

CITY OF BEAVERTON BUDGET MESSAGE

FISCAL YEAR 2019-20

GUIDELINES & SUPPLEMENTARY BUDGET DETAIL

FY 2019-20 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: Being “Open for Business” is working. A variety of indicators demonstrate that Beaverton’s economy is strong. The Nike and Intel expansions, around Washington County, are exceeding expectations for employment and capital investment. The February 2019 unemployment rate in the county is 3.7%. Recent data shows that the county’s job growth out-paced the other two counties to lead the region and the state. The accompanying graph illustrates job growth over the past year in most sectors.

Modernizing the Development Review Process (DRP) is a multi-year major initiative for the city. The Community Development Department has created the ability for contractors, developers or any property owner to submit an on-line application for almost any phase of the development process, along with plan documents. The DRP project team will now seek to acquire and implement an integrated software application for the entire development permit process including on-line payments and more sophisticated document archiving and retrieval of permit data. The responses from members of the development community has been extremely positive as they see significant improvements in the efficiency of the process.

There is a continuing trend of private investment in the City with many new development applications submitted and approved by the Planning Commission. With the opening of several subdivisions, including in the South Cooper Mountain area, new single-family permit activity has blossomed. In the first half of FY 18-19, 84 permits were issued with another 176 applications for new home having been submitted to the Building Division. This level is expected to continue through FY 19-20 with the opening of additional subdivisions in the South Cooper Mountain Area. Multi-family development is expected to continue at a strong pace into FY 19-20. Multi-family projects that are expected to begin in the spring of 2019 and continue through FY 19-20 are: South Cooper Mountain area; 2nd and Lombard; Murray and TV Highway; Murray and Hwy 26; and 158th and Jay.

New commercial permit activity in FY 18-19 has seen applications for three multi-story hotels, a new elementary school, the New Public Safety Building, a parking structure associated with the South Cooper Mountain apartment project and a new multi-story self-storage building. Projects expected in FY 19-20 are: the last new elementary

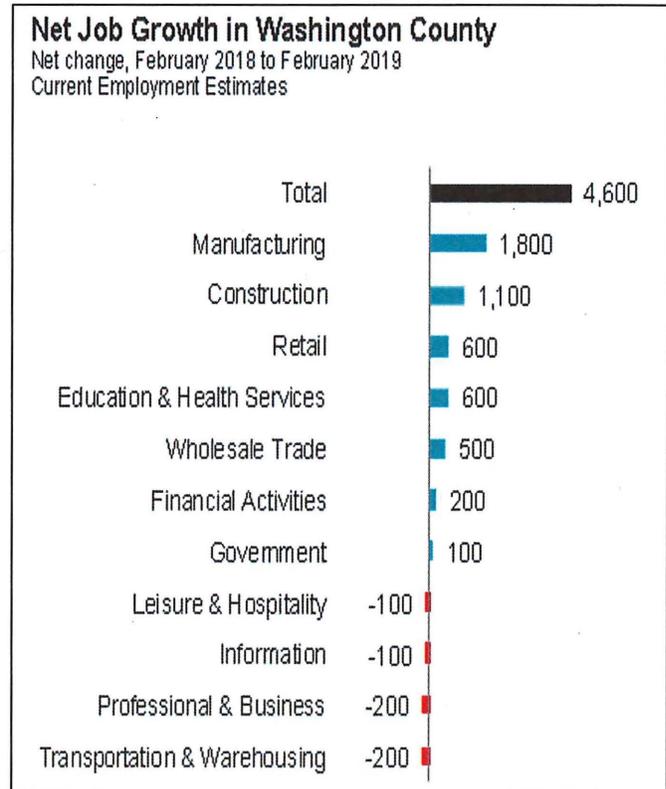


Figure 1 Source: Oregon Employment Department's Workforce and Economic Research Division

school in the Beaverton School District bond measure (2014 series); the Patricia Reser Center for the Arts; a new fitness and tennis center and associated parking structure; and more new lease-space building in the Cedar Hills Crossing project.

All of these speak to Beaverton’s growth as a regional attraction. Central Beaverton and the greater downtown area has also developed a reputation for great food with 49 independently owned restaurants, including 12 new restaurants that opened in 2018 alone. The City supported restaurants and other businesses with storefront grants and tenant improvement dollars; place-making grants brought attention and people downtown. The City’s Urban Renewal program, Beaverton Urban Redevelopment Agency (BURA), is becoming a major player with real estate development inside its 997-acre district. BURA expanded its property holdings in the block between Canyon Road and Millikan Way astride Beaverdam Road with acquisition of the Adelphos Holdings/Best HQ property to provide more than 2 acres for redevelopment. BURA also acquired a vacant parcel on Broadway @ East for a park (as an interim use) and the former Beaverton Bank building at Farmington Road @ Watson Avenue. That building will be sold for redevelopment.

This graph illustrates the trend of business license fees for 10 years. 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 2018-19 and FY 2019-20 reflect budgeted values (B) in this and the other graphs.

