AGENDA

BUDGET COMMITTEE WORK SESSION
NOVEMBER 13, 2012
7:00 P.M.

CITY HALL
29799 SW TOWN CENTER LOOP
WILSONVILLE, OREGON

Mayor Tim Knapp	Wendy Buck, Committee Member
Council President Celia Núñez/Chair	Anne Easterly, Committee Member
Councilor Richard Goddard	Tony Holt, Committee Member
Councilor Scott Starr	Lonnie Gieber, Committee Member
Councilor	Alan Steiger, Committee Member

BUDGET COMMITTEE WORK SESSION

7:00 P.M.	**CALL TO ORDER**
	A. Roll Call
7:10 P.M.	**City Manager Introduction**
7:20 P.M.	**Five Year Forecast (Gary Wallis, Joanne Ossanna)**
8:00 P.M.	**General Fund Alternatives (Gary Wallis, Joanne Ossanna)**
8:40 P.M.	**Year 2000 Plan Closure (Gary Wallis, Joanne Ossanna)**
9:15 P.M.	**West side Debt Capacity (Gary Wallis)**
9:45 P.M.	**Draft Financial Policies(Gary Wallis, Joanne Ossanna)**
10:00 P.M.	**ADJOURN**

Time frames for agenda items are not time certain (i.e. Agenda items may be considered earlier than indicated. The Mayor will call for a majority vote of the Council before allotting more time than indicated for an agenda item.) Assistive Listening Devices (ALD) are available for persons with impaired hearing and can be scheduled for this meeting if required at least 48 hours prior to the meeting. The city will also endeavor to provide the following services, without cost, if requested at least 48 hours prior to the meeting:-Qualified sign language interpreters for persons with speech or hearing impairments. Qualified bilingual interpreters. To obtain services, please contact the City Recorder, (503)570-1506 or king@ci.wilsonville.or.us

City of
WILSONVILLE
in OREGON

MEMORANDUM

To: Budget Committee

From: Bryan Cosgrove, City Manager

Date: October 31, 2012

Subject: Five Year Financial Forecast

On behalf of the entire management team, I am pleased to present the updated 5-Year Financial Forecast for the City of Wilsonville along with the General Fund Resource Alternative Study, Urban Renewal Agency Year 2000 Plan Closure Options, Urban Renewal Agency West Side Debt Load Availability and an updated draft of the city's Financial Policies. These reports were produced by Gary Wallis of Wallis Enterprises, LLC working in collaboration with our new Finance Director, Joanne Ossanna. The reports include data derived from a number of sources including valuable input from every department of the City.

The Budget Committee provides an important financial oversight role for the community. We appreciate your service, and look forward to discussing these documents with you on November 13.

Below is a brief description of each report included in your packet:

Five year Financial Forecast 2013-14 through 2017-18
The Five-Year forecast provides an evaluation of the City's current financial condition as well as a view of the economic, financial and operational outlook for the City. Armed with factually accurate, timely, and objective information about the City's financial condition, elected officials can help ensure the stability of Wilsonville's general and other municipal funds. With continued financial viability, the City can anticipate and meet community needs and enable additional economic diversification and growth for many years to come.

As you review the forecast, please keep in mind that financial forecasting is not a substitute for the annual budget. The forecast is based on assumptions tied to budget history, revenue and expenditure trends, existing levels of service, anticipated construction activity, interest earnings, and a variety of other factors.

General Fund Resource Alternatives Study
The current 5-Year Forecast shows revenues and expenditures for operations nearly equal to each other over the next five years, and capital maintenance projects being funded from the carryover balance. The balancing of operating revenues and expenditures was achieved by cost reductions, an ongoing commitment to control future costs, anticipated tax increases from new development and an assumption that investment returns will increase modestly from current historic lows. The carryover

balance can be used to pay for capital maintenance costs in the short-term, but this practice is not sustainable. In addition, there are other factors to consider in future years such as park equipment replacement and increased parks maintenance costs, potential increase in patrol officers and increased capital maintenance to name a few. This report focuses on four potential alternatives for increased revenues.

Urban Renewal Agency Year 2000 Plan Closure Options
The Closure of the Year 2000 Plan urban renewal district (District) is one of the alternatives identified in the General Fund Resource Alternatives Study. The closure of the Year 2000 Plan District would provide the following benefits: release tax dollars to the City's General Fund; release tax dollars to numerous other taxing jurisdictions; decrease the amount of acreage the City has tied up in urban renewal (thus allowing that area to be added to a new district such as Coffee Creek), and; demonstrate to the public and other taxing entities that the City is being responsible by closing a district once the identified projects have been completed.

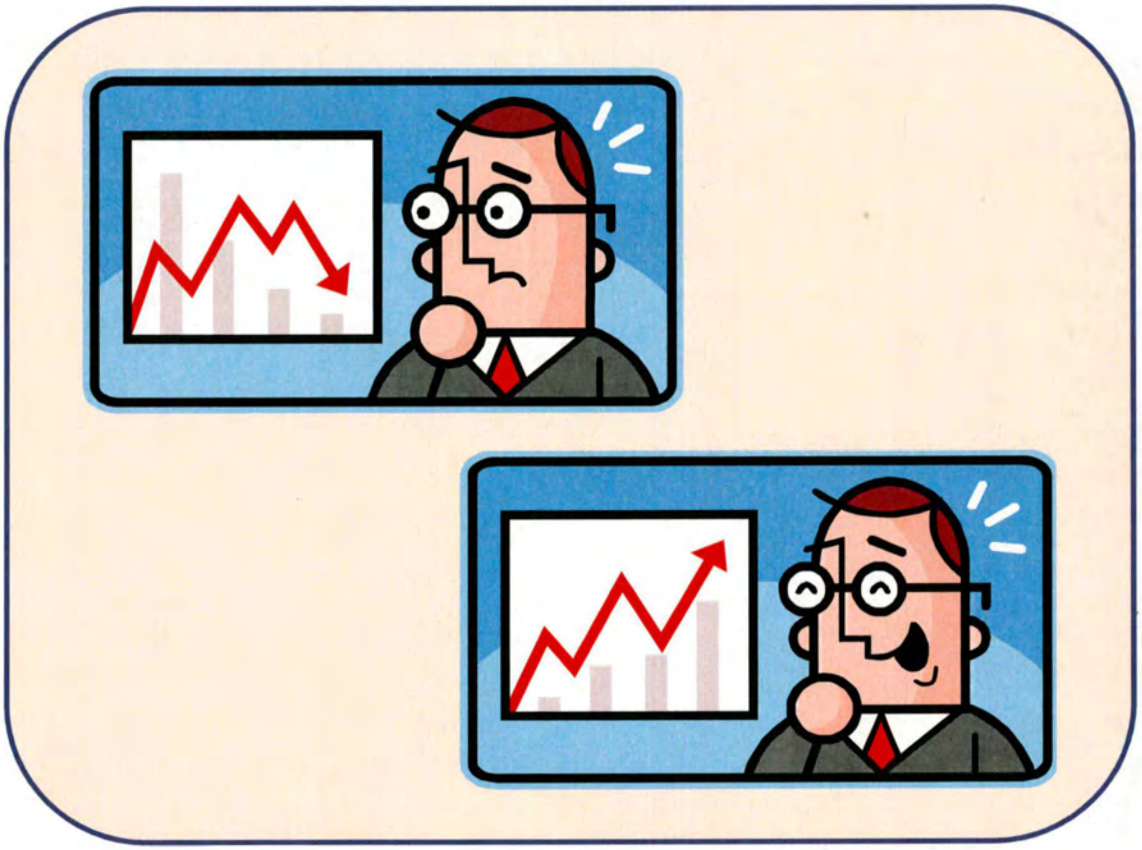
Urban Renewal Agency West Side Debt Load Availability
The focus of this report is to discuss the necessity to increase the maximum indebtedness of the district to carry out necessary projects. A majority of the remaining projects are necessary to facilitate future growth, improve transportation connectivity, and are tied to development agreements. The report provides project descriptions and cost estimates for the remaining projects, and a financial overview for increasing the maximum indebtedness of the district and, therefore, the lifespan of the West Side District.

Draft Financial Policies
The Comprehensive Financial Management Policies assembles all of the City's financial policies in one document. The purpose of the policies is to insure that the City is financially able to meet its immediate and long-term service objectives. The individual policies contained in the policy document serve as guidelines for both the financial planning and internal financial management of the City.

The draft plan included in your packet represents the first major revision to the City's financial policies in well over a decade. The policies are being provided to you well in advance of the spring Budget Committee meetings to allow for maximum opportunity to review and comment. We welcome your feedback on the policies between now and next Spring when we ask the Budget Committee to adopt the proposed policies. Please provide feedback to Joanne Ossanna via email at Ossanna@ci.willsonville.or.us or you can call her at 503-570-1511 to set up a meeting to discuss your questions or to provide feedback.

Five Year Financial Forecast

2013-14 through 2017-18



Prepared for:	Bryan Cosgrove, City Manager
Prepared by:	Gary Wallis, Wallis Consulting
Date:	October 30, 2012

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Introduction

Purpose of the Forecast

The 5-Year Financial Forecast takes a forward look at the City's revenues and expenditures with the purpose of identifying financial trends, shortfalls, and issues so the City can proactively address them. Future results are projected based on the City's current service levels, policies and unavoidable future impacts.

This Financial Forecast is not intended as a budget, or as a proposed financial plan. The intent is to simply forecast each operating fund's financial position under certain assumptions. The forecast then sets the stage for the upcoming budget process, aiding the City Manager, Budget Committee and Council in establishing priorities and allocating resources appropriately. Responsible financial stewardship is imperative to provide for the current and future needs of the community. Forecasting is one of the most powerful tools the City has available to help make informed financial decisions that will ensure the City's future vitality and economic stability.

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 development, inflation, personnel costs, expected levels of service, interest rates and known future events that will affect operations. A goal of forecasting is to neither overstate revenues nor understate expenditures.

Despite the best efforts to forecast the future reality always tends to set its own course. Some big items are beyond the scope of the financial model and control by Council and staff. Examples of events that could significantly affect the financial future are Congresses ability to deal with the Fiscal Cliff, military action in the Middle East, terrorist attacks on the homeland and even more local events such as a major earthquake. Any of these could make the assumptions and the model results obsolete.

Last year the model forecasted at three levels: Optimistic, Middle Level and Pessimistic. This year focuses on just the mid-level or the best estimate of what will occur. Within each fund is a section dealing with potential future impacts. It is here that financial impacts of events outside of the status quo assumption are explored and quantified.

The base year which drives the future calculations is 2012-13, the current fiscal year. The budget is revised for known changes as well as estimated cost savings and other adjustments. The goal of starting with a revised forecast is to not compound variances that might exist today. It is important to note that the budget has not been revised for the current year, only the estimate of how actual will compare to adopted.

Forecasting of capital improvements funded from operating resources is based on available resources. When possible, operations are funded first and remaining resources are allocated to fund capital improvements. This can mean that improvements are delayed until enough funds accumulate. Improvements which are too expensive to be paid from net resources are assumed to be funded via bonded debt. The impact of issuing debt is reflected in the Debt Service portion of the fund forecasts. Grants and developer contributions for capital improvements are included when there is a reasonable assurance of receipt.

Executive Summary

The accompanying report is a combined effort of all City staff. Each department provided insight into future year operating revenues and costs. The goal in assembling this report is to reveal trends, highlight financial issues, and provide suggestions/options. Feedback and input from the Budget Committee is welcome on these issues.

Because the Fund Section and Appendices provide detailed fund information, the executive summary will focus on the most significant issues facing the City.

Overview

In the past year Council has addressed many of the financial issues identified just a year ago. For example, stormwater was identified as the number one issue last year. Since then a master plan was adopted and rate increases were approved. The current outlook for that fund is stable whereas a year ago it was on the verge of incurring fund deficits. Another example is the wastewater treatment plant. A contractor was chosen, user rates were increased and bonds were issued to finance the improvements. It too has a stable financial future. Even the water fund was having some difficulties. Since then Sherwood began taking a larger quantity of water and sharing in the production costs. That has provided some cushion for water operations. In fact, most every fund has a stable outlook.

Funds to Watch

General Fund

A year ago Council directed a number of budget reductions. Those reductions in combination with controlled growth in costs and new property taxes from new developments create a favorable outlook for the General Fund. The recurring revenues and expenditures are expected to be at breakeven or better, or nearly so, over the next five years. However, this assumes no increase in service levels and any increase will most likely necessitate new revenues.

Parks maintenance is one area where service levels are expected to increase. Maintaining the new regional parks in Villebois will add new costs. In addition, maintenance of other community-wide facilities is expected to increase in the coming years. These costs could add $300,000 per year by the fifth year of the forecast.

The number of deputies on patrol is another area where service levels may increase. The number of officers has remained constant at 11 since 2004-05. As the city grows in both population and number of businesses the need for another officer will likely arise. Population is not the sole determinate; consideration is also based on call volume (demand for service). In today's costs, one patrol office costs about $160,000 and includes supervision, training, vehicle, equipment, etc.

When the fund is at breakeven it does not provide for one-time capital items or grow reserves. Fortunately the fund enjoys an unrestricted balance which is available for such uses, but a better long range strategy is to provide for future needs by producing revenues slightly higher than costs.

Several alternatives for the General Fund are presented in a separate report. In summary, the report proposes that closing the Year 2000 Plan district (aka East Side) would release about $800,000 per year, by the fifth year, in taxes to the General Fund. Two other revenue sources are proposed: adjustment to current right of way rates and a new parks maintenance fee. The Budget Committee should discuss the alternatives and provide guidance on the desired course of action to take.

City in Transition

Finally, there is one issue that doesn't need immediate attention but has the potential to be a very large problem in future years. Although we tend to think of Wilsonville as a new city, in reality there are some areas of Wilsonville where the existing infrastructure exceeds 40 years in age. Water, sewer and storm lines tend to have a long life but over time the lines degrade from use, the soil settles and breaks occur. Since the lines are underground, how is the extent of the problem determined? Years ago the City waited until a line broke and then reacted to the emergency. Today, a proactive approach is taken with videotaping sewer and storm lines conditions. The video helps to pinpoint hidden problems and reveals the extent of damage.

Most of the failing components aren't at a critical stage. That is, they aren't in danger of total collapse nor do they put the system in jeopardy. However, ignoring the problem is not an option as the City needs to protect its critical infrastructure. Public Works has analyzed the data from the sewer videotaping and added the high priority repairs to the capital improvement plan. The department is working on developing a similar plan for stormwater lines. At this point the dollar impact of the problem is not known. But, recent work to repair failed components could be a good indicator: Boeckman Upper Creek culvert replacement cost $600,000.

Forecasting Note

The forecasted amounts are estimates based on current year costs and professional judgment. Reality will be different. This report should be used as a general guideline and will need to be adjusted in future years as actual results vary from the forecasted amounts.

Major Assumptions

Operating Revenues

The City received about $35 million in operating revenues last fiscal year. Over 75% of that total is accounted for in eight revenue types with key assumptions provided below.

Revenue	Actual FY 2012	as %
Property taxes	$ 5,072,000	19%
Payroll taxes	4,049,000	15%
Right of way charges	2,649,000	10%
Water fees	5,187,000	20%
Sewer fees	5,549,000	21%
Stormwater fees	972,000	4%
Gas taxes	1,072,000	4%
CD permits	1,635,000	6%
Total major revenues	$ 26,185,000	

The remaining $9 million in operating revenues includes interest income, court fines, library and park fees, grants, county and state shared revenues, and internal service charges.

Property Taxes – General Fund

Taxes are based on assessed value which is determined by the County Assessor. Generally, assessed values grow by 3% per year as allowed by the State Constitution plus new construction. There is no correlation between real market value and assessed value. The City's tax rate remains stable at $2.5206 per $1000 of assessed value.

Real market value is not anticipated to decline below assessed value. New construction is anticipated in many areas of the community over the five year period including many developments outside of an urban renewal area. New housing starts are estimated at 116 single family homes, 580 apartment units and a few commercial/industrial developments. The following table summarizes the property tax assumptions.

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
New housing units		15	41	40	20
New apartment units	290		290		
Estimated AV growth all new construction	$40 million	$17 million	$45 million	$19 million	$12 million
Estimated AV growth with 3% Measure 50 allowance	$64 million	$65 million	$68 million	$71 million	$74 million

Payroll Taxes – Transit Fund

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. The wage growth rate is estimated to increase between 3% and 5.5%. Historically wages have grown an average of 5% per year over the past 10-years. Wages from new jobs also contribute to the payroll tax estimate. The following table summarizes the payroll tax assumptions.

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
New jobs created	45	40	60	70	80
Wage base increase	3%	4%	4.5%	5%	5.5%

Right of Way Charges – General Fund
These fees 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%; electric, natural gas and cable television at 5%; water, sewer and stormwater at 4%; and garbage at 3%. Usually, this resource grows between 3% and 11% per year with the forecast assuming a 3% growth.

Utility User Charges – multiple funds
Drivers for utility are based on demand estimates. The historic water consumption pattern has been declining. Increases tend to be associated with new customers. Sewer usage parallels water consumption. Stormwater is calculated on impervious surface area and therefore more stable. The table below presents forecasted assumptions. Previously approved council rates for sewer and stormwater are shown.

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Consumption change	1%	-1%	1%	-1%	-1%
Water rates	2%	2%	2%	2%	2%
Sewer rates	11%	5%	1%	1%	1%
Stormwater rates	18%	3%	3%	3%	3%

Gas Taxes – Road Operating Fund
Passed in 2009, HB 2001 increased state gas taxes from 24 cents to 30 cents in January 2011. Distributions to the City are largely influenced by population. Offsetting any increase is an expectation that historic declines in the tax will continue. The following table shows the expected population change in Wilsonville and a best guess at the annual decline in taxes.

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Population change within city	3.4%	0.6%	3.3%	0.4%	0.2%
Best guess for annual decline	-2%	-2%	-2%	-2%	-2%

Road Maintenance Charges – Road Maintenance Fund
This resource is dependent on the number of residential and business customers. Forecasts assumes a 1% annual increase.

Building, Planning and Engineering Permits – Building and CD Funds
Permit revenues are based on identification of specific developments with assumptions based on which fiscal year the development is likely to begin. The estimates for permits are summarized in the following table.

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Building related	$860,000	$660,000	$745,000	$440,000	$250,000
Engineering related	$280,000	$135,000	$425,000	$105,000	$210,000
Planning related	$207,000	$207,000	$200,000	$205,000	$207,000

Other Resources

Transfers In – Operating Funds

This category relates to services one fund, e.g. the General Fund, charges another for services provided. Transfers into the General and Community Development Funds are estimated on 2% and 12%, respectively, on City funded capital projects. For large projects, such as the wastewater treatment plant, an estimate of the staff time is made in lieu of a percentage of the project cost.

Operating Expenditures

Personal Services

Personal services compose 45% of total operating expenditures. Key components of this category are wages, retirement and health insurance. The model assumes continuation of current wage and benefits practices and reflects the union contract; however, staff has identified the need for a class and compensation policy. In the past three years, total personal services have increased about 4% per year. The average going forward is about 5% with the higher rate due to PERS and insurance. The table presents the assumptions used in the forecast. Represented employees cost of living reflects current contract. PERS reflects the recently announced rate increase.

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Represented cost of living	1.75%	2.5%	2.0%	2.0%	2.5%
Represented merit, if eligible	4%	4%	4%	4%	4%
Represented, % at top of range	30%	40%	60%	75%	75%
Non-represented cost of living	0%	0%	0%	0%	0%
Non-represented merit	0-4%	0-4%	0-4%	0-4%	0-4%
PERS, as a percent of wages	22%	22%	22%	22%	22%
Insurance, % premium increase	8%	10%	10%	10%	10%

Materials and Services

The table below presents the annual inflation assumptions. Certain costs which are not affected by inflation are excluded from these estimates: CH2M Hill sewer contract assumes the contracted amount with 3.5% annual increases and the Clackamas County Sheriff Office contract assumes 5% per year increases.

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Annual inflation	2.0%	2.0%	2.5%	3.0%	3.5%

Capital Equipment

Replacement of existing trucks, buses and cars compose the majority of forecasted capital outlay. The table below presents the expected costs by program area. Fleet has a cash reserve to pay for replacements. The large estimate in 2014 for Fleet is to replace a 20 year old Vactor that is used by sewer and stormwater maintenance crews. Federal grants help pay up to 80% of transit buses and a recent $1 million Clean Fuels grant is included.

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Fleet (citywide except buses)	$778,000	$137,000	$192,000	$86,000	$406,000
Transit (buses)	$312,000	$1,063,000	$625,000	$625,000	$625,000
Other	$120,000	$140,000	$120,000	$130,000	$120,000

Debt Service

Estimates are based on amortization schedules for outstanding debt issues. No new debt is anticipated in the forecast period.

Other Uses

Transfers Out

This is the counter-part to Transfers In category. Transfers out from operating funds are primarily for administrative services provided by departments within the General Fund. Transfers out from capital project funds are a combination of engineering services and project administration provided by departments within the Community Development Fund and General Fund.

Economic Development Incentives

The model does not assume the use of resources for economic development incentive programs. The effect of such incentives would be determined based on the specific terms to be offered.

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General Fund

Variances from Status Quo Assumptions

- None

Key Assumptions

- No change in staffing levels
- No increase in the number of Patrol Officers
- A budgeted $700,000 inter-fund loan to the Stormwater Fund will not be necessary

Economics, Revenues and Expenditures

Resources during the past few years have grown at a slower pace than preceding years. This is the result of the economic downtown felt nationwide. Interest earnings have been the hardest hit dropping from $500,000 per year to $100,000. Investment returns are expected to eventually rise and provide some relief to the Fund. The forecast assumes rates will rise slowly and by the fifth year return to at least $370,000. Property taxes in the past three years have grown less than the average of the previous five years. The growth In 2011-12 was $52,000 and 2012-13 is expected to be $72,000 compared to the average of the prior five years of $170,000.

Property taxes are the primary resource for this fund and compose 40% of annual resources. Growth is expected to be slightly greater than 3% per year comprised of the 3% allowed under Measure 50 plus new construction. New construction includes both north and south Jory Trail (Brenchley), Mentor Data Center, Willamette Landing subdivision and other housing developments. Compared to the past few years when very little new construction occurred the outlook is encouraging.

Right of way fees are the second most significant resource and compose 23% of annual resources. These are charges on utilities that use the City's right-of-way. The charges are based on the gross revenues of the utilities sales in Wilsonville. As development increases and businesses expand, this revenue is expected to increase as well. The forecast assumes a modest 3% annual growth in this resource.

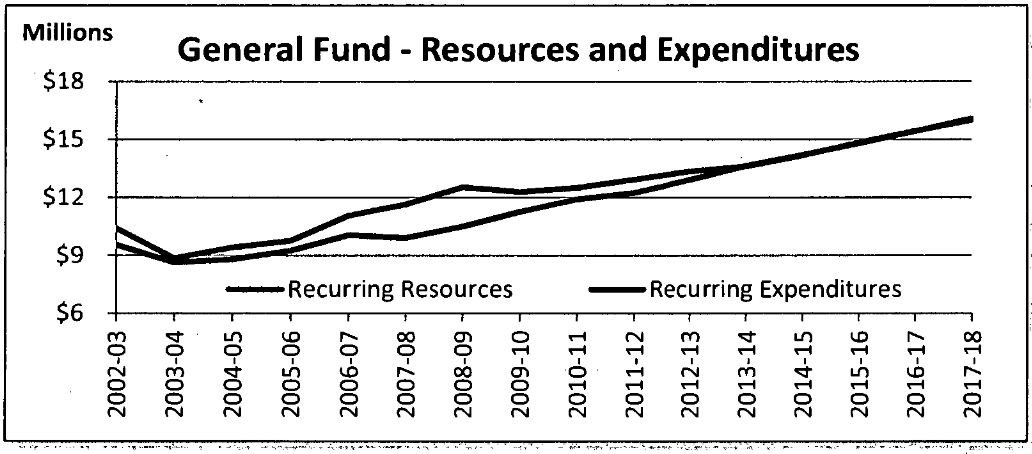
Intergovernmental revenues are the third largest category and compose 12% of the total. Major components of this category are state shared revenues (cigarette taxes, liquor taxes, and state shared revenues) and the City's share of the Clackamas County Library District Levy. Revenue growth in this category range from near 0% to 3% with the City's share based on formulas in which population is a key factor. State shared revenues for 9-1-1 emergency communication, $90,000 per year, will ceased to the City beginning January 2013. Instead, these monies will be distributed to Clackamas County which operates the dispatch center serving Wilsonville.

(General Fund continues on next page)

Inflationary impacts are expected to increase service delivery costs by about 4.5% per year. Most of that increase is associated with personal services - merit increases, cost of living adjustments and the cost of related benefits (PERS and health insurance). General inflation is assumed to grow from 2.0% to 3.5% by the final year.

Not included in the forecast is an expected increase in costs for parks maintenance, both within Villebois and citywide. Villebois parks include Sofia, Palermo and the Greenway. The City does not maintain Villebois tot-lots. Citywide maintenance identified at this time includes cameras at Murase, trail work at Boeckman Creek and Park at Merryfield. Maintenance costs are not limited to these items. Costs will further increase from additions such as a skate park, Advance Road park and recreation/swimming pool center. Recurring costs should be paid from recurring revenues. Scheduled playground equipment at three parks is also anticipated. Reserves set aside for parks would be sufficient to cover half of the playground equipment costs. For component costs see the table at the end of this General Fund section.

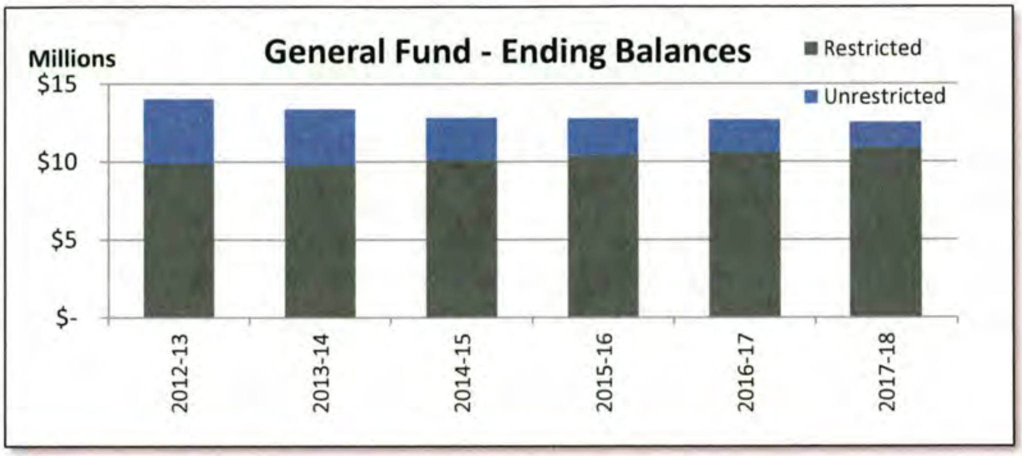
The graph below shows a history of recurring resources and expenditures. Program costs tend to increase at a consistent rate during this period. Resources grew at a higher rate in the past due to decisions to release urban renewal taxes to the General Fund and increase right-of-way fees for telecommunication utilities. The recent flat growth is due to the economic times – lower investment returns and slower property tax growth. Over the next five years resources and expenditures are projected to be nearly breakeven.



The forecast includes some $1.5 million for capital improvements. These projects include Memorial Park parking lot, a study of site circulation and parking, and several park improvements. However, since these costs would not be paid from recurring resources they are not included in the above graph.

Ending Fund Balance

The General Fund is in a very healthy financial position with $14 million in cash carryover. About $10 million has been designated as restricted for future use such as capital improvements, software and electronics replacement, operating reserves and $1 million for the wastewater plant expansion should construction costs exceed original estimates. The remaining $3 million is unrestricted. In conjunction with an update to the financial management policies staff will propose a structure for restricted versus unrestricted balances. The following graph focuses on just the ending balance and separates restricted portion from unrestricted.



The declining unrestricted balance is a combination of use for capital projects, growth in the restricted balance and funding small operating shortfalls noted above. Actual restricted balances will likely be less due to use on non-recurring costs such as software, building repairs, equipment replacement, etc. Such non-recurring costs are not included in the forecast.

Potential Impacts and Issues

Potential future demands could increase costs in this fund and thereby increase the shortfall. Staff has a plan to deal with the shortfall and that plan is provided in a separate document titled "General Fund Resource Alternatives"

Police Staffing Level: The City has maintained the current staffing level of 18 positions since 2005-06, except for a brief period when the Detective position was removed. It is reasonable to expect that this level will need to increase at some point. The full cost of a Patrol Officer is approximately $160,000 per year including wages, benefits, vehicle, equipment, supervision and administration provided by Clackamas County. The model does not include a change in the current level of service.

Large Capital Projects: Not included in the total is the contingent use for wastewater treatment plant costs over the original estimate. While several large capital projects have been identified, additional projects may arise during the forecast period.

Funding Alternatives

The forecast shows a balance between recurring revenues and expenditures; however, anticipated new costs for parks maintenance, police services and building/rebuilding reserves is not included. To provide for these costs additional resources is one solution. Identifying new resources is addressed more fully in a separate report titled "General Fund Resource Alternatives." The potential increases are summarized below.

