

Property Tax Measure Review



**Tax Supervising
and Conservation
Commission**

District	City of Portland
Ballot Measure	26-213 Restore recreation programs, parks, nature, water through five-year levy
Financial Details	A five-year operating levy of \$0.80 per \$1,000 of Assessed Value beginning in FY22.
Election	November 3, 2020
Hearing Date and Time	October 1, 2020 @ 2:00
Commissioner Discussion	September 15 @ 2:00
Date Review Prepared	September 21, 2020

Background

Portland's system of parks and natural areas is managed by the Parks and Recreation Bureau. The bureau manages 11.7 million acres of parks, natural areas, and forests, about 14% of the geographic area of the city. The bureau cares for 238,000 street trees and operates swimming pools, community centers, music/dance centers, golf courses, a motor raceway and owns steam locomotives. It employs 565 Full Time Equivalent positions and 3,000 seasonal staff.

Budget History

The FY21 budget for the bureau is \$334 million (6% of the total City budget): \$197 million in expenditures and \$137 million in fund transfers, debt service, and contingency. The Bureau receives general fund discretionary revenues and manages seven other funds of dedicated revenues. The following chart shows the Parks and Recreation budget history back to FY15.

	Actuals					Budgets	
	2015	2016	2017	2018	2019	2020	2021
General Operations Funds							
General Fund	69.1	77.3	83.0	87.2	91.2	98.4	93.7
Parks Local Option Levy Fund	0.5	-	-	0.1	0.5	-	-
Subtotal Operations Funds	69.6	77.3	83.0	87.3	91.7	98.4	93.7
Special Purpose Funds							
Parks Capital Imp Project Fund	17.4	15.2	35.0	34.2	27.4	193.9	205.1
Golf Fund	9.9	9.1	8.4	9.2	9.3	10.3	10.8
Portland International Raceway Fur	1.9	1.8	1.6	1.7	3.5	3.1	3.0
Subtotal Special Purpose Funds	29.2	26.1	45.0	45.1	40.2	207.3	218.9
Dedicated Revenue Funds							
Portland Parks Memorial Fund	2.6	3.2	4.5	5.1	3.9	14.7	18.4
Parks Endowment Fund	-	-	-	-	-	0.2	0.2
Grants Fund	0.5	0.9	1.3	1.7	2.3	8.3	2.7
Subtotal Dedicated Rev Funds	3.1	4.1	5.8	6.8	6.2	23.2	21.3
Total Parks Expenditures	101.9	107.5	133.8	139.2	138.1	328.9	333.9



A Structural Funding Issue

The Parks and Recreation Bureau developed this levy to address a chronic revenue shortfall for the operations and maintenance of parks facilities and recreation programs. The Bureau identified three areas in which revenues do not cover expenditures.

- 1) Operations and Maintenance. Funding to operate and maintain the existing parks and planned new parks, natural areas, and facilities has been and is inadequate. Under normal (i.e. non-COVID) operations, for every dollar in revenue, an additional \$0.27 needs to be generated from program fees, permits and more to support operations and maintenance.
- 2) Recreation Operations. In the recreation area (the function that operates community centers, teaches classes, etc.) the Bureau generates roughly half of every dollar needed from patrons. Bureau costs for wages, healthcare, PERS, utilities, and more, continue to grow and this dependence on revenue generation means continually increasing recreation fees. Programs become unaffordable. According to a recent survey conducted by the Bureau cost is a barrier to access, especially Portlanders of Color, and East Portland Residents.
- 3) Capital maintenance. Parks has grown a deferred maintenance backlog of over \$450 million. It will need to address the deferred maintenance and increase its ongoing capital maintenance investment levels to prevent a backlog from growing again. The referred levy does not address this funding gap.

These inadequacies came to the forefront in early 2019, when City's Parks and Recreation Bureau issued its proposed FY20 budget. That budget projected a \$6.3 million shortfall in the operating budget. In addition, the budget document noted unfunded major maintenance needs of \$450 million over the following ten-year period.

