



## Fiscal Year 2017-18 City Manager's Budget Message

Mayor Studebaker, Chair Taylor, Members of the Budget Committee, and Citizens of Lake Oswego:

We continue to hold the line on staff, service and program increases, and as a result, our general fund is in a strong financial position. General revenues (e.g., property taxes and franchise fees) are projected to increase by 3.8%. The budget increases the share of general revenues allocated to the major departments by the same percentage, and the departments have been able to absorb the projected increases in PERS.

Savings by departments in this and prior years will allow them to continue our “take care of what we have” philosophy by replacing a fire engine and rescue boat, completing \$200,000 worth of maintenance and upgrades to park facilities, replacing the library generator and elevator, and furnishings for the new police facility.

On top of this, we propose, over the next two years:

- Transferring another **\$3.2 million** to the street fund in addition to the base transfer of \$2 million per year.
- Funding, per Parks Board request, replacement of Hazelia Field turf and rebuilding the Roehr Park pathway (\$950,000).
- Providing matching funds for new artificial turf at Waluga Park (\$840,000 general fund, \$500,000 tourism fund, \$260,000 park SDCs, and \$100,000 fundraising).

Ongoing general fund revenues exceed ongoing expenses by over \$2 million. This is attributable both to the sale of the West End Building, and modest but steady growth in property tax revenue. This will be a key factor in our ability to absorb future PERS increases.

In addition to the Waluga turf amount, we propose, over the next two years, allocating tourism funds for a mountain bike demonstration project (\$75,000) and funds to match Arts Council dollars for a “gateway” feature, as part of the Public Art Master Plan (\$275,000). This proposal is subject to advice from the Tourism Advisory Committee and final decision by the City Council. The budget assumes that 23% of the total transient lodging tax is allocated to the tourism fund for the restricted purposes set by state law.

The proposed budget assumes the operating gap for the golf course will go to zero, as a result of changes in facilities or operations to be reviewed by Parks Board and City Council soon. It also assumes continued leasing of the Palisades Building as our recreation center; this is subject to decisions made by the Lake Oswego School Board.

Because this is a “hold the line” operating budget, many of the interesting policy decisions are reflected in the six-year Capital Improvement Plan. Some of the highlights:

- Continued strong emphasis on pavement restoration, with a goal of reaching a Pavement Condition Index of 70.
- An allocation of \$500,000 per year from transportation SDCs for capacity-building bike and pedestrian connections, following the similar allocation the Council made in the current budget.
- Full spending-down of our sewer fund balance, primarily to address inflow and infiltration.
- Completion of all East End Urban Renewal projects, including North Anchor, the Civic Center, and a few smaller projects. The final debt service payment is projected to occur around 2030, allowing the district to be dissolved and returning several million dollars to our general fund.
- Completion of the Boones Ferry Road project.

The Capital Improvement Plan will **not** get us to a PCI of 84, the point at which we reach the lowest annual cost in keeping our streets in good condition. We owe it to our citizens to get there, certainly to give them a smoother ride, but mostly to reduce overall costs to the taxpayers. We are working on **long term** strategies to reach this goal, assuming either that we receive assistance from county or state transportation funding, or that—as in all other areas of infrastructure—the state and national governments will abandon us to our own resources.

I thank the City Council and Budget Committee for providing helpful policy direction in building this balanced budget, and all the staff members who have guided the process and fleshed out the details.

Sincerely,

A handwritten signature in blue ink that reads "Scott Lazenby". The signature is written in a cursive, flowing style.

Scott Lazenby, City Manager