

# Mayor's Budget Message

- for the fiscal year 2018 - 19

The Honorable Denny Doyle, Mayor



*The Best of Oregon*

**TO: The Budget Committee and the Residents of Beaverton:**

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

## **WELCOMING AND FRIENDLY**

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

## **ACTIVE**

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

## **RESPONSIVE**

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

## **SAFE**

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

## **REVENUE TRENDS**

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

Another financial focus is the \$21 million Water Revenue bond sold in June. The bonds sold with a premium of more than \$3 million resulting in a net bond issuance amount of \$18,125,000. This bond continues Beaverton's investment in its water system's transmission, storage and distribution assets. Coupled with the new infrastructure for a growing community is the opportunity to begin serving an additional 4,100 customers who are city residents but were served by a special service district. Effective July 1, 2018, those service territories are withdrawn and transfer of service responsibilities will commence.

## **FOCUS**

Some things do not change and the budget reflects our continuing enhanced law enforcement and community safety activities, maintaining the city's stable financial position, and expanding the public's involvement in city government. The budget also enhances city sustainability efforts, and expands business assistance, retention and attraction to through excellent customer service to Beaverton residents. This is a goal-oriented, fiscally conservative budget pursuing an ambitious set of goals with all of our fiscal, physical and people resources. The total property tax levy rate of \$4.42 per \$1000 assessed valuation reflects a five cent millage rate increase. The increase is dedicated for the hiring of additional police officers, to serve our growing population, bolstering the services of one of Oregon's busiest libraries and coping with ever present costs related to pensions and health insurance for employees. Even with the first increase in a number of years, the city doesn't levy its fully authorized, permanent rate of \$4.62 per \$1000 of assessed valuation.

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

## **ANNUAL CITY PRIORITIES**

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

- Housing
  - Launch a residential rental inspection program
  - Create an affordable housing toolkit
  
- Transportation and Infrastructure Investment
  - Create a sidewalk fund for sidewalk construction projects
  - Incorporate goals and objectives of the Active Transportation Plan into the City's Capital Improvement Plan, Transportation System Plan, Development Code, and Engineering Design Manual
  - Complete the City's non-potable water irrigation (purple pipe) system
  
- Equity and Inclusion
  - Support diversity, equity, and inclusion in City programs, activities and services with measureable goals

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

## **CITY COUNCIL GOALS**

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

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

## **BUDGETARY TRENDS AND HIGHLIGHTS**

### **STRONG BOND RATINGS**

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

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

- Water Revenue Bond, Series 2018 - \$18 million (investors paid a \$3 million premium)
- Public Safety Center General Obligation Bond, Series 2017 - \$35 million
- Special Revenue Bond – Urban Renewal Line of Credit, Series 2017 - \$19 million

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

### **REVENUE TRENDS**

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

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

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

\$4.2205 is the levied tax rate for operations in the FY 2018-19 budget. When added to the levy for bonded debt of \$0.2053, this results in a total tax rate of \$4.3758, which is more than the total tax levy rate over the current fiscal year, FY 2017-18, by \$0.05/\$1,000 AV. The breakdown of the levy components for the current year and the coming year is as follows:

| <b>Levy Rate Allocation</b>            | <b>FY 17-18</b> | <b>FY 18-19</b> | <b>Change</b>     |
|--|-----------------|-----------------|-------------------|
| <b>General Fund</b>                    | <b>\$3.7144</b> | <b>\$3.7344</b> | <b>\$0.0200</b>   |
| <b>Library</b>                         | <b>0.3314</b>   | <b>0.3614</b>   | <b>0.0300</b>     |
| <b>Street Lights</b>                   | <b>0.1247</b>   | <b>0.1247</b>   | <b>0.0000</b>     |
| <b>Sub-total Operating Levy</b>        | <b>\$4.1705</b> | <b>\$4.2205</b> | <b>\$0.0500</b>   |
| <b>GO Debt Service - Library</b>       | <b>\$0.1749</b> | <b>\$0.1109</b> | <b>\$(0.0640)</b> |
| <b>GO Debt Service - Public Safety</b> | <b>0.0304</b>   | <b>0.0944</b>   | <b>0.0640</b>     |
| <b>Subtotal GO Debt Service</b>        | <b>\$0.2053</b> | <b>\$0.2053</b> | <b>\$0.0000</b>   |
| <b>Total City Tax Levy</b>             | <b>\$4.3758</b> | <b>\$4.4258</b> | <b>\$0.0500</b>   |

