Financing an Aquatic Center: Health and Wellness in Hermiston

Fall 2021
Hermiston

Natalie Kataoka • Rebecca Lewis, PhD

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UNIVERSITY OF OREGON

HERMISTON OREGON

SCI Sustainable Cities Institute

SCYP Sustainable City Year Program

Fall 2021 Hermiston

Financing an Aquatic Center: Health and Wellness in Hermiston

Natalie Kataoka
Report Author • Bachelor of Science Environmental Science

Rebecca Lewis, PhD
Associate Professor • School of Planning, Public Policy and Management

COLLEGE OF DESIGN

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About SCI

The Sustainable Cities Institute (SCI) is an applied think tank focusing on sustainability and cities through applied research, teaching, and community partnerships. We work across disciplines that match the complexity of cities to address sustainability challenges, from regional planning to building design and from enhancing engagement of diverse communities to understanding the impacts on municipal budgets from disruptive technologies and many issues in between.

SCI focuses on sustainability-based research and teaching opportunities through two primary efforts:

1. Our Sustainable City Year Program (SCYP), a massively scaled university-community partnership program that matches the resources of the University with one Oregon community each year to help advance that community's sustainability goals; and

2. Our Urbanism Next Center, which focuses on how autonomous vehicles, e-commerce, and the sharing economy will impact the form and function of cities.

In all cases, we share our expertise and experiences with scholars, policymakers, community leaders, and project partners. We further extend our impact via an annual Expert-in-Residence Program, SCI China visiting scholars program, study abroad course on redesigning cities for people on bicycle, and through our co-leadership of the Educational Partnerships for Innovation in Communities Network (EPIC-N), which is transferring SCYP to universities and communities across the globe. Our work connects student passion, faculty experience, and community needs to produce innovative, tangible solutions for the creation of a sustainable society.

About SCYP

The Sustainable City Year Program (SCYP) is a year-long partnership between SCI and a partner in Oregon, in which students and faculty in courses from across the university collaborate with a public entity on sustainability and livability projects. SCYP faculty and students work in collaboration with staff from the partner agency through a variety of studio projects and service-learning courses to provide students with real-world projects to investigate. Students bring energy, enthusiasm, and innovative approaches to difficult, persistent problems. SCYP's primary value derives from collaborations that result in on-the-ground impact and expanded conversations for a community ready to transition to a more sustainable and livable future.

About City of Hermiston

Hermiston is a vibrant destination that incorporates rural and urban opportunities as the largest city in eastern Oregon. In the 1860s Hermiston was known as a hotel called the “Six Mile House,” a stop for travelers in the Columbia River Basin. Following the establishment of railroads, the City was incorporated in 1907. Approximately eight square miles in area, Hermiston currently has more than 19,000 residents.

Hermiston’s employment rate is 62.1%, which is above Oregon’s employment rate of 59.3%, and has a mean household income of $54,123. Seventy percent of the residents are between the ages of 18-64.

Hermiston is located at the junction of Interstate 82 and Interstate 84 in Umatilla County, near the Oregon-Washington border. Stanfield, the closest city, is five miles southeast, and Umatilla is located six miles north along the Umatilla River.

Renowned for its watermelons, Hermiston’s desert climate and proximity to the Umatilla River and the Columbia River have made agriculture a dominant industry since the early 1900s. In the 1970s potato processing plants and the introduction of center pivot irrigation firmly established agriculture as an economic asset to the City. At the same time, industrial businesses like Marlette Homes, Inc., Lamb Weston, and Union Pacific expanded into Hermiston, further stimulating the economy. Additional commercial development in the 1990s and 2000s with Walmart and FedEx building distribution centers, led to an increase in employment opportunities and diversified economic growth. The 2010s saw further diversification of the economic base with the construction of data centers in Boardman and Umatilla with additional centers proposed for Hermiston as well. The City is a regional trade hub and is central to a broader area serving over 76,000 people. Hermiston’s success as a retail and data center continues to spur growth and development.

The City maintains 13 parks, 15 landscape areas, and more than 100 acres for the community while Hat Rock State Park, located near Hermiston, offers City residents and visitors a variety of recreational activities. In the summer, the Eastern Oregon Trade and Event Center hosts the Umatilla County Fair and Farm-City Pro Rodeo, among other events that highlight Hermiston's rural culture.

Forty-four percent of Hermiston's population is Hispanic and as the City grows, it has emphasized inclusion. The City created the Hispanic Advisory Committee in 2012, which proceeded to represent and integrate Hermiston's Hispanic communities. It was presented the National League of Cities 2013 City Cultural Diversity Award, following achievements such as an annual Cinco de Mayo festival. Much of Hermiston's outreach materials are available in Spanish and English, including information and inquiries related to the City's most recent visioning process, Hermiston 2040.

In 2016, the Livable Hermiston process included feedback from over 2,000 residents who identified priority assets, including the development of more parks and a multi-use facility over the next 20 years. In 2013, the Hermiston Urban Renewal Agency (HURA) was created to revitalize Hermiston's downtown area and in 2019 HURA was awarded Urban Renewal Project of the Year for development that stimulated the local downtown economy. With numerous plans to incorporate community ideals in the City's development, Hermiston has a promising cultural and economic future.

Sources:
United States Census Bureau
City of Hermiston
Hermiston Chamber of Commerce
Hermiston 2040

Course Participants

TU TRAN, Community and Regional Planning Graduate
OLIVIA DALY, Public Administration Graduate
STRICK YAMADA, Public Administration Graduate
ANGELA ARRINGTON, Public Administration Graduate
DAN CAMPBELL, Public Administration Graduate
BRENDAN IRSFELD, Community and Regional Planning Graduate
IMANI LINDBERG, Public Administration Graduate
ALLYSON NIITANI, Public Administration Graduate

Executive Summary

This report evaluates alternatives to fund a new area Health, Wellness, and Aquatic Center located in the city of Hermiston. Funding options that students evaluated included:

- Create a special park and recreation district
- Create an intergovernmental entity
- Place construction and management of facility under the Hermiston Parks and Recreation Department

To evaluate these alternatives and make a recommendation, students researched financing strategies and assessed the feasibility of their proposals.

Students also reviewed relevant statutes and analyzed GIS-based maps of Hermiston's existing city limits to determine the boundaries of a potential parks and recreation special district. Relevant facility funding case studies from comparator communities informed student proposals.

Additional financial and political considerations relevant to the preferred alternative included: capitalizing on revenue from neighboring cities, working within the City's existing framework or creating a new district, and factoring in current resident opinions on increasing taxes. Proposals leveraged mechanisms such as taxes, bonds, user fees, and system development charges as funding sources for the construction and operations of Hermiston's Health, Wellness, and Aquatic Center.

The selection and integration of mechanisms can be guided by teams assessment regarding how Oregon Revised Statutes allow municipalities to finance capital projects. Following the summary of proposal packages and the alternative recommendations of Group A and Group B, each proposal was evaluated based on equity, neutrality, efficiency, and productivity. Students ranked the of proposal packages from most to least recommended at the conclusion of this report.

Introduction

As Hermiston's population grows, the City identified the need for an additional multipurpose recreational center to service current and future residents. The City generally refers to the proposed center as the aquatic center but hopes to include: lap pools for swim meets, therapy pools for medical use, a fitness center, two regulation-sized basketball courts that can host tournaments, an indoor walking track, and rentable rooms to teach things such as yoga, zumba, and other personal or group activities.

Following blueprints drafted by an architectural firm, the project cost is estimated at $30 Million dollars. The City seeks a cost recovery of 75% operating expenses. Students reviewed financial assessments made by the city of Hermiston and the consulting firm Ballard*King & Associates (B*K) in order to develop proposals for the funding and maintenance of the aquatic center facility.

FIG. 1

Source: hermistonherald.com

Proposal Packages

FIG. 2

Source: hermiston.or.us

PROPOSAL PACKAGE 1: SPECIAL PARK & RECREATION DISTRICT

Forming a Special District

Oregon Revised Statutes (ORS) 266.410 allows for the establishment of a parks and recreation special district. Under this statute, the special district can assess levies and bonds, collect taxes, and take on debt to pay for the cost of a proposed facility. A special district allows for dedicated funding and separates taxing authority from the city government.

According to ORS 198, a petition must be circulated and gain the approval of 15% of the residents living within the proposed district boundary, before a special district may be created (ORS 196). Once approval is granted, the city of Hermiston can create an independent Parks and Recreation District under the governance of an independent district board. A new parks and recreation district must hold an election for the newly created board before property taxes may be levied on residents. Under ORS 266.512, an independent Parks and Recreation District can collect taxes up to 0.5% of the real market value of the taxable property in the new district and can issue bonds up to 2.5% of the value of the real market value of taxable property (ORS 266). Calculations for this debt limit can be found in Appendix H.

RECOMMENDATIONS

Each student group recommended a different boundary for the proposed special district, in addition to corresponding tax rates and bond measures.

Group A

Recommendation 1

Student Group A recommends using the preexisting Hermiston school district boundary as the new special district's boundary. By following the school district boundary, individuals who use the facility the most pay for it in both user fees and with supporting taxes. Voter approval is more likely since residents can better understand the taxing authority. Residents outside of Hermiston are also included in this boundary, increasing the households serviced by the facility. As of 2018, the Hermiston School District has 9,847 taxable lots with a median assessed taxable value at $127,208 per lot. This special district will be able to implement an ad valorem tax on the residents within the proposed boundary. The proposed permanent rate is $0.40 per $1,000 of assessed value. This would cost the average home an additional $50.92 per year on their property taxes, generating roughly $501,440 in annual revenue for the special district.

To pay for the initial construction of the aquatic center, taxpayers would need to pass a bond. Based off the proposed budget, the aquatic center will require roughly a $30 Million bond. For a 20-year bond at a 2.11% rate. this will cost taxpayers approximately $1.5 Million annually at $1.21 per $1,000 assessed value. Each homeowner in the proposed district would be required to pay on average an additional $155 in taxes for the next 20 years.

In addition to utilizing an ad valorem tax, the special district will be able to collect user fees and membership fees. The aquatic center is estimated to generate $1,613,729 in user fees per year. This leaves the aquatic center

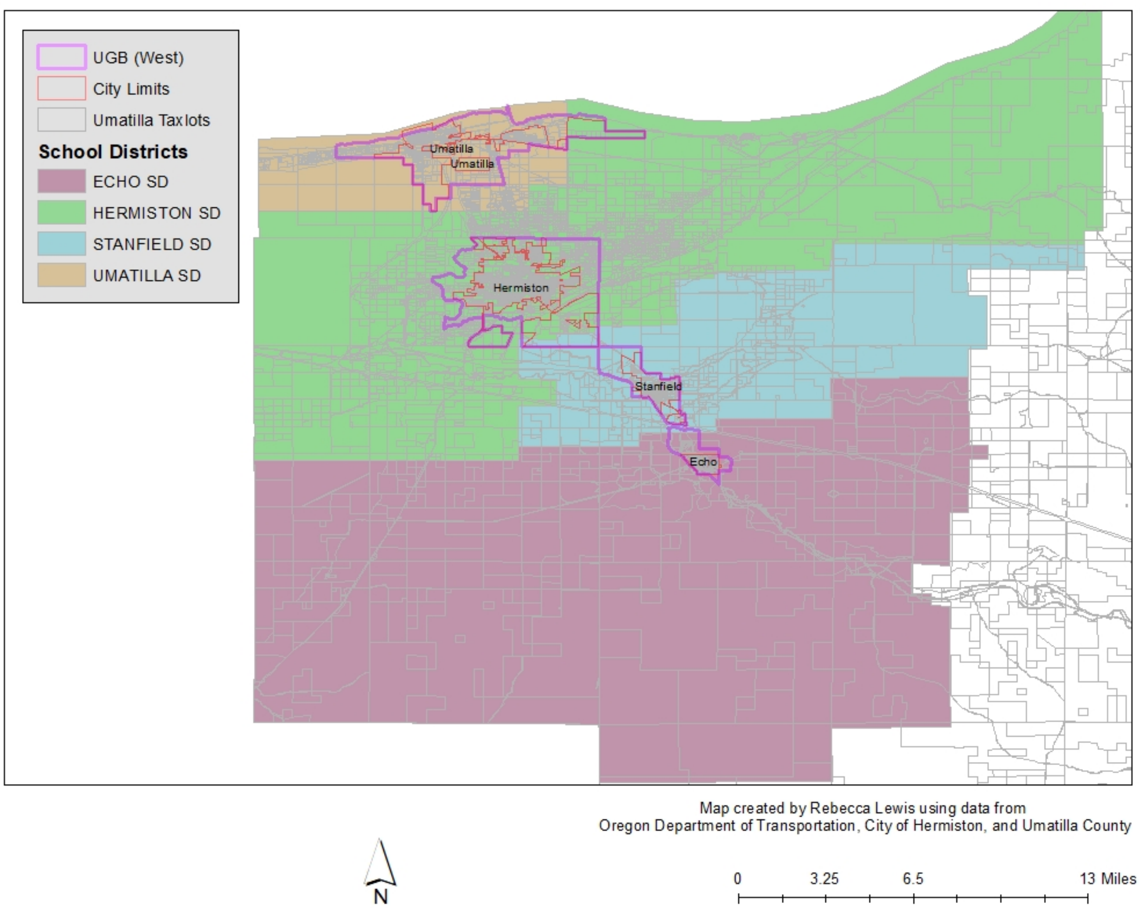

FIG. 3

Existing School District Boundaries, Model of Hermiston School District to Form Geographic Extent of Special District for Aquatic Center

Ballard*King & Associates Estimates, 2018	
Total Expenses	**$2,471,205**
Revenue	
Total User Fee	$1,613,729
Day Passes	$120,600
Month to Month Passes	$985,127
Annual Passes	$508,002
Other Revenue	$380,576
Total Revenue	**$1,994,305**
Operating Deficit	**$(476,900)**

TABLE 1

User Fee Estimates for Aquatic and Recreational Facility

Source: Ballard*King & Associates, Market Analysis, Hermiston Health, Wellness and Aquatics Center Study, 2018

2021 - 2022 Hermiston Adopted Budget Parks Department Funds	
Revenue	
Park and Recreation Fee	$80,000
Pool Income	$160,000
Total Revenue	**$240,000**
Expenditures	
Parks	$692,811
Recreation	$749,304
Parks Landscaping	$61,002
Municipal Pool	$591,328
Total Expenditures	**$2,094,445**
Operating Deficit	**$(1,854,445)**

TABLE 2

City of Hermiston, Adopted Budget, FY 2021-2022, Parks Department Funds

Source: Hermiston Adopted Budget 2021 - 2022

with an operating deficit estimated at $476,900 (see Table 1). With the proposed permanent rate above, the special district will be able to generate enough revenue to cover the difference. Between the permanent rate and the bond, the proposed aquatic center special district will cost taxpayers on average $205 annually (see Table A# in Appendix A for summary).

Recommendation 2

As an alternative, Student Group A proposes Hermiston could create a special district for the entire parks and recreation department within the city. This would separate all park operations from the general fund and grant the district its own funding sources. If the special district for Hermiston Parks and Recreation remains within the city limits, taxes could only be imposed on Hermiston residents. Hermiston has 7,342 taxable lots within the city boundary.

To cover the annual aquatic center expenses, the average home would be assessed $65 a year to cover operating expenses and $210 to pay for the bond for a total of $345 per tax lot per year. The special district would also need to finance all other park expenditures, which would cost each taxpayer an additional $70 a year. As shown in Table 2, it would need to finance an additional $1,854,445 per year.

Group B

Student Group B recommends including Hermiston, Stanfield, and Umatilla School Districts in the proposed parks and recreation district. Residents of these districts are likely to visit and utilize the Hermiston Aquatics Facility and should contribute to the operating costs for the facility. Based on GIS data, there are 14,966 tax lots in this proposed boundary for the new district, worth around $4.8 billion in real market value (Hermiston GIS Data). The proposed permanent rate is $1.25 per $1000 of assessed value. This rate would generate about $1.2 Million per year in property taxes, covering both the administrative costs of running the special district and the operating costs of the facility. The average single-family household in this special district would pay $137 in property taxes to the district, resulting in a 12.9% increase in taxes.

The B*K study notes that, under the current proposed user fee rates, the operating deficit is about $480,000 (achieving 81% cost recovery)(B*K). Using the operating costs of the special districts noted in Appendix A-D, a parks and recreation district requires $600,000 to cover administrative costs. This $1.1 Million in required costs (operating and administrative) would be covered by the permanent rate, leaving $100,000 for a rainy-day fund.

Appendix J details the yearly required annual payment for a 30-year, $30 Million bond, which assumes that the special district maintains an AA rating and gains a 1.9% interest. It should be noted that as of this report (December 2021), the municipal bond market is extremely accommodative toward borrowers, with abnormally low interest rates. Furthermore, the recent passage of the federal infrastructure package signals to investors that local governments will be strengthened through additional grants and incentives (Oregon State Treasury Department). Therefore, the financial market is accommodative toward new municipal bonds, with extremely low interest rates and ease of finding investors.

Based on a $30 Million bond, the average single-family household would pay $181 per year, for 30 years to pay off the debt incurred for the construction of the facility. The additional cost of the bond for the aquatics center would increase their debt service payments by 46%. A detailed breakdown of the costs to a single-family household can be seen in Appendix K.

CAVEATS

- Resident trust in existing operation of parks and recreation means it is unlikely there will be voter support for creating an independent parks and recreation district.
- If residents vote in favor of the special district, the election of the new board members requires time and investment.
- The administrative costs of running the district and collecting taxes must be considered.
- The tax adversity of current Hermiston residents may reduce the feasibility of increasing household and debt service payments.

PROPOSAL PACKAGE 2: FORMING AN INTERGOVERNMENTAL ENTITY

Another approach, that would include a greater number of households to increase revenue for the aquatic center, is an intergovernmental agreement (IGA) with the cities of Echo, Stanfield, Umatilla, and Umatilla County. This could be enacted through ORS 190.010, which allows two or more public agencies to share existing resources. Specifically, under ORS 190.080, an intergovernmental agency can issue revenue bonds or enter financial agreement, specifically revenue-sharing agreement to service the revenue bonds. Agencies that have signed an intergovernmental agreement can also enter into agreements with private parties for the lease purchase or installment purchase, with option to purchase, real or personal property if the period of payment is under 20 years. However, those participating in the IGA cannot levy taxes or issue general obligation bonds (ORS 190). The creation of an intergovernmental entity through an IGA does not require voter approval; it can only be approved by ordinances from each of the governments involved in its creation. Establishing this intergovernmental entity can ensure that surrounding city governments have buy-in since they will also benefit from the new aquatic center.

Revenue Bonds

Since an intergovernmental entity can only issue revenue bonds for capital investments, students recommend the projected revenue stream from the new aquatic center be tightly forecasted to ensure proper repayment of debt obligations. Furthermore, there are specific requirements for a revenue bond to be considered a public purpose bond to have tax-exempt status. Requirements for issuing revenue bonds are detailed in ORS 287A.150, in that public body can authorize revenue bonds through resolution or nonemergency ordinance (ORS 287A). Revenues from other property of the public body can be used to secure the bonds. However, under ORS 287A.180, the principal amount cannot exceed 80% of the taxes or other revenues, except grants, that the public body has budgeted or expected to have available to pay the revenue bonds. Under an IGA, revenue bonds can be serviced from combining revenues from departments of the involved agencies, and the shares of contributions are determined through legally binding agreement between all agencies that are part of the IGA.

Group A

Table 3 shows that issuing revenue bonds to raise $30 Million will require an annual debt service of approximately $1.52 Million. This is based on the highest municipal bond rate the group researched, to account for potential interest rates. Hermiston would expect an operating deficit as a result of the annual debt service. See Table A4 in Appendix A for two scenario models from case studies compared to the Ballard*King & Associates estimates.

Group B

Appendix P uses the annual payment from the general obligation bonds for the calculation of the revenues needed for the bond. Using the expected revenues and operating costs from B*K

TABLE 3

Criteria resulting from issuing revenue bonds for $30 Million over 20 years

Revenue Bond Criteria	
Principal for Bond	$30,000,000
Interest Rate	2.50%
Term to Maturity	20 years
Annual Debt Service	$1,520,000

TABLE 4

User Fees

190% Increase for IGA Revenue Bond Payment

Category	Daily	Resident Annual	Non-resident Annual	Resident Monthly	Non-resident Monthly
Adults	$8	$500	$625	$45	$55
Youth (2-17)	$5	$300	$375	$28	$34
Senior (55+)	$6	$300	$375	$28	$34
Senior Couple (55+)	N/A	$500	$625	$45	$55
Family	N/A	$775	$970	$68	$84
Category	**Daily**	**Resident Annual**	**Non-resident Annual**	**Resident Monthly**	**Non-resident Monthly**
Adults	$15.20	$950.0	$1,187.50	$85.50	$104.50
Youth (2-17)	$9.50	$570.0	$712.50	$53.20	$64.60
Senior (55+)	$11.40	$570.0	$712.50	$53.20	$64.60
Senior Couple (55+)	N/A	$950.0	$1,187.50	$85.50	$104.50
Family	N/A	$1,472.50	$1,843.0	$129.20	$159.60

Market Study, the difference between total annual debt service from the revenue bonds and the expected revenues is 190%, or 3 times the current revenues estimation of the facility. Table 4 showcases what these new user fees will be.

Population Thresholds

Table 5 demonstrates another approach to forming an intergovernmental entity, in that each city contributes to the capital costs of the facility according to their population. This would reduce the burden for Hermiston from bearing the total capital costs and can be easier to issue as a general obligation bond, with lower principal and annual payment. However, the city of Hermiston would require comprehensive agreements from all other jurisdictions to the contribution percentages, to legally form the IGA per requirements in the enabling statutes. Basic calculations from the Group B, Appendix Q table also demonstrate the need for prudent assessments in financial capacity of each agency. Specifically, the city of Echo would contribute 2% to the capital costs, but the contribution is 110% of its total adopted budget in 2021. Similarly, Stanfield would contribute 8% to total costs, but the contribution is 37% of its total adopted budget. However, this calculation does not consider the contribution of Umatilla County, which can bear a significant portion of the capital costs. The city of Hermiston is already in an IGA with the County to manage an event center, and if the

City	Population	Percent of Total Pop.	Expected Contributions	Total Adopted Budget	Percent of Total Budget
Hermiston	18,415	64%	$19,155,686.55	$69,064,541.00	28%
Echo	710	2%	$738,557.56	$669,502.00	110%
Umatilla	7,470	26%	$7,770,457.70	$55,544,110.00	14%
Stanfield	2,245	8%	$2,335,298.20	$6,392,255.00	37%
Total	**28,840**	**100%**	**$30,000,000.00**		

TABLE 5
Expected Contributions According to Population Percentages

2020 Population via U.S. Census		
City	**Population**	**PCT of Total in IGE**
Hermiston	19,354	66%
Umatilla	7,363	25%
Stanfield	2,144	7%
Echo	632	2%
Total	**29,493**	**100%**

TABLE 6
Share of annual operating deficit based on city population

County agrees to a new partnership, the feasibility for both funding options is expanded.

Appendix R shows that relevant Census tracts within the Secondary Service Area of the market study account for 44% of the total population for Umatilla County, and thus the city of Hermiston should be able to substantiate with the County to contribute appropriately. Umatilla County also receives significant revenue injections from its data center agreements with Amazon, in that Amazon provides $2 Million in annual payment to be split between the city of Umatilla and the County. Umatilla County also signed an agreement with Vadata through the Strategic Investment Program that provides $4 Million in annual payment (McDowell, J. 2020). These payments significantly bolster the Special Revenue Fund for the County, and with the relevant tracts accounting for 44% of the population, inclusion of the County to the IGA would strengthen the productive yield for both funding options using a revenue bond or direct contributions.

If Hermiston were to enter into agreements with the closest surrounding cities, the intergovernmental entity would include approximately 29,500 residents (see Table 6).

System Development Charges (SDCs)

System Development Charges (SDCs) are one-time development fees that can be used to subsidize a portion of the costs associated with the construction of the new facility. These fees are often only paid when building permits are received, so SDCs are more effective in rapidly growing communities. According to the market analysis by B*K, the population in Hermiston is expected to grow as the City attracts new residents. Therefore, charging SDCs on new construction could be a relatively consistent form of capital revenue. dditionally, Hermiston residents have shown to be tax-adverse according to surveys conducted by B*K.

Governments participating in the IGA may choose to contribute a portion of their SDCs to the facility. As the Ballard*King report noted, Hermiston is likely to experience the most development over the next decade, so the City's SDCs would be key. However, development in the city of Umatilla and the wider Umatilla County can also capture fees. Under ORS 223.307, revenue from SDCs may be used for "expenditures relating to repayment of indebtedness." Assuming SDC revenue that is 20% over current revenue from this source, while including a comparable figure at the County level (using Yamhill County), we estimate that the entity could raise 8% of its annual debt financing from this source (see Table A5 in Appendix A).

Greater Hermiston Enterprise Zone (GHEZ) Revenue

An additional strategy to consider would be allocating a portion of revenue received from the GHEZ each year. The two primary contributors include Lamb Weston and Amazon, each providing $500,000 in the most recent fiscal year (City of Hermiston). An annual transfer from the GHEZ Fund to the entity to provide needed financing could potentially provide an additional $150,000 to $200,000 per year. Adding another business to the GHEZ could further increase this value by an additional $350,000 to $500,000 in revenue based on current contributions.

Through SDCs and GHEZ revenue, the entity could expect to reduce its operating deficit by approximately 40% if the above assumptions are implemented (see Table 7).

TABLE 7

Potential funds generated by SDCs and GHEZ

Based on 2019 - 2020 level estimates			
City	**Potential Revenue from SDCs**	**Potential Revenue from GHEZ**	
Hermiston	$70,000	Existing Allocation	$150,000
Umatilla	$40,716	New Business	$350,000
Stanfield	$5,400		
Echo	$600		
Umatilla County (est.)	$9,672		
Total SDCs Generated for the IGE	**$126,388**	**Total GHEZ Funds**	**$500,000**

Deficit Share Measured by Total General Fund Resources		
City	General Fund 2020-21	PCT of Total IGE
Hermiston	$16,711,361	34%
Umatilla	$12,916,865	26%
Stanfield	$1,014,222	2%
Echo	$669,502	1%
Umatilla County	$17,468,500	36%
Total in IGE	**$48,780,450**	**100%**

TABLE 8
Share of Annual Operating Deficit based on General Fund Resources within the IGE of Cities and Umatilla County

CAVEATS

- Revenue bonds have higher interest rates and principal since they are backed by the full faith and credit of a specific agency, thus actual annual payment is expected to be higher.
- According to the Ballard*King report, the facility will need an operating subsidy prior to the use of revenue for servicing the debt from revenue bonds.
- Revenue bonds must mature within 13 months after they are issued, signifying that these bonds are interim and cannot be fully depended on to pay the total costs of the capital project.

PROPOSAL PACKAGE 3: PLACE CONSTRUCTION & MANAGEMENT OF FACILITY UNDER THE HERMISTON PARKS AND RECREATION DEPARTMENT

System Development Charges (SDCs)

The city of Hermiston just approved SDCs to fund park improvements. The revenue forecast $350,000 in SDCs per fiscal year, with the average cost of a parks SDC totaling $400. If part of the revenues from parks SDCs can be utilized for the aquatic center, the finance committee can consider raising their fees to collect more revenue without sacrificing revenue earmarked for parks projects. If the construction of the aquatic center needs its own SDC and associated fund, the budget committee may need to wait a few years before implementing an additional fee.

Other cities near the Columbia River, including Irrigon, Hood River, St. Helens, and The Dalles, implement SDCs in the form of improvement fees to fund improvements to their parks systems (Aljets, P. 2020). The average charges for SDCs for these five cities are shown in Appendix L. The city of Hermiston could raise the rates of their current parks SDCs to be more in-line with other cities near the Columbia River.

Students recommend that Hermiston raise their parks SDCs to $500 and dedicate 50% of the revenue from this charge to fund the construction of the aquatic center. This proposal will annually generate around $220,000, which after ten years, will cover about $2 Million of the capital construction costs for the aquatic center.

General Obligation Bond Group A

If Hermiston decides against SDCs, Group A suggests that the city of Hermiston issue a $30 Million general obligation bond to cover the construction of the aquatic center. This bond would cost about $1.5 Million a year for a 20-year period at a 2.11% interest rate (see Table A1 in Appendix A for payment schedule). The bond will issue a $1.21 tax per $1,000 assessed value of properties in Hermiston. Bond issuance would require voter approval.

In Table 9, Group A estimates that the aquatic center will generate almost $2 Million in revenues but cost about $2.5 Million to operate. After the annual transfer from the general fund, the Parks and Recreation Department will still be operating at about a $500,000 deficit each year. To cover operating costs, it is proposed that the City ask voters to approve a local option levy of $0.51 per $1,000 assessed value. This tax would cost homeowners about $64 per year and generate $476,972 in tax revenue. The implication of this funding option is that the tax would need to be renewed every five years by voters.

Group B

If Hermiston approved SDCs, Group B suggests the City obtain a general obligation bond to cover the remaining $28 Million in capital construction costs. Based on the current 1.9% interest rate for an AA-rated, 30-year general obligation bond, the average single-family household would need to pay an additional $282 a year in debt service to pay off this bond. Hermiston residents would see an additional 73% increase in their annual debt service payments with this bond.