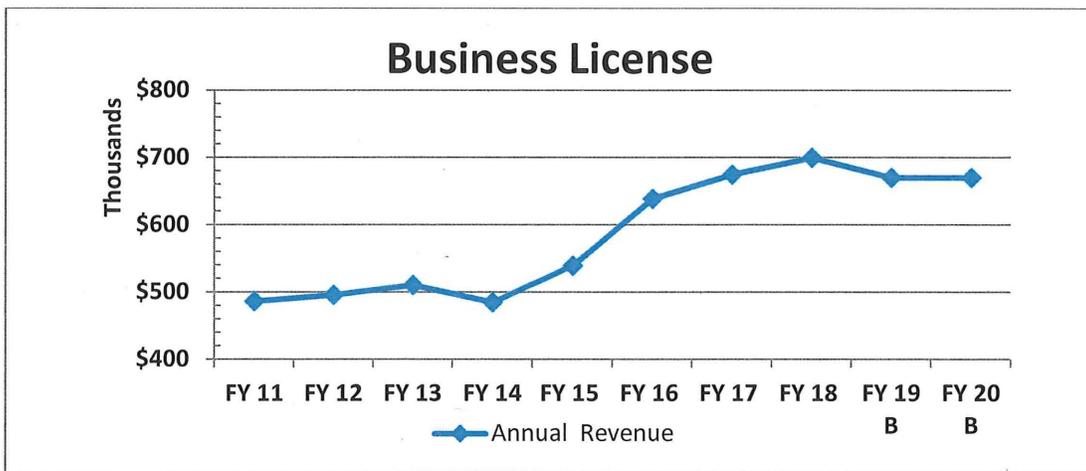


Figure 2:

Nationally and in Oregon, there are long-term positive economic trends, but the estimates are somewhat buffered by uncertainties at the federal level and an attempt at tax reform and PERS funding within Oregon. Corporate, personal, estate, marijuana and liquor revenue continue to trend upward, statewide. Listening to the city’s investment advisor: The Fed repeated their message of “patience” concerning future interest rate increases while confirming their expectations of more increases in the fed funds rate for 2019. In past Federal Open Market Committee meetings, the word “patience” resulted in no increase at the next meeting. The usage this time most likely indicates a pause until summer.

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 is stable.

The State’s economist staff suggests that the housing supply and affordability challenges truly are statewide issues. The increase in new construction activity in recent years has barely kept pace with the increase in population growth. A market imbalance remains. That said, Portland is rebalancing and the supply of new apartments is beginning to hold down rents. However these trends are not yet seen elsewhere in the state. Over the next couple of years, with a little more new construction, and slowing population gains, such trends should become evident in other markets,

but we are not quite there yet. 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 has seen the volume of building permits constrained by a lack of building sites in past years. That has changed as the land at South Cooper Mountain is ready for construction after a season for installation of infrastructure and construction plan review. The following graph shows Building Fund permit revenues over the past 10 fiscal years. A significant increase is expected in the coming year.

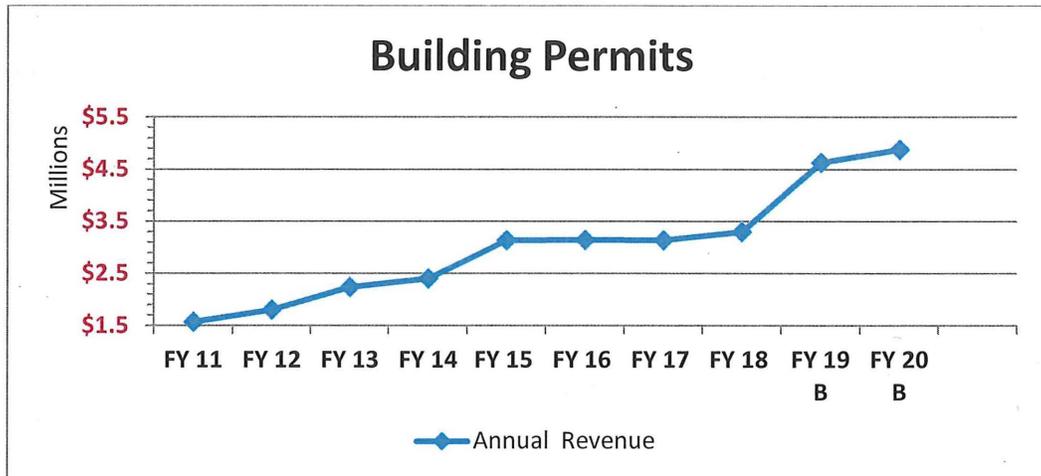


Figure 3:

The larger magnitude of development activity in recent years is expected to continue. Building Permit revenue shows steady increases and FY 19-20 revenue projections are expected to reach a record setting \$4.8 million. The expected value of new building construction is more than \$285 million.

Fiscal Year	Building Permit Revenue
2014-15	\$3,140,649
2015-16	3,150,874
2016 -17	3,142,805
2017 -18	3,299,994
2018-19 Estimated	4,141,875
2019-20 Budgeted	4,883,125

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 \$4.23 per thousand dollars of assessed valuation (AV). The rate should generate \$41,202,732 in net property tax receipts based upon an estimated assessed valuation of \$10.5 billion. The \$4.2260 tax rate is 93% of the City's \$4.62 permanent rate tax authority. The increment between the levy of \$4.2260 and the \$4.62 permanent rate is \$0.3880, and when applied to the estimated assessed valuation, it would produce an additional \$3.9 million dollars in property tax revenues. This additional unused tax authority provides the City with sufficient resources to meet future needs.

