

Mayor's Budget Message

- for the fiscal year 2018 - 19

The Honorable Denny Doyle, Mayor



The Best of Oregon

TO: The Budget Committee and the Residents of Beaverton:

It's a privilege to submit the city's budget for Fiscal Year 2018-19. This budget represents the priorities of the Mayor, City Council and the Beaverton Community Vision. Our work continues as we build on the plans developed over the past decade to achieve the aim of being the "Best of Oregon." We demonstrate that goal by representing our values to be a welcoming, friendly, active, responsive and safe community.

WELCOMING AND FRIENDLY

The city proudly embraces the strength of our diverse people. Beaverton is a designated Welcoming City and hosts up to 15 events each September as part of the nationally recognized Welcoming Week, culminating with the City's International Celebration. The Beaverton Night Market has received national attention under the stewardship of the City's Diversity Advisory Board. The Beaverton Arts Program and the Beaverton City Library sponsor diverse programming to inspire and connect us culturally. This year the City invested in staff with the employee-led Internal Equity Team organizing equity training for all city employees, ensuring the organization is equipping all employees to embody the values we cherish.

ACTIVE

Beaverton continues to be known as an active city, with the expansion of the city's largest private employer, Nike, bringing more opportunity to the area. This budget continues the city's support for active transportation with further investment in critical sidewalk connections. The downtown continues to thrive with the Beaverton Downtown Association gaining traction and the city-sponsored Restaurant Week bringing excitement and attention to Beaverton's diverse eateries. The BG Food Cartel, which benefited from a city grant, opened this past year bringing hundreds of people out daily to enjoy Beaverton downtown. Construction on The Rise Central is underway with 230 new housing units, including affordable units, set to open next year. Fundraising and planning continues for the Beaverton Center for the Arts, Beaverton's next great space that will serve as a centerpiece for the area. The 4% Lodging Tax, which will help fund the Center, is proving to be the reliable source we projected. There are several new hotels being built or in the design stage. Hotel development investments reflect the demand for business travel to serve a vibrant economy as well as the many recreational opportunities in the Tualatin River basin and all around Oregon.

RESPONSIVE

Being responsive is clearly represented through this budget document and our dedication to fiscal responsibility. The City Council, advisory boards and employees are good stewards of public resources as they craft and implement policies and programs. The City actively directs resources toward community priorities, as identified through the vision plan, ensuring responsiveness. The City also holds itself accountable, reporting to the public annually on its progress toward the vision. The City is demonstrating responsiveness to community issues as this budget reflects a strong investment in community service programs and the dedication of more resources to join community partners in addressing housing affordability challenges.

SAFE

Providing for a safe community is at the heart of our mission and this budget includes the addition of three police officers and working constructively on issues such as homelessness and specialty municipal court programs for people with alcohol abuse/addiction assistance programs who may otherwise return to dangerous driving habits. This is going to be the ground-breaking year for the new Public Safety Center which was approved with a successful vote for a \$35 million General Obligation Bond issue in November 2016.

REVENUE TRENDS

Beaverton's revenue trends are generally up over past years. Assessed valuation is rising and Building Fund revenue should top the \$4.6 million mark, another record year. This year, Beaverton will see hundreds of new homes built in South Cooper Mountain. Other revenue increases should come from lodging taxes, right-of-way fees, water revenue, interest earnings and development-related fees. We will continue to invest in staff expertise to service the development community, acquire key properties for redevelopment and create the types of infrastructure necessary to assure that private sector development occurs. The city's urban renewal efforts, through the Beaverton Urban Redevelopment Agency, are buoyed by substantial private sectors investments driving projections to become one of Oregon's best performing urban renewal agencies.

Another financial focus is the \$21 million Water Revenue bond scheduled for sale in June. This bond continues Beaverton's investment in its water system's transmission, storage and distribution assets. Coupled with the new infrastructure for a growing community is the opportunity to begin serving an additional 4,100 customers who are city residents but were served by a special service district. Effective July 1, 2018, those service territories are withdrawn and transfer of service responsibilities will commence.

FOCUS

Some things do not change and the budget reflects our continuing enhanced law enforcement and community safety activities, maintaining the city's stable financial position, and expanding the public's involvement in city government. The budget also enhances city sustainability efforts, and expands business assistance, retention and attraction to through excellent customer service to Beaverton residents. This is a goal-oriented, fiscally conservative budget pursuing an ambitious set of goals with all of our fiscal, physical and people resources. The total property tax levy rate of \$4.48 per \$1000 assessed valuation reflects an 11 cent millage rate increase. The increase is dedicated for the hiring of additional police officers, to serve our growing population, bolstering the services of one of Oregon's busiest libraries, re-lamping and infilling the streetlight system and coping with ever present costs related to pensions and health insurance for employees. Even with the first increase in a number of years, the city doesn't levy its fully authorized, permanent rate per \$1000 of assessed valuation.

There is one minor change in the fund structure of the city for the coming year. The GIS fund will terminate and its activities become one of the programs within the Information Systems Fund (#603).

ANNUAL CITY PRIORITIES

Every year, the Mayor and City Council meet to outline their collective priorities for year. In January 2018, they outlined the following priorities which are critical to guiding staff's work plans for the year and developing the annual budget.

- Housing
 - Launch a residential rental inspection program
 - Create an affordable housing toolkit

- Transportation and Infrastructure Investment
 - Create a sidewalk fund for sidewalk construction projects
 - Incorporate goals and objectives of the Active Transportation Plan into the City's Capital Improvement Plan, Transportation System Plan, Development Code, and Engineering Design Manual
 - Complete the City's non-potable water irrigation (purple pipe) system

- Equity and Inclusion
 - Support diversity, equity, and inclusion in City programs, activities and services with measureable goals

- Public Safety
 - Finalize street camping rules and related support services programs

- Publish resources to help people find housing, prevent homelessness, and recover from lack of housing
- Complete installation and begin operation of the new court software system
- Community Partner
 - Take a leadership role in convening regional partners to address regional issues of homelessness, annexation, and strategic land acquisitions

CITY COUNCIL GOALS

In addition to the annual priorities, staff also focuses on the City Council’s long-range goals. You will find references to these goals throughout the budget document.

- Preserve and enhance our sense of community.
- Use city resources efficiently to ensure long-term financial stability.
- Continue to plan for, improve and maintain the city’s infrastructure.
- Provide responsive, cost effective service to the community.
- Assure a safe and healthy community.
- Manage growth and respond to change consistent with maintaining a livable, full-service city.
- Maintain Beaverton as a regional leader in cooperative efforts with other agencies and organizations.
- Provide and support a highly qualified and motivated city work force.

BUDGETARY TRENDS AND HIGHLIGHTS

STRONG BOND RATINGS

The city’s Water Revenue and General Obligation bonds ratings remain strong with an underlying rating of AA+ by Standard and Poor’s. Moody’s Investor Services has assigned underlying ratings of Aa1 for the city’s General Obligation bonds and Aa2 for the Water Revenue Bonds. The ratings recognize the city’s financial stability; improved debt services coverage ratios, continued strong cash reserves and Beaverton’s high quality service area.

The city has been unusually active in the bond market to raise capital and that will continue in the next year also. The Mayor and City Council, and the Board of the Beaverton Urban Redevelopment Agency (BURA), recently issued these bonds:

- Water Revenue Bond, Series 2018 - \$21 million (sale pending for June 2018)
- Public Safety Center General Obligation Bond, Series 2017 - \$35 million
- Special Revenue Bond – Urban Renewal Line of Credit, Series 2017 - \$19 million

On the horizon is a Special Revenue Bond for the Beaverton Center for the Arts backed by revenues generated by the lodging tax.

REVENUE TRENDS

Beaverton has a diverse revenue basis to provide quality services to its residents, businesses and visitors. The major sources of current revenue are the property taxes (28% of all current operating revenue), charges for services such as utility fees (15%) and intergovernmental sources such as liquor and vehicle fuel taxes (13%). The property tax is based on the assessed valuation of property not real market value. For FY 2017-18, a residential property’s taxable assessed value (AV) was approximately 64% of its real market value (RMV) on a countywide basis. Surprisingly the changed property ratio of AV to RMV for multi-family properties is only 42%. A number of recent sales of large apartment complexes occurred at substantially higher prices than expected.

The city’s property tax authority established Beaverton’s permanent property tax rate at \$4.62 per thousand of assessed valuation. Since adoption of the permanent levy rate structure, the city has levied the following property tax rates within our permanent rate solely for operating purposes:

FY 2008-09	\$3.87	FY 2013-14	\$4.15
FY 2009-10	\$3.96	FY 2014-15	\$4.18
FY 2010-11	\$3.97	FY 2015-16	\$4.18
FY 2011-12	\$3.97	FY 2016-17	\$4.17
FY 2012-13	\$4.02	FY 2017-18	\$4.17

\$4.2805 is the levied tax rate for operations in the FY 2018-19 budget. When added to the levy for bonded debt of \$0.2053, this results in a total tax rate of \$4.4858, which is more than the total tax levy rate over the current fiscal year, FY 2017-18 by \$0.11/\$1,000 AV. The breakdown of the levy components for the current year and the coming year is as follows:

Levy Rate Allocation	FY 17-18	FY 18-19	Change
General Fund	\$3.7144	\$3.7644	\$0.0500
Library	0.3314	0.3614	0.0300
Street Lights	0.1247	0.1547	0.0300
Sub-total Operating Levy	\$4.1705	\$4.2805	\$0.1100
GO Debt Service - Library	\$0.1735	\$0.0944	\$(0.0791)
GO Debt Service - Public Safety	0.0308	0.1109	0.0801
Subtotal GO Debt Service	\$0.2043	\$0.2053	\$0.0010
Total City Tax Levy	\$4.3748	\$4.4848	\$0.1100

This \$4.2805 tax rate will generate \$40,524,519 in net property tax receipts for general government operations allocated to the General Fund, Library Fund, and Street Lighting Fund. The City will also receive \$1,968,801 for general obligation debt service for total property tax receipts of \$42,493,320. The Beaverton Urban Redevelopment Agency (BURA) should receive approximately \$3,647,997 from the incremental growth of assessed valuation within the urban renewal district. BURA is a component unit of the City of Beaverton.

