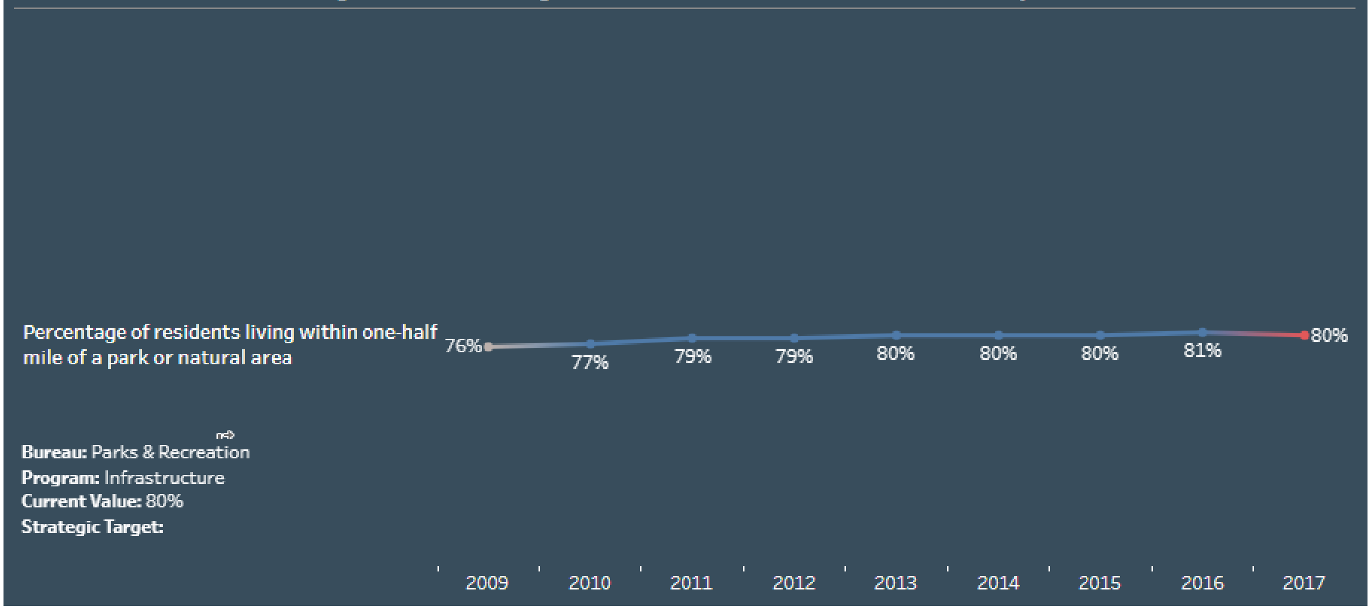
Portland Parks and Recreation

Analysis by Ryan Kinsella

Portland Parks & Recreation faced several significant opportunities and challenges in FY 2016-17, including (1) the implementation of a large capital program funded by the 2014 Parks Replacement Bond, a growing SDC capital program in addition to General Fund projects; (2) the implementation of a new bargaining agreement with Local 483 in which 101.25 FTE were integrated into Parks' workforce, and (3) fiscal challenges in the Golf Program which ultimately impacted the bureau's General Fund resources. Additionally, bureau performance measures indicate an emerging issue around safety in parks. These issues and others are highlighted below.

Bureau Performance

Parks & Recreation	Number of acres of invasive weeds treated annually	Not yet available
	Percentage of residents rating the overall quality of parks as good or very good	Not yet available
	Percentage of residents rating the overall quality of recreation centers and activit..	Not yet available
	Percentage of residents living within one-half mile of a park or natural area	80%
	Percentage of residents living within three miles of a full- service community center	70%



https://www.portlandoregon.gov/cbo/article/655039

Portland Parks & Recreation (Parks) ended the fiscal year within its budget but with several challenging factors: the implementation of the arbitration settlement with Local 483, continued volatility of recreation services revenues in the General Fund, and a significant drop in program revenues for the Golf Program. Specifically, the Golf Program continues to struggle to achieve revenue targets after the re-opening of Colwood Golf Course, resulting in a net loss of $703,642, whereas Portland International Raceway reversed a negative trend from prior years, ending the year with revenues exceeding budgeted amounts by $200,000. System Development Charges (SDC) revenues exceeded the budget of $22.5 million by $7.8 million (for a total of $30.4 million), primarily driven by the collection of residential SDCs. This marks the largest SDC revenue growth following the economic recovery.