Closure of Year 2000 Plan District: The district, commonly referred to as the Eastside, could be closed a few years from now. That would have the effect of redirecting city taxes from the urban renewal district to the General Fund. Although several years away at the soonest, the increase adds $800,000 more than is currently being received.

Parks Maintenance Fee: Medford and West Linn charge a parks fee. Gresham is considering a similar fee. More detail about the fee is provided in the separate report. If there is interest in considering a fee in Wilsonville staff can conduct a study.

Right of Way Rate Increase: Right of way rates are charged to utility companies that use the City's rights-of-way. 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: This option is presented for reference purposes. Although a viable tool in the toolbox, it has proven to be difficult to adopt in Oregon. Its greatest limitation is that it expires after five years; however, it can be reauthorized by another public vote. 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. This assumes no reduction from tax compression.

(General Fund continues on next page)

General Fund Forecast Tables

The following tables are summary values for the General Fund forecast. This scenario assumes a status quo for service levels and best estimate of future revenue and expenditure changes. Potential increases in parks maintenance, police service, etc. are not included.

General Fund 2014 through 2018 - Best Estimate							
	FYE2012 Actual	FYE2013 Forecast	FYE2014	FYE2015	FYE2016	FYE2017	FYE2018
Resources:							
Property Taxes	5,071,834	5,177,690	5,476,405	5,763,736	6,080,201	6,338,567	6,588,434
Licenses, franchise	2,985,144	3,028,650	3,118,304	3,210,622	3,305,686	3,403,577	3,504,379
Intergovernmental	766,081	734,240	600,363	607,288	626,574	633,146	638,913
County library	840,058	922,311	959,203	997,572	1,037,474	1,078,973	1,122,132
Fees	454,440	413,800	425,711	436,504	447,695	459,299	471,332
Interest	125,265	100,000	120,172	121,338	243,081	306,952	372,181
Other	575,015	510,600	532,050	539,301	546,760	554,437	562,342
Total revenues	10,817,837	10,887,291	11,232,207	11,676,362	12,287,473	12,774,953	13,259,714
Service transfers in	2,094,373	2,387,128	2,364,926	2,472,979	2,538,128	2,645,596	2,725,652
Total Resources	12,912,210	13,274,419	13,597,134	14,149,341	14,825,601	15,420,548	15,985,366
Expenditures:							
Policy & admin	3,978,560	4,093,560	4,328,729	4,489,638	4,666,070	4,855,084	5,052,625
Law enforcement	3,759,006	3,942,509	4,143,273	4,347,482	4,560,351	4,783,240	5,018,306
Public Works	1,970,252	2,244,688	2,381,461	2,467,461	2,558,883	2,656,484	2,762,408
Community Services	888,492	955,055	1,009,681	1,047,834	1,087,419	1,128,748	1,172,774
Library	1,432,557	1,460,937	1,555,117	1,622,304	1,688,335	1,755,048	1,826,833
Operating transfers out	200,000	200,000	204,000	208,080	213,282	219,680	227,369
Total operating exps	12,228,867	12,896,749	13,622,262	14,182,799	14,774,340	15,398,285	16,060,315
Net operating	683,343	377,670	(25,128)	(33,458)	51,260	22,264	(74,949)
Capital projects	(164,725)	(410,600)	(640,000)	(520,000)	(100,000)	(100,000)	(100,000)
Transfers in (out)	-	-	-	-	-	-	-
Annual surplus (shortfall)	518,618	(32,930)	(665,128)	(553,458)	(48,740)	(77,736)	(174,949)

General Fund 2014 through 2018 Percentage Changes Year over Year	FYE2012 Actual	FYE2013 Forecast	FYE2014	FYE2015	FYE2016	FYE2017	FYE2018
Resources:							
Property Taxes		2.1%	5.8%	5.2%	5.5%	4.2%	3.9%
Licenses, franchise		1.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Intergovernmental		-4.2%	-18.2%	1.2%	3.2%	1.0%	0.9%
County library		9.8%	4.0%	4.0%	4.0%	4.0%	4.0%
Fees		-8.9%	2.9%	2.5%	2.6%	2.6%	2.6%
Interest		-20.2%	20.2%	1.0%	100.3%	26.3%	21.3%
Other		-11.2%	4.2%	1.4%	1.4%	1.4%	1.4%
Total revenues		0.6%	3.2%	4.0%	5.2%	4.0%	3.8%
Service transfers in		14.0%	-0.9%	4.6%	2.6%	4.2%	3.0%
Total Resources		2.8%	2.4%	4.1%	4.8%	4.0%	3.7%
Expenditures:							
Policy & admin		2.9%	5.7%	3.7%	3.9%	4.1%	4.1%
Law enforcement		4.9%	5.1%	4.9%	4.9%	4.9%	4.9%
Public Works		13.9%	6.1%	3.6%	3.7%	3.8%	4.0%
Community Services		7.5%	5.7%	3.8%	3.8%	3.8%	3.9%
Library		2.0%	6.4%	4.3%	4.1%	4.0%	4.1%
Operating transfers out		0.0%	2.0%	2.0%	2.5%	3.0%	3.5%
Total operating exps		5.5%	5.6%	4.1%	4.2%	4.2%	4.3%
Net operating		-44.7%	-106.7%	33.1%	-253.2%	-56.6%	-436.6%
Capital projects		149.3%	55.9%	-18.8%	-80.8%	0.0%	0.0%
Transfers in (out)							
Annual surplus (shortfall)		-106.3%	1919.8%	-16.8%	-91.2%	59.5%	125.1%

Summary of Parks Maintenance Service Level:

The following table reflects identified needs known at this time. Future costs could be higher dependent upon infrastructure additions such as a skateboard park, development of Advance Road park and recreation/pool center. These costs are not included in the status quo estimates above.

	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Villebois (Sofia, Palermo, Greenway)	$7,500	$7,500	$7,500	$7,500	$7,500
Non-Villebois: Trails	$1,000	$4,000	$4,600	$4,600	$4,600
Staffing:					
Parks supervisor (.5 fte)	$55,000	$58,000	$60,000	$64,000	$67,000
Senior Utility (1 fte)		$79,000	$83,000	$87,000	$91,000
Utility worker (.5 fte)					$46,000
Playground equipment replacement:					
Boones Ferry			$130,000		
Town Center				$55,000	
River Fox					$100,000
Annual increase	$63,500	$148,500	$285,100	$218,100	$316,100

Community Development Fund

Variances from Status Quo Assumptions

- Permit revenues represent only known developments at this time

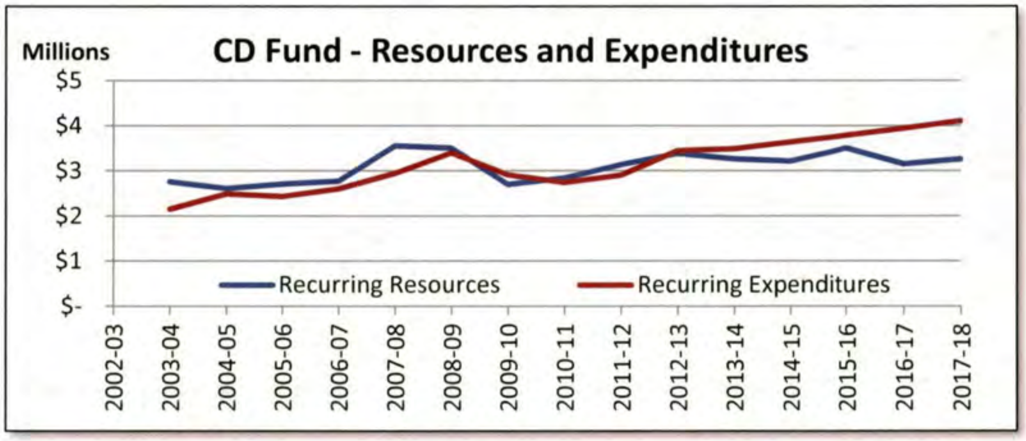
Key Assumptions

- High level capital projects is anticipated to produce the revenues that support engineering/admin
- General Fund contributes $200,000 per year towards long–range planning
- The recent increase in new development is expected to continue
- Staffing levels reduced in 2009 remain unfilled

Economics, Revenues and Expenditures

After several years of very slow growth in new single family housing units, the outlook is for several new developments to occur during the next five years. Villebois developers are actively building new residences and plans call for over 300 units in the coming five years. Other areas of the community are expected to see new development as well. Willamette Landing will add 30 upper-end homes, Copper Creek 27 homes, and Jory Trail (Brenchley) 60 homes. Other anticipated development includes redevelopment of the vacant Living Enrichment Center with 90 homes and the Frog Pond area with 90 homes. New apartments are also anticipated within Jory Trail development. Estimates for new growth are based on plans submitted by developers or through early discussions with developers on future activity. Regional economic conditions will determine whether the construction moves forward at the pace anticipated.

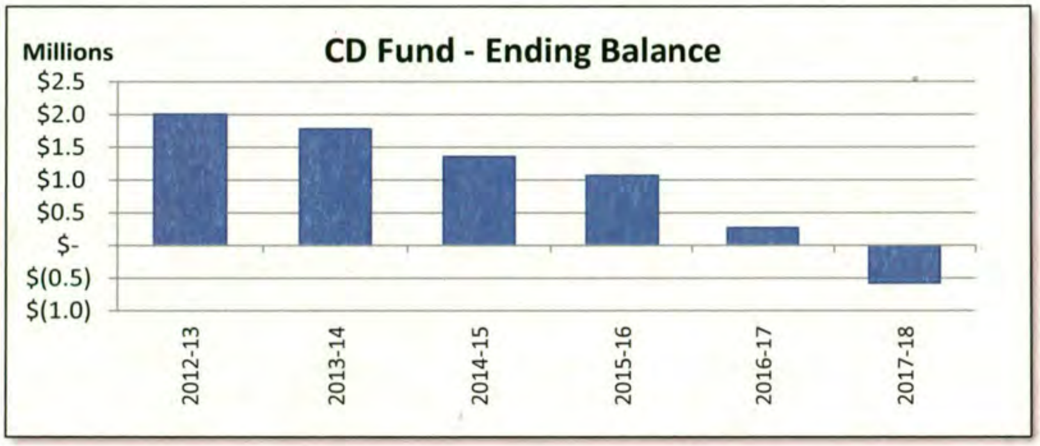
New construction provides fees for Planning and Engineering. The annual average is forecast at $500,000. Another key resource for this fund comes from service charges on capital projects managed by staff. The model assumes an average of $2.5 million per year and reflects an active construction of infrastructure. Staffing levels that were reduced in 2009 are not assumed to be refilled. The department has recently used contracted services to meet increased demands.



Since forecasted resources are based on currently known planned developments and construction projects, the declines in year four and five will likely not occur as new development plans arise in the ensuing years.

Ending Fund Balance

The Community Development Fund balance is a combination of an initial infusion from the General Fund when it was separated from the General Fund and from annual net operations. The forecast shows this balance declining over time. This is a result of conservative estimating for revenues based on planned developments known today. Historically this fund has been managed to be stable through seeking new revenues and reducing costs.



Potential Impacts

Less growth: Although current trends indicate a period of growth, an environment of less development would have an adverse impact on this fund. If new development were half the anticipated level, the average annual reduction in permit revenues would approximate $250,000, or about 7% of the total resources.

The past decline in new construction and development plans has been managed by staffing and operating reductions dating back to 2009. To meet recent increases in demand the department has utilized temporary contracted services. Should development activity return to the levels of pre-Recession, the department may need to increase staffing or use contracted services.

Non-billable Services: A particular challenge to balancing revenues and expenses in this fund are the multitude of services provided for which no charge can be assessed. Examples include: working with the county and state on development south of Charbonneau, Interstate 5 connector discussions, planning for Basalt Creek area, participating with Metro, Washington and Clackamas Counties on transportation planning and urban growth issues, and responding to potential developers and businesses that don't result in construction permits. Increases in the number or intensity of such demands could pose challenges in balancing this fund and/or a need to identify a new revenue source that would pay for these important services.

It has been nearly 10 years since the last review and revision to planning permit fees. While Planning is not a profit center, the fees should be set sufficient to cover the costs of providing services to current development.

Building Fund

Variances from Status Quo Assumptions

- Permit revenues represent only known developments at this time

Key Assumptions

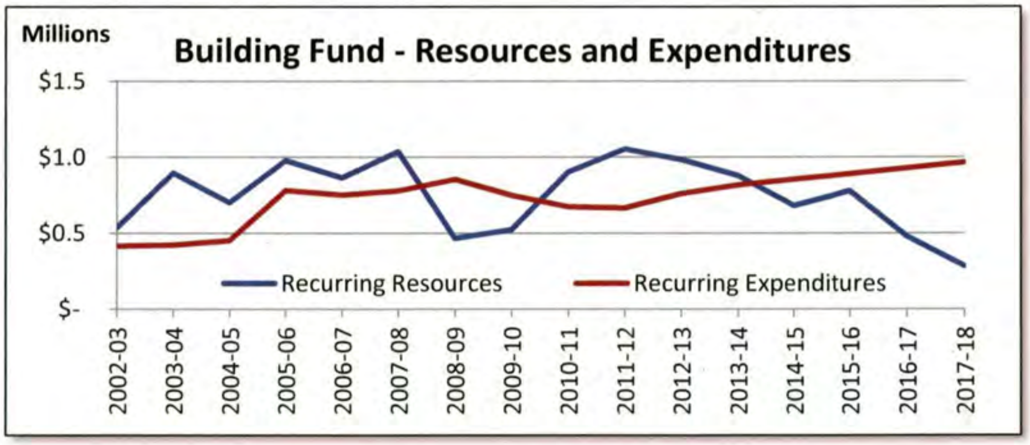
- Staffing levels reduced in 2009 remain unfilled

Economics, Revenues and Expenditures

After several years of very slow growth in new single family housing units, the outlook is for several new developments to occur during the next five years. Villebois developers are actively building new residences and plans call for over 300 units in the coming years. Other areas of the community are expected to see new development as well. Willamette Landing will add 30 upper-end homes, Copper Creek 27 homes, and Jory Trail (Brenchley) 60 homes. Other anticipated development includes redevelopment of the vacant Living Enrichment Center with 90 homes and the Frog Pond area with 90 homes. New apartments are also anticipated within Jory Trail development. Estimates for new growth are based on plans submitted by developers or through early discussions with developers on future activity. Regional economic conditions will determine whether the construction moves forward at the pace anticipated.

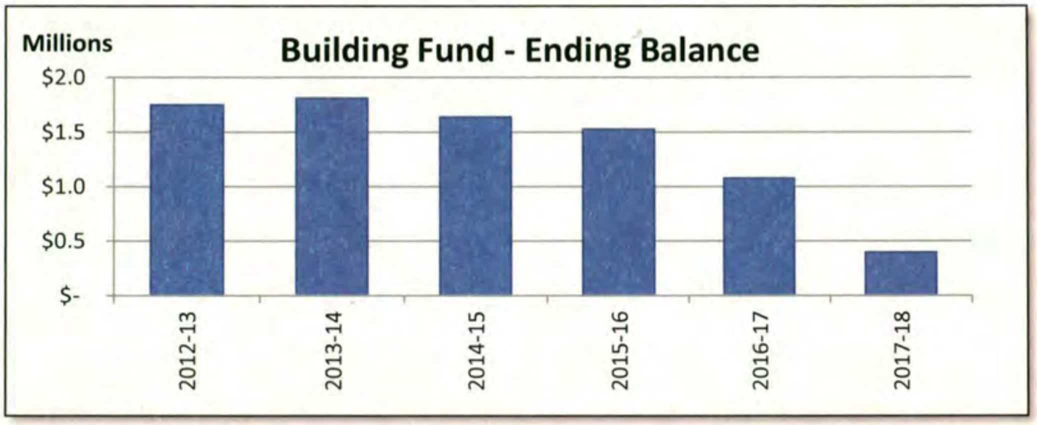
The major resource for this fund is building permit revenue. The aforementioned construction level is significantly greater than the trends during the recession. The Building Inspection program has conservatively estimated the future permit fees by limiting revenue estimates to just those developments that are known at this time. The nature of permit revenue is that the fees are collected prior to the work being done and therefore a surplus in one year may be followed by a shortfall the next.

Shortfalls in years four and five are simply due to limiting projections to developments currently in the planning stage. Should the economy recover more new construction will likely be occur thus reducing or eliminating the deficit.



Ending Fund Balance

The Building Fund has maintained a fairly stable ending balance during the recessionary period. This was accomplished by managing costs to revenues. Although the following graph depicts the balance declining, the program is expected to continue to manage to available resources. The graph shows that there are sufficient carryover resources for the program to make adjustments during the coming years.



Since forecasted resources are based on currently known planned developments and construction projects, the declines in year four and five will likely not occur as new development plans arise in the ensuing years.

Potential Impacts

Less growth: Although current trends indicate growth, an environment of less development would have an adverse impact on this fund. If new development were half the anticipated level, the average annual reduction in permit revenues would approximate $350,000, or about 50% of the total resources.

Delays in developers submitting plans or starting construction will affect the bottom line. The City will closely monitor the actual revenues against the forecast and will take corrective action if necessary. This fund is projected to have sufficient resources to carry the program through the next five years.

A return to a "normal" level of development may necessitate an increase in staffing or use of contracted services.

Transit Fund

Key Variances from Status Quo

- Bus replacement capital outlay varies from year to year. Average is $625,000 per year with 80% funding from grants.

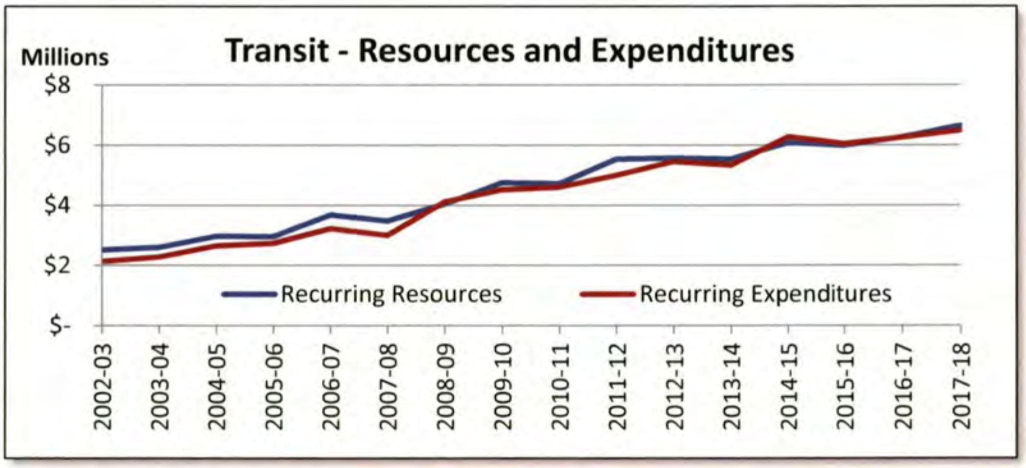
Key Assumptions

- Service levels and staffing remain constant
- Payments to TriMet for rail operations continue and increase annually via inflation assumption
- No future BETC receipts are forecast.

Economics, Revenues and Expenditures

With the downturn in the economy, hundreds of jobs within the City were lost and payroll tax revenues declined. While many of these jobs are lost forever, new businesses have announced their decision to locate in Wilsonville. Revenues have rebounded slightly. Because of the uncertainty of the current economy, it is challenging to accurately project tax revenues. The forecast assumes a conservative annual increase of 50 new jobs which equates to $12,500 in taxes. Wage increases for existing employment is the larger driver and assumptions of 3% to 5% translate into annual increases between $150,000 and $270,000. By comparison, taxes increased by about 3% in each of the past two fiscal years.

About 85% of Transit's services are paid by the local payroll based tax. The remaining 15% comes from state and federal grants and fares. Grants for buses are not assured. The jagged shape of the graph below reflects the varying capital grant receipts and expenditures.



In a change from last year's forecast the costs for constructing a new facility were less than anticipated. Thus, borrowing from the General Fund is not required and fewer fund resources will be used towards construction.

Ending Fund Balance

Over many years this fund has accumulated money for rainy day use and infrequent large items such as bus replacements and building needs. The graph below shows a stable balance for the near term.

Potential Impacts

The Transit Master Plan was completed in 2007 just before the economic downturn. Except for changes related to WES, all program enhancements have been put on hold. The enhancements include extending the Portland route into downtown Portland, new routes to service Daydream, Villebois and Charbonneau areas, a stop at Woodburn for the Salem route, and frequency increases in certain routes.

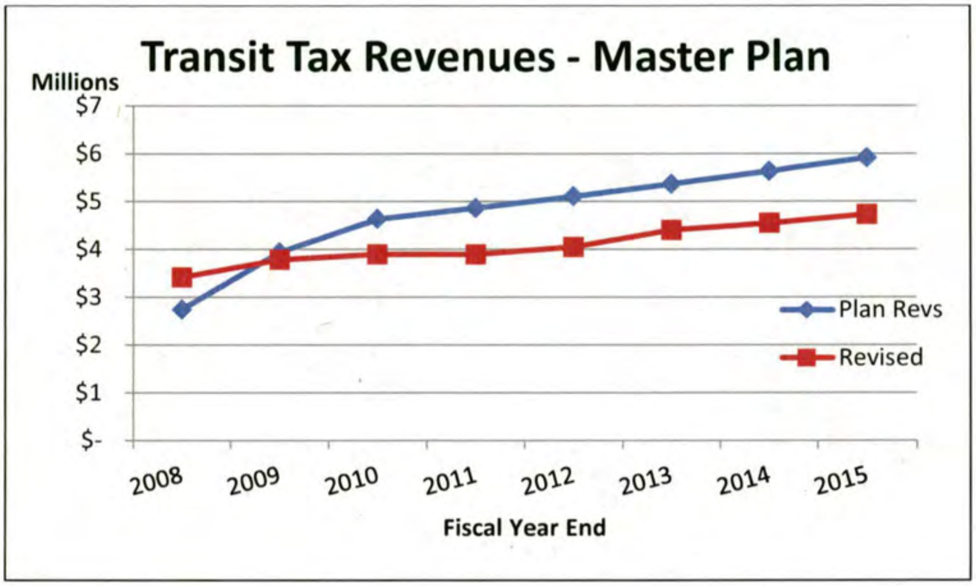
The fleet of buses is aging, especially the larger 35' and 40' buses. The City will need to replace approximately 11 large buses in the near future. Large buses cost approximately $450,000. Historically, federal grants have provided 80% toward the cost of buses, leaving local money to cover the remaining 20% or $90,000 per bus. The forecast includes a recently awarded $1 million grant for bus purchases. As other grants become available, the program will place orders for additional buses. The ending fund balance would be used to cover the cash match for these large items.

With recent changes by the state legislature no future BETC receipts are anticipated. To date SMART has received about $3.2 million in Business Energy Tax Credits (BETC) from the State. These credits were converted into cash and the proceeds are unrestricted. SMART used a small portion on bus replacement, new signage, bus wraps and preparation for the opening of WES.

(Transit Fund continues on next page)

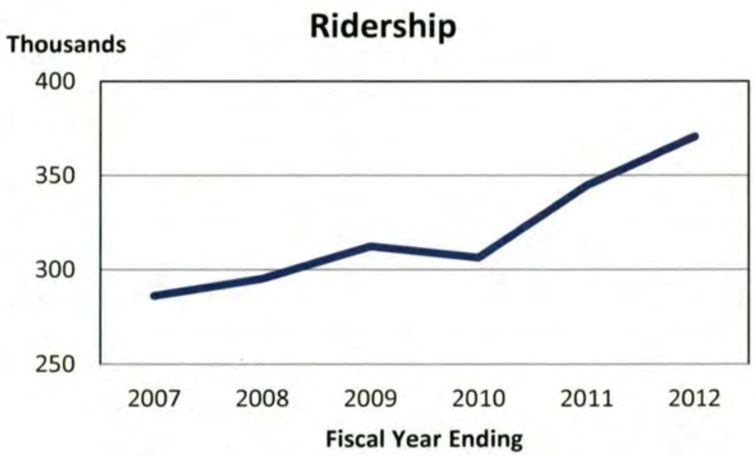
Actual vs Master Plan

In 2007 a Transit Master Plan was completed. The Master Plan embraced conservative estimates but did not contemplate the economy tanking. The graph at right shows the significant difference in revenues as a result of jobs lost. For FYE 2012 the difference is $1.1 million. By 2015 the difference could be $1.5 million. The Master Plan anticipated new or enhanced service levels would be funded by the increased revenues. Instead, Transit has held its service level constant.



Ridership Statistics

Use of transit services continues to grow despite the economic downturn, or perhaps because of it.



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Water Operating Fund

Variances from Status Quo Assumptions

- Nominal annual rate increases of 2%
- Increase maintenance costs per master plan

Key Assumptions

- No significant variations in weather that would change consumption patterns
- No new major industrial water users nor loss or decline of current industrial users

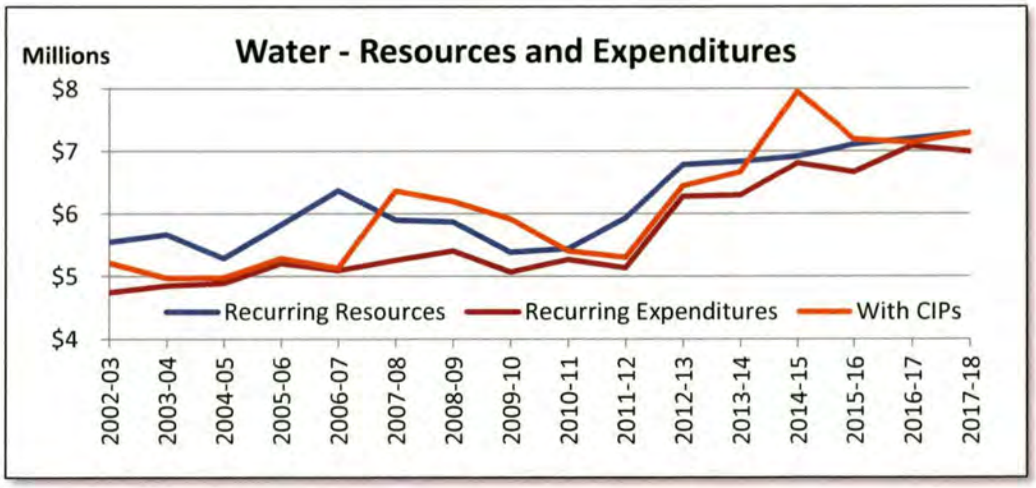
Economics, Revenues and Expenditures

Revenues and treatment costs are driven by consumption which has been declining over the past four years. Offsetting this trend is the City of Sherwood which began taking water in 2011. Sherwood's share in 2011-12 was $336,000 and represented only a partial year. In 2012-13 a full year of water is expected to increase to $950,000.

An increase in the number of users via new home construction will have a positive impact; however, the forecast anticipates that will be partially offset by existing users converting to more water efficient devices. This trend is felt nationwide and is attributed to low flow shower heads, efficient washing machines and toilets, and irrigation timers. With gross sales revenues remaining flat to declining in four of the last five years a series of small rate increases were implemented. The forecast assumes a 2% rate increase in each of the coming years. A rate study is planned for 2012-13 that will better determine the level of adjustment needed.

The recently adopted water master plan identified a need to increase maintenance efforts in certain areas. The efforts are necessary to maintain the water distribution system. The areas of increase include higher levels of exercising valves and fire hydrants, meter testing and replacement, line flushing and GIS mapping of existing lines. Annual costs include one new utility worker, $80,000, and miscellaneous replacement components, $180,000. These costs are included in the forecast model with the majority of new costs effective in FY 2014-15.

The graph below shows the recurring revenues and expenditures, both historically and forecast. Two lines are shown for expenditures, one without capital project costs and the other with. Capital improvements can vary widely from year to year and a separate line is presented to assist the reader with understanding the fluctuations of the fund. Recurring Expenditures includes debt service costs.

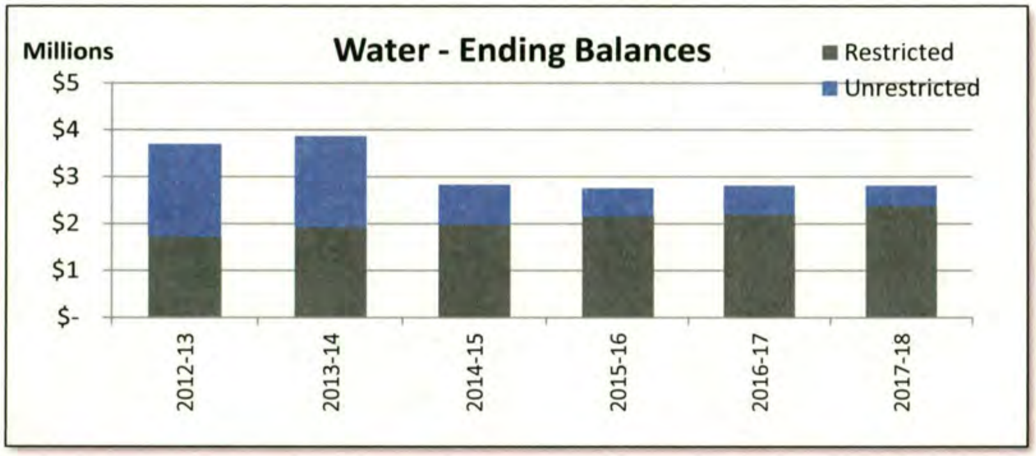


Ending Fund Balance

The Water Fund enjoys a fund balance consisting of both restricted and unrestricted components. The restricted portion includes cash reserves for treatment plant equipment major repair and replacement and building a cash reserve for debt service coverage as well as recurring contingency and ending fund balance. These reserves help create a stable financial condition for the fund. The unrestricted portion is most frequently used to pay for infrastructure repairs, that is, capital project costs.