Rights 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 expected growth projected for FY 2019-20 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 \$1.6 million annually. A 2016 rights-of-way license ordinance covers additional telecomm firms and several water districts who serve portions of the city. This new license requirement should produce an additional \$600,000 annually.

The city uses portions of its ROW fees for street maintenance, street lighting 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.

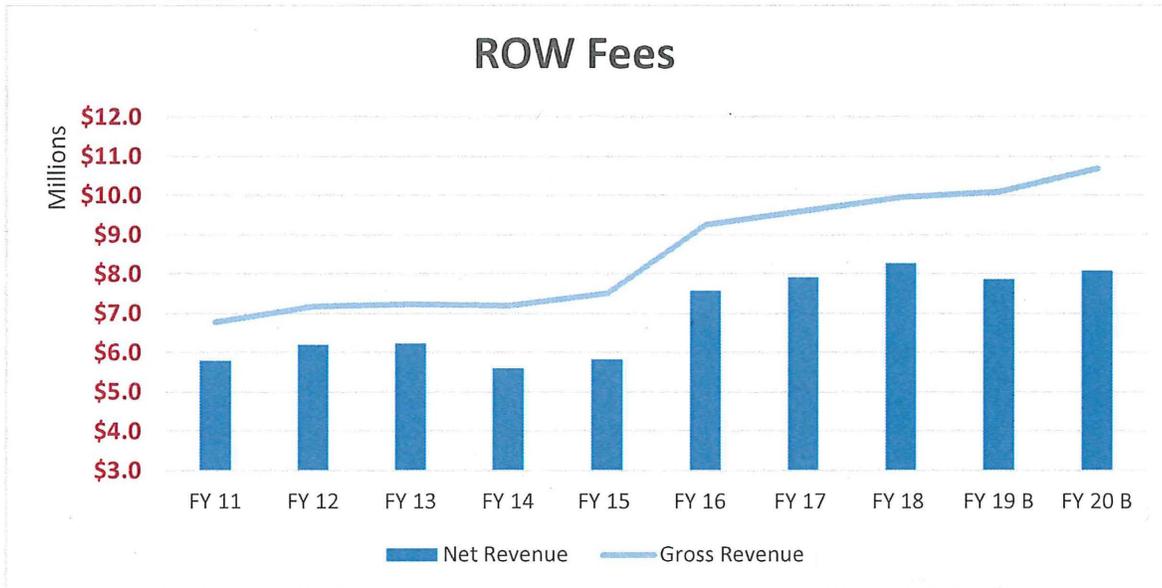


Figure 3:

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+ General Obligation (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 141 sworn police officer positions to maintain a healthy ratio of 1.44 officers per 1,000 of population. The Police Department budget is \$33.6 million. That is 46% of the General Fund’s operating appropriations and 24.8% of the citywide overall personnel services and materials and services budgets.

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 61% of the current operating revenues for the City’s Library. The FY 2019-20 budget includes WCCLS funding of \$6.0 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 modestly higher than in FY 2018-19 and should yield about \$3.5 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.

There is a substantial change in the **Street Lighting Fund** as the fund will be terminated and become a program within the Street Fund. Instead of receiving an allocation of property taxes, an equivalent amount of ROW fees will be transferred to the Street Fund. The General Fund will retain the amount of property taxes historically (circa 1949) levied for street lighting. The use of ROW fees for street lighting reinforces the relationship between the fees paid for use of the ROW by utilities and the benefit of lighting.

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, but not exclusive, 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. Since FY 2017-18, the pattern of periodic increases resumes. The consumption rate increases by 40¢ to \$3.57 per 100 cubic feet of water and the base rate increases by \$1 to \$16 per month for the standard residential meter effective July 1, 2019. 100 cubic feet of water is equal to 1 CCF and one CCF is equivalent to 748 gallons. Of the 40¢ increase, 30¢ is dedicated to support the debt service on a new \$30 million water revenue bond issue scheduled for late FY 2019-20. 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 consumption in the most recent years but now showing the effects of adding more than 4300 customers to the system.

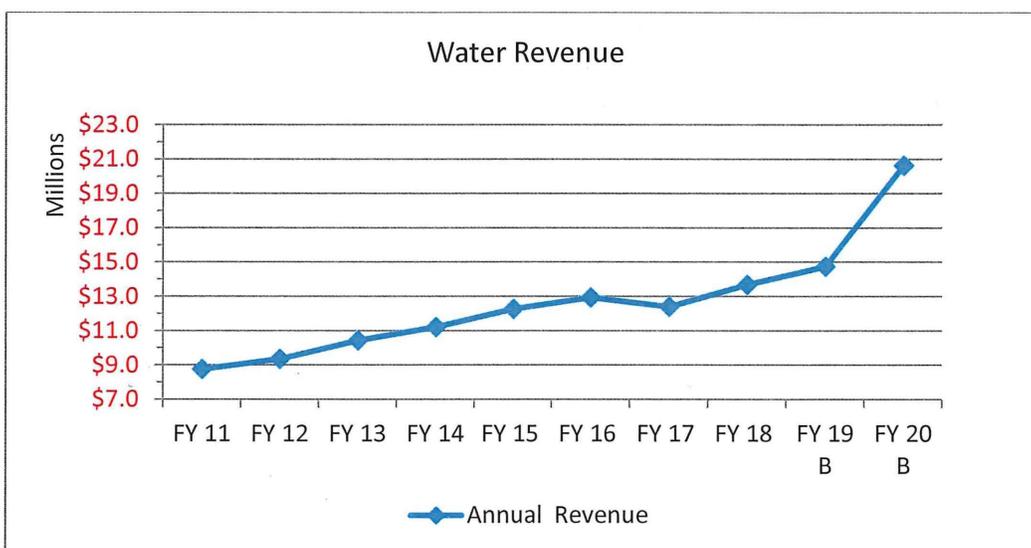


Figure 4:

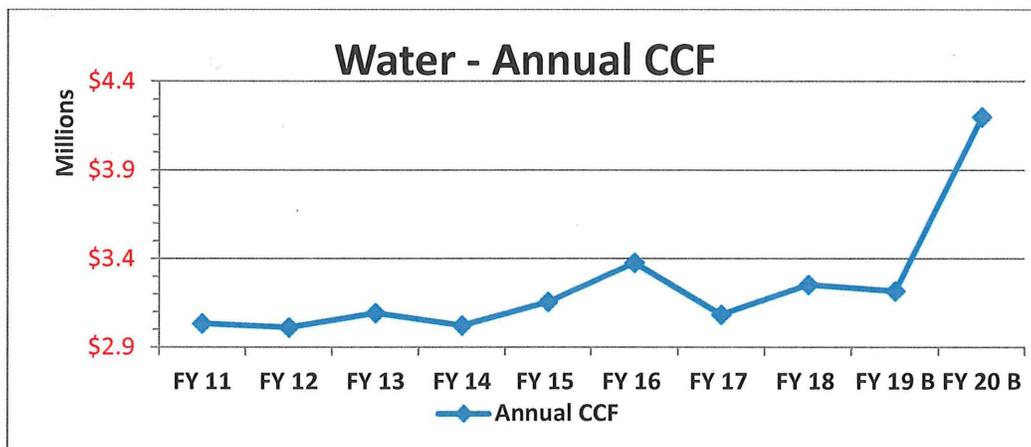


Figure 5:

The activities of the **Beaverton Urban Development Agency (BURA)** are funded by property taxes collected within the boundaries on the growth of assessed valuation since creation in 2011. The district’s AV has grown by more than \$247 million over the base year, frozen valuation due to new substantial new construction of commercial and residential uses. This is an increase of 31.6% from the base year. This table illustrates the change in AV and tax increment.

Changes in Assessed Valuation – Beaverton Central Urban Renewal District

	Total Assessed Valuation - BURA	Year to Year Increase	Percent Change Year to Year	Cumulative Increase (Decrease) over Base Year	Percent Change Over Base Year	Tax Increment Revenue Received	Cumulative Tax Increment Revenue
FY 2011-12 (Base Year)	\$782,804,336						
FY 2012-13	\$788,610,799	\$5,806,463	0.7%	\$5,806,463	0.7%	\$86,881	\$86,881
FY 2013-14	\$800,929,828	\$12,319,029	1.6%	\$18,125,492	2.3%	\$285,134	\$372,015
FY 2014-15	\$833,269,953	\$32,340,125	4.0%	\$50,465,617	6.5%	\$770,852	\$1,142,867
FY 2015-16	\$884,701,194	\$51,431,241	6.2%	\$101,896,858	13.0%	\$1,495,236	\$2,638,103
FY 2016-17	\$921,495,446	\$36,794,252	4.2%	\$138,691,110	17.7%	\$2,025,052	\$4,663,155
FY 2017-18	\$988,802,749	\$67,307,303	7.3%	\$205,998,413	26.3%	\$3,050,549	\$7,713,704
FY 2018-19	\$1,033,399,867	\$44,597,118	4.5%	\$250,595,531	32.0%	\$3,461,774	\$11,175,478
FY 2019-20	\$1,076,802,661	\$43,402,794	4.2%	\$293,998,325	37.6%	\$4,225,820	\$15,401,298

BURA continues to use a combination of internal, short-term borrowing from the city (a.k.a. “day-light” loans) and a Special Revenue Bond which has functioned as a Line of Credit. Since FY 2019-20 is projected to be a period for the construction of the Central Beaverton parking garage (350 spaces) as well as property acquisition and development incentives, both resources will be used. This should lead to exhaustion of the Line-of-Credit and the issuance of an Urban Renewal Special Revenue bond in the coming fiscal year. The new bond issue will refund the Line-of-Credit. The decision as to when to proceed with construction hinges on the fund-raising status of the adjoining Patricia Reser Center for the Arts.

A structural change in the BURA funds is proposed for FY 19-20 reflecting the maturity of the agency, the increasing complexity of its projects and sources of funding and a desire to optimize the uses of a growing amount of tax increment flowing to the agency. The change will shift the various development incentives (i.e. storefront improvements, pre-development assistance) from BURA’s General Fund to a new Programs and Activities Fund so that those services and incentives can be funding by borrowed funds, in compliance with Oregon’s Urban Renewal statutes (ORS 457).

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: The city has an 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 based on the CPI-W 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. An agreement has been reached by the BPA and was ratified by the City Council on May 7, 2019. The proposed budget includes the wage adjustments as indicated in the agreement. The new contract will expire on June 30, 2022.