The growth in acreage and assessed valuation from voluntary annexations allows the distribution of property taxes to be spread across a larger area. Since 2008, the city grew by approximately 674 acres and the assessed valuation of the properties was more than \$90 million (calculated at the time of annexation).

Together with the property taxes discussed above and all other revenue sources, the city's FY 2018-19 budget totals \$287,846,500. The following table details the major categories of Revenues and Expenditures for the past two fiscal years, the past fiscal year (both budgeted and estimated) and the new fiscal year for both the city and the Beaverton Urban Redevelopment Agency:

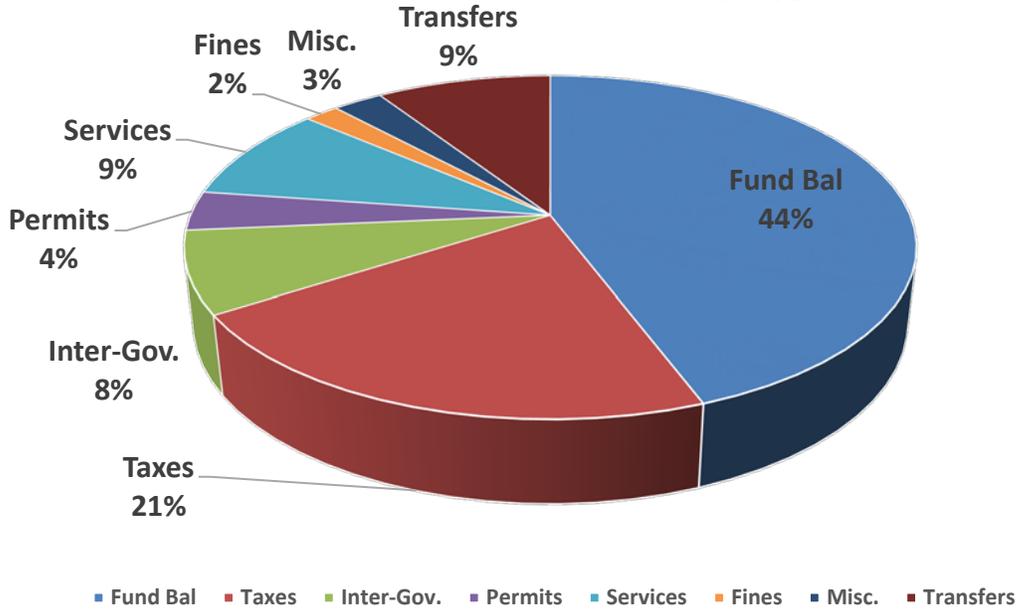
**Combined City of Beaverton Revenues, Expenditures and Fund Balances
City and the Urban Redevelopment Agency (BURA)**

REVENUES	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Budget	FY 2017-18 Estimated	FY 2018-19 Proposed
Taxes & Franchise/ROW Fees	\$49,341,977	\$52,771,662	\$55,685,872	\$56,571,589	\$59,244,252
Intergovernmental	16,436,827	18,579,495	20,128,236	19,302,558	21,085,828
Permits and Fees	8,664,726	8,821,479	9,303,732	8,363,040	10,173,580
Charges for Services	33,468,357	33,470,804	33,762,332	33,762,896	36,321,838
Fines and Forfeitures	5,175,928	5,045,664	5,026,216	5,002,116	4,994,116
Interest Inc. & Miscellaneous	7,008,025	8,402,344	6,084,949	6,466,922	7,211,664
Inter-Fund Transfers In	19,540,662	20,382,674	24,733,636	24,463,070	25,262,137
Proceeds From Financing Activities	510,000	33,452,459	22,855,000	22,364,427	2,114,334
Subtotal Revenues	<u>\$140,146,502</u>	<u>\$185,926,581</u>	<u>\$177,579,973</u>	<u>\$176,296,618</u>	<u>\$166,407,749</u>
Beginning Fund Balance or Working Capital	62,626,826	68,958,183	112,336,509	112,336,509	121,438,751
Total City & BURA Revenues and Beginning Fund Balance	<u><u>\$202,773,328</u></u>	<u><u>\$254,884,764</u></u>	<u><u>\$289,916,482</u></u>	<u><u>\$288,633,127</u></u>	<u><u>\$287,846,500</u></u>
	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Budget	FY 2017-18 Estimated	FY 2018-19 Proposed
EXPENDITURES					
Personnel Services	\$61,036,075	\$63,881,549	\$71,213,069	\$67,441,026	\$76,188,928
Materials and Services	35,170,544	40,789,268	43,407,963	41,528,136	46,063,634
Capital Outlay	12,385,480	12,369,683	74,669,596	27,428,531	52,033,076
Debt Service	5,682,384	5,125,081	5,339,686	6,333,613	6,835,210
Inter-Fund Transfers Out	19,540,662	20,382,674	24,733,636	24,463,070	25,262,137
Subtotal Expenditures	<u>\$133,815,145</u>	<u>\$142,548,255</u>	<u>\$219,363,950</u>	<u>\$167,194,376</u>	<u>\$206,382,985</u>
Ending Fund Balances (Contingency and Ending Working Capital)	68,958,183	112,336,509	70,552,532	121,438,751	81,463,515
Total City & BURA Expenditures and Ending Fund Balances	<u><u>\$202,773,328</u></u>	<u><u>\$254,884,764</u></u>	<u><u>\$289,916,482</u></u>	<u><u>\$288,633,127</u></u>	<u><u>\$287,846,500</u></u>

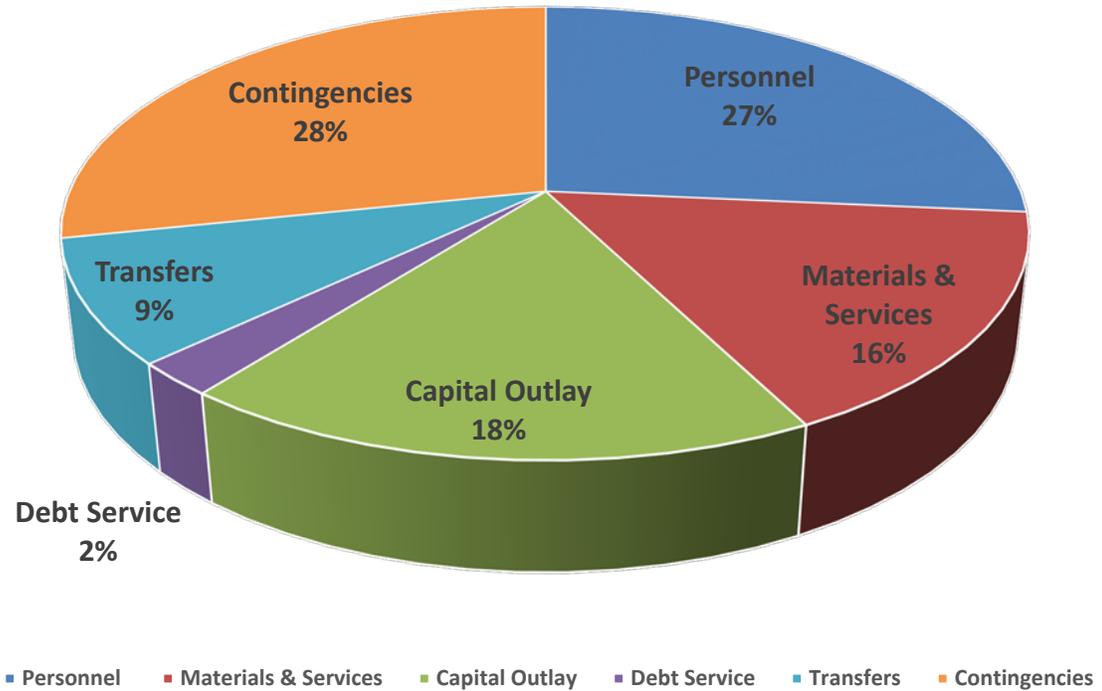
City of Beaverton Revenues, Expenditures and Fund Balances
City and the Urban Redevelopment Agency

