

Budget Management &
Capital Improvement Plan (CIP)

Jody Yungers,
Retired Director of Recreation and Parks,
City of Brooklyn Park



EMERGING LEADERS RECREATION INSTITUTE

Budget & Capital Improvement Plan (CIP)

AGENDA:

- ❑ Understanding your Political Environment
- ❑ Budget Development Process and Strategies
 - ❑ Program Area Budgeting
 - ❑ Facility Operational Budgets
- ❑ Public Funding Options/Types
- ❑ Performance Measures
- ❑ Capital Improvement Planning (CIP/CEP)
- ❑ Capital Asset Management
- ❑ Cost Benefit Analysis



Budget Process & Capital Improvement Plan (CIP)



- ❑ What are the questions around this subject that you hope we will address?
- ❑ How engaged have you been in the full budget process for your City or Organization?

Budget Preparation

- ❑ Consider your environment as you build your budget
 - ❑ Political Environment (Council/Community/Organizational support)
 - ❑ Council/Commission Change
 - ❑ Tax Levy Target (taxing tolerance)?
 - ❑ State Funding Changes (Fiscal Disparities,
 - ❑ Organizational fiscal landscape (growth, status quo, shrinking)
 - ❑ County Assessors Home Values
 - ❑ Fiscal goals of organization (bond rating, reserve fund status)

Budget Preparation



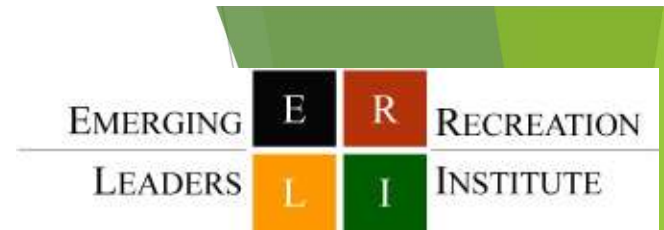
- ❑ Department internal priority/conflicting needs
 - ❑ Community Demand/Need - Where do you need to grow programs services?
 - ❑ Levy dependent or not?
- ❑ Know what your surrounding Cities or Regional Agencies are doing
 - ❑ Levy Targets
 - ❑ Seasonal Salaries - Market analysis
 - ❑ Cost per Contact hour/Facility Rental Fees (Golf, Ice Arena, Dome, etc.)

Budget Preparation

□ Budget Analysis (Prior Years)

- Know how you preformed against prior year budget (Jody Cheat Sheet)
 - Did you meet your target revenues by program area?
 - Where you overspent in one area or other
 - Program Evaluation (WAVE)
 - Participation rates?
 - What's on the horizon!
 - What can you let go off to make room for other priorities?
 - Opportunities for joint programs when market does not allow to do it alone?

Budget Development



- Budget Development includes two sides of the spread sheet:
 - Revenues
 - Expenditures

