



# 4th Quarter Financial Summary

## FY 2013-14

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

PERFORMANCE AT A GLANCE (YEAR TO DATE)		COMMENTS
<b>GENERAL FUND</b>		
General Fund Expenditure vs. Revenue	WATCH	Revenues are slightly exceeding expenditures, though not all final yearend adjustments have been processed.
Property Tax Revenue	WATCH	Reduced property values and ongoing appeals by two large tax payers has impacted revenue versus budget; year-end receipts are still higher than expected post-HP refund.
Transient Room Tax	POSITIVE	FY 13-14 total receipts came in marginally over budget and about 2% over FY 12-13 actuals, following a nearly 13% increase from FY 11-12 to FY 12-13, which is indicative of some local economic improvement.
Franchise Fees	WATCH	Although franchise fees came in higher than the prior two years' actuals, lower demand and conservation of utilities resulted in slightly less revenue than budgeted.
State Shared Revenue	POSITIVE	Receipts by year-end exceeded budget by about 5% and were 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	General Fund expenditures YTD came in under budget. Some departments used vacancy-related personnel services savings on delayed projects, while others plan to reserve savings to spend in future years on deferred maintenance.
<b>SPECIAL REVENUE FUNDS</b>		
9-1-1 Emergency Services	WATCH	Declining fund balance; although current year revenues met expectations, and budget was underexpended, future revenues may be insufficient for current service levels.
Community Development Revolving	WATCH	No loan will be needed based on a positive ending fund balance for FY 13-14, but negative cash balances are expected to continue in the new fiscal year based on future revenues that are insufficient to maintain current service levels.
Development Services	POSITIVE	Revenues currently exceed last fiscal year and FY13-14 budget due to significant growth in volume and valuation of development projects.
Parking	WATCH	Revenues are relatively flat and there are many operational unknowns based on the November ballot initiative on Residential Parking District.
Street	WATCH	Declining fund balance; future revenues may not be adequate to continue service levels.
Transit	POSITIVE	Current revenues were lower than last fiscal year and FY13-14 budget and expenditures were higher than last year; but net revenues added to fund balance at fiscal year end.
<b>ENTERPRISE FUNDS</b>		
Airport	POSITIVE	Both revenues and operating expenditures came in at roughly half of budget by year end, but green line operations were marginally positive. A net reduction in fund balance was primarily due to payoff of the remaining debt in this fund. Carrying a higher fund balance plus the availability of infrastructure maintenance grants have resulted in some stability.
Storm Water	POSITIVE	Budgeted revenues close to target and expenditures under budget and prior year, with a slight decline in fund balance, as of yearend.
Wastewater	POSITIVE	Fund balance supplemented at year end by nearly \$1.4 million prior to final revenue accruals; metered revenues ended the year higher than prior fiscal year and budget due to usage, with expenditures well under budget and prior year from large deferred projects.
Water	POSITIVE	Similar to Wastewater results, with metered revenues exceeding target, and operating expenditures under budget, resulting in nearly an \$895 thousand add to fund balance.
<b>INTERNAL SERVICE FUNDS</b>		
Risk Management	WATCH	Risk coverage premiums continue to increase; claims are using up deductible capacity and reserves may be insufficient for a catastrophic event.

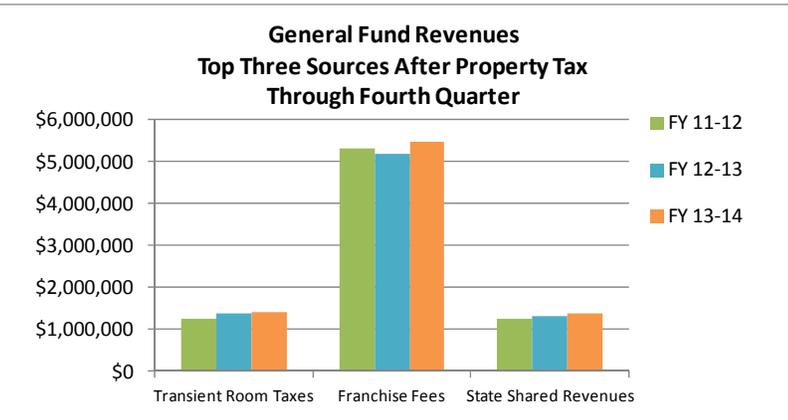
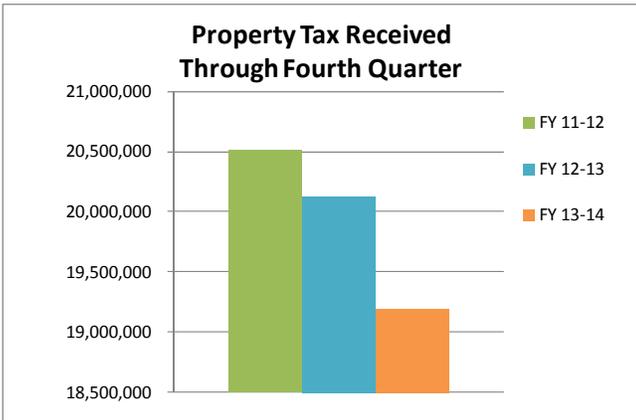
**What the ratings mean:**

**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.

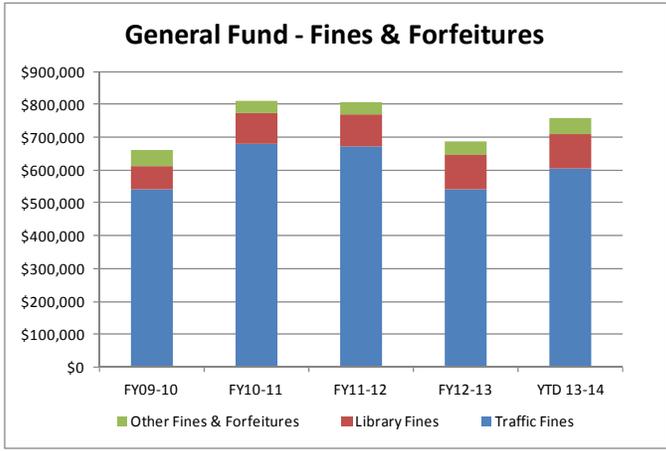
**Watch** – Various stressors may cause current revenues to be flat or decline and impact the fund's capacity to support the current level of service. Factors exist that may contribute to higher than anticipated expenditure levels in more than one category over the next 6-12 months.

## GENERAL FUND

REVENUE	AMENDED BUDGET	4th Quarter FY 12-13	Y-T-D FY 12-13	FY 12-13 % REC/EXPEND	AMENDED BUDGET	4th 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	\$888,254	\$20,126,321	95.83%	\$20,617,620	\$773,336	\$19,195,834	93.10%
Other Tax	1,270,650	524,058	1,396,192	109.88%	1,372,600	527,347	1,424,997	103.82%
Licenses/Permits	5,708,610	1,857,657	5,598,426	98.07%	5,925,060	1,812,840	5,888,096	99.38%
Charges for Service	5,856,500	1,179,662	5,819,605	99.37%	5,889,850	1,255,540	6,087,759	103.36%
Intergovernmental	4,309,570	796,085	4,068,661	94.41%	4,227,760	555,779	3,990,821	94.40%
Fines/Forfeitures	830,110	173,057	685,830	82.62%	771,390	221,785	756,533	98.07%
Miscellaneous	576,300	130,522	592,246	102.77%	1,307,680	169,196	1,168,116	89.33%
Other Financing Sources	2,845,350	612,876	2,689,794	94.53%	7,061,488	268,500	6,357,826	90.04%
<b>TOTAL CURRENT REVENUE</b>	<b>\$42,399,730</b>	<b>\$6,162,171</b>	<b>\$40,977,075</b>	<b>96.64%</b>	<b>\$47,173,448</b>	<b>\$5,584,323</b>	<b>\$44,869,983</b>	<b>95.12%</b>
<b>EXPENDITURE BY DEPARTMENT</b>								
City Manager's Office	\$380,000	\$106,236	\$231,272	60.86%	\$326,250	\$93,467	\$320,809	98.33%
Community Development	1,311,410	310,098	1,225,394	93.44%	1,309,840	356,682	1,238,318	94.54%
Finance	629,740	146,807	599,019	95.12%	646,770	155,582	617,575	95.49%
Fire	10,455,220	2,660,359	10,175,170	97.32%	10,485,960	2,872,853	10,441,709	99.58%
Library	6,053,510	1,578,779	5,810,754	95.99%	6,524,140	1,589,797	6,482,433	99.36%
Parks & Recreation	6,080,310	1,963,405	6,065,856	99.76%	6,295,130	1,780,009	6,193,954	98.39%
Police	10,499,190	2,584,684	10,154,728	96.72%	10,688,290	2,952,329	10,580,875	99.00%
Public Works	1,218,900	262,794	982,569	80.61%	1,026,260	317,829	864,331	84.22%
Non-Departmental	1,362,100	311,307	1,323,230	97.15%	1,480,870	379,065	1,296,906	87.58%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>37,610,380</b>	<b>9,924,469</b>	<b>36,567,992</b>	<b>97.23%</b>	<b>\$38,783,510</b>	<b>\$10,497,613</b>	<b>\$38,036,910</b>	<b>98.07%</b>
Debt Service	\$243,880	\$0	\$243,872	100.00%	\$243,180	\$0	\$243,174	100.00%
Transfers / Other Financing Uses	3,100,663	878,811	2,926,102	94.37%	7,085,818	679,533	6,340,429	89.48%
Contingencies/Reserves	512,850	0	0	0.00%	597,200	0	0	0.00%
<b>TOTAL ALL EXPENDITURES</b>	<b>\$41,467,773</b>	<b>\$10,803,280</b>	<b>\$39,737,966</b>	<b>95.83%</b>	<b>\$46,709,708</b>	<b>\$11,177,146</b>	<b>\$44,620,513</b>	<b>95.53%</b>
<b>CURRENT REVENUE LESS TOTAL EXPENDITURES</b>		<b>(\$4,641,109)</b>	<b>\$1,239,109</b>		<b>\$463,740</b>	<b>(\$5,592,824)</b>	<b>\$249,469</b>	