REVENUES	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Budget	FY 2017-18 Estimated	FY 2018-19 Proposed
City					
Taxes & Franchise/ROW Fees	\$47,846,396	\$50,745,783	\$52,664,471	\$53,547,188	\$55,584,255
Intergovernmental	16,436,827	18,579,495	20,128,236	19,302,558	21,085,828
Permits and Fees	8,664,726	8,821,479	9,303,732	8,363,040	10,173,580
Charges for Services	33,468,357	33,470,804	33,762,332	33,762,896	36,321,858
Fines and Forfeitures	5,175,928	5,045,664	5,026,216	5,002,116	4,994,116
Interest Inc. & Miscellaneous	6,995,973	8,371,230	6,055,249	6,347,599	7,029,364
Inter-Fund Transfers In	19,030,662	20,167,763	24,422,636	23,158,143	24,091,303
Proceeds Financing Activities	0	35,347,473	16,600,000	21,200,000	1,100,000
Subtotal Revenues	<u>\$137,618,869</u>	<u>\$180,549,691</u>	<u>\$167,962,872</u>	<u>\$170,683,540</u>	<u>\$160,380,284</u>
Beginning Fund Balance or Working Capital	<u>61,500,299</u>	<u>67,077,220</u>	<u>109,200,589</u>	<u>109,200,589</u>	<u>117,995,605</u>
Total City Revenues and Beginning Fund Balance	<u><u>\$199,119,168</u></u>	<u><u>\$247,626,911</u></u>	<u><u>\$277,163,461</u></u>	<u><u>\$279,884,129</u></u>	<u><u>\$278,375,889</u></u>
BURA					
Division of Taxes	\$1,495,581	\$2,025,879	\$3,021,401	\$3,024,401	\$ 3,659,997
Interest Inc. & Miscellaneous	12,052	31,114	29,700	119,323	182,300
Inter-Fund Transfers In	510,000	214,911	311,000	1,304,927	1,170,834
Proceeds Financing Activities	510,000	3,104,986	6,255,000	1,164,427	1,014,334
Subtotal Revenues	<u>\$2,527,633</u>	<u>\$5,376,890</u>	<u>\$9,617,101</u>	<u>\$5,613,078</u>	<u>\$6,027,465</u>
Beginning Fund Balance or Working Capital	<u>1,126,527</u>	<u>1,880,963</u>	<u>3,135,920</u>	<u>3,135,920</u>	<u>3,443,146</u>
Total BURA Revenues and Beginning Fund Balance	<u><u>\$3,654,160</u></u>	<u><u>\$7,257,853</u></u>	<u><u>\$12,753,021</u></u>	<u><u>\$8,748,998</u></u>	<u><u>\$9,470,611</u></u>
Total City & BURA Revenues and Beginning Fund Balance	<u><u>\$202,773,328</u></u>	<u><u>\$254,884,764</u></u>	<u><u>\$289,916,482</u></u>	<u><u>\$288,633,127</u></u>	<u><u>\$287,846,500</u></u>
EXPENDITURES					
City					
Personnel Services	\$61,036,075	\$63,881,549	\$71,213,069	\$67,441,026	\$76,188,928
Materials and Services	34,987,066	39,110,353	41,519,319	40,126,545	44,508,384
Capital Outlay	11,875,480	10,386,597	68,414,596	26,264,104	51,018,742
Debt Service	5,172,384	4,910,171	5,028,686	5,028,686	5,664,376
Inter-Fund Transfers Out	18,970,943	20,137,652	24,280,449	23,028,163	23,942,787
Subtotal Expenditures	<u>\$132,041,948</u>	<u>\$138,426,322</u>	<u>\$210,456,119</u>	<u>\$161,888,524</u>	<u>\$201,323,217</u>
City Ending Fund Balances (Contingency and Ending Working Capital)	<u>67,077,220</u>	<u>109,200,589</u>	<u>66,707,342</u>	<u>117,995,605</u>	<u>77,052,672</u>
Total City Expenditures & Ending Fund Balances	<u><u>\$199,119,168</u></u>	<u><u>\$247,626,911</u></u>	<u><u>\$277,163,461</u></u>	<u><u>\$279,884,129</u></u>	<u><u>\$278,375,889</u></u>
BURA					
Materials and Services	\$183,478	\$1,678,915	\$1,888,644	\$1,401,591	\$1,555,250
Capital Outlay	510,000	1,983,086	6,255,000	1,164,427	1,014,334
Debt Service	510,000	214,910	311,000	1,304,927	1,170,834
Inter-Fund Transfers Out	569,719	245,022	453,187	1,434,907	1,319,350
Subtotal Expenditures	<u>\$1,773,197</u>	<u>\$4,121,933</u>	<u>\$8,907,831</u>	<u>\$5,305,852</u>	<u>\$5,059,768</u>
Ending Fund Balances (Contingency and Ending Working Capital)	<u>1,880,963</u>	<u>\$3,135,920</u>	<u>3,845,190</u>	<u>3,443,146</u>	<u>4,410,843</u>
Total BURA Expenditures & Ending Fund Balances	<u><u>\$3,654,160</u></u>	<u><u>\$7,257,853</u></u>	<u><u>\$12,753,021</u></u>	<u><u>\$8,748,998</u></u>	<u><u>\$9,470,611</u></u>
Total City & BURA Expenditures and Ending Fund Balances	<u><u>\$202,773,328</u></u>	<u><u>\$254,884,764</u></u>	<u><u>\$289,916,482</u></u>	<u><u>\$288,633,127</u></u>	<u><u>\$287,846,500</u></u>

FY 2018-19 Revenues by Type



FY 2018-19 Expenditures by Type



EXPENSES ARE STEADY

The relative “slices” of the expenditure “pie” are similar to the FY 2017-18 adopted budget, except for a decrease in capital outlay reflecting a more accurate projection of actual construction schedules. The budget for FY 2018-19 contains an increase in employee counts. In total, the full time equivalent (FTE) count increases by 13.73 FTE. The budget reflects a citywide FTE count of 581.36 of which one FTE is not funded. There are also a limited number of position reclassifications reflected in the budget.

The General Fund reflects an increase of 6.7 FTE positions comprised of a variety of additions and reductions of staff:

- General Fund
 - 3 FTE Police Officers
 - 0.7 FTE Assistant Finance Director
 - 1 FTE Court Clerk
 - 1 FTE Senior Development Project Manager (Affordable Housing Program)
 - 1 FTE Government Affairs Manager

Changes in FTE in other funds are as follows:

- Library
 - 0.23 FTE Reference Assistant
 - 0.8 FTE Library Assistant 2
 - 1.0 FTE Library Security Monitor
- Water Utility
 - 1 FTE Project Engineer
 - 2 FTE Water Distribution Equipment Operator
 - 1 FTE Water Quality Technician
 - 1 FTE Accounting Assistant (Utility Billing—split 1/3 each among the Water, Sewer and Storm Funds)

Both of the city’s labor contracts continue until June 30, 2018. The agreements allow modest cost-of-living increases over the period and offer important cost controls on health insurance premiums. Negotiations are underway on new contracts.

Spending in the Materials and Services category increases slightly from the current year primarily reflecting the use of more professional and contractual services for development related services such as field inspections and engineering design. Capital outlay spending decreases in FY 2018-19 reflecting more realistic construction schedules for the Public Safety Center and several large water transmission main projects. Departments are holding steady on the amount of overtime hours budgeted in the coming year.

Spending on sanitary sewer and storm water utilities are consistent with previous years. Water system investments continue particularly with the aquifer storage and recovery project (ASR 5). As Beaverton grows into the urban growth boundary expansion area along Scholls Ferry Road near 175th Avenue, the cities of Beaverton and Tigard, Clean Water Services, and Washington County are investing in new infrastructure to serve future customers. The city, as well as our regional partners in several water commissions, also plan significant investments in water supply and storage over the next several years. Beaverton joined in the development of a new resource in the Willamette River requiring investments in the raw water intake, treatment, transmission and storage facilities.

During the budget development phase this year, the focus was on the General Fund. More than \$1.6 million in requests were reduced or eliminated. Those reductions included transfers for capital projects, professional service requests, vehicle replacements, training, travel, furniture and equipment.

The budget includes a contribution from all funds/programs in the city's PERS reserve account. The \$1 million increase brings the balance in the reserve account to approximately \$4.2 million. This will serve as a hedge against anticipated future rate increases or opportunities to participate in a new "side account" incentive offered by the State of Oregon. There are 560 employees participating in PERS. Another significant increase in PERS rates for the FY 2019-20 and FY 2020-21 is anticipated.

For the fiscal year FY 2017-18, the increase between the initial estimated Beginning Fund Balance of \$112,336,509 and the estimated Ending Fund Balance of \$121,438,751 is \$9,102,242. The increase is most evident in the recognizing \$21 million in proceeds from the Water Revenue Bond measure scheduled for sale late in FY 2017-18.

In the FY 2018-19 budget, the decrease between a Beginning Fund Balances of \$112,336,509 and the Ending Fund Balances of \$81,463,515 is \$39,975,236. The decrease between the beginning and ending fund balances is mainly due to the following:

- Spending on construction of the Public Safety Center
- Spending on design and initial construction phases of the various water transmission, distribution and storage assets for the water system

CITY POPULATION

The official population figures for all Oregon cities and counties are certified each July 1 by the State of Oregon through the Population Research Center at Portland State University (PSU). Each year, PSU estimates the changes in populations by using the last U.S. Census Data (2010 = 89,803) as a base and allowing adjustments due to new single-family and multi-family unit construction, household sizes, annexations, and other data. PSU certified Beaverton's population at **95,685** effective July 1, 2017. Beaverton is Oregon's sixth largest city.

Population is an important component for Oregon cities as they receive revenues from the State (fuel taxes, liquor taxes and cigarette taxes) based upon per capita formulas. For FY 2017-18, the city expects to receive approximately \$99 per capita from the State, which totals \$9,428,700 based upon the average population for the year of 95,685. For FY 2018-19, Beaverton's population estimate is **96,165** and should generate considerably more, primarily for the benefit of the Street Fund. Both Oregon and Washington County increased fuel taxes and/or vehicle registration fees. Population estimates, demographic characteristics and geographical distribution affect several revenue sources and programs of the city.

FINANCIAL REPORTING AWARD

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beaverton for its comprehensive annual financial report for the fiscal year ended June 30, 2017. Beaverton has received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA, which reflects the conforming accounting system and comprehensive reporting practice of the city every year since 1979. The city will be submitting its comprehensive annual financial report for the fiscal year ending June 30, 2018 to the GFOA for the award program.

DISTINGUISHED BUDGET AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Distinguished Budget Presentation Award for the FY 2017-18 Annual Budget Document. The city has received this recognition annually since 1988. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium. This award is valid for one year only. We believe the FY 2018-19 budget continues to conform to program requirements and will be submitting it to the GFOA to determine its eligibility for this award. I hope that this document will provide a better understanding of the city's operations as your City of Beaverton team strives to maintain and improve the quality of life in the community.

RECENT AWARDS

Beaverton was selected by Money Magazine again as one of the best cities to live in America. The staff at Money Magazine visited during the Beaverton Night Market and their observations of the diversity of Beaverton confirmed all the statistical reviews they conducted. In 2018, Beaverton was named an All American City Finalist by the National Civic League, the only city in Oregon to receive this honor. We were selected for our community visioning work, cultural inclusion efforts and public safety outreach programs. Beaverton received the “Oregon Urban and Community Forestry Award” for outstanding accomplishment and leadership in promoting and protecting our community forest and improving the quality of life in Oregon in 2016. Beaverton was the only city in the State of Oregon to receive this distinguished award.

CLOSING COMMENTS

A strong economic, cultural and social base is necessary to maintain and continue to improve our strength as a city. The FY 2018-19 budget is a key process and an agenda-setting statement of the creative and innovative efforts needed to secure Beaverton's future as a high quality place to live, work, and raise our families. The budget allows us to continue to follow-through on commitments we have made to the residents and businesses of Beaverton. This will be a year where we implement the plans for the redevelopment of the Beaverton Central area with a hotel and other commercial development, additional housing, a Center for the Arts and related parking, as well as homes in the South Cooper Mountain area. The long awaited Public Safety Center will break ground in FY 2018-19. As evidence of the strong economy, the unemployment rate for the City of Beaverton is estimated at 3.6%. The Washington County area continues to be the “economic engine of Oregon” with continual job expansion across all sectors.

