



CITY OF

West Linn

OREGON

Popular Annual Financial Report

Fiscal Year Ended June 30, 2009





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Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

**City of West Linn
Oregon**

for the Fiscal Year Ended

June 30, 2008




President


Executive Director

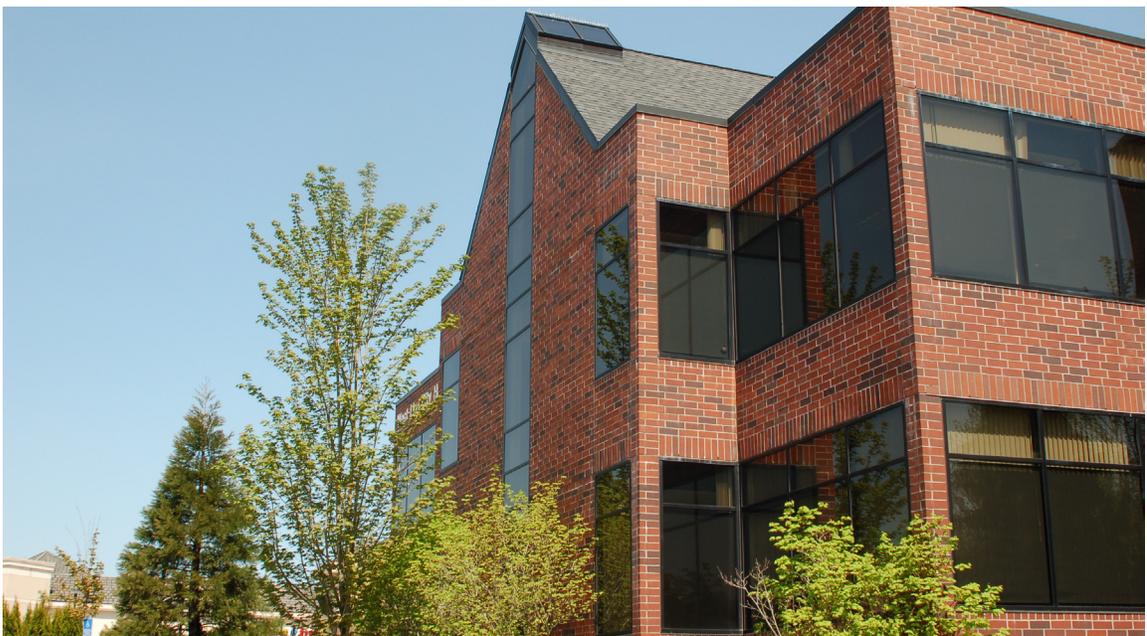
The information in this report is drawn from the City of West Linn Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009. Please review the CAFR online, or email Richard Seals at rseals@westlinnoregon.gov to request a copy. If you have questions about this report please contact Richard Seals, the Finance Director at the City of West Linn, 22500 Salamo Road, West Linn, Oregon 97068 or email rseals@westlinnoregon.gov.

The cover photography, featuring a Central Village sidewalk scene, was provided by Kimberly Stone. Central Village is one of West Linn’s newest shopping centers, featuring restaurants, boutiques, a grocery store, and office space. The West Linn Public Library is located across the street from Central Village.

Overview of Audited Results

The following summary highlights are taken directly from the Management Discussion and Analysis section of the fiscal year 2009 Comprehensive Annual Financial Report (CAFR):

- The City's assets totaled \$285.6 million at June 30, 2009, consisting of \$260.4 million in capital assets, \$8.9 million in unrestricted cash and investments, \$6.7 million in restricted cash and investments, and \$9.6 million in investment in joint venture and other assets.
- Total assets increased by \$6.5 million from the previous fiscal year.
- The City's liabilities totaled \$22.3 million at June 30, 2009 consisting of \$17.0 million in long-term liabilities and \$5.3 million in accounts payable and other liabilities.
- The City assets exceeded its liabilities by \$263.3 million at the close of fiscal year 2009.
- Unrestricted net assets totaled \$9.8 million with the remainder of the City's net assets invested in capital assets net of related debt (\$246.7 million) and restricted for endowment, capital projects, and debt service (\$6.8 million).
- For its governmental activities, the City generated \$9.4 million in charges for services and received \$3.2 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$21.8 million for the year, resulting in a net expense of \$9.2 million. \$8.8 million of general revenues were received resulting in a net change in net assets of \$0.4 million.
- For its business-type activities, the City generated \$7.2 million in charges for services and in operating and capital grants and contributions to fund direct expenses of \$6.0 million.
- Fund balance in the City's governmental funds was \$9.8 million at June 30, 2009, up by \$2.6 million from June 30, 2008.