The operating shortfall was eliminated that spring with 19 budget reduction packages ranging from \$14,000 to \$2 million. The primary cuts were the operation of community centers. Sixty-one positions (10% of total FTE) were eliminated. Additionally, the FY20 budget included \$4 million in one-time general fund support to "ensure a smooth transition to new operating models" and repair some capital assets.

When adopted, the FY20 budget included two relevant budget notes. One directed the bureau to complete three planning processes:

- a financial sustainability plan,
- a cost-recovery plan, and
- a level of service plan for parks and community centers.

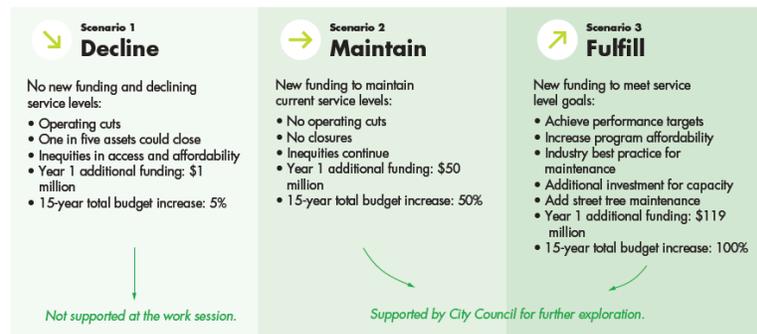
The other budget note stated, in part, "As part of these primary planning efforts, Portland Parks & Recreation should explicitly identify strategies for addressing the bureau's major maintenance gap..."



and that a funding plan be “...in place for the maintenance and lifecycle replacement costs of new capital assets and equipment.”

Citizen Task Force Formed/Council Action

Following adoption of the FY20 budget, Portland Parks and Recreation convened an Alternative Funding Task Force of community members to explore and evaluate options for additional revenues. The following chart summarizes the three-service level/funding scenarios the task force worked from.



The task force developed the following funding options and presented them to the city council in November, 2019.

- General obligation bond
- Special district
- Local option levy
- Prepared food and beverage tax
- Transient lodging tax (*not recommended*)
- Cell phone tax (*not recommended*)

At a follow-up council meeting on July 22, 2020, the Council adopted a resolution referring a five-year local option tax levy to the voters for the November 3, 2020 General Election. The purpose of the levy is to “restore recreation programs and protect parks and natural areas” and core of the issue was captured in these paragraphs extracted from the resolution.

WHEREAS, PP&R is not appropriately funded to deliver the service levels that the community and City Council have called for, and the bureau’s reliance on fees for program and service delivery is inequitable and causes a structural funding issue that has caused service level cuts for several consecutive years, and would continue to lead to cuts in future budget years; and...

WHEREAS, cost is also an inequity and barrier to program access for 20% of Portlanders, but it is a larger barrier for Portlanders of color (25%), and East Portland residents (28%), and so long as PP&R relies on user fees to deliver programs, cost will continue to be a barrier; and

WHEREAS, with facilities and programs closed since early March due to COVID-19, PP&R has missed months of needed revenues that fund staff and operations in the Recreation Division, meaning that the bureau would be unable to offer recreation programming in the summer of 2021; and

WHEREAS, the levy would allow PP&R to restart recreation programming, end reliance on user fees to deliver programming, and center equity and affordability as outcomes...



Purpose

The resolution authorizing this ballot measure and the ballot measure itself have detailed information on how the funds generated by this tax levy will be used. The language from the resolution, which begins with the statement, *“The money in the Parks Local Option Levy Fund shall be expended only for...”* is included as Attachment B to this document. The language from the ballot measure, which is worth highlighting, is presented here.

Summary: Levy will prevent ongoing reductions to park services and recreation programs, preserve and restore park and natural area health, and center equity and affordable access for all.
 Levy funds will:

- Enhance and preserve parks, rivers, wetlands, trees, and other important natural features in urban areas for the benefit of all Portlanders and wildlife;
- Provide park and recreation services to diverse populations including communities of color, seniors, teens, households experiencing poverty, immigrants and refugees, and people living with disabilities;
- Increase opportunities for communities of color and children experiencing poverty to connect with nature;
- Prevent cuts to recreation programs, closures of community centers and pools; and
- Enhance park maintenance to keep parks clean and safe, including litter and hazardous waste removal, restroom cleaning, and playground safety.

