



City of Tigard Memorandum

To: Honorable Mayor and Council

From: Toby LaFrance, Finance and Information Systems Director

Re: General Fund Forecast and Reserves based on Approved FY2017 Budget

Date: June 14, 2016

During the Budget Committee meeting on May 9, 2016, the committee approved the FY 2017 Budget, including options for use of the \$900,000 of available General Fund resources. The committee determined that the resources should be shared between:

1. Adding 3 Police Patrol Officers.
2. A building condition assessment to aid in a future capital facilities bond.
3. Replacing the aging irrigation system in Summer Lake Park with the larger issue of deferred parks maintenance to be included in a local option levy.
4. Funding the Tigard Downtown Association with future council action on a transient lodging tax to fund the expenditure.
5. A short-term fix on the Police roof with the long-term fix being included in a facilities bond.
6. General Fund Reserves funded at a level that maintains a General Fund fund balance that is at least \$1,000,000 over the minimum cash reserve of 25% of the operating budget. For FY 2017, \$300,000 of the \$900,000 will go to reserves. After making \$260,000 of one-time expenditures in FY 2017, the amount going to reserves will increase to \$560,000 annually. The result is a reserve that is \$1.8 million over the minimum cash reserve. This is shown in the table on the following page.

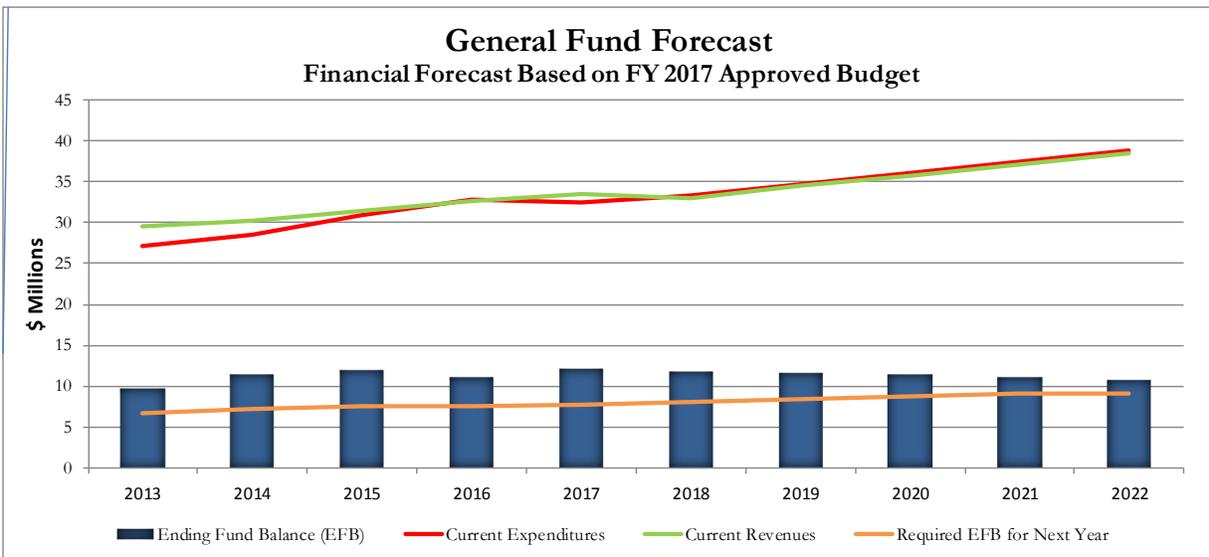
The following table and chart summarizes decision and impact of the Budget Committee's Approved FY 2017 Budget. The table outlines the additional expenditures added to the Proposed Budget. The expenditures are broken out by ongoing and one-time to total \$600,000 in new appropriations in FY 2017. The remaining \$300,000 of the \$900,000 made available by creation of the Park and Recreation Fee will go to help maintain General Fund reserves. By FY 2018, the \$260,000 of one-time expenditures will be completed. Without known programming of the \$260,000, this amount will also go to reserves. The end result is a 6-Year General Fund Forecast that results in a reserve that exceeds the minimum cash reserve by \$1.8 million. This maintains both the needed cash reserve and the \$1,000,000 Rainy Day Reserve. The resulting forecast is displayed in the table and chart on the following page. The annual reserve amount is shown in the blue bars at the bottom of the chart. The minimum cash reserve is displayed by the orange line that is just below the tops of the blue reserve bars.

