

City of Corvallis,
Oregon

2013 - 2014

Proposed
Budget



The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Corvallis for its annual budget for the fiscal year beginning July 1, 2012.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO
City of Corvallis
Oregon

Special Performance Measures Recognition

For the Fiscal Year Beginning

July 1, 2012

Christopher P. Morrell *Jeffrey R. Emery*

President

Executive Director

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. In addition, the City also received Special Performance Measures Recognition for the FY 12-13 budget document based on outstanding ratings from reviewers in both performance measurement from an Operations Guide perspective and unit goals and objectives under the Policy Document criteria.

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

City of Corvallis, Oregon

2013-2014

PROPOSED BUDGET

Mayor

Julie Jones Manning

Budget Commission

City Council

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

Citizen Members

Barbara Bull
Karyle Butcher
Rich Carone
Jack Davis
Elizabeth French
Janet Gambatese
Laurie Mason
Mark O'Brien
Curtis Wright, Chair

City Manager

James A. Patterson

Staff

Nancy Brewer, Finance Director
Janet Chenard, Budget & Financial Planning Manager
Tracey Finnegan-Wiese, Budget Analyst
Staci Voight, Budget Analyst
Angela Cook, Budget Analyst (Casual)

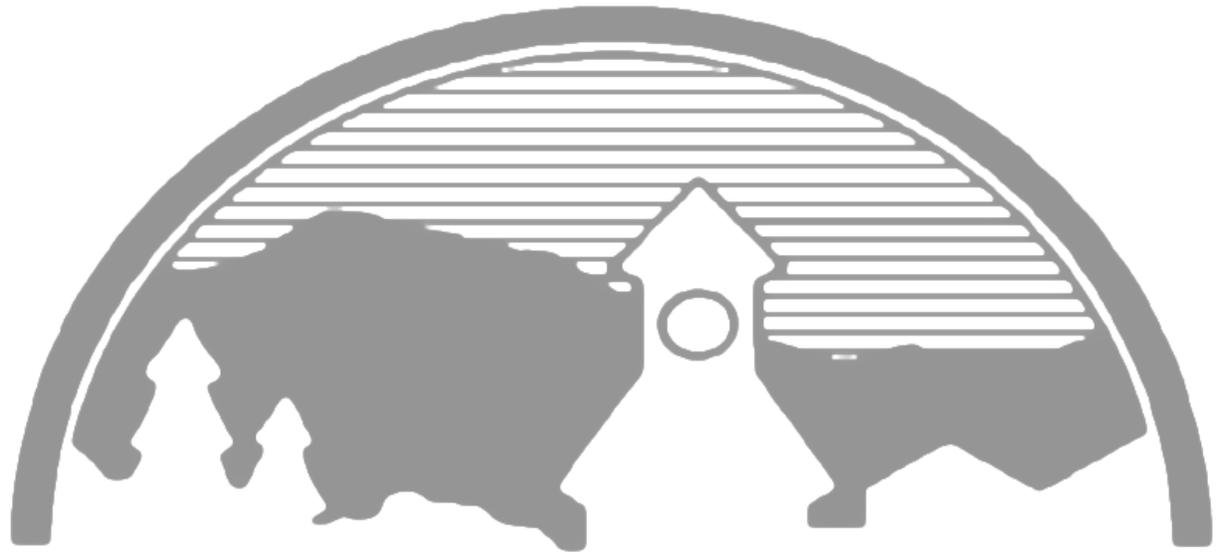
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CORVALLIS

ENHANCING COMMUNITY LIVABILITY





April 23, 2013

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

RE: FY 2013-2014 Proposed Budget

INTRODUCTION

I am pleased to present the Proposed Budget for FY 13-14 in accordance with Section 23, Item C, #5 of the City Charter and with the City Council's Financial Policies for a balanced budget. While this budget is balanced, there are a number of difficult and uncomfortable conversations our community will surely have to continue in our collective efforts to achieve a City Council goal of a sustainable budget. There is never a right time to do a difficult thing. This year, like last year, we are making decisions in a dynamic environment that is characterized by changing circumstances and complex situations., all of which are further complicated by competing interests and the reality that our City expenses exceed our revenues. If that trend continues into the future the City Council goal of a sustainable budget will not be met and that is a fact.

FINANCIALLY SUSTAINABLE BUDGET

The FY 13-14 Proposed Budget has been developed to continue the efforts initiated for the current year to achieve and maintain the City Council's goal of a financially sustainable budget. Specific achievements include:

- FY 13-14 will be the third of a three-year local option levy of \$0.45 per \$1,000 that brings in around \$1.8 million annually to fund services at the Chintimini Senior Center, the Osborn Aquatic Center, the Corvallis-Benton County Public Library, and grants to social service agencies. The City Council will be discussing strategies to renew this levy or not.

- The FY 12-13 budget included a set-aside of \$630,000 from recurring revenues to create the Fund Balance Reserve in the General Fund, as defined in the City Council’s Financial Policies. An additional \$1,308,289 was set aside from the beginning unreserved fund balance as one-time monies to build the reserve faster than policy language would require. At the close of FY 11-12, with a slightly better financial performance than projected, the City Council set-aside another \$967,911 in one-time monies to grow the fund balance reserve. Current projections place the FY 12-13 ending Fund Balance Reserve at \$2,906,200 or 46 percent of the target of \$6,300,000 (three months of payroll expenses). City Council’s Financial Policies call for setting aside \$945,000 or 15 percent of the target in FY 13-14; this Proposed Budget includes that set-aside. The Fund Balance Reserve is projected to total \$3,851,200 or 61 percent of the target at June 30, 2014 if no portion of the \$630,000 appropriated FY 13-14 contingency is expended. This positions the challenge of building the Fund Balance Reserve in the General Fund well ahead of the 25 percent funding target. This continued fiscal discipline should achieve the City Council’s goal of an adequate reserve to meet unexpected circumstances within four fiscal years as opposed to the original projection of five years.
- The City Council authorized the City Manager to appropriate up to \$322,630 from the one-time monies remaining at the end of FY 11-12 for one-time enhancements for City operations that would improve the organization’s efficiency. Department Directors with input from employees developed a list of ideas totaling more than \$2 million, then discussed the list and agreed to fund only the following projects:
 - \$15,000 for the local match to a \$141,000 grant to acquire and implement an e-ticketing solution that should improve efficiency for Police and Parking Enforcement Officers when writing citations, and for both the Police Records Department and Municipal Court which each separately have to maintain all citation data in four different data management systems.
 - \$40,000 for Community Development/Development Services implementation of electronic document management hardware and software to better facilitate the work of the Community Development, Public Works, Fire, and Parks & Recreation Departments when proposed development plans are being reviewed.

Department Directors agreed that there were a number of needed projects on the list; however, the balance of the one-time monies should not be expended at this time as additional reductions in the budget would be necessary to keep recurring expenditures within recurring revenues. The remaining \$267,630 is available to be appropriated to support implementing City Council goals for the coming year or to be added to the Fund Balance Reserve.

- Council action to consolidate the General, Parks & Recreation, Fire and Rescue, and Library Funds into a single General Fund has created some technical challenges in developing this budget in a way that allows the Budget Commission, City Council, and citizens to see the City’s financial data in a year-to-year comparison that is transparent, accurate, and understandable. Local Budget Law requires data to reflect two years of audited history, the current year budget and the FY 13-14 Proposed Budget for the fund as it is legally defined. However, to allow an easy, single page comparison of revenue and expense history and future projections for the “new” General Fund, many of the General Fund tables throughout the document will include the old “Property Tax Funds Combined” historical data. Where the old history is brought in, it is done for financial planning to see longer-term trends for all of the general Fund operations.
- City Council action to revise the Financial Policies and appropriate the General Fund Contingency from the Fund Balance Reserve has been helpful in developing a more precise budget where the “green line” reflects what is expected to happen. Since contingencies are rarely expended, treating them as a recurring expenditure meant that expenditures were overstated by \$600,000 each year. This policy change also more closely aligns the use of contingency as a use of the fund balance reserve.
- The City Council held a work session to discuss the City’s unfunded liabilities for deferred maintenance, Other Post-Employment Benefits (OPEB) and the Public Employee Retirement System (PERS). Though the numbers are daunting, the City Council has committed to coming back to discussions about the unfunded liabilities once the Fund Balance Reserve is fully funded.

The City Council for the 2013 through 2014 term re-affirmed its commitment to a Sustainable Budget by setting it as a continuing City Council goal. It is worth noting that the City of Corvallis has been ahead of the Government Finance Officers Association which just recently adopted a Best Practice that governments should have a sustainable budget where recurring revenues meet or exceed recurring expenditures – the model this City Council adopted last fiscal year.

OVERARCHING CORE RESPONSIBILITIES

The FY 13-14 Budget was developed keeping the Overarching Core Responsibilities as filters, just as they were in developing the FY 12-13 budget. However, as the cuts have gotten deeper, I would be remiss if I did not say that some of the cuts necessary to balance the FY 13-14 budget meet at least one of the Overarching Core Responsibilities. The five filters are:

RESIDENT WELL BEING

PUBLIC SAFETY

INFRASTRUCTURE

LIVABILITY

ECONOMIC VITALITY

These filters continue to guide City operations and budget decisions and were used by the City Council this year as they developed their goals for their two-year term.

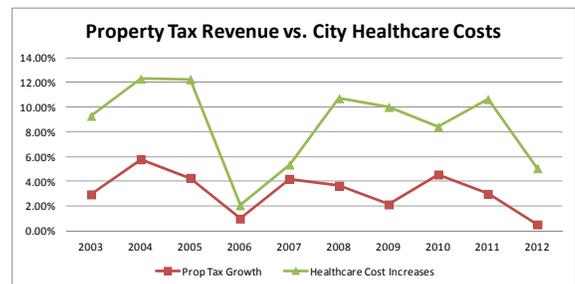
THE BUDGET PROCESS

FY 13-14 budget development has generally followed the process developed last fiscal year. The Budget Commission process kicked off with an orientation session and the presentation of the Capital Improvement Program. This meeting was followed a couple of weeks later with two work sessions with the City Council when each Department Director presented information on his/her operational area and answered City Council questions about demand for services, challenges, and projects underway.

For staff, the budget process began with the expectation that some expenditure reductions would be necessary to achieve a balanced budget in the General Fund, and that other funds would have to be managed carefully to continue operations within current revenues. Staff remains committed to working together to achieve a balanced budget and recognizes that every department has a role in the City’s financial future.

For the organization, several major factors led to changes in the financial challenges, including:

- Assessed value for 2012 grew by only 0.5% for the entire community. This slow growth was the result of adding some new value, largely from the multi-family housing being constructed around town, offset by several large properties purchased by the university and other non-profits coming off the tax roll and continuing the long-term decreases in assessed values for industrial property.



- Benton County elected to withhold \$1 million in property tax turnovers from all taxing entities to refund taxes paid by several large taxpayers which have appeals pending at the Oregon Court of Appeals. When combined with the low level of growth in assessed values, actual property tax revenue for the City for FY 12-13 will be around \$200,000 lower than it was in FY 11-12. This also meant that revenue projections for FY 13-14 are revised down, starting from a lower base of assessed value.
- PERS rate changes effective July 1, 2013 were announced in November 2012. The City's employer rate increased from 3.77 percentage points to 4.60 percentage points (depending on the retirement plan) of payroll. Cost increases associated with this rate change total \$1,319,530 for all funds, with about \$719,250 of that amount associated with the General Fund. The Oregon Legislature has passed a bill that modifies the PERS system and should result in lower employer rates, but a revised rate is unlikely to be available to the City until after this budget is adopted. The portions of the PERS solution that come from changes to cost-of-living-adjustments (COLAs) for current and future retirees will be litigated, with a decision from the Oregon Supreme Court likely to occur too late for the 2015 rate setting process; if the legislation is overturned, rates will increase again significantly in 2017. Even with the changes made to the system, the City's PERS rate is projected to increase another 6% of payroll effective July 1, 2015.
- Moody's has continued to leave the City on negative outlook; this was confirmed in the fall of 2012 when the City refunded outstanding debt in the Water and Wastewater funds.
- The American Federation of State, County and Municipal Employees (AFSCME) bargaining unit began negotiations in February for a July 1 contract period. Since negotiations have not been completed, this budget process has not anticipated any changes to compensation for AFSCME members.
- Exempt employees (mostly managers and supervisors) have taken no COLA for three years, and agreed to a reduction in the cafeteria benefit amount effective December 2012. No compensation changes were anticipated for this group in developing this budget.
- CPOA and IAFF labor units both have approved contracts that have included reductions in costs for medical benefits and a COLA effective with the July payroll. The CPOA COLA was 2.5% and equates to approximately \$90,470 for FY 13-14. The IAFF COLA was 2% based on the February 2013 CPI-U and equates to approximately \$99,620 for FY 13-14.
- The Corvallis Regional Communications Center Association (CRCCA) has declared an impasse in their negotiations and at the time of this writing the parties are waiting for an arbitration hearing. No changes in salaries or benefits are included in this budget for CRCCA members.

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

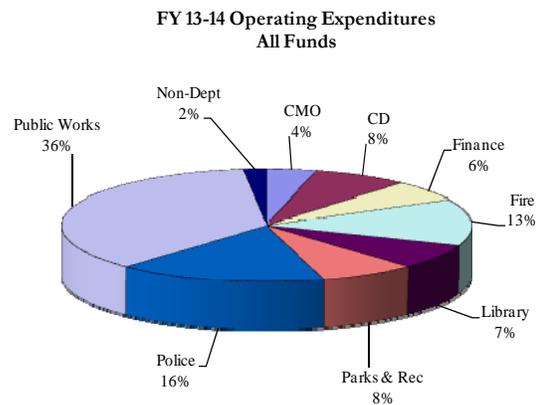
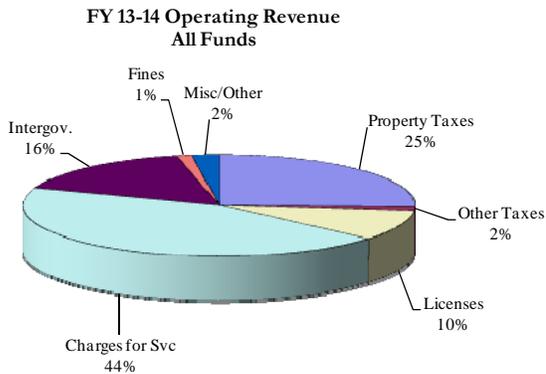
- All budget actions must serve to enhance citizen's level of trust in City government.
- Our road to financial sustainability will require reinvention.
- We must keep in mind the importance of our City of Corvallis bond rating.
- We will not grow local government unnecessarily.
- We will plan for a financially sustainable future.
- We will incorporate revised financial policies into the budget.

- Any increases in staffing will be associated with an adopted legislative City Council action, reduction of staffing in another department, Council adoption of new taxes or fees to support services, or increases in existing tax or fee resources.
- Any proposal to reduce or eliminate services or financial support to the community should be considered very carefully with the future in mind and the potential impacts to our city.
- Any proposal to reduce our work force should be considered very carefully, recognizing these decisions will impact employees and their families.
- Our proposed balanced budget should keep the City of Corvallis competitive and in line with the market place for wages and benefits for employees.

It is in this context that the FY 13-14 Proposed Budget was developed.

THE FY 13-14 PROPOSED BUDGET

The City of Corvallis’ total Proposed Appropriated Budget for FY 13-14 is \$120,206,432, based on total anticipated revenue of \$114,233,367 and a beginning fund balance of \$39,139,161. Information about the assumptions made for FY 13-14 and future financial planning years are included in the section immediately following the Budget Message, beginning on page 21. I encourage all readers to review this information about the City’s financial position.



FY 13-14 PROPOSED BUDGET – ALL FUNDS

	FY 10-11 Audited	FY 11-12 Audited	FY 12-13 Adopted	FY 12-13 Revised	FY 13-14 Proposed	% Chg from FY 12-13 Adopted
Beg. Fund Balance	\$35,265,169	\$36,122,345	\$30,942,517	\$37,856,441	\$39,139,161	26.49%
Operating Revenue						
Property Taxes	21,707,796	24,447,883	23,904,680	23,162,860	24,155,960	1.05%
Other Taxes	1,190,725	1,239,155	1,270,650	1,351,600	1,372,600	8.02%
License, Fees, Permits	7,594,923	8,599,092	8,740,150	8,844,060	9,079,840	3.89%
Charges for Service	39,595,595	40,705,126	39,728,150	40,025,550	42,002,980	5.73%
Intergovernmental	11,841,933	12,351,866	16,894,030	13,675,410	15,219,260	-9.91%
Fines and Forfeitures	1,230,295	1,234,517	1,283,410	1,244,980	1,202,630	-6.29%
Miscellaneous	1,533,233	2,736,271	2,617,670	3,254,200	2,123,450	-18.88%
Total Operating Rev.	84,694,500	91,313,910	94,438,740	91,558,660	95,156,720	0.76%
Non-Operating Rev.	8,023,133	9,665,021	11,734,273	20,835,830	19,076,647	62.57%
Total Revenue	92,717,633	100,978,931	106,173,013	112,394,490	114,233,367	7.59%
Total Resources	\$127,982,802	\$137,101,276	\$137,115,530	\$150,250,931	\$153,372,528	11.86%
Operating Expenditures						
City Manager's Office	3,077,696	2,854,817	3,302,670	3,140,180	3,250,120	-1.59%
Community Dev.	5,776,916	5,516,417	7,626,640	7,279,980	6,240,080	-18.18%
Finance Department	4,647,986	4,872,485	4,790,210	4,781,470	4,986,810	4.10%
Fire Department	10,413,153	11,015,256	10,449,720	10,311,580	10,710,100	2.49%
Library	5,907,584	5,901,472	6,054,010	6,004,870	5,970,100	-1.39%
Parks & Recreation	5,441,267	5,683,816	5,928,130	5,874,590	6,225,540	5.02%
Police	12,210,477	12,574,931	12,885,000	12,798,690	13,551,470	5.17%
Public Works	24,170,737	26,048,093	29,651,700	27,269,190	29,765,600	0.38%
Non-Departmental	1,425,391	1,260,044	1,363,450	1,485,420	1,449,420	6.31%
Total Operating Budget	73,071,207	75,727,331	82,051,530	78,945,970	82,149,240	0.12%
Non-Operating Budget						
Capital Projects	4,715,906	5,718,392	9,493,868	4,448,900	10,036,785	5.72%
Debt Service	8,200,473	8,182,617	7,119,140	4,660,460	7,245,970	1.78%
Transfers	5,872,871	9,616,495	10,849,273	7,781,810	18,272,007	68.42%
Other Non-Op Uses	0	0	855,000	15,274,630	774,640	-9.40%
Contingencies	0	0	1,611,260	0	1,727,790	7.23%
Total Non-Op. Budget	18,789,250	23,517,504	29,928,541	32,165,800	38,057,192	27.16%
Total Appropriated Budget	\$91,860,457	\$99,244,835	\$111,980,071	\$111,111,770	\$120,206,432	7.35%
Ending Fund Balance	\$36,122,345	\$37,856,441	\$25,135,459	\$39,139,161	\$33,166,096	31.95%

FY 13-14 PROPOSED BUDGET – GENERAL FUND

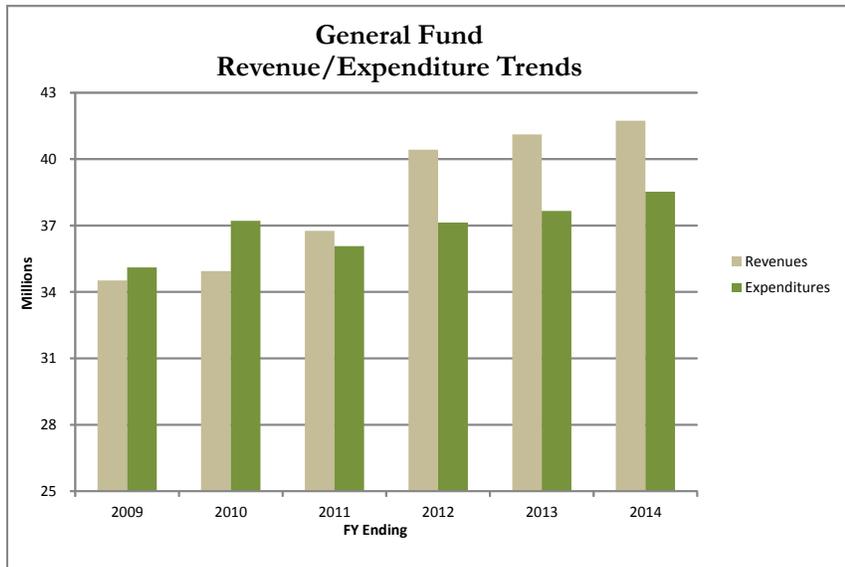
The City’s General Fund continues to be the focus of considerable attention. As noted above, property tax revenue in FY 12-13 will end the year lower than the FY 11-12 revenue as refunds for prior year valuation appeals are paid by Benton County, and monies are withheld from tax payments to the city for potential costs associated with still pending appeals. This has lowered the projected revenue estimates for FY 13-14 from what was expected a year ago, and continues to exacerbate the long-term financial outlook.

Total General Fund revenue for FY 13-14 is projected to be only 1.46 percent higher than the current adopted budget. For FY 13-14, the City projects property tax revenue for operations from the permanent rate will be 1.01 percent higher than the adopted revenue for FY 12-13. Total revenues and total expenditures are both significantly higher when non-operating resources/uses are included due to the transfers of balances from the Parks & Recreation, Fire and Rescue, and Library Funds to close those funds to the General Fund.

Operating expenditures are projected to increase only \$870,000 (around 2.31 percent) above the adopted budget for FY 12-13. FY 13-14 will mark the fourth successive year of reductions in the General Fund services to achieve a balanced budget, even as total projected expenditures increase.

The City has cut its General Fund budget by over \$6.4 million and cut 27.14 FTE citywide (including positions funded by internal service charges that are 40 to 50 percent funded by the General Fund) in the last three fiscal years; an additional \$372,300 and a net of 2.33 FTE are proposed to be reduced in the General Fund for the FY 13-14 Budget.

The financial summary for the General Fund, including what has been presented in prior years in the “All Property Tax Funds Combined” presentation for comparison purposes, follows. This presentation shows the beginning fund balance as if the single General Fund has always been in existence. In addition, interfund transfers, the action to move the balances from the Parks & Recreation, Fire and Rescue, and Library Funds are shown as both non-operating revenue and non-operating expenditures. As such, these transfers net to \$0 and have no impact on the bottom line but show the cash moving between funds. The one-time Fund Balance adjustment shown below also reflects bringing activity into the General Fund which has not previously been included in the “All Property Tax Funds Combined” presentation. These are balances from Open Space Reserves and Library Future Reserves activities that have not been included in the past due to their restricted nature, but will now be restricted in the General Fund.



(1) 2009 through 2012 are audited results; 2013 is based on Adopted FY 12/13 & 2014 is based on Proposed FY 13/14.
 (2) 2012 through 2014 revenues include projections for the three-year levy receipts.

FY 13-14 PROPOSED BUDGET – GENERAL FUND

	FY 10-11 Audited	FY 11-12 Audited	FY 12-13 Adopted	FY 12-13 Revised	FY 13-14 Proposed	% Chg from FY 12-13 Adopted
Beg. Fund Balance	\$4,121,374	\$3,521,876	\$3,094,656	\$4,585,969	\$6,212,444	100.75%
Operating Revenue						
Property Taxes	\$19,730,852	\$20,508,584	\$21,002,640	\$20,305,690	\$21,215,100	1.01%
Other Taxes	1,190,725	1,239,155	1,270,650	1,351,600	1,372,600	8.02%
License, Fees, Permits	5,481,731	5,710,000	5,708,610	5,734,530	5,925,060	3.79%
Charges for Service	5,349,585	5,633,617	5,856,500	5,791,620	5,879,940	0.40%
Intergovernmental	3,820,228	4,230,716	4,155,100	3,967,230	4,207,850	1.27%
Fines and Forfeitures	809,652	805,079	830,110	799,680	749,530	-9.71%
Miscellaneous	383,697	491,069	423,850	612,140	470,390	10.98%
Total Operating Rev.	36,766,470	38,618,220	39,247,460	38,562,490	39,820,470	1.46%
Non-Operating Rev.	383,406	1,895,078	2,845,350	2,696,900	6,363,165	123.63%
Total Revenue	37,149,876	40,513,298	42,092,810	41,259,390	46,183,635	9.72%
Total Resources	\$41,271,250	\$44,035,174	\$45,187,466	\$45,845,359	\$52,396,079	15.95%
Operating Expenditures						
City Manager's Office	\$0	\$0	\$380,000	\$274,470	\$309,360	-18.59%
Community Dev.	1,450,222	1,256,557	1,311,410	1,327,470	1,317,850	0.49%
Finance Department	576,402	659,181	629,740	621,470	654,220	3.89%
Fire Department	10,413,153	11,015,256	10,449,720	10,311,580	10,710,100	2.49%
Library	5,907,437	5,901,472	6,023,510	5,974,370	5,970,100	-0.89%
Parks & Recreation	5,441,267	5,683,816	5,928,130	5,874,590	6,225,540	5.02%
Police	9,914,796	10,188,973	10,352,220	10,322,960	10,857,580	4.88%
Public Works	945,067	1,172,385	1,218,900	961,090	1,034,170	-15.16%
Non-Departmental	1,424,041	1,258,694	1,362,100	1,341,960	1,448,070	6.31%
Total Operating Budget	36,072,385	37,136,333	37,655,730	37,009,960	38,526,990	2.31%
Non-Operating Budget						
Debt Service	30,389	244,422	243,880	243,880	243,180	-0.29%
Transfers	1,646,600	2,068,450	2,150,900	2,131,900	6,116,075	184.35%
Other Non-Op Uses	0	0	855,000	750,060	774,640	-9.40%
Contingencies	0	0	512,850	0	630,000	22.84%
Total Non-Op. Budget	1,676,989	2,312,872	3,762,630	3,125,840	7,763,895	106.34%
Total Appropriated Budget	\$37,749,374	\$39,449,205	\$41,418,360	\$40,135,800	\$46,290,885	11.76%
One-Time FB Adjustment				\$502,885		
Ending Fund Balance	\$3,521,876	\$4,585,969	\$3,769,106	\$6,212,444	\$6,105,194	61.98%

This balanced, sustainable budget was accomplished with fewer reductions than have been made in the last two years, but it is important to note that the reductions were made on top of reductions in prior years that have left the organization offering services at a considerably reduced level.

To develop the FY 12-13 budget, I asked each Department Director to reduce their proposed budgets by 5.07%. I did not feel I could give similar directions for developing a balanced FY 13-14 budget; the cuts that both Police and Fire Departments implemented in FY 12-13 took both departments too significantly below my expectations for levels of service and I do not feel further reductions in public safety are in the community's best interest. As a result, budget reductions for FY 13-14 were focused in Community Development, Parks & Recreation, Library, and Public Works.

The other City departments that were not given targets to achieve budget reductions were still asked to take a look at their budgets, and to eliminate all non-mandatory travel and training. The actions of all eight departments listed below have helped the organization achieve a balanced budget for FY 13-14.

City Manager's Office **Total reduction = \$3,300** **Target reduction = \$0**

- ❖ Eliminated non-mandatory training.
- ❖ Fully implemented, national award winning Ambassador Program (savings of 1 FTE \$62,000) to provide customer service support at City Hall.

Community Development Department **Total reduction = \$35,090** **Target reduction = \$35,084**

- ❖ Eliminate all contractual services budget available for planning work.
- ❖ Reduce miscellaneous equipment and supplies budget.
- ❖ Reduce overtime and casual Planning staff budget.
- ❖ Increase charges to hang banners over Harrison to cover the full cost of the banner program.

Finance Department **Total reduction = \$29,920** **Target reduction = \$0**

- ❖ Reduced the department's training budget to cover only mandatory trainings.

Fire Department **Total reduction = \$0** **Target reduction = \$0**

- ❖ No further reductions or compromises in services contemplated in this year's budget.

Library **Total reduction = \$158,840** **Target reduction = \$158,839**

- ❖ Eliminate the balance of the Inter-Library Loan program that has been reduced in prior years.
- ❖ Eliminate a position in Adult Services.
- ❖ Reduce the materials budget by another \$60,000 and cut other miscellaneous supplies and equipment.
- ❖ Eliminate all non-levy funded training.

Parks & Recreation **Total reduction = \$155,260** **Target reduction = \$155,255**

- ❖ Eliminate the Management Assistant position and assign the work to other staff.
- ❖ Modify the FTE allocations between two administrative positions and increase by .25 FTE the Parks Planner position for a net reduction of 0.125 FTE.
- ❖ Reduce the Seasonal Parks Workers by .58 FTE.
- ❖ Reduce the Department's training budget by \$4,090.
- ❖ Increase revenue projections by \$56,000 along with further expansion of the Cost Recovery Program.

Police Department **Total reduction = \$3,470** **Target reduction = \$0**

- ❖ Reduce non-mandatory training.

Public Works **Total reduction = \$24,290** **Target reduction = \$23,128**

- ❖ Reduce travel and training for all but mandatory training.
- ❖ Eliminate the appropriations for an Engineering Supervisor; the position will be retained as authorized but unfunded as the Public Works Department staff consider alternatives.
- ❖ Re-allocate staffing levels for the Geospatial Information Systems (GIS) staff resulting in a reduction in the allocation to the General Fund.

Non-Departmental **Total reduction = \$0** **Target reduction = \$0**

- ❖ There were no reductions for the Non-Departmental budget. Social Services funded by the permanent property tax rate were held flat at \$237,750.
- ❖ The allocation of monies to the Corvallis Arts Center increased 1% to \$42,310.
- ❖ A total of \$125,000 has been set aside on a one-time basis for accomplishing the Council goal associated with the housing study.
- ❖ A total of \$125,000 has been set aside to continue work on the Council Goal associated with City/OSU Collaboration, as identified below.

COUNCIL GOALS

The *Corvallis 2020 Vision Statement* sets the overall vision for the community. Each City Council adopts goals to be accomplished during the two-year Council term that are designed to move the organization closer to the community's vision. The City Council elected for the 2013-2014 term adopted six goals.

The goals, and the specific FY 13-14 budget implications of the goals, are:

1. **CITY/OSU COLLABORATION** - The Collaboration Corvallis project will be completed by the end of 2014 with Council approved recommendations implemented or planned, including a collaboration framework for the future. There have been 47 recommendations made to the Collaboration Corvallis Steering Committee as of March 31, 2013. Of those recommendations approximately half are the City's full or joint responsibility. Some of the recommendations have already been implemented (i.e., Land Development Code changes), some are in the development stage (i.e., municipal code amendments related to alcohol fines) while some have not yet been fully sized or scoped for City Council consideration (i.e., transit center hub near OSU). This Proposed Budget includes appropriations for the Collaboration project as follows:
 - a. \$90,000 in the General Fund, Non-Departmental budget to complete the Collaboration work plan subject to cost sharing with OSU – OSU will contribute half this cost as revenue to the City.
 - b. \$25,000 in the General Fund, Non-Departmental for development of neighborhood design standards.
 - c. \$5,000 in the General Fund, Non-Departmental for a livability survey to evaluate the effectiveness of changes made in livability measures.
 - d. \$5,000 in the General Fund, Non-Departmental for an existing, gravel parking conditions survey.
 - e. \$300,000 in the Parking Fund, Public Works Special Projects for the first stage of the potential implementation of the recommendations for expanded residential parking districts. Additional scoping work is required before the project can be implemented, so the monies have been included in

the Public Works Department Special Projects budget where they can be expended if the City Council chooses to pursue this recommendation.

There are two other recommendations coming out of Collaboration Corvallis project thus far with the potential for significant costs to the City. One is the goal to achieve parity with comparable cities for Police Officers per 1,000 population. Adding Police Officers is a significant cost without any current funding in the City's budget and will be the subject of further City Council discussion about the potential for an alternative revenue source (PST – Public Safety Tax) and long-term financial strategy. The second is the recommendation to institute a property maintenance code which will need to be considered with the anticipation that rental housing fees would cover additional program costs.

2. **SUSTAINABLE BUDGET** - Council will achieve a sustainable budget where recurring revenues equal or exceed recurring expenditures in all City funds by continuing to seek expenditure efficiencies and by exploring and implementing a broad range of revenue sources. This Proposed Budget continues the work begun last year to develop and implement a sustainable financial operation. The Proposed Budget is balanced, and the City Council's commitment to build and hold a General Fund Fund Balance Reserve is met with the scheduled contribution. Additional work on a longer-term financial strategy and potential revenue alternatives will begin shortly after this budget is adopted with Budget Commission work sessions.
3. **ECONOMIC DEVELOPMENT** - Economic Development Commission will review and possibly supplement the current economic development strategy incorporating aspects of agriculture-related businesses, local investment, arts and culture, as well as the City's overarching goals. The Economic Development Commission will provide recommendations to the Council by the end of 2013. Council takes action by mid-2014. This work has been added to the Economic Development Commission's work plan for the coming year. Staff in the Economic Development Office will support this work effort without needing additional resources in FY 13-14.
4. **HOUSING** - By the end of 2013, the Council will have access to comprehensive and objective information about the demands for housing in the Corvallis urban growth boundary and the causes of the current housing mix. By the end of 2014, the Council will create policies, regulations, and strategies to help meet the housing needs of those who live here or wish to live here. The General Fund Non-Departmental Budget includes \$125,000 to implement and complete the study portion of this goal; Community Development Department staff also completed a pre-notification to the State seeking a Transportation and Growth Management (TGM) grant to help fund the effort.
5. **HOMELESS COLD WEATHER SHELTER** - Participate in the development of a plan to find a permanent solution by December 2014 for a cold weather shelter and daytime drop-in center. The Community Development Department's Housing Office staff has been working with Benton County staff and members of the Corvallis Homeless Shelter Coalition (CHSC) to implement the County's 10-year plan to end homelessness. This work will continue through FY 13-14 as Housing staff provide technical assistance and advice to the CHSC with regard to acquisition considerations and requirements for specific properties in which they have interest.
6. **PUBLIC PROCESS AND PARTICIPATION** - By December 2014, the Council will revise its processes and structures into a more effective and efficient citizen engagement program to develop diverse future leaders, enhance communication between citizens and the Council, help connect citizens to each other to strengthen community and neighborhoods, and utilize the expertise of citizen-volunteers in solving community problems. There are no monies budgeted for this goal in FY 13-14 pending City Council discussion and action to further refine the goal and determine if staff or other resources will be needed.

DIFFICULT CONVERSATIONS

With no resources available or identified to add or expand services, but community demand for the City to provide more services, staff's attention will continue to be focused on ways to be more creative with service delivery. For staff and the community, this begins with a series of difficult conversations about how the current work is being done, and how other entities may perform the work Corvallis does, how to improve service delivery, and whether all current work can or should continue to be done.

These are difficult conversations because they hit close to home; staff, City Council members, and advisory board and commission members will be asked to take a hard look at services that some may have spent an entire career with the City building. However, our times require that we carefully and comprehensively do our due diligence into service delivery and the intended and unintended consequences that can result in asking questions and developing solid information about service delivery alternatives. The City is at the front end of these conversations and questions remain that must be answered. For example, what would happen if the City just stopped providing some services because we can't afford it? Can private enterprises provide the same services for lower cost? Will contracting services compromise the quality of that service delivery? If the City offices were open for fewer hours, would service levels suffer?

On March 4, 2013 some of the difficult conversations began with developing the FY 13-14 budget, specifically my direction to Department Directors to begin looking at whether the private sector can provide some services at significant savings. An example of staff-initiated conversations is reducing hours City facilities operate as a way to see significant savings. Department Directors are about equally divided between those who believe this is one of the best ways to reduce costs and those who see the potential for significant loss of customer service; and while no recommendation has been made in this budget to change hours of operation, we should spend sufficient time thoroughly investigating and vetting the idea to know whether the idea is viable or not. These types of conversations must continue.

Even though most of the work reflected in this message focuses on difficult conversations surrounding reducing expenditures, the City Council has also been actively pursuing difficult conversations about revenue alternatives. During the past year Council has been asked to consider establishing a Parks & Recreation District, and has most recently worked on a Public Safety Tax to fund restoration of Police and Fire services previously cut from the City budget. This conversation is expected to expand to the stage of more community participation in the next two months, and combine with conversations about renewal of the current property tax levy. Conversations about long-term financial planning strategies will begin in earnest with the Budget Commission hopefully scheduling work sessions after this budget is adopted.

SUMMARY

I recently wrote in a City Manager's Monthly that it is important that as a community of people we approach every difficult conversation with an expectation that we can make it work or make it better. I admire and appreciate the work of the City Council, the Budget Commission and our other Board and Commission members who give of their time to make Corvallis an outstanding city. I also appreciate and acknowledge the sacrifices that our dedicated and professional staff and bargaining units have made over the time I have been City Manager to help the City achieve a sustainable budget. There is still much work to be done. As our conversations move forward, staff proposals to balance the budget may include reinventing or remaking how we provide essential City services, how we balance our staffing levels including management and front line staff, how we negotiate labor agreements, and how the community can assist in that decision-making process.

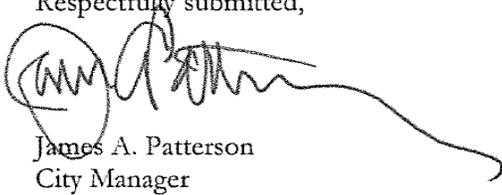
Any discussion of new taxes or fees will require that we continue to look for significant reductions in the overall budget at the same time either the City Council or voters approve additional funding. This is the consistent response

we got from the most recent Citizen Survey, where a majority of registered voters thought the bottom line to address the General Fund deficit is “combine revenue increases and budget cuts to balance the City budget, acknowledging this will mean reductions in service levels.”

Again this year, I could not have accomplished the work on this proposed balanced budget without the assistance of our knowledgeable, experienced and professional Department Directors and City staff. I appreciate their support and their commitment to this city. As professional staff, we look forward to implementation of an approved and adopted City budget.

And our collective expectation....make it work or make it better.

Respectfully submitted,



James A. Patterson
City Manager

Review & Concur:



Public Works Director



Community Development Director



Parks & Recreation Director



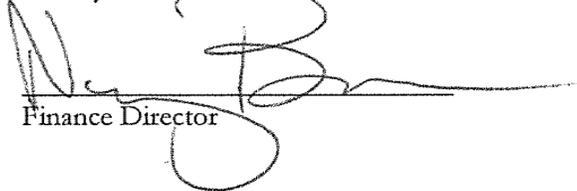
Library Director



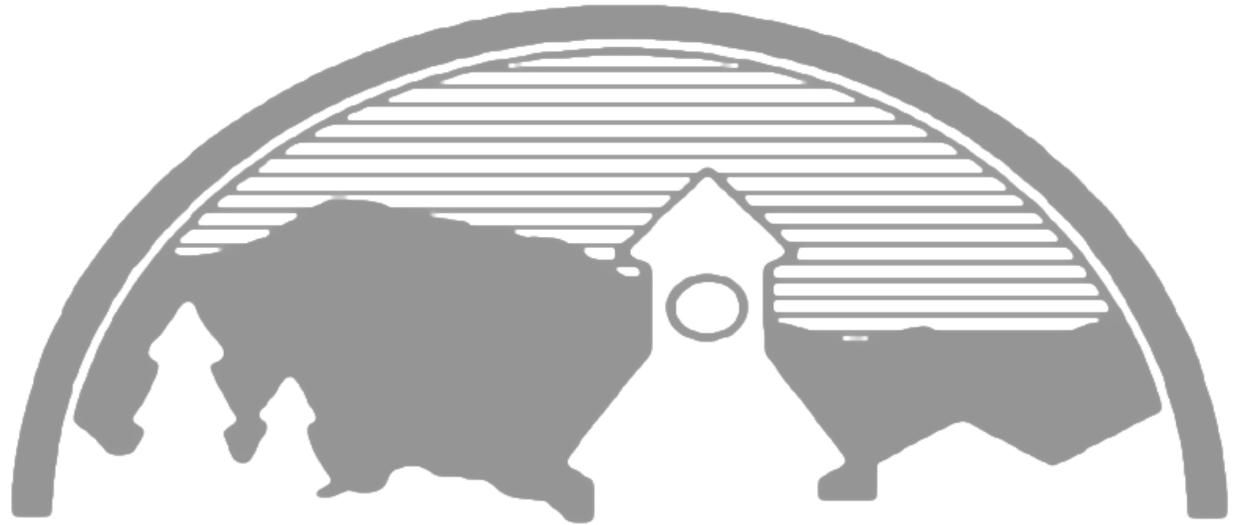
Police Chief



Fire Chief



Finance Director



CORVALLIS

ENHANCING COMMUNITY LIVABILITY



BUDGET & FINANCIAL PLANNING OVERVIEW

I. INTRODUCTION

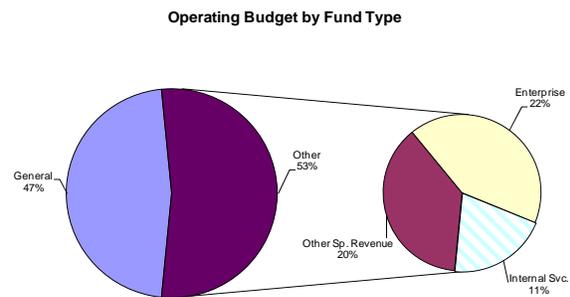
This section of the budget document provides an overview of the financial information related to the operations of the City for FY 13-14 as well as information on longer term financial planning considerations. The annual budget focuses on one year of activity, but the City of Corvallis has a lengthy history of long-term financial planning as is a best practice for ensuring a viable future for municipal government services. As such, this section begins with a summary of the FY 13-14 City budget that combines all funds by fund type, followed by a summary of revenue and expenditure assumptions which have been used to develop the City's budget and forecast future fund balances. The FY 13-14 operating expenditure budget is summarized by both department and type of expenditure. Next the non-operating budget is summarized, with page references to more specific information. Finally, three-year financial plans and summary narrative for eighteen of the City's twenty-two funds are included to provide information about the City's future.

II. SUMMARY OF THE PROPOSED BUDGET FOR FY 13-14

The Proposed Budget for FY 13-14 is balanced as per State Law. The City's projected revenue totals \$114,233,367. With an estimated beginning fund balance of \$39,139,161, the City projects it will have \$153,372,528 in total resources to fund services. The expenditure budget totals \$120,206,432 with \$82,149,240 for operating expenditures and \$38,057,192 for non-operating expenditures. A summary of the budgeted revenues and expenditures is outlined in the chart below.

	Governmental Activities			Business Type Activities		FY 13-14 Total	% of Total Rev/Exp
	General Fund (A)	Special Revenue Funds (B)	Cap Const/ Debt/Perm Funds (C)	Enterprise Funds (D)	Internal Svc Funds (E)		
Beg. Fund Balance	\$6,212,444	\$9,582,691	\$1,018,749	\$20,957,083	\$1,368,194	\$39,139,161	
Operating Revenue							
Property Taxes	21,215,100	1,870,860	1,070,000	0	0	24,155,960	21.15%
Other Taxes	1,372,600	0	0	0	0	1,372,600	1.20%
License, Fees, Permits	5,925,060	3,149,780	0	5,000	0	9,079,840	7.95%
Charges for Service	5,879,940	4,792,070	0	22,518,630	8,812,340	42,002,980	36.77%
Intergovernmental	4,207,850	8,320,100	2,241,350	449,960	0	15,219,260	13.32%
Fines and Forfeitures	749,530	453,100	0	0	0	1,202,630	1.05%
Miscellaneous	470,390	708,800	436,620	440,590	67,050	2,123,450	1.86%
Total Operating Rev.	39,820,470	19,294,710	3,747,970	23,414,180	8,879,390	95,156,720	83.30%
Non-Operating Rev.	6,363,165	2,090,932	5,846,000	4,776,550	0	19,076,647	16.70%
Total Revenue	46,183,635	21,385,642	9,593,970	28,190,730	8,879,390	114,233,367	100.00%
Total Resources	\$52,396,079	\$30,968,333	\$10,612,719	\$49,147,813	\$10,247,584	\$153,372,528	
Operating Expenditures							
City Manager's Office	309,360	0	0	0	2,940,760	3,250,120	2.70%
Community Dev.	1,317,850	4,755,180	0	167,050	0	6,240,080	5.19%
Finance Department	654,220	247,520	0	0	4,085,070	4,986,810	4.15%
Fire Department	10,710,100	0	0	0	0	10,710,100	8.91%
Library	5,970,100	0	0	0	0	5,970,100	4.97%
Parks & Recreation	6,225,540	0	0	0	0	6,225,540	5.18%
Police	10,857,580	2,693,890	0	0	0	13,551,470	11.27%
Public Works	1,034,170	8,686,860	0	18,188,450	1,856,120	29,765,600	24.76%
Non-Departmental	1,448,070	0	1,350	0	0	1,449,420	1.21%
Total Operating Budget	38,526,990	16,383,450	1,350	18,355,500	8,881,950	82,149,240	68.34%
Non-Operating Budget							
Capital Projects	0	0	6,334,925	3,701,860	0	10,036,785	8.35%
Debt Service	243,180	0	3,667,590	3,335,200	0	7,245,970	6.03%
Transfers	6,116,075	6,872,322	0	5,283,610	0	18,272,007	15.20%
Other Non-Op Uses	774,640	0	0	0	0	774,640	0.64%
Contingencies	630,000	300,290	0	436,500	361,000	1,727,790	1.44%
Total Non-Op. Budget	7,763,895	7,172,612	10,002,515	12,757,170	361,000	38,057,192	31.66%
Total Appropriated Budget	\$46,290,885	\$23,556,062	\$10,003,865	\$31,112,670	\$9,242,950	\$120,206,432	100.00%
Ending Fund Balance	\$6,105,194	\$7,412,271	\$608,854	\$18,035,143	\$1,004,634	\$33,166,096	

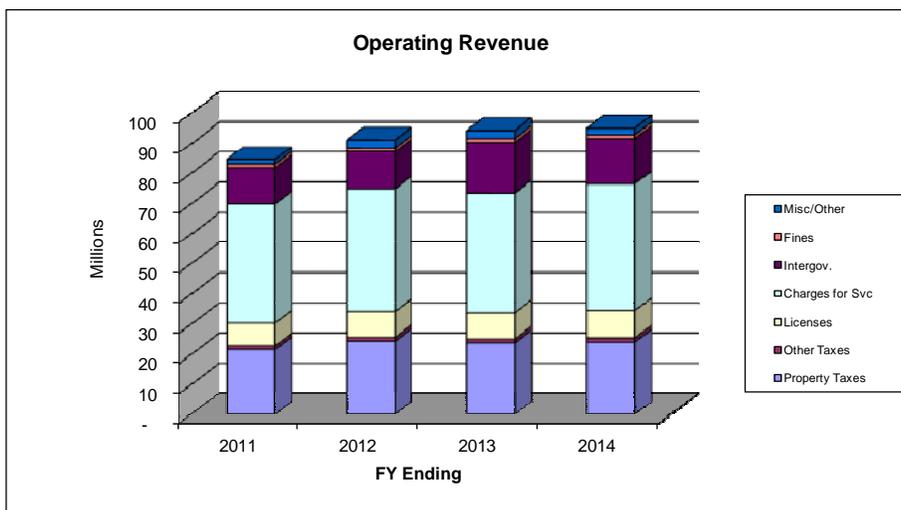
- A. General Fund – Property taxes are the major revenue source for Police, Land-Use Planning, Parks and Recreation, Fire, Library, and Economic Development services, although most of these services have some fee or grant resources also available. As of FY 13-14 the Parks and Recreation, Fire and Rescue, and Library Funds will be closed, with revenue and expenditure activities for their programs consolidated into a single General Fund. FY 13-14 also marks the third and final year that some Library, Parks and Recreation and Social Services are partially supported by a voter-approved property tax levy outside of the City’s permanent tax rate.
- B. Special Revenue Funds – The special revenue funds include the Street, Parks Systems Development Charge, 9-1-1, Development Services, Community Development Revolving, Transit, Parking, and 2011 Operating Levy Funds. The operations supported in these funds have specific designated revenues, and receive no property tax support. The 2011 Operating Levy Fund was established to record revenue received associated with the May 2011 local option tax levy; this funding is transferred out to the General Fund for support of social services as well as Library, Aquatic and Senior Center operations.
- C. Capital Construction/Debt Service/Permanent Funds – This category includes the Capital Construction, General Obligation Debt Service, Pension Obligation Bond Debt Service, and Davidson Library funds. The Capital Construction Fund receives support from grants, bond issues or bank loans for specific projects and interfund transfers for cash funded projects that are not utility or airport projects. The General Obligation Debt Service Fund is fully supported by voter-approved property tax levies outside of the City’s permanent tax rate. The Pension Obligation Debt Service Fund is supported by interfund transfers from the operating funds of the organization. The Davidson Library Fund is a permanent fund, supported by a \$5,000 non-expendable trust.
- D. Enterprise Funds – Enterprise funds are business-like activities, where operating revenues pay for all costs of operation and maintenance as well as capital construction and debt service. The City of Corvallis operates four enterprise funds – Water, Wastewater, Storm Water, and Airport. The enterprise funds carry relatively large balances in reserves for debt service and construction (systems development charge revenue).
- E. Internal Service Funds – Internal service funds provide services primarily within the City’s operations and include the Fleet, Facility Maintenance, Technology and Communications, Administrative Services and Risk Management Funds. The primary support for internal service funds is payments from departments for the services provided.



III. REVENUE PROJECTIONS

The City’s budget process begins with revenue projections and includes testing assumptions made about revenues for the current fiscal year and expanding those assumptions to FY 13-14. For the two future years in the Financial Planning period, forecasting considers additional drivers such as trends in the economy, inflation and population to derive projections which are sufficiently realistic, and neither overly conservative nor optimistic, to ensure services and programs are maintained or enhanced at the level of citizen demand and not cut unnecessarily.

Revenues are discussed by classification in the following pages.



PROPERTY TAXES

	FY 10-11 Audited	FY 11-12 Audited	FY 12-13 Adopted	FY 12-13 Revised	FY 13-14 Proposed	% Chg from FY 12-13 Adopted
Operations - Permanent Tax	\$19,808,493	\$20,508,583	\$21,002,640	\$20,305,690	\$21,215,100	1.01%
2011 Operating Levy	0	1,808,062	1,861,240	1,816,370	1,870,860	0.52%
Debt Service	1,899,303	2,131,238	1,040,800	1,040,800	1,070,000	2.81%
Total	\$21,707,796	\$24,447,883	\$23,904,680	\$23,162,860	\$24,155,960	1.05%

Property taxes are 21.15% of the City’s total projected revenue for FY 13-14, and 45.94% of the projected total revenue in the General Fund. Property taxes represent virtually all of the revenue in the 2011 Operating Levy and General Obligation Debt Service Funds. Staff projects that assessed value will grow 3.0% to \$4,264,061,088 in 2013 from the \$4,139,865,134 certified in 2012, and that property tax collections will perform as they have historically.

Property taxes are levied for operating costs and to meet debt obligations on voter approved general obligation bonds. A \$0.45 per \$1,000 of assessed value local option tax levy to fund specific services was authorized by City of Corvallis voters in May 2011. The three-year levy went into effect July 1, 2011. The FY 13-14 Proposed Budget assumes that the City will levy the full amount of the permanent tax rate of \$5.1067 per \$1,000 of assessed value and the full amount of the local option levy tax rate of \$0.45 per \$1,000 of assessed value.

Property taxes levied for voter approved general obligation debt are exempt from both Measure 5 and Measure 47/50 limits (see additional information below regarding these limits). For FY 13-14, property tax revenue for debt is expected to total \$1,070,000. Taxes for debt are levied as a total dollar amount, in the amount necessary to return revenue to the City to pay the principal and interest due on the debt during the fiscal year. The City currently has only one general obligation debt issue outstanding: a refunding of two voter-approved bond issues from 1999 and 2001. The refunding was completed in May of 2009, with the City achieving over \$755,000 in net present value savings. The underlying two issues were the 1999A Riverfront Commemorative Park construction bonds and the 2001 Open Space bonds that were used to purchase five parcels of open space totaling over 400 acres. The financial plans do not include projections for debt service funds since the amounts levied are specific to the bond issue and the amount due each year.

Property taxes are levied by taxing district in accordance with Oregon Local Budget Law and certified to the County Assessor. Property taxes are collected by Benton County and distributed to each taxing district. Property taxes are due in three separate payments each year. However, counties are allowed to provide a discount if property owners pay the tax in full in November. Historically, the City has lost around 2.5% of the total levy each year because of the discount. As a result, levy amounts, and the related gross revenue projections are reduced by 2.5% which will never be collected; revenue projections for FY 13-14 are:

	Levy Amount	Discounts	Gross Revenue
Operating Permanent Tax	\$21,775,280	(\$544,380)	\$21,230,900
Operating 2011 Levy	1,918,830	(47,970)	1,870,860
2009 Refunding of 99/01 Bonds	1,097,440	(27,440)	1,070,000
Total	\$24,791,550	(\$619,790)	\$24,171,760

Based on historical data, the City expects an additional 2.3% of the levy each year will not be received due to non-payment of taxes. Property taxes that are not paid are secured by a lien on the property, and the lost revenue is recorded as a prior year receivable in the General Fund at the end of the fiscal year. For FY 13-14, the City projects a loss of \$488,310 from current year property taxes that are unpaid at June 30, 2014; this amount will be collected in future years. Delinquent property tax revenue totaling around 51% of the outstanding receivables is projected to be collected each year from prior year delinquents. For FY 13-14, the City estimates it will receive \$472,510 in revenue from payments made on prior year delinquent property taxes.

Property Tax Limits & Tax Rates

Property taxes for operations are levied in accordance with the Oregon constitutional limitations known as Measures 5 (1990) and 50 (1997). Measure 5 placed a maximum tax rate for non-education governments of \$10 per \$1,000 of real market value on each parcel of property. Measure 50 set a permanent property tax rate for each governmental entity and developed an assessed value for each parcel of property that is different than real market value for purposes of levying taxes. Assessed value is generally limited to an annual increase of 3% for each parcel of property. In a situation where the property's real market value decreases to less than the assessed value, the assessed value will also decrease, which is known as "Measure 50 compression." Aggregate assessed value will also increase based on new taxable development, with all new development assigned an assessed value that is the same ratio of assessed value to real market value as similar property.

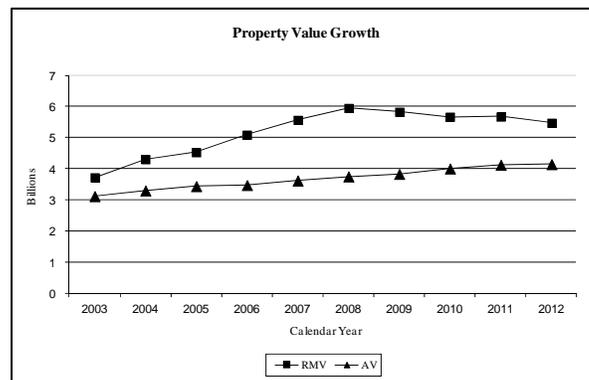
Since Oregon voters approved Measure 50, local governments and special districts in Oregon have not been permitted to ask voters for increases in permanent property tax rates. When a permanent rate of a local government does not provide enough revenue to meet estimated expenditures, local governments may raise property taxes above their permanent rates only by voter approval of a local option levy. The levy rate approved by City of Corvallis voters in May 2011 raised \$1,808,062 in FY 11-12 and is currently estimated to raise \$1,816,370 in FY 12-13 and \$1,870,860 in FY 13-14 or a total of \$5,495,292 for all three years based on growth in assessed value of .5% for 2012 and forecasted growth of 3.0% for 2013.

Both real market value (RMV) and assessed value (AV) are important features in projecting property tax revenue based on different tax limits. In FY 12-13, in aggregate, residential property AV was 81% of RMV; commercial property AV was 64% of RMV; and industrial property AV was 100% of RMV. As a parcel of property's ratio of AV to RMV gets closer to 100%, which two of the three statistics did for the fifth consecutive year, that property approaches either the Measure 5 limit of \$10 per \$1,000 of RMV or Measure 50's caveat that AV will not ever be higher than RMV.

The Financial Plans assume that the City's maximum permanent tax rate of \$5.1067 per \$1,000 will be levied each year along with \$0.45 per \$1,000 of assessed value for the local operating levy through FY 13-14. The FY 12-13 combined tax rate for non-education governments, excluding levies for debt, for most Corvallis residents was \$8.9679 per \$1,000 of assessed value. This translates to an aggregate rate of around \$6.79 per \$1,000 of real market value, well below the \$10 limit. However, the rates are applied parcel-by-parcel, so some parcels may be closer to the \$10 limit than others.

Property Values

In Corvallis, the history of assessed value (AV) growth in the post Measure 50 era has been irregular, with five years in the last ten where total assessed value has not increased by the full 3% that would be "expected" based on most people's understanding of M.50. Factors impacting the variance from the 3% are primarily new residential development added to tax rolls and industrial depreciation rates reducing the AV.



Tax Year	Growth		Growth	
	\$K RMV	From Prior Yr	\$K AV	From Prior Yr
2003	3,717,868	0.63%	3,113,328	2.94%
2004	4,299,629	15.65%	3,292,880	5.77%
2005	4,522,703	5.19%	3,433,647	4.27%
2006	5,088,443	12.51%	3,467,066	0.97%
2007	5,565,083	9.37%	3,613,017	4.21%
2008	5,946,532	6.85%	3,745,147	3.66%
2009	5,825,693	-2.03%	3,825,054	2.13%
2010	5,664,529	-2.77%	3,999,075	4.55%
2011	5,672,462	0.14%	4,118,580	2.99%
2012	5,469,249	-3.58%	4,139,865	0.52%
Avg Annual Growth		4.20%		3.20%

During the past ten years, Corvallis has achieved a 32.01% increase in assessed value, an average of 3.20% per year. Real market value, on the other hand, increased nearly 60% for the six years through 2008, then fell for two successive years back to nearly 2007 levels. This trend generally continued with only a slight increase in 2011, then declined again in 2012 by nearly 3.6%. The net ten-year increase from \$3.7 billion to \$5.5 billion was just under 42%. Over the same period, the Consumers Price Index (CPI) has increased 28%, but 7% of this inflation occurred since 2008, and is not reflected in RMV growth for the same period, since this has actually decreased in net by over 8%. Changes in the annual real market and assessed values are reflected in the table below (dollars are in 000's).

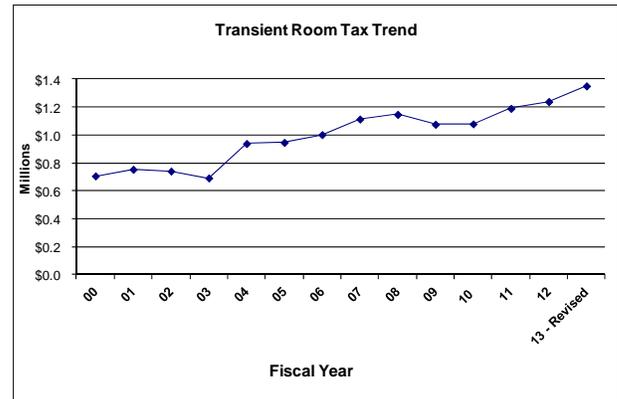
For the current fiscal year, the City's assessed value increased by only 0.5% from \$4,118,580 in 2011 to \$4,139,865 in 2012, well below the projected 3% allowed valuation growth that was in line with the County's forecast in this regard. The full increase did not materialize primarily due to several large properties coming off tax rolls as they were sold to exempt property holders such as Oregon State University and Samaritan Health. It should also be noted that for the last several years Benton County has set aside significant reserves and/or deferred billings for certain large tax payers. Appeals are still outstanding for both Hewlett-Packard (HP) and Comcast. The FY 12-13 Corvallis revenue impact for these appeals is estimated at more than \$300,000. Neither situation is expected to be resolved by the courts prior to finalizing the FY 13-14 budget; Benton County Finance staff will likely recommend deferring tax and payments, and reserving additional funds for possible.

For FY 13-14, assessed value is projected to increase by 3.0%, as a reflection of the assessed value growth allowance for all properties, no significant new taxable development in the face of a continuing stagnant economy, and projected stabilizing industrial depreciation. Another large property has been purchased by a tax exempt entity in FY 12-13, and a successful appeal by a large developer will result in a refund in the range of \$100,000 this fiscal year. The impact to the City from these Assessed Value reductions is likely to be offset for FY 13-14 by some new multi-family housing value being added. In FY 14-15 and FY 15-16 the AV is currently estimated to increase by 4.0% (assuming a slightly improved economy over the next two years will result in residential development picking up again and final resolution having been achieved for all outstanding appeals).

OTHER TAXES

	FY 10-11 Audited	FY 11-12 Audited	FY 12-13 Adopted	FY 12-13 Revised	FY 13-14 Proposed	% Chg from FY 12-13 Adopted
Transient Room Taxes	\$1,190,725	\$1,239,155	\$1,270,650	\$1,351,600	\$1,372,600	8.02%

Other Taxes are from Transient Room taxes and are 1.20% of the City's total projected revenue for FY 13-14. These taxes are the minor revenue in the General Fund and are estimated to increase 8.02% for FY 13-14 over what was originally budgeted in FY 12-13. The City currently levies a room tax of 9% of the room costs on all transient lodging in the city limits. Revenues in this category have been impacted by the poor economy for the past several years, but are showing some signs of recovery despite room stays being down by approximately 1% for calendar year 2012, since average daily rate and revenue per available room are both up by 4.3% and 3.3% respectively, per Visit Corvallis statistics. As such, FY 12-13 was revised to higher levels, and with the hotel rate increases still anticipated through the end of 2013, FY 13-14 results are projected to improve again slightly by about 1.6%. As hotel prices will continue to rise, revenue should also continue to grow in future years, but is projected to do so at a slightly lower pace of approximately 2.0% per year through FY 15-16.

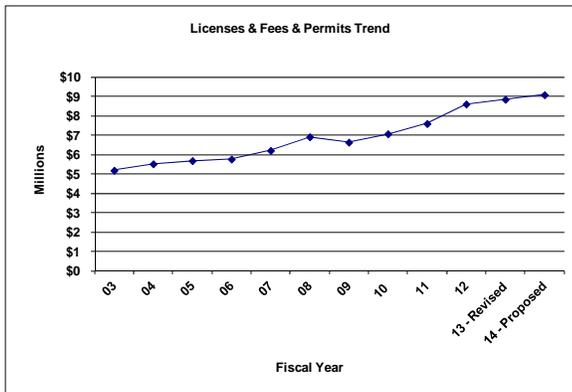


LICENSES, FEES, PERMITS

	FY 10-11 Audited	FY 11-12 Audited	FY 12-13 Adopted	FY 12-13 Revised	FY 13-14 Proposed	% Chg from FY 12-13 Adopted
Franchise Fees	\$5,142,289	\$5,306,529	\$5,310,290	\$5,328,540	\$5,519,540	3.94%
Building Permits	1,019,674	1,068,834	1,086,350	1,143,450	1,143,450	5.26%
Transp. Maint. Fee	414,222	423,237	422,180	422,180	432,740	2.50%
SIF	493,488	1,269,786	1,407,900	1,407,900	1,426,690	1.33%
Other	525,250	530,706	513,430	541,990	557,420	8.57%
Total	\$7,594,923	\$8,599,092	\$8,740,150	\$8,844,060	\$9,079,840	3.89%

Licenses, fees and permits are 7.95% of the City’s total projected revenue for FY 13-14. Licenses, fees, and permits provide more than 25% of the operating revenue in the Development Services and Transit Funds, and about 14% of total General Fund revenues. The primary revenue for this classification in the General Fund is from franchise fees, which are the second largest revenue source in the General Fund; the major drivers for franchise fees are the use of the services provided by the franchisees (utilities that use the public right-of-way) and the rates the utilities charge. These fees are estimated to increase by 3.94% in FY 13-14 over Adopted FY 12-13. This projection includes various utility rate hikes as well as a small increase in population, and revenue reductions due to lower telecommunications franchise fee payments. As more people switch to wireless providers for their primary telephone service, the land-line based service payments are decreasing. Conservation efforts are reducing electric and natural gas utility revenues, and in turn the franchise fees. The remaining two years of the planning period are projected at increases of just over 1% per year, premised primarily on some level of utility rate increases continuing to be offset by conservation efforts and decreasing use of land line telephones and increasing use of text messaging and other means of communicating using the internet.

