

The Park Fund & Parks Capital

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Park Fund – What is it and how did it come to be?

- Special Levy - A property tax approved by voters for a specific public purpose.
 - **Park Fund Levy proposed on 2011 ballot**
- Levy Referendum - A special election in which voters decide whether to establish a special levy at a specified level.
 - **Voters approved the Park Fund Levy on their 2011 ballot**
- Park Fund Levy - The special levy approved by referendum in 2011 to pay for parks and rec facilities and activities
 - **Property owners began paying the Park Fund Levy in 2012**

The original Park Fund Levy, still in effect today, is a fixed annual dollar amount:

\$2.6 million

If the property tax base grows, the individual contribution by each property owner decreases to maintain the fixed total amount

Primary Uses of Park Fund Levy:

1. Parks and Recreation Division operations
2. Enhancement of routine park maintenance
3. Parks capital improvements

Background: Org Chart

The Duluth Park System's core support comes from **three City Divisions**:

- Parks and Recreation
- Property and Facilities Management
- Park Maintenance

The **City-based funding sources** that support the Parks & Recreation Operating and Capital Budgets are:

- Park Fund Levy
- General Fund
- Revenues (programs, reservations, permits, etc.)

External funding sources:

- Grants
- Bonding
- Partnerships



Background: Essential Spaces Plan – Budget Analysis

- The Essential Spaces comprehensive plan reviewed these funding categories and amounts for a point in time analysis of funding to support the Duluth Park system.

Figure 2: Duluth Park System Funding Categories (2022)

PARKS AND RECREATION			
Property Tax Levy	\$1,915,000		
General Fund	\$280,000		
Revenue & Other	\$171,800		
Fund Balance	\$124,200		
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TOTAL	\$2,491,000		

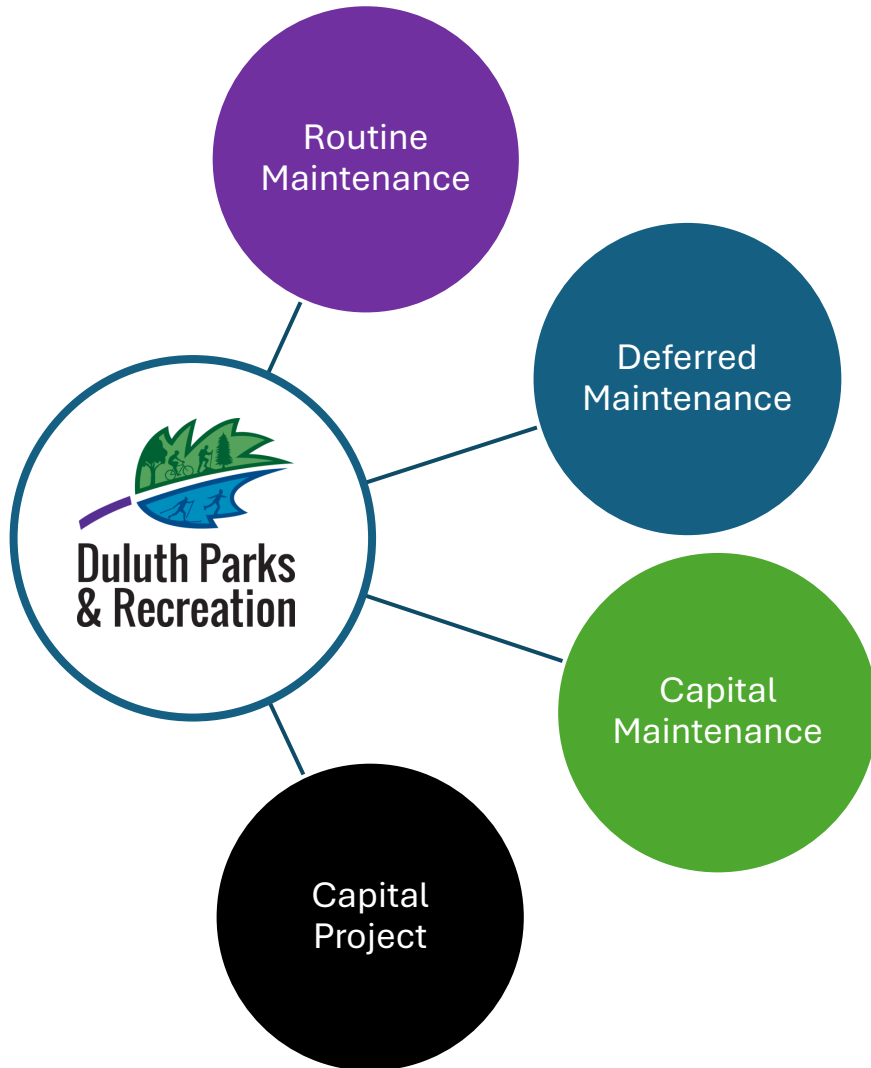
PARK MAINTENANCE			
General Fund	\$2,502,100		
Property Tax Levy	\$685,000		
Tourism Tax	\$200,000		
Other	\$11,000		
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TOTAL	\$3,398,100		

