



ADMINISTRATIVE SERVICES COMMITTEE

Agenda

Wednesday, September 21, 2011
4:00 pm

Madison Avenue Meeting Room
500 SW Madison

- | | |
|------------------------------------|--|
| Discussion/ Possible Action | I. Economic Development Allocations Fourth Quarter Report (Attachment) |
| Discussion/ Possible Action | II. Land Use Application Fees Review (Attachment) |
| Discussion/ Possible Action | III. Fourth Quarter Operating Report (Attachment) |
| Discussion/ Possible Action | IV. Financial Policies Review Process (Attachment) |
| Discussion/ Possible Action | V. City Compensation Policy Recommendation (Attachment) |
| Information | VI. Other Business |

Next Scheduled Meeting

Wednesday, October 5, 2011 at 4:00 pm
Madison Avenue Meeting Room, 500 SW Madison Ave

Agenda

Council Policy Reviews and Recommendations:

- 04-1.09, "Public Access Television"
- 93-1.06, "Guidelines for Use of the City Logo"
- 94-2.09, "Council Orientation"
- 91-3.04, "Separation Policy"

MEMORANDUM

DATE: September 12, 2011
TO: Administrative Services Committee
FROM: Ken Gibb, Community Development Director *KG*
SUBJECT: Fourth Quarter FY 10-11 Economic Development Program Review

I. Issue

Review and acceptance of the Economic Development Program fourth quarter report for FY 2010-2011. Included in this review is Corvallis Knights' post-event report, quarterly reports from the following economic development agencies: Visit Corvallis, Corvallis-Benton Chamber Coalition, Business Enterprise Center, Downtown Corvallis Association, and Oregon Natural Step Network, as well as overall program summary.

II. Background

In FY 10-11, the City Economic Development Policy's (CP 96-6.03) primary purpose was to preserve and support community livability by encouraging economic stability and sustainable economic opportunities. To provide a stable funding source for activities to support this goal, 55% of the transient room tax (TRT) revenue collected in the previous calendar year was allocated for City sponsored economic development activity. For FY 10-11, due to the need for budget reductions, the City Council approved a 6.5% reduction in the Sub-Committee's recommendations for funding. Through the FY 10-11 Economic Development Allocation process, eight entities were allocated non-dedicated (21% of TRT) economic development funds of \$221,089. Visit Corvallis was allocated a dedicated amount (30% of TRT) of \$308,425.

<u>Agency</u>	<u>Amount Allocated</u>	<u>Disbursed Through 4th Quarter</u>
Visit Corvallis Dedicated Funding	\$308,425	\$308,425
Business Enterprise Center (2 Programs)	\$62,959	\$62,959
Corvallis-Benton Chamber Coalition	\$68,255	\$68,255
Corvallis Chapter, Oregon Natural Step Network	\$4,675	\$4,675
Downtown Corvallis Association (DCA)	\$28,050	\$28,050
Willamette Neighborhood Housing Services ¹	\$18,700	\$18,700
DCA - Red, White & Blue Riverfront Festival	\$9,817	\$9,817
Corvallis Knights Baseball Club	\$6,732	\$6,732
Corvallis Fall Festival ²	\$7,480	\$7,480
da Vinci Days ²	\$14,421	\$14,421
Total	\$529,514	\$529,514

¹ WNHS's quarterly reports are evaluated by the Housing Programs Division and monitored through the Human Services Committee. WNHS was allocated funds for two programs - Housing and MicroBusiness.

² Corvallis Fall Festival and da Vinci Days are monitored by the Parks and Recreation Department and reviewed by the Human Services Committee.

All agencies entered into contractual agreements with the City of Corvallis. Two of the contracts are managed by the Parks and Recreation Department, with the remainder managed by the Community Development Department.

Reporting to the Human Services Committee are Willamette Neighborhood Housing Services (WNHS), Corvallis Fall Festival and da Vinci Days. WNHS reports on a quarterly basis to Community Development Housing Division, and the event organizations provide annual reports through the Parks and Recreation Department.

Quarterly reports are required to be submitted by Visit Corvallis, Business Enterprise Center (BEC), Corvallis Chapter Oregon Natural Step Network (ONSN), Corvallis-Benton Chamber Coalition (CBCC), and Downtown Corvallis Association (DCA) for ASC review. Attached are copies of the fourth quarter reports as submitted by Visit Corvallis, BEC, ONSN, CBCC and DCA. As a separate item, Visit Corvallis has provided the most recent Occupancy Report. Corvallis Knights Baseball Club's post-event report is also attached.

III. General Discussion

Each agency meets goals identified in CP 96-6.03. Visit Corvallis focuses their efforts on promoting Corvallis as a visitor/tourism/meeting location. CBCC and BEC direct their efforts towards business assistance, retention and development within the City and County. DCA works to make downtown Corvallis a *vital commercial, cultural and social center*. Oregon Natural Step Network encourages sustainable economic activities that reduce environmental impacts. All of the efforts listed above are geared toward making Corvallis more livable.

Each agency will be provided with a copy of this report and invited to attend and address the Committee.

IV. Financial Analysis

Quarterly reporting requirements were modified in FY 98-99 so that only those agencies receiving more than 50% of their funding from the City are required to submit financial information on a quarterly basis. Visit Corvallis is the only agency that meets that criterion. Financial statements submitted by Visit Corvallis were reviewed by Finance Office staff and found to be in compliance with their agreement. A copy of the Finance staff review is attached.

V. Action Requested

That the Administrative Services Committee consider this report and recommend City Council approve acceptance of the fourth quarter report.

REVIEW AND CONCUR:



Nancy Brewer, Finance Director

REVIEW AND CONCUR:



Ellen Volmert,
City Manager Pro Tem

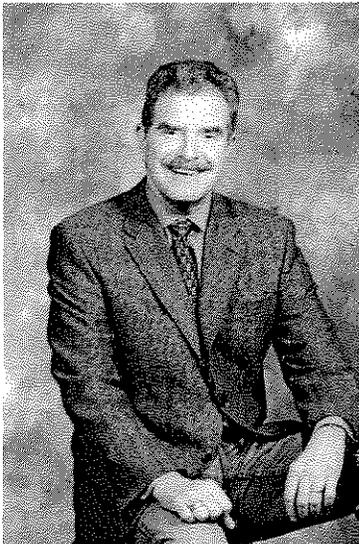
VISIT CORVALLIS

Visit Corvallis Community Report
April, May, June 2011

DIRECTOR'S REPORT

The fourth quarter of the fiscal year proved to be a time of transition and progress for Visit Corvallis.

We were saddened to learn that Nia Ridley, our Director of Marketing, had been offered and accepted a similar position with a local health technology company. We are appreciative of Nia's contributions during her time with Visit Corvallis and wish her success in her new endeavor. We are pleased to announce that Marci Sischo, a long-time volunteer in our visitor's center, has joined our staff and will be focusing on our social media marketing program. Marci will also oversee updates to our website. We are delighted with this newest addition to our team of professionals.



Three representatives of our team attended the Governor's Tourism Conference in Eugene. In June, I attended the Oregon Destination Marketing Organization's spring conference in Enterprise. Both meetings were upbeat and confident that the tourism market has stabilized and is showing slight improvement statewide.

We have completed our funding agreement with the City of Corvallis and anticipate investing approximately 10% more in marketing dollars over those expended last year. We are finalizing our marketing strategy for 2011-2012 and look forward to submission to the city and our board of directors by September 1.

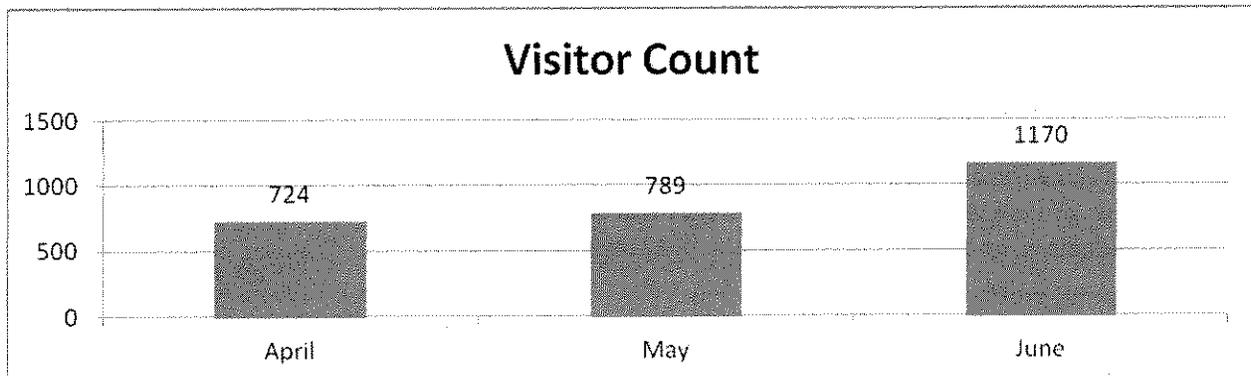
In conclusion, we are very pleased with the transition of our leadership team and look forward to continuing improvement in tourism in Corvallis.

VISITOR INFORMATION

We distributed 3,240 guides and 1,550 maps to our lodging properties, another 5,580 guides to visitor centers, chambers of commerce and welcome centers around the state, and 2,700 guides to various business locations in our area.

In addition, we sent out 3,654 guides in response to inquiries from our website, the WVVA website, and advertising placed in Sunset Magazine and Madden Pre Print.

We also distributed 840 table tents promoting local events to 37 different sites.



Smith Travel Research Update

Smith Travel Research reports indicate that Corvallis lodging properties continue to show an increase in Occupancy and Room Demand as well as Average Daily Rate.

April 2011 compared to April 2010

Occupancy and Room Demand: increase of 5.1%; YTD increase of 5.4%
Average Daily Rate: increase of 8.2%; YTD increase of 4.2%

May 2011 compared to May 2010

Occupancy and Room Demand: increase of 6.4%; YTD increase of 5.7%
Average Daily Rate: increase of 0.2%; YTD increase of 3.3%

June 2011 compared to June 2010

Occupancy and Room Demand: increase of 8.3%; YTD increase of 6.1%
Average Daily Rate: increase of 4.6%; YTD increase of 3.6%



DIGITAL AND SOCIAL MEDIA STATISTICS

According to Google Analytics, between April and June of 2011 we had 34,050 unique visitors to www.VisitCorvallis.com. About 73% were first-time visitors to our site, and the average visit lasted two minutes, 42 seconds.

Top 5 Traffic Drivers April - June	Top 5 Referral Sites April - June	Top 5 Pages Visited April - June	Top 5 Search Keywords April - June
Google (27,460, 64.4%)	OregonState.edu (1,154)	Home page (18,868, 16%)	Corvallis Oregon
Direct traffic (4,274, 10%)	ci.Corvallis.or.us (760)	Events calendar (7,509, 6.1%)	Corvallis
Bing (1,896, 4.4%)	Google.com (516)	Things to Do (7,176, 5.4%)	Corvallis Or
Yahoo (1,459, 3.4%)	OregonWineCountry.org (338)	Places to Eat (6,388, 5.4%)	Corvallis, Or
OregonState.edu (1,154, 2.7%)	Townhouse.mfbiz.com (281)	Places to Stay (3,982, 3.4%)	Corvallis events

Facebook Insights for Corvallis Oregon (April – June)

536 new page “likes” for a 78% increase compared to the previous quarter.

Weekly and monthly active users have seen a sharp upturn in June. Weekly active users have increased from about 1,000 to almost 2,000, and monthly active users have more than doubled from about 1,000 to about 2,500. Daily active users varies widely, but has improved from 0 through mid-April and May to an average of about 500 to 700 since June 1st.

Post views are up 187% compared to the previous quarter.

Post feedback is up 196% compared to the previous quarter.

eBlast Tracking (April – June)

Rate of opens – those opening our newsletter when they receive it in their email - for our eBlasts have stayed steady at about 1,000 views per message. Overall views have seen a slight increase, probably due to newly-added social features in iContact that allow us to cross-post our eBlasts to Twitter and Facebook.



Finance Department

500 SW Madison Avenue
Corvallis, OR 97333
541-766-6990
541-754-1729

MEMORANDUM

July 27, 2011

TO: Ken Gibb, Community Development
FROM: Jeanna Yeager, Accounting
SUBJECT: Visit Corvallis (formerly Corvallis Tourism) Financial Report – Fourth Quarter, FY10/11

This review consists of inquiries and analytical procedures and is very limited in its nature. The financial statements have not been reviewed by a Certified Public Accountant and are the representation of the management of Visit Corvallis.

During the fourth quarter of fiscal year 2010/2011, Visit Corvallis reported revenues of \$76,057 and expenses of \$85,747, resulting in net loss of \$9,690. With a budgeted net income of \$6,501 for the quarter, Visit Corvallis fell below its expected performance by \$16,192. Marketing costs were approximately 106% over budget for the quarter, with actual expenses totaling \$21,185 and a budget of \$10,305.

Visit Corvallis attributes the loss for the quarter to the following reasons:

- Their decision to "load" significant marketing dollars in the fourth quarter to make up for less spending during the leadership transition period.
- Personnel expenses related to downsizing (payment of accrued vacation time and out-of-pocket expense reimbursement).
- The hiring of a marketing consultant for the upcoming year (half of the cost was paid in fiscal year 2010/2011).

Visit Corvallis maintains a fairly strong cash position, with current assets of \$56,458 and current liabilities of only \$5,761.

The City of Corvallis has budgeted \$308,430 for Visit Corvallis for fiscal year 2010/2011 in monthly payments of \$25,702. The City has funded a total of \$77,106 for the fourth quarter, which has been accurately accounted for on Visit Corvallis's fourth quarterly report. This represents almost all total revenues for the quarter.

Acceptance of the Visit Corvallis quarterly report is recommended.

Corvallis Tourism
Balance Sheet
 As of June 30, 2011

	Jun 30, 11
ASSETS	
Current Assets	
Checking/Savings	
Checking - OSUFCU	23,964.52
Money Market-OSUFCU	20,371.93
Checking	6,161.35
Paypal Checking	463.45
Savings - OSUFCU	5.00
Total Checking/Savings	50,966.25
Accounts Receivable	
Accounts Receivable	2,851.35
Total Accounts Receivable	2,851.35
Other Current Assets	
Note receivable	2,600.00
Petty Cash	40.00
Total Other Current Assets	2,640.00
Total Current Assets	56,457.60
Fixed Assets	
Accumulated Depreciation	-26,345.33
Office Equipment & Furniture	36,028.32
Total Fixed Assets	9,682.99
TOTAL ASSETS	<u>66,140.59</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Corvallis Book Sales	200.00
Payroll Liabilities	-46.25
Payroll liabilities Other	
SIMPLE payable	-197.40
Total Payroll liabilities Other	-197.40
Payroll tax liabilities	
FUTA Payable	78.92
FWT/FICA FWT payable	4,176.25
OR Withholding Payable	819.00
OR Workmen's Comp payable	7.29
OR State Unemployment Payable	723.10
Total Payroll tax liabilities	5,804.56
Total Other Current Liabilities	5,760.91
Total Current Liabilities	5,760.91
Total Liabilities	5,760.91
Equity	
Net Assets	60,085.74
Net Income	293.94
Total Equity	60,379.68
TOTAL LIABILITIES & EQUITY	<u>66,140.59</u>

Profit & Loss Budget vs. Actual

April through June 2011

	Apr - Jun 11	Budget	\$ Over Budget	% of Budget
Income				
City of Corvallis	77,106.28	77,106.00	0.28	100.0%
Co-op Promotions Income				
Map Sponsorship	-1,666.00			
Total Co-op Promotions Income	-1,666.00			
Commissions	0.00	1,000.00	-1,000.00	0.0%
Interest Income	21.67	0.00	21.67	100.0%
Membership	0.00	500.00	-500.00	0.0%
Relocation Packets	-9.00	0.00	-9.00	100.0%
Souvenir Income	603.75	0.00	603.75	100.0%
Total Income	76,056.70	78,606.00	-2,549.30	96.8%
Expense				
Administration				
Accounting				
Bookkeeping	630.00	540.00	90.00	116.7%
Stover Neyhart & Company	750.00			
Accounting - Other	0.00	750.00	-750.00	0.0%
Total Accounting	1,380.00	1,290.00	90.00	107.0%
Auto Mileage				
Car Allowance	120.00			
Auto Mileage - Other	0.00	375.00	-375.00	0.0%
Total Auto Mileage	120.00	375.00	-255.00	32.0%
Bank Charges				
Service Charge	191.30	0.00	191.30	100.0%
Bank Charges - Other	49.00	45.00	4.00	108.9%
Total Bank Charges	240.30	45.00	195.30	534.0%
Cash discounts	-17.78	0.00	-17.78	100.0%
Chamber Expenses	23.00	45.00	-22.00	51.1%
Insurance/Bonds	0.00	191.01	-191.01	0.0%
Janitorial Services	484.00	450.00	34.00	107.6%
Newspaper	93.60	43.50	50.10	215.2%
Office Supplies	1,328.58	450.00	878.58	295.2%
Office/Copier Lease	1,163.75	870.00	293.75	133.8%
Office/Copies	60.00	300.00	-240.00	20.0%
Office/Equip/Furn	149.96			
Office/Misc Services	525.00	300.00	225.00	175.0%
Postage	197.02	197.00	0.02	100.0%
Relocation Packets	0.00	75.00	-75.00	0.0%
Rent	5,301.00	5,301.00	0.00	100.0%
Storage	139.00	150.00	-11.00	92.7%
Telephone/Office				
Integra	833.94	1,125.00	-291.06	74.1%
Total Telephone/Office	833.94	1,125.00	-291.06	74.1%
Utilities				
Disposal	52.35	75.00	-22.65	69.8%
Electricity	354.63	330.00	24.63	107.5%
Gas	178.70	300.00	-121.30	59.6%
Water	150.18	150.00	0.18	100.1%
Total Utilities	735.86	855.00	-119.14	86.1%
Total Administration	12,757.23	12,062.51	694.72	105.8%
Conferences/Education				
Gov Conf	2,201.37	1,000.00	1,201.37	220.1%
OACVB	68.70			
ODMO	452.50	0.00	452.50	100.0%
OTC Visitor Services Conf	10.50	500.00	-489.50	2.1%
SGMP	0.00	150.00	-150.00	0.0%
Conferences/Education - Other	10.00	200.00	-190.00	5.0%

Corvallis Tourism
Profit & Loss Budget vs. Actual
 April through June 2011

	Apr - Jun 11	Budget	\$ Over Budget	% of Budget
Total Conferences/Education	2,743.07	1,850.00	893.07	148.3%
Marketing/Advertising				
Albany Visitors Guide	875.00			
Comcast	-500.00			
Google Adwords Campaigns	424.41	300.00	124.41	141.5%
Misc	0.00	300.00	-300.00	0.0%
US West Dex	99.15	105.00	-5.85	94.4%
Total Marketing/Advertising	898.56	705.00	193.56	127.5%
Marketing/Community Relations				
Rotary	242.00	250.00	-8.00	96.8%
Zonta of Corvallis	283.00	0.00	283.00	100.0%
Total Marketing/Community Relations	525.00	250.00	275.00	210.0%
Marketing/Entertainment				
Entertainment	24.00	600.00	-576.00	4.0%
Total Marketing/Entertainment	24.00	600.00	-576.00	4.0%
Marketing/Fees				
Branding	344.80	0.00	344.80	100.0%
Contract Services	1,350.00			
Total Marketing/Fees	1,694.80	0.00	1,694.80	100.0%
Marketing - Festivals				
Corvallis Fall Festival	450.00			
Da Vinci Days	3,113.78			
Red, White & Blue Festival	3,369.00			
Total Marketing - Festivals	6,932.78			
Marketing/Internet				
Directory Placements	547.50			
I Contact	79.90			
Internet Security & Backup	0.00	150.00	-150.00	0.0%
ISP Monthly Charges	299.85	150.00	149.85	199.9%
Provide Support LLC	15.00			
Video Productions	600.00	0.00	600.00	100.0%
Website				
Changes	150.00	900.00	-750.00	16.7%
Redesign	899.30	750.00	149.30	119.9%
Total Website	1,049.30	1,650.00	-600.70	63.6%
Total Marketing/Internet	2,591.55	1,950.00	641.55	132.9%
Marketing/Postage-Shipping				
Destination Guide - Postage	2,935.74	4,400.00	-1,464.26	66.7%
Total Marketing/Postage-Shipping	2,935.74	4,400.00	-1,464.26	66.7%
Marketing/Printing				
Postcards	65.25			
Tent Cards	335.74	250.00	85.74	134.3%
Total Marketing/Printing	400.99	250.00	150.99	160.4%
Marketing/Promotions				
Trolley Tour	1,000.00	0.00	1,000.00	100.0%
WVVA Promotions	106.50			
Total Marketing/Promotions	1,106.50	0.00	1,106.50	100.0%
Marketing/Public Relations	63.15	250.00	-186.85	25.3%
Marketing/Sales Trips				
Directors Mileage	0.00	450.00	-450.00	0.0%
Sales Cell Phone	0.00	300.00	-300.00	0.0%
Sales Trip Mileage	173.46	100.00	73.46	173.5%
Total Marketing/Sales Trips	173.46	850.00	-676.54	20.4%
Marketing/Sports Commission Exp	500.00			

Profit & Loss Budget vs. Actual

April through June 2011

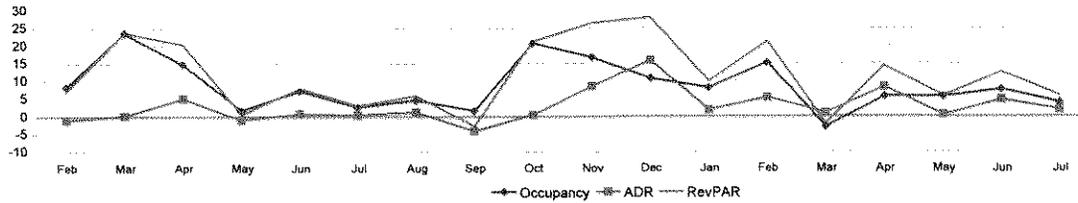
	Apr - Jun 11	Budget	\$ Over Budget	% of Budget
Marketing/Telephone				
1-800	704.91	300.00	404.91	235.0%
Cell Phones	360.00	300.00	60.00	120.0%
Total Marketing/Telephone	1,064.91	600.00	464.91	177.5%
Marketing/Visitor Services				
Contract Services	166.30			
Distribution Services	1,000.00	450.00	550.00	222.2%
Souvenirs	107.00	0.00	107.00	100.0%
Temporary Office Help	1,000.00	0.00	1,000.00	100.0%
Total Marketing/Visitor Services	2,273.30	450.00	1,823.30	505.2%
Personnel				
Benefits				
Health/Dental Insurance premium				
Regence - Health	4,588.64			
United Healthcare - Dental	509.91			
Health/Dental Insurance premium - Other	1,043.00	4,840.00	-3,797.00	21.5%
Total Health/Dental Insurance premium	6,141.55	4,840.00	1,301.55	126.9%
Simple Plan	125.00	195.00	-70.00	64.1%
Total Benefits	6,266.55	5,035.00	1,231.55	124.5%
Payroll taxes				
Employer Taxes & Contribution	3,906.29	3,900.00	6.29	100.2%
Total Payroll taxes	3,906.29	3,900.00	6.29	100.2%
Salaries	38,889.47	38,952.00	-62.53	99.8%
Total Personnel	49,062.31	47,887.00	1,175.31	102.5%
Total Expense	85,747.35	72,104.51	13,642.84	118.9%
Net Income	-9,690.65	6,501.49	-16,192.14	-149.1%

