FORM LB-1

Governing Body Name: City of Hillsboro

FINANCIAL SUMMARY - RESOURCES			
TOTAL OF ALL FUNDS	Actual Amount Fiscal Year 2022-23	Revised Budget This Biennium 2023-25	Proposed Budget Next Biennium 2025-27
Beginning Fund Balance/Net Working Capital	396,454,577	418,311,865	477,927,444
Fees, Licenses, Permits, Fines, Assessments & Other Service Charges	199,843,367	377,203,264	443,412,779
Federal, State & All Other Grants, Gifts, Allocations & Donations	21,889,860	43,901,086	46,933,289
Revenue from Bonds and Other Debt	122,500,000	199,103,385	172,400,000
Interfund Transfers / Internal Service Reimbursements	97,749,559	246,651,799	299,343,605
All Other Resources Except Current Year Property Taxes	69,193,230	302,175,481	189,511,323
Current Year Property Taxes Estimated to be Received	87,782,217	187,021,705	225,168,525
Total Resources	**995,412,810**	**1,774,368,585**	**1,854,696,965**

FINANCIAL SUMMARY - REQUIREMENTS BY OBJECT CLASSIFICATION			
Personnel Services	141,409,254	353,543,102	423,019,876
Materials and Services	49,171,248	126,394,217	147,245,477
Capital Outlay	143,162,473	805,446,459	720,439,342
Debt Service	11,563,009	48,745,772	59,176,775
Interfund Transfers	57,009,186	142,220,371	172,392,733
Contingencies	-	36,957,770	24,092,297
Special Payments	121,685,114	256,332,591	293,908,417
Unappropriated Ending Balance & Reserved for Future Expenditure	471,412,526	4,728,303	14,422,048
Total Requirements	**995,412,810**	**1,774,368,585**	**1,854,696,965**

FINANCIAL SUMMARY - REQUIREMENTS AND FULL-TIME EQUIVALENTS (FTE) BY ORGANIZATIONAL UNIT OR PROGRAM *			
Name of Organizational Unit or Program **FTE** for that unit or program			
Police	44,876,829	100,344,220	115,938,277
FTE	200.00	203.50	211.50
Fire and Rescue	32,808,728	76,436,926	90,716,100
FTE	131.00	146.00	152.00
Parks and Recreation	87,836,373	131,844,875	180,601,871
FTE	102.75	106.88	104.88
Library	11,843,209	30,429,794	35,042,424
FTE	76.48	76.35	76.35
Street Lighting	303,013	600,000	800,000
FTE	-	-	-
Non-Departmental	101,564,112	155,556,691	164,238,339
FTE	-	-	-
City Manager's Office	7,203,892	15,896,522	17,203,320
FTE	30.50	29.50	29.50
Human Resources	8,371,845	20,861,705	24,797,887
FTE	21.00	25.00	27.00
Information Services	12,352,779	33,538,336	35,621,510
FTE	35.00	41.00	44.00
Finance	5,656,019	12,463,132	14,974,656
FTE	30.00	31.00	33.00
Municipal Court	484,484	1,358,539	1,543,965
FTE	3.00	3.00	3.00
Public Works - Facilities and Fleet Division	54,978,523	280,729,843	199,065,028
FTE	40.00	44.00	53.00
Support Service Expenses	8,521,830	6,477,492	2,169,728
FTE	-	-	-
Economic Development	10,068,420	13,255,550	70,170,379
FTE	8.00	8.00	8.00
Community Development	65,203,831	123,492,358	135,482,094
FTE	75.00	84.00	84.00
Public Works	213,713,274	307,193,183	378,136,213
FTE	96.00	110.00	110.00
Water	290,728,550	438,059,430	365,537,145
FTE	94.00	115.00	126.00
Broadband	12,806,119	20,527,462	20,029,779
FTE	12.00	12.00	12.00
Special Assessments	26,080,999	5,292,415	2,617,050
FTE	-	-	-
Cemetery Trust	9,981	10,112	11,200
FTE	-	-	-
Total Requirements	**995,412,810**	**1,774,368,585**	**1,854,696,965**
Total FTE	**954.73**	**1,035.23**	**1,074.23**