The budget reflects step increases, several reclassifications of positions, modest cost-of-living adjustments (2.51%-3.54%) and increases in PERS and health/dental costs. Management employees will now enjoy a Voluntary Employee Beneficiary Association (VEBA) plan beginning in FY 2019-20. SEIU and BPA have participated in similar plans for several years.

Staffing Additions and Reductions: The General Fund reflects a net increase of 6.0 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
 - 1 FTE Assistant Community Development Director
 - 1 FTE Program Coordinator to assist with Real Estate Activities (Funded 50% by BURA)
 - 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
 - 1 FTE Public Works Technician
 - 0.5 FTE Public Works Lead (The other 0.5 FTE is in the Storm Utility)
- Storm Utility
 - 1 FTE Public Works Technician
 - 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 budget for FY 2019-20 contains an increase in employee counts. In total, the full time equivalent (FTE) count increases by 12.55 FTE. The budget reflects a citywide FTE count of 559.01.

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 ¹	\$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 ¹	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 ¹	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 ¹	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 ¹	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 ¹	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 ¹	176,837,903	256,068,508	(79,230,605)	69%	40,217,514	(197)%
12/31/17	194,284,295	266,636,590	(72,352,295)	73%	40,642,988	(178)%

1. 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, 2017 and the results were completed in September 2018. This evaluation established the City's PERS funding rates for the ensuing biennium, which is July 1, 2019 through June 30, 2021 (FY 2019-20 and FY 2020-21).

Approximately 39% 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 27.45% for PERS Employees, 18.45% OPSRP General Employees and 23.08% for OPSRP Police Employees, including the employee contribution paid by the City. This is an average increase of PERS rates of 2.86% over the previous biennium period (FY 2017-18 to FY 2017-19). 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 \$4.2 million in a PERS rate stabilization reserve that is available to assist with future PERS contribution rate increases. PERS reform continues to be an important topic of the Oregon legislature, stakeholders and governor.

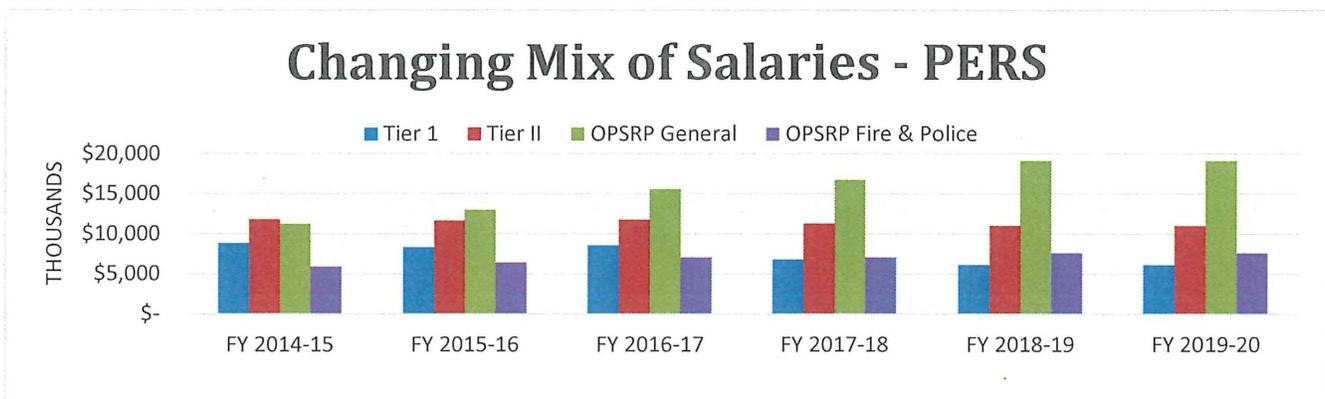


Figure 6:

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. After developing the preferred method for electronic plan submittals, the entire development team is involved in selecting a new 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."

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. Many programs or funds have an equipment replacement reserve which may partially offset the expense of a new vehicle. In a policy change, the definition of a fixed asset sets a minimum of \$10,000 instead of \$5000, so some items or equipment previously showing as a capital outlay are now merely operating equipment (i.e. riding mower).

The FY 2019-20 budget includes the following vehicle and major equipment purchases:

- 1 replacement vehicles for general "pool" and program usage
- 10 police patrol or administrative vehicles for officers, detectives and commanders
- 2 replacement light duty pickup trucks for site development inspections.
- 1 replacement light duty pickup trucks for building inspections
- 6 replacement or new trucks for the Public Works Operations (dump trucks/pickups/vans)
- 1 replacement aerial bucket truck
- 2 replacements of utility vehicles (landscaping uses)
- 1 new cold planer
- 1 new track loader
- 1 replacement Ditch Witch vacuum system
- 1 replacement leaf collector
- 1 replacement street sweeper
- 1 replacement backhoe
- 1 replacement/upgraded digital storm sewer pipe inspection camera
- 2 replacement and new equipment trailers
- Replacing aging telemetry equipment for water system - 4 sites
- Replacement of network switches and servers in the IT systems
- New microwave link for city's network between facilities

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. None of the union groups remain on the lower deductible, preferred provider plans. For FY 2019-20 the city will offer a P500 preferred provider plan through MODA and the HMO-type plan through Kaiser Permanente.

The medical programs premiums will see cost increase as the MODA P500 plans increase by 1.74% and there is an 8% increase in the Kaiser medical plan. The MODA dental plan rates increased 2%. Total spending on

premiums, wellness programs and related professional services increased approximately 3% from the adopted FY 2018-19 budget compared to the FY 2019-20 budget.

