

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: 11/27/18 **Approximate Start Time:** 11:00 a.m. **Approximate Length:** 1 hr

Presentation Title: North Clackamas Parks and Recreation District Operational Update and Outreach Plan

Department: Business & Community Services, Public & Government Affairs

Presenters: Laura Zentner, Director, BCS; Scott Archer, Director, NCPRD; Amy Kyle, Strategic Communications Manager, PGA

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

None. Staff will provide information about North Clackamas Parks and Recreation District (NCPRD) operations, the potential impacts to District residents if the City of Happy Valley withdraws from the District, and our plans to share information with all District residents on the potential impacts.

EXECUTIVE SUMMARY

HISTORY: NCPRD provides parks and recreation programs, facilities and services to more than 122,000 residents in a 36-square-mile area, comprising the cities of Milwaukie and Happy Valley, and a large area of north unincorporated Clackamas County. Citizens voted to create NCPRD in 1990, authorizing a permanent property tax rate of 54 cents per \$1,000 of assessed value. Happy Valley citizens voted to annex into the District in 2006.

NCPRD offers residents the use of more than 40 parks, 25 natural areas, 15 miles of trails, the Hood View Sports Complex, the North Clackamas Aquatic Park, the Milwaukie Center and Mount Talbert Nature Park.

BACKGROUND OF CURRENT SITUATION: In June 2017, the Happy Valley City Council voted to withdraw from NCPRD effective Dec. 31, 2017. The question of withdrawal was not presented to Happy Valley voters. NCPRD worked in good faith with the city to negotiate an equitable separation. In October 2017, the city initiated litigation over the equitable division of NCPRD assets and other issues related to the city's decision to withdraw.

In June 2018, the Oregon Department of Revenue (DOR) determined that the city had not followed appropriate state law in withdrawing from the District. Happy Valley sought a court review of that decision. The court overturned the DOR decision on technical grounds, but did not address the city's method of withdrawal. As a result of this ruling, NCPRD is not currently collecting the permanent tax rate from Happy Valley residents. However, NCPRD continues to provide parks and recreation services, facilities and programs in Happy Valley, without receiving the revenue to pay for them. Additionally, the City of Happy Valley is collecting a 5-year local option levy for parks and recreation services at a rate of 54 cents per \$1,000.

As of Nov. 20, 2018, NCPRD is operating with the following assumptions:

- Happy Valley claims that it has withdrawn from NCPRD, but the District asserts otherwise. The question of whether Happy Valley has withdrawn properly from NCPRD remains before the court.

- Happy Valley residents are no longer paying a permanent tax rate to NCPRD, but those services are being provided by NCPRD.
- NCPRD continues to provide services and programs to Happy Valley residents at “in-district” rates.
- NCPRD continues to maintain NCPRD facilities and offer programs located within the city limits of Happy Valley.
- Because of the uncertainty surrounding Happy Valley’s withdrawal and the District’s legal boundary:
 - The District Advisory Board (DAB) is not active and has not met since February 2017.
 - District-wide planning efforts have been disrupted and put on hold.

POTENTIAL IMPACTS TO RESIDENTS OF A HAPPY VALLEY WITHDRAWAL FROM

NCPRD: Like other service districts, NCPRD operates on a district-wide model. NCPRD is able to provide a wide variety of programs, services and facilities to its residents at an affordable cost because of this model and the infrastructure that has been built over the 28 years since NCPRD was formed. When Happy Valley joined NCPRD in 2006, long-term plans to ramp up services to meet the needs of this fast-growing area were developed and implemented. This gradual, thoughtful and deliberate scaling up has resulted in an efficiently operated district that realizes significant economies of scale and can deliver a wide variety of services at a relatively low cost per resident.

If Happy Valley withdraws from NCPRD with 18% of NCPRD assets, \$13.5 million in SDC revenue and \$1.6 million of annual tax revenue, it will not be possible to maintain these economies of scale and all residents – those in Happy Valley and those elsewhere in the District – will be negatively impacted.

