Redmond Area Parks and Recreation Capital Finance Strategy:
RAPRD District Tax Valuation Analysis

Fall 2015 • Planning, Public Policy, and Management

Maureen Jackson • PPPM
Rebecca Lewis, Ph.D • Assistant Professor • PPPM

UNIVERSITY OF OREGON

SCI
Sustainable Cities Initiative

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The author would also like to thank all of the city staff who participated and engaged with students during their site visit and final presentation.

About SCI

The Sustainable Cities Initiative (SCI) is a cross-disciplinary organization at the University of Oregon that promotes education, service, public outreach, and research on the design and development of sustainable cities. We are redefining higher education for the public good and catalyzing community change toward sustainability. Our work addresses sustainability at multiple scales and emerges from the conviction that creating the sustainable city cannot happen within any single discipline. SCI is grounded in cross-disciplinary engagement as the key strategy for improving community sustainability. Our work connects student energy, 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 one city in Oregon, in which students and faculty in courses from across the university collaborate with the partner city on sustainability and livability projects. SCYP faculty and students work in collaboration with staff from the partner city 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 resulting in on-the-ground impact and expanded conversations for a community ready to transition to a more sustainable and livable future.

SCI Directors and Staff

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Nico Larco, SCI Co-Director, and Associate Professor of Architecture, University of Oregon

Megan Banks, SCYP Program Manager, University of Oregon

About Redmond, Oregon

Redmond, located in Deschutes County on the eastern side of Oregon's Cascade Range, has a population of 27,427 and is one of Oregon's fastest growing cities. The City's administration consists of an elected mayor and city council who appoint a City Manager. A number of Citizen Advisory Groups advise the City Manager, mayor, and city council.

From its inception, Redmond has had its eyes set firmly on the future. Redmond was initially founded in 1905 in anticipation of a canal irrigation project and proposed railway line. Redmond is on the western side of the High Desert Plateau and on the eastern edge of the Cascade mountain range. Redmond lies in the geographic heart of Oregon. Redmond focuses on its natural beauty, reveling in the outdoor recreational opportunities (camping, hiking, skiing) offered by the Cascade mountain range, four seasons climate, and 300+ days of sunshine annually.

Redmond has been focused on innovative, sustainable growth and revitalization while preserving the city's unique history and culture. In 1995, the City of Redmond began to make critical investments in revitalizing its downtown core. The initial phase of renovations strove to balance growth, livability and historic preservation by rerouting Oregon State Highway 97, improving critical infrastructure, and improving the facades of over 100 buildings in the historic center. The City of Redmond has worked with local businesses to revitalize retail, job creation and housing. To facilitate private sector buy-in, Redmond offers innovative incentive programs such as the Façade Rehabilitation and Reimbursement Grant and the "Downtown Jumpstart" loan competition, as well as Design Assistance.

Often referred to as "The Hub" of Central Oregon, Redmond is situated at the crossroads of US Highway 97 and US Highway 126. It is served by the Burlington Northern Sante Fe Railway, Cascades East Transit Regional Public Transportation Service, as well as a state of the art regional airport served by multiple commercial airlines and FedEx and UPS. In addition to its geographic location, Redmond is viewed as central to business growth in the region. In 2014, Central Oregon Community College opened a 34,300 square foot Technology Education Center to recruit new businesses and expand existing businesses in Central Oregon. Above all, Redmond prides itself on being a family-friendly city which was the motivation for the work presented in this report.

REDMOND 1910 2010 THE HUB

Course Participants

Mariah Acton, Pubic Administration and Conflict Resolution Graduate

Maureen Jackson, Community Regional Planning Graduate

Andrew Johnson, Public Administration Graduate

Dana Nichols, Community Regional Planning Graduate

Emilee Ohia, Public Administration Graduate

Anthony Paluso, Public Administration Graduate

William Vollmer, Public Administration Graduate

Kelsey Zlevor, Community Regional Planning Graduate

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Executive Summary

The Redmond Area Parks and Recreation District (RAPRD) has developed a plan for a new 72,000 square foot downtown recreation center to better serve Redmond area residents, with funding for a portion of the capital costs secured and an expected 80% cost recovery rate for annual operations. University of Oregon students proposed funding strategies to generate the remaining resources needed: $16.2 million for capital construction and $382,900 annually for operations. The financial strategies examined for this project include a General Obligation (GO) bond, system development charges (SDCs), and a permanent levy with a district boundary change.

In addition to funding strategies, RAPRD also requested an evaluation of three new district geographies.[1] These options and the current district were evaluated using students' funding recommendations, which found marginal differences in revenue generation potential between the different geographies. Nevertheless, Option 3 is recommended, the largest of the options with 21,478 taxable parcels, an increase of 1,609 parcels from the current district, because it marginally decreases residents' tax burdens and better represents RAPRD's actual service area and constituents.

Students also considered alternative financial strategies including increased user fees, and five year and 10-year local levies. These strategies are included in detail in Appendix A: Other Funding Options for reference. Based on evaluation criteria and presentation feedback, the alternative options are not included in the final recommendation to RAPRD.

[1] Throughout the funding strategy analysis the moderate geography, Option 2, is the test case utilized.

Introduction

The Redmond Area Park and Recreation District (RAPRD) is a special taxing district, first incorporated in 1975, that supports parks and open space, an indoor aquatic center, community centers, and programming in most Redmond area parks. The mission of RAPRD is to “develop and enhance recreation facilities and opportunities for the communities [they] serve” (About Us, 2012). RAPRD serves the communities of Redmond, Terrebonne, and Tumalo.

RAPRD is a recognized Park and Recreation District under Oregon Revised Statutes. PRD is a special district whose formation, power, and structure is governed by ORS Chapter 266. There are no requirements or guidelines under ORS to determine boundaries of PRDs. Under ORS, PRDs have two primary means of funding. First, as part of their general district powers, PRDs have the power to assess, levy, and collect taxes (ORS §266.410). Second, when authorized by electors, PRDs may issue both general obligation bonds and revenue bonds (ORS §266.512-514).

University of Oregon’s fall 2015 Public Budget Administration course, offered through the Department of Planning, Public Policy and Management, partnered with RAPRD to review the funding structure of RAPRD and propose financial funding options for a family recreation center. This report reflects the final recommendations of eight graduate students in Professor Rebecca Lewis’ class who evaluated financial yield with potential funding options under three geographic scenarios. During the course students had the opportunity to take a site visit to Redmond, on October 12, to meet with city and district staff and tour RAPRD facilities.

Background Information

Current Programming and Financial Conditions

The Redmond Area Park and Recreation District (RAPRD) maintains a balanced budget that details the revenues and expenditures associated with the operation and maintenance of facilities, and approximately 150 annual recreation programs. RAPRD offers programs at the Activity Center, Cascade Swim Center, and High Desert Sport Complex, including youth and adult sports, before and after school programs, Red Cross classes, art classes, and swim lessons. In addition to programming, RAPRD also manages 95 acres and 10 miles of parks and trails as well as the Borden Beck Wildlife Preserve. To maintain service levels, RAPRD employs 12 full-time employees, 92 part-time or seasonal employees and relies on approximately 200 volunteers. RAPRD's value for fiscal year 2014-2015 is assessed at $3,250,044,396 (RAPRD, 2015).

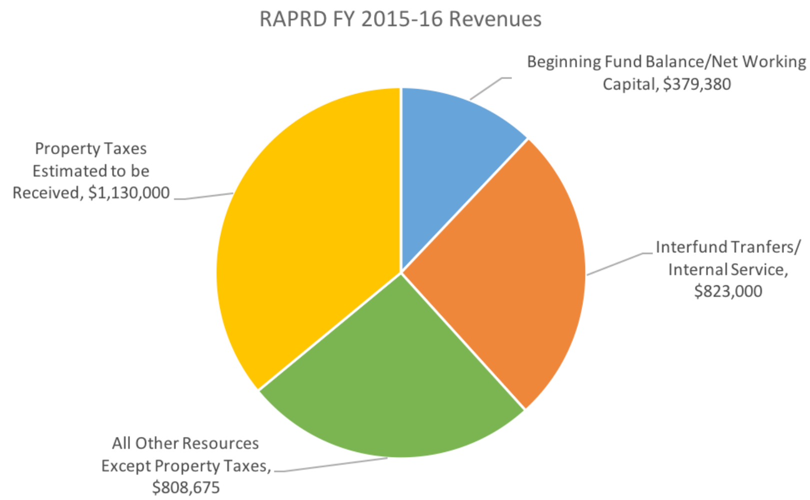
RAPRD's budget document was consulted for this project and details who is involved with the creation of the budget, the budget development, review, approval, and adoption processes. In addition, this document provides breakdowns of specific funds within the general budget, including the Facilities Construction Fund, which was largely depleted in FY 2012-13 and therefore unavailable for the current proposed project.

Revenues

RAPRD lists four main sources of revenue: The beginning fund balance, property taxes, interfund transfers, and all other resources (including user fees). RAPRD's proposed Budget for Fiscal Year 2015-16 indicates that support comes primarily from property tax, with collections estimated at $1,130,000 or 36% of the budget (See Pie Chart 1). According to RAPRD's proposed budget for FY 2015/16 the property tax rate per thousand for Assessed Value is $0.3717. In FY 2014-15 the budget indicates that the "local government agencies within the City of Redmond exceeded the Measure 5 limit of $10 per thousand" and the District's taxes were reduced due to Measure 5 compression. However, the property tax revenue losses in FY 2014-15 were insignificant ($42). The FY 2015-16 budget anticipates that the combined rates will not exceed $10 per thousand, but "if it does tax reductions to the district will again be insignificant" (BPRD, 2015).

Other sources of revenue include interfund transfers - general fund revenues to be transferred to other fund accounts - are proposed to account for $823,000, or 26%. Charges for services also account for around 26% of the revenue, or $808,675. Beginning fund balances - money set aside from the previous fiscal year to keep the activities funded until the new fiscal year funds are made available - account for $379,380 and represent 12% of available resources. Total resources available for this fiscal year equates to $3,141,055. Although revenue sources for special districts are somewhat limited, RAPRD could benefit by diversifying revenue sources to include collection of system development charges (SDCs) or increased user fees.

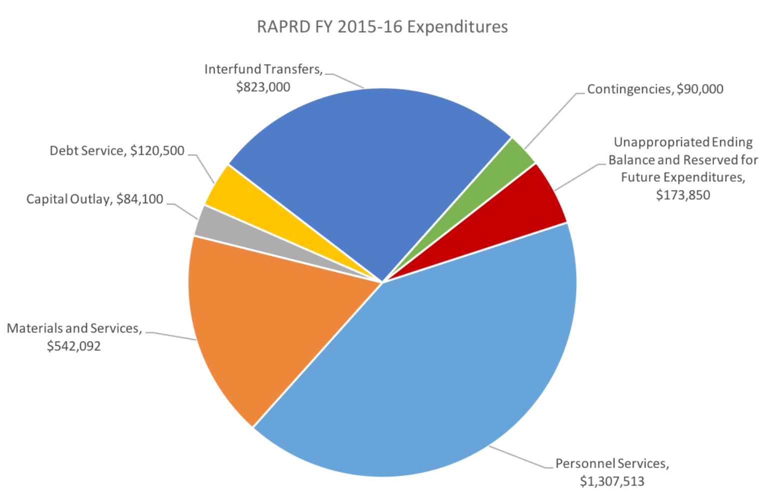
Pie Chart 1: RAPRD Proposed Resources FY 2015-16



Expenditures

RAPRD's major expenditures include personnel services, interfund transfers (which do not actually increase expenditures but are considered a budget requirement), materials and services, and debt service that cover two semi-annual debt payments for property purchased in 2009. RAPRD's total FY 2015-16 budget expenditures equate to $2,967,205, where the greatest expense is for personnel services, which account for $1,307,513 or 44% of expenditures. The second largest expense is interfund transfers, which total $823,000 or 28% of expenditure. Materials and services total $542,092, or 18% of the expenditure budget. Debt service is forecasted at $120,500, or 4% for the period. Contingencies and capital outlay are each 3% of the budget with $90,000 and $84,100 respectively (See Pie Chart 2).

Pie Chart 2: RAPRD Proposed Expenditures FY 2015-16



District Goal

Build a New Recreation Center

The purpose of this project is to make funding recommendations for development of a new 72,000 square foot Redmond Family Recreation Center, which will offer a wide variety of amenities including a leisure pool, gymnasium, track, community space, and a new administration area for RAPRD staff. The facility's construction is estimated to cost $23.7 million with annual operating costs of $1.9 million at an expected 80% cost recovery rate. The City of Redmond's Downtown Urban Renewal Advisory Committee has pledged $7.5 million in urban renewal funds to develop the facility. This proposal seeks to fill the $16.2 million capital construction gap and cover the remaining 20% of annual operating costs ($382,900).

Problem

RAPRD currently funds existing programs and community centers through a variety of revenue sources, including taxes available as a special district. The current tax rate is $0.3717/$1,000 of assessed property value. This amount provides for the operation of existing programs and facilities, but will not cover the expenses needed for the construction of a new facility. Furthermore, while some potential revenue sources cover the development costs, they will not cover the additional, annual operating costs of a new facility.

Capital Construction and Operating Costs

The proposed 72,000 square foot recreation center will include the following amenities: A pool, gym, track, fitness and group exercise rooms, a locker room, kitchen, childcare, administrative areas, and conference/party rooms. Funding will be made available through both RAPRD's Urban Renewal Funds ($7.5 million) with a potential general obligation (GO) bond ($16.2 million), subject to voter approval. The deficit in operating costs not covered by incoming revenue at the new facility is estimated to be $382,900 at 80% cost recovery.

Overarching Funding Strategies

To get to RAPRD's needed $16.2 million for construction and the additional $382,900 annually for operations, students first looked at overarching funding strategies for capital improvements. Two strategies are typically pursued by local governments for this type of capital financing: Pay-as-you-use and pay-as-you-go.

Pay-As-You-Use

Pay-as-you-use financing is a capital financing method that relies on debt instead of current revenues (Bland, 2013, p. 315). The most common examples of pay-as-you-use financing are bond measures such as revenue or general obligation bonds. While debt financing promotes intergenerational equity by allowing "a government to spread out payment over the life of the asset, thereby shifting the cost of servicing the debt to those who use the asset," there are also challenges to debt financing, including getting voter approval for the debt and repaying the debt (Bland, 2013, p. 273). With compounding interest and fees, it is important to remember that the longer the term of debt, the costlier it becomes. In general, debt repayment should not extend beyond the life of the asset. The pay-as-use-financing strategy is a viable option for RAPRD's capital construction needs, but it should not be considered for annual operations.

Pay-As-You-Go

In contrast to debt financing, pay-as-you-go financing relies on current revenues rather than debt (Bland, 2013, p. 314). Examples of pay-as-you-go financing structures include property taxes, development impact fees, reserves, and user fees. This approach avoids the risk of relying on bond approval and repayment. In addition, pay-as-you-go strategies have intergenerational equity issues as current taxpayers bear the full cost of a facility that also benefits future residents (Bland, 2013). For these reasons, RAPRD should pursue pay-as-you-go strategies for annual operations and to supplement debt, but not as a primary strategy for capital construction.

Defining Terms

Bonds and Bond Levies

RAPRD may issue a municipal bond, or a debt security issued by a local government to finance capital projects based on Chapter §266.512 of ORS. Most common among municipal bonds are General Obligation (GO) bonds, designed to benefit a community as a whole, and revenue bonds used for specific projects. GO bonds are secured by the full-faith-and-credit and taxing powers of an issuing government (State of Oregon). Government entities pledge to use their full taxing powers and all unrestricted resources to repay the bond's principal, interest, and fees. GO bonds require voter approval via ballot measure in the issuing jurisdiction, with a simple majority required in Oregon (ORS §267.330). Financing through GO bonds is typically reserved for "large, visible, long-lived projects," which in Oregon are required to have a useful life of more than one year, and cannot include maintenance, repairs, operation, supplies, or equipment (Marlowe, Rivenbark, & Vogt, 2009, p. 158). In the state of Oregon, GO bonds must mature and be repaid within 30 years (ORS §267.330). For Parks and Recreation Districts in Oregon, the aggregate amount of GO bonds cannot exceed 2.5% of the real market value of all taxable property of the special district (ORS §266.512). Due to the distinct nature of these bonds only GO bonds will be considered for this proposal.

A bond levy is a temporary increase in property taxes, however it is not subject to the same stipulations of Measure 5—it will not be affected by compression or limited to the same timeframe as the local option tax. The bond levy must still be voted on and approved by a majority.

Compression

The term compression is used to describe the reduction in the property taxes on an individual property tax account when taxes exceed the Measure 5 tax limit. The assessor must reduce, or compress, the tax to fit under the $5 and $10 limitations. Compression only occurs on accounts whose taxes in a category exceed the tax limitation. This varies from property account to property account depending on the real market value (RMV) to assessed value (AV) relationship, the total of tax rates applicable to a property, and the types of levies applicable.

The Oregon Constitution also sets limits on the amount of property taxes that can be collected from each property tax account. These limits are referred to as the "Measure 5 limits." To calculate these limits, taxes are separated into two categories described in the constitution. The categories are education and general government. Some taxes, usually for general obligation (GO) bonds, are not subject to limitation. The limits are $5 per $1,000 of RMV for education taxes and $10 per $1,000 of RMV for general government taxes. If taxes in either category exceed the limit for that property, the taxes are reduced or "compressed," until the limit is reached. Local option taxes are compressed first. If the local option tax is compressed to zero, and the limit still has not been reached, the other taxes in the category are proportionally reduced. These limits are based on the RMV of the property, not the taxable assessed value (Oregon Department of Revenue, n.d.).

Local Option Tax Levy

A "local option tax" is a temporary tax, above the permanent rate limit, that district voters approve. Local option taxes are limited to five years for operation and 10 years for capital construction purposes. Local districts tax options in Oregon are allowed according to ORS Chapter §266.420 of the Oregon statute. Local option taxes are the main source of additional revenue for special districts, however, the tax term is limited to five years for operating costs and 10 years for capital construction costs. Local option tax levies must be approved through a double majority of voters (League of Oregon Cities, 2013). To ensure that tax rates do not become unreasonable, Oregon Legislature passed Measures 5 and 50. Measure 5, passed in 1991-1992, states that taxes on individuals are limited to $10 per every $1,000 of real market value for general government taxes. If the tax rate exceeds the maximum limit, the taxes are "compressed," meaning that each tax levy is reduced until it reaches the appropriate limit. Often governmental bodies such as counties or special districts are the first to be compressed. Measure 50, passed in 1997, states that assessed value is no longer equal to market value, but instead uses the lower of either maximum assessed value and real market value to determine the taxable assessed value. This ensures that the taxable assessed value never exceeds the real market value. Local option taxes are calculated using the following formula:

$$Tax\ Rate = \frac{Tax\ Levy\ Amount\ (\$)}{Taxable\ Assessed\ Value\ (\$)}$$

Permanent Tax Rate

A permanent tax rate limit is the tax rate per thousand dollars of assessed property value. A local taxing district can only have one permanent tax rate limit. Permanent tax rate limits, once established, cannot be changed by the district or its residents. New districts, or districts that have not yet levied taxes in the past, can vote to choose a permanent rate limit for the district. The State Legislature can add additional, lower statutory limits (Oregon Department of Revenue, 2016).

