

AGENDA

CITY OF WILSONVILLE BUDGET COMMITTEE WORK SESSION

November 21, 2013

6:00 PM

**CITY HALL
29799 SW TOWN CENTER LP E
WILSONVILLE, OREGON**

Tim Knapp, Mayor
Scott Starr, Council President
Julie Fitzgerald, Councilor
Richard Goddard, Councilor
Susie Stevens, Councilor

Wendy Buck, Committee Member
Anne Easterly, Committee Member
Lonnie Gieber, Committee Member
Glenn Ohl, Committee Member
Alan Steiger, Committee Member

I. CALL TO ORDER

- A. Roll call
- B. Pledge of allegiance

II. CITY MANAGER INTRODUCTION

III. FIVE-YEAR FORECAST (Joanne Ossanna, Finance Director)

IV. URBAN REWNEWAL TASK FORCE UPDATE (Kristin Retherford, Economic Development Manager)

V. ADJOURN

MEMORANDUM

To: Budget Committee

From: Bryan Cosgrove, City Manager

Date: November 15, 2013

Subject: Five Year Financial Forecast

On behalf of the entire management team, I am pleased to present the updated 5-Year Financial Forecast for the City of Wilsonville. This report was produced by the City's Finance Director, Joanne Ossanna. The data and assumptions within the report are derived from a number of sources including valuable input from every department of the City.

The Budget Committee serves an important financial oversight role for the community. We appreciate your service, and look forward to discussing the 5-Year Forecast with you on November 21, 2013.

Below is a brief description of the document included in your packet:

Five year Financial Forecast 2014-15 through 2018-19

The forecast provides a broad overview of revenue and expenditure trends for the city's main operating funds. Financial forecasting is considered a best practice for policymakers to aide in making informed strategic financial decisions during the budgeting process. It is an essential planning tool for evaluating the financial impacts of adding and/or expanding programs, adjusting for known future financial liabilities, and for communicating the state of the city's financial health to the general public and beyond.

As you review the forecast, please keep the following in mind. Financial forecasting is not a substitute for the annual budget but, rather, it informs the budget process. The forecast is based on assumptions tied to budget history, revenue and expenditure trends, and existing levels of service. Any number of factors, both positive and negative, can change the assumptions included in the model. The model is updated annually to review those assumptions, and take into account new revenue and expenditure trends. Please let us know if you have any questions or comments prior to the meeting so that we can share your question(s) and our response(s) with the entire committee.

CITY OF WILSONVILLE, OREGON

5-Year Forecast

FOR 2014-19



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Executive Summary

The goal of the Five-Year Financial Forecast is to assess the City's ability over the next five years to continue to effectively provide current service levels based on projected growth, meet goals set by Council, preserve the City's long-term fiscal health and to ensure financial reserve levels specified in the financial policies are maintained. The forecast serves as a tool to identify financial trends, potential shortfalls, and arising issues so the City can proactively address them.

It is important to stress that this forecast is not a budget. The forecast provides an overview of the City's fiscal health based on various assumptions over the next five years and provide the City Council, Budget Committee, management and the citizens of Wilsonville with a "heads up" on the financial outlook beyond the annual budget cycle. The five-year forecast is intended to serve as a planning tool to bring a long-term perspective to the budget process. Responsible financial stewardship is imperative to provide for the current and future needs of the community. Forecasting is one of the most powerful tools the City has available to help make informed financial decisions that will ensure the City's future vitality and economic stability.

The Government Finance Officers Association (GFOA) recognized the importance of combining the forecasting of revenues and expenditures into a single financial forecast. The GFOA also recommends that a government should have a financial planning process that assesses long-term financial implications of current and proposed policies, programs, and assumptions in order to develop appropriate strategies to achieve its goals.

Forecast Methodology

Economic forecasting is not an exact science. Rather, it is dependent upon the best professional judgment of the forecaster. To enhance the accuracy of projections, the City identifies factors that contribute to changes in revenues and expenditures, such as development, inflation, personnel costs, expected levels of service, interest rates and known future events that will affect operations. A goal of forecasting is to neither overstate revenues nor understate expenditures.

Despite the best efforts to forecast, the future reality always tends to set its own course. Some big items are beyond the scope of the financial model and control by Council and staff. Examples of events that could significantly affect the financial future are Congresses ability to deal with the Fiscal Cliff, military action in the Middle East, terrorist attacks on the homeland and even more local events such as a major earthquake. Any of these could negatively affect the assumptions and the model results.

The base year which drives the future calculations is 2013-14, the current fiscal year. The budget is revised for known changes as well as estimated cost savings and other adjustments. The goal of starting with a revised forecast is to not compound variances that might exist today. It is important to note that the budget has not been revised for the current year, and this is only the estimate of the results.

Forecasting of capital improvements funded from operating resources is based on available resources. When possible, operations are funded first and remaining resources are allocated to fund capital improvements. This can mean that improvements are delayed until enough funds accumulate. Improvements which are too expensive to be paid from net resources are assumed to be funded via bonded debt. Grants and developer contributions for capital improvements are included when there is a reasonable assurance of receipt.

Five-Year Financial Forecast

2014 through 2019

Background

The local economy in Wilsonville, like our neighboring communities and similar to many of those across the nation, continues to improve with each passing month, however, the rate of improvement remains slow compared with historical periods of economic recovery. The local, regional, and statewide economies are largely subject to the same economic forces challenging the nation at large. The U.S. economy, though improving, continues to struggle with job creation, housing market instability, and larger detrimental global economic forces. In June 2013, the unemployment rate for the area, as part of the larger Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical area, was 7.6 percent, in-line with 7.6 percent nationally. While the unemployment rate is likely to decrease, the Oregon State Office of Economic Analysis is predicting only slow but steady growth throughout 2014.

The City is home to approximately 20,500 residents, and continues to experience growth in population. Over the past ten years Wilsonville's population growth rate has generally been greater than the State of Oregon's growth rate. The City's population has increased nearly 30 percent in that time frame.

The City's 2013-14 budget is \$129,493,876, including ending fund balances of \$49,916,134 and inter-fund transfers of \$18,913,765. The City has an operating budget of \$32,900,291 and a capital improvements budget of \$21,930,186. As reflected in the relatively large capital project's budget, the City is growing and is dedicated to investing in its infrastructure. The operating budget is allocated across six City program areas: Public Works, Transportation, Policy and Administration, Community Development, Public Safety, and Community Services. It places a priority on existing programs to insure that the City is able to maintain high quality, timely, and efficient products, processes, and services.

Overview

The combination of controlling costs and a slight increase in property taxes from new developments has created a favorable outlook for the General Fund. The net operations from recurring revenues and expenditures are expected to be positive over the next five years, assuming there are not increases in service levels for programs or operations. However, net operations do not include expenditures from capital projects such as major maintenance for playground structures, parking lot improvements, roof repairs or HVAC replacements. A number of these capital expenditures are planned for and reserves are set aside in the fund balance. Nevertheless, it's important to note that even though the reserves are set aside and reported as a component in the fund balance, the total fund balance is reduced when the capital project expenditure occurs.

Parks maintenance is one area where demands are increasing due to the addition of new parks. Maintaining the new regional parks in Villebois could potentially increase the costs. In addition, maintenance of other community-wide facilities is expected to increase in the coming years. Investments in park maintenance equipment are included in this forecast, which will create efficiencies in servicing and maintaining the parks and postpone the need for additional staffing.

Law enforcement is another area where staffing levels may need to increase in the future. The number of officers has remained constant at 18 since 2004-05. As the city grows in both population and number of businesses the need for another officer will likely arise. Population is not the sole determinate; consideration is also based on call volume (demand for service). In today's costs, one patrol officer costs about \$160,000 and includes supervision, training, vehicle, equipment, etc.

Although the General Fund is stable, this forecast does not provide for all large one-time capital items such as building and park maintenance, and it does not aggressively increase reserves to fully cover those items. Fortunately, the fund enjoys a healthy unrestricted balance which is available for such uses, but a better long range

Five-Year Financial Forecast

2014 through 2019

strategy is to provide for future needs by producing revenues slightly higher than costs and creating and annually funding a capital renewal and replacement fund. This would be similar to how the City maintains a reserve for vehicles as part of the Fleet Replacement Fund.

In the prior year forecast, several alternatives for the General Fund were presented in a separate report. In summary, the report proposes that closing the Year 2000 Plan district (aka East Side) would release about \$800,000 per year, by the fifth year, in taxes to the General Fund. In addition, two other new revenue sources were outlined: adjustment to current right of way rates and a new parks maintenance fee.

Five-Year Financial Forecast
2014 through 2019

Major Assumptions

Operating Revenues

The City received about \$37 million in operating revenues last fiscal year. Over 75 percent of that total is accounted for in eight revenue types with key assumptions provided below.

Revenue	Actual FY 2013	as %
Property Taxes	\$ 5,149,000	18%
Payroll taxes	3,991,000	14%
Right of way charges	2,921,000	10%
Water fees	6,820,000	23%
Sewer fees	6,225,000	21%
Stormwater fees	1,165,000	4%
Gas taxes	1,011,000	3%
CD permits	1,951,000	7%
Total major revenues	<u>\$ 29,233,000</u>	

The remaining \$7.5 million in operating revenues includes interest income, court fines, library and park fees, grants, county and state shared revenues.

Property Taxes – General Fund

Taxes are based on assessed value which is determined by the County Assessor. Generally, assessed values grow by 3 percent per year as allowed by the State Constitution plus new construction. There is no correlation between real market value and assessed value. The City's tax rate remains stable at \$2.5206 per \$1000 of assessed value. Real market value is not anticipated to decline below assessed value. New construction is anticipated in many areas of the community over the five year period including many developments outside of an urban renewal area. New housing is estimated at 153 single family homes, 252 apartment units and a few commercial/industrial developments. The following table summarizes the property tax assumptions.

	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
New housing units	21	38	34	30	30
New apartment units	120	12			120
Estimated AV growth all new construction	\$42 million	\$23 million	\$21 million	\$23 million	\$32 million
Estimated AV growth with 3% Measure 50 allowance	\$63 million	\$66 million	\$69 million	\$71 million	\$74 million

(Major Assumptions continued on next page)

Five-Year Financial Forecast

2014 through 2019

Payroll Taxes – Transit Fund

The City imposes a payroll tax on local businesses in order to fund the public transit system. The rate is one-half of one percent (0.5 percent) of wages. The wage growth rate is estimated to increase between 3.0 percent and 5.5 percent. Historically wages have grown an average of 5.0 percent per year over the past 10-years. Wages from new jobs also contribute to the payroll tax estimate. The following table summarizes the payroll tax assumptions.

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
New jobs created	70	80	90	100	100
Wage base increase	4.0%	4.5%	4.5%	5.0%	5.0%

Right of Way Charges – General Fund

These fees are assessments on utility companies' gross receipts for using the City's right-of-way. Rates vary by type of utility with telecommunications at 7.0 percent; electric, natural gas and cable television at 5.0 percent; water, sewer and stormwater at 4.0 percent; and garbage at 3 percent. Usually, this resource grows between 3.0 percent and 11.0 percent per year with the forecast assuming a 3 percent growth.

Utility User Charges – multiple funds

Rates for utilities are based on demand and cost estimates. The historic water consumption pattern has been declining. Increases tend to be associated with new customers. Sewer usage parallels water consumption. Stormwater is calculated on impervious surface area and therefore more stable. The table below presents forecasted assumptions. Previously approved council rates for sewer and stormwater are shown.

	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Consumption change	0%	1%	1%	1%	1%
Water rates	2.25%	2.25%	2.25%	2.25%	2.25%
Sewer rates	5%	1%	1%	1%	1%
Stormwater rates	3%	1%	3%	3%	3%

Gas Taxes – Road Operating Fund

Passed in 2009, HB 2001 increased state gas taxes from 24 cents to 30 cents in January 2011. Distributions to the City are largely influenced by population. Offsetting any increase is an expectation that historic declines in the tax will continue. This forecast assumes a 2 percent average annual increase.

Road Maintenance Charges – Road Maintenance Fund

This resource is dependent on the number of residential and business customers. Forecast assumes a 2 percent annual increase.

Building, Planning and Engineering Permits – Building and CD Funds

Permit revenues are based on identification of specific developments with assumptions based on which fiscal year the development is likely to begin. The estimates for permits are summarized in the following table.

	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Building related	\$905,000	\$925,000	\$945,000	\$960,000	\$985,000
Engineering related	\$155,000	\$160,000	\$165,000	\$165,000	\$170,000
Planning related	\$485,000	\$500,000	\$510,000	\$520,000	\$530,000

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Other Resources

Transfers In – Operating Funds

This category relates to the services one fund, e.g. the General Fund, charges another fund for services provided. Transfers into the General and Community Development Funds for overhead are estimated on 2 percent and 12 percent, respectively, on City funded capital projects. For large projects, such as the wastewater treatment plant, an estimate of the staff time is made in lieu of a percentage of the project cost.

Operating Expenditures

Personnel Services

Personnel services compose 45 percent of total operating expenditures. Key components of this category are wages, retirement and health insurance. The model assumes continuation of current wage and benefit practices and reflects the union contracts. In the past three years, total personnel services have increased about 5 percent per year. The table presents the assumptions used in the forecast. Represented employees cost of living reflects current contract. PERS reflects the recently announced rate increase.

	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Represented cost of living	2.5%	2.0%	2.0%	2.5%	2.5%
Represented merit, if eligible	4%	4%	4%	4%	4%
Represented, % at top of range	30%	40%	60%	60%	60%
Non-represented cost of living	2.5%	2.0%	2.0%	2.5%	2.5%
Non-represented merit	0-4%	0-4%	0-4%	0-4%	0-4%
PERS, as a percent of wages	17.6%	17.6%	20.2%	20.2%	20.2%
Insurance, % premium increase	10%	10%	10%	10%	10%

Materials and Services

The table below presents the annual inflation assumptions. Certain costs which are not affected by inflation are excluded from these estimates: CH2M Hill sewer contract assumes the contracted amount with 3.5 percent annual increases and the Clackamas County Sheriff Office contract assumes 5 percent per year increases.

	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Annual inflation	3.0%	3.0%	3.0%	3.0%	3.0%

Debt Service

No new debt is anticipated in the forecast period.

Transfers Out

This is the counter-part to Transfers In category. Transfers out from operating funds are primarily for administrative services provided by departments within the General Fund. Transfers out from capital project funds are a combination of engineering services and project administration provided by departments within the Community Development Fund and General Fund.

