

RESOLUTION NO. 685

**A RESOLUTION AMENDING THE METHODOLOGY FOR A PARK'S
SYSTEM DEVELOPMENT CHARGE**

WHEREAS, the Canby City Council has determined by Ordinance No. 867 that a charge shall be imposed upon new residential development for acquiring funds for capital acquisition and improvements for municipal parks; and

WHEREAS, said Ordinance No. 867 provides that a methodology and charges for capital acquisition and improvements be established and amended by resolution; and

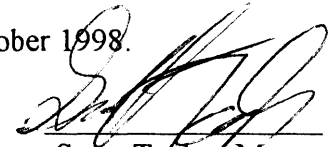
WHEREAS, Section 26 (4) of Chapter 459 of Oregon Laws 1991 requires that a governing body, when adopting or amending a fee resolution imposing new rates, may include a provision classifying said fees as subject to or not subject to the limitations set in Section 11 (b), Article XI of the Oregon Constitution; and

WHEREAS, the City Council has determined that the methodology and rates hereinafter specified and established are just, reasonable and necessary; now therefore it is hereby

RESOLVED that the following methodology for parks system development charges for the City of Canby, attached here to as Exhibit "A", be adopted to amend the current parks systems development charge effective immediately.

BE IT FURTHER RESOLVED that the Canby City Council hereby classifies the charges imposed herein as not being subject to the limitations imposed by Section 11 (b), Article XI of the Oregon Constitution and that the City Recorder is hereby directed to publish notice in accordance with Section 26 (8) of Chapter 459 of Oregon Laws 1991.

ADOPTED by the Canby City Council on the 21st day of October 1998.


Scott Taylor, Mayor

ATTEST:


Michael J. Jordan, City Recorder

**Park & Recreation Financing Plan
and
Update of Systems Development Charges
City of Canby, Oregon**

May 1998

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INTRODUCTION & SUMMARY

The City of Canby operates nine parks, a swim center, a senior center, and an historical Marshall house. It completed a parks master plan in 1997 that prescribes the addition of nine new parks or facilities at a cost of \$7.6 million in 1998 dollars.¹ The City will need the proposed parks to meet the demands of future residents. All but two of the sites for the new parks are on land currently in public ownership. The other two park areas will have to be acquired by purchase or by contribution. The City contracted with Economic & Financial Analysis (EFA) to develop a funding plan for parks and to update the Parks SDC with the information in the updated master plan.

In this analysis, EFA developed a financial plan to pay for the operation and maintenance of all parks and for the acquisition and development of new parks and facilities. Beginning in fiscal year 1997, the state of Oregon voted in a new ad valorem property tax that shifts the tax structure from a fixed tax base to a fixed tax rate. The financing plan takes advantage of the shift in taxation, and develops a plan by which the City acquires new parks only at the rate that tax revenues from property taxes increase sufficiently to pay for the on-going annual operating costs for all parks. Between acquisitions of new parks, the City will accumulate cash from its parks systems development charge and from tax revenues reserved for parks net of operating costs, so it can acquire new parks with cash. No new financing through bonds is included in the financial plan.

The City of Canby has had a park systems development charge (SDC) since 1992. It is assessed on all new residential developments at the rate of \$295 per sleeping room. A sleeping room is any inhabitable room except a living room, the kitchen, a dining room, bathrooms, closets, and the laundry room. For example, when a builder purchases a building permit for a three-bedroom house (without a bonus room or study), the developer would pay \$885 in park SDCs. Non-residential developments are exempt from the Parks SDC.

Since the first SDC was established, the City has updated its parks master plan which has new park standards and updated projects and costs. The standards establish how many parks and of what kinds are to be built for the City's growing population. The Plan Update and standards encompass a geographic area that extends beyond the City's boundaries to include the urban growth boundary and beyond to approximate the area of the Blue Heron Recreation District (BHRD). The City lies entirely within the BHRD. For this reason, EFA developed two park SDCs: one for inside the City and one for outside the City within the BHRD boundaries. The cost of the new parks is therefore spread over a future population that will reside partially outside of the City's eventual boundaries. Based on the updated plan and forecast assumptions, the

¹City of Canby, *Park and Recreation Master Plan Update*, prepared by Community Planning Workshop, September 1997.

proposed SDC will be \$347 inside the City and \$317 outside the City in the Blue Heron Recreation District (BHRD).

Chapter 1 addresses the financial plan. We review the recent history and develop forecast assumptions. Chapter II contains the update of systems development charges. An Appendix contains more detailed historical financial information and forecast assumptions.

CHAPTER I

FINANCIAL FORECAST AND FINANCING PLAN

Overview

Table 1 shows the name, size, type, and planned investments in the current inventory of city parks and facilities. In the investments are all remedial--fixing existing problems and replacement of worn out equipment. The City manages 36.6 acres of park land.

Table 1 Current Parks and Planned Improvements

Park Name	Type	Acres	Planned Improvements	
Maple Street	Community	9.00	\$31,200	
Locust Street	Mini	1.90	\$240,300	
Wait	Mini	1.50	\$0	
Canby Community	Community	17.50	\$130,350	
Swim Center	Community	1.00	\$0	
Adult Center	Community		\$0	
13th Street Park, Soccer		5.70		
Logging Road		2.90		
Willow Creek		4.60		
Hope Village		2.00		
Marshall House		0.60		
Total		36.60	\$0	\$401,850

Table 2 shows the planned additions to the park system. The Master Plan calls for an ultimate park system with 131.6 more acres of park land, a new outdoor swimming pool, and a 2-mile trail (on the existing Logging Road park).

