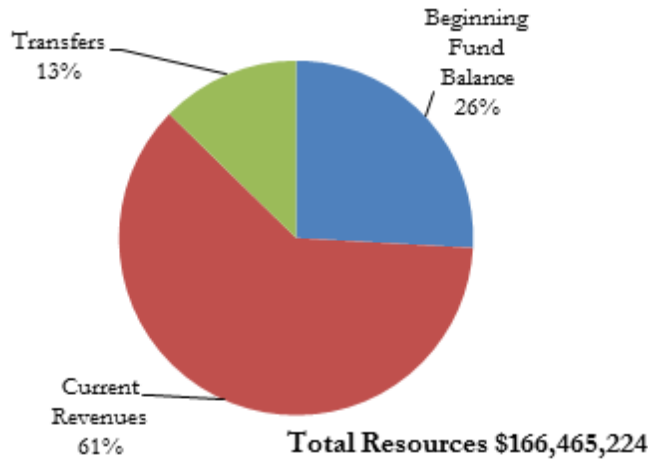
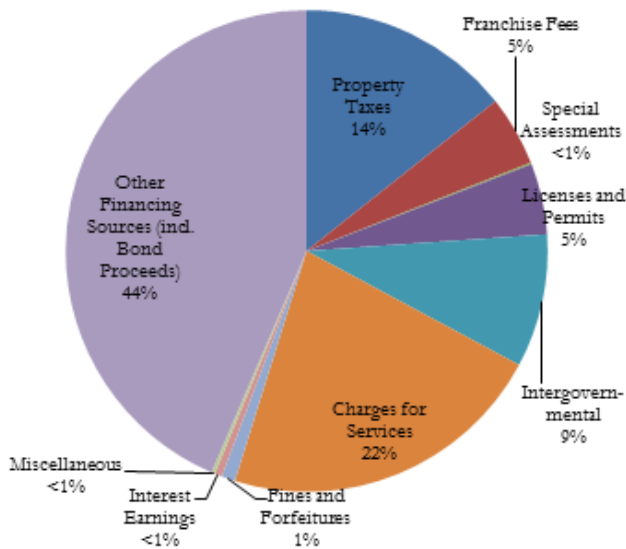


WHERE THE MONEY COMES FROM...

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, 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.



Current Revenues \$102,251,988

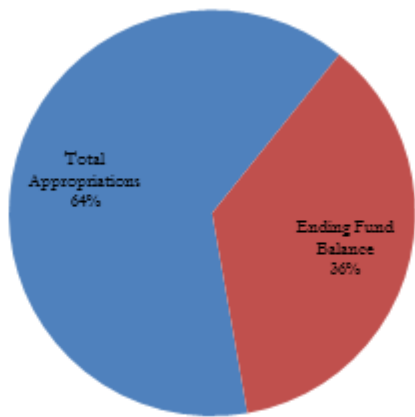


Resources

Beginning Fund Balance	\$ 43,094,567
Current Revenues	
Property Taxes	14,644,268
Franchise Fees	4,797,202
Special Assessments	120,000
Licenses and Permits	4,867,937
Intergovernmental	9,149,270
Charges for Services	22,470,978
Fines and Forfeitures	944,100
Interest Earnings	502,819
Miscellaneous	232,687
Other Financing Sources	44,522,727
Subtotal Current Revenues	<u>102,251,988</u>
Fund Transfers	21,118,669
Total Resources	<u><u>\$ 166,465,224</u></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 ending fund balances, which are not appropriated and cannot be used. Ending fund balances are reserved 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.



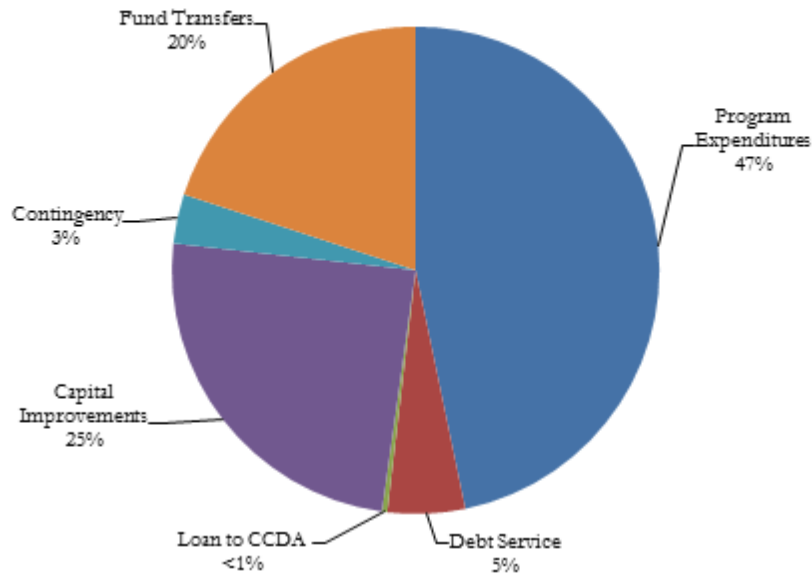
Total Requirements \$166,465,224

Operating Budget	\$	49,435,066
Debt Service		5,423,068
Loan to CCDA		375,000
Capital Improvements		25,955,846
Contingency		3,461,255
Subtotal Current Expenditures		84,650,235
Fund Transfers		21,118,669
Ending Fund Balance		60,696,319
Total Requirements	\$	166,465,224

The total requirements of the FY 2011-12 city budget total \$166,465,224. Of that amount, 64% is actually appropriated for use during the fiscal year. The remaining 36% is ending fund balances. These balances are not intended to be used during the fiscal year and are reserved for future requirements and cash flow.

WHERE THE MONEY GOES...

