CBO also notes that the Mayor's Office has provided direction that CBO and OMF should review to what degree permit fees impact affordable housing development. Tree Code fees are a small portion of total costs of system development charge and permit fees for most development; however, to the degree that CBO and OMF's findings result in decreased or eliminated fees, then this proposed reduction in General Fund through increased fees would not be viable.

CBO recommends this reduction of General Fund resources but notes its concerns about the sustainability of Urban Forestry revenues during changes in the economic development cycle.

CBO Recommendation: $0

Eliminate Maintenance at Ladds Rose Garden, PK_09, ($96,668), (1.00) FTE

This reduction would eliminate horticultural services to Ladds Rose Garden, including one filled horticulturalist position and $20,000 in materials and services costs. Similar to the Dutch Elm program, these Parks services directly benefit a small portion of Portland's population, primarily consisting of residents of relatively higher socio-economic status.[1] Moreover, the gardens do not offer other parks features, providing little incentive for visitation outside of the roses. Visitation numbers are not tracked but it is believed that the garden is used primarily by local residents, in addition to some visitors when the roses are blooming. In contrast, the rose garden at Washington Park Rose Garden is estimated to receive approximately 500,000 visitors per year. Parks also maintains rose gardens at Pittock Mansion and Peninsula Park.

Currently, the Friends of Ladd's Addition Gardens assists Parks' staff with minor projects like mulching, installing header boards, and dead heading. The horticulturalist position is tasked with spraying pesticides, ordering materials, and coordinating volunteer activities with Friends of Ladd's Addition Gardens. As needed, this position assists with providing horticultural services to other parks.

Due to the disproportionate benefit of services to a smaller population of the city, CBO recommends this reduction.

CBO Recommendation: ($96,668), (1.00) FTE

Sustainable Energy/Water Package, PK_10, ($200,000) ongoing, $2,500,000 one-time

This package would generate an estimated $200,000 in ongoing utility savings by spending $2.5 million on one-time projects retrofitting Parks facilities and equipment with more efficient systems. The estimated cost of these projects is $2.5 million, and would include improvements to several HVAC systems (50% of project), lighting (25% of project), water efficiencies of (15% of project), and other (10% of project).

[1] The Ladds Rose Garden service area (within ½ mile) includes far fewer people of color (15% versus 28% for the city) and slightly fewer households in poverty (17% versus 19% for the city) as compared to the overall city demographics.

This proposal is based upon the “energy services company” (ESCO) model, in which construction costs of energy retrofits are financed by utility savings. In this request, one-time costs would be funded by the General Fund, yielding approximately $200,000 of ongoing savings. As an alternative to using General Fund resources, the bureau could consider other financing options (such as a line of credit or interfund loan), which would yield the environmental benefits and address the same maintenance issues, but would require annual financing costs and therefore not result in any immediate ongoing General Fund savings.

Consistent with the Mayor’s guidance, the intent of this package is to find efficiencies and focus one-time requests on investments that decrease the City’s long-term costs. However, given the limited availability of one-time resources, CBO does not recommend General Fund resources. Rather, CBO recommends that the bureau pursue the project through another financing method. Any savings could be used for future Parks’ needs or be offered as a future reduction package.

CBO Recommendation: $0

Shut Down Decorative Fountains, PK_11, ($548,718), (4.00) FTE

This package reduces $648,718 in General Fund resources for operations and maintenance of 18 decorative fountains, and includes the reduction of 4.0 FTE and one seasonal maintenance worker. The package assumes $100,000 in one-time funding to maintain the fountains through Labor Day 2017.

If this reduction is approved, Parks would continue to operate splash pads in City parks but turn off six interactive fountains that are used for recreation, including Salmon Street Springs Fountain (SW Salmon and Naito), Jamison Square Fountain, Holladay Park Fountain, McCoy Park Fountain, Bill Naito Legacy Fountain in Waterfront Park, Teachers Fountain in Director Park, and the Ira Keller Fountain. Although the number of visitors to the fountains is unknown, due to their central locations within the City, it is reasonable to assume that a large number of residents would be impacted if the fountains were to be shut-off.

The bureau has not explored alternative, less costly operating models, which may include contracting services with the Water Bureau or operating only the highest priority fountains. The bureau has noted that four full-time positions are required to operate and maintain the fountains year-round, including those fountains that are only operational between March through October. As such, a “highest priority” model may not yield substantial savings. The bureau also believes that cutting any or all of the staffing for the fountains would result in irreparable damage and eventually require the fountains to be permanently closed.

