

City of Corvallis, Oregon

2014 – 2015

Proposed Budget



The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Corvallis for its annual budget for the fiscal year beginning July 1, 2013.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Corvallis
Oregon**

For the Fiscal Year Beginning

July 1, 2013

A handwritten signature in black ink, reading "Jeffrey R. Egan".

Executive Director

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. In addition, the City also received Special Performance Measures Recognition for the FY 13-14 budget document based on outstanding ratings from reviewers in both performance measurement and unit goals and objectives under the Policy Document criteria.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

City of Corvallis, Oregon

2014-2015

PROPOSED BUDGET

Mayor

Julie Jones Manning

Budget Commission

City Council

Mike Beilstein
Hal Brauner
Dan Brown
Richard Hervey
Joel Hirsch
Roen Hogg
Bruce Sorte
Biff Traber
Penny York

Citizen Members

Barbara Bull
Karyle Butcher
Rich Carone
Elizabeth French
Janet Gambatese
Brandon Neish
Irva Kay Neyhart
Mark O'Brien
Curtis Wright

City Manager

James A. Patterson

Staff

Nancy Brewer, Finance Director
Janet Chenard, Budget & Financial Planning Manager
Tracey Finnegan-Wiese, Budget Analyst
Staci Voight, Budget Analyst

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CORVALLIS

ENHANCING COMMUNITY LIVABILITY



April 10, 2014

Honorable Mayor Julie Jones Manning
City Councilors
Budget Commissioners
Citizens of Corvallis

RE: Fiscal Year 2014-2015 Proposed Budget

INTRODUCTION

I am pleased to present the City of Corvallis Proposed Budget for FY 2014-2015. This Proposed Budget is balanced, sustainable, and set to achieve the City Council's goals. This budget was developed using a significantly different process for Department Directors to develop their proposals, and a change in the General Fund Financial Plan designed to facilitate the conversation about a sustainable budget. Voter approval of the 2013 levy in November has allowed staff to develop a forward looking budget that includes funding for long-range planning, community livability efforts, Sunday and Monday hours as well as materials at the Library, and maintains the open hours at the Osborn Aquatic Center and the Chintimini Senior and Community Center. Even with these added services, some services will be reduced or no longer provided as funding for services outside the levy remains limited.

FY 2014-2015 will include the last six months of the current City Council term and the focus on this City Council's goals. Work is underway on all six goals and all should be substantially complete by the end of 2014. Even with all the good work underway on City Council goals, the organization still faces significant challenges in the coming year. I look forward to working with the Mayor, City Council, staff, advisory boards and commissions, and the community to address these challenges.

SUSTAINABLE BUDGET

The City Council set the tone and direction for the development of the FY 2014-2015 budget when it adopted its Sustainable Budget goal. After cutting the General Fund budget each year for more than a decade, Department Directors and I determined that it was time to take more aggressive steps to achieve a sustainable budget for the next five years. As a result, we would make decisions for the FY 2014-2015

budget that would set a new “baseline” of services that could be maintained each year for the next five fiscal years, with the objective of ending the years of budget cuts.

The Budget Process for FY 2014-2015 has been built to address the following six steps:

1) IMPLEMENT A FIRM EXPENDITURE LIMIT

With the rise in spending growth during the “boom” years, the City of Corvallis was exposed to on-going budget shortfalls and insufficient reserves. To mitigate against a boom-and-bust cycle the City must now better manage spending. To implement the City Council sustainable budget goal, we began with a new financial plan model. This model moves the financial plan farther away from the income statement format and to a true planning model that looks to the future. The model breaks out dedicated revenue for each Department to show how growing revenues through better cost recovery efforts can influence future spending. It also allows the community to see where fees and charges for service for specific activities come into the General Fund for use by the associated department. The new model also removes the relatively small restricted revenues that are accounted for in the General Fund to ensure they are not considered for anything other than their restricted purposes.

Council will achieve a sustainable budget where recurring revenues equal or exceed recurring expenditures in all City funds by continuing to seek expenditure efficiencies and by exploring and implementing a broad range of revenue sources.

The “firm expenditure limit” for each department in the General Fund was based on allocating dedicated revenues, dollar for dollar, to the related department, then allocating non-dedicated revenues based on each department’s five year historical average of actual expenditures. This process used projected revenues to establish the firm expenditure limit for each General Fund Department.

It is critically important to note that the firm expenditure limit is a mechanism that allows us the ability to ensure a zero-sum budget; revenues = expenditures for each year of the five-year financial plan. However, the projected expenditure growth for each department is too low to allow the department to continue all current operations and cover the compensation increases negotiated in labor agreements. As a result, staff will be dedicated to finding ways to reduce the expenses associated with current services, or in future years will continue to decrease service levels to stay within the firm expenditure limit. In the summary section of this Budget Message is a consideration that remains an option: will the City Council adopt by legislative action new taxes or fees to support services or increase existing tax or fee resources to support services and programs?

Each department’s firm expenditure limit was the only amount allowed for the department. As a result, Directors, staff, and advisory boards and commissions had to determine whether and how much of the Department’s firm expenditure limit to allocate to capital projects, operations, and reserves for future purchases. This required the second step of this year’s process – setting budget priorities.

2) INTEGRATE PRIORITY BASED BUDGETING

With a firm expenditure limit in hand, I asked each director to put together a budget that focused on what they could do within the budget limit. I asked Department Directors to work with their advisory boards and commissions (where there is no advisory body Directors worked with their staff) to develop funding priorities before the budget was developed. Priority-based budgeting is a critical part of recognizing that there are not enough resources to do all tasks asked and expected of the City; criteria that help determine

what will get funded allows all participants in the budget development process to understand the basis for decisions, and Directors to address the criteria in their proposals. There must be a direct correlation between performance and budget decisions with full transparency and the following questions were asked:

- Is the activity an essential service?
- Does City government have to perform the activity, or can it be provided by others?
- Can the activity be eliminated or suspended during challenging economic times?
- Are there more cost effective, efficient ways to deliver the services or programs?

Each Department's budget detail in the following pages identifies the priorities used in determining what could be funded. Because of the structural nature of the current and on-going fiscal challenges, the City of Corvallis cannot be content with the status quo when it comes to our financial health.

3) BETTER MANAGE THE SIZE AND COMPENSATION OF THE WORKFORCE

This Proposed Budget includes position additions associated with the voter approved 2013 levy, position reductions in some areas to stay within the firm expenditure limit, and re-purposing positions to better achieve budget priorities. In total, two division manager positions and 2.6 FTE AFSCME positions have been eliminated. Several new positions are proposed to respond to the City Council's work on expanding the Residential Parking Districts (RPD). Specific changes include:

- ❖ The City Manager's Office has re-purposed a Management Assistant position to add a Public Information Officer position and added a .50 FTE HR Assistant mid-year FY 13-14.
- ❖ The Community Development Department has added 1.0 FTE Associate Planner, to address the long-range planning work load, and a .50 FTE Code Enforcement Officer which will address code violation complaints, both funded by the 2013 levy. The Development Services Division is proposing to add an Engineering Technician and a Plumbing Inspector to support the current heavy development work load and meet customer service standards, and a limited duration Information Technology support position to help the Development Services Division complete its service enhancement work efforts for on-line services. The Department continues to hold .75 FTE as authorized but unfunded due in part to the challenges in the Community Development Revolving Loan Fund.
- ❖ The Finance Department has re-organized ambulance billing work formerly performed by 1.0 FTE. This has allowed the Department to increase the FTE allocation for two part-time positions and hold 0.50 FTE open as authorized but not budgeted for FY 2014-2015 while staff assesses the success of the re-organization. Finance has also proposed adding a 0.50 FTE Municipal Court Clerk to address the expected work increase from a seven-fold increase in the RPD area.
- ❖ The Fire Department has eliminated 1.0 FTE in the Administrative function to help the department achieve long-term sustainable operations, and has added a 1.0 FTE, 2013 levy-funded, Fire Prevention Officer position. The Department continues to hold 3.0 FTE Fire Fighter positions as authorized but unfunded due to the lack of resources.
- ❖ The Corvallis-Benton County Public Library re-organized following the retirement of a long-term manager, eliminating the manager's position in favor of adding 3 part-time Community Library Specialists. This re-organization increased staffing by 0.75 FTE, but reduced total costs due to the lower salaries of the added positions. The Library also added .875 FTE levy-funded positions to allow staffing on Sundays.

- ❖ The Parks and Recreation Department has eliminated a 0.60 FTE position in the administrative area to meet that department's firm expenditure limit and is keeping .835 FTE authorized, but unfunded in FY 2014-2015 (specifically, 0.46 FTE Seasonals; 0.125 FTE Admin Specialist; and 0.25 FTE Aquatics Program Coordinator).
- ❖ The Police Department added a 1.0 FTE Parking Enforcement Officer mid-year in FY 13-14 to allow an individual to be hired and trained in time for enforcement activities of the Council-directed expanded RPD program in September 2014. A 1.0 FTE School Resources Officer position was added and 3.0 FTE that have been previously approved but unfunded are now funded through the 2013 levy to address neighborhood livability.
- ❖ Public Works has re-organized its Transportation and Buildings Division, eliminating the Division Manager position and a vacant Electronic Technician position, and moving the functions of the division into either the Engineering Division or the Administrative Division. A limited duration Project Manager position is proposed to manage the significant work associated with the Transportation System Plan (TSP) update.

Combined, this has resulted in a total FTE increase of 7.525 positions, with 4.375 positions added as a result of the 2013 levy, 1.5 FTE added due to the RPD expansion, 4.25 FTE added as a result of reorganizations and/or enhancements, and 2.6 FTE eliminated as a result of the firm expenditure limit. A total of 8.335 FTE remain authorized but unfunded.

While the above information reflects staffing levels, costs for staff are also a significant driver of the City's budget. As has been noted many times, the City is a service organization that relies on people to deliver services. This proposed budget includes compensation changes as follows:

- ❖ The International Association of Fire Fighters (IAFF) members' contract calls for a cost-of-living-adjustment (COLA) of 1-3 percent based on CPI. The actual COLA will be 1.1 percent. Benefits are budgeted with no increase.
- ❖ The Corvallis Regional Communications Center Association (CRCCA) members' contract calls for a COLA of 1-3 percent based on CPI. The actual COLA will be 1.0 percent. Benefits are budgeted with no increase.
- ❖ The Corvallis Police Officers Association (CPOA) is entering negotiations for a new contract effective July 1, 2014.
- ❖ The American Federation of State, County, and Municipal Employees (AFSCME) have been in negotiations for the past year. At the time of this Proposed Budget Message, a tentative agreement has been reached, but no vote has been taken. This Proposed Budget does not include any compensation changes for AFSCME.
- ❖ Compensation for exempt employees, mostly managers and supervisors, has not yet been discussed by the City Council.

4) IMPROVE BUDGET DEVELOPMENT TRANSPARENCY

The City of Corvallis has been a leader in local government in public process and citizen engagement. Now is the time to enhance our efforts to engage citizens in transforming the City budget. Budget issues are often times complex and in the rush to meet timelines and secure enough support to approve and adopt a budget the process did not provide for a robust engagement effort. Previous budget development strategies needed improvement. This newly proposed budget development process included enhancing the public's timely access to information and included a greater level of participation on the part of

Boards and Commissions. Citizen volunteers have worked closely with Department Directors to engage in a clear, public assessment of department priorities and the programs and services to be funded within the department's firm expenditure limit. This has been a critical issue especially for the Parks and Recreation and Library operations where the engaged advisory boards have assisted staff in setting priorities for funding.

5) EXAMINE THE INVENTORY OF ASSETS

Staff has examined the City's current inventory of assets. The largest share of assets the City owns are not available for sale and consist of the infrastructure systems citizens rely on (e.g., pipes, streets, treatment plants). Each department has examined its fleet of vehicles to ensure that all vehicles are needed and used; in some departments replacements have been deferred to a future year. All City-owned buildings are currently in use by the City or are leased to a non-profit that uses the facility for community purposes (e.g., Majestic Theatre, Arts Center). The City's park land is generally well used for park and public green space access. Staff continues to evaluate opportunities to improve parks, and will consider selling park land that is underutilized in favor of using the sale proceeds to expand capacity and/or enhance amenities in existing City parks where the potential for additional use by the public is likely.

6) BUILD A HEALTHY RESERVE TO PROTECT AGAINST FINANCIAL DOWNTURNS

The most recent recession demonstrated the need for even more robust measures to build reserves that can be used for emergencies or unanticipated fiscal circumstances. The planned contribution to the General Fund Fund Balance Reserves of \$1,292,800 will be made in FY 2014-2015. This reserve, still in its establishment phase, was instrumental in the City's ability to make the \$1.4 million refund to Hewlett-Packard for its 2008/2009/2010 appeals of valuation. At the end of FY 2014-2015, the Fund Balance Reserve is projected to total \$3,513,289 or 56% of the \$6.3 million target. This level of funding is ahead of the Financial Policy schedule by \$678,289. Current projections will have this reserve fully funded by FY 16-17, at which point the resources that are being set aside each year will be available to begin to address deferred maintenance or Other Post Employment Benefit unfunded liabilities.

To be sure, these directions to develop the FY 2014-2015 budget have been challenging for Department Directors, staff, and advisory board and commission members to implement. As expected, City of Corvallis staff and the board and commission members have risen to the occasion. Their hard work has led the organization to a transformational budget plan that achieves the City Council Goal of a Sustainable Budget for the upcoming fiscal year and five years into the future, and continues the good work of the organization. Highlights of major work initiatives in the coming year include:

- ❖ 2013 Levy Implementation – The voter approved 2013 levy funded services will be implemented. Newly funded services include adding Planning staff to address the extensive long-range planning work load, adding a Fire Prevention Officer to improve and expand safety, adding Code Enforcement support to better address code compliance, opening the Library on Sundays, funding 3.0 FTE Police officers to focus on neighborhood livability, and adding 1.0 FTE School Resource Officer to work with 509J in the public schools. The levy also continues funding for Library Monday hours and materials, Osborn Aquatic Center and Chintimini Senior and Community Center operations, and funding for social service grants.
- ❖ Collaboration Initiatives – As noted earlier, the City has sole or shared responsibility for about 50 Collaboration Corvallis recommendations. Some are larger in scope than others. Currently there are several major recommendations under consideration by the City including:

- Residential Parking District (RPD) expansion: The Council's Urban Services Committee has recommended a structure for expansion of the RPD program. At the time of writing this budget message, the Council is still in the decision making process regarding these recommendations. It is expected that a significant budget amendment will be brought to the Budget Commission to support RPD expansion.
 - Neighborhood and Property Maintenance Code Program: Program design has been completed and is under review by the Administrative Services Committee. The Council is expected to review ASC recommendations later this spring. Depending on the final product, there will be budget adjustments necessary but the timing is unknown at this point.
 - Collaboration related Land Development Code (LDC) Amendments: LDC Package #1 has been developed and under review by the Planning Commission with Council consideration scheduled later this Spring. LDC Package # 2 is underway with Planning Commission and City Council review projected for sometime in the Fall 2014.
- ❖ Transportation System Plan (TSP) Update – The City is preparing to initiate its first update to the TSP in 16 years. This is expected to be a significant work effort that will take 3 years and cost in excess of \$300,000. This is a critical part of the community's planning process, and is being undertaken at a time when funding for transportation is inadequate and future funding is threatened. Long-term prospects for the City's Street Fund and the ability to maintain existing infrastructure will be critical elements of the TSP update process.
 - ❖ Water System Master Plan Update – Public Works staff will initiate work on an update to the Water Treatment and Distribution System master plan.
 - ❖ Service Enhancements – The Development Services Division will continue implementation of the many service enhancements they have undertaken over the last two years as they implement on-line plan reviews.
 - ❖ Library Strategic Plan Update – Library staff, the Library Board, and community members will craft a new Strategic Plan that will establish the Library's service and facilities priorities for the next five years.
 - ❖ Public Works Solar – The Public Works Department will use a grant from Pacific Power's Blue Sky program to construct a 150kW solar array at the Public Works compound that will provide power for the Wastewater Treatment plant. This project is being designed to be scalable and allow for the addition of solar panels in the future to increase the use of solar energy.

FINANCIAL SUMMARY

ALL FUNDS COMBINED

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14
						Adopted
Beg. Fund Balance	\$36,122,345	\$37,856,441	\$39,849,642	\$42,384,174	\$42,335,843	6.24%
Operating Revenue						
Property Taxes	24,447,883	22,980,336	23,636,480	22,132,200	25,577,050	8.21%
Other Taxes	1,239,155	1,396,192	1,372,600	1,420,400	1,427,600	4.01%
License, Fees, Permits	8,599,092	8,740,886	9,079,840	9,098,290	8,973,040	-1.18%
Charges for Service	40,705,126	41,058,907	42,002,980	43,639,860	42,961,100	2.28%
Intergovernmental	12,351,866	11,712,397	16,891,240	16,082,830	13,865,370	-17.91%
Fines and Forfeitures	1,234,517	1,151,021	1,202,630	1,109,190	1,331,980	10.76%
Miscellaneous	2,736,271	3,518,202	2,153,750	3,357,830	4,958,770	130.24%
Total Operating Rev.	91,313,910	90,557,941	96,339,520	96,840,600	99,094,910	2.86%
Non-Operating Rev.	9,665,021	20,864,795	19,695,047	17,388,711	23,119,980	17.39%
Total Revenue	100,978,931	111,422,736	116,034,567	114,229,311	122,214,890	5.33%
Total Resources	\$137,101,276	\$149,279,177	\$155,884,209	\$156,613,485	\$164,550,733	5.56%
Operating Expenditures						
City Manager's Office	2,854,817	2,919,037	3,297,010	3,295,000	2,978,470	-9.66%
Community Dev.	5,516,417	5,605,265	7,919,050	7,672,050	6,366,030	-19.61%
Finance Department	4,872,485	4,674,293	5,005,060	5,005,060	5,862,170	17.12%
Fire Department	11,015,256	10,175,170	10,485,960	10,479,630	11,397,090	8.69%
Library	5,901,472	5,811,237	5,878,150	6,522,960	6,151,640	4.65%
Parks & Recreation	5,683,816	6,065,857	6,164,230	6,148,850	6,040,320	-2.01%
Police	12,574,931	12,637,782	13,343,410	13,246,330	13,857,060	3.85%
Public Works	26,048,093	26,034,842	30,437,350	28,439,000	29,167,570	-4.17%
Non-Departmental	1,260,044	1,466,677	1,449,420	1,478,760	793,770	-45.24%
Total Operating Budget	75,727,331	75,390,160	83,979,640	82,287,640	82,614,120	-1.63%
Non-Operating Budget						
Capital Projects	5,718,392	3,823,175	10,136,785	7,339,014	23,301,240	129.87%
Debt Service	8,182,617	4,660,414	7,245,970	7,326,770	7,863,390	8.52%
Transfers	9,616,495	7,631,868	18,395,007	16,054,171	18,828,350	2.36%
Other Non-Op Uses	0	15,389,386	1,270,040	1,270,040	790,130	-37.79%
Contingencies	0	0	1,727,790	0	1,748,370	1.19%
Total Non-Op. Budget	23,517,504	31,504,843	38,775,592	31,989,995	52,531,480	35.48%
Total Appropriated Budget	\$99,244,835	\$106,895,003	\$122,755,232	\$114,277,635	\$135,145,600	10.09%
Ending Fund Balance	\$37,856,441	\$42,384,174	\$33,128,977	\$42,335,843	\$29,405,133	-11.24%

Overall, revenue projections for FY 2014-2015 are stable, with relatively minor growth in most major revenue sources. Operating expenditures are stable, and have declined overall. A complete summary of the City's projected finances for FY 2014-2015 is included in the Budget and Financial Planning Overview section, beginning on page 23.

GENERAL FUND

The General Fund Financial Plan has change significantly for FY 2014-2015. The changes in the format were critical to achieving a sustainable financial plan for the next five years. This new format does the following:

- Extends the financial planning period to five years.
- Separates dedicated and non-dedicated revenues and adds more information for the non-dedicated revenue.
- Shows the 2013 local option levy as a dedicated revenue source for the services specifically called out in levy language.
- Uses the firm expenditure limit projections for the full five year planning period, ensuring projected revenue equals projected expenditures.
- Continues the set-aside to the General Fund Fund Balance Reserve as identified in the City Council's Financial Policies.

The General Fund continues to show the financial impact of the late May 2013 Court of Appeals decision upholding Hewlett-Packard's (HP) appeal of their assessed value from 2008, 2009 and 2010. Two weeks before the City Council held its public hearing to adopt the FY 13-14 budget, the City was informed that HP had prevailed and the City would have a significant share of the refund to be made in July 2013. At the time the budget was adopted, the estimated loss for FY 13-14 was about \$2.1 million in direct (City-levied taxes) and indirect (Benton County Library Service District and Corvallis Rural Fire District) revenue, but we also noted that we did not yet have final data from the State on revised values so the refund number was in flux. By mid-October 2013, the City had final figures for the repayment which totaled \$1.68 million (\$1.44 million direct and \$0.24 million indirect). The decreased revenue projection for property taxes shared with the City Council when the budget was adopted was also offset by higher than projected increase in assessed value. More information on the impact of the HP appeal and on revenue and expenditure assumptions can be found in the Budget and Financial Planning Overview beginning on page 23.

GENERAL FUND

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
RECURRING							
NON DEDICATED REVENUE							
Property Taxes - Permanent Rate	20,145,110	18,771,060	20,808,660	21,682,790	21,763,160	22,393,160	23,042,060
Local Op Levy 2013 - HP Replacement/Social Services Funding	0	0	706,340	727,530	749,360	771,840	794,990
Prior Year Delinquent Tax Revenue	472,510	402,390	438,280	438,280	438,280	438,280	438,280
Transient Room Tax	1,372,600	1,420,400	1,427,600	1,470,430	1,514,540	1,559,980	1,606,780
Franchise Fees	5,519,540	5,519,540	5,374,000	5,427,740	5,482,020	5,536,840	5,592,210
State Revenue Sharing	515,690	515,690	531,160	547,090	563,500	580,410	597,820
Alcohol/Cigarette Tax	806,420	806,420	826,580	847,240	868,420	890,130	912,380
Pass-Throughs	774,640	774,640	790,130	805,930	822,050	838,490	855,260
Miscellaneous Other Revenues	549,260	582,600	103,690	69,760	100,380	143,390	175,130
TOTAL NON-DEDICATED RECURRING REVENUE	\$30,155,770	\$28,792,740	\$31,006,440	\$32,016,790	\$32,301,710	\$33,152,520	\$34,014,910
DEDICATED REVENUE							
Property Tax - Local Option Levy	1,908,620	1,879,790	2,493,770	2,568,580	2,645,640	2,725,010	2,806,760
City Manager's Office	121,000	121,000	121,000	121,000	121,000	121,000	121,000
Community Development	150,880	150,880	117,590	122,590	127,840	133,350	139,140
Finance	625,600	550,200	625,200	643,950	663,260	683,150	703,640
Fire	3,565,090	3,613,740	3,618,080	3,671,860	3,726,450	3,781,860	3,838,100
Library	2,747,650	2,589,270	2,785,260	2,828,490	2,893,280	2,959,680	3,027,720
Parks & Recreation	1,821,870	1,821,870	1,730,190	1,762,590	1,795,630	1,829,330	1,863,690
Police	368,980	368,980	378,730	388,740	399,040	409,630	420,530
Public Works	147,000	147,000	0	0	0	0	0
TOTAL DEDICATED RECURRING REVENUE	\$11,456,690	\$11,242,730	\$11,869,820	\$12,107,800	\$12,372,140	\$12,643,010	\$12,920,580
TOTAL RECURRING REVENUE	\$41,612,460	\$40,035,470	\$42,876,260	\$44,124,590	\$44,673,850	\$45,795,530	\$46,935,490
EXPENDITURES							
City Manager's Office	326,250	324,240	293,300	297,260	307,350	320,930	328,610
Community Development	1,309,840	1,308,130	1,498,870	1,542,260	1,614,560	1,710,610	1,763,110
Finance	646,770	646,770	647,260	646,900	645,100	640,170	633,880
Fire	11,005,240	11,017,160	10,697,090	10,937,370	11,339,200	11,872,460	12,163,360
Library	5,999,350	6,026,080	6,068,140	6,143,100	6,260,310	6,405,350	6,469,690
Parks & Recreation	6,462,480	6,201,880	5,782,320	5,948,500	6,138,490	6,386,940	6,517,240
Police	10,693,720	10,683,900	11,123,210	11,485,520	12,094,240	12,910,560	13,367,550
Public Works	942,870	870,310	703,940	820,460	867,430	930,650	966,360
Non-Departmental	1,448,070	1,477,410	792,420	772,420	772,420	772,420	772,420
Debt Service	243,180	243,180	837,160	806,490	786,190	770,660	749,910
Pension Obligation Bond Debt - Transfers	1,870,950	1,870,950	1,931,790	2,028,380	2,129,800	2,236,290	2,348,100
Pass-Throughs	774,640	774,640	790,130	805,930	822,050	838,490	855,260
Contribution to Fund Balance Reserve/Contingencies	945,000	945,000	1,292,800	1,890,000	896,710	0	0
TOTAL RECURRING EXPENDITURES	\$42,668,360	\$42,389,650	\$42,458,430	\$44,124,590	\$44,673,850	\$45,795,530	\$46,935,490
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$1,055,900)	(\$2,354,180)	\$417,830	\$0	\$0	\$0	\$0
POTENTIAL BEGINNING BUDGETARY FUND BALANCE							
Net Recurring Revenue/Expenditure	860,730	915,434	359,085	741,915	741,915	741,915	741,915
Net Non-Recurring Revenue/Expenditure	(1,055,900)	(2,354,180)	417,830	0	0	0	0
	863,290	1,797,831	(35,000)	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$668,120	\$359,085	\$741,915	\$741,915	\$741,915	\$741,915	\$741,915
Ending Reserve Balance by Type							
RESTRICTED	\$460,096	\$589,179	\$377,160	\$237,464	\$237,464	\$237,464	\$237,464
COMMITTED	1,112,174	1,094,858	1,018,258	996,961	996,961	996,961	996,961
ASSIGNED	1,223,883	1,317,433	448,875	448,873	448,873	448,873	448,873
FUND BALANCE	3,221,200	2,850,489	3,513,289	5,403,289	6,300,000	6,300,000	6,300,000
	\$6,017,353	\$5,851,960	\$5,357,583	\$7,086,588	\$7,983,299	\$7,983,299	\$7,983,299

For FY 2014-2015, the General Fund is balanced and there is a small positive green line. The \$417,830 available from FY 2014-2015 activity, added to the projected net beginning fund balance of \$324,085 means that the budget is projected to end at a positive unreserved ending fund balance of \$741,915. The green line savings are from slightly higher revenue projections in a couple of areas. The projected beginning fund balance figure is based on the revised budget and expected spending plans for the balance of the current fiscal year. Both of these figures are based on estimates and may or may not come to fruition.

The Budget Commission and City Council may choose to allocate these monies or to leave them as unreserved in the General Fund balance. My recommendation is to look at this as "one-time money" and to treat it as such; the best use of one-time money is for one-time expenses. As a result, Department Directors and I have developed the following list of potential one-time uses for the Budget Commission and City Council to consider:

- ✓ Use all or a portion to increase the Fund Balance Reserve in the General Fund and reach full funding faster. At a minimum, I would recommend direction to use any FY 13-14 ending fund balance be added to the Fund Balance Reserve to grow it to full funding faster than the current schedule would achieve.
- ✓ Use all or a portion to reduce the borrowing that will be necessary later in 2014 to fund construction of the Fire Drill Tower and the Library roof replacement.
- ✓ Use a portion, up to \$353,000, to pay Pacific Power to replace the most expensive high pressure sodium street lights with LED lights. This is an action with a 3.75 year pay-back that would reduce on-going operating costs for many future years. If less than the full amount was allocated to this project staff would work with Pacific Power to focus the replacement on the most expensive lights (400 watt high pressure sodium) first, with a plan to work on stretches of streets to be most efficient with the change out.
- ✓ Use all or a portion to fund deferred maintenance projects in Parks. Examples of projects include: projects identified in the ADA compliance transition plan throughout the parks system, excluding playgrounds, for \$180,000; change all non-compliant playground surfacing to certified wood chips, \$200,000; replacement of the Franklin Park playground equipment scheduled to be removed this Spring; \$125,000; fund the deferred maintenance projects throughout the Parks system cut from the FY 2014-2015 budget for \$90,000.

This balanced, sustainable General Fund financial plan meets the City Council's goal and achieves what I believe has been the most significant challenge the organization has dealt with in years.

CITY COUNCIL GOALS

COUNCIL WILL ACHIEVE A SUSTAINABLE BUDGET WHERE RECURRING REVENUES EQUAL OR EXCEED RECURRING EXPENDITURES IN ALL CITY FUNDS BY CONTINUING TO SEEK EXPENDITURE EFFICIENCIES AND BY EXPLORING AND IMPLEMENTING A BROAD RANGE OF REVENUE SOURCES.

This Proposed Budget is testament to the level of accomplishment the organization has achieved on this goal. Getting to a sustainable budget has been the primary focus of the organization for the past year. Department staff continues to seek efficiencies in operations. Many of the Departments have identified in their budget document pages steps they have taken to improve operational efficiency, re-structure their operations, or partner with other organizations to continue the City's good work.

ECONOMIC DEVELOPMENT COMMISSION WILL REVIEW AND POSSIBLY SUPPLEMENT THE CURRENT ECONOMIC DEVELOPMENT STRATEGY INCORPORATING ASPECTS OF AGRICULTURE-RELATED BUSINESSES, LOCAL INVESTMENT, ARTS AND CULTURE, AS WELL AS THE CITY'S OVERARCHING GOALS. THE ECONOMIC DEVELOPMENT COMMISSION WILL PROVIDE RECOMMENDATIONS TO THE COUNCIL BY THE END OF 2013. COUNCIL TAKES ACTION BY MID-2014.

The Economic Development Commission has presented its final report to the City Council to implement this goal. The Economic Development Office's emphasis in FY 14-15 will be to continue to implement the economic development strategy and marketing for Corvallis, and to continue to participate and sponsor events such as a Business Resource Fair, and Willamette Innovators Network.

THE COLLABORATION CORVALLIS PROJECT WILL BE COMPLETED BY THE END OF 2014 WITH COUNCIL APPROVED RECOMMENDATIONS IMPLEMENTED OR PLANNED, INCLUDING A COLLABORATION FRAMEWORK FOR THE FUTURE.

The Collaboration Project is in its third year with the Intergovernmental Agreement (IGA) related to the project between Oregon State University and the City set to expire at the end of 2014. The City has responsibility, either sole or shared with OSU, for about 50 recommendations. Of this total, 15 recommendations have been completed or have become ongoing efforts, while most of the balance is currently under development and/or under consideration by the Planning Commission or City Council. A handful of recommendations are waiting for initiation subject to resource and work program availability. As noted in the Council goal, one of these recommendations is to form an ongoing framework to continue the collaborative relationship beyond the completion of Collaboration Project.

BY THE END OF 2013, THE COUNCIL WILL HAVE ACCESS TO COMPREHENSIVE AND OBJECTIVE INFORMATION ABOUT THE DEMANDS FOR HOUSING IN THE CORVALLIS URBAN GROWTH BOUNDARY AND THE CAUSES OF THE CURRENT HOUSING MIX. BY THE END OF 2014, THE COUNCIL WILL CREATE POLICIES, REGULATIONS, AND STRATEGIES TO HELP MEET THE HOUSING NEEDS OF THOSE WHO LIVE HERE OR WISH TO LIVE HERE.

This goal has been slightly delayed, but work is underway with a consultant who will survey community members and commuters to gather the objective information that will form the basis of the other work efforts encompassing this goal.

PARTICIPATE IN THE DEVELOPMENT OF A PLAN TO FIND A PERMANENT SOLUTION BY DECEMBER 2014 FOR A COLD WEATHER SHELTER AND DAYTIME DROP-IN CENTER.

The Corvallis Homeless Shelter Coalition has acquired property where for two years they have provided overnight shelter during the winter months. Their plan is to complete a capital campaign and construct a new facility at that site to meet this objective. The City is not directly involved in this project, but Councilor Traber is the City Council liaison to the Coalition, and staff will continue to participate in discussions about the shelter's design, its needs, and the potential for grant funding.

BY DECEMBER 2014, THE COUNCIL WILL REVISE ITS PROCESSES AND STRUCTURES INTO A MORE EFFECTIVE AND EFFICIENT CITIZEN ENGAGEMENT PROGRAM TO DEVELOP DIVERSE FUTURE LEADERS, ENHANCE COMMUNICATION BETWEEN CITIZENS AND THE COUNCIL, HELP CONNECT CITIZENS TO EACH OTHER TO STRENGTHEN COMMUNITY AND NEIGHBORHOODS, AND UTILIZE THE EXPERTISE OF CITIZEN-VOLUNTEERS IN SOLVING COMMUNITY PROBLEMS.

The Public Participation Task Force (PPTF) continues to meet and is scheduled to hold a public meeting on Monday April 28, 2014 to seek input on the draft recommendations they would like to propose to City Council. If necessary the draft recommendations will be revised after the public meeting based on the input received and the task force is scheduled to bring a final recommendation to City Council at the June 2, 2014 meeting. The Proposed Budget does not include funding for any of the proposals from the PPTF since City Council has not seen or adopted any of the recommendations.

FUTURE CHALLENGES

There are many significant challenges facing Corvallis:

- ❖ Difficult Conversations – As I noted in last year’s Budget Message, there are difficult conversations that need to occur. The past year has included a number: we have discussed contracting out for services and continue to look at opportunities in that arena; we have examined assets and considered the options for reducing the size of the City’s fleet and options for selling land and those conversations continue; we have reduced staffing and departments have re-organized to eliminate management positions and add or maintain front-line staff to improve services to citizens; and we have had difficult conversations with labor units and management staff about compensation that is leading to changes for all staff. These difficult conversations will continue.
- ❖ Securing the City’s Financial Future – In November 2013, the voters approved a five-year local option levy to provide funding for specific City services. Planning needs to be underway soon to develop a longer-term strategy to either secure non-property tax revenue sources or to plan for and continue to seek local option levies to fund basic City services or to plan for more significant changes to the organization that do not require new revenue.
- ❖ Mayor/City Council Election – In November 2014 the Mayor and all City Council seats will be up for election. Following the election, the new Mayor and City Council will begin goal setting work for their 2015 to 2016 term.
- ❖ Community Development Revolving Loan Fund – This fund continues to see long-term financial challenges as federal grants have been reduced, and as other sources of funding traditionally used to offset such reductions have been depleted. Staff expects to continue work on a long-term financial strategy for this fund during FY 2014-2015.

These challenges, and more to come, are important to the community and to the community’s ability to maintain its vital future.

SUMMARY

Department Directors and I continue to focus on important considerations in developing this balanced budget proposal. Those considerations again include:

- All budget actions must serve to enhance citizen’s level of trust in City government.
- Our road to financial sustainability will require reinvention and transformation.
- We must keep in mind the importance of our City of Corvallis bond rating.
- We will not grow local government unnecessarily.
- We will plan for a financially sustainable future, now and 5 years into the future.
- We will incorporate revised financial policies into the budget.
- Any increases in staffing will be associated with an adopted legislative City Council action, reduction of staffing in another department, Council adoption of new taxes or fees to support services, or increases in existing tax or fee resources.
- Any proposal to reduce or eliminate services or financial support to the community should be considered very carefully with the future in mind and the potential impacts to our City.

- Any proposal to reduce our work force should be considered very carefully, recognizing these decisions will impact employees and their families.
- Our proposed balanced budget should keep the City of Corvallis competitive and in line with the market place for wages and benefits for employees.

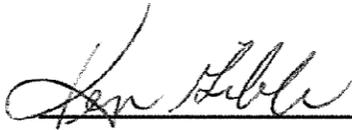
It is in this context that the FY 2014-2015 Proposed Budget was developed. I commend staff for the work they have completed on this Proposed Budget. Once again, the dedicated professionals who work for this organization and community have risen to another challenge, embraced a new set of ideas about how the organization will develop its budget, and put forward a balanced, sustainable budget that meets the City Council's goals. I appreciate all the hard work that has gone into developing this budget and the time taken by advisory board and commission members who have worked hand-in-hand with staff to prioritize projects, work efforts, staffing levels, and programs.

Respectfully submitted,

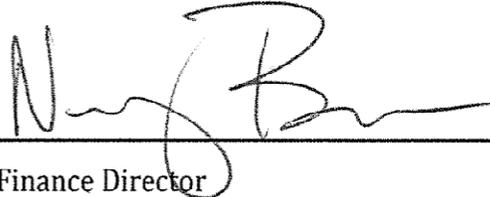


James A. Patterson
City Manager

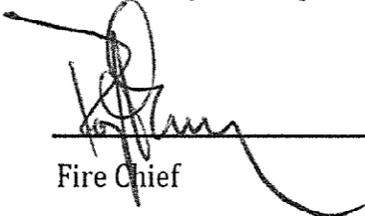
Review and Concur:



Community Development Director



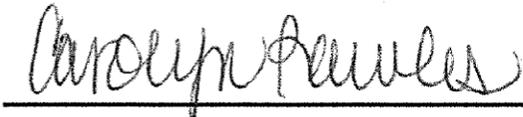
Finance Director



Fire Chief



Human Resources Director



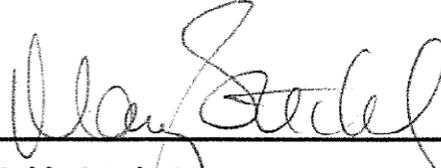
Library Director



Parks and Recreation Director



Police Chief



Public Works Director



BUDGET & FINANCIAL PLANNING OVERVIEW

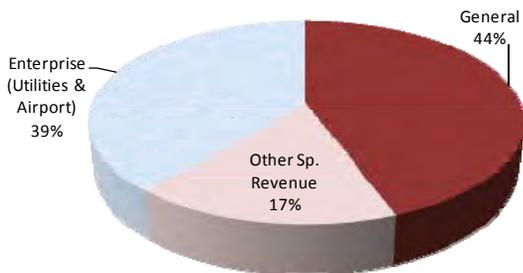
INTRODUCTION

This section of the budget document provides an overview of the financial information related to the operations of the City for FY 14-15 as well as information on longer term financial planning considerations. The annual budget focuses on one year of activity, but the City of Corvallis has a lengthy history of long-term financial planning as is a best practice for ensuring a viable future for municipal government services. As such, this section begins with a summary of the FY 14-15 City budget that combines all funds by fund type, followed by a summary of revenue and expenditure assumptions which have been used to develop the City's budget and forecast future fund balances. The FY 14-15 operating expenditure budget is summarized by both department and type or category of expenditure. Next the non-operating budget is summarized, with page references to more specific information. Finally, five-year financial plans and summary narrative for the seventeen operating funds of the City's current total of twenty-one funds are included to provide information about the City's future.

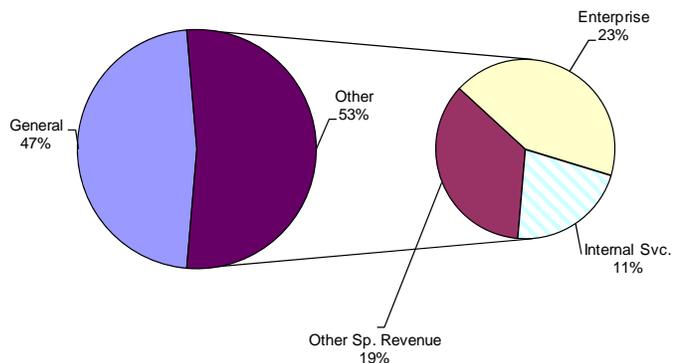
SUMMARY OF THE PROPOSED BUDGET FOR FY 14-15

The Proposed Budget for FY 14-15 is balanced as per State Law. The City's projected revenue including transfers and charges totals \$122,214,890. With an estimated beginning fund balance of \$42,335,843, the City projects it will have \$164,550,733 in total resources to fund services. The expenditure budget totals \$135,145,600 with \$82,614,120 for operating expenditures and \$52,531,480 for non-operating expenditures. The graphs directly below illustrate the FY 14-15 budgeted revenues and expenditures by Fund type, as summarized in the numerical table on the following page.

Current Revenue-by Fund Type



Operating Budget by Fund Type

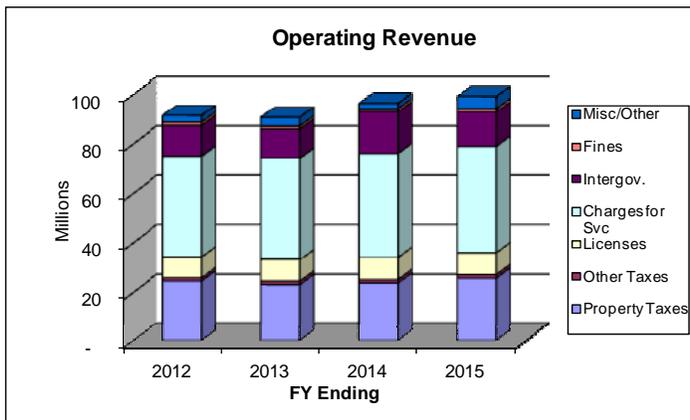


	Governmental Activities			Business Type Activities		FY 14-15 Total	% of Total Rev/Exp
	General Fund (A)	Other Special Revenue Funds (B)	Cap Const/ Debt/Perm Funds (C)	Enterprise Funds (D)	Internal Svc Funds (E)		
Beg. Fund Balance	\$6,211,048	\$11,997,712	\$835,849	\$21,887,117	\$1,404,117	\$42,335,843	
Operating Revenue							
Property Taxes	24,447,050	0	1,130,000	0	0	25,577,050	20.93%
Other Taxes	1,427,600	0	0	0	0	1,427,600	1.17%
License, Fees, Permits	5,741,280	3,186,340	0	5,000	40,420	8,973,040	7.34%
Charges for Service	5,786,580	4,560,230	0	23,325,700	9,288,590	42,961,100	35.15%
Intergovernmental	3,861,120	7,486,750	2,190,760	326,740	0	13,865,370	11.35%
Fines and Forfeitures	750,510	580,870	0	600	0	1,331,980	1.09%
Miscellaneous	488,080	306,160	2,642,030	1,462,460	60,040	4,958,770	4.06%
Total Operating Rev.	42,502,220	16,120,350	5,962,790	25,120,500	9,389,050	99,094,910	81.08%
Non-Operating Rev.	798,330	118,390	9,266,800	12,936,460	0	23,119,980	18.92%
Total Revenue	43,300,550	16,238,740	15,229,590	38,056,960	9,389,050	122,214,890	100.00%
Total Resources	\$49,511,598	\$28,236,452	\$16,065,439	\$59,944,077	\$10,793,167	\$164,550,733	
Operating Expenditures							
City Manager's Office	293,300	0	0	0	2,685,170	2,978,470	2.20%
Community Dev.	1,498,870	4,697,520	0	169,640	0	6,366,030	4.71%
Finance Department	647,260	280,380	0	0	4,934,530	5,862,170	4.34%
Fire Department	11,397,090	0	0	0	0	11,397,090	8.43%
Library	6,151,640	0	0	0	0	6,151,640	4.55%
Parks & Recreation	6,040,320	0	0	0	0	6,040,320	4.47%
Police	11,549,460	2,595,600	0	0	0	14,145,060	10.47%
Public Works	703,940	7,866,620	0	18,500,340	1,808,670	28,879,570	21.37%
Non-Departmental	792,420	0	1,350	0	0	793,770	0.59%
Total Operating Budget	39,074,300	15,440,120	1,350	18,669,980	9,428,370	82,614,120	61.13%
Non-Operating Budget							
Capital Projects	0	0	11,437,850	11,863,390	0	23,301,240	17.24%
Debt Service	837,160	0	3,820,880	3,205,350	0	7,863,390	5.82%
Transfers	2,080,510	3,300,740	0	13,447,100	0	18,828,350	13.93%
Other Non-Op Uses	790,130	0	0	0	0	790,130	0.58%
Contingencies	630,000	298,400	0	458,970	361,000	1,748,370	1.29%
Total Non-Op. Budget	4,337,800	3,599,140	15,258,730	28,974,810	361,000	52,531,480	38.87%
Total Appropriated Budget	\$43,412,100	\$19,039,260	\$15,260,080	\$47,644,790	\$9,789,370	\$135,145,600	100.00%
Ending Fund Balance	\$6,099,498	\$9,197,192	\$805,359	\$12,299,287	\$1,003,797	\$29,405,133	

- A. **General Fund** – Property taxes are the major revenue source for General Fund operations, although there are other fee or grant resources. The 2011 three-year operating levy ended in FY 13-14; FY 14-15 will be the first of the 2013, five-year, voter-approved property tax levy outside of the City's permanent tax rate. This new levy supports a variety of programs and staffing in the General Fund, including community policing, fire prevention, library hours and materials, aquatics, senior center, social services, code enforcement and long-range planning.
- B. **Special Revenue Funds** – The special revenue funds include the 9-1-1, Community Development Revolving, Development Services, Parking, Parks Systems Development Charge, Street and Transit. The operations supported in these funds have specific designated revenues, and receive no property tax support.
- C. **Capital Construction/Debt Service/Permanent Funds** – This category includes the Capital Construction, General Obligation Debt Service, Pension Obligation Bond Debt Service, and Davidson Library funds. The Capital Construction Fund receives support from grants, bond issues or bank loans for specific projects and interfund transfers for cash funded projects that are not utility or airport projects. The General Obligation Debt Service Fund is fully supported by voter-approved property tax levies outside of the City's permanent tax rate. The Pension Obligation Debt Service Fund is supported by interfund transfers from the operating funds of the organization. The Davidson Library Fund is a permanent fund, underpinned by a \$5,000 non-expendable trust.

- D. **Enterprise Funds** – Enterprise funds are business-like activities, where operating revenues pay for all costs of operation and maintenance as well as capital construction and debt service. The City of Corvallis operates four enterprise funds – Airport, Storm Water, Wastewater and Water. The enterprise funds carry relatively large balances in reserves for debt service and construction (systems development charge revenue).
- E. **Internal Service Funds** – Internal service funds provide services primarily within the City’s operations and include the Administrative Services, Facility Maintenance, Fleet, Risk Management and Technology & Communications Funds. The primary support for internal service funds is payments from departments for the services provided.

REVENUE PROJECTIONS



The City’s budget process begins with revenue projections and includes testing assumptions made about revenues for the current fiscal year and expanding those assumptions to FY 14-15. For the four future years in the Financial Planning period, forecasting considers additional drivers such as trends in the economy, inflation and population to derive projections which are sufficiently realistic, and neither overly conservative nor optimistic, to ensure services and programs are maintained or enhanced at the level of citizen demand and not cut unnecessarily.

Revenues are discussed by classification in the following pages. A summary of critical factors for best/worst case potential for General Fund revenues will be provided in the longer, more detailed Adopted Budget document, to highlight the challenges in forecasting with any precision.

PROPERTY TAXES

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14
						Adopted
Operations - Permanent Tax	\$20,508,583	\$20,126,321	\$20,617,620	\$19,173,450	\$21,246,940	3.05%
2011 Operating Levy	1,808,062	1,814,469	1,870,860	1,810,750	0	-100.00%
2013 Operating Levy	0	0	0	0	3,200,110	N/A
Debt Service	2,131,238	1,039,546	1,148,000	1,148,000	1,130,000	-1.57%
Total	\$24,447,883	\$22,980,336	\$23,636,480	\$22,132,200	\$25,577,050	8.21%

Property tax revenue represents nearly 21% of the City’s total projected revenue for FY 14-15, and over 56% of the projected total revenue in the General Fund. Property taxes account for essentially all of the revenue in the General Obligation Debt Service Fund.

Estimates for property tax revenue shown in the Proposed FY 14-15 column of the table above have been developed based on data provided by the County on actual assessed value for FY 13-14 and average growth projections for FY 14-15.

Valuation appeals, in particular those by large Corvallis property holders such as Hewlett-Packard (HP) and Comcast, have had a significant impact on property tax revenues over the past several years.

- **HP** prevailed in a Court of Appeals decision in late May 2013, as the City was finalizing its Budget Commission Approved FY 13-14 Budget for City Council adoption. The appeal covered assessments from 2008, 2009, and 2010. At that time, without final court orders, the total refund from City revenue sources was estimated at \$2.1 million.

In the summer of 2013, after the City's FY 13-14 Budget was adopted, the Department of Revenue decided to appeal to the Oregon Supreme Court, thereby deferring the requirement to refund about \$385,000 (city's share) in interest until this appeal is resolved. This adjustment, as well as other refinements for reserves held by the County, reduced the City's direct portion of monies owed to HP to \$1.4 million. This amount was paid out in July 2013; additional revenue impacts to the City were monies owed by the Corvallis Rural Fire District (\$88,726) and the Corvallis-Benton County Library Service District (\$149,421). This \$238,000 in payouts has decreased FY 13-14 payments to the City by these entities. The County has indicated that additional holdbacks will be made in FY 14-15 for the interest that is still potentially owed to HP.

- **Comcast** has contested its centrally assessed valuation for its entire State of Oregon value. Benton County has been processing Comcast as a deferred billing, meaning that if Comcast prevails there will be no refund; if Comcast loses on appeal they will owe the deferred taxes.

Both of these cases are pending at the Oregon Supreme Court; neither has been scheduled for oral arguments as of this writing. It is likely oral arguments will not be held until Spring 2015.

REVENUE PROJECTIONS FOR FY 14-15

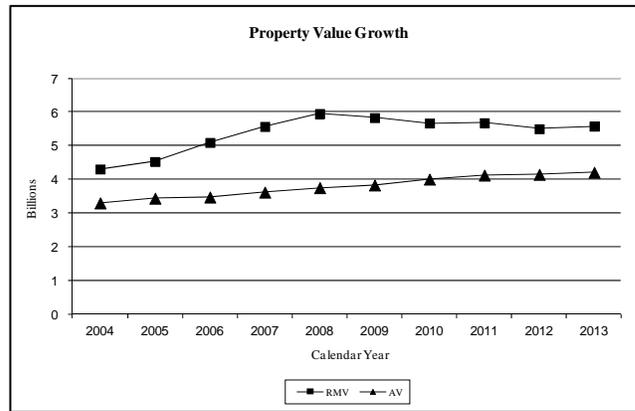
The General Fund Financial Plan that was developed based on the best assessment data available in June 2013, and that was published in the FY 13-14 Adopted Budget Message to illustrate how mitigation of the lost revenue due to HP appeals would be managed, showed projected permanent rate property tax revenue at \$18,975,500. This is different than the \$20,617,620 shown in the table above as the Adopted value; as noted in the Adopted FY 13-14 budget, actual projections were in flux and still unknown when the budget was adopted. The revised revenue of \$19.1 million reflected in the table above is what staff expects to see for the permanent tax rate revenue for the current fiscal year.

Staff has used the revised revenue for FY 13-14 and revised assessed values as a basis for developing the property tax revenue estimates for FY 14-15 and for the following four years of the financial plan.

PROPERTY TAX LIMITS & TAX RATES

Property taxes for operations are levied in accordance with the Oregon constitutional limitations known as Measures 5 (1990) and 50 (1997). Measure 5 placed a maximum tax rate for non-education governments of \$10 per \$1,000 of real market value on each parcel of property. Measure 50 set a permanent property tax rate for each governmental entity and developed a base assessed value for each parcel of property that is different than real market value for purposes of levying taxes. Assessed value is generally limited to an annual increase of 3% for each parcel of property. In Corvallis, the history of assessed value (AV) growth in the post Measure 50 era has been irregular however, with five years in the last ten where total assessed value has not increased by the full 3% that would be "expected" based on most people's understanding of M.50. Factors such as the following impact the valuation growth:

- In a situation where the property's real market value decreases to less than the assessed value, the assessed value will also decrease, which is known as "Measure 50 compression."
- Aggregate assessed value may increase based on new taxable development, with all new development assigned an assessed value that is the same ratio of assessed value to real market value as similar property.
- Depreciation of personal property or industrial property assets which are included in a property valuation can also result in less than 3% growth in an individual tax payer's assessed value. This element, rather than compression, has most often been the cause for total assessed value growth not achieving 3% in Corvallis every few years.
- Successful appeals by property holders that result in current or retroactive valuation decreases (such as occurred in 2013 with HP, Timberhill Development, and several other local companies).
- Purchases of formerly taxable property by non-profit or government entities such as Oregon State University (OSU) or Samaritan Health removes value from the tax rolls, thereby decreasing total Assessed Value.



During the past ten years, Corvallis has achieved a 27.6% increase in AV, an average of 3.1% growth per year. RMV grew by only a small amount more than this over the same period, but the Great Recession had an impact on annual growth. Market values peaked in 2008, then fell for three of the next four years to below 2007 levels. With a 1.4% gain in 2013 over 2012, RMV in 2013 was only 0.2% higher than in 2007. The net ten-year increase from \$4.3 billion to \$5.6 billion was just under 30%. Over the same period, the Consumers Price Index (CPI) has increased 28%, but 7% of this inflation occurred since 2008, and is not reflected in RMV growth for the same period, since this has actually decreased in net by over 8%. Changes in the annual RMV and AV are reflected in the table above (dollars are in 000's).

Tax Year	\$K RMV	Growth From Prior Yr	\$K AV	Growth From Prior Yr
2004	4,299,629	15.65%	3,292,880	5.77%
2005	4,522,703	5.19%	3,433,647	4.27%
2006	5,088,443	12.51%	3,467,066	0.97%
2007	5,565,083	9.37%	3,613,017	4.21%
2008	5,946,532	6.85%	3,745,147	3.66%
2009	5,825,693	-2.03%	3,825,054	2.13%
2010	5,664,529	-2.77%	3,999,075	4.55%
2011	5,672,462	0.14%	4,118,580	2.99%
2012	5,496,249	-3.11%	4,139,865	0.52%
2013	5,574,068	1.42%	4,201,469	1.49%
Avg Annual Growth		4.32%		3.06%

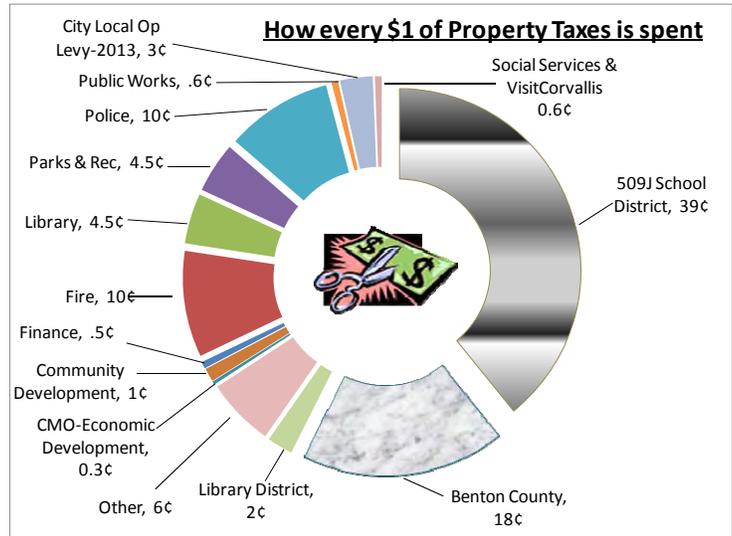
For the current fiscal year, the City's AV increased by only 1.5% from \$4,139,865,134 in 2012 to \$4,201,468,631 in 2013, well below the projected 3% allowed valuation growth that was in line with the County's forecast. The full increase did not materialize primarily due to the revaluations from successful property holder appeals detailed above. The impact to the City from these appeals was partially offset by some new multi-family housing value added in FY 13-14, such that in FY 14-15 through FY 18-19 the AV is currently estimated to increase by the allowed 3.0% (assuming improvements in the economy over the next several years will see continued improvement in residential and commercial development to offset additional decreases in AV from the final resolution of all outstanding appeals).

As implied above, both RMV and AV are important features in projecting property tax revenue based on different tax limits. In FY 13-14, in aggregate, residential property AV was 83% of RMV; combined commercial and industrial property AV was 60% of RMV. As a parcel of property's ratio of AV to RMV gets closer to 100%, which residential totals did for the sixth consecutive year, that property approaches either the Measure 5 limit of \$10 per \$1,000 of RMV or Measure 50's caveat that AV will not ever be higher than RMV. Corvallis has had very little impact from compression to date but does experience its

own share of other random events that may have significant and complex impacts on actual revenue in any given year.

LOCAL OPERATING TAX LEVIES

Since Oregon voters approved Measure 50, local governments in Oregon have not been permitted to ask voters for increases in permanent property tax rates. When a permanent rate of a local government does not provide enough revenue to meet estimated expenditures for existing service levels, local governments may only raise property taxes above their permanent rates if voter approval is obtained for a local option levy. The City has had two successive operating levies approved: 1) a 45¢ levy rate was approved by voters in May 2011, and will have raised over \$5.4 million in the three fiscal years since FY 11-12 when it was put in place; and 2) the continuation of this levy and expansion to restore certain past services, for a total of 81.81¢ per \$1,000 of Assessed Value over a five-year term beginning in FY 14-15, was passed by voters in November 2013.



The tax revenue from this new levy is for specific General Fund operations and is to be distributed and restricted for use in the following manner:

- 13.33% for maintenance of year-round operation of the Osborn Aquatic Center, including programs such as swimming lessons, therapy classes, youth special needs classes, water safety, High School swim practice, swim meets, fitness classes, and lap swimming;
- 9.97% for the year round operation of the Chintimini Senior Center, including programs such as health and fitness, life-long learning classes, support groups, tax aide assistance, volunteer recruitment and coordination, and facility for senior meals;
- 33.22% to maintain year round Monday hours and reopen on Sunday at the Corvallis-Benton County Public Library; support purchase of books, audiovisual and electronic materials; provide preschool reading readiness services for families and child care providers; provide volunteer recruitment and coordination; continue other library services and programs;
- 3.32% toward maintenance of social service grants for programs that provide emergency or transitional assistance, such as aid in obtaining food, water, shelter, warmth, clothing, safety, acute health care, or access to information about obtaining this assistance;
- 3.04% for Long Range planning staff for projects including implementing approved Collaboration Corvallis recommendations and facilitating community planning projects to address future growth;
- 1.21% to restore Code Enforcement staffing, materials and supplies to address code violation complaints regarding health and safety, livability and land use issues;
- 4.33% to provide additional Fire Prevention staff and the associated supplies and equipment to keep the community safe from fire danger;
- 9.64% for the Police Department to restore funding for three additional Police Officers, supplies and equipment, focusing on community livability;
- 3.19% to add one School Resource Police Officer with associated supplies and equipment to work in the Police Department with the 509J public school system; and

- 18.75% (approximately \$600,000 in the first year) is to replace unrestricted revenue in the General Fund lost from the HP judgment as described earlier in this section. If the Oregon Supreme Court rules that HP must pay more taxes resulting in further revenue to Corvallis, then this portion of the local option levy will be reduced by the same amount.

PROPERTY TAX LEVY RATES AND AMOUNTS

The Proposed Property Tax Revenue amounts shown in the table on page 25 reflect the normally anticipated assessed value growth of 3% from the \$4,201,468,631 certified in 2013 to \$4,327,512,690 in 2014. Property taxes are levied for operating costs and to meet debt obligations on voter approved general obligation bonds. The FY 14-15 Budget and four future years in the Financial Plans all assume that the City will levy the full amount of the permanent tax rate of \$5.1067 per \$1,000 of assessed value as well as the full 81.81¢ annually for the operating levy through FY 18-19 when it expires. The FY 13-14 combined tax rate for non-education governments, excluding levies for debt, for most Corvallis residents was \$9.1066 per \$1,000 of assessed value. This translates to an aggregate rate of around \$6.86 per \$1,000 of real market value, well below the \$10 limit. However, the rates are applied parcel-by-parcel, so some parcels are closer to the \$10 limit than others.

Property taxes levied for voter approved general obligation debt are exempt from both Measure 5 and Measure 50 limits (see information above regarding these limits). For FY 14-15, property tax revenue for debt is expected to total \$1,130,000. Taxes for debt are levied as a total dollar amount, in the amount necessary for the City to pay the principal and interest due on the debt during the fiscal year. The City currently has only one general obligation debt issue outstanding: a 2009 refunding of two voter-approved bond issues: the 1999A Riverfront Commemorative Park construction bonds and the 2001 Open Space bonds that were used to purchase five parcels of open space totaling over 400 acres. The financial plans do not include projections for debt service funds since the amounts levied are specific to the bond issue and the amount due each year.

PROPERTY TAX COLLECTIONS

Property taxes are levied by taxing district in accordance with Oregon Local Budget Law and certified to the County Assessor. Property taxes are collected by Benton County and distributed to each taxing district. Property taxes are due from taxpayers in three separate payments each year. However, counties are allowed to provide a discount if property owners pay the tax in full in November. Historically, the City has lost around 2.5% of the total levy each year because of the discount. As a result, levy amounts, and the related gross revenue projections are reduced by 2.5% which will never be collected; revenue projections for FY 14-15, are:

	Levy Amount	Discounts	Gross Revenue
Operating Permanent Tax	\$22,099,310	(\$800,780)	\$21,298,530
Operating 2013 Levy	3,540,340	(340,230)	3,200,110
2009 Refunding Bonds	1,158,980	(28,980)	1,130,000
Gross totals:	\$26,798,630	(\$1,169,990)	\$25,628,640
Less: Current Year Est Delinquencies:			(489,870)
Plus: Prior year delinquent collections:			438,280
Total Adopted Prop Tax Revenues:			\$25,577,050

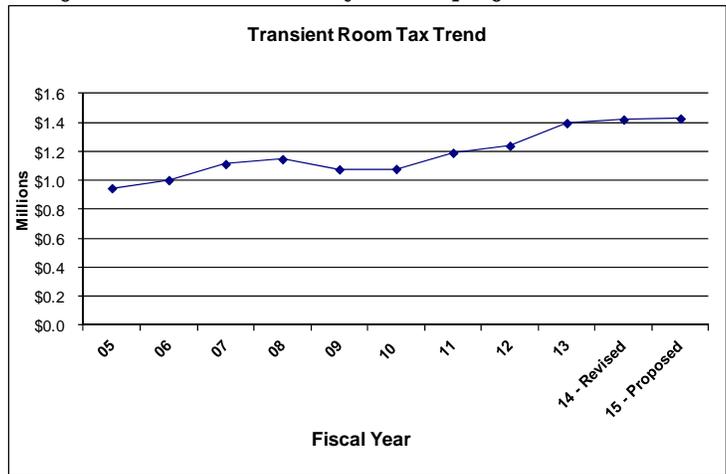
Based on historical data, the City expects that about 2.3% of the levy each year will also not be received due to non-payment of taxes. Property taxes that are not paid are secured by a lien on the property, and the lost revenue is recorded as a prior year receivable in the General Fund at the end of the fiscal year. For FY 14-15, the City projects a loss of \$489,870 from current year property taxes that remain unpaid

at June 30, 2015; this amount will be collected in future years. Delinquent property tax revenue totaling around 51% of the outstanding receivables is projected to be collected each year from prior year delinquents. For FY 14-15, the City estimates it will receive \$438,280 in revenue from payments made on prior year delinquent property taxes.

OTHER TAXES

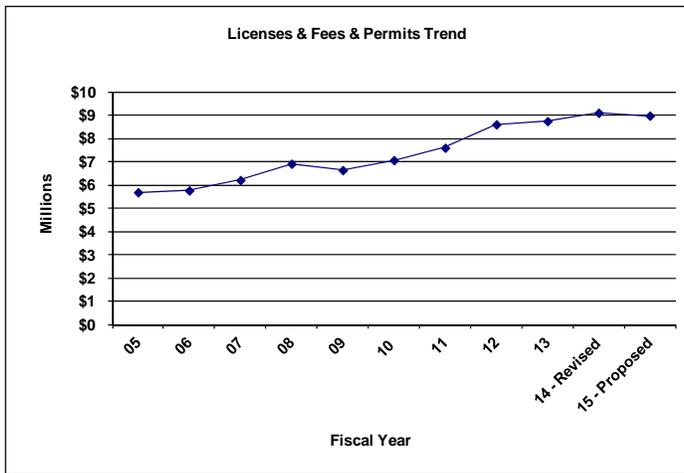
	FY 11-12 Audited	FY 12-13 Audited	FY 13-14 Adopted	FY 13-14 Revised	FY 14-15 Proposed	% Chg from FY 13-14 Adopted
Transient Room Taxes	\$1,239,155	\$1,396,192	\$1,372,600	\$1,420,400	\$1,427,600	4.01%

Other Taxes are from Transient Room taxes and are just over 1% of the City's total projected revenue for FY 14-15. These taxes are minor revenue in the General Fund and are estimated to increase 4% for FY 14-15 over what was originally budgeted in FY 13-14. The City currently levies a room tax of 9% of the room costs on all transient lodging in the city limits. Revenues in this category have begun to grow, with a stabilizing number of room stays combined with increased hotel rates, per Visit Corvallis statistics. As such, FY 13-14 was revised to higher levels, while FY 14-15 is projected to remain relatively flat after the significant bump up in the current fiscal year. As hotel prices will continue to rise, revenue is expected to continue to grow in future years at an average inflationary pace of approximately 3.0% per year through FY 18-19. At the time the budget was developed, there were two new hotels proposed for construction. Since the hotels are not built, no additional revenue projections have been included.



LICENSES, FEES, PERMITS

	FY 11-12 Audited	FY 12-13 Audited	FY 13-14 Adopted	FY 13-14 Revised	FY 14-15 Proposed	% Chg from FY 13-14 Adopted
Franchise Fees	\$5,306,529	\$5,186,269	\$5,519,540	\$5,519,540	\$5,374,000	-2.64%
Building Permits	1,068,834	1,083,207	1,143,450	1,143,450	1,154,700	0.98%
Transp. Maint. Fee	423,237	443,018	432,740	432,740	432,740	0.00%
SIF	1,269,786	1,455,502	1,426,690	1,426,690	1,398,250	-1.99%
Other	530,706	572,890	557,420	575,870	613,350	10.03%
Total	\$8,599,092	\$8,740,886	\$9,079,840	\$9,098,290	\$8,973,040	-1.18%



Licenses, fees and permits are about 7% of the City’s total projected revenue for FY 14-15. Licenses, fees, and permits provide more than 25% of the operating revenue in the Development Services and Transit Funds, and about 14% of total General Fund revenues.

The primary revenue for this classification in the General Fund is from franchise fees, which are the second largest single revenue source in the General Fund; the major drivers for franchise fees are the use of the services provided by the franchisees (utilities that use the public right-of-way) and the rates the

utilities charge. While FY 13-14 results are coming in at over a 6% growth rate compared to FY 12-13 actual revenue, total franchise fees are currently estimated to decrease by 2.7% in FY 14-15 from Adopted FY 13-14 based on any utility rate hikes being more than offset by revenue declines from lower telecommunications franchise fee payments. As more people switch to wireless providers for their primary telephone service, the land-line based service payments continue to decrease. Conservation efforts are reducing electric and natural gas utility revenues, and the related franchise fees. The next four years of the planning period are projected at increases of just over 1% per year, premised on utility rate increases marginally outpacing lost revenues from conservation efforts and decreasing use of land line telephones.

This classification also includes revenue from building permits taken out for inspections of construction of new/remodeled buildings, accounted for in the Development Services Fund. New residential construction activity in Corvallis has begun to show slight signs of recovery. Commercial activity has remained robust, explaining the higher than anticipated results of the past few years. Several large construction projects for Oregon State University, that are continuing into next fiscal year, underpin the higher projection for FY 14-15 fees, which are expected to increase another 1% over adopted FY 13-14 levels. The City’s population is projected to continue to grow between 0.5% and 1.2% per year. This figure is consistent with estimates included in the Comprehensive Plan. Changes in the Oregon State University (OSU) student population will continue to have an effect on the City's overall population growth rate. The Financial Plans show permit revenue continuing to ramp up at a modest 2% per year in the latter four years of the planning period.

The Transportation Maintenance Fee (TMF), accounted for in the Street Fund, is calculated for each property on the average number of vehicle trips generated by that particular property’s use. The revenue received is used to fund specific street infrastructure and improvement projects. The City Services Bill is the mechanism for monthly billing and collection. City departments are also subject to this fee. Based on unchanged trip rates ranging from 2.1¢ for non-residential to 14.2¢ for residential properties, this fee is projected to realize at least \$432,740 again in FY 14-15. Commercial construction has added several new billable areas to the system in recent years, and so receipts have begun to see some improvement.

The Sustainability Initiative Fees (SIF) for Transit Operations (TOF), Urban Forest Management, and Sidewalk Maintenance, are also collected monthly via the City Services Bill. Due to an ordinance-allowed increase in the Transit operations billing rate in February 2012 based on gas price increases, the TOF receipts increased by nearly 15% in FY 12-13 over budgeted FY 11-12 levels. However, receipts for FY 13-14 are expected to come in marginally lower at \$1,426,690 due to the February 2014 decrease in TOF rates after gas prices came back down this past year. FY 14-15 is estimated to be even lower at \$1,398,250 for all three fees since it represents twelve full months at the lower TOF level. This fees

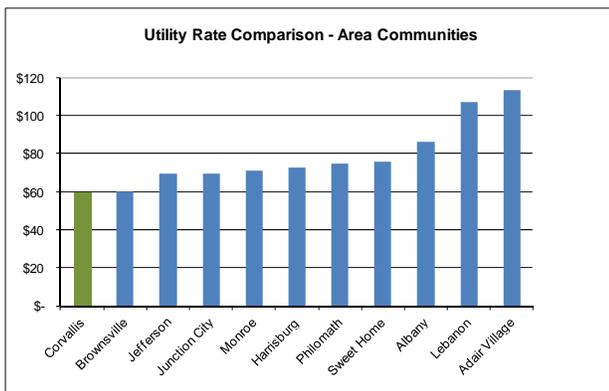
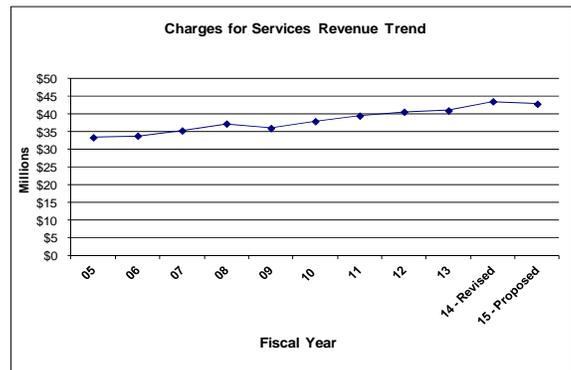
category represents a greater portion of Transit Fund revenues than charges for service since bus rides became fareless several years ago.

The largest component of the “Other” category is the Public, Education, Government/Institutional Network (PEG/I-Net) fees charged on cable television bills for local public access, estimated to bring in around \$147,000. Other licenses, fees and permit dollars are from permit work in the public right-of-way, use of park facilities, dog licensing and parking lot space rental fees.

CHARGES FOR SERVICE

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14
						Adopted
Utility Fees	\$18,280,058	\$19,554,020	\$19,219,290	\$19,483,690	\$19,928,490	3.69%
Systems Dev. Chgs	3,556,322	2,244,089	3,266,130	3,570,680	2,788,680	-14.62%
Parks & Rec Fees	1,370,920	1,575,928	1,562,810	1,562,810	1,594,070	2.00%
Building Plan Review	1,295,463	1,987,225	1,416,950	2,288,140	1,651,120	16.53%
Contracted Fire Svc	1,172,652	1,186,621	1,232,050	1,264,900	1,250,530	1.50%
Ambulance Fees	1,910,309	1,763,850	1,969,500	1,969,500	1,999,040	1.50%
9-1-1 Cost Share	927,500	979,080	1,064,080	1,064,080	1,168,690	9.83%
Internal Service Charges	8,118,720	7,751,870	8,322,490	8,322,490	8,485,020	1.95%
Other	4,073,182	4,016,224	3,949,680	4,113,570	4,095,460	3.69%
Total	\$40,705,126	\$41,058,907	\$42,002,980	\$43,639,860	\$42,961,100	2.28%

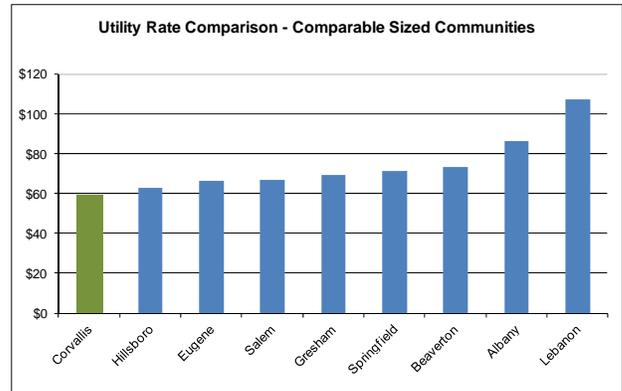
Charges for service revenues are 35% of the City’s total projected revenue for FY 14-15, and are the largest classification of revenue for the City. Charges for service provide more than 25% of the revenue in the Development Services, Parks SDC, 9-1-1 Emergency, Water, Wastewater, Storm Water, Airport, and Internal Service Funds. Revenue in this category is from sales of City services to customers. The largest revenues are utility user fees for Water, Wastewater, and Storm Water services (funds which are self-supported), Systems Development Charges (Street, Parks SDC, Water, Wastewater, and Storm Water Funds), Parks and Recreation programs (General Fund), charges for construction plan reviews (Development Services Fund), contracted fire and ambulance services (General Fund), 911 cost share contract (911 Fund) and internal service charges (Fleet, Facility, Technology and Communications, Administrative Services, and Risk Management Funds).



The City Council’s current Financial Policies call for an annual rate review each fall for the Water, Wastewater, and Storm Water Funds, with a Council goal to keep the combined rate increase for all three utilities within a 2-3% range for the average single family customer, with a top rate increase limit of 7% by Council policy. Rates implemented February 1, 2014 increased 2.8% on the total bill, in compliance with policy. The projected rate increases for the three utilities will be reviewed in the fall with any actual increases put into place in February 2015. Projected rate increases are shown in the financial plans, and

currently assume 2% for Water, 3.5% for Wastewater, and 6% for Storm Water, which combined would remain in compliance with policy based on the total utility bill increase for the average residential customer. Corvallis rates remain competitive with both area communities and with other comparable sized Oregon-based utilities (Corvallis has the lowest rate in both cases). The combined rate increase for the utility funds is projected to be between three and four percent for the next several years in order to provide funding capacity for needed infrastructure projects and maintenance.

Revenues for Systems Development Charges (SDC) are based on the rate and types of development, which can be difficult to predict and tend to have substantial variability due to the rate of construction activity, as well as economic conditions and other factors outside the City’s control that might impact the volume of this activity. By State Law, SDC revenue can be used only for capacity-enhancing capital projects. Commercial development, particularly at OSU, has somewhat offset reductions in residential development that occurred following the Great Recession. SDC’s are currently expected to sharply decrease in FY 14-15 relative to both Adopted and Revised FY 13-14 levels, but still come in over FY 12-13 actual revenue. Since SDC revenue is typically not spent in the year it is collected, but is reserved for future construction of large infrastructure projects, accumulated SDC revenues are not anticipated to be fully expended in FY 14-15. Projects currently scheduled to use SDC funds should have sufficient balance available through the three-year planning horizon at a minimum.



Parks and Recreation department (General Fund) charges for service are collected for use of park facilities, entrance fees for Osborn Aquatic Center, and youth and adult participation in recreation programs and special events. Parks & Recreation programs are projected to remain at relatively stable levels based on some economic improvement and this community’s support for the City’s cost-effective programming. Rates will continue to be reviewed annually and adjusted as necessary to meet Council Financial Policy goals, including specified levels related to the department’s model for cost recovery per program type.

Building Plan Review fees are projected to increase by at least 16% in FY 14-15 over the Adopted FY 13-14 projection based primarily on the trend being seen in FY 12-13 actual revenue and FY 13-14 year-to-date (as reflected in revised). This projection is also based on the expectation that the large projects currently underway and in the pipeline for OSU as well as other new commercial development will continue to more than offset minimal residential construction and renovation through the next fiscal year.

