Oregon Parks and Recreation Commission

June 20, 2012

Agenda Item: 6a Information

Topic: 2011-13 Budget Update

Presented by: Lisa VanLaanen

The June 2012 Lottery forecast was released May 22, 2012. It reflects an increase in Lottery Fund revenue for the Department of $12,615. Since the close of session, the Lottery Fund revenue forecast has decreased by $2,656,143. The Department's budget was built on a Lottery Fund revenue forecast of $84.6 million and the June 2012 forecast is $81.966 million. The table below reflects the change in the Lottery revenue forecast for both the 2011-13 and 2013-15 bienniums.

Lottery Forecast History: OPRD's Share of PNRF				
	2011-13		2013-15	
Forecast Date	**Forecast**	**Change from Prior Forecast**	**Forecast**	**Change from Prior Forecast**
May 2011 Forecast	$84,622,166		$91,884,160	
September 2011 Forecast	$84,128,907	($493,259)	$91,200,500	($683,660)
December 2011 Forecast	$82,440,473	($1,688,434)	$89,257,654	($1,942,846)
March 2012 Forecast	$81,953,409	($487,065)	$87,413,526	($1,844,128)
June 2012 Forecast	$81,966,023	$12,615	$85,728,825	($1,684,700)
Total Cumulative Change		($2,656,143)		($6,155,335)

The legislative Emergency Board met May 20-22, 2012. The Department had two requests before the panel:

a. *Request for approval to submit a federal grant application - $675,000 Federal Funds*
   The grant would be submitted to the US Fish and Wildlife Service's National Coastal Wetland Conversation Grant program. The grant would be used to acquire 167 acres of coastal estuary and associated freshwater wetland in Sand Lake (Tillamook County) by the North Coast Land Conservancy.
b. *Request limitation related to Federal Emergency Management Agency (FEMA) assistance in the amount of $297,000 total funds ($74,250 Lottery and $222,750 Other)*
   The January 2012 storms resulted in the need for extensive tree debris clean up and some park infrastructure damage. Emergency declarations were made in 12 counties. The Department will receive assistance with recovery efforts from FEMA and limitation is necessary to spend funds received from FEMA.

Both requests were approved, however the FEMA limitation granted was adjusted to $292,567 Total Funds ($73,392 Lottery and $220,175 Other).

Prior Action by Commission: None
Action Requested: None
Prepared by: Tanya Crane

Oregon Parks and Recreation Commission

June 20, 2012

Agenda Item:	6b	Action
Topic:	Rate Adjustments Proposals	
Presented by:	Richard Walkoski	

Background:
In 2008 the OPRD commission proposed a rate increase for the 2009-11 budget submission. That increase was based on a rate review which considered the funding history of OPRD and changes in cost of providing camping and day use services due to inflation and other factors such as lodging tax. At the same time the commission proposed the rate increase they directed staff to continue to do biennial rate reviews, during budget preparation, to track changes caused by inflation, camping trends and other factors affecting revenue used to fund park operations.

The goal of reviewing rates every two years is to: keep rates fair and equitable across the system; set rates so facilities are available to a wide range of users; keep rates slightly below market, but not so low as to undercut other recreational facility providers; provide a simple rate structure; and analyze what portion of the true cost of providing services are covered by user fees. In the 2008 rate review the increase proposed to bring rates up to a point that accounted for inflation since the last increase in 1997 was so large that the commission opted for several smaller incremental rate increases. The first increase was approved by the legislature for the 2009-11 budget but the second request in 2011 was not approved.

Based on information obtained from a rate review team a report was prepared, which is included as Attachment A. The report outlines the current rate related issues and makes recommendations for rate adjustment packages in the 2013-15 budget. The report looks at the pet friendly program, camping rates and rate increases necessary to fully account for inflation since 1997 as well as the possibility of simplifying rates by eliminating the reservation fee and absorbing it into the camping rate. The review also identifies some concepts and recommendations that need further study but which might help OPRD meet future goals where rates are concerned.

Prior Action by Commission: None.

Action Requested:
Staff requests the commission adopt budget packages for the 2013-15 biennium that establish pet fees and make rate adjustments recommended in Attachment A.

Prepared by: Richard Walkoski

Item 6b – Attachment A – Rate Review Report

Prepared by: Richard Walkoski
Date: May 31, 2012

Rate Review Goals and Background

In 2008 the OPRD commission proposed a rate increase for the 2009-11 budget submission. That increase was based on a rate review which considered the funding history of OPRD and changes in cost of providing camping and day use services due to inflation and other factors such as lodging tax. At the same time the commission proposed the rate increase they directed staff to continue to do biennial rate reviews, during budget preparation, to track changes caused by inflation, camping trends and other factors affecting revenue used to fund park operations.

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This year a rate review team met in March to provide a framework for the rate review document. The team was made up of the following members:

John Allen, Coastal Region Manager
Kevin Price, acting Valleys Region Manager
Jerry Winegar, Eastern Region Manager
Tanya Crane, Budget Manager
Marilyn Borgelt, Central Business Services Manager
Richard Walkoski, Communications and Research Division

After the rate review team identified issues and made their recommendations the report was forwarded to the OPRD Executive Team to get their input. The review that follows is the result of that process. The review looks at the pet friendly program, camping rates and rate increases necessary to fully account for inflation since 1997 as well as the possibility of simplifying rates by eliminating the reservation fee by absorbing it into the camping rate. The review also identifies some concepts and recommendations that need further study but which might help OPRD meet future goals where rates are concerned.

Pet Friendly Program Fee

Background

During the 2011 legislative session the OPRD rate adjustment package in the OPRD budget was not approved. In that package was a request for permanent adoption of the $10 pet fee at pet friendly yurts and cabins. OPRD had temporary authority to charge the fee during the pilot program, but without fee authority the only way OPRD could continue to charge for pets was by seeking another temporary approval from DAS. Given that we had requested DAS approval twice during the pilot program and the legislature had just rejected our fee increase proposal we chose not to go back to DAS for approval to continue to charge the fee.

Since the program was very popular, eliminating the pet friendly facilities was not a good option. However, there are additional maintenance costs for pet friendly facilities, such as the need to remove pet hair from between the lattice and yurt skin, which requires the yurt skin be removed periodically. In addition to additional maintenance there is a possibility that pets may damage the furniture and there would be additional cost to repair or replace it. The pet fee was to be used to offset these increased costs. OPRD has asked for a voluntary donation from pet owners who use the pet friendly facilities but that has fallen far short of the revenue that a $10 per night pet fee would generate.

There were 20 donations from September 2011 through April 2012 totaling $190. However for the same time period there were 483 reservations made by customers who said they were bringing a pet with them. If we had a $10 per night pet fee the revenue generated from those stays would have been $9,380. Although the program has only been available statewide since September 2011, looking at the data from the pilot program and the stays since September, 27% of the reservations in pet friendly facilities are made by customers who have a pet with them. If we apply that percentage to the occupancy of the pet friendly facilities there would be over $35,000 in revenue generated biennially by a $10 per night pet fee.

Recommendations

The rate review team recommended that the $10 pet fee be included in our 2013-15 budget. It would also be preferable to separate it from any rate adjustment package to make the chance of approval more likely. One other option raised by the rate review team was adding a pet fee statewide to all camping, not just pet friendly yurts and cabins. While it would be met with public resistance from pet owners who camp with their pets, it would certainly generate additional revenue.

Camping Rates

Background

In February of 2008 the OPRD Commission reviewed facility rates and proposed rate increases as part of the 2009-11 budget package. The 2008 review proposed a number of options for increases, ranging from a no increase option to one that brought rates up to a point that kept pace with inflation from 1997, the last time rates were increased. As the 2009-11 budget was developed the commission moved forward with the staff recommendations to selectively increase rates approximately 20%, which stopped short of the increase necessary to account for inflation over the years since 1997. In 2010, during the 2011-13 budget development process rates were examined and a recommendation was made by the rate review team to make additional rate increases that would fully account for inflation since 1997. Market considerations were taken into account and the rate increase proposal was largest for cabins and yurts while tent rates remained unchanged. The proposed 2011-13 increases were:

- $1 increase to Primitive camp sites;
- $2 increase for extra vehicles and electric sites;
- $4 increase for RV sites and yurts;
- $5 increase to rustic cabins, deluxe yurts and deluxe cabins.

