

# Mayor's Message

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# Mayor's Budget Message

- for the fiscal year 2020-21

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 2020-21. 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 have prepared this budget in an environment we didn't expect, responding to a global pandemic of COVID-19 caused by a new coronavirus. While construction begins on the Patricia Reser Center for the Arts and the Public Safety Center is nearly complete, the staff, elected officials and residents of Beaverton are "socially distanced" to slow the spread of the coronavirus. We are meeting and collaborating remotely, making frequent use of video conferences, screen sharing and conference calls. While these methods remove some of the intimacy and opportunities for spontaneous conversation, staff have nonetheless displayed impressive problem solving in furthering the City's business.

Additionally, as businesses closed in response to the Governor's stay at home order to slow the spread of the coronavirus, the City stepped in with a Business Recovery Program to help businesses with rent and commercial mortgages. This program initially began with \$250,000 from the City's General Fund from savings found in various line item budgets allocated in FY 2019-20. By fiscal year end, approximately \$500,000 had been spent for this program, half from line-item savings and half from the General Fund's contingency. This program is designed to help businesses weather a temporary setback and enable them to hit the ground running as businesses start to reopen. These funds are slated to be reimbursed to the City either through FEMA or through the CARES Act (Coronavirus Aid, Relief, and Economic Security) funding.

As we look toward the new fiscal year and how to budget for the City's priorities, we are facing significant reductions in several key revenue streams, increases in selected expenses and concerns for the long term effects on property tax revenue, intergovernmental revenue and development fees.

However, in spite of these obstacles the budget achieves the priorities of the community in several meaningful ways. With careful planning, the city was able to engage the municipal bond market in the spring of 2020 for an infusion of \$123 million in borrowed funds for capital expenditures to build city facilities, utility infrastructure and acquire land for re-development opportunities over the next 5 to 7 years. In April, the City issued approximately \$33 million in water revenue debt for water system improvements, and in June, \$90 million in special revenue debt will be issued to complete the construction of the Patricia Reser Center for Arts (PRCA) and the adjacent parking garage, as well as to invest in renewing the central core of Beaverton through the Beaverton Urban Renewal Agency. Additionally, in early summer the City hopes to finalize \$20 million in loans from the State Infrastructure Finance Authority for water system improvements. This will be followed in the fall with the City negotiating a loan from the EPA's WIFIA (Water Infrastructure Finance and Innovation Act) program for approximately \$80 million. The sources and uses of the borrowed funds are these:

Water System – Willamette Water Supply, reservoirs and transmission system improvements

- \$33 million Water Revenue Bond
- \$80 million loan from the federal EPA's WIFIA program
- \$20 million loan from the State of Oregon, Infrastructure Finance Authority

Patricia Reser Center for the Arts

- \$21 million Special Revenue Bond utilizing Transient Lodging Taxes as a secondary revenue pledge
- Fund raising continues

Beaverton Urban Redevelopment Agency – Central Beaverton parking facility, land acquisition and other redevelopment projects/incentives

- \$55 million Special Revenue Bond
- Repaid 2017 Line of Credit

Other Capital Improvements – Public Safety Center, Park Fountain, Public Safety Building Plaza and Entry Way, Railroad Quiet Zones and other projects

- \$14 million Special Revenue Bond

## REVENUE TRENDS

Almost every revenue source is affected by the shutdown of nearly every aspect of economic activity within our community, the state, and nation in order to reduce the incidence of the deadly Coronavirus. Most of the impact is seen with sources tied to economic activity where customers have some ability to choose where and when they will buy a service (such as travel, which impacts the transient lodging taxes, or community garden rental fees). Payments for services where there is not as much discretion (property taxes or water service) are affected to a lesser degree. At least in the short term, intergovernmental revenue from taxes on liquor and marijuana sales are actually increasing. Beaverton is not a direct beneficiary of general sales taxes or income taxes as are communities in other states.