Budget Committee Decisions on Allocation of \$900K Made Available by Creation of Parks and Recreation Fee

		Approved Allocation of Available \$900K		
		Ongoing	One-Time	Total FY2017
Additional Expenditures				
	Police Officers	340,000	45,000	385,000
	Building Condition Assessment	-	75,000	75,000
	Summer Lake Park Irrigation	-	85,000	85,000
	Tigard Downtown Association	40,000	-	40,000
	Police Roof	-	55,000	55,000
	Total Expenditures	380,000	260,000	640,000
Additional Revenues				
	Transient Lodging Tax	40,000		40,000
Net Increase to FY2017				600,000
Amount for GF Reserves in FY2017				300,000
Amount for GF Reserves in Future FY				560,000
Forecasted FY 2022 GF Reserves over Minimum Cash Reserve Requirement				1,800,000

General Fund Forecast Based on Approved FY 2017 Budget

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Current Expenditures	27.1	28.6	30.9	32.9	32.5	33.4	34.7	36.0	37.5	38.9
Current Revenues	29.5	30.2	31.5	32.7	33.5	33.0	34.6	35.8	37.2	38.6
Required EFB for Next Year	6.6	7.2	7.6	7.5	7.7	8.0	8.3	8.7	9.0	9.0
Ending Fund Balance (EFB)	9.7	11.4	12.0	11.1	12.1	11.7	11.6	11.4	11.1	10.8



Should council decide to make changes to the approved budget without also adding resources to fund the changes, the following table outlines the impact to the forecasted fund balance in \$25,000 increments. In the left column is the amount allocated to ongoing services. The subsequent columns show the amount of General Fund reserves in excess of the required minimum for each of the forecasted fiscal years. The first row has no change and represents the FY 2017 Approved Budget. When the amount of forecasted reserve reaches, or drops below, the Rainy Day Reserve policy of \$1 million in excess of the minimum reserve requirement, the amount is highlighted in orange.

Ongoing Services Added to FY 2017	Forecasted Reserve over Required Minimum - Based on Changes to Approved					
	2017	2018	2019	2020	2021	2022
-	4,400,000	3,700,000	3,200,000	2,700,000	2,100,000	1,800,000
25,000	4,400,000	3,600,000	3,200,000	2,600,000	2,000,000	1,600,000
50,000	4,300,000	3,600,000	3,100,000	2,500,000	1,800,000	1,500,000
75,000	4,300,000	3,500,000	3,000,000	2,400,000	1,700,000	1,300,000
100,000	4,300,000	3,500,000	2,900,000	2,300,000	1,600,000	1,100,000
125,000	4,300,000	3,400,000	2,800,000	2,200,000	1,400,000	1,000,000
150,000	4,200,000	3,300,000	2,700,000	2,100,000	1,300,000	800,000
175,000	4,200,000	3,300,000	2,700,000	2,000,000	1,100,000	600,000
200,000	4,200,000	3,200,000	2,600,000	1,800,000	1,000,000	500,000
225,000	4,100,000	3,200,000	2,500,000	1,700,000	900,000	300,000
250,000	4,100,000	3,100,000	2,400,000	1,600,000	700,000	100,000

The General Fund Reserves played an important role in helping the city maintain services during the first two years of the last recession. Unfortunately, due to the depth and duration of the recent Great Recession, additional service cuts were needed after the first two years and the city has yet to recover to pre-recession service levels. While it is unlikely that we will experience another Great Recession, it is entirely possible that another economic slowdown will occur during the forecast period of the next six years and our reserves will again play an important role in maintaining services to Tigard residents and businesses.

During the Budget Committee deliberations, many service level increases were considered, but few were able to be funded in the limited \$900,000 available. There were particularly difficult decisions around recreation services and the number of police officers to add to patrol.

The city has revenue opportunities that align with these services. In particular, the city could choose to increase the Park and Recreation Fee to pay for recreation. The city will be placing the marijuana tax on the November 2016 ballot which could be used to pay for law enforcement in the form of an additional officer. Thirdly, Tigard currently plans to place a local option levy on the ballot in November 2017. That is another opportunity to pay for these important services. By matching further service increases to additional revenues now, Tigard will be in a better position to maintain reserves in the future.