

## FUNDING METHODS

### Introduction

The City of Denton, like all of North Central Texas has experienced strong growth over the last decade. With this growth comes demand for public facilities, programs and services. Even through the recent economic slowing, Denton continues to develop while many other area cities' growth has all but stopped.

Through this Parks and Recreation Master Planning process, community needs were identified, evaluated and prioritized into an Action Plan. This Action Plan represents a ranking of capital needs for park and recreation facilities. Each of these facilities will require funding from the city.

The following section outlines the current financial situation and identifies potential funding sources for capital items identified in the Action Plan. This list should be used as a guide to pursue and leverage alternative sources of funding to complete the Action Plan.

### Current Situation

The City of Denton for many years has been recognized as a well managed city with a solid fiscal policy. This includes implementation of many management practices that measure performance and efficiencies. In addition, the city has undertaken business planning in many areas including the Parks and Recreation Department initiative to improve its financial and operational efficiencies and effectiveness. One initiative is demonstrated through the City's goal to create systematic processes for collecting financial and operational data and modeling capabilities to effectively monitor the cost of programs, services, and facilities and support decision-making for user fees and charges.

It is the understanding of the consultant team that the majority of capital improvements are funded through general obligation (G.O.) bonds, and neighborhood parks are funded through revenue generated by the Park Dedication and Development Ordinance. There are other operational funds for maintenance and recreation.

The Park Dedication fund, as of May 2008, had a balance of \$2.2 million. While this has been a strong funding source in the past, recent economic situations in the housing development market will likely make this fund a relatively stagnate source of new funding for several years. Past G.O. bond projects are either completed or nearing completion. The Denton Park Foundation, a 501(c) 3 non-profit group has the ability to raise money to help fund projects for the Parks and Recreation Department. Currently, they do not have a significant treasury from which to draw on. In addition, the Department has experience with dedicated trust funds including the Mckenna Park Trust totaling \$30,000.

The State of Texas recently re-funded its Texas Recreation and Parks Account (TRPA). It is funded through a portion of Texas sales tax received on select sporting good items. TRPA is administered by TPWD's Recreation Grants Branch and funds five grant programs. These TPWD grant programs include:

- Outdoor Recreation
- Indoor Recreation (facility)
- Small Community
- Regional
- Community Outdoor Outreach Program

Federal grant assistance has become virtually non-existent except for limited Community Development Block Grants that tend to be very small and narrow in scope. Other federal financial assistance including transportation related sources are awaiting re-authorization in 2009.

## FUNDING SOURCES

There are numerous funding sources that can be pursued and leveraged to support implementation of capital projects. The reality is that the majority of funding comes from local (internal) coffers focused primarily on G.O. bonds, dedication fees and special designation taxing areas. There are external funding sources available, but are smaller in size with special requirements.

Following is a more comprehensive list of funding sources organized as internal and external. Additional detail on the TPWD Grants is included.

## Internal Funding

Internal funding sources include those that are administered by city resources and include but not limited to the following:

- **General Obligation Bonds** - Bonded indebtedness issued with the approval of the electorate for capital improvements and general public improvements.
- **Revenue Bonds** - Bonds used for capital projects that will generate revenue for debt service where fees can be set aside to support repayment of the bond.
- **Annual Appropriation/Leasehold Financing** - This is a more complex financing structure which requires use of a third party to act as issuer of the bonds, construct the facility and retain title until the bonds are retired. The City enters into a lease agreement with the third party, with annual lease payments equal to the debt service requirements. The bonds issued by the third party are considered less secure than general obligation bonds of the City, and therefore more costly. Since a separate corporation issues these bonds, they do not impact the City's debt limitations and do not require a vote. However, they also do not entitle the City to levy property taxes to service the debt. The annual lease payments must be appropriated from existing revenues.
- **Park Dedication & Development Fees** - These fees, as currently assessed by Denton are for the development of residential properties with the proceeds to be used for parks and recreation purposes, for neighborhood park acquisition and development.
- **Tax Increment Finance District** – Tax Increment Finance districts (TIF's) are established to provide funds for certain types of public improvements that benefit a defined area of affected properties. Revenue is generated through the incremental increase in property tax revenue above a specified threshold being applied to accounts for use in improvements that may include most public infrastructure improvements including parks and landscaping.
- **Public Improvement District (PID)** - New developments can establish a Public Improvement District (PID) when authorized by the City Council and legally set up according to state law. This taxing district provides funds especially for the operation and maintenance of public amenities such as parks and major boulevards.
- **Greenway Utility** - Greenway utilities are used to finance acquisition of greenways and development of the greenways by selling the development rights underground for the fiber optic types of businesses.
- **Easements** - This revenue source is available when the city allows utility companies, businesses or individuals to develop some type of an improvement above ground or below ground on their property for a set period of time and a set dollar amount to be received by the city on an annual basis.
- **Inter-local Agreements** - Contractual relationships entered into between two or more local units of government and/or between a local unit of government and a non-profit organization for the joint usage/development of sports fields, regional parks, or other facilities.
- **Sales Tax Dedication**- This dedication of a percentage of the local sales tax is very popular in high traffic tourism type cities and with county and state parks. This revenue source has been very successful in funding other park systems in North Texas including Frisco. Other forms of dedicated sales tax include:
  - o **Food and Beverage Tax** - The tax is usually associated with convention and tourism bureaus. However, since parks and recreation agencies manage many of the tourism attractions, they receive a portion of this funding source for operational or capital expenses.
- **User Fees/Charges** – User fees are primarily established to cover operational costs but can be used to for debt service on revenue bonds.

