June 23, 2025

To: Austin Parks and Recreation Department

From: PFM Group Consulting LLC

Re: Austin PARD Funding Methods Executive Summary

Between February and June 2025, PFM Group Consulting (PFM) and the Trust for Public Land (TPL) completed a study of the City of Austin's Parks and Recreation Department (PARD)'s options for potential sources of additional revenue to best fill its revenue gaps and increase its long-term financial stability. The project consisted of three phases:

1. Phase 1: Benchmarking of comparable Parks and Recreation Departments to determine best practices.
2. Phase 2: Conducting a financial, economic benefit, and landscape analysis to determine gaps in funding and the total budget shortfall.
3. Phase 3: A final report in PowerPoint form regarding potential additional revenue sources for PARD and final recommendations.

The following report describes PARD's reliance on a $100 million transfer from the City's General Fund each year to operate at its current service levels and provides options to reduce this gap between what PARD spends and what revenue it is able to generate as a department. If PARD does not reduce expenditures or acquire additional revenue sources, the amount of funding it will need to receive from the General Fund is projected to increase each year.

Phase 1: Benchmarking Analysis

The PFM team compared PARD to nine city parks and recreation departments across the country. These include three national comparators (Atlanta, GA; San Diego, CA; and Seattle, WA), three Texas comparators (Dallas, TX; Fort Worth, TX; and San Antonio, TX), and three cities considered "best practice jurisdictions" (Boston, MA; Minneapolis, MN; and San Francisco, CA).

First, PARD is not as supported financially by non-General Fund sources as the other benchmarks. The number of government funds that support PARD is lower than the average among the benchmarks; other cities' parks and recreation departments are supported by between 5 and 15 funds outside of the General Fund, while PARD is supported by three. In FY2025, PARD is budgeted to generate $74.7 million from its operating and capital sources, while the benchmark cities will generate an average of $151.9 million. However, PARD ranks second highest among benchmark jurisdictions when comparing the level of operating and capital expenditures on parks activities. This indicates that PARD relies more heavily on its annual General Fund transfer than other parks do.

TPL uses a ParkScore index to measure how well the 100 most-populous U.S. cities meet their communities' needs for parks. The ParkScore incorporates data about each city's park acreage, access, amenities, investment, and equity. Compared to these 100 cities, in 2024 Austin's park system score of 44 is just above the median.[1] However, when compared to the benchmarks included

[1] In 2025, Austin's ParkScore rank dropped from 44 to 54. Due to the relative nature of ParkScore, the City's change in rank is driven by growth in other park systems, not necessarily in reduced individual scores of the City of Austin.

in this study, Austin ranks 8 out of 10, ahead of only San Antonio and Fort Worth. As per this metric, Austin's parks perform better than average when compared with the nation's most populous cities.

Phase 2: Economic and Financial Analysis

The public park and recreation system in Austin provides substantial economic benefits to the community. Its green spaces and parks provide hundreds of millions of dollars in savings to the City, particularly when considering essential climate and resiliency priorities. It helps the City generate revenue by:

1. Promoting economic development through increasing tourism and creating jobs (visitors spend an average of $305 per day per visitor, and 12 percent of Austin visitors cite access to the outdoors as a motivator for their visit),
2. Providing residents and visitors with recreation opportunities (and thereby lowering healthcare costs by an estimated $1,545 for individuals age 18 to 64),
3. Increasing real property tax revenue (an estimated 5 to 10 percent of the value of homes adjacent to parks can be attributed to that proximity), and
4. Providing ecosystem services (such as reducing air pollution, mitigating stormwater, or increasing climate resilience).

To achieve this investment in the community, the City of Austin provides the majority of funding for the city's park system: almost three-quarters of PARD's annual operations expenses are funded by an annual transfer from the City's General Fund. In FY2024 this transfer amounted to $100.5 million, while PARD only generated $15.9 million in General Fund revenue through activities such as cemetery lot sales and program fees.

If PARD repeats the past five years of financial performance, the funding gap between what it can generate departmentally within the General Fund and what it spends will continue to grow. For example, PARD's FY2030 departmental revenue is estimated to be $17.3 million, with estimated expenditures of $186.0 million. This will require a General Fund transfer from the City of $168.7 million to balance PARD's FY2030 budget. According to separate estimates from Austin's Office of Budget and Organizational Excellence, PARD's expenditures will be lower at $156.2 million; even with these lower estimates PARD will still require a $138.9 million transfer from the City's General Fund in FY2030.