Fund Presentations

General Fund
Community Development Fund
Building Fund
Transit Fund
Water Operating Fund
Sewer Operating Fund
Stormwater Fund
Street Lighting Fund
Road Operating Fund

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2014 through 2019

General Fund

Key Variances from Status Quo

- None

Key Assumptions

- No change in staffing levels
- No change in program or operation service levels
- No increase in the number of Patrol Officers

Economics, Revenues and Expenditures

Resources continue to improve, however, the rate of improvement remains slow compared with historical periods of economic recovery. Interest earnings have been the hardest hit during the recession, dropping from \$500,000 per year to \$100,000. Investment returns are expected to begin to rise by 2015 and provide some relief to the Fund. The forecast assumes rates will rise slowly and by the fifth year return to at least \$450,000. Property taxes are beginning to rise after three years of less than average increases. The growth in 2012-13 was \$77,000 and 2013-14 is expected to be \$230,000 compared to the average of \$170,000 for the year's preceding the economic downturn.

Property taxes are the primary resource for this fund and compose 44.0 percent of annual resources. Increase in collections is expected to be slightly greater than 4.0 percent per year comprised of the 3 percent allowed under Measure 50 plus new construction. New construction includes Active Adult at the Grove, Brenchley South, Renaissance Boat Club, renovations of commercial buildings and other housing developments.

Right of way fees are the second most significant resource and compose 22.0 percent of annual resources. These are charges on utilities that use the City's right-of-way. The charges are based on the gross revenues of a given utility's sales in Wilsonville. As development increases and businesses expand, this revenue is expected to increase as well. The forecast assumes a modest 3.0 percent annual growth in this resource.

Intergovernmental revenues are the third largest category and compose 12.0 percent of the total. Major components of this category are state shared revenues (cigarette taxes, liquor taxes, and other revenues) and the City's share of the Clackamas County Library District Levy. Revenue growth in this category ranges from 0.0 percent to 3.0 percent with the City's share based on formulas in which population is a key factor.

Inflationary impacts are expected to increase service delivery costs by about 4.5 percent per year. Most of that increase is associated with personal services - merit increases, cost of living adjustments and the cost of related benefits (PERS and health insurance). General inflation is assumed to be 3.0 percent per year.

There is a potential increase in costs for parks maintenance, both within Villebois and citywide, that is currently being analyzed. City parks within Villebois include Sofia, Palermo and the Greenway. Citywide maintenance identified in this forecast is general on-going maintenance costs and replacement of some playground equipment. Reserves set aside for parks are currently only sufficient to cover about half of the renewal or replacement of playground equipment.

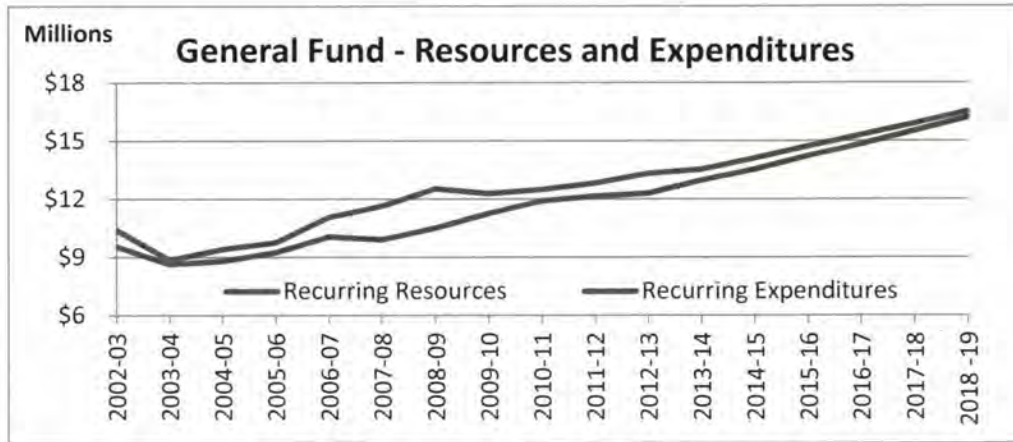
In addition, the City has maintained the current staffing level of 18 police officer positions since 2005-06, except for a brief period when the Detective position was removed. It is reasonable to expect that this level will need to

Five-Year Financial Forecast

2014 through 2019

increase at some point. The full cost of an additional officer is approximately \$130,000 per year including wages, benefits, vehicle, equipment, supervision and administration provided by Clackamas County. The model does not include a change in the current level of service.

The graph below shows a history of recurring resources and expenditures, which are forecasted to increase at a consistent rate during this period. Over the next five years resources are forecasted to be slightly higher than expenditures for a positive net income.



The forecast includes some \$1.3 million for capital improvements over the next five years. These projects include HVAC replacements at the Library and Community Center, Boones Ferry Park play structure replacement and several other park improvements. However, since these costs would not be paid from recurring resources they are not included in the above graph.

Ending Fund Balance

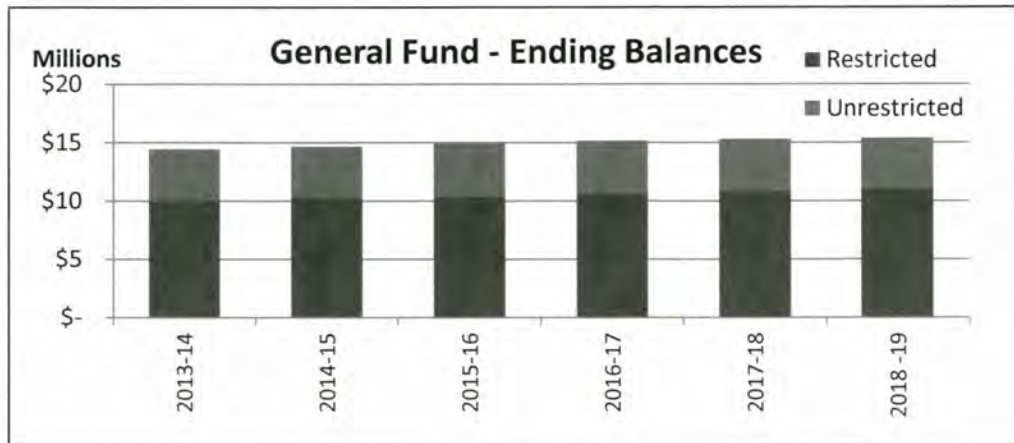
The General Fund is in a healthy financial position with \$14.8 million in cash carryover. About \$10.5 million has been designated as reserved or restricted for future use such as capital improvements, software and electronics replacement and operating reserves. The remaining \$4.3 million is unrestricted. In conjunction with an update to the financial management policies staff will propose a structure for restricted versus unrestricted balances.

The unrestricted balance is available for capital projects, addition of programs or services, building reserves for capital renewal or replacement or funding operating shortfalls. Actual restricted balances include the 15 percent operating contingency, \$2 million economic sustainability reserve, and a reserve for capital renewal and replacement projects.

(General Fund continued on next page)

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The following graph focuses on just the ending balance and separates restricted portion from unrestricted.



General Fund Forecast Summary

The following tables are summary values for the General Fund forecast. This scenario assumes a status quo for service levels and best estimate of future revenue and expenditure changes.

General Fund 2014 through 2018 - Best Estimate							
	FYE 2013 Actual	FYE 2014 Forecast	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Resources:							
Property Taxes	5,149,113	5,379,317	5,660,266	5,905,097	6,150,121	6,409,167	6,691,688
Licenses, franchise	3,290,851	3,256,868	3,353,271	3,452,539	3,554,759	3,660,018	3,768,407
Intergovernmental	685,324	699,994	721,001	734,961	746,624	758,365	777,373
County library	918,620	930,966	958,895	987,662	1,017,292	1,047,810	1,079,245
Fees	458,629	470,104	481,877	493,956	506,351	519,069	532,119
Interest	81,839	74,242	112,099	224,167	300,849	378,512	457,154
Other	535,963	550,712	553,087	560,739	568,492	574,628	582,056
Total revenues	11,120,339	11,362,203	11,840,495	12,359,121	12,844,488	13,347,569	13,888,042
Service transfers in	2,192,041	2,193,837	2,298,812	2,385,629	2,479,293	2,563,205	2,651,836
Total Resources	13,312,380	13,556,040	14,139,308	14,744,751	15,323,782	15,910,774	16,539,877
Expenditures:							
Policy & admin	3,934,648	4,182,468	4,347,534	4,582,403	4,753,382	4,991,823	5,186,219
Law enforcement	3,821,964	4,000,456	4,190,774	4,399,859	4,616,164	4,843,772	5,084,166
Public Works	2,049,256	2,192,097	2,278,376	2,388,629	2,481,659	2,579,824	2,695,190
Community Services	803,004	843,176	885,639	933,474	970,897	1,011,056	1,060,929
Library	1,479,522	1,534,638	1,607,224	1,695,378	1,765,706	1,840,815	1,931,312
Operating transfers out	200,000	206,000	212,180	218,545	225,102	231,855	238,810
Total operating exps	12,288,394	12,958,835	13,521,726	14,218,289	14,812,910	15,499,144	16,196,626
Net operating	1,023,986	597,205	617,582	526,462	510,871	411,630	343,251
Capital projects	(237,173)	(925,100)	(365,000)	(211,500)	(265,000)	(225,000)	(225,000)
Transfers in (out)	-	-	-	-	-	-	-
Annual surplus (shortfall)	786,813	(327,895)	252,582	314,962	245,871	186,630	118,251

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2014 through 2019

Potential Impacts and Issues

Potential future costs for park maintenance, police staffing levels or other changes in service levels could increase costs in this fund. To be prepared for such need, the 2012 forecast presentation included a separate document titled "General Fund Resource Alternatives", and the alternatives are presented below.

Funding Alternatives

Closure of Year 2000 Plan District: The district, commonly referred to as the Eastside, could be closed a few years from now. That would have the effect of redirecting city taxes from the urban renewal district to the General Fund. Although several years away at the soonest, the full closure of this district would increase the property tax revenues in the General Fund by as much as \$800,000 more than is currently being received.

Parks Maintenance Fee: Medford and West Linn charge a parks fee. More detail about the fee is provided in the separate report prepared in 2012. If there is interest in considering a fee in Wilsonville staff can conduct a study.

Right of Way Rate Increase: Right of way rates are charged to utility companies that use the City's rights-of-way. Certain of the City's rates are less than nearby communities. For example, Beaverton, Portland, Canby and Sherwood charge a 5 percent rate for garbage service while Wilsonville charges 3 percent. Water and sewer franchise rate in Beaverton, Portland, Tualatin, Canby and Sherwood is 5 percent while Wilsonville is 4 percent. Increasing the rate to the same level would generate about \$200,000 more per year.

Local Option Levy: This option is presented for reference purposes. Although a viable tool in the toolbox, it has proven to be difficult to adopt in Oregon. Its greatest limitation is that it expires after five years; however, it can be reauthorized by another public vote. The last time a similar levy was passed in Wilsonville was in 1996 and 1997. The combined rate of \$1.62 was dedicated to law enforcement, street and parks maintenance, and gang prevention (DARE). A ten cent rate today would generate about \$270,000 per year and on a home assessed at \$270,000 (approximate \$300,000 market value) the cost would be \$27 per year. This assumes no reduction from tax compression.

Community Development Fund

Variances from Status Quo Assumptions

- None

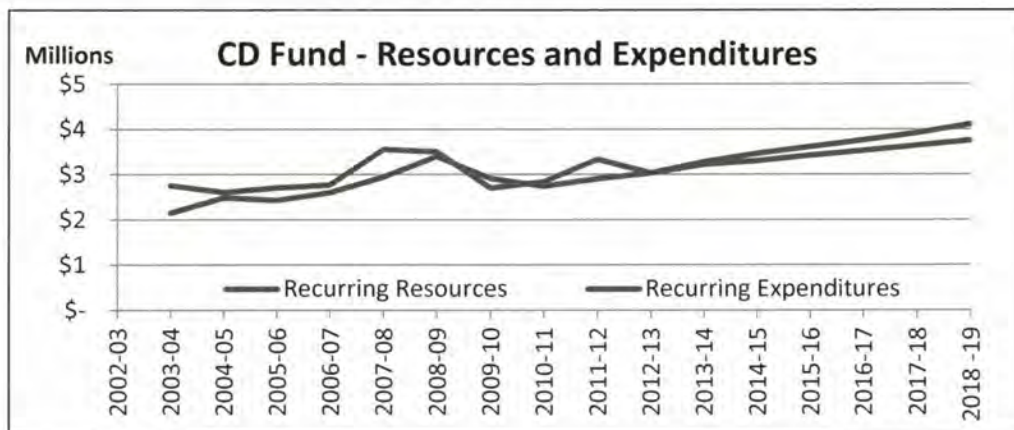
Key Assumptions

- The recent increase in new development is expected to continue over the forecast period
- General Fund contributes \$200,000 per year towards long-range planning

Economics, Revenues and Expenditures

After several years of slower growth in new single family housing units, the outlook for the next five years is more robust. Villebois developers are actively building new residences and plans call for over 300 units in the coming five years. Other areas of the community are expected to see new development as well. Estimates for new growth are based on plans submitted by developers or through early discussions with developers on future activity. Regional economic conditions will determine whether the construction moves forward at the pace anticipated.

New construction provides fees for Planning and Engineering. The average permit revenue is forecasted at \$750,000 per year. In addition to permits, the Community Development Fund charges overhead to capital project funds based on the staff hours worked on each project.

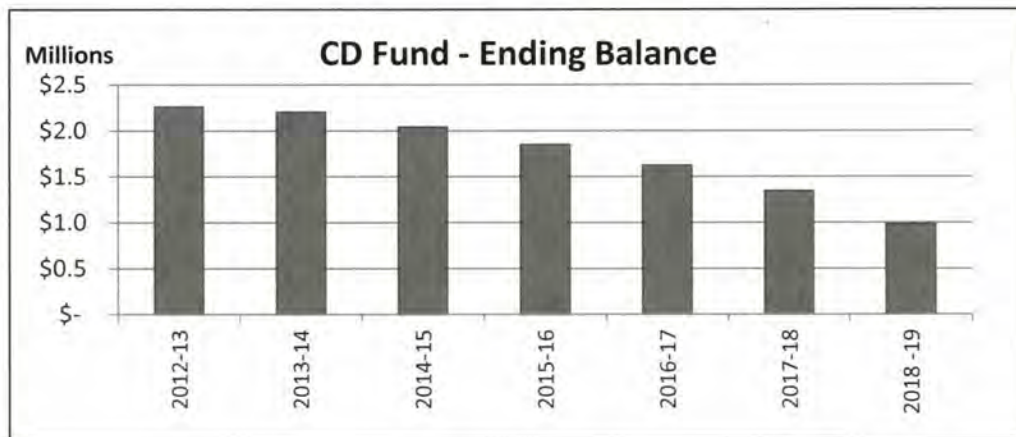


(Community Development Fund continued on next page)

Five-Year Financial Forecast 2014 through 2019

Ending Fund Balance

The Community Development Fund balance is a combination of an initial infusion from the General Fund when it was separated from the General Fund and from annual net operations. The forecast shows this fund balance declining over time. This negative trend is being analyzed to determine if adjustments are needed to balance the fund, or if this trend is a result of conservative estimating. Historically this fund has managed to be stable through seeking new revenues and reducing costs even through the great recession.



