

FY 2009-2010 BUDGET TRANSMITTAL

To the Citizens of the City of Tigard:

I submitted my proposal for the City of Tigard FY 2009-10 Budget April 27, 2009. The City Budget Committee reviewed my proposal, made some changes and passed the Budget on to the City Council for final adoption. The City Council adopted this Budget on June 9, 2009. This was a very challenging proposal to develop. Clearly the current economy is creating major challenges for all of us, and the City of Tigard is no exception. Fortunately, because of the nature of our primary revenue streams, the impacts are not as great as those being experienced by many sectors of our economy, but our challenges are no less real for that. In addition, some long-term capital plans that the City has been working towards over the past several years are now coming to implementation. This is creating additional challenges. The City has been forecasting anticipated financial needs over a five year window for many years. Those forecasts have consistently shown short term financial strength and long term challenges. With the double impact of the economy and major capital projects, those long term challenges are now within the window of immediate concern.

Local governments operate under a different environment than most (if not all) sectors of private enterprise. In the private sector during hard economic times, the demand for goods and services drop. As a result, revenues drop and businesses must cut expenses to match both their revenues and the demand for their goods. In the public sector during hard economic times, the demand for services frequently increases. Typically, crime rates go up, requiring better policing. Tigard crime rates are on an upward trend. Libraries typically see increased customer traffic and the public choose to borrow books, CDs, DVDs and other materials rather than purchase them, and we see increased attendance at Library programs. This trend is happening in Tigard and the Library continues to break circulation and attendance records. Local governments also tend to see increased park usage during hard economic times, and that is certainly occurring in Tigard. In addition, over the past several years, Tigard has been adding parks in response to citizen demands, and now we have a larger inventory to maintain. Other City services are also experiencing increased or steady customer demand.

This budget is mindful of the need to respond to citizen demands for increased service levels while recognizing that our opportunities to increase revenues during the current conditions are extremely limited. Tigard adopted a status quo budget that maintains current service levels within our existing resources. This budget works for FY 2009-10, but it also sets up some challenges for future years. A major focus for the Budget Committee and City Council this year was how to position Tigard to meet these future challenges.

A central factor to be considered as we reviewed this Budget was how long to expect our current economic conditions to continue. If I believed that the current economy were a short blip that would turn around in the next several months, or if I believed that the current economy was the start of a major, long-term disruption or realignment of the financial structure of our country, I would have proposed a very different budget. Instead, what we are hearing is that we are in the current hard times most likely through the end of 2010. After that time, the recovery should be picking up steam. This is the reason that Tigard adopted a status quo budget rather than attempting to make major changes at this time.

The Adopted Budget also contains two major capital projects that merit more discussion and consideration. The first of these is the Burnham St. project and the second is the Long Term Water Supply project.

FY 2009-2010 BUDGET TRANSMITTAL

The Burnham St. Project encompasses the total rebuild of Burnham St. in the downtown Urban Renewal District. It is a key catalyst to the eventual redevelopment of downtown. The project was designed with the help of a citizen advisory committee and includes widening of the roadway, wide sidewalks, planted medians in portions of the road, and on-street parking. The City has been working to purchase needed right of way and is ready to call for bids in August. The project will be funded by a combination of State Gas Tax and Traffic Improvement Fees. We need to issue revenue bonds to fund the cost of this project over time. The size and cost of the project, however, meant that debt service on the bonds would use all available funding over the next 10 years and would jeopardize our ability to support street, street light, and traffic signal operations. Staff and I took alternatives to the current Burnham plan to the Budget Committee. The Budget Committee approved an alternative to split the project into phases to be bid separately. This will help the City to determine if there is a more economical approach to the project that will reduce the long-term financial impact on Tigard's transportation funds.

Tigard has been working to secure a long term source of water over the last 15 years (at least.) Tigard has never had its own source of water and has had to purchase water from the City of Portland and the Joint Water Commission. Last year, Tigard entered into a water partnership with the City of Lake Oswego, which for the first time in our history provides us with ownership interest in a source of water. This was the least expensive option of all those that we studied, but the cost is still substantial. We have always assumed that we will pay for the cost of a long term source of water by issuing bonds to spread those costs over the long term. This budget anticipates the first borrowing for this project.

