3rd Quarter Financial Summary

FY 2013-14

This report provides summary information on the City's financial status as of the end of March, 2014; more detailed comparative income statement form data is available on-line at this link.

PERFORMANCE AT A GLANCE (YEAR TO DATE)		COMMENTS
GENERAL FUND		
General Fund Expenditure vs. Revenue	WATCH	Ensure that expenditures do not exceed revenues received.
Property Tax Revenue	WATCH	Reduced valuation on property and ongoing appeals by certain large tax payers has impacted revenue received; overall trend appears better than expected a year ago.
Transient Room Tax	POSITIVE	Receipts are ahead of last year actuals, and are currently trending higher than budget.
Franchise Fees	WATCH	Although franchise fees are coming in higher than the prior two years' actuals ytd, lower demand and conservation of utilities may result in less revenue than budgeted.
State Shared Revenue	WATCH	Although Corvallis receipts ytd appear to be on track with budget and trending higher than last year, lower cigarette/alcohol demand is predicted by the League of Oregon Cities to soon result in less State revenue available for distribution to local governments.
Fines & Forfeitures	WATCH	Below budget YTD, and future legislative changes could result in lower revenue.
General Fund Expenditures vs. Budget	POSITIVE	Current General Fund expenditures appear to be on target and unlikely to exceed budget this fiscal year. Departments with personnel services savings from vacancies are making plans to do some spending on deferred maintenance and/or other delayed projects.
SPECIAL REVENUE FUNDS		
9-1-1 Emergency Services	WATCH	Declining fund balance; current revenues may not be sufficient to maintain current service levels.
Community Development Revolving	WATCH	Continuing negative cash balances need to be mitigated; current revenues may not be sufficient to maintain current service levels.
Development Services	POSITIVE	Revenues currently exceed last fiscal year and FY13-14 budget.
Parking	WATCH	Revenues are relatively flat with significant expenditures anticipated in next few years. Fiscal health may be impacted by residential parking district (RPD) Council initiatives.
Street	WATCH	Declining fund balance; current revenues may not be adequate to continue service levels.
Transit	WATCH	Current revenues are short of last fiscal year and FY13-14 budget; however, on track not to exceed expenditure budget.
ENTERPRISE FUNDS		
Airport	WATCH	Current revenues are lagging last fiscal year and budget; however, on track not to exceed expenditure budget.
Storm Water	POSITIVE	On track to meet revenues and not exceed expenditures.
Wastewater	WATCH	Declining fund balance; current metered revenues are being monitored, but appear to be trending flat to declining versus last fiscal year and FY13-14 budget.
Water	POSITIVE	On track to meet revenues and not exceed expenditures.
INTERNAL SERVICE FUNDS		
Risk Management	WATCH	Risk coverage premiums continue to increase; claims are using up deductible capacity and reserves may be insufficient for a catastrophic event.

What the ratings mean:

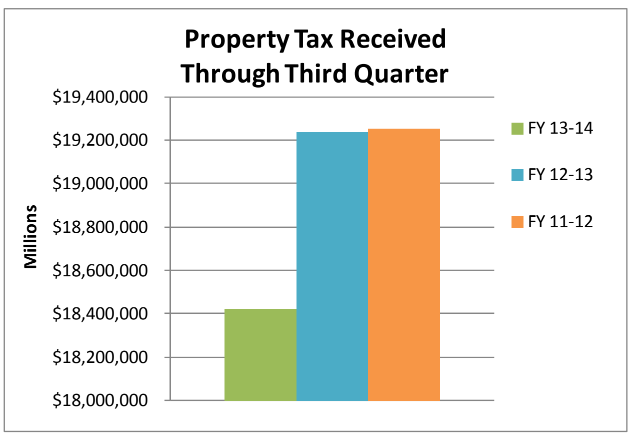
Positive – Current revenues and City Council-adopted use of reserves are sufficient to support the current level of service. Fund balances appear stable over a three-year forecast. No significant negative issues are identified.

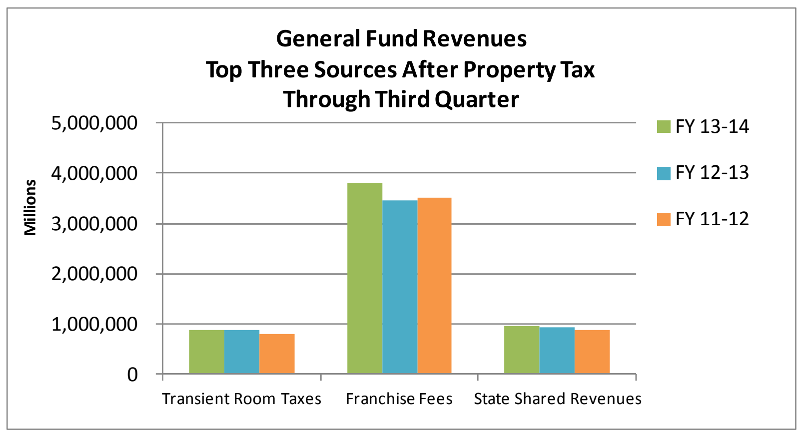
Watch – Various stressors may cause current revenues to be flat or decline and impact the fund's capacity to support the current level of service. Factors exist that may contribute to higher than anticipated expenditure levels in more than one category over the next 6-12 months.

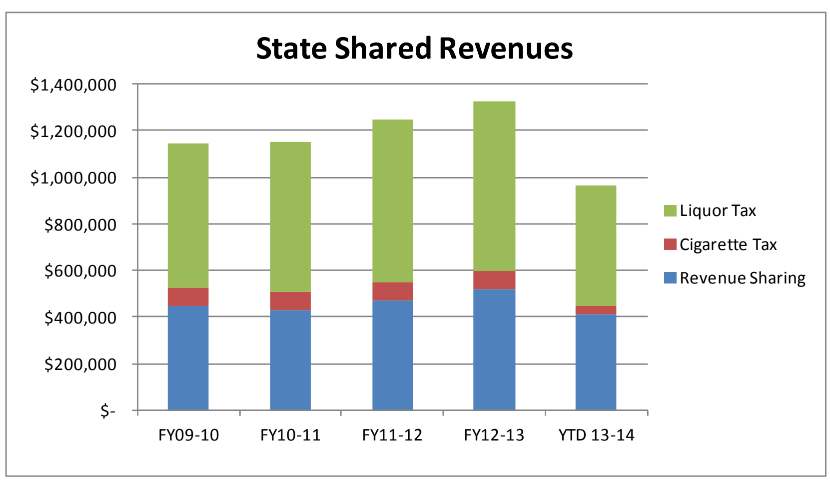
Negative – Current expenditures exceed or revenues are significantly behind forecast assumptions. Fund balance is unstable. Immediate action to reduce expenditures is required.

