

City of Corvallis, Oregon

2016 – 2017

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, 2015.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Corvallis
Oregon**

For the Fiscal Year Beginning

July 1, 2015

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.

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

2016-2017

PROPOSED BUDGET

Mayor
Biff Traber

Budget Commission

City Council

Zachariah Baker
Mike Beilstein
Hal Brauner
Barbara Bull
Bill Glassmire
Frank Hann
Joel Hirsch
Roan Hogg
Penny York

Citizen Members

Karyle Butcher
Rich Carone
Shirley Chow
Janet Gambatese
Mark Kalmar
Mark O'Brien
Deb Rose
Andrew Struthers
Curtis Wright

City Manager

Mark W. Shepard, P.E.

Staff

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

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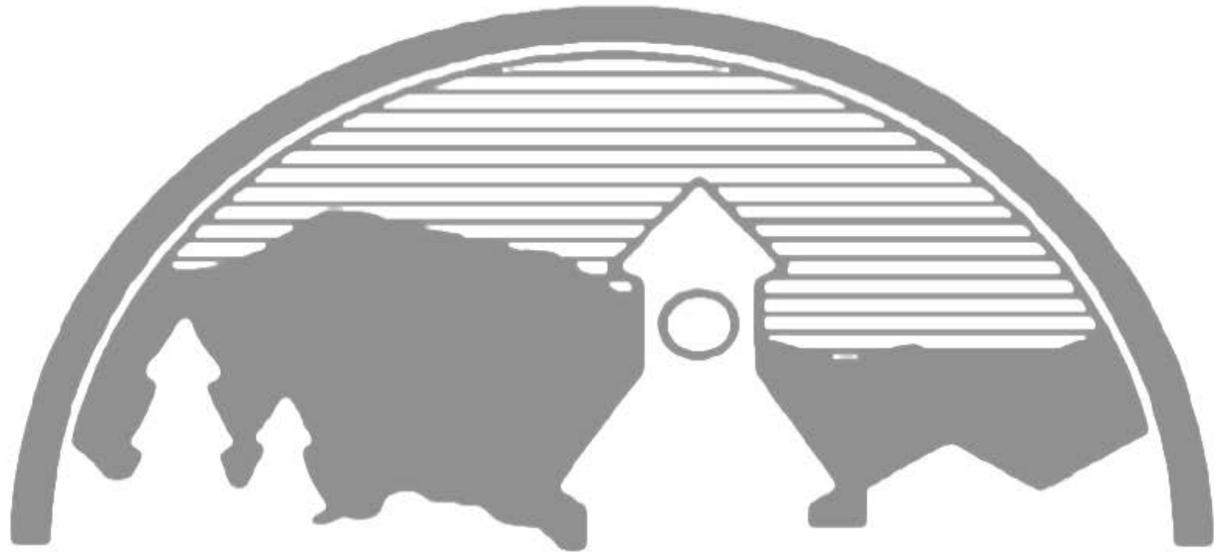
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CORVALLIS

ENHANCING COMMUNITY LIVABILITY



April 12, 2016

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

RE: Proposed Budget for Fiscal Year 2016-2017

I am pleased to present the City Manager's Proposed Budget for Fiscal Year 2016-2017. This is my first budget proposal as City Manager, and the financial challenges the City faces are significant. As a result, I have begun to modify the budget process, including setting a budget goal for the development of this Fiscal Year (FY) 16-17 budget. I am proud to report that this Proposed Budget represents significant efforts toward achieving the goal, with \$475,000 in operating savings identified, and a new Public Employee Retirement System (PERS) Reserve established to help soften the impact of the successive cost increases beginning July 1 2017. Even with the funding efforts included in this budget, the City continues to face financial challenges in future years that will require the organization's focus and creativity.

BUDGET DEVELOPMENT PROCESS

For the past three years the City budget has been developed under a "Fixed Expenditure Limit" model. This model was implemented to facilitate rebuilding lost operating reserves, and to match on-going revenues with on-going expenditures. In this model, no City-wide goals or values were placed on budget priorities. Instead, expenditures for each department were calculated and fixed based on a formula that looked only at past spending levels. The Council and staff have been very disciplined to rebuild operating reserves in the General Fund under the model. This has helped improve the City's bond rating. However, this model has not focused on longer-term issues such as how to fund the pending Public Employee Retirement System (PERS) rate increase, and how to fund critical infrastructure replacement and repair needs. Finally, the Fixed Expenditure Limit model does not accommodate service prioritization or position the organization to be prepared to address the potential modification in priorities that are expected to come from the Imagine Corvallis 2040 project.

Revenues have grown at a slower pace than the costs to operate the City over the last decade. This has resulted in downsizing departments, reduction in some services, and a reduction in

work force. In short, the City's General Fund budget has been strained for many years. The City organization needs to change how it functions in order to achieve a long term, sustainable future.

The changes in the budget process this year are driven by budget realities the City faces:

- In April 2015, the State Supreme Court ruled that some previous legislative reforms for the PERS system were unconstitutional. As a result of this ruling, the PERS unfunded liability has increased significantly, which will lead to additional PERS costs for all public employers. The impact on the City of Corvallis is currently estimated to be \$1 million annually starting July 1, 2017. On July 1, 2019 we anticipate that there will be an additional increase in PERS cost of \$1.5 million annually. Another increase is currently anticipated to be effective July 1, 2021. These PERS cost increases will significantly impact the City's ability to continue all of its current operations.
- Revenue projections in the General Fund continue to grow slower than cost increases associated with current service levels.
- The Local Option Levy will end June 30, 2019, at the same time the second PERS rate increase is expected.
- Deferred maintenance continues to remain largely unfunded, which, if left as is, will lead to failure of critical systems.
- There is inadequate funding available to acquire and implement technology solutions that may allow staff to operate more efficiently.
- The Budget, as presented, does not facilitate the implementation and reporting that is likely to result from the Imagine Corvallis 2040 Vision and Action plan.

In response to these realities, I developed the FY 16-17 budget goal:

To identify and implement efficiencies and cost reduction strategies in order to reduce annual operating costs by \$1 million without reducing service levels the City is currently providing.

This goal was presented to the Budget Commission at the January 28, 2016 meeting. It is my intent to work with Department Directors and use FY 16-17 and FY 17-18 to reach this goal.

To begin to meet this goal, the FY 16-17 budget was developed using a process modified from the Fixed Expenditure Limit model. Preliminary baseline budget amounts for each department were developed using early revenue projections and similar allocation calculations as were used last year. Each Department Director worked with his/her staff to develop their detailed budgets, and to identify both efficiencies that could be implemented and projects that needed funding.

The presentation of the budget document is anticipated to change over the coming years to accommodate the Imagine Corvallis 2040 Action Plan that will be adopted by Council. This year there are minor modifications as a first step. Each department has added performance measures which are included in each Department's budget section. Ultimately, I anticipate

performance measures identified in the budget document will be linked with the Imagine Corvallis 2040 Vision and Action Plan.

SUMMARY OF BUDGET CHANGES

The Proposed Budget reflects initial steps to address and plan for long-term financial issues such as impending operating cost impacts, deferred maintenance of City facilities, and maintaining appropriate reserves.

FY 16-17 marks the final year when contributions to the General Fund Fund Balance Reserve are required to achieve full funding. The FY 16-17 contribution of \$317,000 will place the reserve at \$6.9 million, the three months of payroll amount targeted by the City Council through the Financial Policies. The contribution is a significant decrease from the \$1.26 million contributed in FY 15-16 to meet funding requirements. This reduction in use of General Fund resources has allowed the organization to establish a new PERS reserve of \$1.6 million, to be used in future years to offset the brunt of higher rates. This reserve is funded without significant impact to operations because the Fund Balance Reserve is complete.

The baseline budget was modified as Departments identified efficiencies and cost reduction opportunities across the entire organization. The annual cost savings resulting from efficiency efforts is estimated to be \$475,700 in FY 16-17. In addition, when revised revenue projections increased by \$450,200, this revenue was not allocated to departments under the previous formula method. Rather this revenue was allocated to building reserves (\$285,590) and addressing specific on-going needs (\$150,000). Staff has been increased by a net of 0.25 Full Time Equivalent (FTE) positions across the entire City organization. Detail for the staff changes can be found on page 32 in the Budget and Financial Planning Overview, but highlights include:

- Adding 2.0 unfunded FTE in the Police Department and 2.0 FTE in the Fire Department to allow both departments to “overhire” during the fiscal year at a trainee level because of the year-long training period for these positions. These positions are not expected to result in more than the existing 57 sworn Police Officers or 52 Firefighters being fully trained and operational at any given time. This will minimize the period of time between permanent staff vacancies and when the trainee is ready to fill a vacancy. This pilot staffing plan will be evaluated as the year progresses to be re-considered for FY 17-18.
- Separating the Information Technology function from the Finance Department into its own IT Department, and adding an IT Director position.
- Separating the Human Resources function from the City Manager’s Office into its own Department. This change also incorporates a modification in how administrative support services are delivered for the City Hall block by creating a Central Administrative Services Division in the Human Resources Department. This group will be staffed by a new 1.0 FTE manager and transfers 2.0 FTE from Community Development, 1.0 FTE from the City Manager’s Office, and 0.75 FTE from Finance. There is one staff member who will be laid off as a result of the centralization of the administrative functions. There are three other staff positions that will not be filled,

either as the result of a current vacancy or when the incumbent retires later in the year.

- The Library eliminated 1.0 FTE administrative position, but added a net 0.25 FTE to provide front line customer service in collections, youth programming, and school outreach.

I commend City staff for the hard work and commitment to achieving our ambitious budget goal. More work is still required to get us to our goal, but I am encouraged by the progress made in this budget proposal and I am optimistic we can reach our goal in the FY 17-18 budget.

Following are some highlights of what is included in the budget proposal:

1. Increase the Fund Balance Reserve by almost \$317,000 to meet the target (including an increase in the target to account for increased operating costs since the target was developed).
2. Establish a \$1.6 million reserve for future PERS costs.
3. Fund building and equipment replacement reserves at approximately \$385,000.
4. Provide fully funded police and fire staff positions.
5. Fund \$130,000 for the completion of Council Goals.
6. Re-establish Neighborhood Empowerment Grants with \$5,000 in funding.
7. Fund \$7,500 for portable toilets at seven parks.
8. Provide \$60,000 in funding for initiating the Imagine Corvallis 2040 Action Plan.
9. Provide \$35,000 in funding for initiating a Comprehensive Plan update based on Imagine Corvallis 2040.
10. Fund \$90,000 in deferred maintenance at Fire Station 1.
11. Reserve \$40,000 to support homeless alternatives.
12. Provide \$30,000 in Council discretionary funds.
13. Set aside \$140,000 for “transitional funding” to allow work space reconfiguration to accommodate operating changes and allow funding of casual staff that might be needed to assist during the transition period.

These funding initiatives are possible due to a combination of efficiency measures and additional ongoing revenue. A significant source of additional ongoing revenue is expected to come from the Corvallis Rural Fire Protection District. This funding is targeted entirely to the Fire Department and enables the Fire Department to remain fully staffed during the year and replace old equipment. Other increases in revenue are also helping to set a budget that better focuses on the long-term. With the final decision on Hewlett-Packard’s appeal, and The Retreat at Oak Creek development added to the tax rolls January 1, 2016, property tax assessed value is expected to grow 3.2% in FY 16-17. This impacts both the permanent tax rate and the local option tax levy revenue projections. Transient Room Tax (TRT) revenues have increased, and included one-time payments in FY 15-16 from on-line travel companies who paid back taxes collected over the last two years, and continue to pay TRT revenue on an on-going basis. Finally, Franchise Fees continue to grow and remain the second highest

revenue in the General Fund. For more information on revenue projections, see the Budget and Financial Planning Overview.

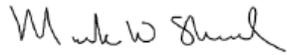
THE FUTURE

The FY 16-17 Proposed Budget continues the focus on achieving a sustainable budget, but there is more work to be done. Next year's budget will need to incorporate the priorities that result from the Council Goal work that is underway (see Attachment A). As always, there are pending issues which are likely to have a financial impact, but are less well-defined at this time. These include:

- The City continues to wait for the Oregon Department of Environmental Quality to complete rulemaking on the Temperature and Daily Maximum Load (TMDL) regulations that are expected to lead to changes in how the City's sewage effluent is managed. Depending on the outcome, solutions could range from \$10 million to \$50 million, and developing the solution and the capacity to fund it will require attention and commitment from the Council and the community.
- The PERS estimates included in this Budget Message are still preliminary; more specific information will not be forthcoming until late fall 2016 and rate increases could be higher than staff currently anticipates.
- Utility and transportation infrastructure requires continual investment if we are to avoid running those systems well past their useful life and suffering service and reliability consequences for these key infrastructure systems. Strategic and regular investment in replacement of this infrastructure needs to be addressed.
- Staff will begin work to replace the financial management information system and acquire a new human resources information system. These are significant IT projects that will take considerable staff time and energy to select and implement, and will likely require new training for every employee.
- The impact of the new State Minimum Wage law is relatively small for FY 16-17, estimated at around \$20,000 for Parks and Recreation. However, future year increases will have a more significant impact across the organization, and will need to be addressed in future financial plans.
- The additional investment in reserves included in this budget is not enough to meet the long list of deferred maintenance projects.
- Public Works will implement the new Asset Management Plan for utility infrastructure and develop an Asset Management Plan for the transportation systems. Additional discussions with the City Council will occur as more information about appropriate annual investment levels is known.
- Long-term financial sustainability concerns for operations in the Street, 9-1-1, and Community Development Revolving Funds continue and are being addressed through the work of the Sustainable Budget Task Force.

I appreciate the work of the Department Directors in developing this Proposed Budget. They continue to approach service delivery as a team to address the needs of the organization and community in a proactive manner.

Sincerely,



Mark W. Shepard
City Manager

Attachment A: Status of City Council Goals

COUNCIL GOALS

The City Council for 2015 and 2016 adopted six goals to accomplish during their term. The work accomplished to date has informed the budget process changes, and are expected to lead to additional changes for the FY 17-18 budget. The Proposed Budget includes \$130,000 in the City Manager's Office budget to complete the work on the goals by the target of December 2016.

VISION AND ACTION PLAN

The Council adopted a goal to develop a new Vision for the City accompanied by an Action Plan. The Action Plan is intended to move the City toward accomplishing the Vision. I anticipate that the Action Plan will clarify priorities for the City. The FY 17-18 budget will be the first budget to start to reflect the prioritized actions as a focus. For FY 16-17, the Proposed Budget includes \$60,000 in funding to begin implementation of the Action Plan items.

CLIMATE ACTION PLAN

The Climate Action Plan Task Force is continuing its work to develop targeted actions the City and community members can take to meet a proportional share of the State's greenhouse gas emission reduction target – a 75% reduction by 2050. The FY 16-17 Proposed Budget for goals implementation identified above includes the funding to complete the Climate Action Plan for Corvallis. The Action Plan is expected to be incorporated into the Imagine Corvallis 2040 Vision and Action Plan for implementation.

HOUSING DEVELOPMENT TASK FORCE

The Housing Development Task Force continues its work to develop policy recommendations for the City Council to consider that would provide the best potential to increase the supply of affordable housing in the community. The FY 16-17 Proposed Budget does not include additional funding to implement actions since the work will likely be completed by staff. The Housing Task Force is also expected to make recommendations about potential revenue sources, above and beyond the current Community Development Block Grant (CDBG) and HOME grants, for the City Council to consider.

SUSTAINABLE BUDGET

A Local Option Levy passed by the Corvallis community has been an important part of funding current City services. This five-year levy is a temporary fix that will expire in June of 2019. Understanding a need to develop improved long-term stability, the Corvallis Council adopted a goal of developing a plan for a long-range sustainable budget. Whether a sustainable budget will include additional funding sources or significant service cuts is yet to be determined. The budget and vision/action goals along with the Climate Action and Housing Development goals will likely be significant drivers in prioritizing the use of City resources and budget development.

OSU RELATIONSHIP

The City Council and staff have continued to work on the relationship between the City and Oregon State University. A Memorandum of Understanding outlining the framework for how the two entities will work together has been approved. In addition, Comprehensive Plan Changes associated with OSU are in the public hearing process and are expected to be adopted before the end of the current fiscal year. The changes outlined in the Comprehensive Plan will lay the foundation for Land Development Code changes and an OSU master plan update in 2017.

ECONOMIC DEVELOPMENT

The Economic Development goal work continues under the Economic Development Office, with oversight from the Economic Development Advisory Board. The FY 16-17 Proposed Budget for the Economic Development Office includes funding for the agreement the City has with the Small Business Development Center at Linn-Benton Community College at the same level provided in FY 16-17, continuing that relationship.

Work on these goals is ongoing and it is anticipated that they will be complete by December 2016.

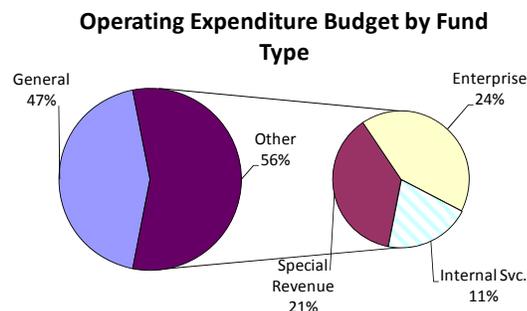
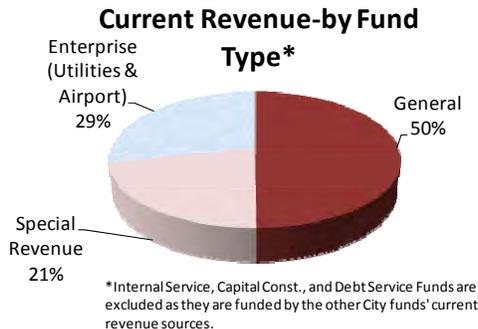
BUDGET & FINANCIAL PLANNING OVERVIEW

INTRODUCTION

The annual budget focuses on one year of activity, but the City of Corvallis has a lengthy history of long-term financial planning as it is a best practice for ensuring a viable future for municipal government services. As such, this section provides a summary of major revenue and expenditure assumptions which have been used to develop both the FY 16-17 budget and a forecast of future fund balances. The City maintains financial plans for most of its twenty-two funds; 5-year forecasts for several of the City's major funds are included in this section.

SUMMARY OF THE PROPOSED BUDGET FOR FY 16-17

The Proposed Budget for FY 16-17 is balanced as per State Law. The City's projected revenue including transfers and charges totals \$117,522,180. With an estimated beginning fund balance of \$61,725,409, the City projects it will have \$179,247,589 in total resources to fund services. The expenditure budget totals \$126,526,780 with \$96,983,350 for operating expenditures and \$29,543,430 for non-operating expenditures. The graphs directly below illustrate the FY 16-17 budgeted revenues and expenditures by Fund type, as summarized in the numerical table on the following page.



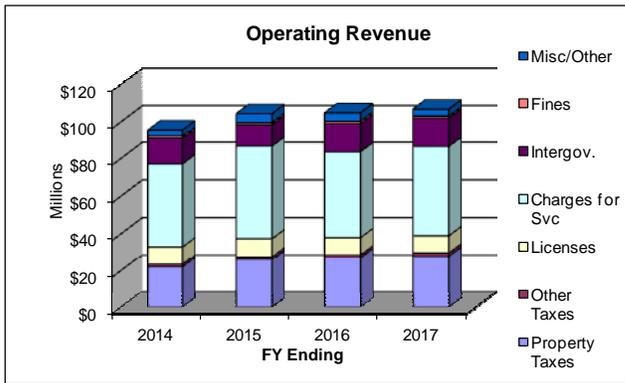
	Governmental Activities			Business Type Activities		FY 16-17 Total	% of Total Rev/Exp
	General Fund (A)	Special Revenue Funds (B)	Cap Const/ Debt/Perm Funds (C)	Enterprise Funds (D)	Internal Svc Funds (E)		
Beg. Fund Balance	\$11,779,542	\$13,597,805	\$554,719	\$33,067,603	\$2,725,740	\$61,725,409	
Operating Revenue							
Property Taxes	26,802,820	0	1,160,000	0	0	27,962,820	23.79%
Other Taxes	1,816,000	0	0	0	0	1,816,000	1.55%
License, Fees, Permits	6,143,060	2,967,480	0	5,000	40,420	9,155,960	7.79%
Charges for Service	6,895,200	4,370,430	0	25,391,400	10,754,870	47,411,900	40.34%
Intergovernmental	4,244,700	8,252,060	2,529,230	625,990	0	15,651,980	13.32%
Fines and Forfeitures	637,660	439,000	0	600	0	1,077,260	0.92%
Miscellaneous	672,620	576,800	566,180	1,734,970	60,340	3,610,910	3.07%
Total Operating Rev.	47,212,060	16,605,770	4,255,410	27,757,960	10,855,630	106,686,830	90.78%
Non-Operating Rev.	1,238,910	4,253,820	5,342,620	0	0	10,835,350	9.22%
Total Revenue	48,450,970	20,859,590	9,598,030	27,757,960	10,855,630	117,522,180	100.00%
Total Resources	\$60,230,512	\$34,457,395	\$10,152,749	\$60,825,563	\$13,581,370	\$179,247,589	
Operating Expenditures							
City Manager's Office	580,840	0	0	0	1,005,260	1,586,100	1.25%
Community Dev.	1,529,730	5,492,280	0	166,200	0	7,188,210	5.68%
Finance Department	592,110	202,990	0	0	3,700,220	4,495,320	3.55%
Fire Department	11,604,180	1,416,000	0	0	0	13,020,180	10.29%
HR Department	0	0	0	0	2,037,390	2,037,390	1.61%
IT Department	0	1,212,190	0	0	2,076,450	3,288,640	2.60%
Library	6,525,640	0	0	0	0	6,525,640	5.16%
Parks & Recreation	7,168,690	35,000	0	0	0	7,203,690	5.69%
Police	12,542,050	2,769,070	0	0	0	15,311,120	12.10%
Public Works	731,140	9,308,490	0	22,706,690	2,279,050	35,025,370	27.68%
Non-Departmental	1,300,340	0	1,350	0	0	1,301,690	1.03%
Total Operating Budget	42,574,720	20,436,020	1,350	22,872,890	11,098,370	96,983,350	76.65%
Non-Operating Budget							
Capital Projects	0	0	5,471,920	4,506,760	0	9,978,680	7.89%
Debt Service	691,750	0	4,141,110	2,034,900	0	6,867,760	5.43%
Transfers	5,515,160	2,730,960	0	566,850	863,910	9,676,880	7.65%
Other Non-Op Uses	1,158,470	0	0	0	0	1,158,470	0.92%
Contingencies	690,000	300,940	0	509,700	361,000	1,861,640	1.47%
Total Non-Op. Budget	8,055,380	3,031,900	9,613,030	7,618,210	1,224,910	29,543,430	23.35%
Total Appropriated Budget	\$50,630,100	\$23,467,920	\$9,614,380	\$30,491,100	\$12,323,280	\$126,526,780	100.00%
Ending Fund Balance	\$9,600,412	\$10,989,475	\$538,369	\$30,334,463	\$1,258,090	\$52,720,809	

- 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 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 which 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 16-17. 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 community member demand and not cut unnecessarily. Major revenue source trends, projections and their drivers are discussed in the following pages.

PROPERTY TAXES

	FY 13-14	FY 14-15	FY 15-16	FY 15-16	FY 16-17	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 15-16
						Adopted
Operations - Permanent Tax	\$19,084,779	\$21,557,550	\$22,404,910	\$22,142,990	\$23,104,500	3.12%
2011 Operating Levy	1,841,713	0	0	0	0	N/A
2013 Operating Levy	0	3,378,052	3,599,630	3,586,700	3,698,320	2.74%
Debt Service	1,082,773	1,131,328	1,145,000	1,145,000	1,160,000	1.31%
Total	\$22,009,265	\$26,066,930	\$27,149,540	\$26,874,690	\$27,962,820	3.00%

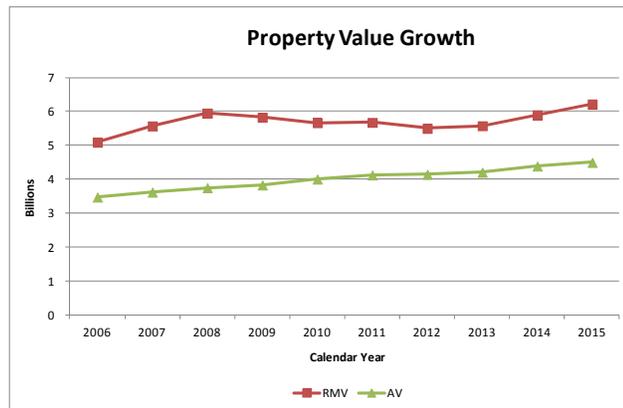
Property tax revenue represents nearly 24% of the City’s total projected revenue for FY 16-17, and just over 55% of the projected total revenue in the General Fund. Property taxes account for almost 100% of the revenue in the General Obligation Debt Service Fund.

With the exception of Debt Service levy revenue (which is based on the annual amount owed for General Obligation debt), all estimates for property tax revenue shown in the Proposed FY 16-17 column of the table above have been developed based on data provided by Benton County on actual assessed value (AV) for FY 15-16 and anticipated growth in AV for FY 16-17.

PROPERTY TAX LIMITS & TAX RATES

Property taxes for operations are levied in accordance with the Oregon constitutional limitations known as Measures 5 (1990) and 50 (1997). Measure 5 placed a maximum tax rate for non-education governments of \$10 per \$1,000 of real market value (RMV) on each parcel of property. Measure 50 set a permanent property tax rate for each governmental entity and developed a base AV for each parcel of property that is different than its RMV for purposes of levying taxes. AV is generally limited to an annual increase of 3% for each parcel of property. In Corvallis, the history of AV growth in the post Measure 50 era has been irregular, with five years in the last ten where total AV 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:

- When a property’s RMV decreases to less than its AV, the AV will also decrease: known as “Measure 50 compression.”
- AV will increase when new taxable development occurs, with all new development assigned an AV that is the same ratio of AV to RMV as similar property.
- High value personal property for manufacturing can significantly increase AV in the year it is added.



This equipment depreciates rapidly, which results in less AV in following years. This element has most often been the cause for Corvallis achieving less than 3% total assessed value growth every few years.

- Successful value appeals that result in current or retroactive valuation decreases has occurred in recent years with the City’s largest tax payer, Hewlett-Packard (HP), and is still pending with Comcast. Benton County has been processing Comcast as a deferred billing, meaning that if Comcast prevails there will be no refund or impact to City collections; if Comcast loses on appeal they will owe the deferred taxes, which would represent a windfall for the City and other agencies.
- Purchases of formerly taxable property by non-profit or government entities, such as Oregon State University (OSU) or Samaritan Health, removes value from the tax rolls and decreases total AV to which the City’s permanent and operating levy rates are applied.

During the past ten years, Corvallis has achieved a 29.5% increase in AV, an average of 2.7% growth per year. The average RMV growth over the same period was actually less at just over 22.1%, due in part to the significant impact of the 2009 recession. RMV has recovered to 4.5%, better than its previous high point in 2008, and remains about \$1.7 billion higher than the City’s AV. Changes in the annual RMV and AV are reflected in the adjacent table.

Due to several large new multi-family housing units coming onto the tax rolls this coming fiscal year, the FY 16-17 AV is currently estimated to increase by a little over the statutory 3% growth rate that is being assumed for the remaining years of the financial planning period. The projected increase of 3.2% also assumes the economy will continue to see improvement in other residential and commercial development to offset any potential decreases in AV from remaining valuation appeals outstanding or properties sold off the tax roll.

Tax Year	\$K RMV	Growth From Prior Yr	\$K AV	Growth From Prior Yr
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%
2015	6,214,074	5.48%	4,490,592	2.49%
Avg Annual		3.36%		2.73%

Both RMV and AV are important features in projecting property tax revenue based on different tax limits. In FY 15-16, in aggregate, residential property AV was 83.4% of RMV; combined commercial and industrial property AV was 60.7% of RMV. As a parcel of property's ratio of AV to RMV gets closer to 100%, which residential totals did for the seventh consecutive year, that individual property may approach the Measure 5 limit of \$10 per \$1,000 of RMV. The City has not experienced much M 5 compression to date, but has had other random and often complex events that impact actual revenue significantly in any given year.

LOCAL OPERATING TAX LEVIES

Local governments in Oregon are not 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 if voter approval is obtained for a local option levy.

City voters have approved two successive operating levies, the most recent one totaling 81.81¢ per \$1,000 of AV over a five-year term ending in FY 18-19. This levy is restricted in use to operations for the Osborn Aquatic Center; the Chintimini Senior & Community Center; Corvallis-Benton County Public Library open hours and materials; social service grants; Long Range planning staff; Code Enforcement staffing; additional Fire Prevention staff; three community livability Police Officers; one School Resource Police Officer; and replacement of unrestricted revenue in the General Fund lost with regard to the valuation judgment awarded by the Courts to HP.

PROPERTY TAXES FOR GENERAL OBLIGATION DEBT

Property taxes levied for voter approved general obligation debt are exempt from both Measure 5 and Measure 50 limits. For FY 16-17, property tax revenue for debt is expected to total \$1,160,000. Taxes for debt are levied as the total dollar amount necessary for the City to pay the principal and interest due on the debt during the fiscal year. Only one general obligation debt issue is currently outstanding, and is due to be fully repaid in FY 18/19: a 2009 refunding of two voter-approved bond issues: the 1999A Riverfront Commemorative Park construction bonds and the 2001 Open Space bonds. Annual amounts payable can be

seen in the debt schedules found in the non-operating section of this budget document on page 150.

PROPERTY TAX COLLECTIONS

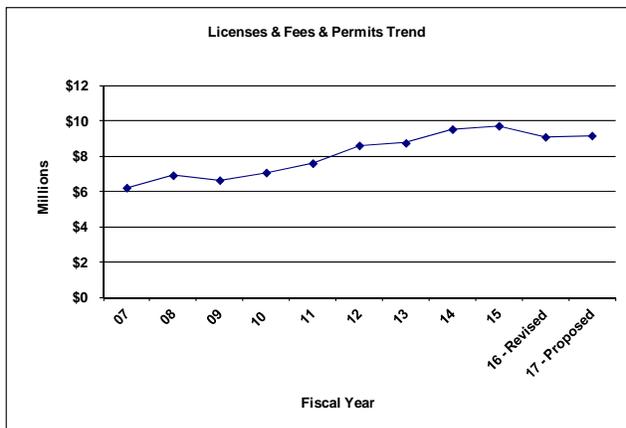
Property taxes are levied by taxing district in accordance with Oregon Local Budget Law and certified to the County Assessor. Property taxes are collected by Benton County and distributed to each taxing district. Collection rates are typically very high based on the lien collateral upon which the County can rely in order to enforce payment.

TRANSIENT ROOM TAXES

Transient Room taxes (TRT) or “Other Taxes” are projected at \$1,816,000 in FY 16-17, or just under 2% of the City’s total revenue. TRT is estimated to increase by 20% in FY 16-17 over what was originally budgeted in FY 15-16, based primarily on increased collections brought on by Oregon HB 2656 and dedicated work by City staff which have resulted in online travel companies more consistently remitting room taxes to the City. A rate of 9% is charged for all short-term lodging within the city limits, with 30% of monies collected being paid annually to Visit Corvallis, in support of tourism per Oregon Revised Statutes. TRT is projected to continue growing annually at a rate of 3% in the next four years, based on increasing lodging prices, as well as from a new hotel currently under construction.

LICENSES, FEES, PERMITS

	FY 13-14	FY 14-15	FY 15-16	FY 15-16	FY 16-17	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 15-16
						Adopted
Franchise Fees	\$5,486,499	\$5,635,615	\$5,495,100	\$5,604,500	\$5,754,620	4.72%
Building Permits	1,497,605	1,542,751	1,301,500	997,000	1,119,000	-14.02%
Transp. Maint. Fee	482,169	498,891	495,000	495,000	506,880	2.40%
SIF	1,455,384	1,429,334	1,376,150	1,376,150	1,151,800	-16.30%
Other	596,431	603,204	587,900	610,870	623,660	6.08%
Total	\$9,518,088	\$9,709,795	\$9,255,650	\$9,083,520	\$9,155,960	-1.08%



Licenses, fees and permits are about 8% of the City’s total projected revenue for FY 16-17 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, which is its second largest revenue source. 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. FY 15-16 results year-to-date are coming in about 1% less compared to

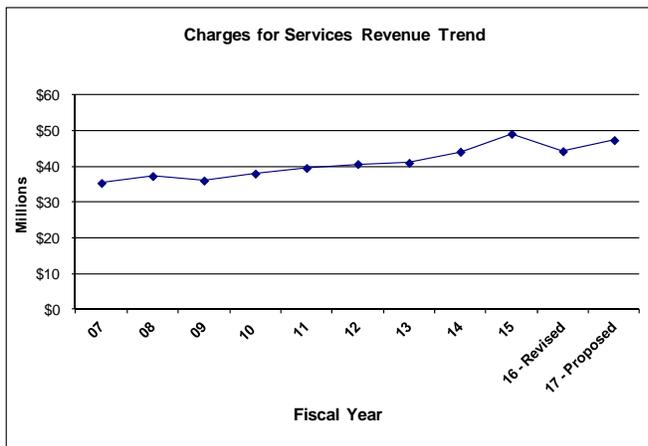
FY 14-15 actual revenue; total franchise fees are currently estimated to increase by nearly 5% in FY 16-17 over FY 15-16 Adopted levels. This assumption is based primarily on known utility rate increases. The next four years of the planning period are projected to rise about 1% per year, based on utility rate increases marginally outpacing lost revenues from utility conservation practices and the continued telecommunication trend away from land lines.

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. Longer term projects and an uncertain economy have resulted in lower than expected revenue collections in FY 15-16 than anticipated. Several large construction projects related to Oregon State University are continuing into next fiscal year, and so underpin the higher projection for FY 16-17 fees compared to revised. Overall FY 16-17 could be as much as 27% lower than FY 14-15 revenues, based on current estimates. 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.

Other revenues noted in the table above such as the Transportation Maintenance Fee (TMF) and Sustainability Initiative Fees (SIF) are billed and collected on the City Services Bill, and are estimated to raise nearly \$1.7 million for specific initiatives such as street maintenance, city sidewalk repairs and urban street tree services.

CHARGES FOR SERVICE

	FY 13-14	FY 14-15	FY 15-16	FY 15-16	FY 16-17	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 15-16 Adopted
Utility Fees	\$19,743,354	\$21,439,070	\$21,075,720	\$21,125,720	\$22,248,010	5.56%
Systems Dev. Chgs	3,691,020	6,918,689	3,166,000	2,264,000	2,490,000	-21.35%
Parks & Rec Fees	1,648,055	1,849,227	1,840,010	1,840,010	2,169,550	17.91%
Building Plan Review	2,408,474	1,909,194	1,841,620	1,560,620	1,629,220	-11.53%
Contracted Fire Svc	1,172,320	1,396,543	1,200,000	1,280,000	1,556,000	29.67%
Ambulance Fees	1,849,283	1,968,506	1,910,000	1,910,000	2,060,000	7.85%
9-1-1 Cost Share	1,064,080	1,168,690	1,151,040	1,151,040	1,222,490	6.21%
Internal Service Charges	8,284,670	8,439,290	9,262,670	9,267,670	10,028,620	8.27%
Other	4,281,679	4,079,707	4,132,730	3,878,820	4,008,010	-3.02%
Total	\$44,142,935	\$49,168,916	\$45,579,790	\$44,277,880	\$47,411,900	4.02%

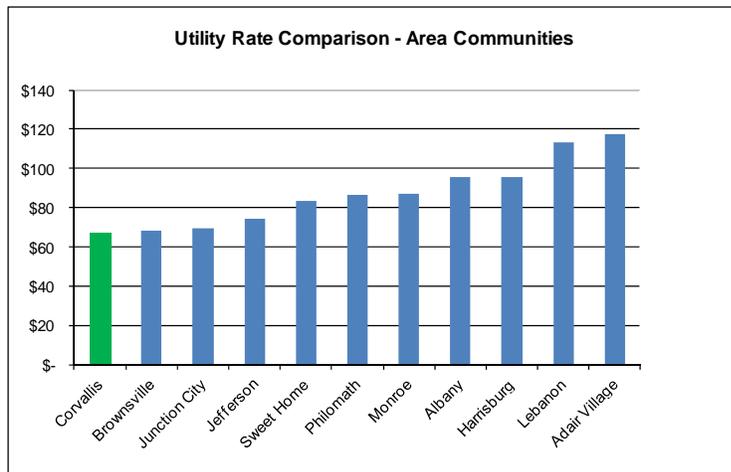
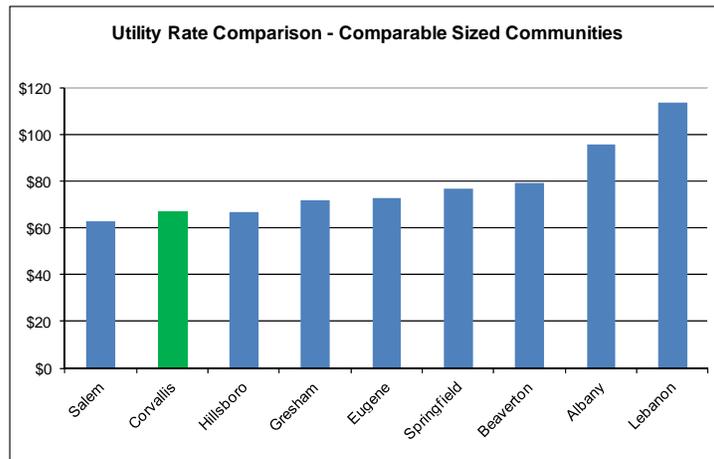


Charges for service revenues are over 40% of the City's total projected revenue for FY 16-17, and are the largest classification of revenue for the organization as a whole. Charges for service provide more than 25% of the revenue in the Development Services, Parks System Development Charges (SDC), 9-1-1 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, 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%. An overall 2.8% (0% for water, 3.5% for wastewater, and 10% for storm water) rate increase was approved as of February 1, 2016. Projected rate

increases are shown in the financial plans, and currently assume 2% for Water, 3.5% for Wastewater, and 5% 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 utilities. The combined rate increase for the utility funds is projected to be between 3.5 – 6.75% 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. SDC revenue is typically not spent in the year it is collected, but is reserved for future construction of large infrastructure projects to expand system capacity. Projects currently scheduled to use SDC funds should have sufficient balances available through the planning horizon.

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 programming. FY 16-17 Parks and Recreation projections include an estimated \$418,480 associated with the operations of Majestic Theatre for the second year of City operations. This is up from \$223,960 adopted in FY 15-16. The City Council reviews quarterly reports on the Theatre's operational progress and will consider a recommendation for a long-term solution in FY 16-17.

Building Plan Review fees are projected to decrease by almost 12% in FY 16-17 from the Adopted FY 15-16 projection based primarily on a decline in commercial construction; no major projects are currently underway though they may occur as the year progresses.

Fire Service provided under contract to the Corvallis Rural Fire Protection District (CRFPD) and Ambulance revenues are both anticipated to be higher in FY 16-17 compared to Adopted and Revised FY 15-16 levels. Ambulance revenue projections are based on a combination of increased calls for service and successful collection efforts, which are offset by reductions in Medicare/Medicaid reimbursement and mandatory write-offs. Negotiations are currently underway for a six-year agreement with the CRFPD for an annual incremental increase in the proportion of the district's tax collections, which is estimated to result in \$1.546 million in FY 16-17. Projections in future years for these revenue streams continue increasing at roughly 1.5% and 3% respectively per year based on conservative historical averages.

The 9-1-1 Fund cost share is anticipated to increase in total by 6.2% based on continued increase in Corvallis' proportionate calls for service versus the other user group members. Corvallis Police and Fire Departments will experience 5% and 10% increases in their respective cost shares.

Charges for service in the internal service funds (Fleet Maintenance, Facility Maintenance, Technology and Communications, Administrative Services, and Risk Management), 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. Costs are then allocated to operating departments using drivers specific to the service area. Internal service charges are generally projected to increase less than 3% except for IT where an IT Director is proposed to be added, resulting in an overall increase of 11.9%, and Administrative Services which has a proposed re-organization for FY 16-17 to create a central administrative group with a new Central Administrative Services Manager, resulting in a 5.24% increase over FY 15-16. The Risk Management Fund is expecting a 30% increase in some liability premiums, but overall the Risk Fund charges for service are decreasing by about 7% due to return to work credits and other credits associated with the Timberhill fire. The Facility Maintenance Fund will have a 9.11% increase in its internal service charges, but only a select few departments are seeing this greater increase due to specifically requesting and paying for additional special projects.

INTERGOVERNMENTAL

	FY 13-14	FY 14-15	FY 15-16	FY 15-16	FY 16-17	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 15-16 Adopted
State Revenue Sharing	\$1,384,888	\$1,446,821	\$1,448,600	\$1,448,600	\$1,507,770	4.08%
Highway Tax	3,155,291	3,236,219	3,344,140	3,344,140	3,401,130	1.70%
Transit Grants	2,557,699	1,746,345	1,570,840	1,585,190	1,933,380	23.08%
Housing Grants	1,252,848	913,428	1,585,320	640,210	1,555,620	-1.87%
Library Svc. District	2,287,000	2,469,750	2,622,730	2,622,730	2,714,530	3.50%
Capital Projects	1,350,812	848,450	3,531,680	2,513,510	3,143,160	-11.00%
9-1-1 State Taxes	517,310	514,933	527,020	535,650	544,930	3.40%
Other	1,152,003	772,052	961,610	1,000,330	851,460	-11.45%
Total	\$13,657,851	\$11,947,998	\$15,591,940	\$13,690,360	\$15,651,980	0.39%

Intergovernmental revenues are projected to be over 13% of the City’s total revenues for FY 16-17. In each of the Street, 9-1-1, Community Development Revolving and Transit Funds’ Proposed Budgets, intergovernmental revenues are projected to provide close to 50% or more of the total revenue. This classification of revenue includes all grant monies from the state or federal government. The City receives relatively few dollars from these sources when compared to counties and school districts, and the majority of the City’s intergovernmental dollars are for specific services or projects. Monies received from other governments have decreased on a revised basis as some grants have been re-budgeted to FY 16-17 for projects not expected to be completed this fiscal year. Only a slight increase of less than 1% is anticipated in FY 16-17 relative to Adopted FY 15-16 despite the volume of capital improvement projects (CIP) grant carryovers. Lower Housing grant availability is causing challenges for addressing affordable housing.

The General Fund receives state revenue sharing, cigarette, alcohol tax, and most recently marijuana revenues from the State estimated to total roughly \$1.5 million in FY 16-17. State revenue sharing funds are paid to the City based on statutory requirements and the City may use most of the monies any way the City Council directs. These dollars have traditionally been accounted for as an undesignated revenue source. In FY 15-16, actual revenue is aligned with budget and anticipated to end the fiscal year at adopted levels. Statewide receipts from state revenue sharing and alcohol tax revenue in FY 16-17 are forecast to increase by 1.7% compared with Revised FY 15-16 projections. 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 and vaping sales, and significant increases in Federal cigarette tax rates decreasing demand. Starting in FY 16-17, approximately \$35,000 has been budgeted for marijuana revenue sharing based on rough estimates from the State, which are likely low. This particular state sharing revenue must be spent on law enforcement programs related to marijuana that are above current levels of spending. For FY 16-17 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 increase by nearly 2% in FY 16-17 from Adopted FY 15-16 levels. Revenue from this source has flattened or declined in recent years due to a stagnant gas tax rate, an increase in the fuel efficiency of vehicles, and a migration to alternative fuel vehicles and/or modes of transportation. With low gasoline prices over the last 12 months

stimulating more vehicle use, the gas tax portion of this revenue source has rebounded slightly. The Federal government passed the Fixing America's Surface Transportation (FAST) act in the last legislative session stabilizing for the next five years the funding that flows to state and local governments for capital expenditures on maintenance and reconstruction of street infrastructure. That in turn allows staff to focus the State Highway Fund dollars on non-capital operations and maintenance of the street system. However, the inverse relationship of gas taxes to gasoline prices means the State funding source cannot be counted on to remain at projected levels. The Oregon Department of Transportation is continuing work on an alternative transportation system user fee that is not tied to gasoline consumption. Until more is known, revenue projections through the next several years remain relatively flat for this revenue source.

The Transit Fund budget includes three bus purchases in FY 16-17 with one funded by a capital grant and the other two paid for from fund balance. The Federal Operating Grant is expected to decrease slightly in FY 16-17 from the prior year due to Benton County taking over operating of the Adair 99 Express route. The Federal FAST Act legislation noted above includes increased funding over the five year period for capital grants for transit and other alternative transportation modes, while stabilizing funding for transit operating grants. However, this does not mean Corvallis will necessarily receive more federal dollars for operations. Rather, as concern over greenhouse gas emissions continues to grow across the nation and public transit gains in popularity as a viable option to reduce emissions, more communities will invest in transit and tap into the federal operating grant programs, constraining the revenue stream. Relying on more federal funding to maintain or improve Corvallis transit service is not realistic.

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 16-17 include carry-over revenues for major projects that may not be completed in FY 15-16.

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. For FY 16-17, growth is expected at a 3.5% increase compared to Adopted FY 15-16 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. Total capital project expenditure volume is currently anticipated to significantly decrease in the Fund for FY 16-17, and the related grant revenues are projected to stay virtually flat, when carryovers are excluded. The Airport Fund sporadically receives grant monies for airport improvements, primarily from the Federal Aviation Administration, with \$613,930 currently anticipated for FY 16-17. 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 16-17 are expected to come in 3% more than Adopted FY 15-16, 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. 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.

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 16-17 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.