Contracted Fire Service (CRFPD) and Ambulance revenues are both anticipated to grow by 1.5% in FY 14-15 over Adopted FY 13-14 levels. Ambulance revenue is predicated on a combination of increased calls for service and successful collection efforts, offset in part by changes in Medicare/Medicaid and a greater number of write-offs. Receipts and collections related to ambulance services have been better so far this fiscal year with a reorganization of staffing around this work, and these improvements are expected to continue in FY 14-15. Staff are not yet able to determine if the CRFPD portion of the HP refund will impact payments to the City in FY 13-14 or FY 14-15; the chart above shows staff’s best estimates for total revenues over the two year period based on the existing contract, year-to-date revenues and some apportionment of the HP refund to that value. Revenue in the future years for both of these revenue streams is projected to continue increasing at roughly 1.5% per year based primarily on a conservative 5-year average. The City Council will consider increases in rates whenever 100% of the operating costs for the transport ambulance are not covered.

The 9-1-1 Fund cost share is anticipated to increase by just over 7% in total in FY 14-15, but based on slightly higher proportionate calls for service than the other user group members, Corvallis Police and Fire Departments will together experience almost a 10% increase in their portion of the cost share, as shown in the table above. The remainder of the charge is born by the other government agency users of the 9-1-1 system, with the latter revenue being recorded in the Intergovernmental category.

Charges for service in the internal service funds (Fleet Maintenance, Facility Maintenance, Technology and Communications, Administrative Services, and Risk Management Funds), where the service is provided by one City department to other City departments, are established based on covering the projected costs for each service area, using the new 5-year firm expenditure limit averaging model combined with a dedicated revenue average percentage growth assumption. Once determined, these costs are then allocated out to operating departments using a formula specific to the service area. Costs to departments are adjusted annually and proportionately via various cost allocation drivers. Internal service charges are projected to increase less than 2% based on the dedicated revenue assumption in four of these funds, and despite a projected total increase of over 9% for liability premiums, workers compensation costs and self-insurance associated with Risk Management.

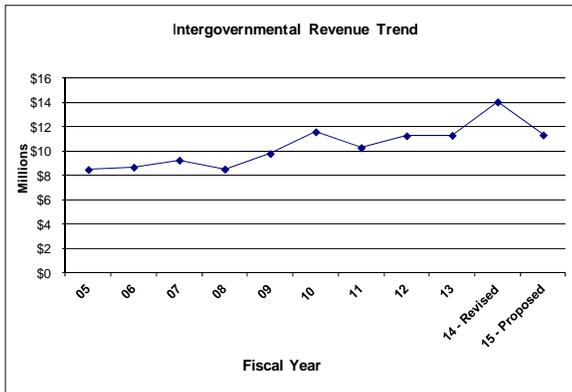
Other charges for service, while large as a total revenue, is relatively small as individual revenue line items, and include items such as FireMed memberships, gasoline sales, parking meters, burglar alarm response fees, airport hangar rentals, indirect payments from the Associated Students of Oregon State University (ASOSU) and other contracts for transit services coordinated by the City. Corvallis Police Department (CPD) collaborative efforts with the Benton County Sheriff's Office (BCSO) contribute to the charges for service line item in the General Fund. BCSO pays its share of costs associated with the Records Management System software, evidence services and records and reception services. The state of the economy is contributing to decreases in other development-related revenues, such as public improvement/private contractors (PIPC) payments, which have served to partly offset increases in other categories above, for a net projected increase of just over 2% in total charges for service.

INTERGOVERNMENTAL

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14
						Adopted
State Revenue Sharing	\$1,247,011	\$1,328,755	\$1,322,110	\$1,322,110	\$1,357,740	2.69%
Highway Tax	2,967,995	2,998,312	3,309,430	3,154,280	3,387,590	2.36%
Transit Grants	1,180,516	1,836,659	2,785,170	2,785,170	1,897,950	-31.86%
Housing Grants	1,306,737	1,022,346	2,578,000	2,578,000	912,100	-64.62%
Library Svc. District	2,412,300	2,390,800	2,506,250	2,318,370	2,477,980	-1.13%
Capital Projects	1,072,977	400,332	2,567,910	2,024,540	2,517,500	-1.96%
9-1-1 State Taxes	531,416	525,787	515,110	515,110	510,450	-0.90%
Other	1,632,914	1,209,406	1,307,260	1,385,250	804,060	-38.49%
Total	\$12,351,866	\$11,712,397	\$16,891,240	\$16,082,830	\$13,865,370	-17.91%

Intergovernmental revenues are projected at about 11% of the City's total revenues for FY 14-15. In each of the Street, 9-1-1, Community Development Revolving and Transit Funds' Proposed Budgets, intergovernmental revenues are projected to provide close to 50% or more of the total revenue. This classification of revenue includes all grant monies from the state or federal government. The City receives relatively few dollars from these sources when compared to counties and school districts, and the majority of the city's intergovernmental dollars are for specific services or projects. Monies received from other governments have decreased on a revised basis as some grants have been re-budgeted to FY 14-15 for projects not expected to be completed this fiscal year. An overall decline is also anticipated in

FY 14-15 relative to Adopted FY 13-14 due primarily to a projected decrease in capital projects revenue as well as lower Housing grant availability.



The General Fund receives state revenue sharing, cigarette, and alcohol tax revenues from the State on the order of \$1.3 million. State revenue sharing funds are paid to the City based on statutory requirements and the City may use the monies any way the City Council directs. These dollars have traditionally been accounted for as an undesignated revenue source. Absent a possible state diversion of revenue sharing, these sources appear to have stabilized and are no longer achieving the historical increases of up to 8% per year. In FY 13-14 so far, actual revenue is at the budgeted level. Statewide receipts from state revenue sharing and alcohol tax

revenue in FY 14-15 are forecast to increase by just under 3% compared with Adopted FY 13-14 projections, based on League of Oregon Cities (LOC) estimates which uses changes in population, prices and projected sales information. Cigarette tax revenue has been declining, and is expected to continue to decline as a result of a combination of a decreasing number of smokers, lost cigarette tax revenues due to internet sales, and significant increases in Federal cigarette tax rates dampening demand. For FY 14-15 and beyond, the combined State revenue sharing taxes are forecast to continue increasing by the 5-year average of nearly 3%.

State Highway Fund (Gas Tax) monies are the major revenue in the Street Fund and are projected to increase just over 2% in FY 14-15 from Adopted FY 13-14 levels. Historically higher growth rates in this revenue source have been dampened partly by continued high prices of gasoline causing gas sales to decline. Revenues continue to be projected at a 1% growth rate through the next several years, but factors such as more fuel-efficient cars, alternative fuels and modes of transportation are affecting the collection of gasoline taxes.

Grant funding for Transit Fund services anticipates receipt of \$340,970 in capital grant funding for bus purchases in FY 14-15. Transit capital grants totaling nearly \$1.2 million are also anticipated for the replacement of two buses and a vehicle information system in the latter half of FY 13-14. The Federal Operating Grant is expected to decrease slightly in FY 14-15 from the prior year due to Benton County taking over operation of the Adair 99 Express route.

The Community Development Revolving Loan Fund receives federal Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) program funding annually from the U.S. Department of Housing and Urban Development to support low-income housing, social services and community development programs. Funding in these programs has become more volatile in recent years with future allocation amounts becoming more uncertain. Housing Division staff members continue to seek grant opportunities to supplement the Federal monies available. Major grant programs for Housing (CDBG and HOME) are anticipated to continue, although new grant monies are declining. The projections for FY 14-15 do not yet include carry-over revenues for major projects that may not be completed in FY 13-14, but these are likely to be brought forward for approval prior to budget adoption.

The Benton County Library Service District is a county service district that contracts with the City to provide library services throughout the district. The district's permanent tax rate is \$0.3947 per \$1,000 of assessed value, and covers a substantially larger tax base than the City since it includes most properties in the County, and thus has a different growth rate in assessed value compared with the City's permanent rate. FY 13-14 revised projections above include a reduction for the HP refund that was deducted from payments by the District to the City in November. For FY 14-15 the reduced

underlying property valuation from the HP award is expected to result in a further decrease of about 1% from Adopted FY 13-14 levels. In future years a return to an average 3.0% as seen historically is anticipated. Additional revenues come to the Library Service District from forest revenues, which are dependent on federal legislation.

The Capital Construction Fund (not included in financial plan projections) receives grant monies for street, bike and other General Fund and special revenue fund infrastructure maintenance and/or beautification projects or other sizeable projects of a capital nature. These monies are unpredictable, project-specific, and are typically budgeted concurrent with the grant application or upon reasonable assurance of a grant award. Capital project grants also vary from year to year depending on opportunities and the applicability of specific projects to the broader federal or state priorities. A considerably lower capital project volume is currently anticipated for the governmental Capital Construction Fund in FY 14-15 including carryovers of projects initiated in FY 13-14. The Airport Fund sporadically receives grant monies for airport improvements, primarily from the Federal Aviation Administration, although none are anticipated for FY 14-15. These grants are restricted for use on discrete operating or capital projects, and are not an ongoing source of revenue for the fund.

A special tax on telephone usage funds a portion of 9-1-1 operations and is comprised of the City's share as well as the share for other government agencies that use the Corvallis 9-1-1 center. 9-1-1 state taxes in FY 14-15 are expected to come in 1% less than Adopted FY 13-14, based on Oregon Emergency Management (OEM) per capita estimates provided by the LOC. OEM notes that revenue distribution has begun to stabilize at a new lower level, after its decline of the past several fiscal years based on current wireless and land line trends. Ultimately, this revenue stream remains vulnerable to diversion by the State. The interest accrued on the telephone tax continues to be transferred to the State General Fund. This is resulting in a small loss of current and future year revenues to the 9-1-1 Fund. The revenue stream is projected to remain relatively stable through the 5-year planning period, although there may even be some upside potential with the passage of HB4055 in February 2014. If enacted by Governor Kitzhaber, collection of 9-1-1 taxes would begin for non-contract "throw-away" cell phones. However, this potential increase is not yet reflected in City estimates until more information is known as to what amounts Corvallis might see in this regard.

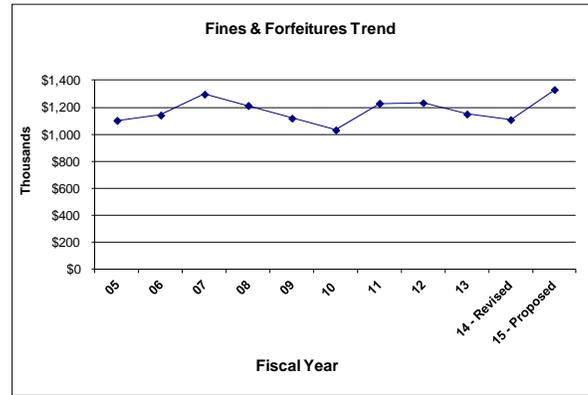
Other grants and intergovernmental revenues are primarily for special projects. As with capital projects, grant opportunities tend to change from year-to-year based on how well City programs match with granting agency goals. The Fire Department, for example, has been moderately successful over the years in securing some grants for equipment replacement. These types of grants are not programmed in future years since they are based on specific grant opportunities which do not exist every year.

FINES AND FORFEITURES

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14
						Adopted
Traffic and Criminal	\$672,068	\$539,848	\$625,400	\$550,000	\$625,000	-0.06%
Parking	423,111	462,793	450,000	400,000	579,870	28.86%
Other	139,338	148,380	127,230	159,190	127,110	-0.09%
Total	\$1,234,517	\$1,151,021	\$1,202,630	\$1,109,190	\$1,331,980	10.76%

Fines and forfeitures are 1% of the City's total projected revenue for FY 14-15. Fines and forfeitures provide more than 25% of the revenue only in the Parking Fund. Revenue in this category is primarily from traffic, criminal, and parking citations that are adjudicated through the Corvallis Municipal Court.

Traffic and criminal fine revenue is recorded in the General Fund. The number of citations issued has decreased through this fiscal year due to a combination of vacancies and new Police Officers that were not fully trained for the entire fiscal year. FY 14-15 Proposed assumes that with full staffing in both Police and Municipal Court, some improvement will occur to levels approaching actual FY 11-12 results.



Parking fine revenue is recorded in the Parking Fund and assumes over 23,000 parking citations will be issued each year. The significant increase in FY 12-13 receipts was a reflection of considerable collection improvement in this area. However, FY 13-14 did not see as sizeable recovery of bad debts on fines as projected. The biggest unknown with this revenue stream in FY 14-15 and future years is the outcome of the City Council's residential parking district (RPD) initiatives. The 29% increase in revenue for FY 14-15 shown above is management's best estimate of the potential additional parking fines that may be issued in the first year of an RPD as citizens become used to a new permitting process; this estimate was made before the City Council made a decision on the RPD implementation and is expected to change before the budget is adopted.

Other fines include late payments on lost and overdue books at the Library, and small amounts projected from other overdue amounts owed to the City. The General Fund revenue for fines, lost books, and penalty fees has begun to stabilize at just over \$100,000 as there are fewer late and lost books, presumably because of the 50% fine rate increase implemented in FY 12-13. Other revenue for fines has increased on a revised basis for FY 13-14, driven by an increase in crime and asset forfeitures by Police in the General Fund. Future year projections are anticipated to remain relatively low and stable, despite this increase in FY 13-14, since at this juncture no new, sizeable asset forfeiture cases are known.

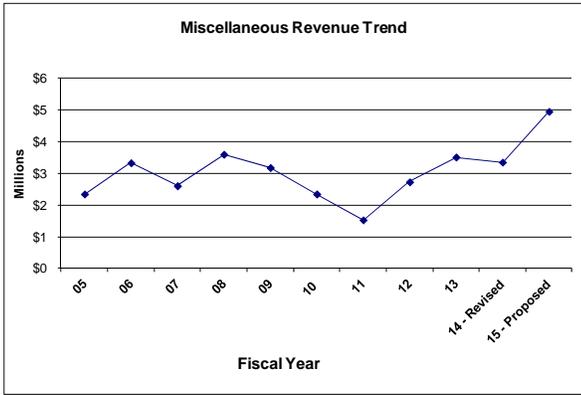
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MISCELLANEOUS

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14
						Adopted
Interest Earnings	\$310,305	\$296,533	\$234,380	\$265,790	\$341,140	45.55%
Energy Tax Credits	622,390	1,106,421	0	0	0	0.00%
Loan repayments	476,599	414,077	537,560	971,580	556,860	3.59%
Timber Sales	335,393	536,332	282,500	2,500	280,000	-0.88%
OSU CIP Project-Share	0	0	0	0	1,928,000	100.00%
Other	991,584	1,164,839	1,099,310	2,117,960	1,852,770	68.54%
Total	\$2,736,271	\$3,518,202	\$2,153,750	\$3,357,830	\$4,958,770	130.24%

Miscellaneous revenues are 4% of the City's total projected revenue for FY 14-15 and are not currently major revenue in any of the City's funds. As the name implies, this classification of revenue includes a variety of different receipts that, from a financial reporting perspective, do not fit elsewhere.

Investment interest earnings on the City's portfolio are no longer a significant revenue stream since the economic downturn reduced rates on secure investments to negligible levels. Earnings are allocated based on each fund's proportion of the average cash balance. FY 13-14 has been revised up based on fiscal year to date receipts and the City's known earnings from current portfolio investment holdings combined with the projected State Local Government Investment Pool (LGIP) rates (currently paying 0.54%). Similarly, in FY 14-15 an even larger increase is anticipated based on higher fund balances from an increased operating levy combined with some strategic laddering of the City's very low risk portfolio



to obtain some additional gain through permitted longer maturities. For FY 15-16 and future periods, US Treasury futures have been applied to projected fund balances as the best proxy for where the market thinks rates will be in those outlying years. As interest income is a relatively unpredictable revenue source based on factors largely outside the City’s control, it is not relied on to fund operations.

Other revenue sources classified as miscellaneous in nature are gifts, donations and contributions. Loan repayments relate primarily to recycling Housing grant

funds to support first-time-home buyers, home rehabilitation/renovations and similar programs. Timber sales are a fairly steady stream of revenue obtained through judicious watershed management. In FY 14-15, OSU will pay for its \$1.9 million share of a CIP street improvement project being managed by the City at 15th St. and Washington Way.

In addition to the \$58,270 in charges for service that ASOSU will pay the City for the Beaver Bus service in FY 14-15, OSU will also make a \$154,420 payment to help assure continuation of the public transportation service recognizing the value of this service to their faculty, staff and students. Likewise, the Corvallis School District (509J) contributes annually toward school-season bus service to Crescent Valley High School which is outside City limits – in FY 14-15 the amount to be received is \$21,570.

NON-OPERATING REVENUE

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14
						Adopted
Transfers In - 2011 Op Levy	\$1,743,522	\$1,809,961	\$1,908,620	\$1,880,718	\$0	-100.00%
Transfers In - POB	2,386,500	2,491,610	2,601,690	2,601,690	2,720,030	4.55%
Transfers In - Fund Balances	0	0	5,623,447	5,965,391	0	-100.00%
Debt Issuance Proceeds	0	12,369,035	495,400	495,400	3,501,500	606.80%
Inter-Agency Pass Throughs	0	786,694	774,640	774,640	790,130	2.00%
CIP & Other Transfers In	5,534,999	3,407,495	8,291,250	5,670,872	16,108,320	94.28%
Total	\$9,665,021	\$20,864,795	\$19,695,047	\$17,388,711	\$23,119,980	17.39%

Non-Operating revenue is nearly 19% of total projected revenue and is not considered to be a major revenue source for any fund. There are two types of non-operating revenue:

- ◇ Inter- and intra-fund transfers move monies from fund-to-fund or between component funds, with transfer revenue matching transfer expenditures. The most common transfer occurs when operating revenues are used to fund capital projects, and the money is transferred out as an expenditure and moved to another fund where the construction is managed. When a transfer is shown as revenue, it means that fund is receiving monies from another fund. Total transfers in the range of \$18 million both this year and next have seen only a 2% increase in FY 14-15 over Adopted FY 13-14 due primarily to a much higher level of total capital project expenditures (related to the street and utility funds) being planned for FY 14-15 but offset by the significant balance transfers in FY 13-14 to close out the former Parks & Recreation, Fire, and Library Funds to the General Fund as part of consolidating all property tax services into one fund.
- ◇ Other Financing Sources typically consist of:

- Debt issuance proceeds. Revenue from long-term financing is typically only shown when a planned financing actually occurs. An estimated \$3.5 million bank loan in support of the Fire Drill Tower project in the General Fund is anticipated for FY 14-15.
- Inter-Agency pass through receipts, which must be budgeted per State Law, even though they do not “belong” to the City, and are appropriated and paid out regularly to the end recipient as required. Examples of such arrangements include State or County surcharges related to municipal court fines and Community Development permits, etc.

OPERATING BUDGET

The majority of the annual budget document is devoted to the operating budget since it both reflects the largest proportion of the City’s annual expenditures and because the services represented are the most basic services the City provides. This section of the Budget & Financial Planning Overview presents the same expenditure information by department and by classification of expenditure.

Each department may have budget in one or many funds, depending on the mix of operations included in the department. The table below shows the budget by fund and by department for all City operating costs in the Proposed FY 14-15 budget.

FY 14-15 PROPOSED OPERATING BUDGET BY FUND AND DEPARTMENT

DEPARTMENTS

Fund	CMO	CD	Finance	Fire	Library	Parks & Rec	Police	Public Works	Non-Dept	Total
General	\$293,300	\$1,498,870	\$647,260	\$11,397,090	\$6,151,640	\$6,040,320	\$11,261,460	\$991,940	\$792,420	\$39,074,300
Street		21,020						4,187,390		4,208,410
911 Emerg.							2,194,870			2,194,870
Devel. Svcs		3,423,890								3,423,890
CD Revolving		1,248,490								1,248,490
Parking		4,120	280,380				400,730	379,490		1,064,720
Transit								3,299,740		3,299,740
Pension Ob.									1,350	1,350
Water		57,770						7,881,580		7,939,350
Wastewater		55,490						7,953,400		8,008,890
Storm Water		56,380						2,206,120		2,262,500
Airport								459,240		459,240
Fleet Maint.								851,840		851,840
Facility Maint								813,640		813,640
Tech & Com.			1,440,090					143,190		1,583,280
Admin Svcs.	2,321,480		2,705,340							5,026,820
Risk Mgmt	363,690		789,100							1,152,790
Total	\$2,978,470	\$6,366,030	\$5,862,170	\$11,397,090	\$6,151,640	\$6,040,320	\$13,857,060	\$29,167,570	\$793,770	\$82,614,120

Each department budget is also tied to classifications of expenditure. Personnel services include all salaries, wages and benefits for the staff in the department. Materials and services include items such as basic office supplies, contractual services, utility payments, memberships in professional organizations, and training costs. Capital outlay is used for the acquisition of assets (such as vehicles or equipment) where the cost is over \$10,000 and the useful life is more than one year. Detailed information about each department’s service levels and priorities for the Proposed FY 14-15 budget, as well as a budget

breakdown by classification and comparisons to prior years, is in each Department's section of the Budget Document.

FY 14-15 PROPOSED OPERATING BUDGET BY DEPARTMENT BY CLASSIFICATION

	Personnel Services	% of Dept Budget	Materials & Services	% of Dept Budget	Capital Outlay	% of Dept Budget	Total
City Manager's Office	\$1,397,480	46.92%	\$1,580,990	53.08%	\$0	0.00%	\$2,978,470
Community Development	4,457,210	70.02%	1,833,820	28.81%	75,000	1.18%	6,366,030
Finance	3,378,680	57.64%	2,438,490	41.60%	45,000	0.77%	5,862,170
Fire	8,417,150	73.85%	2,233,210	19.59%	746,730	6.55%	11,397,090
Library	4,142,840	67.35%	1,953,800	31.76%	55,000	0.89%	6,151,640
Parks & Recreation	3,781,770	62.61%	2,258,550	37.39%	0	0.00%	6,040,320
Police	10,519,820	75.92%	3,198,990	23.09%	138,250	1.00%	13,857,060
Public Works	11,404,640	39.10%	16,585,210	56.86%	1,177,720	4.04%	29,167,570
Non-Departmental	0	0.00%	793,770	100.00%	0	0.00%	793,770
Total	\$47,499,590	57.50%	\$32,876,830	39.80%	\$2,237,700	2.71%	\$82,614,120

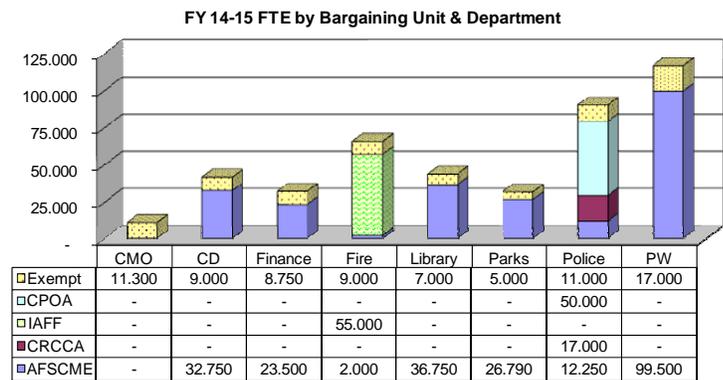
PERSONNEL SERVICES

	FY 11-12 Audited	FY 12-13 Audited	FY 13-14 Adopted	FY 13-14 Revised	FY 14-15 Proposed	% Chg from FY 13-14 Adopted
Salaries	\$30,323,094	\$29,870,473	\$31,206,790	\$31,185,580	\$31,038,180	-0.54%
Pension (OPERS) Benefits	3,767,707	3,699,219	4,522,130	3,602,730	3,834,040	-15.22%
Health Benefits	7,232,913	7,245,041	7,555,130	7,540,300	8,434,880	11.64%
Other Benefits	3,783,012	3,703,176	4,066,120	4,932,750	4,192,490	3.11%
Total	\$45,106,726	\$44,517,909	\$47,350,170	\$47,261,360	\$47,499,590	0.32%
City FTE	441.315	428.395	426.065	426.065	433.590	1.77%

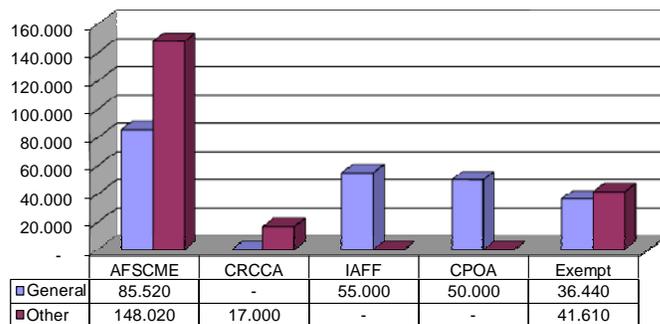
The Personnel Services budget, which includes salaries and wages paid to full-time, part-time and casual employees, and the benefits associated with each position, is the largest classification of expenditures in the budget. These costs are over 57% of the City's operating budget, but may be over 75% of the department's budget.

Salaries and Wages – Total compensation levels are governed by the City Council's Financial and Compensation Policies and negotiated agreements with bargaining units. Salaries are budgeted at the current pay level, and step increases of approximately 5% are projected based on each employee's annual review dates and the existing pay tables, except for positions already at top step (the latter currently represents over 60% of the City's regular, authorized FTE). New and currently vacant positions are budgeted at the lowest pay step.

The City has four separate bargaining units: the American Federation of State, County, and Municipal Employees (AFSCME) which is the labor union for the majority of the City's general service employees; the Corvallis Police Officers Association (CPOA) which is the labor union for sworn Police personnel; the Corvallis Regional Communications Center Association (CRCCA) which is the labor union for 9-1-1 dispatch staff; and the International Association of Fire Fighters (IAFF) which is the labor union for Fire Fighters. Non-represented employees, primarily overtime-exempt management staff, do not have a labor agreement.



FY 14-15 General Fund FTE vs. Other Funds' FTE by Bargaining Unit



Cost-of-living-adjustments (COLAs) and increased costs for benefits must fit within a department's firm expenditure limit. Where a COLA has been agreed upon with a bargaining unit, the Department Director used that COLA information when establishing the proportion of the firm expenditure limit to use for personnel. Where a COLA has not been agreed upon, current

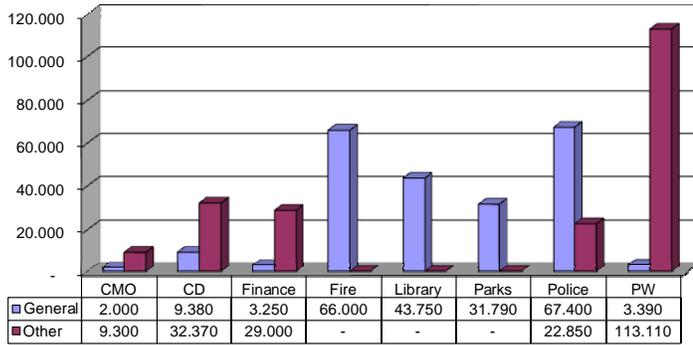
compensation information was used. Where COLAs or other benefit costs increase personnel costs beyond a department's ability to absorb with the firm expenditure limit and continue all current services at current levels, that department uses the established priorities to revise the service levels to be provided. This may include reductions in force in order to meet contractual requirements.

STAFFING LEVELS

	1995-1996	2000-2001	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	% Chg from
	Actual	Actual	Actual	Actual	Adopted	Adopted	Proposed	13-14 Adopted
City Manager's Office	9.750	9.500	10.000	9.750	10.800	10.800	11.300	4.63%
Community Development	27.500	31.500	39.300	38.250	37.250	37.250	41.750	12.08%
Finance	29.000	37.750	36.750	34.750	31.750	31.750	32.250	1.57%
Fire	59.500	69.000	69.000	69.000	66.000	66.000	66.000	0.00%
Library	42.420	46.270	45.375	45.375	42.750	42.125	43.750	3.86%
Parks & Recreation	25.240	27.130	36.315	35.815	34.095	32.390	31.790	-1.85%
Police	81.900	91.250	92.250	90.250	88.250	88.250	90.250	2.27%
Public Works	104.660	113.850	118.625	118.125	117.500	117.500	116.500	-0.85%
Total	379.970	426.250	447.615	441.315	428.395	426.065	433.590	1.77%
Population *	49,275	51,040	54,520	55,055	55,345	56,160	56,450	0.52%
FTE per 1,000 Population	7.711	8.351	8.210	8.016	7.740	7.587	7.681	1.24%

* Population comes from estimates developed by Portland State University and includes OSU students. FY 14-15 is projected to grow 2% over last actual.

FY 14-15 General Fund FTE vs. Other Fund FTE by Department



The FY 14-15 Proposed Budget includes a total of 433.590 Full Time Equivalent (FTE) positions. This is 7.525 FTE more than the Adopted FY 13-14 staffing level. Changes in staffing for each department are identified in the City Manager’s Budget Message. One FTE equals 2,080 hours of work each year for most of the City’s staff; for those Fire Department personnel who work 24 hour shifts however, one FTE equals 2,912 hours per year; in the case of Police officers and sergeants working 12-hour shifts, one FTE equals 2,184 hours per year. Casual staff members are also

employed by the City. These positions do not show as FTE in the budget since they generally work less than half-time and do not currently receive healthcare or other benefits. Budget for overtime and temporary help is generally held flat for budgetary purposes through the future planning period in keeping with the City’s typical approach to cost containment in these areas.

VOLUNTEER HOURS

In addition to paid staff members, the City makes substantial use of volunteers for a wide variety of programs and services. For FY 14-15, the City estimates it will use nearly 41 FTE of volunteer hours in departments as per the table below.

Department	2010 Hours	2011 Hours	2012 Hours	2013 Hours	2014 Projected
City Manager's Office	1,193	912	2,089	3,020	3,230
Community Development	1,127	781	909	757	800
Finance	125	199	447	142	108
Fire	47,602	47,929	42,458	48,624	46,500
Library	15,364	16,984	16,075	13,860	14,500
Parks and Recreation	21,742	23,098	24,322	25,655	26,500
Police	5,060	5,944	5,779	5,660	5,800
Public Works	653	2,453	1,630	374	375
TOTAL VOLUNTEER HOURS	92,866	98,300	93,709	98,092	97,813

BENEFITS

Benefits are budgeted according to legal requirements and include the City’s portion of Social Security, Medicare, State Pension costs (PERS), medical, dental, life, and disability insurance. Overall, the benefits budget is 5.8% higher for FY 14-15 than in FY 13-14. Contributing factors include:

- ◇ The City’s Oregon Public Employee Retirement System (OPERS) employer rates for the period July 1, 2013 through June 30, 2015 were originally scheduled to increase significantly, however just prior to adoption of the City’s FY 13-14 budget, legislation and passage of senate bill 822 amongst others

OPERS rates; net of UAL/OAS	General Service		Public Safety	
	PERS	OPSRP	PERS	OPSRP
FY 09/10-FY 10/11	2.34%	3.28%	10.62%	5.99%
FY 11/12-FY 12/13	7.90%	6.53%	16.03%	9.24%
FY 13/14-FY 14/15	8.10%	6.49%	15.40%	9.22%
FY 15/16-FY 16/17*	14.10%	12.49%	21.40%	15.22%

* Projected rates assume full 6% collar

resulted in rates staying relatively aligned with rates during the previous 2-year period as seen in the adjacent table. This reduction is shown in the 15% decrease shown in the table on page 40. Contribution rates are set by the State for two fiscal years and represent a substantial cost to the City (over \$3.8 million, or more than 12% of budgeted wages, in FY 14-15). Rates are expected to increase again in July 2015; it is not clear at this time what the rate increase will be based on good earnings and legislative changes. The 6% projected here would be the maximum increase anticipated.

- ◇ The City pays the 6% employee PERS pick-up for CPOA, CRCCA, IAFF and non-represented employees. The pick-up reduces overall costs relative to paying a comparable amount as a direct wage since FICA payroll taxes (Social Security and Medicare) are not paid on these pension contributions.
- ◇ Medical, dental and vision benefits for FY 14-15 are budgeted to stay flat at 2014 cost levels, despite rising healthcare costs.
 - Non-represented staff moved several years ago to the City’s least expensive plan options of a high deductible plan and a PPO. Their cafeteria benefit was also recently reduced to align with the high deductible health plan resulting in savings to the City.
 - IAFF has moved entirely to the City’s high deductible medical plan option (CDHP);
 - CPOA moved under its previous contract to a lower cost Teamster’s composite plan;
 - CRCCA members moved to a lower cost Preferred Provider Option (PPO) plan in 2014 for savings that helped offset negotiated wage increases.
 - AFSCME has not finalized its contract as of the date of this Proposed Budget, so current plans have been budgeted.

MATERIALS AND SERVICES

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14
						Adopted
Total	\$28,637,904	\$29,019,699	\$34,434,110	\$32,600,030	\$32,876,830	-4.52%

The materials and services budget relates to costs for the purchase of:

- ◇ goods such as paper, office supplies, Library books and materials, desk top computers, and tools;
- ◇ chemicals for operating the water and wastewater treatment plants;
- ◇ fuel and maintenance for vehicles and equipment;
- ◇ contractual services such as custodial, audit, and master planning services;
- ◇ overhead charges such as electricity, telephone, internal service charges, and trash/recyclable collection services; and
- ◇ training expenses for City employees.

For General Fund service areas, non-personnel service budgets must be contained within the firm expenditure limit as described in the Budget Message. One-time special project budget needs for vehicle and infrastructure maintenance and replacement, and changing City plans from year-to-year for studies, master plan updates, or other consultant services also must be taken into account as potential costs in this category.

In FY 14-15 and future years, for most non-General/non-Internal Service funds, a 1% growth assumption has been applied, as in past years, as a conservative mechanism for containing costs which are generally trending much higher. Some areas which render this approach challenging include:

- ◇ Risk management related insurance costs have increased significantly based on updated asset valuations; only so much containment of these higher premiums can be managed through higher deductibles and self-insurance without leaving the City very exposed to potential high risk/high cost situations.
- ◇ Utility costs (electricity and natural gas) are projected based on proposed or estimated rates from utility companies. Utility costs are substantial for the water and wastewater treatment plants as well as the aquatics operations. These facilities continue to aggressively pursue and implement energy-saving programs.
- ◇ Fuel costs for the City are projected to increase based on recent experience at the pumps. Fuel is a substantial cost for Transit, Police, Fire, and the Fleet Fund.
- ◇ Asphalt prices remain high and increasing, based on underlying fuel prices; this affects the amount of street improvements and street maintenance that can be accomplished within available revenues.
- ◇ Special projects which are typically sizeable contractual service or capital outlay are planned for in advance and identified by year in each department. The most substantial projects are budgeted in the utility funds (Water, Wastewater and Storm Water) to meet operations and maintenance needs of the facilities and infrastructure systems. In other funds, special projects are based on Council Goals or specific work projects (i.e., one-time or periodic items of significant cost related to strategic plans or replacement schedules).

CAPITAL OUTLAY

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14 Adopted
Vehicle Purchases	\$722,298	\$1,454,745	\$1,437,070	\$1,056,350	\$2,076,900	44.52%
Other	1,260,430	397,790	758,290	1,369,900	160,800	-78.79%
Total	\$1,982,728	\$1,852,535	\$2,195,360	\$2,426,250	\$2,237,700	1.93%

The category of Capital Outlay is used to record all purchases of equipment which exceed \$10,000. Examples include vehicles, large equipment such as pumps or generators, and major computer systems. The City has historically reserved monies in most operating funds for vehicle and major equipment replacement so that monies are available when the equipment needs to be replaced. Each department maintains a list of vehicles, expected useful life, and projected replacement costs. Most of these plans run for up to 20-25 years. Each vehicle is evaluated annually, and the replacement plan is modified/updated based on that assessment (i.e., a vehicle that has significant maintenance costs may be replaced early; a vehicle that is having no maintenance issues and is low mileage may be deferred a year or two in order to optimize the life cycle and/or be able to afford the vehicle). Where possible, staff work to "smooth" replacement plans to try and balance timing of more expensive vehicles so that, for example, two or three of the most expensive vehicles do not end up getting replaced the same year. An effort is also made to target likely vehicles that may have had an original "intensive" use which in later years can be used for a less intense purpose (i.e., an old pick-up from Public Works may be bought by the Management Information Services division to transport staff and computer equipment to outlying offices for support issues).

Once replacement plans are known for each year a relatively stable contribution amount necessary to put into reserves is calculated to keep the balance as low as possible (without reaching \$0) through the next 5-7 years. This has worked fairly well historically for meeting replacement needs, allowing each department to manage its fleet for long-term operations, managing vehicle cost-inflation; this methodology has also tended to keep reserves considerably lower (and simpler) than use of an individual sinking fund or other methodology. In some cases, reserves are not used because the costs

for the vehicle are relatively small (when compared to other vehicles) or because the fleet replacement schedule is balanced where the annual contribution to reserves would equal the annual purchase.

In FY 14-15, many departments have made a concerted effort to defer capital purchases, and vehicles in particular, as a cost-saving measure.

Below is a list by City department of the rolling stock or “fleet”, with average replacement timing, value and availability of funding mechanisms other than current revenue.

<u>Fleet Listing - Department</u>	No. of vehicles*	Avg replace value	Avg life cycle (yrs)	Reserve/Grant Funding?
Community Development				
Staff cars (i.e., Inspections/Housing)	15	\$22,000	10	No
Finance				
Utility Billing pick-up trucks	2	\$17,500	10	Yes
Fire				
Engines/Tenders/Rigs	15	\$300,000-\$950,000	15-25	Yes
Ambulances	5	\$260,000	7	Yes
Fire Safety Trailer	1	\$65,000	25	Yes
Speed boat	1	\$35,000	15	No
Staff cars (i.e., chief/prevention)	9	\$25,000	10	No
Library				
Cargo-courier van	2	\$50,000	10	Yes
Staff car	1	\$20,000	10	Yes
Parks & Recreation				
Trucks	19	\$25,000-\$60,000	10	Yes
Mowers/Tractors	16	\$10,000-\$70,000	10-31	Yes
Passenger vehicles/Vans	1	\$25,000	10	Yes
Police				
Patrol vehicles	13	\$38,000	5	Yes
Motorcycles	2	\$26,000	5	Yes
SUV units (K9, sergeant/LT's)	5	\$41,000	6	Yes
Detective vehicles	7	\$22,000	8	Yes
Staff/ Admin/Evidence cars	2	\$20,000	10	Yes
Parking Enforcement Scooter	5	\$25,000	10	Yes
Public Works				
Excavator TRK	1	\$300,000	12	
Dump trucks/Specialty vehicles	24	\$40,000-\$105,000	12	Yes
Staff cars/small trucks/Vans	46	\$20,000-39,000	12	Yes
Street Sweeper	2	\$260,000	6	Yes
Trailers	2	\$80,000	12	Yes
Camel	2	\$275,000	10	Yes
Crane/Tractors	3	\$90,000-\$130,000	12	Yes
Camera Van (Wastewater)	2	\$120,000	12	Yes
Transit buses/Trolley	12	\$410,000	12	Yes
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* Note that only vehicles to be replaced are listed; this vehicle list is focused on "rolling stock" with an individual value greater than \$10,000 and does not include the large equipment used on these vehicles, nor does it include any trailers used for hauling.

NON-OPERATING EXPENDITURES

CAPITAL PROJECTS

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14
						Adopted
Water	\$1,385,886	\$554,096	\$1,306,580	\$1,284,400	\$1,659,450	27.01%
Wastewater	2,407,915	546,320	1,594,930	1,139,700	9,653,590	505.27%
Storm Water	482,806	280,772	787,500	878,534	437,500	-44.44%
Airport	0	506	112,850	0	112,850	0.00%
Street	708,062	857,887	1,703,800	1,490,320	4,955,570	190.85%
Parks	97,047	513,552	2,128,905	1,055,570	2,208,550	3.74%
Other Capital Projects	636,680	1,070,041	2,502,220	1,490,490	4,273,730	70.80%
Total	\$5,718,396	\$3,823,174	\$10,136,785	\$7,339,014	\$23,301,240	129.87%

Capital Improvement Projects (CIP) are for new assets, additions or major remodels to existing assets that extend the useful life of the asset, exceeding \$25,000 in value, with a useful life longer than one year.

The CIP budget reflects a nearly 130% increase from FY 13-14. Major projects planned for FY 14-15 include:

- ◇ Relocation and construction of a Fire Drill Tower for department training exercises;
- ◇ Improvements to 15th St. / Washington Way in collaboration with OSU;
- ◇ Design of two new primary clarifiers and construction of two new secondary clarifiers for the Wastewater Reclamation Plant; and
- ◇ Design of a 1.5 million gallon capacity water storage reservoir for southwest Corvallis.

For more information on the Capital Budget, see page 165 of the Proposed FY 14-15 Budget Document, or the 2014-2018 Capital Improvement Program, available at the Corvallis-Benton County Public Library and online at <http://corvallisoregon.gov/>.

It should be noted that capital projects often serve to replace, enhance, or add to existing infrastructure systems. For context, the following page shows an overview of the City's infrastructure, in the form of a facilities listing:

<u>Facilities' Listing</u>	<u>Location/Address</u>	<u>Departments</u>	<u>Square Footage</u>	<u>Value</u>
City Hall	501 SW Madison	CMO, CD, PW	19,479	\$4,566,300
Madison Avenue Building	500 SW Madison	Finance	7,423	\$1,398,960
Municipal Court Building ⁽³⁾	560 SW Madison	Finance	3,596	\$711,670
City Hall Annex	6th & Madison	Finance-MIS	1,242	\$337,680
Corvallis Library	645 NW Monroe	Library	77,721	\$25,510,120
Philomath Community Library ⁽³⁾	1050 Applegate	Library	5,000	\$859,393
Alsea Community Library ⁽³⁾	19192 Alsea Highway	Library	4,400	\$417,666
Monroe Community Library ⁽³⁾	668 Commercial Street	Library	1,250	\$479,000
Fenner Building	119 to 123 NW 7th Street	Library	5,324	\$447,858
Fire Stations - 6 / 2 community centers ⁽³⁾	Various	Fire	49,192	\$13,427,060
Fire Drill Tower	Waterworks S/NE 2nd St	Fire	1,872	\$55,870
Law Enforcement Building ⁽³⁾	180 NW 5th	Police & 911	40,034	\$2,859,000
CPD Evidence Compound	1245 NE Third St.	Police & 911	9,945	\$135,490
Osborn Aquatic Center ⁽³⁾	1940 NW Highland	Parks & Rec	40,347	\$220,000
Chintimini Senior Center	2601 NW Tyler	Parks & Rec	10,955	\$2,448,880
Avery Park Buildings	1320 SW Avery Park Dr	Parks & Rec	15,348	\$2,373,270
Avery Pk Caretaker House	1330 SW Avery Park Dr	Parks & Rec	1,556	\$246,320
Gaylord/Corl/Avery Houses	Various	Parks & Rec	6,762	\$1,004,260
Art Center ⁽⁴⁾	700 SW Madison Ave	Parks & Rec	6,530	\$810,050
Majestic Theater ⁽⁴⁾	115 SW 2nd St	Parks & Rec	14,775	\$4,198,030
Park Land ⁽²⁾⁽⁶⁾	Various	Parks & Rec	1,735 Acres	\$21,557,020
Park buildings ⁽⁵⁾	Various	Parks & Rec	15,193	\$4,981,025
Industrial Rental building/Berg Park	33900 SE Roche Rd	Parks & Rec	16,173	\$1,215,650
Transit Mall Restrm/Driver Lounge	Monroe & 5th Ave	Public Works	231	\$290,425
Public Works Admin Building	1245 NE Third St.	Public Works	56,822	\$8,233,810
Public Works Caretakers House	1245 NE Third St.	Public Works	1,561	\$200,990
Rock Creek Treatment Plant/Buildings	Rock Creek	Public Works	5,750	\$9,585,988
Wastewater Treatment Plant	Corvallis	Public Works	31,792	\$75,130,410
Taylor Water Treatment Plant/Buildings	Corvallis	Public Works	22,678	\$36,357,113
Utility Systems - Water/Storm/Sewer ⁽¹⁾	Corvallis	Public Works	249/217/169 Miles ⁽⁷⁾	\$117,726,252
Street Infrastructure/Bridges/Traffic Signals ⁽¹⁾	Corvallis	Public Works	366.69 Lane Miles ⁽⁷⁾	\$109,491,912
Muni-Airport Building/T-Hangers/Rental	Airport Rd	Public Works	75,594	\$6,908,620

(1) Other utilities and infrastructure considered assets, such as lift & booster stations, valve vaults, etc. The listed value is from the Asset system, not insured value.

(2) Park Land included, with the assessed value from the asset system, not insured value.

(3) Buildings which are city-occupied/maintained, but not city-owned (includes Fire Station #6)

(4) City owned building operated by a non-profit.

(5) Combined buildings located on parks throughout the City; restrooms, barns, picnic shelters, etc.

(6) Park acres total above agrees with department's total maintained holdings but exceeds capital assets in financial system, since the latter number does not include leased property.

(7) Source for Infrastructure miles from the Comprehensive Annual Financial Report

Note: Source of building values-Barker Uerlings, 2014 Risk Assessment Building Inventory and has been significantly updated from the last valuation in 2008, as well as added improvements; therefore some values have changed a great deal from the prior report.

TRANSFERS & OTHER FINANCING USES

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14
						Adopted
Transfers Out - POB	\$2,386,500	\$2,491,610	\$2,601,690	\$2,601,690	\$2,720,030	4.55%
Transfers Out - 2011 Op Levy	1,743,522	1,809,961	1,908,620	1,879,790	0	-100.00%
Transfers Out - Fund Balances	0	0	5,623,447	5,965,391	0	-100.00%
Debt Refunding - Financing Uses	0	14,604,558	495,400	495,400	0	-100.00%
Inter-Agency Pass Throughs	0	784,828	774,640	774,640	790,130	2.00%
CIP & Other Transfers out	5,486,474	3,340,298	8,261,250	5,603,070	16,108,320	94.99%
Total	\$9,616,496	\$23,031,255	\$19,665,047	\$17,319,981	\$19,618,480	-0.24%

Transfers represent the movement of monies between funds within the City organization. Most of the budgeted transfers are to move current revenues from the operating fund where the revenues are received to a capital construction fund to account for and use those monies for capital projects in progress. Each operating fund also transfers monies to the Pension Obligation Debt Service Fund to make the annual debt payment. The proportion of the transfer to be budgeted for each fund is determined using the prior year pension system payments for the fund. FY 13-14 also had significant transfers budgeted and made to close out the Fire, Library and Parks & Recreation Funds to the General Fund. Transfers related to the 2011 Operating Levy will end effective FY 13-14. The new 2013 Operating Levy will be recorded as dedicated property tax revenue in the General Fund to align these revenues with the services they support which are all now in a single fund.

For an itemized list of budgeted transfers, see the Non-Operating Budget Section of the Proposed Budget Document starting on page 184. Other Financing uses included in non-operating expenditures above are for: inter-agency pass-through payments required to be appropriated under Oregon Budget Law. In FY 13-14 an interfund loan in other financing uses is contemplated that would be transferred from the Water SDC Fund for an anticipated borrowing by the General Fund as needed to maintain fund balance after payment of the City's portion of the property tax refund to HP as discussed on pages 16 & 26.

DEBT SERVICE

	FY 11-12	FY 12-13	FY 13-14	FY 13-14	FY 14-15	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 13-14
						Adopted
General Fund	\$244,422	\$243,872	\$243,180	\$243,180	\$837,160	244.26%
General Obligation Debt	\$2,207,650	\$1,040,800	\$1,067,250	\$1,067,250	\$1,102,200	3.27%
Development Services Loan	\$0	\$0	\$0	\$80,800	\$0	0.00%
Water	\$1,018,798	\$24,936	\$966,500	\$966,500	\$977,600	1.15%
Wastewater	\$2,294,017	\$829,075	\$2,253,650	\$2,253,650	\$2,227,750	-1.15%
Airport	\$32,582	\$31,483	\$115,050	\$115,050	\$0	-100.00%
Pension Obligations	\$2,385,149	\$2,490,248	\$2,600,340	\$2,600,340	\$2,718,680	4.55%
Total	\$8,182,618	\$4,660,414	\$7,245,970	\$7,326,770	\$7,863,390	8.52%

The Debt Service budget includes appropriations to pay scheduled principal and interest for all existing debt service issues, according to documented schedules. Three loans being paid by the Water and Wastewater Funds were refunded in FY 12-13, resulting in lower revised debt service payments. FY 13-14 and FY 14-15 include the new debt service for the refunded full-faith and credit obligations. Repayment is shown for an interfund loan in the Community Development Revolving Fund from Development Services Fund in FY 13-14 and for the General Fund from the Water SDC Fund in FY 14-15.

One new bank loan is currently anticipated in the Capital Construction Fund for FY 14-15, related to the Fire Drill Tower construction. Principal repayments from the General Fund on this loan would not be expected to begin until FY 15-16, but an estimated six month interest payment has been included in the FY 14-15 budget. The City tends to utilize a pay-as-you-go approach where feasible; however other new debt issuance may be pursued in FY 14-15 based on additional CIP plan needs. Refunding of existing bonds is reviewed, especially when market rates are low, and will be considered if there are sufficient savings available. Detailed information on debt service is included starting on page 175 of the Proposed Budget Document.

CONTINGENCIES

	FY 11-12 Audited	FY 12-13 Audited	FY 13-14 Adopted	FY 13-14 Revised	FY 14-15 Proposed	% Chg from FY 13-14 Adopted
Total	\$0	\$0	\$1,727,790	\$0	\$1,748,370	1.19%

Contingency appropriations are budgeted to allow the City to deal with emergencies and may only be used following approval by the City Council. If the City Council authorizes the use of contingencies, the budget is transferred, by resolution, to the appropriate expenditure category. There will never be actual expenditures in the classification of Contingencies.

In FY 13-14, as part of the process of consolidating all property tax services into one General Fund, Council Financial Policies were revised to budget contingencies as 10% of the total target fund balance reserve amount in the General Fund. Thus, in FY 14-15, the General Fund financial plan will continue to carry a \$630,000 contingency allowance and the contribution to the fund balance reserve will be shown as reduced in an equal amount. If any portion of the contingency is used, this will be evaluated and recovered through operations in the following year to ensure that the full 10% of targeted fund balance is regained to ensure timely achievement of the desired reserve level of three months of payroll (currently approximately \$6.3 million).

ENDING FUND BALANCE

	FY 11-12 Audited	FY 12-13 Audited	FY 13-14 Adopted	FY 13-14 Revised	FY 14-15 Proposed	% Chg from FY 13-14 Adopted
Total	\$37,856,441	\$42,384,174	\$33,128,977	\$42,335,843	\$29,405,133	-11.24%

Ending fund balance includes amounts held as reserves for a variety of reasons. Once reserves are accounted for, the remainder is available to appropriate for costs associated with the fund's operations.

The City Council's financial policy revisions in recent years included confirmation that the target reserve for the General Fund is three months of payroll costs, or around \$6.3 million. This policy, combined with City Council work on creating a financially sustainable budget, led to the creation of a Fund Balance Reserve as a long-term financial planning tool to secure the desired reserve. Financial policies also called for a gradual rebuilding of that reserve that began with a FY 12-13 minimum contribution of 10% of the target, plus monies set aside from higher than expected ending fund balance in FY 11-12. A portion of the reserves were identified as a funding source for the HP refund when the City Council adopted the FY 13-14 budget. Even with this reduction, after the FY 13-14 and FY 14-15 contributions, the Fund Balance Reserve is projected to total \$3.5 million or 56% of the target. If the \$630,000 contingency amount is not needed in either year, the reserve is expected to total over \$4.1 million, or 65% of the target, compared to the 45% established to be set aside by the end of the third year of this policy action.

Based on the currently Proposed FY 14-15 Budget, the General Fund is expected to end with a \$741,915 balance available for appropriations which is incorporated in the table above and seen more clearly in the table below. However, it should be noted that nearly half of this balance is based on a "one-time" revised FY 13-14 Fund balance estimate which may not materialize if revenue forecasts are overly optimistic or if departments do not achieve currently anticipated savings in their budgeted expenditures. The firm expenditure limit when reviewed in the context of updated FY 14-15 revenue

estimates also indicates potential balances available for appropriation which the Budget Commission may elect to partly or wholly allocate as noted in the Budget Message.

All other funds, such as the special revenue funds which do not receive property taxes, the enterprise funds for Water, Wastewater, Storm Water and Airport operations, and the System Development Charge funds, are projected to end FY 14-15 with fund balances that are adequate to continue planned operations and services at their current levels. Some of these funds are being monitored more closely than others, as reduced revenue streams indicate future year fund balance challenges, as described in the Budget Message. The projected balance of monies held for reserves in all funds at the end of FY 14-15 based on the Proposed Budget projections are:

	<u>All Funds</u>	<u>General Fund</u>
Ending Fund Balance	\$29,405,133	\$6,099,498
Less:		
Restricted	\$15,367,021	\$377,160
Committed	\$1,161,618	\$1,018,258
Assigned	\$2,654,456	\$448,875
Fund Balance Reserve	\$3,513,289	\$3,513,289
Balance Available for Appropriation	<u>\$6,708,749</u>	<u>\$741,915</u>

On page 186, a schedule of changes by individual funds can be found that shows the anticipated beginning balance, estimated revenues, planned expenditures, and expected ending reserve balances that net to the projected unrestricted ending status of each fund as of June 30, 2015. In some cases, fund balances are being built to provide cash for a large capital project. In many cases, the fund may have longer-term projections that show the fund going into a negative position if all revenue and expenditure projections perform as currently estimated. In most cases, departments slightly under expend the appropriated budget due to vacancies or project costs that are lower than original estimates. These savings are generally captured during the revised budget process when departments have six months of experience in the current fiscal year and can more accurately project the beginning fund balances for the ensuing fiscal year.

FINANCIAL PLANNING OVERVIEW

The City will have a total of twenty-one funds in FY 14-15 that are used to track and account for the City’s operations. All but four of these funds have financial plans that are used to show current year Adopted and Revised revenues and expenditures, and then project five years of future financial performance based on a series of assumptions. For the utility funds, the financial plans are also used as a tool for rate reviews to ensure resources will be adequate to meet operational and capital needs, and determine when debt financing may be required.

The four funds that are not included in the financial plans are for capital construction (primarily a holding fund with resources and uses impacted only by capital projects), one permanent fund (which accounts for the restriction of a \$5,000 original endowment from which only the earnings can be spent on specific Library-related materials and services) and two debt service funds where the resources are either from property taxes levied outside all tax limits, or other funds’ operating resources and where expenditures are based on known schedules which seldom vary. More information on the activity and projections for these funds can be found in the Library Department Summary section (for the endowment) and in the non-operating section of this document.

All of the City's financial plans are used by staff throughout the year as planning tools with many of the financial plans developed further into the future than the five years shown. This longer term information is used in several ways:

- ◇ The financial plans are used to make assumptions about revenues and expenditures, and then to test and refine those assumptions as each fiscal year is completed.
- ◇ New assumptions are modeled, such as changing the rate for certain fees (e.g., utility rates), examining the fiscal impact of legislative changes, or examining the long-term financial impact of budget decisions, particularly budget decisions that add ongoing annual costs, such as adding staff, are all activities which are facilitated through the financial plan tool.
- ◇ Some of the financial plans are updated as needed for the Capital Improvement Planning period to ensure that adequate funds will be available to cash fund projects or to meet debt commitments if a bond issue is planned.
- ◇ Vehicle and equipment reserve planning folds into a longer-term use of financial plans, since this allows for review of the ability to fund replacements or major maintenance projects related to City assets and rolling stock. The calculation and tracking of contributions to reserves, particularly as part of the firm expenditure limit for General Fund departments, is done through the financial plan mechanism in order to ensure funding for future purchases that are more substantial than the annual budget allocation would otherwise allow.
- ◇ In years where a deficit is projected for a given fund, the financial plan allows for modeling scenarios to balance the current year and future year budgets.
- ◇ Department revenue and expenditure budgets are checked against the financial plans to be sure everything is included, and there is a discussion of events that have changed the budget from the financial plan to check the impact on future assumptions.

The financial plans provide information for FY 14-15 through FY 18-19, including:

- ◇ Transfers and operating costs related to Capital Improvement Projects (CIP) as identified in the CIP-Commission-recommended CIP program to be included as the capital budget;
- ◇ Beginning FY 13-14 fund and reserve balances based on audited FY 12-13 revenues and expenditures;
- ◇ FY 13-14 adopted and revised estimates of revenues and expenditures;
- ◇ FY 14-15 proposed revenues and expenditures, including various reductions in General Fund funded services as outlined in the Budget Message and ensuing pages; and
- ◇ FY 15-16 through FY 18-19 projected revenues and expenditures, maintaining previous years' reductions in the General Fund, and service levels and programs as described throughout.

A Fund Balance represents the difference between revenues and expenditures in each fund since the fund was first created. Fund balances provide each fund with cash flow to cover early fiscal year expenditures when revenues are inadequate, can help fund one-time expenditures, or can provide a buffer during an economic downturn. A positive Ending Budgetary Fund Balance in a given year would be available for appropriation the following year.

During the budget process, staff completes financial projections for each fund, including projecting the ending budgetary fund balance. However, the accuracy of these projections is affected by the events that occur throughout each fiscal year that render the work never completed as planned. Factors affecting the difference between projected and actual ending budgetary fund balances include:

- Inaccuracy of revenue estimates – each year major assumptions are made about factors beyond the City’s ability to control – legislative changes, rates of development, external utility costs for power, weather, and volume of tourism to name a few.
- Vacancies in staffing levels – the budget generally assumes that all currently authorized positions will be filled throughout the next fiscal year, by the current incumbents or at a step 1 hire for any vacancies. While some degree of turnover is always expected, it is impossible to predict which positions will become vacant. This leads to wage and benefit under-expenditures, but not at a consistent rate for each department that would allow a specific, accurate under-budgeting scenario to occur. This situation is expected to contribute less to annual savings going forward, given the newer practice of not budgeting increases in wages or benefits. Also, with lower turnover in the current economy, there will be less capacity to absorb either overages in other expenditure areas or shortfalls in revenue estimates.
- The ability to get the work plan included in the budget completed – some projects are delayed and others are terminated before they are started as priorities change, either based on City Council decisions, staff vacancies, other mandates, or a shift in the organization's focus. Still other projects proceed as planned, but cost more or less than originally estimated.

The City maintains reserves in most funds for a variety of purposes and with varying degrees of restriction on use. The Financial Plans generally use the same reserve terminology as required for Financial Reporting by the Government Accounting Standards Board (GASB) pronouncement #54 Fund Balance Reporting and Governmental Fund Type Definitions with some modification of these GASB #54 definitions. For example, beginning balances of reserves are shown in total on a line titled “RESERVED BALANCES, Beginning of Year” in the financial plans rather than individually. Then, the ending balance of each reserve type is treated as a reduction of the fund balance to get to the “Fund Balance available for appropriation”, which is generally shown as the final line of the financial plans, or the “ENDING BUDGETARY FUND BALANCE.”

For purposes of Financial Planning, three types of reserves exist in the funds of this presentation:

- Restricted – these include a wide variety of balances, but all with specific purposes which are constrained by externally enforceable legal restrictions, such as those provided by creditors, grantors, higher levels of government, constitutional provisions or enabling legislation. Examples of such balances include:
 - Debt Reserves – from time to time the City borrows money where the terms of the agreement include a requirement to hold the equivalent of one year’s average debt service payment as a cash reserve. These reserves are most often seen in an enterprise fund as a requirement for a revenue bond or a revenue-backed loan.

- SDC Reserves – these monies are held in a separate Parks SDC Fund and within the Street, Water, Wastewater, and Storm Water Funds for future capital construction projects that are additions to the capacity of the infrastructure system as the result of growth. The resources for SDC Reserves are Systems Development Charges.
- Construction Reserves – these monies are held in the Capital Construction, Water, Wastewater, Storm Water, and Airport Funds and are monies specifically designated for one or more capital projects. These would be cash balances held at the end of a fiscal year for a project where the time line crosses fiscal years, or bond or grant monies are being held for a designated project.

Other examples of Restricted Balances result from a variety of entities that have given the City monies designating at time of receipt that these dollars could only be expended on certain things, such as: Open Space Donations, Public-Education- Government Access/Institutional Network (PEG/I-Net), and Osborn Building contribution from the 509J School District for aquatic center infrastructure maintenance.

- Committed – these are amounts constrained by City Council ordinance or resolution, and identified to be saved for a future specific purpose. For example, the Sustainability Initiative Fees (SIF) for Transit, Urban Forest and Sidewalk Maintenance programs require tracking as Committed balances.
- Assigned – these reserves are used by management as tools to accommodate fluctuations or reduce volatility in the budget, the authority for which resource accumulation and spend down lies with the City’s Finance Director. The most prominent example of assigned balances is for vehicle and equipment replacements. Monies are saved over a period of time for the purchase or replacement of equipment, vehicles or computer technology that would cause a substantial financial hardship to purchase if the monies had not been saved. For the City’s Comprehensive Annual Financial Report (CAFR) purposes, assigned balances cover a much broader spectrum than the current treatment in financial plans contained herein, where the ending fund balances in all but the General Fund would be considered to be “assigned” reserves based on the designated revenues credited to the fund.

It should be noted that there are two different reserve presentation methods for financial planning purposes which depend on whether the sustainable financial planning option is used for a fund or not. One notable difference in how the numbers are presented can be seen with the relatively new Fund Balance “Assigned” reserve in the General Fund, which has been established to rebuild fund balances to the \$6.3 million required for three months of payroll coverage within a five year period.

GENERAL FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
RECURRING							
NON DEDICATED REVENUE							
Property Taxes - Permanent Rate	20,145,110	18,771,060	20,808,660	21,682,790	21,763,160	22,393,160	23,042,060
Local Op Levy 2013 - HP Replacement/Social Services Funding	0	0	706,340	727,530	749,360	771,840	794,990
Prior Year Delinquent Tax Revenue	472,510	402,390	438,280	438,280	438,280	438,280	438,280
Transient Room Tax	1,372,600	1,420,400	1,427,600	1,470,430	1,514,540	1,559,980	1,606,780
Franchise Fees	5,519,540	5,519,540	5,374,000	5,427,740	5,482,020	5,536,840	5,592,210
State Revenue Sharing	515,690	515,690	531,160	547,090	563,500	580,410	597,820
Alcohol/Cigarette Tax	806,420	806,420	826,580	847,240	868,420	890,130	912,380
Pass-Throughs	774,640	774,640	790,130	805,930	822,050	838,490	855,260
Miscellaneous Other Revenues	549,260	582,600	103,690	69,760	100,380	143,390	175,130
TOTAL NON-DEDICATED RECURRING REVENUE	\$30,155,770	\$28,792,740	\$31,006,440	\$32,016,790	\$32,301,710	\$33,152,520	\$34,014,910
DEDICATED REVENUE							
Property Tax - Local Option Levy	1,908,620	1,879,790	2,493,770	2,568,580	2,645,640	2,725,010	2,806,760
City Manager's Office	121,000	121,000	121,000	121,000	121,000	121,000	121,000
Community Development	150,880	150,880	117,590	122,590	127,840	133,350	139,140
Finance	625,600	550,200	625,200	643,950	663,260	683,150	703,640
Fire	3,565,090	3,613,740	3,618,080	3,671,860	3,726,450	3,781,860	3,838,100
Library	2,747,650	2,589,270	2,785,260	2,828,490	2,893,280	2,959,680	3,027,720
Parks & Recreation	1,821,870	1,821,870	1,730,190	1,762,590	1,795,630	1,829,330	1,863,690
Police	368,980	368,980	378,730	388,740	399,040	409,630	420,530
Public Works	147,000	147,000	0	0	0	0	0
TOTAL DEDICATED RECURRING REVENUE	\$11,456,690	\$11,242,730	\$11,869,820	\$12,107,800	\$12,372,140	\$12,643,010	\$12,920,580
TOTAL RECURRING REVENUE	\$41,612,460	\$40,035,470	\$42,876,260	\$44,124,590	\$44,673,850	\$45,795,530	\$46,935,490
EXPENDITURES							
City Manager's Office	326,250	324,240	293,300	297,260	307,350	320,930	328,610
Community Development	1,309,840	1,308,130	1,498,870	1,542,260	1,614,560	1,710,610	1,763,110
Finance	646,770	646,770	647,260	646,900	645,100	640,170	633,880
Fire	11,005,240	11,017,160	10,697,090	10,937,370	11,339,200	11,872,460	12,163,360
Library	5,999,350	6,026,080	6,068,140	6,143,100	6,260,310	6,405,350	6,469,690
Parks & Recreation	6,462,480	6,201,880	5,782,320	5,948,500	6,138,490	6,386,940	6,517,240
Police	10,693,720	10,683,900	11,123,210	11,485,520	12,094,240	12,910,560	13,367,550
Public Works	942,870	870,310	703,940	820,460	867,430	930,650	966,360
Non-Departmental	1,448,070	1,477,410	792,420	772,420	772,420	772,420	772,420
Debt Service	243,180	243,180	837,160	806,490	786,190	770,660	749,910
Pension Obligation Bond Debt - Transfers	1,870,950	1,870,950	1,931,790	2,028,380	2,129,800	2,236,290	2,348,100
Pass-Throughs	774,640	774,640	790,130	805,930	822,050	838,490	855,260
Contribution to Fund Balance Reserve/Contingencies	945,000	945,000	1,292,800	1,890,000	896,710	0	0
TOTAL RECURRING EXPENDITURES	\$42,668,360	\$42,389,650	\$42,458,430	\$44,124,590	\$44,673,850	\$45,795,530	\$46,935,490
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$1,055,900)	(\$2,354,180)	\$417,830	\$0	\$0	\$0	\$0
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	860,730	915,434	359,085	741,915	741,915	741,915	741,915
<i>Net Recurring Revenue/Expenditure</i>	(1,055,900)	(2,354,180)	417,830	0	0	0	0
<i>Net Non-Recurring Revenue/Expenditure</i>	863,290	1,797,831	(35,000)	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$668,120	\$359,085	\$741,915	\$741,915	\$741,915	\$741,915	\$741,915
Ending Reserve Balance by Type							
RESTRICTED	\$460,096	\$589,179	\$377,160	\$237,464	\$237,464	\$237,464	\$237,464
COMMITTED	1,112,174	1,094,858	1,018,258	996,961	996,961	996,961	996,961
ASSIGNED	1,223,883	1,317,433	448,875	448,873	448,873	448,873	448,873
FUND BALANCE	3,221,200	2,850,489	3,513,289	5,403,289	6,300,000	6,300,000	6,300,000
	\$6,017,353	\$5,851,960	\$5,357,583	\$7,086,588	\$7,983,299	\$7,983,299	\$7,983,299

The plan above is identical to that found on page 17 of the Budget Message, but is reproduced here for ease of reference to the narrative which follows.

SERVICE HIGHLIGHTS

Operations in the General Fund include all eight City departments, activities for which are outlined more extensively in the Department Summary sections of this document:

- City Manager's Office (Economic Development);
- Community Development (Planning);
- Finance (Municipal Court);
- Fire (all services);

- Library (all services);
- Parks & Recreation (all services);
- Police (Patrol, Traffic, Detectives, Crime Analysis, Evidence and Records); and
- Public Works (Franchise Administration, Street Lights, Engineering, Sustainability and CIP Development).

FINANCIAL PLANNING ISSUES

Services that operate in the General Fund depend on property taxes, which have significant limits placed on growth based on voter approved initiatives included in the Oregon Constitution. In FY 14-15 over 56% of the recurring revenues in the General Fund are from permanent rate and local option property taxes levied by the City. The Corvallis-Benton County Library Service District and the Corvallis Rural Fire Protection District are two separate taxing entities which contract for services with the City of Corvallis. When monies received from these two sources are included, the total support from property taxes is nearly 65%. Thus, services in the General Fund are highly sensitive to changes impacting assessed values in multiple jurisdictions.

The costs in the General Fund are for services which must be provided by people. Costs for wages and benefits, especially medical insurance and PERS, continue to drive annual expenditure increases faster than revenue growth. These cost increases will mean either securing new sources of revenue or continuing program/service reductions to operate within existing revenues.

Beyond property taxes, other major revenues in the General Fund are from franchise fees, State revenue sharing, recreation program charges, ambulance fees, and grants. Many of these revenues have declined recently, and are not expected to increase dramatically in the future. Issues related to these revenue streams are outlined in more detail in previous pages on forecast assumptions.

Service and expenditure related issues across General Fund departments that need to be addressed over the planning period of a sustainable five-year budget are discussed in-depth in both the Budget Message and the Department Summaries.

In addition to the appropriations proposed for the operating departments noted above, there are two non-departmental allocation amounts that are paid on a recurring basis from General Fund resources. In FY 14-15, a total of \$344,090 has been budgeted to be paid to the United Way with respect to Social Service allocations. Of this amount, an estimated \$106,340 will be funded by the operating levy. Another \$428,330 will be provided to VisitCorvallis for tourism funding from 30% of Transient Room tax revenues per State Law. In addition to these two recurring amounts, a one-time amount of \$20,000 has been appropriated in non-departmental, as non-recurring, for OSU Collaboration work.

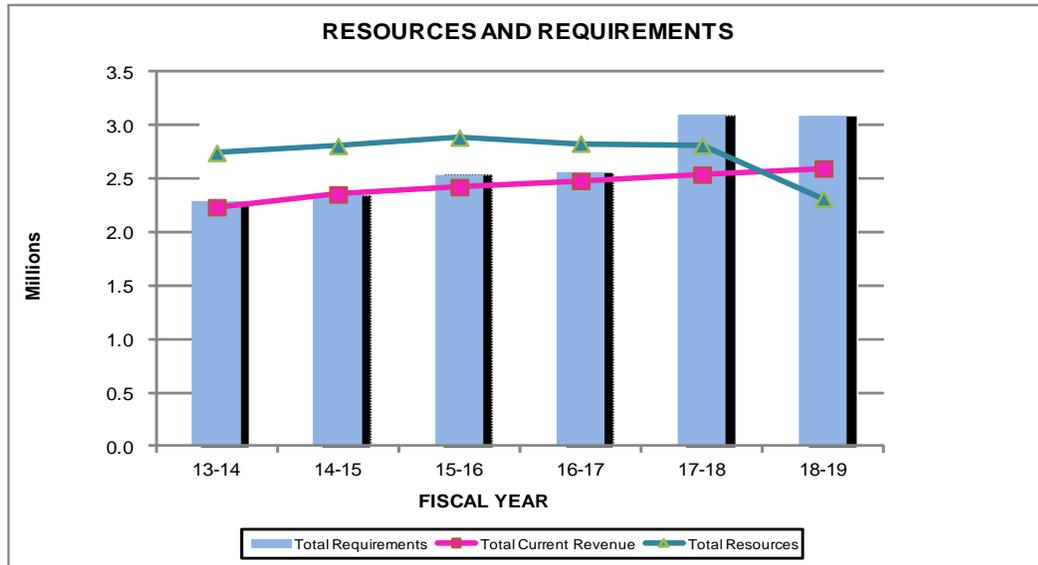
ENDING BUDGETARY FUND BALANCE

The General Fund is currently projected to end FY 14-15 with a policy compliant positive operating fund balance of \$741,915 which is about 2% of forecasted FY 14-15 recurring revenues. A positive Proposed Budgetary Fund Balance was achieved in FY 14-15 using the new firm expenditure limit process, which resulted in prioritized and reduced service levels for most departments based on current revenue estimates. On-going expenditures will continue to be managed in order to maintain the sustainable, positive fund balance in the future.

With the projected ending FY 14-15 Fund Balance Reserve of \$3.5 million, this represents nearly 56% of the targeted \$6.3 million. Staff and the City Council continue to work on increasing the fund balance reserve to policy levels.

9-1-1 EMERGENCY COMMUNICATIONS FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
BEGINNING BUDGETARY FUND BALANCE	\$220,620	\$238,042	\$208,543	\$197,773	\$195,073	\$150,843	(\$282,203)
REVENUES							
Charges for Service	\$1,064,280	\$1,064,280	\$1,168,890	\$1,208,700	\$1,244,960	\$1,282,300	\$1,320,760
Intergovernmental	1,164,120	1,164,120	1,178,690	1,207,040	1,227,640	1,248,860	1,270,720
Miscellaneous	3,580	1,900	2,560	2,010	2,800	3,500	400
TOTAL REVENUES	\$2,231,980	\$2,230,300	\$2,350,140	\$2,417,750	\$2,475,400	\$2,534,660	\$2,591,880
EXPENDITURES							
Police	\$2,320,330	\$2,194,290	\$2,194,870	\$2,426,460	\$2,443,440	\$2,973,630	\$2,957,980
Transfers Out	90,510	90,510	99,040	103,990	109,190	114,650	120,380
Contingencies	45,240	0	47,000	0	0	0	0
TOTAL EXPENDITURES	\$2,456,080	\$2,284,800	\$2,340,910	\$2,530,450	\$2,552,630	\$3,088,280	\$3,078,360
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$224,100)	(\$54,500)	\$9,230	(\$112,700)	(\$77,230)	(\$553,620)	(\$486,480)
RESERVED BALANCES, Beginning of Year	\$268,574	\$268,574	\$243,574	\$263,574	\$153,574	\$120,574	\$0
FUND BALANCE (Including Reserved), End of Year	\$265,094	\$452,116	\$461,347	\$348,647	\$271,417	(\$282,203)	(\$768,683)
LESS: RESERVED BALANCES ASSIGNED	\$218,574	\$243,574	\$263,574	\$153,574	\$120,574	\$0	\$0
ENDING BUDGETARY FUND BALANCE	\$46,520	\$208,543	\$197,773	\$195,073	\$150,843	(\$282,203)	(\$768,683)



SERVICE HIGHLIGHTS

The 9-1-1 Emergency Communication and Dispatch Service is a centralized, county-wide 9-1-1 call reception and dispatching operation which is staffed 24 hours per day. Total funded staffing includes one non-represented supervisor, two leadworkers, and 14 state-certified telecommunicators. Non-supervisory personnel are members of the Corvallis Regional Communications Center Association (CRCCA) bargaining unit. The Center provides emergency dispatch services for seven fire agencies (Corvallis, Philomath, Monroe, Adair Village, Alesa, Blodgett-Summit and Kings Valley-Hoskins) plus three law enforcement agencies (Corvallis, Philomath and Benton County Sheriff). The Center also furnishes after-hours paging and dispatch services for Oregon State Forestry, and the Public Works Departments of Corvallis, Benton County and Philomath. Call reception and dispatch services are provided for each of the Fire Department's emergency medical service operations with ambulance

service provided county-wide by the Corvallis Fire Department. The goal of the 9-1-1 program is to dispatch emergency services within one minute of call receipt.

FINANCIAL PLANNING ISSUES

The 9-1-1 program is managed and operated by the City of Corvallis Police Department. Funding for the 9-1-1 program is derived from state telephone tax revenues, user agency contributions, service contracts, and federal or state grants as available. Telephone tax revenues have declined and this revenue stream is vulnerable to diversion away from local centers; past legislative sessions have included diversion of interest and 9-1-1 taxes.

The 9-1-1 User Group charges are assessed via a cost sharing formula (payments made by agencies for the use of the system) in order to maintain basic service levels as well as fund viability. The primary funding source for these governmental agencies, including Corvallis Police and Fire, comes from property tax monies. In the long-term, cost sharing support from government agencies could be affected by state-wide property tax limitation measures. A recent feasibility study was completed by a consultant to look at a taxing district model which might serve to stabilize future funding for 9-1-1 operations. A recommendation was made by the consultant to staff (via a report and presentation) to establish a funding district. Work is continuing on the feasibility of a 9-1-1 service district, but no assumptions for establishment of a service district have been included in the current financial plan.

The 9-1-1 Master Plan was last updated over five years ago. Some recommendations were implemented, and improvements made, however all remaining recommendations require additional funding.

Personnel services represent nearly 83% of budgeted operating costs in the 9-1-1 Fund for the Proposed Budget in FY 14-15. The recently signed CRCCA union contract calls for a 1% to 3% cost of living (COLA) increase effective July 1, 2014. Without additional revenue, only 16 of the authorized 17 dispatch positions are currently funded in order to mitigate that increased cost and achieve a sustainable budget.

