

Five Year Financial Forecast

Through Fiscal Year 2017



CITY OF
**West
Linn**
OREGON

CITY OF WEST LINN

FIVE YEAR FINANCIAL FORECAST

FY 2013 TO FY 2017

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INTRODUCTION

Purpose of the Five Year Financial Forecast

Financial planning is a continuous process of directing and allocating financial resources to meet strategic goals and objectives. This Five Year Financial Forecast takes a look at the City's future resources and requirements to identify financial trends, shortfalls, and issues so that the City may proactively address them. Future results are projected based on the City's current service levels, policies and unavoidable future impacts.

This financial forecast is not intended to be a budget, though two of the five forecasted fiscal years do serve as the foundation for the City's biennial budgets. The intent of this document is to set the stage for the upcoming budget process, aiding the City Manager, Citizens' Budget Committee, and City Council in establishing priorities and allocating resources appropriately. Responsible financial stewardship is imperative in providing for the current and future needs of our community. Forecasting is one of the most powerful tools the City has in making informed financial decisions that will ensure the City's future vitality and economic stability.

The City of West Linn continues to refine the financial planning process to meet citizens' demands and achieve City goals. Periodically reviewing and updating these plans focuses our resources and ensures alignment with our customers, ultimately allowing the City to achieve the necessary results the community expects.

The City's forecasting process is an effort to analyze, understand, anticipate, and leverage financial changes. Through this document, the City is utilizing long-term forecasting as a strategic planning tool to help guide the City's financial solidarity into tomorrow.

The Benefits of Financial Forecasting

Financial forecasting is intended to enhance the City's ability to think and act strategically. The potential benefits are numerous, but primarily a financial forecast allows for financial decisions while being informed about the *bigger financial picture*. Other benefits include:

- *Increased effectiveness:* City Council and staff's performance is enhanced, its mission furthered, and its mandates met. In addition, there is more effective response to rapidly changing financial circumstances.
- *Increased efficiency:* When planned, better results are achieved with fewer resources.
- *Improved understanding and learning:* City Council and staff understand the financial situation far more clearly. They are able to re-conceptualize when necessary, and establish an interpretive framework that guides strategy development and implementation.
- *Better decision making:* A coherent, focused, and defensible basis for decision making is established, and today's decisions are made in light of potential future consequences.
- *Enhanced organizational capabilities:* Broadly based city leadership is improved and the capacity for further strategic thought and action is enhanced.
- *Improved communications and public relations:* Mission, vision, goals, strategies, and action programs are communicated more effectively to key stakeholders. A desirable image for the City is established and managed.

- *Increased political support:* The City’s legitimacy and transparency is enhanced, its advocacy base broadened, and a powerful and supportive coalition developed.
- *Early identification of potential shortfalls:* City Council and staff are aware of potential shortfalls and/or issues with adequate time to take corrective action before the situation occurs.

Forecast Methodology

The City of West Linn’s forecasting approach is to apply a conservative philosophy that neither overstates revenues nor understates expenditures. Economic forecasting is not an exact science; rather it is often dependent upon the professional judgment of the forecaster utilizing the best information available at the time. To enhance the accuracy of projections, the City identifies factors that contribute to changes in revenues and expenditures, such as development, inflation, interest rates and known future events that will affect operations. Within the five years covered by this forecast, the first two years provide insight to the budget for the 2014-2015 biennium. The remaining fiscal years are forecasted on a variety of assumptions as explained in the Executive Summary.

The forecasting of capital improvements is based on available operating resources. To the extent possible, operations are funded first and remaining resources are allocated to fund capital improvements. This may mean that improvements are delayed until operations have been fully funded. Certain improvements which are too expensive to be paid from net operating resources are assumed to be funded via bonded debt. The impact of issuing debt is reflected in the debt service portion of the Fund Forecasts. Operating and capital grants and contributions are included when there is reasonable assurance of receipt. For a more detailed listing of capital improvements, please refer to the City’s CIP and various Master Plans (<http://westlinnoregon.gov/finance/master-plans>).

Forecast Follow-up and Reassessment

This Five Year Financial Forecast is a living document and is currently marked draft with the intention of being finalized with the Spring’s budget document once the two areas “circled” are improved. It is a combined effort of all City Staff. Our goal in assembling this report is to reveal trends, highlight financial issues, and provide suggestions/options. We look forward to feedback and input from the Citizens’ Budget Committee and the Utility Advisor Board on their respective goals, interests, and concerns. Where possible, the major relevant assumptions used in the projections have been described in detail. However, as major financial assumption change, so must the forecast. This forecast is updated periodically in accordance with the goals and objectives of the citizens and City Council of the City of West Linn.

This forecast is not a stand-alone document. It is one of several financial policy tools the City of West Linn utilizes for effective financial management of all City resources. Other relevant financial tools include financial policies such as the investment policy, the policy on reserves, contingencies, and ending fund balance requirements. This forecast, along with the prior financial forecast, is available online (<http://westlinnoregon.gov/finance/financial-forecasts>).

Periodically, all financial policies are reviewed and updated as needed. A follow-up analysis is performed to determine if the intended results actually occurred. And most importantly, goals and objectives are reassessed to determine their current validity, applicability, and congruence with current operations.

The following Executive Summary focuses on the most significant issues facing the City of West Linn. The Organizational Chart and Budgeted Full-time Equivalent Employee Positions information included in the Appendix aids you in understanding the City’s departmental structure.

EXECUTIVE SUMMARY

Overview

The City's forecast projects that most City Funds will have sufficient resources to meet operating expenses over the five year period and presents balanced budgets. A couple of funds present priority issues of which further input and discussion is necessary. Many funds have informational sharing items on economic matters, but do not require discussion or changes at this time.

Some Funds forecast a declining available balance of resources. While this may seem alarming, it is just an estimate. In reality, Local Budget Law does not allow a city to submit a budget showing a fund balance deficit.

Revenue Assumptions

Property Taxes

Taxes are based on assessed value as determined by the Clackamas County Assessor. Generally, assessed values grow by 3% per year following Measure 50, passed by voter approval in 1995-96. There is no direct correlation between real market value and assessed value. In addition to the 3% annual growth, an estimate is provided for expected new construction. The City's tax rate remains constant at \$2.1200 per \$1,000 of assessed value. The bonded debt tax rate increased \$0.14 cents to an estimated \$0.4132 per \$1,000 assessed value as a result of the bond sale completed in January 2012 for the new police station.

Franchise Fees

Franchise fees are assessments on utility companies' gross receipts for using the City's rights-of-way. Rates vary by type of utility with telecommunications at 7% and electric, natural gas, cable, and garbage at 5%. Historically this resource grows between 3% and 5% per year, with the exception of the most recent year where all cities have seen about a 20% one-year decline. Going forward, this forecast assuming an annual increase of 4%.

Utility User Charges

Water

The City's Charter limits water, sewer, and surface water rate increases to no more than 5% annually unless voters approve otherwise. Commencing in 2005, water rates have increased 5% per year following four years of no increases. Even with the 5% rate increases, total water revenues have remained relatively flat at \$2.9 million. The Water Master Plan assumed a 5% annual water rate increase to keep revenues in line with the inflationary expenses.

Sewer

Previously, sewer rates have increased 5% annually, but this forecast projects 0% increase going forward for the city portion of sewer rates. A rate increase of 5% is also projected for the Tri-City's portion of the sewer bill. This component represents the portion paid by the City directly to Tri-City for sewage processing.

Surface Water

As with sewer, surface water rates have increase 5% annually, but this forecast projects 0% increase going forward. The Surface Water Master Plan, completed in 2006, called for compliance with many storm-water state and federal regulatory programs including the Clean Water Act, Endangered Species Act, and National Flood Insurance Program.

Street Maintenance Fee

The street maintenance fee started in 2008 for City residences, with businesses being phased-in one year later. This resource provides additional funding for annual street operations of approximately \$800,000. This forecast also assumes 5% annual growth.

Park Maintenance Fee

The park maintenance fee started in 2008. This resource provides additional funding for park maintenance operations of approximately \$1.2 million annually. This forecast also assumes 5% annual growth.

Gas Taxes

House Bill 2001, passed in 2009, increases state gas taxes from 24 cents to 30 cents per gallon in fiscal year 2011 effective January 1, 2011. Many registration and license fees will also increase. The impact of the increases will be phased-in over four years. This forecast uses estimates provided by the League of Oregon Cities.

Building, Planning and Engineering Permits

Permit revenues are based on developer commitments for the completion of specific projects. This forecast estimates future revenues based upon a slight upward trend in current year permit fee activity and projects this trend forward.

Other Resources

Bond Sales

Working with the Utility Advisory Board, the City anticipates a bond sale to upgrade the 97-Year old Bolton Reservoir in the Water Fund. A definitive construction cost cannot be determined at this time, but it is estimated to be around \$8 million. The recent bond sale is included in the Public Safety Fund for the replacement of the City's police station.

Transfers from Other Funds

This category relates to services of one fund provided to another Fund. Forecasts are based upon an Activity-Based Costing (ABC) allocation methodology developed in 2010. This ABC methodology allocates General Fund costs to other Funds based upon a direct measure (driver) of a particular overhead cost. For example, the costs of the Human Resources Department are allocated to other funds based upon the number of budgeted FTEs and the costs of the Information Technology Department are allocated to the other funds based upon their number of computers served. There is a corresponding *Transfer to Other Funds* for each *Transfer from Other Funds*.

Expenditure Assumptions

Personal Services - Wages

Each position is forecasted based upon a variety of variables driving that position's salary and benefit increases. Union contracted step increases of 5% are forecasted for those positions under their maximum step level while base wage amounts are forecasted at 2%. All positions, including vacancies, are forecasted as if filled and any termination payouts or severance arrangements are not included.

Personal Services - Benefits

Health insurance is forecasted to increase 10% per year and dental insurance is forecasted at 8%. After our most recent rate increase paid into Oregon PERS of 1.89%, this forecast projects flat rate increases going forward. Some agencies (including the State) absorbed an approximate 30% increase in this area recently, whereas West Linn was sheltered from this increase. As West Linn did not sell PERS Bonds and joined the state pool in January 2009, effectively spreading its retirement risk, the increase in this area is minimal as compared to other entities.

