



City of Wilsonville, Oregon

Five Year Forecast FY 2017-18 to FY 2022-23

Overview

This Five-Year Financial Forecast is meant to complement the FY 2017-18 Proposed Budget. The goal of the Forecast is to assess the City's ability over the next five years to continue to effectively provide services to the residents at current levels based on projected growth, to meet goals set by Council, and to preserve the City's long-term fiscal health. The forecast serves as a tool to identify financial trends, potential shortfalls, and arising issues so the City can proactively address them.

While this forecast is anchored by the Fiscal Year (FY) 2017-18 Proposed Budget, it is itself not a budget. The forecast provides an overview of the City's fiscal health based on various assumptions over the next five years and provide the City Council, Budget Committee, management and the citizens of Wilsonville with a financial outlook beyond the annual budget cycle. The five-year forecast is intended to serve as a planning tool to bring a longer-term perspective to the annual budget process. Responsible financial stewardship is imperative to provide for the current and future needs of the community. Forecasting is a useful method to help make informed financial decisions that will ensure the City's future vitality and economic stability.

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

Forecast Methodology

Economic forecasting is not an exact science. Rather, it is dependent upon the best professional judgment of the forecaster. To enhance the accuracy of projections, the City identifies factors that contribute to changes in revenues and expenditures, such as service demands by the public, the pace of development, inflation, personnel costs, and projected future events that will affect operations. A goal of forecasting is to neither be overly optimistic nor pessimistic when displaying revenues and expenditures.

While a forecast is designed to model the future, unforeseen circumstances and events do arise that affect the accuracy of the forecast. Examples of unpredictable items include such things as future interest rates, the price of gasoline, and technological changes that could impact the business community.

This forecast begins with the FY 2017-18 Proposed Budget. Revenues, expenditures, debt service, capital obligations and reserves are then extrapolated for the subsequent five years. The five-year forecast is then grounded by Council intent and levels of service, and demonstrates the financial positions of the City's operating funds after incorporating proposals that are included in the Proposed Budget.

This forecast focuses on the City's nine operating funds. Many of the operating funds support designated capital programs, generally treated as "one-time" expenditures from the operating funds and paid for with accumulated reserves or financed with debt payments from the operating funds. The City's Capital Improvement Program (CIP) is accounted for through various capital funds which receive transfers from the operating funds, debt proceeds, and resources from System Development Charges. The utility operating funds of Water, Sewer and Stormwater have a margin built into their respective utility rates to cover on-going capital investments through the use of debt financing, where rates are set to cover not only on-going operations but also debt service requirements. The City's capital funds and detailed CIP is not part of this forecast document, but can be found within the FY 2017-18 Proposed Budget document. This forecast builds on summarized CIP information found in the Proposed Budget.

Common Assumptions

Population Growth

Each July, the Portland State University Population Research Center releases population estimates for each jurisdiction in Oregon. As of July, 2016, Wilsonville's population is estimated at 23,740. Wilsonville's population has grown at an average annual rate of approximately 3.5% from FY 2007-08 until FY 16-17. This forecast assumes that the population will grow at an average annual rate of 3% over the next five years. The growth rate is based on the Villebois neighborhood building out in its entirety over the next year or two, and then the Frog Pond neighborhood coming into the City and building out.

Revenues

In general, this forecast reviews the revenue sources to each fund individually. However, one common assumption for revenue is interest earnings. Interest rates remain at historic lows, currently averaging about one percent. This forecast assumes that the interest rate remains at that level.

Expenditures

The business of city government is labor intensive; therefore projecting labor costs is a key component of this forecast. Key elements of this category include wages, retirement, and health insurance. This forecast assumes the City continues its current wage and benefit package. The forecast predicts staffing salaries and wages will grow, in general, at a 2.25% rate. This is based on labor contracts, merit and step increases for staff, as well as some level of attrition as positions turn over. This growth assumption is for the current staffing levels, and if additional personnel are forecasted, those estimations build on this base amount. Benefits and other costs, such as workers compensation, are assumed to increase approximately 4% to 6%.

One cost driver included in the FY 2017-18 Proposed Budget and built in over the subsequent five year period is the City's contribution to the Oregon Public Employee's Retirement System (PERS). The Oregon Supreme Court rolled back reforms that the Oregon Legislature had made to no longer adjust retiree benefits for cost-of-living increases. Additionally, the PERS portfolio has not earned investment returns as originally hoped. These two factors combine to mean anticipated contribution rate increases for PERS. PERS sets rates every two years, and July 1, 2017 marks the beginning of a PERS biennium. Increased contribution rates are built into the FY 2017-18 Proposed Budget. The subsequent five years of the forecast period cover two more PERS bienniums, the next one beginning July 1, 2019, and then again on July 1, 2021. PERS has indicated to members that contribution rates are likely to go up in the future, thus this forecast builds in contribution rate increases accordingly.

Annual inflation for materials and services is assumed to be approximately 1% per year. Increases in utilities and contracts for services, including operating contracts for Police, Water, and Sewer, are assumed to increase between 3% and 6% per year.

Funds Presented

General Fund

Community Development Fund

Building Fund

Transit Fund

Water Operating Fund

Sewer Operating Fund

Stormwater Fund

Street Lighting Fund

Road Operating Fund

General Fund

Fund Description

The General Fund houses the City's property taxes and the major services the public associates with local government – police, parks and recreation, long-term planning, the library, and general management of the City Manager and the City Council. The General Fund also accounts for the revenue from the Hotel/Motel tax, franchise fees, intergovernmental revenue, court fines, and charges for services.

The General Fund revenues are largely driven by property taxes, which in turn are based on assessed values and new construction. A property's assessed value includes real property, and personal property and equipment. Under the State constitution, the assessed value for real property is limited to 3% growth. The residential sector is assessed using real property, while the commercial and industrial sectors may also include personal property and equipment.

The assessed value differs from a property's real market value. The real market value is an estimation of the price at which the property could most likely be sold. Taxes are levied at the lower of the assessed value or real market value. Therefore, property tax revenue is influenced by cycles in the housing market – especially on the downward side. As real market values fall below the assessed value, property tax revenue declines, because the taxes levied are based on the lower real market value. However, the upside is limited, because as real market values increase, property tax revenues are constrained by the State constitution's limit on assessed value growth of 3%. New construction is one aspect that can significantly increase property tax revenue above the assessed value limitations.

The General Fund expenditures are driven by the community's demand for service. The General Fund provides funding for the public provision of law enforcement, parks and recreation, the library, long-term planning, finance, information technology, and overall city management and oversight. As the City grows, the need for additional services grows, and the City Council considers adding personnel and associated expenditures to meet the demand for service.

Additionally, maintaining current service levels also causes the level of expenditures in the General Fund to increase. Over time, cost pressures such as inflationary increases to supplies, fuel, utilities, etc., cause General Fund expenditures to increase. Cost-of-living adjustments, merit increases, and benefit increases cause the cost of labor to increase over time.

The City engages in continual financial review and oversight to ensure that services provided are adequately funded. This five-year forecast provides a brief snapshot into the future to judge overall trends.

General Fund Revenues and Expenditures

Revenues

Property Taxes

Property tax revenue comprises approximately one-half of General Fund external resources, and affects just about every resident and business in the City. Therefore, property tax revenue receives the bulk of the discussion in this forecast.

Property taxes are based on assessed value. As mentioned above, the State constitution limits a property's assessed value growth to 3%. As new construction is placed on the tax rolls, property tax revenue to the City increases. Also, the assessed value of the commercial and industrial sectors may grow at more than 3% depending upon the value of personal property and equipment.

Risks to the property tax revenue include a declining housing market and the devaluing of a commercial or industrial site, due to a business closure, restructure or state re-valuation. As was seen in the Great Recession, housing real market values can fall. If the real market value of a property falls below its assessed value, the taxes levied on the property fall, because the tax is levied on the lower of the two values. In the commercial and industrial sectors, if a business that has great value in personal property and equipment closes or restructures such that this personal property and equipment is no longer assessed, property tax revenue would decline.

The permanent tax rate for the City of Wilsonville is \$2.5206 per thousand of assessed value (AV). This permanent rate cannot change. The City may choose to levy less than that amount, but it cannot levy more than that amount. If the City feels it needs additional property tax revenue to fund operations, the City has the option to ask voters to pass a local option levy. The City may place on the ballot any amount to be levied. However, local option levies are limited to five years, and if the City wishes for the property tax revenue generated to be continued beyond the five years, it must again ask voters to pass another five-year local option levy.

The City of Wilsonville makes use of the funding mechanism of tax increment financing for economic development, known as urban renewal. Urban renewal is a mechanism that freezes the assessed value in a designated geographical area at a point in time. As the assessed property value in the designated urban renewal area grows above that frozen base, the incremental revenue is distributed to the Urban Renewal Agency to pay for public infrastructure to encourage private development.

The City's General Fund receives its share of property tax revenue generated by the frozen assessed value within the Urban Renewal Area. While the General Fund foregoes property tax revenue growth generated from within the boundary during the life of the urban renewal area, the community receives the benefit of infrastructure improvements constructed by the Urban Renewal Agency, economic growth, and higher property tax gain in the future when the urban renewal area closes. The theory is that the Urban Renewal Agency's investment in public infrastructure tips the balance and encourages private development that otherwise may not occur, or may occur far in the future, and therefore higher assessed value is generated than otherwise may have been the case. The General Fund foregoes the property tax revenue generated above the frozen base, for a time interval, in order to realize property tax revenue gain in the future.

Wilsonville's Urban Renewal Agency currently has six urban renewal districts – the Year 2000 Plan district, the Westside Plan district, the recently formed Coffee Creek district, and three single-property urban renewal districts referred to as Tax Increment Finance Zones. When the Year 2000 Plan district was formed, its frozen assessed value base was \$44 million. The total assessed valuation of the area in tax year 2016-17 is estimated to be \$438.2 million (per Clackamas County), an increase of nearly ten times the original amount. When the Westside Plan district was formed, its frozen assessed value base was \$16.5 million, and its total assessed valuation is estimated to be \$453 million (per Clackamas County) in tax year 2016-17, an increase almost 27 times the original amount. The new Coffee Creek Plan area has a frozen value of approximately \$84.6 million (per Washington County), and is expected to receive its first increment in the fall of 2017, estimated to be about \$53,000. The three Tax Increment Finance Zones were established in 2014 to incentive private sector investment in specific properties.

In FY 2017-18 and over the subsequent five fiscal years, the Year 2000 Plan and the West Side Plan districts have AV which will revert back to the City and the other over-lapping districts. The Year 2000 district area under-levies, holding its tax increment to approximately \$4.2 million each year, because that is all the district needs to service its debt. Therefore, property taxes that would otherwise be generated by the incremental AV above that amount reverts back to the City and other taxing districts. For the Westside district, a different dynamic has capped its tax increment revenue: The district went through a *Substantial Amendment* process in early 2016 to increase its maximum indebtedness, and the Oregon Revised Statutes fix the increment that is collected the year after the year of the *Substantial Amendment* to 12.5% of the district's original maximum indebtedness. The district's original maximum indebtedness is \$40 million; 12.5% of that amount is \$5 million. FY 2017-18 marks the year this limitation takes effect. Therefore, the West Side district is limited to collect \$5 million each year beginning with FY 2017-18, and tax revenue that is generated by the incremental AV above that amount reverts back to the City and the other overlapping jurisdictions. Because new construction is still underway in that district increasing the incremental AV, the City and other taxing jurisdictions will see a slight gain in property tax revenue, because the tax increment to the Westside district is capped at \$5 million.

The Year 2000 district is wrapping up its project list and could close during this forecast period. However, because the Urban Renewal Task Force is considering adding an additional project, the Boeckman Dip Bridge, and increasing the district's maximum indebtedness to finance this project, this forecast assumes the Year 2000 district will remain open in order to complete that project, should it be added through a *Substantial Amendment* process.

This five-year forecast uses an algorithm to estimate property tax revenue in the future. Since the ultimate base of property tax revenue is AV, the City's AV is projected over time. This includes estimates for new construction, as well as the effects of the urban renewal districts. The forecast is then adjusted downward to account for discounts and collection delinquency.

Table 1 below displays the history of Wilsonville’s AV, the incremental AV removed to account for urban renewal, the calculated taxes imposed, the actual taxes collected and the collection rate. The collection rate for property taxes has averaged about 95% over the last five years, and this same collection rate is used in this forecast. The collection rate is the actual amount of taxes collected compared to computed taxes based on assessed value per thousand multiplied by the property tax rate. Collection rates are typically less than 100% to account for various discounts and delinquencies.

Note that the City of Wilsonville is located both in Clackamas County and Washington County. The tax assessor in each county makes various adjustments to the calculated taxes to account for urban renewal amendments, rounding the numbers, etc.

