

# Mayor's Budget Message

- for the fiscal year 2012-2013 -

The Honorable Denny Doyle, Mayor



*The Best of Oregon*

## **TO: The Budget Committee and the Citizens of Beaverton:**

As required by Chapter 294 of Oregon Revised Statutes and Chapter V, Section 19 subsection H of the Beaverton City Charter, I submit the City's proposed budget for Fiscal Year 2012-13.

This is the fourth year of my administration, and we have prepared a quality budget document for the Budget Committee 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 5000 citizens over several years. Progress on the Visioning Program's Action Plans will appear in nearly every program in the budget. The Civic Plan expresses many of the goals and targets of the Visioning Program aimed at revitalizing the central core of Beaverton to provide identity for downtown, create jobs and improve property values. I congratulate the citizens who worked for and supported the Central Beaverton Urban Renewal Plan at the polls in November 2011. This redevelopment program will permit the Beaverton Urban Renewal Authority (BURA) to implement much of the Civic Plan.

As always 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 that pursues an ambitious set of goals with all of our fiscal, physical and people resources.

The proposed 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 2012-13 budget includes the full range of City operations and programs which includes:

City 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.

In 2008, the City's Water Revenue and General Obligation Bond Ratings were upgraded each by one 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 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.

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 crime rate, as measured by the Uniform Crime Reporting (UCR) System, shows an overall increase of 3.2% in Part 1 and Part 2 crimes for Calendar Year (CY) 2011 as compared to CY 2010 as follows:

- Part 1 serious person crimes, which include homicide, rape, robbery and aggravated assault, decreased by 28.1% (57 cases)
- Part 1 serious property crimes, which include burglary, theft, motor vehicle theft and arson, increased 9.4% (150 cases)
- Part 2 crimes, such as fraud, driving under the influence, and disorderly conduct which include stolen property, vandalism, curfew violations, increased by 2.1% overall (71 cases) likely reflecting enhanced patrol practices.

Our citizens have indicated that public safety has a key impact on their quality of life. Citizen responses on the Quality Service Report Cards and to the Annual Citizen Survey consistently state that "things are headed in the right direction."

**Recent City Awards:** Beaverton was recognized as one of the Best Places to Live in America by Money Magazine in a survey of 100 small cities. Beaverton was one of just two Oregon cities that made the list, which also included neighboring Hillsboro. Based on data collected from a number of sources, Beaverton was recognized in part due to 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 was noted for a myriad of athletic opportunities, proximity to the ocean and mountains, parkland and local shopping, including the well-regarded Beaverton Farmers Market.

Beaverton continues to be recognized for its strong public safety programs and overall safe community. Our successes are a result of our Community Oriented Policing Program and the valued partnership we have with our citizens. Last year, the City Crime Rankings 2010-11: Crime in Metropolitan America list compiled by CQ Press ranked Beaverton as the **50th safest city in the country** out of 400 ranked cities with populations more than 75,000. The rankings derive from standard FBI statistics that evaluate multiple categories of crime reporting. We enjoy a strong working relationship with our citizenry which translates into a strong two-way communication between citizens and the Beaverton Police Department. People quickly report suspicious activities and watch out for one another. Not all communities function this well and enjoy the high quality of life that our strong law enforcement efforts help to preserve and promote.

Recently, the city of Beaverton's website recently 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. Beaverton's Community Vision program was named Public Involvement Project of the Year—Best Planning Project by the International Association of Public Participation and also

received an Award of Excellence for Community Visioning by the City County Communications and Marketing Association.

Previous recognitions and awards for Beaverton include:

- the safest city in the Pacific Northwest for three consecutive years
- as one of the best places to raise kids by Business Week
- one of the Top 25 Suburbs for Retirement by Money Magazine
- an All-America City finalist
- one of the 100 Best Walking Cities in America by Prevention Magazine
- Recycler of the Year from the Association of Oregon Recyclers
- retaining a Bronze Award Bicycle Friendly community designation by the League of American Bicyclists
- one of the Environmental Protection Agency's Green Power Communities
- a Tree City by the Arbor Day Foundation since 1994
- one of just four cities of its size recently recognized as a “Smarter City” energy leader by the Natural Resources Defense Council
- one of the most diverse populations among Oregon cities

## REVENUES ARE CONSISTENT

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 (27% of all current operating revenue), charges for services such as utility fees (16%) 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 2012-13, a property’s taxable assessed value is on average approximately 75% 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:

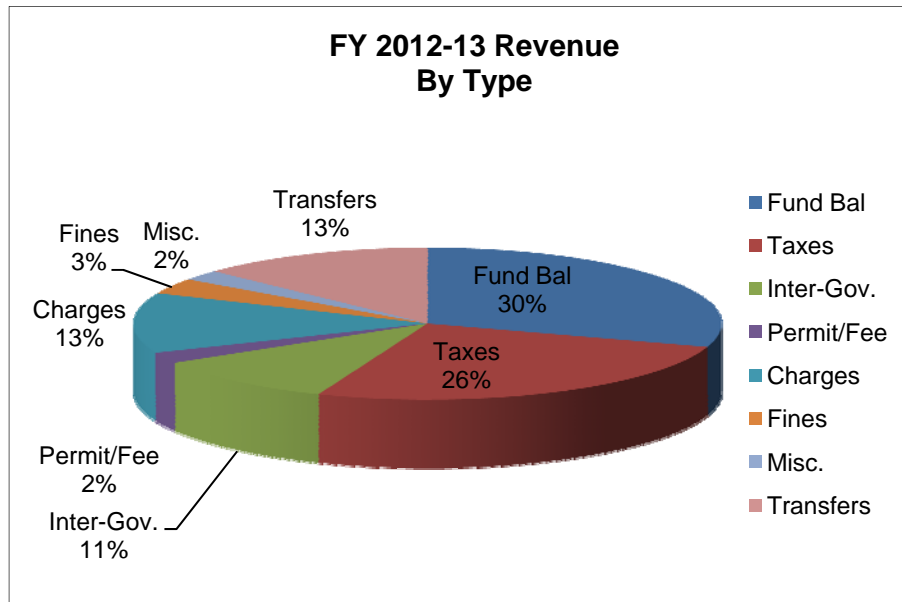
FY 1997-98	\$3.21	FY 2002-03	\$3.35	FY 2007-08	\$3.93
FY 1998-99	\$3.51	FY 2003-04	\$3.53	FY 2008-09	\$3.88
FY 1999-00	\$3.41	FY 2004-05	\$3.68	FY 2009-10	\$3.96
FY 2000-01	\$3.25	FY 2005-06	\$3.73	FY 2010-11	\$3.97
FY 2001-02	\$3.18	FY 2006-07	\$3.95	FY 2011-12	\$3.97

For the proposed FY 2012-13 budget, the City’s tax rate for operations is estimated to be \$3.96 and when added to the levy for bonded debt of \$0.22 results in a total tax rate of \$4.18, which is the same rate levied in FY 2011-12 and is \$0.02 less than the rate levied in FY 2010-11. This reduction exceeds the tenth point in my ten point plan, which was to **not increase tax rates**.

