

CITY OF WILSONVILLE, OREGON

5-Year Forecast

FOR 2015-20



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Overview

The goal of this Five-Year Financial Forecast is to assess the City's ability over the next five years to continue to effectively provide services to the residents at current levels based on projected growth, to meet goals set by Council, and to preserve the City's long-term fiscal health. The forecast serves as a tool to identify financial trends, potential shortfalls, and arising issues so the City can proactively address them.

It is important to stress that this forecast is not a budget. The forecast provides an overview of the City's fiscal health based on various assumptions over the next five years and provide the City Council, Budget Committee, management and the citizens of Wilsonville with a financial outlook beyond the annual budget cycle. The five-year forecast is intended to serve as a planning tool to bring a long-term perspective to the budget process. Responsible financial stewardship is imperative to provide for the current and future needs of the community. Forecasting is a useful method to help make informed financial decisions that will ensure the City's future vitality and economic stability.

The Government Finance Officers Association (GFOA) recognized the importance of combining the forecasting of revenues and expenditures into a single financial forecast. The GFOA also recommends that a government should have a financial planning process that assesses long-term financial implications of current and proposed policies, programs, and assumptions in order to develop appropriate strategies to achieve its goals.

Forecast Methodology

Economic forecasting is not an exact science. Rather, it is dependent upon the best professional judgment of the forecaster. To enhance the accuracy of projections, the City identifies factors that contribute to changes in revenues and expenditures, such as service demands by the public, the pace of development, inflation, personnel costs, and projected future events that will affect operations. A goal of forecasting is to neither be overly optimistic nor pessimistic when displaying revenues and expenditures.

While a forecast is designed to model the future, unforeseen circumstances and events do arise that affect the accuracy of the forecast. Examples of unpredictable items include such things as future interest rates, the price of gasoline, and technological changes that could impact the business community.

The base year of the forecast is the adopted budget for the fiscal year (FY) 2014-15. The adopted budget for FY 2014-15 is then adjusted for various known items that have occurred since the Council adopted the budget in June of 2014, and projections for 2014-15 are developed. The five-year forecast is then grounded by Council intent and levels of service as reflected in the adopted budget, adjusted for updates to revenues and expenses as FY 2014-15 unfolds.

The forecast for the City's Capital Improvement Plan (CIP) is based upon health and safety needs, infrastructure needs as expressed in the City's various master plans, and known major repair and replacements to the City's asset base. The need for capital improvements often exceed resources available, and therefore capital improvements are prioritized based upon a number of factors, including safety, asset preservation and economic development. If pressing capital improvements are not able to be funded from current operating resources, the City has in the past issued debt. However, this forecast only considers debt funding that has previously been discussed with the City Council. Therefore, certain areas of the future CIP may be displayed as not having adequate resources. This indicates that the City Council will deliberate in the future as to whether the CIP should be reduced, new revenue sources found, or debt issued in order to fulfill the forecasted CIP.

Common Assumptions

Population Growth

Wilsonville's population has grown at an average annual rate of 3% from fiscal year (FY) 2005-06 until FY 14-15. This forecast assumes that the population will grow at the same average annual rate of 3% over the next five years.

Revenues

In general, this forecast reviews the revenue sources to each fund individually. However, one common assumption for revenue is interest earnings. Interest rates remain at historic lows, currently averaging about one-half of one percent. This forecast assumes that interest rates gradually increase to one percent.

Expenditures

This five-year forecast aggregates all personnel services costs into one category. Key components of this category include wages, retirement, and health insurance. This forecast assumes the City continues its current wage and benefit package, and predicts it will grow for all funds approximately 3.3% each year. This growth assumption is for the current staffing levels with the current benefits package. In each fund's discussion, if additional personnel are forecasted, those estimations build on this base amount.

Annual inflation for materials and services is assumed to be 2% per year. Contracts for services, including operating contracts for Police, Water, and Sewer, are assumed to increase between 4% and 6% per year.

Funds Presented

General Fund

Community Development Fund

Building Fund

Transit Fund

Water Operating Fund

Sewer Operating Fund

Stormwater Fund

Street Lighting Fund

General Fund

Fund Description

The General Fund houses the City's property taxes and the major services the public associates with local government – police, parks and recreation, long-term planning, the library, and general management of the City Manager and the City Council. The General Fund also accounts for the revenue from the Hotel/Motel tax, franchise fees, intergovernmental revenue, court fines, and charges for services.

The General Fund revenues are largely driven by property taxes, which in turn are based on assessed values and new construction. A property's assessed value includes real property, and personal property and equipment. Under the State constitution, the assessed value for real property is limited to 3% growth. The residential sector is assessed using real property, while the commercial and industrial sectors may also include personal property and equipment.

The assessed value differs from a property's real market value. The real market value is an estimation of the price at which the property could most likely be sold. Taxes are levied at the lower of the assessed value or real market value. Therefore, property tax revenue is influenced by cycles in the housing market – especially on the downward side. As real market values fall below the assessed value, property tax revenue declines, because the taxes levied are based on the lower real market value. However, the upside is limited, because as real market values increase, property tax revenues are constrained by the State constitution's limit on assessed value growth of 3%. New construction is one aspect that can significantly increase property tax revenue above the assessed value limitations.

The General Fund expenditures are driven by the community's demand for service. The General Fund provides funding for the public provision of law enforcement, parks and recreation, the library, long-term planning, finance, information technology, and overall city management and oversight. As the City grows, the need for additional services grows, and the City Council considers adding personnel and associated expenditures to meet the demand for service.

Additionally, maintaining current service levels also causes the level of expenditures in the General Fund to increase. Over time, cost pressures such as inflationary increases to supplies, fuel, utilities, etc, cause General Fund expenditures to increase. Cost-of-living adjustments, merit increases, and benefit increases cause the cost of labor to increase over time.

The City engages in continual financial review and oversight to ensure that services provided are adequately funded. This five-year forecast provides a brief snapshot into the future to judge overall trends.

General Fund Revenues and Expenditures

Revenues

Property Taxes

Property tax revenue comprises approximately one-half of General Fund external resources, and affects just about every resident and business in the City. Therefore, property tax revenue receives the bulk of the discussion in this forecast.

Property taxes are based on assessed value. As mentioned above, the State constitution limits a property's assessed value growth to 3%. As new construction is placed on the tax rolls, property tax revenue to the City increases. Also, the assessed value of the commercial and industrial sectors may grow at more than 3% depending upon the value of personal property and equipment.

Five-Year Financial Forecast FY 2015 through 2020

Risks to the property tax revenue include a declining housing market and the devaluing of a commercial or industrial site, due to a business closure, restructure or state re-valuation. As was seen in the Great Recession, housing real market values can fall. If the real market value of a property falls below its assessed value, the taxes levied on the property fall, because the tax is levied on the lower of the two values. In the commercial and industrial sectors, if a business that has great value in personal property and equipment closes or restructures such that this personal property and equipment is no longer assessed, property tax revenue would decline.

The permanent tax rate for the City of Wilsonville is \$2.5206 per thousand of assessed value. This permanent rate cannot change. The City may choose to levy less than that amount, but it cannot levy more than that amount. If the City feels it needs additional property tax revenue to fund operations, the City has the option to ask voters to pass a local option levy. The City may place on the ballot any amount to be levied. However, local option levies are limited to five years, and if the City wishes for the property tax revenue generated to be continued beyond the five years, it must again ask voters to pass another five-year local option levy.

The City of Wilsonville makes use of the funding mechanism of tax increment financing for economic development, known as urban renewal. Urban renewal is a mechanism that freezes the assessed value in a designated geographical area at a point in time. As the assessed property value in the designated urban renewal area grows above that frozen base, the incremental revenue is distributed to the Urban Renewal Agency to pay for public infrastructure to encourage private development.

The City's General Fund receives its share of property tax revenue generated by the frozen assessed value. While the General Fund foregoes property tax revenue growth generated from within the boundary during the life of the urban renewal area, the community receives the benefit of infrastructure improvements constructed by the Urban Renewal Agency, economic growth, and higher property tax gain in the future when the urban renewal area closes. The theory is that the Urban Renewal Agency's investment in public infrastructure tips the balance and encourages private development that otherwise may not occur, or may occur far in the future, and therefore higher assessed value is generated than otherwise may have been the case. The General Fund foregoes the property tax revenue generated above the frozen base, for a time interval, in order to realize property tax revenue gain in the future.

Wilsonville currently has five urban renewal areas – the Year 2000 Plan and the Westside Plan, and three single-property urban renewal areas referred to as Tax Increment Finance Zones. When the Year 2000 Plan area was formed, its frozen assessed value base was \$44 million. The incremental assessed value above that frozen base in tax year 2014-15 is \$366.7 million, an increase over eight times the original amount*. When the Westside Plan area was formed, its frozen assessed value base was \$15 million, and its incremental assessed value above that frozen base is \$296.2 million in tax year 2014-15, an increase almost 20 times the original amount. (*The Year 2000 Plan uses the tax increment on the assessed value of \$303 million for its debt service needs. The rest [\$63.7 million in assessed value] reverts back to the overlapping taxing districts.) The three Tax Increment Finance Zones were established in 2014 to incentive private sector investment in specific properties.

This five-year forecast uses an algorithm to estimate property tax revenue in the future. Since the ultimate base of property tax revenue is assessed value, the City's assessed value is projected over time. This includes estimates for new construction, as well as the effects of urban renewal areas. The forecast is then adjusted downward to account for discounts and collection delinquency.

Table 1 below displays the history of Wilsonville's assessed value (AV), the incremental AV removed to account for urban renewal, the calculated taxes imposed, the actual taxes collected and the collection rate. Note that the City of Wilsonville is located both in Clackamas County and Washington County. The tax assessor in each county makes various adjustments to the calculated taxes to account for urban renewal amendments, rounding the numbers, etc.

Five-Year Financial Forecast
FY 2015 through 2020

Table 1

| Wilsonville AV, Taxes Imposed & Realized, Collection Rate | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Clackamas C. | | | | | |
| Total AV on rolls | 2,252,789,547 | 2,297,817,399 | 2,368,094,165 | 2,489,429,645 | 2,694,571,895 |
| Less: URA | (457,601,080) | (467,247,689) | (548,804,789) | (550,822,196) | (599,176,337) |
| AV for Perm rate | 1,795,188,467 | 1,830,569,710 | 1,819,289,376 | 1,938,607,449 | 2,095,395,558 |
| Rate | \$2.5206 | \$2.5206 | \$2.5206 | \$2.5206 | \$2.5206 |
| Calculated taxes | \$4,524,952 | \$4,614,134 | \$4,585,701 | \$4,886,454 | \$5,281,654 |
| Adjustments (URA acres, rounding, etc) | \$115,344 | \$117,071 | \$139,354 | \$135,469 | \$141,437 |
| Taxes imposed | \$4,640,296 | \$4,731,205 | \$4,725,055 | \$5,021,923 | \$5,423,091 |
| Washington C. | | | | | |
| Total AV on rolls | 249,989,047 | 252,936,902 | 264,753,698 | 268,559,603 | 277,825,621 |
| Less: URA | (300,000) | 0 | 0 | 0 | 0 |
| AV for Perm rate | 249,689,047 | 252,936,902 | 264,753,698 | 268,559,603 | 277,825,621 |
| Rate | \$2.5206 | \$2.5206 | \$2.5206 | \$2.5206 | \$2.5206 |
| Calculated taxes | \$629,366 | \$637,553 | \$667,338 | \$676,931 | \$700,287 |
| Adjustments (URA acres, rounding, etc) | (\$115,195) | (\$116,756) | (\$139,075) | (\$135,166) | (\$141,135) |
| Taxes imposed | \$514,171 | \$520,797 | \$528,263 | \$541,765 | \$559,152 |
| AV, both counties | 2,044,877,514 | 2,083,506,612 | 2,084,043,074 | 2,207,167,052 | 2,373,221,179 |
| Total Taxes Imposed, Both Counties | \$5,154,467 | \$5,252,002 | \$5,253,318 | \$5,563,688 | \$5,982,243 |
| | | | | | Projected |
| Actual Property Tax Revenue | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Clack Co. | 4,385,597 | 4,431,682 | 4,495,564 | 4,792,747 | 5,097,706 |
| Wash Co. | 492,635 | 498,293 | 502,944 | 517,663 | 525,603 |
| Total | 4,878,232 | 4,929,975 | 4,998,507 | 5,310,410 | 5,623,308 |
| Collection Rate | 94.64% | 93.87% | 95.15% | 95.45% | 94.00% |

Table 2 below displays the percent change from the prior year for selected items:

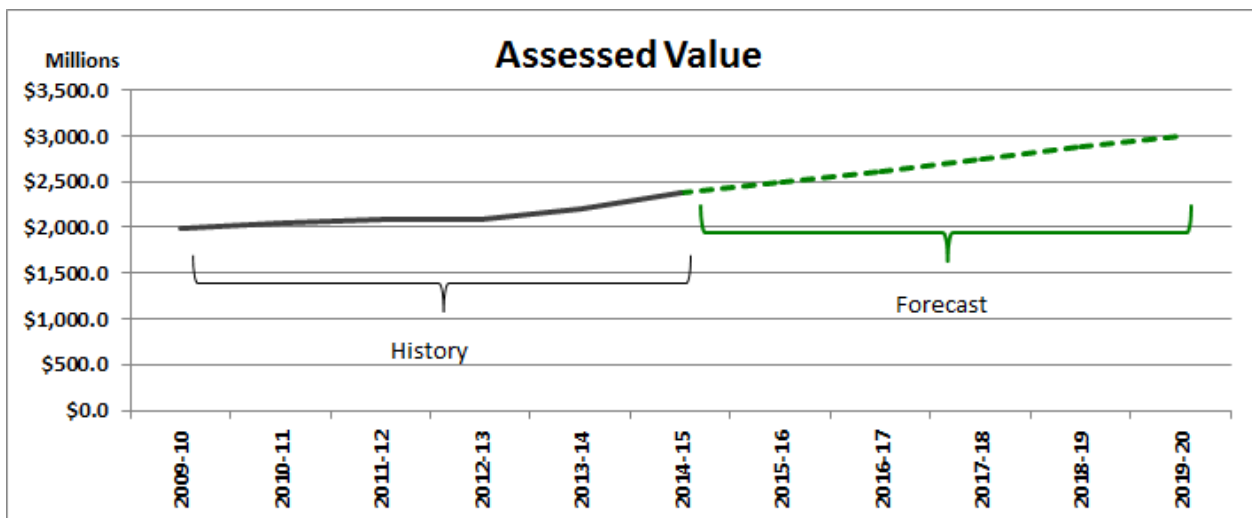
Table 2

| Percent Changes from prior year | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|----------------|----------------|----------------|----------------|----------------|
| % Change, Clackamas C. AV | 3.5% | 2.0% | -0.6% | 6.6% | 8.1% |
| % Change, Washington C. AV | 1.4% | 1.3% | 4.7% | 1.4% | 3.5% |
| % Change, Total AV | 3.2% | 1.9% | 0.0% | 5.9% | 7.5% |
| % Change, Total taxes imposed | 3.2% | 1.9% | 0.0% | 5.9% | 7.5% |
| % Change, Actual taxes collected | 4.9% | 1.1% | 1.4% | 6.2% | 5.9% |

This five-year forecast of the property tax revenue to the General Fund considers the variables of assessed value growth, probable changes to urban renewal and the collection rate. The forecast does not attempt to perform an economic model of the future assessed value, but instead uses a more straightforward judgment forecast.

The forecast for the assessed value over the next five years is conservative, at approximately 5% growth per year. The graph below displays the five year history of assessed value together with the five-year forecast, for both Clackamas and Washington Counties combined.

Five-Year Financial Forecast
FY 2015 through 2020



Over the next five years, urban renewal is not projected to have a significant impact on the City’s property tax revenue. Two urban renewal areas exist currently, the Year 2000 Plan and the West Side. While other urban renewal areas may form, they are not expected to do so until at least half-way through the forecast period. The effect on the overall property tax revenue would be to dampen it a bit in the out-years. If new urban renewal areas form during this forecast period, the 3% growth in assessed value would be attributed to the new urban renewal areas, and thus the General Fund would forego the property tax revenue generated by just the 3% growth increment. This impact would be relatively small, because those areas are currently undeveloped and have relatively low assessed value. Because the actual geographic boundaries have not yet been determined, nor the timing of forming these areas, any impacts are not forecasted here and are beyond the scope of this analysis.

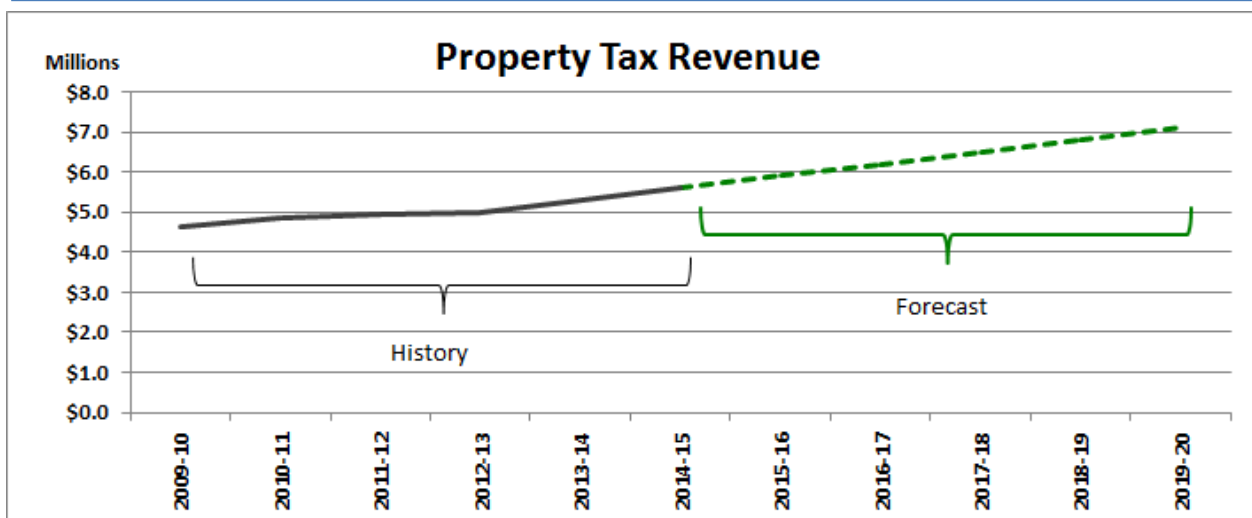
The Year 2000 Plan is winding down, and as it does so, its need for the incremental property tax revenue it receives remains fixed, as opposed to increasing as assessed value grows and new construction comes on line. This has the result of marginal property tax growth above its fixed need reverting back to the overlapping taxing districts. For the City, this represents approximately one-half of one percent of the assessed value, and feeds into the growth rate discussed above.