NON-OPERATING REVENUE

	FY 13-14	FY 14-15	FY 15-16	FY 15-16	FY 16-17	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 15-16 Adopted
Transfers In - 2011 Op Levy	\$1,842,322	\$0	\$0	\$0	\$0	0.00%
Transfers In - POB	2,601,690	2,720,030	2,845,930	2,845,930	2,974,650	4.52%
Transfers In - Gen Fund Consol.	5,965,392	0	0	0	0	0.00%
Debt Issuance Proceeds	0	4,181,852	0	0	0	0.00%
Inter-Agency Pass Throughs	618,751	1,144,768	1,239,430	1,239,430	1,158,470	-6.53%
CIP & Other Transfers In	5,357,852	8,982,447	14,646,220	7,933,210	6,702,230	-54.24%
Total	\$16,386,007	\$17,029,097	\$18,731,580	\$12,018,570	\$10,835,350	-42.15%

Non-Operating revenue is over 9% 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 as a revenue. FY 16-17 transfers primarily include

monies associated with capital projects and moving balances of reserves from the General Fund to the new Vehicle/Equipment Reserve Fund.

- ◇ Other Financing Sources typically consist of:
 - Debt issuance proceeds. Revenue from long-term financing is typically only shown when a planned financing actually occurs. No borrowings are expected in FY 16-17.
 - Inter-Agency pass through receipts must be budgeted per State Law, even though they do not “belong” to the City. These monies 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.

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.

Each department may have budget in one or many funds, depending on the mix of operations included in the department. The tables below show the Proposed FY 16-17 budget by fund and by department and then by classification.

FY 16-17 PROPOSED OPERATING BUDGET BY FUND AND DEPARTMENT

DEPARTMENTS												
Fund	CMO	CD	Finance	Fire	HR	IT	Library	Parks & Rec	Police	Public Works	Non-Dept	Total
General	\$580,840	\$1,529,730	\$592,110	\$11,604,180			\$6,525,640	\$7,168,690	\$12,542,050	\$731,140	\$1,300,340	\$42,574,720
Street		22,310								4,049,040		4,071,350
911 Emerg.									2,388,730			2,388,730
Devel. Svcs		3,530,220										3,530,220
CD Revolving		1,936,100										1,936,100
Parking		3,650	202,990						291,420	280,550		778,610
Transit										4,693,310		4,693,310
Vehicle/Equip				1,416,000		1,212,190		35,000	88,920	285,590		3,037,700
Pension Ob.											1,350	1,350
Water		56,600								11,241,190		11,297,790
Wastewater		54,330								8,257,850		8,312,180
Storm Water		55,270								2,417,310		2,472,580
Airport										790,340		790,340
Fleet Maint.										806,130		806,130
Facility Maint										903,020		903,020
Tech & Com.						2,076,450				569,900		2,646,350
Admin Svcs.	1,005,260		2,660,510		1,679,490							5,345,260
Risk Mgmt			1,039,710		357,900							1,397,610
Total	\$1,586,100	\$7,188,210	\$4,495,320	\$13,020,180	\$2,037,390	\$3,288,640	\$6,525,640	\$7,203,690	\$15,311,120	\$35,025,370	\$1,301,690	\$96,983,350

FY 16-17 PROPOSED OPERATING BUDGET BY DEPARTMENT BY CLASSIFICATION

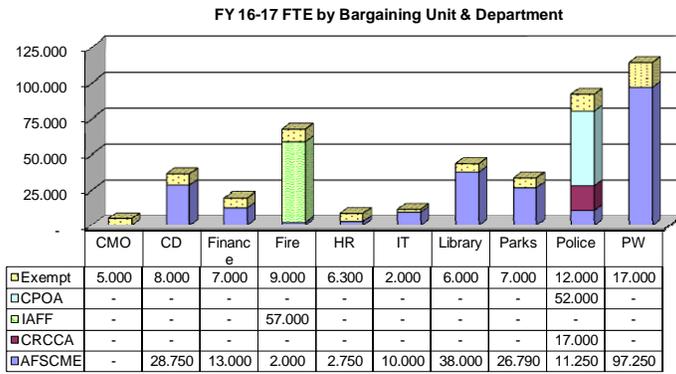
	Personnel Services	% of Dept Budget	Materials & Services	% of Dept Budget	Capital Outlay	% of Dept Budget	Total
City Manager's Office	\$733,190	46.23%	\$852,910	53.77%	\$0	0.00%	\$1,586,100
Community Development	4,129,870	57.45%	3,031,340	42.17%	27,000	0.38%	7,188,210
Finance	2,133,900	47.47%	2,341,130	52.08%	20,290	0.45%	4,495,320
Fire	9,250,380	71.05%	2,271,760	17.45%	1,498,040	11.51%	13,020,180
HR	1,090,920	53.54%	946,470	46.46%	0	0.00%	2,037,390
IT	1,350,360	41.06%	435,540	13.24%	1,502,740	45.69%	3,288,640
Library	4,234,620	64.89%	2,241,020	34.34%	50,000	0.77%	6,525,640
Parks & Recreation	4,471,710	62.08%	2,696,980	37.44%	35,000	0.49%	7,203,690
Police	11,178,990	73.01%	4,043,210	26.41%	88,920	0.58%	15,311,120
Public Works	11,720,350	33.46%	21,037,770	60.06%	2,267,250	6.47%	35,025,370
Non-Departmental	175,720	13.50%	1,025,970	78.82%	100,000	7.68%	1,301,690
Total	\$50,470,010	52.04%	\$40,924,100	42.20%	\$5,589,240	5.76%	\$96,983,350

The table above shows how each department categorizes its expenditure budget into three main classifications. Personnel services include all staff wages and benefits. 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) which cost over \$10,000 and have a useful life of more than one year. Detailed information about service levels for the Proposed FY 16-17 budget are in each Department's section of the Budget Document.

PERSONNEL SERVICES

	FY 13-14 Audited	FY 14-15 Audited	FY 15-16 Adopted	FY 15-16 Revised	FY 16-17 Proposed	% Chg from FY 15-16 Adopted
Salaries	\$29,718,960	\$30,362,870	\$32,318,540	\$31,557,590	\$33,633,940	4.07%
Pension (OPERS) Benefits	3,633,559	3,629,356	4,996,500	4,982,810	5,037,420	0.82%
Health Benefits	7,382,263	7,165,905	7,272,630	7,259,710	7,444,480	2.36%
Other Benefits	3,674,022	3,779,344	4,143,180	4,135,630	4,354,170	5.09%
Total	\$44,408,804	\$44,937,475	\$48,730,850	\$47,935,740	\$50,470,010	3.57%
City FTE	426.565	436.090	434.840	434.840	435.090	0.06%

Personnel Service costs (salaries and wages paid to full-time, part-time and casual employees plus associated benefits) represent 52% of the City's operating expenditure budget; in some departments, this category can be up to 75% of total budget.

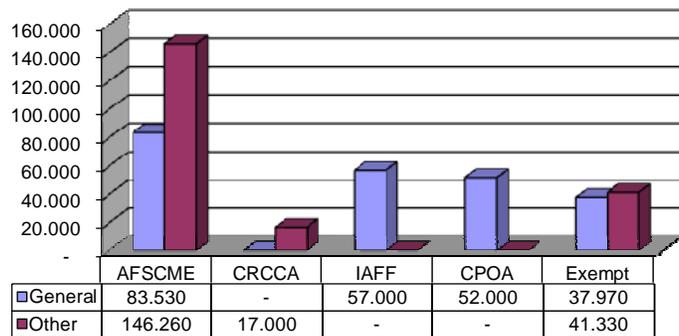


Total compensation levels are governed by the City Council's Financial and Compensation Policies and negotiated agreements with bargaining units. Salaries are budgeted at the current pay level, and step increases of approximately 5% are projected based on each employee's annual review dates and the existing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

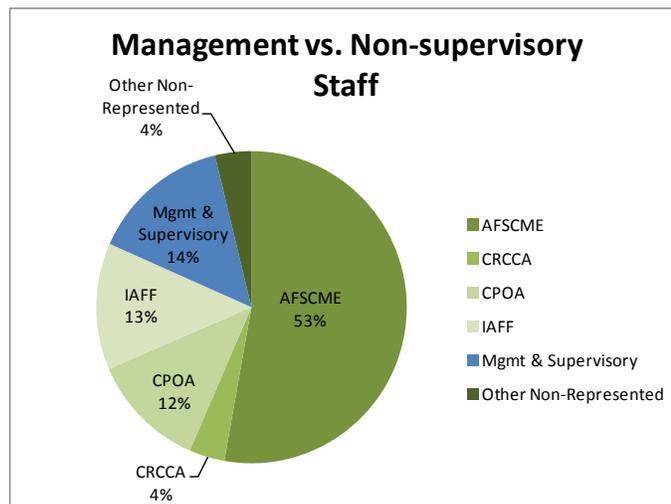
represents over 58% of the City's regular, authorized FTE). New and currently vacant positions are budgeted at the lowest pay step.

The City has four 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 managers, supervisors and overtime-exempt management staff, do not have a labor agreement.

FY 16-17 General Fund FTE vs. Other Funds' FTE by Bargaining Unit



If a Cost-of-living-adjustment (COLA) has been agreed upon in a bargaining unit contract, staff used that COLA information in establishing the budget.



STAFFING LEVELS

	1995-1996	2000-2001	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	% Chg from 15-16
	Actual	Actual	Actual	Actual	Actual	Adopted	Proposed	Adopted
City Manager's Office	9.750	9.500	10.800	11.300	11.300	12.300	5.000	-59.35%
Community Development	27.500	31.500	37.250	37.250	41.750	40.750	36.750	-9.82%
Finance	29.000	37.750	31.750	31.750	32.750	33.750	20.000	-40.74%
Fire	59.500	69.000	66.000	66.000	66.000	66.000	68.000	3.03%
HR	0.000	0.000	0.000	0.000	0.000	0.000	9.050	0.00%
IT	0.000	0.000	0.000	0.000	0.000	0.000	12.000	0.00%
Library	42.420	46.270	42.750	42.125	43.750	43.750	44.000	0.57%
Parks & Recreation	25.240	27.130	34.095	32.390	31.790	33.790	33.790	0.00%
Police	81.900	91.250	88.250	88.250	92.250	89.250	92.250	3.36%
Public Works	104.660	113.850	117.500	117.500	116.500	115.250	114.250	-0.87%
Total	379.970	426.250	428.395	426.565	436.090	434.840	435.090	0.06%
Population *	49,275	51,040	55,345	56,535	57,390	58,250	59,120	1.5%
FTE per 1,000 Population	7.711	8.351	7.740	7.545	7.599	7.465	7.359	-1.4%

* Population "actuals" are estimates developed by Portland State University and includes OSU students.

A net .25 FTE is proposed to be increased in FY 16-17 from the Adopted FY 15-16 staffing level, based on various reorganizations across the City including:

- The elimination of the Risk/Customer Service Manager, Library Administrative Services Manager, CD Management Assistant, City Manager's Office Support Specialist, Court Clerk, Accounting Specialist, and two vacant Sr. Administrative Assistant positions;
- The addition of an IT Director, an HR Central Admin Manager, a Police Accreditation Manager, and partial FTE increases for a Reference Librarian, Library Specialist II, Community Library Specialists, and Library Courier positions.
- The Proposed Budget includes 2.0 FTE pre-hire trainee officers and 2 Firefighter/EMT trainees that are temporary in nature and designed to fill planned vacancies and will be re-evaluated each budget cycle and eliminated if no longer necessary.

The particular changes in staffing for each department are identified in the FTE Changes Table, and a historical overview of FTE & Personnel Services spending by Fund, both of which 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 or temporary staff employed by the City are not reflected as FTE in the budget since they generally work less than half-time and most do not receive City paid benefits (unless they qualify under the Affordable Care Act (ACA) for health insurance or the Oregon sick leave law that went into effect for 2016). Overtime and casual budgets are generally held flat through the planning period for cost containment purposes.

PROPOSED FY 16-17 FTE AND PERSONNEL SERVICE BUDGET BY DEPARTMENT/FUND

Fund	General	Street	911 Emerg.	Devel. Svcs.	CD Revolv.	Parking	Transit	Capital Constr. (1)	Water (1)	Wastewater (1)	Storm Water (1)	Airport (1)	Fleet Maint.	Facility Maint.	Tech & Comm.	Admin. Svcs.	Total
CMO	\$ 247,520 2,000															\$ 485,670 3,000	\$ 733,190 5,000
CD	\$ 986,470 8,040	\$ 18,360 0.120		\$ 2,658,620 24,050	\$ 318,840 3,290	\$ 3,400 0.020			\$ 48,060 0.410	\$ 48,060 0.410	\$ 48,060 0.410						\$ 4,129,870 36,750
Finance	\$ 301,710 2,750					\$ 124,490 1,250										\$ 1,707,700 16,000	\$ 2,133,900 20,000
Fire	\$ 9,250,380 68,000																\$ 9,250,380 68,000
HR																\$ 1,090,920 9,050	\$ 1,090,920 9,050
IT															\$ 1,350,360 12,000		\$ 1,350,360 12,000
Library	\$ 4,234,620 44,000																\$ 4,234,620 44,000
Parks & Rec	\$ 4,471,710 33,790																\$ 4,471,710 33,790
Police	\$ 9,010,300 70,500		\$ 1,925,770 18,850			\$ 242,920 2,900											\$ 11,178,990 92,250
Public Works	\$ 137,810 1,420	\$ 1,870,070 17,153				\$ 148,130 1,600	\$ 315,770 3,203	\$ 572,740 5,000	\$ 3,984,510 32,103	\$ 3,599,340 31,843	\$ 1,422,380 11,678	\$ 134,450 1,450	\$ 209,900 2,220	\$ 454,200 4,133	\$ 261,820 2,450		\$ 13,111,120 114,250
Non-Dept	\$ 175,720 -																\$ 175,720 -
Total \$	\$ 28,816,240	\$ 1,888,430	\$ 1,925,770	\$ 2,658,620	\$ 318,840	\$ 518,940	\$ 315,770	\$ 572,740	\$ 4,032,570	\$ 3,647,400	\$ 1,470,440	\$ 134,450	\$ 209,900	\$ 454,200	\$ 1,612,180	\$ 3,284,290	\$ 51,860,780
Total FTE	230,500	17,273	18,850	24,050	3,290	5,770	3,203	5,000	32,513	32,253	12,088	1,450	2,220	4,133	14,450	28,050	435,090

(1) Non-operating construction fund personnel services included in this table, so total budget exceeds amount in tables on page 30.

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 16-17, the City estimates it will use nearly 52 FTE of volunteer hours in departments as identified in the table below.

Department	2010 Hours	2013 Hours	2015 Hours	2015 Hours	2016 Projected
City Manager's Office	1,193	3,020	2,870	3,356	2,850
Community Development	1,127	757	618	744	750
Finance	125	142	150	587	395
Fire	47,602	48,624	44,273	43,339	56,000
Library	15,364	13,860	14,825	15,611	15,600
Parks and Recreation	21,742	25,655	22,012	54,590	55,400
Police	5,060	5,660	4,100	4,450	4,500
Public Works	653	374	748	179	180
TOTAL VOLUNTEER HOURS	92,866	98,092	89,596	122,856	135,675

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 approximately 2.5% higher for FY 16-17 than in FY 15-16. Contributing factors include:

- ◇ Oregon Public Employee Retirement System (OPERS) employer rates are set for a biennial period to follow the State's budget. The City's employer rates have been increasing, especially for the older PERS Tier 1/2 employees. The Oregon

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*	14.92%	7.60%	20.19%	12.40%

* Projected rates are based on Nov 2015 PERS info from Dec 2014 valuation

Supreme Court's decision that a significant share of the legislative changes to the Tier 1/2 benefits were unconstitutional, combined with the PERS Board's reduction in the assumed rate of return from 8% to 7.75% for 2015 and 7.5% for 2016, and anemic earnings during the same period will lead to significant increases in PERS rates beginning July 1, 2017. The rates shown in the table for FY 17-18 assume the system remains above 70% funded; should it drop below that level, the current rate smoothing mechanism will require a higher projected rate increase. A firm rate will be provided to the City in the late fall 2016. Additional rate increases of a similar level are expected beginning July 1, 2019 and July 1, 2021.

- ◇ The rates shown are net of the City's contribution to the system's unfunded actuarial liability (UAL) which is currently a credit on the total bill due to the City's use of pension obligation bonds in 2002 and 2005 to advance fund liabilities in place at that time. Beginning in FY 17-18 the credit will remain, but the system's UAL rate will likely result in an additional cost for the City to fund above the level of the POB deposit currently provides.
- ◇ Medical and vision premiums are budgeted to increase 5% in 2017 compared with 2016 levels, while dental costs are budgeted to increase 3%. Despite these anticipated price increases, overall health benefit costs in FY 16-17 are projected to only be about 2.4% higher than Adopted FY 15-16 due in part to the CRCCA and IAFF units moving to the same high deductible health plan that AFSCME and the non-represented employees moved to in FY 15-16.
- ◇ CPOA remains under its contract at a lower cost Teamster's composite rate plan.
- ◇ The Affordable Care Act (ACA) now requires that certain part-time casual employees, who would not otherwise qualify under policy for City-paid healthcare, 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; no budget has been included for FY 16-17 in this regard.

NON-PERSONNEL SERVICES

Non-Personnel services include materials and supplies, services, training costs and capital outlay. Examples of such purchases include:

- ◇ 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.

Many areas are experiencing cost increases greater than the inflationary trend, such as:

- ◇ Risk management related insurance premiums have increased by around 30% in FY 16-17 based on updated asset valuations conducted in FY 15-16; costs in this category have also risen due to recent large claims; 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 and achieve sustainability goals.
- ◇ Chemical and asphalt prices are volatile and have been high in recent years. Fuel prices have been lower in recent months, which has provided some relief, 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 service contracts (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).

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 measurable 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 project needs 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, 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 IT department 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. Historically this has generally worked for replacement needs, allowing each department to manage its fleet for long-term operations as well as 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 16-17, major capital purchases include replacement of the City's Financial System coupled with acquisition of a Human Resource Information System (HRIS). The Fire Department plans to replace all of its self contained breathing apparatus (SCBA), a fire engine, and two medic units. 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.



Public Works Sweeper

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)	16	\$25,000	10	No
Finance				
Utility Billing pick-up trucks	2	\$17,500	10	Yes
Fire				
Engines/Tenders/Rigs	10	\$300,000-\$750,000	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-\$35,000	10	Yes
Mowers/Tractors	15	\$10,000-\$70,000	10-31	Yes
Passenger vehicles/Vans	1	\$25,000	10	Yes
Food Cart/Concession Trailer	1	\$30,000	10	No
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	4	\$25,000	10	Yes
Public Works				
Excavator Truck	1	\$350,000	12	Yes
Street Patch Truck	1	\$160,000	12	Yes
Dump trucks/Specialty vehicles	22	\$40,000-\$105,000	12	Yes
Staff cars/small trucks/Vans	45	\$20,000-39,000	12	Yes
Street Sweeper	2	\$260,000	6	Yes
Trailers	2	\$80,000	12	Yes
Camel / Sewer Clearing Truck	2	\$450,000	10	Yes
Crane/Tractors	3	\$90,000-\$130,000	12	Yes
Camera Van (Wastewater)	2	\$120,000	12	Yes
Transit buses/Trolley	15	\$385,000	12	Yes
	215			

* 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 13-14	FY 14-15	FY 15-16	FY 15-16	FY 16-17	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 15-16
						Adopted
Water	\$988,517	\$354,099	\$1,081,900	\$200,650	\$1,784,660	64.96%
Wastewater	900,288	1,147,443	6,465,890	1,799,050	1,189,000	-81.61%
Storm Water	740,134	243,781	671,320	354,770	588,950	-12.27%
Airport	25,038	104,117	701,150	174,000	944,150	34.66%
Street	1,538,861	3,046,854	2,433,900	2,433,900	1,003,300	-58.78%
Parks	671,181	136,152	5,266,500	5,266,500	1,756,720	-66.64%
Other Capital Projects	850,716	3,999,966	1,910,150	919,900	2,711,900	41.97%
Total	\$5,714,735	\$9,032,412	\$18,530,810	\$11,148,770	\$9,978,680	-46.15%

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 46% decrease from FY 15-16. Major projects planned for FY 16-17 include:

- ◇ South Corvallis drainage improvements intended to serve the Airport and Airport Industrial Park (AIP) funded primarily by assessments to Industrial Park tenants;
- ◇ Final design and construction of a transit maintenance facility to provide an operations center, repair, maintenance and bus storage facility for the City's transit system;
- ◇ Construct two new primary and one secondary clarifier for the Wastewater Reclamation Plant; and
- ◇ Begin design to construct additional water distribution system crossings independent of bridges at two locations under the Marys River using Water and Water SDC Funds.



For more information on the Capital Budget, see page 139 of the Proposed FY 16-17 Budget Document, or the 2016-2020 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 on the following page shows an overview of the City's infrastructure, in the form of a facilities listing:

Facilities' Listing	Location/Address	Departments	Square Footage	Value
City Hall	501 SW Madison	CMO, CD, PW	19,479	\$4,788,166
Madison Avenue Building	500 SW Madison	Finance	7,423	1,391,726
Municipal Court Building ⁽¹⁾	560 SW Madison	Finance	3,596	748,665
City Hall Annex	6th & Madison	IT	1,242	345,201
Corvallis Library	645 NW Monroe	Library	77,721	26,754,727
Philomath Community Library ⁽¹⁾	1050 Applegate	Library	5,000	902,878
Alsea Community Library ⁽¹⁾	19192 Alsea Highway	Library	4,400	438,800
Monroe Community Library ⁽¹⁾	380 N. 5th Street	Library	6,700	503,237
Fenner Building	119 to 123 NW 7th Street	Library	5,324	742,630
Fire Stations - 6 / 2 community centers ⁽¹⁾	Various	Fire	49,192	13,645,950
Fire Training Facility ⁽²⁾	Waterworks S/NE 2nd St	Fire	14,626	2,215,048
Law Enforcement Building ⁽¹⁾	180 NW 5th	Police & 911	40,034	2,977,504
CPD Evidence Compound		Police & 911	9,945	103,475
Osborn Aquatic Center ⁽¹⁾	1940 NW Highland	Parks & Rec	40,347	228,888
Chintimini Senior Center	2601 NW Tyler	Parks & Rec	10,955	2,516,721
Avery Park Buildings	1320 SW Avery Park Dr	Parks & Rec	15,348	2,429,603
Avery Pk Caretaker House	1330 SW Avery Park Dr	Parks & Rec	1,556	258,895
Gaylord/Corl/Avery Houses	Various	Parks & Rec	6,762	1,034,064
Art Center ⁽³⁾	700 SW Madison Ave	Parks & Rec	6,530	665,418
Majestic Theater	115 SW 2nd St	Parks & Rec	14,775	4,446,962
Park Land ⁽⁴⁾	Various	Parks & Rec	1,736 Acres	21,857,020
Park buildings ⁽⁵⁾	Various	Parks & Rec	15,193	5,890,721
Industrial Rental building/Berg Park	33900 SE Roche Rd	Parks & Rec	16,173	1,245,464
Transit Mall Restrm/Driver Lounge	Monroe & 5th Ave	Public Works	231	171,317
Public Works Admin Building	1245 NE Third St.	Public Works	56,822	8,863,099
Public Works Caretakers House	1245 NE Third St.	Public Works	1,561	213,230
Rock Creek Treatment Plant/Buildings	Rock Creek	Public Works	5,750	10,141,454
Wastewater Treatment Plant	Corvallis	Public Works	31,792	79,588,624
Taylor Water Treatment Plant/Buildings	Corvallis	Public Works	22,678	38,289,059
Utility Systems - Water/Storm/Sewer ⁽⁶⁾	Corvallis	Public Works	250/174/218 Miles	122,112,939
Street Infrastructure/Bridges/Traffic Signals ⁽⁶⁾	Corvallis	Public Works	370.00 Lane Miles	112,816,626
Muni-Airport Building/T-Hangers/Rental	Airport Rd	Public Works	75,594	8,463,594

(1) 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.

(2) The new Fire training facility was put into service as of FY 14/15 and consists of Fire Facility/Classroom, Storage Building, Drill Tower & grounds.

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

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

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

(6) 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.

Note: Source of building values-Barker Uerlings, 2016 Risk Assessment Building Inventory and has been significantly updated from the last valuation in 2015, as well as added improvements; therefore some values have changed a great deal from the prior report.

TRANSFERS & OTHER FINANCING USES

	FY 13-14	FY 14-15	FY 15-16	FY 15-16	FY 16-17	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 15-16 Adopted
Transfers Out - POB	\$2,601,690	\$2,720,030	\$2,845,930	\$2,845,930	\$2,974,650	4.52%
Transfers Out - 2011 Op Levy	1,842,322	0	0	0	0	0.00%
Transfers Out - Gen Fund Consol	5,965,392	0	0	0	0	0.00%
Inter-Agency Pass Throughs	597,869	1,135,754	1,239,430	1,239,430	1,158,470	-6.53%
CIP & Other Transfers out	5,286,227	8,958,032	14,646,220	7,916,630	6,702,230	-54.24%
Total	\$16,293,500	\$12,813,816	\$18,731,580	\$12,001,990	\$10,835,350	-42.15%

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 for each fund is determined using the prior year pension system payments for the fund. For an itemized list of budgeted transfers, see the Non-Operating Budget Section of the Proposed Budget Document on page 159.

Other Financing uses included in non-operating expenditures above are for: inter-agency pass-through payments required to be appropriated under Oregon Budget Law.

DEBT SERVICE

	FY 13-14	FY 14-15	FY 15-16	FY 15-16	FY 16-17	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 15-16
						Adopted
General Fund	\$243,174	\$279,053	\$693,240	\$693,240	\$691,750	-0.21%
General Obligation Debt	1,067,250	1,102,200	1,136,400	1,136,400	1,167,800	2.76%
Development Services Loan	80,432	0	0	0	0	0.00%
Water	966,500	977,600	166,400	166,400	162,400	-2.40%
Wastewater	2,253,643	2,227,750	2,219,450	2,219,450	1,872,500	-15.63%
Airport	112,527	0	0	0	0	0.00%
Pension Obligations	2,600,330	2,718,668	2,844,590	2,844,590	2,973,310	4.53%
Total	\$7,323,856	\$7,305,271	\$7,060,080	\$7,060,080	\$6,867,760	-2.72%

The Debt Service budget includes appropriations to pay scheduled principal and interest for all existing debt service issues.

No new debt is currently contemplated for FY 16-17. The City tends to use a pay-as-you-go approach where feasible; however 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 150 of the Proposed Budget Document.

CONTINGENCIES

Contingency appropriations are budgeted to allow the City to deal with emergencies and may only be used, according to State Law, 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 within the fund. 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. The General Fund financial plan currently carries a \$690,000 contingency allowance. If any portion of the contingency is used, Financial Policies require an analysis and recover in the following year to ensure that the full targeted fund balance reserve is maintained. Other fund contingency levels are also driven by Council Financial Policy. For FY 16-17 the total contingencies proposed in all funds total \$1,861,640, which is a 6% growth over FY 15-16.

ENDING FUND BALANCE

	FY 13-14	FY 14-15	FY 15-16	FY 15-16	FY 16-17	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 15-16
						Adopted
Total	\$48,367,102	\$63,044,219	\$39,463,792	\$61,725,409	\$52,720,809	33.59%

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 has grown to about \$6.9 million. City Council work to attain a financially sustainable budget led to creation of this Fund Balance Reserve policy as a long-term financial planning tool. Financial policies also describe the contribution mechanism and timing for recovery if the reserve falls below target levels. Once the FY 16-17 contribution is made, the Fund Balance Reserve is projected to reach the target, provided that the \$690,000 contingency amount is not used.

Based on the Proposed FY 16-17 Budget, the General Fund is expected to end with a \$9,640 balance available for appropriation.

All other funds are projected to end FY 16-17 with fund balances that are adequate to continue planned operations and services at their current levels. Some funds remain a concern for their long-term sustainability, and include the Community Development Revolving (CDR), 9-1-1 and Street Funds. These funds are under review by the Sustainable Budget Task Force which is expected to make recommendations for long-term viability late in 2016 or early 2017.

The projected balance of monies held for reserves in all funds at the end of FY 16-17 based on the Proposed Budget projections are:

	All Funds	General Fund
Ending Fund Balance	\$52,720,809	\$9,600,412
Less:		
Restricted	\$32,201,667	\$564,677
Committed	\$1,426,322	\$934,439
Assigned	\$6,680,937	\$1,881,658
Fund Balance Reserve	\$6,209,999	\$6,209,999
Balance Available for Appropriation	\$6,201,884	\$9,640

On page 161, 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 will budget in a total of twenty-two funds in FY 16-17. 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; maintaining those funds required by law and sound financial administration; and minimizing the number of funds to reduce complexity, increase flexibility and improve efficiency. One fund has been created and none have been discontinued for FY 16-17. City staff uses financial plans for all but four of its funds, which are used to show current year Proposed and Revised revenues and expenditures, and 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, test, and refine assumptions about revenues and expenditures.
- ◇ 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 staff.
- ◇ 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 is done through the financial plan mechanism to ensure funding for future purchases that are more substantial than the annual budget would 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 City's financial plans (some of which are highlighted in ensuing pages) all incorporate the transfers and operating costs related to Capital Improvement Projects (CIP) as identified in the recommended CIP. The plans also include the actual beginning FY 15-16 fund and reserve balances based on audited FY 14-15 revenues and expenditures. In addition there are columns for FY 15-16 adopted and revised estimates of revenues and expenditures, as well as FY 16-17 proposed revenues and expenditures. Lastly are forecasted FY 17-18 through FY 20-21 revenues and expenditures, based on maintaining current service levels and programs.

Since the financial plans are forward looking, the following table provides a two-year historical perspective on all funds combined, in comparison with FY 15-16 and FY 16-17 projections:

	FY 13-14 Audited	FY 14-15 Audited	FY 15-16 Adopted	FY 15-16 Revised	FY 16-17 Proposed	% Chg from FY 15-16 Adopted
Beg. Fund Balance	\$42,384,174	\$48,367,102	\$50,785,862	\$63,044,219	\$61,725,409	21.54%
Operating Revenue						
Property Taxes	22,009,265	26,066,930	27,149,540	26,874,690	27,962,820	3.00%
Other Taxes	1,424,997	1,604,370	1,511,830	1,761,760	1,816,000	20.12%
License, Fees, Permits	9,518,088	9,709,795	9,255,650	9,083,520	9,155,960	-1.08%
Charges for Service	44,142,935	49,168,916	45,579,790	44,277,880	47,411,900	4.02%
Intergovernmental	13,657,851	11,947,998	15,591,940	13,690,360	15,651,980	0.39%
Fines and Forfeitures	1,176,641	1,097,557	1,207,760	1,100,540	1,077,260	-10.81%
Miscellaneous	3,613,448	4,739,943	4,499,260	4,595,840	3,610,910	-19.74%
Total Operating Rev.	95,543,225	104,335,509	104,795,770	101,384,590	106,686,830	1.80%
Non-Operating Rev.	16,386,007	17,029,097	18,731,580	12,018,570	10,835,350	-42.15%
Total Revenue	111,929,232	121,364,606	123,527,350	113,403,160	117,522,180	-4.86%
Total Resources	\$154,313,406	\$169,731,708	\$174,313,212	\$176,447,379	\$179,247,589	2.83%
Operating Expenditures						
City Manager's Office	3,220,707	2,687,742	3,218,100	3,218,100	1,586,100	-50.71%
Community Dev.	5,986,332	5,991,345	7,490,610	6,119,290	7,188,210	-4.04%
Finance Department	4,739,927	5,500,005	6,408,090	6,035,350	4,495,320	-29.85%
Fire Department	10,441,729	10,777,552	11,714,420	11,227,110	13,020,180	11.15%
HR Department	0	0	0	0	2,037,390	0.00%
IT Department	0	0	0	0	3,288,640	0.00%
Library	6,476,062	5,818,695	6,349,950	6,339,580	6,525,640	2.77%
Parks & Recreation	6,189,511	6,269,652	7,106,630	7,158,680	7,203,690	1.37%
Police	13,049,323	13,662,518	15,058,780	14,386,820	15,311,120	1.68%
Public Works	25,212,596	25,972,610	30,540,850	29,153,680	35,025,370	14.68%
Non-Departmental	1,298,030	855,873	881,270	872,520	1,301,690	47.71%
Total Operating Budget	76,614,217	77,535,992	88,768,700	84,511,130	96,983,350	9.25%
Non-Operating Budget						
Capital Projects	5,714,730	9,032,410	18,530,810	11,148,770	9,978,680	-46.15%
Debt Service	7,323,856	7,305,271	7,060,080	7,060,080	6,867,760	-2.72%
Transfers	15,695,633	11,678,063	17,492,150	10,762,560	9,676,880	-44.68%
Other Non-Op Uses	597,869	1,135,753	1,239,430	1,239,430	1,158,470	-6.53%
Contingencies	0	0	1,758,250	0	1,861,640	5.88%
Total Non-Op. Budget	29,332,088	29,151,497	46,080,720	30,210,840	29,543,430	-35.89%
Total Appropriated Budget	\$105,946,304	\$106,687,489	\$134,849,420	\$114,721,970	\$126,526,780	-6.17%
Ending Fund Balance	\$48,367,102	\$63,044,219	\$39,463,792	\$61,725,409	\$52,720,809	33.59%

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. 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 – 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 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 modifications. 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. 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 509J School District contributions for the aquatic center building 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, 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 uses 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 shown to facilitate Council and investor review.

GENERAL FUND TRANSFERS- IN/CONTRIBUTIONS	\$3,844,930
EXPENDITURES	
Fire	\$1,416,000
IT	1,212,190
Parks & Recreation	35,000
Police	88,920
Public works	285,590
TOTAL BUDGETED EXPENDITURES	\$3,037,700
ASSIGNED RESERVE - FUND BALANCE	\$807,230

Effective July 1, 2016, the City has implemented a new Special Revenue Fund to facilitate tracking and ensuring funds are available in Assigned Reserves for vehicle and equipment/technology purchases for General Fund operations. As such, reserves previously held directly in the General Fund, along with departmental contributions in FY 16-17 have been budgeted as

transfers-in to this new fund. All planned spending in respect of vehicles and equipment are reflected as FY 16-17 expenditures in this fund, as shown in the adjacent table.

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 15-16	REVISED FY 15-16	PROPOSED FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
RECURRING							
NON DEDICATED REVENUE							
Property Taxes - Permanent Rate	21,952,620	21,592,990	22,554,500	23,231,140	23,928,080	24,645,920	25,385,290
Local Op Levy 2013 - HP Replacement/Social Services Funding	794,440	791,580	816,220	840,710	865,930	0	0
Prior Year Delinquent Tax Revenue	452,290	550,000	550,000	550,000	550,000	550,000	550,000
Transient Room Tax	1,511,830	1,761,760	1,816,000	1,870,480	1,926,590	1,984,390	2,043,920
Franchise Fees	5,495,100	5,604,500	5,754,620	5,812,170	5,870,290	5,928,990	5,988,280
State Revenue Sharing	565,140	565,140	571,990	589,150	606,820	625,020	643,770
Alcohol/Cigarette Tax	883,460	883,460	901,610	924,150	947,250	970,930	995,200
Pass-Throughs	1,239,430	1,239,430	1,158,470	1,170,050	1,181,750	1,193,570	1,205,510
Miscellaneous Other Revenues	723,320	669,650	717,140	699,580	749,820	796,480	831,330
TOTAL NON-DEDICATED RECURRING REVENUE	\$33,617,630	\$33,658,510	\$34,840,550	\$35,687,430	\$36,626,530	\$36,695,300	\$37,643,300
DEDICATED REVENUE							
Property Tax - Local Option Levy	2,805,190	2,795,120	2,882,100	2,968,550	3,057,610	0	0
City Manager's Office	126,190	126,190	126,180	126,180	126,180	126,180	126,180
Community Development	119,590	144,590	151,090	157,920	165,090	172,620	180,520
Finance	200	200	200	200	200	200	200
Fire	3,626,590	3,706,590	4,112,230	4,152,750	4,193,670	4,235,000	4,276,740
Library	2,943,570	2,943,570	3,044,080	3,126,660	3,197,960	3,271,020	3,345,890
Parks & Recreation	1,769,270	1,769,270	1,801,000	1,856,690	1,914,520	1,974,600	2,037,050
Police	391,740	391,740	400,860	408,120	415,520	423,060	430,750
Public Works	1,000	1,000	3,370	3,370	3,370	3,370	3,370
TOTAL DEDICATED RECURRING REVENUE	\$11,783,340	\$11,878,270	\$12,521,110	\$12,800,440	\$13,074,120	\$10,206,050	\$10,400,700
TOTAL RECURRING REVENUE	\$45,400,970	\$45,536,780	\$47,361,660	\$48,487,870	\$49,700,650	\$46,901,350	\$48,044,000
EXPENDITURES							
Department Operating Expenditures	38,535,980	37,725,910	39,918,930	40,872,300	41,650,240	43,723,670	44,992,980
Non-Departmental	810,810	825,380	1,156,190	940,360	945,990	833,070	850,930
Debt Service	693,240	693,240	691,750	694,730	692,190	694,140	695,490
Pension Obligation Bond Debt - Transfers	2,036,810	2,036,810	2,122,440	2,228,560	2,339,990	2,456,990	2,579,840
Pass-Throughs	1,239,430	1,239,430	1,158,470	1,170,050	1,181,750	1,193,570	1,205,510
Contribution to Fund Balance Reserve/Contingencies	1,753,000	1,763,000	1,667,790	690,001	0	0	0
Contributions/Adjustments to Other Reserves	0	(3,900)	1,994,780	0	0	0	0
TOTAL RECURRING EXPENDITURES	\$45,069,270	\$44,279,870	\$47,359,350	\$46,596,001	\$46,810,160	\$48,901,440	\$50,324,750
RECURRING REVENUE EXCESS (SHORTFALL)	\$331,700	\$1,256,910	\$2,310	\$1,891,869	\$2,890,490	(\$2,000,090)	(\$2,280,750)
OVER EXPENDITURES							
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	1,021,740	1,359,150	1,465,020	9,640	1,901,509	4,791,999	2,791,909
<i>Net Recurring Revenue/Expenditure</i>	<i>331,700</i>	<i>1,256,910</i>	<i>2,310</i>	<i>1,891,869</i>	<i>2,890,490</i>	<i>(2,000,090)</i>	<i>(2,280,750)</i>
<i>Net Non-Recurring Revenue/Expenditure</i>	<i>(1,154,290)</i>	<i>(1,151,040)</i>	<i>(1,457,690)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
ENDING BUDGETARY FUND BALANCE	\$199,150	\$1,465,020	\$9,640	\$1,901,509	\$4,791,999	\$2,791,909	\$511,159
Ending Reserve Balance by Type							
RESTRICTED	\$571,965	\$980,437	\$564,677	\$431,694	\$431,694	\$361,546	\$361,546
COMMITTED	1,029,707	\$999,739	934,439	934,439	934,439	934,439	934,439
ASSIGNED	217,998	\$1,751,138	1,881,658	1,881,658	1,881,658	1,881,658	1,881,658
FUND BALANCE	5,943,209	\$6,583,209	6,209,999	6,900,000	6,900,000	6,900,000	6,900,000
	\$7,762,880	\$10,314,522	\$9,590,772	\$10,147,791	\$10,147,791	\$10,077,643	\$10,077,643

SERVICE HIGHLIGHTS

Eight of the City's ten departments have operations in the General Fund (details in Department Summaries):

- City Manager's Office – Economic Development and Council Goals
- Community Development – Planning
- Finance Department – Municipal Court
- Fire Department – All services
- Library – All services

- Parks and Recreation – All services
- Police Department – All services
- Public Works – Franchise administration, street lights, sustainability and engineering.

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 16-17 nearly 57% of the recurring revenues in the General Fund are from permanent rate and local option property taxes. 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 these two sources are included, total support from property taxes is nearly 66%. Thus, services in the General Fund are highly sensitive to changes impacting assessed values in multiple jurisdictions.

The bulk of costs in the General Fund are for services which must be provided by people. Wages and benefit costs continue to drive annual expenditure increases faster than revenue growth. These cost increases will mean either securing new revenue sources or continuing program/service prioritization and reductions 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 in recent years, and are not expected to increase significantly in the future. Forecasting assumptions related to the larger of these revenue streams is provided in previous pages of this section.

In addition to the planned operating department spending highlighted above, the table below shows various non-departmental allocation amounts proposed to be paid from General Fund resources:

Social Services - United Way	237,750
Social Services - Levy	126,930
Economic Development (30% TRT)	544,800
Transition Funding	305,720
Internal Service Charges	70,140
Da Vinci Days	15,000
Total GF Non-Department Budget	1,300,340

ENDING BUDGETARY FUND BALANCE

The General Fund is projected to end FY 16-17 with a policy compliant positive operating fund balance available for appropriation of \$9,640 based on revised estimates for FY 15-16 and the Proposed Budget expenditure plan. Assuming the revenue and expenditure estimates are attained, the projected ending FY 16-17 Fund Balance Reserve is expected to be just over \$6.9 million, representing 100% of the targeted \$6.9 million, assuming none of the \$690,000 contingency is used.

The Proposed Budget for the General Fund for FY 16-17 also includes setting aside \$1.6 million into a new PERS reserve to help offset future cost increases.

COMMUNITY DEVELOPMENT REVOLVING FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 15-16	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
BEGINNING BUDGETARY FUND BALANCE	\$1,480	\$2,554	\$36,084	\$4,174	(\$30,956)	(\$47,946)	(\$74,566)
ADMINISTRATION / NON-FEDERAL ASSISTANCE							
Charges for Service	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Fines & Forfeitures	0	0	0	0	0	0	0
Miscellaneous	35,000	17,710	35,000	36,050	37,130	38,240	39,390
Other Financing Sources	100,000	100,000	35,000	0	0	0	0
Total Revenue	\$140,000	\$122,710	\$75,000	\$41,050	\$42,130	\$43,240	\$44,390
Personnel Services	\$43,430	\$27,690	\$15,230	\$16,400	\$16,560	\$17,380	\$17,540
Non-Personnel Services (excluding ISC's)	1,700	290	3,400	3,440	3,480	3,520	3,560
Internal Service Charges (ISC's)	133,400	133,400	172,390	180,150	188,250	196,720	205,570
Capital Outlay	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Transfers Out	40,480	40,480	24,170	25,380	26,650	27,980	29,380
Contingencies	21,670	0	22,020	0	0	0	0
Total Expenditures	\$240,680	\$201,860	\$237,210	\$225,370	\$234,940	\$245,600	\$256,050
NET ACTIVITY - ADMIN / NON-FED ASSISTANCE	(\$100,680)	(\$79,150)	(\$162,210)	(\$184,320)	(\$192,810)	(\$202,360)	(\$211,660)
RENTAL HOUSING							
Licenses, Fees and Permits	\$172,460	\$184,640	\$186,620	\$193,050	\$214,830	\$221,760	\$243,540
Fines & Forfeitures	0	14,900	0	0	0	0	0
Miscellaneous	1,000	0	1,000	1,000	1,000	1,000	1,000
Total Revenue	\$173,460	\$199,540	\$187,620	\$194,050	\$215,830	\$222,760	\$244,540
Personnel Services	\$160,000	\$110,000	\$85,150	\$90,800	\$91,710	\$95,900	\$96,870
Non-Personnel Services (excluding ISC's)	4,930	700	11,950	12,040	12,130	12,220	12,310
Total Expenditures	\$164,930	\$110,700	\$97,100	\$102,840	\$103,840	\$108,120	\$109,180
NET ACTIVITY - RENTAL HOUSING	\$8,530	\$88,840	\$90,520	\$91,210	\$111,990	\$114,640	\$135,360
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)							
Intergovernmental	\$1,090,590	\$461,210	\$1,043,140	\$605,040	\$620,190	\$635,800	\$651,870
Fines & Forfeitures	0	90	0	0	0	0	0
Miscellaneous	260,000	146,760	125,100	128,850	132,720	136,700	140,800
Total Revenue	\$1,350,590	\$608,060	\$1,168,240	\$733,890	\$752,910	\$772,500	\$792,670
Personnel Services	\$195,050	\$166,170	\$184,100	\$189,770	\$191,670	\$200,930	\$202,940
Non-Personnel Services (excluding ISC's)	1,055,540	426,650	957,280	489,550	501,690	514,200	527,080
Total Expenditures	\$1,250,590	\$592,820	\$1,141,380	\$679,320	\$693,360	\$715,130	\$730,020
NET ACTIVITY - CDBG	\$100,000	\$15,240	\$26,860	\$54,570	\$59,550	\$57,370	\$62,650
HOME INVESTMENT PARTNERSHIP (HOME)							
Intergovernmental	\$494,730	\$179,000	\$512,480	\$266,630	\$274,630	\$282,870	\$291,360
Fines & Forfeitures	0	40	0	0	0	0	0
Miscellaneous	17,500	16,270	14,500	14,940	15,390	15,850	16,330
Total Revenue	\$512,230	\$195,310	\$526,980	\$281,570	\$290,020	\$298,720	\$307,690
Personnel Services	\$46,830	\$32,870	\$34,360	\$36,930	\$37,300	\$39,130	\$39,520
Non-Personnel Services (excluding ISC's)	462,900	153,840	472,240	241,230	248,440	255,860	263,510
Total Expenditures	\$509,730	\$186,710	\$506,600	\$278,160	\$285,740	\$294,990	\$303,030
NET ACTIVITY - HOME	\$2,500	\$8,600	\$20,380	\$3,410	\$4,280	\$3,730	\$4,660
TOTAL REVENUE	\$2,176,280	\$1,125,620	\$1,957,840	\$1,250,560	\$1,300,890	\$1,337,220	\$1,389,290
TOTAL EXPENDITURES	\$2,165,930	\$1,092,090	\$1,982,290	\$1,285,690	\$1,317,880	\$1,363,840	\$1,398,280
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$10,350	\$33,530	(\$24,450)	(\$35,130)	(\$16,990)	(\$26,620)	(\$8,990)
RESERVED BALANCES, Beginning of Year	\$0	\$0	\$0	\$7,460	\$7,460	\$7,460	\$7,460
FUND BALANCE (Including Reserved), End of Year	\$11,830	\$36,084	\$11,634	(\$23,496)	(\$40,486)	(\$67,106)	(\$76,096)
LESS: RESERVED BALANCES ASSIGNED	\$0	\$0	\$7,460	\$7,460	\$7,460	\$7,460	\$7,460
ENDING BUDGETARY FUND BALANCE	\$11,830	\$36,084	\$4,174	(\$30,956)	(\$47,946)	(\$74,566)	(\$83,556)

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 67. Financial planning issues are discussed 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

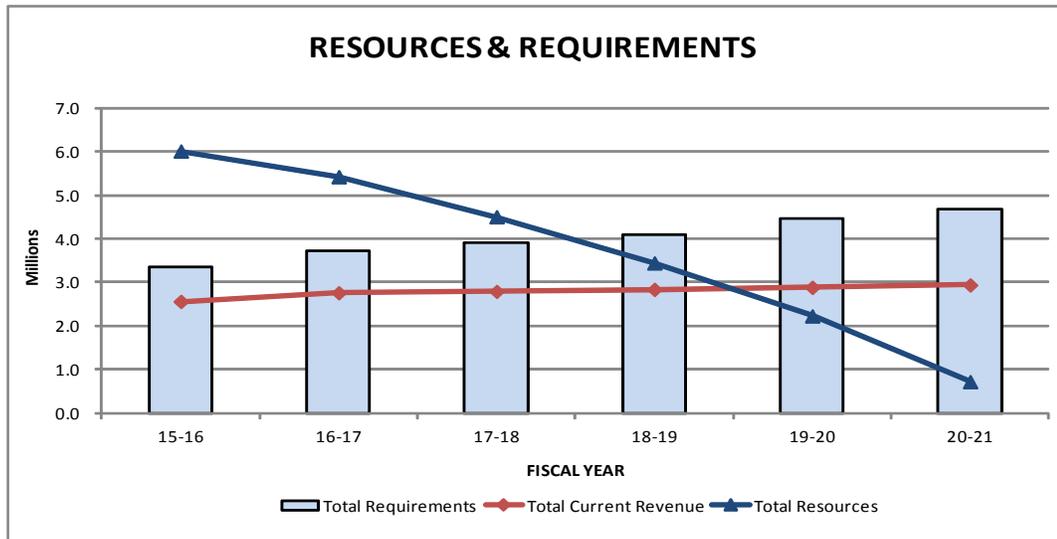
The CDR Fund financial plan above projects a positive fund balance in FY 15-16 and Proposed FY 16-17, but a negative fund balance in FY 17-18 and beyond. The positive ending balance in FY 15-16 was attained as a result of Budget Commission's approval of a transfer-in totaling \$100,000, while the positive ending balance in FY 16-17 is due to the City Manager's approval of a \$35,000 transfer-in using one-time money available in the General Fund. Absent this funding, the CDR Fund would certainly have ended both FY 15-16 and FY 16-17 with a negative fund balance. This situation is in part due to declining availability of Federal Funding and also due to timing of the Fund's receipt of program income (revolving loan repayments and prepayments). The challenge of predicting timing of program income receipts 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.

