The Game Plan needs a long-range financial strategy to achieve its two broad goals of expanding the system while maintaining and improving current resources. That strategy is driven by economic and political realities and the underlying Game Plan values of sustainability and equity. This chapter evaluates financial trends and explores the options for DPR, including new funding sources, partnerships, and increased efficiencies. It also proposes a policy to guide budget decision.
The Game Plan is a responsible plan only if grounded in reality. The public has a big mandate for DPR: investing in and protect existing resources while building for the future. DPR worked with Denver’s Budget and Management Office (BMO) and consultants to evaluate and describe current DPR/City operating and capital financial trends. This included life-cycle costs for improving the entire physical infrastructure and maintaining it at a high-quality level to produce a sustainable system. Caring for our existing system and maintaining high-quality programs clearly are priorities.

During the research phase, the team also investigated numerous financial opportunities, such as concessionaires, sponsorships, and partnerships, and then evaluated options for financing the Game Plan. Expansion of the system, affecting both operating and capital budgets, is based on addressing long-standing inequities while building parks for the future. This chapter looks at existing and projected revenues for both operating and capital needs, impacts of the Game Plan, and a package of financial recommendations.

The funds to staff and operate the park system and its recreation programs are kept quite separate from the capital funds used to rebuild or expand the system. Operating funds are used for three divisions within DPR: Administration (overall administration, finance, planning, and human resources), Recreation (recreation centers, pools, citywide programs for seniors, special needs, and community recreation) and Parks (general parks, preventative maintenance, mountain parks, and special sites). The Parks division receives the largest share of operating funds, close to 56 percent.

More than 98 percent of DPR’s operations funding for personnel and daily operations comes from the city’s general fund. In 2002,
$48 million was budgeted for DPR. Sixty-one percent of the General Fund comes from taxes other than property taxes.

Tax revenue, other than property tax, can fluctuate significantly with the economy. In addition, the Taxpayers Bill of Rights (TABOR) limits the revenue growth from taxes that the City is allowed to retain. This limitation to revenue growth is restricted to the increase in local growth and the rate of inflation, and has been consistently about 5 percent annually.

However, during the last decade, the city remained under their TABOR ceiling, and until 1997 could retain revenues that were above the percentage of growth that otherwise would have been allowed. Yet, the city still restricted growth of its operating budget to a sustainable level. Surpluses were used for one-time expenditures, including capital maintenance and expansion.

While revenue growth was extraordinary, growth in operating expenses was steady. This steady growth was mirrored in DPR, which over the past decade has kept pace with the overall increase in city funding, holding steady at 6 percent of the city’s operating budget. Much of those increases in DPR operation revenues
City of Denver General Fund Expenditures – 2002

Total = $768 million

City of Denver General Fund Revenue Sources – 2002

Total = $772 million
were devoted primarily to development at Lowry, the South Platte District, and the Natural Areas Program.

The difficulty with TABOR is that in poor economic times, when revenues drop, the ceiling also ratchets down to the new lows, limiting expansion during better economic times that follow. Budgets are cut during lean times but unable to grow, then, with economic growth. This philosophy and legal mandate will make it difficult in the future to expand services without addressing TABOR constraints.

Part of the equation in establishing optimum operating and capital budgetary levels also is the standard of service. Customer satisfaction is one important indication. Are Denverites satisfied with the current level of operations and programming?

According to 2001 Game Plan Survey respondents, most Denverites find this level of park maintenance and programs satisfactory. Seventy-six percent of people surveyed said that DPR does either an excellent or good job of operating clean and well-maintained facilities. Seventy-three percent indicated that DPR did either an excellent or good job in providing indoor recreation opportunities.

**Percent Increase – 1997-2002**
However, a demand always exists for new programs, uses, and improvements. During the Game Plan open houses, focus groups, and presentations, some Denver residents expressed a desire for increased maintenance or expansion of programs, such as more opportunities for volunteerism, environmental education, or increased recreation center hours. For example, the 2002 pilot Ranger program was in response to the expressed desire for increased security and park user education.

Although adequate today, the operating budget will change in the future. The cost of operations will grow dramatically with close to 1,500 acres of new parkland at Stapleton, Green Valley Ranch, Lowry, and other new neighborhoods. In addition, the costs for creating the hundreds of acres of natural areas included in these new parks, and restoring degraded natural areas elsewhere in the city are higher at the outset because of the intensive labor involved. A shortfall of close to $3 million is anticipated by 2007 to cover this additional acreage.