West Linn City Hall by Julie Bonaduce



West Linn Leadership

West Linn operates under a Council-Manager form of government. The Mayor and City Councilors are responsible for establishing policy and providing direction to the City Manager. The Mayor and City Councilors are elected at-large and serve staggered four-year terms. The Mayor presides at official meetings and work sessions.

The City's administration is committed to professionalism and efficiency. The City operates its own police department, municipal court, water, sewer, and surface water utilities; and provides street operations, planning, inspections, engineering, general government, library, and parks and recreation services. The Tualatin Valley Fire and Rescue District provides fire and emergency services to the community. West Linn lies within Clackamas County, which is headed by five commissioners and based in Oregon City. West Linn is also part of METRO, the tri-county urban services district based in Portland.



Left to right: Kovash, Cummings, Galle, Carson, Burgess

Elected Officials

- Patti Galle, Mayor - term expires December 31, 2012
- Scott Burgess, Councilor - term expires December 31, 2010
- Jody Carson, Councilor - term expires December 31, 2010
- Teri Cummings, Councilor - term expires December 31, 2012
- John Kovash, Councilor - term expires December 31, 2012
- Heather Karabeika, Municipal Court Judge - term expires December 31, 2011

Appointed Officials

- Chris Jordan, City Manager
- Jordan Schrader Ramis PC, City Attorney (Contracted Law Firm)

Letter from the City Manager

Dear Citizens of West Linn,

I am pleased to present the Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2009. This report is designed to provide transparency and accountability to City financial information, which is a key organizational goal.

The City of West Linn is proud to be the only local government in Oregon to receive all three of the Government Finance Officer's Association (GFOA) awards for local government finance:

- *Distinguished Budget Presentation Award*
- *Certificate of Achievement for Excellence in Financial Reporting*
- *Award for Outstanding Achievement in Popular Annual Financial Reporting*

It is our belief that participation in GFOA award programs enhances our citizens' understanding of West Linn finances. When we attain these GFOA awards, it shows that we have shared information about how public funds are managed in a format that is consistent with the highest standards in governmental financial reporting.

The PAFR is designed to provide a summary view of the financial activities of the City. It is a high-level report for citizens who wish to learn more about West Linn's finances. All information in this report can be found in greater detail in the Comprehensive Annual Financial Report (CAFR) for the City.

Throughout the year, the Finance Department works on budgets, audits, financial policies, financial forecasts, and financial management. The City of West Linn invites citizens to share their thoughts and opinions with us. Citizen involvement and transparency are cornerstones of the Finance Department's mission:

"Being good stewards of the taxpayers' monies is the Finance Department's main focus, but that alone is not enough. We strive to develop healthy partnerships with the community; we strive to be transparent with the City finances; and we always look for cost efficiencies in all City operations."

If you have any questions about this document, please email Finance Director Richard Seals at rseals@westlinnoregon.gov.

Chris Jordan
City Manager



About West Linn

The City of West Linn is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty. The estimated population for 2009 is 24,400.

The City’s economy is linked with that of the entire Portland Metropolitan area, but is more insulated from economic downturns because of the high education and skill level of the population. Per capita income is one of the highest of any city in the state of Oregon. West Linn is primarily a residential community with a low ratio of heavy industry and retail-based commercial activity. The largest non-manufacturing employers are the West Linn School District and the City. The largest manufacturing employer is the West Linn Paper Mill.

The City received the *Distinguished Budget Presentation Award* for its FY 2008, FY 2009, and biennial 2010-2011 budget documents from the Government Finance Officer’s Association (GFOA). This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a governmental entity, its financial staff, and its management. The GFOA rates a budget’s proficiency in four major categories: as a policy document, an operations guide, a financial plan, and a communications device.