Next Generation 9-1-1 technology continues to emerge, presenting opportunities to enhance public safety response. Technologies anticipated over the next several years are the continuation of advancements in cellular phone mapping and location systems; video and texting 9-1-1 which is currently being examined by National and State Committees; and large geographical interoperable radio communications. Specific impacts to the Fund are unknown at this time, yet it is recognized that any new infrastructure will bring maintenance and potentially significant replacement expenses.

ENDING BUDGETARY FUND BALANCE

The 9-1-1 User's Group meets several times each year to discuss operations and the status of the Fund. The User's Group has developed a strategy such that user fees will be adjusted, avoiding significant increases and spikes where possible, in combination with funding approved projects, to attain and maintain a fund balance of not less than \$75,000 in the three-year planning period, without placing undue burden on the property-tax paying entities which comprise the User Group. However, due to flat or declining revenues and the known increases in personnel service costs, the recommended fund balance is currently not expected to be maintained throughout the planning period.

AIRPORT FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
RECURRING DEDICATED REVENUE							
Licenses, Fees & Permits	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Charges for Service	398,500	483,500	474,500	483,990	493,670	503,550	513,630
Miscellaneous	7,000	7,000	7,000	7,000	7,000	7,000	7,000
TOTAL DEDICATED RECURRING REVENUE	\$410,500	\$495,500	\$486,500	\$495,990	\$505,670	\$515,550	\$525,630
NON-DEDICATED REVENUE							
Miscellaneous	2,570	2,570	4,590	2,240	4,340	7,060	9,400
TOTAL NON-DEDICATED RECURRING REVENUE	\$2,570	\$2,570	\$4,590	\$2,240	\$4,340	\$7,060	\$9,400
TOTAL RECURRING REVENUE	\$413,070	\$498,070	\$491,090	\$498,230	\$510,010	\$522,610	\$535,030
EXPENDITURES							
Public Works	539,720	341,870	459,240	432,810	498,220	494,060	518,560
Debt Service	115,050	115,050	0	0	0	0	0
Other Financing Uses/Transfers Out	19,620	8,330	18,060	65,420	11,790	28,550	16,470
Contingencies	9,950	0	9,820	0	0	0	0
TOTAL RECURRING EXPENDITURES	\$684,340	\$465,250	\$487,120	\$498,230	\$510,010	\$522,610	\$535,030
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$271,270)	\$32,820	\$3,970	\$0	\$0	\$0	\$0
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$770,080	\$759,021	\$635,721	\$639,691	\$629,691	\$617,691	\$612,691
<i>Net Recurring Revenue/Expenditure</i>	(271,270)	32,820	3,970	0	0	0	0
<i>Net Non-Recurring Revenue/Expenditure</i>	0	(156,120)	0	(10,000)	(12,000)	(5,000)	(5,000)
ENDING BUDGETARY FUND BALANCE	\$498,810	\$635,721	\$639,691	\$629,691	\$617,691	\$612,691	\$607,691
Ending Reserve Balance by Type							
ASSIGNED	11,400	0	0	0	0	0	0
RESTRICTED	0	1,994	4	4	4	4	4
TOTAL RESERVES	\$11,400	\$1,994	\$4	\$4	\$4	\$4	\$4

SERVICE HIGHLIGHTS

The City, through its Public Works department, operates the highest use airport (landings/take-offs) of any non-towered airport in Oregon, with two main runways to serve privately-owned and corporate aircraft. The City also owns and manages five buildings for aircraft storage (T-hangers). A private company, located at the airfield, provides training, maintenance services and fuel to planes.

Adjacent to the airfield is a City-owned industrial park where tenants lease property for a wide variety of industrial uses. This land provides sites that are close to both regional transportation routes and to downtown Corvallis. Services to develop the industrial park include monitoring existing tenants, soliciting new tenants, and performing lease negotiations.

In an attempt to maximize the use of the property surrounding the airfield, the City works with a local farmer to have crops planted on this land. The crop is managed by the farmer, with the City receiving a portion of the sale proceeds. This revenue helps support operations and maintenance of the airfield and industrial park.

FINANCIAL PLANNING ISSUES

The main revenue sources for this fund are hangar rentals, land and building leases, and crop sales. Land lease rates are reviewed and adjusted to reflect the current market. The level of effort required to maintain a viable industrial park and achieve full occupancy is directly related to the revenue available to finance capital improvements to the infrastructure systems (streets, water, wastewater, and storm water). Some aspects of the street and utility infrastructure need to be improved to encourage more tenants to locate at the industrial park.

Much of the industrial park property has been designated as wetlands. When development occurs in a wetland area, the loss of the wetlands has to be mitigated. Since the City wants to encourage continued growth at the industrial park, the challenge is to minimize the cost of wetland mitigation to ensure that development at the site is not cost-prohibitive.

The Airport Industrial Park (AIP) Development Plan update was completed in 2012. A systematic approach to infrastructure improvements is important to accommodate both near- and long-term development activities. Without a plan, it is difficult to respond to inquiries for new or expanded development at these sites and to avoid the construction of single-user street and utility facilities. For these reasons, an Airport Infrastructure Plan was completed in 2013. However, there is currently no long-term planning document addressing how best to fund street and utility system improvements at the airport and the industrial park.

An update of current and expected long-term functions for the airport was completed within an Airport Master Plan Update in 2013. Included were recommendations for projects that support and enhance those airport functions.

Recommended projects resulting from these three planning efforts could present a challenge for the City to accomplish within a finite revenue stream and to balance the rehabilitation of existing facilities against the construction of new ones.

ENDING BUDGETARY FUND BALANCE

The Airport Fund has an uneven cash flow due to seasonal revenues from crop sales and annual lease payments. In addition, capital projects in this fund, although occurring irregularly, tend to be very large. Thus, higher fund balances tend to be carried in this Fund versus other Funds, in order to be able to complete such larger, sporadic, planned projects in a given year. The FY 14-15 projected ending fund balance is policy compliant at greater than 100% of current revenues.



COMMUNITY DEVELOPMENT REVOLVING FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 13-14	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
BEGINNING BUDGETARY FUND BALANCE	\$13,914	\$243	\$198,873	\$33,693	(\$84,322)	(\$235,057)	(\$384,497)
REVENUES							
Licenses, Fees & Permits	\$156,000	\$156,000	\$157,410	\$166,725	\$169,195	\$184,870	\$187,530
Charges for Service	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Intergovernmental	\$2,578,000	\$2,578,000	\$912,100	\$1,014,460	\$1,042,640	\$1,096,670	\$1,126,570
Fines & Forfeitures	2,100	2,100	0	0	0	0	0
Miscellaneous	469,100	469,100	57,500	275,850	295,970	316,630	337,290
Other Financing Sources	0	0	0	0	0	0	0
TOTAL REVENUES	\$3,210,200	\$3,210,200	\$1,132,010	\$1,462,035	\$1,512,805	\$1,603,170	\$1,656,390
EXPENDITURES							
Community Development	\$3,141,770	\$2,907,060	\$1,248,490	\$1,548,650	\$1,634,820	\$1,722,450	\$1,818,670
Debt Service	\$0	\$80,800	\$0	\$0	\$0	\$0	\$0
Transfers Out	23,710	23,710	26,050	31,400	28,720	30,160	31,670
Contingencies	30,760	0	22,650	0	0	0	0
TOTAL EXPENDITURES	\$3,196,240	\$3,011,570	\$1,297,190	\$1,580,050	\$1,663,540	\$1,752,610	\$1,850,340
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$13,960	\$198,630	(\$165,180)	(\$118,015)	(\$150,735)	(\$149,440)	(\$193,950)
RESERVED BALANCES, Beginning of Year	\$0						
FUND BALANCE (Including Reserved), End of Year	\$27,874	\$198,873	\$33,693	(\$84,322)	(\$235,057)	(\$384,497)	(\$578,447)
LESS: RESERVED BALANCES ASSIGNED	\$0						
ENDING BUDGETARY FUND BALANCE	\$27,874	\$198,873	\$33,693	(\$84,322)	(\$235,057)	(\$384,497)	(\$578,447)

SERVICE HIGHLIGHTS

The Community Development Revolving Fund supports the Community Development Department’s Housing Division activities such as providing housing and other community development assistance programs, as outlined in the Department Summary on page 93. Financial planning issues are also discussed in that section. In summary, the fund consists of both existing resources (monies from prior year loans that get repaid) and resources provided by the U.S. Department of Housing and Urban Development (HUD) through their Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) programs.

The CDBG and HOME programs, in conjunction with resources from the existing CD Revolving Fund, support two housing rehabilitation loan programs, two home ownership assistance loan programs, plus other community development projects and human service-focused activities that are identified through an annual activity planning process. The Housing Division also delivers the Rental Housing Program which is funded by a fee assessment on rental units.

ENDING BUDGETARY FUND BALANCE

While the CD Revolving Fund financial plan above has a positive fund balance in revised FY 13-14 and Proposed FY 14-15, an interfund loan may still be needed in order to achieve a positive fund balance at year-end. Strategies being implemented in FY 13-14 and FY 14-15 will help reduce negative fund balances in FY 15-16 and beyond; additional measures to return the Fund to a state of ongoing balance will be developed for consideration during FY 14-15.

DEVELOPMENT SERVICES FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 13-14	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
BEGINNING BUDGETARY FUND BALANCE	\$1,024,330	\$1,736,106	\$1,938,336	\$1,190,936	\$513,626	(\$173,024)	(\$1,099,434)
REVENUES							
Licenses, Fees & Permits	\$1,143,450	\$1,143,450	\$1,154,700	\$1,177,790	\$1,201,350	\$1,225,380	\$1,249,890
Charges for Services	1,334,070	2,205,260	1,551,120	1,571,940	1,603,380	1,635,450	1,668,160
Miscellaneous	6,790	84,070	5,680	5,260	4,640	1,100	1,100
Transfers In	118,390	118,390	118,390	118,390	118,390	118,390	118,390
TOTAL REVENUES	\$2,602,700	\$3,551,170	\$2,829,890	\$2,873,380	\$2,927,760	\$2,980,320	\$3,037,540
EXPENDITURES							
Community Development	\$3,274,050	\$3,263,470	\$3,423,890	\$3,434,310	\$3,507,690	\$3,794,670	\$3,990,090
Transfers Out	85,470	85,470	96,800	116,380	106,720	112,060	117,660
Contingencies	50,000	0	56,600	0	0	0	0
TOTAL EXPENDITURES	\$3,409,520	\$3,348,940	\$3,577,290	\$3,550,690	\$3,614,410	\$3,906,730	\$4,107,750
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$806,820)	\$202,230	(\$747,400)	(\$677,310)	(\$686,650)	(\$926,410)	(\$1,070,210)
RESERVED BALANCES, Beginning of Year	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FUND BALANCE (including Reserved), End of Year	\$217,510	\$1,938,336	\$1,190,936	\$513,626	(\$173,024)	(\$1,099,434)	(\$2,169,644)
LESS: RESERVED BALANCES ASSIGNED	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ENDING BUDGETARY FUND BALANCE	\$217,510	\$1,938,336	\$1,190,936	\$513,626	(\$173,024)	(\$1,099,434)	(\$2,169,644)

SERVICE HIGHLIGHTS

The Development Services Fund provides resources for plan review and inspection of building construction projects, nuisance abatement, and providing public information related to development activity. Revenues are from fees charged for issuance of building permits and services performed, such as plan reviews.

FINANCIAL PLANNING ISSUES

Revenues vary with the rate of development activity. Residential permit activity has still not fully recovered, but commercial construction, driven primarily by OSU, has steadily increased over the past few years. There are a number of commercial projects in the works that should help sustain reasonable levels of revenue-generating activity over the next several years.

Fees collected are required by state law to be used for the administration and enforcement of building inspection and plan review programs. Fees are generally set to recover the cost of providing these services and are periodically reviewed and adjusted to insure that cost recovery is being maintained. Licenses & Permits revenue is for building permits. Charges for Services revenue is for plan reviews which are generally conducted prior to permit issuance. The State Building Codes Division mandates that all jurisdictions use the same fee methodologies.

Accuracy of revenue and expenditure forecasting becomes difficult in the context of the issues outlined below:

- Fluctuating economic conditions and availability of funding for construction loans.
- Determining and managing for the appropriate staff levels to respond to service demands, with the flexibility to provide all required services when large construction/development projects are presented.
- Funding future and current code mandates from the state or federal government.
- Implementing technological tools which provide enhancements to customer service and gain efficiencies in staffing.

- Training staff in new codes and new technologies.
- Hiring and retaining qualified employees with required certifications.

ENDING BUDGETARY FUND BALANCE

The Development Services Fund is currently projected to end FY 14-15 with a policy compliant operating fund balance of over 42% of the FY 14-15 current revenues and is projected to remain positive until FY 16-17. Included in each year's fund balance are funds paid in one fiscal year for services which will be provided in the following fiscal year. It is important to maintain a positive fund balance of 6-12 months of expenses so that services paid for can continue in the event of an economic downturn.

PARKING FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 13-14	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
BEGINNING BUDGETARY FUND BALANCE	\$895,563	\$935,219	\$578,109	\$84,929	(\$98,651)	(\$327,621)	(\$629,751)
REVENUES							
Licenses, Fees & Permits	\$25,000	\$25,000	\$76,860	\$76,860	\$76,860	\$76,860	\$76,860
Charges for Services	187,310	187,310	188,200	190,080	191,980	193,900	195,830
Fines & Forfeitures	450,000	400,000	579,870	579,870	579,870	579,870	579,870
Miscellaneous	4,790	2,660	3,960	600	100	100	100
TOTAL REVENUES	\$667,100	\$614,970	\$848,890	\$847,410	\$848,810	\$850,730	\$852,660
EXPENDITURES							
Community Development	\$4,220	\$4,220	\$4,120	\$4,320	\$4,540	\$4,960	\$5,210
Finance	273,220	273,220	280,380	296,890	309,840	328,930	343,550
Police	373,560	375,220	400,730	428,170	478,940	487,710	513,300
Public Works	495,330	304,140	379,490	267,560	277,650	294,810	306,250
Transfers Out	273,040	26,470	273,750	23,350	24,520	25,750	27,040
Contingencies	13,340	0	16,900	0	0	0	0
TOTAL EXPENDITURES	\$1,432,710	\$983,270	\$1,355,370	\$1,020,290	\$1,095,490	\$1,142,160	\$1,195,350
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$765,610)	(\$368,300)	(\$506,480)	(\$172,880)	(\$246,680)	(\$291,430)	(\$342,690)
RESERVED BALANCES, Beginning of Year	\$131,608	\$83,275	\$72,085	\$58,785	\$69,485	\$51,775	\$62,475
FUND BALANCE (Including Reserved), End of Year	\$261,561	\$650,194	\$143,714	(\$29,166)	(\$275,846)	(\$567,276)	(\$909,966)
LESS: RESERVED BALANCES							
COMMITTED	\$37,323	\$37,323	\$37,323	\$37,323	\$37,323	\$37,323	\$37,323
ASSIGNED	34,755	34,762	21,462	32,162	14,452	25,152	35,852
ENDING BUDGETARY FUND BALANCE	\$189,483	\$578,109	\$84,929	(\$98,651)	(\$327,621)	(\$629,751)	(\$983,141)

SERVICE HIGHLIGHTS

Operations in the Parking Fund support activities performed by the Police Department and Municipal Court on parking enforcement and activities performed by Public Works, including maintenance of parking meters and Downtown parking lots, collection of parking meter revenues and management of residential parking districts. Staff also supports the Parking Committee of the Downtown Commission, which is charged with advising the City Council on downtown parking system management.

Digital parking meters have been installed throughout the city resulting in far fewer meter malfunctions than in the past. Pay stations are installed where feasible to provide more efficient control of parking spaces than individual meters and to reduce the visual clutter. The City responds quickly to replace and/or repair damaged or stolen parking meters or pay stations.

Residential parking districts (RPD) north and east of the OSU campus were created to control the level of non-resident parking on these streets. Commuter 'spillover' parking from campus can monopolize

the available spaces and add unnecessary congestion to residential neighborhoods. Working with campus representatives in recent months through the OSU Collaboration process, staff continues to seek solutions to this issue and the likely additional parking pressure that will result from the increase in the student population predicted in the OSU 2025 plans.

FINANCIAL PLANNING ISSUES

Downtown parking is perceived as a problem by some merchants, shoppers, and businesses located in that section of the City. As such, requests for improvements to downtown parking have often been made. However, current funding streams do not provide adequate revenues during the five-year planning period both to maintain the level of service presently provided and to implement any significant improvements, particularly in view of current Council priorities related to near-campus parking issues. In that regard, work continues regarding implementation of Collaboration Corvallis recommended strategies for RPD's around the OSU campus, with significant unknowns for both revenues and expenditures.

There remains a perception that customer parking is limited in downtown, despite a third-party study that shows that parking availability is more than adequate. Even with this information, business owners remain concerned about the impact on their businesses from the perception of inadequate parking and have requested more parking in the core. Council's RPD initiatives being worked on in conjunction with OSU collaboration recommendations may result in more downtown employee parking as RPDs are considered that abut the downtown core. The availability of vacant land for either surface parking or a parking structure is limited and very expensive. Developing new parking options will thus be costly.

Additional work currently underway on the development of expanded RPDs has the potential to significantly alter the financial plan for the Parking Fund. More information is expected before the budget for FY 14-15 is adopted.

Responding to the increased use of alternative transportation modes, the City installed bicycle lockers at the Transit Center. These facilities proved to be quite popular, with a waiting list for future rentals. More lockers were purchased to meet this demand and to further promote and encourage bicycles as a viable transportation mode. While the Parking Fund is currently carrying a sizeable fund balance, future additions of this nature will need to be balanced against the demands for enhanced automobile parking which is significantly more costly.

The Parking Plan, completed over ten years ago, is due for an update to reflect the changes in usage patterns in the last several years with the expanded retail and restaurant development in the downtown. Based on discussions at the Parking Committee, the cost of this project would currently outweigh the benefits; it remains on hold until a significant issue develops that would result in a greater benefit.

ENDING BUDGETARY FUND BALANCE

The Parking Fund is projected to end FY 14-15 with a policy compliant operating fund balance equal to approximately 10% of the FY 14-15 current revenues. The recommended minimum fund balance for this fund is \$50,000. Any funds over that amount would be available for capital improvements, including land acquisition for parking.

PARKS SDC FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED				
			FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
BEGINNING BUDGETARY FUND BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES							
Charges for Services	1,170,000	1,170,000	603,000	603,000	603,000	603,000	603,000
Miscellaneous	21,250	173,170	15,100	11,150	22,570	42,490	66,640
Non-Operating Revenue	1,979,542	2,135,383	0	0	0	0	0
TOTAL REVENUES	\$3,170,792	\$3,478,553	\$618,100	\$614,150	\$625,570	\$645,490	\$669,640
EXPENDITURES							
Transfers Out	2,974,562	2,674,133	848,200	108,200	162,020	8,200	8,200
TOTAL EXPENDITURES	\$2,974,562	\$2,674,133	\$848,200	\$108,200	\$162,020	\$8,200	\$8,200
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$196,230	\$804,420	(\$230,100)	\$505,950	\$463,550	\$637,290	\$661,440
RESERVED BALANCES, Beginning of Year	\$1,979,542	\$2,135,385	\$2,939,803	\$2,709,703	\$3,215,653	\$3,679,203	\$4,316,493
FUND BALANCE (Including Reserved), End of Year	\$2,175,772	\$2,939,805	\$2,709,703	\$3,215,653	\$3,679,203	\$4,316,493	\$4,977,933
LESS: RESERVED BALANCES RESTRICTED	\$2,175,772	\$2,939,803	\$2,709,703	\$3,215,653	\$3,679,203	\$4,316,493	\$4,977,933
ENDING BUDGETARY FUND BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0

FINANCIAL PLANNING HIGHLIGHTS AND ISSUES

The Parks Systems Development Charge (SDC) Fund collects monies paid by developers to meet the Parks SDC goals of expanding and improving the Parks system as the community develops in accordance with the Parks SDC Plan. Projects are programmed through the annual Capital Improvement Program (CIP) and are implemented when enough resources have been accumulated. When development slows, and resources are diminished, projects are limited.

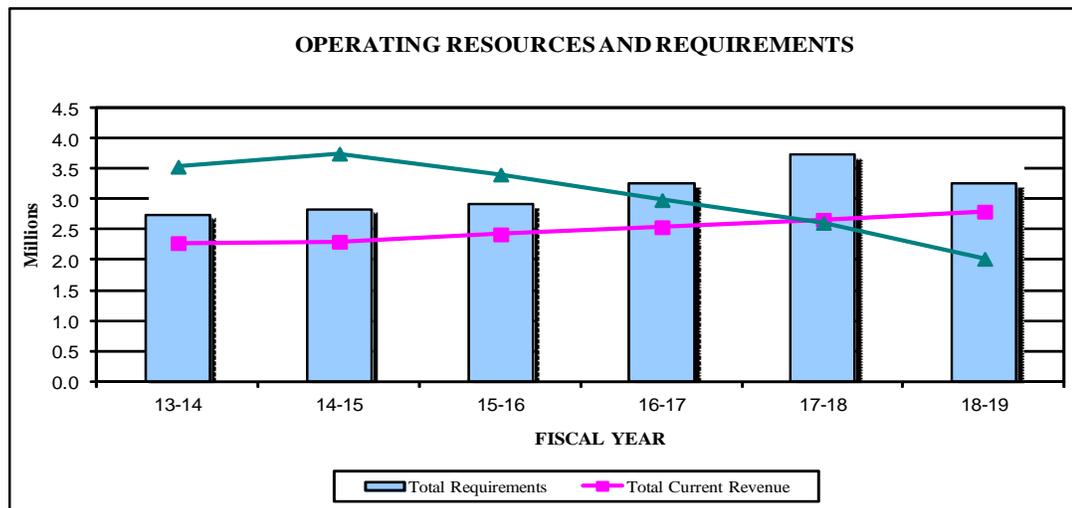
ENDING BUDGETARY FUND BALANCE

Given the restricted nature of the Parks SDC Fund resources, the only requirement is that the fund end the year with a balance which is equal to or greater than zero. With recent development activity, the restricted ending fund balance is projected to end FY 14-15 at over four times that of FY 14-15 current revenue. All balances in this fund are available for identified capital projects.



STORM WATER FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
RATE INCREASE	7.00%	7.00%	6.00%	5.00%	5.00%	5.00%	5.00%
BEGINNING BUDGETARY FUND BALANCE	\$1,030,654	\$1,223,211	\$702,188	\$109,488	(\$449,092)	(\$908,812)	(\$1,579,152)
REVENUES							
Charges for Service	\$2,240,880	\$2,266,270	\$2,296,570	\$2,422,260	\$2,541,510	\$2,666,700	\$2,798,100
Intergovernmental	39,220	10,260	0	0	0	0	0
Fines and Forfeitures	0	600	600	600	600	600	600
Miscellaneous	9,090	5,070	6,770	3,380	1,800	1,800	1,800
Other Financing Sources	0	0	0	0	0	0	0
Transfers In	0	0	0	0	0	0	0
TOTAL REVENUES	\$2,289,190	\$2,282,200	\$2,303,940	\$2,426,240	\$2,543,910	\$2,669,100	\$2,800,500
EXPENDITURES							
Community Development	\$55,560	\$55,560	\$56,380	\$60,930	\$64,200	\$70,150	\$73,900
Public Works	2,263,460	2,026,830	2,206,120	2,206,520	2,624,200	2,999,100	2,609,140
Transfers Out	681,950	665,830	533,060	662,370	578,030	663,880	586,200
Contingencies	45,780	0	46,080	0	0	0	0
TOTAL EXPENDITURES	\$3,046,750	\$2,748,220	\$2,841,640	\$2,929,820	\$3,266,430	\$3,733,130	\$3,269,240
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$757,560)	(\$466,020)	(\$537,700)	(\$503,580)	(\$722,520)	(\$1,064,030)	(\$468,740)
RESERVED BALANCES, Beginning of Year	\$332,839	\$383,727	\$404,146	\$460,966	\$493,096	\$208,106	(\$207,144)
FUND BALANCE (Including Reserved), End of Year	\$627,503	\$1,106,334	\$570,454	\$44,004	(\$700,706)	(\$1,786,296)	(\$2,276,186)
LESS: RESERVED BALANCES							
RESTRICTED	\$125,976	\$120,713	\$122,533	\$99,663	\$77,473	\$55,913	\$34,763
ASSIGNED	182,233	283,433	338,433	393,433	130,633	(263,057)	(193,057)
ENDING BUDGETARY FUND BALANCE	\$319,294	\$702,188	\$109,488	(\$449,092)	(\$908,812)	(\$1,579,152)	(\$2,117,892)



SERVICE HIGHLIGHTS

The primary service in the Storm Water Fund is the collection of rain water to minimize urban flooding; a secondary focus is improving the water quality in the urban streams. Preventive maintenance programs, such as pipe line and catch basin cleaning, help to extend the life of the infrastructure and insure maximum capacity in the system for the storm water flow.

Urban streams form the backbone of the City's storm water collection system. Work has been done in recent years to maintain these areas in keeping with the community's desire for the stream banks to

serve as wildlife habitat, while ensuring the streams serve their primary purpose as a rain water collection system. To minimize the impact of staff activities on the environment, work is done in accordance with the City's Integrated Vegetation and Pest Management Program guidelines. The City monitors the water quality in the urban streams at various locations around the community to increase the understanding of these waterways and pinpoint improper discharges to a stream.

Long-range planning for the storm water system creates a blueprint for system policies and future modifications necessary to meet regulatory requirements and community interests. Plans are updated periodically for changes in regulations, population, resident's values, water quality and technology. A Storm Water Master Plan update focusing primarily on the piping system is scheduled for FY 14-15.

FINANCIAL PLANNING ISSUES

The primary revenue for this fund is the storm water system user fee. Rates are reviewed annually and adjusted by the City Council to address operation, maintenance and capital improvement needs. For the ten years up until FY 12-13, storm water rates were not increased, helping to offset the increases needed to maintain the water and wastewater systems during this time period. However, the Storm Water Fund is now projected to have deficit fund balances within the planning period. Increased revenues would allow for some capacity to respond to federal regulations on storm water quality, rising material prices, and full implementation of the various planning documents related to the storm water system (Storm Water Master Plan, Endangered Species Salmon Response Plan, and Natural Features Inventory).

Advances in the way storm water is contained and treated have resulted in new facilities that require a different, and more labor-intensive, maintenance effort than traditional methods of handling storm water runoff. An example of these facilities is detention ponds, which improve the water quality and control the speed with which storm water flows to the river after a rain event, reducing erosion along stream beds. Currently thirty-four of these facilities have been constructed, but as development continues more will be added in the upper reaches of the City's urban stream system. Staff has been able to keep pace with the implication of the heightened maintenance thus far, in terms of equipment, supplies, and labor, but additional resources will be needed as the number of facilities grows.

Proactive maintenance programs, such as video inspection and flushing of pipelines, are critical to the service life of the infrastructure because problems can be identified early and maintenance scheduled before service is disrupted. A comprehensive inspection of the storm water infrastructure, currently underway, is expected to indicate that additional resources are needed to correct identified deficiencies and to institute a preventive maintenance program to maintain service standards and meet community-requested program enhancements from the Master Plan. Rate increases projected for the planning period will contribute to the capacity needed to implement these programs.

Suggested actions from the community sustainability effort could drive new projects, such as rain gardens along residential streets. Rain gardens take water out of the piping system, reducing the chance of pipe overflows and localized street flooding during heavy rain events. Rain gardens also improve water quality because the water goes through a natural filtration process as it's absorbed into the ground. These and other new projects will compete with existing programs for funding.

ENDING BUDGETARY FUND BALANCE

The Storm Water Fund is projected to end FY 14-15 with a policy compliant operating fund balance of nearly 5% of FY 14-15 current revenue. Funds over a \$300,000 fund balance would be available for additional capital projects.

STREET FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
RECURRING							
DEDICATED REVENUE							
Licenses, Fees & Permits	632,640	651,740	634,020	643,250	652,660	662,250	672,030
Charges for Service	246,100	221,100	221,000	227,500	234,240	241,240	248,490
Intergovernmental	3,352,630	3,197,480	3,431,590	3,466,960	3,501,630	3,536,650	3,572,010
Fines and Forfeitures	1,000	5,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	700	900	700	710	720	730	740
TOTAL DEDICATED RECURRING REVENUE	\$4,233,070	\$4,076,220	\$4,288,310	\$4,339,420	\$4,390,250	\$4,441,870	\$4,494,270
NON-DEDICATED REVENUE							
Miscellaneous	2,720	1,470	2,210	1,540	4,240	6,330	8,760
TOTAL NON-DEDICATED RECURRING REVENUE	\$2,720	\$1,470	\$2,210	\$1,540	\$4,240	\$6,330	\$8,760
TOTAL RECURRING REVENUE	\$4,235,790	\$4,077,690	\$4,290,520	\$4,340,960	\$4,394,490	\$4,448,200	\$4,503,030
EXPENDITURES							
Community Development	22,120	22,120	21,020	17,930	18,130	18,340	18,550
Public Works	4,284,830	4,082,620	4,057,790	4,192,030	4,240,080	4,288,040	4,336,840
Debt Service	0	0	0	0	0	0	0
Other Financing Uses/Transfers Out	125,850	125,850	125,970	131,000	136,280	141,820	147,640
Contingencies	73,180	0	85,740	0	0	0	0
TOTAL RECURRING EXPENDITURES	\$4,505,980	\$4,230,590	\$4,290,520	\$4,340,960	\$4,394,490	\$4,448,200	\$4,503,030
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$270,190)	(\$152,900)	\$0	\$0	\$0	\$0	\$0
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$548,200	\$329,759	\$177,859	\$18,199	\$18,199	\$18,199	\$18,199
<i>Net Recurring Revenue/Expenditure</i>	(270,190)	(152,900)	0	0	0	0	0
<i>Net Non-Recurring Revenue/Expenditure</i>	0	1,000	(159,660)	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$278,010	\$177,859	\$18,199	\$18,199	\$18,199	\$18,199	\$18,199
Ending Reserve Balance by Type							
ASSIGNED	281,266	281,266	159,766	4,746	0	0	0
COMMITTED	76,135	193,297	106,037	107,437	109,687	112,807	116,827
RESTRICTED	1,825,431	2,982,797	2,102,147	2,712,337	3,342,327	3,956,957	4,657,477
TOTAL RESERVES	\$2,182,832	\$3,457,360	\$2,367,950	\$2,824,520	\$3,452,014	\$4,069,764	\$4,774,304

SERVICE HIGHLIGHTS

The operational focus of the Street Fund is preservation of the pavement, the operation of traffic control systems, and the maintenance of street-related signage. Preventive maintenance programs for asphalt streets (i.e., slurry seal, chip seal, crack seal, and street overlay) extend the service life of the street at a lower cost than fully reconstructing the street. Data is gathered on the condition of the major transportation routes in the community, added to the Pavement Management System, and used to plan future maintenance activities.

The traffic signal system facilitates the flow of traffic through the community. Traffic engineering staff ensure the efficient operation of this system through appropriate signal timing intervals, while the lights themselves are made more efficient through the use of LED signal heads, which consume much less energy than traditional bulbs.

Long-range plans are developed for the transportation system to assure that new streets are constructed to sustain the expected traffic levels and to keep pace with community desires for multi-modal transportation options. Staff works with transit users, bicyclists and pedestrians to address alternative transportation needs in the city. The Transportation Demand Management program focuses on relieving congestion during commute times by providing facilities and/or programs to encourage commuters to use alternative ways to get to work.

Corvallis has been designated a Gold Level Bicycle Friendly Community in recognition of the excellent system of bike lanes and bike paths in the city that provide a viable transportation alternative and further social and environmental sustainability goals.

FINANCIAL PLANNING ISSUES

The primary revenue for the Street Fund is the State Highway Fund allocation of Gas Taxes, distributed to cities based on population. Changes in this revenue stream come from fluctuations in the use of gasoline (customer purchases) or legislation that redirects these funds to purposes other than street maintenance. The amount of revenue received from the state dictates the level of services that can be provided and sustained over the long term. Meeting citizen expectations about traffic concerns, alternative-mode opportunities, and a smooth, efficient transportation system are becoming increasingly difficult within available funding.

The revenue from the state had been projected to increase over the next several years, due to passage of the 2009 Jobs and Transportation Act. Corvallis had expected to receive up to an additional \$1.1 million annually once this legislation was fully implemented. This increase has not materialized, due to increasing gas prices which are motivating people to find ways to cut back on their gas consumption. At the same time, costs for maintenance supplies are higher, most notably for rock and asphalt. Projects identified in the Transportation Plan are not being implemented due to lower fund balances resulting from the above items, and the current level of street maintenance services may not be able to be sustained in the future.

The Transportation Maintenance Fee (TMF), collected on the City's utility bills, is providing a stable revenue stream for specific street preservation projects.

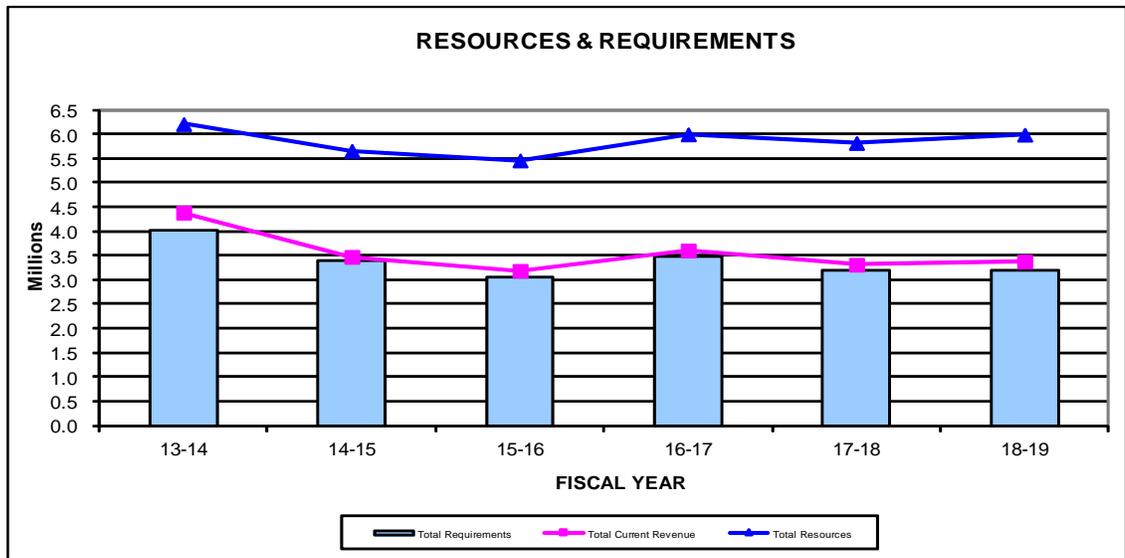
A Sustainability Initiative fee (SIF) provides funds for the repair of sidewalks, thereby supporting a safe, viable alternative-mode transportation system for pedestrians. However, the revenue generated by the fee is insufficient to address all the repairs in the system city-wide. The City's response to these issues will be prioritized and accomplished up to the level of available funds in a fiscal year. Staff anticipates that within the next two years, the revenue stream and the level of sidewalk panels needing repair will be in balance.

ENDING BUDGETARY FUND BALANCE

The Street Fund is projected to end FY 14-15 with an ending budgetary fund balance for operations that is less than 1% of the FY 14-15 dedicated revenues. While FY 14-15 is balanced for legal purposes, the new sustainable budget process has been implemented for this fund in order to provide additional focus by staff and Council to ensure recurring expenditures remain in line with recurring revenues, and that the fund remains viable in future years.

TRANSIT FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
BEGINNING BUDGETARY FUND BALANCE	\$1,565,737	\$1,648,859	\$2,030,959	\$2,108,369	\$2,242,349	\$2,383,619	\$2,529,499
REVENUES							
Licenses, Fees & Permits	1,192,690	1,191,040	1,163,350	1,163,350	1,163,350	1,163,350	1,163,350
Charges for Services	225,960	225,960	213,020	214,560	216,120	217,690	219,280
Intergovernmental	2,785,170	2,785,170	1,897,950	1,603,690	2,008,700	1,701,350	1,752,390
Miscellaneous	184,900	183,890	201,100	206,690	217,020	230,990	244,180
TOTAL REVENUES	\$4,388,720	\$4,386,060	\$3,475,420	\$3,188,290	\$3,605,190	\$3,313,380	\$3,379,200
EXPENDITURES							
Public Works	\$4,021,090	\$4,009,770	\$3,299,740	\$3,047,170	\$3,473,650	\$3,188,730	\$3,163,100
Transfers Out	16,860	16,860	17,690	18,570	19,500	20,480	21,500
Contingencies	87,770	0	69,510	0	0	0	0
TOTAL EXPENDITURES	\$4,125,720	\$4,026,630	\$3,386,940	\$3,065,740	\$3,493,150	\$3,209,210	\$3,184,600
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$263,000	\$359,430	\$88,480	\$122,550	\$112,040	\$104,170	\$194,600
RESERVED BALANCES, Beginning of Year	\$174,881	\$174,881	\$152,211	\$163,281	\$151,851	\$122,621	\$80,911
FUND BALANCE (Including Reserved), End of Year	\$2,003,618	\$2,183,170	\$2,271,650	\$2,394,200	\$2,506,240	\$2,610,410	\$2,805,010
LESS: RESERVED BALANCES ASSIGNED	\$152,211	\$152,211	\$163,281	\$151,851	\$122,621	\$80,911	\$120,911
ENDING BUDGETARY FUND BALANCE	\$1,851,407	\$2,030,959	\$2,108,369	\$2,242,349	\$2,383,619	\$2,529,499	\$2,684,099



SERVICE HIGHLIGHTS

The main operation in the Transit Fund is for the eight regular transit routes that operate Monday through Saturday, and a variety of limited-service commuter and seasonal routes. These routes provide hourly or half-hourly service to the community. Ridership patterns are evaluated periodically and adjustments are made to routes and schedules to meet customer needs. In keeping with the Council's sustainability goal, all transit buses use biodiesel, a more environmentally friendly fuel source. Paratransit service is contracted by the City, for disabled persons who are unable to use the fixed-route system, and is mandated by the federal government to be offered the same days, hours, and geographical area as the fixed-route service.

The Transit Center in Downtown Corvallis increases route efficiencies and facilitates transfers between routes. Adequate space is provided for the Corvallis Transit System, the Philomath Connection, the Linn-Benton Loop and the 99 Express, which provides service north to Adair Village. The Center also has bike lockers and racks, which encourage the use of multiple modes to reach a transportation destination.

The Associated Students of Oregon State University (ASOSU), through a partnership with the City, contributes the majority of the funding for a popular, well-used late-night bus service on Thursday, Friday and Saturday during the OSU academic school year.

The Corvallis Transit Service (CTS) has been a fareless system since February, 2011; customers ride the in-city buses without having to show a pass or pay a fare. This approach provides for more efficient loading of passengers and helps buses stay on time. In the three years since implementation of fareless transit service, CTS has recorded steady increases in rides provided. In the first year of fareless transit, ridership rose 41% when compared to the fare-based system. Ridership in FY 12-13 was over 1.15 million rides and is expected to provide at least that many rides in FY 13-14. The addition of the Transportation Operations Fee (TOF) that citizens are charged on their City Services bills has helped afford the fareless service, and also provides the funding to provide local match to state and federal grants. OSU and 509J School District have also contributed funding toward further enhancements of routes which directly benefit their students, faculty and staff.

FINANCIAL PLANNING ISSUES

Sources of funding such as state grants, Business Energy Tax Credits (BETC), and the above referenced TOF help to support the base level transit service.

The BETC program is scheduled to sunset in FY 14-15, with no additional costs eligible to be funded. The elimination of this funding source, which provided up to \$500,000 per year in operating monies, may lead to an eventual need for reductions in service level, and additionally could impact availability of match funds for federal grants. However, provided the TOF remains a robust resource, fund balance projections suggest that no reductions should be anticipated through at least FY 15-16.

The City's participation in the Corvallis Area Metropolitan Planning Organization (CAMPO) results in significant grant funding for CTS. However, future regional transportation system needs may impact grant funds available to the City.

Service level is directed by users, the growth of the community and the requirements of the Americans with Disabilities Act (ADA). As the community grows, transit, as an alternative to the single-occupancy vehicle, serves to help relieve congestion and parking issues, supports sustainability efforts, and provides mobility for low-income, elderly or disabled members of the population. Providing a level and quality of service that will meet all of these demands in a climate of unstable revenue sources for transit service may nevertheless remain a challenge.

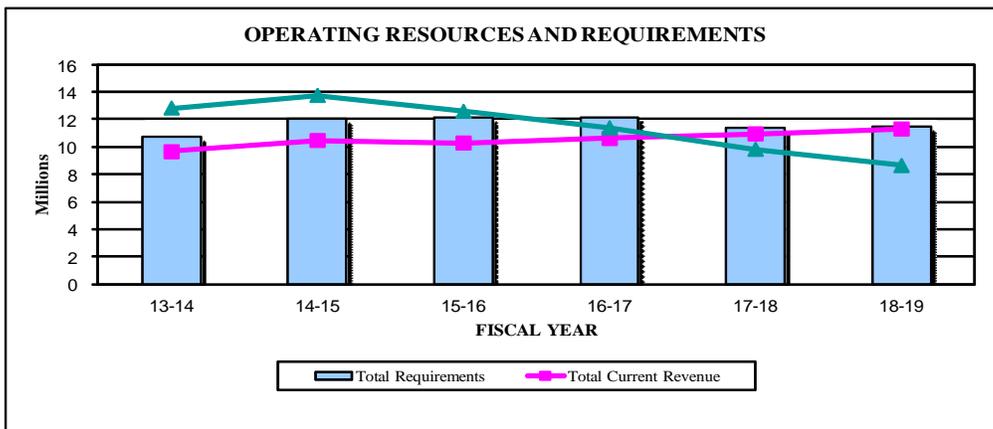
ENDING BUDGETARY FUND BALANCE

The Transit Fund is currently projected to end FY 14-15 with a policy compliant positive operating fund balance equaling approximately 61% of the FY 14-15 current revenues.

WASTEWATER FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
RATE INCREASE	4.00%	4.00%	3.50%	3.50%	3.50%	3.50%	3.50%
BEGINNING BUDGETARY FUND BALANCE	\$2,846,129	\$2,954,611	\$1,863,351	\$737,491	(\$1,130,032)	(\$2,691,487)	(\$3,100,077)
REVENUES							
Charges for Service	\$9,482,370	\$9,565,200	\$9,958,470	\$10,276,810	\$10,606,290	\$10,947,280	\$11,300,210
Miscellaneous	32,090	16,150	511,750	12,240	9,500	9,500	9,500
Transfers In	77,500	77,500	0	0	0	0	0
TOTAL REVENUES	\$9,591,960	\$9,658,850	\$10,470,220	\$10,289,050	\$10,615,790	\$10,956,780	\$11,309,710
EXPENDITURES							
Community Development	\$54,640	\$54,640	\$55,490	\$60,030	\$63,280	\$69,220	\$72,960
Public Works	8,308,200	7,165,500	7,953,400	8,417,500	7,923,990	8,416,850	8,479,790
Debt Service	2,253,650	2,253,650	2,227,750	2,219,450	1,872,500	1,876,980	1,875,300
Transfers Out	1,232,570	1,214,210	1,548,180	1,416,260	2,291,265	975,050	1,008,340
Contingencies	191,840	0	209,410	0	0	0	0
TOTAL EXPENDITURES	\$12,040,900	\$10,688,000	\$11,994,230	\$12,113,240	\$12,151,035	\$11,338,100	\$11,436,390
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$2,448,940)	(\$1,029,150)	(\$1,524,010)	(\$1,824,190)	(\$1,535,245)	(\$381,320)	(\$126,680)
RESERVED BALANCES, Beginning of Year	\$9,629,074	\$9,933,138	\$11,068,548	\$3,553,648	\$4,683,158	(\$137,347)	\$1,179,983
FUND BALANCE (Including Reserved), End of Year	\$10,577,163	\$12,931,899	\$4,291,139	\$3,642,039	(\$2,828,834)	(\$1,920,094)	(\$674,934)
LESS: RESERVED BALANCES							
RESTRICTED ¹	\$9,798,280	\$10,624,743	\$3,507,993	\$4,683,083	(\$163,632)	\$1,126,428	\$2,498,268
ASSIGNED	218,705	443,805	45,655	75	26,285	53,555	65,025
ENDING BUDGETARY FUND BALANCE	\$560,178	\$1,863,351	\$737,491	(\$1,130,032)	(\$2,691,487)	(\$3,100,077)	(\$3,238,227)

1. An interfund loan from operations may be needed in FY16-17 in order to fund the deficit projected due to expenditures related to the Wastewater Reclamation Plant Primary Clarifier.



SERVICE HIGHLIGHTS

The primary service in the Wastewater Fund is the removal and treatment of wastewater generated in the community. Treatment is accomplished through a biological process, producing effluent discharged to the Willamette River that meets all state and federal regulations. Two treatment facilities are located on NE Third Street. One is for domestic and industrial wastewater and the other is the Combined Sewer Overflow (CSO) facility, used to process the excess flows from heavy or sustained rain events.

Wastewater is collected via 214 miles of pipes from homes and businesses for delivery to the plant. Preventive maintenance programs, such as sewer cleaning and sewer line root removal, reduce service interruptions and extend collection system life.

Storm water lines that are incorrectly connected to the sanitary sewers or groundwater seepage through cracks in sewer pipes add unnecessary volume to the sanitary system. This puts water through the

treatment process that wouldn't normally need to be treated, as well as reduces the capacity for wastewater in the pipes. Removing this flow from the system would save treatment costs. Areas of infiltration and/or inflow are identified by introducing smoke into the pipeline and documenting where it escapes. This information is then used to prioritize maintenance activities.

The City endeavors to minimize the impact of wastewater processes on the environment by aggressively pursuing energy-saving measures, reducing use of harmful or toxic chemicals in operations, and educating the public about keeping fats, oils and grease out of the system, the leading contributors to blocked sewer lines. In addition, the City looks for beneficial uses for "waste" products of the treatment process, applying biosolids to agricultural fields as a soil amendment and using methane gas to heat facilities and run some treatment processes.

FINANCIAL PLANNING ISSUES

The primary revenue for this fund is wastewater user fees. Rates are reviewed annually and adjusted by the City Council to address operation and maintenance needs such as an adequate level of piping system maintenance to ensure the health and safety of the community, and the uninterrupted collection of wastewater. The City Council, sensitive to the tight economic times, directed staff to limit the combined rate increases in the three utility funds to 3%. As efficiencies in processes occur, this guideline is a bigger challenge due to expenditure increases exceeding 3% from a growing community, inflation in materials costs and more stringent federal regulations. Despite such influences, which are affecting all wastewater systems, Corvallis utility charges are the lowest compared to eight other like-sized Oregon communities and the lowest compared to ten other surrounding communities as depicted by graphs found in the Department Summary section of this budget document.

The City's National Pollutant Discharge Elimination System (NPDES) permit and EPA wastewater regulations require expanded maintenance, operation, and capital expenditures. The NPDES permit is renewed every five years, and the requirements of the permit affect operations, lab monitoring, and records. More stringent requirements have been included in the latest permit from regulations establishing total maximum daily pollutant levels (TMDL) to the Willamette. Additional facilities and changes to processes (i.e., wastewater reuse) will be required to achieve the pollutant limits stipulated in the permit. The City is conducting a public information and education process about ways to address these and other regulations on toxic removal that are on the horizon. Feedback gathered through this process will be used by the City Council to select a preferred solution. Information gathered to date suggests that likely alternatives project costs could range from \$15 to \$40 million. There is not sufficient capacity within the Fund to absorb this size of expenditure, so debt will be issued to provide the money necessary to construct the solution. Staff will seek other funding opportunities and partnerships, but utility rates will be impacted as well.

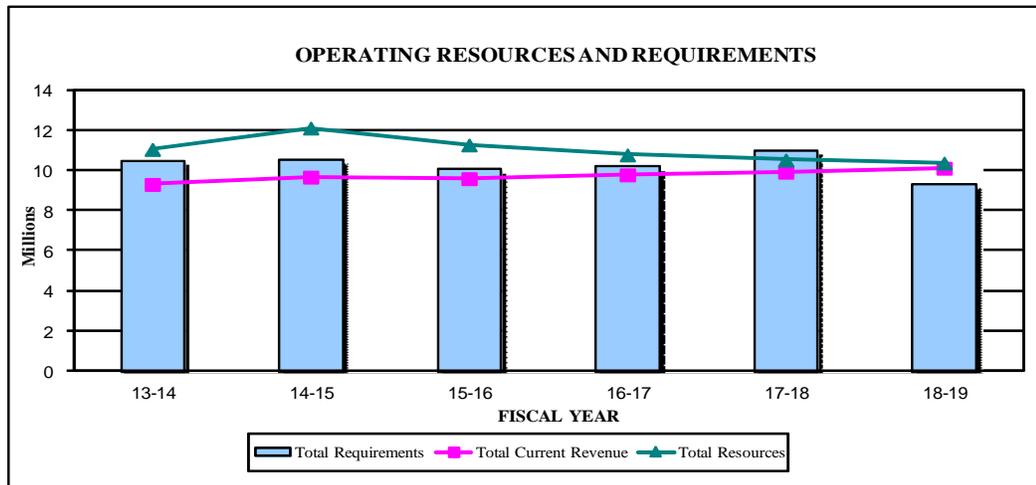
Wastewater charges are calculated from water consumption amounts, which are steadily decreasing, and thus serve to reduce the wastewater revenue generated. As such, recovery of fixed charges inherent in wastewater systems is on a smaller base, forcing rate increases. While a highly beneficial refunding of a DEQ Loan was conducted in FY 13-14 to reduce existing debt service requirements, free up a \$1.5 million related debt reserve and create capacity for a future TMDL project debt issuance, repayment of any debt serves to reduce available resources for operation and maintenance of the system.

ENDING BUDGETARY FUND BALANCE

The Wastewater Fund is projected to end FY 14-15 with a policy compliant positive operating fund balance of approximately 7% of the FY 14-15 current revenue.

WATER FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
RATE INCREASE	2.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
BEGINNING BUDGETARY FUND BALANCE	\$1,616,888	\$2,312,974	\$1,465,684	\$751,164	\$315,554	\$130,023	(\$979,107)
REVENUES							
Charges for Service	\$8,860,100	\$8,990,670	\$9,020,480	\$9,200,480	\$9,384,080	\$9,571,360	\$9,762,390
Intergovernmental	0	0	0	0	0	0	0
Fines & Forfeitures	0	5,500	0	0	0	0	0
Miscellaneous	318,290	51,110	332,610	335,090	342,250	347,470	351,380
Other Financing Sources	0	0	0	0	0	0	0
Transfers In	268,240	268,240	329,580	62,230	61,270	8,070	8,470
TOTAL REVENUES	\$9,446,630	\$9,315,520	\$9,682,670	\$9,597,800	\$9,787,600	\$9,926,900	\$10,122,240
EXPENDITURES							
Community Development	\$56,850	\$56,850	\$57,770	\$62,380	\$65,710	\$71,730	\$75,550
Public Works	7,675,400	7,336,650	7,881,580	8,712,190	8,332,180	8,645,210	8,705,560
Debt Service	966,500	966,500	977,600	166,400	162,400	0	0
Other Financing Uses/Transfers Out	2,150,760	2,109,440	1,372,130	1,085,380	1,605,971	2,262,810	518,380
Contingencies	188,930	0	193,660	0	0	0	0
TOTAL EXPENDITURES	\$11,038,440	\$10,469,440	\$10,482,740	\$10,026,350	\$10,166,261	\$10,979,750	\$9,299,490
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$1,591,810)	(\$1,153,920)	(\$800,070)	(\$428,550)	(\$378,661)	(\$1,052,850)	\$822,750
RESERVED BALANCES, Beginning of Year	\$5,302,530	\$5,722,235	\$5,745,485	\$6,046,835	\$6,950,825	\$5,959,056	\$6,278,066
FUND BALANCE (Including Reserved), End of Year	\$5,624,869	\$7,211,169	\$6,797,999	\$7,266,379	\$6,089,079	\$5,298,959	\$6,723,449
LESS: RESERVED BALANCES							
RESTRICTED	\$5,207,247	\$5,355,221	\$5,742,121	\$6,639,051	\$5,840,413	\$6,103,143	\$6,704,883
ASSIGNED	295,288	390,263	304,713	311,773	118,643	174,923	236,963
ENDING BUDGETARY FUND BALANCE	\$122,333	\$1,465,684	\$751,164	\$315,554	\$130,023	(\$979,107)	(\$218,397)



SERVICE HIGHLIGHTS

The primary service in the Water Fund is to provide a safe, reliable drinking water supply. Water is taken from two surface water sources, the Willamette River and Rock Creek, and undergoes a rigorous treatment process that results in drinking water meeting or exceeding all state and federal water quality regulations. Treatment is conducted at the Taylor Plant, located in South Corvallis, and the Rock Creek Plant on the east side of Mary's Peak. Over 2.5 billion gallons of drinking water are produced each year.

To carry the water from the treatment plants to homes, schools and businesses requires over 245 miles of pipe. The City uses a variety of preventive maintenance programs to provide virtually uninterrupted water service and to ensure that the water quality does not deteriorate as it passes through the distribution system.

The City encourages water conservation through outreach and education programs. As a result, water usage per capita has steadily declined over the last 10 years. Given concerns about the impact of water production on the greater environment, the City has aggressively pursued energy-saving processes and equipment changes which reduce use of harmful or toxic chemicals in the treatment and distribution systems.

Long-term planning for the water treatment and distribution systems ensures that water production and water quality meet the needs of the growing community and evolving state and federal regulations. The City has master plans for the two treatment plants and the distribution system (pipes, reservoirs, and pump stations), and these are updated approximately every 10 years.

FINANCIAL PLANNING ISSUES

The primary revenue for this fund is from the sale of water to customers. Rates are reviewed annually and adjusted by the City Council to address operation, maintenance, and capital needs. The water demands of the community and Environmental Protection Agency (EPA) regulations dictate the procedures and practices used to operate and maintain the whole water system, as well as the need for major capital improvements.

The City Council, sensitive to the tight economic times, has directed staff to limit the combined rate increase in the three utility funds to 3%. While maximizing operational efficiencies, staff's ability to meet these guidelines is challenged by the fluctuations in fuel and chemical costs, and increasing federal regulations. Despite these factors, which affect all water systems, Corvallis utility charges are the lowest of eight other like-sized Oregon communities and the lowest of ten other surrounding communities as depicted by graphs found in the Department Summary section of this budget document.

High Willamette River levels in recent years have accelerated the accumulation of gravel in front of the Taylor Water Treatment Plant intake, restricting the flow. Gravel removal is very expensive and requires precision timing to ensure the river environment is disturbed at a time that causes the least disruption to aquatic life. In the past, gravel was removed every 15-20 years, but this frequency is no longer adequate, so this project will be assessed on an annual basis. A project to remove some gravel was completed during the summer of 2011 and will be reassessed in the summer of 2014.

In a climate of sustainable operations, reduced water use is a community-wide goal; but less water sold means less revenue to operate and maintain the water systems. The fixed costs inherent in water production are then recovered from a smaller base, forcing an increase in rates that results in a neutral or higher water bill, seemingly sending a conflicting message to those committed to conservation.

The Watershed Stewardship Plan includes projects to manage the City's watershed forest property, on the east side of Mary's Peak, back to a healthy state. Revenues to accomplish these items come from the sale of timber harvested from the site. A challenge is to meet demand for environmental improvements while responding to competing pressures to minimize harvests.

ENDING BUDGETARY FUND BALANCE

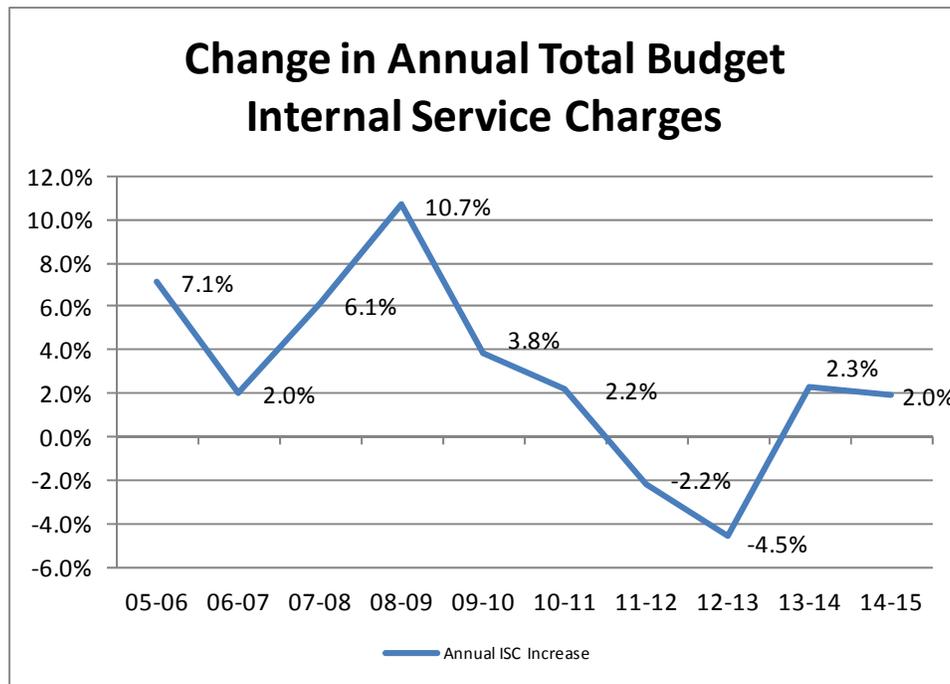
The Water Fund is projected to end FY 14-15 with a policy compliant positive operating fund balance equaling nearly 8% of the FY 14-15 current revenue.

INTERNAL SERVICE FUNDS – FINANCIAL PLANNING

SERVICE OVERVIEW

The City has centralized several of its internal operations to provide efficient and cost effective support services. Three departments (Finance, City Manager’s Office and Public Works) operate in a total of five internal service funds, and charge out their expertise and support to the other funds/departments based on defensible, established and consistent drivers. As services, programs and level of effort change in the internal service funds, and in particular with recent budgetary cuts in General Fund programs, adjustments to these drivers are made in discussion with all departments. Regular review of internal services is conducted to ensure that cost effectiveness is maintained, whether relative to a more decentralized model or from external sources. For example, outsourcing of support functions may be viable for certain standard operations.

The chart below provides some additional information about how overhead departments are working hard to minimize the impact of these centralized services’ costs on departments’ operating expenditures, particularly in the past several years.



ENDING BUDGETARY FUND BALANCES

Since the five internal service funds are supported by charges paid by other participating City departments, the ending operating fund balances for all but the Risk Management Fund (which is dealt with separately below) are designed to be close to \$0 each year, per Council Financial Policy. Balances in excess of \$20,000 in each fund will typically be refunded to departments or reserved for future specified needs.

It should be noted that all of the Internal Service Funds, with the exception of the Risk Management Fund due to its unique nature, utilize the new firm expenditure limit based on average projected revenue growth in all user Funds, in order to ensure sustainable budgeting practices for overhead provision.

ADMINISTRATIVE SERVICES FUND

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
RECURRING							
DEDICATED REVENUE							
Licenses, Fees & Permits	\$0	\$0	\$40,420	\$40,420	\$40,420	\$40,420	\$40,420
General Fund Charges for Service	2,068,790	2,068,790	2,077,490	2,137,840	2,164,400	2,218,810	2,274,120
Utility Funds Charges for Service	1,635,510	1,635,510	1,691,870	1,719,700	1,768,990	1,815,770	1,868,520
Other Special Revenue & Enterprise Funds Charges for Service	823,040	823,040	850,440	863,570	878,570	895,540	910,110
Charges for Service	0	0	340,600	340,600	340,600	340,600	340,600
Miscellaneous	26,380	26,380	26,000	19,450	19,450	19,450	19,450
TOTAL DEDICATED RECURRING REVENUE	4,553,720	4,553,720	5,026,820	5,121,580	5,212,430	5,330,590	5,453,220
TOTAL RECURRING REVENUE	\$4,553,720	\$4,553,720	\$5,026,820	\$5,121,580	\$5,212,430	\$5,330,590	\$5,453,220
EXPENDITURES							
City Manager's Office	\$1,876,930	\$1,876,930	\$2,321,480	\$2,365,250	\$2,407,200	\$2,461,770	\$2,518,400
Finance	2,670,230	2,670,230	2,705,340	2,756,330	2,805,230	2,868,820	2,934,820
Contingencies	0	0	0	0	0	0	0
TOTAL RECURRING EXPENDITURES	\$4,547,160	\$4,547,160	\$5,026,820	\$5,121,580	\$5,212,430	\$5,330,590	\$5,453,220
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$6,560	\$6,560	\$0	\$0	\$0	\$0	\$0
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$33,108	\$33,159	\$40,349	\$10,349	\$10,349	\$10,349	\$10,349
<i>Net Recurring Revenue/Expenditure</i>	6,560	6,560	0	0	0	0	0
<i>Net Non-Recurring Revenue/Expenditure</i>	(29,370)	630	(30,000)	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$10,298	\$40,349	\$10,349	\$10,349	\$10,349	\$10,349	\$10,349
Ending Reserve Balance by Type							
ASSIGNED	13,089	13,090	16,690	19,790	22,890	25,990	14,590
TOTAL RESERVES	\$13,089	\$13,090	\$16,690	\$19,790	\$22,890	\$25,990	\$14,590

SERVICE HIGHLIGHTS

Operations in the Administrative Services Fund include the City Manager's Office (CMO) and the Finance Department. The services provided are used by the entire organization and are further outlined in the respective Department summaries.

FINANCIAL PLANNING ISSUES

The primary source of revenue in the Administrative Services Fund is from Administrative Service Charges assessed against other operating funds.

The primary challenge faced by this fund is to balance service demands from internal and external customers while maintaining stable yet low cost allocations to operating funds. Demands for new or increased services, without increasing costs to operating departments, have pushed the need for more technology to manage and distribute information to employees. In order to meet current and future organizational needs, a major upgrade of the existing financial software system has been a priority in FY 13-14, and conversion efforts will continue to utilize significant Finance Department and other City staff time in FY 14-15. Other financial planning issues for this Fund are detailed in the Department Summary sections for Finance and CMO.

FACILITY MAINTENANCE FUND

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
RECURRING DEDICATED REVENUE							
Facility Internal Charges for Service	\$ 788,760	\$ 788,760	\$ 799,890	\$ 823,480	\$ 838,160	\$ 858,650	\$ 879,740
Other Charges for Service	4,800	4,800	4,800	5,090	5,400	5,720	6,060
Miscellaneous	1,800	1,800	1,800	1,800	1,800	1,800	1,800
TOTAL DEDICATED RECURRING REVENUE	\$795,360	\$795,360	\$806,490	\$830,370	\$845,360	\$866,170	\$887,600
TOTAL RECURRING REVENUE	\$795,360	\$795,360	\$806,490	\$830,370	\$845,360	\$866,170	\$887,600
EXPENDITURES							
Public Works	\$ 795,850	\$ 795,850	\$ 806,490	\$ 830,370	\$ 845,360	\$ 866,170	\$ 887,600
TOTAL RECURRING EXPENDITURES	\$795,850	\$795,850	\$806,490	\$830,370	\$845,360	\$866,170	\$887,600
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$490)	(\$490)	\$0	\$0	\$0	\$0	\$0
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$24,902	\$20,433	\$20,453	\$10,003	\$10,003	\$10,003	\$10,003
Net Recurring Revenue/Expenditure	(490)	(490)	0	0	0	0	0
Net Non-Recurring Revenue/Expenditure	(9,490)	510	(10,450)	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$14,922	\$20,453	\$10,003	\$10,003	\$10,003	\$10,003	\$10,003
Ending Reserve Balance by Type							
ASSIGNED	50,528	50,528	43,828	4,778	6,928	9,488	16,488
TOTAL RESERVES	\$50,528	\$50,528	\$43,828	\$4,778	\$6,928	\$9,488	\$16,488

SERVICE HIGHLIGHTS

The primary operation in this fund is the maintenance of most of the City-owned and leased buildings and grounds (see table of facilities listed on page 47 of this section). Staff performs preventive maintenance and scheduled repairs, and responds to emergencies to protect the citizens' investment in this infrastructure.

In 2001, a major condition assessment was performed on all of the City buildings maintained by Public Works to identify structural issues and other maintenance needs. This condition assessment is reviewed annually and new items are identified. Projects from the condition assessment form the basis of the seven-year major maintenance plan and are included as a special project or part of the Capital Improvement Program, depending on the size and scope. Facility Maintenance staff assist departments with plan development efforts and manage the contracts on these projects for the building occupants.

Service contracts for routine maintenance include janitorial, laundry (uniforms and entry rugs), and landscaping. Public Works staff in this Fund develops the specifications, conducts the bid process, negotiates the contracts and oversees the quality of the service provided.

In keeping with organizational sustainability directives, staff evaluates the performance of building systems, maintenance practices, and the materials or supplies used, and implements or recommends changes to enhance the sustainability of facility operations. Recent examples include more efficient paper towel dispensing machines, solar panels on selected buildings, HVAC upgrades, and enhanced energy management systems to better control the operation of heating and cooling systems.

FINANCIAL PLANNING ISSUES

The majority of building facilities are used for services that operate in the General Fund. As basic services compete for available tax revenue, allocations for maintenance may be prioritized below those

for direct services, such as Library books or park maintenance. The risk in this prioritization strategy is the loss of the investment in the buildings and facilities, and over the long-term, higher costs from facility repair/replacement projects versus proactive facility maintenance activities.

The City Council has directed staff to increase sustainable practices in City operations. Some progress has been made, typically in low- or no-cost measures. Requiring compliance with LEED standards on remodel projects would be a major and costly initiative, and would compete with existing maintenance programs for funding. Grant opportunities from public and private agencies are sought to supplement the organization’s available resources for these projects.

FLEET MAINTENANCE FUND

BUDGETARY BASIS	ADOPTED FY 13-14	REVISED FY 13-14	PROPOSED FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
RECURRING DEDICATED REVENUE							
Fleet Internal Charges for Service	\$ 394,250	\$ 394,250	\$ 392,940	\$ 411,600	\$ 418,940	\$ 429,180	\$ 439,720
Other Charges for Service	484,250	484,250	457,170	475,460	494,480	514,260	534,830
Miscellaneous	1,000	1,000	1,000	1,000	1,000	1,000	1,000
TOTAL DEDICATED RECURRING REVENUE	\$879,500	\$879,500	\$851,110	\$888,060	\$914,420	\$944,440	\$975,550
TOTAL RECURRING REVENUE	\$879,500	\$879,500	\$851,110	\$888,060	\$914,420	\$944,440	\$975,550
EXPENDITURES							
Public Works	857,750	857,750	851,110	888,060	914,420	944,440	975,550
TOTAL RECURRING EXPENDITURES	\$857,750	\$857,750	\$851,110	\$888,060	\$914,420	\$944,440	\$975,550
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$21,750	\$21,750	\$0	\$0	\$0	\$0	\$0
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$6,180	\$10,834	\$32,884	\$16,154	\$16,154	\$16,154	\$16,154
<i>Net Recurring Revenue/Expenditure</i>	21,750	21,750	0	0	0	0	0
<i>Net Non-Recurring Revenue/Expenditure</i>	(15,700)	300	(16,730)	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$12,230	\$32,884	\$16,154	\$16,154	\$16,154	\$16,154	\$16,154
Ending Reserve Balance by Type							
ASSIGNED	13,424	13,424	13,424	15,724	18,024	20,324	22,624
TOTAL RESERVES	\$13,424	\$13,424	\$13,424	\$15,724	\$18,024	\$20,324	\$22,624

SERVICE HIGHLIGHTS

A garage facility, located at the Public Works site, provides preventive maintenance and repair services for City-owned vehicles (for a comprehensive list of city vehicles see page 45 of this section) and equipment. The organization's fleet represents a significant investment that needs to be managed successfully to assure efficient, uninterrupted service. Public Works staff coordinates vehicle purchases and work with certain user departments to develop specifications, and conduct the procurement process from competitive bid through receipt and preparation of the vehicle.

The City has agreements with other government agencies, such as Benton County, the City of Philomath, and the US Forest Service, to provide maintenance on specialized equipment. This intergovernmental relationship maximizes service efficiencies and reduces overall costs by ensuring only one agency needs to develop the staff expertise and purchase specialized tools.

The City wants to reduce the amount of greenhouse gas emissions from the operation of its rolling stock. Biodiesel is now used for the diesel fleet, reducing harmful emissions and extending the life of the engine. The City is also replacing standard gasoline-engine cars and light trucks with alternative-fuel

vehicles, whenever operationally feasible. Equipment purchases for the garage, such as a unit which uses a parts cleaning process that doesn't rely on chemicals, adds to sustainability efforts.

FINANCIAL PLANNING ISSUES

Revenue for this fund comes from charges allocated to departments for services to their vehicles and equipment. Rates are reviewed annually to ensure that the best service is offered for the lowest cost. Maximizing staff productivity ensures an adequate revenue stream and contributes to cost containment on shop rates. Contracting with other government agencies to perform maintenance on each others' vehicles is another factor in achieving this goal. However, fluctuating fuel prices impact available appropriations in the Fleet Maintenance budget, as well as the vehicle maintenance budgets of the operating departments. Fleet services have operated under a very tight margin for a number of years to contain costs to departments and remain competitive with the private sector. This has not left resources for garage tool and equipment upgrades. Modern tools and equipment would allow a broader range of services and repairs to be provided internally, reducing the cost to departments. Staff has developed a plan and begun upgrading garage equipment, but a successful long-term strategy needs to demonstrate to the customer base that fleet staff commitments to provide more service and lower costs can be met. Budget impacts to the City's General Fund supported program areas have implications to this fund, as departments defer preventative maintenance programs or seek out alternative service providers in an effort to potentially better control annual operating costs associated with departmental vehicles.

RISK MANAGEMENT FUND

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 13-14	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
BEGINNING BUDGETARY FUND BALANCE	\$347,639	\$360,637	\$342,587	\$36,147	\$36,147	\$36,147	\$36,147
REVENUES							
Charges for Service	\$1,029,830	\$1,029,830	\$1,090,510	\$1,199,340	\$1,283,460	\$1,374,940	\$1,474,440
Miscellaneous	32,000	45,950	30,840	29,170	31,140	33,730	35,980
TOTAL REVENUES	\$1,061,830	\$1,075,780	\$1,121,350	\$1,228,510	\$1,314,600	\$1,408,670	\$1,510,420
EXPENDITURES							
City Manager's Office	\$1,093,830	\$1,093,830	\$363,690	\$379,870	\$400,590	\$422,880	\$445,810
Finance	0	0	789,100	848,640	914,010	985,790	1,064,610
Contingencies	275,000	0	275,000	0	0	0	0
TOTAL EXPENDITURES	\$1,368,830	\$1,093,830	\$1,427,790	\$1,228,510	\$1,314,600	\$1,408,670	\$1,510,420
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$307,000)	(\$18,050)	(\$306,440)	\$0	\$0	\$0	\$0
RESERVED BALANCES, Beginning of Year	\$500,000						
FUND BALANCE (Including Reserved), End of Year	\$540,639	\$842,587	\$536,147	\$536,147	\$536,147	\$536,147	\$536,147
LESS: RESERVED BALANCES ASSIGNED	\$500,000						
ENDING BUDGETARY FUND BALANCE	\$40,639	\$342,587	\$36,147	\$36,147	\$36,147	\$36,147	\$36,147

SERVICE HIGHLIGHTS

The Risk Management Fund operations include deductibles and premiums for property, auto, liability, and worker's compensation insurance, as well as the City's safety program which works with City employees to reduce the number and severity of accidents. Revenues are primarily from City operating departments for their share of the City's insurance premiums and deductibles based on the department's claims experience and exposure, and payback of funds used in prior years to cover uninsured expenses. Other sources include miscellaneous loss recovery proceeds from third parties, revenues from the Employer-At-Injury Program, and interest earnings.

FINANCIAL PLANNING ISSUES

- Managing claims to remain within budget projections is important to avoid use of catastrophic reserves.
- Deductible levels are reviewed with each year's insurance bids to determine the optimal balance between insurance levels and insurance premiums. For FY 14-15, insurance premiums are projected to increase by nearly 10% compared to FY 13-14 premium levels. Factors most impacting the increase include market changes for the availability of cost effective earthquake coverage, but also the recent completion of an updated asset valuation by an external consultant. It had been eight years since property values had been appraised, so the resultant 30% increase in total value was not unexpected.
- Actual costs incurred in this Fund can also be significantly affected by any large claims or deductibles that would need to be back-stopped by self-insurance.

The City emphasizes reducing risk in the work place. Staff evaluates whether to assume more risk on behalf of the City to reduce costs even further. Controlling risk and further reducing claims can achieve additional fiscal benefits.

ENDING BUDGETARY FUND BALANCE

Typically the Risk Management Fund requires higher cash balances than other internal service funds to ensure funds are available for catastrophic events.

The Council's Financial Policies recommend a \$500,000 unappropriated catastrophic reserve balance and \$275,000 for appropriated catastrophic reserves (contingencies).

The operating fund balance is recommended to be \$40,000. Any amount in excess of \$40,000 is available to increase catastrophic reserves should it fall below \$500,000 or, alternatively, is refunded to departments as a dividend based on experience. Should the ending operating fund balance drop below \$40,000 in any fiscal year, it will be rebuilt the following year.

TECHNOLOGY & COMMUNICATIONS FUND

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 13-14	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
RECURRING							
DEDICATED REVENUE							
MIS Internal Charges for Service	\$1,410,370	\$1,410,370	\$1,440,090	\$1,474,330	\$1,500,080	\$1,536,030	\$1,573,240
Telephone Internal Charges for Service	171,940	171,940	141,790	177,250	180,350	184,670	189,140
Other Charges for Service	800	800	1,000	1,000	1,000	1,000	1,000
Miscellaneous	2,040	2,040	400	400	400	400	400
TOTAL DEDICATED RECURRING REVENUE	\$1,585,150	\$1,585,150	\$1,583,280	\$1,652,980	\$1,681,830	\$1,722,100	\$1,763,780
TOTAL RECURRING REVENUE	\$1,585,150	\$1,585,150	\$1,583,280	\$1,652,980	\$1,681,830	\$1,722,100	\$1,763,780
EXPENDITURES							
Finance	\$1,402,940	\$1,402,940	\$1,440,090	\$1,474,330	\$1,500,080	\$1,536,030	\$1,573,240
Public Works	173,430	173,430	143,190	178,650	181,750	186,070	190,540
TOTAL RECURRING EXPENDITURES	\$1,576,370	\$1,576,370	\$1,583,280	\$1,652,980	\$1,681,830	\$1,722,100	\$1,763,780
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$8,780	\$8,780	\$0	\$0	\$0	\$0	\$0
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$39,730	\$41,280	\$52,450	\$22,450	\$22,450	\$22,450	\$22,450
<i>Net Recurring Revenue/Expenditure</i>	8,780	8,780	0	0	0	0	0
<i>Net Non-Recurring Revenue/Expenditure</i>	(27,610)	2,390	(30,000)	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$20,900	\$52,450	\$22,450	\$22,450	\$22,450	\$22,450	\$22,450
Ending Reserve Balance by Type							
ASSIGNED	328,604	338,354	358,354	373,354	152,265	127,265	142,265
TOTAL RESERVES	\$328,604	\$338,354	\$358,354	\$373,354	\$152,265	\$127,265	\$142,265

SERVICE HIGHLIGHTS

Operations in the Technology and Communications Fund include the Finance Department's Management Information Services (MIS) Division's support and maintenance of the City's centralized technology systems and the Public Works Department's management of the telephone system.

FINANCIAL PLANNING ISSUES

The primary source of revenue is from telephone and management information system charges assessed against operating departments for their use of the City's phone and computer systems.

A long-range strategic plan has been developed for significant technology initiatives to be undertaken in coming years. Projects that are recommended in the plan largely address long-term data management or communication strategies. Implementation guidelines for these projects are developed with the

assistance of a committee of departmental experts who may assist with identifying funds and recommending priorities.