The county assessor certifies the tax roll annually. Property tax is computed by "multiplying the property's assessed value by the combined tax rates of all the districts in which the property is located and then adding any assessments. Oregon's Constitution limits the rate of growth of property value subject to taxation. The limit is based on a property's maximum assessed value (MAV). MAV can't increase by more than 3 percent each year, unless there are changes to the property, such as the addition of a new structure, improvement of an existing structure, or subdivision or partition of the property. Each year the MAV and RMV for each property tax account are calculated. The property is then taxed on the lesser of these two values, which is called the "taxable assessed value" (Oregon Department of Revenue, 2016).

In order to calculate the property tax limitations that can be collected taxes are divided into two categories: Education and general government. If either category exceeds the limit for the property, "the taxes are reduced or "compressed" until the limit is reached. Local option taxes are compressed first. If the local option tax is compressed to zero and the limit still hasn't been reached, other taxes in the category are proportionally reduced. These limits are based on the RMV of the property, not the taxable assessed value" (Oregon Department of Revenue, 2016). For a summary of RAPRD's tax rate and assessment summary see Appendix B.

System Development Charges[2]

System Development Charges (SDCs) are assessed to help cover off-site capital improvement expenses that are necessary for new development or support increased use of a capital property or facilities. ORS §223.297-223.314 enable cities, counties, and special districts to assess SDCs on new development and outline guidelines and restrictions for SDCs, including how the revenue generated by SDCs may be spent (Metro, 2007). SDCs are established by ordinance or resolution and must be included in a city's capital improvement plan (CIP) with information how the funds will be used (ORS §223.309). These statutes also restrict how SDCs can be used for capital project expenditures, and allow improvement fees to be used only for "capacity increasing capital improvements" (ORS §223.308). These expenditures may also include costs associated with repaying debt for capital improvements.

As local governments have borne more of the burden for infrastructure costs, many have turned to SDCs as an alternative funding mechanism (see Appendix F). According to a 2013 survey conducted by the League of Oregon Cities, 108 of the 143 cities surveyed employ at least one SDC to fund infrastructure (League of Oregon Cities, 2013). Of the 143 cities surveyed, nearly 50% assess SDCs on residential development for parks and recreation capital improvements.

User Fees

User fees are monetary charges delegated only to the person receiving the good or service. For parks and recreation districts, these are most often manifested as membership fees. While RAPRD has several membership fees and packages for recreation services, RAPRD may consider boosting their memberships in the coming years in order to fund increased services and renovated facilities. This move is justified by ORS Chapter §266.410(12) of the Oregon statute, enabling districts to adjust fees to meet costs. User fees exemplify the "benefits-received" principle, meaning user fees require residents to pay based on what they receive—the benefit is tangible and exclusive. User fees rely on direct pricing, which can promote efficiency in the provision and use of the service. In this way, there is often a direct return on investment. User fees can be useful when trying to generate revenue, because often time the public has less of an aversion to charges or fees than tax increases. Especially given any local tax limitations, user fees are not subject to any specific criteria, and can generate a useful amount of funds.

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[2] System Development Charges as discussed in this report are used as an example to show what the potential is as a revenue source and is not a formal recommendation for collection at the amount specified. Before any proposed collection of SDC's would occur RAPRD would need to develop the rationale and methodology for SDCs.

Evaluation Criteria and Process

Adopting a mix of both funding strategies, a number of financing options to meet RAPRD's capital construction and annual operations goals are considered. To evaluate these options and make a final recommendation, we consider three primary evaluation criteria: Yield, administration, and fairness.

Yield or Sustainability

To be considered viable, an option must generate sufficient, stable revenue to meet the desired levels of expenditures. Thus, the first evaluation criterion is simply revenue generated

Administration or Efficiency

Effective administration looks at whether or not a revenue source is feasible for the government to administer. Even if an option yields the desired amount, if administration and collection costs are as high as or higher than the revenue, it lacks administrative feasibility (Bland, 2013, p. 26). The second evaluation criterion looks at whether the administration of a financing option is feasible, efficient, and in proportion to the revenue received.

Fairness or Equity

The third and final criterion considers the fairness or equity of the option. Three theories of equity guide the evaluation of fairness. The first, the benefits-received principle, claims that those who receive the benefits should bear a proportional share of its cost (Bland, 2013, p. 27). Secondly, the ability-to-pay principle asserts that those with greater ability to pay should bear a greater share of the burden (Bland, 2013, p. 28). Finally, intergenerational equity looks to distribute costs fairly across the lifespan of the service or investment. Through these three lenses, we evaluate an option's fairness by how burdens and rewards are balanced among current residents and across the life of the project.

Ranking Process

In addition to these three criteria, additional considerations are applied that are unique to each option that include: Political feasibility, neutrality, and compression. After options are evaluated by these decision-making criteria, each is then ranked "high," "moderate," or "low" based on the evaluation criteria. Ranking is based on each option's individual merits alone and not in comparison with the others. Based on these ranked considerations and criteria, a final recommendation is made.

Recommendations[3]

Option 1: GO Bond, SDC Assessment, and Permanent Tax Levy

The first option recommends that RAPRD finance the capital construction of the recreation center with adoption of combined General Obligation (GO) bond and System Development Charges (SDCs). This option provides enough of the needed upfront capital to begin the project with a 20-year $12.66 million GO bond. Assessment of SDCs would then yield annual revenue to fund ongoing construction while mitigating the costs of a larger bond. Consideration for this recommendation is the option's yield, efficiency, fairness, and consideration of neutrality.

To meet the capital construction needs of RAPRD's new recreation center, a 20-year GO bond will need to be placed before district voters. At this time, RAPRD does not have a current bond rating required to determine interest rates. However, looking at the comparable Bend Metro Parks and Recreation District and Chehalem Parks and Recreation District, which were both recently rated for their own GO bonds, suggests an S&P rating between AA to AAA (or a "stable outlook") for RAPRD (Mesirow Financial, Inc., 2015; Seattle-Northwest Securities Corporation, 2013). Additional SDC revenue will supplement capital construction costs and reduce the amount that RAPRD needs to request in a GO bond, from $16.2 million to $12.66 million. While there are many options for structuring bond payment, this recommendation assumes a 4% annual interest rate with even principal payments maturing over 20 years. Given this structure and a five percent issuance cost, RAPRD can expect a $12.66 million GO bond to cost a total of $18,610,200 (see Appendix D, Table 1). RAPRD's geography "Option 2" is used for the analysis of the capital and operating financial options, because it presents a moderate enlargement of the district. Calculations based on "Option 2," estimates an average annual cost of $0.36 per $1,000 of assessed value, with the median property owner paying approximately $48.27 annually.

This option recommends that RAPRD increase the amount of System Development Charges (SDCs) currently collected by the City of Redmond to the level of Deschutes County. For this example, the SDC value represents transportation SDCS in Deschutes County. In pursuit of this recommendation, it is encouraged that RAPRD examine opportunities for a shorter debt repayment structure, as well research regarding a more comprehensive forecast of Redmond's development to better estimate future permits for collection of annual SDC revenues. This option results in an increase of collection fees from $2,672 to $3,852 per residential dwelling unit. The amount currently charged in

[3] For brevity and at the request of the client, the body of this report only includes the final recommendations. See Appendix A for additional options considered for the Redmond Area Park and Recreation District.

SDCs will continue to be allocated to the City of Redmond, with the difference of $1,180 appropriated to RAPRD. In order to calculate the estimated yield of SDCs for RAPRD, consideration is given to the ten-year trend of residential building permits obtained annually in Redmond (see Appendix F). The number of residential building permits obtained annually fluctuated significantly between 2004 and 2014, with numbers ranging from 818 permits in 2005 to 32 in 2011 (REDI, 2015). Due to the lack of a clear trend over the past 10 years, a conservative estimate of 150 building permits per year reduces overestimation of SDC revenue. If RAPRD identified capital improvements, completed the SDC methodology process, and it was determined that a collection amount of $1,180 was the appropriate level to contribute for future growth, then RAPRD could expect to collect approximately $177,000 annually (see Appendix F).

This first option recommends that the annual operations of the recreation center be through a new voter-approved permanent tax levy. While districts are normally not able to change permanent rates, ORS §267.530 allows new districts to vote on a permanent rate when redistricting. As RAPRD is seeking to re-draw its boundaries to better represent its service area and regional needs (see Appendix C), it is recommended that this is an opportune time for the district to seek an increase in the permanent tax rate. Redistricting options are presented in detail in the following “RAPRD District Geography” section.

Option 2: GO Bond & Permanent Tax Levy

The second option recommends that RAPRD finance the capital construction and operating costs of the recreation center with a combination of a 20-year General Obligation (GO) bond and with an increase of the district’s permanent tax rate. This option is selected for its high rank in sustainability, monetary cost, and politically feasibility. In addition, the cost burden will be spread equitably among both current and future residents of the district.

To cover capital construction costs of the facility, RAPRD should consider a 20-year GO bond for $16.2 million. At an estimated interest rate of 4.5% with a five percent issuance cost, the District would pay a total of $26,096,949 over the life of the bond with annual payments averaging $1,307,663 (see Appendix D, Table 3). The bond will be repaid using both a permanent and temporary tax rate increase of approximately $0.2700/$1,000 assessed value. While the assessed value will change over the life of the bond, it is feasible to estimate that the first year’s tax rate assessed on the district will be $0.7638/$1,000 assessed value.

As recommended in Option 1, when RAPRD increases the tax base it can consider expanding the area boundary to include regions west of the current district. With annexation of new territory into the boundary, RAPRD will set a new permanent tax rate for the district (ORS §198.750(g)). The “RAPRD District Geography” section that follows presents district options and funding strategies.

Measure 5 affects permanent levies differently than local option levies since compression affects local options before being applied to the permanent rate. At the new rate, the tax burden on the median value property in the district would be $64.03. It is likely that compression would have a very low effect. Utilizing an estimated 2% loss due to compression in calculating this rate and the amount of revenue does not exceed the one half of one percent limit. Based on the 2015-2016 Deschutes County tax and assessment report which indicates a compression loss of only $567.35, it is unlikely that the new rate would experience significant compression (Deschutes County, 2015).

Evaluating Recommendations

Option 1: GO Bond, SDC Assessment, and Permanent Tax Levy

Option 1 rates relatively high, combining the GO bond and SDCs. This combination provides substantial capital construction funds upfront with the bond supplemented with annual revenue from the SDCs. Once a Capital Improvement Plan is in place, instituting SDCs should not be difficult and the lower bond amount enabled by SDC revenue will rank this option higher for administration efficiency. We find that the GO bond and SDC assessment option ranks high in fairness. This option balances funding burden between current and future residents, and does not disproportionately affect lower income residents.

GO bonds require approval by voters, which may be an issue. This led us to consider the political feasibility of this option. A successful bond measure in Bend (9-86) narrowly passed in 2012 with 51.7% to 48.3%, and RAPRD had a failed bond measure in 2008 (BPRD, 2013). However, there may be hope for park bonds as four out of five of the park and recreation district bonds on the ballot in Oregon in 2014 passed, including Chehalem's Measure 36-170 with 62% to 38% (Chehalem PRD, 2015). We have ranked the GO bond alone as having low political feasibility, although a more moderate ask and the 2014 ballot results may justify a higher ranking. One argument against SDCs is their potential to deter development and investment, an effect resulting from poor tax neutrality. Due to our conservative recommendation, we find that SDCs as outlined in this option get a moderate neutrality ranking because we recommend only raising rates to equal those outside city limits. It is important to note that tax rates outside city limits are lower so if SDC rates are equal in and out of the boundary they may be more acceptable for development outside of city limits.

Given the evaluation of revenue options for annual operations, we recommend that RAPRD pursue redistricting and a new permanent levy tax rate. This option's yield, administrative efficiency, fairness, and sustainability make it the best choice. At a tax rate of $0.52 per $1,000 assessed value, this would provide necessary funding to fill the anticipated operation gap of the new facility. However, it is recommended that RAPRD consider a wider range of future needs and potentially propose an even higher permanent levy that could meet more than just this one shortage. It is also recommended, that the district conduct additional research around the timing of the ballot measure with the GO bond measure to increase the political feasibility of each.

Option 2: GO Bond and Permanent Tax Levy

Option 2 recommends that RAPRD proceed with a 20-year GO bond coupled with an increase in the district's permanent tax rate. This option extends the payment burden to all property owners through a temporary tax increase based on the assessed value of their residence. Property taxes provide a reliable and stable source of revenue; however, the equity of the GO bond and tax levy depend on the rate charged, and the impacts of compression. The impact may affect the sustainability of a bond, as high tax rates for a long period of time yield a negative political cost, making it difficult to pass a bond measure at all. The sustainability of a bond is moderate, as it is a short-term solution as opposed to a permanent tax rate increase. The temporary rate increase for a GO bond also determines the bond's political feasibility and the passage of a bond measure. Taxes, meanwhile, generally rank high in efficiency, sustainability, and monetary cost so long as they are within a reasonable range as determined by a tax valuation. Additionally, because both current and future residents will use the new facility, it is important to spread the cost burden equitably amongst these residents.

Though the permanent bond levy has to pass by public vote, there is precedence based on measures by other park and recreation districts in Oregon. For example, a bond measure in Tualatin Hills passed in 2008 with 51% of the vote for a $100 million project using a 20-year bond levy similar to the one proposed here (Beaverton City Council, 2008). In addition, Chehalem Park and Recreation District and most recently Bend Park and Recreation District passed voter approved bonds, as previously stated.

As in Option 1, this option recommends that RAPRD expand their boundary to increase the tax base, set a new permanent tax rate, and expand services to represent the service area of the district. The current permanent tax rate for the RAPRD is significantly lower than that of Oregon's other park and recreation special districts (see Appendix H), and should be raised to increase stable and reliable revenue sources for the district. Although the process may be slightly more complicated than proposing a temporary levy within the current boundary, adjusting the tax base and increasing the permanent tax rate will outweigh the administrative challenges of a temporary tax levy. When the facility is profitable, tax revenue will fund other projects or be placed in reserve for future needs.

Table 1: RAPRD Property Tax Values

	Option 1: GO Bond, SDCs + Permanent Tax Levy	Option 2: GO Bond + Permanent Tax Levy
Yield/Sustainability: *Actual amount of revenue generated.*	**MODERATE: Construction Funds –** SDCs raise $177,000 conservatively per year. Lowers GO Bond request to $12.66 million. Enough money available immediately to begin at least phase one construction. **HIGH: Operation Costs –** Permanent tax levy at a rate of roughly $0.12 per $1,000 assessed value, RAPRD can raise the full $382,900 needed annually. Levy rate would not require voter re-approval.	**MODERATE: Construction Funds –** 20-year GO Bond request full $16.2 million for construction costs. The temporary rate increase for a GO bond determines the bond's political feasibility and the passage of a bond measure. Property taxes provide a reliable and stable source of revenue. **HIGH: Operation Costs –** Permanent tax levy at a rate of roughly $0.12 per $1,000 assessed value, RAPRD can raise the full $382,900 needed annually. Levy rate would not require voter re-approval.
Administration/Monetary Cost: *Collection is feasible, efficient, and in proportion to revenue received.*	**HIGH: Construction Funds -** SDCs offset debt service costs of a larger bond. Once SDCs increase approved, SDCs collection process is already in place within city limits. **HIGH: Operation Costs -** Permanent levy would not need to be renewed. Property tax collection system in place and considered efficient.	**HIGH: Construction Funds and Operation Costs -** Property tax collection system in place and considered efficient. Permanent levy would not need to be renewed.
Fairness/Equity: *Burdens and rewards are balanced among residents currently and across life of the project.*	**HIGH: Construction Funds -** An increase in SDCs balances the funding burden between current residents and future residents. Keeping it as a moderate increase does not unduly impact lower income new residents. **HIGH: Operation Costs -** Property taxes have a progressive distribution. Median tax burden would be $16.70 per year. Revenues to pay annual operating costs are raised annually, making it so those paying are those able to benefit.	**HIGH: Construction Funds and Operation Costs -** Payment burden extends to all property owners through a temporary tax increase based on the assessed value of their residence. However, the equity of the GO bond and tax levy depend on the rate charged, and the impacts of compression. Because both current and future residents will use the new facility, it is important to spread the cost burden equitably amongst these residents.
Other: *Additional considerations that are unique to each option and should be incorporated into decision making.*	**MODERATE - NEUTRALITY: Construction Funds -** SDCs can discourage development and investment. Increasing SDCs within city limits to be equivalent with the already high Deschutes County SDC levels should not overly discourage development. **HIGH - COMPRESSION: Operation Costs** - Loss due to compression should be minor (estimated 2%).	**HIGH - POLITICAL FEASIBILITY: Construction Funds and Operation Costs** - Permanent bond levy has to pass by public vote, there is precedence based on measures by other park and recreation districts in Oregon.

RAPRD District Geography

In addition to recommending funding strategies for a new recreation center, RAPRD is seeking to re-assess its boundary to consider if redistricting would be beneficial, particularly in terms of revenue opportunities. A major advantage of setting a new permanent levy is that unlike the local option levy, it is not necessary to seek approval for a new levy every five years. This reduces administrative costs and removes the risk of the local option levy not being renewed. Additionally, having a single tax levy for the district could reduce collections, billing, and oversight costs that could be increased by having a local option levy in addition to the permanent rate.

Four District Geography Options

Revenue potential for capital construction and annual operation is analyzed for the four different district boundary options (see Appendix C). First, the current RAPRD geography includes the City of Sisters and has 19,869 taxable parcels. The next option, "RAPRD Option 1", reduces the size of the district, removes the City of Sisters, and has 19,081 taxable parcels. "RAPRD Option 2," used as the test case for the base calculations throughout this memorandum, shifts the district by removing Sisters but expanding its southwest corner to include the unincorporated community of Tumalo. "RAPRD Option 2" provides the district with 19,850 taxable parcels, slightly less than the current geography, but represents a more accurate assessment of RAPRD's service area. Finally, "RAPRD Option 3" removes Sisters while maintaining the southeast border and expanding the district to include even more of the area around Tumalo. "RAPRD Option 3" is the largest of the options with 21,478 taxable parcels, an increase of 1,609 parcels from the current geography.

Two teams of four students proposed each financial Option. For Option 1, the combination of the $12.66 million GO Bond, SDCs assessment, and permanent tax levy, the student team utilized "RAPRD Option 2" to assess all funding mechanisms, and did not compare boundaries. Option 2 was chosen as the baseline geography by this team based on a standard tax valuation, its ability to serve communities to the west, and its ability to be both politically feasible and able to generate the required revenues. This team found that "RAPRD Option 2" slightly reduces tax rates and the annual median burden, and removes Sisters and fully incorporates Tumalo. However, the second student team analyzed all geographies to study RAPRD redistricting (see Table 2). Similarly, the tax rate and the annual tax burden on the median assessed value to evaluate the permanent tax levy strategy were considered. This team ultimately found that the extent of the differences in these revenue considerations were low, and found that the four geography options do not show very dramatic differences.

Table 2: Revenue Geography Table

	Capital Construction Funding Strategy			Annual Operations Funding Strategy	
	SDC Yield	$12M Bond Tax Rate	Annual Median Bond Burden	Permanent Tax Rate	Annual Median Permanent Tax Burden
Current (19,869 taxable lots)	$177,000	.37/$1,000	$49.51	.52/$1,000	$70.09
Option 1 (19,081 taxable lots)	$177,000	.38/$1,000	$50.95	.54/$1,000	$72.88
Option 2 (19,850 taxable lots)	$177,000	.36/$1,000	$48.27	.52/$1,000	$69.20
Option 3 (21,478 taxable lots)	**$177,000**	**.34/$1,000**	**$45.59**	**.48/$1,000**	**$64.03**
Difference Across Geographies	**None**	**.04/$1,000**	**$5.36**	**.06/$1,000**	**$8.85**

Revenue Generation Potential by Geography Option

RAPRD District Geography Recommendation

Bearing these findings in mind, revenue differences across geographic options found “RAPRD Option 3” is likely the best option for the redistricting, although the differences in revenue are not drastic.