- The loss of Happy Valley residents and the annual tax revenue they contribute to NCPRD would reduce the District’s ability to maintain economies of scale. Since it is not feasible to implement across-the-board reductions at an operational level, the District would likely have to target specific programs and services for reduction and/or elimination, or increase costs to participants to mitigate the impact of this lost revenue.
- NCPRD has scaled up services over many years, gradually expanding operations and adding capacity. The immediate loss of annual tax revenue would require scaling down in a very short period of time, further exacerbating the negative service impacts on residents of a potential Happy Valley withdrawal.
- Happy Valley residents would no longer receive the benefits of in-District residents.
 - They would have to pay higher fees for District programs and services.
 - They would lose the access enjoyed by in-District residents to NCPRD programs, services and facilities, including those at the North Clackamas Aquatic Center and the Milwaukie Center. For example, older adults in the City of Happy Valley would no longer have access to the District’s nutrition and transportation program offerings. In addition, social services staff providing support to homebound residents across the District would no longer be able to serve residents within Happy Valley city limits.
 - They would have less access to District leagues and programs.
 - The need to charge higher fees might result in some residents no longer being able to afford these valuable programs and services for their families.

- While the City of Happy Valley is collecting a 5-year levy of 54 cents per \$1,000 assessed value for parks and recreation services, it is unlikely that the city will be able to provide equivalent levels and diversity of service to city residents. NCPRD is able to offer services at this rate due to the infrastructure it has built and grown over many years and the corresponding economies of scale the District can realize. Some examples include:
 - The city’s limited property tax revenue will likely not be sufficient to build, operate and maintain an aquatic facility that provides the programs and services which Happy Valley residents have come to expect.
 - As the District has grown, it has been able to acquire specialized equipment and add a diverse team of professionals and certified specialists to its staff, such as arborists, certified playground safety inspectors, and backflow inspectors. It is unlikely that the city would have the resources to maintain a similarly sized and skilled staff.

OUTREACH: The back-and-forth discussion and court rulings related to Happy Valley’s intent to withdraw from NCPRD has been confusing to the public and additional outreach to District residents is needed. We are committed to ensuring that all District residents have the chance to understand the status of litigation and discussions with Happy Valley and how various scenarios might impact all District residents.

Therefore, we have planned the following outreach activities:

- Two *Community Conversation* meetings for District residents during the second week of December to share information, answer questions, and hear concerns and comments.
 - Monday, Dec. 10, 6:30-8 p.m., Rose Villa Senior Living, Oak Grove
 - Tuesday or Wednesday, Dec. 11 or 12, 6:30-8 p.m., Location TBD (east of I-205)
- A letter from the NCPRD Director to all District residents with information about the situation, the District’s stance and potential impacts to all residents of a Happy Valley withdrawal. This letter is scheduled to go out by the end of November.
- Information available at NCPRD facilities to keep the community informed about the status of the District.
- A website to provide updated, accurate information, including the opportunity for people to submit questions and comments.
- Reconvening the DAB, or creating a new advisory body in order to provide District residents with a forum to discuss potential impacts and make recommendations to the Board of County Commissioners.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO N/A
 What is the cost? \$ What is the funding source?

Explain the fiscal impacts to the County and your department as well as to the public and businesses, both in the short and long term.

If Happy Valley withdraws as requested, the District could lose 18% of its assets, its property in Happy Valley, \$13.5 million of SDC funds and \$1.6 million of revenue per year in the future. These losses, particularly the loss of annual operating revenue, would likely have negative impacts on the services received by District residents.

STRATEGIC PLAN ALIGNMENT:

- **How does this item align with your Department’s Strategic Business Plan goals?**
NCPRD services enhance quality of life for our residents and help make Clackamas County a great place to live.
 - By 2020, 85% of survey respondents report that public recreational programs and facilities and economic vitality are key components of a vibrant, healthy community
 - By 2020, 75% of survey respondents report that they “agree” or “strongly agree” that the County is a good steward of the public assets under its management

- **How does this item align with the County’s Performance Clackamas goals?**
NCPRD supports all four of the County’s Performance Clackamas goals by supporting a healthy, thriving, vibrant community. Most particularly, NCPRD work helps to:
 - Build a strong infrastructure
 - Build public trust through good government

LEGAL/POLICY REQUIREMENTS:

County Counsel is taking the lead on legal issues.

PUBLIC/GOVERNMENTAL PARTICIPATION:

NCPRD is committed to involving the community in discussions about the District’s future and is working closely with Public and Governmental Affairs to implement robust public engagement.

