3rd Quarter Financial Summary
FY 2014-15

This report provides summary information on the City's financial status as of the end of March, 2015; more detailed comparative income statement format data is available on-line at this link.

PERFORMANCE AT A GLANCE (YEAR TO DATE)		COMMENTS
GENERAL FUND		
General Fund Expenditure vs. Revenue	WATCH	Revenue totals year-to-date (YTD) exceed target since most property taxes are received in Q2; receipts are also higher due to no Hewlett-Packard refund. Department spending is generally at YTD targets; long term fiscal health of the fund remains a concern.
Property Tax Revenue	POSITIVE	The majority of property tax receipts were received during Q2. Based on the 2014 tax certification of 4.3% AV growth, an improvement over Adopted projections is occurring.
Transient Room Tax	POSITIVE	Receipts YTD are 13% higher than prior year, and should exceed budget. The increase stems from good summer weather and higher OSU enrollment. Also, a Special Olympics event in March resulted in greater revenues compared to the same period last year.
Franchise Fees	POSITIVE	Franchise fees through Q3 of FY14-15 are nearly aligned with last year, though staff still expects it to exceed budget by 1% despite no anticipated utility rate increases in 2015.
State Shared Revenue	POSITIVE	FY13-14 receipts were about 5% above budget, and YTD FY14-15 revenues are aligned with revenues received at this time last year, yet still only 71% of budget due to a lag in State distributions; however, forecasted amounts are expected to be met by year end.
Fines & Forfeitures	WATCH	The first half of the fiscal year saw lower traffic fine revenue due to significant CPD vacancies/absences, as well as the learning curve due to e-citation and e-ticketing implementation. Although Q3 saw an increase, there are still lower receipts YTD vs. same time last year. Parking enforcement officers should be fully staffed by Q4.
General Fund Expenditures vs. Budget	WATCH	General Fund expenditures are generally on target and in line with prior year spending. Departments with personnel service 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; although prior year revenues met expectations, and budget was underexpended, YTD spending is a bit ahead of target and much higher than prior year.
Community Development Revolving	NEGATIVE	FY13-14 ended with a positive fund balance, but negative cash balances are expected to continue and calculations YTD anticipate a $300K negative ending fund balance in FY14-15, due to reduced federal grant revenue availability and ineligible administrative costs.
Development Services	POSITIVE	Permit revenues and charges for service are ahead of last fiscal year and budget YTD; improved results in this fund relative to a few years ago are from increased development.
Parking	WATCH	Revenues are higher than prior year, but lagging budget and fund balance has declined. The November ballot on Residential Parking Districts (RPD) did not pass so all related activity has been revised out of the FY14-15 budget. Parking citation revenue is expected to be on a downward trend through at least May due to Parking Enforcement vacancies.
Street	WATCH	Declining fund balance; future revenues may not be adequate to maintain service levels.
Transit	POSITIVE	Current revenues are lower than last fiscal year and FY14-15 budget, yet expenditures remain stable; FY13-14 net revenues contributed to a higher ending fund balance.
ENTERPRISE FUNDS		
Airport	POSITIVE	Revenues typically lag against budget at this point in the year, but are expected to be achieved by yearend; operating expenditures are low and are not likely to reach budget.
Storm Water	POSITIVE	Metered revenues are up some from prior year; expenditures are low as a % of budget.
Wastewater	POSITIVE	Metered revenues are up some from prior year; expenditures are low as a % of budget.
Water	POSITIVE	Metered water usage has increased and the application of the new rate structure has bolstered YTD revenues; expenditures are low as a percentage of budget.
INTERNAL SERVICE FUNDS		
Risk Management	WATCH	Council approved use of contingencies due to over target spending on self-insurance. Loss recovery revenue from the Timberhill fire and an ambulance chassis replacement, as well as workers compensation reimbursements have resulted in higher revenues.

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 balance fund is likely required.

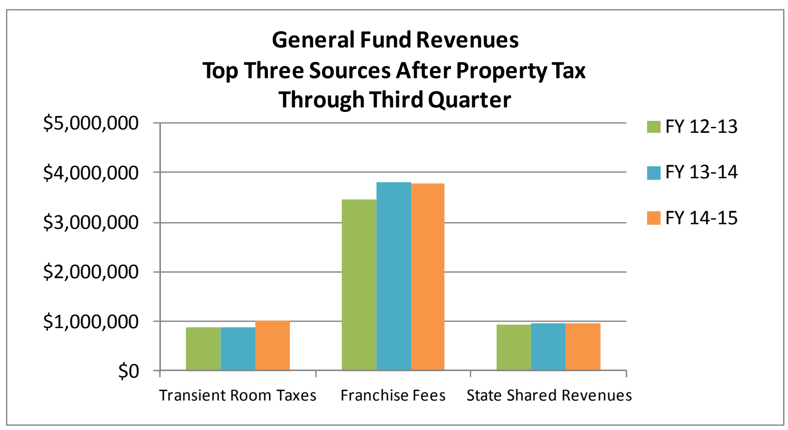
GENERAL FUND COMBINED*

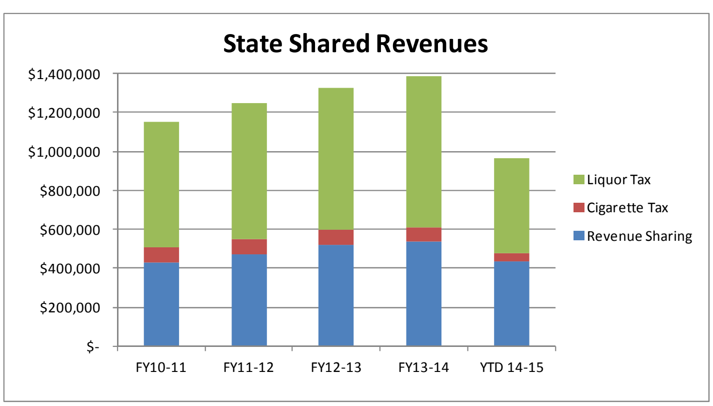
REVENUE	AMENDED BUDGET	3rd Quarter FY 13-14	Y-T-D FY 13-14	FY 13-14 % REC/EXPEND	AMENDED BUDGET	3rd Quarter FY 14-15	YTD FY 14-15	FY 14-15 % REC/EXPEND
Budgeted Beg. Fund Balance (incl reserves)	6,265,564				$6,451,158			
Property Taxes	$20,617,620	$773,541	$18,422,498	89.35%	$24,447,050	$934,595	$24,023,110	98.27%
Other Tax	1,372,600	243,235	897,651	65.40%	1,427,600	282,198	1,018,651	71.35%
Licenses/Permits	5,925,060	1,780,299	4,075,256	68.78%	5,741,280	1,678,970	4,035,900	70.30%
Charges for Service	5,889,850	1,106,698	4,832,219	82.04%	5,892,810	1,305,609	5,025,538	85.28%
Intergovernmental	4,227,760	840,891	3,435,041	81.25%	3,907,120	322,688	3,324,365	85.08%
Fines/Forfeitures	771,390	191,419	534,748	69.32%	759,660	190,856	547,485	72.07%
Miscellaneous	1,307,680	112,472	998,920	76.39%	617,440	166,127	477,417	77.32%
Other Financing Sources	7,075,308	3,561,943	6,089,325	86.06%	1,223,330	92,759	907,285	74.17%
TOTAL CURRENT REVENUE	$47,187,268	$8,610,498	$39,285,658	83.25%	$44,016,290	$4,973,802	$39,359,750	89.42%
EXPENDITURE BY DEPARTMENT								
City Manager's Office	$326,250	$81,989	$227,342	69.68%	$293,300	$75,384	$222,820	75.97%
Community Development	1,309,840	300,756	881,636	67.31%	$1,498,870	$345,338	$946,430	63.14%
Finance	646,770	149,566	461,993	71.43%	$647,260	$143,998	$436,604	67.45%
Fire	10,485,960	2,410,691	7,568,856	72.18%	$11,397,090	$2,384,673	$8,247,896	72.37%
Library	6,524,140	2,063,131	4,892,636	74.99%	$6,151,640	$1,464,502	$4,354,068	70.78%
Parks & Recreation	6,295,130	1,338,503	4,413,945	70.12%	$6,332,410	$1,340,584	$4,482,250	70.78%
Police	10,688,290	2,587,964	7,628,546	71.37%	$11,293,220	$2,760,556	$8,094,331	71.67%
Public Works	1,026,260	204,061	546,502	53.25%	$991,940	$173,698	$597,576	60.24%
Non-Departmental	1,480,870	292,140	917,841	61.98%	994,420	196,506	629,783	63.33%
TOTAL OPERATING EXPENDITURES	38,457,260	9,428,801	27,539,296	71.61%	$39,600,150	$8,885,239	$28,011,758	70.74%
Debt Service	$243,180	$22,644	$243,174	100.00%	$837,160	$56,409	$279,053	33.33%
Transfers / Other Financing Uses	7,085,818	3,470,837	5,660,896	79.89%	3,365,640	331,604	2,483,079	73.78%
Contingencies/Reserves	597,200	0	0	0.00%	630,000	0	0	0.00%
TOTAL ALL EXPENDITURES	$46,383,458	$12,922,282	$33,443,367	72.10%	$44,432,950	$9,273,252	$30,773,890	69.26%
CURRENT REVENUE LESS TOTAL EXPENDITURES		($4,311,785)	$5,842,291		($416,660)	($4,299,450)	$8,585,860	

* General Fund Combined includes component reserve funds effective FY 14/15

The General Fund Income Statement format above illustrates that the Fund is doing better overall than it was this time last year, including being on track with budget.

