

FIVE YEAR FINANCIAL FORECAST

THROUGH FISCAL YEAR 2019

CITY OF
**West
Linn**

OREGON

100 Years ♦ 1913 - 2013

Courtesy of Old Oregon Photos

CITY OF WEST LINN

FIVE YEAR FINANCIAL FORECAST

FY 2015 TO FY 2019

TABLE OF CONTENTS

I. INTRODUCTION

Purpose of Five Year Financial Forecast.....	i
The Benefits of Financial Forecasting.....	i
Forecast Methodology.....	ii
Forecast Follow-up and Reassessment.....	ii

II. EXECUTIVE SUMMARY

Overview.....	1
Revenue Assumptions.....	1
Expenditure Assumptions.....	2

III. CITY-WIDE TOTALS FROM ALL FUNDS

Background.....	4
City-wide Totals Resources.....	6
City-wide Totals Requirements.....	8

IV. FUND FORECASTS

General Fund.....	10
Public Safety Fund.....	12
Library Fund.....	14
Parks and Recreation Fund.....	16
Building Inspections Fund.....	18
Planning Fund	20
Street Fund.....	22
Water Fund.....	24
Environmental Services Fund.....	26
Systems Development Charges Fund.....	28
Debt Services Fund.....	30
Park Bond Fund.....	32

V. APPENDIX

Budgeted Full-time Employee Positions.....	34
Organizational Chart	35

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 2016-2017 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 Advisory 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-forecasting>).

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 as a result of the bond sale completed in January 2012 for the new police station and is estimated to be \$0.4802 per \$1,000 assessed value in fiscal year 2014.

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 5% one-year decline. Going forward, this forecast is assuming an annual increase of 5%.

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 \$3.6 million. The Water Master Plan assumed a 5% annual water rate increase to keep revenues in line with the inflationary expenses. A one-time rate increase of 18% is included in the forecast for fiscal year 2015. This increase is currently under consideration of the Utility Advisory Board.

Sewer

As with water, this forecast assumes 5% annual rate increase for inflationary growth. 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 water and sewer utility user charges, this forecast assumes 5% annual rate increases for surface water. 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 \$1.3 million. This forecast assumes a 75% increase in residential street maintenance fees effective September 1, 2013. This forecast assumes 5% annual growth after fiscal year 2014.

Park Maintenance Fee

The park maintenance fee started in 2008. This resource provides additional funding for park maintenance operations of approximately \$1.4 million annually. This forecast also assumes 5% annual growth.

Gas Taxes

House Bill 2001, passed in 2009, increased state gas taxes from 24 cents to 30 cents per gallon in fiscal year 2011 effective January 1, 2011. In addition to the state gas tax, there is a federal gas tax of 18.4 cents per gallon. A recently proposed House bill could increase the federal gas tax by 15 cents to 33.4 cents per gallon as of October 2014. 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

Lake Oswego-Tigard Water Partnership Franchise Agreement

This forecast includes a one-time receipt of \$5 million from Lake Oswego for the use of rights of way in West Linn. The \$5 million revenue is forecasted to be received in fiscal year 2014 and will be designated in the Water Fund for constructing a new Bolton Reservoir.

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 \$9 million.

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 8% per year and dental insurance is forecasted at 3%. After our most recent rate increase paid into Oregon PERS of 0.17%, this forecast projects a 3.33% rate increase in fiscal year 2015 and a total increase of 15% in annual PERS cost. Recent PERS reforms are currently being reviewed by the Oregon Supreme Court. These forecasts are based on the assumption that PERS reforms will hold up. As a reminder, West Linn did not sell any PERS Bonds and joined the state pool in January 2009, effectively spreading its retirement risk.

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 \$120,000 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 25,370 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 \$40 to \$55 million depending upon the occurrence of any bond refundings in the particular fiscal year, therefore, \$45 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 Total
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19	
								FY16	FY17			
Resources												
Beginning fund balance	\$10,245	\$12,962	\$13,298	\$12,882	\$23,671	\$23,210	\$19,221	\$15,660	\$11,576	\$9,000	\$6,804	% of rev
Taxes	6,392	6,603	6,834	6,958	7,497	7,880	8,129	8,364	8,612	8,884	8,870	23%
Fees and Charges	10,883	11,097	11,491	13,269	13,048	13,663	14,872	15,534	16,229	16,954	17,714	45%
Intergovernmental	2,485	3,525	3,922	4,785	3,913	5,298	3,848	3,915	3,984	4,054	4,126	10%
Transfers from other funds	5,207	5,355	5,428	5,647	5,995	6,510	6,682	6,793	7,069	7,277	7,490	19%
Debt proceeds	9,121	-	5,935	8,603	-	5,000	-	2,000	-	-	-	0%
Other	1,673	1,249	1,998	1,041	995	994	1,019	1,044	1,070	1,097	1,125	3%
Total revenues	35,761	27,829	35,608	40,303	31,448	39,345	34,550	37,650	36,964	38,266	39,325	100%
Total Resources	\$46,006	\$40,791	\$48,906	\$53,185	\$55,119	\$62,555	\$53,771	\$53,310	\$48,540	\$47,266	\$46,129	
Requirements												% of Total
Personal services	\$12,140	\$12,048	\$12,464	\$13,073	\$13,528	\$13,360	\$13,863	\$14,717	\$15,229	\$15,834	\$16,465	40%
Materials & services	5,741	5,608	5,755	5,743	6,262	7,042	7,250	7,443	7,729	8,002	8,284	20%
Debt service	6,378	1,839	7,572	1,641	2,047	2,080	2,114	2,162	2,331	2,354	2,049	5%
Transfers to other funds	5,207	5,355	5,428	5,647	5,995	6,510	6,682	6,793	7,069	7,277	7,490	18%
Capital outlay	3,578	2,643	4,805	3,410	4,077	14,342	8,202	10,619	7,182	6,995	6,497	16%
Total expenditures	33,044	27,493	36,024	29,514	31,909	43,334	38,111	41,734	39,540	40,462	40,785	100%
Ending Fund Balance	12,962	13,298	12,882	23,671	23,210	19,221	15,660	11,576	9,000	6,804	5,344	
Total Requirements	\$46,006	\$40,791	\$48,906	\$53,185	\$55,119	\$62,555	\$53,771	\$53,310	\$48,540	\$47,266	\$46,129	

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 \$6 million restricted in the System Development Charges Fund and another \$6.2 million restricted from recent bond issues, both reserved for future capital projects.