Potential Impacts

Less growth: Although current trends indicate a period of growth, an environment of less development would have an adverse impact on this fund. If new development were half the anticipated level, the average annual reduction in permit revenues would approximate \$325,000, or about 10 percent of the total resources.

Non-billable Services: A particular challenge to balancing revenues and expenses in this fund are the multitude of services provided for which no charge can be assessed. Examples include: working with the county and state on development south of Charbonneau, Interstate 5 connector discussions, planning for Basalt Creek area, participating with Metro, Washington and Clackamas Counties on transportation planning and urban growth issues, and responding to potential developers and businesses that don't result in construction permits. Increases in the number or intensity of such demands could pose challenges in balancing this fund and/or a need to identify a new revenue source that would pay for these important services.

The last review and revision to planning permit fees was in 2007. While Planning is not a profit center, the fees should be set sufficient to cover the actual costs of providing services for current development.

Building Fund

Variances from Status Quo Assumptions

- None

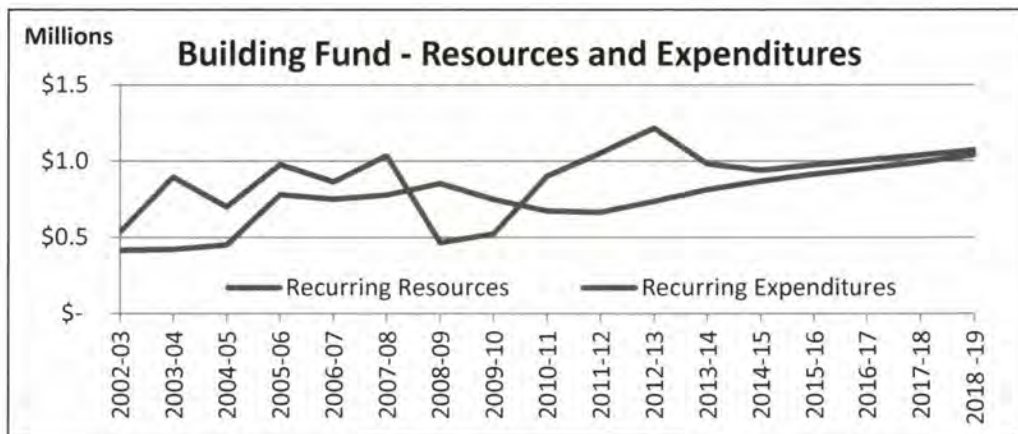
Key Assumptions

- Staffing levels reduced in 2009 remain unfilled

Economics, Revenues and Expenditures

After several years of slower growth in new single family housing units, the outlook for the next five years is more robust. Villebois developers are actively building new residences and plans call for over 658 additional units in the coming years. Other areas of the community are expected to see new development as well. Estimates for new growth are based on plans submitted by developers or through early discussions with developers on future activity. Regional economic conditions will determine whether the construction moves forward at the pace anticipated.

The major resource for this fund is building permit revenue. The aforementioned construction level is significantly greater than the trends during the recession. The Building Inspection program has conservatively estimated the future permit fee revenue estimates based on known projects. The nature of permit revenue is that the fees are collected prior to the work being done and therefore a surplus in one year may be followed by a shortfall the next.



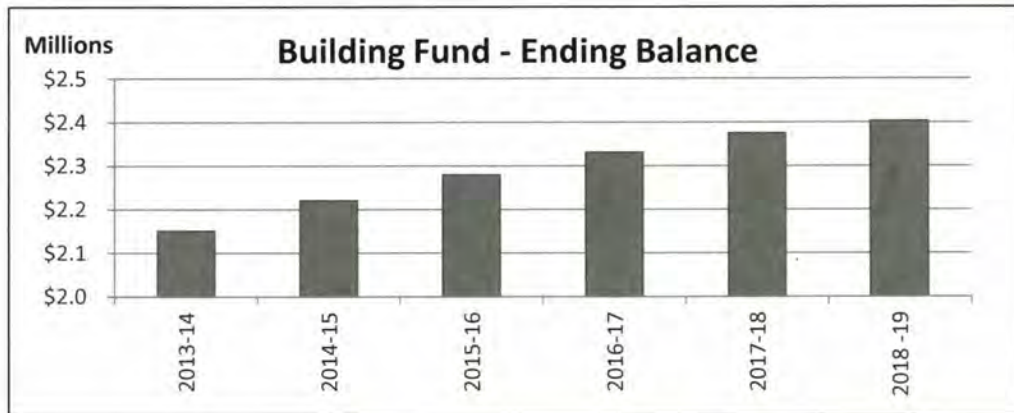
(Building Fund continued on next page)

Five-Year Financial Forecast

2014 through 2019

Ending Fund Balance

The Building Fund has maintained a fairly stable ending balance during the recessionary period. This was accomplished by managing costs to revenues. The graph shows that revenues are forecasted to be sufficient to cover operating expenditures over the next few years.



Potential Impacts

Less growth: Although current trends indicate growth, an environment of less development would have an adverse impact on this fund. If new development were half the anticipated level, the average annual reduction in permit revenues would approximate \$450,000, or about 50 percent of the total resources.

Delays in developers submitting plans or starting construction will affect the bottom line. The City will closely monitor the actual revenues against the forecast and will take corrective action if necessary. This fund is projected to have sufficient resources to carry the program through the next five years.

A return to a "normal" level of development may necessitate an increase in staffing or use of contracted services.

Transit Fund

Key Variances from Status Quo

- Bus replacement capital outlay varies from year to year. Average is \$730,000 per year with 80 percent funding from grants.

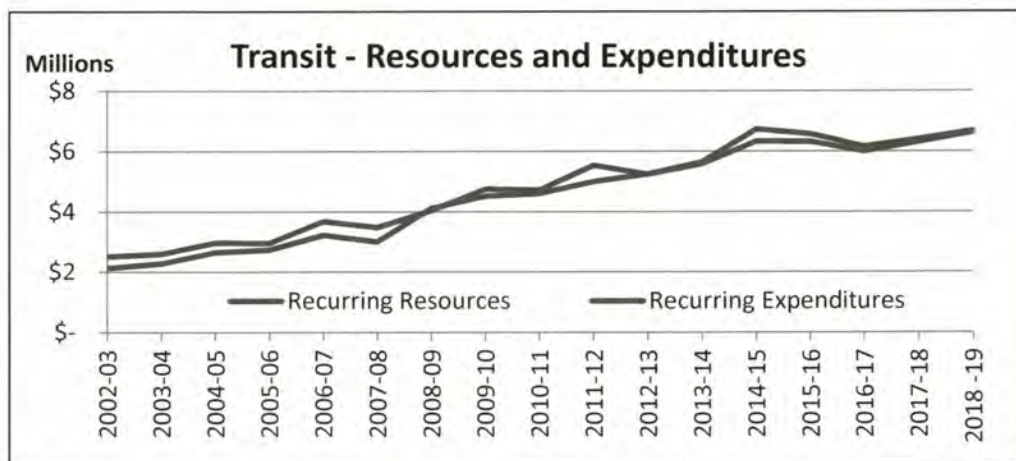
Key Assumptions

- Service levels and staffing remain constant
- Payments to TriMet for rail operations continue and increase annually via inflation assumption
- No future BETC receipts are forecast.

Economics, Revenues and Expenditures

With the downturn in the economy, hundreds of jobs within the City were lost and payroll tax revenues declined. While many of these jobs are lost forever, new businesses have announced their decision to locate in Wilsonville. Revenues are rebounding slightly in the current year and are forecasted to continue at a slow pace. Because of the uncertainty of the current economy, it is challenging to accurately project payroll tax revenues. The forecast assumes a conservative annual increase of 100 to 120 new jobs per year, which equates to approximately \$26,500 in new taxes annually. Wage increases for existing employment is the larger driver and assumptions of 3 percent to 5 percent translate into annual increases between \$150,000 and \$250,000.

About 80 percent of Transit's services are paid by the local payroll based tax. The remaining 20 percent comes from state and federal grants and fares. Grants for buses are not assured. The jagged shape of the graph below reflects the varying capital grant receipts and expenditures.



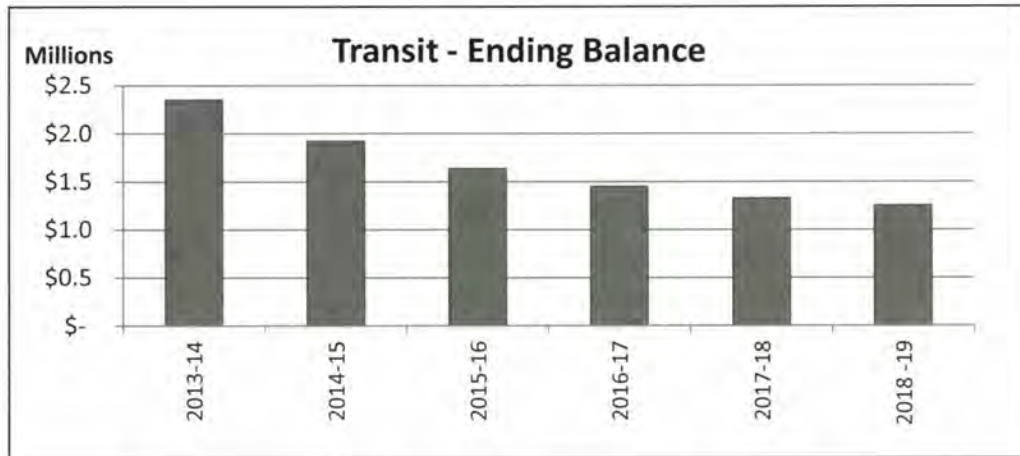
(Transit Fund continued on next page)

Five-Year Financial Forecast

2014 through 2019

Ending Fund Balance

Over many years this fund accumulated money for rainy day use and infrequent large items such as bus replacements and building needs, but the slow economic recovery and lower than anticipated payroll tax revenues are forecasted to continue to impact this fund as shown in the graph below. As the economy improves we will continue to keep an eye on the stability of this fund by reducing capital purchases if necessary to ensure future fund stability.



Potential Impacts

In the current fiscal year, SMART has incrementally added service to accommodate new employers. New routes include service to the Beaverton Transit Center during hours when TriMet's Westside Express (WES) regular commuter train is not operating, as well as increased service to Tualatin Park and Ride. Additionally, in the current year SMART reached an agreement with the Oregon Institute of Technology (OIT) to conduct a pilot project offering late-night bus service to downtown Portland for students at the OIT Wilsonville campus.

The Transit Master Plan was adopted in 2008 just before the economic downturn. Except for changes related to WES, all program enhancements have been put on hold. The enhancements include extending the Portland during commuter hours, new routes to service Daydream, Villebois and Charbonneau areas, a stop at Woodburn for the Salem route, and frequency increases in certain routes.

SMART has made major investments in new buses over the last couple of years, replacing the oldest and most worn-out vehicles of the fleet. The forecast includes the replacement of 9 more large and three smaller buses over the next five years. The cost is approximately \$85,000 for the small buses and up to \$570,000 for the larger buses. Historically, federal grants have provided at least 80 percent toward the cost of buses, leaving local money to cover the remaining 20 percent. As other grants become available, the program will place orders for additional buses. The ending fund balance is used to cover the cash match for these large items.

With recent changes by the state legislature, no future BETC receipts are anticipated. To date SMART has received about \$3.4 million in Business Energy Tax Credits (BETC) from the State. These credits were converted into cash and the proceeds are unrestricted. SMART used a portion on the BETC receipt on the new operations building, bus replacement, new signage and bus wraps.

Water Operating Fund

Variances from Status Quo Assumptions

- Nominal annual rate increases of 2.25 percent beginning in 2014-15
- Increase maintenance costs per master plan

Key Assumptions

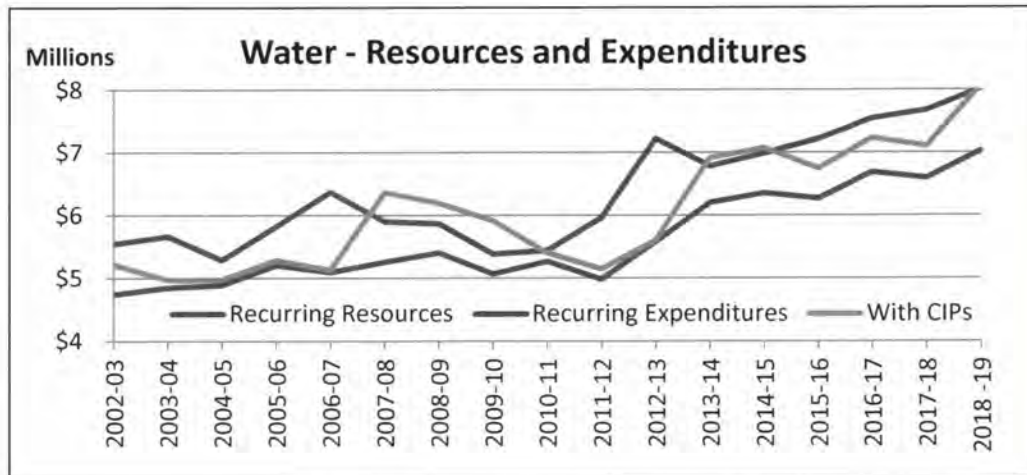
- No significant variations in weather that would change consumption patterns
- No new major industrial water users nor loss or decline of current industrial users

Economics, Revenues and Expenditures

The Water Fund is in a generally strong financial position. Revenues and treatment costs are driven by consumption which was declining until 2011 when the City of Sherwood began purchasing water. The sale of water to Sherwood has had a positive effect on water cost per unit. Sherwood's share in 2012-13 was \$934,000, which was the first full year of purchasing water from the City of Wilsonville.

An increase in the number of users via new home construction will have a positive impact; however, the forecast anticipates that will be partially offset by existing users converting to more water efficient devices. This trend is felt nationwide and is attributed to low flow shower heads, efficient washing machines and toilets, and irrigation timers. The forecast assumes an annual rate increase of 2.25 percent beginning next fiscal year, which will be the first increase since 2009.

The graph below shows the recurring revenues and expenditures, both historically and forecasted. Two lines are shown for expenditures, one without capital project costs and the other with. Capital improvements can vary widely from year to year and a separate line is presented to assist the reader with understanding the fluctuations of the fund. Recurring expenditures includes debt service costs.