This classification also includes revenue from building permits taken out in conjunction with seeking inspections of construction of new/remodeled buildings, accounted for in the Development Services Fund. New residential construction activity in Corvallis, as elsewhere in the U.S., has been stagnating over the past few years, but has begun to show slight signs of possible recovery. Commercial activity has remained relatively robust, explaining the higher than anticipated results of the past few years. Several large projects under discussion, including development on 1st Street, at least two large Oregon State University projects, and construction activity resulting from the recent Sather Annexation, underpin the higher projection for FY 13-14 fees, which are expected to increase another 5.26% over adopted FY 12-13 levels. The City’s population is projected to continue to grow between 0.5% and 1.2% per year. This figure is consistent with estimates included in the Comprehensive Plan. Changes in the Oregon State University (OSU) student population will continue to have an effect on the City's overall population growth rate. Additional economic recovery continues to be anticipated over the next twelve to eighteen months. As such, the Financial Plans show permit revenue continuing to ramp up at a modest 2% per year in the latter two years of the planning period.



The Transportation Maintenance Fee (TMF), accounted for in the Street Fund, is calculated for each property on the average number of vehicle trips generated by that particular property’s use. The revenue received is used to fund specific street infrastructure and improvement projects. The City Services Bill is the mechanism for monthly billing and collection. City departments are also subject to this fee. Based on trip rates ranging from 2.1¢ for non-residential to 14.2¢ for residential properties, this fee is projected to realize approximately \$432,740 in FY 13-14. Despite commercial construction having added several new billable areas to the system in recent years, receipts have only increased marginally each of the past several years based on economic impacts to other businesses.

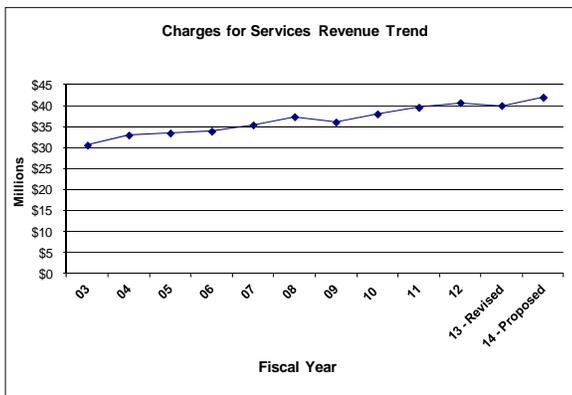
The Sustainability Initiative Fees (SIF) for Transit Operations (TOF), Urban Forest Management in the General Fund, and Sidewalk Maintenance, are also collected monthly via the City Services Bill. Primarily due to an ordinance-allowed increase in the Transit operations billing rate in February 2012 based on gas price increases, the TOF receipts increased by nearly 18% over budgeted FY 11-12 levels. As such, year to date collections in FY 12-13 appear on target to meet or exceed the FY 12-13 estimated budget for all three fees of \$1,407,900, and are forecast to increase again in FY 13-14 to \$1,426,690 in total. Now that bus rides are free due to the TOF having replaced fare box revenues as well as various group-pass programs, the fees category represents a greater portion of Transit Fund revenues than charges for service.

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

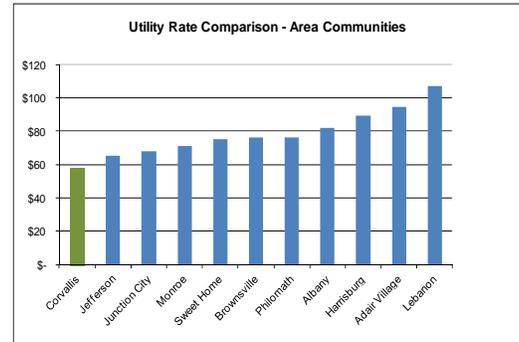
CHARGES FOR SERVICE

	FY 10-11 Audited	FY 11-12 Audited	FY 12-13 Adopted	FY 12-13 Revised	FY 13-14 Proposed	% Chg from FY 12-13 Adopted
Utility Fees	\$17,697,852	\$18,280,058	\$18,704,720	\$19,069,850	\$19,219,290	2.75%
Systems Dev. Chgs	3,588,437	3,556,322	1,989,780	1,949,780	3,266,130	64.15%
Parks & Rec Fees	1,360,074	1,370,920	1,531,140	1,464,000	1,506,810	-1.59%
Building Plan Review	968,030	1,295,463	1,243,450	1,317,000	1,416,950	13.95%
Contracted Fire Svc.	1,136,763	1,172,652	1,201,270	1,202,740	1,232,050	2.56%
Ambulance Fees	1,812,511	1,910,309	1,950,000	1,950,000	1,969,500	1.00%
9-1-1 Cost Share	936,220	927,500	979,080	979,080	1,064,080	8.68%
Internal Service Charges	8,252,460	8,118,720	8,136,360	8,040,210	8,322,490	2.29%
Other	3,843,248	4,073,182	3,992,350	4,052,890	4,005,680	0.33%
Total	\$39,595,595	\$40,705,126	\$39,728,150	\$40,025,550	\$42,002,980	5.73%

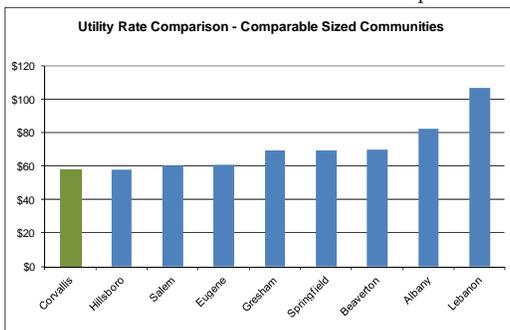
Charges for service revenues are 36.77% of the City’s total projected revenue for FY 13-14, and are the largest classification of revenue for the City. Charges for service provide more than 25% of the revenue in the Development Services, 9-1-1 Emergency, Water, Wastewater, Storm Water, Airport, Fleet, Facility, Administrative Services, Technology and Communications, and Risk Management Funds. Revenue in this category is from sales of City services to customers. The largest revenues are utility user fees for Water, Wastewater, and Storm Water services (funds which are self-supported), Systems Development Charges (Street, Parks SDC, Water, Wastewater, and Storm Water Funds), Parks and Recreation programs (General Fund), charges for construction plan reviews (Development Services Fund), contracted fire and ambulance services (General Fund), 911 cost share contract (911 Fund) and internal service charges (Fleet, Facility, Technology and Communications, Administrative Services, and Risk Management Funds).



The City Council’s current Financial Policies call for an annual rate review each fall for the Water, Wastewater, and Storm Water Funds, with a Council goal to keep the combined rate increase for all three utilities to around 3% for the average single family customer, with a top rate increase limit of 7% by Council policy. Rates implemented February 1, 2013 increased 3% on the total bill, complying with the 3% target cap. The projected rate increases for the three utilities will be reviewed in the fall with any actual increases put into place in February 2014. Projected rate increases are shown in the financial plans, and currently assume 2% for Water, 4%



for Wastewater, and 7% for Storm Water, which combined would result in a rate increase of around 3.5% on the total utility bill for the average residential customer. Corvallis rates remain competitive with both area communities



and with other comparable sized Oregon-based utilities (Corvallis has the lowest rate in both cases). The combined rate increase for the utility funds is projected to be between three and four percent for the next several years.

Revenues for Systems Development Charges (SDC) are based on the rate and types of development, which can be difficult to predict and tend to have substantial variability due to the rate of construction activity, as well as economic conditions that might impact the volume of this activity.

Residential construction has finally begun to show a mild recovery. As such, this revenue stream remains dependent on factors that are largely outside the control of the City. By State Law, SDC revenue can be used only for capacity-enhancing capital projects. A significant decline in this revenue source was experienced in FY 08-09 and FY 09-10, based on the economic downturn and related decline in residential development. However, due to the significant commercial development that Corvallis has continued to experience, ensuing years have generally come in over budget. SDC's are projected to again increase in FY 13-14 relative to Adopted and Revised FY 12-13 levels but still come in under FY 11-12 actuals. Since SDC revenue is typically not spent in the year it is collected, but is reserved for future construction of large infrastructure projects, accumulated SDC revenues are not anticipated to be fully expended in FY 13-14. Projects currently scheduled to use SDC funds should have sufficient balance available through the three-year planning horizon at a minimum.

Parks and Recreation department (General Fund) charges for service are collected for reservation of park facilities, entrance fees for Osborn Aquatic Center, and youth and adult participation in recreation programs and special events. Parks & Recreation programs are projected to remain at relatively stable levels, despite the continued poor state of the economy. Within the Parks & Recreation professional groups in Oregon there has been discussion that with fewer dollars people have been carefully weighing how to use leisure dollars and may be less likely to participate in multiple events; however Corvallis has been somewhat insulated from this effect, partly due to the presence of the University. Also, given less dollars for travel, citizens appear to be increasing support of programs closer to home. Rates will continue to be reviewed annually and adjusted as necessary to meet Council Financial Policy goals, including specified levels of cost recovery per program type under the department's new model.

Building Plan Review fees are projected to increase nearly 14% in FY 13-14 over the Adopted FY 12-13 projection based primarily on the improving trend seen in FY 12-13 as reflected in the revised budget. This projection is largely based on the expectation that several large projects at OSU and other new commercial development will continue to more than offset minimal residential construction and renovation through the next fiscal year. Additionally, the increases in fees due to the continued implementation of the Service Enhancement Package approved by City Council in 2010 are expected to bolster this Community Development revenue source in the Development Services Fund.

Contracted Fire Service (CRFPD) and Ambulance revenues have remained flat during the budget revision period, but have increased for Proposed FY 13-14 compared with the original FY 12-13 projections. The contracted fire service revenue estimate is based on the most recently negotiated contract the City has with the Rural District to provide services, and the anticipated stable growth in assessed value of the district's property tax base. The CRFPD contract is projected to increase by approximately 2.5% in FY 13-14 and then 3% per year through at least FY 15-16. Ambulance revenue is predicated on a combination of increased calls for service and successful collection efforts, offset in part by changes in Medicare/Medicaid and a greater number of write-offs related thereto. Revenue in FY 13-14 is projected to increase 1% over Adopted FY 12-13, and continue this trend through the remainder of the planning period. Calls for service growth is anticipated to be mostly offset by insurance reimbursements staying flat, and decreases in payments from Medicare and Medicaid. Rates are reviewed annually, and the City Council will consider increases when rates do not cover 100% of the operating costs for the transport ambulance.

The 9-1-1 Fund cost share has been proposed to increase by 6.61% over all in FY 13-14, but based on slightly higher proportionate calls for service than the other user group members, Corvallis Police and Fire Departments will together experience an 8.68% increase in their portion of the cost share. The remainder of the charge is born by the other government agency users of the 9-1-1 system, with the latter revenue being recorded in the Intergovernmental category.

Charges for service in the internal service funds (Fleet Maintenance, Facility Maintenance, Technology and Communications, Administrative Services, and Risk Management Funds), where the service is provided by one City department to other City departments, are established based on covering the projected costs for each service area. These costs are then allocated out to operating departments using a formula specific to the service area. Costs are adjusted annually via various cost allocation drivers. Internal service charges are projected to increase nearly 2.3% based on the proposed budgets primarily driven by an approximately 12% increase in fleet maintenance fees for the Public Works department and approximately 4% increase for insurance premiums associated with Risk Management.

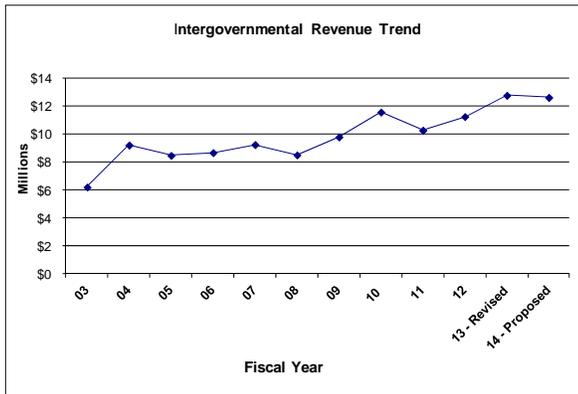
Other charges for service, while being fairly large in total revenue, is relatively small as individual revenue line items, and include items such as FireMed memberships, gasoline sales, parking meters, burglar alarm response fees, airport hangar rentals, indirect payments from ASOSU and other contracts for transit services coordinated by the City, and miscellaneous charges for copies. Corvallis Police Department (CPD) collaborative efforts with the Benton County Sheriff's Office (BCSO) contribute to the charges for service line item in the General Fund. BCSO pays its share of costs associated with the Records Management System software, evidence services and records and reception services. The state of the economy is contributing to decreases in other

development-related revenues, such as public improvement/private contractors (PIPC) payments, which have served to partly offset increases in other categories above, for a net 5.7% projected increase in the overall charges for service receipts.

INTERGOVERNMENTAL

	FY 10-11	FY 11-12	FY 12-13	FY 12-13	FY 13-14	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 12-13
						Adopted
State Revenue Sharing	\$1,153,551	\$1,247,011	\$1,240,000	\$1,287,000	\$1,322,110	6.62%
Highway Tax	2,691,162	2,967,995	3,256,710	3,215,040	3,309,430	1.62%
Transit Grants	980,984	1,180,516	2,352,950	1,863,450	2,785,170	18.37%
Housing Grants	1,015,559	1,306,737	2,967,410	2,417,890	906,020	-69.47%
Library Svc. District	2,336,447	2,412,300	2,443,370	2,453,500	2,506,250	2.57%
Capital Projects	1,539,256	1,072,977	2,633,650	877,190	2,567,910	-2.50%
9-1-1 State Taxes	549,519	531,416	545,030	535,000	515,110	-5.49%
Other	1,575,455	1,632,914	1,454,910	1,026,340	1,307,260	-10.15%
Total	\$11,841,933	\$12,351,866	\$16,894,030	\$13,675,410	\$15,219,260	-9.91%

Intergovernmental revenues are 13.32% of the City’s total projected revenue for FY 13-14. Intergovernmental revenues provide more than 50% of the revenue in each of the Street, 9-1-1, Community Development Revolving, and Transit Funds. This classification of revenue includes all grant monies from the state or federal government. The City receives relatively few dollars from these sources when compared to counties and school districts. Monies received from other governments have decreased on a revised basis primarily due to grant carryovers in respect of projects and bus purchases not expected to be completed this fiscal year. An overall decline is also anticipated in FY 13-14 relative to Adopted FY 12-13 due to a projected decrease in capital projects revenue as well as lower Housing grant availability.



The General Fund receives state revenue sharing, cigarette, and alcohol tax revenues from the state on the order of \$1.3 million. State revenue sharing funds are paid to the City based on statutory requirements and the City may use the monies any way the City Council directs. State revenue sharing dollars have traditionally been accounted for as an undesignated revenue source. Absent a possible state diversion of revenue sharing, these sources appear to have stabilized and are no longer achieving the historic average increase of approximately 8% per year. So far in FY 12-13, the budgeted increases in alcohol taxes and revenue sharing are materializing, and are now expected to exceed Adopted FY 12-13 expectations. For FY 13-14, statewide receipts from state revenue sharing and alcohol tax revenue are forecast to increase by approximately 6% over Adopted FY 12-13 projections based on League of Oregon Cities estimates combined

with changes in population, prices and projected sales information. Cigarette tax revenue has been declining, and is expected to continue to decline as a result of a combination of a decreasing number of smokers, lost cigarette tax revenues due to internet sales, and significant increases in Federal cigarette tax rates dampening demand. For FY 14-15 and beyond, the forecasted non-cigarette tax revenue stream follows anticipated population growth rates of approximately 2% per year.

State Highway Fund (Gas Tax) monies are revenue in the Street Fund and are projected to increase only marginally in FY 13-14 from Adopted FY 12-13 levels. Historically higher growth rates in this revenue source have been dampened partly by continued high prices of gasoline causing gas sales to decline. Revenues continue to be projected at a 1% growth rate through the next several years, but factors such as more fuel-efficient cars, alternative fuels and modes of transportation are affecting the collection of gasoline taxes.

Grant funding for Transit Fund services anticipates receipt of nearly \$500,000 in capital grant funding for vehicle auto-announcement/information system replacement, carried over from FY 12-13 to FY 13-14. A Transit Capital Grant is also anticipated for the purchase of two buses in the latter half of FY 13-14. The Federal Operating Grant is expected to increase significantly due to the Moving Ahead for Progress in the 21st Century Act (MAP 21), a federal bill that provides additional

funding to transit agencies over the next two years for surface transportation programs. FY 13-14 marks the first year that Business Energy Tax Credits (BETC) will no longer be available for use as local match requirements for these grants.

The Community Development Revolving Loan Fund receives federal Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) program funding annually from the U.S. Department of Housing and Urban Development to support low-income housing, social services and community development programs. Funding in these programs has become more volatile in recent years with future allocation amounts becoming more uncertain. At this time the impacts of the “postponed sequester” federal fund reductions for FY 13-14 are not known, although it is anticipated that it will include significant cuts to discretionary programs, including CDGB and HOME. Housing Division staff members continue to seek grant opportunities to supplement the Federal monies available. Major grant programs for Housing (CDBG and HOME) are anticipated to continue, although new grant monies are declining. The projections for FY 13-14 include carry-over revenues from FY 12-13 for major projects that are expected to be completed during the fiscal year.

The Benton County Library Service District is a county service district that contracts with the City to provide library services throughout the district. The district’s permanent tax rate is \$0.3947 per \$1,000 of assessed value, and covers a substantially larger tax base than the City, since it impacts most properties in the County, and has experienced a different growth rate in assessed value since the implementation of Measure 50. As a result, changes in assessed value will often differ from the City’s assumptions for its permanent tax rate levy. These intergovernmental receipts in the Library Fund are projected to increase by nearly 2.6% in FY 13-14 from Adopted FY 12-13 levels, and then by an average of the 3.0% restricted AV growth. Additional revenues come to the Library Service District from forest revenues, which are dependent on federal legislation.

The Capital Construction Fund (not included in financial plan projections) receives grant monies for street, bike and other General Fund and special revenue fund infrastructure maintenance and/or beautification projects or other sizeable projects of a capital nature. These monies are unpredictable, project-specific, and are typically budgeted concurrent with the grant application or upon reasonable assurance of a grant award. Capital project grants also vary from year to year depending on opportunities and the applicability of specific projects to the broader federal or state priorities. A considerably lower capital project volume is currently anticipated for the governmental Capital Construction Fund in FY 13-14 including carryovers of projects initiated in FY 12-13. The Airport Fund receives grant monies for airport improvements, primarily from the Federal Aviation Administration. These grants are restricted for use on discrete operating or capital projects, and are not an ongoing source of revenue for the fund.

A special tax on telephone usage funds a portion of 9-1-1 operations and is comprised of the City’s share as well as the other government agencies that use the Corvallis 9-1-1 center. 9-1-1 state taxes in FY 13-14 are expected to come in 5.49% less than Adopted FY 12-13, based on Oregon Emergency Management (OEM) per capita estimates provided by the LOC. OEM notes that, based on current wireless and land line trends, revenue distribution has continued to decline slightly from prior years, but is expected to stabilize over the next few fiscal years. Additionally, there is current legislation underway to potentially collect 9-1-1 tax on non-contract “throw-away” cell phones, which, if approved, should increase revenue streams. Ultimately, this revenue stream remains vulnerable to diversion by the state. The interest accrued on the telephone tax continues to be transferred to the State General Fund. This is resulting in a small loss of current and future year revenues to the 9-1-1 Fund. The revenue stream is projected to remain relatively stable through the three-year planning period.

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

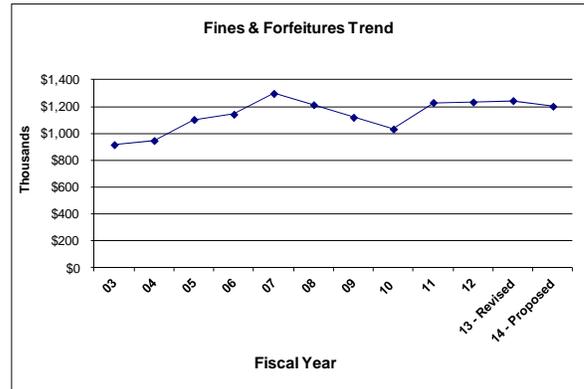
FINES AND FORFEITURES

	FY 10-11	FY 11-12	FY 12-13	FY 12-13	FY 13-14	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 12-13 Adopted
Traffic and Criminal	\$678,908	\$672,068	\$705,400	\$665,400	\$625,400	-11.34%
Parking	411,983	423,111	450,000	442,000	450,000	0.00%
Other	139,404	139,338	128,010	137,580	127,230	-0.61%
Total	\$1,230,295	\$1,234,517	\$1,283,410	\$1,244,980	\$1,202,630	-6.29%

Fines and forfeitures are 1.05% of the City's total projected revenue for FY 13-14. Fines and forfeitures provide more than 25% of the revenue only in the Parking Fund. Revenue in this category is primarily from traffic, criminal, and parking citations that are adjudicated through the Corvallis Municipal Court.

Traffic and criminal fine revenue is recorded in the General Fund. The number of citations issued has decreased through this fiscal year due to new Police Officers that were not fully trained for the entire fiscal year. Reduced municipal court staffing levels have had a negative impact on collection experience. Projections for both FY 12-13 revised and FY 13-14 Proposed assume the lingering effects of these vacancies and the inability to collect fines rendered.

Parking fine revenue is recorded in the Parking Fund and assumes over 23,000 parking citations will be issued each year. The significant increase in FY 12-13 receipts is primarily a reflection of considerable collection improvement in this area. This is projected to be a stable, yet relatively flat revenue source through the remainder of the financial planning period.

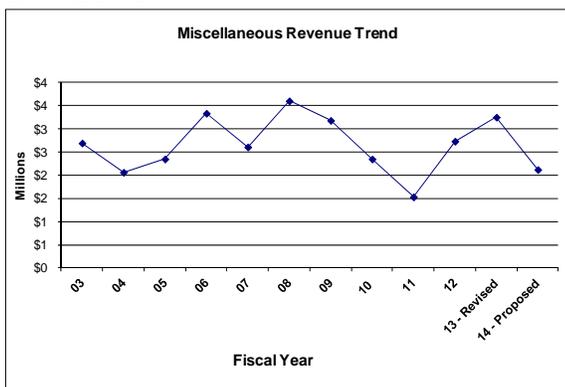


Other fines include late payments on lost and overdue books at the Library, and small amounts projected from other overdue amounts owed to the City. The General Fund revenue for fines, lost books, and penalty fees is expected to stabilize slightly below FY 12-13 Adopted budget levels as there are fewer late and lost books presumably because of the 50% fine rate increase implemented over the last year. Other revenue for fines is expected to increase by over 7% in Revised FY 12-13 compared with Adopted, driven by an increase in crime and asset forfeitures by Police in the General Fund. Future year projections are anticipated to remain relatively low, even with the slight increase expected through FY 12-13, since at this juncture no new, sizeable asset forfeiture cases are known.

MISCELLANEOUS

	FY 10-11	FY 11-12	FY 12-13	FY 12-13	FY 13-14	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 12-13
						Adopted
Interest Earnings	\$226,090	\$310,305	\$226,790	\$265,230	\$234,380	3.35%
Energy Tax Credits	13,112	622,390	589,760	1,106,420	0	-100.00%
Loan repayments	291,629	476,599	401,170	469,650	537,560	34.00%
Timber Sales	333,446	335,393	346,500	346,500	282,500	-18.47%
Other	668,956	991,584	1,053,450	1,066,400	1,069,010	1.48%
Total	\$1,533,233	\$2,736,271	\$2,617,670	\$3,254,200	\$2,123,450	-18.88%

Miscellaneous revenues are 1.86% of the City's total projected revenue for FY 13-14 and are not currently major revenue in any of the City's funds. As the name implies, this classification of revenue includes a variety of different receipts that, from a financial reporting perspective, do not fit elsewhere.



One formerly significant revenue source in this classification, prior to the economic downturn, is investment interest earnings on the City's portfolio. Allocations are made based on each fund's proportion of the average cash balance. FY 12-13 has been revised up based on fiscal year to date receipts and the City's known earnings from current portfolio investment holdings combined with the projected State Local Government Investment Pool (LGIP) rates (currently paying 0.54%). For FY 14-15 and FY 15-16, US Treasury futures have been applied to projected fund balances as the best proxy for where the market thinks rates will be in those outlying years. As interest income is a relatively unpredictable revenue source which is based on factors largely beyond the City's control, interest earnings are not relied on to fund operations.

Other revenue sources that are classified as miscellaneous in nature are gifts, donations and contributions. The largest source of funds which fits this description is the Business Energy Tax Credit (BETC), a state program where the City earned tax credits for projects that reduced energy consumption. Through FY 12-13, the City budgeted BETC's primarily in the Transit Fund, but also received several smaller energy credits each year as a result of various sustainability initiatives. As of FY 13-14 the State has discontinued this program so no revenue is anticipated after FY 12-13.

Loan repayments relate primarily to recycling Housing funds to support first-time-home buyers, home rehabilitation/renovations and similar programs. Timber sales are a fairly steady stream of revenue obtained through judicious watershed management. Other miscellaneous revenues are primarily from one-time donations and non-intergovernmental grants or recovery of bad debts and insurance claims/losses.

In addition to the \$54,000 in charges for service that ASOSU pays the City for the Beaver Bus service, OSU also makes a \$130,000 payment to help assure continuation of the public transportation service recognizing the value of this service to their faculty, staff and students.

NON-OPERATING REVENUE

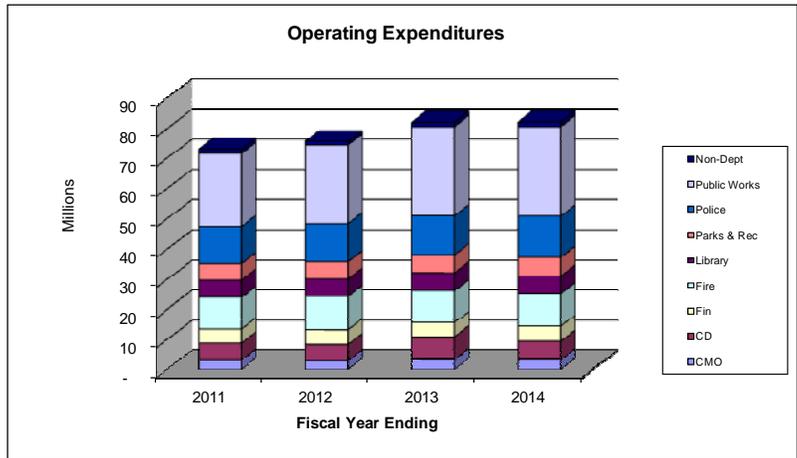
	FY 10-11	FY 11-12	FY 12-13	FY 12-13	FY 13-14	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 12-13 Adopted
Transfers In - 2011 Op Levy	\$0	\$1,743,522	\$1,865,350	\$1,843,150	\$1,908,620	2.32%
Transfers In - POB	2,283,290	2,386,500	2,491,610	2,491,610	2,601,690	4.42%
Transfers In - Fund Balances	0	0	0	0	5,607,447	0.00%
Debt Issuance Proceeds	0	0	0	12,289,040	0	0.00%
Inter-Agency Pass Throughs	0	0	855,000	750,060	774,640	-9.40%
CIP & Other Transfers In	5,739,843	5,534,999	6,522,313	3,461,970	8,184,250	25.48%
Total	\$8,023,133	\$9,665,021	\$11,734,273	\$20,835,830	\$19,076,647	62.57%

Non-Operating revenue is 16.70% of total projected revenue and is not considered to be a major revenue source for any fund. There are two types of non-operating revenue:

- ◇ Other Financing Sources are typically receipts from either the sale of capital assets (such as vehicles that are sold when replacements are purchased) or from the issuance of bonds or other long-term financing. Revenues from the sale of assets tend to be small and unpredictable, so they are not budgeted, but are shown in actuals. Revenue from long-term financing is only shown when a planned financing actually occurs. FY 12-13 was revised to include \$12.3 million in proceeds from a refunding in November 2012 of three utility-backed loans, which produced a net present value savings of approximately \$1.5 million and provides future capacity in these utility funds for financing of a project that would promote compliance with Total Maximum Daily Load (TMDL) requirements for discharge going into the Willamette River. No additional debt is currently anticipated in FY 13-14, but a bank loan or bonds may be considered as early as FY 14-15 in support of General Fund related capital projects and TMDL respectively.
- ◇ Inter- and intra-fund transfers move monies from fund-to-fund or between component funds, with transfer revenue matching transfer expenditures. The most common transfer occurs when operating revenues are used to fund capital projects, and the money is transferred out as an expenditure and moved to another fund where the construction is managed. When a transfer is shown as revenue, it means that fund is receiving monies from another fund. The transfers in the Proposed Budget represent nearly a 63% increase from the current budget due primarily to a higher level of total capital project expenditures (in the airport and utility funds) being planned for FY 13-14, as well as fund balance transfers to close out the former Parks & Recreation, Fire, and Library Funds to the General Fund as part of consolidating all property tax services into one fund.

IV. OPERATING BUDGET

The majority of the annual budget document is devoted to the operating budget since it both reflects the largest proportion of the City's annual expenditures and because the services represented are the most basic services the City provides. Operating expenditures are presented by department within each fund to match the appropriation level of the budget, but they are also presented by classification of expenditure. This section of the Budget & Financial Planning Overview presents the same expenditure information by department and by classification of expenditure.



Each department may have budget in one or many funds, depending on the mix of operations included in the department. The pie chart shows the operating expenditure budget by department. The table below shows the budget by fund and by department for all City operating costs in the Proposed FY 13-14 budget.

FY 13-14 PROPOSED OPERATING BUDGET BY FUND AND DEPARTMENT

DEPARTMENTS

Fund	CMO	CD	Finance	Fire	Library	Parks & Rec	Police	Public Works	Non-Dept	Total
General	\$309,360	\$1,317,850	\$654,220	\$10,710,100	\$5,970,100	\$6,225,540	\$10,857,580	\$1,034,170	\$1,448,070	\$38,526,990
Street		22,120						4,170,440		4,192,560
911 Emerg.							2,320,330			2,320,330
Devel. Svcs		3,259,050								3,259,050
CD Revolving		1,469,790								1,469,790
Parking		4,220	247,520				373,560	495,330		1,120,630
Transit								4,021,090		4,021,090
Pension Ob.									1,350	1,350
Water		56,850						7,775,400		7,832,250
Wastewater		54,640						7,528,540		7,583,180
Storm Water		55,560						2,263,460		2,319,020
Airport								621,050		621,050
Fleet Maint.								855,450		855,450
Facility Maint								809,840		809,840
Tech & Com.			1,417,940					190,830		1,608,770
Admin Svcs.	1,876,930		2,667,130							4,544,060
Risk Mgmt	1,063,830									1,063,830
Total	\$3,250,120	\$6,240,080	\$4,986,810	\$10,710,100	\$5,970,100	\$6,225,540	\$13,551,470	\$29,765,600	\$1,449,420	\$82,149,240

Each department budget is also tied to classifications of expenditure. Personnel services include all salaries, wages and benefits for the staff in the department. Supplies and services include items such as basic office supplies, contractual services, utility payments, memberships in professional organizations, and training costs. Capital outlay is used for the acquisition of assets (such as vehicles or equipment) where the cost is over \$10,000 and the useful life is more than one year. Detailed information about each department, including the FY 13-14 budget by classification with comparisons to prior years is in the Department section of the Budget Document.

PROPOSED OPERATING BUDGET BY DEPARTMENT BY CLASSIFICATION

	Personnel Services	% of Dept Budget	Supplies & Services	% of Dept Budget	Capital Outlay	% of Dept Budget	Total
City Manager's Office	\$1,421,890	43.75%	\$1,828,230	56.25%	\$0	0.00%	\$3,250,120
Community Development	4,113,500	65.92%	2,057,580	32.97%	69,000	1.11%	6,240,080
Finance	3,378,310	67.74%	1,553,500	31.15%	55,000	1.10%	4,986,810
Fire	8,782,830	82.01%	1,927,270	17.99%	0	0.00%	10,710,100
Library	4,080,030	68.34%	1,890,070	31.66%	0	0.00%	5,970,100
Parks & Recreation	3,896,310	62.59%	2,267,310	36.42%	61,920	0.99%	6,225,540
Police	10,168,950	75.04%	3,154,690	23.28%	227,830	1.68%	13,551,470
Public Works	12,190,710	40.96%	15,793,280	53.06%	1,781,610	5.99%	29,765,600
Non-Departmental	0	0.00%	1,449,420	100.00%	0	0.00%	1,449,420
Total	\$48,032,530	58.47%	\$31,921,350	38.86%	\$2,195,360	2.67%	\$82,149,240

CITY MANAGER'S OFFICE

The City Manager's Office is responsible for implementing the City Council's goals, policies, and decisions through management of the organization and also provides direct services of public information, official records, labor-management relations, City elections, human resources, economic development, and risk management. Highlights for FY 13-14 include:

- ◇ Begin work on 2013-2014 City Council Goals.
- ◇ Coordinate the 2013 Oregon Mayors' Conference, which will be held in Corvallis in late July 2013.
- ◇ Continue the Economic Development Program by fulfilling the mandate of the Economic Development Commission's strategic plan.
- ◇ Negotiate a new labor contract with the American Federation of State, County, and Municipal Employees.

COMMUNITY DEVELOPMENT DEPARTMENT

The Community Development Department is responsible for both current and long-range land use planning, development review, construction plan review and permitting, and the City's housing programs including Community Development Block Grant and HOME Investment Partnership grant programs. Highlights for FY 13-14 include:

- ◇ Finalize implementation (year three) of the three-year service enhancement package and reorganization of Development Services to improve customer service by facilitating construction plan review and inspection processes through a combination of assigning project coordinators and implementing new and improved technological solutions.
- ◇ Implementing programs to assist lower income households with their housing needs through managing Community Development Block Grant (CDBG) and HOME Investment Partnership program utilization and administration in the context of diminishing federal resources for this purpose.
- ◇ Develop strategies to address planning work program priorities as current planning applications increase and dedicated long-range planning resources have been eliminated.
- ◇ Continue three-year collaboration effort with Oregon State University to address the opportunities and issues associated with the future growth of OSU and the Corvallis community.

FINANCE DEPARTMENT

The Finance Department is responsible to account for and report on the financial and capital assets of the organization, prepares the annual budget and audit reports, analyzes property risk management, procurement policy and practices, and provides utility billing, municipal court and information systems management. Highlights for FY 13-14 include:

- ◇ Financial Services staff will continue promotion of organization-wide maximization of purchasing card use to optimize efficiencies of the City's payment processes.
- ◇ Perform contract review and liability risk assessment as part of property risk management responsibilities.
- ◇ Rapid migration upgrade and conversion of City's financial system from current AS-400 based platform to SunGard's OneSolution windows-based software scheduled to go live in August 2013.
- ◇ Conduct monthly meter reading and utility billing services to over 16,000 utility service accounts, generating over \$19 million in revenue.

FIRE DEPARTMENT

The Fire Department is responsible for fire prevention, suppression, basic and advanced life support emergency medical response and transport for the City of Corvallis and the Corvallis Rural Fire Protection District based on a contract with that organization. The Fire Department also provides ambulance transport services for most of Benton County and a portion of western Linn County. Highlights for FY 13-14 include:

- ◇ Continue infrastructure development through partnerships with other ambulance providers and response agencies regarding operational EMS activities.
- ◇ Begin construction of a new Fire training facility per the capital improvement program.

LIBRARY

The Library's mission to "Bring people and information together" is reflected in services provided throughout Benton County. Services include a full collection of books, magazines, audio books and music on CDs, DVDs, and downloadable e-books, movies, and music; free public access to the Internet, and a wide variety of online databases; reference services; programs, story times, and book clubs for all ages. Outreach to all of Benton County via a bookmobile and branches in Alsea, Monroe and Philomath through an agreement with the Benton County Library Service District. Highlights for FY 13-14 include:

- ◇ Explore new technology, processes and procedures to improve quality and efficiency to help meet the high levels of demand for services.
- ◇ Implement staffing and service changes related to budget reductions in support of achieving a sustainable FY 13-14 budget.
- ◇ Transition services into the new Monroe Community Library building.

PARKS AND RECREATION

Parks and Recreation manages 1,734 acres of parks and natural areas; provides a full range of recreational opportunities; operates the Osborn Aquatic Center and the Chintimini Senior Center, which provide programs for both older adults and the community at large; and manages the urban forest. Highlights for FY 13-14 include:

- ◇ Finalize the Parks and Recreation Master Plan with final presentations to Council in early FY 13-14.
- ◇ Implement the new Community Garden Master Plan and Heritage Tree Program; complete Tunison Park rehabilitation; construct the Willamette Park picnic shelter and boardwalk at Marys River Natural Area.
- ◇ Expand partnership with Benton County Health Department to prevent and reduce childhood obesity.

POLICE DEPARTMENT

The Police Department provides public safety and crime prevention services for the City through patrol, traffic enforcement, crime analysis and investigation, evidence control, records management, and animal control services. The Department also operates the regional 9-1-1 Emergency Communications center, and provides parking enforcement services for the City. Highlights for FY 13-14 include:

- ◇ Review implementation of recommendations regarding the feasibility study for 9-1-1 Emergency Taxing District conducted in FY 11-12, as an alternative revenue source to stabilize funding for the program/services.
- ◇ Three Police Officer positions are authorized, but unfunded for the FY 13-14 budget.
- ◇ Continue work with the OSU/City Collaboration Group for Neighborhood Livability, Parking and Land Development.
- ◇ Work towards restored and enhanced public safety services via a possible new tax or levy.

PUBLIC WORKS

Public Works provides for the infrastructure needs of the community by operating and maintaining: transportation systems, including streets, sidewalks, traffic lights, signs, transit, parking lots/meters, and airport; water systems, including two treatment facilities, pump stations, reservoirs, and distribution piping; sanitary sewer systems, including collection piping, lift stations, and wastewater treatment plants; and storm water systems, including pipes, catch basins, water quality facilities, and urban streams. Public Works staff also provides maintenance services for a portion of the organization’s fleet of vehicles, most of the City-owned public buildings, and the City’s telephone system. The department manages the City’s capital improvement program which works to systematically replace the City’s existing infrastructure assets, and enhance or expand facilities when needed. Highlights for FY 13-14 include:

- ◇ Identify the preferred alternative for treatment of the wastewater effluent to comply with current emerging regulations on the allowable level of pollutants in the City’s discharge to the Willamette River.
- ◇ Update the Wastewater Master Plan.
- ◇ Complete the Utility Service Rate Study project to evaluate whether or not a change in the utility rate structure is appropriate.
- ◇ Implement a new Vehicle Information System for Corvallis Transit.
- ◇ Complete the Airport Industrial Park Utility Infrastructure Plan.
- ◇ Support OSU Collaboration parking district efforts at Council behest with up to \$300,000 in one-time special projects.

NON-DEPARTMENTAL

The Non-Departmental budget is used for managing monies that are not more appropriately managed elsewhere.

- ◇ Up to \$343,470 is budgeted in the General Fund for Social Services grants to be allocated through the United Way: \$237,750 from General Fund non-dedicated resources and up to \$105,720 for the voter-approved 2011 operating levy.
- ◇ A total of \$388,350 is budgeted in the General Fund in respect of the legally required 30% of transient room taxes allocation to Corvallis Tourism.
- ◇ Various Council Goals related to OSU Collaboration and Affordable Housing are also supported with one-time, special project appropriations totaling about \$250,000.

BUDGET BY CLASSIFICATION

In addition to reviewing the operating budget by department, most people want to know how much of the budget is being spent on certain classifications of expenditure. All departments in all funds are held to the same general guidelines for projecting expenditures. All departments have replacement schedules or plans in place for technology, vehicles, and other major capital outlay. For projects that rise to the level of a capital improvement, the five-year CIP is used as a financial planning document to match resources with expenditures. In general, the expenditures in financial plans are projected as outlined in the ensuing pages.

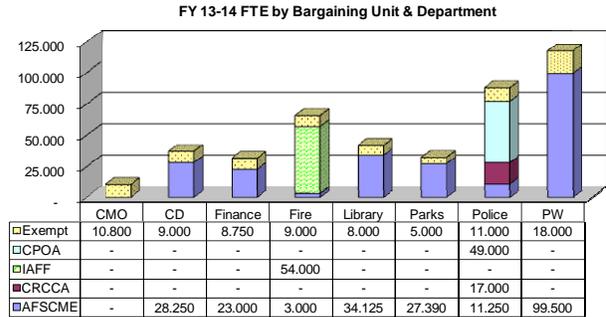
PERSONNEL SERVICES

	FY 10-11	FY 11-12	FY 12-13	FY 12-13	FY 13-14	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 12-13
						Adopted
Salaries	\$30,745,925	\$30,323,094	\$30,969,580	\$30,073,300	\$31,206,790	0.77%
Pension (OPERS) Benefits	2,433,799	3,767,707	3,884,960	3,854,170	5,204,490	33.97%
Health Benefits	6,884,877	7,232,913	7,270,890	7,364,920	7,555,130	3.91%
Other Benefits	3,765,620	3,783,012	4,099,450	4,083,080	4,066,120	-0.81%
Total	\$43,830,221	\$45,106,726	\$46,224,880	\$45,375,470	\$48,032,530	3.91%
City FTE	447.615	441.315	428.395	428.395	426.065	-0.54%

The Personnel Services budget, which includes salaries and wages paid to full-time, part-time and casual employees, and the benefits associated with each position, is the largest classification of expenditures in the budget. These costs are nearly 59% of the City’s operating budget, and in some departments are nearly 82% of the budget (i.e., in the Fire Department).

Salaries and Wages – Total compensation levels are governed by the City Council’s Financial and Compensation Policies and negotiated agreements with bargaining units. Salaries are budgeted at the current pay level, and step increases of approximately 5% are projected based on each employee’s annual review dates and the existing pay tables, except for positions already at top step (the latter currently represents nearly 70% of the City’s regular, authorized FTE). New and currently vacant positions are budgeted at the lowest pay step.

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



In the past, cost-of-living adjustments (COLAs) have been budgeted in accordance with bargaining unit agreements or the anticipated rate of inflation for wages based on the February CPI-W. For FY 13-14, a COLA has only been included in the personnel services budget for CPOA (2.5%) and IAFF (2.0%) per current contract requirements. A COLA, if any, for Exempt, CRCCA, and AFSCME staff has not been budgeted, pending contract negotiations for FY 13-14. Should a contractual COLA be negotiated and maintained by a given unit in the three year planning period, savings/reductions will need to be found within existing appropriations in order to afford the incremental cost.

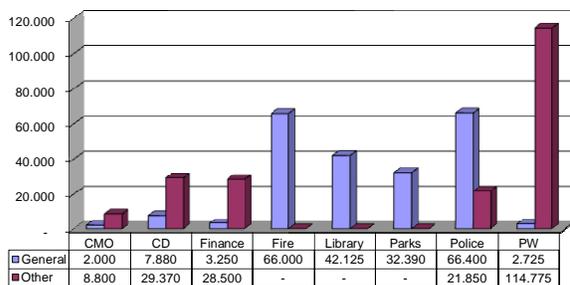
STAFFING LEVELS

	1995-1996	2000-2001	2010-2011	2011-2012	2012-2013	2013-2014	% Chg from
	Actual	Actual	Actual	Actual	Adopted	Proposed	12-13
	Actual	Actual	Actual	Actual	Adopted	Proposed	Adopted
City Manager's Office	9.750	9.500	10.000	9.750	10.800	10.800	0.00%
Community Development	27.500	31.500	39.300	38.250	37.250	37.250	0.00%
Finance	29.000	37.750	36.750	34.750	31.750	31.750	0.00%
Fire	59.500	69.000	69.000	69.000	66.000	66.000	0.00%
Library ¹	42.420	46.270	45.375	45.375	42.750	42.125	-1.46%
Parks & Recreation ¹	25.240	27.130	36.315	35.815	34.095	32.390	-5.00%
Police	81.900	91.250	92.250	90.250	88.250	88.250	0.00%
Public Works ¹	104.660	113.850	118.625	118.125	117.500	117.500	0.00%
Total	379.970	426.250	447.615	441.315	428.395	426.065	-0.54%
Population *	49,275	51,040	54,520	55,055	55,550	56,160	1.10%
FTE per 1,000 Population	7.711	8.351	8.210	8.016	7.712	7.587	-1.62%

* Population comes from estimates developed by Portland State University and includes OSU students. FY 13-14 is projected to grow 2% over last actual.

(1) FY 10-11 through 12-13 were previously rounded to stay at two decimal places, but for accuracy have been restated to three decimal places.

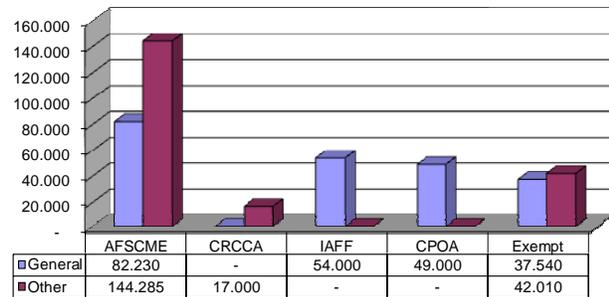
FY 13-14 General Fund FTE vs. Other Fund FTE by Department



The FY 13-14 Proposed Budget includes a total of 426.065 Full Time Equivalent (FTE) positions. This is 2.33 FTE less than the Adopted FY 12-13 staffing level. One FTE equals 2,080 hours of work each year; or in the case of Fire Department personnel, who work 24 hour shifts, equals 2,912 hours per year; or in the case of Police officers and sergeants working 12-hour shifts, equals 2,184 hours per year. Casual staff members are also employed by the City. These positions do not show as FTE in the budget since they work less than half-time and do not receive benefits.

Budget for overtime and temporary help has generally been held flat through the three-year planning period per the City's typical approach to cost containment in these areas.

FY 13-14 General Fund FTE vs. Other Funds' FTE by Bargaining Unit



VOLUNTEER HOURS

In addition to paid staff members, the City makes substantial use of volunteers for a wide variety of programs and services. For FY 13-14, the City estimates it will use nearly 42 FTE of volunteer hours in departments as follows:

Department	2010 Hours	2011 Hours	2012 Hours	2013 Projected
City Manager's Office	1,193	912	2,089	2,200
Community Development	1,127	781	909	1,200
Finance	125	199	447	162
Fire	47,602	47,929	42,458	45,600
Library	15,364	16,984	16,075	16,000
Parks and Recreation	21,742	23,098	24,322	27,500
Police	5,060	5,944	5,779	5,000
Public Works	653	2,453	1,630	2,041
TOTAL VOLUNTEER HOURS	92,866	98,300	93,709	99,703

Benefits – Benefits are budgeted according to legal requirements and include the City's portion of FICA, Medicare, PERS, medical, dental, life, and disability insurance. Overall, the benefits budget is 10.3% higher for FY 13-14 than in FY 12-13. Contributing factors include:

- ◊ The City's Oregon Public Employee Retirement System (OPERS) employer rates for the period July 1, 2013 through June 30, 2014 are scheduled to increase significantly, based on the most recent two-year actuarial valuation which will be effective July 1, 2013. Contribution rates are set by the State for two fiscal year periods and, as depicted in the adjacent table and in the Personnel Services numbers on page 36, represent a

OPERS rates; net of UAL/OAS	General Service		Public Safety	
	PERS	OPSRP	PERS	OPSRP
FY 09/10-FY 10/11	2.34%	3.28%	10.62%	5.99%
FY 11/12-FY 12/13	7.90%	6.53%	16.03%	9.24%
FY 13/14-FY 14/15	12.50%	10.89%	19.80%	13.62%
FY 15/16-FY 16/17*	18.50%	16.89%	25.80%	19.62%

* Projected rates assume full 6% collar

- substantial cost to the City (over \$5.2 million or nearly 16.7% as a percentage of total wages in FY 13-14). At the time of the proposed budget, the Oregon legislature is considering a number of bills that would reduce employer rates. Since rate changes have not yet been authorized or developed, this budget includes the rates as defined and provided by OPERS.
- ◊ The City pays the 6% employee pick-up for CPOA, CRCCA, IAFF and non-represented employees. The pick-up reduces overall costs since FICA payroll taxes (Social Security and Medicare) are not paid on the pick-up amount.
- ◊ Medical, dental and vision benefits for FY 13-14 are budgeted to stay flat at 2013 cost levels, despite rising healthcare costs. Non-represented staff agreed in the FY 12-13 budget process to reduce their cafeteria benefit to align with the most affordable health plan, with family coverage, for the 2013 calendar year.

- IAFF has eliminated its HMO plan and with the 2012 open enrolment moved almost entirely to the City's high deductible medical plan option (CDHP);
 - CPOA moved to a lower cost Teamster's composite plan;
 - The other bargaining units, AFSCME and CRCCA, have yet to reach an agreement with management on healthcare.
- If a lower cost option is not determined through the negotiation processes, and healthcare costs increase in 2014 as has been the trend, impacted departments will need to find ways to absorb any overages in this regard within existing appropriations, even if it means additional layoffs and service reductions.

SUPPLIES AND SERVICES

	FY 10-11	FY 11-12	FY 12-13	FY 12-13	FY 13-14	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 12-13
						Adopted
Total	\$28,454,371	\$28,637,904	\$33,192,610	\$31,914,170	\$31,921,350	-3.83%

The Supplies & Services budget includes costs for the purchase of:

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

Non-personnel services in each budget plan year are normally forecast to increase by approximately 1% in total, as a proxy for all known or expected increased costs. With a commitment to a level of service, or to an addition or enhancement of programs or services offered by the City, inflationary pressures can argue for higher individual line item increases. Ongoing contractual services can vary significantly, as may one-time special project budget needs for vehicle and infrastructure maintenance and replacement, and changing City plans from year-to-year for studies, master plan updates, or other consultant services. For each of FY 12-13 and FY 13-14, departments with General Fund funded services or those in overhead funds (such as Finance and City Manager's Office), generally submitted budgets well below the 1% guideline for their supplies and services spending plans, in order to attain a balanced proposed budget in the General Fund.

In future years, and for most non-General funds, the 1% growth assumption continues to apply as a conservative mechanism for containing costs which are generally trending much higher. Some areas which render this guideline challenging for all non-personal service expenditures include:

- ◇ Administrative overhead charges are generally projected to increase 4.5% per year based on a combination of personnel services and non-personnel services projections in the underlying funds.
- ◇ Utility costs are projected based on proposed or estimated rates from utility companies. Utility costs are substantial for the water and wastewater treatment plants as well as the aquatics operations. These facilities continue to aggressively pursue and implement energy-saving programs.
- ◇ Fuel costs for the City are projected to increase based on recent experience at the pumps. Fuel is a substantial cost for Transit, Police, Fire, and the Fleet Fund.
- ◇ Asphalt prices are also expected to continue to increase significantly, affecting the amount of street improvements and street maintenance that can be accomplished with the same expenditure dollars.
- ◇ Capital outlay, while forecast to increase 1% annually as a category, is generally for measured but sporadic replacement of existing capital items (i.e., vehicles, pumps) according to life expectancy plans, or budgeted as a Special Project for new capital items. More discussion of the drivers for increases and decreases in this expenditure item are included in the following section.
- ◇ Special projects which are typically sizeable contractual service or capital outlay items, are identified by year for each department and do not generally follow the 1% forecasting guideline. The most substantial projects are budgeted in the utility funds (Water, Wastewater and Storm Water) to meet operations and maintenance needs of the facilities and infrastructure systems. In other funds, special projects are based on Council Goals or specific work projects (i.e., one-time or periodic items of significant cost related to strategic plans or replacement schedules).

CAPITAL OUTLAY

	FY 10-11	FY 11-12	FY 12-13	FY 12-13	FY 13-14	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 12-13
						Adopted
Vehicle Purchases	\$263,656	\$722,298	\$1,813,110	\$1,391,800	\$1,437,070	-20.74%
Other	522,970	1,260,430	820,930	264,530	758,290	-7.63%
Total	\$786,626	\$1,982,728	\$2,634,040	\$1,656,330	\$2,195,360	-16.65%

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

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

In FY 13-14, major capital purchases planned include a backhoe, two buses and two dump trucks for Public Works. In FY 12-13, many departments made a concerted effort to defer capital purchases, and vehicles in particular, as a cost-saving measure.

On the following page is a list by City department of the rolling stock or "fleet", with average replacement timing, value and availability of funding mechanisms other than current revenue.

<u>Fleet Listing - Department</u>	No. of vehicles*	Avg replace value	Avg life cycle (yrs)	Funding?
Community Development				
Staff cars (i.e., Inspections/Housing)	13	\$20,000	10	No
Finance				
Utility Billing pick-up trucks	2	\$17,500	10	Yes
Fire				
Engines/Tenders/Rigs	17	\$300,000-\$950,000	15-25	Yes
Ambulances	5	\$260,000	7	Yes
Fire Safety Trailer	1	\$65,000	25	Yes
Speed boat	1	\$35,000	15	No
Staff cars (i.e., chief/prevention)	9	\$25,000	10	No
Library				
Cargo-courier van	2	\$50,000	10	Yes
Staff car	1	\$20,000	10	Yes
Parks & Recreation				
Trucks	19	\$25,000-\$60,000	10	Yes
Mowers/Tractors	17	\$10,000-\$70,000	10-31	Yes
Passenger vehicles/Vans	2	\$25,000	10	Yes
Police				
Patrol vehicles	12	\$38,000	5	Yes
Motorcycles	2	\$26,000	5	Yes
SUV units (K9, sergeant/LT's)	4	\$41,000	6	Yes
Detective vehicles	7	\$20,000	8	Yes
Staff/Admin/Evidence cars	2	\$20,000	10	Yes
Parking Enforcement Scooter	3	\$25,000	10	Yes
Public Works				
Dump trucks/Specialty vehicles	32	\$40,000-\$100,000	12	Yes
Staff cars/small trucks/Vans	39	\$20,000-39,000	12	Yes
Street Sweeper	2	\$260,000	6	Yes
Patch Truck	1	\$175,000	10	Yes
Camel	2	\$275,000	10	Yes
Crane/Tractors	3	\$90,000-\$130,000	12	Yes
Camera Van (Wastewater)	2	\$120,000	12	Yes
Transit buses/Trolley	12	\$410,000	12	Yes
	212			

* Note that only vehicles to be replaced are listed; this vehicle list is focused on "rolling stock" with an individual value greater than \$10,000 and does not include the large equipment used on these vehicles, nor does it include any trailers used for hauling.

V. NON-OPERATING EXPENDITURES

CAPITAL PROJECTS

	FY 10-11	FY 11-12	FY 12-13	FY 12-13	FY 13-14	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 12-13
						Adopted
Water	\$202,470	\$1,385,886	\$1,118,180	\$588,080	\$1,206,580	7.91%
Wastewater	828,414	2,407,915	905,360	610,360	1,594,930	76.17%
Storm Water	161,993	482,806	721,510	481,510	787,500	9.15%
Airport	770,606	0	50,000	2,000	112,850	125.70%
Street	368,387	708,062	1,651,470	603,470	1,703,800	3.17%
Parks	230,276	97,047	1,590,698	423,550	2,128,905	33.83%
Other Capital Projects	2,153,760	636,680	3,456,650	1,739,930	2,502,220	-27.61%
Total	\$4,715,906	\$5,718,396	\$9,493,868	\$4,448,900	\$10,036,785	5.72%

Capital Improvement Projects (CIP) represent asset additions exceeding \$25,000 in value with a life longer than one year, or extending the useful life of existing assets. Capital projects often serve to replace, enhance, or add to existing infrastructure systems.

The CIP budget reflects a 5.72% increase from FY 12-13. Major projects planned for FY 13-14 include:

- ◇ Construction of a Fire Drill Tower for department training exercises;
- ◇ 36th and Grant Water Pump Station improvements;
- ◇ Development and construction of the first section of the Corvallis to Albany trail; and
- ◇ Grant funded street reconstruction projects.

This section is also a good area to lay out an overview of the City’s infrastructure, in the form of a facilities listing:

Facilities' Listing	Location/Address	Departments	Square Footage	Value
City Hall	501 SW Madison	CMO, CD, PW	19,479	\$4,295,674
Madison Avenue Building	500 SW Madison	Finance	7,423	\$1,424,038
Municipal Court Building ⁽³⁾	560 SW Madison	Finance	3,596	\$888,399
City Hall Annex	6th & Madison	Finance-MIS	1,242	\$372,539
Corvallis Library	645 NW Monroe	Library	77,721	\$23,369,773
Philomath Community Library ⁽³⁾	1050 Applegate	Library	5,000	\$859,393
Alsea Community Library ⁽³⁾	19192 Alsea Highway	Library	4,400	\$417,666
Monroe Community Library ⁽³⁾	668 Commercial Street	Library	1,250	\$238,990
Fire Stations (6) - 2 community centers ⁽³⁾	Various	Fire	49,192	\$10,572,007
Fire Drill Tower	Waterworks S/NE 2nd St	Fire	1,872	\$562,030
Law Enforcement Building ⁽³⁾	180 NW 5th	Police & 911	40,034	\$1,791,185
CPD Evidence Compound	1245 NE Third St.	Police & 911	9,945	\$182,560
Osborn Aquatic Center ⁽³⁾	1940 NW Highland	Parks & Rec	40,347	\$218,506
Chintimini Senior Center	2601 NW Tyler	Parks & Rec	10,955	\$1,548,777
Avery Park Buildings	1320 SW Avery Park Dr	Parks & Rec	15,348	\$2,019,080
Avery Pk Caretaker House	1330 SW Avery Park Dr	Parks & Rec	1,556	\$249,708
Gaylord/Corl/Avery Houses	Various	Parks & Rec	6,762	\$992,559
Art Center ⁽⁴⁾	700 SW Madison Ave	Parks & Rec	6,530	\$1,220,700
Majestic Theater ⁽⁴⁾	115 SW 2nd St	Parks & Rec	14,775	\$3,592,092
Park Land ⁽²⁾	Various	Parks & Rec	1,734 Acres	\$20,335,517
Park buildings ⁽⁵⁾	Various	Parks & Rec	15,193	\$3,845,291
Industrial Rental building/Berg Park	33900 SE Roche Rd	Parks & Rec	16,173	\$1,201,759
Transit Mall Restrm/Driver Lounge	Monroe & 5th Ave	Public Works	231	\$50,262
Public Works Admin Building	1245 NE Third St.	Public Works	56,822	\$7,164,580
Public Works Caretakers House	1245 NE Third St.	Public Works	1,561	\$241,678
Rock Creek Treatment Plant/Buildings	Rock Creek	Public Works	5,750	\$9,357,043
Wastewater Treatment Plant	Corvallis	Public Works	31,792	\$50,211,923
Taylor Water Treatment Plant/Buildings	Corvallis	Public Works	22,678	\$31,635,933
Utility Systems - Water/Storm/Sewer ⁽¹⁾	Corvallis	Public Works	246/214/159 Miles	\$115,040,579
Street Infrastructure/Bridges/Traffic Signals ⁽¹⁾	Corvallis	Public Works	365.75 Miles	\$107,925,958
Municipal Airport Building/T-Hangers/Rental buildings	Airport Rd	Public Works	75,594	\$5,821,279

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

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

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

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

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

Note: Source of building values-Barker Urlings, 2009 Risk Assessment Building Inventory

For more information on the Capital Budget, see page 143 of the Proposed FY 13-14 Budget Document, or the 2014-2018 Capital Improvement Program, available at the Corvallis-Benton County Public Library and online at <http://corvallisoregon.gov/>.

TRANSFERS & OTHER FINANCING USES

	FY 10-11	FY 11-12	FY 12-13	FY 12-13	FY 13-14	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 12-13
						Adopted
Transfers Out - POB	\$2,283,290	\$2,386,500	\$2,491,610	\$2,491,610	\$2,601,690	4.42%
Transfers Out - 2011 Op Levy	0	1,743,522	1,865,350	1,843,150	1,908,620	2.32%
Transfers Out - Fund Balances	0	0	0	0	5,607,447	0.00%
Debt Refunding - Financing Uses	0	0	0	14,524,570	0	0.00%
Inter-Agency Pass Throughs	0	0	855,000	750,060	774,640	-9.40%
CIP & Other Transfers out	3,589,581	5,486,474	5,637,313	3,447,050	7,379,610	30.91%
Total	\$5,872,871	\$9,616,496	\$10,849,273	\$23,056,440	\$18,272,007	68.42%

Transfers represent the movement of monies between funds within the City organization. Most of the budgeted transfers are to move current revenues from the operating fund where the revenues are received to a capital construction fund where the monies are accounted for as capital projects in progress. FY 13-14 includes the third and final year of transfers to move the 2011 Levy monies from the 2011 Operating Levy Fund to the General Fund. Each operating fund also transfers monies to the Pension Obligation Debt Service Fund to make the annual debt payment. The proportion of the transfer to be budgeted for each fund is determined using the prior year pension system payments for the fund. During FY 13-14 there are also fund balance transfers from the former Parks & Recreation, Fire, and Library funds to the General Fund as part of consolidating all property tax funds into one comprehensive fund; and for the creation of the Parks Systems Development Charge fund. For an itemized list of budgeted transfers, see the Non-Operating Budget Section of the Proposed Budget Document starting on page 161. Other Financing uses included in non-operating expenditures above are for inter-agency pass-through payments required to be appropriated under Oregon Budget Law. Also, in FY 12-13 Revised, proceeds from a debt refunding (as discussed in the next section) were used to pay down three outstanding loans in the utility funds.