However, it is worth noting that the Year 2000 Plan is projected to close in fiscal year 2020-2021, the year following this forecast period. The estimated property tax revenue that will revert back to the City is approximately \$700,000. These resources are not included in this forecast since the Year 2000 Plan is slated to close the year after this forecast period.

The collection rate for property taxes has averaged about 94% over the last five years, and this same collection rate is used in this forecast. The collection rate is the actual amount of taxes collected compared to computed taxes based on assessed value per thousand multiplied by the property tax rate. Collection rates are typically less than 100% to account for various discounts and delinquencies.

The graph below displays the property tax revenue five-year history, the current year projected, and the five-year property tax forecast.

Five-Year Financial Forecast
FY 2015 through 2020

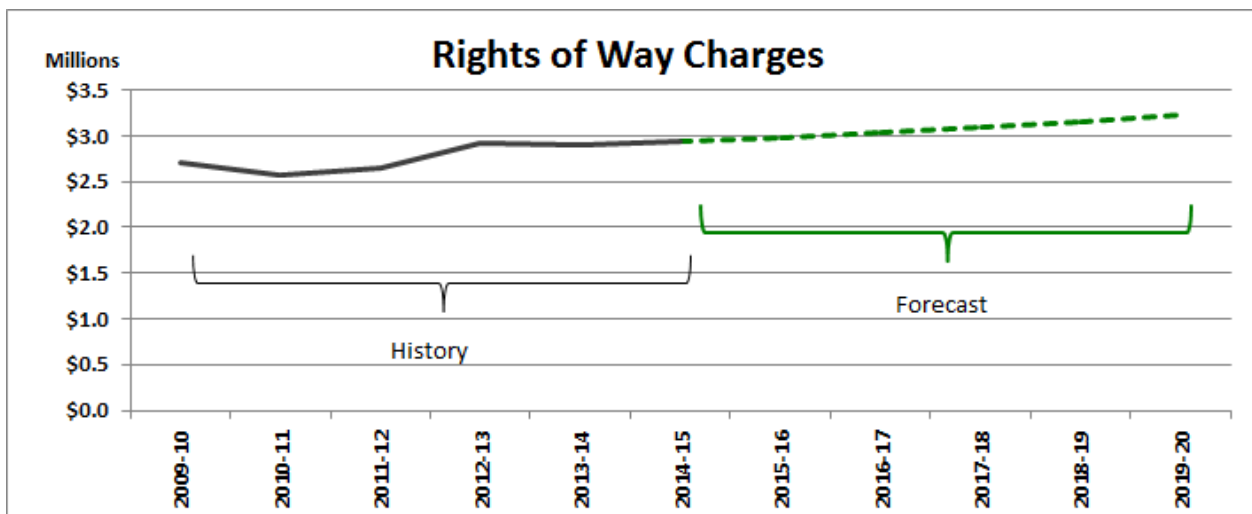


Right of Way Charges

Another revenue to the General Fund is Right of Way Charges. These charges are assessments on utility companies' gross receipts for using the City's right-of-way. Rates vary by type of utility with telecommunications at 7.0%; electric, natural gas and cable television at 5.0%; water, sewer and stormwater at 4.0%; and garbage at 3%.

Over the previous five years, these charges have experienced an annual average growth rate of 1.7%. Going forward, the forecast for FY 2015-16 is a conservative 1.5% growth, followed by a 2% growth rate thereafter. This conservative forecast reflects the changing dynamics of the telecom industry and lower per capita usage, for utilities such as water, due to conservation.

The graph below displays the five-year history, the current year projected, and the five-year forecast of rights of way charges:



Five-Year Financial Forecast FY 2015 through 2020

Transfers In

The General Fund receives transfers in from other funds for services provided to those other funds. The General Fund houses administrative type functions, such as utility billing, accounting, budgeting, human resources, information services, and overall City management of the City Manager and City Council. Other funds, such as Water, Sewer, Roads, Community Development, etc, pay for these services via the category of Transfers In.

The methodology used is a combination of overhead allocation and direct charges. Overhead allocation for operating functions is based on an estimated percent of time spent, for capital projects is estimated at 2% of the project, and direct charges are determined by specific, dedicated efforts.

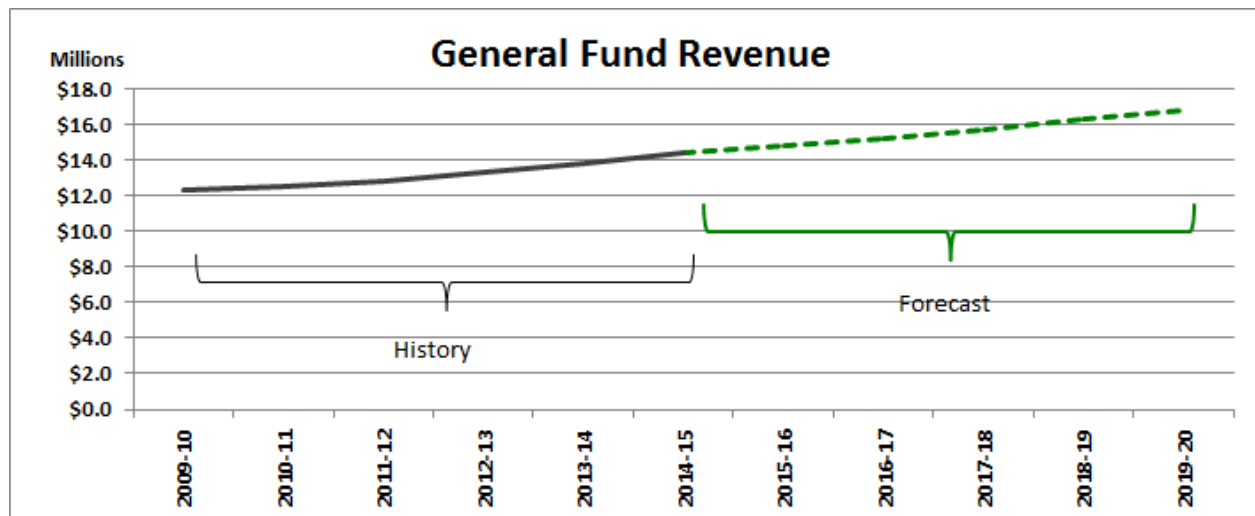
Other Revenues

Other revenues to the General Fund include intergovernmental revenues, hotel/motel taxes, charges for services, municipal court fines, interest earnings, licenses & permits, and other miscellaneous revenues. Intergovernmental revenue includes state shared revenues (cigarette taxes, liquor taxes, and other revenues) and the City's share of the Clackamas County Library District Levy. The hotel/motel tax is a 5% tax charged on hotel/motel occupancy rents. Charges for services represent charges for park rentals, recreational programming and the like. Municipal court fines are generated from the adjudication of traffic violations. Interest earnings are earned on cash invested. Licenses and permits are for liquor licenses, business licenses and solicitor permits. These sources combined are expected to grow at a 1% annual average rate.

General Fund Total Revenue

The various components discussed above comprise the revenues to the General Fund. When taken together, the historical growth over the last five years of the overall General Fund revenues has averaged 3.2%. Similarly, the forecasted revenue path going forward grows at an annual average of 3.2% over the next five year period.

The graph below displays the five-year history, the current year projected, and the five-year forecast of total General Fund revenue:



Five-Year Financial Forecast FY 2015 through 2020

Expenditures

The General Fund accounts for the expenditures of Parks & Recreation, the Library, the Municipal Court, Police and the City's Policy and Administration. The General Fund also supports functions in Community Development and Public Works.

As the City continues to grow, adding population and area, service provision will need to expand. Additionally, as new technologies or methods of delivery change, how the City provides service may change. This five-year forecast surveys the aspirations of the service areas listed previously in an attempt to provide a snapshot of what may be necessary in the future. This provides a guide for planning, and should not be looked at as pre-determining resource needs in any area.

General assumptions included in all the departments below include increases to wages, benefits, and material and supply accounts to reflect anticipated increases. A wage increase assumption of 3% has been used, to account for step increases, promotions, cost-of-living adjustments and merit increases. The public employees' retirement system contribution is projected to remain a constant percent of wages, after an initial increase, due to recent upticks in returns earned on the investment portfolio. Insurance and other benefits and taxes are assumed to increase between 2% and 6%. Taken together, all the elements of the personnel category combined average out to increase approximately 3.3% per year. This growth assumption is for the current, base, staffing levels with the current benefit packages. In each fund's discussion, if additional personnel are forecasted, those estimations build on this base amount. The materials and services categories of accounts are projected to increase about 2% per year.

Operations

Parks & Recreation

Parks & Recreation maintains the City's park system, which includes sports fields, sport courts, picnic shelters, trails, and open spaces, and also provides diverse programming for all ages and abilities. The park system has grown by 30% over the last ten years, and is expected to continue to add acreage and facilities as growth continues. Additionally, school enrollment has grown by 13% over the same period, indicating a growing youth population.

Parks & Recreation continually strives to provide services the community's demand for recreational services, and actively involves the community in park and recreation related planning efforts. Parks & Recreation intends on embarking upon a system-wide Comprehensive Parks and Recreation Master Plan, which will include a recreation strategic plan element as well as a capital infrastructure element. Individual park master plans are also underway such as that for Memorial Park and Boones Ferry Park.

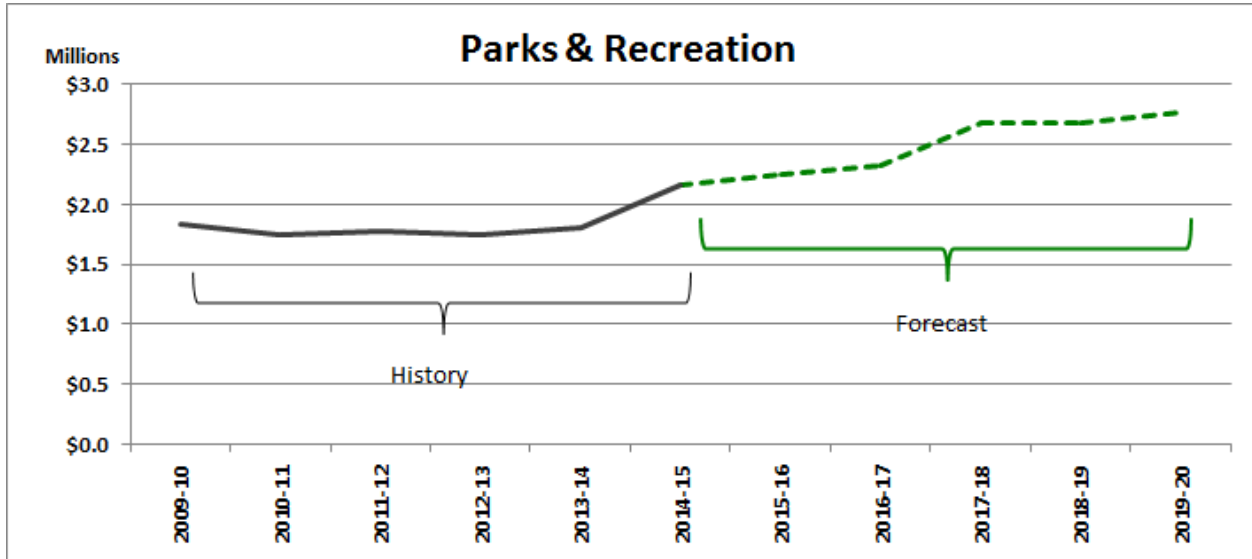
Additionally, the City is exploring the feasibility of a new Recreation/Aquatic Center. The construction of this Center would be funded by a voter-approved, general obligation bond. The operations of the Center will require City funds for a period of time. If the City receives an affirmative vote on the general obligation bond to fund the construction during the FY 2015-16, and construction begins in FY 16-17, the earliest the Center is assumed to be ready to open would be FY 2019-20, the last year of this forecast period. While the operations of the Center will require City funds, it is not built into this forecast because of the level of uncertainty, at the time of this report, surrounding a voter-approved, general obligation bond.

Over the next five years, Parks and Recreation foresees requesting to add incrementally to its full-time staff and seasonal work force. Mid-way through the five-year forecast, additional park maintenance workers and recreation staff may be requested through the annual budget cycle, and are included in this forecast.

Capital equipment and infrastructure for Parks & Recreation is also funded from the General Fund. Over the next five years, additional park maintenance equipment will be requested through the annual budget cycle, as well as play structures and other hard-scape amenities.

Five-Year Financial Forecast
FY 2015 through 2020

The graph below charts the forecast for Parks & Recreation. Note that the forecast is not a smooth line over time. This reflects one-time purchases of capital items, such as equipment, especially in FY 17-18. Also, the bump up in FY 17-18 reflects additional maintenance workers and recreation staff as the system continues to grow and meet community service demands.



It should be noted that this forecast is a reflection of aspirational goals of Parks & Recreation. In each year, Parks & Recreation will prepare a budget request, analyzing needs, resources and goals. The City Manager, followed by the Budget Committee and City Council, will consider each year's budget request in the context of the larger General Fund priorities and constraints.

These items are built into the overall General Fund forecast below in the categories of Personnel, Material and Services, and Capital Outlay.

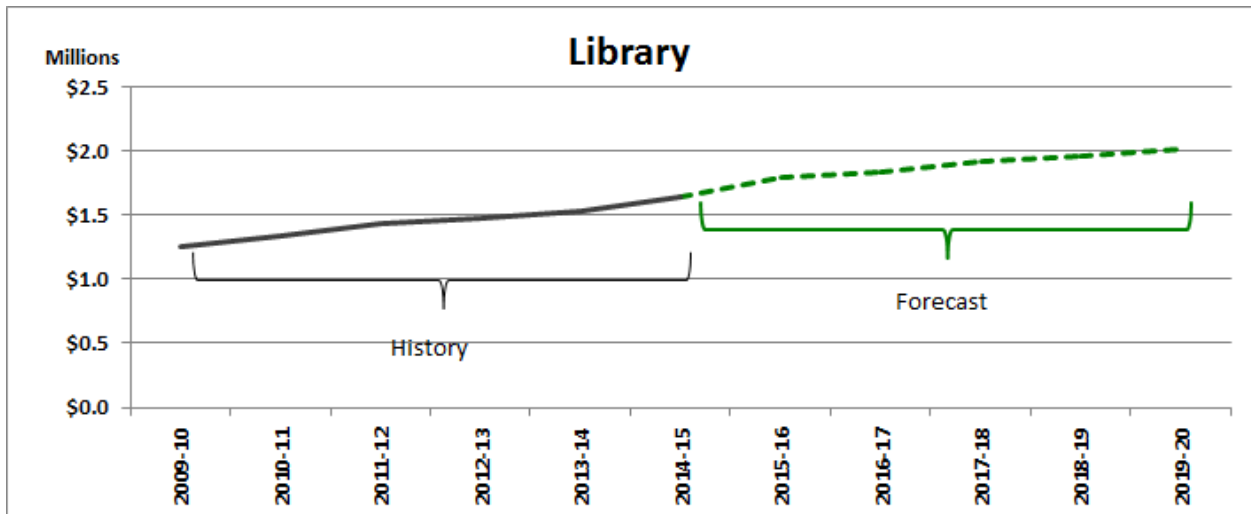
Five-Year Financial Forecast FY 2015 through 2020

The Library

The Library is a community focal point that provides a full range of professional services to both City residents and non-City residents. The Library encourages daily reading by children, strives to reach out to all communities, and promotes connection to on-line tools. Library circulation has grown approximately 8% over the last 10 years. To maintain its efficiency, the Library added two self-check-out machines approximately four years ago, which handle roughly 40% of material check-outs.

The Library receives 37% of its funding from the City's General Fund, and 57% of its funding from the Clackamas County Library District. The rest of the funding for the Library is made up of donations, grants, library late fees, etc.

Over the five years of this forecast, the Library may request to invest in an additional self-check-out machine as circulation continues to grow. Additionally, the Library hopes to expand its outreach for early literacy programs by requesting to add an Adult Librarian. These items are reflected in the forecast chart below.



It should be noted that this forecast is a reflection of aspirational goals of the Library. In each year, the Library will prepare a budget request, analyzing needs, resources and goals. The City Manager, followed by the Budget Committee and City Council, will consider each year's budget request in the context of the larger General Fund priorities and constraints.

These items are built into the overall General Fund forecast below in the categories of Personnel, Material and Services, and Capital Outlay.

