

City of Corvallis, Oregon

2015 – 2016

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, 2014.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Corvallis
Oregon**

For the Fiscal Year Beginning

July 1, 2014

A handwritten signature in black ink, which appears to read "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 14-15 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

2015-2016

PROPOSED BUDGET

Mayor

Biff Traber

Budget Commission

City Council

Zachariah Baker

Mike Beilstein

Hal Brauner

Barbara Bull

Bill Glassmire

Frank Hann

Joel Hirsch

Roen Hogg

Penny York

Citizen Members

Karyle Butcher

Shirley Chow

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Tracey Finnegan-Wiese, Budget Analyst

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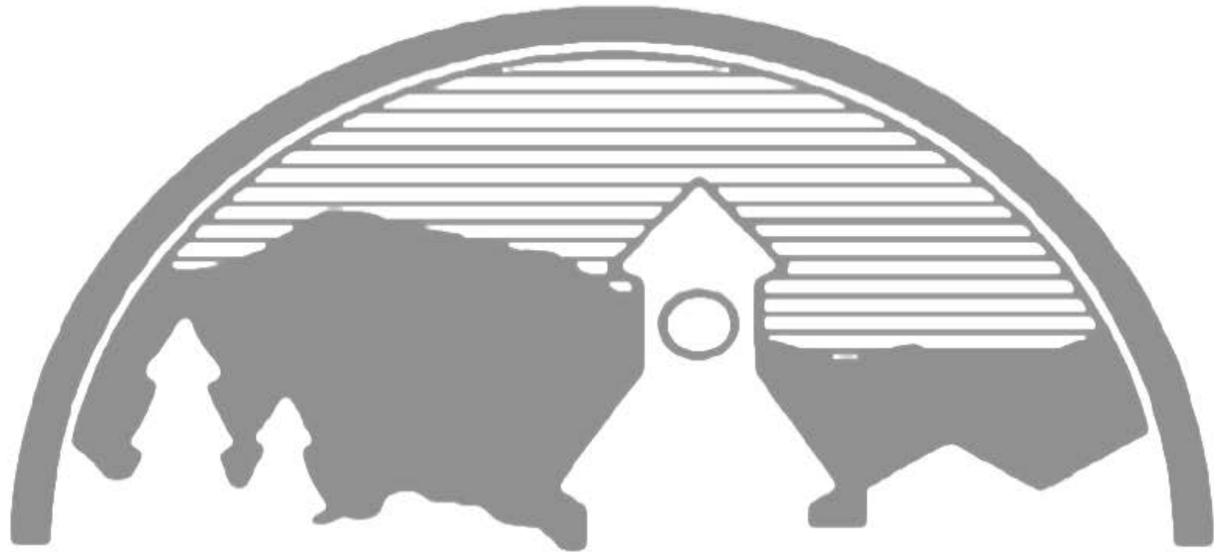
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CORVALLIS

ENHANCING COMMUNITY LIVABILITY



April 14, 2015

Honorable Mayor Traber,
Members of the City Council,
Members of the Budget Commission,
Corvallis Community Members,

RE: Proposed Budget for FY 2015-2016

INTRODUCTION

I am pleased to present the City Manager's Proposed Budget for FY 2015-2016. This budget summarizes the work that will occur in FY 15-16 and provides information about how to implement the City Council's goals for their two year term. The organization, City Council and members of the community will need to be fully engaged over the coming months to complete the six goals. The City's financial position is better than it has been in recent past, but there are still significant funding challenges for the General, Street, 9-1-1, and Community Development Revolving Funds that will need to be addressed as part of the Sustainable Budget Goal.

COUNCIL GOALS

The City Council has adopted six goals for their 2015-2016 term. These are all significant, and will require a substantial amount of work by the Mayor and City Council, along with staff and community members to develop and implement. There is a strong linkage between the first four goals – Sustainable Budget, Climate Action Plan, Vision and Action Plan, and Housing Development. This means the work on these goals will need to be closely coordinated with each other to be successfully implemented. The six goals, and FY 2015-2016 budget plans are:

1. SUSTAINABLE BUDGET GOAL

The council will continue to manage a long-term sustainable budget including the consideration of possible new or expanded revenue sources. An inventory of

known infrastructure and unmet program needs, including public safety, will be compiled and prioritized by December of 2015. By September 2015, possible new or expanded revenue sources will be identified that could fund these program and infrastructure needs. By September 2016 the council will create and begin implementing a long-term revenue plan.

FY 15-16 PLAN:

This is the most critical goal the City Council has adopted because the implementation of the other goals will depend on the work completed under this goal. Anticipated tasks during FY 15-16 include:

- A delineation of services currently offered, along with identification of unmet needs associated with current services.
- Identification of the infrastructure inventory and current/needed levels of funding to maintain and/or expand infrastructure.
- A community engagement process to discuss and define the community's preferences and priorities for services to be provided which will include examining the relative priority of current services, unmet needs, infrastructure funding, and new services anticipated to be added under the other goals.
- An examination of revenue alternatives to fund the preferred services if current resources are inadequate.

2. CLIMATE ACTION GOAL

Over the next two years, take bold action to address climate change by (1) supporting the energy conservation efforts of the Corvallis Georgetown university energy prize team, and (2) adopting and beginning to implement a comprehensive, long-term climate action plan that will significantly reduce Corvallis' greenhouse gas emissions and foster Corvallis' resilience to the effects of climate change.

FY 15-16 PLAN:

We had originally expected the City's primary project for participation in the Georgetown University Energy Prize (GUEP) competition would be the replacement of about half the City's streetlights with LEDs. Public Works staff had already begun work on implementing this project by identifying the highest energy use lights (400 kW high pressure sodium). However, as Public Works staff worked with members of the GUEP team, we discovered that to meet GUEP requirements, there will likely need to be a measurable reduction in electricity usage. Street lights are not metered, so there would be no way to measure electricity reduction. As a result, staff is pursuing other alternatives for the LED street light replacement (see discussion under General Fund, below) and is working with the GUEP Corvallis team to identify another project and potential funding sources to achieve this part of the goal.

The Climate Action Plan (CAP) will require community member engagement to develop and implement since individual behavior changes will be required to make any significant impact on climate change. I propose to add a 1.0 FTE Program Manager in the City Manager's Office to work with the Public Information Officer on development and implementation of a Climate Action Plan for Corvallis (see more in the General Fund discussion below).

3. VISION AND ACTION PLAN FOR CORVALLIS GOAL

Using an engaged community process, create a new Corvallis vision and action plan 2040 by December 2016. The resulting plan will include an aspirational vision, an action plan for the city and community partners that is achievable and measureable using a livability index, and a method for regular evaluation and necessary revision. The vision and action plan will be the foundation for necessary work on other city plans.

FY 15-16 PLAN:

This is the third significant goal that will require a public engagement process as the vision for the community will need to have involvement and buy-in from community members and partner organizations. This will also require some consultant time to work on developing the vision, action plan, and metrics. In addition, this goal will need to have on-going staff support to measure the implementation of the action plan, and to make recommendations for new action plan items, or modifications if needed. As a result, I propose adding a second 1.0 FTE Program Manager in the City Manager's Office to work on implementing this goal and to continue with the expected follow-up measurement and reporting.

4. HOUSING DEVELOPMENT GOAL

The city will analyze policy and programmatic tools suggested by the 2014 ECONorthwest housing policy options study, including funding/resource requirements, and by December 2016, select and implement strategies to facilitate creation of additional transitional, low-income, and workforce housing. In addition, the city will develop strategies to sustain or increase service levels in order to continue the programs currently in place to build and maintain affordable housing.

FY 15-16 PLAN:

The City Council has already initiated this work by supporting bills in both the State House and Senate that would allow local governments to implement inclusionary zoning – one of the recommendations in the ECONorthwest report.

The City has a set of long-standing programs providing low-income owner-occupied and renter-occupied housing improvement loans, along with a first time home buyer loan program. In

addition, Community Development Department's Housing and Neighborhood Services staff work with a variety of local non-profits to develop and provide low-income and supportive housing opportunities. These programs have been funded by federal Community Development Block Grants (CDBG) and HOME investment partnership program grants, combined with re-cycling federal dollars from prior-year loan re-payments. Since 2000, these programs have assisted 900 units and leveraged \$42 million in other public and private funds for local investment. However, the federal sources of new money have been diminishing in recent years and the current program level is at risk. The City's Community Development Revolving Fund, which provides resources for the existing housing program, is currently projected to end FY 14-15 with an estimated \$300,000 deficit, and an additional \$100,000 deficit is expected in FY 15-16. The Sustainable Budget Goal work will include discussion of long-term funding alternatives to keep the current program whole, along with considering improvements or expansion of the current services offered. However, in the short-term the City will need to address the FY 14-15 and projected FY 15-16 deficits (see General Fund discussion below).

5. ECONOMIC VITALITY GOAL

The city will develop a comprehensive strategy utilizing institutional partnerships (e.g. OSU, Samaritan Health Services (SHS)), government entities, and community groups, to (1) increase access to family wage jobs, (2) strengthen the path from innovation to manufacturing, (3) identify methods of encouraging the success of locally owned businesses, and (4) improve Corvallis as an economically resilient community. Modify the economic development office role and the economic development advisory board's charge by December 2015 to implement this goal.

FY 15-16 PLAN:

The Economic Development Office has worked with the Economic Development Advisory Board (EDAB) to update the joint City/County economic development plan. The plan was accepted by the City Council in advance of adopting this goal, with the expectation that the strategy would be reviewed to ensure it matches with the goal. An update on the strategy is expected by September 2015.

6. OSU/CITY RELATIONS GOAL

By the end of 2016, the City will have a renewed relationship with Oregon State University (OSU), including the following:

- *Implement a new intergovernmental agreement by July 2015 in order to identify opportunities and implement solutions to problems.*
 - *Monitor, mitigate and reduce negative community impacts related to OSU development including implementing land use strategies and/or contractual arrangements as appropriate.*
-

-
- *Review and update all assumptions and policies as appropriate in the Corvallis comprehensive plan and land development code (LDC) relating to OSU development and the OSU district plan by December 2016. Include strategies to monitor the OSU district plan and the LDC to assure compliance and enable modification as conditions change.*
-

FY 15-16 PLAN:

Work on this goal began in January with a joint City Council/Planning Commission meeting to discuss alternatives on the Comprehensive Plan and Land Development Code concerns. Mayor Traber subsequently appointed a task force of four Planning Commissioners and three City Council members to complete the review of the OSU-related sections of the Comprehensive Plan and LDC and that group's work is underway as of the date this Budget Message is being written. This review work is expected to be completed during FY 15-16, which will lead to OSU's submission of an updated Master Plan and the Planning Commission/City Council review for potential acceptance as a supporting document to the Comprehensive Plan.

In March, the City and OSU signed a memorandum of understanding that provides the guidelines for development of a new Intergovernmental Agreement (IGA). Work on the Intergovernmental Agreement is expected to start in April 2015. During FY 15-16 staff anticipates continuing to work with OSU under the new IGA, including a neighborhood parking utilization survey in the fall to coincide with OSU's on-campus parking utilization study.

City Council leadership has met a number of times with leadership from OSU to discuss interim measures for OSU development to reduce the neighborhood impacts, particularly as they related to methods to decrease on-street parking in near-campus neighborhoods. A development agreement was approved by the City Council on April 6, 2015. This development agreement requires OSU to replace parking when it is removed for a new facility, and to add parking for all new buildings over 3,000 square feet; it will be in place until the new Campus Master Plan is accepted by the City Council. This plan is expected to be in place through FY 15-16 with initial staff analysis of development proposals for City Council review and approval.

GOALS SUMMARY

As identified above, I recommend the addition of 2.0 FTE in the City Manager's Office to work with the Public Information Officer as a new Community Relations work group. Primary functions for this work group would include:

- Vision and Action Plan and Climate Action Plan. These two goals have a strong link with each other for both community engagement and long-term implementation and measurement activities. I believe that these two goals will need to be carefully coordinated so that the Vision incorporates the recommendations and activities from the Climate Action Plan where it makes sense to do so.

- Community Involvement and Diversity Advisory Board (CIDAB). The implementation of this group was a strong recommendation from the Public Participation Task Force work, with a focus on providing information to community members on how to best get involved with land use decisions, and with the creation and strengthening of neighborhood groups.
- Community Engagement. Other goals and City work plans will require community engagement. Having the staff with expertise in community engagement and with the neighborhood association relationships should improve the City's overall community engagement process. There will be a strong connection between CIDAB's neighborhood relationships and the need for community buy-in to implement both the Vision and Climate Action Plans.

Work on these goals and to implement the CIDAB tasks will have community-wide implications, and are expected to also impact operations in all City departments. As a result, I recommend the staffing be in the City Manager's Office.

BALANCED BUDGET

The Proposed Budget presented within this document is balanced, with the exception of the Community Development Revolving Fund, discussed further below, and continues to provide the level of service provided in FY 14-15. However, as you will see in the information following, there are significant challenges for the organization, which will require careful consideration of alternatives to achieve the true goal of long-term financial sustainability.

TOTAL BUDGET

This Proposed Budget projects spending \$130,640,830 in the 21 funds that comprise its operations during FY 15-16. To fund these operating, debt, and capital project costs, the City will collect \$121,572,950 in revenue and have available beginning fund balances and reserves totaling \$49,650,402. Overall, this Proposed Budget includes a net reduction of 2.25 full time equivalent (FTE) positions, all of which were vacant positions. The City added 2.0 FTE when the Majestic Theatre was made a City function in January 2015. This Proposed Budget eliminates 4.0 FTE added for FY 14-15 in expectation that the Residential Parking Districts would expand significantly; the positions could be eliminated since the voters rejected the expansion. There is a considerable amount of detailed information about the total budget and FTE changes in the Budget and Financial Planning Overview following this Budget Message.

GENERAL FUND

The General Fund is the focus of discussion during the budget process because it is the fund where there is considerable variation in the services funded. For FY 15-16 projected expenses total \$45,780,470 using \$46,541,530 in revenue with an additional \$8,481,970 in beginning reserves and fund balance. This Proposed Budget assumes the City will levy its full \$5.1067 per \$1,000

permanent property tax rate, and the full \$0.8181 per \$1,000 local option levy. As of this writing, the Supreme Court has not issued a decision in the Hewlett-Packard appeal of their 2008-2010 values, so the General Fund includes \$674,930 in replacement revenue as authorized in the 2013 local option levy.

The General Fund is in better financial condition than it has been in several years. Revenues are projected to grow in FY 15-16. Cost containment strategies implemented over the last several years, in particular the changes in health insurance bargained with the City's labor units, are meeting the objectives to reduce expenses. The City continues to actively pursue energy-saving alternatives, moving to LED lighting inside buildings, and putting a 208 kW solar array in service at the Public Works compound during FY 14-15. Even with the better financial condition, the General Fund does not have adequate resources to fund all of the community's requests for service. Providing direct service to community members continues to have funding priority; as a result maintenance continues to be deferred. The Sustainable Budget Goal discussion should provide a better defined picture of the long-term community and infrastructure needs.

There are multiple facets to the General Fund that led to the budget included in this proposal:

ALLOCATION METHODOLOGY

There are a variety of methods the organization has used to determine which department gets how much of the General Fund. In the past, each Department submitted a budget proposal to fund what that department needed to do its work. When there were not enough resources, items were cut from those proposals to get to a balanced budget.

For FY 14-15, the City Manager developed the "firm expenditure limit" method where 100% of the annual revenue was allocated first to mandatory payments (debt, contributions to reserves) and then to each department based on its five-year average of expenditures. This method allowed the organization to achieve a sustainable budget where revenues equaled expenditures. However, it also has some significant drawbacks; this allocation method does not recognize growth in dedicated revenue to equal growth in expenditure authority, or recognize creativity for a department such as Parks and Recreation to develop a new recreation program where revenues would exceed expenditures.

As a result, for the FY 15-16 budget Department Directors and I looked at alternatives to the "firm expenditure limit" method that could be implemented within the time allowed. We looked at a variety of allocation methodologies, being sensitive to the impact of each method on each department. Some of the methods greatly benefitted some departments to the detriment of others. Ultimately, the method used for developing this Proposed Budget allocated 50% of the incremental dedicated revenue growth (FY 14-15 to FY 15-16 projected) for a department; the balance of that incremental revenue follows the non-dedicated revenue allocation. In this alternative, no department received a decrease in its allocation.

This method allowed monies to be allocated to departments for developing the FY 15-16 budget, but it does not recognize any level of prioritization of services. Rather, it continues to allocate

monies on the basis of historical spending. The City Council's Sustainable Budget Goal is expected to include a process to obtain public input into the community's funding priorities to allow for a budget allocation and development process that reflects the priorities for the fiscal year 2016-2017 budget.

WHAT THIS PROPOSED GENERAL FUND BUDGET PROVIDES

The budget, as proposed, funds current services at current levels:

- Positions included in the FY 14-15 budget are expected to continue with the exceptions identified above.
- Both the Police and Fire Departments will be able to fund positions approved but unfunded during the last several fiscal years.
- All contractual cost-of-living increases for the Corvallis Police Officers Association (CPOA) are included.
- The move to the six percent PERS pick-up for the American Federation of State, Municipal, and County Employees (AFSCME) in accordance with their approved contract is included.
- The exempt employee compensation study has been completed and will be implemented before the end of FY 14-15. This study looked at comparator cities for market compensation rates and recommended some re-alignment of positions and modifications to the pay scale. This budget also includes a cost-of-living adjustment of two percent for exempt employees.
- Funding for the replacement of about half of the street lights with LED devices is included. This will be accomplished using an internal loan of Street Systems Development Charge (SDC) monies, with a payback expected in just less than four years, and continued General Fund support for this program.

WHAT THIS PROPOSED GENERAL FUND BUDGET DOES NOT PROVIDE

The budget, as proposed, does not fund all potential costs in FY 15-16:

- The International Association of Fire Fighters (IAFF) has been in negotiations since January, with a contract approved by the City Council on April 6, 2015. The costs for the first year of the agreement total \$172,000 as a net of a two percent cost-of-living adjustment and savings from IAFF members moving to the lower cost high deductible health plan in January 2016. The COLA is discussed further below.
- The Corvallis Regional Communications Center Association (CRCCA) has been in negotiations since February and has not settled on a contract. Any costs that may ultimately come from an agreement are unknown and therefore are not included in this Proposed Budget. Though the CRCCA staff are directly paid from the 9-1-1 Fund, the Corvallis Police and Fire Departments pay over 60 percent of the costs for these operations from the City's General Fund, so the impact of any cost increase will be significant.

- There remains inadequate funding for vehicle replacements and major computer systems, along with parks and other facility deferred maintenance. Funding for deferred maintenance is becoming more critical to meet safety needs.
- No expansion of services is included, even where the demand for services exceeds the current capacity to meet the needs. This is especially true in long-range planning, parks maintenance, Police and Fire staffing levels as well as organizational technology needs.

STATUS OF THE GENERAL FUND FUND BALANCE RESERVE

As of the end of FY 14-15, the Fund Balance Reserve is expected to total \$4,820,209. With the scheduled contribution of \$1,260,000 in FY 15-16, the Fund Balance Reserve is expected to total \$6,080,209. For FY 16-17, assuming no draw on contingencies, only \$220,000 will be required to complete funding to the current \$6.3 million target, freeing up around \$1 million in on-going revenue that has been set-aside each of the last four fiscal years to re-build this reserve. Ultimately, this means that the prioritization of services expected to occur during FY 15-16 as part of the Sustainable Budget goal should allow for the City Council to provide direction on the use of this property tax capacity in FY 16-17.

ONE-TIME MONIES IN FY 15-16

Current projections for ending FY 14-15 indicate the City will have around \$950,000 in unexpected revenue/expenditure savings. In addition, when developing the allocations for FY 15-16, staff set aside \$200,000 for anticipated expenditures associated with City Council goal implementation. Combined, this could allow for up to \$1,150,000 in additional expenditures in FY 15-16. I asked Department Directors to provide me with information about what their priorities would be for one-time monies; that list quickly totaled well over \$3 million in more immediate needs and is included as Attachment A to this budget message as an information item. I have considered that list along with the costs identified above for Council Goals implementation. My recommendation for the use of these monies is:

Project Title	General Fund Cost	Cummulative Cost	Comments
GUEP Support	5,000	5,000	Council Goal - one-time payment as requested by GUEP.
Grant/Loan to CD Revolving Fund	400,000	405,000	Council Goal for Housing -- one time grant or repayable as a loan to keep the Housing Fund solvent.
Sustainable Budget	45,000	450,000	Council Goal -- software for community engagement on budget priorities
Vision/Climate Action Plan	285,000	735,000	Council Goal -- includes monies for consultant, and 2.0 FTE program managers to implement Climate and Vision goals as well as the CIDAB program. \$200,000 of this would be an on-going cost in FY 16-17.
IAFF COLA	172,000	907,000	Based on negotiated contract approved April 6. If the Fire Department budget is not increased the department would have to leave two positions unfilled. This would be an on-going cost with additional COLAs in the future.
Aquatic Center Lighting	84,000	991,000	Critical safety/risk management project. Replaces the wiring, 11 wall lights and 46 high bay lights in the natatorium that are failing.
Update Yes.Corvallis	5,000	996,000	This would update the Economic Development group's web site for marketing Corvallis.
Community Relationship Management Tool	50,000	1,046,000	This is a tool that allows community members to submit "work orders" via the web and get follow-up messages about their request.
Franklin Park Playground	65,000	1,111,000	Local match for a grant to fund replacement of the playground removed due to safety concerns.
Avery House Water Line	5,000	1,116,000	Replace a leaking water line to minimize maintenance costs.
Fire Station #1 maintenance	13,000	1,129,000	Repairs balcony leaks over the lobby and exterior stairs.
Lily and Washington Park	15,000	1,144,000	Expands swing safety zone

The Budget Commission would need to amend the Proposed Budget to include any or all of these items in the FY 15-16 budget to be recommended to the City Council for adoption. Clearly, some of these are not one-time uses; my expectation is that the monies freed up in FY 16-17 from contributions to reserves would be available to fund these on-going costs.

OTHER FUNDS

For the most part, other City funds are in good financial position. Resources are adequate to cover current operating costs. Concerns about the following funds remain:

STREET FUND

The Street Fund is primarily supported through State gas taxes and vehicle registration fees. The City has a Transportation Maintenance Fee on the City Services bill which is projected to bring in \$495,000 in FY 15-16. However, costs for street maintenance continue to increase faster than revenues grow, and the infrastructure assessment that will be completed as part of the Sustainable Budget Goal is expected to lead to a significant discussion about infrastructure needs that far exceed resources. As of this writing, neither the Federal nor the State governments have taken up any permanent transportation funding measure. Operations in FY 15-16 will continue at the FY 14-15 level.

9-1-1 EMERGENCY COMMUNICATIONS FUND

The primary funding source for 9-1-1 operations is from State 9-1-1 taxes and payments made by the many governments using the City's 9-1-1 services. The City, via the Police and Fire Departments, is the highest contributor to 9-1-1 revenues; as costs in 9-1-1 increase, the City bears more than 60 percent of the increase based on how the 32-year old user agreement has been structured. The budget is relatively stable for FY 15-16, but the growing call volume indicates a need for a significant increase of staff, with no resources to pay for the additional costs. This fund will require some attention during the Sustainable Budget Goals discussion.

COMMUNITY DEVELOPMENT REVOLVING FUND

As noted in the Housing Goal section above, this fund has long been supported by CDBG/HOME grants, and re-payments from prior year loans. However, reductions in federal funding in combination with increased complexity of federal regulations and resulting administrative costs have drawn down the reserves over the last several years. This fund will need an infusion of resources to remain solvent through FY 14-15 and again in FY 15-16 and will also need an on-going revenue source identified through both the Sustainable Budget Goal and Housing Goal discussions. My recommendation for use of one-time monies identified above includes setting aside \$400,000 for this fund.

FUTURE ISSUES/CONCERNS

A budget is developed at a single point in time. Even as the Budget Message is written each year, the organization's work is in flux. Significant challenges in the coming year include:

- ❖ The City's role in addressing homelessness – the work to implement the Benton County 10-year Plan to End Homelessness had meaningful but limited success. If this long-term goal is

to be achieved, more time and creativity will need to be devoted to address affordable housing, a community shelter, and services for people who are homeless or at risk of becoming homeless.

- ❖ Recreational use of marijuana – will become legal in Oregon in July. There is general consensus that there will be an impact at the local government level, but at this time it is not clear what that impact will be, or whether the State will provide any resources to help address that impact which is expected to be most significant for law enforcement and health services.
- ❖ Wastewater regulations – City staff continues to work with State regulators on potential solutions to the temperature concerns of the City’s wastewater effluent as they are tied to the Total Maximum Daily Load (TMDL) requirements of the NPDES permit. As of this writing, the State Department of Environmental Quality has still not developed new implementing guidelines. When new guidelines are in place work on this project will be re-initiated.
- ❖ Campus Master Plan – Oregon State University is expected to update its master plan following the work of the City Task Force examining potential Comprehensive Plan and Land Development Code changes necessary before OSU completes its work. Once OSU submits its plan, staff anticipates a full and robust community discussion that is expected to take significant long-range Planning staff work resources.
- ❖ Transportation System Plan – work will continue on the Transportation System Plan/Transit Demand Management Plan updates, with those plans expected to be completed late in 2017.
- ❖ Retirements – the City organization continues to have a significant number of employees who are at or near retirement age. As long-term employees retire, there is a loss of significant organizational history. Human Resources staff continues to work within the organization on effective methods of transferring required knowledge and to work on cross-training strategies.

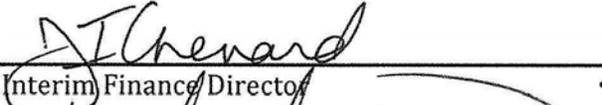
ACKNOWLEDGEMENTS

I have been truly honored to fill the role of City Manager over the last eight months and to have been able to work with such a fine and dedicated staff. We have had significant change in leadership within the organization and in the City Council during this time, and staff has not missed a beat. Each of the dedicated Department Directors currently serving proves time and again their commitment to the organization and the community, and I could not be more proud to work beside them every day. The staff in the City Manager’s Office has been extremely helpful during this transition and in planning for the transition to City Manager Mark Shepard. I’d also like to give special acknowledgement to the staff in the Finance Department and especially Janet Chenard who has filled in as Interim Finance Director while I served as City Manager. I have been

able to focus on my responsibilities as City Manager in large part because I have known everyone in Finance was ready, willing, and able to step up and take on a bit more. The Corvallis community should be proud of the professionals who provide them service every day.

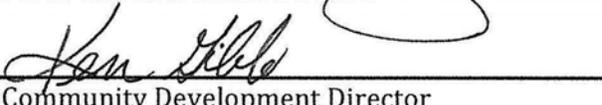
Respectfully submitted,


Nancy Brewer, City Manager

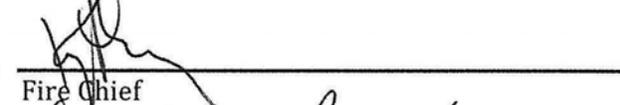

Interim Finance Director


Police Chief


Parks and Recreation Director


Community Development Director


Human Resources Director


Fire Chief


Library Director


Public Works Director

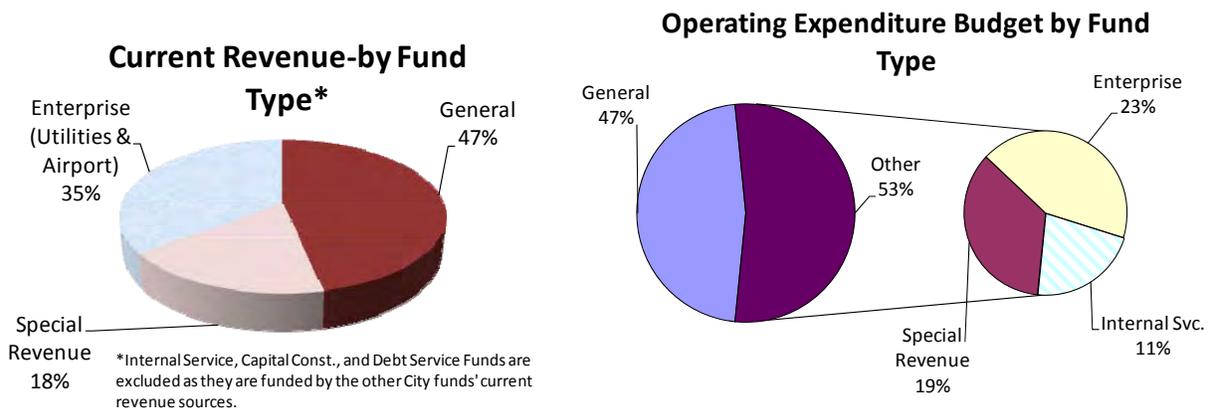
BUDGET & FINANCIAL PLANNING OVERVIEW

INTRODUCTION

This section of the budget document provides an overview of the financial information related to the operations of the City for FY 15-16 as well as forecasting information for 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 15-16 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 15-16 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 seventeen of the City's current total of twenty-one funds are included to provide information about the City's future operations.

SUMMARY OF THE PROPOSED BUDGET FOR FY 15-16

The Proposed Budget for FY 15-16 is balanced as per State Law, with the exception of the Community Development (CD) Revolving Fund¹. The City's projected revenue including transfers and charges totals \$121,572,950. With an estimated beginning fund balance of \$49,650,402, the City projects it will have \$171,223,352 in total resources to fund services. The expenditure budget totals \$130,640,830 with \$87,255,240 for operating expenditures and \$43,385,590 for non-operating expenditures. The graphs directly below illustrate the FY 15-16 budgeted revenues and expenditures by Fund type, as summarized in the numerical table on the following page.



¹ State Law requires that each separate Fund of the City be adopted with a positive fund balance. The City Manager's Budget Message outlines the mechanism to balance the CD Revolving Fund prior to adoption, but this proposal will require Budget Commission and Council support.

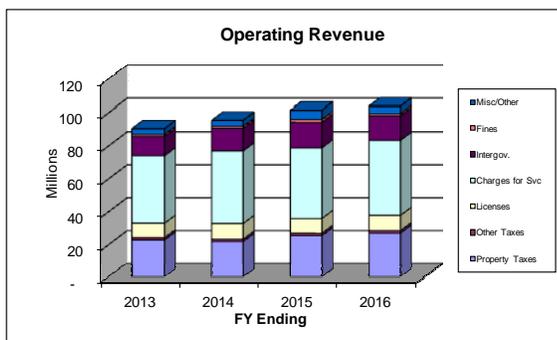
	Governmental Activities			Business Type Activities		FY 15-16 Total	% of Total Rev/Exp
	General Fund (A)	Special Revenue Funds (B)	Cap Const/ Debt/Perm Funds (C)	Enterprise Funds (D)	Internal Svc Funds (E)		
Beg. Fund Balance	\$8,481,970	\$13,134,992	\$432,185	\$25,992,418	\$1,608,837	\$49,650,402	
Operating Revenue							
Property Taxes	26,004,540	0	1,145,000	0	0	27,149,540	22.33%
Other Taxes	1,511,830	0	0	0	0	1,511,830	1.24%
License, Fees, Permits	5,868,130	3,342,100	0	5,000	40,420	9,255,650	7.61%
Charges for Service	6,053,430	4,799,100	0	24,723,820	10,003,440	45,579,790	37.49%
Intergovernmental	4,173,730	7,828,630	2,258,080	513,830	0	14,774,270	12.15%
Fines and Forfeitures	769,160	438,000	0	600	0	1,207,760	0.99%
Miscellaneous	918,910	658,100	1,973,880	781,780	47,590	4,380,260	3.60%
Total Operating Rev.	45,299,730	17,065,930	5,376,960	26,025,030	10,091,450	103,859,100	85.43%
Non-Operating Rev.	1,241,800	728,890	6,271,000	9,472,160	0	17,713,850	14.57%
Total Revenue	46,541,530	17,794,820	11,647,960	35,497,190	10,091,450	121,572,950	100.00%
Total Resources	\$55,023,500	\$30,929,812	\$12,080,145	\$61,489,608	\$11,700,287	\$171,223,352	
Operating Expenditures							
City Manager's Office	301,700	0	0	0	2,716,400	3,018,100	2.31%
Community Dev.	1,551,320	5,642,790	0	161,520	0	7,355,630	5.63%
Finance Department	678,050	193,990	0	0	5,426,050	6,298,090	4.82%
Fire Department	11,392,420	0	0	0	0	11,392,420	8.72%
Library	6,349,950	0	0	0	0	6,349,950	4.86%
Parks & Recreation	7,026,930	0	0	0	0	7,026,930	5.38%
Police	11,864,850	2,589,930	0	0	0	14,454,780	11.06%
Public Works	852,630	8,027,900	0	19,714,840	1,945,480	30,540,850	23.38%
Non-Departmental	817,140	0	1,350	0	0	818,490	0.63%
Total Operating Budget	40,834,990	16,454,610	1,350	19,876,360	10,087,930	87,255,240	66.79%
Non-Operating Budget							
Capital Projects	0	0	7,933,150	8,920,260	0	16,853,410	12.90%
Debt Service	693,240	0	3,980,990	2,385,850	0	7,060,080	5.40%
Transfers	2,382,810	4,108,970	0	9,982,640	0	16,474,420	12.61%
Other Non-Op Uses	1,239,430	0	0	0	0	1,239,430	0.95%
Contingencies	630,000	296,990	0	470,260	361,000	1,758,250	1.35%
Total Non-Op. Budget	4,945,480	4,405,960	11,914,140	21,759,010	361,000	43,385,590	33.21%
Total Appropriated Budget	\$45,780,470	\$20,860,570	\$11,915,490	\$41,635,370	\$10,448,930	\$130,640,830	100.00%
Ending Fund Balance	\$9,243,030	\$10,069,242	\$164,655	\$19,854,238	\$1,251,357	\$40,582,522	

- A. **General Fund** – Property taxes are the major revenue source for General Fund operations, although there are also other fee and intergovernmental resources. FY 14-15 was the first year of a five-year, voter-approved property tax levy outside of the City's permanent tax rate. This 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** – Funds included in this category are 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** – These non-operating funds include 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** – These funds house the operations which provide centralized support to the City’s frontline service departments, and include the Administrative Services, Facility Maintenance, Fleet, Risk Management and Technology & Communications Funds. The primary resources for internal service funds are payments from the other organizational funds to whom the services are provided.

REVENUE PROJECTIONS



The City’s budget process begins with deriving revenue projections and includes testing assumptions made about revenues for the current fiscal year and expanding those assumptions to FY 15-16. For the four future years in the Financial Planning period, forecasting considers additional drivers such as trends in the economy, inflation and population to determine 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.

PROPERTY TAXES

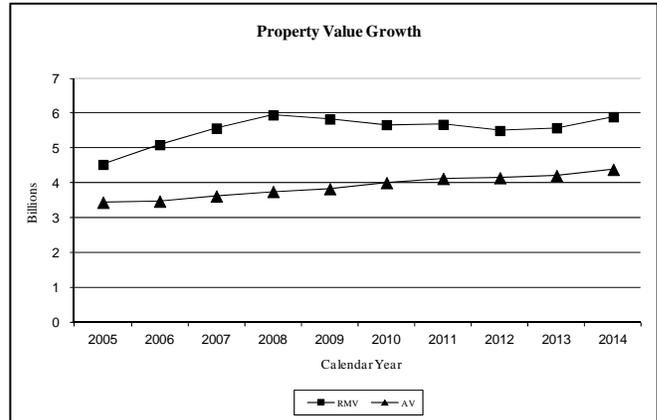
	FY 12-13	FY 13-14	FY 14-15	FY 14-15	FY 15-16	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 14-15
						Adopted
Operations - Permanent Tax	\$20,126,321	\$19,084,779	\$21,246,940	\$21,735,510	\$22,404,910	5.45%
2011 Operating Levy	1,814,469	1,841,713	0	0	0	N/A
2013 Operating Levy	0	0	3,200,110	3,506,640	3,599,630	12.48%
Debt Service	1,039,546	1,082,773	1,130,000	1,130,000	1,145,000	1.33%
Total	\$22,980,336	\$22,009,265	\$25,577,050	\$26,372,150	\$27,149,540	6.15%

Property tax revenue represents nearly 23% of the City’s total projected revenue for FY 15-16, and nearly 56% of the projected total revenue in the General Fund. Property taxes account for almost 100% of the revenue in the General Obligation Debt Service Fund.

With the exception of Debt Service levy revenue (which is predicated on the annual amount owed), all estimates for property tax revenue shown in the Proposed FY 15-16 column of the table above have been developed based on data provided by the County on actual assessed value for FY 14-15 and average growth projections for FY 15-16.

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, 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.
- The addition of high value personal or industrial property for manufacturing can significantly increase AV in the year it is added. This equipment depreciates rapidly, which then results 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 Corvallis achieving less than 3% total assessed value growth every few years.
- Successful appeals by property holders that result in current or retroactive valuation decreases (such as occurred in 2013 with Hewlett-Packard (HP), Timberhill Development, and several other local companies).
 - A 2013 court award to HP, for which the City and other local agencies have already fronted the tax refund amounts, continues to be on appeal by the Department of Revenue. Should the State prevail, an amount up to \$1.4M would be returned to the City, as well as amounts subsequently deferred by the County. Otherwise, if the HP award is upheld, interest will be owed and the valuation related to HP property permanently re-established at the lower AV.
 - 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.
- Purchases of formerly taxable property by non-profit or government entities such as Oregon State University (OSU) or Samaritan Health removing value from the tax rolls and thereby decreasing total Assessed Value to which the City’s permanent and operating levy rates are applied.



During the past ten years, Corvallis has achieved a 27.6% increase in AV, an average of 2.9% growth per year. The average RMV growth over the same period was only slightly greater, but the significant impact of the bottom falling out of the economy in 2009 after four years of substantial real estate growth, has resulted in an RMV value which is still 1% below 2008 levels. Over that period, the Consumers Price Index (CPI) has increased 10%. Changes in the annual RMV and AV are reflected in the adjacent table (dollars are in 000's).

Tax Year	\$K RMV	Growth From Prior Yr	\$K AV	Growth From Prior Yr
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%
2014	5,891,389	5.69%	4,381,367	4.28%
Avg Annual Growth		3.33%		2.91%

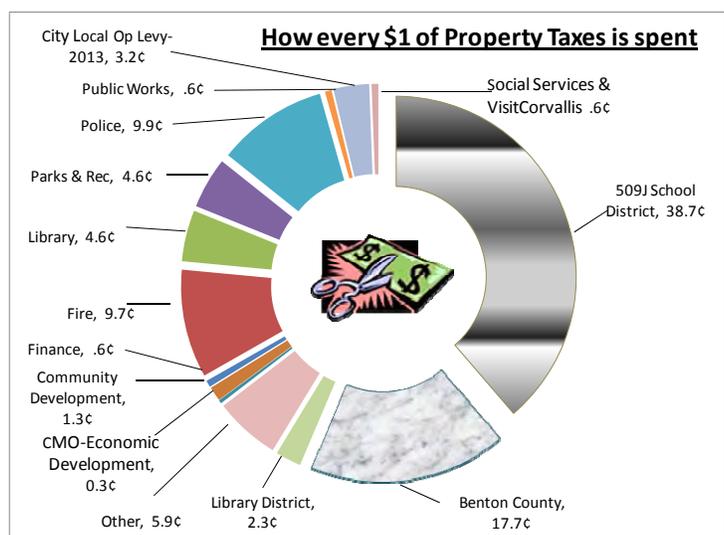
For the current fiscal year, the City's AV increased by 4.28% from \$4,201,468,631 to \$4,381,366,766, exceeding the projected 3% valuation growth that was in line with the County's forecast. Due to several large new multi-family housing units being built during the next two calendar years, the FY 15-16 through FY 19-20 AV is currently estimated to increase by the allowed 3.0%. This growth rate also assumes the economy will continue to see improvement in residential and commercial development to offset additional decreases in AV from the final resolution of all outstanding revaluation appeals.

As implied above, both RMV and AV are important features in projecting property tax revenue based on different tax limits. In FY 14-15, in aggregate, residential property AV was 83.3% of RMV; combined commercial and industrial property AV was 62.6% 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 raised over \$5.4 million over the three years it was in place; and 2) the continuation of this levy and expansion to restore certain services eliminated in the recent past, 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 the current 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 some level of “restored” revenue to Corvallis, then this portion of the local option levy will be reduced by that particular 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 \$4,381,366,766 certified in 2014 to \$4,512,807,769 in 2015. Property taxes are levied for operating costs and to meet debt obligations on voter approved general obligation bonds. The FY 15-16 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 14-15 combined tax rate for non-education governments, excluding levies for debt, for most Corvallis residents was \$9.4747 per \$1,000 of assessed value. This translates to an aggregate rate of around \$7.14 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 15-16, property tax revenue for debt is expected to total \$1,145,000. 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; the annual amounts payable can be seen in the debt schedules found in the non-operating section of this budget document on page 181.

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 15-16, are:

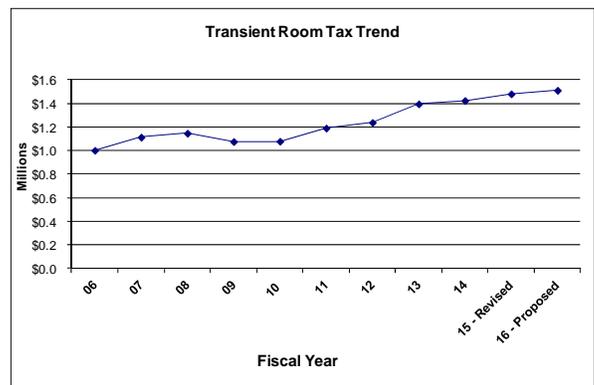
	Levy Amount	Discounts	Gross Revenue
Operating Permanent Tax	\$23,045,560	(\$576,140)	\$22,469,420
Operating 2013 Levy	3,691,930	(92,300)	3,599,630
2009 Refunding Bonds	1,174,360	(29,360)	1,145,000
Gross totals:	\$27,911,850	(\$697,800)	\$27,214,050
Less: Current Year Est Delinquencies:			(516,800)
Plus: Prior year delinquent collections:			452,290
Total Adopted Prop Tax Revenues:			\$27,149,540

Based on historical data, the City also expects that about 2.5% of amounts levied each year will become delinquent. Property taxes owed but not paid are secured by a lien on the property, and become recorded as a prior year receivable in the General Fund at the end of the fiscal year. For FY 15-16, the City projects a reduction of \$516,800 from current year property taxes that are expected to remain unpaid at June 30, 2016; this amount will be collected in future years. Delinquent property tax revenue totaling around 51% of the outstanding receivables from all prior years is projected to be collected by the City, or approximately \$452,290 in FY 15-16.

OTHER TAXES

	FY 12-13 Audited	FY 13-14 Audited	FY 14-15 Adopted	FY 14-15 Revised	FY 15-16 Proposed	% Chg from FY 14-15 Adopted
Transient Room Taxes	\$1,396,192	\$1,424,997	\$1,427,600	\$1,481,270	\$1,511,830	5.90%

Other Taxes are from Transient Room taxes and are just over 1% of the City's total projected revenue for FY 15-16. These taxes are minor revenue in the General Fund and are estimated to increase nearly 6% for FY 15-16 over what was originally budgeted in FY 14-15. The City currently levies a room tax of 9% of the room costs on all transient lodging in the city limits. Of the total revenue collected, 30% of these monies are paid annually per Oregon Revised Statutes to Visit Corvallis in support of tourism. Revenues in this category have continued a slow upward trend, with a stabilized

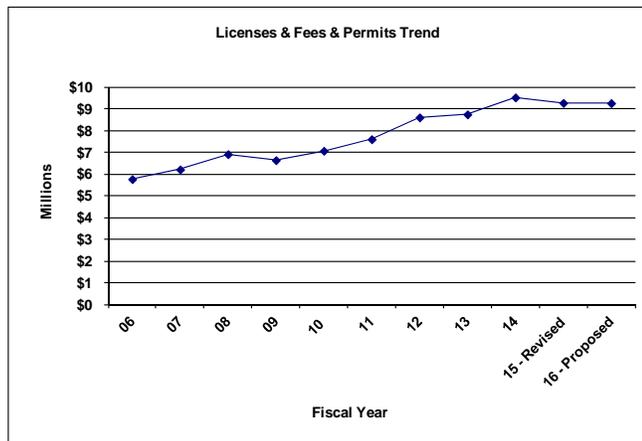


number of room stays combined with increased hotel rates, per Visit Corvallis statistics. FY 14-15 was revised to higher levels based on year-to-date receipts, while FY 15-16 is projected to continually increase. As hotel prices will continue to rise, revenue is expected to continue to grow in future years at an average inflationary pace of approximately 3.0% per year through FY 19-20. At the time the budget was developed, there have been no decisions made regarding development of any new hotels, which might cause future revenues to increase more so.

LICENSES, FEES, PERMITS

	FY 12-13	FY 13-14	FY 14-15	FY 14-15	FY 15-16	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 14-15
						Adopted
Franchise Fees	\$5,186,269	\$5,486,499	\$5,374,000	\$5,436,900	\$5,495,100	2.25%
Building Permits	1,083,207	1,497,605	1,154,700	1,353,200	1,301,500	12.71%
Transp. Maint. Fee	443,018	482,169	432,740	495,000	495,000	14.39%
SIF	1,455,502	1,455,384	1,398,250	1,398,250	1,376,150	-1.58%
Other	572,890	596,431	613,350	583,150	587,900	-4.15%
Total	\$8,740,886	\$9,518,088	\$8,973,040	\$9,266,500	\$9,255,650	3.15%

Licenses, fees and permits are about 8% of the City’s total projected revenue for FY 15-16 and provide more than 25% of the operating revenue in the Development Services and Transit Funds.



The primary revenue for this classification in the General Fund is from franchise fees and is the second largest single revenue source in that 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 14-15 results year-to-date are coming in about 1% less compared to FY 13-14 actual revenue, total franchise fees are currently estimated to increase again by 1% in FY 15-16, to be relatively flat with FY 13-14. This assumption is based on utility rate hikes barely offsetting 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 the lost revenues noted above.

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 is showing signs of recovery. Commercial activity has remained robust, explaining the higher than anticipated revenue 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 15-16 fees overall, which are expected to increase another 13% over Adopted FY 14-15 levels. The City’s population is projected to continue to grow between 0.5% and 1.2% per year. This trend 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. Due to the volatility of this revenue stream, 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. During FY 14-15, the Administrative Services Committee (one of three Council subcommittees) modified the TMF fee structure to balance the per-trip rate among the customer classes, thus this fee was budgeted to achieve at least \$495,000 in FY 15-16, with discussions continuing to take place about a second phase of TMF review which would raise the per-trip rate and generate even more much needed revenue for this resource challenged fund.

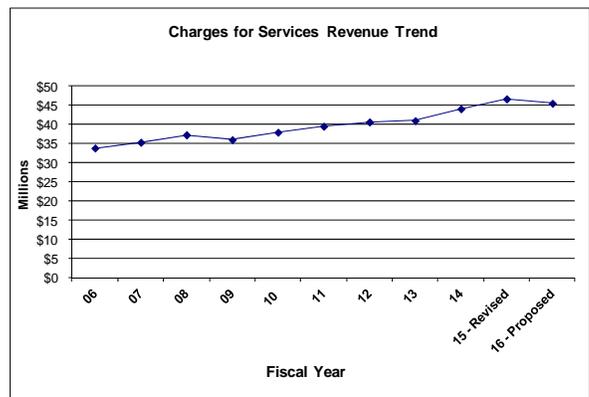
The Sustainability Initiative Fees (SIF) for Transit Operations (TOF), Urban Forest Management, and Sidewalk Maintenance, are also collected monthly via the City Services Bill. The TOF billing rate rises and falls annually based on gas prices. FY 15-16 is estimated to come in below FY 14-15 at \$1,071,240 since a 2.71% reduction came into effect in February 2015, due to average fuel prices continuing to drop from the prior year. This fees category represents a greater portion of Transit Fund revenues than charges for service, since bus rides are fareless.

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 and other rental fees.

CHARGES FOR SERVICE

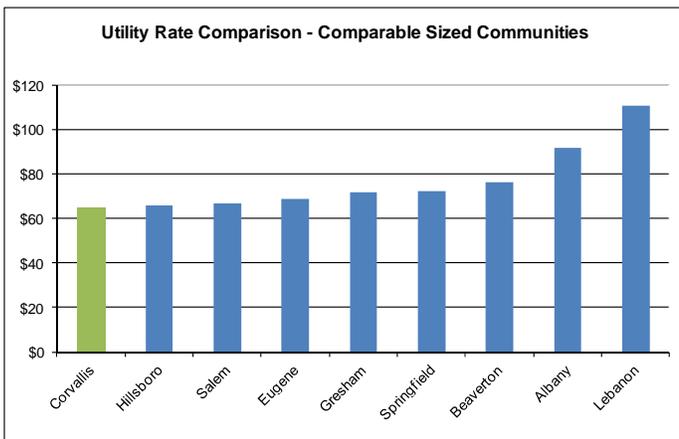
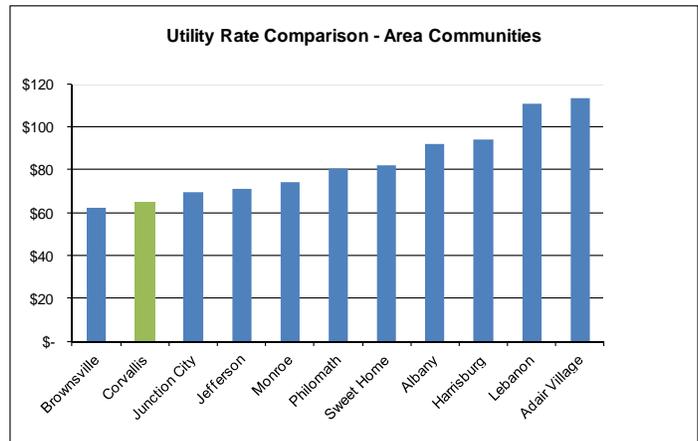
	FY 12-13	FY 13-14	FY 14-15	FY 14-15	FY 15-16	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 14-15
						Adopted
Utility Fees	\$19,554,020	\$19,743,354	\$19,928,490	\$20,724,180	\$21,075,720	5.76%
Systems Dev. Chgs	2,244,089	3,691,020	2,788,680	5,697,400	3,166,000	13.53%
Parks & Rec Fees	1,575,928	1,648,055	1,594,070	1,700,300	1,840,010	15.43%
Building Plan Review	2,006,957	2,408,474	1,651,120	1,598,620	1,841,620	11.54%
Contracted Fire Svc	1,186,621	1,172,320	1,250,530	1,250,530	1,200,000	-4.04%
Ambulance Fees	1,763,850	1,849,283	1,999,040	1,999,040	1,910,000	-4.45%
9-1-1 Cost Share	979,080	1,064,080	1,168,690	1,168,690	1,151,040	-1.51%
Internal Service Charges	7,751,870	8,284,670	8,485,020	8,485,020	9,262,670	9.16%
Other	3,996,492	4,281,679	4,095,460	4,099,810	4,132,730	0.91%
Total	\$41,058,907	\$44,142,935	\$42,961,100	\$46,723,590	\$45,579,790	6.10%

Charges for service revenues are nearly 38% of the City’s total projected revenue for FY 15-16, and are the largest classification of revenue for the organization as a whole. 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 for centralized support of all funds/departments (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. While no rate increases were implemented as of February 1, 2015, changes to the rate structure were implemented July 1, 2014 as a result of the Rate Review Study. The study's contracted consultant determined that consumption rates were relied on too heavily vs. the fixed rate which, once shifting of the rates was implemented, resulted in higher revenues by default for some customers, thus impacting overall metered revenues in the utility funds. The projected rate increases for the three utilities will again be reviewed in the fall with any actual increases put into place in February 2016. 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 second lowest rate and the lowest rate respectively). 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.



Corvallis rates remain competitive with both area communities and with other comparable sized Oregon-based utilities (Corvallis has the second lowest rate and the lowest rate respectively). 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 over the last several years since 2008. SDC's are currently expected to sharply decrease in FY 15-16 back to FY 13-14 levels, versus Revised FY 14-15 levels, which have seen an upward spike courtesy of development at OSU and a \$1 million site package for the Oak Creek Retreat. 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 15-16. Projects currently scheduled to use SDC funds should have sufficient balances available through the planning horizon, although at times may use all of its SDC balance for significant capital projects, and then commence rebuilding those restricted reserves.

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 and Recreation recurring 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. New to Parks and Recreation FY 15-16 projections is approximately \$220K associated with the operations of Majestic Theatre (e.g., admission, rental revenue, theatre education programming). In November 2014, City Council gave approval to the department to take over theatre operations for up to a two year period starting January 1, 2015, as a result of the Majestic Theatre Management, Inc. Board of Directors voting to terminate its contract with the City effective December 31, 2014. All Parks and Recreation rates will continue to be reviewed annually and adjusted as necessary to meet Council Financial Policy goals, including to the various tiers of the department's model for cost recovery.

Building Plan Review fees are projected to increase by almost 12% in FY 15-16 over the Adopted FY 14-15 projection based primarily on the trend seen in recent years. 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 be robust in FY 15-16 along with improved residential construction and renovation through the next fiscal year.

Fire Service provided under contract to the Corvallis Rural Fire Protection District (CRFPD) and Ambulance revenues are both anticipated to decline slightly in FY 15-16 over Adopted FY 14-15 levels. Ambulance revenue is predicated on a combination of increased calls for service and successful collection efforts, more than offset by reductions in Medicare/Medicaid reimbursement and a greater number of mandatory write-offs. Receipts and collections related to ambulance services have continued to fare well so far this fiscal year, with a reorganization of Finance Department staffing around this work, and these improvements are expected to continue in FY 15-16. However, the uncertainty around Medicare/Medicaid typically offsets any optimism towards revenue growth. A one year agreement with CRFPD was signed for a flat \$1.2 million in FY 15-16, and negotiations are underway for a subsequent contract renewal. Projections in future years for both of these revenue streams 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 in total by just over 4% in FY 15-16, but based on variation in proportionate calls for service compared to the other user group members, Corvallis Police and Fire Departments will experience almost a 4% decrease and 12% increase in their respective cost shares. The remainder of the charge is born by 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 a 5-year firm expenditure limit averaging model combined with a dedicated revenue average percentage growth assumption. Once determined, these costs are then allocated to operating departments using drivers specific to the service area. Internal service charges are projected to increase less than 3% based on the dedicated revenue assumption, in all but the Risk Management Fund, which increases by about 33%, based primarily on a projected increase of 30% for general and auto liability premiums from FY 14-15 to FY 15-16.