The current tax rate for RAPRD is $0.3717/$1,000 of assessed value, which covers expenses at the old recreation center and pool. RAPRD will need to consider increased costs of the new facility, increasing reserves, and diversifying revenue sources when raising the permanent tax rate. A permanent tax rate increase of $0.15/$1,000 of assessed value will allow the district to pay for the annual deficit in the operating costs of $382,900 and increase the district’s permanent tax rate to $0.5217/$1,000 of assessed value.

Setting a new permanent rate requires a double majority of voters for approval and is assessed in the same manner as the previous permanent property tax that district residents previously paid. Individual tax burdens based on assessed property value are determined by the county assessor’s office. Property tax is generally considered a relatively equitable form of taxation when paired with appropriate relief measures. Additionally, the collection and assessment systems for the tax are well established and efficient.

Table 3: Property Tax Evaluation Table

Current Permanent Tax Rate	**$ 0.0003717**	0%			
Proposed Permanent Tax Increase	$ 0.0001500				
Proposed New Rate	**$ 0.0005217**	0.00036	$ 0.0008817		
RAPRD Boundary (n=19,869)		**In City Limit (n=11,803)**	**Outside City Limit (n=8,066)**	**Current Taxes Generated**	**Proposed Taxes Generated**
Total Assessed Value	$ 3,095,675,569	$ 1,756,986,705	$ 1,338,688,864	$ 1,150,663	$ 1,615,014
Total Real Market Value	$ 4,197,322,125	$ 2,335,892,820	$ 1,861,429,305		
RMV Improved	$ 2,447,863,495	$ 1,496,943,440	$ 950,920,055		
RMV Land	$ 1,749,458,783	$ 838,949,532	$ 910,509,251		
RAPRD Boundary Alt 1 (n=19,081)		**In City Limit (n=11,911)**	**Outside City Limit (n=7,278)**	**Current Taxes Generated**	**Proposed Taxes Generated**
Total Assessed Value	$ 2,977,139,017	$ 1,774,680,682	$ 1,202,458,335	$ 1,106,603	$ 1,553,173
Total Real Market Value	$ 4,060,044,450	$ 2,379,062,795	$ 1,680,981,655		
RMV Improved	$ 2,350,088,385	$ 1,508,741,830	$ 841,346,555		
RMV Land	$ 1,709,956,218	$ 780,321,117	$ 839,635,101		
RAPRD Boundary Alt 2 (n=19,850)		**In City Limit (n=11,911)**	**Outside City Limit (n=8,047)**	**Current Taxes Generated**	**Proposed Taxes Generated**
Total Assessed Value	$ 3,135,297,837	$ 1,774,680,682	$ 1,360,617,155	$ 1,165,390	$ 1,635,685
Total Real Market Value	$ 4,322,044,580	$ 2,379,062,795	$ 1,942,981,785		
RMV Improved	$ 2,469,233,165	$ 1,508,741,830	$ 960,491,335		
RMV Land	$ 1,852,811,568	$ 870,321,117	$ 982,490,451		
RAPRD Boundary Alt 3 (n=21,478)		**In City Limit (n=11,911)**	**Outside City Limit (n=9,675)**	**Current Taxes Generated**	**Proposed Taxes Generated**
Total Assessed Value	$ 3,388,347,078	$ 1,774,680,682	$ 1,613,666,396	$ 1,259,449	$ 1,767,701
Total Real Market Value	$ 4,689,387,520	$ 2,379,062,795	$ 2,310,324,725		
RMV Improved	$ 2,664,910,091	$ 1,508,741,830	$ 1,156,168,261		
RMV Land	$ 2,024,477,578	$ 870,321,117	$ 1,154,156,461		

Additional Recommendations

Adopting More Rigorous and Transparent Planning Processes

Other Parks and Recreation Districts employ more comprehensive and transparent planning processes than RAPRD, especially in consideration to materials available for the public through their website. For example, the Bend Parks and Recreation District (BPRD) uses a three-prong approach to planning. First, the district has a regularly updated Strategic Plan that defines goals and strategies for a five year period. Second, with this Strategic Plan, the district annually updates and adopts a five year Capital Improvement Plan (CIP), a prioritized project list with funding plans approved by the BPRD Board. The CIP is closely linked to and developed in tandem with the district's five year financial forecast, which is also updated annually. These plans are made available to the public online and are used as touchstones throughout the annual budget message. With this documentation, BPRD is able to clearly articulate and justify their operations and the need for additional funding to the public, which may help explain recent bond measure success. This type of rigorous and transparent planning is also seen in Tualatin (see Appendix H for full case studies). Aside from this level of planning and transparency being good business practice and helpful with community relations, a special district cannot receive system development charges without a current CIP.

Improving Brand Identity and Public Awareness

During the team's site visit on October 12, 2015, it was noted that the RAPRD brand is prominently displayed at district facilities, most notably at the Centennial Park Kiosk in downtown Redmond. However, in researching this project, and utilizing the RAPRD.org website extensively, the site is found to be difficult to navigate and lacking a clear message. The case study of Tualatin Hills Park and Recreation District (Tualatin Hills Park & Recreation District, 2015) and local competitor's Bend Park and Recreation District (Alpine Internet Solutions, 2015) provide examples of districts that provide comprehensive and inviting websites that truly showcase the services provided to the community. An update of RAPRD's website would provide residents a clear view of the district's services and build community for RAPRD and its new recreation center goal.

Conclusion

The Redmond Area Park and Recreation District is embarking on an exciting new adventure with this proposed recreation center and there is no reason to think that the funding needed for this project is anything but possible. We recommend that RAPRD adopt a mixture of pay-as-you-use and pay-as-you-go strategies in a three-part approach to fund the remaining capital construction and annual operation needs.

First, a general obligation (GO) bond must be a key part of the capital construction strategy. Due to the difficulty of getting voter approval and the high cost of debt service, we recommend supplementing a GO bond with increased system development charges once an updated Capital Improvement Plan is completed. Considering the already high SDCs in the county, we recommend that SDCs be raised only within the city limits and to an amount equal with that in the county so to avoid deterring development, an increase of $1,180. If SDCs are raised by this amount, RAPRD will be able to earn a conservative $177,000 annually. Since this increased revenue can be put towards capital construction, we recommend putting a decreased GO bond of $12.66 million on the ballot. While a 20-year repayment plan is used to calculate debt service, we recommend that RAPRD attempt to pay off this bond more quickly if possible to minimize interest. Additionally, we recommend a closer consideration of the market landscape in Redmond than is possible here to achieve a more accurate forecast of development which could increase the annual permit estimate and increase annual SDC revenues.

To fill the $382,900 gap in annual operations funding, we recommend a new permanent levy with a redrawing of the district's border as the third funding strategy. A new rate of just $0.52 per $1,000 of assessed value provides funding to meet this need. This rate represents a tax burden on the median value property in the district of $65-$70 depending on the district's new geography. Although this recommendation is sufficient to meet the specific funding gap addressed here, we recommend that if RAPRD pursues a new permanent levy through redistricting, it should consider a permanent rate higher than $0.52 per $1,000 to provide funding for future expansion or changes in service offerings. Finally, we encourage RAPRD to seek political consultation around the timing coordination of this ballot measure with the GO bond measure.

In evaluating these recommended strategies against the four potential district geographies, we found very little difference in revenue generation. Nevertheless, we recommend RAPRD re-district to the "Option 3" geography because it marginally decrease tax burdens on residents and achieves a better representation of RAPRD's service area, including providing better recreational opportunities to the community of Tumalo.

Finally, to fully pursue the funding strategies we believe that RAPRD needs to devote attention to planning practices and brand identity. As a matter of best practice, we recommend that RAPRD adopt more rigorous and transparent planning practices, including the creation and public publication of a strategic plan, Capital Improvement Plan, and forecasting plan. Increasing the availability of such documents will improve the public's understanding of revenue requests, such as a GO bond and local levy. Likewise, we recommend that RAPRD continue to work on improving their brand identity to better engage the community, showcase their services, and promote their future goals.

Appendices

Appendix A: Other Funding Options

Aside from the final recommendation proposed in this report, we also considered several other options, which are included here for reference. Based on evaluation criteria and presentation feedback, these options were not included in the final recommendation to RAPRD.

Capital Funding and Operation Costs – Maintain Current RAPRD Boundary, GO Bond, SDCs, five year Local Option Tax Levy and Increased User Fees.

This options keeps the existing RAPRD boundary and covers the capital funding cost of the $16.2 million project using a 20-year GO bond, approved by voters, to be repaid using SDCs. Over the 20-year life of the bond, the district would pay a total of $26,096,953 at a 4.5% interest rate with a five percent issuance cost. An annual payment of $1,307,663 would be required, with funds made available through SDCs. A 20-year debt schedule is presented in Appendix D, Table 3. At present, the City of Redmond charges $2,672 for SDCs, while RAPRD does not use SDCs. To generate the revenues required to repay this GO bond, RAPRD would need to implement SDCs at a rate of approximately $3,099/dwelling unit, based on estimated annual building permits for 422 new homes, SDCs can produce $1,307,778 annually (Appendix F).

The annual operating costs, estimated to be $382,900 (after 80% cost recovery), will be covered by a five-year local option levy, approved by voters, as RAPRD simultaneously increases user fees by five percent (see Appendix G). This five percent increase will begin generating an additional $64,534 of revenue, which can be set-aside during the five-year levy. At the end of this period, RAPRD can renew the five-year levy, and use the saved user fees as a means paying operating costs should the levy go un-renewed. The initial local option levy would increase the tax rate to $0.1028/$1,000 of assessed value, resulting in a total tax rate of $0.4745/ $1,000 of assessed value.

Maintaining the existing boundary would alleviate administrative complexities associated with dissolving the current district and proposing a new one with an increased permanent tax rate. SDCs can be used to pay for the annual debt service of the 20-year GO bond. ORS allows for special districts to use SDCs to pay back a bond, however, it is administratively difficult and requires the creation of a capital improvement plan showing that the new facility is needed due to population growth. Despite these administrative difficulties, SDCs have the potential to generate a large source of revenue for RAPRD while allowing for new development to pay for services - this is considered more equitable. However, because SDCs rely on future growth they can be considered an unstable source of revenue, and if SDCs are too expensive, they can deter future growth. Furthermore, because SDCs revenue is generated from development and presumably pass on to new residents, currents residents, who receive full benefit of the new recreation center do not share burden of its costs.

Additionally, the use of increased user fees can reduce the overall tax burden placed on district residents for operations. User fees, however, are unable to generate enough revenue to cover the total operations costs at the new facility; a local option tax levy will be required to cover the deficit. Although a local option levy could be used, the structure would likely require a full faith and credit obligation, or similar structure, with a lower credit rating. This levy would also be subject to fluctuation in revenues because of compression and change in assessed value, and may be much more expensive for voters in the short run, without matching the useful life of the project. Additionally, a local option tax to cover operation costs can only be authorized for five years at a time, meaning the levy would need to be approved and renewed every five years by voters.

Due to the large number of revenue sources being used in this option, and the degree of risk involved, this option may be complicated to administer and yield fluctuating results. While the option is not very costly, its equity, efficiency, sustainability, and political cost are only moderately ranked.

Capital Funding – GO Bond

General Obligation (GO) Bonds are a common form of municipal debt that is designed to benefit a community as a whole and is secured by the full-faith-and-credit and taxing powers of an issuing government (State of Oregon). Government entities pledge to use their full taxing powers and all unrestricted resources to repay the bond's principal, interest, and fees. GO bonds require voter approval via ballot measure in the issuing jurisdiction, with a simple majority required in Oregon (ORS §267.330). Financing through GO bonds is typically reserved for "large, visible, long-lived projects," which in Oregon are required to have a useful life of more than one year, and cannot include maintenance, repairs, operation, supplies, or equipment (Marlowe, Rivenbark, & Vogt, 2009, p. 158). In the state of Oregon, GO bonds must mature and be repaid within 30 years (ORS §267.330). For Parks and Recreation Districts in Oregon, the aggregate amount of GO bonds cannot exceed 2.5% of the real market value of all taxable property of the special district (ORS §266.512). Using RAPRD geography "Option 2" as our test case, debt from GO bonds cannot exceed $108.05 million.

Capital Funding – GO Bond, 20-year Bond Levy, and SDCs

In this option, a GO bond should be proposed to cover the $16.2 million project, to be paid off using modest system development charges and a 20-year bond levy. Though the City of Redmond currently uses system development charges to cover costs of park improvements within city limits, RAPRD has not taken advantage of this revenue source yet. Since the boundary of the park and recreation district extends beyond city limits, the team proposes that the RAPRD begin charging $2,000 per dwelling unit in system development charges and also collect within the full extent of the RAPRD boundary. The city currently charges $2,672/dwelling unit for parks within city limits, so as a conservative estimate, we propose charging $2,000/dwelling unit within the RAPRD boundary. This would bring in approximately $844,000 per year.

With a principal value of $16.2 million, a 20-year bond levy at an interest rate of 4.5% would equate to a yearly debt service payment of $1,245,394, with the total cost of the bond over 20 years being $24,907,871. The expected revenue from SDC's ($844,000) would bring the yearly burden on taxpayers to only $401,394. The tax rate for this option would be $0.13/$1,000 of assessed value. A bond levy must be voted on and approved by taxpayers, but is not subject to compression.

Capital Funding – GO Bond, 10-year Bond Levy, and SDCs

In this option, the $16.2 million is paid proposing a 10-year local option tax levy with the same system development charges within the RAPRD boundary. With a principal value of $16.2 million, a 10-year bond levy at an interest rate of 4.5% would equate to a yearly debt service payment of $2,047,337, with the total cost of the bond over 10 years being $20,385,206. In this option, system development charges would be raised to $2,500/dwelling unit to lower the burden on taxpayers. The expected revenue from SDC's ($10,550,000) would bring the yearly burden on taxpayers to only $867,337. The tax rate for this option would be $0.27/$1,000 of assessed value. The local option levy must be voted on and approved by taxpayers, and is also subject to compression.

Capital Funding - 10-Year Local Levy

Another option for raising necessary capital funds for the construction of the recreational center is to request a voter-approved local option levy. This form of temporary property tax allows district to raise funds exclusively for capital projects over a 10-year period. A levy requires a double majority of voters for approval and is assessed much like the permanent property tax that district residents already pay. An individual's tax burden is based on the assessed value of their property as defined by the county assessor's office. Property taxes like a local levy are considered to be a relatively equitable form of taxation and the collection and assessment is well established and efficient.

An important advantage of local levy taxes is that they are not subject to tax rate limits set by Oregon Measure 50. Under Measure 50, once a permanent tax rate limit is established it cannot be changed by any action of the district or its residents. Local option levies can raise funds beyond this limit, but are affected by Measure 5 tax compression. Local option taxes are compressed before any permanent rate taxes and can be compressed completely before moving on to other tax levies if necessary. In addition to Measure 50 and Measure 5, Oregon law (ORS §266.420) states that the total revenue to be raised from the tax levy cannot exceed one half of one percent of the total real market value of the properties in the district which is approximately $21.6 million for SDC and GO bond option (Deschutes County, 2015).

If RAPRD chooses a ten-year local option levy the district could raise the necessary funds over a ten-year period at a tax rate of $0.52 per $1,000 of assessed value. At this rate, the median tax burden on a property in the district would be $69.20, and it is likely that compression would have very little effect. We used an estimated two percent loss to compression when computing this rate and confirmed that the revenue does not exceed the one half of one percent limit. It is possible that RAPRD could have to ask for approval of a second levy if the full amount cannot be raised before the first 10-year levy ends in order to continue raising capital funding. Because of the difficulty of the approval process and a general public dislike of property taxes this process would be difficult and administratively costly. If the second levy was not approved, the district would be left without the additional capital for the recreation center. Another major drawback of the local levy is that its total yield is spread out over time. For projects like the recreation center, which need a large initial investment of capital at the beginning, a local option levy is less effective option than a bond measure.

Capital Funding and Operation Costs – 10-year Local Option Tax Levy within the current RAPRD Boundary, and Increased User Fees

This option keeps the existing RAPRD boundary and covers the cost of the $16.2 million capital project using a 10-year local option tax levy. Under ordinary circumstances, operating costs can only be covered by a local option levy for five years, however when combined with a local option levy for capital costs, the levy can stay in place for 10 years. This would provide the district with a period of 10 years to increase membership fees and attendance or lower expenditures to recover the full cost of operating the new facility. The tax rate for this option would be $0.6944/$1,000 of assessed value. In this option, it is also recommended that the local option levy be used, in addition to an increase in user fees, to cover the annual operating cost. The annual operating costs are $382,900 (after 80% cost recovery), of which $64,534 would be covered by a five percent increase in user fees (see Appendix G, Table 3). The remaining

$318,366 would be covered by the local option levy, generating an additional tax rate of $0.1028/$1,000 of assessed value. The total tax rate in this option amounts to $1.1689/ $100 of assessed value. The local option levy must be voted on and approved by taxpayers, and is also subject to compression.

Operation Costs (Only) - Local Option Tax Levy- 5 years

RAPRD needs to generate $382,900 annually as their operating fee for the new facility. One way to generate this additional funding is to utilize only a local option tax levy. This tax levy can generate the total unmet need over five years according to Oregon Statute, since the funding is for operational needs. This tax levy has the option of being renewed after five years for an additional five years but is not guaranteed. Using the local option tax levy, RAPRD could ensure the first five years of operations costs.

This option is a voter-approved local option levy. This temporary form of property tax allows a district to raise funds to be used only for operations over a five-year period. The levy requires a double majority of voters for approval and is assessed in a similar manner to the permanent property tax that district residents already pay, based on the assessed value of property from the county assessor's office. Property taxes like a local levy are considered to be a relatively equitable form of taxation and the collection and assessment systems are well established and efficient.

Measure 5 and Measure 50 would have the same effects on a five-year operation tax levy as they would on the 10-year capital version of the tax. The five-year levy provides the district with a tool to levy taxes beyond the set limit and in necessary cases is subjected to compression just like the 10-year levy.

A five year local option levy would allow the district to raise the necessary funds at a tax rate of $0.12 per $1,000 of assessed value. At this rate, the tax burden on the median property in the district would be $16.70, and compression would likely have little effect. We used an estimate of a two percent loss to compression, and found that the amount of revenue does not exceed the one-half of one percent limit as required by Oregon law. A major drawback is that RAPRD would have to get approval for a new local levy every five years in order to continue raising the funds necessary for operations. Because of the difficulty of the approval process and the general dislike of property taxes this process would be difficult and administratively costly. If the levy were not renewed, the district would be left without a way to pay for operations at the recreation center.

Operation Costs (Only) - Local Option Tax Levy- 10 years

RAPRD can issue the local option tax levy for 10 years if the GO Bond, 10-year bond levy, and SDCs for capital financing option is chosen. This would enable the local option tax levy for operations to run for the full 10 years without need for renewal, and could cover the annual $382,900 operating fee.

Operation Costs (Only)—Local Option Tax Levy Five years and Five Percent Increase in User Fees/Revenue

RAPRD can use a local option tax levy for five years and supplement an additional five years with increase in user fees and revenue at all facilities if the local option tax levy is not renewed. User fees and revenue could be increased by five percent at the new recreation center, the old recreation center, and at the old pool (see Appendix G).