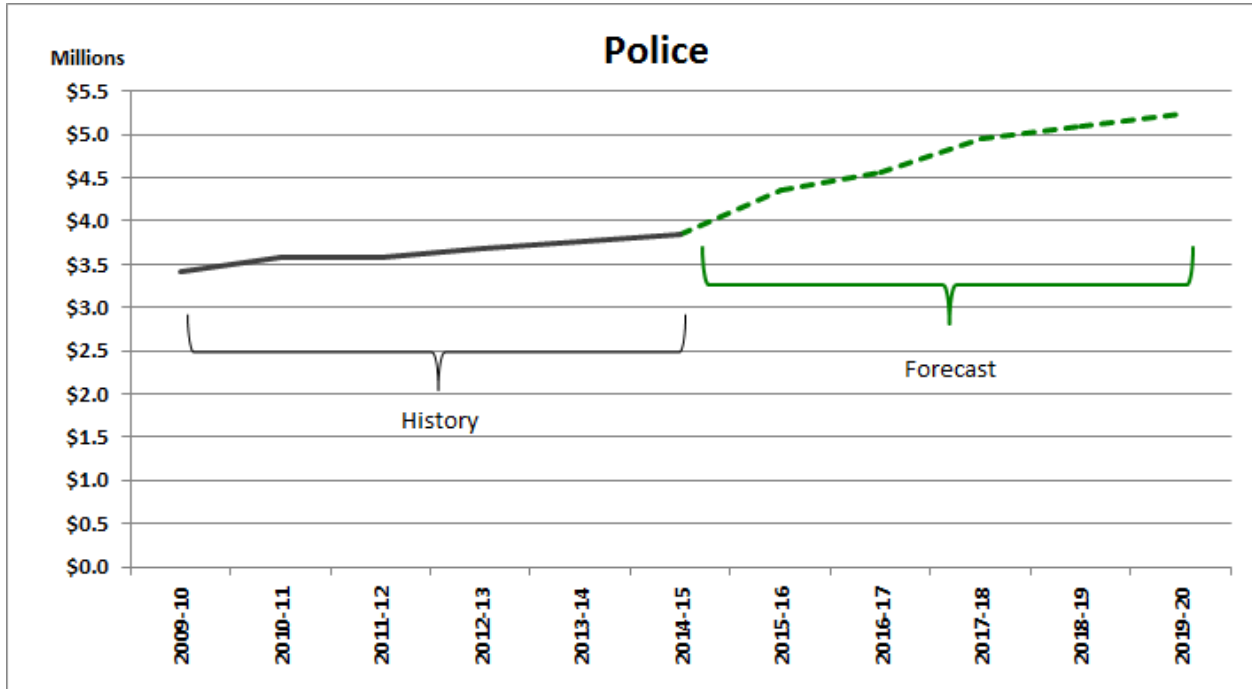
Police

The City contracts with Clackamas County for law enforcement services. Even though the personnel are technically employed by the Clackamas County Sheriff's Office, the City's police force is seamlessly integrated into the City's work force, wearing Wilsonville police uniforms, driving City branded police vehicles, and managed by a City Police Chief. Police services include patrol, traffic enforcement, a community service officer, a school resource officer and a detective. There are many other services available through the Clackamas County Sheriff's Office, such as a special investigation unit, a dive/rescue team, additional detectives, a SWAT team, and a bomb squad.

The Police Department embraces a community policing philosophy, maintaining a visible presence in the community. The Department has an active bike patrol program and works closely with the schools, neighborhoods, apartment communities, local businesses and homeowner associations.

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Over the next five years, the Police Department will be requesting at least three additional personnel to keep up with the growing and changing community. The first two additions are reflected in FY 2015-16 in the chart, and the third addition is reflected in FY 2017-18.



It should be noted that this forecast is a reflection of aspirational goals of the Police Department. In each year, the Police Department will prepare a budget request, analyzing needs, resources and goals. The City Manager, followed by the Budget Committee and City Council, will consider each year's budget request in the context of the larger General Fund priorities and constraints.

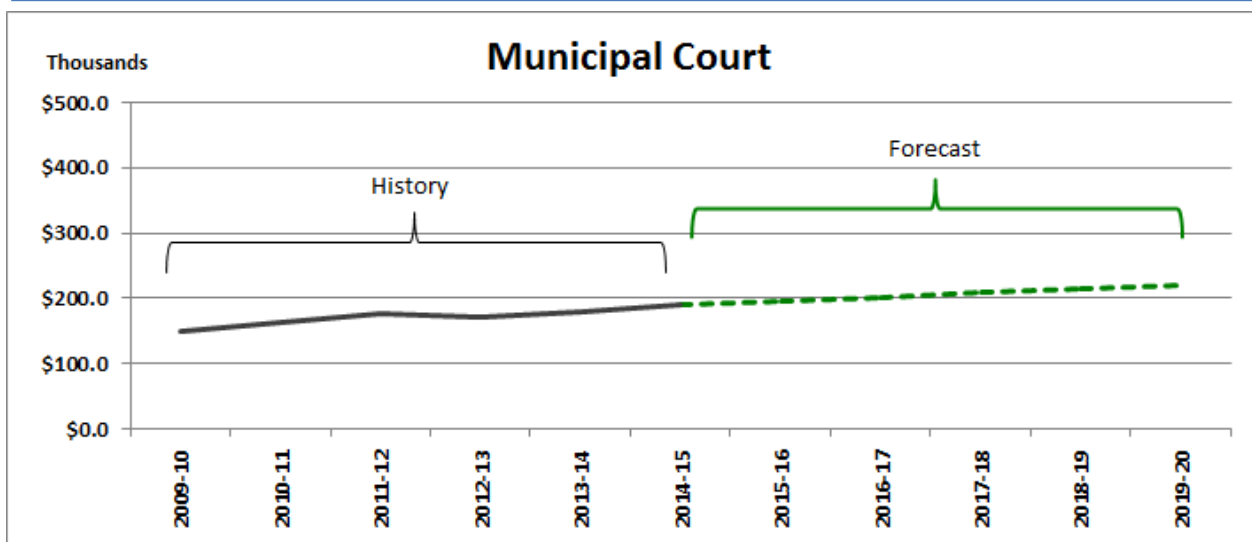
These items are built into the overall General Fund forecast below in the categories of Personnel, Material and Services, and Capital Outlay.

Municipal Court

The Municipal Court adjudicates traffic violations and City code violations. It receives revenue from court fines paid by defendants. On average, court fines have covered the cost of providing municipal court services, and also provided an additional \$100,000 to the General Fund.

Over the five-year forecast period, there are no changes anticipated to the Municipal Court.

Five-Year Financial Forecast
FY 2015 through 2020

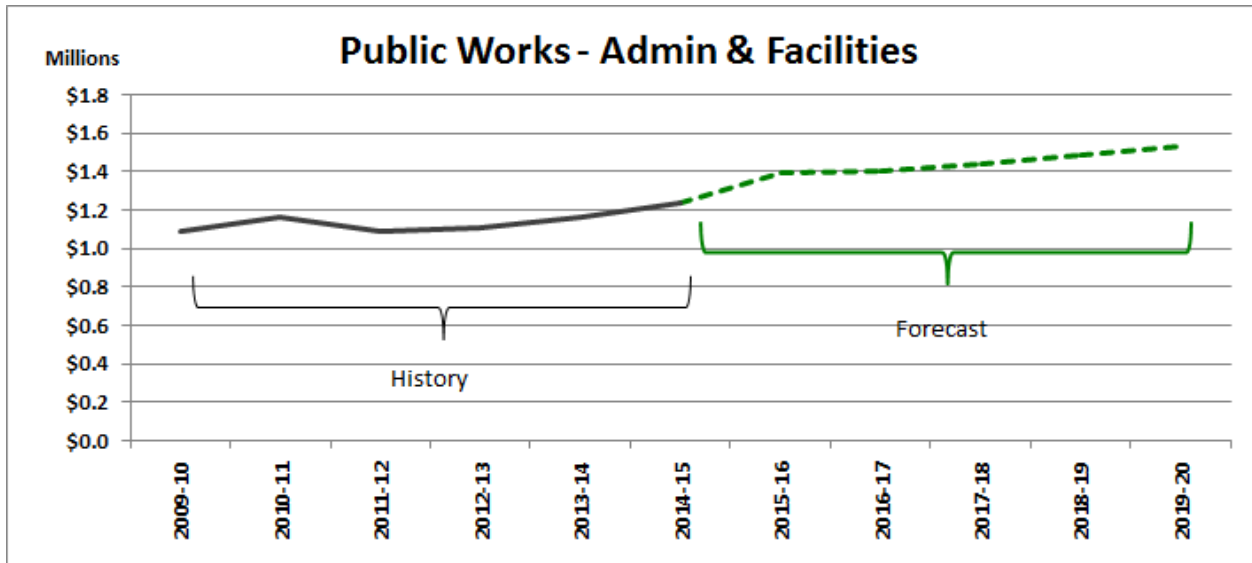


Public Works – Administration and Facilities

The Administration and Facilities divisions of Public Works are part of the General Fund, but also receive financial support from other City funds such as water, sewer, stormwater, roads and transit. The Department of Public Works has many different divisions, including the operations for Sewer, Water, Roads, Stormwater, which are funded through non-General Fund resources and are discussed in the respective fund sections of this report.

Public Works Administration and Facilities provide management and overall administrative support to the other Public Works functions, and maintains City buildings and grounds.

Over the next five years, Public Works Administration and Facilities will be requesting an additional maintenance worker for building and grounds maintenance, as well as a work vehicle for the position. Additionally, water features are anticipated to need upgrades.



It should be noted that this forecast is a reflection of aspirational goals of Public Works Administration & Facilities. In each year, the Department will prepare a budget request, analyzing needs, resources and goals. The City Manager,

Five-Year Financial Forecast FY 2015 through 2020

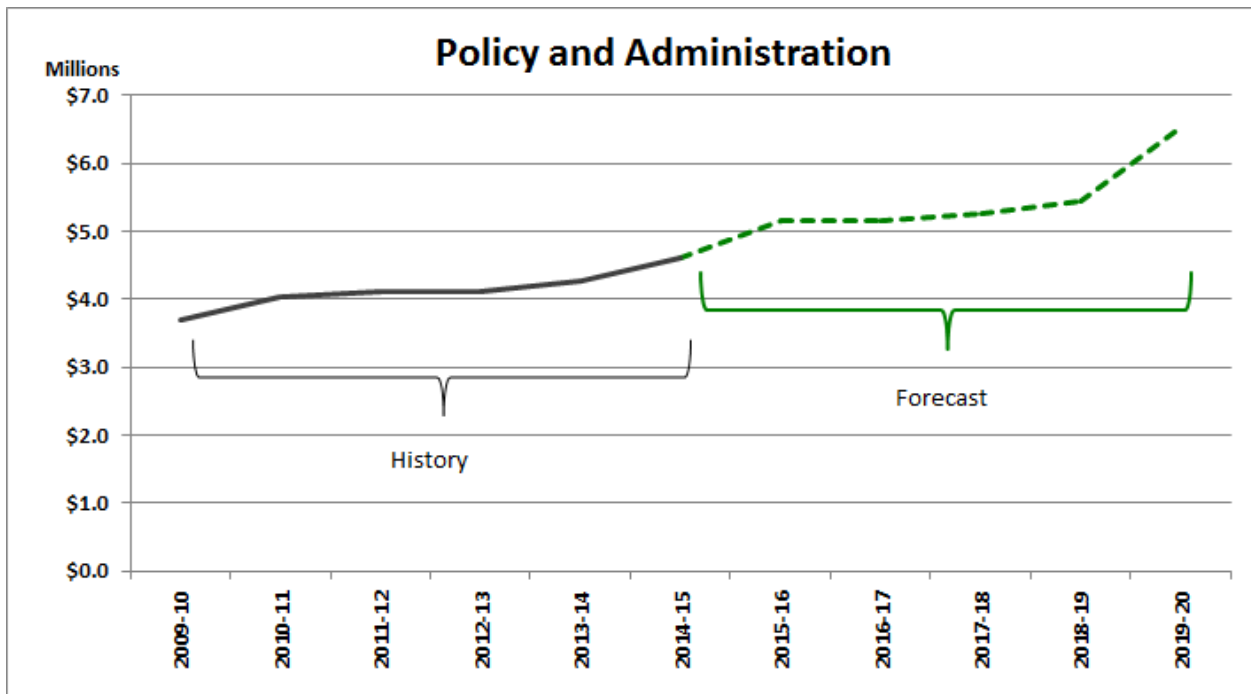
followed by the Budget Committee and City Council, will consider each year's budget request in the context of the larger General Fund priorities and constraints.

These items are built into the overall General Fund forecast below in the categories of Personnel, Material and Services, and Capital Outlay.

Policy and Administration

Policy and Administration houses the Administration, Finance, Information Services, Legal, and Human Resources. Administration accounts for the office of the City Manager, including the City Recorder, Community Relations and Public Affairs. Finance manages the accounting and budgeting for the City, while Information Services manages the City's computers, network, phone system, websites, various applications, and the Geographic Information Systems. The City's in-house legal team provides general counsel to the City Council and the Urban Renewal Agency, drafts contracts and ordinances, and engages in negotiations with other governments and parties on behalf of the City. Human Resources provides centralized support for all City employees, in addition to managing the City's risk exposure and insurance programs.

Over the five-year forecast period, Policy and Administration will be requesting one-time funding for office software and equipment purchases. For example, the City is exploring investing in a document management software to more efficiently file public records according to the State of Oregon's retention schedule. Various high-volume and high-quality printers will need to be replaced. In the fifth year of the forecast period, the Finance Department will explore replacing the City's core financial system software. On-going needs that are projected to be requested in the forecast period include a part-time Accountant and an Information Systems Analyst. As the City grows and becomes for complex, the need for these two positions is emerging.



It should be noted that this forecast is a reflection of aspirational goals of Policy and Administration. In each year, the departments within Policy and Administration will prepare budget requests, analyzing needs, resources and goals. The City Manager, followed by the Budget Committee and City Council, will consider each year's budget request in the context of the larger General Fund priorities and constraints.

Five-Year Financial Forecast FY 2015 through 2020

These items are built into the overall General Fund forecast below in the categories of Personnel, Material and Services, and Capital Outlay.

Operating Transfers Out

The General Fund provides financial support to other City departments in the form of transfers. The Community Development Fund receives a General Fund operating transfer for tasks and functions performed that are not directly related to permit fees or billable to other work items, such as long-term planning.

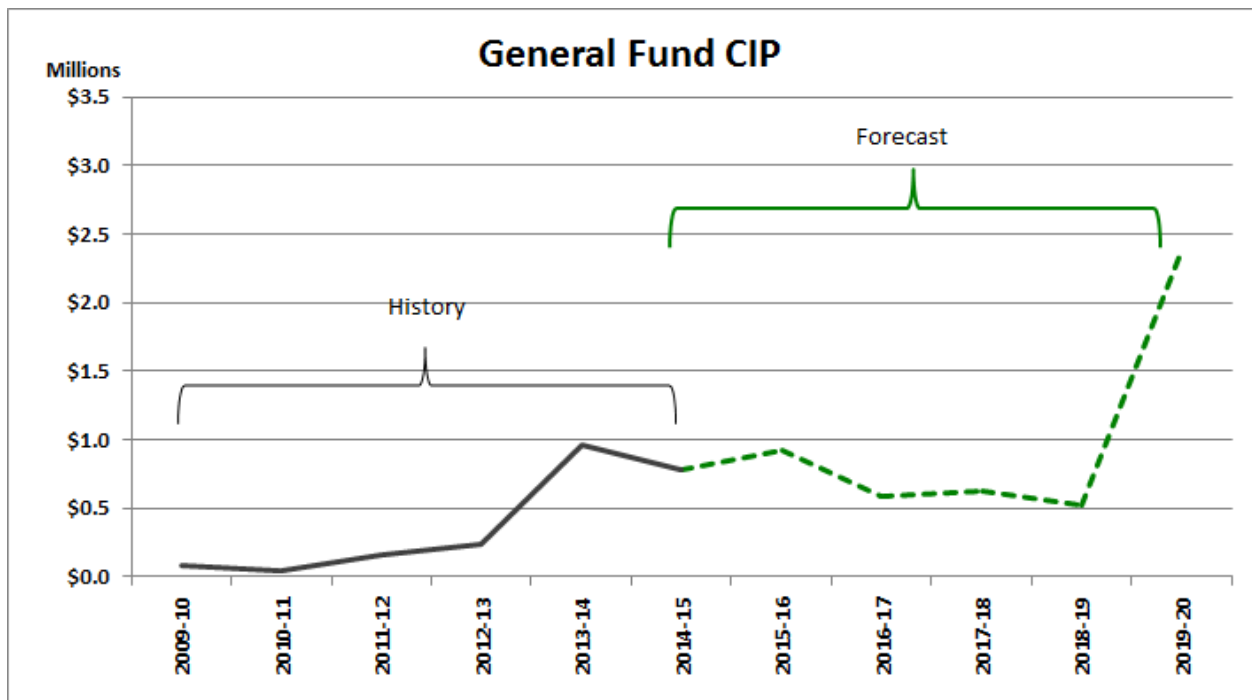
Capital Improvements

The General Fund pays for the various capital improvement needs for the operational departments listed above, as well as improvements for the various City-owned structures, if they are not exclusively used by an enterprise function.

Capital improvements are generally included in the City's five-year capital improvement plan (CIP). Projects tracked in the CIP and funded by the General Fund are those that acquire, improve and repair City assets and buildings that are not used specifically by functions funded by utility rates and charges.

CIP projects funded by the General Fund in this five-year forecast include fiber connectivity, building repairs and renovations, parking lot improvements, HVAC replacements, trail repair and stabilization, and playground equipment replacement.

One large project in the out-years is a placeholder for the Public Works building. This building houses the City's Public Works functions and the Police Department, and is approaching the end of its functional life. It needs either major renovation or complete replacement. The City is currently undergoing a master planning effort to identify specific building needs.