PROPERTY AND FACILITIES MANAGEMENT			
General Fund (Utilities)	\$670,750		
Leases, Rentals, Other	\$123,400		
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TOTAL	\$794,150		

Total Revenue for General Operating & Maintenance			
(sum of three budgets)			
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\$6,680,250			

- While the table indicates “Total Revenue for General Operating & Maintenance,” what it fails to explain, is that the total City funding available for Capital investment is also sourced from this amount each year.
- Because the Park Property Tax Levy is capped, General Fund allocations remain generally flat, and operational costs increase, the amount of Capital funding for the Duluth Park system decreases each year as the cost to operate and do capital projects increases each year.

Parks Capital: Definitions



Routine Maintenance: Maintenance activities performed at regular, time-based intervals to keep systems in good operating condition to prevent large-scale failures

- Grass mowing, snow removal, trash removal, playground inspections, gardening, benches, picnic tables, plumbing, electrical

Deferred Maintenance: Repairs to infrastructure and assets that get delayed and backlogged because of budget limitations and lack of resources. Typically performed by City maintenance crews

- Remove aged fencing, sidewalks internal to parks, crack seal sport courts

Capital Maintenance: Pick up in existing operating budgets, typically \$10K or less. What gets done is chosen based on the **worst first**, political pressure, reactive repair/replacement. May contract out the work.

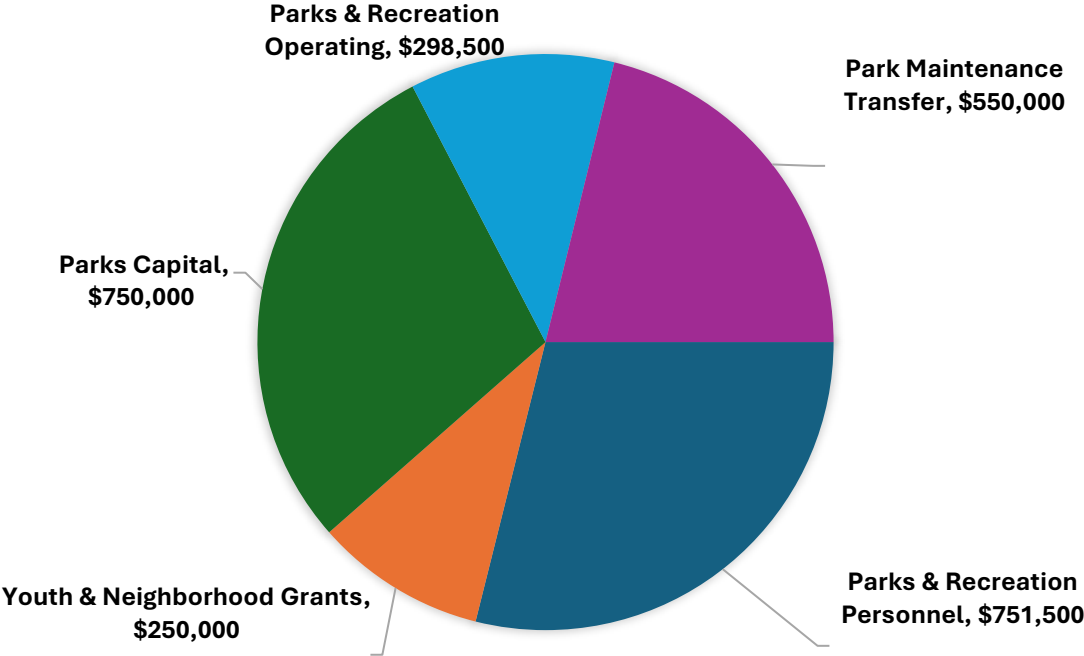
- Replace windows, a small patch on a roof, replace large section(s) of fencing