DEBT SERVICE

	FY 10-11	FY 11-12	FY 12-13	FY 12-13	FY 13-14	% Chg from
	Audited	Audited	Adopted	Revised	Proposed	FY 12-13
						Adopted
General Fund	\$30,389	\$244,422	\$243,880	\$243,880	\$243,180	-0.29%
Water	\$1,009,218	\$1,018,798	\$1,021,160	\$24,940	\$966,500	-5.35%
Wastewater	\$2,300,307	\$2,294,017	\$2,291,550	\$829,090	\$2,253,650	-1.65%
Airport	\$33,663	\$32,582	\$31,490	\$31,490	\$115,050	265.35%
Pension Obligations	\$2,281,922	\$2,385,149	\$2,490,260	\$2,490,260	\$2,600,340	4.42%
Total	\$8,200,473	\$8,182,618	\$7,119,140	\$4,660,460	\$7,245,970	1.78%

The Debt Service budget includes appropriations to pay the scheduled principal and interest for all existing debt service issues and is recorded in the General Obligation and Pension Obligation Debt Service Funds as well as the General, Water, Wastewater and Airport Funds based on the existing debt service schedules, with the exception of the Airport Fund which reflects a payoff amount in FY 13-14 for the small remaining balance on that loan. Three loans residing in the Water and Wastewater Funds were refunded in FY 12-13, resulting in lower revised debt service payments since the payoff of these loans is recorded as another Financing Use as seen in the section above. FY 13-14 includes the new debt service for the refunded full-faith obligations. No new debt or bonds are anticipated for FY 13-14, as the City tends to utilize a pay-as-you-go approach where feasible; however new loans or bonds may be pursued commencing in FY 14-15 based on CIP plan needs. Refunding of existing bonds is reviewed, especially when market rates are low as is currently the case, and will be considered if there are sufficient savings available. Detailed information on debt service is included starting on page 151 of the Proposed Budget Document.

CONTINGENCIES

	FY 10-11 Audited	FY 11-12 Audited	FY 12-13 Adopted	FY 12-13 Revised	FY 13-14 Proposed	% Chg from FY 12-13 Adopted
Total	\$0	\$0	\$1,611,260	\$0	\$1,727,790	7.23%

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

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

ENDING FUND BALANCE

	FY 10-11 Audited	FY 11-12 Audited	FY 12-13 Adopted	FY 12-13 Revised	FY 13-14 Proposed	% Chg from FY 12-13 Adopted
Total	\$36,122,345	\$37,856,441	\$25,135,459	\$39,139,161	\$33,166,096	31.95%

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

The City Council's financial policy revisions in recent years included confirmation that the target reserve for the General Fund is three months of payroll costs, or around \$6.3 million. This policy, combined with City Council work on creating a financially sustainable budget, led to the creation of a Fund Balance Reserve as a long-term financial planning tool to secure the desired reserve. Financial policies also called for a gradual rebuilding of that reserve, commencing with a FY 12-13 minimum contribution of 10% of the target to create said reserve. Work done to balance the General Fund budget for FY 12-13, as well as a better than anticipated ending fund balance in FY 11-12, allowed for additional one-time monies to be added to the reserve. When combined with the FY 13-14 contribution, just over \$3.2 million, or 51% of the target, is projected to be set aside by the end of the second year of this policy action. As such, the General Fund Proposed FY 13-14 Budget is expected to end the year with an \$87,841 balance available for appropriations.

All other funds, such as the special revenue funds which do not receive property taxes, the enterprise funds for Water, Wastewater, Storm Water and Airport operations, and the System Development Charge funds, are projected to end FY 13-14 with fund balances that are adequate to continue planned operations and services at their current levels. Some of these funds are being monitored more closely than others, as reduced revenue streams indicate future year fund balance challenges, as described in the Budget Message. The projected balance of monies held for reserves in all funds at the end of FY 13-14 are:

	<u>All Funds</u>	<u>General Fund</u>
Ending Fund Balance	\$33,166,096	\$6,105,193
Less:		
Restricted	\$20,650,664	\$413,704
Committed	\$1,225,632	\$1,112,174
Assigned	\$3,570,352	\$1,270,275
Fund Balance Reserve	\$3,221,200	\$3,221,200
Balance Available for Appropriation	<u>\$4,498,249</u>	<u>\$87,841</u>

On page 164, a schedule of changes by individual funds can be found that shows the anticipated beginning balance, estimated revenues, planned expenditures, and expected ending reserve balances that net to the projected unrestricted ending status of each fund as of June 30, 2014. In some cases, fund balances are being built to provide cash for a large capital project. In many cases, the fund may have longer-term projections that show the fund going into a negative position if all revenue and expenditure projections perform as currently estimated. In most cases, departments slightly under expend the appropriated budget due to vacancies or project costs that are lower than original estimates. These savings are generally captured during the revised budget process when departments have six months of experience in the current fiscal year and can more accurately project the beginning fund balances for FY 13-14. Another way of estimating the impact of unknown potential savings is incorporated in the form of a historical norming adjustment (HNA) in the long-term financial plans for many of the City's non-property tax operating funds. For more information on the HNA, please refer to page 46.

VI. FINANCIAL PLANNING OVERVIEW

The City has a total of twenty-two funds that are used to track and account for the City's operations. All but four of these funds have financial plans that are used to record historical revenues and expenditures, and project three years of future financial performance based on a series of assumptions. For the utility funds, the financial plans are also used as a tool for rate reviews to ensure resources will be adequate to meet operational and capital needs, and determine when debt financing may be required.

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

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

- ◇ The financial plans are used to make assumptions about revenues and expenditures, and then to test and refine those assumptions as each fiscal year is completed.
- ◇ The financial plans are used to model new assumptions such as changing the rate for certain fees (e.g., utility rates), examining the fiscal impact of legislative changes, or examining the long-term financial impact of budget decisions, particularly budget decisions that add ongoing annual costs, such as adding staff.
- ◇ The financial plans are used through the Capital Improvement Planning period to ensure that adequate funds will be available to cash fund projects or to meet debt commitments if a bond issue is planned.
- ◇ The financial plans provide a long-range planning tool for vehicle replacements or major maintenance projects, and are used to calculate and track contributions to reserves required to cash fund future purchases that are more substantial than the annual budget allocation would otherwise allow.
- ◇ In years where a deficit is projected, the financial plans allow for modeling scenarios to balance the current year and future year budgets.
- ◇ Department revenue and expenditure budgets are checked against the financial plans to be sure everything is included, and there is a discussion of events that have changed the budget from the financial plan to check the impact on future assumptions.

This is the first presentation of the financial plans for the FY 13-14 through FY 15-16 planning period. The financial plans in the ensuing pages provide information as follows:

- ◇ Transfers and operating costs related to Capital Improvement Projects (CIP) as identified in the CIP-Commission-recommended CIP program to be included as the capital budget;
- ◇ FY 10-11 and FY 11-12 audited revenues and expenditures;
- ◇ FY 12-13 adopted and revised estimates of revenues and expenditures;
- ◇ FY 13-14 proposed revenues and expenditures, including various reductions in General Fund funded services as outlined in the budget message and ensuing pages; and
- ◇ FY 14-15 through FY 15-16 projected revenues and expenditures, maintaining the previous three years of reductions in the General Fund, except where noted as one-time in the budget message.

Reserves

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

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

- Restricted – these include a wide variety of balances, but all with specific purposes which are constrained by externally enforceable legal restrictions, such as those provided by creditors, grantors, higher levels of government, constitutional provisions or enabling legislation. Examples of such balances include:
 - Debt Reserves – from time to time the City borrows money where the terms of the agreement include a requirement to hold the equivalent of one year’s average debt service payment as a cash reserve. These reserves are most often seen in an enterprise fund as a requirement for a revenue bond or a revenue-backed loan.
 - SDC Reserves – these monies are held in a separate Parks SDC Fund and within the Street, Water, Wastewater, and Storm Water Funds for future capital construction projects that are additions to the capacity of the infrastructure system as the result of growth. The resources for SDC Reserves are Systems Development Charges.
 - Construction Reserves – these monies are held in the Capital Construction, Water, Wastewater, Storm Water, and Airport Funds and are monies specifically designated for one or more capital projects. These would be cash balances held at the end of a fiscal year for a project where the time line crosses fiscal years, or bond or grant monies are being held for a designated project

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

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

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

Fund Balance and the Historic Norming Adjustment

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

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

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

The Historic Norming Adjustment (HNA) was developed by staff several years ago as an attempt to quantify the impact of the issues above. The HNA generally reflects a three to five-year average of the net difference between budgeted and actual ending fund balances for each fund. For the budget year under discussion (FY 13-14), the HNA is increased to reflect the budgeted contingencies which are not expected to be used. In some years, the HNA is largely attributed to a revenue impact, in other years it is more associated with expenditures below budget. The numbers have enough variation from year-to-year to make it impossible to "build in" this difference in the appropriated budget. As a result, the HNA is shown in the financial plans in which it is used as an addition to the ending budgetary fund balance to show the Potential Ending Budgetary Fund Balance under an “average” experience scenario.

The Budget Commission can normally use the Potential Ending Budgetary Fund Balance, inclusive of the HNA, to better assess the likely ending financial position of any fund in which this tool is used, in order to have that information when making decisions about changes in service levels. As of the FY 12-13 budget cycle, the HNA approach is no longer used in either the General Fund or the Street Fund, since these funds have experienced negative HNA in several of the most recent years. As such, staff determined that moving to the sustainable recurring operations format for these particular funds provided better information to decision-makers on projected fund balances.

Internal service funds also do not incorporate an HNA because of the nature of their break-even mission. Since the allocation to departments of each of these funds is modified to achieve that break-even level and refunds are granted when savings are achieved, there is by definition never an HNA. In all of the other funds’ financial plan presentations, the HNA is present, and is built into the beginning budgetary fund balance for future planning years only (i.e., commencing FY 14-15), to give a better theoretical idea about what the financial position might be.

GENERAL FUND SUMMARY

In previous years, the City managed and reported all property tax funded services in four separate funds, but for financial planning combined them in a joint presentation for ease of decision-making when balancing the budget. As of FY 13-14 however, all permanent rate property tax revenue, and the services supported by same, will be recorded in the General Fund in compliance with the City Council's actions. As such, all financial issues associated with the Council Goal of attaining a sustainable budget for property tax services are now shown in the General Fund financial plan, reserve summary and narrative section found in the next four pages. For comparison purposes, this financial plan uses previous year's property tax fund combined data.

GENERAL FUND							
BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
RECURRING							
REVENUE							
Property Taxes	\$19,730,852	\$20,508,584	\$21,002,640	\$20,305,690	\$21,215,100	\$22,044,820	\$22,907,700
Other Taxes	1,190,725	1,239,155	1,270,650	1,351,600	1,372,600	1,400,050	1,428,050
Licenses, Fees & Permits	5,475,025	5,703,675	5,698,610	5,724,530	5,915,060	5,910,240	5,989,840
Charges for Services	5,349,585	5,629,920	5,832,870	5,791,620	5,879,940	5,989,530	6,101,730
Intergovernmental	3,511,790	3,699,065	3,708,770	3,761,400	3,853,760	3,938,450	4,040,720
Fines & Forfeitures	809,652	805,079	830,110	793,550	749,530	756,800	764,140
Miscellaneous	271,601	272,814	337,350	362,960	358,390	389,500	471,730
Non-Operating Revenue	0	1,743,522	1,865,350	1,843,150	1,908,620	0	0
TOTAL RECURRING REVENUE	\$36,339,231	\$39,601,812	\$40,546,350	\$39,934,500	\$41,253,000	\$40,429,390	\$41,703,910
EXPENDITURES							
City Manager's Office	\$0	\$0	\$300,000	\$214,470	\$299,360	\$308,320	\$323,650
Community Development	1,449,820	1,256,557	1,311,410	1,300,170	1,305,150	1,360,740	1,446,760
Finance	576,402	659,181	629,740	621,470	634,220	646,500	668,470
Fire	10,108,279	10,433,717	10,412,910	10,290,660	10,686,860	10,784,580	11,206,520
Library	5,715,349	5,763,931	5,918,010	5,872,710	5,889,600	5,984,660	6,231,710
Parks & Recreation	5,349,049	5,518,962	5,622,180	5,515,560	5,812,700	5,890,800	6,077,850
Police	9,843,598	10,032,147	10,109,070	10,084,620	10,544,980	10,528,750	10,917,560
Public Works	828,901	867,719	843,450	824,990	856,170	813,500	834,900
Non-Departmental	1,349,829	1,211,667	1,262,100	1,241,960	1,198,070	1,123,700	1,156,020
Non-Operating Expenditures - Transfers & Debt	1,558,689	2,215,792	2,289,280	2,289,280	2,122,330	2,288,910	2,960,750
Contingencies - Current Year Contribution	0	0	512,850	0	0	0	0
Contribution to Reserves	114,341	316,917	1,330,640	1,296,440	1,776,950	2,234,900	2,192,650
TOTAL RECURRING EXPENDITURES	\$36,894,257	\$38,276,588	\$40,541,640	\$39,552,330	\$41,126,390	\$41,965,360	\$44,016,840
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$555,026)	\$1,325,224	\$4,710	\$382,170	\$126,610	(\$1,535,970)	(\$2,312,930)
NON-RECURRING (ONE-TIME)							
REVENUE							
Special Projects (Grants, Misc., etc.)	\$427,240	\$759,930	\$566,460	\$471,140	\$476,090	\$75,540	\$66,500
Use of Reserves	220,910	693,373	495,050	496,652	534,430	1,811,209	1,230,910
Non-Operating Revenue	383,405	151,556	980,000	853,750	4,454,545	930,130	805,940
TOTAL NON-RECURRING REVENUE	\$1,031,555	\$1,604,859	\$2,041,510	\$1,821,542	\$5,465,065	\$2,816,879	\$2,103,350
EXPENDITURES							
City Manager's Office	\$0	\$0	\$80,000	\$60,000	\$10,000	\$0	\$0
Community Development	402	0	0	27,300	12,700	0	0
Finance	0	0	0	0	20,000	0	0
Fire	304,874	581,540	36,810	20,920	23,240	1,280,630	900,650
Library	192,088	137,541	105,500	101,660	80,500	190,620	76,500
Parks & Recreation	92,217	164,854	305,950	359,030	412,840	317,860	259,740
Police	71,198	156,826	243,150	238,340	312,600	156,260	202,450
Public Works	116,166	304,666	375,450	136,100	178,000	0	0
Non-Departmental	74,212	47,027	100,000	100,000	250,000	0	0
Non-Operating Expenditures - Transfers	118,300	97,080	960,500	836,560	5,011,565	1,620,780	1,725,940
Fund Balance Reserve Contingency	0	0	0	0	630,000	0	0
Non-Recurring Contribution to Fund Balance Reserve	0	0	1,308,289	2,276,200	(630,000)	0	0
TOTAL NON-RECURRING EXPENDITURES	\$969,457	\$1,489,534	\$3,515,649	\$4,156,110	\$6,311,445	\$3,566,150	\$3,165,280
NON-RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$62,098	\$115,325	(\$1,474,139)	(\$2,334,568)	(\$846,380)	(\$749,271)	(\$1,061,930)
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	\$1,812,388	\$1,319,459	\$1,469,479	\$2,760,009	\$807,610	\$87,840	(\$2,197,401)
<i>Net Recurring Revenue/Expenditure</i>	(555,026)	1,325,224	4,710	382,170	126,610	(1,535,970)	(2,312,930)
<i>Net Non-Recurring Revenue/Expenditure</i>	62,098	115,325	(1,474,139)	(2,334,568)	(846,380)	(749,271)	(1,061,930)
ENDING BUDGETARY FUND BALANCE	\$1,319,459	\$2,760,009	\$50	\$807,610	\$87,840	(\$2,197,401)	(\$5,572,261)

SERVICE HIGHLIGHTS

Operations in the General Fund include all eight City departments:

- City Manager’s Office (Economic Development);
- Community Development (Planning);
- Finance (Municipal Court);
- Fire (suppression/rescue, prevention and emergency medical services);
- Library (branches in downtown, Philomath, Monroe and Alsea);
- Parks & Recreation (parks maintenance and recreation programs including aquatics and senior center);
- Police (Patrol, Traffic, Detectives, Crime Analysis, Evidence and Records); and
- Public Works (Franchise Administration, Street Lights, Engineering, Sustainability and CIP Development).

GENERAL FUND - OPERATING RESERVED BALANCES							
BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
RESERVED BALANCES, Beginning of Year	\$2,832,025	\$2,728,360	\$2,153,971	\$2,355,865	\$5,404,833	\$6,017,353	\$6,441,044
Contributions to Reserves							
Revenue Received (1)	\$34,695	\$40,739	\$34,500	\$0	\$0	\$0	\$0
Other Revenues (2)	103,856	144,715	155,300	155,600	153,770	160,370	161,430
Contributions (3)	(24,210)	131,462	510,840	510,840	678,180	814,530	842,420
Contribution to Fund Balance Reserve (4)	0	0	630,000	630,000	945,000	1,260,000	1,188,800
Total Contribution to Reserves	\$114,341	\$316,917	\$1,330,640	\$1,296,440	\$1,776,950	\$2,234,900	\$2,192,650
Non-Recurring Contribution to FB Reserve (5)	0	0	1,308,289	2,276,200	(630,000)	0	0
Former Component Fund net activity (6)	2,904	3,961	(122,493)	(27,020)	0	0	0
Total Increase to Reserves	\$117,245	\$320,878	\$2,516,436	\$3,545,620	\$1,146,950	\$2,234,900	\$2,192,650
Use of Reserves							
Fire (Vehicle-Assigned)	(\$4,564)	\$468,536	\$0	(\$6,310)	\$0	\$1,191,000	\$645,560
Library (Vehicle-Assigned)	118,696	49,490	83,500	83,500	49,000	130,719	76,500
Parks & Rec (Vehicle-Assigned)	20,590	30,534	29,060	20,000	81,920	54,930	65,880
Police (Vehicle-Assigned)	0	55,401	194,440	191,020	116,700	140,440	186,470
Total Vehicle-Assigned	\$134,722	\$603,962	\$307,000	\$288,210	\$247,620	\$1,517,089	\$974,410
Parks & Rec (Restricted) (7)	\$26,745	(\$44,290)	\$42,000	\$41,330	\$106,020	\$38,000	\$0
Parks & Rec (Committed)	14,912	62,786	97,040	80,700	97,400	95,730	96,110
Library (Committed)	0	0	0	0	0	0	0
Police (Restricted)	0	12,458	3,010	3,022	0	0	0
Public Works (Restricted) (8)	0	0	0	33,390	33,390	110,390	110,390
Public Works (Committed)	44,530	58,456	46,000	50,000	50,000	50,000	50,000
Total Restricted-Committed	\$86,188	\$89,411	\$188,050	\$208,442	\$286,810	\$294,120	\$256,500
Total Decrease to Reserves	\$220,910	\$693,373	\$495,050	\$496,652	\$534,430	\$1,811,209	\$1,230,910
RESERVED BALANCES, End of Year	\$2,728,360	\$2,355,865	\$4,175,357	\$5,404,833	\$6,017,353	\$6,441,044	\$7,402,784
Ending Reserve Balance by Type							
RESTRICTED	\$556,358	\$629,886	\$407,565	\$552,674	\$413,704	\$265,314	\$154,924
COMMITTED	1,253,761	1,231,694	1,081,292	1,166,444	1,112,174	1,059,114	1,006,734
ASSIGNED	918,241	494,286	748,211	779,516	1,270,275	635,416	571,126
FUND BALANCE	0	0	1,938,289	2,906,200	3,221,200	4,481,200	5,670,000
	\$2,728,360	\$2,355,865	\$4,175,357	\$5,404,833	\$6,017,353	\$6,441,044	\$7,402,784

(1) Generally current year recurring revenues net of current year recurring expenditures for dedicated reserves such as PEG-Inet.

(2) Other revenues are primarily interest on investments on restricted reserves and donations that are not expended in the year received, but are committed to a specific purpose.

(3) These contributions, which are typically for vehicle and equipment reserves, come from operations and show as an expenditure on the presentation page.

(4) A Council-Policy driven portion of General Fund fund balance will be set aside annually to achieve build-up of sustainable reserves level.

(5) The FY 12-13 revised additional set-aside for the fund balance reserve is from prior year ending fund balance. The FY 13-14 reduction in reserve is the mechanism to show the temporary nature of possible use of contingencies from the reserve, under Financial Policy.

(6) Revenues from former component funds (Library Improvement and Open Space) such as donations/interest earnings are shown here, net of any expenditure activity to balance ending reserves. Note that these reserves are not part of the presentation page activity through FY 12-13, and SDC's have also been excluded as in prior years. Commencing in FY 13-14, these components, as reserves, are now part of the General Fund activity, but are backed out in total through reserves at year-end. Also, as of FY 13/14, the General Fund financial plan has been restated to exclude the Parks SDC fund component activity completely. The Parks SDC fund activity can be found in the Parks SDC Fund financial plan.

(7) Restricted reserves for Aquatic Center Building and Senior Center Reserve. Activity for Open Space not included here, but netted with revenue in contributions section above, since this "use" of reserves does not pertain to P&R operations.

(8) Generally related to a net use of PEG-Inet reserves.

GENERAL FUND SUMMARY (continued)

FINANCIAL PLANNING ISSUES

Combined, the above services receive over 56% of their recurring revenues from permanent rate and local option property taxes levied by the City. The Corvallis-Benton County Library Service District and the Corvallis Rural Fire Protection District are two separate taxing entities which contract for services with the City of Corvallis. When monies received from these two sources are included, the total support from property taxes is slightly more than 65%. As a result, services in the General Fund are highly sensitive to changes impacting assessed values in multiple jurisdictions.

Increased costs for medical insurance and PERS continue to drive annual expenditure increases faster than revenue growth. These cost increases are driving the need to secure revenue alternatives or continue cutting programs/services to operate within existing revenues.

Revenues

Other major revenues in the General Fund are from franchise fees, State revenue sharing, recreation program charges for service, ambulance fees, and grants. Most of these revenues have suffered a decline in recent years, and are expected to decrease again or at best remain stable in FY 13-14. Some increases in revenues in the last two years of the three-year planning period have been projected based on economic forecasts, but the following issues highlight major areas of concern for the City:

- During each legislative session, bills are introduced to eliminate or greatly reduce local franchise fees. Since franchise fees are typically the second largest single revenue source in the General Fund after property taxes, any success by utilities at limiting this revenue stream has a major financial impact. Over time, more telecommunications services, such as phone and video, are being provided via the internet. Federal law currently prohibits franchise fees to be charged on what it defines as “internet services.” As a result, companies exert increasing pressure on the Federal Communications Commission to expand the definition to include more traditional telecommunication services under this law as well. If they are successful, the City’s franchise fee revenue will drop significantly.
- Conservation efforts for electricity, natural gas and water/wastewater use that are promoted in the community serve to reduce the underlying utility revenues on which franchise fees are paid.
- Future state budget decisions may have a negative impact on intergovernmental revenue, particularly State Revenue Sharing monies.
- Ambulance revenue is projected to increase approximately 1% in FY 13-14 over Adopted FY 12-13 levels. Positive efforts (improved billing practices, enhanced collection efforts, past rate adjustments, and increases in call volume) are still expected to be impacted by continued declines in Medicare and Medicaid coverages and increases in mandated write-off rates.
- A positive Adopted Budgetary Fund Balance was achieved in FY 13-14 via a variety of expenditure reductions, most of which will carry forward to future years. However, on-going expenditures will continue to need to be scrutinized in order to maintain a positive fund balance in the future.
- In FY 13-14, the General Fund support for social service allocations has remained flat at \$237,750; the May 2011 Operating Levy should allow for allocations of at least \$102,550 for FY 13-14.
- The final year of the May 2011 Operating Levy is also projected to provide operational funding at levels of \$322,160 for the Chintimini Senior Center, \$430,860 for the Aquatic Center, and \$1,048,210 for Library materials and Monday hours at the downtown branch.

Expenditures

Service issues across General Fund departments that need to be addressed within the three-year planning period, within the context of reduced financial resources, include:

Police Department

- Unfunded public safety positions over the past several years have been one-time mechanisms to ensure a balanced budget is attained. These become problematic as the City and the University population grow.
- Corvallis Police and Fire departments are the biggest users of the 9-1-1 Emergency dispatch system, and the cost for same is increasing rapidly, particularly in the context of future infrastructure needs and personnel service costs.

GENERAL FUND SUMMARY (continued)

Fire Department

- In an effort to help offset some of the costs associated with providing fire prevention services, OSU agreed to increase support in FY 10-11 from \$25,000 to \$60,000 per year. In exchange for this increase in the contract rate, a greater Fire Protection Officer (FPO) presence on campus was requested. The time spent by the FPO on the OSU campus equates to .80 FTE. This has had an impact on other Prevention program areas while significantly improving campus fire safety. In FY 12-13 the contract amount was increased to \$67,500. An additional FTE would be needed to maintain existing prevention services and programs, but is not currently affordable.
- The Drill Tower/Training Facility was originally scheduled to be built in FY 04-05. Due to budget constraints this project has been delayed multiple years. Facility design was funded by a Capital Improvement bank loan received in August 2010. Design is nearing completion and further discussions of funding alternatives will occur this fall. The current drill tower will need to be removed by the end of 2014 at the latest to make room for mandated wastewater plant facilities.

Parks and Recreation

- Systematic funding and development of management plans to maintain existing parks, and natural areas needs to be a priority. Community-driven sustainability efforts also need additional resources and planning.
- Construction, performance of deferred maintenance and replacement for system-wide Park facilities including playground equipment is becoming crucial.
- Strategies to identify and reach under-represented populations in recreation services including people with disabilities.

Library

- Library staff are continuing to identify efficiencies in how services are provided and identifying priorities in the materials collection to maximize the use of reduced funding while maintaining the high level of service that Corvallis and Benton County residents expect during reduced hours of operation.
- The expected increase in demand for services related to opening of the new Monroe Community Library Building will require a measured staff response in the context of limited resources.

Community Development

- Recent year reductions have led to a lack of dedicated long-range planning staff for support of City Council initiatives and concerns in this regard.

Finance

- Municipal Court is now significantly understaffed relative to workload. While E-ticketing and other technological solutions may abate this situation somewhat in the future, staff are challenged to remain current on billing and collection of the ever-increasing volume of traffic and parking tickets.

Public Works

- Increasing utility costs for street lights remains a challenge for funding, along with determining a base level of lighting needed for public safety.

APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's current Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. The General Fund is currently projected to end FY 13-14 with an operating fund balance of \$87,840 equaling approximately 0.23% of the FY 13-14 current revenues. Approximately 51% of what would be needed to meet the combined funds' targeted fund balance equal to three-months of payroll costs, per the City's Financial Policies, has been set aside from what would otherwise have been the potential ending budgetary fund balance based on service reductions made for a more sustainable budget.

STREET FUND SUMMARY

SERVICE HIGHLIGHTS

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

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

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

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

FINANCIAL PLANNING ISSUES

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

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

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

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

APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's current Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. The Street Fund is projected to end FY 13-14 with an ending budgetary fund balance for operations equal to approximately 6.39% of the FY 13-14 current revenues. While this is adequate for FY 13-14, FY 14-15 and beyond are not, so staff will work with the City Council on alternatives. Additionally it should be noted that while balanced for legal purposes, the proposed FY 13-14 budget is not considered sustainable when recurring revenues are compared to recurring expenditures. This also will require additional focus by staff and Council to resolve in the coming years.

STREET FUND - COMBINED

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
RECURRING							
REVENUES							
Licenses, Fees & Permits	\$52,698	\$58,821	\$43,440	\$63,000	\$55,900	\$56,460	\$57,020
Charges for Service	220,524	268,356	251,330	250,330	246,100	253,100	260,350
Intergovernmental	3,244,275	3,138,797	3,299,910	3,258,240	3,352,630	3,213,370	3,172,030
Fines & Forfeitures	4,718	2,488	1,000	1,000	1,000	1,000	1,000
Miscellaneous	7,765	6,114	1,800	4,020	3,420	2,370	720
TOTAL REVENUES	\$3,529,979	\$3,474,576	\$3,597,480	\$3,576,590	\$3,659,050	\$3,526,300	\$3,491,120
EXPENDITURES							
Community Development	\$18,106	\$17,195	\$21,020	\$21,010	\$22,120	\$22,420	\$23,380
Public Works	3,093,469	3,177,634	3,125,780	3,006,820	3,420,230	3,506,590	3,648,400
Transfers Out	132,650	78,590	81,100	81,100	125,850	130,870	136,140
Contingencies	0	0	85,520	0	73,180	0	0
Contribution to Reserves	141,467	84,359	94,770	94,770	105,660	116,580	117,520
TOTAL EXPENDITURES	\$3,385,692	\$3,357,778	\$3,408,190	\$3,203,700	\$3,747,040	\$3,776,460	\$3,925,440
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES							
	\$144,287	\$116,798	\$189,290	\$372,890	(\$87,990)	(\$250,160)	(\$434,320)
NON-RECURRING (ONE-TIME)							
REVENUE							
Special Projects (Grants, Misc., etc.)	\$513,962	\$577,108	\$678,340	\$566,180	\$688,900	\$583,230	\$592,010
Use of Reserves (Contributions)	194,271	109,800	185,300	137,000	43,400	229,909	265,020
Non-Operating Revenue	10,368	10,855	0	0	0	0	0
TOTAL NON-RECURRING REVENUE	\$718,601	\$697,762	\$863,640	\$703,180	\$732,300	\$813,139	\$857,030
EXPENDITURES							
Public Works	\$639,700	\$589,891	\$877,950	\$704,650	\$750,210	\$869,560	\$949,670
Non-Operating Expenditures - Transfers	178,989	171,851	269,360	243,740	164,290	663,610	305,710
TOTAL NON-RECURRING EXPENDITURES	\$818,689	\$761,742	\$1,147,310	\$948,390	\$914,500	\$1,533,170	\$1,255,380
NON-RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES							
	(\$100,088)	(\$63,980)	(\$283,670)	(\$245,210)	(\$182,200)	(\$720,031)	(\$398,350)
POTENTIAL BEGINNING BUDGETARY FUND BALANCE							
	\$323,503	\$367,702	\$125,302	\$420,520	\$548,200	\$278,010	(\$692,181)
<i>Net Recurring Revenue/Expenditure</i>	144,287	116,798	189,290	372,890	(87,990)	(250,160)	(434,320)
<i>Net Non-Recurring Revenue/Expenditure</i>	(100,088)	(63,980)	(283,670)	(245,210)	(182,200)	(720,031)	(398,350)
ENDING BUDGETARY FUND BALANCE	\$367,702	\$420,520	\$30,922	\$548,200	\$278,010	(\$692,181)	(\$1,524,851)

STREET FUND - RESERVE BALANCES SUMMARY

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
RESERVED BALANCES, Beginning of Year	\$1,666,481	\$1,955,559	\$2,264,689	\$2,543,673	\$2,769,663	\$2,182,833	\$2,068,034
Contributions to Reserves							
<i>Revenue Received (1)</i>	\$74,064	\$13,144	\$4,770	\$4,770	\$5,660	\$6,580	\$7,520
<i>Contributions</i>	67,403	71,215	90,000	90,000	100,000	110,000	110,000
Total Contribution to Reserves	\$141,467	\$84,359	\$94,770	\$94,770	\$105,660	\$116,580	\$117,520
<i>SDC net activity (2)</i>	341,881	613,555	(543,030)	268,220	(649,090)	(1,470)	(71,040)
Total Increase to Reserves	\$483,348	\$697,914	(\$448,260)	\$362,990	(\$543,430)	\$115,110	\$46,480
Use of Reserves							
<i>Public Works (Vehicle-Assigned)</i>	\$126,963	\$71,215	\$185,300	\$137,000	\$43,400	\$212,750	\$265,020
Total Assigned	\$126,963	\$71,215	\$185,300	\$137,000	\$43,400	\$212,750	\$265,020
<i>Transportation Maintenance Fee (TMF)</i>	67,308	0	0	0	0	0	0
<i>Sustainability Initiative Fee (SIF)</i>	0	38,585	0	0	0	0	0
<i>In Lieu of Street Improvements (SILOP)</i>	0	0	0	0	0	17,159	0
Total Restricted-Committed (1)	\$67,308	\$38,585	\$0	\$0	\$0	\$17,159	\$0
Total Decrease to Reserves	\$194,271	\$109,800	\$185,300	\$137,000	\$43,400	\$229,909	\$265,020
RESERVED BALANCES, End of Year	\$1,955,559	\$2,543,673	\$1,631,129	\$2,769,663	\$2,182,833	\$2,068,034	\$1,849,494
Ending Reserve Balance by Type							
RESTRICTED	\$1,592,746	\$2,206,301	\$1,370,546	\$2,474,521	\$1,825,431	\$1,823,961	\$1,752,921
COMMITTED	91,146	65,705	\$84,216	70,475	76,135	65,556	73,076
ASSIGNED	271,666	271,666	\$176,366	224,666	281,266	178,516	23,496
	\$1,955,559	\$2,543,673	\$1,631,129	\$2,769,663	\$2,182,833	\$2,068,034	\$1,849,494

(1) Revenue contributions and "use of reserves" for TMF, SIF and SILOP are shown as "net" in the appropriate section above since they will typically be close to zero unless not fully expended in a given year.

(2) SDC activity is expressed in net and not included on presentation page, which is for the operating fund component only.

9-1-1 EMERGENCY COMMUNICATIONS FUND SUMMARY

SERVICE HIGHLIGHTS

The 9-1-1 Emergency Communication and Dispatch Service is a centralized, county-wide 9-1-1 call reception and dispatching operation which is staffed 24 hours per day by one supervisor and 17 state-certified telecommunicators, who are members of the Corvallis Regional Communications Center Association (CRCCA) bargaining unit and providing emergency dispatch services for seven fire agencies (Corvallis, Philomath, Monroe, Adair Village, Alsea, Blodgett-Summit and Kings Valley-Hoskins) plus three law enforcement agencies (Corvallis, Philomath and Benton County Sheriff). The Center also furnishes after-hours paging and dispatch services for Oregon State Forestry, and Benton County Public Works Department. Call reception and dispatch services are provided for each of the Fire Department's emergency medical service operations with ambulance service provided county-wide by the Corvallis Fire Department. The goal of the 9-1-1 program is to dispatch emergency services within one minute of call receipt. The Center operates an enhanced 9-1-1 system and 9-1-1 Cellular Mapping with costs of system maintenance improvements all being reimbursed by the State

FINANCIAL PLANNING ISSUES

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

The 9-1-1 User Group charges are assessed via a cost sharing formula (payments made by agencies for the use of the system) in order to maintain basic service levels as well as fund viability. The primary funding source for these governmental agencies, including Corvallis Police and Fire, comes from property tax monies. In the long-term, cost sharing support from government agencies could be affected by state-wide property tax limitation measures. In FY 11-12, the 911 User Board hired a consultant to conduct a feasibility study for a taxing district model to potentially stabilize future funding for 9-1-1 operations. A recommendation was made by the consultant to staff (via a report and presentation) to establish a funding district. Work is continuing on the feasibility of a 9-1-1 service district, but no assumptions for establishment of a service district have been included in the current financial plan.

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

Personnel services (salaries plus benefits) represent over 84% of budgeted operating costs in the 9-1-1 Fund for the Proposed Budget in FY 13-14. The CRCCA union's contract is not yet settled, therefore contractual impacts remain unknown at this time.

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

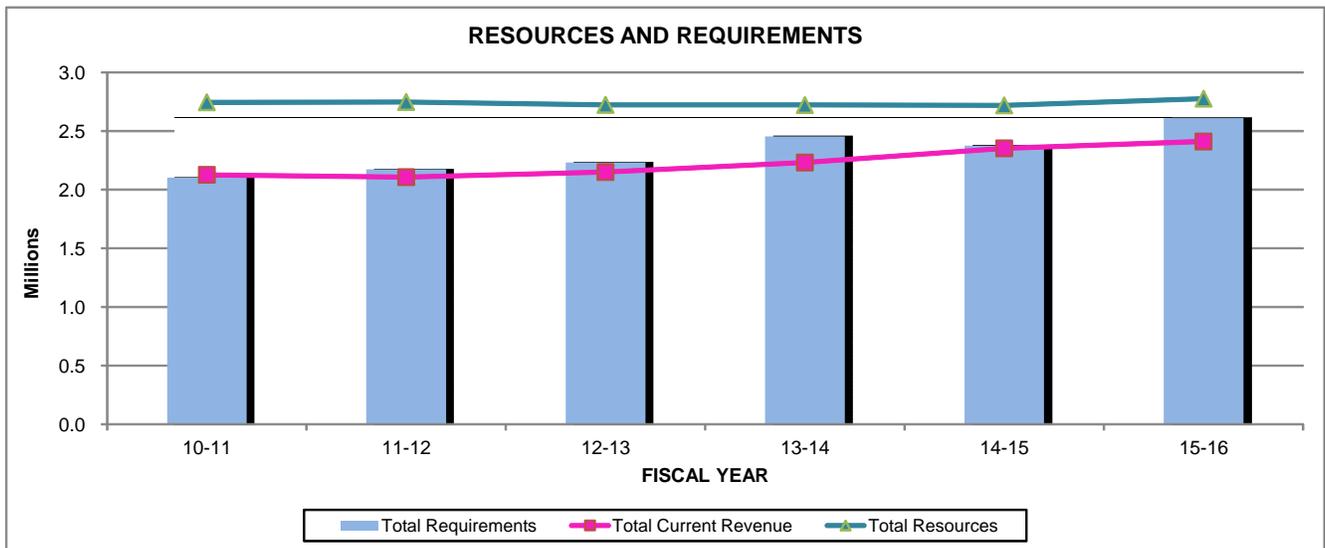
APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's current Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. The 9-1-1 Emergency Communications Fund is projected to end FY 13-14 with an operating fund balance equal to approximately 2% of the FY 13-14 current revenues.

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

9-1-1 EMERGENCY COMMUNICATIONS FUND

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$408,524	\$417,013	\$313,043	\$324,390	\$220,620	\$146,480	\$126,510
REVENUES							
Charges for Service	\$939,405	\$927,582	\$982,280	\$982,280	\$1,064,280	\$1,168,420	\$1,203,470
Intergovernmental	1,183,433	1,174,100	1,172,850	1,162,820	1,164,120	1,183,550	1,206,140
Miscellaneous	4,123	5,390	3,430	4,800	3,580	1,160	1,370
TOTAL REVENUES	\$2,126,961	\$2,107,072	\$2,158,560	\$2,149,900	\$2,231,980	\$2,353,130	\$2,410,980
EXPENDITURES							
Police	\$2,026,177	\$2,123,625	\$2,177,200	\$2,171,430	\$2,320,330	\$2,282,050	\$2,511,260
Transfers Out	77,940	51,070	62,240	62,240	90,510	95,040	99,790
Contingencies	0	0	43,450	0	45,240	0	0
TOTAL EXPENDITURES	\$2,104,117	\$2,174,695	\$2,282,890	\$2,233,670	\$2,456,080	\$2,377,090	\$2,611,050
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$22,844	(\$67,623)	(\$124,330)	(\$83,770)	(\$224,100)	(\$23,960)	(\$200,070)
RESERVED BALANCES, Beginning of Year	\$209,218	\$223,574	\$248,574	\$248,574	\$268,574	\$218,574	\$238,574
FUND BALANCE (Including Reserved), End of Year	\$640,587	\$572,964	\$437,287	\$489,194	\$265,094	\$341,094	\$165,014
LESS: RESERVED BALANCES ASSIGNED	\$223,574	\$248,574	\$268,574	\$268,574	\$218,574	\$238,574	\$128,574
ENDING BUDGETARY FUND BALANCE	\$417,013	\$324,390	\$168,713	\$220,620	\$46,520	\$102,520	\$36,440
HISTORICAL NORMING ADJUSTMENT				28,060	71,900	23,990	20,390
POTENTIAL ENDING BUDGETARY FUND BALANCE	\$417,013	\$324,390	\$168,713	\$248,680	\$146,480	\$126,510	\$56,830



DEVELOPMENT SERVICES FUND SUMMARY

SERVICE HIGHLIGHTS

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

FINANCIAL PLANNING ISSUES

Revenues vary with the rate of development activity. Commercial construction, driven primarily by OSU and Good Samaritan Health Services, has increased over the past few years; residential permit activity, although not back to pre-2007 highs, had a slight uptick in the first half of FY 12-13. The 40+ unit Alexander/Seavey Meadows project has provided some improved activity, but residential construction is still forecast to remain somewhat slow in comparison to pre-2007. There are a number of commercial projects in the works, that should help sustain reasonable levels of revenue-generating activity. In FY 10-11 and FY 11-12, permit revenues and charges for services exceeded forecasts significantly, due to commercial construction activities. Staff anticipates that permit and plan review receipts for FY 12-13 and FY 13-14 will come in close to FY 09-10 levels, and continue to increase as construction activity rebounds.

Aside from activity levels in residential and commercial construction permits, the division received Council approval for a Service Enhancement Review Fee (SERF). The SERF is being implemented incrementally over a three (3) year period which began in January 2011. Revenue projections in the financial plan reflect best conservative estimates of the SERF, adding around \$220,000 annually by the end of 2013.

Fees collected are required by state law to be used for the administration and enforcement of the inspection and plan review programs. Fees are generally set to recover the cost of providing these services and are periodically reviewed and adjusted to insure that cost recovery is being maintained. Licenses & Permits revenue is for building permits. Charges for Services revenue is for plan reviews which are generally conducted prior to permit issuance for large remodeling projects or new construction. The State Building Codes Division mandates that all jurisdictions use the same fee methodologies. In addition, staff conducted a comprehensive fee analysis and raised fees in several areas in an attempt to better recover costs. This increase received stakeholder support and was necessary to continue with existing service levels.

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

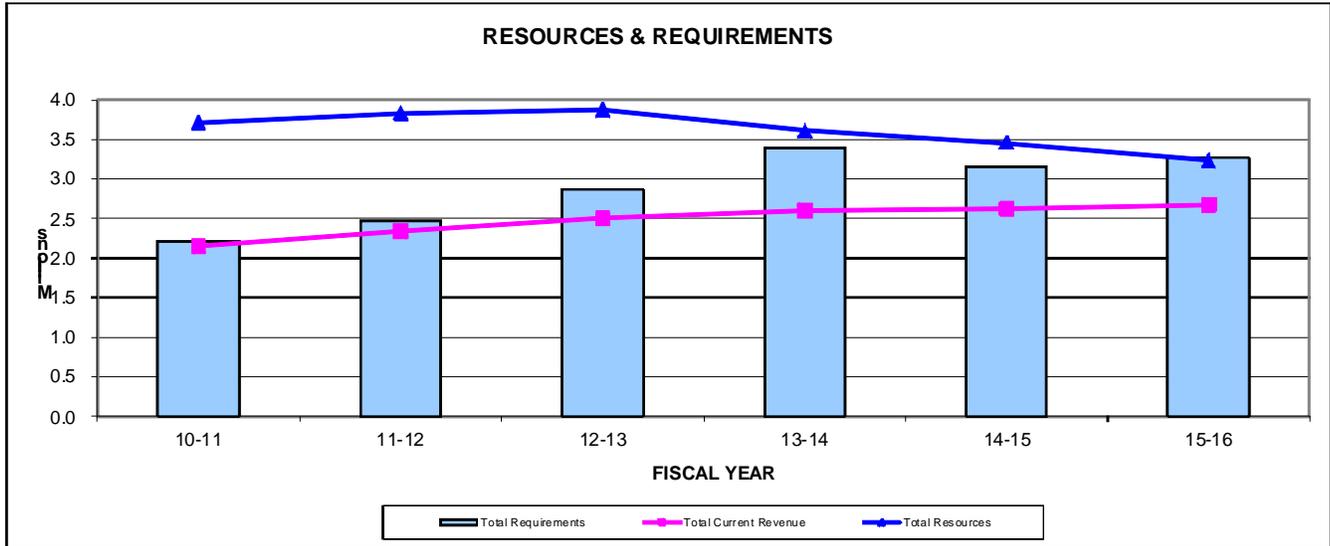
- Economic conditions and lackluster single-family housing starts.
- Determining and managing for the appropriate staff levels to respond to service demands, with the flexibility to provide all required services when large construction/development projects are presented.
- Funding future code enforcement mandates from the state or federal government, such as with new efforts relating to sustainable construction practices as promoted by the Governor's Climate Change Initiative.
- Implementing technological tools which provide enhancements to customer service and gain efficiencies in staffing.
- Training staff in new codes and new technologies.
- Hiring and retaining qualified employees.

APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's current Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. The Development Services Fund is currently projected to end FY 13-14 with an operating fund balance equaling approximately 8.36% of the FY 13-14 current revenues. Included in each year's fund balance are funds paid in one fiscal year for services which will be provided in the following fiscal year. Strategies continue to be developed to ensure that the fund maintains a positive balance through this continued economic downturn.

DEVELOPMENT SERVICES FUND

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$1,569,257	\$1,495,286	\$766,426	\$1,371,850	\$1,009,330	\$835,350	\$559,880
REVENUES							
Licenses, Fees & Permits	\$1,019,673	\$1,068,832	\$1,086,350	\$1,143,450	\$1,143,450	\$1,165,480	\$1,187,940
Charges for Services	897,620	1,141,931	1,153,370	1,234,120	1,334,070	1,340,350	1,367,150
Miscellaneous	10,230	11,768	7,670	8,240	6,790	810	240
Transfers In	218,390	118,390	118,390	118,390	118,390	118,390	118,390
TOTAL REVENUES	\$2,145,913	\$2,340,922	\$2,365,780	\$2,504,200	\$2,602,700	\$2,625,030	\$2,673,720
EXPENDITURES							
Community Development	\$1,945,554	\$2,416,197	\$2,822,700	\$2,777,920	\$3,259,050	\$3,059,740	\$3,169,920
Transfers Out	274,330	48,160	88,800	88,800	85,470	89,740	94,230
Contingencies	0	0	50,000	0	50,000	0	0
TOTAL EXPENDITURES	\$2,219,884	\$2,464,357	\$2,961,500	\$2,866,720	\$3,394,520	\$3,149,480	\$3,264,150
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$73,971)	(\$123,435)	(\$595,720)	(\$362,520)	(\$791,820)	(\$524,450)	(\$590,430)
RESERVED BALANCES, Beginning of Year	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FUND BALANCE (Including Reserved), End of Year	\$1,495,286	\$1,371,850	\$170,706	\$1,009,330	\$217,510	\$310,900	(\$30,550)
LESS: RESERVED BALANCES							
COMMITTED							
ASSIGNED	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ENDING BUDGETARY FUND BALANCE	\$1,495,286	\$1,371,850	\$170,706	\$1,009,330	\$217,510	\$310,900	(\$30,550)
HISTORICAL NORMING ADJUSTMENT				\$291,200	\$326,640	\$248,980	\$211,630
POTENTIAL ENDING BUDGETARY FUND BALANCE	\$1,495,286	\$1,371,850	\$170,706	\$1,300,530	\$835,350	\$559,880	\$181,080



COMMUNITY DEVELOPMENT REVOLVING FUND SUMMARY

SERVICE HIGHLIGHTS

The CD Revolving Fund supports the activities of the Community Development Department's Housing Division, providing housing and other community development assistance programs. The fund consists of both existing resources (monies from prior year loans that are paid back) and resources from the U.S. Department of Housing and Urban Development (HUD) through their Community Development Block Grant (CDBG) program and the HOME Investment Partnerships program.

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

FINANCIAL PLANNING ISSUES

A portion of the funding that supports the current housing loan programs was derived from past state and federal grant programs. Funds recycle to the City through repayment of various types of housing loans. Because of the origins of this funding, its reuse is limited to supporting activities that are CDBG eligible. Ongoing funding from HUD's CDBG and HOME programs carry the same or similar sets of limitations and in some cases are more restrictive.

HUD's commitment of funding to the City of Corvallis CDBG and HOME programs has declined significantly in recent years. To help a diminishing balance in the CD Revolving Fund, and with uncertainty about future HUD resources, especially in light of the current federal sequestration, annual budgets will attempt to target recycling uses as the predominant pattern for expenditures of both CDBG and HOME, as well as of non-federal resources. Additionally, the non-CDBG/HOME resources will be used as a secondary source of program support in coming years rather than a primary source, filling in behind CDBG and HOME resources where needed, or where those programs are limited due to the timing or federal eligibility of proposed activities or reductions in amounts of federal funding. This strategy should allow the City to rebuild the fund balance of the CD Revolving Fund over time and in turn allow the City to maintain a long-term program and a hedge against continuing future declines in or elimination of federal funding.

Increasing program delivery costs coupled with a relatively rapid decline in federal resources since FY 10-11 have brought FY 12-13 and projected FY 13-14 revenues and expenditures much closer than in past years, with a chance each year that expenditures would/will exceed revenues. Strategies to mitigate this situation going forward include placing stricter controls on expenditure timing, seeking supplemental sources of program revenues, identifying additional cost saving measures, and redesigning loan programs to speed up and increase loan repayment revenues.

The focus of the Housing Division and the CD Revolving Fund over the near term will be:

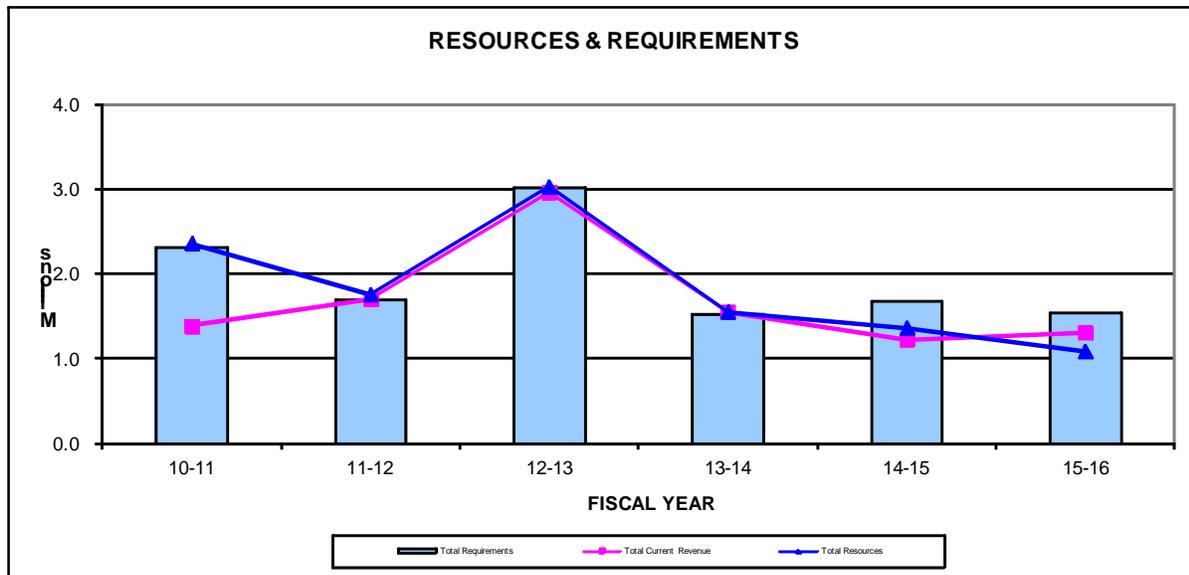
- Implementation of planning, program delivery, and program management aspects of the City's federally funded CDBG and HOME programs. Federal grant allocations for these programs vary each year.
- Continuation of current home purchase assistance and rehabilitation programs.
- Continuation of the Rental Housing Program, which includes enforcement of the Rental Housing Code.

APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's current Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. While the CD Revolving Fund financial plan on the facing page reflects a small positive fund balance for revised FY 12-13, staff will continue to monitor the situation closely and, if necessary, due to slower than anticipated loan repayments, may need to process an interfund loan. Despite the narrow margin achieved, the Fund is expected to recover and end FY 13-14 with a balance equaling approximately 1.81% of the current revenues.

COMMUNITY DEVELOPMENT REVOLVING FUND

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$975,300	\$51,937	(\$27,343)	\$63,794	\$13,914	\$128,524	(\$221,696)
REVENUES							
Licenses, Fees & Permits	\$116,220	\$129,248	\$131,670	\$133,000	\$156,000	\$150,480	\$166,725
Charges for Service	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Intergovernmental	\$1,015,560	\$1,306,737	\$2,967,410	\$2,417,890	\$906,020	\$806,510	\$854,200
Fines & Forfeitures	476	536	2,300	2,300	2,100	2,100	2,100
Miscellaneous	244,918	256,613	359,420	400,400	469,100	261,900	276,950
TOTAL REVENUES	\$1,382,174	\$1,698,134	\$3,465,800	\$2,958,590	\$1,538,220	\$1,225,990	\$1,304,975
EXPENDITURES							
Community Development	\$2,216,117	\$1,675,207	\$3,305,250	\$2,987,430	\$1,469,790	\$1,641,900	\$1,505,780
Transfers Out	89,420	13,600	21,040	21,040	23,710	24,900	26,150
Contingencies	0	0	31,950	0	30,760	0	0
TOTAL EXPENDITURES	\$2,305,537	\$1,688,807	\$3,358,240	\$3,008,470	\$1,524,260	\$1,666,800	\$1,531,930
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$923,363)	\$9,327	\$107,560	(\$49,880)	\$13,960	(\$440,810)	(\$226,955)
RESERVED BALANCES, Beginning of Year	\$2,530	\$2,530	\$0	\$0	\$0	\$0	\$0
FUND BALANCE (Including Reserved), End of Year	\$54,467	\$63,794	\$80,217	\$13,914	\$27,874	(\$312,286)	(\$448,651)
LESS: RESERVED BALANCES ASSIGNED	\$2,530	\$0	\$0	\$0	\$0	\$0	\$0
ENDING BUDGETARY FUND BALANCE	\$51,937	\$63,794	\$80,217	\$13,914	\$27,874	(\$312,286)	(\$448,651)
HISTORICAL NORMING ADJUSTMENT				\$73,570	\$100,650	\$90,590	\$77,000
POTENTIAL ENDING BUDGETARY FUND BALANCE	\$51,937	\$63,794	\$80,217	\$87,484	\$128,524	(\$221,696)	(\$371,651)



PARKING FUND SUMMARY

SERVICE HIGHLIGHTS

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

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

Residential parking districts north and east of the OSU campus were created to control the level of non-resident parking on these streets. Student 'spillover' parking from campus lots can monopolize the available spaces and add unnecessary congestion to residential neighborhoods. Working with campus representatives, even more concertedly in recent months through the OSU Collaboration process, staff continues to seek solutions to this issue and the likely additional parking pressure that will result from the increase in the student population predicted in the OSU 2025 plans.

FINANCIAL PLANNING ISSUES

Downtown parking is perceived as a problem by some merchants, shoppers, and businesses located in that section of the City. As such, requests for improvements to downtown parking have often been made. However, current funding streams do not provide adequate revenues during the three-year planning period both to maintain the level of service presently provided and to implement any significant improvements, particularly in view of current Council priorities related to near-campus parking issues. In that regard, a significant project is being considered for FY 13-14 to use up to \$300,000 of fund balance for collaboration strategies in those neighborhoods.

Despite a perception that customer parking is limited in downtown, the results of a third-party study show that parking availability is more than adequate. Even with this information, business owners remain concerned about the impact on their businesses from the perception of inadequate parking and have requested more parking in the core. The availability of vacant land for either surface parking or a parking structure is limited and very expensive. Developing new parking options will thus be costly.

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

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

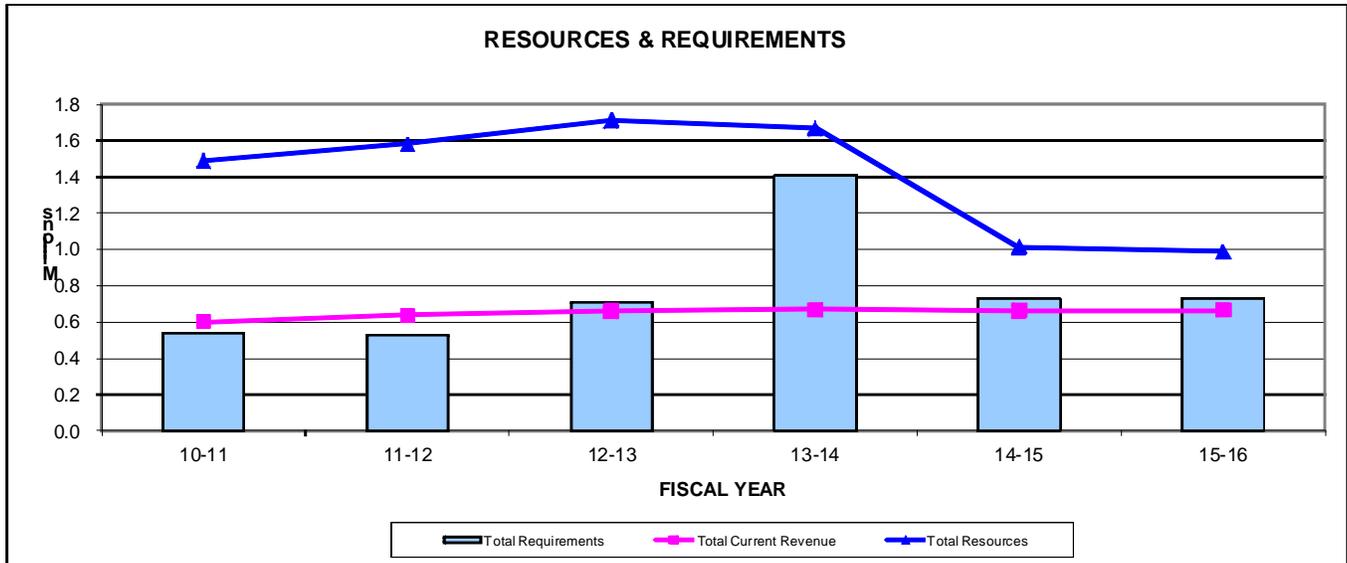
Due to a growing community interest in the use of electric vehicles, several of these stations are scheduled to be constructed by year-end FY 12-13 as part of the Capital Improvement Program. Providing the means to charge these vehicles supports the City's sustainability goals and the City Council's work on an Energy and Transportation Strategy. Ongoing funding for this initiative needs to be balanced with existing programs. Grants and other funding mechanisms will be sought to help with this effort.

APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's current Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. The Parking Fund is projected to end FY 13-14 with an operating fund balance equal to approximately 28.40% of the FY 13-14 current revenues. The recommended minimum fund balance for this fund is \$50,000. Any funds over that amount would be available for capital improvements, including land acquisition for parking.

PARKING FUND

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$789,591	\$835,890	\$875,510	\$931,083	\$869,863	\$277,823	\$259,983
REVENUES							
Licenses, Fees & Permits	\$17,758	\$18,173	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Charges for Services	\$167,438	\$186,850	187,170	187,170	187,310	189,190	191,090
Fines & Forfeitures	\$411,983	\$423,111	450,000	442,000	450,000	450,000	450,000
Miscellaneous	\$5,012	\$7,795	3,910	5,810	4,790	780	840
TOTAL REVENUES	\$602,191	\$635,929	\$666,080	\$659,980	\$667,100	\$664,970	\$666,930
EXPENDITURES							
Community Development	\$3,528	\$3,925	\$4,050	\$4,050	\$4,220	\$4,230	\$4,410
Finance	112,029	128,179	215,420	214,950	247,520	226,950	234,480
Police	269,505	262,333	355,580	304,300	373,560	306,060	318,790
Public Works	134,100	121,579	184,280	144,210	495,330	174,050	157,540
Transfers Out	23,230	13,720	299,060	42,490	273,040	17,290	18,150
Contingencies	0	0	13,320	0	13,340	0	0
TOTAL EXPENDITURES	\$542,392	\$529,736	\$1,071,710	\$710,000	\$1,407,010	\$728,580	\$733,370
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURE:	\$59,799	\$106,193	(\$405,630)	(\$50,020)	(\$739,910)	(\$63,610)	(\$66,440)
RESERVED BALANCES, Beginning of Year	\$95,908	\$109,408	\$120,408	\$120,408	\$131,608	\$72,078	\$59,198
FUND BALANCE (Including Reserved), End of Year	\$945,298	\$1,051,491	\$590,288	\$1,001,471	\$261,561	\$286,291	\$252,741
LESS: RESERVED BALANCES							
COMMITTED	\$37,323	\$37,323	\$37,323	\$37,323	\$37,323	\$37,323	\$37,323
ASSIGNED	72,085	83,085	43,155	94,285	34,755	21,875	32,575
ENDING BUDGETARY FUND BALANCE	\$835,890	\$931,083	\$509,810	\$869,863	\$189,483	\$227,093	\$182,843
HISTORICAL NORMING ADJUSTMENT				\$38,460	\$49,880	\$32,890	\$27,960
POTENTIAL ENDING BUDGETARY FUND BALANCE	\$835,890	\$931,083	\$509,810	\$908,323	\$277,823	\$259,983	\$210,803



TRANSIT FUND SUMMARY

SERVICE HIGHLIGHTS

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

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

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

The Corvallis Transit Service (CTS) is a fareless system; customers ride the in-city buses without having to show a pass or pay a fee. This approach provides for more efficient loading of passengers and helps buses stay on time. In the two years since implementation of fareless transit service, CTS has recorded a total 44% increase in ridership, with more than a million rides provided in FY 11-12, and on track to be more than a million in FY 12-13 as well. The addition of the Transportation Operations Fee (TOF) that citizens are charged on their City Services bills which helped afford the fareless service, also made it possible, beginning in September 2012, to introduce several route and schedule enhancements. All enhancements were designed to ease overcrowding on busy routes, help with on-time performance, and provide direct service to parts of the City that previously did not have service. OSU also contributed over \$22,000 toward further enhancements of routes which directly benefit OSU's students, faculty and staff.

FINANCIAL PLANNING ISSUES

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

The BETC program is scheduled to sunset in FY 13-14, with no costs eligible to be funded. The elimination of this funding source, which provided up to \$500,000 per year in operating monies, may lead to an eventual need for reductions in service level, and additionally could impact availability of match funds for federal grants. However, provided the TOF remains a robust resource, fund balance projections suggest that no reductions should be anticipated through at least FY 15-16.

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

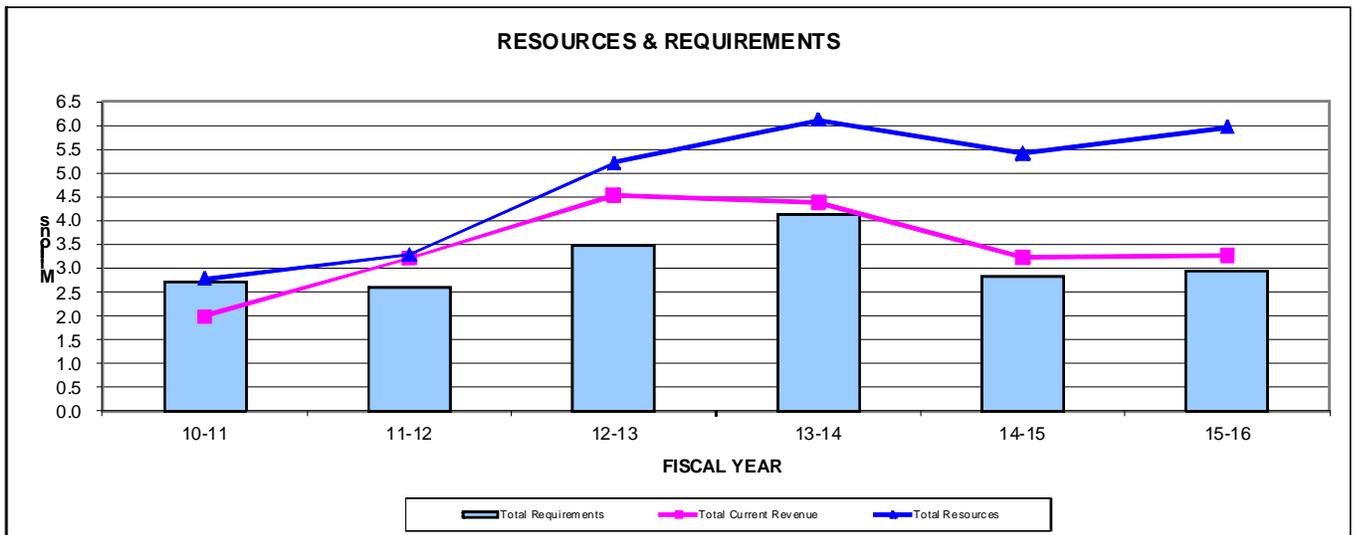
Service level is directed by users, the growth of the community and the requirements of the Americans with Disabilities Act (ADA). As the community grows, transit, as an alternative to the single-occupancy vehicle, serves to help relieve congestion and parking issues, supports sustainability efforts,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

APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. The Transit Fund is currently projected to end FY 13-14 with an operating fund balance equaling approximately 42.19% of the FY 13-14 current revenues.