Market Rate

To establish comparable market rates for camping facilities data is collected on the surrounding states: Washington, California, Nevada and Idaho. Averages are used because facilities differ across the various states and there are discounts applied at various times of the year and for various groups, such as the $2 resident discount in Nevada. The rate comparison chart uses prime season rates and does not include tax if applicable. When rates vary across the system a range is listed, for example Oregon's value and destination rates.

A review of rates in neighboring state park systems shows that we are below market in RV rates and yurt/cabin rates, with the widest variance in our cabin rates. The tent rate is at market, and in fact that rate was not increased the full $4 as proposed in the 2009-11 budget package, due to public comment received during the rule making process.

	Oregon[1]	Washington	California	Nevada[2]	Idaho
Hookup	$20-$24	$30	$25-$50	$24-$30	$18-$26
Tent	$17-$19	$20	$15-$35	$14-$20	$12-$18
Yurt	$36-$75	$67-$72	na	na	$50-$55
Cabin	$24-$85	$67-$90	$40-$100	na	$50-$55
Primitive	$9	na	$9-$25	na	$10
Reservation Fee	$8	$9	$8	free	$10-$25
Annual Day Use	$30	$30	na	$100	$40

1-OPRD rates do not include lodging tax
2-Nevada requires users pay an entry fee of $7-$12 in addition to camping fees

In addition to the standard rates listed above, here is some other rate related information on surrounding states:

- California has a "premium" site fee of $5-$25
- California has a Peak Season fee of $5-$10 at selected parks
- Washington has a "pet in lodging" fee of $15 per night
- Washington charges an additional $5 for non-residents to make a reservation
- Nevada offers a $2 resident discount on camping rates
- Nevada has a service fee for using hookups instead of a set rate for sites
- Extra Vehicle fees range from $4 to $15 with $8 being the average

Inflation
Inflation is factored into the state budget process each biennium using the Consumer Price Index (CPI). The CPI that was applied for the 2011-13 biennium resulted in a 2.4% increase to the base budget at Agency Request; however, all inflation was removed in the Governor's Budget. The figure for the 2013-15 budget is once again 2.4%. OPRD rounds our rates to the nearest dollar, so applying the 2.4% CPI figure to OPRD camping rates would yield a $1 increase to RV sites, horse camp sites, yurts and cabins. Since the increase in 2009-11 did not fully account for inflation since the last rate increase, and the package to fully account for that inflation was not approved in the 2011-13 budget, the increase necessary for that will once again be factored into the review this biennium.

ALTERNATIVES

Option 1: No Action
Rate increases in the 2009-11 biennium were the first since 1997, and they averaged $4 for most sites, with larger increases for yurt/cabin and special facilities. In the case of special facilities the rates doubled in many cases. The legislature did not approve OPRD's proposed increases last biennium to fully account for inflation. No further rate increases in this biennium would certainly be well received by customers, but two factors should be considered before adopting this option. First, OPRD rates have not been adjusted to a level that would fully account for inflation since 1997. Second, failure to review and make adjustments to rates that account for inflation for a second biennium will eventually lead to the need for larger rate increases in the future. Large increases are not accepted as well as smaller incremental increases. Simply applying the CPI to existing rates shows that a $1 increase was warranted in many cases last biennium and that will most likely be the case this biennium as well.

Option 2: Account for Inflation with Considerations for Market Rate
The proposed rate increase last biennium bridged the inflation gap, proposing to bring OPRD rates to a point that accounted for inflation with some market considerations factored into the proposal, proposing no increase to tent rates. It raises rates $2 for most campsites and adds another $4 to yurts and $5 to cabins, deluxe yurts and deluxe cabins. In an effort to simplify our rates the yurt and cabin increases are being adjusted to equalize the rate for standard facilities and for deluxe facilities. That means yurts will be increased more than cabins.

The proposal also adds $2 to extra vehicle fees which were not increased in 2010. Extra vehicle fees were put in place to discourage customers from bringing more cars and trucks to the campgrounds. As camping rates have increased the $5 extra vehicle fee has become less of a deterrent. The fee also provides much needed revenue for operations, generating over $515,000 annually. A $2 increase could provide over $400,000 additional revenue in the biennium.

Option 3: Increase Rates to Absorb the Reservation Fee
Rolling the reservation fee into camping rates will eliminate a fee for a very popular service. It will simplify the rate structure because there would be one price for camping no matter if you booked in advance or not. This option will have a positive impact on reservation customers who are used to paying fees but will no longer have to pay an additional fee for the service. It makes acceptance of a rate adjustment package more likely as we are eliminating a fee at the same time we are increasing rates.

"Free" reservations may also encourage more customers to use the service which helps fill the campgrounds and results in money being collected in advance, thereby speeding up operations at the campground. Finally, this option spreads the cost of Reservation and Information services over all camping customers, which helps pay for those services that don't end in a reservation, such as information calls and agent consultation where no reservation is made. Currently there is no cost recovery for those services since the reservation fee is only collected on reserved sites.

There are some negative impacts of this option however. If we move the fee into camping rates we can no longer pass the fees collected for reservation services to our contractor, Reserve America (RA), without it hitting our budget limitation. We will have to project how much limitation we will need and if we project too low it will take limitation from the budget somewhere else.

Another potential problem stems from the fact that reservation customers will not be paying the true cost for the services they are using since it will be spread over all customers, including walk-in campers. The camping rate we set to recover cost will be based on the current volume of reservations and spread over all the camping rentals. If the percentage of existing customers who make reservations increases, the cost of the reservation services will increase but the revenue generated to pay for the service will still be based on the same amount of camping rentals. This will lead to a loss that will have to be covered from other sources.

More people making reservations is not the only reason reservation costs will be increasing because RA has service fee increases in their current contract. In 2012 the cost per transaction is $4.78, but that will increase to $5.07 by 2014, which will cost an estimated $120,000 in additional service fees. If the reservation fee is rolled into camping rates as the cost of reservation services increases in the future it will either require OPRD to increase to camping rates or it will diminish revenue currently available for operations.

Finally, walk-in customers may feel they are being tasked with paying for as service they don't use, and even though the reservation fee would be eliminated, this may be viewed as a rate increase at a time when the economy is still struggling.

Option 4: Combination Option – Account for Inflation and Absorb the Reservation Fee
Option 4 combines options 2 and 3 and provides additional revenue for operational needs while absorbing the reservation fee into camping rates. This is the largest of the rate adjustment proposals and would therefore be met with the largest resistance from customers. It would position the department well for future operations once the initial resistance passed, which can often take as much as three years. Due to the amount of the increase the decline in attendance would be the greatest with this option, which reduces the revenue generated.

Rate Increase Details
The following table shows a detailed listing of rate increases for the three options. The rates listed are for Prime season only however the revenue projections do include the Discovery season discounts.

Site Type	Option 1 – No Increase		Option 2 – Fully account for inflation with market considerations		Option 3 – Absorb reservation fee into camping rates		Option 4 – Cover both inflation and reservation costs	
	Destination	Value	Destination	Value	Destination	Value	Destination	Value
Full Hookup	$24	$20	$28	$24	$27	$23	$30	$25
Electric Hookup	$24	$20	$26	$22	$25	$21	$27	$22
Tent	$19	$17	$19	$17	$19	$17	$20	$18
Primitive	$9	$9	$10	$10	$9	$9	$10	$10
Extra Vehicle in Camp	$5	$5	$7	$7	$5	$5	$7	$7
Horse Camp (non-hookup)	$19	$17	$19	$17	$19	$17	$20	$18
Horse Camp (hookup)	$24	$20	$26	$22	$25	$21	$27	$22
Yurt - Rustic	$36	$36	$40	$40	$40	$40	$45	$45
Yurt - Deluxe	$75	$75	$80	$80	$80	$80	$85	$85
Cabin - Totem	$24	$24	$24	$24	$25	$25	$25	$25
Cabin - Rustic	$39	$39	$40	$40	$40	$40	$45	$45
Cabin - Deluxe	$75	$75	$80	$80	$80	$80	$85	$85
Tepee	$36	$36	$40	$40	$40	$40	$45	$45

Note: Rates listed are for Prime season only.