At less than 2% of total revenues, fines and forfeitures are not as significant as other sources of funding that support General Fund services. However, at over half a million dollars total, the volatility shown at right can have a noticeable impact on a narrow bottom-line fund balance. In particular, traffic fines are heavily impacted each year by both Police department and court clerk vacancies or prolonged absences. When fines are increased it may cause total revenues collected to go up substantially or conversely it may go down based on changed behaviors leading to the fines, and/or due to more bad debts where offenders are unable or unwilling to afford the payments. FY 10-11 and FY 11-12 saw an uptick in fine revenue due to improved collection efforts by the City, but when this effort had run its course and some vacancies occurred; there was a decline again in FY 12-13. Traffic fine revenues did increase marginally in FY 13-14 by year-end, but have not attained previous highs, and Library fines revenue was down slightly from its peak in FY 12-13.



<b>GENERAL FUND</b>				
<b>BUDGETARY BASIS</b>	<b>AUDITED FY 12-13</b>	<b>ADOPTED FY 13-14</b>	<b>Year-To-Date FY 13-14</b>	<b>% of Budget Year-to-Date</b>
<b>RECURRING</b>				
<b>NON DEDICATED REVENUE</b>				
Property Taxes - Permanent Rate	\$19,777,358	\$20,145,110	\$18,743,848	93.04%
Prior Year Delinquent Tax Revenue	348,963	472,510	451,986	95.66%
Transient Room Tax	1,396,192	1,372,600	1,424,997	103.82%
Franchise Fees	5,186,268	5,519,540	5,486,499	99.40%
State Revenue Sharing	520,207	515,690	537,106	104.15%
Alcohol/Cigarette Tax	808,548	806,420	847,782	105.13%
Pass-Throughs	786,694	774,640	618,750	79.88%
Miscellaneous Other Revenues	606,538	549,260	582,216	106.00%
<b>TOTAL NON-DEDICATED RECURRING REVENUE</b>	<b>\$29,430,767</b>	<b>\$30,155,770</b>	<b>\$28,693,184</b>	<b>95.15%</b>
<b>DEDICATED REVENUE</b>				
Property Tax - Local Option Levy	\$1,809,961	\$1,908,620	\$1,842,322	96.53%
City Manager's Office	121,000	121,000	121,176	100.15%
Community Development	157,300	150,880	132,902	88.08%
Finance	540,003	625,600	606,680	96.98%
Fire	3,333,201	3,565,090	3,602,373	101.05%
Library	2,627,257	2,747,650	2,529,775	92.07%
Parks & Recreation	2,000,836	1,821,870	1,948,944	106.97%
Police	384,390	368,980	399,829	108.36%
Public Works	155,289	147,000	145,282	98.83%
<b>TOTAL DEDICATED RECURRING REVENUE</b>	<b>\$11,129,238</b>	<b>\$11,456,690</b>	<b>\$11,329,283</b>	<b>98.89%</b>
<b>TOTAL RECURRING REVENUE</b>	<b>\$40,560,005</b>	<b>\$41,612,460</b>	<b>\$40,022,467</b>	<b>96.18%</b>
<b>EXPENDITURES</b>				
City Manager's Office	\$231,272	\$326,250	\$320,865	98.35%
Community Development	1,225,394	1,309,840	1,238,321	94.54%
Finance	599,019	646,770	617,576	95.49%
Fire	10,517,480	11,005,240	10,879,560	98.86%
Library	5,852,004	5,999,350	5,888,403	98.15%
Parks & Recreation	6,086,666	6,462,480	6,188,327	95.76%
Police	10,056,265	10,693,720	10,606,592	99.19%
Public Works	936,026	942,870	820,353	87.01%
Non-Departmental	1,323,230	1,448,070	1,264,107	87.30%
Debt Service	243,872	243,180	243,174	100.00%
Pension Obligation Bond Debt - Transfers	2,037,200	1,870,950	1,870,950	100.00%
Pass-Throughs	784,828	774,640	597,869	77.18%
Contribution to Fund Balance Reserve/Contingencies	2,906,200	945,000	1,269,085	134.29%
<b>TOTAL RECURRING EXPENDITURES</b>	<b>\$42,799,455</b>	<b>\$42,668,360</b>	<b>\$41,805,182</b>	<b>97.98%</b>
<b>RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES</b>	<b>(\$2,239,450)</b>	<b>(\$1,055,900)</b>	<b>(\$1,782,715)</b>	
<b>POTENTIAL BEGINNING BUDGETARY FUND BALANCE</b>	\$2,760,009	\$860,730	\$915,509	
<i>Net Recurring Revenue/Expenditure</i>	(2,239,450)	(1,055,900)	(1,782,715)	
<i>Net Non-Recurring Revenue/Expenditure</i>	394,875	863,290	1,279,652	
<b>ENDING BUDGETARY FUND BALANCE</b>	<b>\$915,434</b>	<b>\$668,120</b>	<b>\$412,446</b>	
<b>Ending Reserve Balance by Type</b>				
RESTRICTED	\$629,669	\$460,096	\$629,919	
COMMITTED	1,149,330	\$1,112,174	\$1,106,989	
ASSIGNED	742,653	\$1,223,884	\$1,334,729	
<b>FUND BALANCE</b>	<b>2,906,200</b>	<b>\$3,221,200</b>	<b>\$3,174,574</b>	
	\$5,427,852	\$6,017,353	\$6,246,211	

The General Fund Financial Plan update provided above shows the unaudited, estimated status of the "green line" at the end of Q4. The sustainable green line, the ending budgetary fund balance YTD, and the ending reserve balances may continue to change somewhat until the year-end audit and final entries are complete. The table above currently has a General Fund ending budgetary fund balance (yellow line) of \$412,446; however, transfers to move unused department appropriations to reserves has not yet occurred. Once those transfers occur the General Fund is expected to end FY 13-14 closer to the yellow line balance in the Adopted FY 14-15 Budget document, of approximately \$269,750. Otherwise,

the Q4 ending budgetary fund balance above is currently reflective of most of the year-end revenue and expenditure accrual entries, as well as:

- the first quarter \$1.44 million property tax refund to Hewlett-Packard (HP);
- an audited FY12-13 ending fund balance that was \$357,000 lower than projected in the Adopted FY13-14 Budget cycle, based on a combination of revenue shortfalls and Parks & Recreation fully expending its appropriations; and
- removal of a \$495,400 interfund loan placeholder from the Water SDC Fund that was originally anticipated to be needed, due to the HP appeal.