Operating Costs for the Facility

As the aquatic center is only expected to return 81% of the the facility operating costs, according to the B*K analysis, the remaining $480,000 in operating costs will need to be paid by other revenues from the City. This $480,000 budget shortfall is about 70% of the current expenditures for the parks department. A recommended solution to account for this $480,000 operating budget shortfall without over-burdening the current Hermiston parks department is to increase user fees for the aquatic center until the facility achieves 100% cost recovery. Under this new 100% revenue model, the facility would need to increase user fees across the board by 125% eliminate

TABLE 9

Estimated Parks Department Budget with Aquatics Center for City of Hermiston, 2021 – 2022 Adopted Budget

2021 - 2022 Hermiston Adopted Budget, Parks Department Funds	
Revenue	
Park and Recreation Fee	$80,000
Pool Income	$160,000
General Fund Transfer	$1,854,445
Aquatic Center Revenue (est.)	$1,994,305
Total Revenue	**$4,088,750**
Expenditures	
Parks	$692,811
Recreation	$749,304
Parks Landscaping	$61,002
Municipal Pool	$591,328
Aquatic Center Operating (est.)	$2,471,205
Total Expenditures	**$4,565,650**
Operating Deficit	**$(476,900)**

the operating budget shortfall. The new user fees can be found in Table 10.

Intergovernmental Agreement (IGA)
To help establish guaranteed funding within the Parks and Recreation Department each cycle, the city of Hermiston may still enter into an intergovernmental agreement to form informal or formal agreements with other local governments for sharing services and/or personnel. Here, the agreement does not seek to form an intergovernmental entity pursuant to ORS 190.010(5) but rather follow a model similar to contracting between service providers. The benefits to a formal agreement are a more secure, usually longer-term arrangement with outlined financial commitments for each party. This could be a good option for services that can be accessed by users outside of the municipality, which the aquatic center seeks to achieve.

Caveats

- As Hermiston residents are relatively sensitive to increases in price associated with new charges or new taxes, residents are unlikely to support the creation of new consecutive SDCs.
- Higher user fees for the facility may drive users toward other aquatics or community centers within Hermiston, reducing revenue for the facility overall.

FIG. 4
Source: wikipedia.org

TABLE 10

User Fees

100% Cost Recovery

Category	Daily	Resident Annual	Non-resident Annual	Resident Monthly	Non-resident Monthly
Adults	$8	$500	$625	$45	$55
Youth (2-17)	$5	$300	$375	$28	$34
Senior (55+)	$6	$300	$375	$28	$34
Senior Couple (55+)	N/A	$500	$625	$45	$55
Family	N/A	$775	$970	$68	$84
Category	**Daily**	**Resident Annual**	**Non-resident Annual**	**Resident Monthly**	**Non-resident Monthly**
Adults	$10	$625	$781	$56	$69
Youth (2-17)	$6	$375	$469	$35	$43
Senior (55+)	$8	$375	$469	$35	$43
Senior Couple (55+)	N/A	$625	$781	$56	$69
Family	N/A	$969	$1,213	$85	$105

Evaluation

Each funding option was evaluated based on equity, neutrality, efficiency, and productivity. The equity criterion will examine the distribution of taxes among individuals in comparable circumstances and the variation of the tax burden across a variety of incomes. The neutrality criterion will examine whether the funding option distorts the decisions that individuals will make. The criterion for efficiency will ensure that the administration of the governance option is reasonable, and the costs of the funding/governance option does not exceed the revenue. Finally, the productivity criterion will examine the stability of the revenue generated by each funding source. Each criterion was assigned a score of high, medium, or low.

	Equity	Neutral	Efficiency	Productivity
IGA	High	High	Low	Medium
Special District	High	Medium	Low	High
City	Low	Low	Medium	Low

TABLE 11

PROPOSAL PACKAGE 1: SPECIAL PARK & RECREATION DISTRICT

Equity

Despite the minor vertical equity concerns associated with flat user fees without any options for low-income waivers, the high score in horizontal equity pushes the special district to a good score in equity overall.

Horizontal Equity

Among comparable users of the aquatic center, the permanent taxation rate and use of a general obligation bond ensures that users will pay similar amounts for the facility. The proposed boundary for the special district includes residents from the three surrounding school districts whom are likely to utilize the aquatic center. Under this boundary, the individuals who use the facility would pay the additional property taxes to cover the operating costs and the bond service charges that cover the capital construction costs of the facility. Additionally, the use of a general obligation bond ensures that users/beneficiaries of the facility pay for the costs of construction and operation; the "pay-as-you-use" funding model of general obligation bonds results in good scores for intergenerational and horizontal equity. The funding mechanisms for the facility under the special district funding option ensures that the users of the facility pay for its capital and operating costs, resulting in good scores for horizontal equity.

FIG. 5

Source: hermiston.or.us

Vertical Equity

81% of the operating costs for the facility can be paid for by flat user fees. These flat user fees disproportionately affect low-income individuals, as the costs of using the facility will be a larger percent of their income than for an individual with higher income. There is no plan to offer a low-income waiver for user fees, resulting in a low score in vertical equity. Offering a low-income waiver or similar refund option for low-income users of the facility could increase the vertical equity of the special district funding option.

Neutrality

Residents of the special district may experience increases in their annual tax statements because of this special district. These tax increases, however, are benefits-based, and residents will easily “see” what their tax dollars pay for in the form of the new facility and special district. While the tax-adverse nature of Hermiston residents may result in residents of Hermiston moving to other cities to avoid these property taxes, the special district funding option achieves a moderate score in terms of neutrality due to the benefits-based nature of the taxes associated with the special district.

Efficiency

The process of creating and administering a special district and gaining voter approval is a highly inefficient process, resulting in a poor score for efficiency. While the special district uses established boundaries in the form of the Hermiston, Stanfield, and Umatilla school districts, gaining voter approval to form the district in the first place requires an expensive campaign. A similarly expensive campaign to gain voter approval for the $30 Million bond also brings the efficiency score down. Finally, case studies from other parks and recreation departments demonstrate that running a special district costs around $600,000 a year. This administrative price tag further reduces the efficiency

Evaluation Criteria	Proposal 1: Special District	Proposal 2: Intergovernmental Agreement	Proposal 3: Manage Under Hermiston Park & Recreation Department
Equity	Moderate	Good	Poor
Efficiency	Moderate - Poor	Moderate	Poor
Neutrality	Good	Poor	Poor
Productivity	Good	Good	Moderate

TABLE 12
Evaluation Table, Summary Level (see Appendix B for Detailed Criteria for each Proposal)

of a special district, especially when compared to other governance options with little-to-no additional administrative costs.

Productivity
The creation of a new parks and recreation district creates new, consistent sources of funding; this special district will cover operating costs of the facility and the district in the form of permanent taxation and will cover capital costs by approving a bond. The annual guarantee of tax revenue from the special district, which would be used to fill in the operating budget shortfall for the facility, ensures that all costs will be accounted for.

PROPOSAL PACKAGE 2: FORMING AN INTERGOVERNMENTAL ENTITY

Equity
An intergovernmental entity would ensure official buy-in from adjacent jurisdictions to pay for the aquatic center while increasing its perceived neutrality as their user fees would be the same as all residents of Hermiston. However, user fees are not considered vertically equitable as they are regressive. In this case, using bonds, local option levies, and SDCs would introduce revenue sources that are progressive. Nonetheless, user fees directly reflect benefits-received, in that an intergovernmental entity is sufficiently equitable if a revenue bond is issued to finance the capital costs. Basic calculations demonstrate that the expected revenue yield from the facility is not expected to sustainably service the bond without substantially raising the proposed pricing. The other approach to the intergovernmental entity that uses population percentages as thresholds for contributions can posit an equity issue, as jurisdictions have significant variations within their budgets.

Horizontal Equity
The intergovernmental entity is highly horizontally equitable, since user fees and direct contributions from public agencies do not discriminate among similar households. The intergovernmental entity has slightly lower horizontal equity if it charges out-of-bound users higher than those in-bound. This can be overlooked as in-bound residents already indirectly contribute to the facility through other contributions to their public agencies. If the intergovernmental entity successfully includes Umatilla County, then horizontal equity is significantly improved as the County can fund a capital project where a substantial portion of its residents reside.

Vertical Equity
The intergovernmental entity also has high vertical equity, since the fundamental base for benefits-received through user fees is that people with more discretionary income can choose to spend more to use the aquatic center than others. Different pricing for out-of-area and in-area users also enhances vertical equity because residents who can afford to travel further to reach the aquatic center tend to also be able to pay more.

Neutrality
The intergovernmental entity is neutral, in that user fees are based on benefits-received principle and thus do not place burden in both vertical and horizontal equity as the intergovernmental entity cannot levy tax or issue general obligation bonds.

Efficiency
Although IGAs are common across local governments in Oregon, they are mostly formed for current public

FIG. 6
Credit: Megan Banks

resource-sharing agreements, such as public safety, natural hazard mitigation programs, regional economic development agencies, utilities, and communications. The case studies and preliminary research on IGAs show no evidence of an IGA being formed to finance and construct capital-intensive projects. Stipulations in ORS dictate that agencies forming IGAs need substantial deliberation on the governing structure, financial agreements, and legal approvals from attorneys in all involved jurisdictions, with a final review by the state's attorney general. Forming an IGA would involve substantial set-up costs, and the multi-agency structure means that the administrative costs would also be higher than regular public entity, specifically with legal fees and submissions. Therefore, forming an intergovernmental entity is the least efficient of all the funding options, due to significant costs and labors for set-up and administration. However, the city of Hermiston is currently in an IGA with Umatilla County and the Eastern Oregon Trade and Event Center Authority to manage the event center within the City. If Hermiston is successful in partnering with Umatilla County again, the County may be able to ameliorate significant capital contribution to the capital costs, specifically through direct contributions.

Productivity

Baseline productivity is very poor as intergovernmental entities can only issue revenue bonds, and the expected revenues from operation in B*K market study are not expected to service the revenue bond to pay for capital and operating costs. Revenue bonds also have higher interest rates and principal payments, as their maturing periods are shorter than general obligation bonds, thus objectively reduce their productive yield. Servicing revenue bonds also requires estimations of operating revenues, which can be subjected to errors as there is not a comparable nearby aquatic center. Although the aquatic center's revenues can be utilized for basic projections, the scope and scale of the proposed aquatic center are not comparable.

PROPOSAL PACKAGE 3: PLACE CONSTRUCTION & MANAGEMENT OF FACILITY UNDER THE HERMISTON PARKS AND RECREATION DEPARTMENT

Horizontal Equity

While the use of general obligation bonds and SDCs to pay for the capital costs of the facility falls under the category pay-as-you-use financing, the distribution of the costs of the bond and SDCs fails to account for the wide range of users from outside the city of Hermiston. Under this financing option, users of the aquatic center within the city of Hermiston would pay far more for the capital costs than a user of the facility from the nearby city of Echo. Using this metric for horizontal equity, the bond option and SDCs for the city of Hermiston ranks poorly.

Vertical Equity

The vertical equity component examines the use of flat user fees to cover the operation costs of the aquatic center. The aquatic center does not currently offer low-income waivers, causing major vertical equity issues, especially considering the 125% increase in user fees. Low-income users of the aquatic center would pay a much higher percent of their paycheck to use the facility than an individual with higher income.

Neutrality

Residents in the city of Hermiston would see dramatic increases in their debt service payments because of this $28 Million bond. While this bond would pay for a service that residents of the city will use (benefits-based), the very high cost may encourage residents to move to a nearby city to avoid the bond service payments.

Efficiency

If the administration of the aquatic center falls under the already-established Hermiston Parks Department, there would not be any major administrative costs. Unfortunately, gaining voter approval of the $28 Million dollar bond would require an expensive campaign, reducing the efficiency score to medium instead of high.

Productivity

This funding option fails to consistently generate enough revenue to cover the operating costs of the aquatic center. Revenue from user fees can vary from year to year, resulting in a volatile source of funding the facility. Additionally, while the SDCs could cover $2 Million of the capital construction costs over a 10-year period, if population growth in the region is not as high as projected, the revenue from SDCs will be lower. The choice to use SDCs and user fees to cover significant portions of the capital and operating costs of the project would result in a highly inconsistent revenue yield, justifying the low score in terms of productivity.

Recommendations

Based on the evaluation of each funding mechanism, students recommend that the city of Hermiston adopt Proposal Package 1, forming a parks and recreation special district. This funding mechanism provides the most flexibility for the City for the aquatic center without relying solely on issuing a general obligation bond. Using property taxes along with user fees and system development charges to finance those bonds provides benefits rated as good on equity, neutrality, and productivity and moderate/poor for efficiency. Since the city of Hermiston does not have any current bond obligations, it would be reasonable to take on the proposed $30 Million general obligation bond with a defined development plan to fund its aquatic center. Similar to the case studies, the City could adopt other strategies such as setting a new permanent tax rate combined with user fees to supplement funding and operation of the new aquatic center. With the population of Hermiston growing at a significant rate compared with other jurisdictions, this means there could be more distribution of costs and increase in revenue towards the special district to operate sustainably.

Students' second recommendation is Proposal Package 2, organizing an intergovernmental entity with neighboring jurisdictions, if the new special district does not happen. Although the intergovernmental entity cannot levy taxes or issue general obligation bonds, it does not require voter approval and if agreements are held firm, parties to this agreement could suggest more equitable contributions by combining the shared revenues to pay for operating costs as mentioned above. This option also increases the efficiency of resources and sustainability of revenue sources only if parties to the IGA hold firm to the agreement.

Proposal Package 3, raising funds through other funding opportunities, is the least recommended option. The SDCs used by other jurisdictions seen in the case studies are a limited source of revenue that the city of Hermiston can draw from.

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Appendix A

Group A Final Report

MEMORANDUM

TO: CITY OF HERMISTON

FROM: ANGELA ARRINGTON, DAN CAMPBELL, BRENDAN IRSFELD, & IMANI LINDBERG

SUBJECT: HERMISTON SCYP REPORT DRAFT

DATE: DECEMBER 6TH, 2021

Executive Summary

This memorandum presents three proposal packages to the City of Hermiston, Oregon for financing the construction and operation of an aquatics and recreational facility. The project is part of the University of Oregon's Sustainable Cities Year Program.

The document gives an overview of the project proposal and explores key takeaways the student team identified through four case studies. It then presents three proposals for how the city can utilize financing mechanisms to raise capital for constructing the facility and thereafter, finance its operations. Following these proposals, each will be evaluated along four criteria, which will inform a brief discussion about the merits of each strategy:

1. forming a Special District under Oregon Revised Statutes (ORS) 266;
2. forming an intergovernmental entity through agreement under ORS 190; and
3. manage the facility's construction and operation under the existing Hermiston Park and Recreation Department.

The student team recommends that the City of Hermiston form a Special Park and Recreation District in order to finance the construction of the facility and manage its operational costs.

Project Overview

Located in Eastern Oregon, the City of Hermiston is progressive and has a rich economic history of agricultural development, food processing, and transportation. Hermiston is the largest city in Eastern Oregon, with the 2020 census reporting a population of roughly 18,775 people.[1] Due to its growth, Hermiston has identified an ongoing need for a recreation facility that includes a multi-lane lap pool, a variety of workout equipment, classes, and programs. It is the city's hope that the facility has the capacity to serve not only its current residents, but future residents and residents living in the communities surrounding Hermiston as well. The project is estimated to cost approximately $30 million dollars and the city seeks a cost recovery of 75% operating expenses.

Key Takeaways from Case Studies

Special Districts often exist to finance park and recreational projects

The group's four case studies provided insight into how similar facilities have been financed to account for both construction and annual operating expenses. What our research finds is that special

[1] US Census, DEC Redistricting Data (PL 94-171).

districts are common strategies for providing the needed financing mechanisms. Madras was able to develop a special district solely for the purpose of financing and maintaining the aquatic center. Although the strategy has presented challenges in recent years, the special districts' success is due in part because the district can take on debt and not rely on transfers from the general fund for additional funding.

Chehalem Park and Recreation District is also a special district that uses a combination of user fees, property taxes, and system development charges to fund the districts' facilities and programs. The special district structure provided the board with the option for renovating the aquatic and recreation facility with a $14 million general obligation bond in 2014.[2] The Chehalem example also provides a useful contrast for revenue and expenditure annually for operating a facility such as the one Hermiston seeks to construct. The special district has a comparable population and a comparable fee structure to that recommended in the Ballard*King & Associates market report.

Maintaining Facilities and Assets are Integrated into Plans of Special Districts
Similarly, Pasco, WA utilized a special district strategy to fund several public event centers. Similar to Madras, Pasco takes on debt and issues bonds to fund new projects and finance needed maintenance. Sisters, OR also benefits from a special district strategy. While the city receives some funding from the general fund for both operating and maintaining the park system, it is not dependent on only this source of revenue. Important to note is that Sisters' park system maintenance and operations are incorporated into a 20-year plan that details goals. This plan allows the city to think about ongoing, long-term maintenance needs of the park and estimate costs early in the budgeting process to ensure that money is available when needed.

Intergovernmental Entities via Agreement are Rare for Financing Recreational Facilities
All four case studies identify the use of a special district rather than an intergovernmental entity. As our research discovered, using the IGA strategy to fund a recreational facility has not yet been employed in Oregon. As discussed in Proposal 2, independent entities formed under ORS 190.010(5) must register with the Secretary of State. To date, approximately 60 entities exist in Oregon, ranging from providing utility services, emergency services, and preservation protections.[3] Only a recent example provides any model for an IGA forming an entity for recreational purposes: the Salmonberry Trail Intergovernmental Agency.[4] However, this entity did not serve as a case study given its asset is an 84-mile natural trail, which was not comparable to the financing and operations required of the facility Hermiston is interested in building.

Funding Mechanisms

There are different mechanisms that can fund the Health, Wellness, and Aquatic Center for the City of Hermiston. Four funding mechanisms have been identified and serve as options for funding construction of the facility, which include:

- levying ad valorem taxes
- issuing either general obligation or revenue bonds
- strategic structuring of user fees and memberships both for in- and out-district users

[2] Chehalem Park & Recreation District, History, Aquatic Center, 2021.
[3] Oregon Intergovernmental Agencies (ORS 190).
[4] Ibid.

- instituting system development charges within the district to support paying back revenues generated for constructing the facility

How these mechanisms work together to provide the best option for Hermiston can be guided in assessing how Oregon Revised Statutes allow municipalities to explore financing for capital projects. Our study examined three package proposals for Hermiston to finance the recreation facility:

- form a special parks and recreation district;
- form an intergovernmental entity to manage the facility; or
- place management under the existing Hermiston Parks and Recreation Department.

Proposal Packages

Proposal Package 1: Forming a Special Park & Recreation District

Oregon statute 266.410 allows for the establishment of a special district. Under this statute, the special district can assess levies and bonds, collect taxes, and take on debt to pay for the cost of the aquatic center. The special district allows for dedicated funding and separates taxing authority from the Hermiston city government.

If an Aquatic Center special district is created, we recommend following the already defined Hermiston school district boundary to determine the district's geographic extent. This special district will be able to implement an ad valorem tax on the residents within the proposed boundary. While state law allows for the tax rate to be decided by the district, for this purpose, consider a rate of $0.40 per $1,000 assessed value is implemented. As of 2018, the Hermiston School District has 9,847 taxable lots with a median assessed taxable value at $127,208 per lot. This would cost the average home an additional $50.92 per year on their property taxes, generating roughly $501,440 in annual revenue for the special district.

Table 1. User Fee Estimates for Aquatic and Recreational Facility

Ballard*King & Associates Estimates, 2018		
Total Expenses	**$**	**2,471,205**
Revenue		
Total User Fee	$	1,613,729
Day Passes	$	120,600
Month to Month Passes	$	985,127
Annual Passes	$	508,002
Other Revenue	$	380,576
Total Revenue	**$**	**1,994,305**
Operating Deficit	**$**	**(476,900)**

*Source: Ballard*King & Associates, Market Analysis, Hermiston Health, Wellness and Aquatics Center Study, 2018*

To pay for the initial construction of the aquatic center, a bond will need to be passed by the taxpayers. Based off the proposed budget, the aquatic center will require roughly a $30 million bond. For a 20-year bond at a 2.11% rate. this will cost taxpayers approximately $1.5 million annually at $1.21 per $1,000 assessed value. Each homeowner in the proposed district will be required to pay on average an additional $155 in taxes for the next 20 years. In Madras, Oregon, a special district was formed to fund their aquatic center. They utilized an ad valorem tax to fund the special district's general fund and a bond to fund constructing the facility. In addition to utilizing an ad valorem tax, the special district will be able to collect user fees and membership fees. Based on the Ballard*King & Associates report, the aquatic center is estimating user fees to generate $1,613,729 per year. This leaves the aquatic center with an operating deficit estimated at $476,900 (see Table 1). With the proposed permanent rate above, the special district will be able to generate enough revenue to cover the difference. Between the permanent rate and the bond, the proposed aquatic center special district will cost taxpayers on average $205 annually (see Table A# in Appendix A for summary).

Proposed boundaries of the special district

The map shown in Figure 1 shows the Hermiston school district boundary. We recommend following the existing boundary lines of the school district. The reason for following the school district boundary is the ease and simplicity for voter approval. Residents already know if they fall within the school district boundary, making the taxing authority easy to understand. The other advantage of following the school district boundary is it includes more than just the residents of Hermiston to pay for the aquatic center. Most users of a recreation pool come from families with children. So, by following the school district boundary, people who use the facility the most pay for it in both user fees and with supporting taxes.

Figure 1. Existing School District Boundaries, Model of Hermiston School District to form Geographic Extent of Special District for Aquatic Center

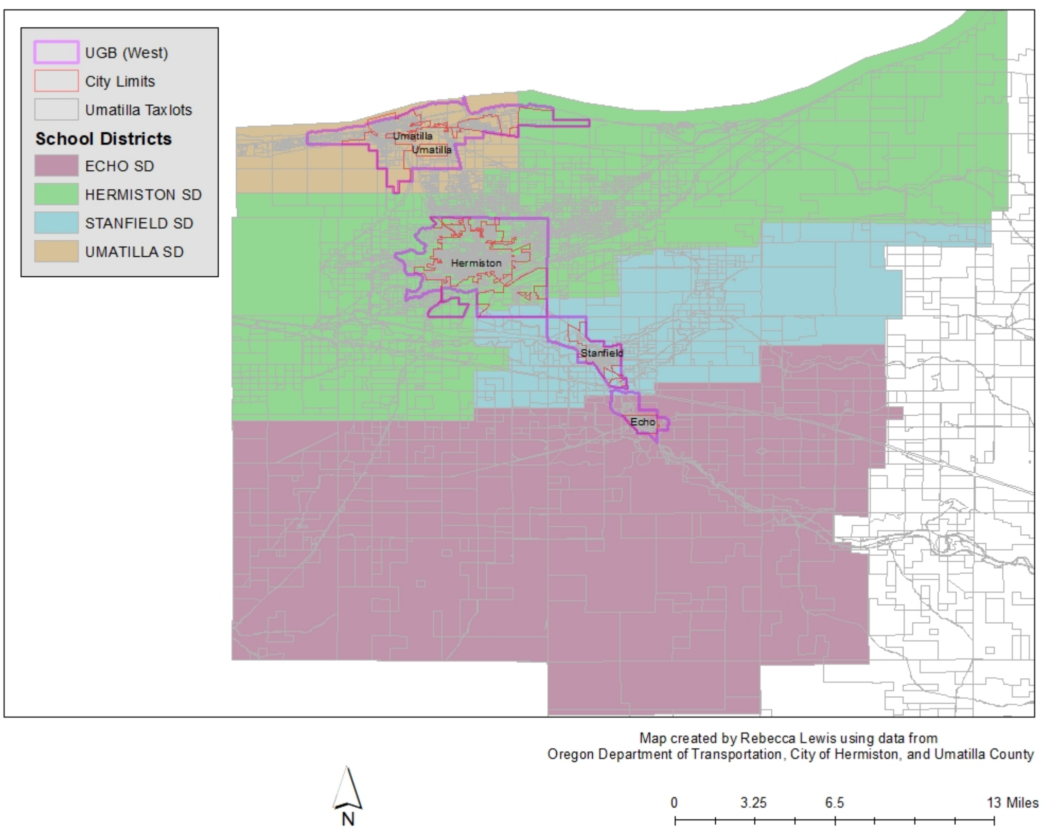

Table 2. City of Hermiston, Adopted Budget, FY 2021-2022, Parks Department Funds

2021 - 2022 Hermiston Adopted Budget Parks Department Funds		
Revenue		
Park and Recreation Fee	$	80,000
Pool Income	$	160,000
Total Revenue	$	240,000
Expenditures		
Parks	$	692,811
Recreation	$	749,304
Parks Landscaping	$	61,002
Municipal Pool	$	591,328
Total Expenditures	**$**	**2,094,445**
Operating Deficit	**$**	**(1,854,445)**

Source: Hermiston Adopted Budget 2021 - 2022

As a comparison, Hermiston could also create a special district for the entire parks and recreation department within the city. This would separate all park operations from the general fund and give the district its own funding sources. Assuming the special district for Hermiston Parks and Recreation remains within the city limits, it would only allow them to impose taxes on Hermiston residents. Hermiston has 7,342 taxable lots within the city boundary.

To cover the annual aquatic center expenses, the average home would be assessed $65 a year to cover operating expenses and $210 to pay for the bond for a total of $275 per tax lot. By making all of the parks and recreation its own special district, this will cost each taxpayer an additional $70 a year over the proposal above. The special district would also need to finance all the other park expenditures. As shown in Table 2, they would need to finance an additional $1,854,445 a year. This number does not factor in any duplicates in overhead cost that could be mitigated under one district. It also does not account for any funding the parks department receives from Hermiston's general fund.

Proposal Package 2: Forming an Intergovernmental Entity

The City of Hermiston may create an intergovernmental entity under ORS Chapter 190.010(5). The formation of an entity under this statute creates a unit of government that operates independent of the city and is therefore subject to most state laws.[5] These entities can assist in meeting capital financing needs when the challenge is greater than one municipality or special district can address alone. Intergovernmental agreements can serve as an effective strategy when it is evident that a new project or development will impact multiple parties and mutually benefits each potential partner in the entity.

Governing Structure and Applicable Statutes

When an intergovernmental entity (IGE) is created, the participating partners enter into an intergovernmental agreement (IGA) for the specific purpose that requires forming an IGE. Several administrative responsibilities result from forming the IGE, including:

- deciding the apportionment among parties of the responsibility for providing funds;
- deciding the apportionment of fees or other revenue and how revenue shall be accounted for;
- each partner of the IGE must ratify the agreement by ordinance or rule by the governing body; and
- filing notice in the formation of the IGE with the Secretary of State no more than 30 days from the effective date of the IGE.[6]

[5] Oregon Revised Statute 190.080.

[6] Oregon Revised Statutes, Chapter 190. (see Appendix D for specific statute codes and language)

The entity binds its partners to the responsibilities assumed by the new unit of government. For example, ORS 190.080(3) states that each partner shall assume the "debts, liabilities, and obligations" of the entity as partners in the agreement. This is an important distinction in understanding how participation in an IGA forming a new, independent entity, affects those governments that enter such an agreement under ORS 190 (see language in Appendix D).

Note that the statutes in ORS 190 does not limit only cities from entering into agreements that form intergovernmental entities.[7] This allows Hermiston to seek partners not only in the immediate neighboring cities of Umatilla, Stanfield, and Echo, but also with Umatilla County. Estimates for how the partnership scenario would affect capital financing and meeting the operational expenses of the facility can be found in Appendix B.

Revenue Bonds for Financing Capital Costs of Constructing the Facility

Forming a formal government entity allows the new body to issue revenue bonds pursuant to ORS Chapter 287A and enter into financing agreements pursuant to ORS 271.390. An important constraint with using revenue bonds as a financing strategy is that the revenues generated from the facility are used for servicing the debt. The group's analysis shows that using revenue bonds can be a viable capital financing strategy but creates challenges in meeting the facility's annual operating deficit.

Table 3 shows that issuing revenue bonds to raise $30 million will require an annual debt service of approximately $1.52 million. This is based on the highest municipal bond rate the group researched, as revenue bonds tend to carry greater risk and therefore, have higher interest rates. Still, the rate identified is only 2.50%, not much greater compared to the 2.11% used in calculating the annual debt service for bonds included in Proposal 1.

Table 3. Criteria Resulting from Issuing Revenue Bonds for $30 million over 20 Years

Revenue Bond Criteria	
Principal for Bond	$ 30,000,000
Interest Rate	2.50%
Term to Maturity	20 years
Annual Debt Service	$ 1,520,000

As a result of the annual debt service, Hermiston should expect an operating deficit to result in the facility's annual operating expenses. According to the Ballard*King & Associates market analysis report, the facility will need an operating subsidy even before considering the use of revenue for servicing the debt from revenue bonds. In addition to the market report, two of the group's case studies, the Madras Aquatic Center Recreation District & the Chehalem Park & Recreation District, both showed the aquatics facility operating at a deficit. It is reasonable to expect that such a deficit exists but can vary depending on the revenue and expenses of the facility (see Table A4 in Appendix A for two scenario models from case studies compared to the Ballard*King & Associates estimates).

Funding the Annual Operating Deficit

Introducing System Development Charges (SDCs) may slightly reduce the operating deficit. Through the entity, the agreeing partners may coordinate to introduce SDCs that contribute a portion of the operating funding required each year for the facility. As the Ballard*King report noted, Hermiston is

[7] ORS 190.003, Definition for ORS 190.003 to 190.130.

likely to experience the most development over the next decade, so SDCs in the city would be key in a successful SDC strategy. However, development in Umatilla City and the wider County can also capture fees. Under ORS 223.307, revenue from SDCs may be used for "expenditures relating to repayment of indebtedness." Assuming SDC revenue that is 20% over current revenue from this source, while including a comparable figure at the county level (using Yamhill County), we estimate that the entity could raise 8% of its annual debt financing from this source (see Table A5 in Appendix A).