Materials and Services

Recurring supplies and services are based on inflationary factors estimated at 3% annually. Some of these costs however, are estimated based on higher contractual increases, i.e. the contracted cost for dispatch services with Lake Oswego and estimated 10% increases for purchased water from South Fork Water Board.

Capital Equipment

Capital equipment is forecasted where appropriate and affordable. The vehicle and equipment maintenance department, within the General Fund, manages to a 10-year vehicle replacement cycle for non-emergency vehicles with police vehicles often being replaced every three years. Accordingly, the Public Safety Fund forecasts approximately \$60,000 per year for vehicle replacement. The Water and Environmental Services Funds have nominal funding levels (\$10,000 to \$20,000 per year) for equipment replacement.

Debt Service

Estimates are based on actual amortization schedules for outstanding debt issues. New debt is typically forecasted on 4%, 20-year repayment terms.

Other Uses

Bond Refundings

Potential bond refundings are not included in this forecast. With the refunding of the 1998 and 1999 bond issues in January 2009 and the refunding of the two 2000 bond issues in September 2010, the City's long-term debt now has extremely low interest rates, the lowest possible in today's environment. The September 2010 bond refunding received an overall interest rate of 2.09%, saving \$1.1 million in future interest costs. Much of this success is exhibited in renewed confidence of the credit rating agencies in the City's current financial management practices. In 2010, the City received rating upgrades by both Moody's and Standard & Poors to Aa2 and AA respectively.

Transfers to Other Funds

This is the counter-part to the *Transfers from Other Funds* revenue line. *Transfers to Other Funds* from operating funds are primarily for administrative services provided by departments within the General Fund. Forecasts are based upon an Activity-Based Costing (ABC) allocation methodology developed in 2010. This ABC methodology allocates General Fund costs to other Funds based upon a direct measure (driver) of a particular overhead cost. For example, the costs of the Human Resources Department are allocated to other funds based upon the number of budgeted FTEs and the costs of the Information Technology Department are allocated to the other funds based upon their number of computers served. There is a corresponding *Transfer to Other Funds* for each *Transfer from Other Funds*.

CITY-WIDE TOTALS FROM ALL FUNDS

Background

The City of West Linn provides municipal services to a community of 25,000 residents including the provision of water and sewer services, police protection, a library, and parks and recreation services. It operates under a home rule charter with a Council/City Manager form of government. The five-member Council acts as a legislative body and the City Manager, who serves at the pleasure of the Council, acts as the administrative head of the City.

The Finance Department is responsible for controlling and processing all City revenues, expenditures, assets, investments and debt management services, and maintains the City's legally required accounting records. Most of the department's responsibilities are governed by federal, state and city laws designed to assure strict accountability for public funds.

Financial Structure

The next few pages show the financial activity (by fiscal year) of the combined City-wide funds. Subsequently, the individual Funds are displayed, each of which reporting financial activity of their various City operations. These individual Funds are as follows:

1. General Fund
2. Public Safety Fund
3. Library Fund
4. Parks and Recreation Fund
5. Building Inspections Fund
6. Planning Fund
7. Street Fund
8. Water Fund
9. Environmental Services Fund
10. Systems Development Charges Fund
11. Debt Service Fund
12. Park Bond Fund

City-wide

City-wide, each fiscal year balances the **Total Resources** line with the **Total Requirements** line. Historical totals range from \$35 to \$50 million depending upon the occurrence of any bond refundings in the particular fiscal year, therefore, \$40 million serves as a general baseline. Bond refundings, and their corresponding payoff included in the *Debt Service* line item, have occurred in fiscal years 2009 and 2011 saving our citizens just over \$1.5 million in future interest costs.

As a result of the bond refunding completed in September 2010, the City of West Linn received upgrades in their credit ratings to AA with Standard and Poor's and Aa2 with Moody's noting the "City's use of a five-year financial forecast to build budgets and its quarterly reports on budgeted numbers compared to actual performance to the City Council."

In 2012, these "Double A" bond ratings were reaffirmed with the successful general obligation bond sale of \$8.5 million for the City's new police station. This bond sale received an overall 20-year interest rate of 2.25%.

City of West Linn

Total of 12 Funds

(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5	% of rev
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17	
								FY14	FY15			
Resources												
Beginning fund balance	\$8,460	\$10,370	\$10,245	\$12,962	\$13,298	\$12,882	\$20,850	\$17,004	\$10,999	\$7,848	\$7,159	
Taxes	7,532	5,965	6,392	6,603	6,834	6,991	7,633	7,940	8,224	8,566	8,902	25%
Fees and Charges	9,893	9,591	10,883	11,097	11,491	11,965	12,319	12,804	13,320	13,864	14,439	41%
Intergovernmental	2,375	2,376	2,485	3,525	3,922	5,565	3,680	3,756	3,833	3,912	3,993	11%
Transfers from other funds	3,335	4,243	5,207	5,355	5,428	5,772	6,087	6,367	6,558	6,755	6,957	20%
Debt proceeds	-	175	9,121	-	6,418	8,603	-	-	-	-	-	0%
Other	1,179	1,677	1,673	1,249	1,515	1,002	977	1,002	1,028	1,054	1,081	3%
Total revenues	24,314	24,027	35,761	27,829	35,608	39,898	30,696	31,869	32,963	34,151	35,372	100%
Total Resources	\$32,774	\$34,397	\$46,006	\$40,791	\$48,906	\$52,780	\$51,546	\$48,873	\$43,962	\$41,999	\$42,531	
Requirements												% of exp
Personal services	\$9,664	\$10,120	\$12,140	\$12,048	\$12,465	\$13,360	\$13,871	\$14,414	\$14,976	\$15,560	\$16,168	45%
Materials & services	5,502	5,596	5,741	5,608	5,754	6,317	6,409	6,663	6,923	7,194	7,479	21%
Debt service	1,427	1,448	6,378	1,839	7,572	1,643	2,050	2,193	2,227	2,275	2,294	6%
Transfers to other funds	4,150	5,173	5,207	5,355	5,428	5,772	6,087	6,367	6,558	6,756	6,958	19%
Capital outlay	1,661	1,815	3,578	2,643	4,805	4,838	6,125	8,237	5,430	3,055	2,955	8%
Total expenditures	22,404	24,152	33,044	27,493	36,024	31,930	34,542	37,874	36,114	34,840	35,854	100%
Ending Fund Balance	10,370	10,245	12,962	13,298	12,882	20,850	17,004	10,999	7,848	7,159	6,677	
Total Requirements	\$32,774	\$34,397	\$46,006	\$40,791	\$48,906	\$52,780	\$51,546	\$48,873	\$43,962	\$41,999	\$42,531	

City-wide Totals - Resources

Beginning Fund Balances

Fund Balance is the difference between the assets and liabilities within each City Fund. It is an approximate measure of liquidity and is similar to the working capital of a private-sector business. *Beginning Fund Balance*, in particular, is the same as the prior fiscal year's *Ending Fund Balance* (it represents the amount of monies carried over from one fiscal year to the next).

Much of the City's Fund Balances are legally restricted for one purpose or another. For example, the City currently has \$4 million restricted in the System Development Charges Fund and another \$8.5 million restricted from recent bond issues, both reserved for future capital projects.

Revenues

At approximately 41% of total revenues, *Fees and Charges* are the City's largest source of revenue. Property Taxes are the second largest revenue source at 25% of total revenue. Growth of property tax revenue is expected to be 3% per year, plus a small amount for new construction.

The third most significant revenue is *Intergovernmental* revenue at 12% of total City-wide resources. *Intergovernmental* revenue is mostly composed of state shared revenues (gas taxes, cigarette taxes, and liquor taxes) and the City's share of the new Clackamas County Library Dedicated Levy. Revenue growth in the *Intergovernmental* category is generally based on formulas where population is a key factor.

Charges for Services account for the City's *Transfers from Other Funds*. There is a corresponding line item on the expenditure side for *Transfers to Other Funds*. This category relates to General Fund services charged to the Funds in which services are provided. Forecasts are based upon an Activity-Based Costing (ABC) allocation methodology developed in 2010. This ABC methodology allocates General Fund costs to other Funds based upon a direct measure (driver) of a particular overhead cost.

City of West Linn

Total of 12 Funds
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5	% of rev
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17	
								FY14	FY15			
Resources												
Beginning fund balance	\$8,460	\$10,370	\$10,245	\$12,962	\$13,298	\$12,882	\$20,850	\$17,004	\$10,999	\$7,848	\$7,159	
Taxes												
Taxes - General	6,610	5,204	5,467	5,776	5,946	6,151	6,366	6,605	6,869	7,161	7,483	21%
Taxes - Bonded Debt	922	761	925	827	888	840	1,267	1,335	1,355	1,405	1,419	4%
	7,532	5,965	6,392	6,603	6,834	6,991	7,633	7,940	8,224	8,566	8,902	25%
Fees and Charges												
Fees and charges - Water	2,926	2,578	2,955	2,908	2,902	3,048	3,201	3,362	3,531	3,709	3,895	11%
Fees and charges - Sewer	1,630	1,412	1,775	1,633	1,714	1,800	1,890	1,890	1,890	1,890	1,890	5%
Fees and charges - Surface	561	511	562	593	627	658	691	691	691	691	691	2%
Fees and charges - Parks	-	821	1,060	1,128	1,181	1,238	1,300	1,365	1,433	1,505	1,580	4%
Fees and charges - Streets	-	235	714	778	792	832	874	918	964	1,012	1,063	3%
Fees and charges - SDCs	1,205	963	620	607	1,026	953	746	769	792	815	839	2%
Fees and charges - Other	637	691	867	856	875	976	1,035	1,099	1,170	1,247	1,332	4%
Franchise fees	2,098	1,685	1,726	1,952	1,663	1,725	1,793	1,863	1,939	2,017	2,098	6%
Licenses and permits	836	695	604	642	711	735	789	847	910	978	1,051	3%
	9,893	9,591	10,883	11,097	11,491	11,965	12,319	12,804	13,320	13,864	14,439	41%
Intergovernmental												
Intergovernmental	2,375	2,376	2,485	3,525	3,922	5,565	3,680	3,756	3,833	3,912	3,993	11%
Fines and forfeitures												
Fines and forfeitures	568	550	586	564	520	566	583	600	618	636	655	2%
Interest												
Interest	570	524	239	32	20	26	26	26	26	26	26	0%
Miscellaneous												
Miscellaneous	41	603	848	653	975	410	368	376	384	392	400	1%
Debt proceeds												
Debt proceeds	-	175	9,121	-	6,418	8,603	-	-	-	-	-	0%
Transfers from other funds												
Transfers from other funds	3,335	4,243	5,207	5,355	5,428	5,772	6,087	6,367	6,558	6,755	6,957	20%
Total revenues	24,314	24,027	35,761	27,829	35,608	39,898	30,696	31,869	32,963	34,151	35,372	100%
Total Resources	\$32,774	\$34,397	\$46,006	\$40,791	\$48,906	\$52,780	\$51,546	\$48,873	\$43,962	\$41,999	\$42,531	