This \$3.96 tax rate will generate \$30,799,665 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 \$1,710,000 for general obligation debt service for grand total property tax receipts of \$32,509,665. A further discussion of the property tax levy appears in the Supplementary Budget Detail beginning on page xviii.

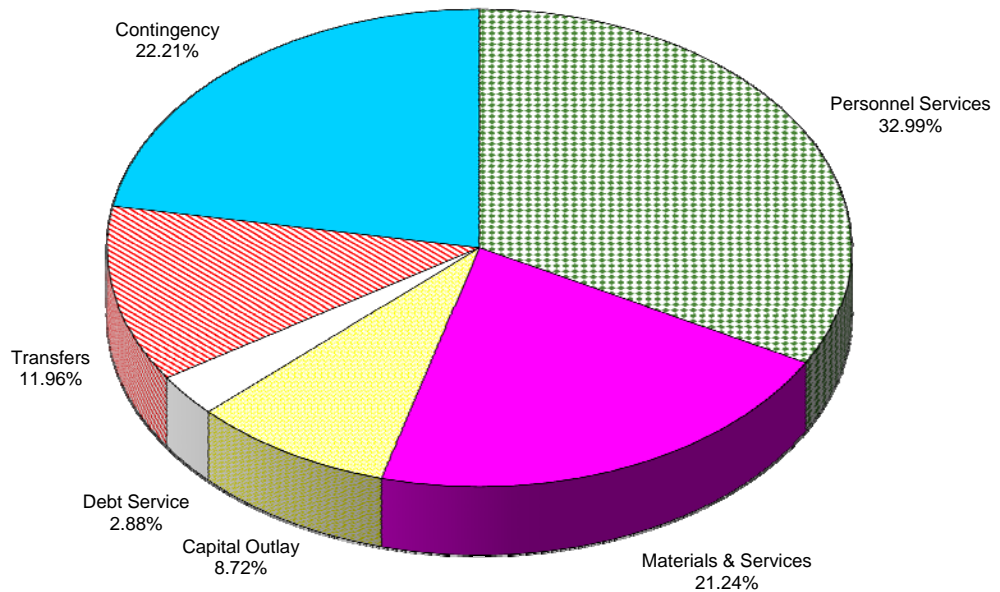
Together with the property taxes discussed above and all other revenue sources, the City’s proposed FY 2012-13 budget totals \$170,439,841. The following table details the major categories of Revenues and Expenditures for the past two fiscal years, the current fiscal year (both budgeted and estimated) and the proposed fiscal year:

	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
<b>REVENUES</b>	<b>---Actual---</b>	<b>---Actual---</b>	<b>---Budget---</b>	<b>--Estimated--</b>	<b>---Proposed---</b>
Taxes & Franchise Fees	\$37,903,299	\$38,574,948	\$39,504,510	\$39,746,357	\$41,065,677
Intergovernmental	14,255,890	14,572,423	18,904,918	16,209,169	16,344,054
Permits and Fees	3,064,593	3,536,120	3,249,200	4,406,245	3,683,000
Charges for Services	25,211,281	17,621,625	28,630,647	27,864,297	32,908,624
Fines and Forfeitures	4,608,636	4,975,740	5,329,592	6,257,344	5,271,444
Interest Income & Miscellaneous	3,692,491	3,384,055	2,654,733	3,609,157	3,491,560
Interfund Transfers	<u>15,393,314</u>	<u>15,470,949</u>	<u>17,902,687</u>	<u>17,416,627</u>	<u>20,388,961</u>
Subtotal Revenues	\$104,129,504	\$106,810,410	\$116,176,287	\$115,509,196	\$123,153,320
Beginning Fund Balance or Working Capital	\$ 64,032,913	\$62,287,813	\$ 60,588,266	\$60,588,266	\$47,286,521
Total All Revenues	<u>\$168,162,417</u>	<u>\$169,098,223</u>	<u>\$176,764,553</u>	<u>\$176,097,462</u>	<u>\$170,439,841</u>



	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
<b>EXPENDITURES</b>	<b>---Actual---</b>	<b>---Actual---</b>	<b>---Budget---</b>	<b>--Estimated--</b>	<b>---Proposed---</b>
Personal Services	\$47,504,450	\$49,799,233	\$53,903,238	\$52,333,730	\$56,228,134
Materials and Services	27,551,079	29,942,967	36,179,590	33,892,478	36,200,352
Capital Outlay	10,287,150	8,100,750	24,068,778	20,022,549	14,858,607
Debt Service	5,138,611	5,196,056	5,212,223	5,145,557	4,909,190
Transfers	<u>15,393,314</u>	<u>15,470,951</u>	<u>17,902,687</u>	<u>17,416,627</u>	<u>20,388,961</u>
Subtotal Expenditures	\$105,874,604	\$108,509,957	\$137,266,516	\$128,810,941	\$132,585,274
Ending Fund Balances (Contingency and Ending Working Capital)	\$ 62,287,813	\$60,588,266	\$ 39,498,037	\$47,286,521	\$37,854,597
Total Expenditures & Ending Fund Balances	<u>\$168,162,417</u>	<u>\$169,098,223</u>	<u>\$176,764,553</u>	<u>\$176,097,462</u>	<u>\$170,439,841</u>

## FY 2012-13 Expenditures by Type



For the current fiscal year, FY 2011-12, the decrease between the budgeted Beginning Fund Balance of \$60,588,266 and the estimated Ending Fund Balance of \$47,286,521 is \$13,301,745. This \$13.3 million decrease is mainly attributed to:

- Investing \$8.7 million to purchase a 108,000 square foot Class A office building (the South Office Building) to recapture past and avoid future rental payment for the Beaverton Central Plant totaling \$13.3 million over the next 33 and 1/3 years. These rental payments (\$400,000 per year) are paid to the owner of the South Office Building and by purchasing the building the future rental payments are avoided.
- Spending \$4.5 million 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.

For the proposed FY 2012-13 Budget, the decrease between FY 2012-13's Beginning Fund Balances of \$47,286,521 and the Ending Fund Balances of \$37,854,597 is \$9,431,924. The \$9.4 million decrease between the beginning and ending fund balances is mainly due to the following:

- Spending \$7.5 million 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.
- The Library Fund will spend \$400,000 of its working capital to install automated materials handling equipment.
- The State Revenue Sharing Fund will spend \$186,000 of its working capital for social service and economic development initiatives.
- The Street Lighting Fund will reduce its working capital by \$130,000 as this will provide a more reasonable level of working capital for this fund.
- Likewise three internal services funds will reduce their working capital amounts by a combined \$423,000 to also reflect more reasonable levels of working capital for these funds.

For further details on the proposed FY 2012-13 budget, please refer to the Supplementary Budget Detail beginning on page xviii.