Revenues

At approximately 45% of total revenues, *Fees and Charges* are the City's largest source of revenue. Property Taxes are the second largest revenue source at 23% 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 10% 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 Total
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19	
								FY16	FY17			
Resources												
Beginning fund balance	\$10,245	\$12,962	\$13,298	\$12,882	\$23,671	\$23,210	\$19,221	\$15,660	\$11,576	\$9,000	\$6,804	
Taxes												
Taxes - General	5,467	5,776	5,946	6,124	6,188	6,500	6,728	6,963	7,207	7,459	7,720	20%
Taxes - Bonded Debt	925	827	888	834	1,309	1,380	1,401	1,401	1,405	1,425	1,150	3%
	6,392	6,603	6,834	6,958	7,497	7,880	8,129	8,364	8,612	8,884	8,870	23%
Fees and Charges												
Fees and charges - Water	2,955	2,908	2,902	3,152	3,485	3,624	4,240	4,410	4,587	4,770	4,961	13%
Fees and charges - Sewer	1,775	1,633	1,714	1,935	1,970	2,069	2,172	2,281	2,395	2,515	2,642	7%
Fees and charges - Surface	562	593	627	667	696	731	768	806	846	888	932	2%
Fees and charges - Parks	1,060	1,128	1,181	1,289	1,329	1,395	1,465	1,538	1,615	1,696	1,781	5%
Fees and charges - Streets	714	778	792	870	904	1,319	1,472	1,546	1,623	1,704	1,789	5%
Fees and charges - SDCs	620	607	1,026	1,765	1,367	1,035	1,068	1,100	1,133	1,166	1,200	3%
Fees and charges - Other	867	856	875	1,031	967	1,023	1,070	1,118	1,170	1,223	1,279	3%
Franchise fees	1,726	1,952	1,663	1,749	1,662	1,750	1,842	1,931	2,026	2,126	2,231	6%
Licenses and permits	604	642	711	811	668	717	775	804	834	866	899	2%
	10,883	11,097	11,491	13,269	13,048	13,663	14,872	15,534	16,229	16,954	17,714	45%
Intergovernmental	2,485	3,525	3,922	4,785	3,913	5,298	3,848	3,915	3,984	4,054	4,126	10%
Fines and forfeitures	586	564	520	403	434	508	523	538	554	570	587	1%
Interest	239	32	20	18	10	10	10	10	10	10	10	0%
Miscellaneous	848	653	1,458	620	551	476	486	496	506	517	528	1%
Debt proceeds	9,121	-	5,935	8,603	-	5,000	-	2,000	-	-	-	0%
Transfers from other funds	5,207	5,355	5,428	5,647	5,995	6,510	6,682	6,793	7,069	7,277	7,490	19%
Total revenues	35,761	27,829	35,608	40,303	31,448	39,345	34,550	37,650	36,964	38,266	39,325	100%
Total Resources	\$46,006	\$40,791	\$48,906	\$53,185	\$55,119	\$62,555	\$53,771	\$53,310	\$48,540	\$47,266	\$46,129	

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 124 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. In the current year, *Total Expenditures* for the City are approximately \$43 million. Total expenditures vary from one fiscal year to the next, 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 FY14 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 \$6 million restricted in the System Development Charges Fund and another \$6.2 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 Total
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	
	PROJECTED											
Requirements												
Personal services	\$12,140	\$12,048	\$12,464	\$13,073	\$13,528	\$13,360	\$13,863	\$14,717	\$15,229	\$15,834	\$16,465	40%
Materials & services	5,741	5,608	5,755	5,743	6,262	7,042	7,250	7,443	7,729	8,002	8,284	20%
Debt service	6,378	1,839	7,572	1,641	2,047	2,080	2,114	2,162	2,331	2,354	2,049	5%
Transfers to other funds	5,207	5,355	5,428	5,647	5,995	6,510	6,682	6,793	7,069	7,277	7,490	18%
Capital outlay	3,578	2,643	4,805	3,410	4,077	14,342	8,202	10,619	7,182	6,995	6,497	16%
Total expenditures	33,044	27,493	36,024	29,514	31,909	43,334	38,111	41,734	39,540	40,462	40,785	100%
Ending Fund Balance												
Policy requirements	2,759	2,730	2,827	2,937	3,108	3,190	3,280	3,493	3,630	3,783	3,939	
Reserves for debt service	151	151	151	151	151	150	154	153	150	150	150	
Reserves for capital projects	3,726	3,727	4,269	5,459	12,972	10,737	4,392	2,963	1,955	951	381	
Over (under) policy/reserves	6,326	6,690	5,635	15,124	6,979	5,144	7,834	4,967	3,265	1,920	874	
Total ending fund balance	12,962	13,298	12,882	23,671	23,210	19,221	15,660	11,576	9,000	6,804	5,344	
Total Requirements	\$46,006	\$40,791	\$48,906	\$53,185	\$55,119	\$62,555	\$53,771	\$53,310	\$48,540	\$47,266	\$46,129	