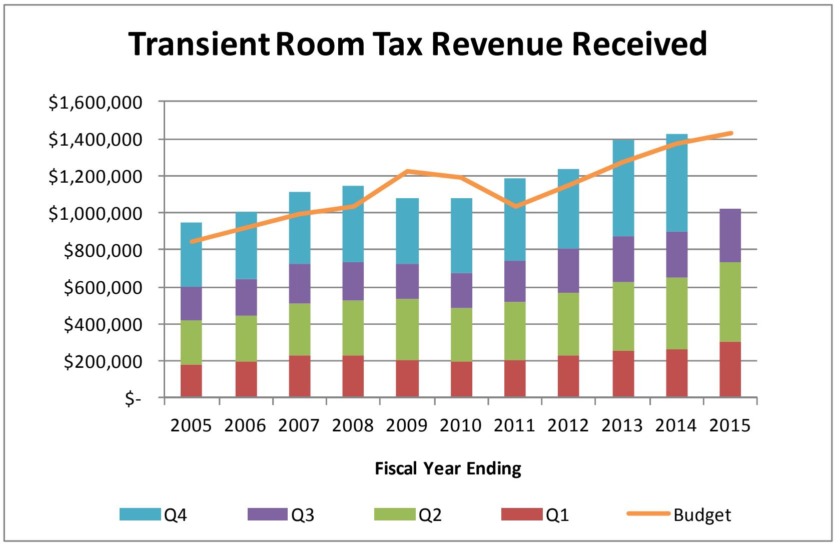
The adjacent graph illustrates improvements being noted in Transient Room Taxes year-to-date (YTD), while Franchise Fees and State Shared Revenues are aligned with previous year receipts in the General Fund. State Shared Revenue should be higher than currently reported due to a lag in turnovers from the State. Although YTD operating expenditures offset these improvements somewhat, as they are nearly $500K higher than last fiscal year as of the end of March, the budget did anticipate a net increase in costs, and operational spending YTD is under 71%, which is below the 75% that would normally be expected by the end of Q3.



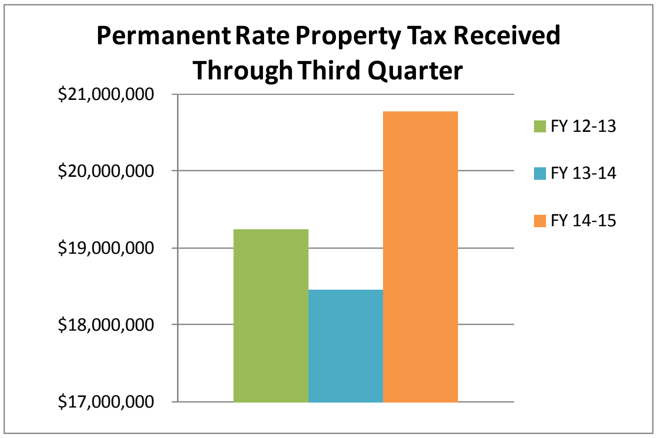


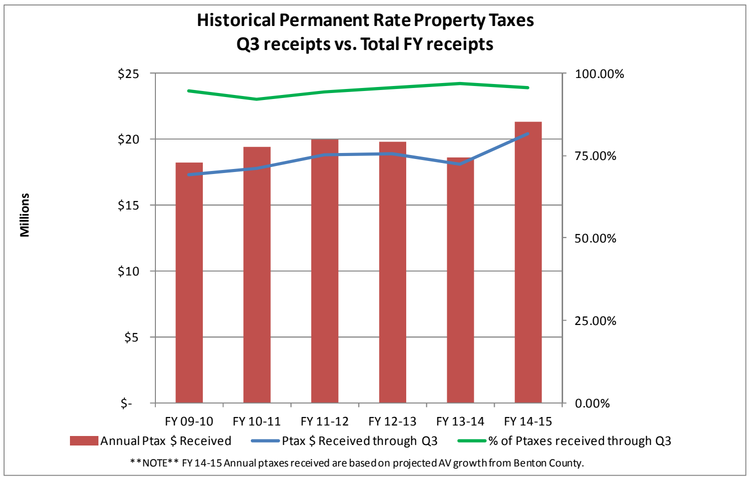
State Shared Revenues – Using State projections, the League of Oregon Cities (LOC) produces per capita estimates of State Shared Revenues annually. These estimates are available to assist cities in the development of their budgets. Per capita distribution for appropriate revenue sources are calculated based on certified statistics from Portland State University's Center for Population Research. While the City utilizes the population reports to determine growth patterns, it also utilizes historical state shared revenue receipts to estimate current and future year receipts. Even as distributions to the City of Corvallis have remained relatively stable, staff recognizes the volatile nature of these resources and keeps that in mind when developing budget projections for this revenue source. Cigarette taxes continue their decline of recent years, and may not achieve budget – however, these dollars are only about 6% of the total state revenue sharing budget, and the shortfall estimated at $15,000 will be more than made up by other revenue sharing distributions. While liquor tax receipts in Q3 were lower than previous years, due to a lag in State processing, the City expects to achieve budgeted levels by year end.

Transient Room Tax – While Transient Room Taxes are considered a minor revenue in the General Fund, at only about 3% of total revenue, these receipts are still one of the larger non-dedicated revenue sources behind property taxes, bringing in over $1 million annually. This revenue stream appears to be on a steady rise again after experiencing a significant slump back in FY 08-09 and FY 09-10 due to the poor economy at the time (i.e., higher fuel costs and tight credit markets were impacting leisure travel plans). This source of revenue is extremely dependent upon economic factors, making it difficult to forecast, as seen in FY 08-09 and 09-10 in the adjacent graph, where the trend was heavily impacted by the economy. As such, budgeting has typically erred on the conservative side. Local businesses may determine the number of special events or conferences held in Corvallis, enrollment at Oregon State University may influence the number of family members coming to visit students, hotels have control over raising or lowering room rates, and gas prices may dictate travel plans; all of these elements impact the amount of transient room tax collected and paid to the City. Since the economy has shown some improvement, revenues have begun steadily increasing again, and are currently about 13% higher than this time last year, and on track to exceed the conservatively established budget.



Property Tax – The majority of property taxes in any given year are received during the second quarter as a result of property tax statements being distributed to tax payers in October and then typically paid in full by the November 15th first deadline. Tax payers are incented to pay early due to a 3% discount that represents a good “return” relative to what that money would get if left in the bank at current interest rates. The graph on the right hand side below shows total annual property taxes received in the fiscal year (red bars), with the blue line depicting the amount of property taxes received through the third quarter of the fiscal year, and the green line showing property tax receipts through the third quarter as a percentage of total annual property tax receipts received. The chart on the left shows the permanent rate property taxes received over the past three years through the third quarter of each fiscal year and illustrates how an increase in assessed value has positively impacted receipts in FY 14-15, and also how the Hewlett-Packard refund in FY 13-14 resulted in a significant hit to revenues in that year.





