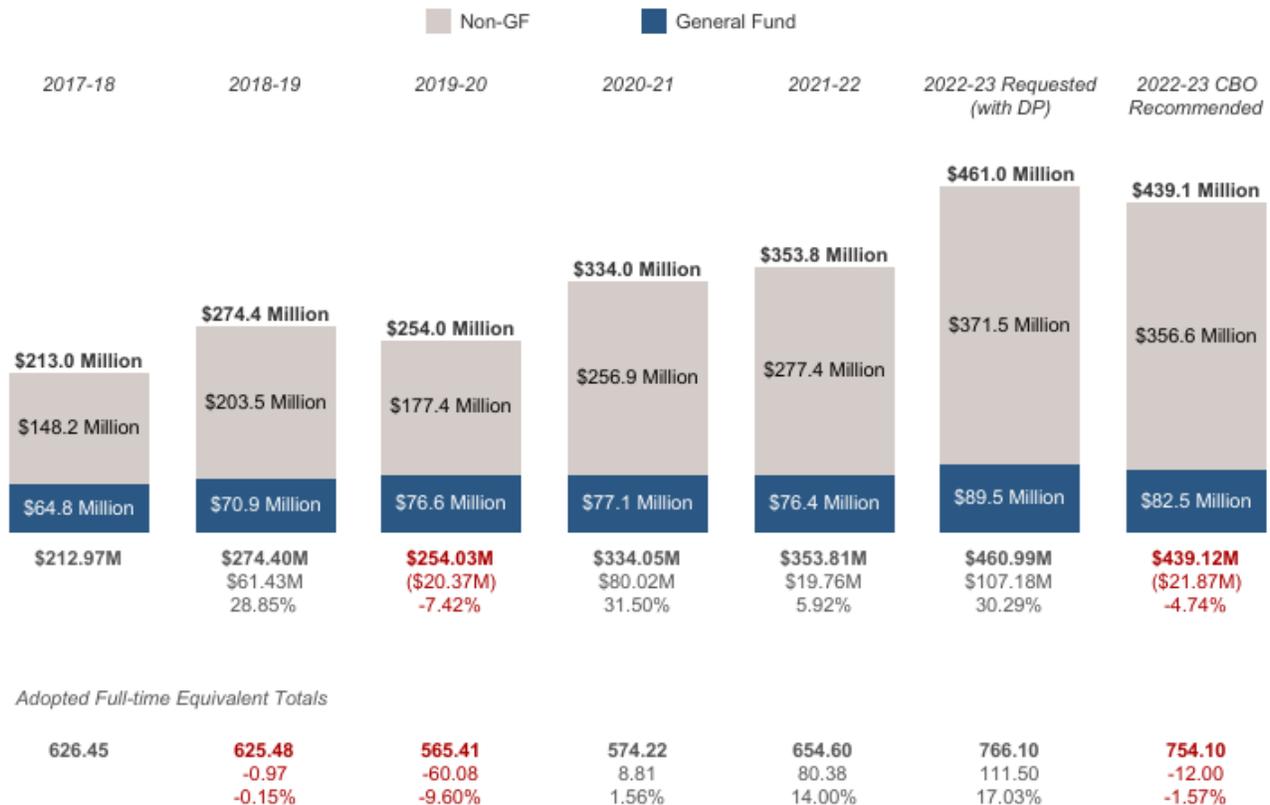




# Parks & Recreation

Analysis by Robert Cheney

## Adopted Budget Revenues | 5-Year Lookback



## EXECUTIVE SUMMARY

Portland Parks & Recreation (PP&R) submitted a requested budget totaling \$460.99 million, including a \$89.5 million allocation from the City’s General Fund. The \$460.99 million figure, which represents a 30% increase over the prior year, requires unpacking, as the method in which the bureau is operationalizing levy dollars—by transferring resource from the Parks Levy Fund to the General Fund—artificially inflates the overall budget by accounting for cash transfers in both funds. The bureau has submitted one request for ongoing General Fund discretionary resources totaling \$500,000 to address its capital major maintenance backlog, in accordance with a Council-issued Budget Note from the FY 2018-19 Adopted Budget. Additionally, PP&R submitted two requests for one-time General Fund discretionary resource through the City’s Capital Set-aside process, totaling \$7.5 million. The bureau has also requested the addition of 2 Tree Inspectors, self-funded with inspection fee revenue. Lastly, the bureau has submitted requests detailing how it intends to program new 2020 Parks Levy resources in a suite of 9 packages, totaling \$9.1 million. Analysis of these requests and the bureau’s base budget, key issues, and performance measures are discussed below.

- CBO does not recommend the bureau’s request for \$500,000 in ongoing General Fund resources for Capital Major Maintenance, given that the City Economist’s updated General Fund forecast shows just \$200,000 available for ongoing appropriation. CBO also does not recommend this package as a one-time addition due to the lack of available resources and prioritization of other packages. However, given the magnitude of the issue and the scarcity of available ongoing resource in the City Economist’s 5-year forecast, CBO does recommend Council Adopt a Budget Note allowing for Portland Parks & Recreation to retain up to \$2,000,000 in available General Fund discretionary underspending annually to allocate to major maintenance needs.
- CBO recommends PP&R’s request for two tree inspectors, self-funded with tree inspection revenue. CBO notes that even with position authority, PP&R will have to increase tree inspection revenue sufficient to fund the positions before the position is officially created and recruited. The bureau notes that higher-than-forecasted development activity, in tandem with a 7.5% increase in development permit fees should generate sufficient revenue for cost recovery of these positions.
- Capital Set-aside: Energy Savings Performance Contract Part II — PP&R has requested \$2.5 million in Capital Set-aside resources for pay for \$1.0 million in HVAC upgrades at Peninsula Park Community Center and \$1.5 million in pathway lighting upgrades at approximately 10 parks in the City. CBO Recommends partial funding of \$1.0 million for the Peninsula Park HVAC upgrade, which will leverage \$500,000 in SDC resources to add an air conditioner to the facility and take advantage of economies of scale and scope in executing the project. CBO does not currently recommend the \$1.5 million request for pathway lighting due to constrained available Capital Set-aside resources.
- Capital Set-aside package: Pier Park ADA Upgrades — PP&R requested \$5 million in Capital Set-aside resources to pay for all 120 identified ADA barriers, including primary access points such as parking spots, ramps, striping, and other path-of-travel barriers to existing amenities. This project would benefit from full funding due to design and mobilization economies of scale and scope that would need to be duplicated if partially funded. Due to constrained available Capital Set-aside resources, the size of this request, and competing significant needs of other projects, CBO does not recommend funding at this time.
- CBO Recommends PP&R’s suite of packages that program out \$9.1 million in levy resources in its Recreation Services, Urban Forestry, Assets & Development, and Operations & Strategies divisions.