Property Tax Impact

If voters approve this measure, they will authorize the City of Portland to levy a local option property tax of \$0.80 per \$1,000 of Assessed Value on all real property in the district beginning in FY22.

This rate will be added to the existing combined tax rates in within the city. Last year, the combined tax rate on properties in the city varied from \$21.2142 to \$25.7328 depending on geographic location. This new levy will add 3% to 4% to the existing combined rates.

Nominally, the levy will cost property owners \$80 per \$100,000 Assessed Value annually. However, this levy will be subject to compression, the calculation whereby property taxes levied are reduced in order to stay within constitutional property tax limitations. Compression affects all local option levies and the following chart shows impact on those levies last year. The combined loss of taxes due to compression for these three levies was \$51 million, 16% of the total taxes levied for them.

Impact of Compression on General Government Local Option Levies in Portland 2019-20							
Taxing District	Levy Purpose	Taxes				Levy Rate	
		Extended	Comp Loss	Imposed	Reduction	Levied	Effective
Multnomah County	Or Historical Society	\$ 4,295,308	\$ 754,798	\$ 3,540,510	18%	\$0.0500	\$0.0412
City of Portland	Children's Programs	28,635,676	5,826,547	\$ 22,809,129	20%	\$0.4026	\$0.3207
Metro Local Option	Parks & Natural Areas	18,035,636	1,694,830	\$ 16,340,806	9%	\$0.0960	\$0.0870
Total		\$ 50,966,620	\$ 50,966,620	\$ 50,966,620	16%		

This levy will increase property taxes, but not by the full rate of \$0.80. The City estimates that the effective tax rate will be about \$0.66 and that that the levy will raise an average of \$48 million annually



and \$239 million over its five-year term. The following chart summarizes the City’s estimate of the impact of this local option levy.

Fiscal Year	Amount Raised \$ Millions	Taxes per \$1,000 AV	Taxes On Median		Compression Loss to Other Local Option Levies (\$ Thousand)		
			Residential Property	Median Assessed Value	Portland Children's Fund	Oregon Historical Society	Metro Parks and Nature
2021-22	\$44.7	\$66	\$129	\$194,552	-\$476	-\$59	-\$113
2022-23	\$46.2	\$66	\$133	\$200,777	-\$488	-\$61	-\$116
2023-24	\$47.7	\$66	\$137	\$207,202	-\$500	-\$62	-\$119
2024-25	\$49.3	\$66	\$142	\$213,418	-\$507	-\$63	-\$121
2025-26	\$51.1	\$67	\$147	\$219,821	-\$505	-\$63	-\$120

TSCC Summarization

If voters approve this local option levy, the revenue generated by these preexisting levies be reduced. The City acknowledged this in the ballot measure adoption resolution:

WHEREAS, Portland Parks & Recreation is committed to working with local government partners with existing property tax levies, including the Portland Children’s Levy, Metro, and the Oregon Historical Society, to reduce financial impacts to their levies caused by compression under Oregon property tax law; and

BE IT FURTHER RESOLVED that, upon passage of this levy by Portland voters, Council will make an appropriation in the annual budget from the Parks Local Option Levy Fund to the Children’s Investment Fund for changes in revenue caused by compression from the Parks Local Option Levy under Oregon property tax law.

Use of the Funds

The Council Resolution authorizing this ballot measure stated that the services and programs to be funded by this measure are planned to include, but are not limited to:

- Protect water quality and wildlife habitat, control erosion, remove invasive species in 8,000 acres of natural area.
- Deliver recreational programs, including, but not limited to, environmental education and access to nature for youth, summer camps, family-friendly movies and concerts, fitness and arts classes, teen- and senior-focused programs, life-saving swim lessons, and a summer playground program serving free lunches to children experiencing hunger.
- Remove financial barriers for low-income households by ending current dependence on recreation fee revenues, allowing an equity-focused delivery of community events and programs and reducing the likelihood of further cuts to recreation offerings.
- Clean litter and hazardous waste in parks and natural areas, maintain grounds and landscaping, provide safety checks on play equipment, improve preventative and traditional maintenance.
- Keep public restrooms open and cleaner.
- Plant new trees in communities where today canopy coverage is lower, to improve air and water quality, diminish the impacts of climate change, and provide wildlife habitat.
- Protect Portland’s 1.2 million park trees by performing proactive maintenance, safety checks, hazard removal, and replacement of damaged trees in parks and natural areas.