This \$4.2205 tax rate will generate \$ 39,948,253 in net property tax receipts for general government operations allocated to the General Fund, Library Fund, and Street Lighting Fund. The City will also receive \$1,968,801 for general obligation debt service for total property tax receipts of \$41,917,054. The Beaverton Urban Redevelopment Agency (BURA) should receive approximately \$3,647,997 from the incremental growth of assessed valuation within the urban renewal district. BURA is a component unit of the City of Beaverton.

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

Together with the property taxes discussed above and all other revenue sources, the city's FY 2018-19 budget totals \$287,004,486. 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:

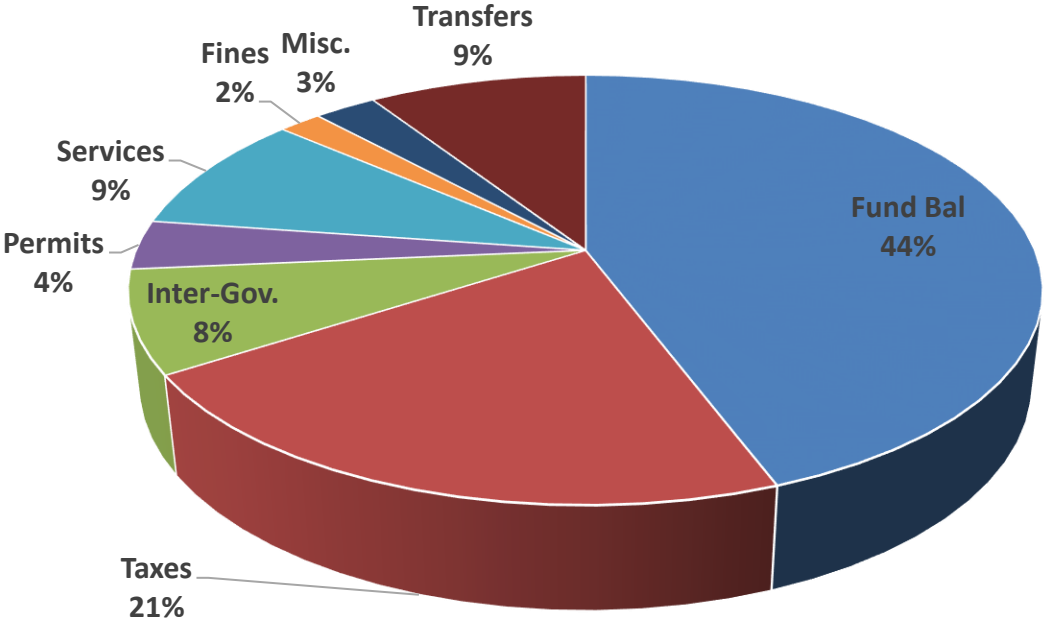
**Combined City of Beaverton Revenues, Expenditures and Fund Balances  
City and the Urban Redevelopment Agency (BURA)**

