REPORT BRIEF

SINKING TREASURE

A look at the Milwaukee County Parks' troubled finances and potential solutions

WISCONSIN POLICY FORUM

The financial challenges facing the Milwaukee County Parks have been well-documented by the Wisconsin Policy Forum, county officials and auditors, and several blue ribbon commissions over the past two decades. Yet, despite growing public awareness and a successful 2008 advisory referendum supporting a dedicated sales tax for the parks, their unmet operating and capital needs continue to grow.

To address this urgent matter, the Milwaukee County Parks commissioned the Wisconsin Policy Forum to conduct a research and facilitation project that would consider options for creating a sustainable financial path forward.

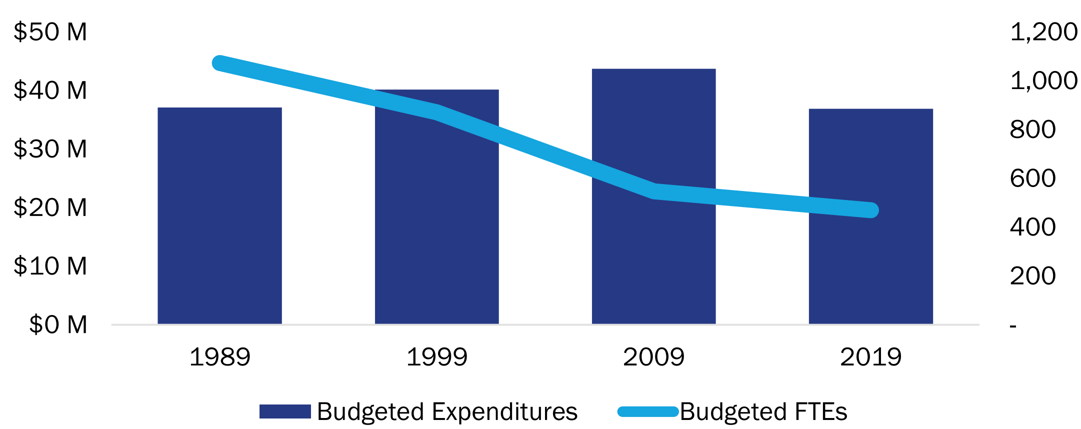
This report is the first deliverable associated with that that project. It begins by reviewing the history of Milwaukee County's financial support for its parks and reassessing the parks department's current financial condition and challenges. It then explores funding and governance models used by peer park systems and concludes by summarizing the potential to consider elements of those models for Milwaukee County.

Reassessing the Parks' Financial Challenges

We began our analysis of the current financial condition of the Milwaukee County Parks by reviewing parks department revenue, spending, and staffing data from the 1980s to the present. While a review going back 30 years is limited by several factors that are described in the full report, this historical perspective still paints an eye-opening picture of the decline in parks department operating budgets and full-time-equivalent employees (FTEs) since the 1980s.

For example, the chart below shows that in 1989, the department's operating budget totaled $37.1 million and grew slowly (17.8%) over the next two decades to reach $43.7 million in 2009. However, over the next decade, budgeted departmental expenditures fell back to $36.9 million -- $200,000 less than 30 years earlier in nominal dollars.

Parks department budgeted FTEs and operating expenditures (nominal dollars), 1989-2019