General Fund

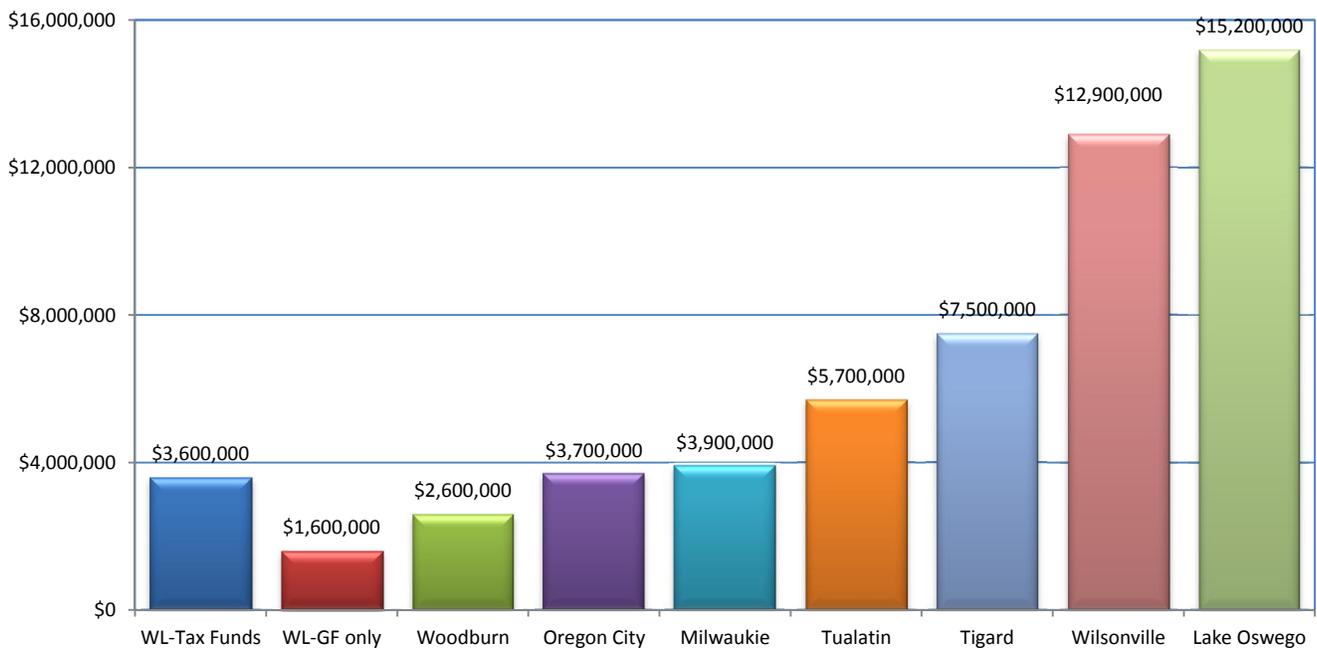
The Purpose

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 \$1.5 million) for several years, but unfortunately, this is far from a healthy fund balance. This balance 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
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19
								FY16	FY17		
Resources											
Beginning fund balance	\$838	\$985	\$1,182	\$1,203	\$1,490	1,470	\$1,584	\$1,541	\$1,512	\$1,564	\$1,564
Transfer from other funds	4,670	5,079	5,079	5,436	5,714	6,025	6,229	6,543	6,844	7,050	7,261
Fines and forfeitures	410	428	421	333	350	400	412	424	437	450	464
Fees and charges	427	178	195	284	225	240	247	254	262	270	278
Interest	8	3	6	18	9	5	5	5	5	5	5
Miscellaneous	488	208	274	190	78	102	104	106	108	110	112
Taxes	-	-	-	-	-	-	-	-	-	-	-
Franchise fees	20	-	31	94	151	-	-	-	-	-	-
Intergovernmental	114	6	41	112	140	54	-	-	-	-	-
Debt proceeds	-	-	5,935	-	-	-	-	-	-	-	-
Total revenues	6,137	5,902	11,982	6,467	6,667	6,826	6,997	7,332	7,656	7,885	8,120
Total Resources	\$6,975	\$6,887	\$13,164	\$7,670	\$8,157	\$8,296	\$8,581	\$8,873	\$9,168	\$9,449	\$9,684
Requirements											
Personal services	\$3,206	\$3,339	\$3,676	\$3,755	\$3,835	\$3,541	\$3,579	\$3,797	\$3,936	\$4,093	\$4,257
Materials & services	1,819	1,974	1,919	1,873	2,198	2,415	2,572	2,790	2,929	3,051	3,177
Debt service	340	341	6,241	413	412	414	414	414	414	414	414
Transfers to other funds	350	31	32	123	191	199	365	250	225	227	229
Capital outlay	275	20	93	16	51	143	110	110	100	100	100
Total expenditures	5,990	5,705	11,961	6,180	6,687	6,712	7,040	7,361	7,604	7,885	8,177
Ending Fund Balance											
Policy requirement (15%)	754	797	839	844	905	893	923	988	1,030	1,072	1,115
Over (under) Policy	231	385	364	646	565	691	618	524	534	492	392
Total ending fund balance	985	1,182	1,203	1,490	1,470	1,584	1,541	1,512	1,564	1,564	1,507
Total Requirements	\$6,975	\$6,887	\$13,164	\$7,670	\$8,157	\$8,296	\$8,581	\$8,873	\$9,168	\$9,449	\$9,684
Expenditures - by Department											
City Council	\$40	\$55	\$52	\$247	\$234	\$152	\$155	\$171	\$178	\$185	\$192
City Administration	762	916	993	819	1,151	1,011	1,043	1,125	1,170	1,217	1,266
Economic Development	-	-	-	-	-	211	223	237	246	256	266
Human Resources	281	333	342	336	418	426	442	470	489	509	529
Finance	847	944	977	1,018	1,049	880	850	894	930	967	1,006
Municipal Court	206	221	327	284	295	323	343	407	423	440	458
Information Technology	974	740	826	757	978	1,012	1,027	1,068	1,111	1,155	1,201
Facility Services	531	441	482	454	465	490	547	569	592	616	641
Public Works Support Services	1,261	1,238	1,206	1,156	1,037	1,080	1,112	1,156	1,202	1,250	1,300
Vehicle & Equipment Maint	359	341	368	355	364	350	355	379	394	410	426
Non-Departmental											
General	39	104	115	218	93	164	164	221	230	239	249
Debt service	340	341	6,241	413	412	414	414	414	414	414	414
Transfers to other funds	350	31	32	123	191	199	365	250	225	227	229
	\$5,990	\$5,705	\$11,961	\$6,180	\$6,687	\$6,712	\$7,040	\$7,361	\$7,604	\$7,885	\$8,177

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 \$7 million a year operation is *Personal Service* costs which fund 33 full-time equivalent employees (29 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 was 2.09%, which results 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. The new police facility construction began in the Spring of 2013 and the completion date is scheduled for late Summer of 2014.

	<u>Total</u>	<u>Sworn Officers</u>	<u>CSOs & Support</u>	<u>Population</u>	<u>Total</u>	<u>Sworn Officers</u>	<u>CSOs & Support</u>
City of West Linn- Per BN 15 Budget	33	29	4	25,370	1.30	1.14	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 Gresham	152	120	32	101,015	1.50	1.19	0.32
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 West Linn

Public Safety Fund
(amounts in thousands)

	ACTUALS					Current	+ 1	+ 2	+ 3	+ 4	+ 5
	FY09	FY10	FY11	FY12	FY13	Year		PROJECTED			
						FY14	FY15	FY16	FY17	FY18	FY19
Resources											
Beginning fund balance	\$955	\$2,160	\$2,085	\$895	\$8,287	7,275	\$1,057	\$1,183	\$1,188	\$1,156	\$1,190
Fines and forfeitures	108	77	36	4	16	42	43	44	45	46	47
Fees and charges	-	-	-	-	-	-	-	-	-	-	-
Interest	8	5	4	-	-	-	-	-	-	-	-
Miscellaneous	44	50	3	9	59	57	58	59	60	61	62
Taxes	2,924	3,851	4,214	4,129	4,114	4,450	4,328	4,793	4,892	5,104	5,280
Franchise fees	1,412	1,568	1,372	1,486	1,314	1,431	1,517	1,600	1,688	1,781	1,879
Intergovernmental	379	303	515	596	524	573	584	596	608	620	632
Intergovernmental (State 911)	130	125	124	124	124	-	-	-	-	-	-
Licenses and permits	28	28	14	20	18	36	37	38	39	40	41
Debt proceeds	1,522	-	-	8,603	-	-	-	-	-	-	-
Transfers from other funds	200	-	-	-	-	-	365	-	75	77	79
Total revenues	6,755	6,007	6,282	14,971	6,169	6,589	6,932	7,130	7,407	7,729	8,020
Total Resources	\$7,710	\$8,167	\$8,367	\$15,866	\$14,456	\$13,864	\$7,989	\$8,313	\$8,595	\$8,885	\$9,210
Requirements											
Personal services	\$3,998	\$3,924	\$3,960	\$4,281	\$4,478	\$4,272	\$4,459	\$4,741	\$4,859	\$5,041	\$5,230
Less savings from vacancies	-	-	(221)	(167)	(36)	(35)	(35)	(35)	(36)	(37)	(38)
Materials & services	592	510	695	778	725	805	810	834	859	885	912
Debt service	-	113	112	-	-	-	-	-	-	-	-
Transfers to other funds	829	1,459	1,355	1,116	1,175	1,410	1,452	1,465	1,637	1,686	1,737
Capital outlay - Police Station	-	-	-	1,497	768	6,235	-	-	-	-	-
Capital outlay	131	76	1,571	74	71	120	120	120	120	120	120
Total expenditures	5,550	6,082	7,472	7,579	7,181	12,807	6,806	7,125	7,439	7,695	7,961
Ending Fund Balance											
Policy requirement (20%)	918	887	887	978	1,033	1,008	1,047	1,108	1,136	1,178	1,221
Over (under) Policy	1,242	1,198	8	7,309	6,242	49	136	80	20	12	28
Total ending fund balance	2,160	2,085	895	8,287	7,275	1,057	1,183	1,188	1,156	1,190	1,249
Total Requirements	\$7,710	\$8,167	\$8,367	\$15,866	\$14,456	\$13,864	\$7,989	\$8,313	\$8,595	\$8,885	\$9,210