## BASE BUDGET OVERVIEW

The Portland Parks & Recreation budget has a large and complex revenue collection and spending plan for an organization that oversees the stewardship, maintenance, and oversight of the City’s public park land and urban forest, recreation and arts programming, and both golf and international raceway enterprises. Understanding the PP&R budget requires understanding the different components of the organization—and which revenues can support each effort.

<i>Fund</i>	<i>FY2021-22 Revised Budget</i>	
402 - Parks Capital Improvement Program Fund	\$197,557,624	47.89%
100 - General Fund	\$127,714,501	30.96%
232 - 2020 Parks Local Option Levy Fund	\$44,735,444	10.84%
220 - Portland Parks Memorial Fund	\$19,344,812	4.69%
603 - Golf Fund	\$14,695,888	3.56%
217 - Grants Fund	\$5,893,639	1.43%
604 - Portland International Raceway Fund	\$2,385,091	0.58%
500 - Parks Endowment Fund	\$197,658	0.05%
	<b>\$412,524,657</b>	<b>100.00%</b>

Approximately \$197.6 million, or 48%, of the bureau’s \$412.5 million FY 2021-22 Revised Budget is appropriated in the bureau’s Capital Improvement Program (CIP) Fund. The majority of this fund’s revenue comes from System

Development Charges (SDC), which are one-time fees charged on new developments (and some types of redevelopments) to help pay for existing and planned infrastructure expansions.<sup>1</sup> These resources are policy-bound to be spent only on capacity-increasing capital improvements (or related debt payments).<sup>2</sup>

An additional 10% of PP&R’s budget is subject to certain financial limitations. The bureau has \$42.5 million of its budget in two enterprise funds (the Golf Fund and the Portland International Raceway Fund), as well as the Parks Memorial Fund (a trust fund that receives donations that are expended on prescribed projects), the Grants Fund (where grants tied to discrete projects are budgeted), and the Parks Endowment Fund (which accounts for permanent gifts and donations).

## Capital Improvement Program and Major Projects

Portland Parks & Recreation’s Capital Improvement Program shows a bureau making significant investment in existing parks, buildings, and pools while also investing in green infrastructure and other amenities and trails. Major projects in the bureau’s CIP include improvements at the Mt Scott Community Center (\$23.0 million), development of Errol Heights Park (\$12.7 million), Mill Park (\$10.4 million), and Parklane Park (\$16.0 million), as well as work on a North Portland Pool, for which the bureau received \$1.5 million in one-time General Fund discretionary resources in the FY 2021-22 Fall Supplemental Budget.

*74% of PP&R's FY23 Capital Improvement Program focuses on developed parks, buildings, and pools.*

	2021-22 Revised Budget	2022-23 Requested Total	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Developed Parks	\$55,176,314	\$17,774,200	\$18,388,200	\$15,559,200	\$11,234,200	\$9,534,200
Buildings & Pools	\$11,926,344	\$17,301,319	\$21,426,882	\$7,140,000	\$4,050,000	\$3,000,000
Utilities, Roads & Trails	\$5,828,000	\$4,264,000	\$4,370,000	\$1,100,000	\$25,000	\$25,000
Park Amenities & Trails	\$5,100,000	\$5,350,000	\$2,900,000	\$280,000	\$180,000	\$65,000
Acquisitions	\$3,736,000	\$1,747,200	\$1,747,200	\$1,747,200	\$1,747,200	\$1,747,200
Green Infrastructure	\$1,967,000	\$776,000	\$0	\$0	\$0	\$0
Amenities	\$0	\$140,000	\$0	\$0	\$0	\$0
	<b>\$83,733,658</b>	<b>\$47,352,719</b>	<b>\$48,832,282</b>	<b>\$25,826,400</b>	<b>\$17,236,400</b>	<b>\$14,371,400</b>

As noted above, the “Parks Capital Improvement Plan Fund” also known as the “Parks Construction Fund” is the main driver of annual growth in the overall size of the bureau’s budget (though the levy and its transfers to the General Fund have also contributed to the bureau’s budget increase) as the bureau has collected far more in SDC revenue in the previous 5 years than it has been able to expend. This is not a cause of concern, as deploying government resources through the City’s accountability mechanisms and procurement processes—in addition to project prioritization and design—often requires more than one fiscal year.

*PP&R has collected, on average, \$24.9 million in SDC revenues over the prior five years, though recent years have slowed*

	FY 2016-17 Year End Actuals	FY 2017-18 Year End Actuals	FY 2018-19 Year End Actuals	FY 2019-20 Year End Actuals	FY 2020-21 Year End Actuals	FY 2021-22 Revised Budget	FY 2022-23 Requested Total
SDC - Residential	\$23,728,415	\$31,771,708	\$24,340,540	\$17,704,065	\$13,756,744	\$12,000,000	\$16,000,000
SDC - Commercial	\$4,041,671	\$4,302,138	\$1,794,322	\$2,052,434	\$1,479,238	\$2,000,000	\$1,000,000
<b>Total</b>	<b>\$27,770,086</b>	<b>\$36,073,846</b>	<b>\$26,134,862</b>	<b>\$19,756,499</b>	<b>\$15,235,983</b>	<b>\$14,000,000</b>	<b>\$17,000,000</b>
YoY Change		\$8,303,760	(\$9,938,984)	(\$6,378,363)	(\$4,520,516)		
YoY Percent Change		29.9%	-27.6%	-24.4%	-22.9%		

<sup>1</sup> A background brief on System Development Charges in the State of Oregon exists here: [https://www.oregonlegislature.gov/citizen\\_engagement/Reports/2004GG\\_System\\_Development\\_Charges.pdf](https://www.oregonlegislature.gov/citizen_engagement/Reports/2004GG_System_Development_Charges.pdf)

<sup>2</sup> Per Oregon Revised Statute 223.307 <https://www.oregonlaws.org/ors/223.307>

The result of receiving substantial amounts of SDC revenue and the lag in deploying it results in a temporary growth in fund balance. The chart below shows how the bureau has a \$169.7 million fund balance in its CIP fund. This total available resource represents a tremendous opportunity to grow the parks system, meet the needs generated by new development, and increase access to parks and natural lands for all Portlanders. However, funding operations and maintenance of new parks—while also allocating resources for major maintenance of existing PP&R assets—remains the long-term challenge of providing equitable service levels sustainably.