Table 2 Planned Parks

	Park Type	Units	Cost/Unit	Unit	Planned Improvements		
					Development	Land	Total
Honda Pits	Community	13.90	\$70,700	Acre	\$982,730		\$982,730
13th Street	Neighborhood	5.70	\$56,600	Acre	\$322,054		\$322,054
ECO	Community	22.00	\$9,500	Acre	\$209,000		\$209,000
Logging Road	Trail	2.00	\$128,000	Mile	\$256,000		\$256,000
Knight's Bridge Swimming Hole	Community	15.00	\$4,130	Acre	\$61,963		\$61,963
Molalla River Greenway	Greenway	56.00	\$4,570	Acre	\$256,036		\$256,036
Outdoor Swimming Pool	Community	5,000.00	\$112	Sq. Ft.	\$560,000		\$560,000
2 Neighborhood Parks	Neighborhood	19.00	\$200,000	Acre	\$3,800,000	\$1,140,000	\$4,940,000
Total acres		131.60			\$6,447,783	\$1,140,000	\$7,587,783
	\$/Acre				\$42,789		\$13,917

Land value per acre undeveloped	\$60,000
Discounted for flood plain	\$6,000

In this chapter we discuss the City's options for financing the existing and proposed parks. Park funding has two challenges: controlling operating expenses and finding a sound annual source of revenue; (2) funding land acquisition and construction of new facilities. A quick review of the past four years of financial history will show how the City has met these challenges, and provide some guidance about how to meet them in the future.

Financial History

Financially, the City operates its parks and recreation program as a department of the General Fund. Table 3 shows a summary of the Parks Department revenues and expenditures since 1994. EFA split the revenues and expenses into those associated with operations and those associated with capital acquisitions.

Table 1 combines most of the park's funds into one cash flow statement. The appendix shows all of these funds and how they were combined to obtain Table 1. EFA excluded the payments to three non-city non-profit organizations, Canby Kids, the Community Center, and the Senior Center.

The appendix shows that in 1995 the City eliminated the Parks Fund and retained the Parks & Recreation Fund and the Parks Development Fund. The City uses the Parks & Recreation Fund to account for all operating activities of the park system. The Parks Development Fund is used to

receive SDC and other capital-related revenues and to make major capital improvements. The data for 1994 through 1997 are from the audit. Beginning in Fiscal Year 1998, the City separated the swim center from the Parks & Recreation Fund to create the Swim Center Fund.

Table 3 Historical Cash Flows

	Audit				Budget	Avg. \$'s or Avg. % Chg. '94-97
	1994	1995	1996	1997	1998	
CASH FLOWS FOR OPERATING ACTIVITIES						
Operating revenues						
Property taxes	244,842	292,473	293,724	287,782	277,604	279,000
Payments in lieu of taxes		61,746	36,255			
Charges for services	127,451	132,517	127,894	140,108	135,000	
Interest income	883	792	2,422			
All other	96,591	20,436	65,367	33,914	1,000	43,462
Total revenues	469,767	507,964	525,662	461,804	413,604	
Expenditures for operations						
Personnel services	(278,148)	(326,091)	(360,429)	(311,592)	(302,241)	3.8%
Materials & services	(79,923)	(158,661)	(98,333)	(126,401)	(101,879)	(113,000)
Transfers in			9,300			
Transfers out	(10,925)	(24,560)	(25,556)	(2,300)	(35,484)	(20,000)
Total operating expenditures	(368,996)	(509,312)	(475,018)	(440,293)	(439,604)	
Net Operating Income	100,771	(1,348)	50,644	21,511	(26,000)	
CASH FLOWS FOR CAPITAL RELATED ACTIVITIES						
SDC	189,980	121,259	98,946	132,488	100,000	129,000
Interest Income	3,934	9,506	10,879	24,138	10,000	12,000
Transfers in			68,614	50,000		
Grants					20,000	
Capital outlays	(115,150)	(223,322)	(11,202)	(13,727)	(75,000)	(88,000)
Net Cash Flows, Capital	(115,150)	(92,557)	167,237	192,899	55,000	
Net Income	(14,379)	(93,905)	217,881	214,410	29,000	
Fund balance, July 1,	73,556	253,091	159,186	377,067	591,477	
Fund balance, June 30	253,091	159,186	377,067	591,477	620,477	

The combined cash flow statement in Table 1 combines revenues and expenses related to operations (and maintenance) and related to capital. We divided the revenues and expenses into Operating and Capital categories to facilitate planning and to show what revenues are dedicated to operating and capital purposes.

Cash Flows for Operating Activities

The primary sources of revenue for operations are general fund revenues, primarily property tax receipts (\$257,604 in 1998), and revenues collected from swim center fees (\$141,000). The property tax receipts pay for operations and to supplement SDC revenue to make capital improvements.

The park's department does not have a dedicated allocation of general fund revenue to pay for park operations and maintenance. Since 1994, general fund revenue for operations averaged \$279,000 and ranged from a low of \$245,000 in 1994 to a high of \$293,700 in 1996. Since 1995, general fund revenue has steadily declined to an estimated \$277,600 in 1998. The reductions in 1996 and 1997 were in response to the proposed (and later passed) Ballot Measures 47 and 50 that capped and limited property taxes. These reductions in revenue were off set by reductions in staff.

In 1995 and 1996, the City collected in-lieu-of-property taxes from the Canby Utility Board. The City allocated these unexpected tax revenues to each city department, including the Parks Department, \$62,000 in 1995 and \$36,000 in 1996. The Department appears to have used the revenue in 1995 to increase park maintenance, and in 1996 to increase cash reserves for future capital improvements.

Swim center revenue (Charges for services in Table 3) is the only dedicated revenue the Parks Department has, and it is dedicated to paying swim center expenses. In 1998, these revenues paid about 62 percent of operating expenses. The other 38 percent came from the General Fund revenue. Fee revenues have been increased slowly at 3.2 percent per year.

Operations are performed by the part-time Parks Director, who oversees two separate staffs. The swim center staff consists of two full-time people who operate the physical plant, and manage 10 part-time lifeguards. Park maintenance staff is composed of one full-time maintenance person, one year-around, part-time maintenance person, and 3 to 6 full-time temporary summer employees.

To meet the expected loss of revenue from Measures 47 and 50 in 1996 and 1997, the City reduced park personnel; from 6 part-time summer employees to 3; one full-time swim center employee, and reduced the maintenance staff by one-half full time equivalent.

