King County Parks and Recreation Division

2004-2007 Parks Levy Citizen Oversight Board

July 7, 2007

Honorable Ron Sims
King County Executive

Honorable Larry Phillips
Chair, Metropolitan King County Council

RE: **Review of King County Parks and Recreation Division 2004 and 2005 Expenditures of the 2004-2007 Parks Levy Proceeds**

Dear Executive Sims and Chair Phillips:

With this letter we submit to you our findings with respect to our mission to "review and report to the King County executive and the King County council on the parks and recreation division's expenditure of levy proceeds." (Ordinance 14586, Ordinance 15465). Section 5 of Ordinance 14586 (the "Levy Ordinance"), which authorized submittal of the 4-year, 4.9 cent parks operation and maintenance levy (the "Parks Levy") to King County voters at a special election held May 20, 2003, provided in pertinent part as follows:

> ...all levy proceeds shall be used to pay the costs associated with: the continued and increased operation and maintenance of King County's regional and rural parks; and up to three hundred thousand dollars of annual funding for recreation grant programs. Eligible expenditures shall include all costs and charges to the parks and recreation division or the county associated with or attributable to the purposes listed in this section.

Based on the information provided to us, we conclude that the Parks and Recreation Division ("Division") has complied with the requirements of the Levy Ordinance in its expenditure of Parks Levy proceeds for years 2004 and 2005. In making this conclusion we note that we were not asked to, nor did we, perform an accounting audit of the Division's financial systems. We have been provided with the same information as has been provided to the County Council quarterly regarding levy expenditures. We expect to review the 2006 expenditures next year, in accordance with our chartered duties.

The Citizen Oversight Board met three times, on June 13, June 22, and July 6. We are a citizen board of nine members, one for each County Council district, appointed by the County Council. A wide variety of information was presented to us for review about the

County's financial challenges that led up to the passage of the Parks Levy; the County Parks System assets; and the Division's budget, funding sources, and operations. Among other information, we were provided copies of the executive summaries of the two reports of the Metropolitan Parks Task Force dated June 2002 and February 2003, as well as copies of the Division's Business Transition Plan Phase II Report of August 2002. Copies of the quarterly reports of the Division transmitted to the County Council in accordance with King County Code section 7.08.090 were also made available to us.

We refer you to the exhibit attached to this letter entitled "Levy & Non-Levy Revenues and Expenditures, 2004-2007." This exhibit summarizes how the Division has expended the Parks Levy proceeds and other revenues in the last two years, and projects expenditures for 2006 and 2007 as of June 2006. It illustrates at a summary level that the Division's *expenditures on Parks Levy eligible items*—regional parks, rural parks and the community partnership grants program—*exceeded the amount of Parks Levy proceeds available in 2004 and 2005, and that these Levy-eligible items were thus funded in part by other available revenues.* We also reviewed with Division staff the per-facility allocations of revenues and expenditures that support this summary exhibit, and the methodology by which the Division allocates its revenues and expenditures to each facility.

Our charge is a narrow one, that being to confirm the appropriateness of expenditure of levy proceeds, and we have done that. However, in light of the important contribution of the County Parks System to the quality of life in our region, and the great extent to which the Parks Levy supports the System, we would offer several observations and concerns that arose during our discussions.

First, the County Parks System is unique among all the various park systems in the region, in the diversity of its assets—everything from local parks less than an acre in size to a regional aquatic center of international reputation to forest lands and passive parks of thousands of acres in size. The total acreage of the County Parks System (over 25,000 acres in public ownership) and the geographic span over which these public assets are found, are also unique. The County's regional trail system plays an important role in connecting the diverse local assets of many of the cities and special parks districts within our region.

Second, the Parks System contributes tremendous value to the quality of life in our region, as well as playing a less obvious role but important in our economy. The local and regional dollars that are leveraged by Parks System assets are a significant benefit to our communities.

Third, the current Parks Levy is critically important to the Parks System. The Parks Levy directly provided 57 percent of the operating budget for the Division in 2005. When considering the additional resources that the Levy brings to the system indirectly—by ensuring parks are open and therefore make possible the collection of user fees, corporate partnerships and other entrepreneurial activities—the importance of the Levy is even

greater: the Division reports that the leveraged contribution of the Parks Levy is approximately 75 percent of the 2005 Division operating budget.