GENERAL FUND

REVENUE	AMENDED BUDGET	3rd Quarter FY 12-13	Y-T-D FY 12-13	FY 12-13 % REC/EXPEND	AMENDED BUDGET	3rd Quarter FY 13-14	YTD FY 13-14	FY 13-14 % REC/EXPEND
Budgeted Beg. Fund Balance (incl reserves)	5,271,580				$6,265,564			
Property Taxes	$21,002,640	$1,097,482	$19,238,067	91.60%	$20,617,620	$773,541	$18,422,498	89.35%
Other Tax	1,270,650	249,283	872,134	68.64%	1,372,600	243,235	897,651	65.40%
Licenses/Permits	5,708,610	1,594,886	3,740,768	65.53%	5,925,060	1,780,299	4,075,256	68.78%
Charges for Service	5,856,500	1,119,930	4,639,943	79.23%	5,889,850	1,106,698	4,832,219	82.04%
Intergovernmental	4,309,570	539,074	3,272,576	75.94%	4,227,760	840,891	3,435,041	81.25%
Fines/Forfeitures	830,110	188,441	512,773	61.77%	771,390	191,419	534,748	69.32%
Miscellaneous	576,300	95,157	461,725	80.12%	1,161,400	112,472	998,920	86.01%
Other Financing Sources	2,845,350	183,201	2,076,918	72.99%	7,061,488	3,561,943	6,089,325	86.23%
TOTAL CURRENT REVENUE	$42,399,730	$5,067,454	$34,814,903	82.11%	$47,027,168	$8,610,498	$39,285,658	83.54%
EXPENDITURE BY DEPARTMENT								
City Manager's Office	$380,000	$54,005	$125,036	32.90%	$326,250	$81,989	$227,342	69.68%
Community Development	1,311,410	308,236	915,296	69.79%	1,309,840	300,756	881,636	67.31%
Finance	629,740	156,105	452,212	71.81%	646,770	149,566	461,993	71.43%
Fire	10,455,220	2,480,615	7,514,812	71.88%	10,485,960	2,410,691	7,568,856	72.18%
Library	6,053,510	1,375,650	4,231,975	69.91%	6,524,140	2,063,131	4,892,636	74.99%
Parks & Recreation	6,080,310	1,242,647	4,102,451	67.47%	6,191,860	1,338,503	4,413,945	71.29%
Police	10,499,190	2,382,902	7,570,044	72.10%	10,688,290	2,587,964	7,628,546	71.37%
Public Works	1,218,900	187,217	719,775	59.05%	1,026,260	204,061	546,502	53.25%
Non-Departmental	1,362,100	328,726	1,011,922	74.29%	1,480,870	292,140	917,841	61.98%
TOTAL OPERATING EXPENDITURES	37,610,380	8,516,103	26,643,523	70.84%	$38,680,240	$9,428,801	$27,539,296	71.20%
Debt Service	$243,880	$25,530	$243,872	100.00%	$243,180	$22,644	$243,174	100.00%
Transfers / Other Financing Uses	3,100,663	107,773	2,047,291	66.03%	7,085,818	3,470,837	5,660,896	79.89%
Contingencies/Reserves	512,850	0	0	0.00%	597,200	0	0	0.00%
TOTAL ALL EXPENDITURES	$41,467,773	$8,649,406	$28,934,686	69.78%	$46,606,438	$12,922,282	$33,443,367	71.76%
CURRENT REVENUE LESS TOTAL EXPENDITURES		($3,581,952)	$5,880,217		$420,730	($4,311,785)	$5,842,291	







Using state projections, the League of Oregon Cities (LOC) produces per capita estimates of **State Shared Revenues** annually. These estimates are available to assist cities in the development of their budgets. The LOC's 2014 State Shared Revenue Estimates makes note that over the last few years actual state shared revenue distributions have been lower than the state's initial projections. LOC recommends that cities compare previous years' distributions and growth patterns in population when deriving the current year budget. While published estimates have been bleak in recent years, distributions to the City of Corvallis have remained relatively stable, and YTD FY13-14 is on track to achieve budgeted levels. However, staff recognizes the volatile nature of these resources and keeps that in mind when developing budget projections for this revenue source.

GENERAL FUND

BUDGETARY BASIS	AUDITED FY 12-13	ADOPTED FY 13-14	Year-To-Date FY 13-14	% of Budget Year-to-Date
RECURRING				
NON DEDICATED REVENUE				
Property Taxes - Permanent Rate	$19,777,358	$20,145,110	$18,057,556	89.64%
Local Op Levy 2013 - HP Replacement/Social Services Funding	-	-	-	N/A
Prior Year Delinquent Tax Revenue	348,963	472,510	364,942	77.23%
Transient Room Tax	1,396,192	1,372,600	897,651	65.40%
Franchise Fees	5,186,268	5,519,540	3,813,707	69.09%
State Revenue Sharing	520,207	515,690	409,910	79.49%
Alcohol/Cigarette Tax	808,548	806,420	555,756	68.92%
Pass-Throughs	786,694	774,640	411,869	53.17%
Miscellaneous Other Revenues	606,538	549,260	503,171	91.61%
TOTAL NON-DEDICATED RECURRING REVENUE	**$29,430,767**	**$30,155,770**	**$25,014,561**	**82.95%**
DEDICATED REVENUE				
Property Tax - Local Option Levy	$1,809,961	$1,908,620	$1,781,848	93.36%
City Manager's Office	121,000	121,000	118,446	97.89%
Community Development	157,300	150,880	110,777	73.42%
Finance	540,003	625,600	431,363	68.95%
Fire	3,333,201	3,565,090	3,033,258	85.08%
Library	2,627,257	2,747,650	2,447,001	89.06%
Parks & Recreation	2,000,836	1,821,870	1,276,550	70.07%
Police	384,390	368,980	306,666	83.11%
Public Works	155,289	147,000	109,195	74.28%
TOTAL DEDICATED RECURRING REVENUE	**$11,129,238**	**$11,456,690**	**$9,615,104**	**83.93%**
TOTAL RECURRING REVENUE	**40,560,005**	**$41,612,460**	**$34,629,665**	**83.22%**
EXPENDITURES				
City Manager's Office	$231,272	$326,250	$227,342	69.68%
Community Development	1,225,394	1,309,840	881,636	67.31%
Finance	599,019	646,770	461,993	71.43%
Fire	10,517,480	11,005,240	7,568,856	68.78%
Library	5,852,004	5,999,350	4,209,849	70.17%
Parks & Recreation	6,086,666	6,462,480	4,245,095	65.69%
Police	10,056,265	10,693,720	7,486,496	70.01%
Public Works	936,026	942,870	316,112	33.53%
Non-Departmental	1,323,230	1,448,070	917,841	63.38%
Debt Service	243,872	243,180	243,174	100.00%
Pension Obligation Bond Debt - Transfers	2,037,200	1,870,950	1,527,960	81.67%
Pass-Throughs	784,828	774,640	261,427	33.75%
Contribution to Fund Balance Reserve/Contingencies	2,906,200	945,000	945,000	100.00%
TOTAL RECURRING EXPENDITURES	**$42,799,455**	**$42,668,360**	**$29,292,782**	**68.65%**
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	**($2,239,450)**	**($1,055,900)**	**$5,336,883**	
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	2,760,009	860,730	915,434	
Net Recurring Revenue/Expenditure	(2,239,450)	(1,055,900)	5,336,883	
Net Non-Recurring Revenue/Expenditure	394,875	863,290	1,797,831	
ENDING BUDGETARY FUND BALANCE	**$915,434**	**$668,120**	**$8,050,148**	
Ending Reserve Balance by Type				
RESTRICTED	$629,669	$460,096	$589,179	
COMMITTED	1,149,330	1,112,174	1,094,858	
ASSIGNED	742,653	1,223,883	1,317,433	
FUND BALANCE	2,906,200	3,221,200	2,850,489	
	$5,427,852	$6,017,353	$5,851,960	

The General Fund Financial Plan update provided above shows the status of the “green line” at the end of Q3. The sustainable green line and the ending budgetary fund balance YTD will continue to decline as departments spend according to their budgets in Q4. Current estimates are for the General Fund to end FY13-14 with a positive yellow line of approximately $359,000. The Q3 ending budgetary fund balance is currently reflective of:

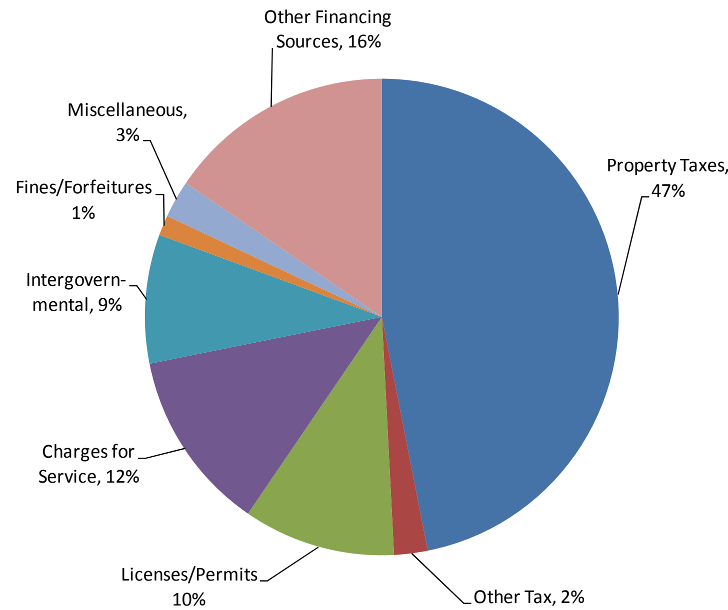
- the first quarter property tax refund to Hewlett-Packard offset by the second quarter collection of the majority of current year property taxes; and
- an audited FY12-13 ending fund balance that was $357,000 lower than projected in the Adopted FY 13-14 Budget cycle based on a combination of revenue shortfalls and Parks & Recreation fully expending its appropriations.