Additional revenues will be required for the Game Plan recommendations that call for some expanded services and programs. The capital expansions proposed in the plan, too, all have operating increases associated with them.

**CAPITAL NEEDS TRENDS**

The City (and DPR) Capital Improvement Projects (CIP) cover two major categories: Capital Maintenance and Repair (anticipated capital repairs or scheduled maintenance items over $10,000) and Capital Upgrades and Expansion (major park and facility upgrades and all expansions). Close to 75 percent of DPR’s capital budget comes from funds dedicated to park improvements: the State Conservation Trust Funds (i.e. Lottery) and Winter Park Funds. The remaining quarter comes from the City’s Capital Improvement Fund (primarily Occupational Privilege Tax revenues). Although DPR faces some competition from other departments and agencies for the latter source, it is still guaranteed a base amount through the “maintenance of effort” requirement in the Winter Park Trust Agreement.
Capital Repair and Maintenance

The shortfall for capital rehabilitation and repairs is dramatic due to decades of chronic underfunding and an aging infrastructure. In a first cut at a sustainable annual capital maintenance level for DPR, the City has identified about $9 million (2002 dollars) a year for Capital Maintenance and Repairs. This is for items such as replacing old irrigation systems, refurbishing swimming pools, or resurfacing trails.

This is annual gap of $6 million over current annual funding for capital repair and maintenance. Many of these items have been deferred for years, affecting DPR’s ability to catch up and keep parks and recreation facilities in good repair.

Deferred maintenance also jeopardizes the quality of the system, causing ripple effects, such as staff time diverted to capital repair problems, rather than daily maintenance; degradation of the system over time; and impacts on natural resources, such as increased water waste with old irrigation systems.

Capital Upgrades and Expansion

Deferring long-standing capital repairs can also result in a project escalating from repair to crisis,
A 2002 analysis of the capital needs for the park irrigation systems indicated at least $58 million over 15 years to upgrade the system. The result would be significant water, labor, and capital repair savings.

to entire replacement. Another $100 million has been identified in the capital needs assessment for Capital Upgrades and Expansion, such as developing new parks, replacing entire playgrounds, major park restorations, restoring natural areas, or acquiring land. Some of these expansions and upgrades need to be addressed with annual funding and others with debt, whichever more appropriately matches the asset payment with the users over time.

The current average total capital budget for park and recreation upgrades and expansion has been about $6 million annually. If the upgrades and expansions, identified in the 2003 Six-Year Needs Assessment, were all funded with annual revenues, the city would need $16 million (an additional $10 million) before adding any Game Plan capital expansion projects.

Achieving Parity in Neighborhoods of Greatest Need
Game Plan Capital Costs and Priorities

Neighborhood improvements and expansion in currently underserved areas are Game Plan the priorities for public funding. Early estimates for Green Neighborhood projects (trees, sidewalks, 100 acres of additional small parkland) in areas of greatest need are $20 million to $25 million for capital costs and $360,000 in annual operating costs.

Projects for neighborhoods of moderate need that are planning for growth add another $80 million to $150 million in capital costs and $500,000 to $1.5 million in annual operating costs (all in 2002 dollars). Although cost estimates are more difficult for long-range projects such as burying streets Downtown or building new South Platte parks, other early estimates include (in 2002 dollars):

Achieving Parity in Neighborhoods of Moderate Need or Projected Growth
## Game Plan Expansion Estimates

<table>
<thead>
<tr>
<th>Green Neighborhoods</th>
<th>Units</th>
<th>Costs</th>
<th>Potential Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Street trees</td>
<td>50,000 total plus 2,000/year replacement</td>
<td>$6-7 million</td>
<td>Park People, foundations, private developers, EPA</td>
</tr>
<tr>
<td>2. Breathing spaces: retrofit</td>
<td>80-100 acres</td>
<td>$60-$80 million</td>
<td>DPS, Denver Urban Gardens, utility providers, grant programs, EPA, Groundwork</td>
</tr>
</tbody>
</table>

### Beyond Neighborhood

<table>
<thead>
<tr>
<th>Beyond Neighborhood</th>
<th>Units</th>
<th>Costs</th>
<th>Potential Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Community parks, specialized uses:</td>
<td>400-600 acres park space, including larger parks</td>
<td>$40-$60 million</td>
<td>Grantors, GOCO, Urban Drainage, HUD</td>
</tr>
<tr>
<td>2. Recreation centers</td>
<td>Goal: 2.2 sf/person (2003 Facility Plan)</td>
<td>$50-$80 million</td>
<td>YMCA, Girls and Boys Club, DPS</td>
</tr>
</tbody>
</table>

