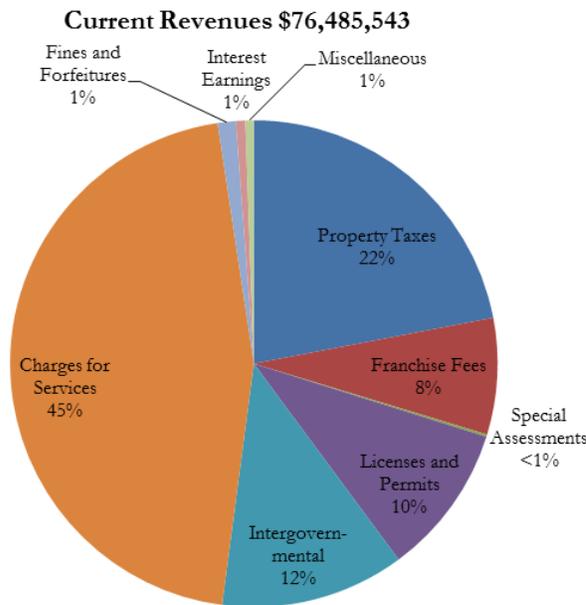
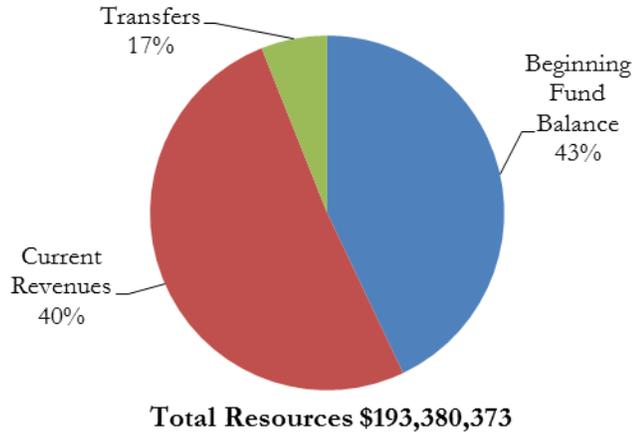


WHERE THE MONEY COMES FROM...

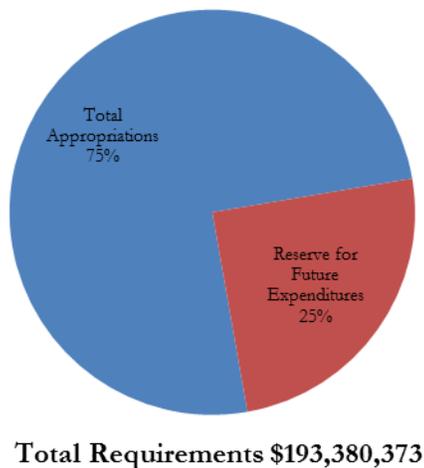
Resources to meet the City of Tigard's obligations and service needs are derived from three primary sources: beginning fund balance, current revenues and fund transfers. Beginning fund balance consists of revenues carried forward from previous fiscal years, including reserves for specific purposes (e.g., debt reserves and capital improvements) and monies used for cash flow. Current revenues are those earned from city operations or taxes collected during the fiscal year. The principal sources of current revenues are utility fees and charges, property taxes, other financing sources (bond proceeds) and building and development fees and charges. The third source is a transfer between funds to pay for either direct or indirect costs.



Resources	
Beginning Fund Balance	\$ 82,935,639
Current Revenues	
Property Taxes	16,806,522
Franchise Fees	5,909,165
Special Assessments	120,000
Licenses and Permits	7,668,363
Intergovernmental	9,335,755
Charges for Services	34,823,564
Fines and Forfeitures	916,007
Interest Earnings	473,849
Miscellaneous	432,319
Other Financing Sources	-
Subtotal Current Revenues	<u>76,485,544</u>
Fund Transfers	<u>33,959,191</u>
Total Resources	<u>\$ 193,380,373</u>

WHERE THE MONEY GOES...

City budgetary requirements fall into three primary categories: total requirements, total appropriations, and program expenditures (or operating expenditures). Total requirements consist of all funds appropriated for use during the fiscal year plus reserve for future expenditures (ending fund balances), which are not appropriated and are not intended to be used. Reserve for future expenditures are available, but are intended for use in future fiscal years. Total appropriations consist of funds available for use during the fiscal year and include program expenditures, debt service, capital improvements, transfers and contingencies. Program expenditures reflect the ongoing operating budget for the delivery of services. The following charts provide information about each of these major categories.



Requirements

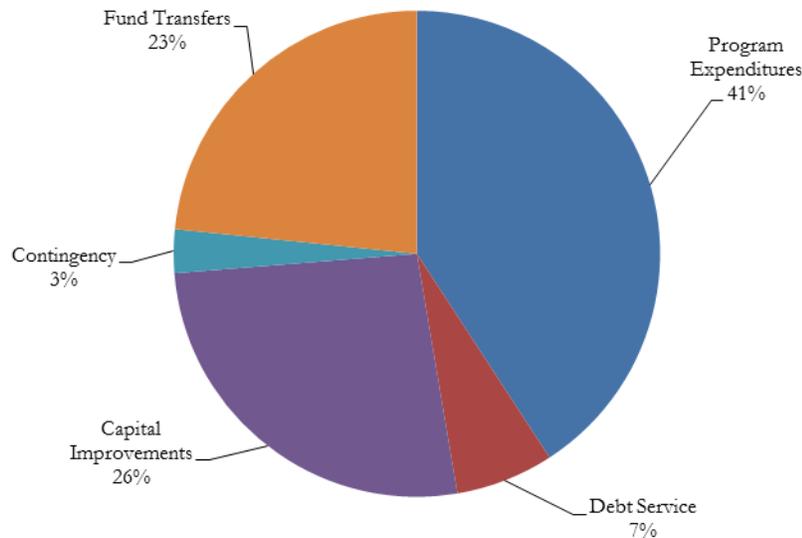
Current Expenditures

Operating Budget	\$ 59,285,989
Debt Service	9,465,985
Loan to CCDA	-
Capital Improvements	38,325,180
Contingency	4,210,000
Subtotal Current Expenditures	111,287,154
Fund Transfers	33,959,191
Subtotal Total Appropriations	145,246,345
Reserve for Future Expenditure	48,134,028
Total Requirements	\$ 193,380,373

The total requirements of the FY 2015-16 city budget are \$193,380,373. Of that amount, 75% is actually appropriated for use during the fiscal year. The remaining 25% is reserved for future expenditures. The reserves are available but are not intended to be used during the fiscal year.

WHERE THE MONEY GOES...