Tab 2 - Trend Benton County, OR

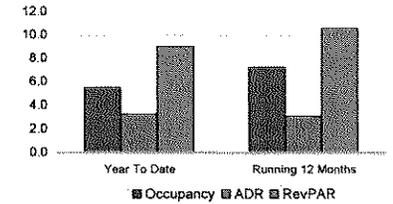
Currency: USD - US Dollar

Visit Corvallis
For the Month of July 2011

Monthly Percent Change



Overall Percent Change



	2010												2011					Year To Date			Running 12 Months			
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	2009	2010	2011	2009	2010	2011
Occupancy (%)	47.2	58.2	57.5	53.5	65.9	66.2	63.4	62.3	58.6	51.4	38.2	42.1	54.4	56.4	60.7	56.4	70.8	66.7	50.9	55.4	58.5	51.9	53.1	56.9
This Year	47.2	58.2	57.5	53.5	65.9	66.2	63.4	62.3	58.6	51.4	38.2	42.1	54.4	56.4	60.7	56.4	70.8	66.7	50.9	55.4	58.5	51.9	53.1	56.9
Last Year	43.7	47.1	50.2	52.6	61.5	64.5	60.7	61.3	48.8	44.0	34.6	38.0	47.2	58.2	57.5	53.5	65.9	66.2	55.4	50.9	55.4	55.8	51.9	53.1
Percent Change	8.2	23.4	14.7	1.7	7.2	2.6	4.5	1.8	20.6	16.6	10.5	7.9	15.1	-3.0	5.5	5.4	7.5	3.8	-8.2	8.8	5.6	-7.0	2.2	7.3
ADR	81.53	83.37	88.55	92.02	91.39	90.92	89.41	89.95	92.10	95.30	89.04	81.70	85.84	84.12	95.78	92.28	95.64	92.61	87.12	87.49	90.37	88.63	87.93	90.66
This Year	81.53	83.37	88.55	92.02	91.39	90.92	89.41	89.95	92.10	95.30	89.04	81.70	85.84	84.12	95.78	92.28	95.64	92.61	87.12	87.49	90.37	88.63	87.93	90.66
Last Year	82.50	83.26	84.38	93.10	90.71	90.56	88.34	93.61	91.73	87.89	76.93	80.29	81.53	83.37	88.55	92.02	91.39	90.92	85.38	87.12	87.49	85.04	88.63	87.93
Percent Change	-1.2	0.1	4.9	-1.2	0.8	0.4	1.2	-4.2	0.4	8.4	15.7	1.8	5.3	0.9	8.2	0.3	4.7	1.9	2.0	0.4	3.3	4.2	-0.8	3.1
RevPAR	38.52	48.50	50.93	49.19	60.23	60.16	56.86	55.82	53.98	48.95	34.03	34.38	46.70	47.45	58.12	52.01	67.73	63.62	44.34	48.48	52.85	45.99	46.65	51.59
This Year	38.52	48.50	50.93	49.19	60.23	60.16	56.86	55.82	53.98	48.95	34.03	34.38	46.70	47.45	58.12	52.01	67.73	63.62	44.34	48.48	52.85	45.99	46.65	51.59
Last Year	36.03	38.24	42.32	48.95	55.78	58.40	53.58	57.37	44.57	38.71	26.59	31.31	36.52	46.50	50.93	49.19	60.23	60.16	47.34	44.34	48.48	47.43	45.99	46.65
Percent Change	6.9	23.6	20.4	0.5	6.0	3.0	5.7	-2.7	21.1	26.5	27.9	9.8	21.2	-2.2	14.1	5.7	12.5	5.8	-6.3	9.3	9.0	1.4	1.4	10.6
Supply	22,428	24,831	24,030	24,831	24,030	24,831	24,831	24,030	24,831	24,030	24,831	24,831	22,428	24,831	24,030	24,831	24,030	24,831	169,812	169,812	169,812	292,365	292,365	292,365
This Year	22,428	24,831	24,030	24,831	24,030	24,831	24,831	24,030	24,831	24,030	24,831	24,831	22,428	24,831	24,030	24,831	24,030	24,831	169,812	169,812	169,812	292,365	292,365	292,365
Last Year	22,428	24,831	24,030	24,831	24,030	24,831	24,831	24,030	24,831	24,030	24,831	24,831	22,428	24,831	24,030	24,831	24,030	24,831	169,812	169,812	169,812	292,365	292,365	292,365
Percent Change	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Demand	10,596	14,444	13,823	13,274	15,836	16,429	15,736	14,961	14,554	12,343	9,499	10,451	12,201	14,006	14,562	13,995	17,016	17,060	86,440	94,085	99,311	151,716	151,105	166,393
This Year	10,596	14,444	13,823	13,274	15,836	16,429	15,736	14,961	14,554	12,343	9,499	10,451	12,201	14,006	14,562	13,995	17,016	17,060	86,440	94,085	99,311	151,716	151,105	166,393
Last Year	9,795	11,703	12,052	13,056	14,776	16,014	15,060	14,727	12,064	10,585	8,584	9,683	10,596	14,444	13,823	13,274	15,836	16,429	94,154	86,440	94,085	163,071	151,716	156,105
Percent Change	8.2	23.4	14.7	1.7	7.2	2.6	4.5	1.8	20.6	16.6	10.5	7.9	15.1	-3.0	5.5	5.4	7.5	3.8	-8.2	8.8	5.6	-7.0	2.2	7.3
Revenue	863,875	1,204,225	1,223,940	1,221,440	1,447,264	1,493,758	1,406,883	1,341,299	1,340,347	1,176,356	844,879	853,808	1,047,325	1,178,212	1,396,599	1,291,445	1,627,462	1,579,862	7,530,283	8,231,925	8,974,712	13,448,248	13,636,298	15,084,476
This Year	863,875	1,204,225	1,223,940	1,221,440	1,447,264	1,493,758	1,406,883	1,341,299	1,340,347	1,176,356	844,879	853,808	1,047,325	1,178,212	1,396,599	1,291,445	1,627,462	1,579,862	7,530,283	8,231,925	8,974,712	13,448,248	13,636,298	15,084,476
Last Year	806,107	974,378	1,016,929	1,215,484	1,340,313	1,450,221	1,330,425	1,378,661	1,106,652	930,286	660,349	777,423	883,875	1,204,225	1,223,940	1,221,440	1,447,264	1,493,758	8,038,873	7,530,283	8,231,925	13,867,581	13,448,248	13,636,298
Percent Change	6.9	23.6	20.4	0.5	8.0	3.0	5.7	-2.7	21.1	26.5	27.9	9.8	21.2	-2.2	14.1	5.7	12.5	5.8	-6.3	9.3	9.0	-3.0	1.4	10.6
Census %	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	74.9	74.9	74.9	74.9	74.9	74.9
Census Progs	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	74.9	74.9	74.9	74.9	74.9	74.9
Census Rooms	801	801	801	801	801	801	801	801	801	801	801	801	801	801	801	801	801	801	74.9	74.9	74.9	74.9	74.9	74.9
% Rooms Participants	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9	74.9

A blank row indicates insufficient data.

Source 2011 SMITH TRAVEL RESEARCH, Inc.

A quarterly report from the Corvallis Benton Chamber Coalition to the City of Corvallis

General

The Corvallis-Benton Chamber Coalition had been the lead organization for economic development inquiries, proposals, and information through June 30, 2011. The Coalition was also the lead for marketing and promotion of the Corvallis Municipal Airport Industrial Park and Enterprise Zones located throughout Corvallis. Effective July 1, 2011 those responsibilities transitioned to the Business Enterprise Center (BEC).

The Chamber Coalition has changed its name to the Corvallis Chamber of Commerce and will assume a role of support and collaboration for the economic development efforts of the BEC, the Downtown Corvallis Association, and Visit Corvallis, as well as the City of Corvallis and Benton County. This is the final report to the City of Corvallis from the Corvallis Chamber of Commerce.

State Inquiries

- Submitted responses to *Oregon Prospector* inquiries for three companies considering relocation (a malt beverage company, a data center, and a bio-diesel company) as well as a second inquiry from a technology company that considered Corvallis in January. As of this writing none of the companies has asked for additional information or indicated further interest.

Events and Activities

- **Oregon Business Development Commission Meeting:** Hosted a reception for members of the Oregon Business Development Commission at the Hilton Garden Inn the evening before their quarterly meeting. The event included local business and government representatives. The quarterly meeting was held at ONAMI and was open to the public.
- **Willamette Angel Conference:** The Willamette Angel Conference (WAC) was held May 12 at the CH2M Hill Alumni Center at OSU with more than 250 people in attendance. The WAC provides coaching, support and investment in companies seeking between \$200,000 and \$2 million in seed money to take them to the next level. This year there were 28 companies contending for a \$225,000 investment. The event, in its third year, is a collaborative effort between the Chamber Coalition and the Eugene Chamber. This year's winner was Ashland-based Montrue Technologies which developed an emergency room information entry system for iPad.
- **Airport Industrial Park/Enterprise Zones:**
 - Developed and completed CMAIP tenant survey.
 - Met with local commercial real estate representative to discuss incentives for marketing the CMAIP. He believed that the tax benefits of the enterprise zones essentially were zeroed out by the requirement for hiring at 150% of Benton County wages. We realize these are state requirements, but it is important to keep in mind for future marketing efforts.
 - Met with company representatives interested in free-range goose farming in the Corvallis area and discussed enterprise zone properties that might work. Presented full recruitment package, including tour of the properties.
 - Met with a company representative who is looking for space for two companies: a medical services company and an energy storage company using a desalination process. Provided tour of the properties.
 - Met with company representative looking at a proposed site for a bio-diesel operation not introduced by *Oregon Prospector*. He is not interested in enterprise zone status, but toured the properties and was given the presentation. The existing rail spur is critical to his operation.
 - Met with a local banker to discuss the market and financing climate for the land at the CMAIP. Discussed how to work with potential customers and agents.

Summary of Activities

The Corvallis Knights, operated by Knights Baseball Club, Inc., a 501(c)(3) non-profit, at the request of our hotels partners, the Hilton Garden Inn and Holiday Inn Express, submitted a proposal for economic development funding with the intention of creating new events and drawing visitors to Corvallis. \$6,732 was granted to create and operate one new event.

The notion was to stimulate spending in the local economy, and fill hotel rooms.

In addition, the Corvallis Knights were asked to leverage these hotel tax dollars to help increase its contribution revenue and hire people. While the \$6,732 invested by the City of Corvallis did not drive this, it helped move the club in this direction. We were successful on both accounts as we hired two new full-time people in 2011, one an employee (Brooks Hatch) and the second a contractor (Jaimie Van Vleet) who was signed to a six-month term (April-October, 2011) and who is likely to be hired as an employee in 2012. Also, our contributions revenue increased from \$255,090 in 2010 to \$270,100 in 2011.

The two events we created/hosted were the Reser's Oregon All-Star Series June 18-19, 2011 and West Coast League All-Star Game July 26, 2011. Please consider the WCL All-Star Game a bonus event.

The Reser's Oregon All-Star Series drew 422 on Saturday (bad weather day, rain in morning) and 677 on Sunday (nice weather day, sunny) for a total attendance of 1,099. In total, 47 players and coaches from across the State of Oregon participated in the three-game series held at Goss Stadium. The Corvallis Knights paid for 20 rooms at the Holiday Inn Express (\$2,178 expenditure) and lodged coaches, sponsors and VIPs at the Hilton Garden Inn. Both hotels were sold out. Nearly 40 high school and college coaches attended the Nike Hospitality Event at the Vue in downtown Corvallis, and the after party at Block 15. We were disappointed with the local turn out as the majority of our ticket buyers were from out of the area, but we understand that the community might be over saturated with baseball, and at a higher level, with the college Beavers and college Knights. The good news was we had more visitors from the Portland (metro area), and Salem, Eugene, The Dalles, Hood River, Pendleton, Bend, Grants Pass, Roseburg and Ashland than expected. That bodes well for future All-Star Series. Not sure how we get the community excited about this, but we will continue to try. It should be noted, Visit Corvallis sponsored our All-Star Players Dinner, which is very much appreciated. In all, the Oregon All-Star Series was a first-year success, as I believe we took a huge first step towards revitalizing this event.

"At 72 years old, that was the most organized, managed, and best sponsored high school event I have ever attended. I thought it was well attended compared to the ones I have been to in the past. I thought the talent was very good and the games well played. I have been to Shrine football games, basketball tournaments and other events. This was the absolute best. The Interns did a super job. All the functions were great and the food I thought was outstanding." – Bill Love, Oregon Hall of Fame High School Baseball Coach

The West Coast League All-Star Game was a grand slam. We drew a near capacity crowd of 2,517 to

Goss Stadium and 24 Major League Baseball Scouts attended the game to evaluate college prospects. The experience garnered rave reviews from players, coaches, scouts and fans.

WCL President Ken Wilson said, "Perfect is a fairly strong word. I do believe that "nothing is perfect". However, last night's WCL All-Star Game was **perfect**. There was no room for improvement. Congratulations to Dan Segel and his staff. Congratulations to our All-Star Game committee. Congratulations to the players and coaches, who put on a professional show. Congratulations to the umpires, who contributed mightily to making it feel like we were watching a major league game. It doesn't get any better. It was the **perfect** showcase. Thanks to all!"

We housed the All-Stars at the Holiday Inn Express and the Corvallis Knights paid for 14 rooms (\$1,524.60 expenditure). WCL executives booked and paid for 10 rooms at the Hilton Garden Inn, some teams booked and paid for additional rooms at both the Holiday Inn and Hilton, we paid for the umpires room at the Hilton and players' families stayed at both properties. Both hotels were sold out. Our gate for that night was \$4,147.50 and advanced ticket sales were good too. There were guests from Kelowna (Canada), Bellingham, Walla Walla, Longview, Wenatchee, Bend, Bremerton and Klamath Falls that shopped, dined and spent the night in Corvallis. I imagine there was significant local spending.

To date (2011), the Corvallis Knights have spent (directly) \$24,886.54 on lodging in Corvallis (Hilton and Holiday Inn Express) generating nearly \$2,500 in hotel tax revenue. The aforementioned figure does not account for other visiting team and visitor (parents, family, fans, team execs, VIPs) lodging expenditures as a result of Knights' events.

Please see the attached balance sheet (as of last quarter), and 2010 and 2011 P&L statements.

Feel free to call or email with any questions,

Dan Segel
President
Corvallis Knights
(cell) 503-781-7098
(office) 541-752-5656
dan.segel@corvallisknights.com
www.corvallisknights.com

30-Jun-11

KNIGHTS BASEBALL
BALANCE SHEET
As of June 30, 2011

ASSETS	
Current Assets	
Checking/Savings	
Checking	<u>\$288,638.04</u>
Total Checking/Savings	\$288,638.04
Total Current Assets	<u>\$288,638.04</u>
TOTAL ASSETS	<u><u>\$288,638.04</u></u>
LIABILITIES & EQUITY	
Equity	
Retained Earnings	\$72,591.34
Net Income	<u>\$216,046.70</u>
Total Equity	<u>\$288,638.04</u>
TOTAL LIABILITIES & EQUITY	<u><u>\$288,638.04</u></u>



Date: July 31, 2011
To: Administrative Services Committee
From: Joan Wessell, Executive Director
Subject: Fourth Quarter Report FY 2010-2011

460 SW Madison, Suite 9
Corvallis OR 97333
PO Box 1536
Corvallis OR 97339
(541) 754-6624
FAX (541) 758-4723
www.downtowncorvallis.org

This Downtown Corvallis Association report is to update on progress of DCA programs that are funded through City of Corvallis Economic Development funds: Downtown Economic Enhancement, Downtown Image Marketing.

Board Members

Steve Hutchison,, President,
US Bank, Downtown
Elizabeth Groner, Vice-Pres.
Riverside Window & Door
Susan MacNeil, Treasurer
Richard Gretz Goldsmiths
Steve Hessel, Treasurer,
Downtown Property Owner
Les Boudreaux,
Downtown Property Owner
Angela Cambern
Downtown Starbucks, Mgr.
John Coleman
Coleman Jewelers
Cloud Davidson,
Cloud 9 & Downtown Dog
Randy Joss,
KEZI9
Jennifer Moreland,
Zooeys
Nia Ridley

The Downtown Corvallis Association offers programs that are designed to increase an awareness of Downtown as well as to draw locals, visitors, guests, OSU, etc. to Downtown Corvallis and to increase customer spending in Downtown to help grow the economy. Most of DCA's events are offered in response to requests from locals and/or the City. Each event/program is created to enhance the community's livability and to strengthen Downtown's viability. The vibrancy of our Downtown reflects positively on the region and community.

The Downtown Corvallis Association enjoys its good working relationship with community economic development groups and continues working to enhance those partnerships and assist those organizations with programs. The DCA continues marketing Downtown to OSU Administration and Students to increase their knowledge of products and services available in Downtown. This awareness helps retain dollars in the local economy. A sampling of OSU-DCA relationships include: monthly Science Pub Corvallis, A Slice of Downtown Corvallis, OSU Spirit Week & OSU Mom's Weekend activities in Downtown.

Staff

Joan Wessell,
Executive Director
joan@downtowncorvallis.org

Ex-Officio

City Council
City Planning
Corvallis Police Dept.
Benton County Sheriff
Benton County Fair
Corvallis Tourism
Corvallis-Benton Chamber

Image Marketing Campaign: Image Marketing showcases Downtown Corvallis to attract customers. The DCA's Image Marketing Campaign spotlights Downtown amenities and markets to various markets by placement in: HOPE Radio & MOM Magazine, reaching families with children;, various wine publications for Rhapsody in the Vineyard; GT's Our Town for Red White & Blue Riverfront Festival & Rhapsody in the Vineyard, and Visit Corvallis' visitor's guide, KEZI-TV, Comcast, OSU Student Guide, OSU Barometer, Bi-Coastal Media, Gazette-Times, Digital City Guide, KSHO for general image, and general marketing. Through using mixed media, the DCA can target a broader customer base to showcase amenities awaiting customers in Downtown Corvallis!

"To improve and promote the economic, aesthetic and cultural vitality of Downtown Corvallis as a regional center"

Downtown Economic Enhancement: The significant number of corporate-owned and big box stores cropping up on 9th Street and on the Corvallis scene, increased online and tv shopping networks are all threats to the state of the Downtown economy. In order to provide a healthy business environment which will allow Downtown businesses success and steady, upward growth, here are some of the elements that must exist and that need continued nurturing:

- (1) Downtown businesses MUST be on a level playing field with large, corporate-owned stores,
- (2) Downtown must include a healthy mix of businesses and services,
- (3) Business owners need affordable, ongoing, business education opportunities,
- (4) Businesses access to merchandise and services preferred and supported by the community,
- (5) Downtown customers needs convenient parking, and
- (6) Businesses MUST offer incomparable customer service.

A sampling of business services offered by the DCA include: recruiting and working with prospective businesses to identify the PERFECT location for that particular location, working through potential roadblocks or hurtles, offering FREE business workshops; offering ongoing networking events (Downtown After Hours and monthly DCA Membership Meetings) to coalesce and strengthen the Downtown business community.

The Economic Enhancement Team is currently drafting a plan for the 2011-12 DCA Seminar Series which will include 6-7 free seminars to help build the Downtown business community's business acumen. In an effort to help enhance the community's entire business community, the seminars will be free to DCA Members as well as non-Members.

In an ongoing effort to attract complementary businesses to Downtown, the DCA continues working to connect owners of vacant Downtown properties with prospective business owners. In addition, the DCA continually markets vacant Downtown space on a DCA flyer: "Downtown Vacancies & Opportunities". Through ongoing contacts with Downtown property owners, the DCA is able to keep the listing current. Throughout the recruitment process, the DCA focuses on: (1) clustering like businesses, (2) soliciting complementary businesses, and (3) making every effort to maintain the healthy Downtown mix. The DCA hand delivers and/or posts Downtown recruitment packets, with a follow-up visit by Committee members and the Executive Director and/or phone calls, emails, and personal visits. This ongoing contact with the target business assures that their business is valued and will be supported in Downtown Corvallis.

Economic Improvement District: The DCA is satisfied with an 86% collection rate from billings for the 2007-2012 Economic Improvement District. Downtown property owners who voluntarily participate in the district provide the crucial funding that allows the DCA to deliver countless valuable services: advocating for Downtown, delivering priceless services to keep Downtown vibrant, overseeing and nurturing the upkeep of Downtown businesses and properties, and helping to maintain the vibrancy and health of Downtown's commercial and residential district. The DCA appreciates City staff for collecting, communicating data, and distributing EID funds.

The Business Enterprise Center, Inc.



*Mid-Willamete Valley's
Business Accelerator
"Success Starts Here"*

July 29, 2011

City of Corvallis
Attention:
PO Box 1083
Corvallis, OR 97339-1083

Dear Ms. Laurent,

In accordance with the reporting requirements of the funding agreement between the City of Corvallis and The Business Enterprise Center executed on July 1, 2010, please accept the following as a summary of the activities for the third quarter of FY 10 – 11 (April – June 2011).

The Business Enterprise Center (BEC) continues to fulfill it's mission: "To stimulate and support the development of emerging businesses resulting in the creation and retention of jobs in the region". The BEC is achieving this by engaging in the following activities.

Providing advisory team for each resident and affiliate client of The BEC. Our advisory teams are comprised of one mentor who is on our board of directors and two advisors who may or may not be members of The Bec's board of directors. The advisory teams meet regularly with "their mentee businesses" . The team guides the new business through the start-up and growth process and then on to identifying potential funding resources as appropriate.

