



# MEMORANDUM

## CITY OF TUALATIN

**TO:** Members of the Budget Advisory Committee

**FROM:** Sherilyn Lombos, City Manager

**DATE:** May 11, 2009

**SUBJECT:** Proposed Fiscal Year 2009/2010 Budget

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It is my pleasure to present the proposed fiscal year 2009/2010 City of Tualatin and Tualatin Development Commission (TDC) budgets.

The budget document that follows is divided into eight sections: Budget Message, Introduction, Revenues, Department Expenditures, Utility Expenditures, Debt and Other, Capital Development and the TDC. For more information about each section and how to navigate through the document, please refer to the Reader's Guide included in the front of the Introduction tab.

The total proposed budget for 2009/2010, including the TDC, is \$87,266,230. This amount is down 9.8% from the 2008/2009 adopted budget. This decrease is primarily due to the reduction in the capital development funds, a direct correlation to the slowdown in the economy. The economy has also had an impact on the rest of the budget, as we are closely monitoring all our revenue sources and matching expenditures to the fund revenues. In most cases, budgets have decreased from 2008/2009 adopted levels, with the increases being primarily related to cost increases that are out of the City's control, i.e. contractual or pass-through increases. This message highlights activity and some of the major changes in each of the City's funds.

### **General Fund**

#### *Revenues*

The beginning fund balance and projected revenues for fiscal year 2009/2010 total \$17,481,514 and come from six main sources:

1. *Property taxes* make up almost half of the general fund revenues. They are based on a set levy of \$2.2665 per \$1,000 dollars of assessed value. Previous years have seen growth in the community, prompting the assessed value to increase at a higher rate than the Measure 50 growth limit of 3%. Even though market values have seen a

decrease, there is still a significant gap between market value and assessed value; therefore, we are projecting the assessed value will continue to increase by the 3% growth limit.

2. *Franchise fees* are those fees paid by utilities for use of the public right-of-way and are based on a percentage of revenues. PGE is the largest share of franchise fees followed by NW Natural Gas, the cable franchises and Verizon. These revenues are projected to be up due to the recent rate increases implemented by PGE and NW Natural Gas.
3. *Intergovernmental revenues* are those dollars that come to us from other governments, the largest of which is the library funds we receive from Washington County and the WCCLS local operating levy, followed by state shared revenues and our share of the hotel/motel tax. This category also includes grant revenues from state and federal sources, as well as other governmental agencies. Increases in grant revenues for 2009/2010 include a police equipment grant (\$33,000), a safe schools grant that pays for a school resource officer (\$80,000) and a grant from TriMet to pay for a police officer to be assigned to a transit task force (\$94,600). These increases are partially offset by a reduction in planning related grants that were included in the 2008/2009 budget.
4. *Licenses, permits & fees* include business license fees, passport execution, alarm permits and user fees. It also includes the new rental housing program fees that the City Council adopted in 2008.
5. *Fines and Forfeitures* increased due to the implementation of the expanded Municipal Court, which now hears traffic citations issued in the City. Previously, traffic violations were cited into the County courts and the counties retained 50% of the revenue.
6. *Transfers* are primarily reimbursements for services that the general fund provides mainly to the restricted funds.
7. *Interest and miscellaneous* are made up primarily of interest earned on investments, which is significantly down due to a sharp decrease in the interest rate earned on our cash balances invested in the Local Government Investment Pool.

### *Expenditures*

In fiscal year 2009/2010, we are budgeting for \$13,792,503 in expenditures from the general fund. This is a decrease of 1.11%. General fund expenditures are divided into three categories: Personal Services, Materials and Services and Capital Outlay.

In order to minimize the gap between current year revenues and current year expenditures, as well as because of a general lack of confidence in revenues in the current economic environment, the City departments held expenditures at or below last year's levels wherever possible. Additionally, salaries for management and non-represented staff were frozen and limits were placed on the amount the City contributes for health and dental benefits. The City's contract with the general employee association expires on June 30, 2009 and negotiations are currently in process. The Tualatin Police Association is under contract, so those contractual obligations are included in the budget.

Most General Fund departments, as well as the divisions in the Engineering & Building and Operations Funds with personal services costs, are seeing a decrease in overall expenditures due to the salary freezes, as well as our PERS contribution rate decreasing for the upcoming fiscal year. PERS rates are set every two years, based upon an actuarial study completed the year before the next biennium of rates. We will realize a decrease of 2.5 to 5% in our contribution rate for the next two years, based upon favorable PERS earnings in the previous actuarial period; however, you will notice a \$500,000 PERS Reserve proposed in the budget to offset expected 6% increases in the rate two years from now.