## CITY POPULATION

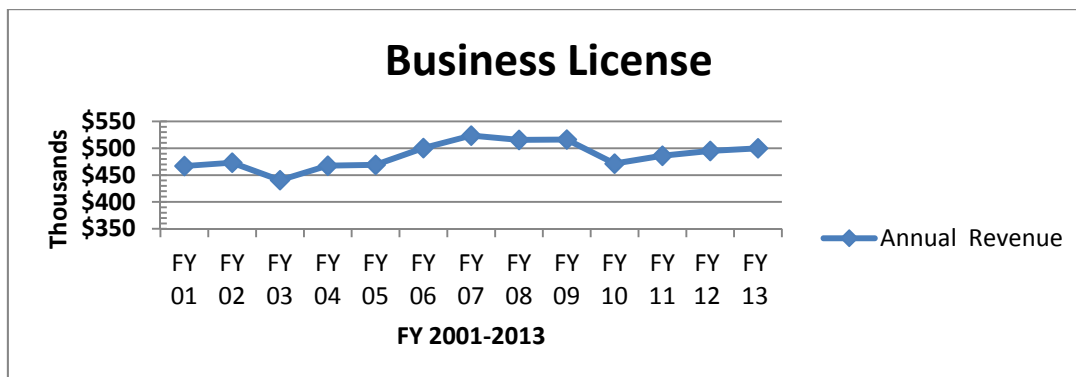
The official population figures for all Oregon cities and counties are certified each July 1 by the State of Oregon through the Population Research Center at Portland State University (PSU). Each year, PSU estimates the changes in populations by using the last U.S. Census Data (2010 = 89,803) as a base 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 **90,835** effective July 1, 2011.

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 2011-12, the city expects to receive \$79.74 per capita from the State, which totals \$6,883,000 based upon the average population for the year of 90,342. For FY 2012-13, Beaverton's average population estimate is 91,285 and should generate \$6,915,000 from State Shared revenues. Population estimates, demographic characteristics and geographical distribution affect several revenue sources and programs of the City.

## FY 2012-13 BUDGET GUIDELINES

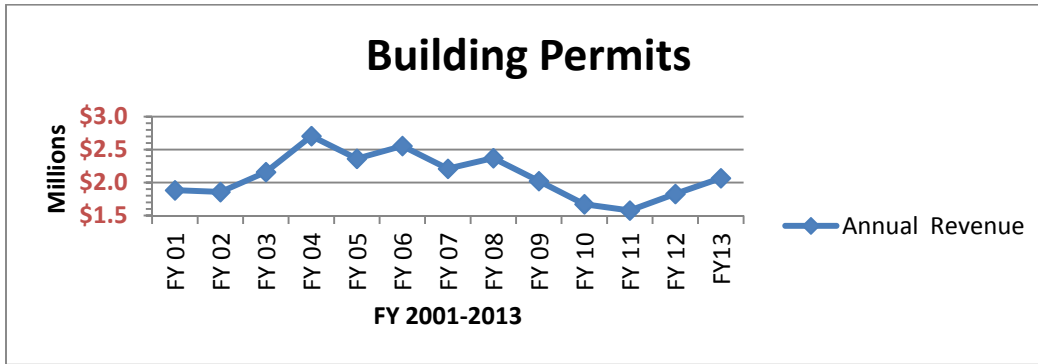
We continue monitoring and changing our operations through evaluating revenues streams that are sensitive to the current economic conditions, staffing levels, examining ways to be more efficient and making reductions where appropriate. We have evaluated processes, eliminated duplication and reduced the 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 slowly recovering since a 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 the FY 2009-10 financial economic downturn, the City's business license revenue increased by \$28,000 or 6% through FY 2012-13. Below is a graph of the business license since FY 2000-01 showing projected revenue in the current and next fiscal year.



Business license revenue tends to reflect citizens discretionary spending, thereby affecting business commerce levels. For FY 2012-13, the City is proposing an increase in Business License revenue to approximately \$500,000.

The City continues to feel the nationwide decline in residential new construction that began in early FY 2007-08. This decline combined with the issue that Beaverton is approximately 90% to 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 is a table of the Building Fund's permit revenues over past eight fiscal years along with FY 2010-11's estimated amounts and the proposed amount for FY 2012-13:

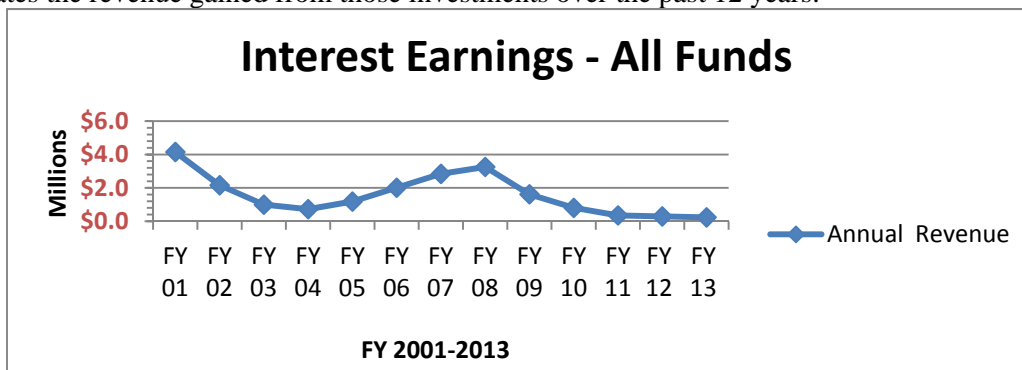


In past years, the **Building Fund** eliminated positions to maintain the balance between revenues and expenditures. With these past staffing level reductions, FY 2012-13 total expenditures will be more in line with revenue projections such that the Ending Fund Balance should increase slightly to a projected total of \$736,708, 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 \$1.4 million; therefore the Fund’s Ending Fund Balance should be approximately \$700,000. We will continue monitoring the Building Fund’s operations throughout FY 2012-13 for possible adjustments in the future. A number of commercial developments are under consideration, annexations continue and other developments could turn around these trends.

**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 2012-13 except for those revenues discussed below. The **property tax levy** rate for general operations is projected to \$3.96 per thousand dollars of assessed valuation. The projected rate should generate \$30,799,665 in net property tax receipts based upon an estimated assessed valuation of \$8.2 Billion. The \$3.96 tax rate is 86% of the City’s \$4.62 Permanent Rate Tax Authority. The increment between the levy of \$3.96 and the \$4.62 permanent rate is \$0.68, and when applied to the estimated assessed valuation, it would produce an additional \$5.4 million dollars in property tax revenues. This additional unused tax authority is expected to provide 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 2012-13 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 12 years:



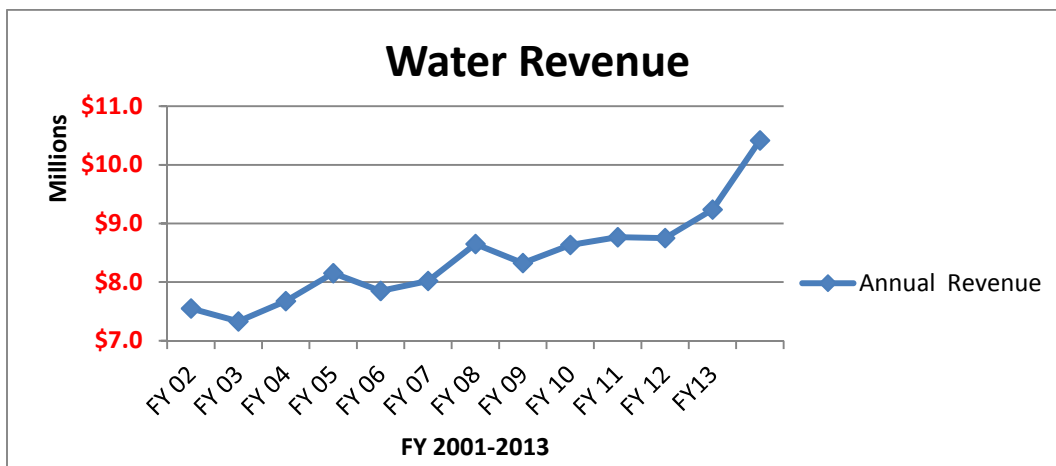
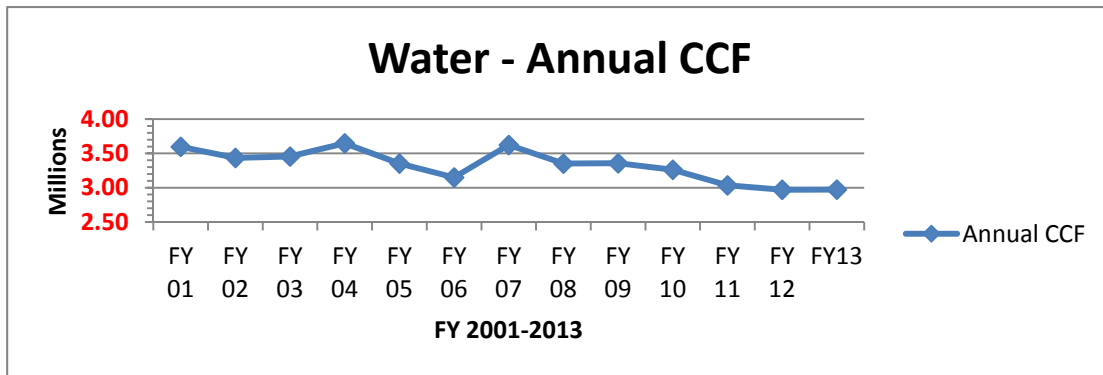


The City's **Library Fund** receives property tax funding from the Washington County Cooperative Library System's (WCCLS) local option levy and the County General Fund. WCCLS provides approximate 60% of the annual operating revenues for the City's Library. The FY 2012-13 proposed budget includes WCCLS funding of approximately \$4,675,990 which represents a \$91,000 increase over the FY 2012-13 estimated level. The Murray-Scholls branch library will begin its fourth year of operation. This proposed budget continues to contribute \$450,000 annually from the City's General Fund to assist with the branch's operating costs. With lower than expected WCCLS property tax revenues, the General Fund's annual contribution will most likely continue through FY 2014-15.

The City 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 2012-13 budget proposes a \$1.00 increase to the current \$9.00 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 proposes an 8% increase in the water consumption rate. The consumption rate increase is equivalent to 20-cents from the current \$2.47 per 100 cubic feet of water to the rate of \$2.67. 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 \$1.60 for the consumption charge for a combined \$2.60 per month or about \$31.36 per year. I recommend the rate increases be effective July 1, 2012. 100 cubic feet of water is equal to 1 CCF and one CCF is equivalent to 748 gallons.

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 and investments in upgrading piping, treatment and storage facilities while consumption continues to decline. These two graphs illustrate the trends:





**Policy Direction and Management – Meet Needs but Hold the Line:** With a slow recovery from the recession, the I have 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 proposed FY 2012-13 budget includes compensation adjustments for all classes of employees, including management. Contracts expire for the two bargaining units on June 30, 2012 and we are in the midst of negotiations. Upon ratification of the contracts, further adjustments may be required in department budgets above those included in the proposed budget. The total cost of the budgeted fiscal adjustment is approximately \$1.4 million, which is comprised of \$1 million in salary and the balance is associated payroll taxes and fringe benefits.

**Staffing Additions and Reductions:** The FY 2012-13 proposed budget includes a net of 4.5 additional full-time equivalent positions (FTE): 1 Associate Planner; 1 Senior Planner; 1 Sustainability Program Coordinator; 1 Mediation Program Coordinator; 1 City Engineer; 1 Engineering Technician 3 and 0.5 FTE Support Specialist 2 in Web Development; several reclassifications and the elimination of 2 FTE positions a Senior Transportation Planner and a Support Specialist 1 position. For specific details on staffing changes, please refer to the Supplementary Budget Detail on page xviii.

**Operating Cost Increases:** The FY 2012-13 budget includes minimal general citywide cost increases. The Medical program will experience an average 5.6% increase in the two plans with ODS and a 5% increase in the Kaiser plan. These changes represent a cost increase of \$732,467 over the amounts budgeted for FY 2011-12.

**Public Employees Retirement System:** The City, together with most public employers in Oregon, participates in the Public Employees Retirement System (PERS). The 2003 Oregon Legislative Assembly enacted significant changes to the retirement system including creating a successor retirement plan to PERS called the Oregon Public Service Retirement Plan (“OPSRP”). The 2003 legislative reforms were enacted in response to a growing unfunded actuarial liability of the System and increasing charges to public employers to fund the System. Changes made to PERS as well as the creation of OPSRP were enacted to lower expected costs to employers. Many of these legislative changes were challenged in legal proceedings filed by a number of unions and individual employees in the Oregon circuit courts, the Oregon Supreme Court, and in federal court.

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.

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### **Historical Actuarial Valuations**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>(Unfunded) Over Funded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>(Unfunded)/Over funded Actuarial Accrued Liability as a % of Covered Payroll</b>
12/31/01 <sup>1</sup>	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 <sup>2</sup>	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 <sup>2</sup>	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 <sup>2</sup>	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 <sup>2</sup>	152,182,765	174,931,684	(22,748,919)	87%	32,532,597	(70)%

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 Evaluations.

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 has performed the actuarial evaluation for the period ending December 31, 2009 and the results were completed in September 2010. This evaluation established the City's PERS funding rates for the ensuing biennium, which is July 1, 2011 through June 30, 2013 (FY 2011-12 and FY 2012-13). For the City, PERS has established required contribution rates of 17.29% for PERS Employees, 13.25% OPSRP General Employees and 15.96% for OPSRP Police Employees. These new rates are considerably more than the previous biennium's required contribution rates; therefore, the City **discontinued any additional contribution to the PERS reserve account**. The net cost increase of the new required contribution rates when compared to the rates charged this past biennium (the required contribution rates plus the 2% contribution to the PERS reserve account) was .78% and represents a cost increase of approximately \$257,000. In FY 2013-14, PERS is anticipating an increase of 2 percentage points in the contribution rates which could mean as much as a \$700,000 increase in costs to the City. Hence the value of carrying a "surplus" of approximately \$4.3 million for PERS related expenses will well serve the City.

**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.

**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 2012-13 is the City's nineteenth year as a Housing Urban Development Block Grant (CDBG) entitlement city, but funding has become unstable. FY 2012-13's allocation should be \$569,808 and together with the \$470,028 remaining from prior years' awards will total \$1,035,836 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 allows us to quickly plan and design activities to implement the Civic Plan's Central City Strategy.