The BEC offered training for residents and the business community through our brown bag seminars and SCORE workshops each month during the 4th quarter. We continue our efforts to recruit new businesses to The BEC and our community and are actively engaged in raising community awareness about our organization. We continue managing entity of the Business Is Good Here web site www.businessisgoodhere.com .

The BEC is participating in planning Willamette Innovators Night (WIN 11) which will be held in November of this year.

The Edward Lowe Foundation provided a "Jump Start" team to work with a local, "stage two" company with positive results. The owner of the company indicated that the assistance was very helpful and provided a level of market penetration that they would not have had the capacity to access without the "Economic Gardening" pilot project. He anticipates significant growth over the next 18 months.

In June the Business Enterprise Center moved to Downtown Corvallis and all of our office spaces are full.

Beginning in July The BEC took over as the interim Manager of The CMAIP & EZ and is now the point of contact for economic development inquiries for our community. Also in July, the Executive Director (Kathleen Hutchinson) moved onto the board and took a new position with another non-profit.

Please contact me if you have any questions or require further information (541) 760-2529

Thank you for your continued support of local entrepreneurs & economic development!

Regards,

Kathleen Hutchinson

Executive Director – Business Enterprise Center

To: Ken Gibb
From: Bruce Hecht
Date: July 29, 2011
Subject: Natural Step Network Economic Development Grant 4th Quarter Report FY10-11

Finances:

During the period from March 31st to June 30th we completed 34 hours of labor and had no expenses. At our contract-billing rate we have spent \$680.00 for work associated with our submitted plan this quarter. Year to date expenditures are \$ 4,110.22 or 103% of total grant monies with 100% of the contract period completed. We will use our general fund to pay for the hours that exceed our grant amount of \$4,000.

Here is an update on our work in alignment with our submitted / adjusted plan:

Support retention, expansion and development of professional service, commercial and manufacturing firms that are compatible with the community and that provide for a diverse economic base.

- We completed Food Biz Boot Camp 2011 and are finalizing the documentation of the workshop so it can be executed more easily in the future by other organizations. LBCC is currently in discussion with Portland Community College to determine how it might be integrated into their Food Science programs. In partnership with the Western Cascade Council of Governments we have developed an extensive spreadsheet of resources for participants, workshop developers and others interested in the development of small to medium size food enterprises. This data is available through Pam Silbernagel at the COG.

Support financial and technical assistance programs that are available to business startups, small business development, local product development and environmentally responsible modernization

- We continue to host a garden nursery peer learning with business owners in our region. The project they have taken on is the development of a sustainability certification for landscape and garden nurseries. This certification will be a useful tool for improving their sustainability as an organization as well as a marketing tool to let the public know about the positive effects of their business. This group consists of the owners of all the garden nurseries in the Corvallis area with leadership being provided by Jeff Cope of HomeGrown Gardens. The peer learning group also provides a venue to promote collaboration of this business sector.
- Oregon State is currently evaluating several solar hot water projects for their swimming pools and other domestic hot water use. We provided information and analysis to assist in the sub-contractor selection process for these projects.
- We were invited and participated in HP's World Environment Day to share information about a science based sustainability framework, The Natural Step.

Facilitate partnerships with public, non-profit, educational and private sector organizations to maximize the effectiveness of economic development resources.

- The new and improved "Buy Local" project, an outcome of the Economic Vitality Action Team (EVAT), is moving forward under the leadership of the Sustainability Coalition. Corvallis Natural Step will be stepping down from the leadership position of the EVAT. The coalition is currently looking for new leadership for this team.
- We hosted a webinar titled "Enlisting Others: Bringing About Participation in Sustainable Community Planning" by Sarah James. Sarah James is co-author of the award-winning book Natural Step for Communities: How Cities & Towns Can Change to Sustainable Practices. She is a planner and co-author of the American Planning Association's Policy Guide Planning for Sustainability, which was adopted by the APA in 2000. She is also a co-founder of the North American Eco-Municipality Network and Co-

Director of the Institute for Ecomunicipality Education & Assistance. The webinar introduced particular approaches to designing a participation strategy that can involve citizens from all walks of life to provide a diversity of perspectives in community sustainability planning. We had one city councilor in attendance at the webinar. We can make the slides from the presentation available on request.

- One of the projects that came out of the Economic Vitality Action Team was to explore the impact of finite resources on our local economy and to use those ideas to better understand how to keep our local economy stable during difficult times. We have started the conversation by hosting a book discussion of "Prosperity Without Growth" by Tim Jackson, a UK economist. We completed the third discussion group with the possibility of a fourth group starting. If you have not read this book we recommend you do so as it does an excellent job of laying out the challenges as well as ideas and possibilities for creating a prosperous community.

Thank you for the opportunity over the past 8 years to be able to provide sustainable economic development services to our community. It has been a wonderful opportunity for our organization. The support and confidence in our efforts is recognized and appreciated.

Sincerely,

Bruce Hecht and Maureen Beezhold

MEMORANDUM

From: Ken Gibb, Community Development Director



To: Administrative Services Committee (ASC)

Date: September 14, 2011

Re: Yearly Review of Land Use Application Fees

I. Issue

Each year, the City Council conducts a review of Land Use Application Fees. State law requires these fees to be based on the actual or the average cost of processing such applications. Corvallis has been basing fees on the average cost since at least 1998. The average costs are based on the funding for Current Planning in the Community Development Department's budget and an analysis of the efforts associated with each type of application. This year's update is presented below, and further direction is requested.

II. Background

Each time Land Use Application Fees are updated, an analysis is conducted to determine the average number of land use actions considered and the associated level of effort. Dividing the cost of providing the service by this yearly level of effort allows the average cost to be determined. The 2008 analysis included calendar years 2000 through 2007 (eight years). However, in 2009 staff proposed, and the City Council endorsed, a methodology that incorporated a five year "rolling average." For this reason, the following analysis is based on Planning Division data from 2006 through 2010 (see Table 1).

For each type of Land Use Application, staff have determined a relative level of effort. The most complex application type is the Annexation. This has been given a level of effort of 1.0. The various types of actions associated with Planned Developments range from a 0.25 level of effort for a Minor Modification to a 0.85 level of effort for a combined Conceptual and Detailed Development Plan. A standard Zone change is 0.4, and a standard Subdivision is 0.7 (see Table 1). Table 1 calculates the average number of each application type that is processed per year over the five year period. This is done in order to minimize pronounced trends that may occur on an annual basis (for example, 39 Historic Preservation Permits were processed by the Historic Resources Commission in 2009, which is a sharp increase from prior years). The average number of each type of application is multiplied by the associated level of effort for that application type, to determine average yearly units of effort for each type of application. These numbers are totaled. In this year's analysis, 29.19 average yearly units of effort were calculated for Special Development applications (generally these are applications that would require a public hearing), and 5.4 average yearly units of effort were calculated for General Development applications

(generally, these are Staff-level review items). The two numbers are then added for a total of 34.59 average yearly units of effort. The total average yearly units of effort is then divided into the cost of providing the Land Use Application review effort in order to determine the cost of one unit of effort. This information is shown in the small shaded rectangle towards the bottom of Table 1.

Once the cost for one unit of effort is determined, the cost/unit is then multiplied by the level of effort for each application type to determine the average cost for each type of Land Use Application (see Table 2). For this year's update, the cost for the review of Land Use Applications is based upon the FY10-11 budget for Current Planning, with the recognition that 2.75 Planner-level FTE were dedicated to current planning over that time period. (Last year, 3.5 FTE were dedicated to current planning. The reasons for the reduced allocation of FTE to current planning over the past year are discussed later in this staff report).

Prior to 2008, the Council's cost-recovery policy for Land Use Application Fees was to recover 50 percent of the Community Development Department's average costs for processing these applications. Costs associated with the development review activities of the Public Works, Parks and Recreation, Fire, and Police Departments have never been included in the fees. Additionally, the cost of the time spent by Public Works Engineering Staff and City Attorneys in the development of staff reports, formal findings, and other materials is not captured under the current methodology.

In 2008, the City Council made a change to its cost-recovery policy for Land Use Applications, and consequently, the 2008 fees were designed to recover approximately 60 percent of Land Use Application processing costs. Staff were also given direction that each year, fee increases were to be considered such that after the fifth year, 100 percent of these costs would be recovered. In 2009, the City Council increased the cost recovery ratio to 70%. In 2010, the City Council decided to maintain the 70% cost recovery ratio for 2011. Direction is needed in regard to this year's fee adjustment. Should the fees be designed to recover 70% or 80% of Land Use Application processing costs? Further information is presented in this memo regarding the methodology used by staff to determine proposed fees, as well as an analysis of recent land use application trends and fees charged by comparator Oregon cities.

III. Analysis

Staff have created a series of tables to show how this year's process affects Land Use Application Fees. **Table 1** provides data regarding land use applications processed in calendar years from 2006 to 2010. Based on that information, Table 1 then calculates the average yearly units of effort expended per application type and also totals the average yearly units of effort expended (34.59 units of effort). This number is then divided by the total estimated costs of current planning services to provide a cost per unit of effort (\$18,628 per unit of effort).

Table 2 incorporates 2010 land use application and current planning cost data to arrive at a figure for 70% of the average cost of each application type. As noted in the data in the right-hand column, this generally represents an 8% cost increase over this year's application fees in order to maintain the 70% cost recovery ratio that was approved by the City Council last year. It should be noted that the 70% of average cost figures shown on Table 2 will not correspond in all cases to the 70% cost recovery fee schedule shown on Table 5. This is because, for many application types, per-unit add-on fees will be added to the base fee in order to arrive at 70% cost recovery.

Similarly to Table 2, **Table 3** incorporates 2010 land use application and current planning cost data to arrive at a figure for 80% of the average cost of each application type. As noted in the right-hand column, this generally represents a 24% cost increase over this year's application fees in order to continue the Council's direction to increase land use application fees 10% each year until 100% cost recovery is achieved. As with Table 2, the 80% average cost figures shown on Table 3 will not correspond in all cases to the 80% cost recovery fee schedule shown in Table 6, for reasons explained above.

Table 4 is provided for comparative purposes and shows the current land use application fee schedule for 2010.

Table 5 illustrates the land use application fee schedule that would be put in place in 2012 if the Council decides to maintain the current 70% cost recovery ratio. The cost increase per application would be approximately 8% above current fees. Per-unit add-on costs have been calculated such that the "average" scale application will achieve 70% cost recovery. Smaller applications will pay proportionately less and larger applications will pay proportionately more to reflect the relative levels of effort (and cost) of small and large applications.

Table 6 illustrates the land use application fee schedule that would be put in place in 2012 if the Council decides to increase the cost recovery ratio from 70% to 80%. The cost increase per application would be approximately 24% above current fees. Per-unit add-on costs have been calculated such that the "average" scale application will achieve 80% cost recovery. Smaller applications will pay proportionately less and larger applications will pay proportionately more to reflect the relative levels of effort (and cost) of small and large applications.

Table 7 provides information regarding typical land use application fees currently charged by comparator cities in Oregon. Additionally, Table 7 provides information regarding what current Corvallis fees would be for the same applications, along with fees at the 80% cost recovery ratio and our estimate of the total cost of such applications.

A number of trends are evident from a close review of the tables. Generally, the number of applications received per year has declined from 2006 to 2010, with 96 in 2006, 70 in 2007, 84 in 2008, 83 in 2009, and 54 in 2010. Certainly, the recent downturn in the economy is likely one factor that reduced application numbers. Another factor to note is the adoption of the new Land Development Code in December of 2006. The Planning Division experienced a flurry of land use applications prior to adoption of the new code from applicants seeking to develop under the "old"

rules, and a relative paucity of applications in the year following adoption (2007). Additionally, because the 2006 Land Development Code was developed to provide a “clear and objective” path for development proposals that comply with all applicable code standards, it is anticipated that the number of discretionary land use reviews will be reduced. This may also partially account for the decrease in the number land use applications received over the past five years.

Changes to the City’s Historic Preservation Program over the past five years are also reflected in land use application permit data. Six months prior to the adoption of the updated Land Development Code, in June of 2006, the City adopted revisions to LDC Chapter 2.9, which restructured the City’s Historic Preservation program, and formed the Historic Resources Commission (HRC) as a quasi-judicial decision-making body. Prior to this, all decisions by the Historic Preservation Advisory Board (HPAB) were recommendations to the Community Development Director. This explains why the number of Director-level historic preservation permits fell markedly between 2006 and 2007, and why quasi-judicial historic preservation permits began to appear in 2006. The sharp increase in quasi-judicial historic preservation permits in 2009 is due in part to the establishment of a historic district on the OSU campus in June of 2008.

Staffing demands in current planning have stayed relatively constant over that time period. The main reason for this is that the adoption of the new Land Development Code in 2006 has resulted in a higher level of complexity for nearly all land use applications. For example, Planned Development applications now must address Pedestrian Oriented Design Standards, Natural Features, and Natural Hazard provisions, if applicable to the subject development site. These are just some of the new standards that were added into the 2006 Land Development Code, for which one of the goals was to establish clear and objective decision criteria. These decision criteria are necessarily more detailed than past code language, which was more discretionary. The result is that most land use applications are more complex than they were prior to 2006. Because the relative effort required of each application type is basically the same in relation to the most complex application type (annexations) under both the old code and the new code, the “relative effort” proportions shown on Table 1 have not fundamentally changed since 2005. What has changed is that nearly all application types (with the possible exception of Lot Line Adjustments) take more staff time to process and are more complex than they used to be.

Notwithstanding those observations, Staff resources dedicated to current planning were reallocated in 2010 from approximately 3.5 FTE to 2.75 FTE, in response to the reduced volume of land use applications during that time. Staff that would have otherwise been engaged in current planning work have been working on other projects, such as the 2010 Land Development Information Report, Land Development Code Amendments to Chapter 2.9 (Historic Preservation), an update to the Airport Industrial Park Master Plan (in progress), and Benton County’s Health Impact Assessment Project. This reallocation of resources should not be perceived as a permanent restructuring of the Planning Division, and the FY11-12 Budget continues to reflect 3.5 FTE in current planning, because this is believed to be the minimum level of staffing necessary in current planning to process land use applications in a robust economy. It has been difficult to forecast the number of land use applications submitted in recent years. For example, it remains

to be seen whether the current high level of interest in developing multi-family housing in the community will translate into a high volume of land use applications in the near future.

A trend noted last year that continues this year is the high proportion of current land use applications for which costs are not recovered at the 70% level. In 2010, Historic Preservation Permits (HPPs) and appeals of land use decisions represented a large proportion of the total number of land use applications submitted (67% of Special Development applications, and 43% of all submitted land use applications). Consistent with Council direction, the Planning Division charges no fees for HPPs. The City Council established a new fee for appeals of land use decisions last year (10% of the base fee for the decision being appealed for most appeals); however, given the estimated average total cost of \$11,177 to process an appeal, the 10% appeal fee collects significantly less than 70% of the cost. Because of this, it should be noted that although land use application fees cover some current planning costs at the City, they do not in reality come close to the 70% cost recovery level. It should also be noted that many of the current planning functions, such as answering public inquiries regarding the City's land use regulations, staffing pre-application meetings, and providing feedback to potential applicants regarding development projects that may be processed at a building permit level, or which may never make it to the land use application stage, are not supported by land use application fees, but by general fund resources.

Table 2 shows that in order to maintain the 70% cost recovery level, an 8% increase in fees is necessary. This increase in costs is largely attributable to increased personnel costs for the current planning function within the Planning Division. Personal service costs account for approximately 90% of the Planning Division's annual budget. It is important to note that these costs were arrived at in relation to the FY10-11 Planning Division budget, not the FY11-12 budget, which assumes no cost of living or benefit increases. Table 3 calculates land use fees at the 80% cost recovery level, based on the City Council's prior direction to increase fees by 10% increments until 100% cost recovery is reached. The 80% cost recovery schedule (Table 6) represents a 24% increase in land use application fees from the 2011 fee schedule.

Table 7 shows how the City's current land use application fees (as well as proposed 80% cost recovery fees and estimated actual costs) compare to the fees of other jurisdictions in Oregon for selected land use applications. Generally, the City's current- and 80%-cost-recovery-level-fees are below the average of the fees charged by the other jurisdictions. In some cases, the City's current and proposed fees are well below the average. One anomaly is also notable: Corvallis' current and proposed fees for Conditional Development applications exceed the average charged by other cities. One possible explanation for this is that our decision criteria for conditional developments may be more rigorous than those criteria that other jurisdictions apply to conditional developments. This could explain the higher effort and cost that we ascribe to conditional development applications. As can be seen from Table 7, some of the selected cities are much more aggressive in setting fees to cover costs than others. For this reason, in some land use application categories, there is a significant difference between average and median land use application fees. Consequently, of the six land use application types that are surveyed, current Corvallis land use application fees are above the median cost for a Comprehensive Plan Map

Amendment, Annexation, and Conditional Use Permit, but below the median cost for a Zone Change, Residential Planned Development and Subdivision, and regular Subdivision.

It should also be noted that most of the comparator cities did not raise their fees significantly between last year and this year, with the exception of the City of Bend and the City of Albany. Albany has increased its land use application fees by 3.6% above last year's level, as of July 1, 2011.

III. Direction Requested

With past reviews of Land Use Application Fees, the Administrative Services Committee has asked staff to prepare fees based on direction given at an initial meeting and then to provide notice to the general public and the development community of an Administrative Services Committee meeting to allow review and comment on those proposed fees. Staff are prepared to follow this process again this year. Based on the information presented in this memo, staff have identified three options, which rely on the five-year averaging of Land Use Application data. These options are as follows: the continuation of 70 percent cost-recovery, with an increase based on increased costs for FY10-11; an increase to 80 percent cost-recovery, including an increase based on costs for FY10-11; or maintaining the current 2011 fee schedule, with no adjustment for increased costs in FY10-11.

Option		Potential Fee Increase
1.	5-yr Average @ 70% Cost Recovery	+8% Fee Increase for Special and General Development Application Types (Table 5)
2.	5-yr Average @ 80% Cost Recovery	+24% Fee Increase for Special and General Development Application Types (Table 6)
3.	Maintain current fee schedule	0% Fee Increase for Special and General Development Application Types (Table 4)

Based on direction from the ASC, Staff will prepare and distribute a notice for publication and distribution to the public and to the development community regarding an upcoming ASC meeting at which public comment regarding the proposed fees will be heard. Following that meeting, Staff will make any ASC-recommended adjustments to the fee schedule for presentation to the full City Council.

Review and Concur:



Ellen Volmert, City Manager Pro Tem



Nancy Brewer, Finance Director

Table 1- Average Yearly Units of Effort Based on 5 Years

Land Use Application Fees

Description	2006	2007	2008	2009	2010	Average # Done (2006-2010)	Relative Effort	Avg. Yearly Units of Effort
Special Development (S)								
Appeal	6	2	14	6	4	6.40	0.60	3.84
Annexation	0	0	0	2	1	0.60	1.00	0.60
Health Hazard Annexation (Minor)	0	0	2	0	0	0.40	0.20	0.08
Comprehensive Plan Amendment	1	1	1	0	0	0.60	0.85	0.51
Conditional Development	5	7	3	2	2	3.80	0.70	2.66
Modification to CD	4	2	1	3	1	2.20	0.25	0.55
District Change	1	5	5	2	2	3.00	0.40	1.20
HPO	0	0	1	0	0	0.20	0.20	0.04
Health Hazard (w/ Minor Annexation)	0	0	2	0	0	0.40	0.10	0.04
Administrative	NA	3	2	0	0	1.25	0.20	0.25
Planned Development (Total-all PD Types)	19	11	15	9	8	12.40		
Conceptual Development Plan	0	0	0	0	0	0.00	0.75	0.00
Detailed Development Plan	1	0	0	1	0	0.40	0.80	0.32
Detailed Dev. Plan w/ Conceptual	3	5	5	2	2	3.40	0.85	2.89
Major Modification to PD	4	1	6	2	2	3.00	0.75	2.25
PD Nullification	0	0	0	0		0.00	0.40	0.00
Minor Modification	11	5	4	4	4	5.60	0.25	1.40
Tentative Plat	7	5	5	1	1	3.80	0.70	2.66
Modification to Tentative Plat (New Action)	0	0	0	0	1	0.20	0.25	0.05
Major Replat	1	0	1	1	0	0.60	0.60	0.36
Administrative	NA	1	5	0	0	1.50	0.65	0.98
Extension of Services	0	0	0	0	0	0.00	0.70	0.00
Historic Preservation Permit	21	26	20	39	24	26.00	0.25	6.50
Director-level	29	4	3	14	8	11.60	0.1	1.16
Director's Interpretation	1	0	2	4	0	1.40	0.15	0.21
Land Development Code Text Amendment	1	3	2	0	2	1.60	0.40	0.64
Total	96	70	84	83	54	77.40		29.19

Expenditures Allocated to Current Planning	\$ 644,256
Total Yearly Units of Effort Expended	34.59
Cost per unit	\$ 18,628

General Development (G)	2007	2008	2009	2010	Ave. # Done	Effort	Yrly. Effort
Minor Replat	6	16	8	7	9.25	0.1	0.93
Lot Development Option	30	23	15	5	18.25	0.1	1.83
Major Lot Development Option*			3	4	3.50	0.3	1.05
Lot Line Adjustment	20	9	1	2	8.00	0.025	0.20
Partition	10	5	2	3	5.00	0.25	1.25
Plan Compatibility Review	6	1	5	0	3.00	0.05	0.15
Total	72	54	34	21	45.25		5.40

* Major LDO option began in 2009

Table 2- Land Use Application Fees - 70% Cost Recovery

Averages # of applications over the past 5 years and maintains the 70% cost-recovery approved in 2009

