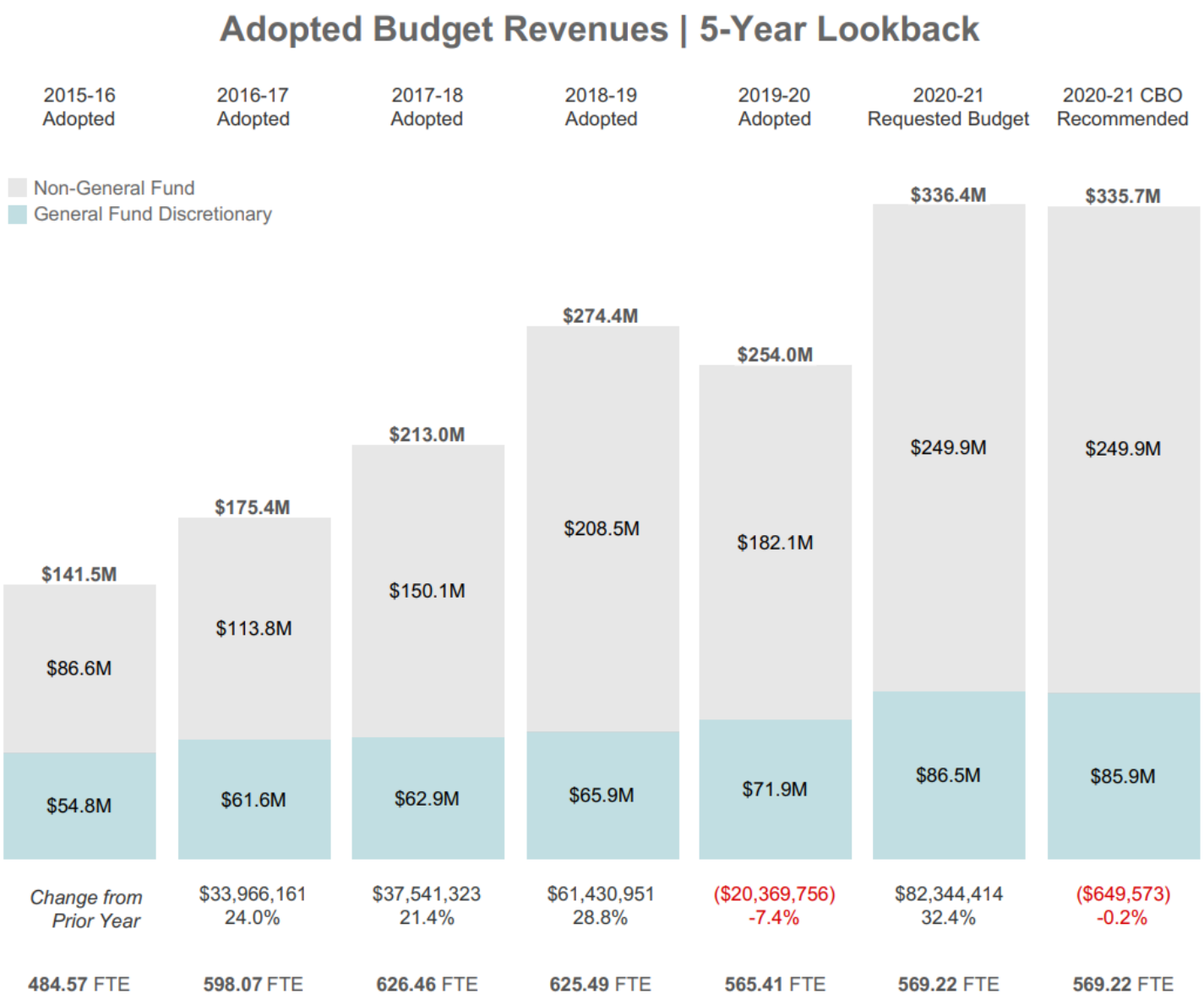
City Budget Office

Portland Parks & Recreation

Analysis by Asha Bellduboset



INTRODUCTION

Portland Parks & Recreation's (PP&R or Park) FY 2020-21 Requested Budget of $336.4 million includes 569.22 FTE and seven distinct requests for General Fund resources totaling $9.6 million. This Requested Budget reflects PP&R's efforts to continue to address operational challenges that contributed to a $6.3 million operating shortfall identified last year and to improve upon asset management and deferred maintenance practices by stabilizing operating models that enhance fiscal sustainability and retain core

services. CBO is recommending continued support for PP&R's major maintenance needs, funding for the operations and maintenance of new parks assets and amenities, resources for one additional staff to centrally coordinate and advance bureau financial sustainability, a $44,500 contribution to PEN 1 from the bureau's enterprise funds, a work order management system, repairs to the Stearns Canyon Stairs, and the Energy Saving Performance Contract. CBO notes the importance of continuing to critically assess efforts to balance service levels and minimize financially unsustainable practices while prioritizing equity in decision-making.

FY 2019-20 BUDGET UPDATE

During the FY 2019-20 Requested Budget process, PP&R discovered and committed to closing a $6.3 million operating gap in their budget. To mitigate the gap and produce a balanced budget the bureau submitted 26 packages that either reduced, realigned, or eliminated expenditures across 80% of the bureau's divisions. Prior CBO analysis of PP&R's balancing plan can be found here.[1] The bureau subsequently submitted an 11-package proposal to bridge funding gaps that were unlikely to be completed by the end of FY 2018-19. Ultimately, the bureau implemented the changes detailed in the 26 packages which closed $6.3 million of the operating gap and received $3.2 million for a one-time bridge funding proposal which funded Columbia Pool programming to June 30, 2020, summer programming at Hillside, Sellwood, Laurelhurst, and Fulton Community Centers as well as the Multnomah Arts Center and provided transition resources and general contingency.

Transitions & Revenue Stabilization

The bureau has several revenue stabilization efforts that began in FY 2019-20 and are expected to continue into the next fiscal year. Management of the structural gap in Recreation Services - which was $4.5 million in FY 2019-20 - will be key to assuring the bureau identifies and adjusts operating activities to align with realistic revenue collections in order to prevent a recurring budget gap. This section provides and update on those efforts and budgetary impacts.

Community Centers

In addition to Community Center closures (detailed below) and previously analyzed by CBO (prior analysis here), the most significant impact to services and operations came from operating model changes which resulted in a reduction in course offerings and a more standardized level of service provided by PP&R. This plan was developed over the summer and implemented in September 2019; and, 46.06 FTE were eliminated as part of this effort. The impact of these changes vary by site. In some cases, participation and visitor experiences will not be known until Summer 2020.

In FY 2019-20 PP&R proposed discontinuing services at three small community centers, one dance center and one pool to close operating gaps and reallocate resources and strengthen efforts to focus on the bureau's large community centers. Below is an update on these closures and other ongoing facility transitions.

- **Hillside:** Hillside received summer bridge funding for FY 2019-20 and completed summer programming last year. The FY 2020-21 Requested Budget does not provide resources for staffing or programming at Hillside Community Center. Hillside Community Center has transitioned to a

[1] FY 2019-20 Requested Budget Review Portland Parks & Recreation –Balancing Plan analysis. Portland City Budget Office. https://www.portlandoregon.gov/cbo/article/725850

third-party organization that is currently managing and programming the facility.