Capital Project: More than \$10K for full project scope, many elements or one expensive element, often requires specialized services, plans, and/or community engagement

- Boiler replacement, full roof replacement, park reset, playground replacement

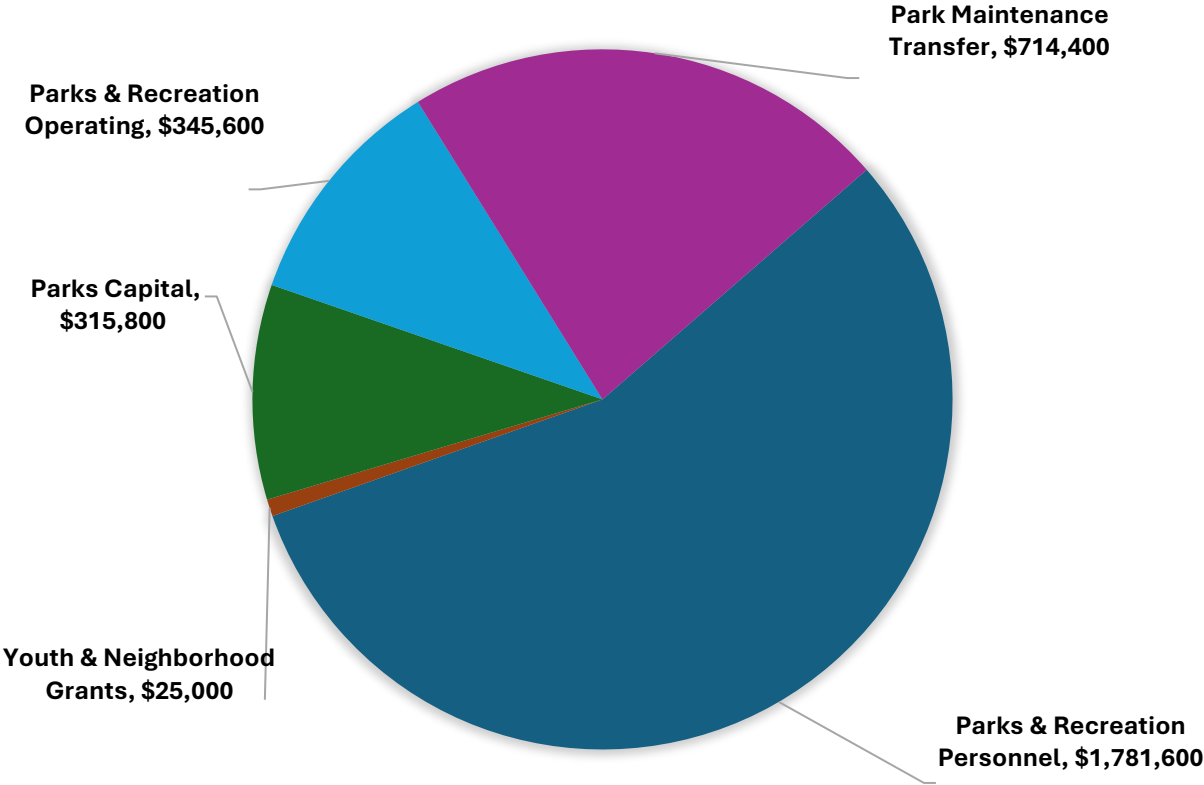
Pie Chart Bookends: 2012 and 2025

2012 PARK FUND AND PARKS & RECREATION
BUDGET: \$2.6 MILLION*



9 FTEs + 0 Temps/Seasonals
*Source = Park Fund Levy

2025 PARK FUND AND PARKS & RECREATION
BUDGET: \$3,182,400**

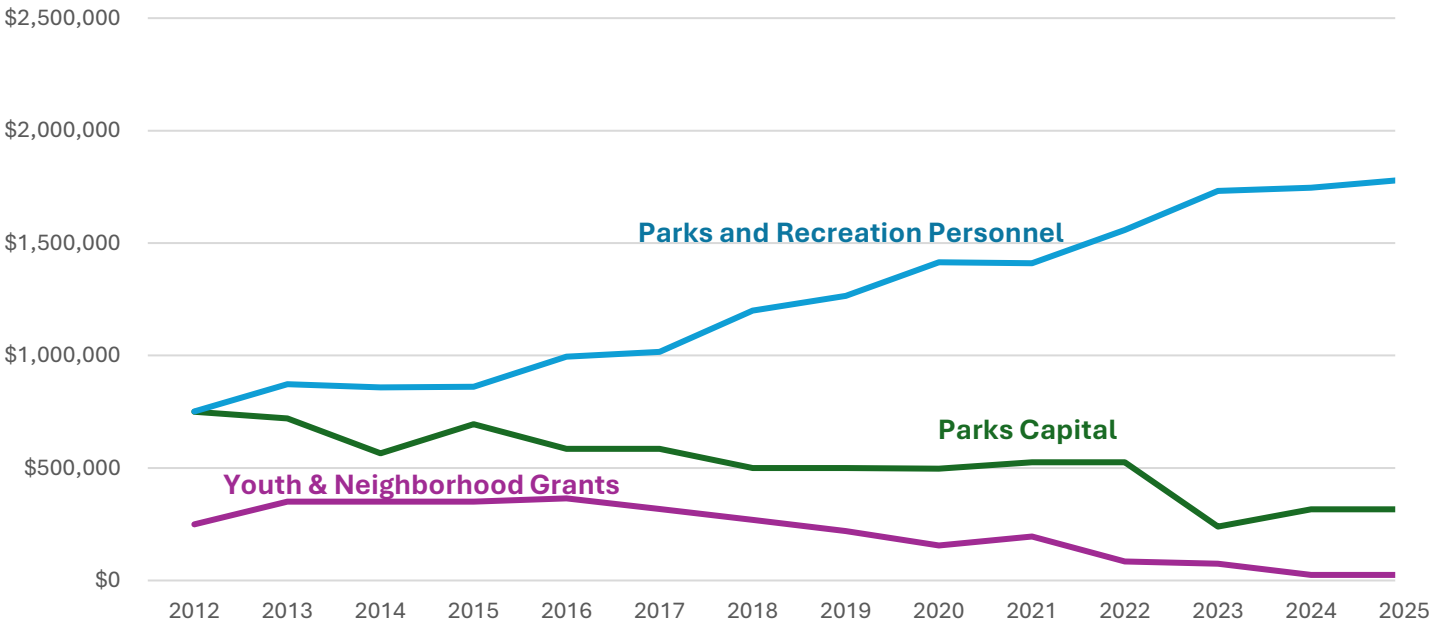


14.45 FTEs + 14 Temps/Seasonals
**Source = Park Fund Levy, General Fund, Revenues

Trends in funding allocations

- From 2012 to 2025, these trend lines illustrate the year over year increases to operating expenses, which are offset in most years by reductions in capital allocations.
- Factors include a **“live within your means” budget strategy that requires the Division to almost exclusively support itself on Park Fund levy and revenues,** while fielding routine requests and directives to reduce and lower fees for programs, permits, and reservations

Parks & Recreation Capital vs. Personnel 2012-2025



Additional one-time City-sourced capital funding not represented in graph:

2020 bonded for \$5.5 million for Lakewalk repairs, paid back annually via \$550,000 from Tourism Tax