My personal goal is to continue to provide strong leadership for the employees of the city by creating an environment that empowers our employees to do their best. I will work hard to further encourage a culture of continuing improvement that results in the best possible level of service for Beaverton’s residents. There is not enough room in this budget message to identify all the quality programs of the city. Suffice it to say that our employees, volunteers, partners and city council leadership are performing such great work for this community!

I want to express my appreciation to Finance Director Patrick O’Claire, the entire Finance Department staff and all the managers of the city for their steadfast contributions to this budget. I would also like to thank the members of the Budget Committee, made up of five members of the public appointed by the City Council and our City Councilors, for their efforts in reviewing the city's adopted budget. It “takes a village” to build a budget for a community.

This budget reflects our team’s commitment to maintaining a diversified and stable revenue system with careful consideration of all fee and charges related to the costs of providing services, as well as our dedication to creating a more sustainable Beaverton. We will also continue to facilitate and promote cultural and community activities for our residents. The future for the City of Beaverton is exciting, challenging and filled with opportunity. I firmly believe that we can continue to meet the needs of our community while maintaining an efficient, cost effective city government.

I appreciate the Budget Committee’s approval of this recommended budget so we can jointly pursue our goals.

Sincerely,



Denny Doyle, Mayor

CITY OF BEAVERTON BUDGET MESSAGE

FISCAL YEAR 2018 -19

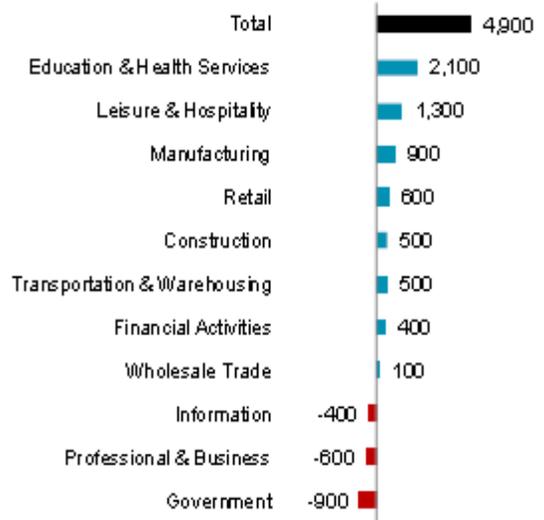
GUIDELINES & SUPPLEMENTARY BUDGET DETAIL

FY 2018-19 BUDGET GUIDELINES

Mayor Doyle and the management team continue monitoring and changing operations through evaluation of revenues streams that are sensitive to current economic conditions; adjusting staffing levels, examining ways to be more efficient and making reductions where appropriate. Staff have evaluated processes, eliminated duplication and reduced the costs of providing services to the public while maintaining quality service. The following themes reflect the determination to develop the productivity of the City's excellent work force, encourage operational improvements and operate efficiently within our budget constraints.

Local Beaverton Area Economy: A variety of indicators demonstrate that Beaverton's economy is strong. The Nike and Intel expansions, around Washington County, exceeded expectations for employment and capital investment. The March 2018 unemployment rate in the county is 3.4%. New data shows that the county's job growth out-paced the other two counties to lead the region with a 17% increase since 2007. The accompanying graph illustrates job growth over the past year in most sectors.

Net Job Growth in Washington County
 Net change, March 2017 to March 2018
 Current Employment Estimates



There is a continuing trend of private investment in the City with new development applications submitted and approved by the Planning Commission. Recent examples include redevelopment projects in commercial areas such as the Cedar Crossing II development, Kaiser Permanente medical clinic, offices, hotel and restaurant construction. More than 250 residential units recently opened in the Old Town area. Another 230 apartments are under construction in the Beaverton Central area adjacent to The Beaverton Building (City Hall). These are a combination of affordable and market-rate apartments. The development includes commercial uses on the ground floor.

Mountainside High School opened on South Cooper Mountain in fall 2017. There are new single family and townhouses nearby, as development occurs in this recently annexed area. Other Beaverton School District projects belie the population growth the community is experiencing.

This graph illustrates the trend of business license fees for the last 10 years and projected revenue for FY 2018 19 should be similar to the current year. An increase in the base rate began in calendar year 2016. The data for FY 17-18 and FY 18-19 reflect estimated (E) and budgeted values (B), respectively.

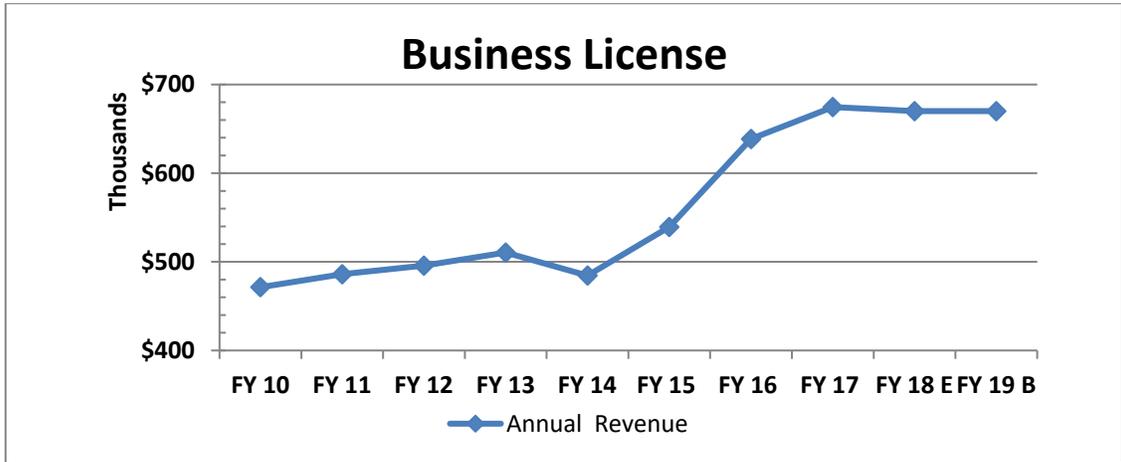


Figure 1:

Nationally and in Oregon, there are long-term positive economic trends, but the estimates are somewhat buffered by uncertainties regarding the impact of federal tax legislation and an attempt at tax reform within Oregon. Corporate, personal, estate and liquor revenue continue to trend upward, statewide. Interest rates are modestly increasing and the keepers of the Federal Reserve System policies are actively engaged.

Some economist claim that the Fed’s expectations are for gradual increase in interest rates (cost of federal funds) with rates rising to 3.0-3.5% by 2020 and then tapering back. Strong fundamentals are affected by sporadic external events that cause volatility and then a return to the longer term trend. There is some moderation in the confidence level of small businesses and many consumers. The trend in fuel prices (Oregon gasoline topping \$3/gallon) may foreshadow \$4/gallon gas and that would dampen confidence and outlook. Core inflation may be spiking.

Portland’s regional housing market is quite active, with concerns for the affordability of rental and home owner properties. However the region remains one of the lower cost markets on the west coast. The concern for the affordability of home ownership, rental rate hikes and increasing prevalence of homelessness are reflected in the city council priorities for this coming year’s budget.

Beaverton certainly has seen the volume of building permits constrained by a lack of building sites in past years. That should soon change as the land at South Cooper Mountain is ready for construction after a season for installation of infrastructure. The following graph shows Building Fund permit revenues over the past 10 fiscal years. A significant increase is expected in the coming year.

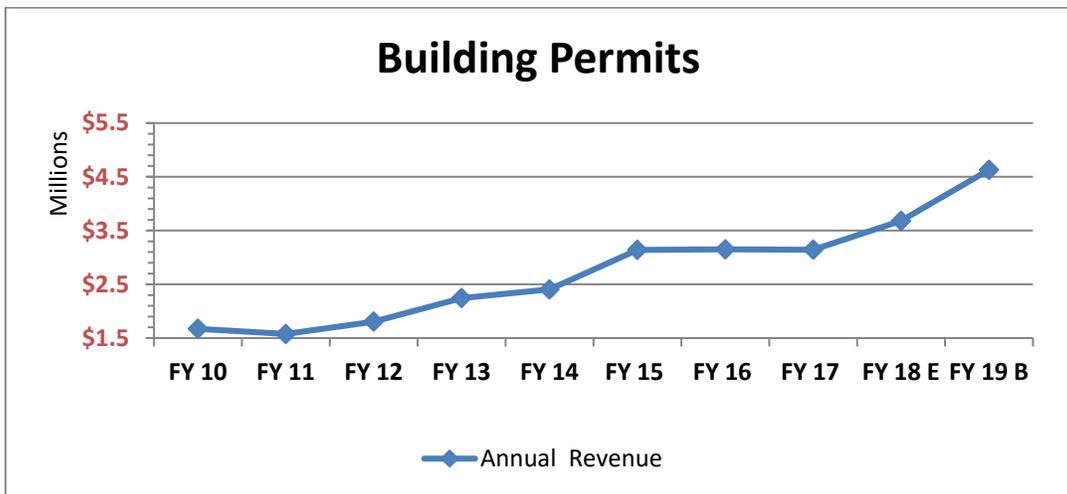


Figure 2:

City Revenues: The revenue projections for the budget year were compiled through a process of careful evaluation that ensures that every possible source for revenue is considered. The property tax levy rate for general operations is \$4.28 per thousand dollars of assessed valuation (AV). The rate should generate \$40,524,519 in net property tax receipts based upon an estimated assessed valuation of \$10.2 billion. The \$4.28 tax rate is 93% of the City’s \$4.62 Permanent Rate Tax Authority. The increment between the levy of \$4.28 and the \$4.62 permanent rate is \$0.34, and when applied to the estimated assessed valuation, it would produce an additional \$3.4 million dollars in property tax revenues. This additional unused tax authority provides the City with sufficient resources to meet future needs.

