



**CORVALLIS  
CITY COUNCIL WORK SESSION**

**October 18, 2016  
3:30 pm -5:30 pm**

**Madison Avenue Meeting Room  
500 SW Madison Avenue**

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- I. Call to Order
  - II. Watershed Management Advisory Board Annual Report
  - III. Sustainable Budget Task Force Timeline and Strategy
  - IV. Financial Policies Update
  - V. Community Comments (*Accepted on agenda items for this work session only. Members of the community wishing to offer advance written comments are encouraged to use the public input form at [www.corvallisoregon.gov/publicinput](http://www.corvallisoregon.gov/publicinput).*)
  - VI. Other Councilor Comments (time permitting)
  - VII. Adjournment

If you need special assistance to participate in this meeting, please contact the City Recorder at (541) 766-6901 (for TTY services, dial 7-1-1). Notification at least two business days prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to the meeting. (In compliance with the Americans with Disabilities Act, 28 CFR 35.102-35.104 ADA Title I and ORS 192.630(5)).

*A Community That Honors Diversity*

# Annual Report of the Watershed Management Advisory Board



[September 30, 2016]

**Members: Jessica McDonald, David Hibbs, Richard Heggen, Charlie Bruce, Jacque Schreck, Steve Rogers, Sheryl Stuart**

**Staff: Jennifer Ward**

**Council Liaison: Joel Hirsch**

## **Purpose/Mission summary**

A Watershed Management Advisory Board shall advise the Council concerning all matters related to management of the watershed including, but not limited to, the following:

- a. Implementation of the Corvallis Forest Stewardship Plan and other pertinent government management plans;
- b. Coordination and consultation with natural resource professionals, and implementation of outreach and education to the public; and
- c. Procedures, standards, guidelines, and costs incurred in management of the watershed property;

## **Prior Year Report:**

### Activities and work completed:

In FY 2015/16, the WMAB worked on the following activities related to the Corvallis Forest:

#### Public Education:

- Held a public tour of the Corvallis Forest (May, 2016)
- Participated in Board tours of harvest activities

#### Forest Management:

- Reviewed 15/16 Harvest Plan
- Reviewed 14/15 Harvest Fiscal Report and Forest Activities Report
- Reviewed annual Peacock Larkspur Inventory
- Presentations: FS Local Economic Area, Watershed Emergency Response Plan, City Water Infrastructure, Stream Temperature Monitoring, Stream Ecology, Forest Pests and Diseases, Carbon Credits

#### Board Management:

- Finalized updated WMAB Policy and Procedure, and WMAB Purpose in Municipal Code
- Attended and presented to Board regarding City Public Records Meeting
- Board created a Habitat Working Group, to research and recommend additional habitat improvement project to staff
- Board created a Finance Working Group to discuss the potential of establishing a reserve fund to support ongoing maintenance and stewardship of the Forest.
- Board chair presented 14/15 Forest Activities Report to Urban Services Committee
- Board members were encouraged to participate in Vision 2040 – 2 WMAB members attended the ‘Sustainable Communities’ Vision 2040 workshop

Activities and work in progress:

- 16/17 WMAB workplan
- Old Peak Meadows enhancement project
- Board created a Finance Working Group to assess long-term financial stability for the Corvallis Forest.
- Continued review of 15/16 harvest operations and financials
- Review of public tour feedback
- Habitat Working Group reports and recommendations to staff

**Next Year Proposed Work Plan:**Regular activities and work (ongoing or annual):

In FY 16/17 the WMAB anticipates working on:

- Presenting Forest Activities Report to City Council
- Reviewing 16/17 harvest work
- Tour active harvest operations
- Habitat Working Group recommendations
- Finance Working Group – report from staff

Special activities and work for the year:

- No special activities or work planned for FY 16/17

**Resources:**Prior Year:

The resources used by the WMAB include:

- Public Works staff
- Trout Mountain Forestry consultant
- Meeting room
- Habitat restoration volunteers
- Buses for Board member and public forest tours
- Food/materials for public tour
- Volunteer presenters at regular WMAB meetings and annual public tour

Needed for the next year:

The same resources are anticipated to be needed in 16/17

**Feedback about the Annual Report Process:**

CITY OF CORVALLIS  
CORVALLIS FOREST

PREPARED  
BY:

City of Corvallis

Public Works  
Department

Utilities Division

# Forest Activities Report

JULY 1, 2015 - JUNE 30, 2016

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## Introduction

Welcome to the eighth annual Forest Activities Report for the Corvallis Forest. This report describes activities undertaken over the past year (July 1, 2015 through June 30, 2016) to implement the Corvallis Forest Stewardship Plan, actions planned for the 2016-2017 fiscal year and a “snap shot” of conditions and trends on the City’s 2,350-acre Corvallis Forest. It was developed by City of Corvallis Public Works Department staff and Trout Mountain Forestry (consulting foresters).

The City’s overall goal for the Corvallis Forest is to provide a reliable source of high quality drinking water that

surpasses all state and federal drinking water requirements. The Corvallis Forest property includes the Rock Creek water treatment plant, which produced approximately 30 percent of the City’s annual water demand, or about 795 million gallons of water in

FY15-16. Water quality is the first priority for all management practices within the watershed on City land. The Corvallis Forest also provides an opportunity to manage natural resources by restoring forest lands and terrestrial and aquatic habitats.



*Fall colors reflect in the settling basins of the Rock Creek Water Treatment Plant (photo: Mike Hinton)*

**Watershed Management  
Advisory Board (WMAB)  
members**

- Jessica McDonald, Chair
- David Hibbs, Vice-Chair
- Charlie Bruce
- Richard Heggen
- Steve Rogers
- Jacque Schreck
- Sheryl Stuart
- Joel Hirsch, City Council Liaison

**City of Corvallis staff**

- Mary Steckel, Public Works Director
- Tom Hubbard, Utilities Division Manager
- Jennifer Ward, Watershed Program Specialist

**Trout Mountain Forestry staff**

- Mark Miller
- Scott Ferguson
- Matt Fehrenbacher

# Stewardship Planning

Management of the forest is guided by the policies detailed in the Corvallis Forest Stewardship Plan (CFSP), which was adopted by the City Council in December 2006. The CFSP provides a Vision Statement for the Corvallis Forest:

***The Corvallis Forest within the Rock Creek Watershed is a professionally managed, healthy ecosystem with a diverse forest and productive habitat for all species native to the watershed.***

This Vision is further refined in a set of **Guiding Principles**:

- Conservation-based management practices demonstrate that water quality, stream health, wild-life habitat enhancement, and tree harvest can go hand in hand;
- Protecting the health and diversity of the forest and its ecosystems are top priorities;
- We are a “good neighbor” and integrated into the larger landscape, recognizing our connections to the greater watershed;
- Corvallis Forest is managed to be comprised of a variety of different ages and types of forest to provide diversity of terrestrial and aquatic habitats;
- Corvallis Forest is resilient to fire, invasive species, insects and disease;
- Access is controlled to minimize risk of fire, water contamination and invasive species introduction;
- Corvallis Forest is available for limited educational, recreational, and research opportunities;
- Corvallis Forest supports high quality water production for the City of Corvallis;
- Corvallis Forest is a generator of revenue that is primarily used to offset the cost of forest management, and secondarily helps fund the City of Corvallis water utility system.

*WMAB member, Jacque Schreck, joins consulting forester, Mark Miller, City Watershed Specialist, Jennifer Ward and other WMAB members on a tour of FY 15-16 harvest operations.*



The plan goes on to describe the property’s history, current resource conditions, and desired future conditions. It outlines guidance policies, management opportunities, and recommended actions in areas such as forest reserves, invasive species control, and resource monitoring. A revised and updated version of the plan was adopted by the City Council in July 2013 and is available for viewing at [www.corvallisoregon.gov/](http://www.corvallisoregon.gov/)<sup>1</sup> and at the Corvallis Public Library reference section.

The Watershed Management Advisory Board (WMAB) advises the City Council on policies and activities on the Corvallis Forest, and works to promote awareness of the Corvallis Forest as a public resource. This seven-member panel of community volunteers is appointed by the Mayor and meets monthly. All Board meetings are open to the public. The WMAB works with City staff, resource specialists and consultants to implement the CFSP policies.

<sup>1</sup> The direct link to the CFSP page is: <http://www.corvallisoregon.gov/index.aspx?page=126>.

# Accomplishments for 2015-2016<sup>2</sup>

The following actions were initiated or completed in FY 2015-16:

## Habitat Enhancement

**Forest Diversity Thinning** – The FY 15-16 cable thinning harvest occurred in January and February 2016 on two 43-year-old plantations totaling 51 acres. The goals for harvesting were to improve crown development, increase wind-firmness, encourage understory vegetation, and improve forest health. On portions of one unit infected with laminated root rot, a variable retention strategy was used to remove affected trees. By replanting with disease-resistant alder, soils will be naturally cleansed of the pathogen as infected fir roots and stumps rot away over the coming decades.

Logging operations were conducted by A-I Logging Inc. of Yamhill, in a professional and careful job that left well-stocked, healthy stands. Logs were sold to Seneca Sawmill in Noti, Northwest Hardwoods in Eugene, and Fiber Marketing in Philomath. The harvest was timed to avoid the breeding season for marbled murrelets who were found to occupy an adjacent stand on Siuslaw National Forest land. The City received top prices for the logs and the relatively dry weather reduced logging impacts and kept costs low. The thinning yielded 470 thousand board feet of timber, with a net revenue to the City of \$135,381.



*Logging operations underway during this year's cable thinning harvest.*



*Volunteers "dig in" to plant native shrubs at Old Peak Meadow.*

**Old Peak Meadow** – The City, along with several partners (Institute for Applied Ecology, Oregon Wildlife Institute, Trout Mountain Forestry, and Oregon Hunters Association), received a 2013 Coast Range Stewardship Fund grant to enhance wildlife habitat on the 3 acre Old Peak Meadow. The multi-year project will diversify the plant species composition and vegetation structure of the meadow to increase its use by wildlife. In previous years, snags were created at the meadow's perimeter, and a prescribed burn and herbicide treatments were conducted to clear the site of invasive plants and to make way for the planting of native grasses, forbs, shrubs and oaks that occurred this past fall.

In November, an AmeriCorps crew, along with volunteers from Oregon State University and the community, joined City and IAE staff to erect wildlife exclosures and plant over 200 native shrubs, including Oregon grape, vine maple and salmonberry. The plants experienced

nearly 100% survival over the winter. With the help of volunteers from OHA, an onsite watering system was devised. OHA and WMAB volunteers, along with City staff will water the plants through this summer and next. OWI began bird surveys this spring to monitor the effectiveness of the wildlife habitat improvements.

<sup>2</sup> Accomplishments for prior years can be viewed in the respective Forest Activities Reports, which can be found at: <http://www.corvallisoregon.gov/index.aspx?page=143>.

# Monitoring Update



**Peacock larkspur** – The Corvallis Forest Stewardship Plan includes guidelines for management of federally designated Threatened and Endangered species. A small population of peacock larkspur (a threatened Oregon prairie species) is found on City property and is inventoried every spring. This year a total of 1,159 peacock larkspur plants were counted within the boundaries of the Corvallis Forest. While this number represents a significant increase from last year's count (due at least partially to improved survey methods), hybridization of peacock larkspur with nearby populations of poison larkspur continues to be a problem, with greater intermingling evident every year.

The City is partnering with the Corvallis chapter of the Native Plant Society of Oregon in a multi-year effort to augment peacock larkspur populations on the Corvallis Forest. Early in the summer of 2015, seed was collected from "pure" populations at different sites in Benton County. Currently, these seeds are being grown out in a private nursery. In a few years, they will be planted at a new site on the Corvallis Forest with appropriate habitat and distance from other larkspur populations.

The City continues to manage current peacock larkspur habitat on the watershed. In the fall, sites are mown and blackberry plants are cut to reduce competition.

**Marbled murrelet** – Surveys conducted in the previous two fiscal years confirmed that marbled murrelets occupy habitat within the Corvallis Forest. The City developed a harvest plan for these sites that will protect nesting murrelet habitat. The plan was approved by the US Fish and Wildlife Service and is being implemented as preparations are made for this year's timber thinning



**Northern spotted owl** – The Corvallis Forest is one of several areas annually surveyed for northern spotted owls by the Forest Service's Pacific Northwest Research Station as part of the Oregon Coast Range Spotted Owl Demography Study. Currently, no spotted owls are known to be inhabiting the Corvallis Forest, however, owls have been observed within the greater Rock Creek watershed on national forest land.