Total Appropriations \$105,768,904



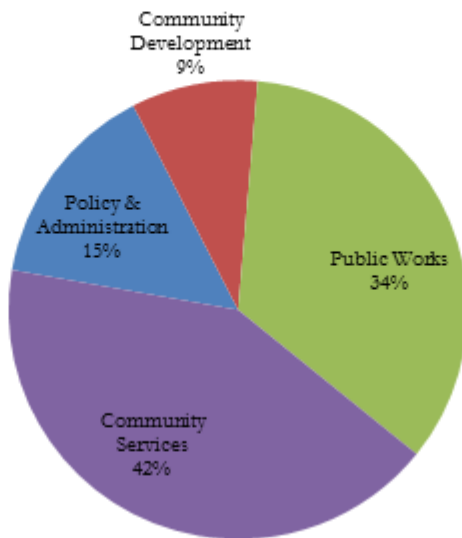
Total appropriations of \$105,768,904 consist of several subcategories of use. Of this amount, Program Expenditures account for 47% of the total. Program Expenditures make up the city's operating budget. Appropriations are also established for debt service, loans to the City Center Development Agency, capital improvements, transfers between funds, and contingencies. Debt service accounts for 5% of total city appropriations and pays principal and interest on outstanding assessment bonds, loans, and voter-approved General Obligation bonds. Loans to the City Center Development Agency make up less than 1% of appropriations.

Capital improvements account for 25% 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 20% 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

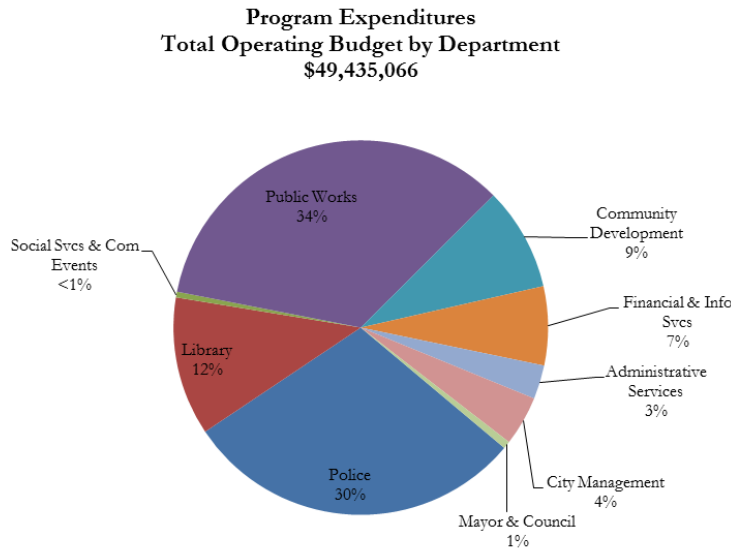
Program Expenditures
Total Operating Budget by Program
\$49,435,066



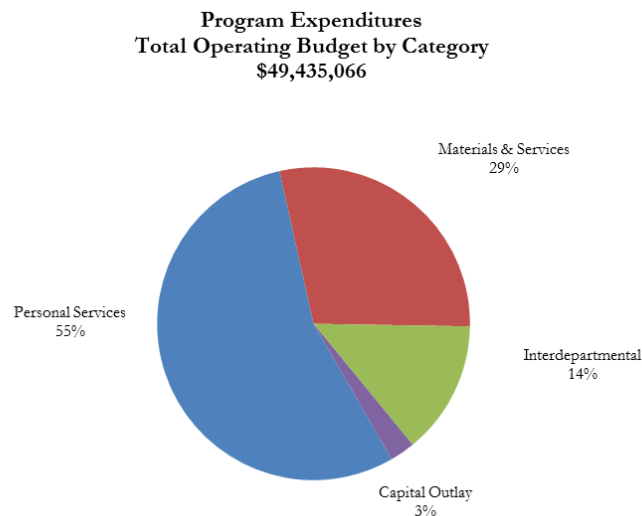
Program Expenditures by program shows the major functional areas that make up the total city operating budget. The largest functional areas within the operating budget are the Community Services (42%) and Public Works programs (34%). The Community Services program consists of Police services, Library 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 system, parks and grounds, sanitary sewer, storm water, fleet maintenance, and city facilities). The Community Development program accounts for 9% of the total operating budget. This program area includes building permits and inspections, and land use planning. The Policy and Administration program accounts for 15% of the total operating budget and includes the central city administrative functions, Finance, and Information Technology.

WHERE THE MONEY GOES...

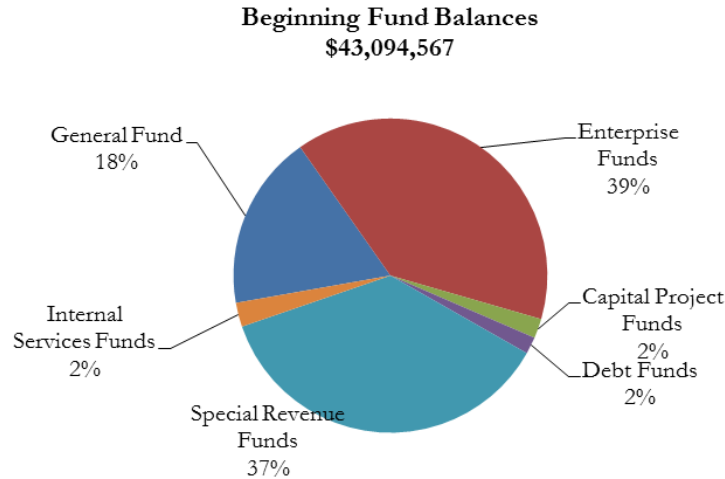
Another way of looking at the city's program expenditures is by department. This view reflects the administrative structure of the city. The largest city department is Public Works with 34% of the budget. Public Works is followed by Police with 30%, Library with 12%, City Management with 4%, Administrative Services with 3%, Community Development with 9%, Financial and Information Services 7%, and the Mayor and City Council at 1%.



Finally, the third way to view the Program Expenditures is by major object category. Roughly 55% 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 3% of the operating budget. Finally, Interdepartmental expenses pay for services provided within the city and make up 14% of operating expenses.