Impact of the Economy

The revenue outlook for Tigard is guarded. Overall, our revenues are still increasing, but the rate of increase has dropped, leading to a flattening of our revenue streams. The City's largest single revenue is property tax. Due to Property Tax Measure 50, property tax is no longer based on market value. Rather, the assessed value used for property tax is allowed to increase by three percent per year until such time as it meets market value. Over time, the market value has grown faster than the assessed value. Assessed value is now about 60% of market value. This means that the annual 3% growth in assessed values (and therefore property tax revenues) can continue for several years. This also means that the City's property tax collection is 60% of what it would have been if it were based on market value. What has changed due to the economy is a lack of new construction to add to the base assessed value.

At the same time that demand for services is increasing and revenues are flat, the cost of providing services continues to increase. Departments have trimmed the budget down to a status quo level, removing almost all increases or changes to programs. Outside of Community Development where 11.6 FTE positions were cut due to the reduction in Building activity, the City is adding only 0.3 FTE. Staff remains Tigard's most valuable resource. The Budget includes contractually obligated cost of living adjustments (COLAs) and increased contributions for medical and dental benefits. Management and professional staff have volunteered to forego their COLA this year. SEIU employees chose to keep their COLA, and as a result, SEIU employees will be furloughed 10 days during the year to offset COLA costs. TPOA agreed to defer their COLA to January 1, 2010, and one police position will be held vacant all year to offset TPOA COLA costs. These actions build savings of \$580,000 into the FY 2009-2010 Budget.

FY 2009-2010 BUDGET TRANSMITTAL

The same economic factors that create challenges to provide services are also impacting Tigard's ability to afford capital improvements for roads, parks, water, and facilities. Many capital projects are funded with charges and fees that are collected when development occurs. With the downturn in development, the revenue for these improvements has slowed drastically. Another major source of revenue comes from taxes on the sale of gas. Recent high gas prices have decreased sales of gasoline and the resulting gas tax revenues. The last major source of revenue is from water sales. This revenue source is the most robust, but also have some of the greatest demands placed upon it with the need to fund long-term water supply.

Budget Document

The Budget document contains the details of the City's finances. The budget complies with the City's financial policies found in the Appendix. As stated earlier, this is a largely status quo budget for Tigard operations. Below are the few exceptions:

- The Building Division cut 11.6 FTE during the 2008-09 fiscal year due to the economy. The Adopted Budget maintains this cut.
- In Office Services there is a 0.1 FTE increase. The increase is a result of two Administrative Assistant positions being reduced from 1.0 FTE to 0.8 FTE and a 0.5 FTE Graphic Designer converting from temporary part time to permanent part time.
- In City Administration, there is a swap of positions. Volunteer coordination is being decentralized to the departments and the 0.8 FTE position is being cut. At the same time, the division will add a 0.8 FTE Community Event Coordinator to meet the growing demand for events that bring citizens together.
- In 2008-09 Public Works Administration took over the work of room reservations. This is in addition to the parks reservations they already administered and was done without additional staff. The Budget adds 0.2 FTE Administrative Specialist bringing the total of the two positions to 1.8 FTE.

For the City's operations, those are the only changes. The rest of Community Development, Public Works and City Administration; and all of Police, Library, and Finance and Information Services are unchanged.

The Capital Improvement Plan follows current priorities of Tigard. While we have managed to fund many projects, there are \$65 million in projects over the next 5 years that have not been funded. Some of the highlights include:

- Burnham St. reconstruction and Ash St. Extension: by the end of 2008-09, property acquisition and design should be complete and construction should begin in 2009-10. The total project will cost \$9.5 million, use most of the remaining Traffic Impact Fee funds, and require up to \$6.35 million in borrowing to be paid back by the Gas Tax Fund.
- Main St./Green St. retrofit is included. Design will continue in 2009-10 with construction in 2010-11. Most of the \$3 million in expense is being funded directly through ODOT. This Budget includes the \$700,000 in required City matching funds and to perform water utility work.