Total Appropriations \$145,246,345



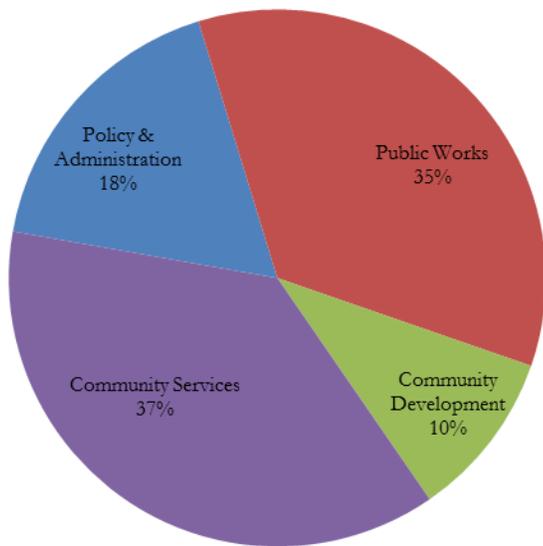
Total appropriations of \$145,246,345 consist of several subcategories of use. Of this amount, Program Expenditures account for 41% of the total. Program Expenditures make up the city's operating budget. Appropriations are also established for debt service, loans to the City Center Development Agency, capital improvements, transfers between funds, and contingencies. Debt service accounts for 7% of total city appropriations and pays principal and interest on outstanding assessment bonds, loans, voter-approved General Obligation bonds and revenue bonds.

Capital improvements account for 26% of total appropriations and consist of major construction or acquisition projects that add to or extend the life of major city facilities and assets. Transfers between funds total roughly 23% of appropriations. Money is transferred between funds to share resources or to pay expenses incurred in one fund that also benefit the program in one or more additional funds. Contingencies account for 3% of total appropriations and are used to pay for unexpected expenses. No money may be spent directly out of a contingency account; if needed, money must be transferred from contingency to another expenditure category by resolution of the City Council.

WHERE THE MONEY GOES...

Program expenditures are the operating budget of the city. Program expenditures pay for the day-to-day costs of running the city and providing services to citizens. This is the heart of the city budget. Program expenditures may be looked at from several different perspectives. Each perspective provides a different view of the use of these dollars. The following charts show three different perspectives of program expenditures.

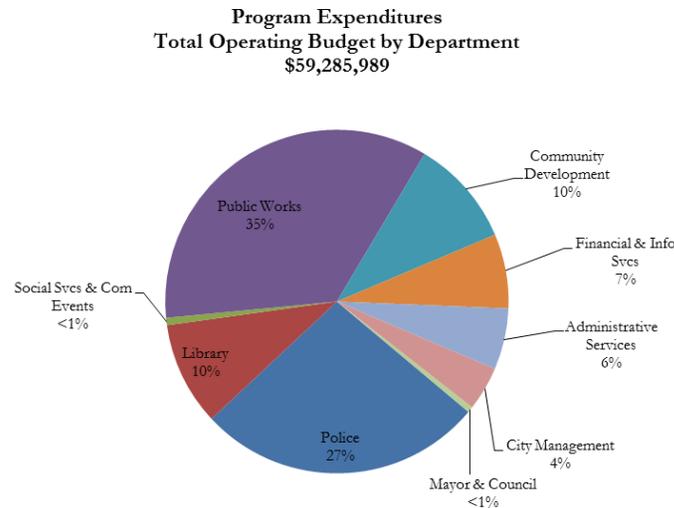
Program Expenditures
Total Operating Budget by Program
\$59,285,989



Program Expenditures by program shows the major functional areas that make up the total city operating budget. The largest functional areas within the operating budget are the Community Services (37%) and Public Works (35%) programs. The Community Services program consists of Police services, Library services, and city grants to social service agencies and community events. The Public Works program consists of services that operate and maintain the city’s infrastructure (streets, water, parks and grounds, sanitary sewer, storm water, fleet maintenance, and city facilities). The Policy and Administration program accounts for 18% of the total operating budget and includes the central city management, administrative functions, Finance, and Information Technology. The Community Development program accounts for 10% of the total operating budget. This program area includes building permits and inspections, and land use planning.

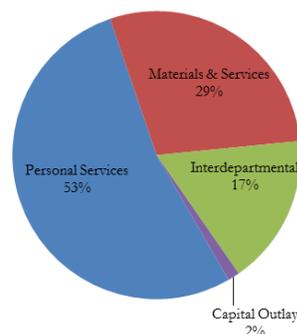
WHERE THE MONEY GOES...

Another way of looking at the city's program expenditures is by department. This view reflects the administrative structure of the city. The largest city department is Public Works with 35% of the budget. Public Works is followed by Police with 27%, Library with 10%, Community Development with 10%, Financial and Information Services 7%, Administrative Services with 6%, City Management with 4%, and the Mayor and City Council at less than 1%.

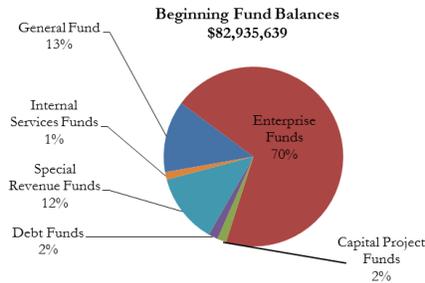


Finally, the third way to view the Program Expenditures is by major object category. Roughly 53% of the operating budget is for Personal Services which are the salaries and benefits for staff who are operating the programs and providing services to the public. Materials and Services, supplies, professional services, small equipment, etc., account for 29% of the operating budget. Capital Outlay (purchases of equipment or vehicles) necessary to running programs and providing services accounts for about 2% of the operating budget. Finally, Interdepartmental expenses pay for services provided within the city and make up 17% of operating expenses.

Program Expenditures
Total Operating Budget by Category
\$59,285,989



FUND BALANCE



The General Fund beginning fund balance is projected to be \$10,709,593. A beginning fund balance is maintained to provide cash flow for specific operations until current year revenues are received. In the General Fund, enough beginning fund balance needs to be held in order to make payroll and pay bills until Property Tax collections arrive in November. The amount needed is about 25 percent of the operating budget. In addition, the fund balance provides funding stability to meet the city's needs projected in the Six Year Financial Forecast.

The largest portion of the beginning fund balances is made up of \$57.9 million in the Enterprise Funds. These funds are dedicated to the operation, maintenance, and capital investment of the city's sanitary sewer, storm water, and drinking water systems. This category grew significantly due to the Water Revenue Bonds that were issued in May 2012 to pay for the first part of the Lake Oswego / Tigard Water Partnership Project to jointly update and expand the water treatment plant and secure a water source for the City of Tigard. The fund balance will continue to decline as the project nears completion.

The Capital Project Funds include \$1.4 million for parks development, street capital improvement projects and facilities projects. The purpose of the capital project funds is to provide a single fund to track the expenditures related to the projects. Generally, the revenues to support the projects are not moved to the capital project funds until they are needed, resulting in a low fund balance.

Special Revenue Funds include \$10.4 million for Gas Tax Funds, Urban Forestry Fund, Building Fund, Street Maintenance Fund, Parks Bond and Parks SDC funds primarily. The largest contributor to fund balance in this group is the \$2.2 million in the Building Fund. The primary revenue for the Gas Tax Fund is from a tax on motor vehicle fuel imposed by Washington County and the State of Oregon. The City Gas Tax Fund was created to account for a local fuel tax imposed by the city, which went into effect in April 2007. Currently all revenues in that fund are dedicated to repaying debt for the Greenburg Road/Pacific Highway intersection and for paying part of the intersection improvements at 72nd and Dartmouth Streets. In addition, with approval from the Tigard Transportation Advisory Committee and City Council, a portion of City Gas Tax is used to fund construction of the Pacific Highway/Gaarde Street/McDonald Street intersection improvements project in FY 2015.