- **Laurelhurst:** Laurelhurst is primarily a dance facility. PP&R ceased operations at the facility July 1st, 2019 and will no longer be programmed by PP&R. The bureau is seeking to transition programming to a third-party in FY 2020-21.

- **Fulton:** Management of this leased and permitted facility was previously staffed by 0.5 FTE and required 33 hours of casual labor. In FY 2019-20 it fully transitioned to a third-party that will be responsible for building maintenance and repair and rentals to public users.

- **Sellwood:** Sellwood received funding for Summer 2019 programming and transitioned to a third-party organization that is currently managing and programming the facility and is responsible for building maintenance and repair.

- **Columbia Pool:** In FY 2019-20 the bureau received $450,000 in one-time resources to backfill the operating gap at Columbia Pool. In FY 2020-21, the PP&R has not included resources for programming at Columbia Pool in the Requested Budget. Per the prior year Adopted Budget, Columbia Pool is slated for closure June 30, 2020.[2]

Transitions, Bridge Funding and Revenue Stabilization

In the FY 2019-20 Adopted Budget, PP&R received approximately $3.2 million in General Fund Discretionary resources, as noted above. Approximately, $ 0.8 million of those funds were to bridge and transition programming at Multnomah Arts Center (MAC) and Community Music Center (CMC). The bureau implemented one-time solutions, receiving resources to fund long-term solutions through strategies that would be implemented by consultants or program managers. In FY 2020-21, the bureau will continue strategic planning for solutions allowing the two facilities to operate while minimizing any gaps in revenue collection. However, with the focus on near-term closures, a new program manager was appointed much later than originally anticipated. Determination of new fiscal models and identifying risks will likely impact staffing and programming in the future. The current status is detailed below:

- **MAC & CMC:** There are distinct challenges at each facility which will likely require independent solutions in the coming year. The 18-month timeline to design and implement a new operating model for the MAC and CMC is now underway. In the FY 2019-20 review CBO noted that, "precise work of the proposed revenue generating Recreational Coordinator position is as of yet undefined."[3] The bureau reports that the position is likely to increase revenue through increased program attendance. To that end, the bureau reports that the intended impact of the position is to successfully transition CMC and MAC to new operating models. There are no additional indicators for how the bureau would measure the impacts of this position. The program manager was hired in January 2020 and may provide additional information in the future.

- **Large Center Transition:** Adjustments to program and course offerings at PP&R's five regional centers, primarily through making the delivery model more uniform across locations, resulted in

[2] City of Portland, Oregon - FY 2019-20 Adopted Budget, Portland Parks & Recreation. Pages 181-216. https://www.portlandoregon.gov/cbo/article/738382

[3] FY 2019-20 Portland Parks & Recreation Adopted Budget Review. Portland City Budget Office. https://www.portlandoregon.gov/cbo/article/725850

the reduction of regular staff positions in September 2019. These changes allowed the bureau to continue efforts to align course offerings and pricing throughout the system, shifting toward more course offerings for dance and sports, while keeping expense costs low enough to mitigate for potential loss of fee revenue. The transition was implemented in early Fall after Summer programming ended and the bureau is experiencing an uptick in Winter registrations. For Fall term, the fill rate stayed the same as last Fall (63%). For Winter, Recreation has seen a 6% increase in fill rate over last year (64% vs. 58%). Despite the reduction in course offering variety, Recreation Services is maintaining or increasing utilization of existing programs and adapting programs to meet the needs of the community.

While revenues are coming in as anticipated, expenses related to some of the bureaus seasonal costs are higher than anticipated, primarily due to low estimates in the amount of front desk support the full-time staff provided at Mount Scott and Southwest Community Centers.

The bureau's FY 2020-21 Requested Budget attempts to right-size the imbalance in seasonal costs by increasing the budget for seasonal workers in Recreation Services by $304,000 or 3.2% over the FY 2019-20 Revised Budget.

As the bureau continues to work to strengthen practices that enhance revenue and provide more complete and accurate cost data balancing financial stability with service level targets is key.

KEY ISSUES

Financial Sustainability

FY 2020-21 Budget Guidance identified PP&R's financial sustainability as a Citywide priority in Priority Area 3: Parks Fiscal Sustainability.[4] The guidance noted that these options should add new revenue rather than driving service reductions elsewhere in the City.[5] According to the Portland Insights Survey, respondents' favorite part of where they live in Portland is access to outdoor and natural areas. Further, 70% of Portlanders are satisfied with the safety and cleanliness of Portland's parks – with satisfaction being the lowest in East Portland. It is crucial that Financial Sustainability efforts determine and articulate the level of service desired by Portlanders, the financial costs to deliver that desired level of service, and, if available resources are not sufficient to deliver that desired level of service, include recommendations for levels of service that will be financially sustainable.[6]

The FY 2020-21 base budget was developed in a manner that held external materials and services costs flat or slightly reduced when compared to FY 2019-20. Last year, the bureau significantly reduced service levels to bring costs and revenues into alignment temporarily; however, the underlying structural issue driving the deficit persists and the bureau has made reductions across the bureau that will be challenging – yet possible – to achieve in the coming year. CBO is troubled by the continuation of the 'thinning the soup' approach to solving for this structural issue that led to the significant and disruptive shortfall the bureau experienced last budget cycle. While this approach may be acceptable for FY 2020-21, CBO recommends that Council chart a path towards a solution in preparation for the FY 2021-22 budget to prevent the continued growth in the gap.

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[4] Office of the Mayor Ted Wheeler, City of Portland. "FY 2020-21 Budget Guidance: General Fund Guidance." https://www.portlandoregon.gov/cbo/article/743645

[5] Portland Parks & Recreation: FY 2020-21 Requested Budget, page 1 https://www.portlandoregon.gov/cbo/article/752715

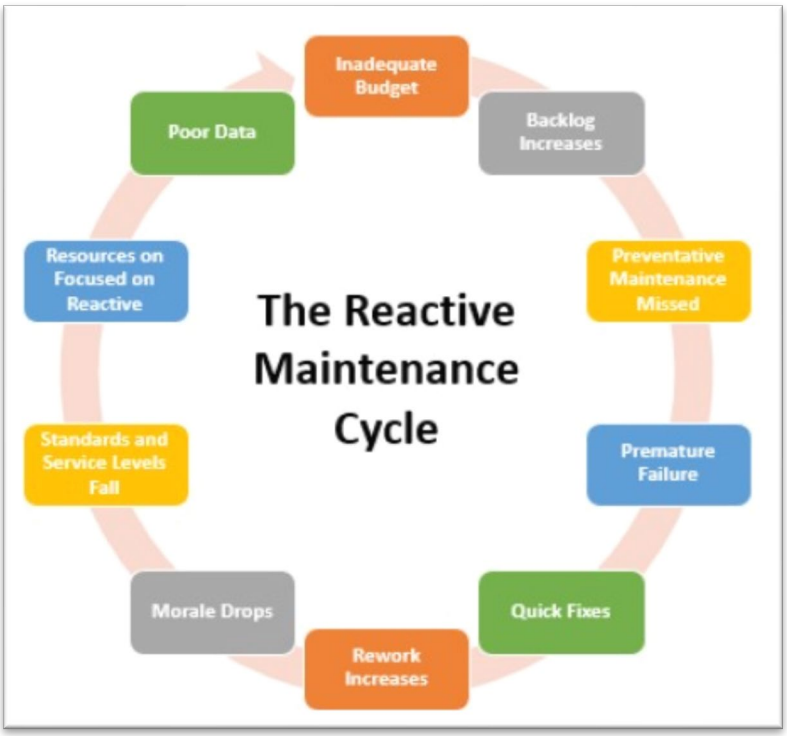
[6] 2019 Portland Insights Survey Report. https://www.portlandoregon.gov/cbo/79177

