



ADMINISTRATIVE SERVICES COMMITTEE

Agenda

Wednesday, January 22, 2014
3:30 pm

Madison Avenue Meeting Room
500 SW Madison Avenue

- | | |
|------------------------------------|--|
| Discussion/ Possible Action | I. Enterprise Zone – Specific Sustainability Criteria for Fourth- and Fifth-Year Property Tax Abatement (Attachment) |
| Discussion/ Possible Action | II. Review of Updated Quarterly Operating Report (Attachment) |
| Information | III. Other Business |

Next Scheduled Meeting

Wednesday, February 5, 2014 at 3:30 pm
Madison Avenue Meeting Room, 500 SW Madison Avenue

Agenda

None at this time.

Memorandum



To: Administrative Services Committee
From: Tom Nelson, Economic Development Manager
Date: January 15, 2014
RE: Enterprise Zone Update

A handwritten signature in black ink, appearing to be "TN", is located to the right of the "From:" line.

Background

The City of Corvallis and Benton County entered into an agreement with the State of Oregon to establish an Enterprise Zone (EZ) which covers three locations poised for industrial development; The HP Campus (including the annexed McFadden property), Sunset Research Park, and industrial land in South Corvallis (including the Airport Industrial Park).

Beyond the state required job creation and property investment criteria, the Corvallis Benton Enterprise Zone includes a "Sustainability" criterion that is detailed in the attached Sustainability Checklist. Also, while the City Council initially approves the zone application, the County maintains that the applicant must reapply indicating progress toward the sustainability objectives to gain approval for year's 4 & 5, by April of the 4th year. One applicant and the oldest (Gerding) has indicated they wish to pursue the 4th and 5th year at this time.

Administration of the Enterprise Zone(s) has been contracted out in the past to the Corvallis Chamber (Coalition and Partnership), and subsequently to The Business Enterprise Center. Records throughout that time have been various and limited. Administration is now the responsibility of the Corvallis Benton County Economic Development Office. Minutes of the last meeting believed to be held by the Chamber are attached (8/12/2010). Also, reports, actually called for in the process document received by this office are attached from my first introductory meeting (11/14/12), and the subsequent Advisory Committee meeting held to process the latest application(9/12/13). Minutes have not officially been mandated by process, but rather a report of such meetings is called for in the process document. The process document is also attached.

Initially, four businesses applied and were approved for EZ status. More information about their progress is in the November/2013 Annual Report (attached – 11/18/13). Subsequently, Forbidden Fruit Ciderhouse, LLC was approved in late 2013, and will be eligible for exemption in 2014. Note: I have also attached a list of current Advisory Committee members.

Discussion

At the suggestion of Councilor Hervey, this update was added to the ASC agenda. In particular, Council Hervey appeared to want to discuss the sustainability requirements, and the criteria for year's four and five exemption. The EZ establishment and Sustainability Checklist, as well as the process predate this office, so staff has no history to base a response beyond what is attached or found in this report, except to reference what is done in other jurisdictions.

There are over 160 entities in the State that have EZs (see attached). EZs are primarily an incentive for locating development of business investment and job creation. Applications in the majority, if not all, include ONLY a staff review of the underlying eligibility and staff approval. While our decision makers may believe our process is important for what we are trying to achieve, I think it is important to point out that the process could serve as a disincentive if compared to other jurisdictions.

That being said, your direction on any changes to process or criteria is welcome.

Review and concur:



James A. Patterson, City Manager

Benton County Enterprise Zone Tax Abatement Goals

Applicant Information

Date: _____

Business Name: _____

Contact Person: _____

Phone: _____ Email: _____

Overarching goal: Businesses are desired that encourage or demonstrate using resources in a manner that protects the environment while providing for a vigorous economy and meeting community needs now and in the future.

New Businesses:

To receive a tax abatement for years 1-3 a business must fit into one of the categories in Section I and have (3) Yes's in Section II, III or IV. If a business does not fit into one of the categories in section I it must have (5) Yes's in Section II, III or IV. The Year 4 and 5 optional tax credit would be awarded to those companies that have made progress over years 1-3 in meeting the goals listed below.

Existing or Start-up Business:

If a business already in the Enterprise Zone or a startup with no operational history does not meet the new business requirements to receive the tax abatement for years 1-3, it may submit a plan to move its organization toward becoming more sustainable based on items in the criteria. The plan will need approval and the business must report annually on its progress toward that plan. The Year 4 and 5 optional tax credit would be awarded to those companies that have made progress over years 1-3 in meeting the goals below.

Section I: Product / Services: Our company offers products or services that fit in the following business clusters. Please check one that applies:

- Green Building: (e.g. businesses that provide products or services to the green building market - insulated concrete forms, non-toxic building products, consulting services that support green building, etc.).
- Energy: Alternative energy and/or efficiency (e.g. wind, wave, solar, hydro, biofuels, energy conservation services. software/hardware to reduce energy usage, etc).
- Local Food production and processing. (using sustainable agricultural practices to reduce chemicals, water and non-renewal energy).
- Green technology: (manufacturing processes that create no hazardous substances while reducing resource use - computerized controls that reduce resource use, such as for wood processing, soil remediation, environmental sensors).
- Recycled and/or Replacement Products: (e.g. flower pots made from waste paper pulp, plastic lumber, twine made from recycled plastics).
- Sustainable Forest and Wood Products
- Other sustainable business cluster

Section II: Business Practices: Our company focuses on protecting resources and meeting community needs while enhancing the economy. Check all those that apply.

- We train our personnel to meet these goals in all business aspects.
- These goals are integrated into our business planning.
- We track our business performance with a sustainability management system. Please Identify (_____).
- We measure energy use and waste per unit of production
- Other sustainable business practices _____

Section III: Operations (Check all those that apply)

Design

Our company:

- Redesigns products so that they meet enterprise zone goals.
- Conducts Life Cycle Analyses on our product(s)/services
- Has reduced our product packaging by at least 20%
- Encouraged and engaged suppliers to redesign their products and services to meet enterprise zone goals.
- Other sustainable design practices: _____

Operations

Our company:

- Is locally owned.
- Routinely conducts process or facilities energy audits.
- Has reduced energy 10% per unit of production. (e.g. watts/widget).
- Has reduced green house gases to 1990 levels.
- Routinely/periodically conducts resource efficiency audits to reduce waste and raw materials.
- Routinely/periodically conducts efficiency audits for water usage.
- Routinely/periodically conducts employee satisfaction surveys with an action and implementation plan that follows.
- Has completed a chemical inventory that ranks toxic and hazardous materials and developed a plan to eliminate all persistent bio toxins (PBT's).
- Takes responsibly for our product at end of its useful life (e.g. takes back a computer to disassemble, recycle and or reuse components for a new product).
- Other sustainable operational strategies: _____

Section IV: Facilities

Our company:

- Intends to build to LEED (Leadership in Energy and Environmental Design) U.S. Green Building Standards or other "green" building standards.
- Will retrofit existing facilities to LEED or LEED Existing Building standards or equivalent.

Defining terms:

Sustainability/sustainable: The use of resources in a manner that protects the environment while providing for a vigorous economy and meeting community needs now and in the future. (See also Community Values: Corvallis Sustainability Coalition Guiding Principles.)

Enterprise Zone: A defined geographical area where a business can locate to obtain a 3-5 year tax abatement. The business must meet a minimum number of enterprise zone criteria to be awarded the tax abatement

Tax abatement: Elimination of requirement to pay property taxes on new investments in the Enterprise Zone (EZ) for a specified period of time, if EZ goals are met and if EZ manager has approved.

Green building: The practice of increasing the efficiency with which buildings use resources — energy, water, and materials — while reducing building impacts on human health and the environment, through better siting, design, construction, operation, maintenance, and removal — the complete building life cycle.

Green technology/clean technology: Application of the environmental sciences to conserve the natural environment and resources, and to curb the negative impacts of human involvement (often abbreviated as “green tech” or “clean tech”). Sustainable development is the core of *environmental technologies*. When applying *sustainable development* as a solution for *environmental issues*, the solutions need to be socially equitable, economically viable, and environmentally sound.

Recycled/replacement products: the use of manufacturing waste and/or post consumer waste to create new consumer or industrial products. Products that provide the same function and form but are manufactured from different materials.

Sustainability Management System: An organization’s environmental management system (EMS). ISO 14001 is the international specification for an environmental management system (EMS). It specifies requirements for establishing an environmental policy, determining environmental aspects and impacts of products/activities/services, planning environmental objectives and measurable targets, implementation and operation of programs to meet objectives and targets, checking and corrective action, and management review. A Sustainability Management System integrates sustainability into an EMS such as ISO 14001

Persistent Bio Toxins (PBT): chemicals that are toxic, persist in the environment and bioaccumulate in food chains and, thus, pose risks to human health and ecosystems.

LEED: Acronym for Leadership in Energy and Environmental Design, a green building rating system. Developed by the U.S. Green Building Council, LEED provides a suite of standards for environmentally sustainable construction.

Community Values

I. Corvallis Sustainability Coalition – Guiding Principles

1. Reduce and ultimately eliminate dependence on fossil fuels and wasteful use of scarce metals and minerals. Use renewable resources whenever possible.
2. Reduce and ultimately eliminate dependence on persistent chemicals harmful to human health and the environment; and wasteful use of synthetic substances. Use biologically safe products whenever possible.
3. Reduce and ultimately eliminate encroachment upon natural ecosystems (e.g., land, water, wildlife, forests, soil). Protect natural ecosystems.
4. Support capacity of people to meet their basic needs fairly and efficiently.

II. Benton County Sustainability Policy: See attached policy

III. City of Corvallis Sustainability Policy: See attached policy

CITY OF CORVALLIS
COUNCIL POLICY MANUAL

POLICY AREA 1 - GENERAL

CP 04-1.08 **Organizational Sustainability**

Adopted May 17, 2004

Affirmed October 17, 2005

Revised December 4, 2006

Revised October 20, 2008

1.08.010 Purpose

The City recognizes its responsibility to

- protect the quality of the air, water, land and other natural resources, and to conserve these resources in its daily operations;
- minimize organizational impacts on local and worldwide ecosystems;
- use financial resources efficiently and purchase products that are durable, reusable, non-toxic and/or made of recycled materials; and
- treat employees in a fair and respectful manner, providing an inclusive work environment and helping staff develop their full potential.

The City Council has demonstrated its concern for a sustainable community through the Corvallis 2020 Vision Statement. The purpose of this policy is to ensure City departments develop practices that achieve a more sustainable workplace through plans and programs that promote a balance of environmental values with economic and social equity values in the expenditure of public funds. The City Council, in its leadership position, sets an example by adopting sustainable business practices in its activities and providing the resources necessary to allow the organization to be successful in its sustainability efforts.

1.08.020 Definitions

1.08.021 Sustainability means using natural, financial and human resources in a responsible manner that meets existing needs without compromising the ability of future generations to meet their own needs.

1.08.022 Life-cycle cost analysis examines the full life of a product and its impact on the environment including the resources used to acquire the raw material and to manufacture, process, transport and install the material; the accrued life-time maintenance costs; and the final disposal (including recycle or reuse) of the product.

Council Policy 04-1.08

- 1.08.023 'Triple bottom line' is a framework for measuring and reporting organizational performance against environmental, economic, and social parameters. The term is used to capture the set of values, issues and processes that organizations must address to minimize harm and create environmental, economic, and social value.
- 1.08.024 Greenhouse gas emissions include carbon dioxide, methane, nitrous oxide, ozone and chlorofluorocarbons (CFCs). Motor vehicles that use gasoline or diesel fuel release large amounts of carbon dioxide into the atmosphere.
- 1.08.025 Backcasting is a process where a future desirable state or sustainable endpoint is determined and a strategy is set to achieve that future state through intermediate steps, usually at 1-, 5- and 10-year intervals. These intermediate objectives are then incorporated into the organization's planning efforts.
- 1.08.026 'Employer of choice' is an organization recognized for its leadership, culture, and best practices that attract, optimize, and hold top talent, achieving organization objectives.

1.08.030 Policy

The City uses a triple-bottom-line framework to enhance sustainability in all aspects of the organization's activities . City departments, through changes in daily operations, ongoing programs and long-range planning are able to simultaneously have a significant positive impact on the environment, the economic efficiency of municipal government and the social character of the workplace. Departments promote actions which are environmentally and socially beneficial while also being economically intelligent, and endeavor to assure that future generations have the resources needed to sustainably maintain healthy and productive societies.

1.08.040 Organizational Objectives

- 1.08.041 Encourage, develop and support connections between environmental quality, economic vitality and social equity.
- 1.08.042 Include long-term and cumulative impacts in decision making and ensure commitment to equity so economic impacts and the costs of protecting the environment do not unfairly burden any one geographic or socioeconomic sector of the city.
- 1.08.043 Use City resources efficiently and reduce demand for natural resources, such as energy, land, and water, as a first alternative to expanding supply.
- 1.08.044 Focus on solutions that prevent pollution through planned, proactive actions that go beyond regulatory compliance.

Council Policy 04-1.08

- 1.08.045 Act locally to reduce adverse global impacts of rapid growth of population and consumption, such as ozone depletion and global climate change.
- 1.08.046 Attract and retain the best fit employee for each position and for the organization as a whole, and commit to staff's continued growth and learning, development of new skills and willingness to take on new challenges.
- 1.08.047 Increase diversity and diversity awareness in the workforce, and provide a positive, respectful work environment, with open and honest communications.
- 1.08.048 Be a model of sustainable operations for other public and private organizations, and support and implement innovative programs that maintain and promote Corvallis' leadership as a sustainable city organization.