OPTIONS:

N/A

RECOMMENDATION:

N/A

SUBMITTED BY:

Division Director/Head Approval Laura Zentner
Department Director/Head Approval _____
County Administrator Approval _____

For information on this issue, please contact Laura Zentner at 503-742-4351

North Clackamas Parks and Recreation District Operational Update and Outreach Plan

Presenters Laura Zentner, Scott Archer and Amy Kyle
BCC Policy Session 11/27/2018



Overview



- A brief history of Happy Valley in NCPRD
- Potential impacts of withdrawal for city residents *and* all District residents
- Planned outreach and community engagement



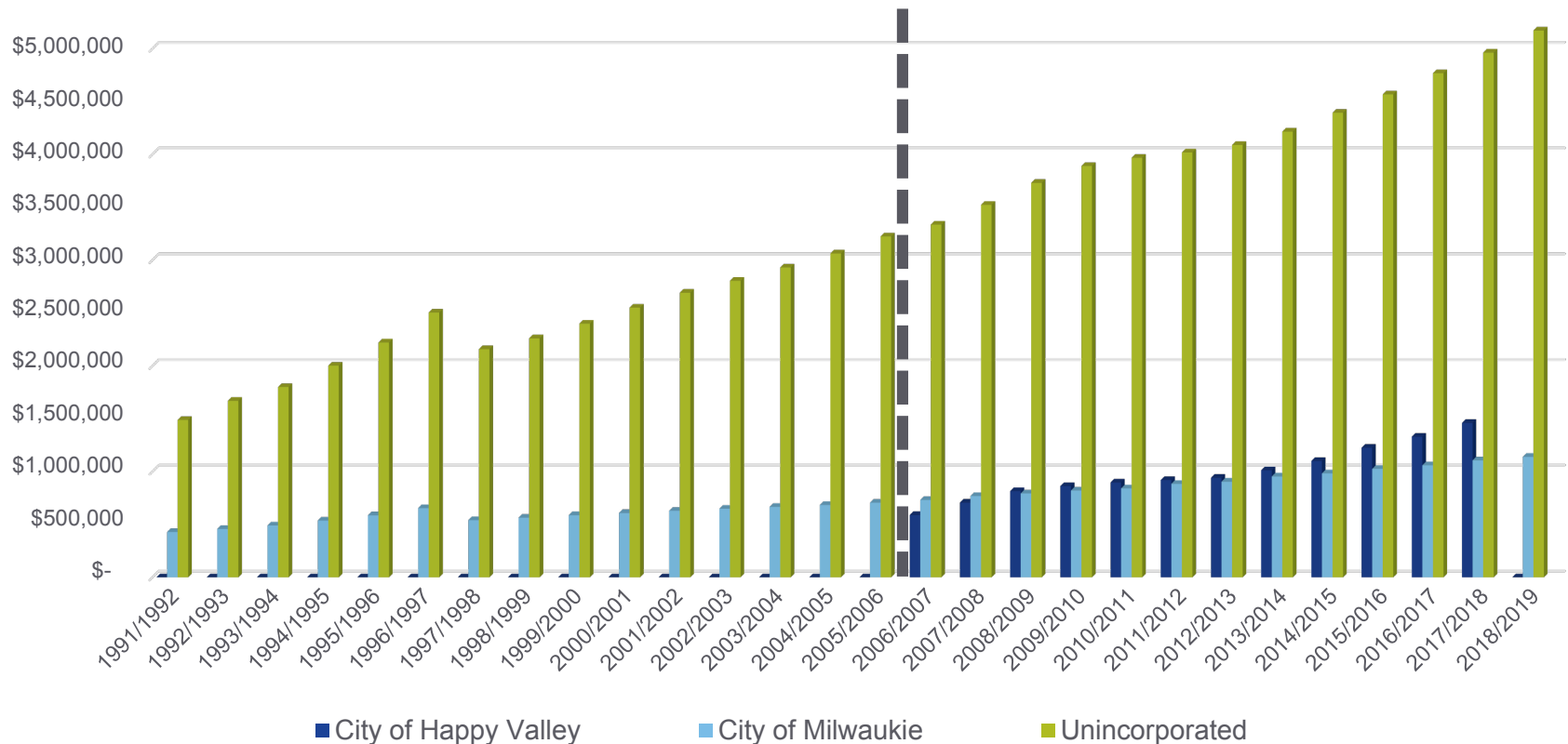
Happy Valley in NCPRD

- Annexed in 2006 by a vote of Happy Valley residents
- Joined an established Parks district with the North Clackamas Aquatic Park, Milwaukie Center and an array of programs and services
- *“City finances alone cannot adequately fund parks and recreation.”*
 - Ballot Measure 3-209 (May 2006)