Operation Costs (Only)-Local Option Tax Levy 10 years + Five Percent Increase in User Fees/Revenue

In order to generate the $382,900, RAPRD can also use a mix of the aforementioned local option tax levy plus an increase in user fees, but the tax levy can be applied for 10 years. The local option tax levy can work hand-in-hand with the user fees over the full 10-year period to cover operating costs. Any additional funds generated should user fees increase even more over time can be placed in a reserve in years of attendance downturn or other unforeseen issues.

Appendix B: RAPRD's Tax Rate and Assessment Summary[4]

Table 1: RAPRD Tax Rates

	Value used to Compute Rate	Permanent Rate	Billing Rate
Dist No. 351 Redmond Area Park & Rec District	3,304,021,578	0.0003717	0.0003717

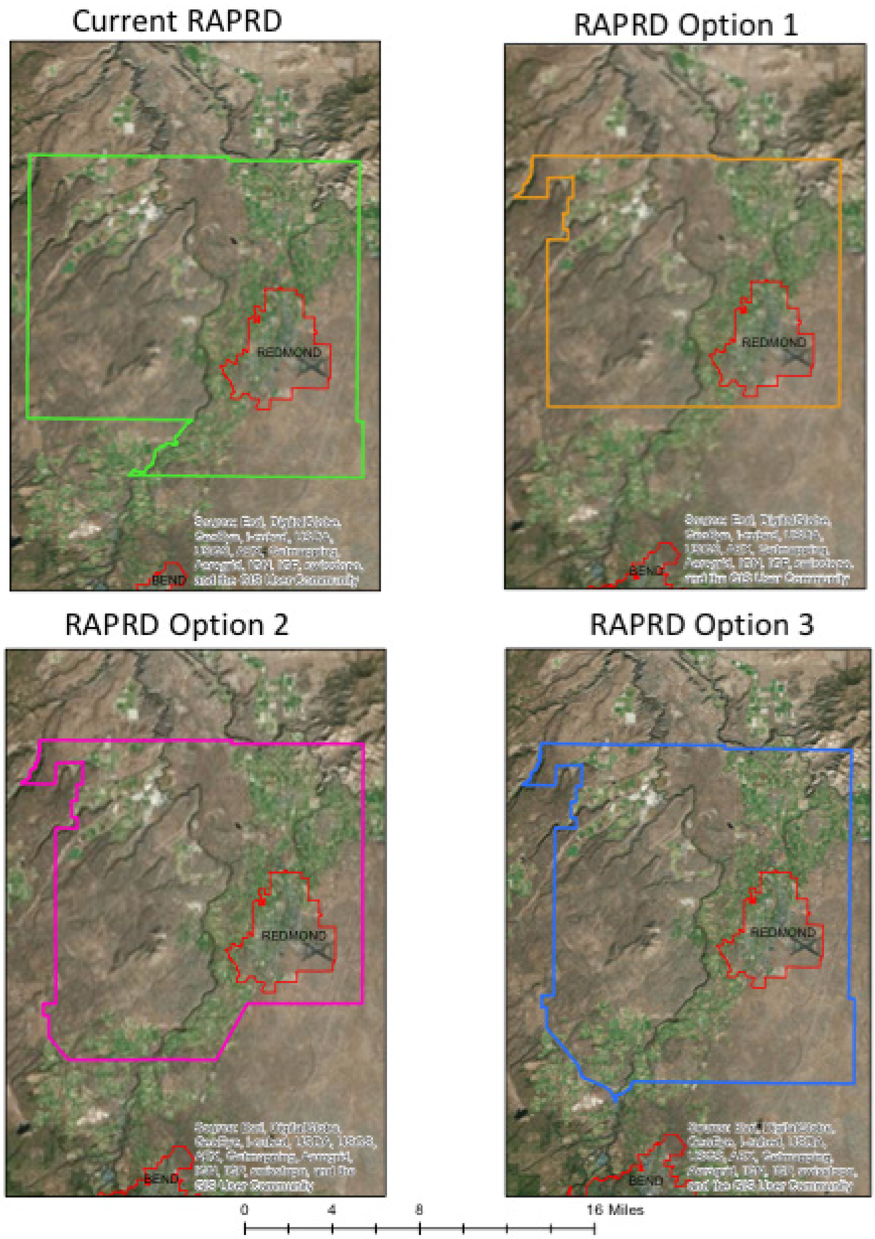
District: 351 - Redmond Area Park & Rec District				
	Real Property	Business Personal Property	Manufactured Structures	Utility Property
Total Tax Accounts	19,505	783	614	235
Real Market Value	4,387,919,198	83,813,680	12,401,540	126,789,285
Measure 5 Real Market Value	4,242,938,149	83,813,680	12,401,540	126,789,285
Maximum Assessed Value	3,606,845,699	200,544,190	14,635,866	87,418,517
Assessed Value of Exception	50,482,600	21,563,580	225,650	28,984,500
Total Assessed Value	3,259,384,139	83,812,730	11,074,650	116,403,017
Veterans Exemption	11,895,327	-	411,275	-
Net Assessed Value	3,247,488,812	83,812,730	10,663,375	116,403,017

District Name	Dist Number	Permanent Rate	Tax Code	Rate
Redmond Area Park & Rec	351	0.3717	2-001	18.3628
Redmond Area Park & Rec	351	0.3717	2-003	13.524
Redmond Area Park & Rec	351	0.3717	2-004	15.2782
Redmond Area Park & Rec	351	0.3717	2-008	15.1606
Redmond Area Park & Rec	351	0.3717	2-012	15.2782
Redmond Area Park & Rec	351	0.3717	2-013	13.524
Redmond Area Park & Rec	351	0.3717	2-021	15.0712
Redmond Area Park & Rec	351	0.3717	2-024	16.5382
Redmond Area Park & Rec	351	0.3717	2-028	17.3896
Redmond Area Park & Rec	351	0.3717	2-033	18.3628
Redmond Area Park & Rec	351	0.3717	2-035	15.2782
Redmond Area Park & Rec	351	0.3717	2-036	18.3628
Redmond Area Park & Rec	351	0.3717	2-039	18.3628
Redmond Area Park & Rec	351	0.3717	2-041	18.3628
Redmond Area Park & Rec	351	0.3717	6-004	11.7878
Redmond Area Park & Rec	351	0.3717	6-022	13.335
Redmond Area Park & Rec	351	0.3717	6-023	11.7878
Redmond Area Park & Rec	351	0.3717	6-041	11.7878
Redmond Area Park & Rec	351	0.3717	6-051	11.7878

4 Deschutes County, Oregon. Scot Langton Assessor. June 30, 2015. Retrieved from: http://www.deschutes.org/sites/default/files/fileattachments/assessor039s_office/page/676/2015-2016_tax_and assessment_summary.pdf.

Appendix C: Geographic Boundary Options

Image 1: RAPRD Geographic Boundary Options



Appendix D: General Obligation (GO) Bond Examples

Table 1: $12M GO Bond Example

Year	Annual Principle	Annual Interest (4%)	Annual Debt Service	Debt Outstanding at End of Year
1	$ 633,000	$ 506,400	$ 1,139,400	$ 12,027,000
2	$ 633,000	$ 481,080	$ 1,114,080	$ 11,394,000
3	$ 633,000	$ 455,760	$ 1,088,760	$ 10,761,000
4	$ 633,000	$ 430,440	$ 1,063,440	$ 10,128,000
5	$ 633,000	$ 405,120	$ 1,038,120	$ 9,495,000
6	$ 633,000	$ 379,800	$ 1,012,800	$ 8,862,000
7	$ 633,000	$ 354,480	$ 987,480	$ 8,229,000
8	$ 633,000	$ 329,160	$ 962,160	$ 7,596,000
9	$ 633,000	$ 303,840	$ 936,840	$ 6,963,000
10	$ 633,000	$ 278,520	$ 911,520	$ 6,330,000
11	$ 633,000	$ 253,200	$ 886,200	$ 5,697,000
12	$ 633,000	$ 227,880	$ 860,880	$ 5,064,000
13	$ 633,000	$ 202,560	$ 835,560	$ 4,431,000
14	$ 633,000	$ 177,240	$ 810,240	$ 3,798,000
15	$ 633,000	$ 151,920	$ 784,920	$ 3,165,000
16	$ 633,000	$ 126,600	$ 759,600	$ 2,532,000
17	$ 633,000	$ 101,280	$ 734,280	$ 1,899,000
18	$ 633,000	$ 75,960	$ 708,960	$ 1,266,000
19	$ 633,000	$ 50,640	$ 683,640	$ 633,000
20	$ 633,000	$ 25,320	$ 658,320	$ -
Totals	**$ 12,660,000**	**$ 5,317,200**	**$ 17,977,200**	
		Bond Principle	$ 12,660,000	
		Total Interest	$ 5,317,200	
		Issuance Cost (5%)	$ 633,000	
		Total Cost for Bond	$ 18,610,200	

Even Principle Bond Repayment Structure for a $12.66 million GO bond with 4% interest. $12.66 million was established after adjusting annual debt service for expected SDC revenue.

Table 2: $16M GO Bond Example

Year	Annual Principle	Annual Interest (4%)	Annual Debt Service	Debt Outstanding at End of Year
1	$ 810,000	$ 648,000	$ 1,458,000	$ 15,390,000
2	$ 810,000	$ 615,600	$ 1,425,600	$ 14,580,000
3	$ 810,000	$ 583,200	$ 1,393,200	$ 13,770,000
4	$ 810,000	$ 550,800	$ 1,360,800	$ 12,960,000
5	$ 810,000	$ 518,400	$ 1,328,400	$ 12,150,000
6	$ 810,000	$ 486,000	$ 1,296,000	$ 11,340,000
7	$ 810,000	$ 453,600	$ 1,263,600	$ 10,530,000
8	$ 810,000	$ 421,200	$ 1,231,200	$ 9,720,000
9	$ 810,000	$ 388,800	$ 1,198,800	$ 8,910,000
10	$ 810,000	$ 356,400	$ 1,166,400	$ 8,100,000
11	$ 810,000	$ 324,000	$ 1,134,000	$ 7,290,000
12	$ 810,000	$ 291,600	$ 1,101,600	$ 6,480,000
13	$ 810,000	$ 259,200	$ 1,069,200	$ 5,670,000
14	$ 810,000	$ 226,800	$ 1,036,800	$ 4,860,000
15	$ 810,000	$ 194,400	$ 1,004,400	$ 4,050,000
16	$ 810,000	$ 162,000	$ 972,000	$ 3,240,000
17	$ 810,000	$ 129,600	$ 939,600	$ 2,430,000
18	$ 810,000	$ 97,200	$ 907,200	$ 1,620,000
19	$ 810,000	$ 64,800	$ 874,800	$ 810,000
20	$ 810,000	$ 32,400	$ 842,400	$ -
Totals	**$ 16,200,000**	**$ 6,804,000**	**$ 23,004,000**	
		Bond Principle	$ 16,200,000	
		Total Interest	$ 6,804,000	
		Issuance Cost (5%)	$ 810,000	
		Total Cost for Bond	$ 23,814,000	

20-year even principle debt schedule for a $16.2 million GO bond with four percent interest and five percent issuance cost.

Table 3: $16M GO Bond Example

Year	Beginning Balance	Payment	Principal	Annual Interest (4.5%)	Ending Balance
1	$ 17,010,000	$ 1,307,663	$ 542,213	$ 765,450	$ 16,467,787
2	$ 16,467,787	$ 1,307,663	$ 566,613	$ 741,050	$ 15,901,174
3	$ 15,901,174	$ 1,307,663	$ 592,110	$ 715,553	$ 15,309,064
4	$ 15,309,064	$ 1,307,663	$ 618,755	$ 688,908	$ 14,690,309
5	$ 14,690,309	$ 1,307,663	$ 646,599	$ 661,064	$ 14,043,710
6	$ 14,043,710	$ 1,307,663	$ 675,696	$ 631,967	$ 13,368,014
7	$ 13,368,014	$ 1,307,663	$ 706,102	$ 601,561	$ 12,661,912
8	$ 12,661,912	$ 1,307,663	$ 737,877	$ 569,786	$ 11,924,035
9	$ 11,924,035	$ 1,307,663	$ 771,081	$ 536,582	$ 11,152,953
10	$ 11,152,953	$ 1,307,663	$ 805,780	$ 501,883	$ 10,347,173
11	$ 10,347,173	$ 1,307,663	$ 842,040	$ 465,623	$ 9,505,133
12	$ 9,505,133	$ 1,307,663	$ 879,932	$ 427,731	$ 8,625,201
13	$ 8,625,201	$ 1,307,663	$ 919,529	$ 388,134	$ 7,705,672
14	$ 7,705,672	$ 1,307,663	$ 960,908	$ 346,755	$ 6,744,764
15	$ 6,744,764	$ 1,307,663	$ 1,004,149	$ 303,514	$ 5,740,616
16	$ 5,740,616	$ 1,307,663	$ 1,049,335	$ 258,328	$ 4,691,280
17	$ 4,691,280	$ 1,307,663	$ 1,096,555	$ 211,108	$ 3,594,725
18	$ 3,594,725	$ 1,307,663	$ 1,145,900	$ 161,763	$ 2,448,825
19	$ 2,448,825	$ 1,307,663	$ 1,197,466	$ 110,197	$ 1,251,359
20	$ 1,251,359	$ 1,251,352	$ 441,359	$ 56,311	$ 810,000
		$ 26,096,949	**$ 16,200,000**		
		Bond Principle	$ 16,200,000		
	Issuance Cost (5%)		$ 810,000		
	Beginning Balance		$ 17,010,000		
	Total Interest Paid (4.5%)		$ 9,143,267		
	Total Cost for Bond		$ 26,096,949		

20-year even annual payment debt schedule for a $16.2 million GO bond with 4.5% interest and five percent issuance cost.

Appendix E: Redmond Area Park and Recreation Statutes

Several key state statutes guide park and recreation maintenance and development in Redmond. According to ORS §266.385, the Park and Recreation Board in each jurisdiction can adjust the boundary zones of the district in order to make the boundary representative of population size according to the most recent federal census. Any boundary change must be filed for approval with the county assessor and the Department of Revenue (ORS §308.225) [1975 c.249 §4; 1983 c.350 §121; 2001 c.138 §10].

Under ORS chapter §266.410, each park and recreation district is rendered specific powers. Of note is the district's right to construct, reconstruct, alter, enlarge, and maintain parks, recreation grounds and buildings as necessary (3). The district also reserves the right to assess, levy, and collect taxes to pay the cost of constructing, reconstructing, altering, operating, and maintaining any parks, recreation grounds, and buildings (5). The district may also employ all necessary agents and assistants, enforce regulation, and govern the conduct of the users of the facilities within the district (6,7), and enlarge the boundaries of the district as provided by ORS §198.705 to 198.955 (10). Finally, the district may establish and collect reasonable charges for the use of the facilities of the district (12).

More specifically, according to ORS chapter 266.420, the district reserves the right to levy taxes. The district board may determine and fix the amount of money to be levied and raised by taxation for the district each year. This decided amount is not allowed to 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]

The district is allowed to establish sinking funds in order to meet the costs of construction on parks and recreation sites according to Chapter 266.430. These funds can be established through annual inclusion in the tax budget of the district. The amount is to be collected and diverted to the proper fund in the same manner in which taxes levied for the district are collected and credited. These funds cannot be transferred to other funds, but if money remains after proper disbursement for the purpose for which they were created, these funds can be transferred to operation and maintenance funds of the district upon approval by the park and recreation board.

All funds are to be deposited and dispersed by the county treasurer according to ORS chapter 266.440. Exceptions for deposits are in one or more banks designated by the board. If district funds are deposited with the county treasurer, the county treasurer is responsible for keeping the money in the appropriate fund called either: The operation and maintenance fund of the district, or the construction fund of the district. The county treasurer can pay out money from the funds upon the written order of the board.

The district also reserves the right to contract bonded indebtedness for certain purposes according to ORS chapter §266.480. Such purposes include acquiring land, rights-of-way, buildings and equipment; developing parks and recreation grounds; constructing and improving buildings, gymnasiums, swimming pools, and recreational facilities of every kind; acquiring equipment of all types; and to pay the costs and expenses incurred in the issue and sale of the bonds or outstanding debt. [Amended by 1969 c.668 §22] These bonds are obtained at the election of the board according to ORS chapter 266.490. The district board may call an election to borrow, sell, and dispose of general obligation bonds.

Under ORS chapter §266.512, the district is also granted the authority to issue and sell general obligation bonds and revenue bonds. The aggregate amount of general obligation bonds issued at any one time may not 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 (2). ORS chapter §266.514 also dictates that a district may sell and dispose of revenue bonds, and can pledge net revenue of the district or a recreational facility of the district as security to improve a facility. Revenue bonds shall be issued in the same manner as general obligation bonds but are payable from revenues only. Revenue bonds are payable from the revenue of the district that remains after payment of priority obligations [1969 c.668 §26a].

The district board may also ascertain and levy annually a direct annual ad valorem tax on all taxable property in the district according to ORS chapter §266.540. This tax can be to pay the interest accruing on bonds promptly; and to retire all the bonds as they mature. The funds derived from these tax levies shall be retained by the county treasurer in a separate fund called "______ 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 [Amended by 1969 c.668 §28].

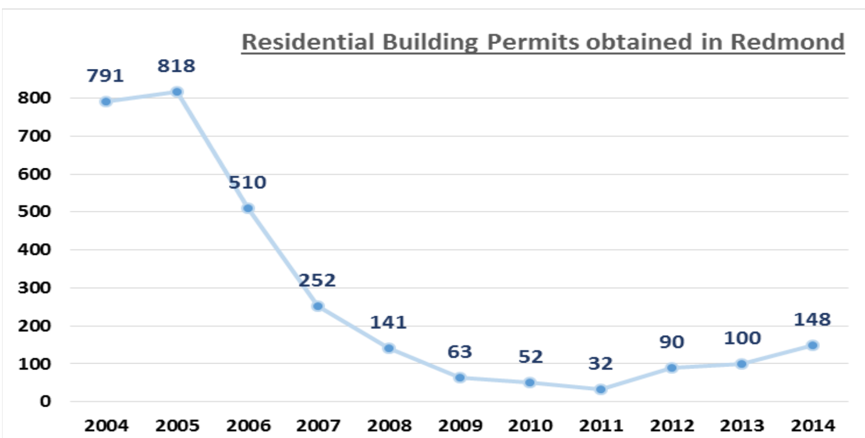
According to ORS chapter §266.550, if the district board fails or refuses to levy the tax necessary for the interest, principal or sinking fund, the county treasurer can propose the amount necessary to the county board. The county board may then levy a tax sufficient to raise the sum ascertained by the county treasurer. This county tax will then extend to the tax roll of the county. The taxes will be collected according to law, and will pay the credit of the bond interest and sinking fund of the district to be used in the payment of the bonds and interest [Amended by 1969 c.668 §29].

Lastly, according to ORS chapter §198.750, if a change of organization or formation of a district is made by petition, the petition must include a proposed permanent rate limit for operating taxes sufficient to support the services and functions described in the economic feasibility statement required by ORS §198.749. A tax rate limit does not need to be included in the petition if no tax revenues are necessary to support the functions described. The tax rate limit shall be expressed in dollars per thousand dollars of assessed value, and shall be calculated for the latest tax year for which the assessed value of the proposed district is available.

Appendix F: Potential RAPRD SDC Estimations

Although SDCs are not included in the final recommendation, RAPRD can consider charging SDCs to pay for renovation and upgrades, as well as to improve overall financial stability. Despite the potential for using SDCs to repay a bond, a simpler method would be to use SDCs to replenish RAPRD's Facilities Construction Fund. Case studies of other Oregon parks and recreation special districts identified use of SDCs to cover capital costs (see Appendix H). In 2013, the League of Oregon Cities documented SDCs charged by cities and special districts across Oregon[1]. For efficiency, many park districts had the city collect SDCs on their behalf with a minimal charge of 1% tacked on to cover the administrative costs, as illustrated below.