It should be noted that this forecast is a reflection of aspirational goals of the CIP. In each year, the CIP is reviewed and priorities and funding sources assessed. The City Manager, followed by the Budget Committee and City Council, will

Five-Year Financial Forecast FY 2015 through 2020

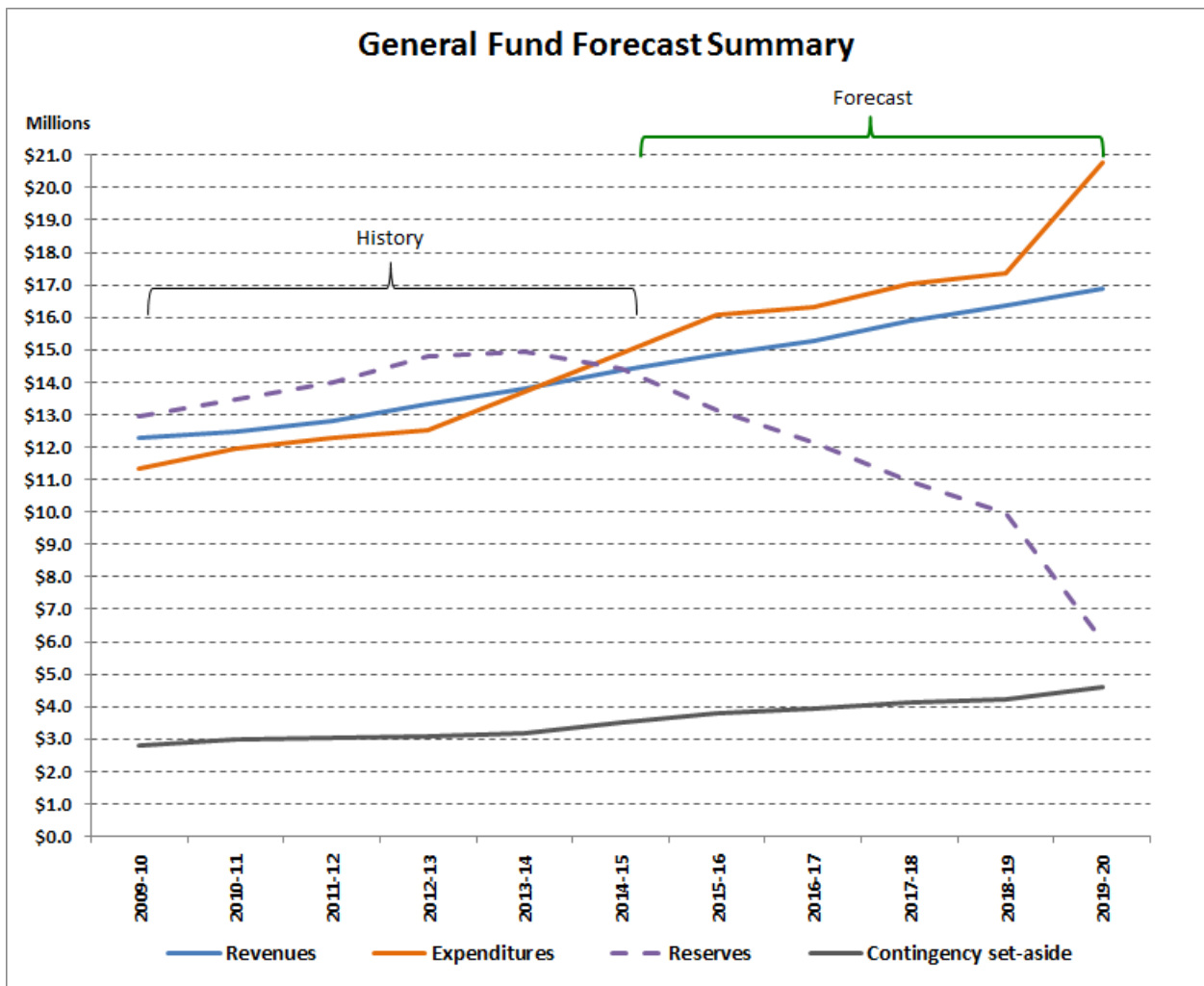
consider each year's slate of requested capital projects in the context of the larger General Fund priorities and constraints.

These items are built into the overall General Fund forecast below in the category of Transfers Out - CIP.

General Fund Forecast Summary

Combining the revenue and expenditure elements above into a consolidated financial plan reveals that the current visions of the various General Fund departments will be challenging to fund. During each annual budget cycle, resources and priorities are reassessed, and modifications are made to maintain a balanced General Fund.

The chart below compares the revenue sources discussed above to the expenditure items, and also to the reserve (also referred to as fund balance) contained in the General Fund. The reserve in the General Fund is an eligible funding source, within limits set by policy, particularly for one-time items such as capital outlay and capital projects. Funds have been set aside over the years in the reserve for many of the items mentioned above, such as the records management software, fiber connectivity and building repairs, although not to the extent expressed in this forecast. Policy limits on the use of the General Fund reserve include maintaining a contingency set-aside, indicated in the chart below.



Five-Year Financial Forecast FY 2015 through 2020

The table below presents the same information in tabular form.

| GENERAL FUND SUMMARY | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUES | Actual | Actual | Actual | Actual | Actual | Budget | Forecast | Forecast | Forecast | Forecast | Forecast |
| Property taxes | 4,651,210 | 4,878,232 | 4,929,975 | 4,998,507 | 5,310,410 | 5,623,080 | 5,901,320 | 6,193,660 | 6,501,040 | 6,808,420 | 7,123,320 |
| Rights of Way Charges | 2,707,307 | 2,571,208 | 2,648,667 | 2,920,666 | 2,901,830 | 2,931,600 | 2,976,000 | 3,036,000 | 3,097,000 | 3,159,000 | 3,222,000 |
| Transfers In | 1,961,105 | 1,866,653 | 2,094,373 | 2,192,041 | 2,337,339 | 2,620,364 | 2,767,837 | 2,810,029 | 2,971,878 | 3,043,800 | 3,123,952 |
| Other Revenues | 2,963,605 | 3,174,208 | 3,143,510 | 3,201,168 | 3,275,815 | 3,206,279 | 3,208,000 | 3,244,000 | 3,302,000 | 3,363,000 | 3,398,000 |
| Total | 12,283,227 | 12,490,301 | 12,816,525 | 13,312,382 | 13,825,394 | 14,381,323 | 14,853,157 | 15,283,689 | 15,871,918 | 16,374,220 | 16,867,272 |
| EXPENDITURES | | | | | | | | | | | |
| Personnel | 4,994,497 | 5,357,776 | 5,668,993 | 5,680,447 | 5,960,700 | 6,444,156 | 6,936,230 | 7,427,364 | 7,830,364 | 8,259,346 | 8,488,068 |
| Materials & Services | 6,121,357 | 6,239,633 | 6,367,957 | 6,475,815 | 6,698,942 | 7,395,619 | 7,872,580 | 8,135,972 | 8,409,384 | 8,524,766 | 8,900,944 |
| Capital Outlay | 134,674 | 299,870 | 104,337 | 132,134 | 77,615 | 269,905 | 374,000 | 155,000 | 188,000 | 80,000 | 1,000,000 |
| Sub-Total; Operating | 11,250,528 | 11,897,279 | 12,141,287 | 12,288,396 | 12,737,257 | 14,109,681 | 15,182,810 | 15,718,336 | 16,427,748 | 16,864,112 | 18,389,012 |
| <i>Net Operating GF</i> | <i>1,032,699</i> | <i>593,022</i> | <i>675,238</i> | <i>1,023,986</i> | <i>1,088,137</i> | <i>271,642</i> | <i>(329,653)</i> | <i>(434,647)</i> | <i>(555,830)</i> | <i>(489,892)</i> | <i>(1,521,740)</i> |
| GF CIP | 88,850 | 46,863 | 164,725 | 237,173 | 957,805 | 783,728 | 921,800 | 584,500 | 620,000 | 516,250 | 2,403,250 |
| Total GF Expenditures | 11,339,378 | 11,944,142 | 12,306,012 | 12,525,569 | 13,695,062 | 14,893,409 | 16,104,610 | 16,302,836 | 17,047,748 | 17,380,362 | 20,792,262 |
| <i>Net GF [Gain/(Use) of FB]</i> | <i>943,849</i> | <i>546,159</i> | <i>510,513</i> | <i>786,813</i> | <i>130,332</i> | <i>(512,086)</i> | <i>(1,251,453)</i> | <i>(1,019,147)</i> | <i>(1,175,830)</i> | <i>(1,006,142)</i> | <i>(3,924,990)</i> |
| BEG FUND BALANCE | 12,004,578 | 12,948,428 | 13,494,587 | 14,005,100 | 14,791,913 | 14,922,245 | 14,410,159 | 13,158,706 | 12,139,559 | 10,963,729 | 9,957,587 |
| END FUND BALANCE | 12,948,427 | 13,494,587 | 14,005,100 | 14,791,913 | 14,922,245 | 14,410,159 | 13,158,706 | 12,139,559 | 10,963,729 | 9,957,587 | 6,032,597 |
| <i>Operating Contingency</i> | <i>2,812,632</i> | <i>2,974,320</i> | <i>3,035,322</i> | <i>3,072,099</i> | <i>3,184,314</i> | <i>3,527,420</i> | <i>3,795,703</i> | <i>3,929,584</i> | <i>4,106,937</i> | <i>4,216,028</i> | <i>4,597,253</i> |

The General Fund Forecast Summary indicates that if the items discussed in each department's individual forecast are implemented, and the revenue assumptions hold true, then the General Fund will experience an operating deficit. However, this forecast is to be used as a guideline, and points out the importance of each year's budget cycle in reviewing and analyzing revenue sources, as well as the Budget Committee's annual deliberations over General Fund priorities, in order to avoid a General Fund operating deficit.

The City Council may choose to consider new revenue sources as a strategy to fund new initiatives and ongoing costs. Examples of new revenue sources for the General Fund include:

- **Parks Maintenance Fee:** The Council could choose to implement a monthly fee to residents to fund park maintenance. Medford and West Linn charge a parks maintenance fee. More detail about the fee is provided in the separate report prepared in 2012.
- **Right of Way Charges Rate Increase:** The Right of Way Charges discussed above could be increased. Certain of the City's rates are less than nearby communities. For example, Beaverton, Portland, Canby and Sherwood charge a 5% rate for garbage service while Wilsonville charges 3%. Water and sewer franchise rate in Beaverton, Portland, Tualatin, Canby and Sherwood is 5% while Wilsonville is 4%. Increasing the rate to the same level would generate about \$200,000 more per year.
- **Local Option Levy:** As mentioned in the property tax discussion above, the City has the option to ask voters to pass a local option levy. A local option levy is an additional property tax for operational purposes, but is only levied for five years and then must be voted upon again. The last time a similar levy was passed in Wilsonville was in 1996 and 1997. The combined rate of \$1.62 was dedicated to law enforcement, street and parks maintenance, and gang prevention (DARE). A ten cent rate today would generate about \$270,000 per year and on a home assessed at \$270,000 (approximate \$300,000 market value) the cost would be \$27 per year.

Community Development Fund

Fund Description

The Community Development Fund (CD Fund) houses the City's functions of planning and permitting land use, planning future growth, reviewing and inspecting plans for private development infrastructure, planning, engineering and managing the construction of public capital infrastructure projects, managing the City's natural resources and stormwater run-off, and managing the City's economic development plan and urban renewal agencies.

Revenues received by this fund include Engineering and Planning permit fees, charges for services, and transfers from other City funds. The charges for services are largely comprised of engineering and construction management services provided to the City's urban renewal agency. The utility capital funds transfer in revenue in exchange for engineering, design and management services on City infrastructure projects.

The revenue drivers for this fund include the pace of development and associated applications for permits, as well as the demand for engineering services for capital infrastructure.

Expenditures from this fund are for the purposes of community development administration, engineering, planning, economic development, natural resources and stormwater management. These functions are provided by City staff and consultants. Important tasks include ensuring the City's compliance with the National Pollutant Discharge Elimination System (NPDES) permit for stormwater run-off, coordinating with regional partners, managing urban renewal plans and projects, conceptually planning future growth areas such as Frog Pond, keeping various infrastructure master plans up to date, and managing the construction of City capital improvements.

The expenditure drivers for this fund include the cost of labor and materials, changes to the regulations contained in the NPDES permit, and the timing and size of future growth areas that need conceptual planning.

Community Development Fund Revenues and Expenditures

Revenues

Engineering and Planning Fees

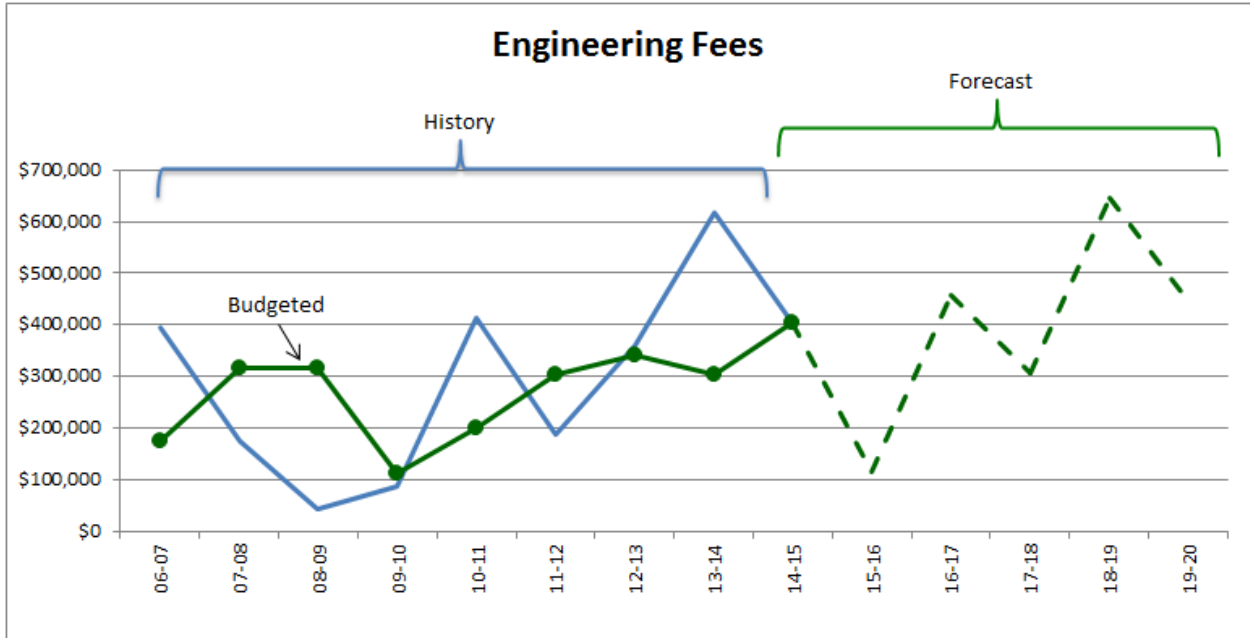
Engineering and planning fees are charged to recover the cost of architectural review, design review, land use review, landscaping plan review, subdivision plan review, and infrastructure project review and inspection. These revenues are tied to the land development business cycle and capital infrastructure build-out.

These fees are very difficult to predict. The charts below illustrates the difficulty in predicting these revenues by comparing the budgeted amount in the past with the actual amounts received. The area between the two represents the variance between what was budgeted and what was actually received.

The first chart displays the Engineering fees. This chart displays the actual revenue realized from these fees from FY 2006-07 through FY 2013-14, seen in the blue line. The solid green line covering the same period displays what was budgeted in those years. The difference between these two lines illustrates the difficulty in projecting the revenues from these fees. The budget and actual lines meet in FY 2014-15, because as of this report, the current year projection is equal to the budget.

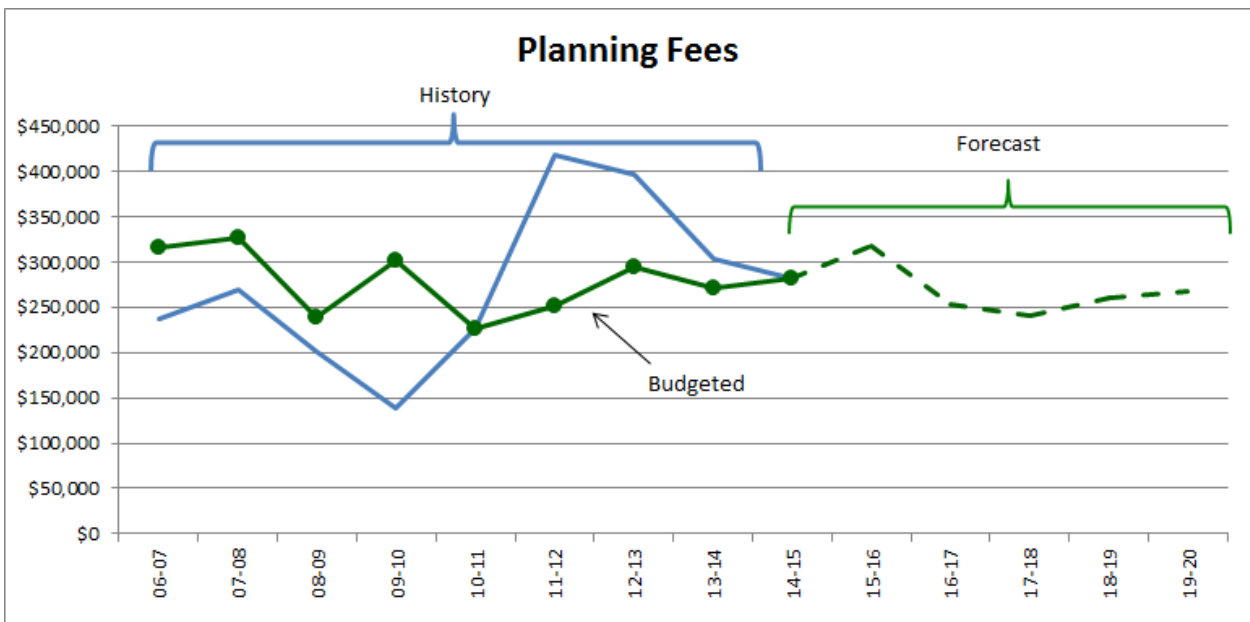
The dashed green line, from FY 14-15 to FY 19-20 shows the forecast. The forecast shows the same volatile pattern exhibited by the history of these fees. The forecast is based on the Department's projections of activities that will trigger Engineering fees, based upon the pace of building and infrastructure construction.

Five-Year Financial Forecast
FY 2015 through 2020



Planning fees are similarly difficult to predict. This next chart displays the Planning fees. This chart displays the actual revenue realized from these fees from FY 2006-07 through FY 2013-14, seen in the blue line. The solid green line covering the same period displays what was budgeted in those years. The difference between these two lines illustrates the difficulty in projecting the revenues from these fees. The budget and actual lines meet in FY 2014-15, because as of this report, the current year projection is equal to the budget.

The dashed green line, from FY 14-15 to FY 19-20 shows the forecast. The forecast shows a trailing off of Planning fees as Villebois reaches build out, and prior to the areas of Coffee Creek, Frog Pond and Basalt Creek getting underway.



Five-Year Financial Forecast FY 2015 through 2020

Charges for Services

The CD Fund receives revenue from the Urban Renewal Agency in the form of charges for services. Staff within the Department support the Urban Renewal Agency by planning, designing and managing capital infrastructure projects within the Urban Renewal Area boundaries, as well as providing administrative and oversight support to the agency.

Transfers In

Engineering provides support to other City departments through planning and managing capital infrastructure projects. For these services provided, the other funds transfer funds to the CD Fund. In addition, engineering and pre-design for the expansion of capital projects are funded by the System Development Charges (SDC) funds, which is accounted for in the CD Fund through this category.

General Fund Support

Staff within the Department provide customer service and work on general administrative and oversight tasks that are not directly related to fees, charges, or transfers in. Therefore, the General Fund provides support to the Community Development Fund for these general tasks. Examples include customer service when the public asks general questions about land use or permitting, coordinating open houses, code enforcement and coordinating with regional partners.

Expenditures

Operations

The CD Fund accounts for the City's functions of land use planning, engineering, code enforcement, updating the City's various utility and transportation master plans, stewarding the natural environment, capital construction project management, economic development, and managing the Urban Renewal Agency.