| <b>REVENUES</b>  | <b>FY 2015-16<br/>Actual</b> | <b>FY 2016-17<br/>Actual</b> | <b>FY 2017-18<br/>Budget</b> | <b>FY 2017-18<br/>Estimated</b> | <b>FY 2018-19<br/>Adopted</b> |
|--|------------------------------|------------------------------|------------------------------|---------------------------------|-------------------------------|
| Taxes & Franchise/ROW Fees   | \$49,341,977                 | \$52,771,662                 | \$55,685,872                 | \$56,571,589                    | \$58,667,986                  |
| Intergovernmental  | 16,436,827                   | 18,579,495                   | 20,128,236                   | 19,302,558                      | 21,240,080                    |
| Permits and Fees   | 8,664,726                    | 8,821,479                    | 9,303,732                    | 8,363,040                       | 10,173,580                    |
| Charges for Services   | 33,468,357                   | 33,470,804                   | 33,762,332                   | 33,762,896                      | 36,321,838                    |
| Fines and Forfeitures  | 5,175,928                    | 5,045,664                    | 5,026,216                    | 5,002,116                       | 4,994,116                     |
| Interest Inc. & Miscellaneous  | 7,008,025                    | 8,402,344                    | 6,084,949                    | 6,466,922                       | 7,211,664                     |
| Inter-Fund Transfers In  | 19,540,662                   | 20,382,674                   | 24,733,636                   | 24,463,070                      | 24,842,137                    |
| Proceeds From Financing Activities                                     | 510,000                      | 33,452,459                   | 22,855,000                   | 22,364,427                      | 2,114,334                     |
| Subtotal Revenues  | <u>\$140,146,502</u>         | <u>\$185,926,581</u>         | <u>\$177,579,973</u>         | <u>\$176,296,618</u>            | <u>\$165,565,735</u>          |
| Beginning Fund Balance or<br>Working Capital                           | 62,626,826                   | 68,958,183                   | 112,336,509                  | 112,336,509                     | 121,438,751                   |
| <b>Total City &amp; BURA Revenues and<br/>Beginning Fund Balance</b>   | <u><u>\$202,773,328</u></u>  | <u><u>\$254,884,764</u></u>  | <u><u>\$289,916,482</u></u>  | <u><u>\$288,633,127</u></u>     | <u><u>\$287,004,486</u></u>   |
|  |                              |                              |                              |                                 |                               |
| <b>EXPENDITURES</b>  | <b>FY 2015-16<br/>Actual</b> | <b>FY 2016-17<br/>Actual</b> | <b>FY 2017-18<br/>Budget</b> | <b>FY 2017-18<br/>Estimated</b> | <b>FY 2018-19<br/>Adopted</b> |
| Personnel Services   | \$61,036,075                 | \$63,881,549                 | \$71,213,069                 | \$67,441,026                    | \$76,133,955                  |
| Materials and Services   | 35,170,544                   | 40,789,268                   | 43,407,963                   | 41,528,136                      | 46,200,379                    |
| Capital Outlay   | 12,385,480                   | 12,369,683                   | 74,669,596                   | 27,428,531                      | 51,433,076                    |
| Debt Service   | 5,682,384                    | 5,125,081                    | 5,339,686                    | 6,333,613                       | 6,835,210                     |
| Inter-Fund Transfers Out   | 19,540,662                   | 20,382,674                   | 24,733,636                   | 24,463,070                      | 24,842,137                    |
| Subtotal Expenditures  | <u>\$133,815,145</u>         | <u>\$142,548,255</u>         | <u>\$219,363,950</u>         | <u>\$167,194,376</u>            | <u>\$205,444,757</u>          |
| Ending Fund Balances (Contingency<br>and Ending Working Capital)       | 68,958,183                   | 112,336,509                  | 70,552,532                   | 121,438,751                     | 81,559,729                    |
| <b>Total City &amp; BURA Expenditures<br/>and Ending Fund Balances</b> | <u><u>\$202,773,328</u></u>  | <u><u>\$254,884,764</u></u>  | <u><u>\$289,916,482</u></u>  | <u><u>\$288,633,127</u></u>     | <u><u>\$287,004,486</u></u>   |