Table 1

Wilsonville AV, Taxes Imposed & Realized, Collection Rate					
	2012-13	2013-14	2014-15	2015-16	FY 16-17
Clackamas C.					
Total AV on rolls	\$2,368,094,165	\$2,489,429,645	\$2,694,571,895	\$2,881,983,635	\$3,104,752,955
Less: URA	(\$548,804,789)	(\$550,822,196)	(\$599,176,337)	(\$664,205,632)	(\$741,200,995)
AV for Perm rate	\$1,819,289,376	\$1,938,607,449	\$2,095,395,558	\$2,217,778,003	\$2,363,551,960
per 1,000	\$1,819,289	\$1,938,607	\$2,095,396	\$2,217,778	\$2,363,552
Rate	\$2.5206	\$2.5206	\$2.5206	\$2.5206	\$2.5206
Calculated taxes	\$4,585,701	\$4,886,454	\$5,281,654	5,590,131	5,957,569
Truncation gain/(loss)	\$282	\$306	\$306	\$241	\$358
<i>Adjustments (URA acres, compression, roll corections, rounding, etc)</i>	<i>\$139,354</i>	<i>\$135,469</i>	<i>\$141,437</i>	<i>\$153,662</i>	<i>\$191,083</i>
Taxes imposed	\$4,725,055	\$5,021,923	\$5,423,091	5,743,793	\$6,148,652
Washington C.					
Total AV on rolls	\$264,753,698	\$268,559,603	\$277,825,621	\$290,790,949	\$298,259,067
per 1,000	\$264,754	\$268,560	\$277,826	\$290,791	\$298,259
Rate	\$2.5206	\$2.5206	\$2.5206	\$2.5206	\$2.5206
Calculated taxes	\$667,338	\$676,931	\$700,287	\$732,968	\$751,792
<i>Adjustments (URA acres, rounding, etc)</i>	<i>(\$139,075)</i>	<i>(\$135,166)</i>	<i>(\$141,135)</i>	<i>(\$153,421)</i>	<i>(\$162,069)</i>
Taxes imposed	\$528,263	\$541,765	\$559,152	\$579,546	\$589,722
AV, Both Counties	\$2,084,043,074	\$2,207,167,052	\$2,373,221,179	\$2,508,568,952	\$2,661,811,027
Total Taxes Imposed, Both Counties	\$5,253,318	\$5,563,688	\$5,982,243	\$6,323,339	\$6,738,374
Actual Property Tax Revenue	2012-13	2013-14	2014-15	FY 15-16	Projected 2016-17
Clack Co.	\$4,495,564	\$4,792,747	\$5,172,568	\$5,527,499	\$5,856,164
Wash Co.	\$502,944	\$517,663	\$538,221	\$561,073	\$561,670
Total	\$4,998,507	\$5,310,410	\$5,710,789	\$6,088,572	\$6,417,834
Collection Rate	95.15%	95.45%	95.46%	96.29%	95.24%

Table 2 below displays the percent change from the prior year for selected items:

Table 2

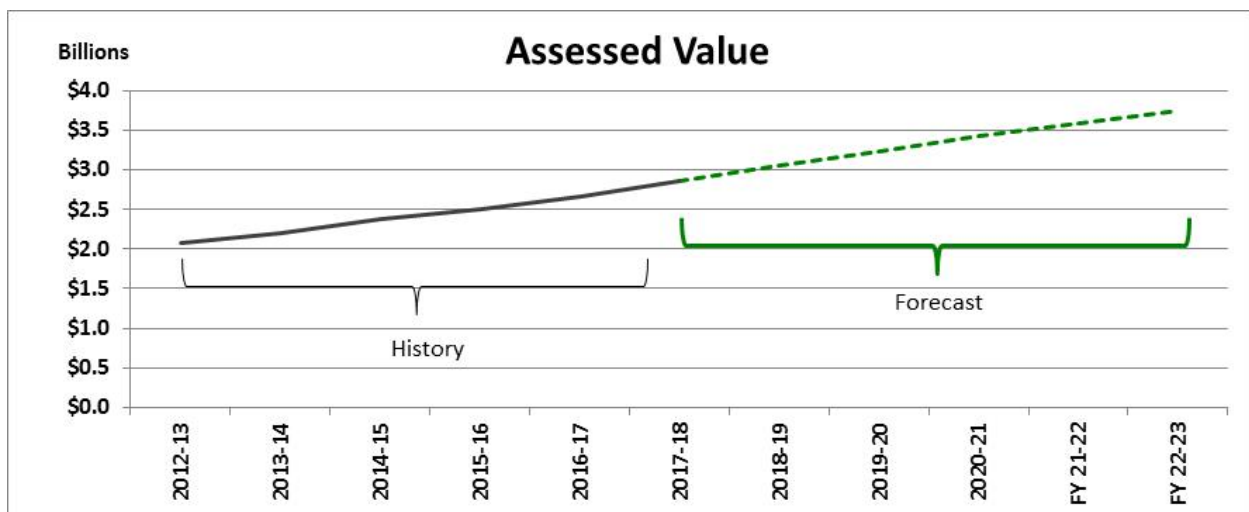
Percent Changes from prior year	2012-13	2013-14	2014-15	2015-16	2016-17
% Change, Clackamas C. AV	-0.6%	6.6%	8.1%	5.8%	6.57%
% Change, Washington C. AV	4.7%	1.4%	3.5%	4.7%	2.57%
% Change, Total AV	0.0%	5.9%	7.5%	5.7%	6.11%
% Change, Total taxes imposed	0.0%	5.9%	7.5%	5.7%	6.56%
% Change, Actual taxes collected	1.4%	6.2%	7.5%	6.6%	5.41%

This five-year forecast of the property tax revenue to the General Fund considers the variables of assessed value growth, probable changes to urban renewal and the collection rate. The forecast does not attempt to perform an economic model of the future assessed value, but instead uses a more straightforward judgment forecast.

The forecast for the AV over the next five years assumes an annual growth rate, on average, of just under 6%, although over the forecast period the growth rate is expected to start higher and then decline, averaging just under 6%. The higher growth rate in the beginning captures new construction, while the later years assumes the pace of new construction slows down.

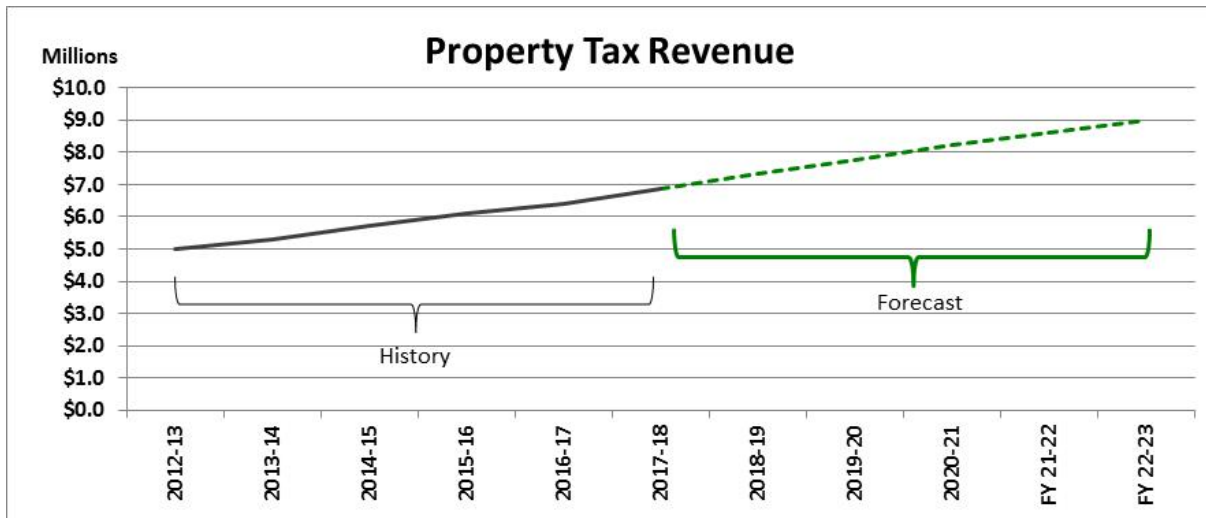
Graph 1 below displays the five year history of AV, the AV used to build the FY 2017-18 Proposed Budget, and the five-year forecast, for both Clackamas and Washington Counties combined.

Graph 1



The next graph displays the property tax revenue five-year history, the property taxes proposed in the FY 2017-18 budget, and the five-year property tax forecast.

Graph 2



Hotel/Motel Taxes

The City assesses a Transient Lodging Tax of 5% of the occupancy rents at hotels, motels and vacation rentals, recorded in the budget as the Hotel/Motel Tax. The City began imposing this tax in 1975. With the economic recovery in recent years and the advent of on-line companies, the receipts for this tax have increased a dramatic 100% over the last five years, from \$209,000 in FY 2011-12 to \$420,000 in FY 2015-16. Because a majority of this jump was due to the compliance of on-line companies paying the tax, such a dramatic growth in receipts is not expected to repeat in the future. The 5-year forecast builds off of a base of \$400,000 and assumes growth of 2.5% to 3% per year. The City sets aside approximately one-half of these receipts to be used for tourism promotion.

Right of Way Charges

Another revenue to the General Fund is Rights of Way Charges. These charges are assessments on utility companies’ gross receipts for using the City’s right-of-way. Rates vary by type of utility with telecommunications at 7.0%; electric, natural gas and cable television at 5.0%; water, sewer and stormwater at 4.0%; and garbage at 3%.

While over the previous five years these charges have trended upwards, going forward, the forecast is conservative, assuming a 1.0% growth rate. This conservative forecast reflects the changing dynamics of the telecom industry and lower per capita usage, for utilities such as water, due to conservation.

Transfers In

The General Fund receives transfers in from other funds for services provided to those other funds. The General Fund houses administrative type functions, such as utility billing, accounting, budgeting, human resources, information services, and overall City management of the City Manager and City Council. Other funds, such as Water, Sewer, Roads, Community Development, etc., pay for these services via the category of Transfers In.

The methodology used is a combination of overhead allocation and direct charges. Overhead allocation for operating functions is based on an estimated percent of time spent, and direct charges are determined by specific, dedicated efforts.

Other Revenues

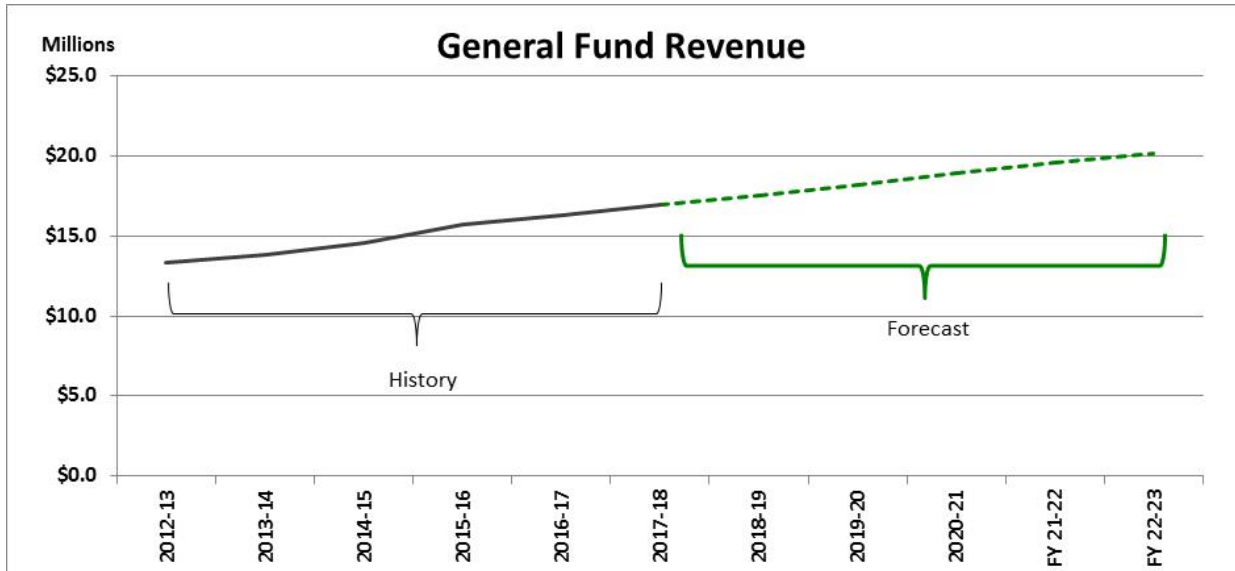
Other revenues to the General Fund include intergovernmental revenues, charges for services, municipal court fines, interest earnings, licenses & permits, and other miscellaneous revenues. Intergovernmental revenue includes state shared revenues (cigarette taxes, liquor taxes, and other revenues) and the City’s share of the Clackamas County Library District Levy. Charges for services represent charges for park rentals, recreational programming and the like. Municipal court fines are generated from the adjudication of traffic violations. Interest earnings are earned on cash invested. Licenses and permits are for liquor licenses, business licenses and solicitor permits. These sources combined are expected to grow at a 1.75% annual average rate.

General Fund Total Revenue

The various components discussed above comprise the revenues to the General Fund. When taken together, the historical growth over the last five years of the overall General Fund revenues has averaged 4%. The forecasted revenue path going forward grows at an annual average of 3.5% over the next five year period.

The next graph displays the overall General fund revenue for the last five years, those proposed in the FY 2017-18 budget, and the five-year forecast.

Graph 3



Expenditures

The General Fund accounts for the expenditures of Parks & Recreation, the Library, the Municipal Court, Police and the City’s Policy and Administration. The General Fund also supports functions in Community Development and Public Works.

The services the General Fund provides to the community are very labor intensive, making up 44% of the General Fund’s operating budget in the FY 2017-18 Proposed Budget. As mentioned earlier the “Common Assumptions” at the beginning of this document, wages are forecasted to grow at 2.25%, to account for step increases, promotions, cost-of-living adjustments and merit increase, as well as employee turnover. Benefits and other costs, such as workers compensation, are assumed to increase approximately 4% to 6%. The public employees’ retirement system contribution is included in the forecast, and as mentioned earlier, the contribution rates are expected to increase in the PERS bienniums covered by this forecast period. These growth assumptions are anchored in the FY 2017-18 Proposed Budget, and extends out the staffing levels as proposed over the subsequent five years.

Operations

Parks & Recreation

Parks & Recreation maintains the City’s park system, which includes sports fields, sport courts, picnic shelters, trails, and open spaces, and also provides diverse programming for all ages and abilities. The park system has grown by 30% over the last ten years, and is expected to continue to add acreage and facilities as growth continues. Additionally, school enrollment has grown by 13% over the same period, indicating a growing youth population.

Parks & Recreation continually strives to provide services to match the community’s demand for recreational services, and actively involves the community in park and recreation related planning efforts. Parks & Recreation is currently drafting a system-wide Comprehensive Parks and Recreation Master Plan, which will include a recreation strategic plan element as well as a capital infrastructure element. Individual park master plans are also underway such as that for Memorial Park and Boones Ferry Park.

Over the next five years, Parks and Recreation foresees requesting to add incrementally to its seasonal work force. Overall park maintenance expenditures are forecasted to increase as acreage is added to the system, including the addition of equipment and tools.

Capital equipment and infrastructure for Parks & Recreation is also funded from the General Fund. Over the next five years, additional park maintenance equipment will be requested through the annual budget cycle, as well as play structures and other hard-scape amenities.

The Library

The Library is a community focal point that provides a full range of professional services to both City residents and non-City residents. The Library encourages daily reading by children, strives to reach out to all communities, and promotes connection to on-line tools. Library circulation has grown approximately 8% over the last 10 years. To maintain its efficiency, the Library added two self-check-out machines approximately four years ago, which handle roughly 40% of material check-outs.

The Library is projected to receive 37% of its funding from the City's General Fund, and 63% of its funding from the Clackamas County Library District in FY 2017-18. The rest of the funding for the Library is made up of donations, grants, and late fees.

The Library does not foresee significant changes in the next five years.

Law Enforcement

The City contracts with Clackamas County for law enforcement (police) services. Even though the personnel are technically employed by the Clackamas County Sheriff's Office, the City's police force is seamlessly integrated into the City's work force, wearing Wilsonville police uniforms, driving City branded police vehicles, and managed by a City Police Chief. Police services include patrol, traffic enforcement, a community service officer, a school resource officer and a detective. There are many other services available through the Clackamas County Sheriff's Office, such as a special investigation unit, a dive/rescue team, additional detectives, a SWAT team, and a bomb squad.

The Police Department embraces a community policing philosophy, maintaining a visible presence in the community. The Department has an active bike patrol program and works closely with the schools, neighborhoods, apartment communities, local businesses and homeowner associations.

Proposed for FY 2017-18 is a new traffic officer position. This addition, together with an added sergeant in FY 2015-16, brings the personnel level up to 20 full-time equivalents. At this time, the City does not foresee a need to add additional law enforcement services during the forecast period.

Municipal Court

The Municipal Court adjudicates traffic violations and City code violations. It receives revenue from court fines paid by defendants.

Over the five-year forecast period, there are no changes anticipated to the Municipal Court.