Assumptions Used In Determining Revenue Increases
Increasing rates has an effect on attendance, but determining the actual amount of the decrease is difficult. The information we used for projecting the decrease during the 2009-13 rate increase came from 1997 data. While we have not done extensive analysis to determine how accurately it predicted the observed decreases, it appears to be accurate enough to warrant using it again. Any rate increases being included in this budget would go into effect during Prime Season 2014. At worst, we assume this could cause an 8% drop in those facilities with the largest rate increases, but declines in the range of 2% to 4% are more likely.

Additional Revenue Generated by Rate Adjustment Packages
The following charts summarize the demand reduction factors used in our revenue projections as well as the additional revenue generated by each option. The low, medium and high reduction factors have been applied to each option. Revenue is shown for the 2013-15 biennium, which assumes increases effective in Prime 2014, and the 2015-17 biennium which is a full biennium at the increased rates.

Option 2 – Fully account for inflation with market considerations

	Revenue 2013-15	Revenue 2015-17
4% RV decline, 0% tent decline, 1% yurt/cabin decline	$1,324,649	$2,166,346
2% RV decline, 0% tent decline, 0.5% yurt/cabin decline	$1,642,901	$2,676,544
1 % RV decline, 0% tent decline, 0% yurt/cabin decline	$1,810,391	$2,945,817

Option 3 – Absorb reservation fee into camping rates

	Revenue 2013-15	Revenue 2015-17
4% RV decline, 0% tent decline, 1% yurt/cabin decline	$741,040	$1,207,584
2% RV decline, 0% tent decline, 0.5% yurt/cabin decline	$1,047,367	$1,698,507
1 % RV decline, 0% tent decline, 0% yurt/cabin decline	$1,208,894	$1,958,080

Option 4 – Cover both inflation and reservation costs

	Revenue 2013-15	Revenue 2015-17
8% RV decline, 3% tent decline, 3% yurt/cabin decline	$1,767,630	$2,830,494
4% RV decline, 2% tent decline, 2% yurt/cabin decline	$2,469,206	$3,995,106
2 % RV decline, 1% tent decline, 1% yurt/cabin decline	$2,854,934	$4,625,974

Recommendations

Option 2, fully accounting for the inflation which was not covered in the 2009-11 rate adjustment, is the option recommended by the rate review team. It brings OPRD rates to a point that accounts for inflation over the years while addressing equity across the system. Tent rates, which are at market, do not increase. This is supported by public comment received during the rule making hearings in 2009, where campers commented that RV sites were too low but tent rates were on the high end. This option also addresses another comment received during those public hearings by adding an additional $2 to the rate for full hook-up RV sites. Campers commented that there should be an additional charge when campers use sewer in addition to electric and water.

Yurt and cabin rates are increased to bring them closer to the market rate as well as aligning the rate for a yurt and a cabin which are very similar facilities. Yurt and cabin rates currently differ by a few dollars, but the facilities are very similar and the camping experience is essentially the same. Cleaning and maintenance costs do not differ widely either. Extra vehicle fees, which were not increased in the 2009-11 biennium, are increased by $2, a reasonable amount given the increases to camping rates. Reservation rates are not increased because they are near market and the last increase brought them in line with the cost of the service. Special facility rates for meeting halls and large group camps are slightly below market, however the rate review team did not propose further increases this biennium due to the fact that the last increase doubled the rate for many of those facilities. They should be studied in more detail next biennium during the review process.

The rate review team felt that increasing the rate for full hookup sites over that of electrical made sense, but something to consider if that is done is placing a fee on sewer dump stations. If we charge more for sewer sites the perception may be that persons using the dump station are not paying their fair share. OPRD has been contacted by a business that provides dump station fee collection and their proposal was to charge for services at all of our dump stations. We do not have good data on actual use of our dump stations so further study would be needed to make a decision to move forward on this proposal.

Other Rate Related Considerations

Day Use Parking Fees

Background

In 2003 OPRD was on the verge of expanding the day use parking fee program, adding 11 parks in October of 2003 and 12 more parks in October of 2005. The plan was tabled by the Commission because the department had recently received lottery funding and it was felt that this expansion would be viewed as a move to generate revenue that was no longer needed. The following is a list of the parks that were to be included in the program:

Phase 1 Parks		Phase 2 Parks	
Lincoln County o Beverly Beach o Ona Beach o South Beach **Coos County** o Sunset Bay o William H. Tugman o Bullards Beach	**Curry County** o Cape Blanco o Harris Beach **Wallowa County** o Wallowa Lake **Grant County** o Clyde Holliday **Jackson County** o Joseph Stewart	Clackamas County o Tryon Creek Yamhill County o Maude Williamson Polk County o Sarah Helmick Lane County o Elijah Bristow o Lowell Sherman County o Deschutes River	Deschutes County o LaPine Crook County o Prineville Reservoir o Jasper Point Umatilla County o Emigrant Springs o Hat Rock Malheur County o Lake Owyhee

There is inequity in the current program since some parks currently included in the fee program offer the same services as other parks without a day use parking fee. The proposal to expand the program in 2003 was based on an evaluation of service level, proposing to include parks based on amenities, and operational cost associated with their maintenance. The original parks included in the program were selected based on location in high population areas or parks with high attendance where it was easy to administer the program. OPRD has also avoided charging fees in parks where there was local or political opposition, even though the parks were similar to others where a fee was being charged.

ALTERNATIVES

Option 1: No Action

This option requires no action but it also maintains the inequity in the current system. It foregoes a potential revenue source.

Option 2: Review and Implement the 2003 Plan

This option could be acted on as soon as we want. Initial research has been done and adding parks to the existing program would not require legislative approval. OPRD currently has the authority to charge a $5 day use parking fee, so additional parks can be added by rule. Rulemaking is a public process and we would need to hold public hearings on the expansion of the program.

If we choose this option the revenue forecast would have to be updated with current data, and we would need to look at the list of parks that should be added to the system since the use and services at the parks may have changed since 2003. We have also observed in recent years that fee parks need a higher volume of visitation to make collection cost effective and that may not have been adequately factored into the original evaluation.

Option 3: Expand the Program Statewide
While this option might get the most public resistance initially, it has many advantages. A statewide program is simple and easy to explain. The cost of administration is less as it encourages the annual pass option. Even in 2003 when we moved forward with expansion plans, many field staff felt that a statewide program was the way to go. While this may not be politically acceptable at this time there are some things that could mitigate resistance: the price of the annual pass might be reduced or perhaps Oregon license plates serve as a day use pass. Because this option would require legislative action to change rates or authorize a program where Oregon license plates served as a day use pass it is not being recommended at this time. It may be a future solution to the problem of generating revenue to support the day use areas and the rate review team did like this option because it is simple to administer; there is a lower cost to implement since fee machines could be eliminated in many parks; and it provides efficiencies in staffing since booths could be eliminated in many cases.

Recommendations
It is not practical to expand the program statewide at this time so Option 2 is preferred, doing a study to see which parks offer services that justify a fee and adding them to the program. This will eliminate the current inequities in the system and make the day use parking fee more defensible while generating additional revenue.

While this option does not require legislative approval to implement, limitation would be required to use any additional revenue generated. However, if we move forward with day use parking fee expansion in the 2013-15 biennium, by the time the research and evaluations are completed and the public hearings are done the revenue generated could be allowed to accrue to the ending balance. Then in the 2015-17 budget the new day use revenue could become part of the base budget with the necessary limitation available to utilize it for support of the system.

Simplification of Rate Structure

Even though we have tried to standardize the OPRD rate structure across the system we still have rates that can be confusing to our customers. Lodging tax is rolled into camping rates and because it varies across the state from a low of 1% to a high of 13% the rate for a campsite can vary one or two dollars for exactly the same facility type. Our customers do not fully understand that the reason for the variation is lodging tax, they just see a difference in price. Our desire would be to have one rate for like type facilities, for example a tent site would always cost the same amount no matter where you were across the system. We would still have to consider whether to designate value parks at a lower rate and evaluate if the Discovery season discounts serve a purpose, but simplification is the goal.

