

Mayor's Budget Message

- for the fiscal year 2019-20

The Honorable Denny Doyle, Mayor



The Best of Oregon

TO: The Budget Committee and the Residents of Beaverton:

As the Mayor and Budget Officer, it's a privilege to submit the city's budget for Fiscal Year 2019-20. 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."

I'm excited as we move into the next years with several of our important dreams being achieved. Construction is underway at the new Public Safety Center and we expect to reach the fund-raising goals for the Patricia Reser Arts Center. That will lead to construction of both it and the Central Beaverton parking garage to serve the arts center and surrounding area. The other significant event is the commitment Beaverton has made to a water resource in the Willamette River that will serve future generations. Joining with regional partners to form the Willamette Water Supply Commission represents a solid investment but requires a significant investment of approximately \$61 million. Coupled with other investments in the water system in new reservoirs and mains, I'd say that Beaverton's water future is very secure.

I want to recognize the vital role played by the City Council and the staff of the city in pursuit of these dreams. The City Council has consistently reviewed and developed priorities for budget and our overall legislative agenda that is forward thinking while it embraces legacy goals of the city, the Community Vision targets and the planning efforts of the last decade where those objectives became clear and attainable. The same objectives drive their interaction with boards and commissions as well as their engagement with residents in more informal settings such as the Night Market and "picnics in the park".

It is the city's talented staff that do so much, every day of the year, to make Beaverton successful. The employees are professional and engaged in their work. Citizens recognize their efforts with written and verbal feedback as well as service satisfaction surveys.

- In November-December 2017, the Library conducted a user satisfaction survey and received more than 3,200 replies. 95% of respondents said they were "very satisfied" or "satisfied" with library services (2.4% had no opinion.)
- Approximately 88 percent of respondents in a recent online Police Department (BPD) community survey indicated they were "very/somewhat satisfied" with the manner they were treated involving contact with an on-duty BPD member within the past two years.
- From a recent citizen survey we note that 88.5% rate the overall quality of life in Beaverton as excellent or good and 91.3% are likely to recommend their neighborhood to someone looking to move here

Two new department heads joined the City this past year and we appointed a new director of Mayor's Office Programs. The work of Glen Ferdman, Library Director, and Patricia Anderson-Wieck, Human Resources Director, has been fabulous. I also appreciate the work of Abigail Elder who moved from the Library to the Mayor's Office to direct that staff and assist me as Mayor Pro Tern. They've formed a terrific management team with more-veteran department heads as well as managers across the organization. Their good work is quite obvious in producing this disciplined and goal-oriented budget. Led by Public Works Director David Donaldson, that department is now one of only 150 similar organizations across the country who are accredited by the American Public Works Association. They join the ranks of the Police Department that has been accredited by Oregon Accreditation Alliance (OAA) since 2005.

It is the work of all Beaverton employees and volunteers that push our achievements. Sometimes it is an inter-departmental team that creates solutions such as the Homelessness Task Force recommending an emergency weather shelter, a practical program for addressing street camping and providing more resources for the Police Bike Patrol staff as they provide direct services to people coping with shelter, inclement weather and a myriad of health and social issues. Other successful teams have developed around issues of internal equity and diversity, growth, downtown design or the transfer of more than 4100 water services from an adjoining water utility. It is also the specialty municipal court programs for people with alcohol abuse/addiction assistance programs who may otherwise return to dangerous driving habits. There may also be service on a regional committee such as joining with community partners in addressing housing affordability challenges. Most often it is the thousands of quick responses by an individual employee or work unit to an application for service, a request for documents, an eviction, a water main leak or a fair adjudication of a citation for speeding through a red light at an intersection. We do all this by demonstrating our values to be a welcoming, friendly, active, responsive and safe community.

REVENUE TRENDS

Beaverton's revenue trends are generally up over past years. Assessed valuation is rising and Building Fund revenue should top the \$4.8 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 (BURA), are buoyed by substantial private sectors investments driving projections to become one of Oregon's best performing urban renewal agencies.