*PP&R's Capital Improvement Program Fund ended FY 2020-21 with a \$169.7 million ending fund balance*

	<i>FY 2016-17 Year End Actuals</i>	<i>FY 2017-18 Year End Actuals</i>	<i>FY 2018-19 Year End Actuals</i>	<i>FY 2019-20 Year End Actuals</i>	<i>FY 2020-21 Year End Actuals</i>
<b>Ending Fund Balance</b>	<b>\$100,810,885</b>	<b>\$136,994,931</b>	<b>\$152,092,196</b>	<b>\$173,252,392</b>	<b>\$169,683,181</b>
<i>YoY Change</i>		\$36,184,046	\$15,097,265	\$21,160,196	<b>(\$3,569,211)</b>
<i>YoY Percent Change</i>		35.9%	11.0%	13.9%	-2.1%

The PP&R Capital Improvement Program is also expected to receive one-time resource totaling \$31.8 million in local share allocations of the Metro 2019 Parks and Nature Bond. Eligibility for this funding relies on a project’s ability to meet the criteria of the bond, but the bureau notes that some major maintenance projects could be eligible.

## KEY ISSUES

Portland voters recently approved a new operating levy for the bureau, but many of Portland Parks & Recreation’s major issues will remain entrenched without careful and intentional financial planning over the coming years. As part of the “Portland Parks & Recreation: A Sustainable Future” work session in November 2019, the bureau identified three structural funding deficits:

- An **operating** funding gap
- A **capital major maintenance** funding gap
- A **capital growth** funding gap

The **operating** funding gap is rooted in the bureau’s reliance on fees and other external revenue to fund its operating budget and the inability of those fees to recover ever-increasing program delivery costs<sup>3</sup> without pricing community members out of those services, and an insufficient level of investment to deliver all the operational services the community needs. The **capital major maintenance** funding gap is best illustrated by the bureau’s nearly \$500 million major maintenance backlog as well as its inability to fully fund normal maintenance and repairs for existing assets within existing resources. The **capital growth** funding gap is rooted in the fact that Portland’s parks, natural areas, trees, and other assets are not equitably distributed, and is represented by the difference between what the bureau earns in SDC revenue and what is needed to build the PP&R system to meet its Parks 2020 Vision service level goals while also budgeting sufficient operations and maintenance costs of new assets. The Capital growth spending also contributes to additional operating and capital major maintenance funding needs, as the bureau continues to utilize its substantial SDC balance to expand the Parks system and address equity gaps and bring new assets online. PP&R will need to plan for and allocate additional funding to operate and maintain those assets absent additional resources or realignment away from the other programming.

<sup>3</sup> These are driven mainly by personnel services costs (cost of living adjustments, bargained step increases, employee pension costs, and non-represented job class changes) and internal services costs.

## Operating Funding Gap and the Parks 2020 Levy

As noted in the [PP&R FY 2021-22 Requested Budget analysis](#), the issue of the “Operating Funding Gap” —the structural deficit driven by lack of external revenues needed to provide the bureau’s full suite of services—has been temporarily mitigated by the voters approval of the five-year Parks 2020 Operating Levy in November 2020. As a temporary levy, this revenue source gives the bureau 5 years of revenue subsidy for parks and recreation operational expenses (per the [levy referral document](#), this resource cannot be used to mitigate the major maintenance backlog). The process for programming out this revenue has been subject to rigorous processes within the bureau and has involved significant community engagement. Additionally, [the Parks Levy Oversight Committee](#), made of up five community members selected from an applicant pool and appointed by the bureau to serve two-year terms, also provides oversight for the expenditure of this resource.

The levy is projected to bring in \$45 to \$48 million annually from FY 2022 to FY 2027; in November and December of CY 2021-22 the levy generated \$41.9 million for Portland Parks & Recreation, short of the \$44.7 forecasted and budgeted. However, an analysis of the average of the prior 5 years shows that the City typically collects about 93.3% of property taxes through January. Applying that, the bureau should collect approximately \$44.9 million by year end—which puts them on target to collect just more than their budgeted amount. While not a guarantee, the bureau should reasonably expect to realize their entire budgeted levy revenue.

*The PP&R General Fund Operating Budget includes a General Fund discretionary allocation as well as the bureau's own external revenue, and, as of FY22, the new operating levy (in green).*