### Connected City

<table>
<thead>
<tr>
<th>Connected City</th>
<th>Units</th>
<th>Costs</th>
<th>Potential Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Green connections</td>
<td>(100+ miles pedestrian improvements)</td>
<td>$15-$50 million</td>
<td>Public Works, neighborhood assessments, private developers</td>
</tr>
<tr>
<td>2. Off-street trails, bridges</td>
<td>up to $60 million</td>
<td>Public Works, federal</td>
<td></td>
</tr>
<tr>
<td>3. Downtown</td>
<td>Major connections</td>
<td>up to $50 million</td>
<td>Business, academic communities; Public Works; federal</td>
</tr>
<tr>
<td>4. Urban waterways:</td>
<td>$5-10 million for gulches</td>
<td>Federal, UDFCD, Public Works</td>
<td></td>
</tr>
</tbody>
</table>

### Mountains to Plains

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<thead>
<tr>
<th>Mountains to Plains</th>
<th>Units</th>
<th>Costs</th>
<th>Potential Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Regional trail connections</td>
<td>up to $2 million</td>
<td>Other jurisdictions, GOCO, new funding mechanisms</td>
<td></td>
</tr>
<tr>
<td>2. Mountain Parks stabilization</td>
<td>up to $2 million</td>
<td>Other jurisdictions/users</td>
<td></td>
</tr>
</tbody>
</table>
Beyond the Neighborhood projects (400 to 600 acres and recreation centers): $100 to $140 million.

The Connected City projects (green connections, off-street trails and bridges): Up to $60 million (not including the land bridges Downtown).

Mountains to Plains (restoration of mountain parks and urban natural areas): Up to $3 million.

FINANCIAL AND MANAGEMENT STRATEGIES

The financial trends clearly point to future operating shortfalls and existing capital shortfalls. And competition will always exist among creating equity for existing neighborhoods; assuring high levels of maintenance; expanding in new or growing areas of the city; and large, visionary citywide projects. The Game Plan addresses all of these interests and offers financial tools and a value-based process for making budget decisions.

Financial Tools

The complexity of budget decisions and potential revenue sources demands an array of financial and management tools. Even so, a number of strategies and recommendations, such as staff efficiencies and work practices, clearly impact all aspects of DPR’s, operating and capital budgets. With the limitations for tax revenue growth imposed by TABOR, and an increase in the amount of park acreage and recreation center square footage, changes in operations budgeting are necessary.

For operating deficits, strategies range from the less traditional, such as maintenance fees and districts, outsourcing work, or partnerships with other land agencies, to the more traditional, such as increased user fees, reduction in services and programs, or new priorities for of DPR expenditures. Programs in other city agencies could reduced to increase funding for parks and recreation.

Daily operations are intertwined with program and capital needs; a higher level of maintenance obviously will decrease capital repair costs. For example, Game Plan financial consultants estimated that tightening contracts with city concessionaires could yield DPR as much as $200,000. However, mutually

<table>
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<tr>
<th>Capital Funding</th>
<th>in millions per year</th>
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<tbody>
<tr>
<td>Repair and Maintenance</td>
<td>Current Spending Level</td>
</tr>
<tr>
<td></td>
<td>$3</td>
</tr>
<tr>
<td>Upgrades and Expansions</td>
<td>$6</td>
</tr>
</tbody>
</table>
advantageous concessionaire arrangements that encourage preventative maintenance also would lead to better care of historic facilities and a higher level of public service.

Capital Maintenance and Repairs projects are, perhaps, the most dependent upon consistent public funding since the quality and lifespan of publicly owned resources is reliant upon this kind of care. Capital upgrades and expansion, including most of the capital projects in the Game Plan, benefit from a wider array of potential partnerships and funding sources.