The **resources** pie chart, to the right, graphically illustrates the YTD proportions of all resources supporting General Fund services. Property taxes are on target at approximately 47% of the total resources received YTD and are anticipated to be approximately 50% of the total General Fund revenues by June 30, 2014.

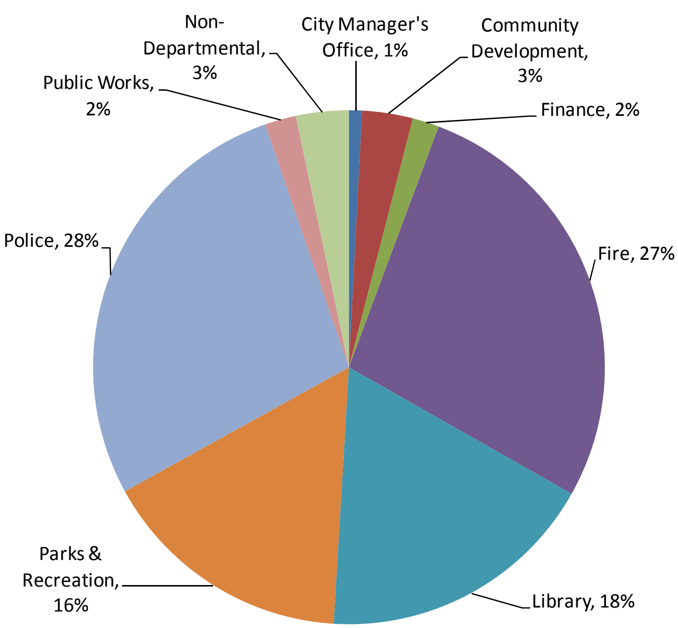
The **expenditures** pie chart shows the distribution of General Fund expenditures by department through the third quarter. The public safety departments (Fire and Police) account for 55% of fund expenditures; while other operations such as library, parks, recreation, economic development, planning, code enforcement, and municipal court make up the remaining 45% of expenditures.

Comparing year-to-year expenditures in this Fund (table on page 2) demonstrates that FY13-14 spending is closely aligned with FY12-13 as a percentage of budget, but higher as a whole in FY13-14. Some notable increases by department include an almost 37% increase as a percentage of budget for the City Manager's Office (CMO) due to full Economic Development staffing in FY13-14; Library running fully staffed for personnel services compared to last year and increased special project spending early this fiscal year due to the purchase of the Fenner Building, which is a property adjacent to the Corvallis Library expected to be used for future expansion needs, but currently being rented for income to cover its maintenance; Parks & Recreation (P&R) is also close to fully staffed for personnel services and has spent more on special projects earlier in the year compared to last fiscal year at this time.

General Fund Resources by Type
FY 13-14 Third Quarter YTD



General Fund Expenditures by Department
FY 13-14 Third Quarter YTD



Fund Name	Resources as of 3rd Qtr FY12-13	Resources as of 3rd Qtr FY13-14	Variance 12-13 to 13-14	FY 13-14 Total Budgeted Revenue	Q3% of FY 13-14 Total Budgeted Revenue
2011 Operating Levy	$1,666,654	$1,712,801	$46,147	$1,870,860	91.55%
911 Emergency Services	1,546,995	1,634,710	87,715	2,231,980	73.24%
Administrative Services	3,326,767	3,404,972	78,205	4,554,350	74.76%
Airport	385,718	342,690	(43,028)	932,100	36.77%
Capital Improvement Project	620,033	1,202,884	582,851	6,641,940	18.11%
Community Development Revolving	756,530	1,362,735	606,205	3,210,200	42.45%
Davidson	27	23	(4)	0	0.00%
Development Services	1,504,173	3,293,297	1,789,124	2,602,700	126.53%
Facility Maintenance	605,634	598,013	(7,621)	795,870	75.14%
Fleet Maintenance	562,621	564,833	2,212	879,800	64.20%
General Obligation Debt Service	956,563	1,003,322	46,759	1,152,620	87.05%
Parking	484,645	467,270	(17,375)	667,100	70.04%
Parks System Development Charge	257,738	3,257,431	2,999,693	3,326,633	97.92%
Pension Obligation Debt Service	2,044,680	2,124,720	80,040	2,601,690	81.67%
Risk Management	1,027,731	1,069,005	41,274	1,061,830	100.68%
Street	2,768,699	2,860,385	91,686	4,347,950	65.79%
Street & Utilities Systems Development Charge	1,786,129	3,429,469	1,643,340	3,254,870	105.36%
Stormwater	1,793,922	2,349,068	555,146	3,169,794	74.11%
Technology & Communication	1,192,330	1,189,684	(2,646)	1,587,540	74.94%
Transit	3,910,914	2,345,636	(1,565,278)	4,388,720	53.45%
Wastewater	17,367,083	7,562,467	(9,804,616)	11,186,890	67.60%
Water	9,809,291	8,045,945	(1,763,346)	10,736,500	74.94%
TOTAL RESOURCES	**$ 54,374,877**	**$ 49,821,360**	**$ (4,553,517)**	**$ 71,201,937**	**69.97%**

RESOURCES – Info on <>5% difference in Operating Funds from prior year or budget target (75%)

Airport – *Grant revenues are reimbursement related, so tend to lag a proportional year's budget target. Charges for Service are lower than the prior year based on fewer hangar rentals YTD in FY13-14, but are on track with budget.*

CD Revolving – *While resources have increased over this time last year, Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) program grant revenue are based on reimbursements and received only after expenditures are incurred. Timing of spending and receipts is sporadic and relatively unpredictable, so results above are typical, particularly given a significant portion of FY12-13 CDBG and HOME projects were carried forward to FY13-14.*

Development Services / Parks System Development Charge (SDC) – *Charges for Service revenue in both of these funds, which includes reviews/inspections and SDC's respectively, are above target and last fiscal year due primarily to several large OSU projects. In general, the timing of such large projects can be somewhat variable and span multiple months or even years, creating a less predictable revenue stream.*

Fleet Maintenance – *Charges for Service revenue is trending lower than budget due to internal and external fuel sales being down this year, in part due to average decrease in cost per gallon.*

Parking – *Parking meter revenue is lower than last fiscal year and budget due to 1,053 fewer citations issued YTD with approximately half of those in FY12-13 being the higher cost residential zone and improper parking citations. Fewer citations YTD are also a result of OSU's later start date in the fall of 2013; three evening football games and inclement weather at several games resulted in fewer attendees and citations; and two week's worth of snow/ice in December and February that prevented parking enforcement from issuing citations.*