The City’s revenue from property taxes are expected to increase in FY 2020-21 over what was budgeted for FY 2019-20 by 2.8%, not quite as rigorous as the 6.2% in FY 2019-20 from 2018-19. This lower growth is expected due to a concern of new construction slowing, as well as deferrals of payments as the economy falters. Beaverton should see an increase in assessed value (AV) of property of approximately 3.23% 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 (15.6%). Revenue from utility and telecom users of the streets and other rights-of-way (ROW) are increasing when compared to the 2019-20 budget, due to Comcast coming into compliance with the City’s right-of-way ordinance. However, these revenues may contract from what is projected in the budget by as much as 5% due to less utilization if the closures continue or are re-initiated during the year. In the future, concerns about new construction slowing may impact assessed valuations and the result in less property tax revenue than originally thought across the county, and could potentially drive decreases in the funds provided to Beaverton from Washington County as a member of the Washington County Cooperative Library System (WCCLS). The stay home orders have caused people to drive less, and gas tax are therefore projected to fall by about 38% from original forecasts. This decline exacerbates the trend that resources are not sufficient to meet all of the city’s transportation system long-term plans and needs.

Regarding revenues to the City’s utility funds, the City has decided to postpone its planned water rate increase to the fall of 2020, meaning the budgeted revenues for FY 2020-21 are less than they otherwise would have been. Similarly, the City’s regional partner for Sewer and Stormwater – Clean Water Services – is delaying their expected rate increases to possibly January, lowering the revenue side for those utilities. Each of the funds have sufficient fund balances to be able to absorb the contractions without an impact on operations. Indeed, significant borrowing for water capital projects will generate a great deal of engineering and construction activity for several years to come.

The singularly most impacted funding source is the Transient Lodging Tax. “Heads in Beds” were off about 55% in March and are expected to reduce to 90% for May and June. For FY 2020-21, the city is budgeting an overall 40% reduction in lodging taxes. In spite of these projections, construction of the Patricia Reser Center for the Arts (PRCA) continues. The underlying credit for the project bonds was revised to pledge the City’s non-property tax General Fund revenue. Lodging Taxes are a secondary pledge and the intended ultimate source of repayment.

The flow of development-related revenue (building permits and system development fees) is slowing but because of strong housing demand prior to the pandemic, the housing market is not expected to drop off as dramatically as happened in the Great Recession experienced in 2009 through 2014. A 10% reduction in the Building Fund’s building permit revenues is projected. The fund balance target for that fund creates a six-

month cushion. Just as each fund enjoys the benefit of co-mingled managed investments for interest earnings, so each fund will experience a decline of as much of 50% in interest earnings during FY 2020-21 compared to FY 2019-20.

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, 40 cents below the City's fully authorized, permanent rate of \$4.62 per \$1000 of assessed valuation. In addition, a capital levy of \$0.20 supports the General Obligation bonds which financed the new Public Safety Center.

The City's water system will be a major area of focus in FY 2020-21 and in years to come as capital investments are made to increase capacity and reliability in its transmission, distribution and storage facilities. The City intends on submitting an application to the Environmental Protection Agency's (EPA) Water Infrastructure Finance and Innovation Act (WIFIA) loan program. The City has identified approximately \$165 million in water system improvement projects, and the WIFIA program will provide a low-cost loan for up to 49% of the costs. To track the resources and expenditures related to these WIFIA projects, a new fund has been created.

## **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 2020 Priorities:**

- Implement the Climate Action Plan, including the creation of a Climate Action Advisory Committee.
- Promote emergency preparedness at the neighborhood level.
- Develop a policy for the use and management of city-owned properties.
- Develop and implement parking, towing, and traffic policies.
- Complete policy work on water resources for non-potable uses (purple pipe.)
- Convert city street lights to LED.
- Expand the city's sidewalk fund to build new sidewalks, fill in connectivity gaps, and keep sidewalks in good repair.
- Develop a concept for local transit.
- Develop a five-year plan for the municipal court.
- Continue implementation of the Housing Action Plan.