GENERAL FUND

BUDGETARY BASIS	AUDITED FY 13-14	AMENDED FY 14-15	Year-To-Date FY 14-15	% of Budget Year-to-Date
RECURRING				
NON DEDICATED REVENUE				
Property Taxes - Permanent Rate	$18,632,793	$20,808,660	$20,358,580	97.84%
Local Op Levy 2013 - HP Replacement/Social Services Fun	0	706,340	719,750	101.90%
Prior Year Delinquent Tax Revenue	451,986	438,280	403,317	92.02%
Transient Room Tax	1,424,997	1,427,600	1,018,651	71.35%
Franchise Fees	5,486,499	5,374,000	3,785,043	70.43%
State Revenue Sharing	537,106	531,160	437,108	82.29%
Alcohol/Cigarette Tax	847,782	826,580	530,212	64.15%
Pass-Throughs	618,750	1,215,130	907,284	74.67%
Miscellaneous Other Revenues	1,194,000	103,690	98,276	94.78%
TOTAL NON-DEDICATED RECURRING REVENUE	**$29,193,914**	**$31,431,440**	**$28,258,221**	**89.90%**
DEDICATED REVENUE				
Property Tax - Local Option Levy	$1,910,761	$2,493,770	$2,541,463	101.91%
City Manager's Office	121,176	$121,000	120,065	99.23%
Community Development	140,902	$117,590	143,946	122.41%
Finance	133	$625,200	420,818	67.31%
Fire	3,602,373	$3,618,080	3,327,409	91.97%
Library	2,523,642	$2,785,260	2,575,817	92.48%
Parks & Recreation	1,930,571	$1,730,190	1,159,512	67.02%
Police	378,095	$378,730	360,064	95.07%
Public Works	145,282	0	5,934	0.00%
TOTAL DEDICATED RECURRING REVENUE	**$10,752,934**	**$11,869,820**	**$10,655,028**	**89.77%**
TOTAL RECURRING REVENUE	**39,946,848**	**$43,301,260**	**$38,913,249**	**89.87%**
EXPENDITURES				
City Manager's Office	$320,760	$293,300	$222,820	75.97%
Community Development	1,304,740	$1,498,870	946,430	63.14%
Finance	629,758	$647,260	436,604	67.45%
Fire	10,896,499	$10,697,090	7,627,876	71.31%
Library	5,990,215	$6,068,140	4,316,083	71.13%
Parks & Recreation	6,202,251	$5,817,320	4,210,372	72.38%
Police	10,638,622	$11,123,210	7,980,894	71.75%
Public Works	860,955	$703,940	462,293	65.67%
Non-Departmental	1,296,680	$822,420	571,440	69.48%
Debt Service	243,174	$837,160	279,053	33.33%
Pension Obligation Bond Debt - Transfers	1,870,950	$1,931,790	1,621,980	83.96%
Pass-Throughs	597,869	$1,215,130	861,099	70.86%
Contribution to Fund Balance Reserve/Contingencies	945,000	$1,645,630	1,969,720	119.69%
Contributions/Adjustments to Other Reserves	128,856	0	226,380	100.00%
TOTAL RECURRING EXPENDITURES	**$41,926,330**	**$43,301,260**	**$31,733,043**	**73.28%**
RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES	**($1,979,482)**	**$0**	**$7,180,206**	
POTENTIAL BEGINNING BUDGETARY FUND BALANCE	915,434	269,750	269,750	
Net Recurring Revenue/Expenditure	(1,979,482)	-	7,180,206	
Net Non-Recurring Revenue/Expenditure	1,333,799	(269,750)	(263,630)	
ENDING BUDGETARY FUND BALANCE	**$269,750**	**$0**	**7,186,326**	
Ending Reserve Balance by Type				
RESTRICTED	$761,935	$377,160	$866,455	
COMMITTED	$1,172,107	$1,018,258	$1,124,507	
ASSIGNED	$1,474,498	$448,875	$676,518	
FUND BALANCE	$2,850,489	$4,190,204	$4,820,209	
	$6,259,030	$6,034,498	$7,487,690	

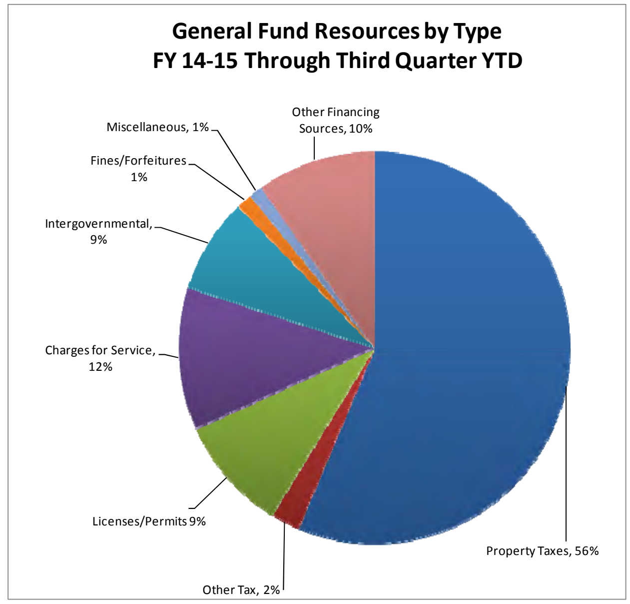
The General Fund Financial Plan update provided on the previous page shows the unaudited, estimated status of the "green line" at the end of Q3. The majority of FY 14-15 property taxes were received in the second quarter, thus the sustainable green line and the ending budgetary fund balance YTD are shown with a large positive balance. However, these amounts will continue to decrease, as planned department expenditures occur during Q4. Certified assessed property values for the City grew by 4.28% versus the 3% increase built into projections, thus yearend property tax revenue is expected to exceed adopted levels. As such, current estimates are for the General Fund to end FY 14-15 with a higher positive bottom line than projected at time of Budget Adoption, as has been communicated to the Budget Commission. These one-time monies would be available for allocation in the FY 15-16 Budget Cycle. Additionally, the Q3 ending budgetary fund balance above is currently reflective of several revisions subsequent to adoption, such as removal of an interfund loan no longer needed to balance the Fund; a reduction in the 2014 FFC obligation interest payment as a result of final issuance value; and identifying additional reserve balances based on finalization of the FY 13-14 CAFR.

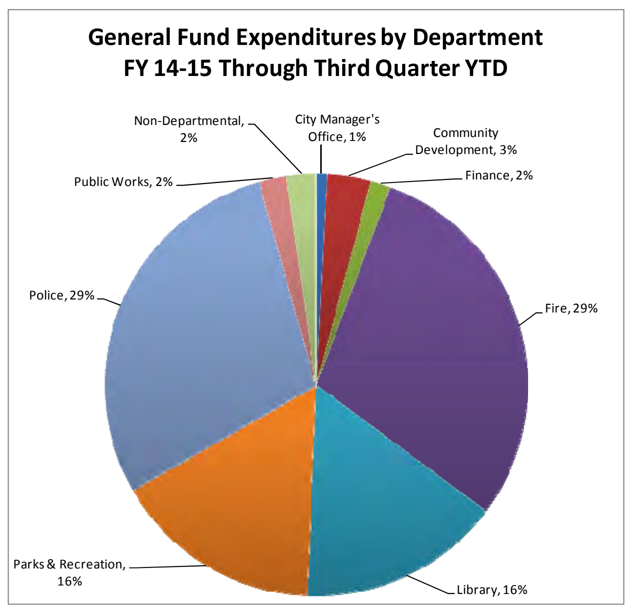
The **resources** pie chart, to the right, graphically illustrates the YTD proportions of all resources supporting General Fund services. Approximately 98% of budgeted Property Taxes have been received through Q3 which accounts for approximately 56% of the total resources received YTD.

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 58% of fund operating expenditures; while other operations such as library, parks, recreation, economic development, planning, code enforcement, and municipal court make up the remaining 42% of expenditures.

Comparing year-to-year expenditures in this Fund (table on page 2) demonstrates that FY14-15 operational spending is higher than in FY13-14, but lower as a percentage of budget in FY14-15. Some notable highlights by department include:

- The Economic Development division in the City Manager's Office is a little over the 75% target for spending as of the end of the third quarter. The division's spending for its 2.0 FTE is almost 80% of its FY 14-15 budget, which in turn is about $30,000 lower than last fiscal year, so non-personnel service expenditures are being closely monitored;
- Community Development's personnel services are trending higher than last year due to vacancies from last year now filled, as well as hiring of positions funded by the 2013 LOL;
- Fire's purchase of a new aerial equipped engine, along with increased personnel service costs due to retirement cashouts and use of over-time for conflagrations;
- Library's personnel services are trending higher due to restoration of Sunday hours, funded by the 2013 LOL, however spending is lower overall and as a percent of budget compared to FY 13-14 because of several vacant positions that were replaced with lower pay step hires; and
- Police's total expenditures are up 6% from last year due to implementation of a contractual 2% COLA, hiring of new levy supported positions, plus overtime running higher than it has in recent years to back-fill for vacancies.