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Ballot Measure 26-213

City of Portland Parks Local Option Levy

September 21, 2020



- Modernize data systems to improve internal efficiency.
- Prioritize services for communities of color and households experiencing poverty, including equity-centered engagement and outreach, community partnership grants, and increased engagement with volunteer and partner groups.

The Parks Bureau provided Council with this additional information regarding the financial and budgetary impacts of the measure.

- The action does not amend the budget but should reduce reliance on future new General Fund asks by Portland Parks & Recreation during the 5-year levy timeframe.
- The levy would cover anticipated new O&M requests associated with building new parks and assets to provide a safe and clean park system that equitably serves all Portlanders.
- The levy would end the reliance on fee revenues to deliver recreation programs, allowing equity and affordability to be centered in a new recreation model.
- Funds from fees earned could be repurposed to improve and maintain the facilities where programming occurs.
- This legislation would maintain existing positions and fund new positions. Demographics of the staffing changes are not known at this time, as recruitments would not begin unless a levy was passed by voters. New positions would be created to:
 - Administer the levy
 - Increase operations and maintenance of the park system and increase preservation work for natural areas
 - Deliver recreation and other public programs

The Parks Bureau submission to the Council included this information regarding community impacts of this ballot measure.

The levy would increase property tax rates, and we know that burden is greatest on homeowners earning low incomes. The levy would center equity as its focus and bring benefits to those most impacted, including:

- Increasing free and reduced cost programming;
- Adding and expanding programming that serves communities of color, kids, teens, seniors, and people of all abilities;
- Increasing equity of tree canopy coverage across the City by planting trees in areas with lowest canopy coverage; and
- Providing new operations and maintenance funding so that non-levy resources, like System Development Charges, can continue to add new parks and new park amenities in areas that have low, or no, services today, like East Portland.

Allocation of the Funds

As of the date of publication of this document, Portland Parks and Recreation did not have a funding allocation plan for the proceeds from this property tax levy.



Summary

- The City is asking the voters to approve a five-year local option levy of \$0.8000 per \$1,000 of Assessed Value.
- This levy will be subject to compression and will have an adverse impact on other local option levy tax receipts. The City estimates the effective levy rate will be \$0.66.
- The funds are intended to reverse the erosion of programs, hours, services, and maintenance that has resulted from years of underfunded budgets. The funds will be used to maintain, not expand, current programs and facilities.
- The proceeds from the levy will be used for park system operating costs and administration of the levy funds. Operating costs include facilities maintenance, recreation program offerings, cleaning parks and restrooms, delivering recreational programs, etc.
- All revenues and expenditures related to this budget measure will be accounted for in a new Parks Local Option Levy Fund.

Ballot Title

Caption: Restore recreation programs, parks, nature, water through five-year levy

Question: Shall Portland protect, restore recreation programs, parks, nature, clean water; 5-year operating levy, \$0.80 per \$1,000 assessed value, beginning 2021? This measure may cause property taxes to increase more than three percent.

Summary: Levy will prevent ongoing reductions to park services and recreation programs, preserve and restore park and natural area health, and center equity and affordable access for all.

Levy funds will:

- Enhance and preserve parks, rivers, wetlands, trees, and other important natural features in urban areas for the benefit of all Portlanders and wildlife;
- Provide park and recreation services to diverse populations including communities of color, seniors, teens, households experiencing poverty, immigrants and refugees, and people living with disabilities;
- Increase opportunities for communities of color and children experiencing poverty to connect with nature;
- Prevent cuts to recreation programs, closures of community centers and pools; and
- Enhance park maintenance to keep parks clean and safe, including litter and hazardous waste removal, restroom cleaning, and playground safety.

If levy fails, service improvements and restoration described above will not occur; taxes will not increase.