Periodic capital bond issues, tax increment financing, grants, and partnerships are examples of capital funding sources beyond annual budgets. Timing and coordinating

<table>
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<th>Evaluation of Selected Options</th>
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<tbody>
<tr>
<td><strong>Funding Option</strong></td>
</tr>
<tr>
<td>General Fund Reallocation</td>
</tr>
<tr>
<td>Dedicated Revenues (taxes or program related revenues)</td>
</tr>
<tr>
<td>Benefit Districts</td>
</tr>
<tr>
<td>Increased Cost Recovery</td>
</tr>
<tr>
<td>Non-traditional Revenues (concessionaires, sponsorships, private donations)</td>
</tr>
<tr>
<td>Decreased Service Costs (increased efficiencies or sale of assets)</td>
</tr>
</tbody>
</table>
Game Plan projects with other city capital construction efforts (as outlined by Blueprint Denver, the Bicycle Master Plan, Wastewater Master Plans), also save money.

Increased efficiencies and partnerships, however, cannot fill the $6 million yearly shortfall for capital Maintenance and Repairs, the $10 million yearly shortfall for current capital upgrades and expansions, the Game Plan capital projects, and the anticipated operating shortfalls. These all point for the need for some increased public revenues, some form of taxes. The huge scale of the deferred and on-going capital repairs requires stable solutions.

The Game Plan public process reaffirmed this direction and also indicated a willingness of Denver residents to help pay. Close to 80 percent of 2001 Game Plan Survey respondents said they would pay for additional levels of service or expansion, ranging from $1 to $10 per month. Three out of five respondents (59 percent) said they would pay an additional $4 a month, which translates into an additional $6 million to $10 million annually, an important start toward funding Game Plan efforts. Competition for public

### Willingness to Pay for Park Improvements

- $1-$3 per month: 21%
- $4-$7 per month: 31%
- $8-$10 per month or more: 28%
- don’t know: 3%
- nothing: 17%
sound economics

funds is always intense, but Denver residents continue to be passionate about and supportive of their park and recreation system.

Budget Process
An on-going process for evaluating requests and balancing demands is as important as the funding tools. The Game Plan financial implementation clearly reaffirms the values of sustainability, equity, and engagement. Generally and in order, public funding priorities are to:

- care for the existing (and expanding) system by adequately funding capital Maintenance and Repairs
- make improvements and fill gaps in the system where services do not meet standards;
- land bank for future expansion; and
- expand service levels, building new parks and recreation facilities.

These priorities do not mandate a strictly linear approach to funding; parks could be built in Green Valley Ranch while school yards in west Denver simultaneously become Learning Landscapes. Rather, they reaffirm the principle that Capital Upgrades and Expansion should not be at the expense of underserved existing neighborhoods; nor

Securing new on-going revenues for parks and recreation must be coordinated with citywide needs and efforts to increase capital funds. Implementation over time, of course, also depends upon the economic health of the city and coordination with other city projects.

Even so, priorities and DPR budget items should be justified by their support of Game Plan values and recommendations. Yearly proposals for upgrade and expansion projects in the six-year capital needs assessment, recommendations for bond issues, and special projects should be evaluated against these criteria.

The following recommendations create a framework that can be implemented over time. As with other recommendations, the city’s staffing and skills must be in place first.

Financial Criteria for Expansion
Strategically balance the elimination of the capital backlog with rehabilitation and expansion projects, meeting the Game Plan priorities:

1. Develop neighborhood and community-scale parks, tree canopy improvements, and connections in neighborhoods of greatest needs.

2. Develop or rehabilitate recreation centers in neighborhoods of greatest need.

3. Complete the system: Achieve parity in neighborhoods of moderate need, and plan for growth through bonds.
GOAL FOR SUSTAINABLE ECONOMICS

All DPR budget decisions will support sustainable economics. This assures that DPR can maintain physical resources that are high-quality, equitable, can be maintained for future generations, and can provide high quality programs.

Recommendations

1. Strengthen DPR's internal abilities and efficiencies.
   - Demonstrate cost savings in all divisions.
   - Dedicate staff time to increase innovative funding sources and partnerships.
   - Document and publish operating and capital savings, as well as additional value for users.
   - Strengthen staff accountability.

2. Strengthen business relationships and partnerships:
   - Improve relationships with foundations by clarifying expectations, roles, responsibilities, and accountability.
   - Expand partnerships, such as those with the Denver Public Schools and the City Park Alliance.
   - Improve concession practices. Make concessionaire agreements more equitable, businesslike, and responsive in the following ways:
     - draft a city policy clarifying goals for both DPR and the business, outlining appropriate concessionaire situations,
     - draft a city policy that clarifies the city's primary goals and priorities for concessionaires, enterprise funds, and partnerships; ensuring the city's capital resources are well cared for and public service is provided,
     - address concessionaire concerns about the physical conditions of resources and the reinvestment required for positive cash flow and profits,
     - define responsibilities for capital repairs, and
     - enforce and monitor contracts.
   - Increase concessionaire opportunities by providing more visitor services at City Park, Red Rocks, and other sites.
   - Increase revenues from sponsorships and other nontraditional methods in the following ways:
     - reconsider DPR policies that prohibit or discourage sponsorships, and
     - pursue more actively short-term sponsorship opportunities, such as naming rights for tournaments.