The City is currently engaged in the Frog Pond and Basalt Creek concept plans. These efforts are funded by a combination of a Construction Excise Tax grant received in prior years, SDCs, and General Fund.

The Department does not foresee major changes to staffing levels over the next five years. The projects and tasks will change, but the staffing levels are expected to remain the same.

Capital Improvements

This Department supports capital improvements by providing engineering and project management services. Planned projects are discussed in this report within the fund sections that provide the majority of funding.

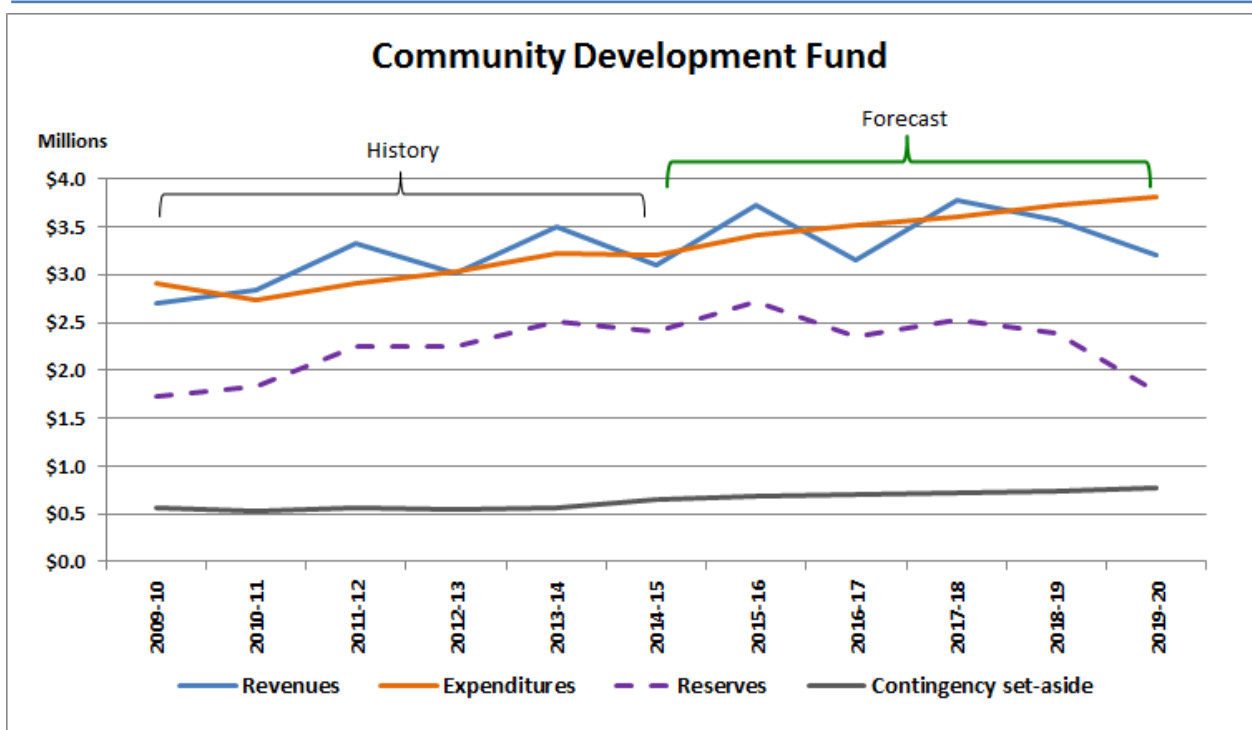
Community Development Fund Forecast Summary

The five-year forecast summary for the CD Fund shows that the revenue stream is volatile, heavily dependent upon the housing and land use development cycle. Another nuance of this fund is that revenue is at times received in one period but the work carries over into a future period.

It should be noted that the CD Fund forecast does not build in revenues for the future growth areas of Coffee Creek, Basalt Creek or Frog Pond. Long-term planning and conceptual planning are funded by support from the System Development Charges and grants from Metro. It is anticipated that these areas will begin development beyond this forecast period, and so fees and charges associated with those developments will be part of future forecasts.

The summary of the CD Fund reveals that over the forecast period, the reserve (also referred to as fund balance) does decline as expenditures outstrip revenues. The City intends to perform a cost of service review of the Community Development Fund to ensure that revenue sources are properly lining up with the costs to provide service, and that they are adequate to sustain the fund over time.

Five-Year Financial Forecast
 FY 2015 through 2020



Building Fund

Fund Description

The Building Fund houses the City's functions of building permits and building construction inspections. The Department ensures buildings and construction are compliant with State law and City code.

Revenue drivers for this fund include the volume of building permits, building plans and the volume of requested inspections.

Expenditure drivers for this fund include the cost of labor and materials.

Building Fund Revenues and Expenditures

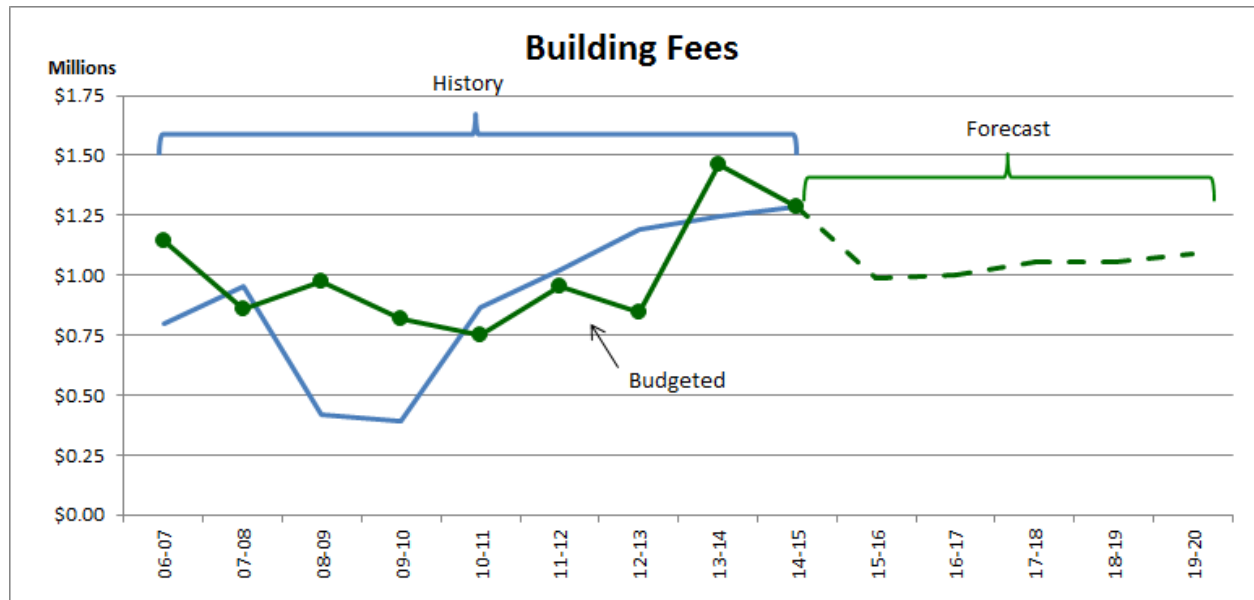
Revenues

Building Permit Fees

Building Permit Fees cover building plan review and construction activities. These revenues are tied to the building and development business cycle.

These fees are difficult to predict. The chart below illustrates the difficulty of predicting these revenues. This chart displays the actual revenue realized from these fees from FY 2006-07 through FY 2013-14, seen in the blue line. The solid green line covering the same period displays what was budgeted in those years. The difference between these two lines illustrates the difficulty in projecting the revenues from these fees. The budget and actual lines meet in FY 2014-15, because as of this report, the current year projection is equal to the budget.

The dashed green line, from FY 14-15 to FY 19-20 shows the forecast. The forecast shows these fees leveling off for a period, as Villebois reaches build-out, yet other areas, such as Coffee Creek, have not yet begun. The forecast is based on the Department's projections of activities that will trigger these fees, based upon the pace of building construction.



Five-Year Financial Forecast
FY 2015 through 2020

Expenditures

Operations

The Building Fund accounts the City’s functions of permitting and inspecting buildings.

The Department does not foresee major changes in staffing over the next five years. The Department will have to replace its permitting software sometime in the next five years, and is assumed to happen in the fourth year of the forecast period, in FY 2018-19. This one-time expense would be funded from the fund’s reserve.

Capital Improvements

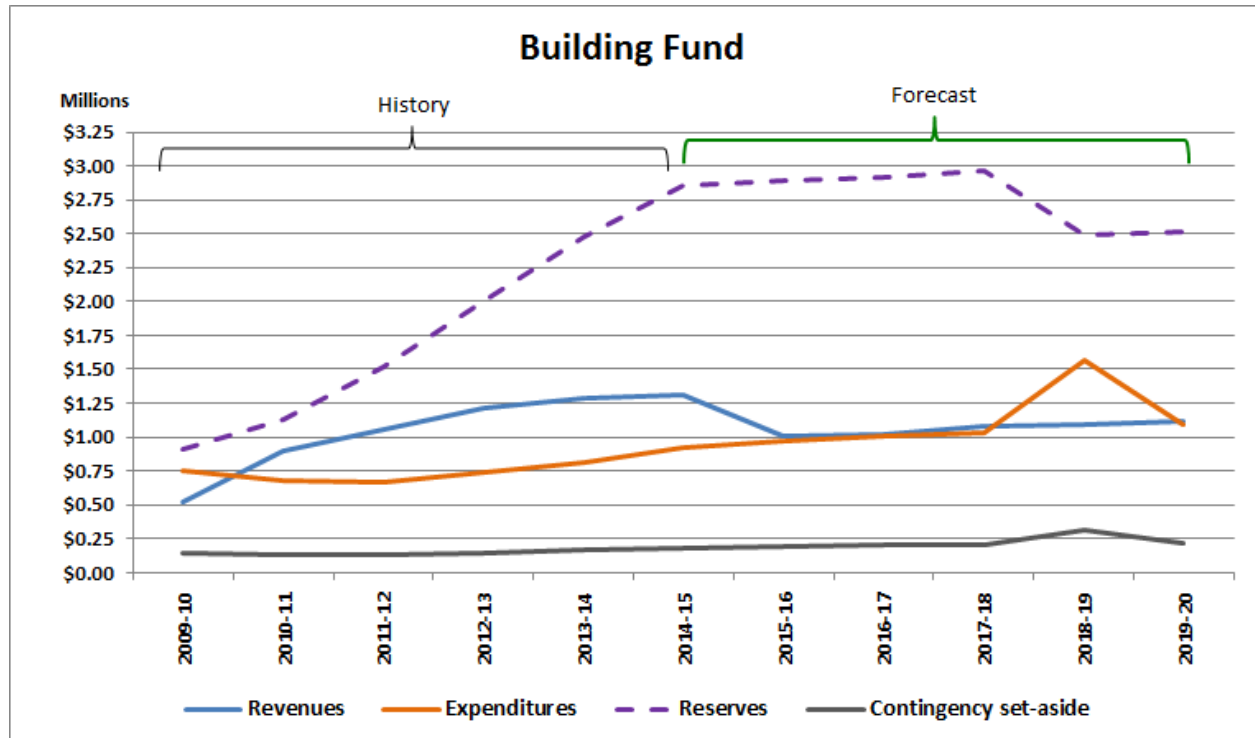
This Department does not have a capital improvement program.

Building Fund Forecast Summary

The five-year forecast summary for the Building Fund shows that the fund remains healthy over the five-year forecast period.

It should be noted that the Building Fund forecast does not build in revenues for the future growth areas of Coffee Creek, Basalt Creek or Frog Pond. It is anticipated that these areas will begin development beyond this forecast period, and so fees and charges associated with those developments will be part of future forecasts.

The summary of the Building Fund shows that over the forecast period, the reserve remains at a healthy level, able to absorb any unexpected drop-off in building activity. The expenditure bump and corresponding dip in reserve in FY 2018-19 is to replace the building software program.



Transit Fund

Fund Description

The Transit Fund accounts for the City's transit system – South Metro Area Regional Transit, or SMART. The SMART system provides fixed route bus service throughout the City of Wilsonville, and commuter routes to Salem, Portland, Tualatin and limited service to Beaverton. SMART coordinates with TriMet's WES train to ensure cohesive connections.

SMART also provides door-to-door, dial-a-ride service to eligible residents who are not able to use the fixed route system.

In-City rides on SMART are free. Rides to destinations outside of Wilsonville vary between \$1.50 to \$3.00 per ride. WES has a separate fare, determined by TriMet.

The SMART system is funded largely by a one-half of one percent (0.005) tax on payroll. The reported wage base within the City is therefore the major driver of revenue to the Transit Fund. As businesses within the City grow or contract their payrolls, it directly impacts the revenue to the Transit Fund.

Another major revenue driver is the receipt of federal and state grants. The Department has been quite successful in securing federal and state grants for funding various programs and for purchasing rolling stock.

Expenditures of the Transit Fund include wages and benefits for the transit drivers, transit administration, and the repair, maintenance and purchase of the rolling stock. Major drivers of the Transit Fund expenditures include the cost of labor, cost of fuel, and the successful receipt of grants to replace and expand the bus fleet.

Transit Fund Revenues and Expenditures

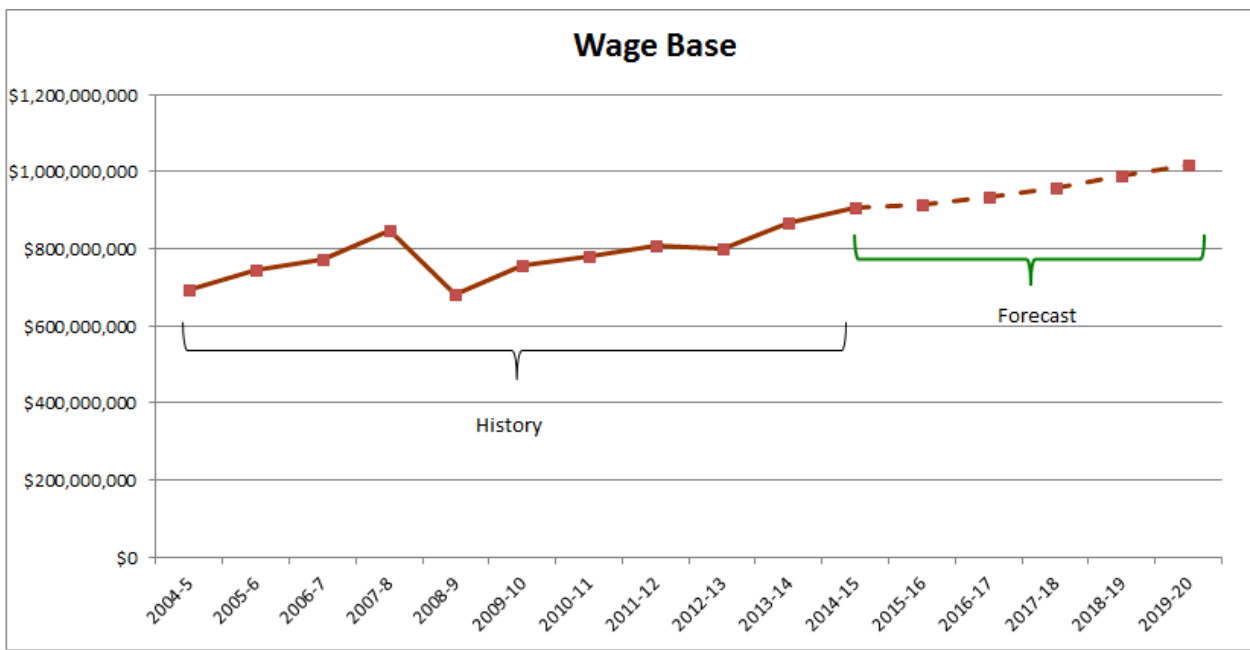
Revenues

Payroll Taxes

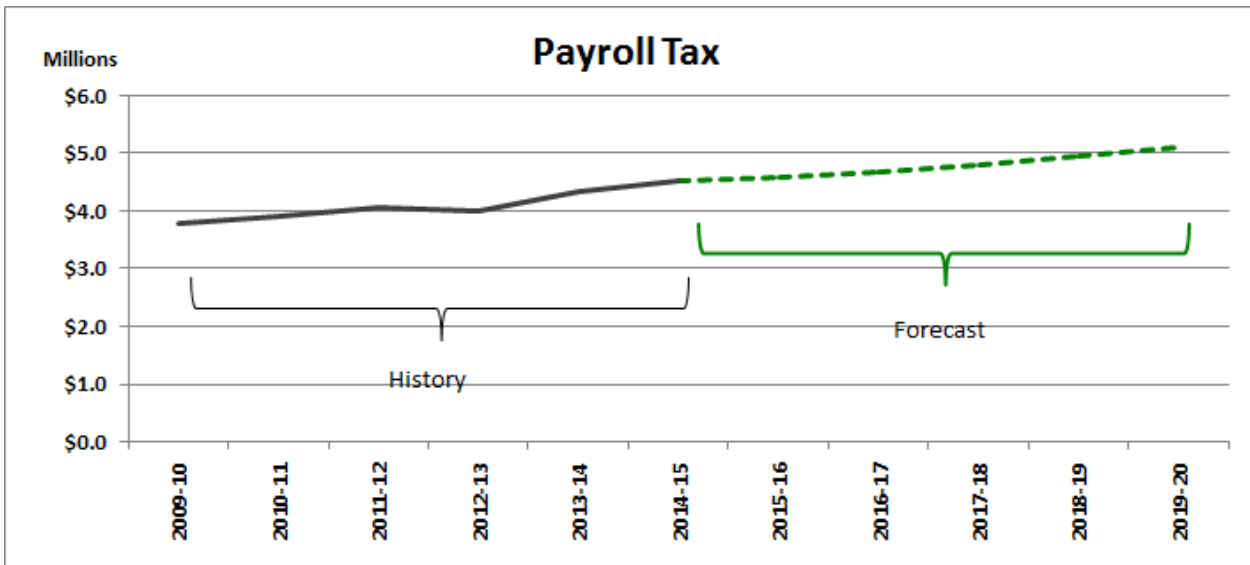
The City imposes a payroll tax on local businesses in order to fund the public transit system. The rate is one-half of one percent (0.5%) of wages. This tax rate is determined by the City Council.