## **BUDGET HIGHLIGHTS: MAJOR PROGRAM CHANGES AND ENHANCEMENTS**

**Beaverton Community Vision Program:** The FY 2011-12 adopted budget represented a transition point for the Beaverton Community Vision program. In previous years, citizen volunteers and City staff have connected more than 5000 community members, at more than 100 meetings and events, to develop a roadmap of community priorities and aspirations. Thousands of ideas were refined into a prioritized plan of action and are becoming activities by our partners from the business community, government agencies, community organizations and neighborhood leaders, to implement the action ideas that will achieve point number seven of my 10 Point Plan for 2010.

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'll 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 which the Beaverton City Council adopted in April 2011. The Civic Plan consists of three strategies:

- Beaverton’s Central City Strategy
  - 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 preliminary 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.

The UGB expansion is in an un-planned area at the southwest area of the city near the intersection of Scholls-Ferry Road and Roy Rogers Road (Area 6B). Over 530 acres, it is mostly intended for residential development and includes a likely site for Beaverton’s first new high school in a few years. Our goal is to begin to implement the new vision of Beaverton with these two related actions.

**Beaverton Central City Urban Renewal Planning:** A program aimed at redevelopment of Beaverton’s core area began in 2008-09 concentrating efforts on strategic projects and developing appropriate tools. Strategic projects are those where City assets can be effectively leveraged to achieve the following:

- 1) Significantly contribute to a positive business environment in the downtown core area.
- 2) Identify development and redevelopment opportunities in the downtown.
- 3) Utilize public investments to serve as catalysts that stimulate significant private investment.
- 4) Coordinate capital improvements, which will address traffic and transportation issues, relieve congestion, and provide public amenities.
- 5) Participate in the planning and initiation of new development projects: housing, commercial and offices, hotel and civic facilities.

Voters responded positively to those planning efforts with adoption of the Central City Urban Renewal Plan at the November 2011 general election. The plan intends to generate new private investment and invest up to \$150 million in public funds over the next 30 years to achieve these goals:

- Inform, communicate and seek engagement for decision making
- Add value to our City

- Support businesses of all sizes in creating and retaining jobs
- Promote redevelopment
- Expand the existing transportation system
- Increase housing in the Urban Renewal District
- Promote development of community, public arts and culture

This budget only briefly describes urban renewal activities as the Beaverton Urban Redevelopment Agency (BURA) presents and adopts its own budget as a component unit of the City of Beaverton. This proposed FY 2012-13 includes a grant of \$100,000 to BURA from the General Fund for some of their initial operating expenses.

**Development Trends and Services:** The continued downturn in 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 proposed annexations seem to indicate that those property owners desire to develop their properties in the near term. Staff estimates that the division will process approximately **550 land use applications** for the 2012-13 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. The commercial portion of Progress Ridge is nearly built-out. Some of the older “strip-mall” development from past decades is being demolished to make way for new commercial buildings.

Perhaps the most significant real estate transaction of the year 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 what is known as the “**South Office Building**” or the “**Metro Building**” for \$8.6 million and it will operate as a 108,000 square foot multi-tenant Class A structure that could also, in the future, house some of the City’s operations. The Mayor and City Council will conduct a careful consultation process with citizens to help determine a best course forward. 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. Below is a schematic of the Central Plant’s service area with the Green lots signifying services provided to 4 buildings totaling 328,733 square feet and the white parcels signifying sites of future buildings to be served by the Plant.



Potential for new development also exists with the successful completion of the comprehensive amendments to Chapter 20 (Land Uses) of the Development Code. It is anticipated that the modifications to the Code may result in some annexation of developable land into the City as well as foster interest in redevelopment of existing areas of the City’s central core area and in existing employment areas of the City.

Although there are signs of improvement, new single-family home permit activity remains low. The Building Division will issue 60 new single-family home permits in FY 2011-12. With permit activity improving, economists suggest the housing market's slow recovery will continue with **90 new single-family permits** projected for FY 2012-13.

**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 3.2 percent increase in reported total **Part 1 and Part 2 crimes** in Calendar Year (CY) 2011 compared to CY 2010. 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 2011, officers maintained a high percentage of self-initiated calls for service and arrested more than 650 intoxicated drivers. The Traffic Safety Team expanded in 2010 and this increases the safety of Beaverton's roads through enhanced enforcement and education efforts.

**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 2011.

### CALENDAR YEAR 2011

PHOTO ENFORCEMENT	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Photo Radar	346	332	438	371	343	333	163	353	231	272	295	336	3,813
Photo Red Light (straight through)	135	92	129	147	166	155	136	172	198	173	143	147	1,793
Photo Red Light (right turn on red)	362*	265	393	456	393	351	305	315	371	305	357	273	4,146
<b>Total</b>	<b>843</b>	<b>689</b>	<b>960</b>	<b>974</b>	<b>902</b>	<b>839</b>	<b>604</b>	<b>840</b>	<b>800</b>	<b>750</b>	<b>795</b>	<b>756</b>	<b>9,752</b>

\*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 2012 awards and recognition ceremony, Police Chief Geoff Spalding recognized these units for their efforts: Community Services Division, Traffic Division and K-9 unit.

The total volume of calls for service in CY 2011 remained below the levels of past years but 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 66 percent of the total calls for service in 2011. The department continues to collaborate with citizens to proactively resolve issues that affect the community. Beaverton's Uniform Crime Rate (UCR) total for Part 1 and Part 2 crimes increased 3.2 percent in CY

2011. Part 1 serious person crimes, which include homicide, rape, robbery and aggravated assault, increased by 5.1 percent (92 cases).

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 35 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 will continue and likely be completed in FY 2012-13. The Metro-designated **South Cooper Mountain area** (540 acres), which is largely undeveloped, was added to the Urban Growth Boundary (UGB) in 2011 and may be annexed to the City of Beaverton following the State ratification of the UGB addition. 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.

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 2012-13, the city will continue preliminary planning for a future ASR Well No. 5 to replace ASR Well No. 1.

**Increased water capacity distribution system improvements** will occur on 1) 5th Street from Alger Avenue to east of Hwy 217, 2) Belaire from Baker to Denney Road, 3) Hall Boulevard from Allen Boulevard to 12th Street, 4) 155th Avenue from Sexton Mountain Drive to Flagstone Drive, 5) Dawson Way Extension at Hocken Avenue, 6) Wonderland Park, and 7) Rose Biggi Avenue from Hall Boulevard to Crescent.

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. During FY 2012-13 all water meter reading and charges should shift to a monthly basis.

Starting in 2011, there was increased coordination with Operations field maintenance staff and Engineering staff regarding the design of surface water runoff treatment facilities. The design of the Carousel Court **Stormwater Quality** Structure reflects this coordination. This proto-type design by the engineering staff will be the first of its kind. It should address the massive leaf and conifer needle load that sweeps into the storm drain system each fall.

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.