The reserve for debt service coverage is not a bond covenant requirement but is established as a good financial measure. It serves as an added benefit to both bond holders and the General Fund (which is a pledge behind approximately $5 million of water bonds). Further, in the event the City should pursue water revenue bonds in the future such a balance will aid in the credit review of the fund. The goal is to build the reserve at $100,000 per year until $2 million is attained, which will take nearly 17 years.

The unrestricted ending balance declines due to planned capital projects that are funded on a pay-as-you-go basis.



Capital Projects – From Operating Revenues

A variety of projects totaling approximately $2.4 million are anticipated to be funded from operating resources over the next five years. These projects are primarily repairs and replacement and are not eligible for payment from system development charges.

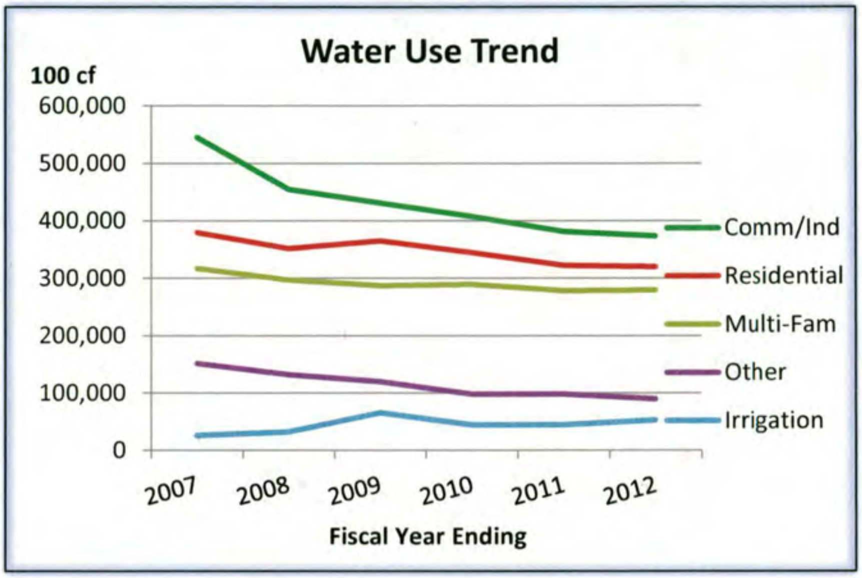
Potential Impacts

Sherwood: As the City of Sherwood takes more water the operations of the plant will need to expand to 24/7 and storage capacity becomes a more important issue for both Wilsonville and Sherwood. Operating costs are shared between the two cities based on consumption. The risk to either party is if the percentage share changes significantly, thus one party pays more than normal and the other less than normal. The model assumes the relative shares remain constant.

(Water Fund continued on next page)

Water Use Trend

The following graph is repeated from last year and shows the general decline in water sales over six years.



Water use peaked in 2006 and has been declining ever since. While part of the decline can be attributed to fewer business customers as a result of the economy, conservation certainly plays a role. Residential customers are a good indicator of this as their volume use declined while the number of total users increased. Conservation, while good for the long term, has reduced revenues. And, with so much of water operations in fixed costs there are not many options other than a rate increase to stabilize the financial position.

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Sewer Operating Fund

Variances from Status Quo Assumptions

- Rate increase of 12% and 10% in January 2013 and 2014. (Previously approved by Council Resolution)

Key Assumptions

- No new major industrial water users nor loss or decline of current industrial users

Economics, Revenues and Expenditures

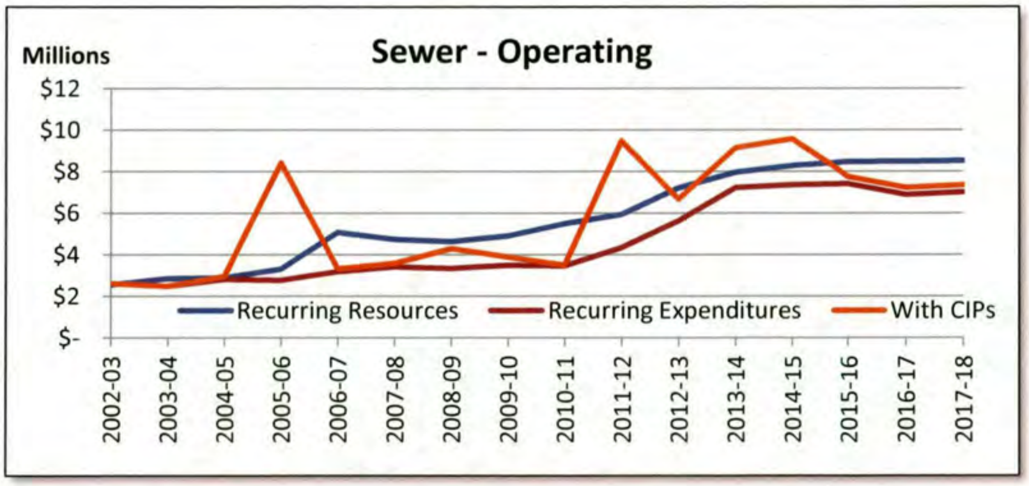
Revenues and treatment costs are driven by water consumption. With consumption trending downward, pressure on balancing revenues with costs has been a challenge. During 2011-12 Council took action to stabilize the fund via a series of rate increases which addressed the downward trend as well as providing sufficient resources for operating the new treatment plant and the related debt. The first of three years of rate increases was implemented January 2012. The remaining two increases are reflected in the model.

The revenues and expenditures in the forecast model closely agree with the values derived from an independent rate study. This is important and reassuring as the models are independent of each other and values are derived via different methods. Both methods predict that the fund will be in a stable position over the next five years.

The city videotapes the sewer collection lines to assess their condition. Besides the aging condition of the lines the building requirements in the 1970's were less stringent than today. The videotaping project has helped to identify the extent of future repairs. The cost of these repairs and replacement is included in the capital project estimates.

The graph below shows the recurring revenues and expenditures, both historically and forecast. Two lines are shown for expenditures, one without capital project costs and the other with. Capital improvements can vary widely from year to year and a separate line is presented to assist the reader with understanding the fluctuations of the fund. Recurring Expenditures includes debt service costs.

The increase in Recurring Expenditures from 2011-12 to 2013-14 is due to debt service on nearly $39 million in new debt which adds $3 million in annual costs. Costs are expected to decline about $650,000 in 2016-17 when older debt is fully retired. The jagged line shows Recurring Expenditures plus capital improvements.

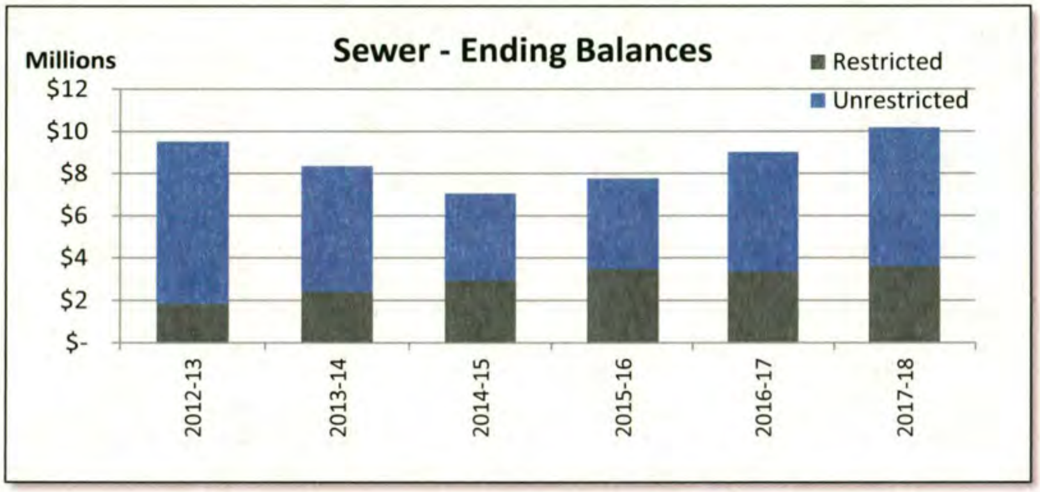


Ending Fund Balance

The Sewer Fund enjoys a fund balance consisting of both restricted and unrestricted components. The restricted portion includes cash reserves for treatment plant equipment major repair and replacement, recurring contingency and ending fund balance amounts and building a cash reserve for debt service coverage. These reserves help create a stable financial condition for the fund.

The reserve for debt service coverage is not a bond covenant requirement but is established as a good financial measure. It serves as an added benefit to both bond holders and the General Fund (which is a pledge behind the $39 million of sewer bonds). Further, in the event the City should pursue sewer revenue bonds in the future such a balance will aid in the credit review of the fund. The goal is to build the reserve at $500,000 per year to $3 million by 2017-18.

Unrestricted ending balance is accumulating for future capital projects on a pay-as-you-go basis. See capital projects section below.



Capital Projects – Funded From Operating Revenues

Although many system repair and replacement projects exist, two will require net operating revenues of approximately $9 million. These are relocation of the Memorial Park lift station and Boeckman Creek sewer line replacement. The actual cost is expected to be larger with the difference paid from system development charges. The unrestricted balance, although large, will not be sufficient to cover all the costs of these two projects. Preliminary work is to be performed during the coming years but construction is delayed until after year five. A decision on funding alternatives for these projects can be decided closer to the time of actual construction.

Potential Impacts

Treatment plant construction contingency: The bond sale amount did not include contingencies. The plan is to cover change orders by using resources from sewer system development charges, sewer operating fund and General Fund reserves up to $1 million from each, and in that order. The model does not include the $1 million contingency as being used. Nor does it reflect this amount as part of the restricted ending balance.

Stormwater Fund

Variances from Status Quo Assumptions

- Rate increase of 18% July 2013 and 3% in July 2014, 2015 and 2016. (Previously approved by Council Resolution)

Key Assumptions

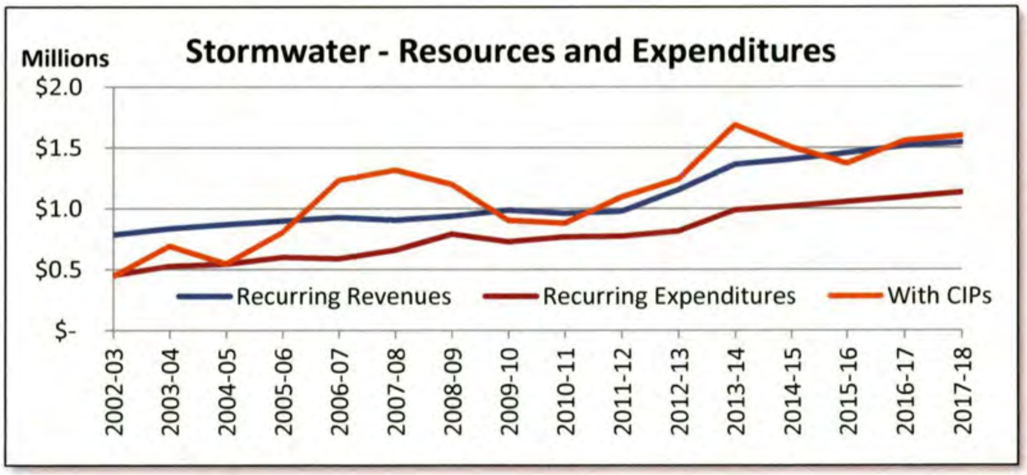
- Budgeted interfund borrowing from General Fund is not needed at this time

Economics, Revenues and Expenditures

A recent master plan documented multiple system improvements that are needed as well as increased maintenance of existing infrastructure. A rate study accompanied the plan that prioritized improvements for funding and identified how much user rates would need to increase to implement the plan. A series of annual increases were approved by resolution and are included in the model.

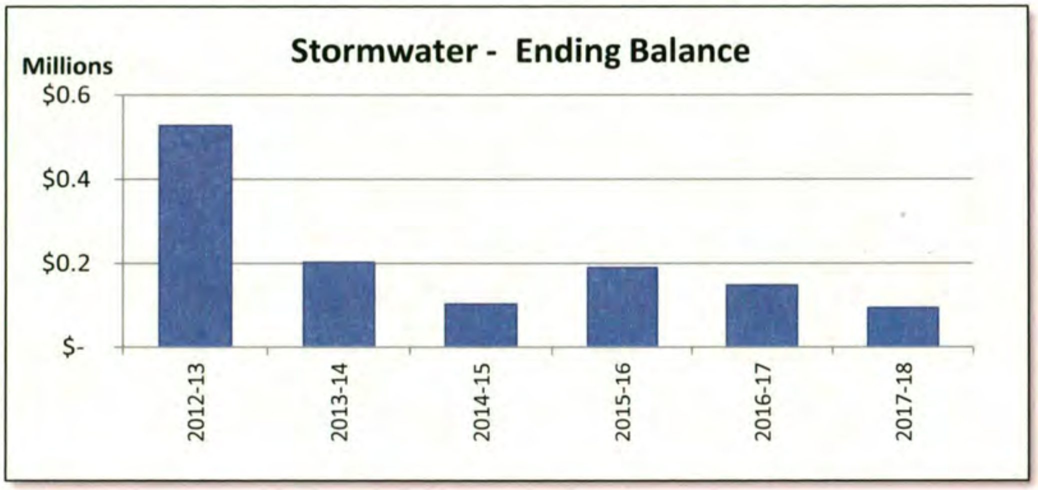
Revenues are predictable as they are a fixed monthly amount based on impervious service area. The model factors in some growth due to new construction, about 1% of revenues per year. The following graph shows recurring resources and expenditures. The gap between the two lines is available for infrastructure improvements as included in the master plan.

The graph below shows the recurring revenues and expenditures, both historically and forecast. Two lines are shown for expenditures, one without capital project costs and the other with. Capital improvements can vary widely from year to year and a separate line is presented to assist the reader with understanding the fluctuations of the fund. There is not outstanding debt in this fund.



Ending Fund Balance

The decline in 2013-14 reflects the use of resources on infrastructure capital projects as identified in the master plan. The balance remains fairly constant with future capital projects funded on a pay-as-you-go basis.



Capital Projects – Funded from Operating Revenues

During the forecast period approximately $2.4 million of system repairs and improvements are anticipated. These projects represent the improvements for which stormwater system development charges cannot fund.

Potential Impacts

Aging Infrastructure: The city is in the process of videoing the stormwater conveyance pipes to assess their condition. We know from prior inventory data that the pipes in Charbonneau are not in good condition and will need major rehabilitation in future years. Portions of the stormwater system north of the river exhibit similar age-related deficiencies, particularly at culver locations. Besides the age of the pipe material, the building requirements in the 1970's were less stringent than today. The video information will help to identify the extent of future repairs throughout the system. The costs have been determined for some of the pipe rehabilitation needs and they are significant. The forecast includes a small portion of these potential costs.

Street Lighting Fund

Variances from Status Quo Assumptions

- None

Key Assumptions

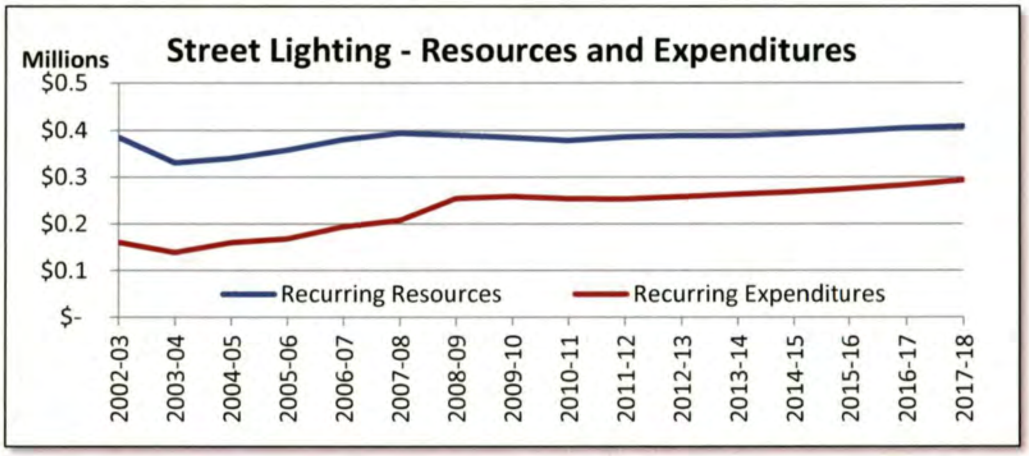
- No change in PGE rate tariff that would affect what services are currently included

Economics, Revenues and Expenditures

The Street Lighting Fund's primary resource comes from user fees billed on the monthly utility statements. Residential, multi-family, commercial, industrial and non-profits all pay towards the street lighting system.

Revenues are readily predictable as rates are fixed monthly amounts. The model assumes growth from new single family homes and new apartment complexes. No rate increase is anticipated.

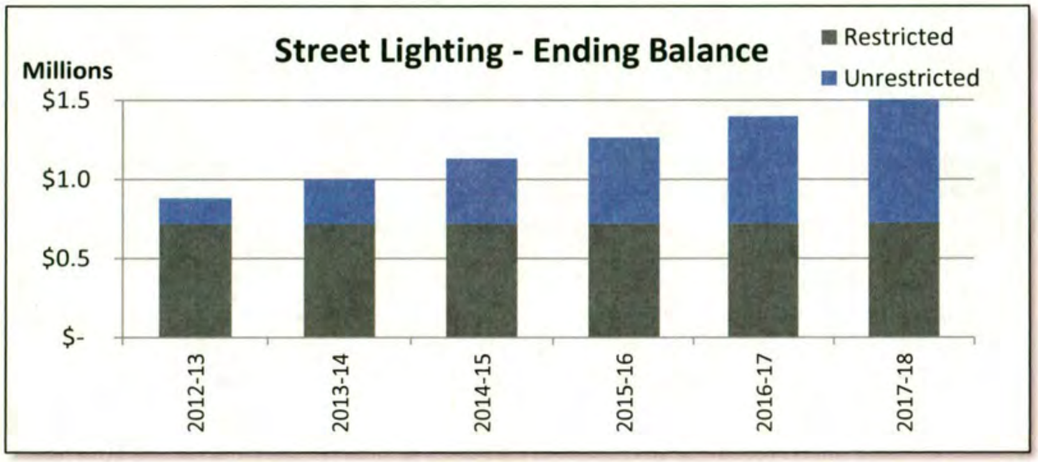
Expenditures are predominately for monthly utility charges. The charges are assumed to increase by the material and services inflation factor. Other costs include nominal amounts for replacement of worn out components. The gap between resources and expenditures is available for funding system expansion and building a replacement reserve. Capital projects for in-fill, about $8,000 per year, are not included in the graph below.



(Street Lighting Fund continues on next page)

Ending Fund Balance

The restricted portion is a cash reserve to fund future replacement as poles and fixtures reach their end-of-life. Most of the short lived wooden poles have already been replaced. The majority of the poles in use today are aluminum, fiberglass or metal. The unrestricted portion can be used for in-fill where gaps in the system occur.



Capital Projects – Funded From Operating Revenues

A small level, $8,000/year, of replacement is projected. Infill projects if identified would be significantly more expensive.

Potential Impacts

None identified.

Road Operating (Gas Tax) Fund

Variances from Status Quo Assumptions

- Additions to staffing and materials related to new street additions throughout the City

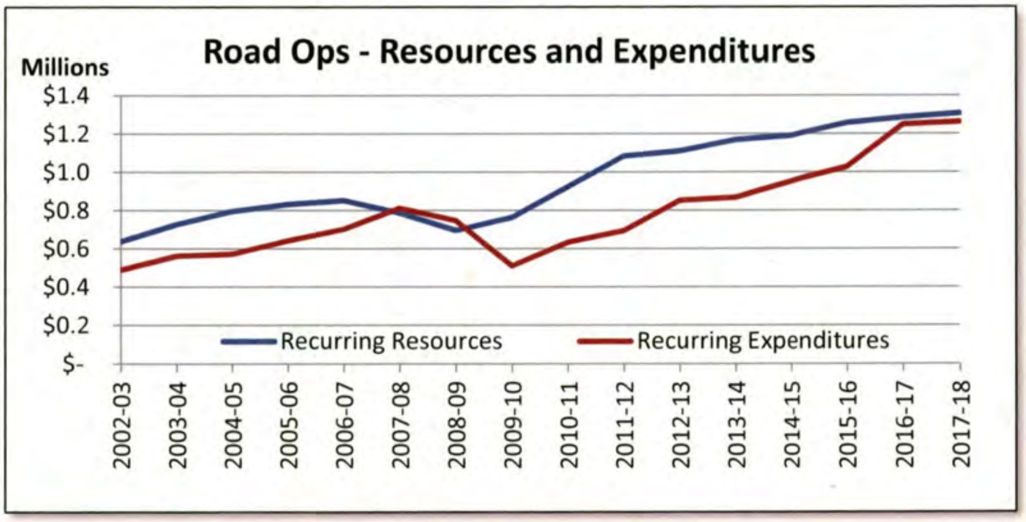
Key Assumptions

- Fuel consumption pattern are similar to recent past trends

Economics, Revenues and Expenditures

Gas taxes distributed by the State are the primary resource for this fund. Washington County gas tax adds about $8,000 per year to the fund revenues. State taxes peaked in 2006-07, and began declining about 5% per year until 2011 when taxes and fees were increased. The model assumes that the declining trend will continue, thus creating a conservative forecast. Cities share of this revenue is largely based on population numbers and the model assumes the new residential additions will result in a higher share from the rest of the state, thus a slight increase in allocated taxes.

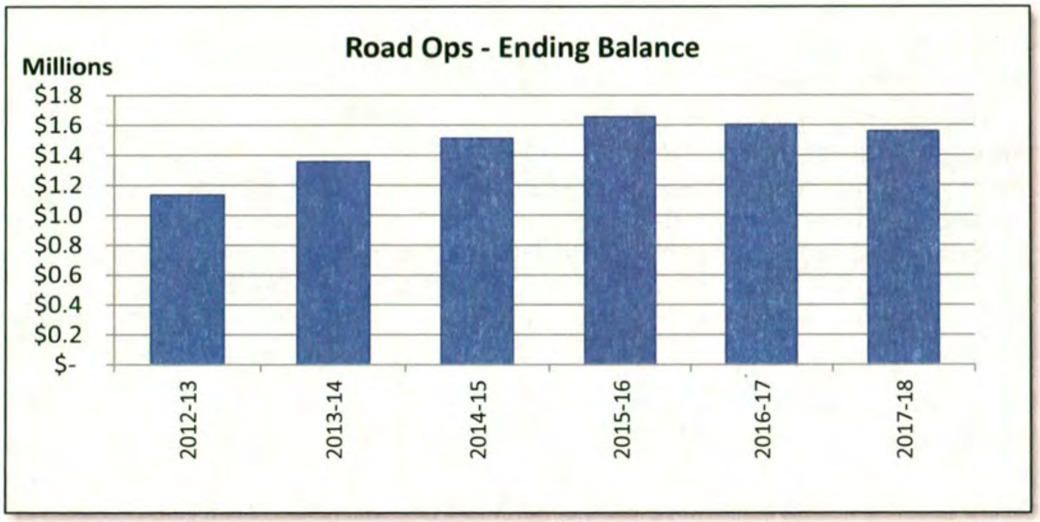
As the City adds more roads, more maintenance follows and costs will grow. Recent street additions include the Villebois area, Boeckman Road extension and improvements to Boones Ferry Road. Maintenance costs start at $40,000 per year and are expected to grow to $250,000 by year five. The model includes the cost of these service level increases and the following graph shows that sufficient resources should be available to cover the anticipated costs.



(Road Operating Fund continued on next page)

Ending Fund Balance

Prior to the recent gas tax increase this fund was at risk of incurring annual deficits. The growth of the ending balance levels off in later years as service level increases described above are implemented.



Capital Project Impacts – From Operating Revenues

No major capital projects are assumed. However, this fund pays the engineering costs associated with projects in the Road Maintenance Fund as that funds' resources are restricted and do not permit engineering costs.

Potential Impacts

None identified.

Fleet Fund

Variances from Status Quo Assumptions

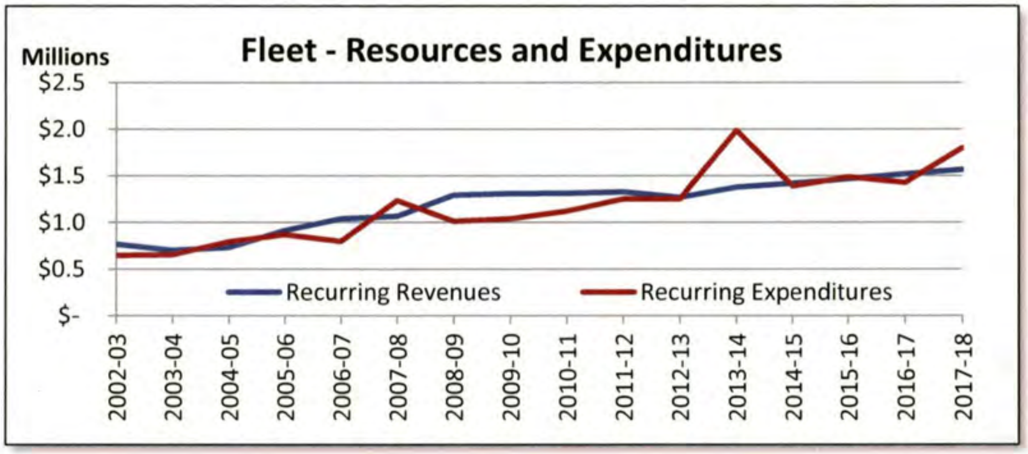
- None

Key Assumptions

- None

Economics, Revenues and Expenditures

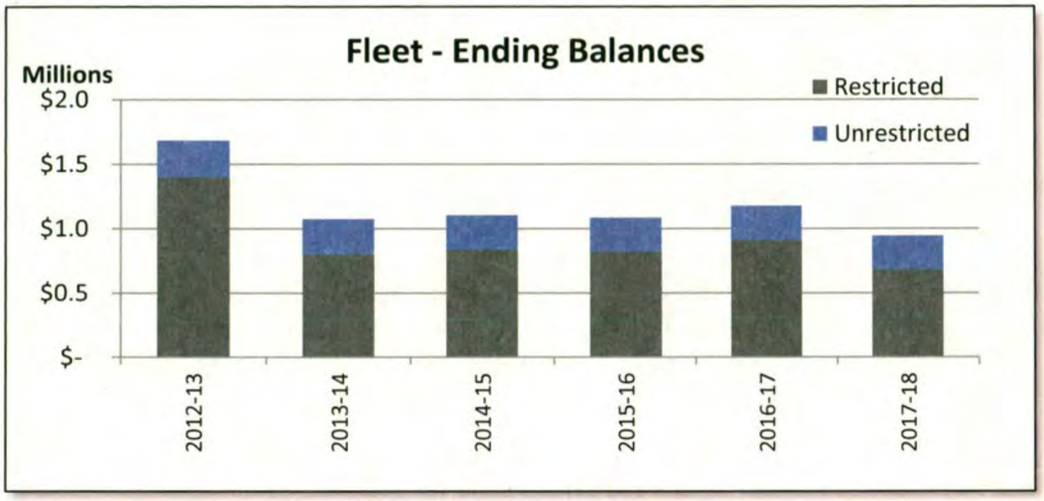
Due to the nature of the Fleet Services Fund, its operating position is stable. Revenues are based on charges for services to other City departments and correlate with service demands. Intermittent peaks in operating expenditures are expected and due to the purchase of vehicles. Most vehicles are anticipated to be replaced after 10 years but based on the condition of the vehicle replacement could be years beyond that. Replacement is funded through a replacement reserve. The Vactor truck, nearly 20-years old and with a cost of $400,000, is scheduled for replacement in 2013-14.



(Fleet Fund continued on next page)

Ending Fund Balance

Restricted ending balance includes set asides for contingency and a cash reserve for vehicle replacement. The decline in the restricted balance in the next two years is to pay for a Vactor truck and other vehicles nearing the end of their useful life. The unrestricted balance is available for shop equipment replacement or major repairs.