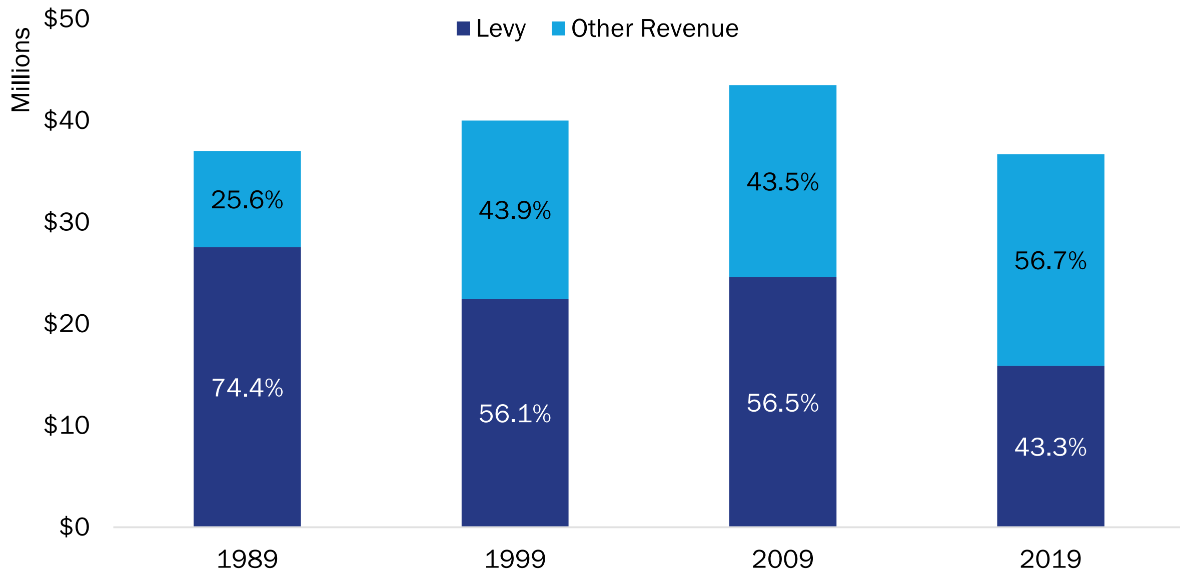
When we adjusted the budgeted expenditure totals for inflation (based on the Consumer Price Index), we found **the department's operating budget declined from $76.5 million in inflation-adjusted dollars in 1989 to $36.9 million in 2019 – a decrease of more than 50%.**

Given the need for inflationary increases in salaries and the rising cost of health care and other employee benefits over the years, it is not surprising that **the department's staffing levels also dropped precipitously – from 1,073 FTEs in 1989 to 469 in 2019.** That 56% decrease corresponds closely with the 51% decline in inflation-adjusted budgeted operating expenditures.

Parks revenue mix transformed as county's finances worsen

Digging a little deeper reveals some important changes in the mix of revenues that have supported parks operations over time. Our next chart shows the department's total budgeted operating revenues from 1989 to 2019 broken down between tax levy and other sources. The "other revenue" category consists largely of "earned revenues" generated from permits, admissions fees, food and beverage sales, rentals, etc.

Change in parks department revenue mix, 1989-2019



As shown in the chart, **the share of the department's total operating revenues that comes from property taxes decreased dramatically over the period**, from 74% in 1989 to 43% in 2019. Meanwhile, the department's property tax amount (unadjusted for inflation) dropped from $27.5 million to $15.9 million.

The department's ability to more than double the amount of its non-property tax revenues during the 30-year period (from $9.5 million in 1989 to $20.8 million in 2019) helped ease the pain of reduced property tax support. Some of this new revenue has been generated through public-private partnerships in the parks, including Bartolotta's Lake Park Bistro, the Starbucks in Red Arrow Park, and, more recently, the establishment of a new beer garden in Estabrook Park and travelling beer gardens throughout the county parks system.

This success certainly did not erase that pain, however, as demonstrated by the sizable overall decline in the department's operating budget in real terms. In addition, the department's increasing reliance on earned revenues has created a set of new and emerging challenges.