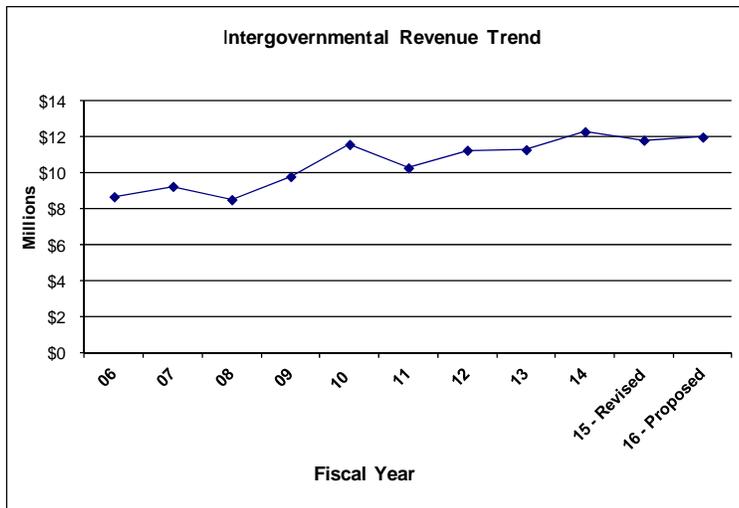
Other charges for service, while large as a total revenue, is relatively small as individual revenue line items, and include FireMed memberships, gasoline sales, parking meters, burglar alarm response fees, airport hangar rentals, indirect payments from the Associated Students of Oregon State University (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. While other charges for service are expected to be relatively flat, the significant increases in the development-related revenues are partly offset by decreases associated with Fire and 9-1-1, creating a net projected increase of just over 6% in total charges for service.

INTERGOVERNMENTAL

	FY 12-13	FY 13-14	FY 14-15	FY 14-15	FY 15-16	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 14-15
						Adopted
State Revenue Sharing	\$1,328,755	\$1,384,888	\$1,357,740	\$1,419,670	\$1,448,600	6.69%
Highway Tax	2,998,312	3,155,291	3,387,590	3,452,810	3,344,140	-1.28%
Transit Grants	1,836,659	2,557,699	1,897,950	1,897,950	1,570,840	-17.23%
Housing Grants	1,022,346	1,252,848	2,439,140	1,214,130	1,585,320	-35.00%
Library Svc. District	2,390,800	2,287,000	2,477,980	2,533,000	2,622,730	5.84%
Capital Projects	400,332	1,350,812	2,578,000	2,024,010	2,764,010	7.22%
9-1-1 State Taxes	525,787	517,310	510,450	510,450	527,020	3.25%
Other	1,209,406	1,152,003	810,060	809,130	911,610	12.54%
Total	\$11,712,397	\$13,657,851	\$15,458,910	\$13,861,150	\$14,774,270	-4.43%

Intergovernmental revenues are projected to be 12% of the City's total revenues for FY 15-16. In each of the Street, 9-1-1, Community Development Revolving and Transit Funds' Adopted 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 15-16 for projects not expected to be completed this fiscal year. An overall decline is also anticipated in FY 15-16 relative to Adopted FY 14-15 due primarily to a projected decrease in bus

purchases (and related grants) as well as lower Housing grant availability.

The General Fund receives state revenue sharing, cigarette, and alcohol tax revenues from the State totaling roughly \$1.4 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. In FY 14-15 so far, actual revenue is exceeding budget and anticipated to exit the fiscal year approximately \$62,000 more than adopted. Statewide receipts from state revenue sharing and alcohol tax revenue in FY 15-16 are forecast to increase by just over 2% compared with Revised FY 14-15 projections, based on League of Oregon Cities (LOC) estimates which use 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 decreasing demand. For FY 15-16 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 currently projected to decrease by 1% in FY 15-16 from Adopted FY 14-15 levels. Revenue from this source has flattened or declined due to lower prices of gasoline and increased use of alternative fuel and modes of transportation. The full ramifications on Oregon local government budgets from the eventual [projected exhaustion of Federal Highway tax funds](#) is not fully known; however, the State has suggested that with a potential \$150 million per year hit to its spending, this is bound to impact the 25-30% of Federal Funding that flows to local governments through the State. Until more is known, revenue projections through the next several years remain relatively flat for this revenue source.

The Transit Fund anticipates no bus purchases in FY 15-16 and thus no capital grants. Conversely, capital grants totaled over \$1 million for the replacement of two buses and a vehicle information system in the latter half of FY 13-14; \$340K is also anticipated for a replacement bus in FY 14-15. The Federal Operating Grant is expected to decrease slightly in FY 15-16 from the prior year due to Benton County taking over operation of the Adair 99 Express route. The deteriorating Federal Highway Trust Fund noted above is also expected to have a negative impact on monies available to local government transit programs.

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 (HUD) 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 less certain. This challenging situation is further complicated by requirements related to revolving program income generated by loan repayments, which must be used before any new Federal funds may be drawn down. Projections for FY 15-16 already include carry-over revenues for major projects that may not be completed in FY 14-15.

The Benton County Library Service District 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 typically has a different growth rate in assessed value compared with the City's permanent rate. FY 14-15 revised projections are expected to come in \$55,000 higher than adopted due to improved AV. For FY 15-16 the greater AV is expected to result in a further increase of about 6% from Adopted FY 14-15 levels. In future years a return to an average 3.0% as seen historically is anticipated. Additional revenue comes to the Library Service District from forest harvesting, which is heavily dependent on federal legislation.

The Capital Construction Fund 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. Although total capital project expenditure volume is currently anticipated to significantly decrease in the governmental Capital Construction Fund for FY 15-16, including carryovers of projects initiated in FY 14-15, associated grant revenues are projected to increase by less than 0.5%. The Airport Fund sporadically receives grant monies for airport improvements, primarily from the Federal Aviation Administration, with approximately \$505,930 anticipated for FY 15-16. 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 15-16 are expected to come in 3% more than Adopted FY 14-15, based on historical and future per capita estimates obtained from Portland State University. Oregon Emergency Management (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, 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 be some upside potential with the passage of HB4055 in February 2014. This bill began collection of 9-1-1 taxes for non-contract "throw-away" cell phones in January 2015 with first revenue receipts expected in April 2015. 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.

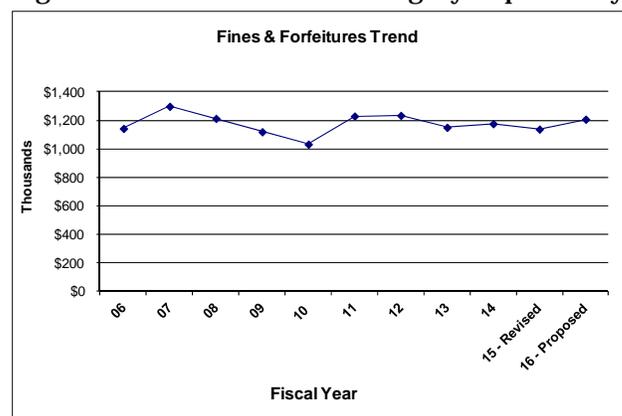
Other grants and intergovernmental revenues are primarily for special projects. As with capital projects, grant opportunities tend to change from year-to-year based on how well City programs match with granting agency goals. The Fire Department, for example, has been moderately successful over the years in securing some grants for equipment replacement and in FY 15-16 for station seismic improvements. 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 12-13 Audited	FY 13-14 Audited	FY 14-15 Adopted	FY 14-15 Revised	FY 15-16 Proposed	% Chg from FY 14-15 Adopted
Traffic and Criminal	\$539,848	\$606,547	\$625,000	\$600,000	\$625,000	0.00%
Parking	462,793	417,016	860,400	402,000	437,000	-49.21%
Other	148,380	153,078	136,260	136,260	145,760	6.97%
Total	\$1,151,021	\$1,176,641	\$1,621,660	\$1,138,260	\$1,207,760	-25.52%

Fines and forfeitures are 1% of the City's total projected revenue for FY 15-16. 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 15-16 Proposed assumes a flat budget against FY 14-15 predicated on full staffing in both Police and Municipal Court, and full year use of a new e-ticketing software.



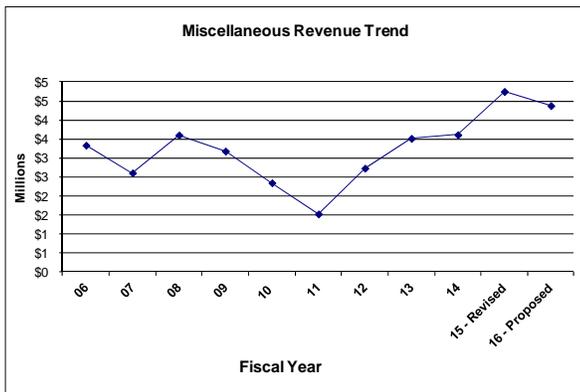
Parking fine revenue is recorded in the Parking Fund and has seen a decline since FY 12-13, when significant collection efforts helped bolster this fund's bottom line. In recent years, a combination of enforcement vacancies and the learning curve of new technology have served to decrease revenues. A Residential Parking District (RPD) program enhancement did not pass voter approval in November 2014, so FY 14-15 revenue has been revised down from adopted by approximately 58% and is expected to stay relatively flat for FY 15-16.

Other fines include General Fund revenue for fines, lost books, and penalty fees, which has begun to stabilize at just over \$100,000 as there are fewer late and lost books, partly due to the 50% fine rate increase implemented in FY 12-13, as well as more e-materials which are auto-returned. Other revenue for fines has maintained adopted levels on a revised basis for FY 14-15. Future year projections are anticipated to remain relatively low and stable, since at this juncture no new, sizeable asset forfeiture cases are known.

MISCELLANEOUS

	FY 12-13	FY 13-14	FY 14-15	FY 14-15	FY 15-16	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 14-15
						Adopted
Interest Earnings	\$296,533	\$334,726	\$341,140	\$390,690	\$467,760	37.12%
Energy Tax Credits	1,106,421	0	0	0	0	0.00%
Loan repayments	414,077	1,081,412	556,860	101,760	340,820	-38.80%
Timber Sales	536,332	0	655,000	830,470	676,250	3.24%
OSU CIP Project-Share	0	684,797	1,928,000	1,928,000	0	-100.00%
Other	1,164,839	1,512,513	2,065,770	1,499,080	2,895,430	40.16%
Total	\$3,518,202	\$3,613,448	\$5,546,770	\$4,750,000	\$4,380,260	-21.03%

Miscellaneous revenues are 3.6% of the City's total projected revenue for FY 15-16 and are not currently a 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 reflect the current low market rates for governmental investments. Earnings are allocated based on each fund's proportion of the average cash balance. FY 14-15 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 0.50%). Similarly, in FY 15-16 an even larger increase is anticipated based on higher fund balances from an increased operating levy and some sizeable SDC receipts combined with some strategic

laddering of the City's very low risk portfolio to obtain some additional gain through permitted longer maturities. For FY 16-17 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 addition to the \$63,980 in charges for service that ASOSU will pay the City for the Beaver Bus service in FY 15-16, OSU will also make a \$172,820 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 15-16 the amount to be received is \$23,220. FY 15-16 is also seeing an increase due to Parks and Recreation anticipating \$1.7 million in donations and contributions for capital projects scheduled, so as to not impact the operating budget.

NON-OPERATING REVENUE

	FY 12-13	FY 13-14	FY 14-15	FY 14-15	FY 15-16	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 14-15
						Adopted
Transfers In - 2011 Op Levy	\$1,809,961	\$1,842,322	\$0	\$0	\$0	0.00%
Transfers In - POB	2,491,610	2,601,690	2,720,030	2,720,030	2,845,930	4.63%
Transfers In - Gen Fund Consol.	0	5,965,392	0	0	0	0.00%
Debt Issuance Proceeds	12,369,035	0	3,501,500	4,077,000	0	-100.00%
Inter-Agency Pass Throughs	786,694	618,751	790,130	1,215,130	1,239,430	56.86%
CIP & Other Transfers In	3,407,495	5,357,852	16,238,820	9,073,470	13,628,490	-16.07%
Total	\$20,864,795	\$16,386,007	\$23,250,480	\$17,085,630	\$17,713,850	-23.81%

Non-Operating revenue is over 14% of total projected revenue and is not considered to be a major revenue source for any operating funds. 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. The increase in FY 14-15 over FY 13-14 is due to a much higher level of total capital project expenditures, of which a significant portion is being carried forward to FY 15-16 or future years, (related to the street and utility funds).
- ◇ 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 was anticipated for FY 14-15, but was increased in FY 14-15 Revised based on actual needs as obtained through the related full faith and credit obligations in September 2014.
 - Inter-Agency pass through receipts must be budgeted per State Law, even though they do not “belong” to the City, and are appropriated and paid out regularly and in full 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. An increase in multi-family housing units has resulted in greater construction excise taxes and state permit surcharges, which necessitated an increase in FY 14-15 revised pass-throughs via a supplemental budget. Construction expansion is expected to continue through FY 15-16, which is reflected in the proposed pass-through budget.

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 15-16 budget.

FY 15-16 PROPOSED OPERATING BUDGET BY FUND AND DEPARTMENT

DEPARTMENTS

Fund	CMO	CD	Finance	Fire	Library	Parks & Rec	Police	Public Works	Non-Dept	Total
General	\$301,700	\$1,551,320	\$678,050	\$11,392,420	\$6,349,950	\$7,026,930	\$11,864,850	\$852,630	\$817,140	\$40,834,990
Street		20,570						4,453,300		4,473,870
911 Emerg.							2,301,230			2,301,230
Devel. Svcs		3,514,450								3,514,450
CD Revolving		2,103,780								2,103,780
Parking		3,990	193,990				288,700	284,890		771,570
Transit								3,289,710		3,289,710
Pension Ob.									1,350	1,350
Water		54,810						9,006,390		9,061,200
Wastewater		52,880						7,935,260		7,988,140
Storm Water		53,830						2,375,570		2,429,400
Airport								397,620		397,620
Fleet Maint.								859,480		859,480
Facility Maint								847,020		847,020
Tech & Com.			1,682,500					238,980		1,921,480
Admin Svcs.	2,359,880		2,748,790							5,108,670
Risk Mgmt	356,520		994,760							1,351,280
Total	\$3,018,100	\$7,355,630	\$6,298,090	\$11,392,420	\$6,349,950	\$7,026,930	\$14,454,780	\$30,540,850	\$818,490	\$87,255,240

Each department expenditure budget is categorized by classification. Personnel services include all wages and benefits for department staff. Materials and services include items such as basic office supplies, contractual services, utility payments, memberships in professional organizations, and training costs. Capital outlay records acquisition of assets (such as vehicles or equipment) if 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 15-16 budget, as well as a budget breakdown by classification and comparisons to prior years, is in each Department's section of the Budget Document.

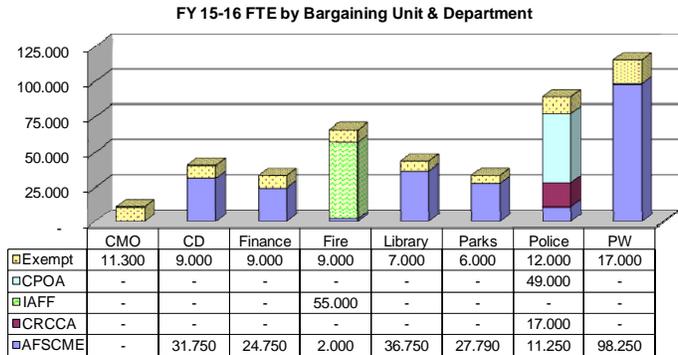
FY 15-16 PROPOSED OPERATING BUDGET BY DEPARTMENT BY CLASSIFICATION

	Personnel Services	% of Dept Budget	Materials & Services	% of Dept Budget	Capital Outlay	% of Dept Budget	Total
City Manager's Office	\$1,430,740	47.41%	\$1,587,360	52.59%	\$0	0.00%	\$3,018,100
Community Development	4,363,890	59.33%	2,965,740	40.32%	26,000	0.35%	7,355,630
Finance	3,471,320	55.12%	2,771,770	44.01%	55,000	0.87%	6,298,090
Fire	8,706,510	76.42%	2,353,670	20.66%	332,240	2.92%	11,392,420
Library	4,209,030	66.28%	2,140,920	33.72%	0	0.00%	6,349,950
Parks & Recreation	4,129,140	58.76%	2,872,790	40.88%	25,000	0.36%	7,026,930
Police	10,637,970	73.59%	3,670,410	25.39%	146,400	1.01%	14,454,780
Public Works	11,510,250	37.69%	17,745,910	58.11%	1,284,690	4.21%	30,540,850
Non-Departmental	0	0.00%	818,490	100.00%	0	0.00%	818,490
Total	\$48,458,850	55.54%	\$36,927,060	42.32%	\$1,869,330	2.14%	\$87,255,240

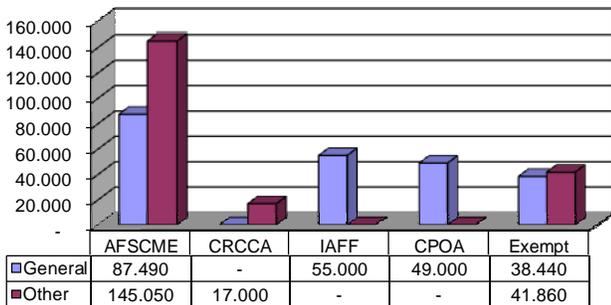
PERSONNEL SERVICES

	FY 12-13 Audited	FY 13-14 Audited	FY 14-15 Adopted	FY 14-15 Revised	FY 15-16 Proposed	% Chg from FY 14-15 Adopted
Salaries	\$29,870,473	\$29,718,960	\$31,207,180	\$30,817,820	\$32,046,540	2.69%
Pension (OPERS) Benefits	3,699,219	3,633,559	3,834,040	3,830,670	4,996,500	30.32%
Health Benefits	7,245,041	7,382,263	8,434,880	8,360,560	7,272,630	-13.78%
Other Benefits	3,703,176	3,674,022	4,192,490	4,187,300	4,143,180	-1.18%
Total	\$44,517,909	\$44,408,804	\$47,668,590	\$47,196,350	\$48,458,850	1.66%
City FTE	428.395	426.065	436.090	436.090	433.840	-0.52%

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. Personnel Services are about 56% of the City's operating budget; in some cases these costs are over 75% of a particular department's budget.



FY 15-16 General Fund FTE vs. Other Funds' FTE by Bargaining Unit

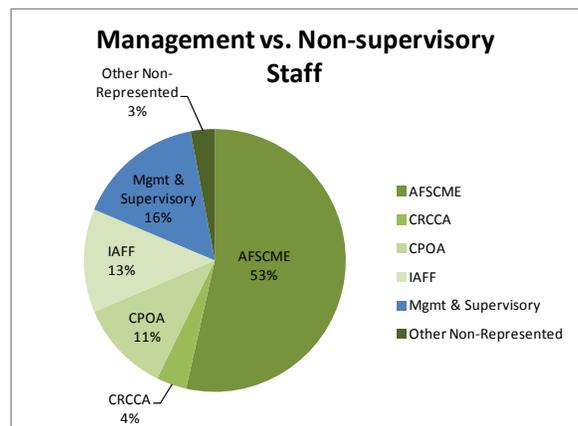


Salaries and Wages – Total compensation levels are governed by the City Council's Financial and Compensation Policies and negotiated agreements with bargaining units. Salaries are budgeted at the current pay level, and step increases of approximately 5% are projected based on each employee's annual review 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) for sworn Police personnel; the Corvallis Regional Communications Center Association (CRCCA) for 9-1-1 dispatch staff; and the International Association of Fire Fighters (IAFF). Non-represented employees, primarily overtime-exempt management staff, do not have a labor agreement.

Cost-of-living-adjustments (COLAs) and increased costs for benefits must fit within a department's firm expenditure limit in the General Fund. If a COLA has been agreed upon in a bargaining unit contract, 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 unfunding authorized positions (i.e. leave them vacant for all or part of a year) or lead to eventual reductions in force in order to meet contractual requirements.

STAFFING LEVELS

	1995-1996	2000-2001	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	% Chg
	Actual	Actual	Actual	Adopted	Adopted	Adopted	Proposed	from 14-15 Adopted
City Manager's Office	9.750	9.500	9.750	10.800	10.800	11.300	11.300	0.00%
Community Development	27.500	31.500	38.250	37.250	37.250	41.750	40.750	-2.40%
Finance	29.000	37.750	34.750	31.750	31.750	32.750	33.750	3.05%
Fire	59.500	69.000	69.000	66.000	66.000	66.000	66.000	0.00%
Library	42.420	46.270	45.375	42.750	42.125	43.750	43.750	0.00%
Parks & Recreation	25.240	27.130	35.815	34.095	32.390	31.790	33.790	6.29%
Police	81.900	91.250	90.250	88.250	88.250	92.250	89.250	-3.25%
Public Works	104.660	113.850	118.125	117.500	117.500	116.500	115.250	-1.07%
Total	379.970	426.250	441.315	428.395	426.065	436.090	433.840	-0.52%
Population *	49,275	51,040	55,055	55,345	56,535	57,670	58,820	1.99%
FTE per 1,000 Population	7.711	8.351	8.016	7.740	7.536	7.562	7.376	-2.46%

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

In FY 15-16 a total of 433.84 Full Time Equivalent (FTE) positions are proposed to be authorized. This is 2.25 FTE less than the Adopted FY 14-15 staffing level, and does not include the 2.0 FTE possible enhancement referenced by the City Manager in the proposed budget message. The nature of the changes in staffing for each department are identified in the FTE Changes Table, and a historical overview of FTE & Personnel Services spending by Fund are located in the Appendices of this budget document. 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 most do not receive healthcare or other City paid benefits (unless they qualify under the Affordable Care Act (ACA) as noted on page 43). 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.

PROPOSED FY 15-16 FTE AND PERSONNEL SERVICE BUDGET BY DEPARTMENT/FUND

Fund	CMO		CD		Finance		Fire		Library		Parks & Rec		Police		Public Works		Total	
General	\$228,910	2,000	\$1,109,440	9,680	\$314,840	3,250	\$8,706,510	66,000	\$4,209,030	43,750	\$4,129,140	33,790	\$8,497,770	67,400	\$354,680	3,360	\$27,550,320	229,230
Street			18,930	0.140											1,829,950	17,242	1,848,880	17,382
911 Emerg.													1,897,820	18,850			1,897,820	18,850
Devel. Svcs			2,639,350	25,250													2,639,350	25,250
CD Revolving			445,310	4,340													445,310	4,340
Parking			3,710	0.020	117,700	1,250							242,380	3,000	157,230	1,600	521,020	5,870
Transit															359,980	3,710	359,980	3,710
Capital Constr. (1)															662,660	5,600	662,660	5,600
Water (1)			49,050	0.440											3,603,300	32,018	3,652,350	32,458
Wastewater (1)			49,050	0.440											3,570,060	32,000	3,619,110	32,440
Storm Water (1)			49,050	0.440											1,391,260	11,408	1,440,310	11,848
Airport (1)															246,240	1,550	246,240	1,550
Fleet Maint.															210,970	2,200	210,970	2,200
Facility Maint															443,810	4,112	443,810	4,112
Tech & Com.					1,238,870	11,000									47,950	0,450	1,286,820	11,450
Admin Svcs.	1,201,830	9,300			1,799,910	18,250											3,001,740	27,550
Total	\$1,430,740	11,300	\$4,363,890	40,750	\$3,471,320	33,750	\$8,706,510	66,000	\$4,209,030	43,750	\$4,129,140	33,790	\$10,637,970	89,250	\$12,878,090	115,250	\$49,826,690	433,840

(1) Non-operating construction fund personnel services included in this table, so total budget does not tie to tables on pages 39 & 40.

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 15-16, the City estimates it will use nearly 40 FTE of volunteer hours in departments as per the table below.

Department	2010 Hours	2012 Hours	2013 Hours	2014 Hours	2015 Projected
City Manager's Office	1,193	2,089	3,020	2,870	2,500
Community Development	1,127	909	757	618	600
Finance	125	447	142	150	175
Fire	47,602	42,458	48,624	44,273	46,000
Library	15,364	16,075	13,860	14,825	15,800
Parks and Recreation	21,742	24,322	25,655	22,012	25,000
Police	5,060	5,779	5,660	4,100	5,000
Public Works	653	1,630	374	748	561
TOTAL VOLUNTEER HOURS	92,866	93,709	98,092	89,596	95,636

BENEFITS

Benefits are budgeted according to legal requirements and include the City's portion of Social Security, Medicare, State Pension costs (PERS), medical, dental, vision, life, and disability insurance. Overall, the benefits budget is .3% lower for FY 15-16 than in FY 14-15. Contributing factors include:

- ◇ The City's Oregon Public Employee Retirement System (OPERS) employer rates remained relatively stable over the past four fiscal years courtesy of Senate Bill 822. This effect, combined with good returns, and the City's side account from its Pension Obligation Bond (POB) pre-funding of its PERS liabilities, has resulted in 15-16 and 16-17 projected rates for the City actually decreasing in all categories except General Service PERS beneficiaries where rates are expected to be about 3.33 percentage points higher. This impact is largely due to the decreasing contributions by this aging employee base, as retirements in this category increase and new hires come on board under the OPSRP plan; this is certainly the case at the City, where less than 40% of the City's current costs are now spent on PERS-General Service, while about 72% of employees are in the non-public safety category. Despite this dampening effect, the most recently ratified contract with AFSCME has the City funding the 6% PERS pick-up for this group commencing in FY 15-16, as is done for all other City 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. This incremental funding for AFSCME explains the 30% increase in total PERS costs in FY 15-16 vs. FY 14-15 Adopted as seen 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 (nearly \$5 million, and more than 15% of budgeted wages, in FY 15-16). Rates are expected to increase again in July 2017; it is not clear at this time what the rate increase will be. If earnings continue to be good and any legislative changes favorable, the City may not see the full 6% projection used here, since that would be the maximum increase anticipated.

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	11.43%	5.54%	15.26%	9.65%
FY 17/18-FY 18/19*	17.43%	11.54%	21.26%	15.65%

* Projected rates are based on information received in October 2014 and assume full 6% collar

- ◇ Medical and vision benefits for FY 15-16 are budgeted to increase 5% against 2015 levels, while dental is budgeted to increase 3%. Although an increase in 2016 has been built in to all health plan costs, overall health benefit costs are expected to decline in FY 15-16 by approximately 14% due to AFSCME and non-represented staff moving to a new more affordable high deductible health plan.
 - IAFF is also moving to the Exempt/AFSCME health plan in 2016, as per its new contract approved by Council on April 6, 2015; however ratification occurred too late to build in these savings (which will serve to help offset wage increases from the agreed upon COLA), so 2015 plan costs were used for budget purposes;
 - CRCCA has not finalized its contract as of the date of this Proposed budget, so the dispatchers' benefits budget is also premised on 2015 plans and premiums;
 - CPOA remains under its contract at a lower cost Teamster's composite plan;
 - The ACA now requires that certain part-time casual employees, who would not otherwise qualify under policy for City-paid healthcare, must receive employer paid benefits under specified circumstances (generally if working more than 30 hours per week over a continuous and certain number of months). None of the City's current casual employees are eligible for, or have elected, this benefit; as such, no budget has been included for FY 15-16 in this regard.

MATERIALS AND SERVICES

	FY 12-13	FY 13-14	FY 14-15	FY 14-15	FY 15-16	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 14-15
						Adopted
Total	\$29,019,699	\$28,984,945	\$34,935,270	\$33,413,530	\$36,927,060	5.70%

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 like custodial, audit, recreation programming, and strategic/master planning;
- ◇ 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 replacements (which do not meet the \$10,000 threshold or other capital asset guidelines), as well as 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 15-16 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 premiums have increased by around 30% in FY 15-16 based on updated asset valuations conducted in FY 14-15; costs in this category have also risen due to recent large claims (e.g. water line breaks); only so much containment of these higher premiums can be managed through higher deductibles and self-insurance without leaving the City 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, often with grant and incentive funding where available, to help offset these costs.
- ◇ Chemical and asphalt prices are volatile and have been high in recent years. With fuel prices at lower levels in recent months, this has provided some relief for the latter, but depending on purchase timing and inventory related to paving materials, higher costs can effectively reduce the amount of street improvements and street maintenance that can be accomplished with available revenues.
- ◇ Special projects which are typically sizeable contractual service (or can be capital outlay as explained in the next section) are planned for in advance and identified by year in each department. The most substantial projects are budgeted by Public Works in the utility (Water, Wastewater and Storm Water) and Street Funds, as well as by Parks & Recreation in the General Fund, to meet operations and maintenance needs of City facilities and infrastructure systems. Other special projects may be based on Council Goals or specific work projects (i.e., one-time or periodic items of significant cost related to strategic plans or equipment replacement and technology upgrade schedules).

CAPITAL OUTLAY

	FY 12-13	FY 13-14	FY 14-15	FY 14-15	FY 15-16	% Chg from FY 14-15
	Audited	Audited	Adopted	Revised	Proposed	Adopted
Vehicle Purchases	\$1,454,745	\$1,085,912	\$2,129,900	\$1,486,680	\$1,649,200	-22.57%
Other	397,790	2,134,582	220,800	210,800	220,130	-0.30%
Total	\$1,852,535	\$3,220,494	\$2,350,700	\$1,697,480	\$1,869,330	-20.48%

The category of Capital Outlay is used to record all purchases of tangible (physical) assets which exceed \$10,000 and intangible (software) assets which exceed \$100,000, and have a certain measureable useful life. 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 and 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 low (when compared to other vehicles) or the fleet replacement schedule is balanced to where an annual contribution to reserves would roughly equal the annual purchase.

In FY 15-16, major capital purchases include two TYMCO street sweepers for Street and Storm Water purposes and one Navistar International truck for Wastewater. However, as in the past two years, many departments have made a concerted effort to defer capital purchases, and vehicles in particular, as a cost-saving measure. This creates its own fiscal challenge, as eventually maintenance costs may outweigh the short-term benefits of this deferral.



Photo of a Public Works Sweeper and Backhoe

On the following page 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*	Average replacement value	Average life cycle (yrs)	Reserve/Grant Funding?
Community Development				
Staff cars (i.e., Inspections/Housing)	17	\$25,000	10	No
Finance				
Utility Billing pick-up trucks	2	\$17,500	10	Yes
Fire				
Engines/Tenders/Rigs	10	\$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)	11	\$25,000	10	No
Library				
Cargo-courier van	2	\$50,000	10	Yes
Staff car	1	\$20,000	10	Yes
Parks & Recreation				
Trucks	18	\$25,000-\$45,000	10	Yes
Mowers/Tractors	15	\$10,000-\$70,000	10-31	Yes
Passenger vehicles/Vans	1	\$25,000	10	Yes
Police				
Patrol/K9/Sergeant/LT vehicles	21	\$38,000 - \$45,000	5	Yes
Motorcycles	2	\$26,000	5	Yes
Detective vehicles	7	\$22,000	8	Yes
Staff/Admin/Evidence cars	2	\$22,000	10	Yes
Parking Enforcement Scooter	6	\$25,000	10	Yes
Public Works				
Excavator TRK	1	\$320,000	12	
Street Patch Truck	1	\$160,000	12	
Dump trucks/Specialty vehicles	22	\$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	14	\$385,000	12	Yes
	217			

* 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 12-13	FY 13-14	FY 14-15	FY 14-15	FY 15-16	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 14-15
						Adopted
Water	\$554,096	\$988,517	\$1,659,450	\$745,200	\$1,081,900	-34.80%
Wastewater	546,320	900,288	9,653,590	4,867,590	6,465,890	-33.02%
Storm Water	280,772	740,134	437,500	422,500	671,320	53.44%
Airport	506	25,038	112,850	99,110	701,150	521.31%
Street	857,887	1,538,861	4,521,570	3,894,740	1,843,400	-59.23%
Parks	513,552	671,181	2,560,700	1,571,020	4,514,500	76.30%
Other Capital Projects	1,070,041	850,716	4,742,730	5,173,810	1,575,250	-66.79%
Total	\$3,823,174	\$5,714,735	\$23,688,390	\$16,773,970	\$16,853,410	-28.85%

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

The CIP budget reflects a nearly 29% decrease from FY 14-15. Major projects planned for FY 15-16 include:

- ◇ FAA grant funded construction at the Municipal Airport of the cargo apron/road paving project (designed in FY 14-15) to provide better access for ground vehicles, plus redirection of taxiways and airport parking;
- ◇ Re-roofing of the Library and Municipal Court buildings with remaining bond proceeds from the Fire Drill Tower construction project, as contemplated under the issuance;
- ◇ Completion of two new secondary clarifiers and commencement of design on two new primary clarifiers for the Wastewater Reclamation Plant; and
- ◇ ODOT grant funded replacement of the Morris Avenue Bridge over Oak Creek near 26th Street due to significant structural deficiencies.

For more information on the Capital Budget, see page 171 of the Proposed FY 15-16 Budget Document, or the 2015-2019 Capital Improvement Program, available at the Corvallis-Benton County Public Library and online at <http://corvallisoregon.gov/>.



Capital projects often serve to replace, enhance, or add to existing infrastructure systems. For context, the table below 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	\$4,525,400
Madison Avenue Building	500 SW Madison	Finance	7,423	1,317,360
Municipal Court Building ⁽³⁾	560 SW Madison	Finance	3,596	708,570
City Hall Annex	6th & Madison	Finance-MIS	1,242	327,080
Corvallis Library	645 NW Monroe	Library	77,721	25,421,570
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	6,700	479,000
Fenner Building	119 to 123 NW 7th Street	Library	5,324	700,000
Fire Stations - 6 / 2 community centers ⁽³⁾	Various	Fire	49,192	12,910,860
Fire Drill Tower ⁽⁸⁾	Waterworks S/NE 2nd St	Fire	1,872	51,170
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	100,200
Osborn Aquatic Center ⁽³⁾	1940 NW Highland	Parks & Rec	40,347	220,000
Chintimini Senior Center	2601 NW Tyler	Parks & Rec	10,955	2,376,580
Avery Park Buildings	1320 SW Avery Park Dr	Parks & Rec	15,348	2,350,920
Avery Pk Caretaker House	1330 SW Avery Park Dr	Parks & Rec	1,556	244,220
Gaylord/Corl/Avery Houses	Various	Parks & Rec	6,762	976,110
Art Center ⁽⁴⁾	700 SW Madison Ave	Parks & Rec	6,530	632,450
Majestic Theater	115 SW 2nd St	Parks & Rec	14,775	4,198,030
Park Land ⁽²⁾⁽⁶⁾	Various	Parks & Rec	1,736 Acres	21,857,020
Park buildings ⁽⁵⁾	Various	Parks & Rec	15,193	5,709,870
Industrial Rental building/Berg Park	33900 SE Roche Rd	Parks & Rec	16,173	1,177,350
Transit Mall Restrm/Driver Lounge	Monroe & 5th Ave	Public Works	231	166,325
Public Works Admin Building	1245 NE Third St.	Public Works	56,822	8,736,950
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	9,694,088
Wastewater Treatment Plant	Corvallis	Public Works	31,792	75,156,160
Taylor Water Treatment Plant/Buildings	Corvallis	Public Works	22,678	36,084,770
Utility Systems - Water/Storm/Sewer ⁽¹⁾	Corvallis	Public Works	250/173/192 Miles ⁽⁷⁾	119,799,875
Street Infrastructure/Bridges/Traffic Signals ⁽¹⁾	Corvallis	Public Works	368.00 Lane Miles ⁽⁷⁾	111,798,281
Muni-Airport Building/T-Hangers/Rental	Airport Rd	Public Works	75,594	7,496,450

(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). Values listed indicate insured replacement value of contents, not actual building value.

(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 CAFR (decreases can be due to abandonment of old lines)

(8) This value represents the current, old Fire tower structure which will be replaced with the value of the newly constructed facility once commissioned.

Note: Source of building values-Barker Uerlings, 2015 Risk Assessment Building Inventory and has been significantly updated from the last valuation in 2014, as well as added improvements; therefore some values have changed a great deal from the prior report.

TRANSFERS & OTHER FINANCING USES

	FY 12-13	FY 13-14	FY 14-15	FY 14-15	FY 15-16	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 14-15
						Adopted
Transfers Out - POB	\$2,491,610	\$2,601,690	\$2,720,030	\$2,720,030	\$2,845,930	4.63%
Transfers Out - 2011 Op Levy	1,809,961	1,842,322	0	0	0	0.00%
Transfers Out - Gen Fund Consol	0	5,965,392	0	0	0	0.00%
Debt Refunding - Financing Uses	14,604,558	0	0	0	0	0.00%
Inter-Agency Pass Throughs	784,828	597,869	790,130	1,215,130	1,239,430	56.86%
CIP & Other Transfers out	3,330,298	5,286,227	16,238,820	9,073,470	13,628,490	-16.07%
Total	\$23,021,255	\$16,293,500	\$19,748,980	\$13,008,630	\$17,713,850	-10.30%

Transfers represent the movement of monies between funds within the City organization. Most of the budgeted transfers are to move current revenues from an operating fund, where the revenues are received, to a capital construction fund in order to restrict and account for the use of 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. Prior to consolidation of the General Fund, Operating Levy dollars were recorded in a separate fund and transferred into the respective operation fund. Commencing with FY 14-15, the newest operating levy is now booked as dedicated property tax revenue in the General Fund which aligns the revenues with the services they support for better transparency within the single fund. For an itemized list of budgeted transfers, see the Non-Operating Budget Section of the Proposed Budget Document starting on page 190.

Other Financing uses included in non-operating expenditures above are for: inter-agency pass-through payments required to be appropriated under Oregon Budget Law. These increased significantly in FY 14-15 revised, and are projected to stay higher in FY 15-16 based on the increased development that the City is experiencing which underpins the associated surcharges paid to the City for other governments.

DEBT SERVICE

	FY 12-13	FY 13-14	FY 14-15	FY 14-15	FY 15-16	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 14-15
						Adopted
General Fund	\$243,872	\$243,174	\$837,160	\$279,060	\$693,240	-17.19%
General Obligation Debt	\$1,040,800	\$1,067,250	\$1,102,200	\$1,102,200	\$1,136,400	3.10%
Development Services Loan	\$0	\$80,432	\$0	\$0	\$0	0.00%
Water	\$24,936	\$966,500	\$977,600	\$977,600	\$166,400	-82.98%
Wastewater	\$829,075	\$2,253,643	\$2,227,750	\$2,227,750	\$2,219,450	-0.37%
Airport	\$31,483	\$112,527	\$0	\$0	\$0	0.00%
Pension Obligations	\$2,490,248	\$2,600,330	\$2,718,680	\$2,718,680	\$2,844,590	4.63%
Total	\$4,660,414	\$7,323,856	\$7,863,390	\$7,305,290	\$7,060,080	-10.22%

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 in that year; subsequent years include the new debt service for this refunding. Repayment of an interfund loan to the Community Development Revolving Fund from the Development Services Fund is shown in FY 13-14. FY 14-15 Adopted projected repayment of an interfund loan from the Water SDC Fund to the General Fund which turned out to be unneeded. In FY 15-16, the increase from Revised FY 14-15 is due to repayment commencing on the 2014 Full Faith and Credit Obligations for the Fire Training Facility.

No new debt is currently contemplated for FY 15-16. The City tends to utilize a pay-as-you-go approach where feasible; however other new debt issuance may be pursued in the future if the need arises. 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 181 of the Proposed Budget Document.

CONTINGENCIES

	FY 12-13 Audited	FY 13-14 Audited	FY 14-15 Adopted	FY 14-15 Revised	FY 15-16 Proposed	% Chg from FY 14-15 Adopted
Total	\$0	\$0	\$1,748,370	\$0	\$1,758,250	0.57%

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.

Council Financial Policies dictate a General Fund budget for contingencies equal to 10% of the total target fund balance reserve amount. Thus, the General Fund financial plan currently carries a \$630,000 contingency allowance, with the FY 15-16 contribution to the fund balance reserve shown as reduced by this 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). Other fund contingency levels are also driven by Council Financial Policy.

ENDING FUND BALANCE

	FY 12-13 Audited	FY 13-14 Audited	FY 14-15 Adopted	FY 14-15 Revised	FY 15-16 Proposed	% Chg from FY 14-15 Adopted
Total	\$42,384,174	\$48,367,102	\$29,551,503	\$49,650,402	\$40,582,522	37.33%

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 reflects a target reserve for the General Fund of three months of payroll costs, which continues to be 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, once the FY 15-16 contribution is made, the Fund Balance Reserve is projected to total \$6.1 million, or almost 97% of the target. If the \$630,000 contingency amount is not used either this year or next, the reserve could achieve the targeted \$6.3 million by the end of FY 15-16.

Based on the Proposed FY 15-16 Budget, the General Fund is expected to end with a \$1,343,150 balance, of which approximately \$1,150,000 should be available for appropriation as outlined in the Budget Message. Approximately 75% of this higher balance is due to the 4.3% increase in assessed value for taxable properties exceeding the 3% projection assumed in the FY 14-15 Adopted Budget. The

remaining increase in ending fund balance is largely attributable to other revenues also coming in above projections, as the economy slowly improves. Budget Commission has been asked in the Budget Message to consider how best to employ these monies, given pent up demand in the form of deferred maintenance and other unmet needs identified by department staff, in addition to potential needs for work on the recently adopted 2015-2016 Council Goals. It should be noted that if the conservative revenue forecasts for either FY 14-15 or FY 15-16 do not come to fruition, or if departments are unable to achieve savings noted in the FY 14-15 revised expenditures, the full amount may not prove available.

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 15-16 with fund balances that are adequate to continue planned operations and services at their current levels, with the exception of the Community Development Revolving Fund, as explained in the Budget Message and elsewhere in this document. This fund, as well as several others, is being monitored more closely, due to reduced revenue streams which indicate current and future year fund balance challenges. The projected balance of monies held for reserves in all funds at the end of FY 15-16 based on the Adopted Budget projections are:

	<u>All Funds</u>	<u>General Fund</u>
Ending Fund Balance	\$40,582,522	\$9,243,030
Less:		
Restricted	\$20,105,094	\$571,965
Committed	\$1,343,132	\$1,029,707
Assigned	\$3,479,211	\$217,998
Fund Balance Reserve	\$6,080,209	\$6,080,209
	<hr/>	<hr/>
Balance Available for Appropriation	\$9,574,876	\$1,343,150

On page 192, 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, 2016. 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 proposes to budget in a total of twenty-one Funds in FY 15-16. The total quantity and type of Fund to track city operations, as well as the necessity for each, is regularly reviewed by staff in keeping with Governmental Accounting best practices of optimizing the number of Funds for transparent reporting to end users, and maintaining at least those required by law and sound financial administration, but also minimizing the number to reduce complexity, increase flexibility and improve efficiencies. No Funds are planned to be created or discontinued for FY 15-16. All but four of the City's 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 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 is facilitated by the 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 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 that is known is included; there is also a narrative regarding events that have changed in the budget from the previous financial plan, to check the impact on future assumptions.

The financial plans in the following pages incorporate the 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. They also show the beginning FY 14-15 fund and reserve balances based on audited FY 13-14 revenues and expenditures. In addition there are columns for FY 14-15 adopted and revised estimates of revenues and expenditures, as well as FY 15-16 proposed revenues and expenditures. Lastly are forecasted FY 16-17 through FY 19-20 revenues and expenditures, projected based on maintaining the currently proposed year's service levels and programs (including any reductions taken in prior years), as described throughout this document.

Since the financial plans are forward looking, the following table provides a two-year historical perspective on all funds combined, in comparison with FY 14-15 and FY 15-16 projections:

	FY 12-13 Audited	FY 13-14 Audited	FY 14-15 Adopted	FY 14-15 Revised	FY 15-16 Proposed	% Chg from FY 14-15 Adopted
Beg. Fund Balance	\$37,856,441	\$42,384,174	\$42,738,583	\$48,367,102	\$49,650,402	16.17%
Operating Revenue						
Property Taxes	22,980,336	22,009,265	25,577,050	26,372,150	27,149,540	6.15%
Other Taxes	1,396,192	1,424,997	1,427,600	1,481,270	1,511,830	5.90%
License, Fees, Permits	8,740,886	9,518,088	8,973,040	9,266,500	9,255,650	3.15%
Charges for Service	41,058,907	44,142,935	42,961,100	46,723,590	45,579,790	6.10%
Intergovernmental	11,712,397	13,657,851	15,458,910	13,861,150	14,774,270	-4.43%
Fines and Forfeitures	1,151,021	1,176,641	1,621,660	1,138,260	1,207,760	-25.52%
Miscellaneous	3,518,202	3,613,448	5,546,770	4,750,000	4,380,260	-21.03%
Total Operating Rev.	90,557,941	95,543,225	101,566,130	103,592,920	103,859,100	2.26%
Non-Operating Rev.	20,864,795	16,386,007	23,250,480	17,085,630	17,713,850	-23.81%
Total Revenue	111,422,736	111,929,232	124,816,610	120,678,550	121,572,950	-2.60%
Total Resources	\$149,279,177	\$154,313,406	\$167,555,193	\$169,045,652	\$171,223,352	2.19%
Operating Expenditures						
City Manager's Office	2,919,037	3,220,707	2,978,470	2,921,780	3,018,100	1.33%
Community Dev.	5,605,265	5,986,332	7,893,070	6,653,480	7,355,630	-6.81%
Finance Department	4,674,293	4,739,927	5,894,350	5,918,880	6,298,090	6.85%
Fire Department	10,175,170	10,441,729	11,397,090	11,347,090	11,392,420	-0.04%
Library	5,811,237	6,476,062	6,151,640	6,134,640	6,349,950	3.22%
Parks & Recreation	6,065,857	6,189,511	6,114,820	6,319,060	7,026,930	14.92%
Police	12,637,782	13,049,323	14,179,620	13,829,850	14,454,780	1.94%
Public Works	26,034,842	25,212,596	29,349,730	28,164,300	30,540,850	4.06%
Non-Departmental	1,466,677	1,298,030	995,770	1,018,280	818,490	-17.80%
Total Operating Budget	75,390,160	76,614,217	84,954,560	82,307,360	87,255,240	2.71%
Non-Operating Budget						
Capital Projects	3,823,175	5,714,730	23,688,390	16,773,970	16,853,410	-28.85%
Debt Service	4,660,414	7,323,856	7,863,390	7,305,290	7,060,080	-10.22%
Transfers	7,631,868	15,695,633	18,958,850	11,793,500	16,474,420	-13.10%
Other Non-Op Uses	15,389,386	597,869	790,130	1,215,130	1,239,430	56.86%
Contingencies	0	0	1,748,370	0	1,758,250	0.57%
Total Non-Op. Budget	31,504,843	29,332,088	53,049,130	37,087,890	43,385,590	-18.22%
Total Appropriated Budget	\$106,895,003	\$105,946,304	\$138,003,690	\$119,395,250	\$130,640,830	-5.34%
Ending Fund Balance	\$42,384,174	\$48,367,102	\$29,551,503	\$49,650,402	\$40,582,522	37.33%

FUND BALANCES AND RESERVES

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, other than for retirements noticed well in advance. 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. The City’s practice of not budgeting increases in wages or benefits unless known for certain has helped to somewhat mitigate this situation.
- 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 with needed scope increases, or less than originally estimated due to good bid and negotiation procurement practices.

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, other than in the General Fund, beginning balances of reserves are shown in total on a financial plan line titled “RESERVED BALANCES, Beginning of Year” 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 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 required 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 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 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.

As noted above, the General Fund financial plan, which utilizes the sustainable budget green-line model of financial planning, has a slightly different presentation where the beginning balance of reserves is not shown, but can be extrapolated from the prior year’s ending fund balance. Also, the reserve categories are pulled out in total at the bottom, but with the Fund Balance “Assigned” reserve described above on page 50 shown to facilitate Council and investor review.



GENERAL FUND

The General Fund accounts for all the financial resources of the City which are not accounted for in any other fund and includes services that are supported all, or in part, by property taxes.

GENERAL FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 14-15	REVISED FY 14-15	PROPOSED FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
RECURRING							
NON DEDICATED REVENUE							
Property Taxes - Permanent Rate	20,808,660	21,283,510	21,952,620	22,611,210	23,289,530	23,988,230	24,707,870
Local Op Levy 2013 - HP Replacement/Social Services Funding	706,340	773,920	794,440	818,270	842,820	868,100	0
Prior Year Delinquent Tax Revenue	438,280	452,000	452,290	452,290	452,290	452,290	452,290
Transient Room Tax	1,427,600	1,481,270	1,511,830	1,557,180	1,603,900	1,652,020	1,701,580
Franchise Fees	5,374,000	5,436,900	5,495,100	5,550,050	5,605,550	5,661,610	5,718,230
State Revenue Sharing	531,160	553,240	565,140	582,090	599,550	617,540	636,070
Alcohol/Cigarette Tax	826,580	866,430	883,460	905,550	928,190	951,390	975,170
Pass-Throughs	790,130	1,215,130	1,239,430	1,264,220	1,289,500	1,315,290	1,341,600
Miscellaneous Other Revenues	103,690	691,650	723,320	743,340	797,440	849,390	888,890
TOTAL NON-DEDICATED RECURRING REVENUE	\$31,006,440	\$32,754,050	\$33,617,630	\$34,484,200	\$35,408,770	\$36,355,860	\$36,421,700
DEDICATED REVENUE							
Property Tax - Local Option Levy	2,493,770	2,732,720	2,805,190	2,889,330	2,976,020	3,065,300	0
City Manager's Office	121,000	121,000	126,190	126,190	126,190	126,190	126,190
Community Development	117,590	114,590	119,590	124,840	130,350	136,140	142,220
Finance	625,200	200	200	200	200	200	200
Fire	3,618,080	3,618,080	3,626,590	3,680,170	3,734,550	3,789,750	3,845,770
Library	2,785,260	2,835,280	2,943,570	3,065,880	3,136,510	3,208,890	3,283,060
Parks & Recreation	1,730,190	1,730,190	1,769,270	1,823,450	1,879,660	1,937,990	1,998,560
Police	378,730	378,730	391,740	402,040	412,630	423,530	434,740
Public Works	0	3,730	1,000	1,000	1,000	1,000	1,000
TOTAL DEDICATED RECURRING REVENUE	\$11,869,820	\$11,534,820	\$11,783,340	\$12,113,100	\$12,397,110	\$12,688,990	\$9,831,740
TOTAL RECURRING REVENUE	\$42,876,260	\$44,288,870	\$45,400,970	\$46,597,300	\$47,805,880	\$49,044,850	\$46,253,440
EXPENDITURES							
City Manager's Office	293,300	293,300	303,020	321,460	330,490	338,460	316,270
Community Development	1,498,870	1,498,870	1,571,510	1,721,300	1,785,360	1,840,460	1,705,360
Finance	647,260	647,260	678,050	769,800	805,400	836,810	749,370
Fire	10,697,090	10,697,090	11,060,180	11,949,950	12,310,570	12,621,010	11,733,910
Library	6,068,140	6,051,140	6,334,450	6,388,990	6,458,350	6,507,030	6,494,450
Parks & Recreation	5,817,320	5,817,320	6,047,270	6,406,940	6,558,870	6,681,710	6,417,510
Police	11,123,210	11,123,210	11,665,580	12,997,795	13,552,350	14,038,340	12,746,380
Public Works	703,940	703,940	703,920	937,480	980,810	1,019,020	912,620
Non-Departmental	822,420	846,200	810,810	789,170	792,870	796,670	666,080
Debt Service	837,160	279,060	693,240	691,750	694,730	692,190	694,140
Pension Obligation Bond Debt - Transfers	1,931,790	1,931,790	2,036,810	2,138,650	2,245,580	2,357,860	2,475,750
Pass-Throughs	790,130	1,215,130	1,239,430	1,264,220	1,289,500	1,315,290	1,341,600
Contribution to Fund Balance Reserve/Contingencies	1,645,630	1,969,720	1,890,000	219,795	0	0	0
Contributions/Adjustments to Other Reserves	0	226,380	0	0	0	0	0
TOTAL RECURRING EXPENDITURES	\$42,876,260	\$43,300,410	\$45,034,270	\$46,597,300	\$47,805,880	\$49,044,850	\$46,253,440
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$0	\$988,160	\$366,700	\$0	\$0	\$0	\$0
POTENTIAL BEGINNING BUDGETARY FUND BALANCE							
Net Recurring Revenue/Expenditure	269,750	269,750	994,280	1,343,150	1,343,150	1,343,150	1,343,150
Net Non-Recurring Revenue/Expenditure	0	988,160	366,700	0	0	0	0
	(269,750)	(263,630)	(17,830)	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$0	\$994,280	\$1,343,150	\$1,343,150	\$1,343,150	\$1,343,150	\$1,343,150
Ending Reserve Balance by Type							
RESTRICTED	\$377,160	\$866,455	\$571,965	\$359,427	\$359,427	\$359,427	\$359,427
COMMITTED	1,018,258	\$1,124,507	1,029,707	1,029,707	1,029,707	1,029,707	1,029,707
ASSIGNED	448,875	\$676,518	217,998	217,998	217,998	217,998	217,998
FUND BALANCE	4,190,204	\$4,820,209	6,080,209	6,300,000	6,300,000	6,300,000	6,300,000
	\$6,034,498	\$7,467,690	\$7,899,880	\$7,907,133	\$7,907,133	\$7,907,133	\$7,907,133

SERVICE HIGHLIGHTS

All eight City departments have operations in the General Fund (details in Department Summaries):

City Manager's Office (Economic Development)	Library (all services)
Community Development (Planning)	Parks & Recreation (all services)
Finance (Municipal Court)	Police (Patrol, Traffic, Detectives, Crime Analysis, Evidence and Records)
Fire (all services)	Public Works (Franchises, Street Lights, Engineering & Sustainability)

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 15-16 over 55% 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 over 64%. 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 pension contributions, 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 been flat or declining in recent years, and are not expected to increase dramatically in the future. Issues related to these revenue streams are outlined in more detail in the 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 15-16, a total of \$360,000 is proposed to be budgeted to be paid to the United Way with respect to Social Service allocations. Of this amount, an estimated \$122,250 will be funded by the operating levy. Another \$453,550 will be provided to VisitCorvallis for tourism funding based on 30% of projected Transient Room tax revenues per State Law.