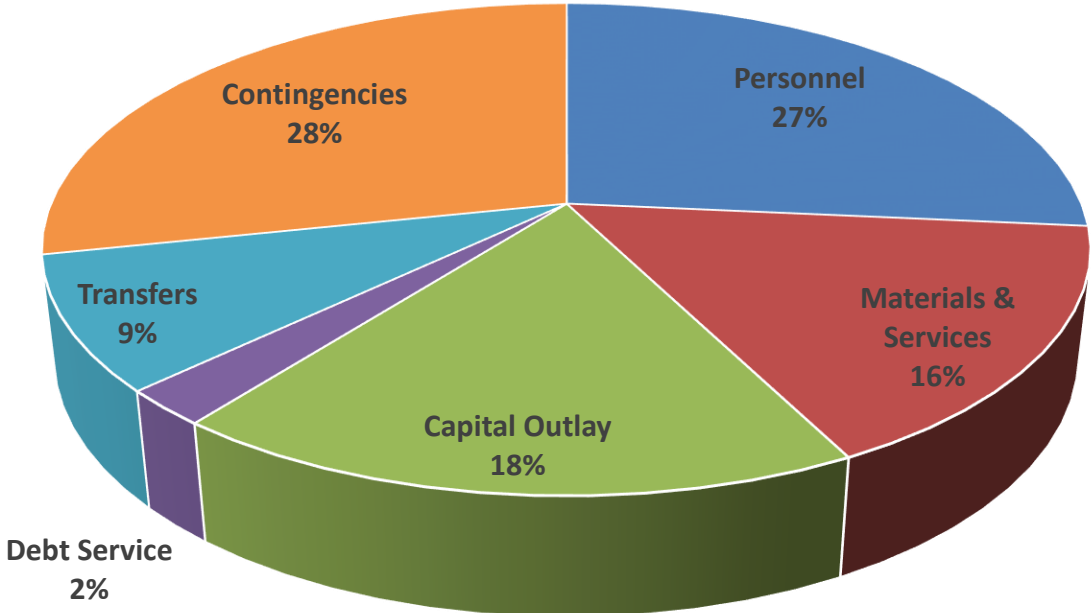
**City of Beaverton Revenues, Expenditures and Fund Balances**  
**City and the Urban Redevelopment Agency**