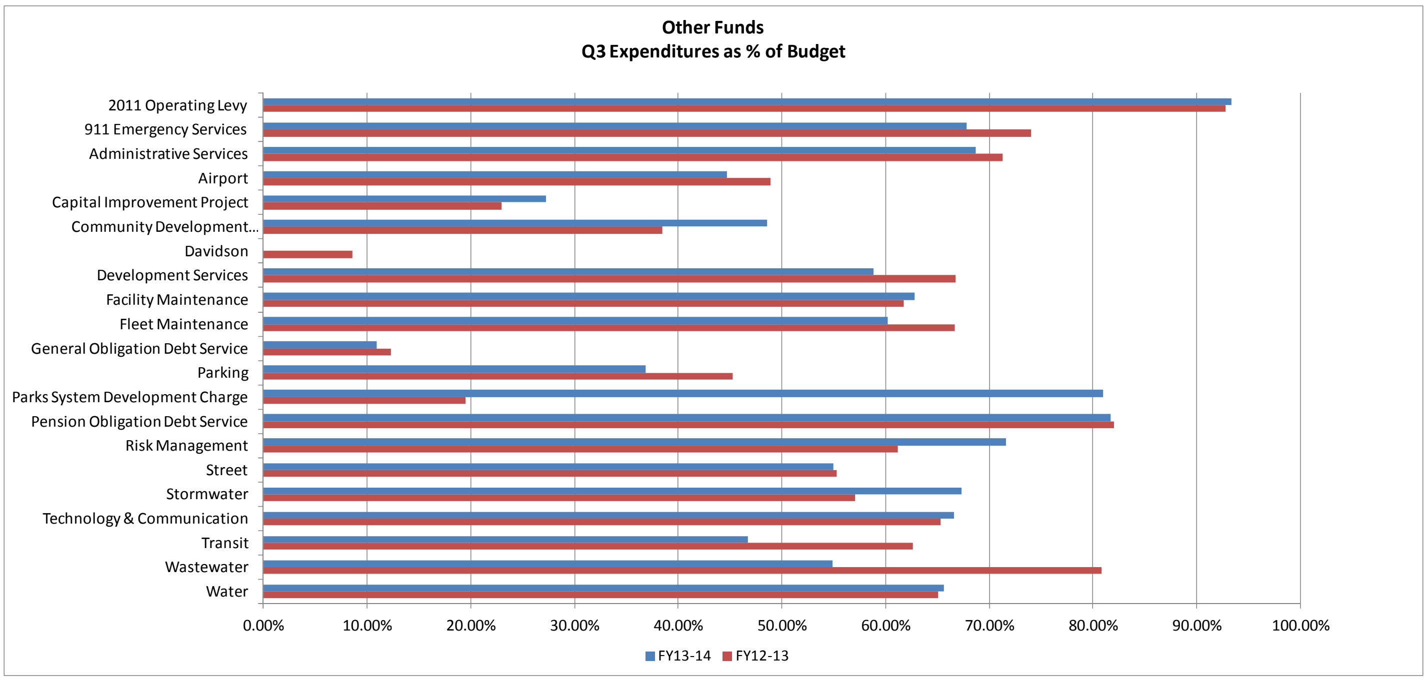
Risk Management – *Timing of this internal service charge to departments is weighted to coincide with insurance premium payments, 75% of which occur in July and 25% in January, so Q3 is already at 100%.*

Street – *While highway tax revenues have been stagnant in recent years due to reduced fuel usage and use of more fuel-efficient, hybrid and electric vehicles, the City's receipts have remained somewhat stable with last year's levels, along* *with Transportation Maintenance and Sidewalk Maintenance Fee program revenues. While this fund continues to be on "watch" for revenues vs. expenditures, budgeted revenues are expected to be achieved by fiscal year end.*

Transit – *Revenues are at only 59% of what was received through Q3 of last year, and are below budget YTD, due to timing of transit operating grant reimbursements (e.g., staff expect drawdowns for new bus purchases to be received in Q4) as well as last year's receipt of approximately $1.1 million in the final available Business Energy Tax Credits.*

Wastewater – *Charges for Service revenues mostly consist of metered usage, which is lagging in FY13-14 compared to budget and last year, but should hit targeted levels by fiscal yearend since only the most recent two months have realized the 4% rate increase that Council approved effective February 1st. The $9.8 million variance compared to last year is in Other Financing Sources due to the debt refunding of the Oregon Department of Environmental Quality (DEQ) loan.*

Water – *While revenues are performing at targeted levels YTD, the $1.7 million decrease from FY12-13 in total is due to the debt refunding that took place last year of the Oregon Business Development Department (OBDD) loans.*



EXPENDITURES – Info on <>5% difference in Operating Funds from prior year or budget target (75%)

The above bar graph compares FY13-14 and FY12-13 expenditures through March 31st as percentages of their respective total budgets for all City funds except the General Fund (discussed in previous pages).

Airport – *While expenditures are under budget in both years from low special project spending YTD, FY13-14 is higher in total dollars due to personnel services costs for deferred maintenance projects plus the payoff of an OBDD loan.*

Administrative Services – *Spending is low as a percentage of budget and last fiscal year due to none of the $50,000 special project budget for the financial system upgrade being spent YTD as well as two vacant positions, one of which is staffed by a temporary employee and one that is on-hold pending the outcome of a reorganization.*

CD Revolving – *Spending is low as a percentage of budget because expenditures are primarily grant-related and thus variable in timing, though greater than last year due to a significant portion of FY12-13 CDBG and HOME projects being carried forward to this fiscal year.*

Davidson – *This is designated as a Permanent Fund under governmental accounting guidelines due to the $5,000 endowment established through a 1981 donation in honor of the former librarian Alice Passano Davidson. Only interest* *earnings are expendable, and so in recent years of minimal revenues, the Library has chosen not to appropriate or spend much, if any, of the available funding hoping to grow the balance needed for specified materials.*

Development Services – *Spending is low as a percentage of budget and last fiscal year due in part to unfilled vacancies and because only $16,000 has been spent YTD on a $229,860 computer software special project budget as staff has pursued a potential less costly alternative to enhance services to the public. Also, the purchase of three replacement vehicles is not scheduled to take place until Q4.*

Facility Maintenance – *Though still low compared to budget, spending is back on track with last year's levels now that a vacancy has been filled and with progress that has been made on special projects: order of a replacement van, routing contracts for HVAC upgrades and painting projects, and completion of the parking lot slurry seal project.*

Fleet Maintenance – *Spending is low as a percentage of budget and vs. last year due to a 10% decrease in fuel purchases compared to last year, and the average price of gasoline being $0.15 per gallon less, and various replacement parts being purchased only as needed.*

Parking – *Spending is low as a percentage of budget and last fiscal year due to lower than anticipated special project spending and due to municipal court, parking enforcement, and transportation program specialist vacancies. The parking enforcement position is in its final recruitment stages, but may not be filled until after fiscal year end.*

Parks System Development Charge (SDC) – *In FY13-14 the former component Parks SDC Fund was closed and fund balances transferred to the new Parks SDC Fund, which explains the large expenditure in FY13-14 vs. FY12-13 at the same time. Absent the fund balance transfer, expenditures in both fiscal years at the end of Q3 are comparable and relate to capital projects.*

Risk Management – *Invoices for uninsured expenses are unpredictable and vary from year to year. In FY13-14, CIS noted that the City remains quite low for number of workers comp claims, but the cost per claim is running significantly higher than usual due to more surgery and rehabilitation. The City's self-insurance through prior year deductibles has also been much higher this year, and new claims for broken water mains, etc. have contributed to expenditures being on track to exceed budget by year-end. A request for contingency appropriations will be going to Council for approval in May.*

Street – *Total expenditures are low compared to budget, mostly due to several vacant positions being held while staff reviews projects for possible savings/delays in order to be proactive with potential fund balance issues; however, special project expenditures are currently over 73% of budget, and include those associated with the Sustainability Initiative Fee (SIF) for sidewalks and the Transportation Maintenance Fee (TMF) programs. At the end of Q3, TMF was complete, expending its entire budget, and all Safety Sidewalk citizen requests were complete.*