	2016-17 Year End Actuals	FY 2017-18 Year End Actuals	FY 2018-19 Year End Actuals	FY 2019-20 Year End Actuals	FY 2020-21 Year End Actuals	FY 2021-22 Revised Budget	FY 2022-23 Requested Budget
<b>Internal Revenue</b>							
General Fund Discretionary Allocation	\$61,519,710	\$64,472,606	\$65,615,358	\$72,084,652	\$71,430,685	\$70,022,616	\$76,614,640
Interagency Revenue	\$2,041,802	\$2,194,505	\$3,563,121	\$3,966,375	\$4,632,659	\$3,803,026	\$3,491,684
Fund Transfers - Revenue		\$78,000	\$554,173	\$2,625		\$41,011,001	\$41,472,149
	\$63,561,512	\$66,745,111	\$69,732,652	\$76,053,652	\$76,063,344	\$114,836,643	\$121,578,473
<b>External Revenue</b>							
Intergovernmental	\$66,226	\$82,438	\$47,208	\$110,075	\$16,547	\$59,502	\$486,992
Licenses & Permits	\$635,034	\$280,219	\$296,911	\$717,126	\$747,392	\$1,101,000	\$520,000
Miscellaneous	\$821,425	\$1,303,204	\$992,762	\$532,736	\$168,200	\$380,276	\$274,444
Charges for Services	\$17,525,148	\$19,220,376	\$20,192,496	\$12,523,238	\$5,714,037	\$11,337,080	\$11,744,379
Taxes				\$185	\$423		
	\$19,047,833	\$20,886,238	\$21,529,376	\$13,883,360	\$6,646,599	\$12,877,858	\$13,025,815
<b>Grand Total</b>	<b>\$82,609,345</b>	<b>\$87,631,349</b>	<b>\$91,262,028</b>	<b>\$89,937,012</b>	<b>\$82,709,944</b>	<b>\$127,714,501</b>	<b>\$134,604,288</b>
<b>Year over Year Change</b>		\$5,022,004	\$3,630,679	(\$1,325,016)	(\$7,227,069)	\$45,004,557	\$6,889,787
<b>YoY Percent Change</b>		6.08%	4.14%	-1.45%	-8.04%	54.41%	5.39%

As shown in the table above, in strong, non-pandemic years the bureau could expect to collect approximately \$20.0 million in external revenue from facility rentals, summer camps, pool lessons, and other sources. It should be noted that with the new levy resource, the bureau does not plan to collect as much external revenue as it has in the past. This initiative, captured in the “Reduce Cost as a Barrier” decision package, is part of the spirit of the levy—to reduce what is asked of Portlanders in fees and charges when they seek out parks and recreation services. Therefore, it should not be expected that the bureau’s fully-loaded operational budget is comprised of its General Fund discretionary allocation, its levy resources, and \$20.0 million in external revenue—rather, the levy resources effectively replace a portion of that external revenue resource in order to increase accessibility. The \$6.8 million “Reduce Cost as a Barrier” package in the Recreation Division—a number that was arrived at after convening over 50 program managers across the City—represents a current approximation of what might be needed in FY 2022-23 to replace service charge and other revenues in order to increase access for community members and could fluctuate.

With that, the \$12.8 million in external revenue budgeted in the current year and the \$13.0 million budgeted in their FY 2022-23 Requested do not represent firm expectations for external revenue. The data is noisy around what the bureau can expect from its external revenue budget given that the pandemic and its variant waves have suppressed participation. Moreover, certain PP&R facility functions have remained limited or dormant—including

rentals—and there is a lag time to build programs back to pre-pandemic levels.

### Capital Growth Funding Gap

Portland Parks & Recreation characterizes its **Capital Growth Funding gap** as the difference between what the bureau earns in SDC revenue and what is needed to build the PP&R system to meet its Parks 2020 Vision service level goals and remedy the fact that Portland’s parks, natural areas, trees, and other assets are not equitably distributed. Nested in this issue is another issue—the bureau’s need to plan for relevant operations and maintenance costs of new assets brought online with systems development charge revenue. This issue is partially and temporarily mitigated by the new levy resource. A joint memo co-authored by CBO and PP&R that asks Council to direct Portland Parks & Recreation to plan on operating and maintaining all new assets with Parks Levy resource over the next 5 years with the understanding that Council is committed to working on a successor resource for said levy. Should the levy or a different successor resource not be referred by the next Council—or if voters do not approve one—then a fiscal cliff that encompasses both operational enhancements and subsidies and operations and maintenance work of new assets would be created, and in FY 2026-27 the bureau would return to the financial position it was in before the levy, with at least two significant structural deficits. Given the bureau’s Capital Improvement Program—in tandem with bureau strategic plans like the “Parks 2020 Vision” plan—show both plans and ambitions to grow the City’s parks and other park-like and recreation amenities to achieve its service delivery goals and performance targets, the onus is on policymakers as well as the bureau to ensure that the City’s ability to operate and maintain its parks system grows in step with the parks system itself. The cost of operations and maintenance costs for new assets over the next 5 years averages \$1.0 million annually—which represents approximately about 2.1% of the cumulative 5-year levy resource total.

### Capital Major Maintenance Funding Gap

In what is perhaps the largest crisis for the bureau, both in financial magnitude and inability to mitigate with existing resources, PP&R is still facing a \$500 million dollar backlog of deferred major maintenance across its entire asset base, with an annualized gap exceeding \$20 million per year and worsening. The bureau currently has 1,201 assets that are either in “Poor” or “Very Poor” condition. The bureau’s currently-available major maintenance resources are more than 75% deficient of need on an ongoing basis, with the accumulated backlog a result of this chronic underfunding. PP&R projects that it will need to decommission one in five assets over the next 15 years.

Taking an expansive gaze, the role of the General Fund in addressing this issue begins to take shape. Based on the financial magnitude of the backlog it is apparent that the General Fund

*Forecasted PP&R Levy Resources expected to be spent on Operations & Maintenance Costs over the life of the 5-year Levy*

	Estimated O&M	Projected Levy Resource	Percent of Levy Spent on O&M
2021-22	\$866,433	\$44,735,444	1.94%
2022-23	\$242,048	\$46,239,576	0.52%
2023-24	\$1,286,493	\$47,705,238	2.70%
2024-25	\$1,298,291	\$49,262,303	2.64%
2025-26*	\$1,337,240	\$51,135,320	2.62%
<b>Cumulative Total</b>	<b>\$5,030,505</b>	<b>\$239,077,881</b>	<b>2.10%</b>

*\* This \$1.3 million total in 2025-26 is the closest estimate to the ongoing number in outyears, not accounting for inflation.*

Asset Type	Number of Assets	Average Condition Rating*
Building	220	4.02
Park	124	4.00
Natural Area	108	4.12
Hard Surface Pathway	92	4.14
Pathway	70	4.06
Storage	60	4.35
Playground	58	4.02
Soft Surface Pathway	49	4.20
Bridge	38	4.34
Regular	36	4.47
Asphalt Court	30	4.23
Building & Pool	28	4.04
Maintenance	27	4.48
Restroom	24	4.08
Field	19	4.32
Shelter	18	4.11
Restroom - Storage	15	4.13
Trailhead	15	4.33
Community Center	13	4.23
RetainingWall	13	4.31
Visitor Services	13	4.14
Nike Resurf Court	11	4.00
Maintenance Yard	10	4.50
Other**	110	4.20
	<b>1201</b>	<b>4.20</b>