The city has two debt funds, General Obligation Debt Service Fund and the Bancroft Bond Debt Service Fund. The beginning fund balances of just over \$1.4 million are specifically dedicated to the retirement of both General Obligation and Bancroft debt outstanding.

The city's Internal Service Funds provide services to other city departments on a reimbursable basis. Most of the fund balance is in the Insurance Fund. This fund provides coverage for losses unfunded by traditional insurance policies, management of insurance/claim activity, and reduction of significant liability exposures.

ENDING FUND RESERVES SUMMARY BY FUND

Where the prior page described the beginning fund balances, the schedule below outlines the budgeted reserves of the city anticipated at the end of FY 2016, as well as information on the prior three years of history. General Fund Reserves are steady. Overall reserves for the city are decreasing, with the bulk of the decrease in the Enterprise Funds related to use of bond proceeds on the Lake Oswego/Tigard Water Partnership project.

Funds	FY 2013 Actual	FY 2014 Actual	FY 2015 Revised	FY 2016 Proposed	% Change from Revised
General Fund	9,710,836	11,378,275	6,696,271	6,110,153	-8.75%
Total General Fund	\$9,710,836	\$11,378,275	\$6,696,271	\$6,110,153	-8.75%
Sanitary Sewer Fund	6,275,393	5,230,317	2,979,925	2,294,948	-22.99%
Stormwater Fund	2,881,278	3,538,989	4,442,800	2,805,172	-36.86%
Water Quality/Quantity Fund	1,291,132	1,253,044	760,440	776,978	2.17%
Water Fund	14,707,093	16,233,500	18,305,498	5,151,572	-71.86%
Water SDC Fund	3,078,053	3,910,001	3,359,615	4,871,899	45.01%
Water CIP Fund	83,276,923	48,200,050	15,485,106	7,747,397	-49.97%
Water Debt Service Fund	6,605,800	6,641,441	6,441,608	7,041,099	9.31%
Total Enterprise Funds	\$118,115,672	\$85,007,341	\$51,774,992	\$30,689,065	-40.73%
Gas Tax Fund	1,659,936	985,270	10,334	811,551	7753.21%
City Gas Tax Fund	1,547,753	1,736,934	1,238,778	186,149	-84.97%
Electrical Inspection Fund	128,014	124,136	115,431	79,222	-31.37%
Building Fund	1,586,128	1,968,281	2,042,185	2,021,099	-1.03%
Criminal Forfeiture Fund	125,489	182,978	116,917	146,174	25.02%
Urban Forestry Fund	1,248,469	1,349,861	901,435	865,019	-4.04%
Parks Utility Fund	0	0	0	6,586	100.00%
Transportation Development Tax	1,831,451	1,474,749	913,475	1,040,422	13.90%
Traffic Impact Fee Fund	831,112	506,899	0	0	0.00%
Underground Utility Fund	567,555	576,579	314,509	110,931	-64.73%
Street Maintenance Fund	1,224,119	1,370,254	1,012,933	1,185,002	16.99%
Parks Bond Fund	3,915,258	2,395,068	353,472	322,007	-8.90%
Parks SDC Fund	1,959,296	1,568,420	405,912	210,649	-48.10%
Library Donations and Bequests Fund	474,648	474,648	374,648	274,648	-26.69%
Total Special Revenue Funds	\$17,099,227	\$14,714,077	\$7,800,029	\$7,259,459	-6.93%
Central Services Fund	217,305	425,173	138,776	231,085	66.52%
Fleet/Property Management Fund	87,101	87,009	10,851	18,133	67.10%
Insurance Fund	830,267	858,592	789,249	798,151	1.13%
Total Internal Services Funds	\$1,134,673	\$1,370,773	\$938,876	\$1,047,369	11.56%
Bancroft Debt Service Fund	323,472	151,315	339,823	580,019	70.68%
General Obligation Debt Service Fund	394,756	532,328	717,861	1,120,697	56.12%
Total Debt Service Funds	\$718,228	\$683,643	\$1,057,684	\$1,700,716	60.80%
Facilities Capital Projects Fund	1,328,424	905,167	1,179,896	813,234	-31.08%
Transportation SDC Fund	0	0	0	4,000	100.00%
Parks Capital Fund	15,630	496,873	163,149	177,823	8.99%
Transportation CIP Fund	72,568	247,331	314,116	332,209	5.76%
Total Capital Project Funds	\$1,416,621	\$1,649,371	\$1,657,161	\$1,327,266	-19.91%
Total Revenue	\$148,195,258	\$114,803,479	\$69,925,012	\$48,134,028	-31.16%

SUMMARY OF ALL FUNDS

	General Fund	Gas Tax Fund	City Gas Tax Fund	Electrical Inspection Fund	Building Fund
RESOURCES					
Beginning Fund Balance	10,709,593	704,872	126,479	123,229	2,213,677
Taxes	14,330,765	0	0	0	0
Franchise fees	5,909,165	0	0	0	0
Special Assessments	0	0	0	0	0
Licenses and Permits	1,352,420	5,872	0	186,779	1,791,239
Intergovernmental	5,422,785	3,070,117	612,802	0	8,281
Charges for Services	3,038,015	0	0	0	7,035
Fines & Forfeitures	873,006	0	0	0	0
Interest Earnings	103,722	55,732	34,584	1,207	19,782
Miscellaneous	56,432	62,818	32,052	0	932
Other Financing Sources	0	0	0	0	0
Total Revenues	31,086,310	3,194,539	679,438	187,986	1,827,269
Transfers In	0	100,000	0	0	180,000
TOTAL RESOURCES	41,795,903	3,999,411	805,917	311,215	4,220,946
REQUIREMENTS					
Program Expenditures	31,143,314	2,166,046	0	0	1,949,847
Debt Service	0	592,425	316,560	0	0
Loan to CCDA	0	0	0	0	0
Capital Improvement	0	0	0	0	0
Transfers Out	3,422,436	229,389	3,208	181,993	0
Contingency	1,120,000	200,000	300,000	50,000	250,000
Total Budget	35,685,750	3,187,860	619,768	231,993	2,199,847
Reserve for Future Exp	6,110,153	811,551	186,149	79,222	2,021,099
TOTAL REQUIREMENTS	41,795,903	3,999,411	805,917	311,215	4,220,946

SUMMARY OF ALL FUNDS

	Criminal Forfeiture Fund	Urban Forestry Fund	Parks Utility Fund	Bancroft Debt Service Fund	General Obligation Debt Service
RESOURCES					
Beginning Fund Balance	171,842	1,129,996	0	563,718	836,941
Taxes	0	0	0	0	2,475,757
Franchise fees	0	0	0	0	0
Special Assessments	0	0	0	120,000	0
Licenses and Permits	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Charges for Services	0	0	0	0	0
Fines & Forfeitures	43,000	0	0	0	0
Interest Earnings	1,892	4,060	0	0	4,612
Miscellaneous	0	32,813	0	0	-195
Other Financing Sources	0	0	0	0	0
Total Revenues	44,892	36,873	0	120,000	2,480,174
Transfers In	0	0	2,250,000	0	0
TOTAL RESOURCES	216,734	1,166,869	2,250,000	683,718	3,317,115
REQUIREMENTS					
Program Expenditures	70,000	0	2,203,414	0	0
Debt Service	0	0	0	103,200	2,194,525
Loan to CCDA	0	0	0	0	0
Capital Improvement	0	0	0	0	0
Transfers Out	560	251,850	0	499	1,893
Contingency	0	50,000	40,000	0	0
Total Budget	70,560	301,850	2,243,414	103,699	2,196,418
Reserve for Future Exp	146,174	865,019	6,586	580,019	1,120,697