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 16 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
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19
								FY16	FY17		
Resources											
Beginning fund balance	\$316	\$231	\$247	\$219	\$1,045	\$774	\$316	\$326	\$342	\$353	\$368
Fines and forfeitures	68	59	63	66	68	66	68	70	72	74	76
Interest	1	1	-	-	-	-	-	-	-	-	-
Miscellaneous	7	10	8	14	8	14	14	14	14	14	14
Taxes	963	398	405	796	763	750	1,200	1,040	1,130	1,205	1,275
Intergovernmental - current	517	-	-	-	-	-	-	-	-	-	-
Intergovernmental - new district	-	1,189	1,264	1,305	1,314	1,326	1,353	1,380	1,408	1,436	1,465
Intergovernmental - new capital	-	-	-	1,000	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	1,556	1,657	1,740	3,181	2,153	2,156	2,635	2,504	2,624	2,729	2,830
Total Resources	\$1,872	\$1,888	\$1,987	\$3,400	\$3,198	\$2,930	\$2,951	\$2,830	\$2,966	\$3,082	\$3,198
Requirements											
Personal services	\$1,091	\$1,083	\$1,187	\$1,184	\$1,272	\$1,276	\$1,337	\$1,425	\$1,489	\$1,556	\$1,626
Materials & services	181	189	202	230	199	217	224	231	238	245	252
Debt service	-	-	-	-	-	-	-	-	-	-	-
Transfers to other funds	359	369	379	738	769	774	804	832	886	913	940
Capital outlay	10	-	-	203	184	347	260	-	-	-	-
Total expenditures	1,641	1,641	1,768	2,355	2,424	2,614	2,625	2,488	2,613	2,714	2,818
Ending Fund Balance											
Policy requirement (20%)	97	97	121	126	137	142	155	174	188	203	219
Reserve for Caufield (inc.)	157	157	157	157	157	157	157	157	157	157	157
Over (under) Policy	(23)	(7)	(59)	762	480	17	14	11	8	8	4
Total ending fund balance	231	247	219	1,045	774	316	326	342	353	368	380
Total Requirements	\$1,872	\$1,888	\$1,987	\$3,400	\$3,198	\$2,930	\$2,951	\$2,830	\$2,966	\$3,082	\$3,198

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 \$4 million a year operation, employing 21 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 \$1.4 million annually to fund parks maintenance operations. This fee is charged on the City's utility bills at a current rate of \$11.80 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
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19
								FY16	FY17		
Resources											
Beginning fund balance	\$223	\$494	\$402	\$489	\$447	\$358	\$487	\$497	\$515	\$553	\$556
Fees - Rec Program Fees	416	403	519	549	514	573	602	632	664	697	732
Fees - Park Maintenance Fee	1,060	1,128	1,181	1,289	1,329	1,395	1,465	1,538	1,615	1,696	1,781
Interest	1	1	-	-	-	-	-	-	-	-	-
Miscellaneous	29	25	489	9	58	28	29	30	31	32	33
Taxes	1,580	1,527	1,327	1,199	1,311	1,300	1,200	1,130	1,185	1,150	1,165
Franchise fees	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	111	48	560	13	184	1,566	225	234	243	253	263
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-
Proceeds from debt issues	-	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	3,197	3,132	4,076	3,059	3,396	4,862	3,521	3,564	3,738	3,828	3,974
Total Resources	\$3,420	\$3,626	\$4,478	\$3,548	\$3,843	\$5,220	\$4,008	\$4,061	\$4,253	\$4,381	\$4,530
Requirements											
Personal services	\$1,319	\$1,386	\$1,416	\$1,476	\$1,592	\$1,571	\$1,636	\$1,731	\$1,800	\$1,872	\$1,947
Materials & services	727	670	786	724	745	773	796	820	845	870	896
Debt service	-	37	39	36	37	38	38	38	38	38	38
Transfers to other funds	617	780	803	830	865	901	941	857	917	945	973
Capital outlay	263	351	945	35	246	1,450	100	100	100	100	100
Total expenditures	2,926	3,224	3,989	3,101	3,485	4,733	3,511	3,546	3,700	3,825	3,954
Ending Fund Balance											
Policy requirement (20%)	409	411	440	440	467	469	486	510	529	548	569
Over (under) Policy	85	(9)	49	7	(109)	18	11	5	24	8	7
Total ending fund balance	494	402	489	447	358	487	497	515	553	556	576
Total Requirements	\$3,420	\$3,626	\$4,478	\$3,548	\$3,843	\$5,220	\$4,008	\$4,061	\$4,253	\$4,381	\$4,530

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 \$0.7 million a year operation is *Personal Service* costs which fund 3.5 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
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19
								FY16	FY17		
Resources											
Beginning fund balance	\$109	(\$2)	\$73	\$244	\$255	\$134	\$48	(\$21)	\$55	\$31	\$13
Fees and charges	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	5	7	-	-	-	1	1	1	1	1	1
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	528	558	643	715	578	628	684	711	739	769	800
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	100	-	-	-
Total revenues	533	565	643	715	578	629	685	812	740	770	801
Total Resources	\$642	\$563	\$716	\$959	\$833	\$763	\$733	\$791	\$795	\$801	\$814
Requirements											
Personal services	\$418	\$290	\$383	\$415	\$394	\$396	\$423	\$450	\$465	\$480	\$496
Materials & services	21	9	16	11	10	15	16	36	37	38	39
Debt service	63	120	-	-	-	-	-	-	-	-	-
Transfers to other funds	142	71	73	278	295	304	315	250	262	270	278
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	644	490	472	704	699	715	754	736	764	788	813
Ending Fund Balance											
Policy requirement (15%)	66	45	60	64	61	62	66	73	75	78	80
Over (under) Policy	(68)	28	184	191	73	(14)	(87)	(18)	(44)	(65)	(79)
Total ending fund balance	(2)	73	244	255	134	48	(21)	55	31	13	1
Total Requirements	\$642	\$563	\$716	\$959	\$833	\$763	\$733	\$791	\$795	\$801	\$814