In addition each manager was requested to indicate how their programs helps implement the City’s Diversity, Equity and Inclusion (DEI) plan. The DEI plan priority areas are:

- Public Engagement
- City Practices
- Housing and Livability
- Public Safety
- Economic Empowerment
- Community Building and Inclusion

## **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. The Special Revenue Bonds scheduled for a June 2020 sale are expecting a rating of Aa1 from Moody’s Investor Services. 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. The Mayor and City Council and the Board of the Beaverton Urban Redevelopment Agency (BURA) recently issued these bonds:

- Water Revenue Bond, Series 2020 - \$33 million
- Public Safety Center General Obligation Bond, Series 2017 - \$35 million
- Special Revenue Bond –Urban Renewal , Series 2020 - \$55 million
- Special Revenue Bond – Patricia Reser Center for the Arts and Capital Projects, Series 2020 - \$35 million

### **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 (21% of all current operating revenue), charges for services such as utility fees (13%) and intergovernmental sources such as liquor and vehicle fuel taxes (14%). In FY 2020-21, the Miscellaneous Revenues category is increasing significantly, by approximately \$8.5 million to a total of \$23.3 million and 9% of current operating revenue, reflecting anticipated capital donations for the Patricia Reser Center for the Arts.

Property tax revenue is based on the assessed valuation (AV) of property not real market value (RMV). For FY 2019-20, a residential property’s AV was approximately 62% of its RMV on a countywide basis. Surprisingly the changed property ratio of AV to RMV for multi-family properties is only 36%. 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 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
FY 2013-14 \$4.15	FY 2016-17 \$4.17	FY 2019-20 \$4.22

Proposed for the FY 2020-21 budget is a levy rate for operations of \$4.2260. When added to the levy for bonded debt of \$0.1983, this results in a total tax rate of \$4.4243, which is identical to the total tax levy rate in FY 2019-20. The breakdown of the levy components for the current year and the coming year is as follows:

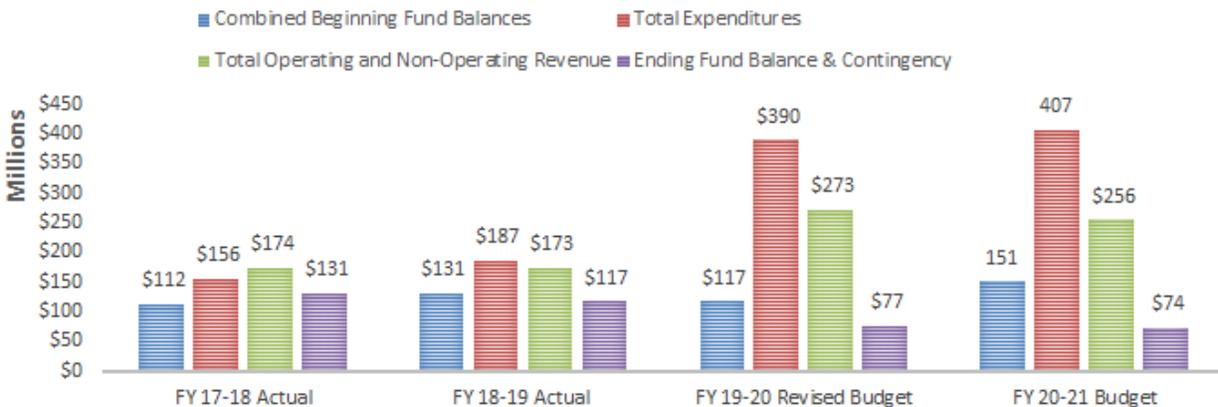
Levy Rate Allocation	FY 2019-20	FY 2020-21	Change
General Fund	\$3.8643	\$3.8343	-\$0.0300
Library	0.3617	0.3917	0.0300
<b>Sub-total Operating Levy</b>	<b>4.2260</b>	<b>4.2260</b>	<b>\$0.0000</b>
<b>GO Debt Service - Public Safety</b>	<b>0.1927</b>	<b>0.1983</b>	<b>0.0056</b>
<b>Total City Tax Levy</b>	<b>\$4.4187</b>	<b>\$4.4243</b>	<b>\$0.0056</b>

This \$4.2260 tax rate will generate approximately \$42,830,213 in net property tax receipts for general government operations allocated to the General Fund and the Library Fund. The City will also receive \$2,010,010 for general obligation debt service, resulting in total property tax receipts of \$44,840,223. The Beaverton Urban Redevelopment Agency (BURA) is budgeted to receive \$4,703,851 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 for property tax revenue to be collected from a larger area. Since 2008, the city grew by approximately 698 acres and the assessed valuation of the properties was more than \$103.1 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.