Since FY 2004-05, the City's wage base has increased at an annual average rate of 2.9%. The chart below shows that the wage base took a tremendous dip in FY 2008-09 of almost 20%. While the wage base has grown since then, recent news has reported that wages currently remain flat. Therefore, the curve in the chart below is relatively flat in the beginning of the forecast period, and increases slightly in the last three years. This forecast is conservative, showing the wage base increasing at an annual average amount of 2.7% over the five year period of the forecast.

Five-Year Financial Forecast
FY 2015 through 2020



The revenue generated by 0.5% payroll tax is displayed in the chart below. This chart displays the five-year history of the payroll tax collected by the City, including the current budget amount, and the forecast for the next five years.



Fares

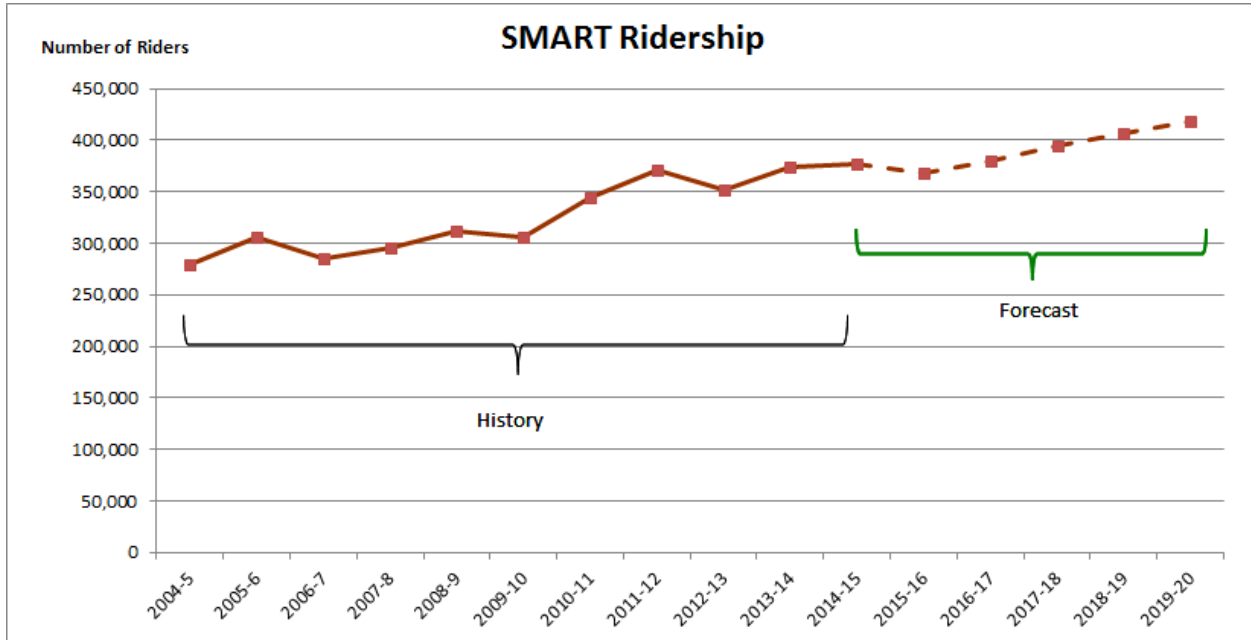
The SMART system provides free service within the Wilsonville City limits. Trips to destinations outside of Wilsonville have fares between \$1.50 and \$3.00. The WES train charges a fare according to the TriMet fare schedule.

Five-Year Financial Forecast FY 2015 through 2020

Fares make up a small percent of the overall revenue stream to the Transit Fund, ranging from 3.1% to 4.4% of total revenue over the last five year period.

The fare-paying ridership is largely thought to vary with gas prices and the price of the fare. As gas prices increase, ridership is expected to increase. However, as the transit fare increases, ridership is expected to drop. These two dynamics play off of each other, as many riders weigh the relative cost of bus fares to gas prices.

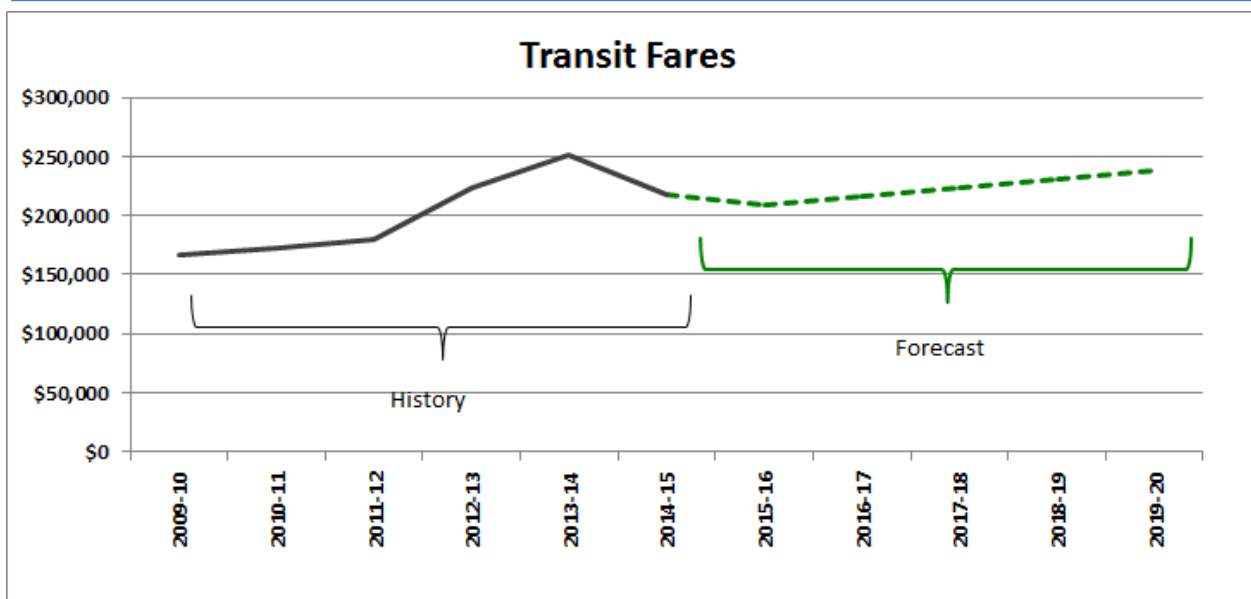
The chart below displays the total ridership of the SMART system. Rides inside City limits are free, while rides to destinations outside City limits charge a fare. The chart displays the history of SMART ridership over the last 10 years, together with the forecast over the next five years.



The next chart displays the fare revenue. It shows a relative spike in fare revenue in FY 13-14. A fare increase was implemented in October of 2012, at the same time gas prices were increasing. The average peak gas price in the Portland/Salem area in the fall of 2012 was \$4.06 per gallon. Gas prices stayed near that level for about a year and a half - the average peak price in the Portland/Salem area in 2013 was \$3.92 per gallon, and in 2014 the average peak price was \$3.97 per gallon. That compares with the most recent average price in the Portland/Salem area in mid-January of \$2.28 per gallon. As gas prices have decreased, the fare revenue to the Transit Fund is declining as ridership drops.

As the expectation in the near future is for flat or falling gas prices, the forecast for fare revenues is relatively flat. The last three years of the forecast show a slight uptick in fare revenue, as it is generally thought that gas prices will rise again and ridership increases.

Five-Year Financial Forecast
FY 2015 through 2020



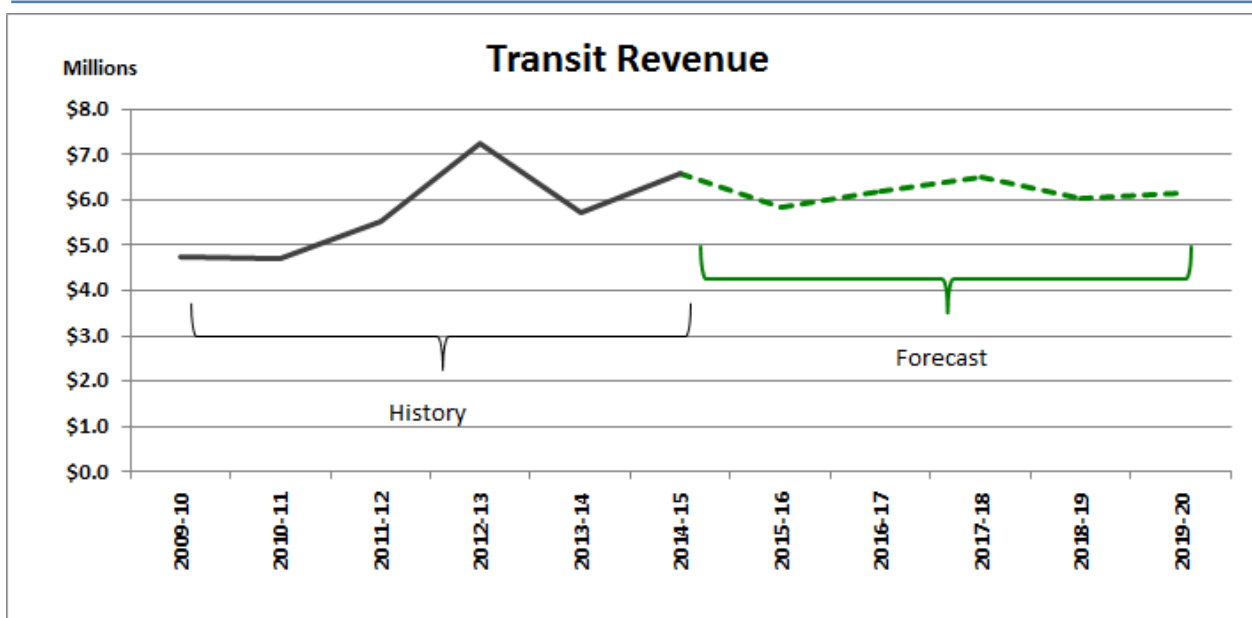
Grants

The Department has been quite successful in securing federal and state grants for funding various programs and for purchasing rolling stock. Over the last 5 years, the Department has received on average \$600,000 per year for operations, and \$650,000 for capital. This forecast assumes that Transit continues to receive operating grants of \$600,000 per year, and capital grants equal to 80% of the planned equipment replacement.

Transit Fund Total Revenue

The components discussed above come together in the chart below, displaying the total revenues to the Transit Fund. The five-year history is displayed, along with the current year projected and the five-year forecast. The bump-up in FY 12-13 reflects the one-time receipt by the Transit Fund of \$2 million from the Business Energy Tax Credit (BETC), a program through the State of Oregon that promotes energy conservation. Since the provision of transit services reduces single-occupant vehicles, the BETC at one point allowed transit agencies to participate in the program. However, the Oregon legislature sunsetted transit participation in 2011. The bump-up in FY 14-15 reflects above-average grant awards, mainly for hybrid buses. In FY 2017-18, the agency expects to replace three diesel buses, and the assumption is that 80% of their cost will be received in grant revenue, thus the bump-up in the revenue forecast for FY 17-18 reflects this grant award.

Five-Year Financial Forecast
FY 2015 through 2020



Expenditures

Operations

The SMART system operates with approximately 32 drivers, who are either full-time, part-time, or on-call. The system operates nearly every day of the year, with the exception of Sundays and major holidays.

Over the five-year period of this forecast, Transit does not foresee expanding operations. The growth within the future areas of Coffee Creek, Frog Pond and Basalt Creek are beyond this forecast period.

Capital Improvements

The purchase of SMART’s rolling stock is considered a capital improvement. Over the next five years, the Department anticipates replacing two Dial-A-Ride vans, five diesel buses, and four of the smaller buses. These replacements will be spread-out over the next five years, and it is anticipated that the Department will receive 80% funding from grants.

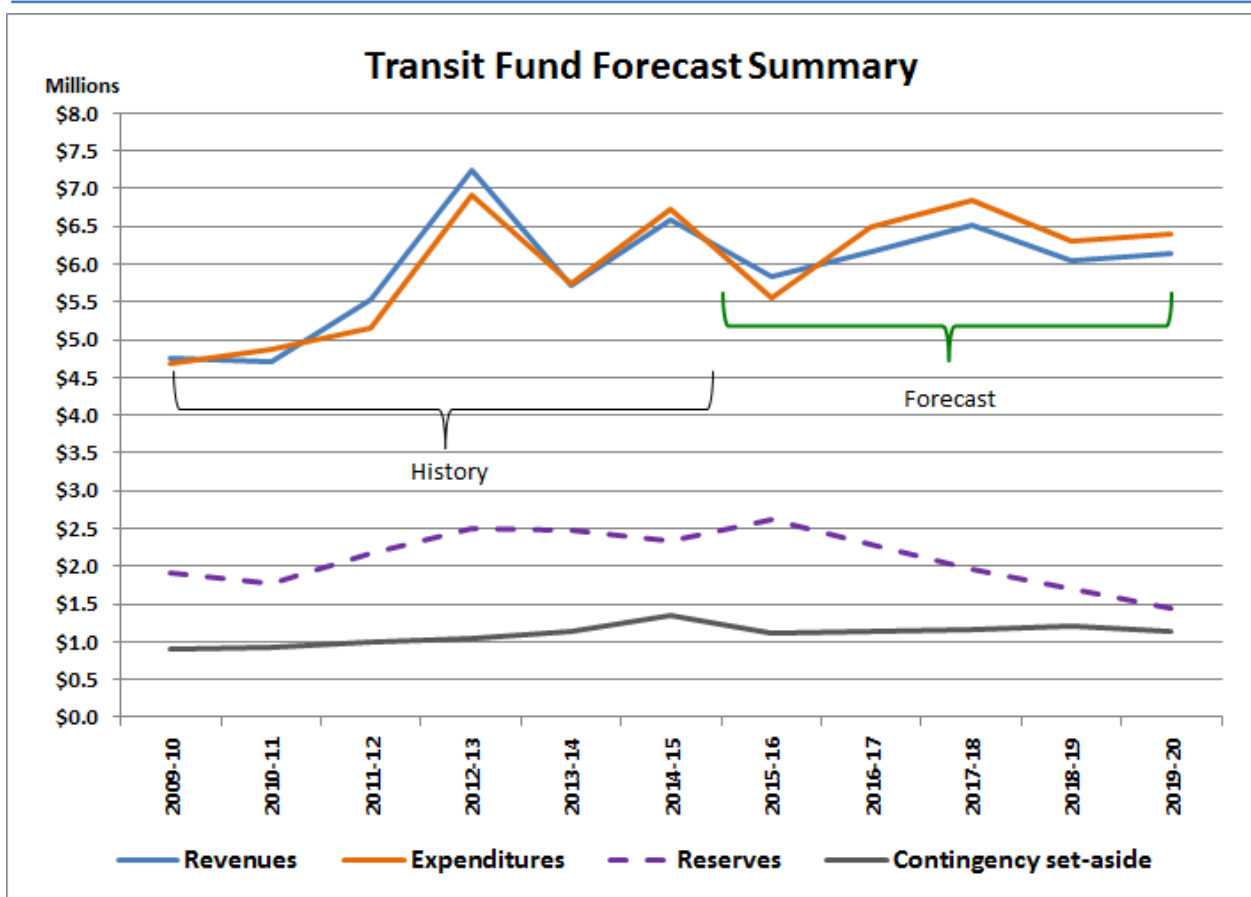
Transit Fund Forecast Summary

The five-year forecast summary for the Transit Fund reveals that on average over time, revenues are not keeping up with expenditures, and so the Transit Fund fund balance (also referred to as reserve) is projected to be drawn down. By the fifth year, the fund balance is roughly \$320,000 above the contingency target. The contingency target is set at about 20% of operations.

This forecast provides perspective for planning for the future. During each annual budget cycle, resources and priorities are reassessed, and modifications are made to maintain a balanced Transit Fund.

The chart below compares the revenue sources discussed above to the expenditure items, and also to the reserve (fund balance) contained in the Transit Fund. The reserve in the Transit Fund is an eligible funding source, within limits set by policy, particularly for one-time items such purchasing buses. Funds have been set aside over the years in the reserve to provide the local match portion of state and federal grants. Policy limits on the use of the Transit Fund reserve include maintaining a contingency set-aside, included in the chart below.

Five-Year Financial Forecast
 FY 2015 through 2020



The Transit Fund Forecast Summary indicates that if the discussed assumptions hold true, then the Transit Fund will experience a deficit. However, this forecast is to be used as a guideline, and points out the importance of each year’s budget cycle in reviewing and analyzing revenue sources, as well as the Budget Committee’s annual deliberations over Transit Fund priorities, in order to avoid a deficit.

The City Council may choose to consider increasing revenue sources, or decreasing services, as a strategy to avoid a deficit. The City Council may choose to increase bus fares, or may choose to increase the transit tax on payroll, or both, or may choose to consider scaling back services.

Water Operating Fund

Fund Description

The Water Fund accounts for the City's drinking water utility. The City owns and operates a water treatment plant on the Willamette River and provides water service to residents and businesses within City limits. The City bills for water usage on a monthly basis.

The Water Operating Fund periodically transfers funds to the Water Capital Fund. The Water Capital Fund accounts for the Capital Improvement Program (CIP) of the water utility.

The major drivers of revenue to the water fund include water consumption, the water rates set by the City Council, and the weather as it influences water consumption. Hot, dry weather, for example, tends to drive up usage (excluding drought conditions when usage is curtailed).

Expenditures of the water utility are influenced by the cost of labor to run the system, the price of electricity to operate the plant, and the cost of chemicals and other materials to treat the water. Maintaining, repairing, and replacing the capital infrastructure of the water utility also drive expenditures.

Water Fund Revenues and Expenditures

Revenues

Charges

The City charges water customers for the water they use as measured through each customer's water meter. The City has approximately 5,400 water customers. The water rates are set periodically by the City Council. The rates are set to increase approximately 2.25% per year, on January 1 of 2015, 2016 and 2017.