City-wide Total Requirements

Expenditures

Expenditures are broken down into five main categories with *Personal Services* accounting for almost half of the City's *Total Expenditures* in any given fiscal year. The *Personal Service* category funds the 132 full-time equivalent (FTEs) employee positions held with the City of West Linn. An Organizational Chart is provided in the Appendix section of this forecast. Historically and in the current year, *Total Expenditures* for the City average \$35 million per fiscal year, depending upon the level of capital projects funded and the occurrence of bond refundings. Bond refundings are included in *Debt Service* and have occurred in fiscal years 2009 and 2011 saving our citizens just over \$1.5 million in future interest costs. Bond sales typically are needed to fund significant capital projects, and accordingly, City-wide *Capital Outlay* is forecasted to significantly increase in FY13 due to the police station construction.

Ending Fund Balances

Ending Fund Balance represents the funds carried over from one fiscal year to the next to fund the following year's operations. Much of the City's *Ending Fund Balance's* are legally restricted for one purpose or another. For example, the City currently has \$4 million restricted in the System Development Charges Fund and another \$8.5 million is restricted from recent bond issues, both reserved for future capital projects.

City of West Linn

Total of 12 Funds
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5	% of exp
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17	
								FY14	FY15			
Requirements												
Personal services	\$9,664	\$10,120	\$12,140	\$12,048	\$12,465	\$13,360	\$13,871	\$14,414	\$14,976	\$15,560	\$16,168	45%
Materials & services	5,502	5,596	5,741	5,608	5,754	6,317	6,409	6,663	6,923	7,194	7,479	21%
Debt service	1,427	1,448	6,378	1,839	7,572	1,643	2,050	2,193	2,227	2,275	2,294	6%
Transfers to other funds	4,150	5,173	5,207	5,355	5,428	5,772	6,087	6,367	6,558	6,756	6,958	19%
Capital outlay	1,661	1,815	3,578	2,643	4,805	4,838	6,125	8,237	5,430	3,055	2,955	8%
Total expenditures	22,404	24,152	33,044	27,493	36,024	31,930	34,542	37,874	36,114	34,840	35,854	100%
Ending Fund Balance												
Policy requirements	2,314	2,411	2,759	2,730	2,850	3,083	3,185	3,322	3,464	3,607	3,762	
Reserves for debt service	151	151	151	151	151	151	151	151	151	151	151	
Reserves for SDC capital	2,519	3,156	3,726	3,727	4,269	4,335	4,021	3,708	1,528	1,496	1,588	
Over (under) policy/reserves	5,386	4,527	6,326	6,690	5,612	13,281	9,647	3,818	2,705	1,905	1,176	
Total ending fund balance	10,370	10,245	12,962	13,298	12,882	20,850	17,004	10,999	7,848	7,159	6,677	
Total Requirements	\$32,774	\$34,397	\$46,006	\$40,791	\$48,906	\$52,780	\$51,546	\$48,873	\$43,962	\$41,999	\$42,531	

General Fund

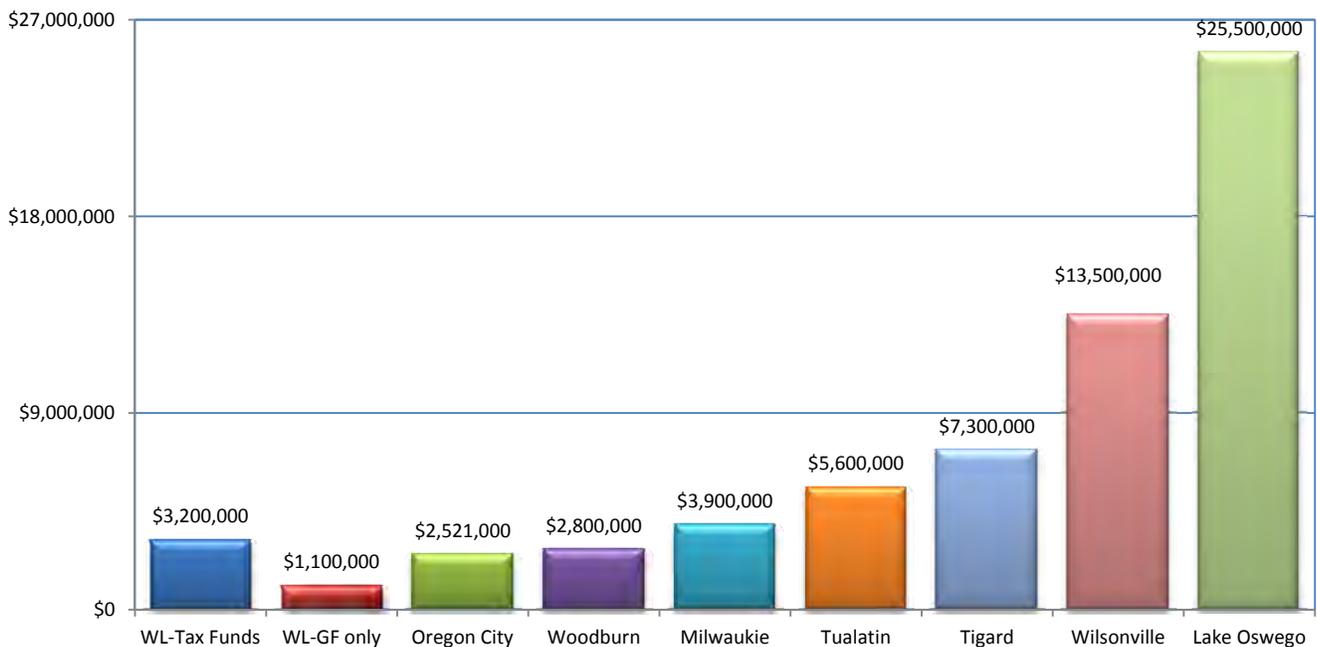
The Purpose

The purpose of the General Fund is to account for City's legislative and administration, human resources, finance, information technology, municipal court, facilities maintenance, public works support, and vehicle and equipment maintenance services as well as the City's related *Debt Service*. The General Fund's primary revenue sources will consist of *Transfers from Other Funds, Fines and Forfeitures, Licenses and Permits, and Miscellaneous* revenue.

Forecast

The General Fund has held a steady fund balance (around \$1 million) for several years, but unfortunately, this is far from a healthy fund balance. This balance is expected to fall below the City's policy requirement in five years if there is no change from the status quo. The General Fund is used to pay for contingencies and/or major emergencies that may arise during the year while maintaining sufficient resources to fund a consistent level of service from year to year.

General Fund Ending Fund Balances of Neighboring Cities



In comparison with other cities' General Funds, it is important to note that some cities provide different services in their General Funds (for example, fire services in West Linn are handled by Tualatin Valley Fire and Rescue as opposed to the General Fund) and other cities organize their Funds differently (for example, police services in Lake Oswego are under the General Fund, but in a separate Public Safety Fund in West Linn).

The challenge in moving forward with West Linn's General Fund is twofold. City-wide, the City must increase *Ending Fund Balance* and control rising expenditures to ensure that the rising costs to support the General Fund do not exceed the rate at which individual fund revenues are growing (averaging 3%).

City of West Linn

General Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$1,232	\$847	\$838	\$985	\$1,182	1,203	\$1,137	\$1,049	\$1,103	\$1,108	\$1,058
Transfer from other funds	2,735	3,393	4,670	5,079	5,079	5,472	5,714	6,085	6,268	6,456	6,650
Fines and forfeitures	476	451	410	428	421	464	478	492	507	522	538
Fees and charges	51	54	427	178	195	306	315	324	334	344	354
Interest	52	67	8	3	6	5	5	5	5	5	5
Miscellaneous	199	436	488	208	274	150	102	104	106	108	110
Taxes	-	-	-	-	-	-	-	-	-	-	-
Franchise fees	-	-	20	-	31	160	166	172	179	186	193
Intergovernmental	3	-	114	6	41	-	-	-	-	-	-
Debt proceeds	-	-	-	-	5,935	-	-	-	-	-	-
Total revenues	3,516	4,401	6,137	5,902	11,982	6,557	6,780	7,182	7,399	7,621	7,850
Total Resources	\$4,748	\$5,248	\$6,975	\$6,887	\$13,164	\$7,760	\$7,917	\$8,231	\$8,502	\$8,729	\$8,908
Requirements											
Personal services	\$1,775	\$1,723	\$3,206	\$3,339	\$3,677	\$3,789	\$3,941	\$4,099	\$4,263	\$4,434	\$4,611
Materials & services	1,457	1,751	1,819	1,974	1,918	2,272	2,297	2,391	2,487	2,587	2,693
Debt service	341	343	340	341	6,241	414	414	414	414	414	414
Transfers to other funds	317	417	350	31	32	123	191	199	205	211	217
Capital outlay	11	176	275	20	93	25	25	25	25	25	25
Total expenditures	3,901	4,410	5,990	5,705	11,961	6,623	6,868	7,128	7,394	7,671	7,960
Ending Fund Balance											
Policy requirement (15%)	485	521	754	797	839	909	936	974	1,013	1,053	1,096
Over (under) Policy	362	317	231	385	364	228	113	129	95	5	(148)
Total ending fund balance	847	838	985	1,182	1,203	1,137	1,049	1,103	1,108	1,058	948
Total Requirements	\$4,748	\$5,248	\$6,975	\$6,887	\$13,164	\$7,760	\$7,917	\$8,231	\$8,502	\$8,729	\$8,908
Expenditures - by Department											
City Council	\$71	\$64	\$40	\$55	\$52	\$263	\$265	\$276	\$287	\$298	\$310
City Administration	526	816	762	916	993	851	882	917	954	992	1,032
Communications	-	-	-	-	-	65	65	68	71	74	77
Human Resources	390	248	281	333	342	401	420	437	454	472	491
Finance	837	908	847	944	977	1,021	1,057	1,099	1,143	1,189	1,237
Municipal Court	258	253	206	221	327	332	343	357	371	386	401
Information Technology	385	829	974	740	826	909	945	983	1,022	1,063	1,106
Facility Services	349	461	531	441	482	484	489	509	529	550	572
Public Works	811	1,317	1,261	1,238	1,206	1,204	1,245	1,295	1,347	1,401	1,457
Vehicle & Equipment Maint	421	476	359	341	368	379	390	406	422	439	457
Non-Departmental											
General	27	71	39	104	115	177	162	168	175	182	189
Debt service	341	343	340	341	6,241	414	414	414	414	414	414
Transfers to other funds	300	417	350	31	32	123	191	199	205	211	217
	4,716	6,203	5,990	5,705	11,961	6,623	6,868	7,128	7,394	7,671	7,960

