

Mayor's Budget Message

- for the fiscal year 2013-2014 -

The Honorable Denny Doyle, Mayor



TO: The Budget Committee and the Citizens of Beaverton:

The Best of Oregon

As required by Chapter 294 of Oregon Revised Statutes and Chapter V, Section 19 subsection H of the Beaverton City Charter, I submitted, and the City Council approved, the city's budget for Fiscal Year 2013-14. It is the 120th Anniversary of Beaverton and we are very proud to continue and evolve the traditions of local governance for the community.

Local governments often enter recessions late and exit later than the general economy. Beaverton's revenue trends are up over the past year. New construction and related fees are increasing but property value appreciation from this enhanced level of activity is still not producing sufficient income to match the demand for services. Overall, Beaverton and Washington County remain an enviable place to live, work, play, serve and govern.

This is the fifth year of my administration, and we prepared a quality budget document for the Budget Committee, City Council and the citizens of Beaverton. The budget focuses on implementation of the goals and vision of the city and especially reflects the award-winning efforts of the Beaverton Community Visioning Program that involved more than 5,000 citizens over several years. Last year we received high marks for noting progress on the Visioning Program's Action Plans appearing in nearly every program in the budget.

The budget reflects our continuing enhanced law enforcement and citizen safety activities, maintaining the city's stable financial position, expanding the public's understanding and involvement in our city government, enhancing city sustainability efforts, expanding business assistance, retention and attraction, providing excellent customer service to Beaverton citizens, and continuing the key elements of my 10-Point Plan that began in FY 2010-11. This is a goal-oriented, fiscally conservative budget pursuing an ambitious set of goals with all of our fiscal, physical and people resources. The Budget Committee contributed to our stable financial environment by asking that the property tax levy rate remain constant for another year.

The budget continues to achieve the City Council's long-range goals. You will find references to these goals throughout the budget document. The goals are:

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

The FY 2013-14 budget includes the full range of city operations and programs that includes:

Administration	Police Services	Facilities Maintenance
Neighborhood Programs	Library Services	Street Maintenance
Economic Development	Municipal Court	Capital Projects Engineering
Downtown Redevelopment	Human Resources	Water Utility
Community Visioning	Fleet Management	Waste and Storm Water Utilities
Emergency Management	Community Planning	Capital Project Construction
Recycling	Building Inspection	Finance & Information Systems
Sustainability Programs	Arts and Culture	Community Involvement

Beaverton is a growing city with many challenges to meet. The city's service programs continue to reflect my goal of improving our citizen's quality of life, and sound, conservative financial management. I offer this example of the staff's concern for our customers. This objective of the Building Division, "to ensure customers feel their needs are welcomed and understood by staff" has universal application.

REVENUES ARE STRONG

Beaverton has a diverse and consistently strong revenue basis to provide quality services to its citizens, businesses and visitors. The major sources of revenue are the property taxes (29% of all current operating revenue), charges for services such as utility fees (14%) and intergovernmental sources such as fuel taxes (13%). The property tax is based on the assessed valuation of property not real market value. For FY 2013-14, a residential property's taxable assessed value is on average approximately 83% of its real market value.

The city's property tax authority establishes 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:

FY 1998-99	\$3.51	FY 2003-04	\$3.53	FY 2008-09	\$3.88
FY 1999-00	\$3.41	FY 2004-05	\$3.68	FY 2009-10	\$3.96
FY 2000-01	\$3.25	FY 2005-06	\$3.73	FY 2010-11	\$3.97
FY 2001-02	\$3.18	FY 2006-07	\$3.95	FY 2011-12	\$3.97
FY 2002-03	\$3.35	FY 2007-08	\$3.93	FY 2012-13	\$4.02

\$4.02 is the estimated tax rate for operations in the FY 2013-14 budget. When added to the levy for bonded debt of \$0.22, this results in a total tax rate of \$4.24. The proposed budget recommended to the Budget Committee included an additional 6.5-cent tax levy for the library's operations, 3 cents for the General Fund's operations and 1.6 cents for operating the City's street lighting system. The Budget Committee, with the concurrence of the City Council, decided the property tax rate should instead remain constant. Action on a levy increase is deferred to another year.

For the past four years, the City's General Fund contingency account has contributed \$2.1 million to the Library for its branch operations. The decision to open a branch library was in response to demand for services in the southern end of the City. With the branch library's opening, the City expected an increase in revenues from the shared countywide library services levy to offset the increased expense. Instead, with the downturn in the economy and the effects of slow growth in assessed valuation of real estate, especially in the commercial and industrial sectors the additional countywide levy resources did not occur. Therefore, the City's General Fund supported the branch library's operations through this fiscal year. Recognizing this responsibility to the branch library, the Budget Committee asked that the amount of property taxes allocated directly to the Library increase. Partially offsetting this change is a reduction in the inter-fund transfer from the General Fund to the Library Fund. In FY 2012-13, the amount was \$773,000.

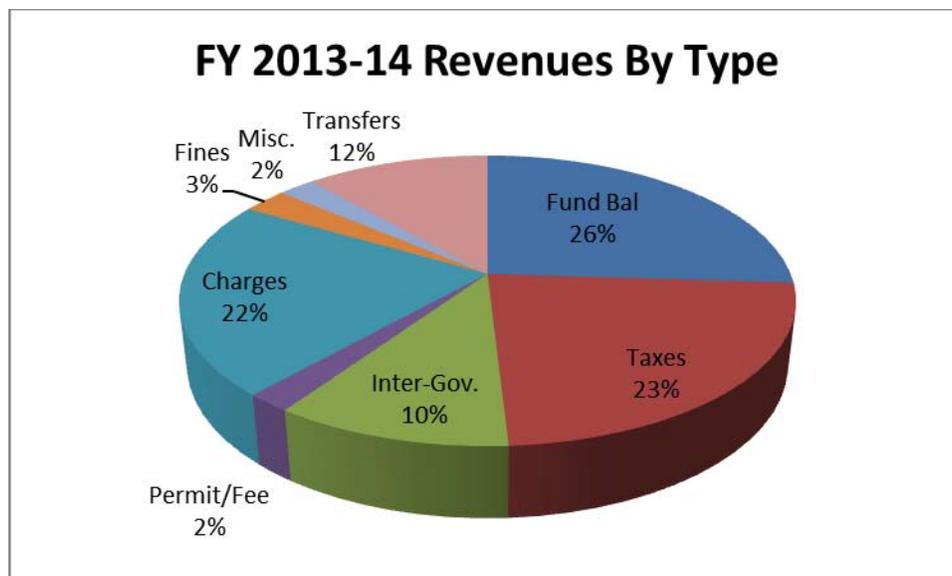
The breakdown of the levy components for the coming year is as follows:

Levy Rate Allocation	FY 2012-13 Actual	FY 2013-14 Adopted	Change
General Fund	\$3.6081	\$3.5058	(\$0.1023)
Library	0.2626	0.3492	0.0866
Street Lights	<u>0.1443</u>	<u>0.1601</u>	<u>0.0158</u>
Sub-total Operating Levy	4.0150	4.0151	0.0001
G.O. Debt Service	<u>0.2229</u>	<u>0.2218</u>	<u>(0.0011)</u>
Total City Tax Levy	<u>\$4.2379</u>	<u>\$4.2369</u>	<u>(\$0.0010)</u>

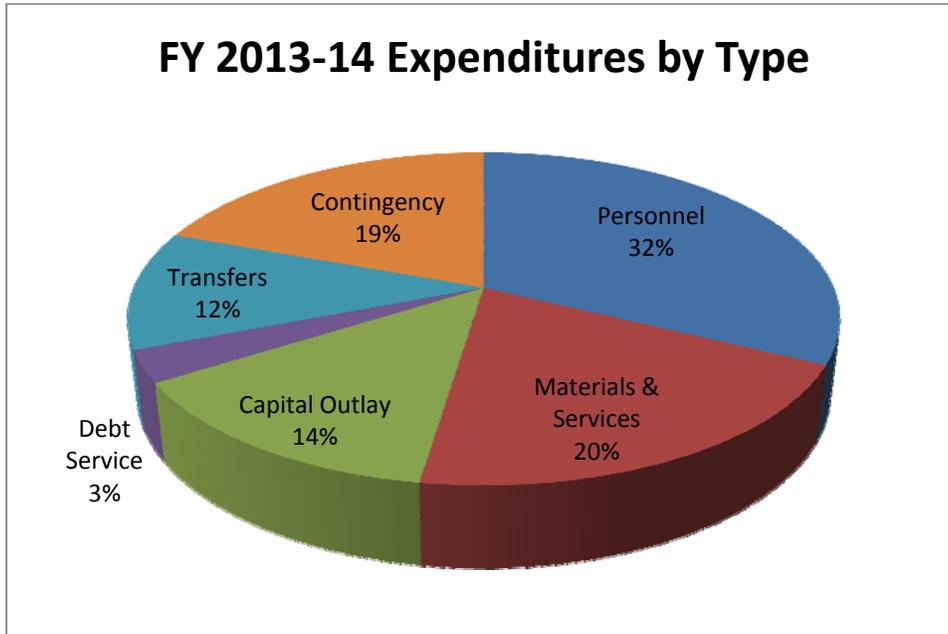
This \$4.02 tax rate will generate \$32,755,621 in net property tax receipts for general government operations which includes the General Fund, Library Fund, and Street Lighting Fund. The City will also receive \$1,725,000 for general obligation debt service for grand total property tax receipts of \$34,480,621. A further discussion of the property tax levy appears in the Supplementary Budget Detail beginning on page *xix*.