The City's property taxes are expected to grow approximately 2.77% due to increases in assessed value (AV) of property while maintaining a tax rate of \$4.22 per \$1000 AV for operating purposes. The AV within the urban renewal district is growing at a faster rate (17.9%). Revenue from utility and telecom users of the streets and other rights-of-way (ROW) continue to expand and is an important resource for the city and especially the Street Fund's street lighting program. AV and property tax growth across the county are driving increases in the funds provided to Beaverton from Washington County as a member of the Washington County Cooperative Library System (WCCLS). Gas tax and vehicle registration fees are growing slightly but are not sufficient to meet all of the city's transportation system long-term plans and needs.

Another financial focus is the \$21 million Water Revenue bond sold in June 2018. 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 serving an additional 4,300 customers who are city residents but were served by a separate water district operating within the city limits. Effective July 1, 2018, those service territories were withdrawn from the Tualatin Valley Water District and transfer of service responsibilities commenced. Their consumption is driving a significant jump in water sales. A follow-on Water Revenue Bond is proposed for June 2020. This \$30 million bond will pay for the initial obligations for joining the Willamette Water Supply System as well as additional, traditional assets for the city's system generated from a new Water System Master Plan. The additional bond will require a higher water rate increase than initially planned for FY 19-20.

Fundraising and design continues for the Patricia Reser Center for the Arts (PRCA), Beaverton's next great space that will serve as a centerpiece for the region. The 6.5% Lodging Tax, which will help fund and operate the Center, is proving to be the reliable source we projected. There are three new hotels being built and two more are in the pre-development application 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. Two related bond measures are planned once the fundraising goals are met - a \$21 million lodging tax based special revenue bond for the PRCA and a special revenue bond backed by the urban renewal tax increment.

The Finance staff is developing a methodology to expand the fragmented approach of long-term revenue and expenditure forecasts to a more comprehensive model. The initial model will focus on the General Fund.

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 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 operational property tax levy is steady at a rate of \$4.22 per \$1000 AV. The city doesn't levy its fully authorized, permanent rate of \$4.62 per \$1000 of assessed valuation. In addition, a levy of \$0.20 supports the General Obligation bonds which financed the new Public Safety Center.

There are several changes in the fund structure of the city for the coming year. The Arts Center Gift and Donations fund will terminate as the Beaverton Arts and Culture Foundation has achieved the desired operational standard so there is no need for the city to directly handle any pledges for the facility. The Street Lighting Fund is terminated and its activities become one of the programs within the Street Fund (#101). Previously the Street Lighting Fund was allocated a portion of the property tax levy (\$1.2 million in FY 18-19). Going forward the General Fund will retain those taxes and instead, transfer an equivalent amount of ROW fees for street lighting purposes to the Street Fund.

ANNUAL CITY PRIORITIES

The City's budget is developed in pursuit of its goals and community vision as interpreted and articulated in the annual priorities for the Mayor and City Council. Exhibit 1 illustrates how the goals, vision targets and priorities are related and build on one another. As such, we have chosen to correlate the activities of the various departments within their budgets more to the annual priorities and the community vision than the broad goals. In some cases there are also references, within a particular program or fund, to the priorities developed in a respective department's strategic plan.

City Council Goals:

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

City Council 2019 Priorities:

- Pursue a Beaverton Behavioral Health Court.
- Broaden the city's five-to-ten-year capital improvement plan to include all aspects of the rights-of-way (e.g., ramps, sidewalks, bike lanes and street lights)
- Focus on transportation technology planning and initial deployment.
- Plan for the renovation of the Griffith Drive building.
- Recruit and coordinate more partners to address issues of homelessness.
- Promote emergency preparedness at the neighborhood level.
- Build stronger relationships among local special districts.
- Ensure that sidewalk projects and similar public improvements benefit different areas of the city.
- Evaluate policies for managing city-owned property.
- Prepare a long-range budget plan or philosophy to address foreseeable major expenses.

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 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
- 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 \$21 million Special Revenue Bond for the Patricia Reser Center for the Arts backed by revenues generated by the lodging tax and a \$30 million Water Revenue Bond, Series 2020. In the near future, BURA intends to issue a Special Revenue Bond to pay off the 2017 Line of Credit plus several million dollars for the balance of funds needed for the Central Beaverton Parking Garage.

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 (23% of all current operating revenue), charges for services such as utility fees (28%) and intergovernmental sources such as liquor and vehicle fuel taxes (15%). The property tax is based on the assessed valuation of property not real market value. For FY 2018-19, a residential property's taxable assessed value (AV) was approximately 61 % 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 35%. A number of recent sales of large apartment complexes occurred at substantially higher prices than expected. That type of transaction drives the RMV upward while doing little for the AV of that class of property.