There is increasing evidence that the expanding range of barred owls is having a negative impact on northern spotted owl populations. In 2015, the US Geological Survey began a multi-year study of barred and northern spotted owl populations in the Pacific Northwest. At some study sites, barred

owls are being lethally removed to determine impacts to northern spotted owls. The Corvallis Forest is one of the control sites for this study. Surveys for both barred and northern spotted owls are being conducted on the Corvallis Forest, but no barred owls are being removed. Not surprisingly, no northern spotted owls have been observed, but barred owl numbers are very high.

The full 2015 progress report ("Effects of Experimental Removal of Barred Owl on Population Demography of Northern Spotted Owls in Washington and Oregon") can be found at: <http://www.corvallisoregon.gov/modules/showdocument.aspx?documentid=10646>.

## Monitoring Update, cont'd

**Cutthroat Trout** – In 2009, the City, in partnership with Marys River Watershed Council, undertook a suite of grant-funded aquatic habitat restoration projects in Rock Creek and its tributaries. These included replacing three perched culverts and providing fish passage at two water intake structures resulting in the opening of 8 miles of habitat to cutthroat trout. Post-project snorkel surveys were conducted the summer of 2010 and have taken place each summer since.

After a significant increase in 2014, the numbers of Rock Creek cutthroat trout in 2015, i.e., 1,715, were more similar to those recorded in 2012 and 2013. 2015 was a record year in terms of persistent high air and water temperatures, and low instream flows. However, these significant changes in abundance suggest that variables beyond the restoration activities may be affecting cutthroat populations. The accumulating population data suggests that observations are being made on a population that is larger and more highly mobile than what exists in Rock Creek alone. In other words, the cutthroat of Rock Creek seem to function as part of a larger meta-population within the Greasy Creek, or even Marys River, ecosystem. The full Model Watershed Monitoring Summary can be found at: <http://www.corvallisoregon.gov/modules/showdocument.aspx?documentid=9130>.



**Stream temperature** – The intensive stream temperature monitoring in the Corvallis Watershed that was begun in 2010 was continued in 2015, with the help of volunteers. Precipitation, air temperatures, and stream flow for the last six years were compared to show the variability in some of the factors that influence stream temperature. Although the maximum air temperatures were similar in 2013 and 2014, the number of days that air temperatures were above 80°F doubled in 2014 compared to 2013. In 2013, air temperatures were above 80°F for fifteen days, in 2014 it was thirty days. In 2015, air temperatures were above 80°F for 35 days. The combination of lower flows and sustained warm days resulted in more days when stream temperatures were above the state standard of 64°F for the 7-day average of daily maximum temperatures in 2014. The trend of increasing days above 64°F for stream temperatures continued in 2015. In

addition, the bottom of the reservoir was 2 to 5 degrees (F) warmer in 2013 than in 2012, 2 degrees (F) warmer in 2014 than in 2013. Bottom temperatures in 2015 were 0.2 degrees cooler than in 2014; however, they were warmer than previous years in June. In both 2014 and 2015, the bottom of the reservoir had peak temperatures slightly warmer than the state standard of 64°F.

In 2015, for the first time, stream temperatures at the mouths of the three major tributaries to the mainstem of Rock Creek (Stilson Creek, Middle Fork, and Griffith Creek) had a 7-day average of the daily maximum temperature slightly above 64°F.

Data and results can be found at: <http://www.corvallisoregon.gov/index.aspx?page=148>

**Bald eagle** – A pair of Bald eagles have nested in the City Forest for at least the past 20 years. In most years they have successfully produced 1-2 young including 1 young in 2016. Besides nesting on the forest, they also forage for fish on the City reservoir. Volunteers now monitor the nest site.



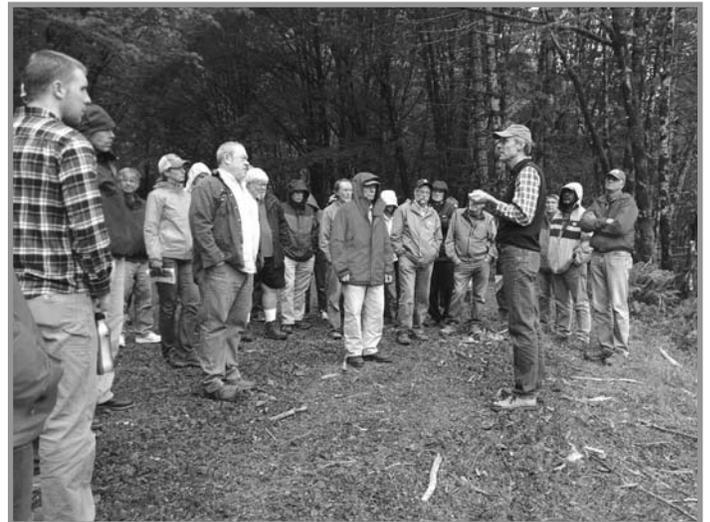
## Education and Public Use

The Corvallis Forest is gated to prevent unauthorized access and to protect the City's water supply, however educational use is encouraged and organized tours are provided. Recent education offerings

**Public tour** – Annual public tours are widely advertised and have proven to be popular. Nearly 40 Corvallis-area citizens attended the spring 2016 tour held on May 19th. Attendees visited three harvest units—one that had been heavily thinned to combat root rot; another that had been treated with a lighter, more traditional thin; and an older site that had been replanted and is now showing good growth. The tour ended at the Rock Creek water treatment plant where researchers from US Geological Survey were on hand to explain the owl study for which the Corvallis Forest is a control site. A volunteer from Chintimini Wildlife Center brought a “sparred” owl to show the crowd. Participants could also tour the treatment plant. Responses from attendee surveys were very positive and indicated that the watershed is being managed in a manner consistent with the expectations of the public. One participant thanked the City for “inviting the public and sharing watershed access. I enjoyed the variety of topics.”