In its 1998 budget, the City plans to amend its budget and increase personnel by one full-time equivalent. Total personnel expenses will be about \$302,000 in 1998.

The Transfers in and out of the Parks Department for operations go to the motor pool and equipment reserve funds. These transfers pay for equipment used to maintain the park system, including the swim center, and office equipment needed to administer the Department. In 1996, the City transferred money from the Department to the City's general fund to pay for the Department's share of City overhead expenses. This amounted to \$32,084 and had the effect of reducing the Department's share of property taxes. No similar transfers were made in the other years.

In addition to maintenance of parks and operating the swim center, the City annually allocates \$75,000 to three non-profit recreation organizations: Canby Kids, Community Schools, and the Adult Center. Each group receives \$25,000 to provide recreational programs that benefit the citizens of Canby (and the surrounding area). These transfers are not shown in Table x or the Appendix. The transfers occur directly out of the General Fund and, except in 1995, do not pass through the Parks Department. EFA eliminated the transfers from the 1995 data in Table x.

To summarize its operating practices, the City adjusts personnel in the Parks Department to match expected property tax revenues. The percent of total tax collections the City spends on parks vary from year to year because of the level of tax revenues and to balance other demands on the City for other public services (e.g., police, planning).

Cash Flows for Capital Related Activities

The City uses SDC revenues as the primary source of revenue for capital improvements. The SDC revenue (in the Parks Development Fund) also accrues interest earnings.

The City has made periodic transfers to and from the Parks Department for capital. In 1996, the City transferred additional general fund revenues to the Park Development fund as the City's "share" of SDCs. It was again a one-time transfer not repeated in another year.

In 1995 and in 1996, the City allocated a portion of the in-lieu-of-property-tax payments from the Canby Utility Board to the Parks Department. These revenues were used for capital improvements in those years and the positive net was apparently deposited into the Parks Development Fund for future capital improvements. The in-lieu of payments have not been made since 1996.

Finally, in 1996 the City transferred the proceeds of a log sale from the "logging Road" site. The \$67,000 went into the Parks Development Fund and was earmarked for use to develop ECO Park.

In 1998, the City negotiated a gift from a large manufacturer that plans to locate in the City. The

gift is \$20,000 and is dedicated for park improvements.

The Net Income of the Department is the sum of annual net cash flows from operating activities and net cash flows from capital-related activities. Net income was negative in 1994 and 1995, which resulted in decreasing fund balances. Since 1995, net income has been positive, which resulted in increasing fund balances. Most of this positive net income is the result of SDC (\$336,300) and other capital-related revenues: logging revenues (\$68,600), City SDC matches (\$50,000), net operating income (\$145,600), and the gift (\$200,000).

The fund balances at the beginning and ending of each fiscal year are composed entirely of cash. They are the accumulated sum of annual net income since the City began keeping accounts of the Park Department.

In summary, the City allocates only enough General Fund revenue to the Parks Department to pay for operations. The Parks Department does not carry forward unspent General Fund revenue, except small amounts in 1994, 1995 and 1996.

Owing to irregular transfers to the Parks Development and changing fiscal policies, result in a very erratic history of park funding, but not an uncommon history for Oregon cities. Parks and recreation are often considered among the "luxury" services a city provides its citizens. It competes with other general fund departments such as police, planning, and administration. When budgets are tight, parks and recreation programs appear to have suffered a disproportionate share of revenue cuts.

Forecast

To forecast the Parks Department's financial future, EFA has to make several assumptions about the timing of capital improvements, methods of funding them, and about the City's fiscal policy toward Parks use of General Fund revenues. These are interrelated issues that require simultaneous choices among alternatives for each issue. We begin by describing how much it will cost annually to operate and maintain the current and future parks. Table 2 shows the forecast. The forecast assumptions which we discuss below are also contained in the appendix.

Total annual cost is composed of the two major cash flows: operating and capital. They depend on separate sources of revenue. The primary source of revenue for operations and maintenance is from the City's General Fund. Its revenues come from assessing ad valorem property taxes, state-shared revenues and other city tax revenues. The primary sources of revenue for capital are general obligation bond proceeds and revenue from the park SDC. And, whenever a new park is added to the system, annual operating costs increase thereafter. In our view, the availability of ongoing revenue sources to pay operating costs will be more limiting on new parks than revenue sources to acquire new parks.

Table 4 shows the list of planned parks. The acres will eventually increase from 36.6 to 168.2 acres, and two miles of trails, and an outdoor swimming pool. If all of these parks are added to the existing park system, what will happen to annual operating costs? The City currently spends an average of about \$5,600 per acre per year. This cost is just for the park land and is net of the cost of the swim center, and net of the transfers to the three non-profit organizations.

As parks are added to the park system, the average cost per acre will decrease from the current \$5,600/acre/year. Economies of scale results in lower cost per acre per year as the park system grows, but how much less and what effect does inflation have on these costs?

The Parks Master Plan estimates the incremental cost/acre/year of new park land will decrease to between \$93/acre/year for undeveloped areas to \$4,100/acre/year for small developed acres (Master Plan page 127). Based on the current costs/acre/year and the Master Plan estimates, EFA estimates the cost/acre/year likely will decrease from the current \$5,600/acre/year to \$3,500/acre/year when fully developed, and assuming zero inflation (constant 1998 dollars).