Program income timing issues in conjunction with declining federal funding awards available for the purposes the Fund exists to achieve, translate to the need for an ongoing infusion of new revenue or General Fund support in the range of \$50,000-\$100,000 per year. This amount would ensure ongoing viability of the Fund and its purpose to assist low income residents with affordable housing and other community development needs.

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 16-17 to eliminate negative fund balances in FY 17-18 and beyond. The ultimate goal of these efforts would be to return the Fund to a state of ongoing balance.

DEVELOPMENT SERVICES FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 15-16	REVISED FY 15-16	PROPOSED FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
BEGINNING BUDGETARY FUND BALANCE	\$2,642,843	\$3,448,555	\$2,662,785	\$1,637,155	\$531,155	(\$730,065)	(\$2,289,845)
REVENUES							
Licenses, Fees & Permits	\$1,301,500	\$997,000	\$1,119,000	\$1,140,540	\$1,162,500	\$1,184,900	\$1,207,760
Charges for Services	1,736,620	1,430,620	1,492,720	1,522,570	1,553,020	1,584,060	1,615,740
Miscellaneous	12,460	18,740	31,770	13,790	6,620	0	0
Transfers In	118,390	118,390	118,390	118,390	118,390	118,390	118,390
TOTAL REVENUES	\$3,168,970	\$2,564,750	\$2,761,880	\$2,795,290	\$2,840,530	\$2,887,350	\$2,941,890
EXPENDITURES							
Community Development	\$3,514,450	\$3,205,620	\$3,530,220	\$3,766,650	\$3,960,380	\$4,298,690	\$4,512,790
Transfers Out	144,900	144,900	128,230	134,640	141,370	148,440	155,860
Contingencies	63,380	0	55,240	0	0	0	0
TOTAL EXPENDITURES	\$3,722,730	\$3,350,520	\$3,713,690	\$3,901,290	\$4,101,750	\$4,447,130	\$4,668,650
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$553,760)	(\$785,770)	(\$951,810)	(\$1,106,000)	(\$1,261,220)	(\$1,559,780)	(\$1,726,760)
RESERVED BALANCES, Beginning of Year	\$0	\$0	\$0	\$73,820	\$73,820	\$73,820	\$73,820
FUND BALANCE (Including Reserved), End of Year	\$2,089,083	\$2,662,785	\$1,710,975	\$604,975	(\$656,245)	(\$2,216,025)	(\$3,942,785)
LESS: RESERVED BALANCES ASSIGNED	\$0	\$0	\$73,820	\$73,820	\$73,820	\$73,820	\$73,820
ENDING BUDGETARY FUND BALANCE	\$2,089,083	\$2,662,785	\$1,637,155	\$531,155	(\$730,065)	(\$2,289,845)	(\$4,016,605)



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. There are a number of projects in the pipeline that should help sustain reasonable levels of revenue-generating activity over the next several years.

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

Accuracy of revenue and expenditure forecasting for Development Services can prove difficult given:

- Fluctuating economic conditions and availability of funding for construction loans.
- Hiring and retaining qualified employees with required certifications.
- Determining and managing for appropriate and affordable staff levels to respond to variable 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.

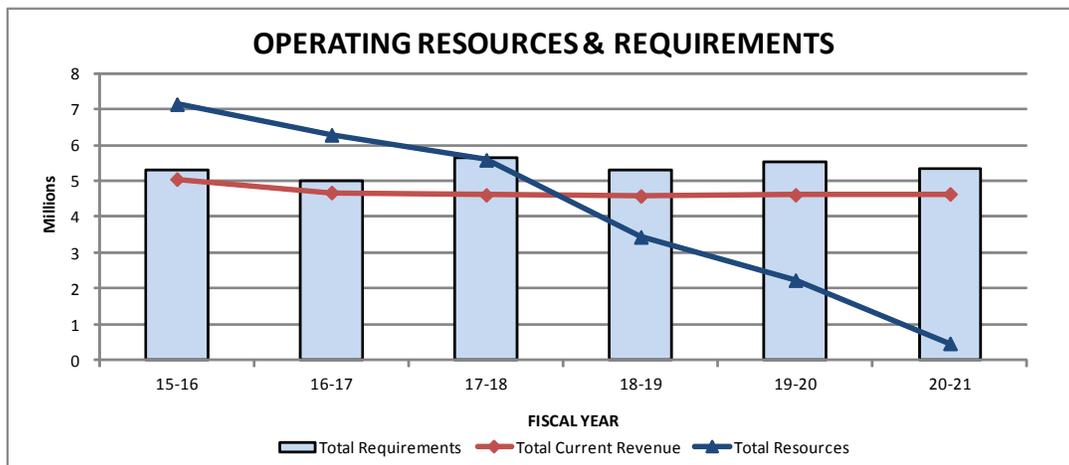
ENDING BUDGETARY FUND BALANCE

The Development Services Fund is currently projected to end FY 16-17 with a policy compliant operating fund balance of nearly 60% of the FY 16-17 current revenues and, with necessary planned fee adjustments, is projected to remain positive through FY 17-18. Included in each year's fund balance are funds paid in one fiscal year for services which will be provided in 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.



STREET FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROPOSED				
	FY 15-16	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
BEGINNING BUDGETARY FUND BALANCE	679,347	733,424	492,967	192,936	(900,004)	(1,436,644)	(2,326,984)
REVENUES							
Licenses, Fees & Permits	\$706,890	\$714,680	\$731,060	\$741,940	\$753,040	\$764,350	\$775,870
Charges for Service	216,000	219,010	219,000	225,560	232,360	239,420	246,730
Intergovernmental	3,384,140	3,384,190	3,457,880	3,378,050	3,335,770	3,349,890	3,355,420
Fines & Forfeitures	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	48,590	124,520	14,610	12,390	6,200	6,300	6,410
Transfers In	610,500	610,500	255,500	255,500	255,500	255,500	255,500
TOTAL REVENUES	\$4,967,120	\$5,053,900	\$4,679,050	\$4,614,440	\$4,583,870	\$4,616,460	\$4,640,930
EXPENDITURES							
Community Development	\$20,570	\$20,570	\$22,310	\$24,030	\$25,180	\$27,270	\$28,590
Public Works	4,453,300	4,364,080	4,049,040	4,107,080	4,375,340	4,593,580	4,468,340
Transfers Out	907,630	907,630	850,110	1,505,920	885,200	890,990	826,640
Contingencies	86,760	0	93,580	0	0	0	0
TOTAL EXPENDITURES	\$5,468,260	\$5,292,280	\$5,015,040	\$5,637,030	\$5,285,720	\$5,511,840	\$5,323,570
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$501,140)	(\$238,380)	(\$335,990)	(\$1,022,590)	(\$701,850)	(\$895,380)	(\$682,640)
RESERVED BALANCES, Beginning of Year	\$3,929,636	\$4,631,860	\$4,692,858	\$4,867,269	\$5,673,739	\$6,245,929	\$6,926,249
FUND BALANCE (Including Reserved), End of Year	\$4,483,784	\$5,185,824	\$5,060,204	\$4,773,734	\$4,809,284	\$4,599,264	\$4,659,284
LESS: RESERVED BALANCES							
RESTRICTED	\$3,746,709	\$4,069,882	\$4,280,252	\$5,016,372	\$5,753,772	\$6,439,132	\$7,181,792
COMMITTED	276,102	478,840	454,561	448,081	442,261	437,121	432,681
ASSIGNED	119,136	144,136	132,456	209,286	49,896	49,996	111,796
ENDING BUDGETARY FUND BALANCE	\$341,837	\$492,967	\$192,936	(\$900,004)	(\$1,436,644)	(\$2,326,984)	(\$3,066,984)



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. Pavement condition data for all City

streets is gathered and 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. Related energy saving work is being done through a retrofit project on the street light system. With the final phase of this project finishing in FY 15-16, all of the high-wattage, high pressure sodium fixtures in the PPL service area should be changed out to LEDs. The work 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 five years or less using 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 is 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.

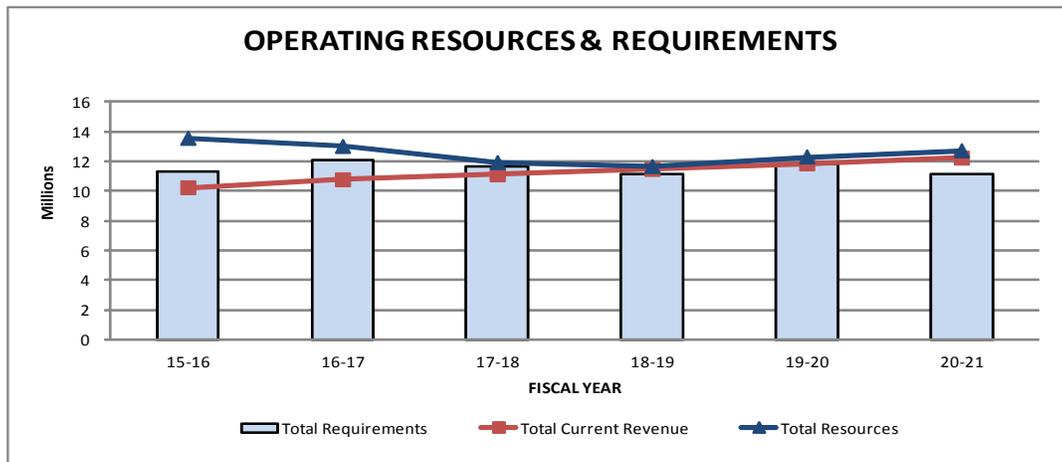
The Sidewalk Maintenance Fee, also collected on the City Services Bill, provides funds for the repair of sidewalks, thereby supporting a safe, viable alternative-mode transportation system for pedestrians. However, the revenue generated by the fee is insufficient to address all the repairs in the system 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 16-17 with a budgetary fund balance for operations that is approximately 4% of the FY 16-17 dedicated revenues. While FY 16-17 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.

WASTEWATER FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 15-16	REVISED FY 15-16	PROPOSED				
			FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
RATE INCREASE	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
BEGINNING BUDGETARY FUND BALANCE	\$2,286,925	\$2,819,070	\$1,974,651	\$415,091	(\$130,822)	\$237,868	\$481,188
REVENUES							
Charges for Service	\$10,208,240	\$10,196,420	\$10,732,910	\$11,081,690	\$11,442,670	\$11,816,270	\$12,202,940
Miscellaneous	22,200	24,790	33,380	13,590	11,500	11,500	11,850
TOTAL REVENUES	\$10,230,440	\$10,221,210	\$10,766,290	\$11,095,280	\$11,454,170	\$11,827,770	\$12,214,790
EXPENDITURES							
Community Development	52,880	\$52,880	\$54,330	\$59,880	\$63,080	\$68,760	\$72,450
Public Works	7,935,260	7,450,260	8,257,850	8,761,070	8,270,190	8,843,150	9,425,390
Debt Service	2,219,450	2,219,450	1,872,500	1,876,980	1,875,300	1,882,050	617,100
Transfers Out	1,690,390	1,583,040	1,682,430	939,600	971,110	1,003,740	1,037,540
Contingencies	204,610	0	215,330	0	0	0	0
TOTAL EXPENDITURES	\$12,102,590	\$11,305,630	\$12,082,440	\$11,637,530	\$11,179,680	\$11,797,700	\$11,152,480
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$1,872,150)	(\$1,084,420)	(\$1,316,150)	(\$542,250)	\$274,490	\$30,070	\$1,062,310
RESERVED BALANCES, Beginning of Year	\$10,909,641	\$14,438,224	\$14,333,023	\$16,074,213	\$16,864,593	\$17,757,513	\$12,452,693
FUND BALANCE (Including Reserved), End of Year	\$7,116,146	\$16,307,674	\$16,489,304	\$16,822,684	\$17,995,381	\$12,933,881	\$10,669,651
LESS: RESERVED BALANCES							
RESTRICTED	\$6,204,576	\$14,075,558	\$15,573,338	\$16,448,968	\$17,436,088	\$12,344,518	\$9,017,978
ASSIGNED	256,795	257,465	500,875	415,625	321,425	108,175	93,755
ENDING BUDGETARY FUND BALANCE	\$654,775	\$1,974,651	\$415,091	(\$130,822)	\$237,868	\$481,188	\$1,557,918



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 gathering 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. The City Council has limited the combined rate increases in the three utility funds to 3%. This guideline has become 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. Nevertheless, 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 revenue overview on page 24.

The City's National Pollutant Discharge Elimination System (NPDES) permit and Environmental Protection Agency (EPA) wastewater regulations require expanded maintenance, operation, and capital expenditures. The NPDES permit is issued for a five-year period, 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 plans to use feedback from recent public processes toward determining a preferred solution when the State finalizes its position on issues that have arisen. At this time, possible alternatives range in cost from \$15 to \$40 million. The Fund is unable to absorb this size of expenditure, so debt would need to be issued. 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. Fees are structured to recover base operating expenses related to wastewater collection and treatment via a base rate, and consumption rates for expenses associated with increased volumes of wastewater.

ENDING BUDGETARY FUND BALANCE

The Wastewater Fund is projected to end FY 16-17 with a policy compliant positive operating fund balance of nearly 4% of the FY 16-17 current revenue. Despite significant sized SDC reserves, fund balances may go negative without rate increases, if operational projects are not SDC-eligible.

WATER FUND SUMMARY

BUDGETARY BASIS	ADOPTED FY 15-16	REVISED FY 15-16	PROPOSED FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
RATE INCREASE	2.00%	0.00%	0.00%	2.00%	0.00%	2.00%	0.00%
BEGINNING BUDGETARY FUND BALANCE	\$2,618,392	\$4,065,571	\$4,668,461	\$2,274,171	(\$1,288,779)	(\$7,627,279)	(\$14,075,349)
REVENUES							
Charges for Service	\$9,763,270	\$9,724,740	\$10,025,480	\$9,890,880	\$10,004,920	\$10,089,150	\$10,205,480
Intergovernmental	7,900	24,570	12,060	0	0	0	0
Miscellaneous	563,120	576,910	1,157,730	1,155,280	1,144,350	1,158,200	1,172,630
Transfers In	63,930	63,930	60,150	6,890	7,230	7,590	7,970
TOTAL REVENUES	\$10,398,220	\$10,390,150	\$11,255,420	\$11,053,050	\$11,156,500	\$11,254,940	\$11,386,080
EXPENDITURES							
Community Development	\$54,810	\$54,810	\$56,600	\$62,220	\$65,500	\$71,260	\$75,030
Public Works	9,006,390	8,435,530	11,241,190	10,037,790	9,555,050	10,125,240	9,597,380
Debt Service	166,400	166,400	162,400	0	0	0	0
Other Financing Uses/Transfers Out	1,081,250	1,066,820	1,678,180	4,029,580	7,252,570	7,142,790	5,603,10
Contingencies	207,960	0	225,110	0	0	0	0
TOTAL EXPENDITURES	\$10,516,810	\$9,723,560	\$13,363,480	\$14,129,590	\$16,873,120	\$17,339,290	\$10,232,720
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURE	(\$118,590)	\$666,590	(\$2,108,060)	(\$3,076,540)	(\$5,716,620)	(\$6,084,350)	\$1,153,360
RESERVED BALANCES, Beginning of Year	\$8,285,071	\$8,476,960	\$9,633,490	\$10,026,670	\$9,776,280	\$6,041,930	\$4,033,850
FUND BALANCE (Including Reserved), End of Year	\$11,096,914	\$14,301,951	\$12,300,841	\$8,487,501	(\$1,585,349)	(\$10,041,499)	(\$8,390,809)
LESS: RESERVED BALANCES							
RESTRICTED	\$7,643,151	\$8,502,767	\$8,609,717	\$7,872,917	\$3,516,687	\$1,144,887	\$1,642,217
ASSIGNED	976,870	1,130,723	1,416,953	1,903,363	2,525,243	2,888,963	3,590,803
ENDING BUDGETARY FUND BALANCE	\$2,476,892	\$4,668,461	\$2,274,171	(\$1,288,779)	(\$7,627,279)	(\$14,075,349)	(\$13,623,829)

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 gathering 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, and 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 has limited 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 seen in graphs on page 24.

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. 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 16-17 with a policy compliant positive operating fund balance equaling approximately 20% of the FY 16-17 current revenue. It should be noted that the significant negative fund balances through the remainder of the planning period are primarily due to significant capital projects (e.g., Rock Creek Transmission Line) which will be evaluated annually for impact to fund balance. SDC reserves may be used for eligible projects.

RISK MANAGEMENT FUND SUMMARY

BUDGETARY BASIS	ADOPTED	REVISED	PROJECTED				
	FY 15-16	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
BEGINNING BUDGETARY FUND BALANCE	\$278,390	\$449,167	\$618,647	\$60,879	\$60,879	\$60,879	\$60,879
REVENUES							
Charges for Service	\$1,448,170	\$1,448,170	\$1,342,220	\$1,500,690	\$1,555,720	\$1,704,430	\$1,803,890
Miscellaneous	31,940	101,430	50,140	48,760	51,950	54,750	56,670
TOTAL REVENUES	\$1,480,110	\$1,549,600	\$1,392,360	\$1,549,450	\$1,607,670	\$1,759,180	\$1,860,560
EXPENDITURES							
Finance	\$994,760	\$892,020	\$1,039,710	\$1,121,990	\$1,212,920	\$1,342,770	\$1,422,410
Human Resources	356,520	356,520	357,900	373,600	394,750	416,410	438,150
Contingencies	275,000	0	275,000	0	0	0	0
TOTAL EXPENDITURES	\$1,626,280	\$1,248,540	\$1,672,610	\$1,495,590	\$1,607,670	\$1,759,180	\$1,860,560
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$146,170)	\$301,060	(\$280,250)	\$53,860	\$0	\$0	\$0
RESERVED BALANCES, Beginning of Year	\$368,420	\$287,042	\$418,622	\$696,140	\$750,000	\$750,000	\$750,000
FUND BALANCE (Including Reserved), End of Year	\$500,640	\$1,037,269	\$757,019	\$810,879	\$810,879	\$810,879	\$810,879
LESS: RESERVED BALANCES ASSIGNED	\$500,000	\$418,622	\$696,140	\$750,000	\$750,000	\$750,000	\$750,000
ENDING BUDGETARY FUND BALANCE	\$640	\$618,647	\$60,879	\$60,879	\$60,879	\$60,879	\$60,879

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 16-17, general and auto liability insurance premiums are projected to increase by nearly 30% compared to FY 15-16 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. 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). Given the potential for various catastrophic events and the potential cost impact to the City, the City Manager, in discussions with Sr. Staff, determined it was in the City's best interest to increase the catastrophic reserve to \$750,000 and by FY 17-18 the reserve balance should meet this goal. 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 Adopted FY 15-16, this balance has been rebuilt to approximately \$60,000 per Council Policy for FY 16-17 Proposed.



CITY MANAGER'S OFFICE

MISSION STATEMENT

The City Manager's Office ensures the City runs effectively and efficiently to achieve what Corvallis community members, through the City Council, want to accomplish with the resources available. The City Manager's Office provides leadership, coordination and management for the City organization and support for the City Council. The City Manager's Office also works to provide timely information to our community and encourage connection between community members and the City organization.

The Economic Development Office preserves and enhances livability by providing active City participation in actions to address economic stability, moderate economic growth, and economic, social, and environmental sustainability. The Economic Development Office develops and implements programs to achieve the City's Economic Development goals of supporting innovation and business start-ups, retention and growth of current Benton County companies, and leveraging local economic development assets.

SUMMARY OF SERVICES

This fiscal year, organizational changes have been made to separate the Human Resources Department from the City Manager's Office budget. This change supports clearly identifying the function of support for the City's Human Resources and finding efficiencies in administrative support for multiple departments. As a result, the summary of services provided by the City Manager's Office changed significantly from last year. City Governance and the Economic Development Office remain in the City Manager's Office budget.

The City Manager's Office will continue to support completion of the Council goals. In support of Council goals, the City Manager's Office has budgeted \$130,000 to augment staff efforts. An additional \$60,000 is budgeted specifically for the Vision Action Plan implementation, \$40,000 for the Housing Opportunities Action Council (HOAC) Homeless Plan, and \$30,000 in City Council discretionary funds.

Governance Priorities

- Meeting legal requirements related to Governance activities.
- Ensuring Mayor and Council are provided timely and accurate information to support actions and decision making.
- Strengthening the connection between the community and the City organization (Council and staff) by enhancing communication.

Governance Services

- Support and implement Mayor and City Council activities:
 - ✓ Goals
 - ✓ Legislation (ordinances, resolutions, Municipal Code)
 - ✓ Council business management
- Provide leadership and administration of City staff.
- Oversee budget and capital improvement program.
- Manage City Attorney contracted services.
- Conduct municipal elections.
- Manage information dissemination to the community.
- Manage the City's official records.
- Process public record requests.
- Pursue intergovernmental relations and partnerships and promote and sustain excellent community relations and communications/outreach.
- Pursue opportunities for improved efficiency in service delivery across all Departments.

Economic Development Priorities

- Funding the 2.0 FTE designated in the Economic Development Strategy prepared by the Economic Development Advisory Board and endorsed by the City Council.
- Contracting business services with the Linn-Benton Community College Small Business Development Center based on documented results of proven benefits.
- Providing staff support to the Economic Development Advisory Board.

Economic Development Services

- Manage Benton County-Corvallis Enterprise Zones.
- Market Airport Industrial Park.
- Continue to 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.

The Economic Development Office has an intergovernmental agreement (IGA) with Linn-Benton Community College's Small Business Development Center to leverage business assistance services for Benton County. The IGA calls for \$1,000/month in exchange for one-on-one advisory services to serve all businesses in Benton County. IGA goals are as follows:

Metrics	IGA Goals	Results June 2013 to March 2016
Total client advisory sessions	24-36/quarter	1390 (averaging 126 per quarter)
Long-term clients (5+ hours)	7-9 total	92
New business starts	2	16
Jobs created/retained	9	161
Capital infusion	\$300,000	\$1,479,732
Increased revenue	\$500,000	\$10,076,188
Training events held	3/quarter	65

The Economic Development Office (EDO) is partially funded with \$105,000 per year from Benton County through a three-year intergovernmental agreement (IGA) originally developed in 2012 for economic development services throughout Benton County, and extended until June 30, 2017. The EDO also received \$21,190 from Public Works (Airport Fund) in FY15-16 for Airport Industrial Park marketing. This amount is adjusted each December based on increases in the Consumer Price Index (CPI).



CITY MANAGERS OFFICE – BUDGET SUMMARY

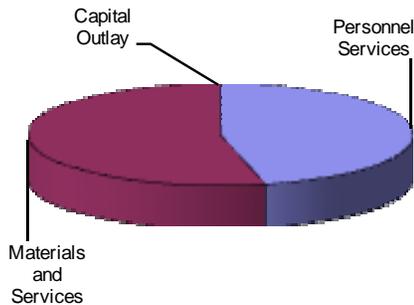
Employee wages and benefits represent slightly less than half, about 46%, of total CMO expenditures proposed for FY 16-17. Overhead costs such as utilities, supply costs such as paper for the document-intensive work of the department, and training and memberships to maintain professional knowledge for the legally constrained work areas of municipal governance, 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 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
Personnel Services^{1,2}	\$1,285,067	\$1,287,491	\$1,530,740	\$1,530,740	\$733,190	-52.10%
Materials and Services^{1,2}	1,935,641	1,400,252	1,687,360	1,687,360	852,910	-49.45%
Capital Outlay	0	0	0	0	0	0.00%
TOTAL	\$3,220,707	\$2,687,743	\$3,218,100	\$3,218,100	\$1,586,100	-50.71%
Staffing Levels	10.800	11.300	12.300	12.300	5.000	-59.35%

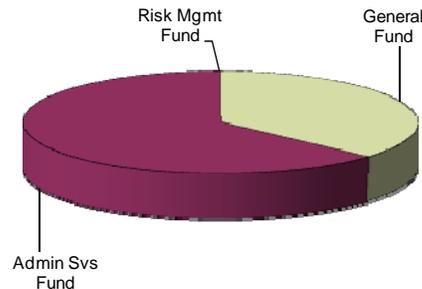
1) FY 15-16 includes \$190K in City Council-approved one-time General Fund monies for Council Goal work, while FY 16-17 includes a total of \$260K for Council Goals: \$130K to augment staff efforts toward goal completion; \$60K for the Vision/Action Plan Implementation; \$40K for the Housing Opportunities Action Council (HOAC) Homeless Plan; and \$30K for Council discretionary funds.

2) Human Resources was a division within the City Manager's Office prior to becoming its own Department in FY 16-17.

**FY 16-17 PROPOSED BUDGET
EXPENDITURES BY CATEGORY**



**FY 16-17 PROPOSED BUDGET
EXPENDITURES BY FUND**



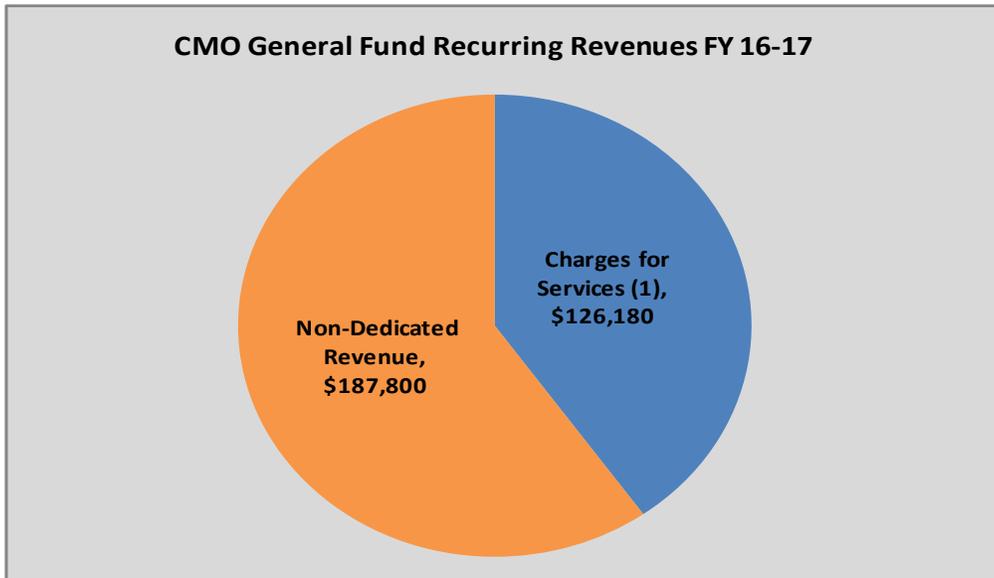
The City Manager's Office operates in the General and Administrative Services Funds as shown in the table below.

BUDGET BY FUND:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
General Fund^{1,2}	\$320,760	\$292,929	\$501,700	\$501,700	\$580,840	15.77%
Administrative Svs Fund³	1,674,539	2,066,320	2,359,880	2,359,880	1,005,260	-57.40%
Risk Mgmt Fund³	1,225,408	328,494	356,520	356,520	0	-100.00%
TOTAL	\$3,220,707	\$2,687,743	\$3,218,100	\$3,218,100	\$1,586,100	-50.71%

1) FY 15-16 includes \$190K in City Council-approved one-time General Fund monies for Council Goal work, while FY 16-17 includes a total of \$260K for Council Goals: \$130K to augment staff efforts toward goal completion; \$60K for the Vision/Action Plan Implementation; \$40K for the Housing Options Action Council (HOAC) Homeless Plan; and \$30K for Council discretionary funds.

2) Human Resources was a division within the City Manager's Office prior to becoming its own Department in FY 16-17.

Below is a depiction of CMO's General Fund recurring dedicated revenues along with its draw on property tax funding (non-dedicated revenues):



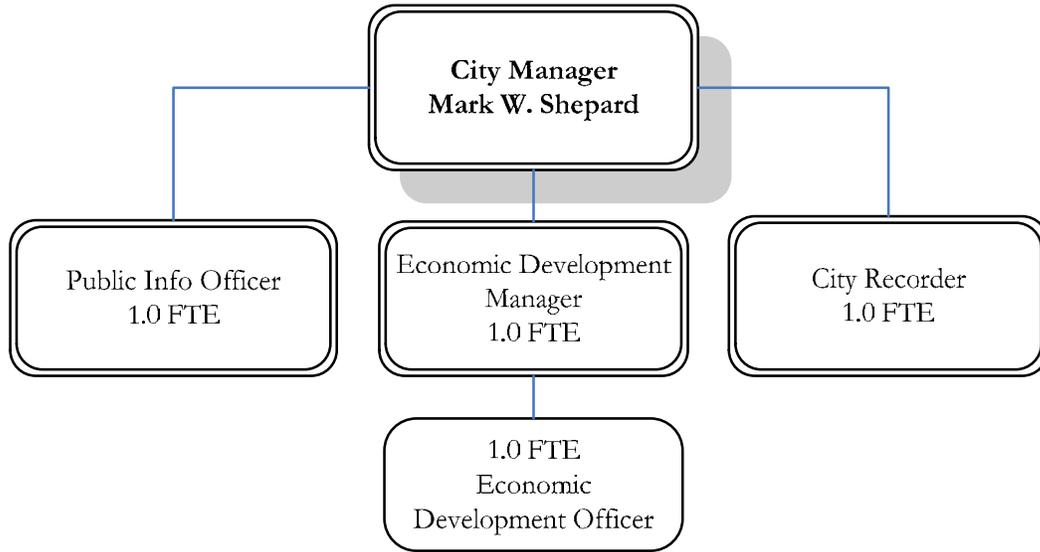
(1) Charges for Services include funding primarily from an intergovernmental agreement with Benton County, along with the support paid by the Airport Fund.

ADVISORY BOARDS & COMMISSIONS

The Economic Development Advisory Board (EDAB) advises Council in all matters pertaining to Economic Development, ensuring that Economic Development is a civic priority. The Board members, appointed by the Mayor and Benton County Commissioners, represent emerging technology and manufacturing, green/sustainable business, professional services, retail and general business, higher education, health care and the community at large. EDAB recommends general economic development policies, strategies, and programs; collaborates with governmental agencies, non-profits, and for-profit organizations to advance economic development; and recommends funding strategies.

The King Legacy Advisory Board (KLAB) exists to celebrate and promote the principles and legacy of Dr. Martin Luther King, Jr. with the goal of helping Corvallis become a more inclusive and just community. In addition to planning an annual Dr. Martin Luther King, Jr. memorial celebration, KLAB sponsors special events and activities throughout the year. Members, appointed by the Mayor, include a representative nominated by the Benton County Commissioners, Corvallis School District 509J, and a higher education institution. In Corvallis, KLAB promotes inclusion of diverse people and communities, pursues nonviolent solutions to economic and social injustices, and is an advocate to build a strong and diverse community. The City Manager's Office allocates \$10,000 annually to KLAB for events and activities. A separate \$1,000 college scholarship is provided for the annual essay contest winner.

CITY MANAGER'S OFFICE ORGANIZATION CHART



CITY MANAGER'S OFFICE STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 16-17 FTE	FY 15-16 FTE	FY 14-15 FTE
City Manager	Exempt	\$12,750	1	1.000	1.000	1.000
Human Resources Director ¹	Exempt	8,231 - 10,505	-	0.000	1.000	1.000
Economic Development Manager	Exempt	7,110 - 9,074	1	1.000	1.000	1.000
Project Manager ²	TBD	5,306 - 6,771	-	0.000	1.000	0.000
Public Information Officer	Exempt	5,306 - 6,771	1	1.000	1.000	1.000
City Recorder	Exempt	5,053 - 6,449	1	1.000	1.000	1.000
Senior Human Resources Analyst ^{1,3}	Exempt	5,053 - 6,449	-	0.000	1.000	0.000
Economic Development Officer	Exempt	4,812 - 6,142	1	1.000	1.000	1.000
Human Resources Analyst ^{1,3}	Exempt	4,812 - 6,142	-	0.000	1.800	2.800
Staff Assistant ¹	Exempt	3,771 - 4,812	-	0.000	1.000	1.000
City Manager's Office Support Specialist ⁴	Exempt	3,420 - 4,365	-	0.000	1.000	1.000
Human Resources Assistant ¹	Exempt	3,257 - 4,157	-	0.000	0.500	0.500
TOTAL			5	5.000	12.300	11.300

NOTE: Salary ranges reflect FY 15-16 Class and Compensation schedules.

1. In FY16-17 Human Resources separated from the City's Manager's Office and became its own department, housing the Personnel and Central Administrative Services divisions.
2. City Council authorized 1.0 FTE toward Council Goal work in FY15-16; however, this position will not be authorized going forward, as casual employees have been utilized as needed.

COMMUNITY DEVELOPMENT DEPARTMENT

MISSION STATEMENT

It is the mission of the Community Development (CD) 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

SUMMARY OF SERVICES

CD 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 & deliver financial assistance programs to lower-income residents by providing funding or supporting affordable housing, social services & 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, & fair housing issues and regulations.

Development Services

- ❖ Provide a 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.

SIGNIFICANT CHANGES TO OPERATIONS



The Retreat – Under construction

the City Hall block. This operating change has the impact of reducing personnel services costs in each budget, but increasing the administrative service charge portion of the department's internal service charges.

Given the arrival of a new Community Development Director in late FY 15-16, which followed the development of proposed budgets for FY 16-17, no other significant changes to operations are being considered at this time.

The three major funds in which the Community Development Department budgets (General, Development Services and Community Development Revolving) reflect an overall reduction in 4.0 FTE in FY 16-17. All four of the positions are administrative support positions. Two of the positions are being eliminated, and the other two are being transferred to the Human Resources Department to form a shared administrative function for the departments and work groups located in



The Retreat – Construction complete

COMMUNITY DEVELOPMENT PERFORMANCE MEASURES

The objectives listed below represent focus areas drawn from the Imagine Corvallis 2040 vision development process.

Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Innovate & Prosper (Technology /Innovation)	Percentage of electrical, mechanical and plumbing (EMP) permits issued online as a percentage of total EMP permits issued.	52%	55%	55%	60%
Create & Celebrate (History/Culture)	Number of Historic Preservation Permits issued.	23	27	20	20
Plan & Change (Housing)	Number of low income households assisted through housing development or rehabilitation programs.	75	44	35	40
Steward & Sustain (Sustainability /Community Safety)	Code compliance cases closed as a percentage of cases opened.	85%	82%	90%	90%

These performance measures are intended to align with four of the six current Imagine Corvallis 2040 focus areas. Because the IC2040 Vision and Action Plan have not been completed or adopted, and thus the focus areas are still subject to change, these measures may also change as needed in future budgets.



Julian Hotel Apartments Rehab

COMMUNITY DEVELOPMENT DEPARTMENT - BUDGET SUMMARY

Employee wages and benefits represent the largest departmental cost at 57% of total Community Development expenditures. Services costs include significant expenditures of federal funds for affordable housing investments. Overhead costs such as utilities, internal service charges, supply costs such as paper for the document-intensive work of the department, software licenses and maintenance, and training to maintain professional knowledge in a highly regulated field constitute nearly all of the remaining expenditures. Up to about 1% of the budget in any given year is spent on capital purchases primarily for vehicles and equipment.

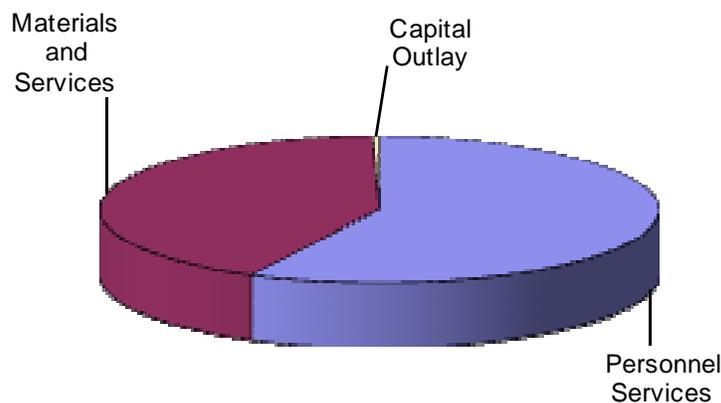
BUDGET BY CATEGORY:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
Personnel Services¹	\$3,684,072	\$3,878,031	\$4,363,890	\$3,936,480	\$4,129,870	-5.36%
Materials and Services	2,231,260	2,112,736	3,100,720	2,156,810	3,031,340	-2.24%
Capital Outlay	71,001	578	26,000	26,000	27,000	3.85%
TOTAL	\$5,986,333	\$5,991,345	\$7,490,610	\$6,119,290	\$7,188,210	-4.04%
Staffing Levels^{2,3}	37.250	41.750	40.750	40.750	36.750	-9.82%

1) FY 14-15, 15-16, and 16-17 budget includes additional 1.5 FTE supported by the 2013 Operating Levy.

2) The 1 FTE Information Systems Analyst added in FY 14-15 was budgeted in IT starting in FY 15-16 and work will be dedicated to Community Development for long-range strategic planning purposes.

3) FY 15-16 includes reduction of 4 FTE whereby 2 FTE are eliminated and 2 FTE are transferred into the new HR Central Admin group.

FY 16-17 PROPOSED BUDGET EXPENDITURES BY CATEGORY



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

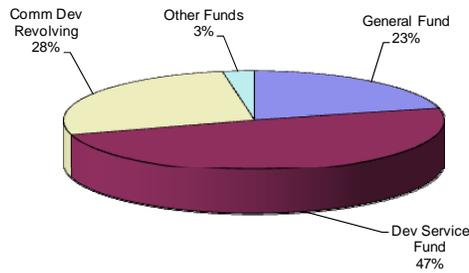
BUDGET BY FUND:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
General Fund ¹	\$1,236,566	\$1,403,358	\$1,686,300	\$1,675,980	\$1,529,730	-9.28%
Street Fund	18,469	15,745	20,570	20,570	22,310	8.46%
Dev Service Fund ²	2,730,050	2,796,375	3,514,450	3,205,620	3,530,220	0.45%
Comm Dev Revolving ³	1,834,206	1,619,308	2,103,780	1,051,610	1,936,100	-7.97%
Parking Fund	3,976	3,432	3,990	3,990	3,650	-8.52%
Water Fund	55,589	52,332	54,810	54,810	56,600	3.27%
Wastewater Fund	53,359	50,052	52,880	52,880	54,330	2.74%
Storm Water Fund	54,117	50,744	53,830	53,830	55,270	2.68%
TOTAL	\$5,986,333	\$5,991,345	\$7,490,610	\$6,119,290	\$7,188,210	-4.04%

1) For FY 14-15, 15-16, and 16-17 the budget includes an additional 1.50 FTE supported by the 2013 Operating Levy.

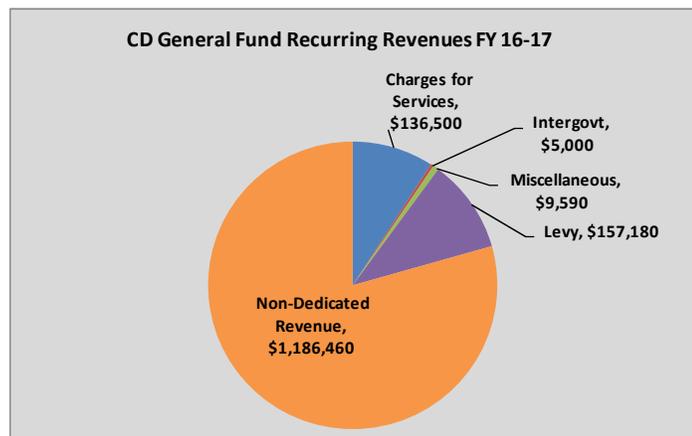
2) The Development Services Fund includes funding for some positions that have remained vacant in FY 15-16 until the new CD Director starts to assess workload management. These positions include an Assistant Building Official, Plumbing Inspector, and Project Coordinator.

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

FY 16-17 PROPOSED BUDGET EXPENDITURES BY FUND



Below is a depiction of CD's General fund recurring dedicated revenues along with its draw on property tax funding (non-dedicated revenues).



Administration

At the beginning of FY 16-17 Community Development Administration will consist of 1.5 FTE - the Community Development Director and a half-time Management Assistant. The Management Assistant position will be eliminated in January 2017. The Community Development Director position is supported primarily by the General Fund, but also receives support from the Development Services Fund, CD Revolving Fund, and City utility funds.

Planning

The Planning Division consists of 7.0 FTE in FY 15-16, of which 6.0 FTE are budgeted for FY 16-17. This is because the Senior Administrative Specialist position is being transferred to the Human Resources Department, to be included as part of the shared administrative function for the departments and work groups located in the City Hall block. The Planning Division is supported primarily by the General Fund, but receives additional funding for a dedicated long range planning position from the voter-approved 2013 Five-Year Operating Levy, as well as a small grant from the State Historic Preservation Office (SHPO).



Pastega Cancer Center

Planning Division revenues come from three sources and are projected as follows for FY 16-17: the Five-Year Operating Levy (\$112,430), land use application fees (\$136,500), and annual grants from SHPO (\$5,000). Revenues from land use application fees have fluctuated significantly in past years, and are difficult to predict for upcoming years. SHPO grant dollars must be used for historic preservation-related work, and levy funding is dedicated to support a dedicated long range planning position. Land use application fees are not dedicated for a particular purpose, but are placed in the General Fund. Per State law, land use application fees may not exceed the “actual or average cost” of processing land use applications.

Development Services

Development Services administers building safety and permitting services through operation of a one-stop permit center. The one-stop permit center includes plan review, permitting, and inspections of multiple disciplines including all State adopted building safety codes, land use and zoning, civil/site review, erosion control, and code compliance activities. The current staffing level authorized and allocated to DS is 24.05 FTE.

The Division continues to fully implement the DS Service Enhancement Package. Most recently DS completed work to release an entirely online permit process available to all projects through www.CorvallisPermits.com. This includes online application, electronic document submittal and plan review, online payment, online inspection requests, and emailed inspection notices.

Another feature of the package was to reorganize the Division and cross-train staff so that plans examiners could perform inspections and keep projects moving when changes to the approved plans occurred in the field. The Division has 22 staff who are professionally certified. Most staff members are cross-trained and possess multiple certifications bringing the number of certifications in DS to 163. This is an increase from 2011 when staff had 116 certifications. This change allows the Division to remain nimble despite workloads that continually fluctuate. It also allows one inspector to conduct several inspections that involve multiple disciplines such as final inspections involving plumbing, electrical, mechanical and structural installations.



