

An Evaluation of the Feasibility of
Creating and Operating a Golf-Oriented
Parks and Recreation District
at Charbonneau

Authors:

Denny Atkin
Larry Eischen
Morlan Lewis
Janie Olson
Dick Schultze
Lee Zinsli

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Purpose of the Study

The purpose of this study was to determine the feasibility of creating a parks and recreation district (P&RD) that would (1) own and operate the Charbonneau golf courses, (2) provide capital needed for improvements that attract a strong customer base from outside Charbonneau while also restoring higher volume of play inside Charbonneau, and (3) provide funds to ensure that the required community open spaces provided by the golf course are always maintained.

Open spaces provided by the golf course were required in the original Planned Unit Development (PUD) documents submitted by the developer, Willamette Factors. These documents and associated agreements were used to approve higher density housing alternatives within the boundaries of Charbonneau. Since 1990, when the golf course was acquired by 542 community residents interested in ensuring local control, maintenance of these open spaces has been provided solely by Charbonneau Golf Club.

This study was not intended to establish a plan to create a district nor to test the acceptance of the costs or concept with residents. This study was conducted to determine whether such a district might be feasible. Only voters can decide whether the creation of such a district is a reasonable solution because its formation creates new taxing entities and additional taxes. Despite that, voters often approve new uses for tax dollars. Information is therefore provided in this document that gives voters and other decision makers information to help make an informed judgement.

Because of the strong support in 2011 for the "Together We Can Do It" golf course campaign, and the inclusion of support for the retention of the golf course as a priority item in the Charbonneau Country Club long range plan, it is broadly felt throughout the community that the golf course must remain as a featured amenity. The Joint Committee formed by the Charbonneau Country Club (CCC) and the Charbonneau Golf Club (CGC) was designed to assist in finding a permanent and sustainable economical solution. Evaluation of a P&RD concept is one of many alternatives that have either been or are being explored by the Committee.

Executive Summary

In response to urging from the Charbonneau Country Club Board and a recommendation from their attorney, a team of residents (see front of this document for names) studied the feasibility of creating and operating a golf-oriented parks and recreation district. The study included a review of the pertinent Oregon Statutes, interviews with knowledgeable persons involved with such districts, the establishment of a preliminary economic model, and an evaluation of the risk of undertaking such a venture.

The review of statutes and other documents indicated that the creation and operation of a P&RD was a reasonably complex activity but the steps were well documented and easy to follow. However, it might take up to two years to complete the formation process because of built-in time constraints. This would be a problem if time became a critical factor in finding an acceptable community solution to preserving Charbonneau's golf course.

Some of the information gathered was available in readily accessible documents. Other information and insight was gained from interviews. Individuals employed by, involved in governance of, or involved in the formation of a district in other communities also provided useful information.

To complete the feasibility study for such a district, necessary assumptions were made which took into account the unique nature of the Charbonneau community and its privately owned golf courses. These assumptions were derived from data, both objective (interviews with other PR districts) and subjective (probability of shareholders to release their shares to the new district). Some of the more important assumptions included:

- Startup costs for the development of such a district (these costs were verified by current operating districts).
- Cost to the P&RD of purchasing the golf course and its assets.
- The rationale of shareholder buy-out versus gifting.
- Methodology for financing the golf course acquisition by the new P&RD.

The study shows that while structurally a P&RD may be formed subject to City of Wilsonville approval, it is not the lowest cost alternative for residents. In addition, it does not provide a reasonable use of funding when such a small percentage (35%) of the dollars paid by taxpayers would go to true improvement of the golf course and maintenance of the open space it provides.

Background

Willamette Factors was the developer of Charbonneau, a 477-acre development on what in 1972 was farmland along the Willamette River. As part of the Planned Unit Development (PUD), and to obtain approval for the project, the developer was required to formally designate that 25% of the acreage as open space. Of the 477 acres in the development, 115 acres was used to create a golf course and driving range, both to attract home buyers and to meet the open space requirement. The developer operated the golf course in this manner for 17 years until all lots were sold.