Due to increases in population density in areas not in close proximity to parks and community centers, the bureau showed marginal decrease in two of its key performance measures - percentage of residents living within one-half mile of a park or natural area, and the percentage of residents living within three miles of a community center – despite adding new parks into the system.

Performance Measures

Portland Parks and Recreation identified six key performance measures as part of the FY 2015-16 requested budget, which measure core bureau services and assess the bureau's strategic direction. These metrics track resident access to, and perceived quality of, parks, natural areas, and community centers; the condition of parks facilities; and amount of work on natural areas. Several of these measures will be revised in the upcoming year: due to the discontinuation of the Auditor's Community Survey, perceptions of park/recreation center safety and quality will no longer be tracked using this survey instrument. Additionally, the bureau is continuing to refine how it will communicate the overall condition of its assets via a performance measure.

Percentage of Households within 1/2 mile of a Park or Natural Area and within 3 miles of a full service community center

The bureau has set a goal that all Portland households live within ½ mile of a park or natural area and within three miles of a community center. Proximity to parks and community centers is a key component of the Portland Plan's 20-Minute Neighborhood. Currently 80% of Portland households live within ½ mile of park or natural area, which is down from 81% in FY 2015-16, due to an increased number of new households being developed in areas that are not located within ½ mile of a park. As housing density increases in parts of the city that are currently underserved, such as East Portland, Parks will continue to struggle to meet this key target.

More generally, this proportion has remained nearly the same over the past four years as park development has tracked at the same pace as new residential development. While over 80% of households have access to parks in most neighborhoods, two areas have significantly less access: only 62% of residents have access to parks in both East Portland (east of I-205) and outer Northeast Portland (Caesar Chavez Ave to I-205). Approximately 82% of households should have access to parks by 2020 based on current plans, including 65% of east Portland households.

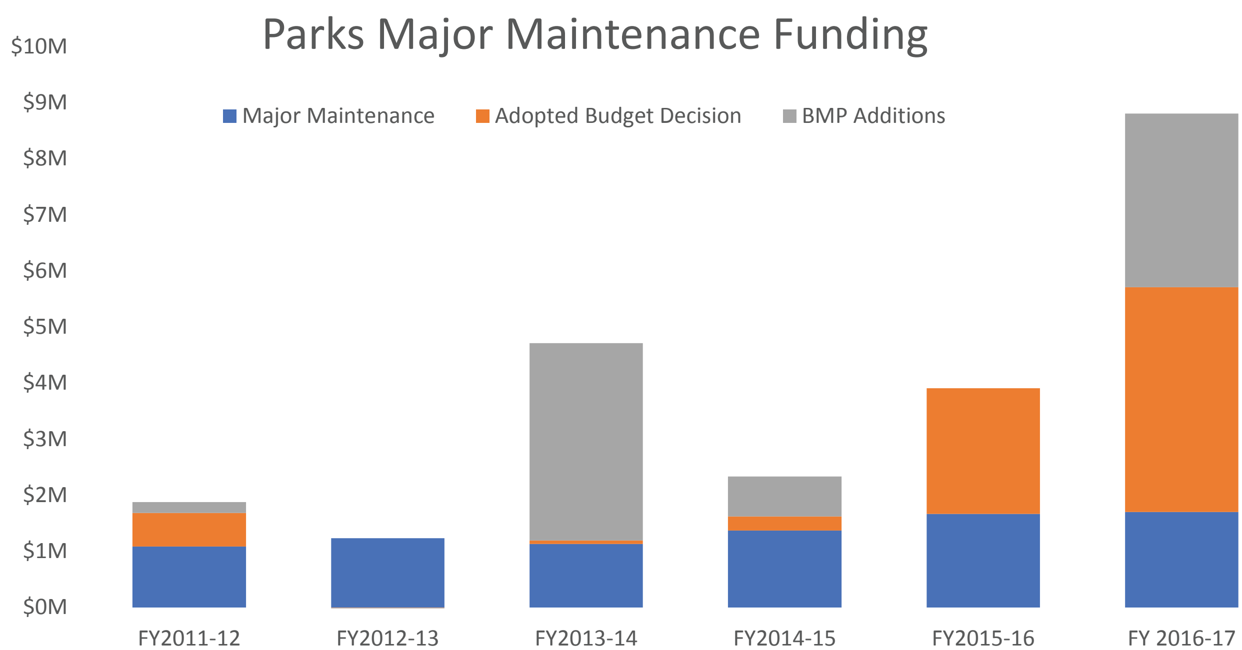
Due to the economic recovery over the past four years, the bureau has experienced a steady increase in System Development Charge (SDC) revenues, providing them with resources to build parks that expand access. However, the influx of SDC revenues creates a unique challenge for the bureau because additional General Fund resources are required to fund ongoing operations and maintenance of these parks. Due to the scarcity of new General Fund resources, funding may not be available for maintenance and operational costs of these new parks, which limits Parks' ability to expand access to a greater percentage of households.