Capital Projects – from Operating Revenues

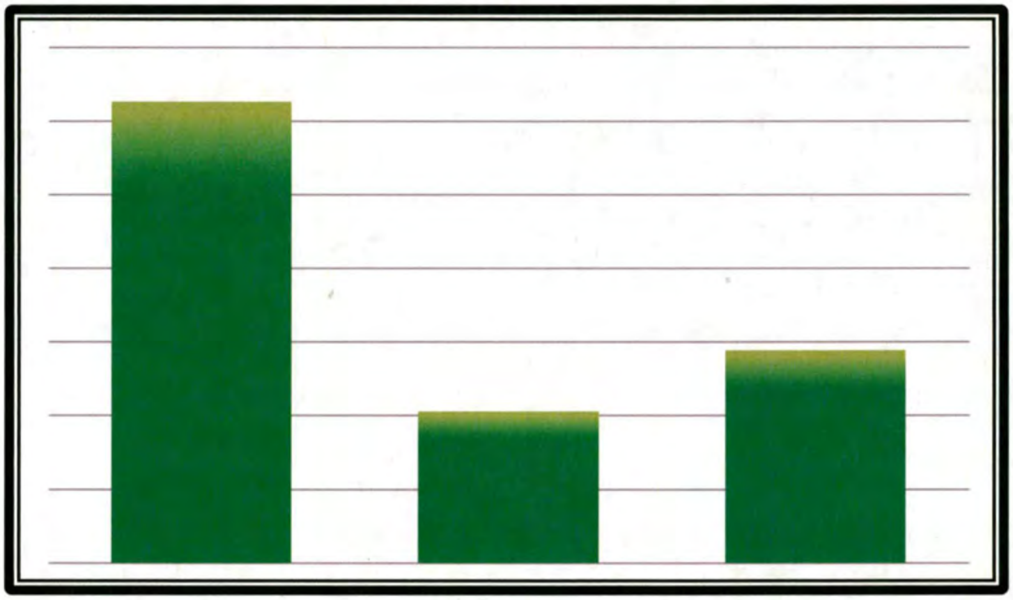
The major construction project for this fund was just completed – the new SMART/Fleet facility. No other significant projects are anticipated.

Potential Impacts

None identified.

City of Wilsonville - General Fund

Resource Alternatives Study



Prepared for: Bryan Cosgrove, City Manager

Prepared by: Gary Wallis, Wallis Consulting

Date: October 30, 2012

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Executive Summary

The current five year forecast shows revenues and expenditures nearly equal to each other over the next five years. This was achieved by cost reductions, an ongoing commitment to control future costs, anticipated tax increases from new development and an assumption that investment returns will slowly increase from current historic lows.

The balance achieved between revenues and expenditures is good in the short term, there are other factors to consider. Parks maintenance costs are expected to increase both within Villebois and in other city parks. These new services are not part of the forecast as they have not been vetted by Council. In addition, the number of patrol officers has not increased since 2004-05, there is a need for increased funding for capital maintenance of buildings and parks to sustain the City's investments, and it is imperative to develop a plan to replenish reserves as they are expended in future years.

None of these factors present a make-or-break problem for the General Fund. That is because the Fund enjoys a healthy unrestricted carryover balance. That balance can be used to pay for costs in the short-term. In the long-term, continued use of carryover money for on-going operations is not a good strategy. In short, either increased revenues are needed or reductions in current programs or some combination. This report focuses on alternatives for increased revenues.

Four alternatives are presented:

1. **Closure of the Year 2000 Plan urban renewal district (aka East Side)**

   The closure of the urban renewal district would eventually provide about $800,000 of increased property tax receipts to the General Fund. Other jurisdictions would experience an increase as well. Taxes paid by property owners would neither increase nor decrease as a result of this action.

2. **Right of way rate increase for certain utilities**

   Right of way rate adjustments, expressed as a percentage on utility sales, are presented on three types of utilities: water, sewer and garbage collection. These three utilities are identified as they have a lower rate than some neighboring communities.

3. **Parks maintenance fee**

   A parks maintenance fee is a potential option and is currently in use by Medford and West Linn. Gresham is currently considering a similar fee.

4. **Local Option Levy**

   A local option levy is a voter approved new tax that can be used for designated purposes.

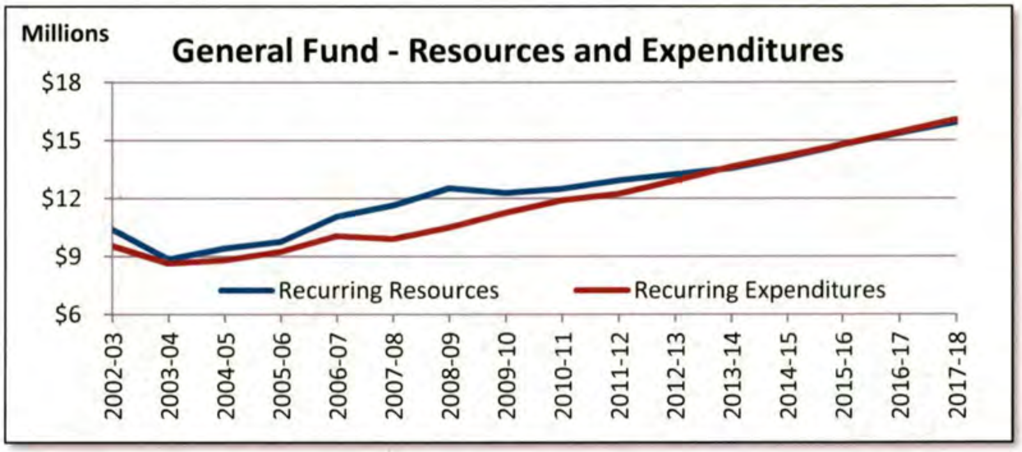
Each has its own advantages and disadvantages which are enumerated later in this report.

Staff recommends the closure of the Year 2000 Plan district and would appreciate Budget Committee discussion on the other three options.

General Fund Operations

Table 1 shows the past ten years of history, the current fiscal year forecast and the ensuing five years. Historically, revenues have exceeded costs, which allowed the building of the reserves of today. During the past ten years Councils took actions to create this difference. One action was to limit tax collections in the Year 2000 Plan urban renewal district thereby redirecting taxes to the General Fund – now, over $300,000 per year that otherwise would have been retained by the urban renewal district. A separate action was to implement a telecommunication privilege fee that now adds over $300,000 per year. Other recent revenue increases include the countywide library tax which has increased the City's annual allocation by $300,000 and a state imposed minimum traffic fine schedule that has provided about $200,000 per year.

Table 1



The forecast indicates that recurring revenues are nearly equal to recurring operating expenditures. Upsetting this balance are schedules capital maintenance costs and certain program service levels that could increase in the future. These include parks maintenance costs associated with Villebois regional parks and other city parks, changes to the number of patrol officers, capital maintenance of buildings and parks and potentially new costs should new facilities be constructed such as a skate park, Advance Road park development, recreation center, swimming pool, etc. Providing for replenishment of reserves may be difficult without some excess of revenues over expenditures.

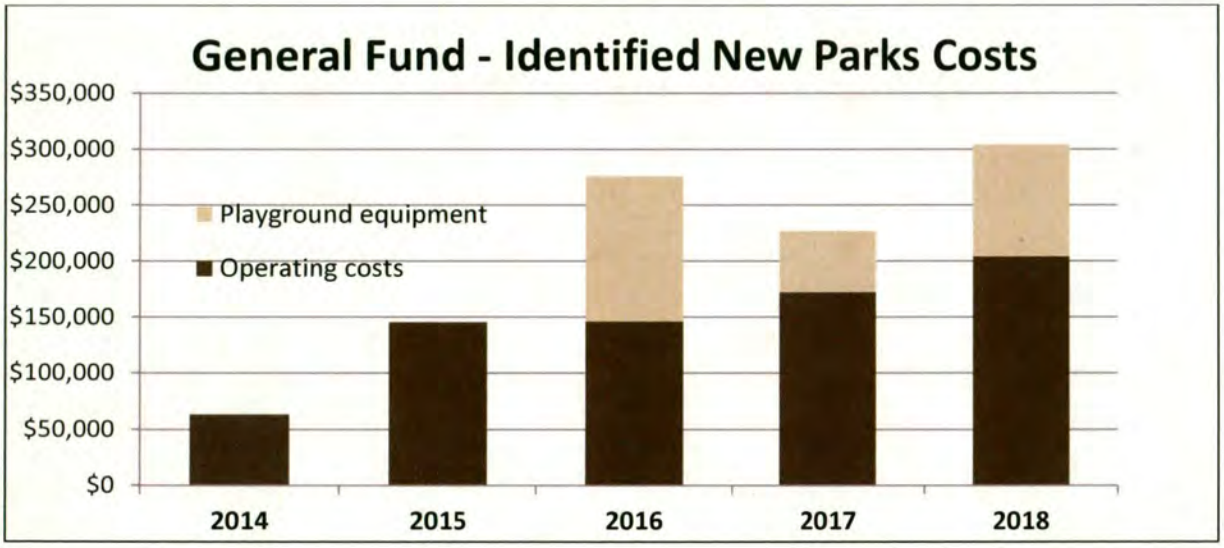
Future parks maintenance costs are the most pressing need. Initially the costs start out small, about $64,000 per year but over time the service levels increase and the costs grow to over $300,000 per year. Besides maintaining the regional parks in Villebois, Public Works has identified a need for more services in parks and trails city-wide. More detail on the nature of the service need is provided in the Five Year Financial Forecast.

Adding new patrol officers is not a current pressing need. But, in response to call volumes as the population increases and new businesses locate in the city a new patrol officer is likely at some time. In today's dollars a contracted officer costs about $160,000 which includes wages, benefits, training, equipment and maintenance, supervision, insurance and all support including dispatch, jail and administration.

Increased costs are not expected to be limited to just parks maintenance and police. Depending on future community demands and decisions by Council, department service levels may need to increase with a potential increase in costs.

Table 2 focuses on the just the projected parks maintenance costs. Operating costs include staffing and materials. These amounts are only forecasts and do not present a certainty of future budgets. Rather, they are meant to quantify the potential dollar impact and the timing on the General Fund.

Table 2



The projected costs include both operations and replacement of playground equipment. Equipment could be paid from designated reserves and the unrestricted carryover balance.

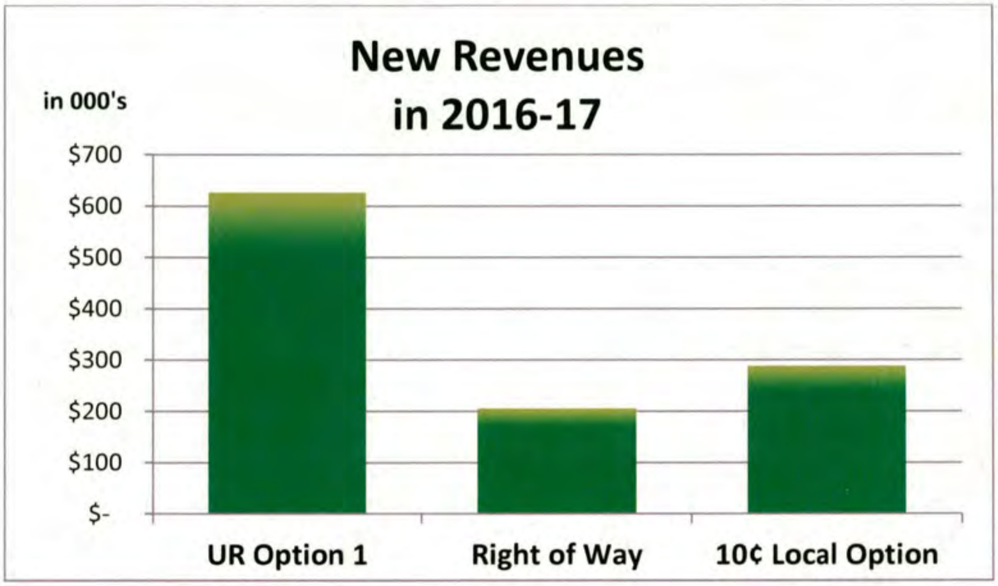
These identified costs are not included in the five year forecast as they have not been fully vetted with Council. The costs are required under development agreements entered into around 2005 when the Villebois neighborhood was being planned. Currently there is no identified resource for these costs. This report proposes several options that would provide new resources.

New Revenue Alternatives

This report focuses on alternative resources that are capable of producing significant recurring revenues to help sustain or grow the services of the General Fund. The revenue generating capability of the alternatives are shown in Table 3 and explained in detail below. The graph shows the relative annual dollar impact in 2016-17. That year is depicted because it is the first year the Urban Renewal option produces a large value and also includes the amount a tax levy could generate.

Table 3

Graph of General Fund Revenue Alternatives



Not shown in the graph is revenue from a parks maintenance fee. The amount, if any, would need to be determined by Council.

Urban Renewal – Year 2000 Plan District Closure

A report containing various options for closing this district has been issued separately. Staff recommends Option #1. Option #1 provides for sufficient debt to be issued to complete the important projects and assumes prepayment of the debt in 2017. Tax certifications reduce from $4.2 million per year to $1 million in 2016-17 and $0 thereafter. The reduction of taxes to the urban renewal district allows for redirection of some of those taxes to the General Fund. The projected tax increases over the current year level are shown below. The amounts are not additive. Rather, in 2017-18 the General Fund could receive $823,000 more than it would receive without closure. Other taxing jurisdictions would also experience increases.

Fiscal Year	Tax Impact	Notations
2016-17	$627,000	certify to $1.0 million level
2017-18	$823,000	district closed, no taxes certified

Advantages:

1. Does not increase a property owner's tax.

2. Dependable resource, not affected by recession except for deep reductions in property values.
3. Taxes from future development in the area will accrue to the General Fund.
4. Frees up area for use by a new urban renewal district.

Disadvantages:

1. May result in fewer tax dollars flowing to school district.
2. Annual growth rate limited to 3%, plus taxes on new development.
3. Closure also ends the resource that has paid for significant community improvements.

Right of Way Rate

The City charges utility companies for using the public right of way. This is a common fee throughout the United States, albeit not all cities impose a right of way (or franchise) fee. Such rates are typically expressed as a percentage of gross sales and applied to electric, gas, telephone (land lines only), cable TV, garbage and the City's water, sewer and stormwater enterprises.

The City's current rate for garbage is 3%. Some nearby cities charge a 5% rate. (Portland, Beaverton, Sherwood, Canby) The City's current rate for water and sewer is 4%. Some nearby cities charge a 5% rate. (Portland, Beaverton, Tualatin, Sherwood, Canby via CUB) The City's rates have remained unchanged for at least 17 years. To increase the Wilsonville rate for garbage from 3% to 5% would produce an annual increase of $85,000. To increase the City's rate on water and sewer from 4% to 5% would produce an annual increase of $110,000.

Advantages:

1. It would not be a new fee or charge.
2. It is easily billed, collected and administered.
3. The revenue would grow as the community grows.

Disadvantages:

1. Fee is applied to all utility users as a flat percentage on their consumption of the particular utility which likely bears no relationship to the services being provided by the fee.
2. It is an increase.

Park Maintenance Fee

Medford and West Linn charge a parks maintenance fee. Gresham is considering a similar fee. Medford's fee was implemented in June 2005. The current fee is $2.87 per month comprised of $0.31 for operations and maintenance and $2.56 for Medford's Sports and Community Park. The operations and maintenance portion generates $160,000 per year and the Sports and Community Park generates $1,080,000 per year (for debt service). West Linn's fee was approved in July 2007 and the current rate is $10.70 per month which generates $1.3 million per year. Gresham is currently seeking input from the public on a $7.50 per month fee for police, fire and parks. As proposed $0.375, or $175,000 per year, would be dedicated to city parks.

Advantages:

1. The revenue can be easily billed and collected with minimal administrative effort.
2. The revenue would grow as the community grows.
3. As some of the future increased costs will be associated with parks in the Villebois area this concept would generate revenues from within that neighborhood to help pay for these new services.

Disadvantages:

1. It is an increase, however, the increase will coincide with an increased service level.

Local Option Levy

Local option levies were created with the voter approved Measure 50. The City's permanent tax rate cannot be increased; however, voters can approve a temporary increase called a local option levy. Approval requires a double majority - both a majority of votes cast and a majority of registered voters to cast a ballot - unless the vote occurs during a general election (November of even numbered years) when only a simple majority of votes is needed. A local option levy for operations is limited to five years, but can renewed via a new vote. The levy can be rate based or a specific dollar amount. Specific state laws pertaining to local option levies are found at ORS 280.060.

A local option levy can be a good tool for increasing police services or providing for parks and recreation activities. Prior to Measure 50 the City raised funds through a similar mechanism for police, parks maintenance, school DARE program, youth centered programs and road maintenance. A portion of the City's permanent tax levy continues to be allocated to these programs, except for road maintenance which now has its own dedicated resource.

A local option levy of 10 cents per $1,000 of assessed value would generate $260,000 in FY 2012-13. A higher tax rate would generate proportionately more taxes and a lower rate fewer taxes. Since the levy must be approved by the voters and the next most likely time for passage would be the next general election (November 2014), the earliest the City would receive taxes would be in November 2015. At that time the taxes should be slightly higher, $280,000, due to anticipated growth in assessed values.

Advantages:

1. Predictable and easily calculated amount.
2. Voter approved.
3. Local option levies are not reduced by urban renewal district division of taxes.

Disadvantages:

1. Limited to 5 year periods. However, it may be renewed via a new vote.
2. Annual growth rate limited to 3%, plus taxes on new development.
3. There may not be a close relationship between the amount the parties pay and the services received. That is, those that pay the most may not receive the most in funded services.

Summary

Focusing on just the near term parks maintenance costs the table below summarizes the costs and compares the four resource alternatives. Carryover balances are another resource for consideration. Dedicated reserves, a component of the carryover balance, exist for replacement of the playground equipment; however, the current amount is not sufficient to fund 100% of the costs. Unrestricted carryover could also be considered.

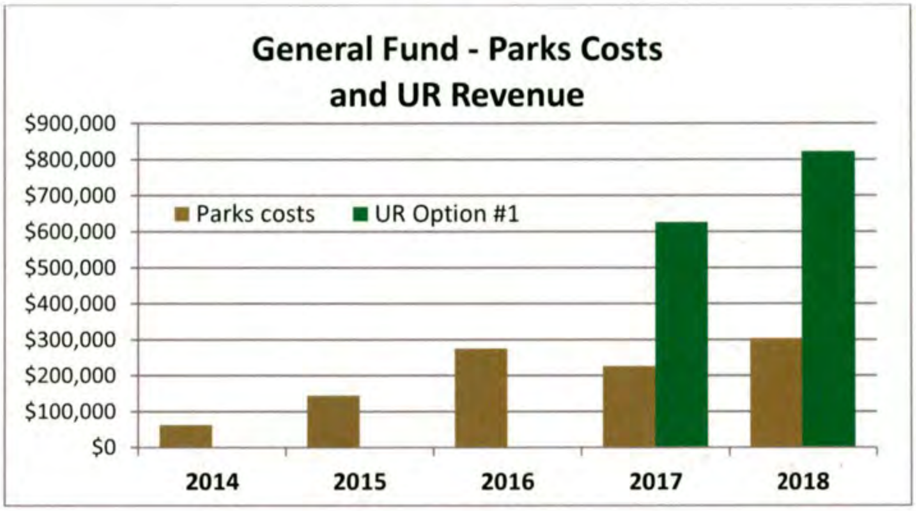
Table 4

Comparison of Park Costs and Alternative Resources

Amounts in 000's	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Parks maintenance costs	$64	$145	$276	$227	$304
Urban Renewal Closure	$0	$0	$0	$627	$823
Right of way fee increase	$200	$200	$200	$200	$200
Park fee, amount to be determined					
Local option levy, amount to be determined					

Use of the redirected taxes by closing the Year 2000 Plan district is an easy solution to providing increased resources. Timing of the increased revenues poses a challenge as demonstrated in the following graph.

Table 5



While the urban renewal option will provide a significant increase in revenues, the cash flow does not occur until FY2016-17 at the earliest. Bridging the gap in the first few years could be accomplished by implementing the right of way rate change, a new parks maintenance fee or by utilizing the unrestricted carryover balance.

The focus of this report has been on just the identified costs for increased parks maintenance services in Villebois and elsewhere in the community. As mentioned earlier, other service level costs may warrant increases in the coming years. And, providing for stable reserves will likely require additional resources. Therefore, when considering revenue alternatives it is recommended to take a long range outlook and provide for more than just the projected park maintenance costs.

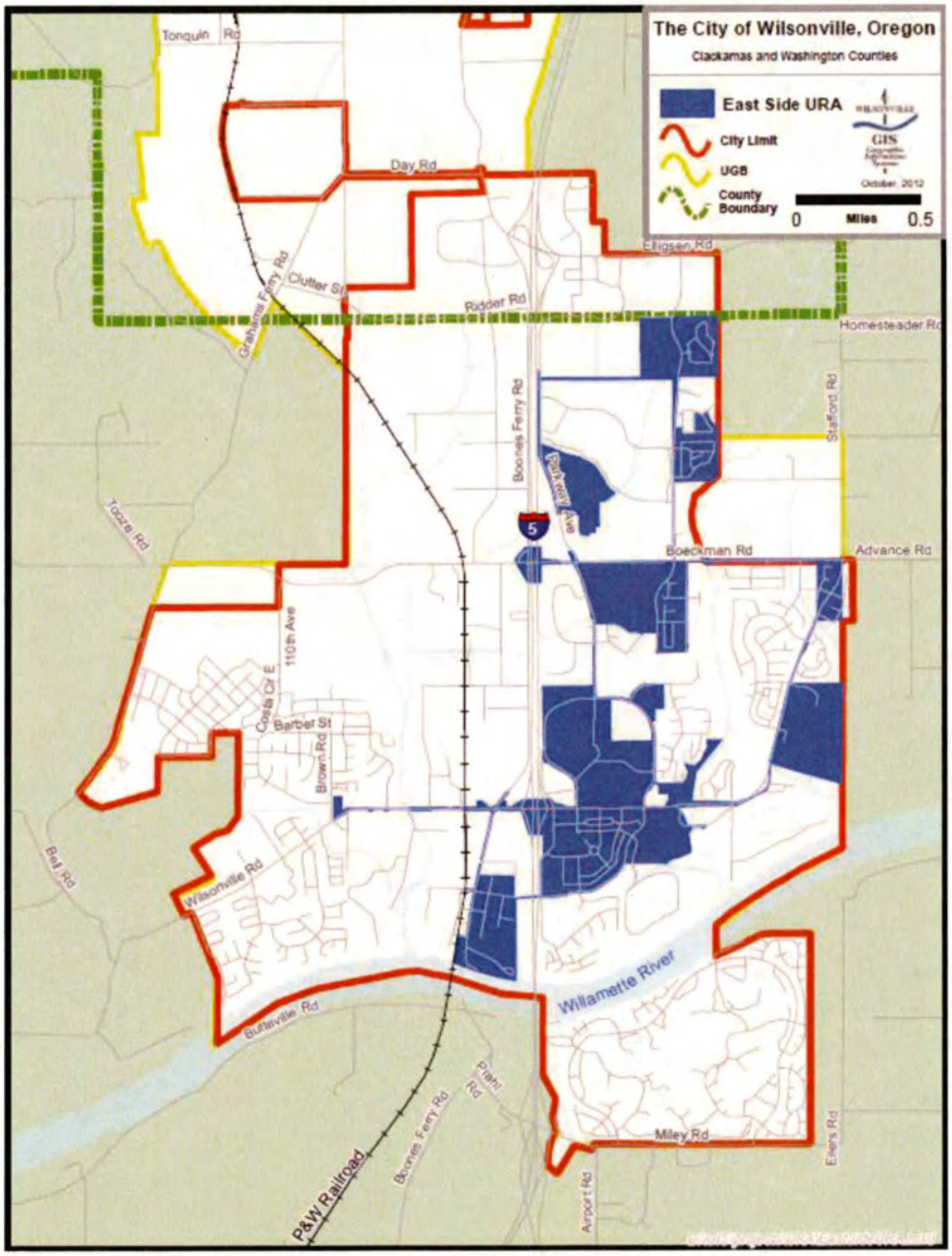
Forecasting Note

The forecasted amounts are estimates based on current year costs and professional judgment. Reality will be different. This report should be used as a general guideline and may need to be adjusted in future years as actual results vary from the forecasted amounts. The assumptions did not include provision for resource use on economic development incentives.

City of Wilsonville

Urban Renewal Agency

Year 2000 Plan Closure Options



Prepared for: Bryan Cosgrove, City Manager

Prepared by: Gary Wallis, Wallis Consulting

Date: October 30, 2012

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Executive Summary

Closure of the Year 2000 Plan urban renewal district (District) could provide multiple benefits including: releasing tax dollars to the City's General Fund, releasing tax dollars to numerous other taxing jurisdictions, reduce the area which is inside a district (thus allowing that area to be added to a new district – Coffee Creek Industrial or Frog Pond), and it demonstrates a strong public statement that the City ends a district once the public improvements are completed.

Multiple scenarios were examined to assess the financial effects under different circumstance. Each scenario is described within the body of this report. One scenario is recommended to the City Council/Board – Option #1. This option allows for the remaining improvements to be completed, releases taxes as quickly as possible and plans for early retirement of all outstanding debt. It is noted that current outstanding debt contains a pre-payment assessment charge clause. The fee is based on interest rates at the time of prepayment and could range from a significant fee to nothing.

Closure of an urban renewal district is a permanent action. Once closed it cannot be reopened. Thus, it is important to complete needed public improvements before taking such action.

This analysis does not attempt to compute the impact on West Linn Wilsonville School District. As demonstrated in the May 2012 Budget Committee meeting, in certain circumstances the closure of the district may reduce the amount of taxes the school receives.

District Background

The District was formed in August 1990 and has a maximum debt limit (the amount of debt that can be issued) of $92,687,423. As of the date of this report $71,885,000 has been issued leaving $20,802,423 available. Three long-term debt issuances are outstanding and with no prepayment action the debt would retire on December 2013, June 2015 and June 2025, respectively.

A majority of the District's past debt has been used to finance street improvements. The remainder has been used to fund parks, neighborhood improvements, buildings and improvements at the high school. Improvements such as these have allowed the city to expand. One way to measure the growth is via change in real market value. In 1992 the city's real market value was approximately $935 million and the value within the District was $164 million. As of December 2011 the real market values were $2.9 billion and $440 million, respectively. Growth within the city was 210% and within the District was 170%.

Remaining District Projects

Community Development has identified several projects that are recommended for completion before the district closure. All projects were previously identified in the District master plan. The remaining projects are as follows and include those budgeted in FY 2012-13.

Table 1

Year 2000 Plan Proposed Remaining Projects To Be Constructed

Project	Est. Cost (2012)	Construction dates
Boeckman valley bike/ped	$375,000	Completed 2012
I-5 interchange	$570,000	Completed 2012
Boones Ferry improvements	$1,000,000	Completed 2011
Sewer plant improvements	$2,000,000	2013
Extend Canyon Creek South of Boeckman	$3,820,000	2014
Old Town streets	$2,790,000	2015-2016
Misc small projects	$200,000	2016
Project management and administration	$1,715,000	2013 – 2017
Total	$12,470,000	

The list of projects would be financed from cash on hand plus $8.5 million in new short-term debt issuance, including $3.5 million in the current year budget.

Several other improvements were identified in the District master plan that would not be completed with urban renewal funds.

Table 2

Year 2000 Plan Projects Not To Be Constructed Via Urban Renewal

Potential Improvements That Would Not Be Constructed by Urban Renewal
Boeckman Road from Canyon Creek east to Wilsonville Road
Wiedemann Road overcrossing and ramps
Parkway Avenue realignment and widening at Boeckman Road
Boones Ferry Park improvements
Memorial Park improvements
Teen Center, swimming pool
Livability projects (bike, pedestrian, streetscape)

While the swimming pool and teen center is recognized as a high priority of the community, it would have to be located within the District thereby limiting available sites. Further, provision for pool and teen center operating costs continues to be an unresolved issue.

(Report continued on next page)

Scenario Options

Five different scenarios were examined. Each focuses on a different aspect of closure and is explained in more detail below. The options explore changes to the basic components of urban renewal mechanics: debt levels, taxes collected and project construction. Certainly other options or variations on a theme exist. The basic financial impacts are summarized in Table 3.

Table 3

Summary of Options

	Option 1	Option 2	Option 3	Option 4	Option 5
Future Debt	$8.5 million	$8.5 million	$8.5 million	$0	$8.5 million
Tax certification:					
2013-14	$4.2 million	$5.3 million	$4.2 million	$4.2 million	$4.2 million
2014-15	$4.2 million	$5.5 million	$4.2 million	$3.0 million	$4.2 million
2015-16	$4.2 million	$1.8 million	$500,000	$0	$4.2 million
2016-17	$1.0 million	$0	$500,000	$0	$4.2 million
beyond	$0	$0	$500,000 until FYE 2025	$0	$4.2 million until FYE 2025
Call date for debt	2017	2016	2025	2015	2025
Taxes released to the City:					
2013-14	$0	($215,000)	$0	$0	$0
2014-15	$0	($313,000)	$0	$236,000	$0
2015-16	$0	$407,000	$725,000	$823,000	$0
2016-17	$626,000	$823,000	$725,000	$823,000	$0
2017-18	$823,000	$823,000	$725,000	$823,000	$0
Total taxes released 2013-14 thru 2017-18	**$1,449,000**	**$1,525,000**	**$2,175,000**	**$2,705,000**	**$0**
Total taxes released 2018-19 thru 2024-25	$9,600,000	$9,600,000	$8,900,000	$9,600,000	$0

Taxes released to the City show just the increase over maintaining the current certification level. With no closure, taxes increases to the General Fund would occur anyway. The increases would range from $30,000 to $40,000 per year through 2017-18.