The Department must position its fees and charges to be market-driven and based on both public and private facilities. The potential outcome of revenue generation is consistent with national trends relating to park and recreation agencies, which generate an average 35% to 50% of operating expenditures. The most popular fees used in parks and recreation include:

- o **Capital Improvement Fees** - These fees are on top of the set user rate for accessing facilities such as golf courses, recreation centers and pool facilities to support capital improvements that benefit the user of the facility.
- o **Recreation Service Fees** - This is a dedicated user fee, which can be established by a local ordinance or other government procedures for the purpose of constructing and maintaining recreation facilities. The fee can apply to all organized activities, which require a reservation of some type or other purposes, as defined by the local government. Examples of such activities include adult basketball, volleyball, tennis, and softball leagues, youth baseball, soccer, football and softball leagues, and special interest classes. The fee allows participants an opportunity to contribute toward the upkeep of the facilities being used.
- o **Ticket Sales/Admissions** - This revenue source is on accessing facilities for self-directed activities such as pools, ice skating rinks, ballparks and entertainment facilities. These user fees help offset operational costs.
- o **Permits (Special Use Permits)** - These special permits allow individuals to use specific park property for financial gain. The City either receives a set amount of money or a percentage of the gross

service that is being provided.

- o **Reservations** - This revenue source comes from the right to reserve specific public property for a set amount of time. The reservation rates are usually set and apply to group picnic shelters, meeting rooms for weddings, reunions and outings or other types of facilities for special activities.
- o **Equipment Rental** - The revenue source is available on the rental of equipment such as tables, chairs, tents, stages, bicycles, roller blades, boogie boards, etc. that are used for recreation purposes.

## External Funding

External funding comes from source outside of the city coffers. These funding sources typically require investment by the city, either in form of matching funding for grants to administration of applications and personnel to pursue and manage activities. A list of the most popular and attainable funding sources follow.

- **Grants** – Grants for parks and recreation are typically administered through the state and are competed for by municipalities. These grants require some level of local funding. They also generally have a long lead time due to funding cycles and application requirements. Following is a list of those currently funded or anticipated to be funded:

- o **Texas Recreation and Parks Account (TRPA) Grant Program** - Texas Local Parks, Recreation and Open Space Fund, administered by the Texas Parks and Wildlife Department (TPWD). Funds are available on a fifty percent (50%) cost share basis. Detailed grant applications are available at <http://www.tpwd.state.tx.us/business/grants/trpa/>. TRPA grants that Denton is eligible for follows.

**Outdoor Recreation Grants** - This program provides 50% matching grant funds to municipalities, counties, MUDs and other local units of government with a population less than 500,000 to acquire and develop parkland or to renovate

existing public recreation areas. There will be two funding cycles per year with a maximum award of \$500,000. Projects must be completed within three years of approval. Beginning in 2009, deadlines will be January 31st and July 31st each year thereafter (with master plans submission deadline 60 days prior to application deadline). Award notifications occur 6 months after deadlines. Outdoor Recreation Grant Application is available at for land acquisition/park construction grant is included in the appendix.