For the first time since the late nineties, the City received the *Certificate of Achievement for Excellence in Financial Reporting* award from the GFOA for its FY 2008 CAFR. This certificate is a prestigious national award that recognizes conformance with the highest standards for preparation of local government financial reports. The City also received the *Award for Outstanding Achievement in Popular Annual Financial Reporting* from the GFOA for its FY 2008 Popular Annual Financial Report. This prestigious national award recognizes conformance with the highest standards for preparation of local government popular annual reports.

FY 2009 Fact	Figure
City Property Tax Rate:	\$2.12/\$1,000 TAV
City Bonded Debt Tax Rate:	\$0.38/\$1,000 TAV
Total Property Tax Rate:	\$17.88/\$1,000 TAV
City Share of Total:	14%
Total Annual Budget:	\$35.9 million
Population:	24,400
Employees:	143 FTE
Outstanding Debt:	\$16.5 million
Bond Rating:	AA-

FY 2009 Fact	Figure
Number of housing units:	10,029
Parks:	232 acres
Open Space:	136 acres
City Maintained Roads:	214 miles
Sidewalks:	117 miles
Sewer Mains:	114 miles
Number of Manholes:	3,087
Storm Water Pipes:	107 miles
Number of Catch Basins:	3,368

Goals & Priorities

The West Linn City Council met on March 6 and 7, 2009 to develop City Council goals for 2009. Goals should be accomplished in 2009, but in some cases, goals will continue through 2010.

Council Goal: Community Facilities

Police Station

- Secure an option on suitable land for a police station
- Obtain a conceptual design plan and cost to build a police station on identified land
- 2010 Goal: Refer to voters and if approved, begin building the facility

Aquatic Center

- Secure an option on suitable land for an aquatic center
- Obtain a conceptual design plan and cost to build and operate an aquatic center on identified land
- 2010 Goal: Refer to voters and if approved, begin building the facility

Parks & Recreation Capital Plan

- Approve a five-year capital plan that is consistent with the Parks Master Plan and complete the first two years of the plan

Council Goal: Planning & Sustainability

Stafford Area

- Advocate effectively on behalf of the City of West Linn: engage the public and speak with one voice on the City's position

Comprehensive Plan & Community Development Code

- Develop Staff and Planning Commission priorities for updating/improving both documents for review by the City Council
- Prioritization by City Council of Comprehensive Plan and Community Development Code improvements

Sustainability

- Consider inclusion of sustainability concepts in all City policy documents
- Direct the Sustainability Advisory Board, with assistance from the Parks & Recreation Advisory Board, to recommend a community education outreach plan drawing on existing community partners and resources
- Create and implement a model sustainability plan in one City department

Council Goal: Economic Development

- Creation of an Economic Development Toolkit
- Support the Main Street Program
- Support the Economic Development Task Force and act on its recommendations

Council Priority: Administrative Professionalism

Finance

- Maintain City's economic viability while preserving the integrity of services
- Continue optimal performance while addressing issues as identified in audits

Community Development

- Ensure the effectiveness of the Community Development function through implementation of a continuous improvement program

Utilities

- Create a financial plan for the water system

Council Priority: Community Relations

Customer Service

- Provide training opportunities to staff to ensure optimal customer service
- Hire and retain talented employees

Outreach

- City Council members to visit all Neighborhood Association and Citizen Advisory Group meetings
- City Council to provide assistance and coordination to Neighborhood Associations and Citizen Advisory Groups to ensure that all groups understand their roles, responsibilities, and expectations
- City Council members to proactively write letters and commentary for the local newspaper
- City staff to contribute letters and information as needed for the local newspaper, other tools
- Adopt a clear City Council statement of the purposes and expectations of Neighborhood Associations
- Support a facilitated process for Neighborhood Associations to agree on recommended bylaws, rules, and/or guidelines consistent with the Council's purposes and expectations statement.



Balance Sheet

The *Statement of Net Assets* reflects a healthy financial condition as of June 30, 2009.

