City Budget Office

Parks & Recreation

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SUMMARY

Required General Fund Reduction

Portland Parks & Recreation was required to submit a Fall Supplemental Budget that reduced their General Fund budget by $1.48 million. This represents the remainder of the 5.6% reduction that all General Fund bureaus were required to take in response to the impacts of COVID-19 on the General Fund forecast. The initial $2.68 million reduction, or 37.3%, was achieved through the elimination of merit pay, step increases, cost of living adjustments, and furloughs implemented as part of the FY 2020-21 Adopted Budget. The bureau made several one-time General Fund reductions across programs, including its major maintenance budget, in order to sustain operations.

Portland Parks and Recreation General Fund One-time Reductions and Reallocations

Major Maintenance Reductions	($1,000,000)
Vacancy Savings	($730,395)
Recreation Budget Balancing Adjustments	($286,804)
Parks Water Savings (COVID Related)	($244,456)
Materials and Services and Technology Efficiencies	($7,000)
Total	**($2,268,655)**
Reallocating General Fund One-time Resuorces to Backfill Revenue Lost at Customer Service Center	**$787,249**
Net Total of All General Fund One-time Reductions and Re-allocations	**($1,481,406)**

Parks proposes to meet the $1.48 million one-time General Fund reduction by making reductions in its major maintenance budget, capturing vacancy savings, reducing expenses in its recreation division, realizing reduced utility costs, and finding efficiencies in materials and services and technology expenses. A number of these reductions are a budgetary response to the closure of Community Centers and other Parks' facilities and associated programming as a policy response to the COVID-19 pandemic, and do not represent new or additional service level reductions in the current environment. These closures also resulted in an $11 million reduction in the bureau's external revenue budget— including $8.3 million in decreased Parks & Recreation service charge revenues such as fees from aquatics, preschool, recreation, arts and crafts, teen, camp, fitness, and music programs. Distinct from Parks operational cuts, two-thirds of their required General Fund reduction was captured in a $1,000,000 reduction to the bureau's major maintence budget.

The bureau's choice to put forward major maintenance reductions as opposed to additional operational reductions was part of an intentional effort to sustain jobs and minimize layoffs. The bureau wanted to put themselves in a position to both provide and scale up its virtual programming initiative while also remaining in a position to restore and ramp up traditional programming should there be a change in public health policy that would allow it. However, reductions to planned major maintenance generally exacerbate the bureau's currently estimated $450 million maintenance funding gap and increases likely future costs of maintaining critical facilities. Parks also submitted a reduction to major maintenance for its required $112,000 cut to the Parks Construction Fund General Fund annual cash transfer (the bureau

receives approximately $3.8 million annually), resulting in an aggregate $1.12 million total cut to their major maintenance in their FY 2020-21 fall supplemental budget.

Key Decisions for Council & Summary CBO Recommendations

1. Reduce the bureau's General Fund budget on a one-time basis by $1.48 million in accordance with Mayor's Fall Supplemental Budget Guidance.

   - The impact of $481,000 of the proposed reductions are mitigated by the public health response to keep Parks' facilities closed, resulting in no service level impacts.

   - The $1.0 million in proposed reductions to major maintenance would delay the remodel of the kitchen at the Multnomah Arts Center (project cost estimated at $200,000) and a restroom roof replacement at Farragut Park in the Piedmont Neighborhood (project cost estimated at $450,000). Both projects ranked low on the bureau's evaluation criteria that considers the equity impacts as well as the liklihood and consequence of failure of the assets. The remaining $350,000 was reduced from a contingency line item for major maintenance project cost overruns and smaller major maintenance emergencies.

   - Based on City Financial Policy, CBO does not generally recommend cuts to capital replacement and major maintenance budgets. The City's binding financial policies (see FIN 2.03) require an approach to capital asset management that 1) minimizes future maintenance and replacement costs and 2) plans for the required level of capital maintenance and replacement reserves. The Parks Bureau notes that they currently have a $450 million major maintenance backlog to maintain current bureau infrastructure. However, due to the uncertainty in the current financial environment, CBO has individually evaluated the proposed project reductions and recommends Council take some, but not all, of the proposed reductions on a one-time basis. The bureau recognizes reductions to its major maintenance budget are suboptimal, but note that the workforce requirements of scaling up its typical operations while pivoting to new virtual programming were worth the one-time tradeoff of foregoing a year of investment in its asset base.