Based on this forecasted expanding budget gap, PARD will have to either cut expenditures, receive additional funds from the City's General Fund, or develop additional revenue sources to sustain its operations. Given the $100 million revenue gap between what PARD is able to generate internally with fees and other revenue-generating activities and its total expenditures, raising usage fees or creating an enterprise fund to keep these fees from flowing back to the City's General Fund will not generate revenue amounts high enough to cover any significant amount of PARD's operational expenditures.

Phase 3: Findings and Recommendations

PARD will need to pursue multiple avenues to fill its revenue gap and reduce its reliance on the City's General Fund transfer. Due to statewide restrictions on local governments' ability to raise revenue by adding new taxes, and existing tax streams already being at statutory limits, many of the revenue options available to peers outside of Texas are not possible for the City of Austin to fund parks related activities.

Further, PFM and TPL analysis found that PARD is already implementing many best practices, reducing the options of "low hanging fruit". PARD is actively building upon opportunities to leverage partnerships with outside organizations and is in the process of moving programs that generate more expenses than revenues such as museums and cultural heritage sites to a separate department. PARD and the City also limits user fees as a matter of policy to keep the cost to the community as low as possible, demonstrated by multiple denied attempts to increase fees in the past.

Instead, PARD will need to pursue a combination of the following menu of revenue options as a means to gradually reduce its reliance on the City's General Fund. Some of these options are achievable in the short-term; others are longer-term pursuits as they require buy-in from external stakeholders, such as the City's voters, and potential legislative changes at the state level.

Selection of Shorter-Term Funding Options

Option 1: Create a New Recreation and Parks (RAP) Fee

Several cities use parks maintenance fees to generate additional revenue for maintenance and other related costs. These fees are typically included in residents' utility bills. The City's current Clean Community Service Charge cannot be expanded to include other park-related expenses; however, City Council could authorize a new RAP fee that would collect revenue specifically dedicated for park uses.

Assuming a 90 percent collection rate, adding a $1 monthly parks and recreation maintenance fee can yield an estimated $5.4 million annually.

Option 2: Expand the Use of the City's Drainage Charge

Given the associated cost savings to the drainage system that well-maintained parks provide, PARD can advocate that a portion of the City's Drainage Utility Fund be allocated to maintaining parks. Austin's current Drainage Charge is administered by the Watershed Protection Department; these fee revenues pay for programs that prevent flooding, erosion, and water pollution across Austin. These fees are collected and administered through Austin's Drainage Utility Fund, separate from its General Fund. Using a portion of this Fund to support PARD can be justified through Austin's parks' and greenspaces' contributions to stormwater management and the reduction of the burden on public draining infrastructure. Alternatively, rather than reallocating a portion of the existing fund revenue to PARD, City Council could authorize that any increases to this fee be allocated to PARD, or exempt PARD from paying this fee on its own utility bills moving forward.

Similar to the RAP fee, assuming a 90 percent collection rate, adding a $1 monthly parks and recreation maintenance fee can yield an estimated $5.4 million annually.

Option 3: Lean More Heavily on Partnership Opportunities

PARD already manages several partnerships with external groups, bolstering PARD's resources and services to the community. PARD can further leverage these relationships to provide more support, both financially and through volunteer hours, across parks city-wide. For example, PARD can work with local nonprofit organizations and community groups to administer system-wide PARD programs, as opposed to offering partnerships through site-specific agreements. PARD can move towards the creation of a Park Operations and Maintenance Agreement with the Austin Parks Foundation and other key partners that can specify what is funded and how funds are to be shared and spent.

If PARD is able to further leverage these partnerships, it can use these additional financial and personnel resources to free up General Fund dollars for other departmental priorities such as deferred maintenance needs or investment in other council and resident priorities. This could lower the gap between what PARD receives from the General Fund each year and what it spends.

Option 4: Fully Leverage Cost Recovery by Revisiting City Financial Practices

In addition to state-level restrictions on new or increased revenue sources for PARD, the City of Austin has local financial practices that can further limit PARD's ability to raise revenue. Addressing any of these policies can reduce the future funding gap.

First, PARD's current cost-of-service calculation only incorporates the immediate costs of program staff and the equipment they directly and immediately use to execute programs for park users. Further, increasing user and rental fees for park services is rare and generally only corresponds with wage increases.

PARD can update its cost recovery strategy to include more overhead and maintenance costs in its cost-of-service calculation. While this may increase fee revenue by smaller increments relative to PARD's overall funding gap, there are certain facilities that have high demand and may be able to support higher rental fees and user charges.