Fourth, the Division has adeptly responded to a significant revenue shortfall over the last three years. This shortfall (the difference between the financial plan presented to the Council at the time the Parks Levy plan was adopted and what actually happened) arose from: (1) lower than expected assessed value; (2) lower than expected entrepreneurial revenues; and (3) higher than expected central overhead charges. These factors led to the Division starting the levy period with base-year net revenues approximately $1.7 million (8 percent) less than anticipated. There is a direct connection between the amount of revenue available to the Division and the level of maintenance that the Division is able to provide. Specifically, the revenue shortfall has forced the Division to defer enhanced services intended to be covered by Parks Levy proceeds.

Fifth, despite the Division's notable successes in securing entrepreneurial revenue (now supporting over 20% of the Division's budget), it is apparent to us that the Parks System cannot become self-sustaining within the next several years. Replacement funding of some sort for the Parks Levy will be required if the Parks System is to remain open for the public's use and enjoyment. We strongly encourage the County leadership to take steps to ensure that proper funding for the Parks System and the Division does not lapse when the Parks Levy expires at the end of 2007.

Sixth, in addition to our concern regarding the end of the current levy, the complete dependence of the Parks capital budget on Real Estate Excise Tax (REET) proceeds is another item that we hope will be examined and addressed in the near term. We understand that as annexations and incorporations of remaining urban unincorporated areas proceed in the next three to five years, the amount of REET revenue available to support the Parks Division capital budget will drop by nearly 60 percent.

Seventh, we encourage the County and any successor citizen group tasked to determine how to support the Parks System and the Division operations after the current levy expires to again consider:

- *The vision of the Parks System:* Are the Division's current assets appropriate to this vision? Should some additional assets be transferred, or others acquired? What are the budget implications for the Division as more revenue-producing assets are transferred?
- *The quality of maintenance that the Division is able to provide with its revenues:* Are the inherent habitat values of the Division's passive acreage being appropriately preserved and restored? Are the active assets of the system appropriately maintained?
- *The Division's efficiency and performance levels*: How do they compare to other parks systems in the region.

We believe the County Parks System makes an important contribution to our region's economy and quality of life, and that it should continue to be supported. We thank you for the opportunity to serve on this Citizen Oversight Board and would welcome the chance to talk with you about our report. We look forward to our work in 2007 and 2008 to again review and report to you regarding the Division's expenditure of Parks Levy proceeds.

Sincerely,

Joan Allan
Council District 5 Representative

Harold Fowler
Council District 6 Representative

Maisha Barnett
Council District 2 Representative

Stephen Freeborn
Council District 7 Representative

Guy Bennett
Council District 3 Representative

Raelene Gold
Council District 1 Representative

Tony Davis
Council District 9 Representative

Ann Martin
Council District 8 Representative

Ryan Dicks
Council District 4 Representative

Raelene Gold
Council District 1

Maisha Barnett
Council District 2

Guy Bennett
Council District 3

Ryan Dicks
Council District 4

Joan Allan
Council District 5

Harold Fowler
Council District 6

Steve Freeborn
Council District 7

Ann Martin
Council District 8

Tony Davis
Council District 9

Exhibits:

- Parks and Recreation Division Levy & Non Levy Revenues and Expenditures 2004-2007
- List of Materials Presented to Citizen Oversight Board