<b>Workload Measures:</b>	<b>FY 2009-10 Projected/Actual</b>	<b>FY 2010-11 Projected/Actual</b>	<b>FY 2011-12 Budgeted/Revised</b>	<b>FY 2012-13 Proposed</b>
Number of miles of sanitary sewer collection system	273.7 / 275	277	277 / 275	275
Number of miles of public sewer mainlines (6” and greater) replaced or structurally rehabilitated	1.8 / 2.6	3.6 / 2.5	4.4 / 3.2	3

The Supplementary Budget Detail section, beginning on page xviii, 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:

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

- 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; 155th Ave Improvements (CIP 3225), Broadway Festival Street (CIP 5082), Main Avenue Utility Improvement (6069 & 6072), Hocken/Henry Sidewalk & Curb Improvement (CIP 5025) and South Central “H” (CIP 6067) projects. Fifteen bridges and box culverts will be inspected per ODOT requirements. The street crew will continue to be involved in the construction of rain gardens on the Main Avenue rain garden installation (CIP 5073) and Hart Road Traffic Calming Rain Gardens (CIP 8095). The street crew will continue to construct miscellaneous traffic calming projects, as assigned.

Part of the FY 2012-13 action plan will be the Hall Creek and Pathway (114th-117th) Enhancement Project (CIP 5083) provided that a Metro Nature in the Neighborhood Grant is secured. This project encourages sustainable design in our downtown, with green streetscapes by incorporating permeable sidewalks and realignment of the pedestrian path for safety.

The Supplementary Budget Detail section, beginning on page xviii, further describes the City’s continuing investments in the street system planned for FY 2012-13.

**Library Services:** The Beaverton City Library continues to experience significant demands for service, especially with the opening of the Murray Scholls Branch. Our library, Main and Murray Scholls combined, is the busiest library in the WCCLS system circulating 3,465,742 items in CY 2011, a 14.4% increase over the prior year’s circulation. Beaverton circulated 27.13% of the Cooperative’s total circulation of 12,773,169 items. Among all libraries statewide, Beaverton had the second highest circulation following Multnomah County Library. 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 check-out 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. The larger WCCLS member libraries, including Beaverton, propose instituting an **Automated Materials Handling (AMH)** system that will further increase efficiencies.

**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 22,000 hours of support for the library.

The Library Fund still requires a contribution of \$777,963 from the City's General Fund in part due to the fourth full-year of operating the branch library. The Library operations fund balance will end FY 2012-13 with a projected contingency balance of about \$832,000. The FY 2012-13 proposed 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. In addition, the Library's proposed budget includes \$400,000 to purchase and install automated materials handling equipment to automatically check in returned library materials and sort them for easier shelving.

**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 current fiscal year the Sustainability Program shifted to be under the direction of the Community and Economic Development Director 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. This project should reduce carbon dioxide emissions (CO<sub>2</sub>) by 6,983 tons per year, reduce energy consumption by 15,331,771 kilowatt hours per year and generate approximately \$4000 annually in electricity sold through the power system grid by way of the "feed-in" tariff program.
- 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.
- Solar Beaverton began as a pilot program and went "city-wide" in 2011 with more than 220 solar installations by late 2011. This will result in a reduction of more than 277,000 pounds of CO<sub>2</sub> annually. This translates to a reduction of seven million pounds of CO<sub>2</sub> over the expected 25 year life span of the solar systems. More installations are planned in 2012-13.
- The City installed three charging stations: one near the City Library and two at City Hall. The City is also seeking an installation near the Beaverton Central Plant.
- 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 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.

**Equipment Replacement and Upgrades:** It is important that the City makes careful decisions about replacing or upgrading equipment. We replace and 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 2012-13 budget includes the following vehicle and major equipment purchases:

- 4 vehicles for the pool fleet, inspection or facilities staff including hybrid and/or all-electric vehicles
- 8 replacement police patrol vehicles
- 7 trucks for the street, water, sewer and storm crews
- 7 pieces of specialized vehicles/equipment for the street, water, sewer and storm crews

**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 2012-13 budget reflects an expected increase of 8.9% 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 for the 7/1/13 renewal, which could impact premium rates
- The cost increase of the ODS medical plans for FY 2012-13 for the City is projected to be 5.6% based on the employees' utilization of the services in the last year
- The Kaiser Health Plan medical/vision plan increases by 5%.
- The dental premium remains constant.
- High utilization of both medical and dental services in FY 2011-12

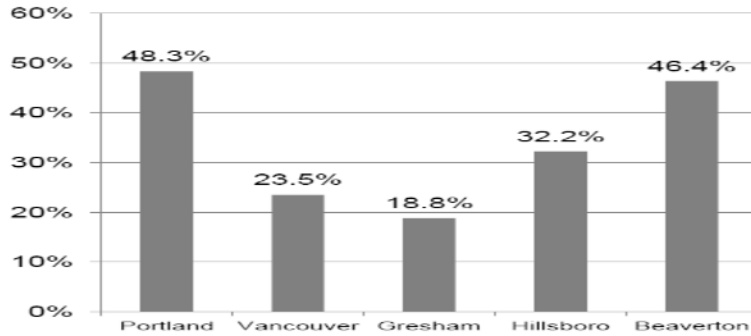
**Economic Development:** The Economic Development Program is now an integral division of the Community and Economic Development Department. It continues to be strong and active. Consistent with the Council's and the Mayor's goals, our City is committed to attracting new businesses and to supporting our existing business base. The FY 2012-13 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,
- \$166,600 to support the Oregon Business Technology Center and a programmatic review
- \$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

During FY 2012-13 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 keystone of the City's economic development strategy is expansion of "**knowledge-based**" businesses. The following graph displays Beaverton's relative ranking in the region for educational attainment.

**Workforce with Bachelor's Degree**  
2010 US Census



Source: WorkSource Portland

**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 which 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** 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 are directly related to providing City services.

The proposed FY 2012-13 budget totals \$170,439,841, which includes fund contingencies and reserves totaling \$37,854,597. The budget will require a total property tax levy of \$34,220,700 and the property tax revenues allocated as follows:

	Proposed Tax Levies	Less Provision For Non- Collections	Estimated Net Tax Receipts	Estimated Property Tax Rate
General Fund	\$29,132,700	\$1,456,635	\$27,676,065	\$3.5578
Library Fund	2,122,000	106,100	2,015,900	0.2591
Street Lighting Fund	1,166,000	58,300	1,107,700	0.1424
Subtotal Levy Within the Permanent Tax Rate	\$32,420,700	\$1,621,035	\$30,799,665	\$3.9593
General Obligation Debt Levy	1,800,000	90,000	1,710,000	0.2198
Total Property Tax Levy	\$34,220,700	\$1,711,035	\$32,509,665	\$4.1791

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 \$8,188,321,000. The tax rate formula is:

Total taxes subject to collection of \$34,220,700 divided by the estimated assessed valuation for property tax purposes of \$8,188,321,000 multiplied by \$1,000

The FY 2012-13 proposed budget includes a net of 4.5 additional full-time equivalent positions (FTE): 1 Associate Planner; 1 Senior Planner; 1 Sustainability Program Coordinator; 1 Mediation Program Coordinator; 1 City Engineer; 1 Engineering Technician 3 and a 0.5 Support Specialist 2 in Web Development Services; several reclassifications and the elimination of 2.0 FTE in various positions.

2.0 FTE (full-time equivalent) position eliminations:

- 1.0 FTE Support Specialist position eliminated in conjunction with the staff reorganization within the Community and Economic Development Department.
- 1.0 FTE Transportation Planner position eliminated in conjunction with the creation of a new Associate Planner in Community and Economic Development and an Engineering Technician 3 position in the Traffic Impact/Transportation Development Fund.