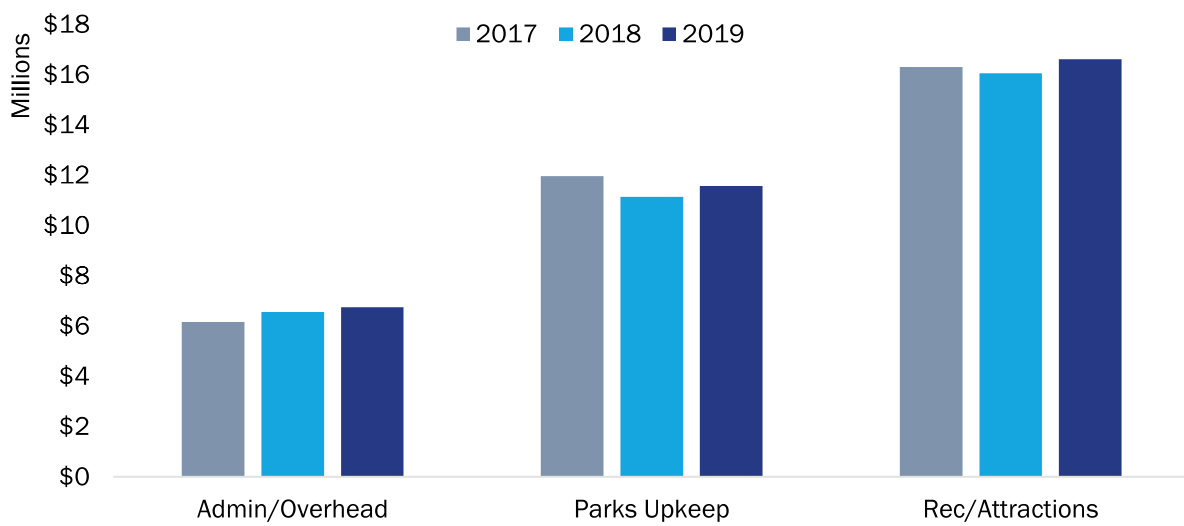
Revenue-generating activities become paramount

To bridge our review of historical trends with the parks department's current financial challenges, we analyzed actual revenues and expenditures over the most recent three years for which those data were available (2017-2019). We could have used unaudited actual figures for 2020, but that year was an anomaly in light of the pandemic.

In light of the department's remarkable shift in revenue composition over the past 30 years, including its dramatic reduction in property tax levy support, we organized our analysis in a manner that is designed to highlight the distinction between revenue- and non-revenue-generating functions and amenities in the parks.

The chart below begins that analysis by breaking down actual departmental spending by general administration/overhead, general county parks upkeep, and recreational facilities and attractions that are housed within certain parks. It shows that in 2019, 19% of departmental expenditures were devoted to overhead and administration and 33% to general upkeep of parks while more than half (52%) were dedicated to revenue-generating recreational facilities and attractions.

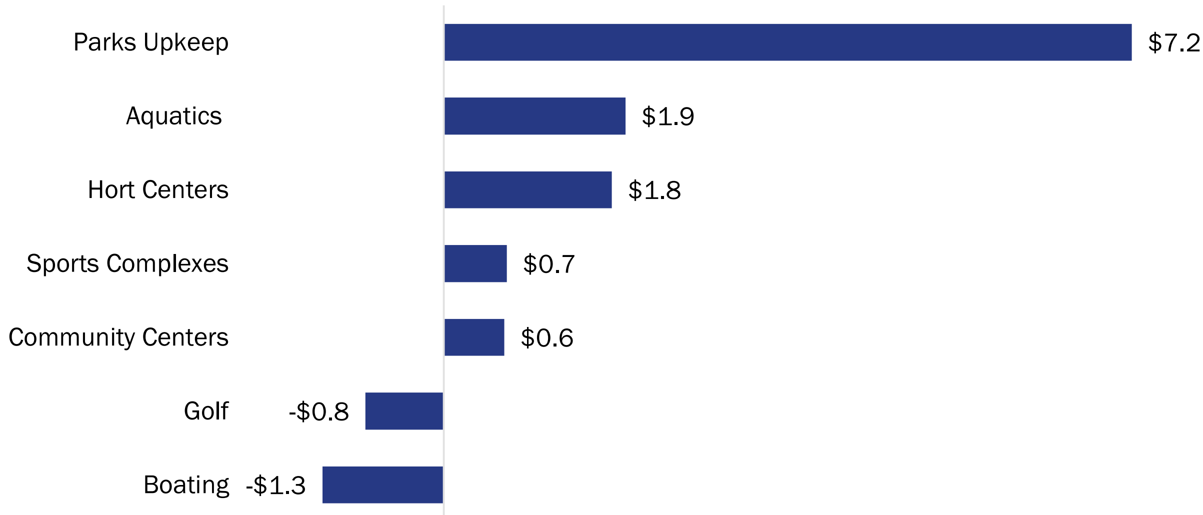
Breakdown of parks department actual expenditures, 2017-2019