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. Recent operating levy rates are:

FY 2010-11	\$3.97	FY 2013-14	\$4.15	FY 2016-17	\$4.17
FY 2011-12	\$3.97	FY 2014-15	\$4.18	FY 2017-18	\$4.17
FY 2012-13	\$4.02	FY 2015-16	\$4.18	FY 2018-19	\$4.22

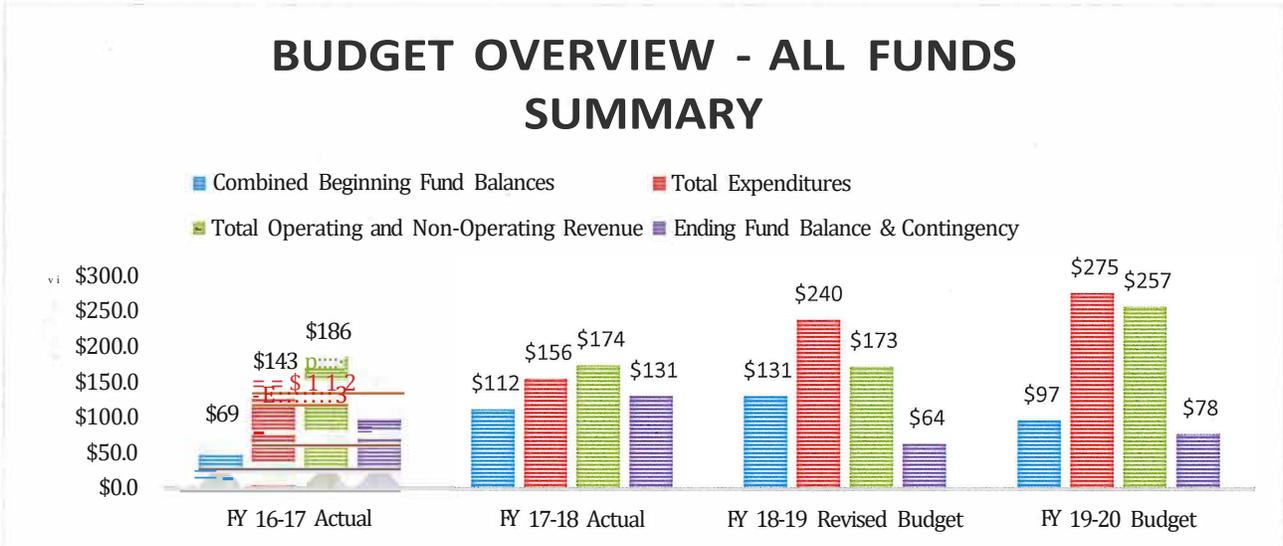
\$4.2260 is the levied tax rate for operations in the FY 2019-20 budget. When added to the levy for bonded debt of \$0.1997, this results in a total tax rate of \$4.4257, which is identical to the total tax levy rate in the current fiscal year. The breakdown of the levy components for the current year and the coming year is as follows:

Levy Rate Allocation	FY 2018-19	FY 2019-20	Change
General Fund	\$3.7340	3.8643	\$0.1303
Library	0.3617	0.3617	0.0000
Street Lights	0.1248	0.0000	(0.1248)
Sub-total Operating Levy	\$4.2205	4.2260	\$0.0055
GO Debt Service - Library	\$0.1107	0.0000	\$ (0.1107)
GO Debt Service - Public Safety	0.0945	0.1997	0.1052
Subtotal GO Debt Service	\$0.2052	0.1997	\$0.0055
Total City Tax Levy	\$4.4257	\$4.4257	\$0.0000

This \$4.2260 tax rate will generate \$41,202,732 in net property tax receipts for general government operations allocated to the General Fund and the Library Fund. The City will also receive \$1,945,621 for general obligation debt service for total property tax receipts of \$43,148,353. The Beaverton Urban Redevelopment Agency (BURA) should receive approximately \$4,211,820 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 688 acres and the assessed valuation of the properties was more than \$98 million (calculated at the time of annexation).