Allocate a Portion of the Greater Hermiston Enterprise Zone (GHEZ) Revenue. An additional strategy is allocating a portion of revenue received from the GHEZ each year. The two primary contributors include Lamb Weston and Amazon, each providing $500,000 in the most recent fiscal year.[8] An annual transfer from the GHEZ Fund to the entity to provide financing needed could potentially provide an additional $150,000 to $200,000 per year. Adding another business to the GHEZ could further increase this value by an additional $350,000 to $500,000 in revenue based on current contributions.

Raising User Fees Needed to Meet 75% Recovery Cost Poses Risk. One option not explored in this analysis is raising the user fees needed to close the operating deficit. We do not recommend this approach given that the Ballard*King & Associates report, along with the group's case studies, found that the fees structured were comparable to similar facilities. Notably, the nearest facility that could draw patrons from a Hermiston facility would be the Boardman Pool and Recreation Center. Increasing user fees too high would risk more residents traveling to this facility for the lower costs.

How the Intergovernmental Entity Determines Distribution of Funding Responsibility
Through SDCs and GHEZ revenue, the entity could expect to reduce its operating deficit by approximately 40% if the above assumptions are implemented (see Table A5 in Appendix A). If Hermiston were to enter into an agreement with the closest surrounding cities, the district would include approximately 29,500 residents (see Table 4).

Table 4. Share of Annual Operating Deficit based on Population within the IGE of Cities

2020 Population via U.S. Census		
City	**Population**	**PCT of Total in IGE**
Hermiston	19,354	66%
Umatilla	7,363	25%
Stanfield	2,144	7%
Echo	632	2%
Total in IGA	**29,493**	**100%**

Hermiston may also bring in additional partners, such as Umatilla County. While adding another partner to the entity would continue to spread the burden of the annual operating deficit across greater partners, using population as a metric for allocating the necessary funding responsibility becomes more complicated. Since the population of Umatilla County is distributed across a west-east pattern, with many other communities residing outside of the incorporated cities, it would be difficult to determine the County's responsibility using a population-based methodology. As an alternative, we considered the distribution of funding responsibility based on total general fund resources available (see Table 5). In this example, for simplification, half of the

[8] City of Hermiston, Adopted Budget 2020-21, p. 127.

county total general fund resources are included to provide a projection of what share the county may contribute compared to other partners in the entity.

In this scenario, Umatilla County assumes about one third of the share, with Hermiston and Umatilla City contributing the remaining resources. The estimate is based on total general fund resources as only a model of how the share could be distributed. The county may seek to negotiate a lower share as a condition for its participation in the entity. The takeaway of this model, however, is that any entity created from an IGA would place most of the funding responsibility on the three partners of Hermiston, Umatilla City, and Umatilla County.

Table 5. Share of Annual Operating Deficit based on General Fund Resources within the IGE of Cities and Umatilla County

Deficit Share Measured by Total General Fund Resources			
City	**General Fund 2020-21**		**PCT of Total IGE**
Hermiston	$	16,711,361	34%
Umatilla	$	12,916,865	26%
Stanfield	$	1,014,222	2%
Echo	$	669,502	1%
Umatilla County	$	17,468,500	36%
Total in IGE	**$**	**48,780,450**	**100%**

Proposal Package 3: Place Construction & Management of Facility under the Hermiston Parks and Recreation Department

The Hermiston Parks and Recreation Department receives funding from the city's general fund. Any general obligation bonds issued, or local tax collected by the city would increase the general fund revenues and potentially increase the department's budget. Placing the aquatics center under the Parks and Recreation Department gives the city management authority, unlike the creation of a special district or intergovernmental entity. In this proposal package, we suggest that the City of Hermiston issue a $30 million general obligation bond to cover the construction of the aquatic and wellness center. This bond would cost about $1.5 million a year for a 20-year period at a 2.11% interest rate (see Table A1 in Appendix A for payment schedule). The bond will issue a $1.21 tax per $1,000 assessed value of properties in Hermiston.

In Table 6, we estimate that aquatic center will generate almost $2 million in revenues but cost about $2.5 million to operate. After the annual transfer from the general fund, the Parks and Recreation Department will still be operating at about a $500,000 deficit each year. To cover operating costs, it is proposed that the city ask voters to approve a local option levy of $0.51 per $1,000 assessed value. This tax will cost homeowners about $64 a year and generate $476,972 in tax revenue. The implication of this funding option is that the tax will need to be renewed every five years by voters.

Table 6. Estimated Parks Department Budget with Aquatics Center for City of Hermiston, 2021 – 2022 Adopted Budget

2021 - 2022 Hermiston Adopted Budget, Parks Department Funds		
Revenue		
Park and Recreation Fee	$	80,000
Pool Income	$	160,000
General Fund Transfer	$	1,854,445
Aquatic Center Revenue (est.)	$	1,994,305
Total Revenue	**$**	**4,088,750**
Expenditures		
Parks	$	692,811
Recreation	$	749,304
Parks Landscaping	$	61,002
Municipal Pool	$	591,328
Aquatic Center Operating (est.)	$	2,471,205
Total Expenditures	**$**	**4,565,650**
Operating Deficit	**$**	**(476,900)**

To help establish guaranteed funding within the Parks and Recreation Department each cycle, the City of Hermiston may still enter into an intergovernmental agreement to form informal or formal agreements with other local governments for sharing services and/or personnel. Here, the agreement does not seek to form an intergovernmental entity pursuant to ORS 190.010(5) but rather follow a model similar to contracting between service providers. The benefits to a formal agreement are a more secure, usually longer-term arrangement with outlined financial commitments for each party. This could be a good option for services that can be accessed by users outside of the municipality, which the Hermiston aquatic center seeks to achieve.

Establishing the aquatic center under the Parks and Recreation Department might be the most politically feasible action considering voter aversion and/or inability to pay higher taxes. The City of Pasco, WA, attempted to implement a Tri-Cities regional Public Facilities District and intergovernmental agreement in 2010 to manage an aquatics center and voters disapproved due to tax aversion and not seeing a need for the facility (see case study section for summary or Appendix C for full case study reports). Forming an intergovernmental agreement in addition to placing the project under city management might be a happy medium for the City of Hermiston.

Evaluation Criteria and Proposal Review

Evaluation criteria are used to assess the outcomes of the three funding proposals. The evaluation criteria will be measured using a color-coded system. Green indicates that the proposed funding mechanism is in good standing based on each evaluative criterion. Blue indicates a moderate score, and red indicates a poor score. Each criterion is defined below followed by a table identifying where each funding mechanism lies within each criterion:

Equity: Is the cost of the project distributed proportionally and is the distribution amongst persons or businesses comparable?
Efficiency: Is the administration of the funding mechanism feasible and not cause any administrative strain or burden?
Neutrality: Is there competition from other jurisdictions? How will fees compare to surrounding cities?
Productivity: Does this option provide a stable, sufficient revenue source?

Table 7. Evaluation Table, Summary Level (see Appendix B for Detailed Criteria for each Proposal)

Evaluation Criteria	Proposal 1: Special District	Proposal 2: Intergovernmental Agreement	Proposal 3: Manage Under Hermiston Park & Recreation Department
Equity	Moderate	Good	Poor
Efficiency	Moderate - Poor	Moderate	Poor
Neutrality	Good	Poor	Poor
Productivity	Good	Good	Moderate

Advantages and Disadvantages of Proposal Packages

Each funding mechanism has both advantages and disadvantages as seen in the table above, the justification for each package and its evaluative criteria is detailed below.

The challenge with a special district option is that it requires a lot of support from the community. Residents within the proposed district boundary would need to approve some form of taxing to fund the district. Most commonly this would be through an ad valorem tax to fund the ongoing expenditures of the district. They would also need to pass a bond measure to fund the purchase of land and the capital project of building the aquatic center. The establishment of a special district greatly relies on the political climate and general knowledge from the citizens of Hermiston as it relates to special districts and various bond measures, therefore proposal package one was ranked moderate/poor on its efficiency.

The intergovernmental entity proposal package provides unique opportunities that can benefit financing the recreation center. However, this strategy poses greater risks in higher interest rates for available bonds under Oregon Revised Statutes (revenue bonds) and greater barriers in forming by requiring cooperation among independent government bodies. Furthermore, economic fluctuations between strong and weak periods create exposure and risk for members contributing to the districts' revenues. A corresponding decrease in user fees would be difficult for the district to address without having built adequate reserves. Reducing this risk through the structure of an independent parks and recreation district compared to an intergovernmental entity is feasible. Proposal package two ranks poorly for neutrality because the communities surrounding Hermiston may be uninterested in the project or may be pursuing a similar project independently as seen in the Pasco, WA case study.

While proposal package three would allow the city to manage the facility and is the option that may be the most appealing to voters, this proposal rates poor on equity, efficiency, and neutrality. The Parks and Recreation Department would receive funds from the general fund for the aquatic center each cycle, which as a result would siphon funds from other departments in the city. The amount of funding received would be dependent on the economic circumstances the city faces requiring more funding, (e.g., Covid-19 response) resulting in an unstable revenue source and a poor efficiency rating. The department would also be responsible for advocating for an increase in funding and submitting budget requests each budget cycle which would contribute to more administrative inefficiencies.

Recommendation

Based on the evaluation of each funding mechanism, our recommendation would be for Hermiston to adopt Proposal Package 1, forming the Parks & Recreation Special District. This funding mechanism provides the most flexibility for the city to pursue financing of the recreation center without relying solely on issuing a general obligation bond. Using property taxes along with user fees and system development charges to finance those bonds available to the district provides benefits rated as good on equity, neutrality, and productivity and moderate/poor for efficiency.

With the added benefits of the parks and recreation district, we recommend Hermiston pursue this strategy for financing the Aquatics and Recreational Center. Special Districts for parks departments are very common in Oregon and have been a very effective means in generating funding. In Madras, Oregon, a special district was formed to fund their aquatic center. They utilized an ad valorem tax to fund the general fund of the district and a bond to fund constructing the aquatic center. One thing Madras Aquatic Center failed to implement early on was dedicated funding to address ongoing maintenance needs and future capital projects.

Long-term Finance Considerations

MACRD took out a $400,000 15-year loan to cover the cost of a new energy project, prioritizing this project over much-needed bathroom remodeling that has presently caused major deferred maintenance expenses. Due to the lack of funding and ability to pay off their debts, Jefferson County has repeatedly granted MACRD emergency loans to over their debts.

Creating a pay-as-you-go capital reserve fund is very beneficial to offset future debt. This is done by implementing these funds directly into the budget each year and having dedicated funding. The idea of this fund is to have earmarked reserves for crucial maintenance needs, future capital projects, or major reduction in revenue like in the case of the COVID-19 shutdown. These funds can be dedicated to finance various needs. The advantage of creating a separate fund for capital reserves is, once these funds are transferred in, it is difficult to spend them on other needs. This ensures that they have funding for major expenses and will limit the amount of debt needed to be taken on for ongoing maintenance of this facility over the life of bonds issued to finance its construction.

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APPENDIX A: TABLES & FIGURES FOR ESTIMATES

Table A1: Amortization Schedule of General Obligation Bond Financing $30 million Capital Construction of Aquatics & Recreation Facility

Term	Beginning Balance	Payment	Principle	Interest	Ending balance
1	$ 30,000,000.00	$1,516,671.73	$1,485,021.73	$ 31,650.00	$ 28,514,978.27
2	$ 28,514,978.27	$1,516,671.73	$1,486,588.43	$ 30,083.30	$ 27,028,389.84
3	$ 27,028,389.84	$1,516,671.73	$1,488,156.78	$ 28,514.95	$ 25,540,233.06
4	$ 25,540,233.06	$1,516,671.73	$1,489,726.79	$ 26,944.95	$ 24,050,506.27
5	$ 24,050,506.27	$1,516,671.73	$1,491,298.45	$ 25,373.28	$ 22,559,207.82
6	$ 22,559,207.82	$1,516,671.73	$1,492,871.77	$ 23,799.96	$ 21,066,336.05
7	$ 21,066,336.05	$1,516,671.73	$1,494,446.75	$ 22,224.98	$ 19,571,889.30
8	$ 19,571,889.30	$1,516,671.73	$1,496,023.39	$ 20,648.34	$ 18,075,865.92
9	$ 18,075,865.92	$1,516,671.73	$1,497,601.69	$ 19,070.04	$ 16,578,264.22
10	$ 16,578,264.22	$1,516,671.73	$1,499,181.66	$ 17,490.07	$ 15,079,082.56
11	$ 15,079,082.56	$1,516,671.73	$1,500,763.30	$ 15,908.43	$ 13,578,319.26
12	$ 13,578,319.26	$1,516,671.73	$1,502,346.61	$ 14,325.13	$ 12,075,972.65
13	$ 12,075,972.65	$1,516,671.73	$1,503,931.58	$ 12,740.15	$ 10,572,041.07
14	$ 10,572,041.07	$1,516,671.73	$1,505,518.23	$ 11,153.50	$ 9,066,522.84
15	$ 9,066,522.84	$1,516,671.73	$1,507,106.55	$ 9,565.18	$ 7,559,416.29
16	$ 7,559,416.29	$1,516,671.73	$1,508,696.55	$ 7,975.18	$ 6,050,719.74
17	$ 6,050,719.74	$1,516,671.73	$1,510,288.22	$ 6,383.51	$ 4,540,431.52
18	$ 4,540,431.52	$1,516,671.73	$1,511,881.58	$ 4,790.16	$ 3,028,549.94
19	$ 3,028,549.94	$1,516,671.73	$1,513,476.61	$ 3,195.12	$ 1,515,073.33
20	$ 1,515,073.33	$1,516,671.73	$1,515,073.33	$ 1,598.40	$ (0.00)

Table A2: Amortization Schedule of Revenue Bond Financing $30 million Capital Construction of Aquatics & Recreation Facility

Year	Beginning Balance	Payment	Principle	Interest	Ending Balance
1	$ 30,000,000.00	$ 1,519,765.38	$ 1,482,265.38	$ 37,500.00	$ 28,480,234.62
2	$ 28,480,234.62	$ 1,519,765.38	$ 1,484,165.09	$ 35,600.29	$ 26,960,469.24
3	$ 26,960,469.24	$ 1,519,765.38	$ 1,486,064.79	$ 33,700.59	$ 25,440,703.86
4	$ 25,440,703.86	$ 1,519,765.38	$ 1,487,964.50	$ 31,800.88	$ 23,920,938.48
5	$ 23,920,938.48	$ 1,519,765.38	$ 1,489,864.21	$ 29,901.17	$ 22,401,173.10
6	$ 22,401,173.10	$ 1,519,765.38	$ 1,491,763.91	$ 28,001.47	$ 20,881,407.72
7	$ 20,881,407.72	$ 1,519,765.38	$ 1,493,663.62	$ 26,101.76	$ 19,361,642.34
8	$ 19,361,642.34	$ 1,519,765.38	$ 1,495,563.33	$ 24,202.05	$ 17,841,876.96
9	$ 17,841,876.96	$ 1,519,765.38	$ 1,497,463.03	$ 22,302.35	$ 16,322,111.58
10	$ 16,322,111.58	$ 1,519,765.38	$ 1,499,362.74	$ 20,402.64	$ 14,802,346.20
11	$ 14,802,346.20	$ 1,519,765.38	$ 1,501,262.45	$ 18,502.93	$ 13,282,580.82
12	$ 13,282,580.82	$ 1,519,765.38	$ 1,503,162.15	$ 16,603.23	$ 11,762,815.44
13	$ 11,762,815.44	$ 1,519,765.38	$ 1,505,061.86	$ 14,703.52	$ 10,243,050.06
14	$ 10,243,050.06	$ 1,519,765.38	$ 1,506,961.57	$ 12,803.81	$ 8,723,284.68
15	$ 8,723,284.68	$ 1,519,765.38	$ 1,508,861.27	$ 10,904.11	$ 7,203,519.30
16	$ 7,203,519.30	$ 1,519,765.38	$ 1,510,760.98	$ 9,004.40	$ 5,683,753.92
17	$ 5,683,753.92	$ 1,519,765.38	$ 1,512,660.69	$ 7,104.69	$ 4,163,988.54
18	$ 4,163,988.54	$ 1,519,765.38	$ 1,514,560.39	$ 5,204.99	$ 2,644,223.16
19	$ 2,644,223.16	$ 1,519,765.38	$ 1,516,460.10	$ 3,305.28	$ 1,124,457.78
20	$ 1,124,457.78	$ 1,124,457.78	$ 1,123,052.20	$ 1,405.57	$ -

Table A3. Operating Expenditures for Aquatic Facility by Special Park and Recreation Districts, 2020-21 Fiscal Year Case Studies Madras, Chehalem Valley, and Ballard & King Report Estimates

Expenditure	Chehalem	Madras	Avg. Expenditure	Ballard & King
Regular Salaries	$ 104,954	$ 287,813	$ 196,384	$ 515,910
Part-time & Temp Salaries	$ 317,049	$ 223,940	$ 270,495	$ 1,061,686
Overtime	$ -	$ -	$ -	$ -
Payroll Taxes & Fringes	$ 109,917	$ 123,303	$ 116,610	$ 286,738
Total Personnel Services	**$ 531,920**	**$ 635,056**	**$ 583,488**	**$ 1,864,334**
FTE Totals	13.23	Not listed	13.23	14.50
Total Materials & Supplies	$ 511,915	$ 436,582	$ 474,249	$ 556,872
Total Operating Expenditure	**$ 1,043,835**	**$ 1,071,638**	**$ 1,057,737**	**$ 2,421,206**

Source: Calculated from Adopted Budgets, FY 2020-2021, Chehalem Valley, Madras, OR, & Ballard & King Market Report

Table A4. 2019 – 2020 Fiscal Year Revenue & Expenditures for Case Study Facilities, Madras & Chehalem Park and Recreation District, with 2018 Ballard & King Estimates

Case Study Revenues and Expenditures Figures with Debt Servicing			
	Madras	**Chehalem P&R**	**Ballard & King**
Revenues	$ 416,848	$ 955,590	$ 1,994,305
Expenditures	$ 1,239,612	$ 1,043,835	$ 2,471,205
Debt Servicing on Revenue Bonds	$ 1,520,000	$ 1,520,000	$ 1,520,000
Operating Deficit	**$ (2,342,764)**	**$ (1,608,245)**	**$ (1,996,900)**

Source: Calculated from Adopted Budgets, FY 2020-2021, Chehalem Valley, Madras, OR, & Ballard & King Market Report

Table A5: Additional Funding Estimates from New System Development Charges and Allocating Transfers from the Greater Hermiston Enterprise Zone Fund to the Entity

Based on 2019 - 2020 level estimates			
City	**Potential Revenue from SDCs**	**Potential Revenue from GHEZ**	
Hermiston	$ 70,000	Existing Allocation	$ 150,000
Umatilla	$ 40,716	New Business	$ 350,000
Stanfield	$ 5,400		
Echo	$ 600		
Umatilla County (est.)	$ 9,672		
Total SDCs Generated in an IGE	**$ 126,388**	**Total GHEZ Funds**	**$ 500,000**

APPENDIX B: ADDITIONAL GRAPHICS

Table B1: Evaluation Criteria and Reasoning for Proposal 1, Forming Special District

Evaluation Criteria	Proposal 1: Form a Special District
Equity	Moderate (Horizontal): People within the special district boundaries with similar home values and incomes would contribute comparable amounts in new taxes to finance the capital cost of the facility. (Vertical): Individuals with higher property taxes would pay more towards the revenue generated by the special district's tax levy.
Efficiency	**Moderate - Poor:** A special district requires voter approval along with implementing numberous bonds, levies, and debt vehicles to raise the funds require to construct the facility.
Neutrality	**Good:** Tax revenue is allocated to fund the facility, providing a funding mechanism does not deplete funds from other departments within the city.
Productivity	**Good:** Revenue is estimated based on facility performance and can be optimized.

Table B2: Evaluation Criteria and Reasoning for Proposal 2, Forming an Intergovernmental Entity

Evaluation Criteria	Proposal 2: Intergovernmental Agreement (creating an independent entity)
Equity	**Good** (Horizontal): Partners under the agreement contribute their proportional share of funding to support the facility's debt service and annual operating expenses. Residents within the entity's district boundaries enjoy in-district pricing and closer physical access to the facility. (Vertical): Also benefits that the cities of Hermiston and Umatilla, along with the County, would bear the majority of responsbility for closing the facility's anticipated operating deficit.
Efficiency	**Moderate:** Forming the agreement requires coordination and negoiation, which is likely to require time between all potential partners. With a greater number of signatories, the greater the complexity. However, after the agreement is made, a board manages the day-to-day operations for which the entity was created (i.e., managing the facility).
Neutrality	**Poor:** There is the possibly of similar regional projects affecting attendence of this facility; the case study of Pasco, WA shows a facility in construction, along with the existing facility in Boardman, OR. Furthermore, Pendleton pursuirng a similar project would likely compete for market share countywide with the Hermiston facility.
Productivity	**Good:** Establishing an intergovernmental agreement to create an independent entity would provide a clear financing strategy that sets funding targets that each partner is bound to meet. Funding should be predictable through the life of the issued bonds to finance the facility; however, agreeing upon how to close an annual operating deficit presents a challenge for the entity.

Table B3. Evaluation Criteria and Reasoning for Proposal 3, Assigning Management to the existing Park and Recreation Department

Evaluation Criteria	Proposal 3: Place Consutrction and Operation under the existing Park and Recreation Department
Equity	**Poor** (Horizontal): Likely to strain the existing budget under the Park and Recreation Department and would further pressure needs for transfers from the general fund. (Vertical): If generating additional revenues comes from increased taxes or user fees, it will disproportionally affect lower income residents of the city.
Efficiency	**Poor:** Funding is not guaranteed under this scenario. The department needs to propose and justify its funding each budget cycle; additional support is not certain.
Neutrality	**Poor:** Likely to strain the existing budget under the Park and Recreation Department and would further pressure need from the general fund.
Productivity	**Moderate**: Management of the facility falls under a single department and can be managed to optimize revenues at the facility; however, it still competes in the budget with other expenditures.

APPENDIX C: CASE STUDIES

Case Study A: Madras, OR

Overview of MACRD

Madras Aquatic Center Recreation District, known as MACRD or MAC, is in Madras Oregon. Madras is the county seat to Jefferson County and is a small central Oregon town of 6,500 residence. It is between Bend/Redmond area and the Warm Springs Reservation and is surrounded with spectacular views of the cascades as well as the high desert. Jefferson county is bordered by four large bodies of water: Lake Billy Chinook. The Deschutes River, the Crooked River, and the Metolius River.

The Madras Aquatic Center opened to the public in January of 2008, serving what now amounts to 14,000 residences residing within the district boundaries. The MAC features 3 bodies of water, an inviting lobby with fireplace and lounge area, 2 multi-purpose meeting or party rooms, a 100-foot water slide, and large open windows containing breathtaking views spanning from Mt. Bachelor to the South all the way to Mt. Hood to the North. The MAC's mission "is to promote long term community vitality and increase healthy lifestyles for individuals, families, and communities. This is accomplished by providing fun, affordable, and safe aquatic fitness, sports, health, and recreation services" (MAC 2021).

Governing Structure of MACRD

MACRD was formed as a park and recreation district in 2004 to serve the Jefferson County community. The idea of the recreation district came from two community members, Dr. David Evans, and Dr. Carlos Kemper. They formed the MACRD foundation and invited the 509J Jefferson County school district, the City of Madras Chamber of Commerce and Jefferson County to serve on the board.

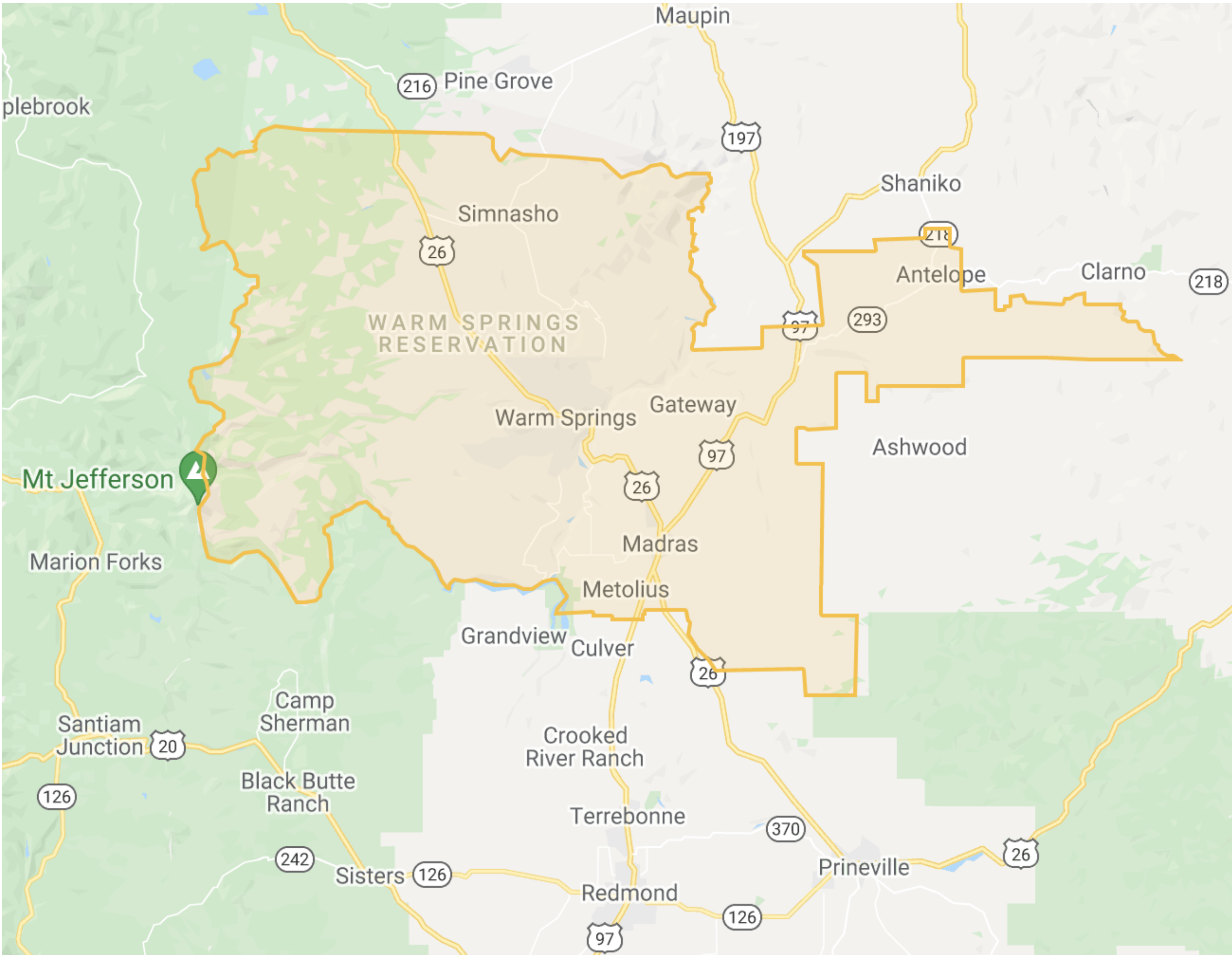
Oregon Revised Statute 266.410 grants recreation districts to "to assess, levy and collect taxes to pay the cost of acquiring sites for and constructing, reconstructing, altering, operating and maintaining any lakes, parks, recreation grounds and buildings that may be acquired, or any lawful claims against the district, and the running expenses of the district" (Oregon Legislature chapter 266 (ORS 266).

The foundation agreed to donate 3.44 acres to MACRD if the community passes the measure to create a recreation district, a levy to continually fund the district and a bond to pay for the construction of the aquatic center. It was put to the community to decide on a permanent levy of 25 cents per $1000 assessed value and an 81-million-dollar bond, costing taxpayers 66 cents per $1000 assessed value. In the 2004 election cycle, both the levy and bond passed by a narrow majority, forming the Madras Aquatic Center Recreation District.

The original boundaries of the park district were decided to generally mirror the 509J Jefferson County School district, as shown below. This includes Madras, Metolius, Antelope, Shaniko, Young Life Camp, and The Warm Springs Reservation. The MACRD is not required to continue to follow the school district boundaries should they change. They only used it as an initial boundary guideline and can adjust on their own accord, so long as they are within the scope of Oregon Revised Statute Chapter 266.

Figure 1: 509J Jefferson County School district, 2021

https://www.jcsd.k12.or.us/district/school-boundary-map/



Finances of MACRD

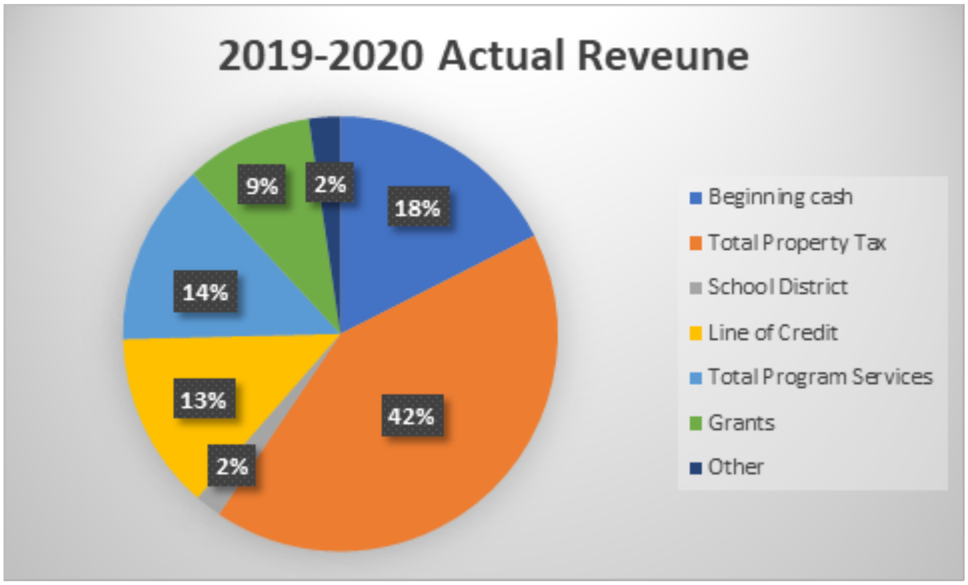
The Madras Aquatic Center Recreation District creates an annual budget in accordance with Oregon Revises Statutes. The MACRD 2019/2020 budget issued the following statement: "The budget officer or his or her designee will file two certified copies of this Resolution (and any related documentation required by law) with the Jefferson County Assessor. This budget officer is further authorized to take all actions necessary to effectuate the purpose of the Resolution". The MACRD relies on a budget officer appointed by the MACRD board of directors to handle the submission of all proposed and final budget documents.