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

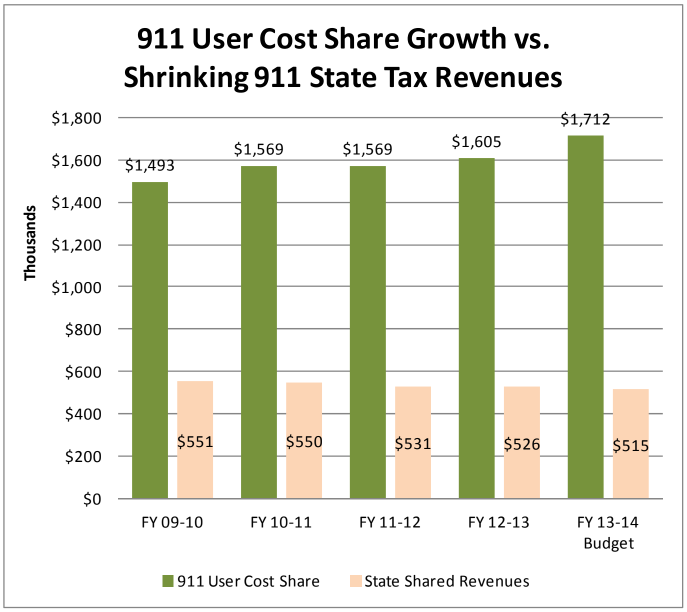
Technology & Communication – *Spending is low compared to budget and prior year driven by City-requested work orders varying year-to-year for the Public Works Telephone division and a 1.0 FTE position being held open pending further analysis and possible reorganization.*

Transit – *Actual spending is lagging against budget and last year in Personnel Services, Materials & Supplies and Special Projects. A vacancy in the STF program was just filled in February, while Material & Supplies costs have been positively affected by biodiesel being roughly $.14 less per gallon. For FY13-14, the two transit bus purchases were ordered during Q1, and were just placed into service in Q3, though expenditures are not yet reflected in Q3 totals.*

Wastewater – *Expenditures are trending lower compared to last fiscal year due to savings from several vacancies and less spending YTD on special projects, including four replacement vehicle purchases, with two scheduled for later in the year and the other two being pushed out to future years. Total Maximum Daily Load (TMDL) and the South Corvallis Interceptor are two major projects initially budgeted in FY13-14 but have been carried forward to FY15-16 and FY14-15 respectively.*

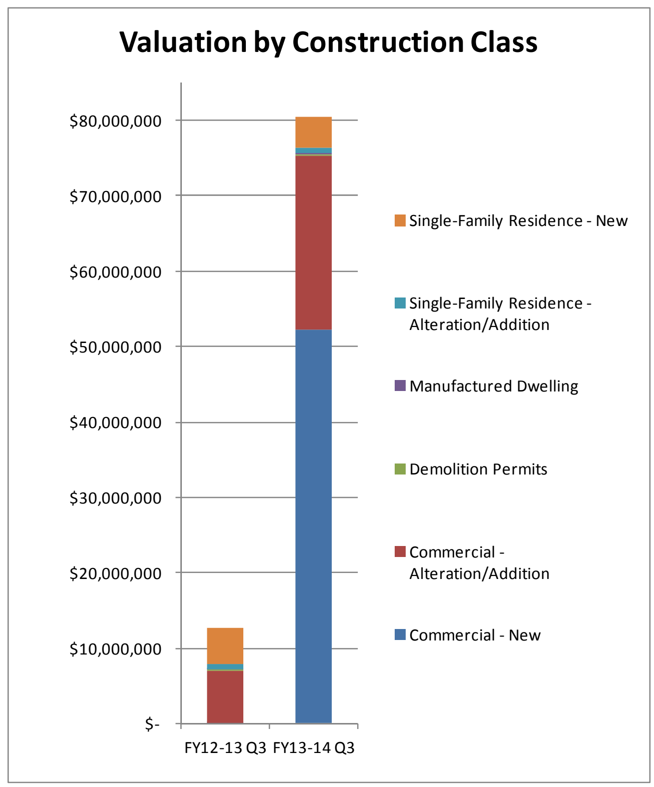
Water – *Spending is lower than budget in both fiscal years primarily due to vacancies and lower than anticipated special project spending at this point in the fiscal year, including a dump truck replacement being pushed out two years.*

FUTURE OUTLOOK

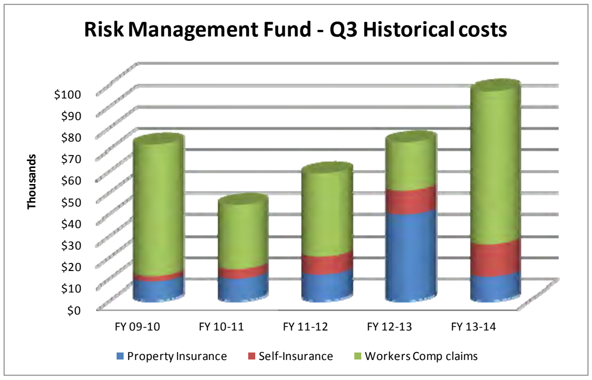


9-1-1 Emergency Services – The 9-1-1 User's Group meets several times each year to discuss operations and the status of the Fund. The User's Group has developed a strategy such that user fees will be adjusted, avoiding significant increases and spikes where possible, in combination with funding approved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

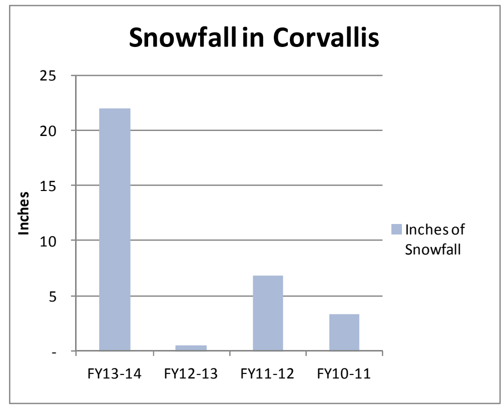
Development Services – Revenues in this fund have achieved nearly 130% of budgeted revenues YTD, amounting to over $600,000 more than this time last year. This increase is mostly due to a larger volume of Licenses, Fees & Permits as well as Charges for Service from the significant increase in the number of building permits issued and higher cost of same, due to the higher than usual valuations of several large projects. Some of these major projects include the Oregon State University (OSU) Student Experience Center and OSU classroom building and dormitory. A recent private development project is the mixed use residential and commercial project on the Riverfront (Jackson and 1st Streets). Services for these projects will likely span multiple years; therefore, it is important that this influx of revenue sustain the related expenditures in the fund over the course of these projects, typically a six month average. As the fund balance grows, Department staff will have to carefully allocate staff time and resources to the related projects. The graph to the right highlights the significant difference in construction permit valuations for Q3 FY13-14, at $80,484,764, vs. Q3 FY12-13, at only $12,692,570.



General Fund – Most revenues on a revised basis are on track to do slightly better than Adopted levels. Property Tax revenue remains less than the original adopted budget estimate of a 3% growth rate, but higher than the amount reflected in the General Fund financial plan that was included in the Adopted FY 13-14 Budget Document at time of publication (post HP refund information). No new information is available on the status of either the HP or Comcast appeals as of the end of Q3, but the certified growth level of 2.5% should contribute to a slightly higher fund balance at year-end, provided departments continue to spend to revised levels.



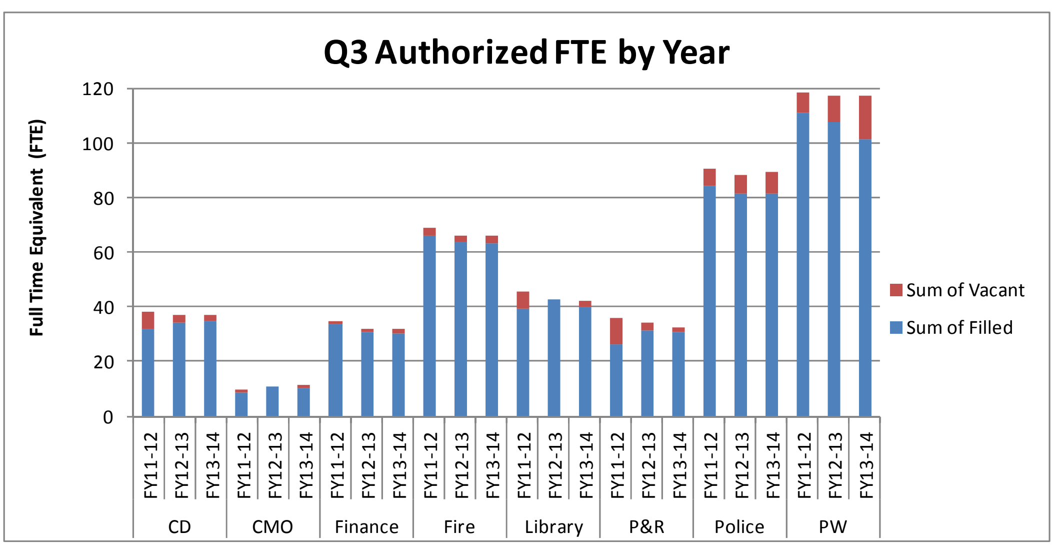
Risk Management – The City Manager's Office budget includes $1,093,830 for Risk Management operations, including $356,780 for workers compensation (WC) premiums and $108,500 for self-insurance and deductible costs; the balance is for property and liability premiums. Invoices processed just after the close of Q3 took available appropriations down to just $2,300 for remaining Q4 spending. The Q4 workers compensation invoice is estimated to come in as high as $75,000 and liability claim settlements in the range of $125,000 are expected prior to June 30th, which would be applied against available City deductible levels. Approval of a transfer from the Risk Management Fund Contingency will thus be sought from Council.



