



Memorandum

November 2, 2021

To: Mayor Wheeler
Commissioner Mapps
Commissioner Hardesty
Commissioner Rubio
Commissioner Ryan

From: Adena Long, Portland Parks & Recreation Director
Jessica Kinard, City Budget Office Director

Re: Portland Parks & Recreation Use of Levy Resources for
Operations & Maintenance of New Assets

For many years, Portland Parks & Recreation (PP&R) has relied upon new General Fund allocations to fund daily operations and maintenance (O&M) of new assets as they came into service. This approach is laid out in [City Financial Policy](#) and PP&R and the City Budget Office have worked diligently over the years to be compliant – and to improve the policy to better achieve its intent.

This policy requires that, if bureaus expect to request General Fund for O&M, they should forecast that funding need in their capital improvement plans (CIPs) and in their five-year financial plans. Further, it requires that those bureaus make General Fund requests in the year prior to projects coming to Council for contracting authority.

This policy is intended to demonstrate to Council the long-term O&M impacts of the CIP on the General Fund as well as a decision-point prior to the commitment to build the asset, balancing long-term financial impact with the community benefits the capital projects will provide through addressing equity gaps, meeting high priority community needs, implementing key City priorities, and more. In recent years most of the newly developed PP&R assets are funded by System

Development Charges (SDCs), which are charged on new development and allow the park system to expand to meet the needs of a growing, diverse, population. This approach has made sense and can be sustainable from a Citywide perspective, since this new development results in new tax resources – some of which would reasonably be expected to fund O&M for the new assets.

The challenges of this policy for City Council have been that:

- 1) There are currently no explicit decision-points built into the Citywide 5-year CIP process (i.e. nothing similar to ‘decision packages’ in the operating budget) that would reserve General Fund in the forecast for those anticipated costs.
- 2) When a project is ready to be contracted in the upcoming year, it will already have been the subject of considerable public involvement and design effort; this makes it challenging for City Council to make the decision *not* to move forward.

The result of the City’s current O&M decision-making process is that, regardless of the early forecasting of the costs or the availability of new resources due to new development, the perception for City Council is of an unanticipated request for a scarce resource.

The five-year Parks Local Option Levy (Parks Levy), passed by voters in November 2020, has given City Council an additional option for funding these new O&M responsibilities, addressing some of the policy challenges noted above, creating more certainty around funding, reducing near-term pressure on the General Fund, and better aligning capital and operational planning and funding for the five-year period of the Parks Levy.

However, moving to a Parks Levy-funded O&M approach only makes sense if there is City Council commitment to work with the community and PP&R towards a successor resource for bureau operations. Otherwise, this approach to O&M funding will result in a steeper challenge at the end of the five-year Parks Levy.

Therefore, CBO and PP&R recommend that City Council should direct PP&R to plan on operating and maintaining new assets using the Parks Levy over the next five years. This should be done with the understanding that City Council is committed to working toward a successor resource for the Parks Levy – whether that be a renewal or replacement with an ongoing source.

In February, 2021, City Council approved using Parks Levy funding for PP&R's Sustainable Future program. This program leads the planning effort on this successor resource – and the capital resources needed to close the major maintenance gap as well as the service gaps that can't be closed using development fees.

Commitment to a growing system that closes service gaps and accommodates the needs of a growing City means commitment to increased costs for operating, maintaining – and eventually replacing – the assets in that system. To that end, CBO and PP&R look forward to working in partnership with City Council over the coming years to develop effective solutions to these issues and to continue creating a Sustainable Future for the City's world class parks system.