Fund Name	Resources YTD through 3rd Quarter FY13-14	Resources YTD through 3rd Quarter FY14-15	Variance 13-14 to 14-15	FY 14-15 Total Budgeted Revenue	YTD% of FY 14-15 Total Budgeted Revenue
911 Emergency Services	1,634,710	1,727,149	92,439	2,350,140	73.49%
Administrative Services	3,404,972	3,723,773	318,801	5,026,820	74.08%
Airport	342,690	369,710	27,020	601,950	61.42%
Capital Improvement Project	1,202,884	6,377,362	5,174,478	12,309,450	51.81%
Community Development Revolving	1,362,735	968,180	(394,555)	2,659,050	36.41%
Davidson	23	24	1	0	0.00%
Development Services	3,293,297	2,561,321	(731,976)	2,829,890	90.51%
Facility Maintenance	598,013	608,123	10,110	806,490	75.40%
Fleet Maintenance	564,833	542,729	(22,104)	851,110	63.77%
General Obligation Debt Service	1,003,322	1,055,456	52,134	1,131,610	93.27%
Parking	467,270	489,877	22,607	1,129,420	43.37%
Parks System Development Charge	3,257,431	1,414,279	(1,843,152)	618,100	228.81%
Pension Obligation Debt Service	2,124,720	2,208,890	84,170	2,720,030	81.21%
Risk Management	1,069,005	1,208,978	139,973	1,121,350	107.81%
Street	2,860,385	2,830,808	(29,577)	4,356,940	64.97%
Street & Utilities Systems Development Charge	3,429,469	5,429,634	2,000,165	3,874,990	140.12%
Stormwater	2,349,068	1,925,406	(423,662)	2,741,440	70.23%
Technology & Communication	1,189,684	1,187,556	(2,128)	1,583,280	75.01%
Transit	2,345,636	1,956,067	(389,569)	3,475,420	56.28%
Wastewater	7,562,467	8,374,508	812,041	20,123,810	41.61%
Water	8,045,945	9,265,400	1,219,455	11,717,120	79.08%
TOTAL RESOURCES	**$ 48,108,559**	**$ 54,225,230**	**$ 6,116,671**	**$ 82,028,410**	**66.11%**

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

Airport – *Building and hangar rental revenues are running higher than last YTD due to increased airport traffic and higher hangar occupancy, with the repaired roof, than in the prior year; however, overall fund revenue is lagging against budget slightly due to additional seed crop sales and Federal Aviation grant funds still anticipated to come in by yearend.*

CD Revolving – *Resources are less than prior year and budget. While a negative result early in the year is typical due to timing issues from Community Development Block Grant (CDBG) and the HOME program grant revenues being reimbursed and received only after expenditures are incurred, it has now become a significant issue to the bottom-line, due in part to ineligible expenses incurred to administer the program and reduced availability of federal funding in total.*

Development Services / Parks System Development Charge (SDC) / Street & Utilities SDC – *Charges for Service revenue in these funds, related to permits/reviews/inspections and SDC's respectively, are all well above target, due to OSU development and a $1 million site package for the Oak Creek Retreat. There was also a Land Development Code change on December 1, which caused a rush of new multi-family proposals in November to beat implementation of new code changes. Timing of large projects is variable, spanning multiple months/years, so revenues are less predictable.*

Fleet Maintenance – *Receipts are below target in FY 14-15 YTD and last year, due to fuel prices having decreased substantially in recent months; this also favorably impacts the cost side, so no real impact is expected on the bottom-line.*

Parking – *Revenues are higher YTD than prior year from approximately $20,000 in unanticipated fees in-lieu of parking program improvements from the Water Street Apartment structure. Revenues are below budget however, due to voters rescinding the Residential Parking District (RPD) initiative on the November ballot; associated revenue will not occur and has been revised out of the FY14-15 budget. Increased revenue from stream-lined e-ticketing is anticipated to be mostly offset by decreases in Q3 due to Parking Enforcement Officer vacancies, thus remaining flat relative to last year.*

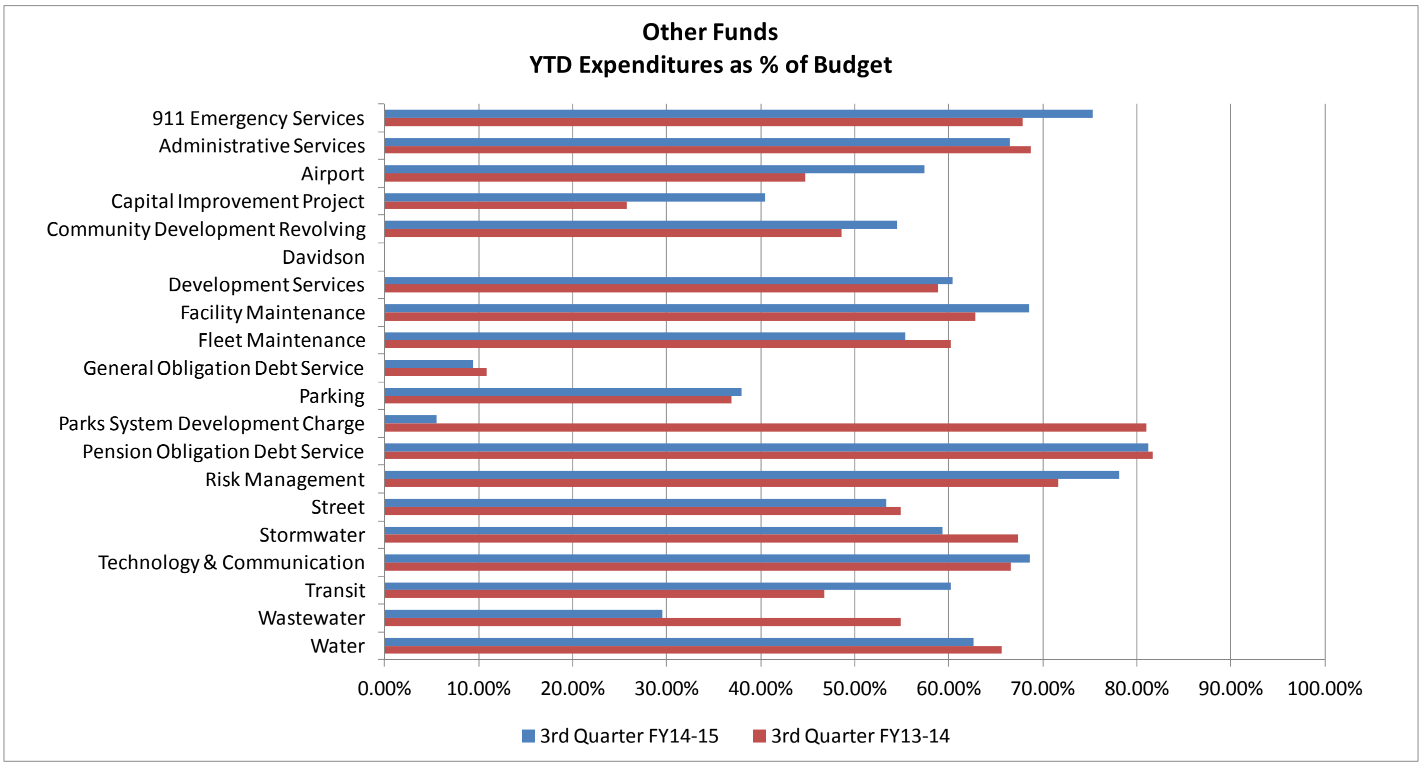
Risk Management – *Timing of this internal service charge to departments coincides with insurance premium payments, 75% of which occur in July and 25% in January, so revenue levels by Q3 are always at least 100%; higher current receipts are due to unexpected loss recovery proceeds from the Timberhill Fire and workers' compensation claims.*

Street – *Highway tax revenues are not growing, due to reduced fuel usage in more fuel-efficient, hybrid and electric vehicles as well as decreased prices at the pump; thus, total receipts are relatively flat with last year, and currently expected to come in under the increased budget amount. Charges for Services billings related to support provided by Street Maintenance and Paint and Sign crews for both internal and external customers are running behind last year and current year budget, but the backlog of work orders from staffing vacancies is expected to be accomplished by yearend.*

Stormwater – *While revenues are relatively aligned with budget for FY 14-15, they are significantly less than in FY 13-14 when a large State grant for the Storm Drain-Hwy 99 Phase 1 project was received.*

Transit – *Revenues are nearly $400,000 less than the previous fiscal year, mostly due to timing of operating and capital grant draws. Below budget YTD results are due to the capital grant reimbursement for one bus purchase in FY 14-15 not being expected until July, since the vehicle is slated for delivery in June. A 2.71% decrease in the Transportation Operations Fee (TOF), approved in February 2015, is also impacting total revenue earned in the third quarter.*

Wastewater/Water – *Increased metered usage and a new rate structure effective July 1, 2015 are positively affecting Charges for Service receipts this year relative to last year. However, the Wastewater Operating Fund has transferred less than 10% of its $9.6 million construction component revenues (typical for this time of year), which explains the below budget results YTD reflected above. The Water Fund also received $84,000 for water meter installations at the Retreat at Oak Creek Development and $128,000 more than originally anticipated in Water Timber tree harvesting revenues.*



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

The above bar graph compares FY14-15 and FY13-14 expenditures through March 31st as percentages of their respective total budgets for all City funds except the General Fund (discussed in previous pages).