Revenue Sources

The 2019/2020 MACRD board adopted the proposed budget amounting to $2,155,789. Upon MACRD formation, voters approved an ad valorem tax of 25 cents per $1,000 assessed value. This is still in continuation to help fund the district and brought in $247,647 in revenue. There is also a local levy option tax at a rate of 40 cents per $1,000 assessed value. This amounts to an additional $367,657 for the district's general fund and helps pay off various loans.

In addition to property tax revenue, MACRD received $30,000 in intergovernmental transfers from the school district, $200,000 in a revolving line of credit, $68,191 from membership fees, $109,631 form user fees, and $144,191 in grants. Membership, user fees, and money borrowed from the line of credit are down from previous years, mainly due to the COVID-19 shutdowns. The line of credit is expected to continue to decrease, but Program services revenue is showing to have a major increase in revenue in the 2021/2022 proposed budget.

Revenue from 2019/2020 Adopted Budget



The Foundation behind MACRD contributed $32,500 for the 2019/2020 budget year. Part of this funding is dedicated to fund a grant writer. The hope is this will kick start the grant writing project for MACRD so they can continue to raise money through grants. Their goal is to apply for at least 3-5 grants per year. MACRD also received $2,500 in scholarship donations. This scholarship money helps cover expenses for youth programs and associated fees.

Capital Projects and Bonds

In the 2016/2017 fiscal year MACRD took out a $400,000 15 loan to cover the cost of a new energy project. This project jumped priority over the bathroom remodel that has been causing major deferred maintenance expenses. This loan is costing the recreation district $36,500 per year. The cost of the new boilers along with some other new small projects that needed attention, caused a cashflow shortfall during the 2017/2018 fiscal year.

In 2015 the board adopted a new cost recovery program designed to cover new capital projects and maintenance schedules. This cost recovery model had difficulties taking off and left MACRD without the ability to cover its capital projects. They have done a better job dedicating funding to this project and were able to reallocate some of its funding to cover the expenses of the boiler. They also now have the boilers under a new regular maintenance schedule funded by the cost recovery program. In addition to the cost recovery plan, MACRD has established other reserve funds to address “significant mechanical failure and/or major reduction in revenue". They are now required to dedicate $50-75 thousand per year to this fund.

MACRD does not have any capital projects or new bonds in the works right now. The district is primarily focused on deferred maintenance and setting themselves up to be financially stable. In their 2020-2025 strategic plan, they have goals of expanding the aquatic center and the programs the district offers. The new Executive director believes before they can make that a reality, they need to be able to become more self-sufficient and maintain adequate reserves.

Key Expenditures

The 2021/2022 proposed budget has outlined some new expenditures that have not been on the books before. For staters they have fully included their new cost recovery fund and mechanical failure reserve fund. Both of which are shown as expenditures but are transfers to fund future expenses. Other new expenditures for this budget year are safety expenses. In the past MACRD did not include personal protection equipment or other safety items on the expense report, they have now added a line item for that. Lastly, MACRD is including employee wellness benefit as an expense. They wanted to include the membership to the MAC those employees are receiving as a line item on the budget so they can accurately depict all expenses.

Other key expenditures are the debts that MACRD has accrued over the years. For the bathroom remodel the district took out a $250,000 loan from the county. It is a 5-year term at 2.7% no fee loan with 5 Annual payments of $54,000 stating this 2019-20 budget cycle. They are also paying the energy project loan at $36,500 a year and are planning on accepting an additional operating loan from the county for $130,000.

MACRD still has the initial bond from constructing the MAC, they owe $3,324,000 on that but is paid for by a property tax levy. MACRD also has $540,600 in bonds that are due in less than one year. Their next biggest liability is long-term building improvements amounting to $487,358. These include the bathroom remodel and energy project I described above. Their Operating line is costing the district $200,000 a year, with the biggest expense being MACRD board expenses at $36,000. They do not explain where the $36,000 is going towards but it was a new line item for the 2019/2020 budget. Materials and services are $243,000 mostly going to maintenance, insurance, heating, and pool chemicals. In 2018/2019 the district took on $71,000 in legal services which was up from $3,500 the previous year.

Conclusion

In the beginning of the Madras Aquatic Center Recreation District 2019/2020 budget, Jim Weyerman the Executive Director of MACRD wrote a letter explaining the shortfalls of the district. He explains how MACRD has had eight executive directors in the last 13 years, which is not a good sign of a stable or a sustainable operating model. When looking at their finances, Jim is right to criticizes MACRD ability to be stable on its own. They have years of differed maintenance, didn't always report expenses and revenues, and are in constant need of short-term loans to cover basic operating expense. The constant change in leadership does not show competence in their system. It appears the board is in constant search for simple solutions to the problem rather creating a functioning operation.

After reviewing the Madras Aquatic Center Recreation District and seeing the direction they are now going, they appear to be much better off. Implementing the cost recovery fund and mechanical failure reserve fund is going to really help MACRD in the years to come. Both funds should have been in place upon founding the aquatic center. This would have saved the district and taxpayers a lot of money. Assuming the board keeps the current executive director and his goals for MACRD stay the same, the district should start to thrive. COVID closures allowed them to dedicate funding towards some backlogged projects and pay down loans. This has put them in a position to look at their 5-year strategic plan and start working towards the future of MACRD.

Case Study B: Pasco, Washington

Overview

The City of Hermiston is a fast-growing community with a large young population. Like other cities, we want to supply services and facilities that our residents need and want. To support a growing population, the city is proposing a regional aquatic and community center. The following memorandum discusses the aquatic and community center proposal by the City of Pasco. This case study and analysis offer community, political, and economic information about a nearby town and how the construction of this center could affect an aquatic center in Hermiston.

Community Background

The City of Pasco boarders the Washington side of the Columbia River and is a short forty-five-minute drive to Hermiston. Pasco, WA is one of the fastest growing cites with the youngest population in the state of Washington (Kraemer, 2021). When compared to the national average, the largest positive variance (+6.1%) is for the age groups of 5-17 years old with the largest negative variant (-5.8%) in the 45-54 age range group (*Pasco Aquatic/Community Center draft Feasibility Study, 2016*). The city has a total population of 77,108 with 36% of the population under the age of 18 (U.S. Census Bureau, 2020).

Much like the City of Hermiston, Pasco has a population of approximately 55% Hispanic. The largest ethnic groups in Pasco include non-Hispanic White (38.1%) followed by White (Hispanic) (31%), Other (Hispanic) (19.5%), and multiracial (Hispanic) (3.14%) (U.S. Census Bureau, 2020).

Pasco has experienced a population growth of 140% since 2000 and a more than doubling of median household income from $28,523to $62,775 (U.S. Census Bureau, 2000). The largest occupation fields in Pasco include Office & Administration Support, Farming, Fishing, & Forestry, and Sales (DATAUSA, 2021). The median property value in Pasco is $199,400 which is below the national average and the homeownership rate is 69.2% which is above the national average. The 21.8K Pasco residents pay about $2-3K in property taxes annually.

In the 2016 presidential election, Franklin County voted 55.7% republican party and 37.5% democratic party (DATAUSA, 2021). This political leaning is on par for the Tri-Cities area and surrounding counties in the eastern half of the state of Washington.

Pasco Aquatic Center Case Study

Political History

In 2010, a Tri-Cities intergovernmental agreement (regional Public Facilities District) between Richland, Kennewick, and Pasco was created in hopes to fund and construct a regional aquatic and community center. The Tri-Cities agreement drafted a $35 million plan and after public comment, proposed it to voters in 2013. Richland and Kennewick residents did not support the center and did not vote to approve this project because they felt there was no need, competition with private industry, and a strong aversion to new taxes.

The City of Pasco has no indoor pools which is likely why residents supported the plan by a 57% margin and continue to support the project ten years later (Culverwell (a), 2019). The City of Pasco did not give up on the aquatic/community center. The city worked with Governor Jay Inslee who signed House Bill 1499 (Vote to Float) which adds aquatic centers into state legislature in 2019. This change now made it legal for the City of Pasco Public Facilities District (PDF) to propose a bond measure for an aquatics/community center at the local level (Kraemer, 2021; Culverwell (b), 2019).

Special District

The Pasco Public Facilities District (PFD) was formed to plan, finance, construct and/or operate regional public facilities such as arenas, convention centers, stadiums, and other major facilities authorized by state law. There are five members of the PFD Board and they each serve four-year terms (City of Pasco Washington, 2021). The earliest published minutes from the Board start in December of 2002 and there is no posted history of the board or explanation of how it was created.

The Pasco PFD encompasses the entire City of Pasco and all Unincorporated Areas as seen in Figure 1 below. The proposal of the aquatic center is to primarily serve the people of Pasco but there is understanding that new facilities often draw people from beyond municipality boundaries, especially in the Tri-Cities area. Benefits would still be collected from out of boundary visitors through user fees and a local sales tax increase.

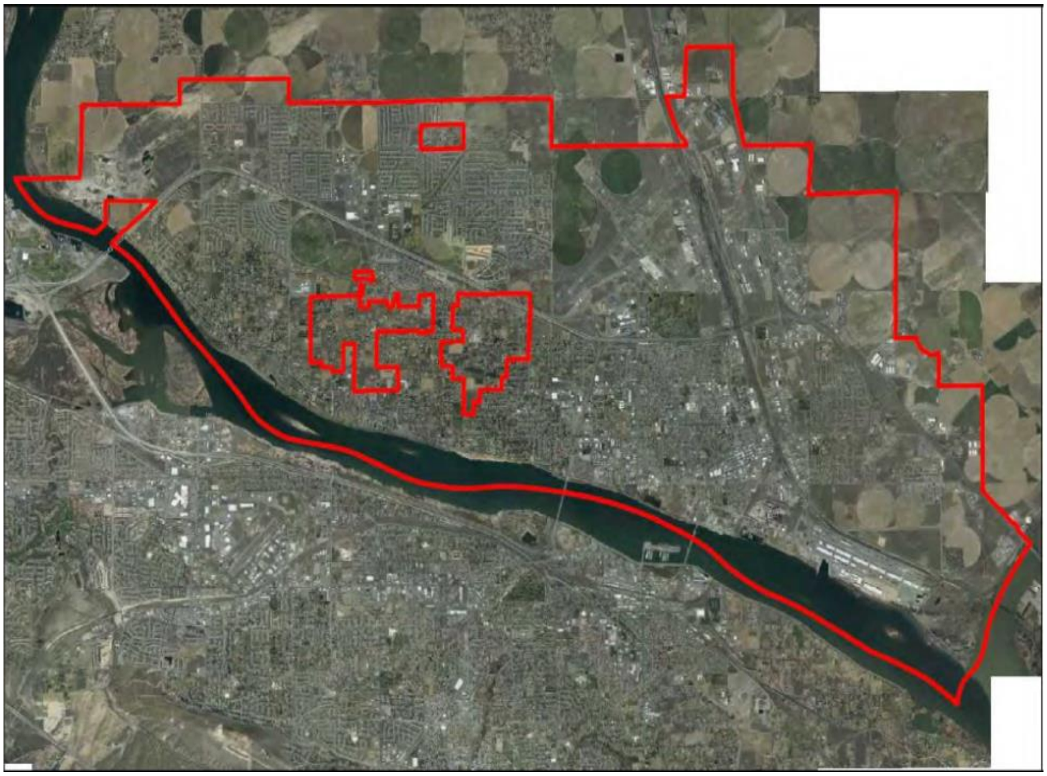


Figure 1: *City of Pasco, WA and Unincorporated Primary Service Area of the Pasco Public Facilities District. Source: Pasco Aquatic/Community Center Feasibility Study DRAFT*

Funding

The Pasco Public Facilities District is now asking the Pasco City Council for approval to move forward with a ballot issue this February (2022). The PFD will be asking for a $40 million, 25-year bond to cover the $33 million cost of a regional aquatic center (Kraemer, 2021). The bond would entail a raise in the local sales tax of two-tenths of a percent (which is one-tenth higher than the proposal in 2013), which revenue would be earmarked to pay back bonds issued for the project.

The PFD Board President gave a presentation to the Pasco City Council on October 25, 2021, stating that the projected 4% increase in sales tax revenue would be enough money to cover construction, bond repayment, and operation costs. The PDF has projected that 81% of cost recovery will come from user fees at the facility while the remaining 19% will have to be subsidized by sales tax revenue. The PFD president also stated that any extra money collected from sales taxes will be enough to subsidize the project further relinquishing the city from providing any subsidies or financial contributions. The hotel/motel tax was an additional funding source recognized by Pasco City Council, although it was not proposed by the PFD.

Facility

The proposed facility would be built in two phases on a 4.61-acre lot and the first year of operation could be as early as 2024. The facility would be operated by the City of Pasco through an Inter-local Agreement. The first phase of the aquatic center would be a 47,000 square foot facility with an indoor pool, outdoor activity pool, party room, seasonal outdoor concessions and locker rooms. The second phase would be 12-15 years out and add a 13,000 square foot, eight-lane competition pool funded by the remaining balance from the bond issue.

Amenity Selection Process

The PFD Board hired Ballard*King & Associates to research the associated costs with providing each amenity within the aquatic center so that they could propose the projects that made the most economical sense with the community needs in mind. They researched three project options which include (A) aquatics only center, (B) aquatics, fitness, and community center, and (C) aquatics, gymnasium, and track.

Just the aquatics center provides a medium level of revenue return and a moderately high expense because the indoor portion of the facility doesn't have any "dry spaces" to operate revenue like the outdoor portion does. The operations shortfall projection for this option is between $300,00-400,000.

The aquatics, fitness, and community center offer the facility the most cost recovery since it will add fitness and group exercise spaces. There are still moderately high expenses associated with this plan and will create an operations shortfall between $100,000-$200,000.

Building an aquatics center with a gymnasium and track will yield a better cost recovery than option A but without the fitness spaces, cost recovery will be lower than option B. Projected operations shortfall is between $250,00-350,000.

Conclusions

Although it is unlikely for the City of Hermiston to pass a general obligation bond due to similar tax aversions the Tri-Cities had in 2010, residents might be more likely to create a special district to manage the construction and operation of the aquatic center. The creation of the special district is more favorable because as you can see in the Pasco case study, tax revenues are specifically earmarked for the aquatics center. What Hermiston can learn the most from the City of Pasco is how to evaluate the amenities available in each phase of construction.

The Pasco PFD wanted to focus on an economic approach for the first phase and select facility components that would yield the highest revenues to help subsidize construction and operating costs such as group fitness areas and a season concession stand. Going this route will still provide the city with a needed indoor pool but it will also provide self-supporting amenities that don't threaten the remaining bond reserves. The second phase of construction would be the eight-lane Olympic style pool which contributes to the area's sports tourism. Building the competition pool last gives the aquatic center time to establish and start paying back some bonds before implementing the most expensive and least direct source of revenue.

Based on the research presented in this study, the City of Hermiston should consider community needs and wants as well as how the amenities they chose will affect their cost recovery and construction of an additional facility. It will also be important to analyze all funding sources including a local tax on takeout food or a motel/hotel tax to help subsidize construction and operating costs if the revenue bond is not rated high enough. Additionally, it is advised to consider how the large infrastructure bill President Biden just passed might affect any other capital projects that could free up some city money to help subsidize the project as well. Finally, it was found that Pasco could have an aquatic center operating as soon as 2024 and it is suggested that the City of Hermiston consider how that facility would impact a Hermiston facility just forty-five minutes away.

Case Study C: Sisters, Oregon

Overview

Located in Central Oregon, Sisters has a population of 3,220. It is known for local attractions such as Hoodoo Ski Area, its plethora of community events and its proximity to Deschutes National Forest. The parks department within Sisters is responsible for developing projects, delivery, planning, construction, and maintenance of all the city parks and facilities. The city currently has an ongoing plan that guides the development of the park system from 2016-2036. It also details eight (8) long-term goals that city hopes to accomplish within its park system such as, safety and access, coordination between the city and its partners, and establishing stable and diverse funding sources. According to the 2016 parks master plan, Sisters has nine (9) developed parks with total of 14.01 acres, five (5) undeveloped future facilities totaling 7.89 acres. The purpose of this memo is to provide an in-depth analysis of the Sisters Parks and Recreation district while looking at enabling statutes, the government structure of the parks district, current capital projects, revenue sources and expenditures, and the geographic extent of services within the parks district.

Enabling Statutes

The ability to establish a district is stated in Oregon Revised Statute 266.410. The statute allows cities to, "assess, levy, and collect taxes to pay the cost of acquiring sites for and constructing, reconstructing, altering, operating and maintaining any lakes, parks, recreation grounds and buildings that may be acquired, or any lawful claims against the district, and the running expenses of the district" (Oregon Legislature chapter 266(ORS 266).

Government Structure

The City of Sisters has a city council comprised of five individuals; one individual specifically acts as the liaison to the parks advisory board. The city park advisory board has seven active members and operates as an advisor for the city council. The public works department manages and operates the park system while the public works director oversees the operations and management of the parks. There is a total of 3.0 FTE allocated to maintain the overall park system.

Capital Projects

The city of Sisters has a variety of capital projects with estimated funding being $2,004,634 over the course of 20 years. The capital projects for the parks system include:

- Mini Park projects
- Neighborhood Park projects
- Community Park projects
- Reserve improvement package
- Special use park projects
- Land acquisition
- Parkland Development

- Open Space Development

Of these projects, land acquisition, park improvements, and parkland development are the projects that will cost the most. The revenue sources that the city anticipates will only cover roughly 47% of the costs for improvements actions and capital projects. In order to receive and maintain adequate funding for its various park projects, the city intends to get funding via grants, donations, partnerships, and increased SDC revenues. The plan also recommends that Sisters updates the SDC assessment rates, looks at grant opportunities for capital projects and land acquisition, partners with private and nonprofit organizations, build relationships with landowners, analyze the feasibility of bond measures, and reduce acquisition, development and operation costs.

Revenue Sources

The main source of revenue for the parks budget include interest, system development charges (SDCs), general fund revenue, and user fees and grants. Figure 1 details the main sources of revenue for the parks system over the span of 20 years.

Interest: this revenue source contains small amounts of interest from investments

SDCs: the majority of large park improvements are funded using the funding source. These are one-time fees on a new development that helps fund improvements to the infrastructure. Recent fiscal years have shown that Sisters receives $14,916 in SDC funds.

General fund and user fees: This source is used for operation and maintenance of the park system. The amount of funding varies year to year because this source of revenue is pulled from undedicated funds.

Grants: these are awarded by government agencies and private organizations

Figure 1: Parks Revenue Sources Sisters, OR 2016

	5-YEAR PERIOD				
	2016-2020	2021-2025	2026-2030	2031-2036	Total
Funding Sources					
Park SDC Fund Balance	$188,000	$0	$0	$0	
System Development Charges	$342,988	$342,988	$342,988	$342,988	
Total Resources	**$530,988**	**$342,988**	**$342,988**	**$342,988**	
Funding Requirements					
Priority I Projects	$289,513	$155,892			$445,405
Priority II Projects		$161,542	$300,007		$461,549
Priority III Projects			$164,652	$933,028	$1,097,680
Total Requirements	**$289,513**	**$317,434**	**$464,659**	**$933,028**	**$2,004,634**
Surplus (Deficit)	**$241,474**	**$25,554**	**($121,671)**	**($590,041)**	
Cumulative Surplus (Deficit)	**$241,474**	**$267,028**	**$145,357**	**($444,684)**	

Source: https://www.ci.sisters.or.us/sites/default/files/fileattachments/community_development/page/1304

Expenditures

The City of Sisters park budget is divided into four (4) primary categories: materials and services, capital improvements, operating contingencies, and transfers. During fiscal year 2015-2016, the budget allocated to the park system was $262,270. This breakdown of expenditures relates to services funded by the development charges, grants, and interest income.
The parks also receive funding from the general fund which is divided into two (2) categories: personnel services and materials/services. During the 2015-2016 fiscal year the amount allocated to these expenditures was $294,298. Figure 2 looks at the city's development fund expenditures while figure 3 looks at general fund expenditures.

Figure 2: Development Fund Expenditures Sisters, OR 2016

	2011-2012 ACTUAL	2012-2013 ACTUAL	FY 2013-2014 ACTUAL	FY 2014-2015 BUDGET	FY 2015/16 ADOPTED
Materials and Services	-	-	-	-	-
Capital Improvements	14,806	-	-	-	90,000
Operating Contingencies				161,524	172,270
Transfers	-	-	-	-	-
Total Expenditures	**14,806**	**0**	**0**	**161,524**	**262,270**
Annual Percent Change	**-51.8%**	**-100.0%**	**0.0%**	**0.0%**	**62.4%**

Source: https://www.ci.sisters.or.us/sites/default/files/fileattachments/community_development/page/13041/city_parks_master_plan_06.27.16.pdf

Figure 3: General Fund Expenditures Sisters, OR 2016

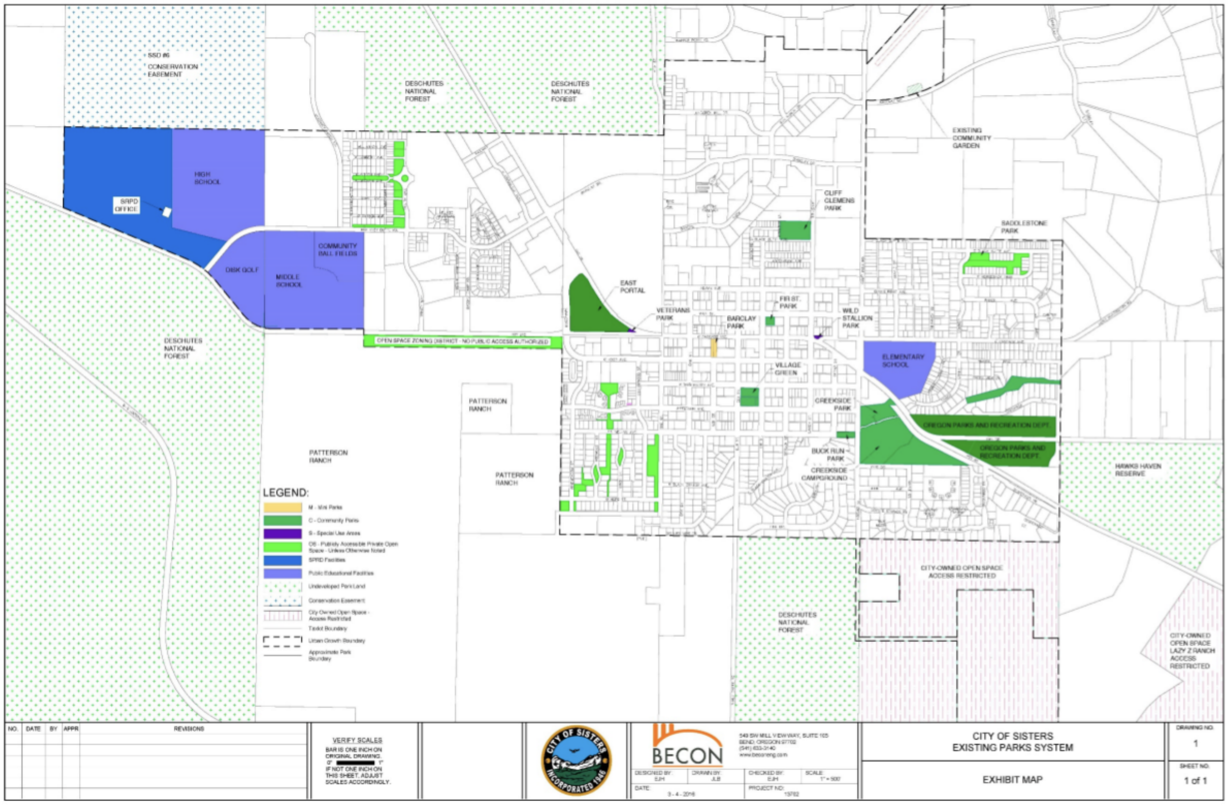
	2011-2012 ACTUAL	2012-2013 ACTUAL	FY 2013-2014 ACTUAL	FY 2014-2015 ACTUAL	FY 2015/16 ADOPTED
Personnel Services	$ 137,781	$ 149,112	$ 163,626	$ 195,496	$ 205,258
Materials and Services	42,585	40,612	75,447	80,903	89,040
Capital Improvements	-	-	2,939	-	-
Total Expenditures	**$ 180,366**	**$ 189,724**	**$ 242,012**	**$ 276,399**	**$ 294,298**
Annual Percent Change	**0.8%**	**5.2%**	**27.6%**	**14.2%**	**6.5%**

Source: https://www.ci.sisters.or.us/sites/default/files/fileattachments/community_development/page/13041/city_parks_master_plan_06.27.16.pdf

Geographic Services

The middle of Sisters has a variety of parks while northern Sisters is served by Cliff Clemens Park and south Sisters is served by Creekside Park and Village Green. All of the parks in Sisters are spread out to ensure accessibility to every community member. Figure 4 provides a geographical outline for mini parks, community parks, special use areas and other buildings in the community.

Figure 4: Park and Recreation Map Sisters, OR 2016



Source: https://www.ci.sisters.or.us/sites/default/files/fileattachments/community_development/page/13041/city_parks_master_plan_06.27.16.pdf

Case Study D: Chehalem Park and Recreation District, Newberg & Dundee, Oregon

Introduction

This memo examines the Chehalem Park & Recreation Special District located in Yamhill County, Oregon. I will present a snapshot of the community where the district is located and a brief overview of the governing structure, as well as any Oregon Revised Statutes (ORS) appliable. Then, I will examine how the district generates revenue, what exist as the major expenditures, the current debt situation, and lastly the state of capital projects within the district. The memo concludes with a discussion of the revenue structure and key takeaways other jurisdictions should recognize.

Community Context

The Chehalem Park & Recreation District extends throughout eastern areas of Yamhill County, notably including the cities of Newberg and Dundee (see Figure 1 in Appendix). Founded through voter approval in June of 1965, and establishing the first tax base in late 1966, the district includes five board members (described under ORS 266.310) and became operational in July 1967.[1] Presently, the district operates 38 parks or facilities, in addition to administrative offices, offering a range of recreational activities that include athletics, community events, fitness classes, summer camp programs, and available open space for social gatherings. In total, the district manages approximately 517 acres of park space, half of which encompasses Chehalem Glenn Public Golf Course.[2] As of the 2020 census, Newberg includes approximately 25,000 residents while Dundee contained approximately 3,200 residents.[3]

Governing Structure and Process

According to the district's website, board meets on the fourth Thursday of each month, but will only do so, if necessary, in the months of July, November, and December (due to holidays & a public festival in July).[4] Board meetings are public, and attendees are asked to submit agenda items two weeks prior to meetings. Board members serve for four-year terms and every two years, two members are elected through Yamhill County elections.

District and Adopted Budget Details

Revenues

The district uses a combination of user fees, property taxes, and system development charges as the primary revenue generating mechanisms to support the district.

User Fees & Taxes

The Chehalem Park & Recreation District approved an annual budget of nearly $12 million for the most recent fiscal year. To generate this revenue, the district uses fees and charges along with taxes as the main revenue generators. In the proposed 2020-21 budget, these two sources accounted for over 92 percent of all general fund revenue.[5] The tax rate was approved at a rate of $ .9076 per $1,000 of assessed value for property within the district.[6]

Fees and charges were the leading revenue source, proposed to contribute $3.8 million to the general fund, or approximately 50 percent.[7] In the past two years, grants and interest have grown in value, but the effect is minimal on the overall budget. Beginning cash from the previous year fluctuates noticeably between as much as 22 percent of the general fund in 2017-18 fiscal year compared to a low of 9 percent during the 2014-15 fiscal year.[8]

System Development Charges

The district also imposes system development charges for new development within the district. Considering this extent includes the cities of Newberg and Dundee, the SDCs capture new development in these municipalities, as well as new development in Yamhill County. For example, in the 2020-21 fiscal year, 41 percent of SDCs resulted from development in Newberg, while approximately 5 percent resulted from Dundee and Yamhill County development.[9]

The budget stipulates that revenue generated from SDCs is deposited in the system development fund and is used only for developing facilities and is restricted from funding operational expenses.[10] In the most recent fiscal year, SDCs accounted for approximately 16 percent of all district revenues.