Storm water detention pond at Oakmont Sub-Division

In 2014 Community Development overhauled the Department's code compliance program, assigning dedicated building safety inspection staff to Development Services and Livability Code compliance to Housing and Neighborhood Services. DS has developed a new program guide, and now focuses on gaining compliance for work without a permit, illegal occupancy, dangerous building code, and land use violations. In the 16 months since rolling out the new program the backlog of open cases has been reduced by 70%. In addition, only 11 open

cases are from 2015 and 7 are from 2016. By instituting these positive changes staff is now better able to keep on top of new cases.

Housing and Neighborhood Services

In FY 16-17 the Housing and Neighborhood Services Division will consist of 5.0 FTE of which 4.5 FTE are budgeted for FY 16-17. That number reflects a 1.0 FTE reduction from FY 15-16 that results from the shift of a Senior Administrative Specialist position from the Division to the Human Resources Department.

The Division is supported primarily by the CD Revolving Fund, into which federal Community Development Block Grant and HOME Investment Partnerships program funds are received, and from which those resources are expended to support low income housing, community development and social service activities. The CD Revolving Fund also houses the budget for the City's Rental Housing Program, which provides education, information and referral services for landlords, tenants and community members.



Alexander project complete

Housing and Neighborhood Services also delivers the City's livability code compliance program. Funding for this program is based in the General Fund and includes 2013 Levy funding to support a 0.5 FTE Code Compliance Specialist position. The program provides both community engagement and education related to livability and code compliance, and an enforcement element to ensure compliance with the Corvallis Livability Code, Land Development Code and Municipal Code.

ADVISORY BOARDS & COMMISSIONS

Community Development (CD) provides staff support to six Advisory 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. Those Boards and Commissions are the Planning Commission, Land Development Hearings Board, Historic Resources Commission, Downtown Advisory Board, Housing and Community Development Advisory Board, and the Board of Appeals. In addition, Community Development staff are providing support to the Imagine Corvallis 2040 Steering Committee and to the Housing Development Task Force, to facilitate progress on these City Council Goals.

The Planning Commission reviews and the City Council approves the Planning Division's Work Program every two years, concurrent with City Council terms. Staff continues to consider ways to reduce staff and Planning Commission time on reviews of land use applications so that more attention may be directed toward community planning and support of other advisory groups such as the Historic Resources Commission and the Downtown Advisory Board.

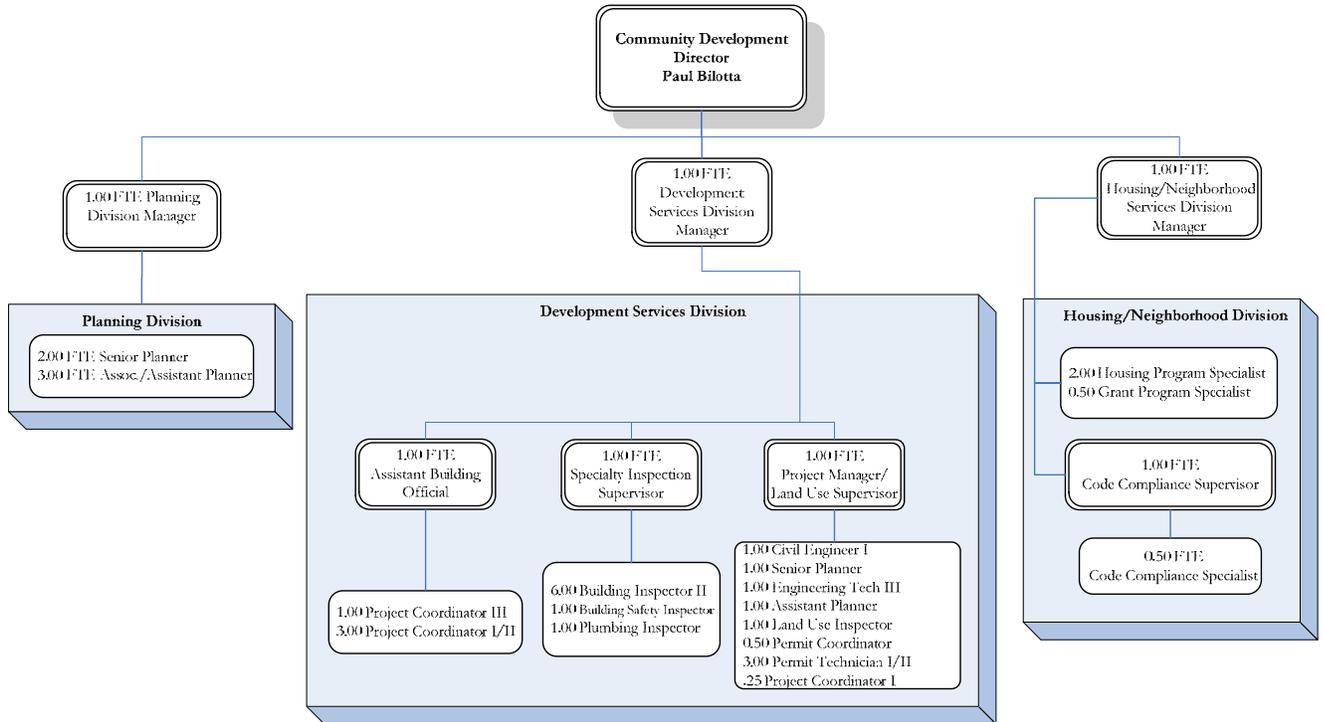
During FY 16-17 a Historic Preservation Plan will be completed, and will be used going forward to guide the work of Planning staff and the Historic Resources Commission as they identify, evaluate and look to preserve the City's historic resources.

The Housing and Community Development Advisory Board develops annual plans for the allocation of federal funds received to support affordable housing and other community development activities in support of people with low incomes. The Board's recommended allocation plans are provided for City Council consideration each spring.



Pickford Leonard Painting

COMMUNITY DEVELOPMENT DEPARTMENT ORGANIZATION CHART



OSU Classroom

COMMUNITY DEVELOPMENT DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 16-17 FTE	FY 15-16 FTE	FY 14-15 FTE
Community Development Director	Exempt	\$8,642 - 11,030	1	1.000	1.000	1.000
Development Services Manager	Exempt	6,771 - 8,642	1	1.000	1.000	1.000
Housing/Neighborhood Services Manager	Exempt	6,771 - 8,642	1	1.000	1.000	1.000
Planning Division Manager	Exempt	6,771 - 8,642	1	1.000	1.000	1.000
Assistant Building Official (ABO)	Exempt	6,142 - 7,839	1	1.000	1.000	1.000
Project Manager/Land Use Supervisor	Exempt	6,142 - 7,839	1	1.000	1.000	1.000
Specialty Inspection Supervisor	Exempt	5,849 - 7,466	1	1.000	1.000	1.000
Project Leadworker/Project Coordinator III	AFSCME	5,387 - 6,875	1	1.000	1.000	1.000
Senior Planner ¹	AFSCME	5,387 - 6,875	3	3.000	3.000	0.000
Code Compliance Supervisor	Exempt	5,053 - 6,449	1	1.000	1.000	1.000
Civil Engineer I	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000
Building Inspector II	AFSCME	4,620 - 5,897	6	6.000	6.000	6.000
Information Systems Analyst ²	AFSCME	4,620 - 5,897	-	0.000	0.000	1.000
Plumbing Inspector	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Management Assistant ³	Exempt	4,583 - 5,849	-	0.000	1.000	1.000
Project Coordinator (I or II) ¹	AFSCME	4,277 - 6,366	3	3.250	3.250	4.250
Building Safety Inspector ¹	AFSCME	4,277 - 5,458	1	1.000	1.000	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
Associate/Assistant Planner ¹	AFSCME	3,963 - 6,366	4	4.000	4.000	6.000
Engineering Technician III ¹	AFSCME	3,963 - 5,058	1	1.000	1.000	2.000
Code Compliance Specialist	AFSCME	3,963 - 5,058	1	0.500	0.500	0.500
Grant Program Specialist ⁴	AFSCME	3,963 - 5,058	-	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	3.000
Senior Administrative Specialist	AFSCME	3,416 - 4,360	-	0.000	3.000	3.000
TOTAL			37	36.750	40.750	41.750

NOTE: Salary ranges reflect FY 15-16 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. Based on long-range strategic planning purposes of centralized IT, the 1 FTE Information Systems Analyst is budgeted in IT as of FY 15-16, but work will be dedicated to Community Development.
3. To support cost saving efforts and improve efficiencies, the Management Assistant position is proposed to be eliminated in FY 16-17.
4. To support achieving a sustainable budget in the CD Revolving Fund, the 0.50 FTE Grant Program Specialist remains authorized, but unfunded in FY 16-17.



FINANCE DEPARTMENT

MISSION STATEMENT

Corvallis Municipal Court is committed to serving all citizens in a courteous, efficient and professional manner and to ensuring that each person accused of a violation, infraction or crime be provided a fair and timely resolution consistent with due process and equality under the law.

Financial Services facilitates informed decision making for the City Council and the organization to improve the City's financial strength and viability for current and future generations, and to provide optimal financial services to a wide range of constituents including the City Council, community members, taxpayers, businesses, agencies and employees of the City. Finance Department staff is committed to best practices that provide for timely, accurate, clear and complete information, and ensures that the City's financial resources are collected, protected, invested and distributed in a fiscally responsible manner.

SUMMARY OF SERVICES

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.



Financial Management

- ❖ 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.

SIGNIFICANT CHANGES TO OPERATIONS

The Finance Department has undergone a significant reorganization for FY 16-17. Highlights include:

- The Management Information Services Division has been separated from the Finance Department and is budgeted as the new Information Technology (IT) Department.
- The Customer Services/Risk Manager position has been eliminated.
- A 0.50 FTE position in Finance Services has been eliminated.
- A .75 FTE Finance Support Specialist position is being transferred to the Human Resources Department to form a shared administrative function for the departments and work groups located in the City Hall block.
- The efficiencies anticipated to occur as the result of the move to electronic citations have led to a reduced work load at Municipal Court. As a result, a 0.50 FTE position in Municipal Court that had been left as authorized but unfilled has been eliminated.



FINANCE PERFORMANCE MEASURES

Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Ensure the City maintains the ability to meet its long-term financial objectives.	Maintain or improve the City's Moody's bond rating for GO/LTGO debt (annual)	Aa2/Aa3 Negative Outlook	Aa2/Aa3	Aa2/Aa3	Aa2/Aa3
	Governmental Funds inflow equals or exceeds outflow (annual)	1.09	1.27	1.30	1.30
	Change in Net Position for Governmental Funds improves (annual).	4.02%	12.07%	15.00%	20.00%
	Charge for Service revenue covers operating expenditures for Business-Type Activities; balances available for capital spending (annual).	1.06	1.22	1.30	1.40
Focus resources on direct services to the community.	Maintain general overhead costs for the City Manager's Office, Human Resources, and Finance at less than 7% of the total operating expenses.	5.50%	5.85%	7.00%	7.00%
Reduce the use of paper	Ratio of City Services customers who receive ebills instead of paper bills.	N/A	N/A	20%	30%

FINANCE DEPARTMENT – BUDGET SUMMARY

Overhead costs such as utilities, insurance premiums, merchant card and bank fees, 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 represent the largest cost at 52% of total Finance Department expenditures, while employee wages represent the second largest cost at 47%. Insurance rates and bank transaction fees from credit card use continue to increase significantly each year. Less than 1% of the budget in any given year is spent on capital purchases primarily for vehicles and equipment. For FY 16-17 the Department will use vehicle/equipment reserves to replace one of the Customer Services Field Specialist's trucks.

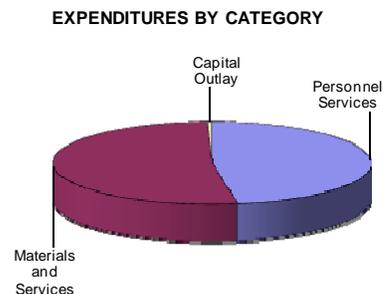
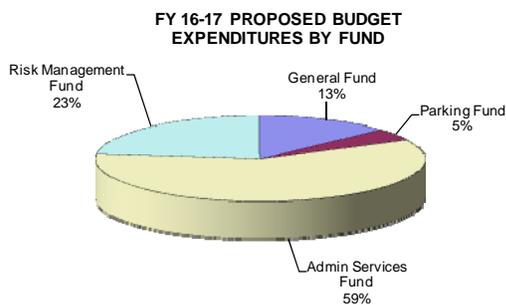
BUDGET BY CATEGORY:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2013-14	2014-15	2015-16	2015-16	2016-17	FROM 15-16 BUDGET
Personnel Services¹	\$3,181,241	\$2,995,145	\$3,471,320	\$3,471,320	\$2,133,900	-38.53%
Materials and Services	1,542,759	2,428,874	2,881,770	2,509,030	2,341,130	-18.76%
Capital Outlay	15,927	75,987	55,000	55,000	20,290	-63.11%
TOTAL	\$4,739,926	\$5,500,005	\$6,408,090	\$6,035,350	\$4,495,320	-29.85%
Staffing Levels¹	31.750	32.750	33.750	33.750	20.000	-40.74%

(1) In FY 16-17 the MIS Division is moving out of the Finance Department into a new IT Department. Additionally, a Risk/Customer Service Manager, Accounting Specialist, and Court Clerk have been eliminated, and a Finance Support Specialist has been moved to the new HR Central Admin group.

The Finance Department operates in the General, Parking, Administrative Services, and Risk Management Funds as shown below. Prior to FY 16-17 Finance also operated in the Technology & Communication Fund, however the Management Information Services (MIS) division has moved out of the Finance Department into a new IT Department effective FY 16-17.

BUDGET BY FUND:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2013-14	2014-15	2015-16	2015-16	2016-17	FROM 15-16 BUDGET
General Fund	\$615,548	\$567,681	\$678,050	\$618,050	\$592,110	-12.67%
Parking Fund	221,142	232,326	193,990	193,990	202,990	4.64%
Tech & Commun. Fund¹	1,396,771	1,297,117	1,682,500	1,682,500	0	-100.00%
Admin Services Fund	2,506,465	2,472,404	2,858,790	2,648,790	2,660,510	-6.94%
Risk Management Fund	0	930,478	994,760	892,020	1,039,710	4.52%
TOTAL	\$4,739,926	\$5,500,005	\$6,408,090	\$6,035,350	\$4,495,320	-29.85%

1) MIS is in the Tech & Communications Fund and was a division within the Finance Department prior to FY 16-17; MIS is the IT department starting in FY 16-17.



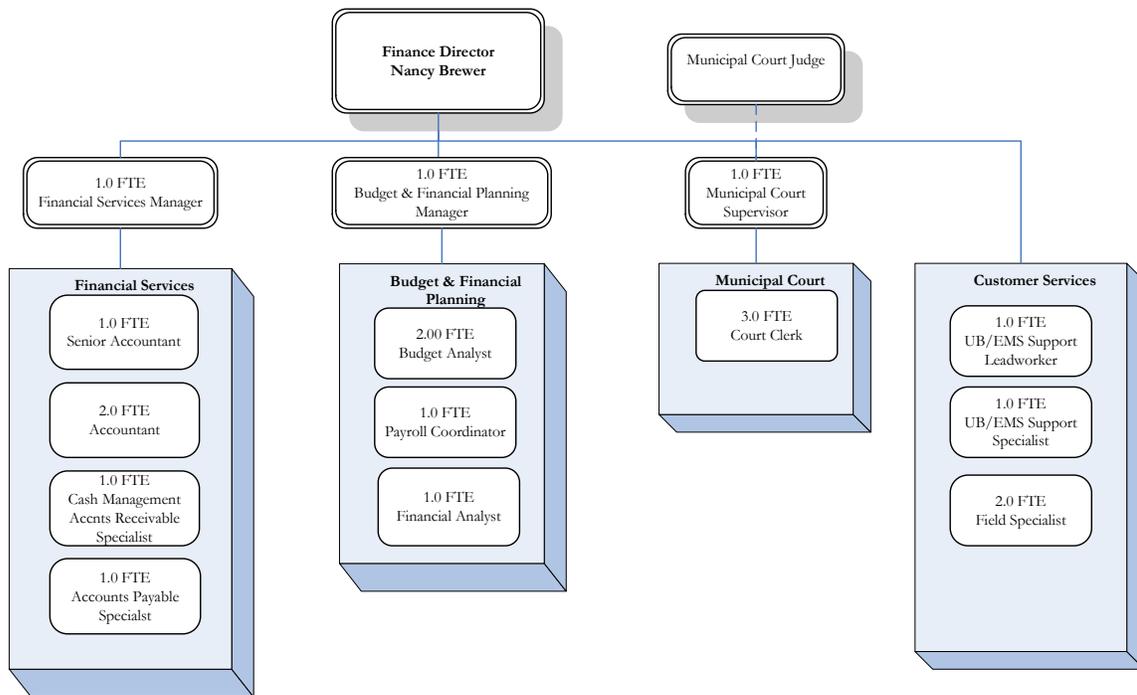
Revenue collected at Municipal Court is treated as non-dedicated revenue in the General and Parking Funds. As a result, the Municipal Court operations have only a small amount of dedicated revenue, around \$200 per year, for copies of Court records.

ADVISORY BOARDS & COMMISSIONS

The Finance Department provides support for the Budget Commission to complete its organization-wide, state-imposed, mandate. Otherwise, the department does not have any advisory board or commission that has responsibility for the department's budget oversight.

For FY 16-17, the Finance Department will continue to provide support to the Sustainable Budget Task Force (SBTF), which is a body that has been charged with implementing the organization-wide Council Goal for a sustainable budget.

FINANCE DEPARTMENT ORGANIZATION CHART



FINANCE DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 16-17 FTE	FY 15-16 FTE	FY 14-15 FTE
Finance Director	Exempt	\$8,642 - 11,030	1	1.000	1.000	1.000
IT Manager ¹	Exempt	7,110 - 9,074	-	0.000	1.000	1.000
Budget & Financial Planning Manager	Exempt	6,771 - 8,642	1	1.000	1.000	1.000
Financial Services Manager	Exempt	6,771 - 8,642	1	1.000	1.000	1.000
Risk/Customer Service Manager ²	Exempt	5,571 - 7,110	-	0.000	1.000	1.000
FIS Administrator/Analyst ¹	AFSCME	4,988 - 6,366	-	0.000	1.000	1.000
Network Administrator ¹	AFSCME	4,988 - 6,366	-	0.000	1.000	1.000
Budget Analyst ³	Exempt	4,812 - 6,142	2	2.000	2.000	1.750
Court Supervisor	Exempt	4,812 - 6,142	1	1.000	1.000	1.000
Information Systems Analyst ¹	AFSCME	4,620 - 5,897	-	0.000	3.000	1.000
Senior Accountant	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
System Administrator I ¹	AFSCME	4,620 - 5,897	-	0.000	4.000	4.000
Webmaster/Information System Analyst ¹	AFSCME	4,620 - 5,897	-	0.000	1.000	1.000
Accountant	AFSCME	3,963 - 5,058	2	2.000	2.000	2.000
Utility Billing/EMS Support Leadworker ³	AFSCME	3,963 - 5,058	1	1.000	0.000	0.000
Payroll Coordinator	Exempt	3,959 - 5,053	1	1.000	1.000	1.000
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 ³	AFSCME	3,676 - 4,691	-	0.000	1.000	1.000
Cash Management/Accounts Receivable Specialist ³	AFSCME	3,187 - 4,068	1	1.000	0.000	0.000
Utility Billing/EMS Support Specialist ³	AFSCME	3,187 - 4,068	1	1.000	0.000	0.000
Court Clerk ²	AFSCME	3,048 - 3,890	3	3.000	3.500	4.500
Accounts Payable Specialist ³	AFSCME	3,048 - 3,890	1	1.000	0.000	0.000
Finance Support Specialist ^{2,3}	AFSCME	3,048 - 3,890	-	0.000	0.000	0.000
Accounting Specialist ^{2,3}	AFSCME	2,784 - 3,554	-	0.000	3.500	3.500
Administrative Specialist ³	AFSCME	2,784 - 3,554	-	0.000	0.750	1.000
TOTAL			20	20.000	33.750	32.750

NOTE: Salary ranges reflect FY 15-16 Class and Compensation schedules.

- For FY 16-17 all MIS staff are moving into their own IT Department.
- For cost savings the Risk/Customer Service Manager, .50 FTE Accounting Specialist, and .50 FTE Court Clerk positions are proposed to be eliminated in FY 16-17 and the .75 FTE Finance Support Specialist will move to the new HR Central Admin department.
- Several positions were re-classified as follows: The Utility Billing Leadworker to the Utility Billing/EMS Support Leadworker; Accounting Specialist to Utility Billing/EMS Support Specialist; Accounting Specialist to Cash Management/Accounts Receivable Specialist; Accounting Specialist to Accounts Payable Specialist; and Administrative Specialist to Finance Support Specialist.



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.

SUMMARY OF SERVICES

The Fire Department has three high priority areas of focus: Prevention, Readiness, and Response. The 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. As such, the department may be faced with unfunding any vacant positions in the new fiscal year in order to accommodate any significant expenditure increases. The FY 16-17 Proposed Budget for the Fire Department will allow continued response at a reduced service level.

PREVENTION:

- Fire Prevention activities seek to bolster economic development and business continuity through predevelopment plan review and providing 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 (equivalent to approximately 0.34 FTE) 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.

READINESS:

- Emergency Management Planning activities include planning efforts at the local, regional, and state level (e.g., The Emergency Operations Plan, Continuity of Operations Plan, Natural Hazards Mitigation Plan, Community Wildfire Protection Plan, and Vulnerable Populations Plan).
- 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.



Learning the Steps for Decontamination

RESPONSE:

• 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 7,500 calls for service in 2015. This is an increase of 5.6% over the previous calendar year.



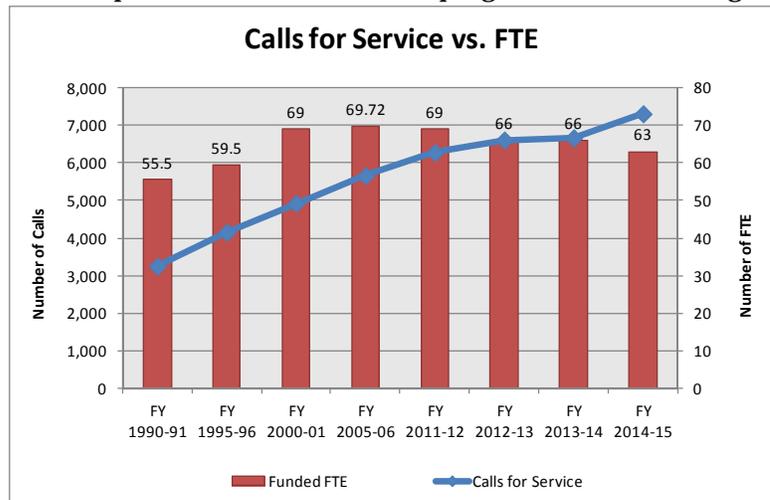
• The Fire Department provides Advance Life Support transport service to Ambulance Service Areas in Linn and Benton counties. The service area is roughly 765 square miles and has a population of over 90,000. In 2015, the Fire Department responded to approximately 5,000 EMS calls. This is an increase of 4.2% compared to the previous calendar year.

- The volunteer program routinely contributes in excess of 45,000 hours to the community annually (equivalent to approximately 15.45 FTE).
- The Fire Department, along with the Albany Fire Department and Lebanon Fire District, provide contracted hazardous materials response for the OSFM region #5.

SIGNIFICANT CHANGES TO OPERATIONS

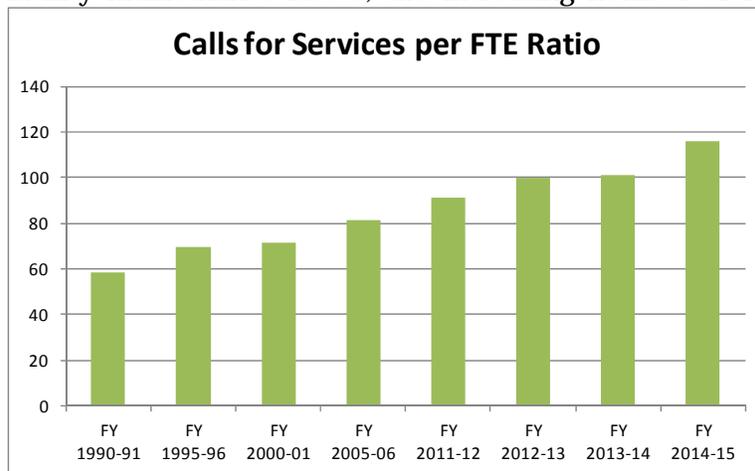
The Fire Department has been focused on the Council goal of a sustainable budget. Considerable thought was given to its expenditure limit in developing the FY 16-17 budget. While currently delivered levels of service are able to be maintained for yet another year, the current model is not sustainable over time due to a growing number of increased calls for service from the communities we serve.

The Fire Department continues to experience increasing calls for service, averaging 6.7% in annual growth since FY 11-12. Call volume has more than doubled



in total over the last 25 years, yet funded FTE has only increased by 19% over that time. The two charts provided in this section help illustrate these conditions.

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 may lead to further reductions in staffing and most likely a reduction in the Department's Insurance Services Office (ISO) rating.

ISO evaluates fire departments and classifies them with a numerical rating on a scale of 1-10; 1 representing the best and 10 for no fire protection. Some insurance companies use this when setting rates for property insurance coverage. Corvallis is currently rated a 3. If our rating were to be reduced, property owners might see an increase in their cost of insurance. This system does not

factor in a community's Fire Loss "experience". Corvallis routinely experiences a lower than national or regional average fire loss. Further issues affecting department operations:

- 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. There are currently seven probationary firefighter/EMT's. They should complete their probationary year in September 2016. Staff anticipates beginning the fiscal year with eight vacant positions due to some existing vacancies, coupled with upcoming resignations and retirements. Staff expects to conduct a recruitment during the summer and start another probationary firefighter academy in the fall. Staff expects these new employees will be transitioned from their academy to their assigned companies just before Thanksgiving. This cycle of fall hiring will likely be repeated the following fiscal year.
- The non-personnel services portion of the budget (excluding internal service charges (ISC) and contributions to reserves) is approximately 10.5% of the total allocation and offers no relief to ISC or personnel services cost increases; 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.

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 PERFORMANCE MEASURES

Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Achieve a response time of 5 minutes or less from dispatch to arrival on Code 3 fire calls within the city, greater than our comparators' average of 70%.	Percentage of total fire calls with a response time of 5 minutes or less from dispatch to arrival within city limits.	51.7%	59.7%	>70.0%	>70%
Achieve a response time of 5 minutes or less from dispatch to arrival of ALS equipment on Code 3 EMS calls within the city limits, greater than the 45% ASA contract target.	Percentage of EMS calls with a response time of 5 minutes or less from dispatch to arrival within city limits.	56.9%	48.2%	46%	60%

Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Maintain false alarm rate due to system malfunction at or below the 32.3% level reported by NFPA.	False alarms due to system malfunction as a percentage of total false alarms.	28.0%	26.9%	<32.3%	<32.3%
Interact with at least 10% of residents (city and rural district) in public education events annually.	Percentage of citizens attending public education events ¹ .	6.8%	5.9%	≥10%	≥10%
Maintain average loss per capita within city & district limits less than the regional average of \$34.40.	Maintain average loss per capita within city & district limits less than national average ¹ .	\$5.67	\$12.94	<\$34.40	<\$34.40
Maintain the number of reported residential structure fires within city limits at less than the national average of 68 for similar-sized communities.	Number of residential structure fires within city limits.	59	34	<68	<68

FIRE DEPARTMENT – BUDGET SUMMARY

Employee wages and benefits represent the largest cost at 71% of the Fire Department’s total FY 16-17 proposed budget. Non-Personnel Services, including Internal Service Charges, represent 17%, while capital vehicle and equipment purchases make up the remaining 12%. Approximately 34% 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.

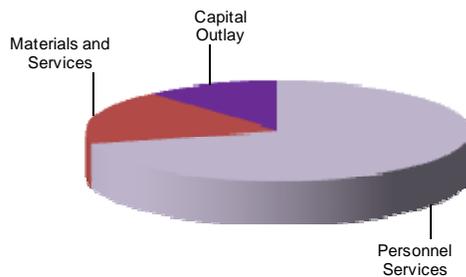
¹ Based on City/District combined population of 68,960.

BUDGET BY CATEGORY:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2013-14	2014-15	2015-16	2015-16	2016-17	FROM 15-16 BUDGET
Personnel Services	\$8,373,158	\$8,286,137	\$8,878,510	\$8,878,510	\$9,250,380	4.19%
Materials and Services	1,917,456	1,850,269	2,353,670	2,198,600	2,271,760	-3.48%
Capital Outlay¹	151,115	641,146	482,240	150,000	1,498,040	210.64%
TOTAL	\$10,441,729	\$10,777,552	\$11,714,420	\$11,227,110	\$13,020,180	11.15%
Staffing Levels²	66.000	66.000	66.000	66.000	68.000	3.03%

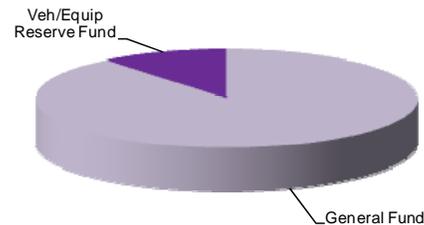
1) The Fire Department has several capital vehicle and equipment replacements planned for FY 16-17: self contained breathing apparatus, an engine, and two medic units.

2) The City Manager approved an additional 2 FTE to help ease department turnover due to a significant number of upcoming retirements in the near future.

FY 16-17 PROPOSED BUDGET EXPENDITURES BY CATEGORY



FY 16-17 PROPOSED BUDGET EXPENDITURES BY FUND

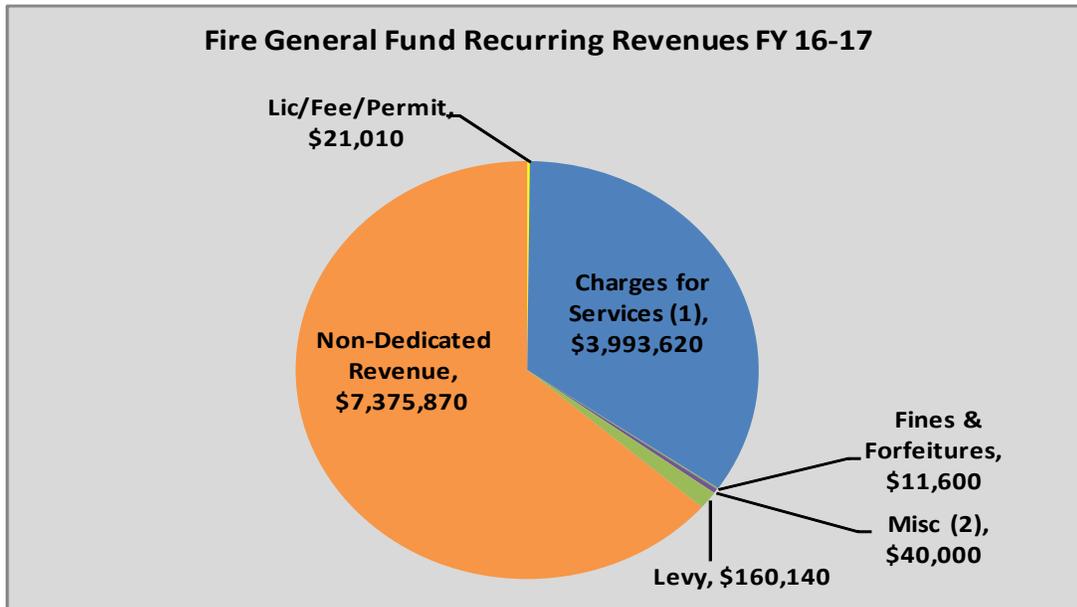


As of FY 16-17, the Fire Department operates in the General and Vehicle/Equipment Reserve Funds as shown below:

BUDGET BY FUND:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2013-14	2014-15	2015-16	2015-16	2016-17	FROM 15-16 BUDGET
General Fund	\$10,441,729	\$10,777,552	\$11,714,420	\$11,227,110	\$11,604,180	-0.94%
Vehicle/Equipment Reserve Fund¹	0	0	0	0	1,416,000	0.00%
TOTAL	\$10,441,729	\$10,777,552	\$11,714,420	\$11,227,110	\$13,020,180	11.15%

1) The Vehicle/Equipment Reserve Fund was established in FY 16-17, and houses all of Fire's assigned vehicle and equipment reserves that were formerly part of the General Fund. The Fire Department has several capital vehicle and equipment replacements planned for FY 16-17: self contained breathing apparatus, an engine, and two medic units.

Below is a depiction of Fire's General Fund recurring dedicated revenues along with its draw on property tax funding (non-dedicated revenues):

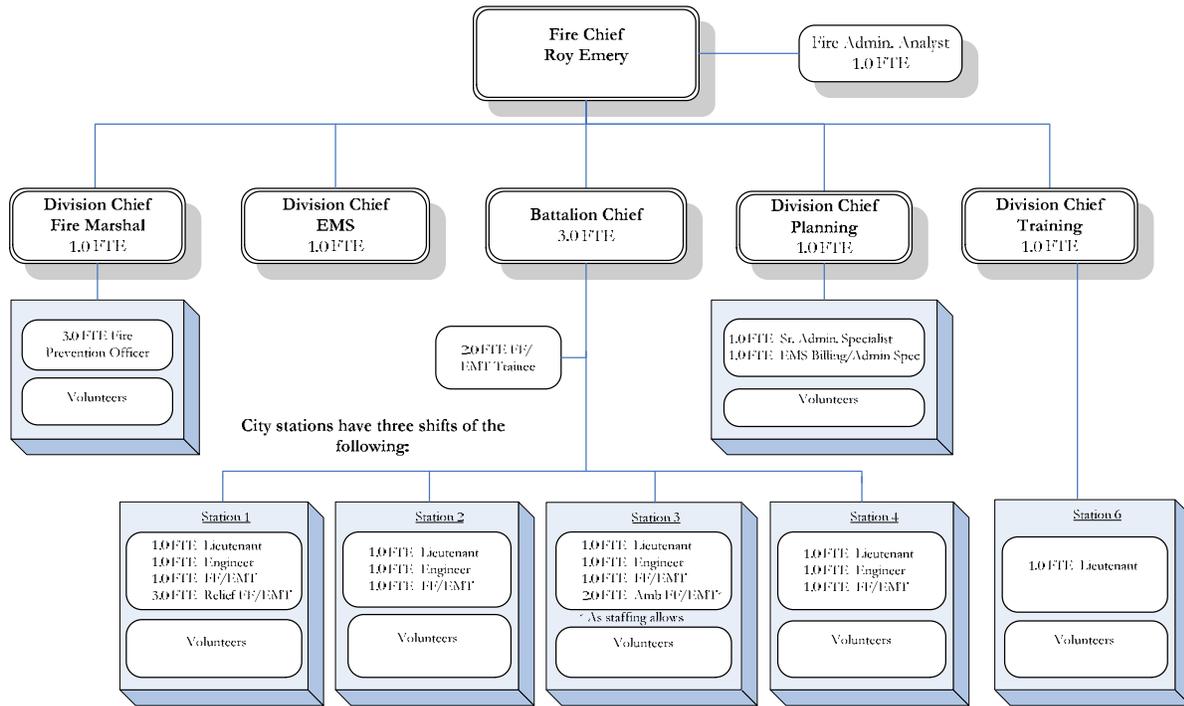


(1) The two largest revenues in this category are from the Corvallis Rural Fire Protection District (CRFPD) and ambulance services.

(2) Miscellaneous revenues are mostly made up of bad debts collected on delinquent ambulance billing accounts.



FIRE DEPARTMENT ORGANIZATION CHART



FIRE DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 16-17 FTE	FY 15-16 FTE	FY 14-15 FTE
Fire Chief	Exempt	\$8,642 - 11,030	1	1.000	1.000	1.000
Division Chief/Battalion Chief	Exempt	7,110 - 9,074	7	7.000	7.000	7.000
Lieutenant	IAFF	5,299 - 7,435	13	13.000	13.000	13.000
Fire Prevention Officer	IAFF	5,233 - 6,840	3	3.000	3.000	3.000
Fire Engineer	IAFF	4,907 - 6,885	12	12.000	12.000	12.000
Firefighter - Emergency Medical Technician (EMT)	IAFF	4,564 - 6,403	27	27.000	27.000	27.000
Firefighter - Emergency Medical Technician (EMT) Trainee ¹	IAFF	4,564 - 6,403	2	2.000	0.000	0.000
Fire Administrative Analyst	Exempt	3,771 - 4,812	1	1.000	1.000	1.000
Senior Administrative Specialist	AFSCME	3,416 - 4,360	1	1.000	1.000	1.000
EMS Billing/Admin Support Specialist	AFSCME	3,048 - 4,360	1	1.000	1.000	1.000
TOTAL			68	68.000	66.000	66.000

NOTE: Salary ranges reflect FY 15-16 Class and Compensation schedules.

- The City Manager has approved the addition of 2 FTE to help ease the burden of department turnover due to the significant number of retirement eligible employees that the department currently has.

HUMAN RESOURCES DEPARTMENT

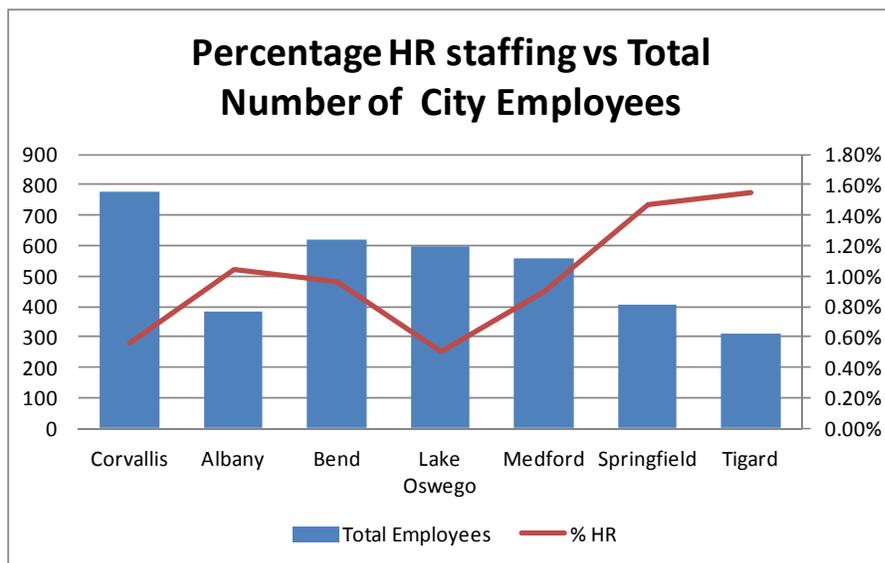
MISSION STATEMENT

The mission of Human Resources (HR) is to partner with City departments to recruit, develop, and retain a high quality workforce that is committed to excellence in public service. The Human Resources team strives to deliver quality customer service and be a professional resource for managers and employees. Providing quality human resource support can increase employee effectiveness and efficiency and reduce risks and costs associated with personnel management.

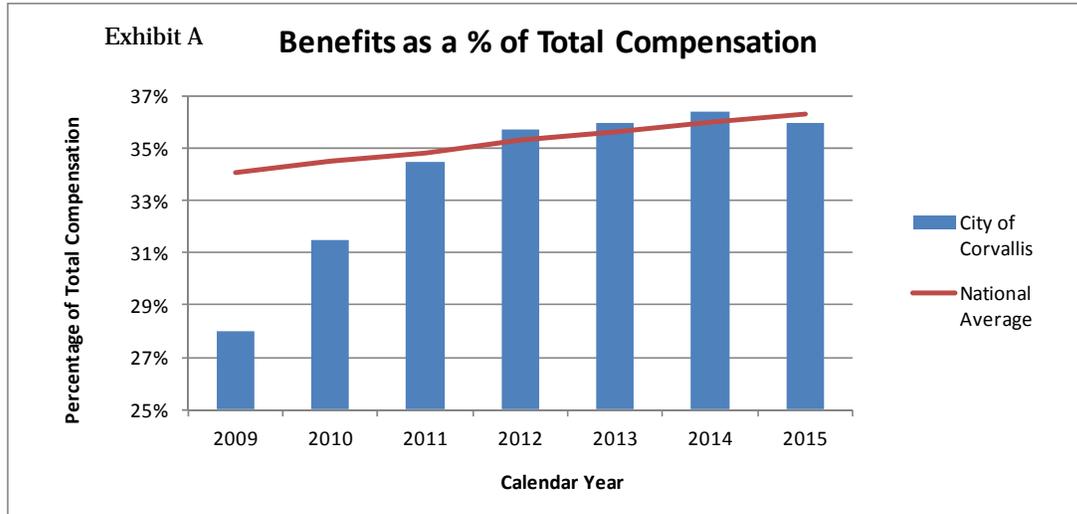
The Central Administrative Services Division was created to bring administrative support functions for City Hall and surrounding locations under one division. The intention behind the reorganization is to streamline the number of support staff needed by looking for operational efficiencies and breaking down organizational silos.

SUMMARY OF SERVICES

- Recruitment and retention
- Employee relations
- Benefits and wellness
- Staff training and development
- Affirmative action
- Workers' compensation and safety programs to minimize related risk and costs
- Labor relations
- Performance management
- Personnel records
- Compensation
- Required state and federal reporting
- Centralized administrative services for City Hall and surrounding locations



Human Resources was successful in moving City bargaining units and exempt staff from higher cost insurance plans to a High Deductible Health Plan. Compared to previous health care plans, this effort was estimated to save the City \$872,570 during FY 2015-16. For the 2016-17 budget year, we are anticipating a double-digit increase for healthcare based on current utilization trending.