Property Tax Assessment

**NCPRD Property Taxes Assessed*
Fiscal Years 1991/1992 to 2018/2019**

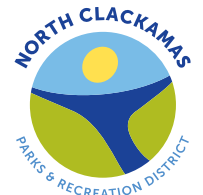
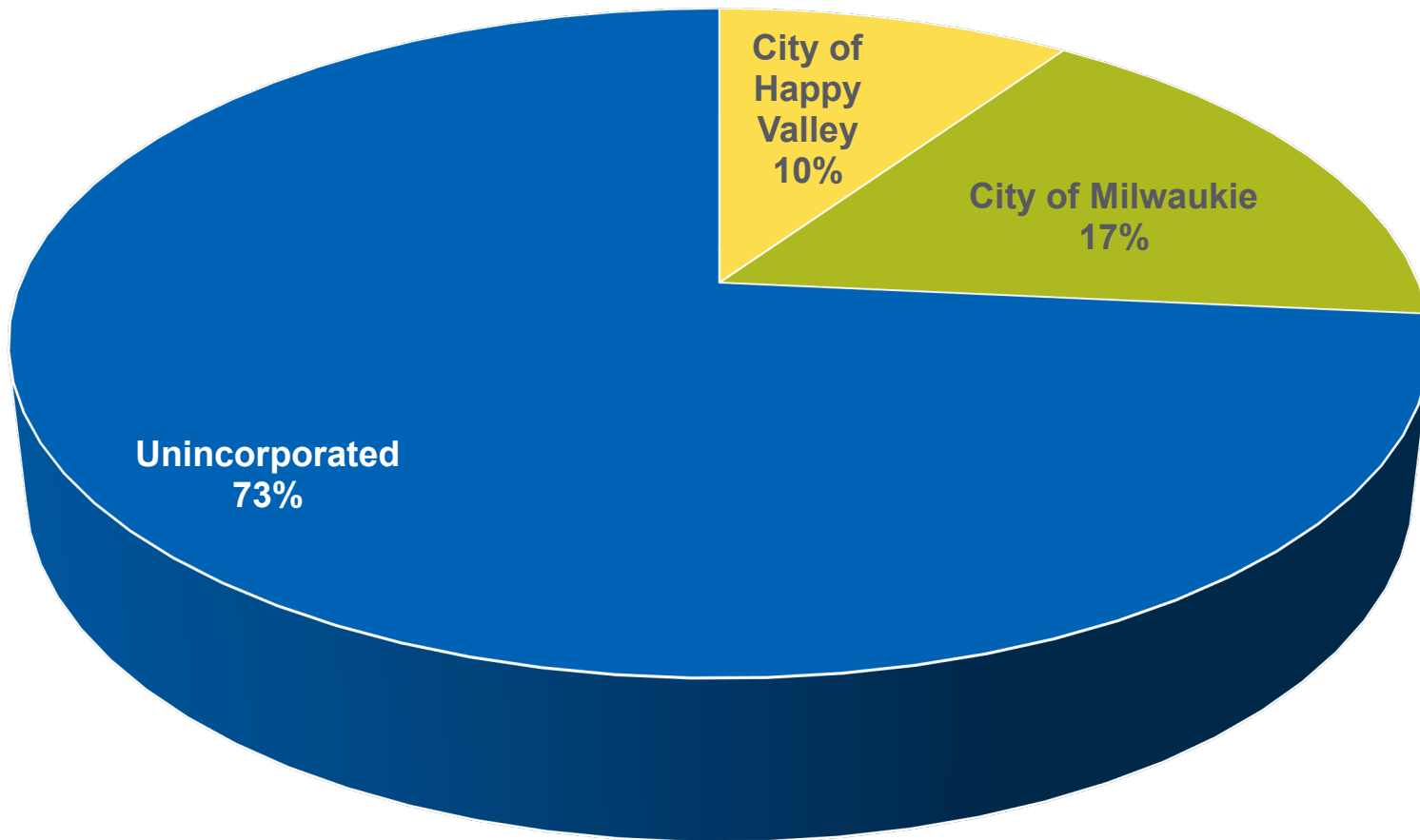


*Total tax assessed to properties in the District at a permanent rate of \$0.5382 per \$1,000 assessed value.