The different groups of activities and amenities that comprise the "Recreation and Attractions" category include golf courses, boating facilities (including McKinley Marina), horticultural centers (including Boerner Botanical Gardens and the Mitchell Park Domes), aquatics, sports complexes, and community centers. The "Parks Upkeep" category refers to the expenditures within county parks (including those related to parkways) that allow users to safely enjoy the parks and engage in activities for which admissions fees or paid permits generally are not required. The annual net property tax expenditure on this upkeep in 2019 was about $7 million.

It is important to note that not all of the revenue-generating recreational facilities and attractions generate a net profit. In fact, as shown in the next chart, only Boating and Golf were net revenue generators for the parks department in 2019. This circumstance raises an important question: given that earned revenues are now the largest revenue source for the parks and there is a growing need to maximize "profit" from revenue-generating amenities, should the department's shrinking property tax levy continue to support those that are not fulfilling their basic task of earning net revenue? Or, do certain amenities that charge fees but fail to fully support themselves still merit tax levy support for the sake of public access and enjoyment?

Actual property tax levy support for different parks categories (in millions), 2019



Capital picture perhaps more challenging than operations

The Milwaukee County Parks' capital budget challenges are similarly fierce and were most recently documented by the Forum in a 2019 report (*Picking Up the Pieces*). We assessed the gap between needed parks capital projects and available county financing as "insurmountable" and suggested the county's overall capital backlog had grown so large that a new capital funding source alone could not solve the problem and liquidation of certain assets also may be required.

Two years later, that overall picture has not changed. The amount of capital funding required to pay for parks capital projects in the county's most recent five-year Capital Improvements Plan (CIP) averages $36.6 million per year from 2022 through 2025 – more than four times the average of $8 million budgeted annually over the previous nine years. Also, we do not include a $66 million renovation of the Domes due to the uncertainty surrounding that project. Had that been included, the parks department capital requests would total over $212 million over the next four years.

Takeaways

The Milwaukee County Parks should now be viewed as two distinct elements: a set of revenue-generating amenities and attractions that are essential to the department's fiscal well-being and that citizens therefore must continue to pay to use; and another set of traditional open spaces, trails, ballfields, playgrounds, etc. that provide largely unfettered access to the general public and that are essential to the parks system's historical mission.

Among the questions raised by this dichotomy are the following:

- "Parks upkeep" is a major expense that cannot be substantially offset with earned revenues; given the staffing shortages and other factors that have created a host of maintenance and other upkeep needs in the parks, how can this cost center be enlarged?
- If the department's earned revenue emphasis is to continue, is it properly resourced to maximize that potential? Conversely, if additional resources are allocated to enhance revenue-generating amenities, what would that mean for other parks assets that meet the community's needs?
- Should the county continue to operate certain amenities and attractions in the "revenue-generating" category that are not able to function without property tax levy support?
- Overall, can principles of earned revenue maximization and robust public access (particularly through a racial equity lens) co-exist? If not, then what are some possible paths forward?

Exploring Peer Park Systems

We took a look at several peer park systems throughout the U.S. to provide new ideas and insights to address the challenges discussed above. A lengthy initial list of peers was narrowed a handful that we deemed to have governance, financial, or other elements that may be particularly relevant for consideration by parks stakeholders in Milwaukee County.

Minneapolis

The Minneapolis Park and Recreation Board (MPRB) is an independent park district governed by an elected Board of Commissioners. The district has its own property tax levy authority per state statutes. The nine Board members are elected every four years by Minneapolis voters.