Together with the property taxes discussed above and all other revenue sources, the City's FY 2013-14 budget totals \$184,884,762. 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:

REVENUES	FY 2010-11 ---Actual---	FY 2011-12 --Actual---	FY 2012-13 ----Budget---	FY 2012-13 --Estimated-	FY 2013-14 ----Adopted---
Taxes & Franchise Fees	\$38,574,948	\$39,978,235	\$41,065,677	\$40,889,976	\$42,700,027
Intergovernmental	14,572,423	16,411,502	18,167,986	18,494,123	19,386,221
Permits and Fees	3,536,120	4,522,013	3,683,000	3,827,900	3,783,250
Charges for Services	26,296,175	27,915,435	32,910,374	29,416,916	40,292,530
Fines and Forfeitures	4,975,740	6,364,712	5,271,444	5,894,193	5,149,193
Interest Inc. & Miscellaneous	3,384,055	4,148,637	3,515,088	3,782,466	4,190,983
Interfund Transfers	<u>15,470,949</u>	<u>16,511,613</u>	<u>21,352,884</u>	<u>16,946,592</u>	<u>21,320,950</u>
Subtotal Revenues	\$106,810,410	\$115,852,147	\$125,966,453	\$119,252,166	\$ 136,823,154
Beginning Fund Balance or Working Capital	<u>62,287,813</u>	<u>60,588,265</u>	<u>53,716,713</u>	<u>53,716,713</u>	<u>48,061,608</u>
Total All Revenues	<u>\$169,098,223</u>	<u>\$176,440,412</u>	<u>\$179,683,166</u>	<u>\$172,968,879</u>	<u>\$184,884,762</u>
EXPENDITURES	FY 2010-11 ---Actual---	FY 2011-12 ---Actual---	FY 2012-13 --Budget--	FY 2012-13 ---Estimated--	FY 2013-14 ---Adopted--
Personnel Services	\$49,799,233	\$52,435,771	\$56,971,582	54,417,172	\$59,693,057
Materials and Services	29,942,967	31,689,601	40,243,616	35,970,421	37,164,142
Capital Outlay	8,100,750	16,967,516	18,963,241	12,748,010	25,199,214
Debt Service	5,196,056	5,119,204	4,909,190	4,825,076	5,697,408
Transfers	<u>15,470,951</u>	<u>16,511,607</u>	<u>21,352,884</u>	<u>16,946,592</u>	<u>21,320,950</u>
Subtotal Expenditures	\$108,509,957	\$122,723,699	\$142,440,513	\$124,907,271	\$142,684,287
Ending Fund Balances (Contingency and Ending Working Capital)	<u>60,588,266</u>	<u>53,716,713</u>	<u>38,396,451</u>	<u>48,061,608</u>	<u>35,809,991</u>
Total Expenditures & Ending Fund Balances	<u>\$169,098,223</u>	<u>\$176,440,412</u>	<u>\$179,683,166</u>	<u>\$172,968,879</u>	<u>\$184,884,762</u>



FY 2013-14 Expenditures by Type



EXPENSES ARE STEADY

The recommended budget for FY 2013-14 contains minimal changes in employee counts while accounting for labor agreement, health care and pension obligations. There is one additional position in the General Fund partially offset by reductions in the use of temporary help performing similar tasks in past years. One additional part-time Permit Technician is proposed to assist with an increasing amount of development plans expected. Each of the labor contracts are in the middle year of their multi-year agreements and contain cost-of-living adjustments. Those same labor agreements gained the City important changes in the types of health insurance benefits offered employees that will yield long-term savings. Even so, the cost of medical and dental insurance will rise. All of the employees are members of Oregon Public Employee Retirement System (PERS). The recent recession diminished the PERS system performance and will require prudent adjustments in contribution rates. While the Oregon legislature made several mitigating program changes that reduce the impact over the next biennium, higher contribution rates are required.

Elsewhere in the budget, the expenses are steady. One key area most likely to be required to change is the Police Department fleet. The department continues to transition to setting up a SUV as a canine unit for a number of years rather than recycle old patrol vehicles that are expensive to retrofit and maintain. The Criminal Investigation Division will be driving hybrid vehicles as that trend extends into the Police Department.

Spending on streets, water, sanitary sewer and stormwater management are consistent with previous years. If new development were generating sufficient system development charges, there would be more expenditures for expansion of the water system. As it is, that work is deferred but will be necessary, as Beaverton grows into the urban growth boundary expansion area along Scholls Ferry Road near Roy Rogers Road in our southwest quadrant.

Several capital improvements will be constructed in the core area of Beaverton this coming year with two bridges across Beaverton Creek, a multi-modal trail known as the “Crescent Connection” and the creation of safer bicycling routes paralleling Canyon Road along Broadway Street and Milikan Way respectively. These improvements, plus the pending move of city administrative operations into the recently acquired South Office Building, should spur the type of quality development envisioned for The Round for more than a decade. The increase in Capital Outlay reflects tenant improvements for the remodeled city offices.

For the fiscal year FY 2012-13, the decrease between the budgeted Beginning Fund Balance of \$53,716,715 and the estimated Ending Fund Balance of \$48,061,608 is \$5,655,107. This \$5.7 million decrease is mainly attributed to:

- Spending on capital infrastructure to construct extra capacity or replace existing facilities in our street, water, sewer, and storm drain systems.

For the adopted FY 2013-14 Budget, the decrease between FY 2013-14's Beginning Fund Balances of \$48,061,608 and the Ending Fund Balances of \$35,809,991 is \$12,251,617. The \$12.2 million decrease between the beginning and ending fund balances is mainly due to the following:

- Spending on capital infrastructure to construct extra capacity or replace existing facilities in our Street, water, sewer, and storm drain systems. Over the past years, we have accumulated System's Development, Utility Operating Revenues, and Utility Rehabilitation Charges and these accumulated revenues will be spent in this year's capital construction budget.
- A policy decision to defer re-building the General Fund's reserve.

For further details on the adopted FY 2013-14 budget, please refer to the Supplementary Budget Detail beginning on page *xix*.

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 **91,205** effective July 1, 2012.

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 2012-13, the city expects to receive \$78.14 per capita from the State, which totals \$7,113,000 based upon the average population for the year of 91,020. For FY 2013-14, Beaverton's average population estimate is **91,390** and should generate \$7,110,000 from State Shared revenues. Population estimates, demographic characteristics and geographical distribution affect several revenue sources and programs of the City.

BUDGETARY TRENDS AND HIGHLIGHTS

In 2008, the city's Water Revenue and General Obligation Bond Ratings were upgraded each by an additional step from **AA to AA+** by Standard and Poor's Rating Group. Standard and Poor's recently affirmed their ratings. The upgrades recognize the City's financial stability, improved debt service coverage, continued strong cash reserves, and Beaverton's high quality service area. In May 2010, Moody's Investor Services likewise upgraded our General Obligation Bond Ratings by one step from, Aa2 to Aa1, and the Water Revenue Bond Rating by two steps, from **A1 to Aa2** under their Global Scale Rating.

Public Safety: The budget provides funding to maintain 137 sworn police officer positions to maintain a ratio of approximately **1.5 sworn officers per 1,000 of population**. The City's tax authority will permit the hiring of future public safety positions as our population increases. The Police Department recommended budget is \$28.4 million. That is **43%** of the General Fund and 19.9% of the overall operating, capital outlay and debt service budget.

We believe the enhancements permitted with our General Fund resources enable the City to continue to improve the Community-based Policing Program. This program has and will continue to play a major role in maintaining a low rate of crime. Beaverton's Uniform Crime Report (UCR) total for Part 1 and Part 2 crimes decreased 3.4 percent in CY 2012 compared to CY 2011 (179 fewer cases).

- Part 1 serious person crimes, which include homicide, rape, robbery and aggravated assault, decreased by 1.4 percent (2 fewer cases).

- Part 1 serious property crimes, such as burglary, theft, motor vehicle theft and arson decreased 12.3 percent (214 fewer cases).
- Part 2 crimes, such as stolen property, vandalism, drinking in public, and fraud showed a slight increase of 1.1 percent (37 more cases).

The total volume of calls for service decreased slightly in CY 2012 compared to CY 2011. Indicative of the department's commitment to proactive problem solving efforts, officers maintained a high level of self-initiated calls, which was 65 percent of the total calls for service in 2012. The department continues to collaborate with citizens to proactively resolve issues that affect the community.

Recent City Awards: While the many numbers and trends of the budget represent services for our citizens, Beaverton is the "Best of Oregon" and receives numerous awards and recognition among its peers. Based on data collected from a number of sources, People know Beaverton for its low crime rate, high quality of schools, diverse population, access to arts and leisure, the fiscal strength of our government and proximity to some of the best places to work in the country. Beaverton has a myriad of athletic opportunities, proximity to the ocean and mountains, parkland and local shopping, including the well-regarded Beaverton Farmers Market.

In 2013, Beaverton was again recognized as the safest city in Oregon. Since 2007, Beaverton has been named one of the safest cities in the Northwest. In 2012, the city was awarded the Mayors' Climate Protection Award from the U.S. Conference of Mayors. It was one of just four cities of its size recently recognized as a "Smarter City" energy leader by the Natural Resources Defense Council and one of the 100 Best Places to Live in America by Money magazine. The Beaverton Community Vision program was named Public Involvement Project of the Year—Best Planning Project by the International Association of Public Participation (IAP2) Cascade Chapter.

In addition, various organizations recognized Beaverton as:

- one of the best places to raise kids by BusinessWeek magazine
- an All-America City finalist
- a top 25 Suburb for Retirement by Forbes.com
- one of the 100 Best Walking Cities in America by Prevention magazine
- Recycler of the Year from the Association of Oregon Recyclers
- a Tree City USA by the Arbor Day Foundation
- a Bronze Award Bicycle Friendly Community designation by the League of American Bicyclists
- one of the Environmental Protection Agency's Green Power Communities

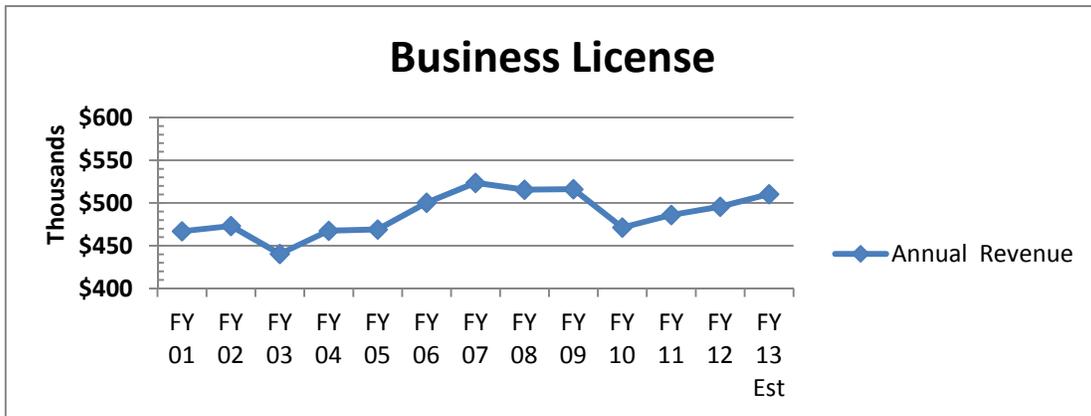
Especially relevant for this budget message is the notice that the City of Beaverton's website received an A+ grade and a Sunny Award by the Virginia-based Sunshine Review for having one of the most transparent government websites in the nation, proactively disclosing information to taxpayers. To that end, please visit www.BeavertonOregon.gov or follow us on Facebook at www.Facebook.com/CityofBeaverton.