In 1986, as a result of lender pressure during the transformation of the savings and loan industry, the developer offered the golf course to Charbonneau residents through Charbonneau Country Club (CCC). This offering called for all residents to pay \$2200 each with payments spread over 20 years. A maintenance assessment of \$20 per month was also to be added. The driving range was not part of this offer, as 33 more housing units were to be developed in that space.

A homeowners group opposed the purchase. Legal action resulted in a ruling that CCC's own covenants and restrictions did not allow such a purchase. The developer then sought to sell the course to outside operators. Fifteen parties, both domestic and international investors, inquired about the purchase of the golf course. Concerned about the threat to local control and decision making that could negatively affect property values and golf course, the Men's Club members then led an effort to form a community-owned company. Shares were sold at \$5000 each to 542 residents.

The outcome of the effort was a community-based purchase of the 107-acre 27-hole golf course and 7.5-acre driving range in 1990 for \$2,723,000. Charbonneau Golf Club Inc. (CGCI) was formed and has operated the course since 1990 under the governance of a 9-member board of directors elected by shareholders.

Despite the community wide benefit to all Charbonneau residents, CGCI assumed the full cost of maintaining the golf course and with it, the community's open space. No community wide financial assistance has been or is currently provided.

As time passed, CGCI struggled to manage 100% of the operating cost; several years of operating losses ensued as well the inability to build capital reserve funds to replace and upgrade the investment. The only source of revenues were golf fees and those only covered 90% of the cost of maintaining the golf course and open space. The business model was unsustainable. Questions from shareholders and the community were raised about the reasonability of the model. Additionally declining play resulting from demographic and economic changes throughout the United States exacerbated an already untenable situation.

To provide funds for the capital improvements needed to restore the golf course's condition and retain it as open space that enhances property values and the ambiance of the community, the "*Together We Can Do It*" campaign was created. In the first year of the campaign (2011), 520 subscribers contributed nearly \$130,000 to this effort. However, knowing a volunteer subscription effort would only be successful for a limited number of years, a push was made to form a group to study alternatives.

The result was the formation of the CCC/CGC Joint Committee whose first meeting was May 1, 2011. The Committee was formed to evaluate alternatives, select a reasonable economic model, and present that model to both the CGC board and the CCC board. The Joint Committee listed a number of alternatives that would create a more stable operating environment for the golf course, including integration of operating functions and full merger with Charbonneau Country Club. However, information from the Country Club's legal counsel raised the risk of loss of its [not for profit] tax status. Based on this concern, this alternative was subsequently dismissed without further research.

As a result of the suggestion by the Country Club's legal counsel, the P&RD option is now being evaluated through this report. To reiterate, this study will determine the feasibility of creating, operating, capitalizing and funding a P&RD. However, all other alternatives from the list originally generated by the Joint Committee must be fully vetted before a recommendation is taken to the community for a vote.

Scope of the Study

Two issues were discussed that affected the scope of the study:

- The option of including a swim facility in the study.
- The appropriateness of including the Charbonneau Water Company, a wholly owned subsidiary of Charbonneau Golf Club.

While most existing Oregon parks and recreation districts were created with swim centers, there is not now a community-wide request for a swim center. Numerous outdoor pools currently exist in Charbonneau and the study of a swim facility is beyond the intended purpose of creating a P&RD to buy and maintain the golf course. However, in conducting interviews with personnel in established districts, the value of adding a swim center to a golf-oriented district was discussed.

During discussions, the current Charbonneau environment was described to those interviewed from other districts. All personnel interviewed believed that coupling a golf-oriented district initiative with a pool would not succeed. The opinions expressed were due to the number of pools already in existence and the high percentage of Charbonneau residents who travel or live elsewhere during winter months. Nonetheless, significant time was taken to explore the feasibility and it remains a future possibility.

Finally, the study group reviewed the relationship between Charbonneau Golf Club and its wholly owned subsidiary, Charbonneau Water Company. It was determined that it was possible to include a closely-held irrigation water company in the scope of a P&RD. The Water Company and the golf course finances would continue to be separate. And, because the Water Co. (a) is profitable, (b) has a separate accounting system, (c) has its own reserves, and (d) is currently regulated by the Oregon PUC, it would necessarily continue operation under the jurisdiction of the PUC but with P&RD management.