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

4.5 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	+ 1	+ 2	+ 3	+ 4	+ 5
	FY09	FY10	FY11	FY12	FY13	Year		PROJECTED			
						FY14	FY15	FY16	FY17	FY18	FY19
Resources											
Beginning fund balance	\$288	\$211	\$326	\$263	\$67	(\$65)	\$167	\$89	\$64	\$28	(\$24)
Fees and charges	24	275	161	198	228	210	221	232	244	256	269
Interest	1	1	-	-	-	-	-	-	-	-	-
Miscellaneous	4	-	5	6	3	1	1	1	1	1	1
Franchise fees	110	168	65	56	84	199	199	199	199	199	199
Intergovernmental	216	207	214	263	242	380	273	278	284	290	296
Transfers from Building Fund	-	-	-	77	79	86	88	-	-	-	-
Transfers for TSP Planning	-	-	-	11	11	200	-	-	-	-	-
Transfers from General Fund	337	276	349	123	191	199	-	150	150	150	150
Total revenues	692	927	794	734	838	1,275	782	860	878	896	915
Total Resources	\$980	\$1,138	\$1,120	\$997	\$905	\$1,210	\$949	\$949	\$942	\$924	\$891
Requirements											
Personal services	\$527	\$573	\$612	\$591	\$594	\$476	\$536	\$571	\$594	\$618	\$643
Materials & services	45	37	38	44	38	302	50	52	54	56	58
Debt service	-	-	-	-	-	-	-	-	-	-	-
Transfers to other funds	197	202	207	295	338	265	274	262	266	274	282
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	769	812	857	930	970	1,043	860	885	914	948	983
Ending Fund Balance											
Policy requirement (15%)	86	92	98	95	95	117	88	93	97	101	105
Over (under) Policy	125	234	165	(28)	(160)	50	1	(29)	(69)	(125)	(197)
Total ending fund balance	211	326	263	67	(65)	167	89	64	28	(24)	(92)
Total Requirements	\$980	\$1,138	\$1,120	\$997	\$905	\$1,210	\$949	\$949	\$942	\$924	\$891

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 \$3 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 approximately \$1.3 million annually. This forecast assumes a 75% increase in residential street maintenance fees effective September 1, 2013. This forecast assumes 5% annual growth after fiscal year 2014. 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
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19
								FY16	FY17		
Resources											
Beginning fund balance	\$124	\$822	\$929	\$1,291	\$1,797	\$2,215	\$2,184	\$2,208	\$1,521	\$699	\$396
Fees - street maintenance fees	714	778	792	870	904	1,319	1,472	1,546	1,623	1,704	1,789
Intergovernmental - gas tax	1,018	1,013	1,204	1,372	1,385	1,399	1,413	1,427	1,441	1,455	1,470
SDC Reimbursement	3	63	202	157	135	120	122	124	126	129	132
Miscellaneous	144	149	273	14	28	30	31	32	33	34	35
Taxes	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-
Debt proceeds	2,030	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	3,992	2,106	2,575	2,526	2,565	2,988	3,164	3,261	3,362	3,468	3,579
Total Resources	\$4,116	\$2,928	\$3,504	\$3,817	\$4,362	\$5,203	\$5,348	\$5,469	\$4,883	\$4,167	\$3,975
Requirements											
Personal services	\$433	\$410	\$453	\$490	\$514	\$569	\$589	\$623	\$648	\$674	\$701
Materials & services	511	488	433	433	527	498	526	556	573	590	608
Debt service	-	150	151	152	152	152	152	152	152	152	152
Transfers to other funds	719	671	659	529	550	660	683	767	830	855	881
Capital outlay											
Street capital projects	1,631	280	517	382	237	993	1,040	1,850	1,850	1,500	1,400
Equipment and vehicle	-	-	-	34	167	147	150	-	131	-	-
Total expenditures	3,294	1,999	2,213	2,020	2,147	3,019	3,140	3,948	4,184	3,771	3,742
Ending Fund Balance											
Policy requirement (15%)	142	135	133	138	156	160	167	177	183	190	196
Over (under) Policy	680	794	1,158	1,659	2,059	2,024	2,041	1,344	516	206	37
Total ending fund balance	822	929	1,291	1,797	2,215	2,184	2,208	1,521	699	396	233
Total Requirements	\$4,116	\$2,928	\$3,504	\$3,817	\$4,362	\$5,203	\$5,348	\$5,469	\$4,883	\$4,167	\$3,975