An annual technology plan is prepared to address the operational needs of the organization, including a short-term tactical plan that stems from the MIS strategic plan. The plan addresses the network operating system, group productivity software, office automation software, database standards, imaging, and intranet applications. Due to rapid technology changes, sometimes changes in financial planning may also result from this tactical planning effort. Demand for information in electronic formats continues to increase. There is also an increase in the system integration and communication of City staff with external agencies, vendors, citizens and each other. Balancing technology needs with available funding and human resources to implement and operate is crucial.

Reserves exist for replacement of network infrastructure and the telephone switch system (PBX). Technology, such as Voice-Over-Internet Protocol (VOIP), may impact how telephone service is provided to departments in the future.

Fiber optic cable connects departments and links the City with County facilities for the transmission of data. The fiber system for the City and the County is managed by the City. Currently, no resources are allocated to the maintenance of the fiber optics infrastructure and this will become a larger issue over time as the system ages.

Fund Balances in excess of \$20,000 in a given year may be targeted for capital outlay or reserves for items in the strategic plans mentioned above, if not refunded.

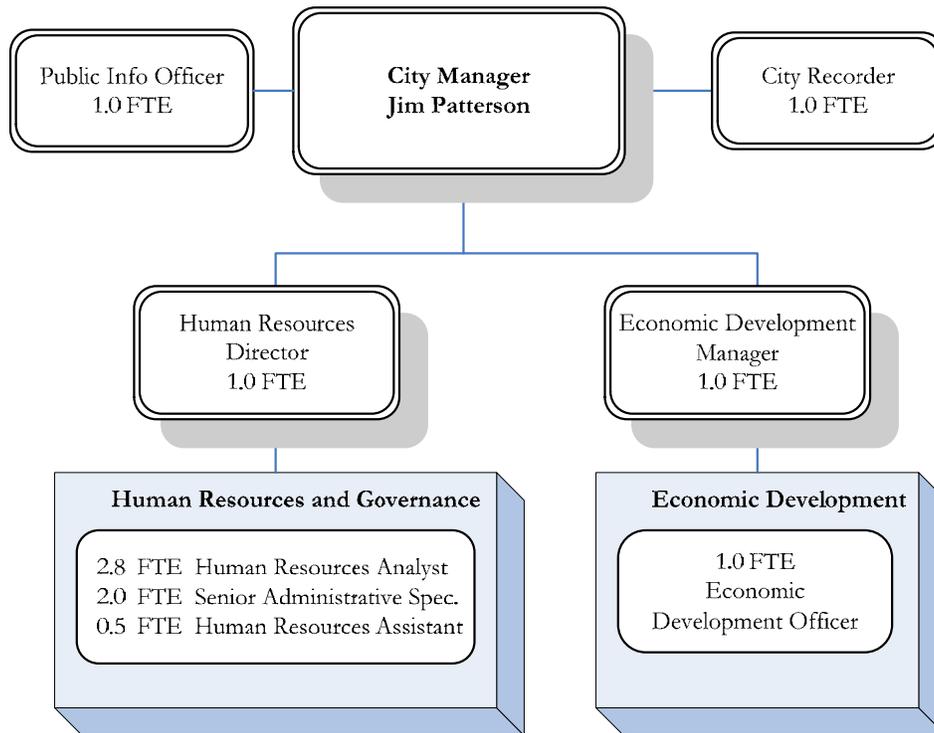


CITY MANAGERS OFFICE

MISSION STATEMENT

Provide leadership, coordination and management for the City organization to ensure effective community services.

CITY MANAGERS OFFICE ORGANIZATION CHART



ADVISORY BOARDS & COMMISSIONS

The Economic Development Commission reviewed this budget at its February 10, 2014 meeting, and provided its input. The members of the Commission expressed concern that maintaining the current budget level was critical at a time of real progress. There was also concern regarding the County's continued level of contribution. The initial budget of \$300,000 was already "bare-bones," and potential cuts would not allow the program that has started out very successfully to continue to succeed.

The Governance Division staff, who work closely with and in support of City Council, do not have a dedicated board or commission, nor does the Human Resources division, with whom to consult on budget matters.

SUMMARY OF SERVICES

The FY 14-15 Proposed Budget for the Economic Development Office (EDO) adheres to the firm expenditure limit determined as part of the General Fund sustainable budget plan. The EDO had carry-

over funds designated for special events and marketing in the FY 12-13 and FY 13-14 budgets. Those projects have been completed, and there is nothing in the FY 14-15 proposed budget for additional special projects. Those projects included financial support of the Willamette Angel Conference, Willamette Innovators Network Expo, YesCorvallis website development and marketing plan, and sponsorship of other business development activities.

Economic Development

- Develop and implement programs that will achieve the City's Economic Development goals of supporting innovative and business start-ups, retention and growth of current Benton County companies, and leverage local economic development assets.
- Manage Benton County-Corvallis Enterprise Zones and market the Airport Industrial Park.
- Provide staff support to the Economic Development Commission.

While Personnel Services increased by 8% in FY 13-14, Materials & Services decreased 41%. The EDO was able to perform with that decrease partly because the office was not completely staffed. With the combination of no special project funds and this significant decrease carried forward under the firm expenditure limit, the EDO will be limited in any activity other than what is described as prioritized in the box to the right.

Economic Development Priorities

- ✓ Funding the 2.0 FTE that are designated in the Economic Development Strategy prepared by the Economic Development Commission and endorsed by the City Council.
- ✓ Maintaining contracted business services with the Linn-Benton Community College Small Business Development Center based on documented results of proven benefits.

FY 14-15 Proposed Budget

	General Fund
Dedicated Revenue	\$121,000
Personnel Services	\$232,070
Materials and Services	\$61,230
Capital Outlay	\$0
Total Expenditures	\$293,300
Net Dedicated Revenue less Expenditures	(\$172,300)
FTE	2.000

SUMMARY OF SERVICES (CONTINUED)

Governance and Human Resources (HR)

- Support Mayor and City Council activities and implement Council decisions and goals.
- Pursue intergovernmental relations and partnerships and promote and sustain excellent community relations and communications/outreach.
- Partner with City departments to recruit, develop and retain a high quality workforce that is committed to excellence in public service.
- Provide professional Human Resource service to managers and employees by delivering excellent customer service and benchmarking the City of Corvallis against industry standards.
- Promote positive labor/management relations.
- Manage the workers' compensation and safety programs to minimize related risk and costs.

The FY 14-15 Proposed Budget for the City Manager's Office (CMO) in the Administrative Services Fund largely maintains current services.

A retirement during the FY 13-14 budget year resulted in some proposed restructuring for CMO in FY 14-15. The City Recorder/Assistant to the City Manager was replaced by a City Recorder position and the Management Assistant position was eliminated, resulting in a decrease of 1.0 FTE. However, the City Manager is proposing the addition of a Public Information Officer for the FY 14-15 year. In total, the FTE count for the City Manager's Office will remain the same, and the reorganization will result in an overall cost savings for the department.

Governance and HR Priorities

- ✓ Meeting legal requirements related to Governance and Human Resource activities.
- ✓ Negotiating labor contracts to meet the goal of a five year sustainable budget.
- ✓ Ensuring Mayor and Council needs are met.
- ✓ Funding the 2014 Citizen Attitude Survey.

The City Manager's Office has combined Governance and Human Resources into one overarching divisional budget for both functions that should lead to efficiencies in tracking and monitoring, versus two smaller budgets. It is further hoped that this change will result in less staff time for oversight and result in administrative efficiencies as the department moves forward without a designated Management Assistant to fulfill the role of Budget Liaison.

FY 14-15 Proposed Budget

	Admin. Svc. Fund	Risk Fund	Total
Dedicated Revenue	\$2,321,480	\$354,260	\$2,675,740
Personnel Services	\$1,165,410	\$0	\$1,165,410
Materials and Services	\$1,156,070	\$363,690	\$1,519,760
Capital Outlay	\$0	\$0	\$0
Total Expenditures	\$2,321,480	\$363,690	\$2,685,170
Net Dedicated Revenue less Expenditures	\$0	(\$9,430)	(\$9,430)
FTE	9.300	0.000	9.300

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

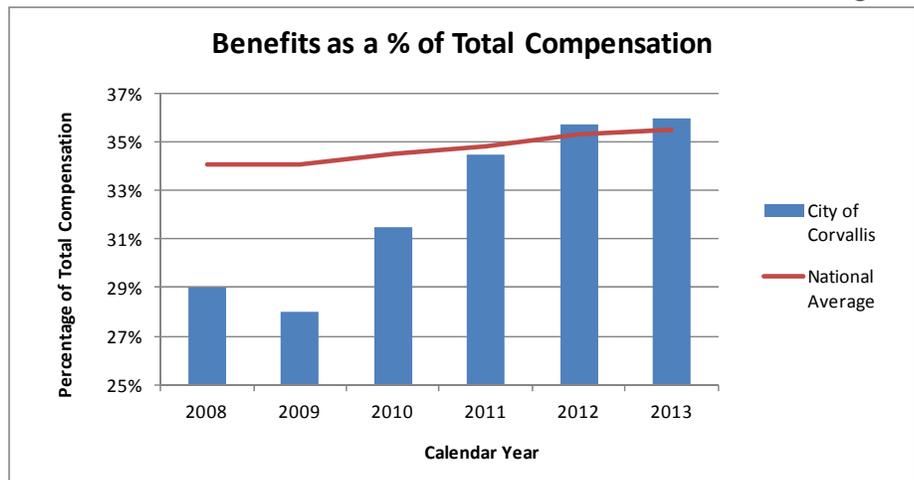
The EDO is funded with \$100,000 per year from Benton County which was committed for two years. The second year of the agreement is half complete, and the County will need to make a decision about the third year 90 days prior to September 20, 2014. The EDO hopes to continue to get funding beyond that, but will need additional commitment. The EDO also receives \$21,000 per year from the Airport Fund to market the Airport Industrial Park. The balance (\$172,300) comes from the City's General Fund non-dedicated resources.

SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURE

The City Manager's Office (CMO) monitors a variety of performance measures linked to service provision and to determine if departmental service outcomes are meeting all relevant goals and objectives. The City Council overarching goals of Sustainability and Cost Efficiency serve to drive the 2013-2015 Council's goal of a Sustainable Budget, which is a paramount objective for this fiscal year's budget. Additional linkage can be made to the City Manager's Core Responsibilities, with regard to the department being part of City "Infrastructure" that supports all other departmental service responsibilities for Resident Well Being, Public safety, Livability and Economic Vitality. A key outcome that CMO highlights for stakeholders as both a measure and a driver of its business operations is the ability to:

Measure benefits as a percentage of total compensation:

- *Measure definition:* Measure City employee benefits to compensation ratio for competitiveness, retention, attraction and comparator purposes.
- *Evaluation of results:* The Bureau of Labor Statistics (BLS) reports a national average of benefits as a percentage of total compensation for state and local governments, which is used as the benchmark for monitoring the City's performance in this area. As of December 2013, the BLS national average is 35.5%. Since 2009, the City's percentage has been steadily increasing and coming into alignment with the industry standard, yet most recently has exceeded it.
- *Current year performance and trends:* For the calendar year 2013, the City's average benefits as a percentage of total compensation was 36%, exceeding the national average.
- *Conclusions and challenges:* Human Resources is working to reduce the overall cost of benefits during labor negotiations. Reducing benefit costs is a challenging but necessary goal for the long term financial stability of the City; however, this must be carefully balanced with industry standards in order to attract and retain qualified employees by remaining competitive with comparators.



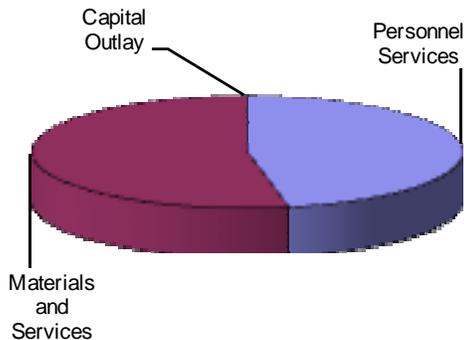
CITY MANAGERS OFFICE – BUDGET SUMMARY

Employee wages and benefits represent the largest cost at 47% of total CMO expenditures. Overhead costs such as utilities, supply costs such as paper for the document-intensive work of the department, and training to maintain professional knowledge in a highly regulated industry constitute virtually the rest of the budget. Capital purchases are very infrequent in this department since no vehicles are operated by department staff for services provided.

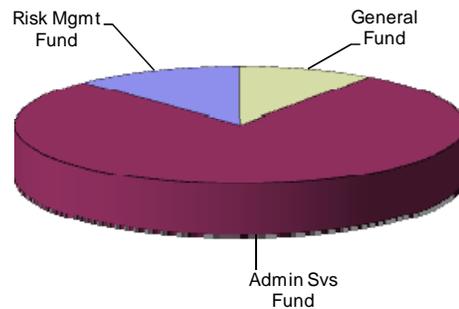
BUDGET BY CATEGORY:	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
Personnel Services	\$1,226,341	\$1,253,639	\$1,414,780	\$1,414,780	\$1,397,480	-1.22%
Materials and Services¹	1,628,476	1,665,398	1,882,230	1,880,220	1,580,990	-16.00%
Capital Outlay	0	0	0	0	0	0.00%
TOTAL	\$2,854,817	\$2,919,037	\$3,297,010	\$3,295,000	\$2,978,470	-9.66%

1) In FY14-15, Property and Liability Insurance program expenditures within the Risk Management Fund were transferred to the Finance Department for program managing; only Workers Compensation remains managed by CMO.

FY 14-15 PROPOSED BUDGET EXPENDITURES BY CATEGORY



FY 14-15 PROPOSED BUDGET EXPENDITURES BY FUND



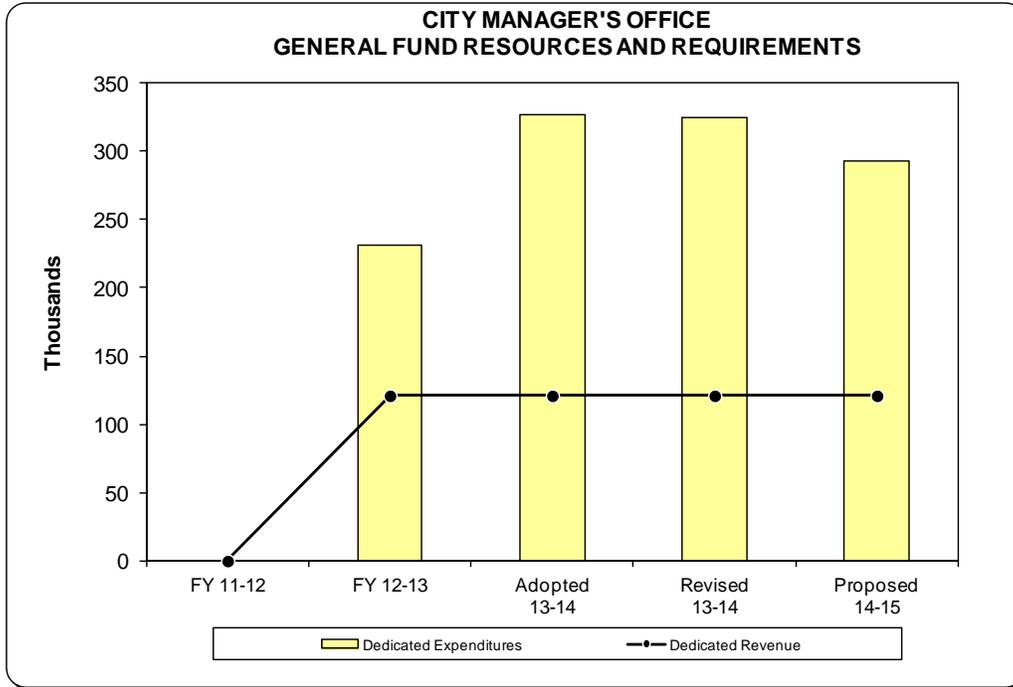
The City Manager's Office operates in the General, Administrative Services and Risk Management Funds as shown in the table below.

BUDGET BY FUND:	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
General Fund	\$0	\$231,272	\$326,250	\$324,240	\$293,300	-10.10%
Administrative Svs Fund	1,931,725	1,733,781	1,876,930	1,876,930	2,321,480	23.68%
Risk Mgmt Fund¹	923,092	953,984	1,093,830	1,093,830	363,690	-66.75%
TOTAL	\$2,854,817	\$2,919,037	\$3,297,010	\$3,295,000	\$2,978,470	-9.66%

1) In FY14-15, Property and Liability Insurance program expenditures within the Risk Management Fund were transferred to the Finance Department for program managing; only Workers Compensation remains managed by CMO.

CITY MANAGERS OFFICE – BUDGET SUMMARY (CONTINUED)

Below is a depiction of CMO's General Fund dedicated revenues and expenditures, along with its draw on property tax funding:



GENERAL FUND - CITY MGR OFF.*	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE FROM 13-14
DEDICATED REVENUE	2011-12	2012-13	2013-14	2013-14	2014-15	BUDGET
Charges for Services	\$0	\$121,000	\$21,000	\$121,000	\$121,000	476.19%
Miscellaneous	0	0	100,000	0	0	-100.00%
Dedicated Revenue	0	121,000	121,000	121,000	121,000	0.00%
EXPENDITURES CLASS:						
Personnel Services	0	117,579	221,250	221,250	232,070	4.89%
Materials and Services	0	113,691	105,000	102,990	61,230	-41.69%
Capital Outlay	0	0	0	0	0	0.00%
Dedicated Expenditures	0	231,270	326,250	324,240	293,300	-10.10%
Use of (addition to) Non-Dedicated Revenue	0	110,270	205,250	203,240	172,300	-16.05%

* For all other funds the revenues are dedicated for the services provided so they are not presented in the table above.

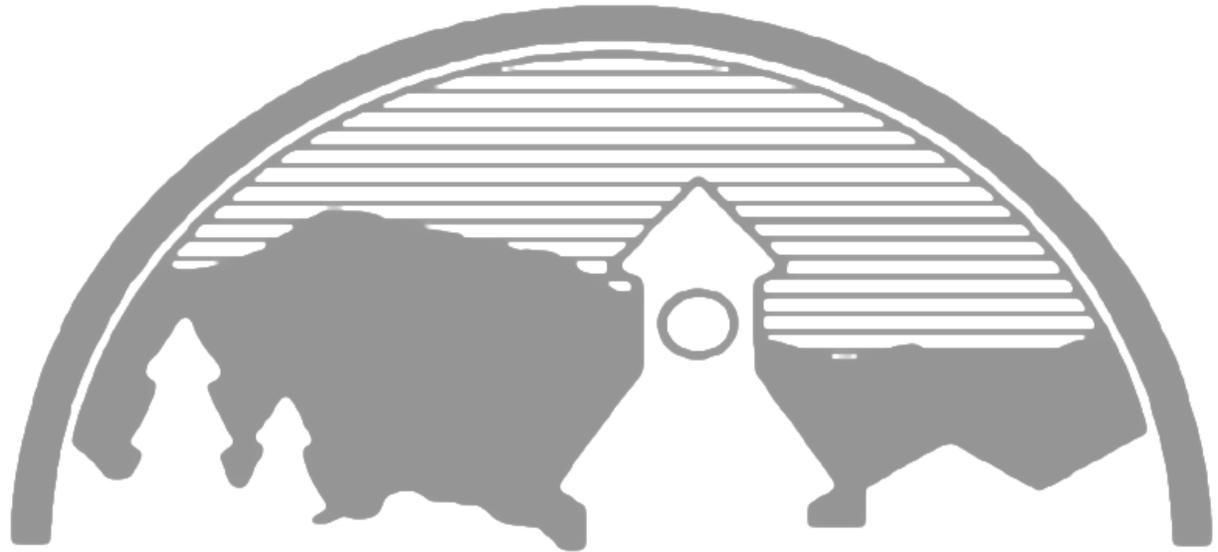
CITY MANAGERS OFFICE STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 14-15 FTE	FY 13-14 FTE	FY 12-13 FTE
City Manager	Exempt	\$11,994	1	1.000	1.000	1.000
Assistant City Manager ¹	Exempt	7,938 - 10,131	-	0.000	0.000	1.000
Human Resources Director ²	Exempt	7,554 - 9,641	1	1.000	0.000	0.000
Economic Development Manager	Exempt	6,579 - 8,396	1	1.000	1.000	1.000
Assistant to City Manager/City Recorder ¹	Exempt	5,848 - 7,463	-	0.000	1.000	1.000
Human Resources Manager ^{1,2}	Exempt	5,848 - 7,463	-	0.000	1.000	0.000
City Recorder ¹	Exempt	4,747 - 6,058	1	1.000	0.000	0.000
Public Information Officer ¹	Exempt	4,335 - 5,533	1	1.000	0.000	0.000
Economic Development Officer	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Management Assistant ¹	Exempt	4,335 - 5,533	-	0.000	1.000	1.000
Benefits Officer ³	Exempt	4,335 - 5,533	-	0.000	1.000	1.000
Human Resources Analyst ³	Exempt	3,959 - 5,053	3	2.800	0.000	0.000
Senior Administrative Specialist	Exempt	3,319 - 4,237	2	2.000	2.000	2.000
Human Resources Specialist ³	Exempt	3,319 - 4,237	-	0.000	1.800	1.800
Human Resources Assistant ^{3,4}	Exempt	3,015 - 3,849	1	0.500	0.000	0.000
TOTAL			12	11.300	10.800	10.800

NOTE: Salary ranges reflect FY 13-14 Class and Compensation schedules.

1. The retirements of the former Assistant City Manager and Assistant to City Manager/City Recorder prompted a reorganization of department staff in order to improve efficiencies.
2. The Human Resources Manager was reclassified as Human Resources Director during FY 13-14.
3. To improve the efficiencies within the Human Resources Division, positions were reclassified to better suit the City's needs.
4. The addition of a .50 FTE Human Resources Assistant position was authorized by City Council during FY 13-14.





CORVALLIS

ENHANCING COMMUNITY LIVABILITY



COMMUNITY DEVELOPMENT DEPARTMENT

SUMMARY OF SERVICES

MISSION STATEMENT

It is the mission of the Community Development Department to facilitate the definition, interpretation and implementation of the community's vision for Corvallis. This is accomplished by:

- Administering standards in a balanced, consistent, efficient, professional and timely manner.
- Exchanging information openly, honestly and respectfully.

Community Development Department services are provided by four divisions:

Administration

- ❖ Conduct strategic planning and monitoring.
- ❖ Administer programs consistent with Council Goals and Policies.
- ❖ Provide departmental budget preparation and management.
- ❖ Provide support for City/OSU Collaboration Project.
- ❖ Provide oversight of all divisions.

Development Services

- ❖ Provide one-stop building permit and information center for construction and zoning services.
- ❖ Review plans, issue permits, and conduct inspections for approved development projects. Administer flood plain management regulations.
- ❖ Administer erosion prevention/sediment control program.
- ❖ Administer Code Enforcement Program.

Planning

- ❖ Ensure compliance with State and Federal mandates for land use planning.
- ❖ Process land use applications consistent with Land Development Code requirements and other applicable rules and policies. Implement applicable City Council Goals and Planning Division Work Program, per City Council direction.
- ❖ Provide information to the public regarding the City's planning regulations.

Housing

- ❖ Manage the delivery of federal funds (Community Development Block Grant and HOME Investment Partnerships programs) to support affordable housing, social services and other community development activities in Corvallis.
- ❖ Design and deliver financial assistance programs to help lower income residents rehabilitate or purchase homes.
- ❖ Assist and educate the community about landlord-tenant, habitability, and fair housing issues and regulations.

ADVISORY BOARDS & COMMISSIONS

Community Development (CD) provides staff support to six Boards and Commissions, each of which has advisory and/or quasi-judicial responsibilities in different functional areas; therefore, there is no single body to advise CD on overall priorities.

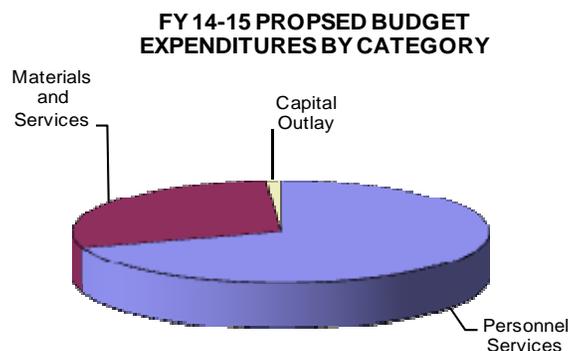
Boards and Commissions with responsibilities for functions supported by General Fund resources were invited to a budget review session in early January 2014. The upcoming budget process and longer term budget considerations were discussed. Staff highlighted the large number of long range planning projects anticipated over the upcoming several years, and the need to consider ways to reduce staff and Commission time on reviews of land use applications. The goal is for more attention to be directed toward community planning and support of other citizen advisory groups such as the Downtown Commission.

COMMUNITY DEVELOPMENT DEPARTMENT BUDGET SUMMARY

Employee wages and benefits represent the largest cost at 70% of total Community Development expenditures. Overhead costs such as utilities, internal service charges, supply costs such as paper for the document-intensive work of the department, and training to maintain professional knowledge in a highly regulated industry constitute virtually the rest of the budget. About 1% of the budget in any given year is spent on capital purchases primarily for vehicles and equipment.

BUDGET BY CATEGORY:	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
Personnel Services^{1,2}	\$3,495,092	\$3,531,522	\$4,085,370	\$4,085,370	\$4,457,210	9.10%
Materials and Services	1,978,538	2,025,732	3,764,680	3,517,680	1,833,820	-51.29%
Capital Outlay	42,786	48,012	69,000	69,000	75,000	8.70%
TOTAL	\$5,516,416	\$5,605,266	\$7,919,050	\$7,672,050	\$6,366,030	-19.61%

1. For FY 13-14, the Development Services Fund has added back 2.75 FTE that were authorized but unfunded for the past several years, due to the economic downturn.
2. FY 14-15 budget includes additional 1.50 FTE supported by the 2013 Operating Levy.



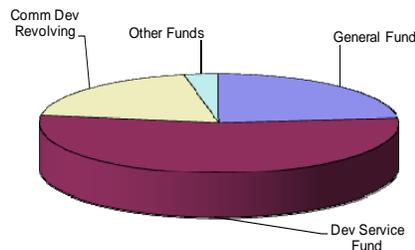
COMMUNITY DEVELOPMENT DEPARTMENT BUDGET SUMMARY (CONTINUED)

The Community Development Department operates in the General, Development Services, Community Development Revolving, Street, Parking and Utilities Funds as depicted below:

BUDGET BY FUND:	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
General Fund	\$1,256,557	\$1,225,394	\$1,309,840	\$1,308,130	\$1,498,870	14.43%
Street Fund	17,195	19,220	22,120	22,120	21,020	-4.97%
Dev Service Fund¹	2,416,197	2,577,373	3,274,050	3,263,470	3,423,890	4.58%
Comm Dev Revolving	1,675,207	1,618,817	3,141,770	2,907,060	1,248,490	-60.26%
Parking Fund	3,925	4,042	4,220	4,220	4,120	-2.37%
Water Fund	49,156	55,091	56,850	56,850	57,770	1.62%
Wastewater Fund	48,196	52,228	54,640	54,640	55,490	1.56%
Storm Water Fund	49,984	53,100	55,560	55,560	56,380	1.48%
TOTAL	\$5,516,416	\$5,605,266	\$7,919,050	\$7,672,050	\$6,366,030	-19.61%

1) For FY 13-14, the Development Services Fund has added back 2.75 FTE that were authorized but unfunded for the past several years, due to the economic downturn.

**FY 14-15 PROPOSED BUDGET
EXPENDITURES BY FUND**



SUMMARY OF SERVICES GENERAL FUND – COMMUNITY DEVELOPMENT

Consistent with the Community Development General Fund expenditure limit and due in large part to the November 2013 levy-funded resources being available, existing service levels will be maintained and additional long range planning and code enforcement services will be expanded in FY 14-15 with this proposed budget.

SIGNIFICANT CHANGES TO RECURRING OPERATIONS

Community Development continues to implement changes in order to address efficiency, budget constraints and customer service considerations. Over the past several years, General Fund supported areas (largely planning and code enforcement services) have reduced administrative support staff, reduced planning and code enforcement FTE, and implemented efficiency and cost saving measures (e.g., using electronic notification rather than mailed notices where possible, and changing the format of staff reports).

SIGNIFICANT CHANGES TO RECURRING OPERATIONS (CONTINUED)

By far the most significant change for FY 14-15 is the restoration of a dedicated long range planning position and the addition of a .50 FTE code enforcement staff position via the 2013 Operating Levy approval. The Planning Division will hire a new 1.0 FTE planning position and current planning work will be assigned to this new planner. Long range planning responsibilities will be shared by the existing experienced staff. Time will be tracked to assure that at least 1.0 FTE is dedicated to long range planning projects, such as a needed update to the Buildable Lands Inventory. It is likely that the staffing dedicated to long range planning will significantly exceed 1.0 FTE due to the ambitious planning work program that lies ahead. To further address community expectations regarding long range planning, the proposed FY 14-15 budget includes special project funds (discussed below).

The CD General Fund-related budget also includes the addition of the levy-funded .50 FTE Code Enforcement Officer position. This position will allow for additional staff time to address a backlog of code enforcement cases.

The above staffing additions result in the CD General Fund personnel services budget increasing by 13%. The other significant change in recurring expenditures is the addition of approximately \$20,000 in contractual services for planning. This budget amount allows for scanning of planning files by either a contractor or casual staff. This will result in much more efficient access to records by staff and the public, and greatly reduce storage needs for the myriad of land use case files, Land Use Board of Appeals (LUBA) records and other planning project records.

PRIORITIZATION

Regarding General Fund services, the following system has been used to prioritize expenditures during past budget reduction decisions:

- # 1 Priority - Current planning activities related to land use applications and providing information to prospective applicants and the general public related to land use planning regulations and processes.
- #2 Priority - Provision of a minimal level of code enforcement services, i.e., 1.0 FTE and some casual staffing
- # 3 Priority - Long range planning activities related to the City Council approved planning work program

The basis for the above priorities stems from the City's legal requirements to process land use applications within 120 days, and from the need to enforce various City ordinances through the Code Enforcement Program.

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

CD is proposing to increase the General Fund Special Projects budget to \$62,000. These funds would be used to fund long range planning projects that need outside expertise and/or will augment the work done by the long range planning staff.

One example project is an update of the City's Buildable Lands Inventory (BLI) which is more than 15 years old and has been identified as a very high priority in the Planning Work Program.

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS (CONTINUED)

It should be noted that the estimated cost of a BLI exceeds the above amount and therefore other funding will be needed (e.g., carrying over unspent FY 13-14 budget for the Council's Housing Goal, which has been discussed by Council leadership). Given the passage of the five year operating levy that will support long range planning work, the need to budget and carry over funds necessary to support projects such as the BLI and 2020 Vision update is essential to successfully address the long range planning work program.

SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURE

The primary function of the Community Development Department's General Fund supported efforts is the implementation of the community's vision, assuring that land use planning efforts are consistent with the community's vision, as well as state and federal programs and regulations, acting as the central point of contact regarding long-range land use planning for areas within the Urban Growth Boundary, and coordinating development review consistent with the Comprehensive Plan and Land Development Code for land use proposals that require action from elected and appointed bodies. The City Council's overarching goals of Sustainability and Cost Efficiency serve to drive the 2013-2015 Council's goal of a Sustainable Budget. With regard to Cost Efficiencies, the Planning Division measure will achieve efficiencies by streamlining the application review process, reducing staff time in staff report preparation, providing for more efficient use of legislative body review, and providing increased public participation with lower costs. Additional linkage can be made to the City Manager's Core Responsibilities of Resident Well Being and Livability.

Average review time (in days) to process a public hearing-level land use application:

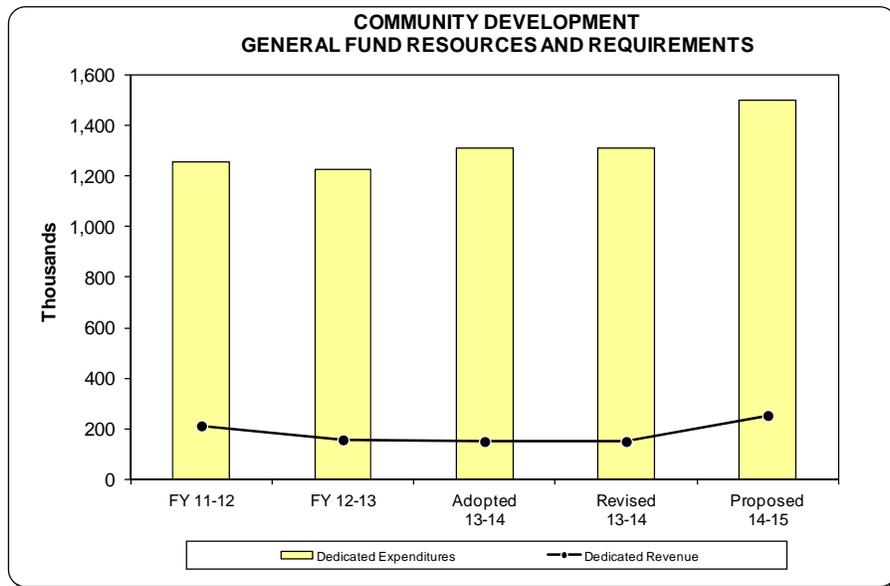
- *Measure Definition:* This measure examines the amount of time elapsed between receipt of a complete land use application and the final local decision on the application. State law requires local jurisdictions to issue final decisions at the local level (prior to potential LUBA appeal) on land use applications within 120 days of receipt of a complete application.
- *Evaluation Results:* The Planning Division has, on average, been able to issue a final decision on a land use application in much less time than 120 days.
- *Current year performance and trends:* The FY 12-13 target was to average less than 100 days to reach a final local decision on a public hearing-level land use application. Historically, the Planning Division has averaged a much shorter time span between receipt of a complete application and a final local decision. In FY 12-13, the average was 33 days, and as of the second quarter in FY 13-14, the average is 36 days.
- *Conclusions and challenges:* Given the Planning Division's past performance in this area, the FY 13-14 target was maintained at an average of less than 100 days. However, given the City's budget situation, and limited staff capacity, a significant increase in appeals received and/or an increase in the number of land use applications received, could lengthen the Division's average turnaround time.



GENERAL FUND BUDGET SUMMARY COMMUNITY DEVELOPMENT

Employee wages and benefits represent the largest cost, at 74% of total Community Development Department expenditures in the General Fund. Overhead costs such as utilities, supply costs such as paper for the document-intensive work of the department, and training to maintain professional knowledge in a highly regulated industry constitute virtually the rest of the budget.

Below is a depiction of CD's General Fund dedicated revenues and expenditures, along with its draw on property tax funding:



GENERAL FUND - CD*	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE FROM 13-14 BUDGET
DEDICATED REVENUE	2011-12	2012-13	2013-14	2013-14	2014-15	BUDGET
Charges for Services	\$177,080	\$105,541	\$103,020	\$103,020	\$100,000	-2.93%
Intergovernmental	5,954	8,722	8,000	8,000	8,000	0.00%
Fines & Forfeitures	0	2,006	0	0	0	0.00%
Miscellaneous	29,620	41,032	39,860	39,860	9,590	-75.94%
2013 Operating Levy	0	0	0	0	136,040	0.00%
Dedicated Revenue	212,654	157,301	150,880	150,880	253,630	68.10%
EXPENDITURES CLASS:						
Personnel Services	977,526	944,816	964,150	964,150	1,114,400	15.58%
Materials and Services	279,034	280,577	345,690	343,980	384,470	11.22%
Capital Outlay	0	0	0	0	0	0.00%
Dedicated Expenditures	1,256,560	1,225,393	1,309,840	1,308,130	1,498,870	14.43%
Use of (addition to) Non-Dedicated Revenue	1,043,906	1,068,092	1,158,960	1,157,250	1,245,240	7.44%

* For all other funds the revenues are dedicated for the services provided so they are not presented in the table above.

SUMMARY OF SERVICES – DEVELOPMENT SERVICES FUND

The Development Services Division (DS) facilitates the construction of approved development projects through the administration and enforcement of the Building Safety Code, Municipal Code and Land Development Code.

SIGNIFICANT CHANGES TO RECURRING OPERATIONS

The Division continues to implement the DS Service Enhancement Package. The last remaining element of the package includes electronic plan review (ePlans) and some staffing adjustments. ePlans is a major shift in business practice and will be in full force by mid-FY 14-15. The Division needs a limited duration Information Systems Analyst to support this effort. It is proposed that this be a two-year limited duration position, and CD has requested approval of this concept from Human Resources. Approval will add \$92,660 to expenditures annually.

The Division faces increasing staffing challenges that have created difficulties in meeting performance objectives in the areas of plumbing inspections and site engineering reviews. The Division proposes an additional 2.0 FTE to eliminate process bottlenecks of development applications. A Plumbing Inspector will increase expenditures by \$95,860. An Engineering Tech III will increase expenditures by \$83,540. In order to help pay for these positions the Division proposes to pursue fee adjustments which are designed to cover the full cost of service. There are several 3-year code change cycles coming up in the next fiscal year that will require additional training and purchases of new code books for all certified staff.

The Development Services Fund has a healthy fund balance, currently in the range of \$2,000,000. The proposed FY 14-15 budget shows expenditures exceeding revenues. Revenues are budgeted conservatively and expenditure authority is necessary in order to allow the Division to address customer service expectations, especially if development activity (and conversely revenue) increases beyond budget projections. The Development Services budget will be monitored closely to calibrate expenditures with workload demand and revenue performance.

PRIORITIZATION

In determining priorities, the Division tends to rely heavily on the DS mission, Oregon legal requirements, feedback from the DS Stakeholder Advisory Group, and Insurance Services Office (ISO) audit criteria. In addition, performance is monitored regularly and includes measures such as same-day inspections, 14-day new home reviews, 21-day commercial reviews, and the numbers of online issuances for plumbing, mechanical or electrical permits.

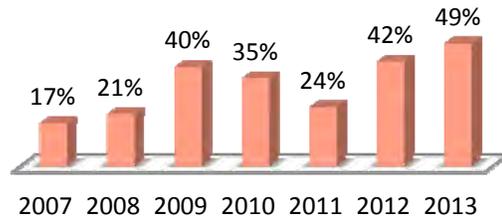
SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURE

The City Council overarching goals of Sustainability and Cost Efficiency serve to drive the 2013-2015 Council’s goal of a Sustainable Budget. With regard to Cost Efficiencies, the Development Services Division measure is to conserve resources by reducing fuel and paper use. Additional linkage can be made to the City Manager’s Core Responsibilities of Resident Well Being and Public Safety.

Percentage of permits issued online:

- *Measure definition:* This is a measure that tracks how many permits are issued online through OregonPermits.gov, as compared with the total number permits issued. This measure applies only to electrical, mechanical, solar, and plumbing permits.
- *Evaluation of results:* Results continue to exceed expectations with an average of 49% by the fourth quarter of FY 12-13.
- *Current year performance and trends:* Current performance is at 57% which is above target for the second quarter 2014. A growing trend is anticipated following a couple more years of tracking this performance measure.
- *Conclusions and challenges:* Customers have embraced the online permitting system in a manner that has exceeded expectations. With this State-run web portal, one major challenge for the Division is keeping the State up-to-date with current address data to ensure it is published in a timely manner. Additionally, each time a new permit type is added for online issuance, there is some department overhead incurred to educate users about the process.

Total % of Mechanical, Electrical, and Plumbing Permits Issued Online



DEVELOPMENT SERVICES BUDGET SUMMARY

FY 14-15 Proposed Budget	
	Dev. Svcs. Fund
Dedicated Revenue	\$2,706,920
Personnel Services	\$2,715,070
Materials and Services	\$633,820
Capital Outlay	\$75,000
Total Expenditures	\$3,423,890
Net Dedicated Revenue less Expenditures	(\$716,970)
FTE	26.190

SUMMARY OF SERVICES

COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

The Housing Division facilitates the creation and maintenance of affordable and habitable housing opportunities for lower-income and/or housing disadvantaged Corvallis residents, provides technical and financial assistance to agencies that serve the housing and social services needs of lower-income residents, and designs and delivers programs to improve rental housing conditions and educate members of the community about issues of law and habitability that affect housing.

SIGNIFICANT CHANGES TO RECURRING OPERATIONS

The FY 14-15 CD Revolving Loan Fund budget does not anticipate significant changes in programs or the delivery of services relative to prior years. Following a reduction in staffing from 5.0 FTE in FY 12-13 to 4.0 FTE in FY 13-14 (an additional .50 FTE is authorized but not budgeted), approaches to service delivery have been reviewed for cost efficiency and savings. Fund expenditures fall into two primary categories: personnel services, and loan/grant/fee-based programs (services). Internal Service Charges comprise the most significant expenditure element that cannot be funded through the Division's federal grant or fee-based programs. As has been the case in the current and recent past years, the Division will continue to look for opportunities to control and minimize expenditures not supported by grants and fees, and maximize the receipt and utilization of funds from existing sources.

The proposed FY 14-15 budget for the Community Development Revolving Fund reflects a deficit that will be offset through a combination of approaches. These include: partially balancing the shortfall with a positive fund balance anticipated for FY 13-14; utilizing carryovers of FY 13-14 resources that will be available to support administrative operating costs in FY 14-15 beyond what is currently reflected in that year's proposed budget; and a potential reissue of a year-end inter-fund loan from the Department's Development Services Fund to cover any deficit that remains. The Revolving Fund's most significant challenge continues to stem from the fact that its primary funding sources cap the amounts that may be expended on program administration, leaving a gap between what is available and what is required to cover non-personnel services overhead and operating costs. During FY 14-15, in addition to changes that may result from a contemplated Division restructure, the Department will work with the Finance Department's Budget Office and City Manager's Office to develop a longer-term approach that will identify funding strategies to cover future deficits.

PRIORITIZATION

The programs provided to the community by the CD Revolving Loan Fund are supported by revenues generated from federal entitlement grants, by loan repayment revenues generated by the City's investment of these grants, and by an annual, per-unit fee charged to the owners of Corvallis rental properties. Because the CD Revolving Loan Fund's resources are either received for or as a result of the delivery of a specific set of programs and services, no prioritization of Fund-based services has been carried out.

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

While the CD Revolving Loan Fund is heavily dependent on grant revenues, the funding is recurring, albeit at varying levels from year to year.

SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURE

The City Council’s overarching goals of Sustainability and Cost Efficiency underpin the 2013-2015 Council’s goal of a Sustainable Budget. With regard to Cost Efficiencies, the Housing Division measure is to assure that low income residents’ housing needs are met in a cost efficient manner by targeting to assist ten households per \$100,000 in City funds invested. Beyond cost efficiency, additional linkages to the City Manager’s Core Responsibilities of Resident Well Being and Livability are also achieved.

Assure that low income residents’ housing needs are met in a cost efficient manner:

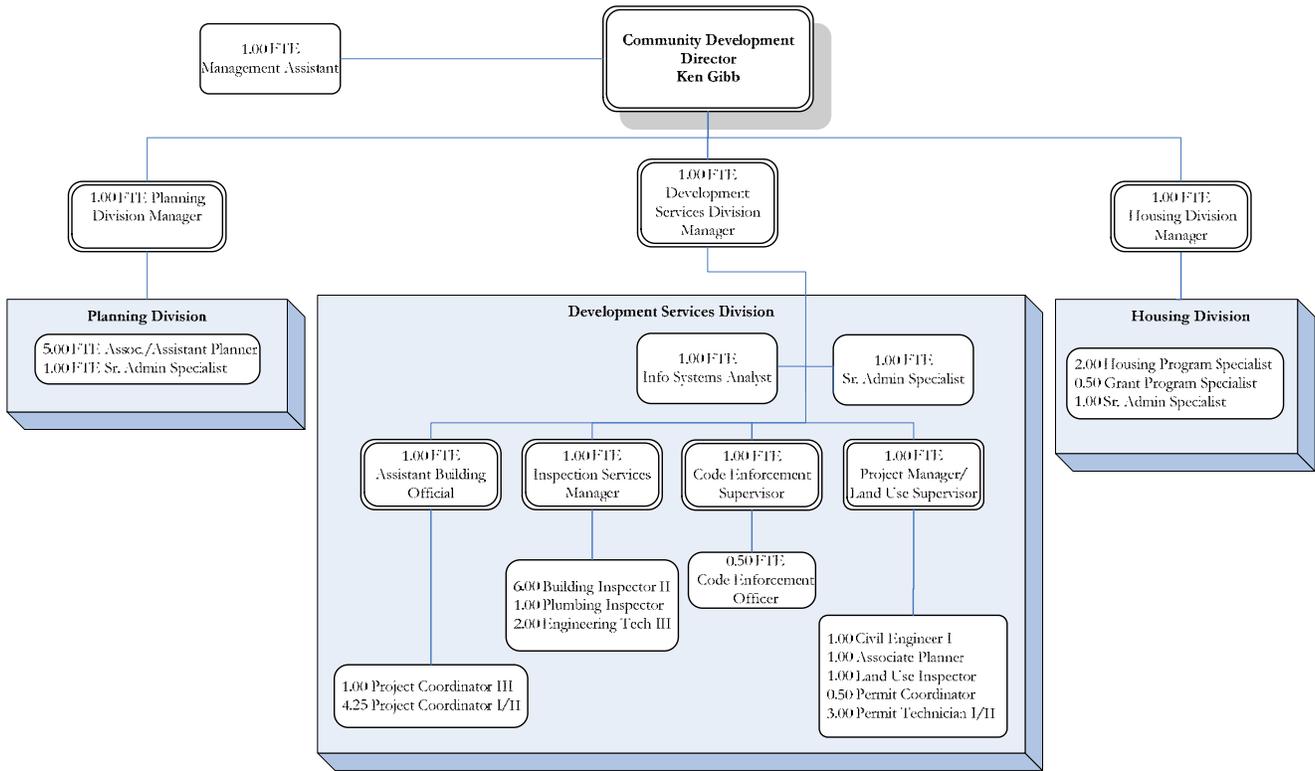
- *Measure definition:* This measure examines how efficiently the City utilizes its financial assistance resources to help low income households move into affordable housing opportunities. The higher the number of units assisted per \$100,000 expended, the more cost efficiency the program’s operation. Cost efficiency, in turn, translates into an efficiency measure for the creation and expansion of income diversity in Corvallis’ neighborhoods.
- *Evaluation of results:* Results averaged just over 3.2 units per \$100,000 invested in FY 12-13, which is slightly lower than the average of the prior three years.
- *Current year performance and trends:* At a year-to-date rate of 7.0 units per \$100,000 invested, current year performance shows an improvement over FY 12-13, and is expected to remain at that level through the second half of FY 13-14.
- *Conclusions and challenges:* Although there was a decrease in the number of units assisted per \$100,000 invested during FY 12-13 relative to the average of prior years, that rate of assistance has improved significantly during FY 13-14. Last year at this time, based on the slow economy and flat or fallen home prices in Corvallis, it was anticipated that unit assistance would decline, but then trend back toward the City’s 10 units/\$100k target as conditions continue to improve in FY 13-14 and beyond. The improved cost efficiency rate in FY 13-14, which is projected to continue through FY 14-15, stems primarily from increased numbers of low income first time home buyers who have been able, and are again more willing, to enter into home ownership.



CD REVOLVING LOAN FUND BUDGET SUMMARY

FY 14-15 Proposed Budget	
	CD Revolving Fund
Dedicated Revenue	\$1,132,010
Personnel Services	\$449,120
Materials and Services	\$799,370
Capital Outlay	\$0
Total Expenditures	\$1,248,490
Net Dedicated Revenue less Expenditures	(\$116,480)
FTE	4.500

COMMUNITY DEVELOPMENT DEPARTMENT ORGANIZATION CHART



COMMUNITY DEVELOPMENT DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 14-15 FTE	FY 13-14 FTE	FY 12-13 FTE
Community Development Director	Exempt	\$8,325 - 10,625	1	1.000	1.000	1.000
Development Services Manager	Exempt	6,579 - 8,396	1	1.000	1.000	1.000
Planning Division Manager	Exempt	6,579 - 8,396	1	1.000	1.000	1.000
Assistant Building Official (ABO) ¹	Exempt	5,848 - 7,463	1	1.000	0.000	0.000
Project Manager/Land Use Supervisor ¹	Exempt	5,848 - 7,463	1	1.000	1.000	1.000
Housing Division Manager	Exempt	5,848 - 7,463	1	1.000	1.000	1.000
Inspection Services Manager	Exempt	5,848 - 7,463	1	1.000	1.000	1.000
Project Leadworker/Project Coordinator III ²	AFSCME	5,387 - 6,875	1	1.000	0.000	1.000
Land Use Supervisor ¹	Exempt	5,198 - 6,634	-	0.000	1.000	1.000
Civil Engineer I	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000
Project Coordinator (I or II) ^{3,7}	AFSCME	4,277 - 6,366	4	4.250	5.750	3.750
Associate/Assistant Planner ⁴	AFSCME	3,963 - 6,366	6	6.000	5.000	5.000
Code Enforcement Supervisor	Exempt	4,747 - 6,058	1	1.000	1.000	1.000
Building Inspector II	AFSCME	4,620 - 5,897	6	6.000	6.000	6.000
Information Systems Analyst ⁵	AFSCME	4,620 - 5,897	1	1.000	0.000	0.000
Plumbing Inspector ⁶	AFSCME	4,620 - 5,897	1	1.000	0.000	0.000
Management Assistant	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Land Use Inspector	AFSCME	4,277 - 5,458	1	1.000	1.000	1.000
Housing Program Specialist	AFSCME	4,277 - 5,458	2	2.000	2.000	2.000
Engineering Technician III ⁵	AFSCME	3,963 - 5,058	2	2.000	1.000	1.500
Code Enforcement Officer ⁴	AFSCME	3,963 - 5,058	1	0.500	0.000	0.000
Grant Program Specialist ⁷	AFSCME	3,963 - 5,058	-	0.500	0.500	1.000
Permit Coordinator	AFSCME	3,963 - 5,058	1	0.500	0.500	0.500
Permit Technician (I or II) ⁶	AFSCME	3,416 - 4,691	3	3.000	2.000	2.000
Senior Administrative Specialist	AFSCME	3,416 - 4,360	3	3.000	3.000	3.000
Administrative Specialist ⁸	AFSCME	2,784 - 3,554	-	0.000	0.500	0.500
TOTAL			42	41.750	37.250	37.250

NOTE: Salary ranges reflect FY 13-14 Class and Compensation schedules.

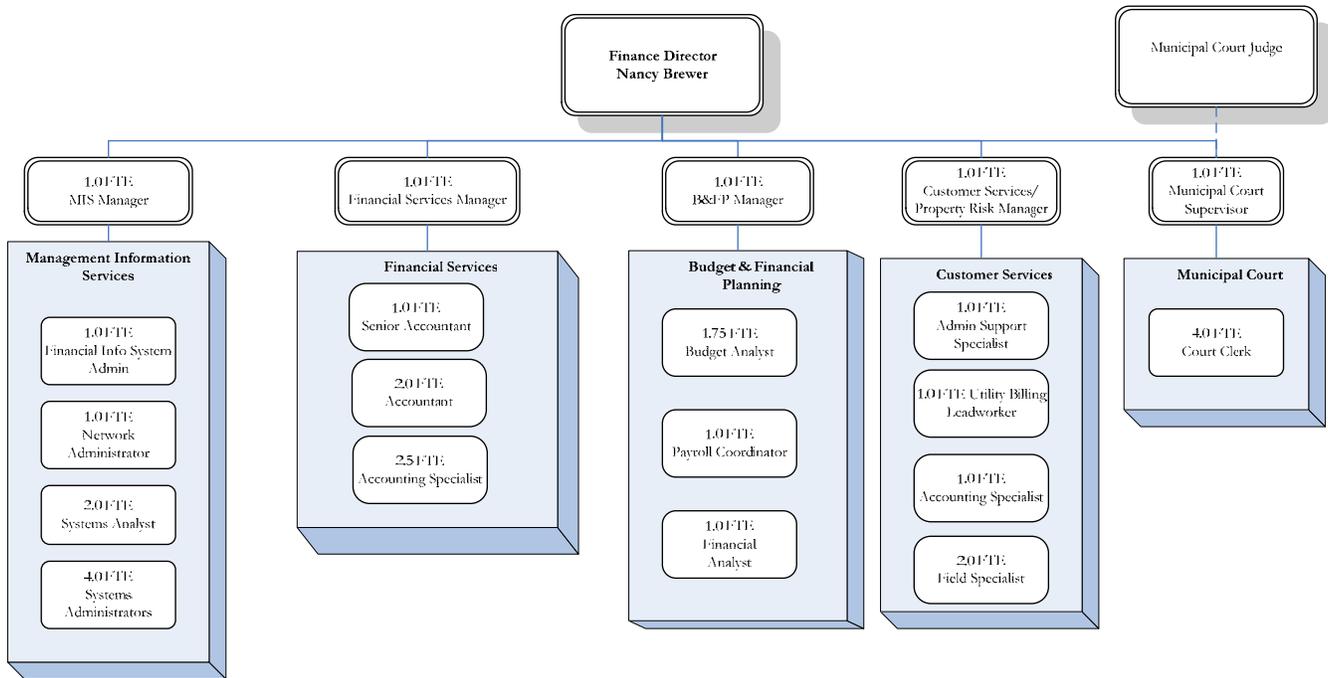
1. Project Manager/Assistant Building Official retired in mid FY 13-14. Project Manager duties have been re-assigned to former Land Use Supervisor and the Assistant Building Official position is currently unfilled.
2. As part of the Service Enhancement Review Fee package initiated and approved by Council in FY 10-11, the Development Services Division is executing the final year of its reorganization to optimize service provision.
3. The Project Coordinator I and II FTE have been combined in order to provide needed flexibility due to incumbent certification advancements.
4. A 1.0 FTE Associate Planner for long-range planning support and a 0.50 FTE Code Enforcement Officer are funded starting in FY 14-15 based on the passage of a local option levy.
5. New positions proposed in FY 14-15 include a 1.0 FTE Information Systems Analyst needed to support the implementation of the last remaining element of the Service Enhancement package (i.e., ePlans electronic plan review), along with a 1.0 FTE Plumbing Inspector and 1.0 FTE Engineering Technician III to eliminate bottlenecks in the development application process.
6. The Permit Technician I and II FTE have been combined in order to provide needed flexibility due to incumbent certification advancements.
7. To support achieving a sustainable budget, the 0.50 FTE Grant Program Specialist and 0.25 FTE Project Coordinator are authorized, but unfunded in FY 14-15.
8. The Administrative Specialist FTE was redeployed within the department after retirement of the incumbent in FY 13-14.

FINANCE DEPARTMENT

MISSION STATEMENT

Ensuring excellence in customer service, as well as system integrity, for financial, judicial and information management.

FINANCE DEPARTMENT ORGANIZATION CHART



ADVISORY BOARDS & COMMISSIONS

The Finance Department does not have any advisory board or commissions that have responsibility for the department's budget oversight.

SUMMARY OF SERVICES – MUNICIPAL COURT

The FY 14-15 Proposed Budget for Municipal Court maintains current services and includes some enhancements in operations:

❖ Significant work efforts currently underway include implementing e-citations for traffic and parking enforcement. Once implemented, e-citations are expected to reduce the work load at Municipal Court since the current data entry work for citations would end. Staff expectations are that the reduction in data entry will allow operations to continue without adding staff.

Municipal Court

- § Respond to inquiries for Municipal Court information.
- § Process payments for parking, criminal and traffic citations.
- § Provide Court Clerk services for the Municipal Court Judge.
- § Prepare court documents including dockets, warrants, suspension notices and late notices.

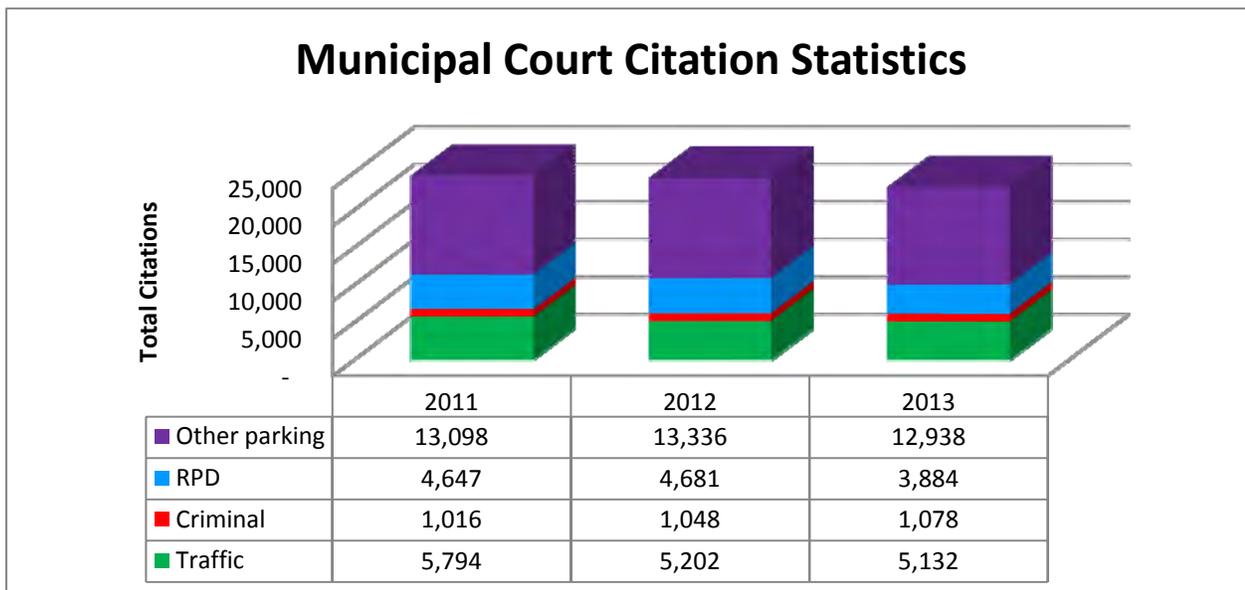
❖ The City Council is working on a potential expansion of the Residential Parking District (RPD) program; depending on the final outcome of this discussion there could be a significant workload increase at Municipal Court. The Proposed Budget includes funding for a 0.50 FTE Municipal Court Clerk

Municipal Court Priorities

- ❖ Keep staff levels at their current minimum to maintain the adjudication process and meet customer service needs.
- ❖ Improve revenue collection levels.
- ❖ Be prepared for the impact of a significantly expanded Residential Parking District.

position. Plans for this position will be finalized once the RPD program design is complete and the expected work load decreases associated with e-citations is assessed.

❖ A long-time Municipal Court Clerk will retire at the end of FY 13-14. A replacement position has been budgeted at the lowest step of the pay grade, which has led to a Proposed Budget that can continue all existing services within the firm expenditure limit.



FY 14-15 Proposed Budget			
	General Fund	Parking Fund	Total
Dedicated Revenue	\$200	\$0	\$200
Personnel Services	\$354,030	\$173,840	\$527,870
Materials and Services	\$293,230	\$106,540	\$399,770
Capital Outlay	\$0	\$0	\$0
Total Expenditures	\$647,260	\$280,380	\$927,640
Net Dedicated Revenue less Expenditures	(\$647,060)	(\$280,380)	(\$927,440)
FTE	3.250	1.750	5.000

Revenue collected at Municipal Court is considered to be dedicated for Police Operations which issued the citation.

SUMMARY OF SERVICES - MIS

The FY 14-15 Proposed Budget for Management Information Services (MIS) maintains current services. Major projects for FY 14-15 include:

Management Information Services (MIS)

- § Determine the information technology (IT) goals of operational departments and implement technology services to meet those goals.
- § Effectively manage the delivery of technology services and maintain technology assets while providing high quality customer service support.
- § Provide a reliable communication, network, and technology infrastructure on which to efficiently conduct City business operations.
- § Improve citizen access to government information and services with timely, convenient access to appropriate information through the use of technology.

- ❖ Consider alternative methods to allocate costs to using departments that equitably captures the costs to provide services.
- ❖ Support the Financial Management work group of the Finance Department as they complete a significant upgrade to the financial management software.

- ❖ Complete implementation of the e-citation systems and ensure data integrity for Police, Circuit Court and Municipal Court records management systems.
- ❖ Continue implementing the asset management system at Public Works.
- ❖ Continue providing support for the implementation of service enhancements by Development Services staff for on-line permitting, electronic plan submittals, and mapping for permit search capabilities.
- ❖ Review options for cloud-based office productivity software usage and the relative performance levels of the alternatives in preparation for a FY 15-16 upgrade.

MIS Priorities

- ❖ Maintain server up-time, excluding scheduled maintenance, at 99.9%.
- ❖ Maintain system security at the standards required by the City and outside auditing agencies such as the Criminal Justice Information System.
- ❖ Develop information technology plans that continue to facilitate the organization's public information plans.

- ❖ Deploy people-centric information technology services that allow better citizen engagement; this includes more electronic forms, web enhancements, Facebook pages, etc.
- ❖ Select and deploy a bring-your-own-device (BYOD) suite of solutions to develop a comprehensive approach to manage and control the access of BYOD.
- ❖ Carry out other technology initiatives as needed on request.

FY 14-15 Proposed Budget	
	Technology & Communications Fund
Dedicated Revenue	<u>\$1,440,090</u>
Personnel Services	\$1,042,460
Materials and Services	\$352,630
Capital Outlay	\$45,000
Total Expenditures	<u>\$1,440,090</u>
Net Dedicated Revenue less Expenditures	<u>\$0</u>
FTE	9.000

SUMMARY OF SERVICES – FINANCIAL MANAGEMENT

The FY 14-15 Proposed Budget for Financial Management maintains current services by continuing to manage work processes and improve efficiency. Highlights for FY 14-15 include:

- ❖ Continue implementing the City Council’s goal to have a sustainable budget; ensure the budget includes the Council’s directed contribution to the General Fund Fund Balance Reserve to achieve stable operations and address Moody’s Negative Outlook.
- ❖ Assess the re-organization for ambulance billing which disperses the work from a single position to multiple staff members. Monitor staff work load, collections rates, and the work necessary to follow-up on billing issues. Complete a mid-year assessment to determine the status of a vacant and unbudgeted 0.50 FTE in the Finance Department for FY 15-16 budget planning.
- ❖ Initiate work to implement the Governmental Accounting Standards Board Statement #68 which will require reporting the City’s share of the Oregon Public Employees Retirement System’s unfunded liabilities on the face of the City’s financial statement. Participate in discussions with the Oregon Public Employee Retirement System on providing data to local governments to meet this reporting requirement.

Financial Management Priorities

- ❖ Meet or exceed all financial reporting requirements.
- ❖ Obtain an Unmodified Opinion each year from the City’s independent auditors.
- ❖ Adopt the annual budget according to state law.
- ❖ Record financial transactions accurately and timely, and monitor the status of the City’s finances throughout the year to ensure the City maintains its fiscal integrity.
- ❖ Invest monies according to State Law requirements, preserving principal while maximizing earnings.
- ❖ Ensure adequate levels of insurance coverage to balance the risk of loss with the ability to pay.
- ❖ Accurately process all bills to customers and payments to vendors and staff.
- ❖ Appropriately leverage City debt financing for significant capital purchases and other financial planning purposes.

Financial Management

- § Provide oversight of all financial aspects of the organization including budget preparation and adoption, financial reporting, grant compliance reporting, annual audit, collection and disbursement of monies, payroll, banking relationship, investments, and debt management.
- § Provide utility meter reading, billing and collection services for over 16,000 water, wastewater, and storm water accounts; facilitate e-bills and the electronic payment process for all monies owed to the City.
- § Administer the property/liability risk management program, including claims management; review all City contracts, leases and permits for compliance with risk management goals and objectives and ensure adequate levels of insurance coverage and indemnification to protect the City's interests.
- § Analyze proposed legislation and contracts for fiscal impact.
- § Monitor the City's financial status; report the status of investments monthly and all funds' financial status quarterly.
- § Coordinate a number of organization-wide activities to facilitate citizen interaction.
- § Implements the City Council's Identity Theft and Red Flag Alert Policy across the organization to ensure compliance with state and federal law including responding to discrepancy reports and determining the appropriate response commensurate with the degree of risk posed.

- ❖ Complete the biennial actuarial study of Other Post Employment Benefits; update the related estimates and projections for this unfunded liability in the FY 14-15 Comprehensive Annual Financial Report.
- ❖ Continue implementing the upgrade of the financial system to a windows-based platform with a currently planned "go-live" date of April, 2015.
- ❖ Assess the effectiveness of the new financial plan model in the General Fund as a tool for decision makers. If it is effective, consider whether other funds should move to a similar model.
- ❖ Study the bases used for allocating internal service charges to determine whether a more efficient model can be built that accurately assesses the cost of services to end user functions.
- ❖ Centralize accounts receivable billing operations City-wide.
- ❖ Continue reviewing the City's cash handling and cash management process and implement best practices changes that maintain internal control but improve efficiency.
- ❖ Pursue further cost efficiencies through improved electronic payment processes as well as through the use of purchasing cards.
- ❖ Enhance the City's web capabilities for taking payments.
- ❖ Develop information for the City Council to consider whether or not to charge convenience fees for accepting credit cards to cover the more than \$100,000 in annual fees.

FY 14-15 Proposed Budget

	Administrative Services Fund	Risk Fund	Total
Dedicated Revenue	\$2,705,340	\$12,000	\$2,717,340
Personnel Services	\$1,808,350	\$0	\$1,808,350
Materials and Services	\$896,990	\$789,100	\$1,686,090
Capital Outlay	\$0	\$0	\$0
Total Expenditures	\$2,705,340	\$789,100	\$3,494,440
Net Dedicated Revenue less Expenditures	\$0	(\$777,100)	(\$777,100)
FTE	18.250	0.000	18.250

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

No non-recurring expenditure activity is planned for FY 14-15; however, in the future, monies will need to be expended for a Court Software system replacement. Following the conversion of the financial system, staff will begin to look at a replacement for the Court module. Monies unexpended at the end of any given FY will be set aside in a reserve to acquire a replacement.

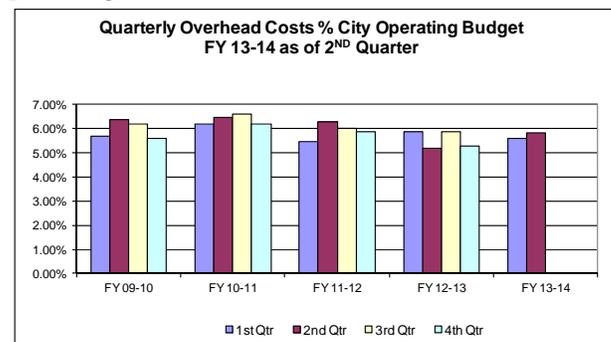
MIS will also continue to set aside monies in reserves for future year replacements and upgrades to the City's information technology (IT) infrastructure.

SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURE

A primary function of the Finance Department is financial monitoring and reporting. Staff in the Finance department track data for analysis and provide data to departments to allow them to determine if their service outcomes are meeting all relevant goals and objectives. The City Council's overarching values of Sustainability and Cost Efficiency serve to drive the 2013-2015 Council's goal of a Sustainable Budget, which has been a primary focus for the department. Additional linkage can be made to the City Manager's Core Responsibilities where the Finance Department serves as support for all other functions in the organization. A key outcome that the Finance Department highlights for stakeholders as both a measure and a driver of its business operations is the ability to:

Maintain general overhead costs at less than 7% of total operating budget.

- *Measure definition:* Maintain administrative overhead for the City's operations (i.e., operating costs in the City Manager's Office and Finance Department) at less than 7% of the City's total operating budget. Both numerator and denominator of the percentage are expressed as total expenditures less capital projects, debt service, transfers and other non-operating costs.
- *Evaluation of results:* Keeping overhead costs as low as possible helps ensure that City resources are primarily spent on operations that provide services directly to citizens. The U.S. Government allowance for overhead on a federal HOME grant is 10% and is considered a reasonable benchmark for comparative purposes.
- *Current year performance and trends:* The City has consistently managed general overhead costs below the federal benchmark standard with general overhead costs typically falling below a 7% threshold. Though there has been some fluctuation from year to year, in total this objective has been met each year of the last five years.
- *Conclusions and challenges:* As the City continues to identify efficiencies and additional savings, most general overhead costs are manageable. Due to inflation and variables outside the control of the City, some overhead costs such as pension and health insurance benefits are difficult to control and may increase in the future. The organization must continue to gain efficiencies to ensure resources are primarily spent on operations that provide services directly to citizens.



FINANCE DEPARTMENT – BUDGET SUMMARY

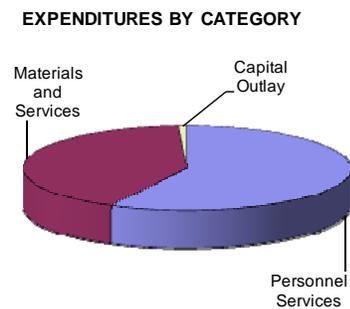
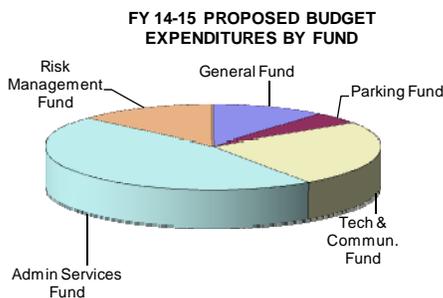
Employee wages and benefits represent the largest cost at 67% of total Finance Department expenditures. Overhead costs such as utilities, supply costs such as paper for the document-intensive work of the department, and training to maintain professional knowledge in a the highly regulated financial management industry and in the rapidly changing IT industry constitute the rest of the budget. About 1% of the budget in any given year is spent on capital purchases primarily for vehicles and equipment.

For FY 14-15, the property liability program in the Risk Management Fund has been moved from the City Manager’s Office budget to the Finance Department budget where this function is now managed. This has led to a significant increase in the Finance department’s materials and services budget for FY 14-15.

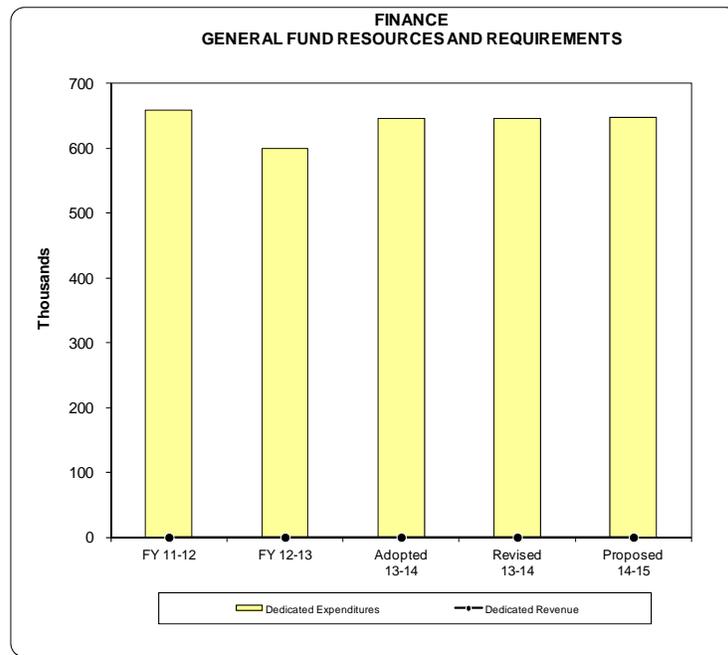
BUDGET BY CATEGORY:	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
Personnel Services	\$3,380,350	\$3,154,311	\$3,370,860	\$3,370,860	\$3,378,680	0.23%
Materials and Services	1,395,598	1,519,982	1,579,200	1,579,200	2,438,490	54.41%
Capital Outlay	96,539	0	55,000	55,000	45,000	-18.18%
TOTAL	\$4,872,487	\$4,674,293	\$5,005,060	\$5,005,060	\$5,862,170	17.12%

The Finance Department operates in the General, Parking, Administrative Services, Technology & Communication, and Risk Management Funds as shown below.

BUDGET BY FUND:	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
General Fund	\$659,182	\$599,019	\$646,770	\$646,770	\$647,260	0.08%
Parking Fund	128,179	187,422	273,220	273,220	280,380	2.62%
Tech & Commun. Fund	1,531,455	1,435,315	1,417,940	1,417,940	1,440,090	1.56%
Admin Services Fund	2,553,671	2,452,537	2,667,130	2,667,130	2,705,340	1.43%
Risk Management Fund	0	0	0	0	789,100	0.00%
TOTAL	\$4,872,487	\$4,674,293	\$5,005,060	\$5,005,060	\$5,862,170	17.12%



Below is a depiction of the Finance Department's General Fund revenue and expenditures, along with its draw on property tax funding.



GENERAL FUND - FINANCE*	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE FROM 13-14 BUDGET
DEDICATED REVENUE	2011-12	2012-13	2013-14	2013-14	2014-15	BUDGET
Charges for Services	\$105	\$155	\$200	\$200	\$200	0.00%
Dedicated Revenue	105	155	200	200	200	0.00%
EXPENDITURES CLASS:						
Personnel Services	403,584	321,542	329,330	329,330	354,030	7.50%
Materials and Services	255,597	277,479	317,440	317,440	293,230	-7.63%
Capital Outlay	0	0	0	0	0	0.00%
Dedicated Expenditures	659,181	599,021	646,770	646,770	647,260	0.08%
Use of (addition to) Non-Dedicated Revenue	659,076	598,866	646,570	646,570	647,060	0.08%

* For all other funds the revenues are dedicated for the services provided so they are not presented in the table above.

* Although Fine & Forfeiture revenue is recorded in Finance, this revenue has been shown in the Police Department table since the revenue is generated by Police department personnel.



FINANCE DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 14-15 FTE	FY 13-14 FTE	FY 12-13 FTE
Finance Director	Exempt	\$8,325 - \$10,625	1	1.000	1.000	1.000
MIS Manager	Exempt	6,579 - 8,396	1	1.000	1.000	1.000
Financial Services Manager	Exempt	5,198 - 6,634	1	1.000	1.000	1.000
Budget and Financial Planning Manager	Exempt	5,198 - 6,634	1	1.000	1.000	1.000
FIS Administrator/Analyst	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000
Network Administrator	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000
System Administrator II/Leadworker ¹	AFSCME	4,988 - 6,366	-	0.000	1.000	1.000
Risk/Customer Service Manager	Exempt	4,747 - 6,058	1	1.000	1.000	1.000
Webmaster/Information System Analyst	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Senior Accountant	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Information Systems Analyst	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
System Administrator I ¹	AFSCME	4,620 - 5,897	4	4.000	3.000	3.000
Accountant ²	AFSCME	3,963 - 5,058	2	2.000	1.750	2.000
Court Supervisor	Exempt	3,959 - 5,053	1	1.000	1.000	1.000
Budget Analyst	Exempt	3,959 - 5,053	2	1.750	1.750	1.750
Financial Analyst	AFSCME	3,676 - 4,691	1	1.000	1.000	1.000
Utility Billing Field Spec	AFSCME	3,676 - 4,691	2	2.000	2.000	2.000
Utility Billing Leadworker	AFSCME	3,676 - 4,691	1	1.000	1.000	1.000
Payroll Coordinator	Exempt	3,302 - 4,214	1	1.000	1.000	1.000
Court Clerk ³	AFSCME	3,048 - 3,890	4	4.000	3.500	3.500
Accounting Specialist ²	AFSCME	2,784 - 3,554	3	3.500	3.750	3.500
Administrative Specialist ²	AFSCME	2,784 - 3,554	1	1.000	1.000	1.000
TOTAL			32	32.250	31.750	31.750

NOTE: Salary ranges reflect FY 13-14 Class and Compensation schedules.

1. A FY 13-14 reorganization resulted in converting the System Administrator II Leadworker position back to a System Administrator I.
2. For cost savings and to improve on efficiencies of reduced staffing levels, a reorganization occurred in late FY 13-14 whereby 0.25 FTE was added back to each of an Accountant and an Accounting Specialist position from a vacant 1.0 FTE Accounting Specialist. For FY 14-15, it is proposed to hold the remaining 0.5 FTE as authorized but unfunded until this new structure can be tested. 0.25 FTE of the Administrative Specialist will also continue to be held authorized but unfunded for FY 14-15.
3. The Residential Parking District initiative has led to the proposed addition of 0.5 FTE Court Clerk.