Description	Average # Done (2006-2010)	Relative Effort	Avg. Yearly Units of Effort	Average Cost (Effort * Unit Cost)	70% of Average Cost	Current Base Fee	Percent Increase
Special Development (S)							
Appeal	6.40	0.60	3.84	\$ 11,177	\$ 7,824	varies	NA
Annexation*	0.60	1.00	0.60	\$ 18,628	\$ 9,073	\$ 8,401	8%
Health Hazard Annexation (Minor)	0.40	0.20	0.08	\$ 3,726	\$ 2,608	\$ 2,410	8%
Comprehensive Plan Amendment	0.60	0.85	0.51	\$ 15,834	\$ 11,084	\$ 10,244	8%
Conditional Development*	3.80	0.70	2.66	\$ 13,040	\$ 6,857	\$ 6,349	8%
Modification to CD***	2.20	0.25	0.55	\$ 4,657	\$ 2,796	\$ 2,589	8%
District Change	3.00	0.40	1.20	\$ 7,451	\$ 5,216	\$ 4,820	8%
HPO	0.20	0.20	0.04	\$ 3,726	\$ 2,608	no fee	
Health Hazard (w/ Minor Annexation)	0.40	0.10	0.04	\$ 1,863	\$ 1,304	\$ 1,205	8%
Administrative	1.25	0.20	0.25	\$ 3,726	\$ 2,608	\$ 2,410	8%
Planned Development (Total- all PD Types)	12.40						
Conceptual Development Plan*	0.00	0.75	0.00	\$ 13,971	\$ 7,347	\$ 6,803	8%
Detailed Development Plan*	0.40	0.80	0.32	\$ 14,902	\$ 7,838	\$ 7,257	8%
Detailed Dev. Plan w/ Conceptual*	3.40	0.85	2.89	\$ 15,834	\$ 8,328	\$ 7,711	8%
Major Modification to PD*	3.00	0.75	2.25	\$ 13,971	\$ 7,347	\$ 6,803	8%
PD Nullification	0.00	0.40	0.00	\$ 7,451	\$ 5,216	\$ 4,820	8%
Minor Modification	5.60	0.25	1.40	\$ 4,657	\$ 3,260	\$ 3,013	8%
Non-Residential Tentative Plat*	3.80	0.70	2.66	\$ 13,040	\$ 6,857	\$ 6,349	8%
Modification to Tentative Plat (New Action)	0.20	0.25	0.05	\$ 4,657	\$ 3,260	\$ 3,013	8%
Major Replat*	0.60	0.60	0.36	\$ 11,177	\$ 7,809	\$ 7,231	8%
Residential (Administrative)*	1.50	0.65	0.98	\$ 12,108	\$ 6,368	\$ 5,896	8%
Extension of Services	0.00	0.70	0.00	\$ 13,040	\$ 9,128	\$ 8,436	8%
Historic Preservation Permit	26.00	0.25	6.50	\$ 4,657	\$ 3,260	\$ 0	NA
Director-level	11.60	0.1	1.16	\$ 1,863	\$ 1,304	\$ 0	NA
Director's Interpretation	1.40	0.15	0.21	\$ 2,794	\$ 1,956	\$ 1,808	8%
Land Development Code Text Amendment	1.60	0.40	0.64	\$ 7,451	\$ 5,216	\$ 4,820	8%
Total	77.95		29.19				
Expenditures Allocated to Current Planning		\$644,256					
Total Yearly Units of Effort Expended		34.59					
Cost per unit		\$ 18,628					
General Development (G)							
Minor Replat	Ave. # Done	Effort	Yrly. Effort	Cost	70% of Cost	Current Fee	Increase
Minor Replat	9.25	0.1	0.93	\$ 1,863	\$ 1,304	\$ 1,205	8%
Lot Development Option	18.25	0.1	1.83	\$ 1,863	\$ 1,304	\$ 1,205	8%
Major Lot Development Option**	3.50	0.3	1.05	\$ 5,588	\$ 3,912	\$ 3,615	8%
Lot Line Adjustment	8.00	0.025	0.20	\$ 466	\$ 326	\$ 301	8%
Partition	5.00	0.25	1.25	\$ 4,657	\$ 3,260	\$ 3,013	8%
Plan Compatibility Review	3.00	0.05	0.15	\$ 931	\$ 652	\$ 603	8%
Totals:	47.00		5.40				

* Base Fee does not represent 70% of cost because per unit fees are added to these application types to arrive at 70% cost recovery

** Major LDO option began in 2009

***Fee does not represent 70% of average cost, but has been increased commensurate with other fees since the establishment of the CD Modification process.

Table 3- Land Use Application Fees - 80% Cost Recovery

Averages # of applications over the past 5 years and provides the 80% cost-recovery to be considered for 2012

Description	Average # Done (2006-2010)	Relative Effort	Avg. Yearly Units of Effort	Average Cost (Effort * Unit Cost)	80% of Average Cost	Current Base Fee	Percent Increase
Special Development (S)							
Appeal	6.40	0.60	3.84	\$ 11,177	\$ 8,941	varies	NA
Annexation	0.60	1.00	0.60	\$ 18,628	\$ 10,417	\$ 8,401	24%
Health Hazard Annexation (Minor)	0.40	0.20	0.08	\$ 3,726	\$ 2,980	\$ 2,410	24%
Comprehensive Plan Amendment	0.60	0.85	0.51	\$ 15,834	\$ 12,667	\$ 10,244	24%
Conditional Development	3.80	0.70	2.66	\$ 13,040	\$ 7,873	\$ 6,349	24%
Modification to CD***	2.20	0.25	0.55	\$ 4,657	\$ 3,210	\$ 2,589	24%
District Change	3.00	0.40	1.20	\$ 7,451	\$ 5,961	\$ 4,820	24%
HPO	0.20	0.20	0.04	\$ 3,726	\$ 2,980	no fee	
Health Hazard (w/ Minor Annexation)	0.40	0.10	0.04	\$ 1,863	\$ 1,490	\$ 1,205	24%
Administrative	1.25	0.20	0.25	\$ 3,726	\$ 2,980	\$ 2,410	24%
Planned Development (Total- all PD Types)	12.40						
Conceptual Development Plan	0.00	0.75	0.00	\$ 13,971	\$ 8,436	\$ 6,803	24%
Detailed Development Plan	0.40	0.80	0.32	\$ 14,902	\$ 8,999	\$ 7,257	24%
Detailed Dev. Plan w/ Conceptual	3.40	0.85	2.89	\$ 15,834	\$ 9,562	\$ 7,711	24%
Major Modification to PD	3.00	0.75	2.25	\$ 13,971	\$ 8,436	\$ 6,803	24%
PD Nullification	0.00	0.40	0.00	\$ 7,451	\$ 5,961	\$ 4,820	24%
Minor Modification	5.60	0.25	1.40	\$ 4,657	\$ 3,726	\$ 3,013	24%
Tentative Plat	3.80	0.70	2.66	\$ 13,040	\$ 7,873	\$ 6,349	24%
Modification to Tentative Plat (New Action)	0.20	0.25	0.05	\$ 4,657	\$ 3,726	\$ 3,013	24%
Major Replat	0.60	0.60	0.36	\$ 11,177	\$ 8,966	\$ 7,231	24%
Administrative	1.50	0.65	0.98	\$ 12,108	\$ 7,311	\$ 5,896	24%
Extension of Services	0.00	0.70	0.00	\$ 13,040	\$ 10,432	\$ 8,436	24%
Historic Preservation Permit	26.00	0.25	6.50	\$ 4,657	\$ 3,726	\$ 0	NA
Director-level	11.60	0.1	1.16	\$ 1,863	\$ 1,490	\$ 0	NA
Director's Interpretation	1.40	0.15	0.21	\$ 2,794	\$ 2,235	\$ 1,808	24%
Land Development Code Text Amendment	1.60	0.40	0.64	\$ 7,451	\$ 5,961	\$ 4,820	24%
Total	77.95		29.19				
Expenditures Allocated to Current Planning	\$644,256						
Total Yearly Units of Effort Expended	34.59						
Cost per unit	\$ 18,628						
General Development (G)							
	Ave. # Done	Effort	Yrly. Effort	Cost	80% of Cost	Current Fee	Increase
Minor Replat	9.25	0.1	0.93	\$ 1,863	\$ 1,490	\$ 1,205	24%
Lot Development Option (Minor)	18.25	0.1	1.83	\$ 1,863	\$ 1,490	\$ 1,205	24%
Major Lot Development Option**	3.50	0.3	1.05	\$ 5,588	\$ 4,471	\$ 3,615	24%
Lot Line Adjustment	8.00	0.025	0.20	\$ 466	\$ 373	\$ 301	24%
Partition	5.00	0.25	1.25	\$ 4,657	\$ 3,726	\$ 3,013	24%
Plan Compatibility Review	3.00	0.05	0.15	\$ 931	\$ 745	\$ 603	24%
Totals:	47.00		5.40				

* Base Fee does not represent 80% of cost because per unit fees are added to these application types to arrive at 80% cost recovery

** Major LDO option began in 2009

***Fee does not represent 80% of average cost, but has been increased commensurate with other fees since the establishment of the CD Modification process.

Table 4 - Current (2011) Land Use Application Fees¹

Table 1: Special Development (70% Cost Recovery, unless otherwise noted)		Base Fee	Per Unit Add-on
Appeal			
	<i>Appeal of Administrative-Level Decision</i>	\$250	
	<i>General</i>	10% of Base Fee ²	
	<i>Recognized Neighborhood Association</i>	5% of Base Fee ²	
Annexation (with per acre add-on)			
	<i>Major</i>	\$8,401	\$122
	<i>Minor (including Health Hazard)</i>	\$2,410	
Comprehensive Plan Amendment		\$10,244	
Conditional Development (including Willamette River Greenway CD)			
	<i>Residential (per lot add-on)</i>	\$6,349	\$38
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$6,349	\$8
	<i>Modification</i>	\$2,589	
District Change			
	<i>Standard</i>	\$4,820	
	<i>Minor Annexation (including Health Hazard)</i>	\$1,205	
	<i>Historic Preservation Overlay (0% cost recovery/5-yr. average)</i>	no fee	
	<i>Administrative</i>	\$2,410	
Planned Development			
Conceptual Development Plan			
	<i>Residential (per acre add-on)</i>	\$6,803	\$75
	<i>Non-residential (per acre add-on)</i>	\$6,803	\$75
Detailed Development Plan			
	<i>Residential (per lot add-on)</i>	\$7,257	\$43
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$7,257	\$9
Conceptual and Detailed Development Plan			
	<i>Residential (per lot add-on)</i>	\$7,711	\$46
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$7,711	\$9
Major Modification to P.D.			
	<i>Residential (per lot add-on)</i>	\$6,803	\$41
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$6,803	\$8
P.D. Nullification		\$4,820	
Minor Modification		\$3,013	
Subdivision Tentative Plat			
	<i>Non-residential</i>	\$6,349	\$38
	<i>Modification</i>	\$3,013	
	<i>Major Replat</i>	\$7,231	\$1
	<i>Residential (Admin.)</i>	\$5,896	\$35
Historic Preservation Permit			
	<i>HRC-level (0% cost recovery/5-yr. average)</i>	no fee	
	<i>Director-level (0% cost recovery/5-yr. average)</i>	no fee	
Director's Interpretation		\$1,808	
Land Development Code Text Amendment		\$4,820	
Extension of Services		\$8,436	

Table 2: General Development (70% Cost Recovery)		
Minor Replat	\$1,205	
Lot Development Option (Minor)	\$1,205	
Lot Development Option (Major)	\$3,615	
Lot Line Adjustment	\$301	
Partition	\$3,013	
Plan Compatibility Review	\$603	
Vacation	\$1,205	
Sign Permit	\$57	
Sign Variance	\$3,013	

Notes

1. Deposit - With the exception of appeal fees and historic preservation permits, Special Development land use applications (Table 1) shall be submitted with a \$1,000 deposit. General Development land use applications (Table 2) shall be submitted with a \$100 deposit. Following a determination of the actual extent of the request, the remainder of the fees shall be charged to the applicant. Applications shall be deemed incomplete until all fees have been paid.

Concurrent Application Fees - Where development requires concurrent actions, the largest of the fees determined from Table 1 or Table 2 shall be charged, and 75 percent of the fee for each additional action shall be charged.

2. For appeals of concurrent applications, a percentage of the single highest base fee shall be charged, without inclusion of add-on fees.

Table 5 - 70% Cost Recovery Land Use Application Fee Schedule¹ (2012)

Table 1: Special Development (70% Cost Recovery, unless otherwise noted)		Base Fee	Per Unit Add-on
Appeal			
	<i>Appeal of Administrative-Level Decision</i>	\$250	
	<i>General</i>	10% of Base Fee ²	
	<i>Recognized Neighborhood Association</i>	5% of Base Fee ²	
Annexation (with per acre add-on)			
	<i>Major</i>	\$9,073	\$132
	<i>Minor (including Health Hazard)</i>	\$2,608	
Comprehensive Plan Amendment		\$11,084	
Conditional Development (including Willamette River Greenway CD)			
	<i>Residential (per lot add-on)</i>	\$6,857	\$41
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$6,857	\$8
	<i>Modification</i>	\$2,796	
District Change			
	<i>Standard</i>	\$5,216	
	<i>Minor Annexation (including Health Hazard)</i>	\$1,304	
	<i>Historic Preservation Overlay (0% cost recovery/5-yr. average)</i>	no fee	
	<i>Administrative</i>	\$2,608	
Planned Development			
Conceptual Development Plan			
	<i>Residential (per acre add-on)</i>	\$7,347	\$81
	<i>Non-residential (per acre add-on)</i>	\$7,347	\$81
Detailed Development Plan			
	<i>Residential (per lot add-on)</i>	\$7,838	\$47
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$7,838	\$9
Conceptual and Detailed Development Plan			
	<i>Residential (per lot add-on)</i>	\$8,328	\$50
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$8,328	\$10
Major Modification to P.D.			
	<i>Residential (per lot add-on)</i>	\$7,347	\$44
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$7,347	\$9
P.D. Nullification		\$5,216	
Minor Modification		\$3,260	
Subdivision Tentative Plat			
	<i>Non-residential</i>	\$6,857	\$41
	<i>Modification</i>	\$3,260	
	<i>Major Replat</i>	\$7,809	\$1
	<i>Residential (Admin.)</i>	\$6,368	\$38
Historic Preservation Permit			
	<i>HRC-level (0% cost recovery/5-yr. average)</i>	no fee	
	<i>Director-level (0% cost recovery/5-yr. average)</i>	no fee	
Director's Interpretation		\$1,956	
Land Development Code Text Amendment		\$5,216	
Extension of Services		\$9,128	

Table 2: General Development (70% Cost Recovery)		
Minor Replat	\$1,304	
Lot Development Option (Minor)	\$1,304	
Lot Development Option (Major)	\$3,912	
Lot Line Adjustment	\$326	
Partition	\$3,260	
Plan Compatibility Review	\$652	
Vacation	\$1,301	
Sign Permit	\$62	
Sign Variance	\$3,254	

Notes

1. Deposit - With the exception of appeal fees and historic preservation permits, Special Development land use applications (Table 1) shall be submitted with a \$1,000 deposit. General Development land use applications (Table 2) shall be submitted with a \$100 deposit. Following a determination of the actual extent of the request, the remainder of the fees shall be charged to the applicant. Applications shall be deemed incomplete until all fees have been paid.

Concurrent Application Fees - Where development requires concurrent actions, the largest of the fees determined from Table 1 or Table 2 shall be charged, and 75 percent of the fee for each additional action shall be charged.

2. For appeals of concurrent applications, a percentage of the single highest base fee shall be charged, without inclusion of add-on fees.

Table 6 - 80% Cost Recovery Land Use Application Fee Schedule¹ (2012)

Table 1: Special Development (80% Cost Recovery, unless otherwise noted)		Base Fee	Per Unit Add-on
Appeal			
	<i>Appeal of Administrative-Level Decision</i>	\$250	
	<i>General</i>	10% of Base Fee ²	
	<i>Recognized Neighborhood Association</i>	5% of Base Fee ²	
Annexation (with per acre add-on)			
	<i>Major</i>	\$10,417	\$150
	<i>Minor (including Health Hazard)</i>	\$2,980	
Comprehensive Plan Amendment		\$12,667	
Conditional Development (including Willamette River Greenway CD)			
	<i>Residential (per lot add-on)</i>	\$7,873	\$47
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$7,873	\$9
	<i>Modification</i>	\$3,210	
District Change			
	<i>Standard</i>	\$5,961	
	<i>Minor Annexation (including Health Hazard)</i>	\$1,490	
	<i>Historic Preservation Overlay (0% cost recovery/5-yr. average)</i>	no fee	
	<i>Administrative</i>	\$2,980	
Planned Development			
Conceptual Development Plan			
	<i>Residential (per acre add-on)</i>	\$8,436	\$91
	<i>Non-residential (per acre add-on)</i>	\$8,436	\$91
Detailed Development Plan			
	<i>Residential (per lot add-on)</i>	\$8,999	\$53
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$8,999	\$11
Conceptual and Detailed Development Plan			
	<i>Residential (per lot add-on)</i>	\$9,562	\$56
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$9,562	\$11
Major Modification to P.D.			
	<i>Residential (per lot add-on)</i>	\$8,436	\$50
	<i>Non-residential (per 100 sq. ft. add-on)</i>	\$8,436	\$10
P.D. Nullification		\$5,961	
Minor Modification		\$3,726	
Subdivision Tentative Plat			
	<i>Non-residential</i>	\$7,873	\$47
	<i>Modification</i>	\$3,726	
	<i>Major Replat</i>	\$8,966	\$1
	<i>Residential (Admin.)</i>	\$7,311	\$43
Historic Preservation Permit			
	<i>HRC-level (0% cost recovery/5-yr. average)</i>	no fee	
	<i>Director-level (0% cost recovery/5-yr. average)</i>	no fee	
Director's Interpretation		\$2,235	
Land Development Code Text Amendment		\$5,961	
Extension of Services		\$10,432	

**Table 7 - Land Use Application Review Fees Update
Selected Special Development Fee Comparisons
(Fiscal Year 2010 – 2011 Comparators)**

Jurisdiction	Comp. Plan Map Amendment (5-acre)	Zone Change (5-acre)	Annexation (200 lots; 50 Acres)	Conditional Use Permit (Non-residential)	Residential PD & Subdivision (100 lots; 25 acres)	Straight Subdivision (100 Lots; 25 acres)
Albany	\$3,088 ¹	\$3,088 ²	\$4,500 ³	\$3,360 ⁴	\$14,762 ⁵	\$9,328 ⁶
Bend	\$25,053	\$25,053	\$97,698 ^(+LA)	\$4,268	\$148,289	\$96,486
Eugene	\$6,339	\$6,339	\$5,156	\$6,797	\$41,408	\$18,210
Gresham	\$11,516	\$11,516	\$5,970	\$6,203 ⁸	\$66,376	\$44,051
Lake Oswego	\$9,745	\$9,745	\$138,400	\$4,784	\$25,950	\$25,950
Salem	\$1,035 (+ hourly rate)	\$1,035 (+ hourly rate)	\$6,810 ⁹	\$2,269	\$13,323	\$6,880
Springfield	\$40,026	\$40,026	\$104,542	\$4,404	\$135,670 ¹⁰	\$135,670
Other City - Averages:	\$15,961¹¹	\$18,536¹¹	\$70,353	\$4,504	\$59,069	\$54,541
Other City - Median Values:	\$9,745	\$9,745	\$6,810	\$4,404	\$41,408	\$25,950
Corvallis (Current)	\$10,244	\$4,820	\$14,501	\$6,349 (base fee)	\$19,358	\$9,396
Corvallis (at 70%)	\$11,084	\$5,216	\$15,673	\$6,857 (base fee)	\$20,954	\$10,168
Corvallis (at 80%)	\$12,667	\$5,961	\$17,917	\$7,873 (base fee)	\$23,870	\$11,611
Corvallis Cost (avg., not per unit)	\$15,834	\$7,451	\$18,628	\$13,040	\$24,915	\$12,108

¹ Combined Comprehensive Plan / Zone Map Amendment Application Fee is \$4,324

² Combined Comprehensive Plan / Zone Map Amendment Application Fee is \$4,324

³ Approximate fee. Actual fee depends on location / type of annexation. Also, fee of only \$100 applies for property with single home that has failing septic system or inadequate well.

⁴ Lesser fee may apply depending on type of use, whether use is in existing or new building, if Design Standards apply, and whether TIA is required

⁵ Assumes Traffic Impact Analysis is required

⁶ Assumes Traffic Impact Analysis is required

⁷ City of Bend Planning fees are subject to an additional 14% surcharge to fund long range planning. Additional charges apply for applications requiring Hearings Officer review (+HO) and development of legal agreements (+LA).

⁸ Gresham has provisions for "Community Services" rather than "Conditional Uses". "Type III Community Services" include uses such as schools, hospitals, and child care facilities, which are similar to Conditional Uses allowed by the Corvallis Land Development Code.

⁹ Includes Comp Plan / Zone Changes and Voter Publication Costs

¹⁰ Springfield utilizes "Cluster Subdivision Development" option rather than Planned Development. No fee difference from conventional subdivision development.

Springfield Planning fee also includes Public Works review fees.

¹¹ Average does not include Salem, which has hourly fee.

Table 2: General Development (70% Cost Recovery)		
Minor Replat	\$1,490	
Lot Development Option (Minor)	\$1,490	
Lot Development Option (Major)	\$4,471	
Lot Line Adjustment	\$373	
Partition	\$3,726	
Plan Compatibility Review	\$745	
Vacation	\$1,494	
Sign Permit	\$71	
Sign Variance	\$3,736	

Notes

1. Deposit - With the exception of appeal fees and historic preservation permits, Special Development land use applications (Table 1) shall be submitted with a \$1,000 deposit. General Development land use applications (Table 2) shall be submitted with a \$100 deposit. Following a determination of the actual extent of the request, the remainder of the fees shall be charged to the applicant. Applications shall be deemed incomplete until all fees have been paid.

Concurrent Application Fees - Where development requires concurrent actions, the largest of the fees determined from Table 1 or Table 2 shall be charged, and 75 percent of the fee for each additional action shall be charged.

2. For appeals of concurrent applications, a percentage of the single highest base fee shall be charged, without inclusion of add-on fees.

MEMORANDUM

August 19, 2011

TO: Administrative Services Committee
FROM: Nancy Brewer, Finance Director *NB*
SUBJECT: Fourth Quarterly Operating Report

I. Issue

To review and accept the Fourth Quarterly Operating Report for FY 10-11.

II. Discussion

The Fourth Quarterly Operating Report (QOR) has been published on the City's web site and is available for review. Total revenues at the end of the Fourth quarter of the fiscal year were at nearly 87% of budgeted total revenues, prior to final grant accruals. The City is currently in the middle of the year-end close period, when revenues are still being accrued to FY 10-11 and internal service funds are being balanced and refunds of excess fund balances are being calculated and transferred. As a result, the income statements included in this QOR are not final for the fiscal year; most funds are expected to show some improvement as year-end close is completed in September.