1.08.050 Triple-Bottom-Line Framework

To the extent possible, sustainable initiatives will meet more than one of the triple-bottom-line components. For each component, goals will be reviewed and refined at least annually to reflect accomplishments of the organization and innovations in sustainable technologies.

1.08.051 Environmental sustainability

The City values actions that are beneficial for the natural environment as well as for the health and safety of employees and the public, and that go beyond regulatory compliance to minimize the City's environmental impacts.

The organization seeks to enhance environmental sustainability through practices that promote clean air and water and reduce:

- solid and hazardous waste;
- use of toxic substances;
- emissions of greenhouse gases and other pollutants; and
- consumption of energy, water and natural resources.

Decisions take into consideration protection of open space, habitat protection and restoration, and preservation of natural biodiversity.

1.08.052 Economic sustainability

The City values wise use of public funds and considers the full cost or life-cycle cost implications of its efforts.

The organization seeks to enhance economic sustainability through purchasing parameters and guidelines that ensure an analysis of sustainably preferable options occurs with each purchase. Decisions take into consideration the time frame within which any incremental initial costs will be paid back from the benefits achieved by environmental or social investments and the need to maintain a healthy financial situation to ensure continued services to the community.

Council Policy 04-1.08

1.08.053 Social sustainability

The City values an open and friendly organization that is free from bigotry and intimidation, and exercises policies and programs that make it an employer of choice. The services provided to citizens does not burden or unfairly impact any one sector of the community.

The organization seeks to enhance social sustainability through a respectful work environment and an organizational culture that includes:

- equal access to opportunity, recognition and reward;
- engagement in the workplace and organizational goals;
- lifelong learning and adaptability to change; and
- overall physical, emotional and financial health, fostered through a positive work/life balance.

1.08.060 Implementation

1.08.061 An organizational steering committee is established to adopt and implement sustainable strategies and practices in the departments. Along with an implementation team, the committee creates goals, develops metrics, prioritizes projects, investigates new technologies, and measures success.

1.08.062 The City Manager promotes the objectives of the policy, adopts and implements sustainable strategies and practices in the departments, documents department progress towards sustainable development on an ongoing basis, and prepares an annual report on progress achieved, as well as objectives to achieve before the next annual review.

1.08.063 Departments inform, educate, encourage, and hold employees accountable for actively participating in programs and policies promoting sustainability; providing the organization with an opportunity to become a community leader.

1.08.064 Staff seeks to continually improve best management practices for work activities resulting in more sustainable operations in each of the triple-bottom-line categories.

1.08.070 Review and Update

This policy shall be reviewed annually in October by the Public Works Department and updated as necessary.

**BENTON COUNTY, OREGON
ADMINISTRATIVE POLICIES MANUAL
ADMINISTRATIVE POLICY NO. 02-01**

TITLE: **Benton County Sustainability Policy**

SECTION: **Organizational**

DATE ADOPTED BY BOARD: 6/18/02 **SUPERCEDES:** N/A

SIGNATURE OF BOARD CHAIR: _____

1.0 Purpose

A number of steps are needed to achieve a sustainable future and will require the participation of all residents. Benton County government, as an initial effort under this resolution, shall focus on improving its internal operations as a step toward meeting this goal.

Benton County adopts the following definitions, goals and guidelines to promote sustainability.

2.0 Definition of Sustainability:

Benton County government must simultaneously meet environmental, economic, and community needs throughout our county. We must use, develop and protect our resources at a rate and in a manner that enables people to meet their current needs and also preserve resources for future generations.

3.0 Goals:

- a. Increase the economic prosperity and well being of all Benton County communities.
- b. Increase the efficiency with which land, energy, water and other natural resources are used.
- c. Reduce releases to air, water and land of substances harmful to human health.
- d. Reduce adverse impacts on natural habitats and species.

4.0 Guidelines:

As Benton County works toward sustainability, the county shall:

- a. Develop incentive-based mechanisms as possible alternatives to regulatory approaches;
- b. Understand the full costs and benefits of actions to ensure that decisions are fully informed;
- c. Measure resource use, environmental health, and costs to determine progress;
- d. Establish clear, measurable goals to guide county efforts toward sustainability;

- e. Employ the knowledge, expertise and creativity of county employees and residents to develop solutions;
- f. Build upon existing private and public efforts throughout the county, region and state to ensure cooperative and efficient results;
- g. Integrate strategies to enhance the effectiveness of new and existing efforts;
- h. Collaborate and cooperate to remove barriers and find solutions; and
- i. Emphasize on-going learning and adaptive management as techniques to continually inform and improve the process.

5.0 Summary:

All county agencies and employees will take actions to promote sustainable practices within county government. As an initial step, all departments shall focus on internal government operations. We will:

- a. Adopt Sustainability Practices within Department Operations to Reduce Waste
- b. Create a Sustainable Work Group
- c. Assess Options for Sustainability Indicators and Targets
- d. Conduct Business, Community and Public Outreach
- e. Identify Further Efforts

From: Ward 3
Sent: Tuesday, December 31, 2013 9:30 PM
To: Holzworth, Carla
Cc: Nelson, Tom; Patterson, Jim; Ward 8; Ward 9; Joel Hirsch
Subject: Minutes for ASC Packet

Carla,

I'm attaching minutes of what I believe to be the last meeting of the Enterprise Zone committee. Please include them in the packet for ASC for their January 22nd meeting.

Tom,

I received this copy from a committee member some time ago. They were in draft form. I'm not sure where to look for the "final" version. If you have the final version, I would welcome your supplying that instead of this draft version.

Hal, Biff and Joel,

I contacted the three members of the EZ committee that I know, to determine if they wanted to provide testimony regarding the discussion before the ASC on the 22nd regarding extension of the tax breaks into the 4th and 5th year. They suggested that these minutes give a good flavor of their intent, without directly addressing the specific topic.

Richard

Minutes of Corvallis / Benton Enterprise Zone Committee Meeting

Date: 8/12/2010

Attendees: John Sechrest, Bill York, George McAdams, Don Herbert, Bob Devine, Bruce Hecht

Agenda:

- Background on proposal by City of Corvallis and Benton County
- Committee thoughts and recommendation: Discussion
- Recommendations from committee to City Council and County Commissions at Aug 12th meeting
- Other

Agenda item #1: The committee reviewed the proposal submitted by the City of Corvallis and Benton County. In general the committee agreed with the Phase 1 request to add the General Industrial land in the Sunset Research Park Area and the HP Campus Vicinity. The committee seemed to feel this Phase 1 request was in alignment with the committee's original recommendation presented at the March 2010 meeting. The question arose about which land in these two areas was in Benton County versus City. In the HP Campus vicinity, the McFadden property as well as a few smaller parcels north of Circle, were identified as County lands. There was concern that the Sustainability Criteria might not apply to these parcels but upon discussion we realized that to develop this land it would more than likely need to be annexed into the city. The committee discussed the Phase 2 recommendation to add all general industrial land into the EZ and identified the few remaining parcels that are currently GI. Those identified were, Lewisburg east of HWY 99, Reservoir Rd property south of the fairgrounds, the north part of South Corvallis, and some small parcels in the vicinity of 7th and Washington., The committee decided to delay discussion regarding adding these properties to the EZ instead deciding to focus on Phase 1 recommendation.

Agenda Item #2 : The committee unanimously supported the Phase 1 recommendations however the consensus was we wanted a way to encourage development of the original South Corvallis EZ property since improving the livability of South Corvallis was paramount in the original EZ designation. We then did a brainstorm of ways we could provide incentives or enhance the South Corvallis property so we could make that part of our recommendation to the City and County.

Below is the brainstorm list for encouraging development in the South Corvallis EZ area:

- Initiate installation of an electrical substation
- Work to get a wetlands delineation completed
- Support the wetland mitigation bank
- Waive or subsidize plan review and / or permit fees for building and improvements

- Add dollars to the marketing budget for this part of the EZ
- City / County investment in this area: government buildings, subsidized/no cost leases for desirable uses such as food service and business support activities.

We discussed if we wanted to remind the City and County of the original intention of the EZ as a tool to support low-income families and to promote Sustainable Business Development. A proposal was brought with the following wording:

We members of the Enterprise Zone Advisory Committee recommend that any expansion of the enterprise zone honor the two broad goals of the original zone.

One: to provide jobs for low-income residents of our community. Creating jobs for low-income citizens is the foundational purpose of enterprise zones and a legal requirement that must be met when establishing a zone. The fact that serving the disadvantaged is no longer a legal mandate when expanding an enterprise zone is a mere loophole and we urge that the spirit of the foundational purpose be observed during expansions of the zone.

Two: to require businesses moving into the zone to meet the original sustainability criteria. We believe this is critical both to the branding of our enterprise zone, which can help attract businesses in the short-term, and to moving our community toward a sustainable economy that will enable us to prosper in the future.

After discussion we felt that because we would be asking for additional incentives as our condition for recommending the expansion of the zone we would include a comment about our original intent to support low income families in the recommendation . As far as the Sustainability Criteria was concerned we felt like there was not a need to reiterate this since it is imbedded into the original City resolution.

There is disagreement however between the zone manager and the original EZ team that developed the Sustainability Criteria whether compliance is required in year 1-3. It is the original EZ team's position that applying the Sustainability Criteria for the whole period was the original intention based on early discussion with Art Fish and a letter of recommendation to the mayor. Bill York will set up a meeting with Art Fish to resolve this issue and initiate a meeting to discuss.

Agenda Item #3: We all agreed that the committee should make a statement and recommendation at the August 12th meeting. Bill York will draft a letter stating our support with Phase 1 expansion with condition of enhancing the opportunities for the South Corvallis EZ area. Our incentive list should include:

- Allocate land in the master plan for a future electrical substation
- Ask for plan review and or permit fee reductions for South Corvallis EZ projects
- Ask for the city to develop a plan to get food service / business at the Airport to support current and future business

Bill will draft a letter to be sent to the committee for review and to bring copies to the August 12th meeting for distribution. Bill and whoever else would like to testify should show up at the August 12th meeting to represent our views.

End

Enterprise Zone Advisory Committee

Recommendation August 12, 2010

If you chose to expand the Enterprise Zone, the Phase I proposal in the staff report is a very reasonable approach to doing so.

- It incorporates large blocks of land suitable for new or expanded industrial uses
- It will be relatively easy to manage
- It treats owners/developers of similar adjoining properties equitably

You are reminded that an original intent of the Enterprise Zone was to encourage investment in South Corvallis. The EZ has been successful on this count. However, providing the same incentives for properties in more prosperous or desirable areas will have to make South Corvallis less attractive to investors.

To restore a level playing field for the South Corvallis EZ, we recommend additional incentives such as:

- Initiate planning and installation of additional electrical capacity, possibly allocate or purchase land for a new substation
- Waive or reduce plan check and permit fees for development in the South Corvallis EZ area.
- Substantially reduce land lease rates for selected business types at the Airport and in the AIP.

EZ Advisory Committee Meeting

11/14/2012

Agenda:

- Introductions
- Tom Nelson takes EZ role Jan. 1st. 2013
- Corvallis City Council approves 5 year but Benton County approves only 3 year until the Companies have met criteria by the end of year 3 and are recommended for the remaining 2 years
- Coordination of the reporting methodology, criteria and monitoring
- Good of the Committee general comments/concerns

Attending:

Bill Ford, EZ Manager for 2012

Tom Nelson, Corvallis Economic Development Manager and EZ Manager starting January 1' 2013.

Don Herbert, Benton County Appointment to Advisory Committee

George McAdams, Benton County Appointment to Advisory Committee

Summary:

Bill opened the meeting at 1:30pm and introduced Tom Nelson then each attendee introduced themselves and their role with the Benton-Corvallis Sustainable Enterprise Zone

Bill reviewed the status and progress of each of the 4 current companies and mentioned 2 possible companies who have indicated an interest in applying for EZ status in 2013.

We discussed and approved Bill maintaining the position of EZ Manager under the BEC contract until the end of the calendar when the role, duties and responsibilities will pass to Tom. Tom will notify the city, county and state authorities of the change.

We discussed and established the requirement for the companies in the EZ to provide the EZ Manager a written report of their progress against the criteria annually on the 1st of Sept. This report will serve as the basis of the summary report required by State each November 1st. Tom will draft the report and implement it during 2013. We also discussed the 1 April tax report and reminders to assist the companies and the County Assessor. We also announced the new application fee established at \$250 by Benton County.

We discussed the meeting location and agreed that it was very suitable and that in the future we would request scheduling of the room via Jenny Anderson as I had done for this meeting.

It was mentioned that it is best to announce the meetings at least a week if not two in advance so people could better plan their schedules in an attempt to increase attendance.

There being no further comments or business; Bill adjourned until next called at 2:26pm.



CORVALLIS
BENTON COUNTY
ECONOMIC DEVELOPMENT OFFICE

Date: September 12, 2013

To: Benton County Board of Commissioners
Enterprise Zone Advisory Committee
Tami Woodward
Jenny Anderson

From: Tom Nelson, Enterprise Zone Manager

RE: Enterprise Zone Application from Forbidden Fruit Ciderhouse, LLC

An Enterprise Zone application was received by the Corvallis / Benton County Economic Development office on August 21, 2013 from Forbidden Fruit Ciderhouse, LLC. This company is known by most as 2 Towns Ciderhouse which is located at Eastgate Business Center across the river from Corvallis in Linn County. The company is expanding rapidly, and has exhausted its ability to expand at Eastgate. Operations will continue there, but the owners plan to expand its operations at the Corvallis Airport Industrial Park in Benton County. A preauthorization meeting was held on September 6, 2013 with staff from the assessor's office, the applicant, and the Enterprise Zone Advisory Committee. The application and sustainability requirements are attached.