*\* For condition rating, 4 means "Poor" and 5 means "Very Poor"*

*\*\* "Other" includes, but is not limited to, utilities, marine, parking stripes, administration, arts/cultural, golf course, shelters, and aquatics facilities*

alone will not be able to completely remedy this issue. The budget note that directed PP&R to request \$500,000 in ongoing resource annually until the issue is rectified is constrained both by scarce ongoing forecasts and frequent Council prioritization of new programs and services. Capital set-aside resources represent a tremendous opportunity for taking larger chunks out of this backlog, but in the past two fiscal years, the policy has been waived twice and resources prioritized for discretionary programming. The result of these policy waivers over the past two years has been a redirection of \$34 million that would have otherwise been dedicated to critical citywide asset repairs.<sup>4</sup> It is concerning to the fiscal health of the City and specifically to asset-owning bureaus if this process becomes unreliable based on precedent to waive policy. Should the Council elect to prioritize future resources to Build Portland, the next tranche of Build Portland resource would not be dispersed until FY 2024-25 (PP&R currently has \$9 million from the first tranche in FY 2018-19).<sup>5</sup> The result of these two practices is that the General Fund has opportunity to play a small but material role in addressing this issue—as it should given that parks and recreation are one of the City’s core services. Additionally, it is likely that some sort of “catch-up” infusion of resource will be necessary to fully address the backlog.

The bureau notes that the most likely application of its current and potential future General Fund discretionary allocations for major maintenance will go towards Americans with Disabilities Act (ACA) compliance requirements. This is exemplified by the fact that the bureau submitted a \$5 million request for Capital Set-aside resources to eliminate 120 ADA barriers at Pier Park alone. Given that ADA compliance is a major issue for several bureaus and the City writ large, CBO recommends that Council begin to look at potential new funding sources to bring the City into full compliance with the 1990 legislation.

	Amount	Percent
GF Major Maintenance Allocation	\$9,067,319	30%
Build Portland	\$9,000,000	30%
Bond	\$5,792,000	19%
Capital Set Aside	\$4,743,000	16%
ADA	\$706,000	2%
Other	\$639,000	2%
<b>Grand Total</b>	<b>\$29,947,319</b>	<b>100%</b>

### **Performance Measure Updates**

CBO’s analysis of PP&R’s FY 2021-22 Requested Budget last year made a number of recommendations regarding the bureau’s suite of performance metrics to better align with community stakeholder feedback and accessibility and equity issues. The bureau, as part of its programming of new levy resources, is undergoing a re-examination of its performance metrics both through internal processes and with community stakeholder engagement. The new measures are focused on centering Black and Indigenous people and communities of color, immigrants and refugees, LGBTQIA+ communities, people earning low incomes, community members with disabilities, youth, and older adults. CBO is currently undertaking a new Portland Insights Survey that will buttress this effort by collecting and analyzing a second iteration of the original survey issued in 2018. Given that FY 2022-23 will be the second full year that the bureau will have programmed most of its levy resources, CBO recommend the bureau continue to stand up its programmatic capacity and service-level enhancements and develop new metrics that capture that work before FY 2023-24 Budget Development while partnering with CBO to gather community stakeholder feedback data with the survey.

### **Parks 2020 Operating Levy Updates**

#### **Programming to Date**

The FY 2021-22 CBO Review of PP&R’s FY 2021-22 Requested Budget analyzed how the bureau planned to expend levy resource as part of the current year, resulting in the creation of 50 permanent positions and \$10.5 million of planned budgeted expenditure. As part of the FY 2021-22 Fall Supplemental Budget, the bureau budgeted most of the remaining resource, allocating \$18.9 million in one-time investments and \$13.7 million in annual spending,

<sup>4</sup> \$3.9M in FY20-21 Budget Development and \$30.1M in Fall FY21-22 BMP

<sup>5</sup> PP&R were awarded \$15 million Build Portland funds for Mt. Scott Improvements.

including 90.5 permanent positions. To-date, the bureau has created 140.5 permanent positions with levy resources.

### Remaining Resource to Allocate

Because some of these investments are one-time in nature—designed to build out the capacity of the bureau before right-sizing its ongoing, operational budget—and given that the bureau will receive back its 5% General Fund Discretionary allocation (\$3.7 million) as part of its FY 2022-23 budget (a number that was backfilled with levy resource in CY 2021-22), it is difficult to arrive at a specific number that shows how much resource is ready to allocate over the next four years of the levy. The bureau has budgeted \$11.4 million in beginning fund balance as part of its FY 2022-23 Requested Budget, a figure which represents the amount they could allocate as part of the Fall or Spring supplementals in FY 2022-23. However, one-time investments made in the current year or in FY 2022-23 represent amounts that would be available for allocation in FY 2024 and beyond.

*Breakout of PP&R's FY 2022-23 Levy Allocations by Program Offer*

Program Offer	Levy Resources Allocated	Percentage of Levy Allocation
Parks Maintenance	\$9,259,793	22.33%
Facility/Amenity Maint	\$5,490,018	13.24%
Community and Socialization	\$4,850,891	11.70%
Aquatics	\$4,317,050	10.41%
Sports and Games	\$3,637,088	8.77%
Recreation Facility Operations	\$3,463,262	8.35%
Community Engagement	\$2,593,236	6.25%
Natural Area Maint	\$2,039,331	4.92%
Tree Maintenance	\$1,998,319	4.82%
Arts	\$1,258,546	3.03%
Tree Regulation	\$830,767	2.00%
Urban Forestry Science and Outreach	\$740,763	1.79%
Leadership and Advocacy	\$573,000	1.38%
Visitor Services	\$237,136	0.57%
Business Services	\$117,369	0.28%
Marketing & Communications	\$65,580	0.16%
	<b>\$41,472,149</b>	<b>100%</b>

## DECISION PACKAGES

### Increase Ongoing Major Maintenance Allocation

12984, \$500,000 ongoing, 0.00 FTE

#### Request Summary

This request is in accordance with an FY 2018-19 Budget Note directing PP&R to request ongoing funding of \$500,000 annually for Major Maintenance needs in each budget process “until a level of funding is achieved that is sufficient for addressing the bureau’s regular, scheduled major maintenance needs.” This funding should complement other strategies in addressing the major maintenance gap, including 1) Internal reallocation of resources; 2) Divestment of assets; and 3) periodic general obligation bonds. Were it allocated, the resource would likely not get out the door for one to two years, as planning for this additional resource would not begin until after it is appropriated. Project prioritization for a resource like this heavily weights ADA compliance, but also considers condition rating, consequence of failure, and equity.