FUND BALANCE



The General Fund beginning fund balance is projected to be \$7,766,831. A beginning fund balance is maintained to provide cash flow for specific operations until current year revenues are received. In addition, the fund balance provides funding stability to meet the city's needs projected in the Five Year Financial Forecast.

The largest portion of the beginning fund balances is made up of \$16.9 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.

The Capital Project Funds include \$0.9 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 \$15.7 million for Gas Tax Funds, Urban Forestry Fund, Building Fund, street maintenance funds, and Parks Bond and Parks SDC funds primarily. The largest contributor to fund balance in this group is the \$8.0 million remaining in the Parks Bond Fund from the \$17 million bond approved by the voters of Tigard in November 2010. 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. These revenues will be dedicated to a specific capital street project. Currently all revenues in that fund are dedicated to the Greenburg Road/Pacific Hwy. intersection. Another of the street maintenance funds include the Traffic Development Tax Fund (TDT), which is a charge on new development assessed by Washington County, but is collected by cities (it replaces TIF).

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 \$750,000 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.

SUMMARY OF ALL FUNDS

	General Fund	Gas Tax Fund	City Gas Tax Fund	Electrical Inspection Fund	Building Fund	Criminal Forfeiture Fund
RESOURCES						
Beginning Fund Balance	7,766,831	914,841	507,743	60,958	309,853	44,109
Taxes	12,435,379	0	0	0	0	0
Franchise fees	4,797,202	0	0	0	0	0
Special Assessments	0	0	0	0	0	0
Licenses and Permits	866,846	2,602	0	197,037	1,150,479	0
Intergovernmental	5,486,963	2,961,761	692,265	0	8,281	0
Charges for Services	258,155	0	0	0	0	0
Fines & Forfeitures	944,100	0	0	0	0	0
Interest Earnings	103,206	55,455	34,412	1,201	19,684	1,883
Miscellaneous	22,431	0	0	0	9,891	0
Other Financing Sources	375,000	0	0	0	0	0
Total Revenues	25,289,282	3,019,818	726,677	198,238	1,188,335	1,883
Transfers In	3,045,293	75,000	0	0	197,037	0
TOTAL RESOURCES	36,101,406	4,009,659	1,234,420	259,196	1,695,225	45,992
REQUIREMENTS						
Program Expenditures	29,649,009	2,024,960	0	0	1,179,625	0
Debt Service	0	621,632	327,426	0	0	0
Loan to CCDA	375,000	0	0	0	0	0
Capital Improvement	0	0	0	0	0	0
Transfers Out	1,061,630	657,328	0	197,037	199,844	15,000
Contingency	903,755	300,000	50,000	30,000	200,000	0
Total Budget	31,989,394	3,603,920	377,426	227,037	1,579,469	15,000
Reserve for Future Exp	4,112,012	405,739	856,994	32,159	115,756	30,992
TOTAL REQUIREMENTS	36,101,406	4,009,659	1,234,420	259,196	1,695,225	45,992

SUMMARY OF ALL FUNDS

	Urban Forestry Fund	Bancroft Debt Service Fund	General Obligation Debt Service	Facilities Capital Projects Fund	Transportation Development Tax	Traffic Impact Fee Fund
RESOURCES						
Beginning Fund Balance	1,544,790	510,918	241,321	518,717	259,498	518,672
Taxes	0	0	2,208,889	0	0	0
Franchise fees	0	0	0	0	0	0
Special Assessments	0	120,000	0	0	0	0
Licenses and Permits	0	0	0	0	176,678	65,920
Intergovernmental	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0
Fines & Forfeitures	0	0	0	0	0	0
Interest Earnings	4,040	37,282	4,589	3,196	11,223	11,223
Miscellaneous	40,000	0	0	0	0	515
Other Financing Sources	0	0	0	0	0	0
Total Revenues	44,040	157,282	2,213,478	3,196	187,901	77,658
Transfers In	0	0	0	667,791	0	0
TOTAL RESOURCES	1,588,830	668,200	2,454,799	1,189,704	447,399	596,330
REQUIREMENTS						
Program Expenditures	0	0	0	0	0	0
Debt Service	0	193,422	2,195,951	0	0	0
Loan to CCDA	0	0	0	0	0	0
Capital Improvement	0	0	0	310,800	0	0
Transfers Out	160,878	4,830	0	42,878	351,984	73,307
Contingency	0	0	0	70,000	40,000	20,000
Total Budget	160,878	198,252	2,195,951	423,678	391,984	93,307
Reserve for Future Exp	1,427,952	469,948	258,848	766,026	55,415	503,023
TOTAL REQUIREMENTS	1,588,830	668,200	2,454,799	1,189,704	447,399	596,330

SUMMARY OF ALL FUNDS

	Underground Utility Fund	Street Maintenance Fund	Parks Capital Fund	Parks Bond Fund	Parks SDC Fund	Transportation CIP Fund
RESOURCES						
Beginning Fund Balance	400,531	429,204	346,668	8,000,000	2,366,258	0
Taxes	0	0	0	0	0	0
Franchise fees	0	0	0	0	0	0
Special Assessments	0	0	0	0	0	0
Licenses and Permits	15,629	1,588,808	0	0	374,825	0
Intergovernmental	0	0	0	0	0	0
Charges for Services	0	-5,050	0	0	0	0
Fines & Forfeitures	0	0	0	0	0	0
Interest Earnings	7,124	2,033	3,000	4,000	19,684	0
Miscellaneous	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Total Revenues	22,753	1,585,791	3,000	4,000	394,509	0
Transfers In	0	0	6,601,360	0	0	961,915
TOTAL RESOURCES	423,284	2,014,995	6,951,028	8,004,000	2,760,767	961,915
REQUIREMENTS						
Program Expenditures	0	0	0	0	0	0
Debt Service	0	0	0	0	282,711	0
Loan to CCDA	0	0	0	0	0	0
Capital Improvement	0	1,115,400	6,389,639	0	0	721,696
Transfers Out	0	155,323	462,197	4,781,116	1,543,944	240,218
Contingency	0	100,000	50,000	0	300,000	0
Total Budget	0	1,370,723	6,901,836	4,781,116	2,126,655	961,914
Reserve for Future Exp	423,284	644,272	49,192	3,222,884	634,112	1
TOTAL REQUIREMENTS	423,284	2,014,995	6,951,028	8,004,000	2,760,767	961,915