Right of Way (ROW) fees are charged to utility providers (electric, natural gas, telephone, telecom, cable TV, solid waste/recycling collectors, water, sewer and storm) for use of the City’s public right of way. The revenue stream shows the expected growth that was projected for FY 2017-18 due to a combination of new development, rate changes, population increases and conservation. A recent rate increase on natural gas and electric utilities produces about \$1.5 million annually. A 2016 right-of-way license ordinance covers additional telecomm firms and several water districts who serve portions of the city. With a full year of revenue, this new license ordinance should produce an additional \$695,000 annually.

The city uses portions of its ROW fees for street maintenance and for debt service in the fund that repays the Special Revenue bonds for remodeling The Beaverton Building that serves as city hall. The single trend line shown below represents the gross amount of ROW fees collected with the bars representing the net amount of franchise fees retained by the General Fund after transferring portions to the Street Fund and the Special Revenue Debt Service Fund.

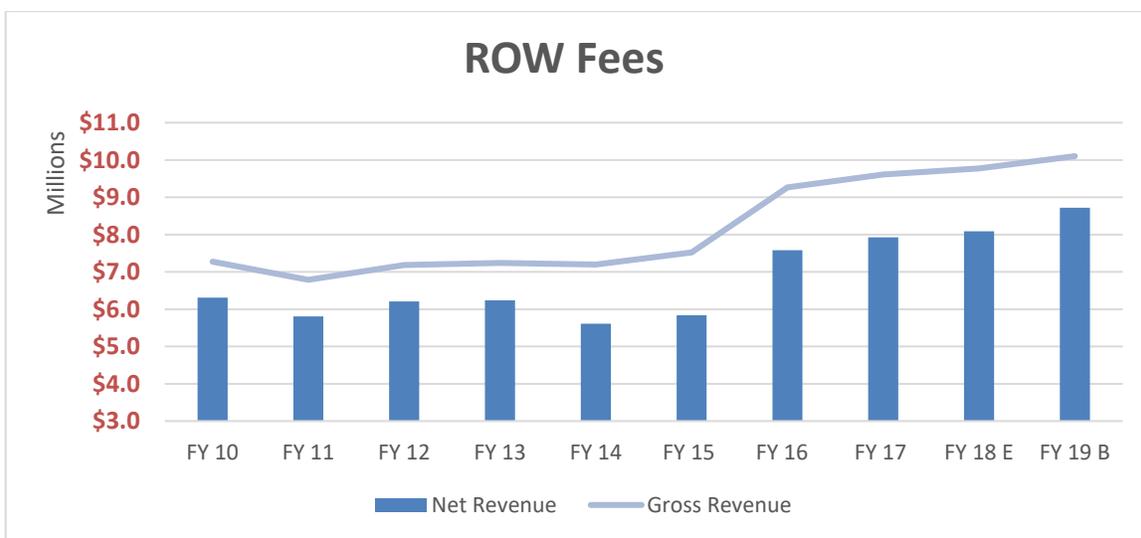


Figure 3:

The revenue trends across all funds are very positive. The continued strong housing market and vibrant economy in a county known as the “economic engine of Oregon” provides a strong basis for these trends. Standard and Poor’s recognized those trends as they affirmed the City’s AA+ GO bond rating during the past year. These are significant years for income for development related revenue sources such as Planning and Annexation Fees, building permits and the other system development charges. The pace of development in the South Cooper Mountain area (approximately 2700 homes) and in downtown should carry forward at least until FY 2020-21. These assumptions are based a continued strong state, national and international economy as Oregon and the Beaverton area depend on exporting many manufactured goods.

Public Safety: The budget provides funding to maintain 142 sworn police officer positions to maintain a healthy ratio of officers per 1,000 of population. The Police Department recommended budget is \$33.9 million. That is 53% of the General Fund’s operating appropriations and 19% of the citywide overall operating, capital outlay and debt service budget.

The City’s **Library Fund** receives property tax funding from City taxpayers, the Washington County Cooperative Library System’s (WCCLS) local option levy and the County General Fund. WCCLS provides 54% of the current operating revenues for the City’s Library. The FY 2018-19 budget includes WCCLS funding of \$5.8 million, reflecting, in part, the additional visitors and circulation caused by the Murray-Scholls branch library expansion several years ago. The allocation of property tax is 9% higher than in FY 2017-18 and should yield about \$3.4 million. The total rate allocated to the Library is 36¢ per \$1,000 assessed valuation (AV) for this fiscal year. WCCLS revenue benefits from a projected 4 to 4.5% increase in the county’s AV for the life of local option levy.

After several years of declining fund balances in the **Street Lighting Fund**, additional resources are allocated for FY 2018-19. A 3 cent increase in the millage rate to 15 cents per \$1,000 AV is a 24% increase and should yield a levy allocation from the city’s permanent rate of \$1,464,580. The increased funding allows program managers to resume the program to upgrade several hundred street lights to LED fixtures, initiate infill projects in selected areas and replace older poles. As a rough expression of support for the street lighting system, the level of support is increasing from \$148/pole (FY 2015-16) to \$200/pole (FY 2018-19).

The City’s budget process focuses much attention on the tax-supported funds. However, the process also provides full review and approval for a variety of other funds. The Enterprise Funds are business-type activities funded by user fees, charges for services, and other restricted revenues. Staff carefully review the Enterprise Funds (water, sewer and storm drain) relating to their overhead costs, fees and rates and the need to restructure rates if needed. The regional wastewater agency, Clean Water Services, is the primary determiner of rates for stormwater and sewer service. Their long range forecast shows a steady 3-3.5% increase in service rates for the future. These are charged against a growing residential, commercial and industrial base of customers.

For the **Water Fund**, the FY 2016-17 budget reflected a decision to not include a rate increase. In FY 2017-18 and FY 2018-19, the pattern of periodic increases resumes. The consumption rate increases by 10¢ to \$3.17 per 100 cubic feet of water and the base rate increases by \$1 to \$15 per month for the standard residential meter effective July 1, 2018. 100 cubic feet of water is equal to 1 CCF and one CCF is equivalent to 748 gallons. There will likely be increases in the future to assure compliance with debt service covenants as well as meeting operational and capital investment needs. The following graphs illustrate the trends of steady revenue and steady consumption in the most recent years.

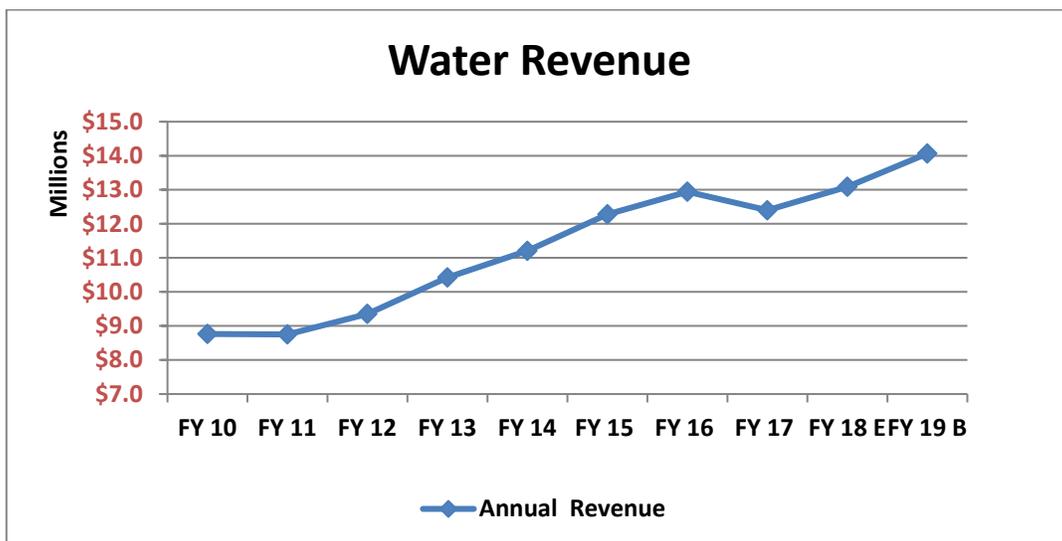


Figure 4:

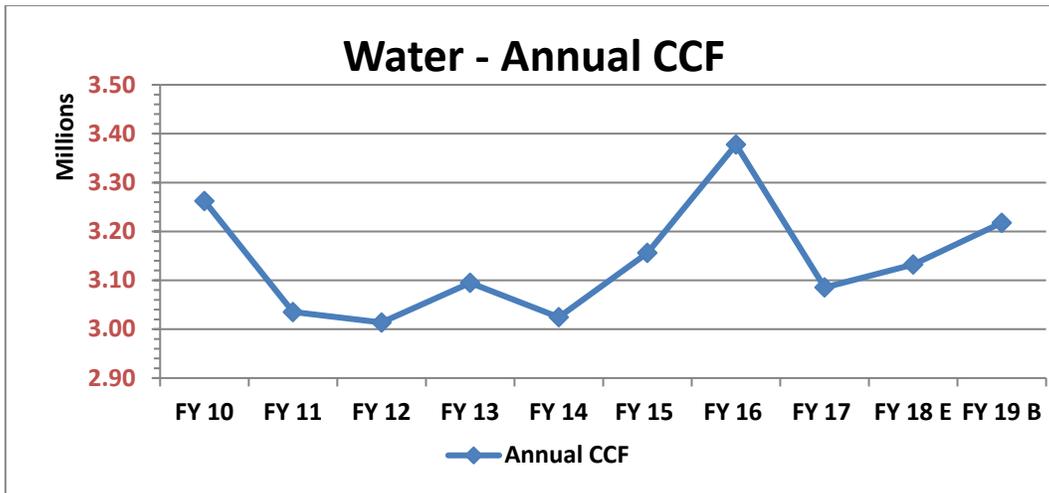


Figure 5:

Development Activity

The larger magnitude of development activity in recent years is expected to continue. Building Permit revenue shows steady increases and FY 18-19 revenue projections are expected to reach a record setting \$4.7 million. The expected value of new building construction is more than \$278 million.

Fiscal Year	Building Permit Revenue
2014-15	\$3,140,649
2015-16	\$3,150,874
2016 -17	\$3,142,805
2017-18 Estimated	\$3,681,015
2018-19 Budgeted	\$4,629,555

Beaverton is experiencing an increase in subdivision development. The Russell Subdivision is under construction (125 homes) and several subdivisions are underway at South Cooper Mountain. Approximately 2500 dwelling units, including 850 multi-family units, have been approved through land use with single family home construction expected to being in Spring/Summer 2018. Another 45 single family dwellings were approved in 2017 through smaller partitions and subdivisions.