TRANSIT FUND

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$136,087	(\$140,648)	\$321,262	\$458,747	\$1,565,737	\$2,043,911	\$2,491,993
REVENUES							
Property Taxes	\$77,641	\$0	\$0	\$0	\$0	\$0	\$0
Licenses, Fees & Permits	388,430	1,035,285	1,173,900	1,173,900	1,192,690	1,192,690	1,192,690
Charges for Services	335,536	196,337	223,610	225,960	225,960	227,670	229,400
Intergovernmental	980,984	1,180,516	2,352,950	1,863,450	2,785,170	1,618,110	1,666,650
Fines & Forfeitures	286	67	0	0	0	0	0
Miscellaneous	186,616	806,552	772,500	1,283,620	184,900	187,980	193,400
Other Financing Sources (Uses)	21,764	0	0	0	0	0	0
TOTAL REVENUES	\$1,991,258	\$3,218,757	\$4,522,960	\$4,546,930	\$4,388,720	\$3,226,450	\$3,282,140
EXPENDITURES							
Public Works	\$2,449,073	\$2,607,742	\$4,080,490	\$3,463,980	\$4,021,090	\$2,806,820	\$2,930,160
Transfers Out	268,920	11,620	12,140	12,140	16,860	17,700	18,590
Contingencies	0	0	77,130	0	87,770	0	0
TOTAL EXPENDITURES	\$2,717,993	\$2,619,362	\$4,169,760	\$3,476,120	\$4,125,720	\$2,824,520	\$2,948,750
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$726,735)	\$599,395	\$353,200	\$1,070,810	\$263,000	\$401,930	\$333,390
RESERVED BALANCES, Beginning of Year	\$661,061	\$211,061	\$211,061	\$211,061	\$174,881	\$152,211	\$202,311
FUND BALANCE (Including Reserved), End of Year	\$70,413	\$669,808	\$885,523	\$1,740,618	\$2,003,618	\$2,598,052	\$3,027,694
LESS: RESERVED BALANCES ASSIGNED	\$211,061	\$211,061	\$172,001	\$174,881	\$152,211	\$202,311	\$189,031
ENDING BUDGETARY FUND BALANCE	(\$140,648)	\$458,747	\$713,522	\$1,565,737	\$1,851,407	\$2,395,741	\$2,838,663
HISTORICAL NORMING ADJUSTMENT				\$0	192,504	96,252	48,126
POTENTIAL ENDING BUDGETARY FUND BALANCE	(\$140,648)	\$458,747	\$713,522	\$1,565,737	\$2,043,911	\$2,491,993	\$2,886,789



2011 OPERATING LEVY FUND

SERVICE HIGHLIGHTS

Property taxes levied by the City for operations are accounted for in the General Fund. As part of the effort to maintain a positive fund balance in FY 11-12 and future years, the City Council introduced a \$.45 per \$1,000 of assessed value local option tax levy to City of Corvallis voters in May 2011, to fund specific services. The three-year levy passed and went into effect July 1, 2011.

The tax revenue from this levy is restricted to specific General Fund operations of: the Library, the Osborn Aquatic Center and the Chintimini Senior Center, as well as for allocations to social service agencies. Among these uses, distribution of the revenue is restricted in the following manner:

- 23.03% of the levy each year toward year-round operation of the Osborn Aquatic Center, including programs such as swimming lessons, therapy classes, youth special needs classes, water safety, high school swim practice, swim meets, fitness classes, and lap swimming;
- 17.22% of the levy each year for year-round operation of the Chintimini Senior Center, including programs such as senior meals, health and fitness, life-long learning classes, support groups, tax aide assistance, and volunteer recruitment and coordination;
- 11.79% of the levy each year for year-round Library open hours on Mondays;
- 42.22% of the levy each year for operation of the Corvallis-Benton County Public Library, including the acquisition of books, periodicals, and other library materials; and programs such as preschool reading readiness services for families and child care providers; and volunteer recruitment and coordination.; and
- 5.74% of the levy each year for funding social service programs that provide emergency or transitional assistance, such as aid in obtaining food, water, shelter, warmth, clothing, safety, acute health care, or access to information about obtaining this assistance.

The levy fund presentation includes financial data for the revenue received from the levy as well as how that revenue is transferred out to various departments in the General Fund.

FINANCIAL PLANNING ISSUES

Since Oregon voters approved Measure 50 in 1997, local governments and special districts in Oregon have not been permitted to ask voters for increases in permanent property tax rates. Increases in the assessed value of property are capped at 3 percent per year, with some exceptions such as for new construction. When a permanent rate of a local government does not provide enough revenue to meet estimated expenditures, local governments may raise property taxes above their permanent rates only by voter approval of a local option levy. The levy rate approved by City of Corvallis voters in May 2011 is now estimated to raise approximately \$1,808,061 in FY 11-12, \$1,816,370 in FY 12-13, and \$1,870,860 in FY 13-14 or a total of \$5,495,291 for all three years assuming growth in assessed value of 3.0% in the final year. However, the nationwide recession has pushed the market value of housing downward throughout the City of Corvallis and this overall rate of growth may not be achieved. Should actual growth in assessed value be higher than projected, balances will be restricted on the same ratio as the levy for funding these services in future years.

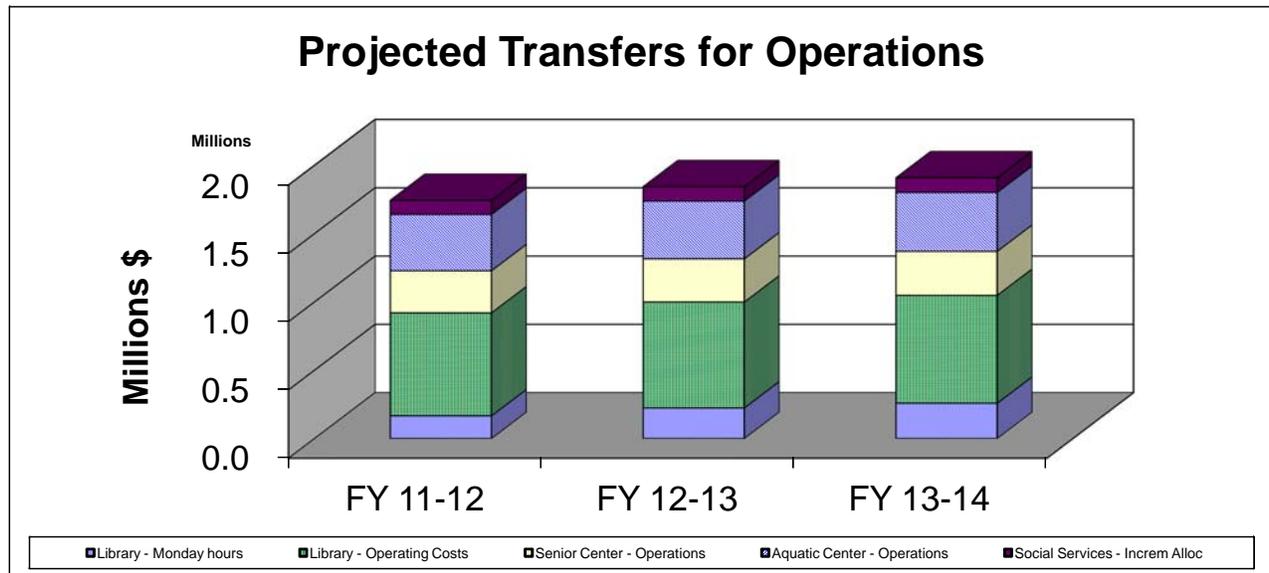
With declining revenues, the ability to meet citizen demands for new, expanded, or existing service levels will be difficult. Given that the 2011 operating levy is limited to a three-year duration, and unless it is renewed by voters, the City's legal requirement to adopt a balanced budget means that the City will either need to reduce services or find an alternative revenue stream in order to attain a positive General Fund balance once the levy expires.

APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. The 2011 Operating Levy Fund is projected to end FY 13-14 with an operating fund balance equal to the recommended fund balance for this fund of \$0. Any funds over that amount would be available in future years for the restricted uses as specified in the operating levy ballot measure.

2011 OPERATING LEVY FUND

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES							
Property Taxes - Levy Related	\$0	\$1,808,061	\$1,861,240	\$1,816,370	\$1,870,860	\$0	\$0
TOTAL REVENUES	\$0	\$1,808,061	\$1,861,240	\$1,816,370	\$1,870,860	\$0	\$0
EXPENDITURES							
NON-OPERATING TRANSFERS							
Library - Monday Hours	\$0	\$166,018	\$223,540	\$223,540	\$258,330	\$0	\$0
Library - Other Operating Costs	0	754,234	785,820	776,000	789,880	0	0
Parks & Recreation - Senior Center	0	308,200	320,510	315,930	322,160	0	0
Parks & Recreation Aquatics	0	412,200	428,640	422,510	430,860	0	0
Non-Departmental - Social Services	0	102,870	106,840	105,170	107,390	0	0
TOTAL EXPENDITURES	\$0	\$1,743,522	\$1,865,350	\$1,843,150	\$1,908,620	\$0	\$0
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURE	\$0	\$64,539	(\$4,110)	(\$26,780)	(\$37,760)	\$0	\$0
RESERVED BALANCES, Beginning of Year	\$0	\$0	\$27,430	\$64,539	\$37,760	\$0	\$0
FUND BALANCE (Including Reserved), End of Year	\$0	\$64,539	\$23,320	\$37,759	\$0	\$0	\$0
LESS: RESERVED BALANCES							
RESTRICTED	\$0	\$64,539	\$23,320	\$37,759	\$0	\$0	\$0
COMMITTED	0	0	0	0	0	0	0
ASSIGNED	0	0	0	0	0	0	0
ENDING BUDGETARY FUND BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0



WATER FUND SUMMARY

SERVICE HIGHLIGHTS

The primary service in the Water Fund is the provision of a safe and reliable drinking water supply. Water is taken from two surface water sources, the Willamette River and Rock Creek, and put through a rigorous treatment process that results in drinking water meeting or exceeding all state and federal water quality regulations. The two treatment plants are the Taylor Plant, located in South Corvallis, and the Rock Creek Plant, located on the east side of Mary's Peak. More than 2.5 billion gallons of drinking water are produced annually.

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

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

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

FINANCIAL PLANNING ISSUES

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

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

High Willamette River levels in recent years have accelerated the accumulation of gravel in front of the Taylor Water Treatment Plant intake, restricting the flow. Gravel removal is very expensive and requires precision timing to ensure the river environment is disturbed at a time that causes the least disruption to aquatic life. In the past, gravel was removed every 15-20 years, but this frequency is no longer adequate, so this project will be assessed on an annual basis. A project to remove some gravel was completed during the summer of 2011 and will be reassessed in the summer of 2013.

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

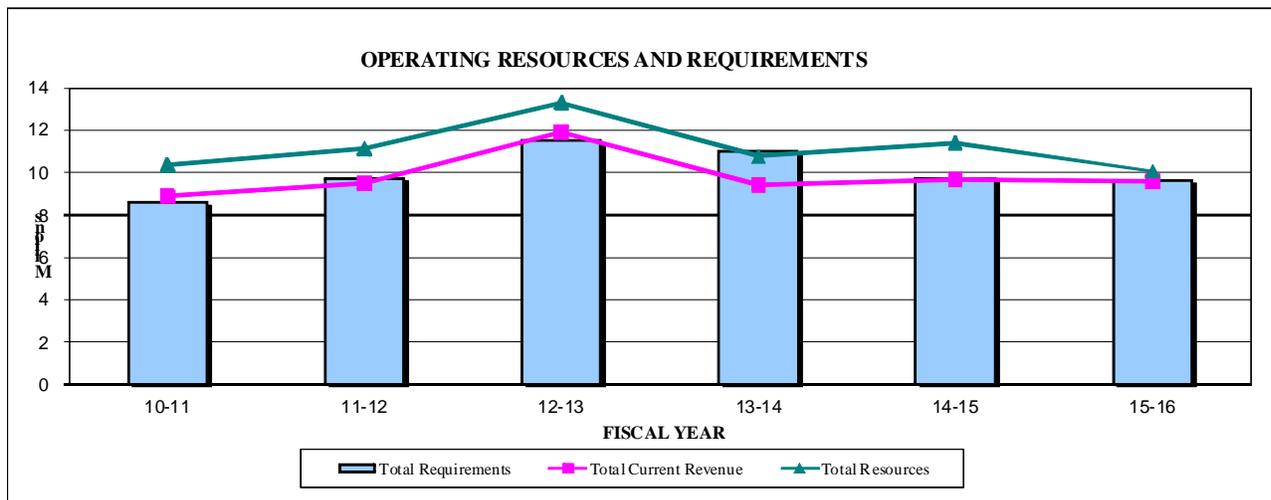
The Watershed Stewardship Plan includes projects to manage the City's watershed forest property, on the east side of Mary's Peak, back to a healthy state. Revenues to accomplish these items come from the sale of timber harvested from the site. A challenge is to meet demand for environmental improvements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

APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's current Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. The Water Fund is projected to end FY 13-14 with an operating fund balance equaling approximately 1.29% of the FY 13-14 current revenue. The proposed ending budgetary fund balance for FY 13-14 is below the recommended minimum amount of \$500,000, so staff will continually monitor the fund's performance throughout the year.

WATER FUND - COMBINED

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
RATE INCREASE	2.00%	3.70%	2.50%	2.00%	2.00%	2.00%	2.00%
BEGINNING BUDGETARY FUND BALANCE	\$1,169,425	\$1,261,227	\$962,687	\$885,438	\$1,616,888	\$311,263	\$409,673
REVENUES							
Charges for Service	\$8,060,594	\$8,552,193	\$8,620,130	\$8,920,440	\$8,860,100	\$9,036,890	\$9,217,200
Intergovernmental	46,544	17,858	0	0	0	0	0
Fines & Forfeitures	3,148	2,954	0	0	0	0	0
Miscellaneous	428,246	581,172	395,350	383,900	318,290	319,640	324,700
Other Financing Sources	2,100	0	0	2,279,600	0	0	0
Transfers In	345,369	344,558	342,740	342,740	268,240	329,260	61,890
TOTAL REVENUES	\$8,886,002	\$9,498,735	\$9,358,220	\$11,926,680	\$9,446,630	\$9,685,790	\$9,603,790
EXPENDITURES							
Community Development	\$48,327	\$49,156	\$55,770	\$55,720	\$56,850	\$57,420	\$59,860
Public Works	6,806,637	7,758,700	7,840,490	7,422,700	7,775,400	7,612,680	8,169,690
Debt Service	1,009,218	1,018,798	1,021,160	24,940	966,500	977,600	166,400
Other Financing Uses/Transfers Out	734,640	922,101	1,201,450	4,008,570	2,050,760	1,100,220	1,243,300
Contingencies	0	0	194,060	0	188,930	0	0
TOTAL EXPENDITURES	\$8,598,822	\$9,748,755	\$10,312,930	\$11,511,930	\$11,038,440	\$9,747,920	\$9,639,250
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$287,180	(\$250,020)	(\$954,710)	\$414,750	(\$1,591,810)	(\$62,130)	(\$35,460)
RESERVED BALANCES, Beginning of Year	\$4,977,525	\$5,676,892	\$3,762,522	\$5,511,840	\$5,302,530	\$5,997,935	\$6,016,425
FUND BALANCE (Including Reserved), End of Year	\$6,938,119	\$6,397,279	\$3,755,069	\$6,919,419	\$6,120,269	\$6,232,379	\$7,260,899
LESS: RESERVED BALANCES							
RESTRICTED	\$5,093,422	\$4,802,602	\$3,106,692	\$4,909,992	\$5,702,647	\$5,687,957	\$6,558,217
ASSIGNED	583,470	709,238	337,310	392,538	295,288	328,468	333,448
ENDING BUDGETARY FUND BALANCE	\$1,261,227	\$885,438	\$311,067	\$1,616,888	\$122,333	\$215,953	\$369,233
HISTORICAL NORMING ADJUSTMENT				\$0	\$188,930	\$193,720	\$192,080
POTENTIAL ENDING BUDGETARY FUND BALANCE	\$1,261,227	\$885,438	\$311,067	\$1,616,888	\$311,263	\$409,673	\$561,313



WASTEWATER FUND SUMMARY

SERVICE HIGHLIGHTS

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

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

Storm water lines that are incorrectly connected to the sanitary sewers or groundwater seepage through cracks in sewer pipes add unnecessary volume to the sanitary system. This puts water through the treatment process that wouldn't normally need to be treated, as well as reduces the capacity for wastewater in the pipes. Removing this flow from the system would save treatment costs. Areas of infiltration and/or inflow are identified by introducing smoke into the pipeline and documenting where it escapes. This information is then used to prioritize maintenance activities.

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

FINANCIAL PLANNING ISSUES

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

The City's National Pollutant Discharge Elimination System (NPDES) permit and EPA wastewater regulations require expanded maintenance, operation, and capital expenditures. The NPDES permit is renewed every five years, and the requirements of the permit affect operations, lab monitoring, and records. More stringent requirements have been included in the latest permit from regulations establishing total maximum daily pollutant levels (TMDL) to the Willamette. Additional facilities and changes to processes (i.e., wastewater reuse) will be required to achieve the pollutant limits stipulated in the permit. The City is conducting a public information and education process about ways to address these and other regulations on toxic removal that are on the horizon. Feedback gathered through this process will be used by the City Council to select a preferred solution. Information gathered to date suggests that likely alternatives project costs could range from \$15 to \$40 million. There is not sufficient capacity within the Fund to absorb this size of expenditure, so debt will be issued to provide the money necessary to construct the solution in the next 1-2 years. Staff will seek other funding opportunities and partnerships, but utility rates will be impacted as well.

Wastewater charges are calculated from water consumption amounts. As discussed under the Water Fund, consumption is steadily decreasing, which also reduces the wastewater revenue generated. This puts the recovery of fixed charges inherent in wastewater systems on a smaller base, forcing rate increases. While a highly beneficial refunding was conducted in FY 12-13 to reduce existing debt service requirements and create capacity for the potential future debt issuance for the TMDL project, these financings still serve to further reduce the available resources for operation and maintenance of the system.

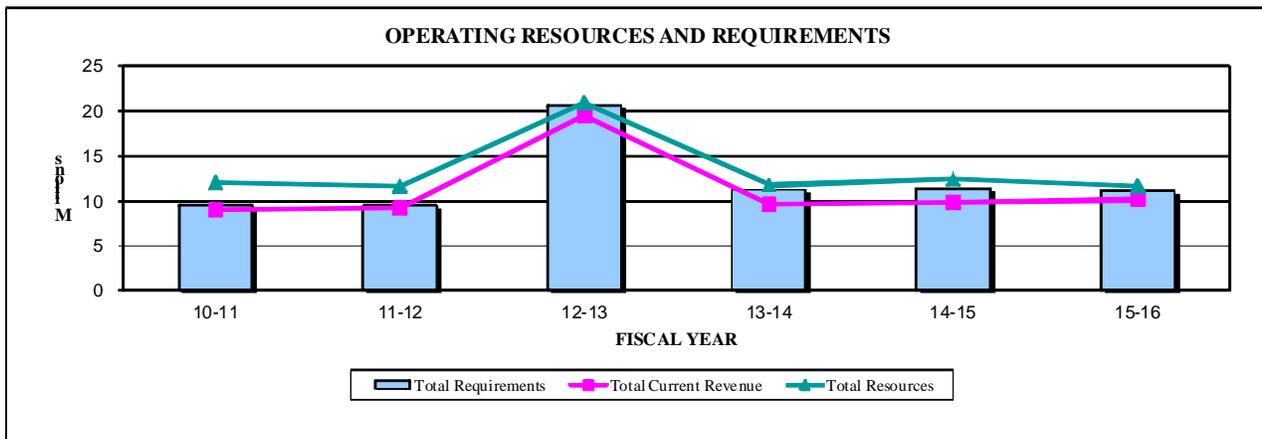
APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's current Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. The Wastewater Fund is projected to end FY 13-14 with an operating fund balance of approximately 7.93% of the FY 13-14 current revenue.

WASTEWATER FUND - COMBINED

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
RATE INCREASE	2.00%	3.20%	4.00%	3.00%	4.00%	3.50%	3.50%
BEGINNING BUDGETARY FUND BALANCE	\$2,947,204	\$2,331,589	\$1,221,084	\$1,945,458	\$2,266,469	\$1,334,238	\$34,355
REVENUES							
Charges for Service	\$8,951,264	\$9,108,678	\$9,351,980	\$9,391,900	\$9,482,370	\$9,808,760	\$10,121,870
Intergovernmental	8,525	0	0	38,630	0	0	0
Fines & Forfeitures	0	262	0	0	0	0	0
Miscellaneous	41,210	47,853	26,870	36,140	32,090	17,550	15,000
Other Financing Sources	2,391	7,025	0	10,009,440	0	0	0
Transfers In	18,251	24,923	0	0	77,500	0	0
TOTAL REVENUES	\$9,021,642	\$9,188,741	\$9,378,850	\$19,476,110	\$9,591,960	\$9,826,310	\$10,136,870
EXPENDITURES							
Community Development	\$47,239	\$48,196	\$52,770	\$52,740	\$54,640	\$55,140	\$57,510
Public Works	6,467,621	6,531,621	7,608,910	7,382,940	7,528,540	7,683,890	7,465,920
Non-Departmental	0	0	0	114,760	0	0	0
Debt Service	2,300,307	2,294,017	2,291,550	829,090	2,253,650	2,227,750	2,219,450
Transfers Out	742,090	611,038	1,023,220	925,700	1,232,570	1,428,840	1,358,320
Other Financing Uses	0	0	0	11,329,140	0	0	0
Contingencies	0	0	187,580	0	191,840	0	0
TOTAL EXPENDITURES	\$9,557,257	\$9,484,872	\$11,164,030	\$20,634,370	\$11,261,240	\$11,395,620	\$11,101,200
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$535,615)	(\$296,131)	(\$1,785,180)	(\$1,158,260)	(\$1,669,280)	(\$1,569,310)	(\$964,330)
RESERVED BALANCES, Beginning of Year	\$9,303,471	\$10,201,511	\$8,835,316	\$10,081,494	\$9,629,073	\$10,016,984	\$3,196,304
FUND BALANCE (Including Reserved), End of Year	\$12,533,100	\$12,026,953	\$9,085,920	\$11,895,543	\$10,777,163	\$3,151,983	\$3,511,470
LESS: RESERVED BALANCES							
RESTRICTED (1)	\$10,057,707	\$9,847,690	\$7,836,942	\$9,295,269	\$9,798,280	\$3,168,350	\$4,413,490
ASSIGNED	143,805	233,805	232,815	333,805	218,705	27,955	(46,605)
ENDING BUDGETARY FUND BALANCE (1)	\$2,331,589	\$1,945,458	\$1,016,164	\$2,266,469	\$760,178	(\$133,235)	(\$855,415)
HISTORICAL NORMING ADJUSTMENT				196,010	378,050	167,590	142,450
POTENTIAL ENDING BUDGETARY FUND BALANCE	\$2,331,589	\$1,945,458	\$1,016,164	\$2,462,479	\$1,334,238	\$34,355	(\$712,965)

(1) Higher than previously projected restricted reserves in both FY 11-12 and FY 12-13, despite a decrease from a debt reserve being freed up to operations through a loan refunding, reflect significant increases in SDC income.



STORM WATER FUND SUMMARY

SERVICE HIGHLIGHTS

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

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

Long-range planning for the storm water system creates a blueprint for system policies and future modifications necessary to meet regulatory requirements and community interests. The plans are periodically updated to reflect changes in regulations, population, resident's values, water quality and technology. An update to the Storm Water Master Plan, focusing primarily on the piping system, is scheduled for FY 13-14.

FINANCIAL PLANNING ISSUES

The primary revenue for this fund is the storm water system user fee. Rates are reviewed annually and adjusted by the City Council to address operation, maintenance and capital improvement needs. Between FY 02-03 and FY 11-12, storm water rates were not increased, helping to offset the increases needed to maintain the water and wastewater systems during this time period. However, absent future annual increases, the Storm Water Fund would be projected to have deficit fund balances within the planning period. Increased revenues would allow for some capacity to respond to federal regulations on storm water quality, rising material prices, and full implementation of the various planning documents related to the storm water system (Storm Water Master Plan, Endangered Species Salmon Response Plan, and Natural Features Inventory).

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

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

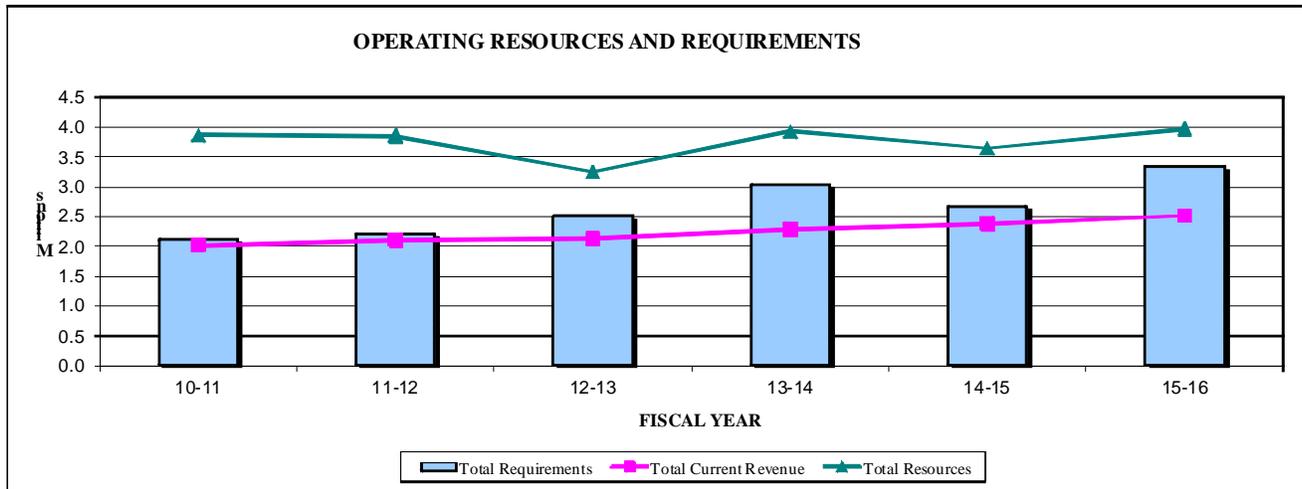
Suggested actions from the community sustainability effort could drive new projects, such as rain gardens along residential streets. Rain gardens take water out of the piping system, reducing the chance of pipe overflows and localized street flooding during heavy rain events. Rain gardens also improve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

APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. The Storm Water Fund is projected to end FY 13-14 with an operating fund balance of approximately 13.95% of FY 13-14 current revenue. Funds over a \$300,000 fund balance would be available for additional capital projects.

STORM WATER FUND - COMBINED

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
RATE INCREASE	0.00%	0.00%	10.00%	7.00%	7.00%	6.00%	5.00%
BEGINNING BUDGETARY FUND BALANCE	\$1,769,356	\$1,622,226	\$943,234	\$1,465,227	\$1,030,654	\$1,275,844	\$1,347,144
REVENUES							
Charges for Service	\$2,002,405	\$2,080,793	\$2,098,090	\$2,114,550	\$2,240,880	\$2,384,110	\$2,513,810
Intergovernmental	3,127	12,803	0	6,400	39,220	0	0
Fines and Forfeitures	0	20	0	0	0	0	0
Miscellaneous	12,514	14,430	8,740	10,820	9,090	3,110	2,580
Other Financing Sources	0	0	0	0	0	0	0
Transfers In	5,625	5,342	0	0	0	0	0
TOTAL REVENUES	\$2,023,671	\$2,113,387	\$2,106,830	\$2,131,770	\$2,289,190	\$2,387,220	\$2,516,390
EXPENDITURES							
Community Development	\$47,825	\$49,984	\$53,670	\$53,640	\$55,560	\$56,070	\$58,450
Public Works	1,706,315	1,785,906	2,216,440	1,912,510	2,263,460	2,106,980	2,458,420
Transfers Out	371,660	379,496	584,600	545,190	681,950	517,280	825,030
Contingencies	0	0	42,140	0	45,780	0	0
TOTAL EXPENDITURES	\$2,125,800	\$2,215,386	\$2,896,850	\$2,511,340	\$3,046,750	\$2,680,330	\$3,341,900
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$102,129)	(\$102,000)	(\$790,020)	(\$379,570)	(\$757,560)	(\$293,110)	(\$825,510)
RESERVED BALANCES, Beginning of Year	\$64,218	\$193,565	\$234,467	\$280,626	\$332,839	\$308,209	\$325,329
FUND BALANCE (Including Reserved), End of Year	\$1,815,791	\$1,745,853	\$408,991	\$1,363,493	\$627,503	\$1,253,063	\$809,523
LESS: RESERVED BALANCES							
RESTRICTED	\$75,132	\$107,193	\$82,344	\$104,406	\$125,976	\$88,096	\$50,656
ASSIGNED	118,433	173,433	135,733	228,433	182,233	237,233	(8,267)
ENDING BUDGETARY FUND BALANCE	\$1,622,226	\$1,465,227	\$190,914	\$1,030,654	\$319,294	\$927,734	\$767,134
HISTORICAL NORMING ADJUSTMENT				490,540	466,010	419,410	356,500
POTENTIAL ENDING BUDGETARY FUND BALANCE	\$1,622,226	\$1,465,227	\$190,914	\$1,521,194	\$1,275,844	\$1,347,144	\$1,123,634



AIRPORT FUND SUMMARY

SERVICE HIGHLIGHTS

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

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

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

FINANCIAL PLANNING ISSUES

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

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

The Airport Industrial Park (AIP) Master Plan was completed in early 2000 and updated in FY 11-12.

There is currently no long-term planning document addressing how best to make and fund street and utility system improvements at the airport and the industrial park. Without such a plan, it is difficult to respond to inquiries for new or expanded development at these sites and to avoid the construction of single-user street and utility facilities. Increased interest in promoting development at the industrial park further drives the need for an infrastructure plan. A systematic approach to infrastructure improvements is key to accommodating both near- and long-term development activities and a planning effort was initiated in FY 11-12.

An update of current and expected long-term functions for the airport began in FY 11-12 and was completed within an Airport Master Plan Update in FY 12-13. Included were recommendations for projects that support and enhance those airport functions.

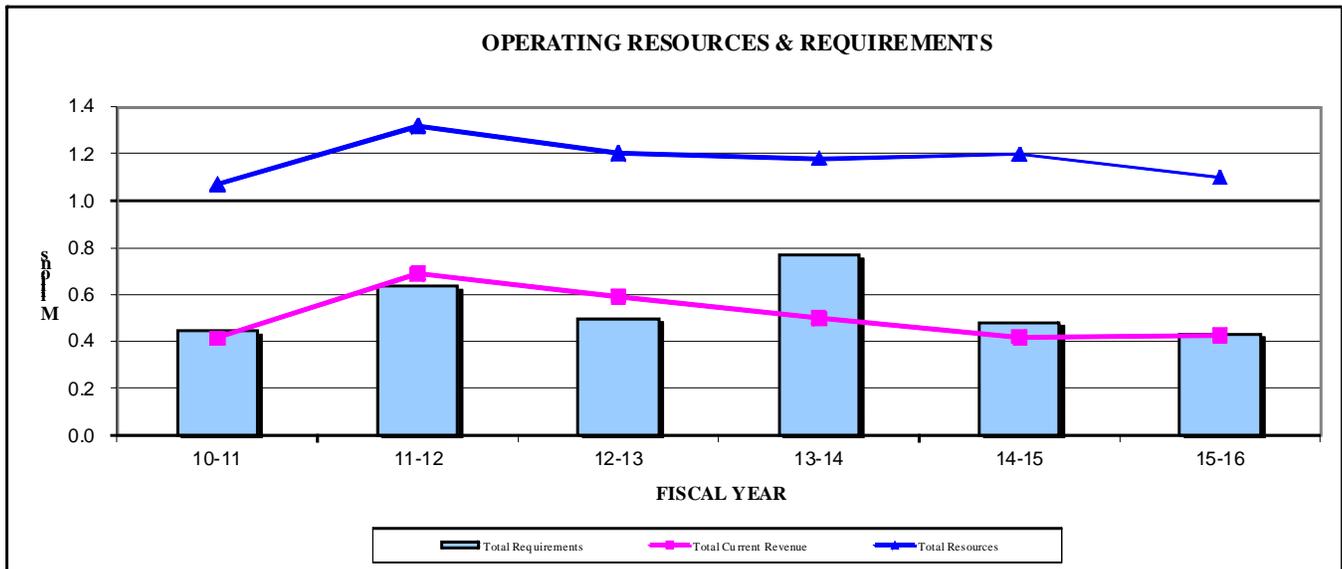
Recommended projects resulting from these three planning efforts could present a challenge for the City to accomplish within a finite revenue stream and to balance the rehabilitation of existing facilities against the construction of new ones.

APPROPRIATE ENDING BUDGETARY FUND BALANCE

The City's current Financial Policies state that the Finance Director shall recommend an appropriate ending budgetary fund balance each year for each fund. The Airport Fund is projected to end FY 13-14 with a fund balance of approximately 100.31% of the FY 13-14 current revenue. The Airport Fund has an uneven cash flow due to seasonal revenues from crop sales and annual lease payments. In addition, capital projects in this fund, although occurring sporadically, tend to be very large, and monies are saved over several years to be able to complete a project.

AIRPORT FUND COMBINED

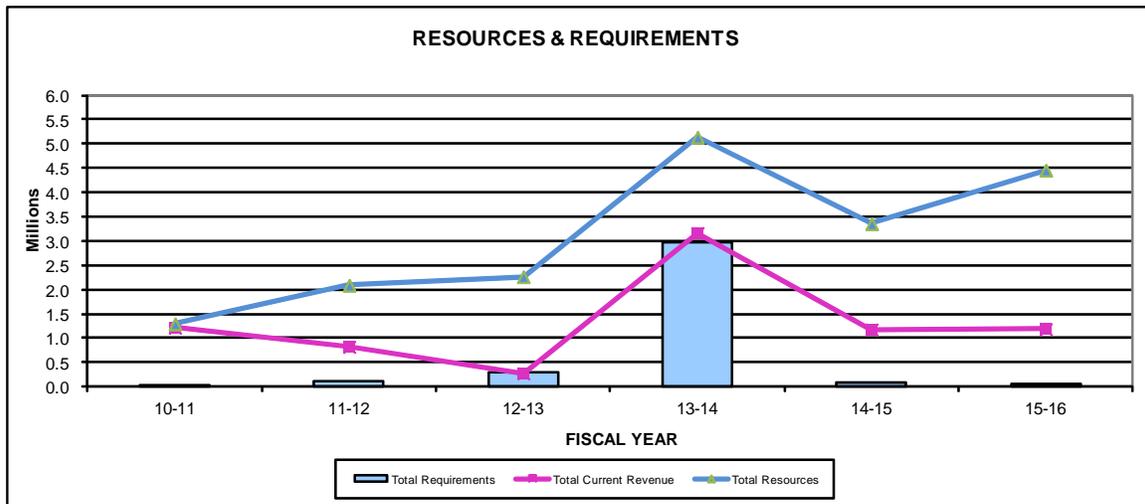
BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$657,672	\$625,500	\$604,721	\$677,790	\$770,080	\$660,343	\$675,451
REVENUES							
Licenses, Fees & Permits	\$4,450	\$4,625	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Charges for Services	394,785	458,852	398,500	493,100	398,500	405,890	413,420
Intergovernmental	0	217,363	200,000	83,560	84,180	0	0
Miscellaneous	11,848	7,623	9,570	10,050	9,570	8,330	8,680
Other Financing Sources	2,500	0	0	0	0	0	0
TOTAL REVENUES	\$413,582	\$688,462	\$613,070	\$591,710	\$497,250	\$419,220	\$427,100
EXPENDITURES							
Public Works	\$332,061	\$616,238	\$664,940	\$458,630	\$621,050	\$415,655	\$384,040
Debt Service	33,663	32,582	31,490	31,490	115,050	0	0
Transfers Out	77,180	(15,499)	6,950	6,450	19,620	64,970	48,420
Contingencies	0	0	12,260	0	9,950	0	0
TOTAL EXPENDITURES	\$442,904	\$633,321	\$715,640	\$496,570	\$765,670	\$480,625	\$432,460
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$29,322)	\$55,141	(\$102,570)	\$95,140	(\$268,420)	(\$61,405)	(\$5,360)
RESERVED BALANCES, Beginning of Year	(\$62,013)	\$28,941	\$5,700	\$5,700	\$8,550	\$11,400	\$9,105
FUND BALANCE (Including Reserved), End of Year	\$654,441	\$683,490	\$507,851	\$778,630	\$510,210	\$610,338	\$679,196
LESS: RESERVED BALANCES							
RESTRICTED	\$26,091	\$0	\$0	\$0	\$0	\$0	\$0
ASSIGNED	2,850	5,700	8,550	8,550	11,400	9,105	11,955
ENDING BUDGETARY FUND BALANCE	\$625,500	\$677,790	\$499,301	\$770,080	\$498,810	\$601,233	\$667,241
HISTORICAL NORMING ADJUSTMENT				\$87,315	\$74,218	\$74,218	\$74,218
POTENTIAL ENDING BUDGETARY FUND BALANCE	\$625,500	\$677,790	\$499,301	\$857,395	\$660,343	\$675,451	\$741,459



PARKS SYSTEMS DEVELOPMENT CHARGE FUND ⁽¹⁾

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED		
					FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES							
Charges for Services	1,209,457	792,326	300,000	260,000	1,170,000	1,170,000	1,170,000
Miscellaneous	4,020	29,022	4,880	16,690	21,250	8,180	13,950
Non-Operating Revenue	0	0	0	0	1,972,542	0	0
TOTAL REVENUES	\$1,213,477	\$821,348	\$304,880	\$276,690	\$3,163,792	\$1,178,180	\$1,183,950
EXPENDITURES							
Transfers Out	26,449	100,056	1,069,450	292,700	2,960,562	80,000	60,000
TOTAL EXPENDITURES	\$26,449	\$100,056	\$1,069,450	\$292,700	\$2,960,562	\$80,000	\$60,000
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$1,187,028	\$721,292	(\$764,570)	(\$16,010)	\$203,230	\$1,098,180	\$1,123,950
RESERVED BALANCES, Beginning of Year	\$80,232	\$1,267,260	\$1,648,130	\$1,988,552	\$1,972,542	\$2,175,772	\$3,273,952
FUND BALANCE (Including Reserved), End of Year	\$1,267,260	\$1,988,552	\$883,560	\$1,972,542	\$2,175,772	\$3,273,952	\$4,397,902
LESS: RESERVED BALANCES RESTRICTED	\$1,267,260	\$1,988,552	\$883,560	\$1,972,542	\$2,175,772	\$3,273,952	\$4,397,902
ENDING BUDGETARY FUND BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0

(1) This Fund will be created effective July 1, 2013 by Council Resolution 2013-02. Historical data from the closed Parks & Recreation Fund is shown in the shaded area prior to FY 13-14 to provide trend information for Financial Planning purposes only (and has been excluded from the historical columns in the General Fund Financial Plan presentation for comparative purposes, and so as not to double count).



FINANCIAL PLANNING HIGHLIGHTS AND ISSUES

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

APPROPRIATE ENDING BUDGETARY FUND BALANCE

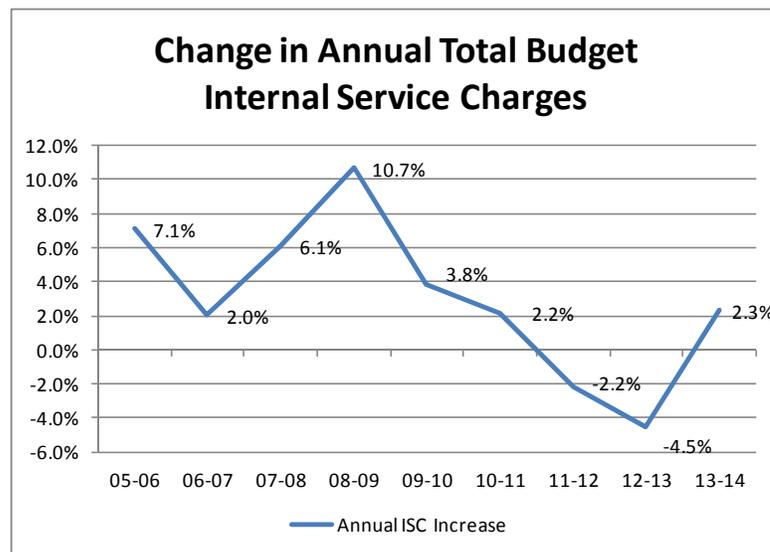
Given the restricted nature of the Parks SDC Fund resources, the only requirement is that the fund end the year with a balance which is equal to or greater than zero. For FY 13-14 the restricted ending fund balance is projected to be approximately 68.7% of the FY 13-14 current revenue. All balances in this fund are available for identified capital projects.

INTERNAL SERVICE FUNDS – FINANCIAL PLANNING

SERVICE OVERVIEW

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

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



APPROPRIATE ENDING BUDGETARY FUND BALANCES

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

FLEET MAINTENANCE FUND

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED		
					FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$24,199	\$33,338	\$34,978	\$39,600	\$6,180	\$12,230	\$12,230
REVENUES							
Charges for Service	\$740,062	\$813,395	\$825,910	\$791,150	\$878,500	\$868,100	\$884,450
Fines & Forfeitures	32	0	0	0	0	0	0
Miscellaneous	1,744	2,046	1,340	1,340	1,300	1,070	1,100
TOTAL REVENUES	<u>\$741,838</u>	<u>\$815,441</u>	<u>\$827,250</u>	<u>\$792,490</u>	<u>\$879,800</u>	<u>\$869,170</u>	<u>\$885,550</u>
EXPENDITURES							
Public Works	\$731,799	\$806,879	\$823,610	\$823,610	\$855,450	\$866,870	\$883,250
Contingencies	0	0	16,000	0	16,000	0	0
TOTAL EXPENDITURES	<u>\$731,799</u>	<u>\$806,879</u>	<u>\$839,610</u>	<u>\$823,610</u>	<u>\$871,450</u>	<u>\$866,870</u>	<u>\$883,250</u>
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$10,039	\$8,562	(\$12,360)	(\$31,120)	\$8,350	\$2,300	\$2,300
RESERVED BALANCES, Beginning of Year	\$5,624	\$6,524	\$8,824	\$8,824	\$11,124	\$13,424	\$15,724
FUND BALANCE (Including Reserved), End of Year	\$39,862	\$48,424	\$31,442	\$17,304	\$25,654	\$27,954	\$30,254
LESS: RESERVED BALANCES ASSIGNED	\$6,524	\$8,824	\$11,124	\$11,124	\$13,424	\$15,724	\$18,024
ENDING BUDGETARY FUND BALANCE	<u>\$33,338</u>	<u>\$39,600</u>	<u>\$20,318</u>	<u>\$6,180</u>	<u>\$12,230</u>	<u>\$12,230</u>	<u>\$12,230</u>

SERVICE HIGHLIGHTS

A garage facility, located at the Public Works site, provides preventive maintenance and repair services for City-owned vehicles (for a comprehensive list of city vehicles see page 41 of this section) and equipment. The organization's fleet represents a significant investment that needs to be managed successfully to assure efficient, uninterrupted service. Public Works staff coordinate vehicle purchases and work with certain user departments to develop specifications, and conduct the procurement process from competitive bid through receipt and preparation of the vehicle.

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

The City wants to reduce the amount of greenhouse gas emissions from the operation of its rolling stock. Biodiesel is now used for the diesel fleet, reducing harmful emissions and extending the life of the engine. The City is also replacing standard gasoline-engine cars and light trucks with alternative-fuel vehicles, whenever operationally feasible. Equipment purchases for the garage, such as a unit which uses a parts cleaning process that doesn't rely on chemicals, adds to sustainability efforts.

FINANCIAL PLANNING ISSUES

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

FACILITY MAINTENANCE FUND

BUDGETARY BASIS	AUDITED	AUDITED	ADOPTED	REVISED	PROPOSED		
	FY 10-11	FY 11-12	FY 12-13	FY 12-13	FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$26,674	\$27,835	\$28,465	\$27,512	\$24,902	\$14,922	\$14,922
REVENUES							
Charges for Service	\$691,910	\$723,890	\$804,490	\$804,490	\$793,560	\$818,840	\$826,620
Miscellaneous	\$2,063	4,305	2,710	2,710	2,310	1,970	1,910
TOTAL REVENUES	\$693,973	\$728,196	\$807,200	\$807,200	\$795,870	\$820,810	\$828,530
EXPENDITURES							
Public Works	\$687,262	\$719,388	\$799,160	\$799,160	\$809,840	\$857,640	\$821,280
Contingencies	0	0	10,000	0	10,000	0	0
TOTAL EXPENDITURES	\$687,262	\$719,388	\$809,160	\$799,160	\$819,840	\$857,640	\$821,280
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$6,711	\$8,808	(\$1,960)	\$8,040	(\$23,970)	(\$36,830)	\$7,250
RESERVED BALANCES, Beginning of Year	\$39,188	\$44,738	\$53,868	\$53,868	\$64,518	\$50,528	\$13,698
FUND BALANCE (Including Reserved), End of Year	\$72,573	\$81,380	\$80,373	\$89,420	\$65,450	\$28,620	\$35,870
LESS: RESERVED BALANCES							
ASSIGNED	\$44,738	\$53,868	\$64,518	\$64,518	\$50,528	\$13,698	\$20,948
ENDING BUDGETARY FUND BALANCE	\$27,835	\$27,512	\$15,855	\$24,902	\$14,922	\$14,922	\$14,922

SERVICE HIGHLIGHTS

The primary operation in this fund is the maintenance of most of the City-owned and leased buildings (see table of facilities listed on page 42 of this section). Staff performs preventive maintenance and scheduled repairs, and responds to emergencies to protect the citizens' investment in these buildings.

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

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

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

FINANCIAL PLANNING ISSUES

The majority of building facilities are used for services that are funded through property taxes. As basic services compete for available tax revenue, allocations for maintenance may be prioritized below those for direct services, such as Library books or park maintenance. The risk in this prioritization strategy is the loss of the investment in the buildings and facilities, and over the long-term, higher costs from facility repair/replacement projects versus proactive facility maintenance activities.

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

TECHNOLOGY & COMMUNICATIONS FUND

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$115,426	\$50,939	\$50,119	\$44,060	\$39,730	\$20,900	\$20,900
REVENUES							
Charges for Service	\$1,549,293	\$1,641,656	\$1,583,240	\$1,567,040	\$1,583,110	\$1,583,220	\$1,637,790
Miscellaneous	4,622	5,732	3,420	5,070	4,430	2,950	3,310
TOTAL REVENUES	\$1,553,915	\$1,647,388	\$1,586,660	\$1,572,110	\$1,587,540	\$1,586,170	\$1,641,100
EXPENDITURES							
Finance	\$1,426,463	\$1,531,454	\$1,443,300	\$1,443,300	\$1,417,940	\$1,426,120	\$1,449,630
Public Works	177,629	160,128	210,750	188,890	190,830	170,990	176,470
Contingencies	0	0	30,000	0	30,000	0	0
TOTAL EXPENDITURES	\$1,604,092	\$1,691,582	\$1,684,050	\$1,632,190	\$1,638,770	\$1,597,110	\$1,626,100
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	(\$50,177)	(\$44,194)	(\$97,390)	(\$60,080)	(\$51,230)	(\$10,940)	\$15,000
RESERVED BALANCES, Beginning of Year	\$439,759	\$454,069	\$413,319	\$416,754	\$361,004	\$328,604	\$317,664
FUND BALANCE (Including Reserved), End of Year	\$505,008	\$460,814	\$366,048	\$400,734	\$349,504	\$338,564	\$353,564
LESS: RESERVED BALANCES ASSIGNED	\$454,069	\$416,754	\$345,459	\$361,004	\$328,604	\$317,664	\$332,664
ENDING BUDGETARY FUND BALANCE	\$50,939	\$44,060	\$20,589	\$39,730	\$20,900	\$20,900	\$20,900

SERVICE HIGHLIGHTS

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

FINANCIAL PLANNING ISSUES

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

A long-range strategic plan has been developed for significant IS initiatives to be undertaken in coming years. Projects that are recommended in the plan largely address long-term data management or communication strategies. Implementation guidelines for these projects are developed with the assistance of a committee of departmental experts who may assist with identifying funds and recommending priorities.

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

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

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

The positive fund balance in the General Fund was attained with the help of a number of expenditure reductions in the MIS division over the past few years, as well as the elimination of Public Works' radio maintenance program in FY 10-11.

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

ADMINISTRATIVE SERVICES FUND

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$56,024	\$91,689	\$51,344	\$50,538	\$33,108	\$10,298	\$10,298
REVENUES							
Charges for Service	\$4,685,490	\$4,422,730	\$4,407,520	\$4,327,370	\$4,527,340	\$4,529,870	\$4,666,120
Miscellaneous	8,472	8,484	17,570	23,810	27,010	16,440	16,480
Other Financing Sources	0	0	0	0	0	0	0
TOTAL REVENUES	\$4,693,962	\$4,431,214	\$4,425,090	\$4,351,180	\$4,554,350	\$4,546,310	\$4,682,600
EXPENDITURES							
City Manager's Office	\$2,122,104	\$1,931,725	\$1,920,720	\$1,863,760	\$1,876,930	\$1,882,950	\$1,939,120
Finance	2,533,092	2,553,671	2,501,750	2,501,750	2,667,130	2,659,760	2,740,380
Contingencies	0	0	30,000	0	30,000	0	0
TOTAL EXPENDITURES	\$4,655,196	\$4,485,396	\$4,452,470	\$4,365,510	\$4,574,060	\$4,542,710	\$4,679,500
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$38,766	(\$54,182)	(\$27,380)	(\$14,330)	(\$19,710)	\$3,600	\$3,100
RESERVED BALANCES, Beginning of Year	\$16,820	\$19,919	\$6,890	\$6,889	\$9,989	\$13,089	\$16,689
FUND BALANCE (Including Reserved), End of Year	\$111,609	\$57,427	\$30,854	\$43,097	\$23,387	\$26,987	\$30,087
LESS: RESERVED BALANCES							
COMMITTED	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ASSIGNED	\$19,920	\$6,889	\$9,990	\$9,989	\$13,089	\$16,689	\$19,789
ENDING BUDGETARY FUND BALANCE	\$91,689	\$50,538	\$20,864	\$33,108	\$10,298	\$10,298	\$10,298

SERVICE HIGHLIGHTS

Operations in the Administrative Services Fund include the City Manager's Office Governance and Human Resources Divisions, and the Finance Department's Customer Service, Budget and Financial Planning, and Financial Services Divisions. The services provided are used by the entire organization and include: leadership and general management oversight; Council and Budget Commission support; labor negotiations; maintaining Council directives to provide equitable salary and benefit packages for employees; contract payments for the City Attorney; citywide memberships in the League of Oregon cities and Council of Governments; responding to public requests for timely, accurate information about City activities; responsibility for the City's financial resources through adherence to Generally Accepted Accounting Principles in financial transactions and reporting, as well as Oregon Revised Statutes related to purchasing and budgeting; managing collections, investments, debt service, the City's cash receipts, and accounts receivable; and providing timely payments to vendors and employees through accounts payable and payroll. Also provided are the accurate billing and collection of metered payments for water, wastewater and storm water services generating approximately \$19 million in annual revenues.

FINANCIAL PLANNING ISSUES

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

The primary challenge faced by this fund is to balance service demands from internal and external customers while maintaining stable yet low cost allocations to operating funds. Demands for new or increased services, without increasing costs to operating departments, have pushed the need for more technology to manage and distribute information to employees. In order to meet current and future organizational needs, a major upgrade of the existing financial software system has been a priority in FY 12-13, and conversion efforts will continue to utilize significant Finance Department and other City staff time in FY 13-14.

The positive fund balance in the General Fund for FY 13-14 and the prior three years was attained with the help of a number of expenditure reductions in the City Manager's Office and Finance Department operations in the Administrative Services Fund. Many of the identified reductions are related to personnel services and will carry forward into future years.

RISK MANAGEMENT FUND

BUDGETARY BASIS	AUDITED FY 10-11	AUDITED FY 11-12	ADOPTED FY 12-13	REVISED FY 12-13	PROPOSED		
					FY 13-14	FY 14-15	FY 15-16
BEGINNING BUDGETARY FUND BALANCE	\$305,477	\$317,568	\$349,123	\$344,704	\$317,639	\$40,639	\$40,639
REVENUES							
Charges for Service	\$1,014,210	\$980,270	\$989,250	\$989,250	\$1,029,830	\$1,100,100	\$1,124,130
Miscellaneous	53,472	28,073	36,750	43,750	32,000	28,560	29,330
TOTAL REVENUES	\$1,067,682	\$1,008,343	\$1,026,000	\$1,033,000	\$1,061,830	\$1,128,660	\$1,153,460
EXPENDITURES							
City Manager's Office	\$955,591	\$923,092	\$1,001,950	\$1,001,950	\$1,063,830	\$1,128,660	\$1,153,460
Contingencies	0	0	275,000	0	275,000	0	0
TOTAL EXPENDITURES	\$955,591	\$923,092	\$1,276,950	\$1,001,950	\$1,338,830	\$1,128,660	\$1,153,460
REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	\$112,091	\$85,251	(\$250,950)	\$31,050	(\$277,000)	\$0	\$0
RESERVED BALANCES, Beginning of Year	\$283,770	\$383,770	\$441,885	\$441,885	\$500,000	\$500,000	\$500,000
FUND BALANCE (Including Reserved), End of Year	\$701,338	\$786,589	\$540,058	\$817,639	\$540,639	\$540,639	\$540,639
LESS: RESERVED BALANCES ASSIGNED	\$383,770	\$441,885	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
ENDING BUDGETARY FUND BALANCE	\$317,568	\$344,704	\$40,058	\$317,639	\$40,639	\$40,639	\$40,639

SERVICE HIGHLIGHTS

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

FINANCIAL PLANNING ISSUES

- Managing claims to remain within budget projections is important to avoid use of catastrophic reserves.
- Deductible levels are reviewed with each year's insurance bids to determine the optimal balance between insurance levels and insurance premiums. For FY 13-14, insurance premiums are projected to increase by about 4.8% compared to FY 12-13 Adopted premium levels. Factors impacting the increase include a 10% trending factor for general liability and a significant increase in earthquake coverage. In addition to the increase in premium costs, a new methodology for allocating workers compensation premiums among departments was implemented, causing fluctuations to departments' risk management overhead for FY 13-14. Actual costs may be impacted however, by any additional significant claims or deductibles that would need to be back-stopped by self-insurance.

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

APPROPRIATE ENDING BUDGETARY FUND BALANCE

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

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

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

CITY MANAGER'S OFFICE SUMMARY OF SERVICES BY DIVISION

MISSION STATEMENT

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

GOVERNANCE

- Implement City Council decisions and goals.
- Facilitate implementation of the Corvallis 2020 Vision Statement.
- Support Mayor and City Council activities.
- Provide organization-wide administration, management, and evaluation.
- Pursue intergovernmental relations and partnerships.
- Promote and sustain excellent community relations and communications; facilitate public outreach and communications.
- Coordinate, develop strategies, and evaluate services delivered.
- Oversee the Budget and Capital Improvement Programs.
- Oversee City Attorney contract services.
- Conduct municipal elections.
- Administer the City's records management program.
- Monitor legislative activities.

HUMAN RESOURCES

- Promote positive labor-management relations.
- Motivate and develop employees.
- Ensure internal and external equity in job classification and compensation practices.
- Utilize a fair and inclusive process to recruit and select employees.
- Process accurate, cost-effective, and timely benefits.
- Ensure accuracy and appropriate access to personnel records.
- Provide administrative support for the Commission for Martin Luther King, Jr.
- Maintain progressive Human Resources policies and support departments and their employees.
- Maintain the City's fiduciary responsibility for deferred compensation plans.

RISK MANAGEMENT

- Protect the assets of the City through risk management activities and policies.
- Purchase appropriate insurance and provide adequate reserves for uninsured losses.
- Increase safety awareness and experience.
- Provide safety training opportunities for employees.
- Provide for urgent safety equipment needs.
- Support departments in their risk management and safety efforts.

ECONOMIC DEVELOPMENT

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



2013-2014 Corvallis City Council

Note: The City Manager's Office operates in the General, Administrative Services, and Risk Management Funds.

CITY MANAGER’S OFFICE PERFORMANCE INDICATORS

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY 11-12 ACTUAL	FY 12-13 TARGET	FY 12-13 REVISED	FY 13-14 TARGET
Cost Efficiency	Reduce average worker’s compensation claims per employee through promotion of a safe workplace.	# of workers compensation claims per 100 FTE. (A)	12.3	<8.75	<8.0	<9.4
	Maximize workplace productivity.	# of sick leave hours used per 1,000 hours worked.	25.9	<28.0	<28.0	<28.0
Community Involvement	Maximize citizen satisfaction with the quality of City services.	% of Citizen Survey respondents giving good or excellent rating to the quality of overall City services. (B)	86%	86%	86%	88%
	Maximize citizen satisfaction with City communications and outreach.	% of Citizen Survey respondents who agree the City does a good job informing citizens about City Council decisions.	n/a (New Measure)		72%	75%
Sustainability	Measure the benefits to compensation ratio for competitiveness, retention, attraction and comparator purposes.	Benefits as a % of total compensation. ¹	36%	<35%	<35%	<35%
	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 ² .	n/a (New Measure)			5
	Develop a program that will focus on increased tenancy in existing vacant buildings and Enterprise Zone locations by business and industry types that are consistent with the <i>Prosperity That Fits Plan</i> .	Develop a thorough database of current vacant properties in Benton County ready for development.	n/a (New Measure)			Complete database by June 30, 2014
		Develop a Marketing Plan that would promote the implementation of the Economic Development Strategy and increase tenancy in commercially and industrially zoned properties. (C)	n/a (New Measure)			Complete Marketing Plan by June 30, 2014
	Seek out the most promising Stage 2 ³ companies in Benton County as determined by local employment growth and capital investment and develop a major account manager program that will proactively address their needs and growth opportunities.	# of staff visits to Benton County’s promising Stage 2 ³ companies.	n/a (New Measure)			150

¹ Retirement and health care costs have led to benefit ratios in the range of 28% or more for several years. Based on leaving wages flat for budget purposes, benefit increases that are not within the City’s control (such as PERS employer rates) are expected to lead to further increases in the ratio in the short term.

² Oregon Nanoscience and Microtechnologies Institute (ONAMI) / Microproducts Breakthrough Institute (MBI)

³ Stage 2 companies are those that are beyond start-up phase and are in a growth mode.

CITY MANAGER'S OFFICE PERFORMANCE INDICATORS (Continued)

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY 11-12 ACTUAL	FY 12-13 TARGET	FY 12-13 REVISED	FY 13-14 TARGET
Diversity	Provide a welcoming organization that promotes and respects diversity.	% of job applicants for regular positions who identify themselves as a minority.	15%	15%	15%	15%

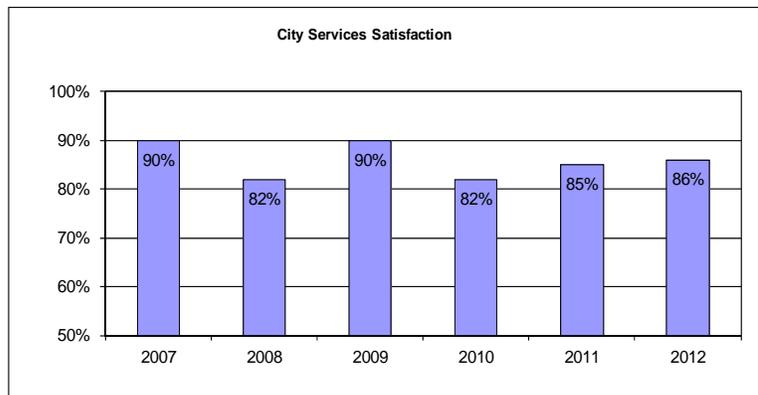
Select discussion of key measures above:

(A) Reduce average worker's compensation claims per employee through promotion of a safe workplace:

- *Measure definition:* This measure tracks the ratio of worker's compensation claims per 100 full-time equivalent (FTE) employees. Fiscal year targets are calculated based upon authorized FTE, while actual and revised are based on filled FTE which can result in improved performance.
- *Evaluation of results:* Results are one indicator of how well employees practice workplace safety. Training employees and their supervisors in safe work practices is an important part of the Safety Program.
- *Current year performance and trends:* The five-year average of workers compensation claims per 100 FTE is 11.49, though FY 12-13 has been revised down to <8.0 due to the low number of claims filed mid-year, and FTE being under filled. In FY 13-14, the Human Resources department is implementing a training program for management and supervisory staff. It is anticipated that new program will translate into improved communication between supervisors and employees and reduce workplace injuries. Additionally, training and stretching programs will focus on reducing sprains and strains which are the most frequent and expensive claims.
- *Conclusions and challenges:* There is inherent risk in some positions, especially those in public safety. Workplace injuries will occur, but staff is committed to minimizing accidents and injuries to the greatest degree possible.

(B) Maximize citizen satisfaction with the quality of City services:

- *Measure definition:* This measure tracks the percentage of Citizen Attitude Survey respondents who give a good or excellent rating to the quality of overall City services.
- *Evaluation of results:* The City Manager and Department Directors use the results to gauge citizen satisfaction over time and adjust resource allocation accordingly.
- *Current year performance and trends:* Fluctuations between years likely reflect the public's response to budget related adjustments in City services. For example, passage of the levy in 2011 to maintain services at the Osborn Aquatic Center, Chintimini Senior Center, and Corvallis-Benton County Public Library may have positively influenced satisfaction levels as shown in the chart below.
- *Conclusions and challenges:* 2011 marked the final year of Corvallis' participation in the National Citizen Survey. To save money and focus more on local issues, the 2012 survey was conducted by staff with assistance from OSU's Survey Research Center. Results will be gauged over time to compare satisfaction with programs and services. Additionally, the City shares the Citizen Survey results with its stakeholders via the City's website.