ENDING BUDGETARY FUND BALANCE

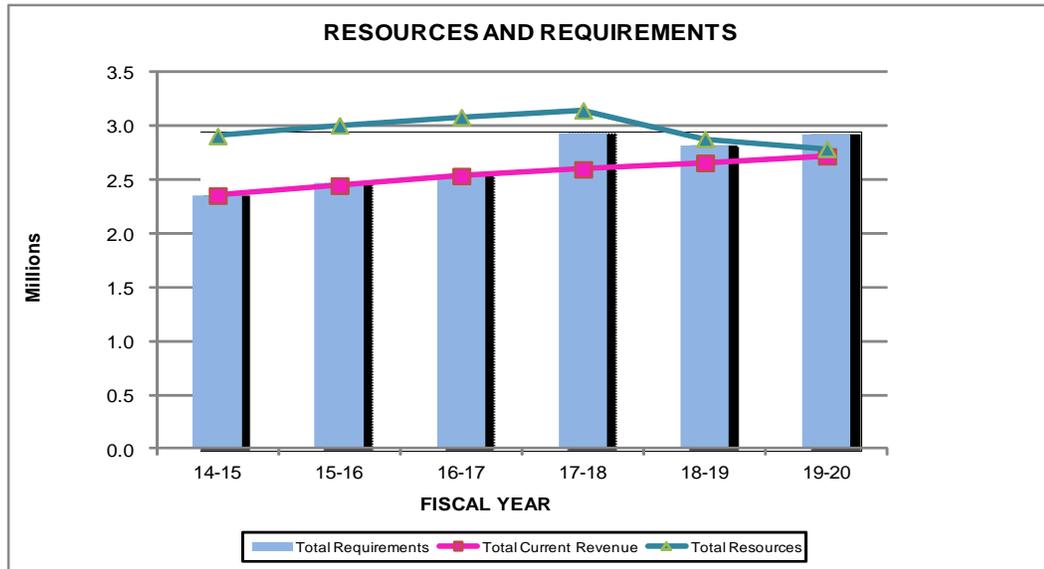
The General Fund is projected to end FY 15-16 with a policy compliant positive operating fund balance of \$1,343,150 based on department revised estimates for FY 14-15 and use of the firm expenditure limit model. Assuming the revenue and expenditure estimates are attained, the projected ending FY 15-16 Fund Balance Reserve is expected to be nearly \$6.1 million, representing nearly 97% of the targeted \$6.3 million. Staff and the City Council continue to work on increasing the fund balance reserve to policy levels and maintaining a sustainable balanced budget for General Fund departments and services.

SPECIAL REVENUE FUNDS

The special revenue funds in this section do not receive any permanent rate property tax monies.

9-1-1 EMERGENCY COMMUNICATIONS FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 14-15	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
BEGINNING BUDGETARY FUND BALANCE	\$208,543	\$248,525	\$284,755	\$252,825	\$232,475	\$158,905	\$68,845
REVENUES							
Charges for Service	\$1,168,890	\$1,168,890	\$1,151,240	\$1,216,670	\$1,253,160	\$1,290,750	\$1,329,470
Intergovernmental	1,178,690	1,178,690	1,288,330	1,311,130	1,334,610	1,358,800	1,383,710
Miscellaneous	2,560	2,560	3,170	3,680	6,040	3,590	1,560
TOTAL REVENUES	\$2,350,140	\$2,350,140	\$2,442,740	\$2,531,480	\$2,593,810	\$2,653,140	\$2,714,740
EXPENDITURES							
Police	\$2,254,870	\$2,244,870	\$2,301,230	\$2,422,010	\$2,802,070	\$2,685,120	\$2,782,220
Transfers Out	99,040	99,040	104,590	109,820	115,310	121,080	127,130
Contingencies	47,000	0	48,850	0	0	0	0
TOTAL EXPENDITURES	\$2,400,910	\$2,343,910	\$2,454,670	\$2,531,830	\$2,917,380	\$2,806,200	\$2,909,350
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$50,770)	\$6,230	(\$11,930)	(\$350)	(\$323,570)	(\$153,060)	(\$194,610)
RESERVED BALANCES, Beginning of Year	\$303,574	\$303,574	\$273,574	\$293,574	\$313,574	\$63,574	\$574
FUND BALANCE (Including Reserved), End of Year	\$461,347	\$558,329	\$546,399	\$546,049	\$222,479	\$69,419	(\$125,191)
LESS: RESERVED BALANCES ASSIGNED	\$263,574	\$273,574	\$293,574	\$313,574	\$63,574	\$574	\$0
ENDING BUDGETARY FUND BALANCE	\$197,773	\$284,755	\$252,825	\$232,475	\$158,905	\$68,845	(\$125,191)



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, Alesia, 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 financial feasibility study was completed in 2012 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. 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 15-16. The CRCCA union contract is currently in negotiations at the time of this proposed budget and no COLA increases have been included for the FY 15-16 budget. 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. Specific impacts to the Fund are unknown at this time, but 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 five-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.

COMMUNITY DEVELOPMENT REVOLVING FUND SUMMARY

BUDGETARY BASIS	AUDITED FY 12-13	AUDITED FY 13-14	ADOPTED FY 14-15	REVISED FY 14-15	PROPOSED FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
BEGINNING BUDGETARY FUND BALANCE	\$63,794	\$243	\$198,873	\$60,720	(\$298,520)	(\$388,170)	(\$502,090)	(\$616,450)	(\$731,360)
ADMINISTRATION / NON-FEDERAL ASSISTANCE									
Charges for Service	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Fines & Forfeitures	124	62	0	0	0	0	0	0	0
Miscellaneous	96,505	51,330	56,500	69,430	35,000	36,050	37,130	38,240	39,390
Other Financing Sources	80,000	0	0	0	0	0	0	0	0
Total Revenue	\$181,629	\$56,391	\$61,500	\$74,430	\$40,000	\$41,050	\$42,130	\$43,240	\$44,390
Personnel Services	\$82,778	\$80,975	\$106,850	\$73,120	\$43,430	\$37,210	\$39,310	\$39,710	\$41,870
Non-Personnel Services (excluding ISC's)	4,646	668	2,700	2,700	1,700	1,720	1,740	1,760	1,780
Internal Service Charges (ISC's)	123,857	128,061	132,470	132,470	133,400	139,400	145,680	152,230	159,070
Capital Outlay	0	0	0	0	0	0	0	0	0
Debt Service	0	80,432	0	0	0	0	0	0	0
Transfers Out	21,040	23,710	26,050	26,050	40,480	28,350	29,770	31,260	32,820
Contingencies	0	0	22,650	0	21,670	0	0	0	0
Total Expenditures	\$232,321	\$313,846	\$290,720	\$234,340	\$240,680	\$206,680	\$216,500	\$224,960	\$235,540
NET ACTIVITY - ADMIN / NON-FED ASSISTANCE	(\$50,692)	(\$257,455)	(\$229,220)	(\$159,910)	(\$200,680)	(\$165,630)	(\$174,370)	(\$181,720)	(\$191,150)
RENTAL HOUSING									
Licenses, Fees and Permits	\$136,325	\$153,982	\$157,410	\$161,190	\$172,460	\$169,200	\$184,870	\$187,530	\$187,530
Fines & Forfeitures	700	700	0	0	0	0	0	0	0
Miscellaneous	0	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total Revenue	\$137,025	\$154,682	\$158,410	\$162,190	\$173,460	\$170,200	\$185,870	\$188,530	\$188,530
Personnel Services	\$123,310	\$129,547	\$100,370	\$100,370	\$160,000	\$162,000	\$170,380	\$172,080	\$180,690
Non-Personnel Services (excluding ISC's)	2,950	2,763	4,650	13,190	4,930	4,980	5,030	5,080	5,130
Total Expenditures	\$126,260	\$132,310	\$105,020	\$113,560	\$164,930	\$166,980	\$175,410	\$177,160	\$185,820
NET ACTIVITY - RENTAL HOUSING	\$10,765	\$22,372	\$53,390	\$48,630	\$8,530	\$3,220	\$10,460	\$11,370	\$2,710
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)									
Intergovernmental	\$403,973	\$411,176	\$1,376,330	\$428,620	\$1,090,590	\$565,330	\$605,040	\$620,190	\$635,800
Fines & Forfeitures	158	106	0	0	0	0	0	0	0
Miscellaneous	222,571	212,898	0	140,100	260,000	128,750	132,610	136,590	140,690
Total Revenue	\$626,702	\$624,181	\$1,376,330	\$568,720	\$1,350,590	\$694,080	\$737,650	\$756,780	\$776,490
Personnel Services	\$190,223	\$166,208	\$183,470	\$183,470	\$195,050	\$188,960	\$198,590	\$200,570	\$210,460
Non-Personnel Services (excluding ISC's)	445,813	416,177	1,171,230	368,600	1,055,540	452,260	484,030	496,150	508,640
Total Expenditures	\$636,036	\$582,385	\$1,354,700	\$552,070	\$1,250,590	\$641,220	\$682,620	\$696,720	\$719,100
NET ACTIVITY - CDBG	(\$9,334)	\$41,796	\$21,630	\$16,650	\$100,000	\$52,860	\$55,030	\$60,060	\$57,390
HOME INVESTMENT PARTNERSHIP (HOME)									
Intergovernmental	\$618,373	\$841,672	\$1,062,810	\$633,410	\$494,730	\$258,860	\$266,630	\$274,630	\$282,870
Fines & Forfeitures	0	66	0	0	0	0	0	0	0
Miscellaneous	12,578	321,833	0	12,000	17,500	18,030	18,570	19,130	19,700
Total Revenue	\$630,951	\$1,163,571	\$1,062,810	\$645,410	\$512,230	\$276,890	\$285,200	\$293,760	\$302,570
Personnel Services	\$70,036	\$53,183	\$58,430	\$58,430	\$46,830	\$48,290	\$50,710	\$51,210	\$53,720
Non-Personnel Services (excluding ISC's)	575,204	856,624	1,015,360	851,590	462,900	232,970	239,970	247,170	254,580
Total Expenditures	\$645,240	\$909,807	\$1,073,790	\$910,020	\$509,730	\$281,260	\$290,680	\$298,380	\$308,300
NET ACTIVITY - HOME	(\$14,289)	\$253,764	(\$10,980)	(\$264,610)	\$2,500	(\$4,370)	(\$5,480)	(\$4,620)	(\$5,730)
TOTAL REVENUE	\$1,576,306	\$1,998,825	\$2,659,050	\$1,450,750	\$2,076,280	\$1,182,220	\$1,250,850	\$1,282,310	\$1,311,980
TOTAL EXPENDITURES	\$1,639,857	\$1,938,348	\$2,824,230	\$1,809,990	\$2,165,930	\$1,296,140	\$1,365,210	\$1,397,220	\$1,448,760
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$63,551)	\$60,477	(\$165,180)	(\$359,240)	(\$89,650)	(\$113,920)	(\$114,360)	(\$114,910)	(\$136,780)
RESERVED BALANCES, Beginning of Year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FUND BALANCE (Including Reserved), End of Year	\$243	\$60,720	\$33,693	(\$298,520)	(\$388,170)	(\$502,090)	(\$616,450)	(\$731,360)	(\$868,140)
LESS: RESERVED BALANCES ASSIGNED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ENDING BUDGETARY FUND BALANCE	\$243	\$60,720	\$33,693	(\$298,520)	(\$388,170)	(\$502,090)	(\$616,450)	(\$731,360)	(\$868,140)

SERVICE HIGHLIGHTS

The Community Development Revolving (CDR) Fund supports the Community Development Department's Housing and Neighborhood Services Division activities such as providing housing and other community development assistance programs, as outlined in the Department Summary on page 105. Financial planning issues are also discussed in that section as well as under the Ending Fund Balance section below. The fund consists of both existing resources (monies from prior year loans that

get repaid) and new 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 Fund's resources support two housing rehabilitation loan programs, two home ownership assistance loan programs, plus other housing and community development capital projects and human service-focused activities that are identified through an annual activity planning process. The Housing and Neighborhood Services Division also delivers the Rental Housing Program which offers education and outreach services to tenants, landlords and community members, and is funded by a fee assessed on rental units.

ENDING BUDGETARY FUND BALANCE

The CD Revolving Fund financial plan above projects a negative fund balance in revised FY 14-15 and Proposed FY 15-16, as well as in FY 16-17 and beyond. In order to achieve a cumulative negative fund balance below \$400,000 as of the end of FY 15-16, an assumption regarding the amount and timing of the Fund's receipt of program income (revolving loan repayments and prepayments) has been made that, while consistent with prior year experience, may or may not be realized. It should be noted that receipt, and timing of that receipt, of program income impacts the City's ability to draw down on Federal Funds at the level needed to cover eligible costs, and is one of the reasons the Fund may find itself in a deficit status in any given year.

Considering the previously stated issues in conjunction with declining federal funding awards available for the purposes the Fund exists to achieve, an ongoing infusion of new revenue or General Fund support in the range of between \$200,000-\$300,000 per year will be needed to ensure ongoing viability of the Fund and its purpose to assist low income residents with affordable housing and other community development needs. One short-term plan to mitigate the FY 14-15 and FY 15-16 negative balances is discussed in the City Manager's Proposed Budget Message, and will be part of Budget Commission deliberations for the FY 15-16 proposed budget. Such short term mitigation tools could include an interfund loan or a General Fund grant in order to achieve a positive fund balance at year-end for both fiscal years.

Longer term strategies, likely to be discussed in the context of Council's Sustainable Budget Goal as well as its Housing Development Goal, may include additional/new sources of revenue, and in the absence of continued interfund loans or General Fund support, will need to be developed during FY 15-16 to eliminate negative fund balances in FY 16-17 and beyond. The ultimate goal of these efforts would be to return the Fund to a state of ongoing balance and ideally growth.



DEVELOPMENT SERVICES FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 14-15	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
BEGINNING BUDGETARY FUND BALANCE	\$1,938,336	\$2,932,723	\$2,642,843	\$2,089,083	\$1,848,323	\$1,396,023	\$816,513
REVENUES							
Licenses, Fees & Permits	\$1,154,700	\$1,353,200	\$1,301,500	\$1,326,690	\$1,352,390	\$1,378,590	\$1,405,330
Charges for Services	1,551,120	1,498,620	1,736,620	1,759,110	1,794,290	1,830,170	1,866,770
Miscellaneous	5,680	12,600	12,460	14,550	21,100	22,000	15,610
Transfers In	118,390	118,390	118,390	118,390	118,390	118,390	118,390
TOTAL REVENUES	\$2,829,890	\$2,982,810	\$3,168,970	\$3,218,740	\$3,286,170	\$3,349,150	\$3,406,100
EXPENDITURES							
Community Development	\$3,423,890	\$3,175,890	\$3,514,450	\$3,340,940	\$3,613,980	\$3,797,950	\$4,123,800
Transfers Out	96,800	96,800	144,900	118,560	124,490	130,710	137,250
Contingencies	56,600	0	63,380	0	0	0	0
TOTAL EXPENDITURES	\$3,577,290	\$3,272,690	\$3,722,730	\$3,459,500	\$3,738,470	\$3,928,660	\$4,261,050
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$747,400)	(\$289,880)	(\$553,760)	(\$240,760)	(\$452,300)	(\$579,510)	(\$854,950)
RESERVED BALANCES, Beginning of Year	\$0						
FUND BALANCE (Including Reserved), End of Year	\$1,190,936	\$2,642,843	\$2,089,083	\$1,848,323	\$1,396,023	\$816,513	(\$38,437)
LESS: RESERVED BALANCES ASSIGNED	\$0						
ENDING BUDGETARY FUND BALANCE	\$1,190,936	\$2,642,843	\$2,089,083	\$1,848,323	\$1,396,023	\$816,513	(\$38,437)

SERVICE HIGHLIGHTS

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

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. Revenue forecasts anticipate periodic fee adjustments in certain program areas. 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 given the following context:

- Fluctuating economic conditions and availability of funding for construction loans.
- Hiring and retaining qualified employees with required certifications. But also, determining and managing for appropriate and affordable staff levels to respond to service demands, and retaining flexibility to provide needed services when large construction/development projects are presented.
- Funding future and current code mandates from the state or federal government.
- Implementing technological tools that provide excellent customer service plus staffing efficiencies.
- Training staff in new codes and new technologies.

ENDING BUDGETARY FUND BALANCE

The Development Services Fund is currently projected to end FY 15-16 with a policy compliant operating fund balance of nearly 66% of the FY 15-16 current revenues and, with necessary planned fee adjustments, is projected to remain positive through FY 18-19. Included in each year's fund balance are funds paid in one fiscal year for services which will be provided in the following fiscal years. It is important to maintain a positive fund balance of 6-12 months of expenses so that inspection and other services paid for can continue for the duration of projects in the event of an economic downturn.

PARKING FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 14-15	REVISED FY 14-15	PROPOSED FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
BEGINNING BUDGETARY FUND BALANCE	\$589,089	\$840,929	\$676,389	\$157,979	\$32,769	(\$146,441)	(\$362,401)
REVENUES							
Licenses, Fees & Permits	\$76,860	\$39,700	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Charges for Services	188,200	188,200	192,020	193,940	195,880	197,840	199,810
Fines & Forfeitures	860,400	402,000	437,000	437,000	437,000	437,000	437,000
Miscellaneous	3,960	3,960	4,740	1,480	1,000	100	100
TOTAL REVENUES	\$1,129,420	\$633,860	\$653,760	\$652,420	\$653,880	\$654,940	\$656,910
EXPENDITURES							
Community Development	\$4,120	\$4,120	\$3,990	\$4,300	\$4,700	\$4,930	\$5,390
Finance	312,560	241,090	193,990	200,820	212,860	221,490	235,030
Police	641,530	291,760	288,700	323,180	319,190	335,510	363,200
Public Works	379,490	252,490	284,890	240,460	257,730	268,960	288,530
Transfers Out	273,750	22,240	376,820	26,580	27,910	29,310	30,780
Contingencies	16,900	0	13,080	0	0	0	0
TOTAL EXPENDITURES	\$1,628,350	\$811,700	\$1,161,470	\$795,340	\$822,390	\$860,200	\$922,930
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$498,930)	(\$177,840)	(\$507,710)	(\$142,920)	(\$168,510)	(\$205,260)	(\$266,020)
RESERVED BALANCES, Beginning of Year	\$72,085	\$74,876	\$61,576	\$72,276	\$54,566	\$65,266	\$75,966
FUND BALANCE (Including Reserved), End of Year	\$162,244	\$737,965	\$230,255	\$87,335	(\$81,175)	(\$286,435)	(\$552,455)
LESS: RESERVED BALANCES							
COMMITTED	\$37,323	\$37,323	\$37,323	\$37,323	\$37,323	\$37,323	\$37,323
ASSIGNED	21,462	24,253	34,953	17,243	27,943	38,643	49,343
ENDING BUDGETARY FUND BALANCE	\$103,459	\$676,389	\$157,979	\$32,769	(\$146,441)	(\$362,401)	(\$639,121)

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 Subcommittee of the Downtown Advisory Board, 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. During FY 14-15, two new pay station designs were tested to find a product that improves Parking Enforcement efficiency and enhances the customer's experience.

FINANCIAL PLANNING ISSUES

Downtown parking is perceived as a problem by some merchants, shoppers, and businesses located in that section of the City. Requests for minor modifications are reviewed by the Subcommittee and if appropriate are recommended for implementation. Major modifications, such as a parking structure, have been proposed but the need for one is not supported by the most recent Parking Utilization Study. In addition, 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 changes due to the need to acquire land for either additional surface parking or a parking structure, thus these options can be very expensive to implement.

Responding to the increased use of alternative transportation modes and to further promote and encourage bicycles as a viable transportation mode, the City has piloted a new bicycle parking facility in the Downtown. This on-street parking area is called a bike corral and the pilot was to determine the level of use and risk of vandalism. If the pilot is successful, the City will partner with local businesses to fund the cost of installation and maintenance.

An update to the Downtown Parking Utilization Study will be conducted in the spring of 2015. The results may drive planning for expanded or additional parking facilities or changes to the current program to respond to changes in usage patterns in the last several years with the expanded retail and restaurant development in the Downtown.

ENDING BUDGETARY FUND BALANCE

The Parking Fund is projected to end FY 15-16 with a policy compliant operating fund balance equal to approximately 24% of the FY 15-16 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 14-15	REVISED FY 14-15	PROPOSED				
			FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
BEGINNING BUDGETARY FUND BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES							
Charges for Services	603,000	603,000	174,000	174,000	174,000	174,000	174,000
Miscellaneous	15,100	26,510	24,730	6,260	9,050	14,970	19,620
Non-Operating Revenue	0	0	0	0	0	0	0
TOTAL REVENUES	\$618,100	\$629,510	\$198,730	\$180,260	\$183,050	\$188,970	\$193,620
EXPENDITURES							
Transfers Out	908,700	732,270	2,025,620	317,370	2,370	52,370	2,370
TOTAL EXPENDITURES	\$908,700	\$732,270	\$2,025,620	\$317,370	\$2,370	\$52,370	\$2,370
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$290,600)	(\$102,760)	(\$1,826,890)	(\$137,110)	\$180,680	\$136,600	\$191,250
RESERVED BALANCES, Beginning of Year	\$3,000,303	\$2,901,733	\$2,798,973	\$972,083	\$834,973	\$1,015,653	\$1,152,253
FUND BALANCE (Including Reserved), End of Year	\$2,709,703	\$2,798,973	\$972,083	\$834,973	\$1,015,653	\$1,152,253	\$1,343,503
LESS: RESERVED BALANCES RESTRICTED	\$2,709,703	\$2,798,973	\$972,083	\$834,973	\$1,015,653	\$1,152,253	\$1,343,503
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.

While the last several years have ended with higher than anticipated Parks SDC revenue inflows, future years do not currently show the same high volume of funding based on the nature of known development projects in the pipeline. As such, several of the years in the planning period reflect only administrative costs with larger projects on hold until better projections can be made.

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 15-16 at over four times that of FY 15-16 current revenue. All balances in this fund are available for identified eligible capital projects.



STREET FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 14-15	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
BEGINNING BUDGETARY FUND BALANCE	177,859	608,447	679,347	404,567	(191,774)	(812,474)	(1,336,364)
REVENUES							
Licenses, Fees & Permits	\$634,020	\$699,460	\$706,890	\$717,470	\$728,260	\$739,250	\$750,460
Charges for Service	221,000	221,000	216,000	222,500	229,240	236,240	243,490
Intergovernmental	3,498,010	3,497,020	3,384,140	3,227,480	3,258,890	3,269,340	3,252,720
Fines & Forfeitures	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	2,910	8,280	48,590	51,710	49,460	48,790	49,760
Other Financing Sources	0	0	0	0	0	0	0
Transfers In	0	0	610,500	255,500	255,500	255,500	255,500
TOTAL REVENUES	\$4,356,940	\$4,426,760	\$4,967,120	\$4,475,660	\$4,522,350	\$4,550,120	\$4,552,930
EXPENDITURES							
Community Development	\$21,020	\$21,020	\$20,570	\$20,960	\$22,870	\$23,990	\$26,150
Public Works	4,187,390	3,934,390	4,453,300	3,885,340	4,248,430	4,177,500	4,038,230
Transfers Out	431,210	431,210	844,900	1,212,080	844,160	812,520	748,780
Contingencies	85,740	0	86,760	0	0	0	0
TOTAL EXPENDITURES	\$4,725,360	\$4,386,620	\$5,405,530	\$5,118,380	\$5,115,460	\$5,014,010	\$4,813,160
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$368,420)	\$40,140	(\$438,410)	(\$642,720)	(\$593,110)	(\$463,890)	(\$260,230)
RESERVED BALANCES, Beginning of Year	\$3,457,360	\$3,244,696	\$3,735,636	\$4,141,946	\$5,271,267	\$6,570,357	\$7,926,807
FUND BALANCE (Including Reserved), End of Year	\$2,386,149	\$4,414,984	\$4,546,514	\$5,079,494	\$5,757,884	\$6,590,444	\$7,593,864
LESS: RESERVED BALANCES							
RESTRICTED	\$2,102,147	\$3,176,769	\$3,746,709	\$4,922,409	\$6,193,909	\$7,490,359	\$8,754,009
COMMITTED	106,037	221,102	276,102	315,863	374,743	435,633	498,583
ASSIGNED	159,766	337,766	119,136	32,996	1,706	816	56,816
ENDING BUDGETARY FUND BALANCE	\$18,199	\$679,347	\$404,567	(\$191,774)	(\$812,474)	(\$1,336,364)	(\$1,715,544)

SERVICE HIGHLIGHTS

The operational focus of the Street Fund is preservation of the pavement, operation of traffic control systems, and 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 and the majority of maintenance dollars go to these programs. In FY 14-15, pavement condition data for all City streets was gathered and will be used to prioritize which streets receive future maintenance activities each fiscal year.

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 (light-emitting diode) signal heads, which consume much less energy than traditional bulbs. In the latter regard, Pacific Power has begun more rapid replacement of the 2,345 remaining (as of December 2014) high-pressure sodium (HPS) streetlight fixtures with the lower wattage LED's. The work is expected to take up to two years to complete, and is proposed to be paid for with drawdowns as needed on a Street SDC interfund loan. Payback, including interest to keep the restricted SDC funds whole, is scheduled to take four years or less using anticipated energy trust incentive funds as well as utility costs savings in both the Street and General Funds as the project progresses.

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. A process to update the Transportation System Plan was started in FY 14-15 with an objective to match community values with future planning for systems and projects.

Corvallis has been designated a Gold Level Bicycle Friendly Community in recognition of the excellent system of bicycle lanes and bicycle 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), such as fuel efficient vehicles that use less gasoline and electric vehicles, which use no gasoline and pay no gas taxes to support their use of the transportation systems. The amount of revenue received from the state dictates the level of services that can be provided and sustained over the long term. Meeting resident expectations about traffic concerns, alternative-mode opportunities, and a smooth, efficient transportation system are becoming increasingly difficult within available funding.

The Transportation Maintenance Fee (TMF), collected on the City Services Bill, is providing a stable revenue stream for specific street preservation projects. In FY 14-15 the City Council began a review of the TMF, starting with the methodology, and made changes to equalize the impact on all users of the transportation system.

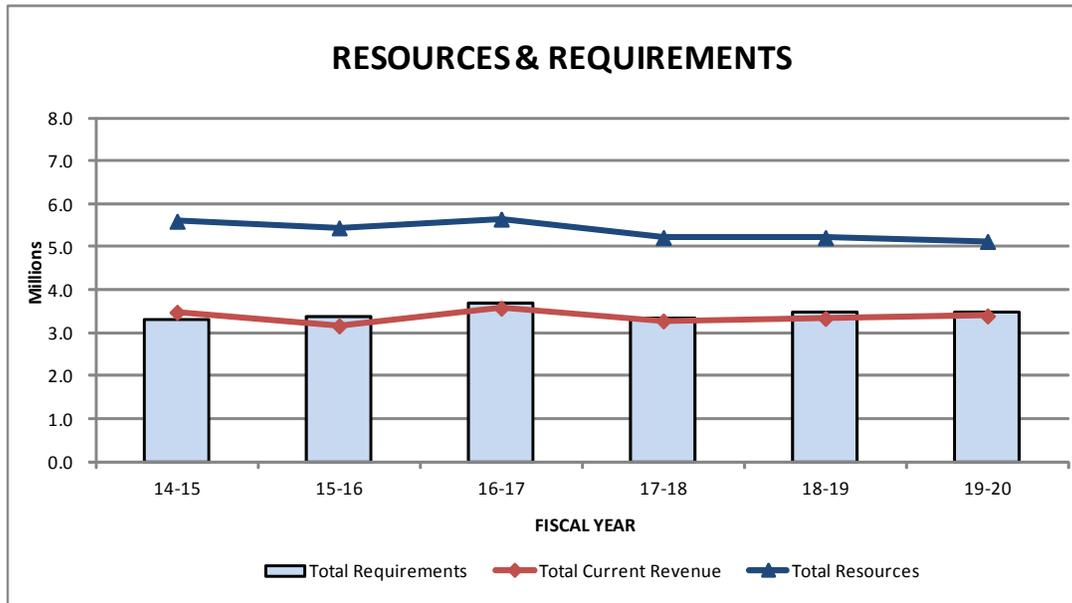
The Sidewalk Maintenance Fee, also collected on the City Services Bill, provides funds for the repair of sidewalks, thereby supporting a safe, viable alternative-mode transportation system for pedestrians. However, the revenue generated by the fee is insufficient to address all the repairs in the system city-wide on a timely basis. The City's prioritizes repairs and completes work up to the level of available funds in a fiscal year.

ENDING BUDGETARY FUND BALANCE

The Street Fund is projected to end FY 15-16 with a budgetary fund balance for operations that is approximately 8% of the FY 15-16 dedicated revenues. While FY 15-16 is balanced for legal purposes, future year balances are projected to be negative absent specific actions to enhance revenue or reduce service levels. Staff will continue to assess operations so that recurring expenditures do not exceed recurring revenues in order to maintain a viable fund for future years.

TRANSIT FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 14-15	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
BEGINNING BUDGETARY FUND BALANCE	\$2,030,959	\$1,966,247	\$2,117,137	\$1,859,697	\$1,758,057	\$1,654,007	\$1,551,287
REVENUES							
Licenses, Fees & Permits	1,163,350	1,163,350	1,141,250	1,141,250	1,141,250	1,141,250	1,141,250
Charges for Services	213,020	213,020	224,220	225,820	227,430	229,060	230,710
Intergovernmental	1,897,950	1,897,950	1,570,840	1,974,870	1,666,510	1,716,510	1,768,010
Fines & Forfeitures	0	0	0	0	0	0	0
Miscellaneous	201,100	204,370	225,970	231,450	241,050	249,890	253,890
TOTAL REVENUES	\$3,475,420	\$3,478,690	\$3,162,280	\$3,573,390	\$3,276,240	\$3,336,710	\$3,393,860
EXPENDITURES							
Public Works	\$3,299,740	\$3,299,040	\$3,289,710	\$3,686,770	\$3,321,930	\$3,461,860	\$3,457,840
Transfers Out	17,690	17,690	16,660	17,490	18,360	19,280	20,240
Contingencies	69,510	0	63,250	0	0	0	0
TOTAL EXPENDITURES	\$3,386,940	\$3,316,730	\$3,369,620	\$3,704,260	\$3,340,290	\$3,481,140	\$3,478,080
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$88,480	\$161,960	(\$207,340)	(\$130,870)	(\$64,050)	(\$144,430)	(\$84,220)
RESERVED BALANCES, Beginning of Year	\$152,211	\$152,211	\$163,281	\$213,381	\$184,151	\$224,151	\$182,441
FUND BALANCE (Including Reserved), End of Year	\$2,271,650	\$2,280,418	\$2,073,078	\$1,942,208	\$1,878,158	\$1,733,728	\$1,649,508
LESS: RESERVED BALANCES ASSIGNED	\$163,281	\$163,281	\$213,381	\$184,151	\$224,151	\$182,441	\$222,441
ENDING BUDGETARY FUND BALANCE	\$2,108,369	\$2,117,137	\$1,859,697	\$1,758,057	\$1,654,007	\$1,551,287	\$1,427,067



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 bicycle 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) is a fareless system where customers ride CTS buses without having to show a pass or pay a fare. This approach provides efficient loading of passengers and helps buses stay on time. In the four 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 13-14 was over 1.1 million rides and is on track to provide over 1.15 million rides in FY 14-15. The Transit Operations Fee (TOF) that customers are charged on their City Services Bills has provided a local revenue stream that helps the City afford the fareless service, and also provides the funds for the 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 federal and state grants and the above referenced TOF help to support the base level of transit service.

A process to develop a Transit Development Plan was initiated in FY 14-15. This Plan will provide a blueprint for future service enhancements and will evaluate new or enhanced revenue sources to support a more robust public transit system.

The City's participation in the Corvallis Area Metropolitan Planning Organization (CAMPO) results in significant grant funding for CTS. However, in recent years, CAMPO has authorized a higher level of support for the regional Linn-Benton Loop transit system, which has reduced, by a like amount, the 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 federal revenue sources for transit service will remain a challenge.

ENDING BUDGETARY FUND BALANCE

The Transit Fund is currently projected to end FY 15-16 with a policy compliant positive operating fund balance equaling approximately 58% of the FY 15-16 current revenues.

ENTERPRISE FUNDS

Operations in the enterprise funds are financed and managed in a manner similar to private business enterprises, where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

AIRPORT FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 14-15	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
BEGINNING BUDGETARY FUND BALANCE	\$635,721	\$621,514	\$665,478	\$548,238	\$395,568	\$409,768	\$340,478
REVENUES							
Licenses, Fees & Permits	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Charges for Services	474,500	492,920	478,500	485,890	493,420	501,120	508,970
Intergovernmental	0	0	0	84,180	0	0	0
Miscellaneous	11,590	11,590	12,130	10,290	11,090	12,870	12,670
Other Financing Sources	0	11,754	0	0	0	0	0
TOTAL REVENUES	\$491,090	\$521,264	\$495,630	\$585,360	\$509,510	\$518,990	\$526,640
EXPENDITURES							
Public Works	\$459,240	\$459,240	\$397,620	\$453,500	\$382,560	\$396,840	\$419,560
Debt Service	0	0	0	0	0	0	0
Transfers Out	18,060	18,060	205,340	284,530	112,750	191,440	132,310
Contingencies	9,820	0	9,910	0	0	0	0
TOTAL EXPENDITURES	\$487,120	\$477,300	\$612,870	\$738,030	\$495,310	\$588,280	\$551,870
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$3,970	\$43,964	(\$117,240)	(\$152,670)	\$14,200	(\$69,290)	(\$25,230)
RESERVED BALANCES, Beginning of Year	\$1,994	\$0	\$0	\$0	\$0	\$0	\$0
FUND BALANCE (Including Reserved), End of Year	\$639,695	\$665,478	\$548,238	\$395,568	\$409,768	\$340,478	\$315,248
LESS: RESERVED BALANCES							
RESTRICTED	\$4	\$0	\$0	\$0	\$0	\$0	\$0
ENDING BUDGETARY FUND BALANCE	\$639,691	\$665,478	\$548,238	\$395,568	\$409,768	\$340,478	\$315,248

SERVICE HIGHLIGHTS

The City, through its Public Works Department, operates the airport with two main runways to serve privately-owned and corporate aircraft. The City also owns and manages six buildings; one large WWII era hanger, used as the Fixed Base Operator business, and five buildings for aircraft storage (T-hangars). 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. The City has proactively addressed the mitigation of these wetlands 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 short- and long-term development activities. An Airport Infrastructure Plan was completed in 2013 to address infrastructure (e.g., streets and utilities) development. However, there is currently no plan for 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 with an Airport Master Plan Update in 2013. Included were recommendations for projects that support and enhance those airport functions. Among those master plan projects are two capital improvement efforts proposed for FY 15-16: current revenue will help fund ongoing rehabilitation and maintenance of certain hangars; and a Federal Aviation Authority (FAA) grant will also provide a significant portion of the funding needed to construct the cargo apron/road paving project which was designed in FY 14-15.

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.

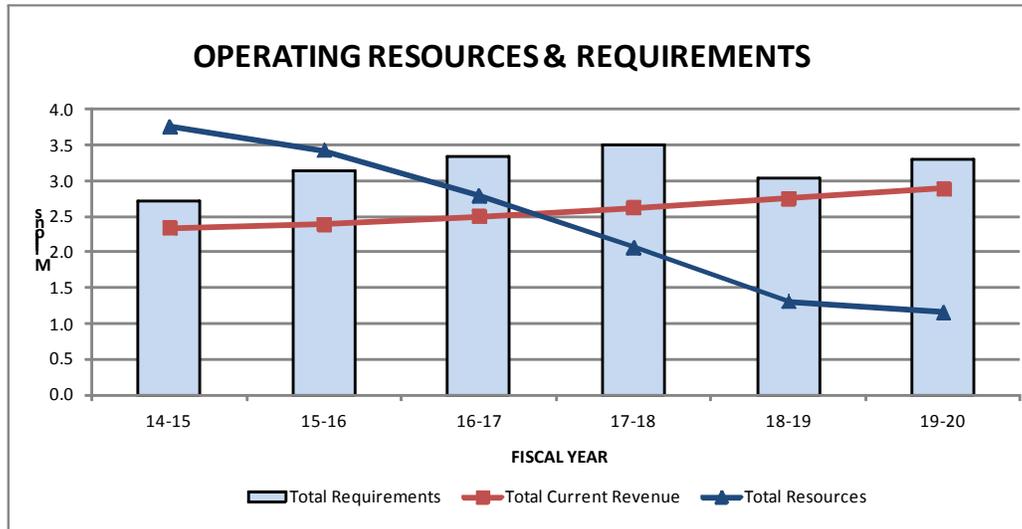
ENDING BUDGETARY FUND BALANCE

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 15-16 projected ending fund balance is policy compliant at greater than 100% of current revenues.



STORM WATER FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 14-15	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
RATE INCREASE	7.00%	0.00%	6.00%	5.00%	5.00%	5.00%	5.00%
BEGINNING BUDGETARY FUND BALANCE	\$702,191	\$1,137,094	\$701,134	\$124,554	(\$671,456)	(\$1,444,876)	(\$1,803,516)
REVENUES							
Charges for Service	\$2,296,570	\$2,334,640	\$2,381,810	\$2,499,050	\$2,622,110	\$2,751,280	\$2,886,870
Intergovernmental	0	0	0	0	0	0	0
Miscellaneous	6,770	6,770	6,350	3,350	1,600	1,600	1,600
TOTAL REVENUES	\$2,303,940	\$2,342,010	\$2,388,760	\$2,503,000	\$2,624,310	\$2,753,480	\$2,889,070
EXPENDITURES							
Community Development	\$56,380	\$56,380	\$53,830	\$56,040	\$61,300	\$64,560	\$70,550
Public Works	2,206,120	2,144,850	2,375,570	2,260,120	2,780,460	2,377,930	2,545,500
Transfers Out	533,060	521,740	660,160	1,035,250	669,360	599,630	687,650
Contingencies	46,080	0	47,780	0	0	0	0
TOTAL EXPENDITURES	\$2,841,640	\$2,722,970	\$3,137,340	\$3,351,410	\$3,511,120	\$3,042,120	\$3,303,700
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$537,700)	(\$380,960)	(\$748,580)	(\$848,410)	(\$886,810)	(\$288,640)	(\$414,630)
RESERVED BALANCES, Beginning of Year	\$404,146	\$416,480	\$525,778	\$279,288	\$122,548	\$658	\$70,688
FUND BALANCE (Including Reserved), End of Year	\$570,457	\$1,226,912	\$403,842	(\$548,908)	(\$1,444,218)	(\$1,732,828)	(\$2,147,408)
LESS: RESERVED BALANCES							
RESTRICTED	\$122,533	\$187,345	\$112,855	\$8,515	\$15	\$45	\$95
ASSIGNED	338,433	338,433	166,433	114,033	643	70,643	140,643
ENDING BUDGETARY FUND BALANCE	\$109,491	\$701,134	\$124,554	(\$671,456)	(\$1,444,876)	(\$1,803,516)	(\$2,288,146)



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. More attention is being paid to gather inventory and condition information on the City's infrastructure systems to support the development of asset management plans.

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.

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. Until FY 12-13, storm water rates had not been increased in ten years. This action helped to offset the increases needed to maintain the water and wastewater systems over that time period. However, the Storm Water Fund is now projected to have significant deficit fund balances commencing in FY 16-17 and through the end of the planning period, partly due to a large CIP project for South Corvallis Drainage improvements in the Airport Basin. The SDC eligible portion of this project will need Storm Water SDC rate review action, and local assessments may also be required, in order to ensure an adequate revenue stream to support this and other such projects. 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.

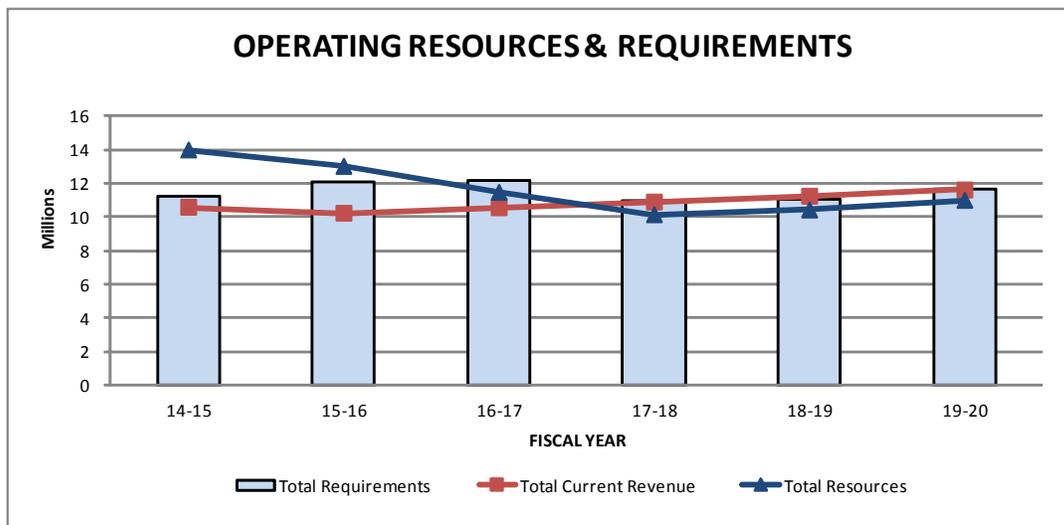
Suggested actions from the community sustainability effort could drive new projects, such as rain gardens along residential streets. Rain gardens take water out of the piping system, reducing the chance of pipe overflows and localized street flooding during heavy rain events. Rain gardens also improve 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 15-16 with a policy compliant operating fund balance of nearly 5% of FY 15-16 current revenue. Should a \$300,000 fund balance or greater be attained, this would provide for additional capital projects.

WASTEWATER FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 14-15	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
RATE INCREASE	4.00%	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
BEGINNING BUDGETARY FUND BALANCE	\$1,863,350	\$2,980,277	\$2,286,928	\$654,778	(\$799,145)	(\$908,185)	(\$719,165)
REVENUES							
Charges for Service	\$9,958,470	\$10,066,140	\$10,208,240	\$10,538,660	\$10,880,630	\$11,234,560	\$11,600,870
Miscellaneous	\$511,750	514,120	22,200	16,970	11,500	11,500	11,500
Transfers In	\$0	0	0	0	0	0	0
TOTAL REVENUES	\$10,470,220	\$10,580,260	\$10,230,440	\$10,555,630	\$10,892,130	\$11,246,060	\$11,612,370
EXPENDITURES							
Community Development	\$55,490	\$55,490	\$52,880	\$55,080	\$60,330	\$63,570	\$69,540
Public Works	\$7,953,400	7,404,530	7,935,260	8,525,480	8,083,990	8,122,440	8,710,830
Debt Service	\$2,227,750	2,227,750	2,219,450	1,872,500	1,876,980	1,875,300	1,882,050
Transfers Out	\$1,548,180	1,511,740	1,690,390	1,685,280	942,600	974,260	1,007,050
Contingencies	\$209,410	0	204,610	0	0	0	0
TOTAL EXPENDITURES	\$11,994,230	\$11,199,510	\$12,102,590	\$12,138,340	\$10,963,900	\$11,035,570	\$11,669,470
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$1,524,010)	(\$619,250)	(\$1,872,150)	(\$1,582,710)	(\$71,770)	\$210,490	(\$57,100)
RESERVED BALANCES, Beginning of Year	\$11,083,875	\$11,329,839	\$10,909,641	\$7,117,471	\$8,298,690	\$3,395,430	\$4,969,360
FUND BALANCE (Including Reserved), End of Year	\$4,306,465	\$13,196,569	\$7,772,249	\$7,588,459	\$2,487,246	\$4,250,196	\$5,854,436
LESS: RESERVED BALANCES							
RESTRICTED	\$3,544,430	\$10,412,845	\$6,860,675	\$8,259,595	\$3,319,065	\$4,871,525	\$6,532,865
ASSIGNED	\$24,545	496,795	256,795	39,095	76,365	97,835	1,415
ENDING BUDGETARY FUND BALANCE	\$737,490	\$2,286,928	\$654,778	(\$799,145)	(\$908,185)	(\$719,165)	(\$679,845)



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 used to process the excess flows from heavy or sustained rain events.

Wastewater is collected via 204 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. More attention is being paid to the gathering of inventory and condition information about the City's infrastructure systems to support the development of asset management plans.

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. The City looks for beneficial uses for treatment plant "waste" products: using biosolids as an agricultural soil amendment and methane gas for heating and 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 for the health and safety of the community, and the uninterrupted collection of wastewater. City Council, sensitive to tight economic times, directed staff to limit the combined rate increases in the three utility funds to 3%. This guideline is becoming more difficult to achieve with expenditures typically increasing by greater than 3% as a result of a growing community, inflation in materials costs, and increasingly stringent federal regulations. Despite these influences, which are affecting all wastewater systems, Corvallis utility charges remain the lowest of eight like-sized Oregon communities, and the second lowest of ten other neighboring communities as depicted by graphs found in the Charges for Service narrative on page 32.

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 permit requirements affect operations, lab monitoring, and records. More stringent permitting requirements now include 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 has conducted a public information and education process about ways to address these and other regulations on toxic removal that are on the horizon, and plans to use this feedback toward determining a preferred solution when the State finalizes its position on issues that have since arisen. Project costs are expected to range from \$15 to \$40 million. The Fund is unable to absorb this size of expenditure, so debt would be needed to provide money for this order of magnitude. Staff will seek other funding opportunities and partnerships if/as a project develops, but utility rates would also likely be impacted.

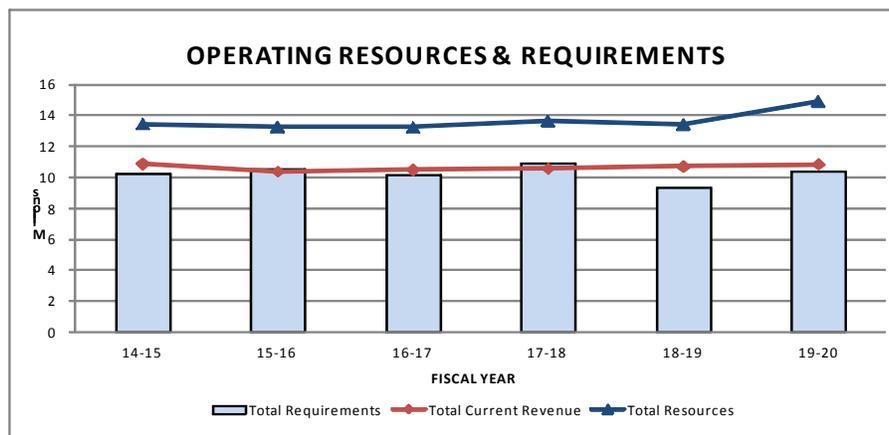
Wastewater charges are calculated from water consumption amounts, which are influenced by conservation activities and steadily decreasing, and in recent years have reduced the wastewater revenue generated. In June 2014, the City Council approved a wastewater rate structure change that uses a cost of service model ensuring expenses are recovered in alignment with how they are incurred. In the new structure, base rates recover base operating expenses related to wastewater collection and treatment, and consumption rates recover expenses associated with increased volumes of wastewater.

ENDING BUDGETARY FUND BALANCE

The Wastewater Fund is projected to end FY 15-16 with a policy compliant positive operating fund balance of approximately 6% of the FY 15-16 current revenue. Despite significant sized SDC reserves, fund balances are currently projected to go negative in this Fund in the planning period. Since SDC income is restricted to eligible projects, rate review will be impacted for operational needs in future years.

WATER FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 14-15	REVISED FY 14-15	PROPOSED FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
RATE INCREASE	2.00%	0.00%	2.00%	0.00%	2.00%	0.00%	2.00%
BEGINNING BUDGETARY FUND BALANCE	\$1,465,684	\$2,361,512	\$2,618,392	\$2,476,892	\$3,000,321	\$2,568,781	\$3,834,711
REVENUES							
Charges for Service	\$9,020,480	\$9,656,330	\$9,763,270	\$9,879,470	\$9,966,500	\$10,085,180	\$10,174,120
Intergovernmental	0	28,280	7,900	0	0	0	0
Fines & Forfeitures	0	0	0	0	0	0	0
Miscellaneous	707,610	885,440	563,120	582,920	612,880	634,970	678,000
Other Financing Sources	0	0	0	0	0	0	0
Transfers In	329,580	329,580	63,930	63,060	9,940	10,440	10,960
TOTAL REVENUES	\$10,057,670	\$10,899,630	\$10,398,220	\$10,525,450	\$10,589,320	\$10,730,590	\$10,863,080
EXPENDITURES							
Community Development	\$57,770	\$57,770	\$54,810	\$57,070	\$62,380	\$65,690	\$71,730
Public Works	8,063,740	7,865,440	9,006,390	8,327,190	8,581,130	8,752,180	9,967,020
Debt Service	977,600	977,600	166,400	162,400	0	0	0
Other Financing Uses/Transfers Out	1,372,130	1,362,760	1,081,250	1,606,001	2,262,840	518,410	328,830
Contingencies	193,660	0	207,960	0	0	0	0
TOTAL EXPENDITURES	\$10,664,900	\$10,263,570	\$10,516,810	\$10,152,661	\$10,906,350	\$9,336,280	\$10,367,580
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$607,230)	\$636,060	(\$118,590)	\$372,789	(\$317,030)	\$1,394,310	\$495,500
RESERVED BALANCES, Beginning of Year	\$5,745,485	\$6,573,882	\$8,285,071	\$8,653,021	\$9,520,033	\$8,096,263	\$8,953,413
FUND BALANCE (Including Reserved), End of Year	\$6,990,839	\$10,903,464	\$11,129,914	\$12,520,354	\$10,665,044	\$12,788,124	\$14,072,584
LESS: RESERVED BALANCES							
RESTRICTED	\$5,742,121	\$7,331,111	\$7,676,151	\$8,693,803	\$7,155,523	\$7,884,293	\$8,673,253
ASSIGNED	497,553	953,960	976,870	826,230	940,740	1,069,120	922,460
ENDING BUDGETARY FUND BALANCE	\$751,164	\$2,618,392	\$2,476,892	\$3,000,321	\$2,568,781	\$3,834,711	\$4,476,871



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 Marys 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 250 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. More attention is being paid to the gathering of inventory and condition information about the City's infrastructure systems to support the development of asset management plans.

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 to 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 metered 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 federal and state 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 second lowest of ten other neighboring communities as depicted by graphs in the Charges for Service narrative on page 32.

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 relocation is very expensive and requires precision timing to minimize disturbance of the river environment and the impact on aquatic life. In the past, gravel was relocated every 15-20 years, but this frequency is now inadequate, so the situation is assessed on an annual basis. A gravel relocation was last completed during the fall 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. In

June 2014, the City Council approved a water rate structure change that uses a cost of service model ensuring expenses are recovered in alignment with how they are incurred. In the new structure, base rates recover base operating expenses related to water treatment and distribution, and consumption rates recover expenses related to additional water treatment, storage and pumping systems needed to meet peak water demand.

The Watershed Stewardship Plan includes projects to manage the City’s watershed forest property, on the east side of Marys 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 15-16 with a policy compliant positive operating fund balance equaling nearly 23% of the FY 15-16 current revenue. It should be noted that the significant positive fund balances through the remainder of the planning period are primarily due to SDC reserves, which may only be used for eligible projects.

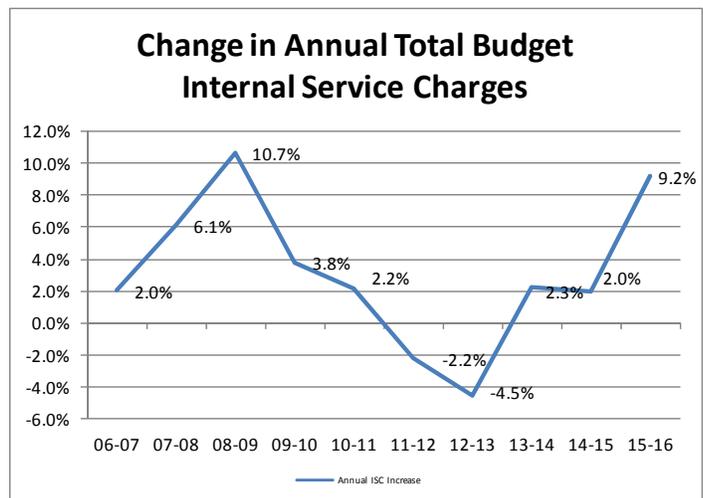
INTERNAL SERVICE FUNDS

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis.

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 the past several years of 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 information about how overhead departments are working to minimize the impact of these centralized services’ costs on departments’ operating expenditures, and keep those costs below at least the 10% standard allowance used for Federal grant purposes. In FY 15-16 the end point would have still been in the 2-3% range but for the significant increase in risk management costs, as explained on page 83.



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 reserved for future specified needs, or if no needs are identified will be refunded to paying departments.

All of the Internal Service Funds, with the exception of the Risk Management Fund due to its unique nature, utilize a firm expenditure limit, similar to the General Fund, but which is based on average projected revenue growth in all user Funds. This approach lends itself well to sustainable budgeting for overhead provision.