   - CBO recommends $550,000 of the proposed major maintenance reductions. The remodel of the kitchen at the Multnomah Arts Center is designed to make the facility more attractive to rentals and is part of a concerted effort to make the asset self-sustaining rather than reliant on General Fund revenue. The nature of this project during a time when Parks facilities are closed is a less-critical project and delaying it at this particular time will not necessarily result in a significant cost increase as is the case with other major maintenance projects. However, any delays in bringing the kitchen back into service when public health policy allows it could result in forgone rental revenue if the currently out-of-service kitchen remains unavailable for an extended period of time. In addition, the proposed reduction to their major maintenance contingency budget poses a less significant risk to service levels and would not significantly compound their major maintenance backlog later assuming project budgets are monitored closely.

   - CBO does not recommend the $450,000 reduction that would delay roof replacement at Farragut Park. Delaying roof replacements can have significant financial and service level impacts; a roof that has reached the point of asset failure can result in closures to the facility and is more costly to replace.

2. Reduce the bureau's General Fund Cash Transfer to the Parks Construction Fund ($112,000) and the Parks Memorial Fund ($2,000) on a one-time basis in accordance with Mayor's Fall Supplemental Budget Guidance.

    - The $112,000 reduction to the Parks' CIP Fund would further impact the contingency line-item that sets aside budget for project cost overruns and maintenance emergencies.

    - CBO acknowledges that the one-time $112,000 reduction to the bureau's major maintenance contingency account could reduce its flexibility in addressing major maintenance emergencies and could restrict its ability to make sure that its existing projects are completed within budget. However, reducing this portion of the budget on a one-time basis while sustaining investment in discrete projects such as ADA barrier removal does appear to be the least-detrimental option. As noted above, the bureau made a strategic decision to preserve permanent staffing and remain in a position to ramp up services if a change in public health policy allows the re-opening of Parks facilities while concurrently developing new, virtual programming. CBO recommends this cut but notes that the material reduction to its contingency budget will require more active management of its current maintenance project budget.

    - The one-time reduction of $2,000 from the Parks Memorial Fund will hit the contingency budget for the Killingsworth Landfill, which the City funds per an agreement with the State Department of Environmental Quality. This is expected to be absorbed with an immaterial operational impact.

3. Process an encumbrance carryover of $969,244 for purchases made in FY 2019-20 but for which the goods receipt was not received until the current year.

    - In the FY 2020-21 Fall BMP, in alignment with the Mayor's direction to limit non-essential spending, bureaus were directed to only request encumbrance carryovers that are one-time in nature, cannot be funded within existing appropriations, and are critical for operation. CBO does not recommend encumbrance carryover for annual materials and services allocations including flexible professional services contracts and other annual contracts funded in the current year, contracts that have expired with open purchase orders, or purchase orders that remain open but for which the bureau does not intend to have goods or services delivered.

    - The Parks Bureau ended the FY 2019-20 fiscal year with a General Fund ending balance of $3.96 million. However, not all of this funding is available for carryover: after accounting for furlough true-ups and the $1.4 million in General Fund allocation the bureau received in the FY 2019-20 Spring Supplemental Budget, there remains $2.20 in true bureau underspending that may be requested for carryover into FY 2020-21 to cover the cost of these purchase orders.

    - CBO has identified $142,584 in purchase orders that do not meet the above-stated criteria, and thus recommends $826,660 in encumbered budget carryover.

4. Process a carryover of $359,000 for purchases made by City Fleet in FY 2019-20 but will not be delivered until FY 2020-21.

- This carryover request is a nuanced encumbrance carryover. City Fleet is the centralized internal service provider for most City vehicles. Bureaus who purchase vehicles from City Fleet do so by submitting a "Fleet Service Request" or FSR for vehicles. After finalizing specs, City Fleet then submits purchase orders on behalf of the Bureau. This transaction schematic inhibits bureaus from encumbering their own budget via purchase order. Due to the timing and nature of procuring vehicles, some FSRs submitted in the current year do not generate a purchase order until after a fiscal year ends. This creates a situation in which actual costs for vehicle purchases hit a bureau's ledger after the its budget has fallen to balance.

- For the Parks Bureau's $359,000 request, all but $70,000 for two Parks Rangers trucks were encumbered via purchase order by City Fleet and not the Parks Bureau. This is the second consecutive year where the Parks Bureau risked losing budget by having unencumbered budget for vehicles fall to General Fund balance.

- From a technical standpoint, the $70,000 for two Park Rangers vehicles effectively represents a request for new General Fund resources and is not an encumbrance carryover. For this reason, CBO insist that City Fleet and PP&R develop a transaction schematic that prevents this from happening in the future. This could be a vehicle acquisition fund managed by City Fleet, or a vehicle acquisition subfund in the Parks Capital Improvement Plan Fund.

- Given the circumstances, CBO recommends this package in its entirety, but notes that unencumbered budget for vehicle acquisition will not be recommended for appropriation in the future; bureaus will need to request new General Fund resources in the event a purchase order is not complete by City Fleet.