FY 2013-14 BUDGET GUIDELINES

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

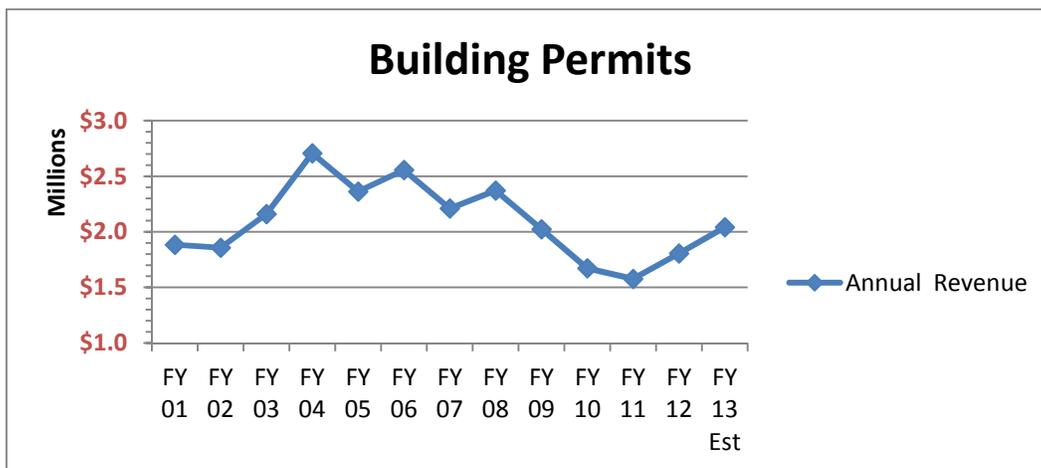
Local Beaverton Area Economy: Beaverton's local area economy is recovering, attempting to resume the highpoint in FY 2006-07 as measured by the amount of revenues generated from the City's business license fee. The license fee is based upon a fixed base amount (\$50) plus \$8.50 per full time equivalent employee in excess of

the first four employees. Since a low point in FY 2009-10, the City’s business license revenue increased by \$28,000 or 6% through FY 2013-14. Business license revenue tends to reflect citizens discretionary spending, thereby affecting business commerce levels. For FY 2013-14, the City projects Business License revenue to remain approximately \$500,000. Below is a graph of the business license fees since FY 2000-01 showing projected revenue in the current and next fiscal year.



There is an increase in private investment in the City with new development applications submitted and approved by our Planning Commission. Recent examples include new commercial development in the Timberland development north of Barnes Road and redevelopment projects in our central commercial area such as the Cedar Crossing II development.

The City experienced the nationwide decline in residential new construction that began in early FY 2007-08. This decline combined with the issue that Beaverton is approximately 95% built out (declining available land inventories for development) reduces the number of permits issued and the revenues generated since the peak experienced in FY 2005-06. The following table shows Building Fund permit revenues over the past fiscal years along with FY 2012-13 estimated amounts.



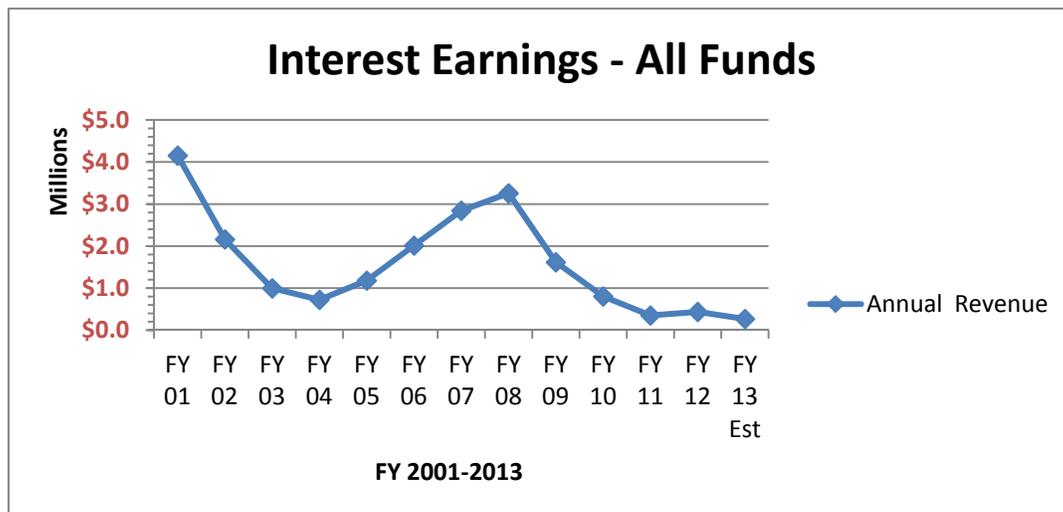
In past years, the **Building Fund** eliminated positions to maintain the balance between revenues and expenditures. With these past staffing level reductions, FY 2013-14 total expenditures will be more in line with revenue projections such that the Ending Fund Balance should increase slightly to a projected total of \$672,154 including a reserve for equipment replacement. The Building Fund’s Ending Fund Balance should be at least 50 percent of its annual inspection operating costs because building permit fees received today are used to pay for the cost of inspection services that will occur in the following six months. The Building Fund’s annual operating budget for inspection services is \$1.6 million; therefore, the Fund’s Ending Fund Balance should be approximately \$800,000. We continue monitoring the Building Fund’s operations for possible adjustments in the

future. A number of commercial developments are under consideration, annexations continue and other developments will likely continue the trend of the last several years.

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 being considered. The City’s various major revenue streams are stable for FY 2013-14 except for those revenues discussed below. The **property tax levy** rate for general operations is projected to be \$4.02 per thousand dollars of assessed valuation. The projected rate should generate \$32,755,621 in net property tax receipts based upon an estimated assessed valuation of \$8.5 billion. The \$4.02 tax rate is 87% of the City’s \$4.62 Permanent Rate Tax Authority. The increment between the levy of \$4.02 and the \$4.62 permanent rate is \$0.60, and when applied to the estimated assessed valuation, it would produce an additional \$5.1 million dollars in property tax revenues. This additional unused tax authority provides the City with sufficient resources to meet our future needs.

Franchise 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 is steady with no material growth projected for FY 2013-14 due to a combination of decreased new development construction, minimal population increases, and an expected reduction in the number of households and commercial properties served as customers evaluate and reduce their discretionary spending. Local phone service franchise fees have steadily declined due to households changing from traditional in-home phone line service to either cell phone service or phone service over cable lines, which are federally exempt from local franchise fees and agreements.

It is no surprise to any reader with a savings account, certificate of deposit or other investment that earnings on investments continue to decline. The City’s average **investment** portfolio is approximately \$70 million and this graph illustrates the revenue gained from those investments over the past 13 years:



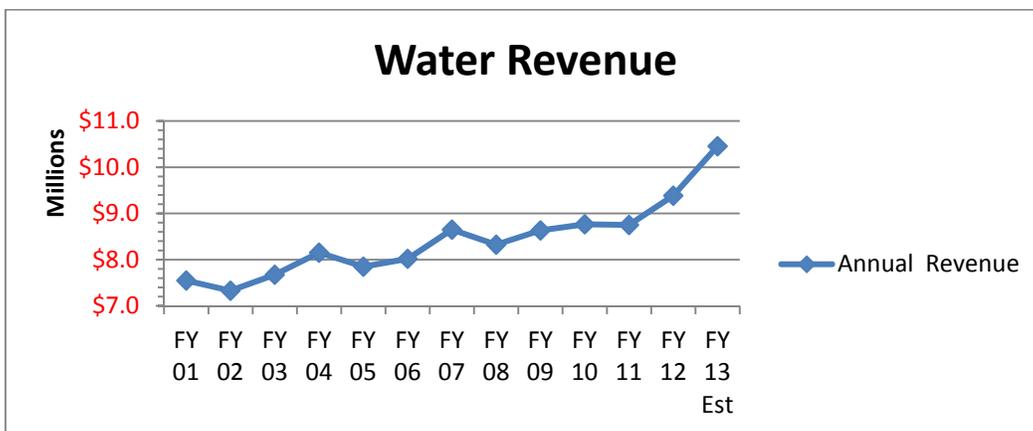
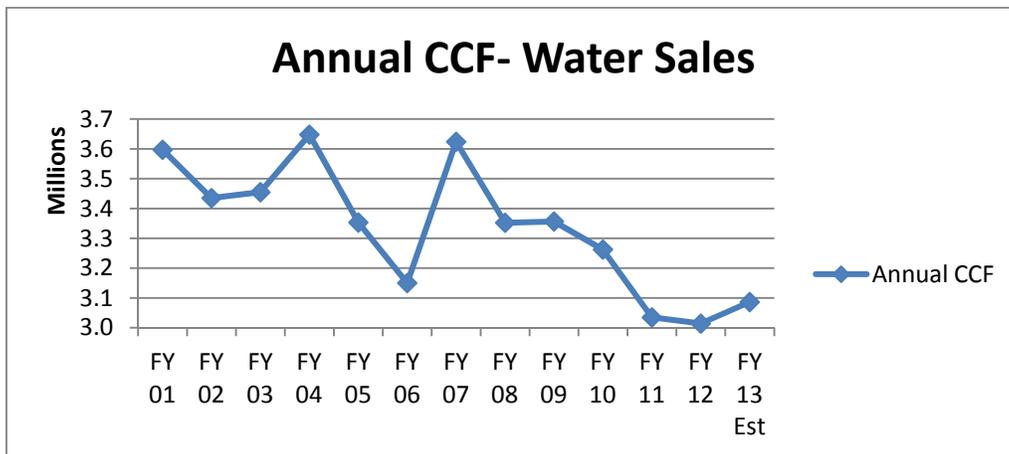
The City’s **Library Fund** receives property tax funding from the Washington County Cooperative Library System’s (WCCLS) local option levy and the County General Fund. WCCLS provides approximate 59% of the annual operating revenues for the City’s Library. The FY 2013-14 adopted budget includes WCCLS funding of approximately \$4,696,582 that represents a \$114,551 increase over the FY 2012-13 estimated level. The Murray-Scholls branch library will begin its fourth year of operation. Instead of the traditional transfer from the General Fund to the Library Fund to assist with the branch operating costs, the allocation of property tax increases. The total allocation to the Library Fund should yield about \$2.8 million. The total rate allocated to the Library is about 35¢ for this fiscal year compared to 26¢ last fiscal year. With lower than expected WCCLS property tax revenues, the additional allocation of the City’s property taxes will most likely continue through FY 2014-15.