A five-member oversight committee will review levy expenditures, provide annual reports. Independent audit required.

Levy is \$0.80 per \$1,000 assessed home value. The proposed rate will raise approximately \$44,735,000, in 2021–2022, \$46,240,000 in 2022–2023, \$47,705,000 in 2023–2024, \$49,262,000 in 2024–2025, and \$51,135,000 in 2025–2026, for a total of \$239,078,000.

A median residential homeowner pays \$151 per year, or about \$13 per month.

EXHIBIT D
Explanatory Statement

This Measure would allow the City of Portland to levy \$0.80 per \$1,000 assessed value for five years for the purpose of operating the park system. The services and programs to be funded by this measure are planned to include, but are not limited to:

- Protect water quality and wildlife habitat, control erosion, remove invasive species in 8,000 acres of natural area.
- Deliver recreational programs, including, but not limited to, environmental education and access to nature for youth, summer camps, family-friendly movies and concerts, fitness and arts classes, teen- and senior-focused programs, life-saving swim lessons, and a summer playground program serving free lunches to children experiencing hunger.
- Remove financial barriers for low-income households by ending current dependence on recreation fee revenues, allowing an equity-focused delivery of community events and programs and reducing the likelihood of further cuts to recreation offerings.
- Clean litter and hazardous waste in parks and natural areas, maintain grounds and landscaping, provide safety checks on play equipment, improve preventative and traditional maintenance.
- Keep public restrooms open and cleaner.
- Plant new trees in communities where today canopy coverage is lower, to improve air and water quality, diminish the impacts of climate change, and provide wildlife habitat.
- Protect Portland's 1.2 million park trees by performing proactive maintenance, safety checks, hazard removal, and replacement of damaged trees in parks and natural areas.
- Modernize data systems to improve internal efficiency.
- Prioritize services for communities of color and households experiencing poverty, including equity-centered engagement and outreach, community partnership grants, and increased engagement with volunteer and partner groups.

A community oversight committee will be appointed to review levy expenditures and to report annually to City Council. The Measure also directs the Bureau to provide for a performance audit to ensure that services funded by the levy are consistent with voter intent.

The City estimates that the levy tax rate of \$0.80/\$1,000 assessed value would cost a median residential property approximately \$13 per month, and would raise approximately \$45 million in the first year, with an estimated average of \$48 million raised each year for the five-year period. If this Measure is not approved, taxes for Park services will not be assessed.

Submitted by:
City of Portland City Council
Mayor Ted Wheeler



Attachment B, From Resolution 37498

Section 2. Purposes of Revenue. The money in the Parks Local Option Levy Fund shall be expended only for the following parks and recreation purposes: (alphabetization added by TSCC for clarity)

- a. operating and providing park programs;
- b. improving and enhancing recreation programs;
- c. preserving and improving health of natural areas, including but not limited to protection of habitat, water quality, erosion control, removal of invasive species;
- d. maintenance of natural areas and infrastructure in natural areas, and data system investments to better manage park assets, including natural assets;
- e. maintenance of parks and park facilities, including but not limited to basic park maintenance such as cleaning and opening restrooms, litter removal, landscape and grounds maintenance, safety checks on play equipment; safety and maintenance of trees on park properties, planning for and planting new trees, including data systems to manage trees;
- f. funds for operating community centers, pools, art and cultural centers;
- g. funds to deliver recreational programs, including, but not limited to, environmental education and access to nature for youth, summer camps, family-friendly movies and concerts, fitness and arts classes, teen- and senior-focused programs, swim lessons, and a summer playground program serving free lunches to children experiencing hunger;
- h. a study to inform future service goals for Interstate Firehouse Cultural Center;
- i. community partner grants and improved partnership and engagement with volunteer groups, including, but not limited to grants to other jurisdictions or other City programs to mitigate the impacts of property tax compression caused by this parks levy;
- j. levy administration costs, including, but not limited to community engagement, outreach, and marketing, costs including personnel, equipment, vehicles, space rentals, contracts, and funds for ongoing financial sustainability work;
- k. general fund and bureau overhead costs, a levy audit, annual reports, and costs associated with an oversight committee.