Public Safety Fund

The Purpose

The purpose of the Public Safety Fund is to account for the activities of the City's Police Department, including 911 dispatch services which are contracted out with the City of Lake Oswego. The primary revenues are an allocation of the City's property tax levy (*Taxes*), *Franchise Fees*, and *Intergovernmental* revenue.

Forecast

The primary driver of this \$6 million a year operation is *Personal Service* costs which fund 35 full-time equivalent employees (31 are sworn officers). Throughout the City, without exception of the Public Safety Fund, increasing health insurance and PERS retirement costs continue to be the primary challenge in balancing future forecasts. With overall revenue growth limited to an average of 3%, this is especially difficult.

New Bonds Issued

In January 2012, the City of West Linn completed the sale of \$8.5 million of General Obligation Bonds to finance the voter approved acquisition, construction and furnishing of a new police station to be located at 8th Avenue and 13th Street. Due to the high number of bidders and a low interest rate market, the actual cost of borrowing will be 2.25%, which will result in a significant savings to West Linn taxpayers.

The favorable interest rate results in an approximate \$2 million reduction in interest payments on the debt over the life of the loan. The attractive interest rate can be attributed to the City's Aa2 and AA credit ratings from Moody and Standard & Poor's, respectively.

Also in January 2012, the City closed escrow on the purchase of three lots at the intersection of 8th Avenue and 10th Street, for a total of \$1,453,000.

	FTEs in Police Operations			Population	FTE per Capita (1,000)		
	Total	Sworn Officers	CSOs & Support		Total	Sworn Officers	CSOs & Support
City of West Linn:							
Currently Funded - Per BN13 Budget	35	31	4	25,000	1.40	1.24	0.16
Unfund 1 Officer	34	30	4	25,000	1.36	1.20	0.16
Unfund 2 Officers	33	29	4	25,000	1.32	1.16	0.16
City of Milwaukie	43	38	5	20,867	2.06	1.82	0.24
City of Tualatin	47	38	9	26,130	1.80	1.45	0.34
City of Oregon City	49	39	10	31,826	1.54	1.23	0.31
City of Lake Oswego	55	43	12	36,698	1.50	1.17	0.33
City of Tigard	90	72	18	41,223	2.18	1.75	0.44
City of Beaverton	166	133	33	91,757	1.81	1.45	0.36
City of Hillsboro	181	129	52	93,638	1.93	1.38	0.56
City of Gresham	152	120	32	101,015	1.50	1.19	0.32

City of West Linn

Public Safety Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$565	\$1,044	\$955	\$2,160	\$2,085	895	\$8,060	\$4,749	\$1,314	\$1,346	\$1,371
Fines and forfeitures	27	32	108	77	36	40	41	42	43	44	45
Fees and charges	-	-	-	-	-	-	-	-	-	-	-
Interest	114	60	8	5	4	4	4	4	4	4	4
Miscellaneous	34	21	44	50	3	55	56	57	58	59	60
Taxes	3,630	2,975	2,924	3,851	4,214	4,024	4,211	4,495	4,620	4,777	5,033
Franchise fees	1,186	1,409	1,412	1,568	1,372	1,400	1,456	1,514	1,575	1,638	1,704
Intergovernmental	381	130	379	303	515	551	562	573	584	596	608
Intergovernmental (State 911)	92	189	130	125	124	124	124	124	124	124	124
Licenses and permits	56	35	28	28	14	34	35	36	37	38	39
Debt proceeds	-	-	1,522	-	-	8,603	-	-	-	-	-
Transfers from other funds	-	250	200	-	-	-	-	-	-	-	-
Total revenues	5,520	5,101	6,755	6,007	6,282	14,835	6,489	6,845	7,045	7,280	7,617
Total Resources	\$6,085	\$6,145	\$7,710	\$8,167	\$8,367	\$15,730	\$14,549	\$11,594	\$8,359	\$8,626	\$8,988
Requirements											
Personal services	\$3,215	\$3,455	\$3,998	\$3,924	\$3,960	\$4,266	\$4,426	\$4,592	\$4,764	\$4,943	\$5,128
Less projected vacancy savings	-	-	-	-	(221)	(80)	(83)	(86)	(89)	(93)	(97)
Materials & services	902	681	592	510	695	808	722	744	766	789	813
Debt service	-	-	-	113	112	-	-	-	-	-	-
Transfers to other funds	789	951	829	1,459	1,355	1,116	1,175	1,410	1,452	1,496	1,541
Capital outlay - Police Station	-	-	-	-	-	1,500	3,500	3,500	-	-	-
Capital outlay	135	103	131	76	1,571	60	60	120	120	120	120
Total expenditures	5,041	5,190	5,550	6,082	7,472	7,670	9,800	10,280	7,013	7,255	7,505
Ending Fund Balance											
Policy requirement (20%)	823	827	918	887	931	1,015	1,030	1,067	1,106	1,146	1,188
Over (under) Policy	221	128	1,242	1,198	(36)	7,045	3,719	247	240	225	295
Total ending fund balance	1,044	955	2,160	2,085	895	8,060	4,749	1,314	1,346	1,371	1,483
Total Requirements	\$6,085	\$6,145	\$7,710	\$8,167	\$8,367	\$15,730	\$14,549	\$11,594	\$8,359	\$8,626	\$8,988

Library Fund

The Purpose

The purpose of the Library Fund is to account for the activities of the West Linn Public Library located on Burns Street (just off of Highway 43) and associated library functions. The primary revenues for the Library Fund are an allocation of the City's property tax levy (*Taxes*) and the new Clackamas County Dedicated Library Levy (*Intergovernmental*).

Forecast

The primary cost facing the City Library Fund is *Personal Services*, made up of 17 full-time equivalent employees. Throughout the City, without exception of the Library Fund, increasing health insurance and PERS retirement costs continue to be the primary challenge in balancing future forecasts. With overall revenue growth limited to an average of 3%, this is especially difficult.

Clackamas County Dedicated Library Levy

The Clackamas County Dedicated Library Levy stems from a voter-approved County Library District that created a tax rate of \$0.3974 per \$1,000 of assessed property value (or about \$80 annually for a residence with \$200,000 of assessed value), which offset the County's loss of \$12 million from the Federal Secure Rural School Fund.

Under this new library taxing district, city libraries within the County receive the full value of the taxes collected on the assessed property value within their respective city limits. All libraries then share the remainder of the funds on a per-capita basis of the unincorporated areas they serve. West Linn's portion of this new levy allows the City to continue serving library patrons with the same high-quality services, programs, and collections they expect. The West Linn Public Library is the cultural center of the community and the passage of this Dedicated Library Levy allows the City to continue in this important role.

City of West Linn

Library Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$220	\$313	\$316	\$231	\$247	\$219	\$1,198	\$1,026	\$411	\$345	\$354
Fines and forfeitures	65	67	68	59	63	62	64	66	68	70	72
Interest	20	26	1	1	-	-	-	-	-	-	-
Miscellaneous	6	9	7	10	8	10	10	10	10	10	10
Taxes	850	922	963	398	405	975	925	925	925	1,050	1,110
Intergovernmental - current	515	506	517	-	-	-	-	-	-	-	-
Intergovernmental - new district	-	-	-	1,189	1,264	1,305	1,291	1,330	1,370	1,411	1,453
Intergovernmental - new capital	-	-	-	-	-	1,000	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	1,456	1,530	1,556	1,657	1,740	3,352	2,290	2,331	2,373	2,541	2,645
Total Resources	\$1,676	\$1,843	\$1,872	\$1,888	\$1,987	\$3,571	\$3,488	\$3,357	\$2,784	\$2,886	\$2,999
Requirements											
Personal services	\$915	\$1,005	\$1,091	\$1,083	\$1,187	\$1,204	\$1,258	\$1,315	\$1,374	\$1,436	\$1,501
Materials & services	206	159	181	189	202	228	235	242	249	256	264
Debt service	-	-	-	-	-	-	-	-	-	-	-
Transfers to other funds	242	363	359	369	379	738	769	792	816	840	865
Capital outlay	-	-	10	-	-	203	200	597	-	-	-
Total expenditures	1,363	1,527	1,641	1,641	1,768	2,373	2,462	2,946	2,439	2,532	2,630
Ending Fund Balance											
Policy requirement (20%)	68	77	97	97	121	129	141	153	168	181	196
Reserve for Caufield (inc.)	156	156	157	157	157	157	158	158	157	157	157
Over (under) Policy	89	83	(23)	(7)	(59)	912	727	100	20	16	16
Total ending fund balance	313	316	231	247	219	1,198	1,026	411	345	354	369
Total Requirements	\$1,676	\$1,843	\$1,872	\$1,888	\$1,987	\$3,571	\$3,488	\$3,357	\$2,784	\$2,886	\$2,999

Parks and Recreation Fund

The Purpose

The purpose of the Parks and Recreation Fund is to account for the operation and maintenance of the City's park programs, including open space, recreational programs, special events and other community activities. The primary sources of revenue include an allocation of the City's property tax levy (*Taxes*), *Fees and Charges* composed of revenue from the parks maintenance fee, and charges received from recreational programs.