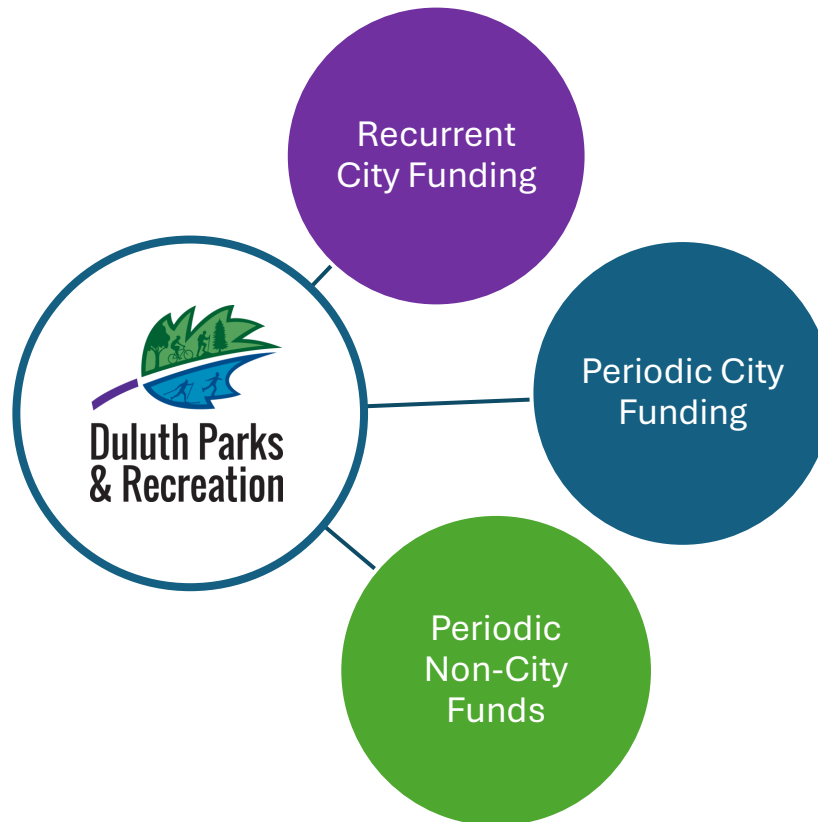
2024: \$750,000 from Cirrus asset sale

(\$500,000)

Wait...But Parks is always talking about these multi-million dollar projects?!

A downward trend in capital funds to:

- Prepare projects to be eligible for grant funding and use as match for grants
leads to
- Decreased ability to leverage outside funds for capital projects.



Recurrent City Funding:

- Park Fund
- General Fund
- Revenues

Periodic City Funding:

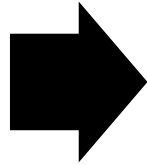
- General Fund Underspending within Department
- Proceeds from Asset Sales
- Half and Half Funds
- Tourism Tax Allocation

Periodic Non-City Funding:

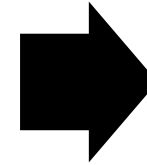
- Bonding
- Grants
- ARPA
- FEMA/Emergency Funding

Funding Dominos

When routine maintenance is not well-funded, it piles up and creates a backlog, which leads to deferred maintenance.



When deferred maintenance does not have an adequate funding source, deterioration continues, repairs become more expensive, and fixes become capital-size projects.



Without a meaningful capital funding source, spaces become vacant, dilapidated, unsafe, and often difficult to restore, leading to removal without replacement as the most likely solution.

And then, it's too late...

The cost and effort to keep something in place exceeds our collective capacity.

Liability stacks up.

Risk for injury increases.

Assets get removed without replacement.