In addition to variations in lodging tax creating the need to adjust our rates we also need to be more flexible in our ability to adjust to market trends. By the time we go through the legislative budget process for rate approval and then put those new rates in rule through the normal rulemaking process it can talk over two years to change a rate. In today's economy, where consumers price check on-line in a matter of minutes, a two year rate cycle is very limiting.

In the past OPRD has had a variable rate authority, the ability to vary legislatively approved rates up or down up to 50%. If we could get this type of adjustment tool approved in the future it could solve the lodging tax problem as well as allow us to adjust to market trends in a more reasonable time frame. This is not a proposal for the current budget but something that should be considered in the future.

Oregon Parks and Recreation Commission

June 20, 2012

Agenda Item: 6c Action

Topic: 2013-15 Budget – Approval of the Agency Request Budget

Presented by: Lisa VanLaanen

The Department has created it's 2013-15 Agency Request Budget. This work included projecting revenue sources for the biennium, calculating the current service level budget, determining any needed policy packages, and determining necessary reserves for cash flow and possible employee compensation plan changes.

Revenue Discussion: Below is a chart that shows the Department's projected Beginning Cash Balances and projected Revenues. Lottery Fund revenues are based on the June 2012 statewide revenue forecast of $85.7 million. Other Fund revenues total $104 million with Park User Fees providing $40.3 million before the fee increase that should bring in an additional $1.678 million. Federal Fund revenues are projected to be $9.98 million.

Beginning Balances:		**Revenues:**	
Oregon State Fair/Expo	2,154,768	Non Business Licenses/Fees	2,301,178
OR Prop Mgmt Acct	804,616	Park User Fees	42,026,683
ATV Funds	7,430,188	Charges for Services	9,580,659
Trust/Dedicated Funds	4,627,230	Rents and Royalties	1,431,498
RV County Grants	665,553	Interest Income	481,935
Local Govt Grants	3,569,620	Sales Income	2,233,670
Cash Flow	12,000,000	Other Revenue	8,320,350
Non Dedicated	15,007,645	Federal Funds	9,987,264
	46,259,620	From DAS	85,728,825
		From Business Oregon	257,000
		From Marine Board	425,000
		From ODOT	49,613,966
		Transfer to Counties	(9,997,724)
		Transfer to Forestry	(1,304,231)
		Transfer to ODOT	(643,905)
		Transfer to State Police	(590,337)
			199,851,831

Expenditure Discussion: The Department's base budget is $204.2 million including increases in Personal Service costs. Phase ins, allowable inflation rates and State Government Services Charges increases add $7.8 million to the budget; however, phasing out limitation associated with one time expenditures reduces the budget by $9.96 million creating a Current Service Level (CSL) budget of $201.3 million. Policy packages costing $5.4 million bring the total budget request to $206.7 million.

Below are charts that show the Department's policy packages and the Department's expenditure limitation by Summary Cross Reference (SCR). The Legislature will approve the Department's budget at the SCR level.

Policy Packages:	
070 Revenue Reduction	(750,000)
101 Park Operating Costs	2,064,056
102 Bus Accts/Prev Maint	75,000
103 RTP Grant Carryover	1,084,400
104 SHPO Funds	124,696
105 State Fair positions	0
106 Heritage Programs	327,000
107 Establish Pet Fee	35,410
108 Rate Adjustments	1,640,000
109 ATV Program	800,000
Total	5,400,562

Budgets by SCR (including Packages):	
Director's Office	4,694,633
Central Services	30,044,437
Park Development	26,255,769
Direct Services	94,060,886
Community Support/Grants	35,432,780
Oregon Expo Center	16,224,795
Total	206,713,300
Acquisitions	3,872,539
Facilities Construct/Maintain	22,368,923
Local Government Grants	10,287,459
Total	36,528,921

Based on projected Beginning Balances, revenues and expenditures, the Department will continue to have an ending cash balance. The chart below shows the projected Ending Balance and the dedicated balances plus reserves.

Ending Balance:	
Oregon State Fair/Expo	26,054
OR Prop Mgmt Acct	703,592
ATV Funds	179,380
Trust/Dedicated Funds	3,634,122
RV County Grants	575,773
Local Govt Grants	3,569,620
Cash Flow *	18,770,000
Salary/Wage Reserve	7,053,371
Empty Revenue	4,721,765
Non Dedicated	164,474
Total	39,398,151

**Breakdown of Amounts in Cash Flow:*	
Oregon State Fair/Expo	748,000
OR Prop Mgmt Acct	150,000
ATV Funds	5,470,000
Trust/Dedicated Funds	602,000
General Operations	11,800,000
Total	18,770,000

The attached document (Attachment A) describes development of the 2013-15 Agency Request Budget in greater detail. Below are broad categories where analysis, projections, and assumptions have been made and recommendations are presented for approval.

A. Revenues
   a. Lottery Fund
   b. Other Fund
   c. Federal Fund
B. Expenditures
   a. Base Budget
   b. Personal Services
   c. Phase In and Out
   d. Standard Inflation, Exceptions
   e. Current Service Level
   f. Policy Packages
C. Ending Balance
   a. Appropriate Reserves (Cash Flow, Salary/Benefits)
   b. Unobligated Balances
D. Next Steps
   a. Input to Budget System
   b. Program Funding Teams
   c. Reduction Options

Prior Action by Commission: Budget workshop on the budget process and the new 10 year Plan for Oregon was held at the November 2011 meeting; Budget planning update was provided at the January 2012 meeting; Budget development update was provided at the April 2012 meeting.

Action Requested: The Department requests approval of the 2013-15 Agency Request Budget for submission to DAS Budget and Management by the July 31, 2012 deadline.

Prepared by: Tanya Crane

Oregon Parks and Recreation Commission
Narrative for 2013-15 Agency Request Budget
June 20, 2012

The Department has developed the 2013-15 biennium budget. This document provides some detailed information about the revenue forecast, expenditures and recommended appropriate ending cash balances.

A. Revenues:

a. Lottery Fund: The budget is based on the June 2013 Lottery forecast provided by the Office of Economic Analysis, part of the Department of Administrative Services (DAS). The June 2012 forecast for 2013-15 is $85.7M which is $1.7M lower than the March 2012 forecast of $87.4M.

   The 2009-11 actual lottery revenue was $81,456,970 and the current biennium's forecast is $81,966,023. To be prudent, the Department is basing its 2013-15 budget on $82.0M in Lottery Funds and reserving the remaining increase of $3.729M in the ending balance.

b. Other Fund:

   - *Park User Revenues (Camping, Day Use)*: The Department is forecasting a very slight increase, around $500K, in Park User Fees for the 2013-15 biennium. Currently there are no new facilities planned and occupancy is expected to be about the same.

     OPRD is proposing rate adjustments in the Agency Request Budget. The specific recommendation is in another agenda item. The dollar amount recommended, $1.678M is included in the budget.
   - *RV Registrations*: The revenue amount in the Department's 2013-15 budget is based on the ODOT forecast and is $611K less than the current biennium. The Department has created a forecast based on current data available on monthly RV registrations and it indicates that ODOT's number could be slightly low; however, OPRD will use ODOT's numbers.

     A review of Senate Bill 29 (2007) indicates that the state/county split of 65/35 will revert to 70/30 effective July 1, 2015.
   - *Roads and Rest Areas*: The Department receives funding from ODOT for rest area maintenance and paving. Each biennium a contract is negotiated; inflation has been part of the agreements. However, ODOT is reducing the funding by 5% for both rest area maintenance and paving of park roads to match their across the agency reductions to adjust for declining gas tax revenues.

c. Federal Fund: The Department based federal fund revenues on current awards doubled and adjusted for any known changes in federal funding.

   In addition, the Budget Unit worked with the federal grant programs to determine what awarded grants will carry over into the new biennium before being fully paid to the grantee. Additional limitation will be requested in a policy package.