Public Works – Administration and Facilities

The Administration and Facilities divisions of Public Works are part of the General Fund, but also receive financial support from other City funds such as water, sewer, stormwater, roads and transit. The Department of Public Works has many different divisions, including the operations for Sewer, Water, Roads, Stormwater, which are funded through non-General Fund resources and are discussed in the respective fund sections of this report.

Public Works Administration and Facilities provide management and overall administrative support to the other Public Works functions, and maintains City buildings and grounds.

Over the next five years, Public Works Administration and Facilities will be requesting various tools and equipment for grounds and building maintenance.

Policy and Administration

Policy and Administration houses the Administration, Finance, Information Services, Legal, and Human Resources. Administration accounts for the office of the City Manager, including the City Recorder, Community Relations and Public Affairs.

Finance manages the accounting and budgeting for the City, while Information Services manages the City's computers, network, phone system, websites, various applications, and the Geographic Information Systems. The City's in-house legal team provides general counsel to the City Council and the Urban Renewal Agency, drafts contracts and ordinances, and engages in negotiations with other governments and parties on behalf of the City. Human Resources provides centralized support for all City employees, in addition to managing the City's risk exposure and insurance programs.

Over the five-year forecast period, Policy and Administration will be requesting one-time funding for software and equipment purchases. The City's core business financial software will need to be replaced, and is partially budgeted in FY 2017-18, with the remainder slated for FY 2018-19. This system is for the City's accounting, payroll, permitting and utility billing functions. The City's web site is due for a re-design, as well as the City's on-line mapping tool. Various high-volume and high-quality printers will need to be replaced. Also, the City's phone system is aging and is anticipated to need replacement in the next five years.

Operating Transfers Out

The General Fund provides financial support to other City departments in the form of transfers. The Community Development Fund receives a General Fund operating transfer for tasks and functions performed that are not directly related to permit fees or billable to other work items, such as long-term planning.

Capital Improvements

The General Fund pays for the various capital improvement needs for the operational departments listed above, as well as improvements for the various City-owned structures, if they are not exclusively used by an enterprise function.

Capital improvements are generally included in the City's five-year capital improvement program (CIP). Projects tracked in the CIP and funded by the General Fund are those that acquire, improve and repair City assets and buildings that are not used specifically by functions funded by utility rates and charges.

CIP projects funded by the General Fund in this five-year forecast include replacing the City's core business financial software, continuing fiber connectivity, building repairs and renovations, parking lot improvements, HVAC replacements, playground equipment replacement, and improvements to City Hall. The General Fund CIP is estimated to be \$1 million each year for the next five years.

The CIP section of the budget document also includes multi-year projects that are not capital infrastructure. Master plan studies are an example. Additionally, Planning Projects are included in the CIP. These projects tend to span multiple years, and the CIP is used to track these projects over time.

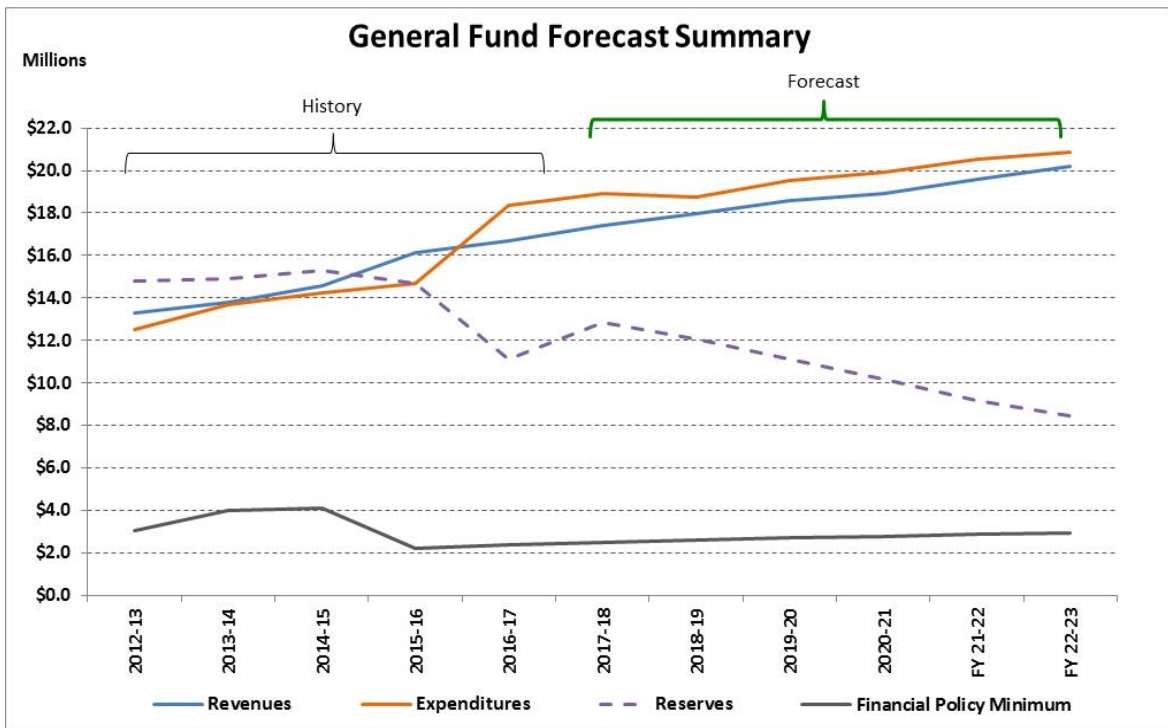
General Fund Forecast

The forecast for the City's General Fund revenues and expenditures over the next five years, based upon the levels of service proposed in the FY 2017-18 Budget, shows that the fund remains in good health. The forecast does reveal, however, that increasing levels of service will be difficult in the coming years, and will need to be considered carefully with each budget cycle.

Graph 4 below compares the revenue sources discussed above to the expenditure items, and also to the reserve (also referred to as fund balance) contained in the General Fund. The reserve in the General Fund is an eligible funding source, within limits set by policy, particularly for one-time items such as capital outlay and capital projects. Funds have been set aside over the years in the reserve for many of the items mentioned above, such as the business financial software replacement, fiber connectivity and building repairs. Policy limits on the use of the General Fund reserve include maintaining a minimum that is approximately equal to 15% of operations, indicated in the graph below. In FY 2013-14, the City Council added a \$2 million sustainability reserve that at first was accounted for in this minimum contingency, but in FY 2015-16 this reserve was moved to the designated fund balance category in accordance with accounting standards, and is seen on page 255 in the FY 2017-18 Proposed Budget document.

Graph 4 below displays that the expenditure line is above the revenue line, thereby drawing down the fund balance. This draw down is due to the forecasted \$1 million contribution each year to the capital improvement program (CIP).

Graph 4



For a more detailed view of the five-year forecast, Table 3 displays the General Fund major revenue categories, department expenditures, and transfers. Table 3 also displays the net General Fund, first showing the operating net which generally accounts for on-going revenues and on-going expenditures, including the transfer to the Community Development Fund, and then the net after including for the transfer to the CIP.

The financial indicator to monitor would be the operating net figure in Table 3. This forecast shows this net figure to remain above zero, indicating that the on-going services provided by the General Fund are adequately funded by on-going resources. If this figure dips below zero, it is an indication that one-time funds are used for on-going services, which in any one year may be manageable, but in the long run are not sustainable. This forecast shows that the General Fund remains in a sustainable financial position over the forecast period.

Table 3

#110 - General Fund Forecast

	Actual 2014-15	Actual 2015-16	Budget 2016-17	Proposed 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
Beginning fund balance	\$ 14,922,245	\$ 15,281,538	\$ 12,829,219	\$ 14,403,061	\$ 12,879,526	\$ 12,087,758	\$ 11,155,301	\$ 10,173,621	\$ 9,195,186
RESOURCES									
Revenues:									
Property taxes	\$ 5,806,729	\$ 6,189,679	\$ 6,507,420	\$ 6,972,890	\$ 7,412,571	\$ 7,832,888	\$ 8,309,712	\$ 8,721,297	\$ 9,079,720
Hotel/Motel taxes	258,374	469,972	262,500	400,000	410,000	421,275	432,860	444,764	456,995
Franchise fees	3,062,588	3,161,069	3,027,650	3,107,233	3,184,913	3,272,499	3,370,674	3,463,367	3,558,610
Licenses & permits	191,985	167,124	172,100	174,510	176,256	178,018	179,798	181,596	183,412
Intergovernmental	1,779,443	2,001,507	1,926,760	2,136,596	2,111,793	2,152,803	2,208,078	2,248,435	2,289,593
Charges for services	547,972	661,915	639,500	685,400	683,230	685,714	693,332	703,660	714,260
Municipal court fines	244,535	187,448	210,000	286,000	294,580	303,859	313,735	324,088	333,811
Investment income	77,751	133,836	75,000	115,000	116,150	117,312	118,485	119,669	120,866
Miscellaneous revenue	188,351	216,377	183,050	164,650	166,497	168,361	170,245	172,148	194,069
Operating Revenue Subtotal	12,157,728	13,188,927	13,003,980	14,042,279	14,555,989	15,132,729	15,796,919	16,379,024	16,931,335
Transfers from other funds:	2,440,258	2,931,336	3,661,413	3,344,632	3,407,528	3,467,558	3,122,769	3,185,224	3,248,929
Revenue Subtotal	\$14,597,986	\$16,120,263	\$ 16,665,393	\$17,386,911	\$ 17,963,517	\$ 18,600,287	\$ 18,919,688	\$ 19,564,249	\$ 20,180,264

#110 - General Fund Forecast

	Actual 2014-15	Actual 2015-16	Budget 2016-17	Proposed 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
REQUIREMENTS									
Expenditures:									
Department									
Administration	\$ 1,210,341	\$ 1,472,429	\$ 1,371,425	\$ 1,600,620	\$ 1,602,565	\$ 1,650,872	\$ 1,676,297	\$ 1,718,825	\$ 1,743,748
Finance	1,161,026	1,207,947	1,388,071	1,431,961	1,512,089	1,579,731	1,607,031	1,661,188	1,690,475
Information Systems & GIS	805,309	896,912	1,348,314	1,292,510	1,182,716	1,230,096	1,246,534	1,277,131	1,263,275
Legal	472,356	488,563	553,236	559,560	615,253	653,202	663,626	683,065	694,130
Human Resources	601,315	615,022	694,129	763,583	779,862	810,781	819,805	838,911	848,456
Law Enforcement	3,644,644	3,899,290	4,443,964	4,949,105	5,077,307	5,352,594	5,482,911	5,769,140	5,914,941
Court	156,088	165,573	206,630	209,274	217,635	227,575	232,664	236,976	243,137
Public Works Admin	400,267	426,075	475,277	502,100	513,153	536,938	548,687	565,049	577,547
Building Maintenance	822,190	804,338	1,024,031	983,566	998,599	1,032,100	1,052,166	1,074,654	1,096,045
Parks and Recreation	2,244,082	2,182,764	2,966,595	2,789,718	2,863,765	2,965,863	3,021,998	3,090,005	3,130,180
Library	1,595,214	1,719,813	1,868,412	1,938,586	2,069,272	2,163,459	2,213,527	2,284,897	2,336,417
Expenditures Subtotal	13,112,832	13,878,728	16,340,084	17,020,583	17,432,216	18,203,211	18,565,246	19,199,839	19,538,352
Transfers to other funds:									
Community Development Fund	236,000	243,000	267,000	293,700	323,070	329,531	336,122	342,844	349,701
To Capital Improvement Program (CIP)	889,860	587,168	1,736,275	1,596,163	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Transfers Subtotal	1,125,860	830,168	2,003,275	1,889,863	1,323,070	1,329,531	1,336,122	1,342,844	1,349,701
Expenditures Total	\$14,238,692	\$14,708,896	\$18,343,359	\$18,910,446	\$18,755,286	\$19,532,743	\$19,901,368	\$20,542,684	\$20,888,054
Operating net	1,249,154	1,998,535	58,309	72,628	208,232	67,544	18,319	21,565	292,211
Net after transfer to CIP	359,294	1,411,367	(1,677,966)	(1,523,535)	(791,768)	(932,456)	(981,681)	(978,435)	(707,789)
Interfund/interagency loans:									
Stormwater Capital Projects Fund	-	2,000,000	-	-	-	-	-	-	-
Interfund Loans Subtotal	-	2,000,000	-	-	-	-	-	-	-
Ending fund balance	\$15,281,539	\$14,692,905	\$11,151,253	\$12,879,526	\$12,087,758	\$11,155,301	\$10,173,621	\$9,195,186	\$8,487,397
Financial Policy Minimum	4,119,000	2,206,000	2,371,400	2,523,900	2,614,800	2,730,500	2,784,800	2,880,000	2,930,800

Community Development Fund

Fund Description

The Community Development Fund (CD Fund) houses the City's functions of planning and permitting land use, planning future growth, reviewing and inspecting plans for private development infrastructure, planning, engineering and managing the construction of public capital infrastructure projects, managing the City's natural resources and stormwater run-off, and managing the City's economic development plan and urban renewal agencies.

Community Development Fund Revenues and Expenditures

Revenues

Revenues received by this fund include Engineering and Planning permit fees, charges for services, and transfers from other City funds. The charges for services are largely comprised of engineering and construction management services provided to the City's urban renewal agency. The utility capital funds transfer in revenue in exchange for engineering, design and management services on City infrastructure projects.

The revenue drivers for this fund include the pace of development and associated applications for permits, as well as the demand for engineering services for capital infrastructure.

Engineering and Planning Fees

Engineering and planning fees are charged to recover the cost of architectural review, design review, land use review, landscaping plan review, subdivision plan review, and infrastructure project review and inspection. These revenues are tied to the land development business cycle and capital infrastructure build-out.

These fees are very difficult to predict and dependent upon the volume of permits. The volume of permits, and therefore the revenue derived from them, can be very sensitive to the business and development cycles; as builders are more optimistic, volume can increase drastically in a short period of time. Likewise, when the economy cycles down, volume and the corresponding revenues drop off quickly. In FY 2014-15 and FY 2015-16, revenue from these fees made up about one-third of the fund's revenue. These years saw record breaking development in the City. Going forward, activity is not projected to be as robust as the Villebois neighborhood reaches build out, and so revenue derived from these fees is predicted to drop over the forecast period to an average of 23% of the fund's overall revenue.

The City Council voted to restructure the Planning and Land Use Fees in the spring of 2017, to better recover costs. Analysis showed that prior to the restructure, these fees were only recovering approximately 45% of the cost of planning and land use review. The restructure was designed to recover an average of 84% of the costs, the rest of the costs subsidized by a General Fund transfer. Planning and land use activities and their associated fees will be closely monitored to evaluate if the fees are overall hitting the target of 84% cost recovery. Even so, the overall revenue from Planning and Land Use Fees are dependent upon volume, which is expected to decline in the short-term as the Villebois neighborhood reaches build out, and before other areas such as Frog Pond become ready to develop.