Expenditures

General Fund

The General Fund accounts for most of the spending in the district, containing nearly two-thirds of all expenditures made by the district in the 2020-21 fiscal year.[11] The General Fund breaks down into three basic services departments (see Table 1 in Appendix) and 11 special service departments (see Table 2 in Appendix). Of these expenditures, among the largest include expenses tied to spending on the parks (22 percent of general fund expenditures), the golf course operation and maintenance (combined 22 percent of general fund expenditures), and the aquatic center (14 percent of general expenditures).[12] Spending on parks, the aquatic center, and golf operations were all expected to increase from the previous fiscal year into the 2021-22 adopted budget (see Table 3 in Appendix A). In addition to the basic and special services departments, the general fund also includes line items for acquisition and development, transfers, and a contingency (see Table 3).

Loan & Debt Servicing

The district manages four loans, two that financed construction of each 9-hole collection that now makes the municipal golf course, one to purchase property, and one to finance construction of a recreation center.[13] Three loans come due within the next five years, with the first expected to be paid in full during the 2021-22 fiscal year and the last slated to be paid in the fiscal year 2025-26.[14] As identified in the Budget Message section of the adopted budget, funds needed to service these loans were transferred from the general fund into the system development fund.[15]

In 2014, voters within the park and recreation district voted 62 to 38 percent in favor of a $19.9 million general obligation bond to renovate the aquatics and fitness facility.[16] As printed, the bond was financed with taxes on property levied at $0.45 per $1,000 of assessed value or $45.00 annually on a home with an assessed value of $100,000.[17] With a collection rate of 93.4 percent, the expenditure for the debt service fund was approximately $1.39M in the 2020-21 fiscal year.[18]

Capital Projects

The adopted budget notes an increase between the 2020-21 budgeted funds and the 2021-22 proposed budget is 4.6%, due mostly to an increase in salaries and maintenance expenditures.[19] There are very few capital projects formally slated for construction in the current fiscal year or the subsequent year. However, examining the adopted budget's stated goals include potential capital projects, such as:[20]

- Dundee Community Center
- Golf course club house and third 9-hole segment
- Continue to develop and plan a community trail system

With some of the districts' loans coming due in the upcoming fiscal years, the board may be accepting to take on new loans to fund these projects, as the district has in the past. Voter support will be important however, as evident in the popular support shown for Measure 36-170 (there were no arguments against submitted on the General Voter Pamphlet).

Discussion of Revenues and Key Takeaways

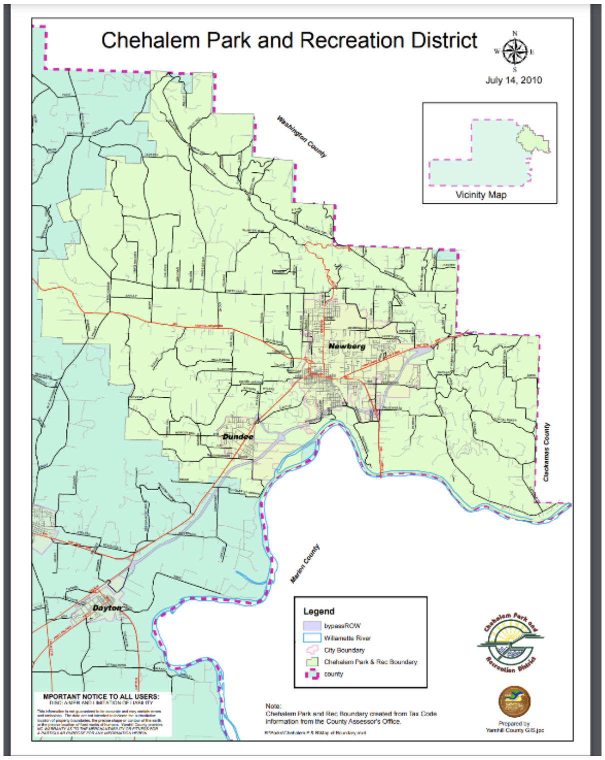
The district has benefitted from voter support and effort to use debt financing for expanding recreational facilities throughout the area. The municipal bond used to pay for renovations for the aquatics facility along with using loans to pay for constructing additional golf areas and community centers suggest that as existing loans are paid, the district board will be receptive to taking on new loans for meeting strategic objectives.

Maintaining or growing user fees along with high collection of taxes remain important for financing the district. It does not appear to rely heavily on private sources of funding or extensively utilizes grants as a means of generating revenue. In fact, the district may consider also increasing user fees at some rate to provide greater revenues for supporting the acquisition and development department within the district's general fund. The district should also benefit from a steady contribution of system development charges as Newberg and Dundee grow.

The Chehalem Park and Recreation District provides a good example of leveraging the powers of parks and recreation districts to generate funds from user fees, tax levies, debt financing such as bonds and loans, and system development charges as the revenue streams to support recreational activities in Yamhill County. At present, supporting open space parks, operating and maintaining the municipal golf course, and operating the aquatics and recreational facility exist as the district's largest expenditures, with most services experiencing increases in the proposed budget for the 2021-22 fiscal year.

Chehalem Park & Recreation District Case Study Appendix

Figure C1. Chehalem Park & Recreation District, Boundaries and Extent, circa. 2010



Source: Chehalem Park & Recreation District, Accessed 11/19/21.

Table C2. Chehalem Park and Recreation District, Basic Services Expenditures, 2019-20 Actuals Compared to 2020-21 Proposed Budget

Expenditures		Budgeted 2019-20	Proposed 2020-21	Change	PCT Change
Basic Services					
	Personnel Services	$ 383,902	$ 539,536	$ 155,634	41%
	Materials and Services	$ 245,510	$ 251,454	$ 5,944	2%
	TOTAL	$ 629,412	$ 790,990	$ 161,578	26%
Parks					
	Personnel Services	$ 494,175	$ 646,409	$ 152,234	31%
	Materials and Services	$ 784,582	$1,019,074	$ 234,492	30%
	TOTAL	$1,278,757	$1,665,483	$ 386,726	30%
Golf Course Maintenance					
	Personnel Services	$ 442,080	$ 407,384	$ (34,696)	-8%
	Materials and Services	$ 618,543	$ 642,987	$ 24,444	4%
	TOTAL				
Total Basic Services					
	Personnel Services	$1,320,157	$1,593,329	$ 273,172	21%
	Materials and Services	$1,648,635	$1,913,515	$ 264,880	16%
	TOTAL	$2,968,792	$3,506,844	$ 538,052	18%

Source: Chehalem Park and Recreation District, Adopted Budget, 2020-21.

Table C3. Chehalem Park and Recreation District, Special Services Expenditures, 2019-20 Actuals Compared to 2020-21 Proposed Budget

Expenditures		Budgeted 2019-20	Proposed 2020-21	Change	PCT Change
Aquatics					
	Personnel Services	$ 705,247	$ 531,920	$ (173,327)	-25%
	Materials and Services	$ 358,901	$ 511,915	$ 153,014	43%
	TOTAL	$1,064,148	$1,043,835	$ (20,313)	-2%
Adult Sports					
	Personnel Services	$ 29,188	$ 19,779	$ (9,409)	-32%
	Materials and Services	$ 25,780	$ 40,465	$ 14,685	57%
	TOTAL	$ 54,968	$ 60,244	$ 5,276	10%
Youth Sports					
	Personnel Services	$ 120,632	$ 141,832	$ 21,200	18%
	Materials and Services	$ 165,055	$ 193,775	$ 28,720	17%
	TOTAL	$ 285,687	$ 335,607	$ 49,920	17%
Classes/Special Activities					
	Personnel Services	$ 103,636	$ 87,493	$ (16,143)	-16%
	Materials and Services	$ 43,250	$ 44,069	$ 819	2%
	TOTAL	$ 146,886	$ 131,562	$ (15,324)	-10%
Playgrounds & Centers					
	Personnel Services	$ 352,022	$ 484,241	$ 132,219	38%
	Materials and Services	$ 98,100	$ 107,017	$ 8,917	9%
	TOTAL	$ 450,122	$ 591,258	$ 141,136	31%
Community Center/Scout House					
	Personnel Services	$ 84,212	$ 85,578	$ 1,366	2%
	Materials and Services	$ 89,550	$ 95,015	$ 5,465	6%
	TOTAL	$ 173,762	$ 180,593	$ 6,831	4%
Community Schools					
	Personnel Services	$ 42,109	$ 39,696	$ (2,413)	-6%
	Materials and Services	$ 19,075	$ 23,185	$ 4,110	22%
	TOTAL	$ 61,184	$ 62,881	$ 1,697	3%
Golf Operations					
	Personnel Services	$ 388,648	$ 390,039	$ 1,391	0%
	Materials and Services	$ 374,600	$ 372,890	$ (1,710)	0%
	TOTAL	$ 763,248	$ 762,929	$ (319)	0%
Concessions					
	Personnel Services	$ 19,146	$ 22,371	$ 3,225	17%
	Materials and Services	$ 23,290	$ 23,490	$ 200	1%
	TOTAL	$ 42,436	$ 45,861	$ 3,425	8%
Preschool					
	Personnel Services	$ 38,286	$ 51,752	$ 13,466	35%
	Materials and Services	$ 13,350	$ 14,420	$ 1,070	8%
	TOTAL	$ 51,636	$ 66,172	$ 14,536	28%
Other Departments					
	Personnel Services	$ -	$ -	$ -	0%
	Materials and Services	$ 515,000	$ 515,000	$ -	0%
	TOTAL	$ 515,000	$ 515,000	$ -	0%
Total Special Service					
	Personnel Services	$1,883,126	$1,854,701	$ (28,425)	-2%
	Materials and Services	$1,262,451	$1,477,741	$ 215,290	17%
	TOTAL	$3,145,577	$3,332,442	$ 186,865	6%

Source: Chehalem Park and Recreation District, Adopted Budget, 2020-21.

Table C4. Chehalem Park & Recreation District, Summary of General Fund Expenditures, Budgeted Values 2020-21 compared to Proposed Budget 2021-22.

	Budgeted 2020-21	Proposed 2021-22	Change	PCT Change	PCT of Total Expenditures
Basic Services					
Adminstration	$ 790,990	$ 816,178	$ 25,188	3%	10%
Parks	$ 1,665,483	$ 1,795,166	$ 129,683	8%	22%
Golf Course Maintenance	$ 1,050,371	$ 974,536	$ (75,835)	-7%	12%
Total Basic Services	$ 3,506,844	$ 3,585,880	$ 79,036	2%	43%
Special Services					
Aquatics	$ 1,043,835	$ 1,147,290	$ 103,455	10%	14%
Adult Sports	$ 60,244	$ 66,256	$ 6,012	10%	1%
Youth Sports	$ 335,607	$ 368,937	$ 33,330	10%	4%
Classes/Special Activities	$ 131,562	$ 140,539	$ 8,977	7%	2%
Playgrounds & Centers	$ 591,258	$ 555,223	$ (36,035)	-6%	7%
Community Center/Scout House	$ 180,593	$ 185,830	$ 5,237	3%	2%
Community Schools	$ 62,881	$ 77,745	$ 14,864	24%	1%
Golf Operations	$ 762,929	$ 805,833	$ 42,904	6%	10%
Concessions	$ 45,861	$ 48,028	$ 2,167	5%	1%
Preschool	$ 66,172	$ 72,055	$ 5,883	9%	1%
Other Departments	$ 51,500	$ 51,500	$ -	0%	1%
Total Special Service	$ 3,332,442	$ 3,519,236	$ 186,794	6%	42%
Acquisition and Development	$ 762,222	$ 1,082,240	$ 320,018	42%	13%
Transfers	$ -	$ -	$ -		0%
Contingency	$ 100,000	$ 100,000	$ -	0%	1%
Total General Fund Expenditures	$ 7,701,508	$ 8,287,356	$ 585,848	8%	100%

Source: Chehalem Park and Recreation District, Adopted Budget, 2020-21.

APPENDIX D: RELEVANT OREGON REVISED STATUTES

Chapter 190: Cooperation of Governmental Units; State Census; Arbitration

ORS 190.003: Definition for ORS 190.003 to 190.130. As used in ORS 190.003 to 190.130, "unit of local government" includes a county, city, district or other public corporation, commission, authority or entity organized and existing under statute or city or county charter. [1967 c.550 §2]

ORS 190.010(5): Authority of local governments to make intergovernmental agreement. A unit of local government may enter into a written agreement with any other unit or units of local government for the performance of any or all functions and activities that a party to the agreement, its officers or agencies, have authority to perform. The agreement may provide for the performance of a function or activity:

> (5) By an intergovernmental entity created by the agreement and governed by a board or commission appointed by, responsible to and acting on behalf of the units of local government that are parties to the agreement;

ORS 190.020: Contents of agreement. (1) An agreement under ORS 190.010 shall specify the functions or activities to be performed and by what means they shall be performed. Where applicable, the agreement shall provide for

> (a) The apportionment among the parties to the agreement of the responsibility for providing funds to pay for expenses incurred in the performance of the functions or activities.
>
> (b) The apportionment of fees or other revenue derived from the functions or activities and the manner in which such revenue shall be accounted for.

ORS 190.080: Powers of intergovernmental entity created by intergovernmental agreement; limits; debts of entity; procedure for distribution of assets; rules. (1) An intergovernmental entity created by an intergovernmental agreement under ORS 190.010 may, according to the terms of the agreement:

> (a) Issue revenue bonds under ORS chapter 287A or enter into financing agreements authorized under ORS 271.390 to accomplish the public purposes of the parties to the agreement, if after a public hearing the governing body of each of the units of local government that are parties to the agreement approves, by resolution or order, the issuance of the revenue bonds or entering into the financing agreement;
>
> (b) Enter into agreements with vendors, trustees or escrow agents for the installment purchase or lease, with option to purchase, of real or personal property if the period of time allowed for payment under an agreement does not exceed 20 years; and
>
> (c) Adopt all rules necessary to carry out its powers and duties under the intergovernmental agreement.

(2) Except as provided in ORS 190.083, an intergovernmental entity may not levy taxes or issue general obligation bonds.

(3) The debts, liabilities and obligations of an intergovernmental entity shall be, jointly and severally, the debts, liabilities and obligations of the parties to the intergovernmental agreement that created the entity, unless the agreement specifically provides otherwise.

(4) A party to an intergovernmental agreement creating an intergovernmental entity may assume responsibility for specific debts, liabilities or obligations of the intergovernmental entity.

(5) Any moneys collected by or credited to an intergovernmental entity shall not accrue to the benefit of private persons. Upon dissolution of the entity, title to all assets of the intergovernmental entity shall vest in the parties to the intergovernmental agreement. The agreement creating the entity shall provide a procedure for:

(a) The disposition, division and distribution of any assets acquired by the intergovernmental entity; and

(b) The assumption of any outstanding indebtedness or other liabilities of the entity by the parties to the intergovernmental agreement that created the entity.

(6) An intergovernmental entity created by intergovernmental agreement under ORS 190.010 may be terminated at any time by unanimous vote of all the parties to the intergovernmental agreement or as provided by the terms of the agreement. [1991 c.583 §4; 2001 c.840 §3; 2003 c.195 §7; 2007 c.783 §71]

Chapter 223: Local Improvements and Works Generally

ORS 223.307(1): Authorized expenditure of system development charges. Reimbursement fees may be spent only on capital improvements associated with the systems for which the fees are assessed including expenditures relating to repayment of indebtedness.

Chapter 266: Park and Recreation Districts

ORS 266.010: Definitions. As used in this chapter:

(1) "County board" means county court or board of county commissioners of the county.

(2) "County" means the county in which the district, or the greater portion of the taxable assessed value of the district, is located.

(3) "District" means park and recreation district formed under this chapter.

(4) "District board" means the governing body of a district.

(5) "Owner" means the holder of record title to real property or the vendee under a land sale contract, if there is such a contract. [Subsection (2) (1967 Replacement Part) enacted as 1967 c.574 §2; 1969 c.668 §1; 1983 c.83 §41]

ORS 266.310: Officers of district; qualifications. (1) The officers of the district shall be a board of three or five members, to be elected by the electors of the district, and a secretary, to be appointed by the board.

(2) Every elector of a district is qualified to be a member of the board or officer of the district. [Amended by 1957 c.57 §2; 1969 c.668 §11; 1983 c.83 §42; 1983 c.350 §113]

ORS 266.410: General district powers. Every district shall have power:

(1) To have and use a common seal.

(2) To sue and be sued in its name.
(3) To construct, reconstruct, alter, enlarge, operate and maintain such lakes, parks, recreation grounds and buildings as, in the judgment of the district board, are necessary or proper, and for this purpose to acquire by lease, purchase, gift, devise, condemnation proceedings or otherwise such real and personal property and rights of way, either within or without the limits of the district as, in the judgment of the board, are necessary or proper, and to pay for and hold the same.
(4) To make and accept any and all contracts, deeds, leases, releases and documents of any kind which, in the judgment of the board, are necessary or proper to the exercise of any power of the district, and to direct the payment of all lawful claims or demands.
(5) To assess, levy and collect taxes to pay the cost of acquiring sites for and constructing, reconstructing, altering, operating and maintaining any lakes, parks, recreation grounds and buildings that may be acquired, or any lawful claims against the district, and the running expenses of the district.
(6) To employ all necessary agents and assistants, and to pay the same.
(7) To make and enforce regulations:

(a) For the removal of garbage and other deleterious substances, and all other sanitary regulations not in conflict with the Constitution, the laws of Oregon or the regulations of the Environmental Quality Commission.
(b) Governing the conduct of the users of the facilities of lakes, parks, recreational grounds and buildings within the district.

(8) To prohibit any person violating any rule or regulation from thereafter using the facilities of the district for such period as the board may determine.
(9) To call necessary or proper elections after the formation of the district.
(10) To enlarge the boundaries of the district as provided by ORS 198.705 to 198.955.
(11) To compel all residents and owners within the district to connect their houses and habitations with the street sewers, drains or other sewage disposal system.
(12) To establish and collect reasonable charges for the use of the facilities of the district and issue appropriate evidence of the payment of such charges.
(13) Generally to do and perform any and all acts necessary and proper to the complete exercise and effect of any of its powers or the purposes for which it was formed. [Amended by 1961 c.587 §5; 1969 c.668 §16; 1971 c.647 §57; 1971 c.727 §193; 1983 c.350 §122; 2001 c.104 §81]

ORS 266.420: Levy of taxes. Each year the district board shall determine and fix the amount of money to be levied and raised by taxation, for the purposes of the district. The total amount in dollars and cents shall not exceed one-half of one percent (0.0050) of the real market value of all taxable property within the district, computed in accordance with ORS 308.207. [Amended by 1963 c.9 §11; 1969 c.668 §17; 1983 c.773 §3; 1991 c.459 §362]

ORS 266.430: Sinking funds. The park and recreation board, by resolution duly adopted, may establish sinking funds for the purpose of defraying the costs of acquiring land for park and recreation sites, and for acquiring or constructing buildings or facilities thereon or therein. Any such fund may be created through the inclusion annually within the tax budget of the district of items representing the yearly installments to be credited thereto. The amount of these items shall be collected and credited to the proper fund in the same manner in which taxes levied or revenues derived for other purposes for the district are collected and credited. The balances to the credit of the funds need not be taken into consideration or deducted from budget estimates by the levying authority in preparing the annual budget of the district. None of the moneys in such funds shall be diverted or transferred to other funds, but if unexpended balances remain after disbursement of the funds for the purpose for which they were created, such balances, upon approval by resolution of the park and recreation board, shall be transferred to the operation and maintenance fund of the district.

ORS 266.480: Power to contract bonded indebtedness for certain purposes. A district has the power to contract a bonded indebtedness for the purpose of providing funds:

(1) To acquire land, rights of way, interests in land, buildings and equipment.

(2) To improve land and develop parks and recreation grounds.

(3) To construct, reconstruct, improve, repair and furnish buildings, gymnasiums, swimming pools, golf courses, driving ranges, boat marinas and recreational facilities of every kind.

(4) To acquire equipment of all types, including vehicular equipment necessary for and in the use, development and improvement of the lands and facilities of the district.

(5) To pay the costs, expenses and attorney fees incurred in the issue and sale of the bonds.

(6) To fund or refund outstanding indebtedness, or for any one or combination of any such purposes. [Amended by 1969 c.668 §22]

ORS 266.512: Authority for general obligation bonds; issuance and sale of general obligation bonds and revenue bonds. (1) Whenever authorized by the electors, the district board may issue general obligation bonds of the district, not exceeding the principal amount stated in the notice of election and for the purpose therein named.

(2) The aggregate amount of general obligation bonds issued and outstanding at any one time shall in no case exceed two and one-half percent of the real market value of all taxable property of the district, computed in accordance with ORS 308.207.

(3) General obligation or revenue bonds must recite that they are issued under this chapter. All bonds shall be signed by the president of the district board and attested by the secretary. The interest coupons thereto annexed shall be signed by the president and secretary, by their original or engraved facsimile signatures.

(4) All general obligation and revenue bonds issued, including refunding bonds, shall be issued as prescribed in ORS chapter 287A. [1969 c.668 §26 (enacted in lieu of 266.510 and 266.520); 1981 c.94 §15; 1991 c.459 §363; 2007 c.783 §83]

ORS 266.514: Revenue bonds; issuance; conditions. In addition to the authority to issue general obligation bonds, a district, when authorized by a majority of those voting at an election called for that purpose, may sell and dispose of revenue bonds, and pledge as security therefor all or any part of the unobligated net revenue of the district or a recreational facility of the district, to purchase, acquire, construct, reconstruct or improve a facility, or to perform any of those acts in combination, for any authorized purpose. Revenue bonds shall be issued in the same manner and form as are general obligation bonds of the district, but they shall be payable, both as to principal and interest, from revenues only. Revenue bonds shall not be subject to the limitation provided by ORS 266.512 applicable to general obligation bonds and shall not be a lien upon any of the taxable property within the limits of the district. Revenue bonds shall be payable solely from such part of the revenue of the district as remains after payment of obligations having a priority and of all expenses of operation and maintenance of the district, including any taxes levied against it. All revenue bonds shall contain a clause reciting that both the principal and interest are payable solely from operating revenues of the district remaining after paying such obligations and expenses. [1969 c.668 §26a]

ORS 266.516: Refunding bonds. Refunding bonds of the same character and tenor as those replaced thereby may be issued pursuant to a resolution duly adopted by the district board without submitting to the electors the question of authorizing the issuance of such bonds. [1969 c.668 §26b]

ORS 266.540: Additional taxes for payment of bond interest and principal; bond sinking fund. (1) The district board shall ascertain and levy annually, in addition to all other taxes, a direct annual ad valorem tax on all taxable property in the district, which tax shall be outside of and in addition to the annual levy limitation contained in ORS 266.420, and which tax shall be for an amount sufficient:

(a) To pay the interest accruing on the bonds promptly as it becomes due.

(b) To raise a percentum of the principal of the bonds as will, in equal annual installments, be sufficient to retire all the bonds as they mature.

(2) The funds derived from such tax levies shall be retained by the county treasurer, and kept by the county treasurer in a separate fund to be known as and designated "______Park and Recreation District bond interest and sinking fund." The fund shall be irrevocably pledged to and used solely for the payment of the interest accruing on and the principal of the bonds when due, so long as any of the bonds or the coupons thereto appertaining remain outstanding and unpaid. The interest earnings of the fund shall be credited thereto and become a part thereof. [Amended by 1969 c.668 §28]

ORS 266.560: Redemption of bonds; notice. (1) Whenever the amount of any sinking fund created under ORS 266.480 and 266.540 equals the amount, principal and interest, of any bond then due or subject under the pleasure or option of the district to be paid or redeemed, the county treasurer of the county in which the district is located shall notify the holder of the bond and shall publish a notice in the newspaper published nearest to the district.

(2) The county treasurer shall, within 30 days from the date of the notice, redeem and pay any bond then redeemable and payable, giving priority according to the date of issuance numerically, upon presentation of the bond at the place of payment specified therein.

(3) In case any holder of such bonds fails to present them at the time mentioned in the notice the interest thereon shall cease, and the county treasurer shall thereafter pay only the amount of the bond and the interest accrued thereon up to the last day of the time of redemption mentioned in the notice.

(4) When any bonds are so redeemed or paid, the county treasurer shall cause them to be canceled and write across the face thereof "redeemed" and the date of redemption, and shall deliver them to the district board, taking its receipt therefor. [Amended by 1969 c.668 §30]

Chapter 271: Use and Disposition of Public Lands Generally; Easements

ORS 271.390: Lease or purchase of real estate by public body or council of governments; financing agreement. (1) As used in this section:

(a) "Council of governments" means a council of governments or other similar entity created prior to the enactment of ORS 190.010 (5) on September 29, 1991.

(b) "Public body" has the meaning given that term in ORS 287A.001.

(c) "Real or personal property" means land, improvements to land, structures, fixtures, personal property, including furnishings, equipment and computer software purchases and licenses, and any costs that may be capitalized under generally accepted accounting principles and treated as costs of personal property.

(2) A public body or a council of governments may enter into contracts for the leasing, rental or financing of any real or personal property that the governing body of the public body or council of governments determines is needed, including contracts for rental, long term leases under an optional contract for purchase, financing agreements with vendors, financial institutions or others, or for purchase of any property. Contracts made by a public body or a council of governments are subject to the terms of its charter, intergovernmental agreement or other organizing document, if applicable. If authorized by the governing body, the contracts may:

(a) Provide that the obligations of the public body or council of governments under the contract is secured by a mortgage on or other security interest in the property to be leased, rented, purchased or financed under the contract.

(b) Provide that the obligations of the public body or council of governments under the contract are payable out of all or any portion of lawfully available funds of the public body or council of governments, and lawfully available funds may be pledged to the payment of those obligations.

(c) If authorized by the charter, intergovernmental agreement or other organizing document of the public body or council of governments, contain a covenant on the part of the public body or council of governments to budget and appropriate in each fiscal year, in accordance with law, sums sufficient to pay when due the amounts owing under the contract.

(d) Provide for the issuance of certificates of participation in the payment obligations of the public body or council of governments under the contract and contain other covenants, agreements and provisions determined to be necessary or appropriate in order to better secure the obligations of the public body or council of governments.

(3) The lien of the pledge, mortgage or security interest is valid and binding from the time of entering into the contract. The revenue or property is immediately subject to the lien without physical delivery, filing or other act, and the lien is superior to all other claims and liens of any kind whatsoever. Subject to the terms, provisions and limitations of the contract, the lien may be foreclosed by a proceeding brought in the circuit court of the county in which the public body, or the greater part thereof, or the main office of the council of governments is located, and any tangible real or personal property subject to the lien may be sold upon the order of the court. The proceeds of the sale must be applied first to the payment of the costs of foreclosure and then to the amounts owing under the contract, with any balance being paid to the public body or council of governments. The authority granted by this section is in addition to, and not in lieu of, any other statutory or charter authority.

(4) A public body or council of governments that has entered into a lease purchase or installment purchase agreement may enter into a financing agreement to refinance the obligations of the public body or council of governments under the lease purchase or installment purchase agreement.

(5) The estimated weighted average life of a financing contract executed under this section may not exceed the estimated dollar weighted average life of the real or personal property that is financed with the contract. [Amended by 1995 c.333 §2; 1997 c.171 §7; 1999 c.559 §1; 2003 c.195 §8; 2005 c.443 §3; 2007 c.783 §89]

Chapter 287A: Local Government Borrowing

ORS 287A.001: Definitions for ORS chapter 287A. As used in this chapter:

(1) “Advance refunding bond” means a bond all or part of the proceeds of which are to be used to pay an outstanding bond one year or more after the advance refunding bond is issued.

(2) “Agreement for exchange of interest rates” means a contract, or an option or forward commitment to enter into a contract, for an exchange of interest rates for related bonds that provides for:

(a) Payments based on levels or changes in interest rates; or

(b) Provisions to hedge payment, rate, spread or similar exposure including, but not limited to, an interest rate floor or cap or an option, put or call.

(3)(a) "Bond" means a contractual undertaking or instrument of a public body to repay borrowed moneys.

(b) "Bond" does not mean a credit enhancement device.

(4) "Capital construction" has the meaning given that term in ORS 310.140.

(5) "Capital costs" has the meaning given that term in ORS 310.140.

(6) "Capital improvements" has the meaning given that term in ORS 310.140.

(7)(a) "Credit enhancement device" means a letter of credit, line of credit, standby bond purchase agreement, bond insurance policy, reserve surety bond or other device or facility used to enhance the creditworthiness, liquidity or marketability of bonds or agreements for exchange of interest rates.

(b) "Credit enhancement device" does not mean a bond.

(8) "Current refunding bond" means a bond the proceeds of which are to be used to pay or purchase an outstanding bond less than one year after the current refunding bond is issued.

(9) "Forward current refunding" means execution and delivery of a purchase agreement or similar instrument under which a public body contracts to sell current refunding bonds for delivery at a future date that is one year or more after execution of the purchase agreement or similar instrument.

(10) "General obligation bond" means exempt bonded indebtedness, as defined in ORS 310.140, that is secured by a commitment to levy ad valorem taxes outside the limits of sections 11 and 11b, Article XI, of the Oregon Constitution.

(11) "Lawfully available funds" means revenues or other moneys of a public body including, but not limited to, moneys credited to the general fund of the public body, revenues from an ad valorem tax and revenues derived from other taxes levied by the public body that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use.

(12) "Operative document" means a bond declaration, trust agreement, indenture, security agreement or other document in which a public body pledges revenue or property as security for a bond.

(13) "Pledge" means:

(a) To create a lien on property pursuant to ORS 287A.140.

(b) A lien on property created pursuant to ORS 287A.140.

(c) To create a lien on property pursuant to ORS 287A.310.

(d) A lien on property created pursuant to ORS 287A.310.

(14) "Public body" means:

(a) A county of this state;

(b) A city of this state;

(c) A local service district as defined in ORS 174.116 (2);

(d) A special government body as defined in ORS 174.117;

(e) Oregon Health and Science University;

(f) A public university listed in ORS 352.002; or

(g) Any other political subdivision of this state that is authorized by the Legislative Assembly to issue bonds.

