

10.02.050 Fees for Memorials and Cemeteries

(a) For the services of Regional Parks and Greenspaces in connection with memorials, cemeteries, and related matters, the grave and niche fees shall be as follows:

Grave Price Range	\$800.00	<u>1,000.00</u>
Cremaim Graves	\$425.00	<u>500.00</u>
Child Graves	\$275.00	<u>325.00</u>
Niche Price Range	\$450.00	

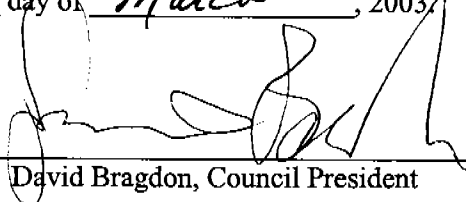
All service fees will be set by the director of Regional Parks and Greenspaces to reflect the average cost of services as charged by the industry in the Portland metropolitan region.

(b) A surcharge of 15% of grave sale fees shall be charged and deposited in the Cemetery Perpetual Care Fund. A surcharge of 5% of niche sale fees shall be charged and deposited in the Cemetery Perpetual Care Fund.

~~(b)~~ (c) The director may waive fees for grave sales and burial services in situations of extreme financial hardship. All waivers or exemptions shall be written by order setting forth the facts to justify the waiver or exemption.

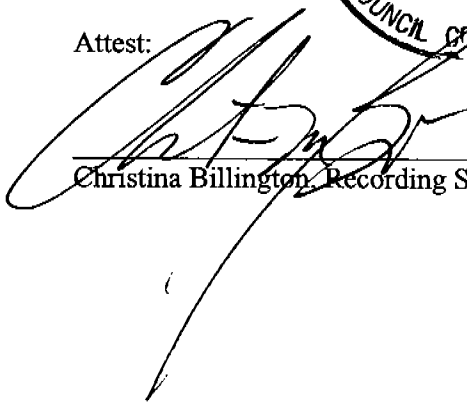
ADOPTED by the Metro Council this 27th day of March, 2003





David Bragdon, Council President

Attest:



Christina Billington, Recording Secretary

Approved as to Form:



Daniel B. Cooper, Metro Attorney

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 03-996, FOR THE PURPOSE OF INCREASING GRAVE PRICES, PROCURING A NICHE WALL, AND ESTABLISHING A CEMETERY SURCHARGE.

Date: February 10, 2003

Prepared by: Jim Desmond
Jeff Tucker

BACKGROUND

When the Multnomah County Parks Department merged with Metro, Metro assumed responsibility for the perpetual care and operation of 14 pioneer cemeteries. Metro, through the Parks and Greenspaces Department, has actively operated these facilities, and the revenues generated from grave sales and burial services at these facilities has been sufficient to cover just over half of the costs of maintaining the grounds of all of the 14 cemeteries.

Cemetery Perpetual Care

Given current estimates of available lands at the active cemeteries, and current trends of grave sales, staff estimates that there will be sufficient gravesites to meet demand until approximately 2058. At that time, Metro will still be responsible to maintain these facilities, but will not have a revenue source available to pay for them.

In the private sector, cemeteries advertising themselves as endowment care cemeteries are required by Oregon Law (ORS 97.810 to 97.865) to fund an endowment with 15% of the gross sale price per grave. For "niche walls", the amount is 5%. This 15% is directed to a "Cemetery Perpetual Care Account" and is restricted for the care and maintenance of cemetery lands into perpetuity, as defined and regulated by ORS. Cities and counties are exempt from these laws, unless they voluntarily elect to have these laws apply to them.

This ordinance does not constitute an election to adopt ORS Chapter 97.810 to 97.865.

Surcharge Exempt from Excise Tax

Accounting staff has concluded that the surcharge would be a "non-exchange transaction based on an underlying exchange transaction." In other words, it is technically a "derived tax", a general revenue, not an enterprise revenue. It has been Metro's practice to charge excise tax on enterprise revenues but not on general revenues such as taxes. Following this practice, the surcharge would be exempt from Metro's excise tax. The amount of tax in question is estimated at about \$1,350 per year.

