



## City of Tigard Memorandum

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**To:** Budget Committee

**From:** Toby LaFrance, Finance and Information Service Director

**Re:** Initial Forecast for FY 2016-2021

**Date:** January 7, 2015

Finance met and collaborated with staff from Public Works, Community Development and Police to begin preparation of the six-year financial forecast. Attached to this memo is the resulting General Fund Forecast and a summary of funding available for capital projects.

Some of the key assumptions impacting the forecast are discussed below. The result is a General Fund forecast that, after spending down reserves for the City Hall exterior repairs, still shows annual expenditures growing at 4.0% while revenues continue to grow at a modest 3.5%. Fund balance is relatively steady at \$9.5-\$10.0 million. The forecast shows that we can continue to afford existing operational levels and select one-time expenditures, but there is essentially no room for new ongoing expenses without offsetting revenues or expenditure reductions.

The capital funds are quite limited. For each of the capital funds, Finance has identified a target reserve. The target is based on the following potential factors:

- Sufficient balance to ensure a positive cash position in funds where either expenditures or revenues do not occur in an even manner (e.g. General Fund where expenses are steady but Property Tax does not come until November or Street Maintenance where the bulk of the expenses occur in the first three months)
- Six months of operations (e.g. utility funds, Gas Tax),
- One year of debt service (e.g. Gas Tax and City Gas Tax),
- Three to six months of revenue (e.g. Transportation Development Tax, Parks SDC).

Overall, Tigard's capital funds are limited. In the area of transportation, both the Gas Tax and City Gas Tax reserves are under their targets due to recent large capital projects. The Transportation Development Tax is healthy, but will be needed as River Terrace develops. Tigard will be able to continue the Pavement Management Program funded by the Street Maintenance Fee. Parks have very limited funding with the Parks Bond being mostly spent. The bulk of the available funding is in the form of General Fund reserves, where parks will have to compete with the rest of the city. Utilities are generally health, with the exception of Sewer where there are insufficient resources to perform needed capital projects after paying for operations.

The citywide assumption for Tigard is that economic conditions show moderate growth. The base condition that was used for determining revenues for Planning and Building revolves around River Terrace. The River Terrace Community Plan is completed by the middle of FY 2015 for Planning, and Building can start at the end of FY 2016. For Planning, there is expected to be an increase over two fiscal years, held for another fiscal year, and then a decline, but to a level that is higher than the starting point of FY 2015.

Some key points regarding the assumptions used for creating the initial forecast are as follows:

- Property taxes for FY15 grew by 4.4% vs a budget assumption of 3.0%. This is the second year of assessed value growth over 3%. The forecast assumes annual growth of 3.75% - 4.0%. River Terrace will start impacting assessed value and property taxes starting FY2019, which is when the growth rate jumps from 3.75% to 4.0%. This additional 0.25% equates to approximately \$35-\$40K per year from 70 homes annually which is at the low end of the forecasted annual building rate.
- The cost for the Engineering division was budgeted with an 84% rate of reimbursement to the General Fund. This amount has been reduced to 75% to reflect the division's actual rate of return.
- The forecast includes an estimated \$150,000 for the TPOA contract.
- Also, the FY 2015 budget revenues for traffic fines and library fines were significantly higher than what was actually collected in FY 2014. As a result, the forecast for these items were based off of FY 2014 actuals.
- The revenue growth from WCCLS is forecasted at 2%. This may change as we learn more about the next levy.
- Finally, there are 27 pay periods that will need to be budgeted for in FY 2016.