

## MEMORANDUM

**TO:** Budget Committee Members  
**FROM:** Doug Menke, General Manager  
**DATE:** April 2, 2007  
**RE:** Proposed Fiscal Year 2007-08 Budget

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Enclosed, please find the Proposed 2007-08 Fiscal Year Budget. This Budget represents a financial operating plan for the Park District to carry out its Mission during the 2007-08 Fiscal Year.

### **Operating Objectives**

The Park District Board of Directors' Mission Statement remains the same: "The mission of the Tualatin Hills Park and Recreation District is to provide natural areas, high quality park and recreational facilities, services and programs, that meet the needs of the diverse communities it serves." The strategic direction of the Park District is guided by the long-term goals established in the Park District's Comprehensive Plan which was adopted in November 2006 (the full strategic plan, which includes the goals, objectives and action steps can be found on page 48 of the plan document). These Goals are:

1. Provide quality neighborhood and community parks that are readily accessible to residents throughout the District's service area.
2. Provide quality sports and recreational facilities for Park District residents and workers of all ages, cultural backgrounds, abilities and income levels.
3. Operate and maintain parks in an efficient, safe and cost-effective manner, while maintaining high standards.
4. Acquire, conserve and enhance natural areas and open spaces with the District.
5. Develop and maintain a core system of regional trails, complemented by an interconnected system of community and neighborhood trails, to provide a variety of recreational opportunities, such as walking, bicycling and jogging.
6. Provide value and efficient service delivery for taxpayers, patrons and others who help fund Park District activities.
7. Effectively communicate information about Park District goals, policies, programs and facilities among District residents, customers, staff, District advisory committees, the District Board, partnering agencies and other groups.
8. Incorporate principles of environmental and financial sustainability into the design, operation, improvement, maintenance and funding of Park District programs and facilities.

To initiate the Budget process each year, the District Board of Directors establishes goals and objectives for the coming fiscal year. With the adoption of the new comprehensive plan, the Board of Directors recognized the value of the eight comprehensive plan goals, and adopted these as the goals for the 2007-08 year. Within these goals priority objective and action steps were identified and were also adopted for the 2007-08 year. A summary of all these goals and objective for 2007-08 is attached.

The development of the Proposed Budget is driven by the Board of Directors' Goals, and accordingly they are reflected in the funding of activities for the coming year. All Board Goals will be addressed during the budget year, and many of these goals will be reflected in departmental and individual work plans for staff funded within the proposed budget.

### **Budget Process**

The April 16, 2007 Budget Committee Work Session is the second of three meetings for the Budget Committee, the first being the February 26, 2007 Mid-Year Budget Meeting and the last being the May 14, 2007 Budget Committee Meeting.

The Mid-year Budget Meeting was conducted to review the first six months of the 2006-07 Fiscal Year Budget and the Resource and Expenditure projections for the proposed 2007-08 Fiscal Year Budget. In an effort to increase the level of public involvement in the budget process, an opportunity was provided at the Mid-year Budget Meeting for public comment on requested budget items.

The Budget Work Session is intended to provide the Budget Committee an opportunity for in-depth review and discussion of the Proposed 2007-08 Budget, and to provide an opportunity for public comment. While the budget presented for the Work Session is the final budget proposed by staff, the Budget Committee has the full ability to make modifications to the budget before recommending approval. The Budget Committee will also have the opportunity, at the Work Session, to request additional information from staff to be provided at the final Budget Committee Meeting in May.

At the final Budget Committee Meeting on May 14, 2007 the Budget Committee will be asked to approve the 2007-08 District Budget, subject to any adjustments made by the Committee. The final step in the budget process, as always, is the Budget Hearing and Adoption by the Park District Board of Directors, scheduled for June 18, 2007. Once again an opportunity for public comment will be provided at both the Budget Committee Meeting and the Budget Hearing.

### **Analysis of Changes in General Fund Revenue and Appropriations**

You will find that the proposed amount to fund the General Fund Budget is \$32,167,506. This is an increase of 6% over the 2006-07 Fiscal Year Budget.