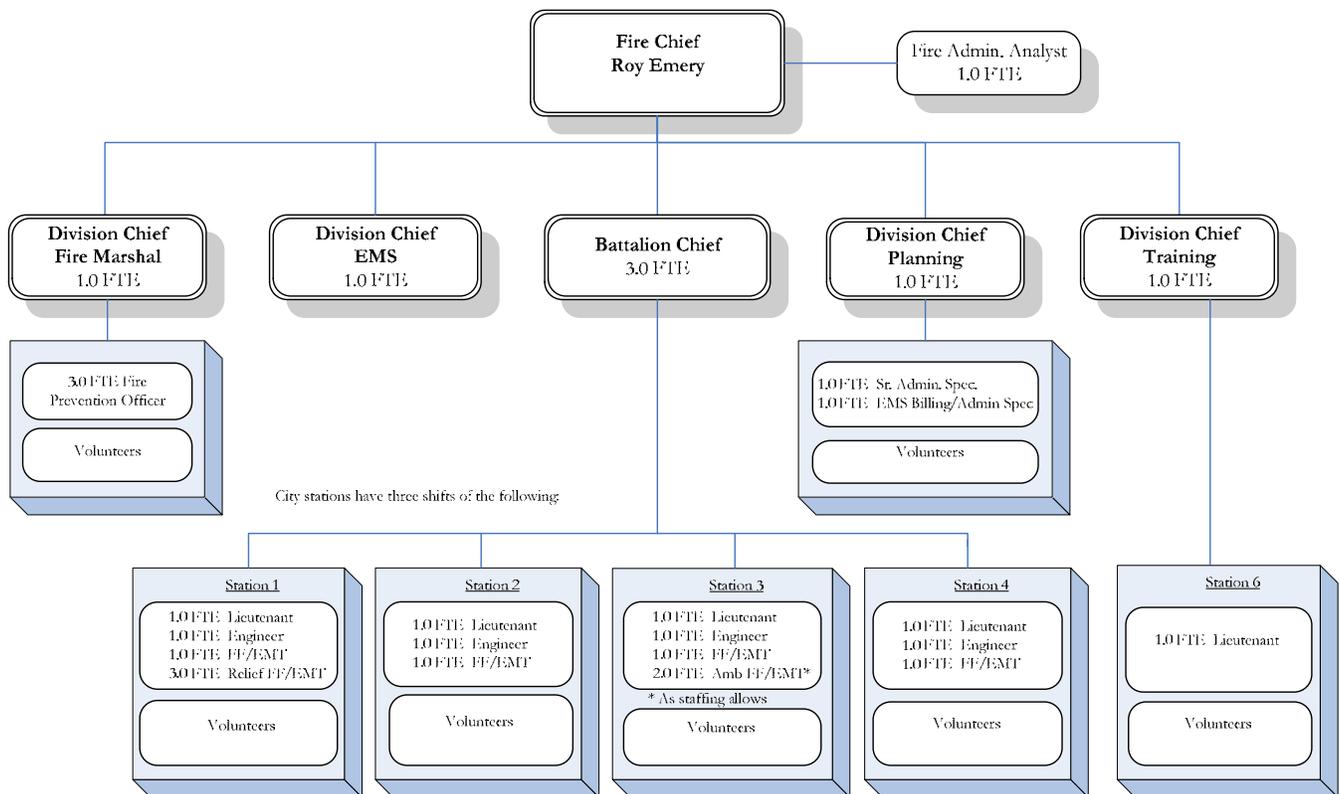


FIRE DEPARTMENT

MISSION STATEMENT

To protect the lives, safety, property, and environment of all persons in the community and surrounding areas we serve; to educate, inform, and enforce life safety with knowledge and fairness; to give the fullest measure of service for the cost.

FIRE DEPARTMENT ORGANIZATION CHART



ADVISORY BOARDS & COMMISSIONS

All services and programs provided by the Department were evaluated and directly support the Fire Department's delivery of services to the community and contracted service areas.

SUMMARY OF SERVICES

The Fire Department has three high priority areas of focus: Prevention, Readiness, and Response. The assigned expenditure limit does not provide the capacity to offer any new programs or services. In order to meet the expenditure limit the Department recommends not funding three operations positions and reducing one administrative position. The FY 14-15 Proposed Budget for the Fire Department will allow continuation to respond at a reduced service level (i.e., Medic 120 will not be staffed as often due to three unfunded positions).

If the Fire Department were to receive an increase in its expenditure limit, the department would address its existing deferred facility maintenance, make additional contributions to the apparatus reserve for future purchases, make additional non-perishable supply purchases for Fire and Emergency Medical Services (EMS) operations, and fund several projects in the Strategic Plan.

FY 14-15 Proposed Budget	
	General Fund
Dedicated Revenue	\$3,756,630
Personnel Services	\$8,417,150
Materials and Services	\$2,233,210
Capital Outlay	\$46,730
Total Expenditures	\$10,697,090
Net Dedicated Revenue less Expenditures	(\$6,940,460)
FTE	66.000

Prevention

- Fire and life safety plan reviews
- Fire and life safety inspections of existing occupancies
- Fire investigations
- Juvenile fire setter intervention
- Public education activities
- OSU and 509J fire and life safety inspections (contracted)

❖ Fire Prevention activities seek to bolster economic development and business continuity through predevelopment plan review and provide free risk management consultation to the business owner during occupancy inspections.

❖ Prevention staff deliver the Risk Watch Program, Juvenile Firesetter Intervention, and conducts fire and life safety inspections in cooperation with Corvallis School District 509J.

❖ Volunteer Firefighters contribute in excess of 1,000 hours per year to prevention related activities to include: public education event support, smoke detector canvassing, fire incident and investigation support, hydrant maintenance, and fire extinguisher classes.

❖ The Office of State Fire Marshal (OSFM)

mandates that all jurisdictions determine the origin, cause, and responsibility for all fires occurring in their jurisdiction. Prevention staff also conduct state mandated inspections at day care centers, health facilities, etc.

❖ Data collected from local emergency incidents is analyzed to tailor specific fire prevention programs that address hazards specific to our community.

❖ Passage of the 2013 Operating Levy provides funding to hire an additional 1.0 FTE Fire Prevention Officer.

SUMMARY OF SERVICES (CONTINUED)

- ❖ Emergency Management Planning activities include planning efforts at the local, regional, and state level. The Emergency Operations Plan, Continuity of Operations Plan, Natural Hazards Mitigation Plan, Community Wildfire Protection Plan, and Vulnerable Populations Plan are all examples of ongoing planning efforts.
- ❖ Management Services provides the administrative, fiscal, personnel, and information technology necessary to support service delivery and maintain compliance with legal mandates.
- ❖ Fire and Emergency Medical Services (EMS) training covers a wide variety of topics for personnel to maintain their existing certifications and obtain new ones through an actively managed and delivered program covering a wide range of topics.
- ❖ Fire Department personnel administer the facility and apparatus maintenance programs. Staff strives to minimize unplanned downtime which would have a negative impact on response to calls for service.
- ❖ The Federally Mandated Respiratory Protection program is an essential function within the Fire Department. Personnel are dependent on properly functioning and fitting respiratory protection in the delivery of fire and EMS services.
- ❖ Materials and services are essential to service delivery. Fire Department staff maintains, orders, issues, and keeps inventory on everything required to be able to respond to calls for service. All durable and consumable supply needs are handled internally.

Readiness

-  Emergency Management Planning
-  Management Services
-  Fire and EMS training for personnel
-  Facility maintenance
-  Apparatus maintenance
-  Respiratory protection program
-  Materials and services in support of service delivery

Response: Emergent and Non-emergent

-  Fire response for the City of Corvallis and Corvallis Rural Fire Protection District
-  EMS response for the City of Corvallis and the Ambulance Service Area served
-  Hazardous Materials Response for OSFM Region #5

- ❖ The Fire Department responds to emergent and non-emergent calls for service primarily in the City of Corvallis and Corvallis Rural Fire Protection District (contracted protection). The department also has standing mutual aid agreements with other fire protection agencies in Linn, Benton, and Polk counties. The Fire Department responded to approximately 6,500 calls for service in 2013.
- ❖ The Fire Department provides Advance Life Support transport service to Ambulance Service Areas in Linn and Benton counties. The service area is roughly 765 square miles and has a population of over 90,000. In 2013, the Fire Department responded to approximately 4,400 EMS calls.
- ❖ The volunteer program routinely contributes in excess of 45,000 hours to the community annually.
- ❖ The Fire Department, along with Albany Fire Department, and Lebanon Fire District provide contracted hazardous materials response for OSFM region #5.

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

The Fire Department is replacing an aerial equipped engine in FY 14-15. The total cost for this project will be approximately \$700,000 and will be fully funded from the Apparatus Reserve Account.



SUSTAINABLE BUDGET COUNCIL GOAL

The Fire Department is focused on the council goal of a sustainable budget. The Fire Department has given considerable thought to the expenditure limit in developing the FY 14-15 proposed budget. This level of funding will allow us to continue to respond at a reduced service level (i.e., Medic 120 will not be staffed as often due to three authorized but unfunded positions). The expenditure limit does not allow the department to address deferred facility maintenance issues or the increasing number of retirement eligible employees and their associated cash outs. In the next five years, the expenditure limit will not increase enough to cover anticipated increases in employee costs; Cost-of-Living-Adjustments (COLAs) and benefit related expenses. This will lead to further reductions in staffing, which in turn will lead to depleting reserves and most likely a reduction in the Department's Insurance Services Office (ISO) rating.

The Fire Department does not have the capacity to train and place the number of retirement eligible employees should they decide to retire during a narrow window of time. Fire Department employees go through a five week academy, followed by continued on-the-job training for the balance of their probationary year.

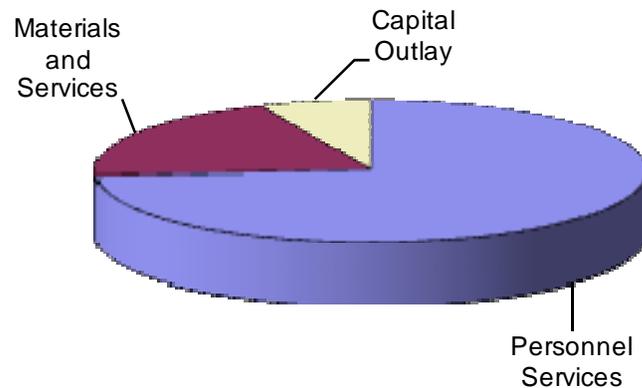
The Fire Department is currently in negotiations with the Corvallis Rural Fire Protection District (CRFPD). The current contract expires June 30, 2015. The CRFPD board is dissatisfied with the closure of Station #5 and the perceived impact to service delivery in their district. The negotiations process started earlier than normal this time to allow both sides to plan for an orderly transition if a successor agreement is not reached. The CRFPD is a valued partner and we are hopeful an amicable agreement can be reached.

FIRE DEPARTMENT - BUDGET SUMMARY

Employee wages and benefits represent the largest cost at 79% of the Fire Department's total expenditure limit. Non-Personnel Services and Internal Service Charges represent 18% of the expenditure limit and the Apparatus Reserve contribution makes up the remaining 3%. Approximately 34% of Fire Department revenue is derived from Charges for Service. Ambulance charges and the CRFPD contract are the two largest revenue sources after property taxes.

BUDGET BY CATEGORY:	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
Personnel Services	\$8,660,125	\$8,313,251	\$8,558,690	\$8,558,690	\$8,417,150	-1.65%
Materials and Services	1,802,356	1,836,658	1,927,270	1,920,940	2,233,210	15.87%
Capital Outlay	552,776	25,262	0	0	746,730	0.00%
TOTAL	\$11,015,257	\$10,175,170	\$10,485,960	\$10,479,630	\$11,397,090	8.69%

FY 14-15 PROPOSED BUDGET EXPENDITURES BY CATEGORY

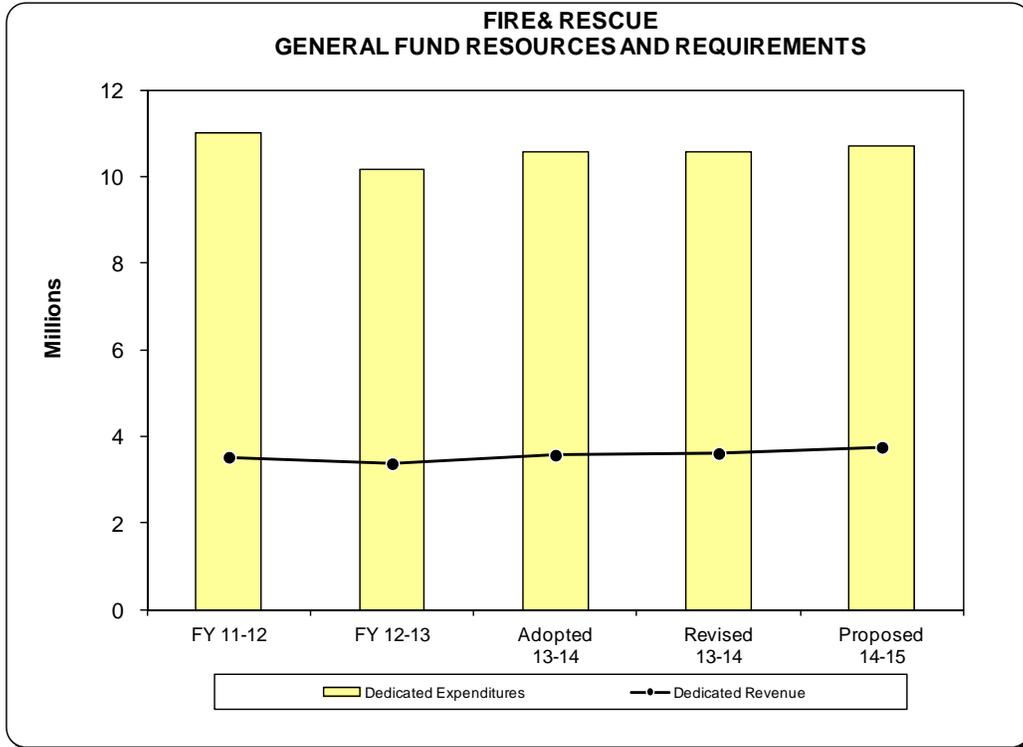


As of FY 13-14, the Fire Department operates in the General Fund as shown below:

BUDGET BY FUND:	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
Fire and Rescue Fund	\$11,015,257	\$10,175,170	\$0	\$0	\$0	0.00%
General Fund	0	0	\$10,485,960	\$10,479,630	11,397,090	8.69%
TOTAL	\$11,015,257	\$10,175,170	\$10,485,960	\$10,479,630	\$11,397,090	8.69%

FIRE DEPARTMENT - BUDGET SUMMARY (CONTINUED)

Below is a depiction of Fire's General Fund dedicated revenues and expenditures, along with its draw on property tax funding:



GENERAL FUND - FIRE	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE FROM 13-14
DEDICATED REVENUE	2011-12	2012-13	2013-14	2013-14	2014-15	BUDGET
License, Fees & Permits	\$22,544	\$16,859	\$20,800	\$20,800	\$21,010	1.01%
Charges for Services	3,392,735	3,264,886	3,511,310	3,544,160	3,563,980	1.50%
Intergovernmental	85,863	45,185	10,340	0	0	-100.00%
Fines & Forfeitures	12,310	11,656	11,380	11,380	11,490	0.97%
Miscellaneous	14,029	39,799	21,600	37,400	21,600	0.00%
2013 Operating Levy	0	0	0	0	138,550	0.00%
Dedicated Revenue	3,527,481	3,378,385	3,575,430	3,613,740	3,756,630	5.07%
EXPENDITURES CLASS:						
Personnel Services	8,660,128	8,313,249	8,558,690	8,558,690	8,417,150	-1.65%
Materials and Services	1,802,354	1,836,660	1,927,270	1,920,940	2,233,210	15.87%
Capital Outlay	552,776	25,262	0	0	46,730	0.00%
CIP Transfers	0	0	100,000	100,000	0	-100.00%
Dedicated Expenditures	11,015,258	10,175,171	10,585,960	10,579,630	10,697,090	1.05%
Use of (addition to) Non-Dedicated Revenue	7,487,777	6,796,786	7,010,530	6,965,890	6,940,460	-1.00%

NOTE The above budget excludes reserve component funds

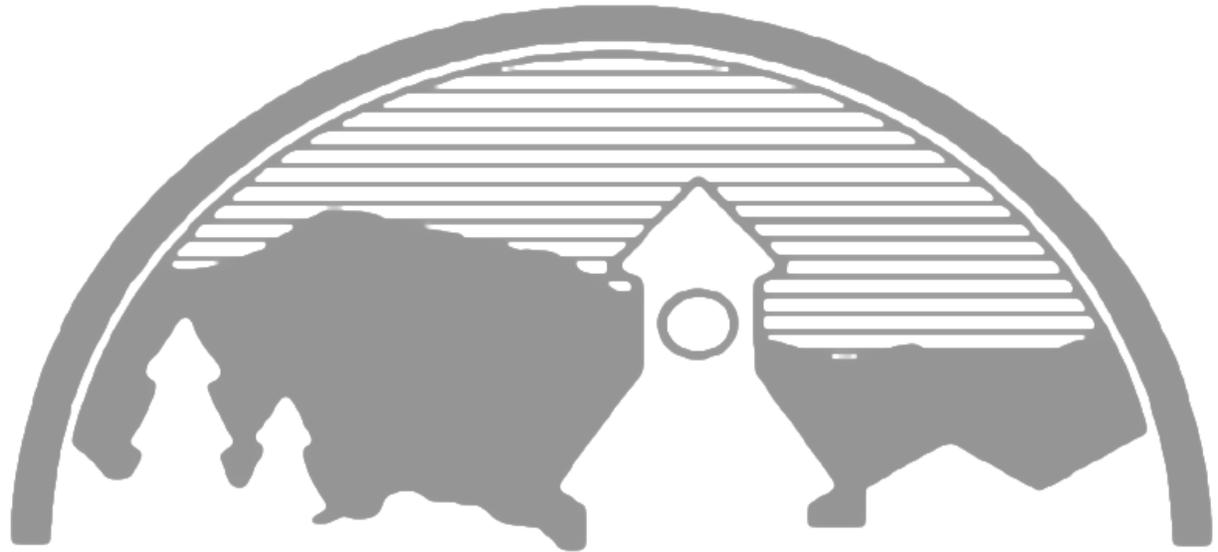
FIRE DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 14-15 FTE	FY 13-14 FTE	FY 12-13 FTE
Fire Chief	Exempt	\$7,938 - \$10,131	1	1.000	1.000	1.000
Division Chief/Battalion Chief	Exempt	6,579 - 8,396	7	7.000	7.000	7.000
Lieutenant	IAFF	5,138 - 7,354	13	13.000	13.000	13.000
Fire Prevention Officer ¹	IAFF	5,075 - 6,633	3	3.000	2.000	2.000
Fire Engineer	IAFF	4,759 - 6,810	12	12.000	12.000	12.000
Firefighter - Emergency Medical Technician (EMT) ²	IAFF	4,425 - 6,333	24	27.000	27.000	27.000
Staff Assistant ³	AFSCME	3,676 - 4,691	-	0.000	1.000	1.000
Fire Administrative Analyst ⁴	Exempt	3,616 - 4,614	1	1.000	0.000	0.000
Staff Assistant ⁴	Exempt	3,572 - 4,559	-	0.000	1.000	1.000
Senior Administrative Specialist	AFSCME	3,416 - 4,360	1	1.000	1.000	1.000
EMS Billing/Admin Support Specialist ⁵	AFSCME	3,048 - 4,360	1	1.000	0.000	0.000
Administrative Specialist ⁵	AFSCME	2,784 - 3,554	-	0.000	1.000	1.000
TOTAL			63	66.000	66.000	66.000

NOTE: Salary ranges reflect FY 13-14 Class and Compensation schedules.

1. Successful passage of the 2013 Operating Levy resulted in an additional Fire Prevention Officer.
2. To support achieving a sustainable budget, 3.0 FTE Firefighter-EMT positions are authorized, but unfunded in FY 14-15.
3. To support achieving a sustainable budget, 1.0 FTE Staff Assistant was eliminated in FY 14-15.
4. After a review of position job descriptions, this position was reclassified as a Fire Administrative Analyst.
5. After a review of position job descriptions, this position was reclassified as an EMS Billing/Admin Support Specialist.





CORVALLIS

ENHANCING COMMUNITY LIVABILITY



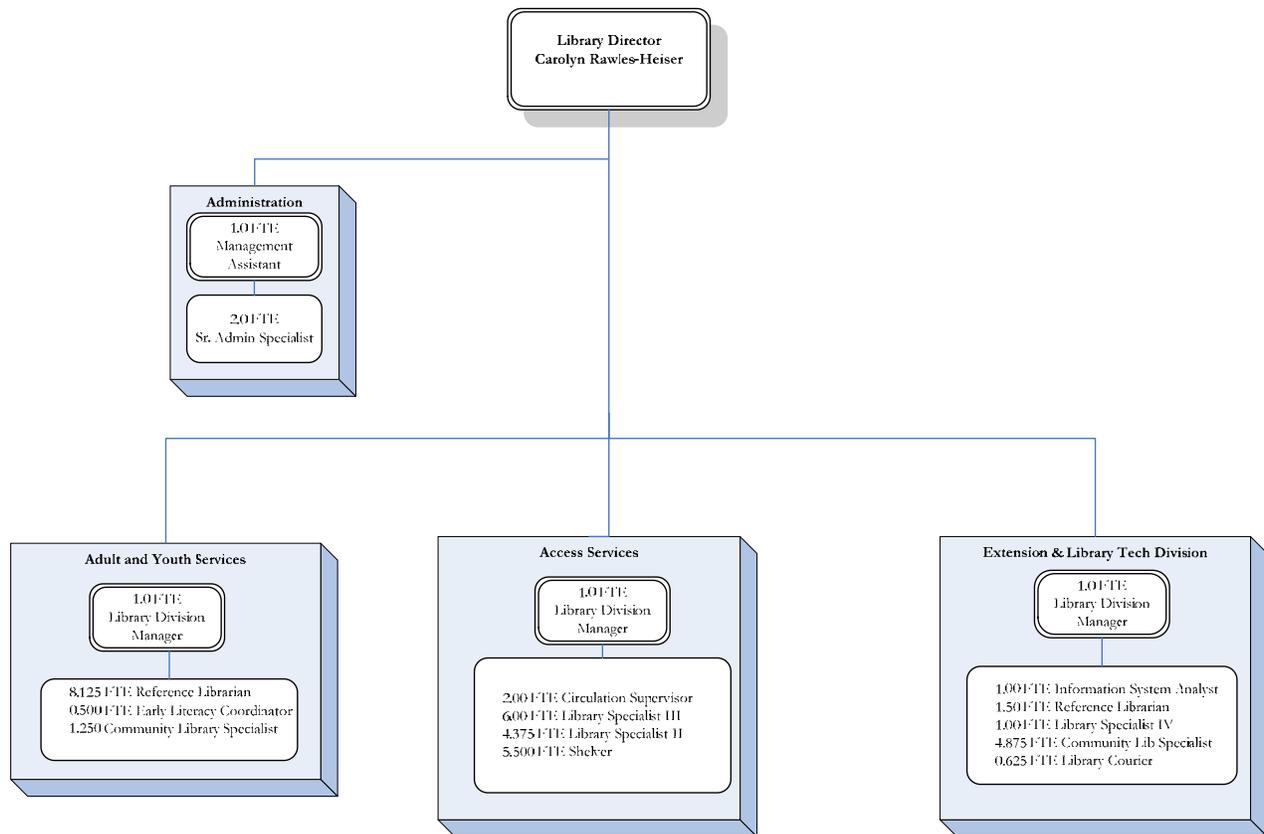
LIBRARY DEPARTMENT

MISSION STATEMENT

"Bringing People and Information Together"

The Corvallis-Benton County Public Library serves the entire community through its collections, reference services, programs and electronic resources. Opportunities for personal, educational, cultural, and recreational enrichment are offered. Children are introduced to books and reading. Careers and hobbies are furthered. The community's books are shared. By providing the information and resources necessary for life-long learning, the library reaffirms the democratic ideals upon which our society is founded.

LIBRARY ORGANIZATION CHART



ADVISORY BOARDS & COMMISSIONS

The Corvallis-Benton County Public Library Board discussed the library's budget as an agenda item at a number of meetings November through February. In between, email communications updated board members on changes. The Council liaison was very helpful in explaining the new process as he understood it at the January Board Meeting. Some of the key areas for discussion were staff reorganization and prioritizing any new service opportunities that may occur; creating a new strategic plan and potential costs involved; and the importance of preserving community investment in the Corvallis Library through prudent maintenance.

SERVICE HIGHLIGHTS

Administration

- 📖 Lead, support, direct, plan for, and provide high quality library services county-wide.
- 📖 Collaborate with local governments for effective library service.
- 📖 Manage all administrative functions of the library system, including the budget.
- 📖 Support the Library Advisory Board; provide liaison and support to the Library Foundation and Friends of the Library.
- 📖 Manage Library meeting rooms and display spaces.

Adult and Youth Services

- 📖 Meet informational, educational, cultural and recreational needs of adults and youth.
- 📖 Provide programming for adults and youth.
- 📖 Answer inquiries from the public.
- 📖 Provide an extensive collection of materials that is accessible and meets the needs of library patrons.

Access Services

- 📖 Provide customer service for checking out materials, paying fees, and maintaining library accounts.
- 📖 Maintain systems to lend, retrieve, and shelve library materials.
- 📖 Order, receive, catalog and process library materials for easy retrieval by the public and staff.
- 📖 Repair and replace damaged materials.

Extension and Technology Services

- 📖 Operate rural community libraries and mobile library service.
- 📖 Provide outreach library services throughout Benton County.
- 📖 Manage library technology to improve public access to information and the Library's collection.
- 📖 Provide an extensive collection of materials that is accessible and meets the needs of library patrons served by the community libraries and bookmobile.

The Library's 14-15 budget maintains current services and, as a result of the 2013 Operating Levy, expands hours at the Corvallis Library. Highlights include:

- ❖ The Corvallis Library will reopen on Sundays 1:00-5:00 p.m. Sundays were previously the busiest day of operation per hour so it is expected that usage will increase. The new hours will begin June 22. This will bring the Corvallis Library up to 60 hours per week of operation.

❖ A full year of operation will be completed at the new Monroe Community Library, which has already become a primary destination for the Monroe community and visitors. Usage has increased considerably in Monroe, with a 41% increase in visitors and a 14% increase in checkouts. These increases have been within existing hours of operation and regular staffing levels.



❖ A new Library Strategic Plan will be developed primarily using community members instead of consultants. It is expected that the Library Advisory Board will take a leading role in this planning process. Funds are included in the budget for professional assistance with community and user surveys to assist with the process.

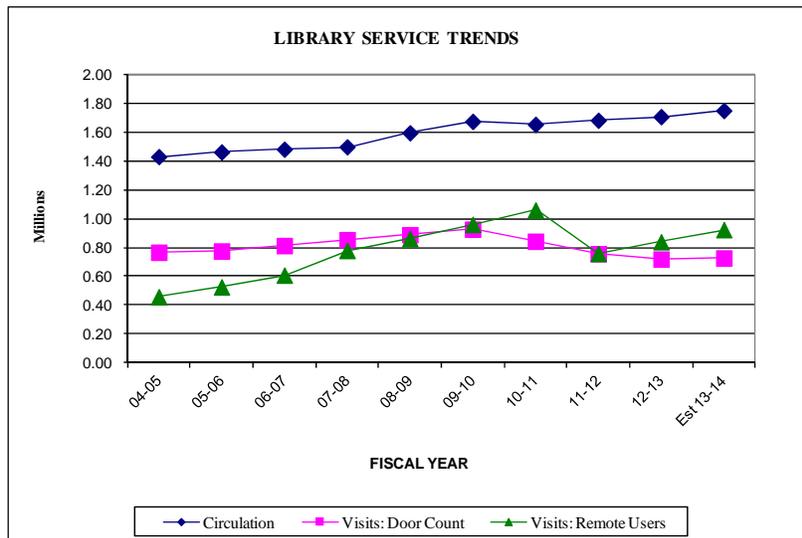
❖ A staff reorganization and elimination of a management position will result in more staff directly serving the public at a lower cost. This will enable staff to provide faster service, more programs, improved access to technology, and more outreach to the community.

❖ The City will complete a year of ownership of the former Fenner property adjacent to the Library as a rental. The property was purchased for future library expansion using a donation from the Library Foundation, and is continuing to be rented in the meantime. Rental income covers the cost of operating and maintaining the building.



FY 14-15 Proposed Budget	
	<u>General Fund</u>
Dedicated Revenue	\$3,848,050
Personnel Services	\$4,142,840
Materials and Services	\$1,915,300
Capital Outlay	\$0
CIP	<u>\$10,000</u>
Total Expenditures	<u>\$6,068,140</u>
Net Dedicated Revenue less Expenditures	<u>(\$2,220,090)</u>
FTE	43.750

NOTE The above budget excludes reserve component funds



NOTE In August 2011, the method changed for counting remote users, resulting in lower yet more accurate usage.

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

The following non-recurring activities for the Library are anticipated in FY 14-15:

- Purchase of a new courier van using vehicle reserves to replace the current 2004 model van. This vehicle is used to deliver materials to the branches.
- Anticipated receipt of the third year of a three year bequest from Margaret Hull for use at the Monroe Community Library.
- Anticipated draw-down of a gift reserve for the survey and community assessment costs associated with a new strategic plan.

SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURE



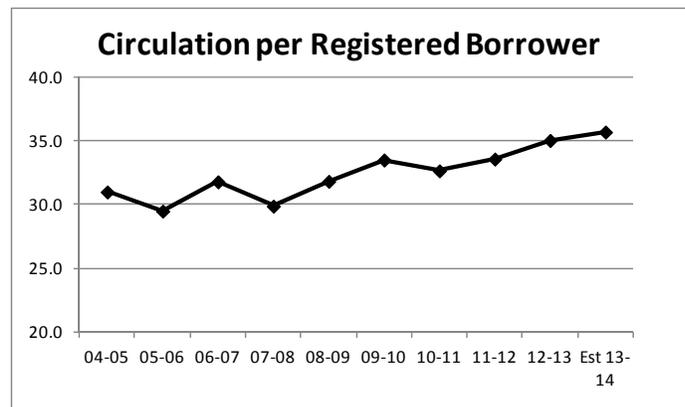
Library usage is on an upward swing, with increases in checkouts, visits, and inquiries. Circulation per registered borrower is projected to be about twice the national average this year and higher than projected in last year's performance measures, with a projection of more than 35 items checked out annually per borrower. Overall, circulation is projected to increase by about 2.5%. In order to keep up with this increased workload and to make more effective use of funds, the Library developed a plan to increase staffing levels at a lower cost by reorganizing and eliminating a Division Manager position. Three part-time positions were created with the savings, increasing the Library's FTE by .75 with no increase in costs. These positions will be assigned to direct public service in various parts of the library, a move which will benefit library patrons. The Division Manager's duties were absorbed by another Division Manager.

Circulation per Registered Borrower is projected to be more than 35 items annually.

- *Measure definition:* The number of items circulated (checked out) annually divided by the number of registered library card holders. This measure provides an idea of how well the Library meets the Council value of sustainability by providing materials that can be used and shared by the community.

- *Evaluation of results:* Using 2011 Public Library Data Service Statistical Report data (most recent national data available), Corvallis is well above the national average of 18 items checked out per user each year for libraries serving populations of 50,000 – 99,999. Our collection is made up of a variety of materials that our patrons want to check out.

- *Current year performance and trends:* Circulation is expected to increase by about 2.5% in FY 14-15. The number of library card holders averages about 49,000 at any given time. If these trends hold steady, this measure will continue to remain strong over time.



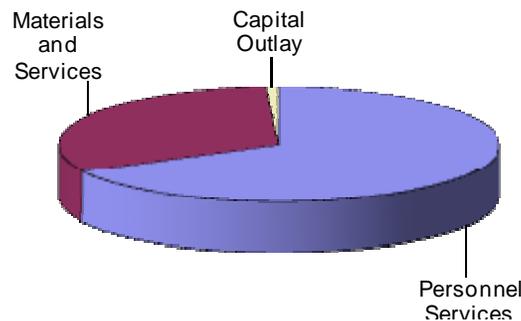
- *Conclusions and challenges:* Currently, the Library’s collection of materials seems to meet demand in terms of number of items and types of materials offered. The public uses the Library very heavily and values its collection. However, the budget for materials has been cut by about 28% since FY 09-10 and difficult choices have been made about the number and types of materials that are purchased. The concern is that damaged or outdated materials cannot be replaced as quickly and that fewer of the more sought-after items can be purchased to meet demand. This measure will be monitored in that regard to see how the overall use of the collection is affected in the future. The Library plans to continue its efforts to find the most cost-efficient way to provide an excellent collection.

LIBRARY DEPARTMENT – BUDGET SUMMARY

Employee wages and benefits represent the largest cost at 67% of total Library expenditures. Expenditures for the collection constitute about 11%. Other large costs include maintaining the Corvallis Library building, providing access to technology, and charges to other City departments for overhead services provided.

BUDGET BY CATEGORY:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2011-12	2012-13	2013-14	2013-14	2014-15	FROM 13-14 BUDGET
Personnel Services	\$3,853,066	\$3,901,897	\$3,968,080	\$3,968,080	\$4,142,840	4.40%
Materials and Services	2,014,863	1,909,340	1,910,070	1,918,800	1,953,800	2.29%
Capital Outlay	33,542	0	0	636,080	55,000	0.00%
TOTAL	\$5,901,472	\$5,811,236	\$5,878,150	\$6,522,960	\$6,151,640	4.65%

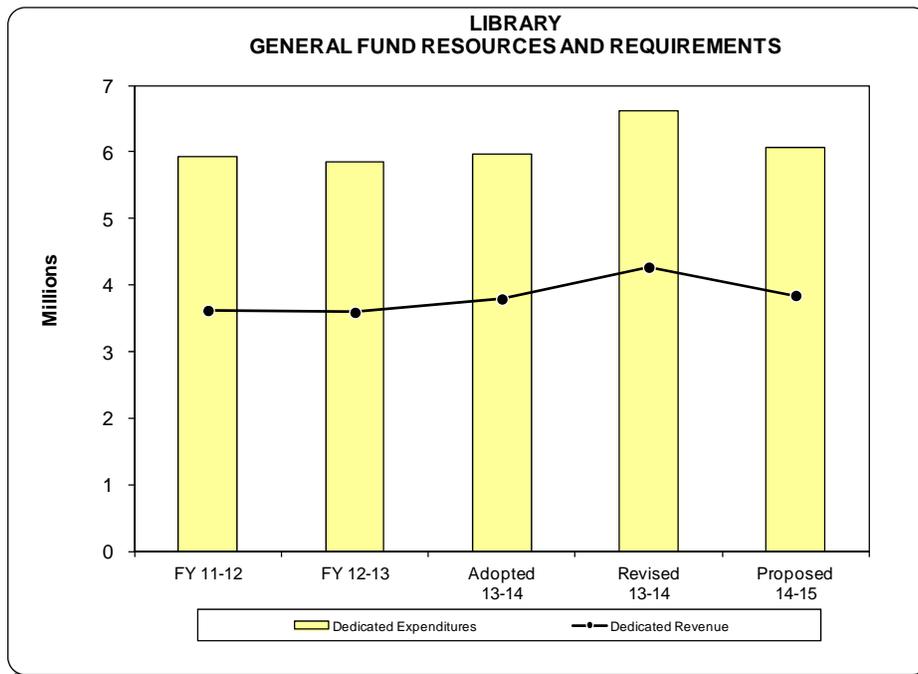
EXPENDITURES BY CATEGORY



The Library operates in the General and Davidson Funds as shown below. The Davidson Fund has no operational budget in FY13-14 and FY14-15 with the intent of growing the endowment balance.

BUDGET BY FUND:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2011-12	2012-13	2013-14	2013-14	2014-15	FROM 13-14 BUDGET
Library Fund	\$5,901,472	\$5,780,864	\$0	\$0	\$0	0.00%
Library Improvement Fund	0	29,890	0	0	0	0.00%
General Fund	0	0	5,878,150	\$6,522,960	6,151,640	4.65%
Davidson Fund	0	482	0	0	0	0.00%
TOTAL	\$5,901,472	\$5,811,236	\$5,878,150	\$6,522,960	\$6,151,640	4.65%

Below is a depiction of Library's General Fund dedicated revenues and expenditures, along with its draw on property tax funding.



GENERAL FUND - LIBRARY DEDICATED REVENUE	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
Charges for Services	\$41,192	\$43,917	\$42,000	\$71,500	\$99,360	136.57%
Intergovernmental	2,499,769	2,399,046	2,516,250	2,328,370	2,487,980	-1.12%
Fines & Forfeitures	98,868	106,264	102,000	102,000	103,020	1.00%
Miscellaneous	62,677	78,030	87,400	723,480	94,900	8.58%
2011 Operating Levy	920,252	967,229	1,048,210	1,047,030	0	-100.00%
2013 Operating Levy	0	0	0	0	1,062,790	0.00%
Dedicated Revenue	3,622,758	3,594,486	3,795,860	4,272,380	3,848,050	1.37%
EXPENDITURES CLASS:						
Personnel Services	3,853,070	3,901,895	3,968,080	3,968,080	4,142,840	4.40%
Materials and Services	2,014,863	1,878,970	1,910,070	1,918,800	1,915,300	0.27%
Capital Outlay	33,542	0	0	636,080	0	0.00%
CIP Transfers	26,000	76,000	90,000	90,000	10,000	-88.89%
Dedicated Expenditures	5,927,475	5,856,865	5,968,150	6,612,960	6,068,140	1.68%
Use of (addition to) Non-Dedicated Revenue	2,304,717	2,262,379	2,172,290	2,340,580	2,220,090	2.20%

NOTE The above budget excludes reserve component funds

LIBRARY DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 14-15 FTE	FY 13-14 FTE	FY 12-13 FTE
Library Director	Exempt	7,554 - 9,641	1	1.000	1.000	1.000
Library Division Manager ¹	Exempt	5,848 - 7,463	3	3.000	4.000	4.000
Circulation Supervisor	Exempt	4,747 - 6,058	2	2.000	2.000	2.000
Department Information System Analyst	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Reference Librarian ²	AFSCME	4,620 - 5,897	11	9.625	9.375	10.000
Early Literacy Coordinator	AFSCME	4,620 - 5,897	1	0.500	0.500	0.500
Management Assistant	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Library Specialist IV	AFSCME	3,963 - 5,058	1	1.000	1.000	1.000
Community Library Specialist ¹	AFSCME	3,676 - 4,691	9	6.125	4.250	4.250
Sr. Administrative Specialist - AFSCME	AFSCME	3,416 - 4,360	2	2.000	2.000	2.000
Library Specialist III	AFSCME	3,416 - 4,360	6	6.000	6.000	6.000
Library Specialist II ²	AFSCME	3,048 - 3,890	7	4.375	4.000	4.750
Library Courier ¹	AFSCME	2,444 - 3,120	1	0.625	0.750	0.000
Shelver ²	AFSCME	2,048 - 2,614	10	5.500	5.250	5.250
TOTAL			56	43.750	42.125	42.750

NOTE: Salary ranges reflect FY 13-14 Class and Compensation schedules.

1. For cost savings and to improve efficiencies, a reorganization resulted in reducing the Library Division Manager and Library Courier positions for additional Community Library Specialists.
2. Positions have increased for FY 14-15 due to passage of the November 2013 levy to support Sunday hours.



CORVALLIS

ENHANCING COMMUNITY LIVABILITY

PARKS & RECREATION DEPARTMENT

SUMMARY OF SERVICES

MISSION STATEMENT

Corvallis Parks and Recreation preserves and creates a community heritage by providing places and programs designed to enhance the quality of life.

Parks & Natural Resources

- Preserve and build neighborhoods by maintaining parks, trails, urban forest and natural areas;
- Implement the Urban Forest Management Plan and Heritage Tree Program;
- Provide volunteer opportunities within the parks system connecting people to their community through the adopt-a-park program, tree planting, trail building and invasive species removal;
- Connect youth to the outdoors and foster a work ethic through the Youth Parks Corps;
- Collaborate with the Civic Beautification and Urban Forest Commission;
- Support economic development by helping maintain and increase property values through planning and development of parks, trails and natural areas.

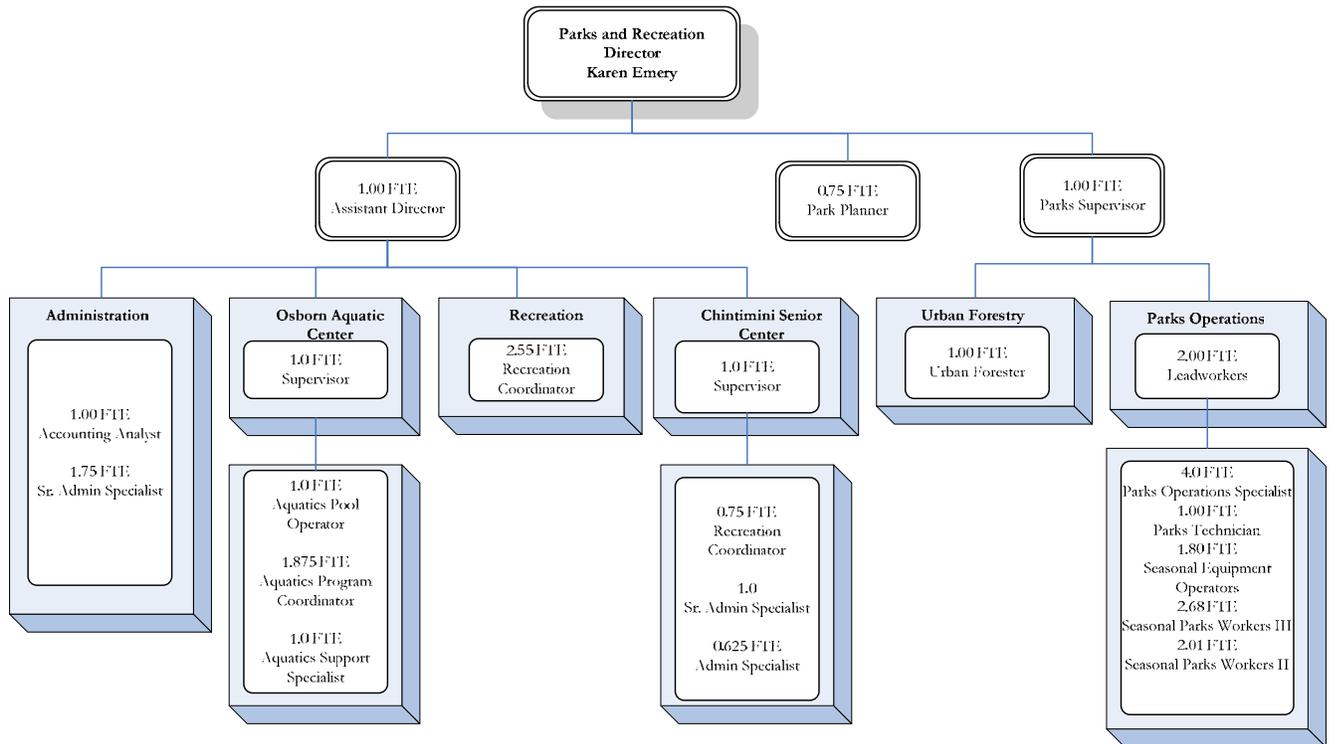
Recreation

- 🍷 Improve community health by providing active recreation programs;
- 🍷 Manage the Osborn Aquatic Center, providing water safety lessons, therapeutic exercise and fitness programs;
- 🍷 Operate the Chintimini Senior and Community Center, providing health, fitness and lifelong learning programs;
- 🍷 Maintain a vibrant volunteer program, keeping people involved in the community;
- 🍷 Provide teens with a way to connect to the community through the Youth Volunteer Corps;
- 🍷 Assist in lowering crime by providing positive activities for at-risk groups.

Administration

- 🌳 Provide leadership for the department;
- 🌳 Engage with community members through boards, commissions, public meetings, stakeholder groups, surveys, and other communications;
- 🌳 Collaborate with other local governments & partners;
- 🌳 Provide departmental budget preparation and management;
- 🌳 Implement the Parks and Recreation Master Plan and the Capital Improvement Plan;
- 🌳 Provide administrative support for recreation programs and facilities including registration, reservations and permits;
- 🌳 Manage department contracts and grants, Council documents, department policies;
- 🌳 Administer payroll, accounts payable and receivable.

PARKS & RECREATION DEPARTMENT ORGANIZATION CHART



PARKS & RECREATION DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed		Historical	
				FY 14-15 FTE	FY 13-14 FTE	FY 12-13 FTE	
Parks and Recreation Director	Exempt	7,554 - 9,641	1	1.000	1.000	1.000	
Assistant Park and Recreation Director	Exempt	5,848 - 7,463	1	1.000	1.000	1.000	
Parks Operations Supervisor	Exempt	5,198 - 6,634	1	1.000	1.000	1.000	
Urban Forester	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000	
Aquatic Center Supervisor	Exempt	4,747 - 6,058	1	1.000	1.000	1.000	
Park Planner	AFSCME	4,620 - 5,897	1	0.750	0.750	0.500	
Parks Maintenance Leadworker	AFSCME	4,620 - 5,897	2	2.000	2.000	2.000	
Management Assistant	Exempt	4,335 - 5,533	-	0.000	0.000	1.000	
Senior Center Supervisor	Exempt	4,335 - 5,533	1	1.000	1.000	1.000	
Park Operations Specialist	AFSCME	4,277 - 5,458	4	4.000	4.000	4.000	
Recreation Coordinator ¹	AFSCME	4,277 - 5,458	4	3.300	3.550	3.550	
Aquatics Program Coordinator ¹	AFSCME	4,277 - 5,458	2	1.875	1.625	1.625	
Parks Maintenance Technician	AFSCME	3,676 - 4,691	1	1.000	1.000	1.000	
Aquatics Pool Operator	AFSCME	3,676 - 4,691	1	1.000	1.000	1.000	
Department Accounting Analyst	AFSCME	3,416 - 4,360	1	1.000	1.000	1.000	
Aquatics Support Specialist	AFSCME	3,416 - 4,360	1	1.000	1.000	1.000	
Senior Administrative Specialist	AFSCME	3,416 - 4,360	3	2.750	2.750	1.750	
Administrative Specialist ²	AFSCME	2,784 - 3,554	1	0.625	1.225	2.600	
Seasonal Parks Equipment Operator ²	AFSCME	2,784 - 3,554	2	1.800	1.770	1.770	
Seasonal Parks Worker III ²	AFSCME	2,444 - 3,120	4	2.680	1.770	1.770	
Seasonal Parks Worker II ²	AFSCME	2,302 - 2,938	3	2.010	2.950	3.530	
TOTAL			36	31.790	32.390	34.095	

- To improve efficiencies, a re-organization decreased the Recreation Coordinator by .25 FTE and increased the Aquatics Coordinator position by .25 FTE, which is authorized, but unfunded in FY 14-15.
- To achieve a sustainable budget a .60 FTE Admin Specialist has been eliminated, and .46 FTE Seasonal Operator is authorized, but unbudgeted. Total Park Seasonals have not changed, but have shifted based on priorities.

ADVISORY BOARDS & COMMISSIONS

The Parks and Recreation Department supports four boards and commissions.

Parks, Natural Areas and Recreation Board: The Board advises the Council and the Department in all matters pertaining to recreation, parks, natural areas and other services and activities of the Department.

Civic Beautification and Urban Forest Commission: The Commission advises Council on matters relating to the planting, maintenance, preservation, and removal of community trees and landscape beautification

Arts and Culture Commission: The Commission advises the Council in all matters pertaining to Arts and Culture, ensuring that Arts and Culture are a civic priority.

Public Art Selection Commission: The Commission advises the Council in all matters pertaining to the acceptance, selection, and placement of art for the City of Corvallis.



Each Chair was invited to a budget review session in early January 2014. Staff worked with the Department's advisory board, the Parks, Natural Areas and Recreation Board (PNARB), to set priorities for the development of the FY 14-15 budget. Budget discussions began in October 2013 and concluded in February 2014. The Board developed criteria and utilized a public survey to assist with prioritization.

PNARB expressed concern regarding additional staff reductions for a Department that is minimally staffed (12% reduction since FY 10-11). They were also concerned about the short- and long-term impacts of deferred maintenance. Lastly, they supported the new approach to funding the Family Assistance Program and establishing a maximum cap of \$125,000 per Fiscal Year. The program will be funded by transferring a percent of program fees to a reserve fund to provide access to programs for people with low incomes.

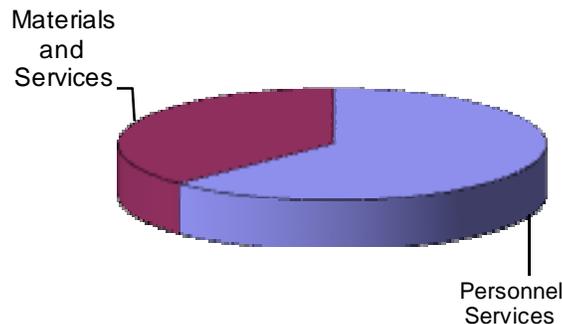


PARKS & RECREATION DEPARTMENT – BUDGET SUMMARY

Employee wages and benefits represent the largest cost at 63% of total Parks and Recreation Department expenditures. Materials and Services such as utilities, contractors, and chemicals comprise the balance of the budget. About 1% of the budget in any given year has been spent on capital purchases primarily for vehicles and equipment; however that was deferred for FY 14-15. Staff development training was a lower priority compared to service to the community, consequently only mandatory training was included.

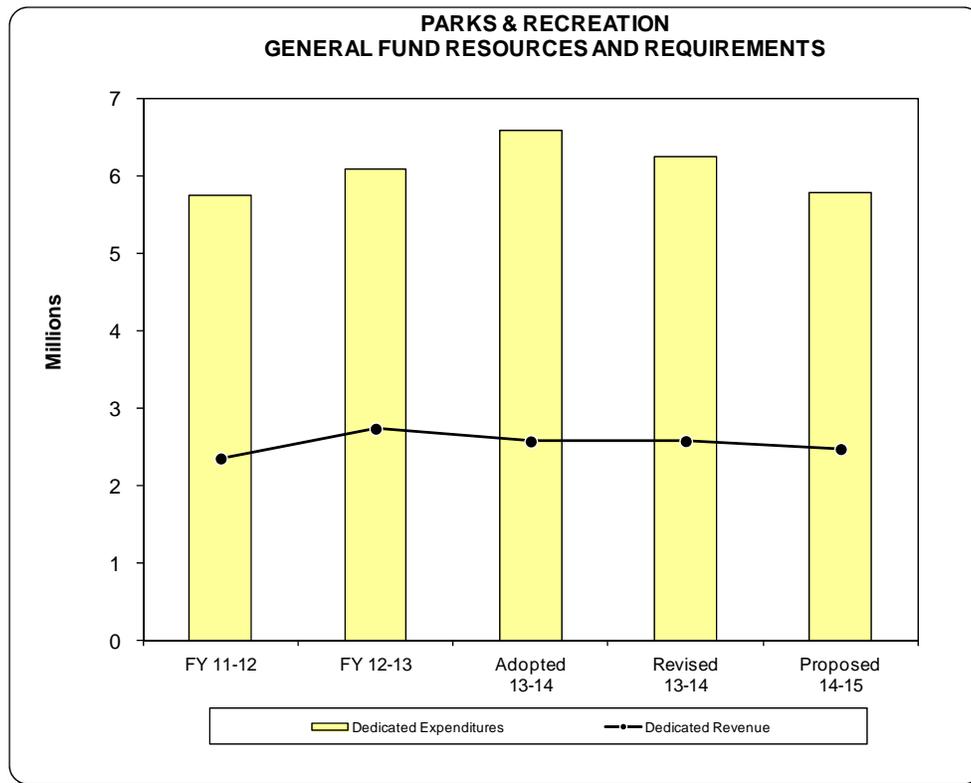
BUDGET BY CATEGORY:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2011-12	2012-13	2013-14	2013-14	2014-15	FROM 13-14 BUDGET
Personnel Services	\$3,621,636	\$3,601,271	\$3,808,700	\$3,817,830	\$3,781,770	-0.71%
Materials and Services	2,050,827	2,424,024	2,293,610	2,256,950	2,258,550	-1.53%
Capital Outlay	11,351	40,561	61,920	74,070	0	-100.00%
TOTAL	\$5,683,815	\$6,065,856	\$6,164,230	\$6,148,850	\$6,040,320	-2.01%

EXPENDITURES BY CATEGORY



BUDGET BY FUND:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2011-12	2012-13	2013-14	2013-14	2014-15	FROM 13-14 BUDGET
Parks & Recreation Fund	\$4,230,612	\$4,439,420	\$0	\$0	\$0	0.00%
P&R Aquatics Funds	1,453,203	1,626,436	0	0	0	0.00%
General Fund	0	0	6,164,230	6,148,850	6,040,320	-2.01%
TOTAL	\$5,683,815	\$6,065,856	\$6,164,230	\$6,148,850	\$6,040,320	-2.01%

Below is a depiction of the Parks and Recreation Department's dedicated revenues and expenditures, along with its draw on property tax funding.



GENERAL FUND - PARKS & REC	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE FROM 13-14
DEDICATED REVENUE	2011-12	2012-13	2013-14	2013-14	2014-15	BUDGET
License, Fees & Permits	\$139,679	\$145,623	\$141,300	\$141,300	\$51,810	-63.33%
Charges for Services	1,370,920	1,575,927	1,562,810	1,562,810	1,594,070	2.00%
Intergovernmental	11,800	5,771	7,400	10,400	7,400	0.00%
Fines & Forfeitures	467	324	250	250	300	20.00%
Miscellaneous	111,382	273,191	110,110	134,740	76,610	-30.42%
2011 Operating Levy	720,400	737,669	753,020	728,830	0	-100.00%
2013 Operating Levy	0	0	0	0	745,650	0.00%
Dedicated Revenue	2,354,648	2,738,505	2,574,890	2,578,330	2,475,840	-3.85%
EXPENDITURES CLASS:						
Personnel Services	3,621,641	3,601,266	3,808,700	3,817,830	3,755,990	-1.38%
Materials and Services	2,050,825	2,424,025	2,293,610	2,256,950	2,026,330	-11.65%
Capital Outlay	11,351	40,561	61,920	74,070	0	-100.00%
CIP Transfers	65,480	19,874	412,020	99,000	0	-100.00%
Dedicated Expenditures	5,749,297	6,085,726	6,576,250	6,247,850	5,782,320	-12.07%
Use of (addition to) Non-Dedicated Revenue	3,394,649	3,347,221	4,001,360	3,669,520	3,306,480	-17.37%

NOTE The above budget excludes reserve component funds

PARKS AND RECREATION SUMMARY OF SERVICES

The Parks and Recreation Department plans to accomplish the following:

- *Natural Areas:* Natural Areas management is funded through General Fund property taxes, grants and donations. Manage 1,200 acres of Natural Areas; continue and expand restoration work at Herbert Farms Natural Area (HFNA) per the HFNA management plan; and begin an oak release project at Chip Ross Natural Area. Acquire land through the Open Space fund if identified.
- *Developed Parks:* Parks are funded through General Fund property taxes, grants and donations. Manage 600 acres of developed parks. Expand adopt-a park program. Improve ADA access and deferred maintenance within the budget allocation. Respond to safety issues through out the system.



- *Urban Forest Program:* The Urban Forest Program is funded through General Fund property taxes and the Sustainable Initiative Fee. Continue implementation of the Urban Forest Management Plan and promote the Heritage Tree Program. Monitor trees in the right-of-way and manage hazard trees. Perform structural pruning for young trees to mitigate becoming hazard trees in the future. Respond to storm events related to trees as needed.

- *Recreation Program:* The Recreation Program is funded through General Fund property taxes, program fees, grants and donations. Continue to: help reduce crime by providing supervised programs during prime time, 3-6pm; work closely with the Benton County Health Department to bridge access to the Latino community and those who are underserved; prevent and reduce obesity through the provision of active living programs for people of all ages; and build future leaders through Youth Volunteer Corps.



some General Fund property taxes. 4,875 staff are funded through the levy. Increase number of children who are taught “drown proofing” skills. Increase use of the natatorium during non-peak hours. Expand Dog Days event to include enhancements to increase revenue while increasing customer service.

- *Osborn Aquatic Center:* The Aquatic Center is funded through program fees, grants, donations, an operating levy and

- *Chintimini Senior & Community Center:* The Senior & Community Center is funded through program fees, grants, donations, and an operating levy, which fully funds the 3.25 FTE. Staff will complete a plan to expand parking, remodel the facility funded through the Chandler Trust, and develop programs and increase marketing to respond to the recreational needs of Baby Boomers.



- *Administration:* Administration is funded through General Fund property taxes. Staff will: work with PNARB and Friends of Corvallis Parks and Recreation to secure alternative revenue; oversee Department budget and manage Cost Recovery implementation; deliver excellent customer service to internal and external customers; administer and complete the projects in the Capital Improvement Plan; expand number of written communications provided in Spanish; administer payroll, accounts payable and receivable; and update the Department’s website and Facebook pages.

SIGNIFICANT CHANGES TO RECURRING OPERATIONS

The Parks and Recreation Department has had reductions to its budget for several years including a 12% reduction in staffing since FY 10-11. Staff pursued developing the Cost Recovery Methodology to secure alternative revenue in an attempt to keep up with the cost of service provision with declining property tax funding. The passage of two operating levies have made it possible to continue operating the Osborn Aquatic Center and the Chintimini Senior & Community Center.

- The City Council adopted a Cost Recovery Model and Resource Allocation Philosophy in January 2012 for the Parks and Recreation Department. Staff began implementation shortly after adoption, utilizing various strategies to lower costs and increase revenues. Council supported raising fees in tandem with expanding access to the Family Assistance Program so fees would not be a barrier to participation for those with low incomes. Staff partnered with the Benton County Health Department and successfully increased utilization.

Year	FY 10-11	FY 11-12	FY 12-13
Scholarship Utilization Rate	12.00%	27.00%	62.77%
Total Dollars Utilized	\$ 2,600	\$ 17,962	\$ 138,757
Number of Families	164	240	731

The challenge is how to address a growing program with a budget that has a fixed expenditure limit. With the advice of the advisory board, for FY 14-15, staff has established a fixed expenditure limit to the Family Assistance Program of \$125,000 and created a reserve funded by program fees. This enabled the Department to dedicate \$125,000 of its fixed expenditure limit to other priorities.

- FY 14-15 Capital projects are now tied to the Department's fixed expenditure limit. After prioritizing programs and services, staff has carefully chosen Capital projects that have a high probability of being funded through alternative revenue, thus no General Fund property taxes have been proposed for allocation. This approach works for FY 14-15, however for future years, there is not a funding mechanism for deferred maintenance CIP projects that aren't eligible for SDCs or grant funding. For more information, see the Capital Projects and System Development Charges at the end of this Departmental section.

- The Parks and Recreation Department budget has been balanced for several years by reducing budget allocations to deferred maintenance projects. This is not a sustainable solution as the infrastructure continues to age and deteriorate, until it completely fails. The Dinosaur Bones were closed for a year until grants and donations could be secured to rehabilitate them. The playground at Franklin Park will be removed this year until grants and donations are secured to replace it. For FY 14-15, just under \$90,000 in scheduled projects have been deferred in addition to playground replacement.



- Parks staffing will be reduced by approximately 4,600 hours. Turf mowing and landscape maintenance of Public Works facilities has been transferred back to that Department. Irrigation will be reduced in Neighborhood Parks, which will slow the grass growth allowing a reduction in mowing. Rough mowing will be reduced, but critical areas will continue to be mowed at the existing frequency for fire suppression. The frequency of homeless camp cleanups will be reduced. The Youth Parks Corps program will be reduced by 50%. Parks staff will continue to do preventative dead wooding of park trees, but at a reduced frequency. There will be a reduction in landscape maintenance, primarily relating to reduced weeding frequencies



in beautification areas.

- Administration staff will be reduced by .6 FTE. Those duties will be reallocated to existing staff, with support of casual staff during peak season and a reduction in office hours at the main office.

PRIORITIZATION

PNARB and staff used the following criteria to prioritize services and programs:

- The Department Mission and Vision Statements and benefits of Parks and Recreation services as defined in the Cost Recovery Model, Resource Allocation Philosophy and Policy;
- Public survey regarding Parks and Recreation services and programs;
- 2013 Draft Master Plan recommendations;
- Cost Recovery and cost recovery plan recommendations;
- Sustainability, triple bottom line;
- Social Equity, who does the service/program serve;
- Number of participants served;
- Impact regarding access, people with disabilities and/or low incomes;
- Impact on health and community livability;
- Impact on environmental restoration and or stewardship;
- Impact on operations, doing less with less;
- Impact on revenues, both positively and negatively;
- Deferred maintenance impact both short and long term.



The Parks and Recreation management team evaluated and prioritized which projects to complete and which to defer in the areas of maintenance and Americans with Disability Act (ADA) improvements. Staff reviewed the impact of deferring the contribution to the vehicle reserve, as well as the impact of deferring vehicle and equipment replacement. Staff reviewed the Capital Improvement Plan and prioritized projects that had the highest potential to be funded through non-property tax revenue. Staff reviewed staffing levels and ways to provide a higher level of service during peak seasons and lower levels during non-peak seasons. Staff reviewed the Parks Operations Plan and reduced levels of service as described in the significant changes section above. Staff reviewed all recreation programs using the criteria above to decide if changes needed to be made.

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

Parks and Recreation has partnered with the Friends of Corvallis Parks and Recreation, a 501(c)(3) Non-profit, to donate funds for various projects that are currently in the Department's Capital Improvement Plan. Additionally, the Department has been named in a trust to fund facility improvements at the Senior Center. Staff aggressively applies for grants to fund programs and projects.

The Department plans to fund and expend \$125,000 from the Family Assistance Reserve in FY 14-15.

The Department will not contribute to or expend from the Vehicle Reserve in FY 14-15.

The Department plans to fund the Sustainable Initiative Fee Reserve for Urban Forest management with a projected \$90,000 in receipts, and to expend \$86,000 in FY 14-15.

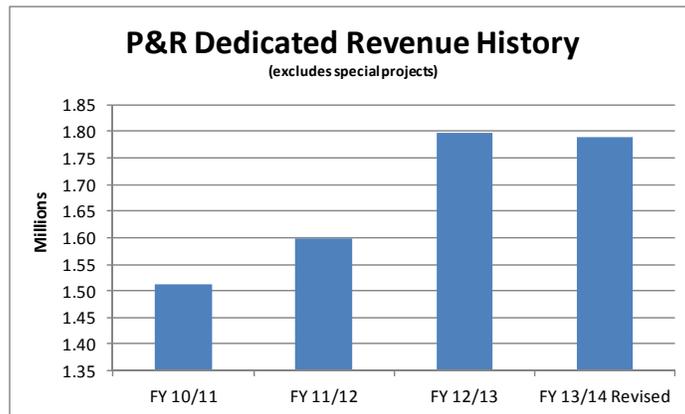
SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURE

The City Council overarching goals of Sustainability and Cost Efficiency serve to drive the 2013-2015 Council goal of a Sustainable Budget, which is a paramount objective in providing excellent Parks and Recreation services. Additional linkage can be made to the City Manager’s Core Responsibilities for resident well being, public safety, livability and economic vitality. Lastly, the Corvallis 2020 Vision Statement guides staff to fulfill the vision of “being a good place for all kinds of people to live and to lead healthy, happy, productive lives.” The Parks and Recreation Department is a member of the National Recreation and Parks Association and participates in a national benchmark and performance measure system that measures a comprehensive spectrum of outcomes on an annual basis. One measurable outcome that the Parks and Recreation Department will highlight for the FY 14-15 budget is to:

Increase revenues by a minimum of 7% from prior year actual

- *Measure definition:* Increase dedicated revenue from Fees, Services, Donations, Rentals, and Grants by 7% in total as compared to FY 13-14 to enable Parks and Recreation to maintain existing service levels.
- *Evaluation of results:* Staff will continue to implement Cost Recovery strategies, including contributions to the new Family Assistance reserve. Staff will seek alternative funding through grants, Friends of Corvallis Parks and Recreation, and donations. Staff will compare revenue in FY 14-15 as compared to FY13-14 on a monthly basis to insure the target is met.
- *Current year performance and trends:*

	FY 10-11	FY 11-12	FY 12-13	FY 13-14 Revised
Dedicated revenue from fees, services, donations, rentals, grants, etc.	\$ 1,513,146	\$ 1,597,139	\$ 1,796,010	\$ 1,790,000
Special Projects	\$ 30,884	\$ 37,109	\$ 204,830	\$ 59,500
Total	\$ 1,544,030	\$ 1,634,248	\$ 2,000,840	\$ 1,849,500



Conclusions and challenges: Staff will continue to implement the Cost Recovery Methodology while carefully balancing fee limitations, market tolerance, and social equity. Additionally, staff will monitor Family Assistance utilization to either implement the \$125,000 cap or secure additional revenue. Lastly, with the approach of funding Capital Projects with alternative

revenue, this will increase revenue and expenditures for the Department if City Council accepts and appropriates these funds.

CAPITAL PROJECTS AND SYSTEM DEVELOPMENT CHARGES

The Parks & Recreation Department operates primarily in the General Fund, however also utilizes the Parks System Development Charges (SDC) Fund. No actual operations occur in the SDC Fund but accumulated revenue is used for eligible capital projects included in the Capital Improvement Plan. Due to the fixed expenditure limit, staff will pursue projects in FY 14-15 that require no General Fund property tax support. They will be funded through SDCs, grants, donations or other alternative revenue or a combination there of. If funding is not secured, the project(s) will be deferred. Following are the projects planned for FY 14-15:

- Marys River Natural Area Boardwalk
- Arnold Park Playground Enhancement
- Senior & Community Center Improvements
- Accessibility improvement at MLK Jr. Park and Playground Enhancement
- Owen’s Farm Barn renovation
- Aquatic Center Climbing wall
- Acquisition of Land

	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2011-12	2012-13	2013-14	2013-14	2014-15	FROM 13-14
						BUDGET
Parks System Development Charges						
Charges for Service	\$792,326	\$393,970	\$1,170,000	\$1,170,000	\$603,000	-48.46%
Miscellaneous	29,022	17,120	21,250	173,170	15,100	-28.94%
TOTAL REVENUE	821,348	411,090	1,191,250	1,343,170	618,100	-48.11%
TOTAL EXPENDITURES (Non-Operating)	100,056	264,257	2,974,562	2,674,133	848,200	-71.48%



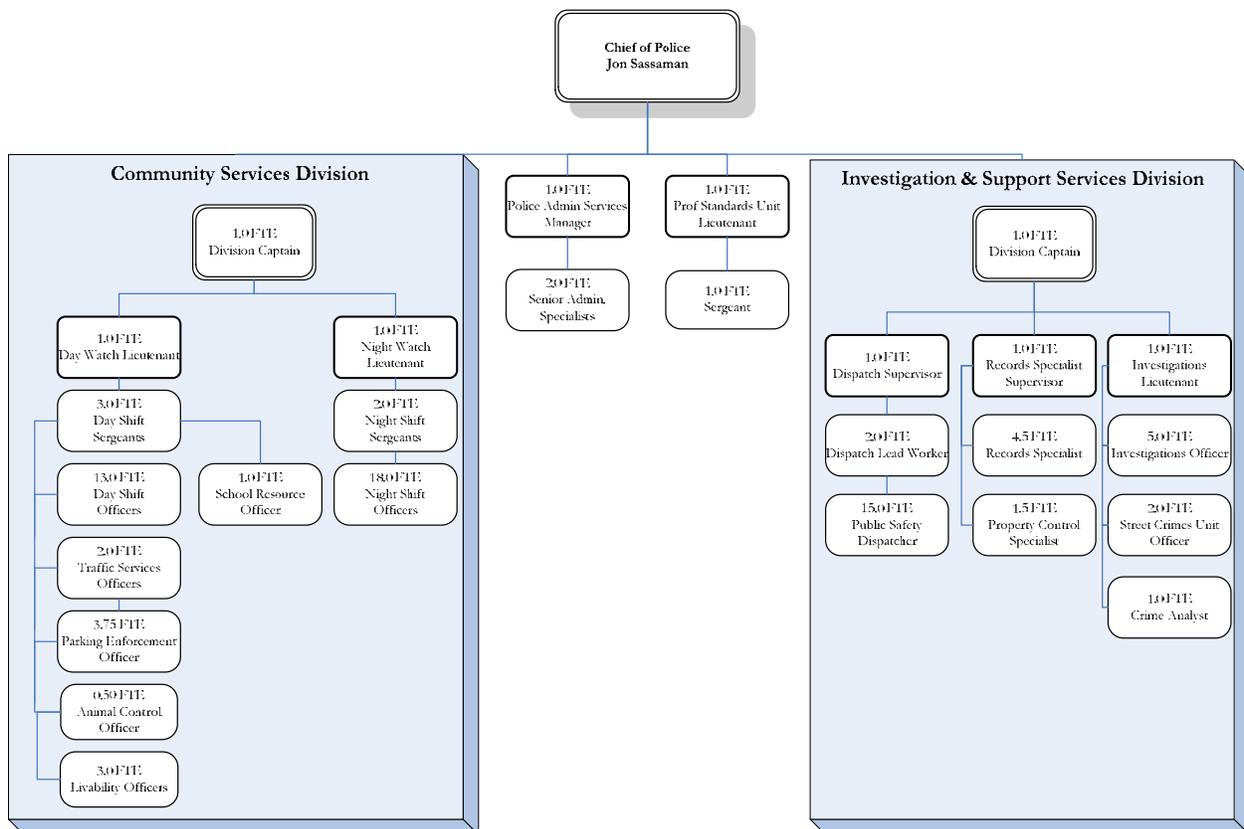


POLICE DEPARTMENT

MISSION STATEMENT

To enhance community livability by working in partnership with the community to promote public safety and crime prevention through education and enforcement; to maintain the public order while preserving the legal rights of all individuals; to reduce the impact of crime; and to provide effective, efficient and courteous service.

POLICE ORGANIZATION CHART



ADVISORY BOARDS & COMMISSIONS

The Corvallis Police Department Community Policing Forum is an advisory body composed of a Mayor appointed councilor, community and department members representative of the various organizations, cross-sections and interests in Corvallis.

The advisory body reviewed and prioritized all policing services currently offered by the Department, providing a broad community perspective which has contributed to the development of the FY 14-15 budget.

The 9-1-1 User Board, comprised of 10 emergency service agencies within Benton County, met and prioritized staffing levels and services for the Corvallis Regional Communications Center (911 dispatch).

The Police Department operates in the General, 9-1-1 and Parking Funds and provides services through the following divisions.

SUMMARY OF SERVICES

POLICE – GENERAL FUND

Office of the Chief/Professional Standards

Provides/Administers:

- * Internal leadership, strategic planning, and directs the overall activities of the Department.
- * Media and public relations.
- * Services to the community consistent with council goals and polices.
- * Budget, planning and research.
- * Personnel recruitment, administration and labor relations.
- * Commission on Accreditation for Law Enforcement Agencies (CALEA), internal affairs, policies and procedure development and training.

Community Services

Provides/Administers:

- * Community-oriented policing and problem-solving strategies through partnerships with community centers of interest.
- * Community safety and crime prevention.
- * Emergency and non-emergency police response to calls for service.
- * Traffic enforcement and education, promoting safety and orderly traffic flow.
- * Access to public parking through education and enforcement of parking regulations.
- * Assistance by handling animal-related incidents through education and enforcement of city ordinances.
- * Youth leadership development through the volunteer Cadet Program.

Investigation and Support Services

Provides/Administers:

- ✦ Criminal investigation of major crimes both person and property.
- ✦ Crime Prevention activities through the volunteer Police Auxiliary Program.
- ✦ Reception and Records services (telephone reception, customer service, Police report records management system) for the Corvallis Police Department and the Benton County Sheriff's Office.
- ✦ County-wide emergency 9-1-1 services.
- ✦ County-wide emergency dispatching for police, fire and emergency medical services.
- ✦ Evidence and property control systems for the Corvallis Police Department and the Benton County Sheriff's Office.



POLICE DEPARTMENT GENERAL FUND BUDGET PRIORITIES

The department's over-arching budget priority is to deliver community-policing services which means having an institutionalized philosophy which guides the delivery of police services by forming a partnership between the police and the community to "co-produce" public safety.

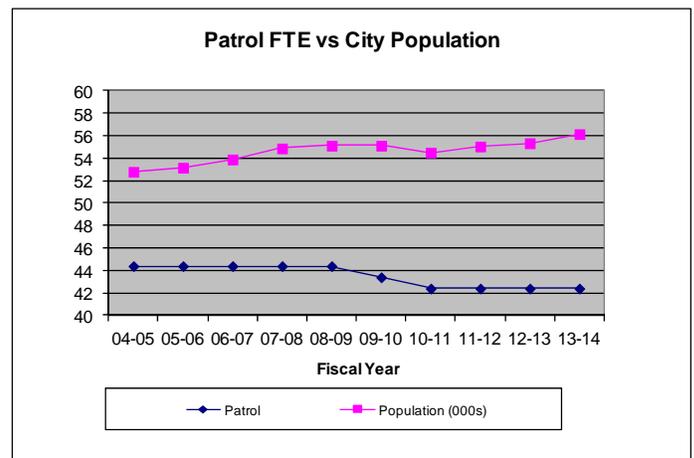
- **Respond to emergency and non-emergency calls for service:**
 - Police Officer response to and investigation of criminal activity throughout Corvallis.
- **Criminal Investigations of major offenses:**
 - Detective and street crimes unit investigation of violent person crimes, significant property offenses, drug trafficking organizations/narcotics, and other major crimes such as financial and identity theft and fraud cases.
- **Traffic Safety Management:**
 - Traffic management promoting safety and compliance with regulations through enforcement, education, engineering and public participation, providing a safer community for all modes of transportation.
- **Training Plan:**
 - A comprehensive training plan meeting requirements established through the Oregon Department of Public Safety Standards and Training, State and Federal Law, Commission on Accreditation for Law Enforcement Agencies, Oregon Safety and Health Administration, Risk Management and Professional Competency.
- **Communications:**
 - Maintain department transparency through the current Community Policing Forum and the Citizen Review Board, and enhance accessibility through Social Media and public outreach.

- **Neighborhood Livability Officer Implementation:**
 - Three levy funded officers will be hired and trained during FY 14-15. Livability officers will partner with Oregon State University and neighborhoods to focus on behaviors and violations of law which negatively impact livability in Corvallis.
- **School Resource Officer Implementation:**
 - One levy funded officer will be hired and trained during FY 14-15. Work with the 509J School District is on-going to develop the SRO program which will focus on education, intervention, relationship building and problem-solving within the school system.

FY 14-15 Proposed Budget

	<u>General Fund</u>
Dedicated Revenue	\$1,414,470
Personnel Services	\$8,346,230
Materials and Services	\$2,776,980
Capital Outlay	\$0
Total Expenditures	<u>\$11,123,210</u>
Net Dedicated Revenue less Expenditures	<u>(\$9,708,740)</u>
FTE	67.400

NOTE The above budget excludes reserve component funds



SUMMARY OF SERVICES

911 EMERGENCY COMMUNICATIONS



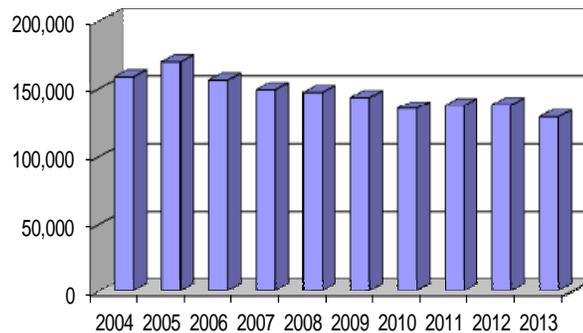
The 9-1-1 Fund accounts for revenues and expenditures associated with operations of the Corvallis Regional Communications Center (CRCC) which is operated by the City of Corvallis. Major revenue sources include charges for service from 10 user agencies on a cost share basis, and 9-1-1 state telephone taxes.