*A “sparred” owl is part of this year’s public tour of the Corvallis Forest.*



*Tour participants listen as Mark Miller, consulting forester, explains the goals of this year’s timber thinning.*

### Trainings/Research –

- The federal Aquatic and Riparian Effectiveness Monitoring Program (AREMP) conducted field stream training for US Forest Service and Bureau of Land Management employees.
- Herpetologists from Oregon State University checked old study sites and searched for rubber boa.
- Oregon State University students gathered raw water data from Rock Creek to analyze it for isotopes, clarity, turbidity, etc. This sampling has been going on for about 10 years and Rock Creek operators provide access to students each summer.
- The US Forest Service conducted studies of small mammals, including weasels, flying squirrels, and bats. Rock Creek operators provided after hours night time access.
- US Fish and Wildlife Service conducted its annual bear studies on the watershed.

# Education and Public Use, cont'd

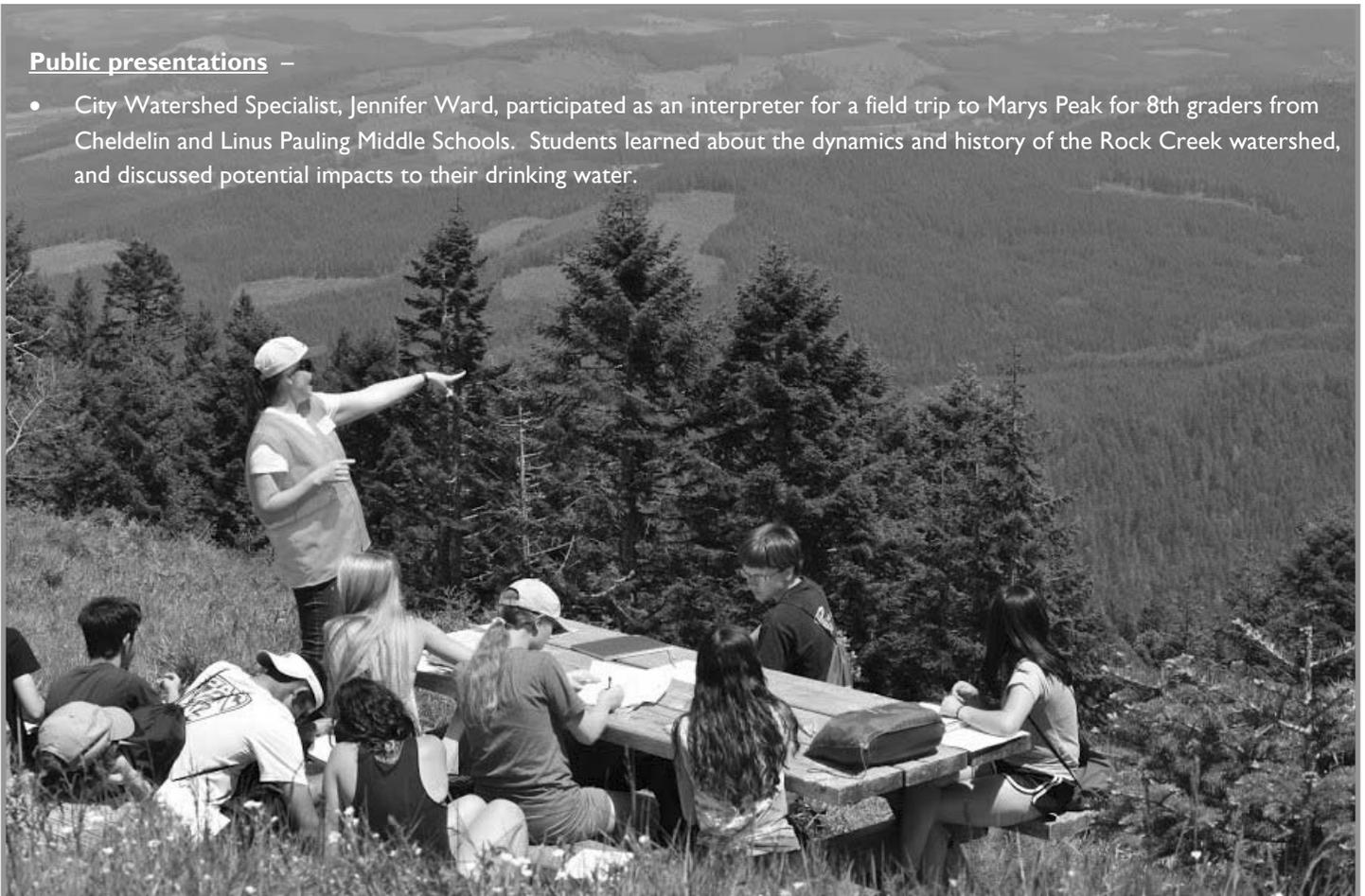
## **Educational tours** –

- The 4th grade class from Adams Elementary School took a field trip to the watershed where they assisted with the annual survey of peacock larkspur and studied aquatic macroinvertebrates.
- Delegates from several South Pacific nations, sponsored by the International Association of City Managers, toured the watershed as part of their larger visit to Corvallis, Albany and Adair Village.
- The Leadership Corvallis class of 2016 made the watershed part of one of their monthly field trips.
- The Watershed Specialist for the City of Forest Grove toured the watershed, and then hosted City staff for a tour of the Forest Grove watershed.
- Trout Mountain Forestry staff hosted the Benton County Small Woodlands Association for an afternoon on the watershed.
- Two OSU silviculture classes visited various forest stands on the Corvallis Forest, also hosted by Trout Mountain Forestry.

**Press coverage** – Stories about the Corvallis Forest were published in the *Corvallis Gazette-Times*, *The City* newsletter, the City of Corvallis website, and in the Oregon Hunters Association newsletter. KMTR News 16 recorded a segment on site about the annual public tour of the watershed.

## **Public presentations** –

- City Watershed Specialist, Jennifer Ward, participated as an interpreter for a field trip to Marys Peak for 8th graders from Cheldelin and Linus Pauling Middle Schools. Students learned about the dynamics and history of the Rock Creek watershed, and discussed potential impacts to their drinking water.



## Grant-Funded Projects

**Invasive Weed Treatment** – Prior to 2012, false-brome and other invasive weeds were found on some roadside, pipeline, and stream areas within the Corvallis Forest. These invasive plant species threaten native plant communities. In 2011, the City received a USFS Stewardship grant to fund a control effort that greatly reduced weed populations. A recent survey of the Forest found a number of small populations of false-brome, regrowth from new germinants following the 2012 treatment. The City received a Coast Range Stewardship Fund grant to conduct an ownership-wide herbicide treatment of roads, water lines, and previously treated populations for further additional weed control.