Increase Cemetery Fees

On a regular basis, the Department does a comparative fee survey for its cemetery sales and services. It has been the practice of the Department that cemetery fees "neither lead nor lag" the market. Currently, fees for adult graves and cremation graves lag the market, as does the combination of "grave sale, opening & closing services, and grave liner". The Department is proposing increasing fees to bring these fees more in line with the market.

Additional Revenue Option – Niche Wall/Columbarium

An additional way to increase revenues at the cemeteries is to purchase and install a “columbarium.” A columbarium is a structure containing niches for permanent inurnment of cremated remains in a place used and dedicated for cemetery purposes. A “niche” is the recess in a columbarium, and can be used for the interment on the cremated remains of one or more persons. This type of structure is commonly referred to as a “niche wall.”

In the state of Oregon, there were 15,947 cremations in 1999. This represents 54.2% of all deaths in the state. In 2000, that percentage rose to 56.1%. The trend toward cremation is increasing, with cremations as a percentage of all deaths increasing to an estimated 65% in the year 2010, according to industry estimates.

To capture on the increased demand for cremations and provide for additional burial services at our cemeteries, a “niche wall” could be procured and installed at either Lone Fir Cemetery or Douglas Cemetery in an area that is not platted for graves, for approximately \$23,000 (including shipping and installation). The wall would provide for approximately 96 niches, each holding 2 standard sized urns. At a sale price of \$450 each and opening & closing services at \$350, the wall could produce gross revenues of \$76,800 (net revenues of \$52,800) for one urn per niche, and up to an additional \$33,600 for two urns per niche. Additional revenue is possible by “marking up” the memorialization services.

It is anticipated that the “niche wall” will operate for approximately five years. At that time, an addition to the wall can be procured and installed at a cost similar to the estimates for the first wall. This ordinance includes the establishment of fees for niche wall graves.

ANALYSIS/INFORMATION

1. Known Opposition

None.

2. Legal Antecedents

ORS 97.810 to 97.865 requires that private endowment care cemetery companies deposit 15% of grave sales and 5% of niche sales in accounts restricted for the perpetual care of the cemetery facilities. Cities and counties are exempted from this requirement.

3. Anticipated Effects

Niche Wall Procurement and Installation

It is anticipated that the Niche Wall will be purchased and installed during Fiscal Year 2003-04, pending Council approval of this expenditure in the FY 2003-04 budget. Sales of niches and inurnment services will not begin until the wall has been built and properly inspected.

Perpetual Care Fund

A Cemetery Perpetual Care Fund shall be created and managed as a Metro fund when the FY 2003-04 budget is adopted by Council. The surcharges established by this ordinance shall be deposited directly into this fund.

It is anticipated that a 15% surcharge on grave sales and a 5% surcharge on “niche wall” sales and services will generate approximately \$18,090 in FY 2003-04, and will increase thereafter as demand for

services and fees increase. A schedule of anticipated revenues is attached as "Attachment 1". The surcharge proceeds will be deposited in a permanent fund and will be invested as allowed and regulated by Metro Code 2.06. The interest earnings will be reinvested until such time that the Parks and Greenspaces Department is no longer actively selling graves and grave services at the pioneer cemeteries.

There is a special account, called the "Willamina Farmer Account" (Fund 765, Program 15050) currently managed by the Parks and Greenspaces Department in the Parks Special Accounts Fund that can be included in the new Cemetery Perpetual Care Fund. This account was set up by Willamina Farmer for the perpetual care of her gravesite and other grave sites at the pioneer cemeteries. It is anticipated that the balance of this account will be transferred to the new fund in Budget Year 2003-04 (approximately \$94,000).

The amount of revenue generated from this surcharge will not completely meet the needs of maintenance at the Pioneer Cemetery facilities. However, the interest earned in the trust fund will be equivalent to the amount that cemetery sales and services currently contribute.

4. Budget Impacts

This Ordinance provides for a surcharge for grave and niche sales and services at Metro's Pioneer Cemeteries. There are no expenditures related to the adoption of this surcharge. The surcharge will be effective on July 1, 2003.

This Ordinance provides the authority to the Parks and Greenspaces Department to procure and install a niche wall at Lone Fir Cemetery or Douglas Cemetery, pending approval of this expenditure in the FY2003-04 budget.