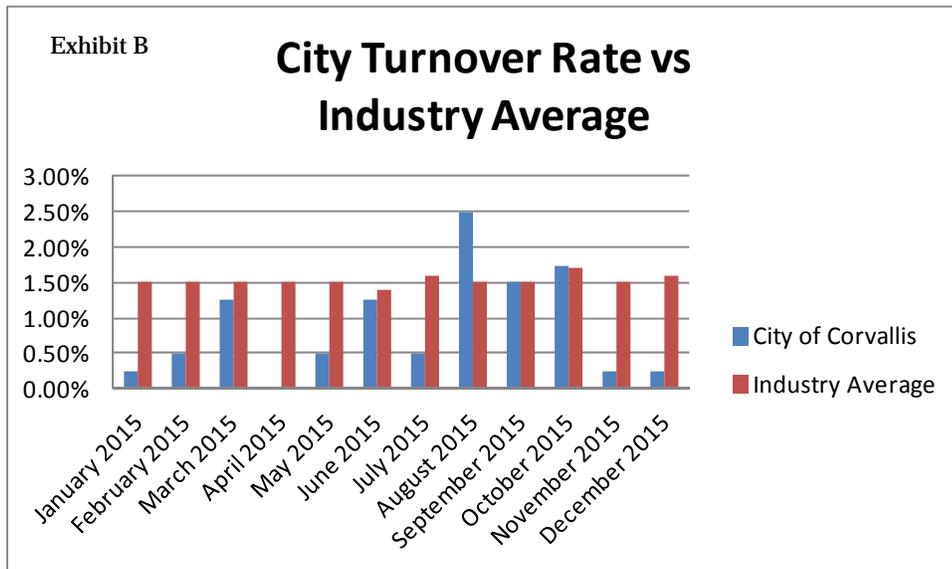


HUMAN RESOURCES PERFORMANCE MEASURES

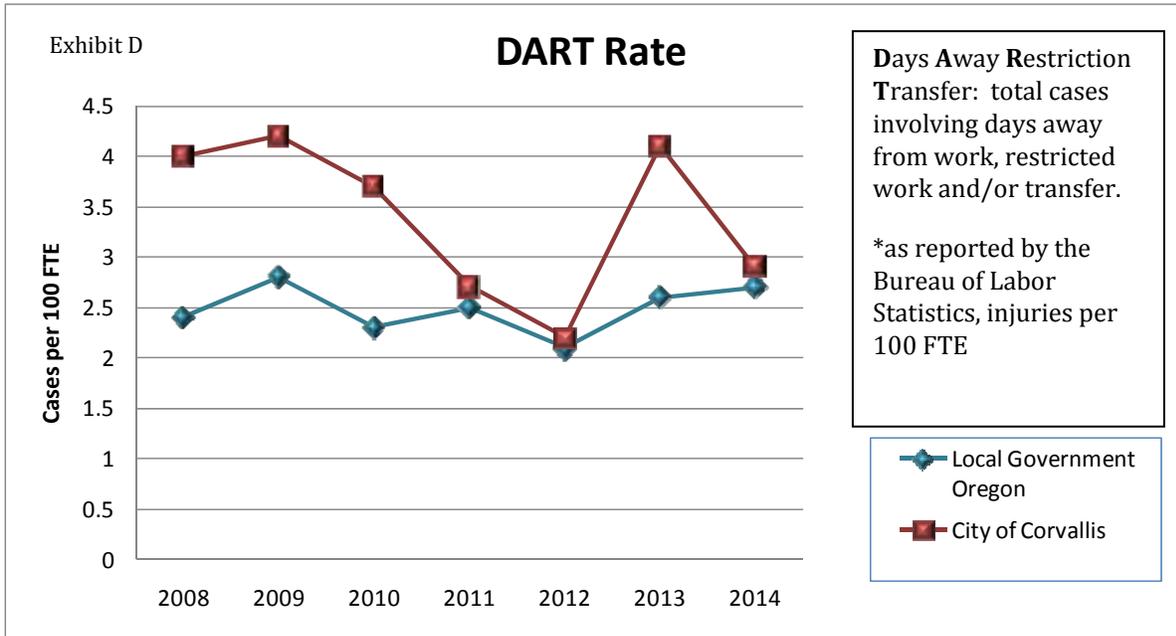
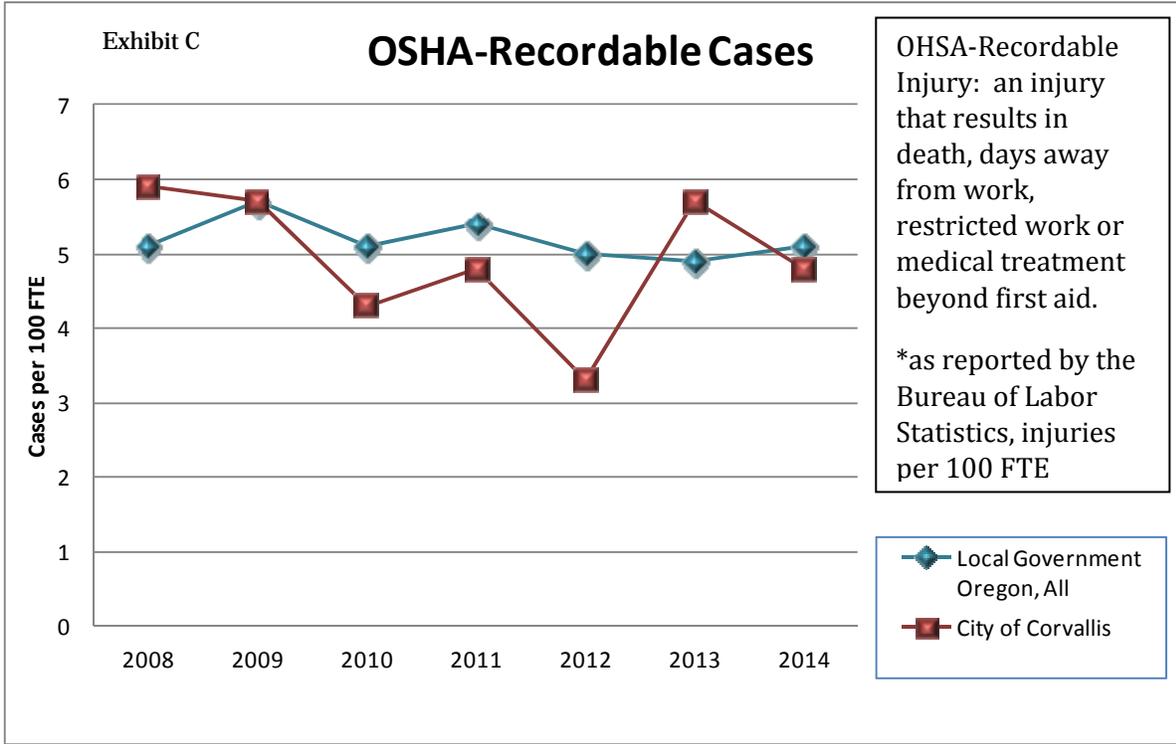
Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Recruit a diverse employee base	Percentage of regular position applicants identifying as a minority	16%	15%	16%	15%
Manage benefits as a percentage of total compensation (Exhibit A)	Annual comparison City (C) vs. National Average (NA)	36.4% (C) 35.9% (NA)	36.0% (C) 36.3% (NA)	At or below industry standards	At or below industry standards
Minimize employee turnover rates (Exhibit B)	Annual comparison City (C) vs. BLS ¹	New measure	0.87% (C) 1.53% (BLS)	At or below industry standards	At or below industry standards

¹ Bureau of Labor Statistics

Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Reduce OSHA-recordable cases (Exhibit C)	Annual comparison City (C) vs. BLS ¹ /100 FTE	4.8 (C) 5.1 (BLS)	4.7 (C)	At or below industry standards	At or below industry standards
Reduce Days Away Restriction Transfer (DART) (Exhibit D)	Annual comparison City (C) vs. BLS ¹ /100 FTE	2.9 (C) 2.7 (BLS)	4.4 (C)	At or below industry standards	At or below industry standards



Confined Space Safety Training



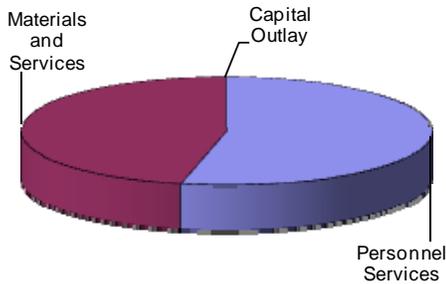
HUMAN RESOURCES – BUDGET SUMMARY

Employee wages and benefits represent the largest cost at more than 53% of total HR expenditures proposed for FY 16-17. Other costs such as labor legal fees and supply costs, such as paper for the document-intensive work areas of human resources and central administration 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.

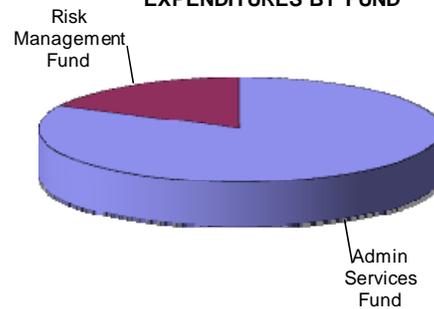
BUDGET BY CATEGORY:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
Personnel Services	\$0	\$0	\$0	\$0	\$1,090,920	0.00%
Materials and Services	0	0	0	0	946,470	0.00%
Capital Outlay	0	0	0	0	0	0.00%
TOTAL	\$0	\$0	\$0	\$0	\$2,037,390	0.00%
Staffing Levels	0.000	0.000	0.000	0.000	9.050	0.00%

Note: Human Resources was a division within the City Manager's Office prior to becoming its own department in FY 16-17.

**FY 16-17 PROPOSED BUDGET
EXPENDITURES BY CATEGORY**



**FY 16-17 PROPOSED BUDGET
EXPENDITURES BY FUND**



The Human Resources Department operates in the Administrative Services and Risk Management Funds as shown in the table below.

BUDGET BY FUND:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
Admin Services Fund	\$0	\$0	\$0	\$0	\$1,679,490	0.00%
Risk Management Fund	0	0	0	0	357,900	0.00%
TOTAL	\$0	\$0	\$0	\$0	\$2,037,390	0.00%

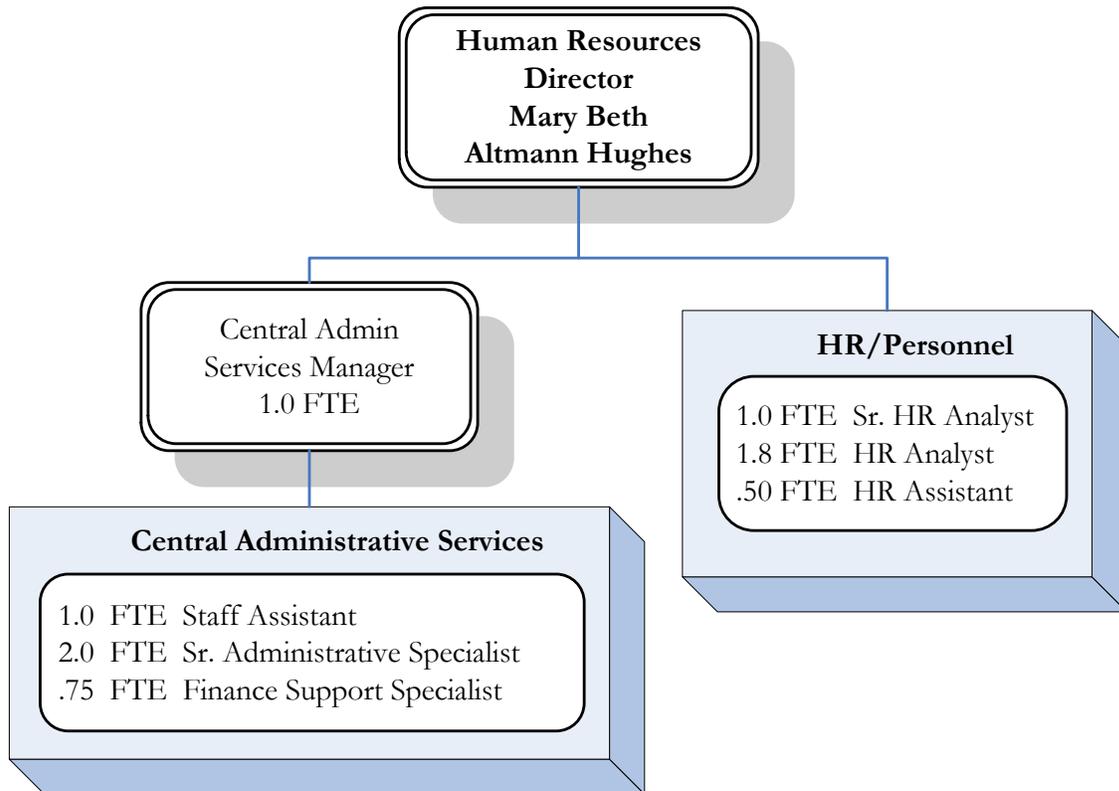
Note: Human Resources was a division within the City Manager's Office prior to becoming its own department in FY 16-17.

ADVISORY BOARDS & COMMISSIONS

The Human Resources Department does not have a dedicated board or commission. While the Human Resources Department does not budget for the King Legacy Advisory Board, it administratively supports and manages the purchasing and financial needs of the Advisory Board's \$10,000 annual budget granted by the City Council.

The Central Administrative Services Division provides administrative support for advisory boards, task forces, and commissions in coordination with the City Manager's Office, Human Resources, Community, IT, and Finance Departments.

HUMAN RESOURCES OFFICE ORGANIZATION CHART



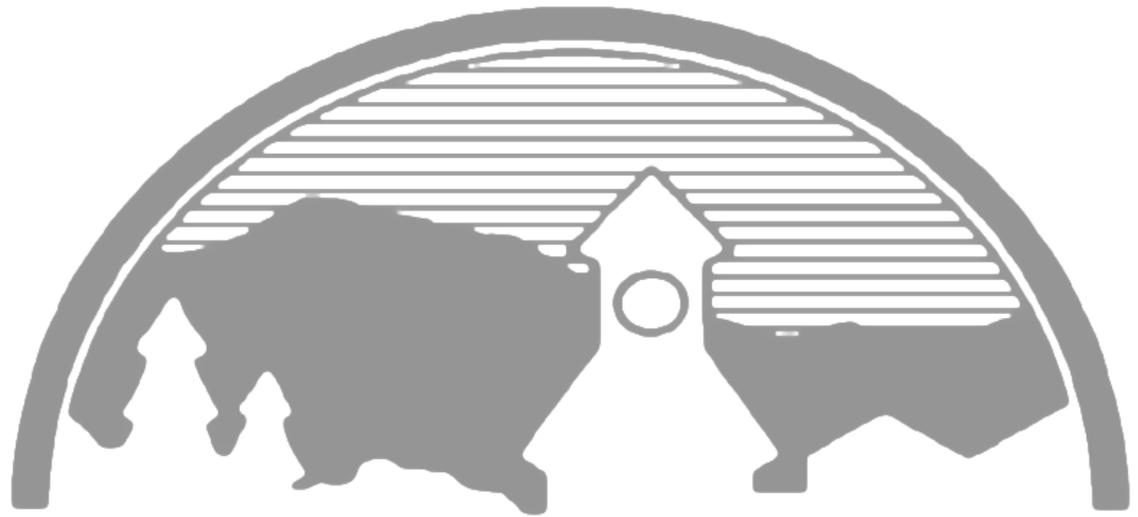
HUMAN RESOURCES STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 16-17 FTE	FY 15-16 FTE	FY 14-15 FTE
Human Resources Director	Exempt	8,231 - 10,505	1	1.000	0.000	0.000
Central Admin Services Manager	Exempt	5,571 - 7,110	1	1.000	0.000	0.000
Senior Human Resources Analyst	Exempt	5,053 - 6,449	1	1.000	0.000	0.000
Human Resources Analyst	Exempt	4,812 - 6,142	2	1.800	0.000	0.000
Staff Assistant	Exempt	3,771 - 4,812	1	1.000	0.000	0.000
Senior Administrative Specialist	AFSCME	3,416 - 4,360	2	2.000	0.000	0.000
Human Resources Assistant	Exempt	3,257 - 4,157	1	0.500	0.000	0.000
Finance Support Specialist	AFSCME	3,048 - 3,890	1	0.750	0.000	0.000
TOTAL			10	9.050	0.000	0.000

NOTE: Salary ranges reflect FY 15-16 Class and Compensation schedules. Human Resources became its own department in FY 16-17, separating from the City Manager's Office.



Annual Wellness Fair



CORVALLIS
ENHANCING COMMUNITY LIVABILITY

IT DEPARTMENT

MISSION STATEMENT

Promote operational efficiencies and employee productivity through high quality IT services and innovative technologies in alignment with the community's vision.

SUMMARY OF SERVICES

The IT Department is responsible for the computer infrastructure systems of the organization. Staff facilitates the acquisition and implementation of new organization-wide or vertical information systems, and provides on-going maintenance and support for the applications. IT is also responsible for the backbone of the organization's IT infrastructure – the fiber network, firewall, servers, switches, router, etc. System security is maintained through a variety of mechanisms to meet or exceed federal standards for criminal justice information systems. IT provides help desk service for staff for break and fix services as well as implementation of new, smaller applications. FY 16-17 will include acquisition and implementation of a replacement financial management information system and a new Human Resources Information System; this major project will impact the entire organization.

SIGNIFICANT CHANGES TO OPERATIONS

In FY 15-16 the Department updated its strategic plan. Recommendations from that plan are leading to significant changes in IT Management, including:

- Establishing IT as a separate department from Finance, and creating the position of IT Director.
- Creating a position dedicated to Help Desk services.
- Engaging with senior management staff on IT related issues through the use of a Technology Steering Committee.
- During FY 16-17 the IT Department will continue to develop recommendations from the Strategic Plan into implementation phases expected to lead to additional changes in operations in FY 17-18 and beyond.



IT PERFORMANCE MEASURES

Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
To meet customer expectations for availability of technology that facilitates the work of the organization.	IT service requests per year	2,304	1,830	2,600	2,500
	Help Desk calls closed on first call	54%	67%	80%	80%
	Core System Availability	99.99%	99.99%	99.99%	99.99%
To track work load measurement.	Number of services and work stations supported	598	592	653	650
To measure Department performance.	Customer satisfaction survey results	92%	78%	95%	95%



IT DEPARTMENT – BUDGET SUMMARY

Employee wages and benefits represent 41% of total IT department expenditures and typically account for the largest cost, however in FY 16-17 the budget has 46% of total IT expenditures allocated towards capital outlay including approximately \$1.1 million for the purchase of a city-wide Finance/Human Resource Information System and approximately \$380,000 for other city-wide IT related projects. Overhead costs such as materials and supplies, internal service charges, and training to maintain professional knowledge in a rapidly changing IT industry constitute the rest of the budget.

BUDGET BY CATEGORY:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
Personnel Services	\$0	\$0	\$0	\$0	\$1,350,360	0.00%
Materials and Services	0	0	0	0	435,540	0.00%
Capital Outlay	0	0	0	0	1,502,740	0.00%
TOTAL	\$0	\$0	\$0	\$0	\$3,288,640	0.00%
Staffing Levels ¹	0.000	0.000	0.000	0.000	12.000	0.00%

1) IT was a division within the Finance Department prior to FY 16-17.

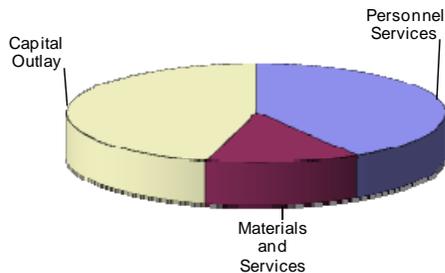
The IT department operates in the Technology and Communications and Vehicle/Equipment Reserve Fund.

BUDGET BY FUND:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
Tech & Commun. Fund ¹	\$0	\$0	\$0	\$0	\$2,076,450	0.00%
Vehicle/Equipment Reserve Fund ²	0	0	0	0	1,212,190	0.00%
TOTAL	\$0	\$0	\$0	\$0	\$3,288,640	0.00%

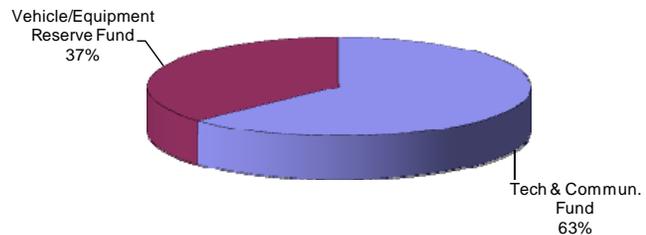
1) IT was a division within the Finance Department prior to FY 16-17.

2) The Vehicle/Equipment Reserve Fund was established in FY 16-17, and houses funding for city-wide financial and HR software reserves that were formerly part of the General and Administrative Services Fund.

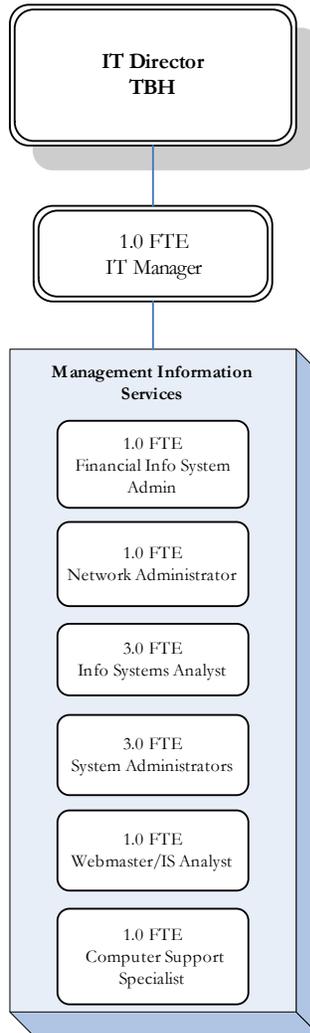
EXPENDITURES BY CATEGORY



FY 16-17 PROPOSED BUDGET EXPENDITURES BY FUND



IT ORGANIZATION CHART



IT DEPARTMENT STAFF¹

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 16-17 FTE	FY 15-16 FTE	FY 14-15 FTE
IT Director ²	Exempt	\$8,642 - 11,030	1	1.000	0.000	0.000
IT Manager	Exempt	7,110 - 9,074	1	1.000	0.000	0.000
FIS Administrator/Analyst	AFSCME	4,988 - 6,366	1	1.000	0.000	0.000
Network Administrator	AFSCME	4,988 - 6,366	1	1.000	0.000	0.000
Webmaster/Information System Analyst	AFSCME	4,620 - 5,897	1	1.000	0.000	0.000
Information Systems Analyst	AFSCME	4,620 - 5,897	3	3.000	0.000	0.000
System Administrator ³	AFSCME	4,620 - 5,897	3	3.000	0.000	0.000
Computer Support Specialist ³	AFSCME	3,416 - 4,360	1	1.000	0.000	0.000
TOTAL			12	12.000	0.000	0.000

NOTE: Salary ranges reflect FY 15-16 Class and Compensation schedules.

1. The IT Department is being created for FY 16-17. Previous functions were part of the Finance Department.

2. As part of a strategic plan implementation, an IT Director position is proposed for FY 16-17.

3. As part of strategic plan implementation and work-flow efficiencies, a System Administrator position is being converted to a Computer Support Specialist position.





LIBRARY DEPARTMENT

MISSION STATEMENT

Enrich, Excite, Explore

The Corvallis-Benton County Public Library will be an inspiring and vital part of the lives of people of all ages and backgrounds in our communities. We will:

- Be responsive, flexible and innovative in providing resources and services that enhance the quality of life for all;
- Foster an impassioned spirit of exploration and discovery;
- Strengthen our sense of community by encouraging civic and cultural engagement;
- Support learning and knowledge.

SUMMARY OF SERVICES

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.
- Manage the Volunteer Program.
- Support the Library Advisory Board; provide liaison and support to the Library Foundation and Friends of the Library.
- Manage Library meeting rooms and display spaces.

ADULT AND YOUTH SERVICES

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

ACCESS SERVICES

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

EXTENSION AND TECHNOLOGY SERVICES

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

SIGNIFICANT CHANGES TO OPERATIONS

A new Strategic Plan has been developed by the Library Advisory Board which will guide library services for the next five years. Increased outreach, greater service to youth, improved marketing of library services, further development of library technology such as creating a Maker Space, and efforts to improve library facilities in Corvallis and Philomath are some of the highlights of the Plan.

Major changes to the Library organization in FY 16-17 including the following:

- In alignment with the strategic plan's goals of increasing library services to local schools, the Library will increase a Reference Librarian position by .25 FTE and the Library Courier position by .25 FTE. This change will directly support teachers, provide library materials for classrooms, and increase public library programming and outreach.
- To improve direct public service a Library Specialist II position will be increased by .25 FTE. A few years ago an additional service point was added to the Library in lieu of a security system, however no staffing increase occurred at that time; this increase in FTE will enable this effort to be realized.
- To increase security and public access, two Community Library Specialist positions will be increased by .25 FTE each, in Extension Services and Adult and Youth Services.
- As a cost savings measure, the Library's Administrative Services Manager position is being eliminated. This is in addition to the reorganization two years ago which also eliminated a library manager position. Library business and financial functions will be dispersed among the remaining three managers.

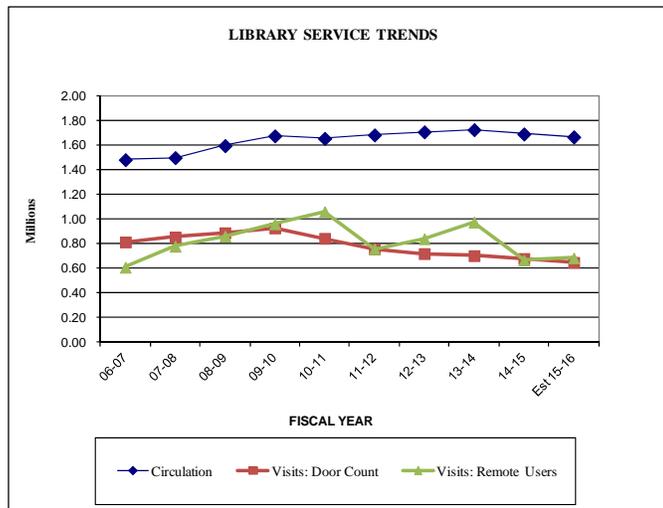


LIBRARY PERFORMANCE MEASURES

Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Library will be recognized as a leading advocate for reading and learning in the community. ⁽¹⁾	Circulation per capita compared to State median.	Library = 19.66 State = 15.22	Library = 19.04 State = NA	Library = 18.63 State = NA	Library = 18.6 State = NA
Offer a diverse collection of materials that patrons find useful and relevant. ⁽²⁾	Items owned per capita compared to State median.	Library = 4.13 State = 3.13	Library = 4.13 State = NA	Library = 4.05 State = NA	Library = 4.0 State = NA
Library programming and services will facilitate learning and support personal enrichment. ⁽³⁾	Program attendance per 100 population compared to State median.	Library = 51.15 State = 40.78	Library = 59.27 State = NA	Library = 64.39 State = NA	Library = 67.5 State = NA
Provide sufficient staffing to meet the demands for library services in Benton County.	Paid Staff per 1,000 population compared to State median.	Library = .48 State = .49	Library = .49 State = NA	Library = .49 State = NA	Library = .48 State = NA

Footnotes:

- (1) Measure shows a decline because circulation has been declining slightly while population served has increased each year.
- (2) Measure shows a decline because collection size has remained relatively stable while population served has increased each year.
- (3) Approximately 85% of program attendees are youth.

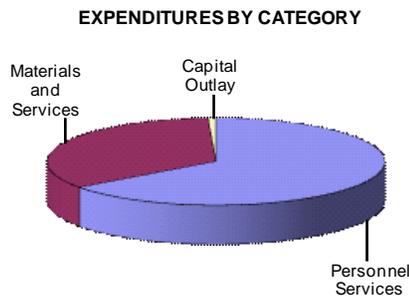


LIBRARY DEPARTMENT – BUDGET SUMMARY

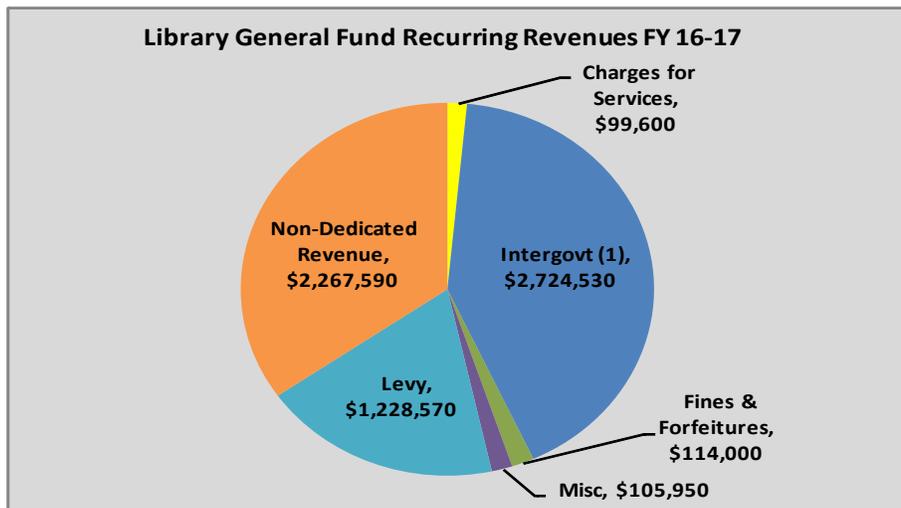
Employee wages and benefits represent the largest cost at 65% of total Library expenditures. Expenditures for collection constitute about 11%. Other large costs include maintaining the Corvallis Library building, providing access to technology, and payments to other City departments for overhead services provided.

BUDGET BY CATEGORY:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
Personnel Services	\$3,965,195	\$3,954,724	\$4,209,030	\$4,209,030	\$4,234,620	0.61%
Materials and Services	1,877,080	1,827,011	2,140,920	2,122,420	2,241,020	4.68%
Capital Outlay	633,787	36,961	0	8,130	50,000	0.00%
TOTAL	\$6,476,062	\$5,818,695	\$6,349,950	\$6,339,580	\$6,525,640	2.77%
Staffing Levels¹	42.125	43.750	43.750	43.750	44.000	0.57%

(1) The Library Admin Services Manager position was eliminated in FY 16-17, while portions of a Reference Librarian, Community Library Specialist, Library Specialist II, and Library Courier positions were increased for a net increase of .25 FTE in FY 16-17.



Below is a depiction of Library's General Fund recurring dedicated revenues along with its draw on property tax funding (non-dedicated revenues).



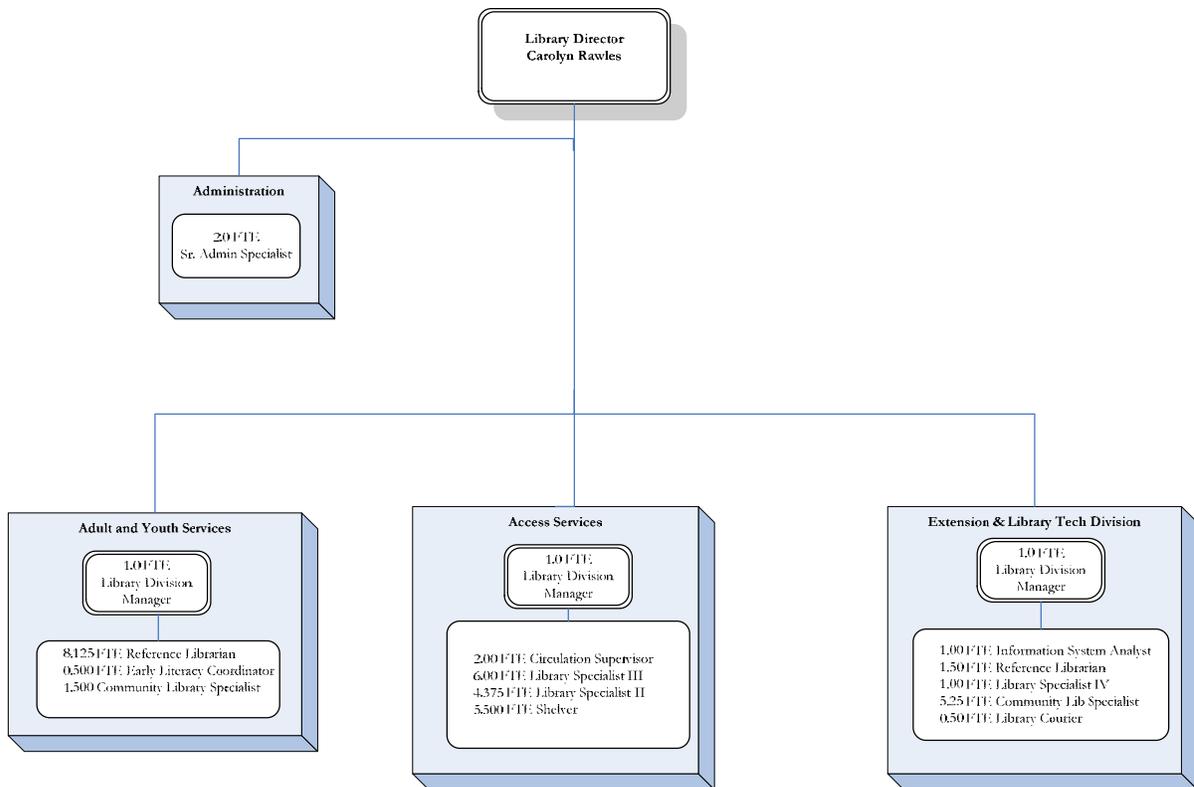
(1) The majority of revenue in this category is from the Benton Country Library District.

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 completed a new Strategic Plan over the past year in conjunction with Library staff. This included updating the Library's Mission Statement and Vision Statement as well as development of goals and objectives. At the March 2016 Library Advisory Board meeting they discussed the Library's budget and recommended inclusion of funding to accomplish 2016-2017 scheduled goals and objectives.

LIBRARY ORGANIZATION CHART



LIBRARY DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 16-17 FTE	FY 15-16 FTE	FY 14-15 FTE
Library Director	Exempt	\$8,231 - \$10,505	1	1.000	1.000	1.000
Library Division Manager	Exempt	6,142 - 7,839	3	3.000	3.000	3.000
Library Admin Services Manager ¹	Exempt	5,306 - 6,771	1	0.000	1.000	1.000
Circulation Supervisor	Exempt	5,053 - 6,449	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 ¹	AFSCME	4,620 - 5,897	11	9.875	9.625	9.625
Early Literacy Coordinator	AFSCME	4,620 - 5,897	1	0.500	0.500	0.500
Library Specialist IV	AFSCME	3,963 - 5,058	1	1.000	1.000	1.000
Community Library Specialist ^{1,2}	AFSCME	3,676 - 4,691	9	6.750	6.250	6.125
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 ¹	AFSCME	3,048 - 3,890	7	4.625	4.375	4.375
Library Courier ^{1,2}	AFSCME	2,444 - 3,120	1	0.750	0.500	0.625
Shelver	AFSCME	2,048 - 2,614	10	5.500	5.500	5.500
TOTAL			56	44.000	43.750	43.750

NOTE: Salary ranges reflect FY 15-16 Class and Compensation schedules.

- For alignment with strategic plans and cost savings a re-organization in FY 16-17 is proposed to eliminate the Library Admin Services Manager, increase the Reference Librarian, Community Library Specialist, Library Specialist II, and Library Courier positions for a net increase of .25 FTE.
- To improve efficiencies, a re-organization resulted in moving .125 FTE from the Library Courier position in FY 15-16 to a Community Library Specialist position.



PARKS & RECREATION DEPARTMENT

MISSION STATEMENT

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

SUMMARY OF SERVICES

Parks and Recreation supports an environmentally-aware community with distinctive natural areas, protected habitats, parks and outdoor recreation. We provide enriching recreational opportunities, celebrating the talents and culture of people who live here. We are committed to support children, individuals and families through programs and places. We support the definition of home: a good place for all kinds of people to live and to lead healthy, happy, productive lives.

Natural Areas: Natural Areas management is funded through property taxes, grants and donations. The Department manages 1,200 acres of Natural Areas. The focus of FY 16-17 is to expand restoration work at Herbert Farms and Natural Area per the management plan; complete a restoration project of 100 acres at Chip Ross Natural Area to enhance the habitat; complete a restoration project at Kendall Farm and Natural Area through thinning the woodland, removing invasive plants and restoring trails and native plants; complete the replacement of the Marys River Boardwalk and trail; complete a riparian restoration project at Bald Hill Natural Area and launch a volunteer stewardship program to help manage Natural Areas.

Developed Parks: Parks are funded through property taxes, grants and donations. The Department manages over 600 acres of developed parks. The focus of FY 16-17 is to improve and enhance MLK Jr. Park playground and Barn; replace and enhance the playground at Franklin Square Park; open a new community garden in Willamette Park; expand the adopt-a-park program; improve ADA access and respond to safety issues throughout the system.

Urban Forest Program: The Urban Forest Program is funded through property taxes and the Sustainability Initiative Fee charged on the Customer Service bill to utility customers. In FY 16-17, the department will: continue implementation of the Urban Forest Management Plan; implement the Heritage Tree Program; monitor trees in the Right-of-way including completing structural pruning of 1,300 young trees to encourage healthy growth;



respond to storm events related to trees as needed; expand the Neighborwoods tree stewardship program and implement a new program entitled *Trees for a Fee*.

Parks Volunteer Program: This program offers volunteer opportunities in the parks system. Over 2,720 people contributed over 6,800 hours last year. Volunteers help build and maintain trails, plant trees, remove invasive species, spread mulch and more.

Recreation Program: The Recreation Program is funded through property taxes, program fees, grants and donations. This includes a wide range of recreation programming to benefit the community. It includes programs such as the Youth Volunteer Corps, youth outdoor education, recreational sports, summer enrichment camps, adult life-long learning courses and community events.

Positive outcomes of recreation programming include healthy lifestyles, strengthening communities through engagement, creating social bonds through activities, and programs that reinforce a sense of place for the community.

In FY 16-17, staff will implement recommendations from the adopted 2015 Parks and Recreation Master Plan including engaging youth in conservation; increasing programming in outdoor recreation and education; and continuing to collaborate with Benton County Health Department and Natural Areas and Parks to bridge gaps and reach the underserved. Staff will continue building leadership skills for teens through the Youth Volunteer Corps; providing ways to reduce obesity through active living programs for people of all ages; providing ways to be engaged in this community through the volunteer programs and offer community-wide events to foster community engagement.



**Chintimini Senior & Community Center
Fashion Show**

Chintimini Senior & Community Center:

The Senior & Community Center is funded through program fees, grants, donations, an operating levy and approximately \$14,000 of property taxes per the FY 16-17 proposed budget. This program provides recreation, education, social opportunities and services for those 50+. The Center provides a vibrant volunteer program that keeps people involved in the community.

In FY 16-17, staff will complete a plan to expand and remodel the facility and increase the volunteer program. The center had over 26,000 visits, over 1,000 programs and almost 6,000 volunteer hours last year.

Majestic Theatre: The Majestic Theatre is funded through performances, rentals, grants, and donations. The City Council has authorized up to a \$10,000 per year subsidy from property taxes. The Theatre acts as a producer and venue for community talents, passions and creative dreams. In FY 16-17, staff will plan affordable weekly entertainment to improve quality of life and give local performers a high quality space in which to realize their creative potential. The Majestic brought in over 30,000 people in 2015.

Osborn Aquatic Center: The Aquatic Center is funded through program fees, grants, donations, an operating levy and under \$50,000 of property taxes. This facility includes over

40,000 square feet equipped with four pools, including an outdoor water park and two classrooms.

The Center helps improve community health and quality of life through water safety lessons, special events, therapeutic and fitness classes and other life-long wellness opportunities.

In FY 16-17 staff will continue to teach children drown prevention skills, provide therapy classes, & fitness opportunities. Staff will open a new concessions food trailer and promote a new indoor climbing wall to attract participants during the rainy months. The Aquatic Center had more than 204,000 visits, taught 8,865 children how to swim and held over 1,100 programs with 48,270 registrations on average.



Life Jacket Safety



Adult Swim

Administration: Administration is funded through property taxes. Staff provide internal leadership; strategic planning; recruitment and development; policies and procedures; and collaborates with other governments and partners. They are responsible for the development and management of the Department budget, technology plan, facility maintenance plan, accounting, payroll and contracts and agreements.

Staff provides administrative services for recreation programs and facilities including registration, reservations and permits. They provide support for the Family Assistance Program that bridges economic barriers to program participation for people with low incomes. This program served 2,475 people last year.

In FY 16-17, staff will update the System Development Charge methodology, work closely with the Parks, Natural Areas and Recreation Advisory Board (PNARAB) and the Friends of Corvallis Parks and Recreation. Additionally, staff will implement recommendations from the 2015 Parks and Recreation Master Plan; administer projects in the Capital Improvement Plan; improve marketing; and support City Council goals, two Advisory Boards and one Department Advisory Committee.



Brunch with Santa

SIGNIFICANT CHANGES TO OPERATIONS

Majestic Theatre: The City Council directed staff to operate the Majestic Theatre in January 2015 for a two year trial period. The adopted budget for FY 16-17 is \$548,450, and is designed to be self-funded. The Majestic Theatre is funded through performances, rentals, grants, and donations. Staff continues to work on a recommendation for a long-term operation of the Theatre to be brought before Council in FY 16-17.



Les Misérables – May 2015 Production

Concessions: The Cost Recovery Plan and the Department Master Plan recommended that the Department establish a department-wide food concessions program. The concessions trailer will be stationed at the Aquatic Center and at City-wide special events, tournaments and leagues. Any net revenue from this project may be used to help fund the Family Assistance Program. The program is also another venue for youth development and employment. Since this is a pilot program, a total of \$12,000 in revenue and expense has been budgeted for FY 16-17. Assuming this program is successful and gets off the ground in FY 16-17, it will become part of the department's regular recurring operating budget in future years.

PARKS & RECREATION PERFORMANCE MEASURES

Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Provide opportunities for community involvement and enhance Department service levels	Total number of hours worked by volunteers in support of parks and recreation services	22,012	19,706	21,000	22,000
Provide recreation programs that are inclusive, creating an opportunity for the diverse community to come together	Total number of registrations	88,912	155,169	156,000	157,000

Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Provide opportunities for cultural enrichment	Total number of volunteer hours and attendees at the Majestic Theatre programs	New Measure	10,097 volunteer hours ¹ 13,941 attendees ¹	35,000 volunteer hours 20,000 attendees	37,000 volunteer hours 20,000 attendees
Increase environmental awareness with distinctive natural areas, parks and outdoor recreation	Total number of participants in environmental education programs	413	313	401	647
Improve the natural environment	Number of trees planted in the right-of-way and developed parks	94	75	65	75

PARKS & RECREATION DEPARTMENT – BUDGET SUMMARY

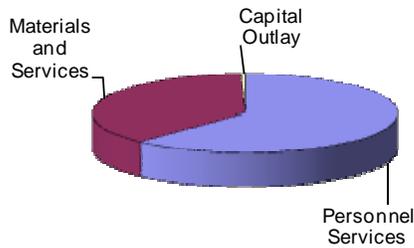
Employee wages and benefits represent the largest cost at 62% of total Parks and Recreation Department expenditures. Materials and Services such as utilities, contractors, and chemicals comprise the balance of the budget. Less than 1% of the budget will be spent on capital purchases for a vehicle replacement.

BUDGET BY CATEGORY:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
Personnel Services	\$3,727,813	\$3,805,548	\$4,129,140	\$4,131,440	\$4,471,710	8.30%
Materials and Services	2,386,127	2,454,744	2,952,490	2,909,930	2,696,980	-8.65%
Capital Outlay	75,571	9,361	25,000	42,310	35,000	40.00%
TOTAL	\$6,189,511	\$6,269,652	\$7,106,630	\$7,083,680	\$7,203,690	1.37%
Staffing Levels	32.390	31.790	33.790	33.790	33.790	0.00%

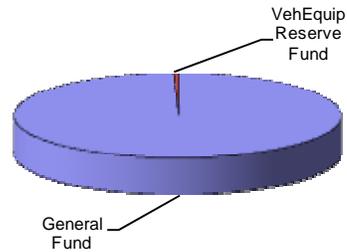
Note: FY 15-16 is the first full year that the Majestic Theatre was operated by the City.

¹ Data is for only half of a year since the Department took over operations in January 2015.

**FY 16-17 PROPOSED BUDGET
EXPENDITURES BY CATEGORY**



**FY 16-17 PRPOSED BUDGET
EXPENDITURES BY FUND**



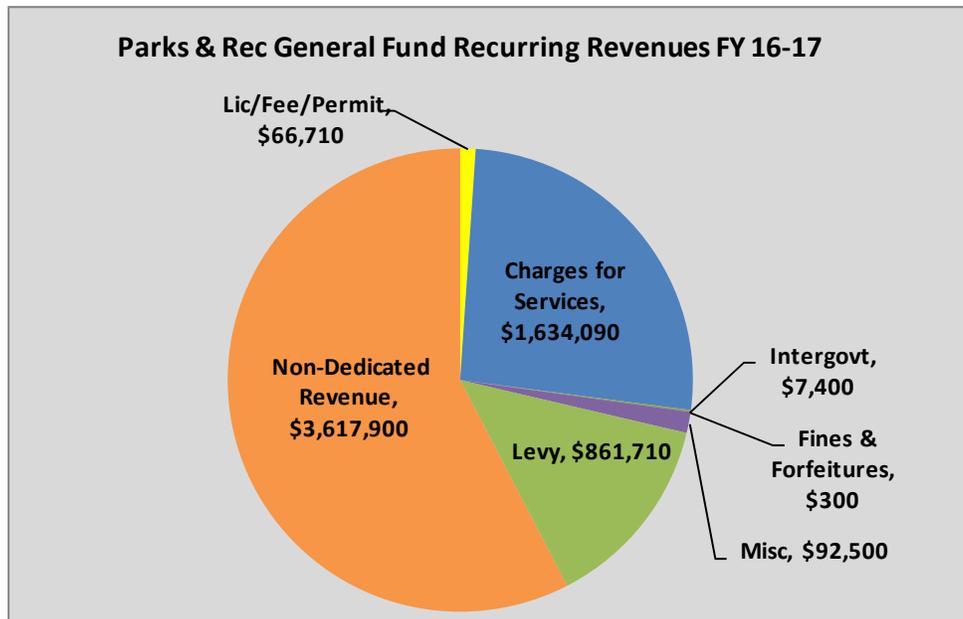
As of FY 16-17, the Parks and Recreation Department operates in the General and Vehicle/Equipment Reserve Funds as shown below:

BUDGET BY FUND:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
General Fund¹	\$6,189,511	\$6,269,652	\$7,106,630	\$7,083,680	\$7,168,690	0.87%
Vehicle/Equipment Reserve Fund²	0	0	0	0	35,000	0.00%
TOTAL	\$6,189,511	\$6,269,652	\$7,106,630	\$7,083,680	\$7,203,690	1.37%

1) FY 15-16 is the first full year that the Majestic Theatre was operated by the City.

2) The Vehicle/Equipment Reserve Fund was established in FY 16-17, and houses all of P&R's assigned vehicle and equipment reserves that were formerly part of the General Fund.

Below is a depiction of P&R's General Fund recurring dedicated revenues along with its draw on property tax funding (non-dedicated revenues):



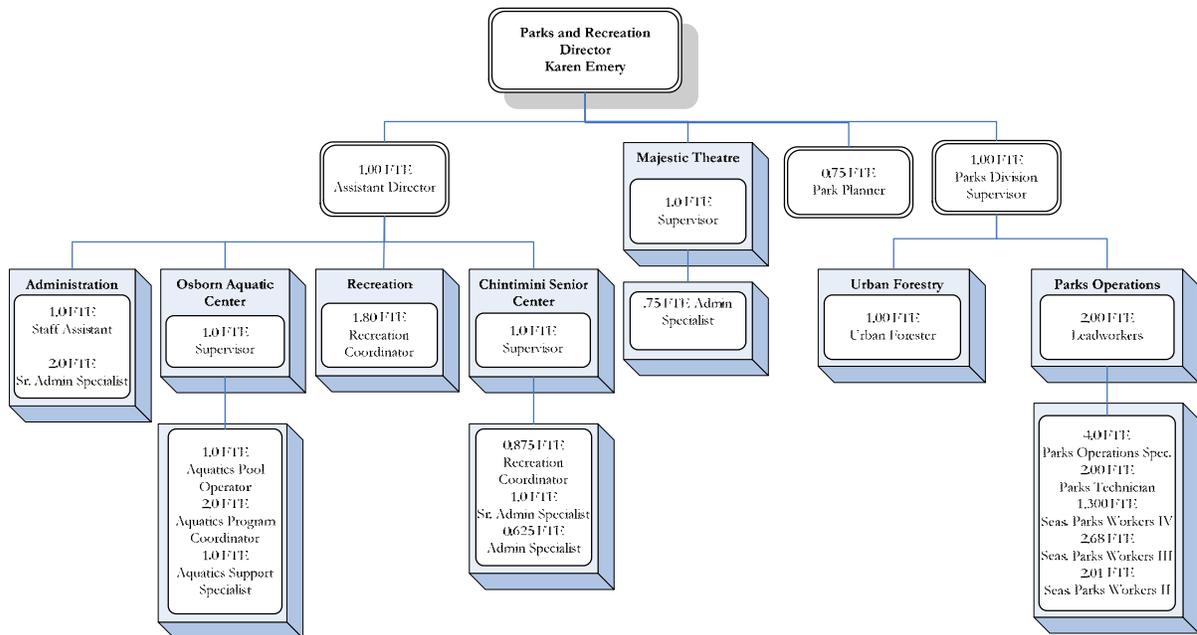
ADVISORY BOARDS & COMMISSIONS

The Parks and Recreation Department supports two advisory boards.

Parks, Natural Areas and Recreation Advisory Board (PNARAB): 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.