SUMMARY OF ALL FUNDS

	Facilities Capital Projects Fund	Transportation Development Tax	Underground Utility Fund	Street Maintenance Fund	Transportation SDC Fund
RESOURCES					
Beginning Fund Balance	675,181	1,112,633	425,300	1,360,585	0
Taxes	0	0	0	0	0
Franchise fees	0	0	0	0	0
Special Assessments	0	0	0	0	0
Licenses and Permits	0	700,000	48,948	2,084,860	65,000
Intergovernmental	0	0	0	0	0
Charges for Services	0	0	0	-5,050	0
Fines & Forfeitures	0	0	0	0	0
Interest Earnings	3,212	11,279	7,160	2,043	0
Miscellaneous	0	0	0	1,299	0
Other Financing Sources	0	0	0	0	0
Total Revenues	3,212	711,279	56,108	2,083,152	65,000
Transfers In	1,320,266	0	0	0	0
TOTAL RESOURCES	1,998,659	1,823,912	481,408	3,443,737	65,000
REQUIREMENTS					
Program Expenditures	0	0	0	0	0
Debt Service	0	0	0	0	0
Loan to CCDA	0	0	0	0	0
Capital Improvement	1,106,100	6,800	0	1,830,000	0
Transfers Out	29,325	526,690	320,477	228,735	11,000
Contingency	50,000	250,000	50,000	200,000	50,000
Total Budget	1,185,425	783,490	370,477	2,258,735	61,000
Reserve for Future Exp	813,234	1,040,422	110,931	1,185,002	4,000
TOTAL REQUIREMENTS	1,998,659	1,823,912	481,408	3,443,737	65,000

SUMMARY OF ALL FUNDS

	Parks Capital Fund	Parks Bond Fund	Parks SDC Fund	Transportation CIP Fund	Sanitary Sewer Fund
RESOURCES					
Beginning Fund Balance	298,740	1,700,000	1,000,054	379,619	3,586,876
Taxes	0	0	0	0	0
Franchise fees	0	0	0	0	0
Special Assessments	0	0	0	0	0
Licenses and Permits	0	0	478,027	0	16,549
Intergovernmental	0	0	0	0	221,770
Charges for Services	0	0	0	0	1,590,932
Fines & Forfeitures	0	0	0	0	0
Interest Earnings	3,015	4,020	19,782	0	100,333
Miscellaneous	0	0	0	0	143,091
Other Financing Sources	0	0	0	0	0
Total Revenues	3,015	4,020	497,809	0	2,072,675
Transfers In	3,151,561	0	0	1,083,448	0
TOTAL RESOURCES	3,453,316	1,704,020	1,497,863	1,463,067	5,659,551
REQUIREMENTS					
Program Expenditures	0	0	0	0	1,915,476
Debt Service	0	0	0	0	0
Loan to CCDA	0	0	0	0	0
Capital Improvement	3,151,561	0	6,800	1,073,448	984,693
Transfers Out	123,932	1,382,013	1,180,414	57,410	64,434
Contingency	0	0	100,000	0	400,000
Total Budget	3,275,493	1,382,013	1,287,214	1,130,858	3,364,603
Reserve for Future Exp	177,823	322,007	210,649	332,209	2,294,948
TOTAL REQUIREMENTS	3,453,316	1,704,020	1,497,863	1,463,067	5,659,551

SUMMARY OF ALL FUNDS

	Stormwater Fund	Water Quality/Quantity Fund	Water Fund	Water SDC Fund	Water CIP Fund
RESOURCES					
Beginning Fund Balance	3,774,154	828,705	20,245,015	4,397,081	18,020,000
Taxes	0	0	0	0	0
Franchise fees	0	0	0	0	0
Special Assessments	0	0	0	0	0
Licenses and Permits	0	-253	31,335	873,715	0
Intergovernmental	0	0	0	0	0
Charges for Services	2,595,949	0	18,827,178	0	0
Fines & Forfeitures	0	0	0	0	0
Interest Earnings	7,936	15,102	30,644	233	13,096
Miscellaneous	3,100	0	10,933	0	5,318
Other Financing Sources	0	0	0	0	0
Total Revenues	2,606,985	14,849	18,900,090	873,948	18,414
Transfers In	0	0	58,751	0	18,840,921
TOTAL RESOURCES	6,381,139	843,554	39,203,856	5,271,029	36,879,335
REQUIREMENTS					
Program Expenditures	1,693,515	0	8,682,558	0	0
Debt Service	0	0	0	0	0
Loan to CCDA	0	0	0	0	0
Capital Improvement	1,265,096	0	0	0	28,900,682
Transfers Out	417,356	16,576	24,869,726	299,130	231,256
Contingency	200,000	50,000	500,000	100,000	0
Total Budget	3,575,967	66,576	34,052,284	399,130	29,131,938
Reserve for Future Exp	2,805,172	776,978	5,151,572	4,871,899	7,747,397
TOTAL REQUIREMENTS	6,381,139	843,554	39,203,856	5,271,029	36,879,335

SUMMARY OF CONTINGENCY

	Water Debt Service Fund	Central Services Fund	Fleet/Property Management Fund	Insurance Fund	Library Donations and Bequests Fund	Total All Funds
RESOURCES						
Beginning Fund Balance	7,049,007	182,372	113,138	832,184	374,648	82,935,639
Taxes	0	0	0	0	0	16,806,522
Franchise fees	0	0	0	0	0	5,909,165
Special Assessments	0	0	0	0	0	120,000
Licenses and Permits	0	33,872	0	0	0	7,668,363
Intergovernmental	0	0	0	0	0	9,335,755
Charges for Services	0	6,986,481	1,783,024	0	0	34,823,564
Fines & Forfeitures	0	0	0	0	0	916,006
Interest Earnings	0	22,593	0	7,810	0	473,849
Miscellaneous	0	19,900	29,686	34,140	0	432,319
Other Financing Sources	0	0	0	0	0	0
Total Revenues	0	7,062,846	1,812,710	41,950	0	76,485,543
Transfers In	6,259,273	698,824	16,147	0	0	33,959,191
TOTAL RESOURCES	13,308,280	7,944,042	1,941,995	874,134	374,648	193,380,373
REQUIREMENTS						
Program Expenditures	0	7,562,957	1,848,862	50,000	0	59,285,989
Debt Service	6,259,275	0	0	0	0	9,465,985
Loan to CCDA	0	0	0	0	0	0
Capital Improvement	0	0	0	0	0	38,325,180
Transfers Out	7,906	0	0	983	100,000	33,959,191
Contingency	0	150,000	75,000	25,000	0	4,210,000
Total Budget	6,267,181	7,712,957	1,923,862	75,983	100,000	145,246,345
Reserve for Future Exp	7,041,099	231,085	18,133	798,151	274,648	48,134,028
TOTAL REQUIREMENTS	13,308,280	7,944,042	1,941,995	874,134	374,648	193,380,373

SUMMARY OF CONTINGENCY

The FY 2015-16 budget includes contingency appropriations for most operating funds. Contingencies are built into the budget to ensure that funds are available for unforeseen events and to build a cushion into revenue estimates.