"...the City's primary goals and priorities for concessionaires, enterprise funds, and partnerships: ensuring the city’s capital resources are well cared for and public service is provided."
advertising banners at events, and fees for movie and filming locations.
- Seek grants more actively.

3. **Increase and stabilize operations and capital revenues for recreation:**
   - Initiate new recreation fees that are simpler, consistent, and reflect value-based programming.
   - Revise fees to reflect more true costs, increasing the rate of return to the city. A 10 percent increase in recreation fees, for example, could generate an additional $1.5 million annually. Denver’s fees for ball field use and some recreation programs are significantly lower than those in other urban park systems and neighboring communities.
   - Provide a system of reduced fees and scholarships to ensure that no one is denied access to a recreation program.
   - Provide recreation staff incentives through a cost-accounting system that acknowledges the revenues DPR has raised.
   - Ensure consistent, citywide training for recreation center staffs, administrative procedures, fees, and marketing.
   - Increase marketing efforts for recreation programs.
   - Enhance outdated recreation centers and equipment to make programs more competitive with private fitness and recreation facilities.

- Encourage joint ventures and partnerships with sports leagues and other institutions to provide recreation programs and construct facilities.

4. **Assure adequate funding for Capital Maintenance and Repairs and daily operations in parks.**

- Work with Budget and Management to determine the most stable and comprehensive capital and operating funding plan for DPR. Analyze all possible funding sources within legal constraints, such as TABOR, including:
  - increased tax rates,
  - new taxes, such as real estate transfer taxes,
  - benefit districts around appropriate parks or along parkways,
  - user fees and partnerships in special locations, such as the fees for Summit Lake on Mountain Evans now being tested (see Evaluation of Selected Options for more detail), and
  - outsourcing aspects.
- Conduct life-cycle assessments of major systems to project future capital repair expenditures.
- Use life-cycle costing when making design and construction decisions regarding the life of a project.
- Ensure that all new construction uses sustainable building and management techniques.

In September 2002, City Council passed recreation program and ballfield increases, anticipated to add up to $1.2 million in additional operating revenues yearly.
Pursue partnerships with Denver Water and other funding sources to replace outdated irrigation systems or to convert systems to non-potable water.

5. Identify and secure funding for capital expansion:
- Require developing areas (new vertical or horizontal development) to contribute to the costs of growth.
- Leverage resources by coordinating funding with other agencies and by targeting projects, such as those identified in Blueprint Denver, Bicycle Master Plan, or stormwater plans.
- Consider other local district and citywide funding sources, such as parkway districts, neighborhood and sidewalk improvement fees.
- Strengthen partnerships with Urban Drainage and Flood Control, Public Works and other agencies for park improvements and possible joint ventures along drainage ways.
- Ensure that city-wide capital bond issues reflect Game Plan capital priorities.

The General Conclusions
Over the past several decades, the demands of operating DPR have moderately outstripped revenues. Adequate capital funds existed to keep up with repair and maintenance but also were used for expansion and upgrades.
Consequently, DPR has had a $16 million gap in capital funds for repairs and expansions, creating a growing list of unfunded projects.

FOOTNOTES
1 A separate statistical survey conducted by the Budget and Management in 2002 confirmed this high satisfaction with Denver park maintenance and programs: 61 percent were highly satisfied with recreation programs; 61 percent highly satisfied with recreation facilities; 68 percent highly satisfied with maintenance/appearance of parks; and 61 percent highly satisfied with maintenance/appearance of recreation facilities.
2 In 2002 DPR and Budget and Management Office began clarifying definitions and dividing the capital needs into either Capital Maintenance and Repair or Capital Upgrades and Expansion projects for the first time. Some projects are difficult to categorize and some overlap exists.
3 Close to $50 million of that $100 million in Capital funds is earmarked for Green Valley Ranch, Stapleton, and Parkfield development. Stapleton and Lowry have additional funding sources (tax increment financing) for park development.
Serene City Park in the early 1900s