





## Budget Message

Tualatin River and past wetlands, officially opened. The new trail includes a “walk through time” – exploring the transition of the Ice Age and cataclysmic Ice Age Floods, extinction of Ice Age mammals and the emergence of Paleo-Indians and early settlers in the Tualatin and Willamette valleys. The three-quarter mile trail connects the east and west areas of Tualatin, while running along the Tualatin River and crossing under Interstate 5.



The trail fills a gap in the 4.7 mile segment of the Tualatin River Greenway that is located on the north and south banks of the Tualatin River as it passes through the cities of Tualatin, Durham and Tigard, while connecting five major community parks and natural areas. The funding for the project consisted of a grant from the State of Oregon, as well as public and private partnerships with Washington County, Metro, Washington County Visitors Association and CenterCal Properties.

The total proposed budget for the City of Tualatin in Fiscal Year 2016/2017 is \$82,709,580, a 4.74% increase over the adopted 2015/2016 budget. Also included in this budget document is the Tualatin Development Commission (TDC) budget, proposed at \$4,161,755, a 0.60% increase from the previous year’s adopted budget. Explanations of the significant reasons for these changes in both the City’s and the TDC’s budgets will be explained on the following pages.

Throughout the budget document, you will find many of the services and amenities our

employees provide to our residents and our customers; all provided in a financially responsible way. We think that after reviewing the Fiscal Year 2016/2017 budget document, you will agree that Tualatin truly is one of America’s Best Communities!



## Revenues

Overall, the City’s revenues, less transfers and miscellaneous revenue, increased 5.97%. The chart on the bottom of the next page represents the changes in the different categories that make up the total revenue picture for the City of Tualatin. As in previous years, we continue to experience stability in our revenues. The chart displays this stability with most categories either maintaining the previous year’s level, or experiencing an increase for fiscal year 2016/2017.

During 2015, the City implemented a new financial system; this is the first budget that was prepared using the new system. As part of the conversion, the City’s accounting staff made minor changes to the City’s chart of accounts, reviewed the previous categorization of revenues in all funds and made changes in which categories some items belonged. This effort provides for a more proper categorization of the City’s revenues and better lines up the City’s financial statements with the budget document. This “reclassification” is reflected in all columns in the detailed reports found in the revenue



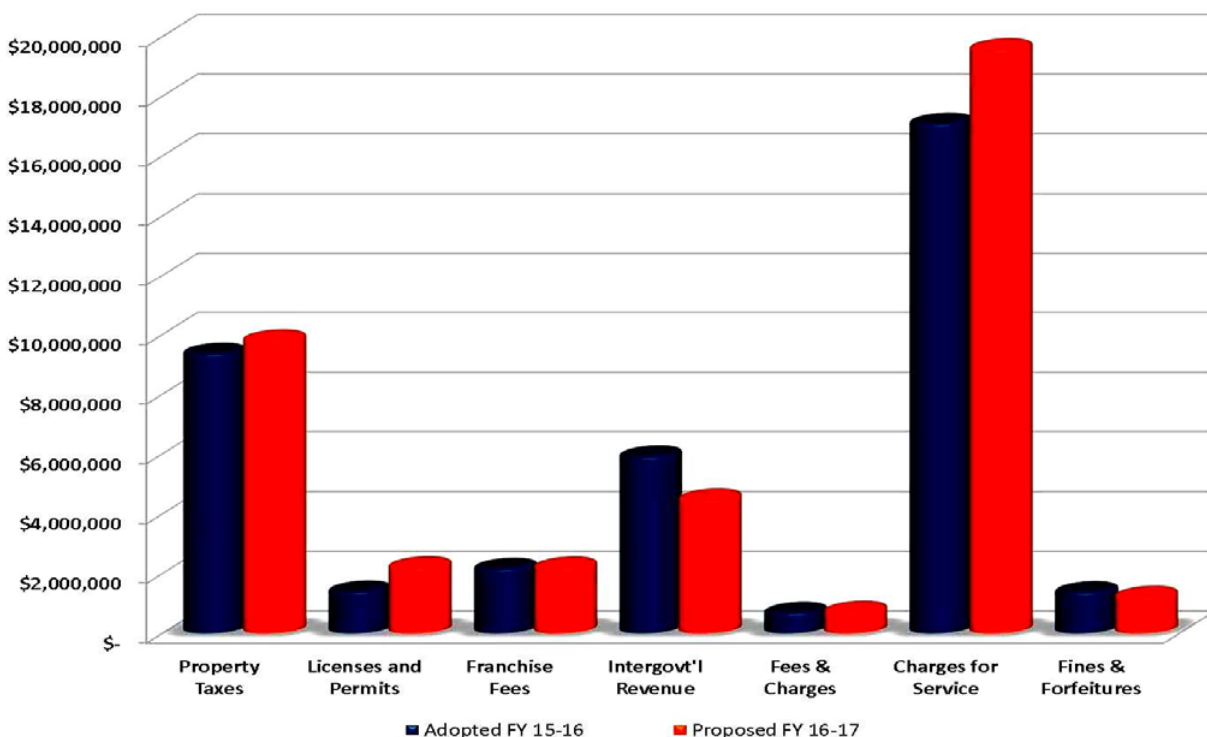
section to allow for appropriate comparison across the fiscal years displayed.