Beginning Cash on Hand for the 2007-08 Fiscal Year is estimated at \$3,300,000, which represents a 45% increase from the prior year, due to a higher than anticipated beginning balance in the current year, and to a higher level of projected cost savings in the current year. The Balance Forward from Prior Year Projects is estimated at \$378,000 which represents a 65% decrease from the prior year. As such, the overall General Fund balance forward in the proposed budget is approximately 29% greater than the preceding year.

The Park District's Assessed Valuation is estimated to increase by 4.5% from \$15,736,704,516 to \$16,444,856,219.

The 2007-08 property tax rate per thousand of Assessed Value for General Fund Operations is \$1.31, and the estimated per thousand for General Obligation Bonded Debt is \$0.13, resulting in a combined property tax rate per thousand of \$1.44. The 2006-07 property tax rates for General Fund Operations and Bonded Debt were also \$1.31 and \$0.13 respectively.

Local government agencies continue to remain below the Measure 5 limit of \$10 per thousand. Please refer to the Table; Measure 5 Impact on Washington County Taxing Agencies (included in your budget document on page RE-3).

You will note that 63% of the proposed 2007-08 General Fund Budget supports Personnel, 21% supports Materials & Services, 8% supports Capital Outlay, 3% supports Debt Service and 5% supports the Contingency Account. This distribution reflects no significant change from the distribution in the prior year.

The Budget reflects a 5.7% overall increase in Personal Service costs. The District is currently in negotiations with Tualatin Hills Employees Association's on successor agreement to the current collective bargaining agreement, which expires June 30, 2007. As such the actual cost of wages and benefits is not yet known, but this increase is based on estimates including an estimated 2.6% Cost of Living adjustment and Merit Increases for full-time and regular-part-time employees. The budget also reflects estimated aggregate increases in the District's benefit package based on most recent cost trends. As such the budget reflects estimated cost increases of 10% for the health and dental plans. Contribution rates for the Park District's retirement plan have not changed significantly from 2006-07 to 2007-08.

The General Fund Capital Outlay Expenditures of \$2,610,501 comprise 8% of the proposed General Fund budget. Capital Outlay for Information Technology is included in the Information Services Department, and Capital Outlay for Maintenance Equipment is included in the Maintenance Operations Department. The balance of the Capital Outlay, \$2,015,001, is included in the Capital Outlay Division which is divided into the following six categories: (1) Carry-Over Projects, (2) Athletic Facility, (3) Building, (4) Park and Trail, (5) Facility Challenge Grants, and (6) Americans with Disabilities Act. In accordance with the budget priority to maintain existing facilities and avoid deferring replacements, a maintenance replacement schedule has been developed and the General Fund Capital Outlay has been prioritized toward these replacements. In those Capital Outlay categories that include maintenance replacements, the program funding has been further broken down between Replacements and Improvements. Please refer to the Capital Outlay section of your budget for details.

### **Comparison of Proposed General Fund Budget to Prior Projections**

To put the proposed General Fund budget in perspective, it may be helpful to compare it to prior projections of 2006-07 General Fund resources and expenditures.

The proposed resources for the General Fund are approximately \$400,000 higher than the projections provided at the Mid-year Budget Meeting. Factors causing this increase include:

- Increase of \$378,000 in Project Carryovers; this represents offsetting resources and expenditures.
- Increase in program revenue of approximately \$241,000 primarily due to targeted program expansions.
- Decrease in other revenues of approximately \$220,000 due to a decrease in estimated grant revenues.

Total expenditures are also approximately \$400,000 higher than projected at the Mid-year Budget Meeting due to the following factors:

- Part-time salaries and payroll taxes have increased approximately \$510,000 due to targeted Park District program enhancements, including Maintenance, Aquatic and Recreation programs. About half of this increase is due to new or upgraded full-time positions, and the other half is attributable to increases in part-time labor.
- Materials and Services Costs have increased approximately \$337,000 largely in the Maintenance area due to increases in utilities and vehicle fuel, but also due to the operation of the Portland Community College (PCC) Rock Creek Recreation Facility.
- Capital Outlay has decreased approximately \$450,000 due to decreased grant funding for projects along with lower available resources due to the increases in operating expenditures noted above.

