

## MEMORANDUM

**TO:** Budget Committee Members  
**FROM:** Doug Menke, General Manager  
**DATE:** April 8, 2008  
**RE:** **Proposed Fiscal Year 2008-09 Budget**

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Enclosed, please find the Proposed 2008-09 Fiscal Year Budget. This Budget represents a financial operating plan for the Park District to carry out its Mission during the 2008-09 Fiscal Year.

### **Mission and Goals**

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. As in the previous year the Board of Directors adopted the Comprehensive Plan Goals as listed above as the goals for the 2008-09 year. Within these goals priority objective and action steps were identified and were also adopted for the 2008-09 year. A summary of all these goals and objective for 2008-09 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 21, 2008 Budget Committee Work Session is the second of three meetings for the Budget Committee, the first being the February 25, 2008 Mid-Year Budget Meeting and the last being the May 19, 2008 Budget Committee Meeting.

The Mid-year Budget Meeting was conducted to review activity for the first six months of the 2007-08 Fiscal Year Budget, and to review the Resource and Expenditure projections for the proposed 2008-09 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 2008-09 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 19, 2008 the Budget Committee will be asked to approve the 2008-09 Park 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 23, 2008. 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 \$35,107,816. This is an increase of 9% over the 2007-08 Fiscal Year Budget.

Beginning Cash on Hand for the 2008-09 Fiscal Year is estimated at \$3,250,000, which represents essentially no change from the prior year. The Balance Forward from Prior Year Projects is estimated at \$493,500, which represents a 27% increase from the prior year. As such, the overall General Fund balance forward in the proposed budget is approximately 1.5% greater than the preceding year.

The Park District's Assessed Valuation is estimated to increase by 4.0% from \$16,566,836,666 to \$17,229,510,133.

The 2008-09 property tax rate per thousand of Assessed Value for General Fund Operations is \$1.31, and the estimated tax rate per thousand for General Obligation Bonded Debt is \$0.12, resulting in a combined property tax rate per thousand of \$1.43. The 2007-08 property tax rates for General Fund Operations and Bonded Debt were \$1.31 and \$0.13 respectively.

Local government agencies within the City of Beaverton exceeded the Measure 5 limit of \$10 per thousand in 2007-08, and as a result the taxes received were reduced due to Measure 5 compression. The Park District's property tax revenue losses due to Measure 5 compression were insignificant in 2007-08 and are expected to be insignificant in 2008-09 as well. 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 2008-09 General Fund Budget supports Personnel, 21% supports Materials & Services, 9% supports Capital Outlay, 3% supports Debt Service and 4% supports the Contingency Account. This distribution reflects no significant change from the distribution in the prior year.

The Budget reflects a 9.5% overall increase in Personal Service costs. Included in this increase is a 3.7% cost of living adjustment and merit increases for full-time and regular part time employees based on the Park Districts current collective bargaining agreement, which expires June 30, 2010. The budget also reflects an aggregate increase in health and dental insurance cost of 8.4%. The actual renewal rates for the District health and dental providers are 5.5% and 9% respectively, and any additional increase is attributable to changes in the level of coverage for staff (i.e. changing from employee only coverage to full family coverage). Contribution rates for the Park District's retirement plan have not changed significantly from 2007-08 to 2008-09.

The General Fund Capital Outlay Expenditures of \$3,081,603 comprise 9% 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, \$2,585,653, 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 2008-09 General Fund resources and expenditures.

The proposed resources for the General Fund are approximately \$1.5 million higher than the projections provided at the Mid-year Budget Meeting. Factors causing this increase include:

- Increase of \$493,000 in Project Carryovers; this represents offsetting resources and expenditures.
- Increase in program revenue of approximately \$682,000, primarily due to targeted program expansions and higher than anticipated revenue increases resulting from the fee adjustments.
- Increase in other revenues of approximately \$193,000 due to increases in estimated grant revenues, sponsorships, and miscellaneous revenues.
- Increase in estimated beginning Cash on Hand of \$100,000.
- Increase in Current Year Property Tax revenue of \$103,000.

Total expenditures are also approximately \$1.5 million higher than projected at the Mid-year Budget Meeting due to the following factors:

- Personal Services costs have increased approximately \$560,000 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 \$370,000 spread throughout many departments, including Natural Resources, Communications and Development, and Maintenance Operations. Much of this increase is due to reimbursable costs such as operating grants, or the Cooper Mountain Regional Park operations. This increase also includes the recognition of cost for the Family Assistance Program, which is a change from prior year practices.
- Capital Outlay has increased approximately \$715,000 due to inclusion of carry-over projects, and increased available resources for maintenance replacement funding.