STATEMENT OF CHANGES IN ACTIVITIES and SOURCES OF FINANCING *

The City of Hillsboro adopted its first Biennial Budget for Budget Years 2023–25, marking a shift from the previous annual budget format. As a result of this transition, actuals used for comparison reflect only one fiscal year of appropriation. The biennial budget includes a $66 million increase in charges for services, driven primarily by revenue growth in water, transportation, sewer, and surface water management. Meanwhile, budgeted proceeds from debt issuance decreased by $17 million, reflecting the revised cash flow timing needs of major infrastructure efforts such as the Water Department's Willamette Water Supply System and the South Hillsboro Local Improvement District in BY 2023-25 compared to the Police Department Headquarters, Ball Field Replacements and South Hillsboro Fire Station in BY 2025-27. Transfers within the budget are primarily allocated to establishing or increasing capital reserves, funding specific projects, and covering debt service payments from the appropriate funds. Construction reimbursement decreased by $107 million, as the City of Hillsboro assigned the construction of the new ballpark to the Hops, who are responsible for managing all aspects of the project including the budget. Property Taxes for BY 2025-27 are projected to increase 15% in year 1 and another 2% in year 2 above budgeted amounts in BY 2023-25 that were lower than actuals. The significant projected increase in year 1 of the biennium is due to the 2005 Strategic Investment Program (SIP) with Intel as well as the much smaller 2005 SIP with Genentech coming out of abatement and on the tax rolls for the City and other overlapping taxing jurisdictions. The value under abatement is over $4 billion as of tax year 2024, which is an additional 22% in assessed value if it were all to come on the tax rolls. Staff anticipates this to depreciate rapidly as much of the value is machinery and equipment with a short useful life. The proposed budget includes an 11% growth in assessed value related to the two SIP agreements and 4% related to normal growth in AV for a total of 15% in the first year. In the second year, a conservative approach is being taken due to the nature of the assets and using an AV growth rate of 2%.

Increases in personnel services in the proposed BY 2025–27 budget are primarily driven by step increases and various cost-of-living adjustments (COLAs). A placeholder COLA of 3.0% in both years is included for General Services employees. Per the contract for members of the Library American Federation of State, County and Municipal Employees (AFSCME) a 3% COLA is included for both years. For the International Association of Firefighters (IAFF) Rank and File, a 3% COLA is included for Firefighters in FY 2025–26, with a 5% COLA for Engineers, Lieutenants, and Captains in that same year. All of these positions are budgeted for a 5% COLA in FY 2026–27. Negotiations are ongoing for the Battalion Chiefs Unit represented by the IAFF, the Sergeants represented by the Hillsboro Police Officers Association (HPOA) as well as all other rank and file positions in Police including Police Officers at the time of budget preparation. Expected COLAs other than those in negotiated contracts for FY 2025-26 are not formally established in this proposed budget, but placeholders have been included accordingly. Health-related benefit costs are projected to increase by 10% effective January 1, 2026, and an additional 10% beginning January 1, 2027. Additionally, FY 2025-26 is the 1st year of the PERS biennium, with increases in Tier 1 & 2 from 24.68% to 28.31%, OPSRP from 18.60% to 22.74% and OPSRP Police and Fire 23.39% to 28.01%. All personnel services increases are a result of these factors, except for departments which added positions. A net of 39 new full-time equivalent positions are included in the proposed budget. Listed below are organizational unit changes, greater than 1% of the Citywide budget (amounts are approximated):

Parks and Recreation - Several factors contribute to the department's overall budget increase. Personnel Services is increasing by approximately $8.2 million, driven largely by previously mentioned assumptions, including COLAs, benefit cost increases, and expanded part-time labor. Significant capital projects budgeted at over $1 million include the Crescent Park Greenway Trail development ($7.27 million), an Aquatic Facility Study ($4.25 million), planning and design for a new Sports Complex at the Washington County Fairgrounds ($3.75 million), Hillsboro School District Sports Fields ($2.5 million), Hillsboro Ballpark improvements and modifications ($2 million), and the Dairy Creek Park Futsal Courts ($1.3 million). An additional $8.8 million is set aside for various other projects.