FY 2009-2010 BUDGET TRANSMITTAL

- The Greenburg Rd/Hwy 99/Main St. improvements being funded by the City Gas Tax of \$0.03/ gallon is slated to complete land acquisitions in 2009-10 with construction in 2010-11.
- Tigard continues to add Parks land and develop existing parks such as an extension of Jack Park to include a trail to access Walnut St by the new Fire Station. Most of the Parks projects are funded by General Fund, parks system development charges, or intergovernmental revenues such as Metro Greenspace funds.
- The water system continues to be a high priority for Tigard. There is over \$7.5 million to be invested in the system in 2009-10. Tigard has entered into a partnership with Lake Oswego to provide both cities with a secure long-term water source. This is a long and expensive project, but is less expensive than the other available alternatives. Combining 2008-09 and 2009-10, Tigard will have to borrow \$5.5 million on a line of credit to be paid off by issuing water bonds in a subsequent year.
- Sanitary Sewer and Storm Water collection systems continue to be extended and improved. The Adopted Budget has \$2.4 million in system improvements.
- In Facilities, Tigard is starting to look at city facility needs long-term. The Budget includes \$250,000 in seed funds to start saving for this future need.

Budget Issues

The primary challenges for Tigard in 2009-10 reside in four funding areas: General Fund, Building Fund, Transportation funding, and Water funding.

- General Fund pays for all of Police and Library; and portions of Community Development, Policy and Administration, and Public Works. The ending fund balance for the Adopted 2009-10 Budget is \$600,000 less than the adopted ending fund balance for 2008-09. There are a number of factors that come in to play. General Fund is starting with \$2.3 million less than it did in 2008-09. Outside of transfers in, revenues are flat. Transfers in from other City funds are up due to revamping the allocation of Public Works Administration and Community Development Administration to supported funds. Personnel expenses are increasing. The budget assumes that all positions are filled for the entire year, as required by Local Budget Law, even though we can reasonably expect that vacancies will occur throughout the year. With Management Staff electing to forego their COLA, furloughs to offset the COLA in SEIU, and TPOA negotiating to postpone their COLA for 6 months, Tigard will see savings of \$460,000. This savings will help offset the \$600,000 decrease in ending fund balance. All staff that are eligible to receive step increases have a 5% step budgeted. All staff have a 10% increase in medical and dental expenses budgeted. Lastly, the Budget contains a \$300,000 resource transfer to the Building Fund.
- The Building Fund has seen drastic changes since the 2008-09 Budget was adopted. Revenues slowed and are expected to be only one-third of what was budgeted. In October, Tigard cut 10 positions from the Division and the remaining positions were reduced by 0.2 FTE for a total cut of 11.6 FTE.

FY 2009-2010 BUDGET TRANSMITTAL

The program expenses in the 2009-10 Budget are forty percent of the Adopted 2008-09 program expenses. The Building Division has been reduced to two staff to keep the front counter open during business hours, three staff to perform inspections, one staff to perform plans examination, one permit system staff, and one manager. As stated above, these staff are all working a 32 hour work week to save money. Any further reductions in staffing will impact the ability to provide building services. Even with these reductions, fee revenues will not be enough to cover the expenses of the division. To bridge the gap in funding, the Adopted 2009-10 Budget includes a \$300,000 resource transfer from the General Fund and staff is instructed to bring Council a proposal that will increase fee revenue by \$250,000.

