

Parks and Recreation Special District as a Revenue Option

November 1, 2017

In recent years, discussion regarding the formation of a special district to provide parks and recreation services in Eugene has generated some community interest. In accordance with that interest, and as part of their charge to identify sustainable revenue sources, the City Council Subcommittee for Parks and Recreation Security and Maintenance Funding took a closer look at special districts. Whether or not a special district would result in a sustainable revenue source for Parks and Recreation services is a complicated question. One must first understand some of the mechanics of the Oregon tax system.

Compression

Property tax Measure 5 was enacted by voters in 1990 and established a property tax rate “cap”. Compression occurs when the total taxes collected (including special districts) bump up against the cap, triggering a mandatory reduction in property tax revenue. In order to get a sense of what would happen if a Parks and Recreation special district permanent tax rate were added to City of Eugene tax bills, two different entities, the Lane County Assessment and Taxation (A&T) office and ECO Northwest, completed compression analyses.

The analyses of both Lane County A&T and ECO Northwest found that compression begins to occur with the addition of a tax rate of more than \$1/\$1000 and the impact grows as the new permanent tax rate gets larger. This would result in reductions of existing voter approved levies, including the Eugene Library levy, the Lane County Public Safety levy and the Lane County 4-H/Extension levy. The City of Eugene and Lane County permanent tax rates could also be affected depending on the amount of a new special district permanent tax rate and in times of recession when property values are depressed.

For a full explanation of the analysis, see:

- *Examples of the Impact on Compression from Extending a Parks District Permanent Tax Rate Inside the City of Eugene Boundaries, 9/26/2017*
- *Implications of Potential New Parks And Recreation District On Existing Taxing Districts, ECO Northwest memo from May 10, 2017*

Governance and Financial Considerations

A special district is an independent, special-purpose governmental unit that exists separately from other local governments and has substantial administrative and fiscal independence. Given that a Parks and Recreation special district would be a new form of governance in Eugene, there are additional factors to consider. The following table contains a comparison of a multi-purpose government (i.e. City of Eugene) and a single-purpose special district (i.e. Parks and Recreation District). Both governance and financial considerations are addressed, including the issue of compression as explained previously.

	Multi-purpose government	Single-purpose special district	Impact to Community from New Special District
Governance	Single set of elected officials and administrators for multiple services is less expensive and offers more efficient coordination between services.	ORS requires separate elected board for special districts.	Overall cost of providing services is increased due to duplicate administration required for two separate government bodies (i.e. Human Resources, Fleet, Technical Services, Risk Services, Payroll and Finance). Current efficiencies of shared equipment and staff with other City services would also be reduced (i.e. Public Works Maintenance, Facilities, EPD).
	Elected officials and administrators of a multi-purpose government have many needs and services competing for their time and attention.	A single-purpose oversight body can be focused on parks and recreation service delivery.	Community members may be more satisfied with the attention to issues specific to parks and recreation.
Financial	Cannot enact a permanent increase in property tax revenue.	Allows for creation of a new permanent property tax rate, or application of an existing permanent rate through annexation.	A new permanent tax rate would result in taxes going up for most taxpayers.
	Multi-purpose government allows for coordinated taxation and maximum flexibility to fund all services. Potential for competition between departments for resources from a single budget.	A special district taxing authority is single-purposed and reduces flexibility to coordinate taxation in support of all services. Does not compete with other departments for resources.	Adding a tax rate to Eugene tax bills for a new district could cause revenue loss to important community services, such as the library, public safety and 4-H, which rely on local option levies to fund portions of their services. Could also reduce City and County General Fund revenues, which could affect other important services at both governments.
	More diverse revenue sources can be tapped to pay for added services, but more potential for swings due to economic cycles.	More stable revenue base through economic swings, but less opportunity to adopt new sources to pay for added services.	Future opportunity to expand service level growth could be limited or there may be demand from community members for the City to pick up more services if the district cannot keep up with rising costs and service level growth.

Additional Variables

Variables that would need to be explored if a special district were seriously considered may have additional government and financial impacts. These factors include:

- Whether the City Council would transfer funding that is currently allocated to park and recreation services to the special district, or if those funds would be reprogrammed for other uses?
- Would existing parks and recreation service levels be maintained?
- What would happen to existing assets? Would ownership of park and recreation properties and facilities (as well as their maintenance and liabilities) be transferred to the special district?
- Would City employees become special district employees? Would employee total compensation costs increase, decrease or remain the same?
- How would outstanding City bonds for parks be addressed?