Charges for Service, primarily for water, sewer and storm drain utility charges, is the City's largest source of revenue, at just over \$19.5 million. This category is seeing the largest increase over the previous year at 14.61%, with more than half of the increase related to projected Parks System Development Charge (SDC) revenues from anticipated development. Water, sewer and storm drain SDC revenue is also included in this category. As in previous years, over one-third of the revenue in this category is related to sewer and storm drain rates set by Clean Water Services (CWS), with the revenue collected being passed-through to them. Water rates are set by the City of Tualatin and continue to track the recommended rates contained in the City's Water System Master Plan. Other items in this category include revenues received for police services contracts with the City of Durham and TriMet, as well as passport services and community services programs and rentals. We

are projecting moderate increases to these revenues in the proposed budget.

Property taxes are a significant source of revenues for the City and continue to make up almost half of our general fund revenues. Property tax revenues are based upon assessed value (AV), which differs from real market value (RMV), of a property and are limited by Measures 5 and 50, passed by Oregon voters in the 1990's. Additionally, Measure 50 (M50) placed limits on AV growth, furthering the gap between what a property is taxed on and its increasing market value. M50 also set the City's permanent tax rate of \$2.2665 per \$1,000 of AV, one of the lowest permanent tax rates in the Portland Metro Area. For more information on property taxes and Measures 5 and 50, please see the "Overview of Property Taxes" behind the Revenues tab in this document.

The City has experienced continued development over the past couple of years and this is beginning to be reflected on the tax rolls. Our AV has increased just over 5%, each





year, for both fiscal year 2014/2015 and 2015/2016. It is anticipated that strong growth of our AV will occur in FY 2016/2017, so we are projecting an increase over 4% in the next year. With the actual and projected increases in AV, property tax revenue is estimated to increase 5.33% over the adopted 2015/2016 budget.

Intergovernmental revenue is decreasing by 24.3%, due to the one-time Connect Oregon grant for the Tualatin River Greenway Trail project being received fully in fiscal year 2015/2016. Increased revenue from the renewal of the Washington County Cooperative Library System (WCCLS) operating levy helps offset some of the reduced revenues in this category.