4.0 FTE new positions – General Fund

- 1.0 FTE Associate Planner position to support transportation planning in the Community and Economic Development Department.
- 1.0 FTE Senior Planner position to support the master planning of the new UGB expansion area in the Community and Economic Development Department.
- 1.0 FTE Program Coordinator in the Sustainability program for energy program and greenhouse gas emissions monitoring while the Sustainability Program Manager oversees the Beaverton Central Plant and several other initiatives.
- 1.0 FTE Program Coordinator for the Mediation Program for the increased demand for home foreclosure assistance contingent of state grant funding

1.5 FTE new positions – other funds

- 1.0 FTE Engineering Technician 3 to support transportation projects eligible for TIF/TDT assistance
- 1.0 FTE City Engineer position to provide overall management of Street, Sanitary Sewer and Stormwater Management engineering projects. All three funds share the expenses.
- 0.5 FTE for a Support Specialist 2 position in ISD Web Development to assist with increased use of city web sites and social media.

FTE positions reallocated:

- Reallocate .40 FTE of a Project Engineer position for Site Development from the General Fund to Street, Water, Sewer, and Storm Drain Funds.
- Reallocate .5 FTE of the CDBG Coordinator position in Community Development Block Grant Fund to the Community and Economic Development Department in the General Fund to assist with managing the HUD Community Challenge Grant program.

The **General Fund's revenue** for FY 2012-13 is budgeted at \$54,231,175 in current revenues and 8,392,295 in beginning fund balance for a combined \$62,623,470 in available revenues. Net current property tax revenue totals \$27,676,065 and this amount represents 51% of the General Fund's current revenues. Franchise Fees (telephone, telecom, electric, gas, water, sewer, storm, and refuse) account for a net of \$6,151,612 or 10% of the General Fund's current revenues. State shared revenue, comprised of the City's share of cigarette and liquor taxes, account for \$1,215,000 or 2% of the current General Fund revenue. Federal Grant revenues total \$852,328, fund specific programs or activities and are not recurring each year.

The prime characteristics of the General Fund for FY 2012-13 are as follows:

<b>GENERAL FUND</b>	<b>FY 2012-13</b>	<b>% of Total General Fund</b>
Current Revenue	\$54,231,175	86.6
Beginning Fund Balance	8,392,295	13.4
Total Revenues	\$62,623,470	100.0
Property Taxes	\$27,676,065	44.2
Franchise Fees	\$6,151,612	9.8
State Shared Revenue	\$1,215,000	1.9
<b>GENERAL FUND</b>	<b>FY 2012-13</b>	<b>% of Total General Fund</b>
Current Expenditures	\$54,395,583	86.9%
Contingencies and Reserves	8,227,887	13.1%
Total Budget	\$62,623,470	100.0%
Personnel Services	\$37,876,884	60.5%
Police Services	\$27,047,101	43.2%
Capital Outlay	\$360,300	0.5%

The **General Fund's expenditures** for FY 2012-13 consist of \$54,395,583 in current expenditures and \$8,227,887 in contingencies and reserves. Salary, payroll taxes and fringe benefits costs total \$37,876,884 representing 70% of the General Fund's current expenditures. The General Fund's largest program is police services with a total appropriation of \$27,047,101 which is 50% of the current expenditures. The General Fund's capital outlay budget totals \$360,300 of which the major items are \$310,000 for replacement of vehicles.

The **Street Fund's** budget maintains the improved level of service due to additional funding from the 6 cent state-wide gas tax increase that took effect January 1, 2011. The fund's revenue for FY 2012-13 is budgeted at \$6,459,450 in current revenues and 3,210,882 in beginning fund balance for a combined \$9,670,332 in available revenues. The fund's expenditures for FY 2012-13 consist of \$4,700,221 in operating expenditures, \$1,700,000 in street reconstruction expense (overlays), 272,000 in capital equipment, \$547,000 transfer to the Capital Project Fund for street construction for a grand expenditure total of \$7,219,221. The fund will have an ending fund balance of \$2,451,111 consisting of \$1,866,821 in operating contingencies, and \$584,290 in equipment replacement reserves. Salary, payroll taxes and fringe benefits costs total \$2,150,664 representing approximately 29% of the Street Fund's operating expenditures. The Street Fund's operating contingency represents 33% of total operating expenditures, which is available for emergency street expenditures.

The prime characteristics of the Street Fund for FY 2012-13 are as follows:

<b>STREET FUND</b>	<b>FY 2012-13</b>	<b>% of Total Street Fund</b>
Current Revenue	\$6,459,450	66.8%
Beginning Fund Balance	3,210,882	33.2%
Total Revenues	\$9,670,332	100.0%
Gas Tax Revenues	\$5,323,400	55.1%
Operating Expenditures	\$7,219,221	74.6%
Contingencies and Reserves	2,451,111	25.4%
Total Budget	\$9,670,332	100.0%
Personnel Services	2,150,664	22.2%
Street Overlay Program	1,700,000	17.5%
Capital Equipment	272,000	2.8%
Transfers	2,321,457	24.0%

The **Building Fund's** budget continues to reflect the downturn in development and construction activity. The fund's revenue for FY 2012-13 is budgeted at \$2,330,607 in current revenues and \$605,594 in beginning fund balance for a combined \$2,936,201 in available revenues. The fund's expenditures for FY 2012-13 consist of \$2,199,493 in operating expenditures, \$568,841 in operating contingency and \$167,867 in equipment replacement reserves. Salary, payroll taxes and fringe benefits costs total \$1,664,463 representing approximately 75% of the Building Fund's current operating expenditures, and the operating contingency represents 19% of total operating expenditures.

The prime characteristics of the Building Fund for FY 2012-13 are as follows:

<b>BUILDING FUND</b>	<b>FY 2012-13</b>	<b>% of Total Building Fund</b>
Current Revenue	\$2,330,607	79.4%
Beginning Fund Balance	605,594	21.4%
Total Revenues	\$2,936,201	100.0%
Operating Expenditures	2,199,493	74.9%
Contingencies and Reserves	736,78	19.4%
Total Budget	\$2,936,201	100.0%
Personnel Services	1,664,463	56.7%

The **Capital Projects Fund** provides for improvements to the City's street and transportation system, and it includes appropriations for FY 2012-13 projects that are included in the City's Two-Year (FY 2012-13 through FY 2013-14) 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 2012-13 CIP includes appropriations for the following street projects:

Project Number	Project Title	FY 2011-12 Budget Estimate	FY 2012-13 Proposed Budget
3189	Traffic Calming Projects	\$0	\$40,000
3192	Hoken Street Bridge	115,000	1,395,000
3200	Adaptive Signal Program	85,841	30,000
3223	Traffic Calming Projects	5,000	50,000
3225	155 <sup>th</sup> Avenue Sexton Mountain to Flagstone	145,000	60,000
3226	Miscellaneous Improvement Projects	50,000	60,000
3229	Murray Road Extension	3,000	0
3316	Rose Biggi – Crescent to Hall	355,762	2,146,000
3317	Dawson Street Extension	163,000	120,000
3318	Birchwood – 87 <sup>th</sup> to Laurelwood	30,000	100,000
3319	Henry and Hoken Sidewalk Improvement	0	25,000
3320	Hall Creek Pathway Improvement	0	236,000
3321	Westgate Dawson Intersection Improvement	0	30,000
3407	Crescent Connection Multi-Use Path	26,000	87,000
	Subtotal Capital Projects Fund	\$978,603	\$4,379,000
	Street Reconstruction (Overlay) Program	1,869,575	1,700,000
	Grand total CIP and Overlay Program	\$2,848,178	\$6,079,000