PARKS & RECREATION DEPARTMENT ORGANIZATION CHART



PARKS & RECREATION DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 16-17 FTE	FY 15-16 FTE	FY 14-15 FTE
Parks and Recreation Director	Exempt	\$8,231 - \$10,505	1	1.000	1.000	1.000
Assistant Parks and Recreation Director	Exempt	6,142 - 7,839	1	1.000	1.000	1.000
Parks Division Supervisor	Exempt	5,571 - 7,110	1	1.000	1.000	1.000
Aquatic Center Supervisor	Exempt	5,053 - 6,449	1	1.000	1.000	1.000
Urban Forester	AFSCME	4,988 - 6,366	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
Majestic Theatre Supervisor ¹	Exempt	4,583 - 5,849	1	1.000	1.000	0.000
Senior Center Supervisor	Exempt	4,583 - 5,849	1	1.000	1.000	1.000
Aquatics Program Coordinator ²	AFSCME	4,277 - 5,458	2	2.000	2.000	1.875
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	2.675	3.300
Staff Assistant ³	Exempt	3,771 - 4,812	1	1.000	0.000	0.000
Aquatics Pool Operator	AFSCME	3,676 - 4,691	1	1.000	1.000	1.000
Parks Maintenance Technician ²	AFSCME	3,676 - 4,691	2	2.000	2.000	1.000
Aquatics Support Specialist	AFSCME	3,416 - 4,360	1	1.000	1.000	1.000
Department Accounting Analyst ³	AFSCME	3,416 - 4,360	-	0.000	1.000	1.000
Senior Administrative Specialist ¹	AFSCME	3,416 - 4,360	3	3.000	3.000	2.750
Administrative Specialist ¹	AFSCME	2,784 - 3,554	2	1.375	1.375	0.625
Seasonal Parks Worker IV ⁴	AFSCME	2,784 - 3,554	1	1.300	1.340	1.800
Seasonal Parks Worker III ⁴	AFSCME	2,444 - 3,120	4	2.680	2.640	2.680
Seasonal Parks Worker II	AFSCME	2,302 - 2,938	3	2.010	2.010	2.010
TOTAL			37	33.790	33.790	31.790

NOTE: Salary ranges reflect FY 15-16 Class and Compensation schedules.

- 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, .25 FTE in Senior Administrative Specialist, and .75 FTE in Administrative Specialist positions were hired to aid with theatre operations.
- A reorganization was implemented in FY14-15 due to a retirement of a 1.0 FTE Recreation Coordinator, allocating .50 FTE to a Parks Maintenance Technician, .125 FTE to an Aquatics Program Coordinator, and maintaining .375 FTE with existing Recreation Coordinators.
- The Department Accounting Analyst retired in FY14-15, prompting the department to recruit and fill the vacancy as a Staff Assistant to better suit the department's needs.
- The reorganization in FY14-15 funded .50 FTE of the new Parks Maintenance Technician with .46 FTE in underfilled Seasonal Parks Workers IV and .04 FTE Seasonal Parks Worker III; some rearranging of parks seasonal FTE was implemented in FY15-16 to better suit the department's needs, including leaving a .63 FTE Seasonal Parks Workers IV position authorized but unfunded.

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.

SUMMARY OF SERVICES

Office of the Chief/Administration

- * Internal leadership, strategic planning, and direction of the overall activities of the Department.
- * 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), policies and procedure development.

Community Services Division

- * 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.
- * 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.
- * Criminal investigation of major crimes both person and property.
- * Crime Prevention activities through the volunteer Police Auxiliary Program.

Professional Standards and Support Services Division

- ✦ 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.
- ✦ Internal Affairs.
- ✦ Department wide management of a comprehensive training plan, meeting requirements of the Department of Public Safety Standards and Training, State and Federal Law, CALEA, Risk Management and professional competency.
- ✦ Public Information Officer and Public Affairs.
- ✦ Facility, Technology and Risk Management.

SIGNIFICANT CHANGES TO OPERATIONS

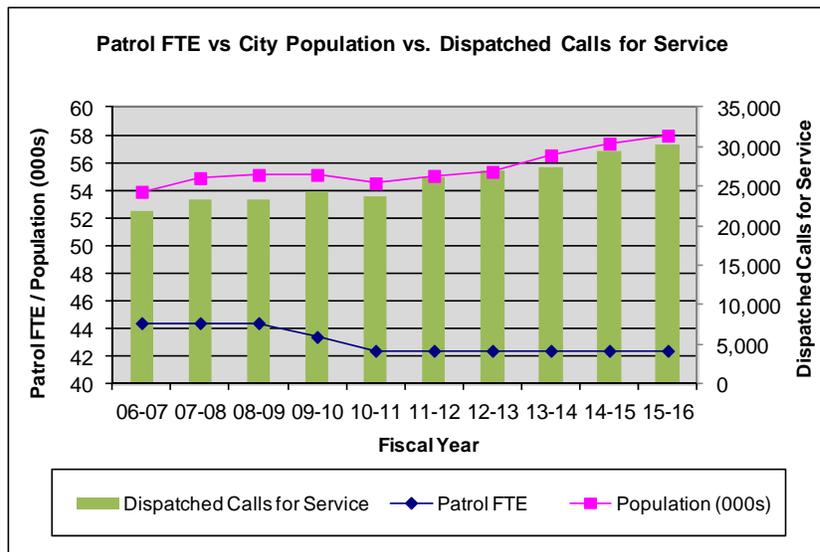
- **Community Livability Officer Program:**
 - Livability Officers will continue to refine and expand community partnerships, broadening our relationship with Oregon State University, leveraging combined resources to improve Corvallis livability.
- **On-Body Camera Systems:**
 - Funding has been identified and included in the budget for on-body camera systems for sworn employees, which will be implemented this fiscal year consistent with the 2015 Oregon Legislation HB 2571.
- **Accreditation Manager:**
 - The Department has been accredited through CALEA since 1995 and achieved a 5th reaccreditation with excellence in 2015. Funding is included in the budget for a civilian Accreditation Manager position to provide management, oversight, coordination and development of Department policies to ensure adherence to CALEA process and standards.



Community Livability Officers

POLICE PERFORMANCE MEASURES

Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Enhance customer service and increase efficiency	Increase Community usage of on-line police reporting system by 10%	689	736	806	886
Increase community safety	Part 1 crime clearance rates: Violent (70%) Property (20%)	Violent: 54% Property: 17%	Violent: 58% Property: 22%	Violent: 70% Property: 20%	Violent: 70% Property: 20%
Increase Traffic Safety	# of fatal/injury traffic crashes per 1000 population (State average = 5/1000)	2.55	2.76	<2.5	<2.5
Increase diversity of applicant pool	Number of diversity outreach efforts	3	12	6	10
Enhance Emergency Response	Percentage of emergency calls dispatched within 60 seconds of receipt	82%	80%	100%	100%
Enhance Community Livability	Reducing number of "Livability offense" incidents by 10%	1,361	1,089	980	882



POLICE DEPARTMENT – BUDGET SUMMARY

The FY 16-17 Proposed 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 73% of total Police Department expenditures. Supplies, services and Internal Service Charges represent nearly 26% of expenditures.

BUDGET BY CATEGORY:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
Personnel Services	\$9,630,263	\$10,102,743	\$10,637,970	\$10,267,970	\$11,178,990	5.09%
Materials and Services	3,120,935	3,273,322	3,694,410	3,392,450	4,043,210	9.44%
Capital Outlay ¹	298,127	286,454	726,400	726,400	88,920	-87.76%
TOTAL	\$13,049,324	\$13,662,518	\$15,058,780	\$14,386,820	\$15,311,120	1.68%
Staffing Levels ²	88.250	92.250	89.250	90.250	92.250	3.36%

1) The large increase in expenditures is for capital outlay in FY 15-16, and relates to public safety funding granted from General Fund one-time monies by Budget Commission for dispatch hardware and software.

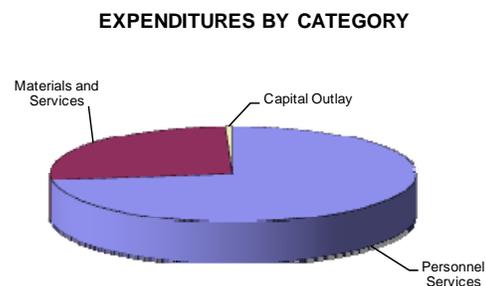
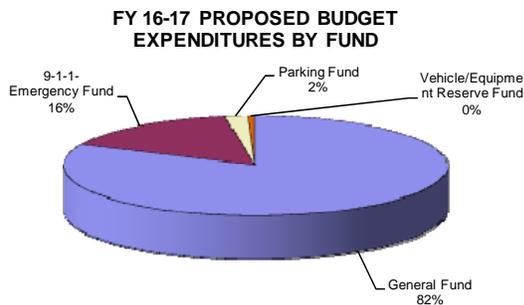
(2) A Police Accreditation Manager was added mid-year FY 15-16 to Police to ensure adherence to CALEA processes and standards. 2 FTE Pre-Hire Trainee Officers in 16-17 are unfunded temporary positions hired to fill planned vacancies.

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

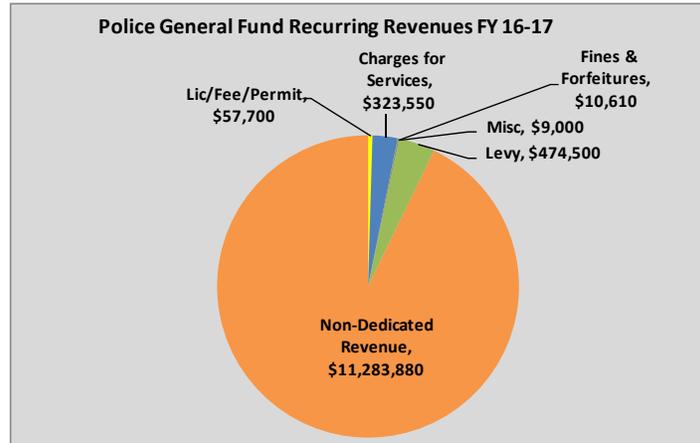
BUDGET BY FUND:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
General Fund	\$10,580,791	\$11,081,561	\$11,884,850	\$11,282,890	\$12,542,050	5.53%
9-1-1- Emergency Fund ¹	2,110,292	2,283,788	2,885,230	2,845,230	2,388,730	-17.21%
Parking Fund	358,241	297,169	288,700	258,700	291,420	0.94%
Vehicle/Equipment Reserve Fund ²	0	0	0	0	88,920	0.00%
TOTAL	\$13,049,324	\$13,662,518	\$15,058,780	\$14,386,820	\$15,311,120	1.68%

1) The large increase in expenditures is for capital outlay in FY 15-16, and relates to public safety funding granted from General Fund one-time monies by Budget Commission for dispatch hardware and software.

2) The Vehicle/Equipment Reserve Fund was established in FY 16-17, and houses all of Police's assigned vehicle and equipment reserves that were formerly part of the General Fund. The Police Department has several capital vehicle replacements planned for FY 16-17.

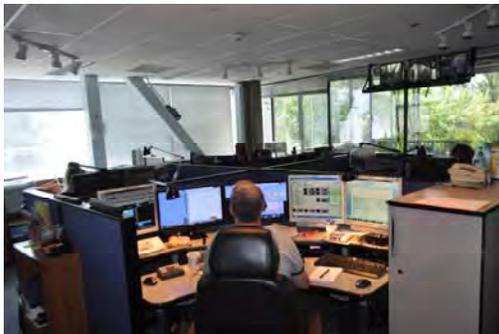


Below is a depiction of Police's General Fund recurring dedicated revenues along with its draw on property tax funding (non-dedicated revenues).



ADVISORY BOARDS & COMMISSIONS

The Corvallis Police Department Community Policing Advisory Committee: 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 committee.



9-1-1 Emergency Communications Center

The 9-1-1 User Board: The Corvallis Regional Communications Center (CRCC) operates under the guidance of the 911 User Board established through the 911 Implementation Plan pursuant to the Emergency Communications Act of 1981, and the Intergovernmental Agreement of 1983. Members of the 911 User Board include all ten law enforcement, fire and emergency medical organizations county-wide (Corvallis Police, Benton County Sheriff, Philomath Police, Corvallis Fire, Philomath Fire, Adair Fire, Alsea Fire, Blodgett-Summit Fire, Kings Valley Fire and Monroe Fire).

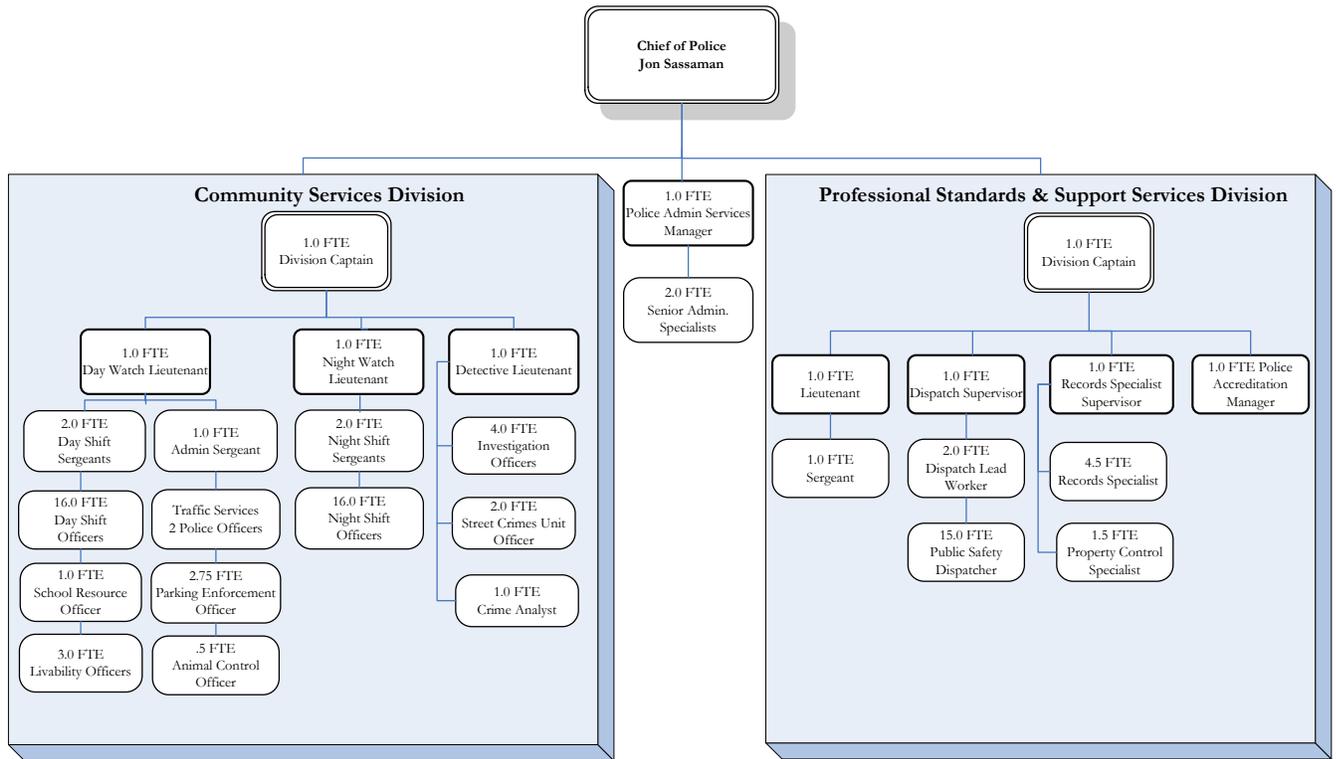
Corvallis Fire, Philomath Fire, Adair Fire, Alsea Fire, Blodgett-Summit Fire, Kings Valley Fire and Monroe Fire).

The Community Police Review Advisory Board: Provides the community with an objective, unbiased, citizen-based, accessible process for the review of complaints against the Police Department and police officers, as well as to provide transparency and information regarding the accountability of its police department, building trust and enhancing communication between the police and all members of the community.



Officer Hackstedt & Drug K9 Max

POLICE ORGANIZATION CHART



Officer Samuels



Officer Parrish & K9 Bolt

POLICE DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 16-17 FTE	FY 15-16 FTE	FY 14-15 FTE
Police Chief	Exempt	\$8,642 - \$10,021	1	1.000	1.000	1.000
Police Captain	Exempt	7,839 - 10,005	2	2.000	2.000	2.000
Police Lieutenant ¹	Exempt	7,110 - 9,074	4	4.000	5.000	4.000
Police Sergeant	CPOA	5,823 - 7,580	6	6.000	6.000	6.000
Police Admin Services Manager	Exempt	5,571 - 7,110	1	1.000	1.000	1.000
Supervisor, Dispatch	Exempt	5,571 - 7,110	1	1.000	1.000	1.000
Police Accreditation Manager ²	Exempt	5,053 - 6,449	1	1.000	0.000	0.000
Animal Control Officer	AFSCME	4,620 - 5,897	1	0.500	0.500	0.500
Records Specialist Supervisor	Exempt	4,583 - 5,849	1	1.000	1.000	1.000
Police Officer ¹	CPOA	4,477 - 6,119	44	44.000	43.000	44.000
Pre-Hire Trainee Officer ³	CPOA	4,477 - 4,477	2	2.000	0.000	0.000
Crime Analyst	AFSCME	4,277 - 5,458	1	1.000	1.000	1.000
Public Safety Dispatch Leadworker	CRCCA	4,143 - 5,287	2	2.000	2.000	2.000
Public Safety Dispatcher ⁴	CRCCA	3,768 - 4,809	15	15.000	15.000	15.000
Senior Administrative Specialist (Exempt)	Exempt	3,591 - 4,583	2	1.000	1.000	1.000
Senior Administrative Specialist (AFSCME)	AFSCME	3,416 - 4,360	1	1.000	1.000	1.000
Property Control Specialist	AFSCME	3,187 - 4,068	2	1.500	1.500	1.500
Parking Enforcement Officer	AFSCME	3,187 - 4,068	3	2.750	2.750	5.750
Records Specialist	AFSCME	3,048 - 3,890	5	4.500	4.500	4.500
TOTAL			95	92.250	89.250	92.250

NOTE: Salary ranges reflect FY 15-16 Class and Compensation schedules.

1. A re-organization resulted in moving 1FTE Lieutenant position to Police Officer position.
2. Council approved a new position for a Police Accreditation Manager.
3. The Pre-Hire Trainee Officer positions are unfunded temporary positions hired to fill planned vacancies.
4. To support achievement of a sustainable budget, one dispatcher remains authorized but unfunded in FY 16-17.



Law Enforcement Torch Run for Special Olympics



School Resource Officer



Corvallis Fall Festival



PUBLIC WORKS DEPARTMENT

MISSION STATEMENT

Consistent with the Corvallis 2020 Vision Statement and City Council goals, support and enhance the quality of life for community members 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 and good stewardship of natural, fiscal and staff resources.

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 Storm Water, 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 Internal Services Division provides services from eight of these nine funds, along with the Facility Maintenance and Fleet Maintenance Funds. For the most part, Utilities and Transportation services are provided directly to the community, while Engineering and Internal Services staff provides services to the organization.

UTILITIES:

- ❖ Storm Water personnel maintain the piping and urban stream system to collect urban runoff, control localized flooding, and preserve water quality. The objective is to ensure efficient movement of rainwater through the community for discharge to the Willamette River, while complying with State and federal regulations.
- ❖ Conservation and Pollution personnel educate the community on actions they can take to reduce water use and to reduce pollution discharge from household or business activities. Staff also works with property owners abutting urban streams to restore native vegetation and reduce runoff of herbicides. These educational efforts protect and enhance the urban stream and Willamette River water quality.
- ❖ Wastewater Collections personnel maintain the piping system to efficiently remove waste water, minimize service disruptions, and protect public health and the environment.
- ❖ Wastewater Reclamation Plant personnel operate the reclamation plant, combined sewer overflow and bio-solids treatment facilities treating wastewater to meet or exceed all State and federal standards.

- ❖ Facility Automation personnel implement and maintain the hardware and software that control the treatment processes and allow remote monitoring of the pump stations situated throughout the community for accurate data collection and immediate response to alarms.
- ❖ Water and Wastewater laboratory personnel operate State-certified water quality labs to cost-effectively perform testing required by regulatory agencies.
- ❖ The main task of Taylor and Rock Creek Water Treatment Plants personnel is to treat drinking water to meet or exceed all State and federal standards.
- ❖ Watershed personnel manage the watershed property to protect the City drinking water source and take actions to re-establish a healthy forest.
- ❖ Water Distribution personnel maintain the system of pipes, valves, and meters that deliver the treated water from the plants to homes and businesses with adequate pressure and flows for community needs.
- ❖ One function of the Technical Services work group is to maintain and operate pump stations to ensure water service to elevated areas in the community while maintaining water storage reservoirs to keep an adequate supply of water available for daily consumption and fire-fighting capacity.

Other Utilities Services:

- Develop long range master plans for ensuring functioning infrastructure and uninterrupted service into the future.
- Track legislative activity at the State and federal level to prepare for emerging regulations.
- Respond to utility infrastructure emergencies at any time.



New Chemical Tanks – Taylor Water Treatment Plant

ENGINEERING & TRANSPORTATION:

- ❖ Airport personnel manage the Corvallis Municipal Airport to offer a transportation option for movement of freight and the Airport Industrial Park property to provide desirable space for businesses.
- ❖ System planning personnel use long-range facility plans to forecast the infrastructure needed to meet community growth at various planning horizons. These plans are developed for each of the utility systems, as well as the transportation system, including all methods of transport: vehicle, bicycle, pedestrian and transit.
- ❖ Engineering personnel assist in planning major projects to construct new facilities or replace existing facilities that are included in the Capital Improvement Program (CIP). This work group assists other departments with their CIP projects in the areas of design, construction management, and community outreach.
- ❖ Development Review personnel reviews plans for new public infrastructure submitted by private development, and then monitors the construction process and performs the final inspections. This ensures that the public infrastructure constructed aligns with City master plans.
- ❖ Parking maintenance personnel maintain the parking meters, pay stations, and public parking lots in the community.
- ❖ Street Maintenance personnel maintain the street pavement to extend service life in the most cost-effective manner. This includes street markings, and signage to provide for the safe and efficient use of public transportation facilities.
- ❖ Electronics personnel maintain the traffic signals, telephone, and data network wiring system, as well as portions of the street light system.
- ❖ Transit personnel maintain and 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.
- ❖ Transportation personnel maintain a comprehensive bicycle/pedestrian program to provide viable transportation alternatives to the automobile. This includes education efforts in schools to increase students' awareness of transportation options.



Other Engineering & Transportation Services

- Issue permits for the public to temporarily occupy the right of way.
- Administer the residential parking district program.
- Maintain bicycle facilities.
- Perform street sweeping all year and leaf collection in the fall.
- Design capital projects and perform construction management activities for capital and special projects.
- Respond to transportation infrastructure emergencies at any time.
- Develop long-range master plans for functioning infrastructure and appropriate service into the future.

INTERNAL SERVICES:

- ❖ Facility Maintenance personnel conduct preventive and corrective maintenance to ensure City buildings remain safe and operational, and to protect the community's investment in this infrastructure.
- ❖ Fleet Maintenance personnel repair and replace vehicles and equipment to support front-line operations in the delivery of City services.
- ❖ Administrative Services personnel perform administrative functions for the Public Works Department, such as reception, accounting, report generation, payroll, records management and web page updates.
- ❖ Franchise Utility Management ensures private utility company compliance with the terms of the franchise agreements for cable TV, telephone, electricity, natural gas, and solid waste collection. Staff reviews performance and investigates to resolve community member concerns.
- ❖ Sustainability personnel use a triple-bottom-line framework to improve the environmental, economic and social sustainability of the City's actions. Public Works manages this program on behalf of the organization.
- ❖ Information Technology personnel implement office software and hardware system improvements, purchase and install replacement equipment, maintain system security and perform scheduled maintenance to provide a reliable communication and technology structure.

Other Internal Services:

- Organize and coordinate the department budget process.
- Draft and edit public information materials.
- Support department personnel recruitment process.
- Coordinate the bid and proposal process for department contracts.
- Administer the work order management system software.
- Oversee the development and quality control of the asset management program.
- Manage renewable energy projects for the organization.
- Track and report on organization energy, water, and fuel use.

SIGNIFICANT CHANGES TO OPERATIONS

This year, Public Works, in concert with the rest of the organization, reviewed operations to identify opportunities to reduce costs without impacting services to the community. As a result of this review, the department's Administrative Services group was consolidated to a central location, and the workload was reassigned among staff in a fashion that permitted the elimination of one FTE.

Continuing the emphasis on the Asset Management Plan development and refinement, Public Works repurposed a vacant FTE to be the lead on coordination of the data gathering and data integrity of the asset database, the work order management system and the geospatial information system, which are all key components of a more intentional approach to the maintenance and replacement of the large number of assets in the department. In addition, this position will help the department continue to move forward on the objective to have all department programs captured in the Asset Management Plan, shifting the focus to the transportation service areas in FY 16-17.

PUBLIC WORKS PERFORMANCE MEASURES

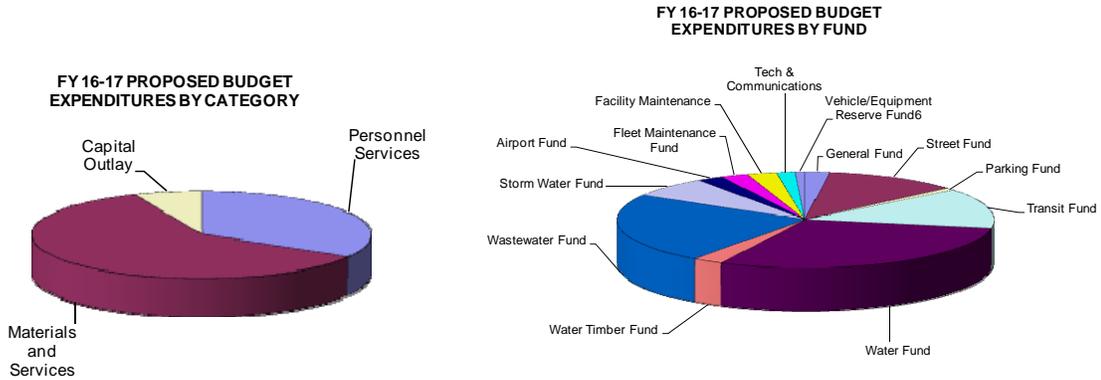
Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Ensure a sound water piping system through proactive maintenance.	Percent of water loss in the distribution system. (National benchmark is 10%.)	4.89%	4.58%	<10%	<10%
Support alternative transportation by keeping the sidewalk system in good repair.	Number of sidewalk panels repaired or replaced.	700	610	700	700

Objective	Measure	FY 13-14 Actual	FY 14-15 Actual	FY 15-16 Revised	FY 16-17 Target
Reduce the use of single occupancy vehicles through effective transit service.	Transit rides provided per capita. (National average for larger urbanized areas is 13).	18.7	20.5	20	20
Reduce City organization carbon footprint.	Percent of total electricity obtained from renewable energy sources.	7.5%	8.7%	10.0%	11.0%
Reduce pollutants entering local waterways.	Cubic yards of waste/debris collected from regular street sweeping.	6,030	5,890	5,900	5,900
Divert pollutants from entering the Willamette River by effective wastewater treatment processes.	Pounds of solids removed per million gallons of wastewater treated.	5,557	5,640	5,725	5,811

PUBLIC WORKS DEPARTMENT – BUDGET SUMMARY

Materials and Services represent the largest expenditure category at 60% 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, storm water and transportation system infrastructure. The remaining 40% of the budget accounts for employee wages and benefits at 33% and Capital Outlay at 6%.

BUDGET BY CATEGORY:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
Personnel Services	\$10,561,995	\$10,627,652	\$11,510,250	\$11,510,250	\$11,720,350	1.83%
Materials and Services	12,675,636	13,382,766	17,745,910	16,456,520	21,037,770	18.55%
Capital Outlay	1,974,964	1,962,191	1,284,690	1,186,910	2,267,250	76.48%
TOTAL	\$25,212,596	\$25,972,610	\$30,540,850	\$29,153,680	\$35,025,370	14.68%
Staffing Levels	117.500	116.500	115.250	115.250	114.250	-0.87%



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

BUDGET BY FUND:	ACTUAL 2013-14	ACTUAL 2014-15	BUDGET 2015-16	REVISED 2015-16	PROPOSED 2016-17	%CHANGE FROM 15-16 BUDGET
General Fund ¹	\$864,228	\$894,620	\$852,630	\$906,640	\$731,140	-14.25%
Street Fund ¹	3,669,476	3,664,261	4,453,300	4,364,080	4,049,040	-9.08%
Parking Fund	151,508	232,375	284,890	284,890	280,550	-1.52%
Transit Fund	3,861,293	3,157,363	3,289,710	3,289,710	4,693,310	42.67%
Water Fund ²	6,563,200	6,930,611	8,512,050	7,952,820	10,325,180	21.30%
Water Timber Fund ³	214,244	412,039	494,340	482,710	916,010	85.30%
Wastewater Fund	6,013,824	6,800,360	7,935,260	7,450,260	8,257,850	4.07%
Storm Water Fund	1,739,916	1,896,740	2,375,570	2,350,570	2,417,310	1.76%
Airport Fund ²	512,241	400,150	397,620	397,620	790,340	98.77%
Fleet Maintenance Fund	745,658	651,467	859,480	677,440	806,130	-6.21%
Facility Maintenance	737,748	801,006	847,020	847,020	903,020	6.61%
Tech & Communications ⁴	139,260	131,619	238,980	149,920	569,900	138.47%
Vehicle/Equipment Reserve Fund ⁵	0	0	0	0	285,590	0.00%
TOTAL	\$25,212,596	\$25,972,610	\$30,540,850	\$29,153,680	\$35,025,370	14.68%

(1) GIS work group moved to the Tech and Communications Fund in FY 16-17.

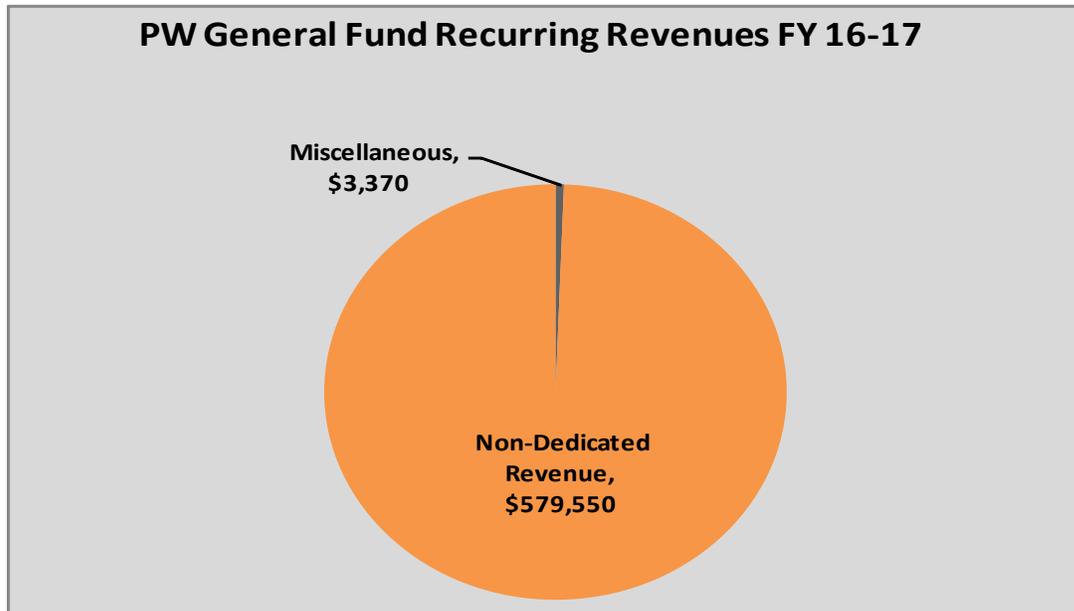
(2) The Water and Airport Funds have some significant maintenance and repair projects planned for FY 16-17.

(3) The FY 16-17 timber harvest is expected to be significantly greater compared to prior years.

(4) FY 15-16 adopted expenditures include the purchase from reserves to replace/upgrade the digital phone system which have been carried over to FY 16-17. The GIS division also moved out of the General, Street and Utility Funds into this fund in FY 16-17.

(5) The Vehicle/Equipment Reserve Fund was created in FY 16-17; planned expenditures are related to a new building maintenance reserve for City-owned facilities.

Below is a depiction of PW's General Fund recurring dedicated revenues along with its draw on property tax funding (non-dedicated revenues):



(1) Miscellaneous revenue consists of the purchasing card rebate that PW earns each year.

ADVISORY BOARDS & COMMISSIONS

Public Works provides staff support to three Advisory Boards and one Committee:

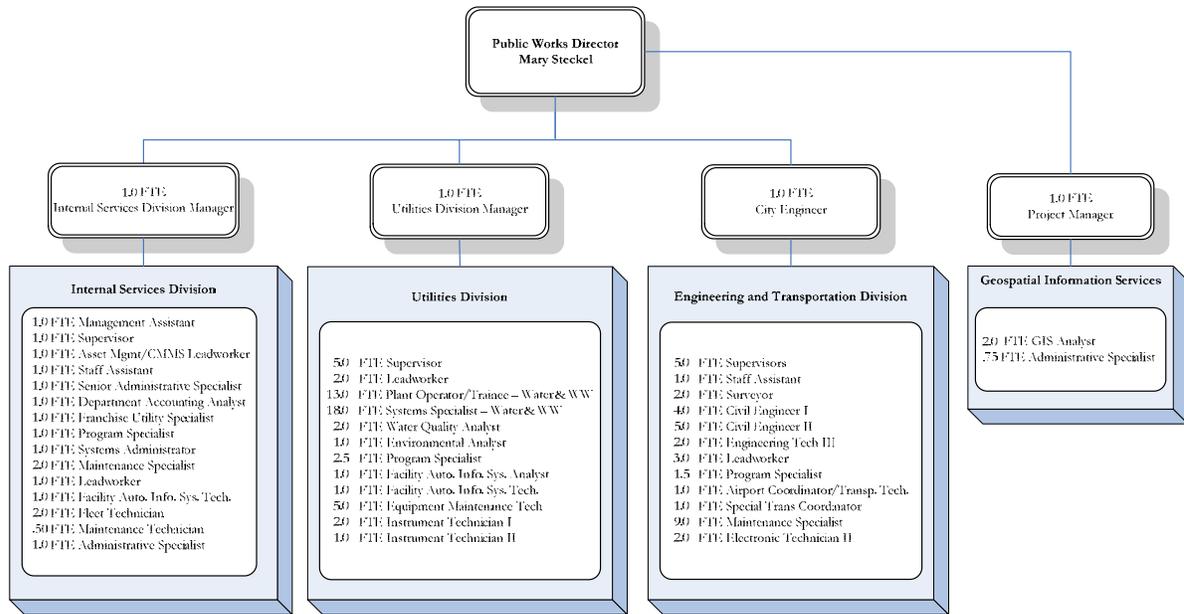
Airport Advisory Board – This Board advises the City Council on matters concerning the management and control of the Municipal Airport and the planning for infrastructure construction at the Airport Industrial Park in support of economic development opportunities.

Bicycle & Pedestrian Advisory Board (BPAB) – This Board advises the City Council on program and maintenance activities for bicycle and pedestrian facilities and systems.

Downtown Parking Committee (DPC) – This Committee advises the Downtown Advisory Board (which is supported by Community Development) and the City Council on matters concerning parking in the Downtown, such as changes to parking meter times or locations.

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 alignment with the Watershed Stewardship Plan.

PUBLIC WORKS DEPARTMENT ORGANIZATION CHART



PUBLIC WORKS DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	Proposed	Historical	
				FY 16-17 FTE	FY 15-16 FTE	FY 14-15 FTE
Public Works Director	Exempt	\$8,642 - \$11,030	1	1.000	1.000	1.000
City Engineer	Exempt	7,110 - 9,074	1	1.000	1.000	1.000
Utilities Division Manager	Exempt	7,110 - 9,074	1	1.000	1.000	1.000
Internal Services Division Manager	Exempt	6,449 - 8,231	1	1.000	1.000	1.000
Supervisors - Engineering	Exempt	6,142 - 7,839	3	3.000	3.000	3.000
Civil Engineer II ¹	AFSCME	5,818 - 7,425	5	5.000	5.000	6.000
Supervisors - Water & Wastewater (WW) Operations	Exempt	5,571 - 7,110	2	2.000	2.000	2.000
Public Works Project Manager	Exempt	5,306 - 6,771	1	1.000	1.000	1.000
Supervisors - Bldgs & Garage, Util Tech Svc, WW Coll/SRFC, & Water Dist	Exempt	5,306 - 6,771	4	4.000	4.000	4.000
GIS Coordinator ²	AFSCME	5,082 - 6,487	-	0.000	1.000	1.000
Supervisors - Public Transportation Services & Transportation Maintenance	Exempt	5,053 - 6,449	2	2.000	2.000	3.000
Asset Management/CMMS Leadworker ²	AFSCME	4,988 - 6,366	1	1.000	0.000	0.000
Civil Engineer I ¹	AFSCME	4,988 - 6,366	4	4.000	4.000	3.000
Facility Automation Information Systems (FAIS) 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
Facility Automation Information Systems (FAIS) Technician	AFSCME	4,620 - 5,897	2	2.000	2.000	2.000
Franchise Utility Specialist	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Instrument Technician II	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Leadworkers	AFSCME	4,620 - 5,897	6	6.000	6.000	6.000
System Administrator	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Management Assistant	Exempt	4,583 - 5,849	1	1.000	1.000	1.000
GIS Analyst	AFSCME	4,359 - 5,563	2	2.000	2.000	2.000
Airport Coordinator/Transportation Technician	AFSCME	4,277 - 5,458	1	1.000	1.000	1.000
Electronic Technician II	AFSCME	4,277 - 5,458	2	2.000	2.000	2.000
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
Maintenance Specialist - Bldg & Grounds & Street	AFSCME	3,963 - 5,058	11	11.000	11.000	11.000
Technicians - Fleet & Instrument I	AFSCME	3,963 - 5,058	4	4.000	4.000	4.000
Systems Specialist - Water Distribution & WW Coll/SRF Water Mgmt	AFSCME	3,963 - 5,058	18	18.000	18.000	18.000
Plant Operator/Trainee - Water Treatment & WW Reclamation ³	AFSCME	3,676 - 5,458	13	13.000	13.000	13.000
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
Buildings & Grounds Maintenance Technician	AFSCME	3,416 - 4,360	1	0.500	0.500	0.500
Senior Administrative Specialist ⁴	AFSCME	3,416 - 4,360	1	1.000	2.000	2.000
Administrative Specialist ⁵	AFSCME	2,784 - 3,554	2	1.750	1.750	2.000
TOTAL			116	114.250	115.250	116.500

NOTE: Salary ranges reflect FY 15-16 Class and Compensation schedules.

1. A Civil Engineer II vacancy, as a result of an internal promotion, was reclassified as a Civil Engineer I.
2. To better support the department's needs, the vacant GIS Coordinator position will be filled as an Asset Management/CMMS Leadworker.
3. While total Plant Operators will not exceed 13.0 FTE, some may be initially hired as Trainees.
4. Due to a departmental reorganization of administrative staff in FY 16-17, a vacant 1.0 FTE Senior Administrative Specialist has been eliminated.
5. A 1.0 FTE Administrative Specialist position was reduced to .75 FTE to better align with workload.

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.

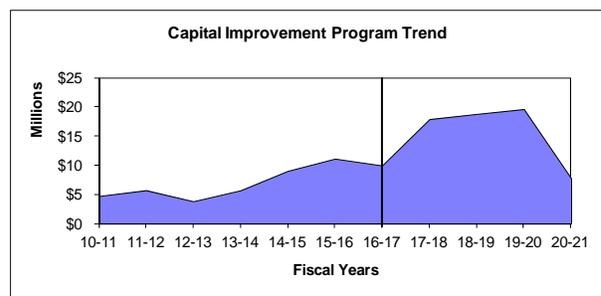
CAPITAL IMPROVEMENT PROGRAM

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;
- Community member 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 Proposed Five-Year CIP is forwarded to the Planning and Budget Commissions, and then City Council for consideration. The Planning Commission reviews the CIP for compatibility with the Comprehensive Plan.

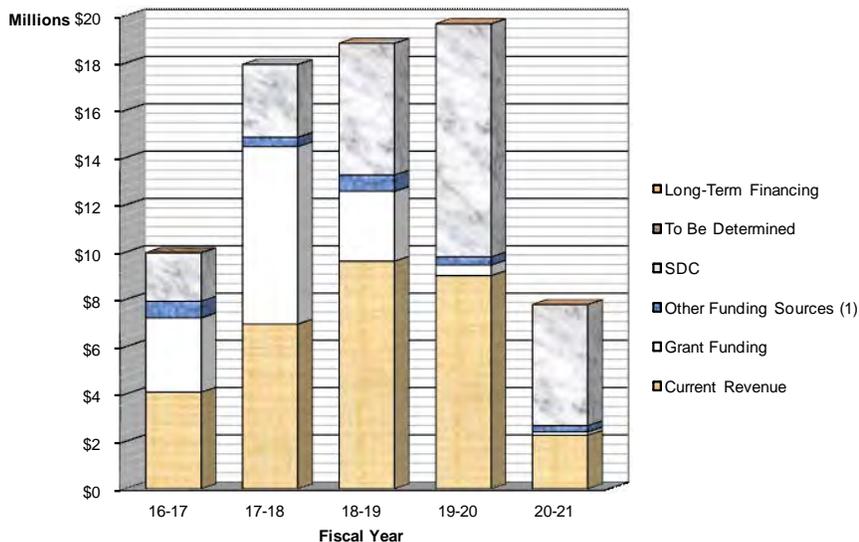
The first year of the five-year CIP is further developed, and presented to the Budget Commission and the City Council as the capital budget for the following fiscal year. The CIP plan is available online at <http://corvallisoregon.gov/>, or at the Corvallis-Benton County Public Library or by calling 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 16-17 and the ensuing four-year planning period.

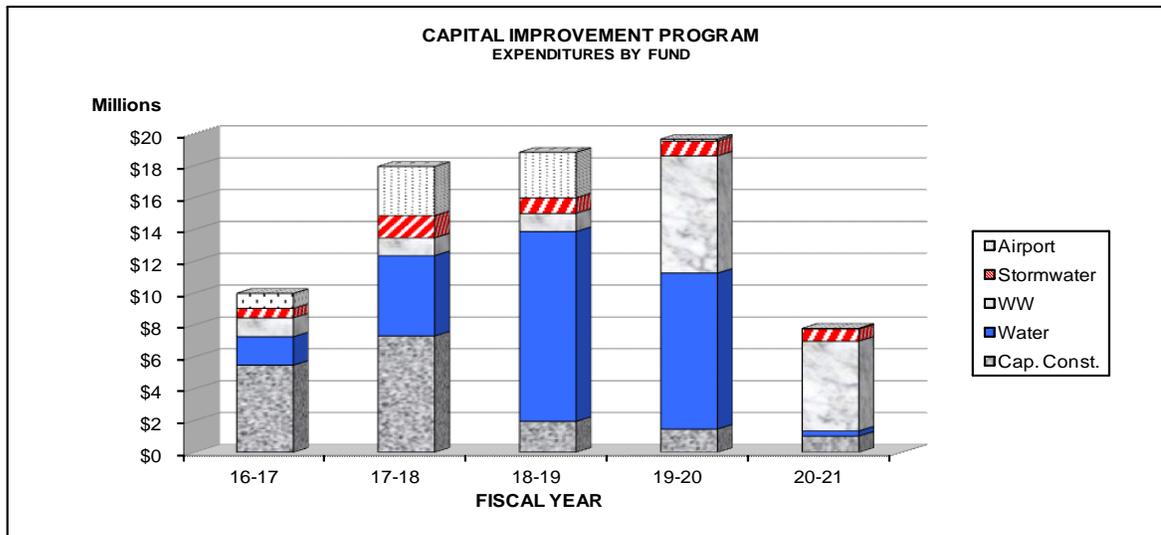
Funding Source	Five Year					Total
	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	
Long-Term Financing	\$0	\$0	\$0	\$0	\$0	\$0
Current Revenue	4,086,370	6,968,370	9,627,350	9,017,580	2,261,150	31,960,820
Grant Funding	3,143,160	7,503,910	2,954,100	448,800	144,800	14,194,770
Other Funding Sources (1)	700,880	391,180	683,300	341,100	265,700	2,382,160
SDC	2,048,270	3,081,910	5,572,830	9,857,440	5,118,000	25,678,450
To Be Determined	0	0	0	0	0	0
Total	\$9,978,680	\$17,945,370	\$18,837,580	\$19,664,920	\$7,789,650	\$74,216,200



(1)-Includes donations and assessments.