Given the success other park and recreation districts have had with SDCs, it is recommended that RAPRD consider charging SDCs to help pay for future growth. Currently, the City of Redmond charges $2,672/dwelling unit. RAPRD can charge a similar SDC ($2,000 - $2,500) on new growth within city limits as well as on county land within the district boundaries to produce significant revenues, and provide additional financial independence.



Building Permits inside Redmond city limits 10-year trend, used to establish an estimate for future SDC annual

Est. Annual Building Permits	422
SDC Fee per Permit	$3,099
Estimated RAPRD Revenue	**$1,307,778**
City	**Park District SDCs**
Bend	$5,050
Milwaukie	$3,895
Dundee	$2,017
Newberg	$2,017

[1] League of Oregon Cities. (2013). SDC Survey Report: Summary and Data Tables. League of Oregon Cities.

Appendix G: Potential RAPRD User Fee / Revenue

User fees are fees paid by those who use and benefit from a public good, service or facility. The fee is usually based on a share of the cost of the good or service used and the revenue generated is used to defray some or all of the costs. Under Oregon Revised Statutes, RAPRD has the power "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" (§ORS 266.410-412). District staff review program revenue and registration levels quarterly to identify trends in program participation and adjust user fees accordingly (RAPRD, 2015).

A feasibility study, completed by Ballard King & Associates, Ltd., for the proposed Redmond Family Recreation Center provides suggested fees and rate schedules "based on the competition in the greater Redmond area (public centers)" (Ballard King & Associates, Ltd., 2014, p. 95). As this study is current and already considers the greater benefits received that the new facility will have to offer, no user fee increases were considered for the Redmond Family Recreation Center.

User fees are a valuable source of revenue to RAPRD, although there are several ways in which they can be improved. To address equity concerns, RAPRD can consider splitting fees into age, occupation, or income categories, and provide subsidized passes for students, the elderly, low-income families, and others. Above all, RAPRD should also consider raising membership rate. A five percent increase in user fees will help RAPRD become more in-line and competitive with neighboring park and recreation districts as illustrated below, where RAPRD is currently one of the lowest-charging districts. RAPRD can help fund the expansion of services through these fees.

Increased user fees were considered for the Cascade Swim Center (CSC), with a 25% increase applied to admissions, passes, fees, activities, rentals, and dues. This increase results in CSC rates that are more aligned with the proposed recreation center and competing facilities. Increasing CSC user fees was rejected because the large rate increase does not reflect a change or expansion of services offered at CSC and would only raise revenue by approximately $47,000 annually.

Table 1: User Fee Comparison Table

	Individual Monthly	Individual 3 Month	Individual Annual	Family Monthly	Family 3 Month	Family Annual
Bend	$51	$137	$490	$102	$274	$980
Hood River	$36	$104	$331	-	$244	$780
Seaside	$35	$85	$250	$70	$160	$495
Tualatin	$30.50	$84	$270	$61	$168	$540
Redmond	$30	$79	$288	No Basic Family Plan	No Basic Family Plan	No Basic Family Plan

RAPRD can also consider implementing clear funding options for out-of-district residents. Not only does this generate more revenue, but it also welcomes visitors and non-residents as temporary facility users. For example, since out-of-district residents do not pay property taxes that support the district, Bend charges an additional 20% for programs and facility passes for out-of-district residents. RAPRD could consider implementing a similar policy and charging a certain percent fee increase.

Table 2: Generated Revenue Calculations

*Based on RAPRD Feasibility Study
*Based on 2015-2016 RAPRD budget

	New Recreation Center*	Old Pool**
Drop Ins/Admission	--	91,500
Rentals	--	3,600
Fitness/Activities	--	60,000
Concessions	--	14,000
Total	**$1,121,580**	**$169,100**

Table 3: Percent-Increase Estimations

	New Rec Center	Old Pool	Total	Amount Increase
Initial Total	$1,121,580	$169,100	$1,290,680	
4%	$1,166,443.20	$175,864	$1,342,307.20	$51,627.20
5%	$1,177,659	$177,555	$1,355,214	$64,534
6%	$1,188,874.80	$179,246	$1,368,120.80	$77,440.80
7%	$1,200,091	$180,937	$1,381,028	$90,348

A 5% increase in user fees/rentals/programs is recommended based on the above analysis- a 6% or 7% increase may be too large to be politically feasible, and a 4% increase is too low to even generate and make a significant impact. This increase can be done through RAPRD's discretion, including increasing pricing across fees, rentals, and/or programs. RAPRD can choose any combination of price increases in these categories depending on political feasibility.

A five percent increase in user fees/rentals/programs is recommended based on the above analysis—a six percent or seven percent increase may be too large to be politically feasible, and a four percent increase is too low to even generate and make a significant impact. This increase can be done through RAPRD's discretion, including increasing pricing across fees, rentals, and/or programs. RAPRD can choose any combination of price increases in these categories depending on political feasibility.

Appendix H: Case Studies

Case Study 1: Bend Park and Recreation District, Bend, OR

This memorandum looks at the Bend Park and Recreation District (BPRD or "the District") as a case study of a Park and Recreation District under Oregon Statute. In addition to a brief summary of the relevant statute, this memorandum provides a background review of the history, geography, and governance structure of the District, with special attention given to the revenue sources and expenditures of the District based on its approved budget for fiscal year 2015-2016. Finally, a series of lessons applicable to the strategic planning and future development of the Redmond Area Parks and Recreation Department are presented. Among these, the most important is the role of comprehensive and transparent planning processes in BPRD's long-range decision making.

Enabling Statute: Oregon Park and Recreation Districts
A Park and Recreation District (PRD) is a special district whose formation, power, and structure are governed by Oregon Revised Statutes (ORS) Chapter 266. As with all special taxing districts in the State of Oregon, there are three methods for forming a PRD: A landowner petition to the county board; a petition by 15% of registered voters petition with a feasibility study to the county board; or directly initiated by the county board (ORS §198.749-835). There are no requirements or guidelines under ORS to determine boundaries of PRDs. Because of this, Oregon's 47 PRDs range from smaller than the corresponding city's limits to as large as the county boundary lines, and districts may change their boundaries after formation[1].

Under ORS, PRDs have two primary means of funding. First, as part of their general district powers, PRDs have the power to assess, levy, and collect taxes (ORS §266.410). These may not exceed one-half of one percent (0.0050) of the real market value of all taxable properties within the district (ORS §266.420, in accordance with ORS §308.207). Second, when authorized by electors, PRDs may issue both general obligation bonds and revenue bonds (ORS §266.512-514). General obligation bonds cannot exceed two and one-half percent of the real market value of all taxable property in the district (ORS §266.512).

Finally, Oregon Statute describes the governing structure of PRDs. All PRDs must be overseen by a district board comprised of either three or five members, as set out in its initial petition for formation (ORS §266.320). Members are elected to two-year terms and serve either at large or represent a single zone (ORS §266.330-385).

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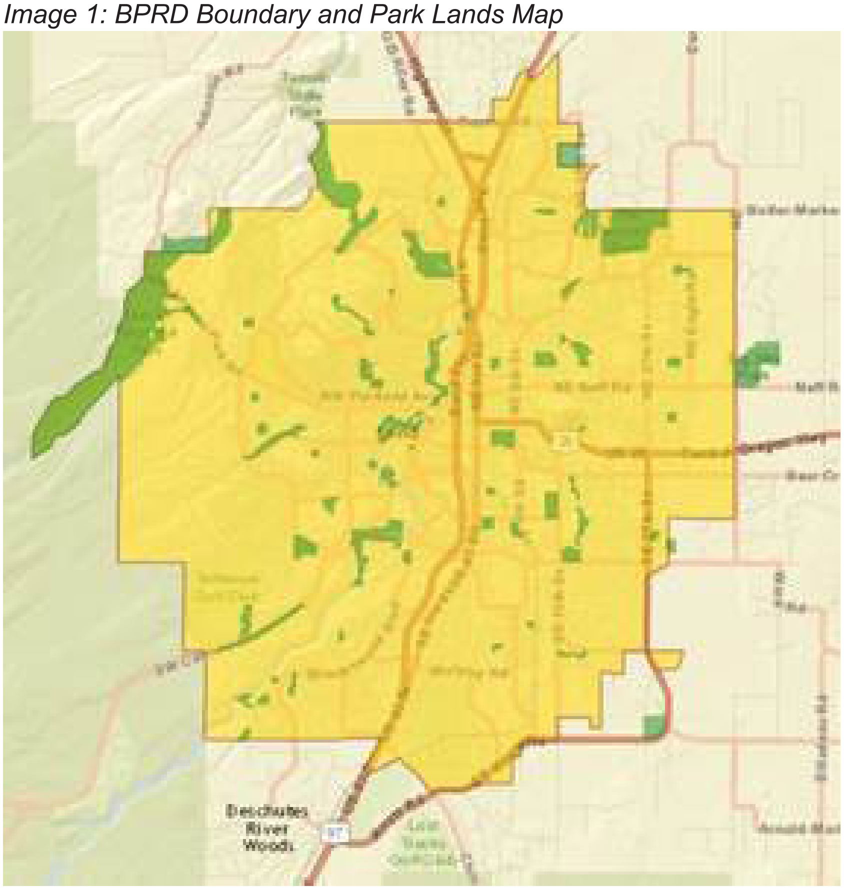
[1] Grandolfo, J. (2014). Special Districts and Public Service Delivery: An Analysis of a Corvallis Park and Recreation District. Corvallis, OR: Oregon State University Policy Analysis Laboratory. Retrieved from http://liberalarts.oregonstate.edu/sites/liberalarts.oregonstate.edu/files/opal/prd_full_report.pdf

Bend Park and Recreation District

The Bend Park and Recreation District is located in the City of Bend, which is the seat of government for Deschutes County and has a population of approximately 82,000[2]. Population booms during the late 1990s and early 2000s brought prosperity to the city. As of 2013, Bend's median household income was $53,027, more than double its 1989 household income of $25,787[3, 4].

The BPRD was established by popular vote in 1974. As of 2014, it maintains and operates 2,659 acres of park land, 1,531 acres of which is developed land. The District boundary is slightly larger than that of the City of Bend, with more than 98% of the District's population falling within the Bend Urban Growth Boundary[5]. The gold area in Figure 1 depicts the current boundaries of the BPRD, with BPRD park lands shown in green. In addition to maintaining and operating community, neighborhood, and regional parks and trails, the District operates a number of community facilities, including the Bend Senior Center, the newly opened Pavilion for ice activities, and the Juniper Swim and Fitness Center.

Image 1: BPRD Boundary and Park Lands Map



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2 U.S. Census. (2014). American FactFinder. Retrieved from U.S. Census Bureau: http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml

3 BPRD. (2012). Parks, Recreation, and Green Spaces Comprehensive Plan: February 2012 Update. Bend Park and Recreation District. p. iv. Retrieved from https://s3.amazonaws.com/alpineclients/BPRD/docs/info/About_Us/Comp-Plan-Update/BPRD_Comp_Plan_Update_Final.pdf

4 Ibid. U.S. Census.

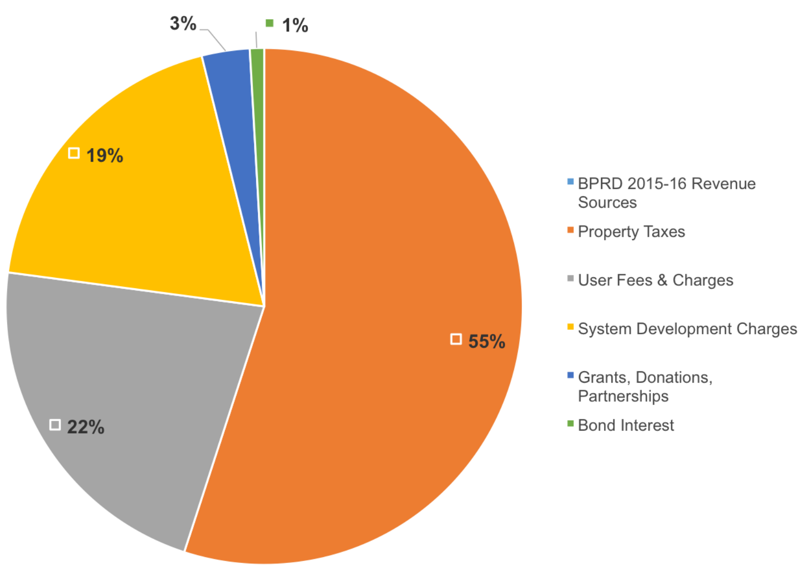
5 Ibid. BPRD. (2012). p. iii.

In accordance with Oregon Statute, BPRD is governed by a five-person, elected Board of Directors and managed by an Executive Director. Board members are elected at an at-large basis and serve for two full years. In addition to the Executive Director, BPRD employs 98 full time employees, including four director and two manager level positions: Recreation Services Director, Strategic Planning & Design Director, Finance Director, Park Services Director, Human Resources Manager, and Community Relations Manager (a full organization chart is included in the Appendix). Finally, the BPRD is partially funded by the Bend Park & Recreation Foundation, a 501(c)3 nonprofit founded in 1977. The Executive Director and Community Relations Manager works closely with the Foundation, including its 11-person Board of Directors and one administrative staff is shared between the Foundation and BPRD.

BPRD: Revenue Sources

Excluding beginning fund balances, the District has four annual primary funding sources: Property taxes, user fees and charges, system development charges (SDCs), and alternative funding. Pie Chart 1 shows revenue sources and amounts for the 2015-2016 budget. Property taxes are the largest revenue source in the 2015-2016 budget, bringing in $15,970,400 and accounting for 55% of total revenue. From the start of the recession through 2013, BPRD saw its property tax revenue either stay flat or decline from year to year. In 2014, the District saw its first real increase of 4.85% and estimates an additional 5.83% for 2015[6]. Graph 1 on the following page shows this increase in property tax revenue per average citizen at the permanent tax rate, not including the General Obligations Bond discussed below.

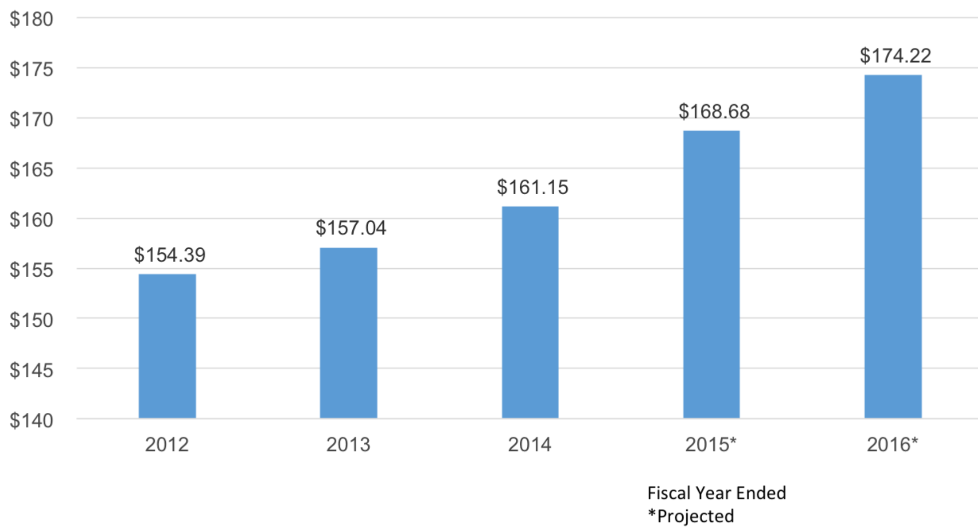
Pie Chart 1: BPRD 2015 -16 Revenue Sources
Total Revenues: $29,031,763



[6] BPRD. (2015). Proposed Budget (FY 2015-16). Bend Parks and Recreation District. p. 26. Retrieved from http://18ybb62j6x7bawwhb46447nh.wpengine.netdna-cdn.com/wp-content/uploads/2015/06/BPRD_2015-16_Proposed_Budget_Web.pdf

The second-largest revenue source for the District is from user fees, which represent 22% or $6,414,810 of the total budget. As noted in the 2015-16 budget, user fees have fluctuated dramatically in recent years from as low as 2.07% in 2012 to 17.28% of the 2015-16 budget[7]. This fluctuation results from changing services, increased fees, and the fall 2015 opening of the Pavilion ice sports complex. Service Development Charges (SDCs), fees charged for residential development within district boundaries, represent 19% of total revenues[8].

Graph 1: Average BPRD Tax Dollars Per Citizen



The final regular revenue source for the District is alternative funding, representing just 3% of the total budget. This catchall category is dominated by grants, partnerships, and donations, and also includes proceeds from sales of surplus properties and materials, as well as user fees and charges for facilities considered to be enterprise funds.

Bond Measure No. 9-86

The above revenue sources do not include funding from bond measure 9-86, which was narrowly passed by voters in November 2012. These General Obligation (GO) Bonds authorized BPRD to sell $29 million inbonds in order to fund six specific projects focused on land acquisition for new parks and major development of the unique Deschutes River and Whitewater Trails. The bonds received a municipal bond rating of AA3 from Moody's and ended up costing taxpayers less than expected at $0.22 per $1,000 of assessed property value rather than the $0.24 promoted during the bond measure campaign. The full $29 million was collected in 2013 and the majority of the money has been spent on projects that are being completed this year and next. Interest from

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[7] Ibid.

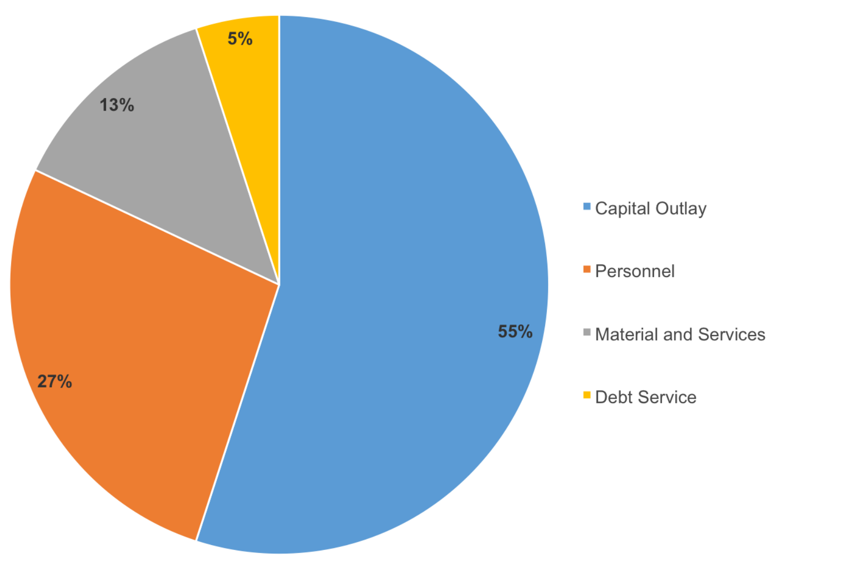
[8] It is not possible to determine SDC rates or proportion of SDC receipts allocated to the RAPRD from materials available online.

these bonds accounts for approximately one percent of the 2015-16 estimated revenues.