B. Expenditures

a. Base Budget: Base budget is the 2011-13 Legislatively Adopted Budget adjusted for any legislative actions through the February 2012 session. In addition, the Base Budget includes adjustments to Personal Services from PICS (Position Inventory Control System).

	Lottery	Other	Federal	Total	Pos	FTE
Director's Office	1,768,133	2,627,088		4,395,221	13	13.00
Central Services	9,956,396	14,998,226		24,954,622	79	75.44
Park Development	21,157,360	6,094,372	4,596,870	31,848,602	19	18.50
Direct Services	30,517,875	54,679,770	1,916,267	87,113,912	692	434.06
Community Support/Grants	13,417,219	13,617,152	9,131,981	36,166,352	29	28.86
Oregon Expo Center	3,629,355	11,935,228		15,564,583	36	29.72
Debt Service	4,152,878			4,152,878		
Total	84,599,216	103,951,836	15,645,118	204,196,170	868	599.58

b. Personal Services: This category of the budget has two pieces: PICS and Non PICS generated values.

- *PICS*: The PICS generates costs associated with specific positions. PICS freeze occurred April 9, 2012. The freeze projected costs based on the specific people in positions at the time of the freeze.
- *Non PICS*: Some Non PICS items (temporaries, differentials, unemployment) are given standard inflation; 2013-15 standard inflation is 2.4%. Mass transit costs are calculated as a percentage of Salary and Wages. Pension Obligation Bonds are adjusted statewide and OPRD was given a number to build into the budget – this amount increased $279,856 over the 2011-13 biennium.

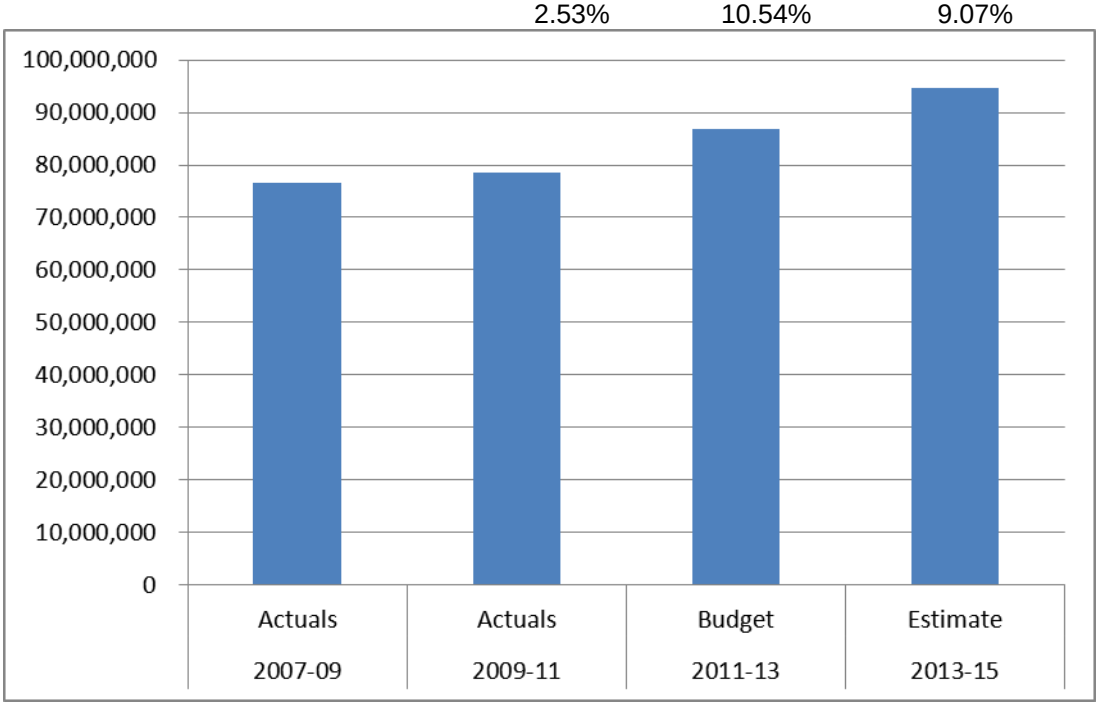
The PICS freeze for the 2013-15 biennium included the following adjustments:

1. Salary increases included in the 2011-13 biennium (COLAs and steps),
2. Increase in the PERS rate (from 14.41% to 19.73%),
3. Increase in the monthly health insurance rate (from $1,254 to $1,272).

Traditionally, PICS freeze would include assumed step increases for the coming biennium as well as growth in health insurance rates. For the 2013-15 biennium, these increases are not included; at the statewide level, the budget will include an amount designated as the “salary pot”. The salary pot will be granted to general fund and non-dedicated lottery funded agencies based on negotiations with the State’s unions and what is granted to management and executive service employees. OPRD will not be allocated funds from the salary pot – the Department will need to reserve sufficient cash in the ending balance to cover increases.

Below is a chart showing the growth of staffing costs over the last several biennia. It should be noted that these increases are for salary and benefits increases only; the Department has not increased staffing levels.

Personal Services Comparison				
	2007-09 Actuals	2009-11 Actuals	2011-13 Budget	2013-15 Estimate
Total Funds	76,636,127	78,576,647	86,859,272	94,738,318
		2.53%	10.54%	9.07%



c. Phase In/Out: Budgets need to be adjusted for new programs that were not funded for the entire 24 months (Phase In) and for programs that ended during the biennium or for one-time costs (Phase Out). The table below shows the Department's proposed Phase Ins and Outs.

Phase In and Out						
	Lottery	Other	Federal	Total	Pos	FTE
Phase In:						
Natural Heritage Program		7,286	38,576	45,862		
Return Held back funds	1,327,756	3,573,140		4,900,896		
Total	1,327,756	3,580,426	38,576	4,946,758		
Phase Out:						
LWCF Compliance			(284,784)	(284,784)	(2)	(1.50)
Grant Carryover			(3,150,387)	(3,150,387)		
FEMA - Spring Valley Trail	(20,684)	(62,501)		(83,185)		
Property Acquisition		(2,281,847)	(2,190,000)	(4,471,847)		
Marine Reserves		(500,000)		(500,000)		
Natural Heritage Grants			(861,950)	(861,950)		
FHWA - Lautrell Falls			(816,898)	(816,898)		
Total	(20,684)	(2,844,348)	(7,304,019)	(10,169,051)	(2)	(1.50)

When a program is phased in, standard inflation is included in the phase in package instead of in the standard inflation package.

Return of Held back funds – During the 2011-13 regular session, the decision was made to hold back 3.5% of agencies total budgets as a hedge against a declining revenue forecast. In general, the idea was that the funds would be granted to agencies during the February 2012 session if revenues were available. General fund and lottery funds did decline and in general, agencies were not granted the held back funds during the short session. However, OPRD did receive $1.7M of lottery funds added to the Department's budget in the short session. With agreement from DAS BAM, OPRD is adding back the remaining amount of the $6.5M hold back as a phase in package.

d. Standard inflation: A statewide inflation percentage is set for all budget building. It is used on Non PICS personal services, services and supplies, capital outlay, and special payments. For the 2013-15, standard inflation is 2.4% with the following special rates: Professional Services and IT Professional Services 2.8%, Attorney General 14.9%, Commercial Leases 6.0%.