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 2012-13 is budgeted at \$10,508,250 in current revenues and \$4,440,652 in beginning fund balance for a combined \$14,948,902 in available revenues. The fund's expenditures for FY 2012-13 consist of \$8,699,945 in current operating expenditures, \$83,000 in capital equipment purchases, \$2,102,580 in system capital infrastructure improvements, and \$4,063,077 in contingencies and reserves. The contingencies and reserves are comprised of \$2,710,826 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 \$252,251. The proposed FY 2012-13 capital infrastructure improvements are:

Project Number	Project Title	FY 2011-12 Budget Estimate	FY 2012-13 Proposed Budget
3611	Joint Water Commission (JWC) Projects	\$284,717	\$436,795
3700	Maintenance and Replacement Projects	30,000	100,000
3701	Water System Improvements	929,629	1,485,785
3705	Fire Hydrant Replacement Program	80,000	80,000
	Total Water Fund CIP Program	\$1,324,346	\$2,102,580

All revenues from water rate charges are shown in the Water Operating Fund. For the Water Fund, the FY 2012-13 budget proposes a \$1.00 increase to the current \$9.00 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 proposes an 8% increase in the water consumption rate. The consumption increase is equivalent to 20-cents from the current \$2.47 per 100 cubic feet of water to the rate of \$2.67. 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 \$1.60 for the consumption charge for a combined \$2.60 per month or about \$31.36 per year. I recommend the rate increases be effective July 1, 2012.

The Water Debt Service Fund contains appropriations of \$2,857,116 for debt service, and an un-appropriated fund balance of \$116,593

The **Water Construction** budget accounts for construction to increase the capacity of the water system and includes appropriations of \$970,000 for construction projects and a dedicated contingency of \$1,019,290. The construction projects are funded by revenues from water system development charges. The proposed FY 2012-13 construction projects are:

Project Number	Project Title	FY 2011-12 Budget Estimate	FY 2012-13 Proposed Budget
3620	Water Extra Capacity Improvements	1,424,486	923,000
3635	JWC Extra Capacity Projects	334,797	47,000
3641	Dernbach Reservoir Property	20,000	0
	Total Water Construction Fund CIP Program	\$1,779,283	\$970,000

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 2012-13 is budgeted at \$4,646,600 in current operating revenues, \$1,572,323 in contributions from Clean Water Services for capital projects and \$7,816,289 in beginning fund balance for a combined \$14,035,212 in available revenues. The fund's expenditures for FY 2011-12 consist of \$3,670,831 in current operating expenditures, \$204,900 in capital equipment purchases, \$2,730,577 in system capital infrastructure improvements, and \$7,428,904 in contingencies and reserves. The contingencies and reserves are comprised of \$3,667,001 in contingency for general operations, \$2,926,048 in reserves for future extra-capacity



improvements and \$495,045 in reserves for the \$2 surcharge renewal program and an equipment reserve of \$340,810.

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 2012-13, CWS is proposing a 4.5% 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 2012-13 sewer capital improvement program includes the following appropriations:

Project Number	Project Title	FY 2011-12 Budget Estimate	FY 2012-13 Proposed Budget
3811	Sewer Extra Capacity Improvements (SDC)	\$1,225,000	136,000
3850	Renewal Projects (Funded by \$2 Surcharge)	2,262,072	2,594,577
	Total Sewer Fund CIP Program	\$3,487,072	\$ 2,730,577

The **Storm Drain Fund’s revenue** for FY 2012-13 is budgeted at \$4,503,012 in current revenues \$190,900 in contributions from ODOT and Metro for capital projects and \$7,020,378 in beginning fund balance for a combined \$11,714,290 in available revenues. The fund’s expenditures for FY 2012-13 consist of \$3,323,136 in current operating expenditures, \$239,500 in capital equipment purchases, \$3,170,000 in system capital infrastructure improvements, and \$4,981,654 in contingency and reserves. The contingency and reserves are comprised of \$519,826 in contingency for general operations, \$2,186,553 in reserves for future extra-capacity improvements and \$1,655,479 in reserves for the \$2 surcharge for the maintenance and replacement program and an equipment reserve of \$619,796.

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. The current base fee amount is \$5.25 per month per ESU. Of the base fee, each jurisdiction remits \$1.31 (25%) to CWS and retains the balance of \$3.94 (75%). The retained revenue is dedicated to operating the surface water management system within our corporate boundary including performing routine system operations and maintenance activities and sweeping the City’s streets on a monthly basis. For FY 2012-13 CWS is proposing a \$0.50 increase to the current \$5.25 base charge for a new base charge of \$5.75 per month. Each jurisdiction will remit \$1.44 to CWS and will retain the balance of \$4.31.

In addition to the base charge, the City collects a \$2.00 per month surcharge per ESU. The surcharge generates approximately \$1.1 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 2012-13 capital improvement program includes the following appropriations:

Project Number	Project Title	FY 2011-12 Budget Estimate	2012-13 Projected Budget
3310/11	Beaverton Downtown Creek Master Plan	\$200,000	\$350,000
3915	Storm Water Capacity – Conveyance Projects	570,996	1,042,000
3916	Storm Water Capacity – Quantity Projects	1,000	7,000
3950	Replacement Projects (Funded by \$2 surcharge)	906,285	1,437,000
	Total Storm Drain Fund CIP Program	\$1,873,281	\$3,170,000

### 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, 2011. This was the 33<sup>rd</sup> 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, 2012 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 2011-12 Annual Budget Document. This is the 24<sup>th</sup> 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 2012-13 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

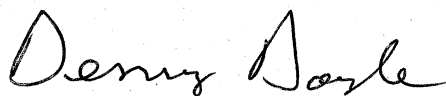
A strong economic, cultural and social base is necessary to maintain and continue to improve our strength as a City. The FY 2012-13 budget is a key process and statement of the creative and innovative efforts needed to secure Beaverton's future as a high quality place to live, work, and raise our families. 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.

It is my personal goal 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.

I am committed to limiting the property tax burden on our citizens by holding the tax rate of last year steady at a per thousand rate of taxable assessed valuation of **\$4.1791**. This is less than the total tax rate in the FY 2010-11 fiscal year of \$4.2034 by three cents. Many of our citizens are facing economic difficulties that have arisen since 2009, and we will strive to maintain a high level of service while lowering the tax rate.

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'd also like to thank the members of the Budget Committee, made up of five members of the general public appointed by the City Council and our City Councilors, for their efforts in reviewing the City's proposed budget.

Sincerely,

A handwritten signature in cursive script that reads "Denny Doyle". The signature is written in black ink and is positioned above the printed name.

Denny Doyle, Mayor