The purpose of the meeting was to review and consider recommendation of approval of the application for Enterprise Zone Tax Abatement to assure the applicant could meet the jobs, investment, and sustainability criteria. Staff and the committee were unanimous in their consensus that the applicant could successfully meet the criteria, and recommends approval. Subsequently, Tami Woodward, Benton County Assessor, sent the attached letter, reporting that the applicant appears to have met the requirements for approval. An "Authorization Approval" form is being sent to the Assessor for her signature.

Next Steps:

The city of Corvallis will place consideration of approval for the extended tax abatement for 5 years on the agenda of the Administrative Services Committee (ASC) for their screening and recommendation to the full city council. If approved, the matter will be forwarded to the Corvallis City Council, and with their approval, forwarded to the Assessor to include as an agenda item for the standard 3 year exemption approval from the Benton County Board of Commissioners.

Innovate. Grow. Thrive.™

OREGON ENTERPRISE ZONE AUTHORIZATION APPLICATION

• Complete form and submit to the local enterprise zone manager **before** breaking ground or beginning work at the site. • Please type or print neatly.

APPLICANT

Enterprise Zone or Rural Renewal Energy Development Zone (where business firm and property will be located) Benton/Corvallis		County Benton	
Name of Business Firm Forbidden Fruit Ciderhouse, LLC		Telephone Number (541) 207-3915	
Mailing Address 33930 SE Eastgate Circle	City Corvallis	State OR	ZIP Code 97333
Location of Property (street address if different from above) 5123 SW Hout Street	City Corvallis	State OR	ZIP Code 97333
Map and Tax Lot Number of Site	Contact Person Aaron Sarnoff-Wood	Title Owner	

My firm expects to first claim the standard property tax exemption in the following year(s): 2014

- Check here if your firm has or has had another exemption in this enterprise zone. Note the first year of such exemption: _____
- Check here that your firm commits to renew this authorization application. Renew this application on or before April 1 every two calendar years, until the tax exemption on qualified property is claimed.
- Check here if you are requesting an **extended abatement** of one or two additional years of exemption. This is subject to minimum average annual "compensation" for employees and written agreement with local zone sponsor. Sponsor may request additional requirements.

Zone Manager Use Only (after written agreement but before authorizing firm):			
County Average Annual Wage: \$ _____	For Year _____	Total Exemption Period: <input type="checkbox"/> 4 or <input type="checkbox"/> 5	Consecutive Years (check one)

BUSINESS ELIGIBILITY

Eligible Activity—Check all activities that apply to proposed investment within the enterprise zone:

- Manufacturing Fabrication Bulk Printing Shipping Agricultural Production Energy Generation
- Assembly Processing Software Publishing Storage Back-office Systems
- Other—describe the activities that provide goods, products, or services to other businesses (or to other operations of your firm): _____

- Check here if your business firm does or will engage in **ineligible activities** within the enterprise zone (such as retail sales, health care, professional services, or construction). Describe below (or in an attachment) these activities and their physical separation from "eligible activities" checked above: _____

Special Cases—Check all that apply:

- Check here if a **hotel, motel, or destination resort** in an applicable enterprise zone.
- Check here if a **retail/financial call center**. Indicate expected percent of customers in local calling area: _____%.
- Check here if a **"headquarters" facility**. (Zone sponsor must find that operations are statewide or regional in scope and locally significant.)
- Check here if an **electronic commerce investment** in an e-commerce enterprise zone. (This also provides for an income tax credit.)

EMPLOYMENT IN THE ENTERPRISE ZONE (see worksheets on last page)

Do **not** count temporary, seasonal, construction, FTE, part-time jobs (32 hours or less per week), or employees working at ineligible operations.

Existing Employment—My business firm's average employment in the zone over the past 12 months is 10 jobs.

New Employees—

- Hiring is expected to begin on (date or month and year): 8/23/2013
- Hiring is expected to be completed by (month and year): 1/1/2017
- Estimated total number of new employees to be hired with this investment is: 10

Commitments—By checking all boxes below, you agree to the following commitments as required by law for authorization:

- By April 1 of the first year of exemption on the proposed investment in qualified property, I will increase existing employment within the zone by one new employee or by 10 percent, whichever is greater.
- My firm will maintain at least the above minimum level as an annual average employment during the exemption period.
- When the exemption claim is also filed by April 1 following each calendar year of exemption, total employment in the zone will not have shrunk by 85 percent at one time or by 50 percent twice in a row, compared to any previous year's figure.
- My firm will comply with local additional requirements as contained in: (1) a written agreement for an extended agreement, (2) zone sponsor resolution(s) waiving required employment increase, or (3) an **urban** enterprise zone's adopted policy, if applicable.
- My firm will verify compliance with these commitments, as requested by the local zone sponsor, the county assessor or their representative, or as directed by state forms or administrative rules.
- My firm will enter into a **first-source hiring agreement** before hiring new eligible employees. (This **mandatory** agreement entails an obligation to consider referrals from local job training providers for eligible job openings within the zone during at least the exemption period.)

OREGON EMPLOYMENT OUTSIDE THE ENTERPRISE ZONE

Check only those that apply:

- Check here if your firm or a commonly controlled firm is, or will be, closing or curtailing operations in the state **beyond 30 miles of the zone's boundary**. Indicate timing, location, number of any job losses, and relationship to the proposed enterprise zone investment:

- Check here if you are transferring any operations into the zone from site(s) **within 30 miles of the zone boundary** (existing businesses only): My firm's average employment at the site(s) over the past 12 months is ¹⁰ _____ jobs.
- Check here if your firm commits to increase the combined employment at the site(s) (within 30 miles) and in the zone to 110 percent of the existing combined level by April 1 and on average during the first year of exemption.

PROPOSED INVESTMENT IN QUALIFIED PROPERTY

Anticipated Timing—Enter dates or months/years

Action	Site and Building & Structures			Machinery and Equipment		
	Preparation	Construction*	Placed in Service	Procurement**	Installation	Placed in Service
To commence or begin on	9/1/2013	10/1/2013	12/15/2013	8/5/2013	11/1/2013	12/15/2013
To be completed on	9/30/2013	12/15/2013		10/31/2013	12/15/2013	

* And/or new reconstruction, additions to, or modifications of existing building(s) or structure(s).
 ** May precede application by up to three months.

Special Issues:

- Check here for building/structure acquired/leased for which construction, reconstruction, additions, or modifications began prior to this application (attach executed lease or closing documents).
- Check here for **Work-in-Progress** tax exemption for qualified property that is not yet placed in service and is located on site as of January 1. (Attach description and list of such probable property. See "Special Issues Worksheet," on the last page.)

Qualifying Property: Estimates of cost (please attach a preliminary list of machinery and equipment).

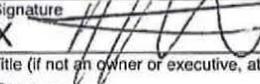
Type of Property		Number of Each/Item	Expected Estimated Value	Check if any Item will be Leased
Real Property	Building or structure to be newly constructed		\$	<input type="checkbox"/>
	New addition to or modification of an existing building/structure	8	\$ 170,000	<input checked="" type="checkbox"/>
	Heavy or affixed machinery and equipment	20	\$ 576,624	<input type="checkbox"/>
Personal Property Item(s) Costing:	\$50,000 or more		\$	<input type="checkbox"/>
	\$1,000 or more (E-commerce zone or used exclusively for tangible production)	225	\$ 314,983	<input type="checkbox"/>
Total Estimated Value of Investment			\$ 1,061,606	

Additional Description: In addition to what is explained elsewhere, briefly comment below (or in an attachment) on the scope of your investment, the particular operations and output that are planned, and the intended uses of the qualifying property.

DECLARATION

I declare under penalties of false swearing [ORS 305.990(4)] that I have examined this document and attachments, and to the best of my knowledge, they are true, correct, and complete. If any information changes, I will notify the zone manager and the county assessor and submit appropriate written amendments. I understand that my business firm will receive the tax exemption for property in the enterprise zone, only if my firm satisfies statutory requirements (ORS Chapter 285C) and complies with all local, Oregon, and federal laws that are applicable to my business.

MUST BE SIGNED BY AN OWNER, COMPANY EXECUTIVE, OR AUTHORIZED REPRESENTATIVE OF THE BUSINESS FIRM

Signature X 	Date 8/21/2013
Title (if not an owner or executive, attach letter attesting to appropriate contractual authority) Owner	

Local enterprise zone manager and county assessor must approve this application (with Enterprise Zone Authorization Approval, form 150-303-082)

Item(s)	Total
Floor Drains, Septic, Concrete Work	\$ 90,000.00
Glycol Chiller	\$ 50,000.00
Glycol Lines & Install	\$ 20,000.00
Hot Water Heaters	\$ 15,000.00
Plumbing	\$ 15,000.00
Electrical	\$ 15,000.00
Air compressor	\$ 3,000.00
Compressed Air Lines	\$ 1,500.00
Extras for Pasteurizer	\$ 10,000.00
CO2 Tank and lines	\$ 7,500.00
Natural Gas Plumbing	\$ 5,000.00
Cascade Floor (brewery floor)	\$ 20,000.00
Catwalk	\$ 25,000.00
Walk in cooler	\$ 25,000.00
New Hoses	\$ 5,000.00
New Fitting	\$ 3,000.00
New Tools	\$ 3,000.00
(2) 200 BBL Fermenter & (1) 200 BBL Bright Tank	\$ 100,000.00
Affixed machinery purchased prior years	\$ 246,187.31
Personal property purchased prior years	\$ 152,893.81
Property purchased 2013 YTD	\$ 249,525.28

\$ 1,061,606.40

Addition/Modification of existing structure	Real Property		Personal Property	
	Affixed machinery & equipment	\$50k or more	\$1k or more	
\$ 90,000.00				
	\$ 50,000.00			
	\$ 20,000.00			
	\$ 15,000.00			
\$ 15,000.00				
\$ 15,000.00				
	\$ 3,000.00			
	\$ 1,500.00			
			\$ 10,000.00	
			\$ 7,500.00	
\$ 5,000.00				
\$ 20,000.00				
	\$ 25,000.00			
\$ 25,000.00				
			\$ 5,000.00	
			\$ 3,000.00	
			\$ 3,000.00	
	\$ 100,000.00			
	\$ 246,187.31			
			\$ 152,893.81	
	\$ 115,936.25		\$ 133,589.03	
\$ 170,000.00	\$ 576,623.56	\$ -	\$ 314,982.84	

Benton County Enterprise Zone Tax Abatement Goals

Applicant Information

Date: 9/10/13
Business Name: Forbidden Fruit Ciderhouse, LLC
Contact Person: Aaron Surnoff-Wood
Phone: 541-207-3915 Email: aaron@2townsciderhouse.com

Overarching goal: Businesses are desired that encourage or demonstrate using resources in a manner that protects the environment while providing for a vigorous economy and meeting community needs now and in the future.

New Businesses:

To receive a tax abatement for years 1-3 a business must fit into one of the categories in Section I and have (3) Yes's in Section II, III or IV. If a business does not fit into one of the categories in section I it must have (5) Yes's in Section II, III or IV. The Year 4 and 5 optional tax credit would be awarded to those companies that have made progress over years 1-3 in meeting the goals listed below.

Existing or Start-up Business:

If a business already in the Enterprise Zone or a startup with no operational history does not meet the new business requirements to receive the tax abatement for years 1-3, it may submit a plan to move its organization toward becoming more sustainable based on items in the criteria. The plan will need approval and the business must report annually on its progress toward that plan. The Year 4 and 5 optional tax credit would be awarded to those companies that have made progress over years 1-3 in meeting the goals below.

Section I: Product / Services: Our company offers products or services that fit in the following business clusters. Please check one that applies:

- Green Building: (e.g. businesses that provide products or services to the green building market - insulated concrete forms, non-toxic building products, consulting services that support green building, etc.).
- Energy: Alternative energy and/or efficiency (e.g. wind, wave, solar, hydro, biofuels, energy conservation services, software/hardware to reduce energy usage, etc).
- Local Food production and processing. (using sustainable agricultural practices to reduce chemicals, water and non-renewal energy).
- Green technology: (manufacturing processes that create no hazardous substances while reducing resource use - computerized controls that reduce resource use, such as for wood processing, soil remediation, environmental sensors).
- Recycled and/or Replacement Products: (e.g. flower pots made from waste paper pulp, plastic lumber, twine made from recycled plastics).
- Sustainable Forest and Wood Products
- Other sustainable business cluster

Section II: Business Practices: Our company focuses on protecting resources and meeting community needs while enhancing the economy. Check all those that apply.

- We train our personnel to meet these goals in all business aspects.
- These goals are integrated into our business planning.
- We track our business performance with a sustainability management system. Please Identify (_____).
- We measure energy use and waste per unit of production
- Other sustainable business practices _____

Section III: Operations (Check all those that apply)

Design

Our company:

- Redesigns products so that they meet enterprise zone goals.
- Conducts Life Cycle Analyses on our product(s)/services
- Has reduced our product packaging by at least 20%
- Encouraged and engaged suppliers to redesign their products and services to meet enterprise zone goals.
- Other sustainable design practices: _____

Operations

Our company:

- Is locally owned.
- Routinely conducts process or facilities energy audits.
- Has reduced energy 10% per unit of production. (e.g. watts/widget).
- Has reduced green house gases to 1990 levels.
- Routinely/periodically conducts resource efficiency audits to reduce waste and raw materials.
- Routinely/periodically conducts efficiency audits for water usage.
- Routinely/periodically conducts employee satisfaction surveys with an action and implementation plan that follows.
- Has completed a chemical inventory that ranks toxic and hazardous materials and developed a plan to eliminate all persistent bio toxins (PBT's).
- Takes responsibly for our product at end of its useful life (e.g. takes back a computer to disassemble, recycle and or reuse components for a new product).
- Other sustainable operational strategies: _____

Section IV: Facilities

Our company:

- Intends to build to LEED (Leadership in Energy and Environmental Design) U.S. Green Building Standards or other "green" building standards.
- Will retrofit existing facilities to LEED or LEED Existing Building standards or equivalent.