SUMMARY OF ALL FUNDS

	Sanitary Sewer Fund	Stormwater Fund	Water Quality/Quantity Fund	Water Fund	Water SDC Fund	Water CIP Fund
RESOURCES						
Beginning Fund Balance	9,570,004	641,887	1,506,972	1,459,045	132,176	3,594,159
Taxes	0	0	0	0	0	0
Franchise fees	0	0	0	0	0	0
Special Assessments	0	0	0	0	0	0
Licenses and Permits	25,750	0	4,250	12,538	361,575	0
Intergovernmental	0	0	0	0	0	0
Charges for Services	1,734,500	1,850,689	0	11,680,758	0	0
Fines & Forfeitures	0	0	0	0	0	0
Interest Earnings	99,834	7,897	15,027	30,492	232	13,031
Miscellaneous	126,250	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	44,147,727
Total Revenues	1,986,334	1,858,586	19,277	11,723,788	361,807	44,160,758
Transfers In	0	0	0	58,751	0	1,427,026
TOTAL RESOURCES	11,556,338	2,500,473	1,526,249	13,241,584	493,983	49,181,943
REQUIREMENTS						
Program Expenditures	859,149	1,323,061	0	6,236,017	0	0
Debt Service	0	0	0	0	0	0
Loan to CCDA	0	0	0	0	0	0
Capital Improvement	2,374,374	749,738	0	0	0	14,294,199
Transfers Out	888,567	320,310	0	3,739,296	361,575	5,761,407
Contingency	400,000	100,000	0	500,000	0	0
Total Budget	4,522,090	2,493,109	0	10,475,313	361,575	20,055,606
Reserve for Future Exp	7,034,249	7,364	1,526,249	2,766,271	132,408	29,126,337
TOTAL REQUIREMENTS	11,556,338	2,500,473	1,526,249	13,241,584	493,983	49,181,943

SUMMARY OF ALL FUNDS

	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	0	214,516	78,830	777,113	378,953	43,094,567
Taxes	0	0	0	0	0	14,644,268
Franchise fees	0	0	0	0	0	4,797,202
Special Assessments	0	0	0	0	0	120,000
Licenses and Permits	0	25,000	0	0	0	4,867,937
Intergovernmental	0	0	0	0	0	9,149,270
Charges for Services	0	5,237,270	1,714,656	0	0	22,470,978
Fines & Forfeitures	0	0	0	0	0	944,100
Interest Earnings	0	590	0	7,771	4,710	502,819
Miscellaneous	0	0	0	33,600	0	232,687
Other Financing Sources	0	0	0	0	0	44,522,727
Total Revenues	0	5,262,860	1,714,656	41,371	4,710	102,251,988
Transfers In	6,479,804	1,508,447	96,245	0	0	21,118,669
TOTAL RESOURCES	6,479,804	6,985,823	1,889,731	818,484	383,663	166,465,224
REQUIREMENTS						
Program Expenditures	0	6,396,617	1,766,629	0	0	49,435,066
Debt Service	1,801,926	0	0	0	0	5,423,068
Loan to CCDA	0	0	0	0	0	375,000
Capital Improvement	0	0	0	0	0	25,955,846
Transfers Out	0	0	0	0	100,000	21,118,669
Contingency	0	297,500	100,000	0	0	3,461,255
Total Budget	1,801,926	6,694,117	1,866,629	0	100,000	105,768,904
Reserve for Future Exp	4,677,878	291,707	23,102	818,484	283,663	60,696,319
TOTAL REQUIREMENTS	6,479,804	6,985,823	1,889,731	818,484	383,663	166,465,224

SUMMARY OF CONTINGENCY

The FY 2011-12 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 are sized according to the maximum amount allowed by Oregon Local Budget Law (15% of total fund appropriations) or a prudent amount based on the size of the fund.

Fund	Revised FY 2010-11	Proposed FY 2011-12	Approved FY 2011-12	Adopted FY 2011-12
100-General Fund	\$ 710,659	\$ 1,000,000	\$ 903,755	\$ 903,755
200-Gas Tax Fund	26,844	300,000	\$ 300,000	\$ 300,000
205-City Gas Tax Fund	-	50,000	50,000	50,000
220-Electrical Inspection Fund	-	30,000	30,000	30,000
230-Building Fund	60,129	200,000	\$ 200,000	\$ 200,000
240-Criminal Forfeiture Fund	-	-		
260-Tree Replacement Fund	-	-		
300-Bancroft Debt Service Fund	-	-		
350-General Obligation Debt Service Fund	-	-		
400-Facilities Capital Fund	-	70,000	70,000	70,000
405-Transportation Development Tax	-	40,000	40,000	40,000
410-Traffic Impact Fee Fund	-	20,000	20,000	20,000
411-Underground Utility Fund	-	-		
412-Street Maintenance Fund	-	100,000	100,000	100,000
420-Parks Capital Fund	-	400,000	400,000	50,000
425-Parks SDC Fund	-	300,000	300,000	300,000
500-Sanitary Sewer Fund	241,633	400,000	\$ 400,000	\$ 400,000
510-Stormwater Fund	238,844	100,000	\$ 100,000	\$ 100,000
511-Water Quality/Quantity Fund	-	-		
530-Water Fund	70,487	500,000	\$ 500,000	\$ 500,000
531-Water SDC Fund	-	-		
532-Water CIP Fund	-	-		
600-Central Services Fund	499,639	300,000	\$ 297,500	\$ 297,500
650-Fleet/Property Management Fund	222,000	100,000	\$ 100,000	\$ 100,000
660-Insurance Fund	-	-		
930-Urban Renewal Debt Service	-	-		
940-Urban Renewal Capital Improvements	-	-		
980-Library Donation & Bequests	-	-	-	
Total Contingency	\$ 2,070,235	\$ 3,910,000	\$ 3,811,255	\$ 3,461,255

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.