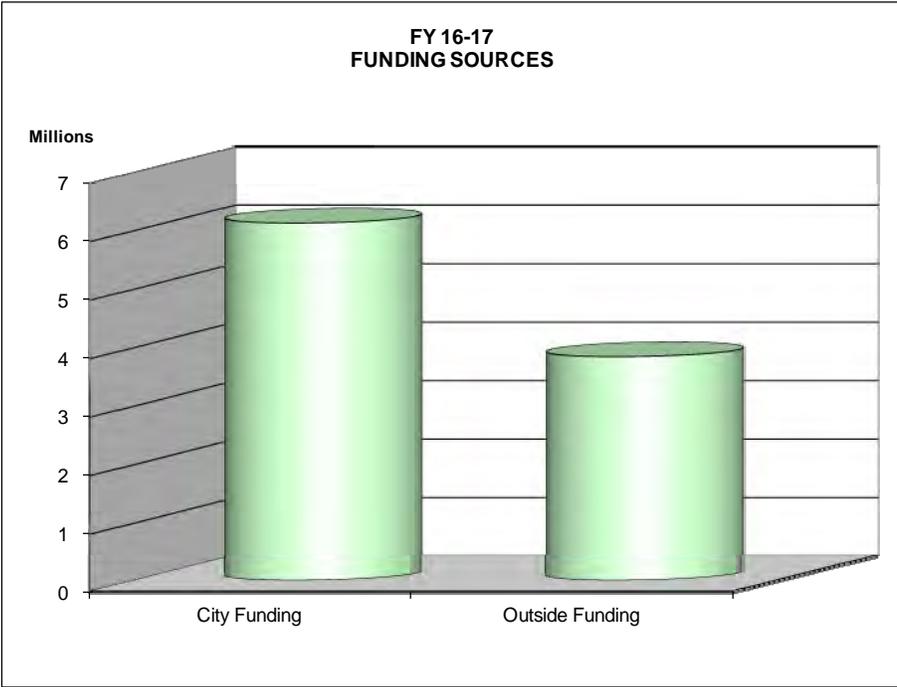
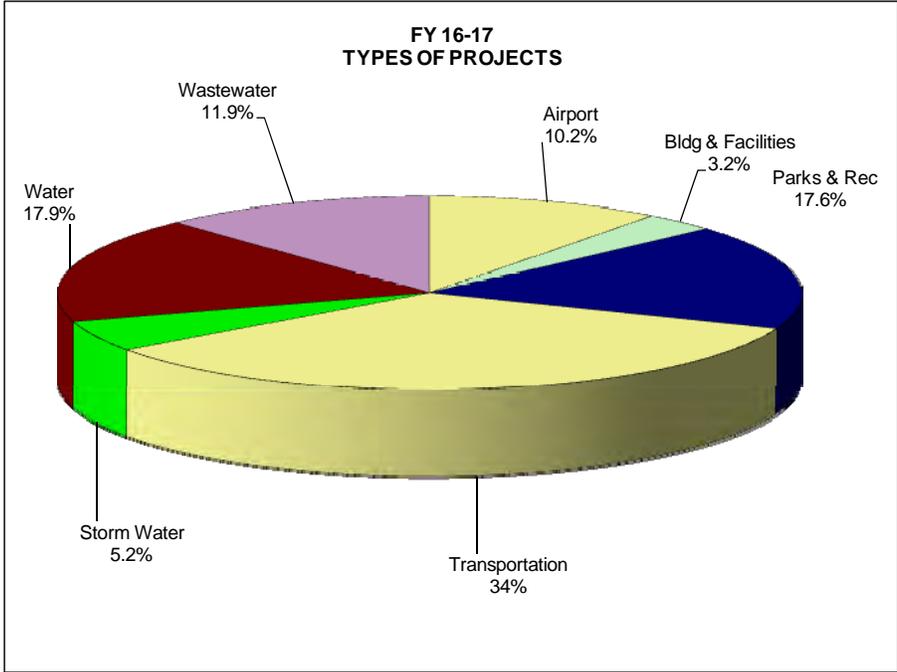
CAPITAL IMPROVEMENT PROGRAM EXPENDITURE SUMMARY BY FUND

	<u>FY 16-17</u>	<u>FY 17-18</u>	<u>FY 18-19</u>	<u>FY 19-20</u>	<u>FY 20-21</u>	FIVE YEAR TOTAL
Capital Construction Fund						
Public Works	\$3,715,200	\$6,180,660	\$1,444,000	\$1,210,000	\$768,250	\$13,318,110
Parks & Recreation	1,756,720	1,125,000	504,500	250,000	250,000	3,886,220
Sub Total Capital Construction Fund	<u>\$5,471,920</u>	<u>\$7,305,660</u>	<u>\$1,948,500</u>	<u>\$1,460,000</u>	<u>\$1,018,250</u>	<u>\$17,204,330</u>
Water Construction Fund						
Public Works	\$1,784,660	\$5,045,110	\$11,915,300	\$9,795,300	\$325,000	\$28,865,370
Wastewater Construction Fund						
Public Works	\$1,189,000	\$1,115,160	\$1,137,850	\$7,361,530	\$5,634,450	\$16,437,990
Storm Water Construction Fund						
Public Works	\$588,950	\$1,398,540	\$975,930	\$928,090	\$768,950	\$4,660,460
Airport Construction Fund						
Public Works	\$944,150	\$3,080,900	\$2,860,000	\$120,000	\$43,000	\$7,048,050
Total Capital Improvement Plan	<u>\$9,978,680</u>	<u>\$17,945,370</u>	<u>\$18,837,580</u>	<u>\$19,664,920</u>	<u>\$7,789,650</u>	<u>\$74,216,200</u>



CAPITAL IMPROVEMENT PROGRAM EXPENDITURE SUMMARY BY FUND

The FY 16-17 Capital Improvement Program totals \$9,978,680. 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 16-17 BUDGET
------------------------------	----------------	----------------------	-----------------

AIRPORT AND INDUSTRIAL PARK

Airport Buildings & Grounds	Current Revenue (CR) Airport	\$1,086,900	\$267,000
	Total	\$1,086,900	\$267,000
Airport Improvements	CR Airport	\$622,320	\$63,220
	FAA Grant	5,596,190	613,930
	Total	\$6,218,510	\$677,150
South Corvallis Drainage Improvements - Airport Basin	Assessments	\$1,360,940	\$29,160
	CR Airport	\$5,410	\$0
	Storm Water SDC	607,660	43,740
	Total	\$1,974,010	\$72,900
Total Airport and Industrial Park			\$1,017,050

BUILDINGS AND FACILITIES

Municipal Buildings Rehabilitation	CR General Fund	\$343,300	\$16,000
	CR Develop. Svcs. Fund	31,990	0
	CR CD Revolving Fund	13,480	0
	CR Street	3,540	0
	CR Water Fund	2,890	0
	CR Wastewater Fund	3,200	0
	CR Storm Water Fund	3,600	0
	Debt Issuance	280,000	0
	Grant	601,800	300,900
	Total	\$1,283,800	\$316,900
Total Buildings and Facilities			\$316,900

PARKS AND RECREATION

Acquisition of Land	General Fund Restricted Reserve	\$131,720	\$131,720
	Parks SDC	1,100,000	0
	Total	\$1,231,720	\$131,720
Osborn Aquatic Center	CR General	\$84,000	\$0
	Grants and/or Donation	315,000	200,000
	Total	\$399,000	\$200,000
Park Development - New	Grants and/or Donations	\$262,500	\$262,500
	Parks SDC	1,037,500	112,500
	Total	\$1,300,000	\$375,000
Park Facility Renovation	Grants and/or Donation	\$1,852,000	\$225,000
	Parks SDC	262,500	0
	Total	\$2,114,500	\$225,000
Park Improvements - Existing	CR General	\$100,000	\$0
	Grants and/or Donation	933,000	407,500
	Parks SDC	1,408,000	297,500
	Total	\$2,441,000	\$705,000

CAPITAL IMPROVEMENT PROJECTS	FUNDING SOURCE	TOTAL PROJECT BUDGET	FY 16-17 BUDGET
Trails / Bike Paths	Grants and/or Donations	\$259,250	\$120,000
	Parks SDC	435,750	0
	Total	\$695,000	\$120,000
Total Parks and Recreation			\$1,756,720

STORM WATER UTILITY

Storm Drain Pipe Replacement	CR Storm Water Fund	\$472,380	\$36,050
	Total	\$472,380	\$36,050
Storm Water Master Plan Projects	CR Storm Water Fund	\$2,430,000	\$405,000
	Storm Water SDC	360,000	60,000
	Total	\$2,790,000	\$465,000
Utility and Street Improvement Projects	Storm Water SDC	\$15,000	\$15,000
	Total	\$15,000	\$15,000
Total Storm Water Utility			\$516,050

TRANSPORTATION

35th Street Sidewalks and Railroad Crossing	CR Street Fund	\$24,540	\$0
	Street SDC	282,000	264,000
	Total	\$306,540	\$264,000
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	\$255,730	\$250,000
	Total	\$255,730	\$250,000
Marys River - Crystal Lake Drive Shared-Use Path	CR Street	\$81,320	\$29,460
	Grant	710,380	257,340
	Total	\$791,700	\$286,800
Street Reconstruction - Local	CR Street Fund	\$650,000	\$0
	CR Storm Water Fund	50,000	50,000
	Total	\$700,000	\$50,000
Street Resurfacing	CR Street Fund	\$750,000	\$150,000
	CR Street Fund (TMF)	\$3,000,000	\$500,000
	Grant	1,024,300	303,300
	Total	\$4,774,300	\$953,300

CAPITAL IMPROVEMENT PROJECTS	FUNDING SOURCE	TOTAL PROJECT BUDGET	FY 16-17 BUDGET
Transit Maintenance Facility	CR Transit Fund	\$451,760	\$400,000
	Grant(s)	4,778,960	422,950
	Total	\$5,230,720	\$822,950
Utility and Street Improvement Projects	Street SDC	\$200,000	\$200,000
	Total	\$200,000	\$200,000
Total Transportation Projects			\$3,398,300
WASTEWATER UTILITY			
Avery Park Sanitary Lift Station Rehabilitation	CR Wastewater Fund	\$176,580	\$142,400
	Total	\$176,580	\$142,400
Sanitary Sewer Rehabilitation	CR Wastewater Fund	\$4,611,350	\$734,290
	Total	\$4,611,350	\$734,290
Utility and Street Improvement Projects	Wastewater SDC	\$33,000	\$33,000
	Total	\$33,000	\$33,000
WWRP MCC Replacement	CR Wastewater Fund	\$698,280	\$279,310
	Total	\$698,280	\$279,310
Total Wastewater Utility Projects			\$1,189,000
WATER UTILITY			
Baldy 2nd Level Storage Reservoir	Water SDC	\$2,352,000	\$117,300
	Total	\$2,352,000	\$117,300
Marys River Water Main Crossings	CR Water Fund	\$1,739,950	\$137,640
	Water SDC	130,960	10,360
	Total	\$1,870,910	\$148,000
Rock Creek Filter Addition	CR Water Fund	\$544,140	\$66,490
	Water SDC	233,360	28,510
	Total	\$777,500	\$95,000
Rock Creek Transmission Main Replacement	CR Water Fund	\$15,001,420	\$35,000
	Water SDC	6,429,180	15,000
	Total	\$21,430,600	\$50,000
Taylor Plant Facility Projects	CR Water Fund	\$265,650	\$198,000
	Total	\$265,650	\$198,000
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	\$1,485,000	\$325,000
	Total	\$1,485,000	\$325,000
West Corvallis Second Level Water	Water SDC loan to Assessments	\$580,520	\$565,000
	Water SDC	260,340	253,360
	Total	\$840,860	\$818,360
Total Water Utility Projects			\$1,784,660
GRAND TOTAL			\$9,978,680

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>	<u>Prior years</u>	<u>FY 16-17</u>	<u>Projected</u>	<u>Total</u>
Land Acquisition, ROW & Easements	\$0	\$20,600	\$21,000	\$41,600
Design	5,410	52,300	63,250	120,960
Construction Management	0	0	154,850	154,850
Construction	0	0	1,656,600	1,656,600
Estimated Total Cost of Project	\$5,410	\$72,900	\$1,895,700	\$1,974,010

Impact on Operating Budget - Slight

Annual operation and maintenance costs are estimated to be \$6,000.

◆ **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>	<u>Prior years</u>	<u>FY 16-17</u>	<u>Projected</u>	<u>Total</u>
Land Acquisition, ROW & Easements	\$0	\$400,000	\$0	\$400,000
Design	314,310	422,950	0	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	\$822,950	\$4,093,460	\$5,230,720

Impact on Operating Budget - Slight

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 Reclamation Plant using Wastewater SDC funds. The additional clarifiers will accommodate increased flows due to community growth.

<u>Wastewater Construction Fund</u>	<u>Prior years</u>	<u>FY 16-17</u>	<u>Projected</u>	<u>Total</u>
Design	\$0	\$0	\$717,680	\$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	\$0	\$7,176,830	\$7,176,830

Impact on Operating Budget - Slight

Annual operation and maintenance costs are estimated to be \$7,000.

◆ **WWRP SECONDARY CLARIFIERS**

Description: This project constructs one new secondary clarifiers at the Wastewater Reclamation Plant using Wastewater SDC funds. The additional clarifier is required to accommodate flows due to community growth.

<u>Wastewater Construction Fund</u>	<u>Prior years</u>	<u>FY 16-17</u>	<u>Projected</u>	<u>Total</u>
Design	\$1,256,690	\$0	\$100,000	\$1,356,690
Construction Management	0	0	710,000	710,000
Construction	0	0	4,098,000	4,098,000
Estimated Total Cost of Project	\$1,256,690	\$0	\$4,908,000	\$6,164,690

Impact on Operating Budget - Slight

Annual operation and maintenance costs are estimated to be \$7,000.

◆ **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>	<u>Prior years</u>	<u>FY 16-17</u>	<u>Projected</u>	<u>Total</u>
Design	\$0	\$117,300	\$234,700	\$352,000
Construction Management	0	0	163,000	163,000
Construction	0	0	1,837,000	1,837,000
Estimated Total Cost of Project	\$0	\$117,300	\$2,234,700	\$2,352,000

Impact on Operating Budget - Slight

Operating and maintenance costs are estimated to increase about \$500 overall per year, because of the additional demand on the pump station, assuming it remains in place (which is not yet known).

◆ **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 16-17</u>	<u>Projected</u>	<u>Total</u>
Design	\$0	\$148,000	\$0	\$148,000
Construction Management	0	0	57,110	57,110
Construction	0	0	1,665,800	1,665,800
Estimated Total Cost of Project	\$0	\$148,000	\$1,722,910	\$1,870,910

Impact on Operating Budget - Slight

The operating budget impacts from this project are expected to be negligible, because this project is simply replacing the pipe that is currently attached to bridges and running them underground.

◆ **ROCK CREEK TRANSMISSION MAIN REPLACEMENT**

Description: This project replaces the current 16-inch and 20-inch water transmission lines with a 24-inch line that will maintain capacity as demand for water increases.

<u>Water Construction Fund</u>	<u>Prior years</u>	<u>FY 16-17</u>	<u>Projected</u>	<u>Total</u>
Land Acquisition, ROW & Easements	\$0	\$50,000	\$200,000	\$250,000
Design	\$0	\$0	\$2,000,000	\$2,000,000
Construction Management	0	0	1,580,600	1,580,600
Construction	0	0	17,600,000	17,600,000
Estimated Total Cost of Project	\$0	\$50,000	\$21,380,600	\$21,430,600

Impact on Operating Budget - Slight

The operating budget impacts from this project are expected to be negligible, because this project is simply replacing the existing pipes.

◆ **BUILDING AND INFRASTRUCTURE REHABILITATION/UPGRADES**

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

	<u>FY 16-17</u>
Municipal Building Rehabilitation	\$316,900
Sanitary Sewer Rehabilitation	734,290
Storm Drain Replacement	36,050
Storm Water Master Plan Projects	465,000
Street Reconstruction/Resurfacing	1,003,300
Water Distribution System	325,000
Estimated Total Cost of Project	\$2,880,540

Impact on Operating Budget - Positive

This program will keep costs of maintaining the City's buildings and infrastructure from rapidly escalating, so is expected to be relatively neutral with regard to net operating impacts.

Major Future Year Capital Projects	FY 17-18 to FY 20-21
South Corvallis Drainage Improvements - Airport Basin	\$1,895,700
Transit Maintenance Facility	4,093,460
Wastewater Redamation Plant (WWRP) Clarifiers	12,084,830
Baldy 2nd Level Storage Reservoir	2,234,700
Marys River Water Main Crossings	1,722,910
Rock Creek Transmission Main Replacement	21,380,600
Building and Infrastructure Rehabilitation/Upgrades	9,307,470
Other projects not specified above:	11,517,850
Total for FY 17-18 to FY 20-21	64,237,520
FY 16-17 Projects	9,978,680
Total 5-year CIP Projection	\$74,216,200



Morris Avenue Bridge project in-progress



Morris Avenue Bridge project complete

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.

Debt Outstanding	Scheduled Balance as of June 30, 2016	Scheduled Principal Payments 2016/2017	Scheduled Balance as of June 30, 2017
Bonded Debt	\$44,065,680	(\$3,934,957)	\$40,130,722
Notes Payable	\$1,125,000	(\$210,000)	\$915,000
Total Debt	\$45,190,680	(\$4,144,957)	\$41,045,722

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 \$3,320,000 or 0.05% of the 2015 real market value of \$6,214,073,800. 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.

The Council has adopted additional limitations regarding debt issuance in Financial 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, \$1,167,800 in property tax-related debt service and \$2,814,182 in limited tax general obligation bonds and full-faith and credit obligations to which these limits apply will be paid. These payments equate to 1.71% and 4.12% 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 16-17 operating revenue of \$103,003,670. This net direct long-term general obligation debt of \$3,981,982 equals 3.87% of total operating revenue.

Outstanding General Fund backed debt estimated at \$34,185,680 represents 0.55% of the true cash value of taxable property in the City. This level is within the 1% limit established by the Policy. Prior to issuance, Council specifically exempted the balloon payment structures of the two Pension Obligation Bond series from the policy of structuring debt issues to amortize at least 33% of the principal in the first half of the repayment term. This exemption

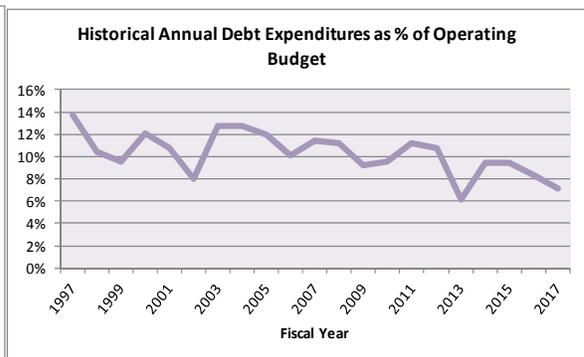
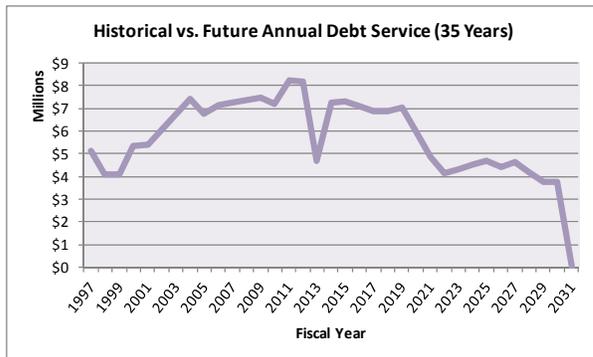
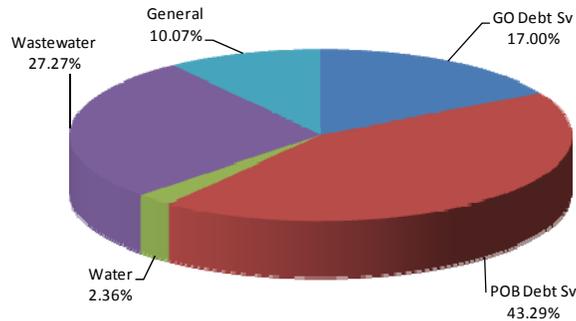
was deemed appropriate due to matching repayment structure with the underlying pension cost growth.

The 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 or refunding are contemplated for FY 16-17.

SUMMARY OF FISCAL YEAR 2016-17 TOTAL DEBT SERVICE BY TYPE

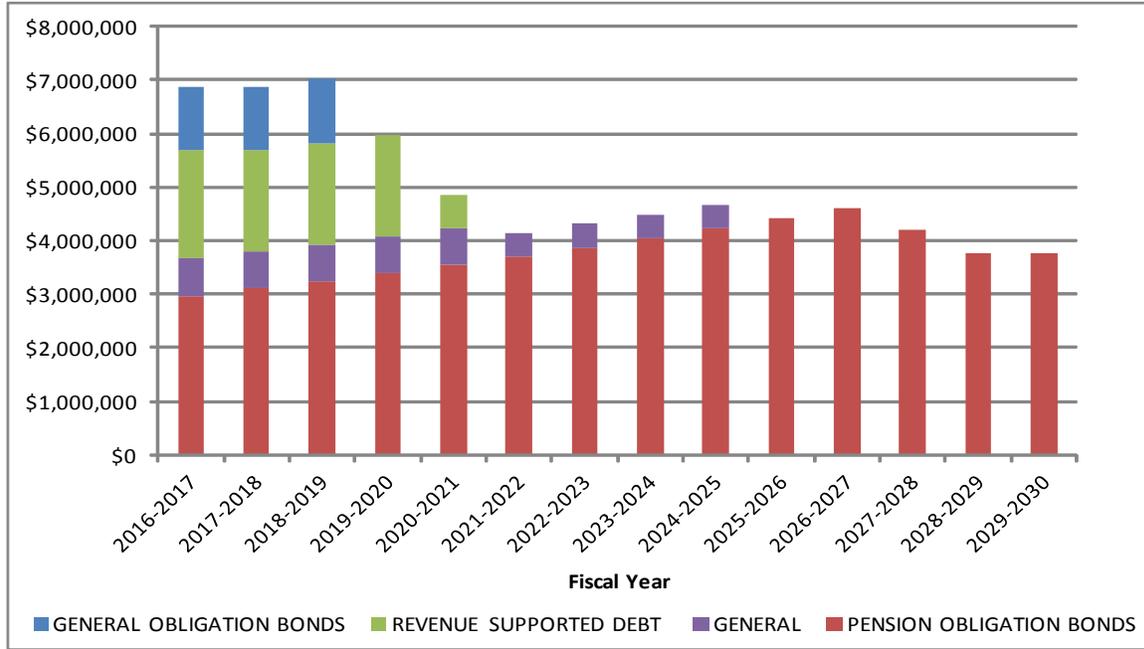
<i>Fund</i>	<i>Source of Dollars</i>	<i>Fiscal Year 2016-17 Total</i>
General Obligation Debt Service Fund	Property Taxes	\$1,167,800
Pension Obligation Debt Service Fund	Operating fund transfers	2,973,299
Water Fund	Water revenue	162,400
Wastewater Fund	Wastewater revenue	1,872,500
Other Debt	Non-dedicated General Fund	691,742
TOTAL FISCAL YEAR 2016-17 DEBT SERVICE		\$6,867,741

TOTAL FY 16-17 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, 2016



Year of Maturity	Debt Service Requirements		Debt Total
	Principal	Interest	
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	2,645,914	7,027,747
2019-2020	3,356,608	2,609,464	5,966,072
2020-2021	2,236,024	2,619,961	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>\$45,190,680</u>	<u>\$24,764,589</u>	<u>\$69,955,269</u>

SCHEDULE OF DEBT SERVICE REQUIREMENTS GENERAL OBLIGATION DEBT

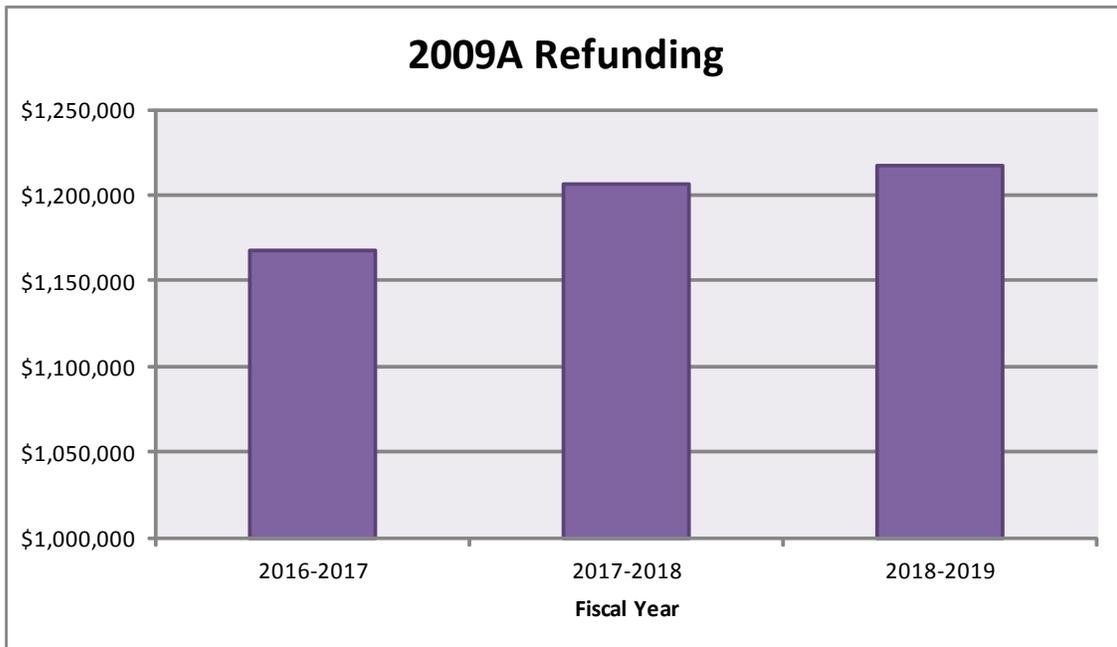
Issue Description:

**2009A Refunding
of Series 1999 and 2001 Bonds
(Riverfront and Open Space)**

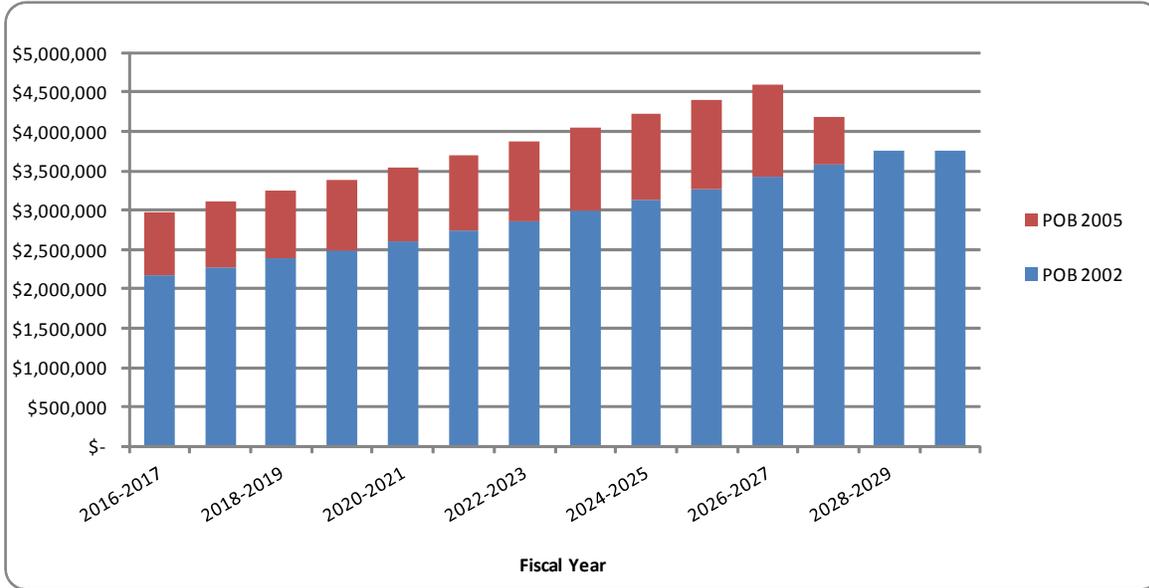
Amount Issued:
Issue Date:
Original Issue TIC:
Rating:

\$10,190,000
June 1, 2009
2.767% (TIC)
Aa2
Non-callable

Year of Maturity	Principal	Interest	Total
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
	<u>\$3,320,000</u>	<u>\$271,000</u>	<u>\$3,591,000</u>



SCHEDULE OF DEBT SERVICE REQUIREMENTS TOTAL PENSION OBLIGATION DEBT



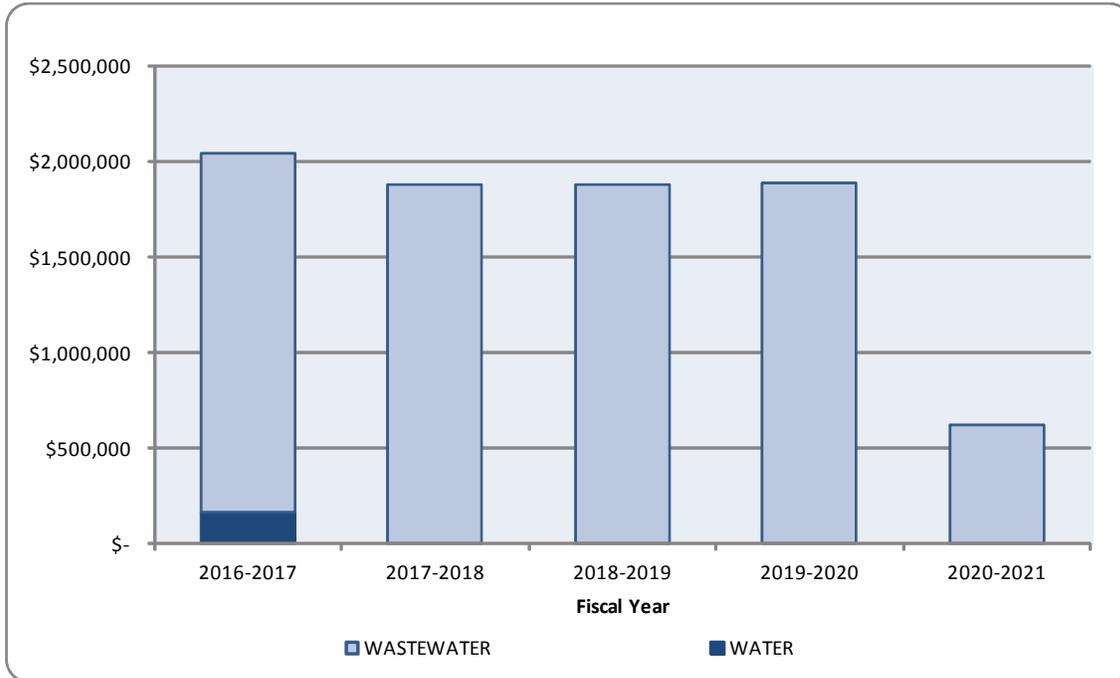
Year of Maturity	Pension Obligation		Pension Obligation Debt Total	2016-2017 Funding Source
	Principal	Interest		
2016-2017	744,957	2,228,342	2,973,299	General Fund \$2,122,440
2017-2018	805,252	2,304,340	3,109,592	Street Fund 105,240
2018-2019	861,833	2,381,622	3,243,455	9-1-1 Fund 115,800
2019-2020	926,608	2,463,281	3,389,889	Development Services Fund 128,230
2020-2021	996,024	2,547,384	3,543,407	Community Dev Revolving Loan Fund 24,170
2021-2022	1,065,211	2,637,672	3,702,883	Parking Fund 27,110
2022-2023	1,140,795	2,728,311	3,869,106	Transit Fund 19,590
2023-2024	2,615,000	1,426,576	4,041,576	Water Fund 184,310
2024-2025	2,955,000	1,268,943	4,223,943	Water Timber Fund 950
2025-2026	3,315,000	1,090,482	4,405,482	Wastewater Fund 168,070
2026-2027	3,715,000	889,892	4,604,892	Storm Water Fund 69,570
2027-2028	3,525,000	664,798	4,189,798	Airport Fund 9,170
2028-2029	3,310,000	444,275	3,754,275	
2029-2030	3,525,000	229,125	3,754,125	
				Less: Paying Agent Fees (1,350)
				<u>\$2,973,300</u>
	<u>\$29,500,680</u>	<u>\$23,305,042</u>	<u>\$52,805,722</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) Mandatory Redemption & Non-callable	Aa3 (AMBAC Insured) Mandatory Redemption & Non-callable

Year of Maturity	Principal	Interest	Total	Principal	Interest	Total
2016-2017	359,957	1,816,443	2,176,400	385,000	411,899	796,899
2017-2018	370,252	1,911,149	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
	\$21,215,680	\$20,263,445	\$41,479,125	\$8,285,000	\$3,041,597	\$11,326,597

SCHEDULE OF DEBT SERVICE REQUIREMENTS REVENUE SUPPORTED DEBT



Year of Maturity	Revenue Supported Debt		Revenue Supported Debt Total
	Principal	Interest	
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>\$7,685,000</u>	<u>\$601,325</u>	<u>\$8,286,325</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
2016-2017	160,000	2,400	162,400
	<u>\$160,000</u>	<u>\$2,400</u>	<u>\$162,400</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

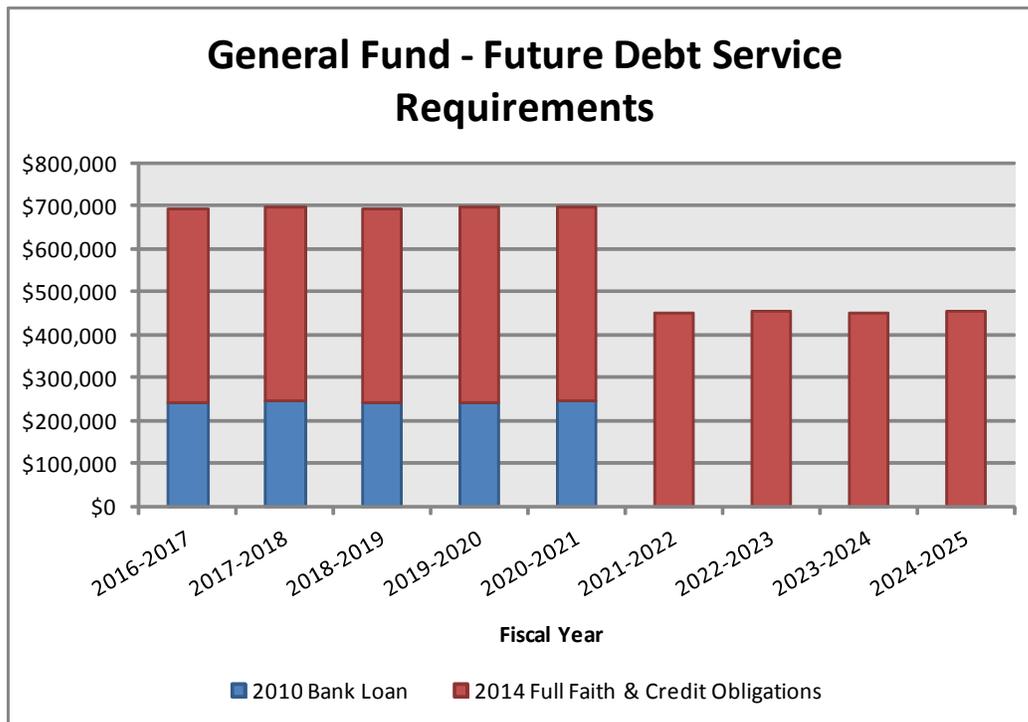
Year of Maturity	Principal	Interest	Total	Principal	Interest	Total
2016-2017	565,000	83,450	648,450	1,080,000	144,050	1,224,050
2017-2018	590,000	60,850	650,850	1,115,000	111,125	1,226,125
2018-2019	605,000	43,150	648,150	1,150,000	77,150	1,227,150
2019-2020	625,000	25,000	650,000	1,190,000	42,050	1,232,050
2020-2021	0	0	0	605,000	12,100	617,100
	<u>\$2,385,000</u>	<u>\$212,450</u>	<u>\$2,597,450</u>	<u>\$5,140,000</u>	<u>\$386,475</u>	<u>\$5,526,475</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
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	17,242	242,242	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
	\$1,125,000	\$85,322	\$1,210,322	\$3,560,000	\$501,900	\$4,061,900



TRANSFERS

TRANSFER	FY 16-17
FROM: TRANSFER TO:	BUDGET
GENERAL FUND	
Interfund: Capital Construction Fund	Cap. Proj: Muni Bldgs - Library 2nd Floor Patio \$16,000
Interfund: Street Fund	General Fund Share of Street Light Utility Costs - Year 2 255,500
Interfund: Development Services Fund	Support for Development Services Fund - SDC Program Activity 8,200
Interfund: CD Revolving Fund	General Fund Support to CD Revolving Fund 35,000
Interfund: Vehicle/Equipment Reserve Fund	Reserves: Financial System Replacement 154,500
Interfund: Vehicle/Equipment Reserve Fund	Reserves: Fire Department Contributions 606,430
Interfund: Vehicle/Equipment Reserve Fund	Reserves: Library Department Contributions 18,560
Interfund: Vehicle/Equipment Reserve Fund	Reserves: Parks & Recreation Dept Contributions 72,270
Interfund: Vehicle/Equipment Reserve Fund	Reserves: Police Department Contributions 275,000
Interfund: Vehicle/Equipment Reserve Fund	IT Hardware/Software 100,000
Interfund: Vehicle/Equipment Reserve Fund	City Building Maintenance/Repair 285,590
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond 2,122,440
	FUND TOTALS \$3,949,490
GENERAL ASSIGNED RESERVES FUND COMPONENT	
Interfund: Vehicle/Equipment Reserve Fund	Reserves: Financial System Replacement \$93,780
Interfund: Vehicle/Equipment Reserve Fund	Reserves: Fire Department Contributions 936,210
Interfund: Vehicle/Equipment Reserve Fund	Reserves: Library Department Contributions 351,540
Interfund: Vehicle/Equipment Reserve Fund	Reserves: Parks & Recreation Dept Contributions 70,200
Interfund: Vehicle/Equipment Reserve Fund	Reserves: Police Department Contributions 16,940
	FUND TOTALS \$1,468,670
GENERAL RESTRICTED RESERVES FUND COMPONENT	
Interfund: Capital Construction Fund	Cap. Proj: Acquisition of Land \$97,000
	FUND TOTALS \$97,000
STREET OPERATING FUND	
Interfund: Capital Construction Fund	Cap. Proj: Marys River - Crystal Lake Dr. Share-Use Path \$29,460
Interfund: Capital Construction Fund	Cap. Proj: Street Resurfacing (CR Funding) 150,000
Interfund: Capital Construction Fund	Cap. Proj: Street Resurfacing (TMF funding) 500,000
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond 105,240
Interfund: Development Services Fund	Support for Development Services Fund - SDC Program Activity 25,410
	FUND TOTALS \$810,110
STREET SDC FUND COMPONENT	
Intrafund: Capital Construction Fund	Cap. Proj: Utility/Street Improvement Projects \$200,000
Interfund: Capital Construction Fund	Cap. Proj: 35th Street Sidewalks & RR Crossing 264,000
	FUND TOTALS \$464,000
PARKS SDC FUND	
Interfund: General Fund	Operating: SDC Administrative Fee to General Fund-Parks \$5,440
Interfund: General Fund	Operating: SDC Evaluation Report Update 75,000
Interfund: Capital Construction Fund	Cap. Proj: Park Development-New (Master Project) 112,500
Interfund: Capital Construction Fund	Cap. Proj: Park Improvement-Existing (Master Project) 297,500
	FUND TOTALS \$490,440
911 FUND	
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond \$115,800
	FUND TOTALS \$115,800
DEVELOPMENT SERVICES FUND	
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond \$128,230
	FUND TOTALS \$128,230
COMMUNITY DEVELOPMENT REVOLVING FUND	
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond \$24,170
	FUND TOTALS \$24,170

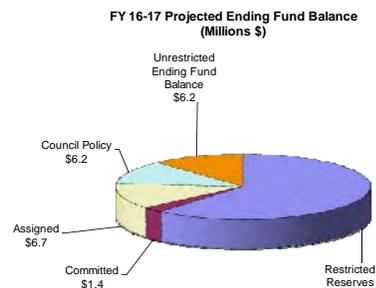
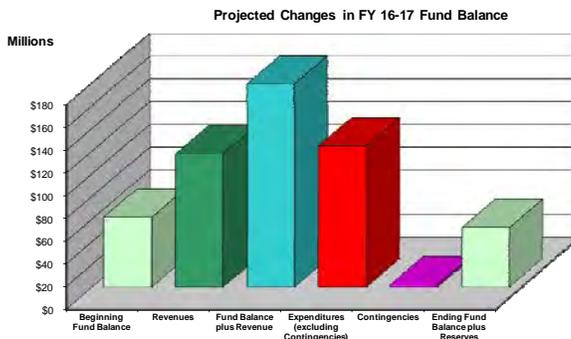
TRANSFERS (CONTINUED)

TRANSFER	FY 16-17
FROM: TRANSFER TO:	BUDGET
PARKING FUND	
Interfund: Capital Construction Fund	Cap. Proj: Downtown Public Parking \$200,000
Interfund: Capital Construction Fund	Cap. Proj: Downtown Wayfinding 51,510
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond 27,110
	FUND TOTALS \$278,620
TRANSIT FUND	
Interfund: Capital Construction Fund	Cap. Proj: Transit Maintenance Facility \$400,000
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond 19,590
	FUND TOTALS \$419,590
WATER OPERATING FUND	
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond \$184,310
Interfund: Development Services Fund	Support for Development Services Fund - SDC Program Activity 10,090
	FUND TOTALS \$194,400
WATER TIMBER FUND COMPONENT	
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond \$950
	FUND TOTALS \$950
TOTAL - WATER FUNDS \$195,350	
WASTEWATER OPERATING FUND	
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 168,070
	FUND TOTALS \$174,880
STORM WATER OPERATING FUND	
Interfund: Capital Construction Fund	Cap. Proj: Street Reconstruction-Local-15/16 \$50,000
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 69,570
	FUND TOTALS \$187,450
AIRPORT OPERATING FUND	
Interfund: Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond \$9,170
	FUND TOTALS \$9,170
ADMINISTRATIVE SERVICES FUND	
Interfund: Vehicle/Equipment Reserve Fund	Reserves: Financial System Replacement \$863,910
	FUND TOTALS \$863,910
GRAND TOTAL 2016-17 TRANSFERS	\$9,676,880

RESERVES/CHANGES IN FUND BALANCE – JUNE 30, 2016

Fund	Beginning Fund Balance ⁽¹⁾	Revenues	Expenditures net of			Unappropriated Reserves				Budgetary Ending Fund Balance ⁽⁶⁾
			Contingencies	Appropriated Contingencies	Total Expenditures	Restricted Reserves ⁽²⁾	Committed Reserves ⁽³⁾	Assigned Reserves ⁽⁴⁾	Council Policy Reserve ⁽⁵⁾	
General	\$11,779,542	\$48,450,970	\$49,940,100	\$690,000	\$50,630,100	\$564,677	\$934,439	\$1,881,658	\$6,209,999	\$9,640
Street	5,185,824	5,313,420	5,345,460	93,580	5,439,040	4,280,252	454,561	132,456	0	\$192,935
Parks Systems Develop Chrgs	2,553,915	441,670	490,440	0	490,440	2,505,145	0	0	0	0
9-1-1 Emergency Services	401,029	2,534,690	2,504,530	50,160	2,554,690	0	0	112,896	0	\$268,133
Development Services	2,662,785	2,761,880	3,658,450	55,240	3,713,690	0	0	73,820	0	\$1,637,155
CD Revolving Loan	36,084	1,957,840	1,960,270	22,020	1,982,290	0	0	7,460	0	\$4,174
Parking	571,202	660,510	1,057,230	13,050	1,070,280	0	37,323	58,294	0	\$65,815
Transit	2,186,966	3,344,650	5,112,900	66,890	5,179,790	0	0	190,171	0	\$161,655
Vehicle/Equipment Reserve	0	3,844,930	3,037,700	0	3,037,700	0	0	807,230	0	\$0
Capital Construction	478,979	5,458,230	5,471,920	0	5,471,920	465,289	0	0	0	\$0
GO Debt	69,670	1,165,150	1,167,800	0	1,167,800	67,020	0	0	0	\$0
Pension Oblig Debt Service	489	2,974,650	2,974,660	0	2,974,660	479	0	0	0	\$0
Davidson	5,581	0	0	0	0	5,581	0	0	0	\$0
Water	14,334,951	11,664,200	13,440,200	225,110	13,665,310	8,609,717	0	1,416,953	0	\$2,307,171
Wastewater	16,963,774	11,945,520	11,548,560	215,330	11,763,890	15,573,338	0	500,875	0	\$1,071,191
Storm Water	1,197,521	2,790,090	3,248,980	54,380	3,303,360	130,168	0	355,603	0	\$198,480
Airport	571,358	1,358,150	1,743,660	14,880	1,758,540	0	0	3,730	0	\$167,238
Fleet Maintenance	99,763	813,100	806,130	16,000	822,130	0	0	76,914	0	\$13,819
Facility Maintenance	62,438	883,090	903,020	10,000	913,020	0	0	17,136	0	\$15,371
Tech and Communications	596,986	2,371,970	2,646,350	30,000	2,676,350	0	0	283,062	0	\$9,544
Administrative Services	929,285	5,395,110	6,209,170	30,000	6,239,170	0	0	66,540	0	\$18,685
Risk Management	1,037,269	1,392,360	1,397,610	275,000	1,672,610	0	0	696,140	0	\$60,879
TOTAL	\$61,725,409	\$117,522,180	\$124,665,140	\$1,861,640	\$126,526,780	\$32,201,667	\$1,426,322	\$6,680,937	\$6,209,999	\$6,201,884

- (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 15-16 when compared to the Proposed ending fund balance for FY 16-17 is greater than 10%, and provides a brief explanation for that change.