Facilities Condition Index

To communicate the condition of bureau assets and facilities, the bureau previously reported upon its "facility condition index", which is the ratio of facilities' current deficiencies (current or deferred replacement and repair needs) relative to the facilities' current replacement value. The prior year index of 7.5 is considered "fair" by industry standards, and this measure has increased over time, indicating a greater percentage of deficiency, as a result of a greater number of assets having been assessed and included in the calculation. (The measure only includes buildings and pools; other assets – such as playgrounds, park amenities, and roads - will be added as assessments are completed.) The bureau is no longer reporting upon this measure, but is currently considering other measures that more accurately assess and communicate the current status of system assets.

As a proxy of the health of Parks assets, the bureau also reports upon an annual major maintenance gap, which quantifies the amount of annual resources needed to repair, rehabilitate or replace current assets. In FY 2016-17, the annual major maintenance gap (for non-capacity improving projects) was $25.8 million. This amount has remained relatively unchanged over the past five years; for example, the bureau estimated a gap of $24.3 million in FY 2010-11.

Both the Facilities Condition Index and annual major maintenance gap indicate that continued investment is needed to maintain park assets, even following the recent approval of the $68.0 million Parks Replacement Bond and the $1.7 million annual major maintenance appropriation. As illustrated in the chart below, the bureau has benefited from the availability of one-time resources over the past four years, during which the average General Fund appropriation was approximately $3.8 million per year – an amount substantially more than the ongoing appropriation of $1.7 million and closer to meeting their annual major maintenance gap.