Operating expenditures across departments were roughly as expected and very comparable to prior year at 89% of the amended budget. This level of savings was the result of holding vacant positions open, particularly those that are now 2011 Levy Funded. In addition some planned tasks, primarily maintenance related, were not initiated to conserve resources. Financial performance in all funds is generally at expected levels, with the following noteworthy situations:

- The Property Tax Funds combined had significantly lower than historical spending, but with revenues year-to-date lower than the revised estimates anticipated, the combined property tax funds are likely to end FY 10-11 in a slightly worse financial position than expected. At this time, staff does not anticipate the need for mid-year adjustments, but more information will be available later in the current fiscal year after the audit has been completed.
- On August 19, 2011, the Oregonian reported that Comcast had prevailed in an appeal of its statewide assessment from 2009. In calendar year 2010, Comcast was the second highest taxpayer in Benton County with a total assessed value (AV) of around \$36.8 million. At the time of this writing, it is not clear what the impact from this appeal will be but it may be that a significant portion (\$20 to \$30 million) of the Comcast AV would be exempted since that proportion of the current value was added by the State as intangibles when the State began to centrally assess the company. It is also not clear at this time if the State will appeal the tax court's ruling. If there is no State appeal, the fiscal impact will occur in FY 11-12, likely using the monies Benton County withheld for the H-P appeal of its 2008 value. This will also mean that if the Comcast appeal stands, values for FY 11-12 and beyond will be lower than projected by the amount the value is actually reduced. As a side note, the H-P appeal is scheduled to be heard before the tax court in November.
- Based on a full fiscal year of gas tax receipts coming in under budget for FY 10-11, there is some concern that the FY 11-12 revenue target may not be attainable. Public Works is monitoring this trend closely, based on historical monthly information available through ODOT. If these revenues do not materialize at the level projected, given the minimal fund balance available, the Street Fund may not have capacity for all of the capital projects which were programmed into the Adopted FY 11-12 budget.
- Contingency use was sought from and approved by Council in:
 - the General Fund for May 2011 election costs;
 - the Risk Management Fund for higher worker's compensation costs; and
 - the Administrative Services Fund for the City Manager's unbudgeted retirement cashout and related recruitment costs.

Attached to this memo is the executive summary for the Fourth QOR (Attachment A) and the Property Tax Funds Combined income statement (Attachment B). The executive summary includes some basic economic information, an analysis of any significant variances from expected financial performance, an income statement for all funds combined,

and a summary of operating expenditures by fund and by department. The summary also includes a table showing all the budget amendments approved so far this fiscal year by the City Council. These amendments all have the effect of increasing total appropriations for the City above what was in the adopted budget.

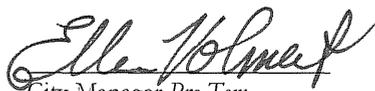
The Capital Project budget is 33% expended at the end of the Fourth quarter. Capital project work and the related spending are typically lower than Adopted, as design work is completed and funding availability is assessed creating a need to defer grant/donation funded projects until the grant/donation monies are received. Key projects completed in the fourth quarter include: Airport Facility Improvements; City Hall Block; City Hall Seismic Improvements; City Hall window replacement; Moose Lodge Demolition, including parking lot & public restroom construction in the intermodal mall; the Law Enforcement Fenced/Paved Compound; and the Fillmore and Lincoln Sidewalk reconstruction. For the fiscal year, other key projects completed include: Airport Industrial Park Improvements (Hout Street); Municipal Building Rehab - Majestic Theatre Seismic, Phase III; Country Club Drive Bike Lane; and WWMP Influent Pump Station Improvements.

The Quarterly Operating Report also includes an update on the status of City Council Goals as of June 30, 2011.

III. Requested Action

Review the Fourth Quarterly Operating Report, and recommend the City Council accept the report.

Review & Concur:


City Manager Pro Tem

FOURTH QUARTERLY OPERATING REPORT FISCAL YEAR 2010-2011

EXECUTIVE SUMMARY

August 18, 2011

The Quarterly Operating Report is produced and published on the City's web site within 45 days of the close of each fiscal quarter based on Financial Policy 10.04.040, then shared with the City Council's Administrative Services Committee to provide citizens, the Budget Commission and City Council with information about the City's financial performance for the quarter.

This Executive Summary provides highlights of the City's financials, and includes, as an appendix, a reader's guide to some of the terminology used throughout the report. The remainder of the report covers:

- The revenue and expenditure performance for each of the operating funds in an income statement format that includes operating and non-operating revenues, expenditures and total fund activities. The first income statement presented in that section shows results year-to-date for all property tax funds combined.
- Departmental information including updated performance measures for the quarter as well as accomplishments and pending work plan items. This section also includes a report on vacancies;
- Capital Improvement Program (CIP) status report on the various projects underway year-to-date; and
- An update on City Council Values and Goals.

The FY 10-11 budget was prepared and adopted during a time of national economic recession. High unemployment, declining property values, and slowed development, as well as significantly lower than historical results in FY 09-10, were all taken into account when preparing the budget. Despite these factors, demand for many City services has never been higher, which in the face of the relatively flat or declining revenue stream is having a negative impact on fund balances across the organization.

At the end of the fourth quarter, the Federal Open Market Committee (FOMC) press release states that economic recovery is continuing moderately, though slower than the FOMC had anticipated. The recent weak labor market reports and spikes in food and energy prices, due primarily to supply chain disruptions in Japan, are primarily where the blame lies for the slower pace of recovery. While household spending and business investment in equipment and software is expanding, the housing market continues to remain depressed. However, economists expect these problems to be temporary, with an improving outlook for the labor market to spark growth later in 2011. Optimism for U.S. growth near term stems from positive data trends in the areas of personal consumption expenditures, exports and nonresidential fixed investment. Concerns about the national debt ceiling are also having a significant impact, especially in recent weeks, on the economy, as the value of the dollar and the US credit rating lack the strength these benchmarks have traditionally held. As of the end of June, the national unemployment rate was 9.2% while Oregon's unemployment rate held at 9.4%. Despite Oregon's unemployment rate being at its lowest since January 2009, approximately 200,000 Oregonians remain unemployed. At 6.4% unemployment on a seasonally adjusted basis, Corvallis has continued to fare better than the State in general, and remains the lowest for this statistic of all Metropolitan Statistical Areas in Oregon. Currently in FY 10-11, the Federal economic stimulus that was so prominent in FY 09-10 has subsided as American Recovery and Reinvestment Act (ARRA) projects are finished or nearing completion.

This is the first opportunity for the City Council, Budget Commissioners, and citizens to review the City's financial status as of June 30, 2011. This is a single snapshot in time and the data in this report precedes fiscal year end closing, including posting grant and some other revenue accruals. Expenditures are fairly close to the final expenditures for the year. Final data for the fiscal year will be published in the Comprehensive Annual Financial Report and will reflect audited figures. Overall, year-to-date the City's financial performance, while not performing at Adopted levels has generally attained revised estimates made during the FY 11-12 budget cycle. Revenue and expenditure timing is close to historical patterns (i.e., the majority of Property Tax revenue is received in the second quarter, while most expenditures remain at or slightly below budget pro-rated for year-to-date). The economy continues to impact the pace of residential building, but large projects from OSU have stabilized development revenues for the time being. In some cases, the percentage of revenues received compared to budget may belie what remains relatively poor revenue performance, due to reduced revenue estimates. This certainly holds true for some charges for service or fee-related revenues, such as Parks and Recreation activities and System Development Charges, where budget numbers may have been revised down due to the economy, but appear to be performing better because they are exceeding estimated amounts.

Expenditures are in line with last year's spending patterns for the fourth quarter of the fiscal year. Departments actively controlled expenditures through the end of FY 10-11 in an effort to attain adequate fund balances by year end.

The following table compares year-to-date actuals with budget for all funds in both FY 10-11 and FY 09-10:

REVENUE	AMENDED BUDGET	UNAUDITED FY 10-11	FY 10-11 % REC/EXPEND	AMENDED BUDGET	Y-T-D FY 09-10	FY 09-10 % REC/EXPEND
Budgeted Fund Balance	\$40,494,356					
Property Taxes	\$21,208,240	\$21,707,796	102.36%	\$20,961,130	\$20,693,274	98.72%
Other Tax	1,036,190	1,190,725	114.91%	1,194,350	1,079,621	90.39%
Licenses/Permits	6,844,580	7,561,922	110.48%	6,886,740	7,064,184	102.58%
Charges for Service	38,375,510	40,060,509	104.39%	38,215,330	38,035,118	99.53%
Intergovernmental	18,538,917	10,429,557	56.26%	16,821,175	12,324,482	73.27%
Fines/Forfeitures	1,365,570	1,229,979	90.07%	1,413,310	1,033,121	73.10%
Miscellaneous	2,648,600	1,557,775	58.82%	2,997,033	2,380,544	79.43%
Other Financing Sources/Transfers in	15,646,822	8,010,944	51.20%	14,304,855	6,023,119	42.11%
TOTAL CURRENT REVENUE	\$105,664,429	\$91,749,207	86.83%	\$102,793,923	\$88,633,463	86.22%
EXPENDITURE BY DEPARTMENT						
City Manager's Office	\$3,149,270	\$3,086,664	98.01%	\$3,111,770	\$2,961,644	95.18%
Community Development	8,276,960	5,813,795	70.24%	7,553,710	4,535,416	60.04%
Finance	4,995,400	4,691,940	93.93%	4,913,490	4,666,621	94.98%
Fire	10,626,930	10,440,855	98.25%	11,524,260	11,040,775	95.80%
Library	6,434,610	5,960,662	92.63%	6,473,870	6,137,858	94.81%
Park & Recreation	5,795,480	5,479,164	94.54%	6,023,513	5,651,099	93.82%
Police	12,585,424	12,229,788	97.17%	12,494,671	12,172,806	97.42%
Public Works	29,330,670	24,359,751	83.05%	31,247,784	26,497,695	84.80%
Non-Departmental	1,539,260	1,428,363	92.80%	1,824,820	1,787,025	97.93%
TOTAL OPERATING EXPENDITURES	\$82,734,004	\$73,490,982	88.83%	\$85,167,888	\$75,450,939	88.59%
Debt Service	\$8,228,600	\$8,200,474	99.66%	\$7,214,200	\$7,214,116	100.00%
Capital Projects	14,282,447	4,715,906	33.02%	11,866,610	3,190,856	26.89%
Transfers Out / Other Financing Uses	13,089,352	5,862,782	44.79%	13,582,235	5,992,551	44.12%
Contingencies/Reserves	1,217,520	0	0.00%	1,585,740	0	0.00%
TOTAL ALL EXPENDITURES	\$119,551,923	\$92,270,144	77.18%	\$119,416,673	\$91,848,462	76.91%
CURRENT REVENUES LESS						
TOTAL EXPENDITURES	(\$13,887,494)	(\$520,937)		(\$16,622,750)	(\$3,214,999)	

In general, the status of the City's finances was in line with expectations at the end of the fourth quarter. Year-to-date revenues of \$91,749,207 are at 86.83% of the Amended Total Revenue Budget of \$105,664,429. The Amended Budget reflects the adopted budget, plus any amendments approved by the City Council via resolution during the course of the fiscal year. In the first nine months of FY 10-11, the following amendments to the budget were approved:

Date	Amendment Type	Resource	Fund	Department	Net Expenditure Impact
7/19/2010	Res - Grant	LSTA Grant	Library	Library	\$ 50,000
7/19/2010	Res - Grant	EPA Storm Grant	Storm	Public Works	\$ 14,737
9/7/2010	Res - Grant	DOJ Byrne Grant	General	Police	\$ 13,478
10/4/2010	Res - Grant	Benton County ARRA	Street	Public Works	\$ 130,000
10/18/2010	Res - Grant	DOJ Byrne Grant	General	Police	\$ 85,411
10/18/2010	Res - Grant	US DOJ Grant	General	Police	\$ 5,228
11/6/2010	Res - Grant	US EPA Grant	General	Public Works	\$ 491,762
2/22/2011	Res - Appropriation	Criminal Asset Forfeiture	General	Police	\$ 15,367
5/2/2011	Res - Grant	ODOT Grant	Storm	Public Works	\$ 124,000
5/16/2011	Res - Appropriation	Fuel Sales	Fleet	Public Works	\$ 69,000
5/16/2011	Res - Appropriation	ODOT Grant	Airport	Public Works	\$ 59,261
				Total Increase	\$ 1,058,244

Significant revenue highlights include:

- **Property taxes** totaled \$21,707,796 through the fourth quarter which equals 102.36% of the budgeted property tax revenue. The majority of property taxes for the fiscal year are typically collected in the second quarter. FY 10-11 year-to-date property tax revenues are comparable with last fiscal year's results, although slightly higher due to higher assessed values.
- **Other Taxes** are collected from hotels in the form of room taxes and totaled \$1,190,725 or 114.91% of budget through the end of the fiscal year. Increased hotel rates as well as the number of hotel stays from an early football season, amongst other factors, have led to better total results than anticipated when the budget was adopted.

- **Licenses, Fees and Permits** totaled \$7,561,922 which represents 110.48% of the amended budget. Although utility conservation efforts increased in FY 10-11, Pacific Power also instituted a rate increase in January 2011 driving franchise fee revenues to perform as expected in FY 10-11. The transportation maintenance fee collections slightly exceeded target and Development Service permit fees are higher than expected due to ongoing large projects at OSU. Billing and collection of Sustainability Initiative Fees (SIF) began in the third quarter (February) and have brought in about in \$493,490 to be used for fareless transit, sidewalk maintenance and urban forest trees.
- **Charges for Services** were \$40,060,509 which represents 104.39% of the amended budget. This revenue stream performed better than projected due to System Development Charges (SDC) from a couple of large projects at Oregon State University.
- **Intergovernmental** revenues are below target and low compared to last year's actuals at \$10,429,557 or 56.26%. The receipt of grant monies tends to be volatile and highly dependent on timing of related expenditures. Additionally, many projects that use grant funding were carried over to FY 11-12 and will be received once projects have reached completion. Furthermore, a few grant accruals (monies received in FY 11-12 relating to operations in FY 10-11) have not yet been recorded to FY 10-11, due to the timing of receipts. Several different funds are expecting to have grant accruals and include: General, Street, Fire, Community Development Revolving, Transit, Water Timber, Wastewater, and Airport Construction Funds.
- **Fines & Forfeiture** receipts related to Municipal court remain under budget but are increasing relative to last year based on concentrated efforts related to collection of past due traffic and parking fines. Through the end of FY 10-11, results of collection activities are summarized in the following table:

	<u>Overdue Fines</u>			<u>Balance Outstanding</u>
	<u>Turned over</u>	<u>Written Off</u>	<u>Collected</u>	
Traffic	\$1,788,108.71	\$32,200.00	\$17,412.68	\$1,738,496.03
Parking	\$168,467.30	\$3,402.00	\$ 39,126.52	\$125,938.78

- **Interest earnings** came in higher than originally expected, with some improvement in rates over what was anticipated. Investment earnings total \$279,661 at the end of the fourth quarter, which represents 119.42% of the budgeted interest. This trend may continue with the help of the City's new investment advisory firm contract, but may also be dampened by recent market declines brought on by economic factors noted earlier in this summary.

Operating expenditures for all funds totaled \$73,490,981 or 88.83% of the Amended Operating Expenditure Budget which is lower than last year both in total dollars expended and percentage of budget. These results are partly reflective of department efforts to contain costs, particularly in the property tax funds where resources are becoming much more limited. Non-operating expenditures, which include capital projects, transfers, debt service, and contingency, totaled \$18,779,162 or 51.01% of the \$36,817,919 Amended Non-Operating Budget. In total, expenditures through the fourth quarter were \$92,270,143 or 77.18% of the \$119,551,923 budgeted, compared to 76.91% for last fiscal year. A breakdown of departmental expenditures by category is provided below:

OPERATING EXPENDITURES BY DEPARTMENT

DEPARTMENT	AMENDED BUDGET	PERSONAL SERVICES	SUPPLIES & SERVICES	CAPITAL OUTLAY	TOTAL EXPENDITURES	% OF AMENDED BUDGET
<i>Total Budget by Category</i>		\$45,363,176	\$35,358,528	\$2,012,300	\$82,734,004	
City Manager's Office	\$3,149,270	\$1,408,071	\$1,678,593	\$0	\$3,086,664	98.01%
Community Development	8,276,960	3,309,493	2,504,301	0	5,813,795	70.24%
Finance	4,995,400	3,325,766	1,311,204	54,970	4,691,940	93.93%
Fire	10,626,930	8,317,499	1,923,368	199,989	10,440,855	98.25%
Library	6,434,610	3,770,588	2,104,470	85,604	5,960,662	92.63%
Parks & Recreation	5,795,480	3,466,019	1,992,555	20,590	5,479,164	94.54%
Police	12,585,424	9,369,863	2,839,149	20,775	12,229,788	97.17%
Public Works	29,330,670	10,862,913	13,092,141	404,697	24,359,751	83.05%
Non Department	1,539,260	0	1,428,363	0	1,428,363	92.80%
TOTAL	\$82,734,004	\$43,830,212	\$28,874,144	\$786,625	\$73,490,981	88.83%
Percent of Budget		96.62%	81.66%	39.09%	88.83%	

Significant expenditure highlights include:

- **Personal services** totaled \$43,830,212 or 96.62% of the amended budget of \$45,363,176 and was in line with the percent of budget spent in FY 09-10, though \$1,388,000 higher due to cost of living, associated benefit increases, and retirement cashouts.
- **Supplies and Services** totaled \$28,874,144 or 81.66% of the amended budget of \$35,358,528. The dollars spent in FY 10-11 are approximately 6.1% lower than the amount spent in FY 09-10 due primarily to the slowdown of ARRA grant funded projects in the Public Works department.

- **Capital Outlay** totaled \$786,625 or 39.09% of the amended budget of \$2,012,300. Capital purchases do not tend to follow a regular pattern other than to typically weight toward the end of the fiscal year to ensure that sufficient budget remains for the acquisition. Also, careful review is conducted prior to replacement of vehicles, and other equipment schedules, to see if deferrals can be made and appropriations carried over rather than proceeding with planned spending in these fiscally constrained times.

NON OPERATING EXPENDITURES

- **Capital projects** totaled \$4,715,906 or 33.02% of the amended budget of \$14,282,447. Capital project expenditures tend to fluctuate year-over-year, and there are always projects that are either carried forward into following years or simply do not come to fruition.
- **Debt service** payments totaled \$8,200,474 or 99.66% of the amended budget of, \$8,228,600 which is similar to last year's levels.
- **Transfers and Other Financial Uses** totaled \$5,862,782 or 44.79% of the amended budget of \$13,089,352. The majority of the transfers are related to capital projects. See the Capital Improvement Program section for information on the status of capital projects.

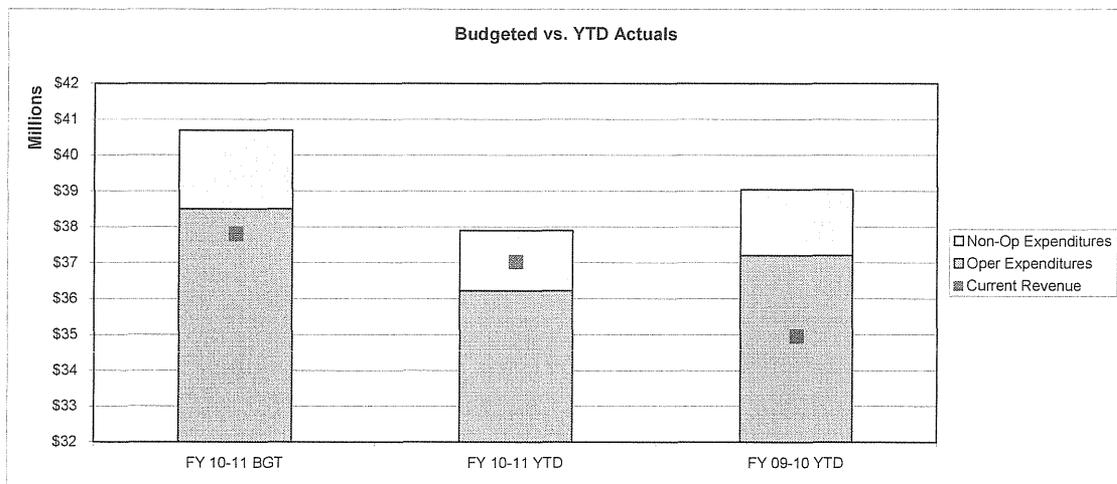
As always, if you have questions or concerns about the information in this report, please do not hesitate to contact me at (541) 766-6990 or via e-mail at nancy.brewer@ci.corvallis.or.us.

Nancy Brewer
Finance Director

PROPERTY TAX FUNDS COMBINED*

REVENUE	AMENDED BUDGET	4th Quarter FY 10-11	UNAUDITED FY 10-11	FY 10-11 % REC/EXPEND	4th Quarter FY 09-10	Y-T-D FY 09-10	FY 09-10 % REC/EXPEND
Budgeted Fund Balance	\$2,716,096						
Property Taxes	\$19,233,240	\$1,632,272	\$19,730,852	102.59%	\$1,327,472	\$18,542,817	99.82%
Other Tax	1,036,190	450,616	1,190,725	114.91%	401,828	1,079,621	90.39%
Licenses/Permits	5,449,690	1,928,301	5,448,731	99.98%	1,794,973	5,303,032	94.90%
Charges for Service	5,307,470	1,158,023	5,348,835	100.78%	1,121,391	5,116,361	96.21%
Intergovernmental	5,050,299	669,107	3,719,531	73.65%	753,321	3,753,238	88.55%
Fines/Forfeitures	957,640	215,735	809,305	84.51%	201,426	661,414	65.50%
Miscellaneous	341,750	63,077	397,096	116.20%	-46,034	489,279	105.78%
Other Financing Sources	430,450	361,899	383,405	89.07%	11,066	12,337	0.00%
TOTAL CURRENT REVENUE	\$37,806,729	\$6,479,029	\$37,028,482	97.94%	\$5,565,442	\$34,958,099	96.07%
EXPENDITURE BY DEPARTMENT							
Community Development	\$1,618,220	\$375,586	\$1,462,198	90.36%	\$360,035	\$1,453,556	84.40%
Finance	618,920	153,831	584,635	94.46%	152,972	614,534	89.83%
Fire	10,626,930	2,820,332	10,440,855	98.25%	2,435,571	11,040,775	95.80%
Library	6,434,110	1,543,447	5,960,515	92.64%	1,543,385	6,108,299	94.90%
Parks and Recreation	5,795,480	1,470,616	5,479,164	94.54%	1,438,071	5,651,099	93.82%
Police	10,060,474	2,550,236	9,920,855	98.61%	2,436,636	9,978,568	98.53%
Public Works	1,816,852	289,002	946,672	52.11%	283,369	878,851	68.56%
Non-Departmental	1,537,910	322,934	1,427,013	92.79%	336,986	1,487,599	97.53%
TOTAL OPERATING EXPENDITURES	\$38,508,896	\$9,525,984	\$36,221,908	94.06%	\$8,987,024	\$37,213,279	94.63%
Debt Service	\$49,920	\$0	\$30,389	60.88%	\$0	\$0	0.00%
Transfers	1,818,300	278,470	1,646,600	90.56%	227,949	1,828,219	57.12%
Contingencies/Reserves	315,250	0	0	0.00%	0	0	0.00%
TOTAL ALL EXPENDITURES	\$40,692,366	\$9,804,454	\$37,898,897	93.14%	\$9,214,973	\$39,041,498	90.51%
CURRENT REVENUE LESS							
TOTAL EXPENDITURES	(\$2,885,637)	(\$3,325,425)	(\$870,415)		(\$3,649,531)	(\$4,083,399)	

* Includes General, Parks & Recreation, Fire & Rescue, and Library Funds



MEMORANDUM

September 15, 2011

TO: Administrative Services Committee
FROM: Nancy Brewer, Finance Director 
SUBJECT: **Process for Financial Policies Review**

I. Issue

To define the process and areas of focus for the 2011 Financial Policies Review.