**Indoor Recreation Facility Grants** - This program provides 50% matching grant funds to municipalities, counties, MUDs and other local units of government with a population less than 500,000 to construct recreation centers, community centers, nature centers and other facilities (buildings). The grant maximum will increase to \$750,000 per application. The application deadline will be July 31st each year (with master plan submission deadline 60 days prior to application deadline). Award notifications occur the following January.

**Recreational Trail Grants** - TPWD administers the National Recreational Trails Fund in Texas under the approval of the Federal Highway Administration (FHWA). This federally funded program receives its funding from a portion of federal gas taxes paid on fuel used in non-highway recreational vehicles. The grants can be up to 80% of project cost with a maximum of \$200,000 for non-motorized trail grants and currently there is not a maximum amount for motorized trail grants. Funds can be spent on both motorized and non-motorized recreational trail projects such as the construction of new recreational trails, to improve existing trails, to develop trailheads or trailside facilities, and to acquire trail corridors. Application deadline is May 1st each year. Additional funding will likely be available following re-authorization of the 2009 transportation bill.

- o **The Landscaping Cost Sharing Program** - The Landscaping Cost Sharing Program, administered by the Texas Department of Transportation (TxDOT). Fifty percent (50%) cost sharing support is available for both highway and pedestrian landscape projects on routes within the designated permanent state highway system.
- o **CDBG Funding** - Funding received in accordance with the Community Development Block Grant (CDBG) Programs national objectives as established by the U.S Department of Housing and Urban Development. Funding may be applied to such programs as Infrastructure Improvements, Public Facility and Park Improvements, Human Service Enhancements, Lead-Based Paint Education and Reduction, Housing Education Assistance, and Economic Development and Anti-poverty strategies.
- o **Land and Water Conservation Fund** - These funds are awarded for acquisition and development of parks, recreation and supporting facilities through the National Park Service and State Park System. This program is currently not funded.
- o **Shade Structure Program** - The American Academy of Dermatology's Shade Structure Program awards funds for the purchase for permanent shade structures to non-profit organizations in need of shade for outdoor locations. These locations include any areas where children and adults gather and are exposed to the harmful ultraviolet (UV) rays of the sun, such as playgrounds, pools, bleachers, eating areas and other recreation areas. The deadline is April 10, 2009 and is open to 501(c)(3) organizations such as the Denton Parks Foundation. To be considered applicants must: be sponsored by an Academy member dermatologist; demonstrate a commitment to sun safety within their organization and community; and agree to meet the timeline outlined in the program application. Each shade structure grant is valued at a maximum of \$8,000 in U.S. dollars, which includes the

cost for a shade structure and installation. The application may be received from Jennifer Allyn at (847)240-1730 or jallyn@aad.org.

- o **Youth Garden Grants** - The National Gardening Association and The Home Depot award Youth Garden Grants to schools and community organizations with child-centered, outdoor garden programs that teach children vital life lessons through working in gardens and habitats. Schools, youth groups, community centers, camps, clubs, treatment facilities, and intergenerational groups throughout the United States are eligible. Applicants must plan to garden with at least 15 children between the ages of 3 and 18 years. For the 2009 grant cycle, 125 grants are available. Packages are as follows: Five (5) programs will receive gift cards valued at \$1000 (a \$500 gift card to The Home Depot and a \$500 gift card to the Gardening with Kids catalog and store) and educational materials from NGA Seventy (70) programs will receive a \$500 gift card to The Home Depot and educational materials from NGA Fifty (50) programs will receive a \$250 gift card to The Home Depot and educational materials from NGA Each award package also includes: A "2009 Youth Garden Grant Winner" sign to post in the garden 12 months of NGA Supporter benefits (includes online garden Q&A service, online gardening and botany courses, and a 10% discount at our Gardening with Kids store).
- **Denton Parks Foundation** - Denton currently maintains an independent, non-profit foundation whose purpose is to raise funds for park and recreation projects. These dollars are raised through tax exempt private donations in promotion of specific causes, activities, or issues. They offer a variety of means to fund capital projects, including capital campaigns, gifts catalogs, fundraisers, endowments, sales of items, etc.
- **Private Donations** - Private Donations may also be received in the form of funds, land, facilities, recreation equipment, art or in-kind services.
- **Friends Associations** - These groups are formed to raise money typically for a single focus purpose that could include a park facility or program that will better the community as a whole and their special interest.
- **Private Developers** - These developers lease space from City-owned land through a subordinate lease that pays out a set dollar amount plus a percentage of gross dollars for recreation enhancements. These could include a golf course, marina, restaurants, driving ranges, sports complexes, equestrian facilities, recreation centers and ice arenas.
- **Irrevocable Remainder Trusts** - These trusts are set up with individuals who typically have more than a million dollars in wealth. They will leave a portion of their wealth to the city in a trust fund that allows the fund to grow over a period of time and then is available for the city to use a portion of the interest to support specific park and recreation facilities or programs that are designated by the trustee.
- **Public/Private Partnerships** - Partnerships are a very effective method for leveraging Denton's resources to the greatest extent possible. These partnerships should be based on formal agreements and supported by a policy approved by the Parks and Recreation Board and City Council. Partnerships are joint development funding sources or operational funding sources between two separate agencies, such as two government entities, a non-profit and a City department, or a private business and a City agency. Two partners jointly develop revenue producing park and recreation facilities and share risk, operational costs, responsibilities and asset management, based on the strengths and weaknesses of each partner.
- **Corporate Sponsorships** - This revenue-funding source allows corporations to invest in the development or enhancement of new or existing facilities in park systems. Sponsorships