*False-brome, one of the invasive weeds treated on the Corvallis Forest.*



*Riparian seedlings are released from competing vegetation.*

**Riparian Plantings** – Another 2012 Stewardship grant funded the site preparation, tree planting, and seedling protection to re-establish conifers in 3,000 lineal feet of a designated Riparian Reserve area of Rock Creek. These conifer plantings were being threatened by surrounding weeds and more rapidly growing understory species (e.g. exotic blackberry and vine maple, respectively). As part of the Coast Range Stewardship Fund grant mentioned above, the City was able to secure funding for weed control maintenance of these stream restoration plantings.

## Economic Context

A strong dollar and weak Chinese economy have led to a decline in the US logs export market. Fortunately, the strong US economy has fueled steady growth in construction and a solid domestic lumber market. The FY 16-17 harvest is planned for the winter, a period when, due to supply and demand, log prices are highest. Over the next year, renegotiation of the Canadian/US lumber agreement could see Canadian lumber tariffs increase, leading to further increases in US log prices.

Grants, another important funding source for Corvallis Forest restoration projects, remain extremely competitive. Fortunately, the strong partnerships the City has developed and the long track record of successful projects making it a strong contender for future grant opportunities.

## Weather and Climate

Heavy fall rains and decent snowfall brought a welcomed end to the drought of 2015. However, it will take more than one good water year to rebuild the lost snowpack and diminished groundwater table. Effects from the drought were visible into this spring and summer, with increased mortality of fir planted on some drier valley foothill sites. The Corvallis Forest, bathed with plentiful Coast Range rainfall escaped any widespread mortality. The summer of 2015 highlights the impacts of shifting climatic patterns, and the importance of thinning overstocked stands and maintaining healthy forests that are resilient to weather extremes.

Plentiful spring rains lead to a robust recovery of many drought-stressed plants, creating peak-bloom of many flowering species, and good cone and acorn crops — benefiting both wildlife and natural regeneration. Long-term predictions are for another cool and moist winter.



*Winter storms often bring down trees around the Corvallis Forest.*

# Activities Planned for 2016-2017

July 1, 2016 - June 30, 2017:

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For FY 16-17, a winter cable thinning harvest will occur on approximately 50 acres of 38-48 year-old plantations in multiple units. Harvest timing and buffer areas are prescribed to mitigate impacts to occupied murrelet habitat on adjacent National Forest and City land. The goals for this harvest are similar: to thin overly dense stands to increase growth, improve timber quality, and stimulate understory development. The thinning is expected to yield about 565 thousand board feet. For efficiency, FY2017/18 operations have been planned in conjunction and offered in the same bid package, encompassing 55 acres of adjacent plantations of similar condition. Ground-based thinning will be used on these gentler slopes, planned for early summer or fall 2017 operations.

In addition to the harvest, the City will continue its mission to manage the Corvallis Forest as a healthy ecosystem with a diverse forest and productive habitat for all species native to the watershed. Ongoing activities will include:

- Monitoring effectiveness of habitat restoration at Old Peak Meadow;
- Preparations to establish a new, pure population of peacock larkspur;
- Continued participation in the US Geological Survey owl study;
- Annual fish population surveys;
- Stream temperature monitoring;
- Bald eagle nest monitoring;
- Annual public tour;
- Educational tours, programs and presentations;
- Research partnerships.



*Peacock larkspur seedlings are being “grown-out” in off-site greenhouses for future planting on the Corvallis Forest.*

# Contractors

The following contractors were retained in FY 15-16 to assist staff in implementing the CFSP:

- **Trout Mountain Forestry** was the lead contractor to the City for forestry services, including resource inventory, project planning, permitting, bid preparation and solicitation, contracting, and supervision of projects. They assisted staff with WMAB meetings, public tours, annual plan development, and grant writing. Special thanks to consulting forester, Mark Miller, who assisted with the preparation of this report.
- **Bio-Surveys, LLC** was subcontracted through Marys River Watershed Council to conduct cutthroat trout surveys.
- **A-I Logging, Inc.** conducted the FY 15-16 timber harvest.

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# Partner Institutions

The work of implementing the CFSP to date would not be possible without the assistance and expertise of a large number of partner groups and institutions, including:

- **Watershed Management Advisory Board**
- **Benton County**
- **Institute for Applied Ecology**
- **Linn-Benton Community College**
- **Marys Peak Alliance**
- **Marys Peak Stewardship Group**
- **Marys River Watershed Council**
- **Native Plant Society, Corvallis Chapter**
- **Oregon Department of Fish and Wildlife**
- **Oregon Department of Forestry**
- **Oregon Hunters Association, Mid-Willamette Chapter**
- **Oregon State University**
- **Oregon Wildlife Institute**
- **United States Bureau of Land Management**
- **United State Fish and Wildlife Service**
- **United States Forest Service**



City of Corvallis  
Public Works Department  
P.O. Box 1083  
Corvallis, OR 97339-1083  
Phone: 541-766-6916  
Fax: 541-766-6920  
E-mail: [Jennifer.Ward@corvallisoregon.gov](mailto:Jennifer.Ward@corvallisoregon.gov)

**Responsibility for the Corvallis Forest rests with the City of Corvallis Public Works Department, directed by Mary Steckel. Tom Hubbard, Utilities Division Manager, oversees watershed management and conservation programs for the City. Jennifer Ward, Watershed Program Specialist, functions as the City's watershed liaison, coordinating with the WMAB, project partners and consultants to implement the Corvallis Forest Stewardship Plan.**

## Conclusion

Since the CSFP was adopted in 2006, restoration and habitat enhancement projects have occurred on over 450 acres of forest, and stream improvements have increased fish access and habitat on more than 8 miles of streams. Invasive weed control and road maintenance have taken place throughout the forest. Funds from timber thinning harvests have allowed the City to leverage grant and cost-share funds totaling more than \$900,000.

More detailed information on the vision, guiding principles, desired future condition, resource policies and recommended actions can be found in the Corvallis Forest Stewardship Plan at <http://www.corvallisoregon.gov/index.aspx?page=126>.