#### CBO Analysis

As part of FY 2021-22 Budget Development, which prescribed 5% ongoing cuts for all General Fund bureaus, CBO recommended that PP&R have its 5% cut taken one-time and restored ongoing in FY 2022-23. Additionally, this request for \$500,000 in General Fund resource for major maintenance efforts was allocated, but then reduced on a one-time basis and added as a \$1,000,000 increase in ongoing allocation as part of FY 2022-23. These appropriations were added as part of the bureau’s base budget load for FY 2022-23 Budget Development, effectively increasing the bureau’s ongoing Major Maintenance allocation to \$4.4 million beginning in FY 2022-23. CBO also notes that the bureau received \$4.2 million in one-time General Fund discretionary resources for East Portland Major Maintenance as part of the Fall BMP.<sup>6</sup> That package was brought forward as an amendment and

<sup>6</sup> PP&R will allocate this resource to specific projects as part of its standard annual major maintenance projection allocation process.

thus not analyzed by CBO.

Despite these investments, the bureau continues to face a \$500 million major maintenance backlog. The urgent need for more major maintenance funding will persist unless and until PP&R and the City develop a significant and multi-faceted increased funding strategy for major maintenance needs. In addition to committing to maintaining the Capital Set Aside policy and funding additional tranches of Build Portland, CBO recommends Council adopt a budget note that allows PP&R to retain up to \$2,000,000 in year-end unspent General Fund discretionary resources—assuming said resources are not required to meet budgeted beginning balance figures for the General Fund writ large—to be expended on the Capital Major Maintenance backlog. These measures can help reduce the exponential growth in the City’s major maintenance backlog while the City develops more robust and holistic funding strategies.

Lastly, to increase transparency in bureaus with capital funds that receive General Fund allocations via cash transfer, CBO recommends that PP&R begin to use the capital major maintenance offset and allocation commitment items currently being piloted by the Bureau of Transportation. These offset accounts, in tandem with chart of accounts data related to capital and operating projects, will allow for transparent budgeting of General Fund resource while elucidating the “color of money” components of General Fund allocations. Currently, when a bureau receives a General Fund allocation—be it a regular General Fund appropriation, an appropriation of Capital Set-aside resources, or an appropriation of Build Portland resources—once the money is transferred it becomes impossible to track using existing reporting parameters. By using the offset and allocation accounts in tandem with chart of accounts “Project” level data, we will be able to follow and analyze how different discretionary allocations are being budgeted and expended. CBO will work with the bureau to implement this process and update the budget manual and relevant process guides accordingly.

## **CBO Recommendation: \$0 | Budget Note with Policy Update**

### **Capital Set-aside: Pier Park ADA**

12983, \$5,000,000 one-time

#### **Request Summary**

This request would remove all 120 existing ADA barriers at Pier Park in the St. John’s neighborhood of Portland. Such barriers include all primary access points, including parking lot striping of disabled parking spaces, ramps with legally-compliant slopes, and other barriers that restrict path-of-travel to amenities. The bureau notes that at current ADA program funding levels, PP&R will miss the 2014 Council-adopted Transition Plan<sup>7</sup> legal requirement to clear barriers by 2035 by more than 45 years. To date, the bureau has addressed 2,458 of the 7,229 barriers it was tasked with remediating by Fiscal Year 2020-21. There are over 17,000 documented barriers at PP&R properties.

#### **CBO Analysis**

As part of FY 2022-23 budget development, bureaus submitted 15 requests for Capital Set Aside funding, totaling \$30.1 million against \$14.9 million in available resources. This package, submitted through the City’s Capital Set-aside validation process, has a benefit/cost ratio of 2.4 to 1, with the benefits driven by increases in consumer surplus, childhood development, and mental health. If funded, the project would expend \$1,000,000 in year one for engineering design with the remaining \$4,000,000 in construction taking place in years two and three. The \$5 million total represents a medium-level cost estimate. The bureau notes that should this project not be funded, the bureau projects that only a small percentage of the existing 120 ADA barriers would be removed before the 2035 transition plan deadline.

CBO recognizes the validity of this project and the importance of removing ADA barriers from all City-owned properties and assets. Furthermore, this ADA backlog is a subcategory of PP&R’s greater \$500 million major

<sup>7</sup> Resolution No. 37517 “Adopt Citywide Disability Equity Goals to guide City policies, plans, and procedures resolution.” <https://efiles.portlandoregon.gov/Record/14063333/>

maintenance backlog, with most new funding for that effort going towards ADA barrier remediation and legal compliance. Of the \$14.9 million in Capital Set-side CBO recommendations, \$5.7 million are currently allocated towards ADA and ADA adjacent projects under the purview of the Bureau of Transportation, with the remaining allocations going towards high consequence of failure/life safety risk projects.

**CBO Recommendation: \$0**

## Capital Set-aside: Energy Savings Performance Contract Pt. 2

12985, \$2,500,000 one-time

### Request Summary

In 2017, Council approved a pilot procurement approach for Parks to deliver energy efficiency investments at-scale using an Energy Savings Performance Contract (ESPC) at 50 PP&R locations. This package requests \$1.0 million for an HVAC upgrade at Peninsula Park Community Center, and \$1.5 million in pathway lighting at 10 to 20 to be identified parks.