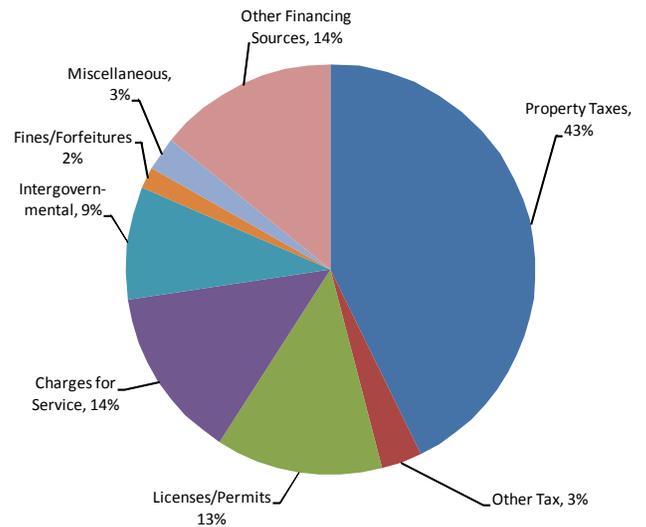
The **resources** pie chart, to the right, graphically illustrates the YTD proportions of all resources supporting General Fund services. Property taxes are on target at approximately 43% of the total resources received YTD, though this may change slightly as year-end accounting entries continue to take place as part of the FY 13-14 audit process.

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

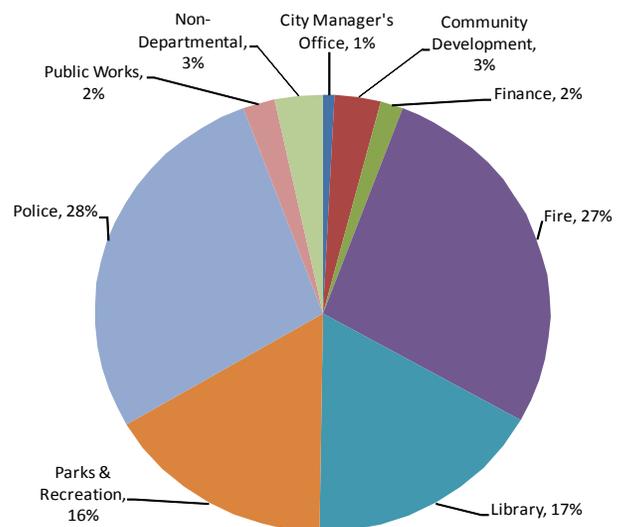
Comparing year-to-year expenditures in this Fund (table on page 2) demonstrates that FY13-14 spending is closely aligned with FY12-13 as a percentage of budget, but higher as a whole in FY13-14. Some notable increases by department include:

- a 39% increase in spending year-over-year for the City Manager's Office (CMO) due to full Economic Development staffing in FY13-14;
- Library's purchase of the Fenner Building, a property adjacent to the Corvallis Library, which is expected to be used for future expansion needs, but currently being rented for income to cover its maintenance;
- three unbudgeted retirement cash-outs for Police, as well as expenditures for bulletproof vests, new camera systems for patrol vehicles, replacement of the evidence database, and undercover surveillance equipment; and
- transfer expenditures were higher in FY 13-14 due to the fund balance transfers needed to consolidate Parks & Recreation, Library, and Fire & Rescue operations into the General Fund.

**General Fund Resources by Type  
FY 13-14 Fourth Quarter YTD**



**General Fund Expenditures by Department  
FY 13-14 Fourth Quarter YTD**



Fund Name	Resources YTD through 4th Quarter FY12-13	Resources YTD through 4th Quarter FY13-14	Variance 12-13 to 13-14	FY 13-14 Total Budgeted Revenue	YTD% of FY 13-14 Total Budgeted Revenue
2011 Operating Levy	\$1,814,469	\$1,773,274	(\$41,195)	\$1,870,860	94.78%
911 Emergency Services	2,136,809	2,245,783	108,974	2,231,980	100.62%
Administrative Services	4,172,495	4,539,061	366,566	4,554,350	99.66%
Airport	566,305	514,222	(52,083)	932,100	55.17%
Capital Improvement Project	1,826,661	2,036,978	210,317	7,042,380	28.92%
Community Development Revolving	1,576,338	1,998,792	422,454	3,210,200	62.26%
Davidson	37	32	(5)	0	0.00%
Development Services	3,113,000	4,009,394	896,394	2,602,700	154.05%
Facility Maintenance	765,941	796,650	30,709	795,870	100.10%
Fleet Maintenance	749,856	755,750	5,894	879,800	85.90%
General Obligation Debt Service	1,042,158	1,041,459	(699)	1,152,620	90.36%
Parking	662,579	647,411	(15,168)	667,100	97.05%
Parks System Development Charge	414,832	3,330,522	2,915,690	3,326,633	100.12%
Pension Obligation Debt Service	2,491,615	2,601,694	110,079	2,601,690	100.00%
Risk Management	1,029,565	1,081,214	51,649	1,061,830	101.83%
Street	3,953,451	4,279,939	326,488	4,347,950	98.44%
Street & Utilities Systems Development Charge	2,533,916	4,082,279	1,548,363	3,254,870	125.42%
Stormwater	2,449,333	3,049,337	600,004	3,169,794	96.20%
Technology & Communication	1,516,809	1,586,143	69,334	1,587,540	99.91%
Transit	4,594,085	4,172,167	(421,918)	4,388,720	95.07%
Wastewater	20,035,629	10,322,375	(9,713,254)	11,186,890	92.27%
Water	13,068,609	10,611,899	(2,456,710)	10,736,500	98.84%
<b>TOTAL RESOURCES</b>	<b>\$ 70,514,492</b>	<b>\$ 65,476,375</b>	<b>\$ (5,038,117)</b>	<b>\$ 71,602,377</b>	<b>91.44%</b>

### RESOURCES – Info on <>5% difference in Operating Funds from prior year or budget target (100%)

**2011 Operating Levy** – As of the report date, the General Fund purchase of delinquent accounts from the operating levy fund had not yet been recorded. The final revenue amount will be close to Adopted levels due to this buyout practice.

**Airport** – Grant related pavement maintenance projects originally anticipated to be accomplished in FY 13-14 were carried over to FY 14-15, so revenue ended below budget. Charges for service revenue was lower than the prior year due to fewer hangar rentals.

**CD Revolving** – While resources have increased over 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 FY13-14 CDBG and HOME projects were carried forward to FY14-15.

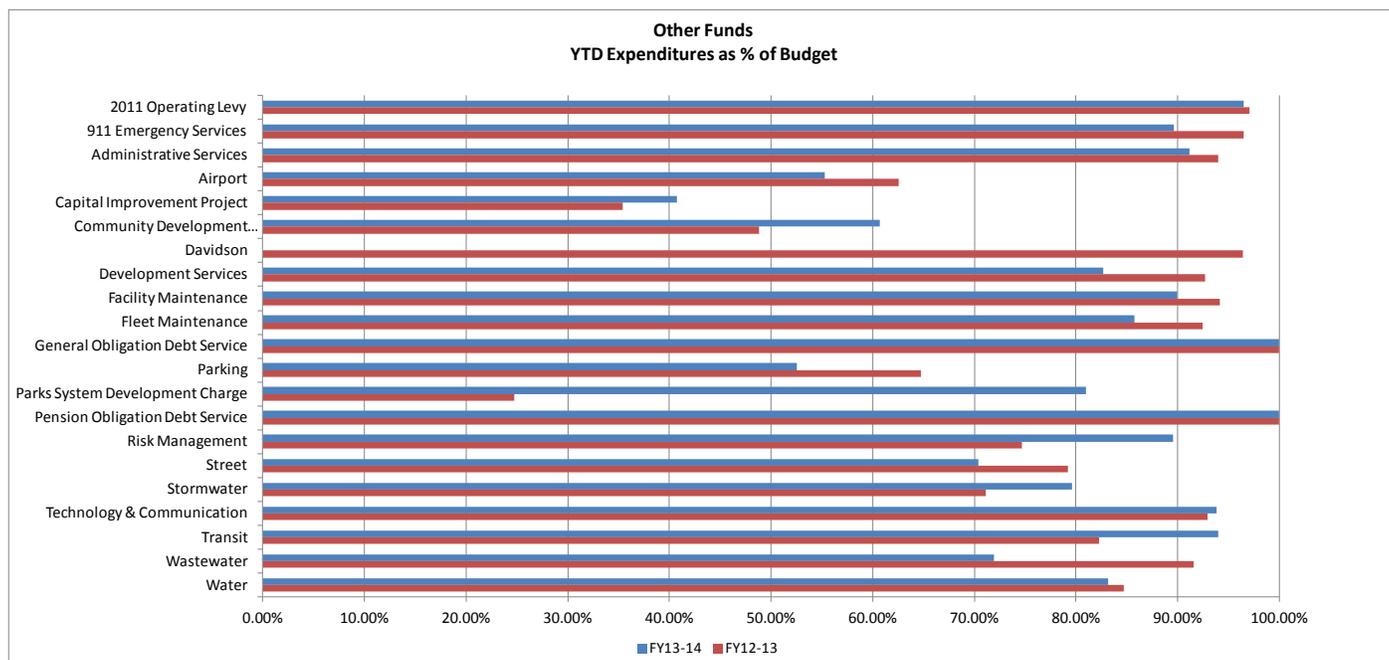
**Development Services / Parks System Development Charge (SDC)** – Charges for Service revenue in both of these funds, which includes reviews/inspections and SDC's respectively, are above target and last fiscal year due primarily to several large OSU projects. In general, the timing of such large projects 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, due in part to average decrease in cost per gallon, though still exceeding last year actuals.