### **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 \$2 million. Due to lower than anticipated SDC collections in 2007-08 this amount is actually less than project commitment carryovers of approximately \$2.4 million; accordingly the remaining \$400,000 of project commitment carryovers will need to be funded with SDC revenues from 2008-09.

In addition the Park District expects to generate approximately \$3.4 million of new revenues in the 2008-09 fiscal year. As shown in the SDC Budget tab, this revenue is being used as follows:

- To cover the \$400,000 of project commitments remaining from the 2007-08 fiscal year
- To provide \$500,000 of new funds for Land Acquisition, and \$545,000 of new construction funds, primarily for local match of grant funds.
- This leaves approximately \$1.9 million available for appropriation to new projects in FY 2008-09. Given the recent volatility of new construction activity, a significant portion of this should be held in reserve until we have more certainty as to next year's revenue estimates.

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 2007, created a prioritized project list for the SDC fund through 2011-12. 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 \$9.3 million of uncommitted SDC funds through FY 2011-12, including \$1.5 million in FY 2008-09.

Given the volatility in SDC revenues, due to current economic conditions in residential construction, staff is not initially proposing to commit available 2008-09 cash flow in the SDC fund to new projects. As the SDC fund revenue picture becomes clearer during the year, additional project commitments may be appropriate and staff would recommend Board approval of this commitments based on the SDC CIP Project List.

#### **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 is approximately \$4.1 million, \$3.7 million remaining as of July 1, 2008, and will fund land acquisition and construction projects that were approved by the District and submitted to Metro in March 2006.

#### **Looking Forward Beyond 2008-09**

While the Proposed Budget focuses specifically on the 2008-09 fiscal year, the budget continues to be prepared within 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 have reviewed and adjusted program users fees, which provide operating funds, and SDC fees, which provide capital funding. The program user fee adjustments are being phased in over four years, and the Proposed 2008-09 Budget reflects the first full year of fee increases. Accordingly, you will see that program revenue is noticeably higher allowing for increased funding of maintenance replacements. As the user fee increases are fully phased-in we expect to see marked improvement in the size of the replacement backlog.

Another component of the program user fee review is that fees will be reviewed and updated annually to reflect inflationary increases. This will ensure that cost recovery through program user fees is able to keep pace with inflation in futures years.

Based on the SDC Methodology Update completed in Fall 2007, the SDC rates were increased effective January 1, 2008. These new rates are reflected in the FY 2008-09 Proposed Budget. While the increases do not result in significantly higher SDC revenue, due to lower expected residential construction activity, they do soften the blow of the economic conditions and maintain relatively stable SDC revenue projections for the next few years.

During FY 2007-08 staff has been engaged in a significant public outreach program to assess the need and support for a potential Bond Levy request in November 2008. The purpose of the Bond Levy would be to provide significant funding for a number of major capital improvements throughout the District. While the actual bond package is still being finalized, the public response so far has been supportive of taking this request to the voters. As such the Board of Directors, at their April 7, 2008 meeting, directed the General Manager to undertake the reasonable and necessary steps to submit a capital bond measure to the voters.

To respond to the operational needs identified in the Comprehensive Plan, we are continuing to review and modify the staffing and organization of the District. For example the District Board of Directors approved the creation of a Director of Planning position mid-year during FY 2007-08. The cost of this addition was offset through other vacancies and deferral in the hiring of new positions.

With the FY 2008-09 Proposed Budget, you will see a number of additional staffing and reorganization proposals including:

- A new Communications Specialist position has been proposed within the Communications and Development Department to provide direct support for the content on the District's web site. This is in response to recommendations made by the District's public awareness consultant.
- The Proposed Budget reflects reorganization approved mid-year during FY 2007-08, which moved the Maintenance Operations Department into the Business Services Division, which has now been renamed the Business and Facilities Division.
- To continue to enhance our support of natural resources and natural resource education the Proposed Budget includes an upgrade of two regular part-time Park Ranger positions to full-time positions.
- We are also continuing to see the need for, and success of, our after-school programs, which have been developed in conjunction with the Beaverton School District. Accordingly the Proposed Budget includes funding to expand these programs, including a new full-time Program Coordinator position to manage them.

The 2008-09 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 2008-09 year, as well as providing a solid foundation toward meeting the District's Comprehensive Plan goals. This proposed budget provides for continuation, and 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 21, 2008, 6:00pm at your Budget Committee Work Session, and sharing with you the proposed 2008-09 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