*Rough-skinned newts are one of the many wildlife species that inhabit the Corvallis Forest.*

TO: City Council for October 18, 2016, Work Session  
 FROM: Nancy Brewer, Finance Director NB  
 DATE: October 6, 2016  
 THROUGH: Mark W. Shepard, P.E., City Manager MWS  
 SUBJECT: Sustainable Budget Task Force Timeline and Strategy



Action Requested:

1. Staff recommends Council accept the Sustainable Budget Task Force (SBTF) recommended strategy and timeline.
2. Staff recommends Council discuss the SBTF recommendation to being implementing incremental increases in the Transportation Maintenance Fee (TMF) to fund needed infrastructure investments, including addressing legacy road maintenance.

Discussion:

1. The SBTF has developed a strategy to meet the Council goal:

**Sustainable Budget Goal**

The Council will continue to manage a long-term sustainable budget including the consideration of possible new or expanded revenue sources. An inventory of known infrastructure and unmet program needs, including public safety, will be compiled and prioritized by December of 2015. By September 2015, possible new or expanded revenue sources will be identified that could fund these program and infrastructure needs. By September 2016 the Council will create and begin implementing a long-term revenue plan.

Previous discussions by the Council led to agreement that the Sustainable Budget Goal needed to be deferred until work on the Housing, Vision, and Climate Plan goals was complete. The plans for those three goals are scheduled to be adopted before the end of this Council term in December. As a result, the SBTF is ready to move forward with the work on the Sustainable Budget goal.

The SBTF strategic plan focuses on the November 2017 election for a significant sustainable revenue source for General Fund services. A statistically valid survey in January will be used to seek input on the community’s willingness to provide the City funding. The survey will also explore what revenue source the community might support. The timeline is as follows:

October 18, 2016	Council work session to discuss/accept the Strategic Plan and Timeline
November 2016	Newsletter mailed to the community, draft survey submitted to public opinion surveying firm
December 6, 2016	Council work session to review recommended Revenue Alternatives
January 3, 2017	New City Council sworn in
January 2017	Survey distributed to community
March/April 2017	Final survey results delivered
August 10, 2017	Last day for Council to initiate action to place a measure on the November ballot.
November 7, 2017	Election day

- A second element of the strategic plan addresses infrastructure needs that are not in the General Fund. These include Street, Water, Wastewater, and Storm Water infrastructure systems. The recommended investment for operations, maintenance, and infrastructure for these four systems, compared to the current level of effort, based on work to date from the Asset Management program is:

Fund	Recommended Investment	Current Investment	Difference
Water	\$7,200,000	\$4,300,000	\$2,900,000
Wastewater	6,700,000	4,600,000	2,100,000
Storm Water	2,700,000	1,100,000	1,600,000
Street	5,440,000	2,040,000	3,400,000

Funding for the three utilities can be addressed by increasing utility rates. The SBTF discussed staff’s recommended changes in Financial Policies to remove the current guidance to limit annual increases to 2%-3%. The SBTF did not make any recommendations on the Financial Policy language, but suggested the Council should have the information in the table above when discussing the recommend changes to Financial Policies.

Funding to start addressing our needs in the Street system can be generated by increasing the TMF. The SBTF reviewed several alternative rates to see what the potential revenue impact would be:

Monthly Charges for a Sample of Customers						
Per Trip Rate	Current	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E
	\$0.075	\$0.104	\$0.260	\$0.521	\$0.781	\$1.042
Single Family Residential	\$0.72	\$1.00	\$2.50	\$5.00	\$7.50	\$10.00
Multi-family Residential (4 units)	\$2.00	\$2.78	\$6.94	\$13.89	\$20.83	\$27.78
Small Medical	\$3.08	\$4.28	\$10.69	\$21.39	\$32.08	\$42.78
Multi-family Residential (14 units)	\$7.00	\$9.72	\$24.31	\$48.61	\$72.92	\$97.22
Restaurant	\$15.53	\$21.57	\$53.92	\$107.85	\$161.77	\$215.68
Small Retail	\$17.63	\$24.49	\$61.22	\$122.43	\$183.65	\$244.85
Grocery Store	\$83.70	\$116.25	\$290.62	\$581.25	\$871.87	\$1,162.43
Fast Food with Drivethrough	\$93.68	\$130.11	\$325.28	\$650.55	\$975.83	\$1,301.03
Hewlett Packard	\$484.43	\$672.82	\$1,682.05	\$3,364.08	\$5,046.14	\$6,727.76
Large Retail	\$575.10	\$798.76	\$1,996.87	\$3,993.72	\$5,990.62	\$7,986.99
Good Samaritan Hospital	\$732.87	\$1,017.88	\$2,544.69	\$5,089.34	\$7,634.06	\$10,178.10
OSU	\$3,419.26	\$4,749.01	\$11,872.42	\$23,744.71	\$35,617.27	\$47,486.68
Annual Revenue All Accounts	\$498,890	\$692,908	\$1,732,256	\$3,464,492	\$5,196,768	\$6,928,584

The SBTF unanimously recommended the Council implement phased in increases in the Transportation Maintenance Fee to get to a revenue of \$3.4 million annually.

Budget Impact:

- The budget impact of seeking an alternative revenue for the General Fund is significant. The current local option levy will expire in June 2019, and the City will face a second PERS rate increase effect

- July 1. To continue operations without an alternative revenue will require difficult discussions about service reductions.
2. The budget impact of not addressing funding for infrastructure needs would lead to more sizeable increases in costs to rate payers in the future as the infrastructure systems run to failure.

TO: City Council for October 18, 2016  
 FROM: Nancy Brewer, Finance Director NB  
 DATE: October 10, 2016  
 THROUGH: Mark W. Shepard, P.E., City Manager MWS  
 SUBJECT: Financial Policies Update



Action Requested:

Staff recommends Council adopt updated Financial Policies.

Discussion:

The City Council has had financial policies since 1989. The policies undergo an annual review and update by staff who recommend adjustments as necessary for Council review, potential modification, and adoption. The Financial Policies are a critical component of the Council's fiduciary responsibility and set the tone for organization-wide financial performance. Recommended updates for 2016 include:

*Housekeeping*

Throughout the Financial Policies there are amendments to address general readability, eliminate redundant language, remove references to the Administrative Services Committee, and to change the term "citizen" to either community member or resident.

*Fund Balance (CP 10.01)*

The changes on page 3 appear to be significant, but since the list of criteria for the General Fund and for Non-General Fund was almost exactly the same, this recommendation shortens the list to reference the General Fund criteria and include the enterprise fund rate stability as the only additional criterion.