**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 increased by over 5% from last year's levels, but will continue to be on "watch" next fiscal year. The Sidewalk Maintenance and Transportation Maintenance Fee program revenue came in significantly higher, bringing total fund revenue much closer to budget projections than last fiscal year.

**Transit** – Revenues are roughly \$600,000 less than the previous fiscal year which was the final year that the City received Business Energy Tax Credits. FY 13-14 results were also below budget based on delayed bus purchases and the related capital grant reimbursements.

**Wastewater/Water** – The \$9.7 million and \$2.5 million variances compared to prior year revenues respectively in these funds is due to bond proceeds received from the FY12-13 debt refunding of the Oregon Department of Environmental Quality (DEQ) and Oregon Business Development Department (OBDD) loans.



**EXPENDITURES – Info on <=>5% difference in Operating Funds from prior year or budget target (100%)**

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

**9-1-1 Emergency Services** – Actual expenditures are less than last year, and low compared to budget, due to about \$65,000 in dispatch equipment purchases having been carried forward to FY14-15, as well as two vacancies. A recruitment was initiated in Q4 for one position, and the other is being held open due to insufficient funding in FY14-15.

**Administrative Services** – Spending came in well below budget in this fund, due to several factors. \$50,000 remained unspent on a planned financial system upgrade; there were two vacant Finance positions, one of which was staffed by a temporary employee for the majority of the fiscal year, and the other was on-hold pending the outcome of a reorganization; a retirement in CMO prompted a reorganization mid-year, resulting in significant salary savings; lastly, unemployment claims came in more than \$70,000 under what had been anticipated based on past experience.

**Airport** – While expenditures are significantly under budget in both years from delays in completing pavement and hangar maintenance amongst other special grant-funded projects, FY13-14 total dollars were higher than the previous year due to personnel services costs for deferred maintenance projects plus the payoff of an OBDD loan.

**CD Revolving** – Spending is low as a percentage of budget because expenditures are primarily grant-related and thus variable in timing. Though spending was greater in total than last year, due to a significant portion of FY12-13 CDBG and HOME projects that were carried forward and finished up this fiscal year, over \$1.5M in FY13-14 CDBG/HOME projects are being carried forward now to FY14-15 as well.

**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 vacancy savings and because only about 25% of a \$198,750 computer software purchase budget had been spent by year-end, as staff pursued a less costly alternative to enhance services to the public.

**Facility Maintenance** – Though still low compared to budget, spending is closer to last year's levels now that a vacancy has been filled and with progress made on special projects; however, delays in shipment of a replacement van budgeted for in FY 13-14 resulted in a supplemental budget being needed to purchase this vehicle in FY14-15 instead.

**Fleet Maintenance** – Spending is low as a percentage of budget and vs. last year due to a 24% decrease in fuel purchases compared to last year, and the average price of gasoline being less than anticipated.

**Parking** – Spending is low as a percentage of budget due to lower than anticipated spending on OSU collaboration and parking district related projects, as well as municipal court clerk, police parking enforcement, and public works transportation program specialist vacancies. The parking enforcement position is in its final recruitment stages and will not be filled until FY14-15. Budget associated with the Residential Parking District Council Initiative was not spent pending outcome of the November 2014 voter referendum regarding the districts.

**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. These transfers account for the much larger expenditure in FY13-14 vs. FY12-13 and as a percentage of budget. Absent the fund balance transfer, expenditures in both fiscal years at the end of Q4 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 compensation 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 was also higher this year. New claims for broken water mains, and storm damage also contributed to expenditures exceeding Adopted FY 13-14 budget by year-end, such that Council approval for contingency appropriations was sought and received prior to that occurring.

**Street** – Total expenditures are low compared to budget, mostly due to several vacant positions being held while staff reviewed projects for possible savings/delays in order to be proactive with potential fund balance issues. Special project expenditures ended at 88% of budget, but the sidewalk safety program (funded by a Sustainability Initiative Fee (SIF)) and the Transportation Maintenance Fee (TMF) program, which are both part of this budget, were completed by year-end.

**Storm Water** – While spending is higher compared to the prior year, it is still low as a percentage of budget due to a number of vacancies and the carrying forward to future fiscal years of projects like the Storm Water Detention Facility and a vehicle replacement.

**Technology & Communication** – Spending is low compared to budget due to City-requested work orders varying year-to-year for the PW Telephone division and a position being held open pending analysis and possible reorganization. Delays in shipment of a replacement van prevented payment from occurring in FY13-14 as budgeted. A supplemental budget was approved by City Council in July to appropriate expenditures in FY14-15 from the vehicle reserve.

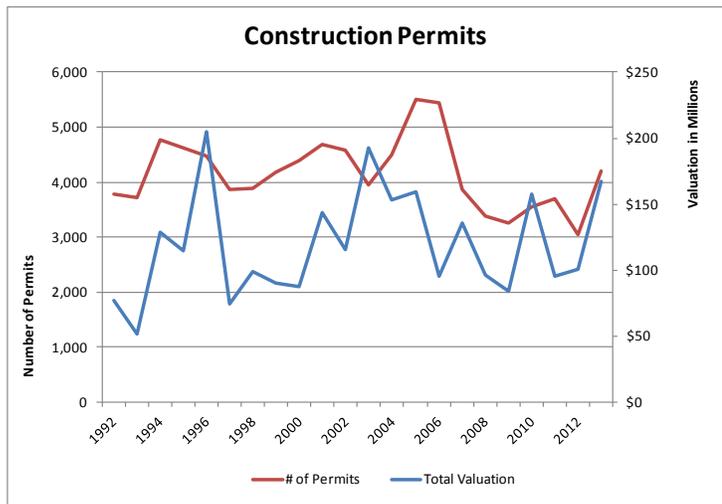
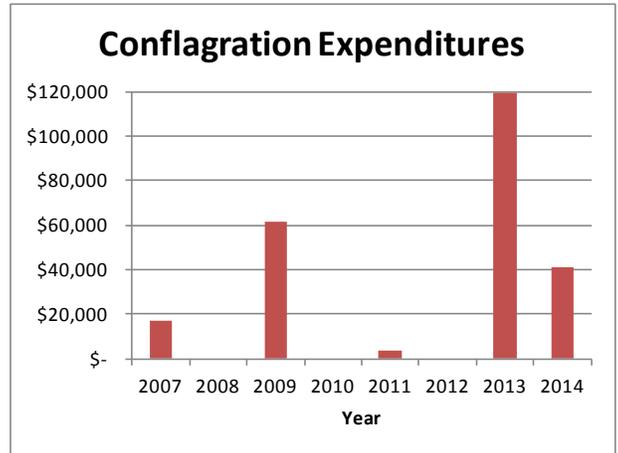
**Transit** – Actual spending was lower than budget across all categories. A vacancy in the STF program was just filled in February, while Material & Supplies costs were positively affected by biodiesel per gallon being less, and the Vehicle Information System Replacement project costs came in under budget.

**Wastewater** – Expenditures were significantly lower than last fiscal year and budget, due to savings from several vacancies just recently filled or currently being recruited for, and delaying the majority of certain large projects such as the Total Maximum Daily Load (TMDL) and the South Corvallis Interceptor project, which were 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 being filled late in the fiscal year and deferral of the Taylor Plant Supply Stabilization and other Master Plan projects to future fiscal years.