BPRD: Expenditures

Expenses for the District fall into three categories: Capital outlay, personnel services, and materials and services. Pie Chart 4 shows expenditures in the 2015-16 budget. Capital outlay represents 55% of the 2015-16 budget at $25,285,111; this category includes all capital projects not exclusively funded by the bond. In the Budget Message, Executive Director Don Horton notes that "significant variance between budget and estimates is common" for capital projects due to many factors including design, building materials, and weather[9]. In the past few years, BPRD has continually come in under budget for capital expenses due to a combination of these factors and a self-described conservative approach to budgeting.

Pie Chart 2: BPRD 2015-16 Expenditure Categories.
Total Expenses $45,723,570



Personnel services are the District's next largest expense category, representing $5,763,294 or 27% of the 2015-16 budget. However, given that capital outlay budget is likely inflated and in the past four years the corrected end-of-year capital expenses has been less than personnel services, this expense category could be read as the District's consistently largest expense category. Since 2012, personnel expenses have grown nearly 27%. Much of this increase is explained by the opening of new large facilities, like the Pavilion and the Whitewater Park. Materials and Services, which represent 13% of the

[9] Ibid. BPRD. (2015). p. 7.

2015-16 budget, have seen similar double-digit increases in the past few years for the same reasons.

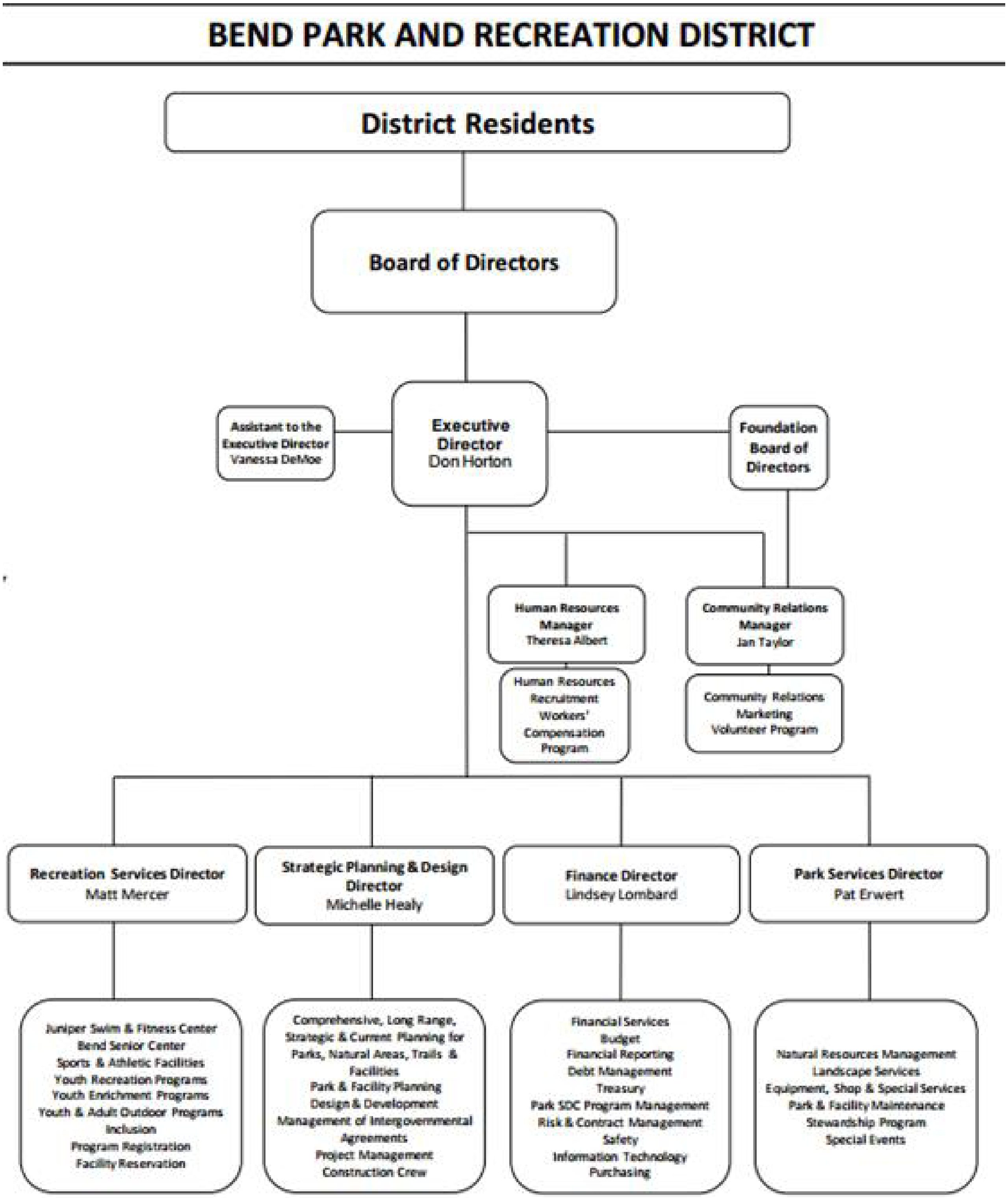
Lessons Learned

In examining the Bend Parks and Recreation District, there are three potential lessons that could benefit the Redmond Area Parks and Recreation District. First, included in the BPRD budget is a brief history of the District performance at the polls. This chart shows that the District has failed in more than half of its attempts (seven of 13) to seek increased funding from the electorate. As all ballot measures from 1981-1993 failed, further research could help illuminate the political capital, campaign approach, and demographics of the District at that time, and demonstrate what changed to allow a levy to be passed in 1995. It is worth noting that virtually all of BPRD's failed measures were either levies or tax base increases, while large bond measures passed each time. It is possible that these bond measures were more successful because of the specificity of the projects they supported, compared to more general operations requests represented by the levies and tax base increases.

It is relatively unique for a PRD to be supported by a nonprofit Foundation like the BPRD, and the pros and cons of such an arrangement should be weighed. Although extensive documentation is not available, it would appear that overall having the Foundation might not be worth the administrative overhead. This would likely be an even greater burden if a small PRD had to create a nonprofit itself, rather than it having been a part of the district for over three decades. That said, there are some clear strengths provided by the Foundation. These include having the ability to focus fundraising on specific projects, receiving grants that are strictly for recognized nonprofit organizations, and mitigating social equity concerns by raising scholarship funds for disadvantaged citizens. Finally, there is a clear benefit of strategic thinking provided by more people being committed to improving the District at a board level.

A final lesson worth Redmond's consideration is the comprehensive and transparent planning process employed by BPRD. BPRD uses a three-prong approach to planning. First, the District has a regularly updated Strategic Plan that defines goals and strategies for a five-year period. The plan is a product of both the District's and the Foundation's Board of Directors. Second, based off of this Strategic Plan, the District annually updates and adopts a five-year Capital Improvement Plan (CIP), a prioritized project list with funding plans approved by the BPRD Board. The CIP is closely linked to and developed in tandem with the District's five-year financial forecast, which is also updated on an annual basis. These plans are made available to the public online and are used as touchstones throughout the annual budget message. With this documentation, BPRD is able to clearly articulate and justify their operations and the need for additional funding to the public, which may help explain recent bond measure success.

Image 2: BPRD Organization Chart



Case Study 2: Hood River Parks and Recreation District, Hood River, OR

Local Context

Initially formed in 1988 to maintain the Hood River Aquatic Center, a referendum in 1994 expanded the Hood River Parks and Recreation District's (HRPRD) authority to the maintenance and development of parks, trails, and other recreational programs[1]. Since 1994 the HRPRD has undergone additional expansions, including the collection of system development charges beginning in 1996, and the passage of a bond in 1998 to improve playfields and eliminate debt on the aquatic center.

Currently, the HRPRD provides recreational services through an aquatic center, skate park, and a variety of large and small parks throughout the Hood River Valley. Local parks are managed at different levels within the Hood River County, and are as follows[2]:

- The Port of Hood River operates six waterfront recreation sites.
- The City of Hood River manages 12 parks with various facilities including tennis courts, amphitheaters, play structures, and open spaces.
- Hood River County maintains six county parks throughout the greater Hood River Valley.
- Additional parks and recreation/aquatic centers are maintained by the Hood River County School District, and Hood River Valley Swim Team.

Geography

The HRPRD geographical area includes all of Hood River County with the exception of the city of Cascade Locks. Currently, the HRPRD serves approximately 20,800 individuals[1].

Governing Structure

The HRPRD is governed by a five member board of directors that are elected by citizens within the district's boundaries. Current board members include Glenna Mahurin, Arthur Carroll, Greg Davis, Mike McCarthy, and Renee van de Griend. The District board meets once each month at the Hood River Aquatic Center, with being open to the public. Meeting agendas, minutes, and financial reports are reported on the HRPRD's website[3].

Enabling Statutes

In addition to the authority to collect system development charges, as well as maintain and operate parks and recreation programs, Chapter 13.44 under

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1 Retrieved from: http://hoodriverparksandrec.org/about-us/.

2 See Park Maps Section of study for city and county parks.

3 Retrieved from: http://hoodriverparksandrec.org/board-meetings/.

Title 13 of Hood River's municipal code establishes additional authority for the HRPRD. Specifically, this statute gives the HRPRD three authority in three areas[4]:

1. Acquire land and designate city parks.
2. Establish parks rules and regulations.
3. Enforce compliance and determine appropriate penalties (up to $300).

Revenues and Expenditures

The following represents an overview of the HRPRD's revenues and expenditures[5]. Collected revenue has been increasing consistently since 2012. The proposed revenues for the 2015-16 fiscal year are as follows:

Table 1: HRPRF's Revenue Categories for Fiscal Year 2015-16

Category	Revenue
Tax Revenue	$674,684
Pool Revenue	$294,528
Other Revenue	$16,234
Beginning Cash	$435,393
Transfers from City of Hood	$358,748
Budgeted Grant Awards	$497,000
Total	**$2,276,687**

The HRPRD's tax revenue has a base of 0.0003498 and has been determined by using the total assessed property value of nearly $2 billion in the District's area. In previous years they have reported up to a 102% tax collection rate, but their proposed collection rate for the current fiscal year is 97%. Pool revenue includes admissions fees ($202,500), swim lesson fees ($41,500), and various other fees and sponsorships. Fees from parks and recreation activities vary within each management section (i.e., county, city, port), and include reservation fees up to $100 for parks, or $900 for port areas. Depending on planned use insurance fees, application fees, and additional fees may apply[6]. Finally, 'Other Revenue' categories include golf tournaments, interest, and the introduction of District Program Income, a revenue neutral program, introduced in 2014.

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[4] Retrieved from: http://hoodriverparksandrec.org/about-us/.

[5] See Park Maps Section of study for city and county parks.

[6] Retrieved from: http://www.portofhoodriver.com/PDFs/2014%20Event%20Fees%20and%20Regulations.pdf and http://ci.hood-river.or.us/pageview.aspx?id=19169.

Expenditures

Expenses all fall under General Fund Expenses, with the total amount steadily increasing since 2012. Expenditures for the 2015-16 fiscal year are as follows:

Table 2: HRPRF's Expense Categories for Fiscal Year 2015-16

Category	Expenses
District Payroll	$67,958
District Overhead	$99,045
Non Pool Expenses	$36,100
Pool Expenses	$657,456
Capital Expenditures	$944,495
Total	**$2,276,587**

Payroll expenses are detailed for various staff positions (e.g., bookkeeper, director), as well as benefits, bonuses, and fees. District overhead expenses are general operating expenses, and include funds for office supplies, travel reimbursement, and others. Non-pool expenses are expenses related to general parks maintenance and improvements, whereas pool expenses are much more detailed and include line items for payroll and operating expenses. Finally, capital expenditures all include improvement projects, and are not consistent from year to year with this year including roof repairs, and electrical maintenance.

Comparison and Conclusion

While the RAPRD is similar in many ways, including their board governance and statutes, there are several areas in which they are distinct. Most noticeably is the difference in their websites. The HRPRD website appears to be much more modern, is easy to navigate while searching for specific topics or subjects. Redmond's website, on the other hand, appears outdated, includes more information on various subjects but makes navigating to specific topics much more difficult. A website update would be welcome, and can easily be accomplished with minor expenses.

Outside of the ability to find specific information online, the Redmond Area Park and Recreation District provided much more information within their 2015-2016 proposed budget. Within Redmond's budget it becomes clear how the budget is proposed, evaluated, and adopted. Additionally, Redmond's budget is broken down into various funds (General, Pool, RACE), each with detailed revenues and expenditures. With these elements in mind, the Redmond Area Park and Recreation District budget is much more detailed and understandable to a non-expert audience. The only advantage the HRPRD budget document has over Redmond is the use of different colors within their budget tables to differentiate between various categories and topics.

The Hood River Parks and Recreation District provided an example with which Redmond could be compared. While ultimately Redmond's budget is much more detailed and easily understood, there are still improvements to be made. Finally, this brief overview of the HRPRD governance and budgeting process will be an effective tool in evaluating and providing more in-depth recommendations to the Redmond Area Park and Recreation District.

Park Maps

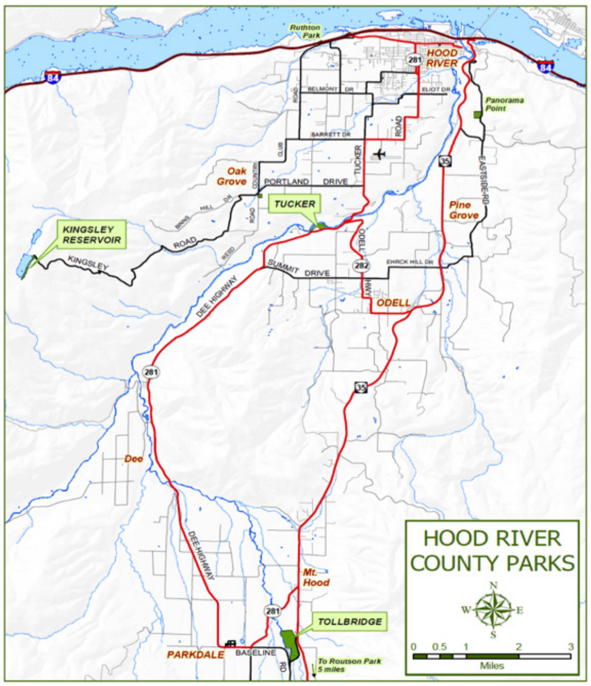

Image 1: Hood River County Parks Map

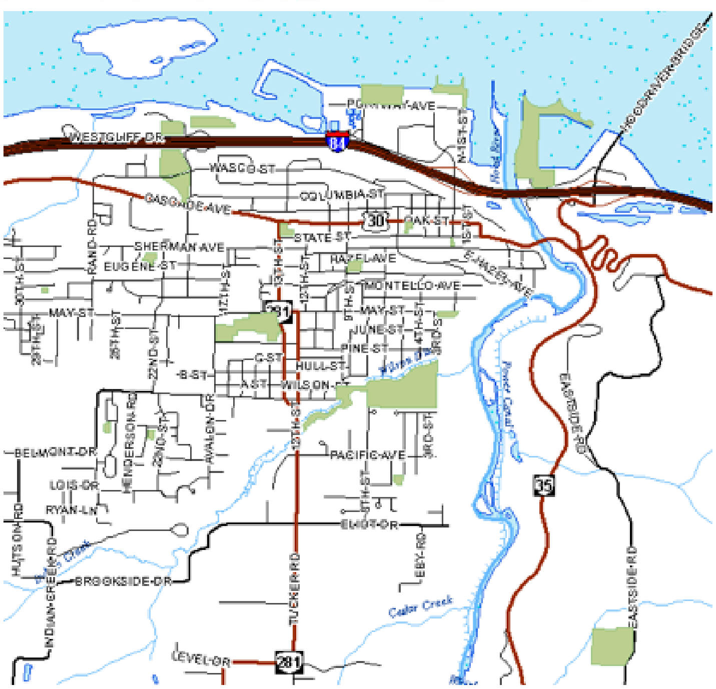

Image 2: City of Hood River Map

Case Study 3: Sunset Empire Park and Recreation District, Seaside, OR

Local Context

Sunset Empire Park and Recreation District (SEPRD) was established by the voters of Seaside, OR as a special district in 1969. Originally, the sole purpose of this district was to fund a local swimming pool, however, since then, the district has expanded their capacity and now operates both the pool and two local community and youth centers, a skate park, and playing field, and also provides programming for many of the city parks[7]. The City of Seaside is located along the Northern Oregon coast on US Highway 101, and has a population of approximately 6,500 people[8]. The community operates largely as a tourist destination, boasting a historic coastal downtown, natural attractions nearby, and coastal recreation activities. Seaside has operated a historically resource-based economy, however in the past four decades the rise in tourism along the Oregon coast has prompted a shift to a service-based economy. The city currently maintains eight parks of approximately 75 acres, which are separate from SEPRD locations listed above[9].

Geography

The City of Seaside is located along the coast at the southern end of the Clatsop Plains in Clatsop County. Just north of city limits, the Neawanna Creek and the Necancium River empty into the Pacific Ocean, nearly surrounding the city by water. SEPRD follows the boundaries of the Seaside School District, excluding the incorporated Cities of Gearhart and Cannon Beach. The district serves a population as far north as Cullaby Lake, as far south as Tollovana Park, and as far east as the unincorporated city of Hamlet[10]. See Image 1 on the following page.

Governing Structure

SEPRD is run by a board of five elected members who serve four year terms, and is funded by the Sunset Empire Park and Recreation Foundation, a 501(c)3 non-profit. The foundation supports events, programs, park projects, and scholarships for families unable to pay registration fees. Additionally, the foundation helps to raise the funding required to buy new sites and maintain existing locations[11]. The district also appoints a budget committee to work with board members to approve the annual budget.

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[7] Retrieved from: Sunset Empire Park and Recreation Special District. (2015). Winter/Spring 2015 Program Guide. http://www.sunsetempire.com/pdfs/PGuide_WinterSpring_2015.pdf.

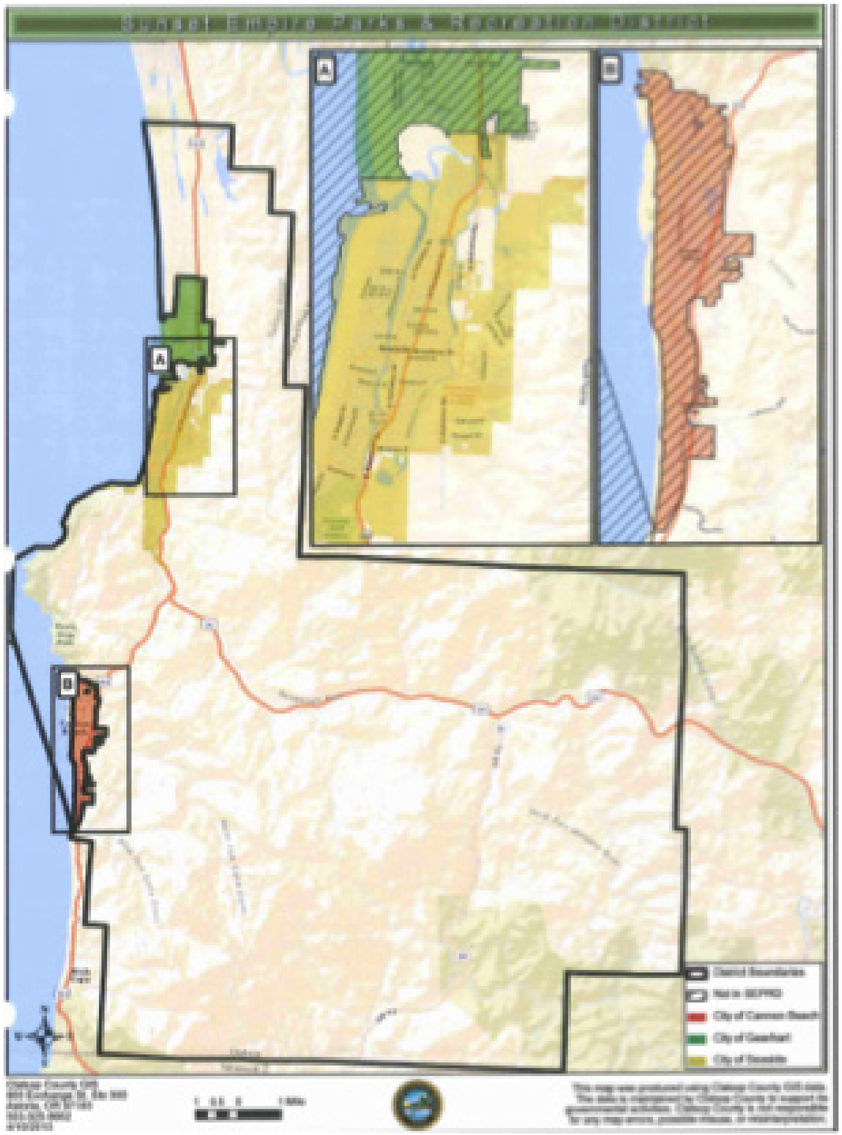
[8] Retrieved from: Seaside, Oregon. (n.d.) Retrieved November 10, 2015 from http://www.city-data.com/city/Seaside-Oregon.html.