PP&R acknowledges this issue and, in response, the FY 2020-21 Requested Budget includes two requests that focus on raising revenue. The first proposal is the Sustainable Future decision package. A key aspect of the limited-term position requested will be to make progress on one or more of the funding options discussed at the City Council work session in November 2019. The second proposal is an adjustment to Current Allocation Level (CAL) Target methodology to cover inflationary increases to wages for fee supported positions that, under the current model should recover costs from fee revenues. Fee increases have not kept pace with inflationary cost increases, it is a question for Council whether to 1) raise fees to cover costs; 2) provide enhanced General Fund subsidy to continue the current service level without significantly increasing fees; or 3) reduce programming to match currently available fee and discretionary resources. These requests are analyzed by CBO in the "Decision Package" section of the review below.

Additionally, the bureau continues to face financial challenges associated with major the maintenance funding backlog and the desire to expand PP&R's services and capacity without sufficient discretionary funding for the associated operations and maintenance costs. These issues are described below.

Major Maintenance Funding and Backlog

Since FY 2015-16, the Parks Bureau has received $13.8 million or 19% of the total $70.8 million allocated in Citywide capital set-aside resources. The 2014 Parks Replacement Bond authorized $68.0 million in general obligation bonds for repair and replacement projects.[7] Additionally, the bureau has received $2.4 million in increased ongoing General Fund support for major maintenance since FY 2015-16. Despite these increases, the most recent estimates have determined that the bureau has approximately $450 million in capital projects and major maintenance needs.



This flow chart illustrates the reactive maintenance cycle can prevent asset management practices that mitigate service disruptions and reduce long-term costs. Source: Water Finance Research Foundation - Municipal Maintenance & Infrastructure Asset Management.

Revenue shortfalls are both adding to and exacerbated by the current, reactive state of PP&R's asset management practices. In FY 2018-19 PP&R the Bureau reduced an Applications Analyst in the Assets & Development division to meet budget requirements and in FY 2019-20 Parks eliminated a Planner II and Engineering Assistant (2.0 FTE) reducing position authority in the same department, moving from freezing the vacant positions to reducing the staff capacity (prior CBO analysis).[8] This reactive maintenance cycle will lead to further reductions in facility capacity which could affect revenue generation. Focusing on reactive maintenance at the expense of regularly

[7] Parks Replacement Bond: Proposed Phase 2 Project List. https://www.portlandoregon.gov/parks/article/628345
[8] City Budget Office FY 2019-20 Portland Parks & Recreation Request Budget review. https://www.portlandoregon.gov/cbo/article/725850

scheduled and preventive maintenance further exacerbates the deferred maintenance gap while PP&R balances maintenance activities attributed to basic service provision with deferred maintenance and capital renewal projects. PP&R reports that 1 in 5 assets would close over the next 15 years without additional funding to maintain service levels.9 However, excessive risk and even more increased operations and regular maintenance costs can be avoided with targeted investments in the next five years.10

In FY 2020-21 the Parks bureau is requesting – and CBO is recommending - $8.0 million in one-time General Fund Capital Set-Aside resources for three projects. While PP&R is slated to receive $31.8 million from the Metro Parks bond for specific capital growth and renovation projects, it is critical that the bureau and Council identify a long-term revenue stream for major maintenance and replacement to effectively address this growing liability. At the bureau's sustainable futures work session, the bureau presented to Council the following funding options to solve for this and other bureau financial issues: a General Obligation Bond, a Special District, a Local Option Levy, and/or a prepared food and beverage tax.

Operations & Maintenance (O&M)

As the bureau strives to make services available to users throughout Portland and spend down SDC fund balances, operations and maintenance costs consume General Fund and other bureau resources. Without further monitoring, guidance, and process changes in planning and development – as well as funding – the bureau and the City will continue to spend considerable amounts on maintaining newly operational assets at the cost of repairs to existing portfolio assets and other emerging Citywide priorities.

Between fiscal year 2014-15 and FY 2018-19, the City invested $3.5 million in operations and maintenance funding for Parks assets. At the same time, the bureau has added ten new

FY	Annual Ongoing Amount
2010-11	$1,253,705
2011-12	$313,383
2012-13	$98,457
2013-14	$889,278
2014-15	$694,952
2015-16	$689,871
2016-17	$459,412
2017-18	$1,583,718
2018-19	$61,783
2019-20	**$687,311**
Grand Total	**$6,731,871**

CBO has concerns that by proceeding in building new assets without secured O&M resources, PP&R has placed Council in the challenging position of having to fund this request or directing the bureau to absorb these costs, thereby lessening the already strained O&M service levels across the parks system.

To that end, the CBO has been working with PP&R to set consistent, predictable multi-year funding allocation limits by constraining O&M funding to SDC fee revenue actuals per an FY 2019-20 Adopted budget note, "Operations and Maintenance Funding Sustainability." CBO and PP&R plan to deliver a combined recommendation prior to FY 2020-21 budget adoption.

Portland Building Blended Rates

With the completion of the Portland Building reconstruction and the renovation 4th & Montgomery building, OMF implemented a blended rate model for City bureaus to pay down the debt on those large projects. The blended rate model, which affects the total costs of the interagency between PP&R and the Office of Management and Finance had an overall impact of

[9] Portland Parks & Recreation, "A Sustainable Future." December 27, 2019. https://www.portlandoregon.gov/parks/article/748069

[10] City of Portland: Citywide Assets Report 2019, "Portland Parks and Recreation." https://www.portlandoregon.gov/cbo/article/752505

approximately $1.2 million (approximately $1.1 million in increased rents; $130,000 in increased interagency agreement costs). In FY 2020-21 Council-approved Current Appropriation Level (CAL) adjustment covering 71% of the increase, or approximately $870,000 which represents the General Fund Overhead portion of the cost increases that, under the current CAL methodology, need to be funded by increases in earned revenue. As a result, the bureau is having to absorb roughly $350,000 of these new costs directly as well as just over $82,000 indirectly for rent payments to BDS at the 1900 building.