This graph illustrates the relative size of the major components of the budget combining all the funds into one illustration.



Together with the property taxes discussed above and all other revenue sources, the city's FY 2019-20 budget totals \$353,329,212. The significant increase from FY 2018-19 is mostly reflected in the recognition of the proceeds of pending bond sales and the impact of an increased demand for water. 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:

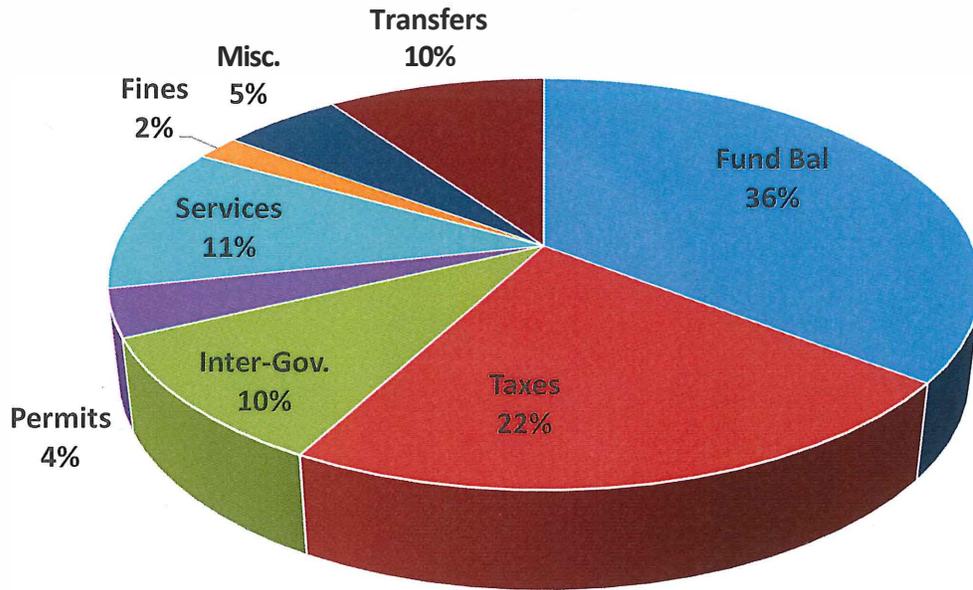
**Combined City of Beaverton Revenues, Expenditures and Fund Balances
City and the Urban Redevelopment Agency (BURA)**

REVENUES	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Budget	FY 2018-19 Estimated	FY 2019-20 Recommended
Taxes & Franchise/ROW Fees	\$52,771,662	56,498,014	\$58,637,136	\$ 9,982,531	\$60,966,769
Intergovernmental	18,579,495	18,848,646	22,481,849	21,565,646	27,432,889
Permits and Fees	8,821,479	8,288,871	10,173,580	11,288,983	10,241,550
Charges for Services	33,470,804	34,457,066	36,321,838	37,121,431	43,162,074
Fines and Forfeitures	5,045,664	4,800,749	4,994,116	4,151,596	5,262,216
Interest Inc. & Miscellaneous	8,402,344	6,494,635	7,733,020	7,549,526	14,301,629
Inter-Fund Transfers In	20,382,674	23,120,964	27,925,294	28,409,480	26,314,139
Proceeds From Financing Activities	38,452,459	21,879,201	4,483,427	3,823,592	68,928,934
Subtotal Revenues	<u>\$185,926,581</u>	<u>174,388,146</u>	<u>\$172,750,260</u>	<u>\$173,892,785</u>	<u>\$256,610,200</u>
Beginning Fund Balance or Working Capital	<u>68,958,183</u>	<u>112,336,510</u>	<u>130,864,743</u>	<u>130,864,743</u>	<u>96,719,012</u>
Total City & BURA Revenues and Beginning Fund Balance	<u><u>\$254,884,764</u></u>	<u><u>\$286,724,656</u></u>	<u><u>\$303,615,003</u></u>	<u><u>\$304,757,528</u></u>	<u><u>\$353,329,212</u></u>
	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Budget	FY 2018-19 Estimated	FY 2019-20 Recommended
EXPENDITURES					
Personnel Services	\$63,881,548	66,991,200	\$76,550,894	\$70,905,626	\$79,655,585
Materials and Services	40,789,268	38,699,384	49,513,227	45,133,234	55,453,407
Capital Outlay	12,369,683	21,153,575	76,580,756	54,410,719	107,905,068
Debt Service	5,125,081	5,894,790	9,096,293	9,179,457	6,140,853
Inter-Fund Transfers Out	20,382,674	23,120,964	27,925,294	28,409,480	26,314,139
Subtotal Expenditures	<u>\$142,548,254</u>	<u>155,859,913</u>	<u>\$239,666,464</u>	<u>\$208,038,516</u>	<u>\$275,469,052</u>
Ending Fund Balances (Contingency and Ending Working Capital)	<u>112,336,510</u>	<u>130,864,743</u>	<u>63,948,539</u>	<u>96,719,012</u>	<u>77,860,160</u>
Total City & BURA Expenditures and Ending Fund Balances	<u><u>\$254,884,764</u></u>	<u><u>\$286,724,656</u></u>	<u><u>\$303,615,003</u></u>	<u><u>\$304,757,528</u></u>	<u><u>\$353,329,212</u></u>