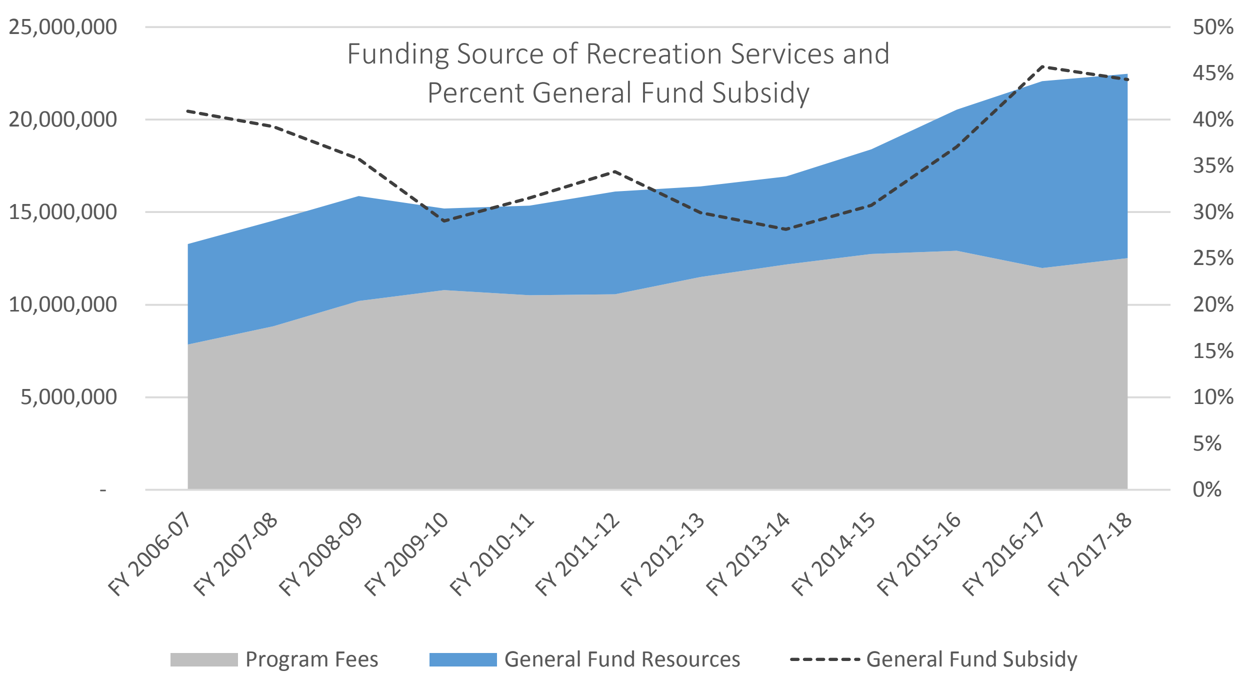
CBO does not recommend this reduction at this time due to the expected high usage of the fountains. However, CBO notes that the fountains have been proposed as a reduction over the past two years, indicating that this may be the bureau’s least important priority. To the degree that internal realignment of resources is needed to fund other Parks’ needs, the bureau may need to consider a revised service model that targets the least used fountains for divestment and/or transfer operating costs to an outside entity.

CBO Recommendation: $0, 0.00 FTE

Fee Increases for Arts Programs & Fee Increases at Community Centers, PK_12 & PK_14, $0

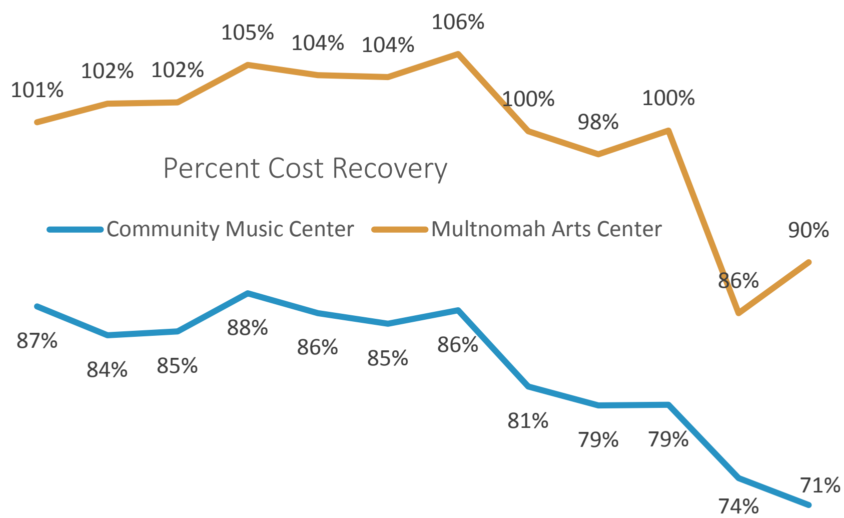
These two packages reduce General Fund discretionary resources at community centers by $170,000, which are offset by fee increases. The first package, PK_12, increases fee revenues by $70,000 at the Community Music Center and Multnomah Arts Center. Specifically, tuition rates would be increased by 5% at the Community Music Center, class fees would increase by 2% at Multnomah Arts Center, and rental rates would increase by 20% at Multnomah Arts Center. The second package, PK_14, increases drop-in fees, rentals and prepaid classes at Southwest Community Center ($40,000), Mt Scott ($20,000), East Portland Community Center ($20,000) in addition to Matt Dishman, Charles Jordan and St. John's community centers.