*Revenue Policies (CP 10.02)*

Significant changes in this section are associated with the utility fees (page 3) for Water, Wastewater, and Storm Water. Staff recommends removing the current language about limiting rate increases to 2% to 3% on the total utility bill. This is largely the result of the likely need to increase rates by more than that amount to provide adequate resources for the replacement of aging infrastructure. Annual rate reviews will continue to be completed and under the purview of the City Council.

*Expenditure Policies (CP 10.03)*

The Operating Budget section has been retitled to Sustainable Budget (page 1). Pay-as-you-go is one element of the sustainable budget, so the section has been expanded to more fully envelop the concept of the sustainable budget.

The Personnel Services section (page 3) has been revised to more specifically address compensation. The Council has previously had a separate policy on compensation which had elements that included both Council Policy and administrative policy. Staff's recommended changes move the Council Policy language into the Financial Policies which will allow the administrative sections move to administrative policies as noted in the October 4 work session discussion of Council Policies.

*Debt Policies (CP 10.06)*

Amendments in this section are largely the result of Municipal Securities Rulemaking Board (MSRB) efforts to strengthen disclosure requirements and reporting associated with bonded debt and loans.

*Risk Policies (CP 10.07)*

The substantive changes in this section are related to the implementation of an Executive Risk Management Team (page 1), which is the group of Department Directors, as the people most responsible for operational risks. In addition, staff is recommending increasing the Catastrophic Reserve target to \$1 million to reflect the likely out-of-pocket costs for major incidents.

*Investment Policies (CP 10.08)*

The City has traditionally been more conservative than State law allows for local government investments. In large part, this was the result of minimizing staff work to place investments. The Finance Department no longer has the staff depth to do this work and therefore expects to only use a third party, fee for service Investment Advisor in the future. The changes recommended remove the language associated with having a City-approved Broker-Dealer list, and bring the City's policy language more in line with State law for local government investments. This will slightly broaden the categories of investments (e.g., the ability to invest in municipal bonds in other Pacific Northwest states) and hopefully allow the City to seek more opportunities to invest the core portfolio.

Budget Impact:

There is no budget impact from the review and update of the Financial Policies. However, the outcome of the changes, if adopted by the Council as recommended, would be to continue the organization's focus on stable Fund Balance Reserves, and to add flexibility for higher annual rate increases in Water, Wastewater, and Storm Water operations to fund needed infrastructure.

Attachments: Council Financial Policies

- 10.0 Policy Overview
- 10.1 Fund Balance Policies
- 10.2 Revenue Policies
- 10.3 Expenditure Policies
- 10.4 Accounting and Financial Reporting
- 10.5 Capital Improvement Program Policies
- 10.6 Debt Policies
- 10.7 Risk Management Policies
- 10.8 Investment Policies
- 10.9 Definitions



## City of Corvallis

Financial Policies - Council Policy

Policy # 10

### Financial Policies



#### Policy:

The City Council's Financial Policies serve to:

- ❖ protect the policy making ability of the City Council by ensuring that important policy decisions are not controlled by financial problems or emergencies.
- ❖ enhance the policy making ability of the City Council by providing accurate information on program costs.
- ❖ assist sound management of the City by providing accurate and timely information to the City Council and public on the City's financial condition.
- ❖ provide sound principles, reports and analyses to guide the important decisions of the City Council and of management which have significant fiscal impact.
- ❖ set forth operational principles which minimize the cost of government and financial risk, and safeguard the City's assets.
- ❖ employ revenue policies which prevent undue or unbalanced reliance on certain revenues, which distribute the costs of municipal services fairly, and which provide adequate funds to operate desired programs.
- ❖ provide adequate resources to operate and maintain essential public facilities and the City's infrastructure.
- ❖ protect and enhance the City's credit rating and prevent default on any debt issue of the City.
- ❖ ensure the legal use of all City funds through a sound system of administrative policies and internal controls.

#### Purpose:

To underscore the responsibility of the City of Corvallis to its ~~citizens~~residents for the long-term care of public funds, ~~and~~wise management of municipal finances, ~~while~~providing adequate funding for the services desired to achieve a sense of well-being and safety by the public, and maintaining the community's public facilities and infrastructure to enhance the long-term livability and economic vitality of Corvallis.

#### Scope:

Municipal financial operations have a wide variety of oversight or standard setting agencies, including multiple departments within both State and Federal governments, the Securities and Exchange Commission, and the Governmental Accounting Standards Board. The City of Corvallis manages public funds within all of these oversight agency requirements. These financial management policies, designed to ensure the fiscal stability of the City of Corvallis municipal corporation, provide guidance in financial management when oversight agencies are otherwise silent or to reiterate best practices that may be codified by another entity. The City Council's Financial Policies have been reviewed and updated each year since they were first adopted to ensure the policy direction is current.

	<p><b>City of Corvallis</b></p> <p>Financial Policies - Council Policy</p> <p>Policy # 10</p> <p><b>Financial Policies</b></p>	
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**Goals:**

To achieve and maintain the goals outlined in these policies, the Finance Department will conduct an annual analysis of projected financial condition and key financial indicators. This budget capacity analysis shall be used to inform the next budget development process.

It is the focus of this analysis to:

- A. identify the areas where the city is already reasonably strong in terms of protecting its financial condition;
- B. identify existing or emerging problems in revenue sources, management practices, infrastructure conditions, and future funding needs;
- C. forecast expenditures and revenues for the next three to seven years, with consideration given to such external factors as state and federal actions, the municipal bond market, management options being explored and used by other local governments; and
- D. review internal management actions taken during the last budget cycle.

Financial Policies 10.1 through 10.9 are attached and together define the complete Financial Policies of the City Council.