5. Appropriate $555,301 in one-time General Fund resources for unemployment costs accrued in FY 2019-20 but for which the cost did not hit until FY 2020-21.

    - The Parks Bureau typically budgets approximately $200,000 annually to remit to the State of Oregon for costs associated with unemployment insurance. Because of the public health response to the COVID-19 pandemic, the bureau was required to shut down its community centers and lay off 752 seasonal and casual staff. The total payment for unemployment insurance costs for the March through June time period hit the bureaus ledger in August of the current Fiscal Year 2020-21. The bureau did not generate an accrual for these costs to cover these anticipated expenses in FY 2019-20 due to uncertainty of costs and timing.

    - The operational impact of not allocating this $555,301 in new General Fund resources is not fully known, and it is too early to forecast whether the bureau will over-expend its current year budget if not given this resource. However, due to known impending Citywide cost obligations in both the current year and outyears and given the uncertainty of the General Fund forecast, CBO recommends that the bureau be directed to attempt to absorb these unemployment expenses and these resources be retained in General Fund contingency in case the bureau is unable to absorb the cost. The decision to appropriate contingency resources for this expense can be made in the Spring BMP when there is more information available around the bureaus – and the City's as a whole – financial situation.

6. Allocate $99,132 in one-time General Fund discretionary resources to fund PP&R's portion of the Community Opportunities and Enhancements Program (COEP) [1] in the current budget year.

- COEP dedicates 1% of total hard construction costs of Portland Public Improvement Contracts to support greater equity in public contracting through the provision of business technical assistance for Certification Office for Business Inclusion and Diversity (COBID) Certified Firms and the recruitment, training, and retention of a diverse workforce. PBOT and Parks will pay a stable, flat-rate methodology that uses six years of hard construction costs. The methodology recognizes that some of PBOT and Park's funding sources cannot be used to pay for the 1% fee and that a stable methodology is needed for financial planning purposes.

- Given that Parks only recently learned about the decision to implement the program as part of the current years' budget, this can be categorized as an unforeseen requests and CBO recommends a one-time allocation of $99,132 in General Fund discretionary resources to meet the bureaus' obligations in FY 2020-21. However, CBO recommends that the bureau reallocate existing resources to fund its contribution to the program beginning in FY 2021-22.

- It should also be noted that CBO's recommendations are conditional on Council passing the administrative rules as they currently stand. Any changes would need to be re-evaluated.

Budget & Fiscal Monitoring: Pandemic Impacts on Recreation Revenue & Programming

- The COVID-19 pandemic and resulting public health restrictions taken to mitigate its impact have significantly reduced the bureau's ability to offer typical Parks programming and generate external revenues. However, the bureau has been able to stand up programs such as "Fitness in the Park", Lunch + Play (and other food stability support programs), virtual preschool and other virtual programming; while the community gardens, tennis courts (and the Portland Tennis Center) and golf courses have remained open. This shift in programming has reduced the operational impact of the non-major maintenance portion of their reduction ($481,000). In a more typical year, a cut of this magnitude would be catastrophic. The cost of the bureau's new virtual programming effort is not currently known.

Portland Parks & Recreation FY 2020-21
Fall Supplemental External Revenue Budget Reductions

Parks & Recreation facilities fees	($8,311,982)
Rents and reimbursements	($1,955,493)
Inspection fees	($608,258)
Sales miscellaneous	($325,407)
	($11,201,140)

- It should also be noted that the bureau has budgeted $175,000 for unemployment insurance costs. The liklihood of another substantial quarterly remittance payment to the state is high, and if it is in the same ballpark as the $555,301 total the bureau incurred in August, it could impact the bureau's virtual programming initiative or result in reductions elsewhere in the divsion or bureau.

- Council referred a parks local option levy for the November 3, 2020 election.[1] The levy would enact a rate of $80 per $100,000 of assessed property value to fund recreational programs and park services. The revenue from this levy would be collected in November and December of 2021, thus captured in the FY 2021-22 Adopted Budget. However, should the measure pass, the bureau is considering an interfund loan to bridge those resources to the current year to fund a ramping up of hiring to provide summer programming in FY 2021-22.

- The Golf Fund's service charge revenue budget ended the year with unaudited actuals $760,000 above budget, collecting approximately 108% of budgeted revenues. This is largely attributed to

[1] Information on the Parks local option levy is available here: https://www.portland.gov/parks/sustainable-future-our-park-system

the fact that Governor Brown's COVID-19 policy response allowed for Oregon golf courses to continue to operate, whereas Washington golf courses shut down. An influx of Washington golfers and good weather enabled the Golf Fund to have a strong year, especially considering that Concessions revenue saw a nearly 10% drop in revenue over the prior year and a 25% drop from FY 2017-18. This trend may continue in the current fiscal year given policy circumstances have not significantly changed. Fund policy prohibits revenues generated in the Golf Fund to be expended on non-golf programming. Therefore, the surplus will likely be re-invested in the Golf Program which is in need of some capital improvements and major maintenance to continue to be financially sustainable over the long-term.