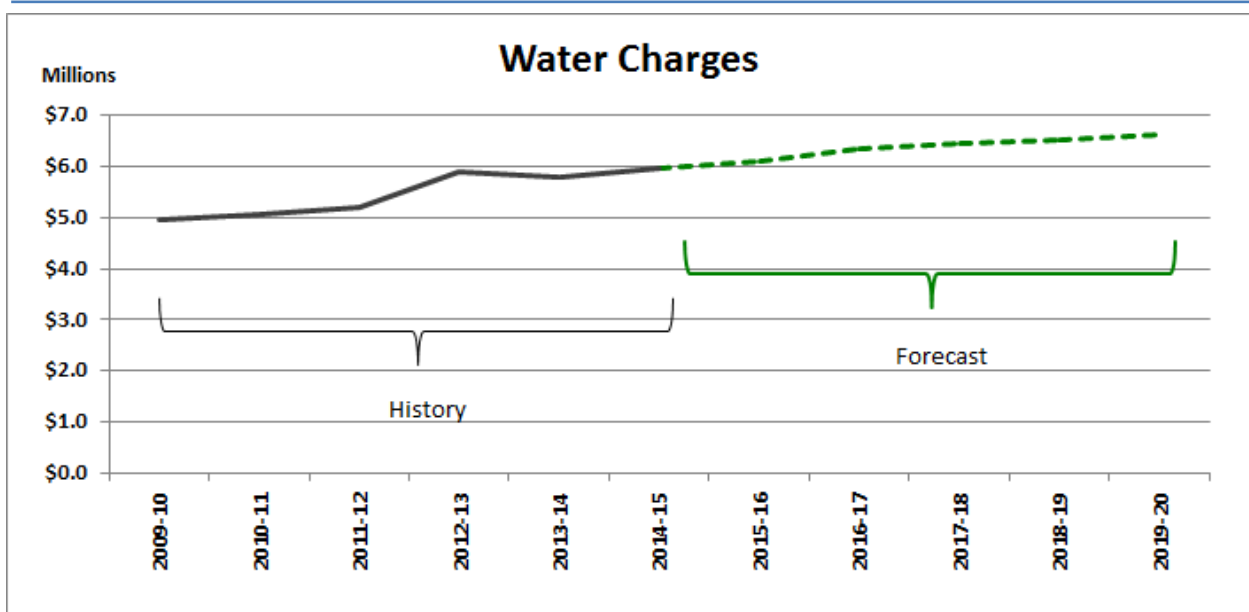
As the City grows, more water accounts will be established and therefore water revenue will increase. However, it is important to note that individual use has been declining, most likely due to the conservation. As per capita usage declines or remains flat over time, water rates may have to increase in order for the water utility to cover its costs.

The five-year forecast predicts water revenue from charges will increase due to both the scheduled rate increases for the next three years and predicted growth of the City. In the last two years of the forecast, water revenue from charges grows more slowly to reflect growth of the City, but no rate increases.

The chart below shows the five-year history of revenue from water charges, together with the five-year forecast. Note the spike in FY 12-13. This spike illustrates the sensitivity of water revenue to weather. July, August and September of 2012 had relatively nicer weather than July, August and September of 2011. July of 2012 was on average just over a degree warmer than July 2011, and had less rain, which means less overcast days, and therefore more water was sold in July 2012 than July 2011. August of 2012 was on average 3 degrees warmer than July of 2011, and August of 2012 had a span of 14 days that were on average 12 degrees warmer than the same 14 day period in 2011. These warmer days translate into more water sold, and thus higher water revenue.

The forecast for revenue from water charges only takes rates and population growth into account, not weather patterns.

Five-Year Financial Forecast
FY 2015 through 2020



Water Sales

The City also sells up to five million gallons per day of treated water to Sherwood. Sherwood pays Wilsonville close to \$1 million per year for the water.

Expenditures

Operations

Water operations include managing and maintaining the water treatment plant and the water distribution system. The water treatment plant is managed under contract by the firm Veolia North America. The water distribution system includes pipes, reservoirs, booster pumps, valves, fire hydrants and wells.

Over the five-year period of this forecast, no significant changes are foreseen to water operations, aside from adding accounts as the City’s population grows. It should be noted, however, that population growth within the future areas of Coffee Creek, Frog Pond and Basalt Creek are beyond this forecast period.

Capital Improvements

The water utility is a very capital intensive operation, including assets such as the treatment plant, miles of pipes, reservoirs, and pumps. Maintenance and repair of these assets are funded through the water rates, while expansions to the assets are funded by System Development Charges (SDCs) charged to developers as they build out the City. The capital improvement program (CIP) is therefore funded by both water rates and SDCs, depending upon whether the project expands capacity or not.

At times, the cash needed for the CIP exceeds the availability, and at those times the City considers issuing debt to fund necessary projects. The debt is paid back over time by water rates.

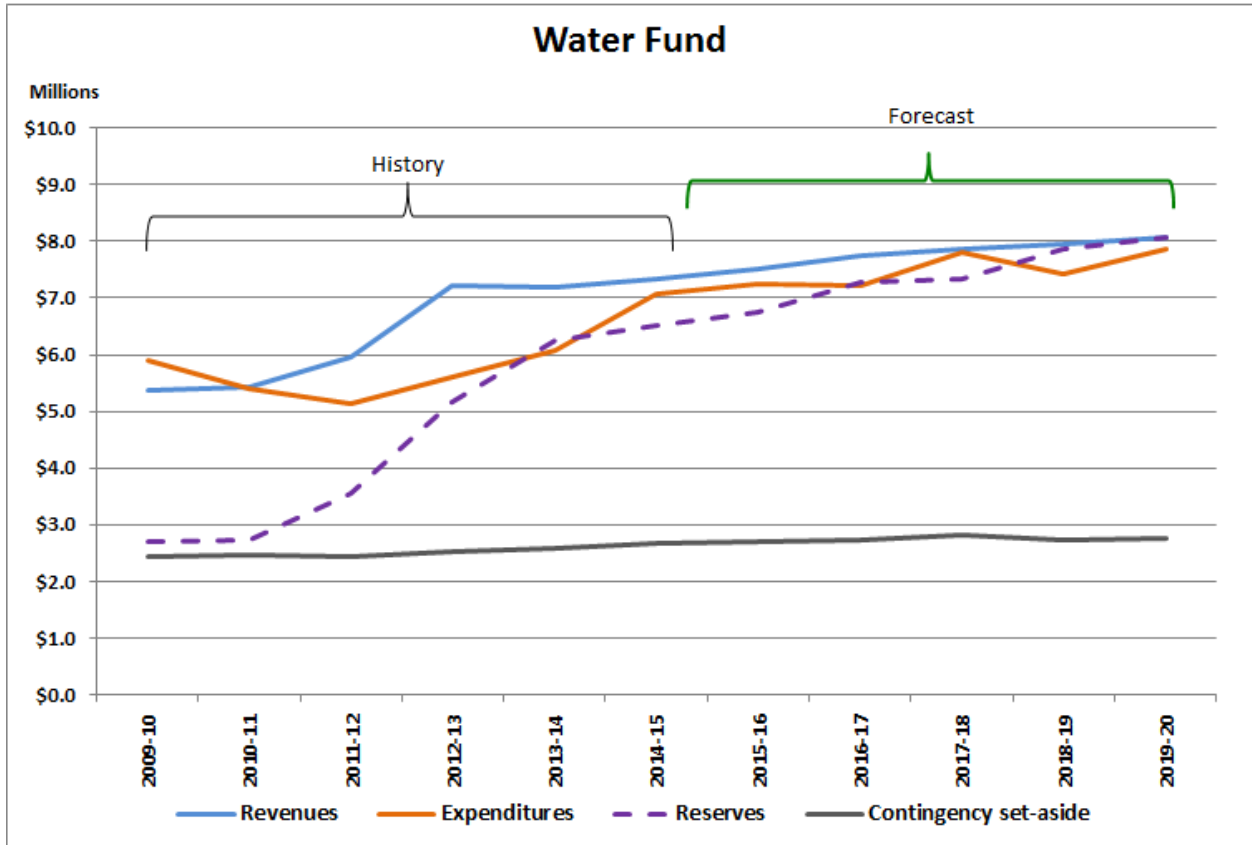
Examples of CIP projects over the next five years include replacing pipes, valves and hydrants, upgrading wells, adding stand-by power, replacing water filter media, a west side reservoir, and constructing a new distribution water line in the remaining section of Tooze Road. The CIP detail is included in each year’s annual budget and is considered by the Budget Committee and City Council.

Five-Year Financial Forecast
FY 2015 through 2020

Water Fund Forecast Summary

The five-year forecast for the Water Fund shows that fund remains fiscally healthy, and able to maintain a healthy reserve (also referred to as fund balance) for this capital intensive utility. The bump-up in revenue in FY 12-13 reflects the first full year of Sherwood purchasing water from Wilsonville, in addition to higher revenues to warmer weather.

The contingency set-aside includes contingency funds for operations equal to 20% of recurring expenditures, as well as one year's worth of debt service.



Sewer Operating Fund

Fund Description

The Sewer Fund accounts for the City's wastewater treatment utility. The City owns and operates a wastewater treatment plant and maintains the associated collection pipes and lift stations. The City bills for the service monthly. The wastewater treatment plant protects the water quality of the Willamette River and the health of the community by removing pollutants from wastewater in compliance with the City's discharge permit. The City contracts with CH2M HILL to operate the plant.

The Sewer Fund also accounts for the City's industrial pretreatment program. Industries are monitored and regulated regarding what they discharge into the wastewater system, and certain industries must pre-treat their effluent. The program also provides education and outreach to minimize fats, oil and grease, as well as drugs, from entering the system.

The Sewer Operating Fund periodically transfers funds to the Sewer Capital Fund. The Sewer Capital Fund accounts for the Capital Improvement Program (CIP) of the sewer utility.

Revenue drivers for this fund include sewer rates charged, the size and type of industries, winter water consumption, and the City's population growth.

Expenditures of the sewer utility are influenced by the cost of labor to run the system, the price of electricity to operate the plant, and the cost of chemicals and other materials to treat the wastewater. Maintaining, repairing, and replacing the capital infrastructure of the sewer utility also drive expenditures.

Sewer Fund Revenues and Expenditures

Revenues

Charges

The City charges for use of the wastewater system each month. Currently, the City has about 5,100 sewer accounts.

In general, wastewater is not a metered service. Therefore, provision of wastewater service is generally based on water use, the theory being that most water that enters a customer's establishment goes into the wastewater system. The City uses this assumption for commercial customers. For residential customers, because water usage peaks in the summer, it is assumed to be used for irrigation, and does not enter the wastewater system. Hence the City uses a residential customer's winter water average (November through March of the following year) to set the units of usage for the wastewater system for the next year. If commercial customers experience peak summer water usage due to irrigation and want their sewer charges adjusted, they have the option to install an irrigation meter, and their sewer charges will be adjusted according to the water that diverts through the irrigation meter.

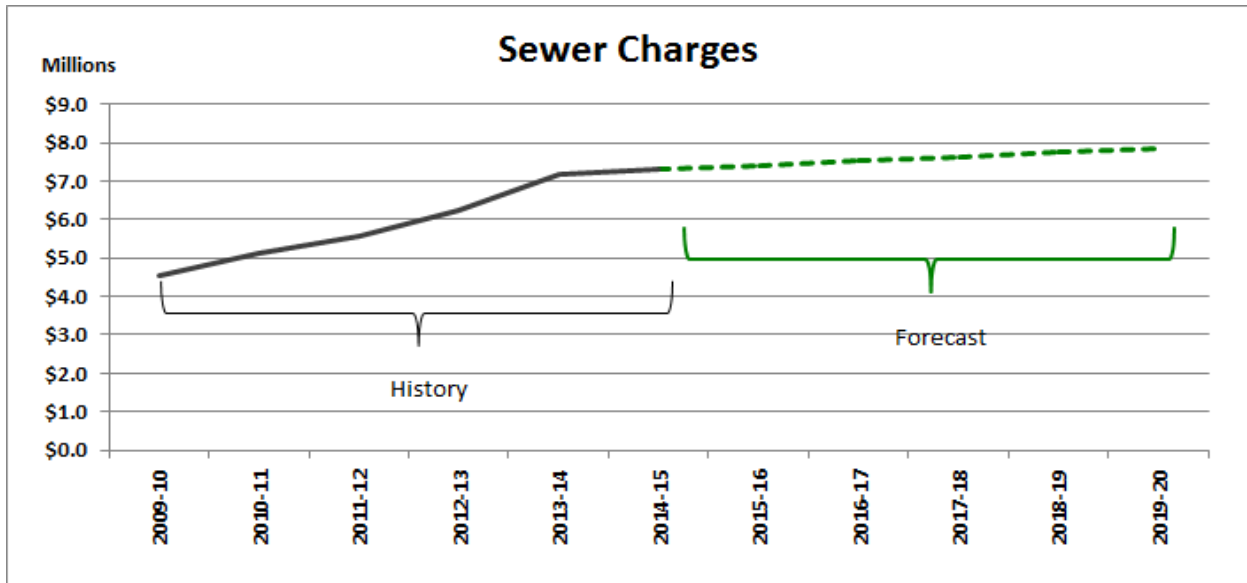
The sewer rates are set periodically by the City Council. There are no current plans to increase sewer rates, however, the City has recently completed a new master plan that identifies necessary capital improvements and intends on performing a cost of service study and rate analysis as a next step.

As the City grows, more accounts will be added, leading to growth in the sewer operating revenue.

The five-year forecast predicts sewer revenue from charges will increase steadily over the period, reflecting the predicted growth of the City. The rapid increase seen in the chart below reflects rate increases on January 1st of 2012,

Five-Year Financial Forecast FY 2015 through 2020

2013, and 2014, by 15%, 12% and 10% respectively. These rate increases were necessary to pay the debt service on debt issued to improve and expand the wastewater treatment facility.



Other Revenues

The Sewer fund also receives interest earnings and a transfer from the Sewer System Development Charges (SDCs). The transfer from the Sewer SDCs is to partially cover the debt service obligation for debt incurred to expand the plant.

Expenditures

Operations

Sewer operations include managing and maintaining the wastewater treatment plant, the sewer collection system of pipes, and lift stations. Additionally, operations include managing the Industrial Pretreatment Program, as well as ensuring the City is in compliance with the National Pollutant Discharge Elimination System (NPDES) conditions and permit limits.

Over the five-year period of this forecast, no significant changes are foreseen to sewer operations, aside from adding accounts as the City's population grows. It should be noted, however, that population growth within the future areas of Coffee Creek, Frog Pond and Basalt Creek are beyond this forecast period.

Capital Improvements

The sewer utility is a very capital intensive operation, including assets such as the wastewater treatment plant, miles of pipes, and pumps. Maintenance and repair of these assets are funded through the sewer rates, while expansions to the assets are funded by System Development Charges (SDCs) charged to developers as they build out the City. The capital improvement program (CIP) is therefore funded by both sewer rates and SDCs, depending upon whether the project expands capacity or not.

At times, the cash needed for the CIP exceeds the availability, and at those times the City considers issuing debt to fund necessary projects. The debt is paid back over time by sewer rates.

Examples of CIP projects over the next five years include repairing the outfall at the wastewater treatment plant, improving the Memorial Park and Town Center pump stations, pipe maintenance and rehab in the Charbonneau area, upsizing the Coffee Creek sewer trunk in coordination with the Kinsman Road extension project, and replacing various

Five-Year Financial Forecast FY 2015 through 2020

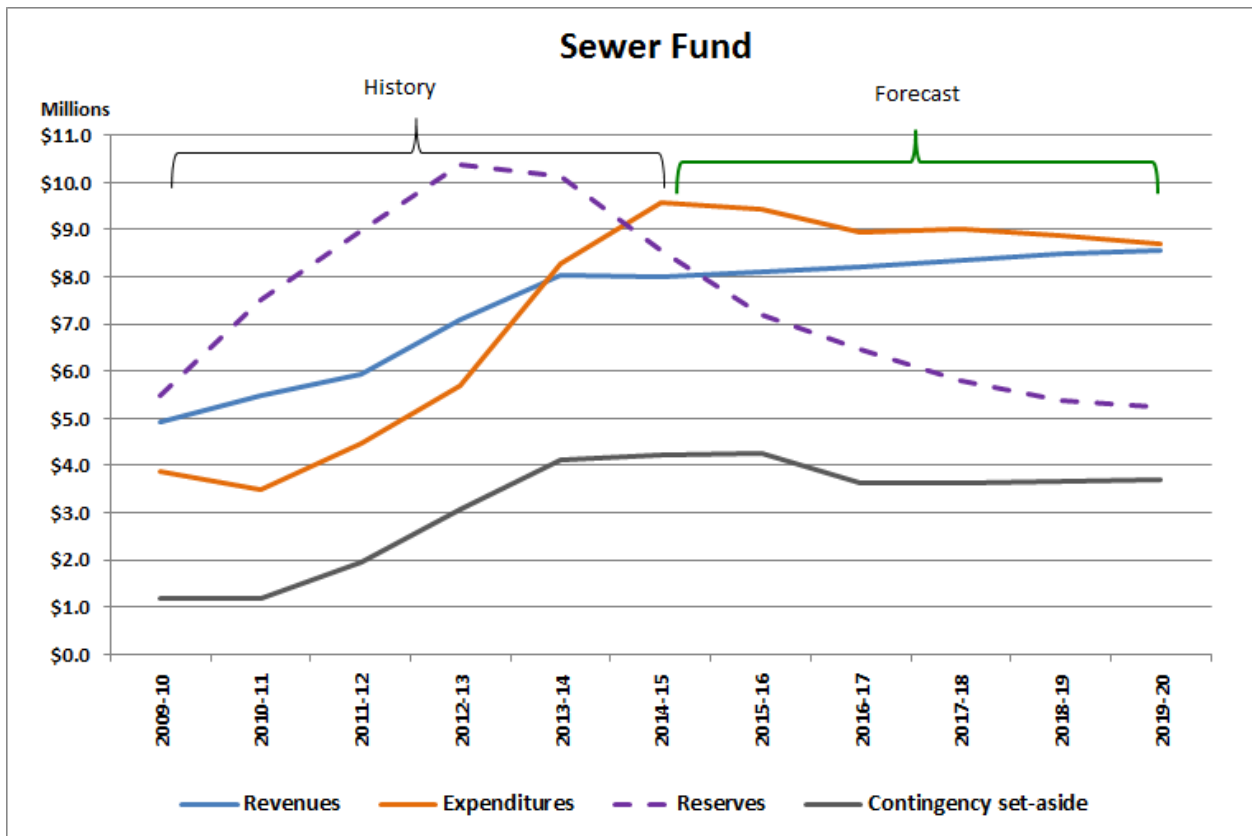
pipes and valves. The CIP detail is included in each year's annual budget and is considered by the Budget Committee and City Council.