Funding the 911 Center at levels commensurate with user agencies and community expectations is a fine balance between increasing costs of necessary technology, infrastructure, staffing and operations with the limited general fund resources available to user agencies.

Corvallis Regional Communications Center

- ✦ Enhance safety by providing a county-wide 9-1-1 emergency communications system.
- ✦ Provide emergency field communications and dispatch for first responders (police, fire and emergency medical services).
- ✦ Provide non-emergency information and support to the community and community safety agencies in a prompt, professional and courteous manner.

Total 9-1-1 Center Calls Received



911 EMERGENCY COMMUNICATIONS BUDGET PRIORITIES

- **Staffing and Services:**
 - Due to funding constraints only 16 dispatchers are funded for FY 14-15 which is a reduction of one dispatcher FTE from FY 13-14. Procedural adjustments may be required at this lower staffing level to maintain critical emergency communications and infrastructure.

- **Interoperability:**
 - Continue to implement and use the interoperable 700 Mhz emergency radio communications system which is staffing and cost dependant.

- **Future Fund Viability:**
 - Continued evaluation of future fund sustainability is being conducted related to staffing, infrastructure, expansion and major equipment and software replacement. Options include, but are not limited to, contracting services out, establishing a special service district, revising cost share formulas, partnering with neighboring jurisdictions, grant opportunities and telephone tax initiatives.

FY 14-15 Proposed Budget	
	9-1-1 Emergency Communications Fund
	Fund
Dedicated Revenue	\$2,347,980
Personnel Services	\$1,816,620
Materials and Services	\$378,250
Capital Outlay	\$0
Total Expenditures	\$2,194,870
Net Dedicated Revenue less Expenditures	\$153,110
FTE	18.850



SUMMARY OF SERVICES

PARKING

The Police Department is strictly the enforcement branch of the overall parking fund and therefore focuses on staff and equipment costs to ensure enforcement is consistent with community expectations.

Parking Enforcement

- ✦ Manage parking operations consistent with City policy, ensuring equitable application of parking regulations.



PARKING BUDGET PRIORITIES

- **Parking District Expansion:**
 - The City and Oregon State University have collaborated on parking strategies both on and off campus with a goal of improving livability within those neighborhoods immediately surrounding the University and improving parking utilization on campus.
 - For FY 14-15, the Parking Fund has been preliminarily increased by one FTE parking enforcement employee, however additional staff, equipment and vehicles may be required subsequent to final City Council decisions on parking district expansions.
 - Hiring and training is a nine month process and realized enforcement is anticipated in late 2014 or early 2015

FY 14-15 Proposed Budget	
	Parking Fund
Dedicated Revenue	\$579,970
Personnel Services	\$356,970
Materials and Services	\$43,760
Capital Outlay	\$0
Total Expenditures	\$400,730
Net Dedicated Revenue less Expenditures	\$179,240
FTE	4.000

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

In the General Fund, four vehicles will be replaced in FY 14-15. One detective vehicle and three marked patrol vehicles which have been carefully evaluated based on the mileage, repair/maintenance costs, and recommended replacement schedule.

In the 9-1-1 Fund, no reserves purchases will be made in FY 14-15. The Corvallis Regional Communications Center operates with core communication consoles which are no longer manufactured and replacement is anticipated within three years. The current reserve funds are insufficient to replace these consoles on schedule and staff is researching grant opportunities to offset this reserve fund deficit. Replacement cost is anticipated to be approximately \$400K.

No purchases from Parking Fund reserves are currently anticipated for FY 14-15, however based on City Council decisions relative to parking district expansion, additional vehicles and equipment may need to be purchased.

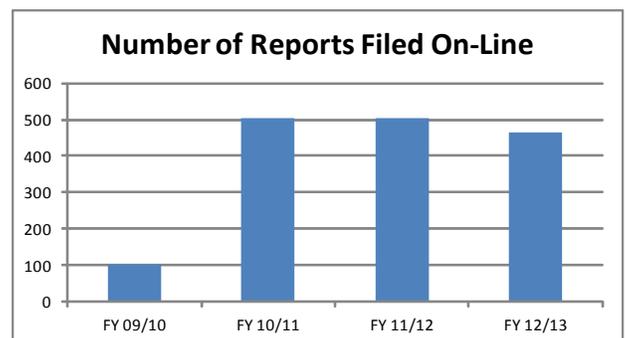
SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURE

It continues to be the Police Department's overarching responsibility to reduce the number and degree of criminal victimizations in Corvallis thereby improving livability and maintaining a safe community. The Department strives to accomplish crime reduction through community policing strategies. Technological advances enable the department to enhance customer service and increase efficiency in support of the City Council goal of a sustainable budget within the expenditure limitations.

Since FY 09-10, the Corvallis Police Department has offered an online police reporting option for the public. This web based reporting system allows the public to file certain incident types (minor theft, unlawful entry to a motor vehicle, hit and run, vandalism, lost property and abandoned autos, etc.) over the internet at their convenience and is offered in both English and Espanol. The service allows the public to file a report at a time that is convenient for them and without waiting for an officer to respond or Records staff to come on duty. People filing a report immediately and electronically receive a case number and a copy of their submitted report.

Increase community usage of on-line police reporting system by 10%:

- *Measure definition:* Number of police reports made by community members through the on-line (CopLogic) police reporting system.
- *Evaluation of results:* Over the past 3 years since full implementation of the on-line police reporting system, an average of 490 reports have been filed each year. This is an approximate saving to the Police Department of \$24,500 annually in police report taking time.
- *Current year performance and trends:* The number of police reports filed on-line continues to rise slightly and is trending toward surpassing the 3 year average.
- *Conclusions and challenges:* As communication through technology continues to increase, the department seeks to meet customer expectations through on-line tools. The Department will work to enhance the usage of on-line police reporting



* CopLogic on-line reporting system was implemented mid year FY09/10

through education, information and public outreach broadening the types of cases accepted and the languages in which people may report to better serve the demographic of our community.

SIGNIFICANT CHANGES TO RECURRING OPERATIONS

- ❖ Implementation of the School Resource Officer Program and the hiring and training of one levy funded School Resource Officer position.
- ❖ Implementation of the Neighborhood Livability Program and the hiring and training of three levy funded Neighborhood Livability Officers.
- ❖ Hiring and training of parking enforcement employee(s) based on City Council decisions relative to parking district expansions.

POLICE DEPARTMENT – BUDGET SUMMARY

- ❖ The FY 14-15 Proposed Budget for the Police Department maintains current services and includes one levy funded School Resource Officer position, three levy funded Neighborhood Livability Officers and one additional parking enforcement employee.
- ❖ Employee wages and benefits represent the largest cost at 76% of total Police Department expenditures. Supplies, services and Internal Service Charges represent 23% of expenditures and the vehicle reserve capital outlays make up the remaining 1%.

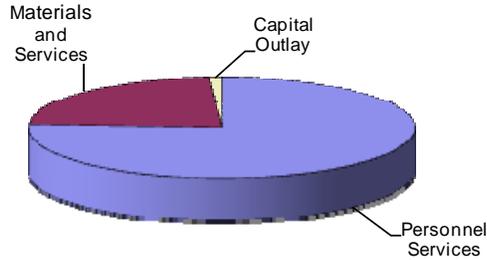
BUDGET BY CATEGORY:	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
Personnel Services	\$9,637,799	\$9,600,691	\$9,960,890	\$9,862,950	\$10,519,820	5.61%
Materials and Services	2,876,231	2,801,874	3,154,690	3,177,390	3,198,990	1.40%
Capital Outlay	60,901	235,218	227,830	205,990	138,250	-39.32%
TOTAL	\$12,574,930	\$12,637,783	\$13,343,410	\$13,246,330	\$13,857,060	3.85%

The Police Department operates in the General, 9-1-1 and Parking Funds as shown below.

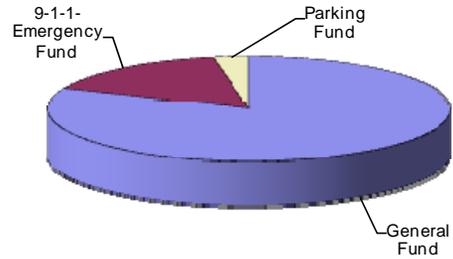
BUDGET BY FUND:	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
General Fund	\$10,188,973	\$10,154,728	\$10,649,520	\$10,676,820	\$11,261,460	5.75%
9-1-1- Emergency Fund	2,123,624	2,140,181	2,320,330	2,194,290	2,194,870	-5.41%
Parking Fund	262,333	342,874	373,560	375,220	400,730	7.27%
TOTAL	\$12,574,930	\$12,637,783	\$13,343,410	\$13,246,330	\$13,857,060	3.85%

POLICE DEPARTMENT – BUDGET SUMMARY (CONTINUED)

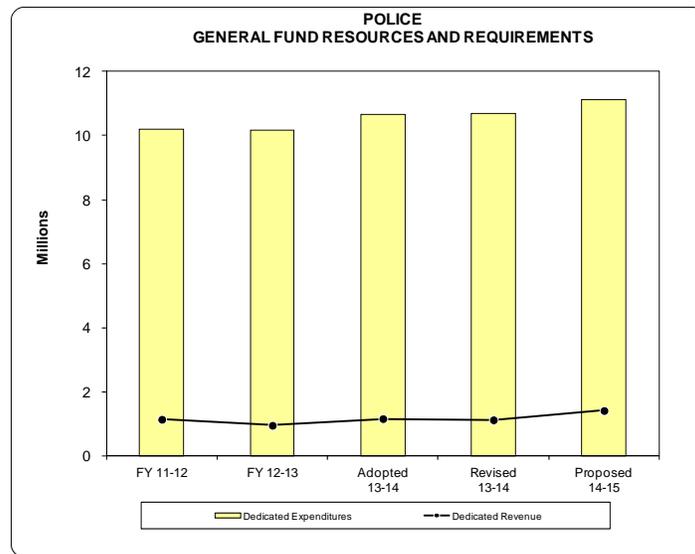
EXPENDITURES BY CATEGORY



FY 14-15 PROPOSED BUDGET EXPENDITURES BY FUND



Below is a depiction of the Police Department’s General Fund revenue and expenditures, along with its draw on property tax funding.



						%CHANGE
GENERAL FUND - POLICE*	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	FROM 13-14
DEDICATED REVENUE	2011-12	2012-13	2013-14	2013-14	2014-15	BUDGET
License, Fees & Permits	\$58,029	\$57,423	\$56,000	\$56,000	\$56,560	1.00%
Charges for Services	270,715	294,573	299,000	299,000	307,970	3.00%
Intergovernmental	116,416	28,524	165,750	182,660	0	-100.00%
Fines & Forfeitures**	692,712	565,247	635,400	581,860	635,200	-0.03%
Miscellaneous	2,321	6,996	3,980	3,980	4,000	0.50%
2013 Operating Levy	0	0	0	0	410,740	0.00%
Dedicated Revenue	1,140,193	952,763	1,160,130	1,123,500	1,414,470	21.92%
EXPENDITURES CLASS:						
Personnel Services	7,686,415	7,538,289	7,802,520	7,802,520	8,346,230	6.97%
Materials and Services	2,441,662	2,429,555	2,730,300	2,757,600	2,776,980	1.71%
Capital Outlay	60,901	186,885	116,700	116,700	0	-100.00%
CIP Transfers	5,600	0	0	0	0	0.00%
Dedicated Expenditures	10,194,578	10,154,729	10,649,520	10,676,820	11,123,210	4.45%
Use of (addition to) Non-Dedicated Revenue	9,054,385	9,201,966	9,489,390	9,553,320	9,708,740	2.31%

* For all other funds the revenues are dedicated for the services provided so they are not presented in the table above.

** Although Fine & Forfeiture revenue is recorded in Finance, this revenue is shown in the Police Department table since the revenue is generated by Police department personnel.

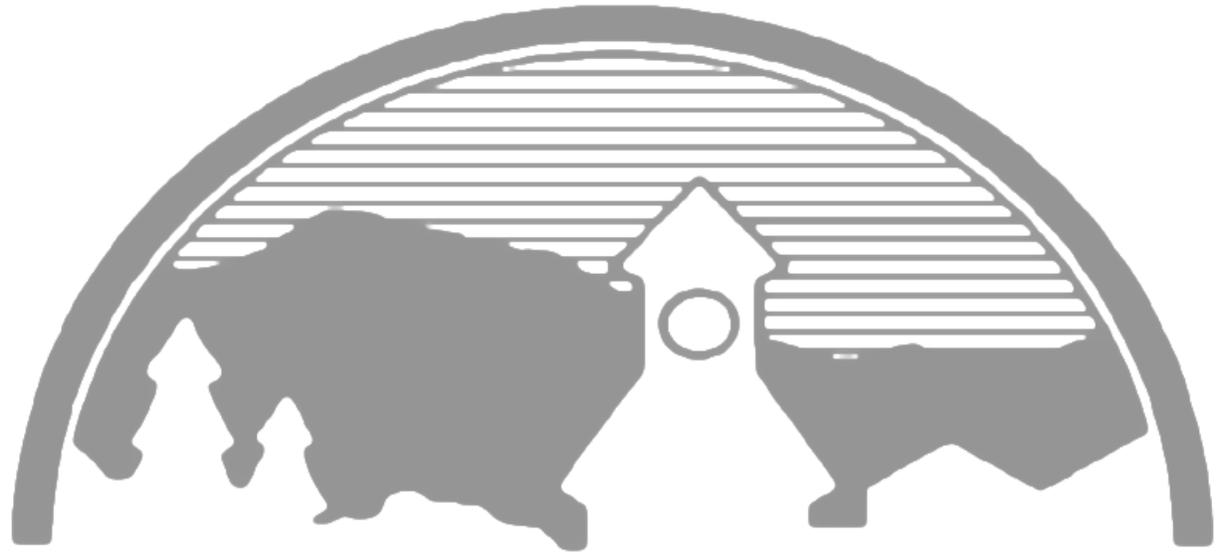
NOTE The above budget excludes reserve component funds

POLICE DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 14-15 FTE	FY 13-14 FTE	FY 12-13 FTE
Police Chief	Exempt	\$7,938 - \$10,131	1	1.000	1.000	1.000
Police Captain	Exempt	7,401 - 9,446	2	2.000	2.000	2.000
Police Lieutenant	Exempt	6,579 - 8,396	4	4.000	4.000	4.000
Police Sergeant	CPOA	5,596 - 7,605	6	6.000	6.000	6.000
Police Admin Services Manager ¹	Exempt	5,198 - 6,634	1	1.000	0.000	0.000
Supervisor, Dispatch	Exempt	5,198 - 6,634	1	1.000	1.000	1.000
Animal Control Officer	AFSCME	4,620 - 5,897	1	0.500	0.500	0.500
Police Officer ²	CPOA	4,518 - 6,610	44	44.000	43.000	43.000
Crime Analyst	AFSCME	4,277 - 5,458	1	1.000	1.000	1.000
Management Assistant ¹	Exempt	4,335 - 5,533	-	0.000	1.000	1.000
Records Specialist Supervisor	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Public Safety Dispatch Leadworker	CRCCA	3,959 - 5,052	2	2.000	2.000	2.000
Public Safety Dispatcher ³	CRCCA	3,600 - 4,595	14	15.000	15.000	15.000
Senior Administrative Specialist (AFSCME)	AFSCME	3,416 - 4,360	1	1.000	1.000	1.000
Senior Administrative Specialist (Exempt)	Exempt	3,319 - 4,237	1	1.000	1.000	1.000
Property Control Specialist	AFSCME	3,187 - 4,068	2	1.500	1.500	1.500
Parking Enforcement Officer ⁴	AFSCME	3,187 - 4,068	4	3.750	2.750	2.750
Records Specialist	AFSCME	3,048 - 3,890	5	4.500	4.500	4.500
TOTAL			91	90.250	88.250	88.250

NOTE: Salary ranges reflect FY 13-14 Class and Compensation schedules.

1. As a result of HR job review, the Management Assistant position was re-classed to a Police Admin Services Manager.
2. Successful passage of the 2013 Operating Levy resulted in funding three previously authorized but unfunded positions and the add-back of a school resource officer.
3. To support achievement of a sustainable budget, one dispatcher remains authorized but unfunded in FY 14-15.
4. An additional parking enforcement officer was added mid-year in FY 13-14 so the position can be filled and trained by September 1, 2014, when the new Residential Parking District goes into effect.



CORVALLIS

ENHANCING COMMUNITY LIVABILITY

PUBLIC WORKS DEPARTMENT SUMMARY OF SERVICES

MISSION STATEMENT

Consistent with the Corvallis 2020 Vision Statement and City Council goals, support and enhance the quality of life for residents by delivering responsive and efficient services to all neighborhoods, and maintaining reliable and cost-effective public works facilities and systems in a manner that emphasizes customer satisfaction, public service, and good stewardship of natural, fiscal and staff resources.

Utilities

-  Develop master plans for robust infrastructure and uninterrupted service into the future.
-  Treat drinking water to meet or exceed all State and federal standards, and maintain the water distribution system to ensure adequate pressure and flows for community needs.
-  Maintain wastewater collection system to protect public health and the environment, and treat wastewaters to meet or exceed all State and federal standards.
-  Maintain stormwater system to collect urban runoff, control localized flooding, and preserve urban stream water quality.
-  Manage the watershed property to protect a City water source and to re-establish a healthy forest.
-  Track regulatory activity at the State and federal level to prepare for emerging regulations.
-  Operate water pump stations to ensure water service to elevated areas in the community.
-  Maintain water storage reservoirs to keep an adequate supply of water available for daily consumption and fire-fighting capacity needs.
-  Operate State-certified water quality laboratories to cost-effectively perform testing required by regulatory agencies.
-  Respond to utility infrastructure emergencies at any time.

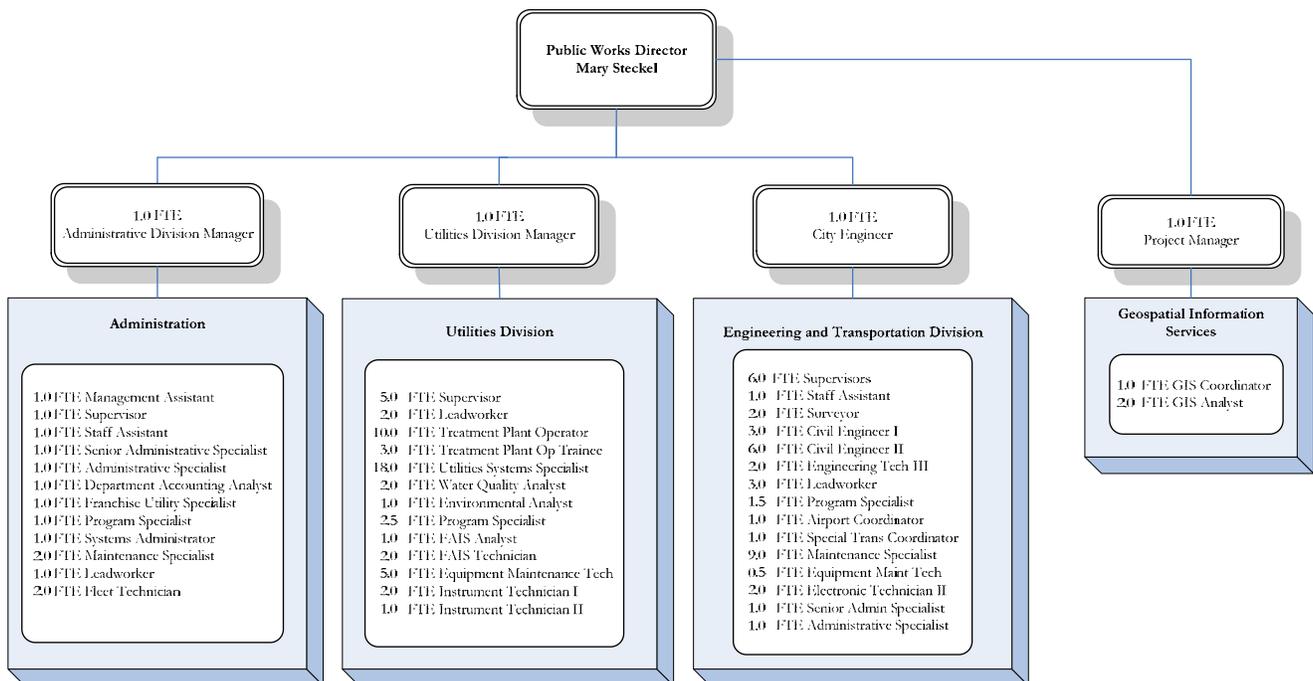
Engineering & Transportation

-  Design and manage the construction of utility and transportation capital improvements to ensure community needs can be met into the future.
-  Participate in the review of development plans to identify the public infrastructure needed to align with City master plans.
-  Authorize and inspect public infrastructure constructed by private developments.
-  Develop long-range plans for transportation systems to assure streets sustain the expected traffic levels and multi-modal options keep pace with the community's desires.
-  Maintain the street pavement to extend service life in the most cost-effective manner.
-  Operate the Corvallis Transit System to efficiently move people around the community, reducing traffic congestion and providing mobility for those who cannot or choose not to use an automobile.
-  Maintain street markings, traffic signals, and signage to provide for the safe and efficient use of public transportation facilities.
-  Operate the Corvallis Municipal Airport to offer a transportation option for movement of freight.
-  Manage the Airport Industrial Park property to provide desirable space for businesses.
-  Operate a comprehensive bicycle/pedestrian program to provide viable transportation alternatives to the automobile.
-  Respond to transportation infrastructure emergencies at any time.

Administration & Buildings

- ❖ Provide oversight and financial and administrative assistance to the department to result in a consistent, high-quality work product and compliance with internal policies.
- ❖ Conduct preventive and corrective maintenance to ensure City buildings remain safe and operational, and to protect the community's investment in this infrastructure.
- ❖ Repair and replace rolling and fixed equipment to support front-line operations in the delivery of City services.
- ❖ Inform and educate the public about department services through a variety of mechanisms, including in person and via the Web, to enhance transparency and understanding.
- ❖ Manage department asset management databases and systems to provide staff the information needed to efficiently perform and track work activities.
- ❖ Coordinate City-wide sustainability efforts to move the organization toward more sustainable practices.
- ❖ Manage and enforce franchise agreements with solid waste, electrical, natural gas, cable television and telecommunications companies to protect and preserve the public rights of way.

PUBLIC WORKS DEPARTMENT ORGANIZATION CHART



SUMMARY OF SERVICES

The Public Works Department provides services to the community and to the other City departments out of eleven different funds. The Utilities Division operations are housed in the Stormwater, Wastewater, and Water Funds. Engineering and Transportation Division activities are in these funds, as well as the Airport, General, Parking, Street, Technology and Communications, and Transit Funds. The Administrative Division, with the addition of the Buildings and Fleet work groups, provides services from eight of these nine funds, along with the Facility and Fleet Maintenance Funds. For the most part, Utilities and Transportation services are ones provided directly to the community, while Engineering and Administrative staff provide essential support to these functions. In addition to the ongoing activities captured in the lists above, the following are highlights from the FY 14-15 budget:

- **Parking Fund**— The implementation in September 2014 of the expanded Residential Parking District program is anticipated to result in an increased work load, as a much larger number of properties will be eligible to purchase parking permits. No additional staffing has been included in the FY 14-15 budget because the final program design has not yet been determined which will affect the staffing needed to perform the necessary administrative tasks. In addition, it is difficult to estimate at this time if revenues from increased permit sales will develop at a pace to cover the up-front costs of implementation of the district expansion and to sustain the program thereafter.
- **Street Fund**— The update to the Transportation System Plan will kick-off in FY 14-15. This master planning effort is funded through a grant from the Oregon Department of Transportation that will cover the costs of the multi-year project, with an in-kind match of City staff time to facilitate the effort with the community.
- **Street Fund**— The proposed budget does not include any allocation expressly for winter storm response. Because of the issues discussed in the Significant Changes section below, the Fund has no excess capacity for a contingency reserve. Any budget authority set aside expressly for snow and ice response purposes would take away from the department's ability to provide other street-related services to the public. Instead, the department is committed to addressing the weather events that occur within this proposed budget authority by adjusting projects scheduled for the Spring of 2015 as needed to accommodate unbudgeted winter storm response expenditures.
- **Wastewater Fund**— A grant from Pacific Power's Blue Sky program will fund a 150kW solar array that will be installed on property located at the Public Works compound and will provide electricity to power the wastewater treatment plant.
- **Water Fund**— A project to update the master plan for the water treatment and distribution system will begin in FY 14-15.

ADVISORY BOARDS & COMMISSIONS

Public Works provides staff support to six Advisory Commissions:

Airport Commission - The Airport Commission advises the City Council on matters concerning the management and control of the Municipal Airport and the planning for infrastructure needs at the Airport Industrial Park in support of economic development.

ADVISORY BOARDS & COMMISSIONS (CONTINUED)

Bicycle & Pedestrian Advisory Commission (BPAC) - BPAC advises the City Council on facilities, infrastructure and maintenance activities of interest to bicyclists and pedestrians in the community.

Capital Improvement Program (CIP) Commission – The CIP Commission solicits participation from the public and other City Advisory Boards or Commissions each year to identify infrastructure projects desired to enhance community livability. Projects are also submitted by staff from adopted infrastructure system plans. Using this input, along with a review of available funding mechanisms, a five-year CIP plan is developed for CIP Commission adoption.

Citizens Advisory Commission on Transit (CACOT) - CACOT advises the City Council on the operation and maintenance of the Corvallis Transit System, working with staff to adjust bus route locations or times, and to add or delete service as funding fluctuates.

Downtown Parking Committee (DPC) - DPC advises the Downtown Commission and the City Council on matters concerning parking in the Downtown, such as changes to parking meter times or locations, and the creation of the downtown three-hour free parking zone.

Watershed Management Advisory Commission (WMAC) - WMAC advises the City Council on the management of the City property in the Rock Creek watershed located on the east side of Marys Peak. In 2006, with recommendations from WMAC, the City Council adopted a Watershed Stewardship Plan that guides activities on the property, such as selected harvesting and projects to improve the forest health.

SIGNIFICANT CHANGES TO RECURRING OPERATIONS

The Public Works Department will reorganize with the approval of the FY 14-15 budget submittal in response to uncertainty in the main funding sources to the Street Fund. Revenues to the State Highway Fund, comprised mostly of gas taxes and vehicle registration fees, have been stagnant in recent years. The gas tax portion of the revenue stream has declined due to a combination of more fuel-efficient vehicles, less travel by automobile in response to high gas prices, and an increase in hybrid and electric vehicles. Over the last several years, the City has experienced reductions in the actual State Highway Fund revenue received compared to projections; and this budget cycle, revenues are projected to be another \$250,000 less than assumed in the FY 13-14 budget cycle. Another year of relatively flat revenues combined with increasing costs for personnel and materials is causing the need for a longer-term solution. Stagnating State Highway Fund receipts are an issue for all transportation departments in the State and the situation is expected to continue until the State develops and implements an alternative revenue source for transportation maintenance.

In past years, the Street Fund budget has been balanced primarily by reducing budget allocations to street maintenance and reconstruction projects. However, this is not a sustainable solution as the infrastructure continues to age and deteriorate, and more street segments are falling into the category requiring re-surfacing or more costly reconstruction. It is not wise asset management to continue to reduce funding in these areas.

The only other significant Street Fund cost center is personnel services. Reviewing the options to achieve savings in this area led to the proposed reorganization, which focuses on staff reductions while maintaining funding to services that directly affect the public. Public Works proposes to dissolve the Transportation and Buildings Division, moving work groups to other divisions and eliminating the Division Manager position.

SIGNIFICANT CHANGES TO RECURRING OPERATIONS (CONTINUED)

The Street Maintenance, Alternative Modes, and Electronics work groups would move to the Engineering Division (renamed the Engineering and Transportation Division) and the Buildings and Fleet work groups would move to the Administrative Division.

While the most significant savings from eliminating the Division Manager position will be realized in the Street Fund, the position was allocated to seven other funds, and there will be lesser savings in the Transit, Water, Wastewater, Airport, Buildings, and Technology Funds.

At the same time, the City is embarking on a major time and resource effort to update the almost 20 year old Transportation System Plan. Because this work will engage the public, sufficient attention must be paid to its progress and the interaction that will be required with residents. As a result, the reorganization includes the creation of a new, limited-duration position to lead the significant work effort. This Public Works Project Manager will report to the Department Director and the Geospatial Information Systems work group will report to the Project Manager.

Finally, a currently vacant Electronics Technician position will be eliminated and two positions will be authorized, but unbudgeted in FY 14-15 (Electronics and GIS Supervisor and Street Maintenance Specialist) providing further Street Fund personnel services cost containment.

PRIORITIZATION

For programs and services offered by the Public Works Department in the General Fund, the Core Responsibilities identified by the organization were used for the prioritization process. The Core Responsibilities (CR) are Resident Well-Being, Public Safety, Livability, Infrastructure, and Economic Vitality. Service areas that aligned with the greatest number of CR were assigned the highest priority and service areas that aligned with the least number were assigned the lowest priority. Available resources within the department's targeted budget number were assigned to each program/service in priority order. Public Works was fortunate to have sufficient capacity within the target number for all the services at the current level, and as a result, no General Fund services are being eliminated.

For programs and services offered by Public Works in the Street Fund, the highest priority was assigned to those that protect the public's investment in the existing infrastructure. With revenues in this Fund not keeping pace with expenditures in recent years, the department has balanced previous budgets by reducing pavement maintenance contracts. This solution is not a sustainable one and, with additional street damage caused by extreme winter weather events this year, was not one that could be employed again. As a result, the department made the choice to reorganize (described in the Significant Changes section above) and hold positions vacant to reduce personnel costs and to use that capacity to restore some funding to infrastructure maintenance. Every current service that does not have a direct impact on asset protection or public safety will be evaluated for reduction and no new programs or services will be initiated until the funding picture stabilizes.

For programs and services offered by Public Works in the other funds out of which the department operates, the CR matrix was used, with the highest priority given to infrastructure maintenance and asset protection activities. Sufficient resources exist to maintain current service levels in these funds.

NON-RECURRING ACTIVITIES – CAPITAL IMPROVEMENT PROJECTS

In addition to the services and programs the department provides with the \$29 million operating budget, Public Works staff will manage and direct construction of approximately \$20 million in capital improvement projects. In FY 14-15, the most significant of these are new secondary clarifiers that will be added to the wastewater treatment plant to provide redundancy in the system in accordance with regulations and to accommodate increased flows from community growth over the last decade; a new Fire Department training facility that will be built to replace the existing 1954-vintage drill tower and enhance the effectiveness of the training activities; improvements that will be made to 15th Street, partnering with OSU to realign Washington Way at the intersection, to repair the failing street infrastructure, improve traffic flow and enhance vehicle, pedestrian, and bicyclist safety at this busy corner; and the Morris Avenue Bridge that will be replaced to eliminate existing structural deficiencies and to restore use by heavy vehicles, such as Fire Department emergency vehicles.

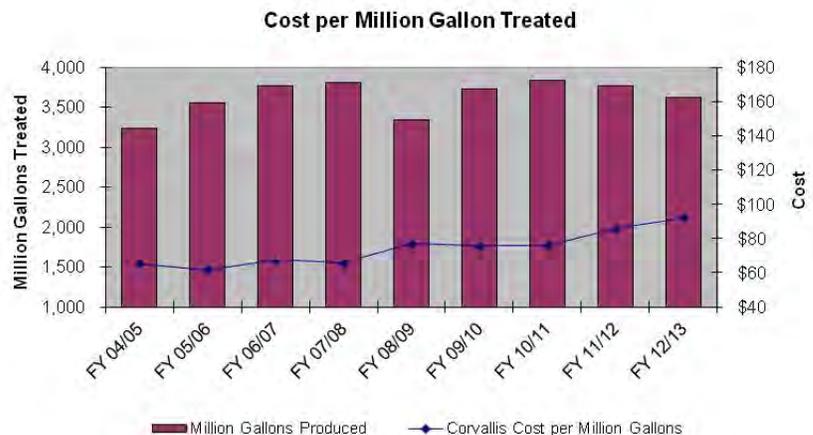
SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURES

The following two measures are highlighted amongst the many that Public Works tracks for departmental operations, as being highly related to the City Council’s Sustainable Budget Goal.

Energy cost per million gallons of wastewater treated:

- *Measure definition:* The cost of the energy used to power wastewater treatment plant operations is divided by the number of gallons of wastewater treated. The goal is to maintain energy costs for wastewater treatment below the national average, currently \$166 per million gallons treated, as determined by the National Association of Clean Water Agencies (NACWA).
- *Evaluation of results:* Corvallis continues to maintain energy costs at less than half of the national average. A portion of this success is due to the use of methane, a byproduct of the treatment process, as an energy source for selected plant processes.
- *Current year performance and trends:* Costs per gallon treated are up slightly in the current year due to an increase in the cost of natural gas and electricity, though final performance will not be measured until the fourth quarter of FY 13-14. Corvallis continues to pursue opportunities to reduce reliance on natural gas and coal-based electricity by investigating renewable energy options for powering wastewater treatment processes.

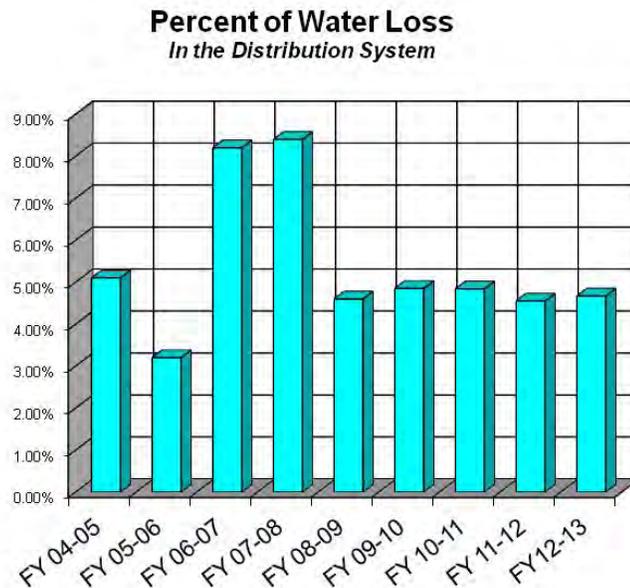
- *Conclusions and challenges:* The ability to maintain a low energy cost structure is dependent on stable energy rates, funding for capital investments in sustainable energy options, and emerging wastewater treatment regulations that may drive significant capital improvements or dramatic changes to the treatment process. In FY 14-15, the City will construct a 150kW solar power array with funding from a Pacific Power Blue Sky grant that will supply up to 3.5% of the plant’s power needs.



SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURES (CONTINUED)

Percent of water loss in the distribution system:

- *Measure definition:* The amount of water produced at the treatment plant is compared to the amount of water consumed by customers or used in City operations. The difference in these numbers is assumed to be the amount of water lost through the distribution system.

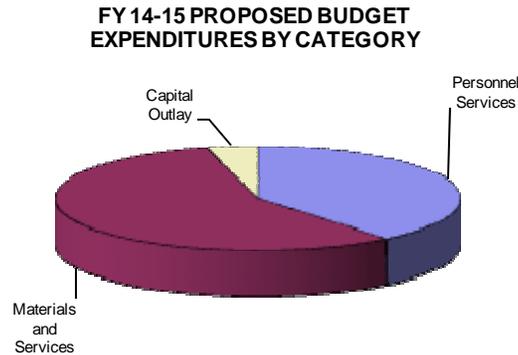


- *Evaluation of results:* Corvallis continues to perform leak detection monitoring in-house. The equipment purchased for this program allows employees to survey the entire water distribution system annually, instead of every three years under the contract model. More frequent monitoring identifies leaks more quickly, resulting in immediate repairs that minimize the amount of water loss. The increases in FY 06-07 and FY 07-08 were due to draining of two reservoirs for maintenance work. The American Water Works Association has identified a 10% loss in water as the threshold for a good piping system.
- *Current year performance and trends:* With only 4.67% water loss in the distribution system as of January 2014, Corvallis is continuing to perform at a high level on this sustainability goal compared to other public water utility agencies.
- *Conclusions and challenges:* The City of Corvallis will continue to proactively work on identifying water distribution pipeline failures that can be a source of water loss from the system.

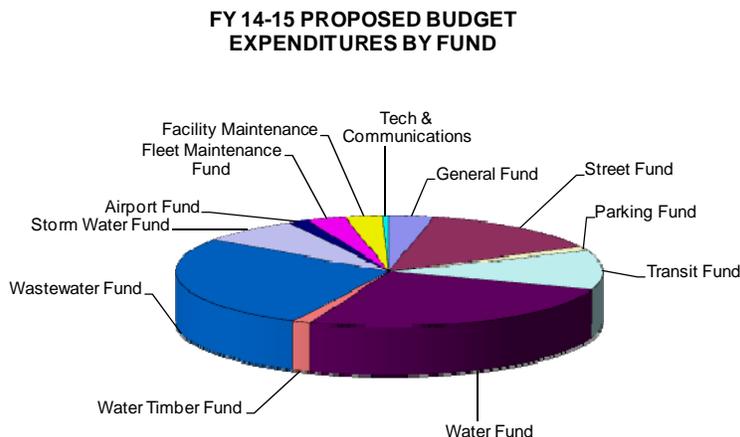
PUBLIC WORKS DEPARTMENT – BUDGET SUMMARY

Materials and services represent the largest expenditure category at 57% of the total Public Works (PW) Department budget, reflecting the costs to power and operate the treatment plants and to maintain the public water, wastewater, stormwater and transportation system infrastructure. The remaining 43% of the budget accounts for employee wages and benefits at 39% and Capital Outlay at 4%.

BUDGET BY CATEGORY:	ACTUAL 2011-12	ACTUAL 2012-13	BUDGET 2013-14	REVISED 2013-14	PROPOSED 2014-15	%CHANGE FROM 13-14 BUDGET
Personnel Services	\$11,232,288	\$11,161,337	\$12,182,800	\$12,182,800	\$11,404,640	-6.39%
Materials and Services	13,630,971	13,370,023	16,472,940	14,870,090	16,585,210	0.68%
Capital Outlay	1,184,833	1,503,481	1,781,610	1,386,110	1,177,720	-33.90%
TOTAL	\$26,048,091	\$26,034,841	\$30,437,350	\$28,439,000	\$29,167,570	-4.17%

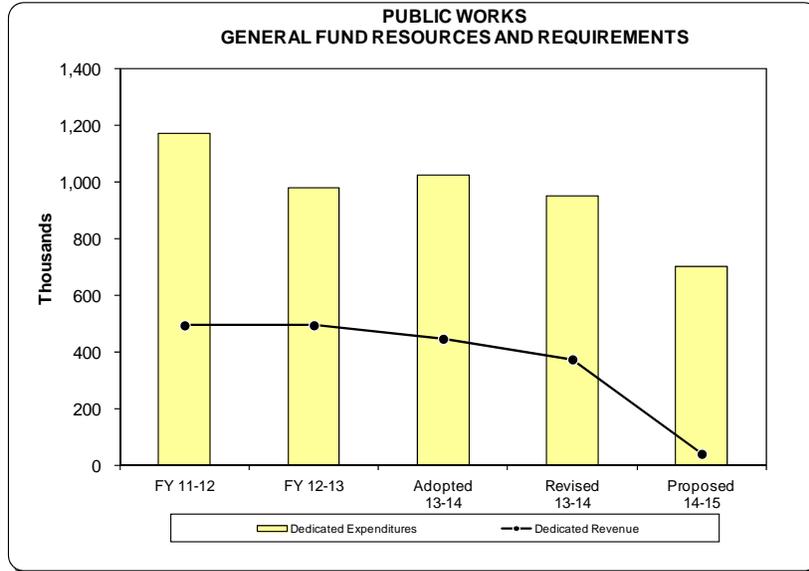


The Public Works Department operates in the General, Street, Parking, Transit, Water, Wastewater, Stormwater, Airport, Fleet, Facility and Technology & Communication Funds as depicted below:



PUBLIC WORKS DEPARTMENT – BUDGET SUMMARY (CONTINUED)

Below is a depiction of PW’s General Fund dedicated revenues and expenditures, along with its draw on property tax funding:



GENERAL FUND - PUBLIC WORKS*	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE FROM 13-14 BUDGET
DEDICATED REVENUE	2011-12	2012-13	2013-14	2013-14	2014-15	BUDGET
Use of PEG-INET Reserve ¹	\$16,387	\$46,543	\$83,390	\$83,390	\$0	-100.00%
Non-GF Support of Sustainability ²	70,000	41,750	40,220	40,220	42,720	6.22%
License, Fees & Permits ¹	145,590	149,291	147,000	147,000	0	-100.00%
Intergovernmental	263,903	252,660	178,000	105,440	0	-100.00%
Miscellaneous	72	5,998	0	0	0	0.00%
Dedicated Revenue	495,952	496,242	448,610	376,050	42,720	-90.48%
EXPENDITURES CLASS:						
Personnel Services	398,234	268,256	269,980	269,980	346,800	28.45%
Materials and Services	731,802	665,900	756,280	683,720	357,140	-52.78%
Capital Outlay	42,352	48,410	0	0	0	0.00%
CIP Transfers	0	0	0	0	0	0.00%
Dedicated Expenditures	1,172,388	982,566	1,026,260	953,700	703,940	-31.41%
Use of (addition to) Non-Dedicated Revenue	676,436	486,324	577,650	577,650	661,220	14.47%

* For all other funds the revenues are dedicated for the services provided so they are not presented in the table above.

- Starting in FY 14-15, PEG-INET activities are accounted for in the reserve component funds, and are excluded from operating activity present above. Prior to FY 14-15, PEG-INET reserve spending was reflected in operating expenditures, so the portion of reserved and committed reserve balances above any new PEG-INET fee monies needed to be shown as dedicated revenue to illustrate the true draw on non-dedicated funding.
- Sustainability support from non-General Fund (dedicated revenue) sources is accounted for through a reduction in the General Fund internal service charge allocation across all departments and reallocation of those amounts proportionately to the departments in the other Funds. The amounts in the "Actuals" columns do not reflect any internal service charge refunds as the amount attributable specifically to sustainability is unduly complex to compute for the low dollar amount involved.

PUBLIC WORKS DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	FY 14-15 FTE	Historical	
					FY 13-14 FTE	FY 12-13 FTE
Public Works Director	Exempt	8,325 - 10,625	1	1.000	1.000	1.000
City Engineer	Exempt	6,579 - 8,396	1	1.000	1.000	1.000
Division Managers - Transportation & Bldgs/Utilities ¹	Exempt	6,579 - 8,396	1	1.000	2.000	2.000
Supervisors - Engineering/Water-Wastewater Ops	Exempt	5,848 - 7,463	5	5.000	5.000	5.000
Administrative Division Manager	Exempt	5,848 - 7,463	1	1.000	1.000	1.000
Civil Engineer II	AFSCME	5,818 - 7,425	6	6.000	6.000	6.000
Project Manager ³	Exempt	5,198 - 6,634	1	1.000	0.000	0.000
Supervisors ²	Exempt	5,198 - 6,634	6	7.000	7.000	7.000
GIS Coordinator	AFSCME	5,082 - 6,487	1	1.000	1.000	1.000
Civil Engineer I	AFSCME	4,988 - 6,366	3	3.000	3.000	3.000
Facility Automation Information Systems Analyst	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000
Surveyor	AFSCME	4,988 - 6,366	2	2.000	2.000	2.000
Environmental Analyst	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Franchise Utility Specialist	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Instrument Technician II	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Leadworkers	AFSCME	4,620 - 5,897	6	6.000	6.000	6.000
Facility Automation Information Systems Technician	AFSCME	4,620 - 5,897	2	2.000	2.000	2.000
System Administrator	AFSCME	4,620 - 5,897	1	1.000	1.000	0.000
GIS Analyst	AFSCME	4,359 - 5,563	2	2.000	2.000	2.000
Management Assistant	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Airport Program Specialist/Traffic Technician	AFSCME	4,277 - 5,458	1	1.000	1.000	1.000
Electronic Technician II ¹	AFSCME	4,277 - 5,458	2	2.000	3.000	3.000
Utilities Treatment Plant Operator ⁴	AFSCME	4,277 - 5,458	10	10.000	13.000	13.000
Equipment Maintenance Technician	AFSCME	4,277 - 5,458	5	5.000	5.000	5.000
Program Specialist	AFSCME	4,277 - 5,458	6	5.000	5.000	5.000
Special Transportation Coordinator	AFSCME	4,277 - 5,458	1	1.000	1.000	1.000
Water Quality Analyst	AFSCME	4,277 - 5,458	2	2.000	2.000	2.000
Engineering Tech III	AFSCME	3,963 - 5,058	2	2.000	2.000	3.000
Technicians - Fleet/Instrument I	AFSCME	3,963 - 5,058	4	4.000	4.000	4.000
Water Utility Specialist ⁵	AFSCME	3,963 - 5,058	-	0.000	1.000	1.000
Maintenance Specialist - Bldg & Grounds/Street/Traffic ²	AFSCME	3,963 - 5,058	10	11.000	11.000	11.000
Utilities/Water Distr/WW Coll Systems Specialist ⁵	AFSCME	3,963 - 5,058	18	18.000	17.000	17.000
Utilities Treatment Plant Operator Trainee ⁴	AFSCME	3,676 - 4,691	3	3.000	0.000	0.000
Staff Assistant	AFSCME	3,676 - 4,691	2	2.000	2.000	2.000
Department Accounting Analyst	AFSCME	3,416 - 4,360	1	1.000	1.000	1.000
Buldings & Grounds Maintenance Technician	AFSCME	3,416 - 4,360	1	0.500	0.500	0.500
Senior Administrative Specialist	AFSCME	3,416 - 4,360	2	2.000	2.000	2.000
Administrative Specialist	AFSCME	2,784 - 3,554	2	2.000	2.000	2.000
TOTAL			116	116.500	117.500	117.500

NOTE: Salary ranges reflect FY 13-14 Class and Compensation schedules.

- In support of achieving a sustainable budget, a department reorganization is taking place among existing FTE which results in elimination of 1.0 FTE Transportation & Buildings Division Manager and 1.0 FTE Electronic Technician II in FY 14-15.
- In support of achieving a sustainable budget, a 1.0 FTE Electronics/GIS Supervisor and 1.0 FTE Street Maintenance Specialist are held authorized, but unfunded in FY 14-15.
- As a result of the reorganization, a 1.0 FTE limited duration Project Manager is created in FY 14-15 to lead the significant work effort required with the Transportation System Plan update.
- Due to turnover within the treatment plant, 3.0 FTE of the Utilities Treatment Plant Operators are starting out in FY 14-15 as Trainees, but total Utilities Treatment Plant Operators will not exceed 13.0 FTE.
- Position was reclassified as a Systems Specialist.

OVERVIEW OF CAPITAL IMPROVEMENT PROGRAM

DEFINITION OF A CAPITAL PROJECT

A capital project results in a permanent addition to the City's assets. This is accomplished through either: 1) acquisition of property; 2) new construction; or 3) rehabilitation, reconstruction or renovation of an existing facility to a "like new" condition which extends its useful life or increases its usefulness or capacity.

Capital projects are large scale endeavors in cost, size, and benefit to the community. They involve non-recurring expenditures or capital outlays from a variety of specifically identified funding sources and do not duplicate maintenance activities in the operating budget. These expenditures are to be in compliance with City Financial Policies.

The purchase of vehicles is not considered a capital project. Capital projects typically have a service life in excess of fifteen years.

CAPITAL IMPROVEMENT PROGRAM

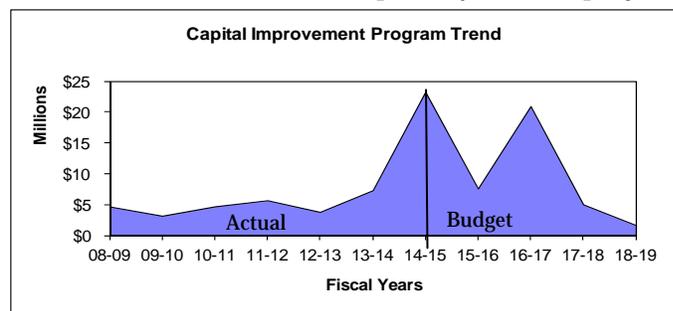
The City annually develops the five-year Capital Improvement Program (CIP) which:

- Plans development or rehabilitation of public property to protect it from deterioration, extend its useful life and preserve the community's prior investments;
- Anticipates land acquisition for open space, parks, streets, drainageways and other community facilities; and
- Plans for public buildings, utilities, streets, park facilities and other physical property of the community.

The CIP review and update is conducted annually with community involvement. Requests for projects to be included in the CIP come from:

- Advisory boards and commissions and include the board or commission's priority for the project, and recommended funding sources;
- Citizen requests;
- Projects recommended in a facility master plan; and
- Staff requests based on preventive or deferred maintenance plans.

The requests for projects are developed and a staff team reviews each request for its urgency, its "fit" with other projects already planned, the project's contribution to improving sustainable operations, and the ability to fund the projects. The staff team's recommendation is forwarded to the City Manager for review and development into the Proposed CIP.



The Proposed Five-Year CIP is presented to the CIP Commission which conducts a public hearing, deliberates, and then recommends a CIP for the City Council to consider. The CIP is then forwarded to

the Planning Commission for a recommendation on the CIP's compatibility with the Comprehensive Plan. The City Council reviews all recommendations and votes on adoption of the CIP as a planning document.

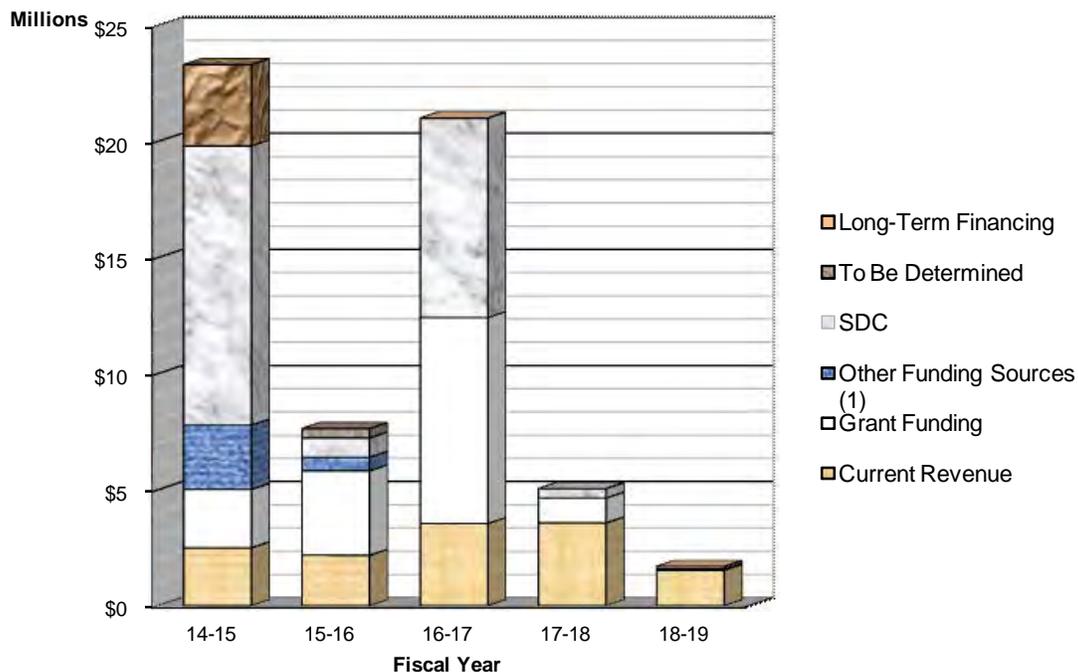
The first year of the five-year CIP is further developed, and presented to the Budget Commission and the City Council as the capital budget for the following fiscal year. The CIP plan is available online at <http://corvallisoregon.gov/>, or at the Corvallis-Benton County Public Library or by calling Public Works at 541-766-6916.

CAPITAL IMPROVEMENT PROGRAM FUNDING SOURCES

Capital projects are funded from several different sources. The largest portion of funding comes from current revenue and system development charges which reflect the City's pay-as-you-go philosophy.

Below is a table and graph which outlines the funding sources for FY 14-15 and the ensuing four-year planning period.

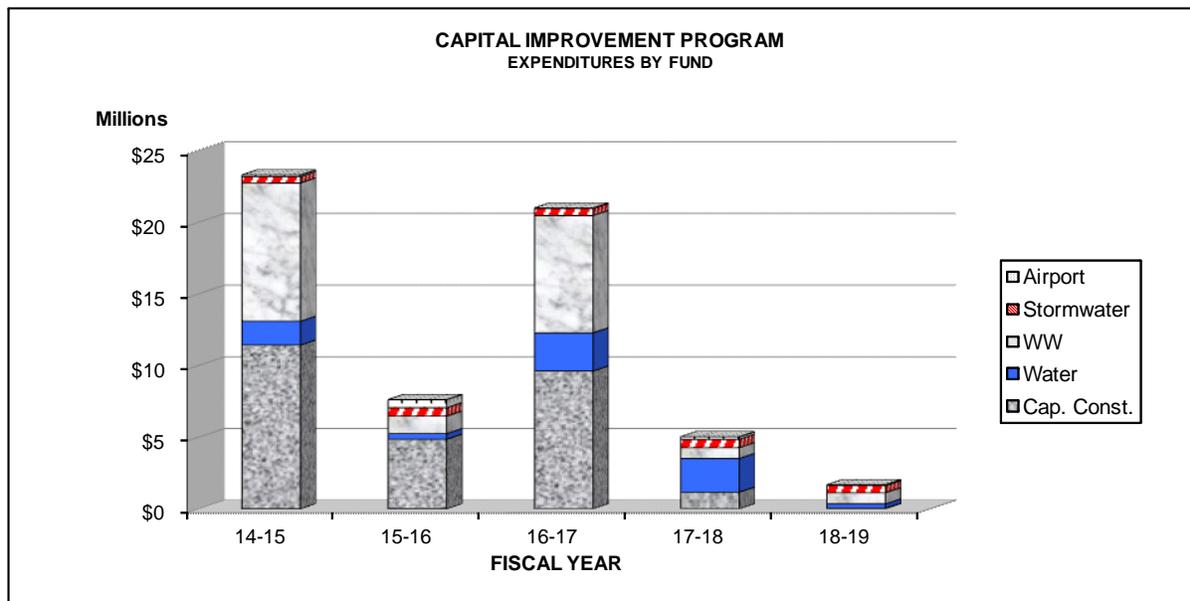
Funding Source	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	Five Year Total
Long-Term Financing	\$3,501,500	\$0	\$0	\$0	\$0	\$3,501,500
Current Revenue	2,492,310	2,172,490	3,540,830	3,565,270	1,526,960	13,297,860
Grant Funding	2,517,500	3,639,420	8,869,950	1,070,380	52,380	16,149,630
Other Funding Sources (1)	2,766,570	579,500	0	0	0	3,346,070
SDC	12,023,360	836,160	8,586,420	403,780	110,000	21,959,720
To Be Determined	0	400,000	0	0	0	400,000
Total	\$23,301,240	\$7,627,570	\$20,997,200	\$5,039,430	\$1,689,340	\$58,654,780



(1)-Includes donations and assessments.

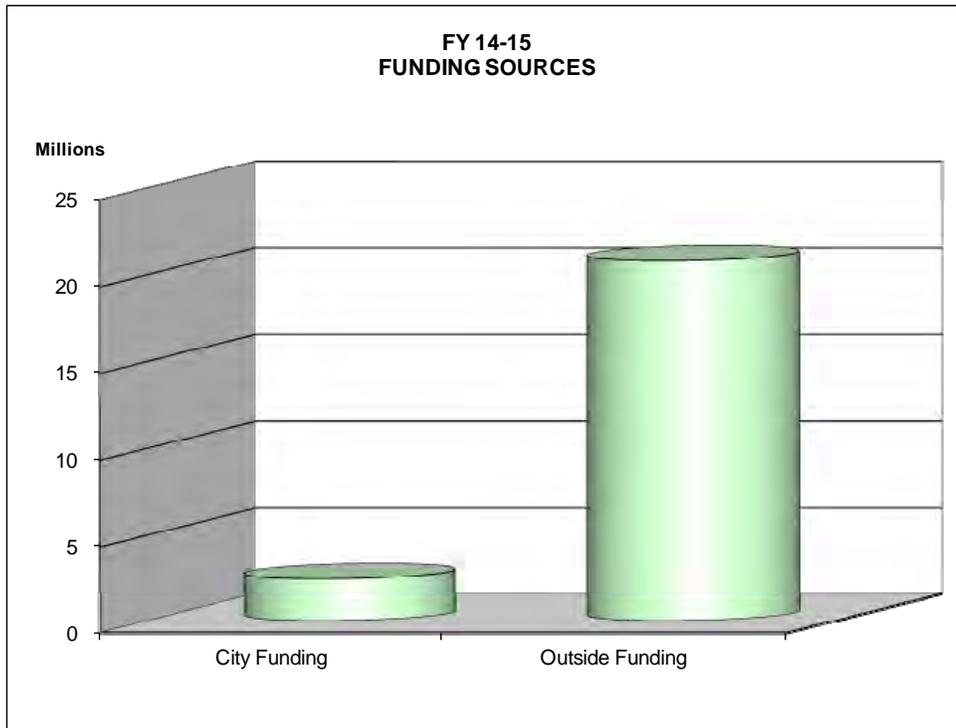
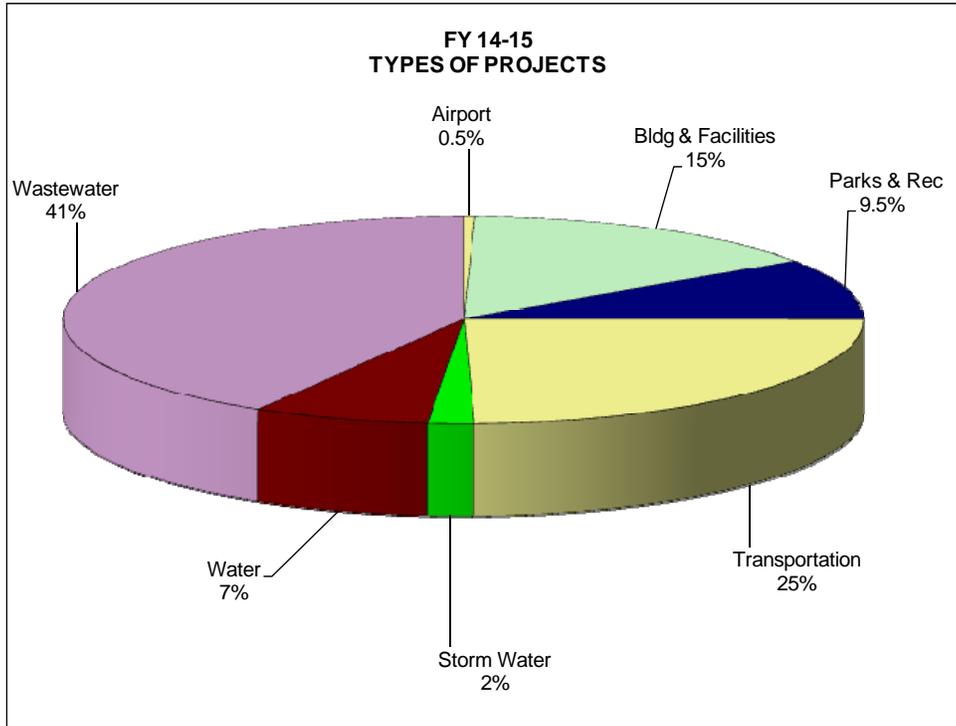
CAPITAL IMPROVEMENT PROGRAM EXPENDITURE SUMMARY BY FUND

	<u>FY 14-15</u>	<u>FY 15-16</u>	<u>FY 16-17</u>	<u>FY 17-18</u>	<u>FY 18-19</u>	<u>FIVE YEAR TOTAL</u>
Capital Construction Fund						
Public Works	\$5,727,800	\$4,008,550	\$9,345,550	\$1,008,300	\$0	\$20,090,200
Parks & Recreation	2,208,550	854,500	280,500	165,000	50,000	3,558,550
Fire Dept.	3,501,500	0	0	0	0	3,501,500
Sub Total Capital Construction Fund	<u>\$11,437,850</u>	<u>\$4,863,050</u>	<u>\$9,626,050</u>	<u>\$1,173,300</u>	<u>\$50,000</u>	<u>\$27,150,250</u>
Water Construction Fund						
Public Works	\$1,659,450	\$395,490	\$2,658,620	\$2,342,320	\$300,000	\$7,355,880
Wastewater Construction Fund						
Public Works	\$9,653,590	\$1,221,360	\$8,190,230	\$756,320	\$779,010	\$20,600,510
Storm Water Construction Fund						
Public Works	\$437,500	\$585,520	\$501,050	\$583,440	\$502,130	\$2,609,640
Airport Construction Fund						
Public Works	\$112,850	\$562,150	\$21,250	\$184,050	\$58,200	\$938,500
Total Capital Improvement Plan	<u>\$23,301,240</u>	<u>\$7,627,570</u>	<u>\$20,997,200</u>	<u>\$5,039,430</u>	<u>\$1,689,340</u>	<u>\$58,654,780</u>



FY 14-15 CAPITAL IMPROVEMENT PROGRAM

The FY 14-15 Capital Improvement Program totals \$23,301,240. The following pages list all capital projects by type of project: airport, building and grounds, parks and recreation, storm water, transportation, wastewater and water. The two graphs below outline the relationship between type of project and the funding sources.



CAPITAL IMPROVEMENT PROJECTS	FUNDING SOURCE	TOTAL PROJECT BUDGET	FY 14-15 BUDGET
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AIRPORT AND INDUSTRIAL PARK

Airport Facility Improvements	Current Revenue (CR) Airport	\$92,970	\$11,290
	FAA Grant	844,630	101,560
	Total	\$937,600	\$112,850
Total Airport and Industrial Park			\$112,850

BUILDINGS AND FACILITIES

Fire Department Property Acquisition and Facilities Relocation	Bank Loan	\$4,497,500	\$3,501,500
	Total	\$4,497,500	\$3,501,500
Municipal Buildings Rehabilitation	CR General Fund	\$349,840	\$10,000
	CR Develop. Svcs. Fund	14,740	0
	CR CD Revolving Fund	4,050	0
	CR Water Fund	7,050	0
	CR Wastewater Fund	3,160	0
	CR Storm Water Fund	3,160	0
	Bank Loan	230,000	0
	Total	\$612,000	\$10,000
Total Buildings and Facilities			\$3,511,500

PARKS AND RECREATION

Acquisition of Land	General Fund Restricted Reserve	\$130,240	\$130,240
	Parks SDC	300,000	300,000
	Total	\$430,240	\$430,240
Osborn Aquatic Center	Grants and/or Donations	\$25,000	\$25,000
	Total	\$25,000	\$25,000
Park Development - New	Grants and/or Donations	\$15,000	\$15,000
	Parks SDC	160,000	110,000
	Total	\$175,000	\$125,000
Park Facility Renovation	Grants and/or Donations	\$774,500	\$500,000
	Total	\$774,500	\$500,000
Park Improvements - Existing	Parks SDC	\$556,500	\$300,000
	CR General	208,750	35,000
	Grants and/or Donations	470,250	240,000
	Total	\$1,235,500	\$575,000
Special Use Facilities	Grants and/or Donations	\$315,000	\$165,000
	Total	\$315,000	\$165,000
Trails / Bike Paths	Grants and/or Donations	\$258,310	\$258,310
	CR General	50,000	0
	Parks SDC	130,000	130,000
	Total	\$438,310	\$388,310
Total Parks and Recreation			\$2,208,550

CAPITAL IMPROVEMENT PROJECTS	FUNDING SOURCE	TOTAL PROJECT BUDGET	FY 14-15 BUDGET
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STORM WATER UTILITY

Storm Drain Pipe Replacement	CR Storm Water Fund	\$609,640	\$297,500
	Total	\$609,640	\$297,500
Storm Water Master Plan Projects	CR Storm Water Fund	\$1,725,000	\$105,000
	Storm Water SDC	260,000	20,000
	Total	\$1,985,000	\$125,000
Utility and Street Improvement Projects	Storm Water SDC	\$15,000	\$15,000
	Total	\$15,000	\$15,000
Total Storm Water Utility			\$437,500

TRANSPORTATION

15th Street / Washington Way Improvements	Street SDC	\$704,000	\$704,000
	Grant	849,760	449,320
	Miscellaneous Revenue	2,528,000	1,928,000
	Total	\$4,081,760	\$3,081,320
35th Street Sidewalks and Railroad Crossing	CR Street	\$24,540	\$0
	Street SDC	236,460	234,000
	Total	\$261,000	\$234,000
Downtown Public Parking	CR Parking Fund	\$200,000	\$200,000
	Total	\$200,000	\$200,000
Downtown Wayfinding	CR Parking Fund	\$51,510	\$51,510
	Grant	319,740	319,740
	Total	\$371,250	\$371,250
Goodnight Right-of-Way Acquisition	Street SDC	\$370,000	\$370,000
	Total	\$370,000	\$370,000
Highway 99 Widening	Street SDC	\$31,550	\$29,270
	Grant	275,610	255,730
	Total	\$307,160	\$285,000
Morris Avenue Bridge	CR Street Fund	\$149,000	\$16,000
	Grant	1,317,950	240,830
	Total	\$1,466,950	\$256,830
Pedestrian Crossings	CR Street	\$63,050	\$28,600
	Grant	550,770	249,820
	Total	\$613,820	\$278,420

CAPITAL IMPROVEMENT PROJECTS	FUNDING SOURCE	TOTAL PROJECT BUDGET	FY 14-15 BUDGET
Reiman Avenue Bridge	CR Street Fund	\$308,600	\$250,000
	Total	\$308,600	\$250,000
Safe Routes to Schools	CR Street	\$13,730	\$10,640
	Grant	207,270	180,340
	Total	\$221,000	\$190,980
Utility and Street Improvement Projects	Street SDC	\$200,000	\$200,000
	Total	\$200,000	\$200,000
Total Transportation Projects			\$5,717,800
WASTEWATER UTILITY			
Biosolids Storage Tank	CR Wastewater Fund	\$250,000	\$205,000
	Total	\$250,000	\$205,000
Sanitary Sewer Rehabilitation	CR Wastewater Fund	\$3,784,270	\$801,750
	Total	\$3,784,270	\$801,750
Utility and Street Improvement Projects	Wastewater SDC	\$33,000	\$33,000
	Total	\$33,000	\$33,000
WWRP Primary Clarifiers	Wastewater SDC	\$7,176,830	\$358,840
	Total	\$7,176,830	\$358,840
WWRP Secondary Clarifiers	Wastewater SDC	\$8,700,000	\$8,255,000
	Total	\$8,700,000	\$8,255,000
Total Wastewater Utility Projects			\$9,653,590
WATER UTILITY			
Baldy 2nd Level Storage Reservoir	Water SDC	\$2,278,370	\$113,920
	Total	\$2,278,370	\$113,920
Rock Creek Hydroelectric	CR Water Fund	\$130,520	\$93,020
	Grant	225,180	225,180
	Total	\$355,700	\$318,200
Utility and Street Improvement Projects	Water SDC	\$33,000	\$33,000
	Total	\$33,000	\$33,000
Water Distribution System Rehabilitation/ Replacement Program	CR Water Fund	\$1,177,000	\$377,000
	Total	\$1,177,000	\$377,000
West Corvallis Second Level Water	Water SDC loan to Assessments	\$594,500	\$565,600
	Water SDC	267,300	251,730
	Total	\$861,800	\$817,330
Total Water Utility Projects			\$1,659,450
GRAND TOTAL			\$23,301,240

MAJOR CAPITAL PROJECTS

The following section lists major capital projects planned for the City. They are listed in detail and include the impact (over the five-year planning period) that each project will have on operating funds once the project is completed. The amount of impact is identified by the following terms:

- Positive** The project will either generate some revenue to offset expenses or will actually reduce operating costs.
- Slight** The impact will be between \$0 and \$10,000 in increased operating expenditures.
- Moderate** The impact will be between \$10,001 and \$50,000 in increased operating expenditures.
- High** This project will cause an increase in operating expenditures of \$50,001 or more.

◆ FIRE DEPARTMENT FACILITIES RELOCATION

Description: This project identifies and develops property to relocate existing Fire Department training facilities to make room for required Wastewater Plant facilities. Design and initial project funding will come from bank loans, the initial loan was finalized in early FY 10-11. A second bank loan is planned for FY 14-15 to cover the additional project costs.

<u>Capital Construction Fund</u>	Prior years	FY 14-15	Projected	Total
Land Acquisition, ROW & Easements	\$0	\$0	\$0	\$0
Design	421,040	0	0	421,040
Construction Management	41,060	264,800	0	305,860
Construction	533,900	3,236,700	0	3,770,600
Estimated Total Cost of Project	\$996,000	\$3,501,500	\$0	\$4,497,500

Impact on Operating Budget - TBD

Operating budget impacts are not known at this time and will be identified as the design process is completed.

◆ TRANSIT OPERATIONS CENTER

Description: This project will provide an operations center, repair, maintenance and bus storage facility for the City's transit system. Site selection, preliminary design and environmental assessments have been completed. The next phase will complete final design and construct the facility. Construction is anticipated to occur in FY 15-16 and is expected to primarily be funded by an FTA grant.

<u>Capital Construction Fund</u>	Prior years	FY 14-15	Projected	Total
Land Acquisition, ROW & Easements	\$0	\$0	\$400,000	\$400,000
Design	314,310	0	1,563,500	1,877,810
Construction Management	0	0	182,500	182,500
Construction	0	0	7,854,000	7,854,000
Estimated Total Cost of Project	\$314,310	\$0	\$10,000,000	\$10,314,310

Impact on Operating Budget - Moderate

Annual operation and maintenance costs are estimated to be \$15,000. This amount would be part of the cost to contract with a private operating company, and may be offset by increasing competition for the operations contract.

◆ **WWRP PRIMARY CLARIFIERS**

Description: This project constructs two new primary clarifiers at the Wastewater Redamation Plant using Wastewater SDC funds.

<u>Wastewater Construction Fund</u>	Prior years	FY 14-15	Projected	Total
Design	\$0	\$358,840	\$358,840	\$717,680
Construction Management	0	0	633,820	633,820
Construction	0	0	5,825,330	5,825,330
Estimated Total Cost of Project	\$0	\$358,840	\$6,817,990	\$7,176,830

Impact on Operating Budget - TBD

Operating budget impacts are not known at this time and will be identified as the design process is completed.

◆ **WWRP SECONDARY CLARIFIERS**

Description: This project constructs two new secondary clarifiers at the Wastewater Redamation Plant using Wastewater SDC funds.

<u>Wastewater Construction Fund</u>	Prior years	FY 14-15	Projected	Total
Design	\$445,000	\$425,000	\$0	\$870,000
Construction Management	0	1,087,600	0	1,087,600
Construction	0	6,742,400	0	6,742,400
Estimated Total Cost of Project	\$445,000	\$8,255,000	\$0	\$8,700,000

Impact on Operating Budget - TBD

Operating budget impacts are not known at this time and will be identified as the design process is completed.

◆ **BALDY 2ND LEVEL STORAGE RESERVOIR**

Description: This project will construct a 1.5 million gallon capacity water storage reservoir to serve the southwest Corvallis 2nd level service area using Water SDC funds.

<u>Water Construction Fund</u>	Prior years	FY 14-15	Projected	Total
Design	\$0	\$113,920	\$227,840	\$341,760
Construction Management	0	0	161,370	161,370
Construction	0	0	1,775,240	1,775,240
Estimated Total Cost of Project	\$0	\$113,920	\$2,164,450	\$2,278,370

Impact on Operating Budget - TBD

Operating budget impacts are not known at this time and will be identified as the design process is completed.

◆ **MARYS RIVER WATER MAIN CROSSINGS**

Description: This project will construct additional water distribution system crossings independent of bridges at two locations under the Marys River using Water and Water SDC funds.

<u>Water Construction Fund</u>	<u>Prior years</u>	<u>FY 14-15</u>	<u>Projected</u>	<u>Total</u>
Design	\$0	\$0	\$144,030	\$144,030
Construction Management	0	0	55,430	55,430
Construction	0	0	1,617,300	1,617,300
Estimated Total Cost of Project	\$0	\$0	\$1,816,760	\$1,816,760

Impact on Operating Budget - Slight

Annual operation and maintenance costs will be minimal and are estimated to be \$100.

◆ **BUILDING AND INFRASTRUCTURE REHABILITATION/UPGRADES**

Description: These annual programs replace or rehabilitate the City’s buildings and infrastructure.

	<u>FY 14-15</u>
Municipal Building Rehabilitation	\$10,000
Sanitary Sewer Rehabilitation	801,750
Storm Drain Replacement	297,500
Storm Water Master Plan Projects	125,000
Water Distribution System	377,000
Estimated Total Cost of Project	\$1,611,250

Impact on Operating Budget - Positive

This program will keep costs of maintaining the City’s buildings and infrastructure from rapidly escalating.

<u>Major Future Year Capital Projects</u>	<u>FY 14-15 to FY 18-19</u>
Morris Avenue Bridge	\$1,024,000
Transit Operations Center	10,000,000
Wastewater Redamation Plant (WWRP) Clarifiers	6,817,990
Baldy 2nd Level Storage Reservoir	2,164,450
Marys River Water Main Crossings	1,816,760
Building and Infrastructure Rehabilitation/Upgrades	7,156,660
Other projects not specified above:	6,373,680
Total for FY 15-16 to FY 18-19	35,353,540
FY 14-15 Projects	23,301,240
Total 5-year CIP Projection	\$58,654,780

DEBT SERVICE

SUMMARY OF INDEBTEDNESS

The City utilizes primarily long-term debt to finance capital projects, but may also consider short-term debt as appropriate. The City currently has no short-term debt (defined as maturing within one-year from date of issuance).

Outstanding long-term debt consists of tax-exempt bonds issued to fund capital improvement projects and advance refund debt for capital projects. Outstanding long-term debt also includes federally taxable bonds issued to pay a portion of the City's unfunded actuarial pension liability of the Oregon Public Employee Retirement System (PERS). Annual debt service schedules are on the pages following.

Oregon Revised Statutes (ORS) 287A provides a debt limitation of three percent of real market value for general purpose property tax bonds issued by cities. The limitation does not apply to bonds issued for Water, Wastewater, Storm Water, Special Assessment (Bancroft), Pension Obligation or other "limited tax" use. The amount of General Obligation (GO) debt issued by Corvallis and subject to the three percent limitation is \$5,180,000 or 0.09% of the 2013 real market value of \$5,574,068,131. This calculation does not include the amount available for debt service provided by the debt service fund balance from accumulated tax levies and earnings thereon, which would serve to further reduce this percentage as permitted by ORS.

Debt Outstanding	Scheduled Balance as of June 30, 2014	Scheduled Principal Payments 2014/2015	Scheduled Balance as of June 30, 2015
Bonded Debt	\$48,622,338	(\$4,372,139)	\$44,250,199
Notes Payable	\$1,530,000	(\$200,000)	\$1,330,000
Total Debt	\$50,152,338	(\$4,572,139)	\$45,580,199

The Council has adopted several additional limitations regarding debt issuance in Debt Policy CP10.06. Annual debt service paid from property taxes for long-term issues and annual debt payments in respect of limited tax bonds are not to exceed 15% and 5% respectively of the combined operating and capital budgets in government funds. During FY 14-15 the City estimates it will pay \$1,102,200 in property tax-related debt service and \$2,174,118 in limited tax obligations to which these limits apply. These equate to 1.67% and 3.30% respectively of the combined operating and capital budgets in the governmental funds. The annual debt service payments above combined may not exceed 10% of the estimated FY 14-15 operating revenue of \$93,941,080. This net direct long-term general obligation debt of \$4,063,196 equals 4.33% of total operating revenue.