[9] Retrieved from: City of Seaside Oregon. (2004). City of Seaside Oregon Parks Master Plan. http://www.cityofseaside.us/sites/default/files/docs/SeasideParksMasterPlan2004.pdf.

[10] Retrieved from: Clatsop County. (2006). Clatsop County Parks and Recreational Lands Master Plan: Goal 8, Recreational Needs Background Report. http://www.co.clatsop.or.us/sites/default/files/fileattachments/parks/ page/649/clatsop_parks_and_rec_lands_master_plan_03012006.pdf.

[11] (n.d.). Retrieved November 10, 2015, from http://www.sunsetempire.com/item.asp?iid=20.

Image 1: SEPRD Map



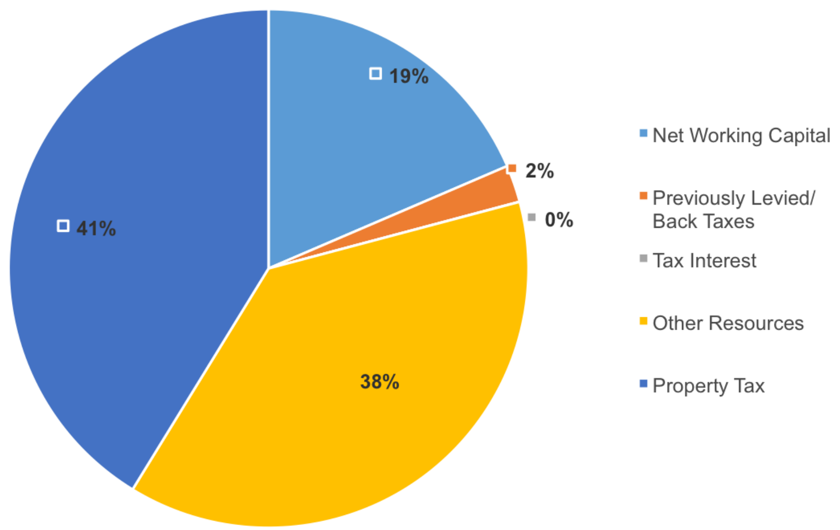
Enabling Statutes

SEPRD was formed pursuant to Oregon Revised Statutes, Chapter 266 Parks and Recreation districts. The statute states that, "a community may form a municipal corporation to provide park and recreation facilities for the inhabitants" (266.110) and that the district must elect, "a board of three or five members, to be elected by electors of the district, and a secretary, to be appointed by the board" (266.310).

Revenue

SEPRD is mainly supported by tax revenues, though other sources come from grants and scholarships, user fees, and net working capital. The permanent tax rate for the district is 92 cents for every $1,000 of assessed property value. The district gathers additional funds from timber tax revenue, special events, and donations. The total budget proposed for FY 2015-2016 is $2,561,666.

Pie Chart 1: Revenue For the Sunset Park and Recreation District FY 2015-16



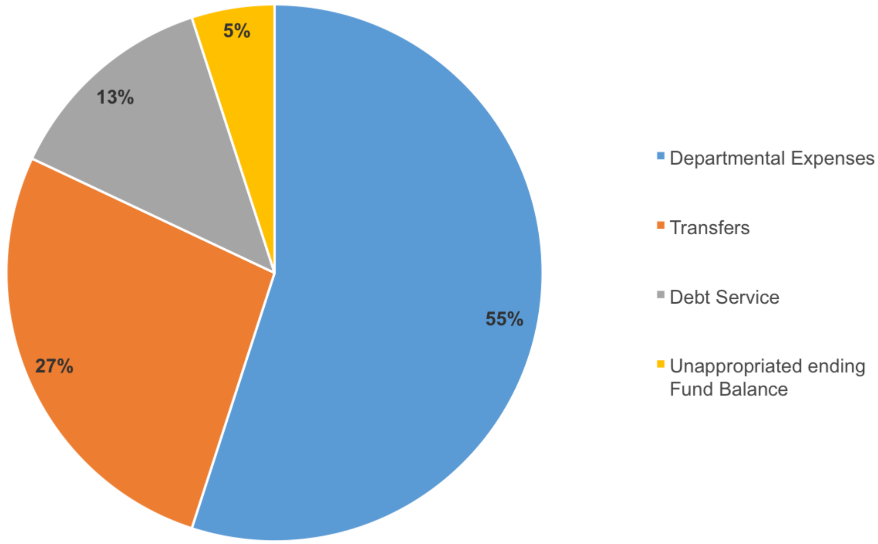
Taxes and Special Charges

The district valuation for FY 2015-2016 was $1,546,808,237, and with a tax-rate of $0.92/$1000 of assessed property value, this is expected to generate $1,435,287. With fees and collection rate included this number is more likely to be closer to $1,334,816 in revenue. Approximately $1,226,850 is collected in non-property tax, with 22% of that generated from fees for services. The district has three special revenue funds: The Parks Project Fund, Building Addition Fund, and Broadway Field Fund. These funds are used for maintenance, capital projects, and debt service.

Expenditures

Expenditures for the district are primarily departmental, transfers, and debt service. Departmental expenses such as administration, facility operation, and special event programming make up the largest portion of the expenses, with costs exceeding $1.97 million for FY 2015-2016. The district has also taken out loans to help pay for pool improvements and purchase of new land.

Pie Chart 2: Expenditures For the Sunset Park and Recreation District FY 2015-16



Comparison & Conclusion

SEPRD operates many of the same facilities as the RAPRD. Both districts have a pool, community centers, and maintain local parks programming. They operate similar budgets, though Seaside's is about half a million less than Redmond's. Over half of each budget comes from property tax revenue. Interestingly, Seaside's population is about a quarter of the size of Redmond's, however SEPRD is able to collect 92 cents for every $1,000 in valuation, but Redmond is only able to collect 31 cents for every $1,000 in valuation. RAPRD may want to look into the possibility of raising their current tax rate, coupled with other efforts, to increase their revenues.

Another difference between the two districts is the way they charge fees. SEPRD charges monthly and annual membership fees, which allows users access to all locations and activities. RAPRD charges drop-in fees at each of their locations, but does not offer a membership program. RAPRD may have an easier time collecting fees annually, or monthly, rather than each time a user enters the building or wants to take a class. This would also make it easier to determine how much money the district can expect in fees for services each year.

Overall, SEPRD is much better organized than RAPRD in terms of their funding, budget, and website. SEPRD's website is easily accessible and clear about what services they offer and how much they cost. Their membership fee system is more user friendly than charging a drop-in fee, and is helpful for administrators and budget planners. RAPRD's website is outdated and inaccessible. It's very hard to find out what is offered and how much each activity costs. Finally, RAPRD should continue to pursue different options to increase their revenue stream. A much smaller community, with a considerably smaller property valuation, operating similar facilities is able to maintain and expand their operation, while RAPRD is not nearly bringing in as much money as they should.

Case Study 4: Tualatin Hills Park and Recreation District, Tualatin, OR

Introduction

This report describes Tualatin Hills Park & Recreation District (THPRD). The report informs how Oregon Revised Statutes enable park districts. A brief description of the THPRD service area is provided, as well as an explanation of the governing structure. The report also explains the THPRD budget, identifying revenue sources and primary expenditures. Finally the report identifies practices that other park districts, particularly the Redmond Area Park and Recreation District (RAPRD), may want to consider when undertaking district expansion.

Enabling Statutes for Park Districts in Oregon

Oregon Revised Statute Chapter 266 (ORS 266) defines how a community may form a municipal corporation to provide park and recreation facilities. The statute dictates the number, term, election process, and powers of the district's Board of Directors. ORS 266 specifies the powers granted to the district including ability to levy taxes, incur expenses, deposit and distribute funds, and acquire debt. The statute also mandates the authority and rules required for park district issuance of revenue bonds[1].

Description of Tualatin Hills

THPRD was approved by voter initiative on March 4, 1955. The District is the largest special park district in the state, and serves an area of 50 square miles and 230,000 residents. The service area of THPRD is the City of Beaverton and the surrounding unincorporated areas of eastern Washington County surrounding Portland and Hillsboro (see Appendix I). With an annual operating budget of $44 million dollars, THPRD has 174 full-time, 28 regular part-time, and 600-900 seasonal employees. Notable District assets include: 6 recreation centers, 8 swim centers, 60 miles of trails, 2,240 acres of parks, 200 soccer fields, 109 baseball/ softball fields, 108 tennis courts, 3 historic sites, and a senior center.

The mission of THPRD is to "provide high-quality park and recreation facilities, programs, services, and natural areas that meet the needs of the diverse communities it serves[2]." THPRD ensures services are provided to diverse populations offering specialized recreation programs and inclusion services that allow people with disabilities access to District facilities and activities. A scholarship program is available, for eligible residents, to receive up to $200 annually for youth sports and THPRD programs. The Elsie Stuhr Center offers fitness, and social and support group activities at THPRD's exclusive health and wellness facility for adults 55 years and older.

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[1] Chapter 266. Park and Recreation Districts. 2013 Edition. Oregon Legislature. Retrieved Oct. 29, 2015 from: https://www.oregonlegislature.gov/bills_laws/lawsstatutes/2013ors266.html.

[2] Mission and Vision. District Information. Tualatin Hills Park & Recreation District. Retrieved on October 30, 2015 from: http://www.thprd.org/district-information/mission-and-vision.

Governing Structure of Tualatin Hills

THPRD's District Complied Policies (DCP), are resolutions enacted by the Board of Director's to guide operations. According to DCP Chapter 2, District Governance, the District has been formed, and granted powers by ORS 266. THPRD's five-member Board has "legislative authority by ordinance, administrative authority by resolution, and quasi-judicial authority by order" over the District. At the first annual meeting, a President is elected from the Board Membership. While the President determines the order of business and enforces procedures, a three-member quorum is required in order to conduct official business. Approval of Board decisions requires quorum majority, unless DCP specify otherwise[3].

As well as the BOD, THPRD has three advisory committees. Committee members work with the Board in guiding the District's long-term planning. Interested community members who want to help shape the District may join the "Nature & Trails," "Parks & Facilities," or "Programs & Events" committees. The "Nature & Trail" committee helps manage the District's natural resources and promotes environmental education. The "Parks & Facilities" committee supports the Board in development of facilities, and nature and athletic parks. The "Programs & Events" committee assists in ensuring the District meets program delivery goals of cost recovery, diversity, and inclusion[4]. While the advisory committees rely on volunteer efforts of community members, public participation increases equitability and efficiency in THPRD's comprehensive planning and budgeting processes.

Budget Review of Tualatin Hills

The THPRD 2015-16 budget goals and objectives are based upon the 2013 comprehensive plan update. Funding supports increasing access to programs and services and improving communication and outreach to District residents. Support of sustainable initiatives is designed to maintain and enhance services and facilities. According to the budget, the District did experience compression in FY 2014-15 where local government agency combined tax rates exceed Measure 5 limit of $10 per thousand and THPRD property tax revenue receipts were reduced. However, the compression occurred only in some areas and the property tax revenue loss was not significant. The District anticipates a minimal amount of compression in again in FY 2015-16. Program revenue is projected in the 2015-16 budget based on calculations made by staff and the Budget Committee after careful consideration of participation level rate reports[5].

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[3] Chapter 2 – District Governance. District Compiled Policies. District Information. Tualatin Hills Park & Recreation District. Retrieved on October 29, 2015 from: http://cdn1.thprd.org/pdfs2/document1801.pdf.

[4] Advisory Committees. District Information. Tualatin Hills Park & Recreation District. Retrieved on October 29, 2015 from: http://www.thprd.org/district-information/advisory-committees/.

[5] General Manager's Message. Adopted Budget Fiscal Year 2015/16. Tualatin Hills Park & Recreation District. July 1, 2014. Pages 4-6. Retrieved on October 30, 2015 from: http://cdn1.thprd.org/pdfs2/document3192.pdf.

Resources[6]

As illustrated in Figure 1, the primary source of THPRD revenue, 64% of the total, is property tax. Estimated tax collections for FY 2015/16, is projected at $34,192,540. The revenue is based upon a 4.00% increase in estimated assessed valuation. Recreation & Sports revenue is 13% of the THPRD 2015/16 budget resources. An estimate of $5,104,267 is expected from the senior center, Garden Home and Cedar Hills Recreation Centers, Camp Rivendale, and administration. Recreation & Sports revenue also includes $1,279,734 from indoor/ outdoor sport programming and facility rental, special interests, fitness and exercise programming, concessions, and user passes. Also included in Recreation & Sports, natural resource education programs and facility rental, and outdoor recreation programming is estimated to generate $327,188.The THPRD 2015/16 budget indicates 9%, or $4,740,600, expected receipts from System Development Charges. The funds will provide land acquisition and development of new projects. The revenue reflects recovery of residential construction and urban growth, particularly in the North Bethany area[7]. The Swim Center and Tennis Program are estimated to generate 7%, or $3,954,104 of the THPRD 2015/16 budget resources. Swim center revenue includes $1,913,134 of aquatic instruction, $459,683 in swim passes, $270,298 in general admission, and $255,908 of facility rentals. The tennis program is estimated to generate $1,055,081; including $634,317 of instruction, $328,934 open play fees, $81,585 special interest programming, and $10,245 in tennis ball sales.

Table 1: THPRD Revenues

Property Taxes (Current yr.)	$ 34,192,540	64%
Interest on Investments	$ 353,667	1%
Swim Center & Tennis Revenue	$ 3,954,104	7%
Recreation & Sports Revenue	$ 6,746,216	13%
Grants & Contributions	$ 626,458	1%
Misc. & Rental Revenue	$ 480,350	1%
Sponsorships/ Cellular Leases	$ 240,000	0%
Systems Development Charge	$ 4,740,600	9%
Debt Proceeds	$ 1,750,000	3%
Transfers In	$ 421,057	1%
Total	$ 53,504,992	100%

[6] Resources. Adopted Budget Fiscal Year 2015/16. Tualatin Hills Park & Recreation District. July 1, 2014. Pages RE 1- 7. Retrieved on October 31, 2015 from: http://cdn1.thprd.org/pdfs2/document3192.pdf.

[7] System Development Charge Fund. General Managers Message. Adopted Budget Fiscal Year 2015/16 Tualatin Hills Park & Recreation District July 1, 2014. Page 8. Retrieved on October 31, 2015. From: http://cdn1.thprd.org/pdfs2/document3192.pdf.

Expenditures

The primary expenditures for THPRD, as illustrated in Table 2, are bond capital projects, personnel service costs, and system development charges. The proposed 2015-16 General Fund budget reflects the greatest expense to be personnel services at 59%, followed by materials and services at 18%, and capital outlay at 14%.

Table 2: THPRD Expenditures

Personnel Service Costs	$ 28,546,400	28%
Materials & Services	$ 8,718,880	8%
General Fund Capital Outlay	$ 6,873,151	7%
Debt Service	$ 8,044,382	8%
General Fund Contingency	$ 2,300,000	2%
Capital Replacement Reserve	$ 850,000	1%
System Development Charge	$ 16,221,498	16%
Bond Capital Projects Fund	$ 31,030,369	30%

In 2008 District voters approved a $100 million park Bond Levy request. The 2015-16 Bond Capital Projects Fund, which comprises 30% or $31,030,469 of District expenses, is based on available resources in the fund. The fund supports large construction projects and land acquisition. Currently, proposed bond capital programs costs exceed the available funds; however, the budget reflects only the amount available.

Personnel service costs represent 28%, or $28,546,400, of the 2015-16 THRPD budget. Despite a reduction in staff, the amount reflects a 1.9% increase from the previous year. Increase in health insurance costs, project at 9.24%, is the main source of the increase in expense.

System Development Charges (SDCs) comprise the District's third largest expense, estimated at 16% or $16,221,498. As well as the forecasted collection of $4,780,750 in the 2015/16 budget, a balance of $11,440,748 is carried over from the previous year's budget. SDCs include $6,960,000 for land acquisition of additional properties or easements to be used for parks, trails, open space and facilities, $5,591,000 for development and improvements that include expansion of existing facilities, master plan development, and design and construction, and $3,310,498 for undesignated projects[8].

Conclusion

Due to the size and diversity of the District, and dependency on programming revenue, THPRD carefully considers its rate and user fee structure (see Appendix II). The rate and user fee schedule seem confusing; however, it

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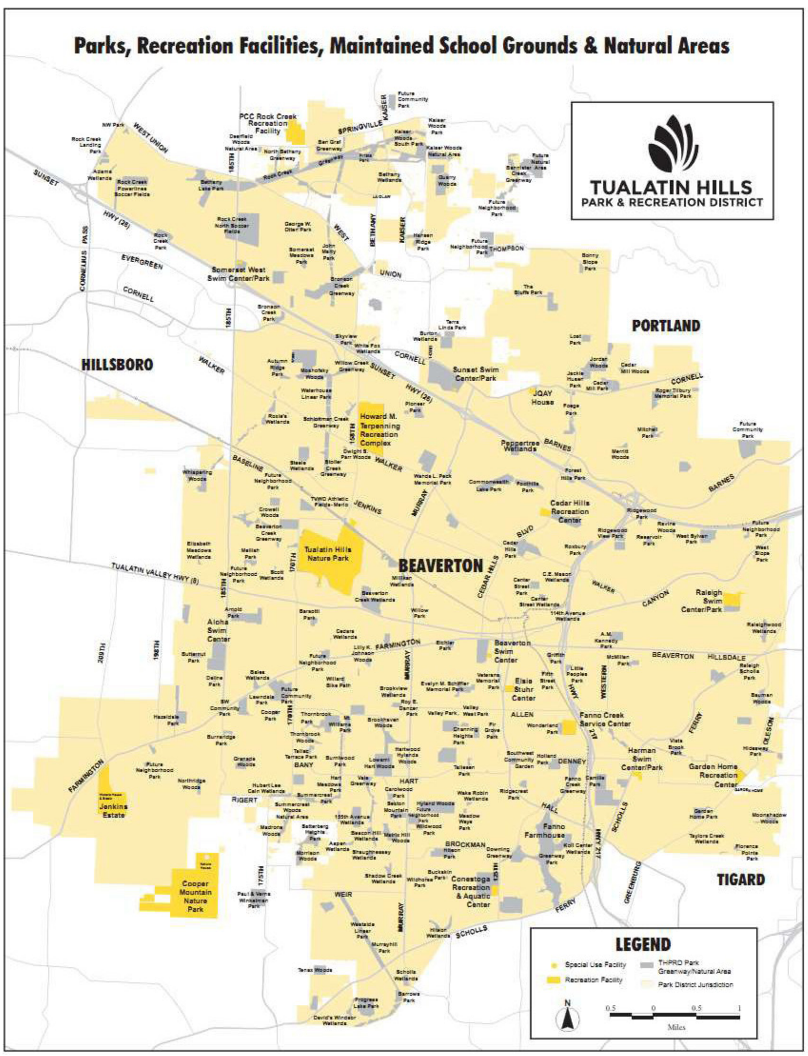
[8] System Development Charges. Adopted Budget Fiscal Year 2015/16 Tualatin Hills Park & Recreation District July 1, 2014. Pages SDC 1-10. Retrieved on October 31, 2015. From: http://cdn1.thprd.org/pdfs2/document3192.pdf.

appears consideration is made to accommodate various levels of use, family structure, financial means, and workout method. The prices listed are out-of-district rates and discounts are available to qualified district residents. Park districts experiencing growth and adding facilities may want to re-assess rate and user fee schedules. THPRD's "Programs & Events" community advisory committee assisted in the District's process. Other park districts may want to establish volunteer committees of their own to increase community participation in the process.