### CBO Analysis

As part of FY 2022-23 budget development, bureaus submitted 15 requests for Capital Set Aside funding, totaling \$30.1 million against \$14.9 million in available resources. This project, while effectively two-pronged, enables the bureau to commit to upgrades in alignment both with the ESPC and the spirit of [Council Resolution No. 37137](#), the [2015 Climate Action Plan](#), and the [2020 Climate Emergency Declaration](#). This project has a benefit/cost ratio of 12.75 to 1, driven by reductions in utility expenses, ecosystem services, and other visitor benefits.

CBO does not currently recommend the \$1.5 million in funding for pathway lighting, given the number of ADA and ADA-adjacent projects, as well as projects with high consequence of failure and life safety risks that were submitted in this round of Capital Set-aside requests. CBO recognizes the validity of this project and recognizes the impact of installing modern LED lighting both on utility costs and Dark Sky initiatives to reduce uplighting and light-trespassing. CBO recommends that the bureau work with Council and the Bureau of Planning and Sustainability to investigate the potential use of Portland Clean Energy Fund (PCEF) resources to fully fund the \$10 million total cost of this project.

CBO does recommend \$1,000,000 in funding for the HVAC upgrades at Peninsula Park Community Center, which would leverage a \$500,000 air conditioner upgrade funded with SDC resources and allow the bureau to consolidate engineering, design, and procurement of the upgrade to take advantage of the economies of scale of doing the project all at once. To date, Peninsula Park has not yet been named as an emergency shelter but has been shut down when temperatures have gotten too high, including during the heat dome of summer 2021 when temperatures in the region reached 116 degrees—9 degrees higher than the previous record. The installation of a new HVAC system with air conditioner would limit service-delivery interruptions by enabling the facility to stay open on high-heat days (pre-school closures on days at or above 95 degrees are not uncommon). This upgrade opens up the opportunity for the facility to be used as a heating/cooling shelter in the future.

**CBO Recommendation: \$1,000,000 one-time**

## Add Two Tree Inspectors

12980, \$225,586 ongoing, 2.00 FTE

### Request Summary

This request adds two permanent, City Laborer Bargaining Unit-represented Tree Inspectors costed at \$112,793 each with full salary and benefits. These positions would help the bureau meet inspection demand driven by higher-than-anticipated development activity. There are no materials and services costs built into this request.

## **CBO Analysis**

This request pre-emptively anticipates \$225,586 in new ongoing inspection fee revenue as a result of 30% higher-than-forecasted development activity, in tandem with a 7.5% increase in development permit fees (to be adopted as part of the new fee schedule going to Council in May 2021) that is expected to generate sufficient revenue for cost recovery of these positions. The inherent risks in such a package are that the inspectors are hired and resulting increases in revenue are not actualized. As the bureau notes, this risk is mitigated by the fact that the bureau will not fill these council-authorized positions until after the revenue forecast begins to take shape. CBO recommend that Council grant the bureau the position authority that allows the bureau to fill the positions when the revenue is realized.

**CBO Recommendation: \$225,586 | 2.00 FTE**

# Parks Levy Packages

PP&R Requested \$9.1 million in new levy resource programming as part of the FY 2022-23 Requested Budget, 19.7% of total budgeted levy revenue for FY 2022-23

	FTE	Ongoing	One-time	Grand Total
12,972 – RS_01 - Reduce Cost As a Barrier	-		\$6,835,866	\$6,835,866
12,976 – RS_02 - Fully Fund Summer Free for All	-		\$62,040	\$62,040
12,977 – RS_03 - MAC - Restore Funding and Align with Levy Goals	-		\$905,260	\$905,260
12,979 – UF_02 - Add Admin Capacity for Urban Forestry Division	1.00	\$114,369	\$3,000	\$117,369
12,981 – AD_02 Convert 4 apprentices to ongoing	-	\$278,959		\$278,959
12,982 – AD_03 EMS convert positions to Ongoing	-	\$258,365		\$258,365
12,986 – OS_04 - Community Partnerships	-		\$475,000	\$475,000
12,987 – OS_01 Sustainable Future	-		\$98,000	\$98,000
12,988 – OS_02 Volunteer Database	-	\$37,650	\$60,000	\$97,650
	<b>1.00</b>	<b>\$689,343</b>	<b>\$8,439,166</b>	<b>\$9,128,509</b>

## Request Summary

This suite of packages allocates \$689,343 in ongoing resource and \$8.4 million in one-time resource—as well as 1.00 FTE in Urban Forestry—to PP&R initiatives across the Recreation, Urban Forestry, Assets & Development, and Operations & Strategies divisions at the bureau.

## CBO Analysis

This suite of packages adds \$9.1 million levy-funded expenditures and 1.00 FTE to augment the \$32.4 million and 140.5 FTE already programmed out through previous budget processes. Given that the levy is policy-bound on how it can be spent and has its own oversight committee—and considering that the bureau is overhauling its suite of performance metrics—CBO does not want to pre-emptively make any analysis on the levy or its outcomes without providing sufficient time for recruitment and hiring of levy positions, programming to be implemented, and relevant performance metrics to be created and relevant data collected before conducting further analysis.

**CBO Recommendation:**  
**\$689,343 ongoing;**  
**\$8,439,166 one-time**  
**1.00 FTE**

PP&R's FY 2022-23 Levy-funded programming breaks out into the following service areas