Multifamily housing projects underway or soon under construction include The Rise Central (230 units) mixed use development, Sunset View Apartments (236), Sunset Gardens (210), Trillium Woods (100), and the 850 multi-family dwellings entitled through the South Cooper Mountain developments. An additional 500 multi-family dwelling units are anticipated to be entitled in the next fiscal year.

Recent new commercial buildings and redevelopment include a mixture of uses, such as Standard Bag warehouse, Marriot Hotel, Cracker Barrel restaurant, Kaiser Medical Clinic and BG Food Cartel (large food cart pod). There is also the Department of Human Services’ offices, Scholls Ferry retail, Cedar Hills Crossing retail, Morningside Assisted Care Facility and the Vose Elementary School. Upcoming commercial projects include The Beaverton Center for the Arts (BCA) and district parking structure, Public Safety Building, Fred Meyer Fueling Center, renovation at Five Oaks Middle School, new William Walker Elementary School, Westgate Hotel and Bonaventure Senior Living (South Cooper Mountain).

Policy Direction and Management – Looking for New Revenue: The City Council expects an on-going search for additional non-property tax revenue to diversify revenue streams. The current and coming year’s budgets accomplish that from the following sources:

- Increased the ROW fee for Northwest Natural Gas and Portland General Electric utilities.

- A new licensing framework for other utilities in the rights-of-way expands the revenue base as well as providing better management of these assets entrusted to the city.
- The 4% Beaverton lodging tax captures revenue from visitors and supports the proposed Beaverton Arts Center to be built with public and private funding.
- Increased the business license base rate in 2016.
- Adjusted other fees that had fallen behind their cost recovery objectives such as planning fees, site development permits and building permits.

Compensation Adjustments: Contracts for the two bargaining units expire June 30, 2018. Negotiations are underway for successor contracts and few issues are expected. The budget reflects step increases, several reclassifications of positions, modest cost-of-living adjustments and increases in PERS and health/dental costs.

Staffing Additions and Reductions: The budget for FY 2018-19 contains an increase in employee counts. In total, the full time equivalent (FTE) count increases by 13.73 FTE. The budget reflects a citywide FTE count of 581.36 of which one FTE is not funded.

The General Fund reflects an increase of 6.7 FTE positions comprised of a variety of additions and reductions of staff:

- General Fund
 - 3 FTE Police Officers
 - 0.7 FTE Assistant Finance Director
 - 1 FTE Court Clerk
 - 1 FTE Senior Development Project Manager (Affordable Housing Program)
 - 1 FTE Government Affairs Manager

Changes in FTE in other funds are as follows:

- Library
 - 0.23 FTE Reference Assistant
 - 0.8 FTE Library Assistant 2
 - 1.0 FTE Library Security Monitor
- Water Utility
 - 1 FTE Project Engineer
 - 2 FTE Water Distribution Equipment Operator
 - 1 FTE Water Quality Technician
 - 1 FTE Accounting Assistant (Utility Billing—split 1/3 each among the Water, Sewer and Storm Funds)

Public Employees Retirement System: The City, together with most public employers in Oregon, participates in the Public Employees Retirement System (PERS) or the Oregon Public Service Retirement Plan (OPSRP).

In FY 2004-05, the City began the practice of charging additional amounts over the required contribution rates. With the significant swings in the City’s actuarial accrued liability (both surpluses and deficits as illustrated in the following table), the City’s PERS reserve account can be used as a resource to pay down future deficits or be re-allocated back to the operating funds that made the original contributions. The practice of contributing to a rate-stabilization method provides a “shock-absorber” for future changes. As can be seen in the following table, the net unfunded actuarial accrued liability fluctuates from year to year.

Historical Actuarial Valuations

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	(Unfunded) Over Funded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	(Unfunded)/Over funded Actuarial Accrued Liability as a % of Covered Payroll
12/31/04 ²	120,361,263	130,068,606	(9,707,343)	93%	25,806,789	(38)%
12/31/05	135,827,667	136,633,049	(805,383)	99%	25,202,309	(3)%
12/31/06 ²	152,481,527	142,451,626	10,029,901	107%	25,678,994	39%
12/31/07	163,532,200	150,054,556	13,477,644	109%	26,663,695	51%
12/31/08 ²	124,870,860	156,712,907	(31,842,047)	80%	28,710,908	(111)%
12/31/09	141,726,062	165,397,635	(23,671,573)	86%	31,185,880	(76)%
12/31/10 ²	152,182,765	174,931,684	(22,748,919)	87%	32,532,597	(70)%
12/31/11	146,862,259	181,185,933	(34,323,674)	81%	32,648,286	105%
12/31/12 ²	159,589,702	181,388,229	(21,798,527)	88%	34,468,039	63%
12/31/13	174,455,205	191,831,494	(17,376,289)	91%	36,355,074	48%
12/31/14 ²	179,125,005	228,148,252	(49,023,247)	79%	36,862,844	(133)%
12/31/15	172,778,254	240,245,999	(67,467,745)	72%	38,014,220	(177)%
12/31/16 ²	176,837,903	256,068,508	(79,230,605)	69%	40,217,514	(197)%

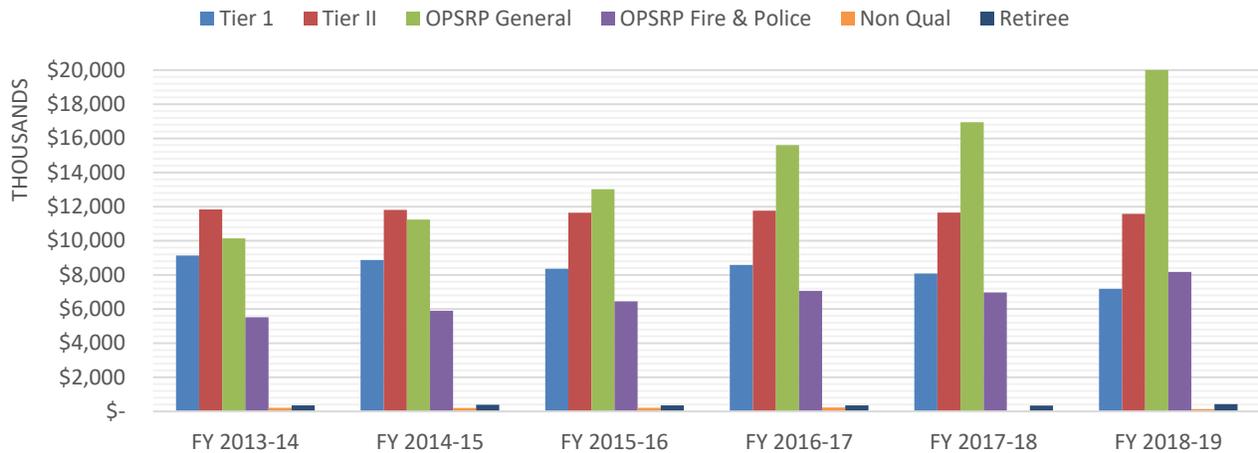
1. Per the actuarial valuation report dated July 3, 2003 entitled *2001 Actuarial Valuation (including 2003 Legislation) Employer Contribution Rates*, which reflects the impact of the 2003 PERS Legislation.
2. Interim Valuations

Every two years, the PERS board conducts an actuarial valuation of the PERS system that is used to set the contribution rates for the next two-year period. PERS performed the actuarial evaluation for the period ending December 31, 2015 and the results were completed in September 2016. This evaluation established the City's PERS funding rates for the ensuing biennium, which is July 1, 2017 through June 30, 2019 (FY 2017-18 and FY 2018-19).

Approximately 42% of current employees are in PERS Tier 1 or Tier 2 classes and the balance are in OPSRP. The chart below illustrates how that mix is changing with retirements of veteran employees. For the City, PERS has established required contribution rates of 24.39% for PERS Employees, 15.72 % OPSRP General Employees and 20.49% for OPSRP Police Employees, including the employee contribution paid by the City. This is an average increase of PERS rates of 3.81% over the previous biennium period (FY 2015-16 to FY 2016-17). The recent earnings levels of the stock market and other investments utilized by PERS further impact a recent Oregon Supreme Court decision that reverses most of the reform efforts of the 2013 Legislature and is contributing to projections of substantially higher rates for the next biennium (FY 2019-20 and FY 2020-21).

The city maintains approximately \$3.2 million in a PERS rate stabilization reserve that is available to assist with future PERS contribution rate increases. The FY 2018-19 budget adds \$1 million to that reserve by charging each fund proportionately. PERS reform continues to be an important topic of the Oregon legislature, stakeholders and governor.

Changing Mix of Salaries - PERS



Service Enhancements: There are consistent pressures to increase and enhance services reflected in the priorities of the Mayor and City Council which are driving budget allocations. The City’s capacity to respond to development activity by the private sector, public agencies and other investments is critical. The strategic expansion of staff including development plan review, permit issuance, project management skills and field inspection personnel continues in the coming years. The entire development team is examining its work flow procedures and looks forward to an investment in electronic plans submittal and review software. At the same time, extensive efforts at asset management are yielding substantial benefits for managers. This effort is aided by field usage of tablets, laptops and other mobile devices to record and view data or maps. This investment in a competent and talented staff, operating within a more efficient system, should pay off in fulfilling the pledge that Beaverton is “Open for Business.”

Service enhancements are visible in the Police Department with appropriations which will permit the hiring of three additional officers. Human Resources deployed NeoGov, which is an industry standard software for managing and reviewing job applications. Municipal Court and the City Attorney’s Office are nearing the end of a transition to new software platform.