### **Use of Systems Development Charge Funds**

In the Systems Development Charge (SDC) Budget tab, you will note that the Park District estimates a carryover balance of SDC funds of approximately \$4.4 million. Due to lower than anticipated SDC collections in 2006-07 this amount is actually less than project commitment carryovers of approximately \$5 million; accordingly the remaining \$600,000 of project commitment carryovers will need to be funded with SDC revenues from 2007-08.

In addition the Park District expects to generate approximately \$3.1 million of new revenues in the 2007-08 fiscal year. As shown in the SDC Budget tab, this revenue is being used as follows:

- To cover the \$600,000 of project commitments remaining from the 2006-07 fiscal year
- To provide approximately \$745,000 of additional funding needed for the already committed projects, specifically the Fanno Creek Trail.
- To provide \$500,000 of new funds for Land Acquisition, and \$80,000 of new construction funds for local match of grant funds.
- This leaves approximately \$1.2 million available for new appropriation, although a significant portion of this should be set aside as a hedge against shortfalls in SDC collections in 2007-08.

The Board of Directors programs the use of SDC funds using a five-year SDC Capital Improvement Plan (CIP). The most recent update of this five-year plan was approved in November 2005, and programmed SDC funds through 2009-10. Although the CIP has not been updated since that date, the five-year projection of SDC cash-flow is updated periodically, and the most recent version was provided to the Budget Committee at the February Mid-year Meeting. This five-year projection showed \$4.7 of uncommitted SDC funds through FY 2009-10, but all in the last two fiscal years, 2008-09 and 2009-10.

Given the limited amount of funds available for new project commitments in 2007-08, and the need to maintain a reserve against revenue shortfalls, staff has not proposed any new SDC project commitments in the 2007-08 proposed budget. Staff has identified a number of smaller projects, mostly design projects, which should be considered for funding if funds are deemed available in 2007-08. These projects are summarized in the project list included in the SDC Budget tab in priority order, as assessed by Staff. Based on the Budget Committee's direction, some of these projects could be funded through 2007-08 appropriations.

#### **Other Funds**

##### Debt Service

The Debt Service Fund reflects the revenue and expenditure activity associated with annual debt service on the \$25.9 million of General Obligation Bonds approved by Park District voters in 1994. This debt service is supported by a separate tax levy.

##### Special Revenue

The Maintenance Mitigation Reserve Fund houses funds received from private parties in exchange for mitigation rights on District property. The funds received from these parties are to cover the cost of maintaining the mitigated sites in future years.

##### Capital Projects

The Metro Natural Areas Bond Fund accounts for the District's local share funds from the Metro Bond Measure. The District local share will be approximately \$4.1 million and will fund land acquisition and construction projects that were approved by the District and submitted to Metro in March 2006.

#### **Looking Forward Beyond 2007-08**

While the Proposed Budget focuses specifically on the 2007-08 fiscal year, the budget has been prepared with a long-term strategic view. With the adoption of the Park District's Comprehensive Plan in November 2006, a number of initiatives have been undertaken to move the District forward in achieving the long-term goals laid out in the Comprehensive Plan.

To provide financial sustainability we are reviewing users fees, which provide operating funds, and SDC fees, which provide capital funding. We are in the final stages of a comprehensive review of program user fees. This review includes a market survey of comparable fees charged by other agencies in the region, but also a cost of service analysis to ensure that fees provide an adequate level of cost recovery for the costs of the programs. The study is complete and we are in the process of conducting public outreach prior to making a final recommendation to the Board later this year. The Proposed Budget does not reflect any fee adjustment in the program revenue estimates.