Increases in department budgets are primarily for items that are out of the City's control, including a significant increase in our dispatch contract with WCCCA, the additional police officer paid by the TriMet grant, and utility rate increases by PGE and NW Natural Gas. There are budgeted dollars for vehicle purchases to replace an aging dump truck and an aging parks service truck. We have also budgeted to replace two needed police patrol vehicles.

### **Engineering & Building Fund**

Revenues in this fund are projected to be down approximately 13% over the current budgeted amounts, with an increase in the beginning fund balance due to building related permits and fees being collected, but the projects being put on hold due to the economy. Contingencies and Reserves are increasing due to prepayments of building and engineering fees where the work is anticipated to carry into fiscal year 2010/2011.

### **Operations Fund**

The specific function of the portion of Operations that is funded out of restricted funds is to keep the City's water, sewer and storm systems in operating order and to maintain the city's streets. The Water Division is budgeting increased expenditures for electricity, testing and chemicals for the new Aquifer Storage Reservoir coming on line in 2009, as well as the replacement of a 12-year old service truck and a share of the replacement dump truck. The Sewer Division will be recognizing savings due to the Childs Pump Station maintenance being transferred to Clean Water Services, but will be seeing an overall increase in expenditures due to a share of the dump truck. Street Division expenditures are increasing for the dump truck, but also for the purchase of snow plow attachments, as well as a more efficient sanding attachment for the new dump truck. Non-Departmental capital expenses are significantly reduced due to funds that were allocated in 2008/2009 to construct the east

lot of the Operations Yard. Reserve balances were frozen at 2008/2009 levels to minimize the impact of transfers into this fund from the utility funds.

## **Utility Funds**

The Utility Funds record revenue and expenses for the water, sewer, storm drain and street systems (recorded in the Road Utility Fee Fund and the Road Gas Tax Fund). The primary revenue sources for these funds come from user fees, except for the Road Gas Tax Fund, whose primary revenue source is the state gas taxes. Capital projects related to these systems are also recorded in these funds. More specific details of the individual funds follows.

### *Water Operating Fund*

The City of Tualatin purchases water from the City of Portland for resale to Tualatin customers and the city of Sherwood. The purchase price from Portland is increasing; however, we are proposing to use rate stabilization reserve funds to maintain the water usage rate at \$2.29/ccf. We will also not be raising the water facilities charge, or the water service charge, both of which have not been raised in a number of years. In fiscal year 2009/2010 funds are allocated to increase water conservation efforts, replace valves on Tualatin-Sherwood Road, replace water lines in Indian Meadows and Indian Woods subdivisions and participate in an emergency intertie to Tualatin Valley Water District.

### *Sewer Operating Fund*

During fiscal year 2008/2009, Clean Water Services (CWS) completed a rate model study, which split the sewer rates into two components, a regional rate which is set by CWS and a local rate to be set by the City. In fiscal year 2009/2010, Clean Water Services is raising their monthly sewer usage charge by 5.5%, while the City is proposing to keep the local rate at the 2008/2009 amount. A previous \$0.15 surcharge is being eliminated. Funds are being allocated for the RV Park of Portland sewer replacement and the Saum Creek slide repair.

### *Storm Drain Operating Fund*

Clean Water Services (CWS) is conducting a rate model study similar to the one done for the sewer rates, which will also set a CWS regional rate and a local rate to be set by the City. In fiscal year 2009/2010, Clean Water Services is raising their monthly storm drain usage charges from \$1.00 to \$1.06, while the City is proposing to raise the local rate from \$3.00 to \$3.30 per month; however, the \$0.10 surcharge is being repealed. Funds are being allocated to complete Hedges Creek slide repair work at 105<sup>th</sup> Avenue and completing routine maintenance of the system to prevent flooding problems.

### *Road Utility Fee Fund*

Revenue for this fund comes from fees collected on monthly utility bills. Funds are used to pay for a portion of street lighting costs, the City's pavement management program, as well as the sidewalk/tree program. This budget maintains existing reverse frontage landscaping, but does not allocate any dollars for new reverse frontage areas.

### Road Gas Tax Fund

State gas tax revenues are projected to be down over 10% from 2008/2009, reducing the contingency in this fund well below target levels. This fund pays for street landscaping, electricity and maintenance for traffic signal lights and street lighting.