II. Process

This year the process to review the financial policies will be different than it has been in the past. With the Council Goal to develop a sustainable financial plan, there are several pieces of the policies that are in different states of review which need to complete their separate processes prior to final Financial Policy language development. The process/time line for the Financial Policies and critical pieces includes:

<u>Subject</u>	<u>Date</u>	<u>Action</u>
Compensation	August 3	ASC's first review of the Compensation Policy (CP 91-3.02).
Compensation	August 15	Council direction on the Compensation Policy.
Compensation	September 7	ASC's second review of the Compensation Policy.
Compensation	September 19	Council hears ASC report on status, information only.
Parks & Rec Fees	September 21	Council is invited to a Parks & Recreation orientation on their cost recovery process from 9:00 to 11:30 AM at the Parks & Recreation Conference Room;
Compensation	September 21	ASC completes review of the Compensation Policy and makes a recommendation to the City Council for approval; and
Financial Policies	September 21	ASC's first review of the Financial Policies and discussion of the policies to focus on, including modifications to the compensation expenditure section of the Financial Policies (CP 10.04) to be sure the Financial Policies are in line with revised CP 91-3.02.
Financial Policies	October 3	Council's concurrence on Financial Policy areas of focus;
Compensation	October 3	Council adopts a revised Compensation Policy; and
Parks & Rec Fees	October 3	Parks & Recreation Department will discuss the process for cost recovery to ensure the direction planned meets Council's expectations.
Financial Policies	Oct/Nov	ASC meetings as needed to discuss specific policy areas and potential language changes; to be scheduled based on the outcome of the October 3 discussions

<u>Subject</u>	<u>Date</u>	<u>Action</u>
Parks & Rec Fees	December 7	ASC reviews the Parks & Recreation Department's consultant recommendations for Cost Recovery policy language.
Parks & Rec Fees	December 19	Council action on Parks & Recreation cost recovery model.
Financial Policies	January 18	ASC reviews final draft of Proposed Updates to the Financial Policies, including modifications to the Compensation language (under expenditures) and to Parks & Recreation Cost Recovery language (under revenues) based on prior Council action
Financial Policies	February 6	Final Council action on Financial Policies

III. Discussion

The City has had financial policies in place since 1989 (Attachment A). The policies are reviewed each year in the fall prior to development of the coming year's budget.

Based on Council's previous discussions and comments about the 2011 Financial Policy review, I anticipate that the focus this year will be on the following areas:

CP 10.02 – Fund Balance/Reserve policies

The Financial Policies in section 10.02 include language about ending budgetary fund balance targets. For the most part, this language reflects the Government Finance Officers Association's (GFOA) best practice for unappropriated fund balances (Attachment C). The current fund balance policy language is relatively new language which was drafted to make clear that fund balances as discussed in the budget process were different than actual fund balances as reported in the Comprehensive Annual Financial report (CAFR), and that reserves are an important part of budget policy and financial planning. Finally, the new policy language changed the definition from the older benchmark of 5% to 10% of current year revenues to instead target three months of payroll expenses (currently this translates to \$6.5 million between the four property tax supported funds). However, for the last two fiscal years, the fund balance target has not been met as the budget cuts that would be required to meet the reserve target level have been seen as too difficult to implement. For example, to achieve the target for FY 11-12 would have required more than \$6 million in additional expenditure cuts or new revenues or a combination of both to achieve the target.

Subsequent to budget adoption, the City's bond rating from Moody's was placed on negative outlook (Attachment B) with the statement: "The outlook on the city's long-term ratings is negative. The negative outlook reflects Moody's expectation that the city will remain challenged in its efforts to significantly improve reserve levels over the near- to medium-term. WHAT COULD MAKE THE RATING GO UP (REMOVAL OF NEGATIVE OUTLOOK): Improved financial performance in fiscal 2011 and beyond; Positive tax base growth and a trend of economic improvement. WHAT COULD MAKE THE RATING GO DOWN: Continued draws on reserves and/or reduced liquidity levels; Protracted economic weakness and tax base contraction." A decrease in the City's bond rating would adversely affect the ability of the City to borrow in the bond market for future projects. It would mean the costs to borrow would go up, and the ability to find an underwrite would be more difficult.

Council is requested to discuss alternatives for the fund balance/reserve policies and provide direction to staff on whether or not to develop revised policy language, including:

- modify the policy language/benchmark to something other than three months of payroll costs;
- maintain the current policy language and develop a strategy to build the ending fund balance to the policy benchmark over a specific number of years;
- remove the reserve language.

CP 10.03 – Revenue Policies

There have been several Councilors who have expressed concern for how the general revenue policies section is applied when some fees are called out within the policies. It may be important to note that revenues classified as fees or charges for service have a wide variety of legal sources, including:

- Fees set by state law or by local ordinance following state law requirements for fee methodology (i.e., some traffic citations, building permits, land-use planning);
- Fees set by the City Council through ordinance/Municipal Code under Council’s own authority (i.e., utility fees, SIF);
- Fees set by Council via motion/resolution (Parks & Recreation fees, ambulance fees);
- Fees set by agreement (i.e., ODOT agreement for the City to maintain some traffic lights; franchise fees); and
- Fees set administratively (i.e., Police Department patches, copy costs, overdue Library materials).

Some of these fees have top limits placed by federal or state law, are fees that are set by other entities (i.e., Benton County sets the fees they collect for dog licenses and share with the City), or are fees negotiated with other entities which may have many of the same financial pressures the City has (i.e., the ODOT agreement).

The general revenue policies section is designed to provide guidelines in how fees are set when there is discretion on the part of the City to set the fee, whether it is set via Municipal Code or some other mechanism. These policies also guide the fees which are set administratively; these are generally small dollar fees where the annual revenue among all of the fees in all funds is less than \$100,000.

The most significant fees charged by the City, for its own utilities, are set in Municipal Code. However, the language in the Financial Policies (CP 10.03.050) is there to set overarching policies for the fees – including the statement about annual reviews, and setting an internally imposed cap on rate increases. The cap was placed several years ago by a City Council that wanted to be sure utility rates remained affordable for members of the community, recognizing that water/sewer service are critical to life, health, and safety and that low income persons have to pay the fees. By doing annual rate reviews and keeping the total annual increase low, the City has avoided the double digit rate increases many comparators have had in the last several years as they suddenly need to build capacity for large capital projects. One Councilor has indicated he thinks that the cap on rate increases should be removed.

There have also been comments from some City Councilors about what some of the terms in the revenue section mean (i.e., direct, indirect, overhead) so there may be a need for some clarification/definitions.

Finally, there has been considerable discussion about Parks and Recreation fees and the level of property tax subsidy for general Parks and Recreation programs as well as the Osborn Aquatic Center. The level of subsidy at Osborn has been set for the next two fiscal years (after the current year). Parks & Recreation staff is working with a consultant on a different cost recovery model and will present information to the City Council and members of the Administrative Services Committee at different times over the coming months. Staff anticipates there will be a modification in the current Financial Policy language as it relates to Parks and Recreation fees, but until the separate process has been completed in December no language modifications will be proposed by staff.

Staff requests ASC discussion about the following issues to guide policy revisions:

- Does the City Council wish to modify the general policy language so that fees are designed to cover more than direct costs of providing the service? Would there be benefit in specifying what this language applies to? Would there be benefit to moving this language to the end of the Revenue section to state that these are guidelines for all revenues not covered above?
- Does the City Council wish to remove or modify the cap on annual rate increases for the City's three utilities (Water, Wastewater, and Storm Water)?
- Does the City Council wish to have definitions of Direct, Indirect, and Overhead included in the Revenue Section or would the Council rather have an overall "Definitions" section added to the policies to include other terms that may need to be made clearer? Are there specific terms the Council would like to have defined?

Staff recommends that the terms such as direct costs, total costs, etc. used in this section be reviewed by staff to ensure that they are used consistently.

CP 10.04 – Expenditure Policies

Last January Councilor Brown filed a request to review the language in section 10.04.050.030 Equipment Replacement Plans. He noted that reserves were not being set aside for Fire vehicles, and the full amount will not be set aside again in FY 11-12. Staff recommends working on language for this section of the policy that deals with the ability to afford reserves.

Council has separately taken up the issue of the Compensation Policy (CP 91-3.02), with adoption of revised policy language scheduled for the October 3, 2011 Council meeting. The subsection associated with Personal Services under expenditures will need to be modified to match with the revised Compensation Policy language. Staff expects to work on this section of the Financial Policies, with a likely modification to simply state that personal services are budgeted in compliance with labor agreements. This should maintain language about budgeting personal services expenditures in the Financial Policies, but keep the specific language about compensation in the separate policy.

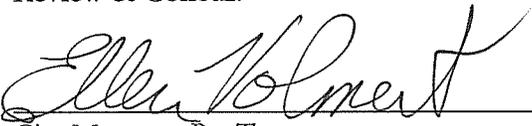
CP 10.05 – Capital Improvement; CP 10.06 – Debt; CP 10.07 – Risk Management; CP 10.08 – Investments; CP 10.09 – Accounting

There have been no comments from City Councilors prior to this time about these policy sections. As such, staff anticipates reviewing the existing language and making any recommendations for clarification that are necessary as is usual in the annual review.

IV. Requested Action

Review this memo and the associated Financial Policies, and provide direction to the Finance Department for the areas to focus policy amendments for the 2011 fall review.

Review & Concur:



City Manager Pro Tem

FINANCIAL POLICIES

Adopted November 27, 1989

Last Revised July 18, 2011

CP 10.01 FINANCIAL POLICIES PURPOSE AND OBJECTIVES

10.01.010 Purpose

Primary among the responsibilities of the City of Corvallis to its citizens is the care of public funds and wise management of municipal finances while providing for the adequate funding of the services desired by the public and the maintenance of public facilities. Municipal financial operations have a wide variety of oversight or standard setting agencies, including 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.

These financial policies address fund balances, revenues, expenditures, capital improvement, debt management, risk management, investments, and accounting and financial reporting.

10.01.020 Financial Policy Objectives

- 10.01.021 To protect the policy-making ability of the City Council by ensuring that important policy decisions are not controlled by financial problems or emergencies.
- 10.01.022 To enhance the policy-making ability of the City Council by providing accurate information on program costs.
- 10.01.023 To assist sound management of the City by providing accurate and timely information on financial condition.
- 10.01.024 To provide sound principles to guide the important decisions of the City Council and of management which have significant fiscal impact.
- 10.01.025 To set forth operational principles which minimize the cost of government and financial risk, and safeguard the City's assets.
- 10.01.026 To employ revenue policies which prevent undue or unbalanced reliance on certain revenues, which distribute the costs of municipal services fairly, and which provide adequate funds to operate desired programs.
- 10.01.027 To provide adequate resources to operate and maintain essential public facilities and the City's infrastructure.
- 10.01.028 To protect and enhance the City's credit rating and prevent default on any debt issue of the City.
- 10.01.029 To insure the legal use of all City funds through a sound system of administrative policies and internal controls.

10.01.030 Achieving Financial Policy Objectives

10.01.030.010 Annual Analysis

To achieve and maintain the aforementioned objectives, the Finance Department, at the direction of the City Manager, will conduct an annual analysis of projected financial condition and key financial indicators. This budget capacity analysis shall be reviewed by the Budget Commission and the City Council prior to the budget process.

10.01.030.020 Focus of the Analysis

It is the focus of this analysis to:

- a. identify the areas where the city is already reasonably strong in terms of protecting its financial condition;
- b. identify existing or emerging problems in revenue sources, management practices, infrastructure conditions, and future funding needs;

- c. forecast expenditures and revenues for the next three to seven years, with consideration given to such external factors as state and federal actions, the municipal bond market, management options being explored and used by other local governments; and
- d. review internal management actions taken during the last budget cycle.

10.01.040 Review & Update

The Financial Policies shall be reviewed by the Finance Director annually in November and updated as appropriate.

CP 10.02 FUND BALANCE POLICIES

10.02.010 Fund Balance Definitions

10.02.010.010 The Governmental Accounting Standards Board (GASB) has defined fund balance for financial reporting to be classified as follows:

- a. Non-spendable: Amounts inherently non-spendable or that must remain intact according to legal or contractual restrictions.
- b. Restricted: Amounts constrained to specific purposes by externally enforceable legal restrictions, such as those provided by creditors, grantors, higher levels of government, through constitutional provisions, or by enabling legislation.
- c. Committed: Amounts constrained by the City Council.
- 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.

10.02.010.020 The City of Corvallis will use the GASB's definitions of Fund Balance for the Comprehensive Annual Financial Report (CAFR) and for all other financial reporting. For all financial planning purposes, the term Budgetary Fund Balance will be used and will include any portion of the fund balance that is available for appropriation. Portions of the fund balance that are not available for appropriation will be identified as a Reserved Balance.

10.02.020 Budgetary Fund Balance

10.02.020.010 Introduction

The budgetary 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. 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. As a best financial management practice, to maintain the City's credit rating, and to meet state law requirements for no deficit spending, the City shall have a positive budgetary fund balance for each fund of the City. Actual fund balances for each fund shall be reported in the Comprehensive Annual Financial Report, issued as of June 30 of each fiscal year. Budgetary fund balances shall be reported in the annual budget, and shall be projected for each operating fund as part of the financial planning process to prepare the budget each year.

10.02.020.020 Property Tax Funds Combined – Budgetary Fund Balance for Financial Planning Purposes

Prior to each year's initial Budget Commission meeting, the City Council shall review the Property Tax Funds – Combined fund balance for the purpose of determining whether resources exist to consider activities in 10.02.020.050. This review may include:

- a. determining the budgetary ending fund balance which may include a review of any restricted, committed, or assigned balances identified as reserves, and the potential ending fund balance that includes the Historic Norming Adjustment (HNA) that approximates the five-year average difference between budgeted and actual revenues and expenditures,
- b. preserving sufficient budgetary fund balance to cover at least three months' payroll expenses for the combined funds,
- c. establishing the time period over which to allocate any surplus budgetary balance for one-time or ongoing service enhancements,
- d. reserving funds for future year commitments and assumption modeling to determine if capacity exists based upon the Property Tax Funds -- Combined budgetary fund balance in the third year.

Results of this City Council review will be forwarded to the Budget Commission. Subsequent actions by the Budget Commission and/or the City Council may result in the budgetary ending fund balance for the Property Tax Funds being different than this recommendation.

10.02.020.030 Appropriate Budgetary Fund Balance

- a. Each operating fund shall have a positive budgetary ending fund balance for the budget year under discussion.
- b. Through the annual budget development process the Finance Director recommends the appropriate ending budgetary fund balance for each fund. The Finance Director shall take into account the following factors:
 1. the current budgetary fund balance;
 2. the City Council's recommended budgetary fund balance for the property tax funds combined;
 3. cash flow requirements to support expenditures, including up to three months of payroll costs;
 4. future capital needs;
 5. significant revenue and expenditure trends including the HNA;
 6. relative rate stability from year to year for enterprise funds;
 7. susceptibility of the fund to emergency or unanticipated expenditures;
 8. credit worthiness and capacity to support debt service requirements;
 9. legal or regulatory requirements affecting revenues, expenditures, and fund balances;
 10. reliability of outside revenues; and
 11. any other factors pertinent to that fund's operations.

10.02.020.040 Ending Budgetary Fund Balance Below Recommended

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, 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.

10.02.020.050 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:

- 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
- d. ongoing or new City programs, provided such action is considered in the context of Council approved multi-year projections of revenue and expenditures.

CP 10.03 REVENUE POLICIES

10.03.010 Introduction

The City of Corvallis raises revenue from a wide variety of sources. 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 or Statutes, federal law or regulations; others are assessed solely through the City's home rule authority. These policies provide direction in the management and oversight of existing revenue sources, and for the development of new revenue sources.

10.03.020 General Revenue Policies

10.03.020.010 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.

10.03.020.020 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.

10.03.020.030 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.

10.03.020.040 One-time revenue includes fund balances and grants which have a specific time limit and/or reason for expenditure. One-time revenue will be used for one-time expenses whenever possible. 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.

10.03.020.050 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 revenues, will be closely monitored through the year.

- a. Capital projects to be constructed with SDC monies will not be initiated until SDC revenue is available or another financing alternative is developed.
- b. 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.

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

10.03.030 Property Tax Allocations

10.03.030.010 Background

The property tax base was approved as a charter amendment by Corvallis voters to support the general services of the City. Additional tax levies to support fire operations and equipment purchases, street and road maintenance, recreation programs, and parks maintenance were approved as special charter amendments as early as 1909. Temporary levies were approved and re-approved for transit (first approved in 1980) and the Arts Center (first approved in 1970). Monies from these tax levies were segregated into the General, Street, Fire & Rescue, Parks & Recreation, Transit, and Special Levies (Arts Center) Funds and were combined with other revenues in each fund to provide the resources necessary to maintain services to the community.

The statutory authority to levy property taxes by individual levy was removed in 1997 through the passage of a constitutional amendment, and its implementing legislation, known as Measure 50. Measure 50 has resulted in a single property tax rate and has overridden the requirement that monies be segregated according to the charter. Local option levies for one to ten years in length can be approved by voters to fund operations. The five property tax funds are still allocated property taxes and remain segregated due to other dedicated revenue sources for specific programs in those funds.

10.03.030.020 Council Findings

10.03.030.021 Allocations of property taxes which follow the Charter approved proportions of the total levy would result in some funds incurring costs which exceed their revenues.

10.03.030.022 The projections of combined revenues and expenditures for all property tax supported funds indicates that a reallocation of property tax monies between funds would result in the ability to fund all operations and capital projects currently included in the financial and business plans for the next fiscal year.

10.03.030.023 If a local option levy is needed, the City Council shall weigh the services to be funded by a levy and determine whether it is better to go for a general levy or a special levy focused on certain service areas.

10.03.030.030 Basis for Determining the Allocations

10.03.030.031 An analysis of the financial status of all property tax funds shall be reviewed by the City Council each year prior to the update of these financial policies to ensure that the allocations are adequate to support Council approved operating costs identified in:

- a. The Capital Improvement Program;
- b. Financial plans;
- c. Department business plans; or
- d. Master plans.

10.03.030.032 Program enhancements or new programs which are presented to the City Council or Budget Commission for review shall include an analysis of the impact of the new/enhanced program on the property tax allocation policy.

10.03.030.033 New revenue sources which could reduce the reliance on property taxes will continue to be sought, but will not necessarily result in a reduction of property taxes to the fund unless the new revenue is adequate to address all of the financial and business plans within the fund.

10.03.030.040 Allocation

Property taxes are allocated annually according to the Budget Commission and City Council direction through the annual budget process. This sets a projected demand for property taxes in each fund receiving them for the year. The Finance Director shall review this allocation and modify the actual allocation of funds as necessary during the course of each fiscal year to keep all funds in a positive budgetary fund balance position, with the following targeted allocations set as part of the budget process.

10.03.030.041 The Arts Center allocation shall be 0.21% of the total property taxes received from the City's permanent tax rate. This amount shall not be reallocated to other uses without the City Council's approval.

10.03.030.042 The Osborn Aquatic Center shall be allocated \$270,000 in FY 11-12 from the City's permanent tax rate. This allocation shall grow each year by the rate of growth in the City's assessed value as projected for all property taxes during the budget process, with actual allocations based on the actual property tax revenue growth. This allocation shall be reviewed no later than December 31, 2013.

10.03.030.043 The Chintimini Senior Center shall be allocated \$25,000 in FY 11-12 from the City's permanent tax rate. This allocation shall grow each year by the rate of growth in the City's assessed value as projected for all property taxes during the budget process, with actual allocations based on the actual property tax revenue growth. This allocation shall be reviewed no later than December 31, 2013.

10.03.040 Fees and Charges for Service

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).

10.03.040.010 All fees and charges other than those identified elsewhere in City Council policy or via Corvallis Municipal Code shall be set to recover the City's direct expense in providing the attendant service. 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.

10.03.040.020 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.

10.03.040.030 Historically, the City Council has provided very limited tax and fee exemptions.

10.03.040.040 Systems Development Charges (SDC) are set to cover the growth related 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 at least every five years, beginning in 2005, and will be done at all other times to coincide with major updates of infrastructure facility plans. The overall SDC program methodology and population service scenario shall be reviewed at least every ten years beginning in 2010.

10.03.050 Utility Fees (Water, Wastewater, Storm Water)

10.03.050.010 Utility Fee Basis

Utility user charges for each of the three City utilities will be based on the cost of providing the service (i.e., set to fully support the total direct, indirect, and capital costs) and are established so that the operating revenues of each utility are at least equal to its operating expenditures, reserves, debt coverage and annual debt service obligations, and planned replacement of the utility's facilities.

10.03.050.020 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.

10.03.050.030 Rate Adoption

Utility rates will be adopted by ordinance and will be recorded in the Corvallis Municipal Code.

10.03.050.040 Franchise Fees

The City's Water, Wastewater, and Storm Water utilities will pay a franchise fee to the City's General Fund to compensate for the use of the public right-of-way. The franchise fee will be equal to 5% of the utility's gross operating revenue each year, net of interest, intergovernmental monies, miscellaneous water service fees, permit fees, SDCs, and turn-on service fees.

10.03.060 Parks and Recreation Department Fees10.03.060.010 Cost Recovery

Parks and Recreation programs 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. Programs that provide recreational opportunities for populations with the fewest recreational alternatives (youth, limited income, senior adults, and families) will 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.