| <b>REVENUES</b>  | <b>FY 2015-16<br/>Actual</b> | <b>FY 2016-17<br/>Actual</b> | <b>FY 2017-18<br/>Budget</b> | <b>FY 2017-18<br/>Estimated</b> | <b>FY 2018-19<br/>Adopted</b> |
|--|------------------------------|------------------------------|------------------------------|---------------------------------|-------------------------------|
| <b>City</b>  |                              |                              |                              |                                 |                               |
| Taxes & Franchise/ROW Fees   | \$47,846,396                 | \$50,745,783                 | \$52,664,471                 | \$53,547,188                    | \$55,007,989                  |
| Intergovernmental  | 16,436,827                   | 18,579,495                   | 20,128,236                   | 19,302,558                      | 21,240,080                    |
| Permits and Fees   | 8,664,726                    | 8,821,479                    | 9,303,732                    | 8,363,040                       | 10,173,580                    |
| Charges for Services   | 33,468,357                   | 33,470,804                   | 33,762,332                   | 33,762,896                      | 36,321,838                    |
| Fines and Forfeitures  | 5,175,928                    | 5,045,664                    | 5,026,216                    | 5,002,116                       | 4,994,116                     |
| Interest Inc. & Miscellaneous                                      | 6,995,973                    | 8,371,230                    | 6,055,249                    | 6,347,599                       | 7,029,364                     |
| Inter-Fund Transfers In  | 19,030,662                   | 20,167,763                   | 24,422,636                   | 23,158,143                      | 23,671,303                    |
| Proceeds Financing Activities                                      | 0                            | 35,347,473                   | 16,600,000                   | 21,200,000                      | 1,100,000                     |
| Subtotal Revenues  | <u>\$137,618,869</u>         | <u>\$180,549,691</u>         | <u>\$167,962,872</u>         | <u>\$170,683,540</u>            | <u>\$159,538,270</u>          |
| Beginning Fund Balance or Working Capital                          | <u>61,500,299</u>            | <u>67,077,220</u>            | <u>109,200,589</u>           | <u>109,200,589</u>              | <u>117,995,605</u>            |
| <b>Total City Revenues and Beginning Fund Balance</b>              | <u><u>\$199,119,168</u></u>  | <u><u>\$247,626,911</u></u>  | <u><u>\$277,163,461</u></u>  | <u><u>\$279,884,129</u></u>     | <u><u>\$277,533,875</u></u>   |
| <b>BURA</b>  |                              |                              |                              |                                 |                               |
| Division of Taxes  | \$1,495,581                  | \$2,025,879                  | \$3,021,401                  | \$3,024,401                     | \$ 3,659,997                  |
| Interest Inc. & Miscellaneous                                      | 12,052                       | 31,114                       | 29,700                       | 119,323                         | 182,300                       |
| Inter-Fund Transfers In  | 510,000                      | 214,911                      | 311,000                      | 1,304,927                       | 1,170,834                     |
| Proceeds Financing Activities                                      | 510,000                      | 3,104,986                    | 6,255,000                    | 1,164,427                       | 1,014,334                     |
| Subtotal Revenues  | <u>\$2,527,633</u>           | <u>\$5,376,890</u>           | <u>\$9,617,101</u>           | <u>\$5,613,078</u>              | <u>\$6,027,465</u>            |
| Beginning Fund Balance or Working Capital                          | <u>1,126,527</u>             | <u>1,880,963</u>             | <u>3,135,920</u>             | <u>3,135,920</u>                | <u>3,443,146</u>              |
| <b>Total BURA Revenues and Beginning Fund Balance</b>              | <u><u>\$3,654,160</u></u>    | <u><u>\$7,257,853</u></u>    | <u><u>\$12,753,021</u></u>   | <u><u>\$8,748,998</u></u>       | <u><u>\$9,470,611</u></u>     |
| <b>Total City &amp; BURA Revenues and Beginning Fund Balance</b>   | <u><u>\$202,773,328</u></u>  | <u><u>\$254,884,764</u></u>  | <u><u>\$289,916,482</u></u>  | <u><u>\$288,633,127</u></u>     | <u><u>\$287,846,500</u></u>   |
| <b>EXPENDITURES</b>  |                              |                              |                              |                                 |                               |
| <b>City</b>  |                              |                              |                              |                                 |                               |
| Personnel Services   | \$61,036,075                 | \$63,881,549                 | \$71,213,069                 | \$67,441,026                    | \$76,133,955                  |
| Materials and Services   | 34,987,066                   | 39,110,353                   | 41,519,319                   | 40,126,545                      | 44,645,129                    |
| Capital Outlay   | 11,875,480                   | 10,386,597                   | 68,414,596                   | 26,264,104                      | 50,418,742                    |
| Debt Service   | 5,172,384                    | 4,910,171                    | 5,028,686                    | 5,028,686                       | 5,664,376                     |
| Inter-Fund Transfers Out   | 18,970,943                   | 20,137,652                   | 24,280,449                   | 23,028,163                      | 23,522,787                    |
| Subtotal Expenditures  | <u>\$132,041,948</u>         | <u>\$138,426,322</u>         | <u>\$210,456,119</u>         | <u>\$161,888,524</u>            | <u>\$200,384,989</u>          |
| City Ending Fund Balances (Contingency and Ending Working Capital) | <u>67,077,220</u>            | <u>109,200,589</u>           | <u>66,707,342</u>            | <u>117,995,605</u>              | <u>77,148,886</u>             |
| <b>Total City Expenditures &amp; Ending Fund Balances</b>          | <u><u>\$199,119,168</u></u>  | <u><u>\$247,626,911</u></u>  | <u><u>\$277,163,461</u></u>  | <u><u>\$279,884,129</u></u>     | <u><u>\$277,533,875</u></u>   |
| <b>BURA</b>  |                              |                              |                              |                                 |                               |
| Materials and Services   | \$183,478                    | \$1,678,915                  | \$1,888,644                  | \$1,401,591                     | \$1,555,250                   |
| Capital Outlay   | 510,000                      | 1,983,086                    | 6,255,000                    | 1,164,427                       | 1,014,334                     |
| Debt Service   | 510,000                      | 214,910                      | 311,000                      | 1,304,927                       | 1,170,834                     |
| Inter-Fund Transfers Out   | 569,719                      | 245,022                      | 453,187                      | 1,434,907                       | 1,319,350                     |
| Subtotal Expenditures  | <u>\$1,773,197</u>           | <u>\$4,121,933</u>           | <u>\$8,907,831</u>           | <u>\$5,305,852</u>              | <u>\$5,059,768</u>            |
| Ending Fund Balances (Contingency and Ending Working Capital)      | <u>1,880,963</u>             | <u>\$3,135,920</u>           | <u>3,845,190</u>             | <u>3,443,146</u>                | <u>4,410,843</u>              |
| <b>Total BURA Expenditures &amp; Ending Fund Balances</b>          | <u><u>\$3,654,160</u></u>    | <u><u>\$7,257,853</u></u>    | <u><u>\$12,753,021</u></u>   | <u><u>\$8,748,998</u></u>       | <u><u>\$9,470,611</u></u>     |
| <b>Total City &amp; BURA Expenditures and Ending Fund Balances</b> | <u><u>\$202,773,328</u></u>  | <u><u>\$254,884,764</u></u>  | <u><u>\$289,916,482</u></u>  | <u><u>\$288,633,127</u></u>     | <u><u>\$287,004,486</u></u>   |