Sewer Fund Forecast Summary

The five-year forecast for the Sewer Fund shows that the fund balance (also referred to as a reserve) is drawn down over time. This is due to the extensive capital program. To stem the draw-down of the fund balance, the City intends to complete a cost of service study and rate analysis based on information from the recently completed Wastewater Collection System Master Plan.

The expenditure forecast is not a smooth line. This line reflects both the operating costs of the Fund, which are relatively smooth over time, and the capital projects that are planned, which are one-time expenditures that happen unevenly over time. The steep increase in expenditures from FY 10-11 through FY 13-14 is due to the addition of debt service on nearly \$39 million in new debt for improvements and expansion of the wastewater treatment plant, which added \$3 million in on-going debt service obligations. The further increase to FY 14-15 is for the capital program.

The Contingency set-aside is comprised of 20% of operating expense and one year's worth of debt service.



**Note: The Sewer Fund received and paid back a bridge bank loan in FY 11-12. The bridge loan was to begin work on the Wastewater Treatment Plant prior to the bond sale. It is not shown in the graph above because the loan and pay-back occurred in the same fiscal year.*

Stormwater Fund

Fund Description

The Stormwater Fund accounts for the City's stormwater management utility. This utility works to minimize and control erosion, prevent local flooding, and reduce pollutants and debris from entering local streams and the Willamette River. The utility must remain in compliance with the requirements of the National Pollutant Discharge Elimination System (NPDES) Stormwater Management Plan (Plan). The utility does this by conveying stormwater through a system of pipes, detention ponds, catch basins and ditches, which eventually flow into natural drainage systems. The utility also protects and enhances natural habitat, provides leaf control services, and ensures the sweeping of City streets and public parking lots.

The City bills for stormwater management on a monthly basis. Stormwater charges are based on impervious surface. Residential units are equalized into an Equivalent Residential Unit (ERU), using a standard of impervious area of 2,750 square feet. Commercial and industrial charges are calculated by applying this ERU factor to the impervious area at their site.

The major drivers of revenue to the Stormwater Fund include the monthly charges and the number of ERUs within the City.

Expenditures of the stormwater utility are influenced by the cost of labor to run the system, the requirements of the NPDES Plan, and the cost to maintain, repair, and replace the capital infrastructure and natural systems of the utility.

Stormwater Fund Revenues and Expenditures

Revenues

Charges

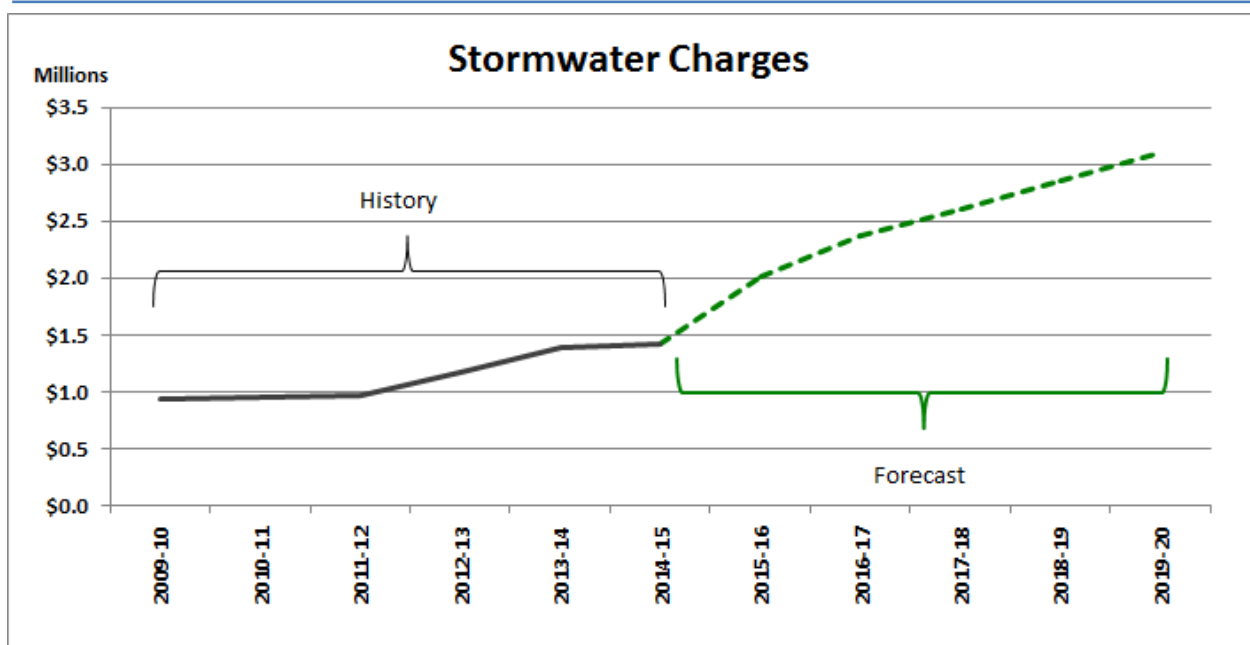
As mentioned above, the City charges stormwater fees monthly, based on the number of ERUs. The City Council establishes the rates for stormwater, and just recently approved stormwater rates for the next seven years. The rate increases are necessary in order to pay for the capital program. The rate path is reflected in the following table:

| Effective Date | Monthly Rate/ERU |
|-----------------|------------------|
| April 1, 2015 | \$6.95 |
| January 1, 2016 | \$8.65 |
| January 1, 2017 | \$9.30 |
| January 1, 2018 | \$9.95 |
| January 1, 2019 | \$10.60 |
| January 1, 2020 | \$11.25 |
| January 1, 2021 | \$11.90 |

The City currently has approximately 22,400 ERUs. Because many companies are doing more to reduce their impervious surface area, such as installing rain gardens or pervious surfaces, ERUs are expected to grow by a modest 1.3% annual average over the next five years.

The chart below shows the five-year history of revenue from stormwater charges, together with the five-year forecast.

Five-Year Financial Forecast
FY 2015 through 2020



Expenditures

Operations

Stormwater operations include managing and maintaining the stormwater system of pipes, detention ponds, catch basins, ditches, and natural drainage systems.

Over the next five year period, the Community Development Department plans to request an additional engineer that will be dedicated to the Charbonneau area stormwater rehabilitation program.

Capital Improvements

The stormwater utility is not as capital intensive as water and sewer, but has an extensive capital program. Major repairs, replacements and rehabilitation of the stormwater pipes, detention ponds, slopes and natural areas are funded out of the capital program. Maintenance and repair of these assets are funded through the stormwater rates, while expansions to the assets are funded by System Development Charges (SDCs) charged to developers as they build out the City. The capital improvement program (CIP) is therefore funded by both stormwater rates and SDCs, depending upon whether the project expands capacity or not.

At times, the cash needed for the CIP exceeds the availability, and at those times the City considers issuing debt to fund necessary projects. The debt is paid back over time by stormwater rates.

Over the five-year period of this forecast, the City intends to embark on an ambitious repair and rehabilitation program of the stormwater assets in the Charbonneau district. At the same time, the utility intends to rehabilitate three Willamette River Outfalls, and replace deteriorating stormwater pipes throughout the City.

These capital needs over the next five years exceed the cash available to fund these projects. Therefore, the Stormwater utility will be making use of an interfund loan from the General Fund at the beginning of the forecast period, and a bond issue mid-way through the five year period. The proceeds and use of this debt is not reflected here, because they are accounted for in the Stormwater CIP Fund. However, the debt service is included in the Stormwater Operating Fund and is reflected in this forecast.

Five-Year Financial Forecast
FY 2015 through 2020

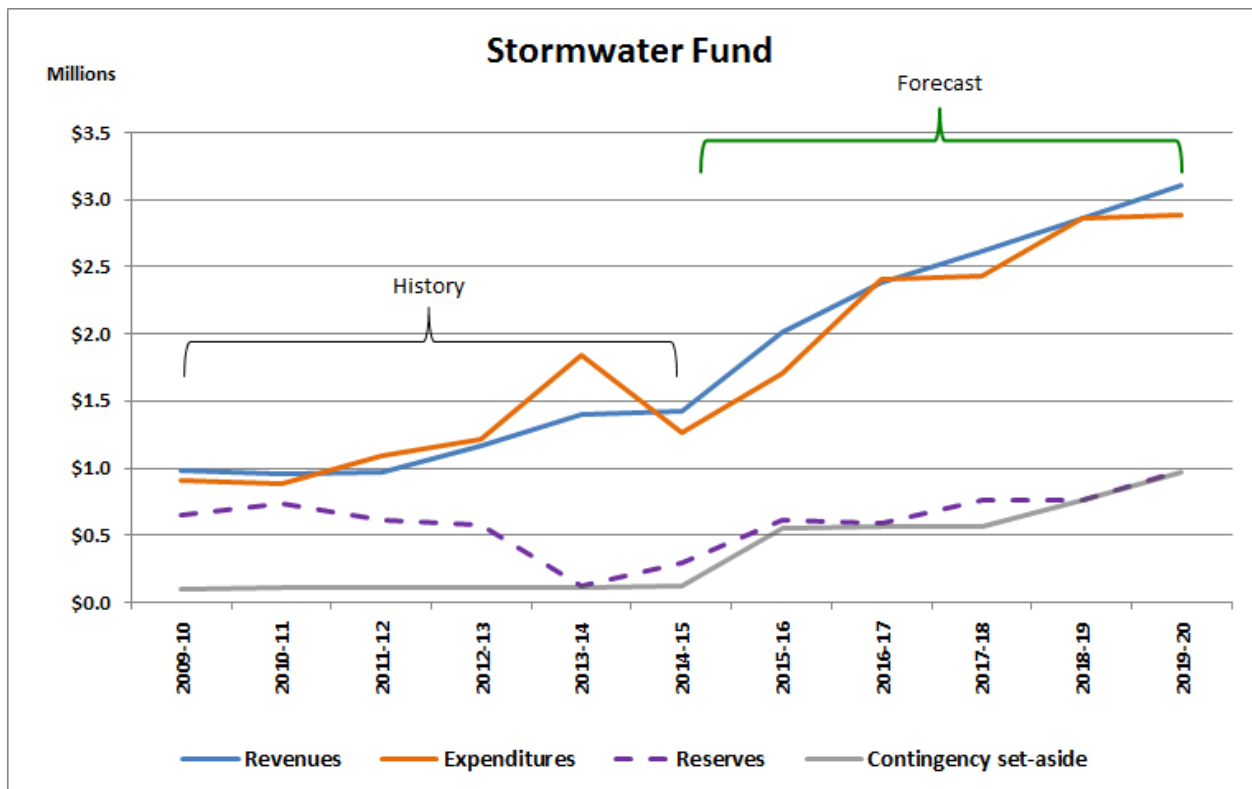
Stormwater Fund Forecast Summary

The five-year forecast for the Stormwater Fund shows both revenues and expenditures ramping up over the forecast period, and the fund remaining in balance over the time period.

The spike in expenditures in FY 13-14 reflects the capital projects of the Morey’s Landing and Rivergreen outfall restoration projects.

The increase in the expenditures over the next five years reflects the intended request for an additional engineer, as well as the extensive capital program and the associated debt service to finance the improvements in the Charbonneau district. The increase in revenues reflects the rate increases adopted by the City Council in order to afford the improvements and cover the debt obligation.

The contingency set-aside reflects 20% of operations, as well as one year’s worth of debt service in the first three years of the forecast period. In the fourth year, the additional debt is assumed to come on line, and while the debt service obligation is covered, the fund is able to set aside only one-half of the new debt obligation in the reserve, in addition to a full year of the previous obligation. By the fifth year, the fund is able to set aside a full year of both obligations.



Street Lighting Fund

Fund Description

The Street Lighting Fund accounts for the maintenance and operation of City's street lights. Portland General Electric (PGE) supplies the electricity and bills the City. The City covers this cost through a monthly fee charged on the utility bills. Residential, multi-family, commercial, industrial and non-profits all pay towards the street lighting system.

Revenue drivers for this fund include the monthly charges and number of customers.

Expenditure drivers for this fund include the price of electricity from PGE, periodic maintenance and replacement of fixtures, and expansion of the the system.

Street Lighting Fund Revenues and Expenditures

Revenues

Charges

As mentioned above, the City charges a monthly fee for street lighting. For residential customers, the fee ranges from approximately \$2.00 per month to over \$5.00 per month, depending upon the type of lighting fixture. Multifamily units are charged based upon the fixtures and the number of dwelling units, and commercial customers are charged based on the fixtures and the number of full-time equivalents employed.

No changes are anticipated over the next five years.

Expenditures

Operations

Street Lighting operations include maintaining the street light fixtures and paying PGE for the electricity. No changes are anticipated over the next five years, other than rate increases imposed by PGE.

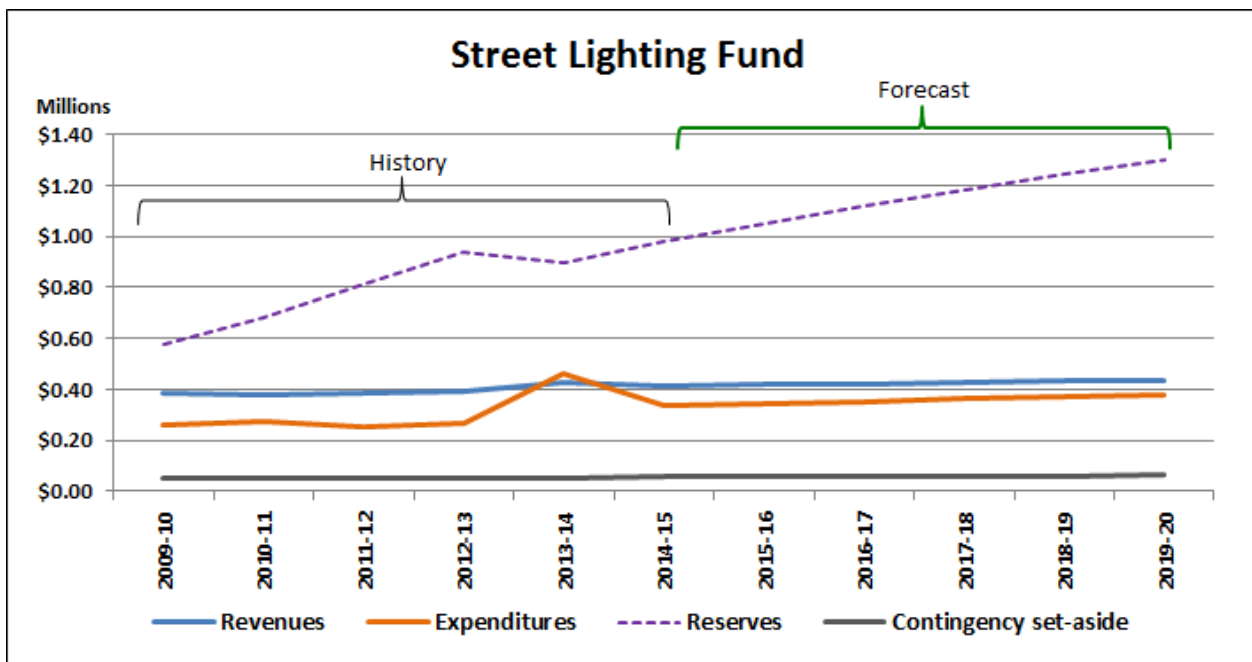
Capital Improvements

The Street Lighting Fund is used to install street lighting where there are gaps, and replace worn poles and fixtures.

Street Lighting Fund Forecast Summary

The five-year forecast for the Street Light Fund shows a stable fund with a healthy reserve. The bump-up in expenditures in FY 13-14 reflects the City's efforts to replace wood poles with fiberglass poles.

Five-Year Financial Forecast
FY 2015 through 2020



Road Operating (Gas Tax) Fund

Fund Description

The Road Operating Fund accounts for the gas tax received by the City and for the maintenance of City streets, sidewalks, pathways, landscapes, pavement markings, signs and signals.

The State collects the gas tax and apportions it out to cities based on their population. Wilsonville's per capita amount for FY 14-15 is approximately \$57.23, and the State foresees this growing to \$58.48 per capita for FY 15-16.

The major drivers of revenue for the Road Operating Fund are the amount of gas tax received by the State and Wilsonville's population.

The major expenditure drivers for this fund include the cost of labor and materials and the addition of new streets as the City grows.

Road Operating Fund Revenues and Expenditures

Revenues

Gas Tax

The State gas tax is set by State statute, currently at 30 cents per gallon. The State collects the gas tax, and apportions it to cities based on their respective populations. The State provides a per capita estimate to cities, based upon how much gas tax the State estimates it will receive and the various population estimates of the cities.

For FY 14-15, cities are estimated to receive \$57.23 per capita in gas tax revenues, increasing to \$58.48 per capita for FY 15-16. New estimates are expected to be released in the spring of 2015.

Over the five-year period, gas tax revenue is forecasted to grow slightly because the City's population is expected to grow. The recent fall in gas prices should yield higher gas tax revenues in the immediate future as people drive more and fill their gas tanks more often, but it is difficult to predict how gas prices and driving habits may change over time. Therefore, the forecast remains conservative, varying only population.

Expenditures

Operations

The Road Fund operations include street maintenance and repair, maintenance of sidewalks and pathways, installation and replacement of pavement markings, and maintenance of signs and signals. The Department also removes graffiti, maintains roadway landscaping, controls litter and vegetation along roadways, and sands streets during inclement weather.

Over the five-year period of the forecast, the Department intends on requesting additional seasonal labor to keep current on maintenance needs.

Capital Improvements

The Road Operating Fund funds road repair and replacement. New roads, or expansions to current roads, are paid for either by developers or by System Development Charges, which are charged to developers. The capital

Five-Year Financial Forecast FY 2015 through 2020

improvement program (CIP) is therefore funded by both gas taxes and SDCs, depending upon whether the project expands capacity or not.

Over the next five years, the Department foresees an increased need for maintenance along Canyon Creek Road, along Tooze Road to Grahams Ferry Road, and enhancements to streetscapes along various routes.

Road Operating Fund Forecast Summary

The five-year forecast shows that the Road Operating Fund remains in a good financial position. Toward the end of the period, expenditures overtake revenues, largely due to increases in the capital program, including potential pavement costs associated with utility rehabilitation in the Charbonneau district that are not covered by the Street Maintenance Fund. The reserve remains at a healthy level at the end of the period.