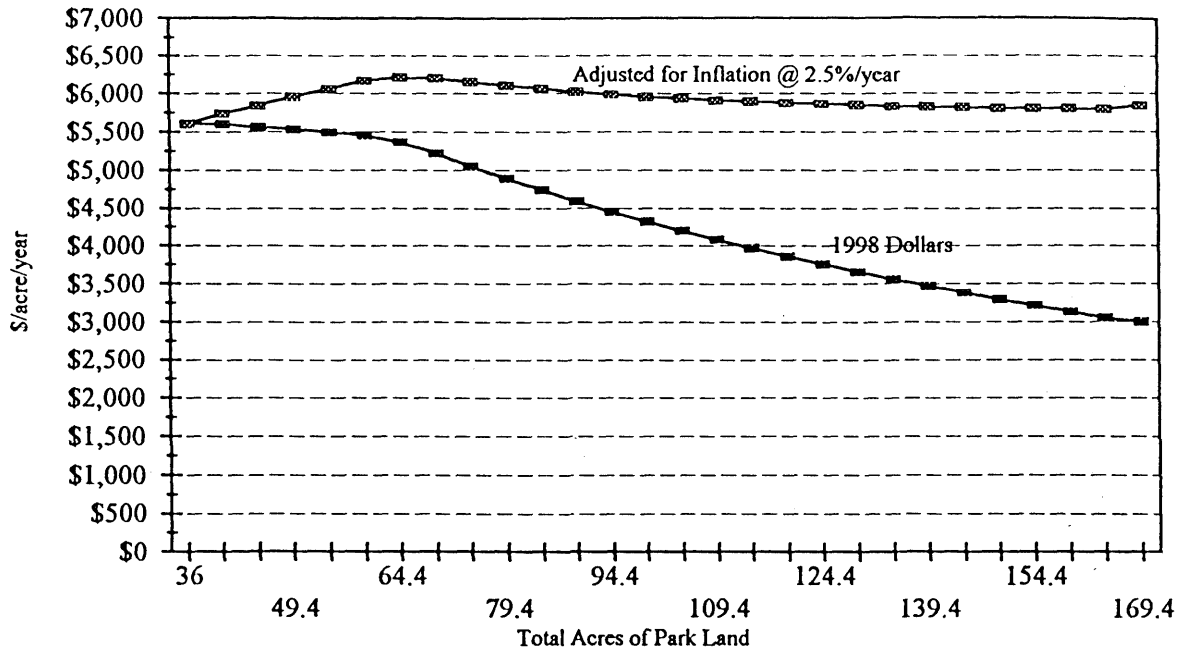
On average then, as the number of park acres increases from 36.6 acres today to the planned 168.2 acres, the cost/acre/year will decrease as shown in Figure 1. Figure 1 and the corresponding values in the appendix show a declining cost/acre/year based on 5 acre increments of park land. Our estimates are based on anecdotal data provided by other park systems and on economic theory. EFA applied the theory of scale economies to the anecdotal data. Park systems up to 60 acres seem to show only slight decreases in cost/acre/year after which larger park systems show a more rapid decline in cost/acre/year. Then it begins to level off after 100 acres.²

²This pattern is common in the private sector where output is set at levels that simultaneously minimize production costs and maximize sales.

Table 4 Forecast Cash Flow

	Budget								
	1998	1999	2000	2001	2002	2003	2004	2005	2006
CASH FLOWS FOR OPERATING ACTIVITIES									
Operating revenues									
Property taxes	277,604	317,500	358,800	405,500	458,200	517,700	585,000	661,100	747,000
Payments in lieu of taxes									
Charges for services	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000
Interest income									
All other	1,000	21,700	21,700	21,700	21,700	21,700	21,700	21,700	21,700
Total revenues	413,604	474,200	515,500	562,200	614,900	674,400	741,700	817,800	903,700
Expenditures for operations									
Personnel services	(302,241)	(334,096)	(350,801)	(368,341)	(386,758)	(475,804)	(499,594)	(524,574)	(550,803)
Materials & services	(101,879)	(114,614)	(120,345)	(126,362)	(132,680)	(164,274)	(172,488)	(181,112)	(190,168)
Transfers in									
Transfers out	(35,484)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Total operating expenditures	(439,604)	(468,710)	(491,146)	(514,703)	(539,438)	(660,078)	(692,082)	(725,686)	(760,970)
Net Operating Income	(26,000)	5,490	24,354	47,497	75,462	14,322	49,618	92,114	142,730
CASH FLOWS FOR CAPITAL RELATED ACTIVITIES									
SDC	100,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000	129,000
Interest Income	10,000	28,300	28,100	36,800	47,000	34,200	20,300	30,300	42,500
Grants	20,000								
Acquisitions		(181,000)				(1,112,000)			
Capital outlays	(75,000)								
Net Capital Flows	55,000	(23,700)	157,100	165,800	176,000	(948,800)	149,300	159,300	171,500
Net Cash Flow	29,000	(18,210)	201,505	233,965	272,778	(912,660)	221,542	274,679	338,273
Fund balance, July 1,	591,477	620,477	602,267	803,771	1,037,736	1,310,514	397,854	619,397	894,076
Fund balance, June 30	620,477	602,267	803,771	1,037,736	1,310,514	397,854	619,397	894,076	1,232,350

Figure 1 Park Maintenance Costs/Acre/Year



The line in Figure 1 labeled “Adjusted for Inflation @ 2.5%/year” shows the cost in current year dollars. It is constructed by assuming 5 acres of park land are added to the park system each year and inflation is at 2.5 percent. This line more accurately reflects the amount the City would use for budgeting purposes. It combines the theory of scale economies with the realities of inflation.

We formulated the cash flow forecast on the inflation-adjusted operating cost/acre/year and allocated the total cost of personnel and materials and services based on their historical relationship in fiscal year 1998.

We forecast annual operating costs for the outdoor swimming pool will equal the monthly cost of the existing swim center and we assume the outdoor pool will operate three-and-one-half months a year. The operating costs at the swim center average \$17,950 per month ($\$215,200 \div 12$ months), so the outdoor pool will cost \$62,800 per year ($\$17,950 \times 3.5$ months) to operate. We assume all of the operating costs will escalate at 2.5 percent per year due to inflation.

Revenue forecast for Operating Activities

Measures 47 and 50 changed the way in which Canby has to think about allocating property tax revenue. These measures fundamentally changed property taxation from being a fixed annual *tax base* to a fixed *tax rate*.