CITY MANAGER'S OFFICE PERFORMANCE INDICATORS (Continued)

(C) Develop a Marketing Plan that would promote the implementation of the Economic Development Strategy and increase tenancy in commercially and industrially zoned properties:

- *Measure definition:* This measure tracks progress toward creating a Marketing Plan to increase tenancy in commercially and industrially zoned properties.
- *Evaluation of results:* Completion of the Marketing Plan is an important step toward increasing occupation of commercially and industrially zoned properties. It will take time for the Plan to produce results, but it is envisioned that eventually this measure will target and produce quantifiable results.
- *Current year performance and trends:* This is the first year of this performance measure.
- *Conclusions and challenges:* The intent is that a completed Marketing Plan will ultimately increase the number of jobs and business investment with more businesses occupying properties zoned for industrial and commercial use, though it will be a long-term process.



Central Park



City Hall Kiosk



Corvallis City Hall



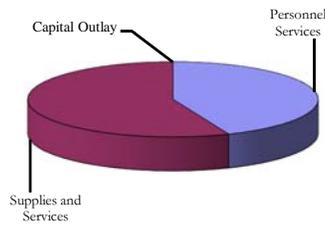
Riverfront Commemorative Park

CITY MANAGER'S OFFICE – BUDGET SUMMARY

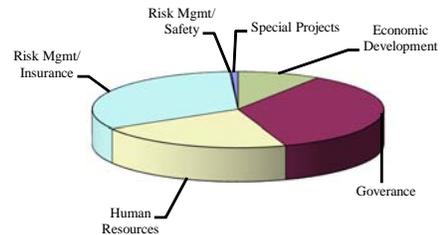
BUDGET BY CATEGORY:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Personnel Services	\$1,408,071	\$1,226,341	\$1,457,620	\$1,322,140	\$1,421,890	-2.45%
Supplies and Services	1,669,624	1,628,476	1,845,050	1,818,040	1,828,230	-0.91%
Capital Outlay	0	0	0	0	0	0.00%
TOTAL	\$3,077,695	\$2,854,817	\$3,302,670	\$3,140,180	\$3,250,120	-1.59%

FY 13-14 PROPOSED BUDGET

EXPENDITURES BY CATEGORY



EXPENDITURES BY DIVISION



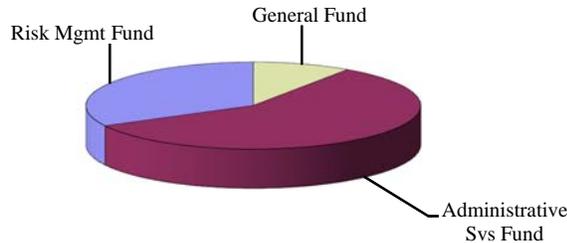
BUDGET BY DIVISION:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Economic Development	\$0	\$0	\$300,000	\$214,470	\$299,360	-0.21%
Governance	1,416,807	1,214,180	1,250,130	1,183,690	1,153,590	-7.72%
Human Resources	667,744	671,253	655,590	679,770	708,640	8.09%
Risk Mgmt/ Insurance	952,753	918,698	968,450	968,450	1,058,830	9.33%
Risk Mgmt/ Safety	2,838	4,394	3,500	3,500	5,000	42.86%
Special Projects ¹	37,553	46,293	125,000	90,300	24,700	-80.24%
TOTAL	\$3,077,695	\$2,854,817	\$3,302,670	\$3,140,180	\$3,250,120	-1.59%

(1) FY 12-13 special projects includes \$80K carried over from FY 11-12 for economic development start-up costs

CITY MANAGER'S OFFICE – BUDGET SUMMARY (Continued)

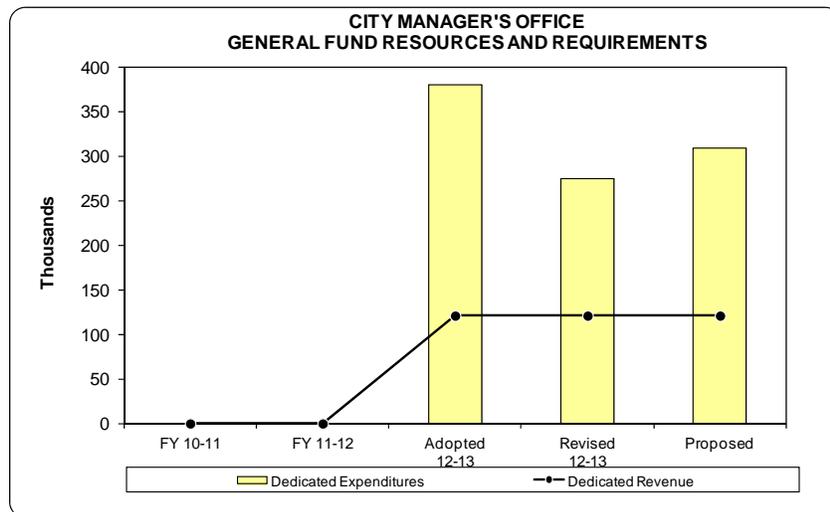
BUDGET BY FUND:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
General Fund	\$0	\$0	\$380,000	\$274,470	\$309,360	-18.59%
Administrative Svs Fund	2,122,104	1,931,725	1,920,720	1,863,760	1,876,930	-2.28%
Risk Mgmt Fund	955,591	923,092	1,001,950	1,001,950	1,063,830	6.18%
TOTAL	\$3,077,695	\$2,854,817	\$3,302,670	\$3,140,180	\$3,250,120	-1.59%

**FY 13-14 PROPOSED BUDGET
EXPENDITURES BY FUND**

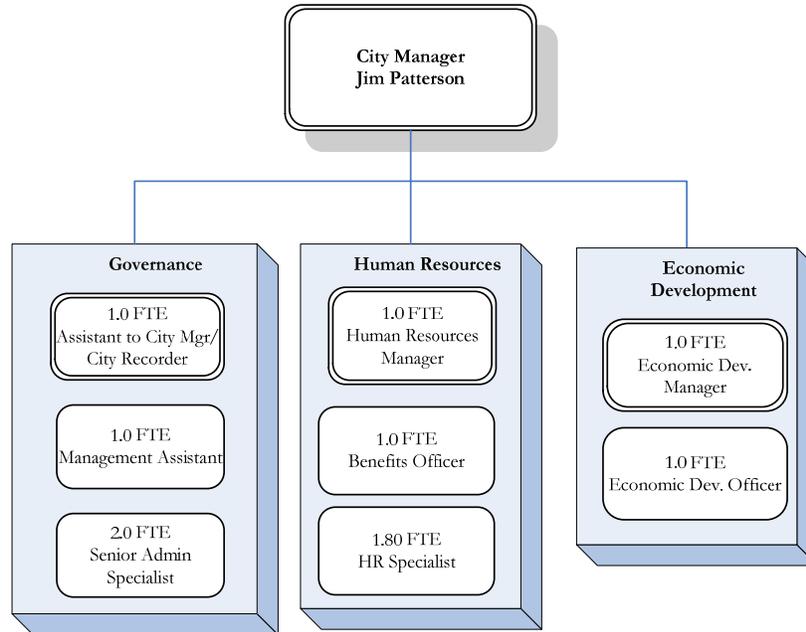


GENERAL FUND - CITY MGR OFF.*	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
DEDICATED REVENUE						
Charges for Services	\$0	\$0	\$21,000	\$21,000	\$21,000	0.00%
Miscellaneous	0	0	100,000	100,000	100,000	0.00%
Dedicated Revenue	0	0	121,000	121,000	121,000	0.00%
EXPENDITURES CLASS:						
Personnel Services	0	0	205,000	130,390	228,360	11.40%
Supplies and Services	0	0	175,000	144,080	81,000	-53.71%
Capital Outlay	0	0	0	0	0	0.00%
Dedicated Expenditures	0	0	380,000	274,470	309,360	-18.59%
Use of (addition to) Non-Dedicated Revenue	0	0	259,000	153,470	188,360	-27.27%

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



CITY MANAGER'S OFFICE ORGANIZATION CHART



CITY MANAGER'S OFFICE STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	FY 13-14 FTE	Historical	
					FY 12-13 FTE	FY 11-12 FTE
City Manager	Exempt	\$11,667	1	1.000	1.000	1.000
Assistant City Manager ¹	Exempt	7,938 - 10,131	-	0.000	1.000	1.000
Economic Development Manager	Exempt	6,579 - 8,396	1	1.000	1.000	0.000
Assistant to City Manager/City Recorder	Exempt	5,848 - 7,463	1	1.000	1.000	1.000
Human Resources Manager ¹	Exempt	5,848 - 7,463	1	1.000	0.000	1.000
Economic Development Officer	Exempt	4,335 - 5,533	1	1.000	1.000	0.000
Management Assistant	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Benefits Officer	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Senior Administrative Specialist	Exempt	3,319 - 4,237	2	2.000	2.000	2.000
Human Resources Specialist	Exempt	3,319 - 4,237	2	1.800	1.800	1.750
TOTAL			11	10.800	10.800	9.750

NOTE: Salary ranges reflect FY 12-13 Class and Compensation schedules.

- The Human Resources Manager position was eliminated in FY 12-13 to support achieving a sustainable budget for the General Fund; however, after the incumbent resigned from the Assistant City Manager position, a reorganization occurred that justified replacing that position with a Human Resources Manager in FY 13-14.

COMMUNITY DEVELOPMENT DEPARTMENT SUMMARY OF SERVICES BY DIVISION

MISSION STATEMENT

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

ADMINISTRATION

- Conduct strategic planning and monitoring.
- Coordinate non-profit agency communications.
- Administer department contracts and grants.
- Provide departmental budget preparation and management.
- Provide support for City/OSU Collaboration Project.
- Facilitate social service funding allocation.

HOUSING

- Manage the delivery of federal funds (Community Development Block Grant and HOME Investment Partnerships Program) to support affordable housing, social services, and other community development activities in Corvallis.
- Design and deliver financial assistance programs to help lower income residents rehabilitate or purchase homes.
- Design and deliver financial assistance programs to help rental property owners rehabilitate structures that will affordably house lower-income tenants.
- Design and deliver financial assistance programs to improve the energy efficiency of residential properties.
- Provide technical and financial assistance to non-profit agencies.
- Educate the community about fair housing laws and regulations.
- Investigate and assist in resolution of rental housing related disputes.
- Manage the City's Community Development revolving loan and surplus real property portfolios.

PLANNING

- Assure consistency with state and federal land use regulations and planning.
- Facilitate and manage long-range planning efforts.
- Develop and implement community development projects and programs.
- Foster and ensure citizen participation in land use matters.
- Coordinate and manage land use review of development proposals, including:
 - Annexations
 - Comprehensive Plan Amendments
 - Legislative Amendments to the Land Development Code
 - Planned Developments and requests for variations
 - Zone Changes
 - Subdivisions
 - Conditional Developments.
- Coordinate and manage the City's Historic Resources program, including review of Historic Preservation permits.
- Provide information to the public regarding the City's planning program.
- Implement applicable City Council Goals and Planning Division Work Program, per City Council direction.
- Ensure compliance with State mandates for land use planning through coordination with the Oregon Department of Land Conservation and Development and other agencies.

DEVELOPMENT SERVICES

- Provide one-stop permit and information center for building construction and zoning services.
- Review plans, issue permits, and conduct inspections for approved development projects.
- Interpret and apply minimum building safety codes.
- Apply Land Development Code standards to approved projects.
- Administer code enforcement program. Investigate and resolve nuisance complaints, and code violations.
- Administer flood plain management regulations.
- Administer erosion prevention/sediment control program.
- Administer City street addressing and banner programs.
- Provide contract inspection and plan review services for Benton County.
- Collect School Excise Tax.



Downtown Riverfront Park

Note: The Community Development Department operates in the General, Street, Development Services, CD Revolving, Parking, Water, Wastewater and Storm Water Funds.

COMMUNITY DEVELOPMENT DEPARTMENT PERFORMANCE INDICATORS

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY 11-12 ACTUAL	FY 12-13 TARGET	FY 12-13 REVISED	FY 13-14 TARGET
Cost Efficiency	Maintain stated objective of completing inspections within same day of request.	Percentage of building inspections completed on time.	100%	95%	95%	95%
	Achieve plan review turn-around time consistent with other Oregon cities.	Percentage of initial residential plan review completed within 14 calendar days. (A)	98%	90% within 14 calendar days	90% within 14 calendar days	90% within 14 calendar days
	Meet or exceed State requirements for land use application review time.	Average review time (in days) to process a public hearing-level land use application. (B)	34 days	<100 days	<100 days	<100 days
	Meet or exceed State requirements for land use application review time.	Average review time (in days) to process an administrative land use application.	18 days	<45 days	<45 days	<45 days
Community Involvement	Achieve at least the targeted % citizen rating of 'very valuable' and 'somewhat valuable' combined for the survey question on land use planning services. ¹	Improving level of citizen satisfaction with land use process from Citizen Attitude Survey. ¹	54%	60%	81%	>75%
Sustainability	Conserve resources by reducing fuel and paper use.	Percentage of permits issued online (mechanical, electrical, plumbing and solar). (C)	26%	30%	30%	35%
	Maintain the quality of low income housing in a cost effective manner.	Units of housing rehabilitated per \$100,000 in City funds invested.	2.7	3.0	3.0	3.0
Diversity	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. (D)	8.5	10.0	10.0	10.0

Select discussion of key measures above:

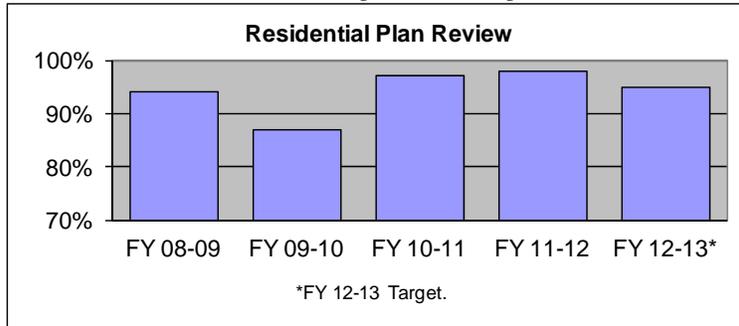
(A) Initial plan review completed within 14 calendar days:

- *Measure definition:* Residential building plan review turn-around is 14 calendar days or less. Turn-around is defined as the time from application submittal to all disciplines having completed first review and the permit being issued, or a hold being placed and a review letter being sent to the applicant requesting additional information.
- *Evaluation of results:* Residential plan review turn-around target aligns with target of 14 calendar days for initial review.
- *Current year performance and trends:* Goal for success rate is 90%. FY 11-12 actual rate was 98%, exceeding this target. While residential work has been focused on remodels and additions, new home permits have increased in Corvallis, and State economists suggest that there are signs of improvement in the new home construction market overall. In the meantime, it is anticipated that commercial activity will remain strong based on recent discussion with stakeholders.

¹ In the 2012 survey, the combined result of 'very valuable' and 'somewhat valuable' was 81%, but a more conservative target has been chosen for FY 13-14 since survey questions prior to 2012 asked to 'rate the quality' rather than 'how valuable' the services are, thus staff needs more time to evaluate the impact the new survey wording has on this performance measure.

**COMMUNITY DEVELOPMENT DEPARTMENT – PERFORMANCE INDICATORS
(Continued)**

- *Conclusions and challenges:* Workload fluctuates based on a number of issues, many of which are beyond the Division’s control, and can contribute significantly to the rate of success. Factors include: the economy, new codes, homeowner projects, complex remodel projects, outside agency timelines, size and scope of projects, contract structural review, seismic, over-the-counter reviews, phased development, number of deferred submittals, design professional competency, and staffing levels.



Commercial work tends to be more time consuming and challenging to review. Stakeholders became increasingly frustrated with the time it takes to complete review processes and the complexity of the codes. This was the impetus for the Service Enhancement Review Fee (SERF) and the reorganization of Development Services that was initiated and approved in FY 10-11. A significant increase in process streamlining has been realized as a result of the service

enhancement initiative which establishes Project Coordinators that handle a project from concept to completion. Staff is committed to streamlining and simplifying processes with stakeholder input. The goal is to increase 1-day plan review times from 30% reviewed within 1-day, to 60% by the end of 2013.

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

- *Measure Definition:* This measure examines the amount of time elapsed between receipt of a complete land use application and the final local decision on the application. State law requires local jurisdictions to issue final decisions at the local level (prior to potential Land Use Board of Appeals (LUBA) appeal) on land use applications within 120 days from receipt of a complete application.
- *Evaluation of Results:* The Planning Division has, on average, been able to issue a final decision on a land use application in much less time than 120 days. However, this figure is subject to a few variables that are outside the control of the Planning Division, including the relative number of land use appeals received and the volume of land use applications received within a given time period. If the proportion of land use appeals received increases, the average time to final decision would increase, due to the increased need to accommodate two public hearing processes. Additionally, given fixed staffing levels, an increase in the number of land use applications received would tend to increase the average time to finalize a local decision.
- *Current year performance and trends:* The FY 12-13 target was to average less than 100 days to reach a final local decision on a public hearing-level land use application. Historically, the Planning Division has averaged a much shorter time span between receipt of a complete application and a final local decision. In FY 11-12, the average was 34 days.
- *Conclusions and challenges:* Given the Planning Division’s past performance in the area, maintaining the FY 13-14 target at an average of 100 days or less would be appropriate. However, given the City’s budget situation and limited staff capacity, a significant increase in appeals received, and/or an increase in the number of land use applications received, could impact the Planning Division’s average turnaround time.



Commercial Construction

COMMUNITY DEVELOPMENT DEPARTMENT – PERFORMANCE INDICATORS (Continued)

(C) Percentage of permits issued online:

- *Measure definition:* This is a measure which tracks how many permits are issued online through OregonPermits.gov, as compared with the total permits issued. This measure applies only to electrical, mechanical, solar, and plumbing permits.
- *Evaluation of results:* Results continued to exceed targeted expectations of 25% in FY 11-12. Of the 2,714 permits issued in FY 11-12, 705 or 26% were issued online, saving multiple trips to City Hall.
- *Current year performance and trends:* Current year performance is on track and may end up exceeding the FY 12-13 target which justifies increasing this target to 35% for FY 13-14. Outreach is being conducted to promote additional use, and results will be re-evaluated at the end of FY 12-13.
- *Conclusions and challenges:* Customers have embraced the system in a manner that has exceeded expectations. Additional outreach to customers has increased awareness of the system and the savings for contractors. With this State run web portal, one major challenge for the division is keeping the State up-to-date with current address data to ensure it is published in a timely manner. Additionally, each time a new permit type is added for online issuance, there is some department overhead incurred to educate users on the process. In January of 2011, online services for permits were expanded to include plumbing, and solar permits were added in 2012.

(D) Assure that low income residents' housing needs are met in a cost effective manner:

- *Measure definition:* This measure examines how effectively the City utilizes its financial assistance resources to help low income households move into affordable housing opportunities. The higher the number of units assisted per \$100,000 expended, the more cost effective the program's operation. Cost effectiveness, in turn, translates into an efficiency measure for the creation and expansion of income diversity in Corvallis' neighborhoods.
- *Evaluation of results:* Results averaged just over 8.5 units per \$100,000 invested in FY 11-12, slightly lower than the average of the prior three years, indicating actual performance is close to target.
- *Current year performance and trends:* Current performance is below last year at this time. The Seavey Meadows 43-unit affordable housing development was completed in 2012, increasing the number of units available to low income residents. However, being a new construction project compared to one consisting solely of down payment assistance, the City's investment per unit was necessarily much higher than average.
- *Conclusions and challenges:* There was a slight decrease in the number of units assisted per \$100,000 invested during FY 11-12 relative to prior years. Based on market statistics, home prices have flattened and/or fallen in Corvallis, and it was anticipated that unit assistance would trend back toward the City's 10 units per \$100,000 target. Existing economic impacts on lending and construction continue to slow the City's progress in the First Time Homebuyer Assistance Program as well as other entities' ability to acquire and/or construct affordable housing units.

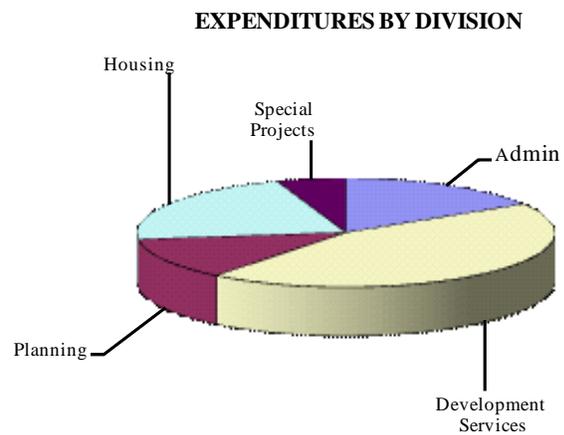
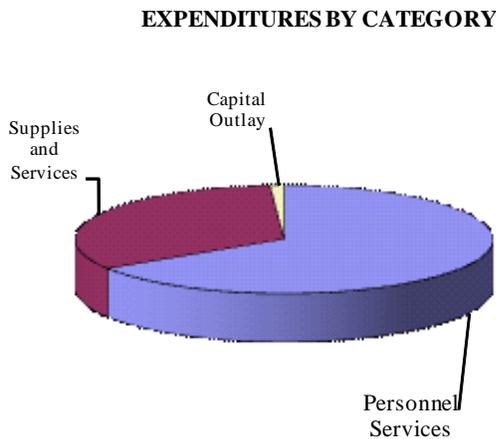


Housing Partners Place

COMMUNITY DEVELOPMENT DEPARTMENT – BUDGET SUMMARY

	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
BUDGET BY CATEGORY:	2010-11	2011-12	2012-13	2012-13	2013-14	FROM 12-13 BUDGET
Personnel Services	\$3,309,493	\$3,495,092	\$3,746,400	\$3,709,870	\$4,113,500	9.80%
Supplies and Services	2,467,421	1,978,538	3,822,280	3,512,150	2,057,580	-46.17%
Capital Outlay	0	42,786	57,960	57,960	69,000	19.05%
TOTAL	\$5,776,915	\$5,516,416	\$7,626,640	\$7,279,980	\$6,240,080	-18.18%

FY 13-14 PROPOSED BUDGET

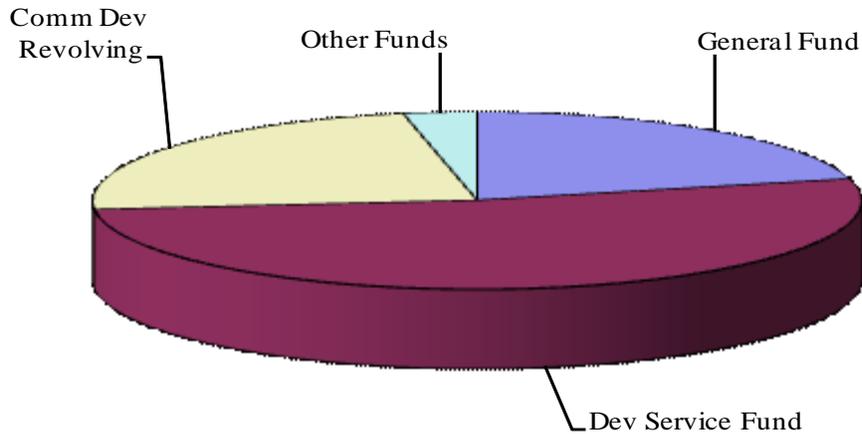


	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
BUDGET BY DIVISION:	2010-11	2011-12	2012-13	2012-13	2013-14	FROM 12-13 BUDGET
Administrative	\$979,121	\$990,565	\$1,021,350	\$1,017,660	\$1,011,590	-0.96%
Development Services	1,933,598	2,071,925	2,347,150	2,347,150	2,768,180	17.94%
Planning	789,053	748,304	769,620	759,620	773,180	0.46%
Housing	2,064,649	1,535,087	3,187,260	2,870,290	1,353,880	-57.52%
Special Projects	10,493	170,535	301,260	285,260	333,250	10.62%
TOTAL	\$5,776,915	\$5,516,416	\$7,626,640	\$7,279,980	\$6,240,080	-18.18%

COMMUNITY DEVELOPMENT DEPARTMENT – BUDGET SUMMARY (Continued)

BUDGET BY FUND:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
General Fund	\$1,450,222	\$1,256,557	\$1,311,410	\$1,327,470	\$1,317,850	0.49%
Street Fund	18,106	17,195	21,020	21,010	22,120	5.23%
Dev Service Fund	1,945,554	2,416,197	2,822,700	2,777,920	3,259,050	15.46%
Comm Dev Revolving	2,216,117	1,675,207	3,305,250	2,987,430	1,469,790	-55.53%
Parking Fund	3,527	3,925	4,050	4,050	4,220	4.20%
Water Fund	48,327	49,156	55,770	55,720	56,850	1.94%
Wastewater Fund	47,237	48,196	52,770	52,740	54,640	3.54%
Storm Water Fund	47,825	49,984	53,670	53,640	55,560	3.52%
TOTAL	\$5,776,915	\$5,516,416	\$7,626,640	\$7,279,980	\$6,240,080	-18.18%

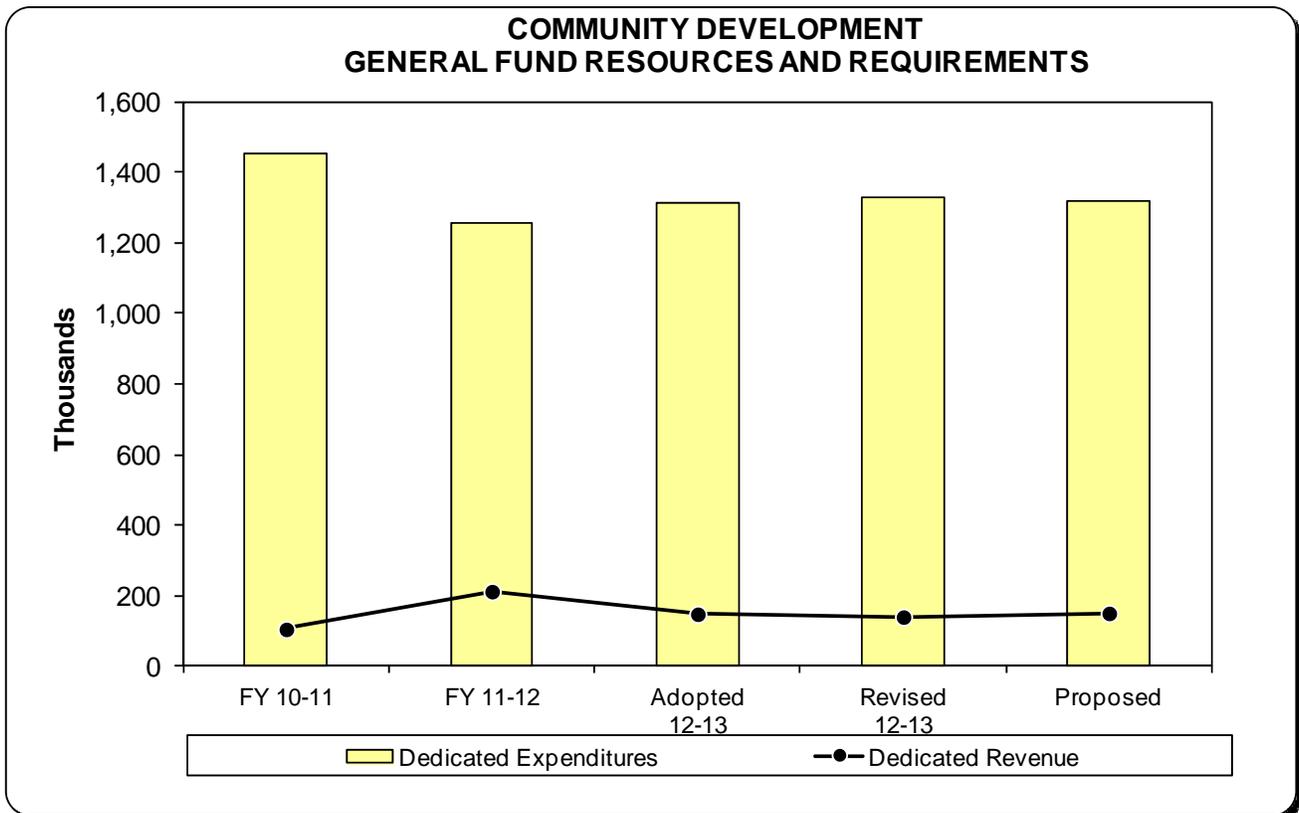
**FY 13-14 PROPOSED BUDGET
EXPENDITURES BY FUND**



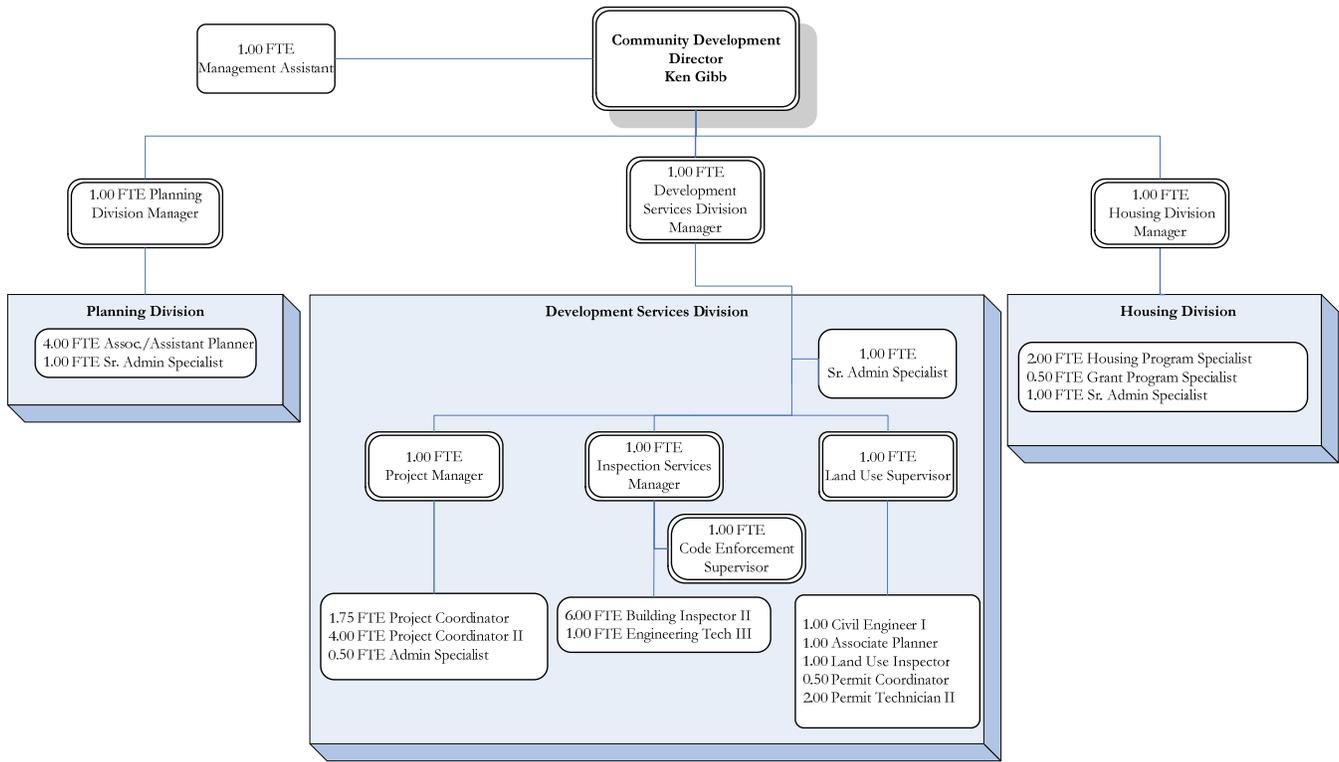
COMMUNITY DEVELOPMENT DEPARTMENT – BUDGET SUMMARY (Continued)

GENERAL FUND - CD*	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
DEDICATED REVENUE						
Charges for Services	\$88,979	\$177,080	\$103,020	\$103,020	\$103,020	0.00%
Intergovernmental	8,546	5,954	10,000	5,000	8,000	-20.00%
Miscellaneous	6,120	29,620	35,500	32,500	39,860	12.28%
Dedicated Revenue	105,645	212,654	148,520	140,520	150,880	1.59%
EXPENDITURES CLASS:						
Personnel Services	1,168,319	977,526	967,320	967,320	992,280	2.58%
Supplies and Services	281,906	279,034	344,090	360,150	325,570	-5.38%
Capital Outlay	0	0	0	0	0	0.00%
Dedicated Expenditures	1,450,225	1,256,560	1,311,410	1,327,470	1,317,850	0.49%
Use of (addition to) Non-Dedicated Revenue	1,344,580	1,043,906	1,162,890	1,186,950	1,166,970	0.35%

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



COMMUNITY DEVELOPMENT DEPARTMENT ORGANIZATION CHART



Building Safety



Building Inspection

COMMUNITY DEVELOPMENT DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	FY 13-14 FTE	Historical	
					FY 12-13 FTE	FY 11-12 FTE
Community Development Director	Exempt	\$8,325 - 10,625	1	1.000	1.000	1.000
Development Services Manager	Exempt	6,579 - 8,396	1	1.000	1.000	1.000
Planning Division Manager	Exempt	6,579 - 8,396	1	1.000	1.000	1.000
Project Manager	Exempt	5,848 - 7,463	1	1.000	1.000	1.000
Housing Division Manager	Exempt	5,848 - 7,463	1	1.000	1.000	1.000
Inspection Services Manager	Exempt	5,848 - 7,463	1	1.000	1.000	1.000
Project Leadworker ²	AFSCME	5,387 - 6,875	-	0.000	1.000	0.000
Senior Planner	AFSCME	5,387 - 6,875	-	0.000	0.000	1.000
Land Use Supervisor	Exempt	5,198 - 6,634	1	1.000	1.000	1.000
Civil Engineer I	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000
Project Coordinator II ²	AFSCME	4,988 - 6,366	4	4.000	3.000	4.000
Associate/ Assistant Planner	AFSCME	4,988 - 6,366	5	5.000	5.000	5.000
Code Enforcement Supervisor	Exempt	4,747 - 6,058	1	1.000	1.000	1.000
Building Inspector II	AFSCME	4,620 - 5,897	6	6.000	6.000	6.000
Management Assistant	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Land Use Inspector	AFSCME	4,277 - 5,458	1	1.000	1.000	1.000
Housing Program Specialist	AFSCME	4,277 - 5,458	2	2.000	2.000	2.000
Project Coordinator ²	AFSCME	4,277 - 5,458	2	1.750	0.750	1.000
Engineering Technician III ²	AFSCME	3,963 - 5,058	1	1.000	1.500	1.500
Grant Program Specialist ¹	AFSCME	3,963 - 5,058	-	0.500	1.000	1.000
Permit Coordinator	AFSCME	3,963 - 5,058	1	0.500	0.500	0.500
Permit Technician II	AFSCME	3,676 - 4,691	2	2.000	2.000	1.000
Permit Technician	AFSCME	3,416 - 4,360	-	0.000	0.000	0.750
Senior Administrative Specialist	AFSCME	3,416 - 4,360	3	3.000	3.000	3.000
Administrative Specialist	AFSCME	2,784 - 3,554	1	0.500	0.500	0.500
TOTAL			38	37.250	37.250	38.250

NOTE: Salary ranges reflect FY 12-13 Class and Compensation schedules.

1. Within this noted position, the indicated FTE remains authorized but unfilled and unbudgeted in FY 13-14 due to reductions in federal funding. As a result, actual anticipated head count and associated salary are lower than authorized FTE would indicate.
2. As part of a Service Enhancement Review Fee, initiated and approved by Council in FY 10-11, a reorganization of the department is underway to optimize service provision.

FINANCE DEPARTMENT SUMMARY OF SERVICES BY DIVISION

MISSION STATEMENT

Ensuring excellence in customer service for financial, judicial and information management.

CUSTOMER SERVICES & PROPERTY RISK MANAGEMENT

- Provide oversight, reporting, and administrative assistance for the Finance Department.
- Process tobacco, liquor, social gaming and used merchandise license requests including the annual renewal programs.
- Support departmental operations through timely processing of interoffice mail.
- Conduct monthly meter reading and utility billing services to over 16,000 utility services accounts.
- Provide electronic bills and convenient payment options for customers.
- Ensure monthly City Services statements are accurate and delivered on time.
- Sell transit passes for the Philomath Connection and 99 Express
- Maintain the Finance Department website with timely, accurate information.
- Perform contract review and liability risk assessment as part of property risk management responsibilities.

FINANCIAL SERVICES

- Prepare for the annual audit and issue the Comprehensive Annual Financial Report.
- Develop and update policies and procedures for the organization on all financial matters.
- Develop and maintain superior banking and financial services relationships.

- Provide for safe and efficient cash management of City funds.
- Process timely payments to vendors for providing goods and services to the City.
- Process bills for services provided by the City, including ambulance services and special assessments.
- Assist and guide departments in grant management compliance and accounting.
- Secure financing for capital projects.
- Ensure fiscal integrity in debt management.
- Manage and pursue collection of delinquent accounts.

BUDGET & FINANCIAL PLANNING

- Present information to the City Council, Budget Commission, staff and citizens on the financial aspects of issues under consideration by the City and on the status of the City's finances.
- Evaluate the fiscal impact of ballot initiatives and proposed legislation which may impact City operations.
- Maintain Budget Commission records, including agendas and minutes.
- Update the City Council's Financial Policies annually.
- Ensure fiscal stability through sound long-term financial planning.
- Provide support to departments to develop and monitor annual budgets and prepare the annual budget publication and legal notices.
- Prepare Quarterly Operating Reports on the financial status of the City to the City Council and Budget Commission.

- Process payroll and benefit payments to ensure employees are compensated accurately.
- Provide performance management support to organization through trending of actual results and comparison with like entities.
- Manage investment advisory contracted service to ensure the City's cash is invested within the guidelines of the City's investment policy and Oregon Revised Statutes (ORS).

MANAGEMENT INFORMATION SERVICES

- Facilitate accurate and timely data retrieval and exchange by using automated information systems.
- Provide support for operating departments by implementing and maintaining data management systems.
- Configure, install, and maintain the City's desktop PCs, servers, and network infrastructure.

JUDICIAL SERVICES

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

Note: The Finance Department operates in the General, Parking, Technology and Communication, and Administrative Services Funds.

FINANCE DEPARTMENT PERFORMANCE INDICATORS

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY11-12 ACTUAL	FY12-13 TARGET	FY12-13 REVISED	FY13-14 TARGET
Cost Efficiency	Receive sufficient per capita revenue levels to enable the City to maintain existing service levels.	Maintain operating revenue greater than or equal to \$1,550 per capita.	\$1,643	≥\$1,550	≥\$1,550	≥\$1,550
	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. (A)	5.91%	<7.0%	<7.0%	<7.0%
	Provide necessary information technology resources for departments to operate efficiently.	Achieve 100% server uptime relative to scheduled server uptime. (B)	99.96 %	100%	99.73%	100%
	Manage MIS resources effectively and provide cost-efficient, high-quality, pro-active service to the organization to support system changes to adapt to ongoing departmental needs.	Resolve service calls to repair calls at a maximum ratio of two-to-one and document repair calls more accurately while recording multiple repair calls into a single repair call if a single incident is involved. ¹	1.37/1	3/1	3/1	2/1
	Increase organizational efficiency in providing service output.	Maintain operating expenditures less than or equal to \$1,490 per capita.	\$1,395	≤\$1,490	≤\$1,490	≤\$1,490
Sustainability	Reduce department wide paper consumption through increased use of electronic file sharing and software upgrades	Reduce paper purchases by 10% in FY 12/13 over actual FY 11/12 consumption with an additional 3% reduction in FY 13/14 (as measured in reams on a quarterly basis). (C)	630	548	567	550
	Reduce paper and postage costs by increasing proportion of Utility Billing customers participating in E-Bill program.	Increase number of E-Bill participants to about 13% of Utility Billing customers in FY 13/14 through increased advertisement.	1,761	1,500	1,500	2,000

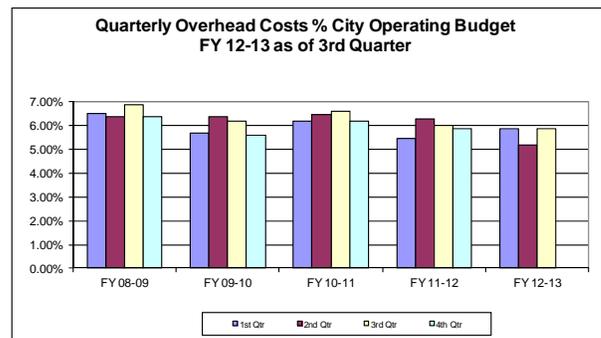
¹ Prior to FY 13-14, maximum ratio of service calls to repair calls was targeted at three-to-one.

FINANCE DEPARTMENT PERFORMANCE INDICATORS (Continued)

Select discussion of key measures:

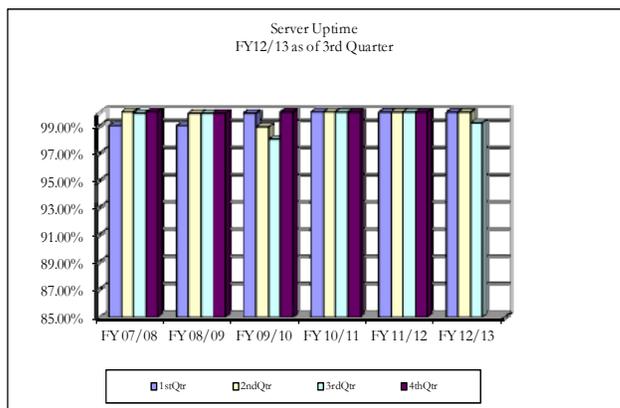
(A) Maintain general overhead costs at less than 7% of total operating budget:

- *Measure definition:* Maintain administrative overhead for the City’s operations (i.e. operating costs in the City Manager’s Office and Finance Department) at less than 7% of the City’s total operating budget. Both numerator and denominator of the percentage are expressed as total expenditures less capital projects, debt service, transfers and other non-operating costs.
- *Evaluation of results:* Keeping overhead costs as low as possible helps ensure that City resources are primarily spent on operations that provide services directly to citizens. The U.S. Government allowance for overhead on a federal HOME grant is 10% and is considered a reasonable benchmark for comparative purposes.
- *Current year performance and trends:* The City has consistently managed general overhead costs below the federal benchmark standard with general overhead costs typically falling below a 7% threshold. In the last five years, total overhead costs rose slightly in FY 08/09 and again in FY 10/11. Costs declined in FY 09/10 and in FY 11/12, and are trending lower in the first three quarters of FY 12/13. With continued efforts to increase efficiencies and reduce staff, overhead costs in the last two fiscal years are less than the previous four years.
- *Conclusions and challenges:* As the City continues to identify efficiencies and additional savings, most general overhead costs are manageable. Due to inflation and variables outside the control of the City, some overhead costs such as pension and health insurance benefits are difficult to control and will most likely increase in the future. The organization must continue to gain efficiencies to ensure resources are primarily spent on operations that provide services directly to citizens.



(B) Achieve 100% server uptime relative to scheduled uptime:

- *Measure definition:* MIS aspires to have a 100% server uptime. When maintenance requires an outage, best effort is given to have this outage occur in the off-hours for the majority of the organization. The risk of an emergency outage is mitigated through the intelligent use of redundancy, clustering and backup systems.
- *Evaluation of results:* As departments further integrate computerized technology into their core business competency, MIS ensures it is done correctly. Server uptime improves performance within departments and enables the departments to achieve internal efficiencies.
- *Current year performance and trends:* Server uptime performance has been measured since FY 05/06, when MIS achieved just over a 96% server uptime average for the year. Average server uptime results continued to improve to nearly 100% since initial reporting. With the additional resource of virtual servers, server uptime was near perfect in the 10 quarters preceding Q3 FY 12/13 when a catastrophic hardware failure occurred that resulted in a weekend outage spanning 64 hours. Although staff has taken measure to prevent, as well as reduce, the impact to the organization if similar incidents were to re-occur in the future, with equipment getting older and cost cutting measures across the City there is expected to be an impact to overhead costs for server replacement in the near future.

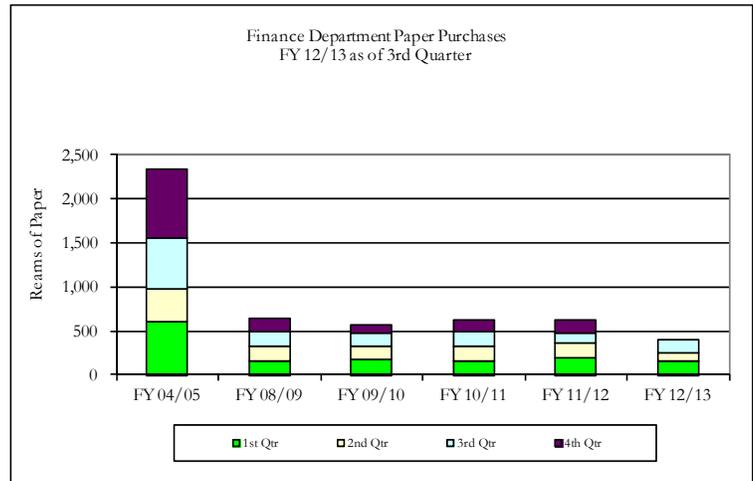


- *Conclusions and challenges:* Budgets must balance the need for 100% server uptime relative to economic feasibility. In recognition, MIS takes into consideration the schedules of each department when scheduling server downtime relative to their operational hours. To address specific problems such as electrical power interruptions that may impact server performance and uptime, MIS has an on-site generator that provides automatic electrical backup for these systems. MIS has continued to improve its server uptime to consistently achieve close to 100% performance.

FINANCE DEPARTMENT PERFORMANCE INDICATORS (Continued)

(C) Reduce department paper consumption through increased use of electronic file sharing and software upgrades:

- *Measure definition:* City Council adopted a sustainability policy directing the organization to identify opportunities to adopt sustainable practices. The finance department has determined an annual 10% reduction in paper consumption a sustainable practice consistent with Council policy and established FY 05/06 as the baseline year for comparative purposes.
- *Evaluation of results:* Finance department paper purchases are recorded each quarter based on the number of reams purchased from suppliers. The Finance department began tracking paper consumption in FY 04/05, with 2,341 reams of paper purchased. In FY 05/06 (base year), paper consumption decreased 35% (1,790 reams) due to employee efforts to implement sustainable practices. Many of these practices focused on changes in standard operating procedures that were readily adopted by staff. As the effort increased, paper consumption decreased to 650 reams in FY 08/09, a 64% reduction over the base year. Staff continued to implement new technologies, such as online archiving, and more efficient procedures. As a result, paper consumption decreased to 568 reams in FY 09/10. However, in FY 10/11 and FY 11/12 paper consumption increased unexpectedly to a high of 630 reams due to in-house printing of documents that were formerly outsourced. Staff is determined to reduce current FY 12/13 consumption to 567 reams, a 10% reduction over FY 11/12. Staff's goal for FY 13/14 is 550 reams, as a reasonable, stable level until the next wave of technology or other efficiencies can be derived.



As a result, paper consumption decreased to 568 reams in FY 09/10. However, in FY 10/11 and FY 11/12 paper consumption increased unexpectedly to a high of 630 reams due to in-house printing of documents that were formerly outsourced. Staff is determined to reduce current FY 12/13 consumption to 567 reams, a 10% reduction over FY 11/12. Staff's goal for FY 13/14 is 550 reams, as a reasonable, stable level until the next wave of technology or other efficiencies can be derived.

- *Current year performance and trends:* Reductions in paper consumption from previous years continues to be significant with current year consumption running well under 600 reams. It appears the decrease in paper use is stabilizing and further reductions may be more difficult, if not impossible to achieve based on archival needs alone.
- *Conclusions and Challenges:* The Finance department typically uses more paper than many other departments due to the nature of the financial work and the necessary documentation required for audit purposes. As a result, the Finance department has among the greatest opportunity of any department to reduce paper consumption and thereby contribute to a more sustainable environment. Staff will continue to implement new practices that enable use of less paper. This includes the purchases of additional software and use of new technologies to meet the goal. Future reductions will continue to be proposed but likely at smaller increments.



Customer Services – Finance Administration



Municipal Court



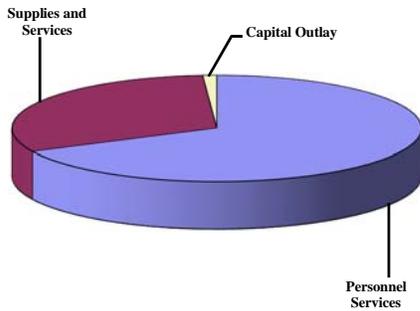
Financial Services

FINANCE DEPARTMENT – BUDGET SUMMARY

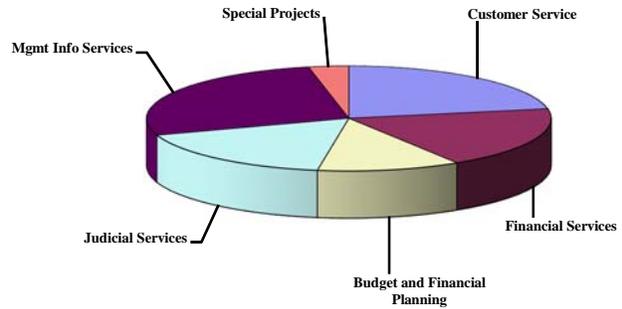
BUDGET BY CATEGORY:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Personnel Services	\$3,325,766	\$3,380,350	\$3,225,780	\$3,269,440	\$3,378,310	4.73%
Supplies and Services	1,267,250	1,395,598	1,449,430	1,457,030	1,553,500	7.18%
Capital Outlay	54,970	96,539	115,000	55,000	55,000	-52.17%
TOTAL	\$4,647,986	\$4,872,487	\$4,790,210	\$4,781,470	\$4,986,810	4.10%

FY 13-14 PROPOSED BUDGET

EXPENDITURES BY CATEGORY



EXPENDITURES BY DIVISION



BUDGET BY DIVISION:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Customer Service	\$1,023,829	\$1,015,319	\$1,062,500	\$1,074,510	\$1,101,960	3.71%
Financial Services	970,940	978,430	883,720	878,130	945,830	7.03%
Budget and Financial Planning	517,356	536,167	540,530	534,110	569,340	5.33%
Judicial Services	688,430	787,361	845,160	836,420	861,740	1.96%
Mgmt Info Services	1,398,968	1,394,167	1,338,300	1,336,210	1,347,940	0.72%
Special Projects	48,462	161,043	120,000	122,090	160,000	33.33%
TOTAL	\$4,647,986	\$4,872,487	\$4,790,210	\$4,781,470	\$4,986,810	4.10%



Budget & Financial Planning



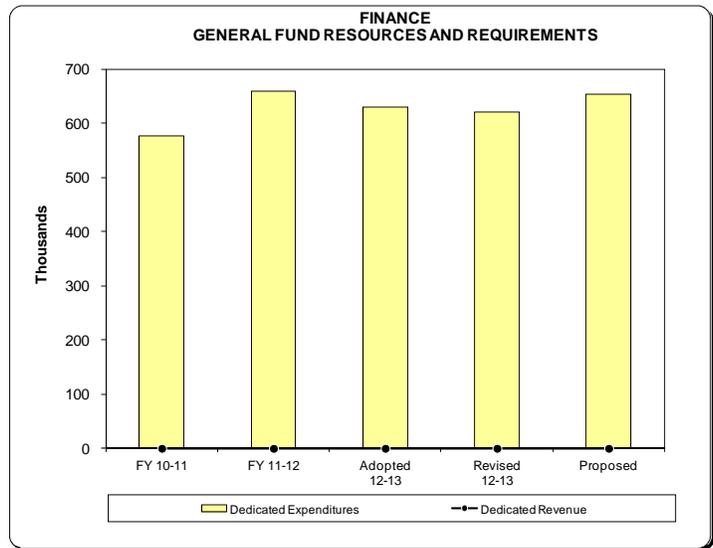
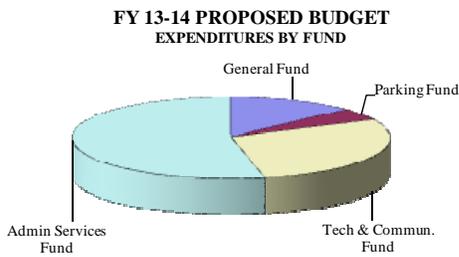
MIS Team



Customer Services - Utility Billing

FINANCE DEPARTMENT – BUDGET SUMMARY (Continued)

BUDGET BY FUND:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
General Fund	\$576,401	\$659,182	\$629,740	\$621,470	\$654,220	3.89%
Parking Fund	112,029	128,179	215,420	214,950	247,520	14.90%
Tech & Commun. Fund	1,426,463	1,531,455	1,443,300	1,443,300	1,417,940	-1.76%
Admin Services Fund	2,533,092	2,553,671	2,501,750	2,501,750	2,667,130	6.61%
TOTAL	\$4,647,986	\$4,872,487	\$4,790,210	\$4,781,470	\$4,986,810	4.10%

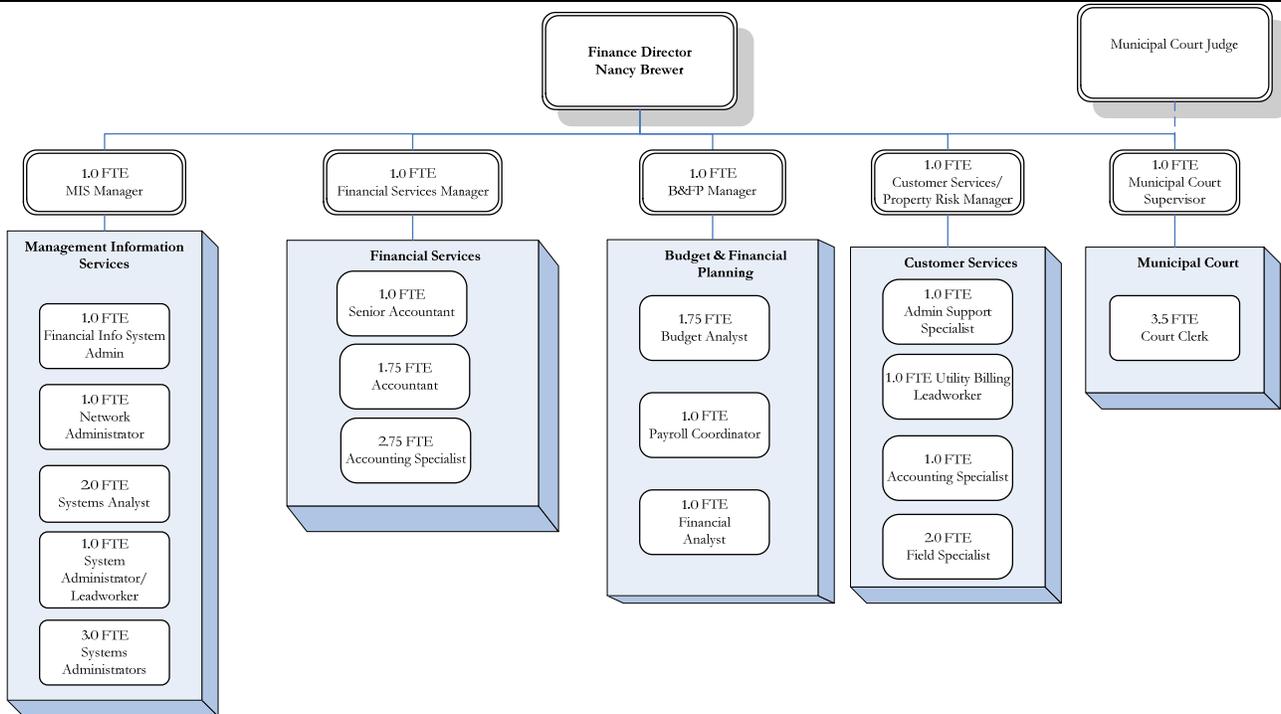


GENERAL FUND - FINANCE*	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
DEDICATED REVENUE						
Charges for Services	\$136	\$105	\$200	\$200	\$200	0.00%
Dedicated Revenue	136	105	200	200	200	0.00%
EXPENDITURES CLASS:						
Personnel Services	352,761	403,584	329,880	334,230	336,780	2.09%
Supplies and Services	223,640	255,597	299,860	287,240	317,440	5.86%
Capital Outlay	0	0	0	0	0	0.00%
Dedicated Expenditures	576,401	659,181	629,740	621,470	654,220	3.89%
Use of (addition to) Non-Dedicated Revenue	576,265	659,076	629,540	621,270	654,020	3.89%

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

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

FINANCE DEPARTMENT ORGANIZATION CHART



FINANCE DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	FY 13-14 FTE	Historical	
					FY 12-13 FTE	FY 11-12 FTE
Finance Director	Exempt	\$8,325 - \$10,625	1	1.000	1.000	1.000
MIS Manager	Exempt	6,579 - 8,396	1	1.000	1.000	1.000
Financial Services Manager	Exempt	5,198 - 6,634	1	1.000	1.000	1.000
Budget and Financial Planning Manager	Exempt	5,198 - 6,634	1	1.000	1.000	1.000
FIS Administrator/Analyst	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000
Network Administrator	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000
System Administrator II/Leadworker	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000
Customer Service Manager	Exempt	4,747 - 6,058	1	1.000	1.000	1.000
Webmaster/Information System Analyst	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Senior Accountant	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Information Systems Analyst	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
System Administrator I	AFSCME	4,620 - 5,897	3	3.000	3.000	4.000
Accountant ¹	AFSCME	3,963 - 5,058	2	1.750	2.000	2.000
Court Supervisor	Exempt	3,959 - 5,053	1	1.000	1.000	1.000
Budget Analyst	Exempt	3,959 - 5,053	2	1.750	1.750	2.000
Treasury Analyst	AFSCME	3,676 - 4,691	-	0.000	0.000	1.000
Financial Analyst	AFSCME	3,676 - 4,691	1	1.000	1.000	1.000
Utility Billing Field Spec	AFSCME	3,676 - 4,691	2	2.000	2.000	2.000
Utility Billing Leadworker	AFSCME	3,676 - 4,691	1	1.000	1.000	1.000
Payroll Coordinator	Exempt	3,302 - 4,214	1	1.000	1.000	1.000
Court Clerk	AFSCME	3,048 - 3,890	4	3.500	3.500	4.000
Accounting Specialist ¹	AFSCME	2,784 - 3,554	4	3.750	3.500	3.750
Administrative Specialist ²	AFSCME	2,784 - 3,554	1	1.000	1.000	1.000
TOTAL			33	31.750	31.750	34.750

NOTE: Salary ranges reflect FY 12-13 Class and Compensation schedules.

1. Due to a re-organization, .25 FTE was re-classed from an Accountant position and transferred to an Accounting Specialist position.

3. The 1.0 FTE Administrative Specialist is being under-filled at 0.75 FTE.

FIRE DEPARTMENT SUMMARY OF SERVICES BY DIVISION

MISSION STATEMENT

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

MANAGEMENT SERVICES

- Train department personnel.
- Develop plans and procedures aimed at meeting goals and objectives within financial and regulatory limitations.
- Coordinate disaster preparedness and response.
- Provide administrative services for the department.
- Develop and implement strategic planning for the Fire Department.

HAZARD REDUCTION SERVICES

- Provide inspection services to limit the occurrence and spread of unwanted fires, the losses they cause to the community, and to ensure life safety.
- Participate in pre-construction plan reviews in cooperation with Development Services to ensure fire safety requirements are met.
- Implement education programs to assist the public and area agencies to respond to fire and medical emergencies.

FIRE & RESCUE OPERATIONS

- Respond to all emergency and non-emergency calls for fire protection, rescue, pre-hospital emergency medical treatment, and general environmental protection for the community and surrounding areas.

EMERGENCY MEDICAL SERVICES

- Provide paramedic care for all emergency medical service calls in Corvallis and the Corvallis Rural Fire Protection District.
- Provide transport ambulance services to the entire Benton County Ambulance Service area.

Note: Historically, the Fire Department operated in the Fire and Rescue Fund. As of FY 13-14, Fire operates in the General Fund.



Roof ventilation training at the drill tower



On scene at a motor vehicle accident



Emergency vehicles responding to a call



Fire Prevention activities at the Benton County Fair



Firefighters in full personal protective clothing

FIRE DEPARTMENT PERFORMANCE INDICATORS

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY 11-12 ACTUAL	FY 12-13 TARGET	FY 12-13 REVISED	FY 13-14 TARGET
Cost Efficiency	Achieve a response time of 5 minutes or less from dispatch to arrival on Code 3 fire calls within the city limits, greater than our comparator's average of 70%.	Percentage of total fire calls with a response time of 5 minutes or less from dispatch to arrival within city limits. (A)	63.0%	70.0 %	>70.0 %	>70.0%
	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 %	60.0 %	60.0%
	Maintain false alarm rate due to system malfunction at or below the 34% level reported by NFPA.	False alarms due to system malfunction as a percentage of total non-EMS incidents.	11.68%	<38 %	34 %	<34%
Community Involvement	Interact with at least 10% of residents (city and rural district) in public education events annually.	Percentage of citizens attending public education events.	11.5%	10%	≥10%	≥10%
Sustainability	Maintain average loss per capita within city & district limits less than regional average of \$35.50.	Maintain average loss per capita within city & district limits less than national average. (B)	\$8.39	< \$32.50	< \$32.50	<\$35.50
	Maintain the number of reported residential structure fires within the city limits at less than the national average of 70 for similar-sized communities.	Residential structure fires within city limits. (C)	30	< 89	< 70	<70

Select discussion of key measures above:

(A) Achieve a response time of five minutes or less from dispatch to arrival on more than 70% of Code 3 fire calls within the city limits:

- *Measure definition:* This is one of the standard measures of a fire department's effectiveness across the industry. A common industry goal was to achieve a 4-minute response time on 90% of emergency calls. Increasing costs and population figures have resulted in the need for a majority of departments nationwide to reassess that target. A 4-minute response time was found to be unrealistic and very expensive in terms of infrastructure and personnel. Irrespective of the increased difficulty in meeting the target, response time remains the most critical factor in the degree of success achieved in mitigating fire / medical emergencies.
- *Evaluation of results:* Over a period of years, population growth, a related increase in the amount of vehicle traffic, and the expansion of neighborhoods into urban growth areas (and farther away from existing fire stations) have increased response times. A 65-70% target is a realistic response time. The standards proposed by the National Fire Protection Association (NFPA) prescribe an 80% target; however, a majority of fire departments fall short of this threshold.
- *Current year performance and trends:* While improvements have been realized in recent years, there still remain challenges in this area, such as accurate "time stamping" by the dispatch system at the 9-1-1 Center. Staff has been working with the CAD vendor to implement a solution which would automate time stamping for calls. Testing of the hardware has commenced, and if successful, will be installed on the medic units by end of FY 12-13.