Contingencies may not be spent directly; if needed, they must be transferred to a program expenditure by resolution of the City Council. If not transferred to a program expenditure during the fiscal year, the contingency amount becomes part of the ending fund balance.

Fund	FY 2016 Fund Budget	FY 2016 Fund Contingency	Contingency as % of Budget
100-General Fund	\$ 35,685,750	\$ 1,120,000	3.1%
200-Gas Tax Fund	\$ 3,187,860	\$ 200,000	6.3%
205-City Gas Tax Fund	\$ 619,768	\$ 300,000	48.4%
220-Electrical Inspection Fund	\$ 231,993	\$ 50,000	21.6%
230-Building Fund	\$ 2,199,847	\$ 250,000	11.4%
240-Criminal Forfeiture Fund	\$ 70,560	\$ -	0.0%
260-Urban Forestry Fund	\$ 301,850	\$ 50,000	16.6%
270-Parks Utility Fund	\$ 2,243,414	\$ 40,000	1.8%
300-Bancroft Debt Service Fund	\$ 103,699	\$ -	0.0%
350-General Obligation Debt Service Fund	\$ 2,196,418	\$ -	0.0%
400-Facilities Capital Fund	\$ 1,185,425	\$ 50,000	4.2%
405-Transportation Development Tax	\$ 783,490	\$ 250,000	31.9%
411-Underground Utility Fund	\$ 370,477	\$ 50,000	13.5%
412-Street Maintenance Fund	\$ 2,258,735	\$ 200,000	8.9%
415-Transportation SDC	\$ 61,000	\$ 50,000	82.0%
420-Parks Capital Fund	\$ 3,275,493	\$ -	0.0%
421-Parks Bond Fund	\$ 1,382,013	\$ -	0.0%
425-Parks SDC Fund	\$ 1,287,214	\$ 100,000	7.8%
460-Transportation CIP	\$ 1,130,858	\$ -	0.0%
500-Sanitary Sewer Fund	\$ 3,364,603	\$ 400,000	11.9%
510-Stormwater Fund	\$ 3,575,967	\$ 200,000	5.6%
511-Water Quality/Quantity Fund	\$ 66,576	\$ 50,000	75.1%
530-Water Fund	\$ 34,052,284	\$ 500,000	1.5%
531-Water SDC Fund	\$ 399,130	\$ 100,000	25.1%
532-Water CIP Fund	\$ 29,131,938	\$ -	0.0%
533-Water Debt Service Fund	\$ 6,267,181	\$ -	0.0%
600-Central Services Fund	\$ 7,712,957	\$ 150,000	1.9%
650-Fleet/Property Management Fund	\$ 1,923,862	\$ 75,000	3.9%
660-Insurance Fund	\$ 75,983	\$ 25,000	32.9%
980-Library Donation & Bequests	\$ 100,000	\$ -	0.0%
Total	\$ 145,246,345	\$ 4,210,000	2.9%

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

Introduction

The City of Tigard has developed a comprehensive long term financial forecast every year since the 1980's. This forecast allows the city to project expected revenues and expenditures for each of its funds to help anticipate financial requirements. This tool continues to be central to Tigard's financial management strategy. By forecasting and anticipating financial trends, Tigard can develop strategies to respond to emerging issues.

The city forecasts operating and capital fund revenues and expenditures over a six-year period. The forecast is adjusted as each year's final results are known and as new years are budgeted. There are some key assumptions in the design of Tigard's forecasts:

- The forecasts only assume known decisions and do not presume future decisions of Council. This means that the operating budgets only include those staff and related materials and services that are currently approved, or are proposed in this document.
- Revenues are forecasts based on best information available for future annual rate of change.
- Budgeted expenditures and forecasted expenditures are different. Budgeted expenditures represent the maximum expense allowed by council. Actual expenses are always less than budget because the budget cannot be legally exceeded. The forecast is based on an estimate of actual expenditures. Recent history shows that the city spends approximately 95 percent of operating budget (e.g. payroll, supplies, services, and equipment). This is the basis for forecasting operating expenditures.

The intent of the forecast is to show the relative size and impact of current decisions and what decisions will be required in the future. It is not uncommon for a forecast to show a declining fund balance. That does not mean that the fund balance will be where we have forecasted it to be in five years; it means that the city will take actions of a proportionate size to ensure that the fund balance stays above minimum requirements.

General Fund Recent History

As a result of these forecasting efforts and a projected decline in general fund balances due to the recession, the city took steps to reduce expenditures prior to the end of FY 2010 and FY 2012. Staff also continues to revise current fees and charges based on cost recovery and construction cost indices.

There are some significant financial issues facing the city over the next six years. One key issue relates to the city's capital improvement needs. The city has identified capital project needs, but does not have the resources to implement all of them. The following charts do not include the all the needed projects that do not have funding source. The reason for this is because almost all the funds would show large negative fund balances, which is not realistic or practical. The city will continue to prioritize the needed capital projects, seek alternative revenue sources, and develop financing strategies to construct as many of the needed capital projects as possible.

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

The general fund is unique in that, unlike the city's other funds, it is unrestricted in nature and can therefore be used for any valid purpose to provide government services. Because these funds are unrestricted there are also great demands for these resources to fund projects and programs for which other, restricted monies are insufficient or unavailable. It is therefore critical that these funds be used judiciously and a sufficient reserve balance be maintained for unforeseen expenditures.

General fund needs a minimum of 25 percent of budget in fund balance; this is represented as the orange line in the following graph. Nearly half of the general fund's revenue comes from property tax which is mostly received in late November and December. From the beginning of the fiscal year in July until the property tax collection in late November, the general fund expends more than it receives. The fund balance is used in order to make payroll and other regular expenses.