## **FUTURE OUTLOOK**

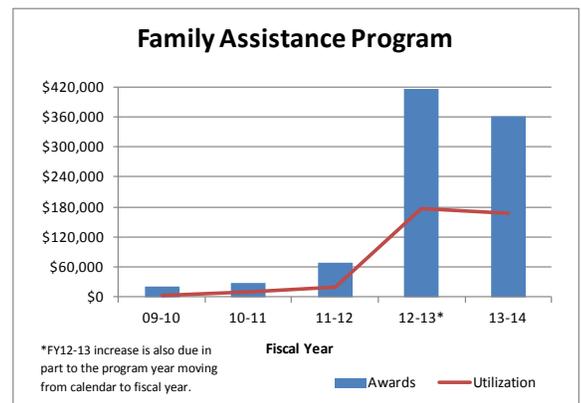
**Conflagrations** – In June, the Fire Department responded to the Two Bulls Conflagration in Bend. The department expects to be reimbursed by Q1 of FY14-15 for its personnel services costs incurred for this response. Total reimbursement receipts will be less than prior conflagrations as the engines that responded were owned by the Corvallis Rural Fire Protection District (CRFPD) and not the City. The graph to the right illustrates the variation in costs associated with these events over the past several years. While the Department is eventually reimbursed by the assisted entities, it is common for the expenditures and revenue to cross fiscal years, requiring the Fire Department to absorb these extra costs within its current fiscal year operating budget. When there is a particularly large or costly event, this can be particularly challenging with limited General Fund appropriations available.



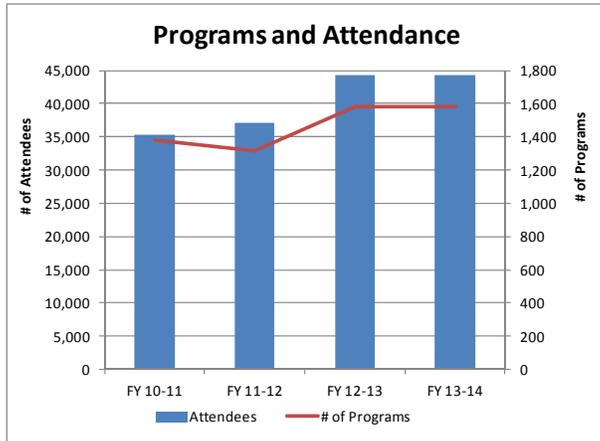
**Development Services** – Revenues in this fund are over 150% of budget at the end of the fourth quarter, or more than \$800,000 higher than this time last year. This fee and charges for service total dollar increase is largely the result of the issuance of significantly more construction permits which currently also carry higher valuations, including a few particularly large projects: the Oregon State University (OSU) Student Experience Center, classroom building and dormitory. A recent private development project is the mixed use residential and commercial project on the Riverfront (Jackson and 1<sup>st</sup> Streets). Services for these projects will likely span multiple years, so 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, staff will have to carefully allocate time and resources to these projects. The graph on the left highlights the difference in construction permit valuations vs. the number issued on an annual basis over the past 20 years to illustrate the challenges with predicting revenue streams and aligning them with staff work efforts and costs.

**Family Assistance** – The Family Assistance program utilization has seen drastic growth, from \$2,500 in FY09-10 to nearly \$170,000 in FY13-14 (see graph), more than double what was budgeted. The program will undergo several significant changes in response to this growth, as well as due to Parks & Recreation’s financial ability to support the program within the context of the firm expenditure limit implemented in the FY14-15 budget. The trend of increased utilization and registration was observed and anticipated to exceed budgeted amounts. The deficit was met by departmental savings through deferred maintenance and a mid-year supplemental budget from increased program revenues. Cost control strategies will be implemented for the long term sustainability of the Family Assistance Program which is a key component of the department’s mission.

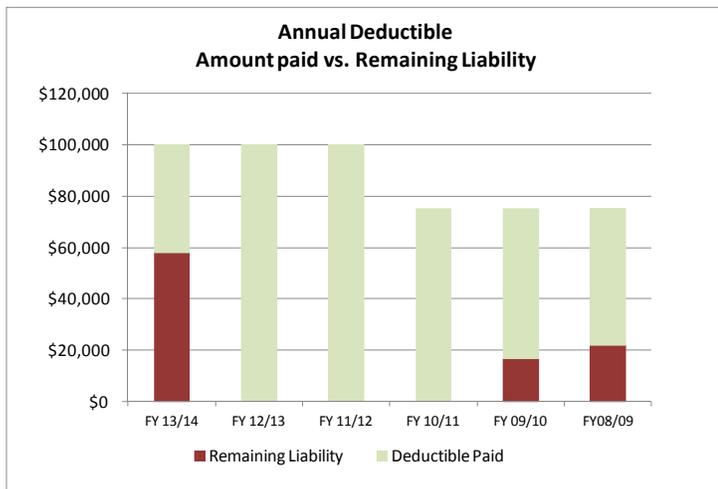


**Library** – As part of the Library’s core mission, services to children and youth continue to be in high demand. Programs are frequently filled to capacity (or above) which makes it more difficult for staff to deliver a high quality program. Over 300 people recently came to a Library Summer Reading program (in a room with a capacity slightly above 100) and over 500 visited the Bookmobile at the Farmer’s Market when the OSU student athletes were in attendance. There are a few alternatives the Library Board and staff will examine:



- Increasing the number of programs offered;
- Instituting stricter “ticketing” to events;
- Examination of options for larger meeting space in the Corvallis Library; and
- Holding more events off site.

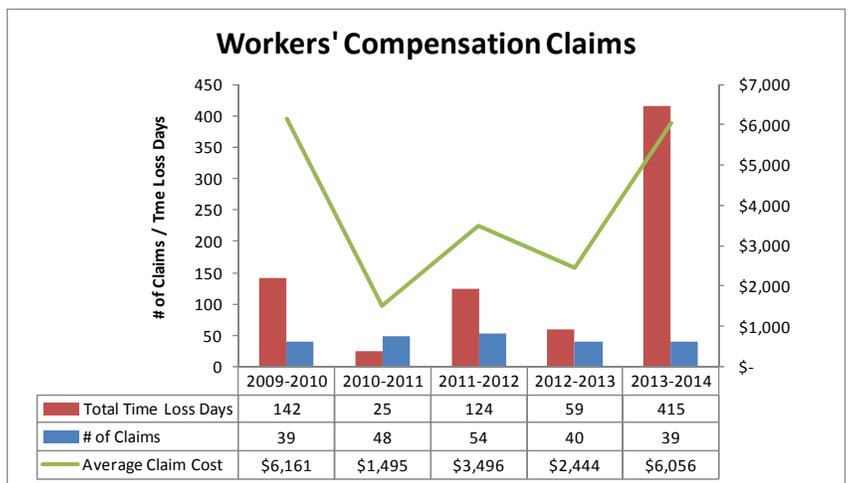
Each alternative has pros and cons, and will be examined in the Library’s update of its Strategic Plan.



**Risk Management** – The City of Corvallis purchases liability insurance from City County Services of Oregon. Prior to FY11-12, the City assumed a \$75,000 deductible on its tort, employment practice and automobile liability policies; to help reduce premium costs, the City has now assumed a \$100,000 deductible policy. As such, the City is liable for any and all claims up to the deductible amount for any given fiscal year. The graph to the left represents the deductible paid and remaining liability for each given fiscal year. For claims settled or adjudicated in any year where the City has a remaining deductible, CIS will invoice the City up to the remaining deductible on a quarterly basis. For instance, a FY09-10 liability claim was settled in Q3 FY13-14 and resulted in a Q4 invoice from CIS in the