Charges for Services

The CD Fund receives revenue from the Urban Renewal Agency in the form of charges for services. Staff within the Department support the Urban Renewal Agency by planning, designing and managing capital infrastructure projects within the Urban Renewal Area boundaries, as well as providing administrative and oversight support to the agency. The City's two established districts, the Year 2000 Plan district and the West Side Plan district, are in a stable period where staff support is relatively steady. The City does have a new Urban Renewal district – the Coffee Creek Plan district. This district is not expected to generate enough tax increment in this forecast period to pay for services, and hence the General Fund will, through a CIP project included in the FY 2017-18 Proposed Budget.

Transfers In

Engineering provides support to other City departments through planning and managing capital infrastructure projects. For these services provided, the other funds transfer funds to the CD Fund. In addition, engineering and pre-design for the expansion of capital projects are funded by the System Development Charges (SDC) funds, which are accounted for in the CD Fund through this category. Support to the CIP is projected to be relatively constant over the forecast period.

The CD Fund also receives a transfer from the Building Division. The CD Fund houses the central administration and oversight for Building Division, as well as provides support to the various reviews and inspections performed by the Division, and this transfer reflects the allocated share to that Division.

The Stormwater Fund transfers in funds to pay for stormwater management and natural resource administration. Beginning with FY 2017-18, a change in methodology occurs that overall is neutral to the fund's bottom line. Support for stormwater activities will be in the form of a transfer of funds into the CD Fund from the Stormwater Fund. In FY 2016-17 and before, the recovery of costs for the program were divided between a transfer in and a direct payment from the Stormwater Fund. This previous method meant that the costs and revenues for Community Development's stormwater work had to be accounted for in two different funds – the CD Fund and the Stormwater Fund. The new method going forward will capture all the costs in the CD Fund, recovered through one revenue line of a transfer in from the Stormwater Fund.

General Fund Support

Staff within the Department provide customer service and work on general administrative and oversight tasks that are not directly related to fees, charges, or transfers in. Therefore, the General Fund provides support to the Community Development Fund for these general tasks. Examples include customer service when the public asks general questions about land use or permitting, coordinating open houses, code enforcement and coordinating with regional partners.

Expenditures

Operations

Expenditures from this fund are for the purposes of community development administration, engineering, planning, economic development, natural resources and stormwater management. These functions are provided by City staff and consultants. Important tasks include ensuring the City's compliance with the National Pollutant Discharge Elimination System (NPDES) permit for stormwater run-off, coordinating with regional partners, managing urban renewal plans and projects, conceptually planning future growth areas such as Frog Pond, keeping various infrastructure master plans up to date, and managing the construction of City capital improvements.

The expenditure drivers for this fund include the cost of labor and materials, changes to the regulations contained in the NPDES permit, and the timing and size of future growth areas that need conceptual planning.

The City is currently engaged in the Frog Pond and Basalt Creek concept plans. These efforts are funded by a combination of a Construction Excise Tax grant received in prior years, SDCs, and General Fund.

Although the projects change over time, the Department does not foresee the need for changes to staffing levels over the next five years.

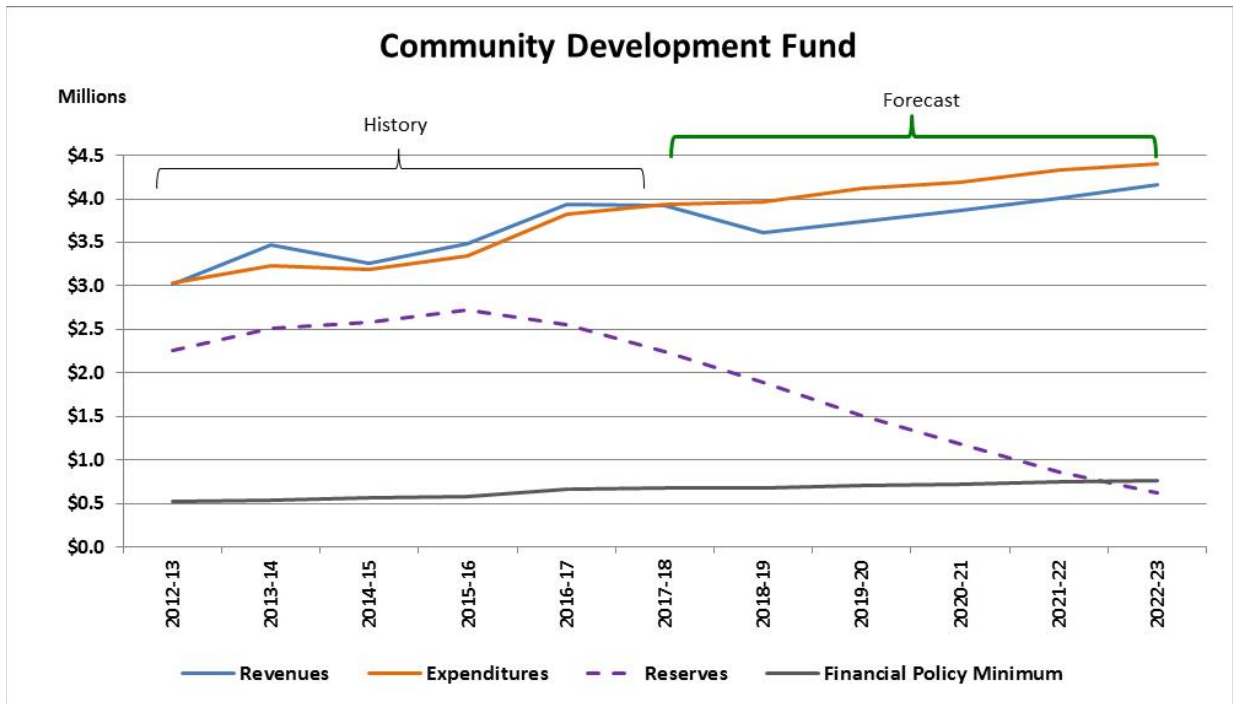
Community Development Fund Forecast

The five-year forecast for the CD Fund shows that on a budgetary basis, the fund continues to struggle with expenditures outstripping revenues. The City engaged consulting services that recommended changes to Planning and Land Use fees to cover more costs, as well as changes to how support to the capital program is budgeted. In the spring of 2017, the City Council voted to restructure Planning and Land Use Fees that became effective May 1, 2017. The fees have been structured to recover on average 84% of costs, rather than 45% costs as existed prior to the restructure. However, the revenue yielded from this restructure is greatly dependent upon volume, which is expected to decline for a year or two as the Villebois neighborhood wraps up and the Frog Pond and Coffee Creek areas become ready for planning permits in the latter period of the forecast. Regarding support charges to the CIP program, staff will be working over the coming year to implement changes outlined in the consultant study.

On the expenditure side, the department has experienced a number of vacancies which has meant savings in prior years. Going forward, these vacancies are filled, and the City has a practice of budgeting at full employment – meaning that as positions become vacant, the actual expenditure is less than budgeted. Staff attrition is likely to occur in the future which would offset any deficit. Another dynamic impacting the forecast is the PERS contribution rates. The contribution rate resets July 1, 2017 and is built into the FY 2017-18 Proposed Budget. It is expected to reset again at the next PERS biennium, on July 1, 2019 and again on July 1, 2021. Estimated increases for the PERS contribution rate is built into the forecast.

The graph below of the CD Fund reveals that in the last year of the forecast period, FY 2022-23, the reserve (also referred to as fund balance) declines below the Financial Policy Minimum, which is set at 20% of operations. This fund will be monitored closely in each of the coming budget cycles, and actions taken as necessary, to ensure that the ending fund balance remains at or above the Financial Policy Minimum.

Graph 5



For a more detailed view of the five-year forecast, Table 4 displays the CD Fund major revenue categories, department expenditures, and transfers. Table 4 also displays the net CD Fund, showing the operating net which generally accounts for on-going revenues and on-going expenditures. A negative net figure implies the use of fund balance, and a positive net figure implies contributions to fund balance.

Table 4
#235 - Community Development Fund Forecast

	Actual 2014-15	Actual 2015-16	Budget 2016-17	Proposed 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
Beginning fund balance	\$ 4,974,922	\$ 2,579,978	\$ 2,431,905	\$ 2,264,507	\$ 2,245,257	\$ 1,891,139	\$ 1,512,355	\$ 1,184,477	\$ 859,926
RESOURCES									
Revenues:									
Permits									
Engineering	\$ 698,400	\$ 854,770	\$ 763,670	\$ 435,000	\$ 450,225	\$ 483,992	\$ 522,711	\$ 574,982	\$ 632,481
Planning	336,523	406,893	336,528	289,000	323,680	356,048	391,653	430,818	473,900
Permit subtotal	1,034,923	1,261,663	1,100,198	724,000	773,905	840,040	914,364	1,005,800	1,106,380
Charges for services									
Urban renewal	701,108	570,435	615,900	597,300	603,273	609,306	615,399	621,553	627,768
Traffic engineering	41,688	49,102	43,100	43,100	42,000	42,000	42,000	42,000	42,000
Other	31,339	25,696	35,500	20,000	20,200	20,402	20,606	20,812	21,020
Charges for services Subtotal	774,135	645,233	694,500	660,400	665,473	671,708	678,005	684,365	690,789
Miscellaneous Revenue									
Investment income	11,455	20,015	12,000	20,000	22,453	28,367	30,247	23,690	17,199
Miscellaneous Revenue	2,112	253	500	500	500	500	500	500	500
Misc revenue subtotal	13,567	20,268	12,500	20,500	22,953	28,867	30,747	24,190	17,699
Operating Revenue Subtotal	1,822,625	1,927,164	1,807,198	1,404,900	1,462,331	1,540,615	1,623,116	1,714,355	1,814,867
Transfers from other funds:									
General Fund	236,000	243,000	267,000	293,700	323,070	329,531	336,122	342,844	349,701
Building Fund	79,372	81,616	92,911	82,420	86,541	90,868	95,411	100,182	105,191
Stormwater Operating Fund	58,640	60,569	70,286	289,043	303,495	318,670	334,603	351,334	368,900
Capital project overhead	1,068,676	1,177,672	1,707,184	1,853,989	1,438,262	1,464,627	1,471,520	1,498,950	1,526,929
Transfers Subtotal	1,442,688	1,562,857	2,137,381	2,519,152	2,151,368	2,203,697	2,237,657	2,293,311	2,350,722
Revenue Total	\$3,265,313	\$3,490,021	\$3,944,579	\$3,924,052	\$3,613,699	\$3,744,312	\$3,860,773	\$4,007,665	\$4,165,590
REQUIREMENTS									
Expenditures:									
Personnel services	\$ 2,488,909	\$ 2,444,590	\$ 2,753,592	\$ 2,746,120	\$ 2,788,056	\$ 2,950,427	\$ 3,022,755	\$ 3,172,776	\$ 3,250,916
Materials & services	313,820	447,736	542,707	626,385	613,356	600,598	588,106	575,873	563,895
Capital outlay	19,600	-	5,000	10,000	-	-	-	-	-
Expenditures Subtotal	2,822,329	2,892,326	3,301,299	3,382,505	3,401,412	3,551,026	3,610,861	3,748,649	3,814,811
Transfers to other funds:									
General Fund	373,758	449,523	525,479	520,020	525,220	530,472	535,777	541,135	546,546
Building Inspection Fund	2,464,170	-	-	40,777	41,185	41,597	42,013	42,433	42,857
Transfers Subtotal	2,837,928	449,523	525,479	560,797	566,405	572,069	577,790	583,568	589,403
Expenditures Total	\$5,660,257	\$3,341,849	\$3,826,778	\$3,943,302	\$3,967,817	\$4,123,095	\$4,188,651	\$4,332,217	\$4,404,215
NET	(2,394,944)	148,172	117,801	(19,250)	(354,118)	(378,783)	(327,878)	(324,552)	(238,625)
Ending fund balance	\$2,579,978	\$2,728,150	\$2,549,706	\$2,245,257	\$1,891,139	\$1,512,355	\$1,184,477	\$ 859,926	\$ 621,301
Financial Policy Minimum	560,546	578,465	659,260	674,501	680,282	710,205	722,172	749,730	762,962

Building Fund

Fund Description

The Building Fund houses the City's functions of building permits and building construction inspections. The Building Division is part of the overall Community Development Department, and ensures buildings and construction are compliant with State law and City code. The Building Fund was set up during fiscal year 2014-15. Prior to that time, it was part of the Community Development Fund.

Building Fund Revenues and Expenditures

Revenues

Revenue drivers for this fund include the volume of building permits, building plans and the volume of requested inspections.

Building Permit Fees

Building Permit Fees cover building plan review and construction activities. These revenues are tied to the building and development business cycle.

These fees are difficult to predict and heavily dependent upon the volume of activity. The City has seen record development recently; however, with the build-out of the Villebois neighborhood, the pace is expected to slow down before ticking back up once Frog Pond and Coffee Creek begin to develop in the latter part of the forecast period.

Expenditures

Expenditure drivers for this fund include the cost of labor and materials.

Operations

The Building Fund accounts the City's functions of permitting and inspecting buildings.

In the FY 2017-18 Proposed Budget, the Division proposes to add a full-time Building Inspector, as well as re-organize and re-classify support personnel. Aside from these changes, the Division does not foresee other changes in staffing over the next five years. In FY 2017-18, the Division will begin to replace its permitting software along the same timelines as the City replaces its core business financial software. This one-time expense would be funded from the fund's reserve.

Building Fund Forecast

The five-year forecast for the Building Fund shows that the fund remains healthy over the five-year forecast period. The ending fund balance stays above the financial policy minimum over the forecast period. Table 5 on the next page displays the fund's major revenue categories, department expenditures, and transfers.

