Parks & Recreation

City Budget Office

Analysis by Robert Cheney

	2020-21 Revised Budget	2020-21 Actuals	Remaining Budget	Percent Remaining
Expenses	**$328,461,664**	**$79,618,979**	**$248,842,685**	**76%**
Operating Expenses	**$139,295,533**	**$62,792,245**	**$76,503,288**	**55%**
Personnel	$72,459,802	$40,079,148	$32,380,654	45%
External Materials and Services	$52,731,422	$14,219,724	$38,511,699	73%
Internal Materials and Services	$14,006,839	$8,365,469	$5,641,370	40%
Capital Outlay	$97,470	$127,904	($30,434)	-31%
Capital Expenses	**$53,867,327**	**$16,011,212**	**$37,856,115**	**70%**
Personnel	$1,444,909	$1,048,507	$396,402	27%
External Materials and Services	$30,915,223	$3,403,206	$27,512,017	89%
Internal Materials and Services	$1,779,278	$1,212,307	$566,971	32%
Capital Outlay	$19,727,917	$10,347,191	$9,380,726	48%
Debt Service	$0	$0	$0	
Fund Level Expenses	**$135,298,804**	**$815,523**	**$134,483,281**	**99%**
Contingency	$118,198,394	$0	$118,198,394	100%
Debt Service	$13,886,951	$31,745	$13,855,206	100%
Ending Fund Balance	$164,893	$0	$164,893	100%
Fund Transfers - Expense	$3,048,566	$783,778	$2,264,788	74%
Revenue	**$328,461,664**	**$30,003,965**	**$298,457,699**	**91%**
External Revenue	**$52,152,481**	**$27,345,326**	**$24,807,155**	**48%**
Bond & Note Proceeds	$11,300,000	$0	$11,300,000	100%
Charges for Services	$25,413,567	$20,092,962	$5,320,605	21%
Intergovernmental	$445,408	$2,529,558	($2,084,150)	-468%
Licenses & Permits	$845,910	$1,467,793	($621,883)	-74%
Miscellaneous	$14,147,596	$3,254,593	$10,893,003	77%
Taxes	$0	$420	($420)	
Internal Revenue	**$198,030,753**	**$2,658,639**	**$195,372,114**	**99%**
Beginning Fund Balance	$192,075,502	$0	$192,075,502	100%
Fund Transfers - Revenue	$1,857,500	$0	$1,857,500	100%
Interagency Revenue	$4,097,751	$2,658,639	$1,439,112	35%
General Fund Allocation	**$78,278,430**	**$0**	**$78,278,430**	**100%**
General Fund Discretionary	$75,109,487	$0	$75,109,487	100%
Fund Transfers - Revenue	$3,168,943	$0	$3,168,943	100%

Figure 1. This table includes all Parks Funds, including the Parks Construction Fund, the new Parks 2020 Local Option Levy Fund as well as the bureau's trust funds and the Golf and PIR enterprise funds.

INTRODUCTION

Two-thirds through the fiscal year, Portland Parks & Recreation (PP&R) has expended 55% of its budgeted operating expenses and has collected 48% of its budgeted external revenues. Revenue projections are expected to remain depressed as special events, including large events at Tom McCall Waterfront Park that generate a large amount of revenue, are cancelling their permits and receiving refunds. Expenditure projections are below normal as PP&R divisions were limiting non-essential purchases and holding vacancies early in the year, pre-passage of the Parks Levy. Expense projections are expected to tighten in the next few months as the bureau prepares for summer programming and returns to normal spending levels post-passage of the Parks Levy. In all, CBO anticipates that the bureau will end the year within budget.