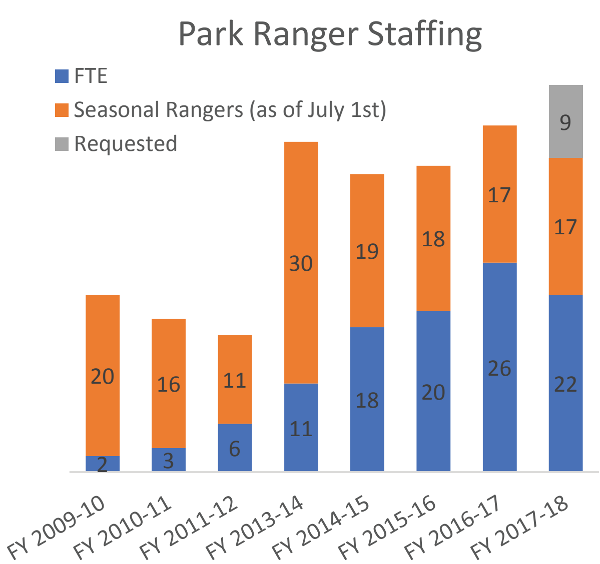


CBO also notes that all SDC-funded projects will eventually have major maintenance needs, potentially worsening the overall system asset condition index over the long-term if left unaddressed. As the Parks' system expands, the major maintenance liabilities will continue to increase. To address the bureau's long-term major maintenance needs for both current and new assets, CBO has recommended that the bureau consider a variety of solutions to address its major maintenance gap, including increased General Fund appropriation, periodic renewal and replacement bonds, and divestment of assets.

Perceived Safety in Parks

The Auditor's Community Survey previously asked residents about their perceived safety of parks during the day and at night. Over the past five years, perceptions of safety remained relatively unchanged; however, 2016 data highlighted two key issues. First, perception of safety decreased by 5% during the day and 2% at night as compared to the previous year. Second, perceptions of safety greatly differed in East Portland as compared to the rest of the city. Specifically, 21% of respondents from East Portland believe that their parks are unsafe (or very unsafe) during the day whereas 7% of respondents across the city believe that their parks are unsafe during the day. At night, 72% of respondents from East Portland believe that their parks are unsafe (or very unsafe) versus 42% of respondents across the city. This disparity in perceived safety in East Portland as compared to the rest of the city carries across to safety perceptions in neighborhoods as well, suggesting that park safety may be symptomatic of safety issues in East Portland rather than a distinct issue for parks in this part of the city.

While the Auditor's Community Survey has been discontinued, other evidence suggest that parks safety is an emerging issue. For instance, the bureau's recent survey asked residents about barriers to participation and "concerns for safety" was the second highest rated barrier, identified as the key barrier by 30% of respondents. Similarly, the number of calls for Parks Ranger services has increased from 2,201 in 2015 to 3,533 in 2017. The proportion of calls related to drugs/alcohol, property issues, and safety issues to total calls remained level or decreased in the past three years, but the number of calls for camping in parks issues has increased by 14% from 40% of all calls to 53% of calls in 2017.