A distinguishing feature is not only the independent nature of the park district, but also the existence of a Board of Estimate and Taxation (BET) that serves as an oversight mechanism for most taxing and borrowing authorities within the city of Minneapolis, including MPRB. One of its major roles is setting the maximum combined levy authority for entities under its purview.

An important role also is played by the Metropolitan Council (Met Council), a regional policymaking and planning authority. The Met Council provides its partner park systems with direct financial support as well as serving as a pass-through for state monies.

Finally, MPRB's use of an enterprise fund to house certain revenue-generating amenities, like golf courses and ice skating facilities, offers food for thought. The enterprise fund ensures that amenities with potential to earn enough revenue to cover operating and capital costs do so and do not require general fund support. While each amenity within the enterprise fund is not expected to make a profit, the intention is to ensure that all such amenities or activities collectively pay for themselves.

Cleveland

Cleveland Metroparks is another independent park district governed by a three-member Board of Park Commissioners who are appointed by a Cuyahoga County probate judge. Its authority to levy property taxes is granted by the state of Ohio as well as voters. State statute authorizes an ongoing levy of 0.5 mills and voters may approve an additional levy of up to 3.0 mills. Metroparks typically makes 10-year levy requests of voters; the current rate of 2.7 mills expires in 2023.

One of Metroparks' distinguishing features is the use of community organizations to provide programming within parks. Twelve nonprofits offer activities like summer camps, archery, recreation, natural sciences, history, arts, and horse riding instruction. These groups are not funded by Metroparks, instead receiving financial support through class fees, special events, and philanthropy.

Also, unlike many larger park systems, Cleveland Metroparks does not have friends groups supporting its parks. Instead, staff manage a 6,000+ team of volunteers who serve either in the parks or at the zoo.

Dane County

Dane County Parks functions as a division of Dane County's larger Land and Resources Department. Resources often are shared among divisions depending on project or program needs. Embedding the parks within a larger department with broader environmental protection responsibilities allows for flexibility in absorbing budgetary changes and the ability to tap into additional expertise and resources across the other divisions.

As in Milwaukee County, the County Executive and Board of Supervisors provide ultimate policy and budget oversight for the department, though Dane County does have a Park Commission that serves in an advisory capacity. The commission provides policy guidance as well as an important level of deliberation over any new fees or fee increases.

Another distinguishing factor is Dane County Parks' reliance on friends groups and other volunteers to provide programming and enhance the user-friendliness of the parks. Milwaukee County Parks does benefit from several local friends groups but mainly for capital and maintenance needs.

Finally, we found interesting Dane County's practice of inviting fee waiver requests from citizens to ensure equitable public access. Such an approach might be considered by Milwaukee County stakeholders both for equity purposes and to potentially make broader use of fees more palatable.

Seattle

Seattle parks have historically been owned, operated, and funded by the city of Seattle's Parks & Recreation Department. Seattle voters modified the governance structure in 2014, however, when they approved creation of the Seattle Park District to levy a dedicated property tax to support the park system in line with the city's fast-growing population. The park district levies the tax but the city still owns, operates, and maintains all park and recreation land, facilities, and equipment.

The Seattle Park District is governed by a Board of Commissioners but that board is filled by the members of the Seattle City Council. The district's boundaries also are identical to those of the city of Seattle. The district essentially was created to take advantage of a provision in Washington state law that allows a park district to levy a property tax of up to $0.75 per $1,000 of assessed value. According to the district's website, it collected a levy of $0.22 per $1,000 in 2019.

Property tax levy from the Park District provides a dedicated financing mechanism for both operating and capital needs, although the city still provides additional general fund support for operations. The parks also benefit from provisions in state law that allow revenues from two separate 0.25% taxes on real estate transactions to be used for parks capital projects.

Sonoma County, CA

Sonoma County Regional Parks are a county-owned and administered park system located about 60 miles north of San Francisco. A noteworthy aspect to this park system is the Measure M sales tax. Approved by voters in 2018, a 1/8 cent sales tax will generate dedicated revenue for parks operating and capital purposes from 2019-2029. Two-thirds of the proceeds flow to the county parks while the remaining third is shared with the county's nine city park systems.