Equipment Replacement and Upgrades: It is important that the City make careful decisions about replacing or upgrading equipment. Equipment is replaced or upgraded to take advantage of new technology as a measure to ensure that employees have safe and adequate tools and equipment to provide services to the public. The objective for upgrading and replacing equipment is normal replacement as equipment completes its useful life or additions of new technology. The FY 2018-19 budget includes the following vehicle and major equipment purchases:

- 2 replacement vehicles for general “pool” and program usage
- 12 replacement police patrol or administrative vehicles for officers, detectives and commanders
- 1 additional patrol vehicle
- 1 replacement police motorcycle
- 3 replacement light duty pickup trucks for site development inspections.
- 2 replacement light duty pickup trucks for building inspections
- 6 replacement trucks for the Public Works Operations (dump trucks/pickups/vans)
- 1 replacement video inspection van
- 2 new Public Works cargo vans
- 1 new Public Works crew cab pickup truck
- 1 replacement survey station equipment
- 1 replacement/upgraded digital storm sewer pipe inspection camera

- 1 replacement equipment trailer
- Replacing aging telemetry equipment for water system - 4 sites
- Replacement of VOIP phone system, network switches and servers in the IT systems

Insurance Programs: The City's insurance programs consist of General Liability, Property Coverage, Workers' Compensation, Unemployment and Medical/Dental. The programs are funded through charges to the operating funds as part of the payroll system or through inter-fund transfers. General liability insurance and property insurance rates/coverage are consistent with market trends. The Risk Management Committee annually recommends appropriate reserve levels for the various insurance programs and funding requirements for the budget.

As with any employer, much of the focus is on health and dental insurance programs. Budgeting for health care continues to be challenging. However, recent changes in plan design, the impact of wellness programs and incentives for employees to change to lower cost plans or opt out are holding down rate increases.

The medical programs premiums will see cost increase as both MODA plans increase by 11% and there is a 7.5% increase in the Kaiser medical plan. The MODA dental plan rates increased 1.8%. Total spending on premiums, wellness programs and related professional services increased approximately 14% from the adopted FY 2017-18 budget compared to the FY 2018-19 budget.

During the current year, Worker's Compensation expenses did not repeat the unusually higher experience of FY 2015-16. Employers live with the consequences of an unusually high claims period for a number of years. This is a self-funded program and it is expected that an appropriation of \$200,000 to meet claims is sufficient for FY 2018-19. The premiums charged to the operating funds reflect an experience modifier of 0.88 compared to the experience modifier of .60 that had been charged only a few years ago. The self-funded unemployment insurance program has a sufficient fund balance that no additional appropriations are required.

Staff Training: The organizational development budget continues to support the commitment to improve the efficiency and work output of City employees. The focus for FY 2018-19 will be on completing a workforce planning guide to identify and address critical human resource issues in an organized and integrated way. Working with the Mayor and department heads, the Human Resources staff will facilitate completion of steps 1 and 2 of a five-step workforce planning model and have a plan to complete the following steps in alignment with the city's strategic planning and budgeting process for the following year. This effort will ensure that the city has the right people, in the right job, with the right skills, at the right time, now and in the future.

Popular training courses, such as "Supervisory Exploration" and "Frontline Supervision," designed to improve the effectiveness of supervisors, continue. There also offerings in professional development topics ranging from "The Nature of Conflict" to "Rock Star Presentation Skills." In addition, the City has a relationship with a local software training center for Microsoft Office Products and related programs. The expansion of learning and development course offerings utilizing City/County Insurance Services (CIS) Online Learning System shows significant increases in enrollment. Selected employees with high leadership potential are attending advanced classes to build competence and capacity in the organization as they move into higher level, more responsible positions.

Mandatory training is offered in these areas on a regular basis: workplace harassment and whistleblower protections, substance abuse training, and diversity and equity. The City also offers a popular tuition reimbursement program for those seeking college level training in areas related to their duties.

SUPPLEMENTARY BUDGET DETAIL

The Finance Department has prepared the following detail regarding the budget. This provides a more comprehensive description of the financial condition of the City and areas of interest in the budget. The City budgets for all funds that are subject to the requirements of state law. The category totals of personnel services, materials and services, capital outlay and other expenditures by department are the legal level of budgetary control for the General Fund. For all other funds, the legal level of budgetary control is at the total category level by fund. In addition to presenting the budget to meet legal requirements, City departments present their budget goals and

objectives that are measurable and directly related to providing City services. The FY 2018-19 budget totals \$287,846,500 that includes fund contingencies and reserves totaling \$81,463,515 and the Beaverton Urban Redevelopment Agency's budget of \$9,470,611.

The budget will require a **total property tax levy of \$44,729,810** allocated as follows:

	Estimated Tax Levies	Less Provision For Non- Collections	Estimated Net Tax Receipts	Property Tax Rate
General Fund	\$37,514,189	\$1,875,709	\$35,638,480	\$3.7644
Library Fund	3,601,536	180,077	3,421,459	0.3614
Street Lighting Fund	1,541,663	77,083	1,464,580	0.1547
Subtotal Levy Within the Permanent Tax Rate	\$42,657,388	\$2,132,869	\$40,524,519	\$4.2805
General Obligation Debt Levy	2,072,422	103,621	1,968,801	0.2053
Total Property Tax Levy	\$44,729,810	\$2,236,490	\$42,493,320	\$4.4858

The General, Library and Street Lighting property tax levies are subject to the property tax limitation (Measure 5) contained in Article XI Section 11b of the Oregon Constitution as amended.

The estimated City's assessed valuation for tax purposes after the Urban Renewal Division of Tax is \$9,965,442,000. The tax rate formula is:

Total taxes subject to collection of \$44,429,809 divided by the estimated assessed valuation for property tax purposes of 9,965,442,000 multiplied by \$1,000

The **General Fund's revenue** for FY 2018-19 is budgeted at \$66,036,084 in current revenues and \$12,980,791 in beginning fund balance for a combined \$79,016,875 in available revenues. Net current property tax revenue totals \$35,638,480 and this amount represents 54% of the General Fund's current revenues. ROW Fees - a.k.a. Franchise Fees (telephone, telecom, electric, gas, water, sewer, storm, and refuse) account for a net of \$8,906,875 or 13.5% of the General Fund's current revenues. State shared revenue, comprised of the City's share of cigarette and liquor taxes, account for \$2,950,000 or 4% of the current General Fund revenue. Federal Grant revenues total \$158,000 that fund specific programs or activities and are typically not recurring each year.

The primary characteristics of the General Fund for FY 2018-19 are as follows:

GENERAL FUND	FY 2018-19	% of Total General Fund
Current Revenue	\$66,036,084	83.6%
Beginning Fund Balance	12,980,791	16.4%
Total Revenues	\$79,016,875	100.0%
Property Taxes (current)	\$35,638,480	45.1%
ROW Fees (net)	8,906,875	11.3%
State Shared Revenue	2,950,000	3.3%
Current Expenditures	\$72,168,509	91.3%
Contingencies and Reserves	6,848,366	8.7%
Total Budget	\$79,016,875	100.0%
Personnel Services	\$49,897,895	63.1%
Police Services	\$33,911,538	42.9%
Capital Outlay	\$1,151,535	0.1%

General Fund's expenditures for FY 2018-19 consist of \$72,168,489 in current expenditures and \$6,848,366 in contingencies and reserves. Salary, payroll taxes and fringe benefits costs total \$49,897,895 representing 69.1% of the General Fund's current expenditures. The General Fund's largest program is police services with a total appropriation of \$33,911,538 (47% of the current expenditures). The General Fund's capital outlay budget totals \$1,151,535 of which the major items are for construction of an extension of the heating and cooling district to the Beaverton Center for the Arts, software systems in Municipal Court as well as Community Development, vehicles and remodeling additional office space in The Beaverton Building to alleviate crowded staffing conditions.

The **Street Fund's** budget reflects increases in the amount of paving, sidewalks and ADA compliant ramps at intersections. The statewide gas tax will now be based on steady rate hikes at the pump and for vehicle registration until at least FY 2023-24. The fund's revenue for FY 2018-19 is budgeted at \$9,419,500 in current revenues and \$3,285,926 in beginning fund balance for a combined \$12,705,426 in available revenues. The revenues coming from motor vehicle fuel and vehicle registration fees/taxes increased by 32.8% I just one year from \$6,770,700 in FY 2017-18 to \$8,993,900 for FY 2018-19. Much of the increased revenue will be poured back into street maintenance and sidewalk/ramp improvements.

The fund's expenditures consist of \$5,374,831 in net operating expenditures, \$2,700,000 in street reconstruction expense (overlays/ramps/sidewalks), \$295,650 in capital outlay (vehicles/equipment/improvements), \$933,240 transfer to the Capital Project Fund for street construction and an \$115,000 transfer to the Capital Development Fund for Civic Improvements for an expenditure total of \$9,418,721. The fund should have an ending fund balance of \$3,286,705 consisting of \$2,171,893 in operating contingencies, \$65,000 in development tree reserves and \$1,049,812 in equipment replacement reserves. Salary, payroll taxes and fringe benefits costs total \$2,333,889 representing approximately 24.7% of the Street Fund's operating expenditures. The Street Fund's operating contingency represents 23.0% of total operating expenditures, which is available for emergency street expenditures.

The primary characteristics of the Street Fund for FY 2018-19 are as follows:

STREET FUND	FY 2018-19	% of Total Street Fund
Current Revenue	\$9,419,500	74.1%
Beginning Fund Balance	3,285,926	25.9%
Total Revenues	\$12,705,426	100.0%
Gas Tax/Vehicle Reg. Revenues	\$8,993,900	70.8%
Operating Expenditures	\$9,418,721	74.1%
Contingencies and Reserves	3,286,705	25.9%
Total Budget	\$12,705,426	100.0%
Personnel Services	\$2,333,889	18.4%
Street Overlay Program	2,700,000	21.2%
Capital Outlay	295,650	2.3%
Transfers	3,320,837	26.1%

The **Building Fund's** budget reflects an increase in development and construction activity. The fund's revenue for FY 2018-19 is budgeted at \$4,733,355 in current revenues and \$1,863,910 in beginning fund balance for a combined \$6,597,265 in available revenues. The fund's expenditures for FY 2018-19 consist of \$4,468,451 in operating expenditures, \$2,040,707 in operating contingency and \$88,107 in equipment replacement reserves. Salary, payroll taxes and fringe benefits costs total \$3,181,584 representing approximately 71.2 % of the Building Fund's current operating expenditures, and the operating contingency represents 45.7% of total operating expenditures.