DEPARTMENT OF ASSESSMENT

4077 SW Research Way

Corvallis, OR 97333

PHONE: (541) 766-6855

FAX: (541) 766-6848

DATE: September 6, 2013

TO: Forbidden Fruit Ciderhouse, LLC., Tom Nelson, Benton County/City of Corvallis Zone Sponsors

RE: Enterprise Zone Pre-authorization Application for Forbidden Fruit Ciderhouse, LLC

FROM: Tami Woodward, Assessor

Based on the information reported on the Oregon Enterprise Zone Application submitted by Forbidden Fruit Ciderhouse, LLC on September 6, 2013; the requirements of ORS 285C.140 appear to be met.

Forbidden Fruit Ciderhouse, LLC must still receive final approval from the Zone Sponsors.

Tami Woodward

Benton County Assessor

Oregon Enterprise Zone AUTHORIZATION APPROVAL

• See instructions on the back.

ZONE MANAGER APPROVAL

Authorization is granted to: Forbidden Fruit Ciderhouse, LLC
(Name of eligible business firm)

Complete authorization application was submitted on: August 21, 2013

Date of pre-authorization conference (date must be on or after authorization application submission date indicated above): September 6, 2013 Summary Attached

The total **estimated** value of the qualified property to be constructed, modified, or installed: \$ 1,061,606

Annual **average** employment inside the enterprise zone: 10 (Full-Time, Year-Round, Employees)

The total **estimated** new hiring inside the enterprise zone: 10 (Full-Time, Year-Round, Employees)

The **anticipated** first year(s) for the exemption period(s) is (are): 2013*

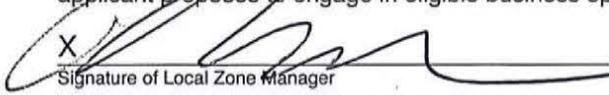
Special Circumstances:

Urban Enterprise Zone that imposes additional conditions? No Yes If yes, a description of each additional condition imposed by the enterprise zone sponsor with applicant's commitment to satisfy such condition(s) is attached prior to assessor's approval.

Extended abatement of four of five years in total requested? No Yes If yes, the written agreement between zone sponsor and applicant is: Rejected Finalized and attached (agreement must be executed prior to completion of this form).

The **filing fee** for authorization is: Waived \$200 \$ _____ (up to 0.1% of above estimated cost).

I approve the above-indicated application for authorization on behalf of the zone sponsor. I have determined that the above-named applicant proposes to engage in eligible business operation and has committed to meet the requirements to qualify for the exemption.

X  9/12/13 Benton County/Corvallis
Signature of Local Zone Manager Date Name of Enterprise Zone

COUNTY ASSESSOR APPROVAL

I **approve** the application for authorization.

X _____
Signature of County Assessor or Authorized Representative Date County Telephone Number

I **deny** the application for authorization.

X _____
Signature of County Assessor or Authorized Representative Date County Telephone Number

INFORMATION FOR APPLICANT

If the county assessor approves your application, your business firm is authorized for an enterprise zone exemption on "qualified" property. This is property newly placed into service inside the enterprise zone and meeting other criteria. To receive this exemption **you must**:

- Achieve the required minimum employment at some point on or before April 1*;
- File an exemption claim that includes a property schedule with the county assessor after January 1, but no later than April 1*;
- Actually occupy or use qualified property consistent with intended commercial purposes before July 1*.

If on January 1 you have unfinished qualified property at the authorized site, provide evidence to the assessor by April 1 using form #150-310-020, in order to be exempt while work to construct, modify, or install property is in process. This pre-enterprise zone exemption is available to most authorized business firms for up to two years, but it does not include centrally assessed property. Hotel, motel, and destination resorts are not eligible, but they may apply (by April 1) for the regular "Cancellation of Assessment for Commercial Facilities under Construction" (ORS 307.330 and 307.340).

This authorization may extend to additional qualified property subject to certain limitations. The authorization application should be amended by written request before the initial January 1, assessment date to account for any substantial change of plans such as additional structure. For different, future investments, submit new application for authorization **before** beginning construction/installation activity.

If the county assessor denies your application and you disagree with that decision, you may **appeal** under ORS 305.404 and 305.560 to: Magistrate Division, **Oregon Tax Court**, 1163 State St, Salem OR 97301-2563. (You need to provide a copy of the appeal to the local zone manager, the Oregon Department of Revenue, and the Oregon Business Development Department.)

***Year following the year (ending December 31) when the constructed, modified, or installed property is in occupancy or use or fully ready to be occupied or used.**

Distribution of copies upon final completion of the form: (Zone Manager—photocopy)
White — Applicant
Green — County Assessor
Canary — Oregon Department of Revenue
Pink — Oregon Business Development Department
Goldenrod — Contact Agency for First Source Hiring Agreement (attach only application)

Procedures for Co Sponsor for Benton/Corvallis Sustainable Enterprise Zone

November 2012

Introduction:

In 2008 the State approved the Benton/Corvallis Sustainable Enterprise Zone application. The Board of Commissioners, working with the City of Corvallis, appointed an Enterprise Zone Manager as required by statute. The tasks of the manager included screening and processing applicants to the newly designated EZ. This is accomplished with the help of an EZ Advisory Committee that was designated. The EZ Advisory Committee is composed of 3 candidates selected by the mayor of Corvallis and 3 representatives selected by the BOC, in addition to the designated EZ Manager or Co EZ Manager. This committee met and established the criteria for the extended tax abatement period as allowed by statute. See attached criteria.

Process:

Once the EZ manager receives a proposed application that appears to meet the stated criteria for the standard 3 year exemption and the applicant reviews the additional criteria for the extended abatement, an election is made to apply for either the standard period or the extended period. A \$200 fee is collected at the time of the application.

The EZ manager emails copies of the completed application to the Assessor, BOC, and the Advisory committee.

The advisory committee members and Benton County assessor are notified and a pre-authorization meeting is held to review the application. A summary of the meeting is recorded and sent to the Assessor, committee members, and BOC.

The assessor then determines if the application “appears to meet all statutory requirements”; if it does, then approves the application and sends a letter to the applicant and the Co-sponsors.

The EZ Manager completes the “Authorization Approval” form and sends it to the Assessor for signature.

The city of Corvallis then places consideration of approval for the extended tax abatement for 5 years on the agenda of the Administrative Services Committee (ASC) for their screening and recommendation to the full city council. If approved, the matter is forwarded, if rejected or additional questions require resolution, that action is taken.

Once approved by the city council, the Assessor requests an agenda item before the BOC public meeting for review and approval of the 3 year standard exemption. The EZ manager must return to the BOC after 3 years for approval of the extended two year tax abatement.

Sustainability Monitoring – The EZ Manager will obtain a written annual report from each business regarding progress towards the required criteria. The report will be filed to the EZ manager Sept 1st of each year. This report will serve as the basis of the summary report required by the State each November 1st. (Tom will draft the report and implement it during 2013).

Additional Duties of the EZ Manager include establishing and collecting a written annual report of progress by the companies, monitoring the progress, and scheduling the applicant's appearance before the BOC prior to the start of the 4th year to request the extension of the standard 3 year abatement.

Each approved applicant must file their exemption application and supporting documentation by April 1st each year. The County Assessor has an annual report due to the state by June 30th and the EZ Manager has an outline of activity due to the state by November 1st.

The EZ's approval and establishment is for a 10 year period with the renewal due in 2018.



MEMO

Date: November 18, 2013

To: Arthur Fish, Business Oregon

From: Tom Nelson, Economic Development Manager

These are the currently authorized business firms that have qualified for the exemption for the Benton Corvallis Enterprise Zone, and their progress to date:

Business Firm	New/additional Employees (Actual)	\$ Investment (to date)	Expected 1st Initial Yr. Employees	Years of Exemption
T. Gerding	3	\$2,000,000	1	3
Natural Point	21	\$1,843,792	2	3
NuScale	159	\$2,316,956	90	3
Perpetua*	0	\$60,000	30	3
Total	183	\$6,220,748	123	

* Perpetua's capitalization plan was altered by investors, and the major planned expansion went elsewhere. However, they may still expand, and therefore qualify within their 3 year exemption period.

We also have one application being processed at this time from Forbidden Fruit Ciderhouse, LLC, and expect it to be approved in December 2013. They would begin to see benefit in 2014. We also have three other clients we have been working on as recruitments that may file applications within the next year.

Corvallis / Benton County Economic Development Office has been established as the Zone Manager within the past year, and has developed a new website and marketing plan which includes information about the Enterprise Zone. It is www.YesCorvallis.org , and the contact info is listed below.

c: City of Corvallis, Benton County Commissioners, Benton County Assessor Enterprise Zone Advisory Committee



Enterprise Zone Committee members are appointed by the City of Corvallis and Benton County.
Current members:

ENTERPRISE ZONE COMMITTEE

Name	Term Expiration
Bob Devine	06-30-14
Don Herbert	06-30-14
Julie Manning	12-31-14
George McAdams	06-30-15
Tom Powell	06-30-16
Biff Traber	12-31-14

**Sponsorship by Cities, Ports, Counties and Indian Tribes of
Designated Oregon Enterprise Zones
(Effective November 2013)**

Tribal Governments (2):

Confederated Tribes of the Umatilla Indian Reservation
Confederated Tribes of Warm Springs

Note: Respective only to Reservation Enterprise Zone designations, not Reservation Partnership Zones, though both operate as enterprise zones.

Counties (29)—the seven that do not are:

NON-SPONSORING COUNTY	ZONES OTHERWISE INSIDE COUNTY	COMMENTS
Harney	0	Designation terminated at end of 2012 due to non-use
Marion	5	Four in corporate limits; one partially outside with consent
Multnomah	4	Entirely in corporate limits [Sponsors Strategic Investment Zone]
Wallowa	0	Formerly sponsored zone that was used
Washington	3	One in corporate limits; two are partially outside with consent
Wheeler	1	Entirely in corporate limits
Yamhill	0	(Consented to former zone)

Note: Clatsop County sponsored a former enterprise zone, and currently sponsors one in its NE corner with Columbia County; two other zones contain incorporated area in adjacent counties which do not sponsor that zone. (Jackson and Umatilla counties sponsor zones but also consent to others inside urban growth areas)

Ports (11):

Oregon International Port of Coos Bay	Port of Port Orford
Port of Bandon	Port of St. Helens (2)
Port of Coquille River	Port of Siuslaw
Port of Hood River	Port of Umpqua
Port of Morrow	Port of Tillamook Bay
Port of Newport	

Note: Ten ports consent to one or more zones—Asea, Arlington, Astoria, Cascade Locks, Garibaldi, Gold Beach, Portland (11), The Dalles, Toledo and Umatilla (3). (Ports of Brookings Harbor and Nehalem contain no zone)

Cities (112):

Albany	Fairview	Metolius	Roseburg
Arlington	Florence	Millersburg	Rufus
Aurora	Forest Grove	Milwaukie	Salem
Baker City	Fossil	Molalla	Sandy
Bandon	Garibaldi	Monmouth	Scappoose
Bay City	Gold Beach	Moro	Seneca
Beaverton	Grants Pass	Mt. Angel	Silverton
Bend	Grass Valley	Mt. Vernon	Sisters
Boardman	Gresham	Myrtle Creek	Springfield
Butte Falls	Haines	Myrtle Point	St. Helens
Canyon City	Happy Valley	North Bend	Stanfield
Cascade Locks	Harrisburg	North Powder	Stayton
Clatskanie	Hermiston	Nyssa	Sutherlin
Columbia City	Hillsboro	Oakland	Sweet Home
Condon	Hood River city	Oakridge	The Dalles
Coos Bay	Hubbard	Ontario	Tillamook
Coquille	Independence	Pendleton	Toledo
Cornelius	Island City	Pilot Rock	Troutdale
Corvallis	John Day	Port Orford	Umatilla city
Cottage Grove	Junction City	Portland (2)	Union city
Creswell	Klamath Falls	Prairie City	Vale
Culver	La Grande	Prineville	Veneta
Dallas	La Pine	Rainier	Waldport
Donald	Lakeview	Redmond	Wasco city
Echo	Lebanon	Reedsport	Westfir
Elgin	Lincoln City	Riddle	Winston
Estacada	Madras	Rockaway Beach	Wood Village
Eugene	Medford	Rogue River	Woodburn

Note: Cities (7) of **Ashland, Cave Junction, Eagle Point, Merrill, Newport, Tangent and Talent consent** to zones within city limits. (Seventeen former city co/sponsors: Astoria, Burns, Cave Junction, Coburg, Depoe Bay, Enterprise, Heppner, Hines, Huntington, Joseph, Lostine, Newport, Seaside, Sheridan, Siletz, Wallowa city and Warrenton)

MEMORANDUM
January 13, 2014

TO: Administrative Services Committee

FROM: Janet Chenard, Budget & Financial Planning Manager

SUBJECT: **Quarterly Operating Report – Update Proposal**

I. Issue

To review and provide feedback on a proposed new, streamlined format for the City's Quarterly Operating Report.