(15) "Refunding bond" means an advance refunding bond, a current refunding bond or a forward current refunding bond.

(16) "Related bond" means a bond for which the public body enters into an agreement for exchange of interest rates or obtains a credit enhancement device.

(17) "Revenue" means all fees, tolls, excise taxes, assessments, property taxes and other taxes, rates, charges, rentals and other income or receipts derived by a public body or to which a public body is entitled.

(18) "Revenue bond" means a bond that is not a general obligation bond.

(19) “Termination payment” means the amount payable under an agreement for exchange of interest rates by one party to another party as a result of the termination, in whole or part, of the agreement prior to the expiration of the stated term. [2007 c.783 §42; 2009 c.537 §9; 2013 c.491 §2; 2013 c.768 §28; 2015 c.53 §2; 2015 c.767 §88]

ORS 287A.010: Powers conveyed to public bodies. The powers conveyed to public bodies by ORS 287A.001 to 287A.380 are in addition to any other powers possessed by public bodies and do not limit those other powers. [2007 c.783 §68]

ORS 287A.050: Authority of city to issue general obligation bonds. (1) Upon approval of the electors of a city, the city may issue general obligation bonds to finance:

(a) Capital construction or capital improvements permitted by Article XI, sections 11 and 11b, of the Oregon Constitution.

(b) Capital costs permitted by Article XI, section 11L, of the Oregon Constitution.

(2) Unless the city charter provides a lesser limitation, a city may not issue or have outstanding at the time of issuance general obligation bonds in a principal amount that exceeds three percent of the real market value of the taxable property within its boundaries, calculated as provided in ORS 308.207.

(3) The limitation described in subsection (2) of this section does not apply to general obligation bonds issued:

(a) To finance the costs of local improvements assessed and paid for in installments under statutory or charter authority.

(b) To finance capital construction or capital improvements permitted by Article XI, sections 11 and 11b, of the Oregon Constitution, or to finance capital costs permitted by Article XI, section 11L, of the Oregon Constitution, for:

(A) Water supply, treatment or distribution;

(B) Sanitary or storm sewage collection or treatment;

(C) Hospitals or infirmaries;

(D) Gas, power or lighting; or

(E) Off-street motor vehicle parking facilities. [2007 c.783 §43; 2013 c.491 §3]

ORS 287A.100: Authority of county to issue general obligation bonds. (1) Unless the county charter expressly provides otherwise, upon approval of the electors of a county, the county may issue general obligation bonds to finance:

(a) Capital construction or capital improvements permitted by Article XI, sections 11 and 11b, of the Oregon Constitution.

(b) Capital costs permitted by Article XI, section 11L, of the Oregon Constitution.

(2) Unless the county charter provides a lesser limitation, a county may not issue or have outstanding at the time of issuance general obligation bonds in a principal amount that exceeds two percent of the real market value of the taxable property in the county, calculated as provided in ORS 308.207. [2007 c.783 §44; 2013 c.491 §4]

ORS 287A.105: Limitation on bonded indebtedness of county. (1) A county may incur bonded indebtedness within the meaning of section 10, Article XI of the Oregon Constitution, by issuing revenue bonds when a county is expressly authorized to issue revenue bonds by a law other than this section. The amount of revenue bonds permitted by this section may not exceed the lesser of:

(a) One percent of the real market value of all taxable property in the county, calculated as provided in ORS 308.207; or

(b) A limitation on bonded indebtedness in the county charter.

(2) The limitation on bonded indebtedness in subsection (1) of this section does not apply to revenue bonds issued to finance pension liabilities under ORS 238.692 to 238.698 or any other law in effect prior to enactment of ORS 238.692 to 238.698. [2007 c.783 §45]

ORS 287A.140: Ad valorem tax levy to pay general obligation bonds. (1) In addition to other taxes imposed, a public body shall levy annually an ad valorem property tax on the taxable property within the boundaries of the public body in an amount that is sufficient, when added to other amounts available, to pay the principal of and interest on outstanding general obligation bonds issued by the public body.

(2) A public body may:

(a) Use the revenues from a levy under this section and earnings on the revenues only to pay the principal of and interest on general obligation bonds.

(b) Not use or divert taxes levied under subsection (1) of this section for another purpose while principal or interest remains unpaid on the bonds.

(c) If a surplus amount remains after the principal of and interest on an issue of general obligation bonds have been paid and the public body does not have other expenses related to the bonds, transfer the surplus moneys to a fund designated by the governing body of the public body.

(3) Revenues from a levy by a public body pursuant to this section and earnings on the revenues are pledged as security for payment of the principal of and interest on general obligation bonds of the public body.

(4) A pledge under this section has the effect of a pledge under ORS 287A.310. [2007 c.783 §67; 2015 c.53 §1]

ORS 287A.150: Authority of public body to issue revenue bonds. (1) In addition to any other authority to issue revenue bonds, a public body may authorize revenue bonds by resolution or nonemergency ordinance pursuant to this section for a public purpose.

(2) If revenue bonds are authorized by nonemergency ordinance, a public body may not sell the revenue bonds pursuant to this section until the period for referral of the ordinance has expired. If electors of a public body refer a nonemergency ordinance authorizing issuance of revenue bonds, the public body may not sell the revenue bonds unless the electors approve issuance of the revenue bonds.

(3) If revenue bonds are authorized by resolution:

(a) A public body may not sell the revenue bonds until at least 60 days following publication of the notice required in subsection (4) of this section.

(b) The resolution must provide that electors residing within the public body may file a petition with the public body asking the public body to refer the question of whether to issue the revenue bonds to a vote. If within 60 days after the publication of the notice described in subsection (4) of this section, electors file petitions with the public body containing valid signatures of at least five percent of the public body’s electors, the public body:

(A) Shall place the question of issuing the revenue bonds on the ballot at the next lawfully available election date; and

(B) May not sell the revenue bonds described in the notice unless a majority of the electors voting on the question of issuing the revenue bonds approve.

(4) A public body authorizing revenue bonds by resolution shall publish a notice describing the purposes for which the revenue bonds will be sold in at least one newspaper of general circulation within the boundaries of the public body in the same manner as other public notices of the public body. At a minimum, the notice must contain:

(a) The date the resolution was adopted and the number thereof, if any;

(b) The expected source of revenue for repayment of the revenue bonds;

(c) The estimated principal amount of the revenue bonds to be sold;

(d) The procedures by which electors may cause the question of issuing the revenue bonds to be referred to a vote;

(e) The period within which electors must file signed petitions to cause referral; and

(f) The fact that the resolution is available for inspection at the appropriate office of the public body.

(5) If revenue bonds are authorized by nonemergency ordinance under subsection (2) of this section, the revenue bonds may be secured by the revenues or other property of the public body that is described in the nonemergency ordinance. If revenue bonds are authorized by resolution under subsection (3) of this section, the revenue bonds may be secured by the revenues or other property of the public body that is described in the notice required under subsection (4) of this section.

(6) A public body may issue refunding bonds under ORS 287A.360 to 287A.380 to pay revenue bonds that were authorized by this section. The procedures and limitations of subsections (1) to (5) of this section do not apply to refunding bonds. [2007 c.783 §46]

ORS 287A.180: Short-term borrowing by public body. (1) In addition to any other authority to issue revenue bonds, but subject to applicable limitations imposed by the Oregon Constitution or the charter or ordinance of the public body, a public body may issue revenue bonds pursuant to this section:

(a) In anticipation of tax revenues or other moneys;

(b) To provide interim financing for capital projects to be undertaken by the public body; or

(c) To refund revenue bonds issued pursuant to this section.

(2) To secure revenue bonds authorized under this section, a public body may:

(a) Pledge all or part of the revenues of the public body that may lawfully be used to secure payment of the revenue bonds.

(b) Obtain credit enhancement devices for the revenue bonds authorized by this section.

(c) Establish debt service reserves.

(d) Enter into covenants, by ordinance, resolution or agreement, for the protection and security of the owners of revenue bonds authorized by this section. The covenants constitute enforceable contracts with the owners of the revenue bonds.

(3) Revenue bonds authorized by this section that are issued in anticipation of revenues and revenue bonds issued under subsection (1)(c) of this section:

(a) Must mature within 13 months after they are issued; and

(b) May not be issued in a principal amount that exceeds 80 percent of the taxes or other revenues, except grant moneys, that the public body has budgeted or otherwise reasonably expects to have available to pay the revenue bonds.

(4) Revenue bonds authorized by this section that are issued in anticipation of grant moneys or to provide interim financing for capital projects and revenue bonds issued under subsection (1)(c) of this section must mature not later than five years after the revenue bonds are issued.

(5) The debt limitations imposed by law or the charter of a public body do not apply to revenue bonds or credit enhancement devices authorized by this section. [2007 c.783 §47]

ORS 287A.195: Compliance with constitutional or statutory debt limits. (1) When calculating compliance with a constitutional or statutory debt limit for a public body:

(a) The amount of interest to be paid on bonds, whether paid currently or deferred, is not taken into account.

(b) For a zero coupon bond or other original discount bond on which periodic interest payments are not made, only the accreted value of the bond on the date the bond is issued is taken into account.

(c) If a bond is issued to a provider of a credit enhancement device for a bond that is subject to a debt limit, the bond issued to the provider must be taken into account only to the extent that the amount of the bond issued to the provider exceeds the amount of the bond secured by the credit enhancement device.

(d) A public body may deduct from the amount of outstanding indebtedness:

(A) The amount of money and investments that the public body or a trustee of the public body or a trustee or agent of the public body holds to pay bonds that have not been defeased.

(B) The principal amount of bonds that have been defeased.

(2) For purposes of this section, a bond is defeased if:

(a) The public body has set aside in an irrevocable escrow government obligations, as defined in ORS 287A.375, the receipts from which have been calculated by a certified public accountant or other experienced professional to be sufficient, without reinvestment, to pay the principal, interest and premium, if any, due on the bond at maturity or on prior redemption; or

(b) The public body has complied with the provisions in the documents authorizing the bond that govern payment or defeasance of the bond. [2007 c.783 §64]

ORS 287A.315: Pledge of full faith and credit and taxing power. (1) A public body may pledge its full faith and credit and taxing power when the public body issues:

(a) A general obligation bond; or

(b) An obligation that is secured by all lawfully available funds of the public body.

(2) When a public body pledges its full faith and credit and taxing power to pay an obligation, the pledge constitutes an enforceable promise or contract by the public body:

(a) To pay the obligation out of lawfully available funds of the public body; and

(b) If lawfully available funds are insufficient to pay when due the amounts owing on the obligation, to levy, impose and collect a tax that is within the authority of the public body to levy, impose and collect in an amount sufficient to pay the amounts owing under the obligation, including past due amounts and penalties.

(3) If a public body fails to pay when due an amount owing under an obligation secured by a pledge of the full faith and credit and taxing power of the public body, the owner of the obligation, or the trustee appointed to act on behalf of the owner, may bring an action in the circuit court of the county in which the principal offices of the public body are located to compel the public body:

(a) To appropriate and expend sufficient lawfully available funds to pay the amounts owing on the obligation; or

(b) If lawfully available funds are insufficient to pay when due the amounts owing on the obligation, to levy, impose and collect a tax that is within the authority of the public body to levy, impose and collect in an amount sufficient to pay the amounts owing under the obligation, including past due amounts and penalties.

(4) An owner of the obligation, or a trustee appointed to act on behalf of the owner, may initiate a proceeding to impose remedial sanctions under ORS 33.055 against members of the governing body of a public body for failure to comply with an order of the court under this section.

(5) A pledge of the full faith and credit and taxing power authorized by this section does not, by itself, create a lien on the revenues or property of the public body. [2007 c.783 §50a]

Appendix B

Group B Final Report

MEMORANDUM

TO: Professor Rebecca Lewis, City of Hermiston
FROM: Allyson Niitani, Tu Tran, Olivia Daly, and Strick Yamada
SUBJECT: Hermiston Health, Wellness, and Aquatics Center
DATE: December 6, 2021

Overview

The City of Hermiston, located in northeastern Oregon, plans to build an aquatic center as part of its system improvement to guide future development and operations. This center aims to include lap pools for swim meets, therapy pools for medical use, a fitness center, two regulation size basketball courts to hold competitions in, an indoor walking track, and rentable rooms to teach things such as yoga, zumba, and other personal or group activities. To determine what the center should contain, the city along with the consulting firm B*K gathered public input and determined the potential financial yield of each aspect. Fees for special use and typical user fees were determined based on the goal of 75 percent operating cost recovery and political feasibility of the proposed rates. Then an architectural firm created blueprints for the center. The proposal estimated the total cost of construction to be $30 million. After research on possible revenue streams, the student team identified 3 proposed funding options. These funding options include intergovernmental agreement with neighboring jurisdictions, parks and recreation district, and other funding sources within the City of Hermiston. This report examines each funding option based on several evaluation criteria and a recommendation of the most feasible option for the City of Hermiston.

Purpose of this project

The purpose of this project was for a student team to explore capital financing and operations funding options, identify three proposals, evaluate each of these options, and make a recommendation to the City of Hermiston. The team was tasked to examine possible financing strategies with revenue sources and expenditures. Methods taken for the project include case studies, a review of the relevant statutory law, GIS-based analysis, financial analysis, evaluation of each funding option, and recommendations based on our analysis. Embedded in each section of the funding options include budget tables and detailed analysis.

Intergovernmental Agreement (IGA) with Echo, Stanfield, Umatilla, and Umatilla County:

The market study by B*K concludes that the Secondary Service Area has sufficient population base to support the new community center, and population is expected to grow reasonably. Most critically, the center needs to draw in residents living within the Secondary Service Area to fund operational and maintenance costs. As such, funding for the capital development costs can include partnership with Hermiston School District, since the center is expected to also host recreational classes, events, and community meetings. Therefore, there are two possible geographic areas: using the School District's boundary and West County's boundary to simulate extended benefits from the Secondary Service Area. For these two areas, the most feasible capital funding option is to create a special district, like those in the case studies, where the tax base can be broadened for a specific regional center. Although the creation of a new special district would require voter's approval, a new permanent tax could be levied to fund and operate the new center if most residents deemed there is a need for it, without the repercussion in the notion of taking more debts through bond measures.

ORS 190.010 enabling statutes for IGAs

Another approach to capture the widened revenue base is an intergovernmental agreement (IGA) with Echo, Stanfield, Umatilla, and the County. This is enacted through ORS 190.010 for two or more public agencies to share existing resources. ORS 190.010 requires that the agreement must has terms, durations, whether it will form a separate administrative entity, the agreement's purpose, and other legal contracts pertaining to transfers of assets and properties between partners. Most notable is that agreements exceeding $150,000 must be submitted to the Attorney General before taking effect.[1] Specifically, under ORS 190.080, intergovernmental agency can issue revenue bonds or enter financial agreement, specifically revenue-sharing agreement to service the revenue bonds. IGA can also enter into agreements with private parties for the installment purchase or lease, with option to purchase, of real or personal property if the period of payment is under 20 years. However, it cannot levy taxes or issue general obligation bonds.[2] The creation of an intergovernmental entity does not require voter's approval, but only be approved by ordinances from each of the governments involved in its creation. Establishing a new district through intergovernmental agreement will ensure that surrounding communities have buy-in and stakes in the project, since they will also benefit from the new center. Jim Johnson, Eugene's city manager, worked with Portland State University to publish a practical guide to creating IGAs within Oregon's legislatures.[3]

Revenue bonds from IGAs

Since IGAs can only issue revenue bonds for their capital investments, the projected revenue stream from the new community center needs to be tightly forecasted to ensure proper repayment of debt obligations. Furthermore, revenue bonds are not backed by the full faith and credit of the issuing entity, they are subjected to higher interest rates and costs of borrowing. Furthermore, there are specific requirements for a revenue bond to be considered a public purpose bond to have tax-exempt status. Requirements for issuing revenue bonds are detailed in ORS 287A.150, in that public body can authorize revenue bonds through resolution or nonemergency ordinance.[4] Revenues from other property of the public body can be used to secure the bonds, however, under ORS 287A.180, the principal amount cannot exceed 80% of the taxes or other revenues, except grants, that the public body has budgeted or expected to have available to pay the revenue bonds. Most critically, revenue bonds must mature within 13 months after they are issued, signifying that these bonds are interim and cannot be fully depended on to pay the total costs of the capital project. Therefore, revenue bonds are typically utilized to fund expansions of revenue-generating entities, such as airports, powerplants, toll roads, and water utilities. However, under an IGA, revenue bonds can be serviced from combining revenues from departments of the involved agencies, and the shares of contributions are determined through legally binding agreement between all agencies within the IGA. Given the scope of the assessment, we cannot suggest suitable shares of revenues for each agency, but it is expected that Umatilla County's Parks Department and Economic Department to contribute amiably to the revenue-sharing agreement. Appendix P uses the annual payment from the General Obligation bonds for the calculation of the revenues needed for

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[1] State of Oregon: Oregon procurement manual - ORS 190 Agreement
[2] Chapter 190 (oregonlegislature.gov)
[3] NPCC_Gov_Guide_Final_9-16-20.pdf (pdx.edu)
[4] Chapter 287A (oregonlegislature.gov)

the bond. It should be noted that revenue bonds have higher interest rates and principals since they are backed by the full faith and credit of any specific agency, thus actual annual payment is expected to be higher. Using the expected revenues and operating costs from B*K Market Study, the difference between total annual debt service from the revenue bonds and the expected revenues is 190%, or 3 times the current revenues estimation of the facility. Appendix G showcases what these new user fees will be.

Sharing Contributions using Population Thresholds

Appendix Q demonstrates another approach to IGA, in that each city contributes to the capital costs of the facility according to their population. This would reduce the burden for Hermiston from bearing the total capital costs and can be easier to issue as a General Obligation bond, with lower principal and annual payment. However, the City of Hermiston needs comprehensive agreements from all other jurisdictions to the contribution percentages, to legally form the IGA per requirements from the enabling statutes. Basic calculations from the table also demonstrate the needs for prudent assessments in financial capacity of each agency. Specifically, the City of Echo would contribute 2% to the capital costs, but the contribution is 110% of its total adopted budget in 2021. Similarly, Stanfield would contribute 8% to total costs, but the contribution is 37% of its total adopted budget. However, this calculation does not consider the contribution of Umatilla County, that can considerably bear a significant portion of the capital costs. The City of Hermiston is already in an IGA with the county to manage an event center, and if the county agrees to a new partnership, the feasibility for both funding options for the IGA is expanded.

Appendix R shows that relevant census tracts within the Secondary Service Area of the market study account for 44% of the total population for Umatilla County, and thus the City of Hermiston should be able to substantiate with the county to contribute appropriately. Umatilla County also receives significant revenue injections from its data center's agreements with Amazon, in that Amazon provides $2 million in annual payment to be split between the City of Umatilla and the county. Umatilla County also signed an agreement with Vadata through the Strategic Investment Program that provides $4 million in annual payment.[5] These payments significantly bolster the Special Revenue Fund for the county, and with the relevant tracts accounting for 44% of the population, inclusion of the county to the IGA would strengthen the productive yield for both funding options using a revenue bond or direct contributions.

Parks and Recreation Special District

Creating a New Parks and Recreation District

According to ORS 198, a petition must be circulated and gain the approval of 15% of the residents living within the proposed district boundary, before a special district may be created.[6] Once approval is granted, the City of Hermiston can create an independent Parks and Recreation District under the

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[5] McDowell, J. (2020, November 14). *County, city approve enterprise zone agreements for more Umatilla Data Centers*. East Oregonian. Retrieved December 5, 2021, from https://www.eastoregonian.com/news/local/county-city-approve-enterprise-zone-agreements-for-more-umatilla-data-centers/article_407b730a-2555-11eb-8ad1-e343b87772b1.html.

[6] [ORS 196](ORS 196)

governance of an independent District Board. A new parks and recreation district must hold an election for the newly created board before property taxes may be levied on residents. An independent Parks and Recreation District can collect taxes up to 0.5% of the real market value of the taxable property in the new district and can issue bonds up to 2.5% of the value of the real market value of taxable property.[7] Calculations for this debt limit can be found in appendix H.

The major downsides to this option are the requirement to vote on the creation of the independent parks and recreation district, the election of the new board members who will run the district, and the administrative costs of running the district and collecting taxes. As B*K consultants noted in their 2018 report, voters in Hermiston are tax-adverse and may be unlikely to approve the creation of this district and the associated bond measure.[8] Additionally, residents and leaders from the City of Hermiston take pride in their parks and recreational facilities in the district; they will be unlikely to turn over the operation of their parks to the new district. Nevertheless, the option to create this park and recreation district solely to run the new community and recreation center exists, and options for funding the center are described below.

Permanent Taxation

This proposed parks and recreation district is very wide, encompassing the Hermiston, Stanfield, and Umatilla School Districts. Residents of these districts are likely to visit and utilize the Hermiston Aquatics Facility and should contribute to the operating costs for the facility. Based on GIS data, there are 14,966 tax lots in this proposed boundary for the new district, worth around $4.8 billion in real market value.[9]

Our recommendation for the permanent rate for the special district is $1.25 per $1000 of assessed value. This rate will generate about $1.2 million per year in property taxes, covering both the administrative costs of running the special district and the operating costs of the facility. The average single-family household in this special district will pay $137 in property taxes to the district, resulting in a 12.9% increase in taxes.

However, as B*K note that Hermiston residents dislike paying high taxes, the proposed rate for this special district remains quite low compared to other special districts. Appendix I compares Hermiston's proposed rate to other parks and recreation special districts. Another consideration for the permanent rate were the operating costs for the facility. B*K study notes that, under the current proposed user fee rates, the operating deficit is about $480,000 (achieving 81% cost recovery).[10] Using the operating costs of the special districts noted in Appendix A-D, a parks and recreation district requires $600,000 to maintain administrative costs. This $1.1 million in required costs (operating and administrative) will be covered by the permanent rate, leaving $100,000 for a rainy-day fund.

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[7] ORS 266

[8] Ballard*King & Associates. (2018). *Market Analysis Hermiston Health, Wellness and Aquatics Center Study*. Report prepared for City of Hermiston.

[9] Hermiston GIS Data

[10] Ballard*King & Associates. (2018). *Market Analysis Hermiston Health, Wellness and Aquatics Center Study*. Report prepared for City of Hermiston. P.61.

General Obligation Bond

The main purpose of creating a new parks and recreation district is to quickly gain the $30 million required for capital construction by issuing a general obligation bond to fund the Hermiston Community and Recreation Center. Under ORS 266.512, a parks and recreation district may not have general bonds that exceed 2.5% of the real market value of all taxable property in the district; the $30 million bond is well below the constitutional limit, as shown in Appendix G.[11]

Appendix J details the yearly required annual payment for a 30-year, $30 million bond, which assumes that the special district maintains an AA rating and gains a 1.9% interest. It should be noted that as of this report (December 2021), the municipal bond market is extremely accommodative toward borrowers, with abnormally low interest rates. Furthermore, the recent passage of the federal infrastructure package signals to investors that local governments will be strengthened through additional grants and incentives.[12] Therefore, the financial market is accommodative toward new municipal bonds, with extremely low interest rates and ease of finding investors.

Unfortunately, as B*K noted in their market analysis, residents of Hermiston are rather hesitant to approve large bond measures or increase taxes. Considering this $30 million bond, the average single-family household will pay $181 per year, for 30-years to pay off the debt incurred for the construction of the facility. Compared to how much residents of Hermiston pay in debt service currently, the additional cost of the bond for the aquatics center will increase their debt service payments by 46%. A detailed breakdown of the costs to a single-family household can be seen in Appendix K.

Funding Opportunities within the City of Hermiston

This funding mechanism considers the ways that the City of Hermiston itself can fund the capital and operating costs of the Hermiston Health, Wellness, and Aquatics Center. In this scenario, the facility will fall under the jurisdiction of the City of Hermiston's current parks budget.

System Development Charges

System Development Charges (SDCs) are one-time development fees that can be used to subsidize a portion of the costs associated with the construction of the new facility. These fees are often only paid when building permits are received, so SDCs are more effective in rapidly growing communities. According to the market analysis by B*K, the population in Hermiston is expected to grow as the city attracts new residents.[13] Therefore, charging SDCs on new construction should be a relatively consistent form of capital revenue. Additionally, Hermiston residents have shown to be tax-adverse according to surveys conducted by B*K. The SDC serves as a one-time fee that is hidden from residents and does not require voter approval to enact; the proposal to implement SDCs should not drastically alter citizen perception of their taxes.

The City of Hermiston just approved a new revenue fund for SDCs for parks improvements. The revenue forecast estimates making $350,000 in SDCs per fiscal year, with the average cost of a parks SDC totaling $400. If part of the revenues from parks SDCs can be utilized for the community and recreation center,

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[11] ORS 266

[12] Oregon State Treasury Department

[13] Ballard*King & Associates. (2018). *Market Analysis Hermiston Health, Wellness and Aquatics Center Study*. Report prepared for City of Hermiston. P.17

the finance committee should consider raising their fees to collect more revenue without sacrificing revenue earmarked for parks projects. If the construction of the community and recreation center needs its own SDC and associated fund, the budget committee may need to wait a few years before implementing an additional fee. As Hermiston residents are relatively sensitive to increases in price associated with new charges or new taxes, the creation of new SDCs consecutively will be difficult for residents to swallow.

Other cities near the Columbia River, including Irrigon, Hood River, St. Helens, and The Dalles, implement SDCs in the form of improvement fees to fund improvements to their parks systems.[14] The average charges for SDCs for these five cities are shown in Appendix L. The City of Hermiston should raise the rates of their current Parks SDCs to be more in-line with other cities near the Columbia River. While it may be unreasonable to charge SDCs as high as the City of Hood River or St. Helens, Hermiston can increase their SDCs by $100, charging the same amount in SDCs as the nearby city of Irrigon.

We recommend that Hermiston raise their parks SDC to $500 and dedicate 50% of the revenue from this charge to fund the construction of the community center. This proposal will annually generate around $220,000, which after ten years, will cover about $2 million of the capital construction costs for the facility.

General Obligation Bond

SDCs will not cover 100% of the capital costs for the facility; a general obligation bond must be obtained to cover the remaining $28 million in capital construction costs. Based on the current 1.9% interest rate for an AA-rated, 30-year general obligation bond, the average single-family household will need to pay an additional $282 a year in debt service to pay off this bond. Hermiston residents will see an additional 73% increase in their annual debt service payments with this bond.

Operating Costs for the Facility

As the Hermiston Health, Wellness, and Aquatics facility is only expected to return 81% of the operating costs of the facility, according to the B*K analysis, the remaining $480,000 in operating costs will need to be paid by other revenues from the city. Unfortunately, this $480,000 budget shortfall is about 70% of the current expenditures for the parks department. The simplest solution to account for this $480,000 operating budget shortfall without over-burdening the current Hermiston parks department is to increase user fees for the Hermiston Health, Wellness, and Aquatics facility until the facility achieves 100% cost recovery.

Under this new 100% revenue model, the facility will need to increase user fees across the board by 125% to eliminate the operating budget shortfall. The new user fees can be found in Appendix O. Unfortunately, the higher user fees for the facility will likely drive users toward other aquatics or community centers within Hermiston, reducing revenue for the facility overall.

Evaluation Criteria

Each funding option was evaluated based on equity, neutrality, efficiency, and productivity. The equity criteria will examine the distribution of taxes among individuals in comparable circumstances and the variation of the tax burden across a variety of incomes. The neutrality criteria will examine whether the funding option distorts the decisions that individuals will make. The criteria for efficiency will ensure

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[14] Aljets, Paul. (2020, February). *System Development Charges Survey Report*. Prepared for League of Oregon Cities.

that the administration of the governance option is reasonable, and the costs of the funding/governance option does not exceed the revenue. Finally, the productivity criteria will examine the stability of the revenue generated by each funding source.

Each criteria will be given a score of high, medium, or low. A concern of each type is avoiding the free-rider problem as non-residents will not be paying any of the taxes contributing to the center. This has been attempted to be compensated for by having higher user fees for non-residents. The definition of nonresident, however, varies with each funding strategy.

Table 1

	Equity	Neutral	Efficiency	Productivity
IGA	High	High	Low	Medium
Special District	High	Med	Low	High
City	Low	Low	Med	Low

IGA

Equity

The IGA would ensure official buy-ins from adjacent jurisdictions to pay for the facility while increasing its perceived neutrality as their user fees would be the same as all residents of Hermiston. Though user fees are not considered vertically equitable as they are regressive. In this case, using bonds, local option levies, and SDCs would introduce revenue sources that are progressive. Nonetheless, user fees directly reflect benefit-received, in that IGA is sufficiently equitable if revenue bond is issued to finance the capital costs. However, basic calculations demonstrate that the expected revenue yield from the facility is not expected to sustainably servicing the bond without raising the proposed pricings substantially. The other approach to the IGA using population percentages as thresholds for contributions can posit equitable issue, as jurisdictions have significant variations within their budgets.

Horizontal Equity

IGA is highly horizontally equitable, since user fees and direct contributions from public agencies do not discriminate among similar households. The IGA can has slightly lower horizontal equity if it charges out-of-bound users higher than those in-bound. Nonetheless, this is neglectable as in-bound residents already indirectly contribute to the facility through other contributions to their public agencies. If IGA successfully includes Umatilla County, then horizontal equity is significantly improved as the county can fund a capital project where a substantial portion of its residents reside.

Vertical Equity

IGA also has high vertical equity, since the fundamental base for benefit-received through user fees is that people with more discretionary income can choose to spend more to use the facility than others. Different pricings for out-of-bound and in-bound users also enhances vertical equity because residents who can afford to travel further to reach the facility tend to also be able to pay more.