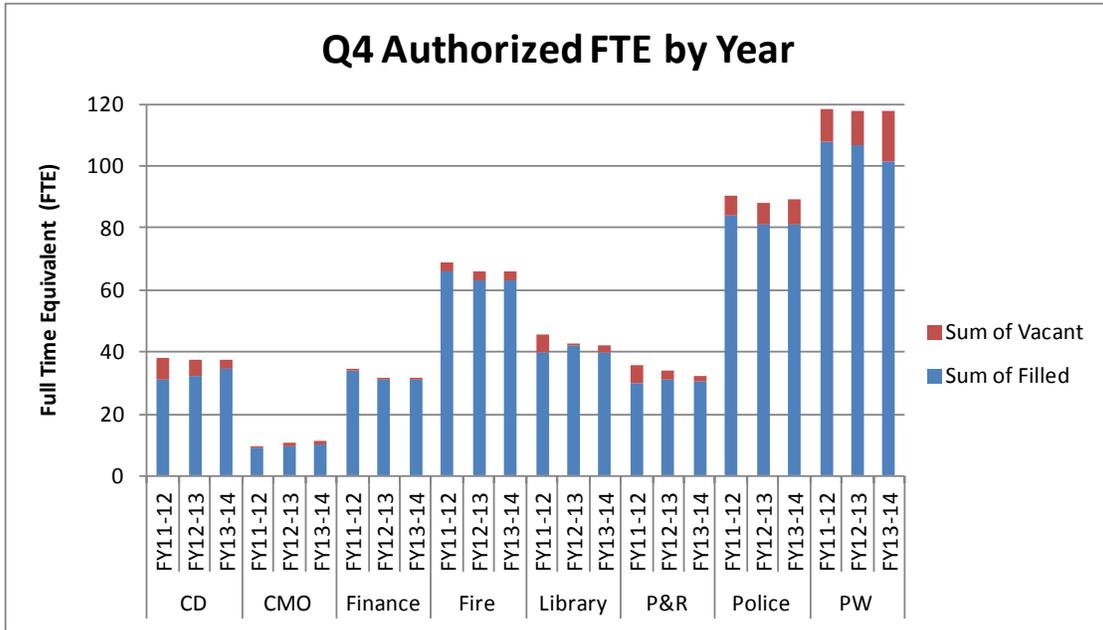
amount of \$50,000. The City still had outstanding claims from the 5th Street water line break that occurred in Q4 of FY13-14 and those claims will be applied against the City's remaining 13-14 deductible when received. As a result of the unexpected settlement of prior year's claims, Council approval was obtained to use \$200,000 in FY13-14 contingencies. The request for contingencies, which serve to temporarily deplete the Fund’s catastrophic reserve, was also intended to cover increased workers’ compensation claims costs seen in FY13-14. Fortunately the latter came in somewhat lower than expected by year-end, so not all of the contingency appropriations were needed.

Although the number of workers’ compensation claims is lower this fiscal year compared to last fiscal year, CIS noted that the cost per claim is running significantly higher than usual due to more surgery and rehabilitation as a result of the claims. Contributing are three significant claims in the Police Department, and two significant claims in Fire. These five public safety claims account for more than 400 of the total 415 time loss days in FY13-14, with one claim alone costing more than \$40,000. The graph to the right illustrates that the number of claims does not necessarily dictate how much the associated costs of the claim will amount to.

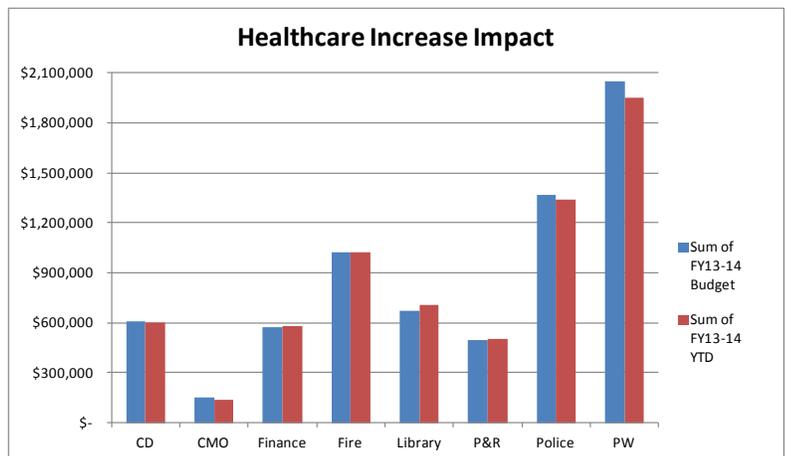


## CITY STAFF – PERSONNEL SERVICES QUARTERLY UPDATE

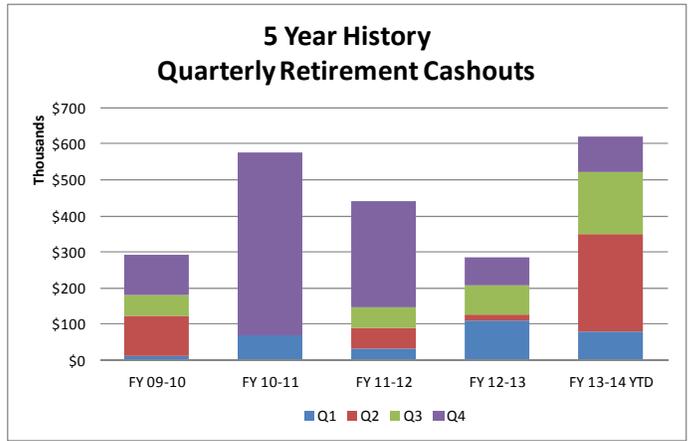
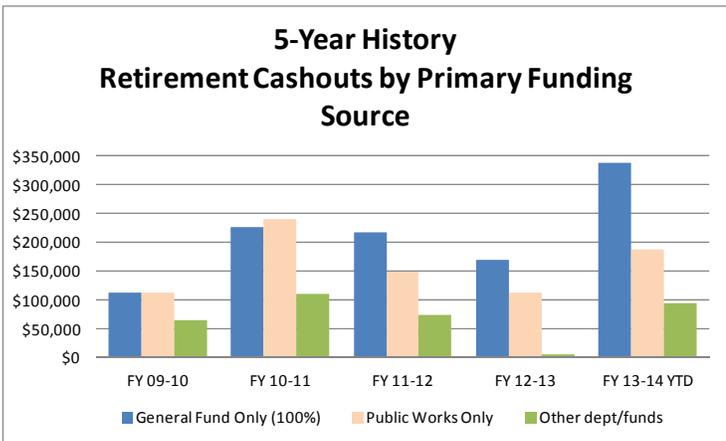
**Vacancies** – The bar graph below depicts how different departments have been impacted by vacancies this fiscal year in the fourth quarter vs. the prior two years. Public Works (PW) has seen significant departures due to retirements in FY13-14, with seven individuals having retired by year-end. PW’s 16 vacant positions at the end of Q4 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 (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. All departments must perform a position review and/or consider reorganizations whenever a position becomes vacant in order to consider potential budget savings among other possible efficiencies within that department.



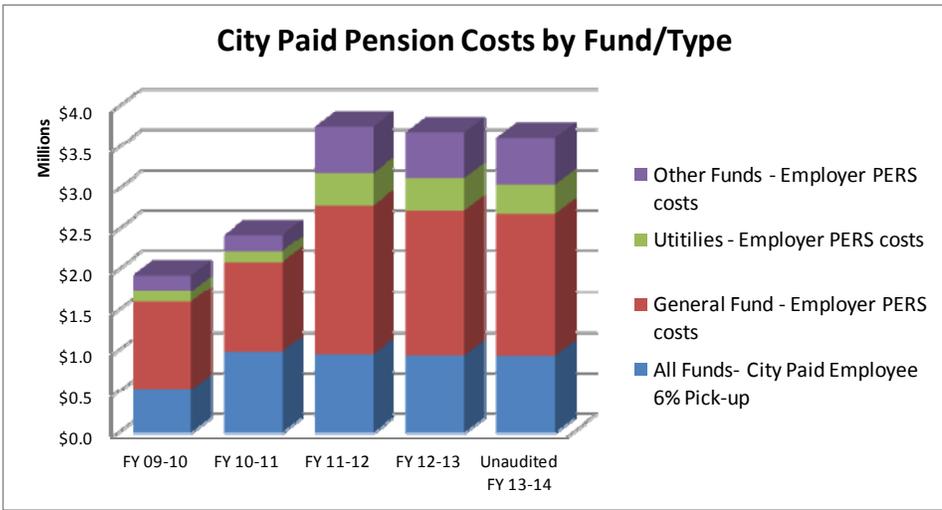
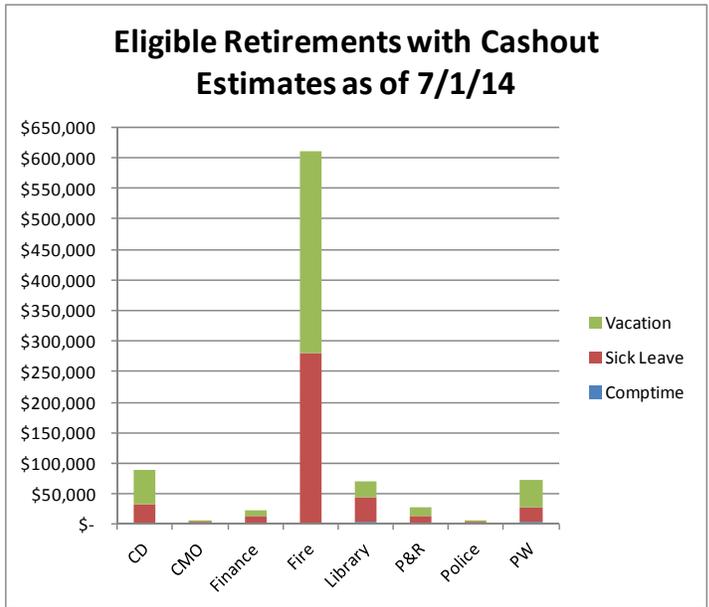
**Healthcare** – For FY 13-14 budget purposes, medical costs were held flat at 2013 rates since increases for the 2014 calendar year were not yet known. A 9.1% increase was experienced beginning January 2014, and had to be absorbed within each department’s budget. Fortunately, plan changes and vacancy levels resulted in most departments keeping within their total health benefits budget by the end of Q4. However, overages have occurred in medical costs in certain departments, as depicted in the chart to the right, which meant utilizing other savings or deferring projects to ensure that total authorized appropriations were not over expended.