KING COUNTY PARKS AND RECREATION DIVISION
LEVY & NON-LEVY REVENUES AND EXPENDITURES[1] 2004-2007

	2004	2005	2006 Planned[2]	2007 Planned
LEVY				
Summary of Regional and Local-Rural Revenues				
Levy Revenues	11,249,663	11,730,980	12,193,777	12,553,157
Interest on fund balance	26,353	56,780	58,028	57,901
Regional-Rural Business Revenues	3,287,018	3,611,874	4,386,839	4,606,181
Total Revenues associated with regional-rural facilities	**14,563,034**	**15,399,634**	**16,638,644**	**17,217,239**
Regional-Rural Expenditures				
Operating expenditures on regional/rural facilities/programs, CPG	(12,836,656)	(14,306,180)	(17,129,515)	(18,314,530)
Contribution to operating reserve	(1,726,378)	(1,004,364)	7,245	692,710
Estimated underexpenditure[4]			394,536	404,581
Temporary funding for HLS (until reimbursed by grant)		(89,090)	89,090	0
Total Regional-Rural Expenditures including contribution to operating reserve	**(14,563,034)**	**(15,399,634)**	**(16,638,644)**	**(17,217,239)**
Summary of UGA Revenues				
CX contribution	2,974,640	2,696,803	2,881,447	3,009,834
UGA business revenues	968,418	695,574	602,266	638,830
Total UGA revenues	**3,943,058**	**3,392,377**	**3,483,713**	**3,648,664**
UGA Expenditures[3]	**(3,943,058)**	**(3,392,377)**	**(3,483,713)**	**(3,648,664)**
REET revenues, for capital & business planning	**1,154,341**	**1,128,256**	**1,322,354**	**1,388,472**
REET-backed capital and business planning expenditures	**(1,154,341)**	**(1,128,256)**	**(1,322,354)**	**(1,388,472)**
Homeland Security Grant revenues (Federal Grants)	**0**	**64,902**	**315,972**	**0**
Homeland Security Grant expenditures		**(153,992)**	**(226,882)**	**0**
Reimbursements for external capital work	**493,812**	**391,898**	**0**	**0**
Expenditures on reimbursable work	**(493,812)**	**(391,898)**	**0**	**0**
Total Revenues	**20,154,245**	**20,377,067**	**21,760,683**	**22,254,375**
Total Expenditures	(18,427,867)	(19,372,702)	(22,162,464)	(23,351,666)
Estimated underexpenditure[4]			394,536	404,581
Contribution to operating reserve	(1,726,378)	(1,004,364)	7,245	692,710
Total Expenditures (including contribution to fund balance)	**(20,154,245)**	**(20,377,067)**	**(21,760,683)**	**(22,254,375)**

Notes on reverse side

Notes, assumptions

[1] Expenditure figures by category are based on combination of financial plan, and estimates based on review of actual expenditures.

[2] 2006 planned is based on 2006 Adopted Budget and proposed amendments.

[3] Expenditure and revenue figures are normalized in this table to allow for a consistent comparison across years.

[4] Financial plan estimates a 2% aggregate underexpenditure for 2006 and 2007. Any underexpenditures will remain in the parks operating fund.

Exhibit B
List of Materials Presented to Citizen Oversight Board

- Authorizing Legislation
  - King County Ordinances 14586 and 15465
- Information on the King County Parks System and Division
  - Introduction to Parks Division System and Financial Overview
  - Park Asset Definitions and Policies, including inventory of park assets, list of parks/facilities transferred from 2002-2006, cost/acreage comparison of different asset types
  - Parks System map
  - Parks and Recreation Division Organization Chart
  - Business Transition Plan summary
  - Community Partnership Grants Program overview
- Parks Division Budget
  - Introduction to the Budget
  - Operating Budget Overview, including 2005 revenues, 2005 expenditures, application of revenues and expenditures, 2005 operating revenues and expenditures summary, general pattern of levy revenues versus program expenditures
  - Capital Budget summary
- 2004-2007 Parks Levy Information
  - Introduction to the Levy
  - Overview of 2004-2007 Levy Financial Plan, how plan differed from what actually happened, planned versus actual expenditures
  - Summary of Levy and Non-Levy Revenues and Expenditures
  - Description of methodology for tracking revenues and expenditures, overhead/centrally charged services
  - Summary of 2005 expenditures and business revenues
- Summary of Proposed Levy Expenditures in 2006, 2007, Challenges and Opportunities
- 2002 Parks Business Transition Plan
- Executive Summaries: Metropolitan Parks Task Force Reports from June 2002 and February 2003
- Executive Summary: King County General Fund Budget Advisory Task Force Reports, June 2003, June 2004.
- Parks and Recreation Division 2004 Annual Report, and all Quarterly Reports prepared during the Levy term to date.