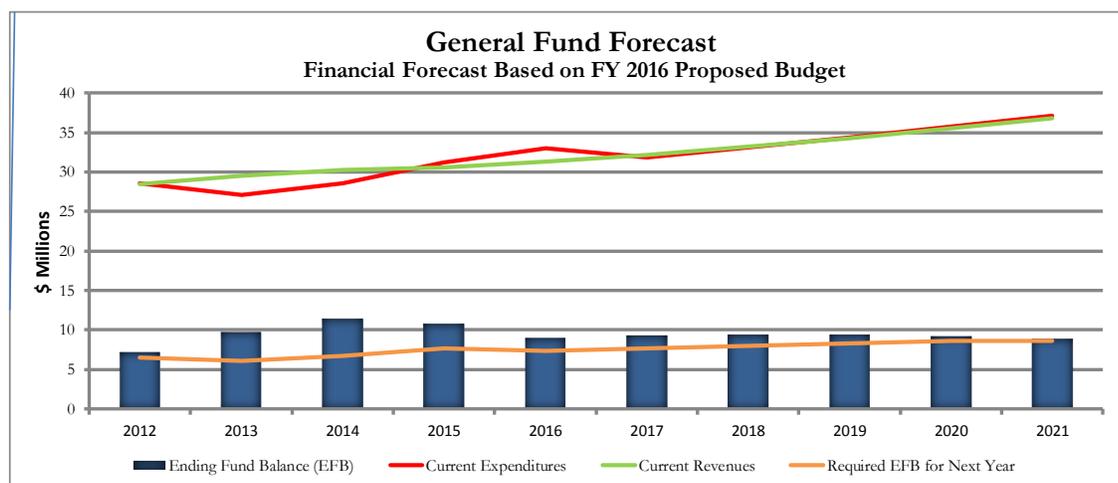
By performing the forecast, Tigard has been able to navigate through some important decisions. Some of the key financial decisions that Tigard has implemented include:

- Toward the end of Fiscal Year 2010, the city implemented significant cuts in services, reducing the General Fund budget by \$2.6 million and 17.20 FTE citywide.
- Entering FY 2013, it was apparent that the recession would not have a robust recovery and revenues growth would remain muted. The adopted budget for FY 2013 instituted the second round of financial and service level cuts including:
 - a. Significant reductions of \$1.9 million in General Fund and central service funds and 18.0 FTE citywide.
 - b. One of the key components to making the forecast sustainable is changing the growth in medical / dental benefits for the non-represented employees paid by the City from ten to five percent annually. Non-represented employees will pick up the difference by contributing more toward these benefits.
 - c. The Electrical Franchise Fee is increased from 3.5% to 5.0%. In addition, the Budget Committee recommended increasing the Solid Waste Franchise Fee to 5%.
- During FY 2014, the city and the SEIU Union agreed to a medical/dental benefit cost sharing structure similar to the one implemented with non-represented employees the year before. When the two employee groups are combined, the change in the growth of the city's cost in medical/dental benefits going from 10% annually to 5% has lowered overall annual growth rate in all expenditures from 3.5% to 3.0%. Over the course of the forecast, this saves approximately \$1.5 million in the General Fund.

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

General Fund based on FY 2016 Proposed Budget

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Current Expenditures	28.6	27.1	28.6	31.2	33.0	31.9	33.1	34.4	35.7	37.1
Current Revenues	28.5	29.5	30.3	30.6	31.3	32.2	33.3	34.3	35.5	36.8
Required EFB for Next Year	6.6	6.1	6.7	7.6	7.4	7.7	7.9	8.3	8.6	8.6
Ending Fund Balance (EFB)	7.3	9.7	11.4	10.8	9.0	9.3	9.4	9.4	9.2	8.9



In preparing the Proposed Budget for FY 2016, the cuts made in prior years and the promise of stability is foremost in mind. Departments were asked to prepare a “Level Budget” with very few changes that have been outlined in the Budget Transmittal. These include a new Police Officer for the Commercial Crimes Unit supported by an increase in the Business License fee and a new Recreation Coordinator position.

The primary change in the General Fund is the removal of the Parks department to the new Parks Utility Fund. The General Fund supports four services: library, police, parks, and community building. In the Proposed Budget for FY 2016, parks is removed from the General Fund and moved to the new utility fund. Initially, the new fund is supported by a transfer from the General Fund in FY 2016. Starting in FY 2017, the parks utility fee will support the Parks Department and General Fund will reinvest the resources that previously supported parks services with enhancements to library, police, and community building.

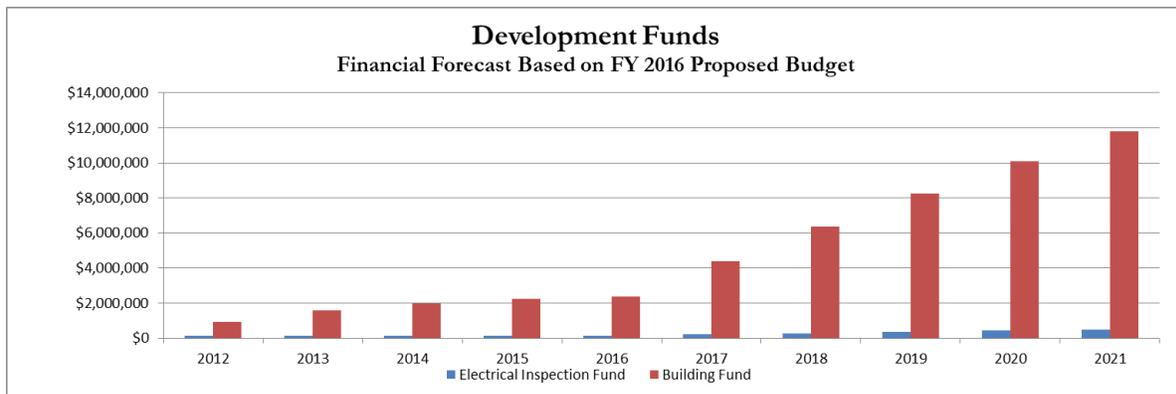
The forecast above shows the impact of a \$1.8 million reinvestment. As demonstrated above, this reinvestment has the same issue of expenditure growth outpacing revenue growth and the fund balance by 2021 is at the minimum requirement. This would indicate that the total reinvestment will likely need to be slightly less than the amount included in the General Fund forecast above.

Tigard has been successful in getting growth in expenditures and revenues to get closer, but expenditure growth of about 4.0% is still outpacing revenue growth of approximately 3.5%. The challenge that the community still faces is the inability to add to existing services, or start new services. Moving parks service to a self-funded utility will be the first action that Tigard can take to pro-actively impact service levels. Long-term, Tigard is still faced with some combination of the following decisions:

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

- 1) Further impact the rate of growth in expenditures. With personnel expenditures representing approximately 60 percent of operations, this is the area where the most impact can be made. This has been an area of focus over the last several years and substantial containment in cost growth may already be maximized.
- 2) Implement additional city revenue sources. These typically will not grow faster, but will provide a higher starting point for the steady decline, putting off the point where expenditures exceed revenues. These can be small incremental changes as Tigard has pursued in the past, or larger changes such as local option operating levy or pursuit of a gross receipts tax.
- 3) Make further service level and expenditure reductions in one area to support additional services in other areas.