This Ordinance establishes a fee for niche sales and inurnment services. These fees will be effective July 1, 2003.

RECOMMENDED ACTION

Mark B. Williams, Chief Operating Officer, with the concurrence of the Council President, recommends adoption of Ordinance 03-996.

Staff Report - "Attachment 1"

Cemetery Perpetual Care Fund Projections

Fiscal Year	Cemetery Grave Sales	Surcharge (15% graves/ 5% niche)	Interest Earnings on Fund	Perpetual Care Fund Balance	NPV Balance (in 2004 dollars)
Beginning Balance				0	
Transfer from Parks Special Accounts Fund				94,000	
2004	115,000	17,250	3,760	115,010	115,010
2005	118,450	17,768	4,600	137,378	132,732
2006	122,004	18,301	5,495	161,174	150,457
2007	125,664	18,850	6,447	186,470	168,185
2008	129,434	19,415	7,459	213,344	185,917
2009	133,317	19,997	8,534	241,875	203,652
2010	137,316	20,597	9,675	272,147	221,392
2011	141,435	21,215	10,886	304,249	239,137
2012	145,679	21,852	12,170	338,270	256,886
2013	150,049	22,507	13,531	374,309	274,642
2014	154,550	23,183	14,972	412,464	292,403
2015	159,187	23,878	16,499	452,840	310,171
2016	163,963	24,594	18,114	495,548	327,945
2017	168,881	25,332	19,822	540,702	345,727
2018	173,948	26,092	21,628	588,422	363,517
2019	179,166	26,875	23,537	638,834	381,314
2020	184,541	27,681	25,553	692,069	399,120
2021	190,077	28,512	27,683	748,263	416,935
2022	195,780	29,367	29,931	807,561	434,759
2023	201,653	30,248	32,302	870,111	452,593
2024	207,703	31,155	34,804	936,071	470,437
2025	213,934	32,090	37,443	1,005,604	488,292
2026	220,352	33,053	40,224	1,078,881	506,158
2027	226,962	34,044	43,155	1,156,080	524,035
2028	233,771	35,066	46,243	1,237,389	541,923
2029	240,784	36,118	49,496	1,323,003	559,825
2030	248,008	37,201	52,920	1,413,124	577,738
2031	255,448	38,317	56,525	1,507,966	595,665
2032	263,112	39,467	60,319	1,607,751	613,605
2033	271,005	40,651	64,310	1,712,712	631,560
2034	279,135	41,870	68,508	1,823,091	649,528
2035	287,509	43,126	72,924	1,939,141	667,511
2036	296,135	44,420	77,566	2,061,127	685,510
2037	305,019	45,753	82,445	2,189,325	703,524
2038	314,169	47,125	87,573	2,324,023	721,554
2039	323,594	48,539	92,961	2,465,523	739,600
2040	333,302	49,995	98,621	2,614,139	757,663
2041	343,301	51,495	104,566	2,770,200	775,744
2042	353,600	53,040	110,808	2,934,048	793,842
2043	364,208	54,631	117,362	3,106,041	811,958
2044	375,134	56,270	124,242	3,286,553	830,093
2045	386,388	57,958	131,462	3,475,974	848,247

Staff Report - "Attachment 1"

Fiscal Year	Cemetery (15% graves/ Grave Sales	Surcharge 5% niche)	Interest Earnings on Fund	Perpetual Care Fund NPV Balance (in Balance	2004 dollars)
2046	397,980	59,697	139,039	3,674,709	866,420
2047	409,919	61,488	146,988	3,883,186	884,613
2048	422,217	63,333	155,327	4,101,846	902,826
2049	434,884	65,233	164,074	4,331,152	921,060
2050	447,930	67,190	173,246	4,571,588	939,314
2051	461,368	69,205	182,864	4,823,656	957,591
2052	475,209	71,281	192,946	5,087,884	975,889
2053	489,465	73,420	203,515	5,364,819	994,210
2054	504,149	75,622	214,593	5,655,034	1,012,553
2055	519,274	77,891	226,201	5,959,127	1,030,920
2056	534,852	80,228	238,365	6,277,720	1,049,310
2057	550,897	82,635	251,109	6,611,463	1,067,724
2058	567,424	85,114	264,459	6,961,035	1,086,163

Staff Report – “Attachment 2”
Business Case for Columbarium

Proposal:

To build a columbarium at either Douglas Cemetery or Lone Fir Cemetery.