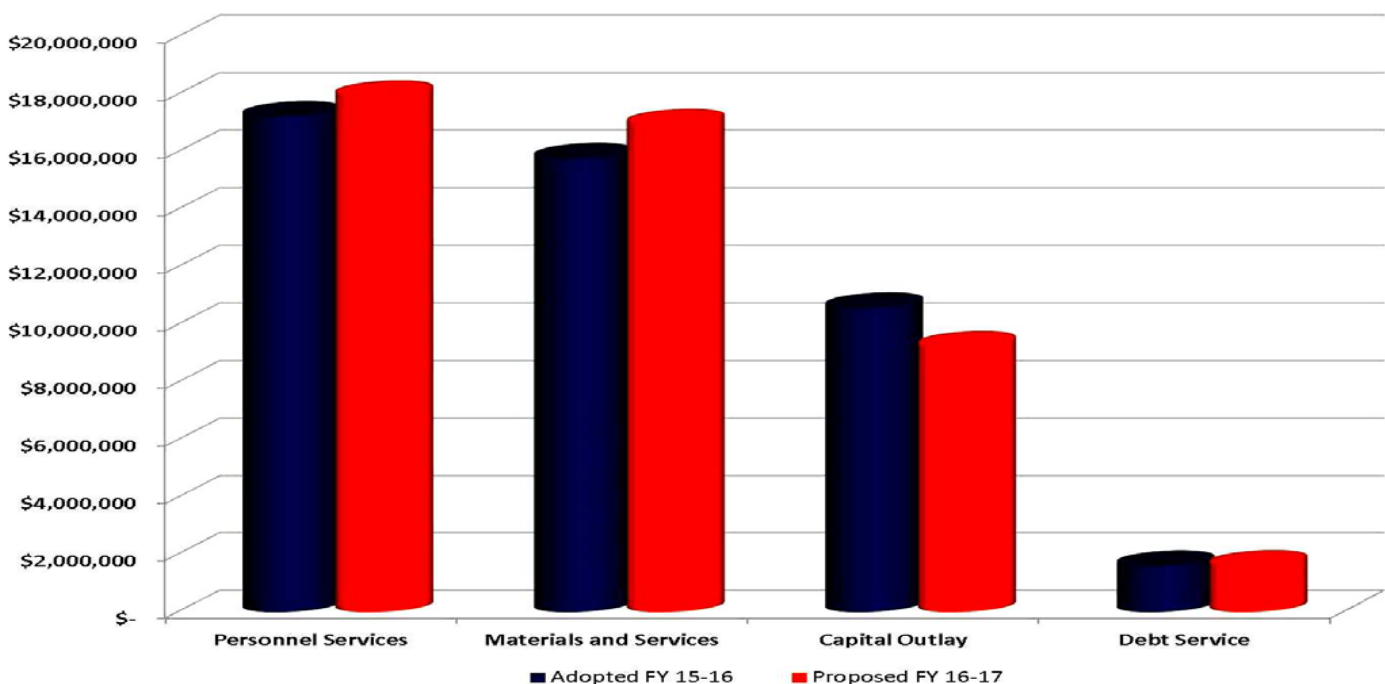
The other noticeable difference in our revenue picture is the increase in licenses and permits. Development projected to start during the fiscal year will impact the revenues received for the Washington County Transportation Development Tax, which is recorded in this category.

As previously mentioned, our overall revenue picture remains stable and we anticipate that it will remain stable in the immediate future.

## Expenditures

As mentioned in the revenue section above, the City has one of the lowest property tax rates in the Portland Metro Area, and the City's departments continue to utilize the funds available to provide services in a fiscally prudent manner. The premise given to departmental budget staff as they prepared their budgets was similar to previous years, *"Look at what is needed to provide and maintain the great services we provide, while identifying savings wherever possible."* Even with having to program increases for items such as utility rate increases and contractual obligations that are increasing, departments continue to do an outstanding job keeping expenditure growth to a manageable level.

Beginning with the fiscal year 2016/2017 budget, we have simplified how our operations department is reported and tracked, primarily in the area of providing utility services. Up until this proposed budget, water, sewer, storm drain and street personnel and some of the related materials and services expenditures were reported in the Operations Fund, which derived its revenue from transfers from separate utility







operating funds. It was decided to simplify where expenditures are recorded and as a consequence, we will be officially closing the Operations Fund during fiscal year 2016/2017. To prepare for this, we have moved personnel and other expenditures into the appropriate utility operating fund (i.e. what was previously recorded in the Operations Fund – Water Division is now recorded in the Water Operating Fund). Because the Operations Department also includes three General Fund Divisions (Fleet, Building Maintenance and Park Maintenance), the former Operations Fund Administration and Non-Departmental programs have primarily been rolled into a new General Fund program entitled Public Works Administration. Behind the Public Works portion of the Expenditures section, you will find the former Operations Fund detail pages showing previous year history and a table reporting the combined history and proposed budget for all impacted funds and programs. While this sounds rather confusing, and it may appear to be for this year, we believe that it simplifies and makes tracking of the costs of our utility programs much easier and understandable moving forward.