ADMINISTRATIVE SERVICES FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 14-15	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
RECURRING							
DEDICATED REVENUE							
Licenses, Fees & Permits	\$40,420	\$40,420	\$40,420	\$40,420	\$40,420	\$40,420	\$40,420
General Fund Charges for Service	2,077,490	2,077,490	2,149,780	2,208,050	2,265,690	2,324,630	2,385,150
Utility Funds Charges for Service	1,691,870	1,691,870	1,750,880	1,794,890	1,838,370	1,885,530	1,933,350
Other Special Revenue & Enterprise Funds Charges for Service	850,440	850,440	880,140	896,330	915,090	932,010	948,370
Charges for Service	340,600	340,600	275,000	340,600	340,600	340,600	340,600
Miscellaneous	26,000	26,000	12,450	8,200	8,200	8,200	8,200
TOTAL DEDICATED RECURRING REVENUE	5,026,820	5,026,820	5,108,670	5,288,490	5,408,370	5,531,390	5,656,090
TOTAL RECURRING REVENUE	\$5,026,820	\$5,026,820	\$5,108,670	\$5,288,490	\$5,408,370	\$5,531,390	\$5,656,090
EXPENDITURES							
City Manager's Office	\$2,321,480	\$2,321,480	\$2,359,880	\$2,442,950	\$2,498,330	\$2,555,150	\$2,612,760
Finance	2,705,340	2,705,340	2,748,790	2,845,540	2,910,040	2,976,240	3,043,330
Contingencies	0	0	0	0	0	0	0
TOTAL RECURRING EXPENDITURES	\$5,026,820	\$5,026,820	\$5,108,670	\$5,288,490	\$5,408,370	\$5,531,390	\$5,656,090
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$0						
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$40,348	\$43,678	\$43,678	\$13,678	\$13,678	\$13,678	\$13,678
<i>Net Recurring Revenue/Expenditure</i>	0	0	0	0	0	0	0
<i>Net Non-Recurring Revenue/Expenditure</i>	(30,000)	0	(30,000)	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$10,348	\$43,678	13,678	\$13,678	\$13,678	\$13,678	\$13,678
Ending Reserve Balance by Type							
ASSIGNED	13,090	357,850	357,850	360,950	364,050	352,650	355,750
TOTAL RESERVES	\$13,090	\$357,850	\$357,850	\$360,950	\$364,050	\$352,650	\$355,750

SERVICE HIGHLIGHTS

Operations in the Administrative Services Fund include the Finance Department and the City Manager's Office (CMO), which in turn includes Human Resources. 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 is under review. Other financial planning issues for this Fund are detailed in the Department Summary sections for Finance and CMO.

FACILITIES MAINTENANCE FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 14-15	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
RECURRING DEDICATED REVENUE							
Facility Internal Charges for Service	\$ 799,890	\$ 799,890	\$ 802,370	\$ 848,380	\$ 869,240	\$ 890,530	\$ 912,130
Other Charges for Service	4,800	4,800	6,600	7,000	7,420	7,870	8,340
Miscellaneous	1,800	1,800	1,800	1,800	1,800	1,800	1,800
TOTAL DEDICATED RECURRING REVENUE	\$806,490	\$806,490	\$810,770	\$857,180	\$878,460	\$900,200	\$922,270
TOTAL RECURRING REVENUE	\$806,490	\$806,490	\$810,770	\$857,180	\$878,460	\$900,200	\$922,270
EXPENDITURES							
Public Works	\$ 806,490	\$ 792,200	\$ 810,770	\$ 857,180	\$ 878,460	\$ 900,200	\$ 922,270
TOTAL RECURRING EXPENDITURES	\$806,490	\$792,200	\$810,770	\$857,180	\$878,460	\$900,200	\$922,270
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$0	\$14,290	\$0	\$0	\$0	\$0	\$0
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$20,453	\$20,557	\$34,397	\$24,397	\$24,397	\$24,397	\$24,397
<i>Net Recurring Revenue/Expenditure</i>	0	14,290	0	0	0	0	0
<i>Net Non-Recurring Revenue/Expenditure</i>	(10,450)	(450)	(10,000)	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$10,003	\$34,397	\$24,397	\$24,397	\$24,397	\$24,397	\$24,397
Ending Reserve Balance by Type							
ASSIGNED	43,828	55,468	19,218	21,368	23,928	30,928	37,928
TOTAL RESERVES	\$43,828	\$55,468	\$19,218	\$21,368	\$23,928	\$30,928	\$37,928

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 48 of this section). Staff performs preventive maintenance and scheduled repairs, and responds to emergencies to protect the community's 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 in the appropriate fiscal year. 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. Some examples of this include more efficient paper towel dispensing machines, solar panels on selected buildings, lighting and 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 SUMMARY

BUDGETARY BASIS	ADOPTED		REVISED		PROJECTED			
	FY 14-15	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	
RECURRING DEDICATED REVENUE								
Fleet Internal Charges for Service	\$ 392,940	\$ 392,940	\$ 400,310	\$ 416,760	\$ 427,010	\$ 437,470	\$ 448,080	
Other Charges for Service	457,170	457,170	458,170	476,500	495,560	515,380	536,000	
Miscellaneous	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
TOTAL DEDICATED RECURRING REVENUE	\$851,110	\$851,110	\$859,480	\$894,260	\$923,570	\$953,850	\$985,080	
TOTAL RECURRING REVENUE	\$851,110	\$851,110	\$859,480	\$894,260	\$923,570	\$953,850	\$985,080	
EXPENDITURES								
Public Works	851,110	851,110	859,480	894,260	923,570	953,850	985,080	
TOTAL RECURRING EXPENDITURES	\$851,110	\$851,110	\$859,480	\$894,260	\$923,570	\$953,850	\$985,080	
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$0							
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$32,884	\$18,693	\$17,963	\$1,963	\$1,963	\$1,963	\$1,963	
<i>Net Recurring Revenue/Expenditure</i>	0	0	0	0	0	0	0	
<i>Net Non-Recurring Revenue/Expenditure</i>	(16,730)	(730)	(16,000)	0	0	0	0	
ENDING BUDGETARY FUND BALANCE	\$16,154	\$17,963	\$1,963	\$1,963	\$1,963	\$1,963	\$1,963	
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 46 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 works 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 and the City of Philomath to provide maintenance on specialized equipment. The City also provides periodic services to the US Forest Service. These intergovernmental relationships maximize service efficiencies and reduce 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 SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 14-15	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
BEGINNING BUDGETARY FUND BALANCE	\$342,587	\$349,140	\$278,390	\$640	\$640	\$640	\$640
REVENUES							
Charges for Service	\$1,090,510	\$1,090,510	\$1,448,170	\$1,414,720	\$1,519,110	\$1,632,850	\$1,786,830
Miscellaneous	30,840	30,840	31,940	29,440	31,410	33,960	36,200
TOTAL REVENUES	\$1,121,350	\$1,121,350	\$1,480,110	\$1,444,160	\$1,550,520	\$1,666,810	\$1,823,030
EXPENDITURES							
City Manager's Office	\$363,690	\$307,000	\$356,520	\$371,350	\$391,530	\$413,200	\$435,530
Finance	789,100	885,100	994,760	1,072,810	1,158,990	1,253,610	1,387,500
Contingencies	275,000	0	275,000	0	0	0	0
TOTAL EXPENDITURES	\$1,427,790	\$1,192,100	\$1,626,280	\$1,444,160	\$1,550,520	\$1,666,810	\$1,823,030
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$306,440)	(\$70,750)	(\$146,170)	\$0	\$0	\$0	\$0
RESERVED BALANCES, Beginning of Year	\$500,000	\$368,420	\$368,420	\$500,000	\$500,000	\$500,000	\$500,000
FUND BALANCE (Including Reserved), End of Year	\$536,147	\$646,810	\$500,640	\$500,640	\$500,640	\$500,640	\$500,640
LESS: RESERVED BALANCES ASSIGNED	\$500,000	\$368,420	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
ENDING BUDGETARY FUND BALANCE	\$36,147	\$278,390	\$640	\$640	\$640	\$640	\$640

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. In five out of the past seven years, overages for workers compensation claims combined with self-insurance deductible coverage have resulted in the need to go to contingency appropriations, illustrating the challenges of estimating when and whether certain claims will get made.
- Deductible levels are reviewed with each year's insurance bids to determine the optimal balance between insurance levels and insurance premiums. For FY 15-16, general and auto liability insurance premiums are projected to increase by nearly 30% compared to FY 14-15 premium levels. Factors most impacting this increase include last year's completion of a comprehensive asset valuation update by an external consultant, and much higher coverage for cyber-liability based on associated risks in that regard. It had been eight years since property values had been appraised, so the resultant significant 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 by Council Policy to be \$60,000. While the current financial plan reflects a much lower, yet positive, fund balance for Proposed FY 15-16, given that further contingencies may still be needed in FY 14-15 for self-insurance and workers compensation payments that are trending higher than anticipated, it is more likely that the catastrophic reserve will be rebuilt over two years, as permitted by Council Policy, to maintain a healthier fund balance, while continuing to closely monitor risk elements but not unduly charging departments with further increases in this allocation round. Any amount in excess of \$60,000 is available to increase catastrophic reserves when it falls below \$500,000 or, alternatively, may be refunded to departments as a dividend based on experience. Should the ending operating fund balance drop below \$60,000 in any fiscal year, it will be rebuilt the following fiscal year.

TECHNOLOGY & COMMUNICATIONS FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 14-15	REVISED FY 14-15	PROPOSED FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
RECURRING							
DEDICATED REVENUE							
MIS Internal Charges for Service	\$1,440,090	\$1,440,090	\$1,682,500	\$1,724,600	\$1,767,010	\$1,810,280	\$1,854,190
Telephone Internal Charges for Service	141,790	141,790	148,520	159,710	163,640	167,650	171,720
Other Charges for Service	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	400	400	400	400	400	400	400
TOTAL DEDICATED RECURRING REVENUE	\$1,583,280	\$1,583,280	\$1,832,420	\$1,885,710	\$1,932,050	\$1,979,330	\$2,027,310
TOTAL RECURRING REVENUE	\$1,583,280	\$1,583,280	\$1,832,420	\$1,885,710	\$1,932,050	\$1,979,330	\$2,027,310
EXPENDITURES							
Finance	\$1,440,090	\$1,440,090	\$1,682,500	\$1,724,600	\$1,767,010	\$1,810,280	\$1,854,190
Public Works	143,190	143,190	149,920	161,110	165,040	169,050	173,120
TOTAL RECURRING EXPENDITURES	\$1,583,280	\$1,583,280	\$1,832,420	\$1,885,710	\$1,932,050	\$1,979,330	\$2,027,310
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$0	\$0	\$0	\$0	\$0	\$0	\$0
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$52,450	\$40,610	\$40,610	\$10,610	\$10,610	\$10,610	\$10,610
<i>Net Recurring Revenue/Expenditure</i>	0	0	0	0	0	0	0
<i>Net Non-Recurring Revenue/Expenditure</i>	(30,000)	0	(30,000)	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$22,450	\$40,610	\$10,610	\$10,610	\$10,610	\$10,610	\$10,610
Ending Reserve Balance by Type							
ASSIGNED	\$338,354	\$398,638	\$309,578	\$88,489	\$63,489	\$78,489	\$93,489
TOTAL RESERVES	\$338,354	\$398,638	\$309,578	\$88,489	\$63,489	\$78,489	\$93,489

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 by the IT Manager in concert with the City Manager and Department Directors, who may assist with identifying funds and recommending priorities based on input from their respective staff.

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, which is currently being updated. 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, residents 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.



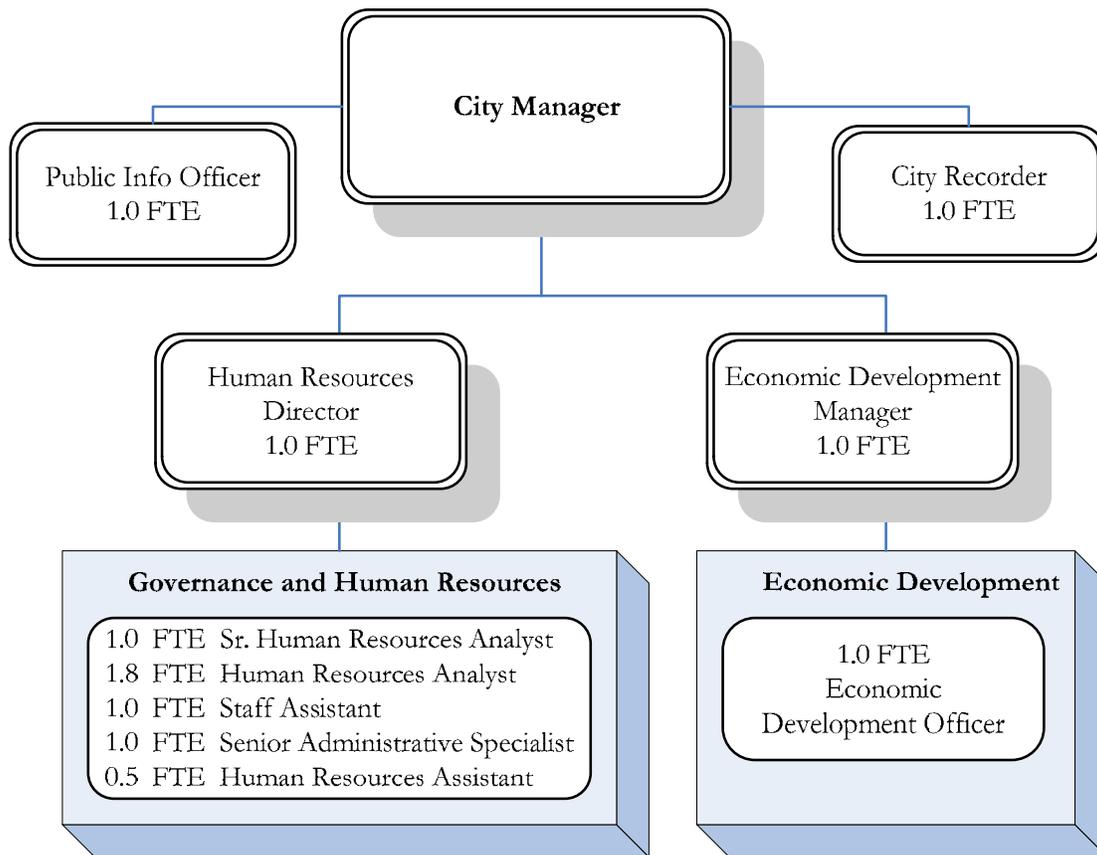


CITY MANAGERS OFFICE

MISSION STATEMENT

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

CITY MANAGERS OFFICE ORGANIZATION CHART



ADVISORY BOARDS, COMMISSIONS & TASK FORCES

The Economic Development Advisory Board reviewed this budget at its February 9, 2015 meeting and provided its input. The Board expressed concern that Internal Service Charges coupled with Capital Improvement expenses increased 40% from the previous fiscal year. The Board expressed further concern that any additional cuts to this "bare-bones" budget would significantly undo the success that the Economic Development Office (EDO) has experienced to date.

The Governance and Human Resources Divisions work closely with and in support of City Council and do not have a dedicated board or commission with whom to consult on budget matters.

SUMMARY OF SERVICES

The FY 15-16 Proposed Budget for the Economic Development Office (EDO) adheres to the firm expenditure limit determined as part of the General Fund sustainable budget plan.

Economic Development

- Develop and implement programs that will achieve the City’s Economic Development goals of supporting innovation 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 Advisory Board.



Economic Development Priorities

- ✓ Funding the 2.0 FTE that are designated in the Economic Development Strategy prepared by the Economic Development Advisory Board 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.

A change in medical benefit premiums decreased the Personnel Services proposed budget by 1.4%; however, the 40% increase related to Internal Service Charges and the City Hall Masonry Capital Improvement project limits the EDO to only necessary minimal expenses without any additional activity for FY 15-16. Activities remain as prioritized in the box to the right.

FY 15-16 Proposed Budget	
	General Fund
Dedicated Revenue	\$126,190
Personnel Services	\$228,910
Materials and Services	\$72,790
Capital Outlay	\$0
Total Expenditures	\$301,700
Net Dedicated Revenue less Expenditures	(\$175,510)
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 15-16 Proposed Budget for the City Manager's Office (CMO) in the Administrative Services Fund largely maintains current services.

During FY 14-15, Human Resources reclassified one Human Resources Analyst to a Senior Analyst position to fill a critical role overseeing higher level projects and investigations. In light of the City Manager's resignation in September 2014, the recruitment for the Public Information Officer (PIO) position was postponed until the hiring of a new City Manager. The PIO position reports directly to the City Manager. The total authorized FTE for CMO remains unchanged for FY 15-16.

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.

FY 15-16 Proposed Budget

	Admin. Svc. Fund	Risk Fund	Total
Dedicated Revenue	\$2,359,880	\$355,880	\$2,715,760
Personnel Services	\$1,201,830	\$0	\$1,201,830
Materials and Services	\$1,158,050	\$356,520	\$1,514,570
Capital Outlay	\$0	\$0	\$0
Total Expenditures	\$2,359,880	\$356,520	\$2,716,400
Net Dedicated Revenue less Expenditures	\$0	(\$640)	(\$640)
FTE	9.300	0.000	9.300

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

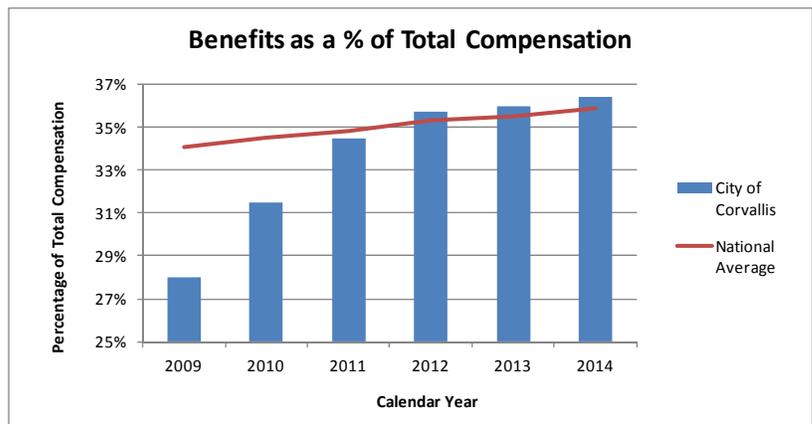
The EDO is partially funded with \$100,000 per year from Benton County through a three-year intergovernmental agreement (IGA) entered into in 2012 for economic development services. The IGA can be extended for another three-year period; Benton County will need to make a decision to continue funding no later than June 30, 2015. The Economic Development Advisory Board recommended adding a clause to the IGA designating a Benton County Commissioner to a position on the Board. This will require a Municipal Code Amendment. The EDO also receives at least \$21,000 per year from the Airport Fund to market the Airport Industrial Park. That amount can be adjusted each year based on an agreement between the EDO and Public Works. For FY 15-16, the Airport Fund increased the EDO allocation by 0.9%. An additional \$5,000 in funding support is anticipated for FY 15-16 revenues. The remaining balance of the EDO (\$175,510) 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 2015-2016 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'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 2014, the BLS national average is 35.9%. Since 2009, the City's percentage has been steadily increasing and most recently has exceeded it.



- *Current year performance and trends:* For the calendar year 2014, the City's average benefits as a percentage of total compensation was 36.4%, exceeding the national average.

- *Conclusions and challenges:* Human Resources is working to reduce the overall cost of benefits during labor negotiations, and has had some success with lower cost premiums in calendar year 2015 for the majority of staff (both AFSCME and Exempt). 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.

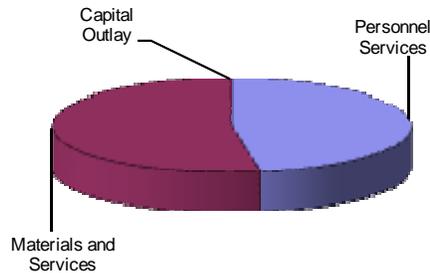
CITY MANAGERS OFFICE – BUDGET SUMMARY

Employee wages and benefits represent the largest cost at more than 47% of total CMO expenditures proposed for FY 15-16. Overhead costs such as utilities, supply costs such as paper for the document-intensive work of the department, and training to maintain professional knowledge for the legally constrained work areas of municipal governance and human resource management in the public sector, constitute the remaining budget costs. Capital purchases are very infrequent in this department since no vehicles are operated by department staff for services provided.

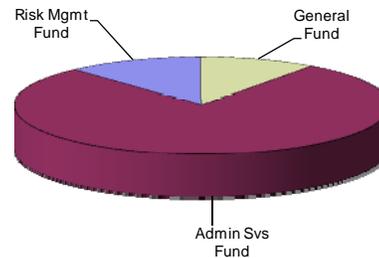
BUDGET BY CATEGORY:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
Personnel Services	\$1,253,639	\$1,285,067	\$1,397,480	\$1,397,480	\$1,430,740	2.38%
Materials and Services¹	1,665,398	1,935,641	1,580,990	1,524,300	1,587,360	0.40%
Capital Outlay	0	0	0	0	0	0.00%
TOTAL	\$2,919,037	\$3,220,707	\$2,978,470	\$2,921,780	\$3,018,100	1.33%
Staffing Levels	10.800	10.800	11.300	11.300	11.300	0.00%

1) In FY 14-15, 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. This expenditure decrease is slightly offset by an increase due to Other Employee Benefits, transferred from General Fund Non-Departmental to be managed by CMO in the Administrative Services Fund.

FY 15-16 PROPOSED BUDGET EXPENDITURES BY CATEGORY



FY 15-16 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.

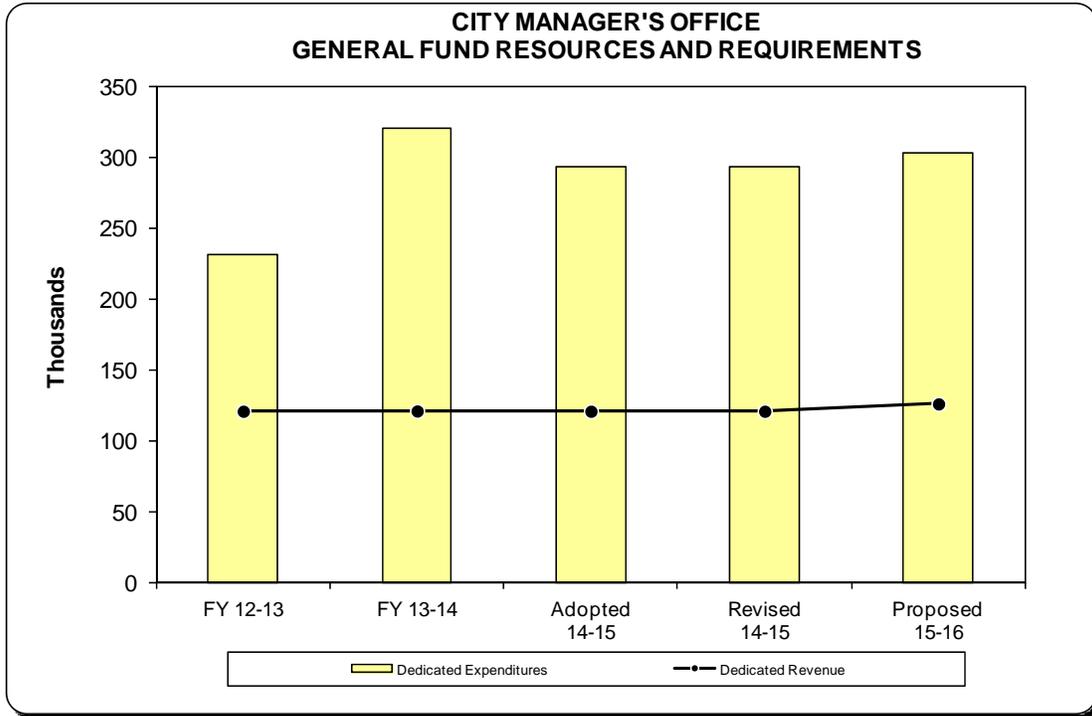
BUDGET BY FUND:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
General Fund	\$231,272	\$320,760	\$293,300	\$293,300	\$301,700	2.86%
Administrative Svs Fund¹	1,733,781	1,674,539	2,321,480	2,321,480	2,359,880	1.65%
Risk Mgmt Fund²	953,984	1,225,408	363,690	307,000	356,520	-1.97%
TOTAL	\$2,919,037	\$3,220,707	\$2,978,470	\$2,921,780	\$3,018,100	1.33%

1) In FY 14-15, Other Employee Benefits were transferred from General Fund Non-Departmental to be managed by CMO in the Administrative Services Fund.

2) In FY 14-15, 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 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	% CHANGE FROM 14-15 BUDGET
DEDICATED REVENUE						
Charges for Services	\$121,000	\$121,000	\$121,000	\$121,000	\$126,190	4.29%
Miscellaneous	0	176	0	0	0	0.00%
Dedicated Revenue	121,000	121,176	121,000	121,000	126,190	4.29%
EXPENDITURES CLASS:						
Personnel Services	117,579	218,120	232,070	232,070	228,910	-1.36%
Materials and Services	113,691	102,640	61,230	61,230	72,790	18.88%
Capital Outlay	0	0	0	0	0	0.00%
CIP Transfers	0	0	0	0	1,320	0.00%
Dedicated Expenditures	231,270	320,760	293,300	293,300	303,020	3.31%
Use of (addition to) Non-Dedicated Revenue	110,270	199,584	172,300	172,300	176,830	2.63%

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

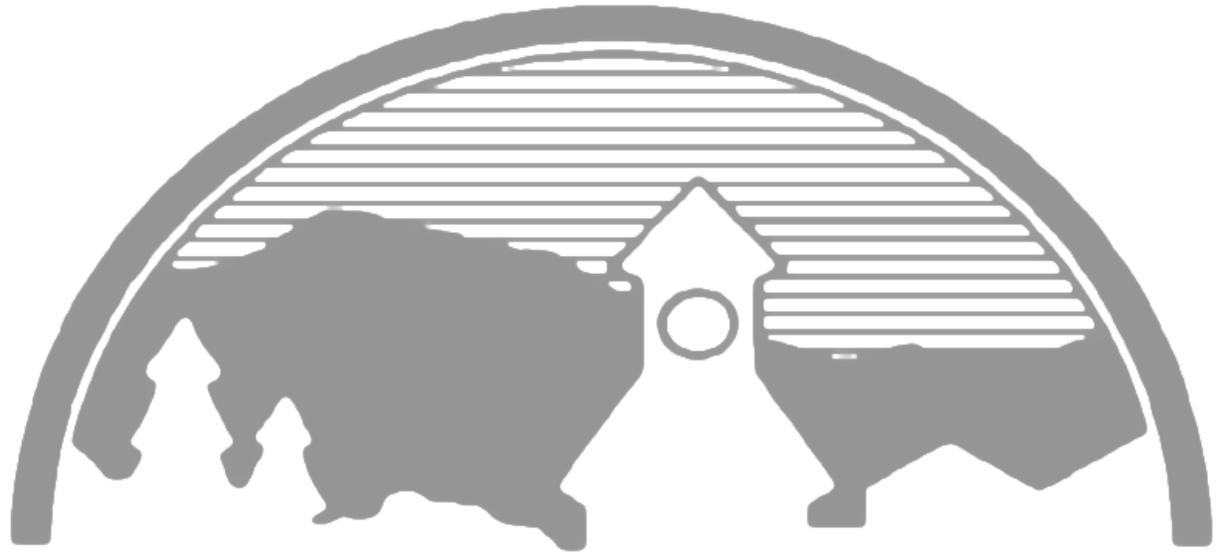
CITY MANAGERS OFFICE STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 15-16 FTE	FY 14-15 FTE	FY 13-14 FTE
City Manager	Exempt	\$11,994	1	1.000	1.000	1.000
Human Resources Director ¹	Exempt	7,554 - 9,641	1	1.000	1.000	0.000
Economic Development Manager	Exempt	6,579 - 8,396	1	1.000	1.000	1.000
Assistant to City Manager/City Recorder ²	Exempt	5,848 - 7,463	-	0.000	0.000	1.000
Human Resources Manager ¹	Exempt	5,848 - 7,463	-	0.000	0.000	1.000
City Recorder ²	Exempt	4,747 - 6,058	1	1.000	1.000	0.000
Public Information Officer ²	Exempt	4,335 - 5,533	1	1.000	1.000	0.000
Economic Development Officer	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Management Assistant ²	Exempt	4,335 - 5,533	-	0.000	0.000	1.000
Senior Human Resources Analyst ³	Exempt	4,335 - 5,533	1	1.000	0.000	0.000
Benefits Officer ³	Exempt	4,335 - 5,533	-	0.000	0.000	1.000
Human Resources Analyst ³	Exempt	3,959 - 5,053	2	1.800	2.800	0.000
Staff Assistant ⁴	Exempt	3,572 - 4,559	1	1.000	1.000	0.000
Senior Administrative Specialist ⁴	Exempt	3,319 - 4,237	1	1.000	1.000	2.000
Human Resources Specialist ³	Exempt	3,319 - 4,237	-	0.000	0.000	1.800
Human Resources Assistant ⁵	Exempt	3,015 - 3,849	1	0.500	0.500	0.000
TOTAL			12	11.300	11.300	10.800

NOTE: Salary ranges reflect FY 14-15 Class and Compensation schedules.

1. The Human Resources Manager was reclassified as Human Resources Director during FY 13-14.
2. The retirement of the former Assistant to City Manager/City Recorder prompted a reorganization of department staff in order to improve efficiencies.
3. To improve efficiencies of the Human Resources Division, positions were reclassified to better respond to the City's needs.
4. A Senior Administrative Specialist was reclassified as Staff Assistant during FY 14-15, to support department budget work.
5. The addition of the 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.
- ❖ Administer programs consistent with City Policies.
- ❖ Prepare and manage departmental budget.
- ❖ Implement City Council Goals as assigned
- ❖ Provide oversight of all divisions.

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 and Neighborhood Services

- ❖ Design and deliver financial assistance programs to lower-income residents by providing funding or supporting affordable housing, social services and other community development activities in Corvallis.
- ❖ Ensure understanding of and compliance with the City's community livability codes.
- ❖ 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.

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.
- ❖ Operate the Building Code Compliance Program.

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 review the Planning Division's Work Program on an annual basis. Staff continues 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 Advisory Board.

COMMUNITY DEVELOPMENT DEPARTMENT BUDGET SUMMARY

Employee wages and benefits represent the largest cost at 68% 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. Up to about 1% of the budget in any given year is spent on capital purchases primarily for vehicles and equipment.

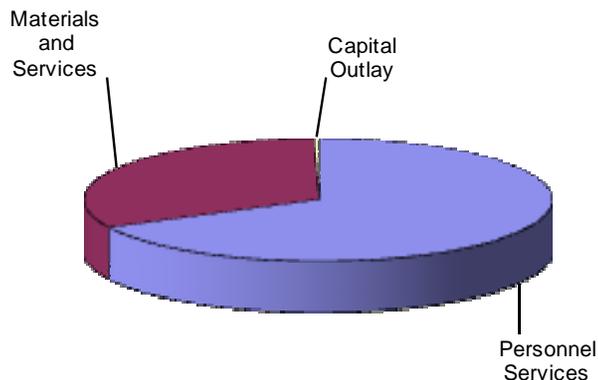
BUDGET BY CATEGORY:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
Personnel Services^{1,2}	\$3,531,522	\$3,684,072	\$4,457,210	\$4,223,480	\$4,363,890	-2.09%
Materials and Services	2,025,732	2,231,260	3,360,860	2,403,000	2,965,740	-11.76%
Capital Outlay	48,012	71,001	75,000	27,000	26,000	-65.33%
TOTAL	\$5,605,266	\$5,986,333	\$7,893,070	\$6,653,480	\$7,355,630	-6.81%
Staffing Levels	37.250	37.250	41.750	41.750	40.750	-2.40%

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

2) FY 14-15 & 15-16 budget includes additional 1.5 FTE supported by the 2013 Operating Levy.

3) For long-range strategic planning purposes 1 FTE Information Systems Analyst is being budgeted in Finance instead of CD starting in FY 15-16, but work will be dedicated to Community Development.

**FY 15-16 PROPOSED BUDGET
EXPENDITURES BY CATEGORY**



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:

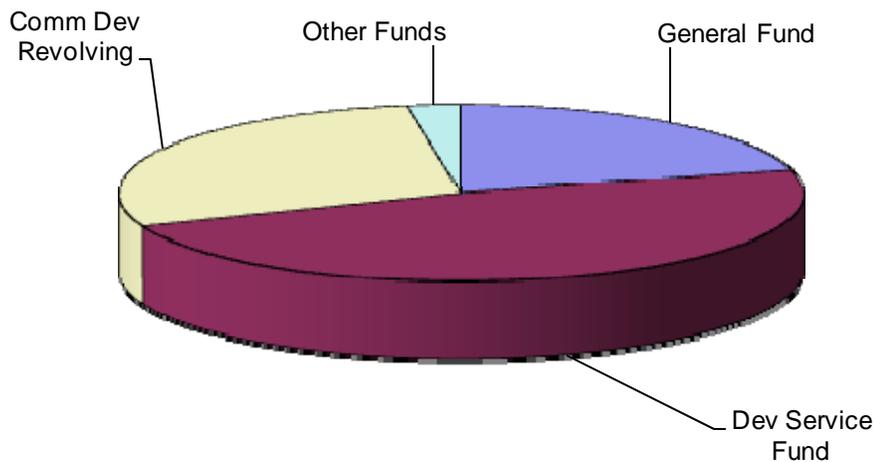
BUDGET BY FUND:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
General Fund¹	\$1,225,394	\$1,236,566	\$1,498,870	\$1,498,870	\$1,551,320	3.50%
Street Fund	19,220	18,469	21,020	21,020	20,570	-2.14%
Dev Service Fund²	2,577,373	2,730,050	3,423,890	3,175,890	3,514,450	2.64%
Comm Dev Revolving³	1,618,817	1,834,206	2,775,530	1,783,940	2,103,780	-24.20%
Parking Fund	4,042	3,976	4,120	4,120	3,990	-3.16%
Water Fund	55,091	55,589	57,770	57,770	54,810	-5.12%
Wastewater Fund	52,228	53,359	55,490	55,490	52,880	-4.70%
Storm Water Fund	53,100	54,117	56,380	56,380	53,830	-4.52%
TOTAL	\$5,605,266	\$5,986,333	\$7,893,070	\$6,653,480	\$7,355,630	-6.81%

1) For FY 14-15 & 15-16, the budget includes an additional 1.50 FTE supported by the 2013 Operating Levy.

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

3) Federal funding support has decreased significantly and services have had to be reduced accordingly.

FY 15-16 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 compliance services will continue to expand in FY 15-16 with the adopted budget.

SIGNIFICANT CHANGES TO RECURRING OPERATIONS

CD 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 compliance services) have reduced administrative support staff, reduced planning and code compliance 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).

FY 15-16 will be the second year of a dedicated long range planning position and a .50 FTE code compliance staff position added due to the voter-approved 2013 Operating Levy. The Planning Division hired one new 1.0 FTE planning position in FY 14-15 and current planning work has been assigned to this new planner. In 2015 two planners were promoted to Senior Planner positions, one to focus on current planning applications, and one to focus on long range planning responsibilities contemplated under the levy. Time is being 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 exceed 1.0 FTE due to the ambitious planning work program that lies ahead, but the amount of extra long range planning capacity will be dependent on the current planning case load. To further address community expectations regarding long range planning, the adopted FY 15-16 budget includes special project funds (discussed below).

The 2013 Levy also included funding for a .50 FTE Code Compliance Specialist. In the fall of 2014, the General Fund-supported Code Compliance program was moved into the Housing and Neighborhood Services (HNS) Division as part of the department's reorganization of the former Housing Division. The .50 FTE Code Compliance Specialist position was hired into the HNS Division, and allows for additional staff time to address the increasing caseload of code compliance complaints.

The other significant change in recurring expenditures is that approximately \$51,000 of the fixed expenditure limit will be budgeted for contractual planning services to assist with current and long range planning. Also an additional \$10,000 has been included to continue the case file scanning program started in 2014-15. 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 will be used to prioritize work efforts:

- # 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.
- #1A - Long range planning activity related to planning work program priorities.
- #2 Priority - Provision of a minimal level of code compliance services, i.e., 1.5 FTE and some casual staffing

3 Priority - Long range planning activities in addition to the levy support Planning FTE.

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 Compliance Program.

The General Fund Special Projects budget of \$62,000 has been maintained. These funds will 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). The inventory is more than 15 years old and has been identified as a very high priority in the Planning Work Program. Staff began working on this project in FY 2014-15 and will be completed in FY 2015-16.

To support the BLI project, other funding will be needed such as unspent appropriations for the Council's Affordable Housing Goal, which is included in the FY 14-15 Adopted Budget. 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 a community visioning project was considered essential to successfully address the community's long range planning work program.



NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

Community Development does not anticipate any grant or donation-related non-recurring activities in FY 15-16.

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 2015-2016 Council goal of a Sustainable Budget. The highlighted Planning Division measure demonstrates achievement of cost efficiencies by streamlining the internal application review process, reducing staff time in staff report preparation, and providing increased public participation with lower costs. Additional linkage can be made to the City's Core Responsibilities of Resident Well Being and Livability.

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

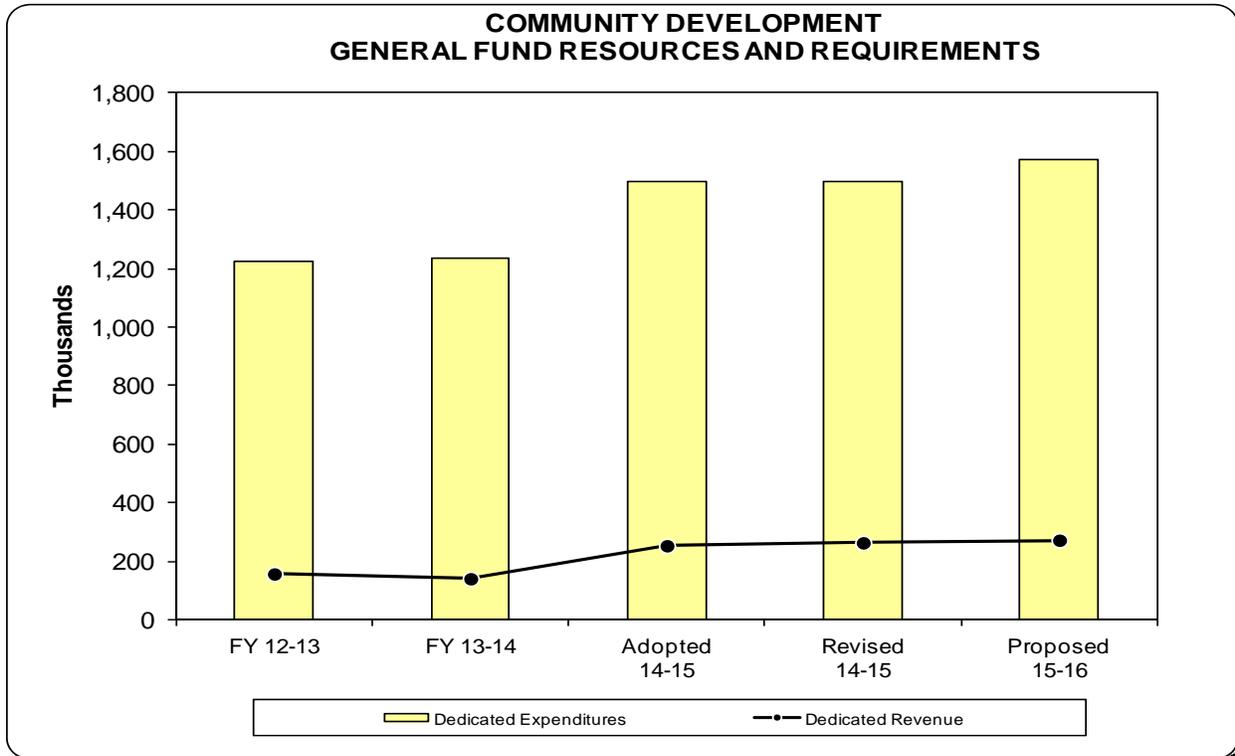
- *Measure Definition:* This measure examines the amount of time elapsed between receipt of a complete land use application and the final local decision on the application. State law requires local jurisdictions to issue final decisions at the local level (prior to potential LUBA appeal) on land use 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 13-14 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 13-14, the average was 39 days, and in FY 14-15 the Division is on track to achieve a similar average.
- *Conclusions and challenges:* Given the Planning Division's past performance in this area, the FY 15-16 target will be reduced to 75 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 turn-around time.



GENERAL FUND BUDGET SUMMARY COMMUNITY DEVELOPMENT

Employee wages and benefits represent the largest cost, at 71% of total Community Development Department expenditures in the General Fund. Overhead costs such as internal service charges, utilities, contractual services for minute recording and transcribing in support of the many boards and commissions the department is responsible for, 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 the remainder 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 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	% CHANGE FROM 14-15 BUDGET
DEDICATED REVENUE						
Charges for Services	\$105,541	\$106,285	\$100,000	\$100,000	\$105,000	5.00%
Intergovernmental	8,722	4,278	8,000	5,000	5,000	-37.50%
Fines & Forfeitures	2,006	21	0	0	0	0.00%
Miscellaneous	41,032	30,319	9,590	9,590	9,590	0.00%
2013 Operating Levy	0	0	136,040	149,030	152,990	12.46%
Dedicated Revenue	157,301	140,903	253,630	263,620	272,580	7.47%
EXPENDITURES CLASS:						
Personnel Services	944,816	921,221	1,114,400	1,114,400	1,109,440	-0.45%
Materials and Services	280,577	315,348	384,470	384,470	441,880	14.93%
Capital Outlay	0	0	0	0	0	0.00%
CIP Transfers	0	0	0	0	20,190	0.00%
Dedicated Expenditures	1,225,393	1,236,569	1,498,870	1,498,870	1,571,510	4.85%
Use of (addition to) Non-Dedicated Revenue	1,068,092	1,095,666	1,245,240	1,235,250	1,298,930	4.31%

* 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 (SEP). The final element of the SEP is implementing ePlans for conducting electronic plan review. This is a major paradigm shift for staff and customers. After a great deal of research DS chose a path of significant cost savings by selecting Blue Beam as a plan review tool and working to integrate with current software. Software savings alone was over \$300K compared to the original estimate associated with a different vendor. DS is continuing to budget resources for successful implementation and integration services. Integration is three parts to include Accela, Laserfiche, and Blue Beam. DS has taken a slow but steady approach to piloting the new Blue Beam software with select projects and customers. This has been very successful and we anticipate moving out of pilot stage to full electronic plan submittal by end of FY 15-16. The Division is assisting the City's MIS Division in recruiting an Information Systems Analyst to support this effort. The cost of said position is budgeted at \$89,650.

The Development Services Fund has a healthy fund balance, currently in the range of over \$2,000,000. The proposed FY 15-16 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 associated revenue) increases beyond budget projections. For example, in FY 13-14 the adopted budget showed expenditures exceeding revenues by over \$800,000, whereas audited figures resulted in revenues exceeding expenditures by nearly \$1.2M, showcasing the unpredictability of building development. The Development Services budget will be monitored closely to calibrate actual expenditures with workload demand and revenue performance.

PRIORITIZATION

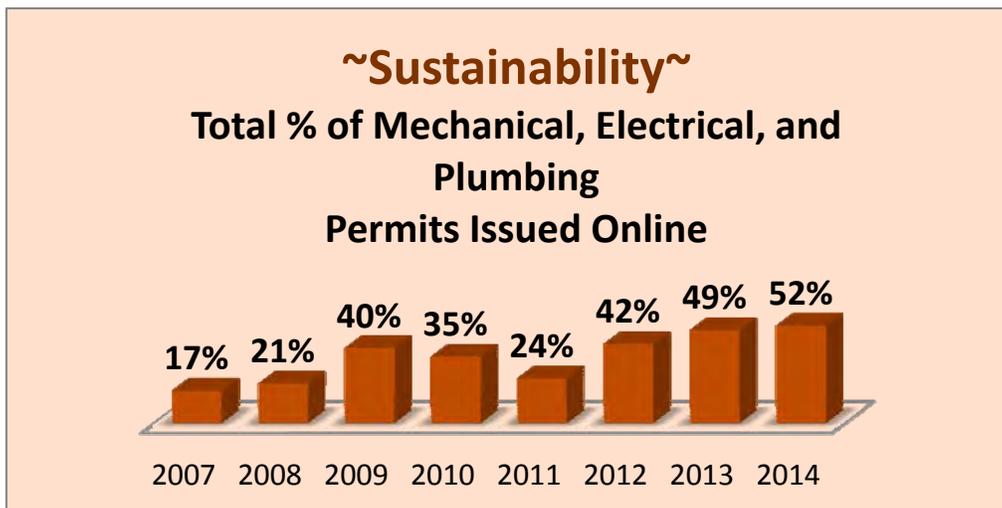
In determining priorities, the Division tends to rely heavily on the DS mission, Oregon legal requirements, feedback from the DS Stakeholder Advisory Group, and Insurance Services Office (ISO) audit criteria. In addition, performance is monitored regularly and includes measures such as same-day inspections, 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 2015-2016 Council goal of a Sustainable Budget. The Development Services Division has chosen to highlight the cost efficiency measure of increasing use of e-printing to conserve resources by reducing fuel and paper use. Additional linkage can be made to the City'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, and plumbing permits.
- *Evaluation of results:* Results continue to exceed expectations with an average of 52% by the fourth quarter of FY 13-14.
- *Current year performance and trends:* Current performance is at 56% which is above target for FY 14-15. A growing trend continues to be 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.



DEVELOPMENT SERVICES BUDGET SUMMARY

FY 15-16 Proposed Budget

	<u>Dev. Svcs. Fund</u>
Dedicated Revenue	\$3,040,120
Personnel Services	\$2,639,350
Materials and Services	\$849,100
Capital Outlay	\$26,000
Total Expenditures	<u>\$3,514,450</u>
Net Dedicated Revenue less Expenditures*	<u>(\$474,330)</u>
FTE	25.250

*Use of Fund Balance



SUMMARY OF SERVICES

COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

The Housing and Neighborhood Services 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 code compliance and other programs to improve housing and neighborhood conditions, and educate members of the community about issues of law and habitability that affect housing and livability.

SIGNIFICANT CHANGES TO RECURRING OPERATIONS

The FY 15-16 CD Revolving Fund budget does not anticipate significant changes in programs or the delivery of services relative to prior years, although given another year of reduced HUD funding for the CDBG and HOME programs, there may be a need for the Fund to provide less funding to, or support fewer and/or smaller, affordable housing and other community development projects. Following a reduction in staffing from 5.0 FTE in FY 12-13 to 4.0 FTE in FY 13-14, approaches to service delivery have been reviewed and modified to achieve greater 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 Fund 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 in FY 15-16 to control and minimize expenditures not supported by grants and fees, and maximize receipt and utilization of funds from existing sources. During FY 14-15 the Community Development Department undertook a reorganization process to add a General Fund-funded livability code compliance program to the Housing and Neighborhood Services Division. In conjunction with that reorganization and the Division Manager's expansion of program responsibility, General Fund resources are and will continue to be utilized to fund a portion of that position's personnel services costs commensurate with time spent overseeing the program, resulting in savings for the CD Revolving Fund. Those savings are built into the budget submitted with this transmittal.



The currently proposed FY 15-16 budget for the Community Development Revolving Fund reflects an operating deficit that will need to be offset through one or a combination of approaches prior to final adoption of a positive fund balance. Actions may include a year-end inter-fund loan from the Department's Development Services Fund and/or the City's General Fund, or direct non-repayable support from General Fund resources. Because similar operating challenges are anticipated in years beyond FY 15-16, a strategy that would cover deficits with ongoing infusions of General Fund resources is also being considered. The CD 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 the amount of funding available and the amount required to cover non-personnel services overhead and operating costs. Over the next year the Community Development Department will work with the Finance/Budget Office, the City Manager's Office and City Council to develop a longer-term approach that will identify funding strategies to cover the fund's operating deficits; revenue generation strategies are

also anticipated as a result of the City Council's 2015 - 2017 Housing Goal, through which Council will evaluate and implement policies and programs to facilitate the development of additional units of housing affordable to a range of income groups. Some of the contemplated programmatic approaches could result in opportunities to generate revenues in support of the delivery of affordable housing programs.

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 2015-2016 Council goal of a Sustainable Budget. The Housing and Neighborhood Services Division's highlighted

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's Core Responsibilities of Resident Well Being and Livability are also achieved.

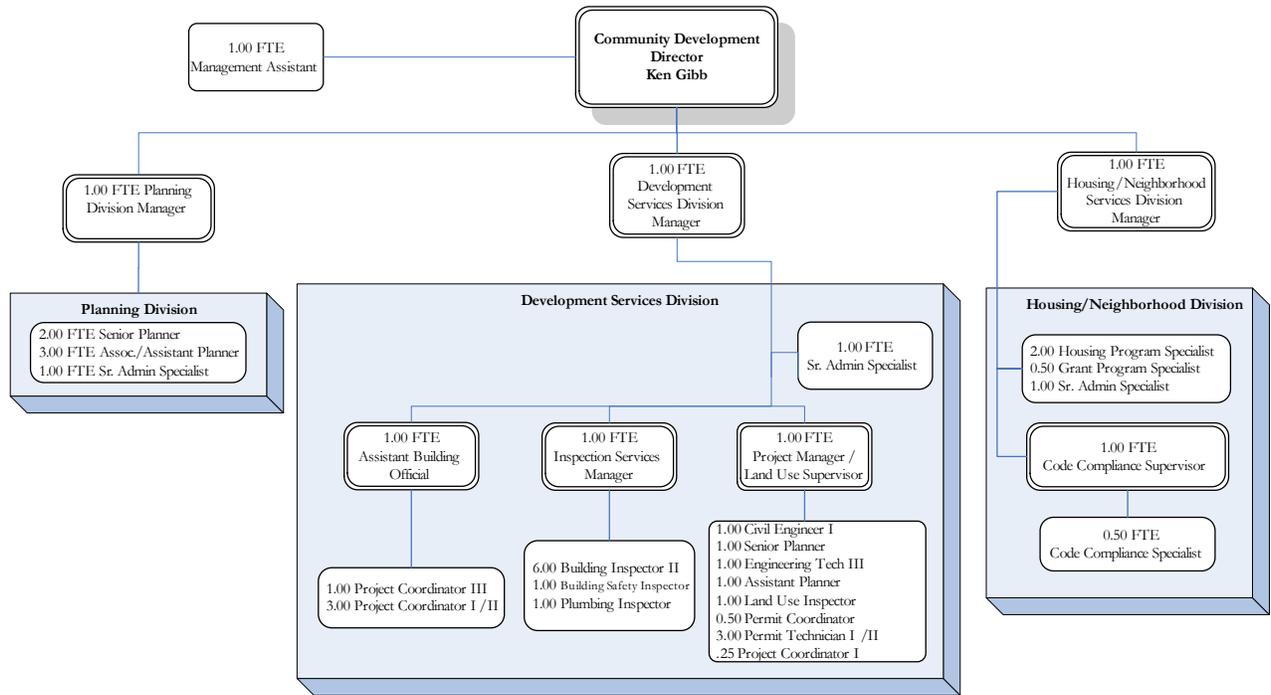
Assure that low income residents' housing needs are met in a cost efficient manner:

- *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 efficient 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 7.2 units per \$100,000 invested in FY 13-14, which is slightly lower than the average of the prior three years.
- *Current year performance and trends:* At a year-to-date rate of 6.7 units per \$100,000 invested, current year performance shows a small decline relative to FY 13-14, and is expected to remain at that level throughout FY 14-15.
- *Conclusions and challenges:* There has been a decrease in the number of units assisted per \$100,000 invested during FY 13-14 and continuing into FY 14-15 relative to the average of prior years. Two years ago at this time, based on the slow economy and flat or falling 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 continued to improve in FY 13-14 and beyond. The lower cost efficiency rate in FY 14-15, which is projected to continue through FY 15-16, stems primarily from increased home prices in Corvallis, resulting in lower numbers of low income first time home buyers who have been able to enter into home ownership.

CD REVOLVING LOAN FUND BUDGET SUMMARY

FY 15-16 Proposed Budget	
	CD Revolving Fund
Dedicated Revenue	\$2,076,280
Personnel Services	\$445,310
Materials and Services	\$1,658,470
Capital Outlay	\$0
Total Expenditures	\$2,103,780
Net Dedicated Revenue less Expenditures	(\$27,500)
FTE	4.340

COMMUNITY DEVELOPMENT DEPARTMENT ORGANIZATION CHART



COMMUNITY DEVELOPMENT DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 15-16 FTE	FY 14-15 FTE	FY 13-14 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)	Exempt	5,848 - 7,463	1	1.000	1.000	0.000
Project Manager/Land Use Supervisor	Exempt	5,848 - 7,463	1	1.000	1.000	1.000
Housing/Neighborhood Services 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	AFSCME	5,387 - 6,875	1	1.000	1.000	0.000
Senior Planner ¹	AFSCME	5,387 - 6,875	3	3.000	0.000	0.000
Civil Engineer I	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000
Project Coordinator (I or II) ¹	AFSCME	4,277 - 6,366	3	3.250	4.250	5.750
Associate/Assistant Planner ¹	AFSCME	3,963 - 6,366	4	4.000	6.000	5.000
Code Compliance Supervisor	Exempt	4,747 - 6,058	1	1.000	1.000	1.000
Building Inspector II	AFSCME	4,620 - 5,897	7	6.000	6.000	6.000
Information Systems Analyst ²	AFSCME	4,620 - 5,897	-	0.000	1.000	0.000
Plumbing Inspector	AFSCME	4,620 - 5,897	1	1.000	1.000	0.000
Management Assistant	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Building Safety Inspector ¹	AFSCME	4,277 - 5,458	1	1.000	0.000	0.000
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 ¹	AFSCME	3,963 - 5,058	2	1.000	2.000	1.000
Code Compliance Specialist	AFSCME	3,963 - 5,058	1	0.500	0.500	0.000
Grant Program Specialist ³	AFSCME	3,963 - 5,058	1	0.500	0.500	0.500
Permit Coordinator	AFSCME	3,963 - 5,058	1	0.500	0.500	0.500
Permit Technician (I or II)	AFSCME	3,416 - 4,691	3	3.000	3.000	2.000
Senior Administrative Specialist	AFSCME	3,416 - 4,360	3	3.000	3.000	3.000
Administrative Specialist	AFSCME	2,784 - 3,554	-	0.000	0.000	0.500
TOTAL			44	40.750	41.750	37.250

NOTE: Salary ranges reflect FY 14-15 Class and Compensation schedules.