- The Portland International Raceway Fund finished the year collecting only 74.8% of budgeted charges for service revenue based on unaudited actuals (it collected 104.6% the year prior). The State COVID-19 policy prohibits the PIR from holding large, revenue-producing events, so the fund is likely on track to have another cash-restrained year. The PIR Fund has a $738,689 beginning fund balance and budgeted external revenues totalling $2.0 million, so 66% revenue collection rate would be a threat to fund solvency absent commensurate cost reductions. For context, the bureau averaged $17,377 in spectator facilities and concession fees from March 2020 through June 2020, compared to an average of $170,400 in monthly revenues in FY 2018-19—a 90% reduction.
- SDC revenue in the Parks Construction Fund are also expected to decline, something the bureau has budgeted for by reducing budgeted SDC revenues by $10.2 million in the current year. There are no operational impacts in the current year as any reduced SDC forecast would impact out-year capital production only; all current year projects are fully funded

SUPPLEMENTAL BUDGET CHANGES TO THE GENERAL FUND

	Current Revised Budget	Bureau Requested Changes	CBO Recommended Changes	Total Recommended Revised Budget
Resources				
Licenses & Permits	$ 795,910			$ 795,910
Charges for Services	$ 15,037,005	$ (10,757,886)		$ 4,279,119
Intergovernmental Revenues	$ 88,750	$ 25,250		$ 114,000
Interagency Revenue	$ 4,015,612	$ 82,139		$ 4,097,751
Miscellaneous	$ 520,117	$ (326,291)		$ 193,826
General Fund Discretionary	$ 73,269,984	$ 1,740,800	$ (598,753)	$ 74,412,031
Total Resources	**$93,727,378**	**($9,235,988)**	**($598,753)**	**$83,892,637**
Requirements				
Personnel Services	$ 62,436,122	$ (7,951,090)	$ (555,301)	$ 53,929,731
External Materials and Services	$ 19,735,061	$ (1,598,967)	$ (140,959)	$ 17,995,135
Internal Materials and Services	$ 11,556,195	$ 214,974	$ 99,132	$ 11,870,301
Capital Outlay		$ 99,095	$ (1,625)	$ 97,470
Total Requirements	**$93,727,378**	**($9,235,988)**	**($598,753)**	**$83,892,637**

SUPPLEMENTAL BUDGET CHANGES TO ALL FUNDS

	Current Revised Budget	Bureau Requested Changes	CBO Recommended Changes	Total Recommended Revised Budget
Resources				
Budgeted Beginning Fund Balance	$ 184,899,612	$ 7,175,890		$ 192,075,502
Licenses & Permits	$ 845,910	$ -		$ 845,910
Charges for Services	$ 46,421,453	$ (21,007,886)		$ 25,413,567
Intergovernmental Revenues	$ 392,581	$ (74,173)		$ 318,408
Interagency Revenue	$ 4,015,612	$ 82,139		$ 4,097,751
Fund Transfers - Revenue	$ 5,657,943	$ (1,081,500)	$ 450,000	$ 5,026,443
Bond and Note	$ 2,300,000	$ -		$ 2,300,000
Miscellaneous	$ 16,242,495	$ (2,094,899)		$ 14,147,596
General Fund Discretionary	$ 73,269,984	$ 1,740,800	$ (598,753)	$ 74,412,031
Total Resources	**$334,045,590**	**($15,259,629)**	**($148,753)**	**$318,637,208**
Requirements				
Personnel Services	$ 73,159,302	$ (7,829,413)	$ (555,301)	$ 64,774,588
External Materials and Services	$ 88,891,356	$ (5,692,784)	$ 309,041	$ 83,507,613
Internal Materials and Services	$ 15,445,351	$ 241,634	$ 99,132	$ 15,786,117
Capital Outlay	$ 19,919,009	$ (91,997)	$ (1,625)	$ 19,825,387
Debt Service	$ 1,117,701	$ 3,769,250		$ 4,886,951
Fund Transfers - Expense	$ 3,016,066	$ 32,500		$ 3,048,566
Contingency	$ 132,331,912	$ (5,688,819)		$ 126,643,093
Unappropriated Fund Balance	$ 164,893	$ -		$ 164,893
Total Requirements	**$334,045,590**	**($15,259,629)**	**($148,753)**	**$318,637,208**