As illustrated in the chart above, the General Fund will subsidize 46% of Recreation Services in FY 2016-17 compared to 41% in FY 2006-07. This increase is largely due to the recent arbitration settlement with Local 483, which converted seasonal employees to permanent employees; Council chose to fund the increase with additional General Fund resources which changed the cost recovery model substantially. Having a greater portion of Recreation Services costs attributed to permanent employees will make future costs increase at rates greater than inflation due to PERS and health benefits. This requires that fees increase at rates sufficient to



cover these increased costs, adding further pressure on future program fee increases. This chart also illustrates that program fees were used to offset a proportionally greater amount of recreation services costs during recessionary periods.

Specific to Multnomah Arts Center and Community Music Center, fees have also steadily increased but remained competitive with local art schools and music lesson providers. These programs also rely on scholarships to provide access for students from lower-income households. Currently 20% of youth students at Community Music Center receive scholarships for tuition from the partner nonprofit (Community Music Center, Inc.); approximately 3.5% of students receive scholarships at the Multnomah Arts Center.



These fee increases, however, have not kept pace with overall cost growth. Whereas Multnomah Arts Center recovers nearly all of its direct costs, the Community Music Center recovers between 70%-80% of costs. These recovery rates are similar to those at other community centers.[2]

Within the next year, the bureau may revise its cost of service study, which will result in new cost-recovery targets and fee structures. CBO recommends that this updated policy also sets service goals that align with the pricing/cost recovery targets while also accounting for the price elasticity of low-income residents in the context of the City's overall equity goals. Options to address these cost recovery targets and service goals may include reducing program expenses or increasing fee subsidies via scholarships or other means-tested options, potentially resulting in a more complex fee structure. (In FY 2016-17, Parks received one-time funding for a program manager to implement the updated policy changes to the scholarship program; this position has not yet been filled.)

Moreover, to the degree that the market will not tolerate price increases and General Fund resources are reprioritized to other City needs, then it is incumbent upon Parks to restructure services and redefine service goals. This may include the elimination of programs and the closing of community centers. The bureau may consider reallocating resources to programs and services that are the least subsidized, that have minimal ongoing operations and maintenance costs, and yet provide more equitable access to City recreational activities.

With the proposed increases, CBO believes that the bureau can achieve revenue targets without significant negative service impacts. However, CBO has concerns about overall trends in cost-recovery and its impact on the fiscal sustainability of the bureau over the long-term.

CBO Recommendation: $0, 0.00 FTE

[2] The average recovery rate is 66% and 76% for centers with pools, but range from 40-95%.

Eliminate Maintenance at Pittock Mansion Grounds, PK_13, ($94,754), (1.00) FTE

This package reduces General Fund resources by $94,754 and eliminates one Park Tech position, and as a result, grounds maintenance at Pittock Mansion would be discontinued. Grounds care would be limited to the work of the museum curator and volunteers.

Pittock Mansion receives an average of 94,000 entry fee-paying visitors per year in addition to an estimated 65,000 visitors to the grounds. Under the current agreement with Pittock Mansion Society, Parks is responsible for all maintenance of the grounds and major maintenance repairs (note package PK_36). No entry fees are dedicated to maintenance.

CBO recommends this reduction. Under a revised agreement with Pittock Mansion Society, provisions could be added that allow entry fees to be used for maintenance costs. A $1 increase to the entry-fees, or a combination of an entry-fee increase and a membership fee increase, would cover the costs of grounds maintenance. Costs of maintaining the grounds may be also lessened by servicing the location less frequently. Moreover, similar to other Parks-owned assets that are operated by private entities and benefit a distinct set of customers, CBO encourages the fees under these agreements to include a portion of cost-recovery for maintenance.

CBO Recommendation: ($94,754), (1.00) FTE

Eliminate Preschool, PK_15, ($1,522,435), (20.27) FTE

This package would decrease ongoing General Fund discretionary by $686,558, program fees by $835,877 and eliminate 20.27 FTE, resulting in the closure of the bureau's 12 preschool programs. Preschool programs are scheduled 2-3 days per week for 2-3 hours per session depending upon the age of the participant. As a result, these programs generally act as educational programming rather than a daycare option.

Prior to the arbitration settlement, preschool programming recovered nearly 100% of costs through fees. Increased personnel costs significantly changed the cost recovery of the program: for the approximately 600 registrants, the General Fund now subsidizes an average of $1,250 per participant, at a total subsidy of $686,558/year.

Based on demographic data collected on program participants, participants from communities of color enroll in the programs proportionally less as compared to citywide demographics: 3% of participants identify as Hispanic/Latino whereas 9.7% of Portlanders identify as Hispanic/Latino and 3% of participants identify as Black/African American whereas 5.8% of Portlanders identify as Black/African American.[3] Underutilization by program participants from communities of color remains the case at all community centers, including those centers which service areas include a greater communities of color population. This data suggest that the

[3] Portland demographic figures are from the 2015 American Community Survey