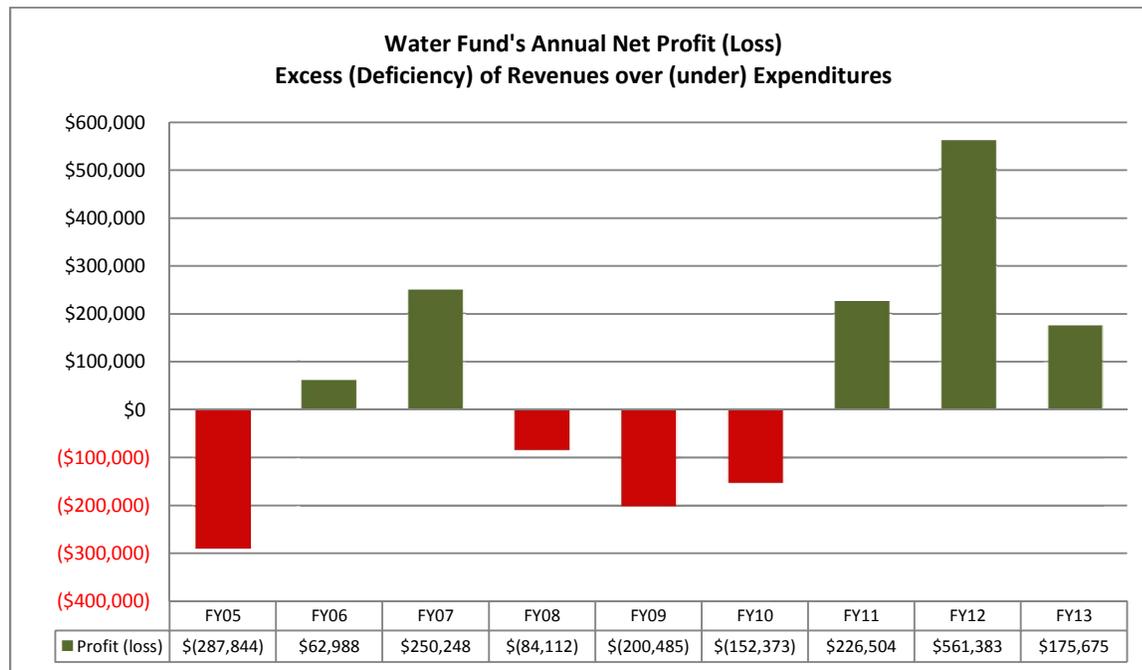
Water Fund

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. This forecast includes a one-time receipt of \$5 million from Lake Oswego for the use of rights of way in West Linn. The \$5 million revenue is forecasted to be received in fiscal year 2014 and will be designated for constructing a new Bolton Reservoir. The Utility Advisory Board is currently working on 20 year forecasting of the Water Fund. This forecast includes an 18% increase in water rates in fiscal year 2015 and \$2 million in bond proceeds in fiscal year 2016, which are currently under consideration by the Utility Advisory Board. This increase and bond sale will help fund capital water main replacement needs and construction of a new Bolton Reservoir. Going forward, 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
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19
								FY16	FY17		
Resources											
Beginning fund balance	\$820	\$620	\$468	\$695	\$1,256	\$1,431	\$6,165	\$3,348	\$1,706	\$1,337	\$820
Water charges - base	2,807	2,763	2,757	3,007	3,327	3,450	3,588	4,198	4,366	4,541	4,722
Water charges - rate increases	148	145	145	145	158	174	652	212	221	229	239
Interest	85	1	-	-	-	-	-	-	-	-	-
Miscellaneous	57	61	99	114	106	42	43	44	45	46	47
Proceeds from LOT and/or Debt	-	-	-	-	-	5,000	-	2,000	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	3,097	2,970	3,001	3,266	3,591	8,666	4,283	6,454	4,632	4,816	5,008
Total Resources	\$3,917	\$3,590	\$3,469	\$3,961	\$4,847	\$10,097	\$10,448	\$9,802	\$6,338	\$6,153	\$5,828
Requirements											
Personal services	\$510	\$580	\$522	\$523	\$457	\$601	\$618	\$649	\$675	\$702	\$730
Materials & services	1,249	1,313	1,298	1,348	1,525	1,592	1,629	1,678	1,728	1,780	1,833
Debt service	153	153	149	149	150	150	154	153	302	302	302
Transfers to other funds	1,027	686	743	657	684	703	730	997	868	894	921
Capital outlay											
Water capital projects	358	390	62	28	558	1,211	4,344	4,918	1,726	1,952	1,948
Less unfunded amounts	-	-	-	-	-	(400)	(400)	(325)	(325)	(325)	(325)
Equipment and vehicle	-	-	-	-	42	75	25	26	27	28	29
Total expenditures	3,297	3,122	2,774	2,705	3,416	3,932	7,100	8,096	5,001	5,333	5,438
Ending Fund Balance											
Policy requirement (15%)	113	133	122	130	146	179	183	196	210	222	234
Reserve for debt service (inc.)	151	151	151	151	151	150	154	153	150	150	150
Over (under) Policy	356	184	422	975	1,134	5,836	3,011	1,357	977	448	6
Total ending fund balance	620	468	695	1,256	1,431	6,165	3,348	1,706	1,337	820	390
Total Requirements	\$3,917	\$3,590	\$3,469	\$3,961	\$4,847	\$10,097	\$10,448	\$9,802	\$6,338	\$6,153	\$5,828

Environmental Services Fund

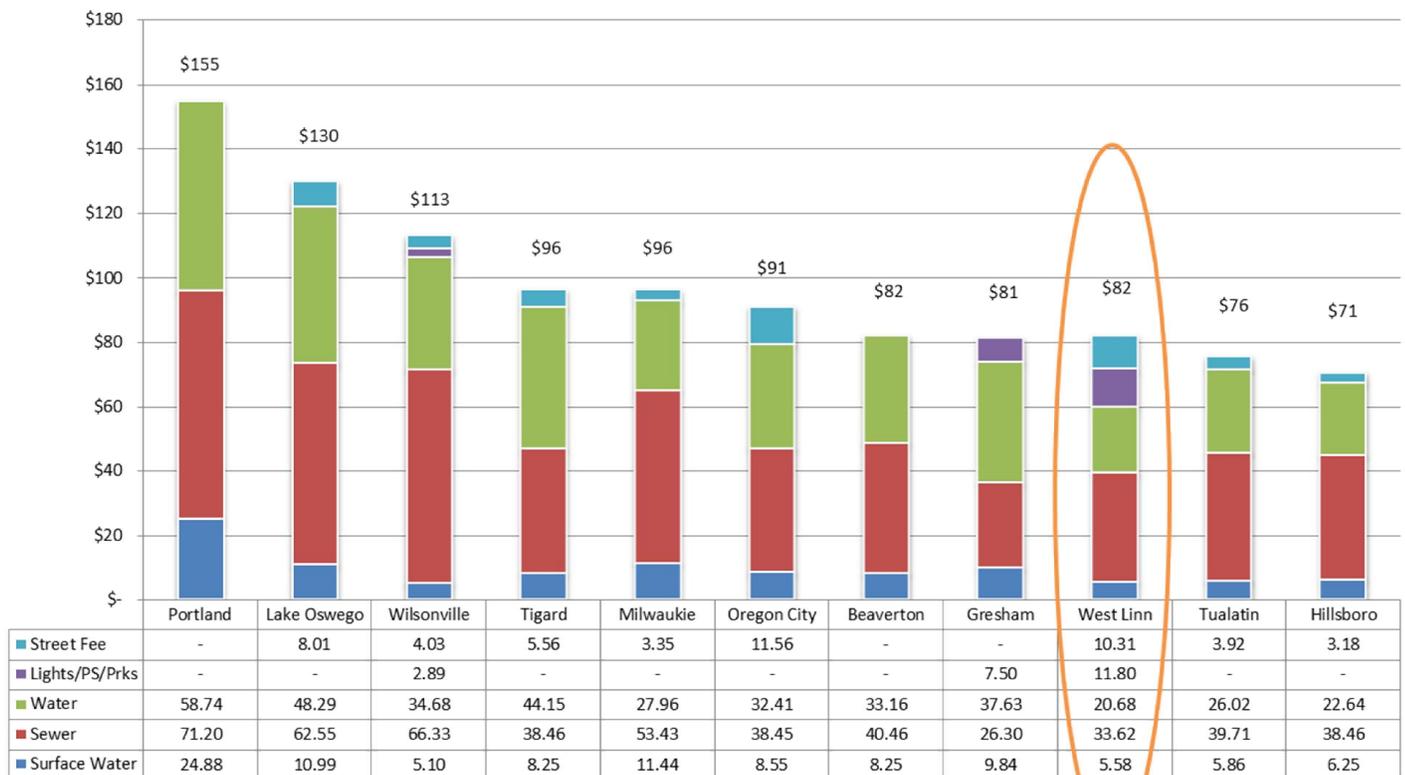
The Purpose

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 \$4 million a year operation is *Personal Service* costs which fund 6.5 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 5% annually (over 5% requires a vote per the City's Charter).

Comparison of Neighboring Cities' Average Monthly Utility Bills
(effective January 2014 at an average 8 ccfs)



City of West Linn

Environmental Services Fund

(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19
								FY16	FY17		
Resources											
Beginning fund balance	\$2,009	\$2,376	\$2,765	\$3,054	\$3,365	\$3,442	\$2,638	\$1,917	\$1,534	\$1,168	\$837
Wastewater charges - base	1,686	1,551	1,632	1,849	1,873	1,970	2,069	2,172	2,281	2,395	2,516
Wastewater charges - rate inc.	89	82	82	86	97	99	103	109	114	120	126
Surface water - base	534	563	597	636	663	696	731	768	806	846	888
Surface water - rate inc.	28	30	30	31	33	35	37	38	40	42	44
Interest	104	6	3	-	-	-	-	-	-	-	-
Miscellaneous	67	80	105	107	76	81	83	85	87	89	91
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	48	56	54	76	72	53	54	55	56	57	58
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	2,556	2,368	2,503	2,785	2,814	2,934	3,077	3,227	3,384	3,549	3,723
Total Resources	\$4,565	\$4,744	\$5,268	\$5,839	\$6,179	\$6,376	\$5,715	\$5,144	\$4,918	\$4,717	\$4,560
Requirements											
Personal services	\$638	\$463	\$476	\$525	\$428	\$693	\$721	\$765	\$799	\$835	\$873
Materials & services	343	248	229	290	292	375	377	396	416	437	459
Debt service	-	-	-	-	-	-	-	-	-	-	-
Transfers to other funds	932	1,051	1,119	1,070	1,117	1,094	1,118	1,113	1,178	1,213	1,249
Capital outlay											
Sewer capital projects	151	98	303	488	505	800	1,250	886	907	945	950
Surface water capital projects	125	119	87	101	126	445	250	350	350	350	350
Equipment and vehicle	-	-	-	-	269	331	82	100	100	100	100
Total expenditures	2,189	1,979	2,214	2,474	2,737	3,738	3,798	3,610	3,750	3,880	3,981
Ending Fund Balance											
Policy requirement (15%)	147	107	106	122	108	160	165	174	182	191	200
Over (under) Policy	2,229	2,658	2,948	3,243	3,334	2,478	1,752	1,360	986	646	379
Total ending fund balance	2,376	2,765	3,054	3,365	3,442	2,638	1,917	1,534	1,168	837	579
Total Requirements	\$4,565	\$4,744	\$5,268	\$5,839	\$6,179	\$6,376	\$5,715	\$5,144	\$4,918	\$4,717	\$4,560

