Impacts to NCPRD of Happy Valley Withdrawal

1) What would be the true financial impact of Happy Valley's withdrawal from NCPRD? Will Happy Valley's withdrawal from NCPRD result in a reduction of 13.7 FTEs?

Happy Valley's withdrawal will reduce the District's property tax revenue by approximately $1.6 million annually.

When Happy Valley annexed to the District, the amount of property taxes assessed on Happy Valley residents was $588,889, or 12.65% of total District property tax assessments. In the most recent year District taxes were assessed in Happy Valley (FY 17/18), the amount of property tax assessed on Happy Valley residents was $1,460,623, or 19.40% of total District property tax assessments.

	FY 2006/2007		FY 2017/2018	
	$	%	$	%
Property tax assessed (HV)	$ 588,889	12.65%	$ 1,460,623	19.40%
Property tax assessed (Other)	$ 4,067,145	87.35%	$ 6,067,875	80.60%
TOTAL	**$ 4,656,034**	**100%**	**$ 7,528,498**	**100%**

Figure 1 - Estimated tax assessments (based on AV data)

Since the District expends funds by program (rather than by geographic area), **any budget cuts to mitigate revenue losses due to Happy Valley's withdrawal would impact entire programs**. For example, the District could not cut 19% of a lawnmower, or 19% of a district-wide food distribution program for the poor and elderly.

Instead, the District would likely cut entire programs to offset the expected loss of revenue. It should be noted that most programs bring in additional revenue, requiring cutting numerous programs to achieve the desired net reduction.

For example, eliminating the Milwaukie Center, Nutrition and Transportation Programs, and the entirety of youth and adult Recreation programming would reduce expenditures by $1.78 million. However, these programs also generate approximately $864,386 in revenue (which would be lost if the programs were cut). Thus, the net reduction after eliminating these programs would only be $919,330.

The average, fully-loaded cost (salary + benefits) of an NCPRD FTE is approximately $116,800. If the loss of $1.6 million in revenue were addressed through staff reductions, it would require cutting approximately 13.7 FTEs, or 40% of total District FTEs. A staffing cut of this magnitude would seriously jeopardize the District's ability to provide most of its services.