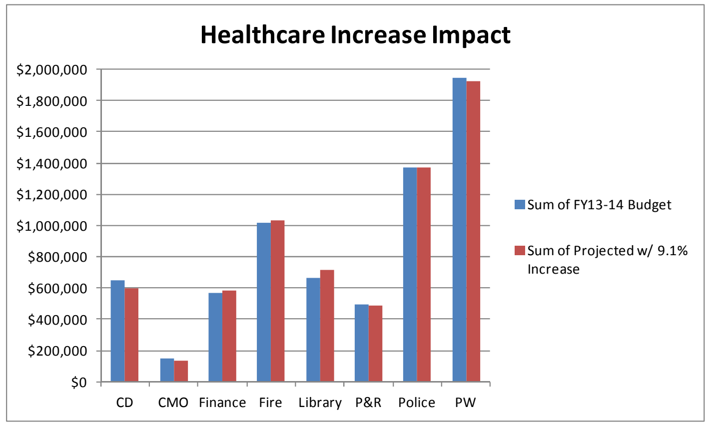
Snow and Ice Storms – Street & General Funds – The December 2013 and February 2014 snow and ice events resulted in approximately $190,000 in unbudgeted expenditures for Public Works. The City's Adopted Budget does not include any allocation expressly for winter storm response, given the unpredictability and infrequency of these occurrences as shown in the adjacent graph. The Street Fund has no excess capacity for a contingency fund of this nature, so this year's storm costs were absorbed through vacancy savings and deferral of other planned projects/purchases. In an effort to reduce expenditures during future winter storm events, the City has partnered with Benton County and the Oregon Department of Transportation (ODOT) to share resources. Future response efforts will include coordination of vehicles and equipment, staff and fuel. This collaboration effort will help the City and its partners respond more efficiently and cost effectively. Parks crews and volunteers also spent 140 and 153 hours respectively removing hanging and downed limbs and chipping up debris related to the February snow and ice storm. Sustainability Initiative Funding (SIF) amounting to over $16,000 was spent on the 30 service calls to remove 12 trees and 18 hanging and downed limbs within the City due to the February event.

CITY STAFF – PERSONNEL SERVICES QUARTERLY UPDATE

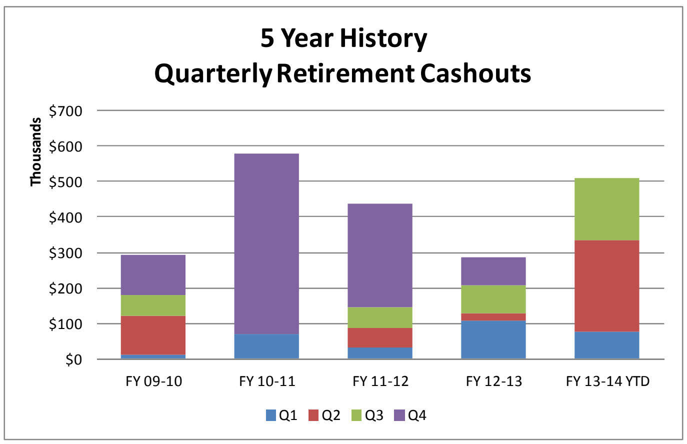
Vacancies – The bar graph below depicts how different departments have been impacted by vacancies this fiscal year in the third quarter vs. the prior two years. Public Works (PW) has seen significant departures due to retirements in FY13-14, with seven individuals retiring YTD. PW's 16 vacant positions at the end of Q3 amount to 14% of their total FTE. The three years of Police (CPD) activity shows that at any given time, this department tends not to be fully staffed due to the length of time it takes to recruit for the vacated positions. Additionally, CPD has had 3.0 FTE authorized but unfunded that are included in their vacancy count for FY12-13 (so 43% of the vacancies shown) and FY13-14 (38% of total vacancies shown), and 2.0 FTE (33% of total vacancies) were authorized but unfunded in FY11-12. It should further be noted that all departments must perform a process review and/or consider reorganizations whenever a position becomes vacant in order to consider potential budget savings amongst other possible efficiencies within that department.

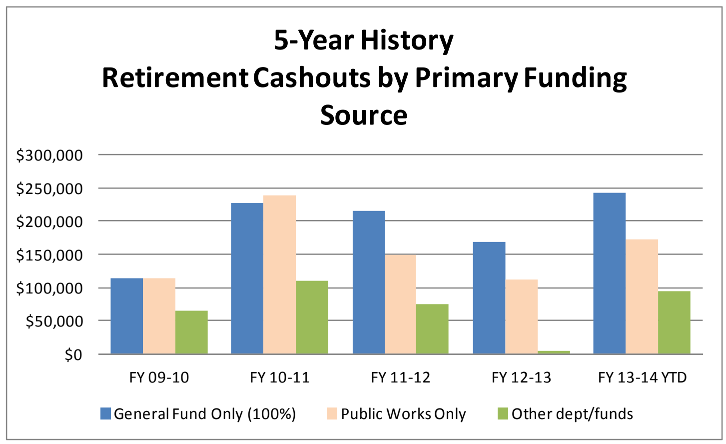


Healthcare – The impact of the 9.1% increase in 2014 healthcare premium rates in the latter half of FY13-14 is depicted in the graph to the right. Healthcare premiums were held flat at 2013 rates with the development of the FY13-14 Adopted Budget, so any increases in the 2014 calendar year must be absorbed within each department's budget. Plan changes and vacancy levels have helped most departments keep within their total health benefits budget. However, overages for medical premiums are projected in the AFSCME HMO-intensive departments of Finance and Library, as well as a slight overage in the Fire Department from IAFF plan increases.

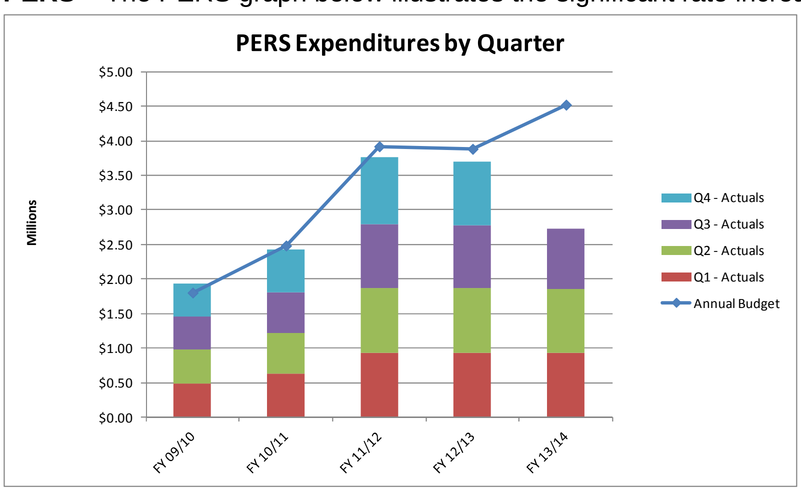


Retirements – Retirement cashouts are proving to be significant this fiscal year. YTD FY13-14 has already seen 15 individuals retire, which is a typical number for an entire fiscal year, with related cashouts amounting to over $500,000. The graphs below represent a five year history of quarterly cashout amounts in total, along with the impact by funding source. From the first to third quarter of FY 13-14, the funding source graph shows that Public Works has now been surpassed in volume of retirement payouts by the General Fund (primarily Police, Fire, Library and P&R).