### **Debt and Other Funds**

The *General Obligation Bond Fund* incorporates debt service on three City bonds:

- The 2005 Parks Improvement bond.
- The 2006 Library Improvement bond.
- The 2008 Police Facility refunding bond (which replaced the 1999 Police Facility bond).

Estimated principle and interest payment for these bonds is approximately \$701,000 in fiscal year 2009/2010.

The *Bancroft Bond Fund* accounts for principal and interest on general obligation debt for projects which directly enhance the value of specific properties. There is one outstanding bond which funded the construction of 95<sup>th</sup> Place.

The *Enterprise Bond Fund* exists to collect revenue and repay debt on the 2005 water revenue bond for construction of the water reservoir. Principal and interest payments of approximately \$541,000 will be made in fiscal year 2009/2010.

Funds in the *Core Area Parking Fund* will be used to enforce and maintain the five public lots downtown.

In fiscal year 2009/2010, the *Science & Technology Scholarship Fund* will issue two scholarships from interest earnings.

The *9-1-1 Emergency Communications Tax* is collected through the State and is a tax of \$.75 on any circuit or device capable of accessing the 9-1-1 network; two-thirds of the collections are distributed to cities and counties on a per capita basis to fund operations at the dispatch center, in our case, the Washington County Consolidated Communications Agency (WCCCA).

### **Capital Development Funds**

Major capital projects and systems improvements are funded through bonds, systems development charges (SDC) or other restricted sources. The following funds are included in this group:

- Water SDC
- Sewer SDC
- Road SDC

- Storm Drain SDC
- Park Development
- Water Reservoir
- Transportation Development Tax
- Local Improvement District
- Infrastructure Reserve Fund

With the slowdown in building activity, we are projecting very limited income into these funds in the upcoming budget. We are continuing to monitor revenues in these funds and will only begin projects if revenues from previous years exist in the fund, or revenues come in during this year to cover the projects. There are a few projects budgeted in the proposed budget in a few of the funds. They include the Herman/Teton signal and protected/permissive signals in the Road SDC Fund, two pedestrian crossings on Hedges Creek in the Storm Drain SDC Fund and the completion of the ASR project in Water SDC. Additionally, remaining funds in the Water Reservoir Fund will be transferred to the Water SDC Fund to be used with other Water SDC funds for the Norwood Pump Station and the C-2 Reservoir Project. This transfer will complete the projects paid for with the 2005 Water Revenue Bond proceeds.

A new fund is being added this year to account for the Transportation Development Tax (TDT), which was passed by Washington County voters in November 2008. The TDT replaces the existing Traffic Impact Fee. We are projecting limited revenue in this fund, if new construction occurs, but any revenues will be placed in reserve for future year projects.

There are three funds that were completed and closed out in 2008/2009 (City Center Remodel Fund, Library Improvement Fund and Parks Improvement Fund). The detail sheets for these funds are included in the back of the Capital Development section, as required by Oregon Budget Law, but have no activity for fiscal year 2009/2010.

### **Tualatin Development Commission**

The Tualatin Development Commission is Tualatin's urban renewal agency, overseeing the City's two project areas, Central and Leveton. Over the years the Commission has developed excellent projects to reduce blight and ultimately enhance Tualatin's quality of life.

In addition to continuing the process for extending the maximum indebtedness of the district, projects in the *Central Urban Renewal District* that are scheduled for fiscal year 2009/2010 include:

- WES Commuter Rail Quiet Zone.
- Design and construction of pedestrian enhancements on Tualatin-Sherwood Road between Martinazzi Avenue to Boones Ferry Road.

Projects in the *Leveton Tax Increment District* that are scheduled for fiscal year 2009/2010 include:

- Widening and reconstruction of Herman Road from east of 108<sup>th</sup> Avenue to 124<sup>th</sup> Avenue.
- Begin construction on the extension of Leveton Drive from 130<sup>th</sup> Avenue to 99W.
- Construction of a traffic signal at 108<sup>th</sup> Avenue and Leveton Drive intersection.
- Begin construction of 128<sup>th</sup> Avenue between Cummins Drive and the district's boundary.

Sincere thanks and credit goes to all City departments and their staff for their contributions to this budget proposal. Special thanks to Finance Director Don Hudson and Carina Christensen, Assistant to the City Manager for their long hours and hard work on this budget.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sherilyn Lombos". The signature is fluid and cursive, with the first name "Sherilyn" written in a larger, more prominent script than the last name "Lombos".

Sherilyn Lombos  
City Manager / City Recorder  
Administrator, Tualatin Development Commission