(Water Operating Fund continued on next page)

Five-Year Financial Forecast

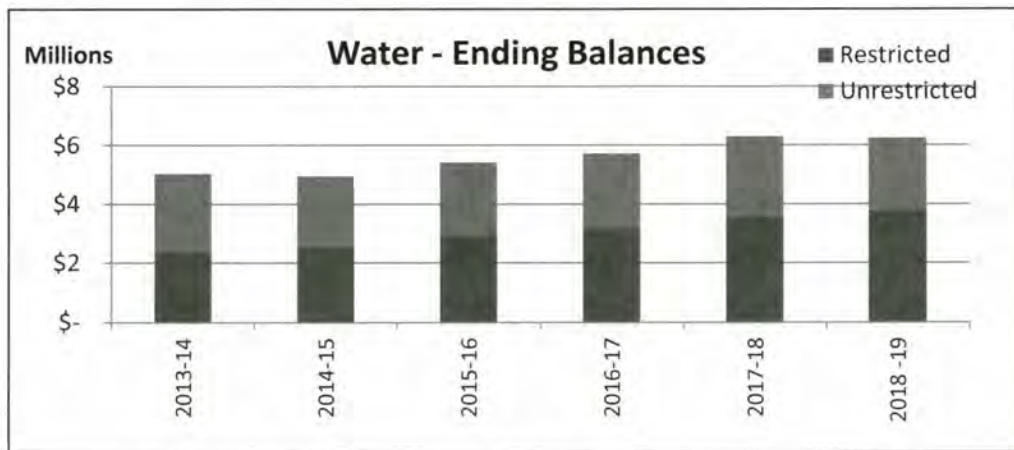
2014 through 2019

Ending Fund Balance

The Water Fund has a fund balance consisting of both restricted and unrestricted components. The restricted portion includes cash reserves for major repairs and replacement of treatment plant equipment, cash reserves for debt service coverage and an operating contingency of 20% of annual operating costs. These reserves help create a stable financial condition for the fund.

The reserve for debt service coverage is not a bond covenant requirement but is established as a good financial measure. It serves as an added benefit to both bond holders and the General Fund (which is a pledge behind approximately \$5 million of water bonds). Further, in the event the City should pursue water revenue bonds in the future such a balance will aid in the credit review of the fund. The goal is to build the reserve at \$100,000 per year until \$2 million is attained, which will take nearly 16 years.

The unrestricted ending balance declines due to planned capital projects that are funded on a pay-as-you-go basis.



Capital Projects – From Operating Revenues

A variety of projects totaling approximately \$3.3 million are anticipated to be funded from operating resources over the next five years. These projects are primarily repairs and replacement and are not eligible for payment from system development charges.

Potential Impacts

Sherwood: As the water usage increases due to growth within the cities of Wilsonville and Sherwood, the operations of the plant will need to expand and storage capacity will become a more important issue.

Sewer Operating Fund

Variances from Status Quo Assumptions

- Rate increase of 10 percent in January 2014. (Previously approved by Council Resolution)

Key Assumptions

- No new major industrial water users nor loss or decline of current industrial users

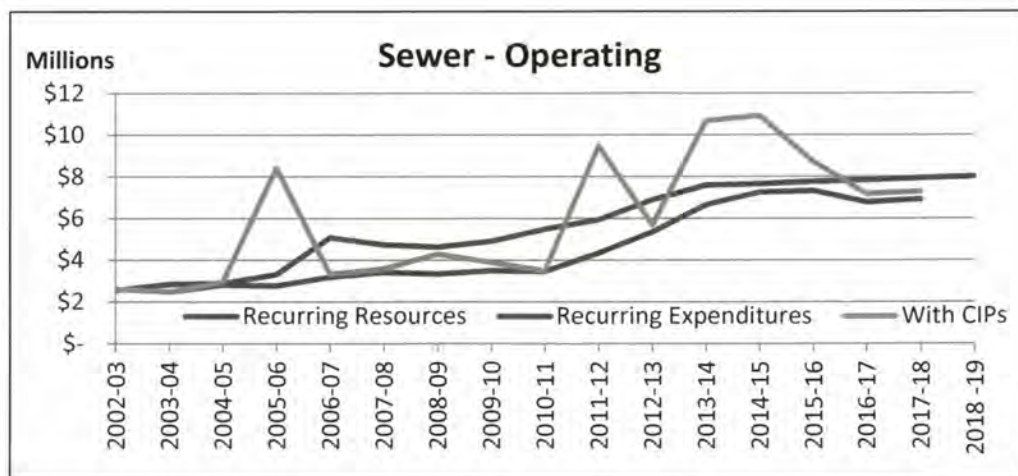
Economics, Revenues and Expenditures

Revenues and treatment costs are driven by water consumption. With consumption trending downward in the City of Wilsonville, pressure on balancing revenues with costs has been a challenge. During 2011-12 Council took action to stabilize the fund via a series of rate increases which addressed the downward trend as well as providing sufficient resources for operating the new treatment plant and the related debt. The first two rate increases were implemented January 2012 and 2013. The remaining increase is reflected in the model.

The city videotapes the sewer collection lines to assess their condition. Besides the aging condition of the lines the building requirements in the 1970's were less stringent than today. The videotaping project has helped to identify the extent of future repairs. The cost of these repairs and replacement is included in the capital project estimates.

The graph below shows the recurring revenues and expenditures, both historically and forecast. Two lines are shown for expenditures, one without capital project costs and the other with. Capital improvements can vary widely from year to year and a separate line is presented to assist the reader with understanding the fluctuations of the fund. Recurring expenditures includes debt service costs.

The increase in Recurring expenditures from 2011-12 to 2013-14 is due to debt service on nearly \$39 million in new debt which adds \$3 million in annual costs. Costs are expected to decline about \$650,000 in 2016-17 when older debt is fully retired. The jagged line shows Recurring Expenditures plus capital improvements.



(Sewer Operating Fund continued on next page)

Five-Year Financial Forecast

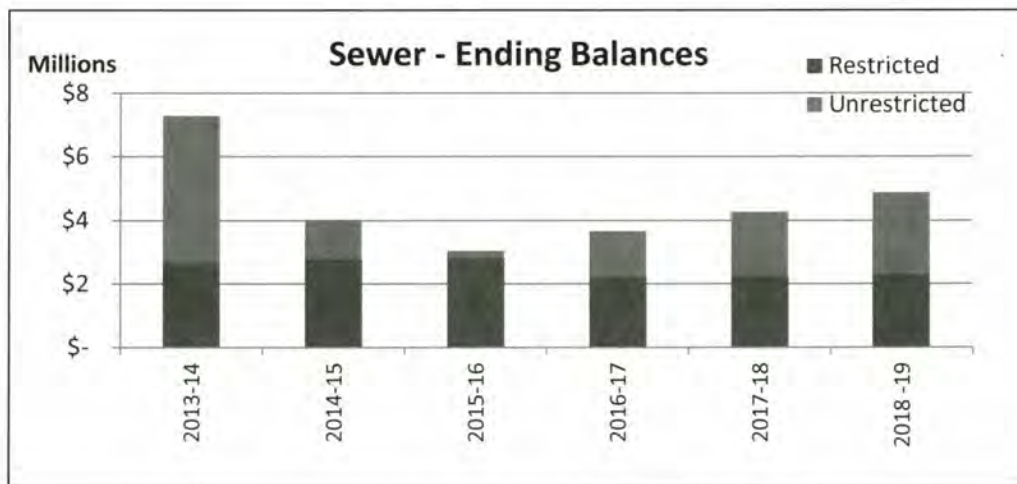
2014 through 2019

Ending Fund Balance

The Sewer Fund has a fund balance consisting of both restricted and unrestricted components. The restricted portion includes cash reserves for treatment plant equipment major repair and replacement, recurring contingency and ending fund balance amounts and building a cash reserve for debt service coverage. These reserves help create a stable financial condition for the fund.

The reserve for debt service coverage is not a bond covenant requirement but is established as a good financial measure. It serves as an added benefit to both bond holders and the General Fund (which is a pledge behind the \$39 million of sewer bonds). Further, in the event the City should pursue sewer revenue bonds in the future such a balance will aid in the credit review of the fund. The goal is to build the reserve at \$500,000 per year to \$3 million by 2017-18.

Unrestricted ending balance accumulates for future capital projects on a pay-as-you-go basis. As you can see in the graph below the unrestricted balance begins to drop in 2014-15 due to the Memorial Park lift station and the Boeckman Creek sewer line replacement, which have a combined cost to this operating fund of \$6.1 million over the next three years. The unrestricted balance then begins to rebound in 2016-17 to accumulate resources for future capital maintenance projects.



Stormwater Fund

Variances from Status Quo Assumptions

- Rate increase of 3 percent in July 2014, 2015 and 2016. (Previously approved by Council Resolution)

Key Assumptions

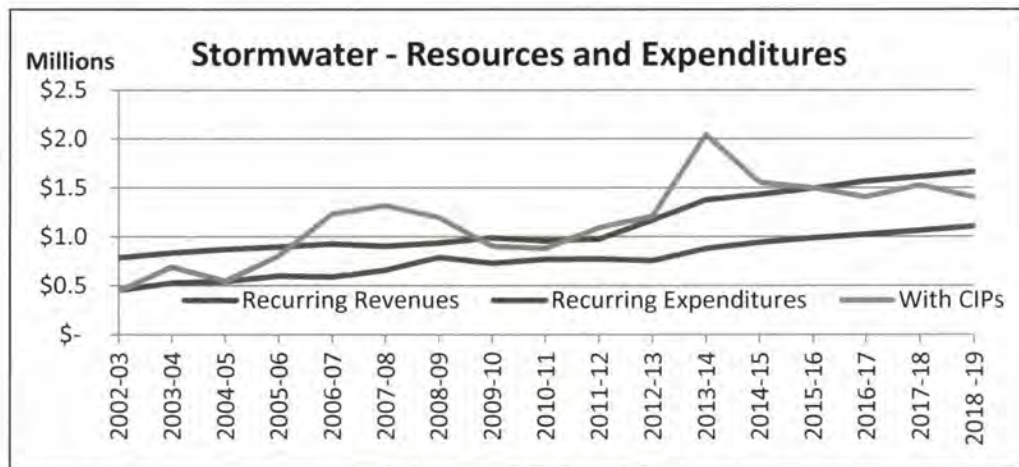
- Budgeted interfund borrowing from the General Fund was not needed in 2012-13 due to a \$.6 million ending from balance.
- The rate study is being updating to determine the actions needed to stabilize this fund.

Economics, Revenues and Expenditures

A recent master plan documented multiple system improvements that are needed as well as increased maintenance of existing infrastructure. A rate study accompanied the plan that prioritized improvements for funding and identified how much user rates would need to increase to implement the plan. A series of annual increases were approved by resolution and are included in the model.

Revenues are predictable as they are a fixed monthly amount based on impervious service area. The model factors in some growth due to new construction, about 2 percent of revenues per year.

The graph below shows the recurring revenues and expenditures, both historically and forecast. Two lines are shown for expenditures, one without capital project costs and the other with. Capital improvements can vary widely from year to year and a separate line is presented to assist the reader with understanding the fluctuations of the fund.

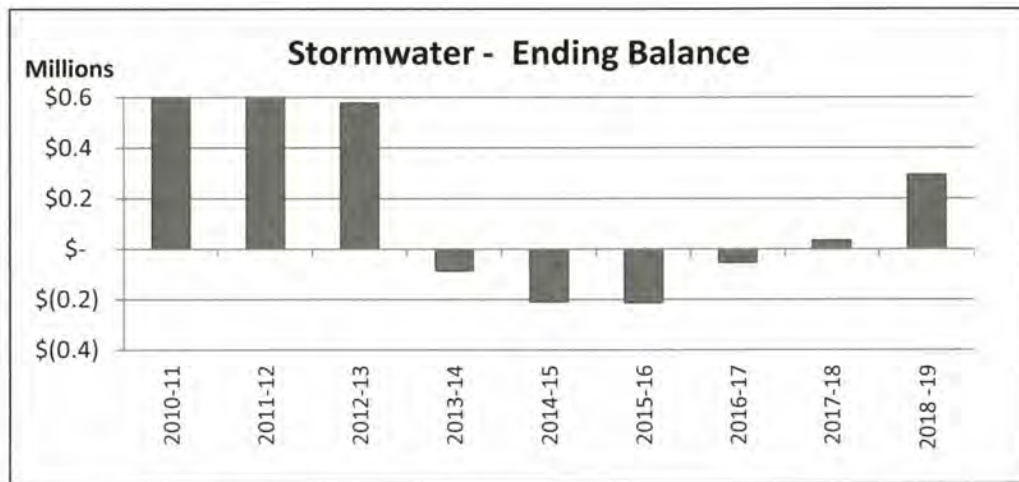


(Stormwater Operating Fund continued on next page)

Five-Year Financial Forecast 2014 through 2019

Ending Fund Balance

The ending fund balance, forecasted to be negative in 2013-14 through 2017-18, reflects the impact of large capital projects such as the Morey's Landing stormwater repairs and the Rivergreen drainage projects. As explained below, this forecast includes only a small portion of potential capital projects. The city is in the process of videoing the stormwater conveyance pipes to assess their condition and identify the extent of future repairs throughout the system. The most recent rate study is being updated to determine the rate adjustment that is needed to be made to stabilize this fund. As a short term solution, this fund may need a loan from the General, which is not included in this forecast.



Capital Projects – Funded from Operating Revenues

During the forecast period approximately \$3.1 million of system repairs and improvements are anticipated. These projects represent the improvements for which stormwater system development charges cannot fund.

Potential Impacts

Aging Infrastructure: The city is in the process of videoing the stormwater conveyance pipes to assess their condition. We know from prior inventory data that the pipes in Charbonneau are not in good condition and will need major rehabilitation in future years. Portions of the stormwater system north of the river exhibit similar age-related deficiencies, particularly at culvert locations. Besides the age of the pipe material, the building requirements in the 1970's were less stringent than today. The video information will help to identify the extent of future repairs throughout the system. The costs have been determined for some of the pipe rehabilitation needs and they are significant. The forecast includes a small portion of these potential costs.

Street Lighting Fund

Variances from Status Quo Assumptions

- None

Key Assumptions

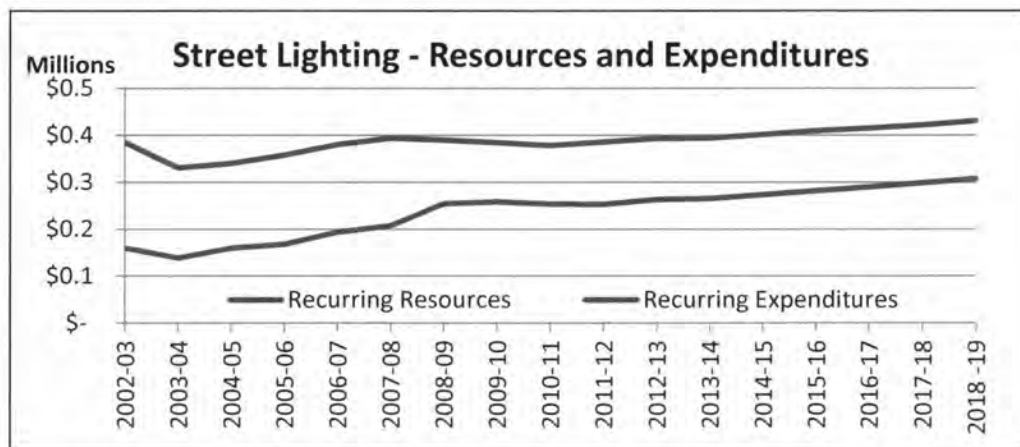
- No change in PGE rate tariff that would affect what services are currently included

Economics, Revenues and Expenditures

The Street Lighting Fund's primary resource comes from user fees billed on the monthly utility statements. Residential, multi-family, commercial, industrial and non-profits all pay towards the street lighting system.