## BUDGET OVERVIEW - ALL FUNDS SUMMARY



Together with the property taxes discussed above and all other revenue sources, the city's FY 2020-21 budget totals \$406,597,106. The significant increase from FY 2019-20 Adopted Budget of \$361,286,527 is mostly reflected in the recognition of the proceeds of bond sales and the related capital expenditures. 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:

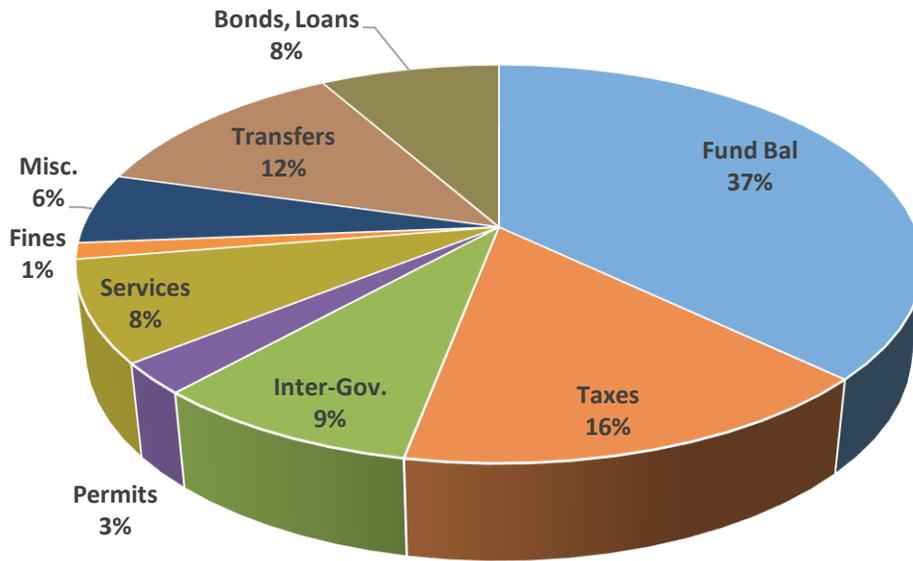
**Combined City of Beaverton Revenues, Expenditures and Fund Balances  
City and the Urban Redevelopment Agency (BURA)**

	<b>FY 2017-18 Actual</b>	<b>FY 2018-19 Actual</b>	<b>FY 2019-20 Adopted</b>	<b>FY 2019-20 Estimated</b>	<b>FY 2020-21 Adopted</b>
<b>REVENUES</b>					
Taxes & Franchise/ROW Fees	\$56,498,014	\$60,656,481	\$61,107,769	\$62,657,444	\$64,371,395
Intergovernmental	18,848,646	21,074,499	27,565,974	26,395,042	35,095,636
Permits and Fees	8,288,871	11,936,024	10,241,550	11,704,160	10,298,725
Charges for Services	34,457,066	37,723,846	43,741,004	30,945,000	33,244,000
Fines and Forfeitures	4,800,749	4,334,455	5,382,216	5,336,442	5,317,442
Interest Inc. & Miscellaneous	6,494,635	7,823,983	14,301,629	16,976,099	23,290,897
Inter-Fund Transfers In	23,120,964	26,751,916	30,181,289	42,249,959	50,791,344
Proceeds From Financing Activities	21,879,201	3,001,333	72,046,084	158,384,002	33,243,302
Subtotal Revenues	\$174,388,146	\$173,302,537	\$264,567,515	\$354,648,148	\$255,652,741
Beginning Fund Balance or Working Capital	112,336,510	130,864,743	96,719,012	117,098,492	150,944,365
<b>Total City &amp; BURA Revenues and Beginning Fund Balance</b>	\$286,724,656	\$304,167,281	\$361,286,527	471,746,640	406,597,106
<b>EXPENDITURES</b>	<b>FY 2017-18 Actual</b>	<b>FY 2018-19 Actual</b>	<b>FY 2019-20 Adopted</b>	<b>FY 2019-20 Estimated</b>	<b>FY 2020-21 Adopted</b>
Personnel Services	\$66,991,200	\$71,855,780	\$79,654,805	\$77,661,530	\$85,501,755
Materials and Services	38,699,384	41,942,639	55,732,677	55,167,109	63,288,309
Capital Outlay	21,153,575	37,796,568	109,147,533	115,212,074	117,500,055
Debt Service	5,894,790	8,721,890	9,258,003	30,511,603	15,998,955
Inter-Fund Transfers Out	23,120,964	26,751,915	30,181,289	42,249,959	50,791,344
Subtotal Expenditures	155,859,913	\$187,068,792	\$283,974,307	\$320,802,275	333,080,418
Ending Fund Balances (Contingency and Ending Working Capital)	130,864,743	117,098,488	77,312,220	150,944,365	73,516,688
<b>Total City &amp; BURA Expenditures and Ending Fund Balances</b>	\$286,724,656	\$304,167,280	\$361,286,527	\$471,746,640	\$406,597,106