### FY 2018-19 Revenues by Type



### FY 2018-19 Expenditures by Type



## **EXPENSES ARE STEADY**

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

The General Fund reflects an increase of 5.7 FTE positions comprised of a variety of additions and reductions of staff:

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

Changes in FTE in other funds are as follows:

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

The city reached agreement with the Service Employees International Union (SEIU) for general employees for a new three-year agreement running until June 30, 2021. The agreement allows modest cost-of-living increases over the period and offers important cost controls on health insurance premiums. The city’s labor contract with the Beaverton Police Association expired June 30, 2018. Negotiations are underway on a new contract.

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

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

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



service requests, vehicle replacements, training, travel, furniture and equipment. Budget Committee deliberations led to a reduction of the proposed tax levy for FY 2018-19 by eliminating the three cent increase for the Streetlighting Fund and reducing the General Fund's increase by three cents from the proposed five cent increase to two cents.

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

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

In the FY 2018-19 budget, the decrease between a Beginning Fund Balances of \$121,438,751 and the Ending Fund Balances of \$81, 559,729 is \$39,879,022. The decrease between the beginning and ending fund balances is mainly due to the following:

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

## **CITY POPULATION**

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

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

## **FINANCIAL REPORTING AWARD**

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

## **DISTINGUISHED BUDGET AWARD**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Distinguished Budget Presentation Award for the FY 2017-18 Annual Budget Document. The city has received this recognition annually since 1988. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium. This award is valid for one year only. We believe the FY 2018-19

budget continues to conform to program requirements and will be submitting it to the GFOA to determine its eligibility for this award. I hope that this document will provide a better understanding of the city's operations as your City of Beaverton team strives to maintain and improve the quality of life in the community.

### **RECENT AWARDS**

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

### **CLOSING COMMENTS**

A strong economic, cultural and social base is necessary to maintain and continue to improve our strength as a city. The FY 2018-19 budget is a key process and an agenda-setting statement of the creative and innovative efforts needed to secure Beaverton's future as a high quality place to live, work, and raise our families. The budget allows us to continue to follow-through on commitments we have made to the residents and businesses of Beaverton. This will be a year where we implement the plans for the redevelopment of the Beaverton Central area with a hotel and other commercial development, additional housing, a Center for the Arts and related parking, as well as homes in the South Cooper Mountain area. The long awaited Public Safety Center will break ground in FY 2018-19. As evidence of the strong economy, the unemployment rate for the City of Beaverton is estimated at 3.3%. The Washington County area continues to be the “economic engine of Oregon” with continual job expansion across all sectors.

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

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

This budget reflects our team’s commitment to maintaining a diversified and stable revenue system with careful consideration of all 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