Outstanding Limited Tax debt estimated at \$32,342,338 represents 0.58% of the true cash value of taxable property in the City. This level is within the 1% limit established by the Policy. Prior to issuance, Council specifically exempted the balloon payment structures of the two Pension Obligation Bond series from the policy of structuring debt issues to amortize at least 33% of the principal in the first half of the repayment term. This exemption was deemed appropriate due to matching repayment structure with the underlying pension cost growth.

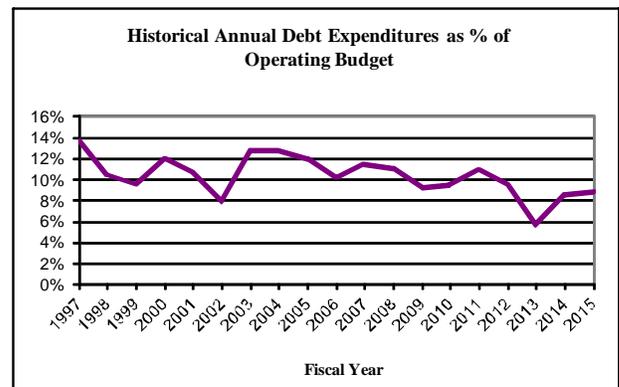
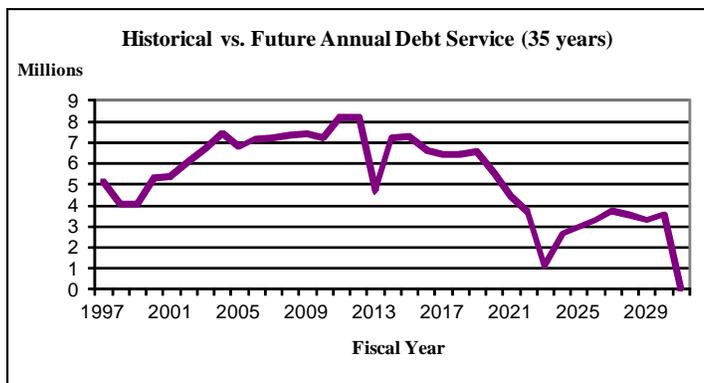
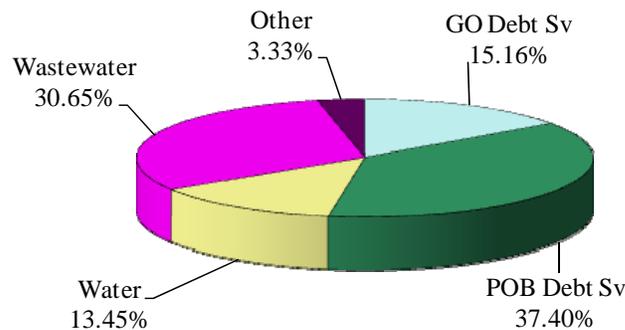
The ensuing schedules show future debt service on existing issuances that will be paid. A potential additional bank loan, not yet depicted in the attached schedules, is anticipated in the amount of approximately \$3.8 million in FY 14-15 to support General Fund Capital Improvement Projects (CIP), such as the Fire Drill Tower and the Library roof replacement.

The City will continue to use debt in the future to replace or improve infrastructure consistent with the City's financial policies, long-term financial plans, and State and Local Government laws and regulations.

SUMMARY OF FISCAL YEAR 2014-15 TOTAL DEBT SERVICE BY TYPE

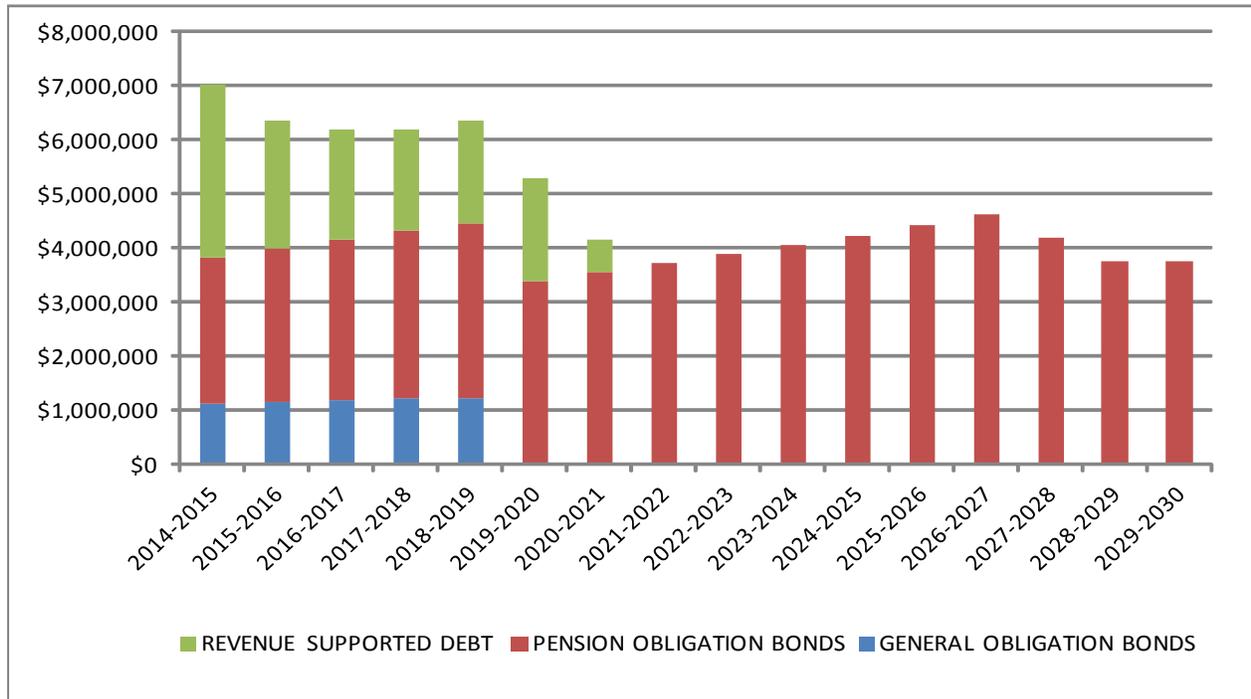
<i>Fund</i>	<i>Source of Dollars</i>	<i>Fiscal Year 2014-15 Total</i>
General Obligation Debt Service Fund	Property Taxes	\$1,102,200
Pension Obligation Debt Service Fund	Operating fund transfers	2,718,668
Water Fund	Water revenue	977,600
Wastewater Fund	Wastewater revenue	2,227,750
Other Debt	Property Taxes	242,328
TOTAL FISCAL YEAR 2014-15 DEBT SERVICE		\$7,268,546

TOTAL FY 14-15 DEBT BY FUND



NOTE: The dip in 2013 is due to a refunding of three utility-backed loans, which produced a net present value savings of approximately \$1.5M and provides future capacity in these utility funds for financing of a project that would promote compliance with Total Maximum Daily Load (TMDL) requirements for discharge going into the Willamette River.

SCHEDULE OF DEBT SERVICE REQUIREMENTS ALL DEBT AS OF JUNE 30, 2014



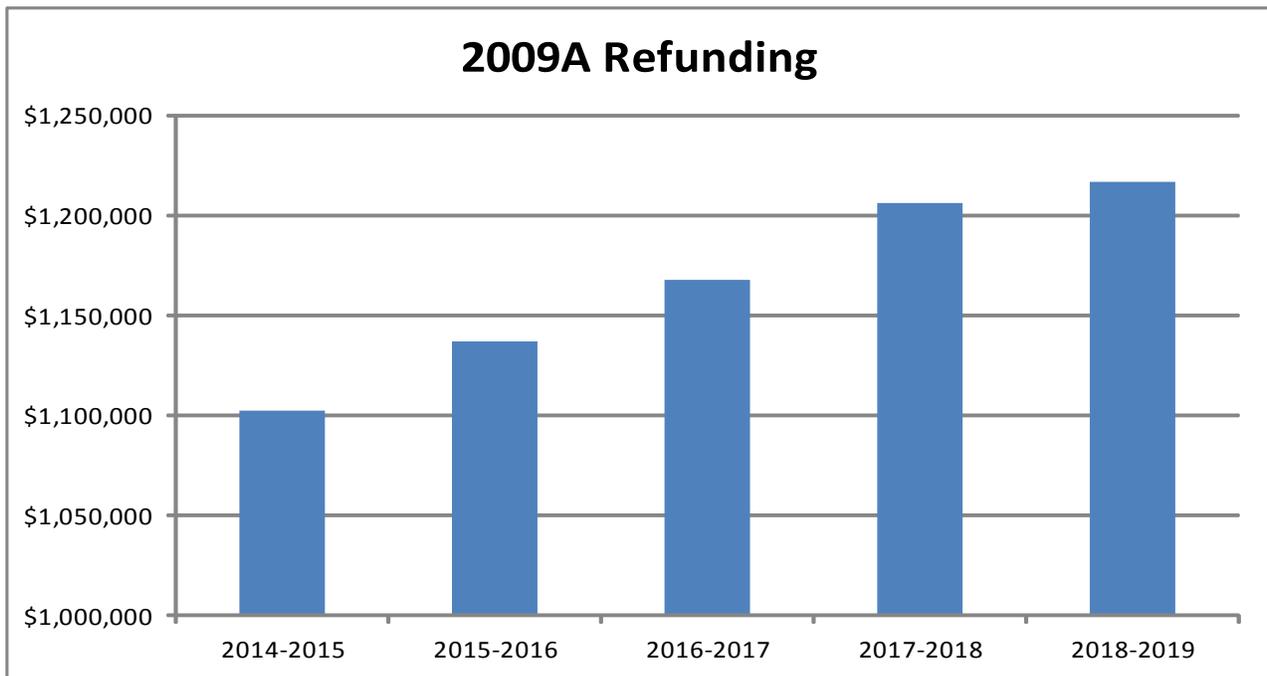
Year of Maturity	Debt Service		Debt Total
	Principal	Interest	
2014-2015	4,572,139	2,696,407	7,268,546
2015-2016	3,949,519	2,658,642	6,608,161
2016-2017	3,794,957	2,621,234	6,416,191
2017-2018	3,845,252	2,591,543	6,436,795
2018-2019	4,011,833	2,565,962	6,577,795
2019-2020	2,971,608	2,540,839	5,512,447
2020-2021	1,841,024	2,563,035	4,404,059
2021-2022	1,065,211	2,637,672	3,702,883
2022-2023	1,140,795	2,728,311	3,869,106
2023-2024	2,615,000	1,426,576	4,041,576
2024-2025	2,955,000	1,268,943	4,223,943
2025-2026	3,315,000	1,090,482	4,405,482
2026-2027	3,715,000	889,892	4,604,892
2027-2028	3,525,000	664,798	4,189,798
2028-2029	3,310,000	444,275	3,754,275
2029-2030	3,525,000	229,125	3,754,125
	<u>\$50,152,338</u>	<u>\$29,617,735</u>	<u>\$79,770,073</u>

SCHEDULE OF DEBT SERVICE REQUIREMENTS GENERAL OBLIGATION DEBT

Issue Description:

<p>2009A Refunding of Series 1999 and 2001 Bonds (Riverfront and Open Space)</p> <p>Amount Issued: \$10,190,000 Issue Date: June 1, 2009 Original Issue TIC: 2.767% (TIC) Rating: Aa2 Non-callable</p>

Year of Maturity	Principal	Interest	Total
2014-2015	895,000	207,200	1,102,200
2015-2016	965,000	171,400	1,136,400
2016-2017	1,035,000	132,800	1,167,800
2017-2018	1,115,000	91,400	1,206,400
2018-2019	1,170,000	46,800	1,216,800
	\$5,180,000	\$649,600	\$5,829,600

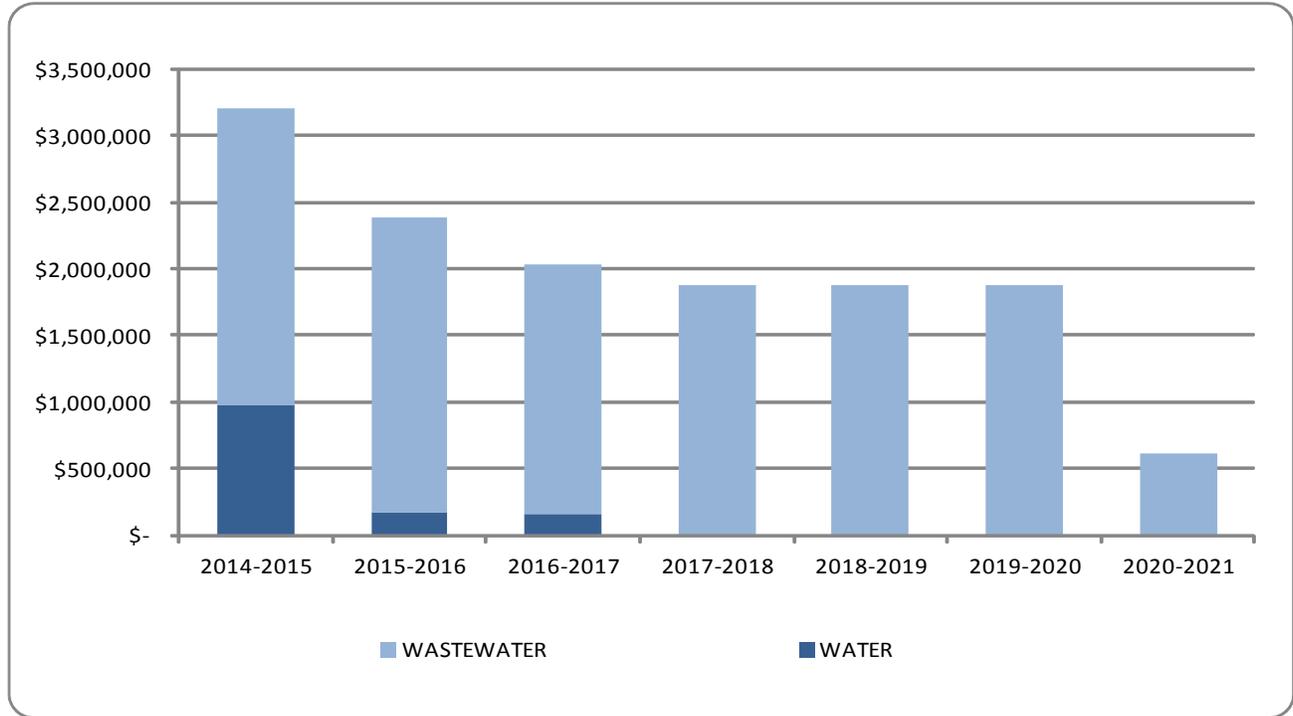


SCHEDULE OF DEBT SERVICE REQUIREMENTS PENSION OBLIGATION BONDS

Issue Description:	2002 A Pension Obligation Bonds	2005A Pension Obligation Bonds
Amount Issued:	\$23,913,017	\$9,980,000
Issue Date:	March 1, 2002	September 23, 2005
Original Issue TIC:	6.6362891% (TIC)	5.048345% (TIC)
Rating:	Aa3 (AMBAC Insured)	Aa3 (AMBAC Insured)
	Mandatory Redemption & Non-callable	Mandatory Redemption & Non-callable

Year of Maturity	Principal	Interest	Total	Principal	Interest	Total
2014-2015	337,139	1,649,261	1,986,400	290,000	442,268	732,268
2015-2016	349,519	1,731,881	2,081,400	335,000	428,177	763,177
2016-2017	359,957	1,816,443	2,176,400	385,000	411,899	796,899
2017-2018	370,252	1,911,148	2,281,400	435,000	393,192	828,192
2018-2019	376,833	2,009,567	2,386,400	485,000	372,055	857,055
2019-2020	381,608	2,114,792	2,496,400	545,000	348,489	893,489
2020-2021	386,024	2,225,376	2,611,400	610,000	322,007	932,007
2021-2022	390,211	2,346,189	2,736,400	675,000	291,483	966,483
2022-2023	390,795	2,470,605	2,861,400	750,000	257,706	1,007,706
2023-2024	1,790,000	1,206,400	2,996,400	825,000	220,176	1,045,176
2024-2025	2,045,000	1,090,050	3,135,050	910,000	178,893	1,088,893
2025-2026	2,320,000	957,125	3,277,125	995,000	133,357	1,128,357
2026-2027	2,620,000	806,325	3,426,325	1,095,000	83,567	1,178,567
2027-2028	2,950,000	636,025	3,586,025	575,000	28,773	603,773
2028-2029	3,310,000	444,275	3,754,275	0	0	0
2029-2030	3,525,000	229,125	3,754,125	0	0	0
	<u>\$21,902,338</u>	<u>\$23,644,587</u>	<u>\$45,546,925</u>	<u>\$8,910,000</u>	<u>\$3,912,041</u>	<u>\$12,822,041</u>

SCHEDULE OF DEBT SERVICE REQUIREMENTS REVENUE SUPPORTED DEBT



Year of Maturity	Revenue Supported Debt		Revenue Supported Debt Total
	Principal	Interest	
2014-2015	2,850,000	355,350	3,205,350
2015-2016	2,095,000	290,850	2,385,850
2016-2017	1,805,000	229,900	2,034,900
2017-2018	1,705,000	171,975	1,876,975
2018-2019	1,755,000	120,300	1,875,300
2019-2020	1,815,000	67,050	1,882,050
2020-2021	605,000	12,100	617,100
	<u>\$12,630,000</u>	<u>\$1,247,525</u>	<u>\$13,877,525</u>

SCHEDULE OF DEBT SERVICE REQUIREMENTS REVENUE SUPPORTED DEBT – WATER FUND

Issue Description:	2012 Full Faith & Credit * Refunding Obligations
Amount Issued:	\$2,210,000
Issue Date:	November 15, 2012
Original Issue TIC:	1.031% (TIC)
Rating:	Aa3

Year of Maturity	Principal	Interest	Total
2014-2015	960,000	17,600	977,600
2015-2016	160,000	6,400	166,400
2016-2017	160,000	2,400	162,400
	\$1,280,000	\$26,400	\$1,306,400

SCHEDULE OF DEBT SERVICE REQUIREMENTS REVENUE SUPPORTED DEBT – WASTEWATER FUND

Issue Description:	2006A Adv Refunding Bonds Combined Sewer Overflow	2012 Full Faith & Credit * Refunding Obligations
Amount Issued:	\$5,410,000	\$9,275,000
Issue Date:	March 1, 2006	November 15, 2012
Original Issue TIC:	3.843% (TIC)	1.031% (TIC)
Rating:	Aa2 (Syncora Insured) May 1, 2017 (continuous call)	Aa3

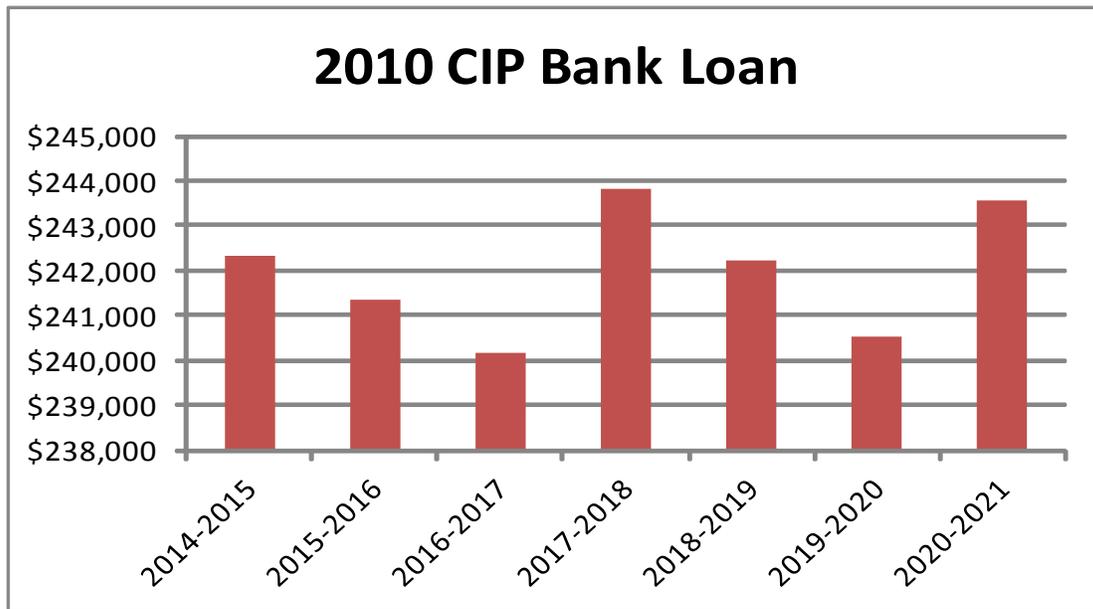
Year of Maturity	Principal	Interest	Total	Principal	Interest	Total
2014-2015	510,000	135,700	645,700	1,380,000	202,050	1,582,050
2015-2016	535,000	110,200	645,200	1,400,000	174,250	1,574,250
2016-2017	565,000	83,450	648,450	1,080,000	144,050	1,224,050
2017-2018	590,000	60,850	650,850	1,115,000	111,125	1,226,125
2018-2019	605,000	43,150	648,150	1,150,000	77,150	1,227,150
2019-2020	625,000	25,000	650,000	1,190,000	42,050	1,232,050
2020-2021	0	0	0	605,000	12,100	617,100
	\$3,430,000	\$458,350	\$3,888,350	\$7,920,000	\$762,775	\$8,682,775

*The City intends to use the net revenues of the water and wastewater systems to make the debt service payments, though the refunding obligations are secured by the City's full faith and credit.

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
OTHER DEBT - GENERAL FUND**

Issue Description:	2010 Bank Loan Capital Improvement Project Loan (City Hall/Majestic Theater Seismic & Fire Drill Tower)
Amount Issued:	\$2,100,000
Issue Date:	August 5, 2010
Original Issue TIC:	2.96% (TIC)

Year of Maturity	Estimated Debt Service Schedule		
	Principal	Interest	Total
2014-2015	200,000	42,328	242,328
2015-2016	205,000	36,334	241,334
2016-2017	210,000	30,192	240,192
2017-2018	220,000	23,828	243,828
2018-2019	225,000	17,240	242,240
2019-2020	230,000	10,508	240,508
2020-2021	240,000	3,552	243,552
	\$1,530,000	\$163,982	\$1,693,982



TRANSFERS

TRANSFER FROM:	TRANSFER TO:	PURPOSE	FY 14-15 BUDGET
GENERAL FUND			
Interfund:	Capital Construction Fund	Cap. Proj: Muni Bldgs - Library Lighting design	\$10,000
Interfund:	Capital Construction Fund	Cap. Proj: Park Improvements-Existing (Master Project)	35,000
Interfund:	Development Services Fund	Support for Development Services Fund - SDC Program Activity	8,200
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	1,931,790
FUND TOTALS			\$1,984,990
GENERAL RESTRICTED RESERVE FUND COMPONENT			
Interfund:	Capital Construction Fund	Cap. Proj: Acquisition of Land	\$95,520
FUND TOTALS			\$95,520
STREET OPERATING FUND			
Interfund:	Capital Construction Fund	Cap. Proj: Reiman Avenue Bridge	\$250,000
Interfund:	Capital Construction Fund	Cap. Proj: Morris Avenue Bridge	16,000
Interfund:	Capital Construction Fund	Cap. Proj: Safe Routes to School	10,640
Interfund:	Capital Construction Fund	Cap. Proj: Pedestrian Crossings	28,600
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	100,560
Interfund:	Development Services Fund	Support for Development Services Fund - SDC Program Activity	25,410
FUND TOTALS			\$431,210
STREET SDC FUND COMPONENT			
Interfund:	Capital Construction Fund	Cap. Proj: 15th Street / Washington Way Improvements	\$704,000
Interfund:	Capital Construction Fund	Cap. Proj: 35th Street Sidewalks & Railroad Crossing	234,000
Interfund:	Capital Construction Fund	Cap. Proj: Goodnight ROW Acquisition	370,000
Interfund:	Capital Construction Fund	Cap. Proj: Utility/Street Improvement Projects	200,000
FUND TOTALS			\$1,508,000
PARKS SDC FUND			
Interfund:	General Fund	Operating: SDC Administrative Fee to General Fund-Parks	\$8,200
Interfund:	Capital Construction Fund	Cap. Proj: Acquisition of Land	300,000
Interfund:	Capital Construction Fund	Cap. Proj: Trails / Bike Paths (Master Project)	130,000
Interfund:	Capital Construction Fund	Cap. Proj: Park Development-New (Master Project)	110,000
Interfund:	Capital Construction Fund	Cap. Proj: Park Improvement-Existing (Master Project)	300,000
FUND TOTALS			\$848,200
911 FUND			
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$99,040
FUND TOTALS			\$99,040
DEVELOPMENT SERVICES FUND			
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$96,800
FUND TOTALS			\$96,800
COMMUNITY DEVELOPMENT REVOLVING FUND			
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$26,050
FUND TOTALS			\$26,050
PARKING FUND			
Interfund:	Capital Construction Fund	Cap. Proj: Downtown Public Parking	\$200,000
Interfund:	Capital Construction Fund	Cap. Proj: Downtown Wayfinding	51,510
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	22,240
FUND TOTALS			\$273,750
TRANSIT FUND			
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$17,690
FUND TOTALS			\$17,690

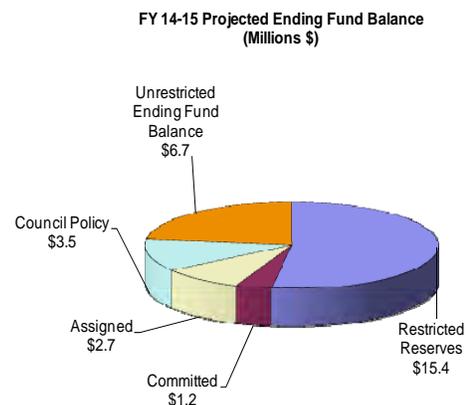
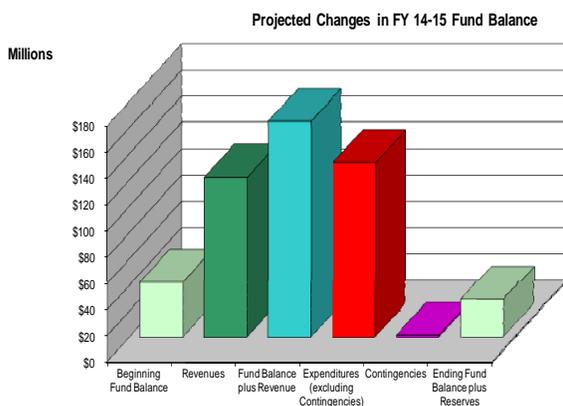
TRANSFERS (Continued)

TRANSFER	TRANSFER TO:	PURPOSE	FY 14-15 BUDGET
WATER OPERATING FUND			
Intrafund:	Water Cap. Const. Component	Cap. Proj: Rock Creek Hydroelectric	\$93,020
Intrafund:	Water Cap. Const. Component	Cap. Proj: Water System Rehab - 14/15	377,000
Intrafund:	Water SDC Component	Intrafund for Loan Repayment - Sensus Flexnet	167,480
Intrafund:	Water SDC Component	Intrafund for Loan Repayment - North Hills Improvements	553,190
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	171,030
Interfund:	Development Services Fund	Support for Development Services Fund - SDC Program Activity	10,090
FUND TOTALS			\$1,371,810
WATER TIMBER FUND COMPONENT			
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$320
FUND TOTALS			\$320
WATER SDC FUND COMPONENT			
Intrafund:	Water Cap. Const. Component	Cap. Proj: West Corvallis 2nd Level	\$817,330
Intrafund:	Water Cap. Const. Component	Cap. Proj: Utility/Street Improvement	33,000
Intrafund:	Water Cap. Const. Component	Cap. Proj: Baldy 2nd Level Storage Reservoir	113,920
Intrafund:	Water Operating Component	Operating: SDC Administrative Fee	6,970
Intrafund:	Water Operating Component	Debt Service - OBDD	322,610
FUND TOTALS			\$1,293,830
TOTAL - WATER FUNDS			\$2,665,960
WASTEWATER OPERATING FUND			
Intrafund:	Wastewater Cap. Const. Com	Cap. Proj: Biosolids Storage Tank	\$205,000
Intrafund:	Wastewater Cap. Const. Com	Cap. Proj: Sewer Rehab 14/15	720,750
Intrafund:	Wastewater Cap. Const. Com	Cap. Proj: Sewer Rehab-15th / Washington	81,000
Intrafund:	Wastewater SDC Component	Intrafund for Loan Repayment - WWRP Electrical Equipment Repl	351,550
Interfund:	Development Services Fund	Support for Development Services Fund - SDC Program Activity	6,810
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	183,070
FUND TOTALS			\$1,548,180
WASTEWATER SDC FUND COMPONENT			
Intrafund:	Wastewater Cap. Const. Com	Cap. Proj: WWRP Primary Clarifiers	\$358,840
Intrafund:	Wastewater Cap. Const. Com	Cap. Proj: WWRP Secondary Clarifiers	8,255,000
Intrafund:	Wastewater Cap. Const. Com	Cap. Proj: Untility/Street Improvement	33,000
FUND TOTALS			\$8,646,840
TOTAL - WASTEWATER FUNDS			\$10,195,020
STORM WATER OPERATING FUND			
Intrafund:	Storm Water Cap. Const. Component	Cap. Proj: Storm Water Master Plan Project	\$105,000
Intrafund:	Storm Water Cap. Const. Component	Cap. Proj: SWMP - Greeley Overflow Pipe	210,000
Intrafund:	Storm Water Cap. Const. Component	Cap. Proj: Storm Drain Replacement - 14/15	87,500
Interfund:	Development Services Fund	Support for Development Svcs Fund SDC & Erosion Sediment Prog.	67,880
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	62,680
FUND TOTALS			\$533,060
STORM WATER SDC FUND COMPONENT			
Intrafund:	Storm Water Cap. Const. Component	Cap. Proj: Utility/Street Improvement	\$15,000
Intrafund:	Storm Water Cap. Const. Component	Cap. Proj: Storm Water Master Plan Project	20,000
FUND TOTALS			\$35,000
AIRPORT OPERATING FUND			
Intrafund:	Airport Cap. Const. Component	Cap. Proj: Airport Fac Improvement (Cargo Access Rd)	\$9,300
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	8,760
FUND TOTALS			\$18,060
GRAND TOTAL 2014-15 TRANSFERS			\$18,828,350

RESERVES/CHANGES IN FUND BALANCE – JUNE 30, 2015

Fund	Beginning Fund Balance ⁽¹⁾	Revenues	Expenditures			Unappropriated Reserves				Budgetary Ending Fund Balance ⁽⁶⁾
			net of Contingencies	Appropriated Contingencies	Total Expenditures	Restricted Reserves ⁽²⁾	Committed Reserves ⁽³⁾	Assigned Reserves ⁽⁴⁾	Council Policy Reserve ⁽⁵⁾	
General	\$6,211,048	\$43,300,550	\$42,782,100	\$630,000	\$43,412,100	\$377,160	\$1,018,258	\$448,875	\$3,513,289	\$741,915
Street	3,635,219	4,984,290	6,147,620	85,740	6,233,360	2,102,147	106,037	159,766	0	\$18,199
Parks Systems Develop Chrgs	2,939,803	618,100	848,200	0	848,200	2,709,703	0	0	0	\$0
9-1-1 Emergency Services	452,117	2,350,140	2,293,910	47,000	2,340,910	0	0	263,574	0	\$197,773
Development Services	1,938,336	2,829,890	3,520,690	56,600	3,577,290	0	0	0	0	\$1,190,936
CD Revolving Loan	198,873	1,132,010	1,274,540	22,650	1,297,190	0	0	0	0	\$33,693
Parking	650,194	848,890	1,338,470	16,900	1,355,370	0	37,323	21,462	0	\$84,929
Transit	2,183,170	3,475,420	3,317,430	69,510	3,386,940	0	0	163,281	0	\$2,108,369
2011 Operating Levy ⁽⁷⁾	0	0	0	0	0	0	0	0	0	\$0
Capital Construction	734,866	11,377,950	11,437,850	0	11,437,850	674,966	0	0	0	\$0
GO Debt	94,976	1,131,610	1,102,200	0	1,102,200	124,386	0	0	0	\$0
Pension Oblig Debt Service	471	2,720,030	2,720,030	0	2,720,030	471	0	0	0	\$0
Davidson	5,536	0	0	0	0	5,536	0	0	0	\$0
Water	7,211,169	13,022,850	13,242,360	193,660	13,436,020	5,742,121	0	304,713	0	\$751,165
Wastewater	12,931,899	21,653,900	30,085,250	209,410	30,294,660	3,507,993	0	45,655	0	\$737,491
Storm Water	1,106,334	2,778,260	3,268,060	46,080	3,314,140	122,533	0	338,433	0	\$109,488
Airport	637,715	601,950	590,150	9,820	599,970	4	0	0	0	\$639,691
Fleet Maintenance	46,308	851,110	851,840	16,000	867,840	0	0	13,424	0	\$16,154
Facility Maintenance	70,981	806,490	813,640	10,000	823,640	0	0	43,828	0	\$10,003
Tech and Communications	390,804	1,583,280	1,583,280	30,000	1,613,280	0	0	338,354	0	\$22,450
Administrative Services	53,438	5,026,820	5,026,820	30,000	5,056,820	0	0	13,090	0	\$10,348
Risk Management	842,587	1,121,350	1,152,790	275,000	1,427,790	0	0	500,000	0	\$36,147
TOTAL	\$42,335,842	\$122,214,890	\$133,397,230	\$1,748,370	\$135,145,600	\$15,367,021	\$1,161,618	\$2,654,456	\$3,513,289	\$6,708,749

- (1) Includes reserves.
- (2) Includes debt reserves and third-party agreed reserves plus "restricted" fund balances such as debt service funds, permanent funds, system development charge balances and capital improvement.
- (3) Includes certain donation endowments, Library Improvement reserve, and other ordinance-driven commitments.
- (4) Includes vehicle/equipment, catastrophic risk management reserves, and Parks & Recreation Family Assistance reserves.
- (5) Includes incremental reservation of General Fund balances based on Council Policy to rebuild reserves over a maximum of five years to a level equivalent to three months of payroll in support of a sustainable budget.
- (6) The Budgetary Ending Fund Balance is the portion at year-end expected to be available to appropriate for Fund specific purposes, as laid out in Financial Policy definitions. Due to their budgetary nature, these amounts do not align with audited year-end "unassigned" or "assigned" balances per GASB 54.
- (7) Anticipate this fund will be closed effective FY 13-14 yearend with any small remaining balances dedicated to related programs in General Fund.

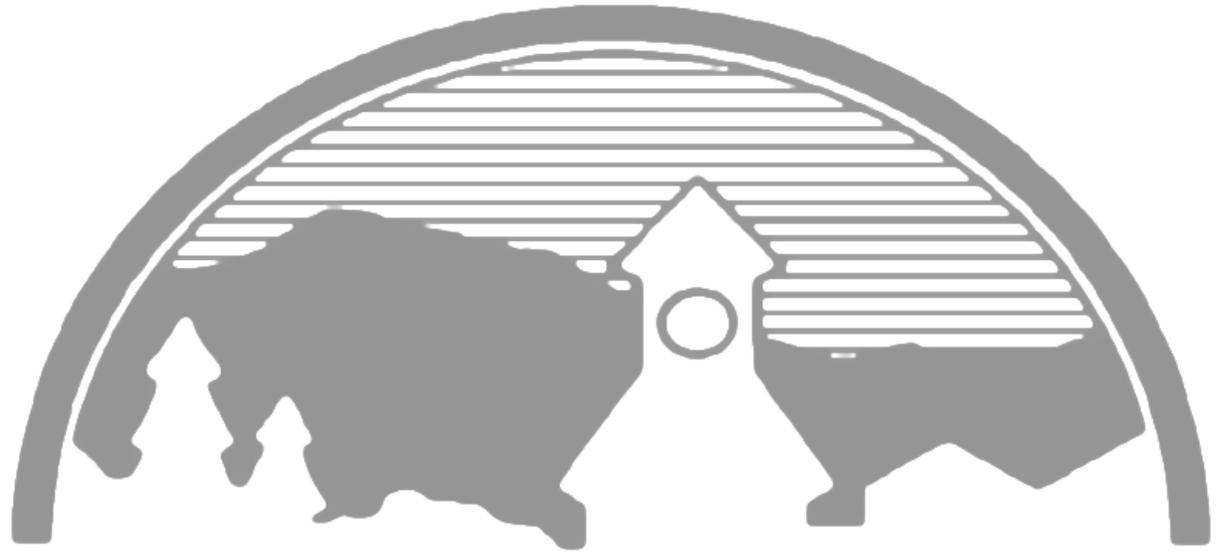


RESERVES/CHANGES IN FUND BALANCE (Continued)

As a best practice, according to the Government Finance Officers Association (GFOA), and as often requested documentation to meet the City's annual external audit in this regard, an explanation of yearly changes in fund balance of 10% or more is provided in the table below. Adequate fund balances, as defined by Council Financial Policy, are maintained in all funds to the extent possible. However, the unpredictable nature of forecasting ensures that fund balances will never end precisely where predicted and will be either higher or lower than anticipated, depending on actual eventual circumstances (i.e. an added fee or miscellaneous revenue, insufficient time or resources to complete special/capital projects, unforeseen vacancies). The table below includes all instances where the net change in the Proposed budgetary ending fund balance from FY 13-14 when compared to the Proposed ending fund balance for FY 14-15 is greater than 10%, and provides a brief explanation for that change.

Changes of 10% or More in Fund Balance

Fund	FY 13-14 Adopted End Fund Balance	FY 14-15 Proposed End Fund Balance	% Change	Projection - Reasoning
General	\$668,120	\$741,915	11.05%	Firm expenditure limit with some improved revenue forecasts, has allowed for potential growth in fund balances.
Street	\$278,010	\$18,199	-93.45%	Dedining State Highway Tax receipts combined with increased costs for personnel and materials results in a decreased ending fund balance.
911 Emergency	\$46,520	\$197,773	325.14%	Greater charges for service revenues combined with unfunding one authorized FTE in FY 14-15 is positioning the fund to afford near-term one-time costs.
Development Services	\$217,510	\$1,190,936	447.53%	Development has picked up over the last year, significantly increasing fee and charges for services revenue, while expenditures related to these larger development projects can lag six to twelve months after receiving revenue.
Community Development Revolving	\$27,874	\$33,693	20.88%	Project expenditures for FY 14-15 are significantly reduced compared to prior years due to the uncertainty of federal funds to be awarded.
Parking	\$189,483	\$84,929	-55.18%	The Residential Parking District Initiative increases FTE by 1.5 FTE in FY 14-15 along with Capital construction projects.
Transit	\$1,851,407	\$2,108,369	13.88%	FY 14-15 expenditures do not include two bus purchases and the vehicle information system (VIS) replacement, which were present in FY 13-14.
Water	\$122,333	\$751,164	514.03%	Metered revenues have significantly increased due to a dry spring and summer which increased water demand, contributing to a rebound in the ending Water Fund balance.
Wastewater	\$560,178	\$737,491	31.65%	A 4% rate increase has been projected for metered revenue, while expenditures are lower than in FY 13-14 due to the carryover of the TMDL special project from FY 13-14 to FY 15-16.
Storm Water	\$319,294	\$109,488	-65.71%	Expenditures for maintenance of infrastructure continue to outweigh the fund's revenue sources, thus drawing on fund balance. Results of the Utility Rate Structure Review should be out this spring, with the potential to increase revenues in FY 14-15 over the proposed budget and help address these maintenance needs.
Airport	\$498,810	\$639,691	28.24%	FY 14-15 personnel services costs have decreased due to the elimination of the Transportation & Buildings Division Manager position, while fewer special projects are scheduled.



CORVALLIS

ENHANCING COMMUNITY LIVABILITY

City of Corvallis, Oregon

501 SW Madison Ave
Corvallis, OR 97333

www.corvallisoregon.gov

Officers, Budget Commission Members, and Department Directors as of June 30, 2014

BUDGET COMMISSION

Ward	Council	Years of Service	Term Expires (1)
	Julie Jones Manning, Mayor	Four	December 31, 2014
1	Penny York	Two	December 31, 2014
2	Roen Hogg	Four	December 31, 2014
3	Richard Hervey, City Council President	Six	December 31, 2014
4	Dan Brown	Eight	December 31, 2014
5	Mike Beilstein	Ten	December 31, 2014
6	Joel Hirsch	Six	December 31, 2014
7	Bruce Sorté	Two	December 31, 2014
8	Biff Traber, City Council Vice President	Five	December 31, 2014
9	Hal Brauner	Fourteen	December 31, 2014
Citizen	Brandon Neish (2)	One	December 31, 2014
Citizen	Rich Caron	Nine	December 31, 2014
Citizen	Karyle Butcher	Seven	December 31, 2016
Citizen	Barbara Bull	Six	December 31, 2017
Citizen	Elizabeth French	Six	December 31, 2017
Citizen	Curtis Wright	Four	December 31, 2019
Citizen	Janet Gambatese	Two	December 31, 2021
Citizen	Mark O'Brien	Two	December 31, 2021
Citizen	Irva Kay Neyhart	One	December 31, 2022

(1) Maximum term expiration is listed

(2) B. Neish is finishing out the 3-year term for Jack Davis ending 12/31/2014.

DEPARTMENT DIRECTORS

		Years in this Position	Years of Service with the City of Corvallis
City Manager	James Patterson	3	3
Community Development Director	Ken Gibb	19	19
Finance Director	Nancy Brewer	20	24
Fire Chief	Roy Emery	7	30
Human Resources Director	Mary Beth Altmann Hughes	1	2
Library Director	Carolyn Rawles	16	16
Parks and Recreation Director	Karen Emery	6	25
Police Chief	John Sassaman	2	26
Public Works Director	Mary Steckel	2	24

STATISTICAL TRENDS¹

Calendar Year	1990	1995	2000	2005	2011	2012	2013
COMMUNITY DEVELOPMENT							
Single Family Residence Building Permits	125	167	141	210	37	55	87
Single Family Residence Value (x \$1,000)	\$12,108	\$23,242	\$29,328	\$45,919	\$7,526	\$13,014	22,296
CITY MANAGER'S OFFICE							
City Employees ²	352	380	417	424	406	415	414
FINANCE							
City Assessed Value (000's)	\$1,144,822	\$2,419,879	\$2,879,105	\$3,433,646	\$4,118,580	\$4,139,865	\$4,201,469
City Real Market Value (000's)	\$1,144,822	\$2,419,879	\$3,513,758	\$4,522,703	\$5,672,461	\$5,469,249	\$5,574,068
City Tax Rate:							
Operating (per \$1,000 of AV)	\$7.6400	\$5.6200	\$5.1067	\$5.1067	\$5.1067	\$5.1067	\$5.1067
Local Opt Levy (per \$1,000 of AV)					.45	.45	.45
Debt (per \$1,000 of AV) ³				.5418	.5304	.2578	.2802
Consolidated Tax Rate ⁴	\$33.78	\$14.65	\$14.77	\$15.81	\$18.05	\$17.82	\$18.00
City Budget:							
Operating (Millions)	\$30.25	\$38.34	\$56.78	\$68.62	\$85.48	\$82.05	\$83.98
Capital (Millions)	\$10.30	\$17.65	\$31.38	\$14.45	\$11.82	\$9.49	\$10.14
Municipal Court:							
Citations (Traffic & Criminal)	7,229	7,000	12,016	8,771	5,769	6,237	5,132
Parking Citations	27,335	18,532	23,126	11,672	17,743	18,015	16,821
FIRE							
Engine Responses ⁵	1,164	1,455	1,977	2,590	4,630	4,967	4,744
City Incidents (non-ambulance)	983	1,230	1,615	2,151	4,079	4,317	4,040
Non-City Incidents (non-ambulance)	181	225	362	439	551	650	704
Ambulance Responses	1,960	1,941	--	--	--	--	--
Patient Contacts	--	--	2,732	3,154	4,301	4,651	4,505
PARKS AND RECREATION							
Number of Programs ⁶	--	--	--	1,132	910	2,859	2,040
Number of Registrations ⁶	--	--	--	21,559	19,980	96,917	85,149
Number of Facility Reservations	--	--	--	1,396	2,137	1,573	1,593
Number of Total Park Acres ⁷	1,113	1,113	1,200	1,685	1,734	1,734	1,734
POLICE DEPARTMENT							
Major Crimes Reported	2,436	2,995	2,346	2,308	2,108	2,165	1,954
9-1-1 Center Incidents Reported	23,433	31,269	35,753	32,487	39,734	37,556	38,645

¹ Many agencies/organizations with whom the City files reports have requirements for data on a calendar year basis, so most City departments track and record their data in this manner. Also, since multiple agencies across the US have a wide variety of fiscal years, this complicates standardized reporting. Collection on a calendar year basis can allow for better comparison across jurisdictions for a like time period, so most of the statistics in this table are provided on that basis.

² Number of employees listed is based on filled FTE as of December of each year. Values presented are lower than authorized FTE.

³ Information obtained from Benton County Tax Table 4a 'Bonds' column.

⁴ Information obtained from Benton County Tax Table 6a County Code 901. Note, 2011 has been restated due to a reporting error in the previous FY budget document.

⁵ Engine responses tracked starting 2005. Prior to this, only number of engine calls were being recorded. Number as of 2005 includes engine responses to medical calls.

⁶ Osborn Aquatic Center (OAC) data is included for the first time in 2012.

⁷ 2011/2012 is based on a restatement of acres vs. deeds and has been trued up resulting in current acres of 1,734.

STATISTICAL TRENDS (Continued)

Calendar Year	1990	1995	2000	2005	2011	2012	2013
PUBLIC WORKS							
Transportation:							
Traffic Signals ⁸	58	55	61	82	90	90	57
Street Lights	2,312	2,775	3,036	3,431	3,598	3,639	3,647
Bus Ridership	323,113	330,000	488,238	539,597	884,687	1,157,829	1,130,401
Water:							
Connections	12,111	12,684	13,802	14,427	16,132	16,306	16,397
Production (xM Gal)	2,645	2,776	2,912	2,575	2,381	2,616	2,628
Miles of Line ⁹	177	193	205	247	246	249	249
Wastewater:							
Connections	11,252	12,211	13,421	14,335	15,502	15,502	15,730
Treatment (xM Gal)	3,113	3,303	3,475	3,249	3,523	4,388	2,960
Miles of Line ⁹	168	186	201	215	214	204	205
Storm Drains:							
Miles ⁹	94	114	143	160	159	148	149
Streets:							
Miles	134	140	169	184	366	367	367
Miles Resurfaced	5.00	7.50	2.21	1.67	12.21	3.07	3.97
Bike Paths (Miles)	--	11	12	14	21	21	22
Bike Lanes (Miles)	56	49	57	61	105	106	108
OTHER							
Area Sq. Miles (Land)	12.85	13.03	13.53	14.00	14.02	14.13	14.23
Population	44,757	47,485	52,215	53,165	54,520	55,055	55,345
County Employment ¹⁰	34,768	40,529	39,626	40,081	41,911	41,539	41,828
County Unemployment ¹⁰	1,787	925	1,598	2,073	2,948	2,698	2,213
County Unemployment Rate ¹⁰	4.9%	2.2%	3.9%	4.9%	6.6%	6.1%	5.3%
OSU Enrollment	16,024	14,320	16,777	19,236	24,977	26,393	27,925
Volunteer Hours:							
City Manager's Office ¹¹	--	--	--	--	912	2,089	3,020
Community Development	--	302	250	178	781	909	757
Finance	--	21,672	29,659	222	199	447	142
Fire	--	8,400	7,368	48,243	47,929	42,458	48,624
Library	--	22,500	24,335	11,227	47,929	42,458	48,624
Parks & Recreation	--	5,030	6,397	11,227	16,984	16,075	13,860
Police	--	440	843	632	2,453	1,630	374
Public Works							
Fiscal Year	FY89-90	FY94-95	FY99-00	FY 06-07	FY 10-11	FY 11-12	FY 12-13
LIBRARY							
Circulation	762,910	1,208,996	1,452,949	1,481,633	1,653,736	1,682,083	1,706,953
Patron Visits ¹²	514,543	704,996	724,291	1,402,633	1,901,807	1,512,697	1,557,901
Population Served	69,400	75,400	77,192	84,125	86,725	87,000	86,785

⁸ Traffic Signals decreased from 90 to 57 due to the City no longer maintaining traffic signals owned by ODOT.

⁹ While populating the asset register with the new asset management program, the decreases noted in miles of water and wastewater lines, as well as storm drains, reflect the transition of infrastructure inventory from the City to OSU.

¹⁰ Benton County, Oregon Corvallis Metropolitan Statistical Area (MSA) (un)employment <http://www.qualityinfo.org>

¹¹ City Manager's Office volunteer hours include those from the Mayor, City Councilors, interns (if any), and the Ambassador program. Mayor and Council volunteer hours capture only Council and Standing Committee meetings. Many factors impact total hours, including the number of regular and special meetings held in a given year, the number of Councilors in attendance, and the length of each meeting. It is noted the Mayor and Councilors volunteer their time for other community meetings and activities that are not tracked.

¹² Due to a combination of Sunday hours closure and increased use of online resources, patron visits significantly declined in FY 11-12.

READER'S GUIDE

For the novice, the City's Annual Budget Document can look formidable. Since budget document users come with a wide variety of backgrounds, and include City staff, City Councilors, Budget Commissioners, citizens, and financial market experts, the information in the annual budget is designed to provide a lot of different information about the City to a lot of different users. The information in the budget is typically categorized using four main areas to facilitate an understanding of what the City plans to do with its resources for the next fiscal year, in particular, but also in the future: policy related information, a communications device, a financial plan and an operational guide.

A. ***A Policy Document*** – The City's annual budget addresses two primary kinds of policies: policies that are under development (usually stated as goals to be accomplished) that may change how the City operates in the future, and policies that are already in place. The City Manager's Budget Message, found in Section I, provides the background, sets the stage for the specific work plan that will be accomplished during the coming year, and identifies the policy issues that are important in the community as identified by the City Council in goal setting. New policy issues that have a fiscal impact are highlighted in the annual budget message. All of these policy issues have the potential to impact fees, taxes, and/or the allocation of existing staff or financial resources. Throughout the budget there will be notes about the financial impact of policies.

The [Community's Goals](#) narrative found on the [City's website](#) provides summary information on the progress made by the City in achieving the community's 2020 Vision Statement. This document also identifies some of the plans beyond current state that will continue the community's progress toward achieving these goals.

The City also has a number of policies that impact or direct existing operations; the appendix section of the budget includes the [Financial Policies](#) adopted by the City Council and reviewed annually which along with the updated versions of the long-term Financial Plans and various departmental Business and Master Plans are available to the Budget Commission for utilization in providing staff with direction on budget development. These policies govern the financial operations of the City and the development of the annual capital and operating budgets.

B. ***A Communications Device*** – The City's annual budget provides information about the priorities the City Council has set to be accomplished during the next fiscal year, but it also includes information about the day-to-day activities the City performs. The Budget Message provides a concise discussion of the major priorities of the City, key challenges, and issues meriting attention of the reader who may have insufficient time to digest the full document. For example, in FY 14-15, such key issues included the reductions required to achieve the council goal of a sustainable budget in the General Fund for FY 14-15 and the various challenges that will need to be addressed in the future in order to maintain a sustainable budget. The department and fund sections of the budget provide more detailed information about the budget for the major priorities, but also provide a considerable amount of information about the day-to-day activities, and the resources, or lack thereof, required to meet service demands. Performance measures are included in the Department section to provide information on how efficient and effective the City is with resources in pursuit of meeting Council goals and management objectives.

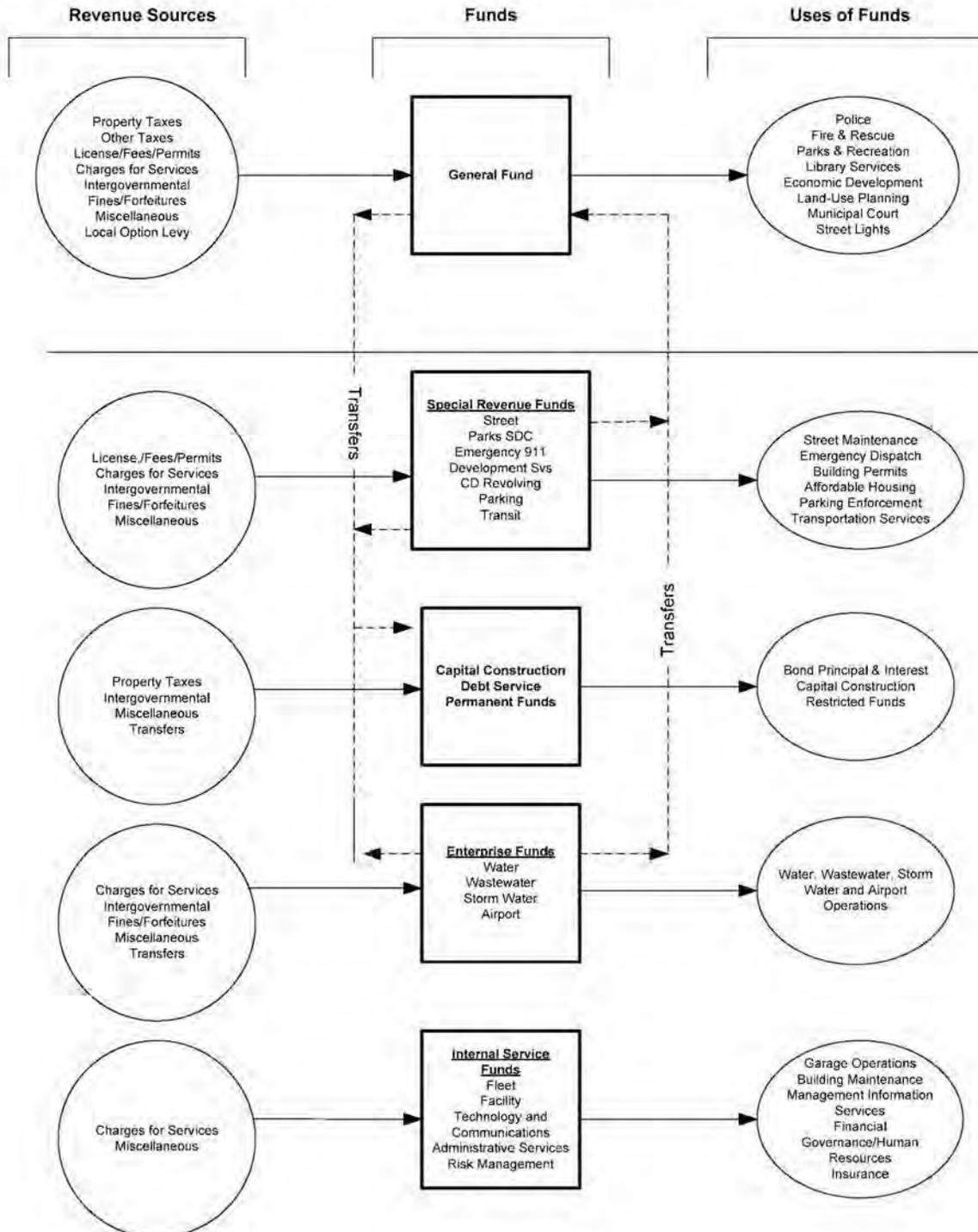
The City also seeks feedback from citizens on the services provided. Prior to 2013, the City conducted a [survey](#) of its citizens every year in the fall since 1993; due to cost considerations, this survey will now take place every other year in the fall with the next survey taking place in 2014. The [survey](#) conducted in the fall of 2012 had a 65% return rate, which is very good compared with other local governments' resident surveys, and above the 31% return rate achieved in 2011. The response decline during 2011 was partly attributed to the longer format of the National Research Center's (NRC) national citizen survey adopted for use three years ago. While the 2011 response rate was still considered statistically viable, this was one of several reasons, including cost, that prompted the City to bring the survey back in-house commencing in 2012. The 2012 survey included several questions similar to those asked in other years, to allow staff to benchmark service use and areas for organizational improvement. For example, services ranked with a 90% or higher rating of 'good' or 'excellent' included 9-1-1 emergency dispatch, ambulance, public library and City parks. All of these program areas also scored above a 90% in 2011.

The survey also includes specific questions each year that focus on issues of concern for the City. Results from the survey are used by staff to develop plans for improving communications about certain work areas.

Results are also used by the City Council to develop programs or services. The [complete survey](#), including comments, are available on the [City's website](#). In March, the City also publishes a "report card newsletter" to highlight survey results in the context of the City's performance measurement efforts. Each annual report can be found on the City's website through the City Manager department link to City newsletters by month.

C. ***A Financial Plan*** – The Budget Document is foremost a financial plan, providing a numerical road map that matches resources available with the spending priorities defined by the Budget Commission and City Council. Each operational area of the budget has a specific set of resources and uses, as summarized below:

CITY OF CORVALLIS FLOW OF FUNDS



The Budget and Financial Planning Overview provides brief information about the more detailed financial data found elsewhere in the budget document. Budget data for the City's annual operating budget – the pieces that are required for the City to provide services every day and the largest portion of the City's annual budget – is presented in three different organizational structures:

1. The Budget by Fund – The City uses a fund structure as the primary method of accounting for financial operations. A fund can be thought of as a “business,” with all revenues in the fund specifically associated with the kinds of expenditures in the fund. In most cases, there is a legal restriction on the use of the revenue in a fund. This means that Water Fund revenues cannot be used to pay for Library books or Police cars since the Water Fund revenue is restricted in its use to services necessary to provide water to all properties in Corvallis. Funds are usually named for their primary activity (i.e., Street Fund accounts for revenue and expenditures associated with operating the City's street infrastructure). The General Fund is used as a catch-all fund, and is specifically defined as the fund to use when there is no reason to use another fund. Each of the operating funds' budgets are summarized in the financial plans found in the latter half of the Budget and Financial Planning Overview section of this budget document.

For financial reporting purposes, different types of funds are accounted for in different ways, with governmental funds (General, Special Revenue, Capital Construction, Debt Service, and Permanent Funds) using a modified accrual method of accounting and proprietary funds (Enterprise and Internal Services Funds) using a full accrual method of accounting. For budget and long-term financial planning purposes, all funds are presented using a modified accrual basis. Among other things, this means that in the proprietary funds the City does not budget for or show depreciation expenses although depreciation expenses will be recorded during the fiscal year. Since the level of financial control and accountability is at the department level within each fund, the Appendices Section of the Adopted budget document will include tables showing the budget by fund in more of an income statement format versus what is included in financial plans. A complete summary of the adopted budget by fund will be shown on the inside tab of the Budget and Financial Planning Overview section of the Adopted budget document.

Prior to FY 13-14 there were three special revenue funds (Parks & Recreation, Fire & Rescue, and Library) that received property tax revenue, in addition to the General Fund, and were created before the passage of statewide property tax reform and were specifically designated to account for voter approved tax levies that were limited by the voters for the funds' identified uses. With tax reform (Measures 47/50) property taxes became a single tax rate levied against all property, and the City Council had the authority to change the allocation of property taxes each year. By Council Financial Policy, these four funds were reviewed together in an all tax funds combined presentation, and taxes were re-allocated each year to keep each individual fund balanced and positive. As of FY 13-14, Parks & Recreation, Fire & Rescue, and Library have been integrated directly into the General Fund and the special revenue funds originally established for these three areas will cease to exist as of June 30, 2014.

2. The Budget by Department – The department designation is used to group a set of like activities to enhance the opportunities for operational efficiencies, or to take advantage of professional qualifications of staff to work on multiple types of projects. A department can operate in just one fund, like the Fire Department operating in the General Fund. In this case, the department has a fairly singular focus in its work, with specialized training that does not cross into other work areas. A department can also operate in multiple funds, like the Public Works Department that operates in eleven funds, including Street, Water, and Wastewater Funds. In this case the department has a more complex set of work tasks, but the same set of staff skills can be used in a number of areas.

Each department also has divisions and within each division there can be anywhere from one to several programs. The program level is used to either manage specific work, allow the ability to cost specific services for which customers are charged a fee for service, or report to the City Council, citizens, or outside agencies. For more information on departments, divisions, and the services/programs provided, see the various Department Summary sections.

3. The Budget by Class – The City's budget also includes different classifications of revenues and expenditures which overlay the budget by fund and department. Comparing the budget by classification can help a reader understand how major sources of revenue or major costs are treated across the organization. Operating revenues have classifications which are: Property Taxes, Other Taxes, Licenses, Fees and Permits, Charges for Service, Intergovernmental, Fines and Forfeitures, and Miscellaneous revenues. Non-Operating Revenue classifications include Transfers and Other Financial Sources (usually associated with debt issuance, pass-throughs from other municipalities, or sale of capital assets).

Operating expenditure classifications include: Personnel Services (includes salaries and wages, plus all associated benefits), Materials and Services, and Capital Outlay. Non-operating expenditure classifications include Transfers, Debt Service, Capital Projects, Other Financial Uses, and Contingencies which are appropriated but not used unless authorized by the City Council.

D. *Operations Guide* – The City’s operations are defined through the budget document in both fund and department discussions. In the Department section, a reader can see how a wide variety of functions may be organized into a single department. In the Fund sections, a reader can see how services are matched with resources. In the financial plans, found in the Budget and Financial Planning Overview section, a reader can see how long-term financial projections are used to plan work projects or address revenue needs such as a fee increase. This overview, as well as the Budget Message, also serves to drive operations by tying services and initiatives back to citizen needs and Council goals. The budget document as a whole is also used by staff operationally as both a guide for the work plan to be accomplished and as a reference tool, serving as a comprehensive source of historical information and projections based on current assumptions.

The Budget Process summary in the Appendices section underpins City operations with its annual overview of the cycle to establish plans for funding those operations. Based on feedback from Boards and Commissions, staff prepares a budget which is returned to the Budget Commission in April as the City Manager’s Proposed Budget. The Budget Commission conducts a public hearing to give citizens the opportunity to comment on the proposed budget, then recommends a budget for the City Council to approve. The City Council also holds a public hearing to give citizens an opportunity to discuss the Budget Commission’s recommended budget before finally adopting the budget by resolution, setting the legal level of appropriations for the ensuing fiscal year.

To develop the budget, Finance Department staff work with Department Directors, who in turn work with citizens, boards and commissions as appropriate to develop the department’s proposed budget within the parameters set by the City Manager, including projections for the revenues for which the Budget and Financing Planning (BFP) staff has primary responsibility. The BFP staff review and analyze the department’s proposals, then make a recommendation to the City Manager who reviews both the department’s submitted budget and the BFP staff recommendations before approving a final Proposed Budget to be forwarded to the Budget Commission.

During the course of the year, each department manages and monitors its budget, reporting quarterly to the City Manager and Finance Director on any unusual occurrences, and monthly in the final quarter of each fiscal year. The Finance Department has the overall responsibility to develop and monitor the budget. The BFP staff prepare the Quarterly Operating Reports which are designed as interim snapshots of the City’s financial position, and are published on the [City’s website](#). The Finance Department also prepares the audited Comprehensive Annual Financial Report (CAFR) at the end of the year. More information on the City’s Budget Process, including the time line and process followed, can be found in the Appendices on page 196.

BUDGET PROCESS

The City of Corvallis budget process for FY 14-15 was based on the development of the firm expenditure limit in the General Fund, where each department was given an expenditure allocation and asked to develop a budget within that limit. Most of this process was followed for all other funds as well.

LATE SUMMER 2013

- Finance Department staff developed projections for all revenues in the General Fund and projected expenditures using five-year actual spending patterns.
 - The Street Fund and all internal service funds had a similar firm expenditure limit set for the respective operations; all other funds' expenditure limits were based on the revenue projections in the fund.
- Departments' dedicated revenues were allocated, dollar for dollar, to the respective department.
- Non-Dedicated revenues (property taxes, franchise fees, transient room taxes, and state revenue sharing) were allocated proportionately to each department so that the sum of all department projected expenditures equaled the projected total revenues, and "the green line" in the financial plan was at zero.
- The trending information was also projected forward for an additional four fiscal years to provide some level of predictability for the future availability of funds. This action allowed departments to consider whether a short-term change would be adequate or a longer-term, more permanent, solution should be developed and followed for FY 14-15 that would improve the organization's fiscal health for the foreseeable future.

FALL 2013

- Department Directors were provided with their expenditure limits, and began to work with staff and their associated advisory boards and commissions to develop funding priorities, explore alternatives to the current methods of doing work, examine opportunities to contract out with the private sector or via an intergovernmental arrangement, and examine fees and opportunities to raise revenues.
 - Where an advisory board or commission exists, citizens were able to participate in setting budget priorities for that program area.
 - Where an advisory board or commission does not exist, staff developed priorities as outlined in their budget pages.
 - Department Directors were asked to develop alternate budget plans in case revenue projections were ten percent lower or ten percent higher than originally expected.
- Finance Department staff continued to monitor financial performance through the first half of FY 13-14 to see how that might impact revenue projections for FY 14-15.

JANUARY 2014

- Finance Department staff updated revenue projections for FY 14-15.
- Departments completed their work with advisory boards and commissions and began to finalize their Proposed Budgets.

FEBRUARY 2014

- Department Directors completed their budget submittals for City Manager review and acceptance.
- With all budgets submitted, and revenues updated, the green line was projected to be slightly positive. The City Manager determined that the list of “adds” from departments would be presented to the Budget Commission for their consideration, along with the potential to use the added revenue to increase the contribution to fund balance reserves.

MARCH 2014

- Finance Department staff put together the Proposed Budget Document for distribution in early April, in preparation for the City Manager delivery of the Budget Message to the Budget Commission, as required by Oregon Revised Statutes (ORS).

APRIL 2014

- The City Manager presented the Proposed Budget to the Budget Commission on April 10.
- Department Directors, along with advisory board or commission members, presented their individual department’s proposed budgets, discussed the funding priorities, what was not funded in the current budget, and significant changes to operations. Budget Commissioners asked questions to clarify the budget presentations.

MAY 2014

- The Budget Commission held a public hearing, as required by ORS, deliberated, and recommended a tax levy and budget for the City Council to consider.

JUNE 2014

- The City Council heard the Budget Commission’s recommended budget, held a public hearing as required by ORS, deliberated, and adopted a budget via resolution (attachment ____).
- Finance Department staff completed the Adopted Budget Document and filed the budget with the County Assessor and County Clerk as required by ORS.

JULY 1, 2014

- FY 14-15 began.

KEY PARTICIPANTS IN THE BUDGET PROCESS

- The City Council, which by ORS is required to receive the Budget Commission's recommended budget, hold a public hearing, levy property taxes, and adopt appropriations, and which also sets the goals for the organization to achieve for each two year City Council term.
- The Budget Commission, which by ORS is the nine members of the City Council along with an equal number of citizens. The Budget Commission is required to:
 - Receive the Proposed Budget;
 - Hold a public hearing on the Proposed Budget; and
 - Deliberate and recommend a tax levy and a budget for the City Council to adopt.
- Advisory Board and Commission members who participated in developing budget priorities
- Citizens, who provide feedback to City officials throughout the year about preferences for more or less service.
- The City Manager, who by Charter is the City's Budget Officer and is charged with presenting a Proposed Budget to the Budget Commission.
- Department Directors and staff, who work with Advisory Board and Commissions to develop proposed budgets that meet funding priorities, continue operations, and meet customer service standards.
- Finance Department staff, which develop revenue projections and financial plans, ensure the budget is balanced and meets all State requirements for adoption, monitor the City's financial status during the course of the year, and complete the financial reporting and audit work at the end of each fiscal year.

AFTER THE BUDGET IS ADOPTED

Staff begins work on the FY 14-15 budget the day after it is adopted. Projects that are underway continue; staff begins working on planning for implementation of new project, studies, etc. Purchases with long procurement times are initiated. When new positions are created hiring begins right away so that positions can be filled and work can progress. The Budget Office staff work with Department Directors on monitoring budget status through the course of the year and produce quarterly operating reports to update the public, Budget Commission, and City Council on the city's financial position.

The Adopted Budget may be amended according to Oregon Revised Statutes rules. The City appropriates by department within a fund, so a division or program area can underexpend its budget and the appropriations can be used in another area within that department/fund budget. However, to increase appropriations for a department, in total, requires City Council action. City Council may increase appropriations via adoption of an amending resolution for the following actions:

- ❖ To accept and appropriate a grant, gift, bequest, or devise that was unknown at the time the budget was adopted.
- ❖ To appropriate a revenue source (other than those identified above) that was either unexpected, or higher than expected.
- ❖ To transfer budget authority from one appropriations category to another.
- ❖ To appropriate the ending fund balance or grants to be used to respond to a community-wide emergency (e.g., flood, earthquake).

At the close of each fiscal year the City undergoes an audit, completed by an outside audit firm that meets state requirements for municipal auditing. Among many tests performed at the end of each fiscal year, the auditors test that the budget was adopted according to State requirements.

GOVERNMENTAL STRUCTURE

The City of Corvallis is governed by a representative government organized pursuant to a Home Rule Charter adopted by the voters in 1949 and most recently amended in 2006. The Charter establishes the Council/Manager form of government to carry out local governance for the community.

The nine-member City Council is elected by ward to serve a two-year term as the governing body for Corvallis. The Mayor presides at Council meetings and is elected at-large for a four-year term. Council members and the Mayor perform this community service as volunteers, without compensation. The Mayor and Council provide community leadership, develop policies to guide the City in delivering services and achieving community goals, and encourage citizen awareness and involvement.

The City Council appoints the City Manager to oversee the administrative operations of the City. The City Manager is responsible for implementing Council policies using the resources appropriated by the Council. City services are delivered by eight operating departments: City Manager's Office, Community Development, Finance, Fire, Library, Parks and Recreation, Police, and Public Works. All departments are headed by managers with the education, expertise and commitment to deliver quality services to Corvallis citizens.

The City Council appoints a City Attorney to advise the Council and City staff on legal affairs, to ensure that all laws are effectively enforced, to prosecute violations of City ordinances and State laws, and, when necessary, to defend the City in litigation.

The City Council appoints a Municipal Judge to preside over the Corvallis Municipal Court and ensure that cases involving municipal offenses are fairly decided on a timely basis in a manner consistent with community values.

STANDING COMMITTEES

The Mayor and City Council are advised by three standing Council committees. The committees include three Council members who review issues and topics and make recommendations to the City Council:

1. The Administrative Services Committee -- responsible for the City's financial policies, fiscal impact review, Capital Improvement Program fiscal review, risk management and litigation issues, personnel and labor relations;
2. The Human Services Committee -- responsible for social services, recreation, park and open space issues, law code enforcement, library service issues, and intergovernmental agreements;
3. The Urban Services Committee -- responsible for Planning Commission recommendations, utility issues, infrastructure issues, Airport development, structural code enforcement, fire department issues, and the Capital Improvement Program.

The Mayor and City Council are also advised and assisted in establishing City policy by over twenty advisory boards, commissions and committees. Nearly 200 citizens are appointed by the Mayor, with Council approval, to serve on the advisory boards and commissions to ensure responsiveness to community concerns and needs.

CORVALLIS BOARDS AND COMMISSIONS

Citizen participation on [City of Corvallis boards and commissions](#) serve two important purposes: citizens are directly involved in their local government and can have a positive impact on the future of their community; and, the City Council receives timely input and information regarding issues and potential impacts on citizens.

The various boards and commissions serve in an advisory capacity to the City Council within their respective areas of municipal policy. Members are unpaid volunteers who devote countless hours of their time to these community activities. Anyone living in Corvallis, employed or self-employed full time in Corvallis, or residing within Corvallis' Urban Growth Boundary may serve on these advisory boards and commissions. Typically, each term of office runs for three years; members are appointed by the Mayor and confirmed by the City Council; no individual member may serve more than three full consecutive terms or nine years.

- Airport Commission - Advises the City Council on policy matters concerning the management, care, and control of the airfield and industrial park property. (8 members and 1 non-voting Council representative)
- Arts and Culture Commission - Advises the Council on all matters pertaining to arts and culture, ensuring that arts and culture are a civic priority. (9 voting members)
- Bicycle and Pedestrian Advisory Commission - Advises the City Council on policy matters relating to bicycle and pedestrian use, operation, routing, and safety in the City limits. (6 members, 1 Associated Students of Oregon State University (ASOSU) representative, and 1 non-voting Council representative)
- Board of Appeals - Hear and decide appeals of orders, decisions or determinations made by the Building Official, Fire Chief or Community Development Director regarding the application and interpretation of the Building, Fire and Housing Codes. (6 members and 1 non-voting Council representative)
- Budget Commission - Advises the City Council concerning the budgetary policies of the City and has the power and duties established by State law. (9 City Council Members and 9 citizen members)
- Capital Improvement Program Commission - Advises the City Council on matters of infrastructure maintenance and enhancement through review of the annual Capital Improvement Program. (9 members and 1 non-voting Council representative)
- Citizens Advisory Commission on Civic Beautification and Urban Forestry - Advises City Council on matters related to the planting, maintenance, preservation and removal of community trees and landscape beautification. Commission oversees the Civic Beautification Reserve and promotes beautification projects which enhance the appearance of the community. (9 members, 1 non-voting Council representative and 1 non-voting Oregon State University representative)
- Citizens Advisory Commission on Transit - Advises the Council on policy matters relating to the operation, maintenance, and expansion of the Corvallis mass transit system and on other mass transit systems interfacing with the Corvallis Transit System. (7 members, 1 ASOSU representative, 1 OSU representative and 1 non-voting Council representative)
- Committee For Citizen Involvement - Informs citizens about how to participate in all phases of land use planning and decision making in accordance with Statewide Goal One. (9 members, 1 non-voting Council representative and 1 non-voting Planning Commission representative)
- Community Police Review Board - Provides the community with an objective, unbiased, citizen-based, accessible process for reviewing complaints against the Police Department and Police Officers. Established to provide the community with information regarding the accountability of its Police Department in a way that builds trust and enhances communication between the Police and all members of the community. (7 members and 1 non-voting Council representative)
- Corvallis-Benton County Public Library Board - Advises the City Council on all policy matters pertaining to the operation, expansion, and level of service provided by the Library. Membership reflects the fact that the County contracts with the City to provide services to Benton County. (5 County appointed members, 5 City appointed members, 1 non-voting County Commission representative and 1 non-voting Council representative)

- Downtown Commission - Provides public policy guidance and recommendation to the City Council in the following areas: Implementation of the community plans for the downtown area; Public infrastructure activities; Redevelopment efforts; Land use matters; Public parking policies and projects; Other community matters that may affect downtown (12 members and 1 non-voting Council representative)
- Downtown Commission Parking Committee – Advises the Downtown Commission and the City Council on matters concerning parking in the Downtown area. (4 members, 1 non-voting Council representative).
- Economic Development Commission - The Economic Development Commission shall advise the Council on all matters pertaining to economic development, ensuring that economic development is a civic priority. (9 members, 1 non-voting Council representative)
- Historic Resources Commission - Advises and assists the City Council in all policy matters pertaining to historic and cultural resource preservation. (9 members, 1 non-voting Council representative and 1 Planning Commission representative)
- Housing and Community Development Commission - Oversees the planning for, and delivery of, City housing and community development assistance that utilizes local resources and funding from the federal Community Development Block Grant program and HOME Investment Partnerships program. Formulates and recommends policy to the City Council on housing and community revitalization issues with an emphasis on the needs of low income residents. (9 members and 1 non-voting Council representative)
- Martin Luther King, Jr. Commission - Plans the annual memorial celebration held each January to commemorate Dr. Martin Luther King, Jr, as well as other special events and activities throughout the year to celebrate diversity in the community. Also serves as the Affirmative Action Advisory Committee. (7 members, 1 County representative and 1 non-voting Council representative)
- OSU Collaboration Project Steering Committee - A short-term body formed to address the Council Goal: Working with the OSU President and his staff, by December 2011, the Council will create a plan to seize opportunities on parking, code enforcement, infill design, rental code, traffic design and other important issues. (3 community members, 1 County representative, 10 OSU representatives, 3 non-voting Council representatives, 2 City of Corvallis representatives)
- Parks, Natural Areas and Recreation Board (PNARB) - Advises the City Council on policy matters pertaining to Corvallis parks resources and recreation activities. (9 members, 1 non-voting Council representative and 1 School District representative)
- Planning Commission - Serves as an advisory body to the City Council on land use planning matters and reviews development applications for compliance with City plans and ordinances. (9 members and 1 non-voting Council representative)
- Public Participation Task Force (PPTF) – Serves to engage citizens to develop diverse future leaders, enhance communication between citizens and the Council, help connect citizens to each other to strengthen community and neighborhoods, and utilize the expertise of citizen volunteers to solve community problems. (8 members, 2 non-voting Council representative, and 1 City of Corvallis representative).
- Public Arts Selection Commission (PASC) - Selects public art for the City of Corvallis consistent with Council policy. (7 members and 1 non-voting Council representative)
- Watershed Management Advisory Commission - Advises the City Council concerning policy matters related to the management of the Corvallis watershed on Mary's Peak. (7 members and 1 non-voting Council representative).