are also highly used for programs and events.

- **Catering Permits and Services** – Similar to user fees, this is a license to allow caterers to work in the park system on a permit basis with a set fee or a percentage of food sales returning to the city. Also many cities have their own catering service and receive a percentage of dollars off the sale of their food. These funds can be used to off-set debt service or fund a dedicated capital improvement budget.
- **Pouring Rights** - Private soft drink companies that execute agreements with the City for exclusive pouring rights within park facilities. A portion of the gross sales goes back to the City to off-set debt service or fund a dedicated capital improvement budget.
- **Concession Management** - Concession management is from retail sales or rentals of soft goods, hard goods, or consumable items. The city either contracts for the service or receives a set amount of the gross percentage or the full revenue dollars that incorporates a profit after expenses.
- **Private Concessionaires** - Contract with a private business to provide and operate desirable recreational activities financed, constructed and operated by the private sector, with additional compensation paid to the City.
- **Naming Rights** - Many cities and counties have turned to selling the naming rights for new buildings or renovation of existing buildings and parks for the development cost associated with the improvement.
- **Advertising Sales** - This revenue source is for the sale of tasteful and appropriate advertising on park and recreation related items such as in the city's program guide, on scoreboards, dasher boards and other visible products or services that are consumable or permanent that exposes the product or service to many people.

## Conclusions

The recent downturn in the economy has put a significant strain on most public and private funding sources for investment in parks and recreation. However, this should not be a deterrent. In fact, now is the time to aggressively pursue projects with a concerted effort focused utilizing as many funding sources as possible. This will require the investment of personnel resources to identify and administer strategies. The return on investment can be substantial.

The recommended Action Plan contains traditional park and recreation projects but include a mixture that have the opportunity to leverage resources. The top priorities for improvements include:

- **High Priorities**
  - More Hike/Bike/Walk/Jog/Run Trails
  - Additional Recreation Center
  - Gymnasium (for basketball, volleyball, etc.)
  - Nature Trails
  - Larger Senior Center
  - Open Space/Nature Areas
  - Additional Soccer Fields
- **Moderate Priorities**
  - Multi-Use Sports Fields
  - Spray Ground
  - Outdoor Pool
  - Additional Community Garden Spaces
  - Additional Playground Equipment
  - More Practice Fields
  - Additional Basketball / Multi-Use Courts
  - Large Covered Picnic Pavilions (100 to 200 people)
  - Additional Tennis Courts
  - Indoor Athletic Facility (soccer/football etc.)
  - Additional Baseball/Softball Fields
  - Facilities for Water Recreation
  - Extreme Sports Area (BMX bicycling, paintball, etc.)
  - Additional Frisbee Golf/Disc Golf
  - Expansion of Indoor Pool

- **Low Priorities**
  - o Municipal Golf Course
  - o Additional Skate Park/Existing Park
  - o Indoor Ice Rink
  - o Additional Dog Park
  - o Owsley Park
  - o Preserve @ Pecan Creek
  - o Robson Ranch
  - o SW Park
  - o Wheeler Ridge

Based on the prioritized Action Plan, funding requirements are significant. As such, funding will likely require investment by the city of revenue funds from the Park Dedication fee and a bond referendum supported by a concerted pursuit of grants and creative activities such as partnerships and aggressive fund raising by the Denton Parks Foundation. The detailed action plan applies the potential funding sources from the preceding list assigned to each category.