OPERATING BUDGET SUMMARY

Description	FY 2009 Actual	FY 2010 Actual	FY 2011 Revised	Proposed 2012	Approved 2012	Adopted 2012
Number of FTE	284.45	267.85	269.05	270.75	270.75	270.75

Budget by Category

Personal Services	\$25,095,146	\$25,271,518	\$25,277,211	\$27,108,213	\$27,110,213	\$27,110,213
Materials & Supplies	10,793,809	11,140,899	14,004,941	14,094,931	14,108,981	14,217,831
Interdepartmental Services	0	7,083,066	6,554,909	6,825,257	6,825,257	6,825,257
Capital Outlay	2,243,431	1,845,319	1,260,400	1,111,684	1,194,379	1,281,765
Total by Category	\$38,132,386	\$45,340,803	\$47,097,461	\$49,140,085	\$49,238,830	\$49,435,066

Budget by Program

Policy and Administration	\$5,997,149	\$6,606,480	\$6,854,700	\$7,228,274	\$7,230,774	\$7,250,774
Community Development	5,794,319	5,086,368	4,061,877	4,392,555	4,392,555	4,406,555
Community Services	15,584,782	18,870,803	19,304,054	20,744,094	20,744,094	20,744,094
Public Works	10,756,136	14,777,152	16,876,831	16,775,162	16,871,407	17,033,643
Total by Program	\$38,132,386	\$45,340,803	\$47,097,461	\$49,140,085	\$49,238,830	\$49,435,066

Budget by Department

Mayor and Council	\$215,624	\$298,240	\$299,730	\$316,765	\$316,765	\$316,765
City Management	1,474,771	2,034,352	2,140,486	2,117,067	2,119,567	2,119,567
Finance & Information Services	3,098,087	2,926,617	3,048,422	3,346,911	3,346,911	3,366,911
Community Development	5,794,319	5,086,368	4,061,877	4,392,555	4,392,555	4,406,555
Police	11,630,470	13,163,755	13,376,720	14,584,476	14,584,476	14,584,476
Library	3,749,694	5,517,469	5,666,418	5,918,149	5,918,149	5,918,149
Social Service / Community Events	204,618	189,579	260,916	241,469	241,469	241,469
Public Works	10,756,136	14,777,152	16,876,831	16,775,162	16,871,407	17,033,643
Administrative Services	1,208,667	1,347,271	1,366,062	1,447,531	1,447,531	1,447,531
Total by Department	\$38,132,386	\$45,340,803	\$47,097,461	\$49,140,085	\$49,238,830	\$49,435,066

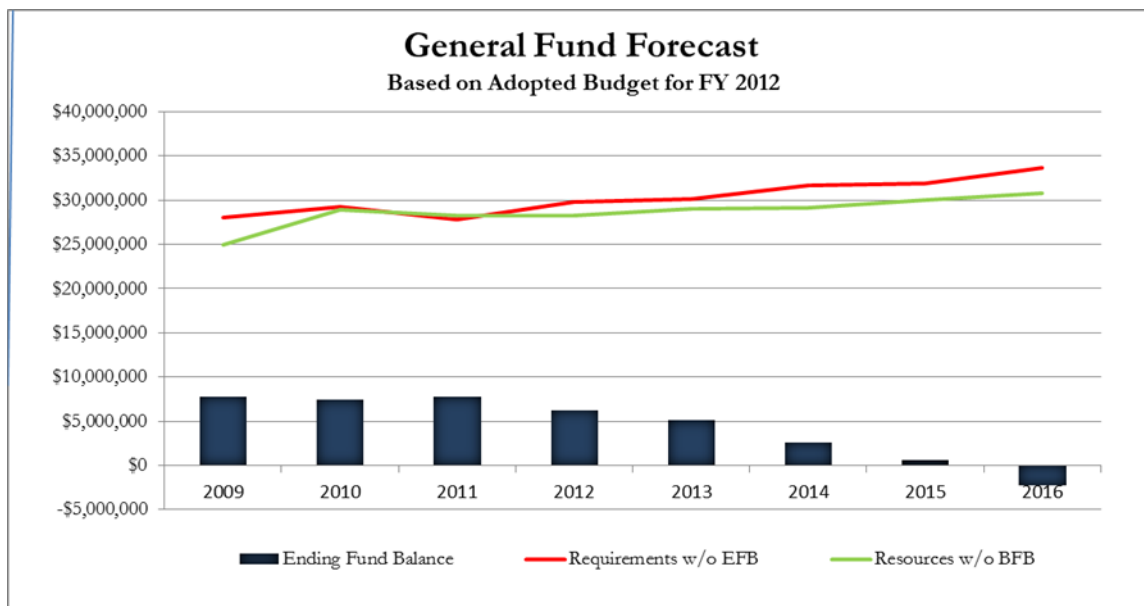
COMPREHENSIVE LONG TERM FINANCIAL FORECAST

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 five-year period. The forecast is adjusted as each year's final results are known and as new years are budgeted. 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 in FY 2010. Staff also continues to revise current fees and charges based on cost recovery and construction cost indexes.

There are some significant financial issues facing the city over the next five years. One key issue relates to the city's capital improvement needs. The city has identified about \$332 million in needed capital projects, but does not have the resources to implement all of them. The following charts do not include 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.

General Fund



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.

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

General fund needs a minimum of \$5.0 million in fund balance. 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.

Toward the end of Fiscal Year 2010, the city implemented significant cuts in services. The cuts were made with the goal to sustain the new level of services during FY 2011 & FY 2012. The reason for the cuts was a declining general fund balance (i.e., savings), due to the recessionary impacts on revenues. Early in the recession, the city allowed the general fund balance to decline, in order to maintain service levels.