The now defunct *tax base* required voters to determine how much annually the City could collect

from property taxes. Canby's old tax base was \$1,782,421 in 1997. It set a tax rate equal to the tax base divided by the assessed value (AV) of the taxable property in the City expressed in \$1,000s of dollars. The tax base could increase 6 percent per year without voter approval. Therefore, if the city's assessed value changed next year so would be the tax rate. The rate would go up or down as the assessed value went down or up so that it would always produce the same amount of revenue per year adjusted upward 6 percent per year. So if the City's AV increased 20 percent in one year, the amount of tax revenue it would collect (the tax base), would increase only 6 percent. In rapidly growing cities like Canby, revenues were not keeping up with new demands for General Fund services (parks, police, planning).

The new tax structure fixes a *tax rate* and allows the tax base to increase along with assessed value. A tax rate was established in fiscal year 1998 to equal the tax rate as described above. This tax rate becomes fixed; it cannot change. For Canby the now fixed tax rate is \$3.4932 per \$1,000 of assessed value. And the City's adjusted assessed value is \$494,795,970. The revenue from taxes the City will collect is determined by multiplying the tax rate by the assessed value in \$1,000's of dollars, or \$1,728,421.

Next year, and all subsequent years, the City's assessed value can increase in one of two ways. First, for properties that do not change, the assessed value will increase at the same rate as its market value but by no more than 3 percent per year. Recently, the market value of developed properties has been increasing about 7 percent per year. Second, for properties that make major improvements (more than \$10,000 in one year or more than \$20,000 in five years) the assessed value increases to the value of similar existing land uses. For example, assume a vacant lot with an assessed value of \$50,000 is developed with a duplex with a current market value of \$200,000. The County Assessor must determine the current assessed value of existing duplexes in Canby, which might be \$150,000 and use that value as the assessed value of the improved property.

In sum, the City's assessed value will increase with market trends up to 3 percent per year plus increase with the addition of land improvements. So when a City grows with new private real estate developments, the city's assessed value increases and so does its tax revenues. The 6 percent per year cap on the old tax base no longer applies. For rapidly growing cities like Canby, the annual increases in tax revenue very likely will exceed 6 percent per year.

In the forecast, EFA assumes that existing property will increase 3 percent a year and new development will add 10 percent a year for a total annual increase of 13 percent. In the past four years, the City's total assessed value increased by more than 13 percent per year.

These assumptions will result in more tax revenue than would have occurred under the old tax-base structure. So, if this forecast comes to pass and the City finds it really does have more revenue than ever before, how should it fund parks? The City has two choices, (1) business as usual or (2) establish a tax rate for parks. Business as usual will repeat the financial history described above. Park operations are adjusted annually in response to expected general fund (tax) revenues with periodic transfers for capital improvements or enhanced maintenance. Certainly,

the City will want to preserve some of this budgeting flexibility as we describe later.

The second choice is to establish an “informal (or implicit)” tax rate for parks. This acknowledges the fact that the City now lives by a *tax rate* and no longer by a *tax base*. As we said, the City’s total tax rate is now \$3.4932/\$1,000 of assessed value (AV). In 1998 the City implicitly is using a tax rate of \$0.5679/\$1,000AV to fund parks. This tax rate multiplied by the City’s AV amounts to the \$279,000 budgeted for Parks this year. If this tax rate is held constant over time as the City’s AV increases at 13 percent per year, then revenues for parks will increase along with the AV. There is a symmetry to this choice. As AV increases then presumably demand for parks is also increasing, because the increase in AV is mostly explained by new development. As demand increases, the City should investment in more parks to meet demand. When AV isn’t growing then presumably demand for parks also is not growing. This argument is about the same as establishing a permanent voter-approved tax rate for parks (similar to a tax base for the Blue Heron Recreation District).

However, to implement such a fiscal policy as a tax rate for parks would invite a similar decision for police, planning, and all other General Fund Department. Notice too, that the implicit tax rates would be more the result of a historical accident than soundly reasoned choices. Do the implicit tax rates in 1998 really represent the long term allocation of revenues to City departments? Would voters really vote for this allocation of their tax dollars? Also, solidly locking in tax rates for each department will strip away any flexibility the City has to respond to changing demands for public services. Parks may be a priority in one year and police or planning the next year.

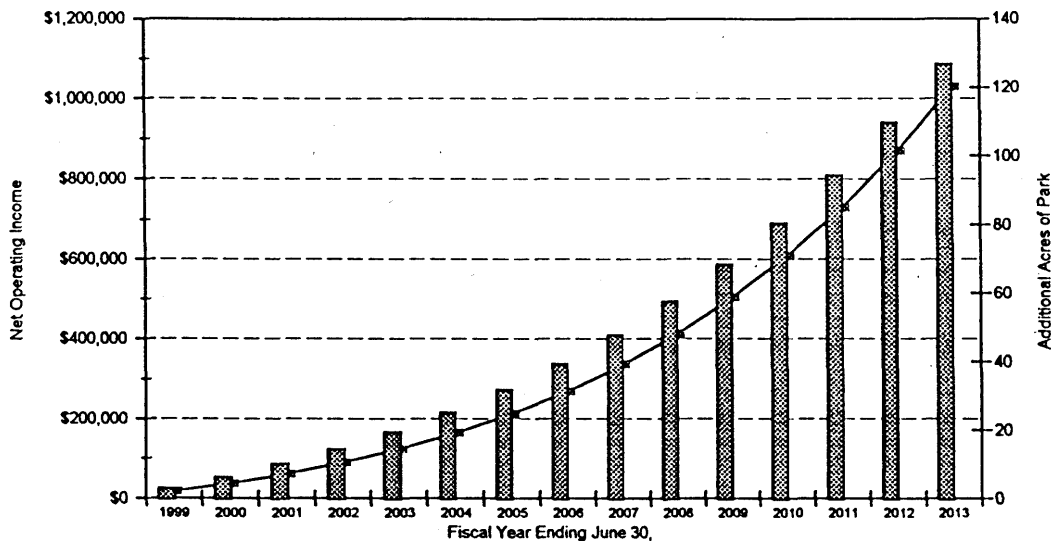
Aside from these shortcomings the forecast provides some useful insights into how the Parks Department will need funding. Recall that revenue to operate parks comes from only two sources: swim center fees and property tax revenue from the General Fund. The swim center revenues will not keep up with inflation and they pay for only 60 percent of the cost of the swim center. The general fund tax revenues are the only variable source of revenue to pay for operations.

