

FY 2011-2012 BUDGET TRANSMITTAL

To the Citizens of Tigard,

It is with some regret and a great deal of pleasure that I present the final budget of my career to you. Thirty-six years is a long time to be developing public budgets and managing public finances. For at least twenty-eight of those years, we were dealing with constrained resources and growing demands.

The debate now is whether government has a revenue problem or whether it has an expenditure problem. In point of fact, we have both. It is called a budget problem and it will not be solved by looking at only one side of the equation.

Tigard has a strong history of conservative financial management. Since Fiscal Year 2008, we have reduced staffing by 18.55 FTE or seven percent of our workforce. We are working smarter. We are working harder. We are using technology to reduce costs and get the job done. Tigard city employees were among the first in the Portland metropolitan area to begin sharing the cost of their health and dental insurance costs. Tigard general government employees are not covered by PERS. (Tigard Police are covered by PERS.) About 10 years ago, the city looked very seriously into joining PERS for all employees. The City Council at that time and city management decided not to join PERS because of concerns about future cost increases.

Tigard also has a history of reasoned fee increases when needed. Most recently, Tigard committed to a course of water rate increases which will end up doubling water rates over the next five years. These fee increases are needed to secure Tigard's first ownership interest in a source of water since the city was incorporated in 1961. Tigard is sharing the cost of a \$230 million project with the City of Lake Oswego which allows the two cities to do something that neither could do alone. The alternatives are to continuing buying water from the City of Portland (which is now actively discussing doubling their water rates) or begin to ration water by 2016.

With this background in mind, you will recall that last year's budget message, followed our second round of position cuts and discussed our strategy for building a budget that could be sustained for two years. Our measure of success would be to maintain a projected General Fund ending fund balance of at least \$5 million, both in FY 2011 (the budget we were building last year) and FY 2012 (the budget we are building this year). Our strategy worked! All of our operations are now working at a sustainable level. We have stopped providing some services requested by our citizens (and we are still receiving complaints about that). We still have challenges, but those challenges center around funding for future capital needs.

We are still maintaining a level of operations that can be sustained for the next two fiscal years (until FY 2013). We are thinking of this as a hold-the-line budget, with a couple of targeted changes. The Adopted Budget honors Tigard's labor agreement with SEIU and the cost increases that agreement requires. Additionally, a hold-the-line budget means that material, service and equipment costs remain the same with a couple of targeted exceptions.

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There are position increases in two operations not funded by the General Fund. The first of these are as is the Building Division of the Community Development Department. The Building Division was the first division affected by cut backs in response to the recession. In 2009, we cut staffing from 18.8 FTE to 6.2 FTE in response to the downturn in the building industry, which lowered Division workload and revenues. That cut included putting all remaining staff on a 32-hour work-week (.8 FTE). We have already returned permit technicians and plans reviewers to a full work week due to an upturn on workload and revenues. In this budget, we are returning the three inspectors to a 40-hour work week and adding 0.3 FTE to a half-time Planning Assistant position to assist at the front counter and with records. This will add a total of 0.9 FTE in the Building Division in FY 2012.

In the Utility Billing section of Finance and Information Services, there is an increase of 0.8 FTE. At the time the Council adopted the Water Finance Plan and adopted the water rate increase schedule, the city switched to monthly billing of utility bills. This was done to ease the impact on the customer, but it doubled the number of meter reads that have to be done in a year. The city attempted to handle this additional workload by contracting it out to a private meter reading firm. This has not been successful. This budget adds one 32-hour Customer Service Field Worker to the meter-reading function. This will not increase overall program costs since we are paying for the contract services presently, but it will increase overall city FTE. This function is paid by a transfer from the Water Fund.

The table below outlines the changes discussed above and other target changes to city operations contained in the Adopted Budget.