Once the severity of the recession was known, the forecasts showed the fund balance going below \$5.0 million in the near future, the city took the fiscally responsible step at the end of FY 2010 of reducing staff by 17.20 FTE. This was a combination of layoffs and reduction in hours, and should position the city to get through 2012 without any additional reductions in staff. In addition to the staff reductions, the city also reduced materials and services, and cut most of the capital projects that required general fund support.

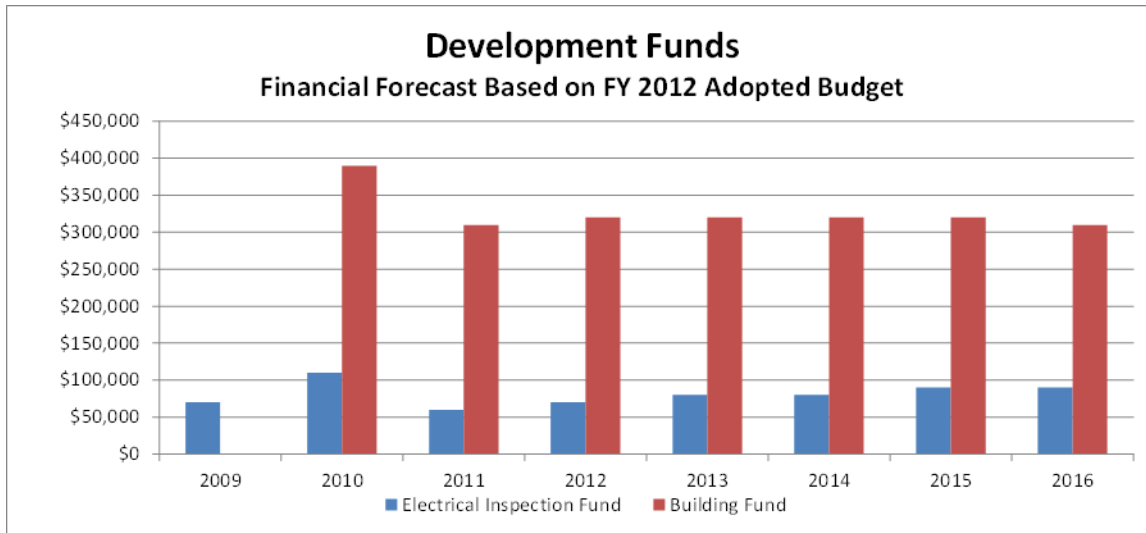
A year later, it appears that the city has fulfilled the commitment to getting through FY 2012 without additional cuts. With Tigard's FY 2012 Adopted Budget, the second year of the general fund forecast is still over the \$5.0 million threshold in the second year of the forecast, now FY 2013. While it appears that the budget that is proposed for FY 2012 can be sustained for two years, that statement is made with less confidence than it was made last year. There is less margin for error and a higher risk that that cuts will be necessary when we plan FY 2013; however, the risk is not high enough to recommend cuts for FY 2012.

The forecast expenses for 2012 are different than the budgeted expenditures. In the forecast, we assume that the city spends 95% of the budget. Historically, Tigard has spent a lower percentage of the general fund budget. Due to the economy, we have experienced fewer vacancies as staff hold on to their jobs and there are fewer opportunities to leave. In addition, departments have refined their budgets and will likely need a higher percentage of their budget to maintain anticipated services.

In prior forecasts, the general fund fund balance has gone negative in the third or fourth year of the five-year forecast. Although the fund balance does not go negative in this forecast until the last year, in the third year it does drop below the minimum \$5.0 million that the city needs to get from July to November. This situation will be monitored in the future to determine if revenues will be sufficient to maintain general fund fund balance at a sustainable level, or if additional reductions in services or capital expenditures will be necessary.

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

Development Funds



The projections for the city's development funds (building and electrical inspection funds) show these funds have stabilized. 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. The fund balance in this fund is not expected to grow significantly in the next five years. 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 modest increases. During 2010-11, five positions were restored to full time, adding a total of 1.0 FTE to the division. The Adopted Budget for FY 2011-12 adds an additional 0.9 FTE.

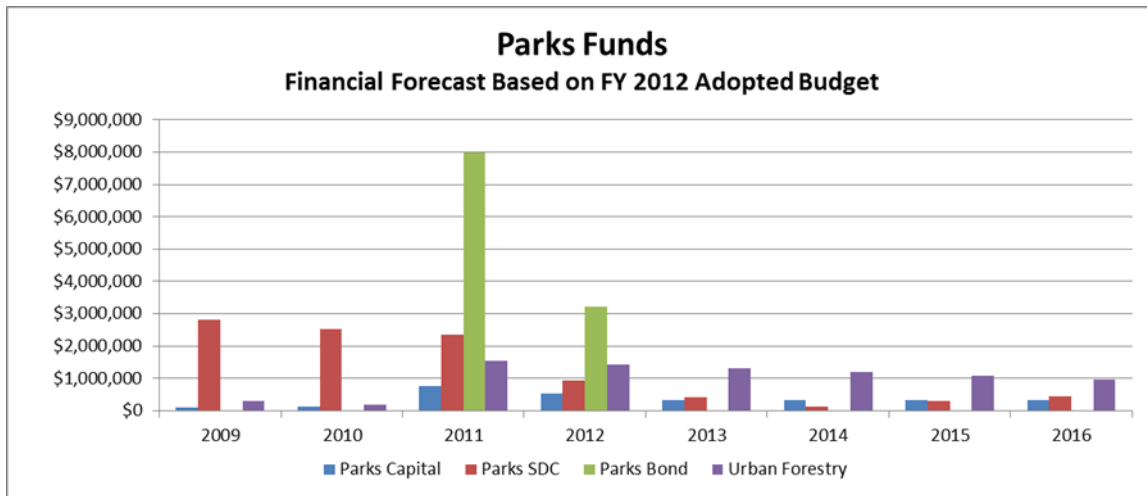
Expenses of all the building inspection services are charged to the building fund. The electrical inspection fund transfers money into the building fund to pay for those costs associated with electrical inspection services. The transfer is evaluated and updated each year based upon the actual activity.