So, even if the City received grants of land and money to add 20 acres of park land to its inventory, unless the General Fund allocation of tax dollars increased to pay to maintain the new park, either all of the City’s parks would get less maintenance, or the City could not afford to maintain the new park. The City’s inventory of parks (and park facilities) cannot grow any faster than its ability to fund maintenance. Using our notion of an implicit tax rate for parks, then in theory the inventory of parks cannot increase at a rate faster than the increase in AV adjusted for inflation.

To apply this theory, we forecast operating revenue assuming a slow 3 percent growth of swim center revenues and a fixed implicit property tax rate for parks, and assuming no additional parks are acquired. Figure 2 shows the growth in net operating revenue (operating revenue minus operating costs) on the line, and the additional number of acres of park land the City could afford

to maintain, on the bar. By the end of the 15th year, the City could afford to operate about 120 acres more park land. With the existing 36 acres, it could be operating 156 acres of parks by year 2013.

Figure 2 Forecast New Acres of Park Land



Using this rate of additional park land per year, we produced the financial forecast. In it the City would complete the improvements to the Logging Road trail in 1999 adding about 2.9 acres of land to manage more intensively. The operating revenue would be available to operate the park and the cash in capital reserves will be sufficient to make the improvements without borrowing money. This scenario is only one of the dozens of possible combinations of investment choices. Also, there are other considerations that go beyond the average revenues and costs forecast here. For example, notice that the Knights Bridge Swimming Hole is very cheap to build, less than \$70,000, but very expensive to maintain. It involves 15 acres and the annual cost of operating this park, according to our average, would be more than \$60,000 a year. Perhaps the level of improvements planned for this park are significantly less than in the average City park and hence deserves to be evaluated at a lower cost per acre. The City will not provide life guards. The City will have to mindfully evaluate annual maintenance costs along with the capital costs to make wise investment decisions.

CHAPTER II PARK SYSTEMS DEVELOPMENT CHARGE

Overview

EFA developed two parks systems development charges: one for the City of Canby and one for the Blue Heron Recreation District. The City's Park Plan clearly shows that the City's parks are used by a broader population than lives in the City. In fact, the voters of this broader geographic area, elected to form the Blue Heron Recreation District, though they did not also vote to approve a tax base or general obligation bonds for the District. Nonetheless the BHRD can formulate and assess a park's SDC.

The two parties, the City and the BHRD, can cooperate on a "regional" SDC that is assessed by each party in its respective geographic areas. The City within the City, and the unincorporated area within the BHRD. The City lies wholly within the BHRD. BHRD can collect the SDC inside and outside the City, but it lacks any administrative framework. It does not employ any staff. The City also owns most of the parks and has a full-time park staff. Also, one of the parks will benefit only City residents, therefore, the SDC inside the City differs from the SDC outside the City.

In the next two sections, EFA develops improvement fees for park SDCs inside the City and in the BHRD area outside of the City. We also describe the process by which BHRD would develop an agreement with the Clackamas County and the City of Canby to collect and administer the SDC.

City of Canby

Reimbursement Fee

At this time, the City will not impose a reimbursement fee.

Improvement Fee

To develop the improvement fee, we have to consider that some of Canby's parks benefit residents in a larger geographic area than the City itself. Also, we have to consider that some of Canby's existing and planned parks are outside Canby. The area included in the Blue Heron Recreation District (BHRD) encompasses the relevant geographic area, which includes all of Canby's existing and proposed parks, and the majority of the population using Canby's parks. Also, within this area are parks in school and state ownership that help satisfy part of the residents' demands for parks and open spaces.

Table 5 shows the population forecasts for the City of Canby and for the Blue Heron Recreation

District, which encompasses all of the City. Most of the existing and forecast population in the unincorporated area is within the Canby urban growth boundary (UGB). Over the long run, these unincorporated areas are expected to annex to the City.

Table 5 Population Growth

		Population Growth			
		1990	1996	2016	Growth
Canby		8,983	11,430	20,643	9,213
	Avg. Annual % Change		4.10%	3.00%	
Unincorporated		13,985	15,775	23,568	7,793
	Avg. Annual % Change		2.03%	2.03%	
Blue Heron Recreation District		22,968	27,205	44,211	17,006
	Avg. Annual % Change		2.86%	2.46%	

The planned improvements either benefit the entire community, including existing and future developments, or will be built only in response to future development. Table 6 shows our allocation of park costs to future population growth. With the exception of the 13th Street neighborhood park, all benefits are attributable to the population growth in the Blue Heron Recreation District. The 13th Street neighborhood park is located wholly in Canby and most likely to benefit only the local area within Canby. The remaining parks likely will benefit the entire geographic area.

The parks identified with an asterisk (*) in the far left column are parks identified both in the Canby Parks Master Plan and in the BHRD Master Plan. These include the two neighborhood parks that both plans implicitly identify for development somewhere at Canby's urban fringe where future residential development will be concentrated.

We did not deduct any development costs for grants. The City has received only one park's grant in the past five years for \$20,000. The grant was used to develop the parks master plan. Also, all of the land except for the two planned neighborhood parks is expected to be donated. Land for these parks is owned either by the State of Oregon or by the Canby Utility Board. The Honda Pits park site was obtained by the City through a condemnation action and paid for with revenues from the Sanitary and Storm Sewer Fund. Since, the site acts as a regional storm water collection pond, we did not include the land cost in the SDC and we do not anticipate the Park Fund repaying the Sewer Fund for the land.

Table 6 shows the calculation of the SDC for a 3-bedroom (i.e., 3 sleeping rooms) housing unit.