Revenues are readily predictable as rates are fixed monthly amounts. The model assumes growth from new single family homes and new apartment complexes. No rate increase is anticipated.

Expenditures are predominately for monthly utility charges. The charges are assumed to increase by the material and services inflation factor. Other costs include nominal amounts for replacement of worn out components. The gap between resources and expenditures is available for funding system expansion and building a replacement reserve. Capital projects for in-fill, about \$60,000 per year, are not included in the graph below.



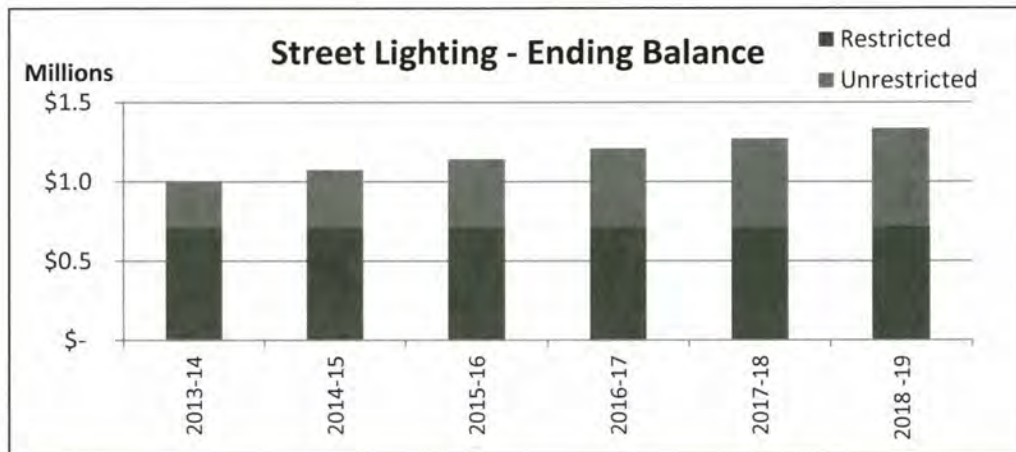
(Street Lighting Fund continues on next page)

Five-Year Financial Forecast

2014 through 2019

Ending Fund Balance

The restricted portion is a cash reserve to fund future replacement as poles and fixtures reach their end-of-life. Most of the short lived wooden poles have already been replaced. The majority of the poles in use today are aluminum, fiberglass or metal. The unrestricted portion can be used for in-fill where gaps in the system occur.



Capital Projects – Funded From Operating Revenues

A small level, \$60,000/year, of replacement is projected. Infill projects if identified would be significantly more expensive.

Potential Impacts

None identified.

Road Operating (Gas Tax) Fund

Variances from Status Quo Assumptions

- Additions to staffing and materials related to new street additions throughout the City

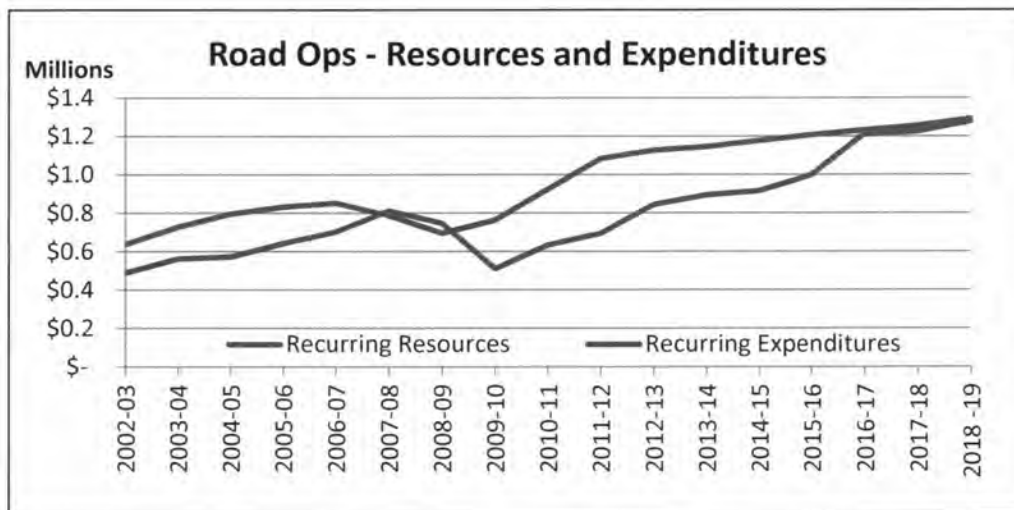
Key Assumptions

- Fuel consumption pattern is similar to recent past trends

Economics, Revenues and Expenditures

Gas taxes distributed by the State are the primary resource for this fund. Washington County gas tax adds about \$8,000 per year to the fund revenues. State taxes peaked in 2006-07, and began declining about 5.0 percent per year until 2011 when taxes and fees were increased. Cities share of this revenue is largely based on population numbers and the model assumes the new residential additions will result in a higher share, thus a slight increase in allocated taxes.

As the City adds more roads, maintenance costs will grow. Recent street additions include the Villebois area, Boeckman Road extension and improvements to Boones Ferry Road. Maintenance costs are forecasted to increase an average of \$80,000 per year. The model includes the cost of these service level increases and the following graph shows that sufficient resources should be available to cover the anticipated costs.

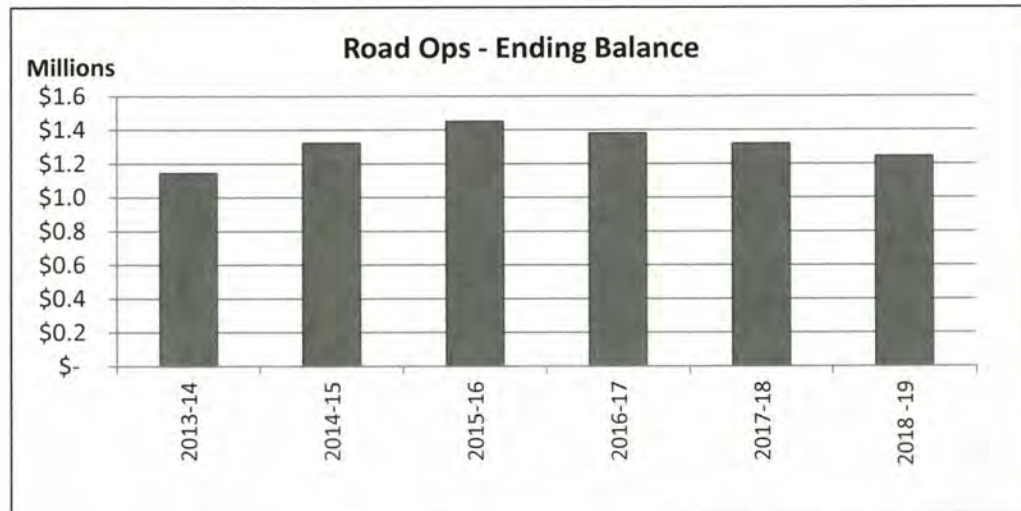


(Road Operating Fund continued on next page)

Five-Year Financial Forecast
2014 through 2019

Ending Fund Balance

Prior to the recent gas tax increase this fund was at risk of incurring annual deficits. The growth of the ending balance levels off in later years as service level increases described above are implemented.



Capital Project Impacts – From Operating Revenues

No major capital projects are assumed. However, this fund pays the engineering costs associated with projects in the Road Maintenance Fund since the Road Maintenance Fund's resources are restricted and do not permit engineering costs.

Potential Impacts

None identified.

AGENDA

CITY OF WILSONVILLE BUDGET COMMITTEE WORK SESSION

November 21, 2013

6:00 PM

**CITY HALL
29799 SW TOWN CENTER LP E
WILSONVILLE, OREGON**

Tim Knapp, Mayor
Scott Starr, Council President
Julie Fitzgerald, Councilor
Richard Goddard, Councilor
Susie Stevens, Councilor

Wendy Buck, Committee Member
Anne Easterly, Committee Member
Lonnie Gieber, Committee Member
Glenn Ohl, Committee Member
Alan Steiger, Committee Member

-
- I. CALL TO ORDER**
 - A. Roll call
 - B. Pledge of allegiance
 - II. CITY MANAGER INTRODUCTION**
 - III. FIVE-YEAR FORECAST** (Joanne Ossanna, Finance Director)
 - IV. URBAN REWNEWAL TASK FORCE UPDATE** (Kristin Retherford, Economic Development Manager)
 - V. ADJOURN**

BUDGET COMMITTEE MEETING STAFF REPORT

Meeting Date: November 21, 2013	Subject: Urban Renewal Strategic Plan Update Staff Member: Kristin Retherford, Economic Development Manager Department: Community Development
Action Required <input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 st Reading Date: <input type="checkbox"/> Ordinance 2 nd Reading Date: <input type="checkbox"/> Resolution <input type="checkbox"/> Information or Direction <input checked="" type="checkbox"/> Information Only <input type="checkbox"/> Council Direction <input type="checkbox"/> Consent Agenda	Advisory Board/Commission Recommendation <input type="checkbox"/> Approval <input type="checkbox"/> Denial <input type="checkbox"/> None Forwarded <input checked="" type="checkbox"/> Not Applicable Comments: N/A
Staff Recommendation: N/A	
Recommended Language for Motion: N/A	
PROJECT / ISSUE RELATES TO:	
<input checked="" type="checkbox"/> Council Goal: Economic Development	<input type="checkbox"/>

ISSUE BEFORE THE CITY COUNCIL:

The Urban Renewal Task Force (TF) has met twice. At the last meeting the TF developed three scenarios for further refinement and discussion at their December meeting. These scenarios are described in detail below and a one-page summary prepared by the consultant team is attached. Over the next month the consultant team will be performing more detailed financial analysis on these three scenarios.

A. Finish Projects in each URA as designated in the UR Plans, then close out

Scenario "A" is designed to fund all projects that are currently identified for the West Side and Year 2000 outstanding project list (attached), then to close them down. This scenario requires a **substantial amendment** to the West Side Plan to increase maximum indebtedness (MI).

- Year 2000 Plan: Remove as much acreage as possible while leaving sufficient capacity to fund all remaining projects and continue to levy \$4.0 million per year, pay off all debt early, close it down.
- West Side Plan: Amend MI to \$58 million (\$18 million increase), seek concurrence for MI increase, seek concurrence to waive revenue sharing, pay for all projects listed in Plan, pay off debt early, close it down. (Risk: If 75% concurrence is not received, MI cannot be increased to this level and projects will be unfunded.)
- Coffee Creek: Start Coffee Creek as soon as needed as acreage is reduced in Year 2000 to allow for this new district and the Coffee Creek area has been annexed.
- Frog Pond: Identify the year in which we would have enough acreage to do Frog Pond. Recommendation is to not include amenity projects that won't include tax increment, such as parks.

B. Close Out Year 2000 ASAP, West Side Plan completes all projects EXCEPT Old Town Escape, so concurrence isn't (legally) required

In this scenario, MI increases for the West Side Plan, however it's at a level that does not LEGALLY require concurrence. The direction from the TF is to pursue concurrence or approval from the taxing districts regardless of legal requirement. Unlike Scenario A, where projects would be unfunded if concurrence was not received, in Scenario B, projects could still be funded and completed if only 60% or 70% approval was received from the taxing districts. This would allow the West Side Plan to fund all projects except for the Old Town Escape project, and the City would either need to find other funding sources for Old Town Escape, or not do the project.

- Year 2000 Plan: Remove as much acreage as possible while leaving sufficient capacity to fund all remaining projects and continue to levy \$4.0 million per year, pay off all debt early, close it down.
- West Side Plan: Amend MI to \$49M, Old Town Escape needs to be funded by some other City source, pay off debt early, close it down.
- Coffee Creek: Start Coffee Creek as soon as needed as acreage is reduced in Year 2000 to allow for this new district and the Coffee Creek area has been annexed.
- Frog Pond: Identify the year in which we would have enough acreage to do Frog Pond. Recommendation is to not include amenity projects that won't include tax increment, such as parks.

C. Partial Close Out of Year 2000, West Side Plan completes all projects and gets concurrence

This scenario shows a philosophical change in our approach to the Year 2000 Plan. Instead of trying to close it out early, the alternative is to keep it open, but at a much reduced state. Scenario "C" removes as much acreage as possible, which would allow us to do the Coffee Creek URA in a timely fashion. This scenario also funds the few remaining projects in the Year 2000 Plan. In future years, the URA would under-levy, collecting just enough TIF to make scheduled debt service payments. This keeps the URA around longer, so that if the City wants to use the URA to fund future redevelopment in Town Center or elsewhere, urban renewal could be used as a funding source.

- Year 2000 Plan: Fund all remaining projects, remove as much acreage as needed to create Coffee Creek URA without jeopardizing the ability of Year 2000 Plan to generate \$4M per year, pay debt service as scheduled, under-levy each year if TIF exceeds \$ needed for debt service. Allows the possibility of funding \$8.5M for Town Center redevelopment projects in the future. To fund more than \$8.5 million in redevelopment projects would require an increase in MI and concurrence. If funding infrastructure in Charbonneau is a concern to the TF, under this scenario, needed improvements in Charbonneau could be cherry-stemmed into the Year 2000 district.
- West Side Plan: Amend MI to \$58 million, seek concurrence for MI increase, revenue sharing kicks in, pay for all projects listed in Plan, pay off debt early, close it down.
- Coffee Creek: Start Coffee Creek as soon as needed as acreage is reduced in Year 2000 to allow for this new district and the Coffee Creek area has been annexed.
- Frog Pond: Identify the year in which we would have enough acreage to do Frog Pond. Recommendation is to not include amenity projects that won't include tax increment, such as parks enough acreage to do Frog Pond.