Systems Development Charges Fund

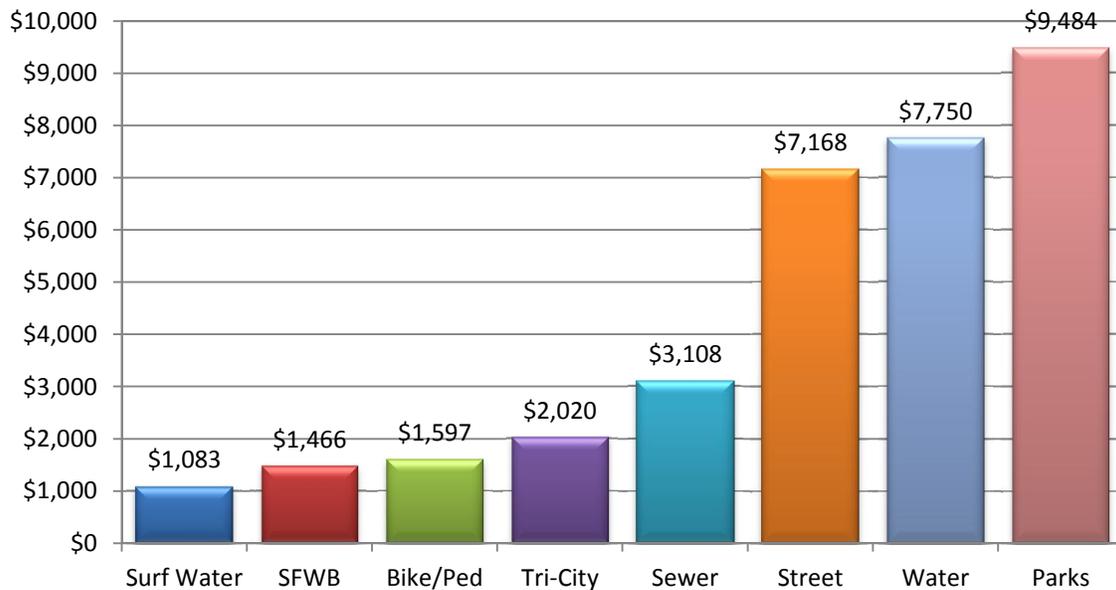
The Purpose

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 \$33,676 for one single-family residence:

SDC Charges for one Single-family Residence
(total equals \$33,676)



City of West Linn

SDC Fund
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19
								FY16	FY17		
Resources											
Beginning fund balance	\$3,156	\$3,726	\$3,727	\$4,269	\$5,459	\$5,969	\$4,440	\$4,392	\$2,963	\$1,955	\$951
SDC improvement fees	620	607	1,026	1,765	1,367	1,035	1,068	1,100	1,133	1,166	1,200
Interest	18	9	5	-	1	5	5	5	5	5	5
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	634	-	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	638	1,250	1,031	1,765	1,368	1,040	1,073	1,105	1,138	1,171	1,205
Total Resources	\$3,794	\$4,976	\$4,758	\$6,034	\$6,827	\$7,009	\$5,513	\$5,497	\$4,101	\$3,126	\$2,156
Requirements											
Personal services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Materials & services	-	-	-	12	3	50	250	50	50	50	50
Debt service	-	-	-	-	-	-	-	-	-	-	-
Transfers to other funds	35	35	36	11	11	200	-	-	-	-	-
Capital outlay	33	1,214	453	552	844	2,319	871	2,484	2,096	2,125	1,725
Total expenditures	68	1,249	489	575	858	2,569	1,121	2,534	2,146	2,175	1,775
Ending Fund Balance	3,726	3,727	4,269	5,459	5,969	4,440	4,392	2,963	1,955	951	381
Total Requirements	\$3,794	\$4,976	\$4,758	\$6,034	\$6,827	\$7,009	\$5,513	\$5,497	\$4,101	\$3,126	\$2,156

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.