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 classified as Business-type Activities funded by user fees, charges for services, and other restricted revenues. We continue to 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.

For the **Water Fund**, the FY 2013-14 budget includes a \$1.00 increase to the current \$10.00 per month water base charge for the typical residential 3/4 inch water meter with a similar percentage increase across all meter sizes. In addition, the budget also reflects a 3.7% increase in the water consumption rate. The consumption rate increase is equivalent to 10-cents from the current \$2.67 per 100 cubic feet of water to the rate of \$2.77. The monthly cost increase to the average residence that consumes 8 units of water per month would be \$1.00 for the base charge and \$.80 for the consumption charge for a combined \$1.80 per month or about \$21.60 per year. The rate increases July 1, 2013. 100 cubic feet of water is equal to 1 CCF and one CCF is equivalent to 748 gallons. This practice of annual increases in water and other utility rates will likely continue well into the future to assure compliance with debt service covenants as well as meeting operational and capital investment needs.

These increases are necessary due to several factors that work at cross-purposes: more revenue to meet increased operating costs related to water production and distribution as well as investments in upgrading piping, treatment and storage facilities while consumption continues to decline. Due to conservation measures and vacant property, a decline in consumption rate per capita is very standard in the water industry. Two graphs illustrate the trends:



Policy Direction and Management – Meet Needs but Hold the Line: With a recovery from the recession underway, I challenged the City's department heads to manage the City's operations and capital projects in such a way that costs are within operating revenues and that unanticipated needs are met within current resources. This requires significant attention to revenue streams and requires division managers to incorporate more direct and specific attention to their management controls, projections, and supervision of programs or projects.

Compensation Adjustments: The adopted FY 2013-14 budget includes compensation adjustments for all classes of employees, including management. Contracts for the two bargaining units were renewed on July 1, 2012 and

continue until June 30, 2015. The total cost of the budgeted fiscal adjustment is approximately \$1.0 million, which is comprised of \$793,000 in salary and the balance is associated payroll taxes and fringe benefits. See the discussion regarding PERS below.

Staffing Additions and Reductions: The recommended budget includes an additional 1.0 FTE Support Specialist II added in Neighborhood & Community Services partially offset with a reduction in seasonal, temporary and part-time help. There is also a 0.5 FTE Permit Technician to assist with a growing influx of development plans and an adjustment in staffing between the main and branch libraries with the branch gaining a 0.60 Library Aide partially offset by the elimination of a 0.25 Aide at the main library. Authorized but not funded, are an additional 1 FTE Librarian (Children's) and 1.20 FTE Library Aides at the branch library. This will be revisited pending the outcome of a proposed expansion of the branch facility. The total number of employees in the adopted budget is 517. For specific details on staffing changes, please refer to the Supplementary Budget Detail on page xviii.

Operating Cost Increases: The FY 2013-14 budget includes minimal general citywide cost increases. The medical programs will experience an average 7.49% increase in the two plans. These changes represent a cost increase of \$214,904 over the amounts budgeted for FY 2012-13.

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

Since FY 2004-05, the City continues 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.

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
12/31/01 ¹	\$109,422,457	\$92,492,228	\$16,930,229	118%	\$20,524,254	82%
12/31/03	107,511,987	116,106,713	(8,594,726)	93%	23,098,944	(37)%
12/31/04 ²	120,361,263	130,068,606	(9,707,343)	93%	25,806,789	(38)%
12/31/05	135,827,667	136,633,049	(805,383)	99%	25,202,309	(3)%
12/31/06 ²	152,481,527	142,451,626	10,029,901	107%	25,678,994	39%
12/31/07	163,532,200	150,054,556	13,477,644	109%	26,663,695	51%
12/31/08 ²	124,870,860	156,712,907	(31,842,047)	80%	28,710,908	(111)%
12/31/09	141,726,062	165,397,635	(23,671,573)	86%	31,185,880	(76)%
12/31/10 ²	152,182,765	174,931,684	(22,748,919)	87%	32,532,597	(70)%
12/31/11	146,862,259	181,185,933	(34,323,674)	81%	32,648,286	105%

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

Every two years, the PERS board conducts an actuarial valuation of the PERS system that is used to set the contribution rates for the next two-year period. PERS performed the actuarial evaluation for the period ending December 31, 2011 and the results were completed in September 2012. This evaluation established the City's PERS funding rates for the ensuing biennium, which is July 1, 2013 through June 30, 2015 (FY 2013-14 and FY 2014-15).

For the City, PERS has established required contribution rates of 20.36% for PERS Employees, 15.64% OPSRP General Employees and 19.37% for OPSRP Police Employees. The net cost increase of the new required contribution rates when compared to the rates charged this past biennium results in an increase of 2.8 percentage

points in the contribution rates that could mean as much as a \$1,005,223 increase in costs to the city. To help offset this increase, the adopted budget proposes using \$500,000 of our PERS reserve. This will leave a balance of approximately \$4.3 million in our PERS reserve account, which will serve the City well for future increases. The PERS Board is likely to adjust the amount of increase based on legislative direction from the 2013 Regular Session so the actual increase may be different.

Productive Service Enhancements: Service enhancements will be achieved within the existing budget through better management opportunities. Overall, the budget reflects a strategy of holding the line on expenses except for the staffing changes noted above. Each program of the budget describes how the staff is increasing its effectiveness or efficiency to produce better outcomes. In particular, the Police Department and the Community and Economic Development Department each broadly examined and approved new strategic plans for the coming year. The goals and objectives described in their respective programs reflect the new approaches.

Beaverton is a First Tier Suburb: Beaverton is an active advocate for national attention to the conditions of “first tier” suburbs next to central cities such as Portland. Recognition is apparent through assistance from the Department of Housing and Urban Development (HUD). FY 2013-14 is the city’s twentieth year as a Housing Urban Development Block Grant (CDBG) entitlement city, but funding is unstable. FY 2012-13’s allocation should be \$551,016 and together with the \$314,795, remaining from prior years’ awards, will total \$865,811 in available grant resources for the coming year. Our long-term goal is to enhance Beaverton’s central area by supporting affordable housing and improving the core neighborhoods’ public infrastructure and community facilities. The City received \$1 million from HUD’s **Sustainable Communities Challenge Grant** for a 3-year effort aimed at the Creekside District. This funding allowed us to quickly plan and design activities implementing the Civic Plan’s Central City Strategy. Initial projects include improved streetlighting and sidewalks on Broadway Street and creation of safer bicycle routes on two side streets that parallel busy Canyon Road (OR 8).

BUDGET HIGHLIGHTS: MAJOR PROGRAM CHANGES AND ENHANCEMENTS

Beaverton Community Vision Program: The Beaverton Community Vision project tagline is **Connect • Imagine • Transform**. Through the program, the City has connected with the community, asked them to imagine their goals for Beaverton. The community’s vision for Beaverton focuses on five core goals: (1) Build Community, (2) Create a Vibrant Downtown, (3) Improve Mobility, (4) Provide High Quality Public Services, and (5) Maintain and Enhance Livability. Each of these goals has targets and action plans associated with them. Throughout this budget, you will see how the management team embraces the Vision. After the Budget Message is a table describing where each department sees its role in achieving the Community Vision. Some departments are designated as a “Lead Partner” and others play a more supportive role”. In many cases, the city depends on some other organization for implementation.

Over the upcoming fiscal year, staff will work with visioning volunteers, Mayor, City Council, and the community at-large to advance the ideas that our citizens have embraced and prioritized. Among other things, the Beaverton Community Vision calls for investments in transportation, infrastructure and sustainable development.

This vision for Beaverton includes celebrating our diversity, coming together for community events and activities, beautifying our city, protecting our great open spaces and natural resources, and establishing a clearly identifiable revitalized downtown. Through a collaborative spirit and strengthened regional partnerships, the City will build the relationships necessary to achieve the community vision. Even as Beaverton grows and evolves, the goal is to remain true to its origins: a friendly, welcoming community that honors its heritage and affords all residents the opportunity for social, economic and personal growth regardless of their age, origin or individual dream. Beaverton Community Vision is an ever-evolving community-driven plan that will always strive to reflect the aspirations of the community at-large.

HUD Community Challenge Grant and the Beaverton Civic Plan: Concurrently with the Community Vision Program, the city has conducted unprecedented public involvement and outreach in defining the future of the city.

The result of this public engagement is the Beaverton Civic Plan that the Beaverton City Council adopted in April 2011. The Civic Plan consists of three strategies:

- Beaverton’s Central City Strategy (Creekside District)
 - Transportation
 - Open Space, Plazas and Civic Places
 - Land Use and Development
- Land Use and Transportation Strategy
 - Land Use Issues and Strategies
 - Active Transportation Networks
- Housing and Neighborhoods Strategy

Implementation of the Beaverton Civic Plan strategies began in this current fiscal year with the award of the \$1 million Community Challenge Grant and approval of an expansion of the city’s Urban Growth Boundary (UGB). Over the course of the next few years, the city will invest in improvements in our Central City and create new opportunities for redevelopment in the Central City with this grant, work to improve traffic in the city, and create new programs to help our existing neighborhoods. Ambitious multi-disciplinary planning is underway in both areas and the City has gained additional resources to identify opportunities to detail projects.