Worker’s Compensation expenses have re-stabilized at a much lower level than experienced a few years ago. This is a self-funded program and it is expected that an appropriation of \$150,000 to meet claims is sufficient for FY 2019-20. The premiums charged to the operating funds reflect an experience modifier of 1.00 compared to the experience modifier of .60 that had been charged only a few years ago due to larger losses which remain the rate calculation. The self-funded unemployment insurance program enjoyed several years with a sufficient fund balance so that no additional appropriations were required. In FY 2019-20 there will be a burden of \$116,000 placed on payroll costs to maintain the appropriate fund balance level.

Staff Training: Competition for employee recruitment and retention is significant and the Organization Development staff continues to be push out training and professional development offerings designed to “grow” the skills of employees and help them succeed. The leadership training program is anchored in the Leadership Lab, a five-day experiential leadership development workshop. Department heads also identified and sent a four-person cohort to Advanced Leadership, which targets critical organizational leaders, and provides sophisticated tools to support managers in motivating teams and individuals to meet performance goals and operating results. As a means of identifying and working with prospective leaders a Leadership Development Program curriculum was developed. City of Beaverton University (COBU) was launched in December of 2018 with input from Department Heads and Senior Managers. The Leadership Development Program curriculum provides our leaders with courses and workshops designed to hone their (Knowledge, Skills and Abilities (KSAs) related to the core competencies outlined in the Beaverton Competency Process.

Mandatory training is offered in the areas of workplace harassment and whistleblower protections, substance abuse training and diversity and equity on a regular basis. 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 2019-20 budget totals \$353,329,212 that includes fund contingencies and reserves totaling \$80,801,694 and the Beaverton Urban Redevelopment Agency’s budget of \$25,855,358.

The budget will require a **total property tax levy of \$45,377,516** allocated as follows:

	Estimated Tax Levies	Less Provision For Non- Collections	Estimated Net Tax Receipts	Property Tax Rate
General Fund	\$39,620,671	\$1,981,034	\$37,639,637	\$3.8643
Library Fund	3,708,823	185,441	3,523,382	0.3617
Subtotal Levy Within the Permanent Tax Rate	\$43,329,494	\$2,166,475	\$41,163,019	\$4.2260
General Obligation Debt Levy	2,048,022	102,401	1,945,621	0.1997
Total Property Tax Levy	\$45,377,516	\$2,268,876	\$43,108,640	\$4.4257

The General and Library 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 \$10,253,114,000. The tax rate formula is:

Total taxes subject to collection of \$45,377,516 divided by the estimated assessed valuation for property tax purposes of \$10,253,114,000 multiplied by \$1,000

The **General Fund's revenue** for FY 2019-20 is budgeted at \$69,040,821 in current revenues and \$12,463,372 in beginning fund balance for a combined \$81,504,193 in available revenues. Net current property tax revenue totals \$37,679,350 and this amount represents 55% 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 \$7,943,387 or 11.5% of the General Fund's current revenues. State shared revenue, comprised of the City's share of marijuana, cigarette and liquor taxes, account for \$3,156,000 or 5% of the current General Fund revenue. Federal Grant revenues total \$423,464 and fund specific programs or activities.

The primary characteristics of the General Fund for FY 2019-20 are as follows:

GENERAL FUND	FY 2019-20	% of Total General Fund
Current Revenue	\$69,426,876	84.8%
Beginning Fund Balance	12,463,372	15.2%
Total Revenues	\$81,890,248	100.0%
Property Taxes (current)	\$37,679,350	46.0%
ROW Fees (net)	8,090,687	9.9%
State Shared Revenue	\$3,156,000	3.9%
Current Expenditures	\$74,565,559	91.1%
Contingencies and Reserves	7,324,689	8.9%
Total Budget	\$81,890,248	100.0%
Personnel Services	\$50,875,518	62.1%
Police Services	\$34,216,854	41.8%
Capital Outlay	\$1,545,300	0.2%

General Fund's expenditures for FY 2019-20 consist of \$74,565,559 in current expenditures and \$7,324,689 in contingencies and reserves. Salary, payroll taxes and fringe benefits costs total \$50,875,518 representing 68.2% of the General Fund's current expenditures. The General Fund's largest program is police services with a total appropriation of \$34,216,854 (45.8% of the current expenditures). The General Fund's capital outlay budget totals \$1,545,300 of which the major items are for construction of an extension of the heating and cooling district to the Center for the Arts, software systems for Community Development permits and plans, vehicles and remodeling office spaces in the Griffith Drive Building to alleviate crowded staffing conditions and improve the efficiency of municipal court operations.

The **Street Fund's** budget reflects increases in the amount of paving, sidewalks and ADA compliant ramps at intersections. Shifting of the Street Lighting program into the Street Fund increases the size of the fund by about \$1.5 million. 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 2019-20 is budgeted at \$11,130,732 in current revenues and \$3,382,191 in beginning fund balance for a combined \$14,512,923 in available revenues. The revenues coming from motor vehicle fuel and vehicle registration fees/taxes increased by 44% from \$6,514,919 in FY 2017-18 to \$9,365,000 for FY 2019-20. Much of the increased revenue will be poured back into street maintenance and sidewalk/ramp improvements. Washington County imposed a vehicle registration fee that is proportionately shared with cities.