Methodology and Information Sources

Members of the study group, with input from several CCC board members and community residents, chose to pursue a multi-pronged approach to this evaluation. These included:

- A study of Oregon statutes and rules pertaining to parks and recreation districts.
- Obtaining information from parks and recreation district association groups.
- Interviews with managers of typical Oregon parks and recreation districts.
- Conversations with city and county personnel, finance and tax personnel, and golf course appraisers.
- Development of a basic economic model covering the formation and operation of a parks and recreation district.

Individuals outside of Charbonneau with whom discussions were held during the research phase included the following:

Don Clements, Superintendent, Chehalem Park and Recreation District

Mary Blake, General Manager, Sunset Empire Park and Recreation District

Luanne Richey, Member Services Manager, Special Districts Association of Oregon

Doug Menke, General Manager, Tualatin Hills Parks and Recreation District

Don Robertson, General Manager, Ashland Parks and Recreation District

Dave Miletich, Deputy Director, North Clackamas Park and Recreation District

Michelle Healy, Deputy Director, North Clackamas Park and Recreation District

Peggy Watters, City of Wilsonville

Chris Neamtu, City of Wilsonville

Joe Honl, Clackamas County Tax Assessor's Office

Bill Jackson, Independent Financial Consultant

Z. Davidson, Golf Course Appraiser

Sam Hines, Society of Golf Appraisers

Result of Information Gathering Activities

Information from Parks and Recreation District Association Groups

There are two primary groups serving as industry association groups for parks and recreation districts. One is the Oregon Recreation and Park Association (ORPA), and the other the Special Districts Association of Oregon (SDAO). Both association headquarters are located in Salem.

During the research phase, Amanda Rich, Executive Director of ORPA, left her position and no replacement had yet been hired. As a result, little useful information was obtained. However, a contact list was obtained from the ORPA and subsequent interviews with those contacts provided valuable knowledge and experience.

The interview with the SDAO Member Services Manager, Luanne Richey, provided the study team with helpful information. Several relevant documents and references were also obtained.

Oregon Statutes and Administrative Rules

The primary statutes consulted included:

- ORS 198 Special Districts Generally
- ORS 255 Special District Elections
- ORS 266 Park and Recreation Districts
- ORS 287a Borrowing and Bonds of Local Governments

The review concluded that these statutes provide a clear, albeit complex, path to follow for a group forming such a P&RD.

Appendix A contains a list of the steps to follow to form a P&RD. The items in the list were obtained from the statutes and were supplemented by information provided by the industry sources mentioned above. Nonetheless, the built-in timing constraints for the formation processes indicate that the soonest Charbonneau could have a district approved and in operation would be late 2013.

Interviews with Managers of Typical Oregon Parks and Recreation Districts

The following is a summary of key information obtained and/or opinions expressed by those interviewed (individuals listed in the above "Methodology and Information Sources" section).

- Most existing Oregon parks and recreation districts were formed with the purpose of developing a swim center. It was not expected that such formation would achieve voter approval in Charbonneau because of the number of existing pools and the percentage of residents owning or renting homes in the southwest during winter months.
- The unanimous opinion was that we should add a pool only if we had a majority of residents expressing a desire for this. When told that (1) Charbonneau had a dozen or more outdoor pools, and (2) that a large population of Charbonneau residents traveled south in the winter, this opinion changed to a unanimous "*Don't include it*". Nevertheless, they also recommended that we include in our documents and District name the provision for adding this later by not including the word "Golf" in the name of the proposed District.
- One superintendent stated "*a vote on creating a P&RD for a golf course will fail, despite any campaign that may be mounted, because golf is perceived as being elitist.*" Others interviewed reiterated that theme regarding the perception of golf among the general public. A southern Oregon General Manager said "*You are trying to kill a fly with a sledgehammer. Why do you want to do this to yourself?*".
- All district persons interviewed noted that in the current tax climate most P&RD formation votes today would not pass.
- Hiring consultant(s) experienced in district formation was recommended.
- Many P&RD personnel interviewed noted that the P&RD would be a government entity subject to laws involving open meetings, procurement, and record keeping among others. This delays decision-making time and increases costs.
- The golf course appraisers provided information regarding the appraisal process and difficulties involved. They gave rough estimates of valuation of our course; for details see Appendix B.
- The financial consultant provided information on tax-free bonds, servicing costs and their overall sale prospects.
- The Clackamas County Tax Assessors office provided information in this report on tax rates, compression, and action they would take when and if property was taken off the tax rolls. Compression, it was found, is not an issue in this situation.