9-1-1 Emergency Services – *Although expenditures YTD are aligned with budget, they exceed previous fiscal year due to higher personnel service costs associated with overtime for: back-filling dispatcher vacancies and compensated absences for minimum staffing level requirements as well as for the Timberhill Fire in September. Non-personnel service costs exceed budget due to legal costs associated with the CRCCA bargaining unit negotiations, which are unbudgeted costs expected to continue for the remainder of the fiscal year. Fund spending is being closely monitored, but Council approval will likely be sought to appropriate contingencies to cover the overages noted above, and in case of emergency situations arising in the last two months that may require additional overtime or other necessary purchases.*

Administrative Services – *Vacancies for a Public Information Officer (PIO) and an accountant explain the below target spending YTD; the PIO recruitment was on-hold awaiting the new City Manager; the Accountant was hired in Q3.*

Airport – *While YTD spending is closer to target this fiscal YTD, the fund income statement shows that expenditure dollars are actually less than the prior year due to buildings and street crews assisting in two major repair/maintenance projects at the Airport last year, and a significant portion of the main hangar roof replacement being completed.*

CD Revolving – *Spending is low as a percentage of budget due to timing of grant-related expenditures, though greater than last year due to a significant portion of FY 13-14 CDBG and HOME projects having been carried forward to this fiscal year and prior year project spending proceeding well. However, new FY 14-15 projects have been slower to progress.*

Davidson – *This $5,000 endowment from a 1981 donation is designated as a Permanent Fund under governmental accounting guidelines. Only interest earnings are expendable. In recent years of minimal revenues, the Library has not appropriated or spent 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 in both fiscal years due to vacancy savings (for which the hiring process continues) as well as only a very small portion of special project budget monies expended YTD.*

Facility Maintenance – *FY14-15 spending is higher YTD than FY 13-14 due to an increase in repair and maintenance activities, as well as the purchase of a replacement vehicle which was approved via supplemental budget in July. Special project spending is well below budget, as it is maintenance work for various City buildings typically completed in Q4.*

Fleet Maintenance – *Spending is lower than last year when an expensive replacement of one of the Camels' water pumps was completed; costs are also lagging budget by more YTD because of significantly lower fuel costs at the pump.*

Parking – *Spending is low as a percentage of budget in both years due to lower than anticipated spending on OSU collaboration and residential parking district (RPD) efforts (which budget will remain unspent in FY 14-15 based on the repealed RPD initiative), as well as vacancies in municipal court, police parking enforcement, and PW maintenance staff.*

Parks System Development Charge (SDC) – *Expenditures in this fund are related to capital projects. The large FY13-14 expenditure was a transfer for the acquisition and development of the Coronado Park subdivision, while the smaller FY 14-15 expenditure related to improvements for the Martin Luther King Park Walnut Barn. More transfers are expected in Q4 of FY14-15 associated with park development, trails/bike paths, and playground improvements.*

Risk Management – *Timing of internal service charges to departments are weighted to coincide with insurance premium payments, 75% of which occur in Q1 and the remaining 25% occur in Q3. Claims for self-insured expenses are unpredictable and vary from year to year. The adopted budget for property insurance premiums was less than required for FY 14-15 due to a property valuation adjustment completed subsequent to the FY 14-15 budget development process. Savings in self insurance are unlikely given the significant deductible exposure the City has currently with its known tort/liability claims. Workers' compensation claims are trending lower YTD, so may help offset overages in the insurance program. Use of contingencies approved in Q3 will impact fund balance and catastrophic reserve levels.*

Street – *While the bar chart above indicates spending in both years is under budget, this is primarily due to $110,000 set aside as a yearend contribution to the vehicle/equipment reserve, and a heavy equipment purchase being carried over. All other capital project transfers and projects related to Sidewalk Safety and the grind/inlay programs funded by operations are either on track or are completed for FY 14-15; Street SDC's will fund several capital projects that are underway.*

Stormwater – *Operating expenditures are slightly higher than prior year; however, this is more than offset by fewer capital projects planned for FY 14-15, which brings total fund expenditures down significantly from FY 13-14.*

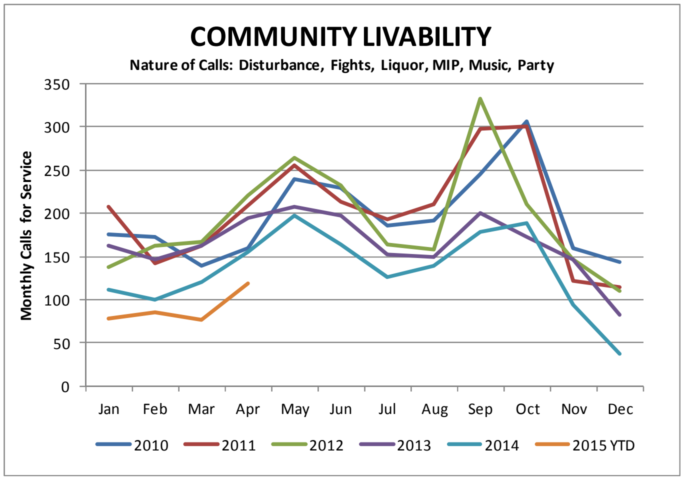
Transit – *Actual spending is both higher as a percentage of budget and in dollars spent compared to prior year due to fuller staffing this fiscal year; however, FY 14-15 spending still lags budget thanks to lower than anticipated fuel costs and a planned replacement bus ordered but not yet delivered/paid for.*

Wastewater – *Operating expenditures increased due to Risk Management insurance charges and early completion of special projects and two replacement vehicles; however, total expenditures are much lower than budget and last year actuals due to delay and/or carryover of capital projects such as the $8.2 million WWRP Secondary Clarifier.*

Water – *Spending is similar to prior year but lags budget due to delays for the North Hills Pump Replacement and Master Plan projects, plus such SDC-funded capital projects as the West Corvallis 2nd Level Water infrastructure development.*

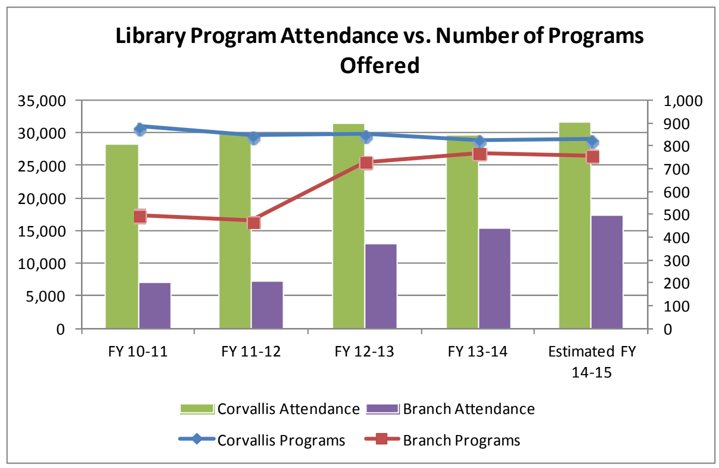
FUTURE OUTLOOK

Police Community Livability – As a result of the OSU/City of Corvallis Collaboration efforts specific to improving neighborhood livability, the Corvallis Police Department (CPD) enhanced some of the Corvallis Municipal Ordinances regarding alcohol and the Special Response Fee Notices (SRN). Oregon State University invested in additional staff in the Office of Student Conduct and Community Outreach to educate and hold students accountable for off-campus behaviors. Additionally, property owners and managers of issued SRN's and potential Chronic Nuisance Properties are informed weekly through the CPD's Facebook page. The department developed and implemented the Automated Police Response Notification System, through which property owners and managers who sign up for the service are notified via email when CPD responds to a residence they own or manage. The email is sent within 24 hours of the response and allows the property owner/manager to take timely corrective actions.

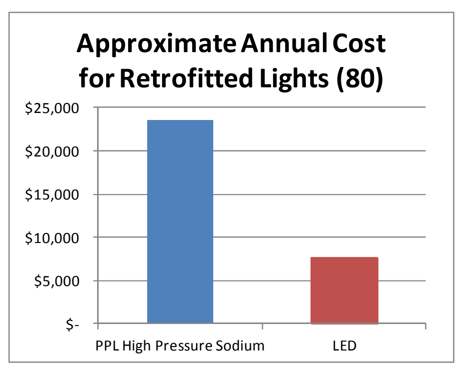


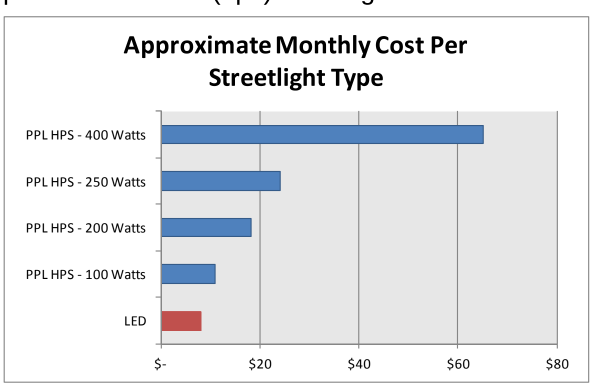
Increased partnerships with key community stakeholders, enhanced communication, and the development of common goals are resulting in increased community livability through the reduction of nuisance violations, which are defined as disturbances, fights, liquor law violations, minors in possession, loud noise, and unlawful amplified sound. These collaborative efforts have realized a 30% reduction in these calls for service from 2012 to 2014, which impacts workload and the ability for CPD to respond more quickly to other calls.