The SDC per sleeping room would be \$347. Compared to the current SDC of \$295 per sleeping room, the proposed SDC represents an 18 percent increase.

Table 6 City of Canby Capital Improvements List and SDC

	Park Type	Units	Cost/Unit	Unit	Development & Land Costs			Population	\$/capita
					Development	Land	Total		
Honda Pits	Community	13.9	\$70,700	Acre	\$982,730		\$982,730	17,006	\$57.79
13th Street	Neighborhood	5.7	\$56,600	Acre	\$322,054		\$322,054	9,213	\$34.96
ECO	Community	22	\$9,500	Acre	\$209,000		\$209,000	17,006	\$12.29
Logging Road	Trail	2	\$128,000	Mile	\$256,000		\$256,000	17,006	\$15.05
* Knight's Bridge Swimming Hole	Community	15	\$4,130	Acre	\$61,963		\$61,963	17,006	\$3.64
* Molalla River Greenway	Greenway	56	\$4,570	Acre	\$256,036		\$256,036	17,006	\$15.06
* Outdoor Swimming Pool	Community	5000	\$112	Sq. Ft.	\$560,000		\$560,000	17,006	\$32.93
* 2 Neighborhood Parks	Neighborhood	14	\$200,000	Acre	\$2,800,000	\$840,000	\$3,640,000	17,006	\$214.04
Total		126.6			\$5,447,783	\$840,000	\$6,287,783		<u>\$385.75</u>
								People/housing unit	2.7
								SDC/Housing unit	\$1,040
								SDC/Sleeping Room	\$347

Note: The housing unit is composed of 3 sleeping rooms. We assume that a 3-bedroom house will accommodate the average size household. According to the City's planner, the average number of sleeping rooms in new single family house is between 3 and 4, because many 3-bedroom houses include a bonus room or office area, which count as sleeping rooms.

Blue Heron Recreation District

For this plan to work financially, the BHRD will have to collect an SDC for residential developments in the unincorporated area. Canby's SDC is based on the larger regional population part of which lies outside of its urban growth boundary where it lacks jurisdiction to collect the SDC. Unless those residential developments that occur in this unincorporated area pay their share of the SDC, the City will not collect enough revenue to build the planned parks. The Blue Heron Recreation District (BHRD) can assess the SDC in the unincorporated area and transfer the revenues to Canby for development of those parks to be used by the residents inside and outside of the City.

The SDC for the BHRD would consist of the same regional components that the Canby park's SDC does. BHRD's SDC would be net of the 13th Street park and based on the same regional growth forecast. Table 7 shows the calculations.

Table 7 BHRD Capital Improvements List and SDC

Capital Improvement	Park Type	Units	Cost/Unit	Unit	Development & Land Costs			Population	\$/capita
					Development	Land	Total		
Honda Pits	Community	13.9	\$70,700	Acre	\$982,730	\$0	\$982,730	17006	\$57.79
13th Street	Neighborhood	5.7	\$56,600	Acre	\$322,054	\$0	\$322,054	0	\$0.00
ECO	Community	22	\$9,500	Acre	\$209,000	\$0	\$209,000	17006	\$12.29
Logging Road	Trail	2	\$128,000	Mile	\$256,000		\$256,000	17006	\$15.05
* Knight's Bridge Swimming Hole	Community	15	\$4,130	Acre	\$61,963	\$0	\$61,963	17006	\$3.64
* Molalla River Greenway	Greenway	56	\$4,570	Acre	\$256,036	\$0	\$256,036	17006	\$15.06
* Outdoor Swimming Pool	Community	5000	\$112	Sq. Ft.	\$560,000		\$560,000	17006	\$32.93
* 2 Neighborhood Parks	Neighborhood	14	\$200,000	Acre	\$2,800,000	\$840,000	\$3,640,000	17006	\$214.04
Total		126.6			\$5,447,783	\$840,000	\$6,287,783		\$350.80
									People/Housing unit 2.7
									SDC/Housing unit \$950
									SDC/Sleeping room \$317

The BHRD SDC is smaller than the City's SDC because it excludes the 13th Street neighborhood park, which is wholly within the City and will serve only a local population. The other 2 planned, neighborhood parks will be located either at the borders of present day Canby or in the presently unincorporated area. Future developments outside the City will benefit from these two parks. As a result, the SDC for a 3-bedroom (i.e., 3 sleeping rooms) is \$317 per sleeping room compared to \$347 per sleeping room in Canby.

To implement this SDC, BHRD will have to pass an ordinance that enables the District to assess the SDC. This report would become the supporting methodology to the ordinance, and Table 7 above will become the capital improvements list required by the ORS 223.309.

BHRD will have to develop an agreement with Clackamas County to have the County collect the SDC and account for the money collected. The County already provides similar services for other park and recreation districts and for some cities and special service districts. The County also wants the BHRD to provide a one-page flier explaining its SDC so the County can hand it out to building permit applicants. The BHRD also will have to provide the County with a one-page description of how the SDC is to be applied: only to residential developments. At the time someone applies for a building permit, the County would assess the SDC and collect it. The County will ask for a percentage of the collected SDCs to cover its administrative costs. ORS 223.307 (5) allows the BHRD to spend SDC revenues "... on the direct costs of complying with the provisions of ORS 223.297 to 223.314, including the costs of developing system development charge methodologies and providing an annual accounting of systems development charge expenditures."

To simplify accounting at the County, District, and City, the BHRD would have the County transfer the

collected SDC revenues to the City of Canby. Canby will have to maintain a separate fund for the District's SDC revenues and establish with the BHRD a procedure for the BHRD to approve expenditure of the money. Also, the BHRD will have to file an annual budget with the State of Oregon, hold a budget hearing, and account annually for the collection and use of the money. These costs are eligible expenditures from the SDC revenues.