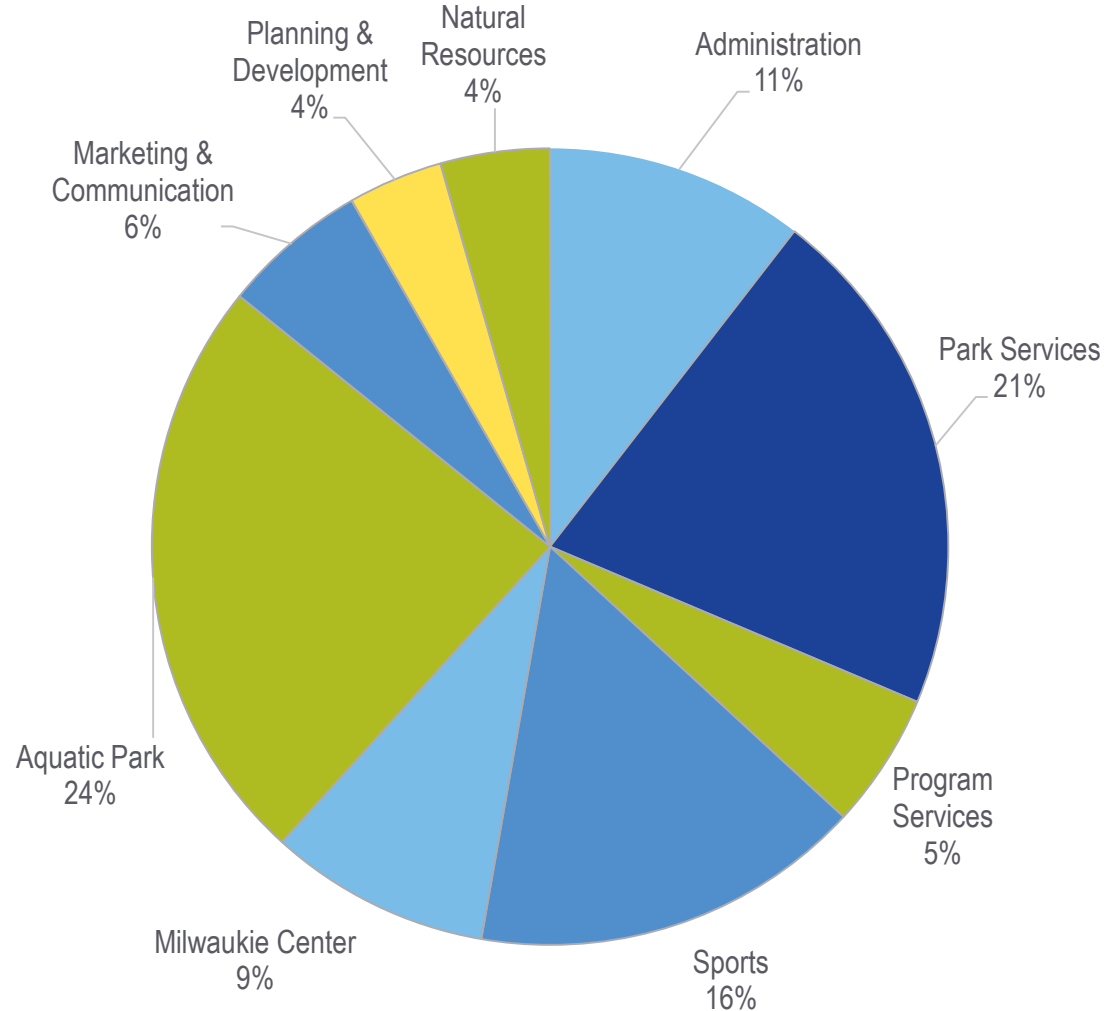
Property Tax Assessment

NCPRD Property Taxes Assessed
Fiscal Years 1991/1992 to 2017/2018



Expenditures

- Budgeted and tracked by program, not by location
- Cannot limit program and service cuts to the city—reduced revenue impacts **entire District**