Forecast

Personal Service costs are the primary driver of this \$3 million a year operation, employing 23 full-time equivalents. Throughout the City, without exception of the Parks and Recreation Fund, increasing health insurance and PERS retirement costs continue to be the primary challenge in balancing future forecasts. With overall revenue growth limited to an average of 3%, this is especially difficult.

Park Maintenance Fee Charges

Commencing in 2008, the City implemented the Parks Maintenance Fee which now provides resource of approximately \$1.2 million annually to fund parks maintenance operations. This fee is charged on the City's utility bills at a current rate of \$10.70 per residence. This forecast assumes 5% annual growth.

City of West Linn

Parks and Recreation Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$0	\$308	\$223	\$494	\$402	\$489	\$605	\$693	\$574	\$588	\$606
Fees - Rec Program Fees	348	433	416	403	519	520	546	573	602	632	664
Fees - Park Maintenance Fee	-	821	1,060	1,128	1,181	1,238	1,300	1,365	1,433	1,505	1,580
Interest	43	17	1	1	-	-	-	-	-	-	-
Miscellaneous	3	3	29	25	6	26	27	28	29	30	31
Taxes	2,130	1,307	1,580	1,527	1,327	1,152	1,230	1,185	1,324	1,334	1,340
Franchise fees	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	40	265	111	48	560	1,115	216	225	234	243	253
Licenses and permits	48	-	-	-	-	-	-	-	-	-	-
Proceeds from debt or sales	-	-	-	-	483	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	2,612	2,846	3,197	3,132	4,076	4,051	3,319	3,376	3,622	3,744	3,868
Total Resources	\$2,612	\$3,154	\$3,420	\$3,626	\$4,478	\$4,540	\$3,924	\$4,069	\$4,196	\$4,332	\$4,474
Requirements											
Personal services	\$1,124	\$1,250	\$1,319	\$1,386	\$1,416	\$1,493	\$1,549	\$1,611	\$1,675	\$1,742	\$1,812
Materials & services	605	650	727	670	786	700	720	742	764	787	811
Debt service	-	-	-	37	39	37	37	151	151	151	151
Transfers to other funds	456	590	617	780	803	830	865	891	918	946	974
Capital outlay	119	441	263	351	945	875	60	100	100	100	100
Total expenditures	2,304	2,931	2,926	3,224	3,989	3,935	3,231	3,495	3,608	3,726	3,848
Ending Fund Balance											
Policy requirement (20%)	346	380	409	411	440	439	454	471	488	506	525
Over (under) Policy	(38)	(157)	85	(9)	49	166	239	103	100	100	101
Total ending fund balance	308	223	494	402	489	605	693	574	588	606	626
Total Requirements	\$2,612	\$3,154	\$3,420	\$3,626	\$4,478	\$4,540	\$3,924	\$4,069	\$4,196	\$4,332	\$4,474

Building Inspections Fund

The Purpose

The purpose of the Building Inspections Fund is to account for building inspections, including permit applications and plan review, starting with the permit application through inspection. The primary revenues of the Building Inspections Fund are *Fees and Charges* to developers and builders for related activities.

Forecast

The primary driver of this \$0.5 million a year operation is *Personal Service* costs which fund 4 full-time equivalent employees. Throughout the City, without exception of the Building Inspections Fund, increasing health insurance and PERS retirement costs continue to be the primary challenge in balancing future forecasts. With overall revenue growth limited to an average of 3%, this is especially difficult.

City of West Linn

Building Inspections Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$49	\$191	\$109	(\$2)	\$73	\$244	\$171	\$124	\$109	\$130	\$192
Fees and charges	-	-	-	-	-	-	-	-	-	-	-
Interest	3	3	-	-	-	-	-	-	-	-	-
Miscellaneous	-	2	5	7	-	1	1	1	1	1	1
Intergovernmental	12	-	-	-	-	-	-	-	-	-	-
Licenses and permits	696	634	528	558	643	650	702	758	819	885	956
Debt proceeds	-	175	-	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	711	814	533	565	643	651	703	759	820	886	957
Total Resources	\$760	\$1,005	\$642	\$563	\$716	\$895	\$874	\$883	\$929	\$1,016	\$1,149
Requirements											
Personal services	\$377	\$392	\$418	\$290	\$383	\$420	\$434	\$448	\$463	\$478	\$494
Materials & services	38	33	21	9	16	20	21	22	23	24	25
Debt service	13	13	63	120	-	-	-	-	-	-	-
Transfers to other funds	141	433	142	71	73	284	295	304	313	322	332
Capital outlay	-	25	-	-	-	-	-	-	-	-	-
Total expenditures	569	896	644	490	472	724	750	774	799	824	851
Ending Fund Balance											
Policy requirement (15%)	62	64	66	45	60	66	68	71	73	75	78
Over (under) Policy	129	45	(68)	28	184	105	56	38	57	117	220
Total ending fund balance	191	109	(2)	73	244	171	124	109	130	192	298
Total Requirements	\$760	\$1,005	\$642	\$563	\$716	\$895	\$874	\$883	\$929	\$1,016	\$1,149

Planning Fund

The Purpose

The purpose of the Planning Fund is to account for activities such as current- and long-range City planning and building plan review. The current planning function involves the review of all proposed development applications in the City such as zone changes, subdivisions, and design review. In addition, this Department is responsible for implementing conditions of approval and administration of land use related code violations. The long-range planning function of the Department is responsible for the development and maintenance of the City's Comprehensive Plan and implementing ordinances such as the Community Development Code. The primary revenues for the Planning Fund include general revenue allocations of State Shared Revenues (*Intergovernmental*), *Fees and Charges* to developers and builders, and *Transfers from Other Funds*.

Forecast

6 full-time equivalent employees are assigned to this fund, making *Personal Service* the most significant cost faced by the Planning Fund. Throughout the City, without exception of the Planning Fund, increasing health insurance and PERS retirement costs continue to be the primary challenge in balancing future forecasts.

With projected revenue growth limited to an average of 3% and with the recent declines in Franchise Fee and Planning revenues, the projection for the Planning Fund is unsustainable – the largest financial challenge facing the City in the coming biennium.

City of West Linn

Planning Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$0	\$206	\$288	\$211	\$326	\$263	(\$127)	(\$451)	(\$869)	(\$1,277)	(\$1,671)
Fees and charges	238	204	24	275	161	150	174	202	234	271	314
Interest	-	-	1	1	-	-	-	-	-	-	-
Miscellaneous	2	6	4	-	5	1	1	1	1	1	1
Franchise fees	129	114	110	168	65	60	62	64	67	70	73
Intergovernmental	202	222	216	207	214	204	208	212	216	220	224
Transfers from Building Fund	-	-	-	-	-	77	79	83	85	88	90
Transfers for TSP Planning	-	-	-	-	-	100	103	-	-	-	-
Transfers from General Fund	414	350	337	276	349	123	191	199	205	211	217
Total revenues	985	896	692	927	794	715	818	761	808	861	919
Total Resources	\$985	\$1,102	\$980	\$1,138	\$1,120	\$978	\$691	\$310	(\$61)	(\$416)	(\$752)
Requirements											
Personal services	\$442	\$510	\$527	\$573	\$612	\$730	\$754	\$779	\$804	\$830	\$857
Materials & services	144	117	45	37	38	50	50	52	54	56	58
Debt service	-	-	-	-	-	-	-	-	-	-	-
Transfers to other funds	193	187	197	202	207	325	338	348	358	369	380
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	779	814	769	812	857	1,105	1,142	1,179	1,216	1,255	1,295
Ending Fund Balance											
Policy requirement (15%)	88	94	86	92	98	117	121	125	129	133	137
Over (under) Policy	118	194	125	234	165	(244)	(572)	(994)	(1,406)	(1,804)	(2,184)
Total ending fund balance	206	288	211	326	263	(127)	(451)	(869)	(1,277)	(1,671)	(2,047)
Total Requirements	\$985	\$1,102	\$980	\$1,138	\$1,120	\$978	\$691	\$310	(\$61)	(\$416)	(\$752)

Street Fund

The Purpose

The purpose of the Street Fund is to account for the maintenance and operation of the City's streets and sidewalks, including street signage, medians, and rights-of-way. The primary revenues for the Street Fund include State Gas Taxes (*Intergovernmental*) and revenues from the City's Street Maintenance Fee (*Fees and Charges*).

Forecast

Personal Service costs are the primary driver of this \$2 million a year operation which funds 5 full-time equivalent employees. Throughout the City, without exception of the Street Fund, increasing health insurance and PERS retirement costs continue to be the primary challenge in balancing future forecasts. With overall revenue growth limited to an average of 3%, this is especially difficult.

State Gas Tax Funds

Over the last few years, the City's gas tax allocation from the State has been declining while operational costs continue to rise. Until a few years ago, State Gas Taxes were sufficient to cover basic street maintenance, including street tree replacement, sidewalk repair and in-fill, and slurry seals, but with a declining allocation, this is no longer the case. State Gas Taxes now only pay for small maintenance items, signage, striping, signal lights, crosswalk lighting, speed indicators and median landscaping maintenance.

House Bill 2001, passed in 2009, increases State Gas Taxes from 24 cents to 30 cents per gallon in fiscal year 2011, effective January 1, 2011. Many registration and license fees will also increase. The impact of the increases will be phased-in over four years. This forecast uses estimates provided by the League of Oregon Cities.