The assets of the City exceeded its liabilities by \$263 million at the close of fiscal year 2009. This balance sheet is presented as a high-level summary overview of net assets. For greater detail, please see the City's complete audit document, available online at <http://westlinnoregon.gov>.

City of West Linn • Statement of Net Assets

	<u>As of June 30, 2009</u>	<u>As of June 30, 2008</u>	<u>As of June 30, 2007</u>
Assets			
Current Assets	\$ 17,562,941	\$ 13,302,735	\$ 13,691,497
Capital and Other Assets	268,080,343	265,709,283	264,501,549
Total Assets	<u>285,643,284</u>	<u>279,012,018</u>	<u>278,193,046</u>
Liabilities			
Current Liabilities	5,334,286	4,078,431	3,944,654
Long-Term Liabilities	17,024,339	12,651,696	13,250,000
Total Liabilities	<u>22,358,625</u>	<u>16,730,127</u>	<u>17,194,654</u>
Net Assets	<u>\$ 263,284,659</u>	<u>\$ 262,281,891</u>	<u>\$ 260,998,392</u>



Willamette Park by Kendra Frankle

Income Statement

The *Statement of Activities* reports all financial activity for the fiscal year ended June 30, 2009.

This statement presents high-level summary information about how the City's net assets changed during the fiscal year as a result of all financial activity (i.e. revenues and expenses). For greater detail, see the City's complete audit document, available online at <http://westlinnoregon.gov>.

City of West Linn • Statement of Activities

	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
Revenues	\$ 28,824,229	\$ 27,216,018	\$ 22,285,310
Expenses	<u>(27,821,461)</u>	<u>(25,932,519)</u>	<u>(21,115,748)</u>
Increase in Net Assets	1,002,768	1,283,499	1,169,562
Net Assets, Beginning of Year	<u>262,281,891</u>	<u>260,998,392</u>	<u>259,828,830</u>
Net Assets, End of Year	<u>\$ 263,284,659</u>	<u>\$ 262,281,891</u>	<u>\$ 260,998,392</u>



West Linn fall colors by Sara Abell



The Citizens' Budget Committee unanimously approved the biennial budget which was then adopted by the City Council on June 22, 2009. To best show trend information, below are the budget amounts representing fiscal year 2010, compared with two years of actual activity and the estimated activity (at the time the budget was prepared) for the current fiscal year 2009.

Personal services costs comprised 47 percent of total budgeted expenditures. Materials and services and capital comprised 23 percent each of the total budget. The remaining seven percent of budgeted expenditures were attributable to debt service.

City of West Linn • City Budget Information

	<i>Actuals</i>		<i>Estimates</i>	<i>Budget</i>
	FY 2007	FY 2008	FY 2009	FY 2010
City Budget				
Personal Services	\$ 10,344,000	\$ 10,997,000	\$ 11,355,000	\$ 12,447,000
Materials & Services	5,769,000	5,846,000	5,843,000	6,203,000
Debt Service	1,427,000	1,698,000	1,399,000	1,847,000
Transfers	4,369,000	5,564,000	5,207,000	5,995,000
Annual Operating Budget	21,909,000	24,105,000	23,804,000	26,492,000
Debt Refunding	0	0	4,993,000	0
Capital Outlay	1,692,000	1,840,000	2,300,000	8,930,000
Reserves	10,865,000	10,532,000	14,530,000	9,631,000
Total City Budget	\$ 34,466,000	\$ 36,477,000	\$ 45,627,000	\$ 45,053,000



West Linn park by Kimberly Stone

Accounting Policy

The City shall establish and maintain its accounting systems according to generally accepted accounting practices and shall adhere to generally accepted accounting principles and standards promulgated by the Government Finance Officers Association (GFOA), Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). An annual audit shall be performed by an independent public accounting firm, which will issue an opinion on the annual financial statements, along with a management letter identifying any areas needing improvement.

Financial Management Policies

The City Manager shall recommend fiscal policy and changes in policy to the City Council. The City Manager shall prepare a report explaining the substantive impact of all recommendations and their impact on the City's operations, service levels and/or finances. The City Manager shall implement fiscal policies and monitor compliance. If the City Manager discovers a material deviation from policy, it shall be reported in writing to the Council within thirty days.

