAGE

In November 2003, the City of Ann Arbor voters approved a ballot proposal commonly known as the Greenbelt Millage. The purpose of the millage is to provide funds to purchase additional parkland and to protect farmland, open space, natural habitats, and the City's source waters outside the City limits. The voters authorized a one-half mil tax for 30 years to replace the existing Land Acquisitions Millage of .5 mil that expired in 2004; the current millage is .3248. The millage provides funds for preservation and protection of parkland within the City limits and farmland, open space, natural habitats, and City source waters by the acquisition of conservation easement or purchase of development rights within the designated Greenbelt District. Approximately one-third of the money raised by the millage is apportioned to purchasing parkland within the City limits, and approximately two-thirds are appointed to the acquisition of land outside the City limits.

The Greenbelt Program focuses on three areas: the purchase of development rights on farmland, building 1,000-acre blocks of protected land, and protecting natural areas and open space throughout the Greenbelt District in partnership with other local agencies. While it is difficult to assign a percentage of focus of the greenbelt acquisitions as the program is dependent upon applications, the Greenbelt Program will strive to have approximately 90 percent of the funds focused on preserving blocks of land to include farmland purchase of development rights, as well as natural areas and open space within those blocks. The remaining funds will be used to focus on open space and natural areas of other value as they fit into a broader regional plan.

On May 3, 2004, the Ann Arbor City Council adopted Chapter 42 of the Ann Arbor City Code, titled "Open Space and Parkland Preservation." The Chapter establishes and defines a Greenbelt District and the criteria and selection process for purchase of development rights and other property rights within the district.

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Chapter 42 of the City Code also established a nine-member Greenbelt Advisory Commission, their duties, and the relationship between the role of the Greenbelt Advisory Commission and the previously established Parks Advisory Commission. The Land Acquisition Committee of the Park Advisory Commission recommends purchasing parkland within the City limits, while the Greenbelt Advisory Commission recommends purchasing land outside the City limits.

### 3. Other Funding Sources

- a. Parks and Recreation Services charges fees for entrance to recreation facilities, rental of equipment, memberships, and programs, along with other activities, rentals, and special events. Revenue is also generated from concession sales, merchandise sales, and contract agreements.
- b. State and federal grants have in the past accounted for several million dollars to match local millage funds for projects. Grant programs administered by the Michigan Department of Natural Resources and Environment (MDNRE) include the Michigan Natural Resources Trust Fund, which derives income from oil and gas leases and matches local funds for parkland acquisitions and park improvements, and the state income tax-supported Clean Michigan Initiative Recreation Bond, which provides grant opportunities. Federal programs such as the Transportation Enhancement Act, the Clean Lakes Program, Urban Forests, and Small Business Administration have contributed to several projects in recent years. Major acquisitions assisted by grants include Dolph Nature Area and Traverwood Woods. Major park improvements assisted by grants in recent years include Olson Park, the Argo Trail, and the Barton Boardwalk.
- c. Gifts, donations, and bequests also provide funding resources. Large bequests have helped with the purchase of Bandemer Park, improvements at the Leslie Science Center and Gallup Park, and strategic planning at the Senior Center. Gifts and memorials for specific tree plantings, park benches, playgrounds, picnic shelters, picnic tables, bridges, trails, etc., have allowed improvements that could not otherwise be funded. Gifts from businesses help to fund a scholarship program that provides access to recreation programs to Ann Arbor residents who are income eligible. Gifts and donations also contribute to publication of special brochures, maps, and presentation of special events. In 2009, a special donation was made to place a Petanque court in Burns Park.
- d. Developer parkland dedications and cash in lieu of dedication have provided much of the neighborhood parkland and improvements for over 40 years. The policy of requesting that developers provide parkland as part of the infrastructure to support new neighborhoods has helped the Parks and Recreation System keep pace with development in the City. Examples include Cranbrook, Ward, and Foxfire Parks.
- e. Volunteers assist through natural area stewardship by adopting flower beds in parks and throughout the City; helping with clean-up activities in the downtown, along the river, and elsewhere; by serving on committees and commissions such as the Park Advisory Commission; and serving as docents and instructors. Thousands of hours



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per year are graciously provided for various projects throughout the park and recreation system.

### **D. FUTURE FUNDING**

The continuing growth of the area surrounding Ann Arbor has resulted in an increased demand for parks and recreation facilities and services. Through the dedicated park acquisition millage, the City has been able to acquire significant land for dedicated park, recreation and open space uses. However, the cost of developing and maintaining these facilities has reached a point where traditional funding means (i.e., property taxes, millages/bond issues, fees, etc.) are no longer able to completely support the current and future needs of the Parks and Recreation System.

In light of the current budget challenges, the City will continue to explore funding options to insure the continuing vitality of the parks system and provision of services, facilities, and programming for the entire community.

#### **User/Permit Fees**

User and Permit Fees will continue to be evaluated as part of the annual budget process to make sure competitive fees are being charged.

#### **Public/Private Partnerships**

Contributions can take many forms, including direct funding, sponsorships, in-kind donations, community program relationships/partnerships, and volunteer commitments. These partnerships help defray operating expenses and increase visibility of programs and events throughout the community.

Parks and Recreation, with assistance from the City administration, should take steps to increase marketing efforts with an aim of increasing public-private partnerships. Such partnerships could provide flexibility of facility design, enhance the experience of park users, promote efficiencies, and create new sources of revenue. Partnerships could address issues such as access, services and programs, marketing, and other opportunities that could result in win/win scenarios. The privatization of services is another potential way to achieve higher levels of efficiency within the Parks system. Commercial uses whose function would integrate with the parks and recreation goals and policies could make parks more accessible by introducing uses that will attract people. Examples of expanded commercial opportunities include the coffee shop in the Gallup Park livery and a recent partnership with Stoneyfield Yogurt that benefits park programs and promotes healthy living.

#### **Local Matching Funds**

The Ann Arbor Downtown Development Authority works with the City to accomplish a range of goals, and the enhancement of the downtown area for pedestrians is one of these goals. Historically, the DDA has contributed funding for design, construction, and maintenance for park properties within the DDA area including renovations to both Liberty Plaza and Sculpture Plaza. This partnership remains an important collaborative relationship and Parks and Recreation should continue to work with the DDA to identify and develop new parks within the downtown area as well as to maintain existing downtown park facilities.

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### **State Funding Options**

The MDNR Natural Resources Trust Fund (MNRTF) provides funding for local acquisition and development initiatives across the state. Revenues from state-owned gas and oil resources fund the MNRTF and a board of trustees awards the grants and contracts. The MNRTF is limited to spending 25% of the fund's annual revenue on development projects and, therefore, property acquisition accounts for the bulk of annual funding. This funding mechanism ensures that MNRTF funding is immune to other budget pressures and cannot be used to solve the state's larger budget issues and shortfalls. MNRTF development grant applications are due April 1 of each year for development and MNRTF acquisition applications are due April 1 and August 1 each year.

Parks and Recreation has been successful over the years in securing MNRTF funding. During the last PROS Plan cycle, the City secured over \$1.3 million dollars in funding for the acquisition of land adjacent to Dolph Nature Area and Black Pond Woods, improvements at the Leslie Science Center and the development of Olson Park.

### **Parks Trust or Foundation**

The City should work with major private corporations and community organizations to encourage them to contribute funds (or aid in fundraising) and/or in-kind donations as long-term commitments to the community, including parks and recreation. Gifts or planned giving could be directed to an Ann Arbor Parks and Receptions Services trust fund or endowment.