The fund's expenditures consist of \$11,436,446 in net operating expenditures, which includes \$2,910,000 in street reconstruction expense (overlays/ramps/sidewalks), \$647,165 in capital outlay (vehicles, equipment,

improvements), a \$575,000 transfer to the Capital Project Fund for street construction and a \$106,000 transfer to the Capital Development Fund for Civic Improvements. The fund should have an ending fund balance of \$3,076,477 consisting of \$2,074,344 in operating contingencies, \$82,315 in development tree reserves, \$787,161 in equipment replacement reserves and \$132,657 in facility replacement reserves. Salary, payroll taxes and fringe benefits costs total \$3,182,464 representing approximately 27.8% of the Street Fund’s operating expenditures. The Street Fund’s operating contingency represents 19.3% of total operating expenditures, which is available for emergency street expenditures.

An additional Program Coordinator position was added to the Street Maintenance staff to develop, plan and implement ADA-compliant sidewalk ramp replacement program in FY 2019-20. This will help achieve one of the City Council’s priorities and the Active Transportation Plan. The primary characteristics of the Street Fund for FY 2019-20 are as follows:

STREET FUND	FY 2019-20	% of Total Street Fund
Current Revenue	\$11,130,732	76.7%
Beginning Fund Balance	3,382,191	23.3%
Total Revenues	\$14,512,923	100.0%
Gas Tax/Vehicle Reg. Revenues	\$9,365,000	64.5%
ROW Fees Transfer	1,515,732	10.4%
Operating Expenditures	\$11,436,446	78.8%
Contingencies and Reserves	3,076,477	21.2%
Total Budget	\$14,512,923	100.0%
Personnel Services	\$3,182,464	21.9%
Street Overlay Program	\$2,910,000	20.0%
Capital Outlay	647,165	4.4%
Transfers	3,180,862	21.9%

The **Building Fund’s** budget reflects an increase in development and construction activity. The fund’s revenue for FY 2019-20 is budgeted at \$4,985,625 in current revenues and \$1,505,541 in beginning fund balance for a combined \$6,491,166 in available revenues. The fund’s expenditures for FY 2019-20 consist of \$4,870,665 in operating expenditures, \$1,511,284 in operating contingency and \$109,217 in equipment replacement reserves. Salary, payroll taxes and fringe benefits costs total \$3,293,067 representing approximately 68% of the Building Fund’s current operating expenditures, and the operating contingency represents 33% of total operating expenditures.

The primary characteristics of the Building Fund for FY 2019-20 are as follows:

BUILDING FUND	FY 2019-20	% of Total Building Fund
Current Revenue	\$4,985,625	76.9%
Beginning Fund Balance	1,505,541	23.1%
Total Revenues	\$6,491,166	100.0%
Operating Expenditures	\$4,870,665	75.0%
Contingencies and Reserves	1,620,501	25.0%
Total Budget	\$6,491,166	100.0%
Personnel Services	\$3,293,067	50.7%

The **Capital Projects Fund** provides for improvements to the City’s street and transportation system, and it includes appropriations for FY 2019-20 projects that are included in the City’s Five-Year (FY 2019-20 through FY 2023-24) 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 2019-20 CIP includes appropriations for the following street projects:

Project Number	Project Title	FY 2018-19 Budget Estimate	FY 2019-20 Budget
3106	Sidewalk Project – Menlo: Allen to Farmington	\$1,847,671	\$64,000
3112	Sidewalk Project – Allen: 92 nd to Scholls Ferry	170,000	250,000
3113	Sidewalk Project – Laurelwood Avenue	0	345,000
3143	Active Transportation Projects	0	70,000
3189	Traffic Calming	0	20,000
3223	Traffic Enhancement Projects	0	125,516
3224	155 th Ave. (Nora-Weir)	72,635	0
3321	Westgate/Cedar Hills/Dawson Way Realignment	580,000	1,715,000
3328	Western Ave. (5 th – Allen) Improvements	350,000	260,000
3329	Murray/Allen Intersection Improvements	0	70,000
3407	Crescent Connection Multi-Use Path	148,000	0
3408	Hocken Ave. (RR Xing – Canyon Road) Widening	55,225	664,000
3410	Denney Rd Multi-Use Path	534,000	357,000
3411	Cedar Hills Bridge Pile Repair	137,000	0
3413	City-Wide Fiber Connection	100,000	95,000
	Total Capital Projects Fund	<u>\$3,994,531</u>	<u>\$4,010,000</u>

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 2019-20 is budgeted at \$21,301,844 in current revenues and \$12,877,835 in beginning fund balance for a combined \$34,179,679 in available revenues. The fund’s expenditures consist of \$13,758,637 in current operating expenditures, \$800,407 in capital equipment purchases, \$3,247,500 in capital infrastructure improvements, \$2,184,994 Transfer to the Debt Service Fund, \$2,000,000 in Water Capacity Improvements as a transfer to the Water Construction Fund and \$12,188,141 in contingencies and reserves. The contingencies and reserves consist of \$10,567,560 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, an equipment reserve of \$398,636 and a facility replacement reserve of \$121,939.