Library Programs – Two years ago, the Benton-County Library made a conscious decision to increase the number of programs in its branch Libraries in Alsea, Philomath and Monroe. This decision has paid off with increased attendance. Since FY 11-12, attendance at branch programs has more than doubled. Projected program attendance at the branches for the current fiscal year may reach nearly 17,500. The increase in our program offerings in the county has been done with relatively flat staffing levels. Although the Library department is doing much more within its means, and utilizing casual employees when needed, there is a concern that there isn't the budget or staffing capacity to support additional programs, even as more and more people enjoy the benefits of all the library locations.

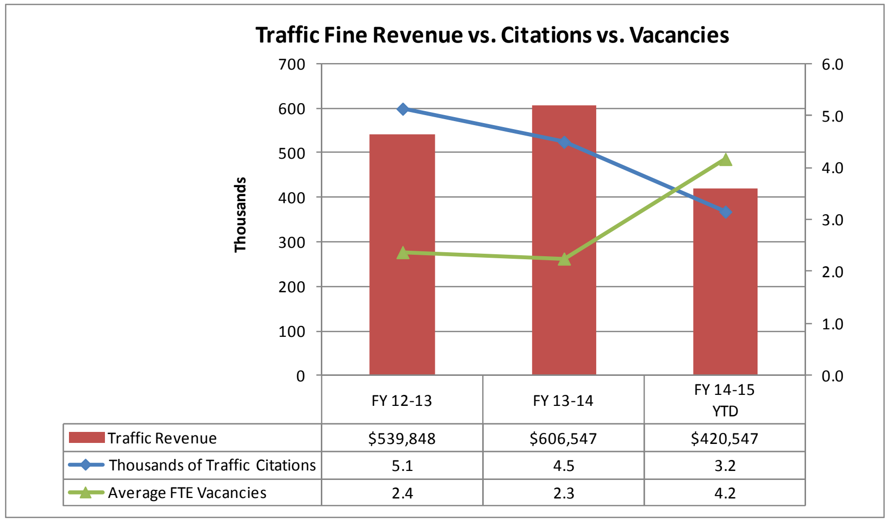


Streetlight Conversion – The City currently spends approximately $500,000 annually on electricity needed to power streetlights. In FY 13-14, working with Pacific Power (PPL), Public Works completed a project to convert 80 existing high pressure sodium (hps) streetlights to new LED fixtures. While there is an upfront cost to the conversion, the payback is quickly recovered in energy savings. Those savings can be seen in FY 14-15 as approximately $1,500 per month, reducing electricity expenditures. The graphs reflect the approximate monthly energy cost of each type of light fixture (left graph), as well as the approximate annual energy savings realized by these 80 retrofitted fixtures (right graph). As additional fixtures are retrofitted in a project planned for FY 15-16, savings to the City will grow, with payback of the associated costs likely in less than 4 years.

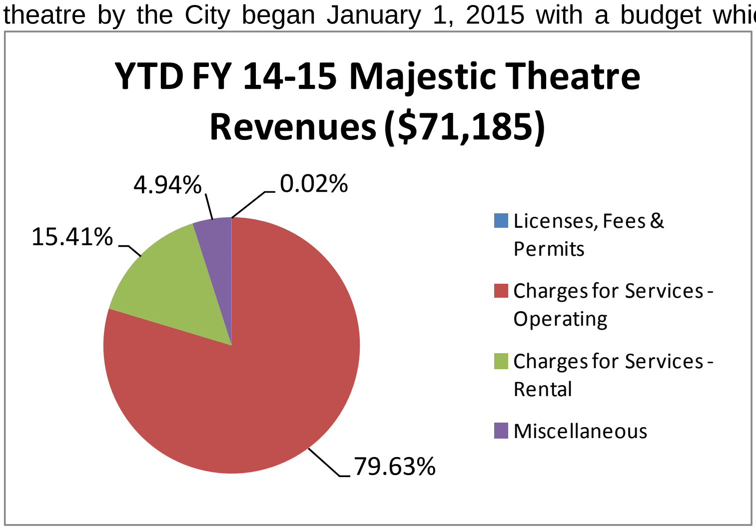




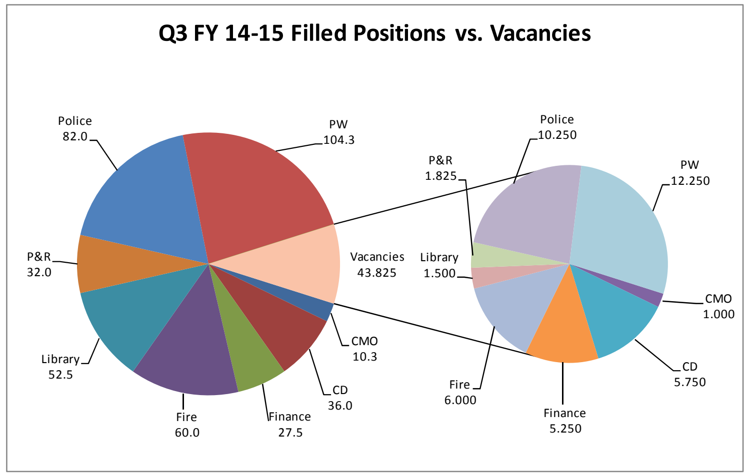
Traffic Fine Revenue – Reduced traffic fine revenue continues to be a result of fewer citations issued by the Corvallis Police Department (CPD) even though officers are now issuing citations electronically. CPD remains short-staffed and routinely redeploys two motor officers, normally assigned to traffic enforcement, elsewhere. Similar to the first and second quarters, officers are issuing fewer citations overall. At the end of the third quarter last year, CPD issued 3,875 traffic citations; at the end of the current third quarter, CPD issued 3,153 traffic citations, resulting in 722 fewer traffic citations vs. the same time last year. As of the third quarter, there were 4.2 FTE officer vacancies on average this fiscal year. In reality, however, CPD was down five officers at the end of the third quarter plus one captain due to injuries and retirements/departures. In addition, CPD has five officers that have just recently returned from the police academy but are paired up with existing staff for continued training in the field. Although these officers have returned from the academy they are not "realized" on an "incremental" street coverage basis until they complete this training with fellow officers. In most cases, it takes a few months before the officer is assigned to patrol (alone) and is considered "realized." Once CPD fills the five vacancies, it will take up to another year before the department classifies these officers as "realized." Given the high number of actual vacancies, revenue is not nearly as low as might otherwise be expected, which is likely the result of the new electronic citation software that reduces the total time an officer needs to complete the citation without running the risk of recording information that is incorrect, illegible or missing. For greater efficiencies and to reduce an officer's time to complete paperwork at the end of shift, CPD is also reviewing electronic report writing technology.



Majestic Theatre – The Majestic Theatre is funded through performances, rentals, grants and donations. Operation of the theatre by the City began January 1, 2015 with a budget which may be subsidized from non-dedicated General Fund revenues per Council directive by up to $10,000. The theatrical season will be supported by 2.0 FTE, to develop a theatre education program, grow the volunteer program, and increase marketing to expand theatre attendance. In order to establish a sustainable operating budget, all programs at the Majestic Theatre will meet Parks & Recreation's cost recovery model, and so are designed to be budget neutral or make enough to cover some of the indirect costs of the performance. The department plans to accomplish this by switching Majestic operations from a rental-based business model (as it was operated by the former Majestic Theatre Management (MTM) contractor) to a production-based business model. As the adjacent pie chart indicates, this business model is already in place and functional in third quarter with $56,684 of the $71,185 in revenue coming from operating charges for service, which represents ticket sales for Majestic-produced events. Projections for the remainder of the fiscal year show that revenues will exceed expenditures. Within that projection, miscellaneous revenues are expected to show a larger share of total revenue by yearend, with a large donation anticipated to be received in late spring of $17,919 from the Nancy B. Lyford Trust and contributions (including some donation funds) from remaining MTM cash balances of $23,000, which also covers the City's loan repayment. Additional revenue streams such as expanded advertising in event programs, a possible reinvented Membership initiative, merchandising associated with events, and the Majestic Education Program will come online in late spring and into summer and be fully operational for FY 15-16. More details on Majestic operations to date will be provided in a quarterly report prepared by Parks & Recreation, as required by Council when the transition to City operations was approved. That report is currently scheduled to be presented to ASC on June 3, 2015.