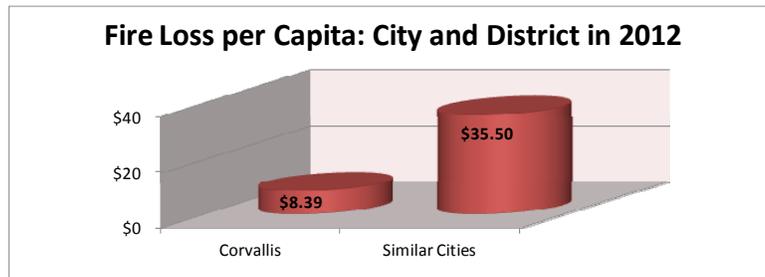
FIRE DEPARTMENT PERFORMANCE INDICATORS (Continued)

- *Conclusions and challenges:* Corvallis' emergency response time is impacted by its "either / or" response matrix. The adoption of the "either / or" system was an informed decision made by the City to reduce or slow the need to add personnel yet provide immediate fire and emergency medical services. It has proven to be an effective "first call" system; however, the second call in a specific area results in an increase in the time to drive from another station's response area. The typical increase in "second call" times due to increased travel distance often exceeds the 5-minute target.

(B) Maintain average loss per capita within city & district limits less than regional average of \$35.50:

- *Measure definition:* This is essentially a measure of the Fire Department's effectiveness in controlling fires that do occur.

- *Evaluation of results:* This measure typically yields excellent results but is subject to spikes for reasons that are beyond the Department's control (such as when fires are not reported to 911 until the building is already fully involved), resulting in large-loss fires. It should be noted that Corvallis is extremely fortunate to have experienced no fire deaths in more than 22 years.



- *Current year performance and trends:* Corvallis' current year performance is excellent.

While year-to-year spikes can be experienced (as noted above), the long-term trend is expected to continue to show highly favorable results.

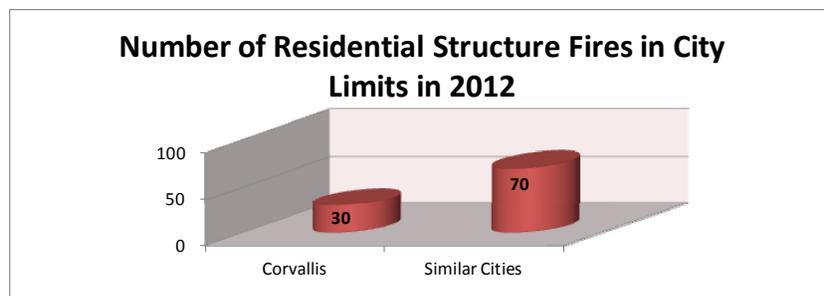
- *Conclusions and challenges:* Fire station closures increase response times in certain areas of the city. The speed and accuracy of the dispatch process, adverse weather conditions, and the failure of systems or citizens to report fires quickly can also impact this measure. The Department strives to utilize technology and education to minimize these impacts.

(C) Maintain the number of reported residential structure fires within the city limits less than the national average of 70 for similar-sized cities:

- *Measure definition:* A measure of the frequency of residential structure fires. This measure is believed to be affected by a number of demographic factors outside of a fire department's influence, such as the general socio-economic environment of the geographic area; and as one measure of the effectiveness of a department's fire prevention efforts.

- *Evaluation of results:* Traditionally excellent results have been realized, implying Corvallis' fire prevention efforts are more effective on average.

- *Current year performance and trends:* Corvallis continues to value its fire prevention organization. Those efforts are complimented by an educated and relatively affluent population with the means to address many problems in the home.



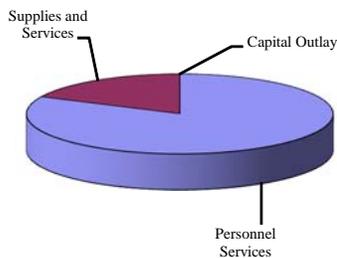
- *Conclusions and challenges:* Corvallis is fortunate to have an involved, proactive fire prevention organization. The major challenges faced in this area are in OSU campus housing and street design / clearance issues.

FIRE DEPARTMENT – BUDGET SUMMARY

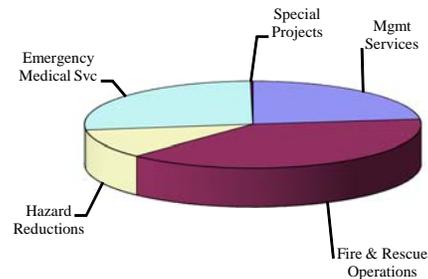
BUDGET BY CATEGORY:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Personnel Services	\$8,317,499	\$8,660,125	\$8,577,900	\$8,463,070	\$8,782,830	2.39%
Supplies and Services	1,895,667	1,802,356	1,856,820	1,833,510	1,927,270	3.79%
Capital Outlay	199,989	552,776	15,000	15,000	0	-100.00%
TOTAL	\$10,413,154	\$11,015,257	\$10,449,720	\$10,311,580	\$10,710,100	2.49%

FY 13-14 PROPOSED BUDGET

EXPENDITURES BY CATEGORY



EXPENDITURES BY DIVISION

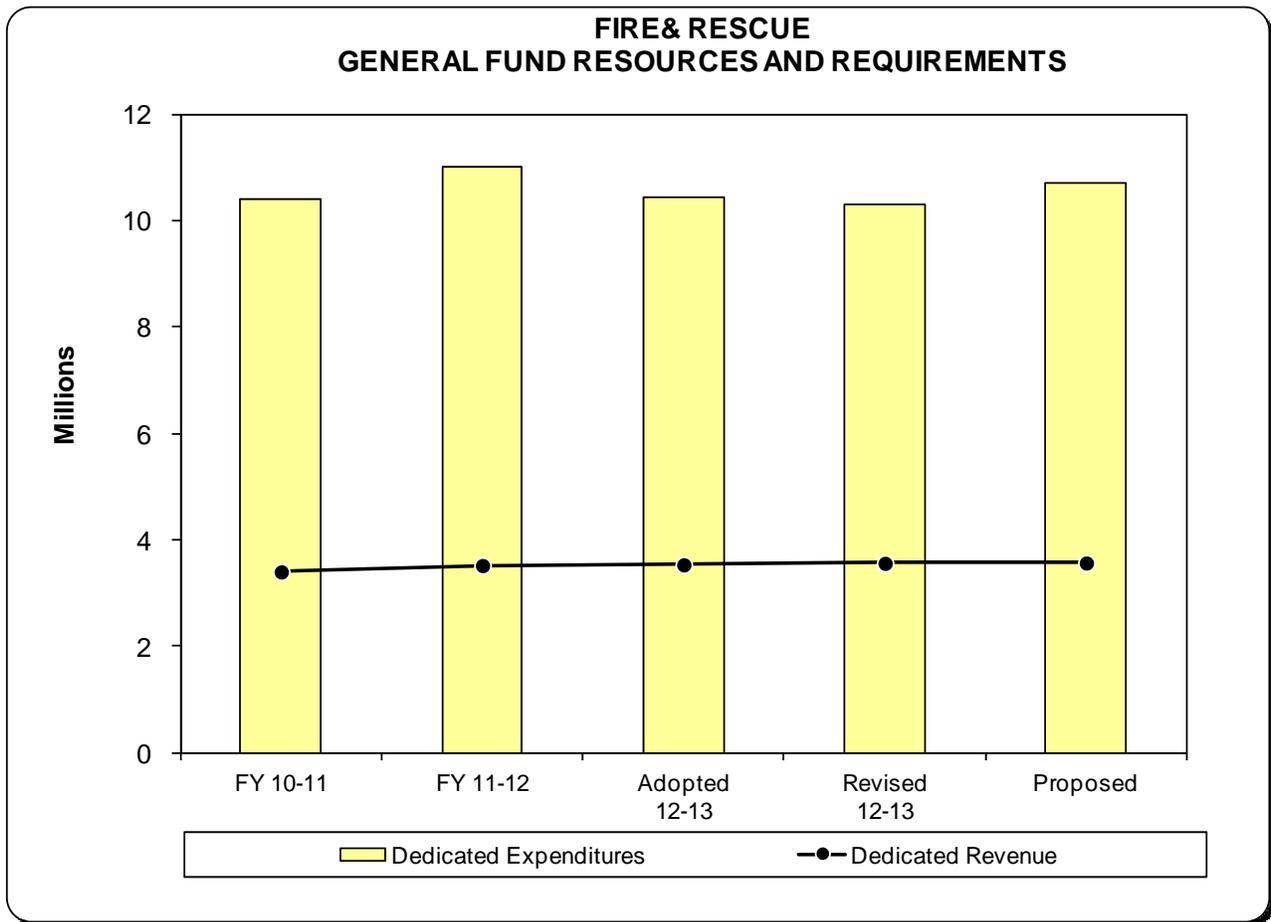


BUDGET BY DIVISION:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Management Services	\$2,457,179	\$2,523,175	\$2,516,990	\$2,491,760	\$2,477,980	-1.55%
Fire & Rescue Operations	3,872,307	4,025,889	4,025,040	3,972,470	4,170,700	3.62%
Hazard Reduction	1,067,033	1,119,945	1,115,040	1,100,190	1,153,510	3.45%
Emergency Medical Svc	2,711,763	2,764,708	2,755,840	2,726,240	2,884,670	4.67%
Special Projects	304,872	581,539	36,810	20,920	23,240	-36.86%
TOTAL	\$10,413,154	\$11,015,257	\$10,449,720	\$10,311,580	\$10,710,100	2.49%

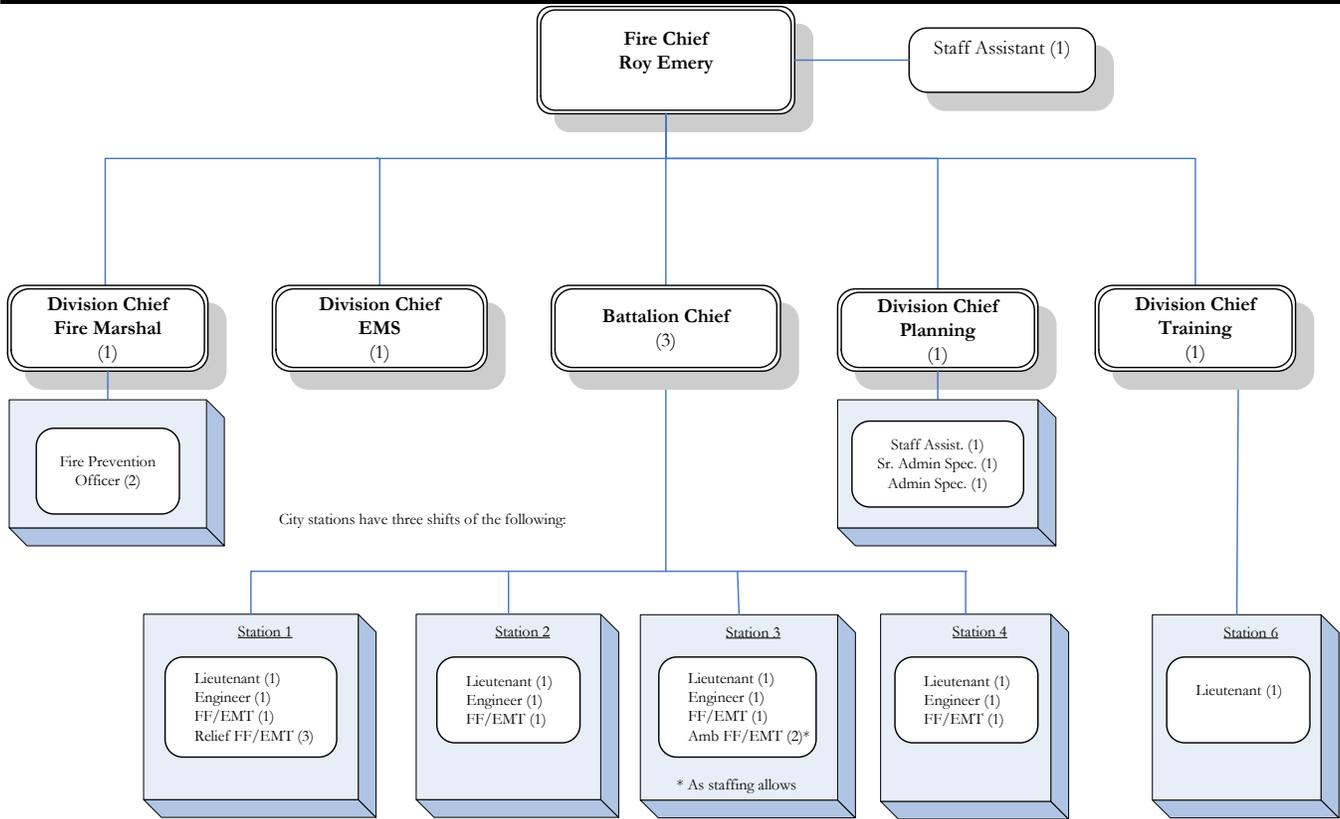
BUDGET BY FUND:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Fire and Rescue Fund	\$10,413,154	\$11,015,257	\$10,449,720	\$10,311,580	\$0	-100.00%
General Fund	0	0	0	0	10,710,100	0.00%
TOTAL	\$10,413,154	\$11,015,257	\$10,449,720	\$10,311,580	\$10,710,100	2.49%

FIRE DEPARTMENT – BUDGET SUMMARY (Continued)

GENERAL FUND - FIRE DEDICATED REVENUE	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
License, Fees & Permits	\$21,162	\$22,544	\$18,640	\$19,190	\$20,800	11.59%
Charges for Services	3,271,141	3,392,735	3,473,230	3,463,680	3,511,310	1.10%
Intergovernmental	37,562	85,863	37,700	43,760	10,340	-72.57%
Fines & Forfeitures	17,223	12,310	8,950	11,300	11,380	27.15%
Miscellaneous	61,132	14,029	2,260	30,820	21,600	855.75%
Dedicated Revenue	3,408,220	3,527,481	3,540,780	3,568,750	3,575,430	0.98%
EXPENDITURES CLASS:						
Personnel Services	8,317,500	8,660,128	8,577,900	8,463,070	8,782,830	2.39%
Supplies and Services	1,895,667	1,802,354	1,856,820	1,833,510	1,927,270	3.79%
Capital Outlay	199,989	552,776	15,000	15,000	0	-100.00%
Dedicated Expenditures	10,413,156	11,015,258	10,449,720	10,311,580	10,710,100	2.49%
Use of (addition to) Non-Dedicated Revenue	7,004,936	7,487,777	6,908,940	6,742,830	7,134,670	3.27%



FIRE DEPARTMENT ORGANIZATION CHART



FIRE DEPARTMENT STAFF

Positions	Group	Monthly Salary		Head Count	FY 13-14 FTE	Historical	
		Range (1.0 FTE)				FY 12-13 FTE	FY 11-12 FTE
Fire Chief	Exempt	\$7,938 - \$10,131		1	1.000	1.000	1.000
Division Chief/Battalion Chief	Exempt	6,579 - 8,396		7	7.000	7.000	7.000
Lieutenant ²	IAFF	5,038 - 7,210		13	13.000	13.000	16.000
Fire Prevention Officer	IAFF	4,975 - 6,502		2	2.000	2.000	2.000
Fire Engineer ^{1,2}	IAFF	4,665 - 6,677		12	12.000	12.000	13.000
Firefighter - Emergency Medical Technician (EMT) ^{1,2}	IAFF	4,339 - 6,209		27	27.000	27.000	26.000
Staff Assistant	AFSCME	3,676 - 4,691		1	1.000	1.000	1.000
Staff Assistant	Exempt	3,572 - 4,559		1	1.000	1.000	1.000
Senior Administrative Specialist	AFSCME	3,416 - 4,360		1	1.000	1.000	1.000
Administrative Specialist	AFSCME	2,784 - 3,554		1	1.000	1.000	1.000
TOTAL				66	66.000	66.000	69.000

NOTE: Salary ranges reflect FY 12-13 Class and Compensation schedules.

- The number of Firefighter EMTs and Engineers combined total 39. The number of Firefighter EMTs and Engineers can fluctuate within and between fiscal years. For FY 13-14, the budgeted amounts are as presented. The maximum number possible of engineers is 12.
- Non-disciplinary demotions due to a station closure in FY 12-13 to support achieving a sustainable budget for property tax funds combined.

LIBRARY DEPARTMENT SUMMARY OF SERVICES BY DIVISION

MISSION STATEMENT

"Bringing People and Information Together"

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

ADMINISTRATION

- Lead, support, direct, plan for, and provide quality library services county-wide.
- Collaborate with local governments, advisory boards and committees, community organizations, and individual citizens.
- Actively promote library services, resources, and events.
- Attract and pursue various grants and donations to enhance the Library's mission.
- Manage library technology to support staff and improve public access to information.
- Provide departmental budget preparation and management.
- Provide administrative services for the Library.
- Coordinate the volunteer program to help provide services and offer opportunities for citizen involvement.

LIBRARY SERVICES

- Maintain systems to lend, retrieve, and shelve library materials.
- Develop and maintain an effective and relevant collection of library materials.
- Operate rural community libraries and mobile services.
- Provide outreach library services.
- Meet informational, educational, cultural, and recreational needs of adults and youth.
- Provide programming for adults and youth.
- Order, receive, catalog and process library materials for easy retrieval by the public and staff.
- Repair and replace damaged materials.



Volunteer Appreciation



Beaver Fair Booth

Note: Historically the Library Department has operated in the Library and Davidson Funds. As of FY13-14, the Library operates in the General Fund and Davidson Fund.

LIBRARY DEPARTMENT PERFORMANCE INDICATORS

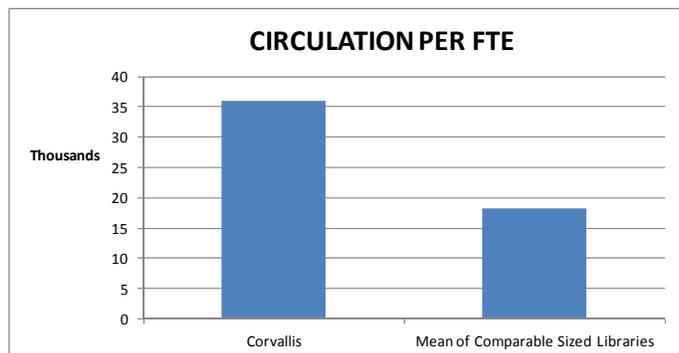
Council Values	Management Goals & Objectives ¹	Performance Measures	FY11-12 ACTUAL	FY12-13 TARGET	FY12-13 REVISED	FY13-14 TARGET
Cost Efficiency	Be below national average total operating expenditures per item circulated: <\$4.05	Total operating expenditures per item circulated	New	New	New	\$3.60
	Circulate more per FTE than national average of comparable libraries:>18,206	Circulation per FTE. (A)	37,953	37,000	38,000	39,700
Community Involvement	Achieve a rating of excellent or good from at least 90% of annual survey responses.	Citizen rating of overall library services. (B)	93%	90%	96%	90%
	Achieve above national average circulation rate per capita: >10.9	Circulation rates per capita.	19.33	19.0	19.0	19.0
	Encourage and provide opportunities for citizen involvement with library services.	Number of volunteer hours worked ²	17,141	New	16,100	17,000
Sustainability	Encourage remote usage of online services. Increase by 1% annually.	Number of remote users.	New	New	New	705,000
	Achieve above national average use of materials in the collection: >3.39 turnover rate	Turnover rate of items in the circulation collection.	New	New	New	4.82
	Provide the materials people want to use and keep them moving through the community exceeding the national average of 18.62.	Circulation per registered borrower. (C)	33.58	32.0	33.0	33.0
Diversity	Offer programs reflecting the diverse populations within Benton County.	Total number of programs and attendees.	New	New	New	1,300/ 37,000

1. Using 2011 Public Library Data Service Statistical Report: Libraries serving population of 50,000-99,999.
2. Although a new Performance Measure for the FY 13-14 budget document, this is a measure that has historically been tracked for other purposes.

Select discussion of key measures above: (note that graphs below use the same base comparators)

(A) Circulation per FTE:

- *Measure definition:* Number of items checked out from the library divided by the number of full-time equivalent employees (FTE) at the library. This gives an idea of workload and staff efficiency as compared to other libraries.
- *Evaluation of results:* The chart compares Corvallis with the average circulation per FTE for libraries nationwide in the population group of 50,000-99,999 as compiled in the 2011 Public Library Data Service Statistical Report. The Corvallis-Benton County Public Library is significantly above average in efficient delivery of services.



LIBRARY DEPARTMENT PERFORMANCE INDICATORS (Continued)

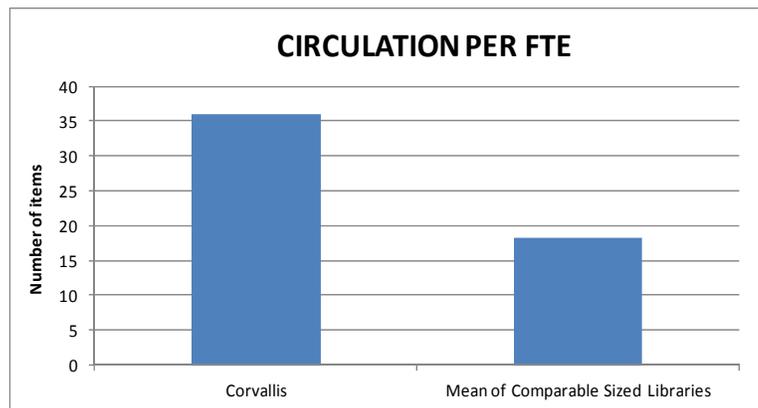
- *Current year performance and trends:* Circulation has remained high with an estimated 1,696,800 items expected to be checked out in FY 12-13. This will be an increase of about 1% over last year. The decrease of 2.625 FTE in FY 12-13 due to budget reductions also impacted this measure. Corvallis citizens have always been big library users and this is expected to continue. Ongoing budget challenges may continue to reduce the number of staff to handle the demand.
- *Conclusions and Challenges:* Staff continues to meet the challenges of high demand for library services that is nearly twice the national average. Circulation is expected to remain steady or increase slightly. Staffing is not expected to increase in the current budget climate. Library staff will continue to meet the challenges by redesigning workflows to improve efficiency, adding more self check out machines where appropriate, and by using volunteers extensively. The goal continues to be to find better ways of meeting demands for materials and services within current staffing levels.

(B) Citizen rating of overall library services:

- *Measure definition:* The percentage of residents who give the library a “good” or “excellent” rating in the annual citizen attitude survey.
- *Evaluation of results:* The Library continues to be viewed positively by survey respondents. “Good” and “Excellent” ratings increased by three percentage points in the 2012 survey.
- *Current year performance and trends:* Budget and staffing reductions in FY 12-13 forced a decrease in programs and some hands on services. However, the public gave the Library even more positive ratings than last year.
- *Conclusions and Challenges:* The Library continues to be highly valued by Corvallis citizens. The Library constantly strives to meet library users' expectations for excellent services. However, continued budget reductions will make that more difficult and may eventually result in less positive ratings on future surveys.

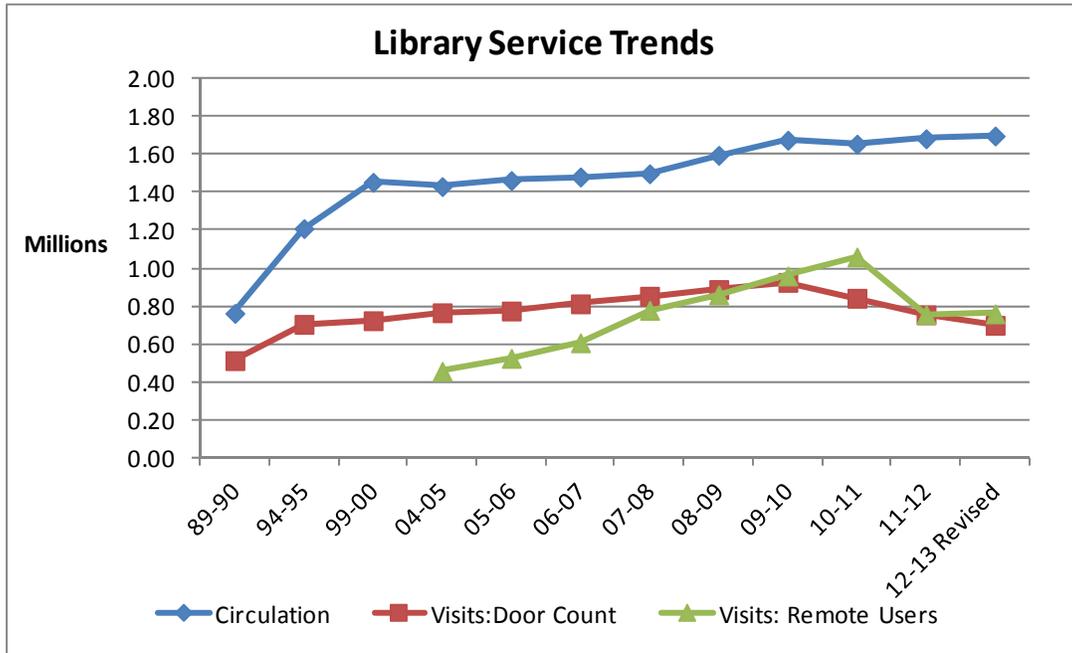
(C) Circulation per Registered Borrower:

- *Measure definition:* The number of items circulated (checked out) annually divided by the number of registered library card holders, compared to libraries nation-wide in the population category of 50,000-99,999. This measure provides an idea of how well Library staff meets the Council value of sustainability by providing materials that can be used and shared by the community.
- *Evaluation of results:* Using 2011 Public Library Data Service Statistical Report data, Corvallis is well above the national average in the number of items users check out each year. The collection is made up of a variety of materials that patrons want to check out.



- *Current year performance and trends:* Circulation is expected to increase by about 1% in FY 12-13. The number of library card holders averages about 50,500 at any given time. If these trends hold steady, this measure will continue to remain strong over time, and the target will continue to be achieved.
- *Conclusions and Challenges:* Currently, the Library's collection of materials seems to meet demand in terms of number of items and types of materials offered. The public uses the Library very heavily and values its collection, as per the Citizen Survey. However, the budget for materials has been cut by about 28% since FY 09-10 and hard choices have been made about the number and types of materials that are purchased. The concern is that damaged or outdated materials cannot be replaced quickly and that fewer of the more sought-after items can be purchased to meet demand. This measure will be monitored in that regard to see how the overall use of the collection is affected in the future. The Library plans to continue its efforts to find the most cost-efficient way to provide an excellent collection.

LIBRARY DEPARTMENT PERFORMANCE INDICATORS (Continued)



Library Staff Picks Table



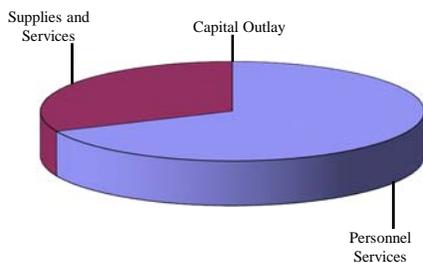
Dancers

LIBRARY DEPARTMENT BUDGET SUMMARY

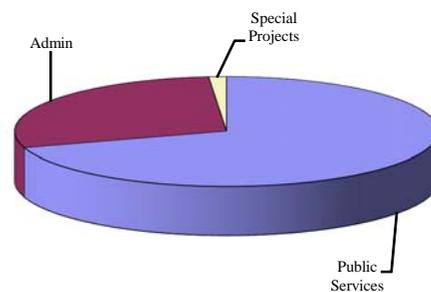
BUDGET BY CATEGORY:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2010-11	2011-12	2012-13	2012-13	2013-14	FROM 12-13
						BUDGET
Personnel Services	\$3,770,588	\$3,853,066	\$4,038,890	\$3,993,890	\$4,080,030	1.02%
Supplies and Services	2,051,392	2,014,863	1,998,120	2,010,980	1,890,070	-5.41%
Capital Outlay	85,604	33,542	17,000	0	0	-100.00%
TOTAL	\$5,907,584	\$5,901,472	\$6,054,010	\$6,004,870	\$5,970,100	-1.39%

FY 13-14 PROPOSED BUDGET

EXPENDITURES BY CATEGORY



EXPENDITURES BY DIVISION

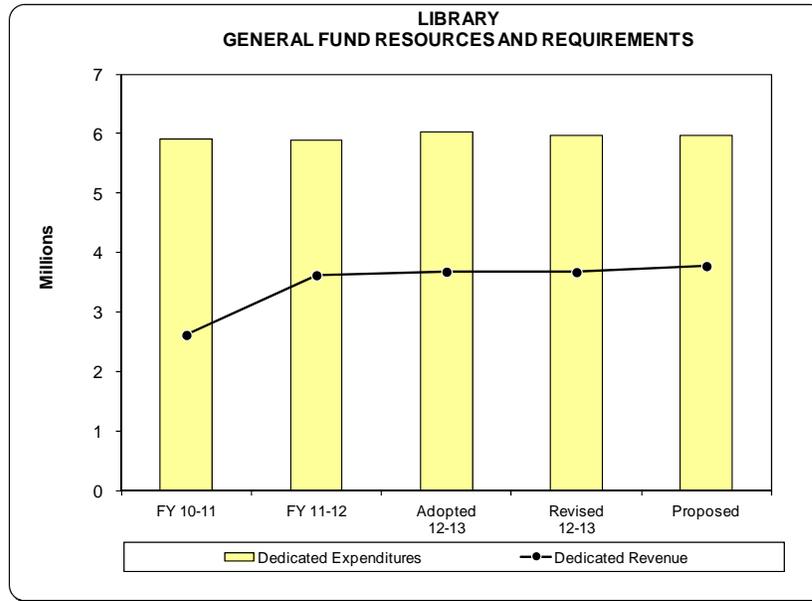


BUDGET BY DIVISION:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2010-11	2011-12	2012-13	2012-13	2013-14	FROM 12-13
						BUDGET
Public Services	\$3,979,980	\$4,070,268	\$4,212,650	\$4,173,650	\$4,183,960	-0.68%
Administration	1,727,550	1,693,661	1,705,360	1,699,060	1,705,640	0.02%
Special Projects	200,053	137,543	136,000	132,160	80,500	-40.81%
TOTAL	\$5,907,584	\$5,901,472	\$6,054,010	\$6,004,870	\$5,970,100	-1.39%

BUDGET BY FUND:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2010-11	2011-12	2012-13	2012-13	2013-14	FROM 12-13
						BUDGET
Library Fund	\$5,907,437	\$5,901,472	\$6,023,510	\$5,974,370	\$0	-100.00%
Library Improvement Fund	0	0	30,000	30,000	0	-100.00%
General Fund	0	0	0	0	5,970,100	0.00%
Davidson Fund	147	0	500	500	0	-100.00%
TOTAL	\$5,907,584	\$5,901,472	\$6,054,010	\$6,004,870	\$5,970,100	-1.39%

LIBRARY DEPARTMENT BUDGET SUMMARY (Continued)

GENERAL FUND - LIBRARY	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
DEDICATED REVENUE	2010-11	2011-12	2012-13	2012-13	2013-14	FROM 12-13 BUDGET
Charges for Services	\$43,340	\$41,192	\$43,420	\$41,920	\$42,000	-3.27%
Intergovernmental	2,407,275	2,499,769	2,451,370	2,461,890	2,516,250	2.65%
Fines & Forfeitures	94,207	98,868	104,800	102,000	102,000	-2.67%
Miscellaneous	73,652	62,677	72,700	69,600	67,400	-7.29%
2011 Operating Levy	0	920,252	1,009,360	999,540	1,048,210	3.85%
Dedicated Revenue	2,618,474	3,622,758	3,681,650	3,674,950	3,775,860	2.56%
EXPENDITURES CLASS:						
Personnel Services	3,770,592	3,853,070	4,038,890	3,993,890	4,080,030	1.02%
Supplies and Services	2,051,245	2,014,863	1,967,620	1,980,480	1,890,070	-3.94%
Capital Outlay	85,604	33,542	17,000	0	0	-100.00%
Dedicated Expenditures	5,907,441	5,901,475	6,023,510	5,974,370	5,970,100	-0.89%
Use of (addition to) Non-Dedicated Revenue	3,288,967	2,278,717	2,341,860	2,299,420	2,194,240	-6.30%



Philomath Community Library Visitor

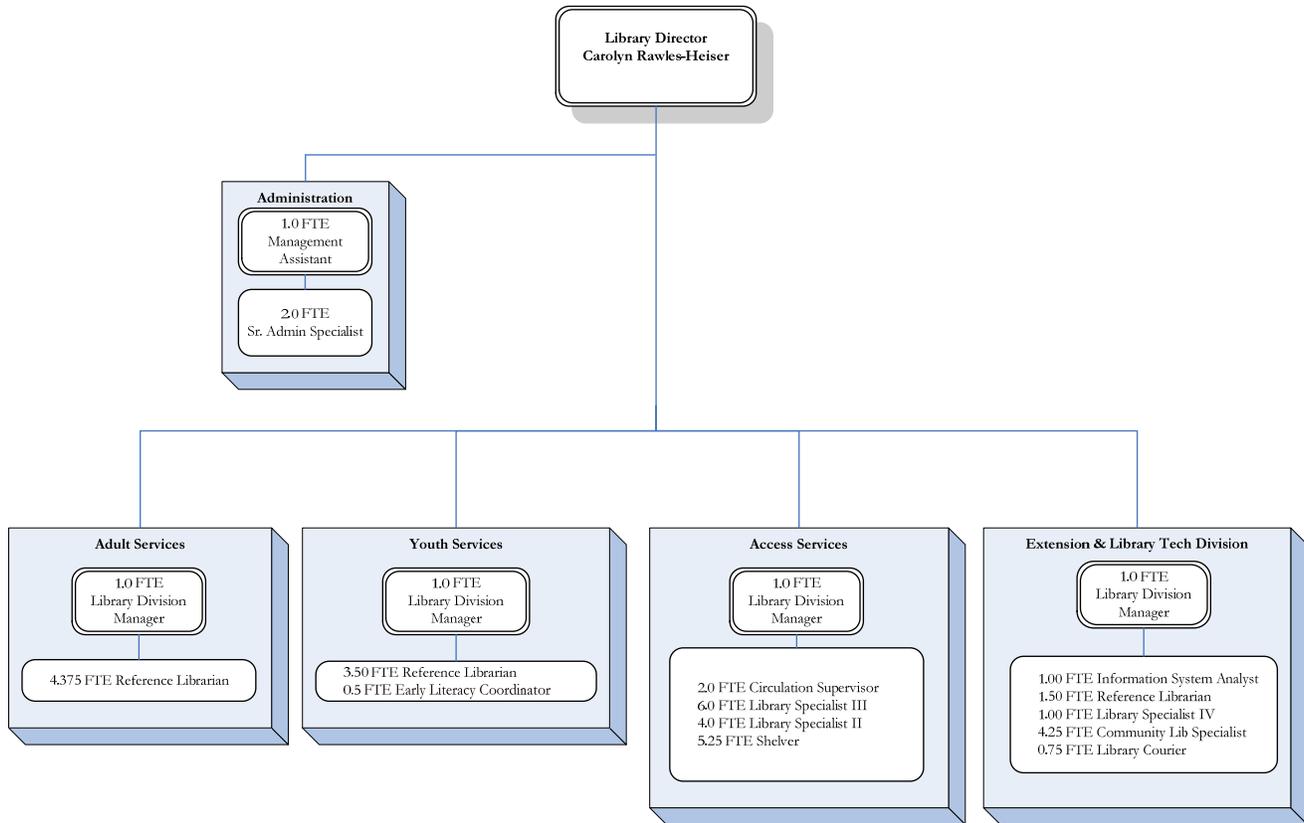


Bookmobile



Alsea Community Library Holiday Season

LIBRARY DEPARTMENT ORGANIZATION CHART



LIBRARY DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	FY 13-14 FTE	Historical	
					FY 12-13 FTE	FY 11-12 FTE
Library Director	Exempt	7,554 - 9,641	1	1.000	1.000	1.000
Library Division Manager	Exempt	5,848 - 7,463	4	4.000	4.000	3.000
Lead Librarian	AFSCME	4,988 - 6,366	-	0.000	0.000	0.625
Supervising Librarian	Exempt	4,747 - 6,058	-	0.000	0.000	1.000
Circulation Supervisor	Exempt	4,747 - 6,058	2	2.000	2.000	2.000
Department Information System Analyst	AFSCME	4,620 - 5,897	1	1.000	1.000	1.000
Reference Librarian ¹	AFSCME	4,620 - 5,897	11	9.375	10.000	10.500
Access Services Librarian	AFSCME	4,620 - 5,897	-	0.000	0.000	1.000
Early Literacy Coordinator	AFSCME	4,620 - 5,897	1	0.500	0.500	0.500
Management Assistant	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Library Specialist IV	AFSCME	3,963 - 5,058	1	1.000	1.000	1.000
Community Library Specialist	AFSCME	3,676 - 4,691	6	4.250	4.250	3.000
Sr. Administrative Specialist - AFSCME	AFSCME	3,416 - 4,360	2	2.000	2.000	2.000
Library Specialist III	AFSCME	3,416 - 4,360	6	6.000	6.000	7.000
Library Specialist II ²	AFSCME	3,048 - 3,890	7	4.000	4.750	4.750
Library Courier ²	AFSCME	2,444 - 3,120	1	0.750	0.000	0.000
Shelver	AFSCME	2,048 - 2,614	10	5.250	5.250	6.000
TOTAL			54	42.125	42.750	45.375

NOTE: Salary ranges reflect FY 12-13 Class and Compensation schedules.

1. Reductions for FY 13-14 to support achieving a sustainable budget for the General Fund.
2. Reclassified .75 FTE Library Specialist II to Library Courier.

PARKS AND RECREATION DEPARTMENT SUMMARY OF SERVICES BY DIVISION

MISSION STATEMENT

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

PARKS	ADMINISTRATION	RECREATION
<ul style="list-style-type: none"> • Manage city-owned parks, facilities, sports fields, trails, natural areas, and the urban forest which provide wildlife habitat, scenic areas, places to play and a host of environmental services. • Enhance community appearance through the maintenance of street islands and beautification areas. • Ensure the health and vitality of the urban forest by managing insects and disease, removal of hazard trees, and organizing neighborhood planting projects. • Support community-wide events, such as DaVinci Days, Fall Festival, Red, White and Blue Festival and Farmers Market. • Provide volunteer opportunities for youth and adults within the parks system including tree planting, trail building, natural area restoration and invasive species removal. • Connect youth to the outdoors through the Youth Park Corps Program. • Encourage environmental stewardship and preservation by coordinating agricultural leases, invasive plant species removal and wetland/habitat restoration and improvement activities. 	<ul style="list-style-type: none"> • Provide centralized information about Parks and Recreation opportunities in the community. • Provide administrative services for recreation programs and facilities including registration, reservations and permits. • Prepare and monitor departmental budget and financial reporting; maintain business plan. • Process and monitor accounts payable/receivables and personnel data to include: payroll entry, casual labor, new hires and terminations, and personnel actions. • Prepare, track and process contracts, agreements, Council documents, Department policies and procedures, and correspondence. • Provide administrative services to special task forces, boards and commissions and Capital Improvement Program (CIP) projects. • Develop & implement system-wide Capital Improvement Projects. • Provide department leadership. 	<ul style="list-style-type: none"> • Provide health, life long learning and socialization programs and services for older adults and rental facilities at Chintimini Senior Center. • Provide a variety of recreational activities including classes, outdoor recreation and sports that encourage healthy lifestyles. • Provide volunteer, community service, and service learning opportunities for youth and adults. • Provide improved fitness, water safety and education programs for all ages at the Osborn Aquatic Center. • Support community art, culture, and garden activities, including Majestic Theatre, Arts Center and Corvallis Environmental Center. • Help build social capital and generate community engagement by coordinating volunteer activities. • Maximize service delivery, reduce duplication, lower costs and meet growing community needs by facilitating a variety of community partnerships. • Publish Parks and Recreation Activity Guides to mark community recreational opportunities.



Lacrosse

Note: Historically, the Parks and Recreation Department has operated in the Parks and Recreation Fund. As of FY 13-14, Parks and Recreation operates in the General Fund.

PARKS AND RECREATION DEPARTMENT PERFORMANCE INDICATORS

COUNCIL VALUES	Management Goals & Objectives	Performance Measure	FY11-12 ACTUAL	FY12-13 TARGET	FY12-13 REVISED	FY13-14 TARGET
Community Involvement	Provide multiple opportunities for public involvement.	Total number of hours of Board, Commissions and Stakeholder, and Public meetings.	127	100 hours	80 hours	80 hours
Diversity	Continue to design recreation programs to be inclusive, creating an opportunity for the diverse community to come together.	Number of programs offered annually and the number of registrations. (A)	2,859/ 96,917	1,820 / 43,000	1,820 / 96,000	1,820 / 100,000
Cost Efficiency	Provide multiple opportunities for community involvement while lowering program costs.	Total number of hours worked by volunteer staff in support of parks and recreation activities. (B)	24,322 (11.7 FTE)	27,500 (13 FTE)	27,500 (13 FTE)	27,500 (13 FTE)
	Provide individual and community 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.	New	90%	90%	90%
	Provide intermediate and advanced level 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.	New	100%	100%	100%
	Provide opportunities and venues that generate revenue and promote economic vitality.	Tier 5 of the Cost Recovery Model will meet or exceed 200% of cost recovery.	New	200%	200%	200%
Sustainability	Increase the utilization percentage of granted scholarships.	Percent of total scholarship value expended. ¹	32%	38%	38%	38%
	Maintain or improve the ratio of acres per population of comparator cities.	Total park acres per 1,000 population. ² (C)	31.9	31.85	31.49	31.49
	Increase environmental awareness of the community with distinctive open space & natural features, protected habitats, parks & outdoor recreation.	Maintain or improve the percentage of households using the city parks, trails and open spaces.	New	New	88%	89%

¹ Scholarships (Family Assistance) are tracked by calendar year and are designed for families at or below federal poverty guidelines; the percentage shown represents the amount of scholarship dollars utilized vs. awarded, while staying within budget authority. Note, the percentage is based on the calendar year of the first of the two years (i.e. FY 11-12 shows the totals for 2011 calendar year).

² FY 12-13 revised is based on acres vs. deeds and thus results in current acres of 1,733.6 compared to a revised population of 55,055, per PSU population report from December 2012.

PARKS AND RECREATION DEPARTMENT PERFORMANCE INDICATORS (Continued)

Select discussion of key measures:

(A) Number of programs offered annually and the number of participants:

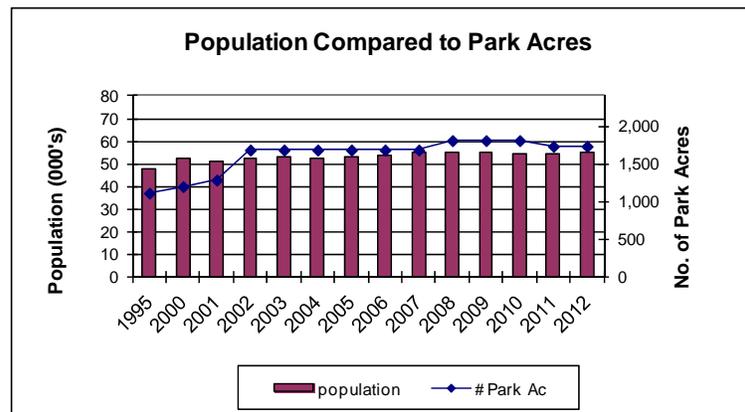
- *Measure definition:* Staff collects registration data on each program. This data is summarized monthly.
- *Evaluation of results:* Recreation staff strives to offer programs that attract the diverse community, considering a variety of geographic locations, accessibility, and affordability that improves resident well-being, community livability and public safety.
- *Current year performance and trends:* Although not clearly visible in higher registration numbers shown, which now include OAC statistics as of FY 12-13 revised, some classes show decreased participant registrations resulting in some classes not reaching required minimums necessary to meet Cost Recovery. As such, the targeted number of programs have been left at a lower number than achieved in FY 11-12 since only programs meeting cost recovery criteria will be offered.
- *Conclusions and challenges:* Staff will continue to strategically implement a wide variety of new and established programs that represent the diverse nature and interests of the Corvallis community, provided they can be accomplished within existing cost recovery guidelines.

(B) Total # of hours worked by volunteer staff in support of parks and recreation activities:

- *Measure definition:* Volunteer hours are tracked at all sites and are reported and compiled monthly. Dividing volunteer hours by 2080 for an equivalent FTE demonstrates the departmental impact.
- *Evaluation of results:* Parks and Recreation volunteer base is an integral component of sustaining the core services of this department. Staff continues to provide new opportunities for volunteers to feel involved and contribute to operations in each division.
- *Current year performance and trends:* While volunteer hours are approximately 35% of the total hours worked, the department must balance the higher percentage being achieved with program needs and resident well-being. As budgets tighten and the ability to maintain service levels is decreased, capacity of regular staff to direct and supervise volunteers is needed.
- *Conclusions and challenges:* Community members have multiple opportunities to volunteer throughout the year, offering citizens of all ages opportunities for community service and personal development. Parks and Recreation provides a diverse selection of volunteer opportunities. The challenge is to balance adequate staffing levels with volunteers at the appropriate service level to maintain infrastructure, programs and public safety.

(C) Total park acres per 1,000 population:

- *Measure definition:* Total acres (1,733.6) divided by population in 1,000's, as reported in the deed records, totaled 31.49 acres for the Department based on the 2012 population figure of 55,055.
- *Evaluation of results:* Corvallis is highly rated by citizens for maintaining a high number of acres per thousand of population. The availability of high quality park acres increases economic vitality through enhancing real estate values, tourism destinations and community event venues.
- *Current year performance and trends:* According to the 2012 Citizens Attitude Survey, 88% of those surveyed had visited a City park at least once in the last year and 98% rated them as good or excellent.
- *Conclusions and challenges:* Parks and Recreation sustains a safe, free network of attractive, well-managed parks, natural areas, and trails that enhance community livability. The challenge will be to sustain growth of park acres given budget constraints, and to have adequate resources and FTE to manage those acres.

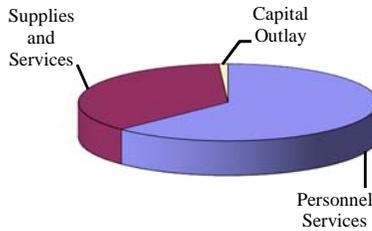


PARKS AND RECREATION DEPARTMENT – BUDGET SUMMARY

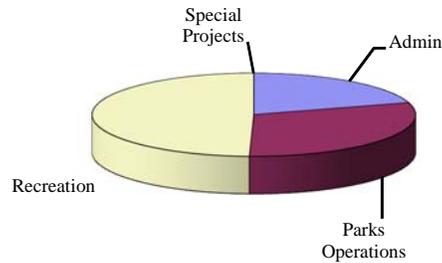
BUDGET BY CATEGORY:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Personnel Services	\$3,466,019	\$3,621,636	\$3,656,870	\$3,639,870	\$3,896,310	6.55%
Supplies and Services	1,954,658	2,050,827	2,247,200	2,210,660	2,267,310	0.89%
Capital Outlay	20,590	11,351	24,060	24,060	61,920	157.36%
TOTAL	\$5,441,267	\$5,683,815	\$5,928,130	\$5,874,590	\$6,225,540	5.02%

FY 13-14 PROPOSED BUDGET

EXPENDITURES BY CATEGORY



EXPENDITURES BY DIVISION



BUDGET BY DIVISION:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Administration	\$1,157,120	\$1,248,010	\$1,245,550	\$1,202,640	\$1,181,750	-5.12%
Parks Operations	1,605,169	1,528,378	1,627,070	1,587,070	1,750,290	7.57%
Recreation	2,567,614	2,742,572	2,749,560	2,725,850	2,880,660	4.77%
Special Projects	111,364	164,855	305,950	359,030	412,840	34.94%
TOTAL	\$5,441,267	\$5,683,815	\$5,928,130	\$5,874,590	\$6,225,540	5.02%

BUDGET BY FUND:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Parks & Recreation Fund	\$4,123,959	\$4,230,612	\$4,444,300	\$4,365,720	\$0	-100.00%
P&R Aquatics Funds	1,317,309	1,453,203	1,483,830	1,508,870	0	-100.00%
General Fund	0	0	0	0	6,225,540	0.00%



Ballroom Dancing



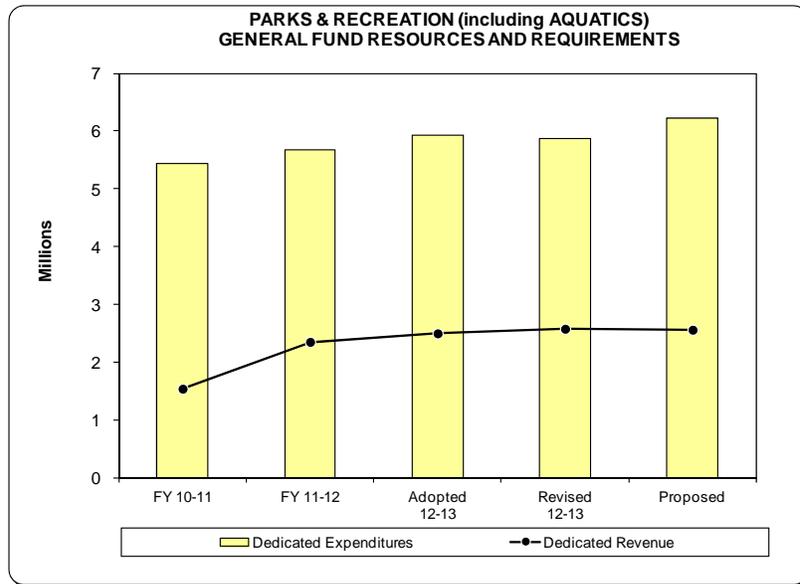
Riverfront Park



Avery Park Train

PARKS AND RECREATION DEPARTMENT – BUDGET SUMMARY (Continued)

GENERAL FUND - PARKS & REC	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
DEDICATED REVENUE	2010-11	2011-12	2012-13	2012-13	2013-14	FROM 12-13 BUDGET
License, Fees & Permits	\$85,200	\$139,679	\$141,300	\$141,300	\$141,300	0.00%
Charges for Services	1,360,074	1,370,920	1,531,140	1,464,000	1,562,810	2.07%
Intergovernmental	7,400	11,800	7,400	5,770	7,400	0.00%
Fines & Forfeitures	89	467	250	250	250	0.00%
Miscellaneous	91,267	111,382	72,810	231,450	99,810	37.08%
2011 Operating Levy	0	720,400	749,150	738,440	753,020	0.52%
Dedicated Revenue	1,544,030	2,354,648	2,502,050	2,581,210	2,564,590	2.50%
EXPENDITURES CLASS:						
Personnel Services	3,466,017	3,621,641	3,656,870	3,639,870	3,896,310	6.55%
Supplies and Services	1,954,656	2,050,825	2,247,200	2,210,660	2,267,310	0.89%
Capital Outlay	20,590	11,351	24,060	24,060	61,920	157.36%
Dedicated Expenditures	5,441,263	5,683,817	5,928,130	5,874,590	6,225,540	5.02%
 Use of (addition to) Non-Dedicated Revenue	 3,897,233	 3,329,169	 3,426,080	 3,293,380	 3,660,950	 6.86%



Herbert Slew

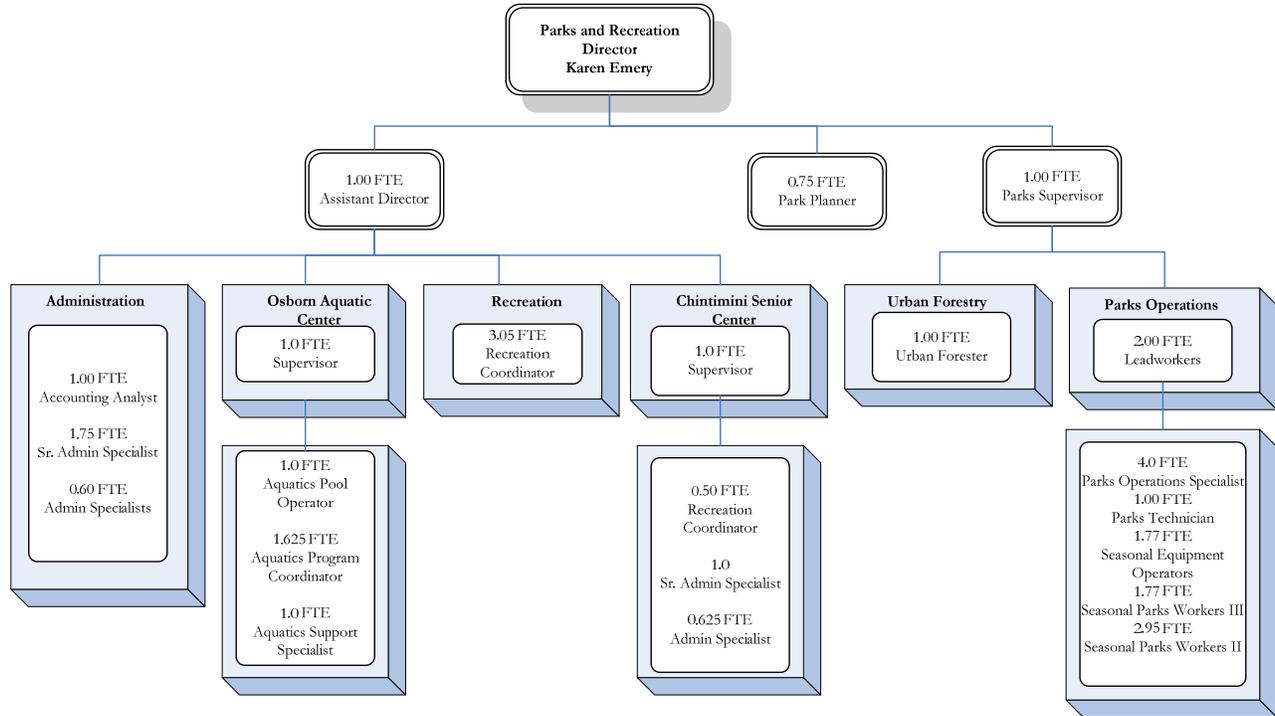


Chalk it Up!



Central Park

PARKS AND RECREATION DEPARTMENT ORGANIZATION CHART



PARKS AND RECREATION DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	FY 13-14 FTE	Historical	
					FY 12-13 FTE	FY 11-12 FTE
Parks and Recreation Director	Exempt	7,554 - 9,641	1	1.000	1.000	1.000
Assistant Park and Recreation Director	Exempt	5,848 - 7,463	1	1.000	1.000	1.000
Parks Operations Supervisor	Exempt	5,198 - 6,634	1	1.000	1.000	1.000
Urban Forester	AFSCME	4,988 - 6,366	1	1.000	1.000	1.000
Aquatic Center Supervisor	Exempt	4,747 - 6,058	1	1.000	1.000	1.000
Park Planner ²	AFSCME	4,620 - 5,897	1	0.750	0.500	0.500
Parks Maintenance Leadworker	AFSCME	4,620 - 5,897	2	2.000	2.000	2.000
Management Assistant ^{1,2}	Exempt	4,335 - 5,533	-	0.000	1.000	1.000
Park Operations Specialist	AFSCME	4,277 - 5,458	4	4.000	4.000	4.500
Recreation Coordinator	AFSCME	4,277 - 5,458	5	3.550	3.550	3.800
Aquatics Program Coordinator ³	AFSCME	4,277 - 5,458	2	1.625	1.625	1.625
Senior Center Supervisor	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Parks Maintenance Technician	AFSCME	3,676 - 4,691	1	1.000	1.000	1.000
Aquatics Pool Operator	AFSCME	3,676 - 4,691	1	1.000	1.000	1.000
Department Accounting Analyst	AFSCME	3,416 - 4,360	1	1.000	1.000	1.000
Aquatics Support Specialist	AFSCME	3,416 - 4,360	1	1.000	1.000	1.000
Senior Administrative Specialist ²	AFSCME	3,416 - 4,360	3	2.750	1.750	1.500
Administrative Specialist ^{1,2}	AFSCME	2,784 - 3,554	2	1.225	2.600	2.850
Seasonal Parks Equipment Operator	AFSCME	2,784 - 3,554	3	1.770	1.770	2.010
Seasonal Parks Worker III	AFSCME	2,444 - 3,120	3	1.770	1.770	2.010
Seasonal Parks Worker II ¹	AFSCME	2,302 - 2,938	5	2.950	3.530	4.020
TOTAL			40	32.390	34.095	35.815

NOTE: Salary ranges reflect FY 12-13 Class and Compensation schedules.

1. Reductions for FY 13-14 to support achieving a sustainable budget for the General Fund.
2. Reorganization in FY 13-14 re-classed 1 FTE from Admin Specialist to Sr. Admin Specialist; and .25 FTE from Management Assistant to Park Planner.
3. This position has been restated as .005 FTE less to correct a rounding error, with no impact on budget \$.

POLICE DEPARTMENT SUMMARY OF SERVICES BY DIVISION

MISSION STATEMENT

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

ADMINISTRATION

- Provide internal leadership, strategic planning, and staff and policy development.
- Liaise with Municipal Court, state and federal law enforcement.
- Maintain public and media relations.
- Facilitate communication between the department and the City Manager's Office, City Council and community to ensure responsiveness to community priorities.
- Provide budget, planning and research services to support the achievement of department and division goals.
- Manage personnel recruitment, administration and labor relations.
- Provide assistance to other divisions through training coordination and documentation, internal affairs investigations, policy and procedure development and review, automation support, and accreditation.

INVESTIGATION AND SUPPORT SERVICES

- Investigate crimes to facilitate case clearance, property recovery and prosecution of offenders.
- Involve the community as a partner in providing public security and reducing the opportunities for criminal activity through the crime prevention activities of the Police Auxiliary Program.
- Provide general information and assistance in non-emergency situations, telephone reception, direct customer service delivery, answer inquiries, and retrieve documents.
- Assist in the delivery of police services to the community by maintaining an effective records management system.
- Enhance community safety by providing a county-wide emergency communications system for police, fire and emergency medical services
- Assist in the delivery of police services to the community by maintaining effective property/evidence control system.

COMMUNITY SERVICES

- Provide citizens with a sense of security and responsibility through a problem-solving partnership with the community.
- Minimize the loss of life and property by immediate response to emergency calls for services, and respond to non-emergency calls as soon as practical.
- Enhance traffic safety through innovative enforcement and safety education procedures.
- Provide convenient access to public parking through enforcement of parking regulations.
- Provide service and assistance in handling animal-related incidents through enforcement of city ordinances.



Emergency Dispatch Center



Patrol Staff

Note: The Police Department operates in the General, 9-1-1 Emergency, and Parking Funds.

POLICE DEPARTMENT PERFORMANCE INDICATORS

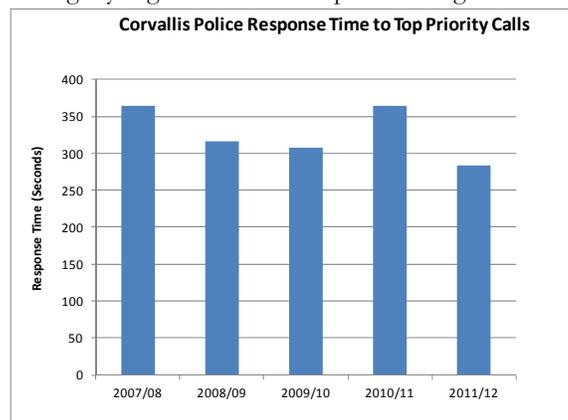
COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY 11-12 ACTUAL	FY 12-13 TARGET	FY 12-13 REVISED	FY 13-14 TARGET
Community Involvement	Achieve at least an 85% rating of excellent or good in citizen attitude surveys	Citizen satisfaction ratings of overall police services	81%	85%	81%	85%
Cost Efficiency	Increase community safety by reducing response time to top priority calls.	Response time in seconds to top priority calls (A)	283	<300	<300	<300
	Increase community safety by clearing part 1 criminal investigations.	Percentage of Part 1 Crimes Cleared (B)	Violent: 59% Property: 20%	70%	60%	70%
	Efficiently move candidates through the complex recruitment process to reach and maintain fully authorized staffing levels.	Number of days to complete recruitment of police officers from testing to conditional job offer.	159 ¹	<90	<90	<90
	Increase community safety by maintaining overall number of traffic accidents resulting in injuries/fatalities at less than the State average of 5.1/per thousand population.	Fatal and injury traffic accidents per 1,000 population (C)	2.04	<2.50	<2.50	<2.50
Diversity	Increase diversity of applicant pool through targeted outreach efforts.	Number of new, targeted efforts.	0 ¹	6	6	6

1. Recruitment, and therefore outreach, was on hold for part of FY 11-12 due to budget reductions.

Select discussion of key measures above:

(A) Response time in seconds to top priority calls:

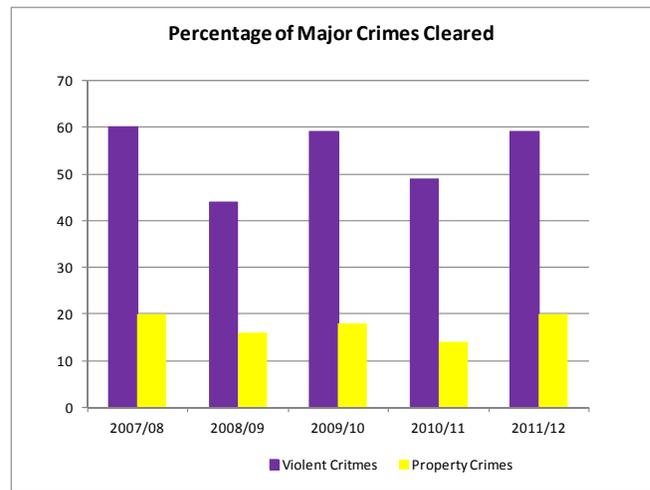
- *Measure definition:* Time in seconds from receipt of top priority calls in Dispatch Center to arrival of officers on scene. Top priority calls are defined as: Immediate threat to life; Violent criminal act in progress; Suspect pursuing citizen; Imminent critical danger; or Possibility of major property loss.
- *Evaluation of results:* Corvallis response time has traditionally been slightly above the median for national comparators of like sized cities reporting in the ICMA data survey, however the City no longer participates in ICMA so survey data is not available. Over the past five years, response times have been slightly higher than the Department's goal of 300 seconds (5 minutes) average.
- *Current year performance and trends:* Response times for FY 11/12 dropped to 283 - within the target of 300 seconds (5 minutes). In FY 12/13 this trend is continuing with average response times through the third quarter at 293 seconds. The move to a 12-hour shift from the previous 10-hour model appears to have a positive impact on response times.
- *Conclusions and challenges:* The Department's ability to respond to high priority service demands and to provide proactive versus reactive police services is negatively affected by the sworn staffing level. Reductions in sworn staffing levels into the future would negatively affect the Department's ability to maintain this level of response and the response time to top priority calls is likely to trend higher than the target once again.