The uniform rent rate charged by DAS for the North Mall Office Building (HQ) is increasing from $1.36 per square foot to $1.45 per square foot. In addition, the State Government Service Charges went up $177K; assessments went down $290K and the State Data Center charges went up $467K.

e. Exceptions: The Department requested a number of exceptions. When standard inflation does not keep up with rising costs, agencies may request exceptions to standard inflation. In order to request an exception, OPRD reviewed historical costs, budgets and allowable inflation factors. In addition, the Department needed to explain increased costs based on rate increases or utilization increases. Exception were:
   - *Unemployment* – the agency pays actual costs billed quarterly by the Employment Department. Primarily these costs are associated with laying off seasonal staff. Costs have increased as people stay on unemployment longer. Amount requested: $753,700; amount approved: $16,472.
   - *Utilities* – this would be electricity, natural gas, water/sewer costs. This analysis looked at what is driving the increase – cost or usage. Amount requested: $715,594; amount approved: $89,962.
   - *Fleet/Fuel* – this would be for agency vehicles leased from DAS, vehicle fuel as well as equipment fuel. The analysis looked at rental cost increases above standard inflation, increased usage and cost increases (price per gallon). Amount requested: $701,066; amount approved: $0.

f. Policy Packages: Policy packages are intended to establish or abolish programs, to enhance or reduce programs or make other changes to programs. Changes made from the existing base budget for the program can also be for one-time costs. The Department is requesting the following policy packages:
   - *Reduce to Revenue* – This package reduces expenditure limitation available for the Oregon State Fair and Exposition Center. By budget rules, revenues must be sufficient to cover expenditures plus and necessary reserves (in this case, salary and wages, cash flow). Reduction Amount: $750,000 Other Funds
   - *Park Operations* – This package requests an increase in limitation to cover the increasing cost of unemployment, utilities and fleet/fuel. This package covers the additional amount requested as an exception but not granted. When these increasing expenses are not fully funded, the increased cost causes reductions to other parts of the operation. Limitation Requested: $2,064,056.
   - *Business Accounts, Preventive Maintenance* – This package requests an increase in limitation available to spend cash in park business accounts. Spending in these accounts is driven by the Department's customers. When customers purchase park store and sale items (ice, firewood) for use in the campground, the supplies need to be replenished and available for the next customer. The amount of purchases is unpredictable; this limitation increase will allow additional room to get the balance right. Limitation requested: $75,000 Other Funds
   - *RTP Grant Carryover* –This package requests limitation to allow payment of already awarded grants in the Recreation Trail Program. The Department awards grants to various applicants; once grantees spend the funds, OPRD provides reimbursement; however, the Department has little control over when reimbursement is requested. Limitation requested: $1,084,400 Federal Funds

- *Heritage SHPO Funds* – This package requests an increase in federal limitation based on the incremental growth in the federal allocation in recent years. The State Historic Preservation Office has received an annual allocation from the federal Historic Preservation Fund (HPF) since the late 1960s to assist the state in handling a variety of historic preservation and archaeological issues, including pass-through grants to local governments. Limitation requested: $124,696 Federal Funds
- *State Fair* – This package eliminates 8 positions/1.98 FTE and converts the funding associated with these positions to dollars in the Temporaries line items of the budget. By making this shift, the Fair has greater flexibility for hiring staff to assist in putting on the annual fair. Limitation requested: net zero Other and Lottery Funds.
- *Heritage Programs* – This package requests limitation for two items under the Heritage umbrella. The department's Heritage Commission and State Historic Preservation Office are two of the five "partners" who receive funds from the Oregon Cultural Trust for promoting heritage and other cultural activities throughout the state, usually through grants to local partners. The dollar amounts were small enough in earlier years that the department used its small-grant limitation to cover this revenue. The amount has now grown to the point that these funds need their own limitation. In addition, a family trust has provide funds for historic cemetery grants; the trust is committed to providing funds for the foreseeable future. Limitation requested: $327,000 Other Funds
- *Establish Pet Fee* – This package establishes a $10 non-refundable deposit for when campers utilize a “pet friendly” yurt or cabin by bring along a pet. The funds collected will be used for additional cleaning and maintenance required by having pets staying in yurts and cabins. Revenue Generated: $35,410 and Limitation requested: $35,410.
- *Rate Adjustments* – This package adjusts rates to compensate for inflationary increases from 1997 to current that were not covered in the 2009-11 biennium rate adjustments. These fund will be used in Park Operations to improve the Department’s ability to conduct business (work crews, radios, hazard trees, seasonal fleet, preventive maintenance). Revenue Generated: $1,642,901 and Limitation requested: $1,640,000.
- *ATV Program* – This package requests a one-time increase in limitation to fund additional grant applications. Grant requests have been exceeding available limitation. Limitation Requested : $800,000 Other Funds

C. Ending Balances

a. Appropriate Reserves – The Department needs to have a number of reserves. Each one has a specific purpose or restriction on the funds. Below is a list of reserves and a description of the reason for the reserve, amounts if known and/or the restrictions.

- *Reserve for Salary and Benefits* – this balance is reserved for salary and benefits increases negotiated above the amount included in the PICS freeze; as mentioned in the Personal Services section above, this amount needs to be greater this biennium than in the past because fewer adjustments were included in the PICS freeze. The Department calculated the need to reserve at total of $7.1M. This is based on assuming eligible staff receive one step increase, health insurance costs increase 8% each year and a total of 3% is granted to all staff in cost of living adjustments.
- *Cash Flow*- this balance is intended to cover expenditures when revenues are low and expenditures are high. The Department has a seasonal flow of revenues and expenditures that do not always match. In 2009-11, this reserve was $9M and for 2011-13 is was raised to $12M. This balance can be any combination of Other and Lottery Funds that the Department determines is reasonable. The Department recommends a cash flow amount of $11.8M. Attachment B explains the recommendation.
- *Oregon State Fair and Expo Center*– this balance is dedicated to the operation of the OSFEC. All revenue generated is placed in this account as Other Funds to cover expenditures. It is prudent to maintain a balance equal to the average of 3 months non fair time expenditures as a cash flow reserve. Amount: $748,000.
- *Oregon Property Management (OPMA)* – the balance in this account is to be used for heritage preservation. Revenues and expenditures related to the Special Assessment program are placed in this account. Additional other revenues and expenditures can be placed in this account. While this account has not requirement to maintain a balance, conversations with the Assistant Director for Heritage and Community Programs indicate that the Department would want to maintain this account at not less than $150,000.
- *ATV* – this balance is reserved for use by the ATV program. Revenues generated in this program are dedicated for expenditures on the program. While there is a permit fee in this program, the vast majority of the revenue comes from the Unrefunded Fuels tax transfer from ODOT. This transfer is made annually; therefore, it is reasonable to maintain the equivalent of the average one year's transfer as a cash flow reserve. Amount: $5,470,000.
- *Trust and Dedicated Accounts* – this balance has a number of pieces all of which are dedicated to specific purposes. The big categories are: Preventive Maintenance, Business Accounts, Park Stewardship and Trusts. It is prudent to maintain a balance equal to the average of 3 months expenditures as a cash flow reserve for Preventive Maintenance, Business Accounts and Park Stewardship. Amount: $602,000.
- *Local Government Grants* – this balance is reserved for grants that have been awarded but not yet paid to the recipients. In addition, with the requirement that 12% of Lottery funds be dedicated to local grants, any returned grant funds would be part of this balance until awarded and paid to a new recipient.

- *Empty revenues* – in some cases, the revenue forecast included in the budget is provided by an entity outside the Department. If OPRD forecasts that the revenue will be lower than the amount included in the budget, a reserve is held in the ending balance for "empty revenue" (i.e. revenue not expected to actually be received). This prevents the Department from over budgeting expenditures and then needing to make cuts. For the Agency Request Budget, the Department is holding $3,728,825 in Lottery Funds and $992,940 in Other Funds (ATV).

b. Unobligated Balances – This would be any funds remaining after subtracting projected expenditures and reserves from Beginning Balances plus projected revenues.

D. Process Details

a. Budget System – Data must be entered into the statewide budget system ORBITS. The deadlines occur in stages. Current Service Level (CSL) is done first; CSL PICS was due May 31, 2012. Total CSL is due June 30, 2012. Agency Request PICS is due July 15, 2012 and Total Agency Request is due July 31, 2012. The Agency Request Budget Narrative/Budget Book is due to DAS BAM by August 30, 2012.

b. Program Funding Teams – Initial bid documents were due June 1, 2012 – narrative and historical data only. Agencies will have a chance to appear before the Program Funding teams; dates are currently being schedule. Once the teams have had a chance to review agency documents, it is anticipated that feedback will be provided. Final bid documents matching the Agency Request Budget are due August 31, 2012.

c. Reduction Options – The Department is required to include reduction options in the Agency Request Narrative/Budget Book. Once the detailed budget information has been entered into the budget system, the Department will develop the reduction options. Options must equal 10% for each fund type.