We have also begun an update of the District's SDC Methodology, which in turn drives the SDC rates used by the District. The District SDC's were adopted in 1998, and, other than annual inflationary adjustments, have not been reviewed since then. The SDC Methodology update will be based on the capital needs as identified in the Comprehensive Plan, but will also reflect the recommendations of a Citizen Advisory Committee. This update is expected to be completed by Fall 2007, and again, the Proposed Budget does not reflect any SDC rate adjustments in the SDC revenue estimates.

To respond to the operational needs identified in the Comprehensive Plan, we are making significant changes in staffing and organization of the District. The District Board of Directors approved a number of mid-year staffing and organizational changes during 2006-07:

- Three senior management positions, the Assistant General Manager of Programs and Operations, the Director of Community Affairs, and the Director of Business Services, were eliminated.
- A new Director of Communications and Development position was created to oversee a new Communication and Development Division, which includes the Foundation, and Security Operations.
- A new Superintendent of Natural Resources and Trails position was created to oversee a new Natural Resources and Trails Department, which also includes the Nature Park programs.
- A new Human Resources Coordinator position was created to provide much needed capacity to address District recruitment, retention and training needs.

With the Proposed 2007-08 Budget, you will see a number of additional staffing and reorganization proposals:

- A new Superintendent of Sports position has been proposed. With the elimination of the Assistant General Manager position, more responsibility has been pushed to the Director of Park and Recreation Services, and to the Program Superintendents. We have also seen tremendous growth in the size and complexity of the sports programming area, with a wider variety of sport leagues, and increased dependence on our partnership with the Beaverton School District. The new Superintendent would oversee the new Sports Department, which would include the Athletic Center and management of all Affiliated League programs.
- With the creation of the new Sports Department, along with the creation of the Natural Resources Department in 2006-07, we have proposed a reorganization of the remaining program departments. The existing Sports and Recreation Department would become the Recreation Department and would oversee, the three major recreation centers, Garden Home, Cedar Hills, and Conestoga. Programs and Special Activities would oversee the specialty facilities, Jenkins Estate, Stuhr Center, and the Tennis Center, along with managing the volunteer program. The Aquatics Department would continue to manage all of the District swim centers except for Conestoga, but would also oversee all functional aspects of aquatic programming, including those at Conestoga. This organizational structure positions us for future growth in facilities and programming given the stated direction of the Comprehensive Plan toward multi-purpose facilities.
- A new Operations Analyst position has been proposed. We have seen numerous benefits from the addition of the existing Operations Analyst, but have identified the need for additional resources in this area. The new position would report to the current analyst, and would be targeted to the areas of maintenance workload management, athletic facility demand management, and enhanced operational benchmarking.

The 2007-08 Proposed Budget represents our best efforts to strive to maintain our level of service (programs and maintenance). We believe that the budget represents a sound operating plan for the 2007-08 year, as well as providing a solid foundation toward meeting the long-term District goals. This proposed budget provides for continuation, and some targeted enhancements, of existing service levels that our residents have come to expect. It provides for investment in long-term strategic goals of the Park District. And finally, it demonstrates fiscal prudence ensuring that we are protecting the long-term interest of the Park District.

### **Acknowledgments**

I would also be remiss if credit was not given to the many volunteers who give their time and expertise as well as the community at large who support the Park District through their tax dollars. Without their commitment the Park District could not exist as we know it today.

The Park District's Advisory Committees (Aquatics, Athletic Center, Cedar Hills Recreation Center, Conestoga Recreation & Aquatic Center, Garden Home Recreation Center, Jenkins Estate and Fanno Farm House, Stuhr Center, Trails and Tualatin Hills Nature Park), as well as special interest groups and individuals,

are also to be commended for their time, expert advice and recommendations.

The Board of Directors and staff strive, on a daily basis, to keep the Tualatin Hills Park and Recreation District a major partner in enhancing the livability of our area. Staff looks forward to meeting with you on Monday, April 16, 2007, 6:00pm at your Budget Committee Work Session, and sharing with you the proposed 2007-08 fiscal year budget which has a direct impact on why and how the Tualatin Hills Park & Recreation District enhances the quality of life for the residents we serve.

Sincerely,

Doug Menke  
General Manager