Economic Model and Analysis

The following assumptions were made in the economic analysis:

- The value of the assets owned by Charbonneau Golf Club, including the three 9-hole golf courses, the property and buildings used for maintenance and equipment, and the Charbonneau Water Company, was estimated to be \$3,000,000. The original purchase price in 1990 was \$2,723,000. See Appendix B for details.
- While some shares in the CGC may be gifted to parks and recreation district, a significant number of current shareholders most likely will not donate their shares to a government district. Among the factors leading to this conclusion were the following:
 - Even with a \$0 value for the purchase of the assets, the resulting cost per resident per month exceeds other viable alternatives. Shareholders will not be inclined to give their shares away and then pay a high (tax) cost.
 - The sale of assets to a parks and recreation district would allow less control over future use of the assets than a contractual agreement for sale, merger or lease of property or open space.
 - *Real value* exists in the property on which the maintenance buildings and equipment are housed. *Real value* also exists in the Charbonneau Water Company. Considering a reasonable industry multiple of earnings, the Water Company could be valued at \$140,000 or greater.
 - Shareholders are unlikely to give their shares to a public entity which they believe to have “deep pockets”.
- These assets would be purchased using tax-free bonds which the district residents then agree to pay, likely over a 20-year period of time. The interest rate on the bonds was assumed to be 5% per annum.
- Upfront costs, verified with those having formed districts, and non-reimbursable if a district is not approved, would be at least \$70,000. Details for this can be found in Appendix C. These monies could be reimbursed if a district is successfully formed following a favorable vote of the property owners.
- Sufficient signatures could probably be obtained to put the measure on a ballot in 2013.

Property Procurement

The purpose of a bond measure would be to provide the funding to form the legal entity, likely to be known as Charbonneau Parks and Recreation District. The primary use of funds created by the sale of tax-free bonds would be the purchase of the assets of Charbonneau Golf Club. These funds would be raised by the sale of tax-free revenue bonds or general obligation bonds. Typical pay periods would be 20 years on bonds paying approximately 5%.

Payments would be made from additional property taxes that exist for the duration of the bonds. A bond of this type and size would require \$80,240 a year, per \$1,000,000, to service. This equates to \$240,720 per year for a \$3,000,000 bond. This means an annual tax bill of \$151.97 (\$12.66 per month) to fund the procurement of CGC assets for the average Charbonneau homeowner. These monies paid for the District tax bill may qualify as an income tax deduction.

Creation of the District

Costs in this initial phase include legal and consultant fees, initial bond costs, expenditures for education of the voting public and fees to Clackamas County for ballot expenses. The total needed is estimated to be at least \$70,000.

Creation of a district cannot, in the case of a district such as Charbonneau might form, utilize any tax or bond sources to pay for these initial creation costs. Donations from individuals, companies, the Country Club, or the Golf Club would be the most likely source of funds. It is possible, if an initial request is filed, to have some of these costs reimbursed later from the district – but only if the formation succeeds.

Operation

To determine what funding would be required on an annual basis from district property tax revenues for golf course operation, we made the following basic formula:

$$\textit{District Local Property Tax Operating Funds Required} = \textit{Expenses} - \textit{User Revenue}$$

Expenses are the sum of monies spent annually in three categories:

- Administrative, pro shop, and maintenance expenses (in a “normal” or “average” year): currently \$950,000/year
- Additional expenses that will be necessary to bring the golf courses up to the quality that Charbonneau residents and non-resident golfers expect: \$75,000/year
- Additional expenses incurred due to operating in a parks and recreation district environment: \$70,000/year

See Appendix C for details.