In May 2013, the U.S. Environmental Protection Agency (EPA) approved two grants totaling \$400,000 for Phase I and II assessments on brownfield sites. A brownfield site is a portion of industrial or commercial property that is often contaminated, especially one considered for redevelopment. The city and Oregon Department of Environmental Quality (DEQ) identified nine initial properties located downtown—specifically in The Round and Creekside District areas and within a new state-designed Enterprise Zone—contaminated from previous uses and require Phase I and Phase II assessments. Documentation of the levels of possible contamination is an important pre-development task for new projects and may provide additional assistance with mitigation of the problems revealed. This type of assistance for redevelopment projects is an important role that the City plays in encouraging redevelopment of sites.

The **UGB expansion** is in a soon-to-be-planned area at the southwest area of the city near the intersection of Scholls-Ferry Road and Roy Rogers Road (Area 6B). Over 540 acres, it is mostly intended for residential development and includes a likely site for Beaverton’s first new high school in a several years. Our goal is to begin to implement the new vision of Beaverton with these two related actions. The regional Construction Excise Tax program of Metro helps fund staff and outside professional resources to plan the 6B and adjacent areas in concert with the neighboring area within the City of Tigard.

Economic Development: The Economic Development Program is now an integral division of the Community and Economic Development Department. It continues to be strong and active. Consistent with the Council’s and the Mayor’s goals, our City is committed to attracting new businesses and to supporting our existing business base. The FY 2013-14 budget for the Economic Development program contains funding for the following major initiatives:

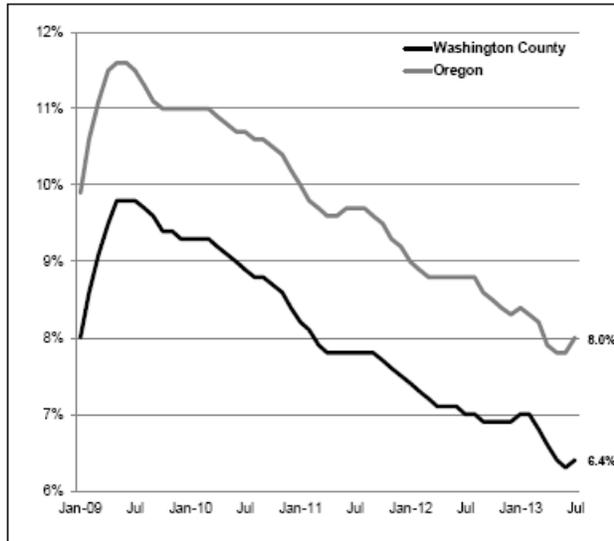
- \$40,000 in continued funding of the workforce enhancement program for economic development recruitment,
- \$157,000 to support the Oregon Business Technology Center
- \$25,000 for the Brookings Metro Export Initiative as the City works with its regional partners to support a special effort aimed at increasing the size and capacity of the export sector for the Portland region
- Continued strong support for the Beaverton Area Chamber of Commerce through memberships, advertising and sponsorship of events and activities like Leadership Beaverton and Beaverton 4 Business Awards

During FY 2013-14, the economic development program will implement the targeted business attraction program focusing on one or two existing business clusters. The program will determine the needs of the identified clusters and develop programs that will create a business environment conducive to the expansion of the clusters. Marketing efforts aim to position the City of Beaverton as a good place to locate a business in the regional marketplace, and to attract appropriate new business to the community.

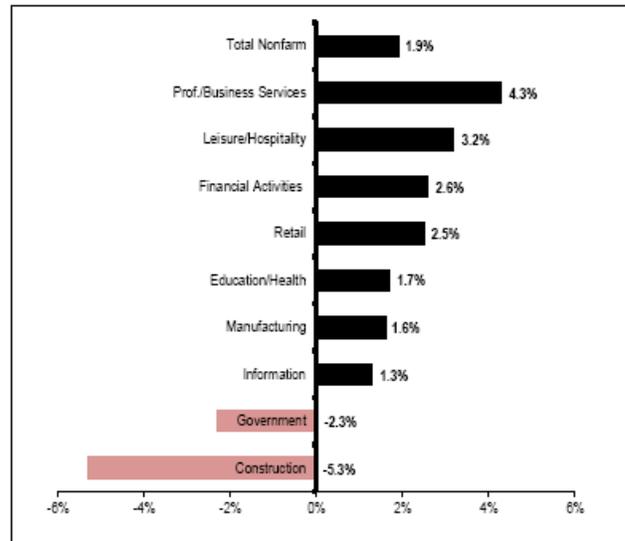
One of the incentives now approved for Beaverton is the **Business Enterprise Zone**. The BEZ now includes approximately 4.5 square miles, a 67 percent increase from the original 1.5 square miles, with more than 1,300 companies that could potentially benefit. The expansion includes all eligible industrial and commercial-zoned land along with .64 square miles in unincorporated Washington County. Two firms invested substantially in their equipment or facilities and expanded employment in order to qualify for a rebate on the taxes that would otherwise be assessed on the value of those investments.

The graphs below represent recent economic activity in the county.

Washington County Unemployment Rate
Through July 2013 (seasonally adjusted)



Washington County Employment Growth
% increase on a year earlier – July 2013



Source: WorkSource Oregon

Beaverton Central City Urban Renewal Planning: This program, aimed at redevelopment of Beaverton’s core area is presented in its own budget document, as the agency is a “component” unit of the City of Beaverton. Urban renewal activities operate under the authority of the Beaverton Urban Redevelopment Agency (BURA). This adopted FY 2013-14 budget includes no funding for the agency. The adopted budget for FY 2012-13 included a loan of \$100,000 to BURA from the General Fund for their initial operating expenses. That loan was not executed and the appropriation lapsed on June 30, 2013.

Development Trends and Services:

Perhaps the most significant real estate transaction of the past few years involved the City of Beaverton. In an alliance with an experienced Portland area developer, Scanlon Kemper Bard, we together acquired most of the properties at The Round. The City purchased the “**South Office Building**” for \$8.6 million and now operates a 108,000 square foot multi-tenant Class A structure. This building also houses the City’s Central Plant, which provides heating and cooling services to all the current and future buildings in The Round development. Here is a photo of the building with a MAX train at the Beaverton Central Station and the plaza in front of the commercial and residential lofts called the “Crescent Building”.



This building also houses the City’s Central Plant, which provides heating and cooling services to all the current and future buildings in The Round development. Here is a photo of the building with a MAX train at the Beaverton Central Station and the plaza in front of the commercial and residential lofts called the “Crescent Building”.

The adopted budget includes the appropriation of \$5.6 million for remodeling the building to accommodate the city's administrative services by mid-2014. The revenue for the work comes from a revenue bond authorized by the City Council for not more than \$7 million. Repayment will be over a seven-year period from franchisee fees allocated to a new Special Revenue Debt Service Fund. A portion of the bond proceeds reimburse the General Fund for a portion of the acquisition expense.

Staff is proceeding with long range planning work that will help stimulate new growth in the South Cooper Mountain area (a.k.a. area 6B). They are also developing updates to the City's Comprehensive Plan for Economy, Housing, Community Health, Sustainability, and Emergency Mitigation. These updated and new Plan Elements will help establish guiding policies for decision making on these critical community issues.

The condition of the regional economy affects the level of current planning activities particularly in the number of land use development applications for residential development. The staff has conducted more pre-application conferences for new development and several adopted annexations seem to indicate that those property owners desire to develop their properties in the near term. Staff estimates that the division will process at least **550 land use applications** for the coming fiscal year with the majority of those applications being administrative level (Type 1) review.

Significant new construction continues at the 45° Central site near SW Murray and Jenkins Road. This is a mixed-use project with both residential and commercial buildings. Some of the older "strip-mall" developments from past decades are being demolished to make way for new commercial buildings particularly at Cedar Crossing II.

Although there are signs of improvement, new single-family home permit activity remains modest. The Building Division will issue 100 new single-family home permits in FY 2012-13. With permit activity improving, economists suggest the housing market's slow recovery will continue with 110 **new single-family permits** projected for next year. The number of multi-family units is about 260 for both the current and coming year.

Police Services: The Beaverton Police Department continues to focus on its main priority: keeping our community safe. To this end, Beaverton maintained a low crime rate with an overall 3.4 percent decrease in reported total **Part 1 and Part 2 crimes** in Calendar Year (CY) 2012 compared to CY 2011. Ratings and recognition as a safe city involves more than just statistics. It includes a highly visible police force, rapid response, competent investigators, and proactive involvement with our citizens. It also involves effective partnerships, efficient use of resources, and strong support from the community and its leaders.

The department continues to maintain a highly visible Patrol Division and Traffic Safety Team. In 2012, officers maintained a high percentage of self-initiated calls for service and arrested more than 466 intoxicated drivers. The Traffic Safety Team expanded in 2010 and this increases the safety of Beaverton's roads through enhanced enforcement and education efforts. There are five state highways running through Beaverton.

Red Light Signal Violation Camera Detection Program (Running Red Lights): Beaverton is one of fourteen cities authorized by the state legislature to use a system that photographs drivers that fail to obey traffic signal devices (running red lights) using a camera detection system (any city over 30,000 in population can install red light signal detection). At designated intersections, a camera unit connects to the traffic signal and an underground sensor. When a vehicle enters the intersection after the light has turned red, a photo is taken and a citation issued to the registered owner with the presumption that the registered owner of the vehicle is the driver. Beaverton has four intersections with active camera systems that monitor the traffic as follows:

- 16 Straight-through traffic lanes
- 2 Left-hand turn lanes
- 8 Right-hand turns (right-turn-on-red)

The table below illustrates the activities of the Photo Enforcement programs in the past two years.

PHOTO ENFORCEMENT	2011	2012
Photo Radar	3,813	5,818
Photo Red Light (straight through)	1,793	2,074
Photo Red Light (right turn on red)	4,146*	5,813
Total	9,752	13,705

*The Photo Right Turn on Red program began in January 2011, with warning only citations issued in the month of January and actual citations issued beginning in February.