KEY DECISIONS FOR COUNCIL

General Fund Program Carryover

- Portland Parks & Recreation is requesting $304,948 in General Fund Program Carryover to fund an additional 1.5 years of the Sustainable Future analyst position, which was filled in January 2021.
- The origin of this resource can be traced back to the FY 2018-19 Adopted Budget, when the bureau received $300,000 in one-time General Fund resources to develop the 2035 Parks Long-Range Vision Plan and $150,000 for the cost of Service and Financial Sustainability planning work. PP&R carried these resources over into FY 2019-20, and then requested to carry them over again, as combined funding, into FY 2020-21 to instead fund two years of a position that would work on Sustainable Future planning and related work.
- Council authorized the carryover of $358,648 specifically to fund two years of a limited term Sustainable Futures position as part of FY 2020-21 budget development. At the time, PP&R noted that the ongoing funding source for the positions was intended to be a new external revenue source (at that point several options, including a Parks District and local operating levy, were under consideration). The position was converted to permanent through an amendment to the FY 2020-21 budget, and Parks noted that ongoing resources within its existing General Fund allocation would be identified to support the position if new external resources did not materialize.
- New external resources did materialize when voters approved the Parks Local Option Levy in November 2020. The filing documents for the levy referral identify "ongoing financial sustainability work" as an eligible use under the "Purposes of Revenue" section in Exhibit B, and the ongoing costs of the Sustainable Futures positions can be covered (as intended) by Local Option Levy resources.
- The current request is to carryover $304,948 of the carryover from FY 2020-21, which represents the total allocation for the two-year costs of the position, minus $53,700 in costs incurred in the current year.
- Council allocated General Fund resources to the Parks bureau that was intended to cover two full years of Sustainable Futures position costs as part of last year's Spring BMP. However, given that a new external revenue has been established that can support this position as intended, and in light of the City's projected $20 million General Fund deficit for FY 2021-22, CBO recommends PP&R build this cost into its existing resources for FY 2021-22 and beyond. CBO does not recommend this carryover.

Draw on Bureau Contingency

- PP&R is requesting that $555,301 in budget authority currently residing in bureau contingency be moved into personnel services where it can be used to fund higher than anticipated unemployment costs related to the COVID-19 pandemic.
- PP&R typically budgets approximately $200,000 annually to remit to the State of Oregon for costs associated with unemployment insurance. The total quarterly payment for unemployment insurance costs for the March through June of FY 2019-20 totaled $555,301 and 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. The provenance of this resource is tied to a Fall Supplemental Budget appropriation of $555,301 in one-time General Fund discretionary resource in bureau contingency to be transferred should the bureau not be able to absorb the cost within its FY 2020-21 existing resources.
- To date in FY 2020-21, the bureau has incurred $900,000 in unemployment costs and projects to incur $1.4 million by year end. The service level impacts of requiring the bureau to absorb this cost

are difficult to measure, as the bureau made efforts to absorb the cost in FY 2019-20 when the unemployment charges originated and significant steps, such as strict hiring freezes were imposed to ensure a balanced budget. The bureau contends that if they are to absorb these costs within existing General Fund resources, there would be future reduction to the overall capacity of the bureau's services typically funded with General Fund and now Operating Levy resources.

- Because the bureau has expended just 60% of its General Fund operating expenses two-thirds through the fiscal year, CBO recommends PP&R try to absorb this cost and re-request this draw on contingency in the Over-expenditure Ordinance once a clearer picture about the bureau's year-end spending situation emerges.

	2020-21 Revised Budget	2020-21 Actuals	Remaining Budget	Percent Remaining
100 - General Fund	$84,590,093	$50,687,833	$33,902,260	40%
Expenses	$84,590,093	$50,687,833	$33,902,260	40%
Operating Expenses	$84,034,792	$50,300,322	$33,734,470	40%
Personnel	$53,961,755	$35,746,250	$18,215,505	34%
External Materials and Services	$18,105,266	$6,739,975	$11,365,291	63%
Internal Materials and Services	$11,870,301	$7,713,032	$4,157,269	35%
Capital Outlay	$97,470	$101,065	($3,595)	-4%

Figure 2. This table shows the PP&R General Fund Operating Budget to actuals spending through February, or 66% through the fiscal year.

General Fund Cash Transfer

- PP&R is requesting $703,738 of fleet expenses in its current year FY 2020-21 General Fund Operating Budget be transferred to the Parks Construction Fund to fund current year fleet purchases.
- This request represents the first iteration of a new process that resulted from a collaboration between Portland Parks & Recreation, City Fleet, and the City Budget Office. Because all vehicle purchases are processed through City Fleet, PP&R was unable to encumber fleet vehicle purchases with purchase orders and were serially at risk of losing budget authority for Fleet Service Requests (FSR) submitted in a given fiscal year but were not processed until after year-end closing. With this new process, PP&R submits all planned FSRs to City Fleet, provides evidence of those FSRs submission to the City Budget Office, and CBO recommends these unencumbered, yet spoken-for, funds be transferred from their General Fund Operating Budget to their Capital Improvement Program Fund to later be expended on necessary fleet purchases. This new schematic allows for the fleet procurement process to take place without the bureau risking General Fund discretionary resources falling to balance at year-end. CBO recommends this request.