Class Compensation & Pay Equity

The Citywide Classification and Compensation study concluded in FY 2018-19, resulting in changes to classifications and compensation ranges for all non-represented employees. PP&R had approximately 50 FTE that were previously at top-of-range. These employees were newly eligible for merit increases after the compensation bands were widened, with a maximum low confidence estimate impact of $132,000. This increased cost exposure affected multiple bureaus with non-represented employees and was noted as a major issue as part of FY 2019-20 budget development. The Mayor's updated budget guidance, which limits FY 2020-21 merit increases to 2%, will help mitigate the compounding effects of this cost exposure.

In November of 2018, Oregon's Bureau of Labor and Industries issued administrative orders and rules implementing the Oregon Equal Pay Act of 2017 which went into full effect January 1, 2019.[11] The Oregon Equal Pay Act, "required Oregon employers to evaluate policies and practices to ensure employees performing similar work are receiving equitable compensation."[12] The City of Portland's proactive compliance with Pay Equity resulted in a total cost to Parks of $520,000; Council approved a CAL Target adjustment to cover general-fund backed personnel expenses totaling $420,000, requiring $102,000 to be absorbed by other Parks resources.

The combined potential impact of these changes is an estimated $234,000 in new personnel costs that the bureau is wrestling to absorb in FY 2020-21.

DECISION PACKAGES

CAL Target Adjustment Request

PP&R mentioned in its Requested Budget submission that it hoped that Council would revisit the Fall BMP request to change the way the City develops Current Appropriation Level (CAL) targets for General Fund bureaus to solve for a structural deficit within its recreational programming division. This was not presented as a decision package; however, as the request has the potential to impact decision-making in the FY 2020-21 budget, CBO is evaluating the request as a decision package.

Request Summary

Portland Parks & Recreation is requesting that Council change the way the City calculates its Current Appropriation Level (CAL). The bureau has requested that new General Fund resources be dedicated to cover a higher proportion of incremental cost increases (i.e. inflationary costs associated with fee-supported personnel in the Recreation Services division and increased costs for the blended rate). While

[11] ORS 652.220 Pay Equity, Fact Sheets & FAQ. https://www.oregon.gov/boli/TA/Pages/FactSheetsFAQs/PayEquity.aspx
[12] Equal Pay Analysis 2019. Oregon.gov https://www.oregon.gov/das/HR/Documents/Equalpayanalysis2019.pdf

the bureau did not request any specific dollar amount or annual appropriation change, CBO and PP&R are working together to identify the value of the requested CAL increase. In order to balance their Requested Budget, PP&R has made reductions across the bureau that will be challenging – yet possible – to live within in the coming fiscal year. The bureau did not communicate specific tradeoffs for Council to consider in the event the CAL methodology is not changed; however, the overall expectation is that services will need to decline absent additional and growing resources.

Offset Summary

As no decision package was submitted, the bureau did not submit an offset option.

CBO Analysis

A primary contributing factor to the $6.3 million operating shortfall that PP&R identified last year was the fact that Recreation Services staff operate under a financial model that has had a growing structural deficit. Recreation Services costs are roughly 50% supported by General Fund discretionary resources and 50% supported by recreation fee revenues, but personnel costs are growing faster than fees have been increased. Current City practice, via the CAL calculation, is to provide General Fund resources to cover inflationary costs as part of the base budget for General Fund discretionary-supported programs and staff. Non-discretionary General Fund resources are predominantly managed independently by each bureau, with the expectation that bureaus will adjust their budgets to cover inflationary programmatic costs for non-General Fund supported functions in accordance with the financial plan for those resources. For several years, fees were set at a level insufficient to cover these inflationary costs, leading to a growing structural deficit. Last year, the bureau significantly reduced service levels to bring costs and revenues into alignment temporarily; however, the underlying structural issue driving the deficit persists.

It is imperative that the structural deficit is resolved in a timely manner; however, there is not yet sufficient information to determine if a change in CAL methodology is the most appropriate approach to solving the issue. At a high level, options to address PP&R's structural gap include:

1) Identify a new or alternative funding sources, as discussed at the November 2019 Sustainable Futures work session
2) Provide an annually increasing General Fund allocation to further subsidize recreational programming;
3) Modify fee structures and increase fees;
4) Reduce recreation program services; or
5) Perhaps most likely, some blend of the options above.

CBO would presume that a balanced solution would include some combination of the above strategies, including a consideration of the fee structure modification. The City's binding cost recovery policy states that 'services that benefit a specific user and whose quantity, quality, and/or number of units may be specified should be paid for by fees and charges.'[13] The policy also requires that bureaus charging fees complete fee studies based upon cost-of-service principles. PP&Rs' current Cost Recovery Policy (PRK-3.06) establishes cost recovery goals ranging from 23% to 63% for different populations based upon the principal that these services provide for both public and personal benefits.[14] However, this cost recovery policy has not been in practice at PP&R for many years, and in aggregate, the bureau's cost recovery rate has declined in recent years predominantly because of increased inflationary costs.

[13] FIN 2.06: https://www.portlandoregon.gov/citycode/article/200836
[14] PRK-3.06 – Cost Recovery Policy for City Parks and Recreation Programs: https://www.portlandoregon.gov/citycode/article/68098

CBO has reservations about committing to a wholesale change in how PP&R's CAL is calculated before 1) additional information is available on these initiatives and 2) there is greater understanding about the alternative funding sources that PP&R will ultimately pursue to support its existing programs and service levels. These issues will be more fully explored over the next year, led by the Sustainable Future position discussed (below). CBO recommends pausing conversations about CAL methodology changes until more information from those efforts materializes.

However, Council may wish to more fully understand and mitigate any service level trade-offs embedded in PP&R's FY 2020-21 Requested Budget. In order to balance their requested budget, the bureau has made reductions across the bureau that will be challenging – yet possible – to achieve in the coming year. CBO is troubled by the continuation of the 'thinning the soup' approach to solving for this structural issue that led to the significant and disruptive shortfall the bureau experienced last budget cycle. While this approach may be acceptable for FY 2020-21, CBO recommends that Council chart a path towards a solution in preparation for the FY 2021-22 budget to prevent the continued growth in the gap.

CBO is recommending the full request for the PP&R Sustainable Future position, and suggests this position prioritize helping provide the comprehensive information required for Council to make an informed decision around a CAL methodology change.

CBO Recommendation: No change in CAL Target Adjustment methodology at this time; the bureau should provide additional information to Council and CBO to assist in the assessment of the proposal.

Operations & Maintenance of New Assets

PK_9571, $707,431, 0.00 FTE

Request Summary

City Financial Policy 2.03.02 directs bureaus to budget – and request new resources if necessary – for the full amount necessary for ongoing operations and maintenance (O&M) funding for new assets in their annual requested budgets.[15] In FY 2020-21 Parks is requesting $707,431 in ongoing General Fund discretionary resources for O&M for 21 assets that will be contracted for or constructed in FY 2020-21. PP&R has indicated that this O&M resource request represents the bureaus top priority request.

Offset Summary

PP&R met the 50% offset requirement by putting forward a request reducing the funding needed to $353,716.