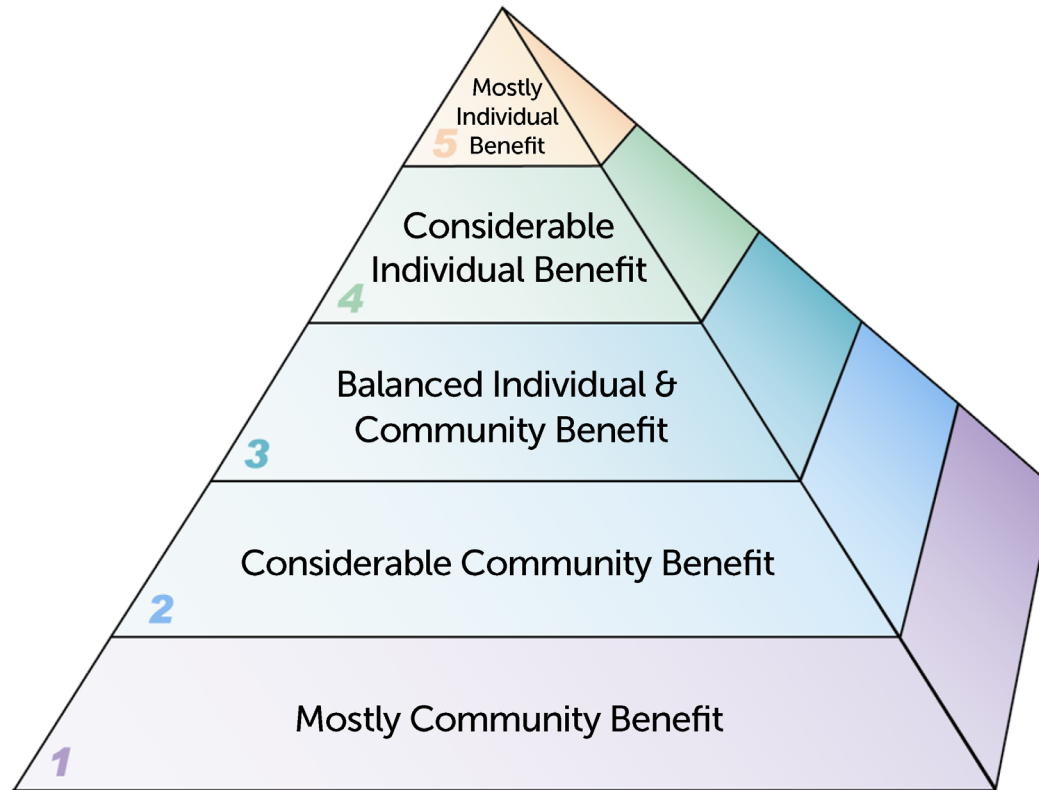


Based on FY 2017-18 Actuals



Expenditures

Subsidized programs that benefit those most in need are more likely to be impacted (ex. Nutrition services)



NCPRD Cost Recovery Pyramid (2012)



Potential Impacts of Withdrawal

All District residents will be impacted



- District-wide model benefits from economies of scale
- Scaled up operations systematically over time with growth, but will have to scale down operations immediately
- Loss of residents, tax revenue would increase unit cost of programs and services



Potential Impacts of Withdrawal

Potential scope of loss

- Annual property tax revenue (\$1.6 million in FY 2018-19)
- 18.58% of District net assets per statute (funds, land, facilities, equipment, etc.)
- \$13.5 million System Development Charges (SDCs) as requested by Happy Valley in their legal complaint



Potential Impacts of Withdrawal

Happy Valley residents stand to lose the most

- Lose in-District benefits of lower rates, priority registration
- Pay a 5-year tax levy to the City for parks and recreation services
- *“For the City to meet the growing need for new parks and recreation facilities, it would have to propose a bond or serial levy higher than the NCPRD tax rate of \$0.5382.” -Ballot Measure 3-209 (May 2006)*



Potential Impacts in Real Terms

Examples of potential impacts to Happy Valley residents

Higher costs and reduced or eliminated access to District programs and services such as:

- Swim lessons
- Nutrition services
- Transportation and homebound services
- Youth and adult sports
- Recreation programming and RecMobile



Potential Impacts in Real Terms

The true value of \$1.6 million in tax revenue

Milwaukie Center, Nutrition & Transportation plus all youth and adult Recreation programming

Expenditures \$1,783,716

- Revenues \$864,386

Net Reduction only \$919,330

\$1.6 million

Annual Property Tax Revenue =

OR



**13.7 regular full-time staff (FTE)
out of 34 total FTE**



Planned Outreach

Communication and engagement with the community



- Community Conversation meetings
 - Mon, Dec. 10, 6:30 p.m., Rose Villa Senior Living, Oak Grove
 - Tues or Weds, Dec. 11 or 12, 6:30 p.m., Location TBD east of I-205
- Letter to all residents from Director
- Information at NCPRD facilities
- Website, Social Media & NextDoor
- Forum for public input





For more information:

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