APPENDIX

Park Operating & Maintenance
Cost/acre/year

Acres	\$/Acre	
	1998 \$'s	Inflated
36	5,600	5,600
39.4	5,600	5,370
44.4	5,560	5,290
49.4	5,530	5,280
54.4	5,490	5,280
59.4	5,450	5,260
64.4	5,360	5,240
69.4	5,220	5,170
74.4	5,050	5,040
79.4	4,890	4,880
84.4	4,740	4,730
89.4	4,590	4,590
94.4	4,450	4,450
99.4	4,320	4,320
104.4	4,200	4,190
109.4	4,080	4,080
114.4	3,970	3,960
119.4	3,860	3,860
124.4	3,760	3,750
129.4	3,660	3,660
134.4	3,560	3,560
139.4	3,470	3,470
144.4	3,380	3,380
149.4	3,290	3,290
154.4	3,210	3,200
159.4	3,130	3,130
164.4	3,050	3,050
169.4	3,000	2,970

City of Canby
Parks & Recreation
Combining Statements of Cash Flow

	1994				1995			
	Parks & Recreation Fund	Parks	Parks Developm ent	Total	Parks & Recreation Fund	Parks	Parks Developm ent	Total
Cash Flows for Operating Activities								
Operating revenues								
Property taxes	119,756	125,086		244,842	292,473			292,473
Payments in lieu of taxes					61,746			61,746
Charges for services	126,701	750		127,451	132,517			132,517
Interest income	349	534		883	792			792
All other	500	13,956	82,135	96,591	5,509		14,927	20,436
Total revenues	247,306	140,326	82,135	469,767	493,037		14,927	507,964
Expenditures for operations								
Personal services	(184,921)	(91,607)	(1,620)	(278,148)	(326,091)			(326,091)
Materials & services	(52,880)	(25,493)	(1,550)	(79,923)	(150,661)		(8,000)	(158,661)
Transfers in								
Transfers out	(3,425)	(7,500)		(10,925)	(24,560)			(24,560)
Service agencies								
Total operating expenditures	(241,226)	(124,600)	(3,170)	(368,996)	(501,312)		(8,000)	(509,312)
Net Operating Income	6,080	15,726	78,965	100,771	(8,275)		6,927	(1,348)
Cash Flows for Capital Related Activities								
SDC			189,980	189,980			121,259	121,259
Interest Income			3,934	3,934			9,506	9,506
Transfers in								
Grants								
Loans								
Gifts								
Capital outlays			(115,150)	(115,150)			(223,322)	(223,322)
Net Capital			78,764	78,764			(92,557)	(92,557)
Net Income	6,080	15,726	157,729	179,535	(8,275)		(85,630)	(93,905)
Fund balance, July 1,			73,556	73,556	6,080	15,726	231,285	253,091
Residual equity transfer					15,726	(15,726)		
Fund balance, June 30	6,080	15,726	231,285	253,091	13,531		145,655	159,186

Eliminated the \$79859 transfer to service agencies and the property taxes used to pay them

City of Canby
Parks & Recreation
Combining Statements of Cash Flow

	1996			1997		
	Parks & Recreation Fund	Parks Development	Total	Parks & Recreation Fund	Parks Development	Total
Cash Flows for Operating Activities						
Operating revenues						
Property taxes	293,724		293,724	287,782		287,782
Payments in lieu of taxes	36,255		36,255			
Charges for services	127,894		127,894	140,108		140,108
Interest income	2,422		2,422			
All other	62,542	2,825	65,367		33,914	33,914
Total revenues	522,837	2,825	525,662	427,890	33,914	461,804
Expenditures for operations						
Personal services	(357,590)	(2,839)	(360,429)	(301,913)	(9,679)	(311,592)
Materials & services	(86,713)	(11,620)	(98,333)	(123,677)	(2,724)	(126,401)
Transfers in	9,300		9,300			
Transfers out	(25,556)		(25,556)	(2,300)		(2,300)
Service agencies						
Total operating expenditures	(460,559)	(14,459)	(475,018)	(427,890)	(12,403)	(440,293)
Net Operating Income	62,278	(11,634)	50,644		21,511	21,511
Cash Flows for Capital Related Activities						
SDC		98,946	98,946		132,488	132,488
Interest Income		10,879	10,879		24,138	24,138
Transfers in	68,614		68,614		50,000	50,000
Grants						
Loans						
Gifts						
Capital outlays	(2,582)	(8,620)	(11,202)		(13,727)	(13,727)
Net Capital	66,032	101,205	167,237		192,899	192,899
Net Income	128,310	89,571	217,881		214,410	214,410
Fund balance, July 1, Residual equity transfer	13,531	145,655	159,186	141,841	235,226	377,067
Fund balance, June 30	141,841	235,226	377,067	141,841	449,636	591,477

Listed the \$68614 timber sale revenue as a seperate line item and eliminated it as an SDC

The \$50,000 transfer in was from the General Fund and designated an SDC match

City of Canby
Parks & Recreation
Combining Statements of Cash Flow

	1998			
	Parks & Recreation Fund	Swim Center	Parks Development	Total
Cash Flows for Operating Activities				
Operating revenues				
Property taxes	196,786	80,818		277,604
Payments in lieu of taxes				
Charges for services	6,600	134,400		141,000
Interest income				
All other			1,000	1,000
Total revenues	203,386	215,218	1,000	419,604
Expenditures for operations				
Personal services	(132,183)	(159,058)	(11,000)	(302,241)
Materials & services	(39,700)	(52,179)	(10,000)	(101,879)
Transfers in				
Transfers out	(31,503)	(3,981)		(35,484)
Service agencies				
Total operating expenditures	(203,386)	(215,218)	(21,000)	(439,604)
Net Operating Income			(20,000)	(20,000)
Cash Flows for Capital Related Activities				
SDC			100,000	100,000
Interest Income			10,000	10,000
Transfers in				
Grants			20,000	20,000
Loans				
Gifts				
Capital outlays			(75,000)	(75,000)
Net Capital			55,000	55,000
Net Income			35,000	35,000
Fund balance, July 1,	141,841		449,636	591,477
Residual equity transfer				
Fund balance, June 30	141,841		484,636	626,477