1. Reorganization to maximize efficiencies and eliminate bottlenecks in the development review process resulted in the following FTE shifts for FY 15-16: 1FTE Project Coordinator to 1FTE Building Safety Inspector; 3FTE Associate Planners to Senior Planners (1 levy funded long-range planner); 1FTE Engineering Tech III to Assistant Planner
2. For long-range strategic planning purposes the 1 FTE Information Systems Analyst is being budgeted in Finance starting in FY 15-16, but work will be dedicated to Community Development.
3. To support achieving a sustainable budget, the 0.50 FTE Grant Program Specialist is authorized, but unfunded in FY 15-16.



CORVALLIS

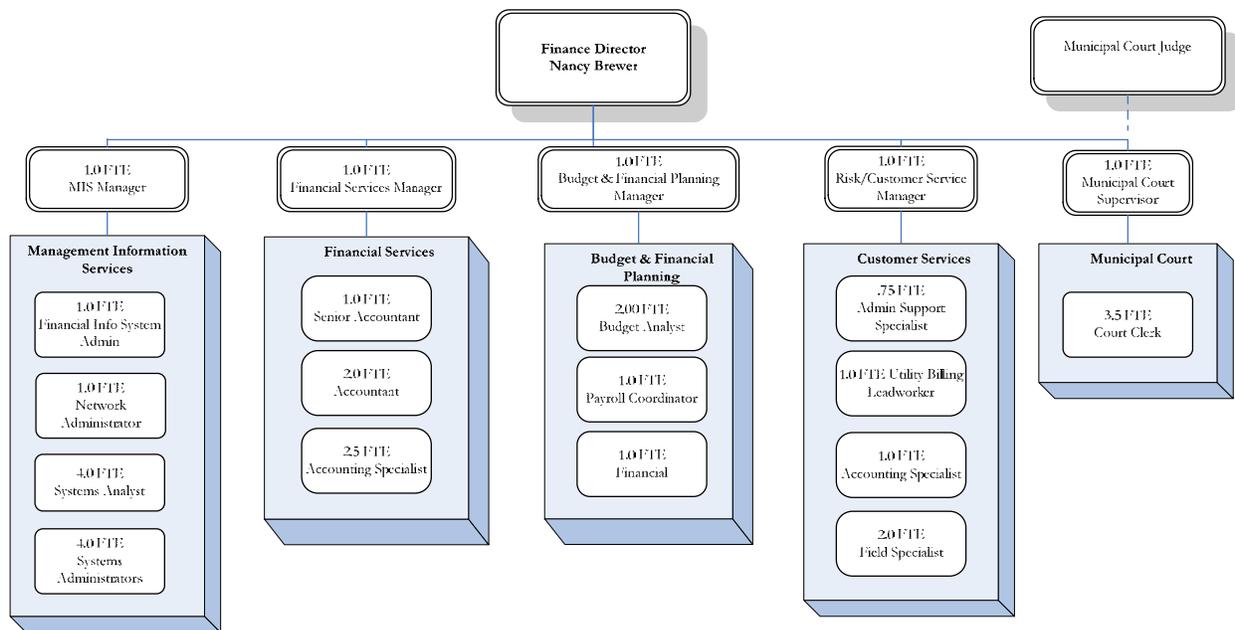
ENHANCING COMMUNITY LIVABILITY

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

While the Finance Department provides support for the Budget Commission and its organization-wide state-imposed mandate, the department does not have any advisory board or commissions that have specific responsibility for the department's budget oversight.

SUMMARY OF SERVICES – MUNICIPAL COURT

The FY 15-16 Proposed Budget for Municipal Court maintains current services and includes some enhancements in operations:

❖ Significant work efforts currently underway include the ongoing implementation of e-citations for traffic and parking enforcement. This reduction of manual processes is already helping streamline the work load at Municipal Court since much of the data entry work for citations is no longer needed.

Staff expects the reduction in data entry may allow operations to continue without adding staff, despite anticipated increases in citations issued once current Police Department vacancies in both parking and patrol are eventually filled.

❖ The Proposed Budget includes funding for a currently vacant 0.50 FTE Municipal Court Clerk position which is only expected to be filled if determined to be needed on the basis of a staff

Municipal Court

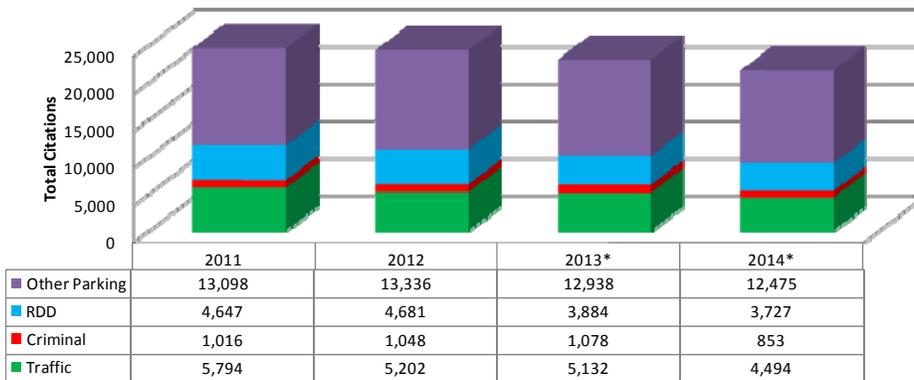
- ❖ Respond to inquiries for Municipal Court information.
- ❖ Process payments for parking, criminal and traffic citations.
- ❖ Provide Court Clerk services for the Municipal Court Judge.
- ❖ Prepare court documents including dockets, warrants, suspension notices and late notices.

Municipal Court Priorities

- ❖ Keep staff levels at their current minimum to maintain the adjudication process and meet customer service needs.
- ❖ Improve revenue collection levels.

evaluation of work flow processes since the addition of e-citation for traffic and parking, and including other work efforts such as potential system upgrades.

Municipal Court Citation Statistics



* Decreasing total citations anticipated to be a temporary trend based on police patrol and parking enforcement vacancy rates and learning curves with new e-ticketing processes.

FY 15-16 Proposed Budget

	General Fund	Parking Fund	Total
Dedicated Revenue	\$200	\$0	\$200
Personnel Services	\$314,840	\$117,700	\$432,540
Materials and Services	\$363,210	\$76,290	\$439,500
Capital Outlay	\$0	\$0	\$0
Total Expenditures	\$678,050	\$193,990	\$872,040
Net Dedicated Revenue less Expenditures	(\$677,850)	(\$193,990)	(\$871,840)
FTE	3.250	1.250	4.500

Revenue collected at Municipal Court is considered to be a non-dedicated source for General Fund operations since staff have no control over the volume of citations issued.

SUMMARY OF SERVICES - MIS

Management Information Services (MIS)

- ❖ Assist in achieving the City’s operational departments’ goal through the use of technology.
- ❖ Effectively manage the delivery of technology services and maintain technology assets while providing high quality customer service.
- ❖ Provide a reliable communication, network, and technology infrastructure on which to efficiently conduct and improve City operations.
- ❖ Improve citizen engagement and access to government information and services with timely, convenient access to appropriate information through the use of technology.

Own Device” (BYOD), as well as updating the City’s disaster recovery plan.

- ❖ Carry out other prioritized technology initiatives as needed by internal and external customers, on request. In this regard, 2.0 FTE System Analysts (SA) are proposed to be added to the division’s staffing based on departmental needs. One SA would be a transfer of the existing Community Development position added in FY 14-15. The second SA is proposed as a dedicated resource to support increasing Police technology.

The FY 15-16 Proposed Budget for Management Information Services (MIS) maintains current services. Major projects for FY 15-16 include:

- ❖ Develop an updated Information Technology Strategic Plan for the organization.
- ❖ Work with the Public Information Officer (once hired) to develop an outline of citizen engagement tools to be acquired and implemented.
- ❖ Upgrade the CorvallisOregon.gov web site to a mobile-compatible format, and update the site design/theme for improved customer experience.
- ❖ Continue the work to fully implement the SANS and NIST critical security control guidelines and principles. This work will encompass “Bring Your

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 citizen engagement, transparency, and public information plans.

FY 15-16 Proposed Budget

	Technology & Communications Fund
Dedicated Revenue	<u>\$1,682,500</u>
Personnel Services	\$1,238,870
Materials and Services	\$443,630
Capital Outlay	<u>\$0</u>
Total Expenditures	<u>\$1,682,500</u>
Net Dedicated Revenue less Expenditures	<u>\$0</u>
FTE	11.000

**SUMMARY OF SERVICES – FINANCIAL AND CUSTOMER/RISK
MANAGEMENT SERVICES**

The FY 15-16 Proposed Budget for Financial Management, which includes customer and risk management services, maintains current service levels by continuing to manage work processes and improve efficiency. Highlights for FY 15-16 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 maintain the City’s recently restored double-A bond rating by Moody’s.

❖ The reorganization of ambulance billing tasks that served to redistribute work from a single position to two existing staff was successful and is now fully operational. A portion of the department’s vacant and unfunded FTE from FY 14-15 is proposed to restore a 0.75 FTE Budget Analyst to full-time in order to support the ever-increasing need for data analysis related to Council Goal work, union negotiation costing and departmental technology and service updates to serve community members. The remaining authorized 0.5 FTE Accounting Specialist is proposed to be retained as unfunded for one more year to ensure that financial processing support and related internal controls prove adequate under this latest reorganization.

❖ Continue 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 Unqualified 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.
- ❖ 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.

SUMMARY OF SERVICES – FINANCIAL AND CUSTOMER/RISK MANAGEMENT SERVICES (CONTINUED)

- ❖ Review the City’s 20-year old financial system and integrated modules to assess future needs in this regard, including possibly doing a request for proposal on all or part of new systems needed, if affordable, to improve processing efficiencies and end-user experience while maintaining adequate security and controls.
- ❖ Convert the City’s Accounts Payable process to a paperless system for sustainability and increased organizational efficiencies.
- ❖ Review the City’s cash handling and cash management process and implement best practices changes that maintain internal controls but improve efficiency.
- ❖ Pursue further cost efficiencies through improved electronic payment processes as well as through the increased use of purchasing cards.
- ❖ Enhance the City’s web capabilities for taking online payments and review third party vendors for additional opportunities and technology upgrades that will enhance community members’ experience.
- ❖ Centralize the City’s accounts receivable process, implement best practices, internal controls and improve efficiencies.
- ❖ Work with insurance agent of record and comparator entities to research lower cost insurance coverage solutions including possible increases to self insurance, without unduly increasing risk.
- ❖ Conduct research and complete a recommendation for City Council to consider whether or not to charge convenience fees for accepting credit cards for some or all City services to cover the \$180,000, and growing, annual fees.

FY 15-16 Proposed Budget			
	Administrative Services Fund	Risk Fund	Total
Dedicated Revenue	\$2,748,790	992,900	\$3,741,690
Personnel Services	\$1,799,910	\$0	\$1,799,910
Materials and Services	\$948,880	\$994,760	\$1,943,640
Capital Outlay	\$0	\$0	\$0
Total Expenditures	\$2,748,790	\$994,760	\$3,743,550
Net Dedicated Revenue less Expenditures	\$0	(1,860)	(\$1,860)
FTE	18.250	0.000	18.250

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

No non-recurring expenditure activity is planned for FY 15-16; however, in the future, monies will need to be expended for a Financial System replacement and a Court Software system replacement. 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

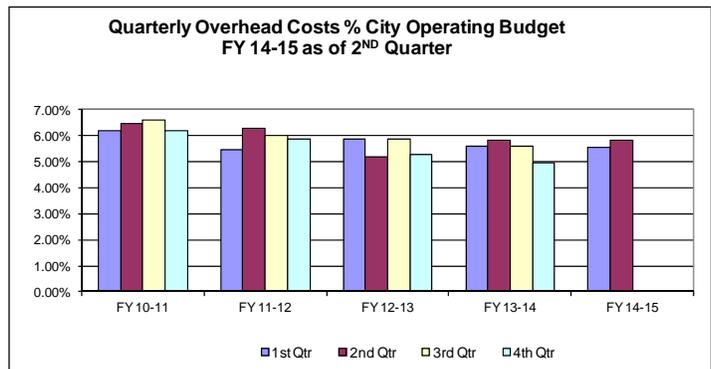
A primary function of the Finance Department is financial monitoring and reporting. Staff in the Finance department track data for analysis and provide data to departments to allow them to determine if their service outcomes are meeting all relevant goals and objectives. The City Council's overarching values of Sustainability and Cost Efficiency have continued to drive the new Council's 2015-2016 goal of a Sustainable Budget. This has obviously been a primary focus for the Finance department. Additional linkage can be made to the Organization's Core Responsibilities where the Finance Department serves as support for all other functions in the organization. The new Sustainable Budget goal adopted by Council will likely generate one or more additional outcome measures related to infrastructure and deferred maintenance, revenue coverage and comparator level analysis of unmet community needs. If so, these will be addressed in the final Adopted Budget document to the extent they have been developed.

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

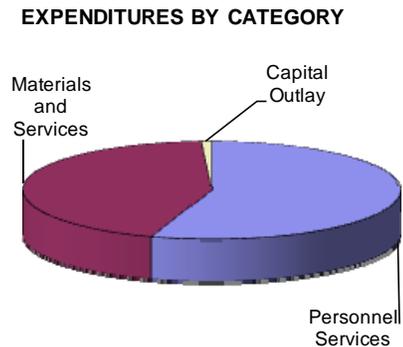
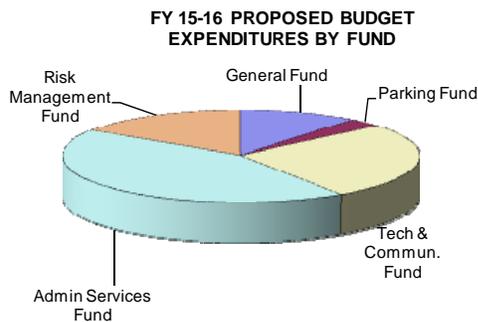
Employee wages and benefits represent the largest cost at 55% of total Finance Department expenditures. Overhead costs such as utilities, materials and supplies such as paper for the document-intensive work of the department, and training to maintain professional knowledge in a highly regulated financial 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.

In FY 14-15, the property liability program in the Risk Management Fund was 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 relative to FY 13-14 and prior years.

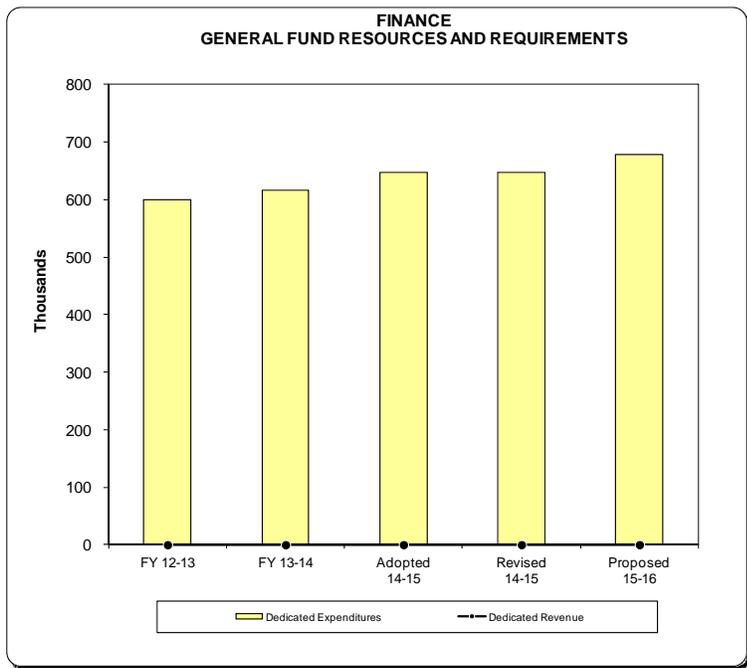
BUDGET BY CATEGORY:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
Personnel Services	\$3,154,311	\$3,181,241	\$3,399,880	\$3,318,950	\$3,471,320	2.10%
Materials and Services	1,519,982	1,542,759	2,449,470	2,554,930	2,771,770	13.16%
Capital Outlay	0	15,927	45,000	45,000	55,000	22.22%
TOTAL	\$4,674,293	\$4,739,926	\$5,894,350	\$5,918,880	\$6,298,090	6.85%
Staffing Levels	31.750	31.750	32.750	32.750	33.750	3.05%

The Finance Department operates in the General, Parking, Administrative Services, Technology & Communication, and Risk Management Funds as shown below. The Parking Fund shows a significant decrease, back to prior year levels, in Proposed FY 15-16 versus Adopted FY 14-15 due to the residential parking district ballot initiative having been voted down, and related costs thus not being implemented.

BUDGET BY FUND:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
General Fund	\$599,019	\$615,548	\$647,260	\$647,260	\$678,050	4.76%
Parking Fund	187,422	221,142	312,560	241,090	193,990	-37.94%
Tech & Commun. Fund	1,435,315	1,396,771	1,440,090	1,440,090	1,682,500	16.83%
Admin Services Fund	2,452,537	2,506,465	2,705,340	2,705,340	2,748,790	1.61%
Risk Management Fund	0	0	789,100	885,100	994,760	26.06%
TOTAL	\$4,674,293	\$4,739,926	\$5,894,350	\$5,918,880	\$6,298,090	6.85%



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 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
DEDICATED REVENUE						
Charges for Services	\$155	\$133	\$200	\$200	\$200	0.00%
Dedicated Revenue	155	133	200	200	200	0.00%
EXPENDITURES CLASS:						
Personnel Services	321,542	320,514	354,030	354,030	314,840	-11.07%
Materials and Services	277,479	285,806	293,230	293,230	363,210	23.87%
Capital Outlay	0	9,228	0	0	0	0.00%
CIP Transfers	0	0	0	0	0	0.00%
Dedicated Expenditures	599,021	615,548	647,260	647,260	678,050	4.76%
Use of (addition to) Non-Dedicated Revenue	598,866	615,415	647,060	647,060	677,850	4.76%

* 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 considered non-dedicated in the General Fund due to the staff's lack of control over the volume of citations.



FINANCE DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 15-16 FTE	FY 14-15 FTE	FY 13-14 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
Risk/Customer Service 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	AFSCME	4,988 - 6,366	-	0.000	0.000	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 ¹	AFSCME	4,620 - 5,897	3	3.000	1.000	1.000
System Administrator I	AFSCME	4,620 - 5,897	4	4.000	4.000	3.000
Accountant	AFSCME	3,963 - 5,058	2	2.000	2.000	1.750
Court Supervisor	Exempt	3,959 - 5,053	1	1.000	1.000	1.000
Budget Analyst ²	Exempt	3,959 - 5,053	2	2.000	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	3.500	4.500	3.500
Accounting Specialist ²	AFSCME	2,784 - 3,554	3	3.500	3.500	3.750
Administrative Specialist ²	AFSCME	2,784 - 3,554	1	0.750	1.000	1.000
TOTAL			34	33.750	32.750	31.750

NOTE: Salary ranges reflect FY 14-15 Class and Compensation schedules.

1. During FY 15-16 2 FTE Information System Analysts will be budgeted in Finance. Prior to FY 15-16 1.0 FTE was budgeted in CD. The other FTE is a proposed enhancement for FY 15-16 and will be dedicated to Police Department support. Both CD and Police will be billed for these FTE via the MIS internal service charge allocation.
2. For cost savings and to improve on efficiencies of reduced staffing levels and the nature of changing workloads, a reorganization is proposed to occur in FY 15-16 whereby 0.25 FTE will be added back to a Budget Analyst position from an underfilled .25 Administrative Specialist position. For FY 15-16, 0.5 FTE Accounting Specialist position is proposed to continue as authorized but unfunded until this new structure can be tested.
3. The Residential Parking District initiative did not receive voter approval so 1.0 FTE Court Clerk related to that expected work effort has been removed in the FY 15-16 budget.



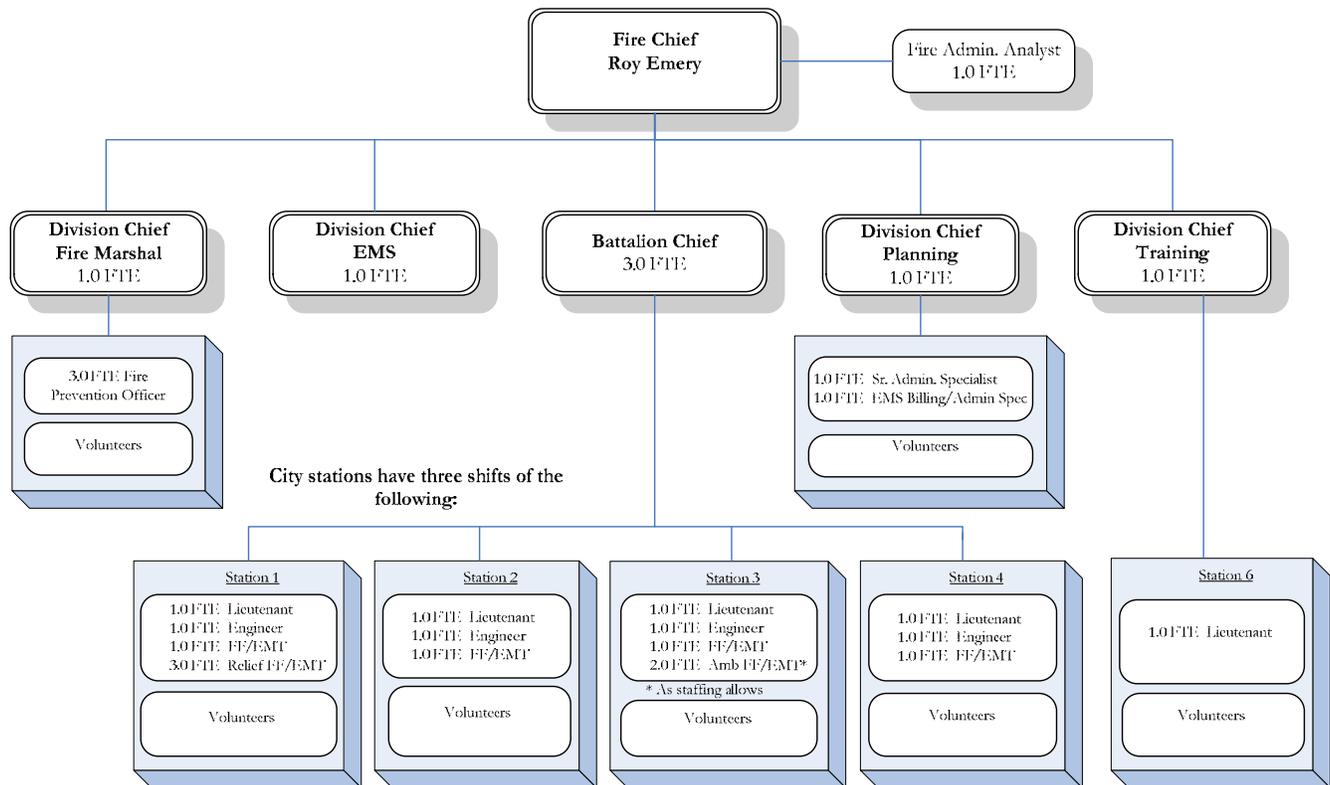


FIRE DEPARTMENT

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 & TASK FORCES

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 allocated fixed expenditure limit does not provide the capacity to offer any new programs or services. The department is able to fund all authorized positions while still coming in within the assigned expenditure limit, but that does not account for any unforeseen events that may impact the budget as currently proposed (see the Sustainable Budget Council Goal section for details). As such, the department may be faced with unfunding vacant positions in the new fiscal year in order to accommodate any significant expenditure increases. The continuing practice of unfunding authorized positions to balance expenditures with the fixed allocation is unsustainable and results in a lower level of service to the community. The FY 15-16 Proposed Budget for the Fire Department will allow continued response at a reduced service level.

FY 15-16 Proposed Budget	
	General Fund
Dedicated Revenue	\$3,782,450
Personnel Services	\$8,706,510
Materials and Services	\$2,353,670
Capital Outlay	\$0
Total Expenditures	\$11,060,180
Net Dedicated Revenue less Expenditures	(\$7,277,730)
FTE	66.000

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.

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 conduct 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 particular fire prevention programs that address hazards specific to our community.

❖ Passage of the 2013 Operating Levy provided 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 (CRFPD) (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 7,100 calls for service in 2014.

❖ 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 2014, the Fire Department responded to approximately 4,800 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 the Office of State Fire Marshal (OSFM) region #5.

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

The Fire Department is in the process of replacing an aerial equipped engine which should be ready in late FY 14-15/early FY 15-16. The total cost for this project will end up at approximately \$650,000 and is fully funded from the Apparatus Reserve Account. One medic unit will be replaced in FY 15-16, costing approximately \$330,000 and will also be fully funded from the Apparatus Reserve Account.



Photos of the Fire Drill Tower Training Facility Construction

The Fire Department applied for and was awarded a grant to perform seismic retrofitting at Stations 2 and 3. The grant is funded through Business Oregon; Infrastructure Finance Authority. The grant has a two year performance period and requires no local match. Construction of Stations 2 & 3 started in 1976 and they opened in the fall of 1977. These buildings do not meet current seismic building code. Work is slated to begin at Station 2 at SW 35th Street during the summer of 2015. Work at Station 3 at 1310 NW Circle Blvd. will be during summer of 2016. Grant proceeds and project funding will flow through the Capital Improvement Fund.

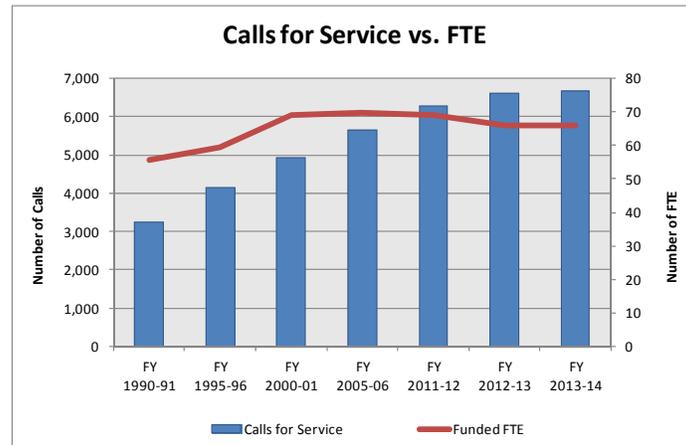
SUSTAINABLE BUDGET COUNCIL GOAL

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 15-16 budget. While currently levels of service are able to be maintained for another year, the current model is not sustainable over time due to a growing need for increased service levels in the community.

In FY 11-12 the Fire Department had 69.0 authorized FTE; one position was unfunded to meet budget target. As the FY 12-13 budget was prepared, the department recommended the closure of Station 5, cut 3.0 FTE, made non-disciplinary demotions of personnel, and created a part-time [2/3] predicted availability Medic Unit (120) at Station 3. During FY 12-13 recorded response time performance showed improvement, less was expended in overtime utilizing staff from Medic 120 to help cover vacancies normally filled with overtime, and observed performance was within 1% of the predicted outcome through simulation of the response model. In order to meet the FY 14-15 fixed expenditure limit, 3.0 FTE in operations were unfunded, and 1.0 FTE in administration was eliminated.

SUSTAINABLE BUDGET COUNCIL GOAL (CONTINUED)

The continuing practice of balancing the Fire Department's budget by unfunding or eliminating positions is not a sustainable model. As portrayed in the graph below, since 1990 the department has seen the volume of calls for service more than double, yet funded FTE has only increased by 19% since 1990. The potential for additional FTE funding decreases in order to accommodate other future expense increases may be needed to continue operating in the fixed expenditure model.



The expenditure limit does not allow the department to address items such as deferred facility maintenance issues, the increasing number of retirement eligible employees and their associated cash outs, and future expenditure limits will likely not increase enough to cover anticipated increases in employee costs such as 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. Further issues include:

- ❖ There is not capacity to train and replace the number of retirement eligible employees should they decide to retire during a narrow window of time; new employees go through a six week academy, followed by continued on-the-job training for the balance of their probationary year.
- ❖ Contract negotiations are currently underway with the International Association of Firefighters (IAFF) local #2240. If the expenditure limit is not increased and a COLA is negotiated, the department will be forced to unfund additional positions, which exacerbates the problems previously identified.
- ❖ The non-personnel services portion of the budget (excluding internal service charges (ISC) and contributions to reserves) is approximately 10% of the total allocation and offers no relief to ISC increases or increased personnel services costs; approximately 75% of this portion will be spent on supplies and services critical to service delivery; fuel, apparatus maintenance and repair, EMS supplies, 911 cost share, and utilities.
- ❖ Negotiations will start in late spring with the CRFPD. The current contract for service expires June 30, 2016. The CRFPD board is dissatisfied with the closure of Station 5 and the perceived impact to service delivery in their district. The process will start 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.

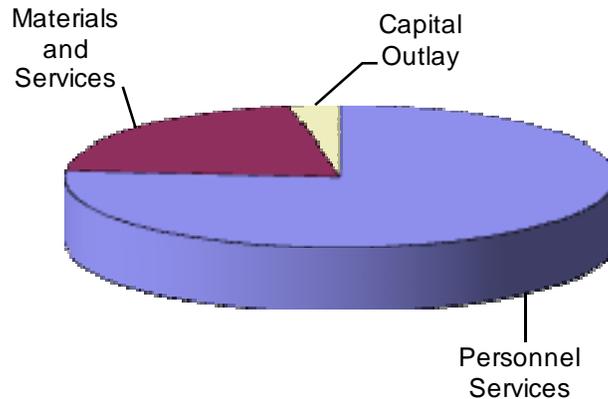
If a new model of funding for the Fire Department is not adopted, the department will continue to be immersed in the vicious cycle of unfunding needed positions to balance the budget. Serious consideration needs to be given to how Public Safety is funded in Corvallis. Increasing calls for service and high unit utilization rates, particularly on medic units, are having an impact on availability of units to respond to additional calls for service.

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 32% of Fire Department funding is derived from Charges for Service. Ambulance charges and the CRFPD contract are the two largest revenue sources for the department, after property taxes.

BUDGET BY CATEGORY:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
Personnel Services	\$8,313,251	\$8,373,158	\$8,417,150	\$8,417,150	\$8,706,510	3.44%
Materials and Services	1,836,658	1,917,456	2,233,210	2,233,210	2,353,670	5.39%
Capital Outlay	25,262	151,115	746,730	696,730	332,240	-55.51%
TOTAL	\$10,175,170	\$10,441,729	\$11,397,090	\$11,347,090	\$11,392,420	-0.04%

FY 15-16 PROPOSED BUDGET EXPENDITURES BY CATEGORY

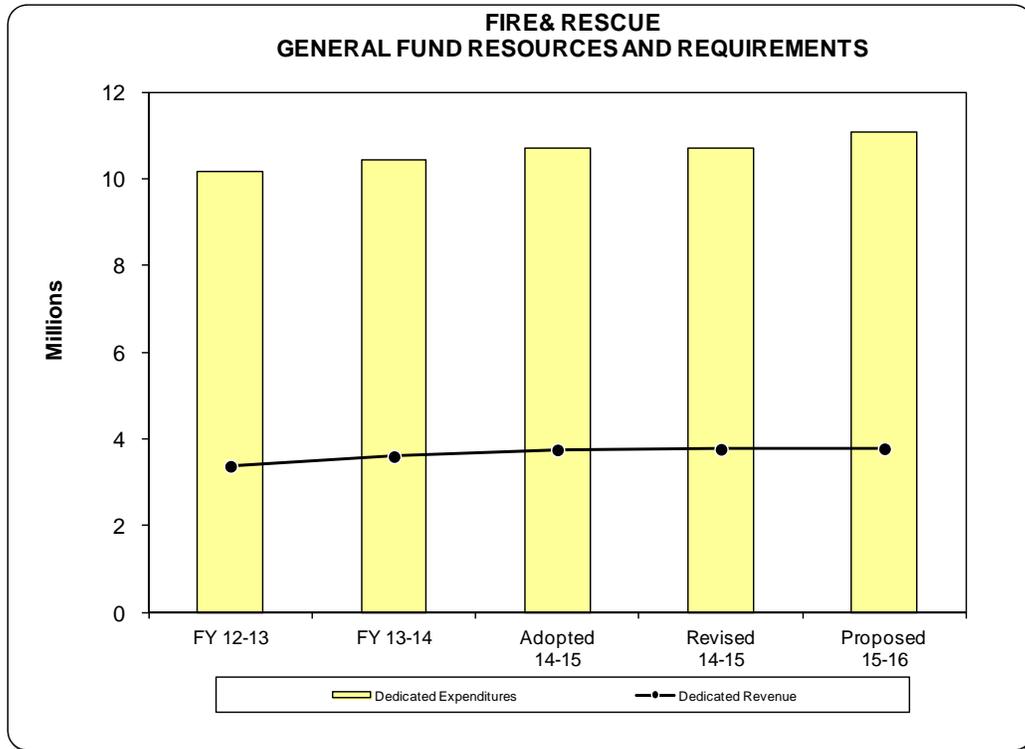


As of FY 13-14, the Fire Department operates in the General Fund as shown below:

BUDGET BY FUND:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
Fire and Rescue Fund	\$10,175,170	\$0	\$0	\$0	\$0	0.00%
General Fund	0	10,441,729	11,397,090	11,347,090	11,392,420	-0.04%
TOTAL	\$10,175,170	\$10,441,729	\$11,397,090	\$11,347,090	\$11,392,420	-0.04%

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
DEDICATED REVENUE	2012-13	2013-14	2014-15	2014-15	2015-16	FROM 14-15 BUDGET
License, Fees & Permits	\$16,859	\$15,786	\$21,010	\$21,010	\$21,010	0.00%
Charges for Services	3,264,886	3,524,267	3,563,980	3,563,980	3,563,980	0.00%
Intergovernmental	45,185	0	0	0	0	0.00%
Fines & Forfeitures	11,656	12,428	11,490	11,490	11,600	0.96%
Miscellaneous	39,799	49,893	21,600	21,600	30,000	38.89%
2013 Operating Levy	0	0	138,550	151,840	155,860	12.49%
Dedicated Revenue	3,378,385	3,602,374	3,756,630	3,769,920	3,782,450	0.69%
EXPENDITURES CLASS:						
Personnel Services	8,313,249	8,373,161	8,417,150	8,417,150	8,706,510	3.44%
Materials and Services	1,836,660	1,917,459	2,233,210	2,233,210	2,353,670	5.39%
Capital Outlay	25,262	151,115	46,730	46,730	0	-100.00%
CIP Transfers	0	0	0	0	0	0.00%
Dedicated Expenditures	10,175,171	10,441,735	10,697,090	10,697,090	11,060,180	3.39%
Use of (addition to) Non-Dedicated Revenue	6,796,786	6,839,361	6,940,460	6,927,170	7,277,730	4.86%

NOTE The above budget excludes reserve component funds and related activity, such as vehicle purchases.

FIRE DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 15-16 FTE	FY 14-15 FTE	FY 13-14 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	5,195 - 7,435	13	13.000	13.000	13.000
Fire Prevention Officer ¹	IAFF	5,131 - 6,705	3	3.000	3.000	2.000
Fire Engineer	IAFF	4,811 - 6,885	12	12.000	12.000	12.000
Firefighter - Emergency Medical Technician (EMT)	IAFF	4,474 - 6,403	27	27.000	27.000	27.000
Staff Assistant ²	AFSCME	3,676 - 4,691	-	0.000	0.000	1.000
Fire Administrative Analyst ³	Exempt	3,616 - 4,614	1	1.000	1.000	0.000
Staff Assistant ³	Exempt	3,572 - 4,559	-	0.000	0.000	1.000
Senior Administrative Specialist	AFSCME	3,416 - 4,360	1	1.000	1.000	1.000
EMS Billing/Admin Support Specialist ⁴	AFSCME	3,048 - 4,360	1	1.000	1.000	0.000
Administrative Specialist ⁴	AFSCME	2,784 - 3,554	-	0.000	0.000	1.000
TOTAL			66	66.000	66.000	66.000

NOTE: Salary ranges reflect FY 14-15 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, 1.0 FTE Staff Assistant was eliminated in FY 14-15.
3. After evaluation of the incumbent's skill set and duties, the 1.0 FTE Staff Assistant was reclassified as a Fire Administrative Analyst.
4. After evaluation of the incumbent's skill set and duties, the 1.0 FTE Administrative Specialist was reclassified as an EMS Billing/Admin Support Specialist.



Timberhill Fire Blaze



Timberhill Fire Outcome

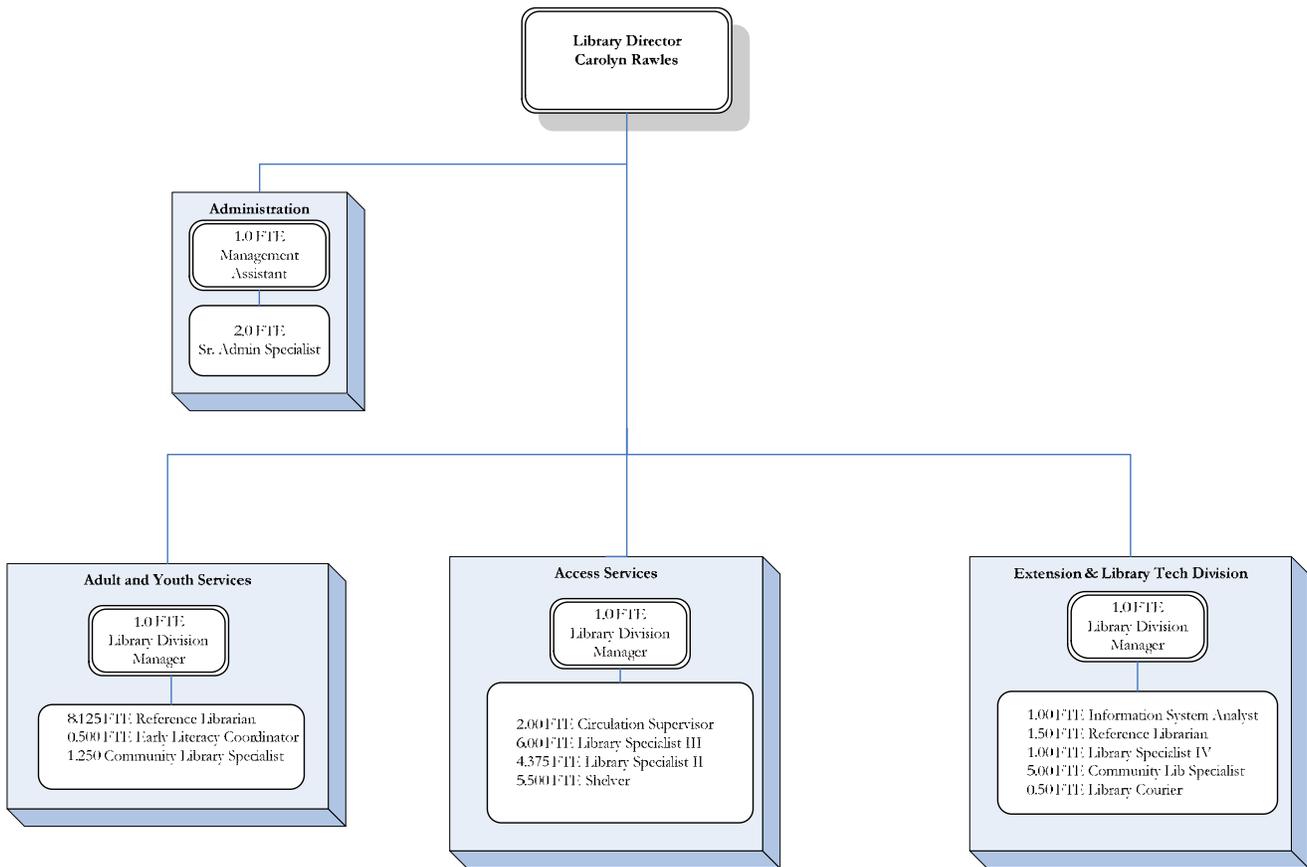
LIBRARY DEPARTMENT

MISSION STATEMENT

"Bringing People and Information Together"

The Corvallis-Benton County Public Library serves the whole 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 Library Advisory Board is made up of ten members--five appointed by the Corvallis Mayor and five appointed by the Benton County Commissioners—plus a County-appointed student representative, a City Council liaison, and a Benton County Commission liaison. The Board advises the City Council on all matters pertaining to the operation, expansion, and level of service provided by the Library.

The Library Advisory Board discussed the library at a number of meetings November through February. A key area for discussion was the patron survey done in January and the completion of a new strategic plan, with possible accompanying budget implications.

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.

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.

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.

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 15-16 budget maintains current service levels. Highlights include:

- ❖ The new Library Strategic Plan will be completed and implementation will begin. Library patron survey results will be incorporated into the new plan.

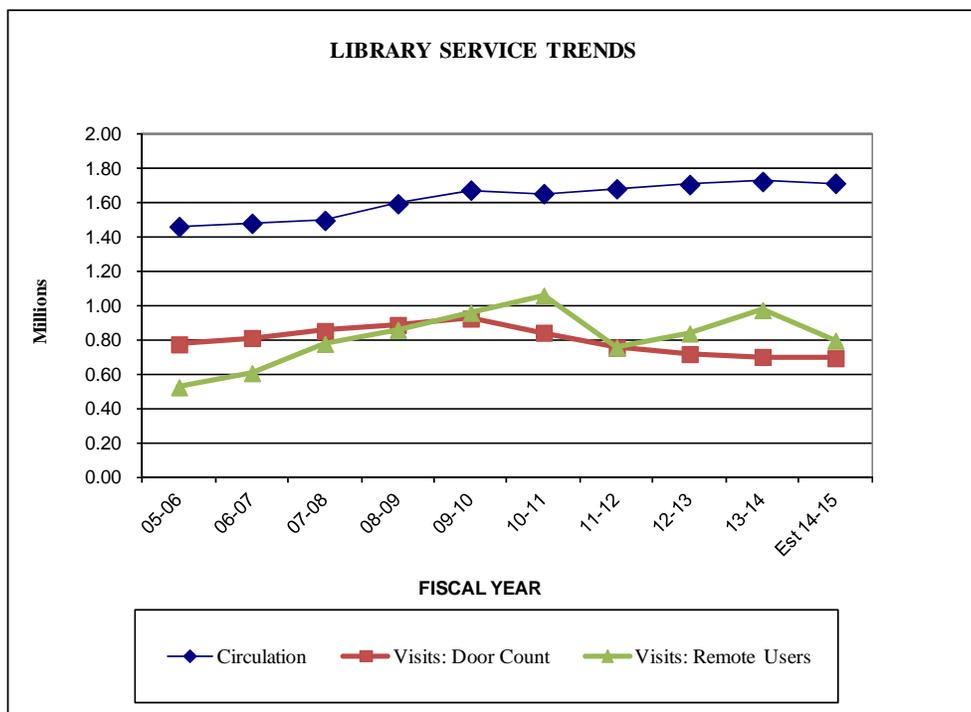
- ❖ The former Fenner property adjacent to the Library continues to generate rental revenue from current tenants. The budget includes maintenance funds for exterior siding and paint, and interior HVAC repairs. Rental income covers the cost of operating and maintaining the building. Although not a direct Library operation, this rental arrangement will continue at least until the strategic plan provides re-purposing options for this library-block facility.



- ❖ The budget includes CIP funding for an LED interior lighting management system in the Corvallis Public Library building, which should result in lower ongoing utility costs and lighting improvements in many parts of the Corvallis building.

FY 15-16 Proposed Budget	
	<u>General Fund</u>
Dedicated Revenue	\$4,152,870
Personnel Services	\$4,209,030
Materials and Services	\$2,090,920
Capital Outlay	\$0
CIP	\$60,000
Total Expenditures	<u>\$6,359,950</u>
Net Dedicated Revenue less Expenditures	<u>(\$2,207,080)</u>
FTE	43.750

NOTE The above budget excludes reserve component funds



NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

The following non-recurring activities for the Library are anticipated in FY 15-16:

- Final spend-down of the Margaret Hull grant for use at the Monroe Community Library; incremental investment income has resulted in a greater grant award.
- Unanticipated excess Levy revenue received in FY 14-15 will be used for additional materials for the collection to help restore cuts made in prior years.

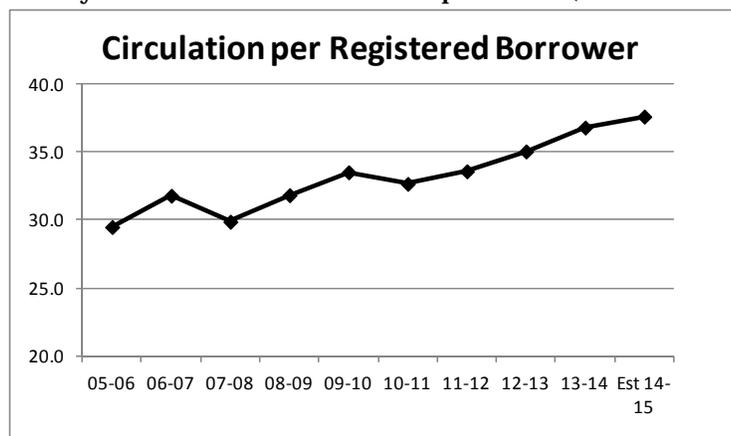
SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURE



Library remains very busy as shown in circulation per registered borrower measures. This measure continues an upward trend and is projected to be about twice the national average in FY 14-15 with more than 37 items checked out annually per borrower. This is a 2.2% increase over the previous year. In order to keep up with this increasing workload, more casual staff will be hired to cover the busiest periods, which has been built into the budget.

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 FY 12-13 Public Library Data Service Statistical Report data (most recent national data available), Corvallis is well above the national average of 16.9 items checked out per user each year for libraries serving populations of 50,000 – 99,999. The Corvallis collection is made up of a variety of materials that patrons want to check out.
- *Current year performance and trends:* Circulation is expected to increase by about the same in FY 15-16 as in the previous year. The number of library card holders currently averages about 45,500 at any given time. If these trends hold steady, this measure will continue to remain strong over time.
- *Conclusions and challenges:* 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. Long waiting lists for popular items are common. 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.

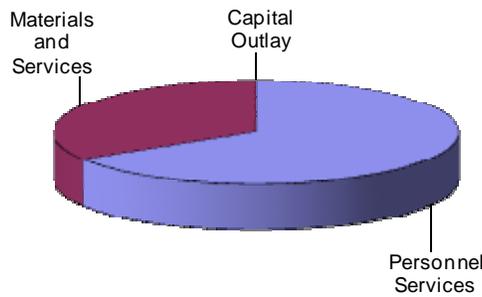


LIBRARY DEPARTMENT – BUDGET SUMMARY

Employee wages and benefits represent the largest cost at 66% 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 payments to other City departments for overhead services provided.

BUDGET BY CATEGORY:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
Personnel Services	\$3,901,897	\$3,965,195	\$4,142,840	\$4,142,840	\$4,209,030	1.60%
Materials and Services	1,909,340	1,877,080	1,953,800	1,936,800	2,140,920	9.58%
Capital Outlay	0	633,787	55,000	55,000	0	-100.00%
TOTAL	\$5,811,236	\$6,476,062	\$6,151,640	\$6,134,640	\$6,349,950	3.22%
Staffing Levels	42.750	42.125	43.750	43.750	43.750	0.00%

EXPENDITURES BY CATEGORY

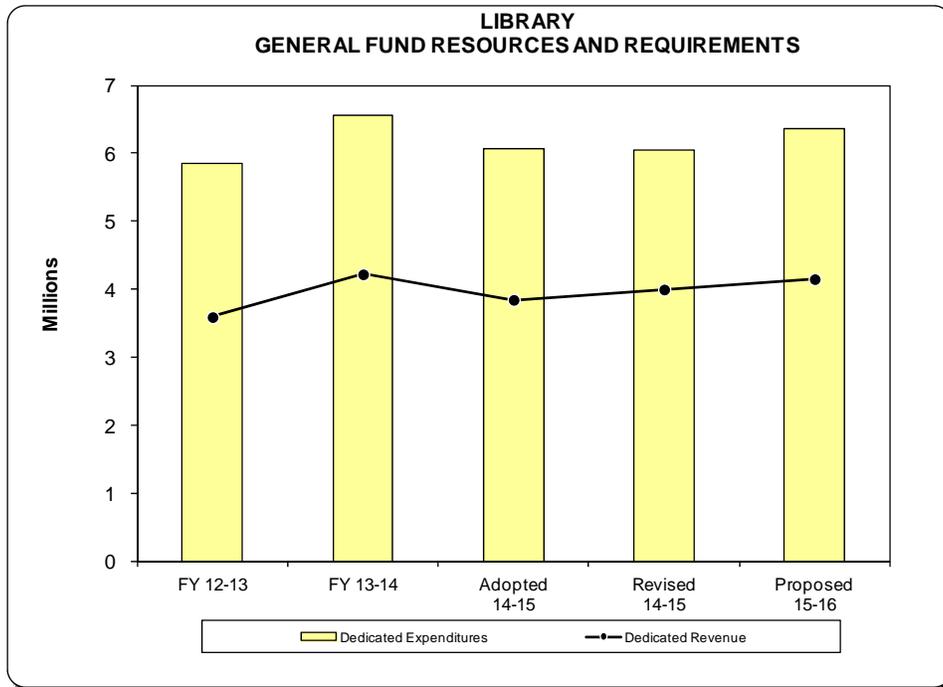


The Library operates in the General and Davidson Funds as shown below. The Davidson Fund has no operational budget from FY13-14 through FY15-16 with the intent of growing the \$5,000 base endowment balance.

BUDGET BY FUND:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
Library Fund	\$5,780,864	\$0	\$0	\$0	\$0	0.00%
Library Improvement Fund	29,890	0	0	0	0	0.00%
General Fund	0	6,476,062	6,151,640	\$6,134,640	6,349,950	3.22%
Davidson Fund	482	0	0	0	0	0.00%
TOTAL	\$5,811,236	\$6,476,062	\$6,151,640	\$6,134,640	\$6,349,950	3.22%



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



GENERAL FUND - LIBRARY	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
DEDICATED REVENUE	2012-13	2013-14	2014-15	2014-15	2015-16	FROM 14-15 BUDGET
Charges for Services	\$43,917	\$61,437	\$99,360	\$99,360	\$100,840	1.49%
Intergovernmental	2,399,046	2,287,598	2,487,980	2,543,000	2,632,730	5.82%
Fines & Forfeitures	106,264	103,172	103,020	103,020	107,200	4.06%
Miscellaneous	78,030	707,510	94,900	89,900	116,300	22.55%
2011 Operating Levy	967,229	1,063,757	0	0	0	0.00%
2013 Operating Levy	0	0	1,062,790	1,164,900	1,195,800	12.52%
Dedicated Revenue	3,594,486	4,223,474	3,848,050	4,000,180	4,152,870	7.92%
EXPENDITURES CLASS:						
Personnel Services	3,901,895	3,965,200	4,142,840	4,142,840	4,209,030	1.60%
Materials and Services	1,878,970	1,877,081	1,915,300	1,898,300	2,090,920	9.17%
Capital Outlay	0	633,787	0	0	0	0.00%
CIP Transfers	76,000	86,470	10,000	10,000	60,000	500.00%
Dedicated Expenditures	5,856,865	6,562,538	6,068,140	6,051,140	6,359,950	4.81%
Use of (addition to) Non-Dedicated Revenue	2,262,379	2,339,064	2,220,090	2,050,960	2,207,080	-0.59%

NOTE The above budget excludes reserve component funds

LIBRARY DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)		Head Count	Proposed		Historical	
					FY 15-16 FTE	FY 14-15 FTE	FY 13-14 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	3.000	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	9.625	9.375	
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 ^{1,3}	AFSCME	3,676 -	4,691	9	6.250	6.125	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	4.375	4.000	
Library Courier ^{1,3}	AFSCME	2,444 -	3,120	1	0.500	0.625	0.750	
Shelver ²	AFSCME	2,048 -	2,614	10	5.500	5.500	5.250	
TOTAL				56	43.750	43.750	42.125	

NOTE: Salary ranges reflect FY 14-15 Class and Compensation schedules.

1. For cost savings and to improve efficiencies, a reorganization in FY 14-15 resulted in reducing the Library Division Manager and Library Couriers for additional Community Library Specialists.
2. Number of positions increased for FY 14-15 due to passage of the November 2013 levy to support Sunday hours.
3. To improve efficiencies, a reorganization resulted in moving .125 FTE from the Library Courier position to a Community Library Specialist position.





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 Department Advisory Committee;
-  Support economic development by helping maintain and increase property values through planning and development of parks, trails and natural areas.