Operating Budget Policy

The City shall prepare, present, adopt and amend its operating budget in accordance with Oregon Budget Law. The City shall maintain a budget system to monitor expenditures and revenues on a monthly basis, with a thorough analysis and adjustment (if required) at least at mid-year. The City shall not adopt an operating budget that is greater than the amount of resources available to fund it. Current operating resources will be sufficient to support current operating expenditures, reimbursement transfers, reserves, unappropriated balances and contingencies.

Reserve Policy

The City shall establish a contingency reserve to provide for unanticipated expenditures of a nonrecurring nature to meet unexpected increases in service delivery costs. The contingency reserve policy must be at least equal to 10 percent of the Fund's annual operational expenditures (which includes Personal Services and Materials & Services line items and excludes Debt Service, Transfers, and Capital Outlay line items) with 15 percent for Public Safety, Library, and Parks & Recreation Funds. The unappropriated ending fund balance reserve policy must be at least equal to five percent of the Fund's annual operational expenditures (which includes Personal Services and Materials & Services line items and excludes Debt Service, Transfers, and Capital Outlay line items). Neither reserve policies apply to debt service, trust and agency, capital projects, serial levy, temporary or certain special purpose funds.

Revenue Policy

The City will maximize the use of service users' charges in lieu of ad valorem taxes and subsidies from other City funds, for services that can be identified and where costs are directly related to the level of service provided. Charges for providing utility services shall be sufficient to finance all operating, capital outlay and debt service expenses of the City's enterprise funds, including operating contingency and reserve requirements.

Capital Improvement Policy

The City shall adopt a 5-year Capital Improvement Plan (CIP) and update it periodically. Prior to adopting a CIP, the City shall hold public meetings and a public hearing on the contents of the CIP document. The document shall provide details on each capital project plan: its estimated costs, sources of financing, and a full description.

Debt Management Policy

Capital projects financed through the issuance of bonds shall not be financed for a period which (a) exceeds the expected useful life of the project and (b) is less than 30% of the expected useful life of the improvements. The City shall maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved.



Revenue Overview

The City maintains 13 distinct funds in which to account for governmental services. The financial statements of the City are divided into two categories – governmental activities and business-type activities. Governmental activities include the basic services provided by the city, including public safety, parks and recreation, library, public works, and general administration. Property taxes, charges for services, and state and federal grants fund most of these activities.

Business-type activities include water, sanitary sewer, and surface water services. The City charges fees to customers to help cover the costs of these services. Along with the adoption of the budget, effective January 1, 2009, a five percent rate increase for water, sewer, and surface water management fees were approved by the City Council following the support and recommendation of the Citizens' Budget Committee and the Utility Advisory Board.

Major Revenue Types

Property Taxes

The City of West Linn's permanent tax rate is \$2.12 per \$1,000 of taxable assessed value.

Intergovernmental

The grants or shared revenues received from other governments (state, county, etc.).

Fees & Charges

Fees received for services, including water, sewer, surface water, streets, and parks fees.