The Beaverton Police Department continues its commitment to a community-based policing philosophy. In 2010, the **Community Services Division** was restructured as part of the department’s reorganization. The division now includes a Community Services Sergeant, the Bicycle Team, Community Service Officers, and Public Information Officer. Three recently added community programs: a Citizens’ Academy for developmentally disabled adults, the Military-Mentor program and a Prescription Drug Turn-in program continue in 2012-13. At the department’s 2013 awards and recognition ceremony, Police Chief Geoff Spalding recognized the entire unit of Swing and Graveyard shift officers for a traffic stop in December 2012 resulting in seven people in custody on various drug-related charges and confiscation of numerous weapons including one AK-47.

The total volume of calls for service in CY 2012 is increasing. The activity is consistent with nationwide statistics. Indicative of the department’s commitment to proactive problem solving efforts, officers maintained a high level of self-initiated calls, which was 65 percent of the total calls for service in 2012. The department continues to collaborate with citizens to proactively resolve issues that affect the community.

Fraud and identity theft continue to comprise a significant portion of the property crimes in Beaverton and surrounding jurisdictions. The department dedicates one full-time and one half-time detective positions whose primary assignment is to combat fraud and identity theft crimes through investigation, as well as information sharing with other law enforcement agencies, financial institutions, and retail businesses. The Division also utilizes one detective part-time to investigate cyber-crime cases, as well as a second detective who gathers, investigates, and disseminates criminal intelligence information.

The CID assigns a detective part time to the Northwest Regional Computer Forensics Lab (RCFL). The Forensics Lab is a partnership between federal, state, and local law enforcement agencies, and specializes in obtaining “digital evidence” that is not accessible without extensive technical training. Retrieving digital evidence is essential in building cases, but the training is prohibitively expensive for most individual police agencies.

The School Resource Officer (SRO) team continues to provide school resource services to 36 public and private elementary, middle, and high schools in Beaverton. As well as performing the duties of a regular patrol officer, such as making arrests and taking reports, SROs also educate students. The department continued to conduct its successful Student Academy Program at Southridge, Sunset and Beaverton High Schools.

Water, Storm and Wastewater Utilities: One of the most significant City of Beaverton infrastructure planning projects of the last two decades continues in FY 2013-14. The Metro-designated **South Cooper Mountain area** (540 acres), which is largely undeveloped, became part of the region’s Urban Growth Boundary (UGB) in 2011. The City of Beaverton then unanimously approved the annexation petition from the affected property owners for the area.

An infrastructure study for the entire 6B Urban Reserve (including the South Cooper Mountain area) requires extensive evaluation of water, surface water and sanitary sewer service needs and projected costs to ensure provision of utility services for a fully developed area. The sanitary sewer master planning study (CIP No. 6083) includes close coordination with CWS and the City of Tigard because the large-capacity sewer trunk mains and pump station(s) needed to serve the future 6B development will also serve the large area south of Scholls Ferry

Road that was recently annexed by the City of Tigard. Clean Water Services (CWS) will primarily fund the large sewer trunk mains and pump station(s) to serve all of these areas. Intergovernmental agreements (IGAs) between the agencies allocate costs and assure accountability for design, bidding and construction management.

The City's drinking water program continues to work to reduce the amount of peak-season surface water supply into the City so as not to exceed the City-owned capacity of 18.75 million gallons per day (mgd) in the Joint Water Commission water treatment plant and 14 million gallons per day (mgd) in the Joint Water Commission (JWC) transmission pipelines. The City is achieving this by using technology that provides drinking water during times of high use through a natural underground storage system: **Aquifer Storage and Recovery (ASR)**. ASR involves pumping drinking water during the winter months from the water treatment plant (the same water our customers drink every day) into deep natural underground basalt formations, or aquifers, where it is stored for later use with minimal refreshing to standards. The City uses ASR as an alternative way to increase summer water supply by up to 6 mgd during each summer. In FY 2013-14, the city will continue preliminary planning for a future ASR Well No. 5 to replace ASR Well No. 1.

Because of the uncertainty of obtaining a timely decision from the Bureau of Reclamation on seismic modifications to Scoggins Dam, the City of Hillsboro and the Tualatin Valley Water District are exploring options for meeting the long-term water needs of the basin. In February 2013, the City of Hillsboro formally designated the Willamette River as the city's long-range water supply source. Tualatin Valley Water District decided also to build a new Willamette River supply system to be completed by 2025. Within the next year, the City of Beaverton will have an opportunity to consider joining as a partner to the new Willamette River water supply system.

Increased water capacity distribution system improvements will occur on:

- Main Avenue from 2nd to 5th Street
- SW 3rd and 4th Street from Stott to Watson
- Royal Woodlands West Utility Improvements
- Scholls Ferry Road – Fanno Creek Bridge – Waterline Relocation

As noted earlier the conflicting trends of lower water sales and higher expense require another rate increase on July 1st. Consumer research by other utilities shows that customers prefer more frequent, smaller rate increases to "spikes" in the rate structure. Effective June 2013, all water meter reading and charges shift to a monthly basis.

Since 2011, there is increased coordination with Operations field maintenance staff and Engineering staff regarding the design of surface water runoff treatment facilities. The list of FY 2013-14 projects includes the following:

- Pre-treatment Retrofits (6775 Murray Blvd & 10200 Murray Blvd)
- Creek Debris Screen Replacements (117th, Greenbrier, Hiteon)
- Colony Lane 124th-126th Alley Drainage
- 139th Ave Storm Maintenance Access with pre-treatment manhole
- 102nd & Heather Drainage Improvements

A surcharge on the monthly sewer service charge, established in 2005, funds a program for replacement/renewal of existing **sanitary sewers**. This program is set up to fund and replace/renew 30 lineal miles of lines of sewer mainlines over a 30-year period in various locations of Beaverton. Staff in this program will plan, design, and manage construction contracts for the planned capital improvements. Staff uses new and emerging "trenchless" technologies to accomplish the replacement/renewal goals, which can reduce costs, traffic disruption and traffic delays on busy streets.

Workload Measures:	FY 2010-11 Projected/Actual	FY 2011-12 Projected/Actual	FY 2012-13 Budgeted/Revised	FY 2013-14 Adopted
Number of miles of sanitary sewer collection system	277	277 / 275	275 / 274	274
Number of miles of public sewer mainlines (6" and greater) replaced or structurally rehabilitated	3.6 / 2.5	4.4 / 3.2	3 / 4.3	3.2

The Supplementary Budget Detail section, beginning on page *xix*, further describes the City's continuing investments in the conveyance and distribution systems of the City's utilities.

Streets and Transportation:

Beaverton continues to make a solid investment in the condition of its street and pathway assets. The City uses a Pavement Condition Index in order to prioritize both maintenance needs as well reconstruction projects:

CONDITION CATEGORY	PCI RANGE
Good	70-100
Fair	50-69
Poor	25-49
Very Poor	0-24

- 2006 Overall Network Pavement Condition Index **83**
- 2008 Overall Network Pavement Condition Index **81**
- 2010 Overall Network Pavement Condition Index **83**
- 2012 Overall Network Pavement Condition Index **84**

For efficiency, capital projects that will be coordinated with street overlays include South Central Area D/F Utility Imp. (CIP 6074), Main Ave Sewer Renewal Projects (CIP 6069 and 6072). Royal Woodlands West Utility Improvements (CIP 6063), Belaire Subdivision Utility Improvements Phase 1 (CIP 6076), 102nd Ave. South of Heather Ln. Storm Drain Replacement (CIP 8112), Storm Conduit and Catch Basin Repair on Overlay Streets (8102) and Birchwood Rd (Brentwood Rd-87th Ave) Sidewalk (CIP 3318).

As part of the Community Visioning and Civic plans, the Broadway Streetscape Improvements Phase 1 (CIP 3515A) will be constructed by city forces. The street crew will continue to be involved in the construction of rain gardens as part of Hart Road Traffic Calming (CIP 8095). The street crew will continue to construct miscellaneous traffic calming projects, as assigned.

The Supplementary Budget Detail section, beginning on page *xix*, further describes the City's continuing investments in the street system planned for FY 2013-14.

Library Services: The Beaverton City Library continues to experience significant demands for service, especially with the opening of the Murray Scholls branch. Our library is the busiest library in the Washington County Library System (WCCLS) system, circulating 3,558,133 items in calendar year 2012. Beaverton circulates 27.58% of WCCLS' total circulation of 12,900,960 items. Beaverton is #2 in total circulation and #2 in total children's circulation among all libraries in the State of Oregon, only behind Multnomah County Library that has 19 branches.

This meteoric rise in circulation and materials handling over the past three years has caused the Library, in conjunction with WCCLS, to replace its barcode based circulation system with Radio Frequency Identification (RFID) technology. WCCLS libraries added RFID tags to their books and materials and have installed RFID readers to checkout and check-in materials. The RFID system increases the security and efficiency in handling the nearly 13,000,000 items circulated throughout Washington County each year. Beaverton City Libraries installed Automated Materials Handling (AMH) systems that further increase efficiencies by checking in and sorting most returned items with minimal staff intervention.

Volunteers continue to play a vital and integral role in the library's day-to-day operations allowing the library to meet the rising demand for services. In FY 2012-13 volunteers will likely contribute about 21,000 hours of support for the library.

The Library Fund includes an allocation of the property tax levy (\$2.8 million) in part due to the fifth full-year of operating the branch library. The Library operations fund balance will end FY 2013-14 with a projected contingency balance of about \$824,000. The FY 2013-14 budget includes sufficient appropriations in purchasing library materials to maintain the library's "Excellent" standard as set by the Oregon Library Association, which measures the library's collection size as a percentage of the population served.