<b>Parks Maintenance</b>	<b>\$9,259,793</b>	<b>Natural Area Maint</b>	<b>\$2,039,331</b>
Parks Maintenance	\$9,259,793	Natural Area Maint	\$2,039,331
<b>Facility/Amenity Maint</b>	<b>\$5,490,018</b>	<b>Tree Maintenance</b>	<b>\$1,998,319</b>
Facility/Amenity Maint	\$5,490,018	Tree Maintenance	\$1,998,319
<b>Community and Socialization</b>	<b>\$4,850,891</b>	<b>Arts</b>	<b>\$1,258,546</b>
After School Enrichment Programs	\$1,073,292	Music	\$401,900
Community and Socialization General	\$1,016,042	Arts General	\$371,385
Camps	\$929,796	Clay Arts	\$146,036
Rentals	\$696,001	Visual Arts	\$124,439
Preschool	\$358,516	Metal Arts	\$78,655
Lifelong Learning	\$230,317	Theater	\$48,757
Summer Playgrounds	\$205,585	Hobbies and Crafts	\$45,291
Summer Concerts	\$114,778	Dance	\$40,391
Movies in Parks	\$108,536	Performing Arts	\$1,692
Community and Socialization	\$44,105	<b>Tree Regulation</b>	<b>\$830,767</b>
Recreation Operations	\$41,112	Tree Regulation	\$830,767
Social	\$32,811	<b>Urban Forestry Science and Outreach</b>	<b>\$740,763</b>
<b>Aquatics</b>	<b>\$4,317,050</b>	Urban Forestry Science and Outreach	\$740,763
Aquatics General	\$3,432,789	<b>Leadership and Advocacy</b>	<b>\$573,000</b>
Aquatics Swim Instruction	\$884,261	Leadership and Advocacy General	\$573,000
<b>Sports and Games</b>	<b>\$3,637,088</b>	<b>Visitor Services</b>	<b>\$237,136</b>
Sports and Games General	\$1,943,935	Customer Service	\$237,136
Fitness	\$1,668,089	<b>Business Services</b>	<b>\$117,369</b>
Skating	\$14,353	Business Services General	\$117,369
Team Sports	\$10,711	<b>Marketing &amp; Communications</b>	<b>\$65,580</b>
<b>Recreation Facility Operations</b>	<b>\$3,463,262</b>	Resource Development	\$65,580
Recreation Facility Operations	\$3,463,262		
<b>Community Engagement</b>	<b>\$2,593,236</b>		
Teen Programming	\$1,260,469		
Community Engagement General	\$1,059,728		
Senior Recreation	\$191,048		
Inclusive Recreation	\$81,991		
		<b>Grand Total</b>	<b>\$41,472,149</b>

# SUMMARY OF REQUESTS & RECOMMENDATIONS BY FUND

## Portland Parks & Recreation

### 100 - General Fund

		2021-22 Adopted Budget	2022-23 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Revenue	Charges for Services	\$15,103,659	\$18,963,635	(\$7,219,256)	\$0	\$11,744,379
	Fund Transfers - Revenue	\$0	\$32,343,640	\$9,128,509	\$0	\$41,472,149
	General Fund Discretionary	\$71,862,415	\$76,614,640	\$0	\$4,688	\$76,619,328
	Interagency Revenue	\$3,858,026	\$3,491,684	\$0	\$0	\$3,491,684
	Intergovernmental	\$96,423	\$486,992	\$0	\$0	\$486,992
	Licenses & Permits	\$705,000	\$520,000	\$0	\$0	\$520,000
	Miscellaneous	\$778,321	\$570,728	(\$296,284)	\$0	\$274,444
<b>Revenue</b>	<b>Sum:</b>	<b>\$92,403,844</b>	<b>\$132,991,319</b>	<b>\$1,612,969</b>	<b>\$4,688</b>	<b>\$134,608,976</b>
Expense	Capital Outlay	\$0	\$10,000	\$0	\$0	\$10,000
	External Materials and Services	\$20,345,194	\$27,229,939	\$1,082,515	\$0	\$28,312,454
	Fund Transfers - Expense	\$0	\$270,000	\$0	\$0	\$270,000
	Internal Materials and Services	\$1,828,839	\$13,569,065	\$39,000	\$0	\$13,608,065
	Personnel	\$70,229,811	\$91,912,315	\$491,454	\$4,688	\$92,408,457
<b>Expense</b>	<b>Sum:</b>	<b>\$92,403,844</b>	<b>\$132,991,319</b>	<b>\$1,612,969</b>	<b>\$4,688</b>	<b>\$134,608,976</b>

# SUMMARY OF REQUESTS & RECOMMENDATIONS (ALL FUNDS)

## Portland Parks & Recreation

		2021-22 Adopted Budget	2022-23 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Revenue	Taxes	\$44,735,444	\$46,239,576	\$0	\$0	\$46,239,576
	Miscellaneous	\$4,153,528	\$3,922,393	(\$296,284)	\$0	\$3,626,109
	Licenses & Permits	\$1,605,000	\$1,564,178	\$0	\$0	\$1,564,178
	Intergovernmental	\$291,423	\$839,880	\$14,871,065	(\$14,871,065)	\$839,880
	Interagency Revenue	\$3,858,026	\$3,491,684	\$0	\$0	\$3,491,684
	General Fund Discretionary	\$71,862,415	\$76,614,640	\$0	\$4,688	\$76,619,328
	Fund Transfers - Revenue	\$4,560,436	\$37,258,096	\$17,128,509	(\$7,000,000)	\$47,386,605
	Charges for Services	\$43,588,407	\$52,672,338	(\$7,219,256)	\$0	\$45,453,082
	Bond & Note Proceeds	\$10,918,925	\$4,643,750	\$0	\$0	\$4,643,750
	Beginning Fund Balance	\$168,234,137	\$209,260,030	\$0	\$0	\$209,260,030
<b>Revenue</b>	<b>Sum:</b>	<b>\$353,807,741</b>	<b>\$436,506,565</b>	<b>\$24,484,034</b>	<b>(\$21,866,377)</b>	<b>\$439,124,222</b>
Expense	Personnel	\$87,988,957	\$103,003,653	\$1,225,519	(\$729,377)	\$103,499,795
	Internal Materials and Services	\$15,451,642	\$17,048,722	\$39,000	\$0	\$17,087,722
	Fund Transfers - Expense	\$1,519,551	\$34,027,056	\$9,128,509	\$0	\$43,155,565
	External Materials and Services	\$95,406,753	\$78,222,723	\$13,219,515	(\$11,137,000)	\$80,305,238
	Ending Fund Balance	\$164,553	\$164,351	\$0	\$0	\$164,351
	Debt Service	\$11,466,438	\$1,071,292	\$0	\$0	\$1,071,292
	Contingency	\$106,267,235	\$185,105,836	(\$9,128,509)	\$0	\$175,977,327
	Capital Outlay	\$35,542,612	\$17,862,932	\$10,000,000	(\$10,000,000)	\$17,862,932
<b>Expense</b>	<b>Sum:</b>	<b>\$353,807,741</b>	<b>\$436,506,565</b>	<b>\$24,484,034</b>	<b>(\$21,866,377)</b>	<b>\$439,124,222</b>