Table 5
#230- Building Fund Forecast

	Actual 2014-15	Actual 2015-16	Budget 2016-17	Proposed 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
Beginning fund balance	\$ -	\$ 2,925,295	\$ 2,975,282	\$ 3,862,791	\$ 3,477,945	\$ 2,856,956	\$ 2,406,473	\$ 1,809,050	\$ 1,248,500
RESOURCES									
Revenues:									
Permits	\$ 1,340,604	\$ 1,538,088	\$ 1,604,935	\$ 1,273,660	\$ 1,141,358	\$ 1,027,222	\$ 924,500	\$ 1,031,026	\$ 1,079,553
Investment income	9,356	27,445	15,000	35,000	34,779	28,570	24,065	18,090	12,485
Charges for Services - UR	-	-	-	9,200	-	-	-	-	-
Operating Revenue Subtotal	1,349,960	1,565,533	1,619,935	1,317,860	1,176,137	1,055,791	948,564	1,049,117	1,092,038
Transfers from other funds:									
Community Development Fund	2,464,170	-	-	40,777	41,593	42,424	43,273	44,138	45,021
Transfers subtotal	2,464,170	-	-	40,777	41,593	42,424	43,273	44,138	45,021
Revenue Total	\$ 3,814,130	\$ 1,565,533	\$ 1,619,935	\$ 1,358,637	\$ 1,217,730	\$ 1,098,216	\$ 991,837	\$ 1,093,255	\$ 1,137,059
REQUIREMENTS									
Expenditures:									
Personnel services	\$ 609,063	\$ 686,956	\$ 683,400	\$ 996,660	\$ 1,056,460	\$ 1,109,283	\$ 1,142,561	\$ 1,199,689	\$ 1,235,680
Materials & services	88,326	93,323	133,301	142,083	144,925	146,374	147,838	149,316	150,809
Capital outlay	12,480	-	5,000	175,000	2,000	2,000	2,000	2,000	2,000
Expenditures Subtotal	709,869	780,279	821,701	1,313,743	1,203,384	1,257,656	1,292,399	1,351,005	1,388,489
Transfers to other funds:									
Community Development	79,372	84,449	92,911	82,420	84,068	85,750	87,465	89,214	90,998
General Fund	99,594	104,050	134,552	197,320	201,266	205,292	209,398	213,586	217,857
Building CIP Fund	-	-	-	150,000	350,000	-	-	-	-
Transfers Subtotal	178,966	188,499	227,463	429,740	635,335	291,041	296,862	302,800	308,856
Expenditures Total	\$ 888,835	\$ 968,778	\$ 1,049,164	\$ 1,743,483	\$ 1,838,719	\$ 1,548,698	\$ 1,589,261	\$ 1,653,805	\$ 1,697,345
NET	2,925,295	596,755	570,771	(384,846)	(620,989)	(450,482)	(597,424)	(560,549)	(560,285)
Ending fund balance	\$ 2,925,295	\$ 3,522,050	\$ 3,546,053	\$ 3,477,945	\$ 2,856,956	\$ 2,406,473	\$ 1,809,050	\$ 1,248,500	\$ 688,215
Financial Policy Minimum	155,000	152,000	163,400	227,800	240,300	251,200	258,100	269,900	277,300

Transit Fund

Fund Description

The Transit Fund accounts for the City’s transit system – South Metro Area Regional Transit, or SMART. The SMART system provides fixed route bus service throughout the City of Wilsonville, and commuter routes to Salem, Portland, Tualatin and limited service to Beaverton. SMART coordinates with TriMet’s WES train to ensure cohesive connections.

SMART also provides door-to-door, dial-a-ride service to eligible residents who are not able to use the fixed route system.

In-City rides on SMART are free. Rides to destinations outside of Wilsonville vary between \$1.50 to \$3.00 per ride. WES has a separate fare, determined by TriMet.

Transit Fund Revenues and Expenditures

Revenues

The SMART system is funded largely by a one-half of one percent (0.005) tax on payroll. The reported wage base within the City is therefore the major driver of revenue to the Transit Fund. As businesses within the City grow or contract their payrolls, it directly impacts the revenue to the Transit Fund.

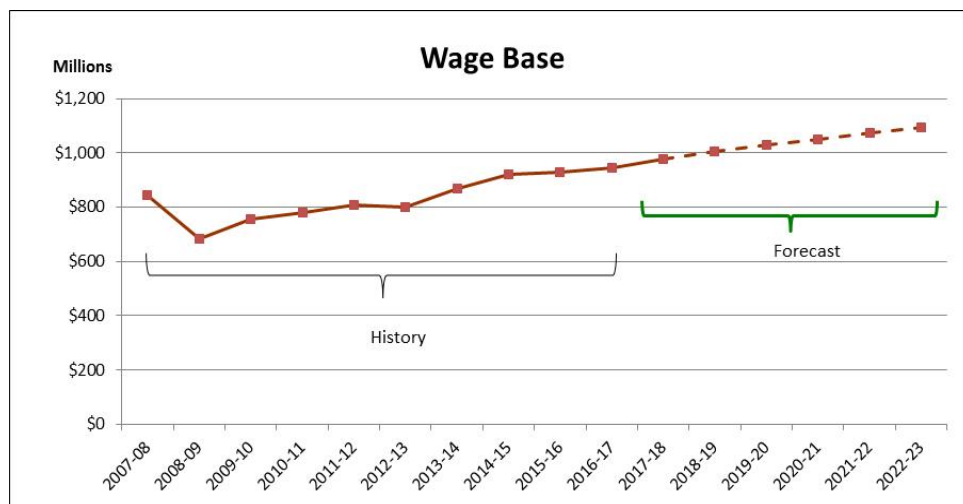
Another major revenue driver is the receipt of federal and state grants. The Department has been quite successful in securing federal and state grants for funding various programs and for purchasing rolling stock.

Payroll Taxes

The City imposes a payroll tax on local businesses in order to fund the public transit system. The rate is one-half of one percent (0.5%) of wages. This tax rate is determined by the City Council.

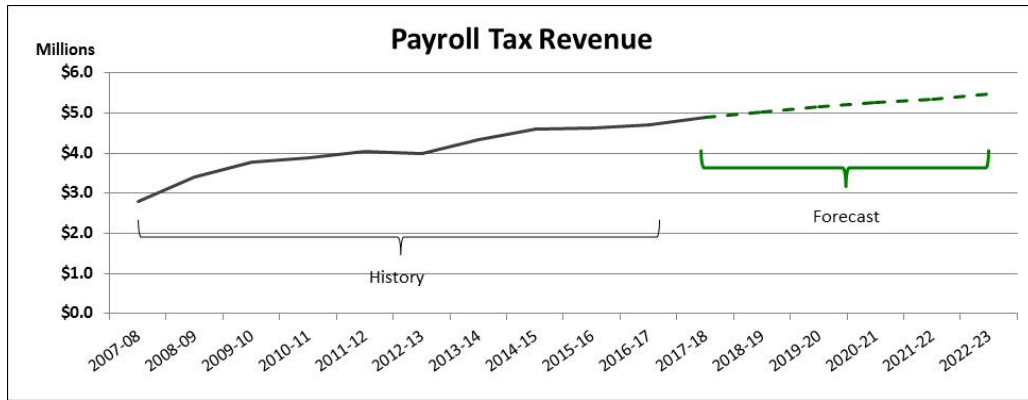
An important variable for the payroll tax is the local wage base. Between FY 2007-08 and FY 2015-16, the wage base has increased annually, on average, about 1.2%. The wage base took a major dip in FY 2008-09 due to the Great Recession, taking five years to get back to the FY 2007-08 level, as seen in Graph 6 below. In FY 2015-16, the last year for which actual data is available, the wage base was about 9.5% above the base in FY 2007-08. The FY 2017-18 Proposed Budget reflects confidence in the local economy, budgeting an approximately 3.5% gain to the wage base. Going forward, the forecast projects the wage base will grow at 2.25%.

Graph 6



The revenue from the payroll tax assessed on the wage base is shown below. One note is that in FY 2007-08, the payroll tax rate was 0.33% of payroll, and in October of 2008, the City Council changed it to the current 0.5% of payroll. Aside from this change in rate, the overall trends for payroll tax revenue follow the same trends as the wage base, with forecasted growth predicted in FY 2017-18 of 3.5%, leveling off to an annual average of 2.25% over the forecast period.

Graph 7



Fares

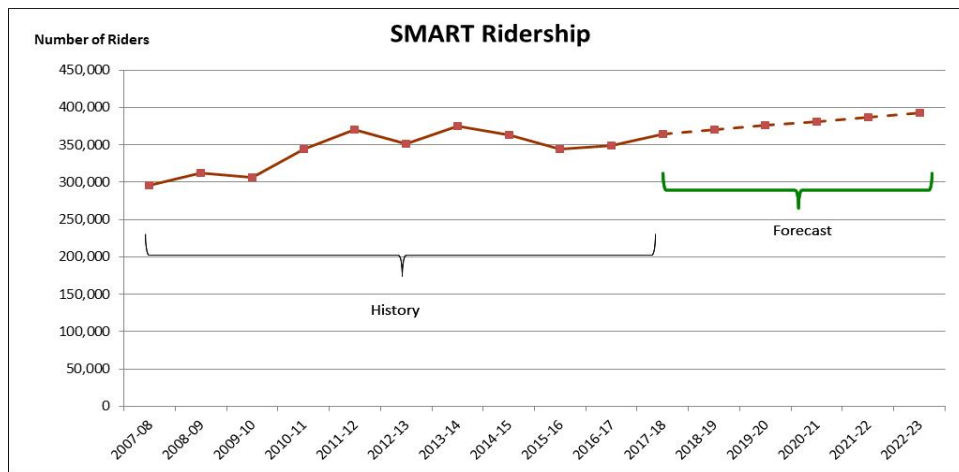
The SMART system provides free service within the Wilsonville City limits. Trips to destinations outside of Wilsonville have fares between \$1.50 and \$3.00. The WES train charges a fare according to the TriMet fare schedule.

Fares make up a small percent of the overall revenue stream to the Transit Fund, ranging from 3.1% to 4.4% of total revenue over the last five year period.

The fare-paying ridership is largely thought to vary with gas prices and the price of the fare. As gas prices decrease, ridership is expected to decrease. Also, if the transit fare increases, ridership is expected to drop. These two dynamics play off of each other, as many riders weigh the relative cost of bus fares to gas prices.

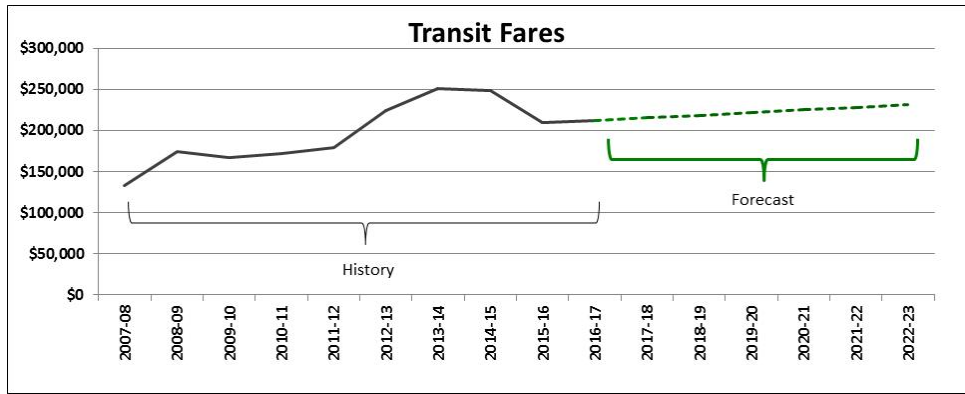
The graph below displays the total ridership of the SMART system. Rides inside City limits are free, while rides to destinations outside City limits charge a fare. The graph displays the history of SMART ridership over the last 10 years, together with the forecast over the next five years. The increase in ridership in FY 2011-12 and FY 2013-14 correlates to increasing gas prices.

Graph 8



The next graph displays the fare revenue. It shows a relative spike in fare revenue in FY 13-14. A fare increase was implemented in October of 2012, at the same time gas prices were increasing. The average peak gas price in the Portland/Salem area in the fall of 2012 was \$4.06 per gallon. Gas prices stayed near that level for about a year and a half - the average peak price in the Portland/Salem area in 2013 was \$3.92 per gallon, and in 2014 the average peak price was \$3.97 per gallon, inspiring commuters to take the bus. That compares with the most recent average price in the Portland/Salem area in May, 2017 of \$2.77 per gallon. As gas prices have decreased, the fare revenue to the Transit Fund is declining as ridership drops. As the expectation in the near future is for flat gas prices, the forecast for fare revenues is relatively flat, as it assumed commuters will choose to drive.

Graph 9



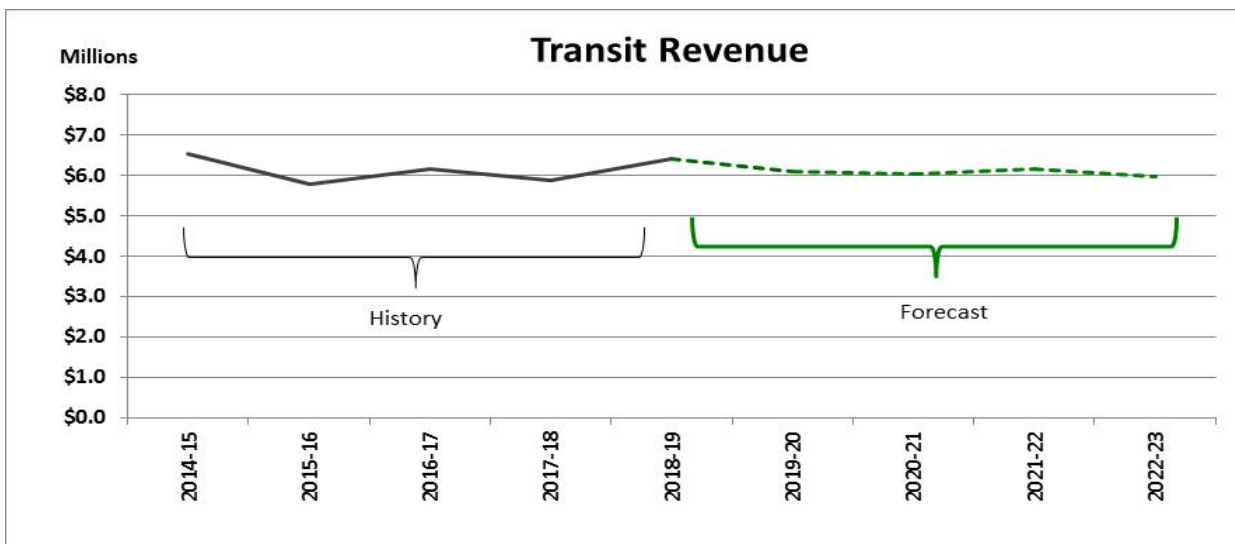
Grants

The Department has been quite successful in securing federal and state grants for funding various programs and for purchasing rolling stock. Transit typically receives a grant match for rolling stock of approximately 80% of the cost. Over the last 5 years, operating grants awarded to the Department have varied from a low of approximately \$250,000 to a high of \$380,000. Just over a third is from the Federal Government, the rest from the State and Clackamas County. It is hard to know going forward whether the Federal Government will continue to award grants for operating programs. Going forward in this forecast, it is assumed that operating grants received by the Department will only be from the State and Clackamas County. The forecast does assume that the Department will continue to receive capital grants equal to 80% of the planned equipment replacement.

Transit Fund Total Revenue

The components discussed above come together in the graph below, displaying the total revenues to the Transit Fund. The actual amounts for FY 2014-15 and 2015-16 are displayed, along with the current year budget, the FY 2017-18 Proposed Budget, and the five-year forecast. The variations to the revenues are due to grants – because it is assumed that grants will continue to be received to pay for 80% of the rolling stock, the variation tracks to the equipment replacement cycle. The bump-up in revenue in FY 14-15 reflects above-average grant awards, mainly for hybrid buses. In FY 2018-19, the agency expects to replace two diesel buses and a van, and the assumption is that 80% of their cost will be received in grant revenue, thus the bump-up in the revenue forecast for FY 18-19 reflects this grant award.