If the offset is accepted, PP&R would work to absorb the impact by further lowering service levels across the system, increasing the O&M gap. This would be done as strategically as possible. De-scoping projects at this late stage is very problematic – and in many cases impossible based on current construction contracts and properties and/or facilities that are already in service.

CBO Analysis

The 21 assets run the gamut of parks properties from community gardens to bridges, trails, playgrounds and entire developed parks. Requests include $299,872 for Leach Botanical Garden in East Portland, two

[15] FY 2019-20 Adopted Budget City of Portland Adopted Volume One, Budget Notes – Operations and Maintenance Funding Sustainability. pp 72 https://www.portlandoregon.gov/cbo/article/738382

new acquisitions in north and southwest Portland, one amenity (PPS turf sports field maintenance) in the northeast, three bridges, three buildings, three community gardens, five playgrounds, and three trails. PP&R has followed City financial policy in providing a five year forecast for O&M funding in previous budget requests, as well as providing O&M estimates in City Council Ordinances for design and construction contracts.

City financial policy intends to ensure that there is sufficient O&M for new assets while also giving Council the flexibility to provide direction on projects during the budget process and prior to approval of construction contracts.[16] CBO has concerns that the continued practice of building new assets without secured O&M costs will place the Council in the challenging position of having to fund this request or directing the bureau to absorb these costs, thereby lessening the already strained operation and maintenance service levels across the parks system. Alternatively, when funds are appropriated to fund the O&M, the availability of scarce General Fund ongoing dollars are further reduced, creating a counterintuitive situation where the City expands services via new parks assets but makes significant reductions in other parts within the park system.

Asset Category	FY 2020-21	Count of Project #
Acquisition	$ 11,921	2
Amenities	$ 13,805	1
Bridges	$ 72,900	3
Buildings	$ 127,604	3
Community Garden	$ 92,192	3
Developed Park	$ 299,872	1
Playgrounds	$ 66,600	5
Trails	$ 7,537	3
Grand Total	$ 692,431	21

CBO recommends $707,431 ongoing, with a one-time reduction of $45,857 to reflect the in-service dates of several contracts not due to break ground until spring 2021. Per City financial policy (FIN 2.03.02), CBO instructs PP&R to ensure that, a) *a funding plan is in place for the maintenance and lifecycle replacement of new capital assets and equipment, b) Council is aware of the cumulative out-year maintenance and lifecycle replacement cost impact of capital plans during the budget process, c) Council, to the greatest degree possible, prospectively approves increases to General Fund appropriation levels in the context of the budget process, and d) Costs funded with additional General Fund are high-confidence figures.*[17]

CBO Recommendation: $707,431 ongoing | ($45,857) one-time

Sustainable Future Position

PK_9574, $358,648, 1.00 FTE

Request Summary

The bureau is requesting $358,648 of one-time General Fund discretionary resources to fund the first two years of an ongoing permanent Analyst IV position. At the direction of the City Budget Office, the bureau has adjusted this request to reflect the one-time nature of the resources requested and the position is currently being requested in a limited-term capacity.

[16] FY 2019-20 Adopted Budget City of Portland Adopted Volume One, Budget Notes – Operations and Maintenance Funding Sustainability. pp 72 https://www.portlandoregon.gov/cbo/article/738382

[17] FY 2019-20 Adopted Budget City of Portland Adopted Volume One, Budget Notes – Operations and Maintenance Funding Sustainability. pp 72 https://www.portlandoregon.gov/cbo/article/738382

In August of 2019, PP&R convened a task force to review the viability of funding mechanisms to address the bureau's structural gap and provide necessary resources for maintaining the vast parks system. The Task Force identified the funding challenges the bureau faces and the service level impacts that would be most pronounced as a result of the capital maintenance gap, the operating gap, and the capital growth gap. The group reviewed revenue generating options like a Parks District, a Parks Levy, or General Obligation Bond and the corresponding service levels that could be supported over a 15-year period.

Parks is requesting this position to build upon the information shared in the Sustainable Future Work Session[18] in November 2019, developing a resource plan and performing bureau wide coordination of critical planning initiatives, including the potential revenue options stated above.

Offset Summary

PP&R received $275,000 in FY 2018-19 to fund the first year of its Long-Range Vision plan, carried those funds over and received a $275,000 one-time CAL Target adjustment in FY 2019-20 to fund the second year of the Vision Plan. The bureau has again suggested an option to carryover one-time resources into FY 2020-21 to help support this position.

CBO Analysis

The requested position will perform strategic and critical activities to develop and implement alternative revenue streams and articulate service levels throughout the bureau. Parks intends for this to be a permanent position, assuming the employee is successful in identifying new ongoing funding streams to support the continuance of their role.

The position is expected to have a positive impact on bureau wide financial sustainability by helping to fulfill key long-term funding plan development directed by Council which includes developing a financial plan, a cost recovery policy, and level of service plan. Given staff reductions at PP&R, it would be challenging for existing managers to dedicate the support necessary to the success of a widespread and integrated project. As a result, CBO recommends allocating $358,648 in one-time resources to support the first two years of the project. CBO notes that the request could be reduced if Council chooses to allow the bureau to carry over of resources originally appropriated for PP&R's critical planning efforts.

In the past, PP&R has used one-time strategies to mitigate their structural deficit and in FY 2019-20 those attempts came to a head. As such, CBO supports the one-time funding request to continue this work, but only supports the notion of adding a permanent position if the bureau is prepared to identify budgeted resources after the initially funded term to support this position on a permanent basis.

CBO Recommendation: $358,648 one-time | 1.00 FTE

Major Maintenance

PK_9586, $500,000, 0.00 FTE

Request Summary

PP&R is requesting $500,000 in General Fund discretionary resources for major maintenance per an FY 2018-19 budget note directing the bureau to request ongoing funding of $500,000 for major maintenance needs in each budget process until a level of funding is achieved that is sufficient for addressing the

[18] A Sustainable Future. Portland Parks & Recreation, December 27, 2019. https://www.portlandoregon.gov/Parks/80219

bureau's regular, scheduled major maintenance needs.

Offset Summary

PP&R met the 50% offset requirement by putting forward a request that reduces the funding need to $250,000. Should the offset be taken, the bureau would prioritize the project list based on urgency and need.

CBO Analysis

In the first year, these funds would support essential maintenance improvements at Matt Dishman and Woodstock Community Centers, as well as asbestos and lead-based paint abatements and mitigation across the system as needed, among other critical needs.

A FY 2020-21 memo on the City's long-term financial risks identified unfunded major maintenance and the infrastructure backlog as the City's most significant and urgent financial and service level risks.[19] In Portland Parks & Recreation, the major maintenance backlog exceeds $450 million. Although it would take several years to reduce the backlog to zero at the rate prescribed in the budget note, every investment in critical maintenance projects can meaningfully reduce future costs and prevent disruptions to current service levels. As such, CBO recommends continuing to allocate additional General Fund support annually and recommends this request. CBO also recommends the bureau continue to identify strategies to address the larger funding gap, taking into account the limitations of annually available discretionary resources citywide.