The building activity trend appears to have modest increases. The city is seeing a significant number of permits, but those permits are made up of fewer new construction permits and more small remodeling permits. That means the amount of money brought in per permit is lower than it has been in the past.

The electrical inspection fund is more stable than the building fund. The revenues in this fund are more directly tied to remodeling activity which has not see the same level of decline as other development activities.

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

Park Funds



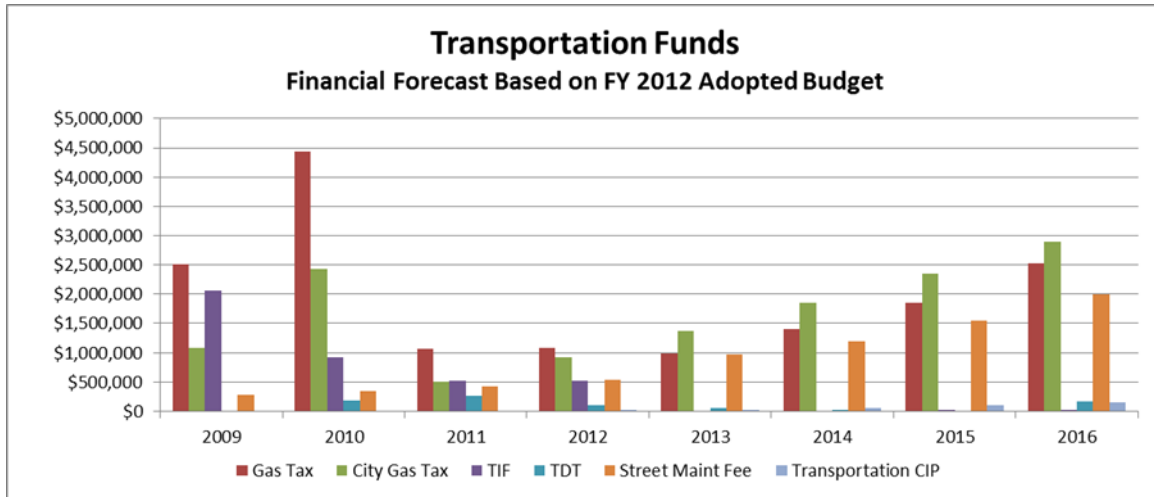
The revenues in the parks funds include the system development charge (SDC), urban forestry revenues, grants, and the Parks Bond that was approved by voters in November 2010. Resources from the park SDC fund are transferred to the parks capital fund to pay the SDC portion of the capital projects. These projects have been identified in the City's Parks Master Plan. The most recent SDC methodology and fee was approved by the City Council in January 2005.

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. During FY 2010-11, \$9.0 million of parks land was acquired, including Summer Creek Park, Sunrise Park, and Potso Dog Park. In the next two years, the remaining \$8.0 million will be paired with parks SDC and grant funds to purchase and develop parks.

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

Transportation Funds



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

In 2009-10, the city is borrowed \$7.25 million for two projects: the Burnham Street improvements and reconstruction, and the Greenburg Rd./Pacific Hwy./Main St. intersection improvements. Revenues in these funds will be used for debt service payments for the next ten years.

The gas tax fund has been the traditional funding source for street improvements for most local jurisdictions in Oregon, and Tigard is no exception. In addition, maintenance of roads and the electrical bill for traffic and street lights is paid out of gas tax. Gas tax revenues are expected to increase over the next five years as a bill approved by the 2009 Oregon Legislature is implemented that adds revenue from increased vehicle registration fees and additional state gas tax rate, and as the economy improves. With the additional revenue generated by the approved bill, Tigard is able to fund the debt service that is required to fund Burnham without cutting into operational expenses. Until the debt is paid, there is only limited resources available for additional projects.

The traffic impact fee (TIF) is a charge on new development established by Washington County, but collected by cities. This fee is being phased out as the transportation development tax (TDT) is being phased in. The TDT was approved by Washington County voters in November 2008. However developments approved prior to July 1, 2009 still pay the TIF. Because these fees are based on new development, the amount of revenue fluctuates with building activity and the city has experienced a decline in this activity. In addition, the Washington County Board of Commissioners granted a discount on the TDT to developers in 2009-10. That action has negatively impacted the city's revenues in this fund. The fees collected from the TIF and TDT may only be used for highway 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. The TIF and TDT revenues are almost entirely programmed for capital projects through FY 2015-16. Any money not used for additional projects may be used for debt service in the gas tax fund for repayment of the bonds for the Burnham Street project.

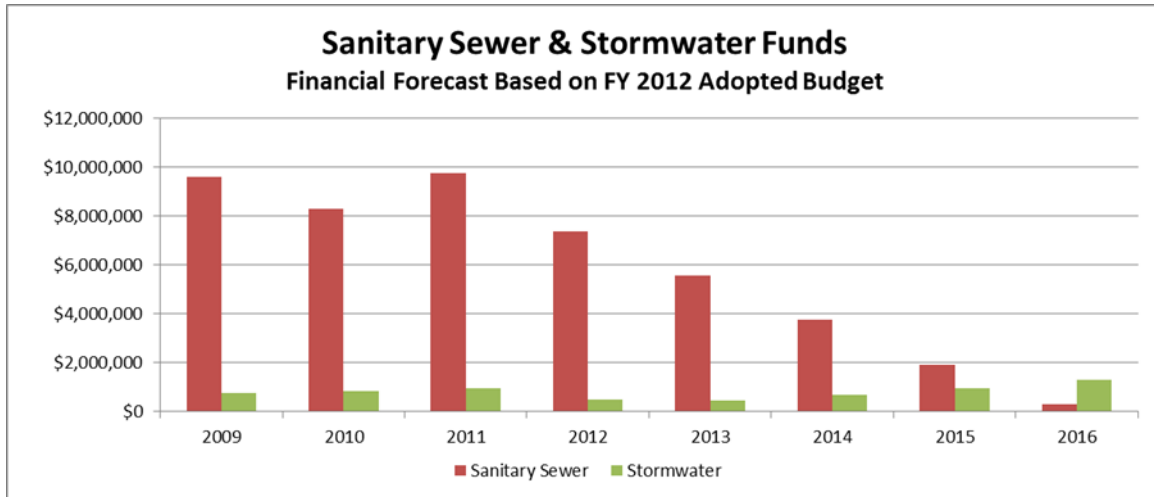
COMPREHENSIVE LONG TERM FINANCIAL FORECAST