Street Maintenance Fee

Commencing in 2008 for City residences and businesses being phased-in one year later, the Street Maintenance Fee provides additional funding for street operations of just under \$800,000 annually. This forecast assumes 5% annual growth. The revenues from the Street Maintenance Fee are also used to pay for street operations including repairs and maintenance. This work ranges from slurry seals and overlays to total reconstruction. Unlike slurry and overlays, reconstruction requires engineering design and project administration. This level of work can entail rebuilding the street from the ground up, and not surprisingly, is significantly expensive.

City of West Linn

Street Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$146	\$270	\$124	\$822	\$929	\$1,291	\$1,382	\$1,451	\$1,078	\$716	\$614
Fees - street maintenance fees	-	235	714	778	792	832	874	918	964	1,012	1,063
Interest	6	8	4	2	1	1	1	1	1	1	1
Miscellaneous	31	26	147	212	475	50	51	52	53	54	55
Franchise fees	551	64	79	101	103	105	109	113	118	123	128
Intergovernmental - gas tax	1,130	1,058	1,018	1,013	1,204	1,266	1,279	1,292	1,305	1,318	1,331
Debt proceeds	-	-	2,030	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	1,718	1,391	3,992	2,106	2,575	2,254	2,314	2,376	2,441	2,508	2,578
Total Resources	\$1,864	\$1,661	\$4,116	\$2,928	\$3,504	\$3,545	\$3,696	\$3,827	\$3,519	\$3,224	\$3,192
Requirements											
Personal services	\$440	\$471	\$433	\$410	\$453	\$493	\$513	\$534	\$555	\$577	\$600
Materials & services	554	447	511	488	433	490	530	546	562	579	596
Debt service	-	-	-	150	151	151	152	152	152	152	152
Transfers to other funds	458	514	719	671	659	529	550	567	584	602	620
Capital outlay											
Scheduled & emergencies	142	105	1,631	280	517	500	500	750	750	500	500
Annual deferred maintenance	-	-	-	-	-	-	-	100	100	100	100
Reserved for future needs	-	-	-	-	-	-	-	100	100	100	100
Total expenditures	1,594	1,537	3,294	1,999	2,213	2,163	2,245	2,749	2,803	2,610	2,668
Ending Fund Balance											
Policy requirement (15%)	149	138	142	135	133	147	156	162	168	173	179
Over (under) Policy	121	(14)	680	794	1,158	1,235	1,295	916	548	441	345
Total ending fund balance	270	124	822	929	1,291	1,382	1,451	1,078	716	614	524
Total Requirements	\$1,864	\$1,661	\$4,116	\$2,928	\$3,504	\$3,545	\$3,696	\$3,827	\$3,519	\$3,224	\$3,192

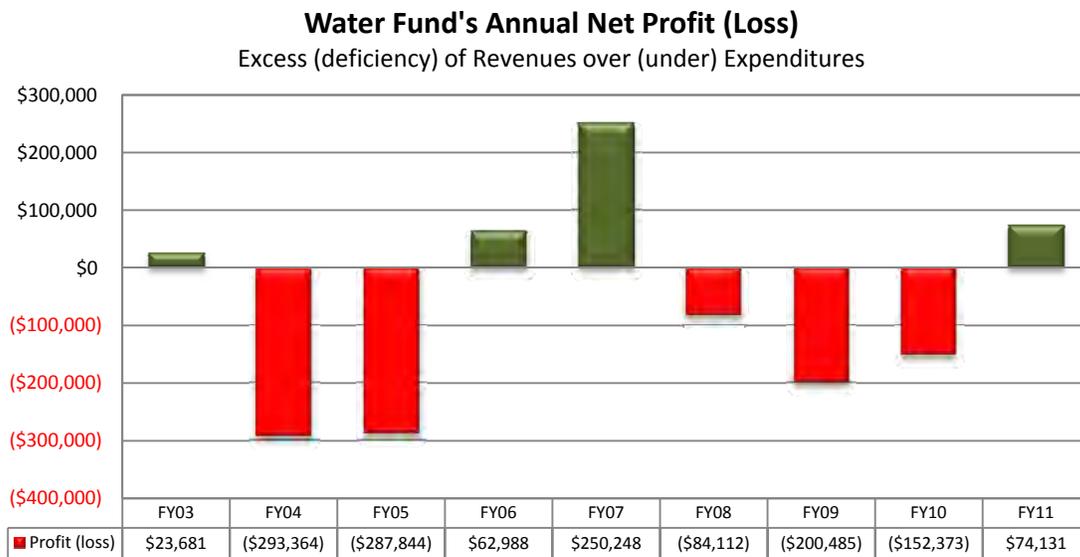
Water Fund

The Purpose

The purpose of the Water Fund is to account for water operations including assuring water quality meets State and Federal mandated standards, compliance with the Safe Drinking Water Act, providing uninterrupted service to all customers, maintain fire flow reserves, and implementing the Water Master Plan. The primary revenues are *Water Rate Revenues*.

Forecast

As the primary driver of this \$3 million a year operation, *Personal Service* costs are incurred to fund 5 full-time equivalent employees. Throughout the City, without exception of the Water Fund, increasing health insurance and PERS retirement costs continue to be the primary challenge in balancing future forecasts. In the Water Fund, overall *Water Rate Revenues* are forecasted to increase by an average of 5% annually, as allowed by the City's Charter.



City of West Linn

Water Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$655	\$906	\$820	\$620	\$468	\$695	\$846	\$1,042	\$936	\$878	\$877
Water charges - base	2,780	2,449	2,807	2,763	2,757	2,903	3,049	3,202	3,363	3,532	3,710
Water charges - rate increases	146	129	148	145	145	145	152	160	168	177	185
Interest	20	25	85	1	-	-	-	-	-	-	-
Miscellaneous	(269)	35	57	61	99	40	41	42	43	44	45
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	80	-	-	-	-	-	-	-	-	-	-
Total revenues	2,757	2,638	3,097	2,970	3,001	3,088	3,242	3,404	3,574	3,753	3,940
Total Resources	\$3,412	\$3,544	\$3,917	\$3,590	\$3,469	\$3,783	\$4,088	\$4,446	\$4,510	\$4,631	\$4,817
Requirements											
Personal services	\$580	\$596	\$510	\$580	\$522	\$530	\$542	\$561	\$581	\$601	\$622
Materials & services	1,206	1,234	1,249	1,313	1,298	1,400	1,470	1,544	1,621	1,702	1,787
Debt service	150	151	153	153	149	150	150	150	154	153	152
Transfers to other funds	561	617	1,027	686	743	657	684	705	726	748	770
Capital outlay											
Scheduled & emergencies	9	126	358	390	62	200	200	200	200	200	200
Annual deferred maintenance	-	-	-	-	-	-	-	175	175	175	175
Reserved for future needs	-	-	-	-	-	-	-	175	175	175	175
Total expenditures	2,506	2,724	3,297	3,122	2,774	2,937	3,046	3,510	3,632	3,754	3,881
Ending Fund Balance											
Policy requirement (15%)	117	124	113	133	122	139	151	165	179	194	210
Reserve for debt service (inc.	151	151	151	151	151	151	151	151	151	151	151
Over (under) Policy	638	545	356	184	422	556	740	620	548	532	575
Total ending fund balance	906	820	620	468	695	846	1,042	936	878	877	936
Total Requirements	\$3,412	\$3,544	\$3,917	\$3,590	\$3,469	\$3,783	\$4,088	\$4,446	\$4,510	\$4,631	\$4,817

Environmental Services Fund

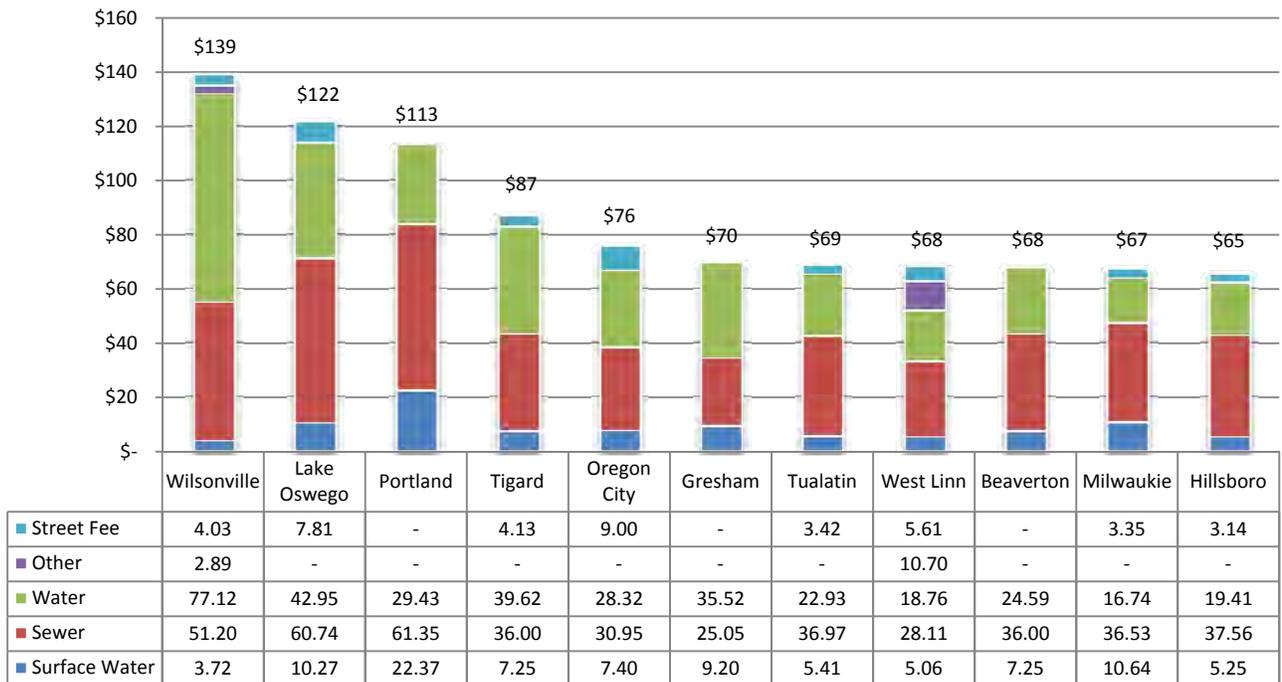
The Purpose

The purpose of the Environmental Services Fund is to account for sanitary sewer and surface water management activities performed by the Public Works department. This includes assuring functional systems capable of meeting the needs of present and future populations, maintaining NPDES permit requirements, and meeting the objectives of the City's sewer and surface water master plans. The primary revenues are rate revenues for sewer and surface water.