Graph 10



Expenditures

Expenditures of the Transit Fund include wages and benefits for the transit drivers, transit administration, and the repair, maintenance and purchase of the rolling stock. Major drivers of the Transit Fund expenditures include the cost of labor, cost of fuel, and the successful receipt of grants to replace and expand the bus fleet.

Operations

The SMART system operates with approximately 32 drivers, who are either full-time, part-time, or on-call. The system operates nearly every day of the year, with the exception of Sundays and major holidays.

During FY 2016-17, SMART worked extensively to finalize the update the Transit Master Plan. This Plan will shape the direction of the agency for years to come. The City Council is expected to formally approve the plan in June of 2017. This forecast assumes that implementation of the Master Plan will occur within current staffing levels and operational parameters.

Over the five-year period of this forecast, Transit does not foresee adding personnel. This forecast does assume that PERS contribution rates will increase at the beginning of each PERS biennial cycle – the first increase is built into the FY 2017-18 budget, then an increase is assumed beginning July 1, 2019, and again beginning July 1, 2021.

It is not known how the growth within the future areas of Coffee Creek, Frog Pond and Basalt Creek will affect the Department, as the City will need to work on identifying the boundary of the SMART service area.

Capital Improvements

The purchase of SMART’s rolling stock is considered a capital improvement. Over the next five years, the Department anticipates replacing three Dial-A-Ride vans, three diesel buses, eight of the smaller buses and four compressed natural gas (CNG) vehicles. These replacements will be spread-out over the next five years, and it is anticipated that the Department will receive 80% funding from grants.

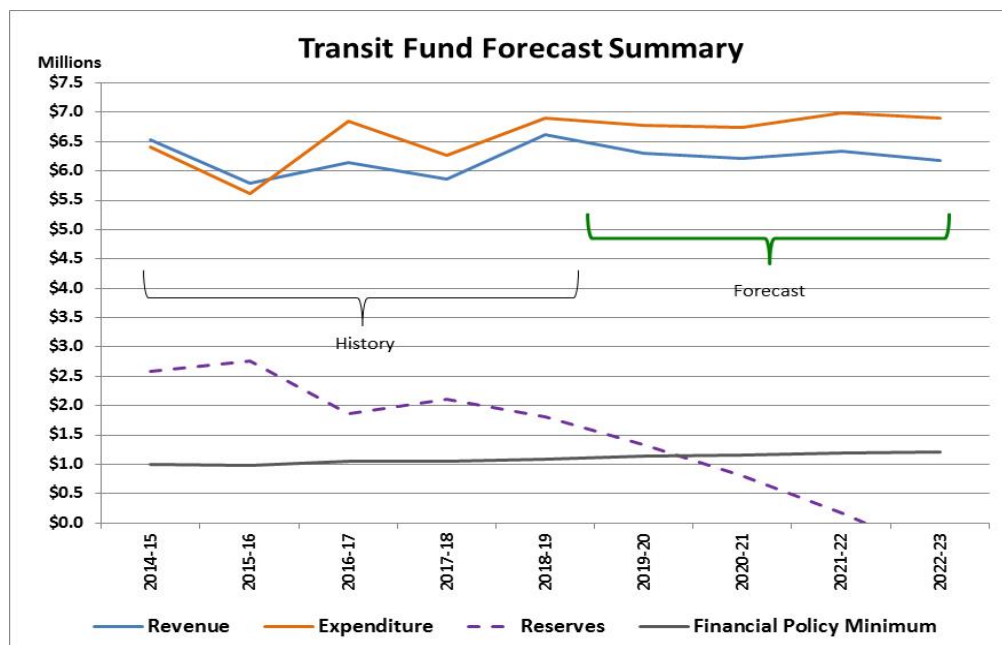
Transit Fund Forecast

The five-year forecast summary for the Transit Fund reveals that on average over time, revenues are not keeping up with expenditures, and so the Transit Fund fund balance (also referred to as reserve) is projected to be drawn down. In fiscal year 2019-20, financial challenges become significant, and before the start of FY 2020-21, either revenues will need to be enhanced, expenditures reduced, or both, in order to maintain financial sustainability.

It is important to note that this forecast provides perspective for planning for the future. During each annual budget cycle, resources and priorities are reassessed, and modifications are made to maintain a balanced Transit Fund. The fund balance will not be allowed to dip below the minimum level of 20% of operations, as set forth in the City’s financial policies.

The graph below compares the revenue sources discussed above to the expenditure items, and also to the reserve (fund balance) contained in the Transit Fund. The reserve in the Transit Fund is an eligible funding source, particularly for one-time items such purchasing buses, as long as it remains above the minimum level, indicated by the financial policy minimum.

Graph 11



The Transit Fund Forecast Summary indicates that if the discussed assumptions hold true, then the Transit Fund will experience a deficit. However, this forecast is to be used as a guideline, and points out the importance of each year's budget cycle in reviewing and analyzing revenue sources, as well as the Budget Committee's annual deliberations over Transit Fund priorities, in order to avoid a deficit.

This forecast does not include any funding that may become available through transportation legislation at the State level.

Revenue options the City Council may choose to consider include the following:

- Increase payroll tax rate – For every 0.1% (.001) the transit tax goes up (for example, from the current 0.5% to 0.6%) an additional \$968,000 in revenue is generated (based on the FY 2015-16 actual local wages and earnings amount).
- Increase Fares – Currently, fares make up about 4% of SMART's revenue. SMART currently only charges for out of town routes. Price elasticity of demand aside, a \$0.25 cent increase in fares, as currently structured, would result in an estimated \$32,300 in additional revenue.
- Transit Operations Monthly Fee – Revenue could be generated from a monthly fee included on the City's combined utility bill. In early 2017, the City has approximately 5,000 residential accounts and 476 multi-family utility accounts (with approximately 4,976 individual units). With a simple per account residential and per unit multi-family dwelling unit formula, for every \$1.00 per month (\$12.00 per year), an estimated extra \$119,712 could be raised.
- Property tax funding - A voter-approved local option property tax levy could be considered. These levies are limited to 5 years and the vote would be held in either May or November of any given year. For every dime (\$0.10) of new property tax, it means \$340,000 in revenue (based on current assessed valuation).
- Sales tax – Oregon counties and cities have the right to impose a sales tax at the local level. For example, in 1993 the City of Ashland, Oregon, with a current population 20,620, enacted a voter approved five percent (5%) tax on all prepared food sold in Ashland, which in fiscal year 2016 generated about \$2.2 million. Whereas in Ashland, the proceeds are restricted for the purchase of open space for parks and to offset the costs associated with the building of a new wastewater proceeds, funds could likewise be designated for transit operations.
- Gas tax – The City could impose a local gas tax and dedicate the funding to SMART operations. The City of Woodburn levies a \$0.01 per gallon gas tax that generates about \$100,000 per year.
- Public-Private Partnership – Vanpool/carpool partnership with local businesses and other arrangements with local business and/or universities. For example, SMART has an ongoing contractual relationship with Oregon Institute of Technology to provide specific service funded directly by OIT.
- Advertising Revenue: Additional revenue could be generated from advertising revenue. Revenue could be generated from advertisements on buses, within the buses and on bus shelters. Advertising can be controversial however, because there are limitations as to the guidelines SMART could implement surrounding the types and content of advertisements.
- Commercial services – Commercial services at SMART Central transit center could provide a limited amount of additional incremental revenue. This could include coffee shops or food carts. There is no current commercial service at SMART Central.

For a more detailed view of the five-year forecast, Table 6 displays the Transit Fund's major revenue categories, department expenditures, and transfers. Table 6 also displays the net figure, which is total revenues less total expenditures. However, this figure includes both grant revenue and vehicle purchases. To determine the operating net figure, adjustments were made to measure on-going revenues against on-going expenses. A negative number implies that fund balance is being used to fund operations. This is not sustainable over the long term, because the fund balance will be drawn down to an unacceptable level. A positive number implies that contributions are being made to fund balance. The financial forecast for the Transit Fund shows the operating net figure being drawn down over time.

Table 6
#260 - Transit Fund Forecast

	Actual 2014-15	Actual 2015-16	Budget 2016-17	Proposed 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
Beginning fund balance	\$ 2,471,858	\$ 2,585,074	\$ 2,564,441	\$ 2,509,750	\$ 2,104,140	\$ 1,811,634	\$ 1,335,737	\$ 805,698	\$ 170,354
RESOURCES									
Revenues:									
Transit tax	\$ 4,597,118	\$ 4,638,597	\$ 4,722,810	\$ 4,891,700	\$ 5,026,222	\$ 5,151,876	\$ 5,254,914	\$ 5,360,012	\$ 5,467,212
Intergovernmental	1,628,942	918,358	1,185,875	733,832	1,333,351	902,101	714,601	739,601	464,601
Charges for services	248,995	190,235	214,080	213,580	215,716	217,873	220,052	222,252	224,475
Investment income	21,521	23,390	15,000	15,000	21,041	18,116	13,357	8,057	-
Miscellaneous	26,261	16,282	14,000	14,000	15,000	15,000	15,000	15,000	15,000
Revenue Total	\$ 6,522,837	\$ 5,786,862	\$ 6,151,765	\$ 5,868,112	\$ 6,611,330	\$ 6,304,967	\$ 6,217,924	\$ 6,344,923	\$ 6,171,288
REQUIREMENTS									
Expenditures:									
Personnel services	\$ 2,829,047	\$ 2,952,481	\$ 3,307,170	\$ 3,335,422	\$ 3,550,173	\$ 3,749,662	\$ 3,843,848	\$ 4,032,856	\$ 4,134,673
Materials & services	1,736,677	1,744,271	1,923,652	1,886,929	1,896,364	1,905,845	1,915,375	1,924,952	1,944,201
Capital outlay	1,354,869	419,995	1,020,195	501,811	915,000	570,000	420,000	440,000	220,000
Expenditures Subtotal	5,920,593	5,116,747	6,251,017	5,724,162	6,361,537	6,225,508	6,179,222	6,397,808	6,298,874
Transfers to other funds:									
General Fund	483,026	500,347	536,375	509,560	522,299	535,356	548,740	562,459	576,520
Building Capital Fund	6,002	-	67,000	40,000	20,000	20,000	20,000	20,000	20,000
Transfers Subtotal	489,028	500,347	603,375	549,560	542,299	555,356	568,740	582,459	596,520
Expenditures Total	\$ 6,409,621	\$ 5,617,094	\$ 6,854,392	\$ 6,273,722	\$ 6,903,836	\$ 6,780,864	\$ 6,747,963	\$ 6,980,267	\$ 6,895,394
<i>NET (Revenues less Expenditures)</i>	113,216	169,768	(702,627)	(405,610)	(292,506)	(475,897)	(530,039)	(635,344)	(724,106)
<i>NET, adjusting for capital & grants (ongoing indicator)</i>	390,192	253,767	(431,588)	(265,248)	(89,506)	(341,897)	(426,039)	(527,344)	(660,106)
Ending fund balance	\$ 2,585,074	\$ 2,754,842	\$ 1,861,814	\$ 2,104,140	\$ 1,811,634	\$ 1,335,737	\$ 805,698	\$ 170,354	\$ (553,752)
Financial Policy Minimum	990,000	986,000	1,046,200	1,044,500	1,089,400	1,131,200	1,151,900	1,191,600	1,215,800

Water Operating Fund

Fund Description

The Water Fund accounts for the City's drinking water utility. The City owns and operates a water treatment plant on the Willamette River and provides water service to residents and businesses within City limits. The City bills for water usage on a monthly basis. The City contracts with Veolia North America to operate the water treatment plant.

The Water Operating Fund periodically transfers funds to the Water Capital Fund. The Water Capital Fund accounts for the Capital Improvement Program (CIP) of the water utility.

Water Fund Revenues and Expenditures

Revenues

The major drivers of revenue to the water fund include water consumption, the number of customers, the water rates set by the City Council, and the weather as it influences water consumption. Hot, dry weather, for example, tends to drive up usage (excluding drought conditions when usage is curtailed).

Charges

The City charges water customers for the water they use as measured through each customer's water meter. The City has approximately 5,500 water customers. The water rates are set periodically by the City Council. There are no anticipated water rate increases over the 5-year forecast period.

As the City grows, more water accounts will be established and therefore water revenue will increase. However, it is important to note that individual use has been declining, most likely due to the conservation.

Water Sales

The City also sells up to five million gallons per day of treated water to Sherwood. Sherwood pays Wilsonville close to \$1 million per year for the water.

Other Revenues

The Water fund also receives interest earnings and a transfer from the Sewer System Development Charges (SDCs). The transfer from the Water SDCs is to partially cover the debt service obligation for debt incurred to expand the plant.

Expenditures

Expenditures of the water utility are influenced by the cost of labor to run the system, the price of electricity to operate the plant, and the cost of chemicals and other materials to treat the water. Maintaining, repairing, and replacing the capital infrastructure of the water utility also drive expenditures.

Operations

Water operations include managing and maintaining the water treatment plant and the water distribution system. The water treatment plant is managed under contract by the firm Veolia North America. The water distribution system includes pipes, reservoirs, booster pumps, valves, fire hydrants and wells.

Capital Improvements

The water utility is a very capital intensive operation, including assets such as the treatment plant, miles of pipes, reservoirs, and pumps. Maintenance and repair of these assets are funded through the water rates, while expansions to the assets are funded by System Development Charges (SDCs) charged to developers as they build out the City. The capital improvement program (CIP) is therefore funded by both water rates and SDCs, depending upon whether the project expands capacity or not. The operating fund transfers funds to the CIP under the "Transfers to Other Funds" category. The detail of the CIP can be found in the FY 2017-18 Proposed Budget document.

At times, the cash needed for the CIP exceeds the availability, and at those times the City considers issuing debt to fund necessary projects. The debt is paid back over time by water rates. Currently, there are two outstanding bond series, one of which will be paid off in FY 19-20 and the other in FY 2020-21. Therefore, the last two years of the forecast period do not include debt service payments.

Water Fund Forecast

The five-year forecast for the Water Fund shows that fund remains fiscally healthy, and able to maintain a healthy reserve (also referred to as fund balance) for this capital intensive utility. The ending fund balance is well above the financial policy minimum at the end of the forecast period. The financial policy minimum is set by reserving 20% of operations, maintaining a debt service reserve, and maintaining a contingency for the water treatment plant. The amount above this minimum will be used for major capital repair and replacements, for example, to replace aging critical processing equipment, to increase back-up power capability, to invest in seismic retrofitting, and improve the treatment process. A master plan is scheduled to be completed in FY 2017-18 that will outline these items in more detail.

The five-year forecast predicts water revenue from charges will increase steadily over the period, reflecting the predicted growth of the City. At this time, no rate increases are planned. The forecast does not account for weather patterns – hot, dry summers tend to mean more revenue as more water is used, while cooler, wetter summers mean less revenue.