Neutrality

The IGA is very neutral, in that user fees are based on benefit-received principle and thus do not place burden in both vertical and horizontal equity as IGA cannot levy tax or issue general obligation bonds.

Efficiency
Although IGAs are common across local governments in Oregon, they are mostly formed for current public resource-sharing agreements, such as public safety, natural hazard mitigation programs, regional economic development agencies, utilities, and communications. The case studies and preliminary research on IGAs have no evidence of an IGA being formed to finance and construct capital-intensive projects. Stipulations in the ORS dictate that agencies forming IGAs need substantial deliberation on the governing structure, financial agreements, and legal approvals from attorneys in all involved jurisdictions, with a final review by the state's attorney general. Forming an IGA would involve substantial set-up costs, and the multi-agency's structure means that the administrative costs would also be higher than regular public entity, specifically with legal fees and submissions. Therefore, IGA is the least efficient of all the funding options, due to significant costs and labors for set-up and administration. However, the City of Hermiston is currently in an IGA with Umatilla County and the Eastern Oregon Trade and Event Center Authority to manage the event center within the city. If Hermiston is successful in partnering with Umatilla County again, it is expected the county will be able to ameliorate significant capital contribution to the capital costs, specifically through direct contributions.

Productivity
Productive is significant mixed with IGA, specifically depending upon Umatilla County's stance. Nonetheless, baseline productivity is very poor as IGAs can only issue revenue bonds, and the expected revenues from operation in B*K market study are not expected to service the revenue bond to pay for capital and operating costs. Revenue bonds also have higher interest rates and principal payments, as their maturing periods are shorter than GO bonds, thus objectively reduce their productive yield. Servicing revenue bonds also require estimations of operating revenues, that can be subjected to errors as there is not a comparable nearby facility. Although Hermiston Family Aquatic Center's revenues can be utilized for basic projections, the scope and scale of the proposed facility are incomparable.

Special District

Equity
Despite the minor vertical equity concerns associated with flat user fees without any options for low-income waivers, the high score in horizontal equity pushes the special district to a good score in equity overall.

Horizontal Equity
Among comparable users of the Hermiston Health, Wellness, and Aquatics Facility, the permanent taxation rate and use of a general obligation bond ensures that users will pay similar amounts for the facility. The proposed boundary for the special district includes residents from the three surrounding school districts that are likely to utilize the aquatics facility. Under this boundary, the individuals who will use the facility will pay the additional property taxes to cover the operating costs and the bond service charges that cover the capital construction costs of the facility. Additionally, the use of a general obligation bond ensures that users/beneficiaries of the facility will pay for the costs of construction and operation; the "pay-as-you-use" funding model of general obligation bonds results in good scores for intergenerational and horizontal equity. The funding mechanisms for the facility under the special district funding option ensures that the users of the facility will pay for its capital and operating costs, resulting in good scores for horizontal equity.

Vertical Equity

81% of the operating costs for the facility will be paid for by flat user fees. These flat user fees disproportionately affect low-income individuals, as the costs of using the facility will be a larger percent of their income than for an individual with higher income. Unfortunately, there is no plan to offer a low-income waiver for user fees, resulting in a low score in vertical equity. Offering a low-income waiver or similar refund option for low-income users of the facility will increase the vertical equity of the special district funding option.

Neutrality

Residents of the special district will see dramatic increases in their annual tax statements because of this special district. These tax increases, however, are benefits-based, and residents will easily “see” what their tax dollars pay for in the form of the new facility and special district. While the tax-adverse nature of Hermiston residents, may result in residents of Hermiston moving to other cities to avoid these property taxes, the special district funding option achieves a moderate score in terms of neutrality due to the benefits-based nature of the taxes associated with the special district.

Efficiency

The process of creating and administering a special district and gaining voter approval is a highly inefficient process, leading to a poor score for efficiency. While the special district uses established boundaries in the form of the Hermiston, Stanfield, and Umatilla school districts, gaining voter approval to form the district in the first place requires an expensive campaign. A similarly expensive campaign to gain voter approval for the $30 million bond also brings the efficiency score down. Finally, case studies from other parks and recreation departments show that running a special district costs around $600,000 a year. This administrative price tag further reduces the efficiency of a special district, especially when compared to other governance options with little-to-no additional administrative costs.

Productivity

The creation of a new parks and recreation district creates new, consistent sources of funding; this special district will cover operating costs of the facility and the district in the form of permanent taxation and will cover capital costs by approving a bond. The annual guarantee of tax revenue from the special district, which will be used to fill in the operating budget shortfall for the facility, ensures that all costs will be accounted for.

The City of Hermiston

Equity

Horizontal Equity

While the use of general obligation bonds and SDCs to pay for the capital costs of the facility falls under the category pay-as-you-use financing, the distribution of the costs of the bond and SDCs fails to account for the wide range of users from outside the City of Hermiston. Under this financing option, users of the facility within the City of Hermiston will pay far more for the capital costs than a user of the facility from the nearby city of Echo. Using this metric for horizontal equity, the bond option and SDCs for the City of Hermiston ranks poorly.

Vertical Equity

The vertical equity component will examine the use of flat user fees to cover the operation costs of the Hermiston aquatics center. The facility does not currently offer low-income waivers, causing major vertical equity issues, especially considering the 125% increase in user fees. Low-income users of the facility will pay a much higher percent of their paycheck to use the facility than an individual with higher income.

Neutrality

Residents in the City of Hermiston will see dramatic increases in their debt service payments because of this $28 million bond. While this bond will pay for a service that residents of the city will use (benefits-based), the very high cost may encourage residents to move to a nearby city to avoid the bond service payments.

Efficiency

The administration of the Hermiston Health, Wellness, and Aquatics center will fall under the already-established Hermiston parks department. There will not be any major administrative costs associated with this funding option. Unfortunately, gaining voter approval of the $28 million dollar bond will require an expensive campaign, reducing the efficiency score to medium instead of high.

Productivity

This funding option fails to consistently generate enough revenue to cover the operating costs of the Hermiston Health, Wellness, and Aquatics facility. Revenue from user fees can vary from year to year, resulting in a very volatile source of funding the facility. Additionally, while the SDCs should cover $2 million of the capital construction costs over a 10-year period, if population growth in the region is not as high as projected, the revenue from SDCs will be lower. The choice to use SDCs and user fees to cover significant portions of the capital and operating costs of the project will result in a highly inconsistent revenue yield, justifying a very low score in terms of productivity.

Recommendation

Based on the information collected and our evaluation criteria, the matric demonstrates that the creation of an independent parks and recreation district scores high on equity and productivity, we recommend that an independent parks and recreation district is the most productive option for Hermiston. Following our first recommendation, we ranked IGA and raising of funds through other options respectively.

Although a parks and recreation district may not be efficient due to requiring voter approval and its unpopularity of raising taxes for Hermiston residence, it serves the most feasible option. Since the City of Hermiston does not have any current bond obligations, it would be reasonable to take on the proposed $30 million general obligation bond with a defined development plan to fund its community and recreation center. Seen from the case studies, as mentioned above, the City could adopt other strategies such as setting a new permanent tax rate combined with user fees to supplement funding and operation of the new center. With the population of Hermiston growing at a significant rate compared with other jurisdictions, this means there would be more distribution of costs and increase in revenue towards the parks and recreation district to operate and maintain sustainable.

In the situation the City of Hermiston does not meet the approval of a special district, the IGA with neighboring jurisdictions would be our second recommendation. Although the IGA cannot levy taxes or issue general obligation bonds, it does not require voter approval and if agreements are held firm, parties involved in this agreement could suggest more equitable contributions by combining the shared revenues to pay for operating costs as mentioned above. This option also increases the efficiency of resources and sustainability of revenue sources only if partnering parties hold firm to the agreement. These agreements are only as effective as the parties make them.

Raising funds through other funding opportunities would be our least recommended option. The SDC used by other jurisdiction seen in the case studies, can be a source of raising revenue that the City of Hermiston can adopt with an increase on fees to collect more revenue. However, this will take a considerable amount of time and as stated, residents try to avoid the increase of taxes.

With the options available, no one-size-fits-all approach will work given the diversity in their jurisdiction, facilities and the differences in size and scope. While it will require deeper analysis for the decision of the type of community center, the long-term, stable revenue provided by funding option 2, the creation of an independent parks and recreation district, make it the most appropriate decision.

Appendix A

Case Study: Greater St. Helens Parks and Recreation District

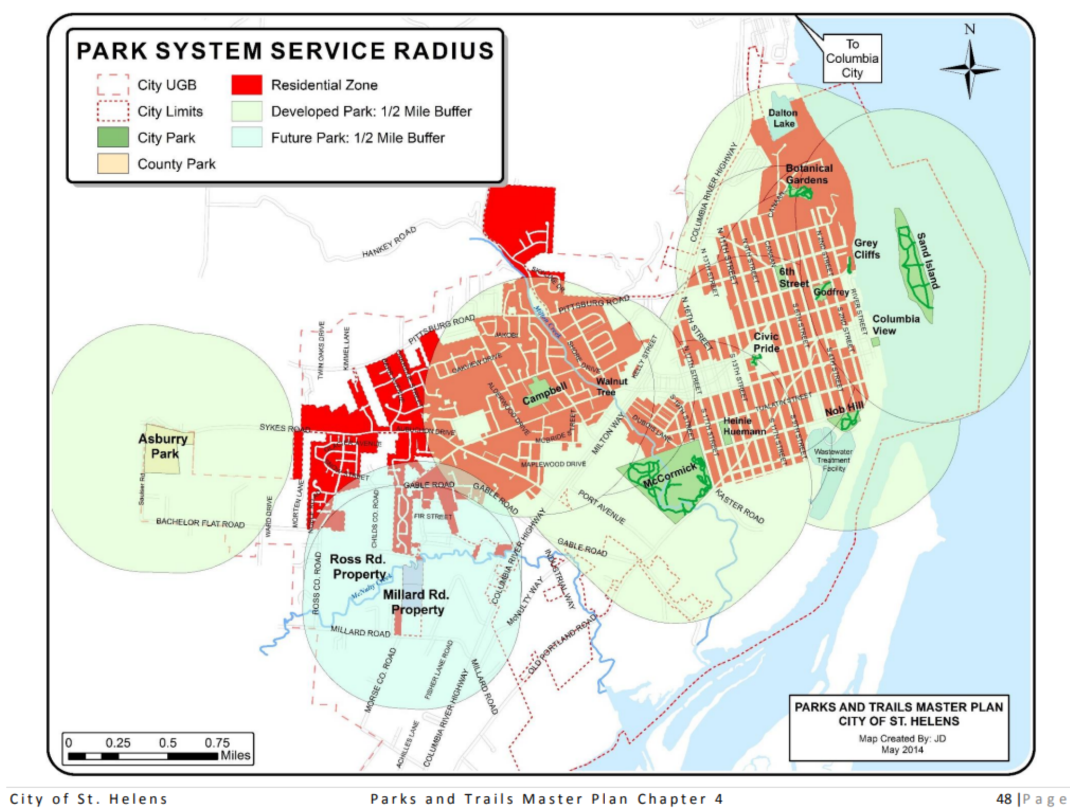
Greater St. Helens Parks and Recreational District

Community's overview

St. Helens is a predominantly residential suburban city located 28 miles north of Portland along the Columbia River, near the border between Oregon and Washington. Tourism is a major business attraction in the city, with St. Helens being known mostly for its Halloween events, parks, and rivers recreation, as well as being Columbia County seat. St. Helens' population is 13,711 in 2020, which is a 6.43% increase from 2010. The majority of the city's demographics is white, at 91.08%, the median age is 36.2 years, with an average household income at $65,628, and 61.2% of its residents are homeowners. These demographics factors, coupled with its geography being surrounded by natural features, mean that St. Helens' parks and recreations are integral to the city's residents. According to the City of St. Helens' Parks and Trails Master Plan, the city is considered a bedroom community, in that over 50% of residents commute out for employment, specifically to Portland. City government acknowledges that this could be an issue, as the city's residents are more likely to spend money outside the County. Furthermore, commuters are less likely to participate in community events and meetings, more likely to drive and less enthusiastic about multi-modal improvements, and more likely to prioritize car-centric projects to improve their commutes.[1]

Park System Service Radius

Figure 1



Source: https://www.sthelensoregon.gov/sites/default/files/fileattachments/recreation/page/10881/parks-trails-master-plan-attachment-a.pdf

St. Helens' Parks and Recreational District adheres to the City's Comprehensive Plan in servicing and acquiring new parkland, in that future parks must be within ½ mile of residential areas to maintain sufficient Level of Service (LOS) for parks. According to Figure 1, Asburry Park is a County park, while Millard Rd. Property is proposed to be developed into a City park to service residents within its ½ mile radius that are not currently in any of the City's ½ radius parks. In 2018, St. Helens created a new Recreation department to specifically engage in a partnership with the St. Helens School District to organize recreational activities, events, and clubs for school children. The existing Parks department continues to focus on maintaining and developing park areas for the City, with the intention that the two will eventually merge into a unified Parks and Recreation department under Public Works.[2]

Governing Structure

Both St. Helens' Parks and Recreation departments operate under the Public Works Department, while being operate by the General Fund. However, the Parks and Recreation departments also maintain Parks System Development Charge (SDC) from the Enterprise Funds and receive transfers from the Major Maintenance from the Internal Service Funds. This structure means that the Parks and Recreation departments share maintenance expenditures with Public Works, have direct funding access from Parks SDC, receive funding from Community Development from the Special Revenue Funds for projects such as Riverwalk, and receive direct funding from Community Enhancement also in the Special Revenue Funds for Material and Services. The City agreed in purchasing a property to be used for the Recreation Department and served as a community resource center for St. Helens. The City intends to fund the remainder of the payment through funds from the Enterprise funds.[3]

Greater St. Helens Aquatic District

The Greater St. Helens Aquatic District (formerly known as Greater St. Helens Park and Recreation District) is a separate special district independent from the City's Parks and Recreation departments, even though it is working in conjunction with the Recreation department through the partnership with the St. Helens School District. The special district operates the Eisenschmidt Pool in St. Helens and organizes afterschool events in collaboration with the school district. Funding for the special district comes from property tax, with the current property tax rate in St. Helens being 1.5% of the net taxable value, with 1.53% of the 1.5% tax rate going into the special district. Figure 2 breaks down the components of St. Helens' property tax. Since this special district operates akin to a private business, it is difficult to access its budget documents. Nonetheless, according to Buzzfile[4], the estimated annual revenues is $728,819. Funding to the special district comes from all sorts of sources, ranging from Oregon Community Foundation's grants of $85,000 to organize summer swimming for children in collaboration with St. Helens School District[5], to a boiler replacement project using funds from a $42,000 injection from Energy Trust of Oregon, a $70,000 three-year loan from Columbia Pacific Economic District, and a GoFundMe account with $4,670 in donations. Furthermore, since the special district is considered an independent enterprise, St. Helens Water Utility charges regular water usage rate for it, which has resulted in negotiations, specifically since it seems that parts of its operating budget are being funded by the Parks department.[6] In a special letter, the Board president of the special district requested permission from the finance director within the City of St. Helens to acquire an adjacent park to possibly build a splash park and an outdoor therapy pool. The Board president also appeals to the City's attempt to charge $25,000 a year for water usage by detailing Eisenschmidt Pool's history as a WPA project in 1939 due to 3 people drowned in the Columbia River off St. Helens. The pool was also a part of the St. Helens School District but was shut down in 1985 due to budget cuts. Nevertheless, community members advocate for the reopening of the pool and a measure to establish the special district was put on the ballot and approved with an established tax base.[7]

As the special district is being funded through a combination of sources both public and private, the special district delegates the general manager to the task of financial budgeting, negotiating billings with other city departments, and seeking new revenue sources. For example, the current general manager, Anne Scholz, sent a letter to the St. Helens City Council Manager requesting for a temporary reduction in the percentage paid on water bills.[8] As such, budget documents for the special district are not available publicly, and there only pieces of financial news that can provide a mosaic for the special district budgeting process. Nonetheless, it seems that the special district is adept in utilizing different revenue sources, including governmental grants, loans from economic development agencies, such as the Columbia Pacific Economic Development District, transfers from the Parks department, and private nonprofit organizations, such as the funding from Energy Trust of Oregon to pay for replacing an old boiler. For operation, Eisenschmidt Pool does charge fees, which are $5 for "in county" and $8 "out of county". Specifically, from its website, "in county" is considered as those living within the St. Helens School District Boundary. The discount is due to the property taxes that are being pay annually by residents. The pool also has an upcoming buy-in fees for out of district residents to pay in-district prices. Furthermore, the special district cooperates closely with St. Helens School District to offer swim lessons and activities to generate revenues, such as a $48 fee for 8 classes of group lessons for in district, while it is $62 for those out of district.[9]

Figure 2

WHERE DOES THAT MONEY GO?

PROPERTY TAX STATEMENT - SAMPLE

VALUES	LAST YEAR	THIS YEAR
REAL MARKET		
LAND	117,750	122,790
STRUCTURES	229,060	273,560
TOTAL RMV	346,810	396,350
TOTAL ASSESSED VALUE	220,670	227,290
EXEMPTIONS		
NET TAXABLE:	220,670	227,290
TOTAL PROPERTY TAX:	3,362.12	3,416.37

NW REGIONAL ESD	32.64
ST HELENS 502 SCHOOL	1,122.04
PORTLAND COMM COLLEGE	63.10
EDUCATION TOTAL:	1,217.78
COLUMBIA COUNTY	295.89
JAIL OPERATIONS - LOCAL OPTION	131.76
COLUMBIA 4H & EXTENSION	12.14
COL 9-1-1 COMM DISTR	120.07
COLUMBIA VECTOR	26.91
GTR ST HELENS AQUATIC DISTRICT	52.37
PORT OF COLUMBIA COUNTY	0.00
COLUMBIA SWCD	21.23
ST HELENS CITY	425.62
COLUMBIA RIVER FIRE	663.23
CCDA - COLCO DEV AGENCY	23.30
ST HELENS URA	52.57
GENERAL GOVT TOTAL:	1,825.09
ST HELENS 502 SCHOOL BOND	283.27
PORTLAND COMM COLLEGE	90.23
BONDS - OTHER TOTAL:	373.50

Source: know_your_statement_-_where_do_property_taxes_go.pdf (sthelensoregon.gov)

Application for Hermiston

Although it is difficult to understand the exact process of how the Greater St. Helens Aquatic District was created and integrated into the city government since its conception in 1993, its existence is a precedent in local government's ability to create a special district independently from governmental departments. Furthermore, this special district is tasked with only operating a public pool, and thus the same can be achieved for Hermiston in creating a special district to fund and operate the new community center. A revenue bond can be levied on property taxes for residents living within Hermiston School District, like that of St. Helens. User fees and charges can be applied differently for those living within the school district and outside, and cooperation can be made with the School District to operate and fund activities, lessons, and public events in the new center. These revenues can be used to fund the operating budget for the special district, in addition combination with other sources as demonstrated through the partnerships with nonprofits and development agencies by St. Helens Aquatic District.

Appendix B

Case Study: Northern Wasco County Parks and Recreation District

Executive Summary

Northern Wasco County Parks and Recreation District (NWCPRD) is located on 602 W 2nd St, The Dalles, OR 97058 and serves the population of over 25,000 people- majority of The Dalles and a portion of Wasco County. The population in its district is increasing and its effort to meet the demands of its people continue to rise. The purpose of this memorandum is to report following information gathered from NWCPRD and evaluate how it's parks departments and special districts' processes work.

Community Parks and Recreation

NWCPRD operates and manages several parks and recreational facilities while also having other facilities owned by public and private agencies around its jurisdiction. It consists of 1 linear park (Klindt Cove Kiwanis Park), 3 neighborhood parks (Howe Park, Firehouse Park, and City Park), 1 community park (Thompson Park), 2 regional parks (Sorosis Park and Riverfront Park), 3 special use parks (Kramer Field, Aquatic Center, and Thompson Park Skate Park), 2 open space (Riverfront Park and Thompson Park), 3 undeveloped parks (14th Street Properties, Mill Creek Trail, and Mill Creek Triangle), 1 trail (Riverfront Trail), 9 school facilities (Quinton Street Ballpark, Thompson Track, Mosier Community School, The Dalles High School and Middle School, Dry Hollow Elementary School, Colonel Wright Elementary, Chenowith Elementary School and Wahtonka Community School, and Columbia Gorge Community College), 1 county (Fairgrounds), 1 Oregon Department of Fish and Wildlife (Taylor Lake), 1 city facility(Lewis and Clark Festival Park), 3 Columbia Land Trust (Four Sisters, Mill Creek Ridge, and Rowena Sanctuary), and 1 state forest service (Chenoweth Quarry) (Northern Wasco Master Plan, 2019). The NWCPRD parks total up to 127.44 acres, its total undeveloped acres is 10.89 acres, its total trail miles is 9 acres, and total public recreation is 320.92 acres. NWCPRD operates and manages about 33 parks and recreational facilities covering a total of all resources of up to 521.44 acres (see map in appendix). These Park classification categories allow NWCPRD to establish a system that tailors to its needs, resources, and facilities. The planning and equitable distribution of the different types of parks and sizes aim to provide convenient access within neighborhoods and serves the needs of a diverse population. NWCPRD defines convenient access as a ¼-mile or less walking distance. With its mission, "Building community through people, parks and programs", NWCPRD continues to seek for sustained and improved livability through parks and recreation services in The Dalles and northern Wasco County. To live up to NWCPRD's mission, we will look into its operations and maintenance of its park system.

Governing Structure

According to NWCPRD's website, its parks system is operated and managed by the park district. There are about 2 fulltime employees assigned to administration within the park district, 5 full time employees assigned to parks service and a total of 1.5 full time employee assigned to recreation. The NWCPRD consists of a Board of Directors that guides the Executive Director, who then oversees the Recreation and Aquatic Manager, and Park Field Supervisor. Their Recreation and Aquatic Manager is responsible for the Recreational Leader, Aquatic Wet Side Supervisor, Aquatic Dry Side Supervisor. Among these, NWCPRD also works with part-time, seasonal maintenance workers and volunteers, which the Park Field Supervisor oversees. (NWCPRD, 2019).

Revenues

NWCPRD's operating budget for the park system consists of "park operations and maintenance expenditures and revenue generated from a property tax levy (.6799/$1,000), a temporary bond used to fund the construction of the NWCPRD's Aquatic Center, system development charges, grants, transient room taxes, and program fees" (NWCPRD, 2019). The funding comes from a mix of revenue sources, mainly from its General Fund such as tax revenues, administrative revenues, park, recreation, contractual park, and aquatic revenues. With the different categories of revenues, they can range from categories such as field use fees, donations, tax year revenues, sports classes and programs, admission fee, pool rentals, and swim lessons, to name a few. According to NWCPRD's FY 2018/2019 Adopted Budget, the total revenue was $1,465,703.00 which came largely from tax revenues totaling $735,091, followed by $480,011 from other administration revenues, $156,900 from aquatic revenues, $58,500 from recreation revenues, $19,000 from park revenues-contractual and $16,201 from park revenues. NWCPRD's top 3 source of revenues come from tax revenues, other administrative revenues, and aquatic revenues.

Expenditures

There are three primary expenditures that are divided under the parks fund budget. These include personnel expenses, materials and services, and capital outlay. "The Parks General Fund provides for planning, designing and construction of park improvements, as well as operations and maintenance that are paid by the collection of a tax levy, bonds, grants, transient room taxes, and program fees" (NWCPRD, 2019). Their approved budget for FY 2018-2019 was $1,580.035 for the use of operations, maintenance, and capital improvements. According to the FY 2018/2019 Adopted Budget, NWCPRD's General Fund Expenditure summary includes administration ($606,298), parks ($572,829.00), aquatics ($189,642), recreation ($151,600), and unappropriated ending fund balance of $59,666. Their total expenditure is 23% less than the previous year. Compared with their revenue for FY 2018/19, their expenditures of $1.5 million exceeds their total revenue. It is important to seek other revenue source options or improve their existing ones. With the amount of total revenues that NWCPRD generates, it is important to know how NWCPRD measures and analyzes new developments, what needs to be improved, and how to serve the needs of the communities.

Capital Projects and Bonds

Capital Projects

This section is a general understanding of NWCPRD's capital projects and bonds. According to NWCPRD Parks System Development Charge Update, The NWCPRD charges a parks system development charge (SDC) to support new capital projects. Parks projects are grouped into 3 projects which include those that will add or affect parks acreage, parks projects that add miles to the district's trail system, and systemwide capital investments. The first grouping involves 12 projects and its combined SDC eligible costs of the listed parks capital projects that affect acreage is $11,387,524 (NWCPRD, 2020). The second grouping has 3 identified trail (Mill Creek, Riverfront, and Chenoweth Creek trail) projects estimated at $7,031,247. The third grouping compares the SDC customer charge with specific types of development. 3 units are used to charge the Parks SDC. They include single family residential (new dwellings with 1-4 units per structure. Multifamily dwellings (5 or more units per structure), and lodging units (rooms added to hotels and motel inventory and RV sites) with a total system wide project cost of $143,222 (NWCPRD, 2020). Based on the SDC eligible costs of all projects, a total estimate of all 3 groups equate to $32,436,923. Capital projects are prioritized into 3 categories: (0-10 years (High priority), 11-20 years (medium priority), and greater than 20 years (low priority).

Bonds

The only service that used bonds was the Aquatic Center. Its construction was funded through a general obligation bond measure that was passed by District voters. This type of bond is a tax assessment on real and personal property that can supplement SDC revenues and is more equitable (NWCPRD, 2019).

Missing Assessment

NWCPRD Statutes

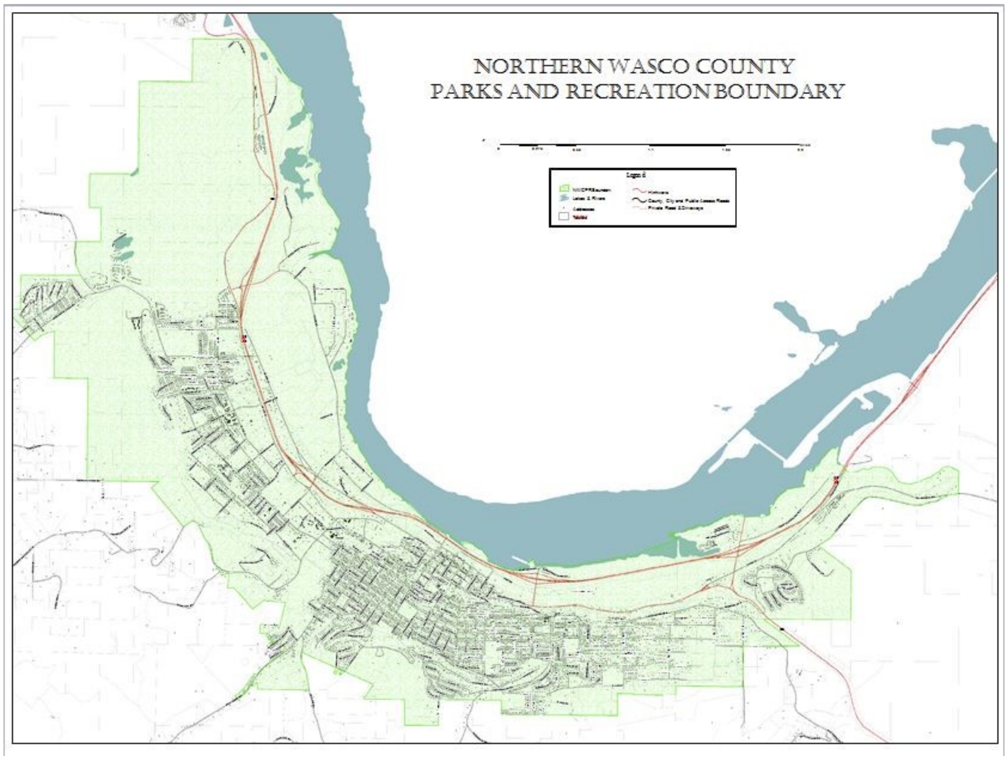
There are no clear sources of NWCPRD statutes, but Oregon's Parks and Recreation District Revised Statutes could be found here: https://oregon.public.law/statutes/ors_chapter_266

Submission of Budget Requests

There are no clear indications of how NWCPRD's departments submit budget requests. "The budget is designed to function as a work plan in guiding departmental operations, in an attempt to accomplish the goals and objectives established by the Board of Directors. Administration staff is committed to a budget that allocates funds in a way that is fiscally prudent, socially responsible, and transparent" (NWCPRD).

Summary

NWCPRD serves the population of over 25,000 people around The Dalles and Wasco County. While the population steadily increases, NWCPRD seeks ways to accommodate its communities and residents through multiple parks and recreational services. With a 20-year plan in place, continued monitoring and evaluations are in process for the changing world we live in. With its efforts to meet the demands of its people, NWCPRD's processes continue to aim to build community through people, parks and programs.



Source: [*http://www.nwprd.org/district-boundary-map*](http://www.nwprd.org/district-boundary-map)

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Appendix C

Case Study: Hood River Valley Parks and Recreation District

All information in this report comes from the Hood River Parks and Recreation District's Proposed Budget for Fiscal Year 2021-2022 and their 2020 Multi-Jurisdictional Master Plan.

Overview: Hood River Valley Park and Recreation

The Hood River Valley Parks and Recreation District was founded in 1988 and provides for the community's recreational needs in the area surrounding Hood River County. While the district's primary goal at the time of its founding was to operate the Hood River Valley Aquatic Center, the district's role for the community has expanded to include participating in the maintenance and operation of various trails and parks near the Columbia River Gorge. This district serves around 20,000 individuals year-round, with additional services provided to visitors during the peak tourism season in the Summer.