The primary characteristics of the Building Fund for FY 2018-19 are as follows:

BUILDING FUND	FY 2018-19	% of Total Building Fund
Current Revenue	\$4,733,355	71.7%
Beginning Fund Balance	1,863,910	28.3%
Total Revenues	\$6,597,265	100.0%
Operating Expenditures	\$4,468,451	67.7%
Contingencies and Reserves	2,128,814	32.3%
Total Budget	\$6,597,265	100.0%
Personnel Services	\$3,181,584	48.2%

The **Capital Projects Fund** provides for improvements to the City’s street and transportation system, and it includes appropriations for FY 2018-19 projects that are included in the City’s Five-Year (FY 2018-19 through FY 2022-23) Capital Improvements Plan (CIP). Transfers from the General Fund, Street Fund, Storm Drain Fund and the Traffic Development Tax Fund along with Federal/State grants and Metro programs, provide the funding for the street and transportation construction projects. The FY 2018-19 CIP includes appropriations for the following street projects:

Project Number	Project Title	FY 2017-18 Budget Estimate	FY 2018-19 Budget
3106	Sidewalk Improvement Projects	\$305,000	\$1,328,000
3189	Traffic Calming	40,000	40,000
3192	Hocken Street Bridge	9,000	0
3223	Traffic Enhancement Projects	1,000	121,543
3224	155 th Ave. (Nora-Weir)	0	72,480
3302	Farmington Rd. (Murray-Hocken)	50,000	0
3307	Underground Utility Projects	28,000	509,849
3321	Westgate/Cedar Hills/Dawson Way Realignment	310,000	1,616,000
3328	Western Ave. (5 th – Allen) Improvements	264,000	319,000
3329	Murray/Allen Intersection Improvements	10,000	400,000
3407	Crescent Connection Multi-Use Path	1,991,000	128,000
3408	Hocken Ave. (RR Xing – Canyon Road) Widening	72,000	104,000
3410	Denney Rd Multi-Use Path	15,000	532,000
3411	Cedar Hills Bridget Pile Repair	0	150,000
3412	Beaverton Hillsdale Hwy Fiber Connection	53,000	0
3413	Hall Blvd Fiber Connection	0	45,000
	Subtotal Capital Projects Fund	\$3,148,000	\$5,365,872
	Street Reconstruction (Overlay) Program	1,828,850	2,700,000
	Grand total CIP and Overlay Program	\$4,976,850	\$8,065,872

The **Water Fund** is comprised of the Water Operating Fund, Water Debt Service Fund and Water Construction Fund. The Water Operating Fund accounts for expenditures in the maintenance, operation and administration of the water system. The Water Debt Service Fund accounts for the payment of bonded debt issued for the acquisition and construction of system improvements, while the Water Construction Fund accounts for capital expenditures incurred for construction and improvements to the water system.

The Water Operating Fund’s revenue for FY 2018-19 is budgeted at \$14,474,400 in current revenues and \$11,860,554 in beginning fund balance for a combined \$26,334,954 in available revenues. The fund’s expenditures consist of \$9,053,138 in current operating expenditures, \$265,450 in capital equipment purchases, \$4,296,250 in capital infrastructure improvements, \$2,293,004 Transfer to the Debt Service Fund , \$1,000,000 in Water Capacity Improvements as a transfer to the Water Construction Fund and \$9,427,112 in contingencies and reserves. The contingencies and reserves consist of \$7,984,944 in contingency for general operations, a dedicated contingency of \$500,000 for Joint Water Commission’s emergency needs, a rate stabilization reserve of \$600,000 and an equipment reserve of \$342,168.

The FY 2018-19 maintenance and replacement infrastructure improvements are:

Project Number	Project Title	FY 2017-18 Budget Estimate	FY 2018-19 Budget
3611	Joint Water Commission (JWC) Projects	\$995,325	\$1,882,250
3700	Maintenance and Replacement Projects	100,000	100,000
3701	Water System Improvements	3,116,500	2,314,000
	Total Water Fund CIP Program	\$4,211,825	\$4,296,250

The allocated resources ensure the City will continue to provide high quality water that meets the most stringent requirements of any standard setting association or regulatory agency. Sufficient resources are also budgeted to supply the quantity of water to meet today’s needs, to maintain required fire flow storage and to provide capacity for future growth. All revenues from water rate charges appear in the Water Operating Fund. The Water Debt Service Fund contains appropriations of \$2,293,004 for debt service and an unappropriated fund balance of \$72,854. This includes estimated principal and interest payments on the 2018 Series Water Revenue Bonds which are scheduled for a sale in June 2018.

The **Water Construction** budget accounts for construction to increase the capacity of the water system and includes appropriations of \$14,474,000 for construction projects and a dedicated contingency of \$5,654,121. Revenues from the \$21 million 2018 Series Water Revenue Bond issue and system development charges fund the construction projects as well as a loan from the Oregon Infrastructure Financing Authority (Safe Drinking Water Act). The FY 2018-19 construction projects are:

Project Number	Project Title	FY 2017-18 Budget Estimate	FY 2018-19 Budget
3620	Water Extra Capacity Improvements	\$910,500	\$1,275,000
3621	ASR No. 5 (IFA Loan)	200,000	1,100,000
3622	Cooper Mountain Reservoir No. 2 & Lines (Bond)	1,370,000	1,937,000
3623	Non-Potable Purple Pipe Projects	700,000	600,000
3625	Cooper Mountain Water SDC Projects	50,000	600,000
3627	Withdrawal of Areas from TVWD (Bond)	3,393,000	3,158,000
3631	Meridian Pump Station Replacement (Bond)	200,000	2,950,000
3636	Scoggins Dam Raise Project	2,000	4,000
3643	Willamette Water Supply Project (Bond)	200,000	2,000,000
3644	Cooper Mountain Extra Capacity Projects (Bond)	1,496,000	850,000
	Total Water Construction Fund CIP Program	\$8,521,500	\$14,474,000

Sewer Fund’s revenue for FY 2018-19 is budgeted at \$4,484,900 in current operating revenues, \$668,000 in contributions from Clean Water Services (CWS) for capital projects and \$7,959,486 in beginning fund balance for a combined \$13,112,386 in available revenues. The fund’s expenditures consist of \$ 3,635,066 in current operating expenditures, \$334,300 in capital equipment purchases, \$1,977,000 in capital infrastructure improvements, and \$7,166,020 in contingencies and reserves. The contingencies and reserves are comprised of \$2,331,061 in contingency for general operations, \$645,987 in reserves for future extra-capacity improvements, \$3,806,196 in reserves for the \$2 surcharge renewal program and an equipment reserve of \$382,776.

The City is a participant in an intergovernmental consortium for region-wide sewer services. The lead agency, CWS, operates and maintains the sewer treatment plants and all sewer lines 12 inches and greater in diameter. The City operates and maintains all sewer lines less than 12 inches in diameter within the City’s corporate boundary. CWS sets the sewer rate for the region. For FY 2018-19, CWS approved a 3.0% increase in the regional portion of the sewer rate. Beaverton now establishes its own local service rate. The participating cities bill and collect the sewer revenues and remit approximately 84% to CWS (called the district-wide portion) and retain approximately 16% for their operations (called the local portion). A 5% ROW fee is charged against all portions of the sewer rate.

The City's local portion of revenue is dedicated to operating the sewer system within its corporate boundary and, when combined with system development charges and the \$2 surcharge renewal program, provides for sewer system rehabilitation and system capacity improvements. The City's FY 2018-19 sewer capital improvement program includes the following appropriations:

Project Number	Project Title	FY 2017-18 Budget Estimate	FY 2018-19 Budget
3811	Sewer Extra Capacity Improvements (SDC)	\$528,274	\$225,000
3812	Cooper Mountain Sewer Infrastructure	561,000	804,500
3850	Replacement Projects (Funded by \$2 Surcharge)	682,000	947,500
	Total Sewer Fund CIP Program	\$1,771,274	\$1,977,000

Storm Drain Fund's revenue for FY 2018-19 is budgeted at \$6,168,950 in current revenues and \$10,916,055 in beginning fund balance for a combined \$17,085,005 in available revenues. The fund's expenditures consist of \$4,840,063 in current operating expenditures, \$92,650 for capital equipment purchases, \$3,490,000 in capital infrastructure improvements and \$8,662,292 in contingency and reserves. The contingency and reserves are comprised of \$2,525,489 in contingency for general operations, \$2,982,302 in reserves for future extra-capacity improvements, \$2,316,411 in reserves for the \$2 surcharge maintenance and replacement program and an equipment reserve of \$838,090.

The City is a participant in an intergovernmental consortium for region-wide storm and surface water management. The lead agency, CWS, is responsible for the region-wide facilities and the Surface Water Management (SWM) plan. The City is responsible for the sweeping streets and maintaining culverts, catch basins and detention facilities within its corporate boundary.

CWS establishes the monthly base fee amount for all jurisdictions within the CWS service area. Single-family residences are billed one Equivalent Service Unit (ESU) per month. For multi-family and commercial properties, the number of ESUs is determined by dividing its square footage of impervious area (i.e. roofs, parking lots, driveways) by 2,640. For FY 2018-19, CWS requests a \$0.50 increase to the current \$8.25 base charge for a new base charge of \$8.75 per month. Each jurisdiction will remit \$2.19 to CWS (25%) and will retain the balance of \$6.56 (75%).

In addition to the base charge, the City collects a \$2.00 per month surcharge per ESU. The surcharge generates approximately \$1.4 million annually and is dedicated to replace existing facilities that are failing or deficient. The surcharge revenue and revenue from system development charges provides funding for the surface water CIP. The FY 2018-19 capital improvement program includes the following appropriations:

Project Number	Project Title	FY 2017-18 Budget Estimate	FY 2018-19 Budget
3915	Storm Water Capacity - Conveyance Projects	\$48,000	\$370,000
3916	Storm Water Capacity - Quantity Projects	5,000	65,000
3917	Storm Water Capacity - Quality Projects	2,000	100,000
3950	Replacement Projects (Funded by \$2 surcharge)	428,692	2,955,000
	Total Storm Drain Fund CIP Program	\$483,692	\$3,490,000