FINANCIAL POLICIES

Adopted: November 27, 1989

Expected to be Revised: April 7, 2014

CP 10.01 FINANCIAL POLICIES PURPOSE, MISSION, AND GOALS

10.01.010 PURPOSE

To underscore the responsibility of the City of Corvallis to its citizens for the long-term care of public funds and wise management of municipal finances while providing adequate funding for the services desired to achieve a sense of well-being and safety by the public and maintaining the community's public facilities and infrastructure to enhance the long-term livability and economic vitality of Corvallis.

10.01.020 MISSION

To provide policy direction from the City Council to the City of Corvallis organization about sustainable financial management to ensure the City continues to provide desired services to the community in perpetuity.

10.01.030 GOALS

To meet this mission, the goals for financial management include the following:

- A. To protect the policy making ability of the City Council by ensuring that important policy decisions are not controlled by financial problems or emergencies.
- B. To enhance the policy making ability of the City Council by providing accurate information on program costs.
- C. To assist sound management of the City by providing accurate and timely information to the City Council and public on the City's financial condition.
- D. To provide sound principles, reports and analyses to guide the important decisions of the City Council and of management which have significant fiscal impact.
- E. To set forth operational principles which minimize the cost of government and financial risk, and safeguard the City's assets.
- F. To employ revenue policies which prevent undue or unbalanced reliance on certain revenues, which distribute the costs of municipal services fairly, and which provide adequate funds to operate desired programs.
- G. To provide adequate resources to operate and maintain essential public facilities and the City's infrastructure.
- H. To protect and enhance the City's credit rating and prevent default on any debt issue of the City.
- I. To ensure the legal use of all City funds through a sound system of administrative policies and internal controls.

10.01.040 BACKGROUND

Municipal financial operations have a wide variety of oversight or standard setting agencies, including multiple departments within both State and Federal governments, the Securities and Exchange Commission, and the Governmental Accounting Standards Board. The City of Corvallis manages public funds within all of these oversight agency requirements. These financial management policies, designed to ensure the fiscal stability of the City of Corvallis municipal corporation, provide guidance in financial management when oversight agencies are otherwise silent or to reiterate best practices that may be

codified by another entity. The City Council's Financial Policies have been reviewed and updated each year since they were first adopted to ensure the policy direction is current.

10.01.050 ACHIEVING FINANCIAL POLICY GOALS

To achieve and maintain the goals outlined in these policies, the Finance Department will conduct an annual analysis of projected financial condition and key financial indicators. This budget capacity analysis shall be used to inform the next budget development process.

It is the focus of this analysis to:

- A. identify the areas where the city is already reasonably strong in terms of protecting its financial condition;
- B. identify existing or emerging problems in revenue sources, management practices, infrastructure conditions, and future funding needs;
- C. forecast expenditures and revenues for the next three to seven years, with consideration given to such external factors as state and federal actions, the municipal bond market, management options being explored and used by other local governments; and
- D. review internal management actions taken during the last budget cycle.

10.01.060 REVIEW AND UPDATE

The Financial Policies shall be reviewed by the Finance Director annually in November and updated as appropriate for City Council Adoption.

CP 10.02 FUND BALANCE POLICIES

10.02.010 PURPOSE

Fund balance is used to provide stable resources for times when service levels might otherwise be impacted by taxes or fees that temporarily underperform, or to cover one-time unexpected expenditures. Maintaining a positive ending fund balance is a best financial management practice, and is important to maintain the City's credit rating, and to meet state law requirements for no deficit spending.

10.02.020 BACKGROUND

Budgetary fund balance is a critical component of the City's financial management policies. Large ending fund balance targets may be viewed as reducing resources that could be used to provide direct services to citizens; small ending balances may be viewed as leaving the City open to too much risk from emergencies or temporary economic downturns and may result in downgrades to the City's credit rating that would increase the cost of borrowing. Residents' sense of well-being is enhanced when the City is able to provide a consistent level of service from year-to-year.

This policy is designed to provide guidance for maintaining an ending fund balance that is adequate to manage risk while maximizing the services provided to citizens.

The budgetary ending fund balance describes the net financial assets of governmental funds; in lay terms it represents the net revenues in excess of expenditures since the fund's inception. Actual fund balances for each fund shall be reported in the Comprehensive Annual Financial Report, issued as of June 30 of each fiscal year. Budgetary fund balances shall be reported in the annual budget, and shall be projected for each operating fund as part of the financial planning process to prepare the budget each year.

10.02.030 FUND BALANCE DEFINITIONS

The Governmental Accounting Standards Board (GASB) has defined fund balance categories for financial reporting to be classified as defined in the glossary attached to these Financial Policies.

The City of Corvallis will use the GASB's definitions of Fund Balance for the Comprehensive Annual Financial Report (CAFR) and for all other financial reporting. For all financial planning purposes, the term Budgetary Fund Balance will be used and will include any portion of the fund balance that is available for appropriation. The portion of the fund balance that is not available for appropriation will be identified as a Reserved Balance.

10.02.040 FUND BALANCE POLICY

A. General Fund – Budgetary Fund Balance for Financial Planning Purposes

- 1) The City Council has established the fund balance reserve target for the General Fund to total three months of payroll expenses.
- 2) The City Council shall appropriate 10% of the target fund balance amount each fiscal year as a contingency to be used for unanticipated expenditures such as costs associated with a response to a disaster, or to meet unanticipated increases in service delivery costs. Use of the contingency is expected to be infrequent. The City Council must authorize expenditure of any contingencies via a resolution.
- 3) The City Manager will review the City's financial status each year and develop a budget process that is designed to meet Oregon Local Budget Law requirements, taking into account the City's projected financial status for the budget year, including:
 - a) the current budgetary fund balance;
 - b) cash flow requirements within the fund to support expenditures, including up to three months of payroll costs;
 - c) future capital needs;
 - d) significant revenue and expenditure trends including the HNA;
 - e) susceptibility of the fund's operations to emergency or unanticipated expenditures;
 - f) credit worthiness and capacity to support debt service requirements and covenants;
 - g) legal or regulatory requirements affecting revenues, expenditures, and fund balances;
 - h) reliability of outside revenues; and
 - i) any other factors pertinent to the fund's operations.
- 4) Should the projected ending fund balance reserve for the budget year be lower than the City Council's target, the following strategy will be implemented:
 - a) For times when the fund balance reserve is lower than the target as the result of structural/systemic changes, the fund balance shall be re-built over a period of no more than:
 1. five years if the fund balance reserve is less than 50 percent of the target. The balance shall be re-built to achieve an ending fund balance of no less than 10 percent of the target in the first year; 25 percent in the second year; 45 percent in the third year; 70 percent in the fourth year; and 100 percent in the fifth year. This strategy is specifically designed to allow for consideration/development of a new revenue source prior to significant service reductions taking effect should the City Council wish to consider revenue alternatives.
 2. three years if the fund balance reserve is between 50 percent and 100 percent of the target. The balance shall be rebuilt to achieve an ending fund balance of no less than 60 percent at the end of the first year; 75 percent at the end of the second year, and 100% at the end of the third year.
 - b) For times when the fund balance reserve is lower than the target as the result of short-term poor experience (i.e., costs to respond to a natural disaster; use of contingencies for unanticipated expenditures), the City Manager shall recommend a strategy for re-building the fund balance reserve taking into account the following criteria:
 1. the cause of the poor experience;

2. the City's ability to control/change the causing factor;
 3. the impact to services to achieve an immediate re-build of fund balance;
 4. the likelihood the causing factor will end and revenues/expenditures will return to normal levels within one year; and
 5. the likely amount of time required to re-build the fund balance if no additional changes in services/revenues occurred and/or one-year is not a viable time frame for proposed solutions.
- 5) Should the projected ending fund balance be above the target, the City Manager will make a recommendation to the City Council whether to reserve those monies above the target for:
- a) one time capital expenditures or reserves for future capital expenditures which do not significantly increase ongoing City costs;
 - b) undesignated assigned or committed balances for future basic operations;
 - c) other one-time costs; and/or
 - d) ongoing or new City programs, provided such action is considered in the context of Council approved multi-year projections of revenue and expenditures.

B. Appropriate Budgetary Fund Balance – all other funds

- 1) Each operating fund shall have a positive budgetary ending fund balance for the budget year under discussion.
- 2) The Finance Director shall recommend the appropriate ending budgetary fund balance for each fund as part of the budget development process. The Finance Director shall take into account the following factors:
 - a) the current budgetary fund balance;
 - b) cash flow requirements within the fund to support expenditures, including up to three months of payroll costs;
 - c) future capital needs;
 - d) significant revenue and expenditure trends including the HNA;
 - e) relative rate stability from year to year for enterprise funds;
 - f) susceptibility of the fund's operations to emergency or unanticipated expenditures;
 - g) credit worthiness and capacity to support debt service requirements and covenants;
 - h) legal or regulatory requirements affecting revenues, expenditures, and fund balances;
 - i) reliability of outside revenues; and
 - j) any other factors pertinent to that fund's operations.
- 3) The minimum fund balance targets for any given non-property tax fund shall be no less than five percent of current revenue.

C. Ending Budgetary Fund Balance Below Recommended – All Other Funds

If the annual budget is recommended by the Budget Commission and accepted by the City Council to be adopted with a budgetary fund balance below either the minimum or the recommended ending budgetary fund balance in any fund, the budgetary ending fund balance for the then current fiscal year will be re-calculated as soon as the audit work for the prior fiscal year is complete. If at that point, the audited ending fund balance contributes to a budgetary fund balance which is lower than this policy would dictate, staff shall develop a plan for City Council consideration through the Administrative Services Committee that addresses the shortfall.

D. Ending Budgetary Fund Balance Above Recommended

In the event the ending budgetary fund balance is higher than either the minimum or recommended level, the difference may be used to fund the following activities:

- 1) one time capital expenditures or reserves for future capital expenditures which do not significantly increase ongoing City costs;

- 2) undesignated assigned or committed balances for future basic operations;
- 3) other one-time costs; and/or
- 4) ongoing or new City programs, provided such action is considered in the context of Council approved multi-year projections of revenue and expenditures.

CP 10.03 REVENUE POLICIES

10.03.010 PURPOSE

These policies provide direction in the management and oversight of existing revenue sources and for the development of new revenue sources.

10.03.020 BACKGROUND

A significant portion of the City's revenues come from taxes, charges for service and fees. Some of these revenue sources are governed by the Oregon Constitution/Statutes, federal law, or regulations promulgated by a state, federal, or other agency; others are assessed solely through the City's home rule authority. Revenues are critical to the City's financial operations as they provide the resources necessary to provide services at the level the community desires. However, the City Council also recognizes that the majority of the revenue received by the City comes from its own citizens and the ability to pay increasing amounts may make Corvallis less livable, especially for low income residents. Revenue decisions are complex and must take into account a variety of factors. The Revenue Policies are designed to provide guidance to staff and the City Council as new revenue sources or rate increases for existing revenues are considered.

10.03.030 GENERAL REVENUE POLICIES

- A. Revenue Diversity and Stability – The City will strive to maintain a diversified and stable revenue system to shelter the government from short run fluctuations in any one revenue source and ensure its ability to provide ongoing service. In particular, the City will seek alternatives to the property tax for general government services.
- B. Restricted Revenues -- Restricted revenue shall only be used for the purposes legally permissible and in a fiscally responsible manner. Programs and services funded by restricted revenue will be clearly designated and accounted for as such.
- C. Capital Improvement Funding -- Revenue for capital improvements shall be used to finance only those capital improvements identified in the funding plan (i.e., bond or grant funded projects) that are consistent with the capital improvement program and local government priorities, and where the operating and maintenance costs have been included in operating budget forecasts. Revenue restricted for specific purposes will be expended consistent with those restrictions.
- D. One-time Revenue -- One-time revenue includes fund balances and grants or other sources which has a specific time limit and/or reason for expenditure. One-time revenue will be used for one-time expenses whenever possible; in some cases one-time revenue may be used for costs the City would have incurred for a program or service, regardless of the receipt of the one-time revenue. If one-time revenue is considered for ongoing expenditures (such as adding staff) the Budget Commission or City Council will balance the need for the additional ongoing expenditures with the on-going ability to pay prior to approving the program.
- E. Unpredictable Revenue -- Unpredictable revenue, which includes development related revenue such as Systems Development Charges (SDC), Public Improvement by Private Contractor fees, Development Review, Plan Review and Inspection Permit revenue, will be closely monitored through the year. Capital projects to be constructed with SDC monies will not be initiated until SDC revenue is available or another financing alternative is developed.

- F. Revenue Monitoring -- Revenues will be monitored monthly for performance compared to both the annual budget and the anticipated timing of revenue receipts. Operations funded partially or wholly from unpredictable revenue will be monitored monthly and mitigating action will be taken if revenues are not received as expected.
- G. Collections -- The City shall manage its revenue collections through a policy that actively pursues collection of all revenues owed to the City.
- H. Charges for Services -- Fees and charges for service are assessed to specific users where the user pays all or a portion of the costs to provide the service. When assessed as a fee, the charge generally grants the payer permission or a license to do a specific activity (i.e., franchise fees authorize use of the public right-of-way; a liquor license fee authorizes the license holder to sell liquor). When assessed as a charge for service, the charge is for a specific service, directly used by the payer (i.e., the admission fee at the swimming pool is only assessed to the person going swimming).
 - 1) Fees and charges other than those identified elsewhere in City Council policy or via Corvallis Municipal Code will use the following criteria to determine the ratio of cost recovery:
 - a) Whether the person paying the fee can avoid it;
 - b) Whether the program supported by the fee is designed to benefit the entire community or only a small segment of the population;
 - c) Whether the fee is set high or low to incentivize something (i.e., change behavior);
 - d) Whether the fee should be earmarked for a specific use or should be treated as a general revenue available for operations;
 - e) Whether there are extenuating circumstances where the Council believes the fee should not cover all of the costs associated with the service; and
 - f) Whether the fee costs less to collect/administer than the revenue it brings in.
 - 2) Fees and charges are reviewed annually, and are updated via Council action when necessary. A revenue manual listing all such fees and charges of the City shall be maintained by the Finance Department and updated concurrent with the review.
 - 3) A fee shall be charged for any service that benefits limited interests within the community, except for basic, unavoidable human needs type services provided to persons with limited ability to pay.
 - 4) Historically, the City Council has provided very limited tax and fee exemptions; rather, the City Council has elected to use General Fund monies to pay the fees/charges for non-profit entities that request exemptions when the cause matches the City's goals.
- I. Systems Development Charges (SDC) – SDC rates are set via resolution and are designed to cover the costs of infrastructure necessary to provide services for future growth. The list of projects eligible for SDC funding shall be updated when facility plans are updated or amended, or when a project not listed in a facility plan is identified and will provide additional capacity to serve growth. The overall SDC program methodology and population service scenario shall be reviewed approximately every ten years.

10.03.040 PROPERTY TAXES

The City levies property taxes for operations and for general obligation debt service in compliance with the Oregon Constitution and Oregon Revised Statutes. The City has a permanent tax rate of \$5.1067 per \$1,000 of assessed value; the City may have a local option property tax levy for a limited period of time. Revenue for a local option levy will be accounted for according to the ballot language for the levy. Revenue from property taxes levied for general obligation debt service shall be for specific series of debt, levied and accounted for in accordance with state legal requirements. Revenue from the City's permanent tax rate shall be accounted for in the General Fund.

10.03.050 UTILITY FEES (WATER, WASTEWATER, STORM WATER)

- A. Utility Fee Basis -- Utility user charges for each of the three City utilities will be based on the total cost of providing the service (i.e., set to fully support the total direct, indirect, and capital costs) and are established so that the operating revenues of each utility are at least equal to its operating expenditures, reserves, debt coverage and annual debt service obligations, and planned replacement of the utility's facilities.
- B. Annual Rate Review -- Staff shall conduct an annual comprehensive rate review each fall for the Water, Wastewater and Storm Water funds for Council review. Rate increases will be targeted for implementation in February. Every effort shall be made to index/limit rate increases for the entire utility bill (water, wastewater, and storm water) to the rate of inflation (estimated at 2% to 3%) but not more than 7% in any one year unless federal or state mandate, judgment arising out of litigation, or Council approved policy needs dictate otherwise.
- C. Rate Adoption -- Utility rates will be adopted by ordinance and will be recorded in the Corvallis Municipal Code.
- D. Franchise Fees -- The City's Water, Wastewater, and Storm Water utilities will pay a franchise fee to the City's General Fund to compensate for the use of the public right-of-way. The franchise fee will be equal to 5% of the utility's gross operating revenue each year, net of interest, intergovernmental monies, miscellaneous water service fees, permit fees, SDCs, and turn-on service fees.

10.03.060 PARKS AND RECREATION DEPARTMENT FEES

- A. Cost Recovery -- Parks and Recreation services are funded through a combination of user fees, property taxes, grants, and donations. Fees and charges shall be assessed in an equitable manner in accordance with the following fee and charge assessment schedule. Through a special initiative, services that provide recreational opportunities for populations with the fewest recreational alternatives (youth, limited income, senior adults, and families) may be more heavily supported by grants, donations, or property taxes than user fees to ensure that the population is well served by Parks & Recreation programs. Percentages shall be considered as guidelines; however, special circumstances, the nature and cost of each program, and persons to be served should be taken into consideration.
- B. Fee Model -- the following lists represent all categories of services currently provided or those which may be provided in the future by the Parks & Recreation Department. The model is based upon the degree of benefit to the community (Tier 1 -- mostly a community benefit) or individual (Tier 5 -- mostly an individual benefit) of the service provided, the values of the Corvallis community, and the vision and mission of the Parks & Recreation Department. This model and policy form the basis for setting fees and charges.
 - 1) Revenue positive cost recovery (Tier 5 services are targeted to recover a minimum of 200 percent of direct costs):
 - a) concession/vending
 - b) merchandise for resale
 - c) private/semi-private lesson
 - d) rentals – private/commercial
 - e) long-term leases
 - f) equipment rentals
 - g) trips
 - h) organized parties
 - i) drop-in childcare/babysitting
 - j) leased services – private/commercial

- k) permitted services
 - 2) Totally fee supported with no tax investment (tier 4 services are targeted to recover a minimum of 100 percent of direct costs, and some of these services may be appropriate for use of alternative funding sources such as grants, donations, and use of volunteers):
 - a) classes and programs – intermediate/advanced
 - b) leased services – non-profit/governmental agency
 - c) preschool
 - d) social clubs
 - 3) Primarily fee supported with little or no tax investment (tier 3 services are targeted to recover a minimum of 90 percent of direct costs, and some of these services may be appropriate for use of alternative funding sources such as grants, donations, and use of volunteers):
 - a) health services, wellness clinics, and therapeutic recreation
 - b) classes and programs – beginning/multi-ability
 - c) tournaments and leagues
 - d) rentals – non-profit/governmental agency
 - e) specialized events/activities
 - f) camps/after school care
 - g) leased services – affiliates
 - h) work study/internship/community service program
 - 4) Partial tax investment with minimal to partial fee support (tier 2 services are targeted to recover a minimum of 45 percent of direct costs, and many of these services may be appropriate for use of alternative funding sources such as grants, donations and use of volunteers):
 - a) life/safety classes
 - b) rentals – affiliates
 - c) supervised park/facility
 - d) community-wide events
 - e) volunteer program
 - 5) Full tax investment with little or no fee support (tier 1 services are targeted to recover zero percent of direct costs, although some of these services may be appropriate for use of alternative funding sources such as grants, donations, and volunteers):
 - a) non-supervised park/facility
 - b) inclusionary services
 - c) support services
- C. Setting Fees -- The Parks & Recreation Department Director shall set fees for programs and services in compliance with the targets listed above. Fees shall be adjusted during the course of each year as needed to ensure the cost recovery targets are achieved. The following pricing strategies will be used by the Parks & Recreation Director in setting fees:
- 1) Market pricing: a fee based on demand for a service or facility or what the target market is willing to pay for a service. One consideration for establishing a market fee is determined by identifying all providers of identical service (i.e., private sector providers, municipalities), and setting the highest fee. Another consideration is setting the fee at the highest level the market will bear.
 - 2) Competitive pricing: a fee based on what similar service providers or close proximity competitors are charging for service. One consideration for establishing a competitive fee is determined by identifying all providers of an identical service (i.e., private sector providers, municipalities), and setting the mid-point or lowest fee.
 - 3) Cost recovery pricing: a fee based on cost recovery goals within market pricing ranges.

- D. Fee Review -- The Park and Recreation Department shall conduct an annual comprehensive review of cost recovery targets in compliance with these policy targets; this review will be forwarded to the Parks, Natural Areas and Recreation Board which will forward their comments to the City Council via the Human Services Committee.
- E. Use of Volunteers -- Through an aggressive volunteer recruitment program, the Parks and Recreation Department shall seek to minimize the amount required for full tax investment with little to no fee support (tier 1 services) and partial tax investment with minimal to partial fee support (tier 2 services).
- F. Alternate Funding Sources -- Solicitation of funds through donations, fund raising events, nontraditional sources, and various other modes shall be encouraged by the Parks, Natural Areas and Recreation Board and other advisory committees. Funds collected for any special purpose shall be earmarked for that purpose.

10.03.070 AMBULANCE FEES

- A. Policy -- It is the intent of the City to provide responsive, efficient and self funded emergency medical services as the Benton County designated service provider to the Benton County Ambulance Service Area, including all residents of the City.
- B. Rate Changes -- Staff shall review ambulance rates annually no later than February 28 to ensure the rates reflect changes in the direct costs of service. In reviewing rates, staff will consider the historic and projected costs of service, service demands, changes in fixed and variable costs, market rates, and changes in service requirements or mandates. The City shall notify Benton County of proposed fee increases or decreases at the beginning of the City's formal budget review process.
 - 1) Proposed rate changes will be submitted to the City Council via the Administrative Services Committee for review and recommendation to the full Council no later than April 1 of each year. If no rate change is recommended, staff will note the fact in a Council Report.
 - 2) The Council shall adopt rate adjustments by resolution. Following Council adoption, the new rates will go into effect by July 1 of each fiscal year.
 - 3) Notification will be issued to the public 30 days prior to the July 1 deadline. Customers will be notified of rate changes via advertisements in the local newspaper.
- C. Special Rate Reviews -- If, at any time during the fiscal year, estimated costs of service exceed available revenue, the City Manager may conduct a special rate review. In conducting such reviews the City Manager would follow the above procedures. In this instance, rate adjustments could take place at any time within the fiscal year, with 30 days' public notice.

10.03.110 GRANTS

- A. Grant Opportunities -- The City shall aggressively pursue grant opportunities; however, before accepting grants, the City will consider the current and future implications of accepting the monies.
- B. Federal Funds -- Federal funds shall be actively sought by the City. The City will use these funds to further the applicable national program goal. Because federal funds are not a guaranteed revenue source and are intended for a specific purpose, they will not be relied upon as an alternative source of capital improvement funds unless the federal grant is specifically for capital projects. Use of federal funds shall support City goals and services.
- C. Grant Review -- In reviewing grants the department director and Finance Director shall evaluate each grant offer and make their recommendation to the City Manager after considering:
 - 1) the amount of the matching funds required;
 - 2) in kind services that are to be provided;

- 3) length of grant and consequential disposition of service (i.e., is the City obliged to continue the service after the grant has ended?); and,
 - 4) the related expenditures including administration, record keeping, and auditing expenditures.
- D. Single Audit -- The annual audit by the City's independent auditors will include all required audit procedures for grant compliance as specified in the federal government's Office of Management and Budget OMB Circular A-133.

10.03.120 GIFTS, DONATIONS AND BEQUESTS

- A. Use of Gifts, Donations & Bequests -- Gifts, donations and/or bequests given to, and accepted by, the City for the use of any of its departments or divisions shall be used solely for the purpose intended by the donor. Unrestricted gifts will be expended on the recommendation of the related advisory board.
- B. Evaluation -- Gifts, donations, and bequests will be evaluated to determine what, if any, obligations are to be placed upon the City. Gifts, donations, and bequests will be considered as "over and above" basic City appropriations unless the gift, donation or bequest is for an already planned and budgeted service or program.

CP 10.04 EXPENDITURE POLICIES

10.04.010 PURPOSE

To provide direction for developing the annual budget, monitoring the City's financial status throughout the year, and ensuring that the City's monies are expended to provide services to citizens.

10.04.020 BACKGROUND

The City expends a significant amount of money each year to provide services that are important to citizen's sense of well being and safety and to improve the livability of the community. The largest portion of expenditures is for the operating costs of the organization. These costs include all of the salaries/wages and related benefits for City staff, along with materials, services and capital outlays necessary to perform the basic functions of the City. Additional costs associated with capital projects (infrastructure investments) and debt service are part of the annual budget, based on specific plans for both.

10.04.030 OPERATING BUDGET PAY AS YOU GO

- A. Pay-As-You-Go -- The City shall attempt to conduct its operations from existing or foreseeable revenue sources. Achieving pay as you go requires the following practices:
 - 1) current direct and indirect costs for operations and maintenance will be controlled and will be funded with current revenues, and
 - 2) revenue and expenditure forecasts will be prepared annually for all operating funds prior to budget discussions.
- B. Cost Allocation Plan -- The Finance Director shall prepare a full cost allocation plan triennially to provide accurate, complete estimates of indirect service costs. The plan will be updated annually during budget development.
- C. Mandated Costs -- Costs attributable to mandates of other government agencies shall be included in the annual budget.

10.04.040 BUDGET BALANCE

The City Manager will prepare a budget for each fund each year where resources on a modified accrual basis either equal or exceed all expenditures in compliance with Oregon Administrative Rule 150-294.352(1)-(B)

- A. Resources available include all revenue anticipated in the budget year, including taxes, fees, charges for service, fines, intergovernmental payments, miscellaneous revenue, transfers, other financing sources, expendable reserves, and beginning fund balances.
- B. Expenditures include all planned expenditures for operations, inter-fund transfers, capital budget, debt service, and contingencies.

10.04.050 BUDGET PERFORMANCE REPORTING

- A. Quarterly Reports -- The Finance Director shall submit a Quarterly Operating Report (QOR) to the Budget Commission within 45 days of the close of the fiscal quarter. The QOR will be published on the City's web site for public review. The QOR will be reviewed by the Administrative Services Committee and be accepted by the City Council. At a minimum, the QOR will include income statements developed on the modified accrual (budgetary) basis for all operating funds of the City, and may include other information such as the status of the City Council's Values and Goals and departmental performance information.
- B. Performance Indicators -- Where practical, the City shall develop and employ performance indicators that are tied to Council values and goals, as well as management objectives, to be included in the budget. Status of the measures will be reported in each QOR.

10.04.060 MAINTENANCE, REPAIR & REPLACEMENT

- A. Master Plans -- The City shall maintain master plans for all major infrastructure systems. Master plans provide direction about system needs (such as pipe size and reservoir locations) for predicted population build out of the community. Infrastructure master plans are required for Parks, Transportation, Water Plant, Water Distribution system, Wastewater Plant, Wastewater Collection system, Storm Water system, and the Airport. The master plans shall be adopted by the City Council as amendments to the City's Comprehensive Plan.
- B. Master Plan Projects -- Projects identified via an infrastructure master plan will be scheduled based on the priority of the project as identified in the master plan and will be budgeted in the Capital Improvement Program (CIP) when resources are available to implement the project and the project will result in the acquisition of a new or addition to an existing a capital asset; master plan projects that do not result in capital assets shall be included in the operating budget.
- C. Annual Inventory -- The City will conduct an inventory of all capital assets in conjunction with the annual audit. During the inventory, any excess wear and tear will be noted by staff and used to update replacement plans during the following budget preparation cycle.
- D. Equipment Replacement Plans -- Assets which are not part of a major infrastructure system or buildings and land, including vehicles, computers, and specialized equipment required for normal work (i.e., defibrillators, bullet proof vests), will be tracked by each department with replacement plans made for at least the financial planning period. These schedules will be updated annually in conjunction with the budget process.
- E. Stable Spending plans -- Every effort will be made to develop an equipment replacement schedule that results in a stable annual spending level. If spending levels cannot be stable and would result in a significant dollar amount variance year-over-year, staff will set aside in reserves an amount each year adequate to fully fund the project in the future. If monies are not set aside in reserves due to financial shortfalls:

- 1) reserves will be re-built within three fiscal years to the level required to meet future replacement plans; or
 - 2) staff will develop a plan to borrow monies for critical equipment replacement.
- F. Equipment Replacement Budgeting -- Equipment to be replaced will be budgeted considering:
- 1) Age of the asset and its manufacturer's recommended useful life;
 - 2) Wear and tear on the asset;
 - 3) Environmental conditions which may shorten or lengthen the useful life of the asset;
 - 4) The cost/benefit to complete routine maintenance and delay replacement;
 - 5) Availability of service and/or parts; and
 - 6) The cost/benefit of early replacement with more efficient and/or less expensive technology.
- G. Facility Maintenance -- The facility maintenance schedule for major maintenance or replacement projects for all City-owned buildings will be updated annually. The primary goal of the plan is to complete maintenance projects prior to system failures that would cause a decrease in service levels to citizens. Criteria for including projects are the same as those identified in 10.04.060.F.
- H. Maintenance Costs from the CIP -- Projects included in the proposed CIP will identify the anticipated operating costs or savings associated with the project. Estimated operating costs from CIP projects will be included in all years of the financial plan for the appropriate fund prior to approval of the CIP by the CIP Commission, Budget Commission or City Council.

10.04.070 PERSONNEL SERVICES

- A. Compensation -- The City Council has a separate policy on compensation that provides policy direction and guidelines for labor negotiations and for the City Manager as it relates to compensation for exempt employees.
- B. Compensation Budget -- total projected compensation shall be budgeted in compliance with approved bargaining unit agreements. Compensation for exempt employees shall be budgeted in compliance with the City Manager's recommendation for these positions.
- C. Changes in Full Time Equivalents (FTE) --Changes in the FTE shall be identified in the summary financial data in the Budget each year. This summary will include data by department, and a list of positions added, deleted, or approved but unbudgeted for the year.
- D. Vacant Positions -- The City shall not carry vacant budgeted positions for more than one fiscal year without the Department Director identifying a strategy for the position.

10.04.080 TRANSFERS

- A. General Fund Transfers -- To the maximum extent feasible and appropriate, General Fund transfers to other funds shall be defined as payments intended for the support of specific programs or services. Amounts not needed to support such specific program or service expenditures shall be transferred back to the General Fund, unless Council directs the transfer to be used for other purposes.
- B. Transfer Reconciliation & Cash Flow -- Transfers for specific programs or projects, or to support special operations, should occur on the basis of cash flow needs of the program or service being supported. A reconciliation of actual transfers against budgeted transfers will be included in the year-end audit process.
- C. Advances -- Where it is necessary to make a one-time advance of General Fund monies to another fund, this action shall occur under the following conditions:
 - 1) The advance is reviewed, prior to the transfer of funds, by the Administrative Service Committee.

- 2) All excess cash balances in the fund receiving the advance shall be invested for the benefit of the General Fund, if allowed by federal and state law and regulations, as long as the advance is outstanding.
- 3) Should the borrowing fund accumulate an unexpected unrestricted balance, this excess shall be used first to repay the advance.
- 4) At the time of closing out the fund, assets net of liabilities of the fund equaling the unpaid portion of the advance revert to the General Fund, if allowed by federal, state or local law.
- 5) For short term cash deficits in funds other than the General Fund during the course of the year, short term loans are preferred to advances, except in cases where the receiving fund is legally precluded from paying interest on loans, or where loan transactions would be too numerous and costly to be cost effective.

10.04.090 CONTINGENCY – NON-GENERAL FUND

- A. Contingency Amount -- To meet emergency conditions, the budget shall provide for an appropriated contingency in each fund other than the General Fund of at least 2% of estimated annual operating revenues. All governmental and enterprise funds shall maintain a contingency. The contingency shall be exclusive of all reserves.
- B. Contingency Use -- Use of the contingency should be infrequent and for unanticipated expenditures such as costs associated with a response to a disaster, or to meet unanticipated increases in service delivery costs. The City Council must authorize expenditure of any contingencies via a resolution.
- C. Contingency in Excess of 2% -- The Finance Director may recommend a contingency in excess of 2% of current revenue in specific funds to address specific needs. When this occurs, the Finance Director will provide the Budget Commission and City Council with information regarding the reasons for the recommendation.
- D. Contingency Below 2% -- Where correction of a fund balance deficit causes the contingency to be budgeted below 2% of operating revenue, a gradual correction of the problem over several years is preferable to a one time jump in rates, or substantial decreases in other expenditure plans.

CP 10.05 CAPITAL IMPROVEMENT PROGRAM (CIP)

10.05.010 PURPOSE

To maintain the City's investment in infrastructure, this policy provides direction for the development and implementation of the annual CIP.

10.05.020 BACKGROUND

The City has a significant investment in the infrastructure necessary for the general public's use. The infrastructure systems – streets, bikeways and sidewalks, water treatment plants and distribution system, wastewater treatment plants and collection system, storm water conveyance system, airport, parks, recreation facilities, open spaces, and municipal facilities – are important to the general well-being of the community. The City maintains and enhances the infrastructure systems by developing long-term plans and securing the funding necessary to implement the plans. The Capital Improvement Program is developed to advise the community of the plans for maintaining the public investment, and to ensure the resources are available to invest when the community requires them.

10.05.030 CAPITAL IMPROVEMENT PROGRAM

- A. Definition of a Capital Project -- A capital project must:
 - 1) cost more than \$25,000, and
 - 2) be a permanent addition to the capital assets of the City, and

- 3) purchase land, or
 - 4) construct a new building, or
 - 5) remodel or add to an existing building, or
 - 6) construct/install public infrastructure, or
 - 7) replace existing infrastructure.
- B. Full Costs Included -- For any project which meets the definition of a capital project, all costs for the project, including design, land or right-of-way acquisition, appraisals, construction, construction management, furnishings, and legal or administrative costs will be included in the project budget.
 - C. Five-year CIP -- A five-year Capital Improvement Program (CIP) shall be developed and presented annually by staff to the CIP Commission, reviewed by the Planning Commission for compliance with the comprehensive plan, reviewed by the Budget Commission for compliance with long-term financial plans, and approved by the City Council. This plan shall contain all capital improvements from all funds and departments of the City. The first year of the plan shall constitute the next year's capital budget.
 - D. Existing Assets -- A high priority shall be placed on repair or replacement of capital assets when such assets have deteriorated to the point of becoming hazardous, incur high maintenance costs, are negatively affecting property values, and/or are no longer functionally serving their intended purposes.
 - E. Construction Standards -- Capital improvements constructed in the City shall be designed and built based on published construction standards which shall be periodically updated by the City Engineer. The construction standards will assure projects are built with an acceptable useful life and minimum maintenance costs.

10.05.040 CAPITAL IMPROVEMENT MAINTENANCE

- A. Maintenance Standards -- Standards of maintenance to adequately protect the City's capital investments shall be developed and periodically updated. The annual budget will be prepared to meet established maintenance schedules.
- B. Operating Budget Impacts -- Future operating budget impacts for new capital facilities will be analyzed and estimates included in all years of the financial plans as part of considering a proposed capital project.

10.05.050 CAPITAL IMPROVEMENT FINANCING

- A. Appropriate Funding -- Within the limitation of existing law, various funding sources may be used for capital improvements. When capital projects are proposed, appropriate funding will be identified.
- B. Unspent Funds -- Upon completion of capital projects, the Finance Director shall certify any unspent funds from the project. The most restrictive project revenues shall be used first so that unused funds will have the fewest restrictions on future use. Unspent capital project funds, except bond funds, shall be returned to their original source. If there are unspent funds from a bond issue, those monies will be allocated according to stipulations in the bond indenture. In no case shall projects incur a funding deficit without the express approval of the City Council.
- C. Interest Earnings in the Capital Construction Fund (governmental fund) -- Interest earnings shall be allocated to each project based on the project's proportion of the cash balance in the fund. Projects which have a negative cash balance due to timing of reimbursements of grants or loans will not accrue interest revenue or an interest expense.

- 1) Interest earnings which are restricted due to the funding source (i.e., grant, bond issue) shall be spent in compliance with those restrictions.
 - 2) Interest earnings not otherwise limited will be considered the most restricted City funds in the project and will be spent first in compliance with Financial Policy 10.05.050.B.
- D. Interest Earnings in the Proprietary Fund Construction Components -- Interest earnings which are restricted due to the funding source (i.e., grant, bond issue) shall be spent in compliance with those restrictions. All non-restricted interest earnings will be accrued to the operating fund and will be available to spend on either operations or future capital projects.

CP 10.06 DEBT

10.06.010 PURPOSE

To proactively manage the City's existing and future debt issues in compliance with state and federal laws to maintain the City's capacity for future debt issues that may be required for infrastructure investment.

10.06.020 BACKGROUND

The City of Corvallis operates on a pay-as-you go basis for most capital investment, matching resources with appropriate uses. Systems Development Charge revenue is used to fund capital investments that are required to increase the capacity of the City's infrastructure. Operating monies are used to pay for maintenance of existing infrastructure, and as leverage for grant monies to fund projects that may otherwise be unattainable. If necessary for some projects, reserves are built over time, or grants are sought to fund some capital investments. From time-to-time the City plans for a capital improvement project or a significant long-term operating expenditure (such as pension obligations) which is too expensive to finance with cash reserves or which needs to be completed before reserves can be developed. When this occurs, the City borrows monies. The City is conservative in its borrowing practices, and strives to maintain low debt-per-capita ratios when compared to similar sized cities.

10.06.030 USE OF DEBT FINANCING

- A. Long-term Debt -- The City of Corvallis shall only use long-term debt for capital projects that cannot be financed out of current revenues within the Revenue Policy guidelines for rate increases. Debt financing shall generally be limited to one time capital improvement projects or to leverage a future significant cost the City must bear (such as pension obligations) and only under the following circumstances:
- 1) when the project's useful life is greater than or equal to the term of the financing;
 - 2) when project revenue or specific resources will be sufficient to service the debt; and,
 - 3) when analysis demonstrates that the debt will smooth or reduce costs over multiple years or the project is expected to benefit the citizens of Corvallis.
- B. Use of Debt Financing -- Debt financing shall not be considered appropriate for:
- 1) Current operating and maintenance expenses (except for issuing short term instruments such as revenue anticipation notes or tax anticipation notes or interfund loans as per State law limitations); and
 - 2) Any recurring purpose (except as indicated above).
- C. Tax/Revenue/Bond Anticipation Notes -- Tax and revenue anticipation debt will be retired within the fiscal year issued, and bond anticipation notes will be retired no later than six months after the completion of the project.

- D. Short-term Debt -- Debt issued with a final maturity of one year or less from the time of issuance, which is outstanding at the end of the year, will not exceed 5% of net operating revenues (including tax anticipation notes but excluding bond anticipation notes.)

10.06.040 LIMITS ON DEBT ISSUANCE

- A. Vote to Issue General Obligation Debt -- General obligation bonds require an affirmative vote prior to issuance. Constitutional limitations require a simple majority of votes for elections in May or November; for all other elections, a simple majority of registered voters must vote in the election, and of those voting a simple majority must vote affirmatively.
- B. Statutory General Obligation Bond Debt Limits -- Oregon Revised Statutes chapters 287 and 288 limit the outstanding general obligation principal indebtedness of the City other than bonds issued for water, sanitary or storm sewers to 3% of the true cash value of the taxable property within the City.
- C. Council Imposed Debt Limits -- The annual general obligation debt service for long-term issues (greater than five years), where the debt service is paid from property tax sources, shall not exceed 15% of the combined operating and capital budgets in the Governmental funds.
- D. Limited Tax General Obligation Bonds -- The outstanding principal debt for Limited Tax General Obligation Bonds (LTGO), non-self-supporting leases, and full faith and credit lease purchases, is limited to 1% of the true cash value of the taxable property in the City. Furthermore, annual debt payments for General Fund supported LTGO debt shall not exceed 5% of the combined operating and capital budgets in the Governmental Funds.
- E. Revenue Bonds -- Revenue secured debt obligations will be undertaken only after a study of the projected operating, maintenance, debt service and coverage requirements and the impact of these requirements on user rates have been completed. The outcome of the study will be shared with the City Council prior to issuing the debt.

10.06.050 DEBT ISSUANCE

- A. Timing of Debt Issuance -- The timing for each debt issue in association with the construction schedule will be carefully considered, using the following criteria:
 - 1) Projected cash flow requirements for the capital project;
 - 2) Cash reserves on hand to temporarily fund preliminary project expenses;
 - 3) Spend down schedules identified by the IRS to meet arbitrage limitations; and
 - 4) Market conditions.
- B. Competitive Sale -- All bonds will be sold at competitive sale unless it is in the City's best interest to sell at a negotiated sale. The City reserves the right to reject any and all bids at a competitive sale and sell the bonds at a negotiated sale if it is in the best interest of the City of Corvallis to do so.
- C. Refunding Bonds -- Refunding or advanced refunding bonds may be authorized by the City Council providing the issuance complies with the rules adopted by the State Treasurer and outlined in Oregon Revised Statutes.
- D. Annual Debt Payment Limits -- To maintain the City's credit rating and expenditure flexibility, the annual debt service payments the City must make on net direct long term general obligation debt shall not exceed 10% of operating revenue. To achieve this goal, on a per issue basis, the City will structure its debt to pay no less than 33% of the principal on bonds sold during the first half of the repayment term.

- E. Overlapping Debt -- City staff shall endeavor to notify the City Council of the debt issuance plans of the City's overlapping taxing jurisdictions and the possible impact such debt plans may have on the City's debt capacity.
- F. Investment of Bond Proceeds -- Receipt of bond proceeds will be timed to occur in conjunction with construction. However, it is acknowledged that in most cases bond proceeds will not be fully expended as soon as they are received. The City shall invest the proceeds from debt issuance in the legally authorized investment instruments for local governments in Oregon to maximize interest earnings available for the capital project. Prior to choosing an investment instrument, staff will take into consideration projected cash flow of the project and the likelihood that Internal Revenue Service (IRS) spend down targets will be met or exceeded. The investment instrument(s) shall be chosen to maximize interest earnings and minimize any arbitrage penalties which may accrue within the established IRS regulations.

10.06.060 LEASING

Lease purchase financing shall be considered only when the useful life of the item is equal to or greater than the length of the lease, and a lease purchase is the most economical method of purchasing available. If the item may become technologically obsolete or is likely to require major repair during the lease purchase period, then the item should be either purchased with cash or placed on an operating lease.

10.06.070 RATING AGENCY RELATIONSHIP

- A. Reporting -- The City shall maintain good communication with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.
- B. Compliance with SEC Rules -- The City will comply with all aspects of the Securities and Exchange Commission rule 15c2-12 pertaining to secondary market disclosure.

10.06.080 DEBT MANAGEMENT PLAN

- A. Debt Management Plan -- A Debt Management Plan shall be developed and updated prior to the issuance of any additional debt. The Debt Management Plan shall encompass all debt of the City which draws on the same financial resources, including, but not limited to:
 - 1) detail of the sources of funding for all debt;
 - 2) current and future debt capacity analysis;
 - 3) issues to be addressed for sound debt management;
 - 4) a contingency debt plan should any of the funding sources become unavailable in the foreseeable future; and
 - 5) reporting as to the City's compliance with its debt policies.
- B. Review -- The Administrative Services Committee shall review the Debt Management Plan prior to the issuance of new debt and any recommendations made therein.

CP 10.07 RISK MANAGEMENT

10.07.010 PURPOSE

These policies set forth the over-arching guidance for the City's risk management program which is designed to minimize risk of incidents where damage could occur to citizens, employees, or the City's infrastructure or assets. Managing risk is critical to protect the community's assets and the organization's financial position.

10.07.020 BACKGROUND

The City of Corvallis' basic operations have certain risks associated with them, which could have a significant financial impact if the risks were not managed. Risk Management policies are designed to identify and assess the risks, change factors that can be controlled to reduce risks, ensure that risk is transferred to others when appropriate, and provide insurance to mitigate against losses. The Risk Management program is comprehensive and addresses risks to City employees through appropriate training, and risks to staff and the general public through proactive maintenance and insurance coverage as well as holding adequate reserves for uninsured losses and programs designed to reduce factors associated with claims.

10.07.030 RISK MANAGEMENT REPORT

- A. Annual Report -- The City Manager shall annually prepare a Comprehensive Risk Management Report, including but not limited to:
- 1) a summary of the past year's risk management claims,
 - 2) an identification of current and potential liability risks or activities potentially impacting the City's finances,
 - 3) specific strategies to address the risks identified, and
 - 4) a summary of the past year's safety and violence in the workplace activities/trainings.

10.07.040 RISK MANAGEMENT PROGRAM

- A. Program -- The City shall implement and maintain a Risk Management program designed to decrease exposure to risk. At a minimum, the program shall include:
- 1) a safety program that emphasizes reducing risks through training and safe work habits,
 - 2) an annual examination of the City's insurance program to evaluate how much risk the City should assume, and
 - 3) other risk management activities, including review of all City contracts with respect to indemnification and insurance provisions.

10.07.050 RISK MANAGEMENT FUND

- A. Purpose -- The Risk Management Fund shall be used to provide for insurance coverage, uninsured losses in excess of deductible amounts, safety program expenses, and prudent reserves, contingencies and fund balances.
- B. Catastrophic Reserves -- The targeted balance for unappropriated catastrophic reserves shall be \$500,000 each year. Appropriated catastrophic reserves which are drawn down will be rebuilt the following fiscal year. Unappropriated catastrophic reserves which are drawn down below the recommended target will be re-built at the rate of a minimum of 33% of the deficit balance per year over three years, or sooner if practical.
- C. Unreserved Fund Balance Target -- The unreserved fund balance target for the Risk Management Fund shall be \$40,000. Should the ending fund balance drop below \$40,000 in any fiscal year, it will be re-built the following year. Ending unreserved balances in excess of \$40,000 will be used as a dividend to departments if the catastrophic reserves are fully funded or can be used as funding for additional expenditures in the safety program as directed by the City Manager and appropriated within the following budget year. If the excess is used as a dividend to departments, the funds will be returned to departments based on the prior year's experience.

CP 10.08 INVESTMENTS

10.08.010 PURPOSE

To minimize risk associated with investing the City's monies and ensure the availability of cash to meet expenditures, while maximizing earnings opportunities and minimizing idle funds. These policies provide direction for managing the City's investments.

10.08.020 BACKGROUND

The City holds cash balances as part of its operations. The City invests balances in excess of daily needs in a variety of investment instruments as authorized by Oregon Revised Statutes on local government investments. Investing monies has inherent risks; these risks are managed through the application of appropriate risk assessments and diversification, and following prudent rules for investing governmental funds. These policies establish and provide guidelines for the safe and efficient management of City funds, and the purchase and sale of investment instruments.

10.08.030 SCOPE

These investment policies apply to all cash-related assets within the scope of the City's audited financial statements and held directly by the City. Funds held and invested by trustees or fiscal agents are excluded from these policies; however, such funds are subject to regulations established by the State of Oregon for public funds.

10.08.040 OBJECTIVES

The City's investment objectives are listed below, and can be summarized as primarily concerned with safety, legality and liquidity, with a secondary objective of return:

- A. Safety: Preserve capital and protect investment principal, by implementing diversification and risk management practices;
- B. Legality: Conform with federal, state and other legal requirements,
- C. Liquidity: Maintain sufficient liquidity to meet operating needs by managing cash flow requirements.
- D. Return: Attain a market rate of return throughout budgetary and economic cycles by implementing an investment strategy.

10.08.050 RESPONSIBILITY

- A. Governing Body - The City Council has a fiduciary responsibility for invested City funds. The City Council's standing Administrative Services Committee (ASC) shall serve as the oversight body. Formal review of this investment policy and investment activity shall be conducted at ASC meetings at least quarterly. On an *ad hoc* basis, a citizen of the City of proven integrity and business ability may be invited to attend ASC meetings to provide additional, local, unbiased expertise. The City Council, via ASC, will receive reports with sufficient detail to comply with ORS Chapter 294 requirements.
- B. Delegation of Authority - The authority for investing City funds is vested with the City Manager, who, in turn, may designate the Finance Director as Treasurer to manage the day-to-day operations of the City's investment portfolio, place purchase and sell orders with dealers and financial institutions, and prepare reports as required. The Finance Director may choose to use the services of a professional investment advisor if he/she believes that is most beneficial to the organization.

- C. Investment Adviser -- The City may enter into contracts with third-party investment advisory firms when such services are deemed to be beneficial to the City. The advisor must comply with this Investment Policy and the City Manager's Investment Administrative Procedures for implementing this policy, and may have authority to transact investments on behalf of the City. The advisor may only act on a non-discretionary basis. Therefore, the advisor must present investment recommendations and receive approval to execute the recommendation from the Finance Director, or designee, prior to making buys or sells on behalf of the City. The following items are required minimum criteria for the approved Investment Advisors:
- 1) The Investment Advisor firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon;
 - 2) All Investment Advisor firm representatives conducting investment transactions on behalf of the City must be registered representatives with Financial Industry Regulatory Authority (FINRA);
 - 3) All Investment Advisor firm representatives conducting investment transactions on behalf of the City must be licensed to do business/trades in the state of Oregon;
 - 4) An engaged Investment Advisor must provide notification within 30 days of any formal investigation or disciplinary action initiated by Federal or State regulators.
 - 5) Investment Advisor services will be sought through the City's normal competitive procurement process.
- D. Governing Authority -- Funds of the City will be deposited and invested in accordance with statutes, ordinances, and policies governing the City of Corvallis and will be in compliance with the provisions of Oregon Revised Statutes (ORS) 294, and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of any tax-exempt borrowing proceeds and of any debt service funds will comply with the relevant provisions of the Internal Revenue Code of 1986, as amended.

10.08.060 STANDARDS OF CARE

Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. Investment decisions shall be made within the objectives outlined in this investment administrative procedure.

The standard of prudence to be used by investment officials shall be the "prudent person," as described above, and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's performance, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

10.08.70 ADMINISTRATION AND OPERATIONS

A. Safekeeping and Collateralization

Safekeeping Custodial Bank: Investment securities purchased by the City will be delivered by book entry and held in a segregated account for the City's benefit by one financial institution designated as custodian. The purchase and sale of all securities will be on a delivery-versus-payment basis.

Collateralization of Re-purchase Agreements: Re-purchase agreement collateral is limited in maturity to three years by ORS and should be priced according to the adopted policy of the Oregon Investment Council:

United States Treasury Securities	102%
United States Agency Discount and Coupon Securities	102%

The City further limits the allowable collateral to only US Treasury securities and US Agency securities. Mortgage Backed and other securities are not allowed.

All re-purchase agreements require a master re-purchase contract with the approved broker dealers.

Collateralization of Certificates of Deposits and Bank Deposits: At a minimum, time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the state collateral pool for any excess over the amount insured by an agency of the United States government in accordance with ORS 295. All depositories must be on the State of Oregon's qualified list. Additional collateral may be required if staff deems increased collateral is beneficial to the protection of the monies under the City's management. The City will report annually to the Oregon State Treasury the financial institutions that are transacting business with the City as required by ORS.

B. Internal Controls

The Finance Director shall maintain a system of written internal controls, which shall be reviewed by the independent auditor, who shall provide an annual review to assure compliance with ORS and the City's policies and procedures. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions. The internal controls will be updated at a minimum biennially or as necessitated by system changes.

10.08.090 QUALIFIED INSTITUTIONS

The City shall maintain a listing of authorized broker/dealers and financial institutions which are approved for investment purposes. The list will be shared with the ASC when changes are made. Approval of Qualified Institutions can occur in one of the following three circumstances:

- A. Investment Advisor Approved List -- If the City has an Investment Advisor, the Advisor shall provide a list of brokers/dealers which the Advisor has vetted for meeting ORS standards for local government investments.
- B. City-Approved Broker/Dealer List -- If the City does not have an Investment Advisor, the Finance Director may create and maintain a broker/dealer list using the following criteria:
 - 1) Broker/dealers must have a branch located in Oregon.
 - 2) The broker/dealer must routinely provide services to public entities in Oregon and be knowledgeable of Oregon governmental investments statutes and the City Council's Investment Policy as well as the City Manager's Investment Administrative Procedures.
 - 3) Brokers/dealers must complete the Broker/Dealers Questionnaire and Certification.
 - 4) Broker/dealers must be approved by the City of Corvallis Administrative Services Committee at the next quarterly meeting before conducting investment business with the City.
 - 5) An updated Broker/Dealer Questionnaire will be mailed to each firm annually and should be completed and returned with audited annual financials. Failure to complete the updated questionnaire in a timely manner will lead to removal from the approved list.

- 6) Any broker/dealer that is on the City's authorized list may be removed from said list if the City has not purchased from that broker/dealer during a period of three years.
 - 7) Any broker/dealer may be removed from the approved list at any time by the Finance Director based upon news or knowledge of inappropriate behavior by said dealer, or for any other reason with which a quorum of Council members concur.
- C. Financial Institution -- The State of Oregon Treasurer's Office maintains a list of all financial institutions for deposits and certificates of deposits, which are approved for local government investment purposes. Any financial institution on the Treasurer's list shall be acceptable for City investment purposes.

10.08.100 AUTHORIZED AND SUITABLE INVESTMENTS

A. Legal Investments

- 1) All investments of the City shall be made in accordance with Oregon Revised Statutes Chapter 294. Any revisions or extensions of this chapter of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted, and will be formally incorporated at the next annual update of this policy.

B. Suitable Investments (Specific Types)

Type	Definition
U. S. Treasury Obligation	Direct Obligations of the United States Treasury whose payment is guaranteed by the United States. (ORS 294.035(3)(a))
Government Sponsored Enterprise or US Agency Obligations	US Government Agencies, Government Sponsored Enterprises (GSE's) Corporations or Instrumentalities of the US Government – Federal Instrumentality Securities include, but are not limited, to Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), and the Federal Farm Credit Banks (FFCB). (ORS 294.035(3)(a))
Commercial Paper	Commercial Paper that is rated A1/P1 and has long-term bonds which have a minimum rating of AA- by Standard and Poors or Aa3 by Moody's or AA- by Fitch. In the case of a split rating, (more than one rating provider), the lowest rating will be used as the criteria for investing.
Corporate Obligations	Corporate domestic bonds issued by a commercial, industrial, or financial institution registered with the Securities and Exchange Commission. Authorized corporate bonds shall be limited to obligations of the United States dollar-denominated corporations organized and operating within the United States. The debt must be rated at least AA- by Standard and Poors or Aa3 by Moody's or AA- by Fitch at the time of purchase. In the case of a split rating, (more than one rating provider), the lowest rating will be used as the criteria for investing. A list of approved corporate issuers for purchases will be maintained and updated under the same mechanism as the Broker/Dealer list in Section 10.08.09.
Municipal Obligations	Lawfully issued debt obligations of the State of Oregon and its agencies or instrumentalities of the State of Oregon and its political subdivisions that have a AA- by Standard and Poors or Aa3 by Moody's or AA- by Fitch. In the case of a split rating, (more than one rating provider), the lowest rating will be used as the criteria for investing. (ORS 294.035(3)(b))

Type	Definition
Bankers Acceptance	A short-term credit investment created by a non-financial firm and guaranteed by a qualified financial institution whose long-term letter of credit rating is at least AA- by Standard and Poors or Aa3 by Moody's or AA- by Fitch at the time of purchase. (ORS 294.035(3)(h)(A))
Certificates of Deposit/Bank Deposit/ Savings Accounts	Time-deposit open accounts, certificates of deposit, and savings accounts in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state. (ORS 294.035(3)(d))
Local Government Investment Pool (LGIP)	State Treasurer's local short-term investment fund up to the statutory limit, per ORS 294.810.

C. Investment Parameters

1) Investment Diversification

- a) The City will diversify the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. Diversification to avoid undue risk is achieved by varying the type of investment to ensure liquidity, investing in securities from several different financial institutions to reduce the chance of loss, and varying maturity length to ensure availability of funds to meet cash needs.

Issuer Type	Maximum Holdings	Maximum per Issuer
U.S. Treasury Obligation	100%	None
GSE's Agency Securities	100%	FHLB,FFCB, FHLMC, FNMA 40% other names – 10%
Commercial Paper	10%	5%
Corporate Bonds	10%	5%
Municipal Bonds	10%	5%
Banker's Acceptance	10%	5%
Certificates of Deposit/Bank Deposit/Savings Accounts	25%	15%
OSTF LGIP Fund	ORS 294 limit	

2) Investment Maturity

- a) The City will not directly invest in securities maturing more than five (5) years from the date of purchase.
- b) The maximum weighted maturity of the total portfolio shall not exceed 18 months. This maximum is established to limit the portfolio to excessive price change exposure.
- c) Liquidity funds will be held in the LGIP or in money market instruments maturing one year and shorter.
- d) Core investment funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between one day and five years and will be only invested in higher-quality and liquid securities that meet suitable investment criteria outlined in 10.08.100.

e) Total Portfolio Maturity Constraints:

Maturity Constraints	Minimum % of Total Portfolio
Under 30 days	10%
Under 1 year	25%
Under 5 years	100%
WAM (weighted average maturity)	1.5 years

- f) Exception to the five-year maturity maximum: Reserve or Capital Improvement Project monies may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.
- 3) Competitive Selection and Pricing -- The City shall seek competitive pricing when buying or selling investments, and will buy or sell the offer that provides the optimal price for the risk of the term/instrument.
- 4) Securities shall generally be held until maturity with the following exceptions:
- a) A security with declining credit may be sold early to minimize loss of principal.
 - b) A security exchange that would improve the quality, yield, or target duration in the portfolio.
 - c) Liquidity needs of the portfolio require that the security be sold.
 - d) As needed for 10.08.130(c).

10.08.110 PROHIBITED INVESTMENTS:

Oregon Revised Statutes allow several other investment types for municipalities that are not appropriate for the City's portfolio and are not included within the scope of these administrative procedures, including: general obligation securities of the states of Idaho and California, share accounts and saving accounts in credit unions for a deferred compensation plan, life insurance and annuity contracts with insurance companies for funding deferred compensation, and trusts for deferred compensation.

- A. The City prohibits mortgage-backed securities in the portfolio.
- B. Securities lending is prohibited in the City's portfolio.
- C. Private Placement or "144A" Securities.

10.08.120 INVESTMENT OF PROCEEDS FROM DEBT ISSUANCE:

- A. Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this Policy. Bond proceeds shall be invested in accordance with the parameters of this Policy and the applicable bond covenants and tax laws.
- B. Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for resale and are maturity matched with outflows. Consequently, surplus funds within the scope of ORS 294.052 are not subject to this Policy's liquidity risk constraints within section 10.08.100.

10.08.130 MONITORING; GUIDELINE MEASUREMENT AND ADHERENCE

- A. Monitoring -- The Finance Director shall routinely monitor the contents of the portfolio, the available markets, and the relative value of competing instruments and will adjust the portfolio accordingly.

- B. Guideline Measurement -- Guideline measurements will be market value of the investments.
- C. Guideline Compliance
 - 1) If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this Policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.
 - 2) Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance, and reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the Administrative Services Committee.
 - 3) Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.
- D. If a corporate bond is downgraded below corporate rating criteria established at purchase, the Finance Director will immediately notify the ASC members of the downgrade and provide an analysis and recommendation. The analysis will be reviewed at the next quarterly ASC meeting to document the decision in the meeting minutes.

10.08.130 REPORTING REQUIREMENTS

- A. Annual Reports -- The Finance Director shall submit an annual statement certifying compliance with this Investment Policy to the ASC, noting compliance throughout the most recently completed fiscal year. This statement shall be filed as soon as practical, but no later than August 31 of each year.
- B. Quarterly Reports -- The ASC shall at a regular meeting, review the quarterly operating report (QOR) section on the investment portfolio as submitted by the Finance Director reflecting investment activity for each of the immediately preceding three months, using the objectives outlined above. Should the report not be accepted, the report shall be revised accordingly by the Finance Director and resubmitted to the ASC at its next regularly scheduled meeting or sooner if requested.
- C. Monthly Reports -- The Finance Director shall provide a Monthly Investment Report reviewing the compliance with this Investment Policy and providing data on investment instruments being held, as well as any narrative necessary for clarification. The Monthly Investment Report shall include summary information about all investments held in the City's portfolio as of the end of the month, and shall be issued and posted on the City's web site within 21 days after the end of the monthly reporting period.

CP 10.09 ACCOUNTING AND FINANCIAL REPORTING

10.09.010 PURPOSE

To provide Council leadership for the organization by stating the importance of a system of internal controls to be implemented and maintained to meet the goals of providing accurate and timely financial reports to the community and financial markets.

10.09.020 BACKGROUND

Best practices state that the City Council must lead the organization's commitment to excellence in financial management through the adoption of policies stating clear expectations. The City of Corvallis maintains a financial management system that ensures transactions are appropriately recorded, assets

are managed for the benefit of the community, and risk of fraud or financial loss is identified and minimized through a set of internal controls designed to manage the risk. The financial markets and other interested parties rely on the City's annual financial statements to ensure Corvallis bondholders the City's financial condition will allow the City to continue to make all required debt payments and meet all covenants.

10.09.030 INTERNAL CONTROLS

- A. Internal Control System -- The City shall establish and maintain a process that is designed to provide reasonable assurance that the City is achieving the following objectives:
 - 1) effective and efficient operations,
 - 2) reliable and accurate financial information,
 - 3) compliance with applicable laws and regulations, and
 - 4) safeguarding assets against unauthorized acquisition, use, or disposition.
- B. Annual Audit -- The City shall hire an independent external auditor to perform an annual audit of the financial statements, including tests of the internal controls. It is the City's objective that the financial statements receive an unqualified opinion, an opinion in which the auditor can state, without reservation, that the financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

10.09.040 FINANCIAL SYSTEM

- A. Purpose of the Financial System -- The financial system shall be used as the means of recording and reporting financial transactions in a way that will assist users in assessing the service efforts, costs and accomplishments of the City.
- B. Financial System Characteristics -- The City's accounting and reporting system shall demonstrate the following characteristics:
 - 1) reliability,
 - 2) accuracy,
 - 3) consistency,
 - 4) timeliness,
 - 5) efficiency,
 - 6) responsiveness,
 - 7) compliance with legal requirements, and
 - 8) conformance with GAAP.
- C. Funds -- The City shall establish and maintain only those funds that are necessary by law and for sound financial administration. The funds shall be structured in a manner consistent with GAAP, to maximize the City's ability to audit, measure and evaluate financial performance. The fund structure will be reviewed annually and the Finance Director will recommend changes to improve compliance with Council policies, financial planning, resource allocation and service delivery will be made to the City Manager at the beginning of the annual budget process. Adding, closing, or making significant changes to a fund shall be done by the City Council by adopting a resolution.

10.09.050 EXTERNAL FINANCIAL REPORTING

- A. Comprehensive Annual Financial Report (CAFR) -- The City shall annually prepare and publish, by December 31st of each year, a CAFR in conformity with generally accepted accounting principles. The CAFR shall include but not be limited to:
 - 1) an explanation of the nature of the reporting entity,

- 2) the extent of activities conducted by the City,
- 3) comparison of actual activity to adopted budget,
- 4) an explanation of the City's fiscal capacity,
- 5) disclosure of short and long term liabilities of the City,
- 6) capital assets reporting,
- 7) cash policies and compliance reporting,
- 8) accounting policies, controls and management responsibilities, and
- 9) all other disclosures required by GAAP.

GLOSSARY OF TERMS USED IN FINANCIAL POLICIES

Accrual Basis of Accounting - The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows.

Appropriation - Legal authorization granted by City Council to make expenditures and incur obligations.

Assessed Value - The value set by the County assessor on real and personal taxable property as a basis for levying taxes.

Assessments - An amount levied against a property for improvements specifically benefiting that property.

Balanced Budget - A budget in which the resources are equal to or greater than the requirements in each/every fund.

Benefits - Employee benefits mandated by state and federal law, union contracts, and/or Council policy. The most common forms of fringe benefits are pension plans, health and life insurance, vacation, sick and holiday leave, deferred compensation, automobile allowances, disability insurance, and educational and incentive pay.

Bonds - A written promise to pay a sum of money (principal or face value) at a future date (maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used to finance long-term capital improvements.

Budget - A plan of financial operation, embodying an estimate of proposed expenditures for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates). Upon approval by the City Council, the budget appropriation resolution is the legal basis for expenditures in the budget year.

CAFR (Comprehensive Annual Financial Report) - Prepared at the close of each fiscal year and published no later than December 31 of each year to show the actual audited condition of the City's funds and serves as the official public record of the City's financial status and activities.

Capital Budget - A plan of proposed capital expenditures and the means of financing them. The capital budget is usually enacted as part of the complete annual budget which includes both operating and capital outlays. The capital budget should be based on a capital improvement program.

Capital Improvement Program (CIP) - A plan for capital expenditures to be incurred each year over a fixed period of several future years, setting forth each capital project, identifying the expected beginning and ending date for each project, the amount to be expended in each year, and the method of financing those expenditures.

Capital Outlay - Expenditures for operating equipment drawn from the operating budget. Capital outlay items normally include equipment that will last longer than one year and having an initial cost above \$5,000. Capital outlay does not include capital budget expenditures for construction of infrastructure such as streets, buildings, or bridges.

Contingencies - An appropriation of funds to cover unforeseen events which occur during the budget year. City Council must authorize the use of any contingency appropriations (not to be confused with Reserves).

Cost Allocation - A costing of local government services to identify the full cost of municipal services.

Council Goals - Broad goals established by the City Council at the outset of each two-year term to guide the organization in its activities and focus.

Debt Service - The amount of principal and interest that a local government must pay each year on net, direct-bonded, long- term debt plus the interest it must pay on direct short-term debt.

Deficit - (1) The excess of an entity's liabilities over its assets (see Fund Balance). (2) The excess of expenditures or expenses over revenues during a single accounting period. Direct Cost - A cost directly related to producing and/or providing related services. Direct costs consist chiefly of the identifiable expenses such as materials and supplies used to provide a service, the wages and salaries of personnel working to provide a service, and facility costs. These expenses would not exist without the program or service.

Equipment Replacement Schedule - A schedule of annual purchases to replace major equipment and vehicles that have met or exceeded their useful life to the City.

Expenditure - Total amount incurred if accounts are kept on an accrual basis; total amount paid if accounts are kept on a cash basis.

Financial Audit - A systematic examination of resource utilization concluding in a written report. It is a test of management's internal accounting controls and is intended to:

Ascertain whether financial statements fairly present financial position and results of operations,

Test whether transactions have been legally performed,

Identify areas for possible improvements in accounting practices and procedures,

Ascertain whether transactions have been recorded accurately and consistently, and

Ascertain the stewardship of officials responsible for governmental resources.

Financial Condition - The City's ability to pay all costs of doing business and to provide services at the level and quality that are required for the health, safety, and welfare of the community, and that its citizens desire.

Financial Plans - A schedule that provides information about the expected future fiscal stability of City operations. The projections are for the operating funds of the City. Each financial plan, or proforma, includes a discussion about issues that are addressed in the proforma, as well as assumptions made about both revenues and expenditures for each fund.

Financial Policies - Administrative and Council policies established to govern the City's financial operations.

Fixed or Mandated Costs - These include expenditures to which the government is legally committed (such as debt service and pension benefits), as well as expenditures imposed by higher levels of government (such as for wastewater treatment facilities).

Fund - An independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and/or resources together with all related liabilities, obligations, reserves, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance - The difference between fund assets and fund liabilities of governmental and similar trust funds. The equivalent terminology within proprietary funds is Retained Earnings. (When the term "Fund

Balance" is used in reference to Proprietary Funds, it is normally referring to the estimated budgetary-basis amount available for appropriations for budgeting purposes.) The Governmental Accounting Standards Board (GASB) has defined fund balance segments as follows:

- A. Non-spendable: Amounts inherently non-spendable or that must remain intact according to legal or contractual restrictions.
- B. Restricted: Amounts constrained to specific purposes by externally enforceable legal restrictions, such as those provided by creditors, grantors, higher levels of government, through constitutional provisions, or by enabling legislation.
- C. Committed: Amounts constrained by the City Council via a resolution or ordinance.
- D. Assigned: Amounts the City intends to use for a specific purpose. The authority to assign resources lies with the City's Finance Director.
- E. Unassigned: Amounts that are not categorized into one of the aforementioned classifications; these resources may be used for anything. Only the General Fund should show a positive unassigned fund balance. For other funds, a negative unassigned balance should be reported if more resources are used than are available in the fund.

GAAP - Generally Accepted Accounting Principles.

General Obligation Bonds - When a government pledges its full faith and credit to the repayment of the bonds it issues, then those bonds are general obligation (GO) bonds. Sometimes the term is also used to refer to bonds which are to be repaid from taxes and other general revenues.

Government Funds - These funds subscribe to the modified accrual basis of accounting and include the following types of funds:

General Fund - The major source of revenue for this fund is taxes. There are no restrictions as to the purposes in which the revenues in this fund can be used

Special Revenue Funds - The resources received by these funds are limited to a defined use, such as the Street Fund.

Debt Service Funds - Funds used for paying principal and interest of debt on non-enterprise funds.

Capital Project Funds - Resources from these funds are used for purchase or construction of long-term fixed assets.

Permanent Funds - The resources received by these funds are limited to a defined use and only earnings may be spent. The Davidson Fund is the city's only permanent fund.

Grant - A contribution of assets by one entity to another. Grants are generally designated for a specific expenditure.

HNA - The Historic Norming Adjustment is the factor in each fund that results from actual experience that is usually better than projected, either because revenues perform better than expected, and/or expenditure budgets are not fully expended due to unpredictable events such as employee turnover. The HNA is trended over a period of time and projected in future years in the financial plans to give a more likely projection of fund balance than otherwise would be visible.

Indirect Cost - A cost incurred in the production and/or provision of related services that usually cannot be directly associated with any one particular good or service. Indirect costs encompass overhead including administrative costs such as wages of supervisory and administrative personnel, occupancy and

maintenance of buildings, and utility costs. These costs would exist without the specific program or service.

Investment - Cash balances, securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals, or base payments.

Liabilities - The sum of all amounts that are owed at the end of the fiscal year, including all accounts payable, accrued liabilities, and debt.

Long-Term Debt - Present obligations that are not payable within a year. Bonds payable, long-term notes payable, and lease obligations are examples of long-term debt.

Master Plan - A comprehensive plan, normally covering a 5-10 year period, developed to guide delivery of specific services, identify future needs and challenges, and identify future infrastructure needs.

Modified Accrual Basis of Accounting - The accrual basis of accounting adapted to the governmental fund type under which revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are generally recognized when the related fund liability is incurred.

One-Time Revenue - Revenue that cannot reasonably be expected to continue, such as a single-purpose federal grant, an interfund transfer, or use of a reserve. Also referred to as a non-recurring revenue.

Operating Budget - The appropriated budget supporting current operations. Most operations are found in the General, Special Revenue, Permanent, Enterprise, and Internal Service Funds.

Overlapping Debt - The net direct bonded debt of another jurisdiction that is issued against a tax base within part or all of the boundaries of the community.

Pay-As-You-Go Basis - A term used to describe the financial policy of a government which finances all of its capital outlays and/or improvements from current revenues rather than by borrowing.

Personnel Services - A category encompassing all salaries, fringe benefits, and miscellaneous costs associated with employee expenditures. Budget law also refers to this category as personnel services.

Proprietary Funds - These funds subscribe to an accrual basis of accounting and include the following types of funds:

Enterprise Funds - Account for distinct, self-sustaining activities that derive the major portion of their revenue from user fees.

Internal Service Funds - Account for goods and/or services provided to other funds or departments within the organization. Examples include the Vehicle and Equipment Maintenance and Data Processing Funds.

Reserved Balance - For budgetary purposes, this is the amount of fund balance that is not available for appropriation except for the uses defined for the specific reserve.

Resolutions - A legal document adopted by the City Council that directs a course of action. In relationship to the budget, resolution refers to the document that levies taxes and sets legal appropriation levels.

Restricted Revenue - Legally earmarked for a specific use, as may be required by state law, bond covenants, or grant requirements. For example, many states require that gas tax revenues be used only for street maintenance or street construction.

Revenue - Monies received or anticipated by a local government from either tax or non-tax sources.

System Development Charge (SDC) - A charge levied on new construction to help pay for additional expenses created by growth or to compensate for already existing capacity in key facilities and systems already in place which support the new development.

Transfer - Amounts distributed from one fund to finance activities in another fund. Shown as an expenditure in the originating fund and a revenue in the receiving fund.

Unfunded Liability - A liability that has been incurred during the current or a prior year, that does not have to be paid until a future year, and for which reserves have not been set aside. It is similar to long-term debt in that it represents a legal commitment to pay at some time in the future.

GLOSSARY OF BUDGETARY TERMS

(not found in Council Financial Policies)

Accountability - The condition, quality, fact or instance of being obliged to reckon or report for actions or outcomes.

Ad Valorem Tax - A tax based on the assessed value of taxable property.

AFSCME - American Federation of State, County, and Municipal Employees.

Annexation - The incorporation of land into an existing city with a resulting change in the boundaries of that city.

Appropriation Resolution - The official enactment by the legislative body establishing the legal authority for officials to obligate and expend resources.

Budget Calendar - The schedule of key dates or milestones which a government follows in the preparation and adoption of the budget.

Budgetary Control - The monitoring or oversight of expenditures against budget at the level of appropriation, which is by department within funds.

Cash Basis of Accounting - A basis of accounting under which transactions are recognized only when cash changes hands.

CDBG - Community Development Block Grant.

Contractual Services - A professional service provided by an outside individual or agency in accordance with contractual specifications.

CPOA - Corvallis Police Officers Association.

CR (Current Revenue) - Those revenues received within the present fiscal year.

CRCCA - Corvallis Regional Communications Center Association

DEQ - Department of Environmental Quality.

Depreciation - the systematic and rational distribution of the cost of a tangible capital asset (less salvage value) over its estimated useful life.

EMS - Emergency Medical Services.

Enterprise Fund Accounting - Accounting used for self-sufficient government operations financed and operated in a manner similar to business enterprises, and for which preparation of an income statement is desirable.

EPA - Environmental Protection Agency

IAFF - International Association of Firefighters.

ICMA - International City/County Management Association. In the context of the budget document and performance measurement, this company has created a database of indicators for comparator information.

Intergovernmental Revenue - Revenues received from another governmental entity.

Internal Charges - Various, specific charges set to recover the cost of providing goods and/or services to particular funds or departments within the organization. Examples include administrative service charge, data processing charge, and telephone charges.

Millage - Taxation stated as one tenth of a cent per dollar of valuation; as \$.001 used in calculations.

OPSRP - Oregon Public Service Retirement Program, the pension plan for employees hired after August 28, 2003.

Operating Deficit - When current expenditures exceed current revenues.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City's programs for the benefit of the City or its citizens.

PERS - Public Employee Retirement System, the pension plan for employees hired before August 28, 2003.

Property Tax Levy - The tax levy combining the general operating levy and the debt service levy imposed by the City.

Proposed Budget - The financial and operating document submitted by the City Manager to the Budget Commission and the governing body for consideration.

Revenue Estimates - A formal estimate of how much revenue will be earned from a specific revenue source for some future period; typically, a future fiscal year.

Revenue Shortfalls - Differences between revenue estimates and revenues actually received during the fiscal year.

Supplies and Services - A category of operating expenditures which include items such as contractual services, conference and training, charges for service, office supplies, and operating supplies.