In 2020, Measure M funds supplied 19% ($7.5 million) of the Sonoma County Regional Parks' $39.1 million operating budget while general fund revenues still were relied upon to support 11% ($4.5 million). This general fund support was built into the measure, which requires all recipients of the sales tax dollars to provide a level of local support for their park systems. To that end, a Measure M Citizens Oversight Committee was created to ensure appropriate budgeting of Measure M revenues.

Madison Parks and Rec

The Madison Parks Division falls under the umbrella of the city's Department of Public Works. The Parks Division is overseen by a superintendent and two assistant superintendents, who report to an appointed Board of Park Commissioners. That board sets some park fees, though budget authority resides with the city's Common Council and Mayor.

Madison Parks offers limited programming directly, often partnering with community organizations to offer recreational and enrichment opportunities. The Madison School & Community Recreation (MSCR) department of the city's school district is a primary partner, paying a fee for non-exclusive use of various parks and facilities. The fees take into account maintenance and utility costs at the space being used but the contract allows MSCR to retain fee revenues it charges to program participants. Madison Parks also has multiple arrangements with other community partners to offer programming at parks that largely follow the same fee model.

Insights and Conclusion

In many respects, our re-assessment of the Milwaukee County Parks' fiscal condition and challenges is strikingly similar to the gloomy assessments we conducted in 2002, 2008, and 2013. While this troubling history and alarming outlook will not come as a surprise to those who follow Milwaukee County budget and policy matters, the extent to which the parks department now relies on earned revenues from a handful of successful amenities and activities may be more surprising.

Action to address the park system's financial challenges has been stymied by the substantial fiscal pressures facing all of county government, which stem in part from stringent state-imposed limits on the county's ability to generate new revenues or contemplate new governance structures for the parks. Parks stakeholders should not necessarily give up on potential solutions that would require a state-approved change to that paradigm. We suggest, however, that they also need to take a fresh look at other options, including new partnerships with other public sector or nonprofit entities.

To assist them in this endeavor, we examined other local or regional park systems throughout the country for alternative models, structures, and ideas. That analysis yielded several potential avenues to explore, which are summarized in the table under three categories on the following page.

Summary of Policy Options

Governance/Funding Options that Require State Authorization	
Independent district to collect dedicated tax	Create a new park district mainly to collect and disburse funds from a new dedicated sales or property tax; county retains ownership and operation of parks
Independent district w/fiscal control board	Accompany creation of new park district with taxation authority with creation of a fiscal control board to set levy ceilings for the district and county
New dedicated tax for parks set by voters	State authorizes dedicated property or sales tax for parks but amount of tax is established by referendum
New dedicated tax shared with municipalities	State authorizes dedicated property or sales tax for parks and stipulates a percentage to be shared with municipalities
Governance/Funding Options that Milwaukee County Parks Could Pursue on its Own	
Land and water governance perspective	Establish enhanced partnership w/MMSD to maintain portions of parks with passive uses or absorb parks as new division
New partnerships with schools	Establish programming partnerships with MPS and suburban districts to enhance programming and support maintenance of recreational facilities
Enterprise fund approach	Segregate revenue-generating amenities and require them to collectively pay for themselves
Carve out regional attractions	Transfer select regional attractions (e.g. Boerner Botanical, the Domes) into distinct organizational units within county budget and finance them separately from parks
Larger role for municipalities	Transfer maintenance and improvement responsibilities for certain neighborhood parks to municipal governments
Other Options that Might Help	
New citizen advisory commission	Establish new citizen-led body to provide high-level policy direction, review new or enhanced fees, participate in capital planning
New relationships with nonprofits	Establish new partnerships with nonprofit entities to conduct programming or provide services in parks and help pay for maintenance and improvements
Greater use of volunteers	Use volunteers for parks programming and seek new funding streams to support such programming and facility needs
Expand racial equity strategies	Consider more extensive racial equity metrics in capital planning, fee waivers/scholarships for low-income citizens and youth, greater say by neighborhood residents in parks improvements