CBO notes that these funds will be prioritized for lead based paint abatement and mitigation as well as sidewalk repair for sidewalks in the right-of-way, reducing exposure, bringing the bureau further into compliance with PBOT regulations, and allowing progress toward the PP&R Americans with Disabilities Act Title II Transition plan.[20] These funds will bring PP&R's annual General Fund major maintenance allocation to $3.4 million.

CBO Recommendation: $500,000 ongoing

Recreation Marketing Position

PK_9575, $102,291, 1.00 FTE

Request Summary

The bureau is requesting to convert one limited term (1.0 LT FTE) Recreation Coordinator II – Special Events and Marketing position- to an ongoing permanent position by realigning internal resources. Anticipated savings are derived from realigning division-wide program guides and transferring marketing support responsibilities for aquatics, senior recreation, and adaptive and inclusive recreation to the marketing team. Aquatics will continue to receive additional support outside of the Recreation Marketing team.

Offset Summary

In accordance with the FY 2020-21 budget guidance, no offset is required for this package as it is realigning existing resources within the bureau's current appropriations.

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[19] Office of the City Attorney, FY 2020-21 Requested Budget.
[20] ADA Transition Plan Parks Supplement. https://www.portlandoregon.gov/oehr/article/534557

CBO Analysis

PP&R is reprioritizing resources internally to increase its Recreation Services marketing team from two to three positions on an ongoing basis. Specifically, the bureau will realign just under $9,000 from its Recreation Services' casual personnel services budget, $15,000 from external materials and services, and $78,000 in savings from consolidating recreation mailers to fund the ongoing costs related to the position. The bureau anticipates future personnel cost increases to be balanced by the increased fee revenues resulting from marketing activities.

This position was originally created in FY 2018-19 to increase revenue generation to meet budgeted targets and was continued in FY 2019-20 as the Recreation Services division transitioned into new operating models. Currently, this position represents one-third of the centralized marketing efforts in the Recreation Services division.

Recreation marketing practices are shifting away from printed distribution work. Savings from consolidating Spring and Winter Recreation mailers and increased inhouse capacity for program guide production work for the Aquatics program will support this position on an ongoing basis. These realignments are unlikely to impact service levels, and the bureau expects that converting this position to ongoing will continue to increase its marketing capacity to reach underserved communities. If this position is not continued the bureau expects to see some reduction in recreation revenues, marketing distribution, and eventually higher marketing costs as responsibilities would have to be absorbed by the two current ongoing and permanent Recreation Coordinator positions.

CBO recommends this realignment package. These resources support Recreation Services marketing program activities and there is evidence that this realignment will directly result in increased revenues in a division where the need for additional revenue is most acute. Moreover, CBO finds that realigning these resources within the bureau's current appropriation reflects budget guidance of finding way to deliver services better and more cost-effectively.

CBO Recommendation: 1.00 FTE

Peninsula Drainage District (PEN #1)

Request Summary

The Multnomah County Drainage District (MCDD) is requesting $311,000 in one-time General Fund resources for the Peninsula Drainage District (PEN 1) to maintain operations and sustain operational reserves for FY 2020-21. This request is being submitted through Special Appropriations as part of a larger $1.15 million request to cover PEN 1 through FY 2023-24 until the Urban Flood Safety and Water Quality District (UFSWQD) is formed in 2025 and takes over financial responsibility for PEN 1 and the other drainage districts along the Columbia Corridor. This request is being partly funded by the Bureau of Environmental Services (BES) in future years, and PEN 1 will be requesting additional funding - $161,000 from General Fund contingency in the upcoming Spring BMP and $110,000 from BES - to ensure sustainability through the current fiscal year.

Offset Summary

The pledge contribution from BES is considered the offset or match for this request.

CBO Analysis

PEN 1 is one drainage district along the Columbia Corridor and provides flood protection infrastructure systems for the Portland International Raceway, Heron Lake Golf Course, Port of Portland's Vanport Wetland, and Metro's Portland Expo Center. Additional background information and analysis is provided in the Special Appropriations FY 2020-21 review.

The risk of not supporting PEN 1's operations is the potential for flooding on property owned by PP&R. The Heron Lakes Golf Course and the Portland International Raceway (PIR) make up 73% (640 acres) of the district. If infrastructure failure occurred or PEN 1 folded, the responsibility would likely fall upon PP&R properties and the City.

Due to the nexus between PEN 1, PIR, and the Heron Lakes properties, it is reasonable to presume that related funds would cover a portion of these costs. The five-year financial plans that the bureau submitted for the PIR and Golf Fund show planned contingency balances of $0.9 million and $1.6 million, respectively, throughout FY 2020-21 – FY 2024-25. These combined contingency balances exceed current year contingency balances by over $500,000. PP&R has indicated to CBO that the use of these funds would result in unspecified projects not moving forward, and possible further reductions of casual staff. However, given the 5-year plan figures, CBO believes it is reasonable to presume that the PIR and Golf funds could combine to cover at least the requested $44,500 in materials and services costs with minimal disruptions to service levels.

As noted above, BES has already pledged resources to partially support this ask. In addition, CBO recommends funding another $311,000 towards this request, with $44,500 coming from PP&R's PIR and Golf fund resources and $266,500 coming from one-time General Fund. Should additional one-time resources come available, CBO would recommend Council consider funding multiple years of the anticipated 5-year liability.

CBO Recommendation: $266,500 one-time General Fund, $44,500 in PP&R Funds

CAPITAL SET-ASIDE

Portland Parks & Recreation submitted three decision-packages for consideration as part of the Capital Set-Aside process. Submitting and evaluating Capital Set-Aside requests underwent a new pilot process this year whereby all requests were required to produce a business case analysis quantifying the comprehensive costs and benefits of each proposal. Each analysis produces a benefit-cost ratio and additional information to communicate and demonstrate the benefits of the proposal.

Replacement Work Order System – Phase I

PK_9588, $550,000, 0.00 FTE

Request Summary

The bureau is requesting $550,000 in General Fund Capital Set Aside resources to fund Phase I of a multi-phase project to replace the bureau's asset management work order system. Funding in this request would support a limited-term Business Systems Analyst as the project manager and consulting support to develop an RFI/RFP. The bureau estimates that this project will take four phases to fully implement including: developing requirements and cost plans, procurement and implementation, an initial operating phase, and finally retiring and transitioning from MicroMain. If fully funded, the bureau expects to see improved productivity, risk reduction, systems consolidation, and enhanced transparency and asset preservation.

CBO Analysis

The bureau's current MicroMain maintenance management system (CMMS) has been used to manage the bureau's entire portfolio of maintenance work orders for the past 12 years; the software has passed its replacement age and will soon not be supported by the vendor. MicroMain limitations prevent the maintenance team from thoroughly taking notes on asset disposition and lacks the capability to store PP&R's entire asset inventory or fully integrate with GIS. Should the system fail before a new software is implemented, PP&R will revert to a paper-based process that requires significant investments in additional administration staff and potentially increased costs associated with increased wait times/ downtime that is inherent with a paper-based system.