- a. total fee support (recover a minimum of 95% of direct program costs)
 - special instruction classes (all ages)
 - recreation trips and outings
 - adult sports leagues
 - major events which charge admission
- b. partial fee support (recover 50% to 75% of direct program costs)
 - outdoor recreation
 - preschool programs/introduction
 - child care oriented programs
 - senior citizen programs
- c. minimum fee support (recover 33% to 50% of direct program costs)
 - youth programs and events
 - playground programs

10.03.060.020 Osborn Aquatics Center Fees

The Osborn Aquatics Center direct costs are funded through fees charged for its usage plus a subsidy from property tax monies received in the Parks & Recreation Fund. The Aquatics Center shall pay its share of the general indirect costs charged to all City departments for centralized administrative functions.

10.03.060.021 Fees for annual passes, open swim periods, instructional classes, etc. will be set to meet revenue requirements of the Aquatic Center, less all other revenue including the Parks & Recreation subsidy, rentals and concessions. Where possible fees will be comparable to similar publicly owned facilities in Oregon, taking into account the additional amenities offered at Osborn.

10.03.060.022 Rental fees for group usage (i.e., Corvallis Aquatic Team) shall be negotiated at a minimum of a 100% direct cost recovery rate or the rate of inflation based on the CPI-U whichever is greater.

10.03.060.023 Prices for concessions operated by the City shall be set at the wholesale price of the item plus at least 100%. Income from contracted concession services shall be determined based on the negotiated agreement between the City and the concessionaire. All monies from concessions will be used for operations at the Aquatics Center.

10.03.060.030 Rate Review

The Park and Recreation Department shall conduct an annual comprehensive review of rates including Osborn Aquatic Center rates. The Parks, Natural Areas and Recreation Board shall recommend to the City Council, via the Human Service Committee, any alterations or adjustments necessary in specific fees and/or charges to reflect service demand changes, the ability of users to support the demand, and concerns for other City operations.

10.03.060.040 Use of Volunteers

Through an aggressive volunteer recruitment program, the Parks and Recreation Department shall seek to minimize the subsidy required for partial and minimum fee support programs.

10.03.060.050 Alternate Funding Sources

Solicitation of funds through donations, fund raising events, non-traditional sources, and various other modes shall be encouraged by the Parks, Natural Areas and Recreation Board and other advisory committees. Funds collected for any special purpose shall be earmarked for that purpose.

10.03.070 Ambulance Fees

10.03.070.010 Policy

It is the intent of the City to provide responsive, efficient and self-funded emergency medical services as the Benton County designated service provider to the Benton County Ambulance Service Area, including all residents of the City.

10.03.070.020 Procedures for Rate Changes

- a. 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.
- b. 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.
- c. 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.
- d. 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.

10.03.070.030 Special Rate Reviews

If, at any time during the fiscal year, estimated costs of service exceed available revenue, the City Manager may conduct a special rate review. In conducting such reviews the City Manager would follow the above procedures. In this instance, rate adjustments could take place at any time within the fiscal year, with 30 days' public notice.

10.03.080 Grants

10.03.080.010 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.

10.03.080.020 Federal Funds

Federal funds shall be actively sought. The City will use these funds to further the applicable national program goal. Because federal funds are not a guaranteed revenue source and are intended for a specific purpose, they will not be relied upon as an alternative source of capital improvement funds unless the federal grant is specifically for capital projects. Use of federal funds shall support City fund goals and services.

10.03.080.030 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:

- a. the amount of the matching funds required;
- b. in-kind services that are to be provided;
- c. length of grant and consequential disposition of service (i.e., is the City obliged to continue the service after the grant has ended?); and,
- d. the related expenditures including administration, record keeping, and auditing expenditures.

10.03.080.040 Single Audit

The annual audit by the City's independent auditors will include all required audit procedures for grant compliance as specified in the federal government's Office of Management and Budget OMB Circular A-133.

10.03.090 Gifts, Donations and Bequests10.03.090.010 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.

10.03.090.020 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.

CP 10.04 EXPENDITURE POLICIES**10.04.010 Introduction**

The City expends a significant amount of money each year to provide services to citizens. The largest portion of the expenditures are for the operating costs of the organization. These costs include all of the salaries/wages and related benefits for City staff, materials, services and capital outlays necessary to perform the basic functions of the City. Additional costs associated with capital projects (infrastructure) and debt service are part of the annual budget, based on specific plans for both. These City Council policies provide direction for developing the annual budget, and are in addition to a number of policies set forth by both the federal and state governments (i.e., purchasing rules, federal grant management rules).

10.04.020 Operating Budget -- Pay-As-You-Go10.04.020.010 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:

- a. current direct and indirect costs for operations and maintenance will be controlled and will be funded with current revenues, and
- b. revenue and expenditure forecasts will be prepared annually for all operating funds prior to budget discussions.

10.04.020.020 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.

10.04.020.030 Mandated Costs

Costs attributable to mandates of other government agencies shall be included in the annual budget.

10.04.030 Budget Balance

The Finance Director will prepare a budget for each fund each year where resources on a modified accrual basis either equal or exceed all expenditures in the City Council Adopted Budget in compliance with Oregon Administrative Rule 150-294.352(1)-(B)

- a. Resources available include all revenue anticipated in the budget year, including taxes, fees, charges for service, fines, intergovernmental payments, miscellaneous revenue, transfers, other financing sources, expendable reserves, and beginning fund balances.
- b. Expenditures include all planned expenditures for operations, inter-fund transfers, capital budget, debt service, Council Reserves and contingencies.

10.04.040 Budget Performance Reporting

10.04.040.010 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 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.

10.04.040.020 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 Quarterly Operating Report.

10.04.050 Maintenance, Repair & Replacement

10.04.050.010 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.

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.

10.04.050.020 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.

10.04.050.030 Equipment Replacement Plans

Assets which are not part of a major infrastructure system or buildings and land, including vehicles, computers, and specialized equipment required for normal work (i.e., defibrillators, bullet proof vests), will be tracked by each department with replacement plans made for at least the financial planning period. These schedules will be updated annually in conjunction with the budget process.

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.

Consideration for scheduling replacement shall include:

- a. Age of the asset and its manufacturer's recommended useful life;
- b. Wear and tear on the asset;
- c. Environmental conditions which may shorten or lengthen the useful life of the asset;
- d. The cost/benefit to complete routine maintenance and delay replacement;
- e. Availability of service and/or parts; and
- f. The cost/benefit of early replacement with more efficient and/or less expensive technology.

10.04.050.040 Facility Maintenance

The facility maintenance schedule for major maintenance or replacement projects for all City-owned buildings will be updated annually. The primary goal of the plan is to complete maintenance projects prior to system failures that would cause a decrease in service levels to citizens. Criteria for including projects are the same as those identified in 10.04.050.030.

10.04.050.050 Maintenance Costs from the CIP

Projects included in the proposed CIP will identify the anticipated operating costs or savings associated with the project. Estimated operating costs from CIP projects will be included in all years of the financial plan for the appropriate fund prior to approval of the CIP by the CIP Commission, Budget Commission or City Council.

10.04.060 Personal Services10.04.060.010 Compensation Rates

The City of Corvallis shall strive to pay fair total compensation to its employees, in balance with the City's reasonable ability to pay and to provide services to the community in accordance with City Council goals and priorities. Total compensation includes both salary and fringe benefit levels. The City Council has adopted Council Policy 91-3.02 which identifies how total compensation rates will be determined.

10.04.060.020 Compensation Survey

The City shall conduct compensation surveys, both internally and of similar positions in comparable cities as necessary. These surveys shall be the basis for determining fair total compensation in accord with Council Policy and state law.

10.04.060.030 Work Force Changes

The City's work force, measured in FTE (full time equivalent) shall not fluctuate more than 2% annually without corresponding changes in service levels or scope.

10.04.060.040 Cost Analysis

In establishing pay rates a cost analysis of rate increases will be conducted and shall include the effect of such increases on the City's share of related fringe benefits and unfunded liabilities (including non-salary related benefits), impact on total compensation, the City's ability to pay, and the reasonable cost to provide City services in accordance with City Council goals and priorities.

10.04.060.050 Benefits

Long term costs of changes in benefit packages shall be estimated as well as their impact on total compensation, and this information shall be fully disclosed to the City Council before negotiated labor agreements are affirmed. Benefits are considered in the context of total compensation, the City's ability to pay, and the reasonable cost of providing City services.

10.04.070 Transfers10.04.070.010 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.

10.04.070.020 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.

10.04.070.030 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:

- a. The advance is reviewed, prior to the transfer of funds, by the Administrative Service Committee.
- b. 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.
- c. Should the borrowing fund accumulate an unexpected unrestricted balance, this excess shall be used first to repay the advance.
- d. 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.
- e. For short-term cash deficits in funds other than the General Fund during the course of the year, short-term loans are preferred to advances, except in cases where the receiving fund is legally precluded from paying interest on loans, or where loan transactions would be too numerous and costly to be cost effective.

10.04.080 Contingency10.04.080.010 Contingency Amount

To meet emergency conditions, the budget shall provide for an appropriated contingency 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.

10.04.080.020 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.

10.04.080.020 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.

10.04.080.030 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 a two year period is preferable to a one-time jump in rates, or substantial decreases in other expenditure plans.

CP 10.05 Capital Improvement Program (CIP)**10.05.010 Introduction**

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, and 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. These policies provide direction for the development of the annual CIP.

10.05.020 Capital Improvement Program10.05.020.010 Definition of a Capital Project

A capital project must:

- a. Cost more than \$10,000, and

- b. be a permanent addition to the capital assets of the City, and
- c. purchase land, or
- d. construct a new building, or
- e. remodel or add to an existing building, or
- f. construct/install public infrastructure, or
- g. replace existing infrastructure.

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.

10.05.020.020 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.

10.05.020.030 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.

10.05.020.040 Construction Standards

Capital improvements constructed in the City shall be designed and built based on published construction standards which shall be periodically updated by the City Engineer. The construction standards will assure projects are built with an acceptable useful life and minimum maintenance costs.

10.05.030 Capital Improvement Maintenance

10.05.030.010 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.

10.05.030.020 Operating Budget Impacts

Future operating budget impacts for new capital facilities will be analyzed and estimates included in all years of the financial plans as part of considering a proposed capital project.

10.05.040 Capital Improvement Financing

10.05.040.010 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.

10.05.040.020 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.

10.05.040.030 Interest Earnings in the Capital Construction Fund (governmental fund)

10.05.040.031 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.

10.05.040.032 Interest earnings which are restricted due to the funding source (i.e., grant, bond issue) shall be spent in compliance with those restrictions.

10.05.040.033 Interest earnings not otherwise limited will be considered the most restricted City funds in the project and will be spent first in compliance with Financial Policy 10.04.050.030.

10.05.050.040 Interest Earnings in the Proprietary Fund Construction Components

10.05.050.041 Interest earnings which are restricted due to the funding source (i.e., grant, bond issue) shall be spent in compliance with those restrictions.

10.05.050.042 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.

10.06 Debt

10.06.010 Introduction

The City of Corvallis operates on a pay-as-you go basis for most capital investment. Systems Development Charge revenue is used to fund capital investments that are required to increase the capacity of the City's infrastructure. Reserves are built over time, or grants are sought to fund some capital investments. However, from time-to-time the City plans for a capital improvement project which is too expensive to finance with cash reserves or needs to be completed before reserves can be developed. When this occurs, the City borrows monies. These policies, along with state and federal laws, govern when and how the City will proceed in the debt market.

10.06.020 Use of Debt Financing

10.06.020.010 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 and only under the following circumstances:

- a. when the project's useful life is greater than or equal to the term of the financing;
- b. when project revenue or specific resources will be sufficient to service the debt; and,
- c. when the project will benefit the citizens of Corvallis.

10.06.020.020 Use of Debt Financing

Debt financing shall not be considered appropriate for:

- a. Current operating and maintenance expenses (except for issuing short-term instruments such as revenue anticipation notes or tax anticipation notes); and
- b. Any recurring purpose (except as indicated above).

10.06.020.030 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.

10.06.020.040 Short-term Debt

Short-term debt outstanding at the end of the year will not exceed 5% of net operating revenues (including tax anticipation notes but excluding bond anticipation notes.)

10.06.030 Limits on Debt Issuance

10.06.030.010 Vote to Issue General Obligation Debt

The issuance of general obligation bonds requires an affirmative vote of a majority of electors voting. Constitutional limitations implemented by Measure 50 address voter requirements. For elections in May and November a simple majority of votes is

required. 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.

10.06.030.020 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.

10.06.030.030 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.

10.06.030.040 Limited Tax General Obligation Bonds

The outstanding principal debt for Limited Tax General Obligation Bonds (LTGO), non-self-supporting leases, and full faith and credit lease purchases, is limited to 1% of the true cash value of the taxable property in the City. Furthermore, annual debt payments shall not exceed 5% of the combined operating and capital budgets in the Governmental Funds.

10.06.030.050 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 has been completed. The outcome of the study will be shared with the City Council prior to issuing the debt.

10.06.040 Debt Issuance

10.06.040.010 Timing of Debt Issuance

The timing for each debt issue in association with the construction schedule will be carefully considered, using the following criteria:

- a. Projected cash flow requirements for the capital project;
- b. Cash reserves on hand to temporarily fund preliminary project expenses;
- c. Spend down schedules identified by the IRS to meet arbitrage limitations; and
- d. Market conditions.

10.06.040.020 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.

10.06.040.030 Refunding Bonds

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.

10.06.040.040 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.

10.06.040.050 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.

10.06.040.060 Investment of Bond Proceeds

Receipt of bond proceeds will be timed to occur in conjunction with construction. However, it is acknowledged that in most cases bond proceeds will not be fully expended as soon as they are received. The City shall invest the proceeds from debt issuance in the legally authorized investment instruments for local governments in Oregon to maximize interest earnings available for the capital project. Prior to choosing an investment instrument, staff will take into consideration projected cash flow of the project and the likelihood that Internal Revenue Service (IRS) spend down targets will be met or exceeded. The investment instrument(s) shall be chosen to maximize interest earnings and minimize any arbitrage penalties which may accrue within the established IRS regulations.

10.06.050 Leasing

Lease purchase financing shall be considered only when the useful life of the item is equal to or greater than the length of the lease, and a lease purchase is the most economical method of purchasing available. If the item may become technologically obsolete or is likely to require major repair during the lease purchase period, then the item should be either purchased with cash or placed on an operating lease.

10.06.060 Rating Agency Relationship

10.06.060.010 Reporting

The City shall maintain good communication with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.

10.06.060.020 Compliance with SEC Rules

The City will comply with all aspects of the Securities and Exchange Commission rule 15c2-12 pertaining to secondary market disclosure.

10.06.070 Debt Management Plan

10.06.070.010 Debt Management Plan

A Comprehensive Debt Management Plan shall be developed and updated prior to the issuance of any additional debt. The Comprehensive Debt Management Plan shall encompass all debt of the City including, but not limited to:

- a. detail of the sources of funding for all debt;
- b. current and future debt capacity analysis;
- c. issues to be addressed for sound debt management;
- d. a contingency debt plan should any of the funding sources become unavailable in the foreseeable future; and
- e. reporting as to the City's compliance with its debt policies.

10.06.070.020 Review

The Administrative Services Committee shall review the Comprehensive Debt Management Plan prior to the issuance of new debt and any recommendations made therein.

CP 10.07 RISK MANAGEMENT

10.07.010 Introduction

The City of Corvallis' basic operations have certain risks associated with them, which could have a significant financial impact if the risks were not managed. Risk Management policies are designed to identify and assess the risks, change factors that can be changed to reduce risks, ensure that risk is transferred to others when appropriate, and provide insurance to mitigate against losses. These policies set forth the over-arching guidance for the City's risk management functions.

10.07.020 Risk Management Report

The City Manager shall annually prepare a Comprehensive Risk Management Report, including but not limited to:

- a. a summary of the past year's risk management claims,
- b. an identification of current and potential liability risks or activities potentially impacting the City's finances,
- c. specific strategies to address the risks identified, and

- d. a summary of the past year's safety and violence in the workplace activities.

10.07.030 Risk Management Program

The City shall implement and maintain a Risk Management program designed to decrease exposure to risk. At a minimum, the program shall include:

- a. a safety program that emphasizes reducing risks through training and safe work habits,
- b. an annual examination of the City's insurance program to evaluate how much risk the City should assume, and
- c. other risk management activities, including review of all City contracts with respect to indemnification and insurance provisions.

10.07.040 Risk Management Fund

10.07.040.010 Purpose

The Risk Management Fund shall be used to provide for insurance coverage, uninsured losses in excess of \$500, safety program expenses, and prudent reserves, contingencies and fund balances.

10.07.040.020 Catastrophic Reserves

The targeted balance for unappropriated catastrophic reserves shall be \$500,000 each year. Appropriated catastrophic reserves which are drawn down will be rebuilt the following fiscal year. Unappropriated catastrophic reserves which are drawn down below the recommended target will be re-built at the rate of a minimum of 33% of the deficit balance per year over three years, or sooner if practical.

10.07.040.030 Unreserved Fund Balance Target

The unreserved fund balance target for the Risk Management Fund shall be \$40,000. Should the ending fund balance drop below \$40,000 in any fiscal year, it will be re-built the following year. Ending unreserved balances in excess of \$40,000 will be used as a dividend to departments if the catastrophic reserves are fully funded or can be used as funding for additional expenditures in the safety program as directed by the City Manager and appropriated within the following budget year. If the excess is used as a dividend to departments, the funds will be returned to departments based on experience.

CP 10.08 INVESTMENTS

10.08.010 Introduction

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. These policies establish and provide guidelines for the safe and efficient management of City funds, and the purchase and sale of investment instruments. The goal is to minimize risk and ensure the availability of cash to meet expenditures, while minimizing idle funds. These policies provide direction for managing the City's investments.

10.08.020 Scope

10.08.020.010 Application of Policy

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.

10.08.020.020 Pooled Cash

The City of Corvallis will make use of pooled cash to invest under the prudent investor rule. The rule states "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."

10.08.030 Objectives

The City's investment objectives are:

- a. Preserve capital and protect investment principal,
- b. Conform with federal, state and other legal requirements,
- c. Maintain sufficient liquidity to meet operating requirements,
- d. Diversify to avoid incurring unreasonable risks regarding specific security types or individual financial institutions,
- e. Attain a market rate of return throughout budgetary and economic cycles,
- f. Invest with the intent to hold until maturity.

10.08.040 Responsibility

10.08.040.010 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.

10.08.040.020 Investment Council

To assist the City Manager in carrying out this management responsibility for the investment program, the Investment Council has been created. The Investment Council shall be composed of the City Manager, the Finance Director, the City Attorney, and a citizen of the City of proven integrity and business ability. The City Council President, or the Council Vice-President if the Council President is unable to serve, shall serve ex-officio as a voting member.

10.08.040.030 Investment Council Charge

The Investment Council is responsible for providing advice with respect to the investment decisions, activities, and establishment of written procedures for investment operations. Monitoring of the portfolio shall be performed by the Investment Council at least quarterly and verified by the City's independent auditor at least annually. The Investment Council shall review investment reports, investment strategies, investment holdings, banking relationships, and the legality and probity of investment activities.

10.08.040.040 Investment Council Meetings

The Investment Council shall meet quarterly. At each meeting, the Investment Council reviews investment reports submitted by the City Treasurer reflecting investment activity for each of the immediately preceding three months. Acceptance of the report must be unanimous. Should the reports not be accepted, the reports shall be revised accordingly by the City Treasurer and resubmitted to the Investment Council at its next regularly scheduled meeting or sooner if requested.

10.08.040.050 Investment Maturity Matches Cash Flow

Recognizing that the City's need for funds is not constant, the City Treasurer should schedule investments in coordination with all funds such that there is as little idle cash as practical, consistent with the projected cash flow budget.

10.08.040.060 Administrative Investment Policy

The City Treasurer shall annually update the City's administrative policy for investments, to be reviewed and approved by the Investment Council prior to adoption. Significant changes to the Investment Administrative Policy shall be submitted to the Oregon Short Term Fund Board for review after City Manager approval.

10.08.050 Investment Instruments/Vehicles

10.08.050.010 Investment Instruments

Funds of the City of Corvallis must be limited to those investments allowed by the statutes of the State of Oregon and as identified in the Investment Administrative Policy.

10.08.050.020 Investment Diversification

Funds of the City of Corvallis will be invested in accordance with diversification by financial institution, investment type, and maturity as outlined in the Investment Administrative policy.

10.08.060 Reporting Requirements

10.08.060.010 Annual Reports

The City Treasurer shall submit an annual statement certifying compliance with the Investment Administrative Policy to the Investment Council, noting compliance throughout the most recently completed fiscal year. This statement shall be filed by August 1 of each year.

10.08.060.020 Monthly Reports

The City Treasurer shall provide the Investment Council with a Monthly Investment Report reviewing the compliance with the Investment Administrative Policy and providing data on investment instruments being held, as well as any narrative necessary for clarification. The Monthly Investment Report shall include summary information about all investments held in the City's portfolio as of the end of the month, and shall be issued and posted on the City's web site within 21 days after the end of the monthly reporting period.

CP 10.09 ACCOUNTING AND FINANCIAL REPORTING

10.09.010 Introduction

The City of Corvallis maintains a system of financial management that ensures transactions are appropriately recorded, assets are managed for the benefit of the community, risk of fraud or financial loss is identified and internal controls are developed and maintained 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. As a result, it is critical that the City's financial condition is reported accurately and timely. These Accounting and Financial Reporting policies have been developed to meet these goals.

10.09.020 Internal Controls

10.09.020.010 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:

- a. effective and efficient operations,
- b. reliable and accurate financial information,
- c. compliance with applicable laws and regulations, and
- d. safeguarding assets against unauthorized acquisition, use, or disposition.

10.09.020.020 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 GAAP.

10.09.030 Financial System

10.09.030.010 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.

10.09.030.020 Financial System Characteristics

The City's accounting and reporting system shall demonstrate the following characteristics:

- a. reliability,
- b. accuracy,
- c. consistency,
- d. timeliness,
- e. efficiency,
- f. responsiveness,
- g. compliance with legal requirements, and
- h. compliance with generally accepted accounting principles (GAAP).

10.09.030.030 Funds

By Council resolution, 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.