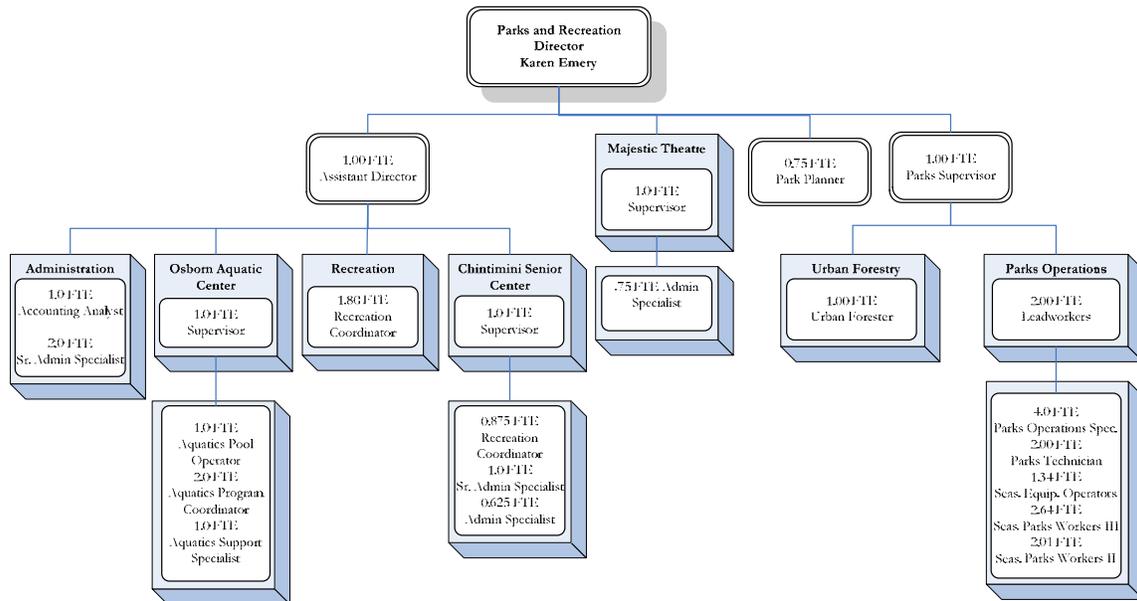
Recreation

-  Improve community health and quality of life through participation in recreation programs and events;
-  Manage the Osborn Aquatic Center, providing water safety lessons, special events, therapeutic and fitness programs and life-long wellness opportunities;
-  Manage the Chintimini Senior and Community Center, providing health, fitness and life-long learning programs for people 50+;
-  Manage The Majestic Theatre, providing arts and cultural enrichment for all ages;
-  Manage a vibrant volunteer program, keeping people involved in the community;
-  Provide teens a way to connect to the community through the Youth Volunteer Corps;
-  Improve community involvement 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 services for recreation programs and facilities including registration, reservations and permits;
-  Administer department contracts and grants, Council documents, department policies.

PARKS & RECREATION DEPARTMENT ORGANIZATION CHART



PARKS & RECREATION DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 15-16 FTE ³	FY 14-15 FTE	FY 13-14 FTE
Parks and Recreation Director	Exempt	\$7,554 - \$9,641	1	1.000	1.000	1.000
Assistant Parks and Recreation Director	Exempt	5,848 - 7,463	1	1.000	1.000	1.000
Parks Division 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	0.750
Parks Maintenance Leadworker	AFSCME	4,620 - 5,897	2	2.000	2.000	2.000
Senior Center Supervisor	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Majestic Theatre Supervisor ¹	Exempt	4,335 - 5,533	1	1.000	0.000	0.000
Park Operations Specialist	AFSCME	4,277 - 5,458	4	4.000	4.000	4.000
Recreation Coordinator ²	AFSCME	4,277 - 5,458	3	2.675	3.300	3.550
Aquatics Program Coordinator ²	AFSCME	4,277 - 5,458	2	2.000	1.875	1.625
Parks Maintenance Technician ²	AFSCME	3,676 - 4,691	2	2.000	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 ¹	AFSCME	3,416 - 4,360	3	3.000	2.750	2.750
Administrative Specialist ¹	AFSCME	2,784 - 3,554	2	1.375	0.625	1.225
Seasonal Parks Equipment Operator ²	AFSCME	2,784 - 3,554	2	1.340	1.800	1.770
Seasonal Parks Worker III ²	AFSCME	2,444 - 3,120	4	2.640	2.680	1.770
Seasonal Parks Worker II	AFSCME	2,302 - 2,938	3	2.010	2.010	2.950
TOTAL			38	33.790	31.790	32.390

- On November 17, 2014 City Council directed Parks and Recreation to operate the Majestic Theatre for two years starting January 1, 2015; as such, a 1.0 FTE Majestic Theatre Supervisor, 0.25 FTE in Senior Administrative Specialist, and 0.75 FTE in Administrative Specialist positions were hired to aid with theatre operations.
- Due to a retirement of a 1.0 FTE Recreation Coordinator, a reorganization of FTE was implemented allocating 0.50 FTE to a Parks Maintenance Technician, 0.125 FTE to an Aquatics Program Coordinator, and maintaining 0.375 FTE with existing Recreation Coordinators; 0.50 FTE of the new Parks Maintenance Technician position was funded with 0.46 FTE in unfilled Seasonal Parks Equipment Operator and 0.04 FTE Seasonal Parks Worker III.
- Outside of the approved increases in FTE for Majestic Theatre Operations, staffing levels would have remained flat between FY 14-15 and FY 15-16.

ADVISORY BOARDS, COMMISSIONS & TASK FORCES

The Parks and Recreation Department supports two advisory boards and one advisory committee.

Parks, Natural Areas and Recreation Advisory 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.

Arts and Culture Advisory Board: The Board advises the Council in all matters pertaining to Arts and Culture, ensuring that Arts and Culture are a civic priority including the acceptance, selection, and placement of art for the City of Corvallis.

Civic Beautification and Urban Forest Department Advisory Committee: The Committee advises the Department on matters relating to planting, maintenance, preservation, and removal of community trees and landscape beautification.



Each Chair was invited to a budget review session in early January 2015.

Staff worked with the Department's advisory board, the Parks, Natural Areas and Recreation Board (PNARAB), to set priorities for the development of the FY 15-16 budget.



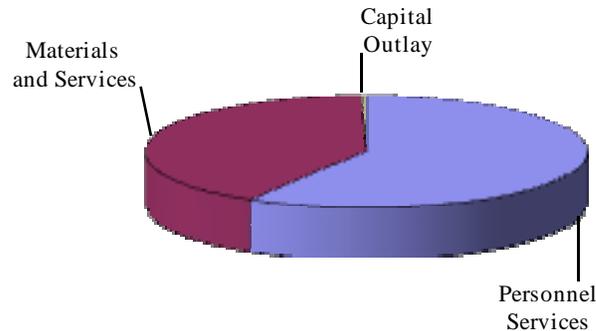
PARKS & RECREATION DEPARTMENT – BUDGET SUMMARY

Employee wages and benefits represent the largest cost at 59% of total Parks and Recreation Department expenditures. Materials and Services such as utilities, contractors, and chemicals comprise the balance of the budget. Less than 1% of the budget will be spent on capital purchases for a vehicle replacement.

BUDGET BY CATEGORY:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
Personnel Services	\$3,601,271	\$3,727,813	\$3,781,770	\$3,880,960	\$4,129,140	9.19%
Materials and Services	2,424,024	2,386,127	2,333,050	2,438,100	2,872,790	23.13%
Capital Outlay	40,561	75,571	0	0	25,000	0.00%
TOTAL	\$6,065,856	\$6,189,511	\$6,114,820	\$6,319,060	\$7,026,930	14.92%
Staffing Levels	34.095	32.390	31.790	31.790	33.790	6.29%

Note: Outside of the approved increases in FTE for Majestic Theatre operations, staffing levels have remained flat between FY 14-15 and FY 15-16; 7.1% of the increase above in Materials and Services since adopted levels is due to Majestic Theatre operations.

EXPENDITURES BY CATEGORY

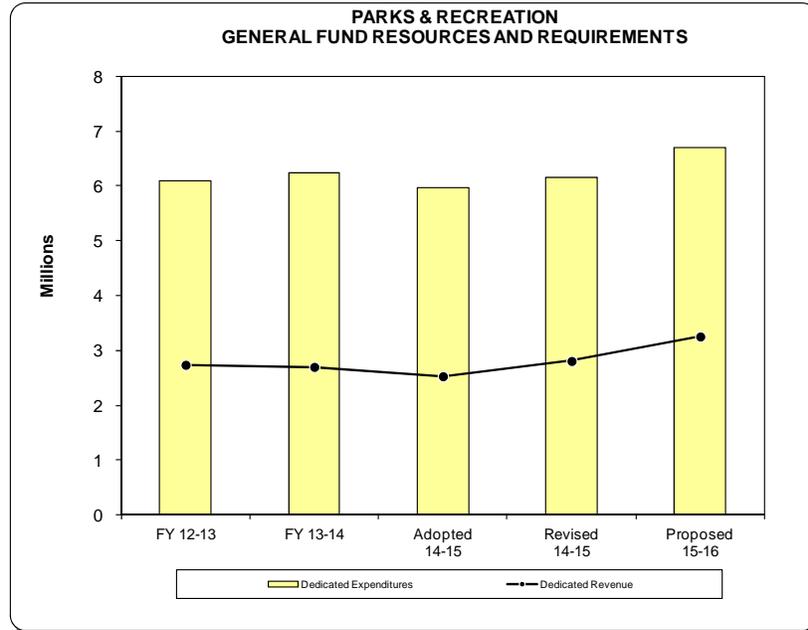


BUDGET BY FUND:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
Parks & Recreation Fund	\$4,439,420	\$0	\$0	\$0	\$0	0.00%
P&R Aquatics Funds	1,626,436	0	0	0	0	0.00%
General Fund	0	6,189,511	6,114,820	6,319,060	7,026,930	14.92%
TOTAL	\$6,065,856	\$6,189,511	\$6,114,820	\$6,319,060	\$7,026,930	14.92%

Note: FY 14-15 revised budget is higher than adopted, due to addition of six months of Majestic Theatre operations; FY 15-16 is the first full year of Majestic Theatre operations in the Department budget.

PARKS & RECREATION DEPARTMENT – BUDGET SUMMARY (CONTINUED)

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 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
DEDICATED REVENUE						
License, Fees & Permits	\$145,623	\$151,563	51,810	\$51,810	\$56,990	10.00%
Charges for Services	1,575,927	1,648,055	1,594,070	1,700,300	1,840,010	15.43%
Intergovernmental	5,771	10,225	13,400	43,400	87,400	552.24%
Fines & Forfeitures	324	0	300	300	300	0.00%
Miscellaneous	273,191	149,467	124,610	195,470	431,830	246.55%
2011 Operating Levy	737,669	741,290	0	0	0	0.00%
2013 Operating Levy	0	0	745,650	817,050	838,710	12.48%
Dedicated Revenue	2,738,505	2,700,600	2,529,840	2,808,330	3,255,240	28.67%
EXPENDITURES CLASS:						
Personnel Services	3,601,266	3,727,812	3,755,990	3,855,180	4,123,700	9.79%
Materials and Services	2,424,025	2,386,131	2,100,830	2,205,880	2,570,830	22.37%
Capital Outlay	40,561	75,572	0	0	0	0.00%
CIP Transfers	19,874	41,276	105,000	105,000	0	-100.00%
Dedicated Expenditures	6,085,726	6,230,791	5,961,820	6,166,060	6,694,530	12.29%
Use of (addition to) Non-Dedicated Revenue	3,347,221	3,530,191	3,431,980	3,357,730	3,439,290	0.21%

Note: The above budget excludes reserve component funds; FY 15-16 is the first full year of Majestic Theatre operations in the Department budget.

PARKS AND RECREATION SUMMARY OF SERVICES

- **Natural Areas:** Natural Areas management is funded through General Fund property taxes, grants and donations. The FY 15-16 focus is to: manage 1,200 acres of Natural Areas; continue and expand restoration work and construct trails at Herbert Farms Natural Area (HFNA) per the HFNA management plan; construct a new trail at Bald Hill Natural Area, replace the Marys River Natural Area Boardwalk and continue the Oak Habitat Restoration project at Chip Ross Natural Area and Timberhill Natural Area. Acquire land through the Open Space fund if identified.



- **Developed Parks:** Parks are funded through General Fund property taxes, grants and donations. The FY 15-16 focus is to: manage 600 acres of developed parks; expand the adopt-a park program; improve ADA access and address deferred maintenance within the budget allocation; respond to safety issues throughout the system.
- **Urban Forest Program:** The Urban Forest Program is funded through General Fund property taxes and the Sustainable Initiative Fee. In FY15-16, the department will: 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; expand the neighborhood tree stewardship program.
- **Recreation Program:** The Recreation Program is funded through General Fund property taxes, program fees, grants and donations. In FY 15-16, the program will continue to: help reduce crime by providing supervised programs during prime time, 3-6pm; work with community partners to bridge gaps in access and participation to those who are underserved; prevent and reduce obesity through the provision of active living programs for people of all ages; build future leaders through Youth Volunteer Corps.



- **Osborn Aquatic Center:** The Aquatic Center is funded through program fees, grants, donations, an operating levy and some General Fund property tax support. This program seeks to: increase the number of children who are taught drowning prevention skills; expand the use of the natatorium during non-peak hours; continue to provide therapy, fitness, open recreation and other life-time wellness opportunities; launch new concessions program.

PARKS AND RECREATION SUMMARY OF SERVICES (CONTINUED)

- *Chintimini Senior & Community Center:* The Senior & Community Center is funded through program fees, grants, donations, and an operating levy, which fully funds the 3.475 FTE. Staff will complete a plan to expand parking; remodel the facility partially funded through the Chandler Trust; develop programs and increase marketing to respond to the recreational needs of the older adult population.



- *Majestic Theatre:* The Majestic Theatre is funded through performances, rentals, grants and donations. Operation of the Theatre by the City began January 1, 2015 with a budget which may be subsidized per Council directive by up to \$10,000. 2.0 FTE will support the theatrical season, develop a theatre education program, grow the volunteer program, and increase marketing to expand theatre attendance. In order to establish a sustainable operating budget, all programs at the Majestic Theatre are designed to be budget neutral or make a profit.
- *Administration:* Administration is funded through General Fund property taxes. The FY 15-16 focus will be to continue work with PNARAB and the Friends of Corvallis Parks and Recreation to secure alternative revenue sources; implement recommendations from the Parks and Recreation Master Plan; administer projects in the Capital Improvement Plan; expand the number of written communications provided in Spanish; improve the Department's website and social media presence; support two Advisory Boards and the Department Advisory Committee.

SIGNIFICANT CHANGES TO RECURRING OPERATIONS

The projected revenues City-wide are expected to be higher due to an increase in property tax revenue allowing for a budget increase of \$264,950 over FY 14-15. However, projected expenditures for the Department to maintain current service levels, fund authorized FTE, scheduled reserves, internal service charges and scheduled facility maintenance projects exceeded the fixed expenditure limit by approximately \$200,000. Consequently, staff have used prioritization criteria and made reductions by this amount to balance the proposed budget for the department.

Three changes that are projected to significantly affect the Department's recurring operating expenses are:

1. Personnel Services cost increases (\$157,210 over FY 14-15 Adopted) from Majestic Theatre operations and PERS Pick-up for AFSCME;
2. Internal Service Charges cost increases (\$83,020 over FY 14-15 Adopted) primarily related to Risk Management; and
3. Non-Personnel Service increases such as utility cost increases and scheduled facilities maintenance projects (\$140,508 over FY 14-15 Adopted).

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

There are three significant new areas the Department will be involved in beginning in FY 14-15 and carrying forward through FY 15-16:

1. Management and operations of the Majestic Theatre;
2. New Department-wide Concessions Program; and
3. Chip Ross Area Oak Habitat Restoration through the Oregon Watershed Enhancement Board Grant.

Majestic Theatre

In 2014, the Department was approached by the Majestic Theatre Management Board, a non-profit board that the Department has contracted with for many years to manage the Majestic Theatre. The Board informed the Department they would not renew the operations management contract effective December 31, 2014. City Council directed the Department to take over operations of the Theatre for up to two years, at which time staff will make a recommendation to City Council on the optimum approach to manage the Theatre.



The proposed budget in FY 15-16 for the Majestic Theatre includes the following:

- \$373,260 in each of Revenue and Expenditures. The latter includes estimates of:
 - \$210,500 Personnel Services;
 - \$161,090 Non-Personnel Services; and
 - \$1,670 Public Works for Facilities Internal Service Charge.
- The budget was developed to be neutral to the General Fund bottom line; however, City Council did approve up to a \$10,000 property tax subsidy if necessary.

Concessions

The Cost Recovery Plan initiated in FY 12-13, recommended that the Department establish a department-wide food concessions program. Staff has now developed a business plan for a pilot project to generate alternative revenue while providing healthy food options at the Aquatic Center, certain special events, and at tournaments and leagues. Any net revenue from this project will be used to help fund the Family Assistance Scholarship Program. Having concessions at each of these locations provides a much needed service to the public. The program is also another venue for youth development and employment.

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS (CONTINUED)

Chip Ross Area Oak Habitat Restoration Oregon Watershed Enhancement Board (OWEB) Grant

Today, only 2% of prairie and oak savanna habitat in the Willamette Valley remain, making restoration of still functioning properties critical. Project partners including Oregon State University College of Forestry, US Fish and Wildlife Service, Benton Soil and Water Conservation District, and committed community volunteers assisted Parks and Recreation in applying for and receiving an Oregon Watershed Enhancement Board (OWEB) grant to restore oak habitat in the Timberhill Natural Area, Chip Ross Natural Area, and an adjoining section of the OSU College Forest. The project will restore and enhance oak savanna, oak woodland, and upland prairie habitats by thinning and removing Douglas fir and other competitive trees; controlling invasive weeds; and establishing native grasses. OWEB grant funds, along with timber revenue funds, will be used to implement various treatment prescriptions beginning in FY 14-15 and continuing through FY 15-16.



Volunteer Trail Work

Funding for the \$250,000 in project expenditures is as follows:

- \$80,000 in OWEB grant funds
- \$170,000 in timber sales

Purchases from Reserves

Lastly, approximately \$332,400 is scheduled to be spent from departmental reserves (with no impact to the fixed expenditure limit), as follows:

- \$125,000 funding of Family Assistance Program (FAP) from the FAP reserve, although this amount will not fully fund the need;
- \$120,000 to pay for Urban Forestry and storm event repairs and maintenance, from the Sustainable Initiative Reserve;
- \$26,000 for roof repairs and HVAC maintenance, as well as other upgrades at the Aquatic Center from the Aquatic Center Facility Reserve;
- \$25,000 to replace an eight-year old passenger van used for recreation program purposes, from the Vehicle Reserve; and
- \$15,000 to purchase score boards from the Softball Reserve.

SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURE

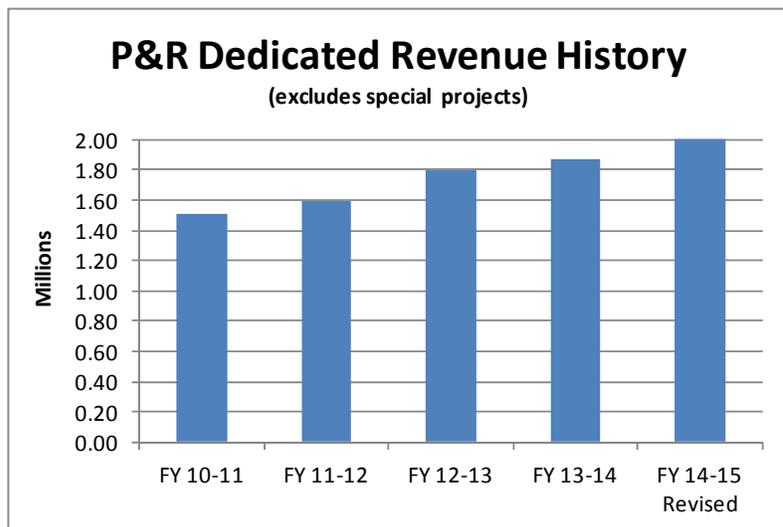
The City Council overarching goals of Sustainability and Cost Efficiency serve to drive the 2015-2016 Council goal of a Sustainable Budget, which is a paramount objective in providing excellent Parks and Recreation services. The Corvallis 2020 Vision Statement guides staff to fulfill the vision of “being 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 15-16 budget is to:

Increase revenues by a minimum of 5% from prior year actual

- *Measure definition:* Increase dedicated departmental revenue from fees, charges for service, donations, rentals, and grants by 5% in total as compared to FY 14-15.
- *Evaluation of results:* Staff will continue to implement cost recovery strategies, including contributions to the FAP reserve. Staff will seek alternative funding through grants, Friends of Corvallis Parks and Recreation fundraising, and other donations. Staff will compare revenue in FY 15-16 as compared to FY14-15 on a monthly basis to ensure the target is met.
- *Current year performance and trends:*

	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15 Revised
Dedicated revenue from fees, services, donations, rentals, grants, etc.	\$1,506,381	\$1,597,139	\$1,796,010	\$1,873,444	\$1,998,580

- *Conclusions and challenges:* Staff will continue to implement the Cost Recovery Methodology while carefully balancing fee limitations, market tolerance, and the departmental mission of social equity. Additionally, staff will monitor Family Assistance utilization to maintain the \$125,000 cap. Lastly, using an approach of funding Capital Projects with alternative revenue, supplementary budgets will be sought by the Department from City Council for this purpose when/if such revenues become available.



CAPITAL PROJECTS AND SYSTEM DEVELOPMENT CHARGES

The Parks & Recreation Department operates primarily in the General Fund; however it also utilizes the Parks System Development Charges (SDC) Fund revenues for eligible capital projects included in the Capital Improvement Plan. Due to the fixed expenditure limit, staff will pursue projects in FY 15-16 that require no General Fund property tax support. They will be funded through SDCs, grants, donations and other alternative revenues, or a combination thereof. If funding is not secured, the project(s) will be deferred. Following are the projects planned for FY 15-16:

- Marys River Natural Area Boardwalk
- Franklin Park Playground Replacement
- Senior & Community Center Improvements
- Accessibility improvement at MLK Jr. Park and Playground Enhancement
- Owen’s Farm Barn renovation
- Multi-purpose turf field / lights
- Herbert Natural Area – Trail Enhancements
- New Restrooms (Willamette Park and MLK Jr. Park)
- Acquisition of Land if/as available

Parks System Development Charges	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2012-13	2013-14	2014-15	2014-15	2015-16 (1)	FROM 14-15 BUDGET
Charges for Service	\$393,970	\$1,016,041	\$603,000	\$603,000	\$174,000	-71.14%
Miscellaneous	17,120	182,497	\$15,100	\$26,510	\$24,730	63.77%
Other Financing Sources	0	2,135,383	0	0	0	0.00%
TOTAL REVENUE	\$411,090	\$3,333,921	\$618,100	\$629,510	\$198,730	0.00%
TOTAL EXPENDITURES (Non-Operating)	\$264,257	\$2,567,571	\$908,700	\$732,270	\$2,025,620	-6.66%

(1) A significant drop in SDC revenue is anticipated as recent year development is expected to level off.





CORVALLIS

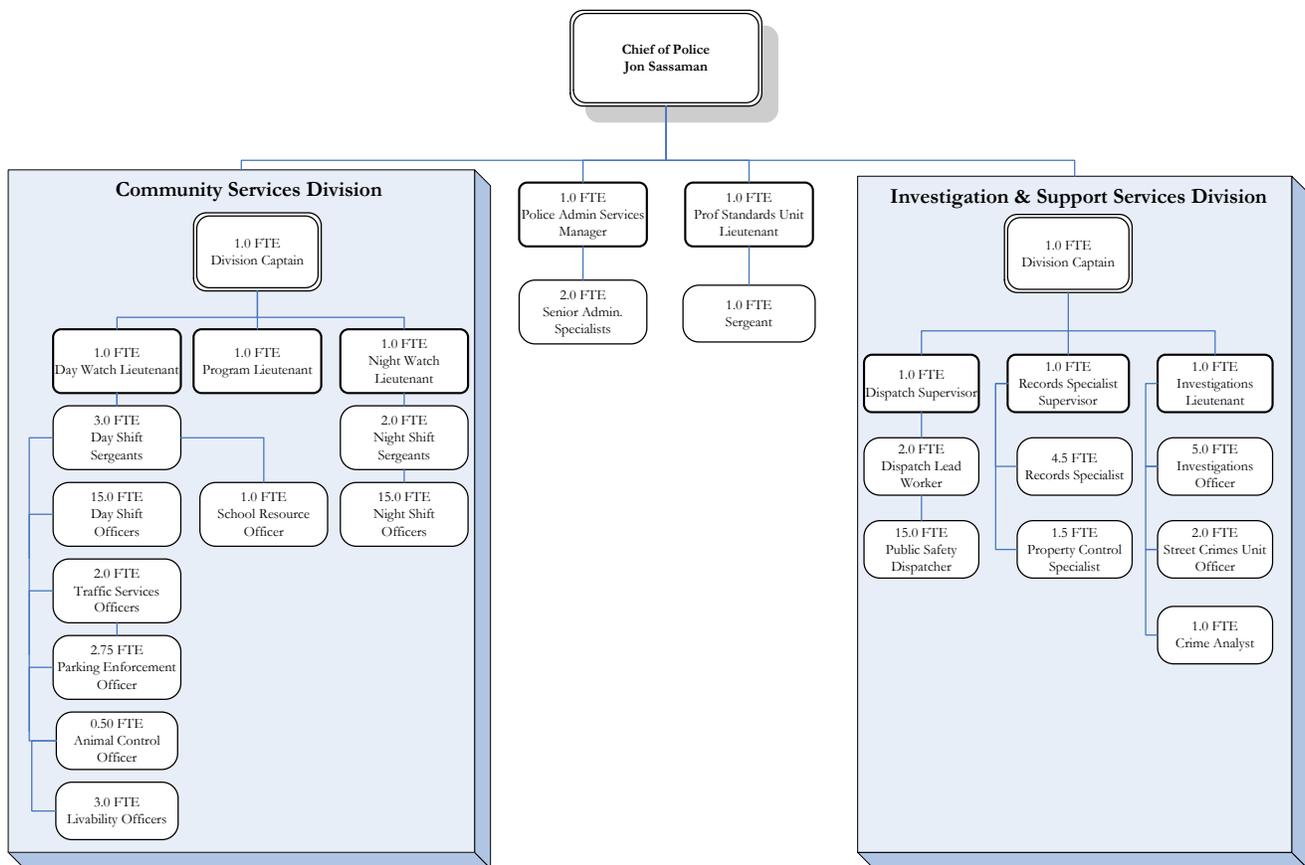
ENHANCING COMMUNITY LIVABILITY

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 committee composed of community and department members, representative of the various organizations, cross-sections and interests in Corvallis. Historically, a City Councilor has continued to attend and participate on the Forum.

The advisory committee 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 15-16 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 direction of the overall activities of the Department.
- * Media and public relations.
- * Services to the community consistent with council goals and policies.
- * Budget, planning and research.
- * Personnel recruitment, administration and labor relations.
- * Commission on Accreditation for Law Enforcement Agencies (CALEA), internal affairs,

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.
- * The School Resource Officer, focusing on education, intervention, relationship building and problem-solving in the school system.
- * Community Livability Officers working with neighborhoods and OSU, focusing on behaviors and violations of law which negatively impact livability.
- * 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, including 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 that 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:**
 - Timely 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.
- **Community Policing:**
 - Continue to enhance department transparency through: the Community Policing Forum and the Citizen Police Review Board; social media; and public outreach and engagement.
- **Community Livability Officer Program:**
 - Three levy funded officers were hired and are currently in the Police Officer Training Program. These 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 (SRO):**
 - An officer has been selected to serve as the 2013 Operating Levy-Funded SRO and began working in the schools in February 2015. 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.

- **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:**

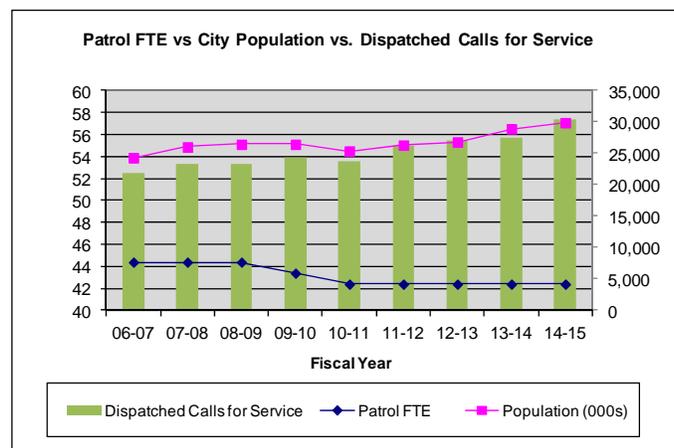
- A comprehensive training plan meeting requirements established through the Oregon Department of Public Safety Standards and Training, State and Federal Law, CALEA, Oregon Safety and Health Administration, Risk Management and professional competency.

FY 15-16 Proposed Budget

	<u>General Fund</u>
Dedicated Revenue ⁽¹⁾	\$853,570
Personnel Services	\$8,497,770
Materials and Services	\$3,167,810
Capital Outlay	\$0
Total Expenditures ⁽²⁾	<u>\$11,665,580</u>
Net Dedicated Revenue less Expenditures	<u>(\$10,812,010)</u>
FTE	67.400

(1) Includes the 2013 operating levy tax revenue and intergovernmental payments for County shared-service provision.

(2) The above budget excludes reserve component funds



SUMMARY OF SERVICES

911 EMERGENCY COMMUNICATIONS



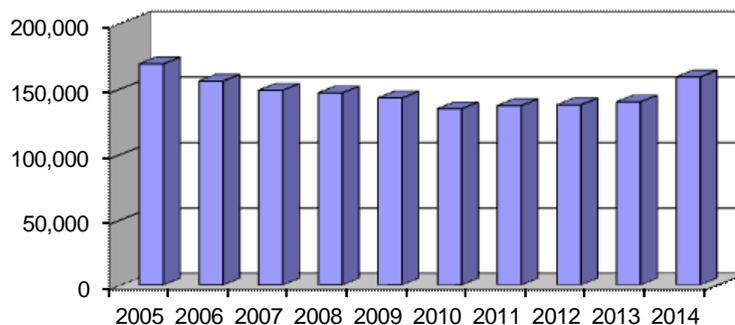
The 9-1-1 Fund accounts for revenues and expenditures associated with operations of the Corvallis Regional Communications Center (CRCC) which is operated by the City of Corvallis. Major revenue sources include charges for service from 10 user agencies on a cost share basis, and 9-1-1 state telephone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

Funding the 911 Center at levels commensurate with user agencies and community expectations is a fine balance between the increasing costs of necessary technology, infrastructure, staffing and operations, versus 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 Telephone Calls



* 2014 numbers reflect a large increase in cell phone calls, which now represent 76% of all calls received in the 9-1-1 center.

911 EMERGENCY COMMUNICATIONS BUDGET PRIORITIES

- **Staffing and Services:**
 - Due to funding constraints only 16 of the 17 authorized dispatchers are funded for FY 15-16 which continues holding one dispatcher FTE vacant, as was done in FY 14-15. 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 to the extent possible based on staffing and cost constraints.

- **Future Fund Viability:**
 - The current funding model of CRCC is based on a 1983 Intergovernmental Agreement between the user agencies. Due to increasing community service requirements and technological advances in the emergency communications systems statewide, this funding model is no longer viable to sustain ongoing operations. Contracting the 911 services out would cost more than current operations, based on the narrow margin in which the 911 fund currently operates. The User Board is committed to an equitable funding concept county-wide as proposed in the Emergency Services Consulting, Inc. district feasibility study of 2012, and hopes to work toward such a model during the FY 16-17 budget cycle.

FY 15-16 Proposed Budget	
	9-1-1 Emergency Communications Fund
Dedicated Revenue	\$2,439,970
Personnel Services	\$1,897,820
Materials and Services	\$403,410
Capital Outlay	\$0
Total Expenditures	\$2,301,230
Net Dedicated Revenue less Expenditures	\$138,740
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

Staff has considered existing workload impacts (e.g. Downtown Parking Ordinance, neighborhood parking complaints, monitoring existing parking districts, and meters) scheduling and enforcement philosophy when prioritizing the FY 15/16 budget.

- **Continue to work with Oregon State University and surrounding neighborhoods to address campus/community issues specific to parking.**
- **Ensure parking enforcement deployment strategies commensurate with needs of the community and recommendations of the Downtown Parking Commission.**
- **Increase parking availability through enforcement and public education.**

FY 15-16 Proposed Budget	
	Parking Fund
Dedicated Revenue	\$437,100
Personnel Services	\$242,380
Materials and Services	\$46,320
Capital Outlay	\$0
Total Expenditures	\$288,700
Net Dedicated Revenue less Expenditures	\$148,400
FTE	3.000

NON-RECURRING ACTIVITIES/GRANTS/DONATIONS

In the General Fund, four vehicles will be replaced in FY 15-16. Two Traffic Officer motorcycles and two marked patrol vehicles which have been carefully evaluated based on the mileage, repair/maintenance costs, and recommended replacement schedule.

\$22,250 is budgeted for the City's share of major maintenance projects at the Law Enforcement Building (LEB). The City has an Intergovernmental Agreement with Benton County for maintenance of the LEB.

No reserves purchases will be made in FY 15-16 in the 9-1-1 or Parking Fund.

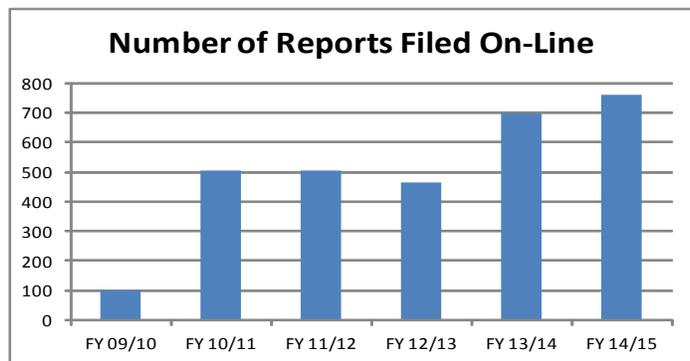
SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURE

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 expenditure limitations.

The Corvallis Police Department offers an online web-based police reporting option that 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 in either English or Español. The service provides the public with the opportunity to file a report at a time that is convenient 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:* During the first 3 years of full implementation of the on-line police reporting system, an average of 490 reports were filed each year. In FY 13/14 the number of reports filed increased to 698 – an estimated savings of \$34,900 in police report writing time.
- *Current year performance and trends:* The number of police reports filed on-line continues to rise and is on track for the target of 768 reports in FY 14-15.
- *Conclusions and challenges:* As communication through technology continues to increase, the department seeks to meet customer expectations through on-line tools. The Department continues to enhance the usage of on-line police reporting 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 the Corvallis community.



* CopLogic on-line reporting system was implemented mid year FY 09/10

SIGNIFICANT CHANGES TO RECURRING OPERATIONS

- ❖ Full implementation of the School Resource Officer (SRO) in conjunction with 509J School District, focusing on education, intervention, relationship building and problem solving.
- ❖ Full implementation of the Community Livability Officers in partnership with neighborhoods and Oregon State University, addressing behaviors and violations of law which negatively impact livability in Corvallis.
- ❖ Measure 91 (legalization of recreational marijuana). Anticipate increased need for trained drug recognition experts for DUII investigations and replacement of narcotics K9.
- ❖ Research procurement and implementation feasibility of on-body camera systems.

POLICE DEPARTMENT – BUDGET SUMMARY

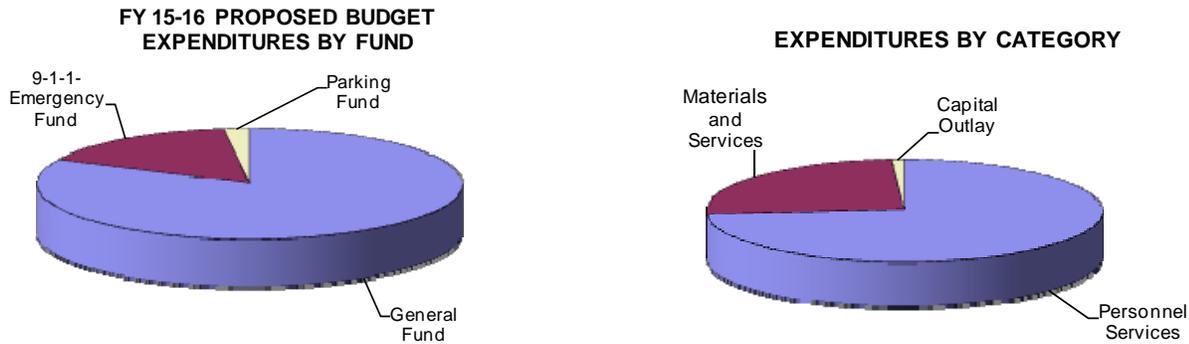
- ❖ The FY 15-16 Adopted Budget for the Police Department maintains current services, including one levy-funded SRO position and three levy-funded Community Livability Officers.
- ❖ Employee wages and benefits represent the largest cost at nearly 74% of total Police Department expenditures. Supplies, services and Internal Service Charges represent 25% of expenditures and the vehicle reserve capital outlays make up the remaining 1%.

BUDGET BY CATEGORY:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
Personnel Services	\$9,600,691	\$9,630,263	\$10,667,620	\$10,410,850	\$10,637,970	-0.28%
Materials and Services	2,801,874	3,120,935	3,260,750	3,230,750	3,670,410	12.56%
Capital Outlay	235,218	298,127	251,250	188,250	146,400	-41.73%
TOTAL	\$12,637,783	\$13,049,324	\$14,179,620	\$13,829,850	\$14,454,780	1.94%
Staffing Levels	88.250	88.250	92.250	92.250	89.250	-3.25%

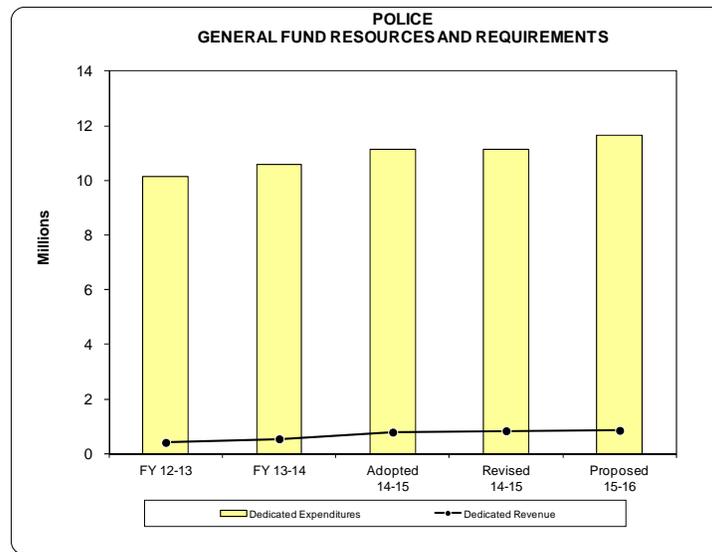
The Police Department operates in the General, 9-1-1 and Parking Funds as shown below.

BUDGET BY FUND:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
General Fund	\$10,154,728	\$10,580,791	\$11,283,220	\$11,293,220	\$11,864,850	5.15%
9-1-1- Emergency Fund	2,140,181	2,110,292	2,254,870	2,244,870	2,301,230	2.06%
Parking Fund	342,874	358,241	641,530	291,760	288,700	-55.00%
TOTAL	\$12,637,783	\$13,049,324	\$14,179,620	\$13,829,850	\$14,454,780	1.94%

POLICE DEPARTMENT – BUDGET SUMMARY (CONTINUED)



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



GENERAL FUND - POLICE*	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED FROM 14-15 2015-16	%CHANGE FROM 14-15 BUDGET
DEDICATED REVENUE						
License, Fees & Permits	\$57,423	\$56,752	\$56,560	\$56,560	\$57,130	1.01%
Charges for Services	294,573	297,443	307,970	307,970	317,210	3.00%
Intergovernmental	28,524	153,281	0	10,000	0	0.00%
Fines & Forfeitures	25,399	24,141	10,200	10,200	10,400	1.96%
Miscellaneous	6,996	12,487	4,000	4,000	7,000	75.00%
2013 Operating Levy	0	0	410,740	449,900	461,830	12.44%
Dedicated Revenue	412,915	544,104	789,470	838,630	853,570	8.12%
EXPENDITURES CLASS:						
Personnel Services	7,538,289	7,613,494	8,346,230	8,346,230	8,497,770	1.82%
Materials and Services	2,429,555	2,694,856	2,784,230	2,794,230	3,167,810	13.78%
Capital Outlay	186,885	272,443	0	0	0	0.00%
CIP Transfers	0	0	0	0	0	0.00%
Dedicated Expenditures	10,154,729	10,580,793	11,130,460	11,140,460	11,665,580	4.81%
Use of (addition to) Non-Dedicated Revenue	9,741,814	10,036,689	10,340,990	10,301,830	10,812,010	4.55%

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

NOTE The above budget excludes reserve component funds

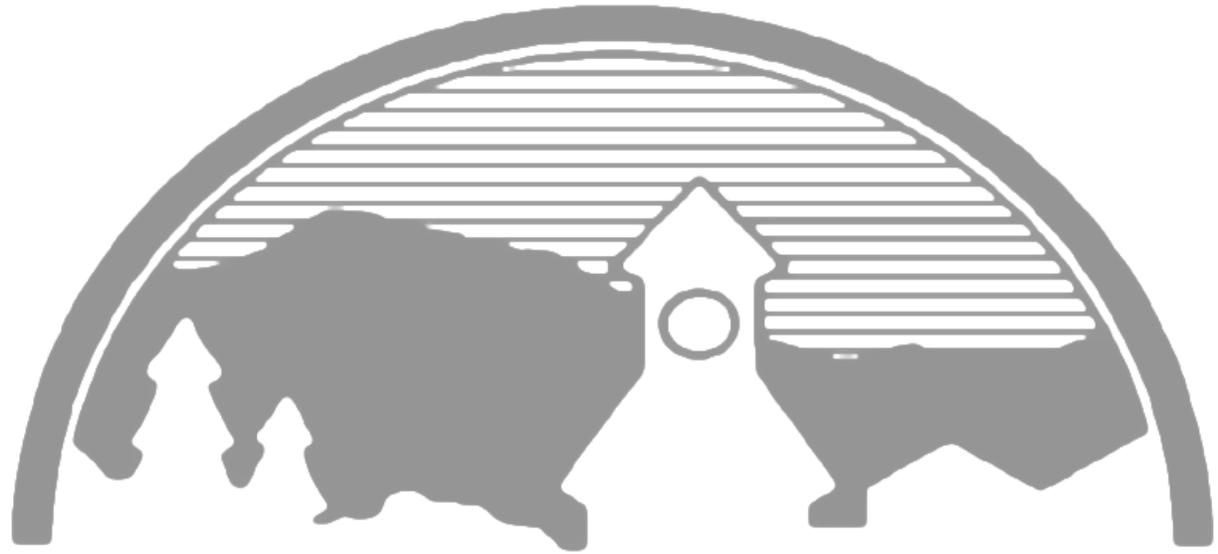
POLICE DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 15-16 FTE	FY 14-15 FTE	FY 13-14 FTE
Police Chief	Exempt	\$7,938 - \$10,021	1	1.000	1.000	1.000
Police Captain	Exempt	7,401 - 9,446	2	2.000	2.000	2.000
Police Lieutenant ¹	Exempt	6,579 - 8,396	5	5.000	4.000	4.000
Police Sergeant	CPOA	5,708 - 7,605	6	6.000	6.000	6.000
Police Admin Services Manager	Exempt	5,198 - 6,634	1	1.000	1.000	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 ¹	CPOA	4,608 - 6,742	43	43.000	44.000	43.000
Crime Analyst	AFSCME	4,277 - 5,458	1	1.000	1.000	1.000
Management Assistant	Exempt	4,335 - 5,533	-	0.000	0.000	1.000
Records Specialist Supervisor	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Public Safety Dispatch Leadworker	CRCCA	4,022 - 5,133	2	2.000	2.000	2.000
Public Safety Dispatcher ²	CRCCA	3,658 - 4,669	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	2	1.000	1.000	1.000
Property Control Specialist	AFSCME	3,187 - 4,068	2	1.500	1.500	1.500
Parking Enforcement Officer ³	AFSCME	3,187 - 4,068	3	2.750	5.750	2.750
Records Specialist	AFSCME	3,048 - 3,890	5	4.500	4.500	4.500
TOTAL			91	89.250	92.250	88.250

NOTE: Salary ranges reflect FY 14-15 Class and Compensation schedules.

1. A reorganization resulted in moving 1FTE Police Officer position to Lieutenant position.
2. To support achievement of a sustainable budget, one dispatcher remains authorized but unfunded in FY 15-16.
3. The Residential Parking District initiative did not pass voter approval so 3.0 FTE Parking Enforcement Officers related to that expected work effort have been removed in the FY 15-16 budget.





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 wastewater 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 legislative 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.
- Operate State-certified water quality laboratories to cost-effectively perform testing required by regulatory agencies.
- Respond to utility infrastructure emergencies at any time.

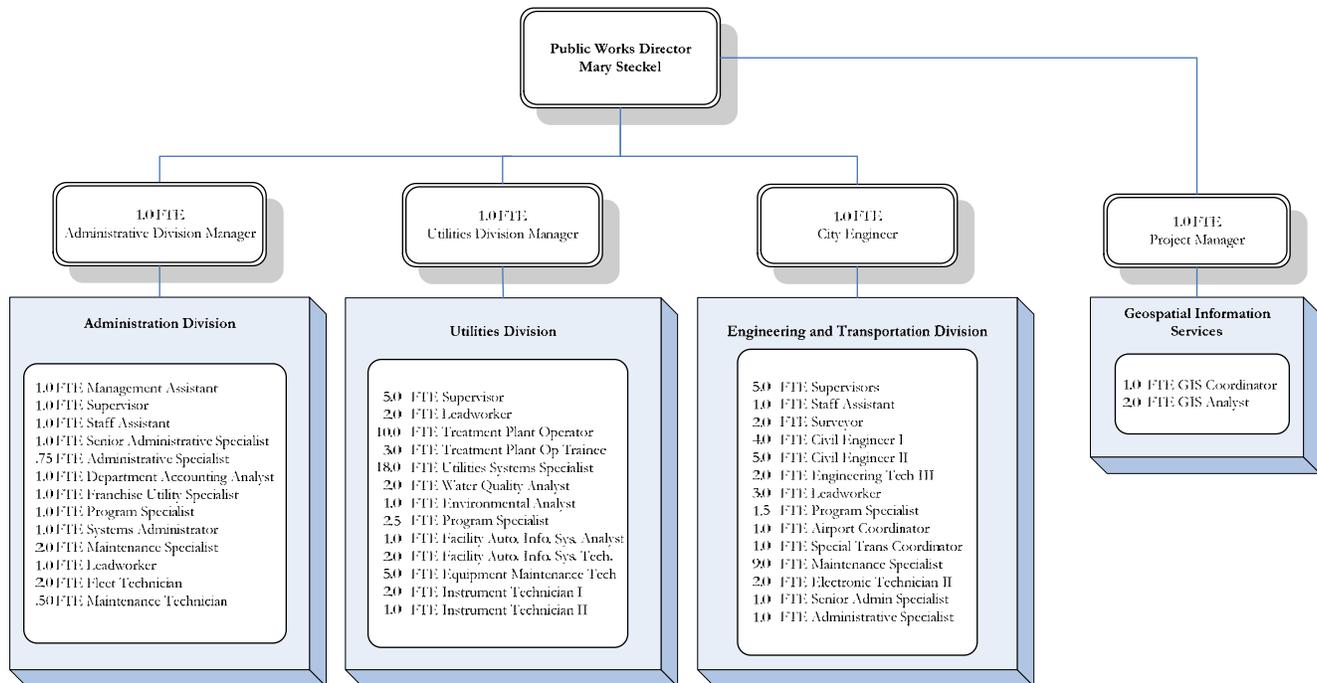
Engineering & Transportation

- 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 determine 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, Facilities & Fleet

- 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, educate and respond to the public about department services through a variety of mechanisms, including in person, via phone and on 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 continue the organization's progress 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 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 provides essential support to these functions. In addition to the ongoing activities captured in the lists above, the following are highlights from the FY 15-16 budget:

- **Parking Fund** – A project begun in FY 14-15 to replace aging pay stations will continue the upgrade of equipment to accept credit cards and produce a receipt for users. The new stations should be easier to use for customers and have lower maintenance and repair costs.
- **Street Fund** – The update to the Transportation System Plan will continue in FY 15-16. This master planning effort is funded by the Oregon Department of Transportation and 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.
- **Wastewater Fund** – Working with the City Council, staff will finalize development of a project to comply with the requirements of the Department of Environmental Quality Total Maximum Daily Load (TMDL) regulations on the City's wastewater discharge.
- **Water, Wastewater, Stormwater Funds** – A new work order management program was implemented in FY 14-15 to collect asset data on utility infrastructure. Working with a consultant, Public Works will complete a project using this data to improve the confidence level of the information in the Public Works Asset Management Plan.



Hydroexcavator for Wastewater and Stormwater Collection Activities

ADVISORY BOARDS, COMMISSIONS & TASK FORCES

Public Works provides staff support to four Advisory Boards and one Subcommittee:

Airport Advisory Board – This Board 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.

Bicycle & Pedestrian Advisory Board (BPAB) – This Board advises the City Council on facilities, infrastructure and maintenance activities of interest to bicyclists and pedestrians in the community.

Downtown Parking Subcommittee (DPS) – This Subcommittee advises the Downtown Advisory Board (which is supported by CD) 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.

Transit Advisory Board (TAB) – This Board 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.

Watershed Management Advisory Board (WMAB) – This Board 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 WMAB, 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

Revenues to the State Highway Fund, comprised mostly of gas taxes and vehicle registration fees, have been stagnant in recent years. However, the decreased price-per-gallon for fuel has resulted in increased gas sales and corresponding gas tax revenue. Over the last several years, the City has experienced reductions in the actual State Highway Fund revenue received compared to projections; but this budget cycle, revenues are projected to be up by 6% compared to FY 13-14 actuals based upon the latest information from the State.

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 Public Works Project Manager is leading a work effort to engage the public on a major time and resource effort to update the almost twenty-year-old Transportation System Plan. Results from this work effort will help define priorities for the Street Fund in future years.

PRIORITIZATION

For programs and services offered by the Public Works Department in the General Fund, the Core Responsibilities (CR) identified by the organization were used for the prioritization process. The CRs 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 has 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 year sufficient capacity exists within the fund balance for all the services at the current level, and as a result, no Street Fund services are being eliminated for FY 15-16. 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 FY15-16, the Street Fund will pursue the streetlight conversion project, financed via an intrafund loan from the Street SDC Fund. In order to repay the loan within a five year period, the General Fund (which currently shares a 50/50 split with the Street Fund for utility costs) will continue with its approximate \$255,500 share of utility costs, paid to the Street Fund as an interfund transfer, in order for Street operations to realize the full benefits of energy savings as a result of the conversion project, and in turn use that savings to repay the intrafund loan.

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 \$30 million operating budget, Public Works staff will manage and direct construction of approximately \$17 million in capital improvement projects. In FY 15-16, the most significant of these are new primary 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; 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; street resurfacing projects; and construction of a paved cargo apron access road for ground vehicles to access the main apron where cargo aircraft park and transfer packages.



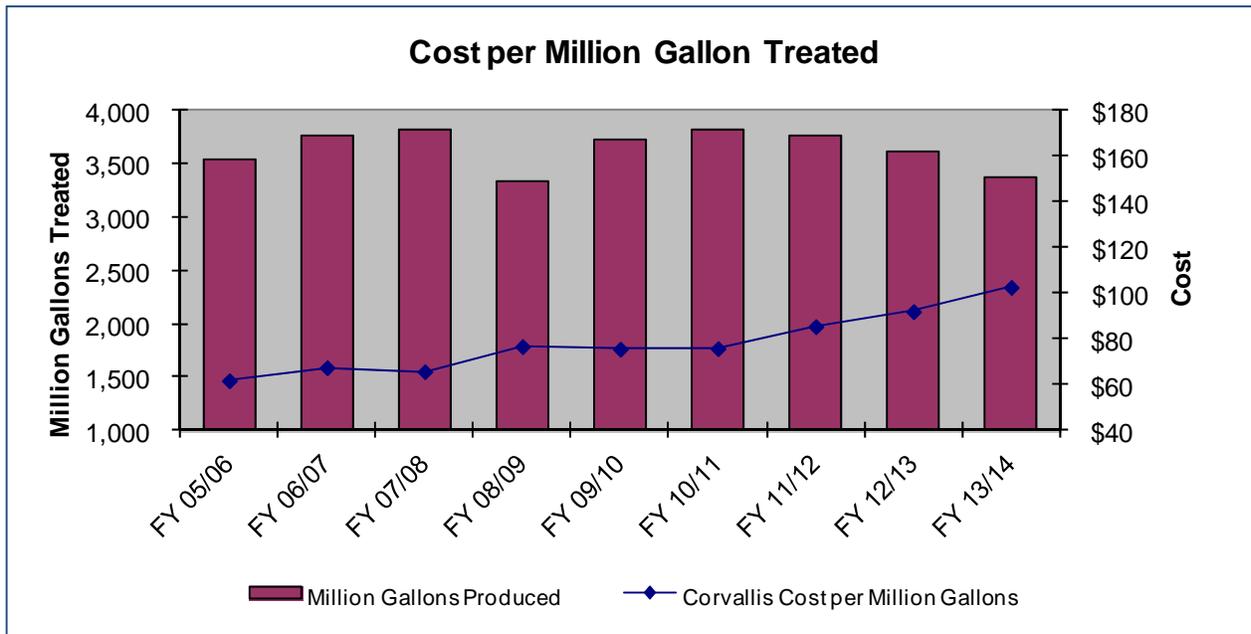
Newly Constructed 150kW Solar Array in FY 14-15

SUSTAINABLE BUDGET COUNCIL GOAL – OUTCOME MEASURES

The following two measures are highlighted among 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:

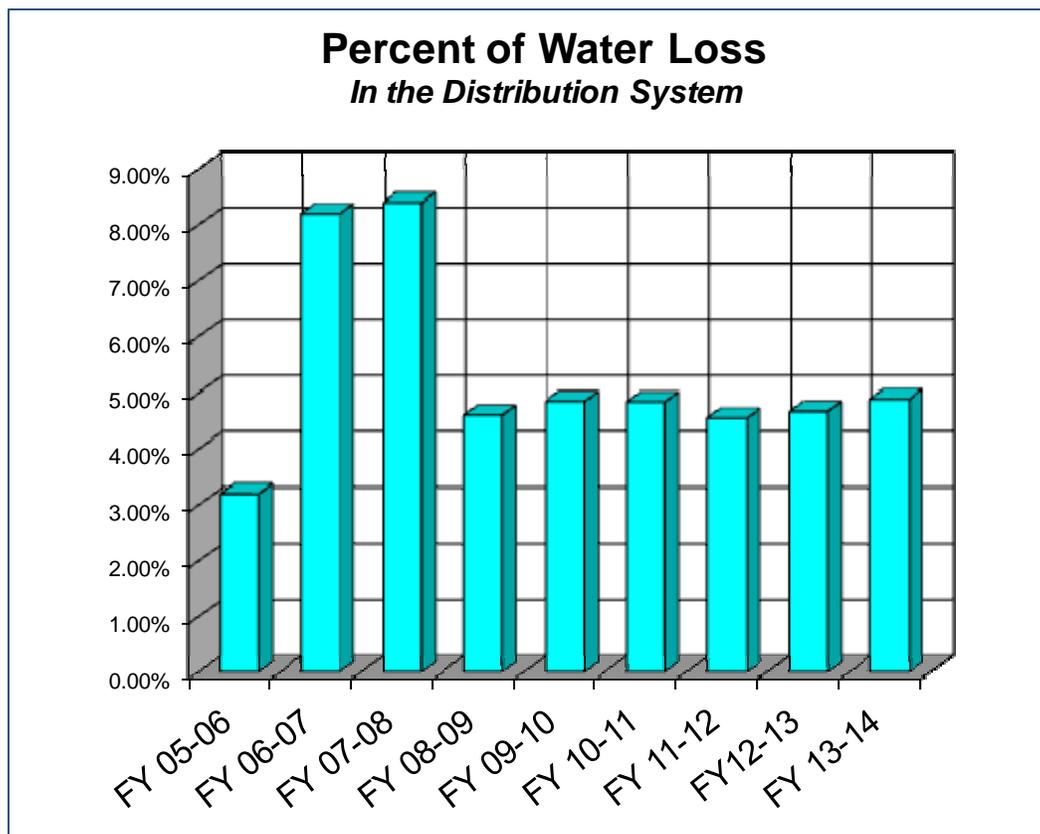
- *Measure definition:* The cost of the energy used to power wastewater treatment plant operations is divided by the number of gallons of wastewater treated. The goal is to maintain energy costs for wastewater treatment below the national average, currently \$166 per million gallons treated, as determined 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 14-15. Corvallis continues to pursue opportunities to reduce reliance on natural gas and coal-based electricity by investigating treatment process changes and pursuing renewable energy options for powering wastewater treatment plants.
- *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 constructed a 150kW solar power array with funding from a Pacific Power Blue Sky grant and the Energy Trust of Oregon. It is now supplying 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 4.60% water loss in the distribution system as of January 2015, 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.