Fund	FY 15-16 Adopted End Fund Balance	FY 16-17 Proposed End Fund Balance	% Change	Projection - Reasoning
General	\$199,150	\$9,640	-95.16%	Adopted FY 15-16 Fund Balance included one-time money that Budget Commission and City Council chose not to spend, however this money has been allocated for FY 16-17, therefore reducing fund balance.
Street	\$341,837	\$192,936	-43.56%	Current revenues are not expected to fully cover fund expenditures, including some capital project expenditures for street resurfacing that is planned for FY 16-17, drawing down on fund balance when compared to FY 15-16.
Development Services	\$2,089,083	\$1,637,155	-21.63%	Development has declined in FY 15-16 resulting in less revenue than anticipated, thus vacant positions have remained unfilled to help offset the revenue decline. FY 16-17 revenue is expected to pick up slightly, but overall a lower fund balance year-over-year is expected. Staff will continue to monitor and adjust expenses and vacant positions accordingly.
Community Development Revolving	\$11,830	\$4,174	-64.71%	Federal funding has declined leading to a currently projected lower fund balance.
Parking	\$157,979	\$65,815	-58.34%	Revenues generated in the Parking Fund do not offset the expenditures, which include some large capital improvement projects. As such, fund balance in FY 16-17 has declined in comparison to FY 15-16.
Transit	\$1,859,697	\$161,655	-91.31%	Three bus purchases are planned for FY 16-17, only one of which has a transit capital grant to offset, along with the planned capital improvement project for the transit maintenance facility, all of which are drawing down available fund balance.
Vehicle Equipment Reserve Fund	\$0	\$807,230	100.00%	New fund created mid-FY15-16 so no Adopted fund balance in FY15-16. Fund balance in FY 16-17 is based on transfers in from General and Administrative Services fund reserve balances net of FY 16-17 purchase from reserves.
Wastewater	\$654,775	\$415,091	-36.61%	Greater contributions to assigned reserves, mostly due to the creation of the PERS reserve, accounts for the lower fund balance in FY 16-17, as the net impact of operating revenues and expenditures on the fund is virtually identical between FY 15-16 and FY 16-17.
Storm Water	\$124,556	\$183,480	47.31%	A 10% rate increase recently approved by Council to fund upcoming capital projects and Endangered Species Act (ESA) requirements is positively impacting fund balance.
Airport	\$548,234	\$167,238	-69.50%	FY 16-17 seed crop sales revenues are expected to be less, while significant projects are still planned including capital improvement for the airport buildings and grounds, wetlands mitigation, and a solar project partially covered by a Pacific Power Blue Sky grant, all of which are drawing down fund balance.

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 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.

For the 2015-16 biennium Council term, elected officials have established a goal to update the former [2020 Vision Statement](#). This update is known as [Imagine Corvallis 2040](#) and is guided by a Steering Committee, which will work with the City's vision consultant to develop a vision and action plan, identify opportunities for community involvement, and communicate regular status updates to the full City Council and community. The [Imagine Corvallis 2040](#) vision and action plan will aim to produce a far-reaching vision that will be translated into a series of budget priorities and actions. Information and progress can be found on the [City's website](#).

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.

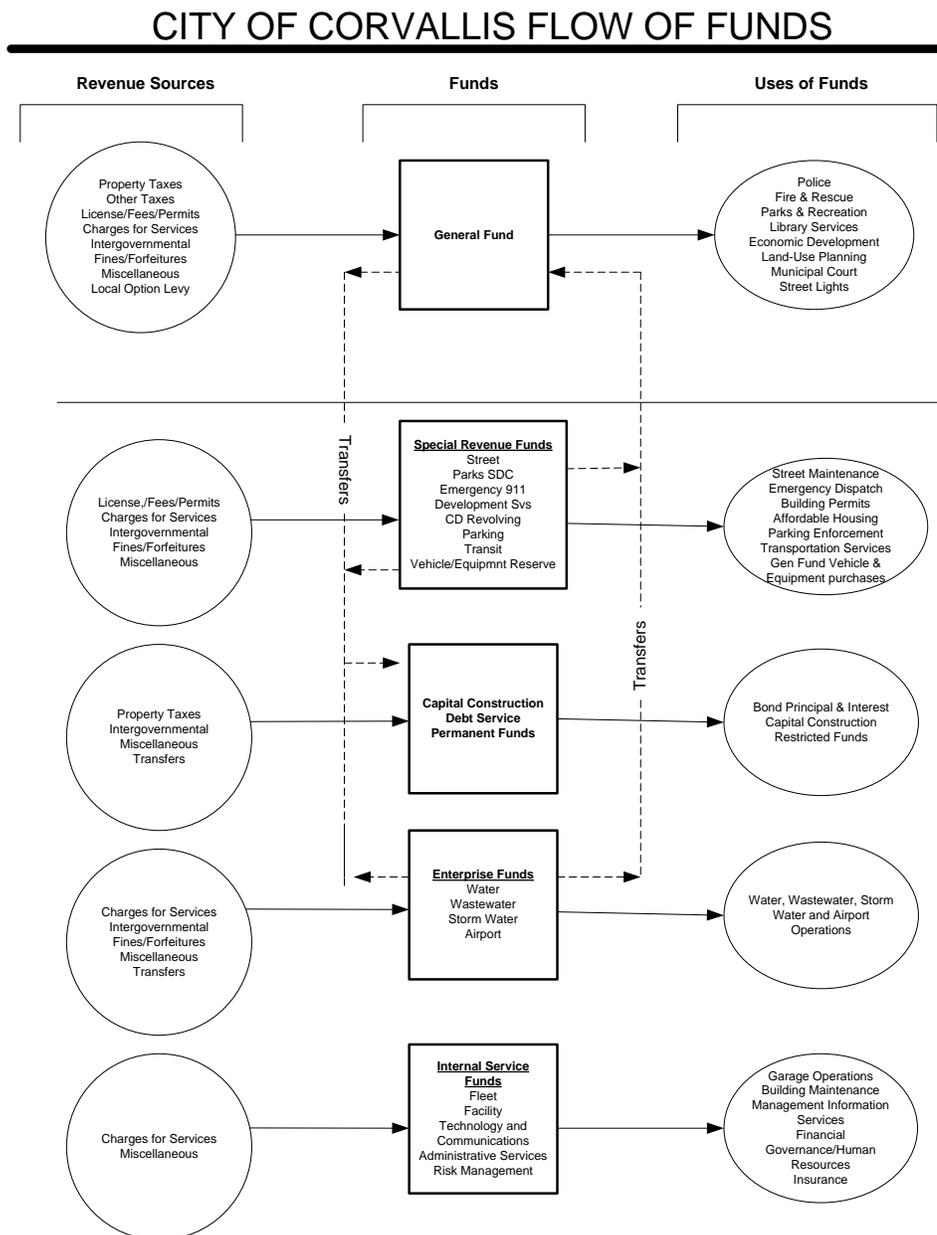
B. ***A Communications Device*** – The City's annual budget document includes statistical and descriptive information about the community and organization, and provides information about the priorities the City Council has set to be accomplished during the next fiscal year, but it also includes information 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. The department sections of the document provide more detailed information about the day-to-day activities, and the resources 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. The National Research Center (NRC) conducted the most recent survey in the winter of 2015. This [survey](#) had a 27% return rate, which is well below the 65% return rate achieved in 2012 when conducted by Oregon State University (OSU), 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 OSU 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:



The Budget and Financial Planning Overview provides information primarily about forecasting and assumptions related to 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. Some of the more significant operating funds' budgets for FY 16-17 are summarized in the financial plans found in the latter half of the Budget and Financial Planning Overview section of this budget document.

For financial reporting purposes, different types of funds are accounted for in different ways, with governmental funds (General, Special Revenue, Capital Construction, Debt Service, and Permanent Funds) using a modified accrual method of accounting and proprietary funds (Enterprise and Internal Services Funds) using a full accrual method of accounting. For budget and long-term financial planning purposes, all funds are presented using a modified accrual basis. Among other things, this means that in the proprietary funds the City does not budget for or show depreciation expenses although depreciation expenses will be recorded during the fiscal year. Since the level of financial control and accountability is at the department level within each fund, the Appendices Section of the Adopted budget document will include tables showing the budget by fund in more of an income statement format versus what is included in financial plans. A complete summary of the adopted budget by fund will be shown on the inside tab of the Budget and Financial Planning Overview section of the Adopted budget document.

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 or two funds, like the Fire Department operating in the General Fund and the Vehicle/Equipment Reserve 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, community members, 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 community 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. 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 community members 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 community members 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 works with Department Directors, who in turn work with community members, 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 reviews and analyzes 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 Budget Commission, City Council and members of the public, 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 169.

STATISTICAL TRENDS¹

Calendar Year	1990	1995	2000	2005	2013	2014	2015
COMMUNITY DEVELOPMENT							
Single Family Residence Building Permits	125	167	141	210	87	51	62
Single Family Residence Value (x \$1,000)	\$12,108	\$23,242	\$29,328	\$45,919	\$22,296	\$13,000	\$25,000
CITY MANAGER'S OFFICE							
City Employees ²	352	380	417	424	384	386	390
FINANCE							
City Assessed Value (000's)	\$1,144,822	\$2,419,879	\$2,879,105	\$3,433,646	\$4,201,469	\$4,381,367	\$4,490,592
City Real Market Value (000's)	\$1,144,822	\$2,419,879	\$3,513,758	\$4,522,703	\$5,574,068	\$5,891,389	\$6,214,074
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	.8181	.8181
Debt (per \$1,000 of AV) ³				.5418	.2802	.2645	.2645
Consolidated Tax Rate ⁴	\$33.78	\$14.65	\$14.77	\$15.81	\$17.99	\$18.47	\$18.41
City Budget:							
Operating (Millions)	\$30.25	\$38.34	\$56.78	\$68.62	\$83.98	\$84.95	\$88.77
Capital (Millions)	\$10.30	\$17.65	\$31.38	\$14.45	\$10.14	\$23.69	\$18.53
Municipal Court:							
Citations (Traffic & Criminal)	7,229	7,000	12,016	8,771	5,132	5,347	5,148
Parking Citations	27,335	18,532	23,126	11,672	16,821	16,202	14,522
FIRE							
Engine Responses ⁵	1,164	1,455	1,977	2,590	4,744	4,503	4,479
City Incidents (non-ambulance)	983	1,230	1,615	2,151	4,040	3,790	3,693
Non-City Incidents (non-ambulance)	181	225	362	439	704	713	786
Ambulance Responses	1,960	1,941	--	--	--	--	--
Patient Contacts	--	--	2,732	3,154	4,505	4,803	4,954
PARKS AND RECREATION							
Number of Programs ⁶	--	--	--	1,132	2,040	2,508	2,980
Number of Registrations ⁶	--	--	--	21,559	85,149	88,912	169,110
Number of Facility Reservations	--	--	--	1,396	1,593	1,724	1,701
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	1,954	2,149	1,864
9-1-1 Center Incidents Reported	23,433	31,269	35,753	32,487	38,645	44,758	46,093

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.

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	2013	2014	2015
PUBLIC WORKS							
Transportation:							
Traffic Signals ⁸	58	55	61	82	57	57	57
Street Lights	2,312	2,775	3,036	3,431	3,647	3,652	3,662
Bus Ridership	323,113	330,000	488,238	539,597	1,130,401	1,138,486	1,156,755
Water:							
Connections	12,111	12,684	13,802	14,427	16,397	16,512	16,709
Production (xM Gal)	2,645	2,776	2,912	2,575	2,628	2,675	2,816
Miles of Line	177	193	205	247	249	250	251
Wastewater:							
Connections	11,252	12,211	13,421	14,335	15,730	15,913	15,965
Treatment (xM Gal)	3,113	3,303	3,475	3,249	2,960	3,238	2,816
Miles of Line	168	186	201	215	205	205	219
Storm Drains:							
Miles ⁹	94	114	143	160	149	148	182
Streets:							
Miles	134	140	169	184	367	367	369
Miles Resurfaced	5.00	7.50	2.21	1.67	3.97	7.25	2.5
Bike Paths (Miles)	--	11	12	14	22	22	22
Bike Lanes (Miles)	56	49	57	61	108	108	109
OTHER							
Area Sq. Miles (Land)	12.85	13.03	13.53	14.00	14.23	14.23	14.23
City Population	44,757	47,485	52,215	53,165	55,345	56,535	57,390
County Population	70,811	74,482	78,153	81,866	87,725	88,740	86,591
County Employment ¹⁰	34,768	40,529	39,626	40,081	41,828	40,330	41,230
County Unemployment ¹⁰	1,787	925	1,598	2,073	2,213	2,259	1,807
County Unemployment Rate ¹⁰	4.9%	2.2%	3.9%	4.9%	5.3%	5.5%	3.7%
OSU Enrollment	16,024	14,320	16,777	19,236	27,925	28,886	29,576
Volunteer Hours:							
City Manager's Office ¹¹	--	--	--	--	3,020	2,870	3,356
Community Development	--	--	0	178	757	618	744
Finance	--	302	250	222	142	150	587
Fire	--	21,672	29,659	48,243	48,624	44,273	43,339
Library	--	8,400	7,368	11,227	13,860	14,825	15,611
Parks & Recreation	--	22,500	24,335	23,452	25,655	22,012	54,590
Police	--	5,030	6,397	5,405	5,660	4,100	4,450
Public Works	--	440	843	632	374	748	179
Fiscal Year	FY89-90	FY94-95	FY99-00	FY 06-07	FY 12-13	FY 13-14	FY 14-15
LIBRARY							
Circulation	762,910	1,208,996	1,452,949	1,481,633	1,706,953	1,724,638	1,689,898
Patron Visits	514,543	704,996	724,291	1,402,633	1,557,901	1,684,913	1,352,692
Population Served	69,400	75,400	77,192	84,125	86,785	87,725	88,740

⁸ Traffic Signals decreased from 82 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 storm drain miles 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.

BUDGET PROCESS

The City of Corvallis budget process for FY 16-17 was developed in a slightly different process from prior years. The City Manager and Department Directors met weekly to review revenue and expenditure projections, discuss long-term funding issues and concerns, and share information about services not currently funded. Though all funds are included in this budget, most of the discussion with the team focused on the General and Internal Service Funds since the operations in those funds impact all departments and changes in any one area of these operations can have a significant impact in the other operating costs.

LATE SUMMER 2015

Finance Department staff developed initial projections for all revenues in the General and Internal Services Funds and projected expenditures using five-year actual spending patterns.

FALL 2015

The City Manager and Department Directors met weekly to review revenues and internal service charge mechanisms and discussed the impact of these cost centers on the department's operating budgets. In November, with the annual audit for FY 14-15 nearing completion, prior year data was updated to provide information about one-time revenue available for potential allocation to one-time expenditures in FY 16-17.

The Finance Department also provided information on mandatory payments from the General Fund for debt service, completing funding for Fund Balance Reserves, interfund transfers, and miscellaneous Materials and Services expenditures. The group also discussed the anticipated increase in costs for the Oregon Public Employees Retirement System.

The difference between projected revenues and these mandatory expenditures was the target amount available for allocation in FY 16-17.

JANUARY 2016

The City Manager shared with Department Directors his goal for the coming two years, to reduce expenditures by \$1 million by increasing efficiency in the organization. This goal was also shared with the Budget Commission at a special meeting, and they concurred with this as a preliminary step.

Each Department was provided with their expenditure goals and began to finalize their budget proposals.

FEBRUARY 2016

Department Directors completed their budget submittals for City Manager review and acceptance.

MARCH 2016

The City Manager and Department Directors discussed the list of projects for which funding had not been provided. The City Manager allocated one-time monies that were available due to higher than expected ending fund balances in FY 14-15 for one-time projects.

APRIL 2016

The City Manager will present the Proposed Budget to the Budget Commission on April 12. Department Directors, along with advisory board or commission members, will present their individual department's proposed budgets, discuss the funding priorities, what was not funded in the current budget, and significant changes to operations. Budget Commissioners will have an opportunity to ask questions to clarify the budget presentations.

The Budget Commission will hold a public hearing on April 28th, as required by Oregon State Law, deliberate, and recommend a tax levy and budget for the City Council to consider.

JUNE 2016

The City Council will hear the Budget Commission's recommended budget on June 6th, hold a public hearing as required by Oregon State Law, 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 law.

JULY 1, 2016

FY 16-17 begins.

KEY PARTICIPANTS IN THE BUDGET PROCESS

- The City Council, which by Oregon State Law 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 law 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.
- Community members, 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 develop proposed budgets that meet funding priorities, continue operations, and meet customer service standards.

- Finance Department staff, which develops revenue projections and financial plans, ensures the budget is balanced and meets all State requirements for adoption, monitors the City's financial status during the course of the year, and completes the financial reporting and audit work at the end of each fiscal year.

AFTER THE BUDGET IS ADOPTED

Staff begins work on the FY 16-17 budget the day after it is adopted. Projects that are underway continue; staff begins working on planning for implementation of new projects, 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. 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 law 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 community 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 ten operating departments: City Manager's Office, Community Development, Finance, Fire, Human Resources, IT, 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

At their February 1, 2016 meeting, the City Council approved temporarily suspending Standing Committee meetings in favor of a work session model. The new model will be evaluated in October 2016. At that time, Council will determine whether to continue with the work session model or return to Standing Committees, which consist of three different Council members who review issues and topics and make recommendations to the City Council. These Standing Committees are described in more detail below:

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, commissions, and task forces](#) 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, commissions and task forces 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).
- [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, resident-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 Oregon State University to grow and sustain community engagement and neighborhood livability efforts by considering community livability issues and opportunities in the nearby campus neighborhoods. (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).
- 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 - 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 including one non-voting student liaison, 5 City appointed members, 1 non-voting County Commission representative and 1 non-voting Council representative).
- Parks, Natural Areas and Recreation Advisory Board (PNARAB) - 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).
- 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, 2016

BUDGET COMMISSION

Ward	Member	Years of Service	Term Expires
	Biff Traber, Mayor	Seven	December 31, 2018
1	Penny York, City Council President	Four	December 31, 2016
2	Roen Hogg – Vice Chair of Budget Commission	Six	December 31, 2016
3	Zachariah Baker	Two	December 31, 2016
4	Barbara Bull	Two	December 31, 2016
5	Mike Beilstein	Twelve	December 31, 2016
6	Joel Hirsch	Eight	December 31, 2016
7	Bill Glassmire	Two	December 31, 2016
8	Frank Hann	Two	December 31, 2016
9	Hal Brauner, City Council Vice President	Sixteen	December 31, 2016
Citizen	Karyle Butcher	Nine	June 30, 2016
Citizen	Curtis Wright – Chair of Budget Commission	Six	June 30, 2016
Citizen	Rich Carone	One	June 30, 2016
Citizen	Shirley Chow	Two	June 30, 2017
Citizen	Mark Kalmar	Two	June 30, 2017
Citizen	Andrew Struthers	One	June 30, 2017
Citizen	Janet Gambatese	Four	June 30, 2018
Citizen	Mark O'Brien	Four	June 30, 2018
Citizen	Deb Rose	One	June 30, 2018

DEPARTMENT DIRECTORS

Department	Name	Years in this Position	Years of Service with the City of Corvallis
City Manager	Mark W. Shepard, P.E.	2	2
Community Development Director	Paul Bilotta	1	1
Finance Director	Nancy Brewer	22	26
Fire Chief	Roy Emery	9	32
Human Resources Director	Mary Beth Altmann Hughes	3	4
Library Director	Carolyn Rawles	18	18
Parks and Recreation Director	Karen Emery	8	27
Police Chief	Jon Sassaman	4	28
Public Works Director	Mary Steckel	4	26

PROPOSED FTE CHANGES FROM FY 15-16 TO FY 16-17

FTE	REASON	FUND(S) IMPACTED	AUTHORIZED BUT UNFUNDED FTE IN FY 16/17
City Manager's Office			
<hr/>			
FY 15/16 Adopted Authorizations	12.300		
* Project Manager	-1.000 Budget Reduction	General	
* City Manager's Office Support Specialist	-1.000 Budget Reduction	Admin	
* Reorganization - move to HR	-5.300 Reorganization	Admin	
FY 16/17 Proposed Authorizations	5.000		0.000
<hr/>			
Community Development			
<hr/>			
FY 15/16 Adopted Authorizations	40.750		
* Management Assistant	-1.000 Budget Reduction	Various	
* Sr. Admin Specialist	-1.000 Budget Reduction	Development Services	
* Reorganization - move to HR	-2.000 Reorganization	General and CD Revolving	
FY 16/17 Proposed Authorizations	36.750		0.750
<hr/>			
Finance			
<hr/>			
FY 15/16 Adopted Authorizations	33.750		
* Court Clerk	-0.500 Budget Reductions	General Fund	
* Accounting Specialist	-0.500 Budget Reductions	Admin	
* Risk/Custom er Service Manager	-1.000 Budget Reduction	Admin	
* Reorganization - move to IT	-11.000 Reorganization	Technology & Communications	
* Reorganization - move to HR	-0.750 Reorganization	Admin	
FY 16/17 Proposed Authorizations	20.000		0.000
<hr/>			
Fire			
<hr/>			
FY 15/16 Adopted Authorizations	66.000		
* Pre-Hire Trainee FF/EMT	2.000 To fill planned vacancies	General	
FY 16/17 Proposed Authorizations	68.000		0.000
<hr/>			
HR			
<hr/>			
FY 15/16 Adopted Authorizations	0.000		
* Admin Services Manager	1.000 Enhancement	Admin	
* Reorganization	8.050 Reorganization	Admin	
FY 16/17 Proposed Authorizations	9.050		0.000

PROPOSED FTE CHANGES FROM FY 15-16 TO FY 16-17 (CONTINUED)

	FTE	REASON	FUND(S) IMPACTED	AUTHORIZED BUT UNFUNDED FTE IN FY 16/17
IT				
FY 15/16 Adopted Authorizations	0.000			
* IT Director	1.000	Enhancement	Technology & Communications	
* Reorganization	11.000	Reorganization	Technology & Communications	
FY 16/17 Proposed Authorizations	12.000			0.000
Library				
FY 15/16 Adopted Authorizations	43.750			
* Library Admin Services Manager	-1.000	Budget Reductions	General Fund	
* Community Library Specialist	0.500	Reorganization	General Fund	
* Reference Librarian	0.250	Reorganization	General Fund	
* Library Courier	0.250	Reorganization	General Fund	
* Library Specialist II	0.250	Reorganization	General Fund	
FY 16/17 Proposed Authorizations	44.000			0.000
Parks & Recreation				
FY 15/16 Adopted Authorizations	33.790			
FY 16/17 Proposed Authorizations	33.790			0.630
Police				
FY 15/16 Adopted Authorizations	89.250			
* Police Accreditation Manager	1.000	Enhancement	General Fund	
* Pre-Hire Trainee Officer	2.000	Unfunded Temporary positions hired to fill planned vacancies	General Fund	
FY 16/17 Proposed Authorizations	92.250			1.000
Public Works				
FY 15/16 Adopted Authorizations	115.250			
* Sr. Admin Specialist	-1.000	Budget Reductions	Various	
FY 16/17 Proposed Authorizations	114.250			0.000
TOTAL FY 15/16 Adopted Authorizations	434.840			
* Reorganizations	1.250			
* Enhancement	3.000			
* Public Safety Pre-Hire Trainees	4.000			
* Budget Reductions	-8.000			
Net FTE Changes	0.250			
FY 16/17 Proposed Authorizations	435.090			2.380

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

FUND	ACTUAL 2013-14	ACTUAL 2014-15	ADOPTED 2015-16	REVISED 2015-16	PROPOSED 2016-17	% CHANGE ADOPTED FY15-16 TO PROPOSED FY16-17 BUDGET
GENERAL FUND						
Personnel Services	\$25,382,955	\$25,965,536	\$27,822,320	\$27,514,620	\$28,816,240	3.57%
FTE ²	222.770	226.960	230.230	230.230	230.380	0.07%
STREET FUND						
Personnel Services	\$1,797,411	\$1,694,851	\$1,848,880	\$1,848,880	\$1,888,430	2.14%
FTE	19.135	18.150	17.382	17.382	17.272	-0.63%
9-1-1- EMERGENCY FUND						
Personnel Services	\$1,745,197	\$1,862,091	\$1,897,820	\$1,857,820	\$1,925,770	1.47%
FTE	18.850	18.850	18.850	18.850	18.850	0.00%
DEVELOPMENT SERVICES FUND						
Personnel Services	\$2,162,884	\$2,258,597	\$2,639,350	\$2,330,520	\$2,658,620	0.73%
FTE ²	23.250	26.190	25.250	25.250	24.050	-4.75%
COMMUNITY DEVELOPMENT REVOLVING FUND						
Personnel Services	\$429,912	\$364,943	\$445,310	\$336,730	\$318,840	-28.40%
FTE ²	4.640	4.640	4.340	4.340	3.290	-24.19%
PARKING FUND						
Personnel Services	\$466,784	\$495,676	\$521,020	\$491,020	\$518,940	-0.40%
FTE ²	5.370	10.170	5.870	5.870	5.770	-1.70%
TRANSIT FUND						
Personnel Services	\$290,864	\$353,416	\$359,980	\$359,980	\$315,770	-12.28%
FTE	3.620	3.720	3.710	3.710	3.202	-13.69%
CAPITAL CONSTRUCTION FUND¹						
Personnel Services	\$374,324	\$388,767	\$682,440	\$545,700	\$572,740	-16.07%
FTE	5.000	5.000	5.600	5.600	5.000	-10.71%
WATER FUND						
Personnel Services	\$3,391,506	\$3,216,038	\$3,652,350	\$3,489,460	\$4,032,570	10.41%
FTE	32.730	31.760	32.458	32.458	32.852	1.21%
WASTEWATER FUND						
Personnel Services	\$3,181,667	\$3,218,492	\$3,619,110	\$3,619,110	\$3,647,400	0.78%
FTE	34.160	33.440	32.440	32.440	32.392	-0.15%
STORMWATER FUND						
Personnel Services	\$1,219,646	\$1,217,599	\$1,440,310	\$1,400,760	\$1,470,440	2.09%
FTE	11.660	12.430	11.848	11.848	11.7300	-1.00%
AIRPORT FUND¹						
Personnel Services	\$185,925	\$190,422	\$246,240	\$246,240	\$134,450	-45.40%
FTE	1.700	1.550	1.550	1.550	1.450	-6.45%

HISTORICAL FTE & PERSONNEL SERVICES \$\$ CHANGES BY FUND (CONTINUED)

FUND	ACTUAL 2013-14	ACTUAL 2014-15	ADOPTED 2015-16	REVISED 2015-16	PROPOSED 2016-17	% CHANGE ADOPTED FY15-16 TO PROPOSED FY16-17 BUDGET
FLEET FUND						
Personnel Services	\$211,346	\$211,253	\$210,970	\$210,970	\$209,900	-0.51%
FTE	2.210	2.210	2.200	2.200	2.220	0.91%
FACILITIES FUND						
Personnel Services	\$445,814	\$451,686	\$443,810	\$443,810	\$454,200	2.34%
FTE	4.220	4.120	4.112	4.112	4.132	0.49%
TECHNOLOGY & COMMUNICATIONS FUND						
Personnel Services	\$1,074,983	\$997,224	\$1,286,820	\$1,286,820	\$1,612,180	25.28%
FTE ²	9.700	9.350	11.450	11.450	14.450	26.20%
ADMINISTRATIVE SERVICES FUND						
Personnel Services	\$2,786,602	\$2,677,430	\$3,001,740	\$3,001,740	\$3,284,290	9.41%
FTE ²	27.050	27.550	27.550	27.550	28.050	1.81%
ALL FUNDS COMBINED						
Personnel Services	\$45,147,822	\$45,564,022	\$50,118,470	\$48,984,180	\$51,860,780	3.48%
FTE	426.065	436.090	434.840	434.840	435.090	0.06%
Year-Over-Year FTE Changes		10.025	(1.250)	0.000	0.250	

(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.

(2) TOTAL FY 15/16 Adopted

Authorizations	434.840
* Reorganizations	1.250
* Enhancements	3.000
* Public Safety Pre-Hire Trainees	4.000
* Reductions	-8.000
Net FTE Changes	0.250
FY 16/17 Proposed Authorizations	435.090

	<p>City of Corvallis</p> <p>Financial Policies - Council Policy</p> <p>Policy # 10</p> <p>Financial Policies</p>	
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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

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Policies have been reviewed and updated each year since they were first adopted to ensure the policy direction is current.

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.

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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.

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3. The City Manager will review the City’s financial status each year and develop a budget process that is designed to meet Oregon Local Budget Law requirements, taking into account the City’s projected financial status for the budget year, including:
 - a. the current budgetary fund balance;
 - b. cash flow requirements within the fund to support expenditures, including up to three months of payroll costs;
 - c. future capital needs;
 - d. significant revenue and expenditure trends including the HNA;
 - e. susceptibility of the fund’s operations to emergency or unanticipated expenditures;
 - f. credit worthiness and capacity to support debt service requirements and covenants;
 - g. legal or regulatory requirements affecting revenues, expenditures, and fund balances;
 - h. reliability of outside revenues; and
 - i. any other factors pertinent to the fund’s operations.

4. Should the projected ending fund balance reserve for the budget year be lower than the City Council’s target, the following strategy will be implemented:
 - a. For times when the fund balance reserve is lower than the target as the result of structural/systemic changes, the fund balance shall be re-built over a period of no more than:
 - 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;

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- 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:
- 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.

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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.

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.

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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.

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One-time Revenue -- One-time revenue includes fund balances and grants or other sources which has a specific time limit and/or reason for expenditure. One-time revenue will be used for one-time expenses whenever possible; in some cases one-time revenue may be used for costs the City would have incurred for a program or service, regardless of the receipt of the one-time revenue. If one-time revenue is considered for ongoing expenditures (such as adding staff) the Budget Commission or City Council will balance the need for the additional ongoing expenditures with the on-going ability to pay prior to approving the program.

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);

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- d. Whether the fee should be earmarked for a specific use or should be treated as a general revenue available for operations;
 - e. Whether there are extenuating circumstances where the Council believes the fee should not cover all of the costs associated with the service; and
 - f. Whether the fee costs less to collect/administer than the revenue it brings in.
2. Fees and charges are reviewed annually, and are updated via Council action when necessary. A revenue manual listing all such fees and charges of the City shall be maintained by the Finance Department and updated concurrent with the review.
 3. A fee shall be charged for any service that benefits limited interests within the community, except for basic, unavoidable human needs type services provided to persons with limited ability to pay.
 4. Historically, the City Council has provided very limited tax and fee exemptions; rather, the City Council has elected to use General Fund monies to pay the fees/charges for non-profit entities that request exemptions when the cause matches the City’s goals.

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.,

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set to fully support the total direct, indirect, and capital costs) and are established so that the operating revenues of each utility are at least equal to its operating expenditures, reserves, debt coverage and annual debt service obligations, and planned replacement of the utility's facilities.

- B. Annual Rate Review -- Staff shall conduct an annual comprehensive rate review each fall for the Water, Wastewater and Storm Water funds for Council review. Rate increases will be targeted for implementation in February. Every effort shall be made to index/limit rate increases for the entire utility bill (water, wastewater, and storm water) to the rate of inflation (estimated at 2% to 3%) but not more than 7% in any one year unless federal or state mandate, judgment arising out of litigation, or Council approved policy needs dictate otherwise.
- C. Rate Adoption -- Utility rates will be adopted by ordinance and will be recorded in the Corvallis Municipal Code.
- D. Franchise Fees -- The City's Water, Wastewater, and Storm Water utilities will pay a franchise fee to the City's General Fund to compensate for the use of the public right-of-way. The franchise fee will be equal to 5% of the utility's gross operating revenue each year, net of interest, intergovernmental monies, miscellaneous water service fees, permit fees, SDCs, and turn-on service fees.

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



City of Corvallis

Financial Policies - Council Policy

Policy # 10.02

Financial Policies – Revenue



Department. This model and policy form the basis for setting fees and charges.

1. Revenue positive cost recovery (Tier 5 services are targeted to recover a minimum of 200 percent of direct costs):
 - a. concession/vending
 - b. merchandise for resale
 - c. private/semi-private lesson
 - d. rentals – private/commercial
 - e. long-term leases
 - f. equipment rentals
 - g. trips
 - h. organized parties
 - i. drop-in childcare/babysitting
 - j. leased services – private/commercial
 - k. permitted services
2. Totally fee supported with no tax investment (tier 4 services are targeted to recover a minimum of 100 percent of direct costs, and some of these services may be appropriate for use of alternative funding sources such as grants, donations, and use of volunteers):
 - a. classes and programs – intermediate/advanced
 - b. leased services – non-profit/governmental agency
 - c. preschool
 - d. social clubs
3. Primarily fee supported with little or no tax investment (tier 3 services are targeted to recover a minimum of 90 percent of direct costs, and some of these services may be appropriate for use of alternative funding sources such as grants, donations, and use of volunteers):
 - a. health services, wellness clinics, and therapeutic recreation
 - b. classes and programs – beginning/multi-ability
 - c. tournaments and leagues
 - d. rentals – non-profit/governmental agency
 - e. specialized events/activities
 - f. camps/after school care
 - g. leased services – affiliates
 - h. work study/internship/community service program
4. Partial tax investment with minimal to partial fee support (tier 2 services are targeted to recover a minimum of 45 percent of direct costs, and many of these services may be appropriate for use of alternative funding sources such as grants, donations and use of volunteers):
 - a. life/safety classes
 - b. rentals – affiliates
 - c. supervised park/facility
 - d. community-wide events
 - e. volunteer program

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5. Full tax investment with little or no fee support (tier 1 services are targeted to recover zero percent of direct costs, although some of these services may be appropriate for use of alternative funding sources such as grants, donations, and volunteers):
 - a. non-supervised park/facility
 - b. inclusionary services
 - c. support services
- C. Setting Fees -- The Parks & Recreation Department Director shall set fees for programs and services in compliance with the targets listed above. Fees shall be adjusted during the course of each year as needed to ensure the cost recovery targets are achieved. The following pricing strategies will be used by the Parks & Recreation Director in setting fees:
 1. Market pricing: a fee based on demand for a service or facility or what the target market is willing to pay for a service. One consideration for establishing a market fee is determined by identifying all providers of identical service (i.e., private sector providers, municipalities), and setting the highest fee. Another consideration is setting the fee at the highest level the market will bear.
 2. Competitive pricing: a fee based on what similar service providers or close proximity competitors are charging for service. One consideration for establishing a competitive fee is determined by identifying all providers of an identical service (i.e., private sector providers, municipalities), and setting the mid-point or lowest fee.
 3. Cost recovery pricing: a fee based on cost recovery goals within market pricing ranges.
- D. Fee Review -- The Park and Recreation Department shall conduct an annual comprehensive review of cost recovery targets in compliance with these policy targets; this review will be forwarded to the Parks, Natural Areas and Recreation Board which will forward their comments to the City Council via the Human Services Committee.
- E. Use of Volunteers -- Through an aggressive volunteer recruitment program, the Parks and Recreation Department shall seek to minimize the amount required for full tax investment with little to no fee support (tier 1 services) and partial tax investment with minimal to partial fee support (tier 2 services).
- F. Alternate Funding Sources -- Solicitation of funds through donations, fund raising events, nontraditional sources, and various other modes shall be encouraged by the Parks, Natural Areas and Recreation Board and other advisory committees. Funds collected for any special purpose shall be earmarked for that purpose.

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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.

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

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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.

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.

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- 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 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

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vehicles, computers, and specialized equipment required for normal work (i.e., defibrillators, bullet proof vests), will be tracked by each department with replacement plans made for at least the financial planning period. These schedules will be updated annually in conjunction with the budget process.

- E. Stable Spending plans -- Every effort will be made to develop an equipment replacement schedule that results in a stable annual spending level. If spending levels cannot be stable and would result in a significant dollar amount variance year-over-year, staff will set aside in reserves an amount each year adequate to fully fund the project in the future. If monies are not set aside in reserves due to financial shortfalls:
 - 1. reserves will be re-built within three fiscal years to the level required to meet future replacement plans; or
 - 2. staff will develop a plan to borrow monies for critical equipment replacement.
- F. Equipment Replacement Budgeting -- Equipment to be replaced will be budgeted considering:
 - 1. Age of the asset and its manufacturer's recommended useful life;
 - 2. Wear and tear on the asset;
 - 3. Environmental conditions which may shorten or lengthen the useful life of the asset;
 - 4. The cost/benefit to complete routine maintenance and delay replacement;
 - 5. Availability of service and/or parts; and
 - 6. The cost/benefit of early replacement with more efficient and/or less expensive technology.
- G. Facility Maintenance -- The facility maintenance schedule for major maintenance or replacement projects for all City-owned buildings will be updated annually. The primary goal of the plan is to complete maintenance projects prior to system failures that would cause a decrease in service levels to citizens. Criteria for including projects are the same as those identified 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.
- 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

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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.

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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.

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B. Financial System Characteristics -- The City=s accounting and reporting system shall demonstrate the following characteristics:

1. reliability,
2. accuracy,
3. consistency,
4. timeliness,
5. efficiency,
6. responsiveness,
7. compliance with legal requirements, and
8. conformance with GAAP.

C. Funds -- The City shall establish and maintain only those funds that are necessary by law and for sound financial administration. The funds shall be structured in a manner consistent with GAAP, to maximize the City=s ability to audit, measure and evaluate financial performance. The fund structure will be reviewed annually and the Finance Director will recommend changes to improve compliance with Council policies, financial planning, resource allocation and service delivery will be made to the City Manager at the beginning of the annual budget process. Adding, closing, or making significant changes to a fund shall be done by the City Council by adopting a resolution.

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.

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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.



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Policy # 10.05

Financial Policies – Capital Improvement Program (CIP)



- 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.

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

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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.

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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).

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- 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.)

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.



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Financial Policies - Council Policy

Policy # 10.06

Financial Policies – 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 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.



City of Corvallis

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Policy # 10.06

Financial Policies – Debt



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;
 - 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

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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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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.

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RISK MANAGEMENT FUND

- A. Purpose -- The Risk Management Fund shall be used to provide for insurance coverage, uninsured losses in excess of deductible amounts, safety program expenses, and prudent reserves, contingencies and fund balances.
- B. Catastrophic Reserves -- The targeted balance for unappropriated catastrophic reserves shall be \$500,000 each year. Appropriated catastrophic reserves which are drawn down will be rebuilt 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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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,



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will receive reports with sufficient detail to comply with ORS Chapter 294 requirements.

- B. Delegation of Authority - The authority for investing City funds is vested with the City Manager, who, in turn, may designate the Finance Director as Treasurer to manage the day to day operations of the City's investment portfolio, place purchase and sell orders with dealers and financial institutions, and prepare reports as required. The Finance Director may choose to use the services of a professional investment advisor if he/she believes that is most beneficial to the organization.
- C. Investment Adviser -- The City may enter into contracts with third-party investment advisory firms when such services are deemed to be beneficial to the City. The advisor must comply with this Investment Policy and the City Manager's Investment Administrative Procedures for implementing this policy, and may have authority to transact investments on behalf of the City. The advisor may only act on a non-discretionary basis. Therefore, the advisor must present investment recommendations and receive approval to execute the recommendation from the Finance Director, or designee, prior to making buys or sells on behalf of the City. The following items are required minimum criteria for the approved Investment Advisors:
 - 1. The Investment Advisor firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon;
 - 2. All Investment Advisor firm representatives conducting investment transactions on behalf of the City must be registered representatives with Financial Industry Regulatory Authority (FINRA);
 - 3. All Investment Advisor firm representatives conducting investment transactions on behalf of the City must be licensed to do business/trades in the state of Oregon;
 - 4. An engaged Investment Advisor must provide notification within 30 days of any formal investigation or disciplinary action initiated by Federal or State regulators.
 - 5. Investment Advisor services will be sought through the City's normal competitive procurement process.
- D. Governing Authority -- Funds of the City will be deposited and invested in accordance with statutes, ordinances, and policies governing the City of Corvallis and will be in compliance with the provisions of Oregon Revised Statutes (ORS) 294, and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of any tax-exempt borrowing proceeds and of any debt service funds will comply with the relevant provisions of the Internal Revenue Code of 1986, as amended.

STANDARDS OF CARE

Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. Investment decisions shall be made within the objectives outlined in this investment administrative procedure.

The standard of prudence to be used by investment officials shall be the "prudent person," as described above, and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's performance, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

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

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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.

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.

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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.

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, and the entity is not listed on the Fossil Free Index Carbon Underground 200 (FFICU) report ¹ . 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 and not listed on the FFICU report ¹ . 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.

¹ Or similar, bonafide listing of companies with significant fossil fuel holdings should the FFICU cease to be maintained/available. The current FFICU is obtained at: <http://fossilfreeindexes.com/research/the-carbon-underground/>

Type	Definition
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))
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%

Issuer Type	Maximum Holdings	Maximum per Issuer
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.

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.

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- 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.

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



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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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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.



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Capital Outlay - Expenditures for operating equipment drawn from the operating budget. Capital outlay items normally include equipment that will last longer than one year and having an initial cost above \$5,000. Capital outlay does not include capital budget expenditures for construction of infrastructure such as streets, buildings, or bridges.

Contingencies - An appropriation of funds to cover unforeseen events which occur during the budget year. City Council must authorize the use of any contingency appropriations (not to be confused with Reserves).

Cost Allocation - A costing of local government services to identify the full cost of municipal services.

Council Goals - Broad goals established by the City Council at the outset of each two-year term to guide the organization in its activities and focus.

Debt Service - The amount of principal and interest that a local government must pay each year on net, direct-bonded, long-term debt plus the interest it must pay on direct short-term debt.

Deficit - (1) The excess of an entity's liabilities over its assets (see Fund Balance).

(2) The excess of expenditures or expenses over revenues during a single accounting period.

Direct Cost - A cost directly related to producing and/or providing related services. Direct costs consist chiefly of the identifiable expenses such as materials and supplies used to provide a service, the wages and salaries of personnel working to provide a service, and facility costs. These expenses would not exist without the program or service.

Equipment Replacement Schedule - A schedule of annual purchases to replace major equipment and vehicles that have met or exceeded their useful life to the City.

Expenditure - Total amount incurred if accounts are kept on an accrual basis; total amount paid if accounts are kept on a cash basis.

Financial Audit - A systematic examination of resource utilization concluding in a written report. It is a test of management's internal accounting controls and is intended to:

- Ascertain whether financial statements fairly present financial position and results of operations,
- Test whether transactions have been legally performed,
- Identify areas for possible improvements in accounting practices and procedures,

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- Ascertain whether transactions have been recorded accurately and consistently, and
- Ascertain the stewardship of officials responsible for governmental resources.

Financial Condition - The City's ability to pay all costs of doing business and to provide services at the level and quality that are required for the health, safety, and welfare of the community, and that its citizens desire.

Financial Plans - A schedule that provides information about the expected future fiscal stability of City operations. The projections are for the operating funds of the City. Each financial plan, or proforma, includes a discussion about issues that are addressed in the proforma, as well as assumptions made about both revenues and expenditures for each fund.

Financial Policies - Administrative and Council policies established to govern the City's financial operations.

Fixed or Mandated Costs - These include expenditures to which the government is legally committed (such as debt service and pension benefits), as well as expenditures imposed by higher levels of government (such as for wastewater treatment facilities).

Fund - An independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and/or resources together with all related liabilities, obligations, reserves, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance - The difference between fund assets and fund liabilities of governmental and similar trust funds. The equivalent terminology within proprietary funds is Retained Earnings. (When the term "Fund Balance" is used in reference to Proprietary Funds, it is normally referring to the estimated budgetary-basis amount available for appropriations for budgeting purposes.) The 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

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by creditors, grantors, higher levels of government, through constitutional provisions, or by enabling legislation.

- C. Committed: Amounts constrained by the City Council via a resolution or ordinance.
- D. Assigned: Amounts the City intends to use for a specific purpose. The authority to assign resources lies with the City's Finance Director.
- E. Unassigned: Amounts that are not categorized into one of the aforementioned classifications; these resources may be used for anything. Only the General Fund should show a positive unassigned fund balance. For other funds, a negative unassigned balance should be reported if more resources are used than are available in the fund.

GAAP - Generally Accepted Accounting Principles.

General Obligation Bonds - When a government pledges its full faith and credit to the repayment of the bonds it issues, then those bonds are general obligation (GO) bonds. Sometimes the term is also used to refer to bonds which are to be repaid from taxes and other general revenues.

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

- 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.

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Indirect Cost - A cost incurred in the production and/or provision of related services that usually cannot be directly associated with any one particular good or service. Indirect costs encompass overhead including administrative costs such as wages of supervisory and administrative personnel, occupancy and maintenance of buildings, and utility costs. These costs would exist without the specific program or service.

Investment - Cash balances, securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals, or base payments.

Liabilities - The sum of all amounts that are owed at the end of the fiscal year, including all accounts payable, accrued liabilities, and debt.

Long-Term Debt - Present obligations that are not payable within a year. Bonds payable, long-term notes payable, and lease obligations are examples of long-term debt.

Master Plan - A comprehensive plan, normally covering a 5-10 year period, developed to guide delivery of specific services, identify future needs and challenges, and identify future infrastructure needs.

Modified Accrual Basis of Accounting - The accrual basis of accounting adapted to the governmental fund type under which revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are generally recognized when the related fund liability is incurred.

One-Time Revenue - Revenue that cannot reasonably be expected to continue, such as a single-purpose federal grant, an interfund transfer, or use of a reserve. Also referred to as a non-recurring revenue.

Operating Budget - The appropriated budget supporting current operations. Most operations are found in the General, Special Revenue, Permanent, Enterprise, and Internal Service Funds.

Overlapping Debt - The net direct bonded debt of another jurisdiction that is issued against a tax base within part or all of the boundaries of the community.

Pay-As-You-Go Basis - A term used to describe the financial policy of a government which finances all of its capital outlays and/or improvements from current revenues rather than by borrowing.

Personnel Services - A category encompassing all salaries, fringe benefits, and miscellaneous costs associated with employee expenditures. Budget law also refers to this category as personnel services.



City of Corvallis

Financial Policies - Council Policy

Policy # 10.09

Financial Policies -- Definitions



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 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
27	J. Chenard	June 2015	Update Investment Policy section for fossil fuel companies' exclusion

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.

UAL/OAS – Unfunded actuarial liability or overfunded actuarial surplus; pertains to a PERS employer rate increment to amortize the difference between benefits and contributions plus earnings