POLICE DEPARTMENT PERFORMANCE INDICATORS (Continued)

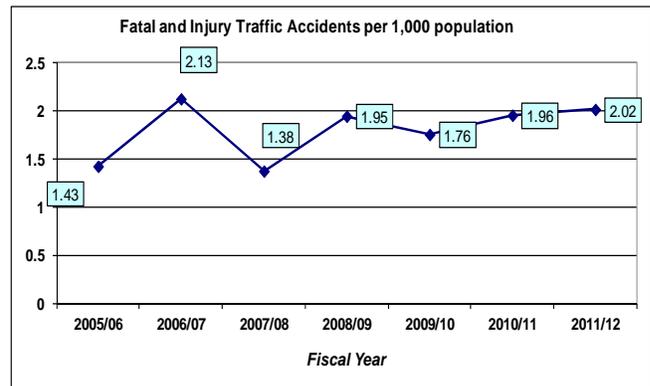
(B) Percent of Part 1 Crimes Cleared:

- *Measure definition:* Percentage of Part 1 violent (murder, rape, robbery and aggravated assault) and property crimes (burglary, larceny/theft, motor vehicle theft and arson) cleared.
- *Evaluation of results:* When compared to like-sized cities reporting data in the 2010 ICMA survey, Corvallis clearance rates were above average for violent crime, and below average for property crimes, however the City no longer participates in ICMA so survey data is not available for 2011. When compared over the past five years, clearance rates have been below Department targets, primarily driven by unfunded vacancies during recent years resulting in lower staffing in the Investigations Unit.
- *Current year performance and trends:* Corvallis clearance rates continue to be below Department targets (70% clearance for violent crime and 20% clearance for property crimes). This trend has continued into FY 12-13.
- *Conclusions and challenges:* The Department continues to focus efforts on investigating and clearing violent crime against persons, however Part 1 crime clearance continues to be low. Part 1 crime in Corvallis is at the national average, however, the Corvallis Police Department has the lowest sworn officer per thousand population ratio of all comparator agencies. Increased clearance rates are unlikely at current staffing levels.

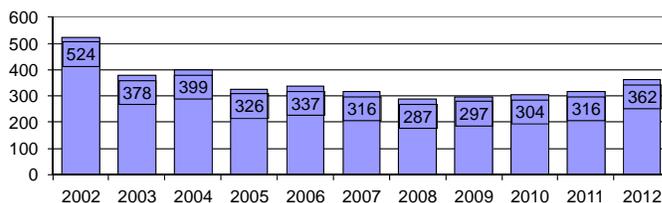


(C) Fatal and Injury Traffic Accidents per 1,000 population:

- *Measure definition:* Number of traffic accidents with fatalities or injuries per 1,000 population. Target is established based on prior five year's data and compared to State average from Oregon Department of Transportation 2010 Traffic Crash Summary.
- *Evaluation of results:* Over the past seven fiscal years, the number of fatal and injury traffic accidents per 1,000 population has varied between 2.13 and 1.38 per 1,000 population.
- *Current year performance and trends:* The FY 2011-12 data shows a rate of 2.02 per 1,000 which is a slight increase over the previous year, however, Corvallis' rate of fatal and injury accidents continues to be well below the 2011 Oregon State average of 6.3 per 1,000.
- *Conclusions and challenges:* The primary focus of the Police Department's traffic safety efforts has long been neighborhood safety; speed reduction and education in school zones; and reduction of traffic accidents, particularly at the top ten most dangerous intersections within the City. The low accident rates are a direct result of the emphasis placed on traffic safety by the motorcycle traffic unit.



Traffic Accidents



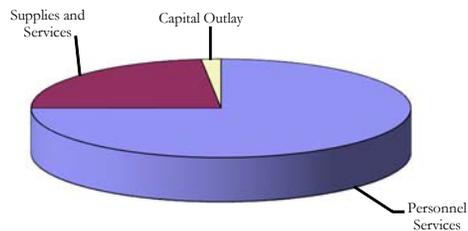
Motorcycle Traffic Officers

POLICE DEPARTMENT – BUDGET SUMMARY

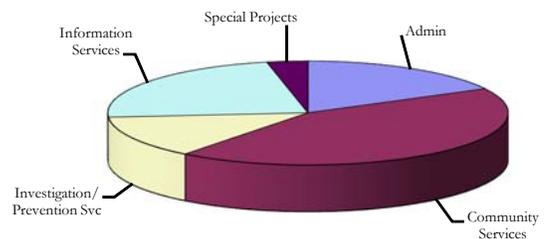
BUDGET BY CATEGORY:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2010-11	2011-12	2012-13	2012-13	2013-14	FROM 12-13
						BUDGET
Personnel Services	\$9,369,863	\$9,637,799	\$9,803,850	\$9,803,850	\$10,168,950	3.72%
Supplies and Services	2,819,838	2,876,231	2,835,580	2,803,820	3,154,690	11.25%
Capital Outlay	20,775	60,901	245,570	191,020	227,830	-7.22%
TOTAL	\$12,210,477	\$12,574,930	\$12,885,000	\$12,798,690	\$13,551,470	5.17%

FY 13-14 PROPOSED BUDGET

EXPENDITURES BY CATEGORY



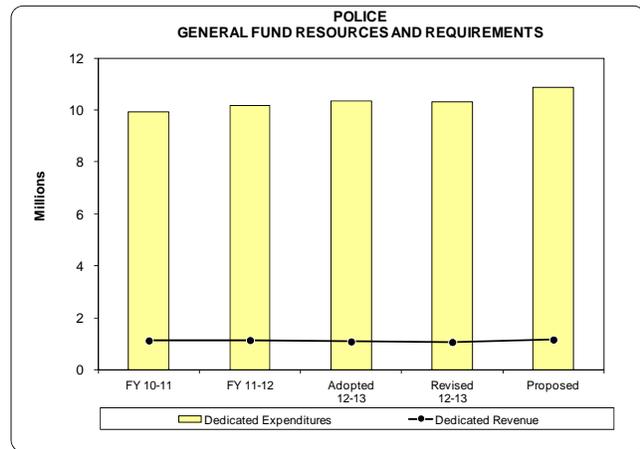
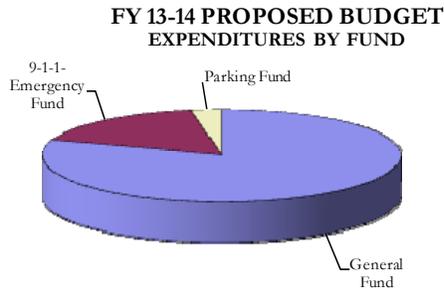
EXPENDITURES BY DIVISION



BUDGET BY DIVISION:	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
	2010-11	2011-12	2012-13	2012-13	2013-14	FROM 12-13
						BUDGET
Administration	\$2,286,498	\$2,160,037	\$2,189,540	\$2,205,380	\$2,344,060	7.06%
Community Services	5,269,835	5,539,520	5,587,840	5,542,400	5,851,950	4.73%
Investigation/ Prevention Svc	1,733,225	1,760,131	1,778,920	1,788,560	1,783,040	0.23%
Information Services	2,846,922	2,924,457	3,029,820	3,024,010	3,124,590	3.13%
Special Projects	73,997	190,786	298,880	238,340	447,830	49.84%
TOTAL	\$12,210,477	\$12,574,930	\$12,885,000	\$12,798,690	\$13,551,470	5.17%

POLICE DEPARTMENT – BUDGET SUMMARY (Continued)

BUDGET BY FUND:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
General Fund	\$9,914,795	\$10,188,973	\$10,352,220	\$10,322,960	\$10,857,580	4.88%
9-1-1- Emergency Fund	2,026,176	2,123,624	2,177,200	2,171,430	2,320,330	6.57%
Parking Fund	269,505	262,333	355,580	304,300	373,560	5.06%
TOTAL	\$12,210,477	\$12,574,930	\$12,885,000	\$12,798,690	\$13,551,470	5.17%

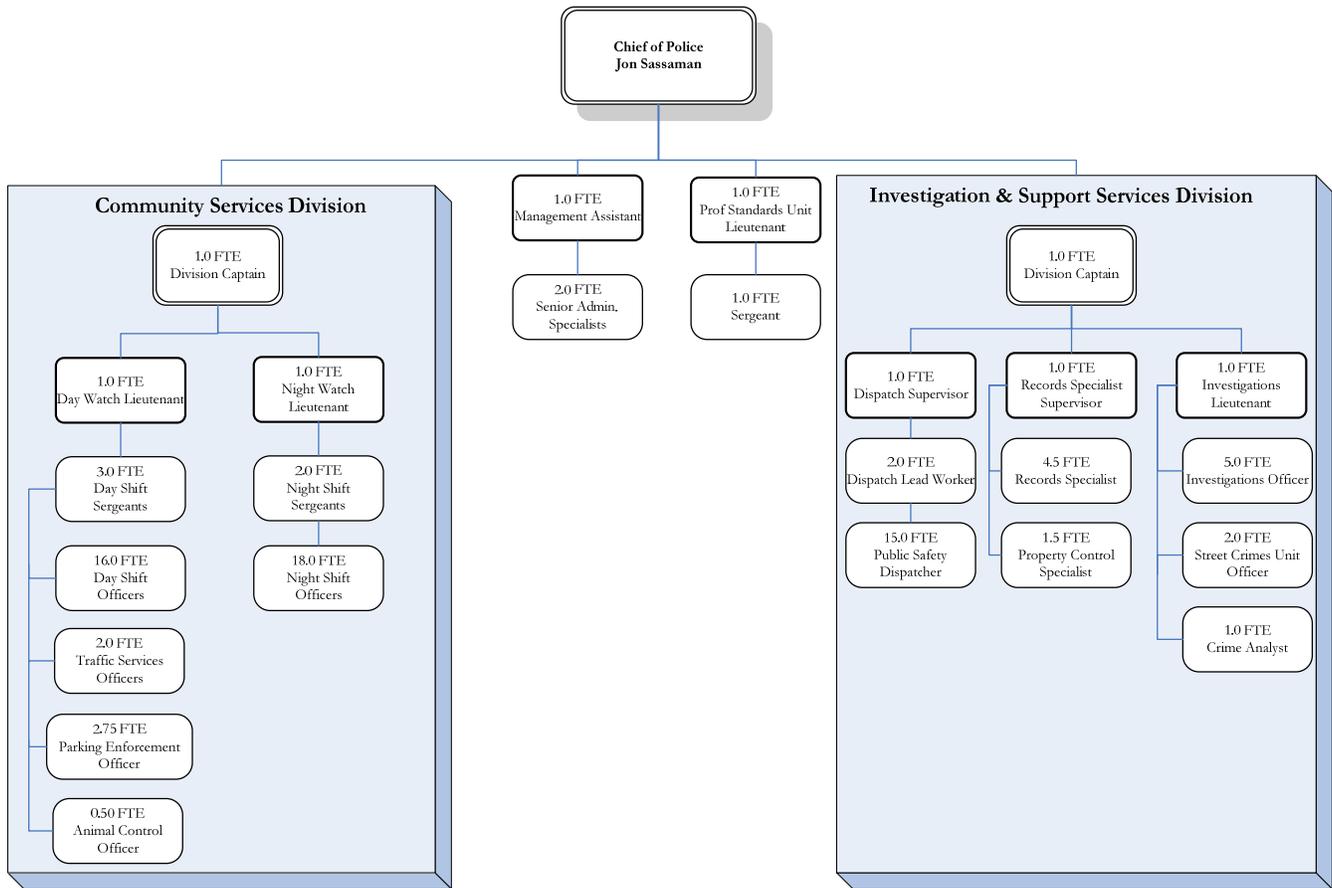


GENERAL FUND - POLICE*	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
DEDICATED REVENUE						
License, Fees & Permits	\$58,893	\$58,029	\$55,000	\$55,000	\$56,000	1.82%
Charges for Services	261,616	270,715	275,350	290,420	299,000	8.59%
Intergovernmental	93,554	116,417	33,180	27,710	165,750	399.55%
Fines & Forfeitures**	695,428	692,712	715,610	685,630	635,400	-11.21%
Miscellaneous	16,309	2,321	8,000	7,430	3,980	-50.25%
Dedicated Revenue	1,125,800	1,140,194	1,087,140	1,066,190	1,160,130	6.71%
EXPENDITURES CLASS:						
Personnel Services	7,510,037	7,686,415	7,723,930	7,723,930	8,010,580	3.71%
Supplies and Services	2,383,979	2,441,662	2,433,850	2,408,010	2,730,300	12.18%
Capital Outlay	20,775	60,901	194,440	191,020	116,700	-39.98%
Dedicated Expenditures	9,914,791	10,188,978	10,352,220	10,322,960	10,857,580	4.88%
Use of (addition to) Non-Dedicated Revenue	8,788,991	9,048,784	9,265,080	9,256,770	9,697,450	4.67%

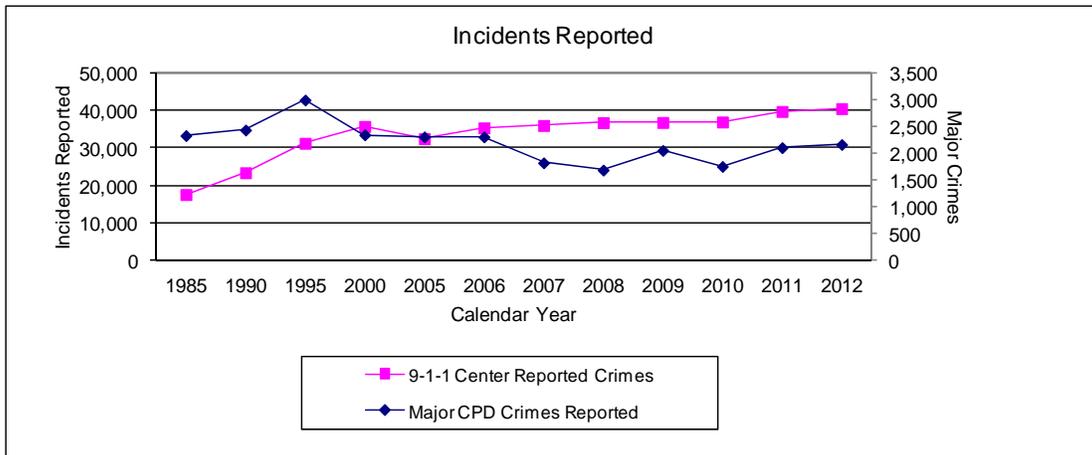
* For all other funds the revenues are dedicated for the services provided so they are not presented in the table above.

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

POLICE DEPARTMENT ORGANIZATION CHART



NOTE: The organizational chart above includes 3.00 FTE Police Officers that are authorized but unfunded for FY 13-14.



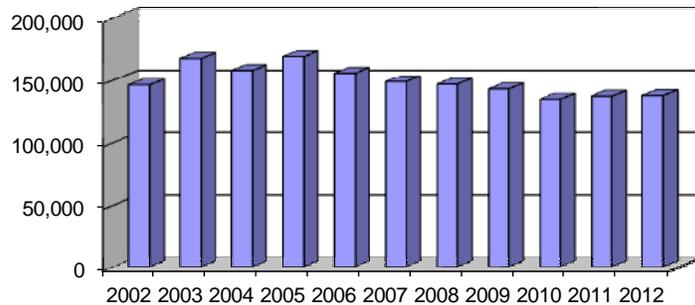
POLICE DEPARTMENT STAFF

Positions	Group	Monthly Salary Range (1.0 FTE)	Head Count	FY 13-14 FTE	Historical	
					FY 12-13 FTE	FY 11-12 FTE
Police Chief	Exempt	\$7,938 - \$10,131	1	1.000	1.000	1.000
Police Captain	Exempt	7,401 - 9,446	2	2.000	2.000	2.000
Police Lieutenant	Exempt	6,579 - 8,396	4	4.000	4.000	5.000
Police Sergeant	CPOA	5,460 - 7,605	6	6.000	6.000	6.000
Supervisor, Dispatch	Exempt	5,198 - 6,634	1	1.000	1.000	1.000
Animal Control Officer	AFSCME	4,620 - 5,897	1	0.500	0.500	0.500
Police Officer ¹	CPOA	4,408 - 6,449	40	43.000	43.000	43.000
Crime Analyst	AFSCME	4,277 - 5,458	1	1.000	1.000	1.000
Management Assistant	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Records Specialist Supervisor	Exempt	4,335 - 5,533	1	1.000	1.000	1.000
Public Safety Dispatch Leadworker	CRCCA	3,959 - 5,052	2	2.000	2.000	2.000
Public Safety Dispatcher	CRCCA	3,600 - 4,595	15	15.000	15.000	15.000
Senior Administrative Specialist (AFSCME)	AFSCME	3,416 - 4,360	1	1.000	1.000	2.000
Senior Administrative Specialist (Exempt)	Exempt	3,319 - 4,237	1	1.000	1.000	1.000
Property Control Specialist	AFSCME	3,187 - 4,068	2	1.500	1.500	1.500
Parking Enforcement Officer	AFSCME	3,187 - 4,068	3	2.750	2.750	2.750
Records Specialist	AFSCME	3,048 - 3,890	5	4.500	4.500	4.500
TOTAL			87	88.250	88.250	90.250

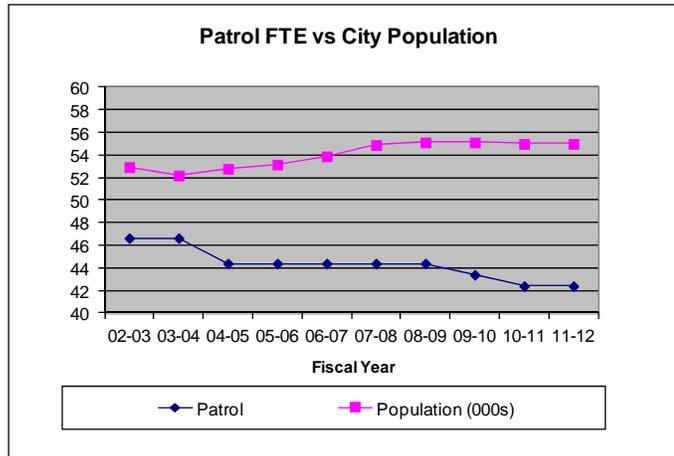
NOTE: Salary ranges reflect FY 12-13 Class and Compensation schedules.

1. 3.00 FTE Police Offers that are currently vacant will remain authorized but unfunded through the fiscal year.

Total 9-1-1 Center Calls Received



Patrol FTE vs City Population



**PUBLIC WORKS DEPARTMENT SUMMARY OF SERVICES
BY DIVISION**

MISSION STATEMENT

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

**TRANSPORTATION &
BUILDINGS**

- Airport and Industrial Park Management
- Bike Path/Lane Cleaning/Repair
- Bicycle and Pedestrian Programs
- Building Modifications/Renovations
- Building Service Contract Management
- Downtown Parking Program Management
- Fuel Storage and Dispensing
- Geospatial Information System and Mapping Services
- Parking Meter Collection and Maintenance
- Pavement Striping and Marking
- Public Parking Lot Maintenance
- Street Maintenance and Repair
- Street Sign Installation/Repair
- Street Sweeping
- Telephone System Maintenance
- Traffic Signal Maintenance
- Transit and Paratransit Operations
- Vehicle Maintenance and Repair
- Vehicle Specification and Purchasing
- 24-Hour Emergency Response

UTILITIES

- Water Utility Services:
 - Treatment and Storage
 - Quality Assurance
 - Distribution
 - Pipe Line Maintenance
 - Reservoir Maintenance
 - Meter Installation and Repair
 - Conservation
 - Watershed Management
 - Facilities Master Planning
- Wastewater Utility Services:
 - Treatment
 - Quality Assurance
 - Collection
 - Pipe Line Maintenance
 - Manhole Maintenance
 - Pollution Prevention
 - Facilities Master Planning
- Storm Water Utility Services:
 - Urban Stream Maintenance
 - Pipe Line Maintenance
 - Catch Basing Cleaning
 - Pollution Prevention
 - Quality Testing and Analysis
 - Storm Response
 - Flood Control
 - Facilities Master Planning
- Laboratory Testing and Analysis
- Plant Automated Process Control
- Plant Facilities Maintenance
- Pump Station Maintenance
- 24-Hour Emergency Response

ENGINEERING

- Right of Way Construction Inspection
- Capital Program Development
- Development Design Review
- Infrastructure Planning
- Project Design and Construction Management
- Transportation Engineering
- Utility Engineering
- Utility Inspections

ADMINISTRATION

- Departmental Budget Preparation & Management
- Complaint Investigation/Resolution
- Contract and Grant Administration
- Franchise Utility Coordination
- Mary's Peak Property Management
- Public Access Channel Management
- Public Education/Information
- Strategic Planning and Monitoring
- Sustainability Coordination and Promotion Organization-wide

Note: PW operates in the General, Street, Parking, Transit, Water, Wastewater, Storm Water, Airport, Fleet Maintenance, Facility Maintenance and Technology & Communications Funds.

PUBLIC WORKS DEPARTMENT PERFORMANCE INDICATORS

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY 11-12 ACTUAL	FY 12-13 TARGET	FY 12-13 REVISED	FY 13-14 TARGET
Cost Efficiency	Have utility rates that contribute to Corvallis being an attractive place to live.	Control operation and maintenance costs to minimize annual utility rate increases. (A)	3.3%	≤3.0%	3.0%	≤3.0%
		Percent of average annual water bill to median household income (\$80,800). ¹	0.35%	<0.45%	<0.45%	<0.45%
		Percent of average annual wastewater bill to median household income (\$80,800). ¹	0.56%	<0.65%	<0.65%	<0.65%
	Maintain transit costs below national average of \$2.70.	Costs per transit ride. (B)	\$1.56	<\$2.70	<\$2.70	<\$2.70
Comm. Involvement	Encourage citizen input on Public Works projects and activities.	Number of public meetings held on department projects.	12	≥20	≥20	≥20
Sustainability	Maintain energy costs for wastewater treatment below the national average as determined by NACWA ² (\$166 per million gallons treated).	Energy cost per million gallons treated. (C)	\$85.46	< \$80.00	< \$80.00	< \$80.00
	Remain below national average of 10% annual water loss in the distribution system.	Percent of water loss in the distribution system. (D)	4.55%	< 10.00%	<10.00%	<10.00%

¹ Income figures are determined and published by the U.S. Department of Housing and Urban Development (HUD).

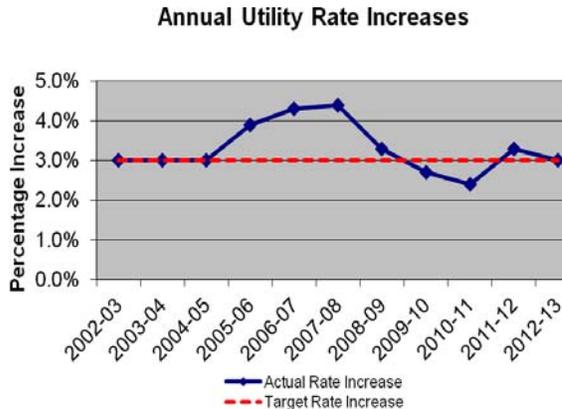
² National Association of Clean Water Agencies (NACWA)

PUBLIC WORKS DEPARTMENT PERFORMANCE INDICATORS (Continued)

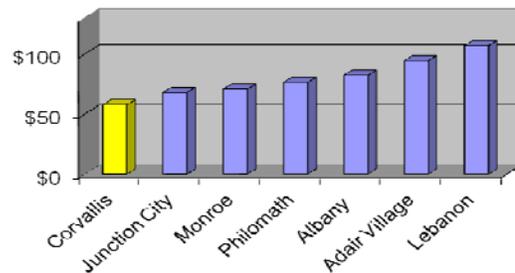
Select discussion of key measures above:

(A) Control operation and maintenance costs to minimize annual utility rate increases:

- *Measure definition:* Have utility rates that contribute to Corvallis being an attractive place to live.
- *Evaluation of results:* Corvallis has the lowest combined utility bill of comparator mid-Willamette Valley providers for the average single-family residential user. Staff is working diligently to maintain low utility rates by controlling operation and maintenance costs that contribute to the need to increase rates.



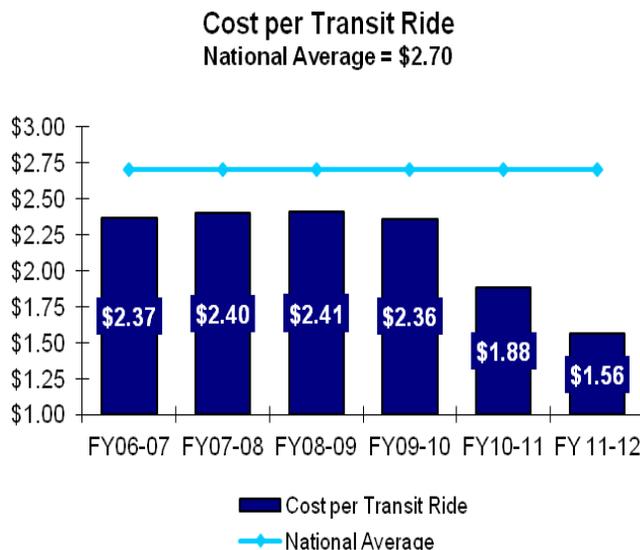
Comparison of Monthly Utility Bills Among Surrounding Communities (Based on 6 units of water consumption)



- *Current year performance and trends:* City residents have an average bill of approximately \$58 per month, versus other local communities where average costs for utility services exceed \$83 per month. While staff worked diligently to mitigate increases in operation and maintenance costs, a variety of factors including an unseasonably wet year and cool summer, and increased water conservation efforts contributed to a significant decrease in revenue. The resulting combined utility rate increase in February 2013, implemented to maintain the utilities' viability, was 3%.
- *Conclusions and challenges:* The ability to maintain a minimal rate increase model must be balanced with changing weather patterns, increased water conservation efforts, an aging and expanding infrastructure system, federal and State regulations, operating and maintenance costs, and capital improvement projects.

(B) Cost per transit ride:

- *Measure definition:* Maintain the cost of transit operations below the national average of \$2.70 per ride.
- *Evaluation of results:* Corvallis continues to maintain operating costs below the average. Implementation of fareless transit service in February 2011 resulted in a 38% increase in ridership in FY 10-11 and an additional 27.2% increase in FY 11-12 which has further decreased the cost per transit ride.

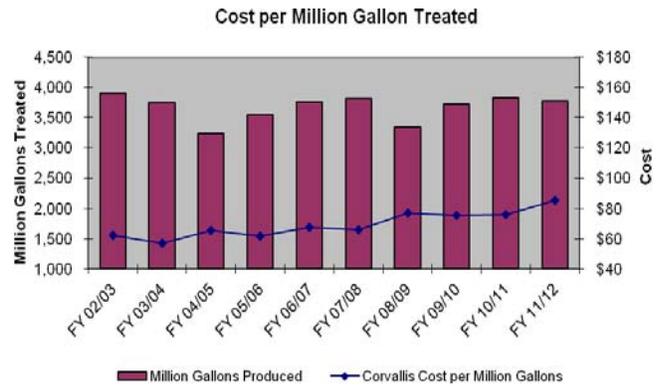


- *Current year performance and trends:* Rising fuel prices offset the majority of maintenance cost reductions attributable to the relatively new bus fleet. It is important to note that while cost per ride continues to trend lower, the total expenditures for the system are not. The chart is skewed by the dramatic increase in ridership.
- *Conclusions and challenges:* The ability to maintain this low average will be challenged by increasing fuel expenditures, expected increases in salaries and benefits to contracted drivers, and the community's demand for expanded transit service.

PUBLIC WORKS DEPARTMENT PERFORMANCE INDICATORS (Continued)

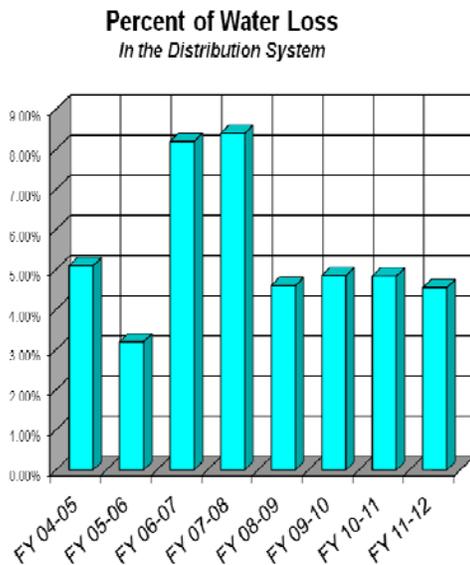
(C) **Energy cost per million gallons of wastewater treated:**

- *Measure definition:* Maintain energy costs for wastewater treatment below the national average, currently \$166 per million gallons treated, as determined by the National Association of Clean Water Agencies (NACWA).
- *Evaluation of results:* Corvallis continues to maintain energy costs at less than half of the national average. A portion of this success is due to the use of methane, a byproduct of the treatment process, as an energy source for selected plant processes.
- *Current year performance and trends:* Costs per gallon treated increased in FY 11-12, due to the continued rate increases by electrical utilities and a significant increase in volume of combined sewer overflow from a historic rainfall event. Corvallis continues to pursue opportunities to reduce reliance on natural gas and coal-based electricity by investigating renewable energy options for powering wastewater treatment processes.
- *Conclusions and challenges:* The ability to maintain this low energy cost structure is dependent on stable energy rates, funding for capital investments in sustainable energy options, and emerging wastewater treatment regulations that may drive significant capital improvements or dramatic changes to the treatment process.



(D) **Percent of water loss in the distribution system:**

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



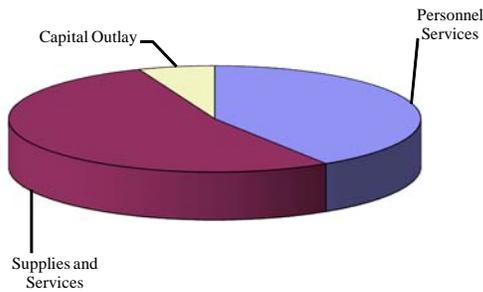
- *Evaluation of results:* In FY 11-12, Corvallis continued to monitor the distribution system for leaks using City crews and equipment. The equipment purchased for this program allows employees to survey the entire water distribution system annually. More frequent monitoring identifies leaks more quickly, resulting in immediate repairs that minimize the amount of water loss. The increases in FY 06-07 and FY 07-08 were due to draining of two reservoirs for maintenance work. The American Water Works Association has identified a 10% loss in water as the threshold for a good piping system.
- *Current year performance and trends:* With only 4.18% water loss in the distribution system, Corvallis is making progress on this sustainability goal and is keeping the targets below the <10.00% national average.
- *Conclusions and challenges:* The City of Corvallis will continue to pro-actively work on identifying water distribution pipeline failures that can be a source of water loss from the system.

PUBLIC WORKS DEPARTMENT – BUDGET SUMMARY

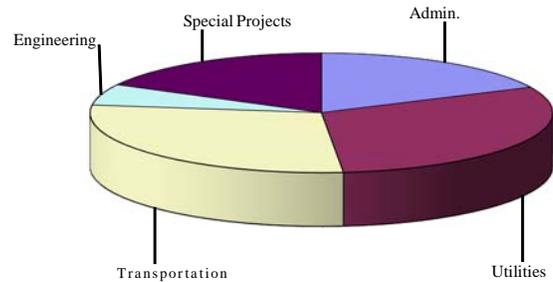
BUDGET BY CATEGORY:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Personnel Services	\$10,862,913	\$11,232,288	\$11,717,570	\$11,173,340	\$12,190,710	4.04%
Supplies and Services	12,903,129	13,630,971	15,774,680	14,782,560	15,793,280	0.12%
Capital Outlay	404,697	1,184,833	2,159,450	1,313,290	1,781,610	-17.50%
TOTAL	\$24,170,739	\$26,048,091	\$29,651,700	\$27,269,190	\$29,765,600	0.38%

FY 13-14 PROPOSED BUDGET

EXPENDITURES BY CATEGORY



EXPENDITURES BY DIVISION



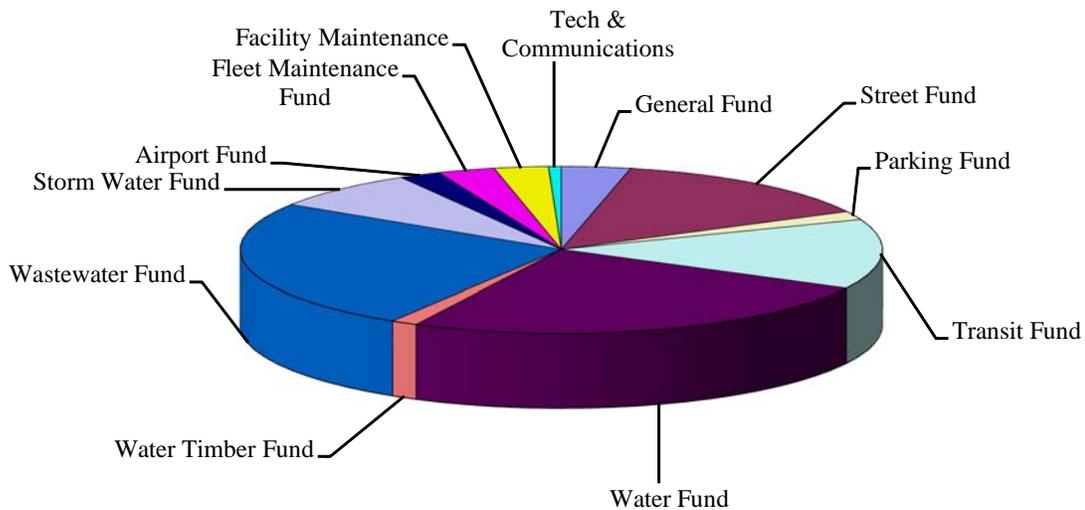
BUDGET BY DIVISION:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Administration	\$4,975,839	\$4,788,761	\$5,086,300	\$4,464,420	\$5,353,980	5.26%
Utilities	8,027,995	8,304,209	8,707,910	8,705,270	9,079,230	4.26%
Transportation	7,442,990	7,944,308	8,204,180	8,161,790	8,499,180	3.60%
Engineering	1,607,065	1,509,372	1,738,030	1,738,030	1,701,860	-2.08%
Special Projects	2,116,849	3,501,441	5,915,280	4,199,680	5,131,350	-13.25%
TOTAL	\$24,170,739	\$26,048,091	\$29,651,700	\$27,269,190	\$29,765,600	0.38%

PUBLIC WORKS DEPARTMENT – BUDGET SUMMARY (Continued)

BUDGET BY FUND:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
General Fund	\$945,067	\$1,172,385	\$1,218,900	\$961,090	\$1,034,170	-15.16%
Street Fund	3,733,169	3,767,525	4,003,730	3,711,470	4,170,440	4.16%
Parking Fund¹	134,100	121,579	184,280	144,210	495,330	168.79%
Transit Fund	2,449,074	2,607,741	4,080,490	3,463,980	4,021,090	-1.46%
Water Fund	6,584,719	7,475,485	7,488,160	7,070,370	7,378,430	-1.47%
Water Timber Fund	221,917	283,215	352,330	352,330	396,970	12.67%
Wastewater Fund	6,467,622	6,531,621	7,608,910	7,382,940	7,528,540	-1.06%
Storm Water Fund	1,706,316	1,785,906	2,216,440	1,912,510	2,263,460	2.12%
Airport Fund	332,065	616,238	664,940	458,630	621,050	-6.60%
Fleet Maintenance Fund	731,800	806,879	823,610	823,610	855,450	3.87%
Facility Maintenance	687,262	719,388	799,160	799,160	809,840	1.34%
Tech & Communications	177,629	160,128	210,750	188,890	190,830	-9.45%
TOTAL	\$24,170,739	\$26,048,091	\$29,651,700	\$27,269,190	\$29,765,600	0.38%

(1) FY 13-14 includes a one-time special project amount of \$300k for OSU Collaboration parking district work per City Council direction.

**FY 13-14 PROPOSED BUDGET
EXPENDITURES BY FUND**

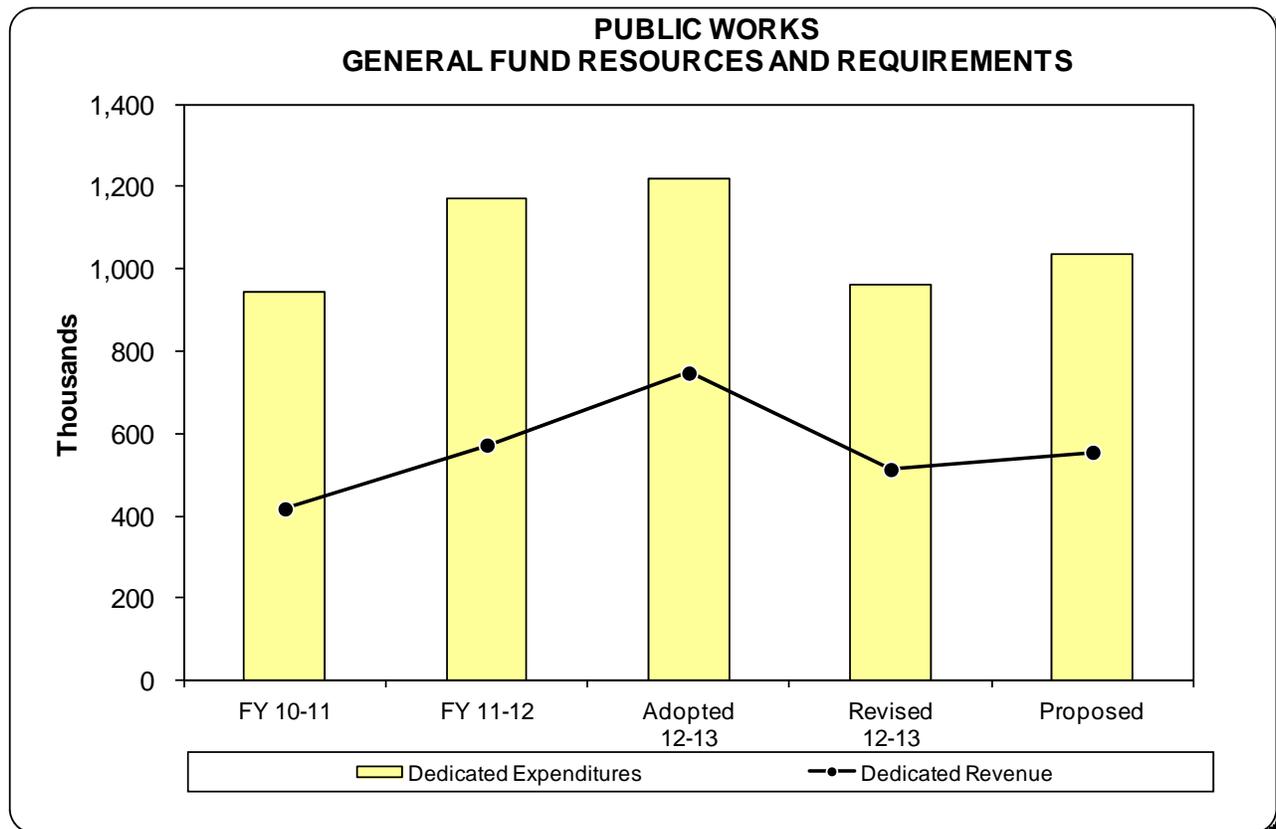


PUBLIC WORKS DEPARTMENT – BUDGET SUMMARY (Continued)

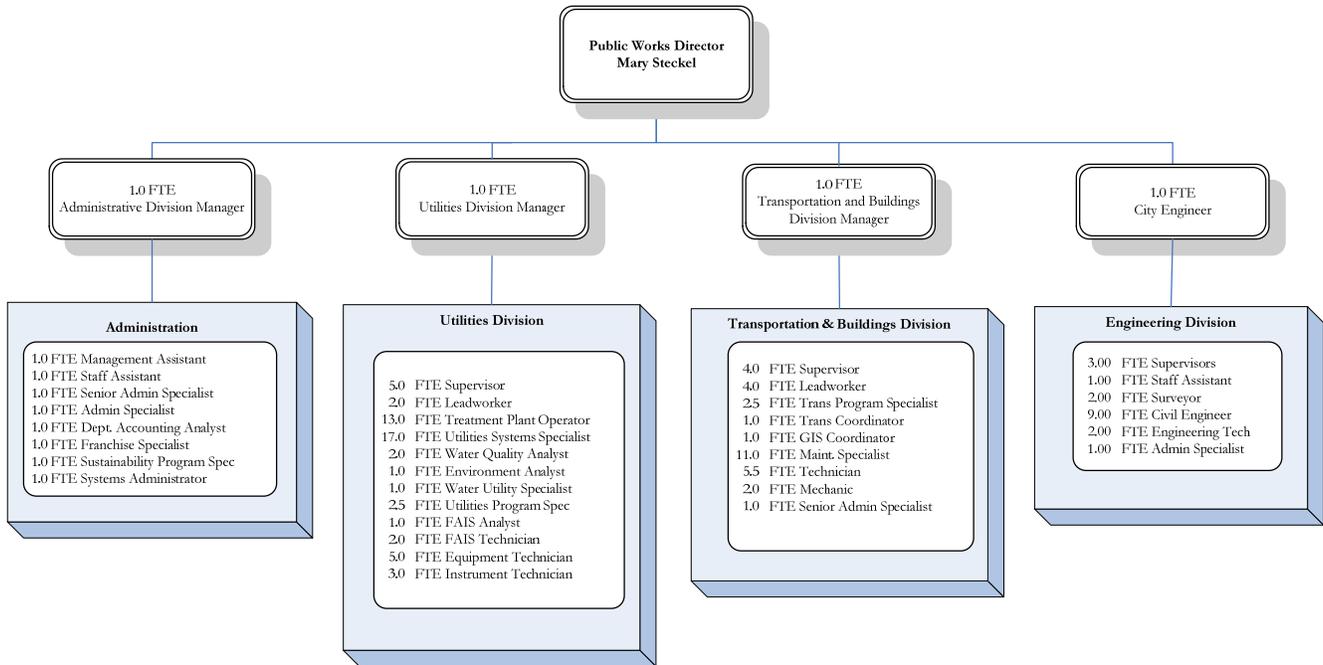
GENERAL FUND - PUBLIC WORKS*	ACTUAL	ACTUAL	BUDGET	REVISED	PROPOSED	%CHANGE
DEDICATED REVENUE	2010-11	2011-12	2012-13	2012-13	2013-14	FROM 12-13
			BUDGET			BUDGET
Use of PEG-INET Reserve ¹	\$163,947	\$163,307	\$230,390	\$230,390	\$230,390	0.00%
License, Fees & Permits	140,544	145,590	142,000	147,000	147,000	3.52%
Intergovernmental	109,672	263,903	375,450	136,100	178,000	-52.59%
Miscellaneous	3,820	72	0	0	0	0.00%
Dedicated Revenue	417,983	572,872	747,840	513,490	555,390	-25.73%
EXPENDITURES CLASS:						
Personnel Services	351,306	398,234	263,750	251,460	277,890	5.36%
Supplies and Services	536,011	731,802	955,150	696,530	756,280	-20.82%
Capital Outlay	57,755	42,352	0	13,100	0	0.00%
Dedicated Expenditures	945,072	1,172,388	1,218,900	961,090	1,034,170	-15.16%
Use of (addition to) Non-Dedicated Revenue	527,089	599,516	471,060	447,600	478,780	1.64%

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

1) Since PEG-INET reserve spending is reflected in operating expenditures, the restricted and committed reserve balances need to be shown as dedicated revenue to illustrate true draw on non-dedicated funding.



PUBLIC WORKS DEPARTMENT ORGANIZATION CHART



Taylor Water Treatment Plant water intake structure dredging project on the Willamette River.

PUBLIC WORKS DEPARTMENT STAFF

Positions	Group	Monthly Salary		Head Count	FY 13-14 FTE	Historical	
		Range (1.0 FTE)				FY 12-13 FTE	FY 11-12 FTE
Public Works Director	Exempt	8,325 - 10,625		1	1.000	1.000	1.000
City Engineer	Exempt	6,579 - 8,396		1	1.000	1.000	1.000
Division Managers - Transportation & Bldgs/Utilities	Exempt	6,579 - 8,396		2	2.000	2.000	2.000
Supervisors - Engineering/Water-Wastewater Ops ¹	Exempt	5,848 - 7,463		4	5.000	5.000	5.000
Administrative Division Manager	Exempt	5,848 - 7,463		1	1.000	1.000	1.000
Civil Engineer II	AFSCME	5,818 - 7,425		6	6.000	6.000	6.000
Supervisors	Exempt	5,198 - 6,634		7	7.000	7.000	7.000
Sustainability Supervisor	Exempt	5,198 - 6,634		-	0.000	0.000	1.000
GIS Coordinator	AFSCME	5,082 - 6,487		1	1.000	1.000	1.000
Civil Engineer I	AFSCME	4,988 - 6,366		3	3.000	3.000	3.000
Facility Automation Information Systems Analyst	AFSCME	4,988 - 6,366		1	1.000	1.000	1.000
Surveyor	AFSCME	4,988 - 6,366		2	2.000	2.000	2.000
Environmental Analyst	AFSCME	4,620 - 5,897		1	1.000	1.000	1.000
Franchise Utility Specialist	AFSCME	4,620 - 5,897		1	1.000	1.000	1.000
Instrument Technician II	AFSCME	4,620 - 5,897		1	1.000	1.000	1.000
Leadworkers	AFSCME	4,620 - 5,897		6	6.000	6.000	6.000
Facility Automation Information Systems Technician	AFSCME	4,620 - 5,897		2	2.000	2.000	2.000
System Administrator I ²	AFSCME	4,620 - 5,897		1	1.000	0.000	0.000
GIS Analyst	AFSCME	4,359 - 5,563		2	2.000	2.000	2.000
Management Assistant	Exempt	4,335 - 5,533		1	1.000	1.000	1.000
Airport Program Specialist/Traffic Technician	AFSCME	4,277 - 5,458		1	1.000	1.000	1.000
Electronic Technician II	AFSCME	4,277 - 5,458		3	3.000	3.000	3.000
Utilities Treatment Plant Operator	AFSCME	4,277 - 5,458		13	13.000	13.000	13.000
Equipment Maintenance Technician	AFSCME	4,277 - 5,458		5	5.000	5.000	5.000
Program Specialist	AFSCME	4,277 - 5,458		6	5.000	5.000	4.625
Special Transportation Coordinator	AFSCME	4,277 - 5,458		1	1.000	1.000	1.000
Water Quality Analyst	AFSCME	4,277 - 5,458		2	2.000	2.000	2.000
Engineering Tech III ²	AFSCME	3,963 - 5,058		2	2.000	3.000	3.000
Technicians - Fleet/Instrument I	AFSCME	3,963 - 5,458		4	4.000	4.000	4.000
Water Utility Specialist	AFSCME	3,963 - 5,058		1	1.000	1.000	1.000
Maintenance Specialist - Bldg & Grounds/Street/Traffic	AFSCME	3,963 - 5,058		11	11.000	11.000	11.000
Utilities Systems Specialist	AFSCME	3,963 - 5,058		17	17.000	17.000	17.000
Staff Assistant	AFSCME	3,676 - 4,691		2	2.000	2.000	2.000
Department Accounting Analyst	AFSCME	3,416 - 4,360		1	1.000	1.000	1.000
Buldings & Grounds Maintenance Technician	AFSCME	3,416 - 4,360		1	0.500	0.500	0.500
Senior Administrative Specialist	AFSCME	3,416 - 4,360		2	2.000	2.000	1.000
Administrative Specialist	AFSCME	2,784 - 3,554		2	2.000	2.000	3.000
TOTAL				118	117.500	117.500	118.125

NOTE: Salary ranges reflect FY 12-13 Class and Compensation schedules.

- 1 FTE Engineering Supervisor that is currently vacant will remain authorized, but unfunded through the fiscal year in support of achieving a sustainable General Fund budget.
- 2 Reorganization occurred whereby an Engineering Tech III FTE was redeployed as a System Administrator I FTE.

NON-DEPARTMENTAL

Non-Departmental accounts are used for one-time expenditures or expenditures which cannot be easily tied to the costs of any single department. Some of the FY 13-14 major budget expenditures include:

- The Social Services budget totals \$340,300 in the General Fund to be allocated via a contract with United Way according to the Social Services allocation process. This balance is partly funded by an estimated \$102,550 from the 2011 Operating Levy.
- Corvallis Tourism is budgeted to receive \$388,350 in funding for economic development, based on the required allocation of 30% of transient room taxes.
- Estimated Title Company charges of \$20,000 for Net Assets lien docket software access. This is more than offset by estimated fee receipts of \$40,420 in FY 13-14.
- Benefit payments related to retirees and/or their dependents' medical costs are projected at \$340,600, but net to zero cost to the City as they are reimbursed by the retirees.
- The Arts Center payment from property tax receipts is estimated at \$42,310, which represents a 1.00% increase against FY 12-13.
- Internal service charges related to administrative overhead for these programs total \$62,940.
- Council goal spending related to one-time affordable housing and OSU collaboration parking projects has been budgeted at a total of \$250,000.

BUDGET BY CATEGORY:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
Personnel Services	\$0	\$0	\$0	\$0	\$0	0.00%
Supplies and Services	1,425,391	1,260,044	1,363,450	1,485,420	1,449,420	6.31%
Capital Outlay	0	0	0	0	0	0.00%
TOTAL	\$1,425,391	\$1,260,044	\$1,363,450	\$1,485,420	\$1,449,420	6.31%

BUDGET BY FUND:	ACTUAL 2010-11	ACTUAL 2011-12	BUDGET 2012-13	REVISED 2012-13	PROPOSED 2013-14	%CHANGE FROM 12-13 BUDGET
General	\$1,424,041	\$1,258,694	\$1,362,100	\$1,341,960	\$1,448,070	6.31%
Pension Obligation Debt Svc	1,350	1,350	1,350	1,350	1,350	0.00%
Water	0	0	0	27,350	0	0.00%
Wastewater	0	0	0	114,760	0	0.00%
TOTAL	\$1,425,391	\$1,260,044	\$1,363,450	\$1,485,420	\$1,449,420	6.31%



Oregon State University

STATISTICAL TRENDS¹

Calendar Year	1990	1995	2000	2005	2010	2011	2012
COMMUNITY DEVELOPMENT							
Single Family Residence Building Permits	125	167	141	210	38	37	55
Single Family Residence Value (x \$1,000)	\$12,108	\$23,242	\$29,328	\$45,919	\$9,211	\$7,526	\$13,014
CITY MANAGER'S OFFICE							
City Employees ²	352	380	417	424	431	406	415
FINANCE							
City Assessed Value (000's)	\$1,144,822	\$2,419,879	\$2,879,105	\$3,433,646	\$3,999,075	\$4,118,580	\$4,139,865
City Real Market Value (000's)	\$1,144,822	\$2,419,879	\$3,513,758	\$4,522,703	\$5,664,529	\$5,672,461	\$5,469,249
City Tax Rate:							
Operating (per \$1,000 of AV)	\$7.6400	\$5.6200	\$5.1067	\$5.1067	\$5.1067	\$5.1067	\$5.1067
Local Opt Levy (per \$1,000 of AV)						.45	.45
Debt (per \$1,000 of AV) ³				.5418	.4872	.5304	.2578
Consolidated Tax Rate ⁴	\$33.78	\$14.65	\$14.77	\$15.81	\$17.52	\$18.05	\$17.82
City Budget:							
Operating (Millions)	\$30.25	\$38.34	\$56.78	\$68.62	\$81.73	\$85.48	\$82.05
Capital (Millions)	\$10.30	\$17.65	\$31.38	\$14.45	\$14.16	\$11.82	\$9.49
Municipal Court:							
Citations (Traffic & Criminal)	7,229	7,000	12,016	8,771	6,164	5,769	6,237
Parking Citations	27,335	18,532	23,126	11,672	17,912	17,743	18,015
FIRE							
Engine Responses ⁵	1,164	1,455	1,977	2,590	4,359	4,630	4,967
City Incidents (non-ambulance)	983	1,230	1,615	2,151	3,781	4,079	4,317
Non-City Incidents (non-ambulance)	181	225	362	439	578	551	650
Ambulance Responses	1,960	1,941	--	--	--	--	--
Patient Contacts	--	--	2,732	3,154	4,154	4,301	4,651
PARKS AND RECREATION							
Number of Programs ⁶	--	--	--	1,132	1,004	910	2,859
Number of Registrations ⁶	--	--	--	21,559	24,906	19,980	96,917
Number of Facility Reservations	--	--	--	1,396	1,268	2,137	1,573
Number of Total Park Acres ⁷	1,113	1,113	1,200	1,685	1,810	1,734	1,734
POLICE DEPARTMENT							
Major Crimes Reported	2,436	2,995	2,346	2,308	1,757	2,108	2,165
9-1-1 Center Incidents Reported	23,433	31,269	35,753	32,487	36,926	39,734	37,556

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

² Number of employees listed is based on filled FTE as of December of each year. Values presented are not authorized FTE.

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

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

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

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

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

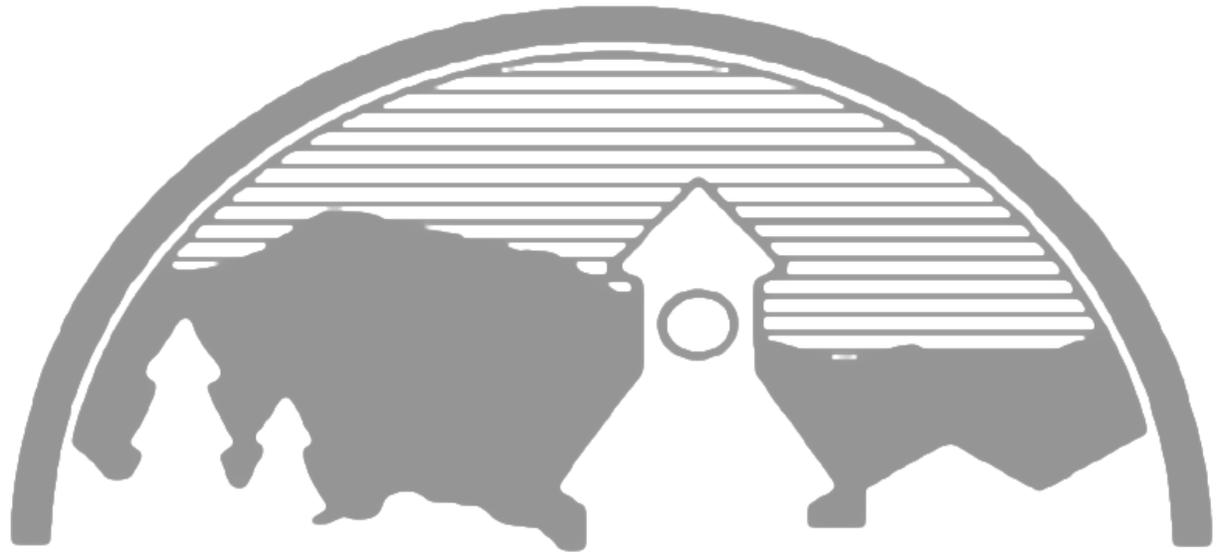
STATISTICAL TRENDS (Continued)

Calendar Year	1990	1995	2000	2005	2010	2011	2012
PUBLIC WORKS							
Transportation:							
Traffic Signals	58	55	61	82	87	90	90
Street Lights	2,312	2,775	3,036	3,431	3,583	3,598	3,639
Bus Ridership	323,113	330,000	488,238	539,597	748,556	884,687	1,157,829
Water:							
Connections	12,111	12,684	13,802	14,427	16,065	16,132	16,306
Production (xM Gal)	2,645	2,776	2,912	2,575	2,485	2,381	2,616
Miles of Line ⁸	177	193	205	247	252	246	249
Wastewater:							
Connections	11,252	12,211	13,421	14,335	15,455	15,502	15,502
Treatment (xM Gal)	3,113	3,303	3,475	3,249	3,856	3,523	4,388
Miles of Line ⁶	168	186	201	215	216	214	204
Storm Drains:							
Miles ⁶	94	114	143	160	168	159	148
Streets:							
Miles	134	140	169	184	365	366	367
Miles Resurfaced	5.00	7.50	2.21	1.67	5.09	12.21	3.07
Bike Paths (Miles)	--	11	12	14	21	21	21
Bike Lanes (Miles)	56	49	57	61	105	105	106
OTHER							
Area Sq. Miles (Land)	12.85	13.03	13.53	14.00	14.02	14.02	14.13
Population	44,757	47,485	52,215	53,165	54,460	54,520	55,055
County Employment ⁷	34,768	40,529	39,626	40,081	40,915	41,911	41,539
County Unemployment ⁷	1,787	925	1,598	2,073	3,260	2,948	2,698
County Unemployment Rate ⁹	4.9%	2.2%	3.9%	4.9%	7.3%	6.6%	6.1%
OSU Enrollment	16,024	14,320	16,777	19,236	23,761	24,977	26,393
Volunteer Hours:							
City Manager's Office ¹⁰	--	--	--	--	1,193	912	2,089
Community Development	--	--	0	178	1,127	781	909
Finance	--	302	250	222	125	199	447
Fire	--	21,672	29,659	48,243	47,602	47,929	42,458
Library	--	8,400	7,368	11,227	15,364	16,984	16,075
Parks & Recreation	--	22,500	24,335	23,452	21,742	23,098	24,322
Police	--	5,030	6,397	5,405	5,060	5,944	5,779
Public Works	--	440	843	632	653	2,453	1,630
Fiscal Year	FY89-90	FY94-95	FY99-00	FY 06-07	FY 09-10	FY 10-11	FY 11-12
LIBRARY							
Circulation	762,910	1,208,996	1,452,949	1,481,633	1,674,356	1,653,736	1,682,083
Patron Visits	514,543	704,996	724,291	1,402,633	1,885,582	1,901,807	1,512,697
Population Served	69,400	75,400	77,192	84,125	86,725	86,725	87,000

⁸ While populating the asset register with the new asset management program, the decreases noted in miles of water and wastewater lines, as well as storm drains, reflect the transition of infrastructure inventory from the City to OSU.

⁹ Benton County, Oregon Corvallis Metropolitan Statistical Area (MSA) Seasonally adjusted annual (un)employment <http://www.qualityinfo.org>

¹⁰ City Manager's Office volunteer hours include those from the Mayor, City Councilors, and interns (if any), and the Ambassador program. Mayor and Council volunteer hours capture only Council and Standing Committee meetings. Many factors impact total hours, including the number of regular and special meetings held in a given year, the number of Councilors in attendance, and the length of each meeting. It is noted the Mayor and Councilors volunteer their time for other community meetings and activities that are not tracked.



CORVALLIS

ENHANCING COMMUNITY LIVABILITY



OVERVIEW OF CAPITAL IMPROVEMENT PROGRAM

DEFINITION OF A CAPITAL PROJECT

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

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

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

CAPITAL IMPROVEMENT PROGRAM

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

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

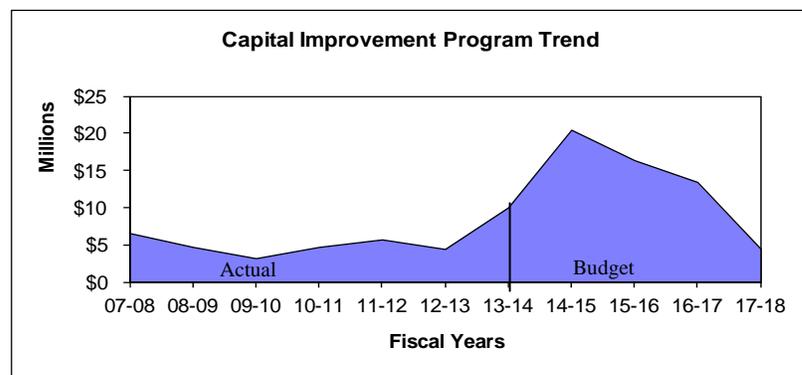
The CIP review and update is conducted annually with community involvement. Requests for projects to be included in the CIP come from:

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

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

The Proposed Five-Year CIP is presented to the CIP Commission which conducts a public hearing, deliberates, and then recommends a CIP for the City Council to consider. The CIP is then forwarded to the Planning Commission for a recommendation on the CIP's compatibility with the Comprehensive Plan, and to the Budget Commission for a recommendation on the ability to fund the proposed projects. The City Council reviews all recommendations and votes on adoption of the CIP as a planning document.

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

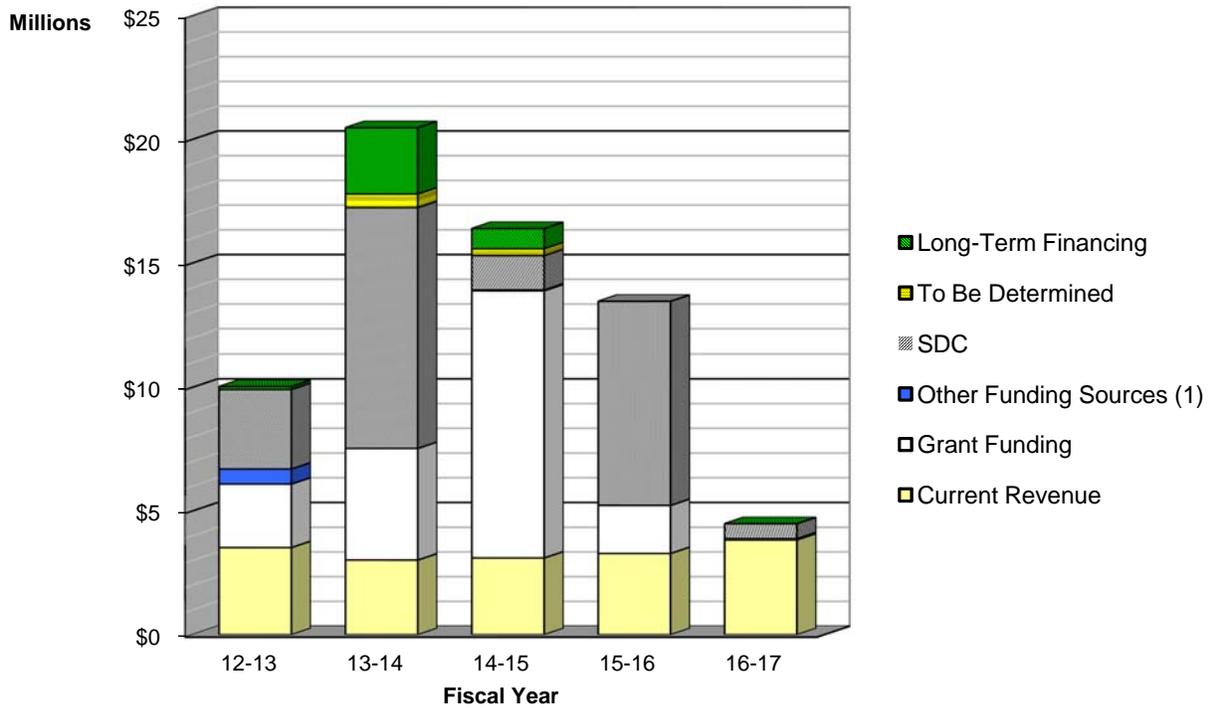


CAPITAL IMPROVEMENT PROGRAM FUNDING SOURCES

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

Below is a table and graph which outlines the funding sources for FY 13-14 and the four-year planning period.