Licenses, Permits, & Fines

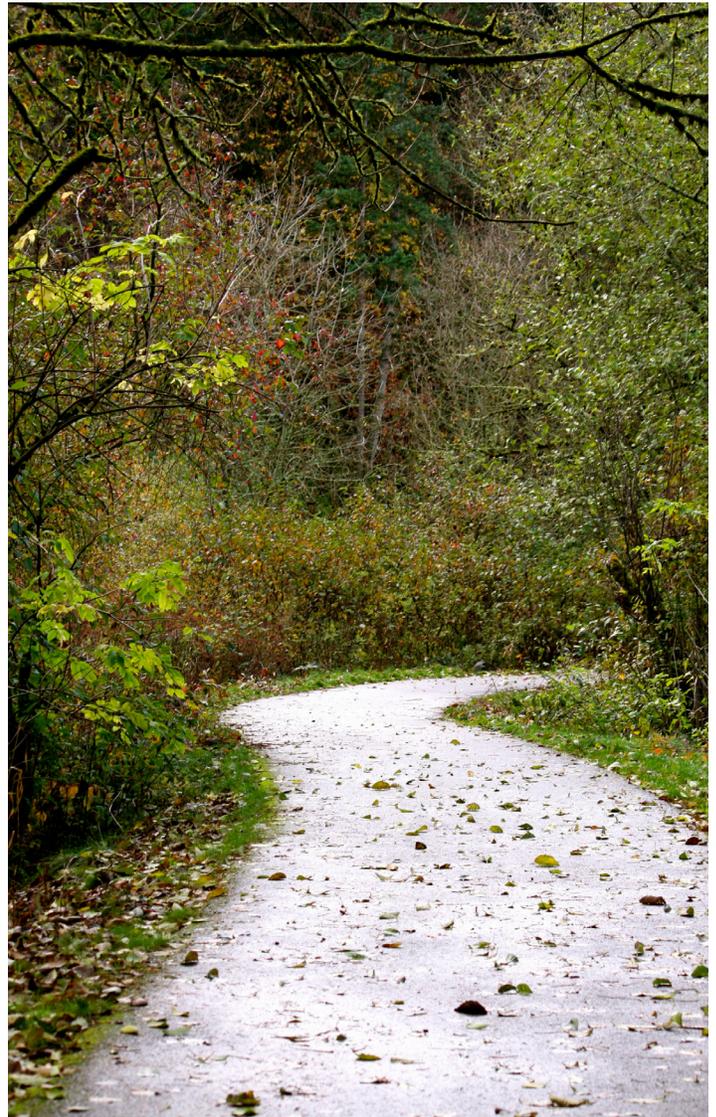
Revenue generated from selling licenses and permits and collecting on fines.

Franchise Fees

The revenues received as per agreements with the cable, electric, telephone, and garbage utilities for use of City right-of-ways.

Other

Revenues that do not fall into the above categories.



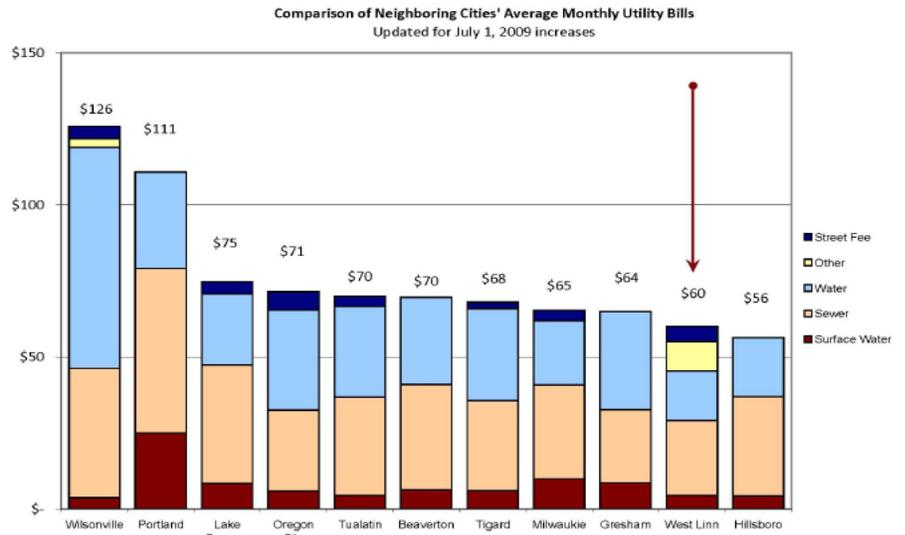
West Linn pathway by Sara Abell

More Information About Revenues

Fee for Service

The City provides citizens with street maintenance, park maintenance, water, sewer and surface water services on a fee for service basis. These services are financially self-sufficient, and generate enough revenue to cover the costs of operating expenses. Charges for water, sewer, surface water, parks maintenance and street maintenance are charged to all users in the City of West Linn.

Fees for service are established through the City Fees and Charges Resolution; this resolution is updated each year. The City Council approves water, sewer, and surface water rates based on costs to provide services, and within City Charter limitations. Comparatively, fees for service in the City of West Linn are lower than the fees charged in neighboring communities.