Budget Philosophy

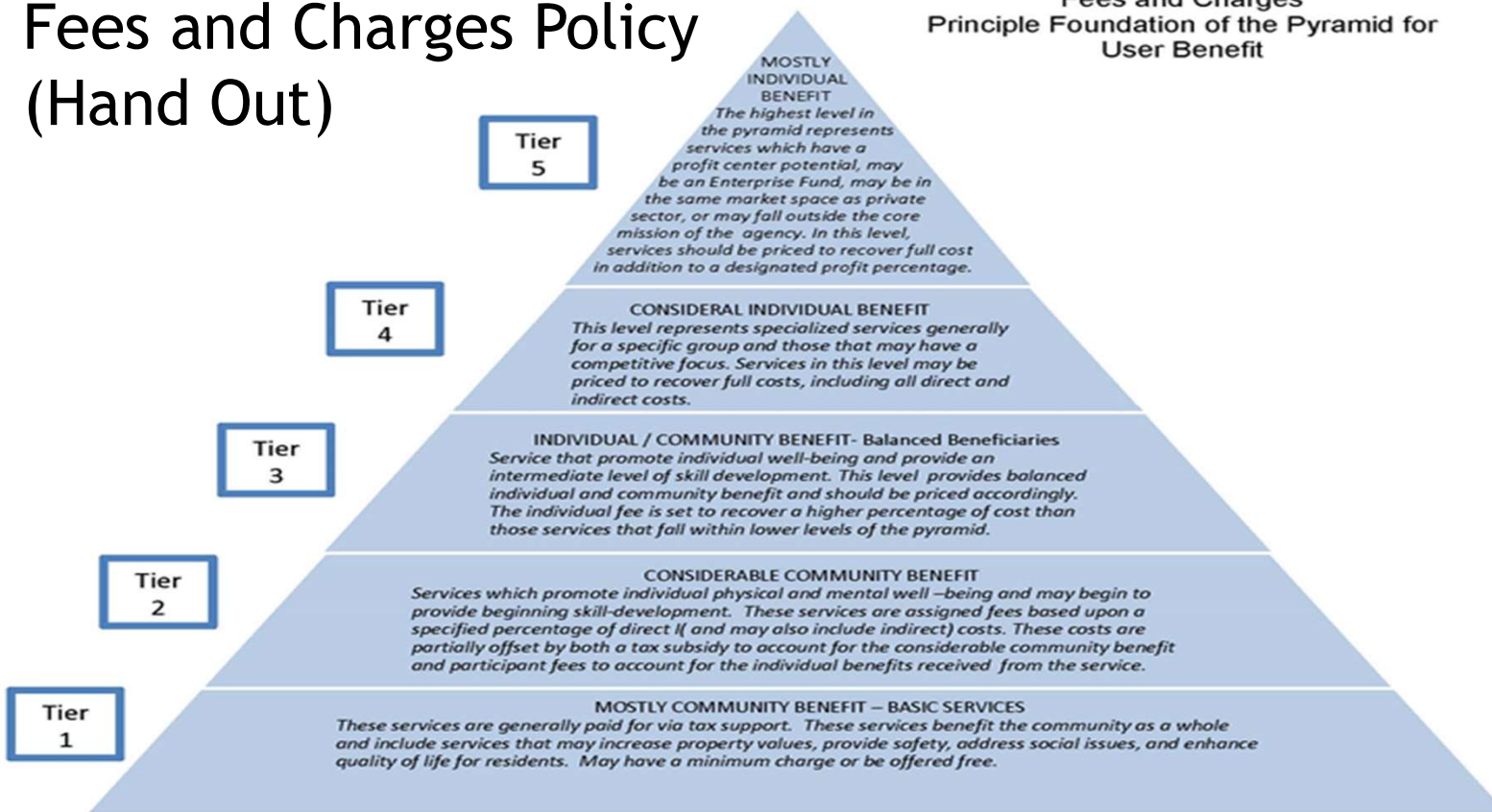
EMERGING
LEADERS



RECREATION
INSTITUTE

Fees and Charges Policy (Hand Out)

Fees and Charges
Principle Foundation of the Pyramid for
User Benefit



Budget Fund Expectations

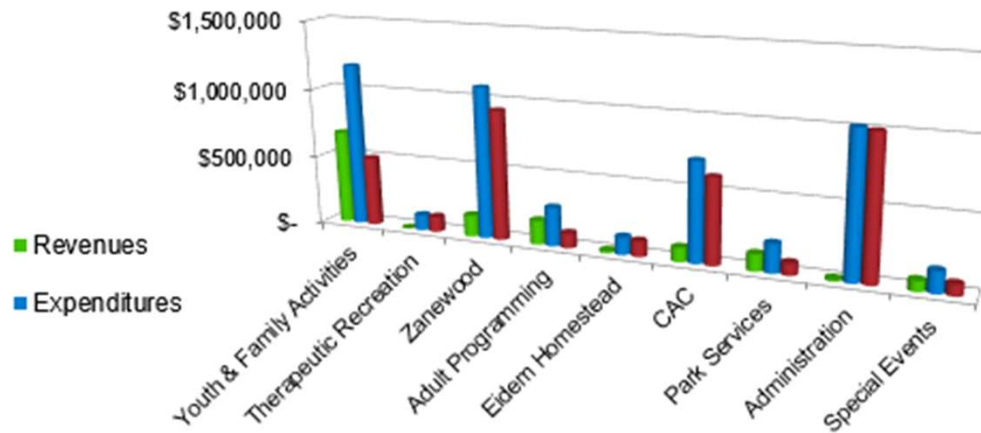
- ▶ General Fund - All Department Functions (Administration, Recreation, Parks and Trails). Fees and Charges Policy determines the support by tax levy
- ▶ Special Recreation Fund - Typically fees and charges pay annual program or operating cost and Capital Asset Replacement funded through CIP and support from tax levy
- ▶ Enterprise Fund - Run as a separate business and all general operations cost, CIP, Depreciation are supported by annual revenues generated or fund balance



Use your Fees and Charges Policy to Justify your Budget

2020 Recreation Program & Services General Fund

Proposed 2021 Recreation Program & Services General Fund



<u>Recreation General Fund</u>	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Approved	
Revenue	\$ 1,306,447	\$ 1,267,290	\$1,261,303	\$ 1,290,124	Amended \$ 1,298,373
Expenditure	\$ 4,429,714	\$ 4,582,774	\$ 4,800,074	\$ 5,333,330	\$ 5,404,115
Balance (Levy)	\$ 3,123,267	\$ 3,315,484	\$ 3,538,771	\$ 4,042,206	\$ 4,105,742