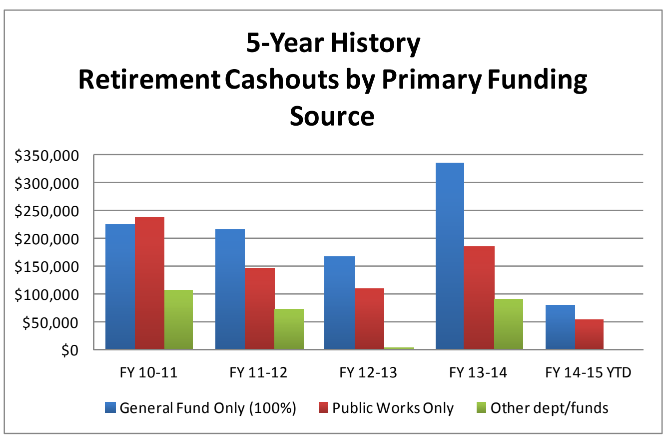


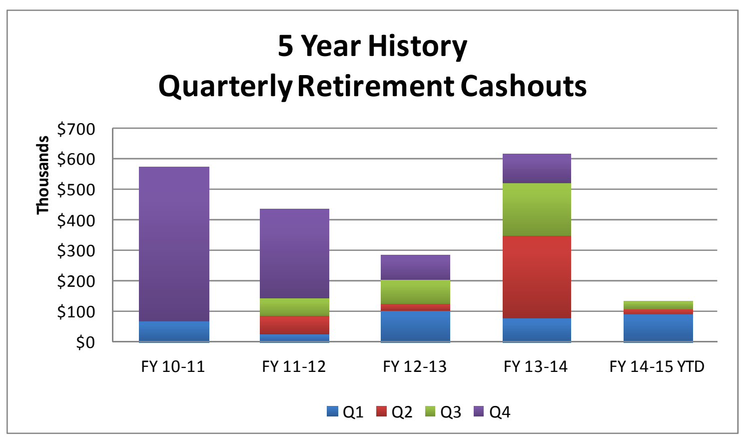
CITY STAFF – PERSONNEL SERVICES QUARTERLY UPDATE



Vacancies – The pie-within-a-pie chart adjacent depicts how different departments have been impacted by vacancies in the third quarter of this fiscal year. Public Works (PW) has had three departures YTD due to retirements, contributing to its 13 vacant positions at the end of Q3, which accounts for 11% of their total authorized FTE. The nearly 44 FTE in City-wide vacancies is about 10% of total FY 14-15 authorized FTE. This decrease since 50 FTE vacancies in Q2 is primarily due to Park Seasonals being hired for the upcoming season. Total vacancies are also up from about 37 FTE in Q3 of last year, mainly due to the new positions funded by the 2013 Operating Levy that are still in the recruitment phase, but that are expected to be fully staffed by the end of FY 14-15. Other notable vacancies include those associated with the Residential Parking District initiative which was voted down in November 2014, thus, those FTE will not be filled; and the departure of the City Manager incumbent in August 2014. The latter departure resulted in the recruitment for the Public Information Officer being put on hold, but is now expected to proceed given the hiring of new City Manager, Mark Shepard, effective May 1st. For any position not funded by the 2013 Operating Levy, departments must perform a position review and/or consider reorganizations whenever a position becomes vacant, in order to optimize potential budget savings and/or other possible efficiencies within that department.

Retirements – FY 13-14 saw a significant increase in the number of retirements and their related vacation and sick leave accrual cashouts, bringing the average of the prior four fiscal years to $481,000. Retirement cashouts in Q1 of FY 14-15 were on track to be in line with this average; however, since then, only three retirements with relatively small accrual cashouts have occurred, bringing the YTD trend down significantly. 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 at a somewhat lower annual volumes for payouts on average than the General Fund (i.e. Police, Fire, Library and P&R), other than in FY 10-11.





With nearly 24% of regular (non-casual) employees over the age of 55, many of whom are currently eligible for retirement or nearing eligibility, it means there is still potential for the last quarter of FY 14-15, as well as future years, to be subject to large vacation and sick leave accrual payouts. The numbers above do not include longstanding employees who leave to go work elsewhere and also have accumulated significant accruals for which they are eligible to be paid out. These cashouts are difficult to budget for without substantial written notice from employees so the amounts must typically be absorbed within a department's current year budget as they occur. This type of unexpected activity will continue to be closely monitored in order to assess the level of impact on each budget by fund and department, this year and into the future.

CAPITAL IMPROVEMENT PROJECTS QUARTERLY UPDATE ON SIGNIFICANT ACTIVITY

Project	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended:
Airport Improvements – Cargo Access	1	**$112,850**	**$112,850**	**$54,747**

This project constructs a new access road from Airport Place to the cargo apron. The FAA has approved the environmental assessment and given permission to proceed with design. Design work has been initiated and construction is scheduled for the summer of 2015 with completion in December 2015.

Project	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended:
Fire Department Facilities Relocation	7	**$3,501,500**	**$4,077,000**	**$2,639,423**

This project relocates and replaces the current training facility, which is 40 years old and in poor condition. The new training facility is located on the north end of the Public Works (PW) compound, and is compatible with the PW Facilities Plan. A full faith and credit debt issuance was completed in September to fund this project. Construction is approximately 85% complete. The contractor is finalizing tower electrical and HVAC in the training building. Fence work continues and final concrete is in progress. Remaining work includes installation of pumping/measuring apparatus on the pump test pit, mounting the prop poles, installing counter tops and restroom amenities in the training building and overhead doors in the storage building.

Project	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended:
Trails/Bike Paths	27	**$388,310**	**$388,310**	**$23,392**

This project improves and adds trails and bike paths for citizen enjoyment. This year's budget includes the reconstruction of the Marys River Boardwalk that was damaged during the January 2012 storm event. The model required by Benton County to demonstrate a "no net rise" effect was completed during the third quarter. Final design details and grading plans were also completed. All plan revisions for Benton County, City of Corvallis, and FEMA have been submitted for approval.

Project	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended
15th Street/Washington Way Improvements	41	**$3,081,320**	**$3,081,320**	**$2,012,181**

This project combines the planned reconstruction of 15th Street from Western Boulevard to Jefferson Avenue 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 has managed design and construction of this expanded scope in collaboration with OSU through an intergovernmental agreement (IGA). Construction has been completed with the exception of the pedestrian crossing at 15th Street. The City has submitted an application to ODOT Rail Safety for the modification of the 15th Street railroad crossing to construct the missing pedestrian crossing south of the tracks.

Project	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended:
Highway 99 Widening	53	**$285,000**	**$285,000**	**$226**

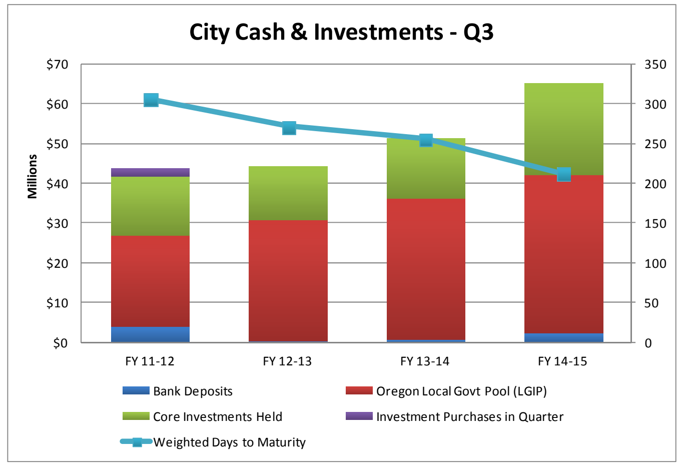
This project was to widen Highway 99 from two to four lanes between the railroad overpass and Circle Boulevard. This project has been cancelled due to lack of funding.