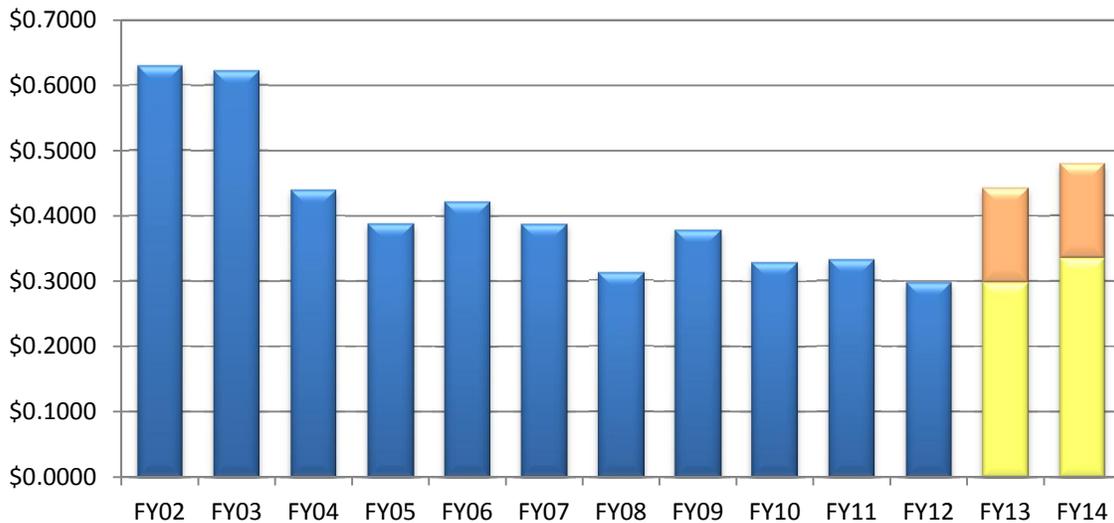
Forecast

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, increased 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
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19
								FY16	FY17		
Resources											
Beginning fund balance	\$117	\$214	\$117	\$125	\$68	\$81	\$135	\$180	\$176	\$156	\$133
Fees and charges	-	-	-	-	-	-	-	-	-	-	-
Interest	1	1	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Taxes	925	827	888	834	1,309	1,380	1,401	1,401	1,405	1,425	1,150
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	926	828	888	834	1,309	1,380	1,401	1,401	1,405	1,425	1,150
Total Resources	\$1,043	\$1,042	\$1,005	\$959	\$1,377	\$1,461	\$1,536	\$1,581	\$1,581	\$1,581	\$1,283
Requirements											
Personal services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Materials & services	-	-	-	-	-	-	-	-	-	-	-
Debt service:											
Series 2009 Refunded Parks	\$532	\$620	\$615	\$622	\$621	\$617	\$621	\$625	\$622	\$622	\$286
Series 2010 Refunded Librar	297	305	265	269	284	300	305	325	334	348	360
Series 2012 Police Station	-	-	-	-	391	409	430	455	469	478	497
Transfers to other funds	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	829	925	880	891	1,296	1,326	1,356	1,405	1,425	1,448	1,143
Ending Fund Balance											
Policy requirement (0%)	-	-	-	-	-	-	-	-	-	-	-
Reserve for debt service	-	-	-	-	-	-	-	-	-	-	-
Over (under) Policy	214	117	125	68	81	135	180	176	156	133	140
Total ending fund balance	214	117	125	68	81	135	180	176	156	133	140
Total Requirements	1,043	\$1,042	\$1,005	\$959	\$1,377	\$1,461	\$1,536	\$1,581	\$1,581	\$1,581	\$1,283

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
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	PROJECTED		FY18	FY19
								FY16	FY17		
Resources											
Beginning fund balance	\$1,049	\$968	\$875	\$135	\$135	\$126	\$0	\$0	\$0	\$0	\$0
Interest	6	2	1	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Debt proceeds	5,569	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total revenues	5,575	2	1	-	-	-	-	-	-	-	-
Total Resources	\$6,624	\$970	\$876	\$135	\$135	\$126	\$0	\$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	-	9	126	-	-	-	-	-
Total expenditures	5,656	95	741	-	9	126	-	-	-	-	-
Ending Fund Balance	968	875	135	135	126	-	-	-	-	-	-
Total Requirements	\$6,624	\$970	\$876	\$135	\$135	\$126	\$0	\$0	\$0	\$0	\$0

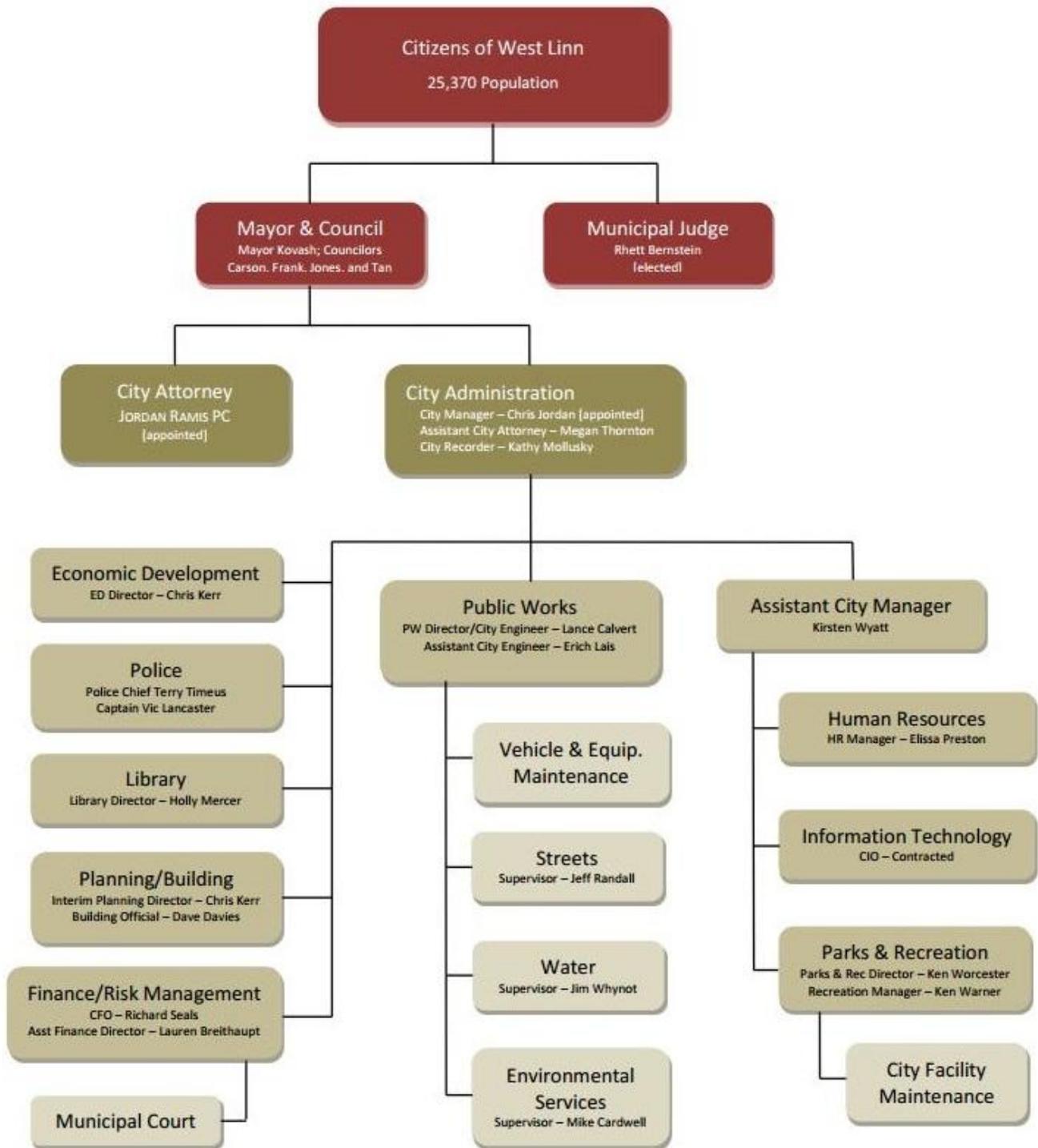
APPENDIX

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
Economic Development	1.25
Human Resources	3.00
Finance	5.50
Municipal Court	2.50
City Facilities	1.00
Information Technology	2.00
Public Works Support Services	8.00
Vehicle and Equipment Maintenance	2.00
Public Safety Fund	33.00
Parks and Recreation Fund	21.15
Planning Fund	4.50
Building Inspections Fund	3.50
Library Fund	15.63
Street Fund	5.00
Water Fund	5.00
Environmental Services Fund	<u>6.50</u>
Total Full-time Equivalent (FTEs) positions	<u>124.33</u>

ORGANIZATIONAL CHART



CITY OF
**West
Linn**
FINANCE

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

Biennial Budget
2012 Comprehensive Annual Financial Report
2012 Popular Annual Financial Report
Five Year Financial Forecast
Budget Overview
2013 Comprehensive Annual Financial Report
2013 Popular Annual Financial Report
Six Year Capital Improvement Plan
Five Year Financial Forecast

Richard Seals, CPA CMA CFM CFE CGMA
Chief Financial Officer
rseals@westlinnoregon.gov

Lauren Breithaupt, CPA
Assistant Finance Director
lbreithaupt@westlinnoregon.gov



West Linn Sustainability
Printed on recycled paper

City of West Linn, Oregon | 22500 Salamo Road, West Linn, Oregon 97068
Phone: 503-657-0331 | Fax: 503-650-9041 | <http://westlinnoregon.gov/finance>