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

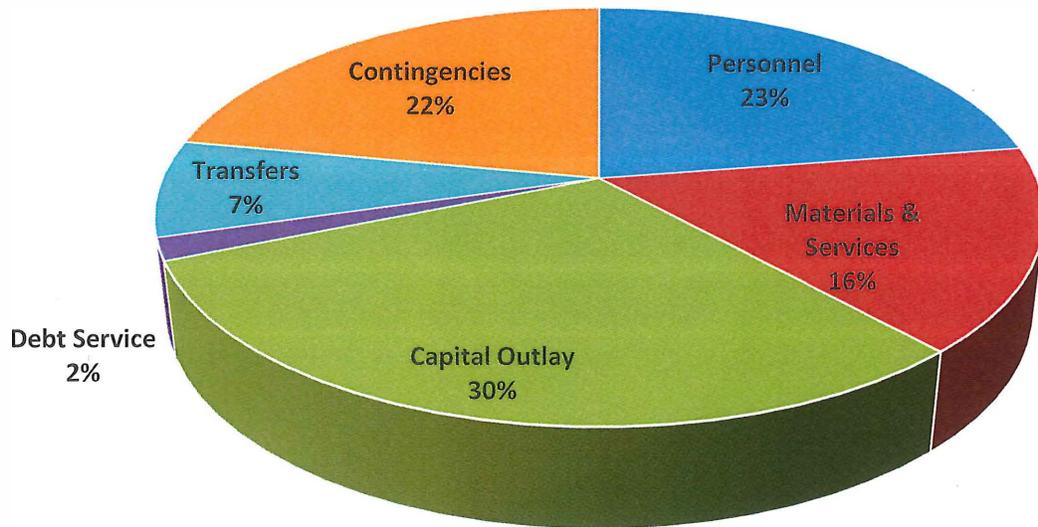
REVENUES	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Budget	FY 2018-19 Estimated	FY 2019-20 Recommended
City					
Taxes & Franchise/ROW Fees	\$50,745,783	\$53,445,709	\$54,977,139	\$56,356,601	\$56,737,949
Intergovernmental	18,579,495	18,848,646	22,481,849	21,565,646	27,432,889
Permits and Fees	8,821,479	8,288,871	10,173,580	11,288,983	10,241,550
Charges for Services	33,470,804	34,457,066	36,321,838	37,121,431	43,162,074
Fines and Forfeitures	5,045,664	4,800,749	4,994,116	4,151,596	5,262,216
Interest Inc. & Miscellaneous	8,371,230	6,385,076	7,550,720	7,329,226	13,316,029
Inter-Fund Transfers In	20,167,763	22,254,859	24,385,367	24,786,388	25,495,305
Proceeds Financing Activities	35,347,473	21,152,912	1,100,000	357,000	52,272,000
Subtotal Revenues	<u>\$180,549,691</u>	<u>\$169,633,888</u>	<u>\$161,984,609</u>	<u>\$162,956,871</u>	<u>\$233,920,012</u>
Beginning Fund Balance or Working Capital	<u>67,077,220</u>	<u>109,200,590</u>	<u>126,258,715</u>	<u>126,258,715</u>	<u>93,553,842</u>
Total City Revenues and Beginning Fund Balance	<u><u>\$247,626,911</u></u>	<u><u>\$278,834,478</u></u>	<u><u>\$288,243,324</u></u>	<u><u>\$289,215,586</u></u>	<u><u>\$327,473,854</u></u>
BURA					
Division of Taxes	\$2,025,879	3,052,305	\$3,659,997	\$3,625,930	\$4,228,820
Interest Inc. & Miscellaneous	31,114	109,559	182,300	220,300	985,600
Inter-Fund Transfers In	214,911	866,105	3,539,927	3,623,092	818,834
Proceeds Financing Activities	3,104,986	726,289	3,383,427	3,466,592	16,656,934
Subtotal Revenues	<u>\$5,376,890</u>	<u>\$4,754,258</u>	<u>\$10,765,651</u>	<u>\$10,935,914</u>	<u>\$22,690,188</u>
Beginning Fund Balance or Working Capital	<u>1,880,963</u>	<u>3,135,920</u>	<u>4,606,028</u>	<u>4,606,028</u>	<u>3,165,170</u>
Total BURA Revenues and Beginning Fund Balance	<u><u>\$7,257,853</u></u>	<u><u>\$7,890,178</u></u>	<u><u>\$15,371,679</u></u>	<u><u>\$15,541,942</u></u>	<u><u>\$25,855,358</u></u>