Forecast

The primary driver of this \$2 million a year operation is *Personal Service* costs which fund 5 full-time equivalent employees. Throughout the City, without exception of the Environmental Services Fund, increasing health insurance and PERS retirement costs continue to be the primary challenge in balancing future forecasts. In the Environmental Services Fund, overall *Sewer and Surface Rate Revenues* are projected in this forecast to increase by an average of 0% annually (over 5% requires a vote per the City's Charter).

Comparison of Neighboring Cities' Average Monthly Utility Bills



City of West Linn

Environmental Services Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$1,719	\$2,061	\$2,009	\$2,376	\$2,765	\$3,054	\$3,084	\$3,256	\$2,582	\$2,434	\$2,210
Wastewater charges - base	1,549	1,341	1,686	1,551	1,632	1,714	1,800	1,890	1,890	1,890	1,890
Wastewater charges - rate increa	81	71	89	82	82	86	90	-	-	-	-
Surface water - base	533	485	534	563	597	627	658	691	691	691	691
Surface water - rate increases	28	26	28	30	30	31	33	-	-	-	-
Interest	90	84	104	6	3	3	3	3	3	3	3
Miscellaneous	35	65	67	80	105	77	79	81	83	85	87
Intergovernmental	-	6	-	-	-	-	-	-	-	-	-
Licenses and permits	36	26	48	56	54	51	52	53	54	55	56
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	106	-	-	-	-	-	-	-	-	-	-
Total revenues	2,458	2,104	2,556	2,368	2,503	2,589	2,715	2,718	2,721	2,724	2,727
Total Resources	\$4,177	\$4,165	\$4,565	\$4,744	\$5,268	\$5,643	\$5,799	\$5,974	\$5,303	\$5,158	\$4,937
Requirements											
Personal services	\$796	\$718	\$638	\$463	\$476	\$515	\$537	\$561	\$586	\$612	\$640
Materials & services	266	315	343	248	229	299	314	330	347	364	382
Debt service	-	-	-	-	-	-	-	-	-	-	-
Transfers to other funds	775	1,019	932	1,051	1,119	1,070	1,117	1,151	1,186	1,222	1,259
Capital outlay											
Scheduled & emergencies	279	104	276	217	390	500	400	1,000	400	400	400
Annual deferred maintenance	-	-	-	-	-	175	175	175	175	175	175
Reserved for future needs	-	-	-	-	-	-	-	175	175	175	175
Total expenditures	2,116	2,156	2,189	1,979	2,214	2,559	2,543	3,392	2,869	2,948	3,031
Ending Fund Balance											
Policy requirement (15%)	159	155	147	107	106	122	128	134	140	146	153
Over (under) Policy	1,902	1,854	2,229	2,658	2,948	2,962	3,128	2,448	2,294	2,064	1,753
Total ending fund balance	2,061	2,009	2,376	2,765	3,054	3,084	3,256	2,582	2,434	2,210	1,906
Total Requirements	\$4,177	\$4,165	\$4,565	\$4,744	\$5,268	\$5,643	\$5,799	\$5,974	\$5,303	\$5,158	\$4,937

Systems Development Charges Fund

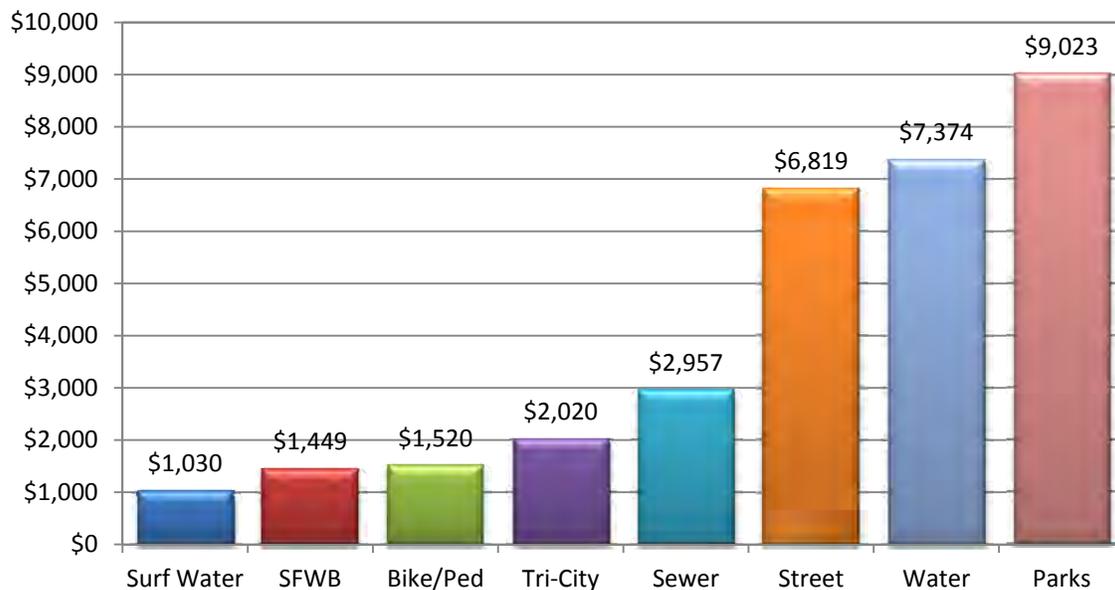
The Purpose

The purpose of the Systems Development Charges Fund is to account for the receipt and expenditures of system development charges (SDCs) dedicated to streets, surface water, water, sewer, parks, and bike/pedestrian activities. These systems development charges are charged to developers during the permitting process to fund growth. The primary revenues are from these SDC fees (*Fees and Charges*) which are one-time fees imposed on new development and various types of redevelopment.

Forecast

The forecast for the SDC fund is primarily trend-based as a function of the economy and the City's best estimate of future development activity. Council sets the level of SDC fees charged to developers which are indexed every year for inflation based upon the Engineering News – Record Construction Cost Index (20-city average). Below is a chart illustrating the SDC fee amounts which currently total \$32,192 for one single-family residence:

SDC Charges for one Single-family Residence
(total equals \$32,192)



City of West Linn

SDC Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$2,351	\$2,519	\$3,156	\$3,726	\$3,727	\$4,269	\$4,335	\$4,021	\$3,708	\$1,528	\$1,496
Fees and charges	1,205	963	620	607	1,026	953	746	769	792	815	839
Interest	130	150	18	9	5	13	13	13	13	13	13
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	634	-	-	-	-	-	-	-
Transfers from other funds	-	250	-	-	-	-	-	-	-	-	-
Total revenues	1,335	1,363	638	1,250	1,031	966	759	782	805	828	852
Total Resources	\$3,686	\$3,882	\$3,794	\$4,976	\$4,758	\$5,235	\$5,094	\$4,803	\$4,513	\$2,356	\$2,348
Requirements											
Personal services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Materials & services	11	2	-	-	-	50	50	50	50	50	50
Debt service	-	-	-	-	-	-	-	-	-	-	-
Transfers to other funds	215	20	35	35	36	100	103	-	-	-	-
Capital outlay	941	704	33	1,214	453	750	920	1,045	2,935	810	710
Total expenditures	1,167	726	68	1,249	489	900	1,073	1,095	2,985	860	760
Ending Fund Balance	2,519	3,156	3,726	3,727	4,269	4,335	4,021	3,708	1,528	1,496	1,588
Total Requirements	\$3,686	\$3,882	\$3,794	\$4,976	\$4,758	\$5,235	\$5,094	\$4,803	\$4,513	\$2,356	\$2,348

Debt Service Fund

The Purpose

The purpose of the Debt Service Fund is to account for the payment of General Obligation bond principal and interest on bonds issued pursuant to voter approval. The primary revenues are from the bonded debt portion of property taxes (*Taxes*) assessed to all property owners within city limits.

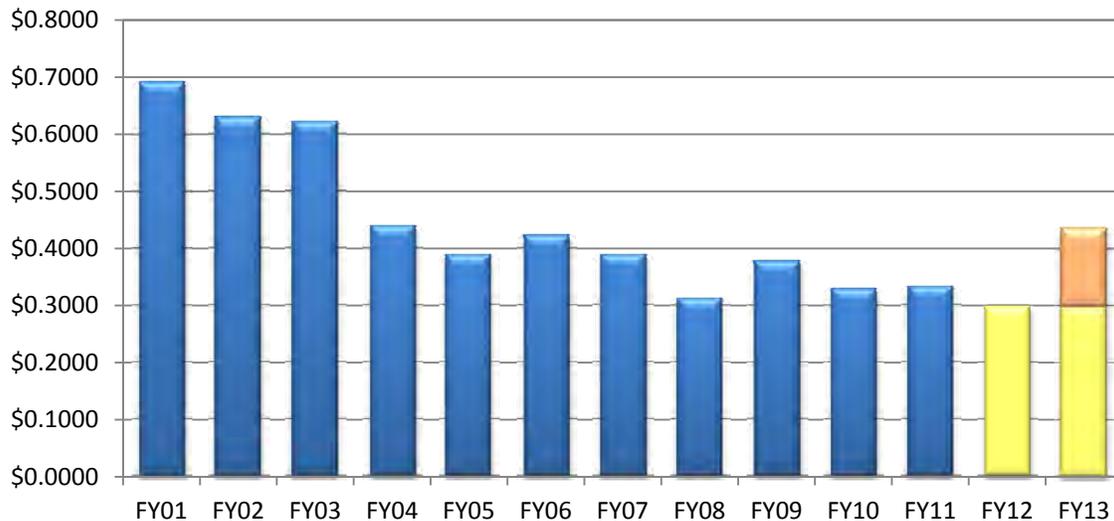
Forecast

ORS 287.004 sets the legal limit on General Obligation bond indebtedness at 3% of the total property real market value in the City. The City's total bond indebtedness remained at less than 1% of total property real market value, well below this limitation.