This request includes funding for a limited-term Business Systems Analyst (1.0 FTE) to scope a CMMS/EAM system for PP&R. This position will do the critical work of assisting the bureau in developing an RFP, evaluating vendor proposals, conducting demonstrations, and selecting a vendor to provide enhanced support and training. Ensuring a successful implementation is critical as data conversion and the specialization of specific infrastructure types can ensure a higher usage rate and the software's capabilities.

The business case analysis provided by the bureau for this project communicates a benefit to cost ratio of 10.6 to 1. The benefits of this proposal are predominantly related to productivity gains, enhanced asset protection, and reduced construction costs.

CBO recommends this request due to the criticality of this function to the long-term financial sustainability of PP&R assets. This first phase will be conducted in Winter 2020 and should include an assessment and consideration of PP&R's current assets and processes, recommendations for work order processes, and a recommended list of qualified CMMS software vendors, along with budget estimates. Following the initial phase, the bureau will have an informed estimate of the full cost and plans to request the fully scoped cost in a future Capital Set-Aside process. Based on replacement a similar project in the City of Seattle, the bureau's preliminary estimates range from $3.0 -$5.0 million. The bureau plans to request the remaining resources via Capital Set-Aside. Future estimates will be informed by the work done in Phase I of the replacement project to fully scope PP&R's.

CBO also notes that while the Bureau of Technology Services and Office of Management & Finance Division of Asset Management are working on sourcing an Enterprise Asset Management system, the business requirements do not fully align with PP&Rs' requirements for a maintenance management system with GIS capabilities that can map and report condition assessments for a more diverse asset base than other City bureaus. Expanding the scope of the enterprise system to meet PP&Rs' needs would increase the cost of that system, which is then ultimately passed on through internal service rates. CBO agrees that pursuing separate but ideally compatible systems is likely the most cost-effective option.

CBO Recommendation: $550,000 one-time

Energy Saving Performance Contract – Phase II

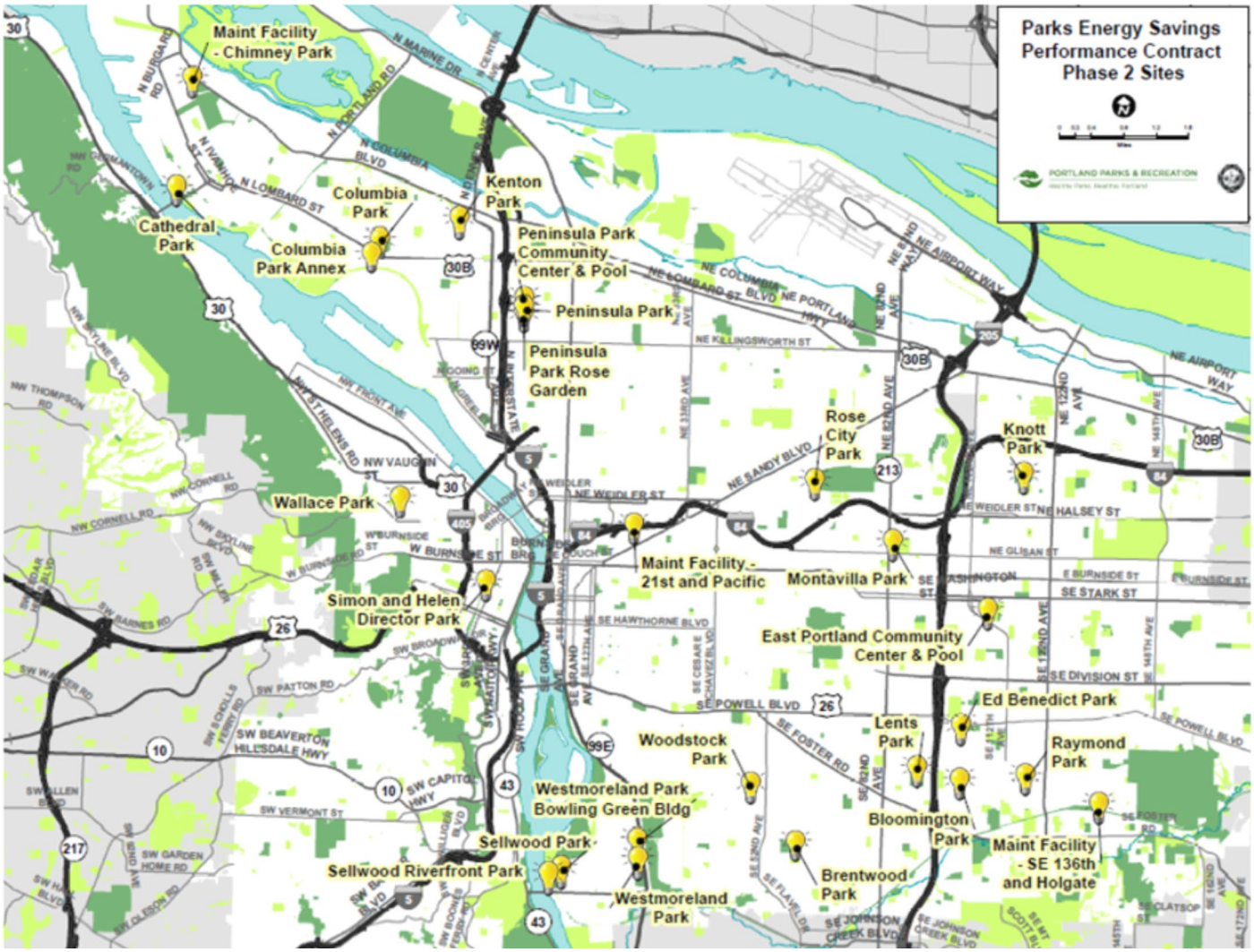
PK_9591, $6,700,000, 0.00 FTE

Request Summary

In FY 2020-21 Requested budget, PP&R is requesting $6.7 million to implement Phase II of the Energy Saving Performance Contract (ESPC) pilot at 23 locations. In March 2017, City Council approved Portland

Parks & Recreation's plan to initiate a pilot Energy Savings Performance Contract (ESPC)[21] feasibility study, which aims to reduce utility costs and consumption, deferred maintenance, and emergency and demand maintenance work orders, allowing staff to focus on preventative work orders. The bureau funded the initial feasibility analysis phase for $150,000 with internal resources derived from previous energy rebates.

The pilot project will install new LED lighting to pathways building interiors and exteriors; improve irrigation system outputs; and retrofit to water systems at nine locations including: Bloomington Park, Ed Benedict Park, Raymond Park, Ventura Park, Knott Park, Brentwood Park, Kenton Park, Delta Park, and Montavilla Community Center.[22]



Each lightbulb on this map represents a site selected for upgrades via Phase II of the ESPC.