Total City & BURA Revenues and Beginning Fund Balance	<u><u>\$254,884,764</u></u>	<u><u>\$286,724,656</u></u>	<u><u>\$303,615,003</u></u>	<u><u>\$304,757,528</u></u>	<u><u>\$353,329,212</u></u>
EXPENDITURES					
City					
Personnel Services	\$63,881,549	\$66,991,200	\$76,550,894	\$70,905,626	\$79,655,585
Materials and Services	39,110,353	37,998,065	47,361,384	43,617,754	53,452,672
Capital Outlay	10,386,597	20,427,285	73,197,329	50,944,127	90,498,134
Debt Service	4,910,171	5,028,685	5,556,366	5,556,365	5,322,019
Inter-Fund Transfers Out	20,137,652	22,130,528	24,236,851	24,637,872	25,128,205
Subtotal Expenditures	<u>\$138,426,322</u>	<u>\$152,575,763</u>	<u>\$226,902,824</u>	<u>\$195,661,744</u>	<u>\$254,056,615</u>
City Ending Fund Balances (Contingency and Ending Working Capital)	<u>109,200,589</u>	<u>126,258,715</u>	<u>61,340,500</u>	<u>93,553,842</u>	<u>73,417,239</u>
Total City Expenditures & Ending Fund Balances	<u><u>\$247,626,911</u></u>	<u><u>\$278,834,478</u></u>	<u><u>\$288,243,324</u></u>	<u><u>\$289,215,586</u></u>	<u><u>\$327,473,854</u></u>
BURA					
Materials and Services	\$1,678,915	\$701,319	\$2,151,843	\$1,515,480	\$2,000,735
Capital Outlay	1,983,086	726,290	3,383,427	3,466,592	17,406,934
Debt Service	214,910	866,105	3,539,927	3,623,092	818,834
Inter-Fund Transfers Out	245,022	990,436	3,688,443	3,771,608	1,185,934
Subtotal Expenditures	<u>\$4,121,933</u>	<u>\$3,284,150</u>	<u>\$12,763,640</u>	<u>\$12,376,772</u>	<u>\$21,412,437</u>
Ending Fund Balances (Contingency and Ending Working Capital)	<u>\$3,135,920</u>	<u>\$4,606,028</u>	<u>2,608,039</u>	<u>3,165,170</u>	<u>4,442,921</u>
Total BURA Expenditures & Ending Fund Balances	<u><u>\$7,257,853</u></u>	<u><u>\$7,890,178</u></u>	<u><u>\$15,371,679</u></u>	<u><u>\$15,541,942</u></u>	<u><u>\$25,855,358</u></u>
Total City & BURA Expenditures and Ending Fund Balances	<u><u>\$254,884,764</u></u>	<u><u>\$286,724,656</u></u>	<u><u>\$303,615,003</u></u>	<u><u>\$304,757,528</u></u>	<u><u>\$353,329,212</u></u>