The Parks and Recreation District encompasses all of Hood River County except for the City of Cascade Locks. Additionally, the Parks and Recreation District does not manage every park within its boundaries; the City of Hood River, the Port of Hood River, Hood River County, and the Hood River County School District all maintain and operate their own parks within the district. The following map is the best approximation of the boundaries of the Hood River Valley Parks and Recreation District and includes markers designating the various recreation activities under the district's jurisdiction.

Fig. 1 – Hood River Valley Park and Recreation Map Boundaries, 2021

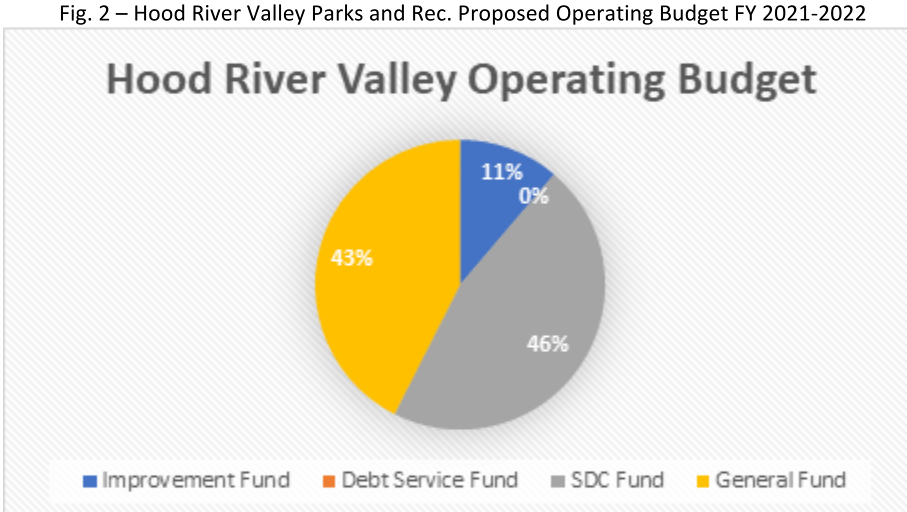
Source: https://hoodriverparksandrec.org/parks-overview

Section 266 of the Oregon Revised Statutes (ORS) provides the Hood River Valley Parks and Recreation District its authority and includes statutes related to governance and taxation. As established in ORS 266.330, the district is governed by an elected Board of Directors consisting of five members who serve staggered four-year terms. This elected body meets on the third Wednesday of the month, and residents of the district are invited to listen into these board meetings. The district Board of Directors gauges community sentiments through an online survey system and occasional public hearings.

Total Budget

While the Parks and Recreation District website does not describe the specificities of their budget promulgation process, the budget is prepared by the District Director and approved by a budget committee. The budget committee consists of the Board of Directors and an equal number of "appointed" residents.

Fig. 2 – Hood River Valley Parks and Rec. Proposed Operating Budget FY 2021-2022



Source: https://hoodriverparksandrec.org/financial-reports, 2021

The Hood River Valley Parks and Recreation District manages four funds to support the district. These funds and their purposes include:

- Improvement Fund – This reserve fund relies on transfers from the general fund to maintain infrastructure within the district.
- Debt Fund – This fund functions solely to collect and pay off debts.
- System Development Charge (SDC) Fund – This restricted fund collects and distributes money generated from charging SDCs to support the construction of new capital infrastructure.
- General Fund – This fund is the largest fund for the district, as its primary revenue source is the property tax revenue and pays for operational costs. This fund is separated into three different categories: Aquatics Center (the pool), Parks and Trails (maintenance), and District Operations (administration and planning).

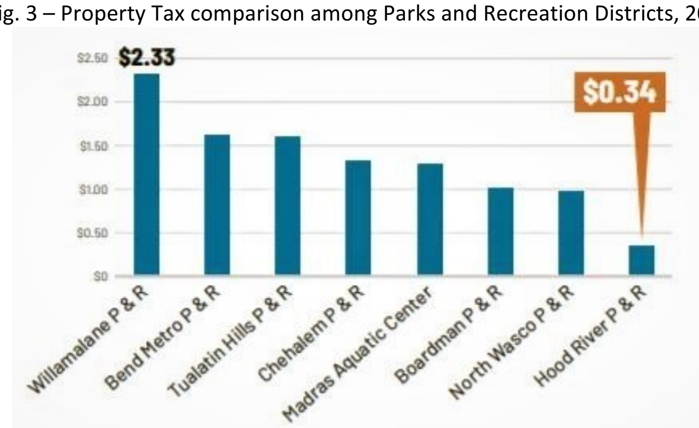
Revenue Sources and Rates

System Development Charges (SDCs)

An average single-family home in the Hood River Valley Parks and Recreation District will pay a $6,636 SDC, a 20% increase from the 2020-2021 fiscal year. The Board of Directors decided to increase the charge of SDCs to the, "maximum defendable rate," in 2019 by annually increasing the cost of SDCs by 20% yearly (Fiscal Year 2021-2022 Proposed Budget, p.3). The proposed rate for the 2021-2022 fiscal year reaches this, "maximum defendable rate," and future cost increases will be assessed in the future.

Property Taxes and Assessments
Taxes for the Hood River Valley Parks and Recreation District cannot exceed 0.5% of the real market value for all taxable property in the district, ass established in the ORS 266.430. According to the Multi-Jurisdictional Parks, Recreation, and Open Space Plan, the property tax rate for Hood River Valley Parks and Recreation is $0.34 per $1,000 of assessed property value (Multi-Jurisdictional Master Plan, p.121). This property tax rate is among the lowest between various parks and recreation districts across Oregon. Additionally, 69% of the general fund revenue comes from property taxes, and revenue from these property taxes are also transferred from the general fund to the improvement.

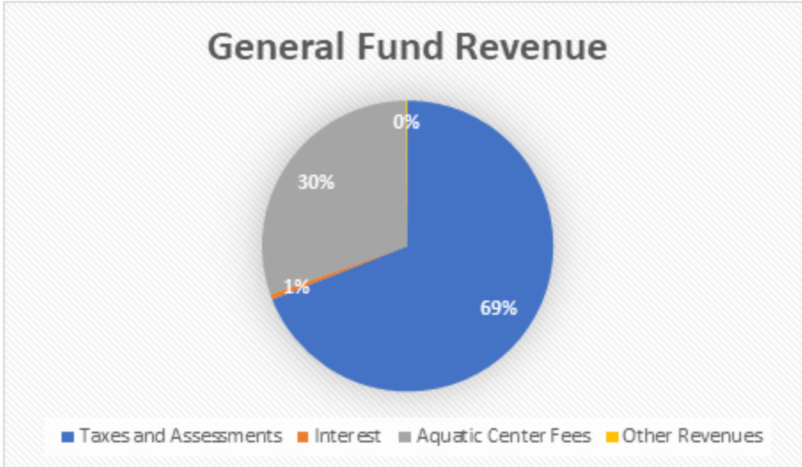
Fig. 3 – Property Tax comparison among Parks and Recreation Districts, 2020



Source:https://static1.squarespace.com/static/5e6e729f323f5f3bb08c5c47/t/5f907889c2b4f002b522a322/1603303607870/HRV_PMP_vFinal_webs.pdf

Aquatic Center Fees
User fees for the Aquatic Center make up 30% of the general fund revenue and funds about 50% of the operating costs of the facility (Fiscal Year 2021-2022 Proposed Budget, p.12). The primary revenues generated by the Aquatic Center comes from general admission fees, event fees, and swim lessons.

Fig. 4 – Hood River Valley Parks and Recreation General Fund Proposed Revenue FY 2021-2022



Source: https://hoodriverparksandrec.org/financial-reports, 2021

The Hood River Valley Parks and Recreation District's budget does not include any revenues from public-private partnerships.

Bonds and Capital Projects

In September 2020, the Hood River Parks and Recreation District developed a Multi-Jurisdictional Parks, Recreation, and Open Space Plan to establish priorities for the Hood River Area. The multi-jurisdictional plan notes three categories to rank potential capital projects: health and wellness, social equity, and conservation.

Capital Projects Supported by the SDC Fund

The SDC Fund currently allocates, "$262,000 [. . .] for Dog Park, Southside Trail Connection, and Property Acquisition and Planning" (Hood River Valley Parks and Recreation, p.10). Additionally, local partners from the city have submitted requests to the SDC fund for $600,000 acquire parks and trails. This fund is supported solely by SDCs and interest payments.

Capital Projects Supported by the Improvement Fund

The Improvement Fund stores money to maintain the functionality of the Aquatics Center and relies on transfers from the general fund. The general fund will transfer $35,000 to this fund to spend on improvements to maintain the Aquatic Facility

Debt Fund and Bonds

Currently, the Hood River Valley Parks and Recreation District has no outstanding debts. A twenty-year bond was "paid in full in 2017/2018 fiscal year" (Fiscal Year 2021-2022 Proposed Budget, p.8). According to the proposed budget for the 2021-2022 fiscal year, the Hood River Valley Parks and Recreation District does not have any plans to propose a new bond soon.

Primary Expenditures

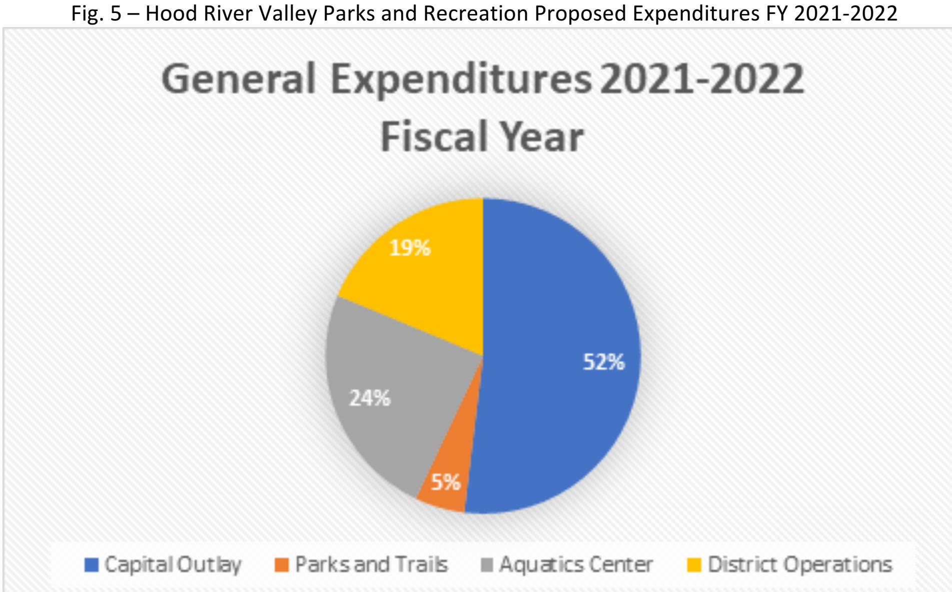
Capital Outlay – The expenditures are earmarked for capital expenditures. These expenses include the creation of a Dog Park, extending the Southside Trail Connection, funding studies related to property acquisition and planning, and maintaining the Aquatics Center.

Parks and Trails – The largest expenditures within this category include payroll expenses, repair and maintenance, and utility payments. While the parks and trails bring in very little revenue, the benefits that this service provides to the community makes it a funding priority.

Aquatics Center – The Aquatics Center's primary expenditures are payroll expenses, repair and maintenance, utility payments, and chemicals, gasses, and fuel. 50% of the expenditures for the center are covered by user fees, while the other 50% comes from the general fund's property tax.

District Operations – As with the previous two categories, the largest expenditure for the operations of the district is payroll expenses. The district maintains 4 salaried employees and about 30 part-time and seasonal employees. The second largest expenditure is insurance, and this expenditure is forecasted to increase due to higher health insurance. Other notable expenditures within this category include training and travel, audit services, and professional fees.

Fig. 5 – Hood River Valley Parks and Recreation Proposed Expenditures FY 2021-2022



Source: https://hoodriverparksandrec.org/financial-reports, 2021

Conclusions

The Hood River Parks and Recreation District primarily relies on property taxes, user fees, and system development charges to fund its expenditures that include its capital outlay, parks and trails, the Aquatics Center, and the district's operations. A twenty-year bond was paid off in 2018, so the district does not have any outstanding debt payments. The district's capital projects are chosen based on their ability to match the three judgement criteria expressed in the Multi-Jurisdictional Master Plan.

Looking ahead to the future analysis of the City of Hermiston's funding options for its proposed Aquatic Facility, Hood River Valley Parks and Recreation funds 50% of the operating costs of their Aquatic Facility from user fees, while the other 50% comes from property taxes. The property taxes levied by Hood River Valley Parks and Recreation District falls well below the legal limit of .5% of the real market value of all taxable property in the district and provides enough revenue to fund maintenance, operating costs, and capital projects. However, the high payroll expenditures and operating costs of running a parks and recreation district may create additional financial impacts for the City of Hermiston. Nevertheless, the example provided by the Hood River Valley Parks and Recreation District will inform the future consideration for the Hermiston financial analysis.

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Hood River Valley Parks and Recreation District. (2021). *Fiscal Year 2021-2022 Proposed Budget.* Retrieved from https://static1.squarespace.com/static/5e6e729f323f5f3bb08c5c47/t/6078810cf2262362250e56e5/1618510095699/HRVPRD+FY+21-22+Proposed+Budget.pdf

ORS § 266.420.

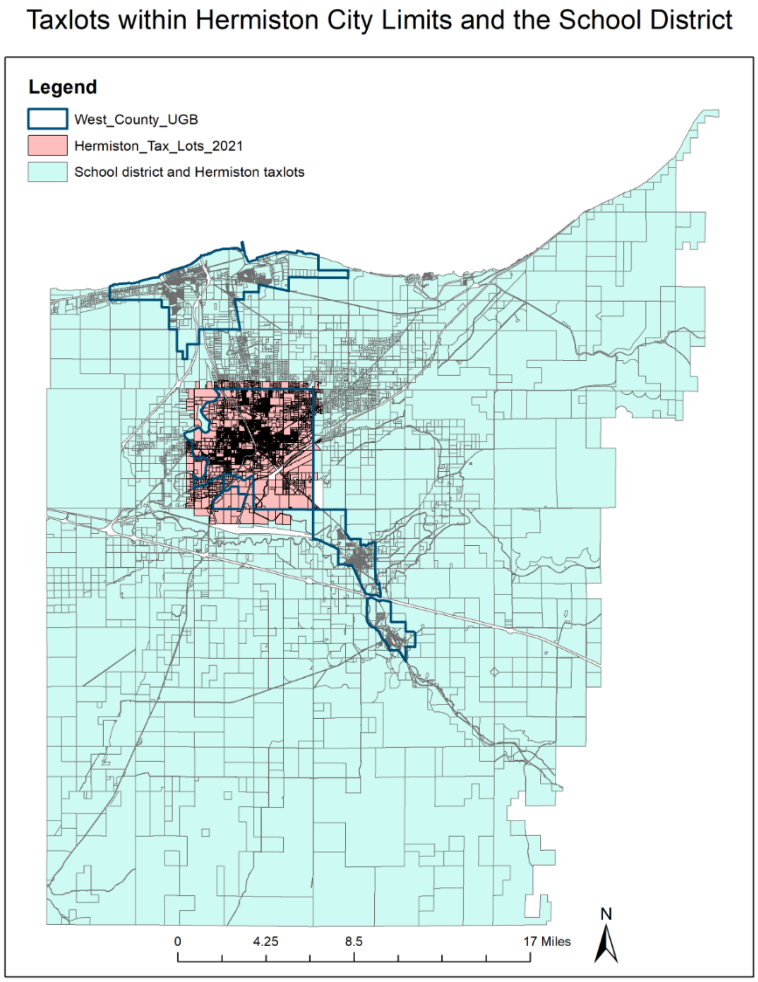
Appendix D

Case Study: La Pine Parks and Recreation District

Missing – Please Send Questions to Olivia Daly

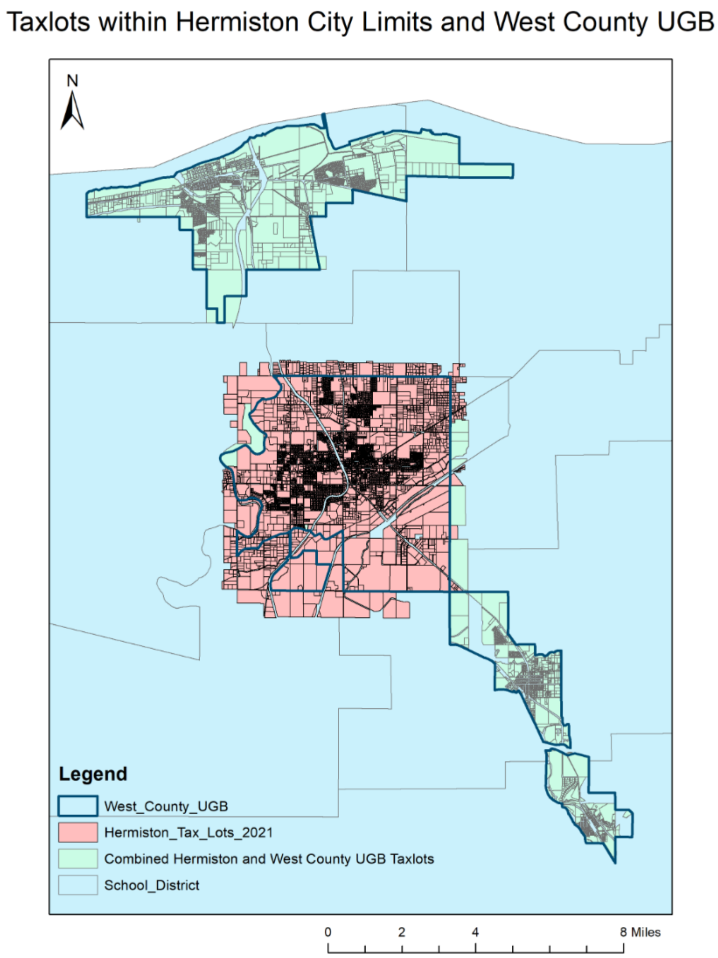
Appendix E

Taxlots within the Hermiston City Limits and the Hermiston School District



Appendix F

Taxlots within the Hermiston City Limits and the West County UGB



Appendix G

User Fees – 190% Increase for IGA Revenue Bond Payment

Category	Daily	Resident Annual	Non-resident Annual	Resident Monthly	Non-resident Monthly
Adults	$8	$500	$625	$45	$55
Youth (2-17)	$5	$300	$375	$28	$34
Senior (55+)	$6	$300	$375	$28	$34
Senior Couple (55+)	N/A	$500	$625	$45	$55
Family	N/A	$775	$970	$68	$84

Category	Daily	Resident Annual	Non-resident Annual	Resident Monthly	Non-resident Monthly
Adults	$15.20	$950.0	$1,187.50	$85.50	$104.50
Youth (2-17)	$9.50	$570.0	$712.50	$53.20	$64.60
Senior (55+)	$11.40	$570.0	$712.50	$53.20	$64.60
Senior Couple (55+)	N/A	$950.0	$1,187.50	$85.50	$104.50
Family	N/A	$1,472.50	$1,843.0	$129.20	$159.60

Appendix H

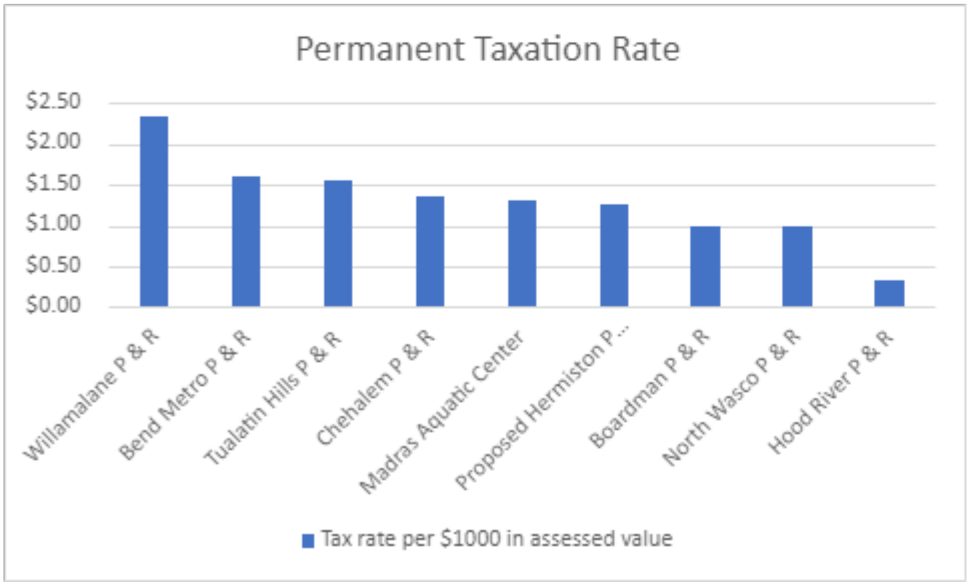
Taxation limitations for the proposed Hermiston Special District

Table 14: Tax lots within Hermiston and the School District

	Count of Tax_Lot	Sum of TOTAL_RMV	Sum of TOTAL_AV	Median RMV	Median AV
Total	14,064	$5,444,321,800	$2,560,700,569	$136,370	$109,920
.5% Tax Limit for RMV	$27,221,609.00				
2.5% Bond Limit for RMV	$136,108,045.0				

Appendix I

Permanent Taxation Rate Comparison



Appendix J

Debt Service Payments –Hermiston Special District $30 million Bond

Projected annual payment

Level Debt Service	$1,321,150
Level Principal (Year One)	$1,570,000

Projected total payments over term.	Principal & Interest	Interest only
Level Debt Service	$39,634,492	$9,634,492
Level Principal	$38,835,000	$8,835,000

scroll down

Year	Level debt service ($)	Level principal ($)	Year	Level debt service ($)	Level principal ($)
1	1,321,150	1,570,000	21	1,321,150	1,190,000
2	1,321,150	1,551,000	22	1,321,150	1,171,000
3	1,321,150	1,532,000	23	1,321,150	1,152,000
4	1,321,150	1,513,000	24	1,321,150	1,133,000
5	1,321,150	1,494,000	25	1,321,150	1,114,000
6	1,321,150	1,475,000	26	1,321,150	1,095,000
7	1,321,150	1,456,000	27	1,321,150	1,076,000
8	1,321,150	1,437,000	28	1,321,150	1,057,000
9	1,321,150	1,418,000	29	1,321,150	1,038,000
10	1,321,150	1,399,000	30	1,321,150	1,019,000
11	1,321,150	1,380,000			
12	1,321,150	1,361,000			
13	1,321,150	1,342,000			
14	1,321,150	1,323,000			
15	1,321,150	1,304,000			
16	1,321,150	1,285,000			
17	1,321,150	1,266,000			
18	1,321,150	1,247,000			
19	1,321,150	1,228,000			
20	1,321,150	1,209,000			

Appendix K

Hermiston Resident Tax Bill – Special District Permanent Rate and Bond

Parks and Rec Bond and Tax
Projection with the School District

		Percent of Total Property Tax
School District #8 Hermiston	$ 449.23	19.26%
Intermountain E.S.D	$ 56.63	2.43%
BMCC	$ 60.81	2.61%
Education Total	**$ 566.67**	**24.30%**
General County	$ 262.03	11.24%
City of Hermiston	$ 559.80	24.01%
Port of Umatilla	$ 14.16	0.61%
Umatilla County Fire Dist 1	$ 160.97	6.90%
Umatilla Morrow Radio & Data Dis	$ 15.64	0.67%
Cemetery Dist 8 Hermiston	$ 8.49	0.36%
W. Umatilla Mosquito Control	$ 18.59	0.80%
Hermiston Urban Renewal District	$ 21.59	0.93%
New Parks and Rec District	$ 137.00	5.87%
General Govt Total	**$ 1,198.27**	**51.39%**
City of Hermiston Bond	$ 25.25	1.08%
BMCC Bond	$ 18.43	0.79%
Umatilla County Fire Dist Bond	$ 14.89	0.64%
School District #8 Hermiston Bond	$ 327.41	14.04%
Parks and Rec Bond	$ 181.00	13.04%
Bonds - Other Total	**$ 566.98**	**24.31%**
Total	**$ 2,331.92**	**100.00%**

Current Total General Govt	Annual Rate for the new Parks and Rec District	New Total General Govt	Percent Change
$ 1,061.27	$ 137.00	$ 1,198.27	12.91%

Current Total Bond	Annual New Bond Payment	New Total General Govt	Percent Change
$ 385.98	$ 181.00	$ 566.98	46.89%

Appendix L

SDC Comparison Table

City	Average Parks SDC
Hermiston	$400
Irrigon	$500
Hood River	$3,517
St. Helens	$2,720
The Dalles	$1,747

Appendix M

Debt Service Payments – City of Hermiston $28 million Bond

Projected annual payment

Level Debt Service	$1,233,073
Level Principal (Year One)	

Projected total payments over term.	Principal & Interest	Interest only
Level Debt Service	$36,992,193	$8,992,193
Level Principal		

Year	Level debt service ($)
1	1,233,073
2	1,233,073
3	1,233,073
4	1,233,073
5	1,233,073
6	1,233,073
7	1,233,073
8	1,233,073
9	1,233,073
10	1,233,073
11	1,233,073
12	1,233,073
13	1,233,073
14	1,233,073
15	1,233,073
16	1,233,073
17	1,233,073
18	1,233,073
19	1,233,073
20	1,233,073

Year	Level debt service ($)
21	1,233,073
22	1,233,073
23	1,233,073
24	1,233,073
25	1,233,073
26	1,233,073
27	1,233,073
28	1,233,073
29	1,233,073
30	1,233,073

Appendix N

Hermiston Resident Tax Bill - $28 million General Obligation Bond

		Percent of Total Property Tax
School District #8 Hermiston	$ 449.23	19.57%
Intermountain E.S.D	$ 56.63	2.47%
BMCC	$ 60.81	2.65%
Education Total	**$ 566.67**	24.68%
General County	$ 262.03	11.41%
City of Hermiston	$ 559.80	24.38%
Port of Umatilla	$ 14.16	0.62%
Umatilla County Fire Dist 1	$ 160.97	7.01%
Umatilla Morrow Radio & Data Dis	$ 15.64	0.68%
Cemetery Dist 8 Hermiston	$ 8.49	0.37%
W. Umatilla Mosquito Control	$ 18.59	0.81%
Hermiston Urban Renewal District	$ 21.59	0.94%
General Govt Total	**$1,061.27**	46.22%
City of Hermiston Bond	$ 25.25	1.10%
BMCC Bond	$ 18.43	0.80%
Umatilla County Fire Dist Bond	$ 14.89	0.65%
School District #8 Hermiston Bond	$ 327.41	14.26%
Parks and Rec Bond	**$ 282.00**	**12.28%**
Bonds - Other Total	**$ 667.98**	29.09%
Total	**$2,295.92**	100.00%

Appendix O

User Fees – 100% Cost Recovery

Category	Daily	Resident Annual	Non-resident Annual	Resident Monthly	Non-resident Monthly
Adults	$8	$500	$625	$45	$55
Youth (2-17)	$5	$300	$375	$28	$34
Senior (55+)	$6	$300	$375	$28	$34
Senior Couple (55+)	N/A	$500	$625	$45	$55
Family	N/A	$775	$970	$68	$84

Category	Daily	Resident Annual	Non-resident Annual	Resident Monthly	Non-resident Monthly
Adults	$10	$625	$781	$56	$69
Youth (2-17)	$6	$375	$469	$35	$43
Senior (55+)	$8	$375	$469	$35	$43
Senior Couple (55+)	N/A	$625	$781	$56	$69
Family	N/A	$969	$1,213	$85	$105

Appendix P

Total bond	Annual Payment	Operating Costs	Total Payment Per Year (30 years)	Expected Revenues	Difference
$30,000,000	$1,321,150	$2,471,205	$3,792,355	$1,994,305	190%

Table: Revenue Bonds Calculations for IGA

Appendix Q

Table: Expected Contributions According to Population Percentages

	Population	Percent of Total Population	Expected Contributions	Total Adopted Budget	Percent of Total Budget
Hermiston (city)	18,415	64%	$ 19,155,686.55	$ 69,064,541.00	28%
Echo (city)	710	2%	$ 738,557.56	$ 669,502.00	110%
Umatilla (city)	7,470	26%	$ 7,770,457.70	$ 55,544,110.00	14%
Stanfield (city)	2,245	8%	$ 2,335,298.20	$ 6,392,255.00	37%
Total	28,840	100%	$ 30,000,000.00		

Appendix R

Table: Total Population in Relevant Census Tracts

2019 American Census Survey	Population		
Census Tract 9508, Umatilla County, Oregon	7862		
Census Tract 9509, Umatilla County, Oregon	4977		
Census Tract 9510, Umatilla County, Oregon	6165		
Census Tract 9511, Umatilla County, Oregon	5520		
Census Tract 9512, Umatilla County, Oregon	9426		
Total	33950		Adopted 2020-2021
Umatilla County Total	77129	Umatilla County Special Revenue Funds	$ 61,626,256.00
Percent of Population by Total	44%	Potential Contribution	$ 27,126,131.43

SCI Directors and Staff

Marc Schlossberg	SCI Co-Director, and Professor of Planning, Public Policy, and Management, University of Oregon
Nico Larco	SCI Co-Director, and Professor of Architecture, University of Oregon
Megan Banks	SCYP Director, University of Oregon
Nat Kataoka	Report Coordinator
Danielle Lewis	Graphic Designer