Fund /Department	Amount	FTE	Reason
Building/Community Development	\$59,300	0.9	Additional workload for inspections and records in the Building Division
Central Services/Finance & Information Services	\$145,000	0.8	Cost of monthly billing in Utility Billing, including additional meter reading position and bill printing and mailing costs.
General Fund/Police	\$373,545	0.0	Resumption of vehicle replacement after one-year hiatus, increased dispatch costs, and in-car video lease costs.
Sewer and Stormwater Funds/Public Works	\$60,000	0.0	Performance audit
Sewer Fund/Public Works	\$22,500	0.0	Increase in required enforcement program with Clean Water Services
Central Service Fund/City Manager's Office	(\$22,150)	0.0	Continued cut of Family Fest Event
Property Management / Public Works	\$96,245	0.0	Needed facility repairs and property improvements added by Budget Committee
Human Resource and Mayor & City Council	2,500	0.0	Add \$2,000 to Human Resource for temporary services and \$500 to Mayor and Council for travel expenses to League of Oregon Cities meetings in Salem added by Budget Committee
Public Works, Community Development, and Finance	\$196,236	0.0	Carry forward unspent budget appropriation for projects that were not completed in prior fiscal year that will be done in FY 2012 added by Council at Budget Hearing
Total All Funds	\$933,176	1.7	

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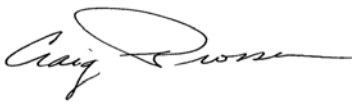
This Adopted Budget marks a turn in Tigard's Capital Improvement Program (CIP). In prior years, the focus of the CIP was transportation. This Proposed Budget moves to the implementation of capital improvements for parks and water, making up 78 percent of the CIP for FY 2012. In the area of transportation, Tigard is wrapping up major projects on Burnham Street and the Pacific Hwy/Main St /Greenburg Rd intersection. In November 2010, Tigard citizens voted to approve a \$17 million Parks Bond to purchase land and develop parks. The Adopted Budget has \$6 million in projects related to the bond. The LO/Tigard water partnership and associated water projects are ramping up. Water projects make up over \$14 million in the Adopted Budget.

To fund the parks and the water projects, Tigard's debt service requirements will increase significantly. In January 2011, Tigard issued \$17 million in General Obligation bonds to pay for the parks projects. The Adopted Budget includes the first debt service payments on the parks bonds. At the same time that the parks bonds were issued, the existing General Obligation debt on the library was refinanced and the Adopted Budget includes the lower payments amounts for the library bond. The Adopted Budget also anticipates the first of three issuances of revenue bonds for the LO/Tigard water partnership. Based on the Water Financing Plan, the first revenue bond will be \$44 million and will likely be issued in the fall of 2011.

This has been a challenging year, but a long history of responsible financial management and an early decision to adjust city operations to comply with the new financial realities has put Tigard in a good position to weather the remainder of the recession. We are feeling cautiously optimistic about the future.

It has been a pleasure serving the people of the City of Tigard, the Metro region, the City of Lake Oswego, the City of Portland, and the State of Oregon throughout my career. It has been a very challenging time to work in the field of public finance and city management. We have accomplished great things in the City of Tigard over the past six to seven years. I will miss the work and I will definitely miss the people. However, with a skilled and forward-looking City Council, talented city staff, and dedicated city volunteers such as those on the Budget Committee, I have absolute faith that Tigard will continue to prosper.

Thank you for the opportunity to serve this community.



Craig Prosser
City Manager

COUNCIL GOALS

2011 TIGARD CITY COUNCIL GOALS

1. Implement Comprehensive Plan

- a. Show substantial progress on new Tigard Triangle Master Plan.
- b. Update Tree Code.
- c. Participate in the Southwest Corridor Study.
- d. Work with state and regional partners to modify the Transportation Planning Rule.
- e. Work with partners on urbanization policy issues.

2. Implement Downtown and Town Center Redevelopment Opportunities

- a. Develop strategy and materials to attract developers and tenants.
- b. Advance Ash Avenue Railroad Crossing.

3. Complete Plans for Parkland Acquisition

4. Advance Methods of Communication

- a. Communication is a part of everyone's job.
- b. Support efforts to change organizational culture.

5. Continue Coordination with Lake Oswego on Water Partnership.

6. Financial Stability

- a. Hold the line on the General Fund Budget.
- b. Work with partners on long-range solutions to statewide structural problems.
- c. Evaluate the City's internal sustainability efforts.

Five-Year Council Goals

- Obtain Ash Avenue railroad crossing in downtown
- Explore 99W Urban Renewal District
- Continue to support the Legislature in addressing the financial needs of state and local governments in Oregon
- Develop long-term financial strategy
- Start implementing plan for City facility needs
- Develop Sustainability Plan

Long-Term Council Goals

- Continue pursuing opportunities to reduce traffic congestion
- Continue implementing Downtown Urban Renewal Plan
- Continue to monitor the Tigard/Lake Oswego Water Partnership

CITYWIDE ORGANIZATION CHART - BY DEPARTMENT