Wilsonville Urban Renewal Scenarios Summary

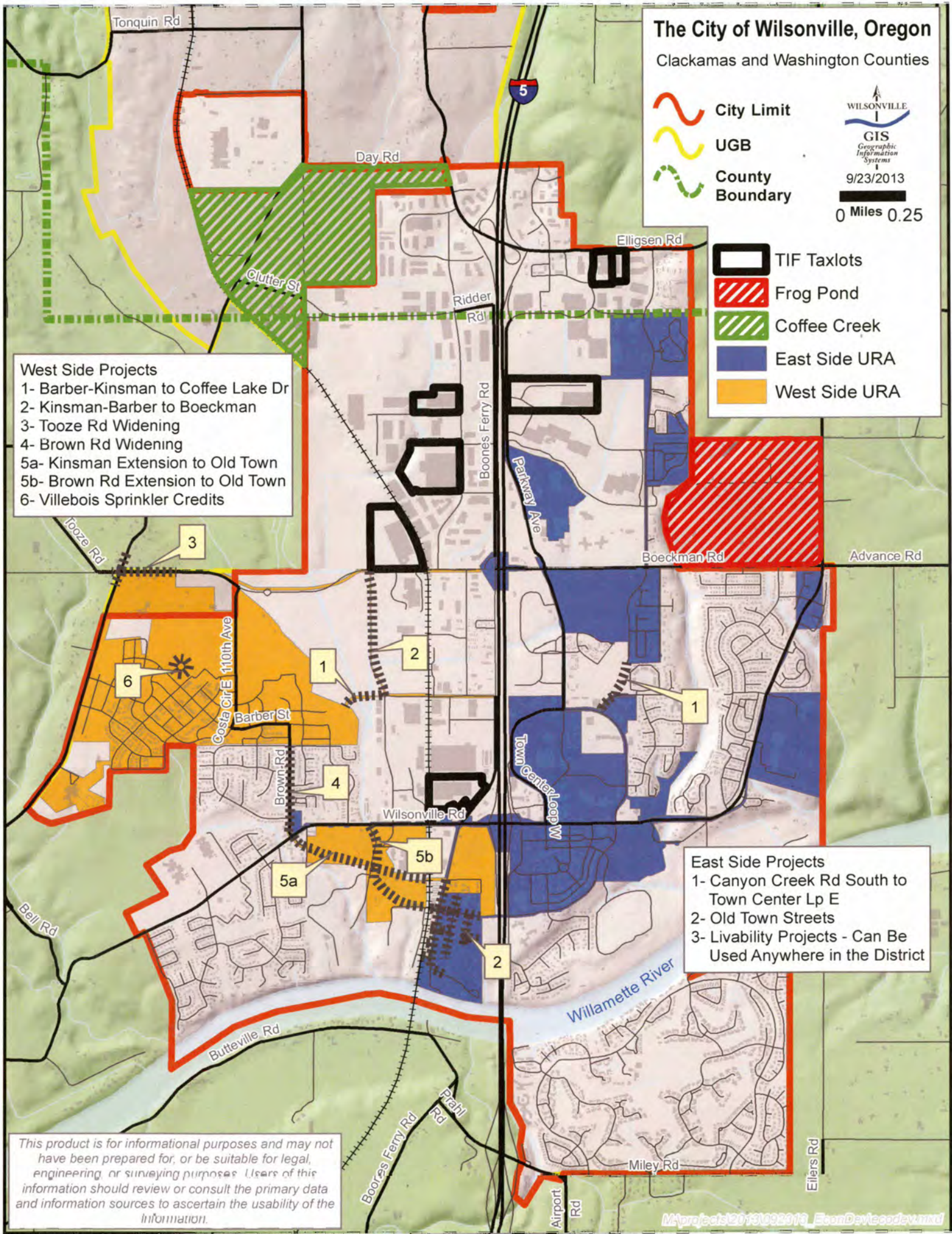
A) Finish all projects in West Side and Year 2000 URAs, then close them down to create acreage capacity for new URAs. Concurrence is required for West Side Plan: projects in the West Side Plan would be unfunded if concurrence is not received.

B) Close out Year 2000 Plan as soon as possible. The West Side Plan completes all projects except for the Old Town Escape, so that concurrence is not (legally) required. Old Town Escape is transferred to the Year 2000 Plan, which may entail a small increase in maximum indebtedness.

C) Partial close out of Year 2000 Plan, maintaining the option to fund Town Center development projects. The Year 2000 Plan finishes all remaining projects in the Plan, and then under levies in all future years, collecting just enough TIF to make scheduled debt service payments. This keeps the Year 2000 Plan alive longer, so that urban renewal could be a funding source for Town Center redevelopment efforts in the future, if desired by the City. The West Side Plan would need to be amended with concurrence to increase its maximum indebtedness to fund all projects (same as in Scenario A).

In all scenarios, sufficient acreage would be removed from existing URAs to allow for creation of a new Coffee Creek URA.

URA		Scenario A	Scenario B	Scenario C
Year 2000	Debt Service Payments	Pay off early	Pay off early	Pay off as scheduled
	Fund All Remaining Projects?	Yes	Yes	Yes, and possible \$8.5M for Town Center
West Side	Maximum Indebtedness	Amend to \$58M	Amend to \$49M	Amend to \$58M
	Seek concurrence to increase Maximum Indebtedness?	Yes	No	Yes
	Complete all projects in the UR Plan?	Yes	No, Old Town Escape must be funded by another City source	Yes



Wilsonville

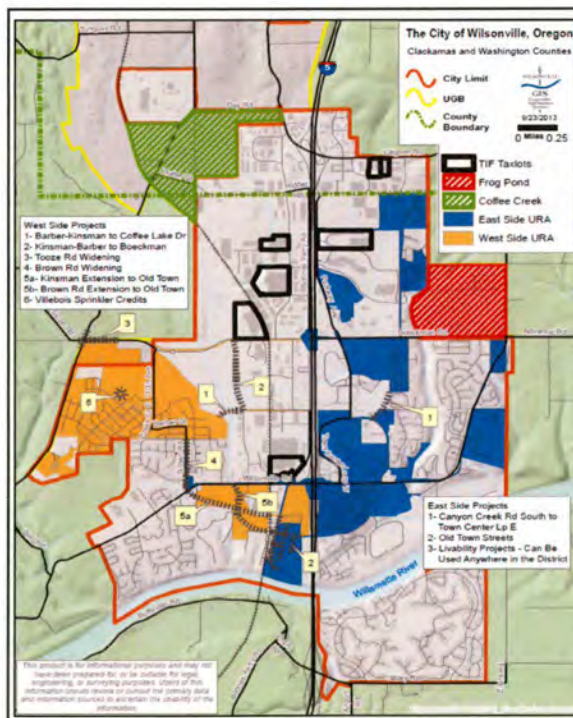
Urban Renewal Strategic Plan

Key Issues

- Completion of existing projects in existing urban renewal areas
- Maximum indebtedness limits
- Addressing needs in existing urban renewal areas not yet identified as projects
 - Properties in close proximity to existing areas but not in the area
- Potential new urban renewal areas
- Acreage limitations
- Closing portions of districts or full districts

URA	Project Name	Schedule	2013 Constant Dollars				Nominal Dollars
			TIF	SDCs	Other	Total Cost	TIF
West Side	Villebois Sprinkler SDC Credit / Repayment from UR	2013/14 - 2017/18	\$ 2,063,185	\$ -	\$ -	\$ 2,063,185	\$ 2,376,900
	Kinsman Rd. Extension - Barber to Boeckman*	2013/14 - 2015/16	\$ -	\$ 2,695,000	\$ 3,373,000	\$ 6,068,000	\$ -
	Barber Street Extension - Kinsman to Coffee Lake Drive	2013/14 - 2014/15	\$ 4,675,000	\$ 59,280	\$ 3,077,000	\$ 7,811,280	\$ 4,908,800
	Tooze Rd. Improvements (110th to Grahams Ferry Rd.)	2013/14 - 2015/16	\$ 2,550,000	\$ 120,820	\$ 4,038,380	\$ 6,715,000	\$ 2,811,400
	Villebois Park Improvements - Promenade	2013/14	\$ 49,000	\$ -	\$ -	\$ 49,000	\$ 49,000
	Villebois Park Improvements - Piccadilly (RP3-B)	2013/14	\$ 213,833	\$ -	\$ -	\$ 213,833	\$ 213,800
	Brown Road Improvements*	2016/17	\$ 4,000,000	\$ -	\$ -	\$ 4,000,000	\$ 4,630,400
	Old Town Escape - either option*	2017/18	\$ 7,410,000	\$ -	\$ -	\$ 7,410,000	\$ 9,006,900
	Villebois Park Improvements - Montague	2015/16	\$ 786,167	\$ -	\$ -	\$ 786,167	\$ 866,700
	Total	2013/14 - 2017/18	\$ 21,777,185	\$ 2,881,900	\$ 10,488,380	\$ 35,147,465	\$ 24,863,900
Year 2000	Canyon Creek Road South from Boeckman to Valahos	2013/14 - 2014/15	\$ 4,354,800	\$ -	\$ -	\$ 4,354,800	\$ 4,534,000
	Old Town Streets and Streetscape (including Bailey to 5th)	2013/14 - 2015/16	\$ 3,182,500	\$ -	\$ -	\$ 3,182,500	\$ 3,467,600
	Landover Medians	2015/16	\$ 250,000	\$ -	\$ -	\$ 250,000	\$ 275,600
	Liability Grant (Store front improvement grant/loan fund)	2015/16	\$ 250,000	\$ -	\$ -	\$ 250,000	\$ 275,600
	Murase Park Improvements (Playground and Slope Terracing)	2014/15	\$ 350,000	\$ -	\$ -	\$ 350,000	\$ 367,500
	Town Center Redevelopment	2013/14 - 2016/17	\$ -	\$ -	\$ -	\$ -	\$ -
	Total	2013/14 - 2016/17	\$ 8,387,300	\$ -	\$ -	\$ 8,387,300	\$ 8,950,300
Coffee Creek	Coffee Creek Waterlines	2015/16 - 2021/22	\$ 1,296,000	\$ -	\$ -	\$ 1,296,000	\$ 1,832,300
	Coffee Creek Sewer Lines	2015/16 - 2021/22	\$ 1,104,000	\$ -	\$ -	\$ 1,104,000	\$ 1,446,800
	Coffee Creek Streets	2015/16 - 2021/22	\$ 16,963,000	\$ -	\$ -	\$ 16,963,000	\$ 23,430,700
	Coffee Creek Storm Sewer	2015/16 - 2021/22	\$ 2,003,697	\$ -	\$ -	\$ 2,003,697	\$ 2,799,500
	Coffee Creek Parks and Trails	2015/16 - 2021/22	\$ 1,371,000	\$ -	\$ -	\$ 1,371,000	\$ 1,628,600
	Total	2015/16 - 2021/22	\$ 22,737,697	\$ -	\$ -	\$ 22,737,697	\$ 31,447,200
Frog Pond	Boeckman Road Dip Improvements UU-01	2017/18 - 2018/19	\$ 5,850,000	\$ -	\$ -	\$ 5,850,000	\$ 7,289,500
	Boeckman Road Urban Upgrade UU-02	2017/18 - 2018/19	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000	\$ 2,616,400
	Stafford Road Urban Upgrade UU-06	2017/18 - 2019/20	\$ 5,850,000	\$ -	\$ -	\$ 5,850,000	\$ 7,472,200
	Sewer Repair/Replacement & Maintenance - Boeck Creek	2016/17	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	\$ 2,315,200
	Frog Pond Trail RT-02	2019/20	\$ 290,000	\$ -	\$ -	\$ 290,000	\$ 368,600
	Frog Pond Community Park - P15	2018/19	\$ 10,600,000	\$ -	\$ -	\$ 10,600,000	\$ 13,528,800
	Total	2016/17 - 2019/20	\$ 26,690,000	\$ -	\$ -	\$ 26,690,000	\$ 33,609,700
Total - All URAs			\$ 79,592,182	\$ 2,881,900	\$ 10,488,380	\$ 92,962,462	\$ 98,871,100

*Some scenarios consider moving these projects from the West Side Plan to the Year 2000 Plan



West Side: Contractual Obligations

Boeckman Rd. Repair	Fully committed per development agreements
Barber St. (Kinsman Rd. to Coffee Lake Dr.)	Fully committed per development agreements and inter governmental
Kinsman Rd. (Barber to Boeckman Rd.)	Fully committed per development agreements
Tooze Rd. (110th to Grahams Ferry Rd.)	Fully committed per development agreements and intergovernmental agreement.. Needed in approximately 3 years due to City traffic concurrency requirements or Villebois construction will need to stop until project can be completed.
Sprinklers	Fully committed per development agreements
Parks	Fully committed per development agreements
Other Transportation/Brown Road	Fully committed per development agreements
Old Town Escape (Brown or Kinsman Option)	NOT committed by contract

Scenario A

- Finish all projects in West Side and Year 2000 URAs, then close them down to create acreage capacity for new URAs.
- Concurrence is required for West Side Plan: projects in the West Side Plan would be unfunded if concurrence is not received.

Next Steps

- Stakeholder interviews
- Next Task Force meeting December 11, 2013
- Final Task Force meeting (draft strategy) – TBD, January 2013
- Present draft strategy to Council – TBD, February 2013

Scenario B

- Close out Year 2000 Plan as soon as possible.
- The West Side Plan completes all projects except for the Old Town Escape, so that concurrence is not (legally) required.
- Old Town Escape is either not completed, completed using a mix of other funding, or transferred to the Year 2000 Plan which may entail a small increase in maximum indebtedness.

Scenario C

- Partial close out of Year 2000 Plan, maintaining the option to fund redevelopment in Town Center, or elsewhere.
- The Year 2000 Plan finishes all remaining projects in the Plan, and then under levies in all future years, collecting just enough TIF to make scheduled debt service payments.
- This keeps the Year 2000 Plan alive longer.
- The West Side Plan would need to be amended with concurrence to increase its maximum indebtedness to fund all projects (same as in Scenario A).