Sustainability Initiatives: The City places a high priority on its sustainability initiatives. Sustainability issues are in the forefront for the City's operations and the community's consideration. In the past year, the Sustainability Program shifted to be a division of the Community and Economic Development for better strategic alignment with our priorities. That department now manages an ever-growing array of inter-related programs ranging from current planning activities to workforce development to solar energy promotion and to master planning the Beaverton Creek area. The sustainability efforts incorporate city operations and community activities such as:

- Retrofitting high-pressure sodium street lights to energy efficient LED and induction technology
- Monitor and report on the installation of 16.5 kW of solar electric panels on the City Library roof.
- Greenhouse gas (GHG) inventories established a baseline measurement of emissions for the City and for the Beaverton community so that carbon reduction goals can be set and achieved. Monitoring and reporting continues in the next years.
- Since FY 2007-08, the City purchases green power for all City facilities, earning the designation by the Environmental Protection Agency (EPA) as a Green Power Partner. Additionally, the City as a community was one of the first communities in the U.S. named a Green Power Community by the EPA.
- The City installed five electric vehicle charging stations, owns one Nissan Leaf and several hybrid vehicles
- 59% of Beaverton's waste stream is recycled. The Recycle at Work program provides on-site assistance to local businesses. Outreach to multi-family housing is also an emphasis of the Solid Waste & Recycling program, with the 80 largest apartment complexes contacted annually and over 15,000 recycling bags distributed in recent years. The Recycling Division of the Mayor's Office also initiated a commercial food waste recycling program.
- The City purchases transit passes from Tri-Met for employee commuting which allows them to travel by light rail or bus to and from work, as well as to meetings outside the City. The City is committed to reduce employee vehicle miles travelled, thereby reducing greenhouse gas emissions. The newly purchased South Office Building is at the Beaverton Central light rail stop. The relocation of city operations to that location should increase transit ridership.
- A comprehensive Sustainability Plan will be issued in the coming year.

Equipment Replacement and Upgrades: It is important that the City make careful decisions about replacing or upgrading equipment. We replace/ upgrade equipment and take advantage of new technology only as a measure to ensure that employees have safe and adequate tools and equipment to provide services to the public. The objective for upgrading and replacing equipment is normal replacement as equipment completes its useful life or additions of new technology. The FY 2013-14 budget includes the following vehicle and major equipment purchases:

- 10 replacement police patrol vehicles for officers, detectives and commanders including hybrid vehicles
- 1 Traffic Team motorcycle
- 2 cargo vans for prisoner and evidence transport
- 2 trucks for the sewer crew
- 6 pieces of specialized vehicles/equipment for the street, water, sewer and storm crews including trailers

Insurance Programs: The City's insurance programs consist of General Liability, Property Coverage, Worker's 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. The FY 2013-14 budget reflects an expected increase of 7.49% in medical expenses. 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. These are the immediate issues facing Beaverton and affecting the budget of the City as well as that of our employees:

- Budgeting for **health care** continues to increase between 5 and 10 percent annually. Several plan changes will be required due to health care reform in future years, which could impact premium rates
- The cost increase of the medical plans for FY 2013-14 is projected to be 7.49% based on the employees' utilization of the services in the last year
- The dental premium remains constant.
- High utilization of both medical and dental services in FY 2012-13

Staff Training: The organizational development budget continues to support my commitment to improve the efficiency and work output of our City employees. As the City continues to evaluate service levels, it is my belief that we provide employees with resources that enable them to improve their service to our customers. The City has a well-funded, multi-faceted employee development program including skill development, diversity training, tuition reimbursement, Performance Planning Dialogue & Development (PPDD) and the Beaverton Leadership Competency Process.

We will continue our emphasis on **safety training and risk management** throughout the City. We know this has a very significant impact in preventing on-the-job injuries. The budget includes appropriations for furniture, equipment and training to continue our citywide ergonomics program. The program is designed to train department staff to perform workspace risk assessments and identify appropriate corrective actions. We believe that this program will reduce our future exposure to office related repetitive motion injuries and promote a safer work environment. The City's self-insured Workers Compensation program enjoys the value of a discounted "experience modification rate" that reduces our expenses.

SUPPLEMENTARY BUDGET DETAIL

The Finance Department has prepared the following detail regarding the budget. I hope this will provide a more comprehensive description of the financial condition of the City and areas of interest in the budget for your information. The City budgets for all funds that are subject to the requirements of state law. The category totals of personal 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 adopted FY 2013-14 budget totals \$184,884,762, which includes fund contingencies and reserves totaling \$35,809,991. The budget will require a **total property tax levy of \$36,295,390** and the property tax revenues allocated as follows:

	Adopted Tax Levies	Less Provision For Non- Collections	Estimated Net Tax Receipts	Estimated Property Tax Rate
General Fund	\$30,032,701	\$1,421,635	\$28,611,066	\$3.5058
Library Fund	2,991,189	149,559	2,841,630	0.3492
Street Lighting Fund	1,371,500	68,575	1,302,925	0.1601
Subtotal Levy Within the Permanent Tax Rate	\$34,395,390	\$1,639,769	\$32,755,621	\$4.0251
General Obligation Debt Levy	1,900,000	175,000	\$1,725,000	0.2218
Total Property Tax Levy	\$36,295,390	\$1,814,769	\$34,480,621	\$4.2369

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

The estimated City's assessed valuation for tax purposes is \$8,566,694,000. The tax rate formula is:

Total taxes subject to collection of \$36,295,390 divided by the estimated assessed valuation for property tax purposes of \$8,566,694,000 multiplied by \$1,000

The recommended budget includes an additional 1.0 FTE Support Specialist added in Neighborhood & Community Services partially offset with a reduction in seasonal, temporary and part-time help. There is also a 0.5 FTE Permit Technician to assist with a growing influx of development plans and an adjustment in staffing between the main and branch libraries with the branch gaining a 0.60 Library Aide partially offset by the elimination of a 0.25 Aide at the main library. Authorized but not funded, are an additional 1 FTE Librarian (Children's) and 1.20 FTE Library Aides at the branch library. This will be revisited pending the outcome of a proposed expansion of the branch facility.

0.25 FTE (full-time equivalent) position eliminations:

- 0.25 FTE Library Aide 2 position eliminated in conjunction with the staff reorganization within the Library Department

2.1 FTE new positions

- 0.6 FTE Library Aide due to the high demand for services at the Branch Library
- 1.0 FTE Support Specialist 2 in the Neighborhood and Community Services Division of the Mayor's Department
- 0.5 FTE Permit Technician position to support the influx of building permits in the Building Division of the Community and Economic Development Department.

The **General Fund's revenue** for FY 2013-14 is budgeted at \$55,448,192 in current revenues and \$8,383,738 in beginning fund balance for a combined \$63,830,930 in available revenues. Net current property tax revenue totals \$28,611,066 and this amount represents 52% of the General Fund's current revenues. Franchise Fees (telephone, telecom, electric, gas, water, sewer, storm, and refuse) account for a net of \$5,619,156 or 10.3% of the General Fund's current revenues. State shared revenue, comprised of the City's share of cigarette and liquor taxes, account for \$1,278,000 or 2% of the current General Fund revenue. Federal Grant revenues total \$1,771,902, fund specific programs or activities and are not recurring each year.

The prime characteristics of the General Fund for FY 2013-14 are as follows:

GENERAL FUND	FY 2013-14	% of Total General Fund
Current Revenue	\$55,448,192	87.3%
Beginning Fund Balance	8,383,738	12.7%
Total Revenues	\$63,830,930	100.0%
Property Taxes	\$28,611,066	44.8%
Franchise Fees	\$5,619,156	8.8%
State Shared Revenue	\$1,278,000	2.0%
Current Expenditures	\$56,613,140	88.7%
Contingencies and Reserves	7,217,790	11.3%
Total Budget	\$63,830,930	100.0%
Personnel Services	\$40,458,295	63.4%
Police Services	\$28,426,052	44.5%
Capital Outlay	\$697,710	0.1%

The **General Fund's expenditures** for FY 2013-14 consist of \$56,613,140 in current expenditures and \$7,217,790 in contingencies and reserves. Salary, payroll taxes and fringe benefits costs total \$40,458,295 representing 71% of the General Fund's current expenditures. The General Fund's largest program is police services with a total appropriation of \$28,426,052 (50% of the current expenditures). The General Fund's capital outlay budget totals \$697,710 of which the major items are \$314,810 for replacement of vehicles.

The **Street Fund's** budget maintains the improved level of service due to additional funding from the 6-cent statewide gas tax increase that took effect in 2011. The fund's revenue for FY 2013-14 is budgeted at \$6,122,850 in current revenues and \$3,182,077 in beginning fund balance for a combined \$9,304,927 in available revenues. The fund's expenditures for FY 2013-14 consist of \$4,947,943 in net operating expenditures, \$1,500,000 in street reconstruction expense (overlays), no funds in capital equipment, \$938,704 transfer to the Capital Project Fund for street construction for a grand expenditure total of \$7,386,647. The fund will have an ending fund balance of \$1,918,280 consisting of \$1,273,286 in operating contingencies, and \$644,994 in equipment replacement reserves. Salary, payroll taxes and fringe benefits costs total \$2,257,256 representing approximately 34% of the Street Fund's total operating expenditures. The Street Fund's operating contingency represents 26% of total operating expenditures, which is available for emergency street expenditures.

The prime characteristics of the Street Fund for FY 2013-14 are as follows:

STREET FUND	FY 2013-14	% of Total Street Fund
Current Revenue	\$6,122,850	66.0%
Beginning Fund Balance	3,182,077	34.0%
Total Revenues	\$9,304,927	100.0%
Gas Tax Revenues	\$5,380,000	57.8%
Operating Expenditures	\$7,386,647	79.4%
Contingencies and Reserves	1,918,280	20.6%
Total Budget	\$9,304,927	100.0%
Personnel Services	2,257,256	24.2%
Street Overlay Program	1,500,000	16.1%
Capital Equipment	0	0%
Transfers	3,032,452	32.6%

The **Building Fund's** budget reflects a modest increase in development and construction activity. The fund's revenue for FY 2013-14 is budgeted at \$2,325,039 in current revenues and \$699,173 in beginning fund balance for a combined \$3,024,212 in available revenues. The fund's expenditures for FY 2013-14 consist of \$2,352,058 in operating expenditures, \$448,641 in operating contingency and \$223,513 in equipment replacement reserves. Salary, payroll taxes and fringe benefits costs total \$1,858,690 representing approximately 79% of the Building Fund's current operating expenditures, and the operating contingency represents 29% of total operating expenditures.