II. Discussion

A Quarterly Operating Report is produced and published by staff on the City's web site within 45 days of the close of each fiscal quarter based on Financial Policy 10.04.050. This report is 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. The City has used the current Quarterly Operating Report format for many years. At an average 52 pages, it is a lengthy but comprehensive source of information on the City's funds and department information that allows City staff to demonstrate to the public that the City's finances are being monitored on an ongoing basis. However, the document in its current format is a substantial work effort for staff, and also arguably more information than necessary or of interest for most stakeholders to absorb – particularly when much of the information does not change substantially from quarter to quarter or even year over year.

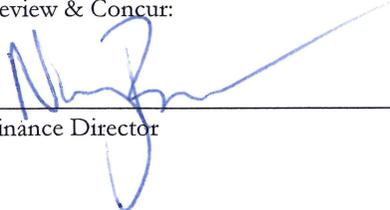
As such, an alternative format for future Quarterly Reports has been developed by staff, and a draft of this approach has been attached for ASC review and feedback on both the content and format. For ASC's consideration, the following list highlights from staffs' perspective how this new approach represents improvements over the previous report:

- Still covers all of the critical fiduciary elements for Council understanding and monitoring where the City's financial operations stand, and the drivers of same, on a regular basis;
- Retains one to two high level performance indicators per department, utilizing Council values umbrella, that may provide the public with useful information about the City's relative service provision levels;
- Fewer pages to read (13 vs. 52) so a better chance that it will be read in its entirety by stakeholders;
- With the exception of General Fund overview information which will likely remain consistent, highlights of any specific issues or opportunities and challenges in other funds will change as they are worthy. So, in general, the material covered stays fresher and is therefore of more interest to repeat readers;
- Incorporates some ideas expressed as being of interest to ASC members when concept was raised at the December 4, 2013 ASC meeting with the presentation of the first QOR of FY 13-14 (i.e. Green Line General Fund Financial Plan, increasing retirement cashout impact to OPEB's, etc.);
- Wraps in highlights related to the Investment portfolio to obviate the need for presenting same in a separate report and to a separate committee, thereby allowing some repurposing of staff time; and
- More graphic, less narrative and tables of numbers so it may appeal to the more visual reader.

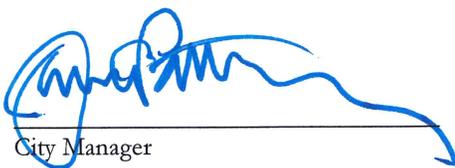
IV. Requested Action

Provide feedback on and/or approval of the attached proposed new report format. Staff would plan to provide the old format for the FY 13-14 Q2 Operating Report, but would be able to commence providing the new format, if approved, as early as Q3 FY 13-14.

Review & Concur:



Finance Director



City Manager



1st Quarter Financial Summary

FY 2013-14

This first quarter financial summary mock-up for FY 2013-14 follows a proposed new reporting format that is a departure from complex tables of comparative data and pages of detailed financial notes. The new report includes a combination of graphical displays, short contextual explanations and relatively few numeric tables. Feedback on the new format is welcome, as well as on the type of financial information selected to appear in the report. The objective in making this change is to ensure that quarterly financial data provided to City policy-makers, as well as citizens, is informative, concise and useful.

PERFORMANCE AT A GLANCE	YEAR TO DATE
GENERAL FUND	
General Fund Expenditure vs. Revenue	WATCH
Property Tax Revenue	WATCH
Transient Room Tax	POSITIVE
Franchise Fees	WATCH
State Shared Revenue	WATCH
Fines & Forfeitures	WATCH
General Fund Expenditure vs. Budget	POSITIVE
SPECIAL REVENUE FUNDS	
9-1-1 Emergency Services	WATCH
Community Development Revolving	WATCH
Development Services	POSITIVE
Parking	POSITIVE
Street	WATCH
Transit	POSITIVE
ENTERPRISE FUNDS	
Airport	POSITIVE
Stormwater	POSITIVE
Wastewater	POSITIVE
Water	POSITIVE
INTERNAL SERVICE FUNDS	
Risk Management	WATCH

What the ratings mean:

Positive – Current revenues and City Council-adopted use of reserves are sufficient to support the current level of service. Fund balances appear stable over a three-year forecast. No significant negative issues are identified.

Watch – Various stressors may cause current revenues to be flat or decline and impact the fund's capacity to support the current level of service. Factors exist that may contribute to higher than anticipated expenditure levels in more than one category over the next 6-12 months.

Negative – Current expenditures exceed or revenues are significantly behind forecast assumptions. Fund balance is unstable. Immediate action to reduce expenditures is required.

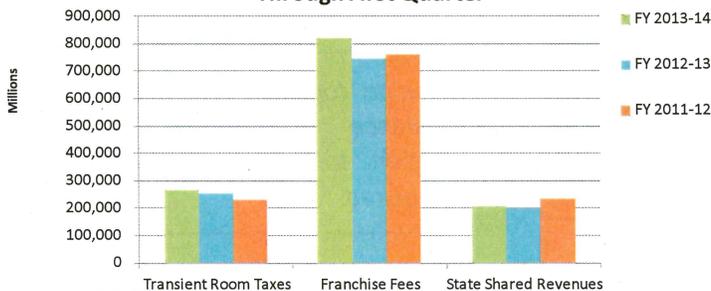
Performance at a Glance provides a year-to-date evaluation of fund health. In the General Fund section, several key factors are rated. The positive rating for *Expenditure versus Budget* indicates current General Fund expenditures appear to be on target and unlikely to exceed budget this fiscal year. The positive for Transient Room Taxes reflects receipts which continue to increase each year, and so far are ahead of last year's actuals, as well as budget in FY 13-14. The "watch" ratings – for *Property Tax*, *Franchise Fees*, *State Shared Revenues*, and *Fines & Forfeitures* – are indicative of concerns related to a variety of stressors on these resources, in particular such items as reduced valuation on property tax and ongoing appeals by certain large tax payers; and lowered demand or use of utilities, plus legislative changes, which impact fee and fine revenues. With the "watch" on many General Fund revenues, this also impacts "Expenditures vs. Revenues".

Four of the other funds listed have a “watch” rating – 9-1-1 Emergency Services, Community Development Revolving, Street, and Risk Management. These funds are on the City Manager’s watch list. All four are experiencing declining fund balances and current revenues at the threshold of being inadequate to support current service levels.

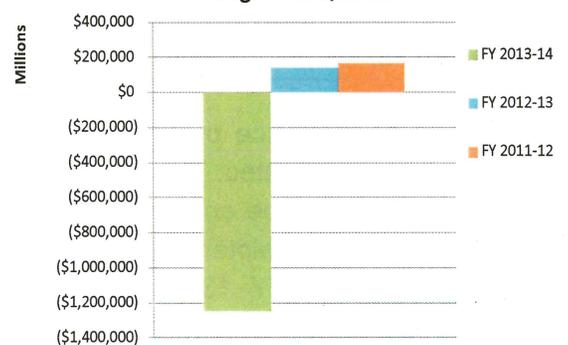
GENERAL FUND

REVENUE	AMENDED BUDGET	1st Quarter FY 13-14	UNAUDITED FY 13-14	FY 13-14 % REC/EXPEND	AMENDED BUDGET	1st Quarter FY 12-13	Y-T-D FY 12-13	FY 12-13 % REC/EXPEND
Budgeted Fund Balance	\$6,265,564							
Property Taxes	\$20,617,620	(\$1,247,274)	(\$1,247,274)	-6.05%	\$21,002,640	\$142,684	\$142,684	0.68%
Other Tax	1,372,600	264,590	264,590	19.28%	1,270,650	254,069	254,069	20.00%
Licenses/Permits	5,925,060	919,148	919,148	15.51%	5,708,610	849,412	849,412	14.88%
Charges for Service	5,879,940	1,438,489	1,438,489	24.46%	5,856,500	1,278,595	1,278,595	21.83%
Intergovernmental	4,207,850	210,411	210,411	5.00%	4,309,570	195,492	195,492	4.54%
Fines/Forfeitures	749,530	167,380	167,380	22.33%	830,110	170,916	170,916	20.59%
Miscellaneous	509,820	141,132	141,132	27.68%	576,300	117,423	117,423	20.38%
Other Financing Sources	6,875,385	166,243	166,243	2.42%	2,845,350	166,502	166,502	5.85%
TOTAL CURRENT REVENUE	\$46,137,805	\$2,060,119	\$2,060,119	4.47%	\$42,399,730	\$3,175,093	\$3,175,093	7.49%
EXPENDITURE BY DEPARTMENT								
City Manager's Office	\$326,250	\$66,051	\$66,051	20.25%	\$380,000	\$16,283	\$16,283	4.29%
Community Development	1,309,840	287,856	287,856	21.98%	1,311,410	306,784	306,784	23.39%
Finance	646,770	163,441	163,441	25.27%	629,740	153,936	153,936	24.44%
Fire	10,485,960	2,663,141	2,663,141	25.40%	10,455,220	2,493,179	2,493,179	23.85%
Library	5,878,150	1,414,233	1,414,233	24.06%	6,053,510	1,382,668	1,382,668	22.84%
Parks & Recreation	6,173,360	1,734,097	1,734,097	28.09%	6,080,310	1,609,688	1,609,688	26.47%
Police	10,649,520	2,621,368	2,621,368	24.61%	10,499,190	2,756,969	2,756,969	26.26%
Public Works	1,026,260	151,517	151,517	14.76%	1,218,900	267,250	267,250	21.93%
Non-Departmental	1,448,070	342,356	342,356	23.64%	1,362,100	351,395	351,395	25.80%
TOTAL OPERATING EXPENDITURES	\$37,944,180	\$9,444,060	\$9,444,060	24.89%	\$37,610,380	\$9,338,152	\$9,338,152	24.83%
Debt Service	\$243,180	\$220,530	\$220,530	90.69%	\$243,880	\$218,342	\$218,342	89.53%
Transfers / Other Financing Uses	6,899,715	460,206	460,206	6.67%	3,100,663	530,525	530,525	17.11%
Contingencies/Reserves	630,000	0	0	0.00%	512,850	0	0	0.00%
TOTAL ALL EXPENDITURES	\$45,717,075	\$10,124,796	\$10,124,796	22.15%	\$41,467,773	\$10,087,019	\$10,087,019	24.32%
CURRENT REVENUE LESS								
TOTAL EXPENDITURES	\$420,730	(\$8,064,678)	(\$8,064,678)			(\$6,911,926)	(\$6,911,926)	

**General Fund Revenues
Top Three Sources After Property Tax
Through First Quarter**



**Property Tax Received
Through First Quarter**



GENERAL FUND					
BUDGETARY BASIS	AUDITED FY 11-12	AUDITED FY 12-13	ADOPTED FY 13-14	YEAR-TO-DATE FY 13-14	Percentage of Budget YTD
RECURRING					
REVENUE					
Property Taxes	\$20,508,584	\$20,126,321	\$18,975,500	(\$1,247,274)	-6.57%
Other Taxes	1,239,155	1,396,192	1,372,600	264,590	19.28%
License, Fees & Permits	5,703,675	5,592,046	5,915,060	919,148	15.54%
Charges for Services	5,629,920	5,819,605	5,770,280	1,431,781	24.81%
Intergovernmental	3,699,065	3,747,053	3,634,510	210,411	5.79%
Fines & Forfeitures	805,079	679,695	749,530	167,380	22.33%
Miscellaneous	272,814	283,028	360,690	98,190	27.22%
Non-Operating Revenue	1,743,522	1,809,961	1,788,640	166,243	9.29%
TOTAL RECURRING REVENUE	\$39,601,812	\$39,453,900	\$38,566,810	\$2,010,469	5.21%
EXPENDITURES					
City Manager's Office	0	193,263	292,250	64,475	22.06%
Community Development	1,256,557	1,216,503	1,277,020	287,856	22.54%
Finance	659,181	599,021	626,770	163,441	26.08%
Fire	10,433,717	10,148,100	10,439,070	2,663,141	25.51%
Library	5,763,931	5,679,546	5,777,310	1,403,914	24.30%
Parks & Recreation	5,518,962	5,671,510	5,727,160	1,630,705	28.47%
Police	10,032,147	9,905,285	10,317,680	2,529,722	24.52%
Public Works	867,719	778,774	848,260	130,542	15.39%
Non-Departmental	1,211,667	1,252,689	1,193,350	324,488	27.19%
Non-Operating Expenditures - Transfers & Debt	2,215,792	2,289,272	2,122,330	680,736	32.07%
Contribution to Reserves	316,917	1,282,806	1,776,950	0	0.00%
TOTAL RECURRING EXPENDITURES	\$38,276,588	\$39,016,769	\$40,398,150	\$9,879,020	24.45%
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$1,325,224	\$437,131	(\$1,831,340)	(\$7,868,552)	
NON-RECURRING (ONE-TIME)					
REVENUE					
Special Projects (Grants, Misc., etc.)	\$759,930	\$629,344	\$504,090	\$49,650	9.85%
Use of Reserves	693,373	447,786	534,430	0	0.00%
Non-Operating Revenue	151,556	879,833	4,965,945	0	0.00%
TOTAL NON-RECURRING REVENUE	\$1,604,859	\$1,956,963	\$6,004,465	\$49,650	0.83%
EXPENDITURES					
City Manager's Office	0	38,007	34,000	1,576	4.64%
Community Development	0	8,890	32,820	0	0.00%
Finance	0	0	20,000	0	0.00%
Fire	581,540	27,071	23,240	0	0.00%
Library	137,541	101,316	100,500	10,319	10.27%
Parks & Recreation	164,854	394,344	436,840	103,392	23.67%
Police	156,826	249,444	312,600	91,646	29.32%
Public Works	304,666	203,793	178,000	20,975	11.78%
Non-Departmental	47,027	70,540	250,000	17,868	7.15%
Non-Operating Expenditures - Transfers	97,080	880,702	5,020,565	0	0.00%
Fund Balance Reserve Contingency	0	0	630,000	0	0.00%
Non-recurring Contribution to Fund Balance Reserve	0	2,276,200	(630,000)	0	0.00%
TOTAL NON-RECURRING EXPENDITURES	\$1,489,534	\$4,250,307	\$6,408,565	\$245,776	3.84%
NON-RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURE	\$115,325	(\$2,293,344)	(\$404,100)	(\$196,126)	48.53%
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$1,319,459	\$2,760,009	\$2,263,321	\$903,795	
<i>Net Recurring Revenue/Expenditure</i>	1,325,224	437,131	(1,831,340)	(7,868,552)	
<i>Net Non-Recurring Revenue/Expenditure</i>	115,325	(2,293,344)	(404,100)	(196,126)	
ENDING BUDGETARY FUND BALANCE	\$2,760,009	\$903,795	\$27,881	(\$7,160,883)	