Public Works Department - Facilities and Fleet Division - The primary decrease in the department's budget is due to a reduction in capital outlay. During the development of the BY 2023–25 budget, the City was working closely with the Hillsboro Hops to plan and design a new ballpark to meet the Major League Baseball standards. At that time, the City had allocated $120 million for the new ballpark expansion as at that time the City was acting as the project lead. Of the $120M, the City had agreed to pay $18M relying on increased Transient Lodging Taxes over time to repay this amount. The remainder of the budget was the responsibility of the Hops. The Hops secured funding from the State, the County and Explore Tualatin Valley and were able to secure the balance of the funding through financing not backed by the City. The contract was then assigned to the Hops to manage all aspects of the project including the budget. Having the project managed by the Hops led to a net decrease of $107 million from BY 2023–25 to BY 2025–27. Other significant capital projects budgeted at over $1 million include the construction of a new Police Headquarters ($70 million), construction of a new fire station in South Hillsboro ($16 million), construction of new ball fields ($25 million), expansion of the Water Operations facility ($2.46 million), replacement of the Library parapet and roof ($1.6 million), and the addition of a freight elevator at Brookwood Library ($1.56 million).

Economic Development Department - The City established a new fund within the Economic Development department to specifically track Enterprise Zone funding. As part of this restructuring, $28.3 million was transferred from the existing Economic Development Fund to the newly created Enterprise Zone Fund. In addition to this transfer, the new fund includes $32 million budgeted in Capital Reserves.

Public Works – The Public Works Department's budget increased by $70.9 million for the 2025–27 biennium. This includes a $31 million increase in capital reserves. Notable cost drivers include an increase of $7.4 million in payments to Clean Water Services and a $3.8 million increase in support services charges over the biennium. Budgeted capital projects exceeding $1 million include the 2nd Avenue Reconstruction ($10.5 million), 1911/1936 Sanitary Sewer Improvements ($6.3 million), Minter Bridge Road Conveyance Improvements ($4 million), Sanitary Sewer FOG Main Restoration ($3.9 million), Water Quality Facilities Repairs ($3.9 million), Minter Bridge to Meadow Lark Trunk Replacement ($3 million), Glencoe Creek Storm Culvert Improvements ($2.6 million), and improvements to the Acumed and International Paper driveways ($3 million).

Water - The Water Department's budget decreased by $72.5 million for the 2025–27 biennium. This reduction is primarily due to the planned drawdown of the City's Water and Water System Development Charge (SDC) Fund reserves to finance the City's share of construction costs for the Willamette Water Supply System (WWSS). Additionally, the Water Rate Stabilization Fund is projected to decrease due to a budgeted transfer of most of its balance to the primary Water Fund; this transfer is contingent and will only occur if the funds are needed. Major budgeted projects over the biennium include $83 million in Joint Venture Reimbursements—primarily related to the Willamette Water Supply Program, along with ($3.95 million) for Upper System Repair, ($2.9 million) for Pipeline Repair and Replacement, and ($3 million) for Pipeline Expansion.

For more information about changes to the City's budget, please visit the City's website at: www.hillsboro-oregon.gov/budget

PROPERTY TAX LEVIES

	Rate or Amount Imposed	Rate or Amount Imposed	Rate or Amount Approved
Permanent Rate Levy (rate limit 3.6665 per $1,000)	3.6665	3.6665	3.6665
Local Option Levy	1.72	1.72	1.72
Levy For General Obligation Bonds	-	-	-

STATEMENT OF INDEBTEDNESS

LONG TERM DEBT	Estimated Debt Outstanding on July 1	Estimated Debt Authorized, But Not Incurred on July 1
General Obligation Bonds	$ -	$ -
Other Bonds	68,385,000	138,000,000
Other Borrowings	299,782,888	143,813,510
Total	$ 368,167,888	$ 281,813,510