Second, while PARD receives approximately $100 million annually from the City's General Fund, a portion of these funds are returned to the City in the form of internal service charges and do not directly support PARD programs. For example, in FY2024 PARD spent $731,178 in interdepartmental charges and $4.7 million in CTM support expenditures to cover its share of city-wide IT services. These two charges alone, totaling $5.4 million, equate to 33.9 percent of the departmental revenue PARD generated in that same fiscal year.

Finally, PARD can increase its ability to accept sponsorships and donations. For example, while PARD can collect donations in a special revenue account, funds are not always used for a specific location or program and have been previously leveraged to balance the General Fund budget. PARD also cannot use these direct donations until City Council allocates it for the following fiscal year. Further, PARD can issue naming rights in exchange for donations, which it has not yet done. This is allowed per city code but requires City Council approval.

Option 5: Understanding that Bond Capacity is Limited, Leverage Debt for New Capital Costs and Known Deferred Maintenance Needs

The gap between what PARD generates internally each year and what it spends does not include deferred maintenance costs. PARD estimates it will need an additional $572 million to cover renovations and deferred maintenance across 211 projects, $8 million of which is necessary in FY2026.

Additional bond funding for parks is a policy decision for the City given limited bond capacity and other city priorities. While understanding these constraints, PARD can advocate for additional GO bond authority for capital purposes, which could include capital maintenance costs, to be funded over time. Hypothetically, these bonds could remove these maintenance expenses from PARD's annual budget and help reduce its budget gap.

Option 6: Partner With Travis County on a City/County Park District and/or Establish a Parks District Through a Local Government Corporation

While the City of Austin is not authorized to create a park district, it could collaborate with or join a county lead district. A parks district has local property taxing authority to provide a dedicated revenue stream for parks maintenance, improvements, and other costs. PARD could explore the potential of collaborating with Travis County to join a county park district. Both parties could develop a shared services approach to park facilities, greenspaces, and programming that fall in the overlapping geographies.

Similar to leveraging partnerships, allowing other agencies to provide resources for parks maintenance and programs reduces PARD's reliance on the annual General Fund transfer and allows PARD to allocate this funding to other park needs outside of the park district.

Another option PARD could use to benefit from a parks district is to work with the City of Austin to create a Local Government Corporation (LGC), which can work with nonprofit partners to create a quasi-parks district structure. For example, the Houston Parks Board works with the Houston Parks Board LGC, which uses donations to fund parks maintenance and capital replacement services. LGCs also have the authority to issues bonds as another avenue of raising funds.

Option 7: Adjust Service Levels

If additional revenue sources are not able to be procured and the budget shortfall continues to grow, PARD can reduce its reliance on the City's General Fund transfer by adjusting its service levels to reduce expenditures. If PARD does not secure additional funding revenue and the City does not increase its funding allocation each year, PARD will have no choice but to decide which programs are essential to its mission and which can be operated elsewhere.

Selection of Longer-Term Funding Options

Option 8: Property Tax Increases

Other benchmark cities direct a portion of their property taxes to fund park programs. For example, San Francisco directs a percentage of its property taxes towards the City's Open Space Fund to acquire new parks and open space. Boston imposes a 1 percent surcharge on property taxes to fund parks, housing, and preservation initiatives.

PARD can advocate to increase property taxes or direct a portion of current property taxes to fund its programs and operations. However, this is a longer-term option as taxing bodies in Texas are required to win voter approval to allow property tax revenues to increase by over 3.5 percent each year. While not impossible, this would require PARD to advocate for such a measure to be put on the ballot and this option would ultimately be up to Austin's voters to approve.

Option 9: State & Local Advocacy

Similar to limitations on property tax increases, the State of Texas limits jurisdictions' ability to increase local sales taxes above a combined rate of 8.25 percent. The City of Austin is already at its legal limit, therefore it is not possible for entities within the City to increase additional sales and use taxes.

Further, peer jurisdictions outside of Texas are able to derive revenue for parks programs using dedicated tax revenue from specific sources such as sweetened beverages and plastic bags, which are not taxed within the State of Texas.

As a result, while increasing tax revenue and dedicating these additional funds to PARD may in theory seem a simple solution to closing the budget gap, in reality PARD and its supporters would need to take a longer-term approach to working with the legislature to change state taxation laws.

Additionally, PARD could also advocate for changes at the state level to allow cities to create park districts, which would reduce PARD's reliance on external entities, such as Travis County, to create a park district.