URA		Scenario A	Scenario B	Scenario C
Year 2000	Debt Service Payments	Pay off early	Pay off early	Pay off as scheduled
	Fund All Remaining Projects?	Yes	Yes	Yes, and possible \$8.5M for Town Center
West Side	Maximum Indebtedness	Amend to \$58M	Amend to \$49M	Amend to \$58M
	Seek concurrence to increase Maximum Indebtedness?	Yes	No	Yes
	Complete all projects in the UR Plan?	Yes	No, Old Town Escape must be funded by another City source	Yes

CITY OF WILSONVILLE

1

BUDGET WORKSHOP

NOVEMBER 21, 2013



Agenda

2

- Five Year Forecast
- Urban Renewal Task Force Update

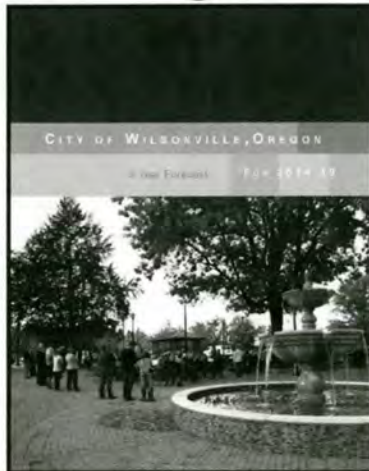
Tonight we have 2 items on our agenda

First we have the Five Year Forecast and an update on our Urban Renewal Task Force

During the presentation we're happy to either answer questions as we go or address them after each

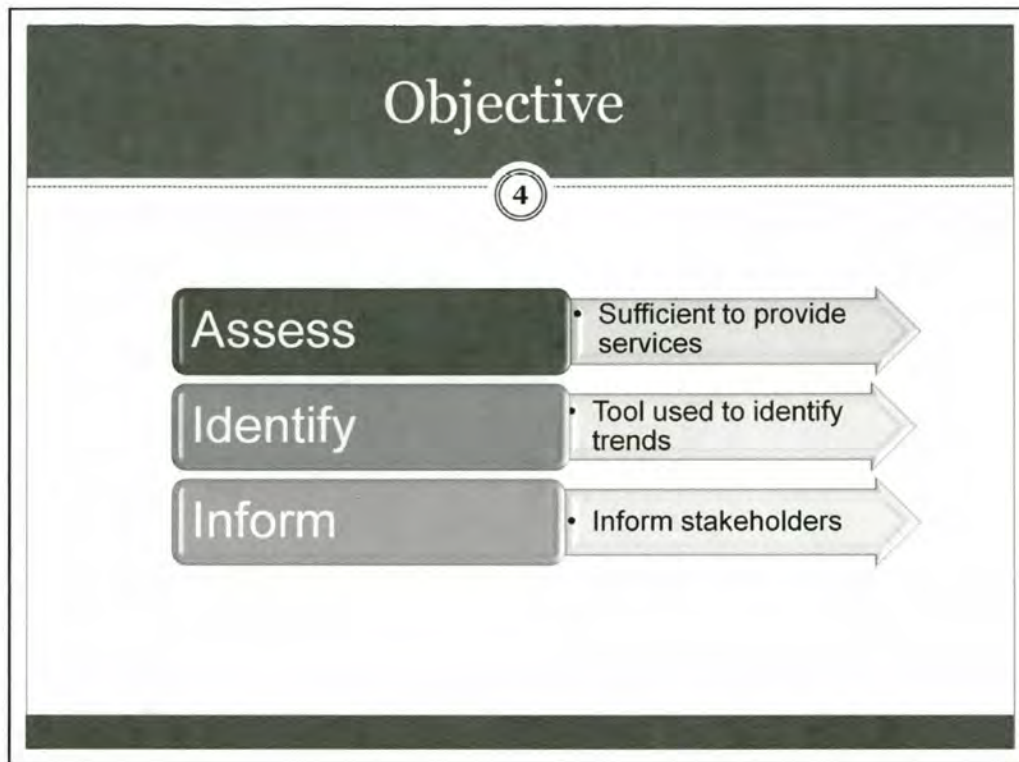
Five Year Forecast

3



A copy of the five year forecast was mailed to the Budget Committee last week, and we also have additional copies on the counter.

The document includes a lot of information on our operating funds. In addition to the information included in the document, there are a lot details that could be helpful as you move through the budgeting process, so we go over those tonight.



- The key objectives of the 5 year forecast is to:
- Assess the City's ability over the next five years to continue to effectively provide current service levels based on projected growth and goals set by Council.
- The forecast serves as a tool to identify financial trends, potential shortfalls, and arising issues, so that the city can make informed financial decisions.
- The document is used to inform stakeholders, and to update the budget committee on the financial condition of the City at the beginning of the budget process.

Key Assumptions

5

Current Service Level

Revenue

- Trends, known information & assumptions

Expenditures

- Trends, known information & assumptions

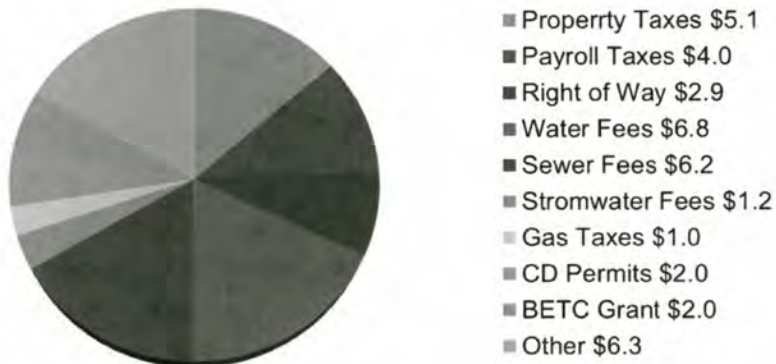
The forecast is based on the current service level, so there are no changes to programs or services. Only one position is forecasted to be added over the five year, and this is for road maintenance position in the 2016-17 fiscal year which would be due to maintaining the additional roads due to growth within the city. Although we have adding this position to the forecast it doesn't mean that the position will automatically be added to the budget. The need for the position will be vetted during the budget process at that time.

Revenues and expenditures are based on prior year trends, known information or conservative assumptions.

Operating Revenue

6

2012-13 Operating Revenue (\$37.5 Million)



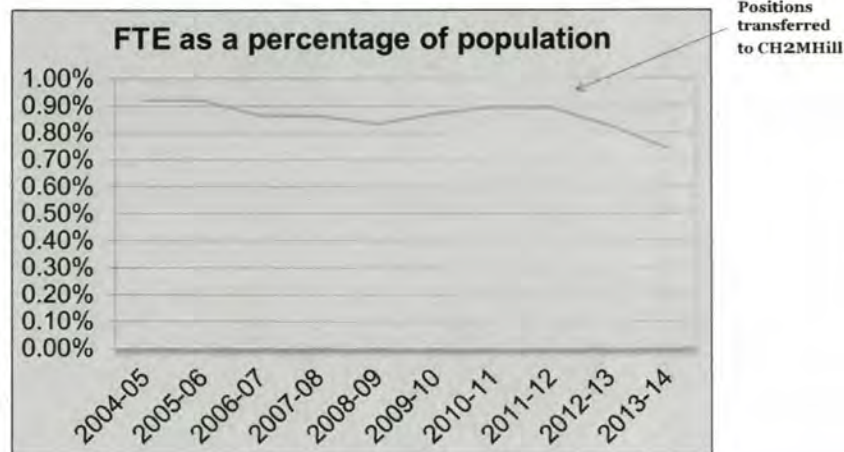
- Let's take a look at revenues of the operating funds. Last fiscal year there was operating revenue of \$37.5 million.

- Nine major revenues made up over 75 percent of total, as you can see in the graph. Of those the largest are Water and Sewer Fees, making up 35%. If you add in Property taxes at 14%, payroll taxes at 11% for a total of 60% for those four.

- The Other category, which is \$6.3 million or 17%, includes interest income, court fines, library fees, grants, county and state shared revenues and other miscellaneous revenue.

Personnel Services

7



Next we will take a look at PS, which have remained fairly constant over the years.

There are many ways to look at trends in FTE, but I thought it would be interesting to show FTE as a percentage of population. FTE doesn't necessarily need to increase at the pace of the population, but it's something to be aware of. Some growth can be absorbed into current processes or services, or efficiencies can be implemented to offset the need. Of course, we all look for efficiencies first, but at some point there may be a need to add additional staff.

If you take a look at the graph, you see a decline in the 2011-12 fiscal year, which is due to transferring staff to CH2MHill to operate the Waste Water Treatment Plant and some positions were eliminated when the budget was reduced by \$1.2 million.

Other than the drop in 2011-12 the declining trend is due to the population growing faster than FTE. The latest estimate shows the annual increase in population was 4.8% for 2013, for a total population of 21,500 compared to FTE that only increased .2%, or one third of a position. This trend is forecasted to continue over the next five years as the city grows.

All the assumptions for PS are detailed in the document, so they are not covered in the presentation. But, the document didn't cover the impact of the National Healthcare

Reform.

The City's Human Resource department has been working closely with ICMA (City/County Management Association) to understand the new requirements and to ensure that the City is meeting them. As you are all aware of there are still some details that need to be worked out at the National Level, but with the information we have, we are confident that our current non-represented and represented benefits fit the requirements, so we don't anticipate additional costs for those groups. The City's temporary and seasonal groups do not receive health care at this time, so we have the option to manage the hours of those staff to meet the requirements and not provide health care, or provide health care to those staff that would qualify for the benefit. At this point the decision has been made to manage the hours, so the forecast does not assume additional costs.

Fund Condition

8

Fund	Last Year	This Year
General	x	✓
Community Development	👁	👁
Building	✓	✓
Transit	✓	👁
Water Operating	✓	✓
Sewer Operating	✓	✓
Stormwater Operating	✓	x
Road Operating	✓	✓
Street Lighting	✓	✓

The outlook looks a little different than the previous year.

Last year's the forecast showed there was a concern for the General Fund, but revenues improved and the outlook is stable. We continue to keep an eye on the Community Development fund due to the funds dependence on building activity and capital projects, and the Transit Fund which is dependent on payroll tax.

The Stormwater Fund is the only fund that we are concerned about, and we will cover this fund and the other operating funds individually as we go through presentation.

General Fund

9

▪ **What's changed or improved**

- New development → more taxes
 - New construction includes Active Adult at the Grove, Branchley South, Renaissance Boat Club, renovations of commercial buildings and housing developments
- Other revenue are improving
- Interest forecasted flat until 2015
- Reduction in PERS costs in 2013-14

Let take a look at What's Changed or improved in the General Fund.

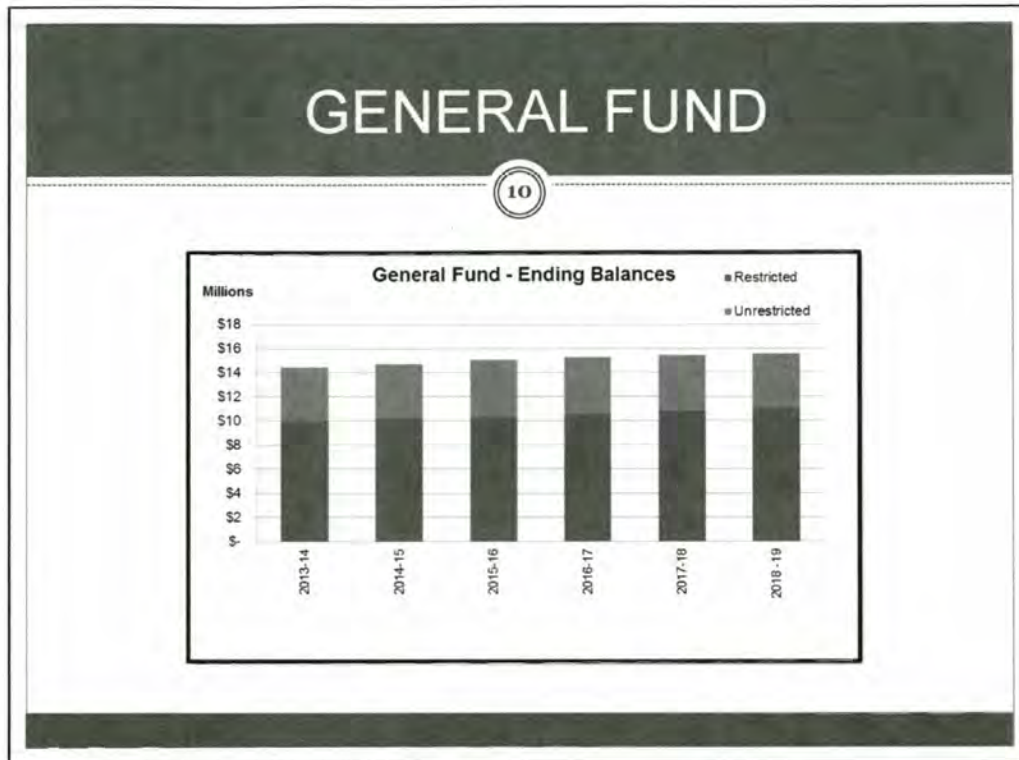
First of all, The City of Wilsonville is fortunate to have new construction throughout the city.

This growth is key to the health of the General Fund, since property taxes are 44% of the revenue for this fund.

Next, other revenue are slowly improving, and we're being cautiously optimistic with forecasted increases averaging 2-3%.

Interest is still flat and not forecasted to begin increasing until 2015. The low rates continue to be a hardship to the General Fund. In years past the General Fund earned up to \$500,000 per year in interest earning compared to the \$80,000 forecasted for the current year.

The was a reduction in PERS rates due to legislation this year and savings will continue into next year, it's unknown what the future of PERS will be, but the forecast includes an increase of 2.6% in July 2015, and then for the rates to level off at that point.



The General Fund is forecasted to be stable over the next five years.

The economy continues to improve, however, the forecast assumes a slow recovery.

The Fund balance increased \$786,000 last year, which is a significant improvement over the loss of \$100,000 that was forecasted. The improvements we're due to some higher than expected revenues and containment of costs.

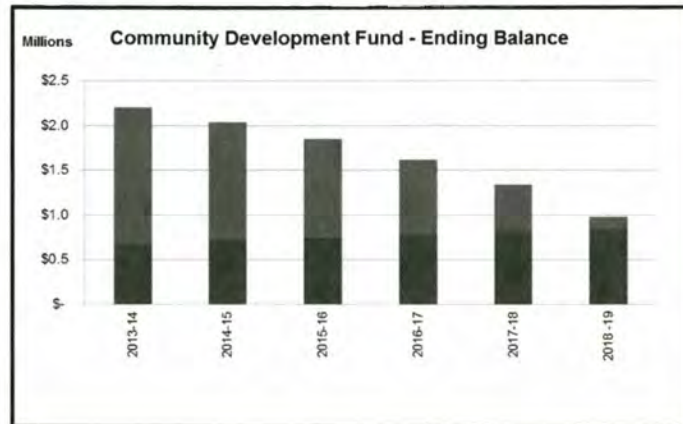
This forecast doesn't include an increase in parks maintenance staffing although the city will be maintaining more parks. At this point, investments are being made in equipment to improve efficiencies rather than add staff.

The Wilsonville Police force is also paid out of the General Fund. The forecast assumes to continue with the current staffing level of 18 officers.

The forecast assumes \$1.3 M in capital improvements over the next five years, which includes a number of small projects throughout the city.

Community Development

11



Community Development is one of the funds that we're keeping an eye on, because it's highly dependent on construction and capital projects for the majority of its revenues.