User Revenue is the income from greens fees, sale of passes, and pro shop sales. The current average amount: \$854,000/year

Using these best estimates in the formula, we find that the following:

District Local Property Tax Operating Funds Required =

$$\$950,000 + \$75,000 + \$70,000 - \$854,000 = \$241,000/\text{year}$$

This equates to an added annual property tax of \$152.15 (\$12.68 per month) for an average Charbonneau homeowner. Details of the above calculation can be found in Appendix C. This amount is in addition to the amount required to service debt described above.

The total expected tax for a \$350,000 home would be \$12.68 per month for operating costs, including the cost of adhering to regulations, and \$12.66 per month for debt service, for a total of \$25.34 per month, or \$304.08 per year.

Tax Considerations

Those advocating the formation of a parks and recreation district often comment on the property tax "savings" by being a P&RD. While it is true that a P&RD, if created, would pay no property tax for the courses (a "savings" of approximately \$73,000 a year), it is the common practice of counties where such property is removed from the tax rolls to increase the assessed value of homes in the district to compensate for the lost revenue. Clackamas County has such a practice. The result would be to reduce the property tax expense incurred by the golf course by some \$73,000 per year – but Charbonneau homeowner's property tax bills would increase by approximately the same amount. The result is no net tax decrease to homeowners - and since there was no net change, the tax issue was left out of this evaluation.

While no reader should interpret this paragraph as providing tax advice, current tax law allows a deduction for property taxes paid. Since a parks & recreation district cost is embedded in one's tax bill, one can expect, for a primary residence at least, that this deduction would still be allowed for those itemizing their deductions.

Risks

Several risk factors need to be considered in evaluating the formation of a Charbonneau Parks and Recreation District. Included are the following:

Upfront financial risk -- interviews with experienced district managers and those involved in forming other Oregon parks and recreation districts suggest that no less than \$70,000 will be required before any vote of the residents can be held and funds are made available for creating a district. No current source of funds exists for this initial work. Since the district would benefit all residents of Charbonneau, there may be sufficient support among residents to cover this with donations. Unless the odds of holding a successful campaign increase, however, these donations are unlikely.

Financial loss by shareholders -- as indicated above, the assets of Charbonneau Golf Club include more than just the golf course. Shareholders' original \$5,000 purchases and subsequent re-purchases of shares at lower prices, were done far more to ensure local control and ability to participate in men's and women's golf clubs than for the purpose of a positive return on investment. All residents have benefited from the actions by the 542 original shareholders. If shareholders would now be asked to discount the value of their shares in order for any plan to be implemented, they must know what they will get in return – or they will not be willing to give up their shares. If the price offered is too low, shares may not be available.

Loss of control -- formation of a parks and recreation district involves the creation of a new and independent governmental body. Today it is difficult to create common ground and mutually beneficial programs with CCC and CGC working closely together. There is no reason to believe the injection of an additional governing body would create any improvement.

Filling board positions -- currently Charbonneau has the need for a board of directors and officers for 13 separate homeowners associations, the golf club, the country club, three men's and women's golf clubs, the tennis club and a variety of social organizations. Today it is difficult to recruit and elect qualified volunteers for all of these organizations, in part because these are volunteer positions and in part because many residents travel or live in other locations, often for months at a time. Adding a parks and recreation district board, with taxing authority, would likely create the most important of all the boards in Charbonneau. Serious consideration should be given to ways to reduce the current requirement for talent and leadership before engaging in a furtherance of this already difficult challenge.

Potential creation of adversarial environment in Charbonneau -- Charbonneau is a unique community in many ways. Care must be taken to consider the positions and feelings of others, whether involved in tennis, golf, social groups, governance or simply enjoying one's home. The issue of providing sufficient funding to preserve the golf course may on the surface look like a golfer's problem or a shareholder's problem. It is not. It is a problem and challenge shared by all the residents of Charbonneau. Any attempt to make it look like one group's problem or another's moves us further away from an answer. Our community needs a solution. There is no *perfect* solution. It is critical that leaders' energy be focused on positive efforts to solve the situation without creating adversarial sides in a debate that can divide our community. Therein might lie the greatest risk of all.