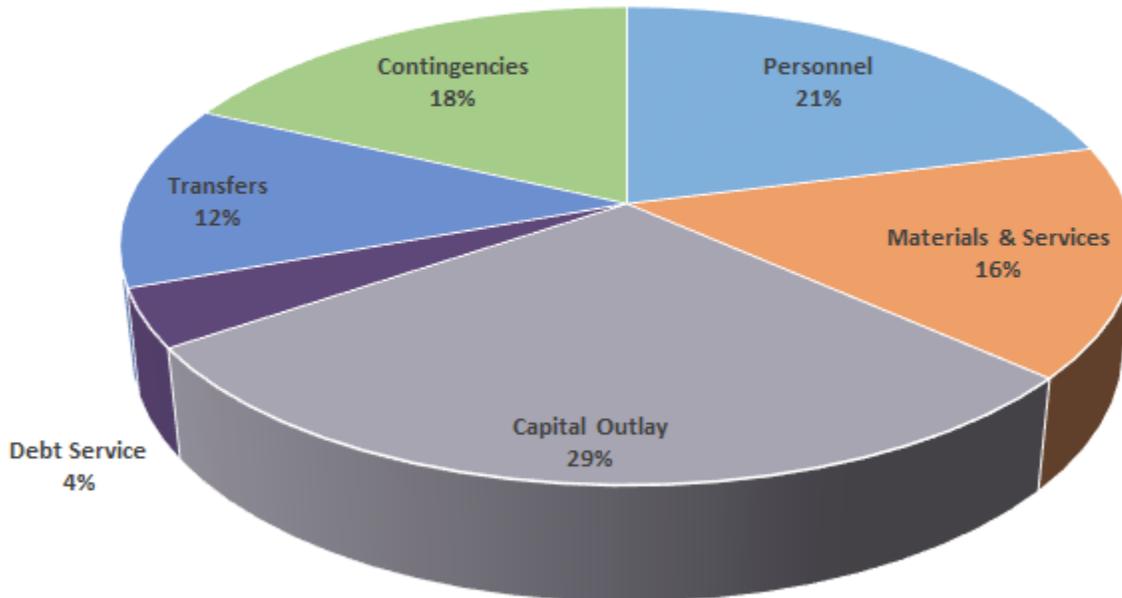
**City of Beaverton Revenues, Expenditures and Fund Balances**  
**City and the Urban Redevelopment Agency**