Budget Development

- ❑ Other Considerations in setting fees:
 - ❑ Community Priority (Swim Safe Initiative)
 - ❑ Market Analysis
 - ❑ Economic Principles of supply and demand
 - ❑ Cost of Production and Marginal Unit Cost
 - ❑ Staffing costs
 - ❑ “Vanishing Product” (i.e. softball)



EMERGING LEADERS RECREATION INSTITUTE

The logo consists of a white rectangular box divided into four colored squares: a black square with a white letter 'E', a red square with a white letter 'R', an orange square with a white letter 'L', and a green square with a white letter 'I'. To the left of the 'E' and 'L' squares is the word 'EMERGING' and 'LEADERS' respectively. To the right of the 'R' and 'I' squares is the word 'RECREATION' and 'INSTITUTE' respectively. The background of the slide features abstract green geometric shapes.

Budget Development



- ❑ Revenue Projection principles:
 - ❑ Review prior year individual program participation (times, and sessions with most registration)
 - ❑ Five Year History (trends)
 - ❑ Changes in operations (days of operation/holiday impacts (ice arena's, etc.)
 - ❑ Operating Cycles vs Fiscal Year Adjustments
 - ❑ What does the revenue cost? (know your tipping point of revenue to expense)
 - ❑ Expecting the unexpected
 - ❑ Maximum, Minimums and Most Likely

Budget Development



❑ Defining your Expenses:

- ❑ Labor - Your greatest asset & largest share of budget (COLA and benefits - biggest driver)
- ❑ Understand what has changed from prior year (number of sessions, hours of operation, utility costs)
- ❑ Watch for trends (five-year history)
- ❑ Know what your expenses will generate in revenue
- ❑ Be prepared to “show, know and defend your numbers” (i.e. facility rental, etc.)
- ❑ Tip....Show your work, so you know for the next year...and track your expectations!

Budget Justification



- ❑ Performance Measures (Indicators):
 - ❑ “How do you know you are putting tax \$ to the right programs?”
 - ❑ What is the story you are trying to tell around the need?
 - ❑ Are you meeting your stated objective? (Increased school engagement, skill development (mastery), improved social emotional skills, reduced criminal engagement)

Budget Management

Tracking and Communicating Budget Challenges:

- ❑ Monitor and continuous tracking:
 - ❑ Track your revenues to expenditures (billing cycles, utility costs, etc.)
- ❑ Compare your proposed budget to current reality (make operational adjustments accordingly)
- ❑ Keep your supervisor aware of unforeseen operational and cost concerns
- ❑ Know/anticipate decision timelines

Financial Management

EMERGING LEADERS RECREATION INSTITUTE

- ❑ Know and understand multiple revenue sources! Where the City get its Money?
 - ❑ General Levy
 - ❑ State Local Government Aid (LGA)
 - ❑ Disparity Funding (redistribution of funds)
 - ❑ Fees and Charges (Permit Fees, Program Fees, etc.)
 - ❑ Liquor Store, Cell Tower Revenues, etc.
 - ❑ Other Enterprise (Franchise Fees, Utility Charges)
 - ❑ Economic Development (separate levy)
 - ❑ Bonding (many different types)
 - ❖ Revenue Bonds
 - ❖ General Obligations Bonds
 - ❑ Park Dedication Fees

Financial Management

- ▶ Need to understand:
 - ▶ Overall City Position and Political Will on tax increase
 - ▶ City Priority Goals
 - ▶ Cost of givens (COLA, Insurance, Work Comp, Debt Payment)
 - ▶ Change in State Funding (i.e. racial disparities funding, etc.)
 - ▶ General Levy vs Overall Levy (EDA)

Financial Management



□ General Review:

- Budgets are not just about numbers
- Know your “Fiscal Landscape”
- Have and know the data (know the what/why behind the numbers)
- Know your financing tools and their perimeters
- Budgets are planning tools & long-term vision documents
- We are Stewards of the taxpayer \$ and budget hold us accountability

Budget/Financial Management



Questions

Financial Management

Capital Asset Replacement/
Capital Improvement Program



EMERGING LEADERS RECREATION INSTITUTE

The logo consists of a 2x2 grid of colored squares: black (top-left), red (top-right), orange (bottom-left), and green (bottom-right). The letters 'E', 'R', 'L', and 'I' are placed in the top-left, top-right, bottom-left, and bottom-right squares respectively. To the left of the grid, the words 'EMERGING' and 'LEADERS' are stacked vertically. To the right of the grid, the words 'RECREATION' and 'INSTITUTE' are stacked vertically. A horizontal line is positioned between the top and bottom rows of the grid.