Capital Replacement Plan: What it really costs

Asset Type	Quantity	Total Replacement Cost of Asset Group	Average Replacement Cost of One Asset
Playgrounds	43	\$ 8,362,338.80	\$ 190,053
Bridges	156	\$ 33,079,289	\$ 212,047
Courts	19	\$ 3,139,022	\$165,212
Field + Rinks	45	\$ 14,460,895	\$ 321,353
Paving (Parking Lots)	1,000,000 ft sq	\$ 4,953,466	\$247,500 per 50,000 sq ft
Pavillions & Gazebos	15	\$ 2,164,067	\$ 144,271
Community Center	18	\$ 40,245,978	\$ 2,235,888
Trail Paving	44 miles	\$ 4,413,729	\$100,312 per mile
Skate Parks	5	\$ 1,570,670	\$ 392,667
Totals		\$112,389,456	\$3,908,991

Cost represents material and labor, but not full project cost. Recommend adding 25% contingency to all replacement estimates.

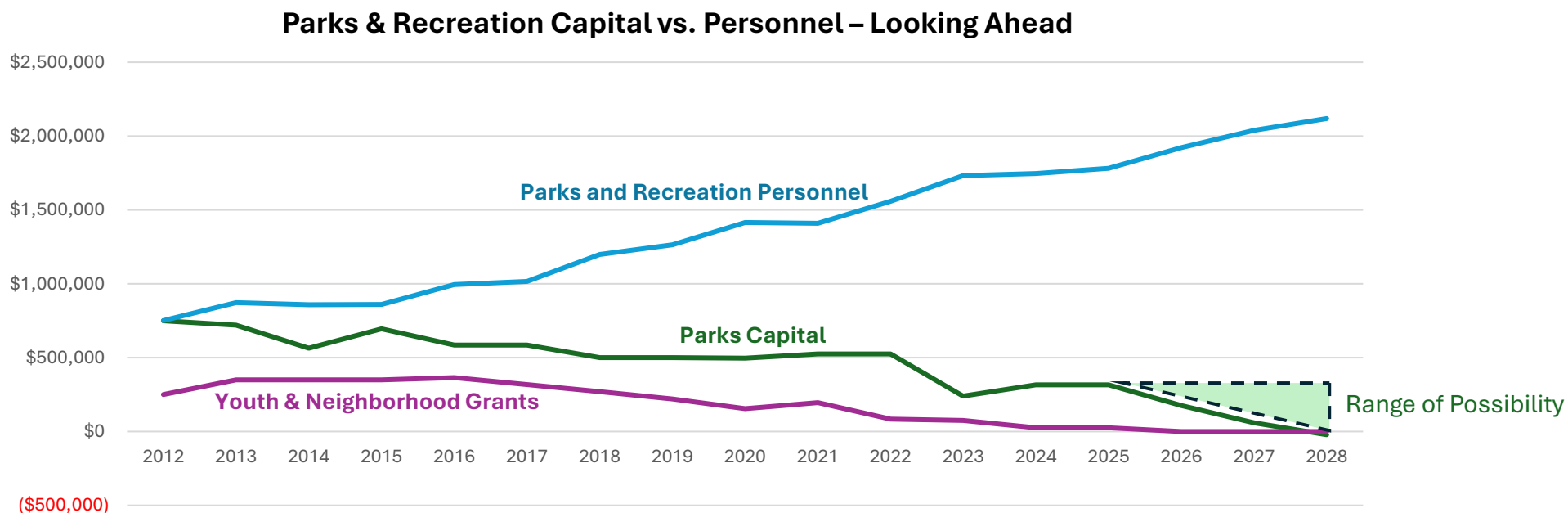
Point in time data sourced from City's asset management system and industry cost-estimating. May not reflect individual project factors, site considerations, etc. Some assets have broad range of type, size, material that greatly impact an individual asset replacement cost. (Ex: Small wooden bridge vs. large historic stone bridge) Some assets have a longer or shorter useful life, depending on routine maintenance cycles.

What does the future of Duluth Parks funding look like?