Conclusions

1. A Charbonneau Parks and Recreation District could be created, subject to (a) upfront risk capital being available, (b) a favorable resident vote, (c) City of Wilsonville approval, and (d) Clackamas County approval. The formation of a P&RD would accomplish the desired purpose of establishing a method for all residents to share in the cost of maintaining Charbonneau's open space and retaining the golf course as part of Charbonneau's ambiance.
2. The cost per homeowner of a P&RD is not seen, by the members of the study group, as being the lowest cost alternative available to homeowners.
3. Most Oregon parks and recreation districts were formed with a swim center planned as part of the use of funds. Because of the existence of many pools in Charbonneau and the number of residents who live only part of the year in Charbonneau, the addition of an indoor pool to a parks and recreation plan does not appear to have a net positive value.
4. For reasons identified by other district operators, this is not a favorable time to create a new governmental organization. The probability of holding a successful campaign with our current economic climate is seen to be minimal.
5. A successful plan and campaign for the creation of a parks and recreation district requires committed full-time leadership of the cause. Other areas of Charbonneau already tap the leadership energies of our residents. There is no known leader with sufficient interest or commitment to lead this effort at this time.

Recommendation

The six members involved in this evaluation recommend unanimously that the Charbonneau Country Club and Charbonneau Golf Club Boards of Directors drop the consideration of a golf-oriented parks and recreation district at this time. This recommendation is based on: 1) the availability of one or more simpler alternatives at less than half the cost to homeowners, and 2) our assessment that the community-wide vote required for creation would not succeed.

The community expectation has been set, however, that a reasonable and effective long-term solution be forthcoming this year and that it be in place by 2013. To this end, we further recommend that the Joint Committee resume working together on a simpler and less costly plan that can be presented this year to all Charbonneau property owners for consideration and approval by ballot.

APPENDIX A

FORMATION

The following steps are required in the formation of an Oregon park and recreation district.

The petition for the formation and the vote must be submitted to the county not later than 180 days prior to the date for a general election (May or November). This, combined with other mandated time periods, means that implementation could realistically be no earlier than late 2013.

The formation petition must include:

- a. The signatures of 15% of the residents.
- b. A statement of the District's proposed objectives (reasons for being).
- c. A statement of the number proposed board members.
- d. A description of the services and functions to be performed by the proposed district.
- e. A proposed permanent tax rate sufficient to support the services and functions described in an economic feasibility statement.
- f. A declaration of the rate of taxation necessary to raise an amount of revenue equal to the proposed permanent tax rate.
- g. A statement of the proposed terms and conditions to which a proposed formation is to operate.
- h. A request for proceedings be taken for formulation of the district.
- i. An economic feasibility statement for the proposed district. This must be attached to the petition before it is circulated for signing.
- j. An analysis of the relationships between the districts services and functions and other existing government services.
- k. A proposed first year line item operating budget and a projected third year budget that demonstrates economic feasibility.
- l. The prospective petition, including a description of the boundaries of the territory proposed to be included in the district, must be filed with the county clerk prior to circulation of the petition.

After the petition has been filed, the county board adopts an order and must set a date for a hearing on the petition. The hearing would be held between 30 days and 50 days after the filing of the petition.

If and when the county board approves the formation, it sets a date for a final hearing on the petition between 20 and 50 days after the order.

The City of Wilsonville must approve any taxing district formed within the city boundaries. The City does not have, nor does it plan to have, a golf course in its Parks and Recreation Master Plan. In response to a very specific question "*What would the city likely say in response to our request for approval of formation of a parks and recreation district at Charbonneau?*", city representatives took several days and finally said the city would "*probably approve it*", but is not required to do so.