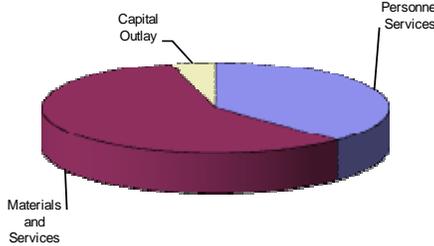


PUBLIC WORKS DEPARTMENT – BUDGET SUMMARY

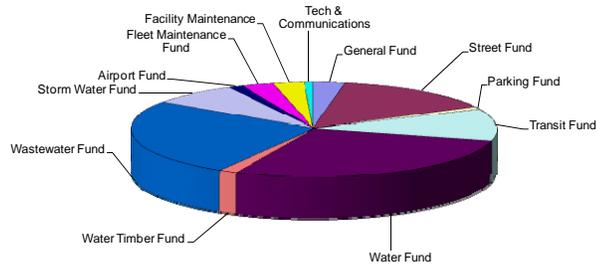
Materials and services represent the largest expenditure category at 58% of the total Public Works (PW) Department budget, reflecting the costs to power and operate the treatment plants and to maintain the public water, wastewater, stormwater and transportation system infrastructure. The remaining 42% of the budget accounts for employee wages and benefits at 38% and Capital Outlay at 4%.

BUDGET BY CATEGORY:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
Personnel Services	\$11,161,337	\$10,561,995	\$11,404,640	\$11,404,640	\$11,510,250	0.93%
Materials and Services	13,370,023	12,675,636	16,767,370	16,074,160	17,745,910	5.84%
Capital Outlay	1,503,481	1,974,964	1,177,720	685,500	1,284,690	9.08%
TOTAL	\$26,034,841	\$25,212,596	\$29,349,730	\$28,164,300	\$30,540,850	4.06%
Staffing Levels	117.500	117.500	116.500	116.500	115.250	-1.07%

FY 15-16 PROPOSED BUDGET
EXPENDITURES BY CATEGORY



FY 15-16 PROPOSED BUDGET
EXPENDITURES BY FUND



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

BUDGET BY FUND:	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
General Fund¹	\$982,569	\$864,228	\$991,940	\$962,940	\$852,630	-14.04%
Street Fund²	3,618,362	3,669,476	4,187,390	3,934,390	4,453,300	6.35%
Parking Fund³	146,904	151,508	379,490	252,490	284,890	-24.93%
Transit Fund	3,426,449	3,861,293	3,299,740	3,299,040	3,289,710	-0.30%
Water Fund	6,880,297	6,563,200	7,490,730	7,354,940	8,512,050	13.63%
Water Timber Fund⁴	242,968	214,244	573,010	510,500	494,340	-13.73%
Wastewater Fund	6,731,853	6,013,824	7,953,400	7,404,530	7,935,260	-0.23%
Storm Water Fund	1,897,719	1,739,916	2,206,120	2,144,850	2,375,570	7.68%
Airport Fund	440,245	512,241	459,240	459,240	397,620	-13.42%
Fleet Maintenance Fund	776,202	745,658	851,840	851,840	859,480	0.90%
Facility Maintenance	761,984	737,748	813,640	822,850	847,020	4.10%
Tech & Communications	129,288	139,260	143,190	166,690	238,980	66.90%
TOTAL	\$26,034,841	\$25,212,596	\$29,349,730	\$28,164,300	\$30,540,850	4.06%

(1) General Fund support of streetlight utility costs is now paid to the Street Fund via interfund transfer, so is not depicted in this table.

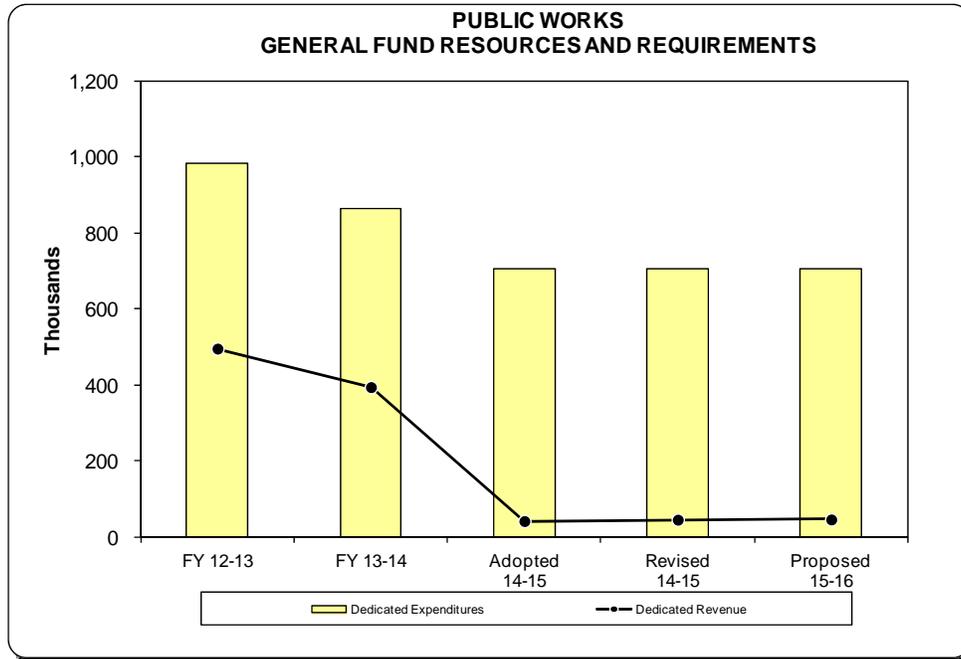
(2) Starting in FY 15-16, the Street Fund will pay 100% of streetlight utility costs, as well as the \$355K streetlight conversion project.

(3) FY 13-14 includes a one-time special project amount of \$300k for OSU Collaboration parking district work per City Council direction, a portion of which was carried over to FY 14-15 for completion.

(4) Incremental timber harvesting is anticipated in FY 14-15 relative to prior years.

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 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	%CHANGE FROM 14-15 BUDGET
DEDICATED REVENUE						
Use of PEG-INET Reserve ¹	\$46,543	\$43,973	\$0	\$0	\$0	0.00%
Non-GF Support of Sustainability ²	41,750	40,230	42,720	42,720	43,260	1.26%
License, Fees & Permits ¹	149,291	144,242	0	0	0	0.00%
Intergovernmental	252,660	165,451	0	0	0	0.00%
Miscellaneous	5,998	1,040	0	3,730	3,730	0.00%
Dedicated Revenue	496,242	394,936	42,720	46,450	46,990	10.00%
EXPENDITURES CLASS:						
Personnel Services	268,256	243,439	346,800	346,800	354,680	2.27%
Materials and Services ³	665,900	521,933	357,140	357,140	92,950	-73.97%
Capital Outlay	48,410	98,851	0	0	0	0.00%
Transfers (CIP/Streetlight Support) ³	0	0	0	0	256,290	0.00%
Dedicated Expenditures	982,566	864,223	703,940	703,940	703,920	0.00%
Use of (addition to) Non-Dedicated Revenue	486,324	469,287	661,220	657,490	656,930	-0.65%

* 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.
- Starting in FY 15-16, General Fund continues its support of streetlight utility costs via interfund transfer to the Street Fund, so is not reflected in the department's operating budget, but is effectively still using non-dedicated General Fund resources. Please see information on the related project under the Prioritization heading on page 165.

PUBLIC WORKS DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 15-16 FTE	FY 14-15 FTE	FY 13-14 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 - Utilities ¹	Exempt	6,579 - 8,396	1	1.000	1.000	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 ²	AFSCME	5,818 - 7,425	5	5.000	6.000	6.000
Project Manager ³	Exempt	5,198 - 6,634	1	1.000	1.000	0.000
Supervisors ⁴	Exempt	5,198 - 6,634	6	6.000	7.000	7.000
GIS Coordinator	AFSCME	5,082 - 6,487	1	1.000	1.000	1.000
Civil Engineer I ²	AFSCME	4,988 - 6,366	4	4.000	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 ⁵	AFSCME	4,620 - 5,897	5	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	1.000
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 ⁶	AFSCME	4,277 - 5,458	2	2.000	2.000	3.000
Utilities Treatment Plant Operator ⁷	AFSCME	4,277 - 5,458	11	11.000	10.000	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	2.000
Technicians - Fleet/Instrument I	AFSCME	3,963 - 5,058	4	4.000	4.000	4.000
Water Utility Specialist ⁸	AFSCME	3,963 - 5,058	-	0.000	0.000	1.000
Maintenance Specialist - Bldg & Grounds/Street/Traffic	AFSCME	3,963 - 5,058	11	11.000	11.000	11.000
Utilities/Water Distr/WW Coll Systems Specialist ⁸	AFSCME	3,963 - 5,058	18	18.000	18.000	17.000
Utilities Treatment Plant Operator Trainee ⁷	AFSCME	3,676 - 4,691	2	2.000	3.000	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 ⁹	AFSCME	2,784 - 3,554	2	1.750	2.000	2.000
TOTAL			116	115.250	116.500	117.500

NOTE: Salary ranges reflect FY 14-15 Class and Compensation schedules.

1. Due to department reorganization in support of achieving a sustainable budget, 1.0 FTE Transportations & Buildings Division Manager was eliminated in FY 14-15, so only a Utilities Division Manager resides in this classification.
2. A Civil Engineer II vacancy, as a result of an internal promotion, will be filled as a Civil Engineer I.
3. Due to department reorganization in support of achieving a sustainable budget, a 1.0 FTE limited duration Project Manager position was created in FY 14-15 to lead the significant work effort required with the Transportation System Plan Update.
4. A 1.0 FTE Electronics & GIS Supervisor was held authorized but unfunded in FY 14-15, and is being eliminated in FY 15-16.
5. In order to achieve a sustainable budget in FY 15-16, a 1.0 FTE Street Maintenance Leadworker will be authorized but unfunded.
6. To support achieving a sustainable budget, 1.0 FTE Electronic Technician II was eliminated in FY 14-15.
7. Due to turnover at the treatment plants, 2.0 FTE are being budgeted as Trainees, but total Utilities Treatment Plant Operators will not exceed 13.0 FTE.
8. The 1.0 FTE Water Utility Specialist was reclassified as a Utility Systems Specialist in FY 14-15.
9. A vacant 1.0 FTE Administrative Specialist position was filled as a 0.75 FTE position during FY 14-15, so results in a permanent 0.25 FTE reduction for FY 15-16.

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 cost greater than \$25,000 and typically have a service life in excess of fifteen years.

CAPITAL IMPROVEMENT PROGRAM

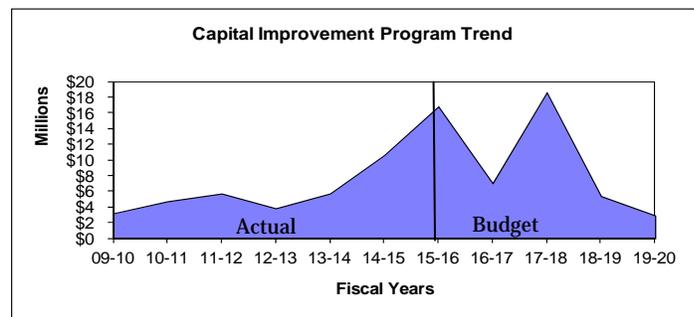
The City annually develops the five-year Capital Improvement Program (CIP) which:

- § 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 for inclusion in the Proposed CIP.



The Draft Five-Year CIP is presented to the CIP Commission which conducts a public hearing, deliberates, and then recommends a CIP to the Planning and Budget Commissions, and then City

Council for consideration. The Planning Commission reviews the CIP for compatibility with the Comprehensive Plan.

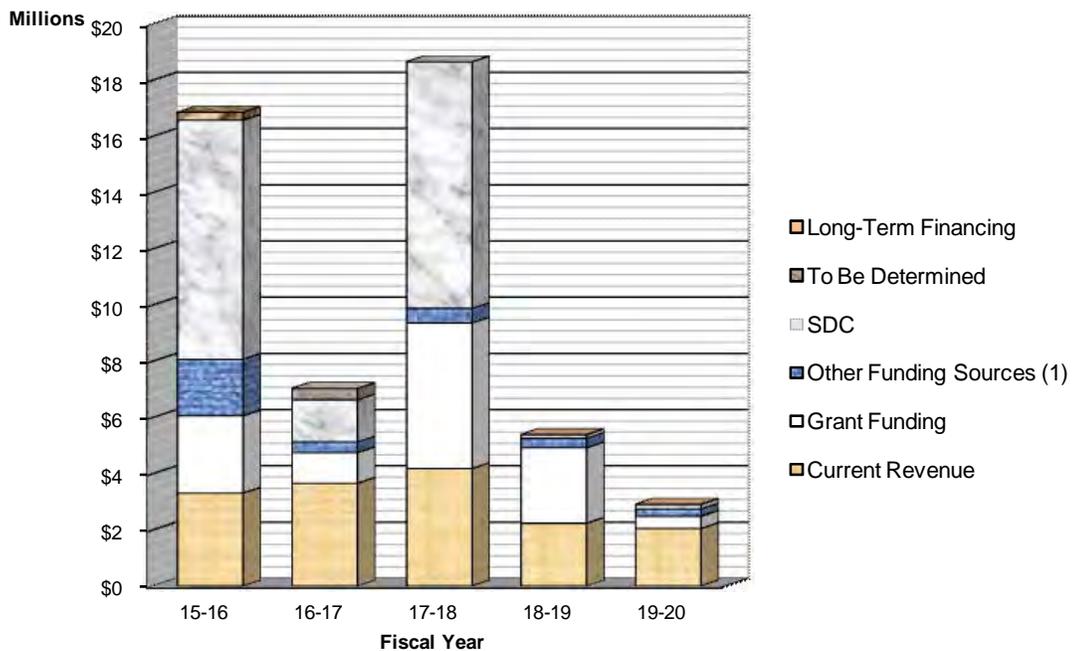
The first year of the five-year CIP is further developed, and presented to the Budget Commission and the City Council as the capital budget for the following fiscal year. The CIP plan is available online at <http://corvallisoregon.gov/>, or at the Corvallis-Benton County Public Library or by calling 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 15-16 and the ensuing four-year planning period.

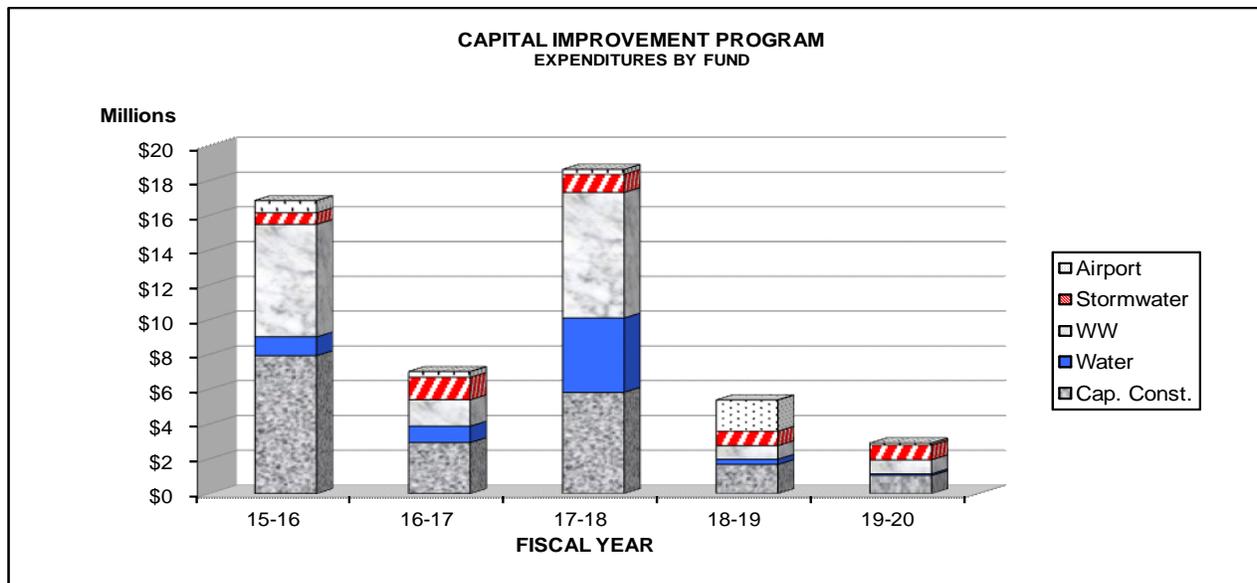
Funding Source	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Five Year Total
Long-Term Financing	\$280,000	\$0	\$0	\$0	\$0	\$280,000
Current Revenue	3,306,260	3,657,920	4,179,620	2,235,810	2,049,370	15,428,980
Grant Funding	2,751,510	1,091,440	5,180,500	2,686,690	434,720	12,144,860
Other Funding Sources (1)	2,010,820	374,120	516,500	331,200	258,000	3,490,640
SDC	8,504,820	1,504,940	8,771,930	136,120	168,680	19,086,490
To Be Determined	0	400,000	0	0	0	400,000
Total	\$16,853,410	\$7,028,420	\$18,648,550	\$5,389,820	\$2,910,770	\$50,830,970



(1)-Includes donations and assessments.

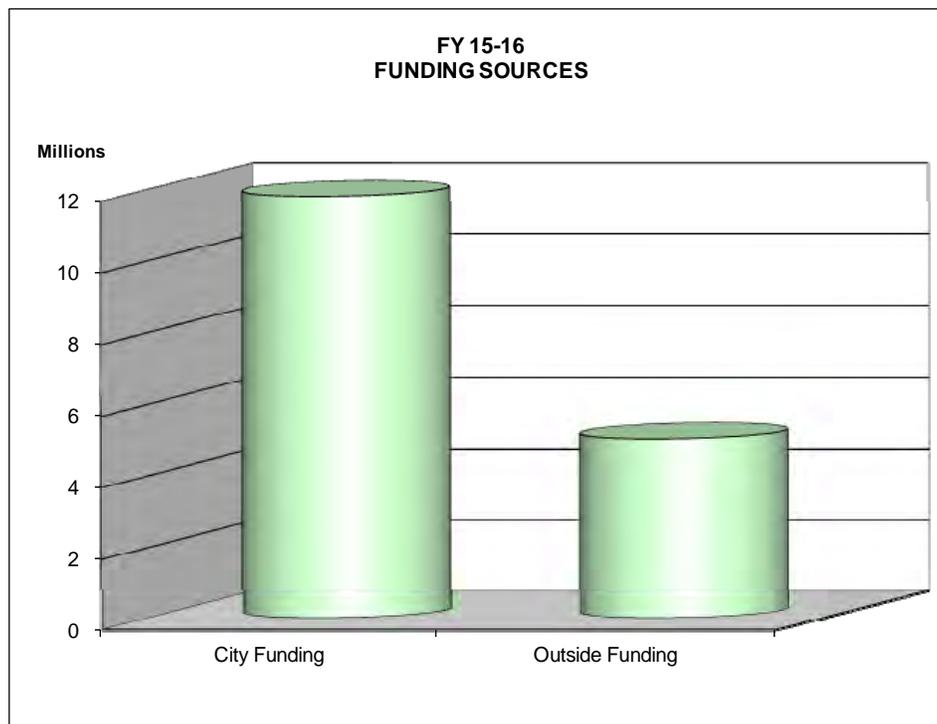
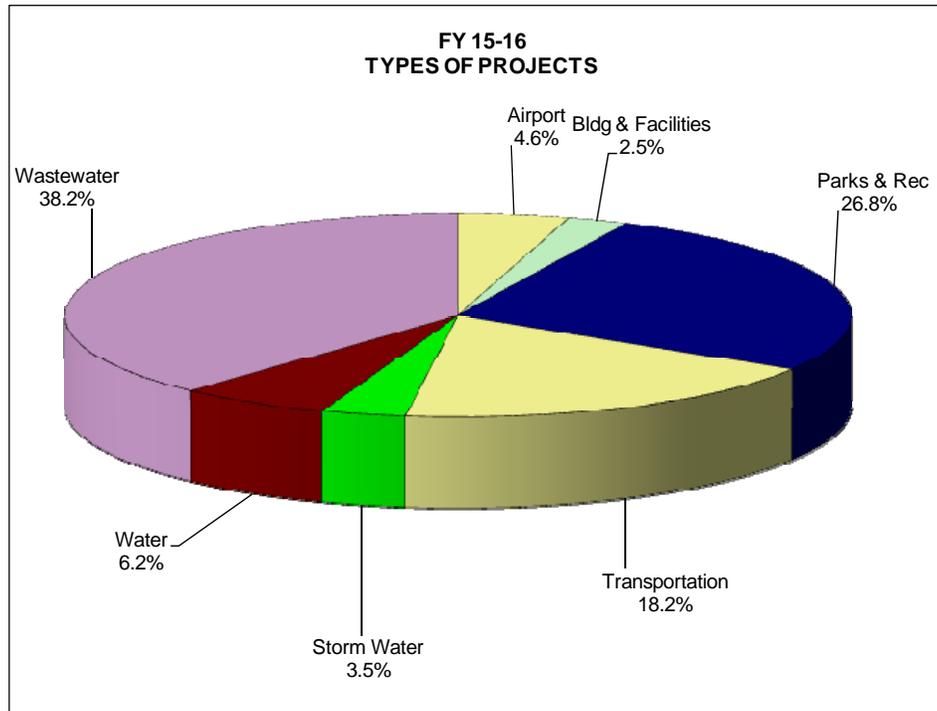
CAPITAL IMPROVEMENT PROGRAM EXPENDITURE SUMMARY BY FUND

	<u>FY 15-16</u>	<u>FY 16-17</u>	<u>FY 17-18</u>	<u>FY 18-19</u>	<u>FY 19-20</u>	<u>FIVE YEAR TOTAL</u>
Capital Construction Fund						
Public Works	\$3,418,650	\$2,480,060	\$5,709,890	\$1,630,360	\$1,043,400	\$14,282,360
Parks & Recreation	4,514,500	455,240	113,000	50,000	0	5,132,740
Sub Total Capital Construction Fund	<u>\$7,933,150</u>	<u>\$2,935,300</u>	<u>\$5,822,890</u>	<u>\$1,680,360</u>	<u>\$1,043,400</u>	<u>\$19,415,100</u>
Water Construction Fund						
Public Works	\$1,081,900	\$949,850	\$4,278,930	\$300,000	\$100,000	\$6,710,680
Wastewater Construction Fund						
Public Works	\$6,465,890	\$1,514,840	\$7,215,470	\$779,010	\$802,380	\$16,777,590
Storm Water Construction Fund						
Public Works	\$671,320	\$1,292,450	\$1,043,440	\$833,330	\$844,990	\$4,685,530
Airport Construction Fund						
Public Works	\$701,150	\$335,980	\$287,820	\$1,797,120	\$120,000	\$3,242,070
Total Capital Improvement Plan	<u>\$16,853,410</u>	<u>\$7,028,420</u>	<u>\$18,648,550</u>	<u>\$5,389,820</u>	<u>\$2,910,770</u>	<u>\$50,830,970</u>



CAPITAL IMPROVEMENT PROGRAM EXPENDITURE SUMMARY BY FUND

The FY 15-16 Capital Improvement Program totals \$16,853,410. 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 15-16 BUDGET
AIRPORT AND INDUSTRIAL PARK			
Airport Buildings & Grounds	Current Revenue (CR) Airport	\$606,900	\$139,000
	Total	\$606,900	\$139,000
Airport Improvements	CR Airport	\$275,330	\$56,220
	FAA Grant	2,473,200	505,930
	Total	\$2,748,530	\$562,150
South Corvallis Drainage Improvements - Airport Basin	Assessments	\$1,321,400	\$28,320
	CR Airport	\$5,410	\$0
	Storm Water SDC	590,000	42,480
	Total	\$1,916,810	\$70,800
Total Airport and Industrial Park			\$771,950
BUILDINGS AND FACILITIES			
Municipal Buildings Rehabilitation	CR General Fund	\$273,300	\$82,300
	CR Develop. Svcs. Fund	31,990	31,990
	CR CD Revolving Fund	13,480	13,480
	CR Street	3,540	3,540
	CR Water Fund	2,890	2,890
	CR Wastewater Fund	3,200	3,200
	CR Storm Water Fund	3,600	3,600
	Debt Issuance	280,000	280,000
	Total	\$612,000	\$421,000
Total Buildings and Facilities			\$421,000
PARKS AND RECREATION			
Acquisition of Land	General Fund Restricted Reserve	\$130,240	\$0
	Parks SDC	350,000	100,000
	Total	\$480,240	\$100,000
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	\$0
	Parks SDC	735,000	575,000
	Total	\$750,000	\$575,000
Park Facility Renovation	CR General	\$35,000	\$0
	Grants and/or Donation	\$1,802,000	\$1,627,000
	Parks SDC	262,500	262,500
	Total	\$2,099,500	\$1,889,500
Park Improvements - Existing	CR General	\$35,000	\$0
	Grants and/or Donation	648,500	235,000
	Parks SDC	1,035,500	650,000
	Total	\$1,719,000	\$885,000
Special Use Facilities	Grants and/or Donations	\$465,000	\$465,000
	Total	\$465,000	\$465,000

CAPITAL IMPROVEMENT PROJECTS	FUNDING SOURCE	TOTAL PROJECT BUDGET	FY 15-16 BUDGET
Trails / Bike Paths	Grants and/or Donations	\$234,980	\$139,250
	CR General	50,000	0
	Parks SDC	490,750	435,750
	Total	\$775,730	\$575,000
Total Parks and Recreation			\$4,514,500

STORM WATER UTILITY

Storm Drain Pipe Replacement	CR Storm Water Fund	\$731,630	\$120,520
	Total	\$731,630	\$120,520
Storm Water Master Plan Projects	CR Storm Water Fund	\$2,130,000	\$405,000
	Storm Water SDC	300,000	60,000
	Total	\$2,430,000	\$465,000
Utility and Street Improvement Projects	Storm Water SDC	\$15,000	\$15,000
	Total	\$15,000	\$15,000
Total Storm Water Utility			\$600,520

TRANSPORTATION

City Hall Parking	CR Parking Fund	\$100,000	\$100,000
	Total	\$100,000	\$100,000
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
Madison Avenue / OSU Improvements	Donations	\$248,730	\$243,000
	Total	\$248,730	\$243,000
Marys River - Crystal Lake Drive Shared-Use Path	CR Street	\$81,320	\$4,110
	Grant	710,380	35,890
	Total	\$791,700	\$40,000
Morris Avenue Bridge	CR Street Fund	\$149,030	\$105,200
	Grant	1,310,800	918,800
	Total	\$1,459,830	\$1,024,000
Street Reconstruction - Arterial / Collector	Grant	\$200,000	\$200,000
	Total	\$200,000	\$200,000
Street Reconstruction - :Local	CR Street	\$600,000	\$100,000
	Total	\$600,000	\$100,000

CAPITAL IMPROVEMENT PROJECTS	FUNDING SOURCE	TOTAL PROJECT BUDGET	FY 15-16 BUDGET
Street Resurfacing	Grant	\$1,024,300	\$19,400
	CR Street (TMF)	2,500,000	500,000
	Total	\$3,524,300	\$519,400
Utility and Street Improvement Projects	Street SDC	\$200,000	\$200,000
	Total	\$200,000	\$200,000
Total Transportation Projects			\$2,997,650

WASTEWATER UTILITY

Avery Park Sanitary Lift Station Rehabilitation	CR Wastewater Fund	\$176,580	\$34,180
	Total	\$176,580	\$34,180
Sanitary Sewer Rehabilitation	CR Wastewater Fund	\$4,586,650	\$712,900
	Total	\$4,586,650	\$712,900
Utility and Street Improvement Projects	Wastewater SDC	\$33,000	\$33,000
	Total	\$33,000	\$33,000
WWRP MCC Replacement	CR Wastewater Fund	\$698,280	\$418,970
	Total	\$698,280	\$418,970
WWRP Primary Clarifiers	Wastewater SDC	\$7,176,830	\$358,840
	Total	\$7,176,830	\$358,840
WWRP Secondary Clarifiers	Wastewater SDC	\$8,700,000	\$4,908,000
	Total	\$8,700,000	\$4,908,000
Total Wastewater Utility Projects			\$6,465,890

WATER UTILITY

Baldy 2nd Level Storage Reservoir	Water SDC	\$2,278,370	\$113,920
	Total	\$2,278,370	\$113,920
Taylor Plant Facility Projects	CR Water Fund	\$260,140	\$67,650
	Total	\$260,140	\$67,650
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	\$1,277,000	\$100,000
	Total	\$1,277,000	\$100,000
West Corvallis Second Level Water	Water SDC loan to Assessments	\$594,500	\$531,110
	Water SDC	267,300	236,220
	Total	\$861,800	\$767,330
Total Water Utility Projects			\$1,081,900
GRAND TOTAL			\$16,853,410

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.

◆ **SOUTH CORVALLIS DRAINAGE IMPROVEMENTS - AIRPORT BASIN**

Description: This project implements drainage improvements intended to serve the Airport and Airport Industrial Park (AIP). It supports the economic development of the AIP by providing the infrastructure necessary for new development in the area. The majority of funding for this project will be from assessments to Industrial Park tenants.

<u>Storm Water Construction Fund</u>	Prior years	FY 15-16	Projected	Total
Land Acquisition, ROW & Easements	\$0	\$20,000	\$20,000	\$40,000
Design	5,410	50,800	66,900	123,110
Construction Management	0	0	148,400	148,400
Construction	0	0	1,606,000	1,606,000
Estimated Total Cost of Project	\$5,410	\$70,800	\$1,841,300	\$1,917,510

Impact on Operating Budget - TBD

Operating budget impacts are not known at this time, but will be identified now that the design process has been completed.

◆ **TRANSIT MAINTENANCE FACILITY**

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, but is dependent on obtaining grant funding.

<u>Capital Construction Fund</u>	Prior years	FY 15-16	Projected	Total
Land Acquisition, ROW & Easements	\$0	\$0	\$400,000	\$400,000
Design	314,310	0	422,950	737,260
Construction Management	0	0	79,130	79,130
Construction	0	0	4,014,330	4,014,330
Estimated Total Cost of Project	\$314,310	\$0	\$4,916,410	\$5,230,720

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. The additional clarifiers will accommodate increased flows due to community growth.

<u>Wastewater Construction Fund</u>	Prior years	FY 15-16	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. The additional clarifiers are required to accommodate flows due to community growth.

<u>Wastewater Construction Fund</u>	Prior years	FY 15-16	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 15-16	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 15-16</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

The operating budget impacts from this project are expected to be negligible.

◆ **BUILDING AND INFRASTRUCTURE REHABILITATION/UPGRADES**

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

	<u>FY 15-16</u>
Municipal Building Rehabilitation	\$421,000
Sanitary Sewer Rehabilitation	712,900
Storm Drain Replacement	120,520
Storm Water Master Plan Projects	465,000
Street Reconstruction/Resurfacing	819,400
Water Distribution System	100,000
Estimated Total Cost of Project	\$2,638,820

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 16-17 to FY 19-20</u>
South Corvallis Drainage Improvements - Airport Basin	\$1,840,600
Transit Maintenance Facility	4,916,410
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	9,417,900
Other projects not specified above:	7,003,450
Total for FY 16-17 to FY 19-20	33,977,560
FY 15-16 Projects	16,853,410
Total 5-year CIP Projection	\$50,830,970

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 refunded debt for previously issued higher cost capital project debt. 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 \$4,285,000 or 0.07% of the 2014 real market value of \$5,891,389,651. 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, 2015	Scheduled Principal Payments 2015/2016	Scheduled Balance as of June 30, 2016
Bonded Debt	\$48,150,199	(\$4,084,519)	\$44,065,680
Notes Payable	\$1,330,000	(\$205,000)	\$1,125,000
Total Debt	\$49,480,199	(\$4,289,519)	\$45,190,680

The Council has adopted several additional limitations regarding debt issuance in its Financial Policies – Debt Policy #10-06. Annual debt service paid from property taxes for long-term issues and annual debt payments in respect of General Fund backed obligations are not to exceed 15% and 5% respectively of the combined operating and capital budgets in government funds. During FY 15-16 the City estimates it will pay \$1,136,400 in property tax-related debt service and \$2,730,044 in limited tax general obligation bonds and full-faith and credit obligations to which these limits apply. These equate to 1.77% and 4.25% 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 15-16 operating revenue of \$98,138,640. This net direct long-term general obligation debt of \$3,866,444 equals 3.94% of total operating revenue.

Outstanding General Fund backed debt estimated at \$35,415,199 represents 0.60% 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.

On September 23, 2014, the City issued \$3,900,000 par value of Series 2014 Full Faith and Credit Obligations through underwriter BOSC, Inc. in a competitive online sale. The true interest cost of the issue is 1.7127% and the final maturity is August 1, 2024, as depicted in the ensuing schedules which show future debt service on existing issuances that will be paid. The obligations serve to finance the

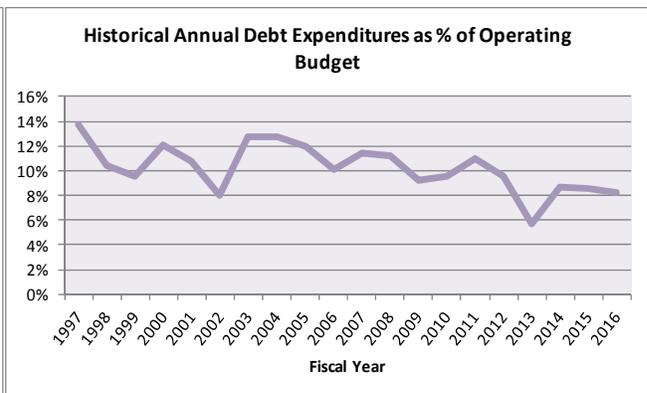
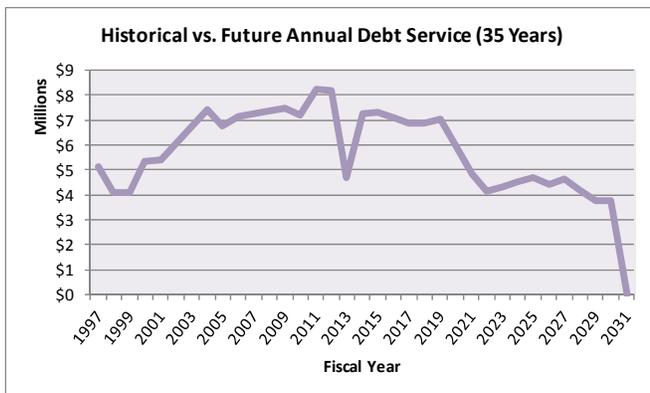
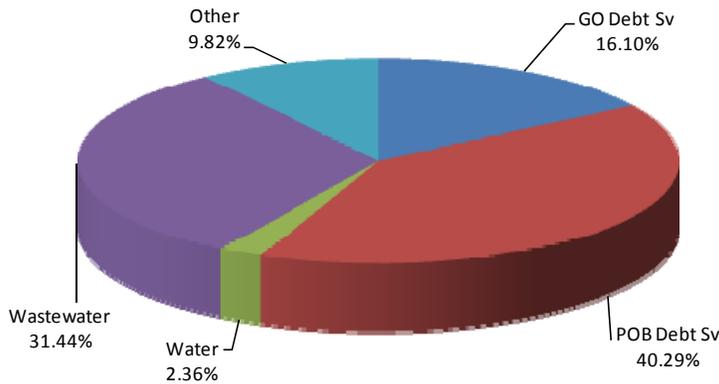
costs of roof replacements, as well as the construction, equipping and furnishing of a fire drill tower and training facility, and related capital projects.

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. At this time, no new debt issuances are contemplated for FY 15-16.

SUMMARY OF FISCAL YEAR 2015-16 TOTAL DEBT SERVICE BY TYPE

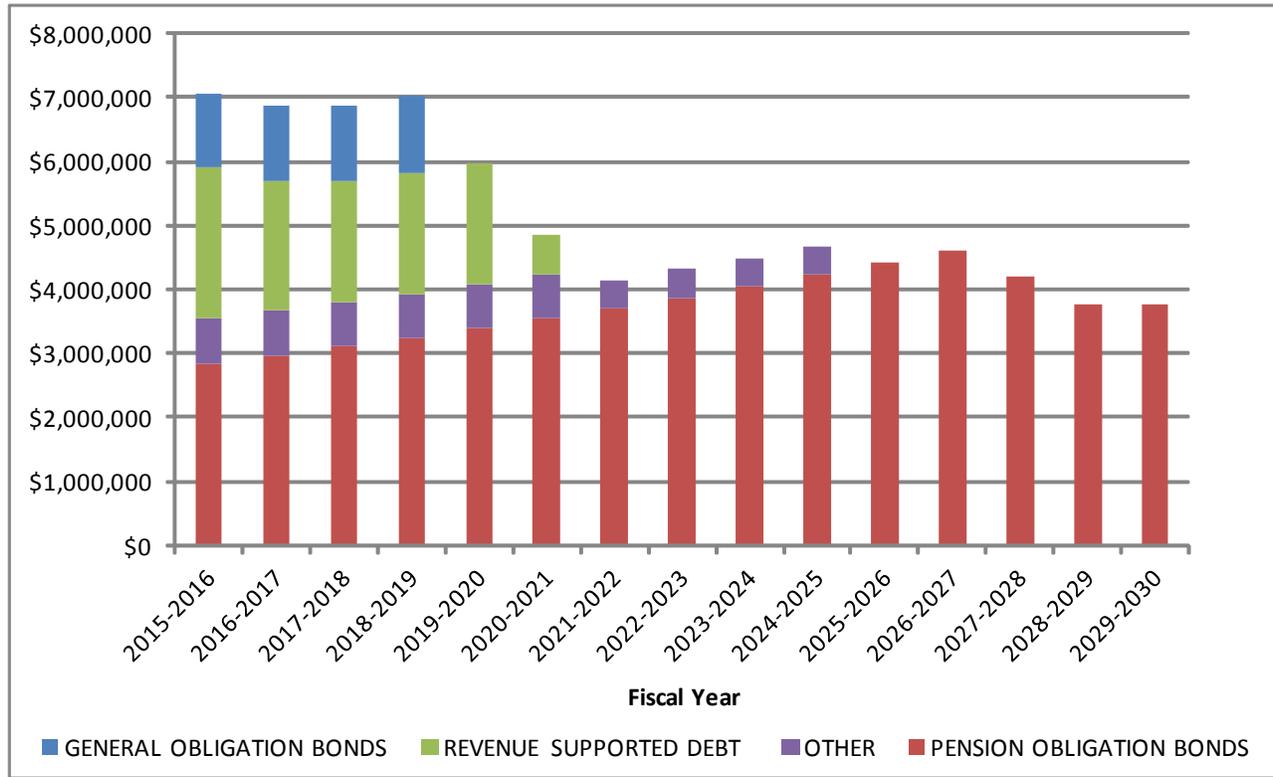
<i>Fund</i>	<i>Source of Dollars</i>	<i>Fiscal Year 2015-16 Total</i>
General Obligation Debt Service Fund	Property Taxes	\$1,136,400
Pension Obligation Debt Service Fund	Operating fund transfers	2,844,577
Water Fund	Water revenue	166,400
Wastewater Fund	Wastewater revenue	2,219,450
Other Debt	Non-dedicated General Fund	693,234
TOTAL FISCAL YEAR 2015-16 DEBT SERVICE		\$7,060,061

TOTAL FY 15-16 DEBT BY FUND



NOTE: The dip shown in the chart above in 2013 is due to a refunding of three utility-backed loans, which produced a net present value savings of approximately \$1.5M and served to provide future capacity in these utility funds for potential future financing of a possible 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, 2015



Year of Maturity	Year of Maturity		Debt Total
	Principal	Interest	
2015-2016	4,289,519	2,770,542	7,060,061
2016-2017	4,144,957	2,722,784	6,867,741
2017-2018	4,205,252	2,682,443	6,887,695
2018-2019	4,381,833	2,645,912	7,027,745
2019-2020	3,356,608	2,609,464	5,966,072
2020-2021	2,236,024	2,619,960	4,855,984
2021-2022	1,470,211	2,682,597	4,152,808
2022-2023	1,560,795	2,760,861	4,321,656
2023-2024	3,045,000	1,446,376	4,491,376
2024-2025	3,400,000	1,275,618	4,675,618
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>\$49,480,199</u>	<u>\$27,535,128</u>	<u>\$77,015,327</u>

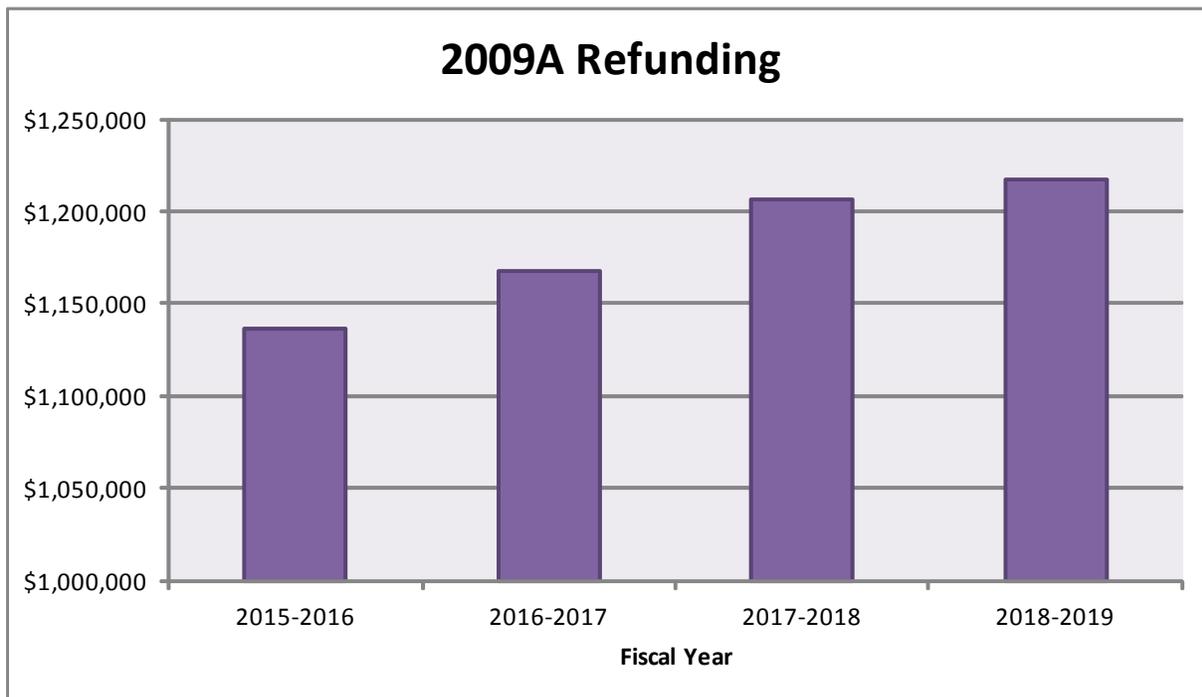
SCHEDULE OF DEBT SERVICE REQUIREMENTS GENERAL OBLIGATION DEBT

Issue Description:

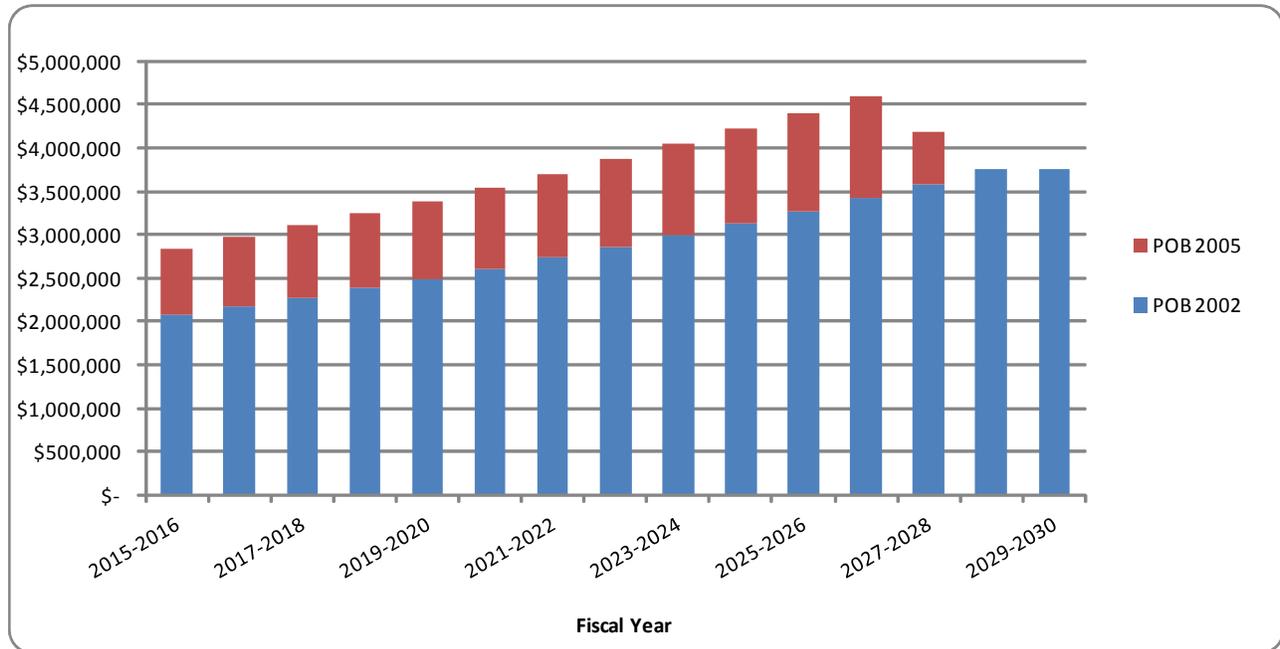
2009A Refunding of Series 1999 and 2001 Bonds (Riverfront and Open Space)
Amount Issued: \$10,190,000
Issue Date: June 1, 2009
Original Issue TIC: 2.767% (TIC)
Rating: Aa2
Non-callable

Amount Issued:
Issue Date:
Original Issue TIC:
Rating:

Year of Maturity	Principal	Interest	Total
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
	\$4,285,000	\$442,400	\$4,727,400



SCHEDULE OF DEBT SERVICE REQUIREMENTS TOTAL PENSION OBLIGATION DEBT



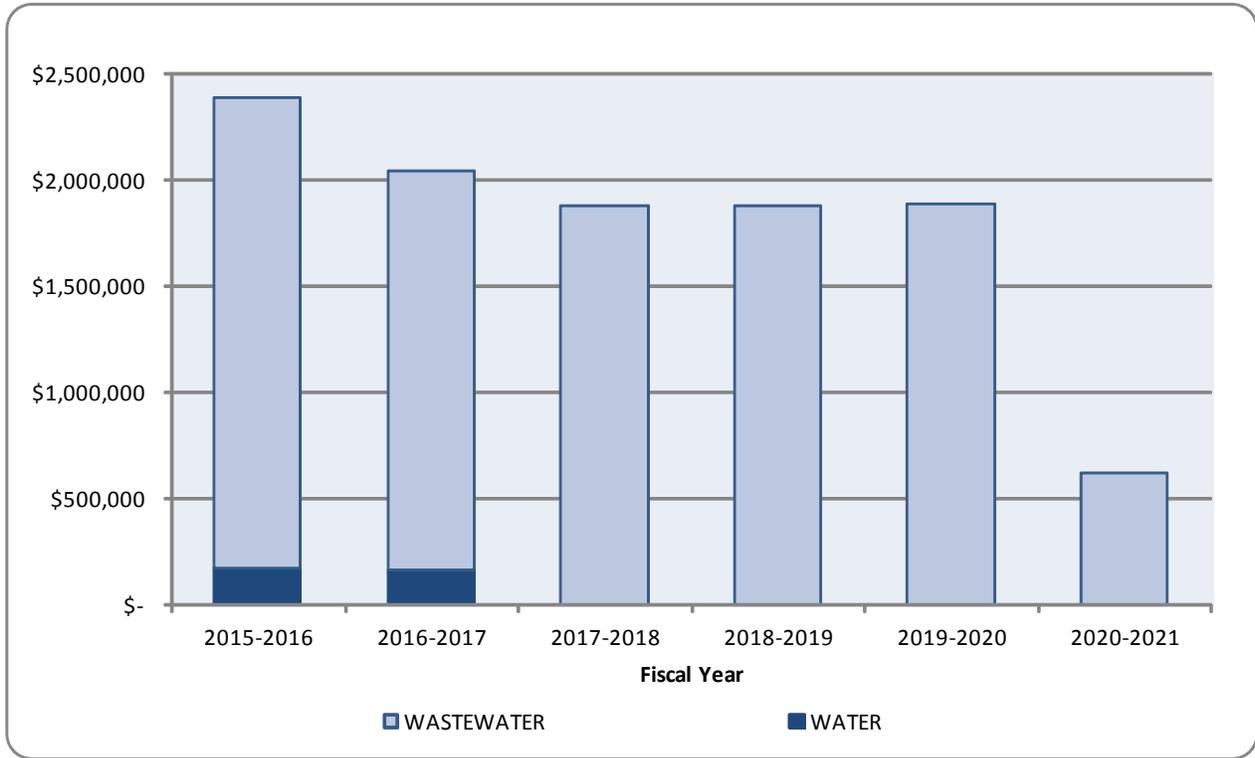
Year of Maturity	Pension Obligation Debt Total		2015-2016 Funding Source	
	Principal	Interest		
2015-2016	684,519	2,160,058	General Fund	\$2,036,810
2016-2017	744,957	2,228,342	Street Fund	106,640
2017-2018	805,252	2,304,340	9-1-1 Fund	104,590
2018-2019	861,833	2,381,622	Development Services Fund	112,910
2019-2020	926,608	2,463,281	Community Dev Revolving Loan Fund	27,000
2020-2021	996,024	2,547,383	Parking Fund	25,310
2021-2022	1,065,211	2,637,672	Transit Fund	16,660
2022-2023	1,140,795	2,728,311	Water Fund	179,060
2023-2024	2,615,000	1,426,576	Water Timber Fund	890
2024-2025	2,955,000	1,268,943	Wastewater Fund	162,780
2025-2026	3,315,000	1,090,482	Storm Water Fund	63,160
2026-2027	3,715,000	889,892	Airport Fund	10,120
2027-2028	3,525,000	664,798		
2028-2029	3,310,000	444,275		
2029-2030	3,525,000	229,125	Less: Paying Agent Fees	(1,350)
	<u>\$30,185,199</u>	<u>\$25,465,099</u>		<u>\$2,844,580</u>
		<u>\$55,650,298</u>		

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
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
	\$21,565,199	\$21,995,326	\$43,560,525	\$8,620,000	\$3,469,773	\$12,089,773

SCHEDULE OF DEBT SERVICE REQUIREMENTS REVENUE SUPPORTED DEBT



Year of Maturity	Revenue Supported Debt		Total
	Principal	Interest	
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>\$9,780,000</u>	<u>\$892,175</u>	<u>\$10,672,175</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
2015-2016	160,000	6,400	166,400
2016-2017	160,000	2,400	162,400
	<u>\$320,000</u>	<u>\$8,800</u>	<u>\$328,800</u>