Project	CIP Doc Pg:	Adopted Budget:	Amended:	YTD Expended:
WWRP Secondary Clarifier	95	**$8,255,000**	**$8,255,000**	**$297,450**

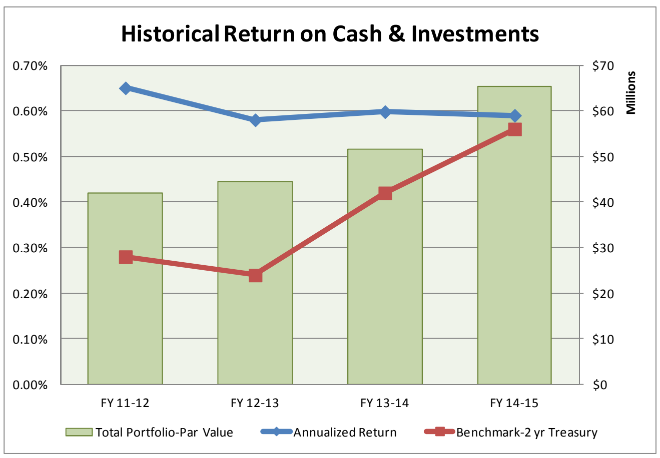
This project designs and constructs a new secondary clarifier at the Wastewater Reclamation Plant (WWRP). The new clarifier will accommodate increased flows due to community growth. Final design is in progress and bidding anticipated in the winter of 2016.

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, which historically holds slightly lower portfolio balances compared to the robust second quarter, due to anticipated expenditures that diminish the large influx of annual property taxes which are primarily received in the second quarter. These graphs illustrate that total holdings have successively grown over the past three fiscal years, due in part to the addition of the local operating levy revenues as well as the Council Policy directed gradual accumulation of a $6.3 million fund balance reserve in the General Fund. The total portfolio has also benefitted this fiscal year to date from significantly increased receipts from system development charges (SDC), from OSU and other local development work, and bond proceeds from a debt issuance to finance several capital construction projects, both sources having restricted purpose spending.

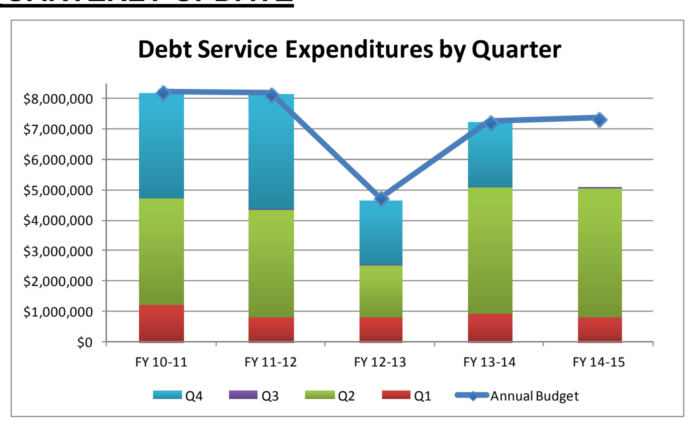


Together with the City's investment advisory firm, Government Portfolio Advisors (GPA), City staff maintain a strategically laddered portfolio, term-wise (see graph above showing maturities averaging less than 18 months (approximately 547 days), per policy), in order to gain some market return without undue risk. The graph to the left shows that the City has successively outperformed the benchmark 2-year Treasury note rates over the past few years; however, it has seen some spikes this fiscal year, ending the quarter at 0.56% which is only 3 basis points (b.p.) below the City's total portfolio performance at the end of the quarter. While the 2-Year Treasury has already seen some growth in 2014, several economists are forecasting it to rise by more than 100 b.p. by this time next year. GPA cautions that stabilization of oil prices and growth in European economic conditions would need to take place before these projections would come to fruition, so expects more modest growth.

The City's target core portfolio was raised to $20 million based on the increasing reserve balances noted above. As noted last quarter, the second quarter influx of property taxes caused the LGIP maximum to be exceeded at the end of November through early December, and in order to bring the City's State Pool balances back into compliance, but also maintain needed liquidity for the summer months, about $3 million of purchases were made at a 1 year or less maturity, thereby not achieving returns as high as the LGIP, though still excellent returns for that term relative to other opportunities. This situation also contributed to the drop in average days to maturity as seen in the top graph.

NON-OPERATING EXPENDITURES – DEBT SERVICE QUARTERLY UPDATE

Second quarter is typically the highest level of debt service payments for GO Bonds, in order to utilize the influx of property tax receipts. With most debt issuances being semi-annual payments, fourth quarter picks up the remainder by default. The significant debt reduction shown in FY 12-13 is due to three refunded utility-backed loans. A new debt issuance of $3.9M in full faith and credit bonds in September 2014 relates to a new fire training facility and several capital project roof replacements. The first interest-only payment on this 1.71% 10-year issuance took place in the third quarter. Debt service will remain under budget since a projected interfund loan to the General Fund was not required after all.



Performance Measurement is important 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. Highlighted below are just a few of the many measures which departments utilize to help guide operational decision-making.

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY13-14 ACTUAL	FY14-15 TARGET	3rd QTR ACTUAL	FY14-15 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.	5.50%	<7.00%	5.99%	5.79%
	Provide necessary information technology (IT) resources for departments to operate efficiently.	Achieve 100% server uptime relative to scheduled server uptime.(1)	99.3%	100.0%	99.9%	99.9%
	Provide multiple opportunities for community involvement while lowering program costs.	Total number of hours worked by volunteer staff in support of parks and recreation activities.(2)	22,012 (10.59 FTE)	25,000 (12 FTE)	7,042 (3.39 FTE)	16,053 (7.72 FTE)
	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.(3)	143 or 2.58/thou	<2.5/thou	31 or .55/thou	120 or 2.1/thou
	Have utility rates that contribute to Corvallis being an attractive place to live.	Control operation and maintenance costs to minimize annual utility rate increases.(4)	2.8%	≤3.0%	0%	0%
		Percent of average annual water bill to median household income ($69,400). (4)	0.33%	<0.45%	0%	0.43%
		Percent of average annual wastewater bill to median household income ($69,400).(4)	0.46%	<0.65%	0%	0.58%
Diversity	Provide a welcoming organization that promotes and respects diversity.	% of job applicants for regular positions who identify themselves as a minority. (5)	16%	16%	16%	15%
	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. (6)	7.2	10.0	6.7	6.7

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY13-14 ACTUAL	FY14-15 TARGET	3rd QTR ACTUAL	FY14-15 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.	150	150	46	115
	Conserve resources by reducing fuel and paper use.	Percentage of permits issued online (mechanical, electrical, and plumbing).(7)	52%	35%	59%	55%
	Maintain average fire loss per capita within city & district limits less than regional average of $34.40.	Maintain average loss per capita within city & district limits less than national average.	$5.67	<$34.40	$1.97	$12.73
	Achieve above national average use of 18 items checked out per user each year for comparable sized libraries.	Circulation per registered borrower.(8)	36.8	>35.0	9.5	28.58
	Increase the utilization percentage of Parks & Recreation granted scholarships.	Percent of total scholarship value expended.(9)	47%	47%	125%	28%
	Increase community usage of on-line police reporting system by 10%.	Number of police reports made through the on-line system.	689	758	161	554
	Remain below national average of 10% annual water loss in the distribution system.	Percent of water loss in the distribution system. (10)	4.89%	<10.00%	5.90%	4.74%
Community Involvement	Interact with at least 10% of residents (city and rural district) in public Fire education events annually.	Percentage of citizens attending public education events.	6.8%	≥10%	1.4%	4.7%

1. Year-to-date FY 14-15, MIS has not experienced any significant power outages that caused server downtime. Overall performance for the fiscal year is near perfect which indicates adequate server backup and scheduling of maintenance.
2. Volunteers are most prevalent in Q1 and Q4, though Q3 had significant participation. Parks operations continue to be a leader in the utilization of volunteer labor, capitalizing on college and community need for service project opportunities.
3. There have been 120 accidents, or 2.1 per thousand YTD. The City continues to be well below the State average. FY14-15 YTD figures utilize the most recent actual PSU Population Research Group figure of 56,535 (December 2014).
4. These are annual measures calculated in the second quarter; there were no utility rate increases approved for FY14-15.
5. Of the 1,148 applicants in the third quarter, 184 indicated they are a minority; and 344 of 2,332 YTD.
6. Year-to-date, there has been four First Time Home Buyer down payment assistance loan approved and closed.
7. Target is exceeded due to increasing awareness as a result of outreach efforts; 2,168 permits have been issued online YTD FY 14-15.
8. Circulation per registered borrower (i.e., number of items checked out divided by number of people with library cards) has reached 81.7% of the target as of Q3. Also, 28.58 items per borrower is more than 158% of the national annual average.
9. 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 increasing substantially. Thus a $125K cap on award utilization is in effect for FY 14-15 to stay within available funding. One quarter's utilization rate may be greater or less than the YTD target utilization rate since awards are granted throughout the entire year, until the cap is met. Q3 awards were $7,800, of which utilization was $9,762 (or 125%), now reaching nearly 28% of the cap. A reconfiguration of the OAC membership program took place, adding $64K back as unused awards for the year, affecting YTD results.
10. This measure reports on three months' of data, with the third month's data usually being collected after quarterly reports are submitted which results in future quarter updates.