Option #1:

This option allows for all identified projects to be completed. It assumes the issuance of $8.5 million in short-term debt (of which $3.5 million is included in the 2012-13 adopted budget) over the next four years. Sufficient cash reserves are expected to be available in FY 2016-17 to prepay the one outstanding long-term note including a prepayment fee up to $1 million. Cash reserves would accumulate by certifying to a tax level of $4.2 million, the same level that has been used for the past several years, until 2016-17 when only $1.0 million would be needed, and $0 thereafter. This option is recommended by staff.

Advantages: Allows for completion of high priority projects. Complete closure of the district frees up acreage to be used in new urban renewal districts.

Disadvantages: No significant cash flow increase to General Fund until year 4.

Option #2:

This option is much like #1 in that it anticipates $8.5 million in short-term debt (of which $3.5 million is included in the 2012-13 adopted budget). The difference is that the annual certification is increased to the maximum available, thus testing to see if the extra tax monies would allow for an earlier retirement of debt. It is estimated that sufficient cash reserves would be available a year sooner, in FY 2015-16, than option #1. The tradeoff is the General Fund and other entities would receive less as the levy would be at the maximum rather than limited to $4.2 million. The City's General Fund would lose about $550,000 from the current levels over the next two years. However, Option #2 would provide an increase to the General Fund over Option #1, providing about $500,000 more in year three and $200,000 more in year four. By year five the two options provide the same cash flow.

Advantages: Allows for completion of high priority projects. Complete closure of the district frees up acreage to be used in new urban renewal districts.

Disadvantages: Increasing tax certification over $4 million is not in accordance with an Urban Renewal Agency Resolution. The action would result in a decrease in taxes to the General Fund and all overlapping jurisdictions in the near term.

Option #3:

This option is much like #1 in that it anticipates $8.5 million in short-term debt (of which $3.5 million is included in the 2012-13 adopted budget). This option focuses on how low the annual tax certification could be while <u>not</u> paying off the debt early. All the identified projects could be funded. The annual levy would continue to be $4.2 million for two years then drop to $500,000. However, at $500,000 the debt service coverage requirement would not be met. Either a modification to the note would be required or the tax certification level increased to $800,000 per year. At $800,000 a cash balance would grow to $2.6 million more than needed to retire the debt in FY 2025. The excess would be refunded to over lapping jurisdiction after close out.

Advantages: Allows for completion of high priority projects. Cash flow to the General Fund during the next five years would be higher than Option #1. A lower certification allows for the reduction of UR district boundaries, thus freeing up acreage for other districts.

Disadvantages: Does not completely close the district and ties up acreage that could be needed by a new district. The $500,000 level requires the debt covenants to be renegotiated. Leaving the district open would increase administrative costs over Option #1.

Option #4:

This option assumes only $3.5 million of new debt –which is included in the current year budget. No debt after that. Issuing less debt would accelerate the closure of the district at the expense of not completing identified projects, primarily Old Town streets and the extension of Canyon Creek south of Boeckman. Sufficient cash reserves are expected to be available in 2014-15 to call the one outstanding long-term note. The cash reserves would accumulate via a one year tax certification of $4.2 million and one year of $3.0 million. Compared to Option #1 this option would provide $1.2 million more cash flow the General Fund during the next four years. By year 5 the two options provide the same cash flow.

Advantages: Near term increase in cash flow to General Fund. Complete closure of the district frees up acreage to be used in new urban renewal districts.

Disadvantages: Insufficient resources available to complete even the highest priority project. Capital Projects Fund could cease before Debt Service Fund, thus possibly not leaving adequate resources for administration of closure.

Option #5:

For comparative purposes this option assumes no change in the current structure. This option is much like #1 in that it anticipates $8.5 million in short-term debt (of which $3.5 million is included in the 2012-13 adopted budget). Annual tax levy certification of $4.2 million would continue through 2025. This option generates a huge surplus of cash as the $4.2 million levy is far in excess of the amount needed. The surplus, some $42 million, would be returned to the County Treasurer for redistribution to the taxing jurisdictions in 2025. This option is not recommended and is only presented to demonstrate how no action could adversely affect the General Fund and other jurisdictions by not releasing taxes.

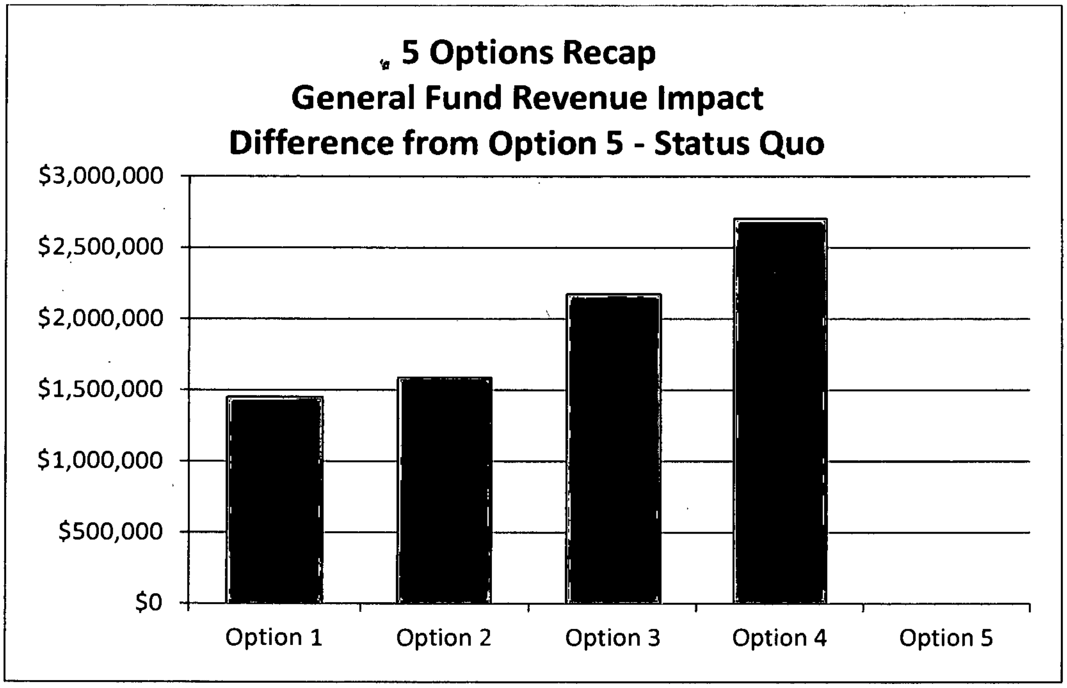
(Report continued on next page)

Options Summary

A simple evaluation of the five options is to compare the taxes released to the General Fund during the next five years. The annual amounts are disclosed in Table 3 and summarized in Table 4. Although options 2, 3 and 4 provide higher returns to the General Fund they also contain some outcomes that may be undesired, e.g. inability to complete necessary projects, decrease in taxes to all jurisdictions for a period of time, fewer taxes to General Fund after year 5. As a result, staff recommends Option #1.

Table 4

Cumulative Increase in General Fund Taxes
Fiscal Years 2013-14 through 2017-18



Option #2 decreases taxes to all jurisdictions for the next two years. Option #3 provides fewer taxes in the long term and requires the district to remain open until 2025. Option #4 does not allow for priority projects to be completed.

Prepayment Fee

To close the District prior to 2025 the existing debt must be prepaid. Terms for the debt allow for prepayment at any time, however, under certain circumstances a fee is required in addition to retiring the principal balance. In summary, the fee is computed by summing the remaining scheduled interest on the debt and subtracting the amount of interest the prepaid amount would accrue if invested at the US Treasury Rate maturing at the same time as the original debt. If the difference is positive it is discounted back to the date of prepayment and becomes the fee. If the difference is negative then there is no fee. The complete language is provided in the addendum.

There are three notes outstanding as of the report date. Two of these will be retired before enough cash has been accumulated to effect a prepayment. The remaining debt is scheduled to mature in June 2025. This debt has an interest rate of 4.25% and $7,380,000 outstanding. The Treasury rate for a 10 year term is approximately 1.8%. Thus, if prepaid today a fee of approximately $800,000 would be imposed. The fee would decline if prepayment occurred later and if the Treasury rate increased above 1.8%. To avoid a fee in 2015-16 the Treasury rate would need to exceed 2.9%. It was last at that level in July 2011. (source: US Treasury Yield Curve, 10 year term; Bank of America provided computation.)

District Closure

ORS 457.075 provides for closure procedures of an urban renewal district. The process is relatively simple and includes the extinguishment of debt or revocable pledge of sufficient assets to retire such debt. Unexpended proceeds from debt may remain in the District until the projects and contractual commitments are met. Once completed any excess cash in either the debt or capital project funds is returned to the County Assessor(s) for redistribution to the overlapping taxing jurisdictions.

Forecasting Note

The forecasted amounts are estimates based on current year costs and professional judgment. Reality will be different. This report should be used as a general guideline and may need to be adjusted in future years as actual results vary from the forecasted amounts.

Appendix – Tax Redistribution

Urban renewal directs most all the taxes associated with increased assessed values in a district to the urban renewal agency. The success of the Year 2000 Plan district resulted in more taxes being received than were necessary. In the past, the Wilsonville Urban Renewal Agency has removed taxable parcels from the district to limit tax collections. A new law effective in 2010-11 allowed for certification to less than the tax maximum. Since then Agency has targeted a tax level of $4.2 million for the Year 2000 Plan district. The combined action of reducing the size of the district and certifying to fewer taxes has resulted in the General Fund receiving $319,000 more in current year taxes and cumulatively has received $1.6 million more through 2012-13.

As for the $4.2 million tax certification level, the following table summarizes the amount of taxes various entities would receive if the district were closed. Because the Agency certifies to a consistent amount each year the taxes do not change from year to year. Amounts are rounded.

Jurisdiction	Tax Share
City of Wilsonville	$823,000
Clackamas County, General	$784,000
Clackamas County, Library District	$130,000
Clackamas County, Cooperative Extension	$15,000
Tualatin Valley Fire & Rescue	$500,000
West Linn Wilsonville School District	$1,590,000
Clackamas Community College	$182,000
Clackamas ESD	$120,000
Port, Metro and Vector Control	$56,000
Total taxes received by Year 2000 Plan	$4,200,000

Because the West Linn Wilsonville School District is in compression the release of the taxes shown above may not all flow to the school. Tax compression can affect schools and not urban renewal. In the event of compression, taxes on certain properties would be reduced rather than be directed to the school district. Determination is made by individual tax parcel and is computed by the County Assessor's office.

Addendum – Prepayment Fee

3.3 Prepayment. Prior to maturity, the Series 2010 Bond may be prepaid, in whole or in part, on any date upon three Business Days' notice by the Agency to the Bank by payment of the principal amount to be prepaid, the accrued interest thereon to the date of prepayment, and a Prepayment Fee. The Prepayment Fee will be calculated as provided below for each Prepaid Installment:

(i) The Bank will first determine the amount of interest which would have accrued each month for the Prepaid Installment had it remained outstanding until the applicable Original Payment Date at the Initial Cost of Funds Rate applicable to the Prepaid Installment under this Purchase Agreement.

(ii) The Bank will then subtract from each monthly interest amount determined in (i), above, the amount of interest which would accrue for that Prepaid Installment if it were reinvested from the date of prepayment or redemption through the Original Payment Date, using the Treasury Rate.

(iii) If (i) minus (ii) for the Prepaid Installment is greater than zero, the Bank will discount the monthly differences to the date of prepayment or redemption by the Treasury Rate. The Bank will then add together all of the discounted monthly differences for the Prepaid Installment and the sum will be the Prepayment Fee.

3.4 Definitions for Prepayment.

"Initial Cost of Funds Rate" means the fixed interest rate of interest per annum representing, in Bank's sole and absolute discretion, the Bank's cost of purchasing funds, or the cost of purchasing and exchanging funds through swaps or other derivative products, for an amount and under terms reflecting the characteristics of the Prepaid Installment from the date the Series 201 0 Bond began bearing interest at its interest rate through the maturity date for the Prepaid Installment.

"Original Payment Dates" mean the dates on which the prepaid or redeemed principal would have been paid if there had been no prepayment or redemption.

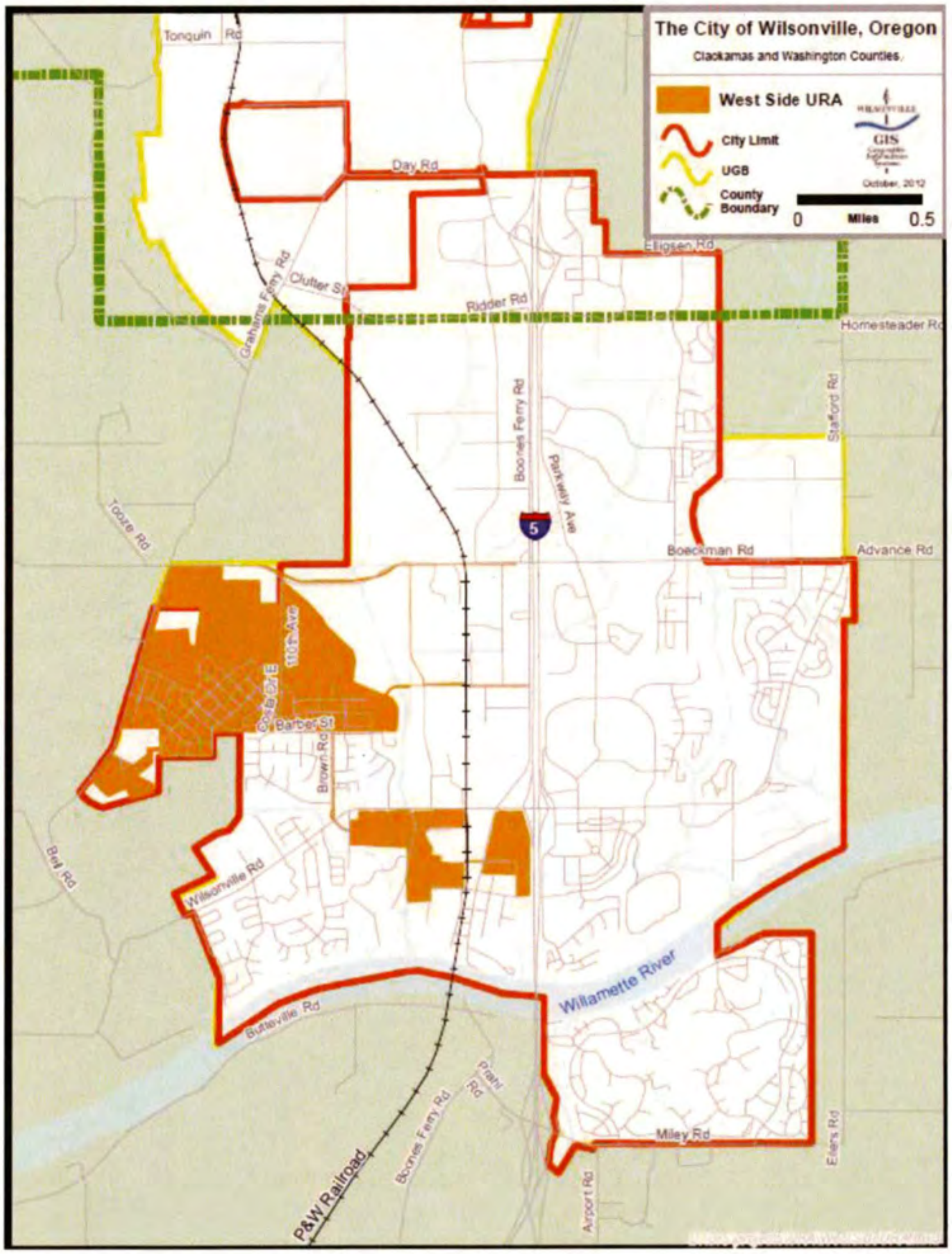
"Prepaid Installment" means the amount of the prepaid or redeemed principal which would have been paid on a single Original Payment Date.

"Treasury Rate" means the yield on the Treasury Constant Maturity Series with maturity equal to the Original Payment Date of the Prepaid Installment which are principal payments (calculated as of the prepayment in accordance with accepted financial practice and rounded to the nearest quarter-year), as reported in Federal Reserve Statistical Release H. 15, Selected Interest Rates of the Board of Governors of the Federal Reserve System, or any successor publication. If no maturity exactly corresponding to such Original Payment Date appears in Release H.15, the Treasury Rate will be determined by linear interpolation between the yields reported in Release H.15. If for any reason Release H. 15 is no longer published, the Bank shall select a comparable publication to determine the Treasury Rate.

City of Wilsonville

Urban Renewal Agency

West Side Debt Load Ability



Prepared for: Bryan Cosgrove, City Manager

Prepared by: Gary Wallis, Wallis Consulting

Date: October 30, 2012

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Executive Summary

The focus of this study is to determine how much debt the West Side district could support without regard to the maximum debt limit. The answer will help determine how many improvements could be funded and the timing of when the projects could begin.

The West Side district can issue only another $10 million under its maximum debt limit. The budget for 2012-13 anticipates a $2 million short-term issue, leaving $8 million for projects beyond those budgeted in 2012-13. Even a short list of projects quickly exceeds the remaining $8 million. The outstanding project list totals $50 million. A substantial plan amendment would be needed to increase the debt limit from the current level of $40 million to $80 million.

Since many of the projects are required to be constructed as part of a development agreement, increasing the debt limit would be a viable solution. The city could explore other options such as general obligation bonds or legally challenging the development agreements. Neither option provides a realistic alternative to completion of the projects.

The tax infusion from the Fred Meyer development was unknown until before this report was prepared. Based on information provided by the Clackamas County Assessor's Office the development generates about $600,000 in new taxes. That increase allows for conversion of the $7 million of bond anticipation notes to amortizing. Future Villebois construction is expected to provide the necessary cash flow for approximately $51 million in debt over the next eleven years.

While premature to accurately predict when the district might be ready for closure, if the maximum debt were increased to $80 million, the model indicates outstanding bonds could be called around 2030. That would be 25 years after the initial debt was incurred and similar life span as the Year 2000 Plan district.

District Background

The West Side district was formed in November 2003 and focuses on improvements in Old Town and Villebois. At formation the estimated costs of all improvements was $40 million, thus a maximum debt limit of $40 million was established.

Since 2003 $30 million of debt has been issued. Major projects include Boeckman Road west of the railroad, improvements to Barber Road, acquisition of two school sites and contribution to two Villebois park improvements. The remaining $10 million is not sufficient to complete all the projects originally planned.

Construction and demand for housing was robust until 2008 when the economy faltered and new construction for single family housing all but stopped. However, multifamily continued during the recession as did the Fred Meyer and Wilsonville Road Industrial Park developments. The County Assessor reports that total assessed value as of January 2012 was $234 million which is up $219 million since the district was formed. Property tax on the $219 million is $3.1 million. This provides sufficient cash flow to amortize the $30 million in debt the district has incurred. As the district grows the amount of debt it can support will also grow.

Assumptions for Debt

The first three long-term debt issues have been amortized over 20 years with a bullet payment due in year 15 (20/15). This structured allowed for a lower annual payment than a simple 10 or 15 year amortization. To deal with the bullet payment (aka balloon) the district is building a cash reserve to have sufficient cash to retire the debt when due. Alternatively, the district could choose to refinance the balance in year 15.

The 20/15 debt structure is used for forecasted debt only when a simple 10 year amortization would cause debt covenants to be broken. The goal is to repay the debt in 10 year whenever possible. Should the 20/15 structure be required, a cash reserve is assumed to be built to avoid refinancing the balance. Building cash reserves takes resources away that could be used to pay for other new debt.

Debt issuances through 2016 are based on the timing of capital projects costs as presented by Community Development. After 2016 the debt issuances are based solely on how much debt the annual cash in-flow could support while still adhering to normal covenant requirements.

Forecasted Debt

The following tables predict that $51 million, a theoretical maximum amount of debt, could be issued through FY 2023-24 for new projects. In addition, $7 million to refinance existing short term debt could convert to amortizing. While this is not meant as a financial plan, it does indicate that over the next 11 years sufficient debt could be issued to meet anticipated needs to complete the identified West Side projects. Timing of actual debt issue is dependent upon the maximum debt limit and actual availability of cash flow. Maximizing the debt load as presented in the tables would not be a recommended practice as it leaves little room to cope with economic downturns. These amounts should be read as hypothetical maximums.

Table 1

West Side – Potential New Debt Issuances (amortizing)

Dollars in Millions

FYE	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Tax Incrm.	$2.2	$2.9	$3.5	$4.2	$4.7	$5.1	$5.2	$5.6	$6.0	$6.3	$6.8	$7.2	$7.7
Debt Svc	$1.2	$1.9	$2.7	$3.3	$3.4	$4.0	$4.0	$4.4	$4.7	$5.1	$5.1	$5.1	$5.6 [1]
Excess as % (goal 25%)	83%	55%	26%	25%	36%	28%	32%	28%	28%	26%	34%	43%	37%
New Debt [2]			$7	$7	$5			$3.5	$2	$3			$10
Type years		20/15	20/15	20/15	10	10		10	10	10			10

1. 2024 debt service omits $3.1 million of a balloon payment. Cash reserves are anticipated to be available to pay that portion.
2. New debt excludes refinancing of outstanding short term debt, $7 million as of report date.

In addition to the $37.5 million of long term debt in the table above the debt service fund will accumulate excess cash beyond the debt sinking fund. The excess, some $13.5 million, can periodically be withdrawn to fund projects. The following table recaps when these short-term draws might occur. A summation of the new debt from Table 1 and the short term debt is presented. Combined new debt for projects is $51 million.

Table 2

West Side Project List – Potential New Debt Issuances (overnight and combined)

Dollars in Millions

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Overnight		$2	$1.5			$1		$1	$1	$3		$2	$2
Amortizing			$7	$7	$5			$3.5	$2	$3			$10
Combined		$2	$8.5	$7	$5	$1		$4.5	$3	$6		$2	$12

Another resource for the district would be the sale of property owned. The original school site could be sold with the proceeds benefiting district projects.

Factors that would improve the forecast would be accelerated new growth within the district from more housing and major new industrial/commercial development. As a benchmark, 40 new homes at $250,000 assessed value would generate about $140,000 in taxes per year and would support $1,000,000 in new 10 year debt. Many factors could adversely affect the forecast, such as another economic downturn that delays or stops predicted growth, homeowner hardship leading to non-payment of property taxes, and property values dropping below assessed value level thus reducing taxes to the district.

Assuming no additional debt after 2024, the district may have sufficient resources to allow for closure in FYE 2030, provided outstanding debt is prepaid at that time.

Remaining Construction Projects

Many projects that were identified in the original plan still need to be constructed. Most of the remaining projects are tied to development agreements that were created when the Villebois neighborhood began. Not doing these projects would adversely affect future private sector development and would likely bring legal challenges. The following table summarizes the outstanding projects and lists them in the approximate order in which the costs could occur. The Old Town Escape project lists two optional routes. No decision has been made on the preferred option. This project is not part of a development agreement. To provide for inflationary impacts on costs estimates and potential changes as projects are constructed as well as final payment for deferred water SDCs and project administration through close out an additional $10 million is included.

Table 3

West Side Projects (estimated cost in 2012 dollars)

	FYE 2013	FYE 2014	FYE 2015	FYE 2016	Later
Boeckman Extension (bridge area)	$250,000	$560,000			
Villebois parks	$323,000	$688,000		$1,049,000	
Water SDC payment	$1,190,000				
Barber west into Villebois		$4,318,000			
Kinsman north to Boeckman			$2,100,000	$2,100,000	
Tooze Rd (110th to Grahams Ferry)			$7,155,000		
Brown Road Improvements					$3,500,000
Water SDC payment, at build out					tbd
Old Town Escape: (1) Kinsman option Or, Brown option					 $6,500,000 $13,000,000
Inflationary impacts and contingency					$10,000,000
Project and district administration	$390,000	$450,000	$450,000	$450,000	tbd
Total	$2,153,000	$6,016,000	$9,705,000	$3,599,000	$20-27+M

(1) Not a development agreement project.

The sum total of the projects is between $41 and $48 million depending on the Old Town Escape option. Only $10 million remains available under the maximum indebtedness limit. To complete all these projects the district would need to increase its maximum debt limit to $80 million or $40 million more than today's limit. ($30 million issued plus $48 million identified above then rounded to a total of $80 million.) An increase of this amount would require a substantial plan amendment.

Substantial Plan Amendment

Once an urban renewal district is formed changes to the plan either fall into minor amendments the governing board can approve or substantial plan amendments. Increasing the maximum debt limit requires a substantial plan amendment. "Substantial" refers to not only the nature of the change but to the manner in which it must be handled. For example, notices must be mailed to all owners of real property within the city (not just those in the affected area), a public hearing is required, and Board action can be subject to a referendum vote. Further complications include special rules related to increasing maximum indebtedness and seeking approval from overlapping jurisdictions. (ORS 457.120)

This report does not provide the detail steps or legalities needed to accomplish a substantial plan amendment. Nevertheless, the steps take considerable time and if the City desires to increase the maximum indebtedness it should entertain discussions on the matter in the near future. Staff has indicated they would like to begin the outreach to the fire district, school district and county in the spring of 2013 with a goal of final amendment in the spring of 2014.

Forecasting Note

As with any forecast the results may differ from reality for many reasons. Due professional care was exercised in the development of the forecast and report. However, because neither the consultant nor the City has control over a multitude of outside influences any decision made by the City should be continually monitored in subsequent periods to determine if corrective adjustments are necessary.

Appendices

The appendices present the basic assumptions for growth, cash in-flows and uses.

Table 4

West Side District – Debt Service Fund Forecast

Fiscal year end	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Notes
	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	
Sources:																
assumed int rate	*1.0%*	*1.0%*	*2.0%*	*2.5%*	*3.0%*	*3.5%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	
Interest	50,000	39,000	63,000	101,000	162,000	198,000	285,000	306,000	330,000	275,000	356,000	378,000	273,000	389,000	490,000	
Tax Increment (net of discounts)	2,880,000	3,460,000	4,150,000	4,680,000	5,070,000	5,230,000	5,640,000	5,970,000	6,350,000	6,790,000	7,240,000	7,720,000	8,210,000	8,730,000	9,280,000	
Total	2,930,000	3,499,000	4,213,000	4,781,000	5,232,000	5,428,000	5,925,000	6,276,000	6,680,000	7,065,000	7,596,000	8,098,000	8,483,000	9,119,000	9,770,000	
Uses:																
Debt Service - Outstanding:	1,720,355	1,714,698	1,718,398	1,720,348	1,719,603	1,719,108	1,715,863	1,710,745	1,713,853	1,709,800	1,713,753	4,880,578	930,720	2,609,376	3,073,175	
Debt Service - Proposed:																
2013: $7M, 4%, 20/15 (refi)	140,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	20yr amort, 15yr bullet
2014: $7M, 4%, 20/15 year (new $)		515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	515,000	20yr amort, 15yr bullet
2015: $7M, 5%, 20/15 year (new $)			562,000	562,000	562,000	562,000	562,000	562,000	562,000	562,000	562,000	562,000	562,000	562,000	562,000	20yr amort, 15yr bullet
2016: $5M, 5%, 10 year (new $)				125,000	648,000	648,000	648,000	648,000	648,000	648,000	648,000	648,000	648,000	-	-	10 year amort
2019: $3.5M, 5%, 10 year (new $)							453,000	453,000	453,000	453,000	453,000	453,000	453,000	453,000	453,000	10 year amort
2020: $2M, 5%, 10 year (new $)								259,000	259,000	259,000	259,000	259,000	259,000	259,000	259,000	10 year amort
2021: $3M, 5%, 10 year (new $)									389,000	389,000	389,000	389,000	389,000	389,000	389,000	10 year amort
2024: $10M, 5%, 10 year (new $)												500,000	1,295,000	1,295,000	1,295,000	10 year amort
Total Amortizing	1,860,355	2,744,698	3,310,398	3,437,348	3,959,603	3,959,108	4,408,863	4,662,745	5,054,853	5,050,800	5,054,753	8,721,578	5,566,720	6,597,376	7,061,175	
Short term - du jour and interest	3%	3%														
Du Jour Principal	2,000,000	1,500,000			1,000,000		1,000,000	1,000,000	3,000,000		2,000,000	2,000,000				
Interest, 2%, 3% short	210,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Annual excess	(1,140,355)	(745,698)	902,602	1,343,652	272,397	1,468,892	516,137	613,255	(1,374,853)	2,014,200	541,247	(2,623,578)	2,916,280	2,521,624	2,708,825	
Beginning balance	5,030,212	3,889,857	3,144,159	4,046,761	5,390,413	5,662,810	7,131,702	7,647,839	8,261,094	6,886,241	8,900,441	9,441,688	6,818,110	9,734,390	12,256,014	
Ending balance	3,889,857	3,144,159	4,046,761	5,390,413	5,662,810	7,131,702	7,647,839	8,261,094	6,886,241	8,900,441	9,441,688	6,818,110	9,734,390	12,256,014	14,964,839	
Debt Coverage Tests:																
Bonded Reserve (MADS or 10%) against **Ending Balance**	1,860,355	2,745,000	3,400,000	3,781,348	3,781,348	3,781,348	3,781,348	3,781,348	3,781,348	3,781,348	3,781,348	3,781,348	2,992,000	2,603,000	2,603,000	
met or not met	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	
Debt Service Coverage of 125% **Amortizing + Short-term Interest**	2,587,944	3,430,873	4,137,998	4,296,685	4,949,504	4,948,885	5,511,079	5,828,431	6,318,566	6,313,500	6,318,441	10,901,973	6,958,400	8,246,720	8,826,469	
against Tax Increment, met or not met	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*met*	*not met*	*met*	*met*	*met*	
												Met, no balloon				

This table summarizes the forecast results for annual tax increment, future debt service, when and how much short-term debt can be issued and compliance with standard debt covenants for cash reserves and coverage. The "not met" condition in year 2024 is due to a balloon payment that year, which is an exception to the covenant. Accumulated cash is anticipated to be available to pay the balloon amount.