Oregon Parks and Recreation Department
Appropriate Cash Balance
For cash flow and reserve purposes
May 2012

Problem Statement:

What is the appropriate amount of the cash reserve for the agency as a whole and for individual dedicated accounts?

Background:

In the 2007-09 biennium, the Legislative Fiscal Office (LFO), determined that OPRD did not have an adequate cash balance for cash flow purposes (and it didn't). Good business practices indicate the need for the agency to have a cash reserve to handle day to day cash flow needs and to handle the unexpected. Since that point in time, the agency has created an operating reserve; in the 2011-13 biennium the amount is $12 million.

Why have operating reserves?

- Unexpected shortfalls in revenues/revenues not meeting projections
- Unexpected demands on resources
- Unanticipated opportunities
- Normal day to day fluctuations in income and expenditures (cash flow)

Research indicates that an operating reserve should be between 30 to 90 days or higher depending on the risk factors of the business. Risk factors include: stability of revenue sources, diversified revenue sources, likelihood of natural disasters and regulatory environment.

Terminology – cash flow, operating cash and operating reserve. These terms seem to be used interchangeably. Do they really mean the same thing?

Cash Flow – this is the flow of funds in and out of the organization. Revenue coming in by way of sale of products (i.e. camping, day use, RV registration); paying bills (i.e. staff, supplies) sends money out. Funds need to be in the bank to pay the bills; a cash flow balance is needed to cover those times when expenditures are higher than revenues on a day to day basis.

Operating Cash – this is money in the bank today available to pay out. It is not funds that are restricted – for example, funds paid for a camping event that has not yet occurred; a deposit that has been made but not yet reconciled.

Operating Reserves – this is funds in the bank readily available to spend but not committed or restricted for another purpose.

OPRD is creating and maintaining a hybrid of cash flow and operating reserves. The Department needs enough available cash in the bank to cover expenditures during the height of the summer season as well as to have cash in the bank to allow time to respond to an unexpected event or events.

The Department is committed to routinely reviewing its revenue and expenditure projections. When this review indicates the need for adjustments, the Department immediately adjusts to the new projections.

Explanation of the review/methodology:

Overall, the goal was a methodology that would be simple and easy to maintain. The calculation could then be reviewed at each step in the budget building process to maintain the appropriate balances. The analysis looked at the agency's budget for three biennia – 2007-09, 2009-11, 2011-13; in addition, the same calculations were applied to the projected Current Service Level Budget for 2013-15.

The first option was to determine a percentage of the total budgetary limitation that would create an appropriate reserve. A second option was to determine a number of months that would create an appropriate reserve. For both options, a number of levels were created: the agency as a whole, the entire agency less dedicated programs, the entire agency less dedicated programs and optional spending and just keep the doors open spending.

In this analysis, dedicated programs were defined as: Trust and Dedicated Accounts, ATV Program, Local Government Grant Program, Oregon State Fair and Exposition Center, Other Funds grants and federally funded programs. Optional spending was defined as Acquisitions and Facilities Investment Program. Finally, "just keep the doors open" was defined as the Director's Office, Communications (25%), Administrative Services (50%), RNW, Park Experiences (85%) and Heritage Programs (Lottery Funded 25%).

The first conclusion drawn was that the dedicated programs should have their own cash flow/reserve calculation based on the individual circumstances of the fund. Below is a list of each of the funds and the methodology applied.

- ATV Fund – Funds in this account come from two revenue sources, a 2 year permit fee and the Unrefunded Fuels Tax. The fuels tax is transferred from ODOT annually in late June or early July. Because these funds come in annually, it was determined that the goal should be to have the equivalent of one year's average transfer as cash in reserve. The 6 year average used looked back to FY 2008 and forward through the estimated amount for FY 2013.
- Oregon State Fair and Expo Center – Funds in this account come from revenues earned during the annual state fair and from events held on the grounds. The goal of this cash flow/reserve fund is to have cash to cover 3 months of non-fair time operations. For the purposes of this analysis, "non-fair time" is considered to be November thru June of each year. The average is from the monthly costs during the 2009-11 biennium; this was chosen because it most closely reflects the current management spending directives.
- Oregon Property Management Account – Funds in this account come from the Special Assessment program; other funds received may be placed in this account. While it is legal for this entire fund to be spent if the Department so chose, discussions with the Assistant Director for Heritage and Community Programs indicate it would be prudent to maintain a minimum balance in this account of $150,000.

Trust and Dedicated Accounts – Funds in the account come from 2 very different sources: trusts accounts and dedicated accounts. Trust funds are given with specific requirements and can only be spent in accordance with the requirement; trusts are not part of this cash flow/reserve analysis. Dedicated accounts have three major components – business accounts, preventive maintenance and park stewardship. These accounts have funds flowing into them routinely – park sales (pop, ice, firewood), percentage of Park User Fees etc. The goal of this cash flow/reserve fund is to have the average of 3 months expenditures in the accounts. The calculation was done by averaging 2009-11 actual expenditures, averaging 2011-13 projected expenditures and then averaging the averages.

The remaining conclusion to be drawn was in regards to the cash flow/reserve needed for "general operations". General Operations include the all day to day operations of the park system and all the necessary support systems – facilities construction and maintenance, administrative functions including the reservation system plus heritage and grant programs.

After looking at the Department's cash flow since July 2009, it was determined that the Department has only dipped into the cash reserve of $12M once (in October 2011). The first October of the biennium is traditionally a month to be watched because DAS does not transfer Lottery funds to the Department (DAS pays debt service first); OPRD has compensated for this by not paying the DAS annual assessment until the 2nd quarter Lottery transfer is made in late November/early December.

After a review of expenditure patterns, it was decided that a 2 month average would be an appropriate cash flow/reserve. However, an additional option not listed above was created. The average is based on the Department's total limitation less dedicated accounts and the Acquisition program.

Recommendation:

For the 2013-15 biennium, it is recommended that the agency budget to have $18,770,000 in an operating cash reserve in the ending cash balance. The $18.770M is broken down as follows:

General Operations	$11,800,000
All-Terrain Vehicle Account	5,470,000
Oregon State Fair and Exposition Center	748,000
Oregon Property Management Account	150,000
Trust and Dedicated Accounts	602,000

Written by: Tanya Crane

Oregon Parks and Recreation Department
Estimated 2013-15 Budget
As of May 30, 2012