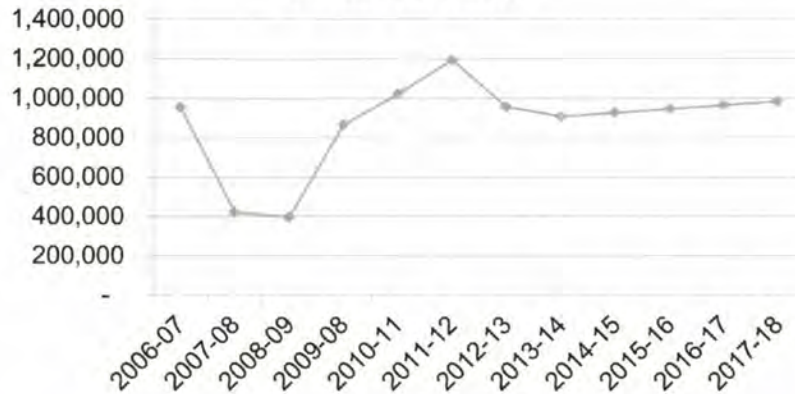
Being conservatively optimistic, revenues are forecasted to slightly increase over the forecast period and expenditure are slightly increasing faster than revenues.

Although the graph shows a declining fund balance, we are optimistic that the fund balance will remain stable.

Building Inspection

12

Permit Revenue

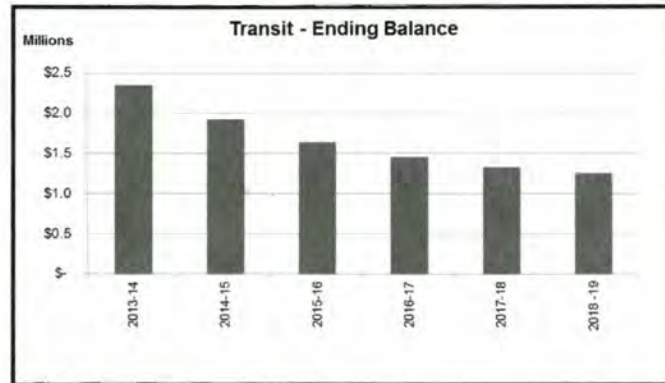


The Building Inspection Fund is forecasted to be stable over the next five years. The fund currently has a fund balance of \$2 million in is forecasted to increase to \$2.4 over the next five years.

This fund is also impacted by the economy, but it has flexibility by having on call staffing to meet the demand in workload. It's interesting to see on the graph how the activity in permits fluctuates as the health of the economy changes. Prior to the 2007-08 fiscal year the average permit revenue was around \$800,000 per year, which dropped to less than \$400,000 when the economy slowed. Revenue then increased to almost \$1.2 last year, and is forecasted to slightly reduce and then level off in future years.

Transit

13



With the downturn in the economy, hundreds of jobs within the City were lost and payroll tax revenues declined.

Revenues are rebounding slightly in the current year and are forecasted to continue at a slow pace. This fund was fortunate to receive a business energy tax credit of \$2.0 million last fiscal year, which helped to strengthen the ending fund balance.

Because of the uncertainty of the current economy, it's challenging to accurately project payroll tax revenues, which account for 80% of this funds revenue. Wage increases for existing employment is forecasted to increase 3 to 5 percent, which translates into annual increases of \$150,000 to \$250,000 per year.

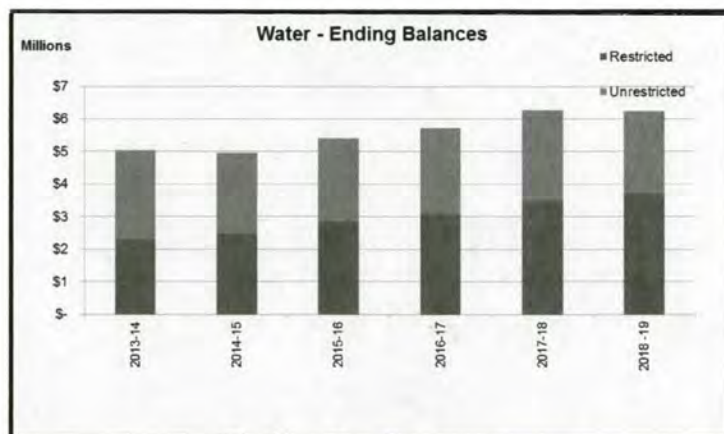
In the current fiscal year, service was added to accommodate new employers, and an agreement was made with OIT to provide late-night bus service to downtown Portland for students at the Wilsonville campus. Both of these are pilot projects and will be monitored to ensure the cost recovery can be achieved.

This forecast shows a declining fund balance over the next five years, but it also includes the purchase of 9 large buses and 3 smaller ones, which will be funded by at least 80% in grant revenue. If revenues do not increase to a sufficient level over the forecast period the

purchase of the buses can be postponed to sustain this fund balance.

Water Operating

14



The Water Operating Fund is in a generally strong financial position. Revenues and treatment costs are driven by consumption, which was declining until 2011 when the City of Sherwood began using water. The sale of water to Sherwood has had a positive effect on water cost per unit. The revenues last year we're 934,000.

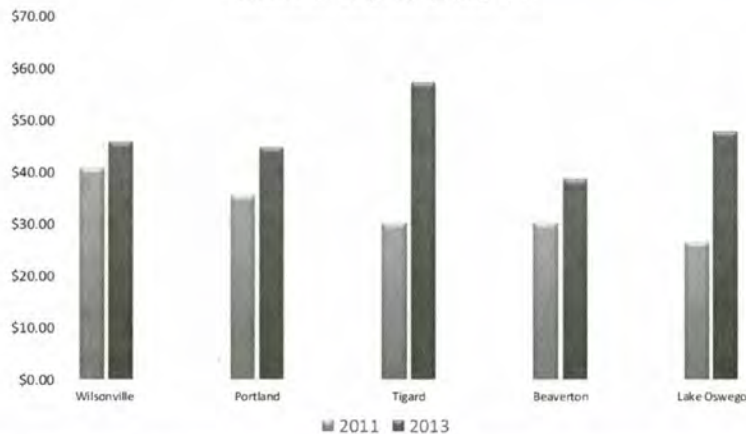
The forecast assumes an annual rate increase of 2.25 percent beginning next fiscal year.

It's important to keep strong fund balance for periods beyond the forecast period due to some larger capital projects and debt service requirements.

Water Operating

15

Residential Bill Comparison (10 ccf)/month



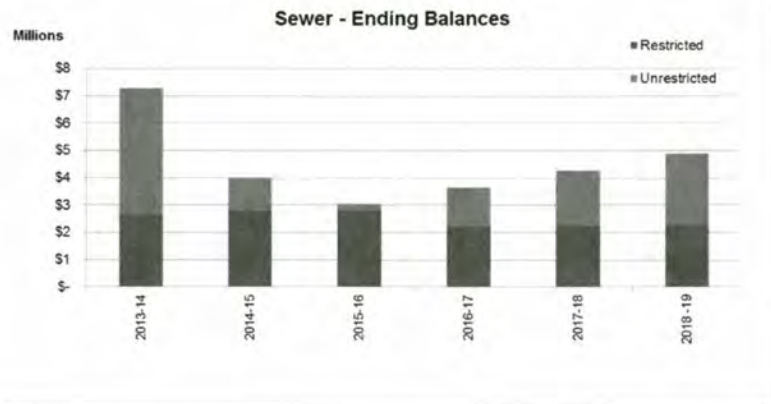
Ccf = hundred cubic feet

During the Water Rate Study an interesting historical comparison of local water rates was completed, which showed a comparison of water bills for customers that used 10 CCF per month.

It's interesting to see on the graph that the City of Wilsonville's bill was the highest of the 5 cities in 2011, but by 2013 only one city was lower, and two surpassed Wilsonville. This trend should continue, since the major costs to build the Wilsonville water treatment plant are completed and other cities are just beginning large capital projects.

Sewer Operating

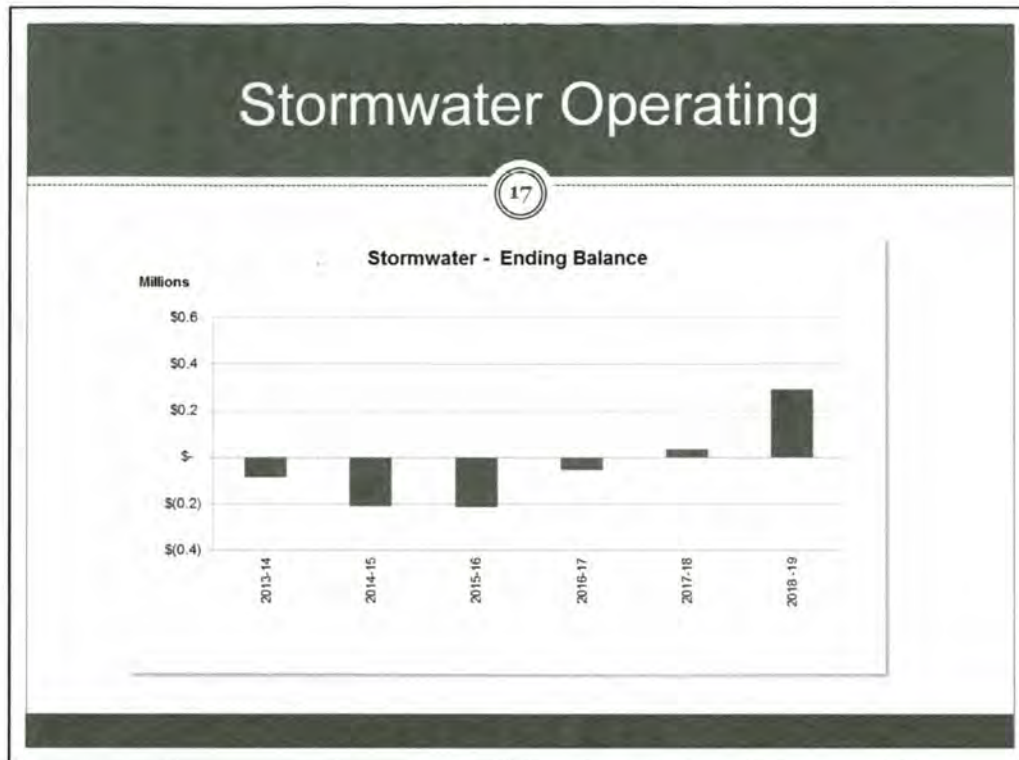
16



Revenues and treatment costs are driven by water consumption. With consumption trending downward in the City, pressure on balancing revenues with costs has been a challenge.

During the 2011-12 fiscal year Council took action to stabilize the fund via a series of 3 rate increases, with the final one being in January 2014 for 10%, which is included in the forecast.

The graph show a decrease in fund balance over the next two years due to debt service increasing by \$1 million next year, and the operations contract with CH2MHill increases when the Wastewater Treatment plant is completed. But then costs are expected to decline about \$650,000 in the 2016-17 fiscal year when older debt is fully retired.



As the graph shows, the Stormwater Operating fund has some potential challenges. If no changes are made this fund will have negative fund balance by the end of this fiscal year. Of course we can't let this happen.

On a positive note, this fund was budgeted to receive a \$700,000 loan from the General Fund last fiscal year, but the loan was not issued at that time, since the ending fund balance was \$600,000 at year end.

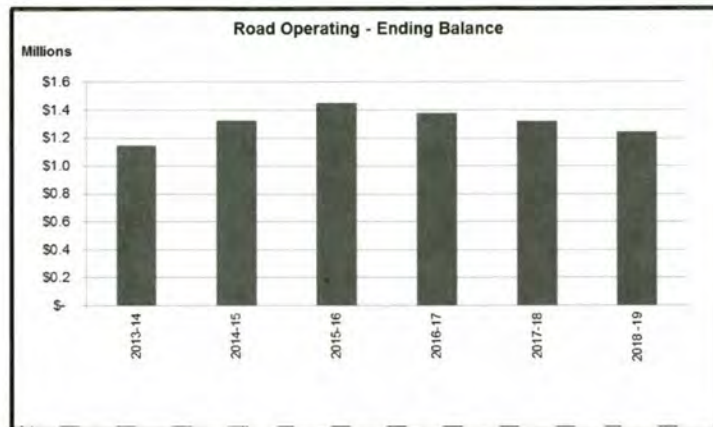
This fund is struggling, since \$1.1 million of unanticipated expenses occurred, which include \$750,000 for the Morey's Landing project that was not included in the Master Plan, and approximately \$400,000 more than planned for the Rivergreen project.

We are being very cautious as we move forward.

The capital list are being analyzed to ensure we have the best information available on the projects and the most recent rate study is being updated to determine the rate adjustment that is needed to be made to stabilize this fund. As a short term solution, this fund may need a loan from the General in the current fiscal year, but this is not included in the forecast.

Road Operating

18

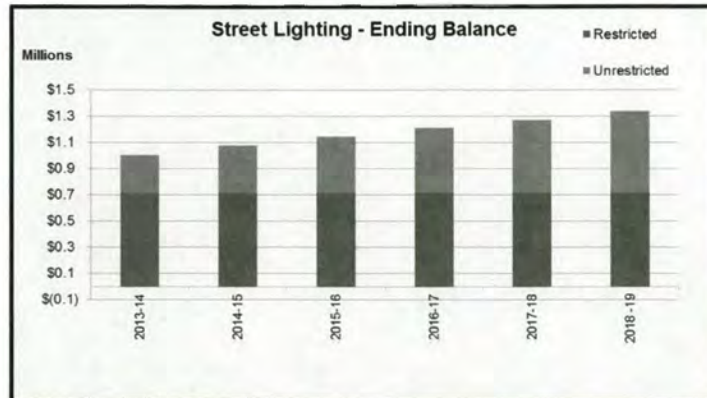


Gas taxes distributed by the State are the primary resource for this fund. The Cities share of this revenue is largely based on population numbers and the model assumes the new residential additions will result in a higher share, thus we are assuming a slight increase in taxes due to population growth.

No major capital projects are assumed, but maintenance costs are forecasted to increase an average of \$80,000 per year due to growth.

Streetlighting

19



The Street Lighting Fund's primary revenue comes from user fees billed on the monthly utility statements.

Revenues are readily predictable as rates are fixed monthly amounts. The model assumes growth from new single family homes and new apartment complexes. No rate increase is anticipated.

Conclusion

20

- The City's Operating Funds are generally strong
 - Stormwater Fund's concerns are being addressed
 - The Transit and Community Development funds will continue to be closely monitored.
- Budget Committee meetings:
 - April 28, 2014
 - May 1, 2014
 - May 8, 2014 (tentative)

For the conclusion of the portion of the presentation:

The Stormwater Fund's are being addressed, and recommendation will be presented to Council.

We will continue to closely monitor the Transit and Community Development Fund.

Budget committee meeting are scheduled for April 28th and May 1st, and a tentative meeting on May 8th.

We are not planning on having a budget 101 presentation this year, but we are happy to meet with individual member of the budget committee to review the Budget 101 presentation or answer any questions that you have

Questions

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