The THPRD utilizes a planning and programming budget. The budget is based on service level outcomes identified in the District's 2013 Comprehensive Plan update. While a planning and programming budget format is suitable for THPRD, due to the size of the district and desire to report annual financials through quality management measurements, the format may not be suitable for smaller size districts. More traditional line item budgets, focusing on expenditures and revenues, may be more easily understandable by district staff and residents.

Image 1: Map of Tualatin Hills Park & Recreation



THPRD Schedule of Rates and User Fees Drop-in Rates and Passes[9]

Daily Admission

General admission includes unlimited admission on the day of purchase to the following activities: Lap swim, open swim, family swim, senior swim, open gym, drop-in sports, walking track and weight/cardio rooms. Deluxe admission includes unlimited admission on the day of purchase to the following activities: Group fitness (land and water) classes, yoga, lap swim, open swim, family swim, senior swim, open gym,drop-in sports, walking track and weight rooms. Admission to instructor-led classes is based on space availability.

Table 1: Daily Use Admission Pricing for District Residents

Daily Use Admission Pricing for District*		
Daily Use Admission	**General Pass**	**Deluxe Pass**
Adult | Age 18-57	$4.50	$10.00
Youth·· | Age 1-17	$3.50	$8.00
Senior·· | Age 58+	$3.50	$8.00
Military·· (Individual)	$4.00	$9.00
Household (3+ Members)	$12.00	N/A

1. Non-residents subject to assessment fee or 25% premium
2. Discounts apply to in-district residents only. Youth/senior/senior couple rates reflect a 20% discount and the military rate reflects a 10% discount.

General Pass

The General Pass (formerly the Frequent User Pass) may be used at any THPRD facility for admission to the following drop-in programs: lap swim, weight/cardio rooms, open swim, family swim, senior swim, open gym, drop in sports, and Athletic Center indoor walking track. The General Pass does not include admission to instructor-led fitness classes. Age restrictions apply for Elsie Stuhr activities.

Table 2: General Pass Pricing

General Pass Pricing				
	1 Month	**3 Months**	**6 Months**	**Annual**
Single	$30.50	$84.00	$145.00	$270.00
Youth (1-17 Yrs.)	$24.50	$67.25	$116.00	$216.00
Senior (58+)*	$24.50	$67.25	$116.00	$216.00
Military	$27.50	$75.50	$130.50	$243.00
Couple	$45.75	$126.00	$217.50	$405.00
Senior Couple	$36.50	$100.75	$174.00	$324.00
Household (3+)	$61.00	$168.00	$290.00	$540.00

**Above discounts for seniors (20%), youth (20%) and military families (10%) available to district residents only. Listed out-of-district rates include the 25% per class premium. In District rate available to out-of-district guests who have paid quarterly or yearly assessment.*

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[9] Drop In Rates Frequent User Passes. Activities. Tualatin Hills Park & Recreation District. Retrieve on October 31, 2015 from: http://www.thprd.org/activities/drop-in-rates-frequent-user-passes#Aquatic_Pass.

Deluxe Pass

THPRD's new Deluxe Pass includes all the drop-in benefits of the General Pass described above PLUS the following: Yoga, pilates, Zumba, aqua fitness and other strength and cardio classes -- more than 200 classes each week -- at our recreation, sports and aquatic centers located throughout the Beaverton area.

- Attend multiple classes daily at no extra cost.

Free Childcare

The Deluxe Pass includes free childcare. This benefit is available at all three recreation centers (Cedar Hills, Conestoga, Garden Home) during peak hours.

- Up to two hours per visit
- Available only for children listed on same account as Deluxe Pass user
- Provided only for guests participating in on-site fitness programs
- Offer subject to space availability in childcare rooms

Table 3: Deluxe Pass Pricing

Deluxe Pass Pricing				
	1 Month	3 Months	6 Months	Annual
Single	$51.50	$145.00	$265.00	$505.00
Youth (1-17 Yrs.)	$41.25	$116.00	$212.00	$404.00
Senior (58+)*	$41.25	$116.00	$212.00	$404.00
Military	$46.25	$130.50	$238.50	$454.50
Couple	$77.25	$217.50	$397.50	$757.50
Senior Couple	$61.75	$174.00	$317.60	$606.00
Household (3+)	$103.00	$290.00	$530.00	$1,010.00

*Above discounts for seniors (20%), youth (20%) and military families (10%) available to district residents only. Listed out-of-district rates include the 25% per class premium. In District rates available to out-of-district guests who have paid quarterly or yearly assessment.

20-punch Aquatic Fitness Pass

The 20-punch Aquatic Fitness Pass is valid for one year from date of purchase. It provides 20 admissions to any district pool for water fitness classes. These include Cardio Core, Deep Water Warrior, Aqua Zumba, and many more.

- Adults: $100
- Military: $90
- Seniors: $80
- Out-of-District*: $125

*Above discounts for seniors (20%), youth (20%) and military families (10%) available to district residents only. Listed out-of-district rates include the 25% per class premium. In District rates available to out-of-district guests who have paid quarterly or yearly assessment.

Case Study 5: Willamalane Park and Recreation district, Springfield, OR

Purpose

The purpose of this memo is to present a detailed review of the Willamalane Park and Recreational District in Springfield, Oregon in order to create a comparative example for Redmond. The memo will review and analyze the enabling statutes for parks and recreational districts like Willamalane. Additionally the memo will summarize information on the Willamalane district such as geography, governing structure, revenues, expenditures and the community where the district is located.

Background

The Willamalane Park and Recreational District was created by voters on September 29th, 1944 and was the second of its kind in Oregon. Willamalane Parks and Recreation operates as a special taxing district separate from the City of Springfield. The agency employs 327 employees and has a $12.7 million dollar annual budget and the current superintendent for the district is Bob Keefer. The District operates six major facilities including an adult activity center, two multi-use swimming centers, the Two50 youth center, Camp Putt, and the Willamalane Center for Sports and Recreation.

The District is responsible for 43 parks and natural areas covering nearly 1,500 acres. These areas include 13 waterfront habitats, 21 miles of hiking and biking trails, 15 sports fields, and 24 playgrounds. The Willamalane District also offers programs and classes to the community. The District offers 207 adult classes, 364 adult 50+ classes, and 168 youth classes. The agency also provides aquatics programming and rock climbing as well as allowing community members to rent facilities and equipment. In 2012, Willamalane outlined its most recent 20-year plan which provides a vision for future developments in the district.

Community and Geography

The Willamalane Park and Recreation District is located in the City of Springfield, Oregon. The City was incorporated February 25th 1885. Currently Springfield has a population of roughly 66,000, a median age of 31, and covers an area of 15.57 sq. miles. The Willamalane 20-year plan estimates that the population of the city will increase by nearly 16,000 people by 2022[1].

The size of the Willamalane Park and Recreational District is slightly smaller than the urban growth boundary of the city. Oregon Statutes do not allow the boundary lines of a district to include territory that cannot be reasonably served by the facilities or services of the district (Oregon revised statutes 198.720). A detailed map of the district boundaries located in the appendix of this memo.

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[1] Gershow, Rebecca. Willamalane Park and Recreation Comprehensive Plan, Willamalane.org. October 2012

Enabling Statutes

The creation of parks and recreational districts like RAPRD and Willamalane is governed by ORS Chapter 266 of the Oregon State Legislature[2]. The Chapter lays out the foundational rules for formation, governance, financing, duties, and powers of the districts. In general this document provides the district with all of the powers necessary to govern itself separately from the city in which it exists. These general powers include the ability to sue and be sued; to make and accept contracts; to assess, levy and collect taxes; to employ and hold elections; and to establish and collect reasonable charges (ORS 2013 266.410). These statutes also provides authority to the parks district to issue bonded debt in order to provide additional funds for acquiring and improving land, construction of facilities and acquiring equipment of all types (ORS 2013 266.480)

Governing Structure

The Willamalane Parks and Recreation District is governed by an elected five-member Board of Directors and a superintendent. The Board of Directors is composed of five registered voters of the district who serve staggered four-year terms. Each member represents the District at-large instead of serving separate precincts. According to the Oregon state legislature "the park and recreation board is the governing power of the district and shall exercise all powers of the district" (ORS 2013 266.370). The superintendent acts as the chief executive officer of the district and is responsible for day-to-day management and operation. These responsibilities include administration of parks, personnel, programs, facilities, maintenance, planning, and public relations. The position is also responsible for indirect supervision of all district employees and direct supervision of the executive management group.

Revenue

Parks and recreational districts are separate entities and must raise their own revenues in order to operate. Willamalane's general revenue stream is primarily generated through additional property taxes that the district levies for general purposes and occasionally for debt services[3]. General revenue is also made up of system development charges, earnings on investments and miscellaneous. Willamalane also collects program revenues which include charges for services and operating grants (See figure 1). The ability to access additional property taxes to pay for services is granted to the parks districts by the Oregon Legislature. These additional taxes are assessed on properties within the boundaries of the special district. The District levies the tax July 1st and allows residents to split payments up into three smaller payments or receive a discount

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[2] 2013 Oregon Revised Statutes, Oregonlaws.org. Oct 2015

[3] Willamalane Park and Recreation District Financial Report, Willamalane.org. June 2014

for paying the full amount on the first due date. According to the state statutes, the total amount of tax revenue cannot exceed one-half a percent of the real market value of all taxable property in the district.

The second largest portion of the budget is made up of activity fees which the district charges for programs and facility usage. Program and facility fees are offered at two rates: one for in-district customers, and one for out-of-district. This tiered fee system helps to decrease the cost of free riders. System development charges (SDCs) only make up 1% of the total budget but they serve the important task of helping to maintaining infrastructure and equity. The charges assessed on new construction help the parks district offset the cost of providing services to new customers. SDCs are authorized by the Oregon State Legislature through the Oregon System Development Act (ORS 223.297-223.314) and are assessed on single-family detached and attached ($3,396, $3,388), multi-family ($3,074), single room occupancy ($1,537), and accessory dwelling units ($1,998)[4]. These fees are assessed per unit, but can be reduced using improvement credits, are granted in return for public improvements made alongside of the new development.

Expenditures

Key expenditures in 2014 included administrative services, recreation services, parks services and capital outlay. Smaller portions of expenses include; special projects, planning and development, materials, and services and debt service payments (See figure 2 for breakdown).

Summary

The Willamalane Parks and Recreational District offers a good example of a well-run organization. The District has existed for 71 years, maintains numerous properties and facilities, and has shown that it is willing to invest in large capital projects like pools and recreation centers. The legality of the district is established by Oregon state statutes and is run by an elected board and a superintendent. The District relies mainly on a combination of property taxes, activity fees, and SDCs for its revenue. Expenditures for the District are generated by administration services, park and program services, and debt services. Willamalane's payment staggering for property taxes is an excellent way to increase compliance by allowing those who need to pay smaller portions over time. Additionally, the payment method promotes early payment by offering discounts to those who can pay the fee in full on the first or second payment. The City of Redmond should follow this example and allow for multiple payments. Additionally, Redmond should copy Willamalane's use of a 20-year plan in order to promote long term planning and to provide a framework for the growth of the district well into the future.

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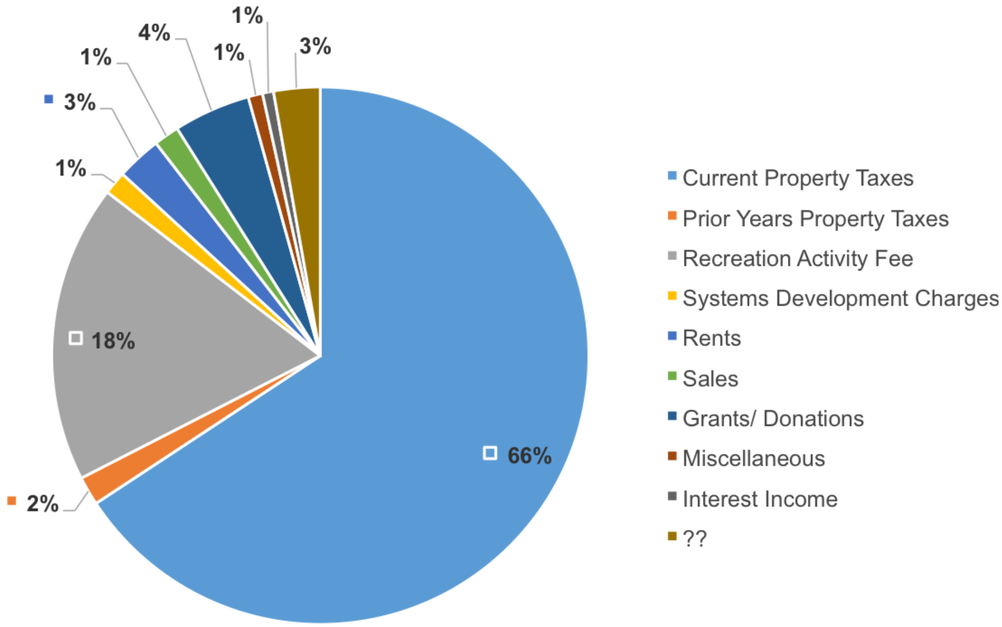
[4] Willamalane Park and Recreation System Development Charges Fact Sheet, Willamalane.org. January 1, 2015

Pie Chart 1: Willamalane Park and Recreational District 2014 Revenue



Pie Chart 2: Willamalane Park and Recreational District 2014 Expenditures

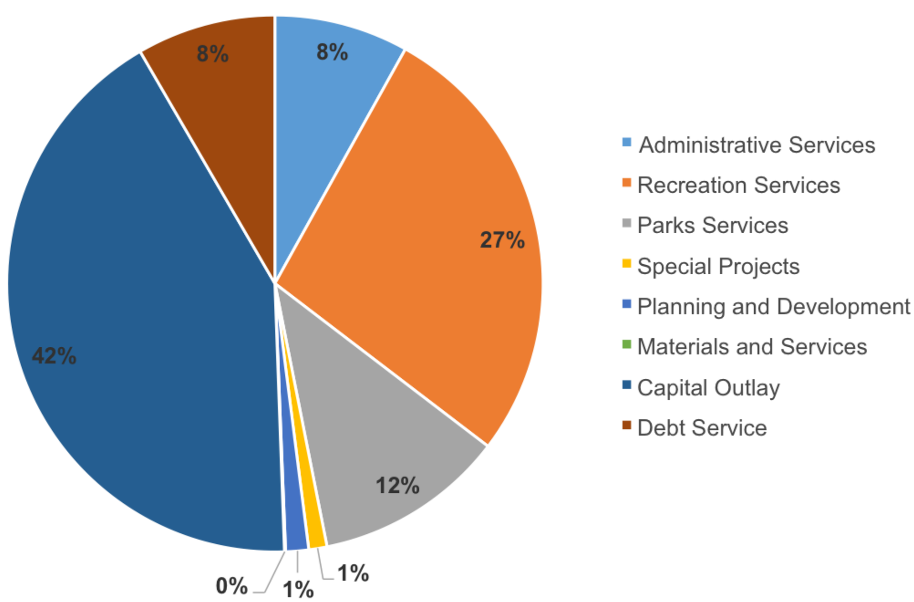
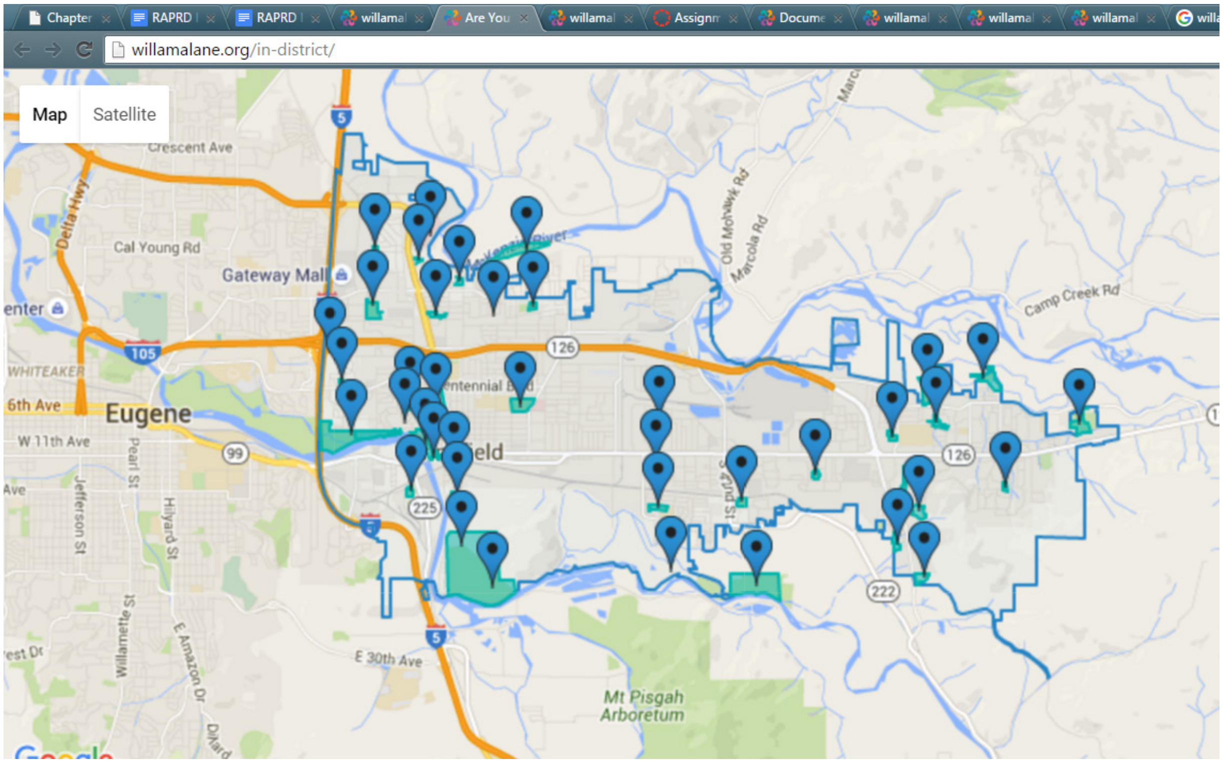


Image 1: Willamalane Park and Recreation District Boundaries Map



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