APPENDIX B

PROPERTY VALUATION

Charbonneau Golf Club Inc. assets include land (the courses, the driving range, and the maintenance area), buildings (pro shop and maintenance shop) and equipment (both fixed and movable).

The valuation of the golf course property is one of the most controversial tasks encountered because there are many ways to impute the worth of the course. These include:

- \$2,747,931 (original purchase price – in 1990 dollars)
- \$2,700,000 (\$5,000/share x 540 shares – in 1990 dollars)
- \$4,716,500 (\$2,720,000 x 1.734 – purchase price in 2012 dollars)
- \$6,058,030 (RMV land and buildings – present day tax assessor)
- \$4,384,330 (present day assessed value – tax assessor)
- \$3,500,000 - \$7,000,000 (estimated range from professional golf course appraiser using comparable course method)
- \$2,500,000 - \$5,000,000 (estimated range from professional golf course appraiser using income method)

A valuation based on recent share price is not considered to be valid due to these transactions being in a very limited market and purchases are not made primarily for investment reasons.

In addition to the above valuations, a complete valuation should also include the real value of the land on which the maintenance buildings are situated and the real value of the Charbonneau Water Company with its water rights. These alone are worth in the neighborhood of \$500,000.

One could make a reasonable case for a valuation anywhere from perhaps \$3,000,000 to \$5,700,000. Reaching agreement on a valuation and selling price will be difficult – but for the sake of this preliminary evaluation one needs only select a reasonable value. After a careful look at the above valuations we elected to use \$3,000,000.

APPENDIX C

COSTS

One time start-up costs

County Fees (for petition and vote services): \$5,000

Consultant: \$15,000

Initial bond fees: \$10,000

Legal: \$20,000*

Voter Education: \$20,000*

Total: \$70,000

* Although some written material claims that legal fees and voter education can be eliminated, every parks and recreations individual said eliminating these costs was not really feasible and recommended budgeting at least \$20,000 for each.

It is important to note that in the creation of a district one cannot utilize any tax or bond sources to cover these initial costs. Donations from individuals, companies, the Country Club, or the Golf Club would be required. It is possible, if an initial request is filed, to have some of these costs reimbursed later from the district – but only if the formation succeeds!

The \$70,000 total was discussed with several of the P&RD managers in later telephone calls; they verified that these were reasonable estimates.

Operating Costs

Detailed budgets would be required for presentation of the petition and in order to have an informed electorate. Reasonable estimates can be made by utilizing historical information and cost trends, with the result as follows:

Golf Club typical expenses ^{1,5} :	<\$950,000>
Correction of deferred maintenance items ² :	<\$75,000>
Additional costs required for P&RD ³ :	<\$70,000>
Less Golf typical income ⁴ :	\$854,000
Annual Operating Deficit (to be covered by property tax)	<\$241,000>

Notes:

1. These are costs incurred today for a “normal” year. This means doing maintenance work that should be done (no deferrals) and staffing at levels necessary to meet customer demands. It is essentially a “middle of the road” budget. Water Company expenses are not included.

2. This represents the amount that would be spent each year for the next 20 years to correct the approximate \$1,500,000 in deferred maintenance that exists. In practice, much of this work might be done much earlier and funded by use of a sinking fund – the budget impact in such a case, however, would be similar.
3. This represents known additional costs expected to be incurred as a result of P&RD requirements (additional paperwork, legislated requirements, employee benefits [PERS, additional health insurance])
4. Expected total income in the same “normal” year – average temperatures, rainfall, and economic conditions. Water Company income is not included.
5. There has been much talk made about a P&RD saving residents on [property] taxes associated with the District property. It is true that such a district should be able to “save” about \$73,000 a year (present golf course property tax amount). BUT what isn’t widely known is that once this property is removed from the tax rolls, the county compensates for this loss by raising the assessed value of all other property owned by residents in the District! Back comes the \$73,000 but this time on residence tax bills. This ends up being a wash and is therefore not factored into these calculations.

Total operating cost increase as shown above is \$241,000 annually. Dividing by 1584 and then by 12 to get this on a per average residence per month basis gives a tax increase of \$12.68 per month [using same simplified computation method as before].