The General Fund Financial Plan update provided above shows where the "green line" is at the end of Q1. The negative ending budgetary fund balance year-to-date, which is expected to correct itself by year-end based on timing of a fund balance loan, receipt of revenues and completion of reserve transfers, is currently reflective of:

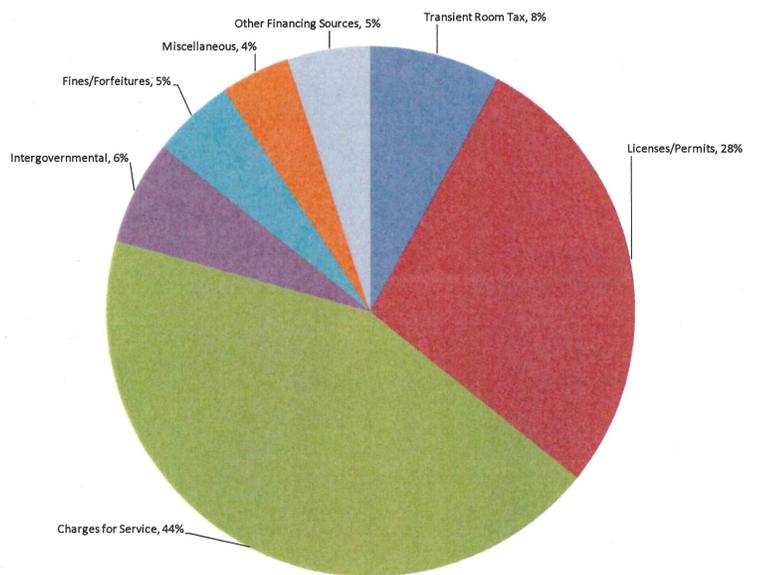
- the first quarter anticipated property tax refund to Hewlett-Packard;
- no significant inflow of offsetting property tax revenues expected until the second quarter; and
- an audited FY 12-13 ending fund balance that was \$435,000 lower than projected based on a combination of revenue shortfalls and Parks & Recreation fully expending its budget.

The **resources** pie chart, to the right, graphically illustrates the year-to-date proportions of all non-property tax resources supporting General Fund services. Property taxes have not been included as a proportion of resources in the current graph because collections are actually negative year-to-date based on the \$1.4 million refund paid out to Hewlett-Packard in the first quarter. The majority of annual property tax revenues are received during the second quarter of the fiscal year, so next quarter's chart will be substantially weighted to this revenue source. Even given the negative start, using the past two fiscal years as a metric, it is anticipated that about 50% of total General Fund revenues will be from property taxes by June 30.

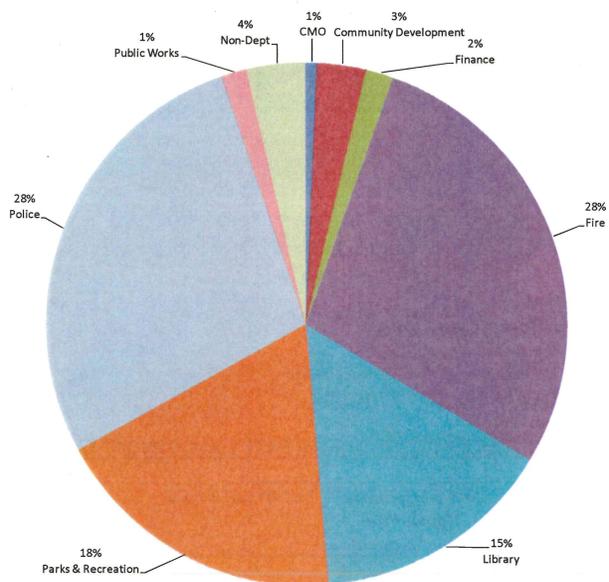
The **expenditures** pie chart shows the distribution of General Fund expenditures by department through the first quarter. The public safety departments (Fire and Police) account for 56% of fund expenditures; while other external services like library, parks, recreation, economic development, planning, code enforcement, and municipal court make up 44%.

Comparing year-to-year expenditures in this Fund (table on page 2) demonstrates that FY13-14 spending is closely aligned with FY12-13 both in total and as a percentage of budget. Some notable increases by department include an almost 16% increase as a percentage of budget for CMO due to full Economic Development staffing in FY13-14; Fire exceeding current and last year as a percentage of budget due to greater use of overtime to cover vacant positions and the five conflagrations that occurred this summer; P&R running fully staffed for personnel services compared to last year and increased special project spending early in the fiscal year.

General Fund - Proportionate Resources by Type
FY 13-14 First Quarter (excludes negative Q1 Property Taxes)



General Fund Expenditures by Department
FY 13-14 First Quarter



Fund Name	Resources as of 1st Qtr FY13-14	Resources as of 1st Qtr FY12-13	Variance 12-13 to 13-14	FY 13-14 Total Budgeted Revenue	Q1% of FY 13-14 Total Budgeted Revenue
Street	\$ 906,604	\$ 778,082	\$ 128,522	\$ 4,922,270	18.42%
Parks System Development Charge	882,049	107,651	774,398	3,170,792	27.82%
911 Emergency Services	514,884	452,353	62,531	2,231,980	23.07%
Development Services	1,307,942	602,379	705,563	2,602,700	50.25%
Community Development Revolving	580,203	309,705	270,498	3,210,200	18.07%
Parking	140,777	138,242	2,535	667,100	21.10%
Transit	886,152	518,995	367,157	4,388,720	20.19%
2011 Operating Levy	-	-	-	1,870,860	0.00%
Capital Improvement Project	422,512	14,237	408,275	5,916,840	7.14%
General Obligation Debt Service	(64,068)	16	(64,084)	1,152,620	-5.56%
Pension Obligation Debt Service	603,700	603,700	-	2,601,690	23.20%
Davidson	7	8	(1)	0	0.00%
Water	4,834,665	3,436,229	1,398,436	11,869,080	40.73%
Wastewater	3,477,514	2,787,798	689,716	12,698,290	27.39%
Stormwater	884,083	289,738	594,345	3,206,364	27.57%
Airport	81,573	91,159	(9,586)	932,100	8.75%
Fleet Maintenance	204,503	197,132	7,371	879,800	23.24%
Facility Maintenance	199,552	202,180	(2,628)	795,870	25.07%
Technology & Communication	396,465	398,460	(1,995)	1,587,540	24.97%
Administrative Services	1,134,031	1,107,138	26,893	4,554,350	24.90%
Risk Management	796,714	758,563	38,151	1,061,830	75.03%
TOTAL RESOURCES	\$ 18,189,862	\$ 12,793,765	\$ 5,396,097	\$ 70,320,996	25.87%

RESOURCES – Info on <>5% difference in Operating Funds from prior year or budget target (25%)

Street – Highway taxes typically appear to be below budget in the first quarter, due to timing of receipts, and accruals back to the prior year. While this fund continues to be on “watch” for revenues vs. expenditures, it is expected that budgeted revenues will be achieved by fiscal year end based on current trends.

Parks SDC / Development Services Funds – Charges for Service revenue in both of these funds, which includes system development charges and reviews/inspections respectively, are above target and last fiscal year due to some large OSU projects. OSU and Good Samaritan projects make up the majority of the current work load in these funds, and project timing can be somewhat variable, creating a less predictable revenue stream.

911 Emergency Services – Receipts in this Fund are typically below target year-to-date due to the shared revenue accrual timing, but are ahead of last year’s results by nearly 14% due to the combination of a higher cost share level and a FY 12-13 delayed recording of a quarterly cost share payment, so that the first quarter was artificially low.

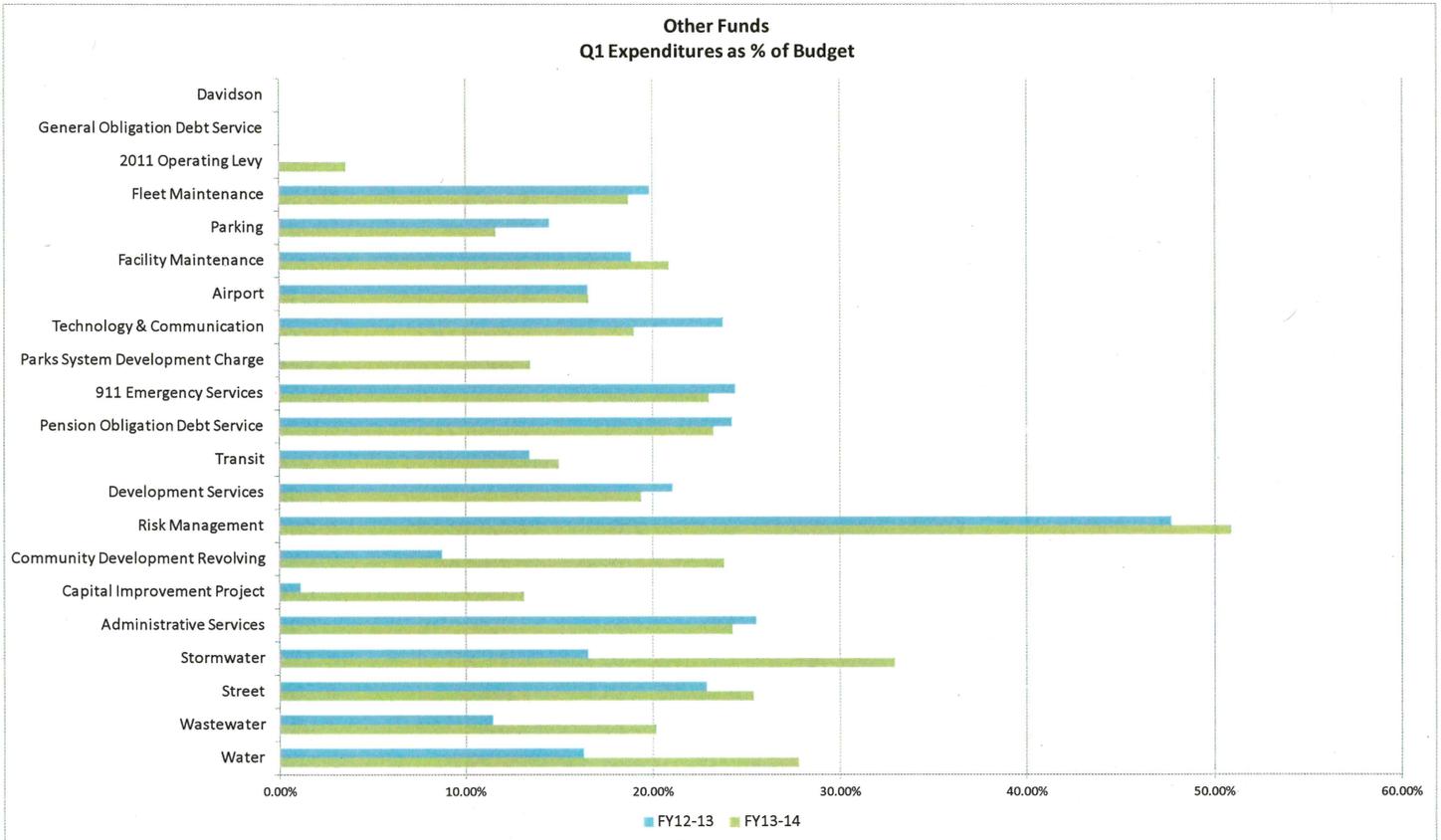
CD Revolving – While resources have increased over this time last year, CDBG and HOME program grant revenues are based on reimbursements and received only after expenditures are incurred. Timing of spending and receipts is sporadic and relatively unpredictable, so results above are typical, particularly when a significant portion of FY12-13 CDBG and HOME projects were carried forward to this fiscal year.

Transit – While revenues are nearly 71% of last year’s first quarter results due to timing of operating grant reimbursements, results are still below budget ytd, since this revenue source is projected to grow in total by about 35%.

Water – Metered water usage receipts have increased compared to last year at the same time due to slightly higher rates and increased consumption for irrigation purposes during the dry summer of 2013.

Airport – Grant revenues are reimbursement related, and so tend to lag regular budget targets. Charges for service are lower than the prior year based on fewer hangar rentals so far in FY 13-14.

Risk Management – Timing of internal service charges to departments is weighted to coincide with insurance premium payments (see expenditures on next page), 75% of which occur in July (first quarter) and 25% in January (third quarter).



EXPENDITURES – – Info on <>5% difference in Operating Funds from prior year or budget target

The above bar graph compares FY13-14 and FY12-13 expenditures through September 30 as percentages of their respective total budgets for all City funds except the General Fund (discussed in previous pages).

Parking Fund – Special project expenditures are currently over 73% of budget, and include those associated with the Sustainability Initiative Fee (SIF) and Transportation Maintenance Fee (TMF) programs. At the end of the first quarter, TMF was complete, expending its entire budget, and all Safety Sidewalk citizen requests were complete.