Attachment C

	2013-15 All Funds	Lottery				Other							Federal		
	Total	Non dedicated	Loc Govt Staff	Loc Govt	Total	Non dedicated	RV County Opp Grants	OSFEC	OPMA	ATV	Trust / Dedicated	Total		Pos	FTE
Estimated Beginning Balance	46,259,620	12,161,292	0	3,569,620	15,730,912	14,846,353	665,553	2,154,768	804,616	7,430,188	4,627,230	30,528,707	0		
Revenues															
Non Business License and Fees	2,301,178				0	540,000				1,761,178		2,301,178			
Park User Fees	40,348,372				0	38,931,052					1,417,320	40,348,372			
Charges for Services	9,580,659				0			9,580,659				9,580,659			
Rents and Royalties	1,431,498				0			1,431,498				1,431,498			
Interest Income	481,935	142,622			142,622	197,829		23,311		71,887	46,286	339,313			
Sales Income	2,233,670				0						2,233,670	2,233,670			
Other Revenue															
Ocean Shore	75,000				0						75,000	75,000			
Forest Management	490,000				0	245,000					245,000	490,000			
Heritage Funds	150,000				0				150,000			150,000			
Preventive Maintenance	483,670				0						483,670	483,670			
Park Stewardship	391,733				0						391,733	391,733			
Trust Accounts	227,429				0						227,429	227,429			
ODOT Funded Position	181,000				0	181,000						181,000			
Other Grants	5,551,347				0	5,551,347						5,551,347			
Misc Revenue	770,171				0	770,171						770,171			
Federal	9,987,264				0							0	9,987,264		
From DAS	85,728,825	75,005,895	435,471	10,287,459	85,728,825							0			
From Business Development Dept	257,000				0	257,000						257,000			
From Marine Board	425,000				0	425,000						425,000			
From ODOT															
ATV	12,700,302				0					12,700,302		12,700,302			
RV	31,996,619				0	20,888,037	11,108,582					31,996,619			
Roads	1,180,892				0	1,180,892						1,180,892			
Rest Areas	3,226,410				0	3,226,410						3,226,410			
Salmon Plate	509,743				0	509,743						509,743			
Tfr to Counties	(9,997,724)				0		(9,997,724)					(9,997,724)			
Tfr to Forestry	(1,179,357)				0					(1,179,357)		(1,179,357)			
Tfr to ODOT	(643,905)				0					(643,905)		(643,905)			
Total	198,888,731	75,148,517	435,471	10,287,459	85,871,447	72,903,481	1,110,858	11,035,468	150,000	12,710,105	5,120,108	103,030,020	9,987,264		
Available Revenues	245,148,351	87,309,809	435,471	13,857,079	101,602,359	87,749,834	1,776,411	13,190,236	954,616	20,140,293	9,747,338	133,558,727	9,987,264		
Expenditures															
2013-15 Base Budget	204,196,170	74,331,230	433,577	9,834,409	84,599,216	74,298,734	1,175,743	11,935,228	30,297	11,798,926	4,712,908	103,951,836	15,645,118	868	599.58
Phase In (Pkg 021)															
Natural Heritage (11/13 Pkg 104)	45,862				0	7,286						7,286	38,576		
3.5% hold back from 2011-13 less $1.7M LI	4,900,896	1,005,704		322,052	1,327,756	2,082,599		451,741		429,433	609,367	3,573,140			
Total Phase Ins	4,946,758	1,005,704	0	322,052	1,327,756	2,089,885	0	451,741	0	429,433	609,367	3,580,426	38,576	0	0.00
Phase Out (Pkg 022)															
LWCF Compliance (11/13 Pkg 107)	(74,888)				0							0	(74,888)		
LWCF, RTP, CLG Carryover (11/13 Pkg 10	(3,150,387)				0							0	(3,150,387)		
FEMA Spring Valley (11/13 Pkg 116)	(83,185)	(20,684)			(20,684)	(62,501)						(62,501)			
Acquire Property (11/13 Pkg 118)	(2,281,847)				0	(2,281,847)						(2,281,847)			
Marine Reserves (11/13 Pkg 499)	(500,000)				0	(500,000)						(500,000)			
Lautrell Falls/Mitchell Point (11/13 Pkg 810)	(816,898)				0							0	(816,898)		
Jan JIW&M Natural Heritage	(861,950)				0							0	(861,950)		
Jan JIW&M Acquisition Grant #1	(2,000,000)				0							0	(2,000,000)		
Jan JIW&M Acquisition Grant #2	(190,000)				0							0	(190,000)		
Total Phase Outs	(9,959,155)	(20,684)	0	0	(20,684)	(2,844,348)	0	0	0	0	0	(2,844,348)	(7,094,123)	0	0.00
Inflation on:															

Oregon Parks and Recreation Department
Estimated 2013-15 Budget
As of May 30, 2012

Attachment C

	2013-15 All Funds	Lottery				Other							Federal		
	Total	Non dedicated	Loc Govt Staff	Loc Govt	Total	Non dedicated	RV County Opp Grants	OSFEC	OPMA	ATV	Trust / Dedicated	Total		Pos	FTE
Standard Inflation (Pkg 010)	135,182	456,982	326		457,308	(388,201)	(3,251)	44,859		21,906		(324,687)	2,561		
Standard Inflation (Pkg 031)	2,532,142	957,402	1,568	130,998	1,089,968	684,970	28,146	176,008	727	252,346	113,941	1,256,138	186,036		
Exception Inflation (Pkg 033)	176,852	38,746			38,746	51,216				86,890		138,106			
Total Inflation	2,844,176	1,453,130	1,894	130,998	1,586,022	347,985	24,895	220,867	727	361,142	113,941	1,069,557	188,597	0	0.00
Technical Adjustments															
Planning to Park Experiences	0	0			0	0						0			
Oregon State Police	(590,337)				0					(590,337)		(590,337)			
Tillamook Forestry Center	(124,874)	(48,236)			(48,236)	(76,638)						(76,638)			
Split Rec Programs S&S	0	0			0	0						0			
SCSP positions to OSFEC	0	0			0	(332,160)		332,160				0			
NMOB Rent	0	0			0	0						0			
Technical Adjustments	(715,211)	(48,236)	0	0	(48,236)	(408,798)	0	332,160	0	(590,337)	0	(666,975)	0		
Total Adjustments	(2,883,432)	2,389,914	1,894	453,050	2,844,858	(815,276)	24,895	1,004,768	727	200,238	723,308	1,138,660	(6,866,950)	0	0.00
Estimated 2013-15 Expenditures	201,312,738	76,721,144	435,471	10,287,459	87,444,074	73,483,458	1,200,638	12,939,996	31,024	11,999,164	5,436,216	105,090,496	8,778,168	868	599.58
Remaining Revenues	43,835,613	10,588,665	0	3,569,620	14,158,285	14,266,376	575,773	250,240	923,592	8,141,129	4,311,122	28,468,231	1,209,096		
Reserve for Salary and Benefit increase	7,053,371	2,845,539	26,815		2,872,354	3,772,901		226,186		108,472		4,107,559	73,458		
Operating Cash Reserve	18,770,000	3,200,000			3,200,000	8,600,000		748,000	150,000	5,470,000	602,000	15,570,000			
Assume LF forecast decline to current level	3,728,825	3,728,825			3,728,825							0			
ODOT ATV Fuel forecast higher than OPRDs	992,940				0					992,940		992,940			
11-13 Spending reserve	1,200,000				0						1,200,000	1,200,000			
Trust Accounts	1,870,000				0						1,870,000	1,870,000			
Dedicated for a specific purpose	5,618,541			3,569,620	3,569,620		575,773	26,054	703,592	179,380	564,122	2,048,921			
Revenue Available for Packages	4,601,936	814,301	(26,815)	0	787,486	1,893,475	0	(750,000)	70,000	1,390,337	75,000	2,678,811	1,135,638		
Fund Shift for Regular Operations	0				0	0						0			
Total	4,601,936	814,301	(26,815)	0	787,486	1,893,475	0	(750,000)	70,000	1,390,337	75,000	2,678,811	1,135,638		
Package Information:															
101 Park Operating Costs	2,064,056	676,742			676,742	1,387,314						1,387,314			
102 Business Accounts/Preventive Maint	75,000				0						75,000	75,000			
103 RTP Grant program carryover	1,084,400				0							0	1,084,400		
104 Heritage - SHPO funds	124,696				0							0	124,696		
105 State Fair positions	0				0							0		(8)	(1.98)
106 Heritage Programs	327,000				0	257,000			70,000			327,000			
107 Establish Pet Fee	35,410				0	35,410						35,410			
108 Rate Adjustments	1,640,000				0	1,640,000						1,640,000			
109 ATV Program	800,000				0					800,000		800,000			
070 Revenue Reductions	(750,000)				0			(750,000)				(750,000)			
Total Packages	5,400,562	676,742	0	0	676,742	3,319,724		(750,000)	70,000	800,000	75,000	3,514,724	1,209,096	(8)	(1.98)
Additional Revenue:															
060 Tfr to Oregon State Police	(590,337)				0					(590,337)		(590,337)			
060 Tfr to Dept of Forestry	(124,874)	(48,236)			(48,236)	(76,638)						(76,638)			
107 Establish Pet Fee	35,410				0	35,410						35,410			
108 Rate Adjustments	1,642,901				0	1,642,901						1,642,901			
	0				0							0			
Total Revenues	963,100	(48,236)	0	0	(48,236)	1,601,673		0	0	(590,337)	0	1,011,336	0	0	0.00
Ending Balances	164,474	89,323	(26,815)	0	62,508	175,424	0	(0)	(0)	(0)	0	175,423	(73,458)	860	597.60