Property Taxes

Clackamas County assesses property taxes on behalf of the county, schools, special districts, and the City of West Linn on a consolidated property tax bill. Of this tax bill, 14 percent of the total is allocated to the City of West Linn. Of every dollar paid, \$0.14 goes to the City:



\$0.10	\$0.14	\$0.16	\$0.57	\$0.03
Tualatin Valley Fire & Rescue	City of West Linn	Clackamas County	Education	Other



Expense Overview

The City of West Linn plans for expenditures using several short and long-range planning tools. Five-year financial forecasts, prior to the development of the budget, guide short-term spending. The five-year model anticipates projected increases and decreases in revenues and expenditures.

The City of West Linn also relies on master planning documents including the Transportation System Plan, Water Master Plan, Parks Master Plan, and Sewer & Surface Water Master Plans. These master plan documents provide long-range (20-year) planning for necessary capital improvements and investments in the City's infrastructure. The City's expenses related to services provided are tracked by distinct funds, and can also be displayed by type of service provided. There are five main service categories in which expenses can be attributed:



View of Mt. Hood by Julie Bonaduce

Major Expenditure Areas

General Government

Expenses include those incurred by the Mayor & Council, Manager, Legal, Finance, Human Resources, Information Technology, and Planning departments.

Culture

Expenses include those incurred by the Library and Parks & Recreation departments.

Public Safety

Includes expenses from the Police Department and Building Inspections.

Public Works

Expenses related to the provision of water, sewer, surface water, engineering and vehicle maintenance services.

Debt Service

Expenses related to retiring of debt.

SDCs

Includes expenses funded by Systems Development Charges for streets, water, sewer, surface water, and parks.