Development Funds



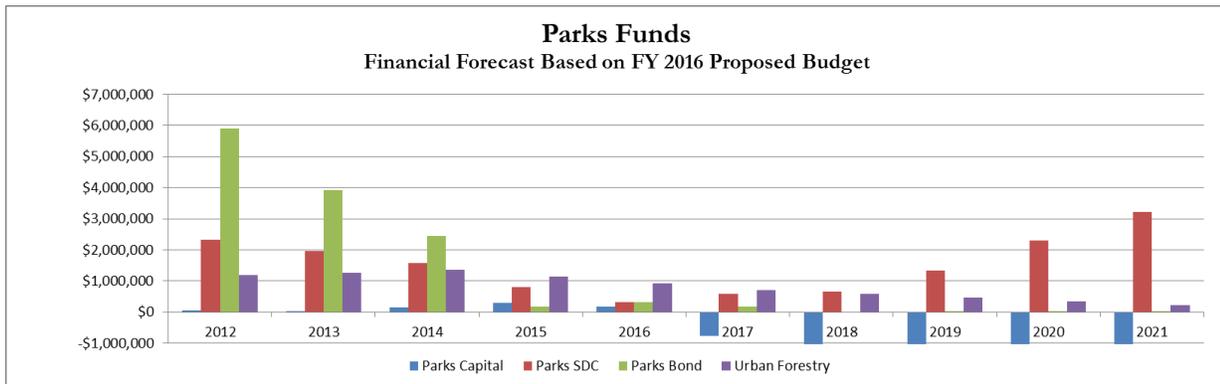
The projections for the city's development funds (building and electrical inspection funds) show these funds are growing. In 2008-09, building ended the year with a fund balance near zero even after laying off seven staff and reducing hours for the remaining staff in this fund. In FY 2009-10, the building fund was further stabilized by a one-time \$300,000 resource transfer from general fund and a fee increase designed to generate an additional \$250,000 annually.

Activity in the Building Division has had some steady increases. Over the last several years, staff has been steadily added back to address the activity increases. The Proposed FY 2016 budget includes 1.5 FTE to aid in plans examination and records. With the development of the River Terrace area, it is anticipated that even more staff will be added in the near future, but that cost is not yet reflected in the forecast.

Expenses of all the building inspection services are charged to the building fund. The electrical inspection fund transfers money into the building fund to pay for those costs associated with electrical inspection services. The transfer is evaluated and updated each year based upon the actual activity.

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Park Funds



The revenues in the parks funds include the system development charge (SDC), urban forestry revenues, grants, and the Parks Bond that was approved by voters in November 2010. Resources from the Park SDC Fund are transferred to the Parks Capital Fund to pay the SDC portion of the capital projects. These projects have been identified in the city's Parks Master Plan. The most recent SDC methodology and fee is scheduled to be approved by the City Council in April 2015 as part of a review of infrastructure costs and fees related to development in River Terrace.

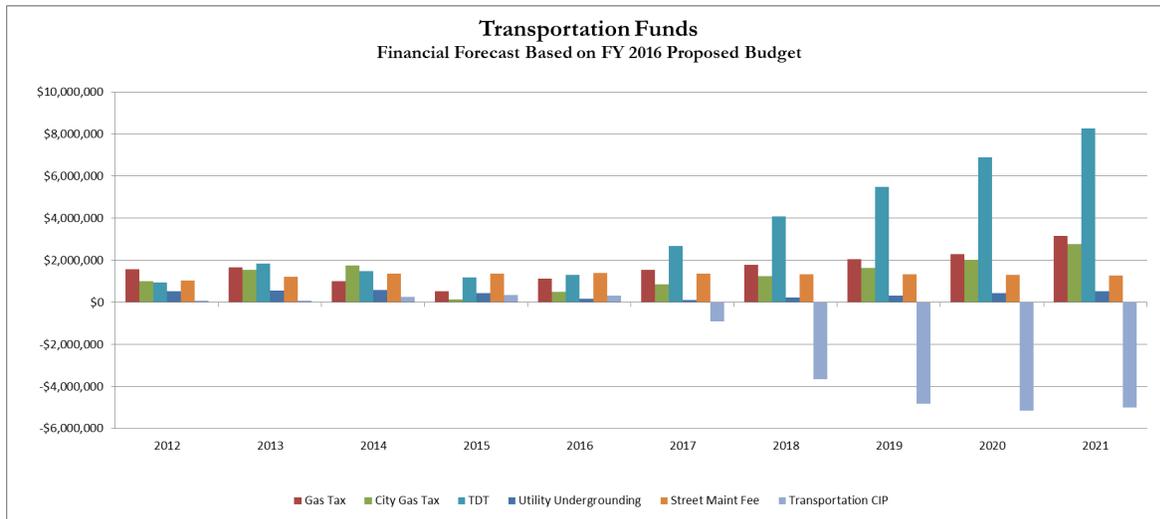
In FY 2008-09 the Urban Forestry Fund (formerly known as the Tree Replacement Fund) was established to account for revenue collected from developers in lieu of planting trees. The fund is then used to plant trees in Tigard. In FY 2010-11, a significant number of commitments from developers who failed to plant were called, increasing the fund balance over \$1 million.

In November 2010 Tigard voters approved a \$17 million Parks Bond to help the city acquire and develop additional parks, with at least 80 percent to be used to acquire land and the remaining amount to develop parks. Of the total, ten percent can be used in downtown. By the end of FY 2015, most of the parks bond will be spent on development and land acquisition, including Dirksen Nature Park, Sunrise Park, Potso Dog Park, and East Butte Heritage Park.

The Parks CIP Fund is showing a negative balance due to the Dirksen Nature Park project being partially funded. For the nature park, an additional \$1,460,000 will be needed for parks construction and \$1,175,000 will be needed for half-street improvements as reflected in the negative fund balance in the Transportation CIP fund in the following discussion. These will be a priority when working with our regional partners.

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

Transportation Funds



The city's transportation funds include the Gas Tax, Transportation Development Tax (TDT), Street Maintenance Fee, City Gas Tax, and the Transportation CIP Fund.

There are some funding challenges. First, Gas Tax revenues are flattening due to leveling of fuel purchases caused by more efficient vehicles. With steadily increasing maintenance operations, street light and signal energy bills, and steady debt service payments through FY 2020, the ability to pay for capital out of this fund is being compromised. Second, there are partially funded projects totaling \$5 million in the Transportation CIP fund that is driving the fund balance negative. The projects are sidewalk projects at Tiedeman Avenue and Commercial Street.; Main Street Phase 2 is seeking \$1.7 million in transportation funding; and Dirksen Nature Park has another \$1.175 million in half-street improvements needed. If funding is not identified, the projects will be re-scoped or delayed.

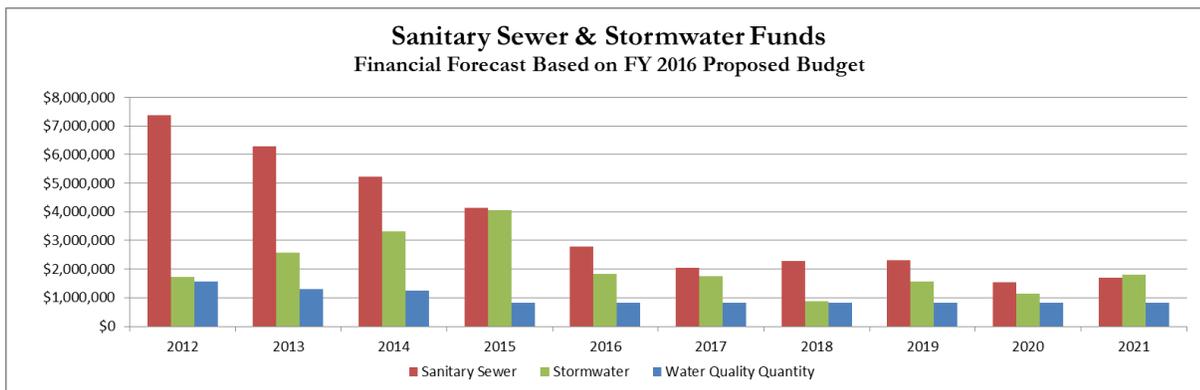
The city gas tax was established to account for revenues generated from Tigard's local gas tax. The 3-cent tax was developed by a citizen task force who recommended it as a way to fund improvements to the Greenburg Rd./Pacific Hwy./Main St. intersection. All proceeds generated are currently dedicated to this one project. Repaying the debt service for this project will take about half of the funds resources allowing the fund balance to grow. This fund has also helped to pay for improvements at the 72nd/Dartmouth intersection and Pacific Hwy/McDonald/Garde intersection.