Technology & Communication Fund – Spending is low as a percentage of budget and last fiscal year due to none of the \$70,000 special project budget for the financial system upgrade being spent during the first quarter, as well as a 1.0 FTE position being held open in Public Works pending further analysis and possible reorganization.

Parks System Development Charge Fund – In FY13-14 the former component Parks SDC Fund was closed and fund balances transferred to the new Parks SDC Fund, which explains why there is no FY12-13 activity available for comparison purposes in the above graph.

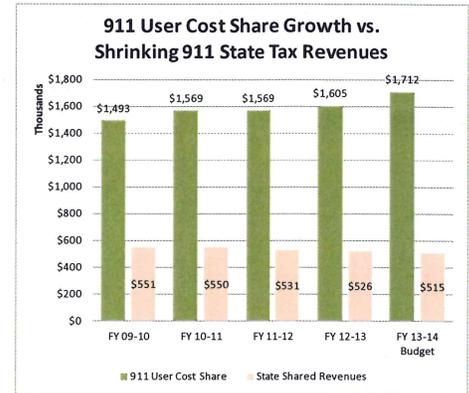
CD Revolving Fund – Spending is low as a percentage of budget and last fiscal year due to none of the \$70,000

Water & Storm Water Funds – Spending is higher compared to the prior year quarter primarily due to transfers for earlier start/completion of various capital projects made possible by a drier than average summer.

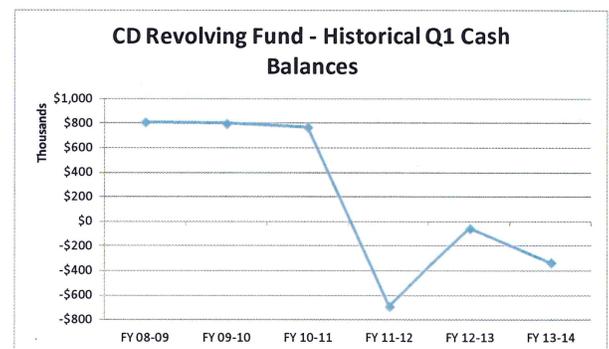
FUTURE OUTLOOK

General Fund – As noted earlier in this report, the fund faces ongoing challenges with property tax and other revenue sources aligning with increases in operating expenses. With over 68% of the fund's budgeted operating expenses related to the cost of personnel, future increases in PERS and health insurance premiums pose the most significant risk to maintaining the current levels of service.

9-1-1 Emergency Services – The 9-1-1 User's Group meets several times each year to discuss operations and the status of the Fund. The User's Group has developed a strategy such that user fees will be adjusted, avoiding significant increases and spikes where possible, in combination with funding approved projects, to attain and maintain a fund balance of not less than \$75,000 in a three-year planning period, without placing undue burden on the property-tax paying entities which comprise the User Group. However, due to flat or declining State Tax revenues and the known increases in personnel service costs, the user cost share (which is essentially property-tax based for all users of these services) has continuously increased over time. As such, the Police Department is currently challenged to maintain the recommended fund balance through the three-year planning period.

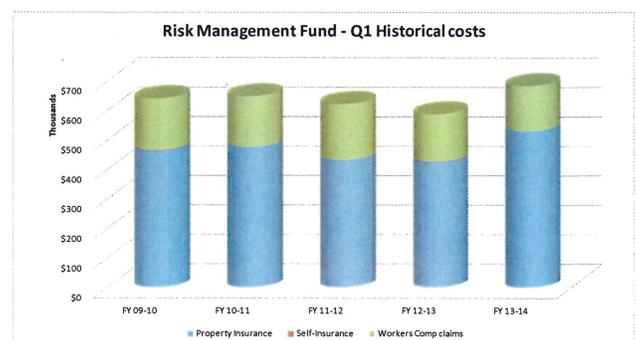


Community Development Revolving Fund – Increasing program delivery costs, coupled with a relatively rapid decline in federal resources since FY10-11, have brought revenues and expenditures much closer than in past years in the Fund. In each of the past two years, expenditures have exceeded current revenues, thus an interfund loan in the amount of \$80,000 was authorized from the Development Services Fund on June 30, 2013 to attain a positive cash and fund balance in the CD Revolving Fund to meet financial reporting requirements. This interfund loan is scheduled to be repaid to the Development Services Fund by June 30, 2014, however is likely to be drawn down again in a similar amount in FY 14-15 based on current cashflows. Presently there are too many variables (such as the timing of Fed grant awards, which information is not expected to be known until the March or April timeframe) to address solutions for ongoing solvency in this fund, but the department is working on many fronts to come up with alternatives to bring forward to Council prior to fiscal year end.



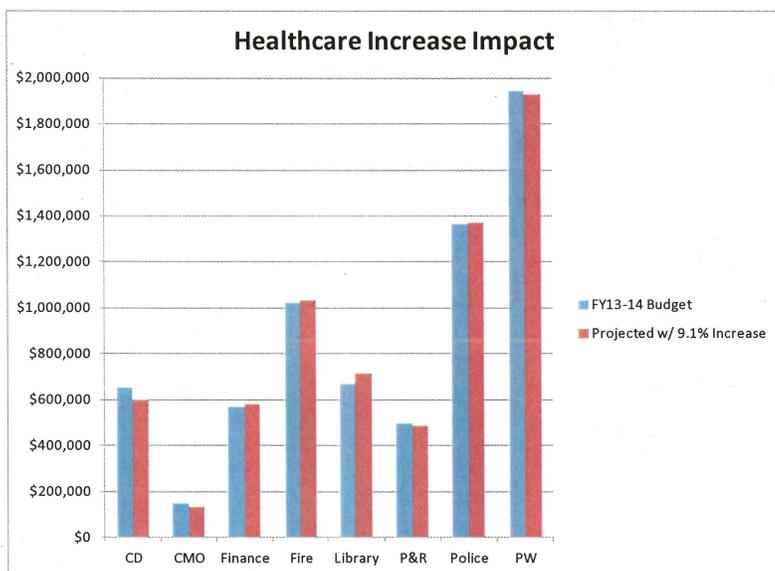
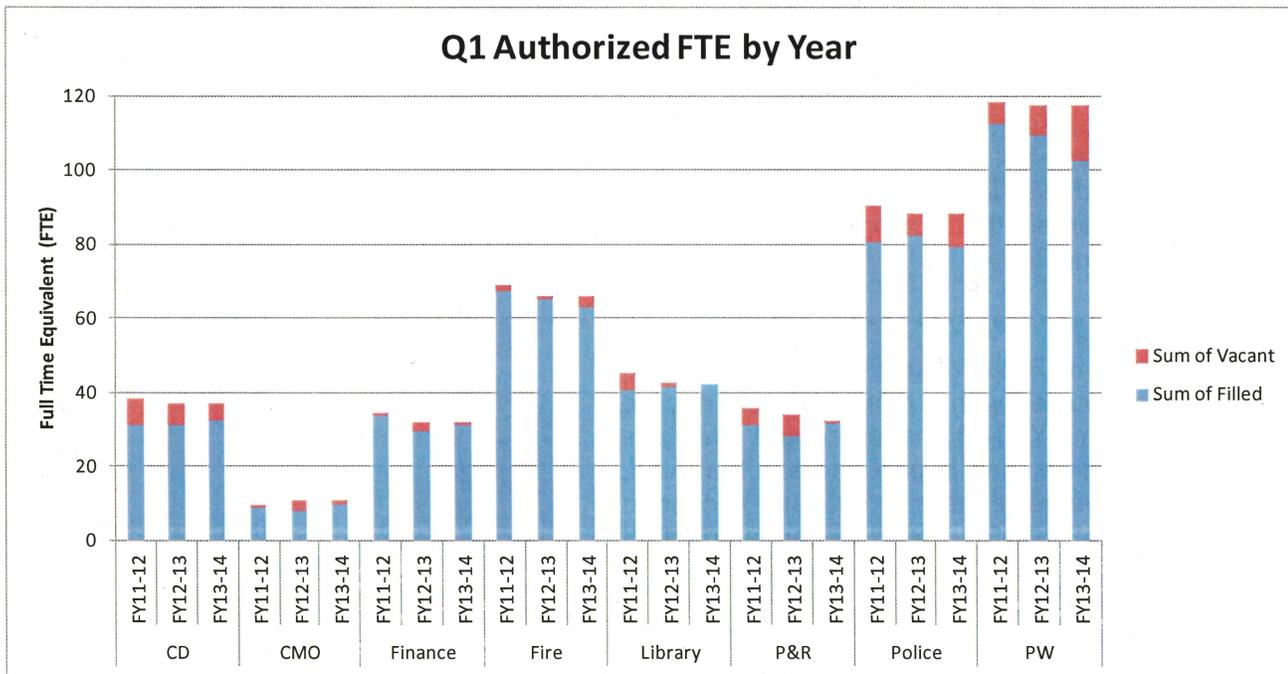
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Risk Management Fund – The City utilizes a separate fund to track organization wide insurance costs for damages and claims against capital assets and personnel. Typically premium payments for externally purchased general liability, automobile and other property-related coverage falls primarily in the first quarter of the fiscal year. The City has some control, through its Broker, over property insurance premiums by managing its deductible level and valuations. However, major unknowns each year include self-insurance (claims above/outside the deductible) and workers compensation claims which can vary significantly year to year without notice.



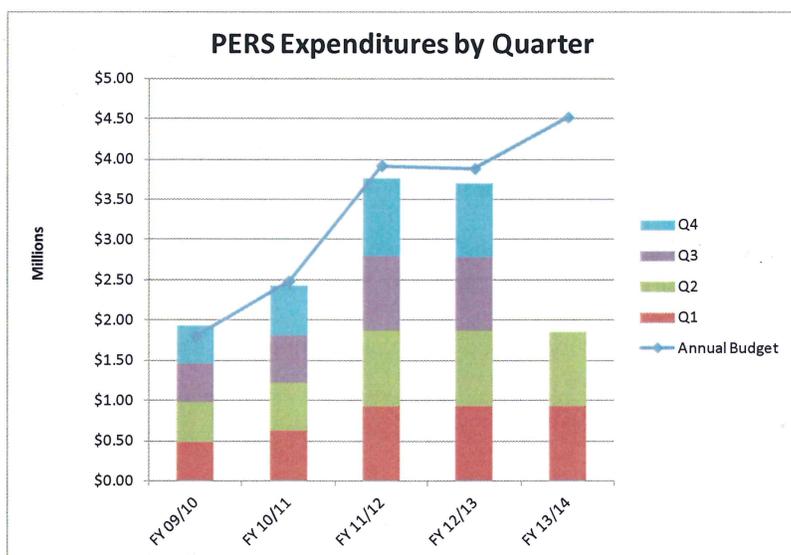
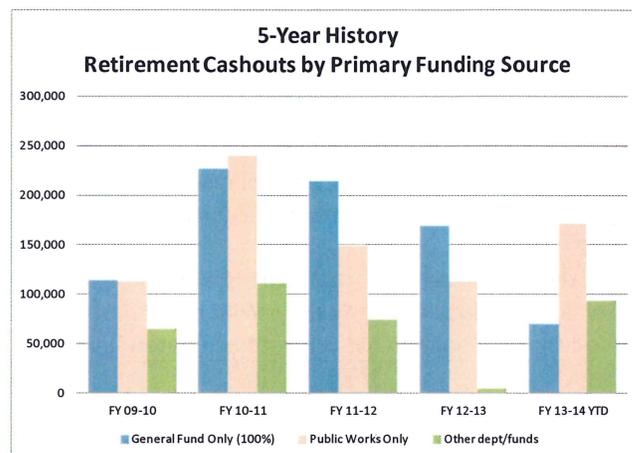
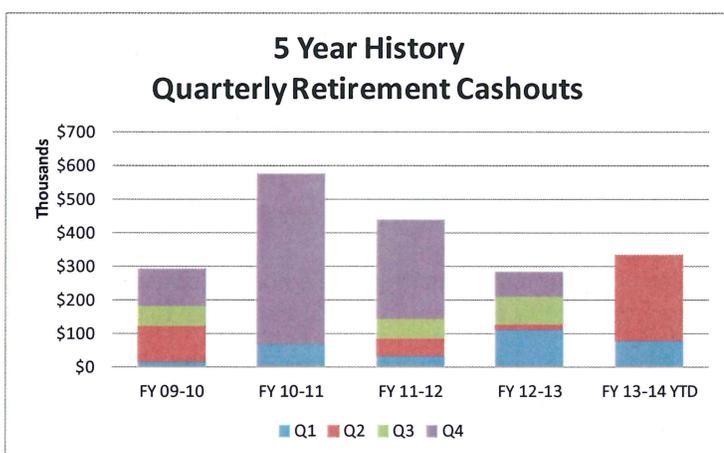
CITY STAFF – PERSONNEL SERVICES QUARTERLY UPDATE

Vacancies – The bar graph below depicts how different departments have been impacted this fiscal year in the first quarter vs. the prior two years from vacancies. Public Works has seen significant departures from retirements in FY 13-14 already year-to-date. The three years of police (CPD) activity shows that at any given time, this department tends not to be fully staffed due to the length of time to fill vacated positions. Additionally, CPD has had 3.0 FTE authorized but unfunded positions that are included in their vacancy count for FY 12-13 (so 50% of the vacancies shown) and FY 13-14 (33% of total vacancies), and 2.0 FTE (20% of total vacancies) were authorized but unfunded in FY 11-12. It should further be noted that all departments must perform a process review and/or consider reorganizations whenever a position becomes vacant in order to consider potential budget savings amongst other efficiencies.