Bond refundings have been completed in fiscal years 2009 and 2011 saving our citizens just over \$1.5 million in future interest costs. As a result of the most recent bond refunding completed in September 2010, the City of West Linn received credit rating upgrades to AA with Standard and Poor's and Aa2 with Moody's. The main factor noted in these credit rating upgrades was the "City's use of a five-year financial forecast to build budgets and its quarterly reports on budgeted numbers compared to actual performance to the City Council."

These prior refundings have continued to decrease the City's property tax rate for bonded debt. The recent bond sale for the police, completed in 2012, will increase this rate by \$0.14 cents per \$1000 of Assessed Value starting in FY13 (shown in orange below).

Bonded Debt portion of the City's Property Tax Rate
(rate per \$1000 of Assessed Value)



City of West Linn

Debt Service Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$251	\$273	\$117	\$214	\$117	\$125	\$74	\$44	\$53	\$52	\$52
Fees and charges	-	-	-	-	-	-	-	-	-	-	-
Interest	23	24	1	1	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Taxes	922	761	925	827	888	840	1,267	1,335	1,355	1,405	1,419
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	945	785	926	828	888	840	1,267	1,335	1,355	1,405	1,419
Total Resources	\$1,196	\$1,058	\$1,043	\$1,042	\$1,005	\$965	\$1,341	\$1,379	\$1,408	\$1,457	\$1,471
Requirements											
Personal services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Materials & services	-	-	-	-	-	-	-	-	-	-	-
Debt service	923	941	829	925	880	891	1,297	1,326	1,356	1,405	1,425
Transfers to other funds	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	923	941	829	925	880	891	1,297	1,326	1,356	1,405	1,425
Ending Fund Balance											
Policy requirement (0%)	-	-	-	-	-	-	-	-	-	-	-
Over (under) Policy	273	117	214	117	125	74	44	53	52	52	46
Total ending fund balance	273	117	214	117	125	74	44	53	52	52	46
Total Requirements	\$1,196	\$1,058	\$1,043	\$1,042	\$1,005	\$965	\$1,341	\$1,379	\$1,408	\$1,457	\$1,471

Park Bond Fund

The Purpose

The purpose of the Park Bond Fund is to account for the 1998 and 1999 voter-approved General Obligation bond funds issued to acquire land and develop parks. The primary revenues of this Fund are from original bond proceeds (in *Beginning Fund Balance*) and any *Interest* earned on unspent balances.

Measure No. 3-37

BALLOT TITLE

GENERAL OBLIGATION BONDS FOR PARKS AND RECREATIONAL PURPOSES

QUESTION: Shall the City be authorized issue up to \$8 million in general obligation bonds for parks and recreational purposes?

If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

SUMMARY: This measure authorizes the City to issue up to \$8 million in general obligation bonds to acquire and develop property for parks and recreational purposes. The bonds would be paid off over 20 years from taxes on property within the City of West Linn. If bonds are approved by voters, the estimated tax rate would be 47 cents per \$1,000 of assessed property value in the first year, declining to 20 cents per \$1,000 of property value in year 20, for an average annual tax rate of 29 cents per \$1,000 of property value.

The City plans to use revenue from the park bonds for the following purposes:

- To acquire approximately 70 acres of property in various areas of the City for parks and recreational purposes, including at least 5 acres for an aquatics/community center site.
- To conduct an aquatics/community center feasibility study.
- To develop parks, trails and athletic fields.
- To contribute \$200,000 to the cost of constructing a senior center, in combination with \$435,000 available through grants and donations.

City of West Linn

Parks Bond Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY07	FY08	FY09	FY10	FY11	FY12	FY13	PROJECTED		FY16	FY17
								FY14	FY15		
Resources											
Beginning fund balance	\$955	\$1,006	\$1,049	\$968	\$875	\$135	\$85	\$0	\$0	\$0	\$0
Interest	51	43	6	2	1	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Debt proceeds	-	-	5,569	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	51	43	5,575	2	1	-	-	-	-	-	-
Total Resources	\$1,006	\$1,049	\$6,624	\$970	\$876	\$135	\$85	\$0	\$0	\$0	\$0
Requirements											
Personal services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Materials & services	-	-	73	-	2	-	-	-	-	-	-
Debt service	-	-	4,993	-	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	590	95	739	50	85	-	-	-	-
Total expenditures	-	-	5,656	95	741	50	85	-	-	-	-
Ending Fund Balance	1,006	1,049	968	875	135	85	-	-	-	-	-
Total Requirements	\$1,006	\$1,049	\$6,624	\$970	\$876	\$135	\$85	\$0	\$0	\$0	\$0

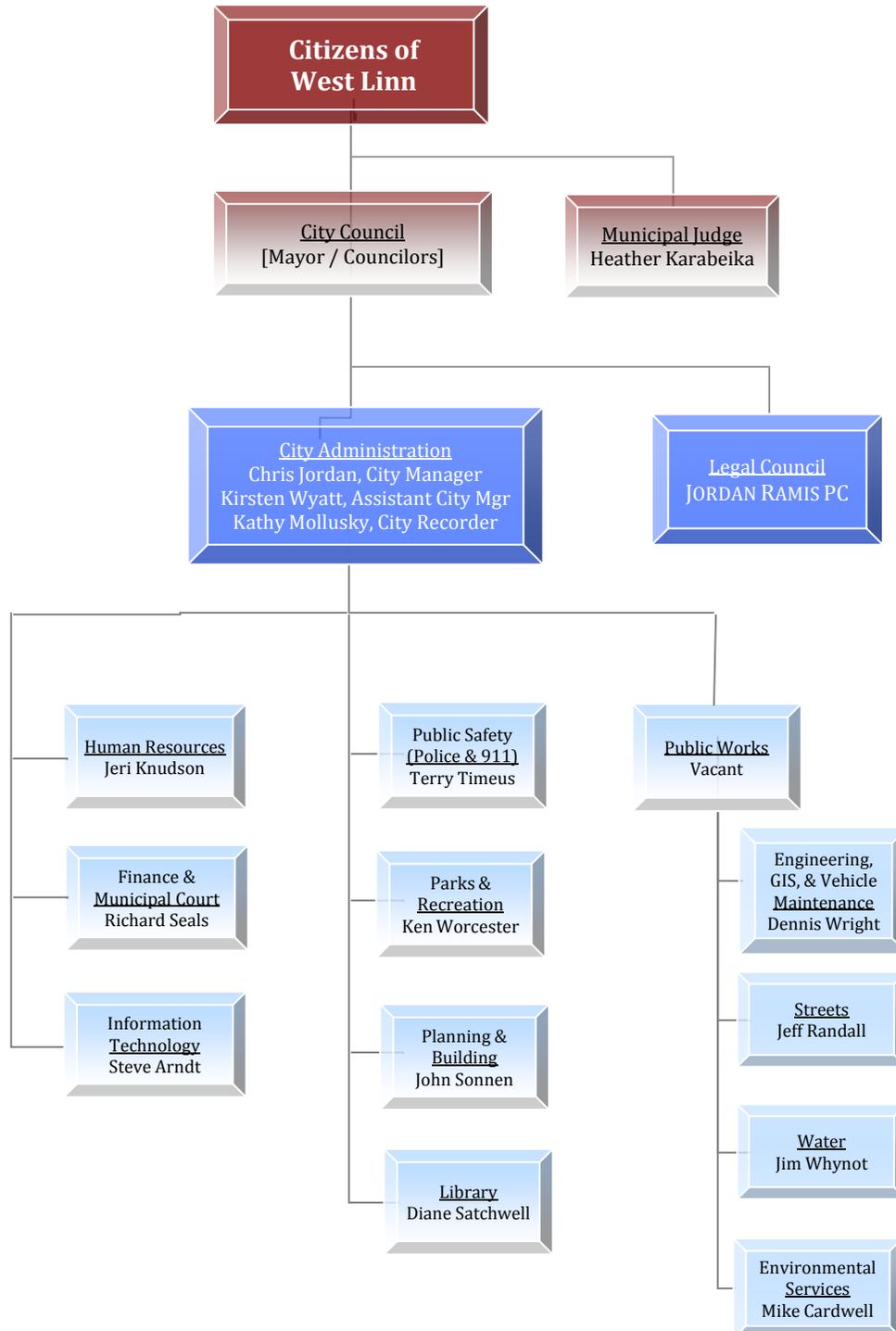
APPENDIX

Budgeted Full-time Employee Positions

The City is organized by functional department and where applicable, includes the funding for wages and benefits of City employees. Below is a list of the budgeted full-time employee (FTEs) positions as reflected in the City budget. The City's Organizational Chart on the following page shows the overall department structure of City operations and provides names and titles of key personnel in each department.

<u>Fund or Department</u>	<u>Budgeted No. of FTEs</u>
General Fund:	
City Administration	4.80
Human Resources	2.50
Finance	6.50
Municipal Court	3.50
City Facilities	1.00
Information Technology	3.00
Public Works Support Services	10.00
Vehicle and Equipment Maintenance	2.00
Public Safety Fund	35.00
Parks and Recreation Fund	22.40
Planning Fund	6.50
Building Inspections Fund	4.00
Library Fund	16.63
Street Fund	5.00
Water Fund	5.00
Environmental Services Fund	<u>5.00</u>
Total Full-time Equivalent (FTEs) positions	<u><u>132.83</u></u>

ORGANIZATIONAL CHART





<http://westlinnoregon.gov/finance>

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This is the **fourth** publication in a biennial series of financial communications tools:

Biennial Budget 2Q 2011

2011 Comprehensive Annual Financial Report 4Q 2011

2011 Popular Annual Financial Report 4Q 2011

Five Year Financial Forecast 1Q 2012

Budget Overview 2Q 2012

2012 Comprehensive Annual Financial Report 4Q 2012

2012 Popular Annual Financial Report 4Q 2012

Six Year Capital Improvement Plan 1Q 2012

Five Year Financial Forecast 1Q 2013