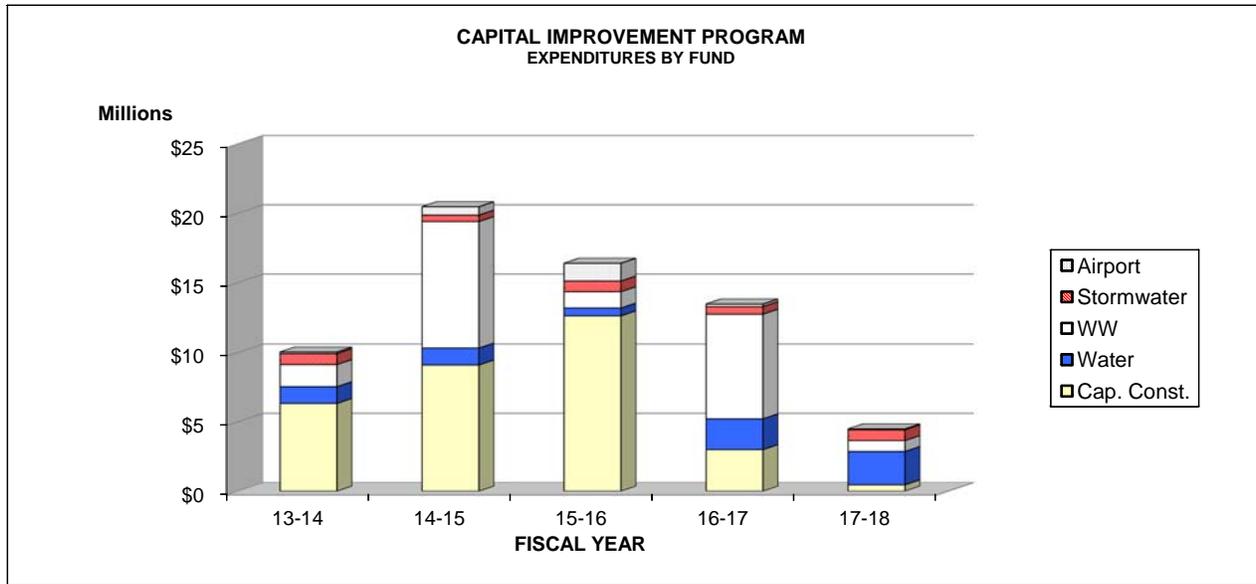
Funding Source	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Five Year Total
Long-Term Financing	\$119,000	\$2,683,000	\$818,500	\$0	\$0	\$3,620,500
Current Revenue	3,526,080	3,021,670	3,105,770	3,286,840	3,833,770	16,774,130
Grant Funding	2,567,910	4,512,880	10,775,620	1,943,870	52,380	19,852,660
Other Funding Sources (1)	608,385	0	37,100	0	0	645,485
SDC	3,215,410	9,711,080	1,388,780	8,227,060	604,060	23,146,390
To Be Determined	0	550,000	274,500	0	0	824,500
Total	\$10,036,785	\$20,478,630	\$16,400,270	\$13,457,770	\$4,490,210	\$64,863,665



(1)-Includes donations and assessments.

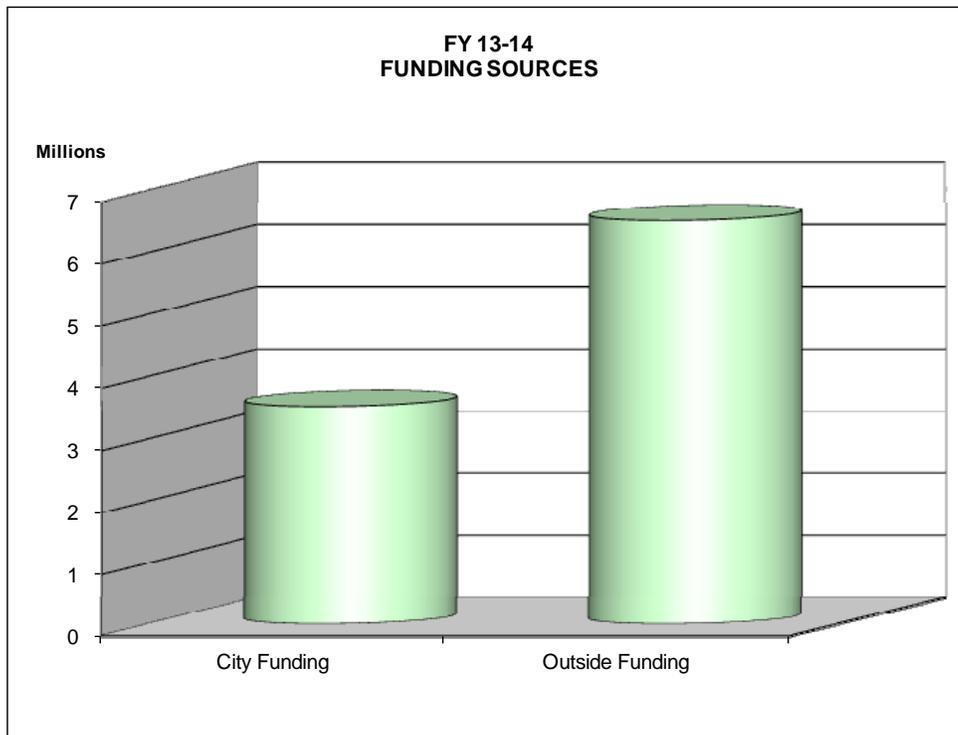
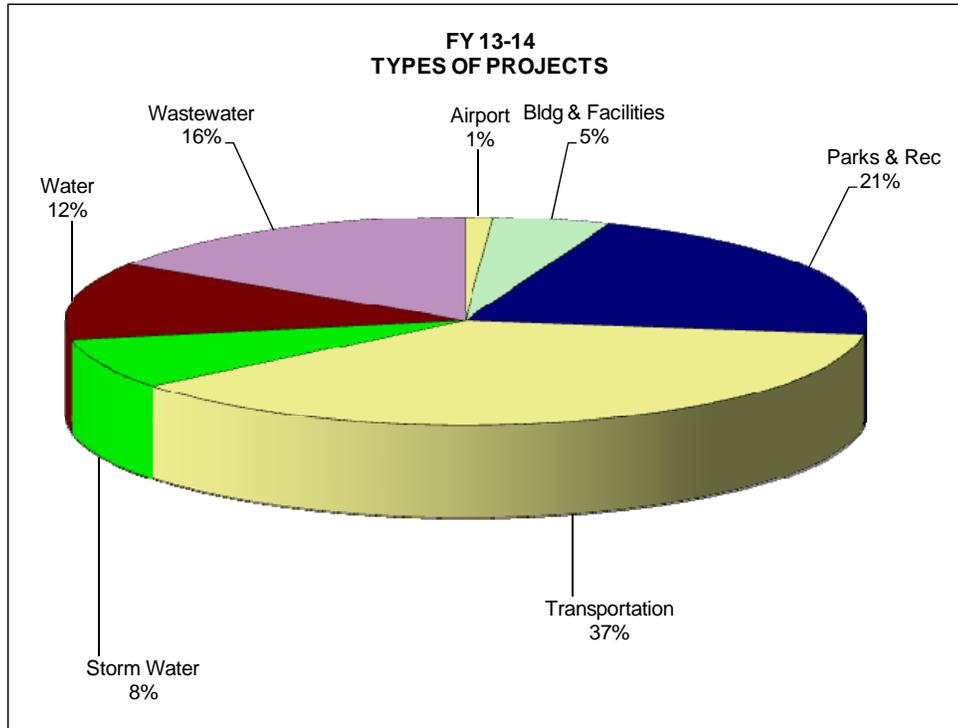
CAPITAL IMPROVEMENT PROGRAM EXPENDITURE SUMMARY BY FUND

	<u>FY 13-14</u>	<u>FY 14-15</u>	<u>FY 15-16</u>	<u>FY 16-17</u>	<u>FY 17-18</u>	<u>FIVE YEAR TOTAL</u>
Capital Construction Fund						
Public Works	\$3,987,020	\$5,665,150	\$11,293,310	\$2,614,990	\$465,000	\$24,025,470
Parks & Recreation	2,128,905	761,300	494,500	387,820	0	3,772,525
Fire Dept.	219,000	2,683,000	818,500	0	0	3,720,500
Sub Total Capital Construction Fund	<u>\$6,334,925</u>	<u>\$9,109,450</u>	<u>\$12,606,310</u>	<u>\$3,002,810</u>	<u>\$465,000</u>	<u>\$31,518,495</u>
Water Construction Fund						
Public Works	\$1,206,580	\$1,217,490	\$564,000	\$2,216,520	\$2,400,420	\$7,605,010
Wastewater Construction Fund						
Public Works	\$1,594,930	\$9,084,540	\$1,178,500	\$7,508,640	\$789,320	\$20,155,930
Storm Water Construction Fund						
Public Works	\$787,500	\$465,000	\$769,780	\$545,750	\$777,270	\$3,345,300
Airport Construction Fund						
Public Works	\$112,850	\$602,150	\$1,281,680	\$184,050	\$58,200	\$2,238,930
Total Capital Improvement Plan	<u>\$10,036,785</u>	<u>\$20,478,630</u>	<u>\$16,400,270</u>	<u>\$13,457,770</u>	<u>\$4,490,210</u>	<u>\$64,863,665</u>



FY 13-14 CAPITAL IMPROVEMENT PROGRAM

The FY 13-14 Capital Improvement Program totals \$10,036,785. The following pages list all capital projects by type of project: airport, building and grounds, parks and recreation, storm water, transportation, wastewater and water. The two graphs below outline the relationship between type of project and the funding sources.



CAPITAL IMPROVEMENT PROJECTS	FUNDING SOURCE	TOTAL PROJECT BUDGET	FY 13-14 BUDGET
AIRPORT AND INDUSTRIAL PARK			
Airport Facility Improvements	Current Revenue (CR) Airport	\$92,970	\$11,290
	FAA Grant	862,610	101,560
	Total	\$955,580	\$112,850
Total Airport and Industrial Park			\$112,850
BUILDINGS AND FACILITIES			
City Hall Block	Bank Loan	\$750,670	\$89,620
	CR Street Fund	49,790	7,020
	CR Develop. Svcs. Fund	201,830	32,760
	CR CD Revolving Fund	63,790	9,000
	CR Water Fund	111,110	15,660
	CR Wastewater Fund	49,790	7,020
	CR Storm Water Fund	49,790	7,020
	CR General	1,141,820	0
	FEMA Grant	812,500	0
	Total	\$3,231,090	\$168,100
Fire Department Property Acquisition and Facilities Relocation	Bank Loan	\$4,497,500	\$219,000
	Total	\$4,497,500	\$219,000
Municipal Buildings Rehabilitation	CR General Fund	\$563,000	\$90,000
	Total	\$563,000	\$90,000
Total Buildings and Facilities			\$477,100
PARKS AND RECREATION			
Acquisition of Land	Open Space Trust Fund	\$130,235	\$130,235
	Parks SDC	300,000	300,000
	Total	\$430,235	\$430,235
Osborn Aquatic Center	Grants and/or Donations	\$40,000	\$40,000
	Total	\$40,000	\$40,000
Park Development - New	CR Parks & Rec. Fund	\$25,000	\$25,000
	Grants and/or Donations	65,000	65,000
	Parks SDC	740,000	539,520
	Total	\$830,000	\$629,520
Park Facility Renovation	CR Parks & Rec. Fund	\$309,650	\$125,000
	Grants and/or Donations	291,650	125,000
	To Be Determined	274,500	0
	Total	\$875,800	\$250,000
Park Improvements - Existing	Parks SDC	\$268,000	\$121,000
	CR Parks & Rec. Fund	498,200	74,000
	CR Storm Water Fund	10,000	10,000
	CR Water Fund	15,000	15,000
	Grants and/or Donations	614,470	303,000
	Total	\$1,405,670	\$523,000

CAPITAL IMPROVEMENT PROJECTS	FUNDING SOURCE	TOTAL PROJECT BUDGET	FY 13-14 BUDGET
Riverfront Commemorative Park (Signage)	CR Wastewater Fund	\$201,720	\$0
	CR Parking Fund	148,960	0
	CR General Fund	1,685,930	0
	G.O. Bond Proceeds/Interest	6,112,440	31,150
	Grants and/or Donations	975,410	0
	Property Assessments	153,810	0
	CR Parks & Rec Fund	55,000	0
	Total	\$9,333,270	\$31,150
Special Use Facilities	Grants and/or Donations	\$107,500	\$107,500
	CR Parks & Rec. Fund	82,500	82,500
	To Be Determined	150,000	0
	Total	\$340,000	\$190,000
Trails / Bike Paths	Grants and/or Donations	\$62,950	\$12,500
	CR Parks & Rec. Fund	40,000	10,000
	Parks SDC	183,270	12,500
	Total	\$286,220	\$35,000
Total Parks and Recreation			\$2,128,905
STORM WATER UTILITY			
Storm Drain Pipe Replacement	CR Storm Water Fund	\$1,031,450	\$242,500
	ODOT Grant	230,360	225,000
	Total	\$1,261,810	\$467,500
Storm Water Master Plan Projects	CR Storm Water Fund	\$2,250,000	\$305,000
	Storm Water SDC	240,000	0
	Total	\$2,490,000	\$305,000
Utility and Street Improvement Projects	Storm Water SDC	\$90,000	\$15,000
	Total	\$90,000	\$15,000
Total Storm Water Utility			\$787,500
TRANSPORTATION			
35th Street Sidewalks and Railroad Crossing	CR Street	\$24,540	\$24,540
	Street SDC	236,460	236,460
	Total	\$261,000	\$261,000
City Hall Parking	CR Parking Fund	\$10,000	\$10,000
	Total	\$10,000	\$10,000
Corvallis to Albany Trail	Street SDC	\$145,400	\$134,700
	Grant	581,600	529,800
	Total	\$727,000	\$664,500

CAPITAL IMPROVEMENT PROJECTS	FUNDING SOURCE	TOTAL PROJECT BUDGET	FY 13-14 BUDGET
Downtown Public Parking	CR Parking Fund	\$200,000	\$200,000
	Total	\$200,000	\$200,000
Downtown Wayfinding	CR Street Fund	\$10,000	\$10,000
	CR Parking Fund	46,570	46,570
	Grant	289,100	289,100
	Total	\$345,670	\$345,670
Goodnight Right-of-Way Acquisition	Street SDC	\$370,000	\$370,000
	Total	\$370,000	\$370,000
Highway 99 Widening	Street SDC	\$275,610	\$275,610
	Grant	31,550	31,550
	Total	\$307,160	\$307,160
Morris Avenue Bridge	CR Street Fund	\$123,600	\$17,400
	Grant	1,079,400	160,600
	Total	\$1,203,000	\$178,000
Pedestrian Crossings	CR Street	\$164,470	\$4,950
	Grant	657,850	43,250
	Total	\$822,320	\$48,200
Reservoir Road Improvements	Street SDC	\$300,000	\$300,000
	Total	\$300,000	\$300,000
Safe Routes to Schools	CR Street	\$7,400	\$7,400
	Grant	326,550	326,550
	Miscellaneous Revenue	10,000	10,000
	Total	\$343,950	\$343,950
Street Reconstruction - Arterial / Collector	ODOT Grant	\$882,760	\$400,440
	Total	\$882,760	\$400,440
Street Reconstruction - Local	CR Street Fund	\$1,571,430	\$100,000
	Total	\$1,571,430	\$100,000
Utility and Street Improvement Projects	Street SDC	\$1,200,000	\$200,000
	Total	\$1,200,000	\$200,000
Total Transportation Projects			\$3,728,920

CAPITAL IMPROVEMENT PROJECTS	FUNDING SOURCE	TOTAL PROJECT BUDGET	FY 13-14 BUDGET
WASTEWATER UTILITY			
Biosolids Storage Tank	CR Wastewater Fund	\$250,000	\$40,000
	Total	\$250,000	\$40,000
Sanitary Sewer Rehabilitation	CR Wastewater Fund	\$4,119,890	\$671,930
	Total	\$4,119,890	\$671,930
Utility and Street Improvement Projects	Wastewater SDC	\$198,000	\$33,000
	Total	\$198,000	\$33,000
WWRP Secondary Clarifiers	Wastewater SDC	\$8,700,000	\$850,000
	Total	\$8,700,000	\$850,000
Total Wastewater Utility Projects			\$1,594,930
WATER UTILITY			
36th and Grant Water Pump Station Improvements	CR Water Fund	\$966,090	\$777,400
	Total	\$966,090	\$777,400
Rock Creek Hydroelectric	CR Water Fund	\$121,600	\$37,500
	Grant	203,600	0
	Total	\$121,600	\$37,500
Utility and Street Improvement Projects	Water SDC	\$198,000	\$33,000
	Total	\$198,000	\$33,000
Water Distribution System Rehabilitation/ Replacement Program	CR Water Fund	\$1,150,000	\$320,000
	Total	\$1,150,000	\$320,000
West Corvallis Second Level Water	Water SDC loan to Assessments	\$510,490	\$28,900
	Water SDC	227,770	9,780
	Total	\$738,260	\$38,680
Total Water Utility Projects			\$1,206,580
GRAND TOTAL			\$10,036,785

DEBT SERVICE

SUMMARY OF INDEBTEDNESS

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

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

Oregon Revised Statutes (ORS) 287A provides a debt limitation of three percent of real market value for general purpose property tax bonds issued by cities. The limitation does not apply to bonds issued for Water, Wastewater, Storm Water, Special Assessment (Bancroft), Pension Obligation or other "limited tax" use. The amount of General Obligation (GO) debt issued by Corvallis and subject to the three percent limitation is \$6,015,000 or 0.11% of the 2012 real market value of \$5,496,249,969. This calculation does not include the amount available for debt service provided by the debt service fund balance from accumulated tax levies and earnings thereon, which would serve to further reduce this percentage as permitted by ORS.

Debt Outstanding	Scheduled Balance as of June 30, 2013	Scheduled Principal Payments 2013/2014	Scheduled Balance as of June 30, 2014
Bonded Debt	\$52,797,595	(\$4,175,257)	\$48,622,338
Notes Payable	\$1,857,978	(\$327,978)	\$1,530,000
Total Debt	\$54,655,573	(\$4,503,235)	\$50,152,338

The Council has adopted several additional limitations regarding debt issuance in Debt Policy CP10.06. Annual debt service paid from property taxes for long-term issues and annual debt payments in respect of limited tax bonds are not to exceed 15% and 5% respectively of the combined operating and capital budgets in government funds. During FY 13-14 the City estimates it will pay \$1,067,250 in property tax-related debt service and \$2,114,124 in limited tax obligations to which these limits apply. These equate to 1.74% and 3.45% respectively of the combined operating and capital budgets in the governmental funds. The annual debt service payments above combined may not exceed 10% of the estimated FY 13-14 operating revenue of \$92,156,810. This net direct long-term general obligation debt of \$3,910,754 equals 4.24% of total operating revenue.

Outstanding Limited Tax debt estimated at \$33,107,595 represents 0.60% of the true cash value of taxable property in the City. This level is within the 1% limit established by the Policy. Prior to issuance, Council specifically exempted the balloon payment structures of the two Pension Obligation Bond series from the policy of structuring debt issues to amortize at least 33% of the principal in the first half of the repayment term. This exemption was deemed appropriate due to matching repayment structure with the underlying pension cost growth.

The ensuing schedules show future debt service that will be paid, with the following highlights noted:

- In FY 12-13 the City refunded three utility-backed loans that resided in the Water and Wastewater Funds. This debt refunding produced net present value savings of approximately \$1,579,690 and provides future capacity in these Funds to allow for financing of a project that would promote compliance with Total Maximum Daily Load (TMDL) requirements for discharge going into the Willamette River.
- The City plans to prepay the outstanding balance of the OBDD Airport Industrial Park loan in FY 13-14 due to its relatively high interest rate and the fact that the Airport Fund has the capacity to do so.
- An additional bank loan not yet depicted in the attached schedules is anticipated in the amount of approximately \$5 million in FY 14-15 to support General Fund CIP projects, such as the Fire Drill Tower and Municipal Court building acquisition and renovation.



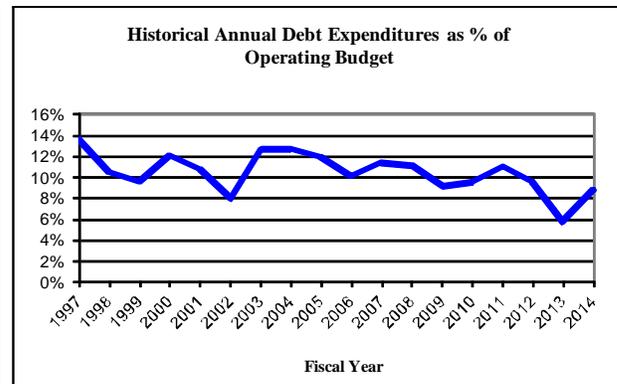
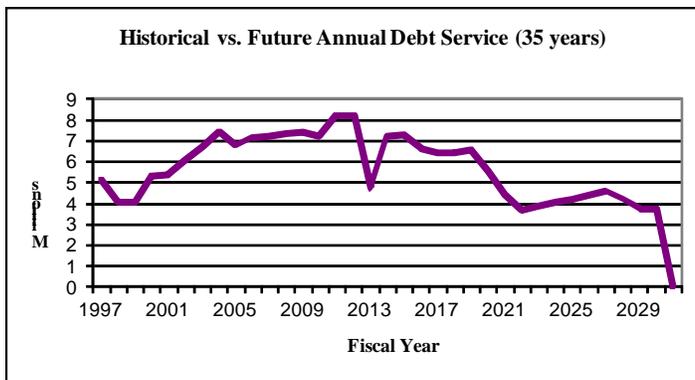
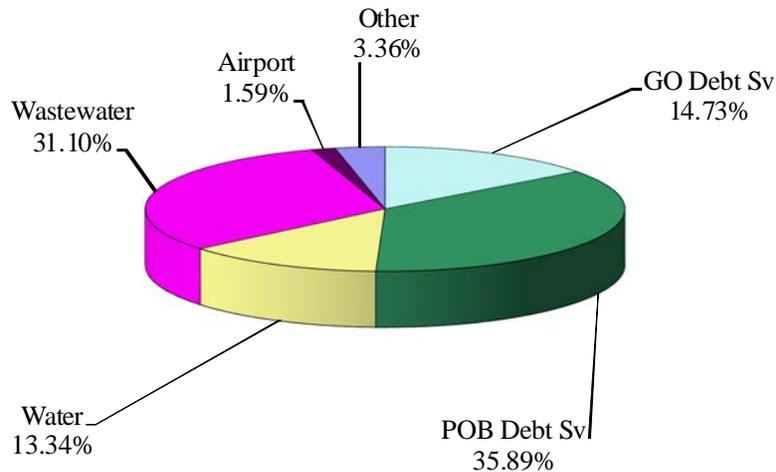
Downtown Riverfront

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

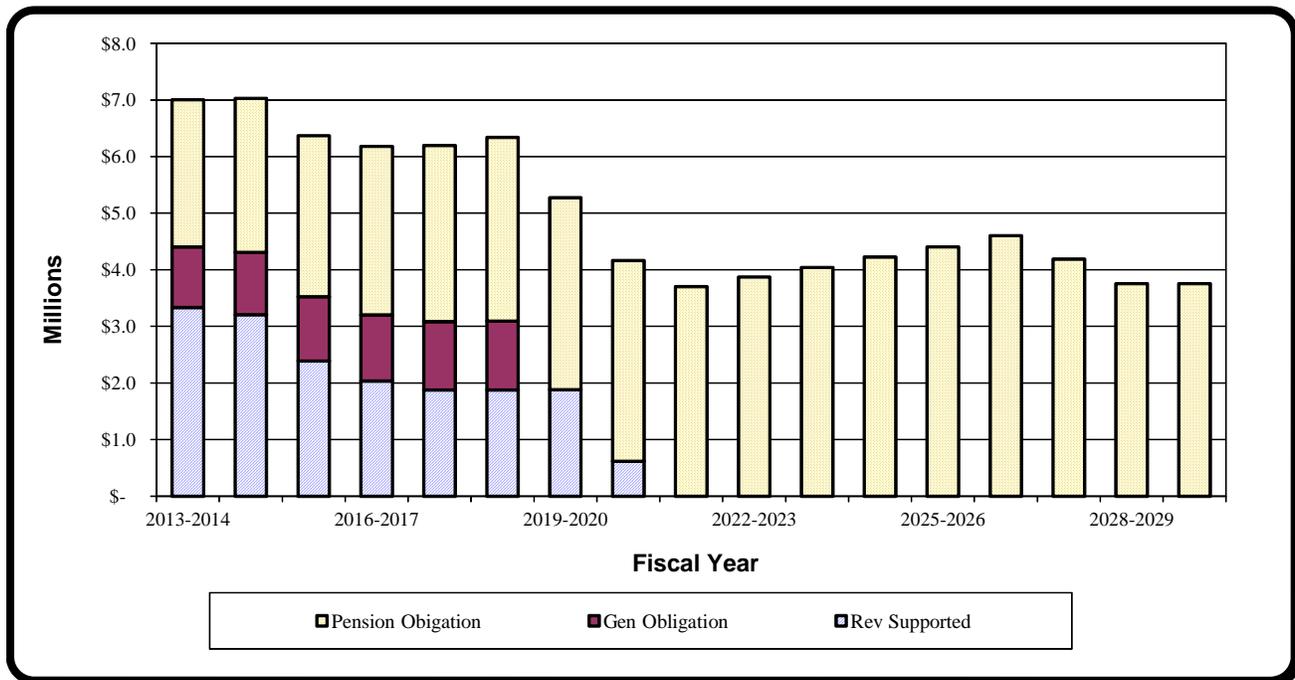
SUMMARY OF FISCAL YEAR 2013-14 TOTAL DEBT SERVICE BY TYPE

<i>Fund</i>	<i>Source of Dollars</i>	<i>Fiscal Year 2013-14 Total</i>
General Obligation Debt Service Fund	Property Taxes	\$1,067,250
Pension Obligation Debt Service Fund	Operating fund transfers	2,600,330
Water Fund	Water revenue	966,500
Wastewater Fund	Wastewater revenue	2,253,643
Airport Fund	Airport revenue	115,042
Other Debt	Property Taxes	243,174
TOTAL FISCAL YEAR 2013-14 DEBT SERVICE		\$7,245,939

TOTAL FY 13-14 DEBT BY FUND



SCHEDULE OF DEBT SERVICE REQUIREMENTS ALL DEBT
As of June 30, 2013

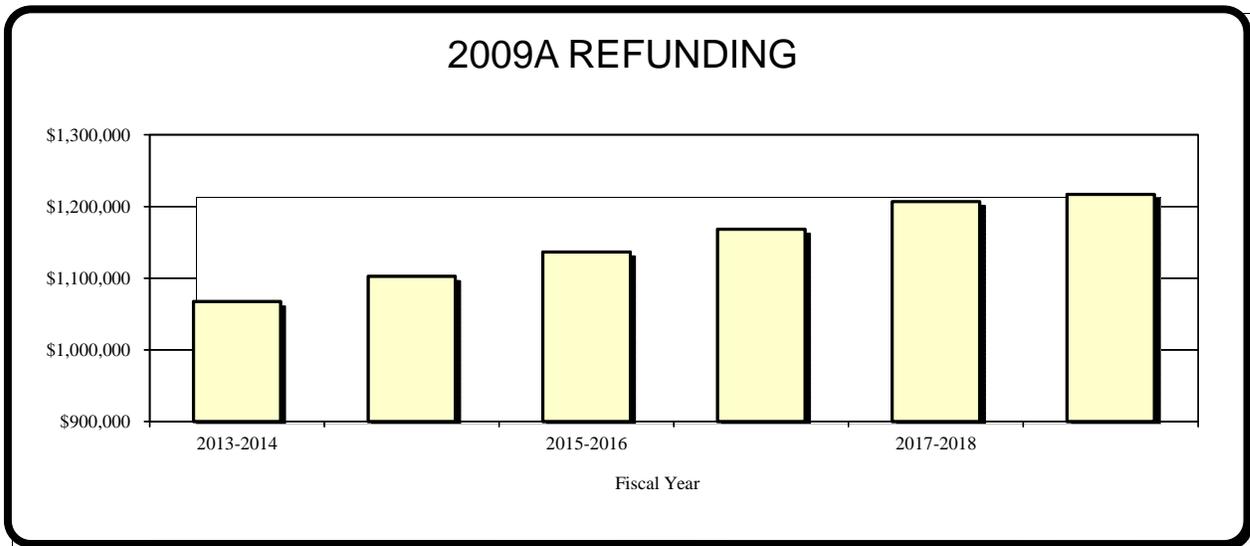


Year of Maturity	Year of		Debt Total
	Principal	Interest	
2013-2014	4,503,235	2,742,704	7,245,939
2014-2015	4,572,139	2,696,407	7,268,546
2015-2016	3,949,519	2,658,642	6,608,161
2016-2017	3,794,957	2,621,234	6,416,191
2017-2018	3,845,252	2,591,543	6,436,795
2018-2019	4,011,833	2,565,962	6,577,795
2019-2020	2,971,608	2,540,839	5,512,447
2020-2021	1,841,024	2,563,035	4,404,059
2021-2022	1,065,211	2,637,672	3,702,883
2022-2023	1,140,795	2,728,311	3,869,106
2023-2024	2,615,000	1,426,576	4,041,576
2024-2025	2,955,000	1,268,943	4,223,943
2025-2026	3,315,000	1,090,482	4,405,482
2026-2027	3,715,000	889,892	4,604,892
2027-2028	3,525,000	664,798	4,189,798
2028-2029	3,310,000	444,275	3,754,275
2029-2030	3,525,000	229,125	3,754,125
	<u>\$54,655,573</u>	<u>\$32,360,439</u>	<u>\$87,016,012</u>

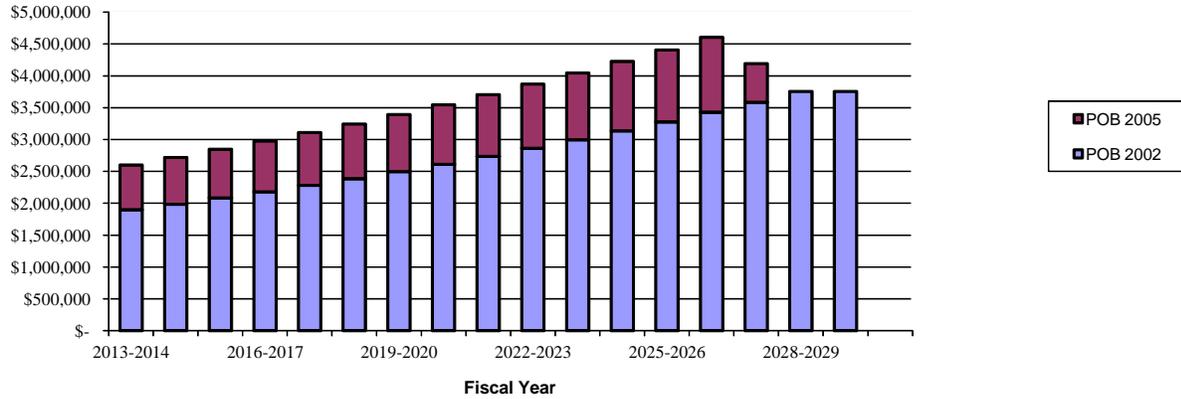
**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
GENERAL OBLIGATION DEBT**

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

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-2014	835,000	232,250	1,067,250
2014-2015	895,000	207,200	1,102,200
2015-2016	965,000	171,400	1,136,400
2016-2017	1,035,000	132,800	1,167,800
2017-2018	1,115,000	91,400	1,206,400
2018-2019	1,170,000	46,800	1,216,800
	<u>\$6,015,000</u>	<u>\$881,850</u>	<u>\$6,896,850</u>



FUTURE DEBT SERVICE REQUIREMENTS TOTAL PENSION OBLIGATION DEBT



Year of Maturity	Pension Obligation		Debt Total	Funding Source	2013-2014 *
	Principal	Interest			Funding Source
2013-2014	570,257	2,030,073	2,600,330	General Fund	\$1,870,950
2014-2015	627,139	2,091,529	2,718,668	Street Fund	100,440
2015-2016	684,519	2,160,058	2,844,577	Parks & Recreation Fund	0
2016-2017	744,957	2,228,342	2,973,299	Osborn Aquatic Center Fund	0
2017-2018	805,252	2,304,340	3,109,592	9-1-1 Fund	90,510
2018-2019	861,833	2,381,622	3,243,455	Development Services Fund	85,470
2019-2020	926,608	2,463,281	3,389,889	Fire & Rescue Fund	0
2020-2021	996,024	2,547,383	3,543,407	Community Dev Revolving Loan Fund	23,710
2021-2022	1,065,211	2,637,672	3,702,883	Parking Fund	16,470
2022-2023	1,140,795	2,728,311	3,869,106	Transit Fund	16,860
2023-2024	1,215,000	2,813,576	4,028,576	Library Fund	0
2024-2025	1,295,000	2,908,943	4,203,943	Water Fund	169,340
2025-2026	1,375,000	2,999,482	4,374,482	Water Timber Fund	760
2026-2027	1,455,000	3,094,892	4,549,892	Wastewater Fund	162,280
2027-2028	1,535,000	3,189,798	4,724,798	Storm Water Fund	56,570
2028-2029	1,615,000	3,284,275	4,899,275	Airport Fund	8,330
2029-2030	1,695,000	3,378,125	5,073,125		
	<u>\$31,382,595</u>	<u>\$29,586,701</u>	<u>\$60,969,296</u>	Less: Paying Agent Fees	<u>(1,350)</u>
					<u>\$2,600,340</u>

* As of FY 13-14 all property tax funds have been consolidated into one combined General Fund and subsequently all POB transfers related to these funds have been accounted for in the General Fund.

**FUTURE DEBT SERVICE REQUIREMENTS
PENSION OBLIGATION BONDS**

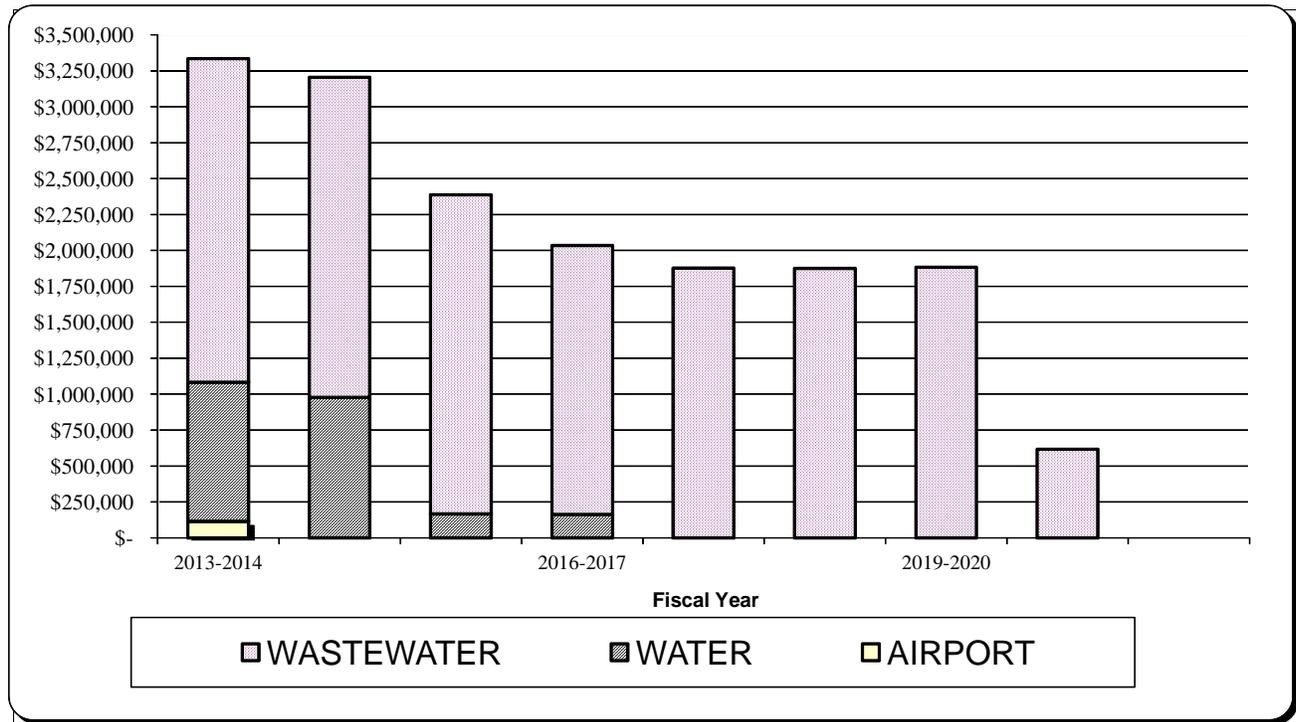
Issue Description:

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

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

Year of Maturity	2002 A			2005A		
	Principal	Interest	Total	Principal	Interest	Total
2013-2014	320,257	1,576,143	1,896,400	250,000	453,930	703,930
2014-2015	337,139	1,649,261	1,986,400	290,000	442,268	732,268
2015-2016	349,519	1,731,881	2,081,400	335,000	428,177	763,177
2016-2017	359,957	1,816,443	2,176,400	385,000	411,899	796,899
2017-2018	370,252	1,911,148	2,281,400	435,000	393,192	828,192
2018-2019	376,833	2,009,567	2,386,400	485,000	372,055	857,055
2019-2020	381,608	2,114,792	2,496,400	545,000	348,489	893,489
2020-2021	386,024	2,225,376	2,611,400	610,000	322,007	932,007
2021-2022	390,211	2,346,189	2,736,400	675,000	291,483	966,483
2022-2023	390,795	2,470,605	2,861,400	750,000	257,706	1,007,706
2023-2024	1,790,000	1,206,400	2,996,400	825,000	220,176	1,045,176
2024-2025	2,045,000	1,090,050	3,135,050	910,000	178,893	1,088,893
2025-2026	2,320,000	957,125	3,277,125	995,000	133,357	1,128,357
2026-2027	2,620,000	806,325	3,426,325	1,095,000	83,567	1,178,567
2027-2028	2,950,000	636,025	3,586,025	575,000	28,773	603,773
2028-2029	3,310,000	444,275	3,754,275	0	0	0
2029-2030	3,525,000	229,125	3,754,125	0	0	0
	\$22,222,595	\$25,220,730	\$47,443,325	\$9,160,000	\$4,365,971	\$13,525,971

**FUTURE DEBT SERVICE REQUIREMENTS
REVENUE SUPPORTED DEBT**



Year of Maturity	Revenue Supported Debt Total	
	Principal	Interest
2013-2014	2,902,978	432,207
2014-2015	2,850,000	355,350
2015-2016	2,095,000	290,850
2016-2017	1,805,000	229,900
2017-2018	1,705,000	171,975
2018-2019	1,755,000	120,300
2019-2020	1,815,000	67,050
2020-2021	605,000	12,100
	<u>\$15,532,978</u>	<u>\$1,679,732</u>
		<u>\$17,212,710</u>

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
REVENUE SUPPORTED DEBT - WATER FUND**

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

Year of Maturity	Principal	Interest	Total
2013-2014	930,000	36,500	966,500
2014-2015	960,000	17,600	977,600
2015-2016	160,000	6,400	166,400
2016-2017	160,000	2,400	162,400
	\$2,210,000	\$62,900	\$2,272,900

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



**FUTURE DEBT SERVICE REQUIREMENTS
REVENUE SUPPORTED DEBT - WASTEWATER FUND**

Issue Description:	SRF-DEQ Loan R24480 Sewer Rehabilitation	2012 Full Faith & Credit * Refunding Obligations
Amount Issued:	\$700,000	\$9,275,000
Issue Date:	January 20, 1992	November 15, 2012
Original Issue TIC:	3% (TIC)	1.031% (TIC)
	Debt Reserve Requirement: \$47,889	

Year of Maturity						
	Principal	Interest	Total	Principal	Interest	Total
2013-2014	23,934	359	24,293	1,355,000	229,400	1,584,400
2014-2015	0	0	0	1,380,000	202,050	1,582,050
2015-2016	0	0	0	1,400,000	174,250	1,574,250
2016-2017	0	0	0	1,080,000	144,050	1,224,050
2017-2018	0	0	0	1,115,000	111,125	1,226,125
2018-2019	0	0	0	1,150,000	77,150	1,227,150
2019-2020	0	0	0	1,190,000	42,050	1,232,050
2020-2021	0	0	0	605,000	12,100	617,100
	\$23,934	\$359	\$24,293	\$9,275,000	\$992,175	\$10,267,175

Issue Description:	2006A Adv Refunding Bonds Combined Sewer Overflow
Amount Issued:	\$5,410,000
Issue Date:	March 1, 2006
Original Issue TIC:	3.843% (TIC)
Rating:	Aa2 (Syncora Insured) May 1, 2017 (continuous call)

Year of Maturity			
	Principal	Interest	Total
2013-2014	485,000	159,950	644,950
2014-2015	510,000	135,700	645,700
2015-2016	535,000	110,200	645,200
2016-2017	565,000	83,450	648,450
2017-2018	590,000	60,850	650,850
2018-2019	605,000	43,150	648,150
2019-2020	625,000	25,000	650,000
	\$3,915,000	\$618,300	\$4,533,300

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

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
REVENUE SUPPORTED DEBT - AIRPORT FUND**

Issue Description:	1996 OEDD (OBDD) Loan Airport Industrial Park
Amount Issued:	\$332,240
Issue Date:	September 6, 1996
Original Issue TIC:	5.4687% (TIC)

Year of Maturity	Principal	Interest	Total
2013-2014	109,044	5,998	115,042
	<u>\$109,044</u>	<u>\$5,998</u>	<u>\$115,042</u>

*The City is choosing to prepay the Airport Industrial Park loan in its entirety in FY 13-14, though final payment per the current loan amortization schedule is not required until FY 16-17.

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
OTHER DEBT – GENERAL FUND**

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

Year of Maturity	Estimated Debt Service Schedule		
	Principal	Interest	Total
2013-2014	195,000	48,174	243,174
2014-2015	200,000	42,328	242,328
2015-2016	205,000	36,334	241,334
2016-2017	210,000	30,192	240,192
2017-2018	220,000	23,828	243,828
2018-2019	225,000	17,240	242,240
2019-2020	230,000	10,508	240,508
2020-2021	240,000	3,552	243,552
	<u>\$1,725,000</u>	<u>\$212,156</u>	<u>\$1,937,156</u>

TRANSFERS

TRANSFER FROM:	TRANSFER TO:	PURPOSE	FY 13-14 BUDGET
GENERAL FUND			
Interfund:	Capital Construction Fund	Cap. Proj: Muni Bldgs - Replace Lib Computer Room A/C Unit	\$90,000
Interfund:	Capital Construction Fund	Cap. Proj: Fire Dept Facilities Relocation	100,000
Interfund:	Capital Construction Fund	Cap. Proj: Acquisition of Land	95,520
Interfund:	Capital Construction Fund	Cap. Proj: Trails / Bike Paths	10,000
Interfund:	Capital Construction Fund	Cap. Proj: Special Use Facilities (Master Project)	82,500
Interfund:	Capital Construction Fund	Cap. Proj: Park Development-New (Master Project)	25,000
Interfund:	Capital Construction Fund	Cap. Proj: Park Facility Renovation (Master Project)	125,000
Interfund:	Capital Construction Fund	Cap. Proj: Park Improvements-Existing (Master Project)	55,000
Interfund:	Capital Construction Fund	Cap. Proj: Park Imp-Tunison / Community Center	19,000
Interfund:	Development Services Fund	Support for Development Services Fund - SDC Program Activity	8,200
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	1,870,950
FUND TOTALS			\$2,481,170
STREET OPERATING FUND			
Interfund:	Capital Construction Fund	Cap. Proj: 35th Street Sidewalks & Railroad Crossing	\$24,540
Interfund:	Capital Construction Fund	Cap. Proj: Downtown Wayfinding	10,000
Interfund:	Capital Construction Fund	Cap. Proj: Morris Avenue Bridge	17,400
Interfund:	Capital Construction Fund	Cap. Proj: Safe Routes to School	7,400
Interfund:	Capital Construction Fund	Cap. Proj: Pedestrian Crossings	4,950
Interfund:	Capital Construction Fund	Cap. Proj: Street Reconstruction-Local / 12th Street	100,000
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	100,440
Interfund:	Development Services Fund	Support for Development Services Fund - SDC Program Activity	25,410
FUND TOTALS			\$290,140
STREET SDC FUND COMPONENT			
Interfund:	Capital Construction Fund	Cap. Proj: Reservoir Road Improvements	\$300,000
Interfund:	Capital Construction Fund	Cap. Proj: 35th Street Sidewalks & Railroad Crossing	236,460
Interfund:	Capital Construction Fund	Cap. Proj: Corvallis to Albany Trail	85,400
Interfund:	Capital Construction Fund	Cap. Proj: Goodnight ROW Acquisition	370,000
Interfund:	Capital Construction Fund	Cap. Proj: Highway 99 Widening	31,550
Interfund:	Capital Construction Fund	Cap. Proj: Utility/Street Improvement Projects	200,000
FUND TOTALS			\$1,223,410
PARKS AND RECREATION FUND			
Interfund:	General Fund	Close Parks & Recreation Fund to General Fund	\$1,341,835
FUND TOTALS			\$1,341,835
PARKS AND RECREATION AQUATICS FUND COMPONENT			
Interfund:	General Fund	Close Parks & Rec Aquatics Fund to General Fund	\$104,071
FUND TOTALS			\$104,071
OPEN SPACE TRUST FUND COMPONENT			
Interfund:	General Fund	Close Open Space Fund to General Fund	\$95,080
FUND TOTALS			\$95,080
PARKS SDC FUND COMPONENT			
Interfund:	Parks SDC Fund	Close Parks SDC Component Fund to Parks SDC Fund	\$1,972,542
FUND TOTALS			\$1,972,542
TOTAL - PARKS AND RECREATION FUNDS			\$3,513,528
PARKS SDC FUND			
Interfund:	General Fund	Parks & Recreation Master Plan	\$15,000
Interfund:	Capital Construction Fund	Cap. Proj: Acquisition of Land	300,000
Interfund:	Capital Construction Fund	Cap. Proj: Park Development / Coronado Subdivision	399,520
Interfund:	Capital Construction Fund	Cap. Proj: Trails / Bike Paths	12,500
Interfund:	Capital Construction Fund	Cap. Proj: Park Development-New (Master Project)	140,000
Interfund:	Capital Construction Fund	Cap. Proj: Park Development-New (Master Project)	121,000
FUND TOTALS			\$988,020

TRANSFERS (Continued)

TRANSFER FROM:	TRANSFER TO:	PURPOSE	FY 13-14 BUDGET
911 FUND			
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$90,510
FUND TOTALS			\$90,510
DEVELOPMENT SERVICES FUND			
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$85,470
FUND TOTALS			\$85,470
FIRE AND RESCUE FUND			
Interfund:	General Fund	Close Fire & Rescue Fund to General Fund	\$1,053,035
FUND TOTALS			\$1,053,035
COMMUNITY DEVELOPMENT REVOLVING FUND			
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$23,710
FUND TOTALS			\$23,710
PARKING FUND			
Interfund:	Capital Construction Fund	Cap. Proj: City Hall Parking	\$10,000
Interfund:	Capital Construction Fund	Cap. Proj: Downtown Public Parking	200,000
Interfund:	Capital Construction Fund	Cap. Proj: Downtown Wayfinding	46,570
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	16,470
FUND TOTALS			\$273,040
TRANSIT FUND			
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	\$16,860
FUND TOTALS			\$16,860
2011 OPERATING LEVY FUND			
Interfund:	General Fund	Operating Levy Support for Social Service Allocations	\$107,390
Interfund:	General Fund	Operating Levy Support for Senior Center	322,160
Interfund:	General Fund	Operating Levy Support for Library Monday Hours	258,330
Interfund:	General Fund	Operating Levy Support for Other Library Svcs/Materials	789,880
Interfund:	General Fund	Operating Levy Support for Aquatic Center	430,860
FUND TOTALS			\$1,908,620
LIBRARY FUND			
Interfund:	General Fund	Close Library Fund to General Fund	\$633,079
FUND TOTALS			\$633,079
LIBRARY IMPROVEMENT RESERVE FUND COMPONENT			
Interfund:	General Fund	Close Library Improvement Reserve Fund to General Fund	\$407,805
FUND TOTALS			\$407,805
WATER OPERATING FUND			
Intrafund:	Water Cap. Const. Component	Cap. Proj: 36th and Grant Water Pump Station Improvements	\$777,400
Intrafund:	Water Cap. Const. Component	Cap. Proj: Rock Creek Hydroelectric	37,500
Intrafund:	Water Cap. Const. Component	Cap. Proj: Water System Rehab - 13/14	320,000
Intrafund:	Water SDC Component	Intrafund for Loan Repayment - Sensus Flexnet	167,480
Intrafund:	Water SDC Component	Intrafund for Loan Repayment - North Hills Improvements	553,190
Interfund:	Water Cap. Const. Component	Cap. Proj: Park Improvement-Master Project (Timberhill SW Garden)	15,000
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond	169,340
Interfund:	Development Services Fund	Support for Development Services Fund - SDC Program Activity	10,090
FUND TOTALS			\$2,050,000

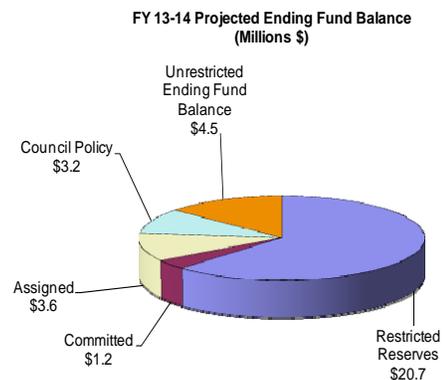
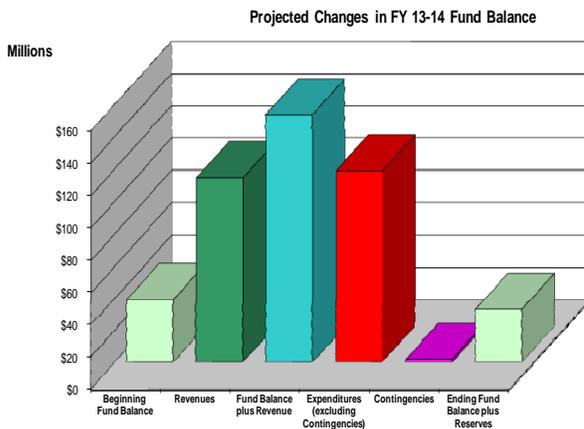
TRANSFERS (Continued)

TRANSFER	PURPOSE	FY 13-14 BUDGET
FROM:	TRANSFER TO:	
WATER TIMBER FUND COMPONENT		
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond \$760
		FUND TOTALS \$760
WATER SDC FUND COMPONENT		
Intrafund:	Water Cap. Const. Component	Cap. Proj: West Corvallis 2nd Level \$21,970
Intrafund:	Water Cap. Const. Component	Cap. Proj: Utility/Street Improvement 33,000
Intrafund:	Water Operating Component	Operating: SDC Administrative Fee 6,330
Intrafund:	Water Operating Component	Debt Service - OBDD 261,910
		FUND TOTALS \$323,210
TOTAL - WATER FUNDS		\$2,373,970
WASTEWATER OPERATING FUND		
Intrafund:	Wastewater Cap. Const. Com	Cap. Proj: Biosolids Storage Tank \$40,000
Intrafund:	Wastewater Cap. Const. Com	Cap. Proj: Sewer Rehab 13/14 671,930
Intrafund:	Wastewater SDC Component	Intrafund for Loan Repayment - WWRP Electrical Equipment Repl 351,550
Interfund:	Development Services Fund	Support for Development Services Fund - SDC Program Activity 6,810
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond 162,280
		FUND TOTALS \$1,232,570
WASTEWATER SDC FUND COMPONENT		
Intrafund:	Wastewater Operating Component	Cap. Proj: South Corvallis Interceptor \$77,500
Intrafund:	Wastewater Cap. Const. Com	Cap. Proj: WWRP Secondary Clarifiers 850,000
Intrafund:	Wastewater Cap. Const. Com	Cap. Proj: Utility/Street Improvement 33,000
		FUND TOTALS \$960,500
TOTAL - WASTEWATER FUNDS		\$2,193,070
STORM WATER OPERATING FUND		
Intrafund:	Storm Water Cap. Const. Component	Cap. Proj: Storm Water Master Plan Project \$20,000
Intrafund:	Storm Water Cap. Const. Component	Cap. Proj: SWMP - Greeley Overflow Pipe 100,000
Intrafund:	Storm Water Cap. Const. Component	Cap. Proj: SWMP - Dixon Creek Bank Stabilization 185,000
Intrafund:	Storm Water Cap. Const. Component	Cap. Proj: Storm Drain Replacement - 13/14 242,500
Interfund:	Capital Construction Fund	Cap. Proj: Park Improvement-Master Project 10,000
Interfund:	Development Services Fund	Support for Development Svcs Fund SDC & Erosion Sediment Prog. 67,880
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond 56,570
		FUND TOTALS \$681,950
STORM WATER SDC FUND COMPONENT		
Intrafund:	Storm Water Cap. Const. Component	Cap. Proj: Utility/Street Improvement \$15,000
		FUND TOTALS \$15,000
AIRPORT OPERATING FUND		
Intrafund:	Airport Cap. Const. Component	Cap. Proj: Airport Fac Improvement (Cargo Access Rd) \$11,290
Interfund:	Pension Obligation Debt Svc Fund	Debt Service Payment - Pension Obligation Bond 8,330
		FUND TOTALS \$19,620
GRAND TOTAL 2013-14 TRANSFERS		\$18,272,007

RESERVES/CHANGES IN FUND BALANCE – June 30, 2014

Fund	Beginning Fund Balance ⁽¹⁾	Revenues	Expenditures			Unappropriated Reserves				Budgetary Ending Fund Balance ⁽⁶⁾
			net of Contingencies	Appropriated Contingencies	Total Expenditures	Restricted Reserves ⁽²⁾	Committed Reserves ⁽³⁾	Assigned Reserves ⁽⁴⁾	Council Policy Reserve ⁽⁵⁾	
General	\$2,577,539	\$46,183,635	\$42,025,980	\$630,000	\$42,655,980	\$413,704	\$1,112,174	\$1,270,275	\$3,221,200	\$87,841
Parks and Recreation	3,513,528	0	3,513,528	0	3,513,528	0	0	0	0	0
Fire and Rescue	1,053,035	0	1,053,035	0	1,053,035	0	0	0	0	0
Library	1,040,884	0	1,040,884	0	1,040,884	0	0	0	0	0
Street	3,317,863	4,922,270	5,706,110	73,180	5,779,290	1,825,431	76,135	281,266	0	278,011
Parks Systems Develop Chrgs	0	3,163,792	988,020	0	988,020	2,175,772	0	0	0	0
9-1-1 Emergency Services	489,194	2,231,980	2,410,840	45,240	2,456,080	0	0	218,574	0	46,520
Development Services	1,009,330	2,602,700	3,344,520	50,000	3,394,520	0	0	0	0	217,510
CD Revolving Loan	13,914	1,538,220	1,493,500	30,760	1,524,260	0	0	0	0	27,874
Parking	1,001,471	667,100	1,393,670	13,340	1,407,010	0	37,323	34,755	0	189,483
Transit	1,740,618	4,388,720	4,037,950	87,770	4,125,720	0	0	152,211	0	1,851,407
2011 Operating Levy	37,759	1,870,860	1,908,620	0	1,908,620	0	0	0	0	0
Capital Construction	995,370	5,917,660	6,334,925	0	6,334,925	578,105	0	0	0	0
GO Debt	17,423	1,074,620	1,067,250	0	1,067,250	24,793	0	0	0	0
Pension Oblig Debt Service	454	2,601,690	2,601,690	0	2,601,690	454	0	0	0	0
Davidson	5,502	0	0	0	0	5,502	0	0	0	0
Water	6,919,419	11,769,080	12,379,300	188,930	12,568,230	5,702,647	0	295,288	0	122,334
Wastewater	11,895,543	12,698,290	13,624,830	191,840	13,816,670	9,798,280	0	218,705	0	760,178
Storm Water	1,363,493	3,113,260	3,803,470	45,780	3,849,250	125,976	0	182,233	0	319,294
Airport	778,630	610,100	868,570	9,950	878,520	0	0	11,400	0	498,810
Fleet Maintenance	17,304	879,800	855,450	16,000	871,450	0	0	13,424	0	12,230
Facility Maintenance	89,420	795,870	809,840	10,000	819,840	0	0	50,528	0	14,922
Tech and Communications	400,734	1,587,540	1,608,770	30,000	1,638,770	0	0	328,604	0	20,900
Administrative Services	43,097	4,554,350	4,544,060	30,000	4,574,060	0	0	13,089	0	10,298
Risk Management	817,639	1,061,830	1,063,830	275,000	1,338,830	0	0	500,000	0	40,639
TOTAL	\$39,139,161	\$114,233,367	\$118,478,642	\$1,727,790	\$120,206,432	\$20,650,664	\$1,225,632	\$3,570,352	\$3,221,200	\$4,498,248

- (1) Includes reserves.
- (2) Includes debt reserves and third-party agreed reserves plus “restricted” fund balances such as debt service funds, permanent funds, system development charge balances and capital improvement.
- (3) Includes certain donation endowments, Library Improvement reserve, and other ordinance-driven commitments.
- (4) Includes vehicle/equipment, catastrophic risk management reserves, future needs and library donation program reserves.
- (5) Includes incremental reservation of General Fund balances based on Council Policy to rebuild reserves over a maximum of five years to a level equivalent to three months of payroll in support of a sustainable budget.
- (6) The Budgetary Ending Fund Balance is the portion at year-end expected to be available to appropriate for Fund specific purposes, as laid out in Financial Policy definitions. Due to their budgetary nature, these amounts do not align with audited year-end “unassigned” or “assigned” balances per GASB 54.

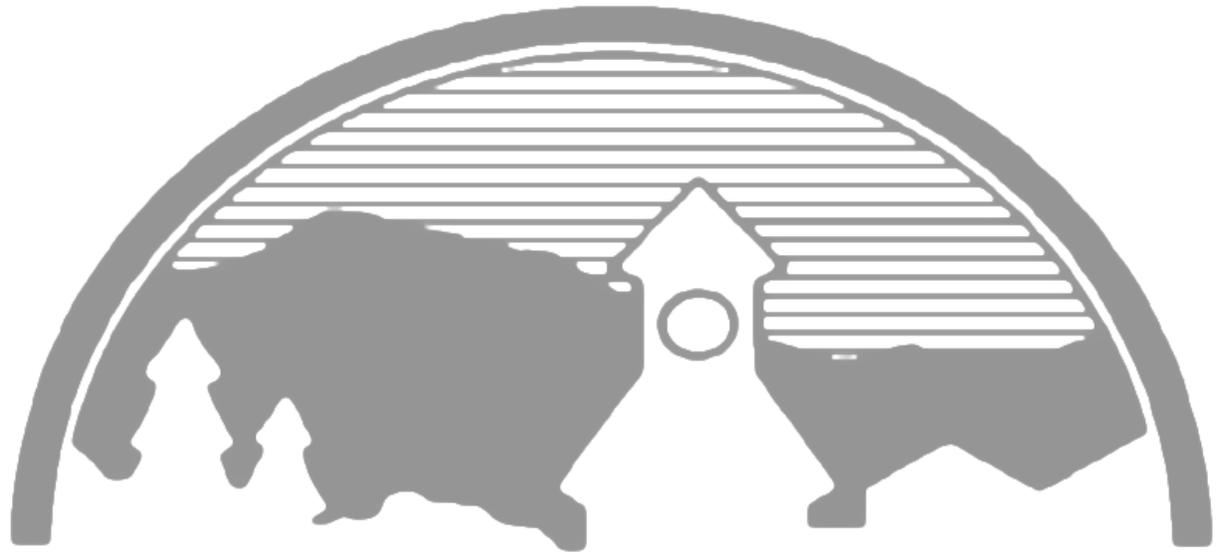


RESERVES/CHANGES IN FUND BALANCE (Continued)

As a best practice, according to the Government Finance Officers Association (GFOA), and as often requested documentation to meet the City's annual external audit in this regard, an explanation of yearly changes in fund balance of 10% or more is provided in the table below. Adequate fund balances, as defined by Council Financial Policy, are maintained in all funds to the extent possible. However, the unpredictable nature of forecasting ensures that fund balances will never end precisely where predicted and will be either higher or lower than anticipated, depending on actual eventual circumstances (i.e. an added fee or miscellaneous revenue, insufficient time or resources to complete special/capital projects, unforeseen vacancies). The table below includes all instances where the net change in the Adopted budgetary ending fund balance from FY 12-13 when compared to the Proposed ending fund balance for FY 13-14 is greater than 10%, and provides a brief explanation for that change.

Changes of 10% or More in Fund Balance

Fund	FY 12-13 Adopted End Fund Balance	FY 13-14 Proposed End Fund Balance	% Change	Projection - Reasoning
General	\$3	\$87,841	2908558.28%	The Parks & Recreation, Fire, and Library funds are being closed in FY 13-14 and being transferred into the General Fund, which results in the zero balances seen below. Continued emphasis on achieving a sustainable budget by cutting expenses has resulted in a greater General Fund (former Property Tax Funds Combined) ending fund balance than last fiscal year.
Parks & Recreation	\$25	\$0	-100.00%	See General Fund explanation above.
Fire	\$2	\$0	-100.00%	See General Fund explanation above.
Library	\$20	\$0	-100.00%	See General Fund explanation above.
Street	\$30,922	\$278,010	799.07%	Vacancies through most of FY 12/13 contribute to significantly less personnel services costs and subsequently improve the beginning fund balance for FY 13/14, along with decreased CIP expenditures planned for Street Reconstruction.
911 Emergency	\$168,713	\$46,520	-72.43%	Personnel service costs are the primary driver of higher expenditures in FY 13/14 due to PERS/OPSRP rate increases and health premium costs, which lead to lower ending fund
Development Services	\$170,706	\$217,510	27.42%	Revenues have been revised up for FY 12/13 and FY 13/14 due to Service Enhancement Review Fee (SERF) increase approved, and large development projects on the horizon.
Community Development Revolving	\$80,217	\$27,874	-65.25%	HUD's commitment of funding CDBG and HOME programs has declined significantly in recent years. Annual budgets will attempt to target recycling uses as the predominant pattern for expenditures of both CDBG and HOME resources.
Parking	\$509,810	\$189,483	-62.83%	Potential parking district costs associated with the Oregon State University collaboration lead to lower ending fund balance.
Transit	\$713,522	\$1,851,407	159.47%	Receipt of unbudgeted Business Energy Tax Credit (BETC) revenue in FY 12/13, accrued from prior years, contributed to a higher than anticipated fund balance.
Water	\$311,067	\$122,333	-60.67%	Drivers for the lower ending fund balance in FY 13/14 are increases in POB debt transfers, incremental CIP costs related to 36th & Grant project, and commencement of principal, in addition to interest, payments on SDC loan for North Hills.
Wastewater	\$1,016,164	\$760,178	-25.19%	Drivers for the lower ending fund balance in FY 13/14 are increases in POB debt transfers and CIP project costs related to Sewer Rehab.
Storm Water	\$190,914	\$319,294	67.24%	Vacancies through most of FY 12/13 contribute to significantly less personnel services costs and subsequently improve the beginning fund balance for FY 13/14, along with projected increases to utility metered revenue due to the Council approved rate increase in February 2013.



CORVALLIS

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