10.09.040 External Financial Reporting10.09.040.010 Comprehensive Annual Financial Report (CAFR)

The City shall annually prepare and publish, by December 31st of each year, a Comprehensive Annual Financial Report (CAFR) in conformity with generally accepted accounting principles. The CAFR shall include but not be limited to:

- a. an explanation of the nature of the reporting entity,
- b. the extent of activities conducted by the City,
- c. comparison of actual activity to adopted budget,
- d. an explanation of the City's fiscal capacity,
- e. disclosure of short and long term liabilities of the City,
- f. capital assets reporting,
- g. cash policies and compliance reporting,
- h. accounting policies, controls and management responsibilities, and
- i. all other disclosures required by GAAP.

MOODY'S AFFIRMS Aa2 RATING ON THE CITY OF CORVALLIS (OR) UNLIMITED TAX G.O. BONDS; Aa3 LIMITED TAX RATING ALSO AFFIRMED AND NEGATIVE OUTLOOK ASSIGNED

RATINGS AFFIRMATIONS AND NEGATIVE OUTLOOK APPLY TO \$37.2 MILLION OF OUTSTANDING DEBT

Corvallis (City of) OR
Municipality
Oregon

NEW YORK, June 13, 2011 -- Moody's Investors Service has affirmed the Aa2 rating on the City of Corvallis, Oregon's outstanding \$1.8 million of general obligation unlimited tax bonds. In addition, Moody's affirms the Aa3 rating on the city's outstanding Limited Tax General Obligation Bonds (Pension Liability Funding); the city's long-term ratings carry a negative outlook.

RATINGS RATIONALE

The negative outlook reflects our expectation that the city will be challenged to maintain satisfactory reserve levels in the near- to medium-term as budgetary pressures remain in place over the outlook horizon. The Aa2 rating reflects the city's large tax base, the stabilizing presence of Oregon State University and average wealth indices. The Aa2 rating also incorporates recent fiscal strain which was reflected in two consecutive operating deficits in fiscal 2009 and fiscal 2010. All of the city's debt is fixed rate and the city is not a party to any derivative agreements.

STRENGTHS

- Still solid Operating Fund balance
- A strong tax base bolstered by the presence of Oregon State University

CHALLENGES

- Several consecutive deficits leading to a declining financial position
- Expected draws on fund balance in both fiscal 2011 and fiscal 2012

DETAILED CREDIT DISCUSSION

SLUGGISH REGIONAL ECONOMIC GROWTH CONTINUES, BUT CITY'S TAX BASE REMAINS STABLE

Corvallis, located about 75 miles south of Portland, is a well-established community which has long been the home of Oregon State University (OSU). Positively, the university's presence continues to provide the local economy with some degree of stability and enrollment has increased slightly in recent years. Since the 2000 census, the City's population has increased only 12% to an estimated 55,125 residents. In addition to employment opportunities at the University, other employment sectors include

high tech manufacturing and research, primarily at a local Hewlett Packard (HP) facility, government and services. Despite cuts in higher education from the state combined with last year's HP downsizing, the city's April 2011 unemployment rate of 6.1% has improved over the last two years and is currently well below the state (9.5%) and nation (8.7%). According to the 2000 census, per capita and median family income levels approximated state levels although, like most college communities, income levels are negatively skewed by the presence of a large student population.

Similar to the region, real estate values remain below peak levels and the housing market is expected to continue to be a drag on local economic growth over the near term. Between 2004 and 2009, the city's full value increased an average of 9.8% annually, then declined a modest 2% in 2010. The 2010 full value of \$5.8 billion is still above the national Aa2 city median. Tax base growth for 2011 is assumed to be flat as residential and commercial construction remains sluggish at best, although some development in support of campus expansion may provide some offset. Hewlett Packard remains the city's largest taxpayer (8.4% of 2010 assessed value); other large taxpayers make up less than 1.0% of assessed value each and are comprised of manufacturing, land development and commercial entities. Going forward, Moody's notes HP's tax base presence will continue to be diminished and university-related construction projects, including multi-family housing and, over the long-term, recovery in the residential and commercial construction sectors development will support above average economic growth.

CONSECUTIVE OPERATING DEFICITS PLACE CITY IN RELATIVELY WEAK FINANCIAL POSITION; COMMUNITY SUPPORT FOR ADDITIONAL REVENUES PROVIDES PARTIAL MITIGANT

Fiscal 2010 audited results mark the city's fourth consecutive annual operating deficit as growth in expenditures outpaced somewhat flat revenues. Major operating funds include the city's General Fund, as well as the Library, Parks and Recreation, Fire and Rescue. Still, at \$4.7 million, or 13.5% of operating revenues, reserve levels are considered adequate, but below the median level for similarly rated cities nationally. The city's liquidity position was a satisfactory \$5.0 million in the operating funds (14.3% of revenues). The city expects fiscal 2011 will show another draw on fund balance as it again appropriates a portion of reserves to offset the current year's operating deficit. The fiscal 2011 operating fund balance is expected to end at approximately \$4.4 million (10.4% of revenues). Going forward, the city budgeted approximately \$1.9 million to balance fiscal 2012 operations, which would reduce the operating fund balance to a thin \$1.6 million (3.9% of revenues); positively, management is discussing several proposals both to augment revenues and reduce expenditures in the 2012 fiscal year. Postively, in May 2011, voters approved a three-year local option property tax levy (FY 2012 - FY 2015) to provide partial funding for libray, aquatic and senior center operations. However, management's budgeted reserve expectations are a primary factor in the outlook revision to negative from no outlook.

BELOW AVERAGE DEBT BURDEN

Moody's expects that the district's lower than average 0.2% direct debt burden will be manageable given limited near-term borrowing needs. All outstanding debt is fixed rate and the city is not party to any derivative agreements.

OUTLOOK:

The outlook on the city's long-term ratings is negative. The negative outlook reflects Moody's expectation that the city will remain challenged in its efforts to significantly improve reserve levels over the near- to medium-term.

WHAT COULD MAKE THE RATING GO UP (REMOVAL OF NEGATIVE OUTLOOK):

- Improved financial performance in fiscal 2011 and beyond
- Positive tax base growth and a trend of economic improvement

WHAT COULD MAKE THE RATING GO DOWN:

- Continued draws on reserves and/or reduced liquidity levels
- Protracted economic weakness and tax base contraction

KEY STATISTICS:

2010 population: 55,125

2010 full valuation: \$5.8 billion

2010 full value per capita: \$105,681

Direct debt: 0.2%

Payout of Principal (10 years): 38.7%

FY10 General Fund Balance: \$670,000 (4.8% of General Fund revenues)

FY10 General Fund Balance (unreserved, undesignated): \$482,000 (3.5% of General Fund revenues)

FY10 Operating Fund Balance: \$4.7 million (13.5% of Operating Fund revenues)

FY10 Operating Fund Balance (unreserved, undesignated): \$4.3 million (12.2% of Operating Fund revenues)

1999 Per Capita Income (as % of OR and US): \$19,317 (92.2% and 89.5%)

1999 Median Family Income (as % of OR and US): \$53,208 (109.3% and 106.3%)

Unemployment as of March 2010: 6.7%

The principal methodology used in this rating was General Obligation Bonds issued by U.S. Local Governments published in October 2009.

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Information sources used to prepare the credit rating are the following: parties involved in the ratings and public information.

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BEST PRACTICE

Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009) (BUDGET and CAAFR)

Background. Accountants employ the term *fund balance* to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis.¹ In both cases, fund balance is intended to serve as a measure of the financial resources available in a governmental fund.

Accountants distinguish up to five separate categories of fund balance, based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts can be spent: *nonspendable fund balance*, *restricted fund balance*, *committed fund balance*, *assigned fund balance*, and *unassigned fund balance*.² The total of the last three categories, which include only resources without a constraint on spending or for which the constraint on spending is imposed by the government itself, is termed *unrestricted fund balance*.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning.

In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance (i.e., the total of the amounts reported as committed, assigned, and unassigned fund balance) in the general fund.

Credit rating agencies monitor levels of fund balance and unrestricted fund balance in a government's general fund to evaluate a government's continued creditworthiness. Likewise, laws and regulations often govern appropriate levels of fund balance and unrestricted fund balance for state and local governments.

Those interested primarily in a government's creditworthiness or economic condition (e.g., rating agencies) are likely to favor increased levels of fund balance. Opposing pressures often come from unions, taxpayers and citizens' groups, which may view high levels of fund balance as "excessive."

Recommendation. The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund.³ Such a guideline should be set by the appropriate policy body and

¹ For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.

² These categories are set forth in Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which must be implemented for financial statements for periods ended June 30, 2011 and later.

³ Sometimes restricted fund balance includes resources available to finance items that typically would require the use of unrestricted fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unrestricted fund balance for purposes of analysis.

should provide both a temporal framework and specific plans for increasing or decreasing the level of unrestricted fund balance, if it is inconsistent with that policy.⁴

The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.⁵ The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.⁶ Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time.

In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

- The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
- Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
- The potential drain upon general fund resources from other funds as well as the availability of resources in other funds (i.e., deficits in other funds may require that a higher level of unrestricted fund balance be maintained in the general fund, just as, the availability of resources in other funds may reduce the amount of unrestricted fund balance needed in the general fund);⁷
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained); and
- Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose).

Furthermore, governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance rather than on unrestricted fund balance.

Naturally, any policy addressing desirable levels of unrestricted fund balance in the general fund should

⁴ See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).

⁵ In practice, a level of unrestricted fund balance significantly lower than the recommended minimum may be appropriate for states and America's largest governments (e.g., cities, counties, and school districts) because they often are in a better position to predict contingencies (for the same reason that an insurance company can more readily predict the number of accidents for a pool of 500,000 drivers than for a pool of fifty), and because their revenues and expenditures often are more diversified and thus potentially less subject to volatility.

⁶ In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unrestricted fund balance to either revenues or expenditures, that decision should be followed consistently from period to period.

⁷ However, except as discussed in footnote 4, not to a level below the recommended minimum.

be in conformity with all applicable legal and regulatory constraints. In this case in particular, it is essential that differences between GAAP fund balance and budgetary fund balance be fully appreciated by all interested parties.

Approved by the GFOA's Executive Board, October, 2009.

INTER

OFFICE

MEMO

To: Administrative Services Committee
From: Ellen Volmert, City Manager Pro Tem
Subject: Council Policy: Compensation Review
Date: September 21, 2011

PURPOSE

This report presents a draft revised City Compensation policy for Administrative Services Committee (ASC) discussion and recommendation to the full City Council as well as seeks direction for development of a Council Policy template.

BACKGROUND

At the meeting of September 7, 2011, ASC continued to work on revisions to City Council Policy 91-3.02 City Compensation Policy. A number of changes to the September 7th draft policy were approved by the Committee and ASC therefore asked that the policy be returned for additional review at the next meeting. Part of the review also pointed to the need to develop a consistent policy format to improve clarity and consistency between policies.

DISCUSSION

In addition to the revisions presented on September 7th, the attached draft policy includes several additional changes as follows:

1. The prior Purpose section has been divided into three sections, Purpose, Mission, and Goals. The last goal language has been revised as approved by ASC.
2. Spaces have been added between each section and subsection to improve readability.
3. Definition of compensation has been corrected to indicate all perquisites of the job.
4. Subsections b and c under the Equity definition have been reworded and clarified based on direction from the September 7 meeting.
5. Section 3.02.025 has been reorganized with a heading and two subsections.
6. Typographical errors identified in the prior draft have been corrected.
7. Section 3.02.031 Fiscal constraints policy has been clarified.
8. Section 3.02.041 External Relationships has a sentence added to clarify that external equity is primary to internal equity considerations under the policy.

In discussing the format of this Council policy, ASC indicated a desire to develop a consistent Council Policy template that would be used to improve clarity and consistency between all Council policies. This could be used when policies move forward for their periodic review. Attached to this report for your information, are the instructions from the City Manager's Office to departments regarding updates to City Council Policies. There is not a formal template common for all Council policies as there is for Administrative Policies, however, the informal template used by staff is attached. In general, all policies

appear to have common sections (Purpose, Policy, Review and Update) and several, but not all, have sections for Definitions, Procedures, and Guidelines. Many have headings that are unique to that policy or are shared with few other policies and are related to the specific subject matter discussed. Based on this, there appears to be a need for a certain amount of flexibility relative to the ability to adapt a relatively consistent core of section titles for specific circumstances. Some questions ASC may want to consider include:

1. It was quite important to ASC in the Compensation Policy review to clearly highlight a separate overarching mission and specific goals as well as a Purpose. Are these sections which ASC would like to recommend all Council policies include?
2. Likewise, ASC spent a fair amount of time developing definitions in the Compensation Policy in order to ensure a consistent understanding of the terms used. Several Council Policies already include a Definitions section. Would ASC recommend always including a section entitled Definitions?
3. Should all the sections currently common to the policies (Purpose, Policy, Review and Update) be part of a consistent template?
4. Should other sections be determined based on the needs of the subject matter?
5. Are there other sections that should be included in all policies?

Staff would be able to use the answers to these questions to develop a formal template for ASC consideration at the next meeting. That would also allow time for Council discussion of ASC's recommendations prior to ASC recommending a specific template. If more time is needed, the matter can be placed on the agenda for additional meetings.

RECOMMENDATION

That the Administrative Services Committee review the draft Compensation policy and recommend approval to the City Council and provide direction to staff relative to development of a Council Policy template.



Ellen Volmert, City Manager Pro Tem

Attachment

CITY OF CORVALLIS
COUNCIL POLICY MANUAL

POLICY AREA 3 - PERSONNEL AND ADMINISTRATIVE MATTERS

CP 91-3.02 **City Compensation Policy**

Adopted April 6, 1987

Revised 1989

Affirmed October 7, 1991

Affirmed 1993

Revised October 16, 1995

Revised October 20, 1997

Affirmed November 1, 1999

Affirmed June 18, 2001

Revised January 5, 2004

Revised September 7, 2004

Revised November, 2006

Revised October, 2008

Revised September, 2011

3.02.010 Purpose

3.02.011 This policy provides a basis for establishing total compensation for those directly employed by the City of Corvallis. Council appointed, temporary, or casual employees are not covered by this policy.

3.02.020 Mission

3.02.021 To ensure long term community livability, fiscally sustainable City budgets and social sustainability within the City organization, through administration of compensation policies designed to maximize efficient delivery of City services within the City's ability to pay; while also recognizing the value of work performed by employees.

3.02.030 Goals

3.02.031 The goals for this policy are prioritized as follows:

- a. Ensure the delivery of high quality City services at a level desired by citizens.
- b. Attract and retain highly qualified employees.
- c. Provide the City Council with the flexibility necessary to meet organizational goals.
- d. Maintain positive and effective labor relations.
- e. Ensure compensation equity among employees.

3.02.040 Definitions

3.02.041 Benefits – As defined in State law and generally referring to the portion of total compensation not represented by wages.

3.02.042 Compensation – Total compensation is defined in State law as all rewards and recognition including base wages, other salary and incentive compensation, benefits and perquisites; and specifically all direct or indirect wages and benefits for a specific position which have a material value.

3.02.043 Equity – consisting of three dimensions:

a. Market Value or External Equity – An external valuation based on analysis of roughly equivalent positions from comparator cities, within a reasonable recruitment area, as defined by State law.

b. Relative Compensatory Value – Comparison between classifications within the organization based on a system of point values assigned on the basis of five factors: level of responsibility, knowledge, physical requirements, work environment, and interpersonal relations.

c. Inadequate Compensation Differential/Compression – Comparison between classifications within the organization to ensure appropriate compensation differential between classifications within a particular job family.

3.02.044 Fiscally Sustainable City Budget – A City budget where increases in annual expenses are no greater than increases in associated annual revenue.

3.02.045 Classification – consisting of individual jobs and job families:

a. Job Classification - One or more positions sharing a common job description and common job classification system points.

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b. Job Family Structure – A tool to differentiate classifications within a similar technical area which are distinct enough, based on the point value, to merit a different job classification.

3.02.046 Job Factors:

a. Interpersonal Relations – The importance and difficulty of conducting interpersonal relations for the job including both the level of interpersonal skill required and the scope of interpersonal contacts.

b. Knowledge – The total capability required to learn and perform the job competently. Includes both level of knowledge and the application of that knowledge to work situations (challenge) faced in the classification.

c. Physical Requirements – The coordinative and manipulative skills as well as the level of exertion required.

d. Responsibility – The total magnitude of job responsibility including both the level of responsibility and the degree of job impact.

e. Work Environment – The need to perform under less than optimal working circumstances including difficulty, work pressure and workflow, and work location and conditions.

3.02.047 Social Sustainability – defined in Council Policy 1.08.053.

3.02.048 Stability of Employment – Refers to an individual's duration of employment with a given organization in combination with that individual's perception of that employment situation.

3.02.049 Wages – An employee's pay including the base wage and any special pays for certifications, assignments, market conditions, etc.

3.02.050 Policy

3.02.051 Fiscal Constraints

Compensation goals shall be addressed within the following fiscal constraints:

a. the economic ability of the City to pay

b. reasonable limits on the cost to provide City services

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c. budgetary restrictions established by the City Council

3.02.052 Administration

The City Manager is authorized to administer this Policy through plans developed in accordance with this Compensation Policy's mission, goals and policies. The City Manager will give particular attention to the City's long term budgetary outlook, the City's ability to pay, the reasonable cost of providing City services as well as any applicable State law.

3.02.053 Total Compensation

Salary range and all other elements of compensation shall be established on the basis of how well the organization's total compensation best meets stated policy goals and constraints.

3.02.054 Recruitment and Retention

To the extent that employee compensation is found to detract from the City's ability to recruit or retain a qualified work force, compensation may be adjusted according to the results of a market value analysis for specifically impacted job classifications.

3.02.055 Collective Bargaining

State law dictates which employees are covered by collective bargaining agreements; and for such employees, compensation is a mandatory subject of bargaining. The application of CP 91-3.02 is, therefore, also subject to the collective bargaining process.

3.02.056 Survey of Comparable Cities

Surveys of comparable cities, as defined by State law, regarding compensation for specified positions as well as the overall compensation structure are a standard implementation tool in analyzing appropriate employee compensation levels. Compensation survey results will be reported to Council in a timely manner.

3.02.057 Exceptional Service

The City has long desired a means to reward employees, work groups and teams for exceptional service. The Council supports the development and implementation of creative programs and incentives, both monetary and non-

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monetary, to recognize exceptional service by employees leading to the enhancement of community livability.

3.02.060 Compensation Equity

3.02.061 External Relationships

To be competitive in the employment market, the external value of individual job classifications will be determined by comparing City total compensation rates with those of comparator cities within a reasonable recruitment area, as defined by State law and with the mean of such comparators as a benchmark. In setting compensation, external equity is the primary factor, with relative compensatory value and compression as secondary factors.

3.02.062 Relative Compensatory Value

Relative compensatory value will be a consideration in determining appropriate total compensation. Determining the relative value of job classifications within the organization includes analysis of similarities and differences between them using the following factors:

- a. Level of Responsibility
- b. Knowledge
- c. Physical Requirements
- d. Work Environment
- e. Interpersonal Relations

3.02.063 Compression

Proper analysis of job family structure is an important implementation tool with respect to the preservation of vertical compensation equity and the avoidance of serious compensation compression issues.

3.02.070 Review and Update

This Policy shall be reviewed at least every two years in October by the City Manager for recommendation to the Council on appropriate revisions.

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POLICY AREA X - XXXXX

CP XX-X.XX Policy Title

Adopted month, day, year
Revised month, day, year

1.01.010 Purpose

1.01.020 Background

1.01.030 Definitions

a.

b.

1.01.040 Policy

1.01.041

1.01.042

1.01.043

a.

b.

c.

1.01.050 Review and Update

This policy shall be reviewed every ____ years by _____ and updated as appropriate.

INSTRUCTIONS FOR UPDATING CITY COUNCIL POLICIES

Updated Feb 2011 City Manager's Office

BACKGROUND: THE POLICY REVIEW PROCESS

Updates to Council policies occur at intervals specified in each policy. Some are updated annually, some biennially, some triennially, etc. Just prior to the beginning of a new calendar year, staff at the City Manager's Office send out to departments a list of Council policies to be reviewed in the coming year.

The process to update a policy begins when it is scheduled for review by a Standing Committee (Administrative Services, Human Services, or Urban Services). Scheduling of these reviews is handled by the City Manager's Office.

Once a policy is scheduled for review at a Standing Committee meeting, the responsible department director is notified. The department then conducts its own preliminary review of the policy and submits a staff report to the City Manager regarding recommendations for changes in the policy, if any. Once approved, the staff report and accompanying proposed policy are forwarded for inclusion in the appropriate Standing Committee packet. The department director or designee then presents its staff report to the Standing Committee for discussion. The Standing Committee makes recommendations for policy changes, which are forwarded to the City Council for final approval.

SPECIFIC MECHANICS TO UPDATE THE POLICY ITSELF

All Council policies are located on the City's common drive at *I:\cml\citywide\city council policies*. Those responsible for a particular policy's review should use the following procedure for updating:

1. Copy the appropriate policy to your directory. Please do not use the policy on the common drive as your working copy.
2. Clearly show the proposed policy changes by using the strikeout and bold functions. This will serve as the proposed policy that is attached to the staff report that goes to the Standing Committee.
3. Following Council's approval (*reminder - Standing Committee cannot approve a policy - they only make recommendations*), update your working copy to reflect the new policy (remove strikeouts and shadows). Be sure to update the review date information contained at the top of the policy (see example below):

CP 91-1.01

Charges for Copying of City Material

Adopted June 4, 1973

Revised October 7, 1991

Revised December 20, 1993

Revised October 16, 1995

Affirmed November 6, 2000

In the example above, no changes were made to the policy on November 6, 2000, so the word Affirmed was used. Also, please note that the date reflects when *Council* approved the policy - not when it was reviewed by the Standing Committee. Please keep all policies in Arial (easier to fax), 12 point, and follow the previously established format.

4. **E-mail the newly updated policy to Carla Holzworth** in the City Manager's Office. Please do not save your newly updated policy back to the common drive. Using e-mail will ensure that CMO staff is aware that the policy has indeed been updated. Carla will then send the updated policy out to the departments so individual Council policy books can be kept current. The newly updated policy will then be placed on the common drive and posted to the City's Web site.

NOTE: Updates to the City's Financial Policies (Policy Area 10) are coordinated by the Finance Director.

If you have any questions, please call Carla Holzworth, City Manager's Office, x5075.

I:\cmo\citywide\ccpols\misc\instructions to update council policies.wpd

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- Affirmed June 18, 2001
- Revised January 5, 2004
- Revised September 7, 2004
- Revised November, 2006
- Revised November 6, 2006
- Revised January 5, 2009
- Revised October 3, 2011

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