FY 2019-20 Revenues by Type



Fund Bal Taxes Inter-Gov. Permits Services Fines Misc. Transfers

FY 2019-20 Expenditures by Type



Personnel Materials & Services Capital Outlay Debt Service Transfers Contingencies

EXPENDITURE TRENDS

The size of the entire pie has grown over the past few years and there is a shift in relative size of the slices. There are 43 more employees (FTE) in the FY 19-20 budget than there were in FY 16-17 and Personnel Expenses are up more than \$15 million annually over that period. It is Capital Outlay spending that is seeing the largest increase. Comparing FY 16-17 and FY 19-20, there is a difference of more than \$95 million. Driving the changes in Capital Outlay expenditures are the projects associated with bond measures: Public Safety Center, Central Beaverton parking garage, Patricia Reser Center for the Arts and various water system improvements.

The budget for FY 2019-20 compared to FY 2018-19 contains an increase in employee counts. In total, the full time equivalent (FTE) count increases by a net of 12.55 FTE. The budget reflects a citywide FTE count of 599.01. There is also a limited number of position reclassifications reflected in the budget.

The General Fund reflects a net increase of 6.5 FTE positions comprised of a variety of additions and reductions of staff:

- Court - 1 FTE Judicial Assistant
- Facilities - 1 FTE Facilities Maintenance Technician for the new Public Safety Building
- Events - 1 FTE Support Specialist in the Events Program
- Finance - (0.5 FTE) reduction in Assistant Finance Director positions
- Human Resources - 0.5 FTE Human Resources Assistant
- Community Development
 - o 1 FTE Assistant Community Development Director
 - o 1 FTE Program Coordinator to assist with Real Estate Activities (Funded 50% by BURA)
 - o 1 FTE Planning Technician (Limited Duration 2-Year Position)

Changes in FTE in other funds are as follows:

- Street Fund - 1 FTE Program Coordinator
- Library- 0.05 FTE Library Reference Assistant
- Water Fund - Water Utility 1 FTE Project Engineer
- Sewer Utility
 - o 1 FTE Public Works Technician
 - o 0.5 FTE Public Works Lead (The other 0.5 FTE is in the Storm Utility)
- Storm Utility
 - o 1 FTE Public Works Technician
 - o 0.5 FTE Public Works Lead (The other 0.5 FTE is in the Sewer Utility)
- Information Systems Fund - 5 FTE Web Analyst Position (brings the position to a 1.0 FTE)
- Public Works Administration Fund - 1 FTE Assistant Public Works Director

The city reached agreement with the Service Employees International Union (SEIU) for general employees for a new three-year agreement running until June 30, 2021. The agreement allows modest cost-of-living increases over the period and offers important cost controls on health insurance premiums. The city's labor contract with the Beaverton Police Association (BPA) expired June 30, 2018. Negotiations have concluded. A tentative agreement has been reached by the BPA and ratification by the City Council is pending consideration at their meeting on May 7, 2019. The new contract will expire on June 30, 2022.

Spending in the Materials and Services category increased slightly from the current year. This primarily reflects the use of more professional and contractual services for development related services such as field inspections and engineering design.

Spending on sanitary sewer and storm water utilities are consistent with previous years. Water system investments continue to be the driver of Capital Outlay expenses. 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. The city is a minority partner in several related joint ventures where the investment will exceed \$65 million when completed in a few years. In addition to the facility related bonds described above, Beaverton also shares in the regional Affordable Housing Bond program and the budget contains \$3 million in bond proceeds for an initial project with a private developer in the Old Town area.

During the budget development phase this year, the focus was on the General Fund. More than \$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.

There is another significant increase in PERS rates for the FY 2019-20 and FY 2020-21. PERS contributions reflect an increase of 2.84% of payroll or \$1.2 Million in FY 19-20. As usual, the PERS contributions appear as a portion of the "Fringe Benefit" account in each respective program budget with Personnel Expenses.

For the fiscal year FY 2018-19, the decrease between the initial estimated Beginning Fund Balance of \$130,864,473 and the estimated Ending Fund Balance of \$96,719,012 is \$34,145,731. The decrease reflects spending down the bond proceeds for the Public Safety Center by about \$22 million and the bond proceeds of the 2018 Water Revenue Bond by about \$10 million projected to June 30, 2019.