Table 5

West Side District – Debt Service Fund Projected Cash Reserve for Balloon Payments

For 20/15 year debt issues, Agency should build a cash reserve to retire balance in year 15. Amount is just the balloon, excludes normal P&I.
(not a loan document requirement)

Sinking Funds (a portion of Ending Balance):															
2009 iss, $3.3M due 12/2023, build at $275,000/yr	1,100,000	1,320,000	1,540,000	1,760,000	1,980,000	2,200,000	2,420,000	2,640,000	2,860,000	3,080,000	3,300,000				
2011 iss, $1.6M due 06/2026, build at $106,667/yr	213,333	320,000	426,667	533,333	640,000	746,667	853,333	960,000	1,066,667	1,173,333	1,280,000	1,386,667	1,493,333	1,600,000	
2012 iss $2.5M due 06/2027, build at $166.667/yr	166,667	333,334	500,001	666,668	833,335	1,000,002	1,166,669	1,333,336	1,500,003	1,666,670	1,833,337	2,000,004	2,166,671	2,333,338	2,500,005
2013 projected, $2.3M due 06/2028, build at $153,333/yr			153,333	306,666	459,999	613,332	766,665	919,998	1,073,331	1,226,664	1,379,997	1,533,330	1,686,663	1,839,996	1,993,329
2014 projected, $2.3M due 6/2028, build at $153,333/yr			153,333	306,666	459,999	613,332	766,665	919,998	1,073,331	1,226,664	1,379,997	1,533,330	1,686,663	1,839,996	1,993,329
2015 projected, $2.3M due 6/2029, build at $153,333/yr				153,333	306,666	459,999	613,332	766,665	919,998	1,073,331	1,226,664	1,379,997	1,533,330	1,686,663	1,839,996
Cumulative sinking fund cash (part of Ending Balance)	1,480,000	1,973,334	2,773,334	3,726,666	4,679,999	5,633,332	6,586,664	7,539,997	8,493,330	9,446,662	10,399,995	7,833,328	8,566,660	9,299,993	8,326,659
Last Sufficient Ending Balance to cover?	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*yes*	*short*	*short*	*short*	*short*	*yes*	*yes*	*yes*
									make up by 2025						

The model assumes that cash will be accumulated over the life of a 20/15 term debt to allow for full payment in year 15. This table demonstrates the cumulative balance that must be attained to achieve full payment. The aggregate total is tested against the Debt Service fund balance to assure that sufficient cash remains after payment of principal and interest. A few years fall short but cash on hand is adequate to meet debt needs and the shortage is corrected a few years later.

Table 6

West Side District – Assessed Value Changes and Tax Increment

Fiscal Year	Beginning AV	3% growth	New Improvements	Ending AV	Frozen Base	AV for Tax Increment	Cumulative Tax Rate	Tax Increment	Estimated Collection
2004-05	-		11,596,610	11,596,610	(3,605,856)	7,990,754	15.5314	124,108	
2005-06	11,596,610	347,898	26,694,805	38,639,313	(3,605,856)	35,033,457	15.5314	544,119	
2006-07	38,639,313	1,159,179	8,833,615	48,632,107	(3,605,856)	45,026,251	15.7564	709,452	
2007-08	48,632,107	1,458,963	35,268,397	85,359,467	(3,605,856)	81,753,611	15.5564	1,271,792	@ 94%, rnd down
2008-09	85,359,467	2,560,784	50,281,021	138,201,272	(3,722,078)	134,479,194	15.5435	2,090,277	2,000,000
2009-10	138,201,272	4,146,038	24,256,093	166,603,403	(14,972,924)	151,630,479	14.3609	2,177,550	2,050,000
2010-11	166,603,403	4,998,102	2,597,357	174,198,862	(14,972,924)	159,225,938	14.1588	2,254,448	2,120,000
2011-12	174,198,862	5,225,966	2,795,785	182,220,613	(14,972,924)	167,247,689	14.0828	2,355,320	2,210,000
2012-13	182,220,613	5,466,618	46,090,482	233,777,713	(14,972,924)	218,804,789	14.0134	3,066,199	2,880,000
2013-14	233,777,713	7,013,331	37,375,000	278,166,044	(14,972,924)	263,193,120	13.9869	3,681,256	3,460,000
2014-15	278,166,044	8,344,981	44,880,000	331,391,025	(14,972,924)	316,418,101	13.9559	4,415,899	4,150,000
2015-16	331,391,025	9,941,731	33,345,000	374,677,756	(14,972,924)	359,704,832	13.8409	4,978,639	4,680,000
2016-17	374,677,756	11,240,333	24,333,750	410,251,839	(14,972,924)	395,278,915	13.6559	5,397,889	5,070,000
2017-18	410,251,839	12,307,555	20,289,755	442,849,149	(14,972,924)	427,876,225	13.0059	5,564,915	5,230,000
2018-19	442,849,149	13,285,474	20,898,440	477,033,063	(14,972,924)	462,060,139	12.9959	6,004,887	5,640,000
2019-20	477,033,063	14,310,992	12,662,000	504,006,055	(14,972,924)	489,033,131	12.9859	6,350,535	5,970,000
2020-21	504,006,055	15,120,182	19,041,101	538,167,338	(14,972,924)	523,194,414	12.9159	6,757,527	6,350,000
2021-22	538,167,338	16,145,020	19,612,326	573,924,684	(14,972,924)	558,951,760	12.9159	7,219,365	6,790,000
2022-23	573,924,684	17,217,741	20,200,706	611,343,131	(14,972,924)	596,370,207	12.9159	7,702,658	7,240,000
2023-24	611,343,131	18,340,294	20,806,752	650,490,177	(14,972,924)	635,517,253	12.9159	8,208,277	7,720,000
2024-25	650,490,177	19,514,705	21,430,975	691,435,857	(14,972,924)	676,462,933	12.9159	8,737,128	8,210,000
2025-26	691,435,857	20,743,076	22,073,886	734,252,819	(14,972,924)	719,279,895	12.9159	9,290,147	8,730,000
2026-27	734,252,819	22,027,585	22,736,069	779,016,473	(14,972,924)	764,043,549	12.9159	9,868,310	9,280,000
			(linked to Summary Development)						
				actual per assessor					

Measure 50 allows for up to 3% growth on existing properties. New construction is listed at estimated assessed value, not construction cost. Assessed values for residential is based on no more than 90% of real market, and about 60% on commercial and industrial. New housing starts through 2018-19 are estimated by City Building & Planning programs. Subsequent estimates are based on the average of 2017 through 2020 with 3% annual inflationary growth.

Table 7

West Side District – Estimated New Construction

Calendar year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
effective fiscal yr	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
UNITS (1)												
Homes	26	111	140	97	105	85	85	50	73	73	73	73
Town/Condo	18	0	0	0	0	0	0	0	0	0	0	0
Apartments	0	0	120	120	0	0	0	0	0	0	0	0
Retail	0	0	0	0	0	0	0	0	0	0	0	0
Total	44	111	260	217	105	85	85	50	73	73	73	73

Housing starts are predominately within the Villebois neighborhood. Other starts are within Living Enrichment Center and Old Town. Apartments are planned in Villebois Central. No developer has approached Community Development with plans to construct more commercial or industrial facilities. The model assumes no commercial or industrial developments.

CITY OF WILSONVILLE, OREGON

COMPREHENSIVE FINANCIAL MANAGEMENT POLICIES

NOVEMBER 2012

Comprehensive Financial Management Policies

Purpose

The Comprehensive Financial Management Policies are the tools used to ensure that the City is financially able to meet its current and future service needs. The individual policies contained herein set a basis for both the financial planning, reporting and internal financial management of the City.

Municipal resources must be wisely used to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet immediate and long-term needs. These policies safeguard the fiscal stability required to achieve the City's objectives and ensure long-term financial health.

Objectives

A. To guide the City Council and management policy decisions that have significant fiscal impact.

B. To employ balanced revenue policies that provides adequate funding for services and service levels.

C. To maintain appropriate financial capacity for present and future needs.

D. To maintain sufficient reserves so as to maintain service levels during periods of economic downturn.

E. To promote sound financial management by providing accurate and timely information on the City's financial condition.

F. To protect the City's credit rating and provide for adequate resources to meet the provisions of the City's debt obligations on all municipal debt.

G. To ensure the legal use of financial resources through an effective system of internal controls.

H. To promote cooperation and coordination with other governments and the private sector in financing and delivery of services.

Scope

The following policies shall apply to both the City and its component unit the Urban Renewal Agency of Wilsonville.

Table of Contents

I. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

Maintain accounting practices in accordance with state and federal law and regulations, and financial reporting that conform to Generally Accepted Accounting Principles. Provide for, prepare and present regular reports that analyze and evaluate the City's financial performance and economic condition.

A. Accounting Practices and Principles

The City will maintain accounting practices in accordance with state and federal law and regulations, and annual financial reporting that conforms to Generally Accepted Accounting Principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB), the authoritative standard setting body for units of local government. The City's monthly and quarterly interim financial reports will be reported on the budgetary basis. At year-end, the general ledger and financials will be converted to GAAP, and the Comprehensive Annual Financial Reports and continuing disclosure statements will meet these standards.

B. Financial and Management Reporting

1. Monthly Financial Reports will be provided to management containing department revenues and expenditures actual to date with comparison to the budget. These reports will be distributed within ten working days of the end of each month. Monthly status reports on capital projects will be provided to project managers and the City Manager within fifteen working days of the end of each month.
2. Quarterly summary financial reports will be provided to management, city council and budget committee members within 30 days of the end of the quarter. The quarterly report will contain revenues and expenditures in summary form for each operating fund with explanations of significant financial variations to budget. The report shall also contain summary information on larger capital projects and a statement of cash and investments including end of quarter market value.
3. Annually, a comprehensive annual financial report subjected to independent audit will be prepared in a format that conforms to the standards of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The report shall be shared with the City Manager, City Council, Budget Committee and the Secretary of State. In accordance with state law the report shall be distributed no later than December 31st of the following fiscal year.

C. Annual Audit

1. Comprehensive Annual Financial Report

   Pursuant to state law, the City shall have an annual financial and compliance audit, and prepare financial statements based on the audited financial information. The audit shall be performed by certified public accounting (CPA) firm, licensed to practice as Municipal Auditors in the State of Oregon. The annual financial report, including the auditor's opinion and specific reports as required by Oregon state regulations, shall be filed no later than six (6) months following the end of the fiscal year. The audit firm shall also provide a Single Audit of Federal and State grants, when necessary. The Director of Finance shall be responsible for establishing a process to ensure timely resolution of audit recommendations, if any.

2. Audit Committee

   Formation of an Audit Committee promotes issues related to fiscal accountability, enhances interaction with the external auditor and promotes transparency of financial transactions. City Council may create an Audit Committee. The Mayor may appoint or confirm the audit committee, consisting of the Mayor, one City Councilor, one budget committee member and two citizens with an accounting or business background. The primary purpose of the audit committee would be to assist the City Council and the City Manager in fulfilling oversight responsibilities for financial reporting, audit processes, and effective internal control systems. The City would maintain an Audit committee charter which outlines the duties and responsibilities of the audit committee.

3. Annual Financial Disclosure

As required by the Securities and Exchange Commission (SEC) Rule 15c2-12, the City will provide certain annual financial information to the Municipal Securities Rulemaking Board (MSRB). This will include any periodic materials event notices as required by the MSRB or SEC.

D. Signature of Checks

Pursuant to the City Charter, all checks shall have two signatures, signed by the Finance Director and either the City Manager or another designated person in the Finance Department. Signatures shall be affixed on all City checks via facsimile signatures, either with a signature plate used with a check signing machine or with a secure laser check printing system.

E. Compliance with Council Policies

The Financial Management Policies will be reviewed annually and updated, revised or refined as deemed necessary. Occasionally exceptions to the policies adopted by City Council may be appropriate and required. Exceptions will be identified, documented, and explained to City Council and/or the City Manager.

II. BUDGETING - OPERATIONS

A. Budget Committee

In accordance with ORS 294.414 the City Budget Committee shall consist of the five elected members of Council and an equal number of appointed citizens. Among the responsibilities of the Budget Committee shall be the review of the annual proposed budget and financial forecasts.

B. Proposed Budget Document

In accordance with ORS 294.426 the City Manager shall file a Proposed Budget document and budget message with the City Budget Committee approximately two weeks prior to the first scheduled Budget Committee meeting..

C. Use of Non-Recurring Revenues

Non-recurring revenue sources, such as a one-time revenue or carryover of prior year unrestricted/unassigned balance should only be budgeted and used to fund non-recurring expenditures, such as capital purchases or capital improvement projects. The City shall avoid using non-recurring revenues for recurring program expenditures.

D. Budget Preparation

1. Department Directors have primary responsibility for formulating program proposals. New or expanded services should support City Council goals, City Manager priority direction and department goals. Departments are charged with implementing them once the budget is adopted.
2. All competing requests for City resources will be weighted within the formal annual budget process.
3. Actions on items that come up throughout the year with significant financial impacts should be withheld until they can be made in the full context of the annual budget process and long-range plan, unless unforeseen circumstances present themselves.
4. Annually, the City will seek to obtain the Government Finance Officers Association Distinguished Budget Presentation Award. The Budget Document will be presented in a way that clearly communicates the budget to the public and provides financial goals.

E. Full Cost Recovery and Overhead

Program budgets should be prepared in a manner to reflect the full cost of providing services. General support program (e.g. Administration, Legal, Finance, etc.) costs shall be allocated to the beneficiating programs and funds via a method that is both fair and reasonable.

F. Budget Management

The City Council shall delegate authority to the City Manager in managing the budget after it is formally adopted by the City Council, including the transfer of budgeted line-items within a program. The City Manager may further delegate levels of authority for the daily operations of the budget. Expenditures/expenses are legally established at the program level within each fund. Expenditures/ expenses should not exceed the adopted budget, plus supplemental changes approved by the City Council.

G. Amended Budget

In accordance with ORS 294.471-473 the City Council may approve changes to the adopted budget via Resolution.

H. Monitoring

Actual revenues and expenditures/expenses shall be monitored by the respective program manager each month. Financial reports shall be prepared within ten working days of the end of each month by the Finance Department and distributed to the responsible manager and City Manager. The Finance Director shall periodically review the reports and report significant variances to the City Manager. The goal of the monitoring shall be to identify potential budget and actual variances and to take corrective action soon as possible.

I. Operating Deficits

The City shall take immediate corrective action if at any time during the fiscal year financial monitoring indicates that an operating fund's anticipated expenditures are expected to exceed its anticipated revenues. Corrective actions may include:

- Deferral of capital equipment purchases
- Deferral of pay-as-you go capital improvements
- Expenditure reductions
- Deferral of certain positions
- Hiring freezes
- Freeze non-represented employee merit increases
- Use of fund balance
- Use of volunteers
- Increase fees
- Reduce work hours with subsequent reduction in pay
- Eliminate positions which may require laying-off employees if there are no other vacant positions for which they are qualified.

Short-term loans as a means to balance the budget shall be avoided.

The use of fund balance, which is a one-time revenue source, may be used to fund an annual operating deficit, only with a subsequent approval of a plan to replenish the fund balance if it is brought down below policy level. (see Fund Balance and Reserves Policy)

III. BUDGETING - CAPITAL OUTLAY

A. Definition

Capital Outlay – Operating

Operating programs need certain furniture, equipment, vehicles, software, etc. to carry out the intended services. By definition such items costing $5,000 or more, per item, shall be budgeted and accounted as capital outlay and shall be tracked in the City's fixed assets records. Significant repair or maintenance that extends the useful life of existing assets shall be included here provided the dollar threshold is met. The $5,000 limit shall apply to individual items unless a group of items are intended to function together as a unified system (e.g. street lighting system).

Capital Outlay – Projects (also known as Capital Projects)

This category includes infrastructure projects meeting the capitalization threshold and development of master plans and design and engineering/architectural work leading to construction or repair of capital assets. Generally the total capitalization threshold shall be not less than $50,000. Budgets and capitalization records shall include applicable project management and administrative overhead costs.

B. Preparation

As part of the annual proposed budget the City shall include a list of capital projects that are necessary to preserve existing infrastructure or to expand to meet growth demands of the community. The list of projects shall embrace those included in the most recent long range capital improvement forecast, master plans, development agreements and direction from City Council on current demands. This ensures that the City's capital improvement program includes the embodiment of the citizens and Council recommendations and the officially stated direction contained within the Comprehensive Plan.

Separate estimates for each project shall be prepared. Additionally, future annual operating and maintenance cost impacts shall be estimated.

C. Financing

For each project one or more resource shall be identified to pay for such costs. Prior to construction award all identified resources shall be readily available for expenditure.

Pay-As-You-Go – The city will strive to pay cash for capital improvement within the financial affordability of each fund versus issuance of debt. This necessitates advanced planning and setting aside resources for future use. This type of funding saves interest and debt issuance costs and in many cases reduces utility rate impacts on citizens and business of the City.

Grant revenues shall be sought for capital construction when determined to be advantageous to the City.

Certain assets may best be funded via debt. Refer to Debt Management Policy for discussion on when debt may be considered for projects.

D. Monitoring

Each capital project shall have a project manager associated with it. The project manager shall monitor the progress and assure the project is completed according to standards, on a timely basis and within budgeted levels. Monthly financial reports detailing budget-to-actual for each project shall be provided to the project manager, Community Development Director and City Manager. City Council will receive an update on the larger ($100,000 minimum expended to date) projects on a quarterly basis.

E. Infrastructure Evaluation and Replacement/Rehabilitation

Water, wastewater, drainage, street lighting, streets and sidewalks, municipal facilities and parks infrastructure are fundamental and essential functions for public health and safety, environmental protections and the economic well-being of the City. As a result, the City's CIP should be focused on ensuring that infrastructure is replaced as necessary to protect the City's investment, to minimize future replacement and maintenance costs, and to maintain existing levels of service and accommodate growth.

1. High priority should be given to replacing/rehabilitating capital improvements prior to the time that assets have deteriorated to the point where they are hazardous, require high maintenance costs, negatively affect property values, or no longer serve their intended purpose.
2. The decision on whether to repair, replace or to rehabilitate an existing capital asset will be based on which alternative is most cost-effective, which would include life-cycle costing, and provides the best value to the City.

IV. LONG-RANGE FINANCIAL PLAN

The goal of the Long-Range Plan is to provide the Budget Committee, City Manager and department heads with long-term goals and objectives for the City as well as the strategies needed to achieve these goals and objectives. City staff will use these goals and objectives to guide them in the development of the City's annual budget.

A. Operating

1. The City shall develop and maintain a financial forecast for each operating fund. The first year shall be the current year's adopted budget and the ensuing five years shall be forecasted. The forecast and report shall be prepared within six months following adoption of the budget. The most recent forecast shall be included in the proposed and adopted budget documents. The results of the forecast shall be presented to the Budget Committee.
2. Forecasts of urban renewal funds shall be prepared annually and completed in January/February following receipt of the most current property tax information. The urban renewal forecast shall be shared with the Budget Committee.
3. The City operating forecast should enable current service levels provided to be sustained over the forecast period. The forecast shall determine if revenues need to be increased and/or expenditures/expenses reduced in order to maintain operations on a Current Funding Basis.
4. Major financial decisions should be made in the context of the Long-Range Plan.

B. Capital Outlay - Projects

1. The City shall annually prepare a five year forecast of capital projects. Projects should be based upon master plans, development agreements, input from applicable Commissions and Committees and Council directed improvements. Included projects shall meet the definition of capital projects as defined earlier.
2. The primary responsibility for development of the capital project forecast shall rest with the Community Development Director. The City Manager is charged with reviewing the proposed forecast and determining actions to balance needs with available resources.
3. High priority should be given to rehabilitating and replacing prior to the point when such action is critical. The decision on whether to repair or replace an existing capital asset will be based on which alternative is most cost-effective and provides the best value to the City.
4. The forecast shall coincide with the annual citywide budget process. The first year of the forecast shall be the fiscal year under budget.
5. Estimated costs shall include acquisition, design, construction, project management, equipment and furnishing and administrative charges. That is, all costs to complete the project shall be included. Multi-year projects shall clearly disclose both the components of costs as well as the total estimated cost over the life of the project.
6. Funding resource(s) shall be identified for each project. The forecast shall make every effort to balance needed improvements with resources available. Projects that exceed the projected available resources shall be identified and recommendations on alternative funding shall be incorporated in the forecast report.
7. The forecast shall be presented to the Budget Committee during the annual budget process.

V. CASH MANAGEMENT AND INVESTMENTS

A. Cash Flow Analysis and Projections:

1. The Finance Director will forecast the City's cash inflows and outflows that will allow the City to keep its debt service costs to a minimum and to maximize the yield on temporary investments.
2. Revenue and expenditure projections will be reviewed by the Finance Director on a monthly basis to determine the validity of assumptions, new information and accuracy of seasonal or periodic fluctuations.

3. The City's cash flow shall be managed with the goal of maximizing the total return on investments.

B. Investments

Proposed revisions to the investment policy shall be submitted to the Oregon Short Term Fund Board for review and that Board's comments shall be shared with the City Council prior to adoption of investment policy by resolution.

1. Responsibility and Control:
   Management responsibility for the investment program shall rest with the City's Investment Officer who shall be the Finance Director or delegate. The Investment Officer shall adhere to ORS 294.145 (Prohibited Conduct for Custodial Officer) in managing the investment program for the City.
2. Eligible Investments:
   The Investment Officer will invest the City's surplus funds only in those investments authorized by ORS 294.035 to 294.046, and 294.135 to 294.155, which includes the requirement that investments shall mature within 18 months of the acquisition date. The City will not invest in stocks nor shall it speculate or deal in futures or options.
3. Eligible Financial Institutions:
   The City will conduct business only with financial institutions such as banks investment brokers, investment bankers, trustees, paying agents and registrants that are deemed credit worthy.
4. Objectives:
   a. Safety: Safety of principal is the foremost objective of the City. Each investment transaction shall be undertaken in a manner which seeks to ensure preservation of capital and avoidance of capital losses through securities defaults, erosion of market value or other risks.
   b. Liquidity: The City's Investment Officer shall match the investment portfolio with cash flow requirements. Due to the changing requirements of cash flow caused by factors not totally within the control of the City's Investment Officer, the ability to convert a security into cash must be considered.
   c. Yield: Investments of the City shall be acquired in a manner designed to attain the maximum rate of return through all budget and economic cycles while taking into account constraints on investment instruments, cash flow characteristics of transactions and safety of principal.
   d. Reporting: The Investment Officer shall maintain detail records of each investment in a form that allows for periodic reporting. On a quarterly basis, the City's outstanding investments and fiscal year to date investment income will be presented to City Council by the Finance Director or Investment Officer.

VI. EXPENDITURES

Identify services, establish appropriate service levels and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of those services.

A. Maintenance of Capital Assets

Within the resources available each fiscal year, the City shall maintain capital assets and infrastructure at sufficient level to protect the City's investment, to minimize future replacement and maintenance costs, and to maintain service levels.

B. Periodic Program/Services Reviews

The City Manager and staff shall undertake periodic reviews of City programs and services for both efficiency and effectiveness. Programs or services determined to be inefficient and/or ineffective shall be recommended through the annual budget process to be reduced in scope or eliminated.

C. Purchasing

All City purchases of goods and services shall be made in accordance with the City's current purchasing manual and procedures.

VII. REVENUES

Design, maintain and administer a revenue system that will assure reliable, equitable, diversified and sufficient revenue stream to support desired City services.

A. Balance and Diversification in Revenue Sources

The City shall strive to maintain a balanced and diversified revenue system to protect the City from fluctuations in any one source due to changes in local economic conditions, which may adversely impact that source.

B. User Fees – Non-Enterprise funds

1. For services that benefit specific users, the City shall establish and collect fees to recover the costs of those services. Where services provide a general public benefit, the City may recover the costs of those services through property taxes, privilege fees and other unrestricted resources.
2. At a minimum, the user fees will strive to cover direct costs. Preferably the fees will cover direct plus indirect costs.
3. User fees should be reviewed, at a minimum, every two to three years and adjusted to avoid sharp changes. If the Finance Department does not initiate the fee review it shall at least analyze the changes proposed from departments and comment upon them to the City Manager.
4. Factors in setting fees shall include, but not be limited to: market and competitive pricing, effect of demand for services, and impact on users, which may result in recovering something less than direct and indirect costs.
5. The City may set a different fee for residents versus non-residents.
6. User fees not regulated by state statute should be set via the City Manager. The intent of administratively set charges is to allow flexibility and ease to establish charges that cover actual costs or discourage abuse of city assets. Fees regulated by statute shall be presented to City Council via resolution or ordinance. All fees should be included in the Master Fee Schedule.

C. User Fees - Enterprise Funds

1. Utility rates shall be set at levels sufficient to cover operating expenditures (direct and indirect), meet debt obligations and debt service coverage requirements, provide pay-as-you-go funding for capital improvements, and provide adequate levels of working capital.
2. The City may set a different fee for residents versus non-residents.
3. The Five-Year Financial Plan (or separate rate model study) and proposed operating budget shall serve as the basis for rate change considerations.
4. When necessary, the Five-Year Financial Plan (or separate rate model study) will be built around small rate increases annually versus higher rate increases periodically.
5. Non-consumption based charges within Enterprise Funds may be set administratively by the City Manager. Such charges include insufficient funds, late payment penalties, charges for meters, service turn-on and turn-off, etc. The intent of administratively set charges is to allow flexibility and ease to establish charges that cover actual costs or discourage abuse of city assets. All fees should be included in the Master Fee Schedule.

D. One-Time/Unpredictable Revenue Sources

One-time, unpredictable revenue sources should not be used for ongoing expenses/expenditures. Instead, such revenue sources will be used for one-time purchases such as increase in fund balance requirements, capital equipment purchase, capital improvements, etc.

E. Revenue Collection

The City shall maintain high collection rates for all revenues by monitoring monthly receivables. The City shall follow an aggressive, consistent, yet reasonable approach to collecting revenues to the fullest extent allowed by law for all delinquent rate payers and others overdue in payments to the City.

F. Write-Off of Uncollectible Receivables (excludes court fines)

1. Receivables shall be considered for write-off as follows:
   a. State statute authorizing the release of extinguishment, in whole or in part, of any indebtedness, liability, or obligation, if applicable.

   b. Accounts outstanding for 3 years, identified as uncollectible, and all attempts to collect including use of a collection agency when appropriate have been taken.
2. Accounts shall be written-off annually near fiscal year-end. The Finance Director shall prepare a list of receivables determined to be uncollectible and include notation on collection efforts for each item. The list shall be submitted to the City Manager for review and approval. The City may report uncollected items to one or more credit reporting entities.
3. The write-off of uncollected accounts is a bookkeeping entry only and does not release the debtor from any debt owed to the City.
4. Municipal court fines shall follow a process established by the municipal court judge and reviewed by the City Attorney.

VIII. FUND BALANCE AND RESERVES

To maintain a high level of credit worthiness and to establish a financial position that can weather emergencies and economic fluctuations the City shall set aside cash reserves and contingencies within its fund balances. The Governmental Accounting Standards Board has created several categories of fund balance.

- Nonspendable – Nonliquid assets (e.g. inventory, prepayments) and liquid assets that have legal constraints preventing their use (e.g. principal of an endowment)
- Restricted – Assets which are constrained by an external entity (e.g. covenants in bond contracts))
- Committed – Constraints created by the governing body on itself at its highest level of decision making. For example, the governing board might like to commit a portion of the fund balance to a "stabilization fund" to provide cushion against unknown economic shocks and revenue declines. Constraints are enacted via resolution and must be in place prior to the end of the fiscal year.
- Assigned – Similar to Committed except constraint is not legally binding, may be created by staff or the governing board and can be created after the end of a fiscal period. This may be used to earmark a portion of the fund balance for an intended use. For example, it could be assigned to pay for a special project.
- Unassigned – Only the General Fund has an unassigned category. This represents any excess of total fund balance after the prior four categories are deducted.