The impact of a 9.1% increase in healthcare in the latter half of FY 13-14 is depicted in the graph to the left. Due to plan changes and current vacancies (which are assumed to be carried, which may not be a reasonable assumption), budgetary overages are currently projected for medical premiums in only half of City departments: Finance, Fire, Library and Police.

[City staff would use pages 8 and 9 in particular to highlight current/critical issues of which we believe ASC and Council should be aware. As examples, narrative, tables and graphs could be included about different major impacts on Personnel Service costs each quarter. For this whole fiscal year, retirement cashouts are likely to be significant. PERS and Healthcare, less so, but may still be worth a paragraph or illustration. The PERS graph does show significant rate increase of last biennium and relative “stability” in the current biennium. Whatever information is included in these two pages might be pertinent in one quarter, but something else such as mounting unfunded liabilities or a pending property tax refund issue or closure of hotel(s) that might impact transient room tax revenues, etc. may be more pertinent in another quarter, or at year-end. ASC and Councilors may also request certain financial info, with sufficient lead time, that could appear in an ensuing quarter. i.e. the two retirement graphs below showing quarterly retirement cashouts and funds most impacted was based on Councilor Traber’s idea of contrasting this situation with the change in OPEBs (and/or compensated absences) and probable/potential liability decrease. However the latter data is difficult to derive mid year, and challenging to portray, so is not yet available. Other ideas are welcome.]

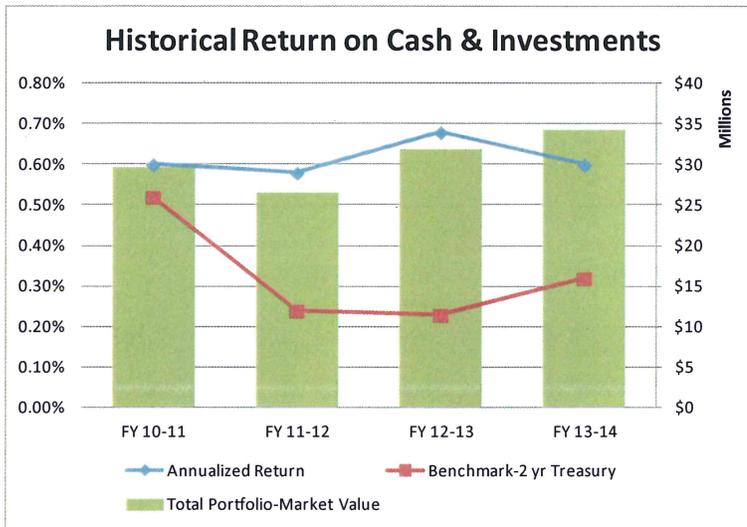
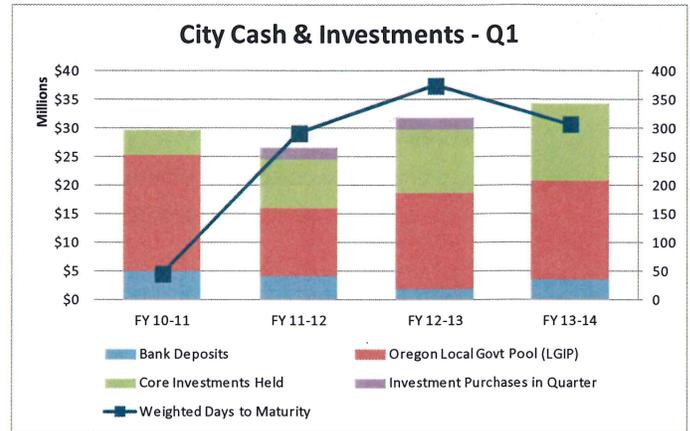


Capital Improvement Projects Update

City Hall Block	<u>CIP Doc Pg:</u> 9	<u>Adopted Budget:</u> \$168,100	<u>Amended:</u> \$110,570	<u>YTD Expended:</u> \$53,137
<p>This project continues to address the long-term facility needs for the City Hall block. FY 13-14 budget includes providing way-finding signage for municipal offices in the City Hall area.</p> <p>A contract for the way-finding signage was awarded, with production of the signs to beginning mid-August. Sign samples have been received for City approval with production anticipated for November and installation in December.</p>				
Park Development - New	<u>CIP Doc Pg:</u> 21	<u>Adopted Budget:</u> \$629,520	<u>Amended:</u> \$624,880	<u>YTD Expended:</u> \$400,504
<p>This project allows for the creation of new parks as Corvallis expands its City limits to include land within the Urban Growth Boundary. This fiscal year's budget includes improvements to Harding Neighborhood Park, pending acquisition; Shawala Point Park; and completion of the Coronado subdivision neighborhood park.</p> <p>The purchase of land in the Coronado sub-division for the purposes of a neighborhood park was completed during the 1st quarter and the park is open to the public.</p>				
Park Improvements - Existing	<u>CIP Doc Pg:</u> 25	<u>Adopted Budget:</u> \$523,000	<u>Amended:</u> \$488,930	<u>YTD Expended:</u> \$146,860
<p>This project provides for improvements to existing City Parks. The Willamette Park Rotary shelter was 90% complete in the first quarter and a grant opening celebration held. Finish work will be completed during the second quarter and the shelter will be available for rental to the public beginning with dates in April, 2014.</p> <p>During the first quarter, a construction contract was awarded for the Tunison Park improvements with completion scheduled for the 2nd quarter.</p> <p>A large steel arbor was fabricated and installed in the Avery Rose Garden Plaza during first quarter. The arbor was donated to the City by the Corvallis Rose Society. With no net out-of-pocket City expense for this project, the capital asset value to be recorded for this donation has not yet been determined.</p>				
Storm Drain Replacement	<u>CIP Doc Pg:</u> 37	<u>Adopted Budget:</u> \$467,500	<u>Amended:</u> \$628,284	<u>YTD Expended:</u> \$543,633
<p>This annual program replaces or rehabilitates storm water pipelines that are inadequately sized or have exceeded their useful service life. The facilities to be replaced are selected based on their condition as determined through inspection. Construction of projects designed in FY 12-13 is in progress.</p>				
Storm Drain Replacement	<u>CIP Doc Pg:</u> 39	<u>Adopted Budget:</u> \$467,500	<u>Amended:</u> \$628,284	<u>YTD Expended:</u> \$543,633
<p>This project implements recommendations from the adopted Storm Water Master Plan. Projects were prioritized and developed based on highest system need while addressing flood mitigation, system capacity, operations and maintenance needs, and preservation and enhancement of natural resources.</p> <p>Design was completed in FY 12-13 to provide bank stabilization on the east bank of Dixon Creek where the bank has experienced a slope failure. Construction is currently underway and approximately 50% complete. Weather impacts and Oregon Department of Fish & Wildlife delays have hindered progress.</p> <p>Construction has been completed on the Greeley Avenue project to replace an undersized 8-inch pipe running east to west on the street.</p>				
City Hall Parking	<u>CIP Doc Pg:</u> 51	<u>Adopted Budget:</u> \$10,000	<u>Amended:</u> \$10,000	<u>YTD Expended:</u> \$0
<p>The City of Corvallis, City of Albany, and Benton County are participating in a joint effort to develop a multi-use path from Corvallis to Albany. This project will be developed in phases and supports the City's sustainability policies by providing an improved bicycle and pedestrian route between Corvallis and Albany. Project design will be completed by Benton County, with the City constructing all segments within the City Limits.</p> <p>City staff has been meeting with the Oregon Department of Transportation (ODOT) Rail Division to discuss trail crossing options. This process has resulted in an administrative hearing which will not impact the construction dates. Construction is underway with completion scheduled for the second quarter.</p>				

Quarterly – Cashflow and Investment Portfolio Overview:

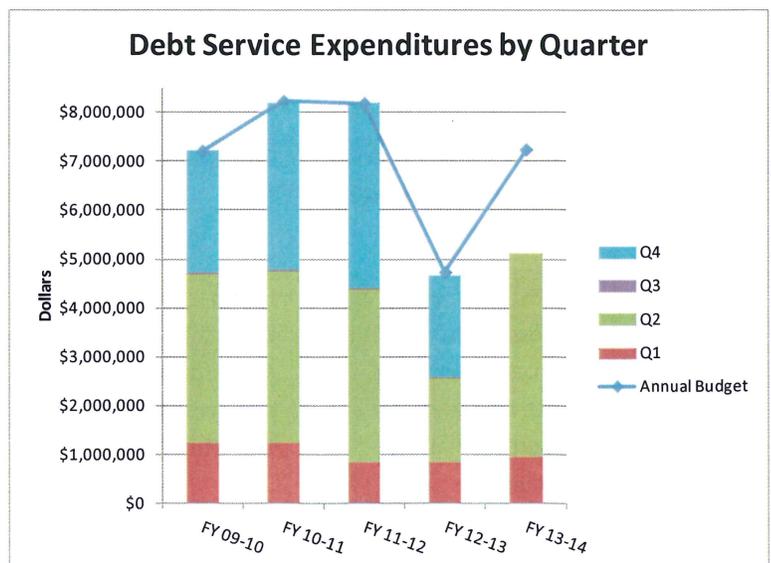
A [Treasury Report](#) is prepared and filed monthly for review by Investment Council, and a meeting is held quarterly to discuss the status of the portfolio and related investments. The graphs in this section depict total holdings at the end of each first quarter historically. While shrinkage from diminishing revenues and increasing expenditures was seen from FY 10-11 to FY 11-12, a combination of the addition of operating levy revenues, utility fee increases and financial policy related reserve building has served to grow the portfolio in total on a cash flow basis.



With the advent of hiring an Investment Advisory firm (Davidson Fixed Income Management) in 2011, the City has been able to more strategically ladder its portfolio term-wise and gain some return without undue risk in these challenging financial times. The graph to the left shows that the City has continued to outperform the benchmark 2-year Treasury note rates, while staying within investment policy dictates of a weighted average maturity of less than 18 months (as illustrated in the graph above).

Non-Operating Expenditures - Debt Service – Quarterly Update

Debt levels are typically very close to budget [Staci to add in line that shows budget level in each year in graph for comparison to actuals]. The bulk of General Obligation Bond payments are structured to be scheduled for the second quarter when cashflow is higher from property tax influx. The end of the fourth quarter or beginning of the first quarter are the other popular times to schedule debt service payments if related to seasonal underlying revenue streams. FY 12-13 shows a significant reduction due to a refunding.



COUNCIL VALUES	Management Goals & Objectives	Department - Fund Performance Measures	FY12-13 ACTUAL	FY13-14 TARGET	1st QTR ACTUAL	FY13-14 YTD
Cost Efficiency	Ensure City resources are primarily spent on operations that provide services directly to citizens.	Maintain general overhead costs (City Manager's Office and Finance) at less than 7% of total operating budget.	5.6%	<7.0%	5.61%	5.61%
	Maximize Citywide workplace productivity	Number of sick leave hours used per 1,000 hours worked.	30.5	<28.0	20.4	20.4
	Fire - Achieve a response time of 5 minutes or less from dispatch to arrival of ALS equipment of Code 3 EMS calls within the city limits, greater than the 45% ASA contract target.	Percentage of EMS calls requiring ALS with response time of 5 minutes or less from dispatch to arrival within city limits.	57.0%	60.0%	55.1%	52.5%
	Provide individual and community Parks & Recreation (P&R) programs to promote high community livability and resident well-being in a cost efficient manner.	Tier 3 of the Cost Recovery Model will meet or exceed 90% cost recovery.	159%	90%	103%	103%
	Provide intermediate and advanced level P&R programs that promote high community livability and resident well-being while recovering all direct expenses.	Tier 4 of the Cost Recovery Model will meet or exceed 100% of cost recovery.	123%	100%	144%	144%
	Maintain transit costs below national average of \$2.70 per ride.	Costs per transit ride.	\$1.64	<\$2.70	\$2.01	\$2.01
	Sustainability	Econ Dev - Provide a local business environment that supports a successful, diverse traded-sector entrepreneurial community.	Number of start-up companies the City has assisted with roll-out in partnership with OSU and ONAMI/MBI.	NEW	5	1

COUNCIL VALUES	Management Goals & Objectives	Department - Fund Performance Measures	FY12-13 ACTUAL	FY13-14 TARGET	1st QTR ACTUAL	FY13-14 YTD
	CD - Conserve resources by reducing fuel and paper use.	Percentage of permits issued online (mechanical, electrical, and plumbing).	49%	35%	50.6%	50.6%
	Achieve above national average use of Library materials in the collection: >3.39 turnover rate.	Circulation turnover rate of items in the Library collection.	4.71	4.82	1.21	1.21
	Maintain energy costs for wastewater treatment below the national average as determined by NACWA (\$166 per million gallons treated)	Energy cost per million gallons treated. ⁽⁵⁾	\$94.55	< \$80.00	N/A	N/A
Community Involvement	Library - Encourage and provide opportunities for citizen involvement with services.	Number of Library volunteer hours worked.	14,619	17,000	3,548	3,548
	Fire - Interact with at least 10% of residents (city and rural district) in public education events annually.	Percentage of citizens attending public Fire Department education events.	8.4%	≥ 10%	4%	6%
	CMO - Provide a welcoming organization that promotes and respects diversity.	% of job applicants for regular positions who identify themselves as a minority.	15%	16%	16%	16%
Diversity	CD - Assure that low income residents' housing needs are met in a cost effective manner.	Housing units occupied by low income households assisted per \$100,000 in City funds invested.	3.2	10.0	7.2	7.2
	Increase Police Department applicant pool diversity through targeted outreach efforts.	Number of new, targeted outreach efforts.	8	6	0	0