In the FY 2019-20 budget, the decrease between a Beginning Fund Balances of \$96,719,012 and the Ending Fund Balances of \$77,860,160 is \$18,858,852. The decrease between the beginning and ending fund balances is mainly due to the following:

- Continued spending on construction of the Public Safety Center by approximately \$11.9 million
- Continued spending on design and initial construction phases of the various water transmission, distribution and storage assets for the water system by about \$2.9 million

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 **97,000** effective July 1, 2018. 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 2018-19, the city expects to receive approximately \$106 per capita from the State, which totals \$ 10,316,000 based upon the average population for the year of 97,000. For FY 2019-20, Beaverton's population estimate is **98,050** and should generate approximately \$10,543,000. 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, 2018. 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, 2019 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 2018-19 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 2019-20 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

In 2018 Beaverton was named one of the Top 10 Best Places to Raise a Family by Livability.com (3rd place). This follows successive years of similar recognition by MONEY magazine. Mayor Doyle recognized with Bridge Building Award by Bridge Meadows. Bridge Meadows is a unique residential development creating an affordable home for seniors and foster children who benefit from some extra attention and care. Beaverton has a vibrant program supporting the various areas of the community. Two neighborhood associations received awards from Neighborhoods USA. Continuing with Beaverton's past recognition from this organization, the city received two awards from 3CMA for 2018 State of the City video. The video <https://www.youtube.com/watch?v=ROF-i-v6bc> has a Star Wars theme featuring wise Mayor Doyle and Billy the Beaver as the Chewbacca character.

CLOSING COMMENTS

A strong economic, cultural and social base is necessary to maintain and continue to improve our strength as a city. The FY 2019-20 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 of construction in the Beaverton Central area with a hotel and other commercial development, the Patricia Reser Center for the Arts and a parking garage. The long awaited Public Safety Center will open in the spring of 2020. As evidence of the strong economy, the unemployment rate for the City of Beaverton is estimated at 3.7%. 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, Assistant Finance Director Dave Waffle, 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 fees 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 City Council and Budget Committee's approval of this budget so we can jointly pursue our goals.

Sincerely,

A handwritten signature in blue ink, appearing to read "Denny Doyle". The signature is fluid and cursive, with the first name "Denny" and last name "Doyle" clearly distinguishable.

Denny Doyle, Mayor

Goals		Community Vision Targets		2019 Priorities				
1	<i>Preserve and enhance our sense of community</i>	Foster and promote a common sense of community identity.	Establish and grow Beaverton's identity as a premier destination for arts and culture.					
2	<i>Continue to plan for, improve, and maintain the City's infrastructure</i>	Improve traffic flow and maintain a first-class road system.	Make Beaverton pedestrian and bicycle friendly.		Broaden Capital Improvement Plan to include bike lanes, sidewalks, streetlights, and ramps	Maximize use of city-owned properties, including the Griffith Drive Building	Continue to expand sidewalks with a whole-city approach	Plan for and deploy new transportation technologies
3	<i>Maintain Beaverton as a regional leader in cooperative efforts with other agencies and organizations</i>	Act to reduce homelessness and poverty.	Enhance regional and local transit options and facilities		Build stronger relationships with local special districts	Work with partners to address issues of homelessness		
4	<i>Manage growth and respond to change consistent with maintaining a livable, full-service city</i>	Improve "look and feel" citywide.	Promote and facilitate healthy lifestyles and community wellness.	Create a recognizable, vibrant, walkable mixed-use downtown	Pursue a behavioral court			
5	<i>Assure a safe and healthy community.</i>	Invest in quality care and services for seniors	Be a national leader in sustainable practices and programs.	Create walkable neighborhoods with convenient and safe access to amenities and services.	Promote emergency preparedness at the neighborhood level			
6	<i>Provide and support a highly qualified and motivated City workforce.</i>	Foster a top-tier public education system.	Foster a dynamic, comprehensive workforce development system					
7	<i>Provide responsive, cost-effective service to the community</i>	Maintain a safe and resilient community	Preserve and grow the library's role as a diverse community learning center.					
8	<i>Use City resources efficiently to ensure long-term financial stability</i>	Foster a diverse and vibrant economy	Promote healthy, managed growth and development.		Prepare long-range budget plan for upcoming major projects and expenses			