The order in which categories are expended can affect future financial flexibility. Generally, more restricted resources shall be expended prior to less restricted resources. As restricted balances decline from their stated goal they shall be replenished from the Assigned or Unassigned category within five years of the initial decline. The Budget Committee or City Council can designate certain revenues to be used to rebuild reserves, such as non-recurring revenues, budget surpluses or specific revenues above a certain level.

Use of dedicated resources shall be clearly disclosed within the budget document. Such use shall coincide with the intended restrictions on the dedicated resource. Generally, such use shall be for infrequent and non-recurring costs.

A. General Fund

<u>Restricted</u>

Reserves shall be created for any legally mandated or restricted resource which is received in the General Fund and not wholly expended by the end of the fiscal year. An example includes Public, Education, Government Fees (PEG) received and restricted for cable television equipment.

<u>Committed</u>

The City may plan for and set aside cash reserves for a variety of significant infrequent outlays.

Commitments may include but are not limited to building a reserve for economic sustainability, expansion and relocation costs, emergency management and response and future planning area costs. For each committed resource the City Council shall adopt a resolution specifying the purpose, dollar amount and duration for existence of the committed amount. Committed amounts can be extended via amending resolution.

Two components of committed balance shall be for contingency and ending fund balance. Contingency is defined as an amount that can be used during a fiscal period to cover unanticipated and unbudgeted expenditures of a non-recurring nature or to meet unexpected increases in service levels The goal for contingency shall be 10% of operating expenditures (personal services and materials and services). Ending fund balance is defined as a minimum amount that shall be carried over from fiscal year to the next. The goal for the ending fund balance shall be 10% of operating expenditures (personal services and materials and services).

Assigned

The City shall plan for and set aside cash reserves for a variety of short-term and recurring purposes. Restricted purposes and amounts can be created by the City Council, the City Manager or the Finance Director for purposes that create a sound financial operating environment. Assignments may include but are not limited to building cash reserves for one-time or limited duration purchases such as equipment replacement, building modification and major repairs, park structure replacements, capital improvements, major software/hardware replacement, loans to other funds, etc.

Unassigned

By definition this is the amount remaining after provision for the above noted items. Balance in this category may be used to replenish deficiencies in the prior categories and create a resource for unforeseen financial needs.

B. Special Revenue Funds

Restricted

Certain funds may have restricted balances, such as building fees within the Community Development Fund that restricted under Oregon law.

Committed

As a minimum, each operating fund shall have a committed contingency and ending fund balance. Contingency shall equate to 18% of operating expenditures. Ending fund balance shall equate to the largest predicated cash flow deficiency occurring during a fiscal year, but shall not be less than 10% of the recurring operating expenditures.

Assigned

Assigned balances may be created as necessary under the same policy as for the General Fund. Any remaining resources not identified as restricted, committed or assigned for specific purpose shall be categorized as undesignated.

C. Enterprise Operating Funds (Water, Sewer, Stormwater, Street Lighting)

Restricted

Any debt service reserve balance shall be categorized as restricted. Terms of such reserves are generally specified in the associated bond documents and covenants. It shall be the City's policy to fully comply with bond documents and covenants. Amounts specified in inter-agency agreements or contracted services (e.g. water and wastewater treatment plants) shall be included in the restricted category.

Committed

As a minimum, each operating fund shall have a committed contingency and ending fund balance. Contingency shall equate to 18% of operating expenses. Ending fund balance shall equate to the largest predicated cash flow deficiency occurring during a fiscal year, but shall not be less than 10% of the recurring operating expenses. Other committed balances may include debt sinking funds.

Assigned

Assigned balances may be created as necessary under the same policy as for the General Fund.

Provisions for rate stabilization, future capital improvements and major repairs and replacements not part of the restricted balance are typical components of assigned balances. Any remaining resources not identified as restricted, committed or assigned for specific purpose shall be categorized as undesignated.

D. Debt and Capital Project Funds

Balances in the General Obligation debt service fund are restricted by state statute and thus are always categorized as restricted. The balance should be nominal.

Balances in capital project funds (general government or enterprise) should be nominal and sufficient to cover any near-term liabilities of the fund. Larger balances may occur if the City receives cash for restricted purposes to be expended in future years. Examples include proceeds from debt issuance and receipts from developers in lieu of current construction of infrastructure.

IX. DEBT MANAGEMENT

To establish policies for debt financing that will provide needed facilities, land, capital equipment and infrastructure improvements while minimizing the impact of debt payments on current and future tax and rate payers. The City is given authority to borrow under various provisions in Oregon law and the City Charter. A debt, except certain lease purchase agreements, must be authorized pursuant to a resolution of the City Council.

A. Use of Debt Financing

Debt financing may be considered when purchase or construction of assets cannot be prudently acquired from current revenues or accumulated committed fund balances. Debt types are limited by Oregon statutes and may include general obligation bonds, limited tax obligation bonds, local improvement district bonds, bond anticipation notes, certificates of participation, lease/purchase agreements, full faith and credit bonds and revenue backed bonds. Any combination of debt may be used to finance an asset. Debt will not be used to fund current operating expenditures.

The City will pay cash for capital improvements within the financial affordability of each fund versus issuing debt. Cash resources may include system development charges, developer fees, inter-agency agreements, grants and accumulation of resources within operating funds.

The Finance Director shall perform a cost benefit analysis with the goal of minimizing the cost of financing to the City prior to presenting debt recommendations to the City Council.

B. Debt Margins

The legal debt margin is 3% of the true cash-value limitation as set forth in ORS 287.004. It shall be the City's policy to not exceed a debt margin limit of 1.5%.

C. Debt Structures

The City may issue long term or short term debt. Long term debt life shall normally not exceed 20 years for general obligation bonds and 25 years for revenue bonds, but in no case longer than the useful life of the asset. Shorter repayment terms shall be considered when financially prudent.

Balloon or term payments may be considered provided financial analysis indicates such terms may be met financially without further rate or tax increases to satisfy the future large payments and without refinancing the balloon amount. Sinking funds (a committed fund balance) shall be established as necessary to provide for timely retirement of debt.

The City shall strive to begin principal reduction within a year after issuance but in no event shall a repayment structure contain more than three years of interest-only payments. Interest only years shall not extend the maximum debt life as noted above.

Short-term or interim financing are exceptions to this policy. These debt instruments are issued in anticipation of future long-term debt and may be interest only and refinanced as is prudent and required for the construction of the asset. Nevertheless, the City shall strive to minimize the use and life of such debt.

Except for short-term or interim financing, the City will issue debt based on a fixed rate.

D. Improvement District and Assessment Contract

The policies guiding the City's improvement district and assessment contract financing program shall be guided by City Code 3.210 et seq.

1. Interest Rates on Improvement District Loans. The contract interest rate shall be equal to the effective interest rate paid on the bonds issued to finance related improvement plus an additional percentage markup to cover loan servicing costs. The markup shall be determined by the Finance Director and typically range between 75 and 150 basis points. The contract rate shall remain constant during the life of the bonds.
2. Interest Rates on Assessment Contracts. Assessment contracts are agreements between a property owner and the City and precede the sale of Improvement Assessment Bonds. The assessment contract rate shall be set at a level deemed reasonable and prudent by the Finance Director. Rates are to reflect the effective borrowing cost by the city plus administrative and contract servicing costs.

E. Debt Refunding

The City may consider advanced refunding outstanding debt (as defined for federal tax law purposes) when it is financially advantageous to do so and complies with all limitations set forth in ORS 287A, the state statutes pertaining to authority to issue debt. At a minimum (a) the new debt shall not be longer than the remaining life of the retiring debt, (b) the net present value savings of a refunding should exceed 3.0% of the refunded maturities unless (1) a debt restructuring is necessary or (2) bond covenant revisions are necessary to facilitate the ability to provide services or to issue additional debt or (3) the refunding is combined with a new debt issuance.

The City may issue current refunding bonds (as defined for federal tax purposes) when financially advantageous, legally permissible and net present value saving equal or exceed $100,000.

F. Interest Earnings on Debt Proceeds

Bond proceeds shall be promptly invested in accordance with the Investment Policy. Focus shall be on safety and maturity of investments to pay construction costs.

Use of investment interest on bond proceeds will be limited to funding changes to the bond financed project, as approved by City Council, or be applied to debt service payment on the bonds issued for such project.

G. Sale Process

The City shall use a competitive bidding process in the sale of debt unless the nature of the issue warrants a negotiated or private placement sale. The City will utilize a negotiated process when the issue is, or contains, a refinancing that is dependent on market/interest rate timing, if the interest rate environment or market/economic factors may affect the bond issue, or if the nature of the debt is unique and requires particular skills from the underwriters involved. Private placement (debt sold directly to a commercial bank) may be used when anticipated to result in cost savings or provide other advantages when compared to other methods of sale, or if it is determined that access to the public market is unavailable. The City shall award the bonds based on a true interest costs (TIC) basis. However, the City may award bonds based on a net interest cost (NIC) basis as long as the financial advisor agrees that the NIC basis can satisfactorily determine the lowest and best bid.

H. Financial Advisor

The City shall employ an independent financial advisor registered with the Municipal Securities Rulemaking Board (MSRB) for all competitive and negotiated issuances. The advisor shall attempt to involve qualified and experienced firms, which consistently submit competitive bids on local government bond underwritings. For negotiated issuances the advisor shall review the offered amortization schedule, interest scale and TIC/NIC and provide guidance on the competitiveness compared to similar issues traded currently. The advisor may also be involved with preparation of bond prospectus, rating presentations, communication with legal counsel and other services necessary for the timely and prudent issuance of debt.

I. Bond Ratings

Full disclosure of operations and open lines of communications shall be maintained with the rating agencies. Credit ratings on publically traded issues will be sought from one or more of the nationally recognized municipal bond rating agencies, as recommended by the City's financial advisor.

The City will continually strive to maintain or increase the City's current bond ratings by prudently managing its funds and by reviewing and monitoring financial policies, budgets, forecasts and the financial health of the City.

J. Covenant Compliance and Annual Disclosure

The City will comply with all covenants stated in the bond ordinance, including providing for annual disclosure information and providing for material event notices. The Finance Director shall be responsible for maintaining the City's relationship with the rating agencies and investors. The Finance Director shall oversee the preparation of official statements, disclosure documents, annual filing under MSRB and any special notices of certain "material events," in connection with its borrowings.

K. Debt Security

Debt may be secured by various funding sources including:

1. General Obligation Bonds, secured by property taxes
2. Revenue Bonds, secured by specified revenue(s)
3. Limited Tax General Obligation, secured by resources within the General Fund
4. Local Improvement District Bonds, secured by liens on affected property
5. Other types of debt approved by the City Council including bank line of credit and leases.

L. Arbitrage Rebate Monitoring and Reporting

The Finance Department has a written procedure/policy pertaining to maintaining a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirement of the IRS regulation. The recordkeeping includes the tracking of project expenditures, interest earned on the bonds, calculating rebate payments and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the outstanding debt. Arbitrage rebate calculations will be performed periodically on all debt issues, but no less frequent than required to satisfy IRS reporting requirements. Due to the specialized nature of the calculations, this function will typically be outsourced.

M. Lease/Purchase Agreements

The City may use lease/purchase agreements for the acquisition of equipment when it is cost-effective and provides for attractive terms. All lease purchase agreements will be reviewed by the Finance Director who shall determine whether a lease purchase is appropriate given the circumstances. Agreements under $100,000 may be approved by the City Manager and larger amounts must be approved by the City Council. City purchasing policy rules are to be followed for the selection of the purchase.

X. GRANTS AND INTERGOVERNMENTAL REVENUES

The City will seek, apply for, and effectively administer federal, state and local grants, which support the City's current priorities and policy objectives. The City should take advantage of opportunities to enhance service delivery through intergovernmental cooperation, shared revenues, and grants. However, grants shall not be pursued if the administrative and program burden is determined to exceed the benefit of outside resources.

A. Grant Policies

1. The City shall apply and facilitate the application for only those grants that are consistent with the objectives and high priorities identified by Council and management.

2. Determination shall be made prior to application if the City has sufficient available resources for

cash match requirements.

3. Grant funding will be considered to leverage City funds. Inconsistent and/or fluctuating grants should not be used to fund ongoing programs and services.

4. The potential for incurring ongoing costs, to include assumptions of support for grant-funded positions from local revenues, will be considered prior to applying for a grant.

B. Grant Review Process

1. A uniform grants pre-application process will be utilized to assure the City has all the information necessary to make a decision regarding a potential grant. Information to be provided should include, but not be limited to:

    a. The grant being pursued and the use to which it would be placed.

    b. The objectives or goals of the City which will be achieved through the use of the grant..

    c. The local match required, if any, plus the source of the local match.

    d. The increased cost to be locally funded upon termination of the grant.

2. All grant agreements will be reviewed by the appropriate City staff, including Finance, Legal, HR, and the sponsoring department, to ensure compliance with state, federal, and City regulations.

3. The City Manager shall approve all grant submissions on behalf of the City and the City Council shall approve all grant acceptances over $100,000 or any grant requiring the authorization of the elected body.

C. Budgeting for Grant Expenditures

Departments seeking or receiving grant proceeds shall be responsible for including the proper amount in the budget. Only known grant awards or pending requests with a high level of assurance of award shall be budgeted. Budget amendments may be processed for grants not included in the budget but awarded and received during the fiscal year.

D. Grant Termination and/or Reduced Grant Funding

The City shall terminate grant-funded programs and associated positions when grant funds are no longer available, and it is determined that the program no longer supports City goals and/or is no longer in the best interest of the City, unless the City has obligated itself through the terms of the grant to maintain the positions, services, or equipment. Exceptions may be made when it is not in the City's best interest to terminate a program of service.

XI. FINANCIAL CONSULTANTS

The City will employ qualified financial advisors and consultants as needed in the administration and management of the City's financial function. These areas include but are not limited to audit services, debt administration, utility rate studies, and financial modeling. The principal factors in the selection of these consultants will be experience/expertise, ability to perform the services offered, references, and methodology to name a few. In no case should price be allowed to serve as the sole criterion for the selection.

A. Selection of Auditors

At least every five years, the City shall request proposals from qualified firms, including the current auditors if their past performance has been satisfactory. The City Council shall select an independent firm of certified public accountants to perform an annual audit of the accounts and records, and render an opinion on the financial statements of the City.

It is the City's preference to rotate auditor firms every eight years at the maximum, to ensure that the City's financial statements are reviewed and audited with an objective, impartial, and unbiased point of view. The rotation of the audit firm will be based upon the proposals received, the qualifications of the firm, and the firm's ability to perform a quality audit.

However, if through the proposal and review process, management (and the Audit Committee if formed) selects the current audit firm, then, it is the City's preference that the lead audit partner be rotated, as well as the lead reviewer, after a maximum of eight years.

B. Arbitrage

The City shall calculate positive/negative arbitrage on each bond issue periodically during the IRS reporting life cycle. While the City is responsible to ensure that the records are in order, the calculations made, reporting completed, and filings made, the actual arbitrage calculation and reporting may be contracted out to a qualified firm.

C. Bond Counsel

Bond Counsel to the City has the role of an independent expert who provides an objective legal opinion concerning the issuance and sale of bonds and other debt instruments. As bond counsel are specialized attorneys who have developed necessary expertise in a broad range of practice areas, the City will always use a consultant for these services. Generally, bonds are not marketable without an opinion of a nationally recognized bond counsel stating that the bonds are valid and binding obligations stating the sources of payment and security for the bonds and that the bonds are exempt from federal and state income taxes.

Due to the complexity of the City's financial structure and the benefits that come with the history and knowledge of the City and prior debt issuances, there is no requirement for rotation.

D. Financial Advisory Services

The City may issue various types of securities to finance its capital improvement program. Debt structuring and issuance requires a comprehensive list of services associated with municipal transactions, including but not limited to: method of sale; analysis of market conditions; size and structure of the issue; coordinating rating agency relations; evaluation of and advice on the pricing of securities, assisting with closing and debt management; calculation of debt service schedules; and advising on financial management. As financial advisors to governmental entities have developed the necessary expertise in a broad range of services, the City will use a consultant for these services.

Due to the complexity of the City's financial structure and the benefits that come with the history and knowledge of the City, the contract with the Financial Advisor is not required to be rotated.

City of Wilsonville
Budget Committee Workshop November 13, 2012
Answers to Tony Holt's Questions Regarding the Five Year Forecast

Question #1: p4. General Fund: As I recall, the City takes over funding the maintenance of Villebois parks at build out, or some similar milestone. Please remind me of the essence of the agreement with developers. Is there a different agreement with each developer? What is our current best estimate of when this change will occur?

The City has a development agreement with each developer of the regional parks within Villebois, which states that the City will assume maintenance of the parks beginning five years after completion. The first regional park completed in Villebois was Sophia with the City assuming maintenance next fiscal year.

Question #2: p6. Property Taxes: Re the table, why no new housing construction in 2014 and a small amount in 2015? Where are the apartment units expected to be and why are they grouped in 2014 and 2016?

The table only includes housing and apartment units outside of the City's Urban Renewal Districts that are either currently under construction or are in the planning stages. The additions correspond to the year the development is expected to be fully added to the tax rolls, not the year of construction. The apartment units listed in 2014 and 2016 are Jory Trail North and South, aka Brenchley Estates, which include a total of 580 units. It's very likely there will be a higher level of construction that will increase property tax revenue, but a conservative approach has been used in order to be consistent with prior year financial forecasts.

Question #3: p7. Utility User Charges: Re table, are all the increases shown, except water, already approved by Council? I guess water rates are to be reviewed soon?

The sewer and stormwater rates are already approved by Council. The water rate study should be completed in January, and it's anticipated that the recommended rates will be similar to the rates used in these assumptions.

Question #4: p7. Gas Taxes: Why the larger population increases in 2014 and 2016?

The increases are based on the new construction assumptions used to calculate property taxes on Page 6.

Question #5: p7. Permits: Is the drop off in building related permits due to methodology i.e. you only include projects that have been identified, or is it a real forecast?

The assumption only includes housing and apartment units outside of the City's Urban Renewal Districts that are either currently under construction or are in the planning stages (covered in question #2). This approach is conservative and consistent with prior year financial forecasts.

Question #6: p8. Personnel Services: please explain a 'class and compensation' policy.

A class and compensation policy sets the forth the guiding principles used for determining the appropriate compensation levels for City job classifications. The policy is based on market data in relation to each job responsibilities and the role of the job within the organization.

Question #7: p15. General Fund Table: Why do Capital Projects level off at $100,000 after 2015?

The forecasted capital projects for FY 2014 and 2015 are brought forward from the CIP plan. There are currently no large projects planned that would be funded from the General Fund after 2015; therefore, the model assumes a minimum level of activity.

Question #8: p15. What is the current level of parks operating costs?

The average annual cost over the past 3 years for park operating costs was $940,000.

Question #9: p18. Non Billable Services: A comment rather than a question---"working with the county and state on development south of Charbonneau---" does not seem to adequately describe what I understand the work was about. I think the work could be more accurately described as assessing what the cost to the City would be of having to provide infrastructure to areas south of the River at some future time. If this is not correct please describe the work in more detail.

The comment is correct that the description of work with the county and state on development south of Charbonneau could be more accurately described as "assessing what the cost to the City would be of having to provide infrastructure to areas south of the River at some future time".

Also, the last sentence on the page infers that not all permit fees are set to recover the costs of providing services. If that is correct, which permit fees do not and when will this be reviewed?

There are a number of Community Development permit fees, such as planning permit fees, that do not fully cover the City's cost of providing these services. Since it has been a number of years since these fees were last evaluated, we will conduct a review to determine what the recovery of full costs would be.

Question #10: p25. Graph: what is the CIP spike in 2014-15?

The spike in the graph in 2014-15 is due to five large projects in that year related to protecting the water supply, providing secondary power supply to the backup wells, correcting high pressure zones, telemetry and distribution system improvements and plant modifications to improve Clearwell contact times.

Question #11: p30. Potential Impacts: Why did the bond sale not include contingencies? Not permitted or Council decision?

It was a Council decision to not increase the bond sale for contingencies. Instead, sewer SDCs, sewer operating and General Fund carryover balances were identified to serve as contingency, $1 million from each fund and in that order of use.

Question #12: p32. Stormwater: Bar Graph—Why no breakout of restricted/unrestricted balances?

There are currently no formal restrictions on the Stormwater Fund balance. The use of formal restrictions on operating fund balances will be discussed during the review of financial policies.

City of Wilsonville
Budget Committee Meeting
November 13, 2012 Sign In Sheet

Name	Mailing Address
ALAN KIRK	7926 S.W. EDGEWATER E 97070
Julie Fitzgerald	11812 SW Honolulu St

RESOLUTION NO. 1840

A RESOLUTION OF THE CITY OF WILSONVILLE, OREGON, CALLING FOR A MEASURE ELECTION TO BE INCLUDED IN THE ELECTION TO BE HELD SEPTEMBER 16, 2003, ON AN ADVISORY VOTE TO FORM A NEW WESTSIDE URBAN RENEWAL DISTRICT.

WHEREAS, ORS 457.010 – 457.460 authorizes an Urban Renewal Agency to plan the renewal of district areas by acquiring property, replacing deteriorating and obsolete buildings and inadequate infrastructures, and providing for infrastructure such as streets, right-of-ways, utilities, public facilities, and open spaces; and

WHEREAS, the Urban Renewal Act provides a method whereby properties within the district may have their property taxes divided creating a funding source for Urban Renewal bonding to make necessary improvements to the City's street network and other public and private projects that facilitate economic and housing development within underdeveloped areas of the district; and

WHEREAS, the City has previously formed an Urban Renewal Agency and the City Council acts as its board; and

WHEREAS, it has come to the attention of the City Council that a new Westside Urban Renewal District could be formed that would facilitate the development of underdeveloped areas within the Westside Plan area and the underdeveloped area of the Villebois (Dammasch Hospital) Plan area that would enhance that economic viability, environmental concerns, public safety, health and welfare of these areas; namely, by correcting the lack of roads or roads without capacity to serve business and residential development; the lack of existing facilities and capacity of sewer, water and storm sewer utilities and other utilities to serve business and residential uses; lack of school capacity to serve residential uses, lack of planned parks and open space to serve business and residential uses, and the replacement of the deteriorating and obsolete buildings of Dammasch Hospital; and

WHEREAS, the City Council, before acting in its capacity as its Urban Renewal Board, seeks community input into whether the new district should be formed and a plan developed, inclusive of funding for certain, key infrastructure projects for the proposed new district and proposes a measure to be placed on the ballot of a special election for voter input; and

WHEREAS, if approved, this measure will advise the Wilsonville City Council to recommend that the Urban Renewal Agency proceed to plan for a new urban renewal Westside district with the general boundaries as set forth in the measure and to provide for a list of projects to be funded from revenues generated by the district, a copy of the proposed ballot title measure is attached hereto, marked Exhibit A and incorporated by reference herein; and

WHEREAS, the City Council further finds that state law provides that any Urban Renewal Plan must have citizen input, Planning Commission recommendation and be enacted by non-emergency ordinance, and preserves the right to seek a further vote on the plan by citizen referral and that this measure, if approved, will not supercede the requirements of state law in any way, but is complimentary to state law as a preliminary means to seek citizen input.

NOW, THEREFORE, THE CITY OF WILSONVILLE RESOLVES AS FOLLOWS:

A. A measure election is hereby called for the purpose of submitting to the voters of the City of Wilsonville an advisory vote to form a new westside urban renewal district.

B. The election shall be held by mail, on September 16, 2003.

C. The Notice of Measure Election, inclusive of the actual ballot title, which is marked "Exhibit A" and incorporated herein, and the Explanatory Statement for the County Voters Pamphlet, which is marked "Exhibit B" and incorporated herein, are approved and adopted. To the extent Exhibits A and B need to be conformed to be acceptable to the Clackamas County and Washington County Elections Officer, the City Recorder is authorized to do so.

D. The City Recorder shall cause to be delivered to the elections officers of Clackamas and Washington Counties the attached Notice of Measure Election not later than July 17, 2003, which is the filing deadline for the ballot measures for the September 16, 2003 election. The elections officers shall conduct the election as required by law.

E. The City Recorder shall give notice of the election by posting notice in three public places at least two weeks prior to the election.

F. The City Attorney has notified the City Council of his approval of the ballot title of the measure, Exhibit A and Explanatory Statement, Exhibit B, effective with adoption of this resolution.

ADOPTED by the Wilsonville City Council at a regular meeting thereof this 7th day of July, 2003, and filed with the Wilsonville City Recorder this date.

CHARLOTTE LEHAN, Mayor

ATTEST:

SANDRA C. KING, CMC, City Recorder

SUMMARY of votes:

Mayor Lehan	Yes
Councilor Kirk	Yes
Councilor Helser	Yes
Councilor Scott-Tabb	Yes
Councilor Holt	Yes

EXHIBIT A

NOTICE OF MEASURE ELECTION
CITY OF WILSONVILLE

MEASURE NUMBER: _______

Notice is hereby given that on September 16, 2003, a measure election will be held in Wilsonville, Clackamas County, Oregon.

The following shall be the ballot title of the measure to be submitted to the city's voters on this date:

CAPTION – 10 WORDS. Advisory vote on formation of a westside urban renewal district.

QUESTION – 20 WORDS. Shall a west Wilsonville urban renewal district be formed to fund transportation and other infrastructure improvements using tax increment financing?

SUMMARY – 175 WORDS. A west Wilsonville urban renewal district is intended to stimulate economic development in underdeveloped areas of the city without increasing property taxes paid by existing residents and businesses.

Westside redevelopment focuses on residential construction to provide needed housing. Investment in streets and other public infrastructure will help leverage State/Federal grants and an anticipated $500 million in private investment in the local economy.

Tax increment is a financing tool which uses taxes paid on the increased property values within a district to construct urban renewal projects. Revenues will come primarily from the increase in the taxable value of new construction within the Villebois Urban Village. Bond proceeds will be used to pay for needed infrastructure including:

- The Boeckman Road extension,
- A new north-south connector at Kinsman,
- Alternative to Wilsonville Road at Barber,
- Another Old Town/Wilsonville Road connection,
- An elementary school site,
- Parks, playfields, openspace.

If this measure passes, an Urban Renewal Plan defining district boundaries and specific projects will be prepared for review and approval by the Planning Commission before adoption by City Council.

The following authorized city official hereby certifies the above ballot title is true and complete.

_______________________________ _______________

Signature of authorized city official — Date Signed
Sandra C. King, CMC, City Recorder

Posted July ___, 2003, at the following locations:
City Hall, 30000 SW Town Center Loop East
Community Development Annex, 8445 SW Elligsen Road
SMART, 9415 SW Wilsonville Road
Community Center, 7965 SW Wilsonville Road
Wilsonville Library, 8200 SW Wilsonville Road

CLACKAMAS COUNTY
EXPLANATORY STATEMENT FOR COUNTY VOTERS' PAMPHLET

ELECTION DATE: September 16, 2003 **MEASURE NUMBER: _______**

BALLOT TITLE CAPTION:
Advisory vote on formation of a westside urban renewal district. Shall a west Wilsonville urban renewal district be formed to fund transportation and other infrastructure improvements using tax increment financing?

NAME OF PERSON RESPONSIBLE FOR CONTENT OF STATEMENT:
Arlene Loble, City Manager

NAME OF ORGANIZATION PERSON REPRESENTS, IF ANY:
City of Wilsonville

TELEPHONE: (503) 570-1504 **FAX NUMBER**: (503) 682-1015

EXPLANATORY STATEMENT: (488 Words)

Wilsonville is a growing, dynamic community, but its roads and infrastructure have not kept up with demand, thus affecting the livability of the community. There is insufficient housing for the number of individuals who work in the city. Currently, thousands commuting into Wilsonville daily contribute significantly to the city's traffic congestion.

Villebois, a model urban community planned for the former Dammasch Hospital site, will help address Wilsonville's critical housing shortage by offering diverse housing options for those that now commute here for work. Villebois will also provide a revenue stream from its increased property values that will be used to pay for street and other improvements without assessing new taxes to current residents and businesses.

The proposed urban renewal district boundaries include the area west of Boones Ferry Road (Westside Master Plan area) and the Villebois (Dammasch) Planning area. Only projects located within the specific boundaries of the district can be funded through urban renewal tax increment financing. The proposed projects will improve the transportation grid for west Wilsonville. In addition to new street connections, improvements are also planned for bike and pedestrian connections, utilities, sidewalks, curbs, storm sewers and related infrastructure.

Primary projects in the plan include:

- The Boeckman extension to Tooze Road, for which the city has already obtained $6 million in state and federal grants
- A Kinsman Road extension to serve as a new north-south connector between Wilsonville Road and Boeckman
- A Barber Road extension to serve as an additional east-west connector north of Wilsonville Road
- A contribution toward the purchase of a new elementary school site
- Development of new parks, playfields and open space
- A second route to connect Old Town to Wilsonville Road on the Westside

The urban renewal contribution to these projects is estimated at $40 million. These improvements in turn are projected to stimulate $500 million in private investment. Once the urban village is developed, it will increase Wilsonville's tax base after the bonds are paid off and the district is retired.