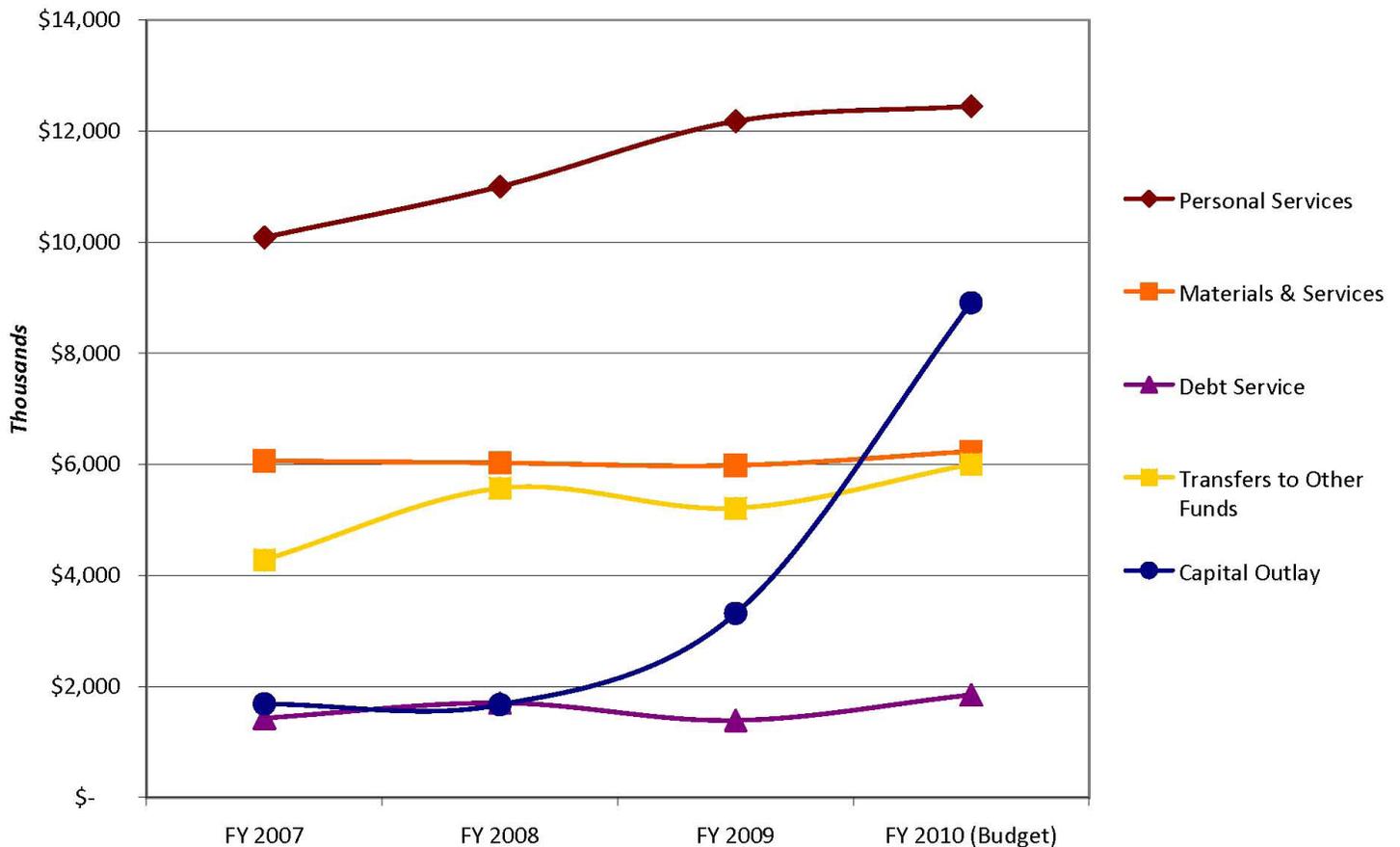
Financial Forecasting

The controlling document for long-term financial planning is the City's five-year strategic financial forecast which includes reserves by fund that fall within the policy guidelines set by the Council and reviewed by the Citizens' Budget Committee during the budget process.

The financial forecasting document is updated annually with actual financial data, updated budget data, and revised assumptions. Assumptions are incorporated into the forecast based on the best available information, and are clearly stated throughout the document.

The financial forecast document is used as a guiding document when crafting the budget document for upcoming fiscal years. The financial forecasts for each fund, including the assumptions, are reproduced in Appendix C of the 2010-2011 budget document.

Expense Trend Data by Fiscal Year





Contact Us

Your City Finance Staff:

Finance Director

Richard Seals, rseals@westlinnoregon.gov

Contact Richard with general questions about City finances, audits, budgets, taxes, and debt.

Accounting Manager

Casey Camors, ccamors@westlinnoregon.gov

Contact Casey with questions about the City's audits and accounting processes.

Business Analyst

Elissa Preston, epreston@westlinnoregon.gov

Contact Elissa with questions about utility bills.

Other City Staff:

City Manager

Chris Jordan, cjordan@westlinnoregon.gov

Chief Technology Officer

Steve Arndt, sarndt@westlinnoregon.gov

Public Works Director

Gene Green, ggreen@westlinnoregon.gov

Human Resources Director

Jeri Knudson, jknudson@westlinnoregon.gov

City Recorder

Tina Lynch, tlynch@westlinnoregon.gov

Library Director

Diane Satchwell, dsatchwell@westlinnoregon.gov

Planning Director

John Sonnen, jsonnen@westlinnoregon.gov

Police Chief

Terry Timeus, ttimeus@westlinnoregon.gov

Parks & Recreation Director

Ken Worcester, kworcester@westlinnoregon.gov

Assistant to the City Manager

Kirsten Wyatt, kwyatt@westlinnoregon.gov

Interested in More Financial Information?

City of West Linn Finance Department Web Site:

<http://westlinnoregon.gov/finance>

The City's financial statements are designed to provide West Linn citizens, taxpayers, customers, investors, and creditors with a general overview of City finances and to demonstrate the City's accountability of the resources it receives and expends.

The information in this report is drawn from the City of West Linn Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This report's financial data is consistent with Generally Accepted Accounting Principles (GAAP).

The information on pages eight and nine are from the CAFR. Please review the CAFR online, or email Richard Seals at rseals@westlinnoregon.gov to request a copy.



City of West Linn, Oregon • 22500 Salamo Road • West Linn, Oregon 97068

Phone: 503-657-0331 • Fax: 503-650-9041

City Council meetings are held the second and fourth Mondays of every month; and work sessions are held the first and third Mondays of each month. Email the entire City Council at ccouncil@westlinnoregon.gov.



West Linn Sustainability
Printed on Recycled Paper