



Medford's Innovative Park Utility Funding Provides Dedicated, Non-Tax Funding for Parks and Recreation

By Don Ganer

Beginning with the passage of property tax-restricting Ballot Measure 5 (1990) and subsequent measures 47 (1996) and 50 (1997), Oregon communities have faced continuous pressure to find alternative ways to fund services, and many have turned to non-tax "service fees" to pay for costs that were traditionally covered through property-tax revenues. During recent years, numerous stormwater utility fees have been implemented, and more than 20 Oregon cities have adopted service or utility fees for operations and maintenance of their transportation facilities. The trend continues with the expanded use of these dedicated, non-tax service fees to now also include parks and public safety.

MEDFORD PARK UTILITY FUND

In June 2005, the City of Medford established a Park Utility Fund and implemented a monthly fee designed to serve as a dedicated source of funding for parks. Revenues from the monthly fee can be used for operations, administration, maintenance, repair, improvement, renewal, replacement and reconstruction of parks facilities, beautification, and right-of-way areas. When first adopted, revenues from the monthly Park Utility Fund fee were used primarily to pay for maintenance of the city's beautification areas and rights-of-way.

That changed in December 2006, when the City decided to use Park Utility Fee revenues to also repay bonds that would be used to fund: (1) land acquisition and development of a major new community park, and (2) construction of a gymnasium at a community center.

The monthly Park Utility Fund fee, currently \$2.95, is charged for each occupied residential dwelling unit, business unit or tenant space, and is expected to generate approximately \$1.25 million this year. The bulk of these revenues, \$1.08 million, will be used to repay debt service for the community park and gymnasium, with the remainder used primarily for parks maintenance. The parks service fee is included as part of the City's monthly water bill.

Medford's Park Utility Fund is among a growing number of innovative service fees implemented by local governments in Oregon to create dedicated non-tax funding sources for services that have traditionally been provided through property taxes.

DEDICATED SERVICE FEES IN OTHER COMMUNITIES

Medford's Park Utility Fund is among a growing number of innovative service fees implemented by local governments in Oregon to create dedicated non-tax funding sources for services that have traditionally been provided through property taxes. In 2003, Medford's neighbor Jacksonville, Oregon, adopted a monthly "Public Safety surcharge" to "be used for the improvement, maintenance, administration and operation of the Police and Fire Departments" (Jacksonville City Code Section 3.01.050). As with Medford's Park Utility Fund fee, the Public Safety surcharge is included on the monthly water bill. The initial Public Safety surcharge ordinance was amended to modify several provisions to ensure that the surcharge met the following requirements:

- (1) The obligation to pay the fee arises when a person uses the service (i.e., improves or occupies real property)
- (2) The city presumes that usage occurs on all improved premises
- (3) The city requires the person paying the water utility bill to pay the Public Safety surcharge unless another person assumes that obligation in writing
- (4) If no water service to the property exists, the city assesses the Public Safety fee against the person having the right to occupy the property
- (5) The city has no provision for attaching a lien against property for nonpayment of the fee

Jacksonville's Public Safety surcharge was challenged as an unconstitutional tax on property in the Oregon Tax Court, which ruled that the surcharge is not a property tax. The case was appealed to the Oregon Supreme Court, which upheld the Oregon Tax Court's ruling. See <http://www.publications.ojd.state.or.us/S52624.htm> for details.

ABOUT FCS GROUP:

FCS GROUP has performed infrastructure strategies and utility rate studies ranging from defining revenue requirements to complete cost of service rate analyses for over 20 years. Our management consultants specialize in helping local and state governments address and solve issues involving policy analysis, public finance, and organizational performance. Our expertise provides a unique combination of skills and knowledge about public sector financial operations and the services supported by those finances. FCS GROUP has delivered high quality, cost-effective consulting services in over 1,800 engagements for over 425 municipal clients. Our staff of 32 serves clients in all western states and Canada from our offices in Portland, Oregon; Seattle, Washington; and San Francisco, California.

If you would like more information related to this article, please contact Don Ganer at (503) 841-6543 or by email at donaldg@fcsgroup.com.



Contact us at: www.fcsgroup.com