Based on the following assumptions:

- Flat revenues: Park Fund Levy, Internal Revenues
- General Fund allocation either flat or keeping pace with increased personnel costs (Range of Possibility)
- Contractual wage increases
- Status quo, zero-increase Parks & Recreation Division operating expense and Park Maintenance transfer

Neighborhood parks that aren't tourist destinations nor grant eligible will be most impacted



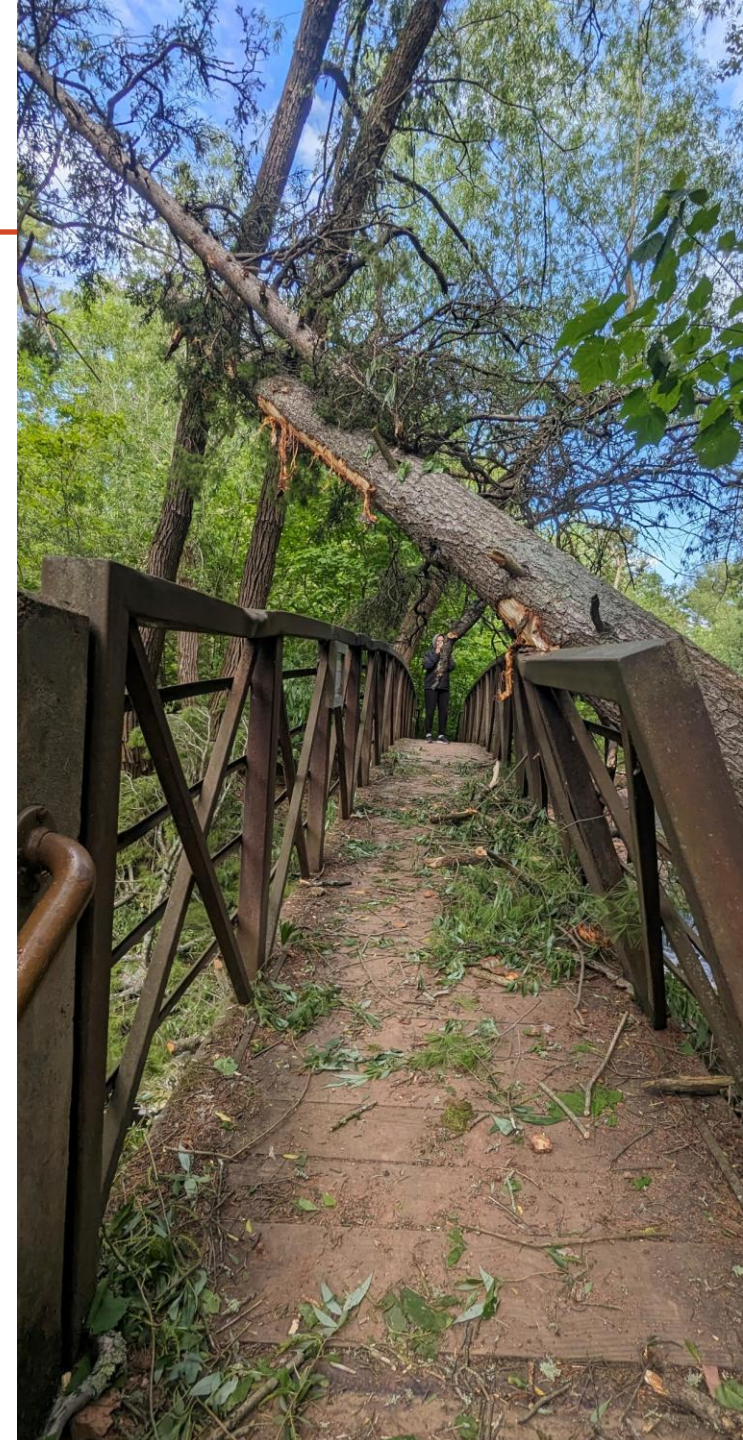
What is needed to maintain the quality of Duluth Parks?

Answer:

A strategic combination of financial and policy decisions that position Duluth Parks for a brighter, safer, more vibrant future

- Funding for capital, operating, and maintenance
- Staffing complement—cannot steward nor activate park spaces without personnel
- Allow fee schedule and agreement negotiations to reflect rates closer to actual cost for use of park spaces
- Maintain strong partnerships that foster financial capacity to operate and maintain certain park spaces
- Remove excess and/or failing assets without replacement
- Support from other departments for division of duties
- Pursue value-added and large, long-term sponsorships
- Asset sales

Other solutions and ideas...?



Q&A