Over the five-year period of this forecast, water operations anticipates increases in the PERS rates, as well contractual increases to the contract with Veolia North America, according to the terms of the contract.

For a more detailed view of the five-year forecast, Table 7 displays the Water Fund’s major revenue categories, expenditure expenditures, and transfers.

Table 7

#310 - Water Operating Fund Forecast

	Actual 2014-15	Actual 2015-16	Budget 2016-17	Proposed 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
Beginning fund balance	\$ 6,262,753	\$ 7,814,062	\$ 9,319,698	\$ 10,210,358	\$ 11,133,795	\$ 12,611,127	\$ 13,538,748	\$ 13,689,481	\$ 12,897,871
RESOURCES									
Revenues:									
Usage charge	\$ 6,417,806	\$ 7,020,755	\$ 6,378,582	\$ 6,991,000	\$ 7,060,910	\$ 7,131,519	\$ 7,202,834	\$ 7,274,863	\$ 7,347,611
Sherwood usage	1,044,311	1,094,122	990,000	990,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Connection fees	132,799	114,128	80,000	109,000	100,500	101,003	101,508	102,015	102,525
Turn-off charge	14,190	12,435	12,000	11,000	12,000	12,000	12,000	12,000	12,000
User fee - fire charge	134,013	138,724	135,000	135,000	135,675	136,353	137,035	137,720	138,409
Investment income	27,929	74,930	45,000	80,000	111,338	126,111	135,387	136,895	128,979
Miscellaneous	30,005	57,740	24,000	31,500	30,000	30,000	30,000	30,000	30,000
Bond sale proceeds	-	4,059,000	-	-	-	-	-	-	-
Operating Revenue Subtotal	7,801,053	12,571,834	7,664,582	8,347,500	8,450,423	8,536,986	8,618,764	8,693,493	8,759,524
Transfers from other funds:									
Water SDC Fund	350,000	350,000	350,000	350,000	350,000	350,000	157,500	-	-
Interfund loan repayments:									
Road Operating Fund	-	-	81,500	81,550	81,550	81,550	81,550	-	-
Stormwater Operating Fund	-	-	102,000	102,000	102,000	102,000	102,000	-	-
Interfund Loan Rpymts Subtotal	-	-	183,500	183,550	183,550	183,550	183,550	-	-
Revenue Total	\$ 8,151,053	\$12,921,834	\$ 8,198,082	\$ 8,881,050	\$ 8,983,973	\$ 9,070,536	\$ 8,959,814	\$ 8,693,493	\$ 8,759,524
REQUIREMENTS									
Expenditures:									
Personnel services	\$ 484,685	\$ 493,779	\$ 612,973	\$ 554,840	\$ 588,130	\$ 617,537	\$ 636,063	\$ 667,866	\$ 687,902
Materials & services	3,269,882	3,096,298	3,415,055	3,831,905	3,596,862	4,054,768	3,826,411	4,291,203	4,069,939
Capital outlay	82,377	278,070	360,973	406,220	300,000	300,000	300,000	300,000	300,000
Debt service	1,874,280	5,910,481	1,878,000	1,870,000	1,870,000	1,870,000	841,500	-	-
Expenditures Subtotal	5,711,224	9,778,628	6,267,001	6,662,965	6,354,993	6,842,305	5,603,974	5,259,070	5,057,842
Transfers to other funds:									
General Fund	493,370	526,016	602,636	571,530	582,961	594,620	606,512	618,642	631,015
Water Capital Fund	395,149	172,610	1,203,417	654,852	558,688	705,990	814,220	1,823,016	2,000,000
Building Capital Fund	-	-	542,750	68,266	10,000	1,784,375	1,784,375	1,784,375	100,000
Interfund loans:									
Streets Capital Projects Fund	-	-	400,000	-	-	-	-	-	-
Stormwater Capital Projects Fund	-	-	500,000	-	-	-	-	-	-
Transfers/Interfund Subtotal	888,519	698,626	3,248,803	1,294,648	1,151,649	1,300,610	3,205,107	4,226,033	2,731,015
Expenditures Total	\$ 6,599,743	\$10,477,254	\$ 9,515,804	\$ 7,957,613	\$ 7,506,641	\$ 8,142,915	\$ 8,809,081	\$ 9,485,103	\$ 7,788,857
NET	1,551,310	2,444,580	(1,317,722)	923,437	1,477,332	927,621	150,733	(791,610)	970,667
Ending fund balance	\$ 7,814,063	\$10,258,642	\$ 8,001,976	\$11,133,795	\$12,611,127	\$13,538,748	\$13,689,481	\$12,897,871	\$13,868,538
Financial Policy Minimum	2,970,148	3,494,000	3,630,100	3,456,000	3,336,999	3,434,461	3,392,495	3,491,814	3,451,568

Sewer Operating Fund

Fund Description

The Sewer Fund accounts for the City's wastewater treatment utility. The City owns and operates a wastewater treatment plant and maintains the associated collection pipes and lift stations. The City bills for the service monthly. The wastewater treatment plant protects the water quality of the Willamette River and the health of the community by removing pollutants from wastewater in compliance with the City's discharge permit. The City contracts with CH2M HILL to operate the plant.

The Sewer Fund also accounts for the City's industrial pretreatment program. Industries are monitored and regulated regarding what they discharge into the wastewater system, and certain industries must pre-treat their effluent. The program also provides education and outreach to minimize fats, oil and grease, as well as drugs, from entering the system.

The Sewer Operating Fund periodically transfers funds to the Sewer Capital Fund. The Sewer Capital Fund accounts for the Capital Improvement Program (CIP) of the sewer utility.

Sewer Fund Revenues and Expenditures

Revenues

Revenue drivers for this fund include sewer rates charged, the size and type of industries, winter water consumption, and the City's population growth.

Charges

The City charges for use of the wastewater system each month. Currently, the City has about 5,500 sewer accounts.

In general, wastewater is not a metered service. Therefore, provision of wastewater service is generally based on water use, the theory being that most water that enters a customer's establishment goes into the wastewater system. The City uses this assumption for commercial customers. For residential customers, because water usage peaks in the summer, it is assumed to be used for irrigation, and does not enter the wastewater system. Hence the City uses a residential customer's winter water average (November through March of the preceding year) to set the units of usage for the wastewater system for the next year. If commercial customers experience peak summer water usage due to irrigation and want their sewer charges adjusted, they have the option to install an irrigation meter, and their sewer charges will be adjusted according to the water that diverts through the irrigation meter.

The sewer rates are set periodically by the City Council. There are no current plans to increase sewer rates, however, the City has recently completed a new master plan that identifies necessary capital improvements and intends on performing a cost of service study and rate analysis as a next step.

As the City grows, more accounts will be added, leading to growth in the sewer operating revenue.

Other Revenues

The Sewer fund also receives interest earnings and a transfer from the Sewer System Development Charges (SDCs). The transfer from the Sewer SDCs is to partially cover the debt service obligation for debt incurred to expand the plant.

Expenditures

Expenditures of the sewer utility are influenced by the cost of labor to run the system, the price of electricity to operate the plant, and the cost of chemicals and other materials to treat the wastewater. Maintaining, repairing, and replacing the capital infrastructure of the sewer utility also drive expenditures.

Operations

Sewer operations include managing and maintaining the wastewater treatment plant, the sewer collection system of pipes, and lift stations. Additionally, operations include managing the Industrial Pretreatment Program, as well as ensuring the City is in compliance with the National Pollutant Discharge Elimination System (NPDES) conditions and permit limits.

Capital Improvements

The sewer utility is a very capital intensive operation, including assets such as the wastewater treatment plant, miles of pipes, and pumps. Maintenance and repair of these assets are funded through the sewer rates, while expansions to the assets are funded by System Development Charges (SDCs) charged to developers as they build out the City. The capital improvement program (CIP) is therefore funded by both sewer rates and SDCs, depending upon whether the project expands capacity or not.

At times, the cash needed for the CIP exceeds the availability, and at those times the City considers issuing debt to fund necessary projects. The debt is paid back over time by sewer rates. In 2011, debt was issued to fund improvements and expansions to the treatment plant, and is expected to be retired in FY 2031.

Sewer Fund Forecast

The five-year forecast for the Sewer Fund shows that the fund balance (also referred to as a reserve) is drawn down over time, but still remains above the financial policy minimum. The minimum consists of a set aside equal to 20% of operations, in addition to a capital reserve for the plant and a debt service reserve. The fund balance is drawn down to fund the capital program, including a possible public works facility.

The five-year forecast predicts sewer revenue from charges will increase steadily over the period, reflecting the predicted growth of the City. At this time, no rate increases are planned, although a rate study will be performed in FY 2017-18.

Over the five-year period of this forecast, sewer operations anticipates increases in the PERS rates, as well contractual increases to the contract with CH2MHILL.

Over the next five years, examples of capital projects include repairing the outfall at the wastewater treatment plant, improving the Memorial Park and Town Center pump stations, pipe maintenance and rehab in the Charbonneau area, upsizing the Coffee Creek sewer trunk in coordination with the Kinsman Road extension project, and replacing various pipes and valves. The CIP detail is included in each year's annual budget and is considered by the Budget Committee and City Council.

The table on the next page displays revenues, expenditures, and the fund's ending fund balance for prior two years, the current year budget, the proposed budget for FY 2017-18 and five subsequent fiscal years. The table demonstrates that the Fund remains in a sound financial position throughout the forecast period.

Table 8
#320 - Sewer Operating Fund Forecast

	Actual 2014-15	Actual 2015-16	Budget 2016-17	Proposed 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
Beginning fund balance	\$ 10,124,387	\$ 10,425,174	\$ 10,260,270	\$ 12,250,543	\$ 12,050,892	\$ 11,960,042	\$ 11,586,315	\$ 9,331,832	\$ 8,382,489
RESOURCES									
Revenues:									
Usage charge	\$ 7,212,604	\$ 7,427,307	\$ 7,427,000	\$ 7,458,000	7,569,870	7,683,418	7,798,669	7,915,649	8,034,384
High strength surcharge	539,710	419,570	355,250	475,000	482,125	489,357	496,697	504,148	511,710
Investment income	22,308	117,052	58,050	84,000	120,509	119,600	115,863	93,318	83,825
Miscellaneous	62,290	62,618	25,000	27,300	25,000	25,000	25,000	25,000	25,000
Operating Revenue Subtotal	7,836,912	8,026,547	7,865,300	8,044,300	8,197,504	8,317,375	8,436,230	8,538,115	8,654,919
Transfers from other funds:									
Sewer Development Fund (SDC)	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Revenue Total	\$ 8,436,912	\$ 8,626,547	\$ 8,465,300	\$ 8,644,300	\$ 8,797,504	\$ 8,917,375	\$ 9,036,230	\$ 9,138,115	\$ 9,254,919
REQUIREMENTS									
Expenditures:									
Personnel services	\$ 263,203	\$ 301,174	\$ 356,800	\$ 364,850	386,741	406,078	418,260	439,173	452,349
Materials & services	2,874,061	2,882,166	3,172,085	3,227,001	3,388,351	3,557,769	3,735,657	3,922,440	4,118,562
Capital outlay	-	365	1,773	2,000	10,000	10,000	10,000	10,000	10,000
Debt Service	3,583,321	3,582,520	2,940,463	2,980,000	2,945,000	2,945,000	2,945,000	2,945,000	2,945,000
Expenditures Subtotal	6,720,585	6,766,225	6,471,121	6,573,851	6,730,092	6,918,847	7,108,917	7,316,613	7,525,910
Transfers to other funds:									
General Fund	464,416	446,611	504,173	469,730	479,125	488,707	498,481	508,451	518,620
Streets Capital Fund	156,085	-	-	-	-	-	-	-	-
Sewer Capital Fund	795,039	203,501	3,235,295	1,732,104	1,679,137	1,883,549	1,898,939	478,019	2,000,000
Building Capital Fund	-	-	542,750	68,266	-	-	1,784,375	1,784,375	100,000
Transfers Subtotal	1,415,540	650,112	4,282,218	2,270,100	2,158,262	2,372,256	4,181,795	2,770,845	2,618,620
Expenditures Total	\$ 8,136,125	\$ 7,416,337	\$ 10,753,339	\$ 8,843,951	\$ 8,888,354	\$ 9,291,103	\$ 11,290,713	\$ 10,087,458	\$ 10,144,530
NET	300,787	1,210,210	(2,288,039)	(199,651)	(90,850)	(373,727)	(2,254,483)	(949,343)	(889,611)
Ending fund balance	\$ 10,425,174	\$ 11,635,384	\$ 7,972,231	\$ 12,050,892	\$ 11,960,042	\$ 11,586,315	\$ 9,331,832	\$ 8,382,489	\$ 7,492,878
Financial Policy Minimum	3,295,000	5,853,000	6,042,300	6,058,400	6,095,100	6,132,800	6,170,800	6,212,400	6,254,200

Stormwater Operating Fund

Fund Description

The Stormwater Operating Fund accounts for the City’s stormwater management utility. This utility works to minimize and control erosion, prevent local flooding, and reduce pollutants and debris from entering local streams and the Willamette River. The utility must remain in compliance with the requirements of the National Pollutant Discharge Elimination System (NPDES) Stormwater Management Plan (Plan). The utility does this by conveying stormwater through a system of pipes, detention ponds, catch basins and ditches, which eventually flow into natural drainage systems. The utility also protects and enhances natural habitat, provides leaf control services, and ensures the sweeping of City streets and public parking lots.

The Stormwater Fund accounts for the monthly charges and the daily operations of the utility. Capital improvements are accounted for in the Stormwater Capital Fund, which is not part of this forecast. The Stormwater Operating Fund periodically transfers funds to the Stormwater Capital Fund.

Stormwater Fund Revenues and Expenditures

Revenues

The major drivers of revenue to the Stormwater Fund include the monthly charges, the number of customers, and the number of Equivalent Residential Unit (ERUs) within the City.

Charges

The City bills for stormwater management on a monthly basis. Stormwater charges are based on impervious surface. Residential units are equalized into an ERU, using a standard of impervious area of 2,750 square feet. Commercial and industrial charges are calculated by applying this ERU factor to the impervious area at their site.

The City Council establishes the rates for stormwater, and approved stormwater rates for a seven year period. The rate increases are necessary in order to pay for the capital program. The rate path is reflected in Table 9:

Table 9

Effective Date	Monthly Rate/ERU
April 1, 2015	\$6.95
January 1, 2016	\$8.65
January 1, 2017	\$9.30
January 1, 2018	\$9.95
January 1, 2019	\$10.60
January 1, 2020	\$11.25
January 1, 2021	\$11.90

The City currently has approximately 23,350 ERUs. Because many companies are doing more to reduce their impervious surface area, such as installing rain gardens or pervious surfaces, ERUs are expected to grow by less than 1% annual average over the next five years.

Expenditures

Expenditures of the stormwater utility are influenced by the cost of labor to run the system, the requirements of the NPDES Plan, and the cost to maintain, repair, and replace the capital infrastructure and natural systems of the utility.