CURRENT YEAR BUDGET MONITORING

The PP&R FY 2020-21 budget has been deeply impacted by the COVID-19 pandemic, ensuing economic recession, and the state and local public health policy response.

COVID-19 Impacts on General Fund Operating Budget Persist

External Revenues Projections Show Risk of Depressed Revenues from Large Events

Data shows the bureau having collected 76% of budgeted external revenues, however that total also shows is actually $800,000 less than it is currently showing due to a clearing account for the ACTIVE Net recreation programming software that will be adjusted by year end. The actual total through February is $3,292,595 or 61.2% of budgeted revenue.

The Customer Service Center at PP&R, which processes permits for weddings, picnics, sports field and gym

	2020-21 Revised Budget	2020-21 Actuals	Remaining Budget	Percent Remaining
Revenue	$84,590,093	$6,748,648	$77,841,445	92%
External Revenue	$5,382,855	$4,092,595	$1,290,260	24%
Charges for Services	$4,279,119	$3,333,237	$945,882	22%
Intergovernmental	$114,000	$0	$114,000	100%
Licenses & Permits	$795,910	$668,105	$127,805	16%
Miscellaneous	$193,826	$90,832	$102,994	53%
Taxes	$0	$420	($420)	

Figure 3. Through February, PP&R has only collected 61.2% of its budgeted General Fund External Revenues due to a clearing house account showing revenues $800,000 higher than they actually are. The budget for these revenues was revised down in the Fall Supplemental Budget to better align with COVID-19 impacts.

use, as well as large event permits has been processing a number of refunds, including large events at Tom McCall Waterfront Park such has the Oregon Brewers Festival. Revenue projections for permits remain low as public health policy around large gatherings remain fluid. Even if public health policy allowed full capacity gatherings immediately, the likelihood that the bureau will be able to collect its full external revenue budget remains low, as even with changing guidelines, most large events are unable to resume quickly enough and special events permits are unlikely to be restored under any circumstances.

General Fund Operating Expenses Expected to Increase in Ramp-up for Summer Programming

To date the bureau has averaged just $843,775 per month in external materials and services costs in its General Fund Operating Budget for a total of $6.74 million YTD against a budget of $18.1 million. This is the outcome of PP&R direction to its divisions early in the year to closely monitor all expenses and make only essential purchases.

Still, PP&R projects that it will expend close to the entirety of its EMS budget in FY 2020-21, meaning that it projects to expend roughly $2.28 million per month from March to June as it ramps up for Summer programming. An analysis of Fourth Quarter spending in Fiscal Years 2016-17 through 2018-19 (and assuming 4% inflation) show that the bureau would expect to spend $7.58 million, or $1.9 million per month, absent any allowance the bureau might make for encumbered purchase orders or contracts.

	2020-21 Revised Budget	2020-21 Actuals	Remaining Budget	Percent Remaining
Expenses	$84,590,093	$50,687,833	$33,902,260	40%
Operating Expenses	$84,034,792	$50,300,322	$33,734,470	40%
Personnel	$53,961,755	$35,746,250	$18,215,505	34%
External Materials and Services	$18,105,266	$6,739,975	$11,365,291	63%
Internal Materials and Services	$11,870,301	$7,713,032	$4,157,269	35%
Capital Outlay	$97,470	$101,065	($3,595)	-4%

Figure 4. Due to the fixed nature of Personnel and Internal Materials & Services spending, EMS represents the most manageable portion of a bureau's budget. PP&R's YTD underspending indicates minimal risk of the bureau over-expending its operating budget in the current year.

Enterprise Funds Show Diverging Revenue Trends

Golf Fund Sustains Strong Revenues Throughout Pandemic

The Golf Fund has already collected 72% of its external revenue budget going into what is typically a strong

	2020-21 Revised Budget	2020-21 Actuals	Remaining Budget	Percent Remaining
Revenue	$11,220,135	$6,801,929	$4,418,206	39%
External Revenue	$9,439,520	$6,801,929	$2,637,591	28%
Charges for Services	$9,419,520	$6,776,750	$2,642,770	28%
Miscellaneous	$20,000	$25,179	($5,179)	-26%

Figure 5. Should revenues remain strong the Portland Golf Fund will add to its fund balance in the next fiscal year, indicating ample opportunities for capital major maintenance.

revenue season, as golf program participation tends to have an inverse relationship with precipitation. Golf charges for services remain high as courses have remained open throughout the COVID-19 pandemic. An analysis of the prior three years shows a fourth quarter average revenue of $4.1 million. Assuming that figure into current year projections (with zero percent inflation to remain conservative) would result in the bureau collecting roughly $10.8 million, or $1.5 million over budget.