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

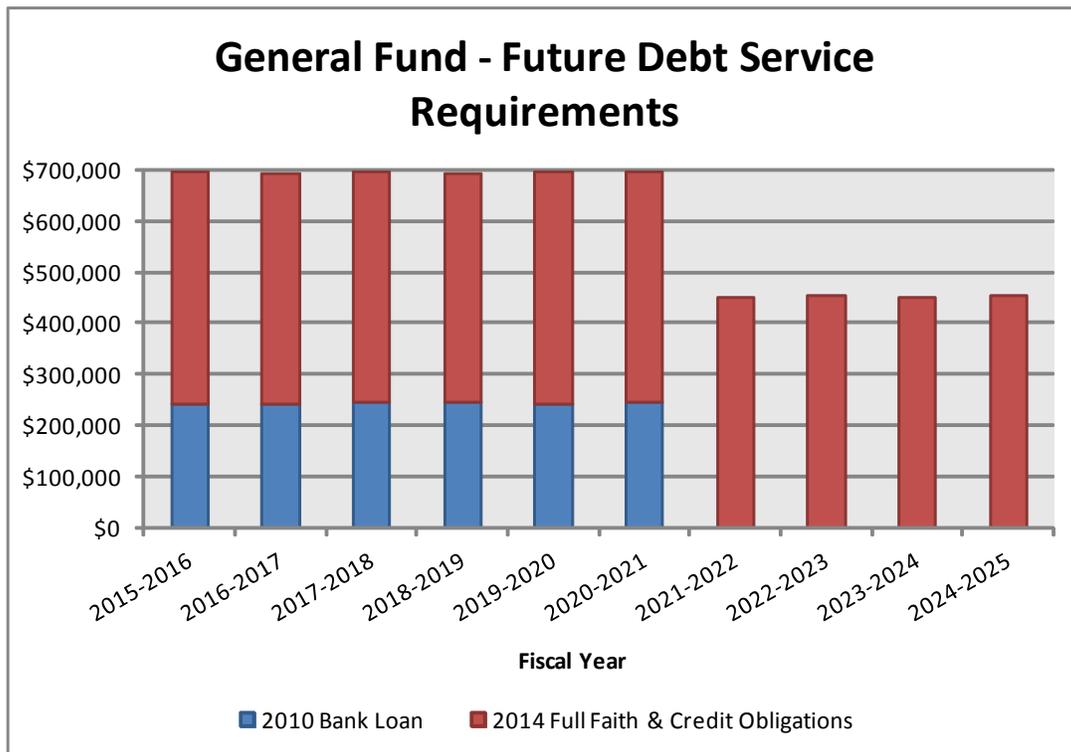
Year of Maturity	Principal	Interest	Total	Principal	Interest	Total
2015-2016	535,000	110,200	645,200	1,400,000	174,250	1,574,250
2016-2017	565,000	83,450	648,450	1,080,000	144,050	1,224,050
2017-2018	590,000	60,850	650,850	1,115,000	111,125	1,226,125
2018-2019	605,000	43,150	648,150	1,150,000	77,150	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
	<u>\$2,920,000</u>	<u>\$322,650</u>	<u>\$3,242,650</u>	<u>\$6,540,000</u>	<u>\$560,725</u>	<u>\$7,100,725</u>

*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)	2014 Full Faith & Credit Obligations Capital Improvement Project Bonds (Fire Drill Tower Completion, Roof Replacements, Various)
Amount Issued:	\$2,100,000	\$3,900,000
Issue Date:	August 5, 2010	September 23, 2014
Original Issue TIC:	2.96% (TIC)	1.71% (TIC)

Year of Maturity	Principal	Interest	Total	Principal	Interest	Total
2015-2016	205,000	36,334	241,334	340,000	111,900	451,900
2016-2017	210,000	30,192	240,192	350,000	101,550	451,550
2017-2018	220,000	23,828	243,828	360,000	90,900	450,900
2018-2019	225,000	17,240	242,240	370,000	79,950	449,950
2019-2020	230,000	10,508	240,508	385,000	68,625	453,625
2020-2021	240,000	3,552	243,552	395,000	56,925	451,925
2021-2022	0	0	0	405,000	44,925	449,925
2022-2023	0	0	0	420,000	32,550	452,550
2023-2024	0	0	0	430,000	19,800	449,800
2024-2025	0	0	0	445,000	6,675	451,675
	\$1,330,000	\$121,654	\$1,451,654	\$3,900,000	\$613,800	\$4,513,800



TRANSFERS

TRANSFER	TRANSFER TO:	PURPOSE	FY 15-16 BUDGET
GENERAL FUND			
Interfund:	Capital Construction Fund	Cap. Proj: Muni Bldgs - Library Lighting	\$60,000
Interfund:	Capital Construction Fund	Cap. Proj: Muni Bldgs - City Hall Masonry	22,300
Interfund:	Street Fund	General Fund Share of Street Light Utility Costs - Year 1	255,500
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	2,036,810
FUND TOTALS			\$2,382,810
STREET OPERATING FUND			
Interfund:	Capital Construction Fund	Cap. Proj: Morris Avenue Bridge	\$105,200
Interfund:	Capital Construction Fund	Cap. Proj: Marys River - Crystal Lake Dr. Share-Use Path	4,110
Interfund:	Capital Construction Fund	Cap. Proj: Street Resurfacing	500,000
Interfund:	Capital Construction Fund	Cap. Proj: Street Reconstruction - Local	100,000
Interfund:	Capital Construction Fund	Cap. Proj: Muni Bldgs - City Hall Masonry	3,540
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	106,640
Interfund:	Development Services Fund	Support for Development Services Fund - SDC Program Activity	25,410
FUND TOTALS			\$844,900
STREET SDC FUND COMPONENT			
Intrafund:	Street Fund	Intrafund Loan to Street Fund for Street Light Conversion Project	\$355,000
Interfund:	Capital Construction Fund	Cap. Proj: Utility/Street Improvement Projects	200,000
FUND TOTALS			\$555,000
PARKS SDC FUND			
Interfund:	General Fund	Operating: SDC Administrative Fee to General Fund-Parks	\$2,370
Interfund:	Capital Construction Fund	Cap. Proj: Acquisition of Land	100,000
Interfund:	Capital Construction Fund	Cap. Proj: Trails / Bike Paths (Master Project)	150,000
Interfund:	Capital Construction Fund	Cap. Proj: Park Development-New (Master Project)	575,000
Interfund:	Capital Construction Fund	Cap. Proj: Park Improvement-Existing (Master Project)	650,000
Interfund:	Capital Construction Fund	Cap. Proj: Park Improvement-Existing (Master Project)	262,500
Interfund:	Capital Construction Fund	Cap. Proj: Park Improvement-Arnold Park Upgrades	285,750
FUND TOTALS			\$2,025,620
911 FUND			
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$104,590
FUND TOTALS			\$104,590
DEVELOPMENT SERVICES FUND			
Interfund:	Capital Construction Fund	Cap. Proj: Muni Bldgs - City Hall Masonry	\$31,990
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	112,910
FUND TOTALS			\$144,900
COMMUNITY DEVELOPMENT REVOLVING FUND			
Interfund:	Capital Construction Fund	Cap. Proj: Muni Bldgs - City Hall Masonry	\$13,480
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	27,000
FUND TOTALS			\$40,480
PARKING FUND			
Interfund:	Capital Construction Fund	Cap. Proj: Downtown Public Parking	\$200,000
Interfund:	Capital Construction Fund	Cap. Proj: Downtown Wayfinding	51,510
Interfund:	Capital Construction Fund	Cap. Proj: City Hall Parking	100,000
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	25,310
FUND TOTALS			\$376,820
TRANSIT FUND			
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$16,660
FUND TOTALS			\$16,660

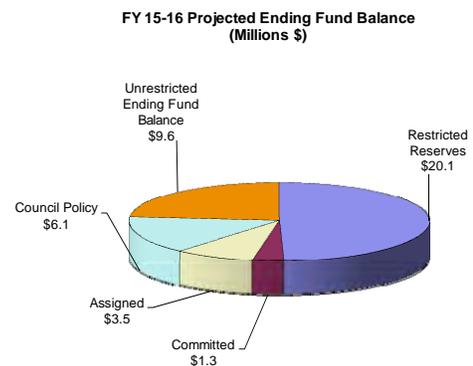
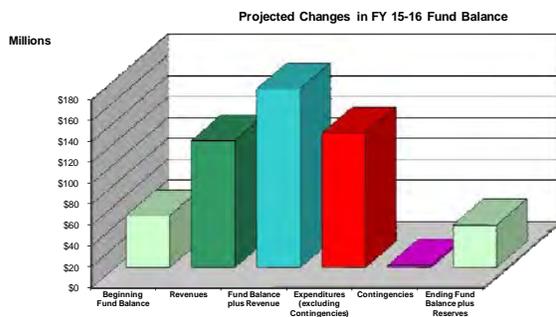
TRANSFERS (CONTINUED)

TRANSFER	PURPOSE	FY 15-16 BUDGET
FROM: TRANSFER TO:		
WATER OPERATING FUND		
Interfund: Capital Construction Fund	Cap. Proj: Muni Bldgs - City Hall Masonry	\$2,890
Intrafund: Water Cap. Const. Component	Cap. Proj: Water System Rehab - 15/16	100,000
Intrafund: Water Cap. Const. Component	Cap. Proj: Taylor High Service Pump/Meter Replacement	67,650
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	179,060
Interfund: Development Services Fund	Support for Development Services Fund - SDC Program Activity	10,090
	FUND TOTALS	\$1,080,360
WATER TIMBER FUND COMPONENT		
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$890
	FUND TOTALS	\$890
WATER SDC FUND COMPONENT		
Intrafund: Water Cap. Const. Component	Cap. Proj: West Corvallis 2nd Level	\$767,330
Intrafund: Water Cap. Const. Component	Cap. Proj: Utility/Street Improvement	33,000
Intrafund: Water Cap. Const. Component	Cap. Proj: Baldy 2nd Level Storage Reservoir	63,920
Intrafund: Water Operating Component	Operating: SDC Administrative Fee	9,020
Intrafund: Water Operating Component	Debt Service - OBDD - WTPEC	54,910
	FUND TOTALS	\$928,180
	TOTAL - WATER FUNDS	\$2,009,430
WASTEWATER OPERATING FUND		
Interfund: Capital Construction Fund	Cap. Proj: Muni Bldgs - City Hall Masonry	\$3,200
Intrafund: Wastewater Cap. Const. Com	Cap. Proj: Sewer Rehab 15/16	712,900
Intrafund: Wastewater Cap. Const. Com	Cap. Proj: Avery Park Lift Station Rehabilitation	34,180
Intrafund: Wastewater Cap. Const. Com	Cap. Proj: WWRP MCC Replacement	418,970
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	162,780
	FUND TOTALS	\$1,690,390
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	4,908,000
Intrafund: Wastewater Cap. Const. Com	Cap. Proj: Utility/Street Improvement	33,000
	FUND TOTALS	\$5,299,840
	TOTAL - WASTEWATER FUNDS	\$6,990,230
STORM WATER OPERATING FUND		
Interfund: Capital Construction Fund	Cap. Proj: Muni Bldgs - City Hall Masonry	\$3,600
Intrafund: Storm Water Cap. Const. Component	Cap. Proj: Storm Water Master Plan Project	405,000
Intrafund: Storm Water Cap. Const. Component	Cap. Proj: Storm Drain Replacement - 15/16	120,520
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	63,160
	FUND TOTALS	\$660,160
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: South Corvallis Drainage Improvements	42,480
Intrafund: Storm Water Cap. Const. Component	Cap. Proj: Storm Water Master Plan Project	60,000
	FUND TOTALS	\$117,480
	TOTAL - STORM WATER FUNDS	\$777,640
AIRPORT OPERATING FUND		
Intrafund: Airport Cap. Const. Component	Cap. Proj: Airport Fac Improvement (Cargo Access Rd)	\$56,220
Intrafund: Airport Cap. Const. Component	Cap. Proj: Airport Buildings & Grounds	139,000
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	10,120
	FUND TOTALS	\$205,340
GRAND TOTAL 2015-16 TRANSFERS		\$16,474,420

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	\$8,481,970	\$46,541,530	\$45,150,470	\$630,000	\$45,780,470	\$571,965	\$1,029,707	\$217,998	\$6,080,209	\$1,343,150
Street	4,414,984	6,092,060	5,873,770	86,760	5,960,530	3,746,709	276,102	119,136	0	\$404,568
Parks Systems Develop Chrgs	2,798,973	198,730	2,025,620	0	2,025,620	972,083	0	0	0	0
9-1-1 Emergency Services	558,329	2,442,740	2,405,820	48,850	2,454,670	0	0	293,574	0	\$252,825
Development Services	2,642,843	3,168,970	3,659,350	63,380	3,722,730	0	0	0	0	\$2,089,083
CD Revolving Loan	(298,520)	2,076,280	2,144,260	21,670	2,165,930	0	0	0	0	(\$388,170)
Parking	737,965	653,760	1,148,390	13,080	1,161,470	0	37,323	34,953	0	\$157,979
Transit	2,280,418	3,162,280	3,306,370	63,250	3,369,620	0	0	213,381	0	\$1,859,697
Capital Construction	368,291	7,654,940	7,933,150	0	7,933,150	90,081	0	0	0	\$0
GO Debt	57,863	1,147,090	1,136,400	0	1,136,400	68,553	0	0	0	\$0
Pension Oblig Debt Service	485	2,845,930	2,845,940	0	2,845,940	475	0	0	0	\$0
Davidson	5,546	0	0	0	0	5,546	0	0	0	\$0
Water	10,903,465	12,753,340	12,318,930	207,960	12,526,890	7,676,151	0	976,870	0	\$2,476,893
Wastewater	13,196,566	18,444,000	23,663,710	204,610	23,868,320	6,860,675	0	256,795	0	\$654,775
Storm Water	1,226,914	3,103,070	3,878,360	47,780	3,926,140	112,855	0	166,433	0	\$124,556
Airport	665,474	1,196,780	1,304,110	9,910	1,314,020	0	0	0	0	\$548,234
Fleet Maintenance	31,387	859,480	859,480	16,000	875,480	0	0	13,424	0	\$1,963
Facility Maintenance	89,865	810,770	847,020	10,000	857,020	0	0	19,218	0	\$24,397
Tech and Communications	439,248	1,832,420	1,921,480	30,000	1,951,480	0	0	309,578	0	\$10,610
Administrative Services	401,528	5,108,670	5,108,670	30,000	5,138,670	0	0	357,850	0	\$13,678
Risk Management	646,810	1,480,110	1,351,280	275,000	1,626,280	0	0	500,000	0	\$640
TOTAL	\$49,650,402	\$121,572,950	\$128,882,580	\$1,758,250	\$130,640,830	\$20,105,094	\$1,343,132	\$3,479,211	\$6,080,209	\$9,574,876

- (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 precisely with audited year-end "unassigned" or "assigned" balances per GASB 54.

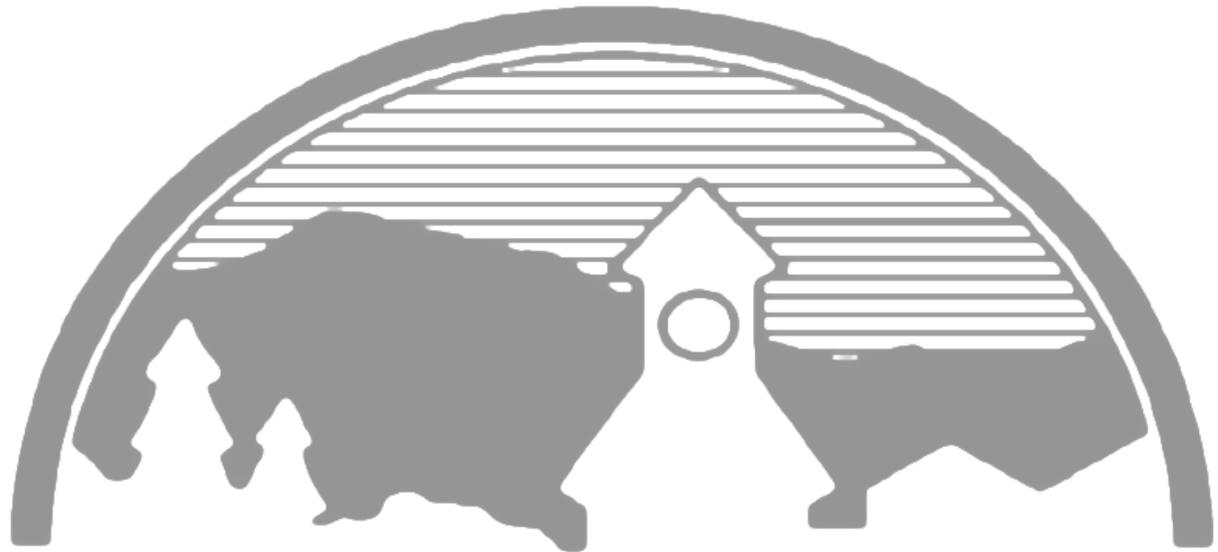


RESERVES/CHANGES IN FUND BALANCE (CONTINUED)

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 Adopted budgetary ending fund balance from FY 14-15 when compared to the Proposed ending fund balance for FY 15-16 is greater than 10%, and provides a brief explanation for that change.

Changes of 10% or More in Fund Balance

Fund	FY 14-15 Adopted End Fund Balance	FY 15-16 Proposed End Fund Balance	% Change	Projection - Reasoning
General	\$0	\$1,343,150	100.00%	Improved FY 14-15 revenue forecasts, including higher than anticipated growth in 2014 property tax revenues, has allowed for potential one-time growth in fund balance.
Street	\$18,199	\$404,567	2122.97%	Declining State Highway Tax receipts were more than offset by increased TMF revenues and charges for services, coupled with personnel services vacancy savings, which created a higher than anticipated ending FY 13-14 fund balance which impacts FY 15-16.
911 Emergency	\$197,773	\$252,825	27.84%	FY 13-14 ended with a greater fund balance than expected due to less than expected personnel service costs, thus leaving FY 14-15 revised with a greater fund balance than 14-15 adopted. Higher user cost share revenues combined with unfunding one authorized FTE in FY 15-16 is positioning the fund to afford near-term one-time costs.
Development Services	\$1,190,936	\$2,089,083	75.42%	Development has continued to pick 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. Vacant positions have also lead to savings and a greater fund balance.
Community Development Revolving	\$33,693	(\$388,170)	-1252.06%	Federal funding has been reduced dramatically leading to a currently projected negative fund balance. Budget Commission will need to make decisions on staff recommendations for an interfund loan and/or "grants" from other funds if fund operations are to continue.
Parking	\$103,459	\$157,979	52.70%	The Residential Parking District Initiative was voted down in November 2014, thus reducing anticipated revenue, but also associated expenses, to a greater degree.
Transit	\$2,108,369	\$1,859,697	-11.79%	Transit operating fee (TOF) revenues are less than FY 14-15 and are being outpaced by the increased cost of personnel, materials and services, creating a negative impact on fund balance.
Water	\$751,164	\$2,476,892	229.74%	Implementation of a new rate structure and increased usage due to the dry summer have bolstered metered revenues, contributing to a rebound in the ending Water Fund balance.
Wastewater	\$737,490	\$654,778	-11.22%	While implementation of a new rate structure has increased metered revenues, with the absence of the Pacific Power Blue Sky grant proceeds for the solar array project, projected revenues and expenditures are fairly aligned overall with FY 14-15 Adopted levels, except for a significant increase to the fund's Risk Management charges due to recent line breakage insurance claims.
Storm Water	\$109,491	\$124,554	13.76%	Implementation of a new rate structure has caused an increase to metered revenues, positively impacting fund balance.
Airport	\$639,691	\$548,238	-14.30%	While overall operating revenues and expenditures are aligned with FY 14-15 Adopted levels, a significant capital project in FY 15-16 for Airport Buildings & Grounds is drawing on fund balance.



CORVALLIS

ENHANCING COMMUNITY LIVABILITY



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 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 Master Plans are available to the Budget Commission for use 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 document includes statistical and descriptive information about the City community and organization, and 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 15-16, along with outlining the new 2015-2016 Council Goals, the message focuses on concepts that will need to be addressed in the future if a sustainable budget requires something different than the fixed expenditure mechanism used in the General Fund, as well as looking at priorities and potential new revenue sources for other City Funds which are experiencing fiscal distress. The department 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 found in the Department sections, and provide information on how efficient and effective the City is with resources in pursuit of meeting Council goals and management objectives.

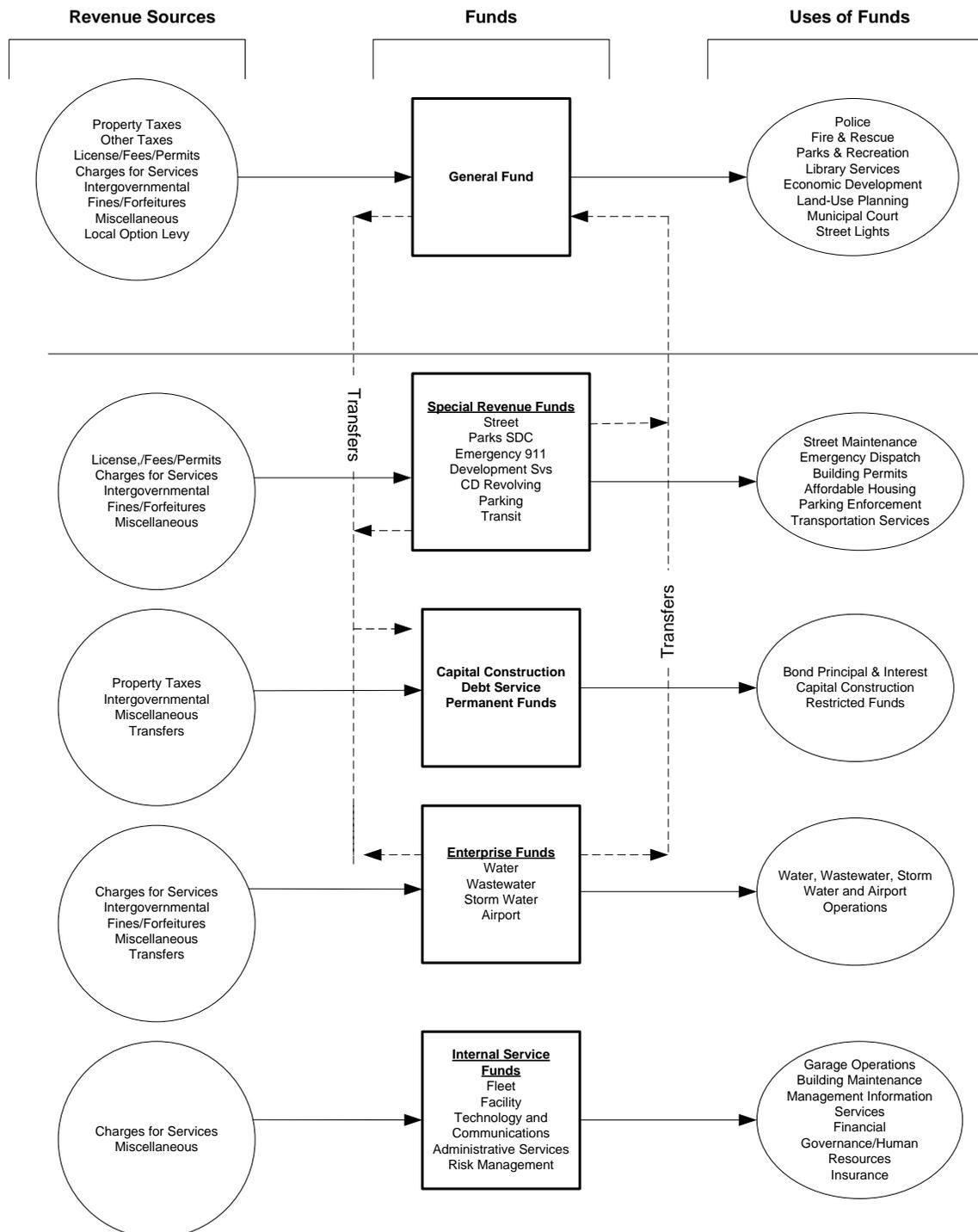
The City also seeks feedback from citizens on the services provided. Prior to 2013, the City conducted a [survey](#) of its citizens every year in the fall since 1993; due to cost considerations, this survey now takes place every other year by the National Research Center (NRC) with the most recent one conducted in the winter of 2015. This most recent [survey](#) had a 27% return rate, which is well below the 65% return rate achieved in 2012, but still considered statistically viable and above national average return rates. The response decline in 2015 is partly attributed to the longer format of the NRC's national citizen survey as well as the survey being conducted by a national agency vs. a local one such as Oregon State University or the City. The 2015 survey included several questions similar to those asked in prior years to allow staff to benchmark service use and areas for organizational improvement. For example, services ranked with an 88% or higher rating of 'good' or 'excellent' included fire, ambulance/EMS, sewer, public library and City parks. All of these program areas also scored above 88% in 2012.

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, is available on the [City's website](#).

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 includes 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 is 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. These funds 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 the 1996-97 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 ceased to exist as of June 30, 2014. Also, FY 13-14 being the final year of the 2011 Operating Levy, the separate fund which had accounted for the associated revenues and expenditures was closed out to the consolidated General Fund as well.

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 governments, 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 via resolution.

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 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 demonstrate how services and initiatives tie 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, the City Manager directs the development of a budget which is presented 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 and 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 Financial 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 prepares the Quarterly Operating Reports which are designed as interim snapshots of the City’s financial position, for review by the Administrative Services Committee, City Council and interested citizens, 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 201.

STATISTICAL TRENDS¹

Calendar Year	1990	1995	2000	2005	2012	2013	2014
COMMUNITY DEVELOPMENT							
Single Family Residence Building Permits	125	167	141	210	55	87	51
Single Family Residence Value (x \$1,000)	\$12,108	\$23,242	\$29,328	\$45,919	\$13,014	\$22,296	\$13,000
CITY MANAGER'S OFFICE							
City Employees ²	352	380	417	424	415	414	386
FINANCE							
City Assessed Value (000's)	\$1,144,822	\$2,419,879	\$2,879,105	\$3,433,646	\$4,139,865	\$4,201,469	\$4,381,367
City Real Market Value (000's)	\$1,144,822	\$2,419,879	\$3,513,758	\$4,522,703	\$5,469,249	\$5,574,068	\$5,891,389
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)					.4500	.4500	.8181
Debt (per \$1,000 of AV) ³				.5418	.2578	.2802	.2645
Consolidated Tax Rate ⁴	\$33.78	\$14.65	\$14.77	\$15.81	\$17.82	\$17.99	\$18.47
City Budget:							
Operating (Millions)	\$30.25	\$38.34	\$56.78	\$68.62	\$82.05	\$83.98	\$84.95
Capital (Millions)	\$10.30	\$17.65	\$31.38	\$14.45	\$9.49	\$10.14	\$23.69
Municipal Court:							
Citations (Traffic & Criminal)	7,229	7,000	12,016	8,771	6,237	5,132	5,347
Parking Citations	27,335	18,532	23,126	11,672	18,015	16,821	16,202
FIRE							
Engine Responses ⁵	1,164	1,455	1,977	2,590	4,967	4,744	4,503
City Incidents (non-ambulance)	983	1,230	1,615	2,151	4,317	4,040	3,790
Non-City Incidents (non-ambulance)	181	225	362	439	650	704	713
Ambulance Responses	1,960	1,941	--	--	--	--	--
Patient Contacts	--	--	2,732	3,154	4,651	4,505	4,803
PARKS AND RECREATION							
Number of Programs ⁶	--	--	--	1,132	2,859	2,040	2,508
Number of Registrations ⁶	--	--	--	21,559	96,917	85,149	88,912
Number of Facility Reservations	--	--	--	1,396	1,573	1,593	1,724
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	2,165	1,954	2,149
9-1-1 Center Incidents Reported	23,433	31,269	35,753	32,487	37,556	38,645	44,758

¹ Many agencies/organizations the City files reports with 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 the number of engine calls was 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	2012	2013	2014
PUBLIC WORKS							
Transportation:							
Traffic Signals ⁸	58	55	61	82	90	57	57
Street Lights	2,312	2,775	3,036	3,431	3,639	3,647	3,652
Bus Ridership	323,113	330,000	488,238	539,597	1,157,829	1,130,401	1,138,486
Water:							
Connections	12,111	12,684	13,802	14,427	16,306	16,397	16,512
Production (xM Gal)	2,645	2,776	2,912	2,575	2,616	2,628	2,675
Miles of Line ⁹	177	193	205	247	249	249	250
Wastewater:							
Connections	11,252	12,211	13,421	14,335	15,502	15,730	15,913
Treatment (xM Gal)	3,113	3,303	3,475	3,249	4,388	2,960	3,238
Miles of Line ⁹	168	186	201	215	204	205	205
Storm Drains:							
Miles ⁹	94	114	143	160	148	149	148
Streets:							
Miles	134	140	169	184	367	367	367
Miles Resurfaced	5.00	7.50	2.21	1.67	3.07	3.97	7.25
Bike Paths (Miles)	--	11	12	14	21	22	22
Bike Lanes (Miles)	56	49	57	61	106	108	108
OTHER							
Area Sq. Miles (Land)	12.85	13.03	13.53	14.00	14.13	14.23	14.23
Population	44,757	47,485	52,215	53,165	55,055	55,345	56,535
County Employment ¹⁰	34,768	40,529	39,626	40,081	41,539	41,828	40,330
County Unemployment ¹⁰	1,787	925	1,598	2,073	2,698	2,213	2,259
County Unemployment Rate ¹⁰	4.9%	2.2%	3.9%	4.9%	6.1%	5.3%	5.5%
OSU Enrollment	16,024	14,320	16,777	19,236	26,393	27,925	28,886
Volunteer Hours:							
City Manager's Office ¹¹	--	--	--	--	2,089	3,020	2,870
Community Development	--	--	0	178	909	757	618
Finance	--	302	250	222	447	142	150
Fire	--	21,672	29,659	48,243	42,458	48,624	44,273
Library	--	8,400	7,368	11,227	16,075	13,860	14,825
Parks & Recreation	--	22,500	24,335	23,452	24,322	25,655	22,012
Police	--	5,030	6,397	5,405	5,779	5,660	4,100
Public Works	--	440	843	632	1,630	374	748
Fiscal Year	FY89-90	FY94-95	FY99-00	FY 06-07	FY 11-12	FY 12-13	FY 13-14
LIBRARY							
Circulation	762,910	1,208,996	1,452,949	1,481,633	1,682,083	1,706,953	1,724,638
Patron Visits ¹²	514,543	704,996	724,291	1,402,633	1,512,697	1,557,901	1,684,913
Population Served	69,400	75,400	77,192	84,125	87,000	86,785	87,725

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.

BUDGET PROCESS

The City of Corvallis budget process for FY 15-16 was based for the second year in a row on the concept of developing a firm expenditure limit in the General Fund, where each department was given an expenditure allocation and asked to develop a budget within that limit. Elements of this process were followed for all other funds as well.

LATE SUMMER 2014

- Finance Department staff developed projections for all revenues in the General Fund and projected expenditures using five-year actual spending patterns.
 - 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.
- As outlined in the Budget Message, non-dedicated revenues (Property taxes, transient room taxes, franchise fees, interest earnings, etc.) were applied to mandatory payments first (debt service, contributions to reserves), and then allocated to departments based on their five-year average of expenditures. Then, 50% of the incremental dedicated revenue growth was allocated to the responsible department, with the balance allocated to all departments according to the non-dedicated revenue allocation, to ensure no department received less than its prior year budget.
- Since the above methodology is somewhat complex, and incremental growth predictability uncertain, the simpler five-year average methodology was employed for trending projections forward over the next 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 15-16 that would improve the organization's fiscal health for the foreseeable future.

FALL 2014

- 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, and to continue their practice of exploring alternatives to the current methods of doing work, examining opportunities to contract out with the private sector or via an intergovernmental arrangement, and examining 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 14-15 to see how that might impact revenue projections for FY 15-16.

JANUARY 2015

- Finance Department staff updated revenue projections for FY 15-16.
- Departments completed their work with advisory boards and commissions and began to finalize their Proposed Budgets.

FEBRUARY 2015

- 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 positive based primarily on one-time increases in FY 14-15 revised revenues. The City Manager obtained a current list of priority “adds” from departments’ deferred maintenance and other unfunded needs, and also had Directors analyze potential costs associated with the new Council Goals, to present options for consideration by the Budget Commission for these one-time monies, which might also include further contributions to the General Fund’s Fund Balance Reserve.

MARCH 2015

- 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 2015

- The City Manager presents the Proposed Budget to the Budget Commission on April 14.
- Department Directors, along with advisory board or commission members, present 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 will ask questions to clarify the budget presentations.

MAY 2015

- The Budget Commission will hold a public hearing, as required by ORS, deliberate, and recommend a tax levy and budget for the City Council to consider.

JUNE 2015

- The City Council will hear the Budget Commission’s recommended budget, hold a public hearing as required by ORS, deliberate, and adopt a budget via resolution.
- Finance Department staff will complete the Adopted Budget Document and file the budget with the County Assessor and County Clerk as required by ORS.

JULY 1, 2015

- FY 15-16 begins.

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, and particularly via testimony to Budget Commission and City Council at public hearings related to Budget Adoption, 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 15-16 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, including for use of contingencies.
- ❖ 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 residents.

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 each consist of three different 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 enforcement issues, library service issues, arts and cultural issues, housing issues, and intergovernmental agreements;
3. The Urban Services Committee -- responsible for Planning Commission recommendations, , infrastructure issues, Airport development, structural code enforcement, intergovernmental agreements, watershed issues, street construction/maintenance, the Fire master plan, , and the Capital Improvement Program.

The Mayor and City Council are also advised and assisted in establishing City policy by over 20 advisory boards, commissions and committees. When the need arises, the City Council may also establish task forces, which are created for specific purposes, are short-term in nature, and are disbanded when their work is complete. Nearly 200 residents 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, COMMISSIONS AND TASK FORCES

Resident participation on [City of Corvallis boards and commissions](#) serves two important purposes: community members 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 residents.

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 Advisory Board - 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 Advisory Board - 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 Board - Advises the City Council on policy matters relating to bicycle and pedestrian use, operation, routing, and safety in the City limits. (7 members and 1 non-voting Council representative).
- Board of Appeals - Hears and decides 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 community members).
- Capital Improvement Program Advisory Board - 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).
- Community Involvement and Diversity Advisory Board – Increases involvement and representation of Corvallis' diverse community in all City opportunities by: promoting strong public participation with full inclusion of diverse people and communities in Corvallis; proposing methods for access to information for residents, members of appointed bodies, and neighborhood groups; facilitating involvement of residents in all phases of land use planning and decision-making; and facilitating implementation of Registered Neighborhood Groups. (9 members).
- Community Police Review Advisory 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).
- Community Relations Advisory Group - Established by the City and OSU to grow and sustain community engagement and neighborhood livability efforts by considering community livability issues and opportunities in the nearby campus neighborhoods and, by working with the City, OSU, community residents, neighborhood organizations, OSU students, community businesses and non-profit organizations, will recommend strategies to improve and sustain livability; establishes measures of livability and monitors the progress of work undertaken to implement neighborhood

livability policies; and routinely informs the Human Services Committee of progress related to achieving these recommendations, as well as the broad activities of the City and OSU related to improved community relations. (15 voting members appointed jointly by the City and OSU, and 1 non-voting Council representative).

- Downtown Advisory Board - 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 (11 members and 1 non-voting Council representative).
- Downtown Parking Committee – Advises the Downtown Advisory Board and the City Council on matters concerning parking in the Downtown area. (5 members, 1 non-voting Council representative).
- Economic Development Advisory Board - Advises 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 (HRC) - Advises and assists the City Council, the Planning Commission, and the Community Development Director in all policy matters pertaining to historic and cultural resource preservation. (9 members, 1 non-voting Council representative).
- Housing and Community Development Advisory Board - Oversees the planning for, and delivery of, City housing and community development assistance that uses 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).
- King Legacy Advisory Board - Celebrates and promotes the principles and legacy of Dr. Martin Luther King, Jr. with the goal of helping Corvallis to become a more inclusive and just community. This work includes promoting inclusion of diverse people and communities within Corvallis; pursuing nonviolent solutions to economic and social injustices in Corvallis; and being a strong advocate to build a strong and diverse community of Corvallis residents. (10 members, with one member nominated by the Benton County Commissioners, one by Corvallis School District 509J, and one by either Oregon State University or Linn-Benton Community College; all other members are appointed by the Mayor and 1 non-voting Council representative).
- Land Development Hearings Board – Conducts public hearings related to appeals resulting from alleged errors in orders, requirements, decisions, and interpretations of the Community Development Director or Community Development staff who are responsible for implementing provisions of the Land Development Code. (4 members).
- Library Advisory 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).
- OSU-Related Plan Review Task Force – Project was developed in response to the 2011-2012 City Council goal to ~~establish~~ work with the OSU President and his staff to create a plan to seize opportunities on parking, code enforcement, infill design, rental code, traffic design and other important issues. (4 members and 3 Council representatives).
- Parks, Natural Areas and Recreation Advisory Board (PNARB) - Advises the City Council on policy matters pertaining to Corvallis parks resources and recreation activities. (11 members, 1 non-voting Council representative and 1 non-voting 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).
- Transit Advisory Board - 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. (8 members and 1 non-voting Council representative).
- Watershed Management Advisory Board - 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).

Budget Commission Members and Department Directors

as of June 30, 2015

BUDGET COMMISSION

Ward	Member	Years of Service	Term Expires
	Biff Traber, Mayor	Six	December 31, 2016
1	Penny York, City Council President	Three	December 31, 2016
2	Roan Hogg – Vice Chair of Budget Commission	Five	December 31, 2016
3	Zachariah Baker	One	December 31, 2016
4	Barbara Bull	One	December 31, 2016
5	Mike Beilstein	Eleven	December 31, 2016
6	Joel Hirsch	Seven	December 31, 2016
7	Bill Glassmire	One	December 31, 2016
8	Frank Hann	One	December 31, 2016
9	Hal Brauner, City Council Vice President	Fifteen	December 31, 2016
Citizen	Karyle Butcher	Eight	June 30, 2016
Citizen	Curtis Wright – Chair of Budget Commission	Five	June 30, 2016
Citizen	Janet Gambatese	Three	June 30, 2015
Citizen	Mark O'Brien	Three	June 30, 2015
Citizen	Irva Kay Neyhart	Two	June 30, 2016
Citizen	Shirley Chow	One	June 30, 2017
Citizen	Tom Frederick	One	June 30, 2017
Citizen	Mark Kalmar	One	June 30, 2017
Citizen	Donald Wolff	One	June 30, 2015

DEPARTMENT DIRECTORS

		Years in this Position	Years of Service with the City of Corvallis
City Manager	Nancy Brewer	1	25
Community Development Director	Ken Gibb	20	20
Finance Director (Interim)	Janet Chenard	1	19
Fire Chief	Roy Emery	8	31
Human Resources Director	Mary Beth Altmann Hughes	2	3
Library Director	Carolyn Rawles	17	17
Parks and Recreation Director	Karen Emery	7	26
Police Chief	Jon Sassaman	3	27
Public Works Director	Mary Steckel	3	25

PROPOSED FTE CHANGES FROM FY 14-15 TO FY 15-16

	FTE	REASON	FUND(S) IMPACTED	AUTHORIZED BUT UNFUNDED FTE IN FY 15/16
City Manager's Office				
<u>FY 14/15 Adopted Authorizations</u>	11.300			
FY 15/16 Proposed Authorizations	11.300			0.000
Community Development				
<u>FY 14/15 Adopted Authorizations</u>	41.750			
* Information Systems Analyst	-1.000	Reorganization-moved to Finance	Development Services Fund	
FY 15/16 Proposed Authorizations	40.750			0.500
Finance				
<u>FY 14/15 Adopted Authorizations</u>	32.750			
* Court Clerk	-1.000	Residential Parking District Expansion voted down	Parking Fund	
* Information Systems Analyst	1.000	Reorganization - moved from CD	Technology & Communications	
* Information Systems Analyst	1.000	Enhancement to support Police	Technology & Communications	
FY 15/16 Proposed Authorizations	33.750			0.500
Fire				
<u>FY 14/15 Adopted Authorizations</u>	66.000			
FY 15/16 Proposed Authorizations	66.000			0.000
Library				
<u>FY 14/15 Adopted Authorizations</u>	43.750			
FY 15/16 Proposed Authorizations	43.750			0.000
Parks & Recreation				
<u>FY 14/15 Adopted Authorizations</u>	31.790			
* Supervisor	1.000	Majestic Theater	General Fund	
* Admin Specialist	0.750	Majestic Theater	General Fund	
* Sr. Admin Specialist	0.250	Majestic Theater	General Fund	
FY 15/16 Proposed Authorizations	33.790			0.000
Police				
<u>FY 14/15 Adopted Authorizations</u>	92.250			
* Parking Enforcement Officer	-3.000	Residential Parking District Expansion voted down	Parking Fund	
FY 15/16 Proposed Authorizations	89.250			1.000
Public Works				
<u>FY 14/15 Adopted Authorizations</u>	116.500			
* Supervisor	-1.000	Reorganization		
* Admin Specialist	-0.250	Reorganization		
FY 15/16 Proposed Authorizations	115.250			1.000
TOTAL FY 14/15 Adopted Authorizations	436.090			
* Reorganizations	-1.250			
* Enhancement	1.000			
* Majestic Theater	2.000			
* Residential Parking District	-4.000			
Net FTE Changes	-2.250			
FY 15/16 Proposed Authorizations	433.840			3.000

HISTORICAL FTE & PERSONNEL SERVICES \$\$ CHANGES BY FUND

FUND	ACTUAL 2012-13	ACTUAL 2013-14	BUDGET 2014-15	REVISED 2014-15	PROPOSED 2015-16	% CHANGE ADOPTED FY 14- 15 TO PROPOSED FY 15-16 BUDGET
GENERAL FUND						
Personnel Services	\$25,006,904	\$25,382,955	\$26,735,290	\$26,834,480	\$27,550,320	3.05%
FTE	225.200	222.770	226.960	226.960	229.230	1.00%
STREET FUND						
Personnel Services	\$1,845,195	\$1,797,411	\$1,792,750	\$1,792,750	\$1,848,880	3.13%
FTE	18.995	19.140	18.150	18.150	17.382	-4.23%
9-1-1- EMERGENCY FUND						
Personnel Services	\$1,801,478	\$1,745,197	\$1,816,620	\$1,816,620	\$1,897,820	4.47%
FTE	18.850	18.850	18.850	18.850	18.850	0.00%
DEVELOPMENT SERVICES FUND						
Personnel Services	\$1,954,839	\$2,162,884	\$2,715,070	\$2,515,070	\$2,639,350	-2.79%
FTE	22.750	23.250	26.190	26.190	25.250	-3.59%
COMMUNITY DEVELOPMENT REVOLVING FUND						
Personnel Services	\$466,347	\$429,912	\$449,120	\$415,390	\$445,310	-0.85%
FTE	5.140	4.640	4.640	4.640	4.340	-6.47%
PARKING FUND						
Personnel Services	\$439,854	\$466,784	\$845,900	\$508,200	\$521,020	-38.41%
FTE	5.370	5.370	10.170	6.170	5.870	-42.28%
TRANSIT FUND						
Personnel Services	\$336,243	\$290,864	\$343,330	\$343,330	\$359,980	4.85%
FTE	3.620	3.620	3.720	3.720	3.710	-0.27%
CAPITAL CONSTRUCTION FUND¹						
Personnel Services	\$261,360	\$374,324	\$1,399,010	\$1,399,010	\$662,660	-52.63%
FTE	5.600	5.000	5.000	5.000	5.600	12.00%
WATER FUND						
Personnel Services	\$3,411,564	\$3,391,506	\$3,560,810	\$3,560,810	\$3,652,350	2.57%
FTE	33.080	32.730	31.760	31.760	32.458	2.20%
WASTEWATER FUND						
Personnel Services	\$3,603,803	\$3,181,667	\$3,603,700	\$3,603,700	\$3,619,110	0.43%
FTE	33.360	34.160	33.440	33.440	32.440	-2.99%
STORMWATER FUND						
Personnel Services	\$1,304,468	\$1,219,646	\$1,505,050	\$1,505,050	\$1,440,310	-4.30%
FTE	11.550	11.655	12.430	12.430	11.8480	-4.68%
AIRPORT FUND¹						
Personnel Services	\$164,746	\$185,925	\$149,350	\$149,350	\$246,240	64.87%
FTE	1.700	1.700	1.550	1.550	1.550	0.00%
FLEET FUND						
Personnel Services	\$207,080	\$211,346	\$212,300	\$212,300	\$210,970	-0.63%
FTE	2.210	2.210	2.210	2.210	2.200	-0.45%
FACILITIES FUND						
Personnel Services	\$424,812	\$445,814	\$442,170	\$442,170	\$443,810	0.37%
FTE	4.220	4.220	4.120	4.120	4.112	-0.19%
TECHNOLOGY & COMMUNICATIONS FUND						
Personnel Services	\$1,063,600	\$1,074,983	\$1,075,830	\$1,075,830	\$1,286,820	19.61%
FTE	9.700	9.700	9.350	9.350	11.450	22.46%
ADMINISTRATIVE SERVICES FUND						
Personnel Services	\$2,865,310	\$2,786,602	\$2,973,760	\$2,973,760	\$3,001,740	0.94%
FTE	27.050	27.050	27.550	27.550	27.550	0.00%
ALL FUNDS COMBINED						
Personnel Services	\$45,157,604	\$45,147,822	\$49,620,060	\$49,147,820	\$49,826,690	0.42%
FTE	428.395	426.065	436.090	432.090	433.840	-0.52%
Year-Over-Year FTE Changes		(2.330)	10.025	(4.000)	(2.250)	

(1) The swing in personnel service costs without a corresponding change in FTE is due to the fact that Engineering staff project management time is not included in the FTE figure reported, but the personnel service costs for those staff are included to account for large infrastructure projects.

TOTAL FY 14/15 Adopted

Authorizations	436.090
* Reorganizations	-1.250
* Enhancements	1.000
* Majestic Theater	2.000
* Residential Parking District	-4.000
Net FTE Changes	-2.250
FY 15/16 Proposed Authorizations	433.840



City of Corvallis

Financial Policies - Council Policy

Policy # 10

Financial Policies



Policy:

The City Council's Financial Policies serve to:

- ❖ protect the policy making ability of the City Council by ensuring that important policy decisions are not controlled by financial problems or emergencies.
- ❖ enhance the policy making ability of the City Council by providing accurate information on program costs.
- ❖ assist sound management of the City by providing accurate and timely information to the City Council and public on the City's financial condition.
- ❖ provide sound principles, reports and analyses to guide the important decisions of the City Council and of management which have significant fiscal impact.
- ❖ set forth operational principles which minimize the cost of government and financial risk, and safeguard the City's assets.
- ❖ 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.
- ❖ provide adequate resources to operate and maintain essential public facilities and the City's infrastructure.
- ❖ protect and enhance the City's credit rating and prevent default on any debt issue of the City.
- ❖ ensure the legal use of all City funds through a sound system of administrative policies and internal controls.

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.

Scope:

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.



City of Corvallis

Financial Policies - Council Policy

Policy # 10

Financial Policies



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.

Financial Policies 10.1 through 10.9 are attached and together define the complete Financial Policies of the City Council.

	<p>City of Corvallis</p> <p>Financial Policies - Council Policy</p> <p>Policy # 10-1</p> <p>Financial Policies – Fund Balance</p>	
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Policy: 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.

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.

Scope: 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.

Guidelines: 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;



City of Corvallis

Financial Policies - Council Policy

Policy # 10-1

Financial Policies – Fund Balance



- 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:
 - i. 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.
 - ii. 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:
 - i. the cause of the poor experience;
 - ii. the City's ability to control/change the causing factor;
 - iii. the impact to services to achieve an immediate re-build of fund balance;
 - iv. the likelihood the causing factor will end and revenues/expenditures will return to normal levels within one year; and
 - v. 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:



City of Corvallis

Financial Policies - Council Policy

Policy # 10-1

Financial Policies – Fund Balance



- 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.

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.

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.



City of Corvallis

Financial Policies - Council Policy

Policy # 10-1

Financial Policies – Fund Balance



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.



City of Corvallis

Financial Policies - Council Policy

Policy # 10 - 2

Financial Policies – Revenue



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. These policies provide direction in the management and oversight of existing revenue sources and for the development of new revenue sources.

Scope:

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.

Guidelines:

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.

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.

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.

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



City of Corvallis

Financial Policies - Council Policy

Policy # 10 - 2

Financial Policies – Revenue



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.

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.

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.

Collections -- The City shall manage its revenue collections through a policy that actively pursues collection of all revenues owed to the City.

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.



City of Corvallis

Financial Policies - Council Policy

Policy # 10 - 2

Financial Policies – Revenue



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.

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.

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.

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



City of Corvallis

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Financial Policies – Revenue



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.

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



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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



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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.

AMBULANCE FEES

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.

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.

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.

GRANTS

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.



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Financial Policies – Revenue



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.

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.

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.

GIFTS, DONATIONS AND BEQUESTS

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.

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.



City of Corvallis

Financial Policies - Council Policy

Policy # 10 - 3

Financial Policies – Expenditures



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.

Scope: 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.

- Guidelines:**
- 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.

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.

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



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Policy # 10 - 3

Financial Policies – Expenditures



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.

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.



City of Corvallis

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Policy # 10 - 3

Financial Policies – Expenditures



- 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 above in 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.

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.

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.



City of Corvallis

Financial Policies - Council Policy

Policy # 10 - 3

Financial Policies – Expenditures



- 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.

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.



City of Corvallis

Financial Policies - Council Policy

Policy # 10 - 4

Financial Policies – Accounting and Financial Reporting



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.

Scope:

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.

Guidelines:

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).

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,



City of Corvallis

Financial Policies - Council Policy

Policy # 10 - 4

Financial Policies – Accounting and Financial Reporting



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.

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.



City of Corvallis

Financial Policies - Council Policy

Policy # 10 - 5

Financial Policies – Capital Improvement Program (CIP)



Purpose: To maintain the City's investment in infrastructure, this policy provides direction for the development and implementation of the annual CIP.

Scope: 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.

Guidelines: 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.



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Financial Policies - Council Policy

Policy # 10 - 5

Financial Policies – Capital Improvement Program (CIP)



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.

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 section 10.5 on unspent funds.
- 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.



City of Corvallis

Financial Policies - Council Policy

Policy # 10 – 6

Financial Policies – Debt



Purpose:

To proactively manage the City's existing and future debt issues in compliance with state and federal laws in order to maintain the City's capacity for future debt issues that may be required for infrastructure investment.

Scope:

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.

Guidelines:

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.)



City of Corvallis

Financial Policies - Council Policy

Policy # 10 – 6

Financial Policies – Debt



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. General Fund Backed Obligations/Bonds -- The outstanding principal debt for Limited Tax General Obligation Bonds (LTGO), Full-Faith and Credit Obligations/Bonds (FFC), 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 and FFC 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.

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



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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.

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.

CREDIT RATINGS AND COMPLIANCE

- A. Reporting -- The City shall maintain good communication with bond rating agencies concerning its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.
- B. Compliance with Securities and Exchange Commission (SEC) and Municipal Securities Rulemaking Board (MSRB) Rules -- The City will comply with all aspects of the SEC rule 15c2-12 pertaining to secondary market disclosure, and with MSRB regulations regarding maintaining disclosures and professional advisor relationships.
- C. Post Issuance Compliance – City staff will adhere to Administrative Procedure 5.09 which outlines the current compliance requirements and which will be updated anytime the SEC or MSRB change these regulations.

DEBT MANAGEMENT

- A. Debt Management Analysis -- A staff memo shall be developed prior to the issuance of any additional debt and shall encompass a review of 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;



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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. Advisors/Counsel – For bonded debt, City staff will work with a contracted Municipal Advisor (MA) and Bond Counsel (BC) to ensure current market knowledge is applied consistently for documentation facilitation, optimizing rates and issuance costs, and other related matters. Staff, the MA and BC must comply with this Debt Policy and the Administrative Procedure for Debt Post-Issuance for implementing this policy. The MA may only act on a non-discretionary basis. Therefore, the MA must present debt recommendations and receive approval to execute such recommendations from the Finance Director, or designee, prior to transacting with other entities as related to City debt issuance.
- C. Review -- The Administrative Services Committee shall review the above Debt Management Analysis prior to the issuance of new debt and any recommendations made therein.



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Financial Policies – Risk Management



Purpose:

These policies set forth the over-arching guidance for the City's risk management program which is designed to identify risk of incidents where damage could occur to citizens, employees, or the City's infrastructure or assets. Anticipating, managing and mitigating these risks is critical to protecting the community's assets and the organization's financial position.

Scope:

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, influence variables that can be controlled to reduce risks, ensure that risk is transferred to others when appropriate, and provide insurance coverage 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.

Guidelines:

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.

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.

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.



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Financial Policies – Risk Management



- 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 within two years, or sooner if practical. 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 \$60,000. Should the ending fund balance drop below \$60,000 in any fiscal year, it will be re-built the following year. Ending unreserved balances in excess of \$60,000 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.



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Policy # 10-8

Financial Policies – Investments



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.

Scope:

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.

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.

Guidelines:

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.

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



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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.

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



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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.

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.



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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.

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.



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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 herein.
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))
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))



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Type	Definition
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 above.



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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 S.10.8 Guideline Compliance below.

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.

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 re-sale 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 S.10.6.



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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 (ASC).
 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.

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.



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Financial Policies -- Definitions



Definitions:

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.



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Financial Policies -- Definitions



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



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Financial Policies -- Definitions



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 City of Corvallis will use the Government Accounting Standards Board's (GASB) definitions of Fund Balance for the 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. The 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.



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Financial Policies -- Definitions



Government Funds - These funds subscribe to the modified accrual basis of accounting and include the following types of funds:

- A. *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
- B. *Special Revenue Funds* - The resources received by these funds are limited to a defined use, such as the Street Fund.
- C. *Debt Service Funds* - Funds used for paying principal and interest of debt on non-enterprise funds.
- D. *Capital Project Funds* - Resources from these funds are used for purchase or construction of long-term fixed assets.
- E. *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.



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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:

- A. *Enterprise Funds* - Account for distinct, self-sustaining activities that derive the major portion of their revenue from user fees.
- B. *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



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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.

Review/Update:

The Finance Director will prepare this Council Policy review every year for City Council approval.

Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Create Fund Balance Reserve equal to 3 months payroll and build over five years.
24	N. Brewer	March 2013	Consolidate property tax funds into one General Fund.
25	N. Brewer	April 2014	Update Investment Policy section for sunset of Investment Council
26	J. Chenard	March 2015	Update Risk and Debt Policy sections

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.

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.