Capital Improvement Plan



- What's the Difference between a Capital Improvement Program (CIP) vs Capital Asset Replacement Program?

Capital Improvement Plan (CIP)

- ❑ What type of Capital Asset Replacement Programs do you have?
 - ❑ What tools or software do you use?



EMERGING LEADERS RECREATION INSTITUTE

CIP TYPES/DEFINITIONS

- **Rehabilitation** - restore to original condition (i.e. parking lot overlay)
- **Replacement** - replace old with new (i.e. playground equipment)
- **Enhancement** - expand an existing facility
- **New Construction/Facility** - construct a new facility

Capital Improvement Plan



□ Funding Capital Improvement Program (CIP):

➤ Funding Options:

- General Obligation Bonds
- Revenue Bonds
- Park Dedication
- Cell Tower Revenues/Tipping Fees
- Hotel/Motel Tax
- Internal Fund Loan and Payback
- Grants
- Others?

CIP FUNDING SOURCES

- **Heritage Fund** – levy used to fund replacement and rehabilitation of existing facilities
- **Open Space Land Acquisition Development (OSLAD)** – park dedication funds from development and cell tower lease revenue
- **Recreation Enterprise Fund** - funds generated from fees collected from users of Edinburgh USA Golf Course and Edinburgh Clubhouse
- **Park Referendum Bonds (P.B.)** – The 2018 Park Bond Referendum that was approved includes up to \$26M in park projects
- **Grants** – as possible funding source

EMERGING

E

R

RECREATION

LEADERS

L

I

INSTITUTE

Capital Improvement Plan

- Capital Asset Replacement Program (You Build it, You Must Maintain it)
 - Elements of a Capital Asset/Life-Cycle Replacement Program:
 - Includes all components of facility (roofs, HVAC System, carpet, furnishings, etc.)
 - Replacement Life Cycle (Industry Standards &/Or History)
 - Actual cost and annual cost escalators (2 - 3 %/yr) for inflation
 - Spreadsheet of anticipated expenses per year for all facilities
- Asset Management Software - self calculations with known Guidelines

Capital Improvement Plan



□ Capital Asset Replacement Program

- Know the Program Guidelines - What's covered within General Operating Budget and what is picked up in the CIP
 - Less than \$5000
 - Less than 2-year life cycle

□ Tracking and Recording Facility/Equipment Activities

Capital Improvement Plan

- ❑ Interface between Equipment Repairs and Replacements
 - ❑ Facility Condition Reports
 - ❑ General Information (acreage, architect, system brands, year, etc.)
 - ❑ Internal Systems (condition based on annual inspection)
 - ❑ External (grounds repairs, i.e. bituminous, irrigation, etc.)
 - ❑ Recording of general improvements or replacements
 - ❑ Pictures of key features
- ❑ Disposal of Public Good - Organizational Policy

Asset Management Technology



Asset Replacement Program Vs Facility Condition Report

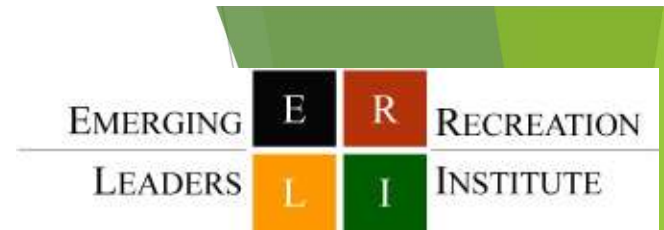
Capital Improvement Plan



□ Cost Benefit Analysis:

- Return on your investment (ROI)
 - How are we measuring your return on the investment?
 - Payback - reduced expenses, (i.e. geothermal energy savings)
 - Increased Revenues (i.e. golf simulator)
 - Value driven decision (i.e. environmental)
- What have you done?

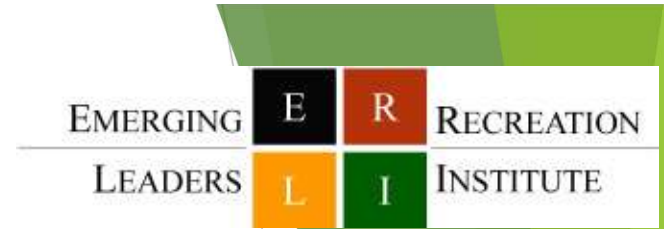
Capital Improvement Plan



□ General Review:

- Capital Asset Program is a budget planning tool
- Capital Asset Programs help justify facility need
- Know the data (know the what/why behind the numbers)
 - Junk in - junk out
- Know your political landscape
- Capital Asset Replacement Plans - is the data to drive the CIP and the CIP program is the financial process to advance the asset improvements

Capital Improvement Plan



Questions