**Retirements** – Retirement cashouts proved to be significant for FY13-14, with 19 individuals retiring during the year and over \$600,000 in related cashouts, whereas the prior four fiscal years averaged around only \$400,000 per year. The graphs below represent a five year history of quarterly cashout amounts in total (right graph), and the impact by funding source (left graph). The funding source graph shows that Public Works has been surpassed in volume of retirement payouts by the General Fund (primarily Police, Fire, Library and P&R) since FY11-12.



The City has numerous employees currently eligible for retirement or nearing eligibility, which means there is a potential for future years to also be subject to large payouts. These cashouts are difficult to budget for without substantial written notice from employees, which is not legal to require, so very frequently these cashouts end up having to be absorbed within a department's current year budget as they occur. As of the close of FY13-14, there are nearly 40 individuals eligible to retire with unreduced PERS benefits. The graph to the right portrays the potential cost that the City would incur if all of these eligible individuals were to retire as of 7/1/2014. Current vacation and sick leave accrual balances that would be owed to such retirees under their contracts or terms of employment would total over \$900,000 across all departments and funds, with the Fire Department representing 2/3 of that total.



**Pension Costs** – The adjacent graph shows the significant PERS/OPSRP employer rate increase in the previous biennium, yet the relative “stability” seen in this current biennium. It is noteworthy that FY12-13 and FY 13-14 have actually trended down from FY11-12 because of layoffs, vacancies and few COLA's accorded under labor contracts. The chart also illustrates the fact that about 65% of the employer rate PERS and OPSRP costs are in the General Fund, which is highly personnel intensive, whereas the Utility Funds represent only about 14% and

the remaining funds about 21% of total employer costs. The City also pays a 6% incremental rate on behalf of certain employees based on contractual agreements. In FY 10-11, management exempt staff joined IAFF, CPOA and CRCCA units in having their employee rates “picked up” by the City. Commencing in FY 15-16, AFSCME employees will also have their employee costs of 6% picked up, and this is expected to add approximately \$785,000 to the total pension costs shown above, as paid by the City.

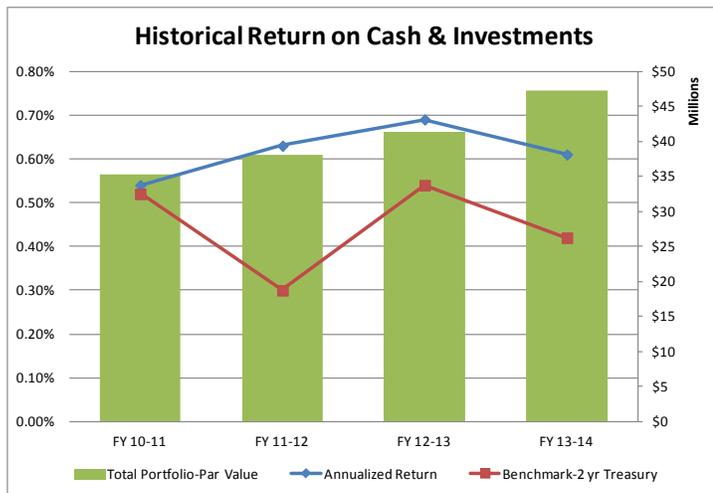
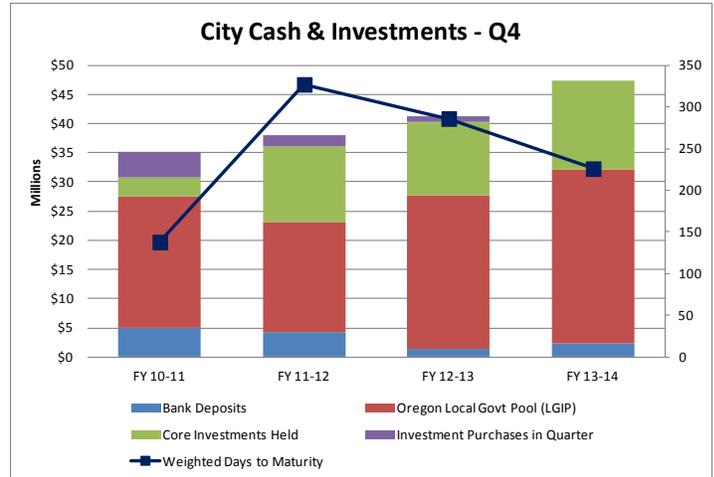
## CAPITAL IMPROVEMENT PROJECTS QUARTERLY UPDATE ON SIGNIFICANT ACTIVITY

<b><i>Fire Department Facilities Relocation</i></b>	<u>CIP Doc Pg:</u> <a href="#">11</a>	<u>Adopted Budget:</u> <b>\$219,000</b>	<u>Amended:</u> <b>\$206,070</b>	<u>YTD Expended:</u> <b>\$105,445</b>
This project relocates and replaces the current training facility, which is 40 years old and in poor condition. The new training facility will be located on the north end of the Public Works (PW) compound, and will be compatible with the PW Facilities Plan. Phase I, construction of the building pad was completed in FY 12/13. Phases II and III designs were completed in FY 13/14. Bids were opened on June 10, 2014 with construction beginning in late July, 2014 and expected to be completed by April, 2015. Finance staff is in the process of working on a September 2014 full faith and credit debt issuance to fund this project.				
<b><i>Municipal Buildings Rehabilitation</i></b>	<u>CIP Doc Pg:</u> <a href="#">13</a>	<u>Adopted Budget:</u> <b>\$90,000</b>	<u>Amended:</u> <b>\$90,000</b>	<u>YTD Expended:</u> <b>\$87,543</b>
This project extends the life of municipal buildings through a planned program of rehabilitation projects. This fiscal year's budget is for the replacement of the air conditioning unit in the Library computer room, which has now been installed. Remaining funds were used in the fourth quarter to upgrade the computer room's fire suppression system.				
<b><i>Sunnyside School Building</i></b>	<u>CIP Doc Pg:</u> n/a	<u>Adopted Budget:</u> <b>\$0</b>	<u>Amended:</u> <b>\$125,100</b>	<u>YTD Expended:</u> <b>\$117,617</b>
City Council accepted an anonymous donation to move the former Sunnyside School building from 9 <sup>th</sup> 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 was completed during the fourth quarter.				
<b><i>15th Street/Washington Way Improvements</i></b>	<u>CIP Doc Pg:</u> n/a	<u>Adopted Budget:</u> <b>\$37,400</b>	<u>Amended:</u> <b>\$1,037,840</b>	<u>YTD Expended:</u> <b>\$945,912</b>
This project combines the planned reconstruction of 15 <sup>th</sup> 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 15 <sup>th</sup> 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). Construction is expected to be completed in September, 2014.				
<b><i>Morris Avenue Bridge</i></b>	<u>CIP Doc Pg:</u> <a href="#">67</a>	<u>Adopted Budget:</u> <b>\$178,000</b>	<u>Amended:</u> <b>\$142,100</b>	<u>YTD Expended:</u> <b>\$31,376</b>
This project will replace the existing Morris Avenue Bridge over Oak Creek near 26 <sup>th</sup> Street. An interagency agreement exists between the City and ODOT for project design and construction. The consultant design is in progress with completion in FY 14-15 and construction in FY 15-16. The City Attorney is working on clearing up right-of-way (ROW) boundary issues that exist.				
<b><i>Reiman Avenue Bridge</i></b>	<u>CIP Doc Pg:</u> n/a	<u>Adopted Budget:</u> <b>\$0</b>	<u>Amended:</u> <b>\$58,600</b>	<u>YTD Expended:</u> <b>\$25,350</b>
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 exceeding the weight limit of the damaged bridge use a private access road. City Council approved adding the design of this project as part of the FY 13-14 Capital Improvement Program (CIP). Design is complete and construction is part of first quarter FY 14-15 CIP.				
<b><i>Biosolids Storage Tank</i></b>	<u>CIP Doc Pg:</u> <a href="#">95</a>	<u>Adopted Budget:</u> <b>\$40,000</b>	<u>Amended:</u> <b>\$39,410</b>	<u>YTD Expended:</u> <b>\$28,960</b>
This project provides for the replacement/rehabilitation of the existing biosolids storage tank and pumping system which are showing signs of age. Consultant design continues in conjunction with the WWRP Secondary Clarifier project.				
<b><i>WWRP Secondary Clarifiers</i></b>	<u>CIP Doc Pg:</u> <a href="#">105</a>	<u>Adopted Budget:</u> <b>\$850,000</b>	<u>Amended:</u> <b>\$820,360</b>	<u>YTD Expended:</u> <b>\$238,648</b>
This project will construct two new secondary clarifiers at the WWRP. The new clarifiers will accommodate increased flows due to community growth. Consultant design continues in conjunction with the Biosolids Storage Tank project.				
<b><i>36th and Grant Water Pump Station Improvements</i></b>	<u>CIP Doc Pg:</u> <a href="#">109</a>	<u>Adopted Budget:</u> <b>\$877,400</b>	<u>Amended:</u> <b>\$745,210</b>	<u>YTD Expended:</u> <b>\$627,232</b>
This project replaces the building and electrical equipment at the 36 <sup>th</sup> Street and Grant Avenue water pump station. Construction is complete.				
<b><i>Water Distribution System Rehabilitation</i></b>	<u>CIP Doc Pg:</u> <a href="#">121</a>	<u>Adopted Budget:</u> <b>\$320,000</b>	<u>Amended:</u> <b>\$430,010</b>	<u>YTD Expended:</u> <b>\$361,283</b>
This program provides for ongoing replacement or rehabilitation of the City's water distribution system infrastructure. Projects to be constructed in FY 14-15 have been awarded for construction which is scheduled to begin in July 2014 and be complete by September 2014. During the design phase of the 15 <sup>th</sup> St / Washington Way Improvements project, it was determined that a water valve insertion on the 24-inch water trunk line located in 15 <sup>th</sup> Street was needed prior to project-related excavation. Staff identified other water project savings to fund the additional valve work, and this portion has now been completed.				