Operations

Stormwater operations include managing and maintaining the stormwater system of pipes, detention ponds, catch basins, ditches, and natural drainage systems.

In FY 2016-17, Stormwater Operations increased its full-time equivalent (FTE) count by 0.75 FTE, by consolidating the 0.50 Vactor Operator to Wastewater, and adding 1.5 Utility Maintenance Specialist FTEs. The resulting total staffing configuration is anticipated to meet the utility’s operating needs into the future. The utility will continue to use contracted services to accomplish the cleaning and inspection of the catch basins and pipe systems.

Capital Improvements

While the stormwater utility is not as capital intensive as water and sewer, it does have an extensive capital program. Major repairs, replacements and rehabilitation of the stormwater pipes, detention ponds, slopes and natural areas are funded out of the capital program. Maintenance and repair of these assets are funded through the stormwater rates, while expansions to the assets are funded by System Development Charges (SDCs) charged to developers as they build out the City. The capital improvement program (CIP) is therefore funded by both stormwater rates and SDCs, depending upon whether the project expands capacity or not.

At times, the cash needed for the CIP exceeds the availability, and at those times the City considers issuing debt to fund necessary projects. The debt is paid back over time by stormwater rates.

Capital needs have exceeded the cash available to fund the projects, and beginning in FY 2015-16, the Stormwater Capital Fund began borrowing from other City funds, the debt service of which is paid from the Stormwater Operating Fund. It is anticipated that another small inter-fund loan will be necessary in FY 2018-19, and so debt service is seen in all years of the forecast period.

Stormwater Operating Fund Forecast

The five-year forecast for the Stormwater Operating Fund shows fund remaining in balance over the time period, with the planned rate increases funding increases in operations, planned capital improvements and debt service payments.

Table 10 displays the expenditures over the next five years, and reflects the additional maintenance work as the City continues to grow, as well as the anticipated increase in the PERS contribution rate. Over the five-year period of this forecast, the City continues its ambitious repair and rehabilitation program of the stormwater assets in the Charbonneau neighborhood. At the same time, the utility intends to continue the rehabilitation of various outfalls, and replace deteriorating stormwater pipes throughout the City. The fund is able to contribute on average \$1.6 million each year to its capital program, minimizing its need to enter into debt.

Table 10 on the next page displays revenues, expenditures, and the fund's ending fund balance for prior two years, the current year budget, the proposed budget for FY 2017-18 and five subsequent fiscal years. The table demonstrates that the Fund remains in a sound financial position throughout the forecast period.

Table 10
#370 - Stormwater Fund Forecast

	Actual 2014-15	Actual 2015-16	Budget 2016-17	Proposed 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
Beginning fund balance	\$ 120,838	\$ 489,896	\$ 703,591	\$ 1,507,196	\$ 1,280,765	\$ 677,110	\$ 251,050	\$ 542,783	\$ 774,876
RESOURCES									
Revenues:									
Stormwater utility charge	\$ 1,557,938	\$ 2,186,329	\$ 2,374,518	\$ 2,667,192	\$ 2,878,388	\$ 3,078,127	\$ 3,279,790	\$ 3,405,433	\$ 3,422,560
Investment income	1,283	4,708	5,000	12,000	12,808	6,771	2,510	5,428	7,749
Revenue Total	\$ 1,559,221	\$ 2,191,037	\$ 2,379,518	\$ 2,679,192	\$ 2,891,196	\$ 3,084,898	\$ 3,282,301	\$ 3,410,861	\$ 3,430,309
REQUIREMENTS									
Expenditures:									
Personnel services	\$ 253,382	\$ 269,775	\$ 464,335	\$ 246,260	\$ 270,840	\$ 292,101	\$ 307,355	\$ 326,679	\$ 339,524
Materials & services	369,569	400,552	528,173	437,284	441,657	446,073	450,534	455,039	459,590
Capital outlay	-	-	9,000	-	10,000	10,000	10,000	10,000	10,000
Debt service	-	406,020	508,020	508,000	583,000	583,000	177,000	75,000	75,000
Expenditures Subtotal	622,951	1,076,347	1,509,528	1,191,544	1,305,497	1,331,174	944,889	866,718	884,114
Transfers to other funds:									
General Fund	199,793	199,798	234,095	210,330	216,640	223,139	229,833	236,728	243,830
Community Development Fund	58,640	60,568	70,286	289,043	297,714	306,646	315,845	325,320	335,080
Capital Funds - Stormwater & Facilities	308,779	77,471	773,730	1,214,706	1,675,000	1,650,000	1,500,000	1,750,000	1,750,000
Transfers Subtotal	567,212	337,837	1,078,111	1,714,079	2,189,354	2,179,785	2,045,678	2,312,049	2,328,910
Expenditures Total	\$ 1,190,163	\$ 1,414,184	\$ 2,587,639	\$ 2,905,623	\$ 3,494,851	\$ 3,510,959	\$ 2,990,567	\$ 3,178,767	\$ 3,213,024
NET	369,058	776,853	(208,121)	(226,431)	(603,655)	(426,061)	291,733	232,093	217,285
Ending Fund Balance	\$ 489,896	\$ 1,266,749	\$ 495,470	\$ 1,280,765	\$ 677,110	\$ 251,050	\$ 542,783	\$ 774,876	\$ 992,161
Financial Policy Minimum	39,233	170,000	198,600	136,800	142,500	147,700	151,600	156,400	159,900

Street Lighting Fund

Fund Description

The Street Lighting Fund accounts for the maintenance and operation of City's street lights. Portland General Electric (PGE) supplies the electricity and bills the City. The City covers this cost through a monthly fee charged on the utility bills. Residential, multi-family, commercial, industrial and non-profits all pay towards the street lighting system.

Street Lighting Fund Revenues and Expenditures

Revenues

Revenue drivers for this fund include the monthly charges and number of customers. The customer base is expected to grow on average 2.25% per year.

Charges

As mentioned above, the City charges a monthly fee for street lighting. For residential customers, the fee ranges from approximately \$2.00 per month to over \$5.00 per month, depending upon the type of lighting fixture. Multifamily units are charged based upon the fixtures and the number of dwelling units, and commercial customers are charged based on the fixtures and the number of full-time equivalents employed.

No changes are anticipated over the next five years.

Expenditures

Expenditure drivers for this fund include the price of electricity from PGE, periodic maintenance and replacement of fixtures, and expansion of the the system.

Operations

Street Lighting operations include maintaining the street light fixtures and paying PGE for the electricity. No changes are anticipated over the next five years, other than adding to the system as the City grows, and rate increases imposed by PGE.

Capital Improvements

The Street Lighting Fund is used to install street lighting where there are gaps, and replace worn poles and fixtures. The City is working to retrofit street lights with light-emitting diode (LED) fixtures during fiscal years 2017-18 through 2019-20, funded by the fund's reserves.

Street Lighting Fund Forecast

The five-year forecast for the Street Light Fund shows a stable fund with the reserve being utilized to retrofit the City's street lights with LED fixtures. Table 11 on the next page displays revenues, expenditures, and the fund's ending fund balance for prior two years, the current year budget, the FY 2017-18 Proposed Budget and five subsequent fiscal years. The table demonstrates that the Street Lighting Fund remains strong financially throughout the forecast period.

Table 11
#350 - Street Lighting Fund Forecast

	Actual 2014-15	Actual 2015-16	Budget 2016-17	Proposed 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
Beginning fund balance	\$ 897,025	\$ 959,726	\$ 825,968	\$ 726,989	\$ 760,649	\$ 292,268	\$ 111,033	\$ 118,992	\$ 117,158
RESOURCES									
Revenues:									
Usage charge	\$ 447,388	\$ 476,299	\$ 460,000	\$ 487,500	\$ 499,688	\$ 512,180	\$ 524,984	\$ 538,109	\$ 551,562
Investment income	4,548	6,785	-	10,000	7,606	2,923	1,110	1,190	1,172
Operating Revenue Subtotal	451,936	483,084	460,000	497,500	507,294	515,102	526,095	539,299	552,733
Revenue Total	\$ 451,936	\$ 483,084	\$ 460,000	\$ 497,500	\$ 507,294	\$ 515,102	\$ 526,095	\$ 539,299	\$ 552,733
REQUIREMENTS									
Expenditures:									
Materials & services	\$ 302,315	\$ 283,520	\$ 351,721	\$ 356,090	\$ 375,675	\$ 396,337	\$ 418,136	\$ 441,133	\$ 465,395
Expenditures Subtotal	302,315	283,520	351,721	356,090	375,675	396,337	418,136	441,133	465,395
Transfers to other funds:									
Streets Capital Projects Fund	86,920	101,703	595,470	107,750	600,000	300,000	100,000	100,000	100,000
Transfers Subtotal	86,920	101,703	595,470	107,750	600,000	300,000	100,000	100,000	100,000
Expenditures Total	\$ 389,235	\$ 385,223	\$ 947,191	\$ 463,840	\$ 975,675	\$ 696,337	\$ 518,136	\$ 541,133	\$ 565,395
NET	62,701	97,861	(487,191)	33,660	(468,381)	(181,235)	7,959	(1,834)	(12,662)
Ending fund balance	\$ 959,726	\$ 1,057,587	\$ 338,777	\$ 760,649	\$ 292,268	\$ 111,033	\$ 118,992	\$ 117,158	\$ 104,496
Financial Policy Minimum	62,000	56,000	70,400	71,300	75,200	79,300	83,700	88,300	93,100

Road Operating (Gas Tax) Fund

Fund Description

The Road Operating Fund accounts for the gas tax received by the City and for the maintenance of City streets, sidewalks, pathways, landscapes, pavement markings, signs and signals. The State collects the gas tax and apportions it out to cities based on their population.

Road Operating Fund Revenues and Expenditures

Revenues

The major drivers of revenue for the Road Operating Fund are the amount of gas tax received by the State and Wilsonville's population.

Gas Tax

The State of Oregon gas tax is set by State statute, currently at 30 cents per gallon. The State collects the gas tax, and apportions it to cities based on their respective populations. The State provides a per capita estimate to cities, based upon how much gas tax the State estimates it will receive and the various population estimates of the cities.

For FY 16-17, cities are estimated to receive \$58.47 per capita in gas tax revenues. Fiscal year 2017-18 is expected to be a solid year for gas tax receipts, and the City is projecting to receive \$58.19 per capita, based on a population estimate of 24,500. The City also receives approximately \$9,000 in gas tax from Washington County.

Over the five-year period, gas tax revenue is forecasted to grow slightly because the City's population is expected to grow at an average annual rate of approximately 3.0%. Gas tax revenues can be sensitive to the price of gas – as gas prices rise, people tend to drive less, driving down gas tax revenues. Similarly, gas tax revenue falls as vehicles become more efficient. It is difficult to predict how gas prices and driving habits may change over time. Therefore, the forecast remains conservative, varying only population.

Expenditures

The major expenditure drivers for this fund include the cost of labor and materials and the addition of new streets as the City grows.

Operations and Capital Improvements

The Road Fund operations include street maintenance and repair, maintenance of sidewalks and pathways, installation and replacement of pavement markings, and maintenance of signs and signals. The Department also removes graffiti, maintains roadway landscaping, controls litter and vegetation along roadways, and sands streets during inclement weather.

Over the five-year period of the forecast, the Department intends on requesting additional seasonal labor to keep current on maintenance needs. Beginning in FY 2017-18, seasonal labor will be hired through a staffing service, accounted for in the Materials and Services category of expenditures. Additionally, operational increases are anticipated as the number of road miles expands. In FY 2016-17, the Fund began paying back an inter-fund loan from the Water Fund, which enabled the purchase of land for a future City public works building.

Capital improvements funded from the gas tax over the next five years are projected to be signal improvements, the replacement of crosswalk flashers, pedestrian enhancements, and various equipment replacements.

Road Operating Fund Forecast

The five-year forecast shows that the Fund remains in a strong position over the forecast period. Table 12 on the next page displays revenues, expenditures, and the fund's ending fund balance for prior two years, the current year budget, the proposed budget for FY 2017-18 and five subsequent fiscal years.

Table 12
#240 - Road Operating Fund Forecast

	Actual 2014-15	Actual 2015-16	Budget 2016-17	Proposed 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
Beginning fund balance	\$ 1,218,483	\$ 1,324,439	\$ 963,206	\$ 1,264,695	\$ 946,522	\$ 1,000,322	\$ 854,163	\$ 203,301	\$ 347,816
RESOURCES									
Revenues:									
Gasoline tax	\$ 1,267,758	\$ 1,339,901	\$ 1,328,925	\$ 1,432,078	1,467,534	1,496,359	1,541,065	1,587,109	1,634,531
Investment income	6,364	7,681	6,000	10,000	9,465	10,003	8,542	2,033	3,478
Miscellaneous	5,523	664	1,500	2,000	2,000	2,000	2,000	2,000	2,000
Operating Revenue Subtotal	1,279,645	1,348,246	1,336,425	1,444,078	1,478,999	1,508,363	1,551,607	1,591,142	1,640,010
Revenue Total	\$1,279,645	\$1,348,246	\$1,336,425	\$1,444,078	\$1,478,999	\$1,508,363	\$1,551,607	\$1,591,142	\$1,640,010
REQUIREMENTS									
Expenditures:									
Personnel services	\$ 311,725	\$ 324,271	\$ 392,967	\$ 379,810	\$ 404,498	\$ 428,768	\$ 441,631	\$ 468,128	\$ 482,172
Materials & services	422,992	385,628	467,799	489,121	501,349	513,883	526,730	539,898	553,396
Capital outlay	-	1,753	9,000	10,160	10,000	10,000	10,000	10,000	10,000
Debt service	-	-	81,500	81,550	81,550	81,550	81,550	-	-
Expenditures Subtotal	734,717	711,652	951,266	960,641	997,397	1,034,200	1,059,910	1,018,026	1,045,568
Transfers to other funds:									
General Fund	200,725	175,119	203,953	196,990	200,930	204,948	209,047	213,228	217,493
Streets Capital Projects Fund	238,247	562,790	405,580	604,620	226,873	415,373	933,511	215,373	250,000
Building Capital Projects Fund	-	-	34,500	-	-	-	-	-	-
Transfers/Interfund Subtotal	438,972	737,909	644,033	801,610	427,803	620,321	1,142,558	428,601	467,493
Expenditures Total	\$1,173,689	\$1,449,561	\$1,595,299	\$1,762,251	\$1,425,199	\$1,654,522	\$2,202,469	\$1,446,628	\$1,513,061
NET	105,956	(101,315)	(258,874)	(318,173)	53,800	(146,159)	(650,862)	144,514	126,949
Ending fund balance	\$1,324,439	\$1,223,124	\$ 704,332	\$ 946,522	\$1,000,322	\$ 854,163	\$ 203,301	\$ 347,816	\$ 474,765
Financial Policy Minimum	159,000	161,000	172,200	173,800	181,200	188,600	193,700	201,700	207,200