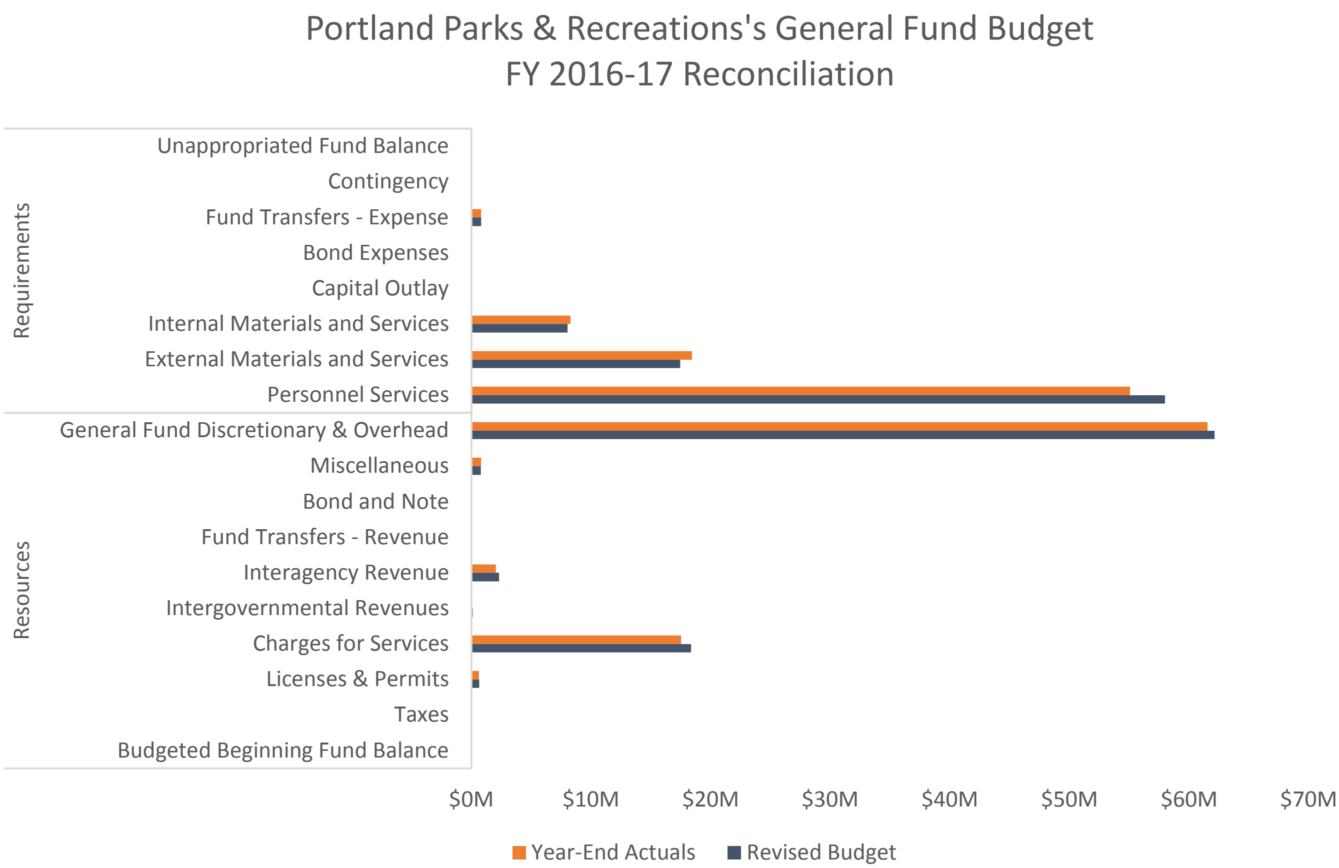


This data suggests that park safety is an issue that should be tracked and that bureau should work to (1) establish service levels that identify an allowable threshold of perceived safety, and (2) continue to work on how to address the disparities in perceived safety in parks in East Portland.

Addressing issues of parks safety can be mitigated through a variety of policy mechanisms (e.g., increased police presence, changes to park design), but CBO notes that the Park Ranger Program has increased considerably over the past ten years, a primary task of which is cultivating the sense of safety in parks. Moving forward, monitoring parks safety will be important, particularly as SDC-funded expansion adds parks to East Portland, and the bureau and City will need to evaluate which policy tools most effectively and efficiently mitigate safety concerns, and whether resources should be reallocated to achieve improved outcomes.

Bureau Finances: Budget-to-Actuals and Key Issues

General Fund



Overall, Parks remained within its General Fund discretionary budget of $84.3 million by $171,063. There were several notable factors that impact its General Fund spending as compared to prior years.

As part of its FY 2016-17 Adopted Budget, Parks received ongoing funding of $4,385,199 to convert seasonal positions into 101.25 permanent FTE as a result of the arbitration settlement with Local 483. This provided funding for the entire fiscal year, but many of the positions were not created until the October 1st deadline as provided in the agreement. As a result, underspending in personnel services was expected. However, these savings were offset by two key factors: first, Recreation Services revenues (e.g. fees for classes, drop-ins, room rentals, summer camps) were under budget by $800,000. Additionally, a significant transfer to the Golf Fund was required due to revenue shortfalls in the program (discussed below).