Definitions:

Columbarium - A columbarium is a structure containing niches for permanent inurnment of cremated remains in a place used and dedicated for cemetery purposes. Also called a “niche wall”.

Niche - A “niche” is the recess in a columbarium, and can be used for the interment on the cremated remains of one or two persons.

Need:

Nationally, 26% of deaths result in cremations. This is up from 21.2% in 1996, with a current estimate of almost 39% in 2010. In the state of Oregon, the numbers are even higher. In 1996, 48.0% of deaths resulted in cremation. In 1999, this number rose to 54.2%, and in 2000 rose further to 56.1% (16,580 cremations). Industry experts expect this trend in Oregon to continue, with 65% of deaths cremated by the year 2010.

In a study conducted in 1997 by the Cremation Association of North America, the disposition of cremated remains nationally was as follows:

Taken home	35.8%
Buried	23.1%
Scattered water/land	17.8%
Placed in columbarium	10.4%
Scattered on dedicated property	6.2%
Not picked up	5.7%
Placed in common grave	1.0%

About half as many cremated remains are placed in a columbarium than are buried.

At Metro’s Pioneer Cemeteries, we sell graves for cremated remains. The fee is currently \$425 per gravesite. The current fee proposal would increase this amount to \$500 per gravesite for cremated remains.

	<u>Number of Cremation Graves</u>	<u>Percentage of Total Graves</u>
2001	38	19.8%
2002	35	17.7%

Currently, Metro Pioneer Cemeteries does not provide the opportunity for cremated remains to be placed into a columbarium. Based on the premise that the number of cremated remains placed in a columbarium would be half of those buried in graves, it is projected that a columbarium at a Pioneer Cemetery would result in approximately 17-20 niche sales per year.

Staff Report – “Attachment 2”
Business Case for Columbarium

Business Case:

Under Metro’s contracting rules, we would be required to go out to bid for the fabrication and installation of a columbarium. However, preliminary research indicates that the most cost effective proposal will be to buy a pre-fabricated columbarium. For the sake of making this business case, we have assumed that we will purchase a pre-fabricated wall, with 96 niches each able to hold 2 urns.

Assumptions:

Estimated cost of wall, including installation: \$23,000
Per Niche Cost: approx. \$240
Recommended sale price for niche: \$450

Opening/Closing Services costs: \$0
Opening/Closing Services fee: \$360

Memorialization costs: \$125
Memorialization fee: \$200

Revenue (Cash Flow) Projections (assumes 3% price increase every other year):

	Number <u>Sold</u>	<u>Sales</u>	Open/ <u>Close</u>	Memorial- <u>ization</u>	Total <u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
2004	17	\$7,650	\$6,120	\$3,400	\$17,170	\$26,400	(\$9,230)
2005	18	\$8,100	\$6,480	\$3,600	\$18,180	\$2,250	\$15,930
2006	19	\$8,806	\$7,045	\$3,914	\$19,765	\$2,446	\$17,319
2007	20	\$9,270	\$7,416	\$4,120	\$20,806	\$2,575	\$18,231
2008	22	\$10,503	\$8,402	\$4,668	\$23,573	\$2,917	\$20,656
Total	96	\$44,329	\$35,463	\$19,702	\$99,494	\$36,588	\$62,906

The figures above assume that the niches have been opened and closed only once for the placement of one urn. As the niche is capable of holding two urns, it is possible to make up to an additional \$34,560 (plus inflation) on the columbarium. However, it is not possible to determine how many will be used for a second urn, nor when that service would take place. Therefore, this additional income has not been included in the table above.

Minimum Estimated Profit: \$62,906
Maximum Estimated Profit: \$97,466

Future Growth:

Based on current demand for cremation graves, it is estimated that the columbarium will have niches available for sale for approximately 5 years. At that time, if demand is anticipated to continue, another columbarium could be installed. There is currently space available at Douglas Cemetery and Lone Fir Cemetery for several columbaria.