- As stated earlier, in the area of transportation funding, the capital projects that are in the 2009-10 Budget will impact the City's ability to fund future operations. Burnham Street reconstruction will require borrowing to be repaid by Gas Tax and Traffic Impact Fees. However, Gas Tax revenues also support operations of the roads and the electrical bill for traffic and street lights. There is only enough Gas Tax to support the existing operations. By borrowing this year, Tigard will have debt repayment in for the next 10 years. There are not enough resources to pay the debt and fund existing operations. To help minimize the potential shortfall, Tigard will seek two alternatives to the full Burnham project that will maintain the purpose of the project, but decrease the cost.
- Long-term water supply for Tigard is requiring a substantial investment. In 2008-09 and 2009-10, Tigard will pay Lake Oswego and Sherwood \$5.1 million for facility improvements that will benefit Tigard. Eventually, Tigard will issue revenue bonds backed by water rates, but until then the City's payments will be made by doing short-term borrowing on a line-of-credit.

In addition to the primary challenges, there are some other areas of fiscal note.


- In the last budget, there was a discussion of starting a Criminal Court in Tigard. Council asked staff to look into the Court and assess the benefits and interest in the community. The interest in the community is low. In light of the economy and tight revenues, we have not included this in 2009-10.
- Tigard has started a process to assess our long-term City facility needs. Public Works and Police facilities have been identified as top concerns. This will require future resources.
- During 2009-10, Tigard will start exploring the possibility of going out for a voter approved Parks Bond to help the city acquire and develop additional Parks. In 2009-10, the City will spend the last of the Metro Greenspaces funds and will not have sufficient revenues to continue to expand parks to serve Tigard residents. The forecast does not yet include this potential revenue and expense.

FY 2009-2010 BUDGET TRANSMITTAL

Summary

The primary challenge in the 2009-10 Budget is sustainability over the long term. Many of our funds are budgeted to end 2009-2010 with less money in the bank than they start with. This is not uncommon. Often Tigard budgets more expenses than revenues because it is rare to spend all budgeted funds. Positions go vacant and efficiencies are found. The challenge is that the 2009-10 Adopted Budget has ending fund balances that are lower than they have been in prior years and this is concerning. Tigard has adopted a budget that maintains the status quo, and which implements some long-planned capital improvements based on the assumption that economic conditions should start to improve by the end of 2010. If conditions do not improve as quickly as anticipated, the FY 2010-11 Budget will require major restructuring.

Sincerely,



Craig Prosser

City Manager

COUNCIL GOALS

The City Council meets annually to set out its goals for the coming year. For our 2009 Goals, Council has focused on tasks that they feel must be done in 2009 to lay the foundation for progress five, ten, and fifteen years in the future.

Council would also like to acknowledge on-going tasks, programs, and projects that serve and protect Tigard citizens. These work items are in process and do not require specific Council action. Examples include obtaining a permanent and secure water source for the City, greenspace acquisition, fiscal viability, public safety, and library services.

Council Goals for 2009

1. Implement Comprehensive Plan

- a. Update Tigard zoning maps based on Comprehensive Plan Update
- b. Update Tree Code to meet Comprehensive Plan
- c. Continue to lobby for light rail in 99W Corridor
- d. Develop a 50-year aspirational goal in support of Urban/Rural Reserves Program

2. Implement Downtown Urban Renewal

- a. Move forward with Burnham Street Project
- b. Complete land use regulations and design standards for the downtown

3. Prepare for 2010 Bond Measure for Parks, Open Spaces and Trails

- a. Complete Parks Master Plan
- b. Pursue Fanno Park and downtown plaza property acquisition

4. Continue to support the legislature in addressing the financial needs of state and local governments in Oregon

5-Year Goals

- Implement Comprehensive Plan
- Develop a long-term financial strategy
- Obtain 99W designation as the next Light Rail Corridor
- Prepare 2010 Bond Measure for Parks, Open Spaces and Trails
- Begin 99W access management implementation
- Support WCCLS and Public Safety levy renewals in 2010
- Begin City Facility Needs Plan implementation

COUNCIL GOALS

Long Term Goals

- Pursue opportunities to reduce traffic congestion in Tigard
- Seek to improve Hwy 99 Corridor (land use, alternative routes, traffic, etc.)
- Implement Downtown Urban Renewal Plan

CITYWIDE ORGANIZATION CHART - BY PROGRAM