<b>REVENUES</b>	<b>FY 2017-18 Actual</b>	<b>FY 2018-19 Actual</b>	<b>FY 2019-20 Adopted</b>	<b>FY 2019-20 Estimated</b>	<b>FY 2020-21 Adopted</b>
<b>City</b>					
Taxes & Franchise/ROW Fees	\$53,445,709	\$56,978,341	\$56,878,949	\$58,426,124	\$59,667,544
Intergovernmental	18,848,646	21,074,499	27,565,974	26,395,042	35,095,636
Permits and Fees	8,288,871	11,935,618	10,241,550	11,704,160	10,298,725
Charges for Services	34,457,066	37,723,846	43,741,004	30,945,000	33,244,000
Fines and Forfeitures	4,800,749	4,334,455	5,382,216	5,336,442	5,317,442
Interest Inc. & Miscellaneous	6,385,076	7,613,524	13,316,029	15,937,799	23,157,497
Inter-Fund Transfers In	22,254,859	23,586,391	26,245,305	36,613,975	43,625,096
Proceeds Financing Activities	21,152,912		52,272,000	81,909,918	29,243,302
Subtotal Revenues	\$169,633,888	\$163,246,675	\$235,643,027	\$267,268,460	\$239,649,242
Beginning Fund Balance or Working Capital	109,200,590	126,258,715	93,553,842	112,790,366	112,412,365
<b>Total City Revenues and Beginning Fund Balance</b>	<b>\$278,834,478</b>	<b>\$289,505,390</b>	<b>\$329,196,869</b>	<b>\$380,058,826</b>	<b>\$352,061,607</b>
<b>BURA</b>					
Division of Taxes	3,052,305	3,678,140	4,228,820	4,231,320	4,703,851
Permits and Fees		406			
Interest Inc. & Miscellaneous	109,559	210,459	985,600	1,038,300	133,400
Inter-Fund Transfers In	866,105	3,165,525	3,935,984	5,635,984	7,166,248
Proceeds Financing Activities	726,289	3,001,332	19,774,084	76,474,084	4,000,000
Subtotal Revenues	\$4,754,258	\$10,055,862	\$28,924,488	\$87,379,688	\$16,003,499
Beginning Fund Balance or Working Capital	3,135,920	4,606,028	3,165,170	4,308,126	38,532,000
<b>Total BURA Revenues and Beginning Fund Balance</b>	<b>\$7,890,178</b>	<b>\$14,661,890</b>	<b>\$32,089,658</b>	<b>\$91,687,814</b>	<b>\$54,535,499</b>
<b>Total City &amp; BURA Revenues and Beginning Fund Balance</b>	<b>\$286,724,656</b>	<b>\$304,167,280</b>	<b>\$361,286,527</b>	<b>\$471,746,640</b>	<b>\$406,597,106</b>
<b>EXPENDITURES</b>	<b>FY 2017-18 Actual</b>	<b>FY 2018-19 Actual</b>	<b>FY 2019-20 Adopted</b>	<b>FY 2019-20 Estimated</b>	<b>FY 2020-21 Adopted</b>
<b>City</b>					
Personnel Services	\$66,991,200	\$71,855,780	\$79,654,805	\$77,661,530	\$85,501,755
Materials and Services	37,998,065	41,086,051	53,481,942	53,093,823	60,274,659
Capital Outlay	20,427,285	34,794,831	91,240,599	94,768,614	94,600,055
Debt Service	5,028,685	5,556,365	5,322,019	5,875,619	8,832,707
					42,527,140
Inter-Fund Transfers Out	22,130,528	23,422,001	25,878,205	36,246,875	
Subtotal Expenditures	\$152,575,763	\$176,715,028	\$255,577,570	\$267,646,461	291,736,316
City Ending Fund Balances (Contingency and Ending Working Capital)	126,258,715	112,790,362	73,619,299	112,412,365	60,325,291
<b>Total City Expenditures &amp; Ending Fund Balances</b>	<b>\$278,834,478</b>	<b>\$289,505,390</b>	<b>\$329,196,869</b>	<b>\$380,058,826</b>	<b>\$352,061,607</b>
<b>BURA</b>					
Materials and Services	\$701,319	\$856,588	\$2,250,735	\$2,073,286	\$3,013,650
Capital Outlay	726,290	3,001,737	17,906,934	20,443,460	22,900,000
Debt Service	866,105	3,165,525	3,935,984	24,635,984	7,166,248
Inter-Fund Transfers Out	990,436	3,329,914	4,303,084	6,003,084	8,264,204
Subtotal Expenditures	\$3,284,150	\$10,353,764	\$28,396,737	\$53,155,814	\$41,344,102
Ending Fund Balances (Contingency and Ending Working Capital)	4,606,028	4,308,126	3,692,921	38,532,000	13,191,397
<b>Total BURA Expenditures &amp; Ending Fund Balances</b>	<b>7,890,178</b>	<b>14,661,890</b>	<b>32,089,658</b>	<b>91,687,814</b>	<b>54,535,499</b>
<b>Total City &amp; BURA Expenditures and Ending Fund Balances</b>	<b>\$286,724,656</b>	<b>\$304,167,280</b>	<b>\$361,286,527</b>	<b>\$471,746,640</b>	<b>\$406,597,106</b>