PERS – The PERS graph below illustrates the significant rate increase in the previous biennium, yet the relative "stability" seen in this current biennium. Actual employer costs paid to PERS would normally be expected to increase each year (despite the rates being the same in the second year), because of underlying salary increases. This situation is seen in the adjacent graph from FY09-10 to FY10-11. However FY12-13 actually decreased over FY11-12 because of layoffs, vacancies and few COLA's accorded under labor contracts. While the FY13-14 Adopted Budget included a projected rate increase of 6%, some legislative changes that occurred late in the City's budget process resulted in employer rates staying flat. Thus, with current vacancies and retirement replacements at lower salaries, FY13-14 is on a trajectory to be relatively flat with actual spending in the prior two years. This is unlikely to be the case in FY14-15. In FY15-16, a PERS rate increase is expected, and is currently projected to add 6 percentage points.



CAPITAL IMPROVEMENT PROJECTS QUARTERLY UPDATE ON SIGNIFICANT ACTIVITY

	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended:
City Hall Block	9	**$168,100**	**$110,570**	**$94,157**

This project continues to address the long-term facility needs for the City Hall block. FY 13-14 budget includes providing bi-lingual way-finding signage for municipal offices in the City Hall area. Signage has been substantially completed. The exterior and interior signs have been installed with the kiosk signs to be completed in May, 2014.

	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended:
Park Improvements - Existing	25	**$523,000**	**$488,930**	**$150,609**

This project provides for improvements to existing City Parks. The Willamette Park Rotary shelter was completed during the second quarter and the shelter was available for public rental in April, 2014.

Tunison Park improvements are complete, which included installation of playground equipment and surfacing, and all of the concrete curbing and ADA access items. The park has been opened to the public.

Staff will be hosting a neighborhood meeting and completing construction plans for Arnold Park upgrades during the fourth quarter. Budget has been carried over for construction in FY 14-15.

	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended:
Sunnyside School Building	n/a	**$0**	**$125,100**	**$89,067**

City Council accepted an anonymous donation to move the former Sunnyside School building from 9th Street to Owen Farm. The building relocation has been completed. A foundation has been constructed and the building secured to it. Additionally, a new roof has been installed on the school building. The bell tower and finish work will be completed during the fourth quarter.

	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended:
Storm Drain Replacement	37	**$467,500**	**$628,284**	**$553,688**

This annual program replaces or rehabilitates storm water pipelines that are inadequately sized or have exceeded their useful service life. The facilities to be replaced are selected based on their condition as determined through inspection. Construction is complete for projects designed in FY 12-13. Storm drain replacement work being done in conjunction with the 15th Street / Washington Way Improvements is underway and planned for completion in September, 2014.

	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended:
Storm Water Master Plan Projects	39	**$305,000**	**$235,250**	**$158,064**

This project implements recommendations from the adopted Storm Water Master Plan. Projects were prioritized and developed based on highest system need while addressing flood mitigation, system capacity, operations and maintenance needs, and preservation and enhancement of natural resources.

Design was completed in FY 12-13 to provide bank stabilization on the east bank of Dixon Creek where the bank has experienced a slope failure. Construction is complete and vegetation is becoming established.

The consultant is working on their technical evaluation memo on recommendations for future improvements to enhance the conveyance and reduce localized flooding along Sequoia Creek within City limits.

	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended
15th Street/Washington Way Improvements	n/a	**$37,400**	**$637,400**	**$141,863**

This project now combines the planned reconstruction of 15th Street from Western Boulevard to Jefferson Avenue, formerly part of the Street Reconstruction – Arterial/Collector project on page 77 of the CIP document, with OSU's proposed realignment of Washington Way, construction of a traffic signal, a new railroad gate crossing at 15th Street/Washington Way, and reconstruction of a 20-inch water line. City staff is managing design and construction of this expanded scope in collaboration with OSU through an intergovernmental agreement (IGA). Design is complete and construction underway with completion expected in September, 2014.

	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended
Reiman Avenue Bridge	n/a	**$0**	**$58,600**	**$769**

This project provides for the emergency replacement of the Reiman Avenue Bridge as approved by Council on February 18, 2014. Inspection of the bridge after a semi-truck hit the edge of it last spring identified structural deficiencies that need to be repaired as soon as possible in order to re-open it for access to a food processing plant. Currently, truck deliveries that exceed the weight limit of the damaged bridge are using a private access. City Council approved adding the design of this project as part of the FY 13-14 Capital Improvement Program (CIP). Construction has been incorporated into the proposed FY 14-15 CIP. Design is currently underway.

	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended:
Street Reconstruction	77	**$463,040**	**$539,040**	**$448,355**

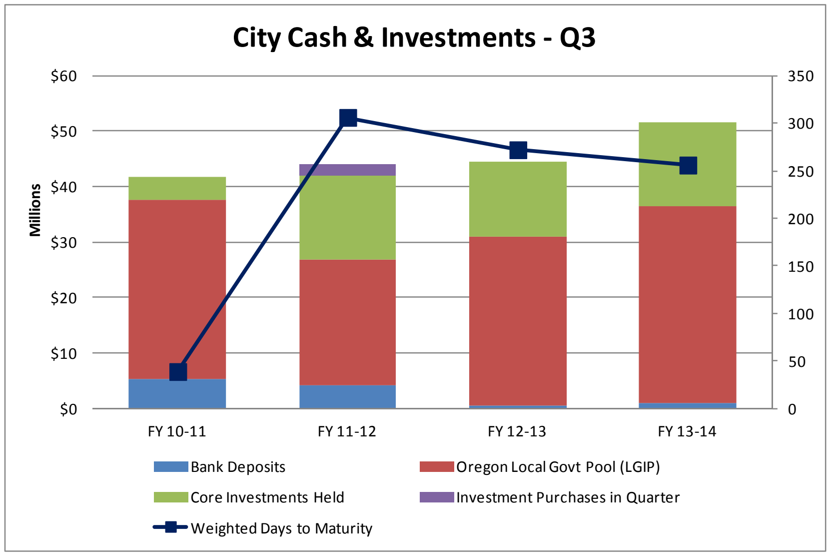
This project is the annual re-construction and overlay of selected streets based upon priorities set by a survey of pavement conditions.

The reconstruction of 10th Street between Buchanan and Grant Avenues is complete.

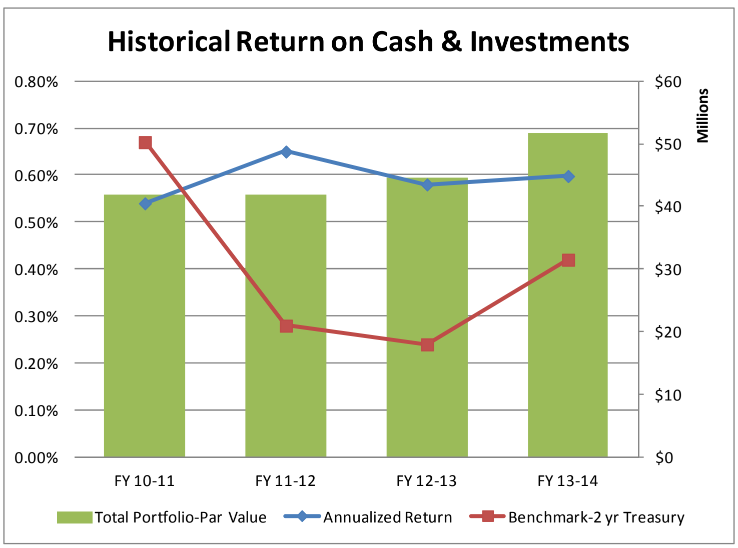
Reconstruction of 12th Street north of Maple Avenue has been eliminated from the CIP and funding transferred to the emergency repair of Reiman Avenue Bridge.