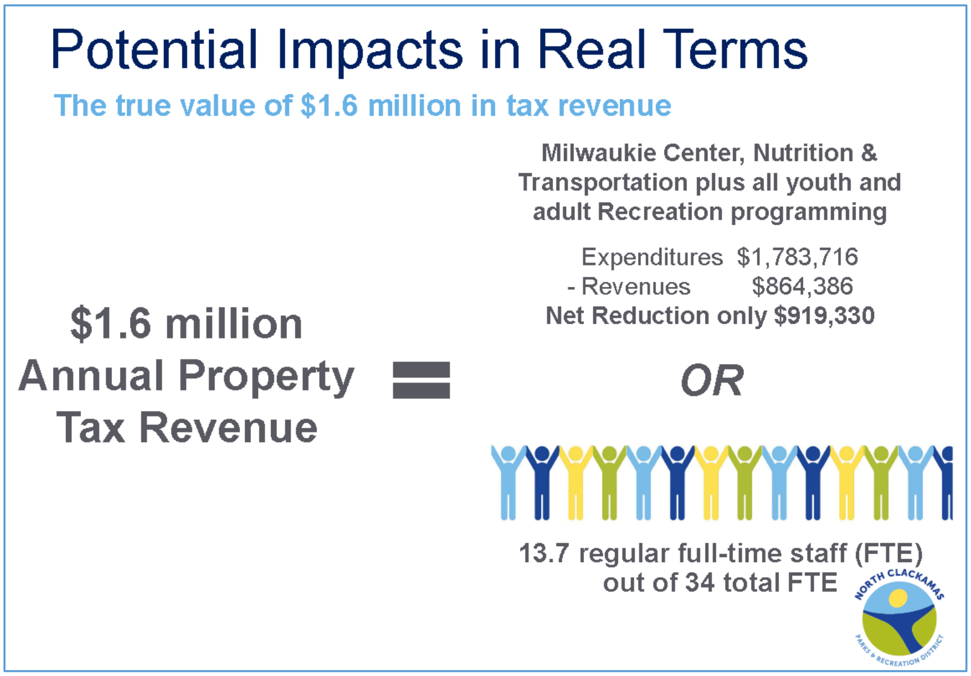

Figure 2- Potential impacts of $1.6 million revenue loss

It is important to note that <u>any reductions impacting programs and services would need to be vetted through a process involving robust community participation</u>. Some of this community input participation would normally be guided by our District Advisory Board (DAB). However, due to the uncertainty that Happy Valley's withdrawal efforts have created for the District, we have not had a functioning DAB. Not having a functioning DAB has made it all the more difficult to facilitate a discussion with District residents regarding potential reductions in service.

2) What is the long-term financial impact of Happy Valley's potential withdrawal?

As discussed above, Happy Valley's withdrawal and the loss to the District of $1.6 million in annual operating revenue will significantly impact the District's ability to provide services to the rest of the District.

It has been asserted that Happy Valley's withdrawal would reduce the District's ongoing maintenance obligations by $500,000 (or more), especially as Happy Valley continues to grow and constructs new parks.

This argument, however, overstates the current costs of park maintenance, ignores the economies of scale and efficiencies that the District can achieve, and ignores the ongoing revenue contributions that new development provides.

- Happy Valley has estimated that NCPRD spends $500,000 annually to maintain all parks within Happy Valley. While the District does not (as discussed above) track maintenance costs by geographic area, NCPRD is confident this estimate of maintenance costs by Happy Valley is overstated, as it does not take into account the significant efficiencies and economies of scale that NCPRD currently provides.

- Thanks to the District's existing maintenance infrastructure and expertise, new parks can be added to the District's maintenance schedule at a much lower incremental cost.

- New development generates SDC revenues which are used (in part) to construct new parks, but these developments also produce ongoing property tax revenue, which funds the ongoing maintenance needs of these new parks. As a <u>hypothetical</u> example:
  - A new development of 200 homes would generate approximately $1.2 million in SDCs. These funds would contribute to the cost of building a new park.
  - This same development of 200 homes with an estimated assessed value of $350,000/home would <u>also</u> generate approximately $38,000 in annual property tax revenues to defray the costs of park maintenance.

- While the City's new growth would increase maintenance costs to a degree, the District's economies of scale and the contributions of these new developments to annual property tax revenue would offset these costs.

3) Will Happy Valley be able to provide parks and recreation services?

We do not doubt the City's desire and intent to provide a full range of park services. However, in attempting to do so, it is likely that Happy Valley will encounter the same challenges and constraints faced by NCPRD, and will have fewer means to address these challenges.

- Happy Valley will not be able to achieve the same efficiencies or economies of scale that the District can achieve. Simply put, their $0.54/$1,000 will not go nearly as far as NCPRD's $0.54/$1,000.

- SDCs alone cannot fund capital improvements. SDCs must be used to address the impacts of a community's growth, and there are significant restrictions on the types of projects SDCs can pay for. For example, it is unlikely that Happy Valley could use SDCs to fully fund the envisioned Community Center; a supplemental source of capital funds (such as a GO bond) will be required.

- We believe that pursuit of a District-wide GO bond (supported by all District partners, including the City of Happy Valley) is the best way to ensure that the services and facilities desired by all District residents (including those in Happy Valley) can be provided.

- Happy Valley's levy must be renewed every 5 years, while the District's tax rate is permanent.

- Happy Valley has routinely suggested that, after any proposed withdrawal, the District would continue to provide (on a contract basis) services and access that the City doesn't have the infrastructure to provide. This has included in-district rates for the Aquatic Center, sports and recreation programming, and various services for older adults.

- We believe that Happy Valley will not be able to provide the same level of parks and recreation service that residents currently enjoy as part of the District.

Happy Valley residents comprise just above 16% of the District's total population and these residents have been heavy users of the District's programs. Please see below for participation data for various programs and activities.

Figure 3- Happy Valley resident participation (1)

Figure 4 - Happy Valley resident participation (2)