Throughout the budget, we are experiencing slight increases in many department's materials and services (M&S) categories, with some decreases. If you look the graph at the bottom of the previous page, there is a significant increase in M&S from the Adopted 2015/2016 budget. The increase portrayed in the graph is a 7.5% increase, but it includes a significant understatement of the 2015/2016 budget for our water purchases from the City of Portland. Factoring in the correct amount for this line item in 2015/2016, the increase in materials and services drops to 4.74%. Included in this percentage is an increase in the pavement maintenance program and technology replacements, which are both based on schedules which fluctuate up and down from year to year. Also included in the increase of M&S are increased street sweeping

costs and catch basin cleaning costs in order to maintain compliance with the permits for sewer and storm drains held by Clean Water Services. Beyond these increases, the majority of the other differences in M&S across the organization are considered routine in order to continue maintaining the quality services our citizens have come to expect and appreciate from the City.

Maintaining quality service levels takes a dedicated work force and we are very fortunate to have one of the best in Tualatin. Our employees continue to be the City's largest asset and account for just under one-third of the City's budget. Increases in staffing levels were limited to two situations, both utilizing increased revenues to pay for the increased staffing. In the Tualatin Public Library, additional staffing has been added to enhance reading and technology programs for students, as well as Pre-K literacy. These additions are funded by the increased WCCLS operating levy that was discussed earlier in this message. Also in the Community Services Department, the success of our recreation programs, for all ages, including the older adults through the Juanita Pohl Center, has come with an increase in temporary staffing to help put on these popular programs. The funding for the increased expenditures for our recreational programming comes from user fees charged for the offerings. The category is increasing 4.2% and includes the additions mentioned above, as well as contractual cost of living increases and health and dental benefit cost sharing.

No budget message would be complete without mentioning the Oregon Public Employees Retirement System (PERS). Fiscal Year 2016/2017 is the second year of our biennial PERS rates, with no changes in the contribution rate charged as a percentage of payroll. With the funding status of the PERS pool being reduced over the last couple of years, we will be experiencing significant



increases in our PERS rates for the biennium beginning with fiscal year 2017/2018. The City continues to maintain a PERS reserve in the General Fund to offset the anticipated increase beginning in July 2017. As actual rates are released in the fall of 2016, we will do an analysis of the actual impacts on the upcoming years.

Speaking of reserves, the City continues to maintain healthy reserves and contingencies, which is one reason why Moody's Investors Service upgraded the City's general obligation bond rating from Aa2 to Aa1 in November 2015. Moody's noted the City's strong management team, as well as the City's very strong financial operations, with reserves slightly higher than both Aa1 rated cities nationally and in Oregon, as reasons for the upgrade. Moody's anticipates robust levels of reserves to be maintained going forward.

Funding capital outlay, using one-time or intermittent funding sources, is also maintained at a solid level in the proposed budget. Overall, the Capital Outlay category is decreasing from last year, largely due to the

Tualatin River Greenway Trail project being completed in fiscal year 2015/2016. There are still a number of projects and purchases being completed in the upcoming year for items such as the replacement of vehicles and the conversion of the lighting in Community Park, at the Lake on the Commons, as well as at our Operations and Police facilities to LED lighting. In the utility funds, projects identified through our utility master plans (which are also programmed to be updated), as well as in the capital improvement program, are being funded. Capital projects included in the Proposed Budget can be found in the Capital Improvement Plan section of the budget document.

### ***Tualatin Development Commission***

The Tualatin Development Commission (TDC) is Tualatin's urban renewal agency, overseeing the City's two project areas, the Central Urban Renewal District and the Leveton Tax Increment District. Over the years the Commission has developed excellent projects to reduce blight and ultimately enhance Tualatin's quality of life. Both project funds have cash balances available to complete projects that were already being funded,





or are on the urban renewal project lists. In the Central Urban Renewal District, the remaining balance will be analyzed for the best use of the funds. In the coming year, the TDC will be analyzing the projects remaining in the Leveton Tax Increment District and determining which need to be complete and when the timing is best for completion of the identified projects.

Sincere thanks and credit goes to all City departments and their staff for their

contributions to this proposed budget and to the fiscal health of the City of Tualatin. A special thanks to Finance Director, Don Hudson, and Finance Program Coordinator Lisa Thorpe, for their long hours and dedication to the preparation of this budget document showing some of the many reasons why Tualatin is one of America's Best Communities!!

Respectfully submitted,

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





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**BEST COMMUNITY**  
TUALATIN, OREGON