The City Council will define the boundaries of a westside urban renewal district and determine the projects to be funded from revenues generated by the district if this measure passes. An intended result of the new district is a better transportation system and public amenities, which will enhance Wilsonville's livability.

Urban renewal allows property taxes already assessed and collected to be bonded to fund capital investments to support community and economic development efforts. Property taxes collected within the district above a base level are placed into an urban renewal fund instead of being divided among other taxing authorities. Bonds are sold based on the increase in property values within the district. These bonds are then repaid out of urban renewal funds.

State law limits the amount of land and assessed value that can be placed within urban renewal districts to 25% of the total land acreage and 25% of the total assessed value of property within the city.

The total word/number count may not exceed 500 words/numbers.

Word/Number count total: 488

Signature of Person Responsible for Content of Statement　　　　Date

King, Sandy

From: Derek Ellerbrook <Derek.Ellerbrook@gmscpa.com>
Sent: Thursday, November 15, 2012 3:22 PM
To: Kersey, Kourtni
Cc: King, Sandy; Katko, Keith
Subject: RE: auditor email
Attachments: City of Wilsonville Fraud Questionnaire.doc

Hi Kourtni,

Thanks for requesting this ☺. I only had sent the questionnaire to Scott. Attached is the template of what I sent to him.

Derek

Derek Ellerbrook, CPA
Grove, Mueller & Swank PC
475 Cottage Street NE, Ste 200
PO Box 2122
Salem, Oregon 97301

Phone: 503-581-7788
Fax: 503-581-0152

From: Kersey, Kourtni [mailto:Kersey@ci.wilsonville.or.us]
Sent: Thursday, November 15, 2012 3:17 PM
To: Derek Ellerbrook
Cc: King, Sandy; Katko, Keith
Subject: FW: auditor email

Derek,

Last Budget Committee meeting on Tuesday, City Councilors discussed getting an email from you regarding a survey (believe it was on fraud and perhaps other topics). If possible, can we get a copy of what was sent to Council (NOT any of their responses)? See the City Recorder's comment below...

Please let me know, thanks.

Kourtni Kersey

Finance Admin Asst
City of Wilsonville
Direct #: 503-570-1510

From: King, Sandy
Sent: Wednesday, November 14, 2012 11:54 AM
To: Kersey, Kourtni
Subject: RE: auditor email

It should be made part of the record since it was referenced during the meeting.

Sandra C. King, MMC
City Recorder
City of Wilsonville
503-570-1506

From: Kersey, Kourtni
Sent: Wednesday, November 14, 2012 9:53 AM
To: Ossanna, Joanne; Katko, Keith; Rodocker, Cathy
Cc: King, Sandy
Subject: auditor email

Does anyone have a copy of the email Scott mentioned last night? If so, please forward a copy for our files.

Kourtni Kersey
Finance Admin Asst
City of Wilsonville
Direct #: 503-570-1510

<u>City of Wilsonville Fraud Questionnaire</u>

for year ending June 30, 2012

Instructions: Professional auditing standards (SAS 99) require auditors to contact members of management and others in the entity regarding their knowledge of risks, specifically the risk of fraud, affecting the entity. The following questions help us obtain an understanding of management's role within and understanding of the entity. Please answer the following questions, if applicable, to the best of your knowledge and email your responses back to me. Please include as much detail as possible with your responses. If you would feel more comfortable speaking with me on the phone I can be reached at the following numbers:

Derek Ellerbrook, CPA
Grove, Mueller & Swank, PC
Work: (503) 581-7788
Cell: (503) 330-4653
Derek.ellerbrook@gmscpa.com

Your assistance with this audit is greatly appreciated.

Name: Title:

1) Please briefly describe your role in regards to the City. What are your main responsibilities and duties?

2) Do you have any knowledge of any actual fraud or suspicions of fraud affecting the City? If so, what?

3) 1) Do you understand the risks of fraud within the City? 2) And are you aware of any areas of operation or specific account balances that may be susceptible to fraud? 3) If so, what areas and how has the City mitigated these risks?

4) 1) Do you feel that the programs and controls implemented by the City are sufficient to prevent, deter and detect fraud? 2) What monitoring procedures does the council do to review for fraud?

5) Has the importance of ethical behavior and appropriate business practices been appropriately communicated to employees? How is communicated?

6) To the best of your knowledge, is the City in compliance with laws, regulations, and provisions of contracts and grant agreements (if applicable), (b) policies relative to the prevention of illegal acts, and (c) use of directives (for example: a code of ethics)?

7) Do you feel that there is appropriate oversight and monitoring of the City's personnel and operations?

8) Have you seen any large or unusual journal entries made in the GL software?

10) Is the City involved in any litigation that could have in impact either in the current year financial statements or in the subsequent year? If so, please briefly explain the issue and the approximate amount of financial liability, if known.

11) Are there any additional items or comments that you would like us to be made aware of?

Financial Presentation

November 13, 2012

1

Agenda - Presentations

Part One:

1. Review Five Year Forecast
2. General Fund Alternatives
3. Year 2000 Plan UR District Closure

Part Two:

4. West Side UR District Debt Capacity
5. Financial Policy Updates

2

Agenda - Discussion

Part One:

1. Closure of Year 2000 Plan UR District
   - Add any projects before closure
   - Which option is most acceptable
2. Guidance on General Fund
   - Support for new revenue alternatives

Part Two:

1. West Side UR District
   - Maximum debt limit increase
2. Financial Policies (introduction)

3

Five Year Forecast

4

Key Assumptions

- Status quo, except as noted (water, roads)

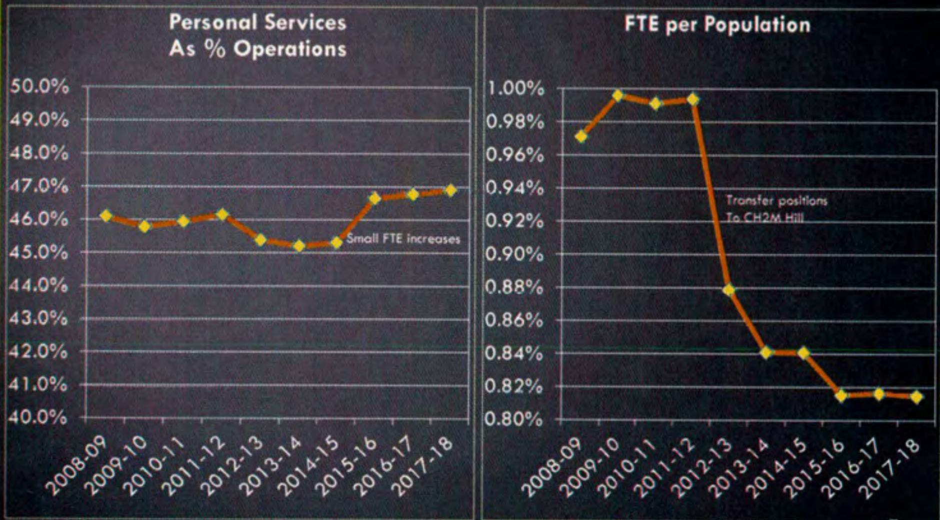
- Costs
  - Forecasted increases are provided in the report
- Revenues
  - Forecasted increases are provided in the report
  - New developments → permits and taxes

5

Materials and Services

6

Personal Services Benchmarks



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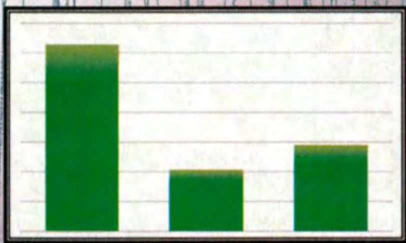
Fund Condition

Fund	Last Year	This Year
Fleet	✔	✔
Street Lighting	✔	✔
Road Operating	✔	✔
Water	✘	✔
Sewer	✘	✔
Stormwater	✘	✔
Transit	👁	✔
CD & Building	👁	👁
General	✘	✘

8

General Fund



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General Fund Operations

- What's changed or improved
  - Revised CY cost estimates (lower)
  - New development → more taxes
    - Jory Trail, Willamette Landing, other housing
    - Mentor Data Center, other industrial
    - $135 million AV increase = $340,000 new taxes
  - Investment returns growing above 1%
    - 1% = $120,000
    - 3% = $370,000

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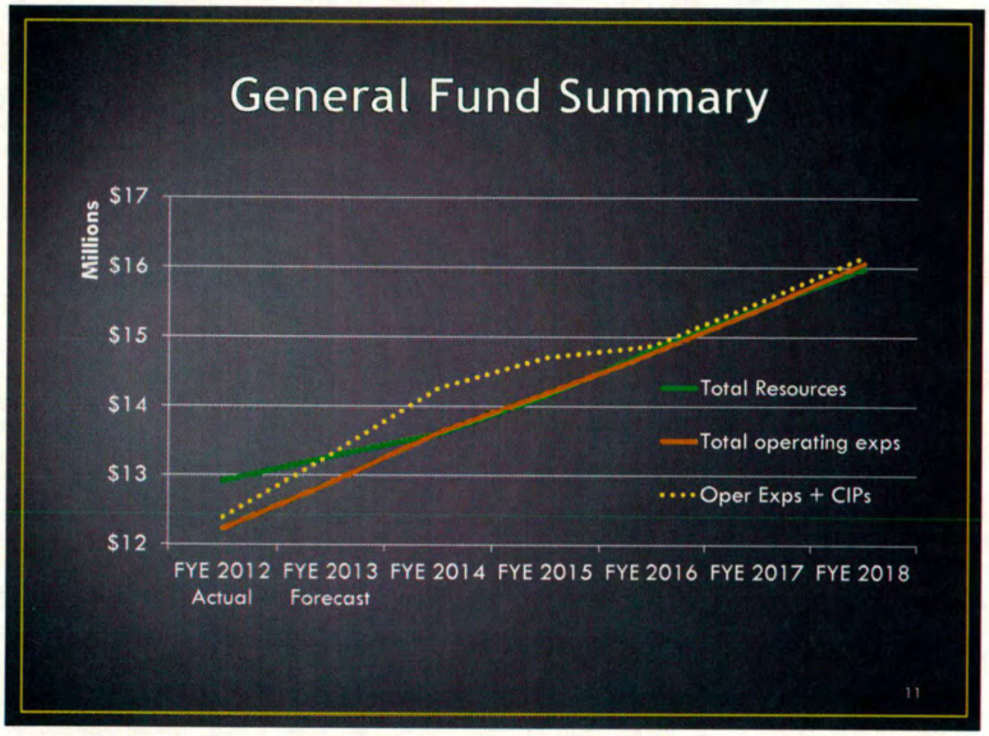
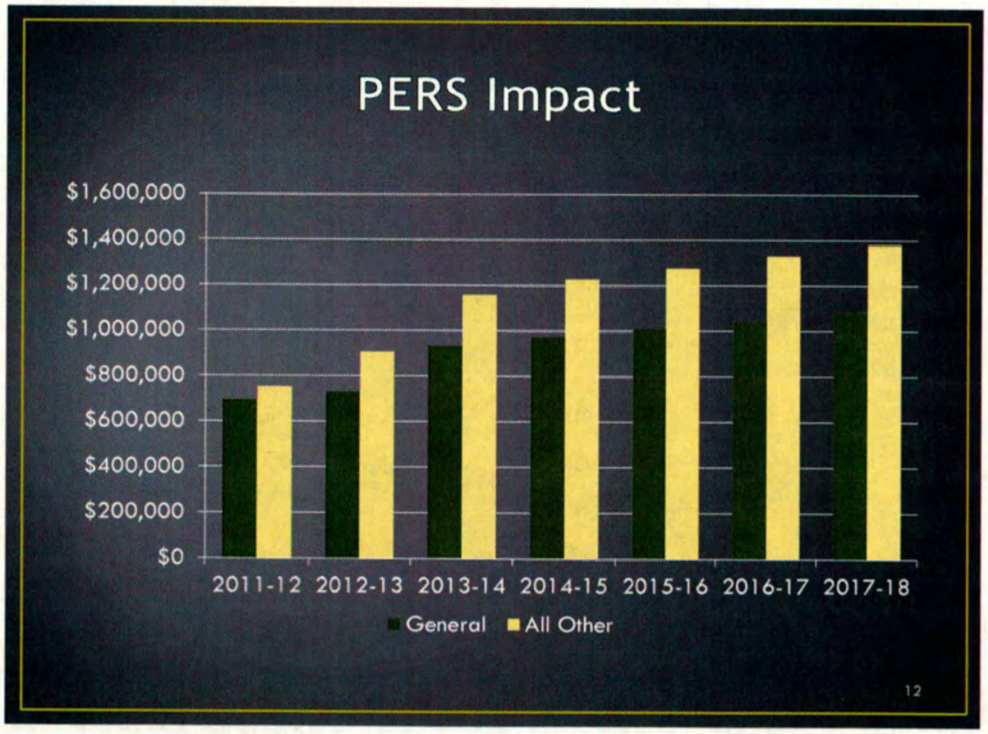
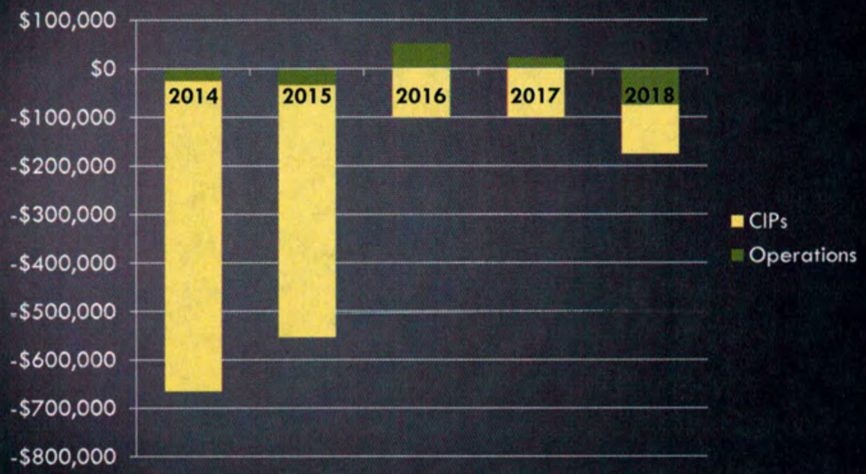


General Fund Summary
Millions
$17
$16
$15
$14
$13
$12
FYE 2012 Actual
FYE 2013 Forecast
FYE 2014
FYE 2015
FYE 2016
FYE 2017
FYE 2018
Total Resources
Total operating exps
Oper Exps + CIPs
11



PERS Impact
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
2011-12
2012-13
2013-14
2014-15
2015-16
2016-17
2017-18
General
All Other
12

General Fund
Projected Change in Fund Balance



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General Fund

- Revenue Alternatives
  1. Right of way rate increase (up to $200,000)
  2. Local Option Levy (undetermined)
  3. Park Maintenance Fee (undetermined)
  4. Year 2000 Plan closure ($800,000 2017-18)

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General Fund

Right of way rate

- Garbage rate increase 3% to 5% = $85,000
- Water/Sewer increase 4% to 5% = $110,000

Advantages

Implementation, administration, available

Disadvantages

Increase on homes/businesses, service relationship

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General Fund

Local Option Levy

- 10 cent tax rate = $260,000 ($25/yr avg home)

Advantages

Voter approved, predictable

Disadvantages

Increase, 5 year term, relationship, 2015-16 1st

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General Fund

Parks Maintenance Fee
- Medford, West Linn, Gresham
- Wilsonville?

Advantages
Grows with city, relationship, administration
Disadvantages
Increase

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General Fund

Year 2000 Plan District Closure
Releases taxes to flow to General Fund

Advantages
No increase taxes, dependable, frees area
Disadvantages
Delay of impact, limited amount, school district?

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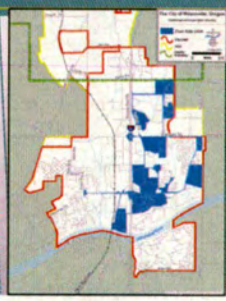
Year 2000 Plan District



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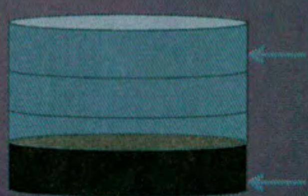
Urban Renewal Primer

Terminology:
- Growth in AV = Increment
- Taxes thereon = Tax Increment
- Splitting taxes = Division of taxes



Increment (new growth)
all taxes go to urban renewal agency

Frozen Base
taxes continue to city, county, school, etc

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Year 2000 Tax Increment

Entity	Tax to Year 2000 Plan District [1]	As % of entity total within all counties
City of Wilsonville	$820,000	12%
Clackamas County	$780,000	<1%
West Linn/Wilsonville Schools	$1,590,000	3%[2]
Tualatin Valley Fire	$500,000	<1%
8 other entities	$510,000	<1%
Total to district	$4,200,000	

1 Rounded estimates for 2011-12
2 As a % of State School Funds, 3%

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Year 2000 Plan

	Option 1	Option 2	Option 3	Option 4	Option 5
Projects completed	Yes	Yes	Yes	No	Yes
UR tax level					
2014	$4.2	$5.3	$4.2	$4.2	$4.2
2015	$4.2	$5.5	$4.2	$3.0	$4.2
2016	$4.2	$1.8	$0.5	$0	$4.2
2017	$1.0	$0	$0.5	$0	$4.2
2018	$0	$0	$0.5	$0	$4.2
Call bonds, closure	2017	2016	2025	2015	2025
Taxes to General Fund					
thru 2018	$1.4	$1.5	$2.2	$2.7	$0
2019-2025	$9.6	$9.6	$8.9	$9.6	$0

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Year 2000 Plan

CIPs Identified (2013 – 2017)	
Interchange, Boeckman projs, 2013	$2.0 million
Sewer Plant improvements	$2.0 million
Canyon Creek south of Boeckman	$3.8 million
Old Town Streets	$2.8 million
Misc projects and management	$1.9 million
	$12.5 million

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Year 2000 Plan

CIPs from original UR plan not currently included:

Boeckman Road from Canyon Creek east to Wilsonville Road

Wiedemann Road overcrossing and ramps

Parkway Avenue realignment and widening at Boeckman

Boones Ferry Park improvements

Memorial Park improvements

Teen Center, Swimming pool

Livability projects (bike paths, pedestrian, streetscape)

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Committee Feedback

25

Discussion

Year 2000 Plan UR District Closure

- Which option most acceptable?
- Consensus to move ahead with closure?

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Discussion

Guidance on General Fund

Revenue Alternatives

- Right of Way – interest in pursuing?
  - Garbage 3% to 5%
  - Water and Sewer 4% to 5%
- Local Option Levy - interest in pursuing?
- Parks Maintenance Fee – interest in pursuing?

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Part II

West Side Debt Limit

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West Side District

(In millions)

Project	Original	Actual	Projected (2012)	Status
Boeckman Rd	$3.2	$13.4	$0.8	Complete
Barber Street	$2.3	$6.2	$4.3	West in 2014
Kinsman Road	$3.6		$4.2	2015-2016
Tooze Road	$4.4		$7.2	2015
Old Town Connection	$4.3		$6.5-$13	Future
Grahams Ferry Rd	$3.9			By developers
Brown Rd	$2.0		$3.5	Future
Water SDCs	$3.1		$3.1	As available
Parks	$5.5		$2.1	2013-2016
School Site #1	$2.2	$4.2		Complete
School Site #2		$3.4		Complete
Contingency			$10	
Interest on debt	$1.9			Not needed
Bond issue, Admin	$4.4	$3.4	$1.8	To date
Total Debt	$40.8	$30.6	$50	

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West Side District

1. Are all the projects required?
2. Could district support $50 million in debt?
3. Steps to increase maximum indebtedness?

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Required by Devel Agreemt

(In millions)

Project	Original	Actual	Projected (2012)	Status
Boeckman Rd	$3.2	$13.4	$0.8	Complete
Barber Street	$2.3	$6.2	$4.3	West in 2014
Kinsman Road	$3.6		$4.2	2015-2016
Tooze Road	$4.4		$7.2	2015
Old Town Connection	$4.3		$6.5-$13	Future
Grahams Ferry Rd	$3.9			By developers
Brown Rd	$2.0		$3.5	Future
Water SDCs	$3.1		$3.1	As available
Parks	$5.5		$2.1	2013-2016
School Site #1	$2.2	$4.2		Complete
School Site #2		$3.4		Complete
Contingency			$10	
Interest on debt	$1.9			Not needed
Bond issue, Admin	$4.4	$3.4	$1.8	To date
Total Maximum Debt	$40.8	$30.6	$50	

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West Side District

Could district support $50 million?

- Yes, projected tax revenue stream adequate
- Sold incrementally until 2024

Caveats:

- Active construction cycle over next 10 years
- No spikes in construction costs
- Other jurisdictions agree to no sharing of tax increment

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West Side District

Steps to increase maximum debt:

- ORS 457 / HB 3056
  - Concurrence from entities of at least 75% of taxes imposed
  - Notify by mail all owners of real property
  - Public hearing
  - Board decision subject to referendum

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West Side District

Committee Discussion

- Feedback on higher limit

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Part II

Financial Policies

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Financial Policies

- Why have written policies
  - Defines acceptable practices
  - Eliminates misunderstandings
  - Bond rating agencies value
- Purpose of update
  - Existing nearly 20 years old
  - Terminology out of date
  - Expand to encompass current practices

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Financial Policies

- Key changes or new parts
  - Balanced operating funds budgets
  - Creation of reserves via Council resolutions
  - Option to create an Audit Committee
  - Allow administrative fees to be set by City Manager
  - Strengthen debt management language
  - Rotation of audit firm
- Discussion – intended for spring 2013

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City of Wilsonville
Budget Committee Work Session Notes
November 13, 2012

Budget Committee Members in attendance included:
Celia Nunez, Chair
Councilor Richard Goddard
Councilor Scott Starr
Anne Easterly
Tony Holt
Lonnie Gieber
Al Steiger
Wendy Buck
Mayor Knapp was excused

Staff attending the meeting included:

Bryan Cosgrove	Steve Munsterman	Vania Heberlein
Joanne Ossanna	Stephan Lashbrook	Delora Kerber
Mark Ottenad	Martin Brown	Mike Kohlhoff
Keith Katko	Kristen Retherford	Nancy Kraushaar
Barbara Jacobson	Dan Knoll	Jeanna Troha
Kourtni Kersey	Steve Allen	
Cathy Rodocker	Sandra King	

Citizens attending the meeting:
Alan Kirk
Doris Wehler
Julie Fitzgerald
Susie Stevens

Chair Núñez called the meeting to order at 7:05 p.m. and asked the board members to introduce themselves. She called for citizen input or comments from the audience; however there was none. In consideration of the amount of material to be covered during the meeting Chair Núñez asked the board members to limit their comments to about three minutes.

Ms. Ossanna, Finance Director, introduced Gary Wallis, of Wallis Consulting, who assisted in the preparation of the Five-Year Financial Forecast, General Fund Resource Alternatives Study; Urban Renewal Agency Year 2000 Closure Options; Urban Renewal Agency West Side Debt Load Availability; and the Draft Financial Policies.

Discussion followed the presentation of the first three items.

Discussion questions / comments:

1. Closure of the Year 2000 Plan -- Budget Committee to give direction to staff to bring back to the URA Agency for consideration

a. Councilor Goddard referred to the 2013 capital improvement projects list and wanted to know how improvements on Canyon Creek south of Boeckman Road would create value for the city.
    i. Mr. Wallis responded the better transportation system would bring development in the area.
2. Councilor Goddard wanted to know how the project would be funded without URA
    i. Mr. Cosgrove listed a number of alternatives including LIDs, reimbursement districts, bond, SDCs, grants
3. Mr. Holt wanted to know how the forecasting was put together and what it is based upon. Did it include Villebois parks, and estimates of development going forward for the projections?
4. Mr. Gieber asked what effect the closure of the URA would have on the school district.
5. Councilor Staff preferred Urban Renewal closure options 4 and 2 to close the district sooner rather than later. He expressed concern about the school district if the URA is closed early and suggested that the city should provide funds to bridge the gap in revenue.
6. Mr. Steiger wanted to maintain flexibility and asked if there was flexibility in option 1.
7. Ms. Easterly asked how difficult it was to form an urban renewal district.
    a. Mr. Wallis explained how an urban renewal district was formed. He spoke about compression and its effect on the school district.
8. Councilor Goddard thought the time to close the Year 2000 plan was sooner rather than later, and asked
    a. Why close one plan while increasing debt in the other
    b. Why not close west side plan
    c. Why not discuss to reduce expenses rather that discussing ways to raise revenue
        i. Ms. Ossanna explained any reduction in funding would result in reduction of services.
        ii. Mr. Cosgrove added without raising revenues, the city will need to reduce programs and services
    d. Suggested any parks maintenance fees be focused on the areas of the City that were benefiting from the parks.
    e. Ms. Buck supported closing the year 2000 plan sooner than later and agreed with Scott Starr and Richard Goddard.
    f. Councilor Starr asked how to avoid the taxes collected for schools from going to the State and then being redistributed to the school districts
        i. Mr. Cosgrove indicated that was a State Legislative issue
        ii. Ms. Ossanna offered the City could direct funding to the school district if the money was available
    g. Councilor Starr wanted to find ways to raise money that just goes to the schools
    h. Chair Núñez noted the city has a strong relationship with the school district and it was an important partnership and the city would do what it could to strengthen that relationship
9. Westside District Debt Limit
    a. Mr. Wallis reported there was not enough funding to complete the projects listed in the district, an additional $50 million was necessary to complete the project list.

b. Councilor Goddard wanted to know why public dollars were being used to fund private development
c. Committee members asked for the language of the ballot measure that was put before the voters in forming the west side district.
d. Councilor Starr was not happy with the increase in costs, and suggested combining the two districts, as well as dropping unnecessary projects from the list and prioritizing the rest.
e. Mr. Cosgrove said a comprehensive plan for URA in general was necessary, to provide the how and when new districts would be formed and for what purposes
f. Councilor Starr asked how to get the district back on track
g. Look at both plans and issues, construction costs on west side inadequate and have agreements with the developers; may be other options
h. Ms. Buck recommended the Budget Committee recommend this go back to the URA. She wanted to know what went before the voters. Then prioritize the project list. The Old Town connection should be cut.
i. Councilor Goddard asked why projects were on the list
j. Mr. Holt suggested the Budget Committee look at all of the projects and review them when the committee meets next spring.
k. Councilor Goddard wanted to know why not looking at closure of the west side district
    i. Mr. Cosgrove stated the projects are tied to development agreements that need to be considered

10. Financial Policies
    a. Will be brought back in March, along with a Budgeting 101 course. At that time the changes to the Financial policies will be outlined and recommendations taken from the Committee
    b. Councilor Goddard wanted
        i. transparency to be a part of the financial policies;
        ii. rainy day funds identified, how it can be spent and the amount of the fund
        iii. how reserves can be used; using those to fund cip and maintenance projects is not sustainable
    c. Ms. Easterly recommended bringing in a financial advisor from a bank for part of the Budget 101 to talk about how the plan complies with the new banking standards
11. Feedback – what did the Budget Committee need staff to provide additional information on:
    a. Mr. Gieber:
        i. URA questions want to maintain flexibility;
        ii. Obama care and its impacts;
        iii. PERS impacts;
        iv. rainy day fund how did we get ending fund balance and can they be used for other things;
        v. don't want to increase fees – if we have an increase then cut someplace else.
    b. Ms. Easterly:
        i. Wanted to see over the short-term all the staff accomplishments

c. Councilor Goddard:
    i. Clear understanding of the impact to other districts with the closure of the Year 2000 Plan
    ii. Identify west side projects
    iii. What are the impacts of close early and expanding debt load
    iv. Evaluate of expense cutting alternatives
    v. Should lower tax rates with $14 million carry over funds

d. Mr. Steiger:
    i. Liked financial policies
    ii. Wanted to see the impact on compression in closing the east side district
    iii. Summary of what city and developers agreed to and the dollar amounts and if we have increased standards above what is in the development agreements
    iv. Consider establishing an audit committee
    v. Incorporate the results of the community wide survey and economic development plan

e. Councilor Starr:
    i. Referenced an email from an accounting firm asking what the city had in place regarding detecting fraud
    ii. Need another meeting in the spring
    iii. Set goals and strategies so that the decisions made flow from goals and strategies
    iv. Be more strategic in what we are doing
    v. Effect of the $1 million in cuts and how it helped save jobs and services and resulted in a better bond rating for the city

f. Ms. Buck:
    i. Start the meeting earlier in the evening
    ii. What are the next steps

g. Chair Núñez:
    i. Supported the Budgeting 101 and goal setting strategy
    ii. Consider "needs" versus "wants" and the amount available to spend
    iii. Give thoughtful consideration to the west side projects
    iv. Was impressed with the financial policy

Mr. Cosgrove noted the financial policies should be reviewed each year, the new city council will need to get a feel for each other, set goals and strategy for the committee and that would provide how to deal with URA.

Meeting adjourned at 10 p.m.