Portland International Raceway Foregone Revenues Require Draw on Contingency

The PIR has been deeply impacted by COVID-19 public health policy that has prohibited large gatherings—precluding the raceway from hosting large events. As a result, the PIR fund will draw $492,902 from an available $1.06 million in fund contingency (a 46% reduction) to balance a $678,498 reduction in external charges for services. The remaining difference is balanced by a reduction in casual labor costs, which are tracking at roughly 45% of budgeted amounts. Casual labor and EMS will not increase until the external revenue is generated to cover associated costs. The reduction in fund contingency does raise flags, but the bureau does not foresee a situation where it could not internally manage risks to the bureau's budget and thus does not expect to ask for any General Fund resource in the coming years. The expected resumption of events, including the swap meet, indicate the fund will be able to remain solvent in outyears.

	2020-21 Spring Requested Adjustments
604 - Portland International Raceway Fund	
Expense	
Contingency	($491,902)
External Materials and Services	$8,404
Personnel	($230,000)
	($713,498)
Revenue	
Charges for Services	($678,498)
Miscellaneous	($35,000)
	($713,498)

Figure 6. The PIR fund was able to absorb a steep downtown in revenue by drawing on fund contingency and reducing casual labor costs.

Capital Throughput Affected by Regulatory and Permitting Hurdles

PP&R's Spring BMP submission adjust capital project budgets to align with expected year-end projections. Typically, bureaus budget capital projects ambitiously to ensure each project has the proper budget authority to expend money on each project as quickly as possible. However, due to regulatory and permitting hurdles, availability of construction labor, and other factors, bureaus are often not able to expend the entirety of their annual capital budgets. The result is that, in the Spring BMP, bureaus will revise down capital project expenditures to better align with projected spending.

	2020-21 Spring Requested Revisions
P10446 - Parklane Park Improvements	($4,000,000)
P30075 - Mt Tabor Yard Maintenance Facility	($4,000,000)
P20072 - Major Maintenance	($3,529,127)
P00805 - Mt Scott CC Improvements	($2,100,000)
P10472 - Mt Tabor South Access Trail (Bike Path)	($1,100,000)

Figure 7. PP&R's five biggest capital project downward reductions, driven by regulatory and permitting hurdles.

SPRING SUPPLEMENTAL BUDGET CHANGES

	2020-21 Spring Revised Base (A)	Spring Decision Package Total (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Expense	$328,461,664	($11,918,695)	$304,948	$316,847,917
Personnel	$73,904,711	($4,609,202)	($250,353)	$69,045,156
External Materials and Services	$83,646,645	($11,229,497)	$0	$72,417,148
Internal Materials and Services	$15,786,117	$653,504	$0	$16,439,621
Capital Outlay	$19,825,387	($6,309,975)	$0	$13,515,412
Debt Service	$13,886,951	($9,000,000)	$0	$4,886,951
Ending Fund Balance	$164,893	$0	$0	$164,893
Fund Transfers - Expense	$3,048,566	$7,920,368	$0	$10,968,934
Contingency	$118,198,394	$10,656,107	$555,301	$129,409,802
Revenue	$328,461,664	($11,918,695)	$304,948	$316,847,917
Beginning Fund Balance	$192,075,502	($2,463,701)	$0	$189,611,801
Bond & Note Proceeds	$11,300,000	($11,100,000)	$0	$200,000
Charges for Services	$25,413,567	($1,203,498)	$0	$24,210,069
Fund Transfers - Revenue	$5,026,443	$10,027,006	$0	$15,053,449
General Fund Discretionary	$75,109,487	($304,948)	$304,948	$75,109,487
Interagency Revenue	$4,097,751	$0	$0	$4,097,751
Intergovernmental	$445,408	$2,433,700	$0	$2,879,108
Licenses & Permits	$845,910	$0	$0	$845,910
Miscellaneous	$14,147,596	($9,307,254)	$0	$4,840,342

Figure 8. This table shows all changes across all PP&R combined fund budgets. CBO did not recommend the Program Carryover for Sustainable Futures and recommended the draw on contingency wait until the Over-expenditure Ordinance.