Governance & funding options that require state authorization

Past opposition to a separate park district for Milwaukee County has come from those concerned about creating another layer of government with broad taxing and spending powers and redundant bureaucracy; and from some county leaders who believe the parks should remain under county ownership and oversight. Meanwhile, the notion of a dedicated funding source for the parks has drawn opposition from those concerned that the tax burden on county residents already is too high. Our research on peer districts uncovered some models that may alleviate those concerns:

- **Independent district as a revenue collection entity (Seattle model).** In Seattle, a park district was approved by voters and set up solely to levy a dedicated tax. The city retained ownership of the parks as well as operational and administrative control. A similar model could be pursued for Milwaukee County to retain its primary role in owning and operating the parks while ensuring that the dedicated levy is used solely for parks purposes and avoiding creation of a new bureaucracy with its own administrative and back office needs.

- **Controlling the combined levy of the county and the parks (Minneapolis model).** State law authorizing a separate park district with a dedicated property tax levy for Milwaukee County could be accompanied by a provision requiring the creation of a separate board to establish a ceiling for the combined property tax levy of the county and the parks, similar to the MPRB's Board of Estimate and Taxation.

- **Putting the parks tax question to voters (Cleveland model).** State law in Ohio sets a ceiling of 0.5 mills for parks district levies but allows districts to pursue voter referenda to exceed the limit. A new state law in Wisconsin could set a similar ceiling (accompanied by an equivalent reduction in the county's levy limit) but also could allow voters to exceed it as is the case for local governments and school districts.

- **Using a dedicated sales tax and sharing it with municipalities (Sonoma County model).** In Sonoma County, one third of the proceeds from the dedicated parks sales tax is shared with the county's municipalities to support their parks and recreational facilities. While this approach might require a higher tax to meet both the county's and municipal needs, it also could attract greater support given that several of the county's municipal governments are facing budget challenges that hamper their efforts to support their smaller parks and playground facilities.

Governance & funding options that Milwaukee County parks could pursue on its own

Given the political challenge involved with securing state legislative approval for new governance or financial structures for the Milwaukee County Parks, we also considered options from peer counties that may be pursuable without a change in state law:

- **Governing parks within a broader land and water resource perspective (Dane County model).** Dane County's parks fall under a division of the county's larger Land and Water Resource Department, which could be the basis for the Milwaukee County Parks to explore an enhanced relationship with the Milwaukee Metropolitan Sewerage District (MMSD). The parks department and MMSD already have forged impressive partnerships in a handful of parks that MMSD has modified for flood control purposes in return for investing in park improvements. An expanded partnership could take numerous forms, including having the county parks be a joint venture with MMSD that could involve new ownership and governance approaches.

- **New partnerships with school districts (Madison model).** In Madison, the parks division maintains a contractual agreement with the school district's recreation department to be the primary provider of programming in the parks. The school district pays fees that take into account maintenance expenses for the use of ball diamonds, tennis courts, etc. Milwaukee County Parks could consider a similar relationship with the Milwaukee Public Schools and suburban school recreation departments. Contractual fees could offset costs associated with maintenance of athletic and other facilities for use by both the district and the general public.

- **An enterprise fund approach (Minneapolis model).** The MPRB's segregation of parks amenities that are admission- or fee-based in a separate enterprise fund reinforces the point that certain parks functions need to collectively pay for themselves to preserve taxpayer support for assets that cannot generate sufficient revenue but are important for environmental, racial equity, or other reasons. Delineating Milwaukee County amenities in this manner would require some difficult choices, including the potential that certain golf courses, deep water pools, and attractions would have to be closed to ensure the enterprise fund's solvency. It also could be argued, however, that such decisions should have been made years ago so the county could focus its diminishing resources on its highest priorities.