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 three years. The most recent evaluation showed that the cost of maintaining the roads at the city's standard has increased and the current Street Maintenance Fee is inadequate to cover the costs. Therefore the fee is set to increase over a two year period with full implementation by January 2012. The revenue from the fee is designed to prevent further deterioration of the city's overall pavement condition. The increase in the fee is not enough to improve the pavement condition. The projected fund balance for FY 2015-16 is \$1.9 million. The size of 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.

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. In 2009 the Oregon Legislature passed an update to the state gas tax that required the Tigard City Council to make adjustments to the city gas tax. As a result of the legislative action, the City Council chose to make the city's gas tax continuous, and to identify specific projects through a public process for which the tax will be dedicated. Repaying the debt service for this project will take most of the funds resources, but the fund balance will slowly grow. It is anticipated that the next project to use the city gas tax will be identified in the next two fiscal years.

COMPREHENSIVE LONG TERM FINANCIAL FORECAST

Sanitary and Stormwater Funds



These funds support all of the sanitary sewer and stormwater collection 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.

The City of Tigard is undertaking a Sewer Master Plan to determine how to support the aging infrastructure. The forecast anticipates identifying specific projects and use of the accumulated fund balance to support the projects.

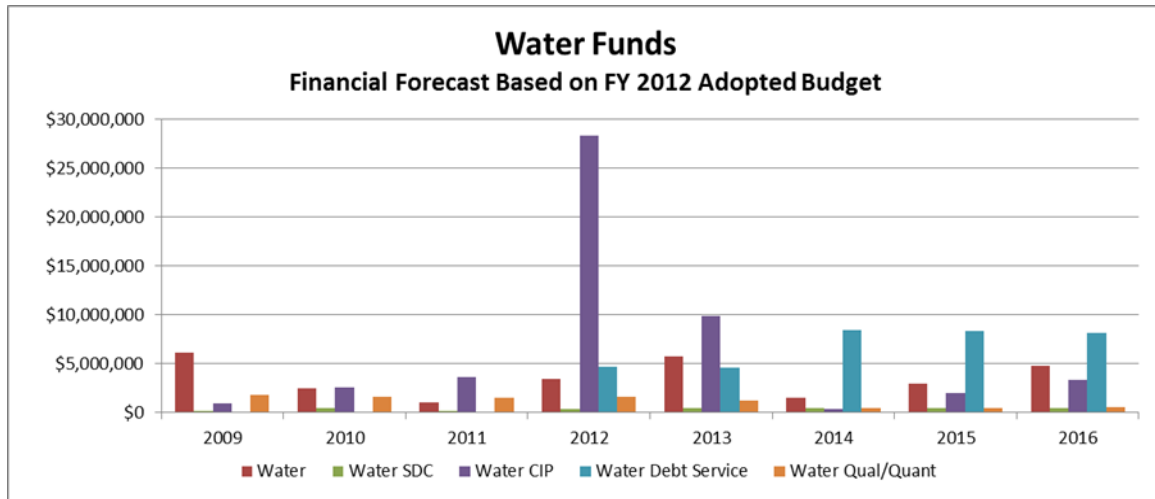
The revenues retained from sanitary sewer and stormwater fees are not growing and in some instances are declining. In accordance with the intergovernmental agreement with CWS, the city retains only a portion of the sanitary and storm fees it collects. Each year, CWS revises the split for sanitary sewer fees. Because recent rate increases that have been implemented by CWS have been totally dedicated to pay down debt that CWS has incurred with the expansion and improvements at their sewer treatment plants, the city has not been able to retain a greater share of the revenues collected. This has resulted in these funds showing a minimal increase over the forecast period. Because of this, the city will need to analyze what steps need to be implemented over time so that these funds can adequately support any future capital improvement projects as well as continuing to adequately maintain the infrastructure.

In 2009-10, CWS implemented a new way to share system development charges. Prior to 2009-10, Tigard was responsible for any pipe smaller than 20" and received twenty percent of SDC revenue. In 2009-10, Tigard became responsible for pipes under 12", but only receives four percent of a larger SDC. This change in SDC revenue is reflected in the forecast.

The stormwater fund shows modest growth in the coming years. In 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 position 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), water debt service, and the water quality/quantity 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. The City of Tigard is paying approximately 57% of the overall cost of the project.

In November 2010, City Council adopted a Water Financing Plan through 2020 to fund the LO/Tigard partnership project. The forecast is based on the financing plan which entails issuance of \$125 million in debt and over 150 million in capital projects. The first debt issuance of \$44 million will be in FY 2011-12.

Along with the Water Financing Plan, Council adopted revised water utility charges and System Development Charges. Water utility charges will roughly double over a five year period and SDCs will roughly triple over the next four years.

The water quality/quantity Fund has been allowed to slowly grow over the last few years. The fund will be used on a major stormwater facility in FY 2013-14.

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 meet those challenges. The general fund is sustainable for one to two years due to cuts in service made in FY 2010. The building fund is stable at a reduced level and even allows for some growth in services. Burnham Street reconstruction and Pacific Hwy/Greenburg/Main St. intersection is using most of the available transportation funding sources to pay debt service on the projects for the next seven or more years. Funding a long-term water source for Tigard is a necessary and expensive process and will require significant borrowing coupled with significant rate increases to repay the debt. 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.