## 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.

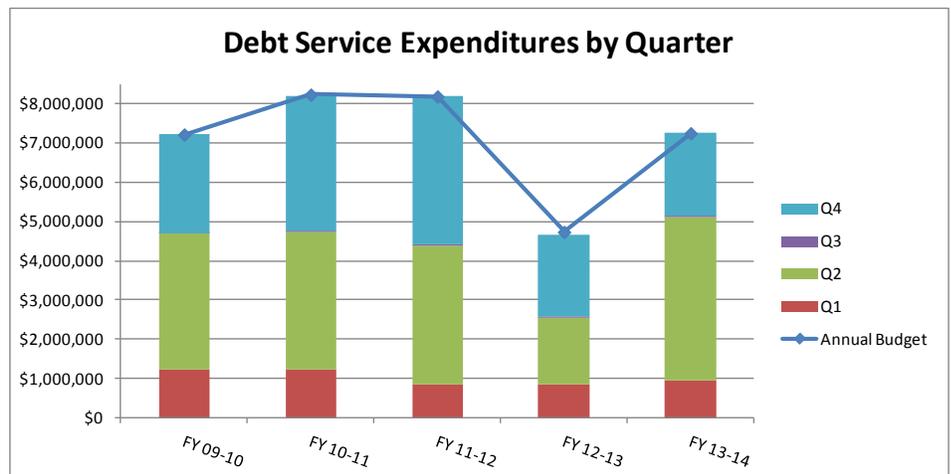
The graphs in this section depict a four year history of total holdings at the end of each fourth quarter. While shrinkage of cash holdings due to flat or diminishing revenues and increasing expenditures was seen between the first quarter of FY 10-11 to FY 11-12, the fourth quarter shows the slight increases 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	4th 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%	4.98%	5.50%
	Provide necessary information technology resources for departments to operate efficiently.	Achieve 100% server uptime relative to scheduled server uptime. <sup>(1)</sup>	99.74%	100%	99.9%	99.5%
	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. <sup>(2)</sup>	57.0%	60.0%	58.1%	56.9%
	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. <sup>(3)</sup>	25,069 (12 FTE)	27,500 (13 FTE)	5,119 (2.46 FTE)	22,012 (10.58 FTE)
	Increase community safety by reducing response time to top priority Police calls.	Response time in seconds to top priority Police calls. <sup>(4)</sup>	296	<300	278	316
	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. <sup>(5)</sup>	138 or 2.5/thou	<2.5	33 (or .60/thou)	143 (or 2.58/thou)
	Maintain transit costs below national average of \$2.70 per ride.	Costs per transit ride. <sup>(6)</sup>	\$1.64	<\$2.70	\$1.72	\$1.78
Diversity	Provide a welcoming organization that promotes and respects diversity.	% of job applicants for regular positions who identify themselves as a minority. <sup>(7)</sup>	15%	16%	14%	16%
	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. <sup>(8)</sup>	3.2	10.0	7.4	7.2

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY12-13 ACTUAL	FY13-14 TARGET	4th 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	72	150
	Conserve resources by reducing fuel and paper use.	Percentage of permits issued online (mechanical, electrical, and plumbing). <sup>(9)</sup>	49.0%	35.0%	49%	52%
	Achieve above national average use of Library materials in the collection: >3.39 turnover rate.	Circulation turnover rate of items in the Library collection. <sup>(10)</sup>	4.71	4.82	1.19	4.69
	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. <sup>(11)</sup>	\$8.01	<\$35.50	\$0.74	\$5.67
	Increase the utilization percentage of granted scholarships.	Percent of total scholarship value expended. <sup>(12)</sup>	64%	45%	146%	47%
	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. <sup>(13)</sup>	\$94.55	< \$80.00	\$88.82	\$82.58
Community Involvement	Encourage and provide opportunities for citizen involvement with library services.	Number of Library volunteer hours worked and FTE (full time equivalent). <sup>(14)</sup>	14,619 HRS/ 7.03 FTE	17,000 HRS/ 8.17 FTE	3,780 HRS/ 1.81 FTE	14,149 HRS/ 6.80 FTE

1. During Q1, MIS experienced one significant power outage that caused server downtime and no significant downtime during Q2-Q4. 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 first 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. Actual response time is slightly above target for FY 13-14, which is a result of lower than optimal staffing levels.
5. There have been 143 accidents, or 2.58 per thousand YTD. Though slightly above the target, the City continues to be well below the State average. FY13-14 YTD figures utilize the most recent actual PSU Population Research Group figure of 55,345 (December 2013).
6. Fareless transit has led to significantly higher ridership resulting in lower cost per rider than historically obtained despite higher program costs.
7. Of the 1,079 applicants in the fourth quarter, 156 indicated they are a minority, or 407 out of 2,589 applicants for the fiscal year.
8. In Q4, there were six First Time Home Buyer down payment assistance loans approved and closed, bringing the total number of loans YTD to fourteen.
9. Target is exceeded due to increasing awareness of online permit services; 439 permits issued online in Q4, as opposed to only 234 in Q4 of last year.
10. Although circulation turnover rate (circulation divided by number of items in collection) exceeded the national average by 38%, the measure is below target. While circulation increased 1.04% over FY 12-13, the size of the collection is also up 1.56%, resulting in a turnover rate less than predicted.
11. In FY12-13, this measure applied to fire loss within the City of Corvallis only.
12. 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 exceeded 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 Q4.
13. This is an annual measure calculated in Q4; lower than average total annual flow skewed the rate to be higher, as fixed power costs were not spread by as many millions of gallons.
14. The Library continues to utilize volunteers to keep up with demand for services and provide community involvement opportunities; however, the number of hours at fiscal year-end are down because of changes in assigned tasks and due to some Library closures in December and February from heavy snow/ice.