### FY 2020-21 Revenues by Type



### FY 2020-21 Expenditures by Type



## **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. The recommended budget proposed 5.5 more full-time equivalent (FTE) employees in the FY 2020-21 budget than there were in FY 2019-20 and Personnel Expenses grew more than \$4.87 million. During the Budget Committee review process, another net five FTEs were added, for an added personnel expense of \$276,159, in recognition of the level of effort to implement a new electronic permitting system. Capital Outlay spending is seeing a shifting of projects, reflecting completion of the Public Safety Center as other projects gear up. Comparing FY 19-20 and FY 20-21, there is a decrease of approximately \$16 million. Driving the changes in Capital Outlay expenditures are the projects associated with bond measures: Central Beaverton parking garage, Patricia Reser Center for the Arts and various water system improvements.

The budget for FY 2020-21 compared to FY 2019-20 contains an increase in employee counts. In total, the full time equivalent (FTE) count increases by a net of 10.5 FTE. The budget reflects a citywide FTE count of 622.76. There is also a limited number of position reclassifications reflected in the budget.

The General Fund reflects a net increase of 3.48 FTE positions comprised of a variety of additions and reductions of staff:

- City Attorney - 0.20 FTE Support Specialist
- Finance – (0.20) FTE reduction in Assistant Finance Director positions
- Community Development Department:
  - 1.00 Senior Development Project Manager
  - 1.00 Development Project Coordinator
- Human Resources:
  - 0.48 FTE Human Resources Assistant
  - 1.0 FTE Human Resources Specialist

Changes in FTE in other funds are as follows:

- Lodging Tax Fund – (2.00) FTEs to PRCA
- Street Fund - .50 FTE Public Works Supervisor
- Sewer & Storm Funds - .50 FTE Public Works Supervisor
- Water Fund - 1 FTE Water Distribution Technician 2
- Garage Fund – 1.0 FTE Mechanic
- Information Systems Fund
  - 1.0 FTE Help Desk Supervisor
  - 1.00 FTE Computer Service Technician (matrixed to CDD DRP Project)
  - 2.00 FTE Business Analyst (matrixed to CDD DRP Project)
  - 1.0 FTE Systems Analyst (matrixed to CDD DRP Project)
  - 1.0 FTE Information Services Specialist (matrixed to BPD)

The City's agreement with the Service Employees International Union (SEIU) for general employees covers a three-year period and continues 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) covers a four-year period and continues until June 30, 2022.

Spending in the Materials and Services category adopted for FY 2020-21 are increasing about 12.7% when compared to FY the Adopted Budget for 2019-20. This increase primarily reflects expenditures related to completing the Mary Ann Apartment building, utilizing Metro's Affordable Housing Bonds.

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 junior partner in several related joint ventures where the city's investment will exceed \$75 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 \$9 million in bond proceeds for the Mary Ann Apartment 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.

The City's contribution rate for PERS remains the same in FY 2020-21 as in FY 2019-20, as PERS sets its rates for each biennium and FY 2021 is the second year of the biennium. 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 2020-21, Beginning Working Capital for all funds combined is increasing approximately \$54.2 million when compared to that of FY 2019-20 Adopted Budget, from \$96.7 million to \$151 million, largely due to bond sales in the late spring of 2020 for water system improvements, the Patricia Reser Center for the Arts and the conjoined parking facility. FY 2020-21 begins the year with approximately \$151 million in fund balances for all City funds, approximately \$255.6 million is projected to be collected in revenue, \$333.1 million is budgeted to be expended during the year, leaving approximately \$73.5 million at the end of the fiscal year in fund balances across all City funds. About one-third of the \$326 million in budgeted expenditures are for capital improvements.

## **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 **98,255** effective July 1, 2019. 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 2020-21, the city expects to receive approximately \$103 per capita from the State, which totals \$10,156,620 based upon the average population for the year of 98,255. 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, 2019. 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, 2020 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 2019-20 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 2020-21 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 2020-21 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. As this budget was prepared, the community faced the challenges of curbing the spread of the coronavirus, but we are ever hopeful for our future as the City's economy was quite strong before the pandemic. We look forward to the new fiscal year and are certain that the Washington County area will continue 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 Directors Dave Waffle and Susan Cole, 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,



Denny Doyle, Mayor