The fees collected from the TDT may only be used for roadway and transit capital improvements that provide additional capacity to major transportation systems, and to pay the costs of administering the program. Like the gas tax fund, the forecast includes only those street projects that the fund can afford. TDT revenues are increasing with the growth in development in River Terrace. This is the one resource that has programed capacity among the transportation funds and will likely be needed in River Terrace to help pay for expansion of Roy Rodgers Road.

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The city took steps to address existing local street conditions by adopting a Street Maintenance Fee in November 2003 with an update approved in January 2010. This fee provides a stable source of revenue designated for use in the maintenance of existing streets. The Tigard Municipal Code requires that the fee be evaluated every five years and Council is currently evaluating the fee. It is anticipated that the fee will be increased to address the backlog of streets that are in poor condition and increase the city's pavement condition from a measurement of about 70 to 80+ where it is most cost effective to maintain streets. The fund balance is needed, since most of the program's expenditures happen in the beginning of the fiscal year when the weather is good for construction.

Sanitary and Stormwater Funds



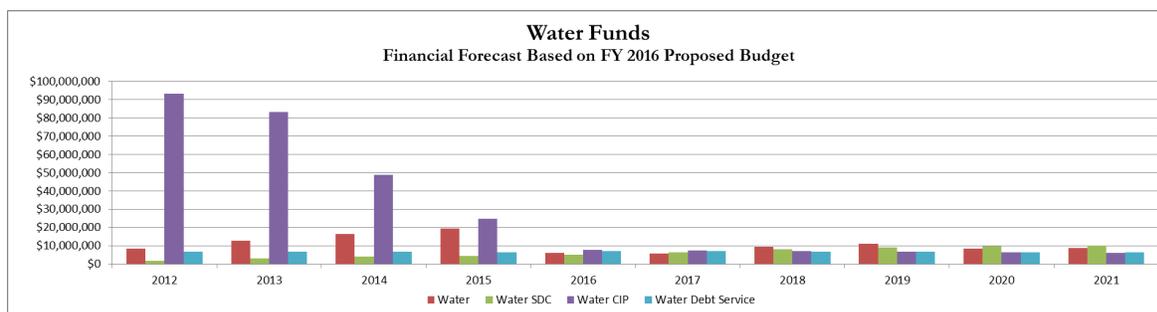
These funds support all of the sanitary sewer and stormwater collection and detention systems in the city. The city provides these services based upon an Intergovernmental Agreement (IGA) with Clean Water Services (CWS), which is a local service district in Washington County that provides both sanitary sewer treatment and stormwater management services. The Board of Directors of CWS sets all service charges and system development charges for both sanitary sewer and stormwater services throughout the service district.

Tigard is responsible for maintaining local sewer lines; however, sewer revenues have not kept up with increasing costs of maintaining this vital infrastructure. Without a change, the fund is able to afford operational maintenance, but is unable to perform needed capital projects. The financial forecast reflects that lack of capital projects in the sewer fund. If the projects were added, the fund balance would quickly become negative. Sewer rates and the city's share of the revenues are set by the region's sewer provider, Clean Water Services (CWS). For every dollar that a customer pays, \$0.84 goes to CWS, \$0.05 goes to the General Fund as the Franchise Fee, and \$0.11 goes to the Sewer Fund. The City of Tigard is the only city inside of CWS's service area that hasn't implemented, or is currently pursuing a sewer surcharge. The city is in the midst of reviewing implementation of a sewer surcharge to ensure funding for this vital infrastructure.

The stormwater fund shows a stable moderate fund balance in the coming years. In an effort to offset little or no increases from CWS over the past few years, the city has implemented a \$2.00 per month charge to stormwater fees. This surcharge allows the city to maintain a sustainable cash flow and to construct needed capital projects in future years.

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

Water Funds



The water funds include the water, the water system development charge (SDC), the water Capital Improvement Plan (CIP), and water debt service funds. The water CIP Fund is reserved for a long-term water source and other water distribution system capital projects. The costs of the Water Division are funded solely by the revenues in the water fund.

The financial condition of the water funds is driven by both the needs in the capital program as well as the cost of the day-to-day operation and maintenance of the water system in the city. The most important factor in the city's capital program remains the need for a long-term source of water. In August 2008 the city entered into an agreement with the city of Lake Oswego for a long-term water source. The project to upgrade Lake Oswego's water treatment plant is underway.

In November 2010, City Council adopted a Water Financing Plan through 2020 to fund the LO/Tigard partnership project with a subsequent update to the plan in March 2012. Since then, Tigard has agreed to buy an additional 4 million gallons per day (mgd) of capacity from Lake Oswego, bringing Tigard's share to 18 mgd. The forecast is based on a modified version of the financing plan which includes issuance of an additional water bond of \$30.8 million in FY 2015. The first debt issuance of \$97.7 million was issued in May 2012.

Along with the Water Financing Plan, Council adopted revised water utility charges and System Development Charges. This plan was updated for the additional 4 mgd during FY 2015. The initial plan implemented water utility charges that roughly doubled over a five year period and SDCs will roughly triple over the next four years. The update includes an additional 10.5 percent increase in water rates that took effect on January 1, 2016. This will be followed by four years of 2.5 percent increases to water rates.

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

Synopsis

The city's Five Year Financial Forecast shows that in the short term the city has some challenges, but appears to be in a good position to address those challenges. The General Fund is sustainable for the next several years due to cuts in service made in FY 2010 and FY 2012 and decreased growth in medical/dental costs. However, without major change the services that General Fund supports will slowly decline due to the inability of revenue to keep up with the cost of meeting the demand for services. Action is needed and is proposed in this FY 2016 budget. The Building Fund is stable and will support staffing growth that will be needed to serve growth in the River Terrace area. Available transportation funding sources to pay debt service on Burnham St and the Greenburg / Main Street / Pacific Highway intersection as well as some projects on Walnut and McDonald/Gaarde/Pacific Hwy Intersection. A major transportation need is to find regular funding for sidewalks. Funding a long-term water source for Tigard is a necessary and expensive process that required significant borrowing coupled with significant rate increases to repay the debt. The Sewer Fund has insufficient revenues to maintain the city's local infrastructure and a change will be made in late FY 2015. The city will continue to monitor its revenues and expenditures and will develop plans and options to manage its resources to continue to provide quality services to its citizens.



*Bridge crossing at Summerlake Park
Tigard, Oregon*