Golf Program

Due to a continued trend in decreased golf rounds purchased, the outpacing of personnel cost increases in relation to course revenues, and the delayed utilization of the Colwood Golf Course, the Golf Program drew down fund balance by $286,000 and received an additional $800,000 of General Fund resources to avoid a negative fund balance. In total, expenses exceeded revenues by a total of

$703,642 in FY 2016-17. Several steps were taken to address the expected revenue shortfall: (1) elimination of greenskeeper positions in order to lower personnel costs, (2) restructuring of a loan from the Golf Fund to the SDC Capital Fund, lowering debt expenses by $224,000 in FY 2016-17, and (3) implementation of other short-term revenue enhancements and cost savings measures, such as delaying the cost of seasonal employees, delaying fertilizing schedules, and implementing voluntary and non-represented/ management furloughs.

The larger problem of a decreasing number of persons playing golf, however, is much more challenging to address, and is a trend that is experienced by golf courses across the country. Following the recommended practices in the industry, Portland Parks' Golf Program has a five-year strategic plan that intends to increase golf participation beyond the traditional, white male customer base. While these marketing initiatives may prove useful in the long-term, the near-term challenges are significant.

CBO and the bureau will continue to track revenue collections at City-owned courses and Colwood, specifically, over the next year while reassessing the long-term fiscal sustainability of the Golf program. Moreover, CBO recommends that the bureau continue to develop strategies to ensure that the Golf Program becomes fiscally sustainable. These strategies should be developed in the context of addressing both overall program goals and bureau's broader recreation goals.

System Development Charge Revenues

Due to the economic recovery over the past four years, the bureau has experienced a steady increase in System Development Charge (SDC) revenues. In FY 2016-17, SDC revenues exceeded the budget of $22.5 million by $7.8 million (for a total of $30.4 million), primarily driven by the collection of residential SDCs. This marks the largest SDC revenue growth following the economic recovery. Last year service charge revenues in the SDC Capital Fund also exceeded budget of $19.1 million by $2.5 million (for a total of $21.6 million), primarily driven by the collection of residential SDCs. This marks a continued trend over the past three years, during which SDC revenues have exceed $20.0 million per year, resulting in a balance of $60.0 million. Additionally, within FY 2016-17, there were a number of other SDC-funded projects that will be carried into future years. The bureau has typically budgeted SDC revenues to all expected projects that have been publicly announced.

SDCs continue to provide both an opportunity and a liability. With access to recreation centers and parks being proportionally less in East Portland, SDC resources provide an opportunity to build assets that will serve a greater portion of Portlanders while also positively impacting the City's equity goals. However, the expansion of parks services will necessarily require the reprioritization of resources internally or a shift of General Fund resources away from other City priorities, such as public safety and housing, in order to fund the operations and maintenance of new park facilities. The City needs to take into account the negative impact of reducing these other services – along with the equity impact this may have on specific communities – when making decisions about expanding Parks' services.

Capital

Parks' capital program is currently defined by three significant resources: SDC resources with a total current balance of $76.4 million following annual revenues of $30.4 million; the second phase of the 2014 Parks Replacement Bond, and General Fund resources for major maintenance, totaling $8.8 million. Due to the Replacement Bond and the robust balance of SDC resources, Parks' capital program is distinctly larger than previous years.

Three of the General Fund-funded projects have been delayed due to insufficient project management capacity (the solar panels at Southwest Community Center - $182,000, Southwest Community Center Natatorium Roof - $1.3 million, and Washington Park Pipe Re-lining - $1.0 million), indicating staff capacity constraints may be an issue during this significant period of capital building. Lastly, funding of $2.0 million for the Mt. Scott Community Roof, which was previously funded in FY 2016-17 capital set-aside process, was transferred to fund a portion of the Delta Park Maintenance Facility project as part of the FY 2017-18 budget.

In FY 2016-17, Parks entered the second year of the Park Replacement Bond projects. As part of Phase One, there are 34 projects scheduled, of which 8 are complete, 7 are behind schedule, and 19 remain on schedule.

As evidenced by the delay in General Fund projects and a portion of bond projects, Parks' in-house capacity to manage capital projects is strained. Additionally, the current construction market is competitive, which has resulted in higher-than-planned costs for projects (funded in project contingencies) and unsuccessful competitive bid processes.