- **Carve out the regional attractions (Minneapolis model).** Minneapolis' structure includes a regional body (the Metropolitan Council) that oversees and helps finance parks and parks amenities that are deemed regional in nature. While creating such a body for metro Milwaukee would require state authorization, county leaders could consider transferring attractions that draw substantial regional patronage (e.g. Boerner Botanical Gardens, the Domes) into a single or multiple organizational units within the county budget, as is currently the case for the Milwaukee County Zoo and Milwaukee Public Museum. This approach might set the county on a path of treating these amenities as distinct regional entities that would pursue regional funding or have fee structures that charge more to non-county residents.

- **A larger role for municipalities (several peers).** We observed in several of the peers that municipal governments play a larger role in owning and maintaining parks that have strong recreational components while county parks tend to be regional and more passive-use in nature. The county's inability to appropriately maintain all of its assets may suggest the need for a greater role by municipal governments in maintaining county parks in their communities, with a particular emphasis on those that are used primarily for recreational purposes by neighborhood (as opposed to regional) residents.

Other options that might help

The two sets of options presented above take direct aim at the parks' financial challenges and most (if not all) would require a "heavy lift" in terms of either obtaining state authorization or establishing comprehensive new partnerships. Our analysis of the peer park systems also yielded a few less comprehensive ideas that may not have as significant a fiscal impact but that could be more easily implemented and still produce programmatic and possibly financial benefits.

- **A new citizen advisory commission (Dane County, Madison, and Seattle models).** The re-establishment of a citizen oversight or advisory committee in Milwaukee County could serve as an important independent vehicle for monitoring and highlighting the parks' condition and needs. In Seattle, a citizen oversight committee also plays a role in reviewing departmental spending plans and in Dane County and Madison it reviews proposals for new or enhanced fees. These roles also could be considered for a new citizen advisory committee in Milwaukee County to help to de-politicize decisions on capital planning or new revenue opportunities.

- **New and expanded relationships with area nonprofits (Seattle, Cleveland, Madison models).** Several of the peer park systems have extensive partnerships with nonprofit entities to provide programming in parks at no cost to the park system. Milwaukee County Parks could pursue similar opportunities with nonprofits that offer afterschool and adult enrichment programming. The county also could explore whether nonprofit health systems or others might be able to make use of under-utilized buildings for educational programming or services at park locations. In either case, the cost of maintaining and improving ballfields and buildings might be shared with nonprofit partners.

- **Greater use of volunteers (Cleveland, Dane County, Madison).** We observed that some park systems make greater use of volunteers to conduct programming in the parks. While not necessarily providing direct financial benefits, Milwaukee County could consider similarly building a large cadre of volunteers to bolster parks programming and usage, particularly in parks that are located in underserved communities. Philanthropic or new public funding sources could then be sought not only to pay for costs associated with such programming, but also to maintain and improve parks facilities that are used for it.

- **Racial equity enhancements (several peers).** Milwaukee County Parks has taken several important steps to integrate racial equity and inclusion principles into capital planning and operations, but we observed strategies in peer districts that also could be considered. Examples include more advanced use of equity metrics for capital planning observed in Minneapolis; the opportunities for need-based fee waivers in Dane County; and the opportunity for citizens to select and vote on small-scale improvements in parks within their own neighborhoods provided in Seattle.

Next steps

While the research conducted for this report was extensive, the policy options we describe here are largely conceptual. Pursuit of each of them would require substantial additional research and analysis to flesh out financial details, consider legal requirements or impediments, decide which of the various sub-options associated with each option should move forward, and develop specific implementation plans.

Our hope is that parks department and elected officials, parks stakeholders, and citizens will now consider these options and determine which (if any) they would like to explore in greater detail. Once those decisions are made, the Forum could be called upon to conduct the additional analysis that will be required to determine the efficacy of those options deemed most desirable and what it would take to implement them. The ultimate aim is to provide for Milwaukee County policymakers and residents a detailed set of options that will help overcome the decades-old financial challenges facing the parks and ensure their long-term success and sustainability.