[21] "McKinstry Kicks Off Pilot Energy Project with Portland Parks & Recreation" https://www.mckinstry.com/2018/03/06/mckinstry-kicks-off-pilot-energy-project-with-portland-parks-recreation/

[22] "Portland Parks and Recreations Commitment to Sustainability continues" https://www.portlandoregon.gov/parks/article/754028 February 319, 2020

CBO Analysis

An ESPC is a method to purchase energy efficiency improvements in existing buildings and structures, replacing the conventional three-step approach to design and construction procurement with a single RFP covering all aspects of the project with the selected Energy Service Company. The selected ESCO will be responsible for designing, installing, commissioning, and monitoring the improvements using a team of consultants and subcontractors to accomplish the goals of PP&R. Rather than waiting for older, inefficient equipment to fail, the ESPC will allow for facility improvements to PP&R buildings and structures. PP&R will receive new and updated equipment, the cost of which will be offset by the avoided costs from the reduced energy usage. After the equipment cost has been paid off, PP&R will own the equipment and retain all of the savings associated with reduced utility bills. In this approach the Energy Saving Performance Contractor (ESCO) and the City share the liability for any unrealized savings. Should the PP&R's retrofits not achieve the desired energy savings, the ESCO will reimburse those costs.

This request follows a FY 2019-20 Capital Set-Aside request for $4.8 million to fund implementation at 29 sites. This request for $6.7 million in one-time Capital Set-Aside resources for the ESPC pilot phase II implementation includes open space parks, two community centers, and three maintenance facilities, and a total project cost of $7.1 million.

This request has a calculated benefit-to-cost ratio of 19:1, predominantly generated through hard utility cost savings, environmental benefits, risk reduction and increased reliability and safety due to lighting upgrades at the community center and open space parks sites. To that end, the ESPC will significantly improve fiscal sustainability and financial management at PP&R, which aligns with FY 2020-21 Mayor and Council priorities.

This project will leverage SDC's and existing major maintenance funding and is expected to produce varying amounts of emissions reductions and maintenance savings at each site, including close to $200,000 in hard utility cost savings per year. The Peninsula Park Community Center and pool improvements for example, will cost just under $2.0 million, leverages $500,000 in Parks SDC resources which would not be realized otherwise, allowing the bureau to install a variable refrigerant flow system which can heat or cool while also reducing risks and costs of steam leaks. Further, this proposal covers several hundred of the Parks bureau's pathway lighting retrofits. **CBO recommends this request.**

CBO Recommendation: $6,700,000 one-time

Stearns Canyon Stairs

PK_9590, $750,000, 0.00 FTE

Request Summary

PP&R is requesting $750,000 in one-time Capital Set-Aside resources for staircase work at Stearns Canyon located in Washington Park. This request supplements $500,000 received for the Washington Park Stairs project in the FY 2018-19 Capital Set-Aside process and a $25,000 contribution from Washington Park parking fees bringing the total capital project cost to $1.3 million. This request for additional resources is a result of the condition of the stairs being much worse than initial assessments and the bureau subsequently being unable to secure bids at the level currently funded.

CBO Analysis

The Stearns Canyon Stairs are a 700-step outdoor stone staircase and the only pedestrian access from

Burnside to Washington park. In FY 2018-19 CBO recommended this request for improvements, but due to bidding challenges much of the progress has stalled. To date, the bureau has completed an initial survey and design phase, engineering review, permitting, bidding, and public involvement events.

The business case analysis for the Stearns Canyon Stairs project communicated a benefit-to-cost ratio score of 16:1 resulting from increased tourism, health benefits, reduced erosion, and increases in property taxes. In this iteration of the request the bureau is proposing to close the lowermost portion of the staircase and construct a new staircase, re-routing the lower fourth of the path as the bureau has deemed the existing portion of the stairs to be unrepairable at the current price point. In addition, Parks plans to install fencing and planting vegetation that will aid in stabilizing the hillside while protecting native vegetation.

The bureau indicates high confidence that the additional funding will be enough for permitting and completion in approximately 12 months. At present, the Stairs are still open and there continue to be minor slides in the area so there is some exposure to risk.

The new staircase will allow the bureau to mitigate risks of maintaining the failing asset and prevent potential injury while also making the staircase and Washington Park more accessible for all users. The Stearns Canyon stairs provide an access point for foot traffic up to Washington Park and the next closest entry point is a roadway that is too steep for most pedestrians to access. Should this request be funded the bureau estimates the project would be completed in 12-months, leveraging the work that has already been done.

CBO recommends this request as it reduces risk of injury for users and is a main access point to one of Portland's landmarks. However, CBO has reservations about the long-term surface and subsurface stability of the hillside. The bureau is already opting to close the bottom portion of the staircase and notes that the retaining wall is bowing outward. Further, the recently completed Burnside Pedestrian bridge also required slope stabilization. These are indicators of the potential need for a much larger stabilization project.

CBO Recommendation: $750,000 one-time

SUMMARY OF REQUESTS AND RECOMMENDATIONS

Below is a summary of Portland Parks & Recreation's total budget.

Per FY 2020-21 Mayor's Budget Guidance, bureaus were directed to submit offsets for packages requesting new General Fund resources. While CBO recommends $8.6 million in requests from PP&R, reductions shown in the 'CBO Recommended Adjustments' column include those packages submitted to offset new requests.

In addition, $44,500 was reduced from the bureaus budget to fund operations at Peninsula-1 Drainage District per a Special Appropriations request. Those funds will come from the PIR and Golf Fund budgets and do not reflect any reduction to the bureaus General Fund appropriation in FY 2020-21.

Portland Parks & Recreation - All Funds

		2019-20 Adopted Budget	2020-21 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Expense	Personnel	$74,082,465	$77,637,308	$441,229	$0	$78,078,537
	External Materials and Services	$73,457,054	$88,977,920	$9,806,147	($605,073)	$98,178,994
	Internal Materials and Services	$13,671,350	$15,013,959	($77,581)	$0	$14,936,378
	Capital Outlay	$66,072,466	$19,919,009	$0	$0	$19,919,009
	Debt Service	$1,050,085	$917,701	$0	$0	$917,701
	Ending Fund Balance	$164,041	$164,893	$0	$0	$164,893
	Fund Transfers - Expense	$1,803,229	$3,058,272	$0	$0	$3,058,272
	Contingency	$23,728,126	$120,514,373	$0	($44,500)	$120,469,873
	Total	**$254,028,816**	**$326,203,435**	**$10,169,795**	**($649,573)**	**$335,723,657**
Revenue	Beginning Fund Balance	$95,860,300	$184,899,612	$0	$0	$184,899,612
	Bond & Note Proceeds	$12,369,000	$2,100,000	$0	$0	$2,100,000
	Charges for Services	$49,416,527	$51,097,654	$0	$0	$51,097,654
	Fund Transfers - Revenue	$5,416,100	$5,763,980	$0	$8,500,000	$14,263,980
	General Fund Discretionary	$71,844,639	$72,474,786	$10,169,795	($9,149,573)	$73,495,008
	Interagency Revenue	$3,692,978	$4,015,612	$0	$0	$4,015,612
	Intergovernmental	$8,274,159	$410,331	$0	$0	$410,331
	Licenses & Permits	$1,129,460	$374,910	$0	$0	$374,910
	Miscellaneous	$6,025,653	$5,066,550	$0	$0	$5,066,550
	Total	**$254,028,816**	**$326,203,435**	**$10,169,795**	**($649,573)**	**$335,723,657**