The FY 2019-20 maintenance and replacement infrastructure improvements are:

Project Number	Project Title	FY 2018-19 Budget Estimate	FY 2019-20 Budget
3611	Joint Water Commission (JWC) Projects	\$1,750,000	\$1,510,000
3700	Maintenance and Replacement Projects	50,000	0
3701	Water System Improvements	1,872,000	1,737,500
	Total Water Fund CIP Program	<u>\$3,672,000</u>	<u>\$3,247,500</u>

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 \$2,815,648 for debt service and an unappropriated fund balance of \$70,544. This does not include estimated principal and interest payments on the proposed 2020 Series Water Revenue Bonds which are scheduled for a sale in June 2020.

The **Water Construction** budget accounts for construction to increase the capacity of the water system and includes appropriations of \$25,693,000 for construction projects on the city's water system, \$11,764,000 for investments in a joint ventures for future water supply and a dedicated contingency of \$6,077,522. Revenues from the \$21 million 2018 Series Water Revenue Bond issue, the budgeted \$30 million 2020 Water Revenue Bond Issue, the system development charges fund the construction projects as well as a loan from the Oregon Infrastructure Financing Authority (Safe Drinking Water Act). The FY 2019-20 construction projects are:

Project Number	Project Title	FY 2018-19 Budget Estimate	FY 2019-20 Budget
3620	Water Extra Capacity Improvements	\$1,375,000	403,000
3621	ASR No. 5 (IFA Loan)	357,000	1,272,000
3622	Cooper Mountain Reservoir No. 2 & Lines (Bond)	4,840,000	10,520,000
3623	Non-Potable Purple Pipe Projects	950,000	2,585,000
3625	Cooper Mountain Water SDC Projects	0	10,000
3627	Withdrawal of Areas from TVWD (Bond)	1,290,400	2,740,000
3628	TVWD Opportunity Projects	0	250,000
3631	Meridian Pump Station Replacement (Bond)	850,000	3,560,000
3636	Scoggins Dam Raise Project	4,000	3,000
3643	Willamette Intake Facility Joint Venture (Bond)	155,000	44,000
3644	Cooper Mountain Extra Capacity Projects (Bond)	1,743,000	0
3645	Willamette Water System Project - City Interties	1,420,000	4,350,000
3646	Willamette Water Supply Project: Treatment, Storage & Transmission Joint Venture	0	11,720,000
	Total Water Construction Fund CIP Program	\$12,984,400	\$37,457,000

Sewer Fund's revenue for FY 2019-20 is budgeted at \$4,783,300 in current operating revenues, \$2,211,000 in contributions from Clean Water Services (CWS) for capital projects and \$9,363,518 in beginning fund balance for a combined \$16,357,818 in available revenues. The fund's expenditures consist of \$4,206,585 in current operating expenditures, \$35,000 in capital equipment purchases, \$2,799,000 in capital infrastructure improvements, and \$9,317,233 in contingencies and reserves. The contingencies and reserves are comprised of \$2,298,212 in contingency for general operations, \$1,076,648 in reserves for future extra-capacity improvements, \$5,380,665 in reserves for the \$2 surcharge rehabilitation and replacement program, an equipment reserve of \$496,439 and a facility replacement reserve of \$65,269.

The City is a participant in an intergovernmental consortium for region-wide sewer services. The lead agency, CWS, operates and maintains the wastewater 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 2019-20, 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 elements 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 2019-20 sewer capital improvement program includes the following appropriations:

Project Number	Project Title	FY 2018-19 Budget Estimate	FY 2019-20 Budget
3811	Sewer Extra Capacity Improvements (SDC)	205,000	\$2,211,000
3812	Cooper Mountain Sewer Infrastructure	137,500	0
3813	6B Cooper Mtn. Sewer Infrastructure	0	100,000
3850	Replacement Projects (Funded by \$2 Surcharge)	328,000	488,000
	Total Sewer Fund CIP Program	\$670,500	\$2,799,000

Storm Drain Fund's revenue for FY 2019-20 is budgeted at \$6,612,150 in current revenues and \$11,173,441 in beginning fund balance for a combined \$7,785,591 in available revenues. The fund's expenditures consist of \$5,397,471 in current operating expenditures, \$661,350 for capital equipment purchases, \$5,061,000 in capital infrastructure improvements and \$6,665,770 in contingency and reserves. The contingency and reserves are comprised of 2,712,165 in contingency for general operations, \$2,676,933 in reserves for future extra-capacity improvements, \$193,349 in reserves for the \$2 surcharge maintenance and replacement program, an equipment reserve of \$973,785 and a facility replacement reserve of \$109,538.

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 2019-20, CWS requests a \$0.50 increase to the current \$8.75 base charge for a new base charge of \$9.25 per month. Beaverton will remit \$2.31 to CWS (25%) and will retain the balance of \$6.94 (75%).

In addition to the base charge, the City collects a \$2.00 per month surcharge per ESU. The surcharge generates approximately \$1.5 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 2019-20 capital improvement program includes the following appropriations:

Project Number	Project Title	FY 2018-19 Budget Estimate	FY 2019-20 Budget
3915	Storm Water Capacity - Conveyance Projects	\$130,000	1,100,000
3916	Storm Water Capacity - Quantity Projects	0	65,000
3917	Storm Water Capacity - Quality Projects	0	235,000
3950	Replacement Projects (Funded by \$2 surcharge)	1,782,000	3,661,000
	Total Storm Drain Fund CIP Program	\$1,912,000	\$5,061,000