The prime characteristics of the Building Fund for FY 2013-14 are as follows:

BUILDING FUND	FY 2013-14	% of Total Building Fund
Current Revenue	\$2,325,039	76.8%
Beginning Fund Balance	699,173	23.2%
Total Revenues	\$3,024,212	100.0%
Operating Expenditures	\$2,352,058	77.8%
Contingencies and Reserves	672,154	22.2%
Total Budget	\$3,024,212	100.0%
Personnel Services	\$1,858,690	61.5%

The **Capital Projects Fund** provides for improvements to the City’s street and transportation system, and it includes appropriations for FY 2013-14 projects that are included in the City’s Two-Year (FY 2013-14 through FY 2014-15) Capital Improvements Plan (CIP). Transfers from the Street Fund and the Traffic Impact Fee Fund along with Federal and State grants, Metro regional funding programs, and Federal Stimulus funding provide the funding for the street and transportation construction projects. The FY 2013-14 CIP includes appropriations for the following street projects:

Project Number	Project Title	FY 2012-13 Budget Estimate	FY 2013-14 Adopted Budget
3189	Traffic Calming Projects	\$40,000	\$40,000
3192	Hocken Street Bridge	227,000	2,575,000
3200	Adaptive Signal Program	10,000	50,000
3223	Traffic Improvement Projects	39,004	120,000
3225	155 th Avenue Sexton Mountain to Flagstone	165,500	0
3226	Miscellaneous Improvement Projects	60,000	60,000
3229	Murray Road Extension	5,000	3,000
3316	Rose Biggi – Crescent to Hall	2,110,000	1,951,000
3317	Dawson Street Extension	16,000	0
3318	Birchwood – various phases	60,000	213,000
3319	Henry and Hoken Sidewalk Improvement	25,000	25,000
3320	Hall Creek Pathway Improvement	141,000	591,304
3322	Crescent, Rose Biggi, Westgate	0	50,000
3407	Crescent Connection Multi-Use Path	50,000	166,704
3220	Metro Nature in Neighborhoods Projects	389,870	110,130
3302	Farmington Rd. (Murray-Hocken)	10,000	20,000
3321	Westgate/Cedar Hills/Dawson Way Realignment	30,000	15,000
3323	Royal Woodlands West Utility Imp	0	222,000
	Subtotal Capital Projects Fund	\$3,378,374	\$6,187,138
	Street Reconstruction (Overlay) Program	1,900,000	1,500,000
	Grand total CIP and Overlay Program	\$5,592,374	\$7,687,138

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 2013-14 is budgeted at \$11,271,400 in current revenues and \$5,412,012 in beginning fund balance for a combined \$16,683,412 in available revenues. The fund’s expenditures for FY 2013-14 consist of \$9,334,308 in current operating expenditures, \$34,000 in capital equipment purchases, \$1,582,899 in capital infrastructure improvements, and \$5,732,205 in contingencies and reserves. The contingencies and reserves are comprised of \$4,242,147 in contingency for general operations, a dedicated contingency of \$500,000 for Joint Water Commission’s emergency needs, a rate stabilization reserve of \$600,000 and an equipment reserve of \$390,058.

The FY 2013-14 capital infrastructure improvements are:

Project Number	Project Title	FY 2012-13 Budget Estimate	FY 2013-14 Adopted Budget
3611	Joint Water Commission (JWC) Projects	\$352,239	\$519,899
3700	Maintenance and Replacement Projects	100,000	100,000
3701	Water System Improvements	958,000	918,000
3705	Fire Hydrant Replacement Program	35,000	45,000
	Total Water Fund CIP Program	\$1,445,239	\$1,582,899

All revenues from water rate charges are shown in the Water Operating Fund. For the Water Fund, the FY 2013-14 budget proposes a \$1.00 increase to the current \$10.00 per month water base charge for the typical residential 3/4 inch water meter with a similar percentage increase across all meter sizes. In addition, the budget also includes a 3.7% increase in the water consumption rate. The consumption rate increase is equivalent to 10-cents from the current \$2.67 per 100 cubic feet of water to the rate of \$2.77. The monthly cost increase to the average residence that consumes 8 units of water per month would be \$1.00 for the base charge and \$.80 for the consumption charge for a combined \$1.80 per month or about \$21.60 per year. The rate increases began July 1, 2013. 100 cubic feet of water is equal to 1 CCF and one CCF is equivalent to 748 gallons.

The Water Debt Service Fund contains appropriations of \$2,867,041 for debt service, and an un-appropriated fund balance of \$120,671.

The **Water Construction** budget accounts for construction to increase the capacity of the water system and includes appropriations of \$1,605,228 for construction projects and a dedicated contingency of \$251,331. Revenues from system development charges fund the construction projects. The FY 2013-14 construction projects are:

Project Number	Project Title	FY 2012-13 Budget Estimate	FY 2013-14 Adopted Budget
3620	Water Extra Capacity Improvements	1,037,582	1,598,228
3635	JWC Extra Capacity Projects	15,422	5,000
3636	Scoggins Dam Raise Project	0	2,000
Total Water Construction Fund CIP Program		\$1,053,004	\$1,605,228

We have allocated resources to 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.

The **Sewer Fund's revenue** for FY 2013-14 is budgeted at \$4,736,700 in current operating revenues, \$3,007,408 in contributions from Clean Water Services for capital projects and \$8,311,251 in beginning fund balance for a combined \$16,055,359 in available revenues. The fund's expenditures for FY 2013-14 consist of \$3,958,833 in current operating expenditures, \$296,000 in capital equipment purchases, \$5,296,100 in capital infrastructure improvements, and \$6,504,426 in contingencies and reserves. The contingencies and reserves are comprised of \$3,108,519 in contingency for general operations, \$2,962,689 in reserves for future extra-capacity improvements and \$433,218 in reserves for the \$2 surcharge renewal program and an equipment reserve.

The City is a participant in an intergovernmental consortium for region-wide sewer services. The lead agency, CWS, operates and maintains the sewer treatment plant and all sewer lines 12 inches and greater in diameter. The City operates and maintains all sewer lines less than 12 inches in diameter that reside within the City's corporate boundary. CWS sets the sewer rate for the region. For FY 2013-14, CWS approved a 3.0% increase in the sewer rate. The participating cities bill and collect the sewer revenues and remit approximately 84% to CWS (called the district-wide portion) and retain 16% for their operations (called the local portion).

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 2013-14 sewer capital improvement program includes the following appropriations:

Project Number	Project Title	FY 2012-13 Budget Estimate	FY 2013-14 Adopted Budget
3811	Sewer Extra Capacity Improvements (SDC)	\$432,188	\$3,054,100
3850	Renewal Projects (Funded by \$2 Surcharge)	1,973,810	2,242,000
	Total Sewer Fund CIP Program	\$ 2,405,998	\$5,296,100

The **Storm Drain Fund's revenue** for FY 2013-14 is budgeted at \$5,069,065 in current revenues \$170,000 in contributions from ODOT for capital projects and \$7,300,528 in beginning fund balance for a combined \$12,539,593 in available revenues. The fund's expenditures for FY 2013-14 consist of \$3,663,622 in current operating expenditures, \$292,500 in capital equipment purchases, \$4,106,400 in capital infrastructure improvements, and \$4,477,071 in contingency and reserves. The contingency and reserves are comprised of \$703,106 in contingency for general operations, \$3,145,797 in reserves for future extra-capacity improvements including reserves for the \$2 surcharge for the maintenance and replacement program and an equipment reserve of \$628,168.

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 CWS' service area. Single-family residences are assessed and 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 by 2,640. For FY 2013-14 CWS approved a \$0.50 increase to the current \$5.75 base charge for a new base charge of \$6.25 per month. Each jurisdiction will remit \$1.56 to CWS (25%) and will retain the balance of \$4.69 (75%).

In addition to the base charge, the City collects a \$2.00 per month surcharge per ESU. The surcharge generates approximately \$1.3 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 capital improvement program. The FY 2013-14 capital improvement program includes the following appropriations:

Project Number	Project Title	FY 2012-13 Budget Estimate	2013-14 Adopted Budget
3310	Beaverton Downtown Creek Master Plan	\$350,000	\$250,000
3915	Storm Water Capacity – Conveyance Projects	523,757	1,591,000
3916	Storm Water Capacity – Quantity Projects	7,000	41,000
3950	Replacement Projects (Funded by \$2 surcharge)	772,282	1,784,400
3917	Storm Water Quality Project	318,866	440,000
	Total Storm Drain Fund CIP Program	\$ 1,971,905	\$ 4,106,400

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, 2012. This was the 34th consecutive year that the City 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. The City will be submitting its comprehensive annual financial report for the fiscal year ending June 30, 2013 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 City's for the FY 2012-13 Annual Budget Document. This is the 25th consecutive year that the City has received this recognition. 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 2013-14 budget continues to conform to program requirements and we 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 City.

CLOSING COMMENTS

A strong economic, cultural and social base is necessary to maintain and continue to improve our strength as a City. The FY 2013-14 budget is a key process and 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 supports my continuing goals for this year in the 10 Point Plan, as well as our City's citizen led Beaverton Community Vision program and the development of a new long term strategic plan for our City, the Civic Plan – all focused and essential step for Beaverton's future. It also shows my continued dedication to adding jobs in our community through a focus on retention and expansion of our current businesses while attracting new investment to Beaverton. This budget reflects our team's commitment to maintaining a diversified and stable revenue system with careful consideration of all fee and charges related to the costs of providing services, as well as our dedication to creating a more sustainable Beaverton. We will also continue to facilitate and promote cultural and community activities for our citizens. 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 citizens while maintaining an efficient, cost effective city government.

My personal goal is to continue to provide strong leadership for the employees of the City of Beaverton by creating an environment that empowers our employees to do their best. The changes in staffing respond to continued economic challenges and service demands. I will work hard to further encourage a culture of continuing improvement that results in the best possible level of service for Beaverton's citizens.

We limited the property tax burden on our citizens \$**4.2379** per thousand taxable assessed valuation to maintain a high level of service Beaverton citizens expect.

I want to express my appreciation to Chief Administrative Officer Randy Ealy, Finance Director Patrick O'Claire, the entire Finance Department staff and all the managers of the City for their steadfast contributions to this budget. I would also like to thank the members of the Budget Committee, made up of five members of the public appointed by the City Council and our City Councilors, for their efforts in reviewing the City's adopted budget.

Sincerely,



Denny Doyle, Mayor