CASHFLOW AND INVESTMENT PORTFOLIO QUARTERLY UPDATE

A Treasury Report is prepared and filed monthly for review by the Administrative Services Committee, which reviews the status of investments in conjunction with this quarterly operating report.



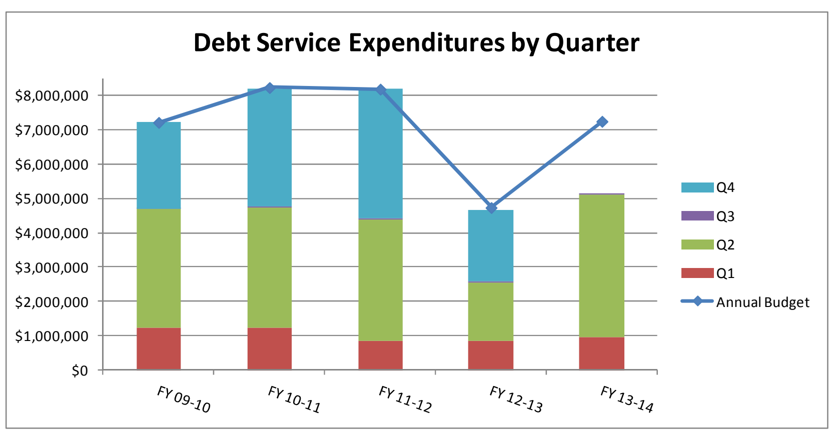
The graphs in this section depict a four year history of total holdings at the end of each third quarter. While shrinkage of cash holdings due to flat or diminishing revenues and increasing expenditures was seen between the first quarter of FY 10-11 to FY 11-12, the third quarter shows the slight increases in total holdings provided in each of the last three years from receipt of property taxes and in particular the incremental 2011 operating levy revenues. The total portfolio has also benefitted from financial policies related to building the General Fund reserve and increasing balances of system development charge reserves which have restricted purpose spending.



Since hiring an Investment Advisory firm in 2011, the City began to more strategically ladder its portfolio term-wise and gain some return without undue risk. The graph to the left shows that the City has succeeded in outperforming the benchmark 2-year Treasury note rates in that time frame, while staying within investment policy dictates of a weighted average maturity of less than 18 months (as illustrated in the graph above). The City's target core portfolio of approximately $15.5M is currently fully invested, with a first maturity date of October 2015.

NON-OPERATING EXPENDITURES – DEBT SERVICE QUARTERLY UPDATE

Actual debt service expenditures are typically very close to budget since the debt service schedules are known. General Obligation Bond payments are usually structured to occur in the second quarter when cashflow is higher from property tax inflows. The end of Q4 or beginning of Q1 are the other common times to schedule debt service payments if related to seasonal underlying revenue streams. The significant total debt reduction shown in FY12-13 is due to three refunded utility-backed loans.



Performance Measurement can be key for providing management, staff, the City Council and citizens with information on how well City staff are providing expected service levels, as well as linking this performance with Council Goals and values. Continuing pressure to improve accountability and provide greater value-for-money performance has prompted government at all levels to recognize the need for outcome-oriented and strategic performance indicators.

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY12-13 ACTUAL	FY13-14 TARGET	3rd QTR ACTUAL	FY13-14 YTD
Cost Efficiency	Ensure City financial resources are primarily spent on operations that provide services directly to citizens.	Maintain general overhead costs (City Manager's Office and Finance) at less than 7% of total operating budget.	5.6%	<7.0%	5.59%	5.67%
	Provide necessary information technology resources for departments to operate efficiently.	Achieve 100% server uptime relative to scheduled server uptime.(1)	99.74%	100%	99.9%	99.3%
	Achieve a Fire Department 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.(2)	57.0%	60.0%	64.4%	56.5%
	Provide multiple opportunities for community involvement while lowering Parks & Recreation program costs.	Total number of hours worked by volunteer staff in support of parks and recreation activities.(3)	25,069 (12 FTE)	27,500 (13 FTE)	5,089 (2.45 FTE)	16,893 (8.13 FTE)
	Increase community safety by reducing response time to top priority Police calls.	Response time in seconds to top priority Police calls.	296	<300	329	329
	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.(4)	138 or 2.5/thou	<2.5	32 (or < 2.5/thou)	110 or 2.0/thou
	Maintain transit costs below national average of $2.70 per ride.	Costs per transit ride.(5)	$1.64	<$2.70	$1.68	$1.80
Diversity	Provide a welcoming organization that promotes and respects diversity.	% of job applicants for regular positions who identify themselves as a minority. (6)	15%	16%	14%	17%
	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. (7)	3.2	10.0	6.7	7.0

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY12-13 ACTUAL	FY13-14 TARGET	3rd QTR ACTUAL	FY13-14 YTD
Sustainability	Seek out the most promising Stage 2 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.	Number of Economic Development division staff visits to Benton County's promising Stage 2 companies.	NEW	150	25	78
Sustainability	Conserve resources by reducing fuel and paper use.	Percentage of permits issued online (mechanical, electrical, and plumbing).(8)	49.0%	35.0%	49.6%	50.8%
Sustainability	Achieve above national average use of Library materials in the collection: >3.39 turnover rate.	Circulation turnover rate of items in the Library collection.	4.71	4.82	1.17	3.54
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.(9)	$8.01	<$35.50	$0.22	$4.93
Sustainability	Increase the utilization percentage of granted scholarships.	Percent of total scholarship value expended.(10)	64%	45%	79%	32%
Sustainability	Maintain energy costs for wastewater treatment below the national average as determined by NACWA ($166 per million gallons treated).	Energy cost per million gallons treated.(11)	$94.55	< $80.00	N/A	N/A
Community Involvement	Encourage and provide opportunities for citizen involvement with library services.	Number of Library volunteer hours worked and FTE (full time equivalent).(12)	14,619 HRS/ 7.03 FTE	17,000 HRS/ 8.17 FTE	3,498 HRS/ 1.68 FTE	10,369 HRS/ 4.99 FTE

1. During Q1, MIS experienced one significant power outage that caused server downtime and no significant downtime during Q2 or Q3. Overall performance for the fiscal year is still near perfect which indicates adequate server backup and scheduling of maintenance.
2. Staffing level reductions are resulting in some below target response times, but department is still working to manage within the range of comparators.
3. Volunteers are most prevalent in the third and fourth quarters; P&R fixed a Q1 reported error for volunteers, which is reflected in the YTD value. Parks operations continue to be a leader in the utilization of volunteer labor, capitalizing on college and community need for service project opportunities.
4. There have been 110 accidents, or 1.98 per thousand YTD. FY13-14 YTD figures utilize the most recent actual PSU Population Research Group figure of 55,345 (December 2013).
5. Fareless transit has led to significantly higher ridership resulting in lower cost per rider than historically obtained despite higher program costs.
6. Of the 268 applicants in the third quarter, 38 indicated they are a minority, or 251 out of 1,510 applicants YTD.
7. In the third quarter, there were three First Time Home Buyer down payment assistance loans approved and closed.
8. Target is exceeded due to increasing awareness of online permit services; 342 permits issued online in Q3, saving multiple trips to City Hall.
9. In FY12-13, this measure applied to fire loss within the City of Corvallis only.
10. This program is designed for families at or below federal poverty guidelines. Due to outreach and changes in eligibility per cost recovery policy, utilization rates are expected to exceed expectations. A quarter's utilization rate can exceed YTD utilization rates since awards are granted throughout the entire year, which can impact the percent of utilization. There is no cap on awards granted and they're not all granted at the beginning of the fiscal year, which can cause a YTD utilization rate to be lower than a quarter's percentage as occurred during Q3.
11. This is an annual measure calculated in Q4; no additional data is collected in the first three quarters of the fiscal year.
12. The Library continues to utilize volunteers to keep up with demand for services and provide community involvement opportunities; however, the number of hours in the first three quarters of the fiscal year are down because of changes in assigned tasks and due to some Library closures in December and February from heavy snow/ice.