	<p><b>City of Corvallis</b></p> <p>Financial Policies - Council Policy</p> <p>Policy # 10.01</p> <p><b>Financial Policies – Fund Balance</b></p>	
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- Policy:** This policy is designed to provide guidance for maintaining an ending fund balance that is adequate to manage risk while maximizing the services provided to ~~citizens~~ community members.
- The budgetary ending fund balance describes the net financial assets of governmental funds; in lay terms it represents the net revenues in excess of expenditures since the fund's inception. Actual fund balances for each fund shall be reported in the Comprehensive Annual Financial Report, issued as of June 30 of each fiscal year. Budgetary fund balances shall be reported in the annual budget, and shall be projected for each operating fund as part of the financial planning process to prepare the budget each year.
- 
- Purpose:** Fund balance is used to provide stable resources for times when service levels might otherwise be impacted by taxes or fees that temporarily underperform, or to cover one-time unexpected expenditures. Maintaining a positive ending fund balance is a best financial management practice, and is important to maintain the City's credit rating, and to meet state law requirements for no deficit spending.
- 
- Scope:** Budgetary fund balance is a critical component of the City's financial management policies. Large ending fund balance targets may be viewed as reducing resources that could be used to provide direct services to ~~citizens~~ community members; small ending balances may be viewed as leaving the City open to too much risk from emergencies or temporary economic downturns and may result in downgrades to the City's credit rating that would increase the cost of borrowing. Residents' sense of well-being is enhanced when the City is able to provide a consistent level of service from year-to-year.
- 
- Guidelines:** General Fund – Budgetary Fund Balance for Financial Planning Purposes
1. The City Council has established the fund balance reserve target for the General Fund to total three months of payroll expenses.
  2. The City Council shall appropriate 10% of the target fund balance amount each fiscal year as a contingency to be used for unanticipated expenditures such as costs associated with a response to a disaster, or to meet unanticipated increases in service delivery costs. Use of the contingency is expected to be infrequent. The City Council must authorize expenditure of any contingencies via a resolution.
  3. The City Manager will review the City's financial status each year and develop a budget process that is designed to meet Oregon Local Budget Law requirements, taking into account the City's projected financial status for the budget year, including:
    - a. the current budgetary fund balance;
    - b. cash flow requirements within the fund to support expenditures, including up to three months of payroll costs;
    - c. future capital needs;

	<p><b>City of Corvallis</b></p> <p>Financial Policies - Council Policy</p> <p>Policy # 10.01</p> <p><b>Financial Policies – Fund Balance</b></p>	
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- d. significant revenue and expenditure trends ~~including the HNA~~;
  - e. susceptibility of the fund's operations to emergency or unanticipated expenditures;
  - f. credit worthiness and capacity to support debt service requirements and covenants;
  - g. legal or regulatory requirements affecting revenues, expenditures, and fund balances;
  - h. reliability of outside revenues; and
  - i. any other factors pertinent to the fund's operations.
4. Should the projected ending fund balance reserve for the budget year be lower than the City Council's target, the following strategy will be implemented:
- a. For times when the fund balance reserve is lower than the target as the result of structural/systemic changes, the fund balance shall be re-built over a period of no more than:
    - i. five years if the fund balance reserve is less than 50 percent of the target. The balance shall be re-built to achieve an ending fund balance of no less than 10 percent of the target in the first year; 25 percent in the second year; 45 percent in the third year; 70 percent in the fourth year; and 100 percent in the fifth year. This strategy is specifically designed to allow for consideration/development of a new revenue source prior to significant service reductions taking effect should the City Council wish to consider revenue alternatives.
    - ii. three years if the fund balance reserve is between 50 percent and 100 percent of the target. The balance shall be rebuilt to achieve an ending fund balance of no less than 60 percent at the end of the first year; 75 percent at the end of the second year, and 100% at the end of the third year.
  - b. For times when the fund balance reserve is lower than the target as the result of short-term poor experience (i.e., costs to respond to a natural disaster; use of contingencies for unanticipated expenditures), the City Manager shall recommend a strategy for re-building the fund balance reserve taking into account the following criteria:
    - i. the cause of the poor experience;
    - ii. the City's ability to control/change the causing factor;
    - iii. the impact to services to achieve an immediate re-build of fund balance;
    - iv. the likelihood the causing factor will end and revenues/expenditures will return to normal levels within one year; and
    - v. the likely amount of time required to re-build the fund balance if no additional changes in services/revenues occurred and/or one-year is not a viable time frame for proposed solutions.
5. Should the projected ending fund balance be above the target, the City Manager will make a recommendation to the City Council whether to reserve those monies above the target for:
- a. one time capital expenditures or reserves for future capital expenditures which do not significantly increase ongoing City costs;

	<p><b>City of Corvallis</b></p> <p>Financial Policies - Council Policy</p> <p>Policy # 10.01</p> <p><b>Financial Policies – Fund Balance</b></p>	
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- b. undesignated assigned or committed balances for future basic operations;
- c. other one-time costs; and/or
- d. ongoing or new City programs, provided such action is considered in the context of Council approved multi-year projections of revenue and expenditures.

Non-General Fund Appropriate Budgetary Fund Balance ~~—all other funds~~

1. Each operating fund shall have a positive budgetary ending fund balance for the budget year under discussion.
2. The Finance Director shall recommend the appropriate ending budgetary fund balance for each fund as part of the budget development process. The Finance Director shall take into account the same criteria considered for the General Fund, and add consideration of rate stability in the enterprise funds following factors:
  - ~~a. the current budgetary fund balance;~~
  - ~~b. cash flow requirements within the fund to support expenditures, including up to three months of payroll costs;~~
  - ~~c. future capital needs;~~
  - ~~d. significant revenue and expenditure trends including the HNA;~~
  - ~~e. relative rate stability from year to year for enterprise funds;~~
  - ~~f. susceptibility of the fund's operations to emergency or unanticipated expenditures;~~
  - ~~g. credit worthiness and capacity to support debt service requirements and covenants;~~
  - ~~h. legal or regulatory requirements affecting revenues, expenditures, and fund balances;~~
  - ~~i. reliability of outside revenues; and any other factors pertinent to that fund's operations.~~
3. The minimum fund balance targets for ~~any given non-property tax~~ fund other than the General Fund shall be no less than five percent of current revenue.

Non-General Fund Ending Budgetary Fund Balance Below Recommended ~~—All Other Funds~~

If the annual budget is recommended by the Budget Commission and accepted by the City Council to be adopted with a budgetary fund balance below either the minimum or the recommended ending budgetary fund balance in any fund, the budgetary ending fund balance for the then current fiscal year will be re-calculated as soon as the audit work for the prior fiscal year is complete. If at that point, the audited ending fund balance contributes to a budgetary fund balance which is lower than this policy would dictate, staff shall develop a plan for City Council consideration ~~through the Administrative Services Committee~~ that addresses the shortfall.

 <p><b>CORVALLIS</b> ENHANCING COMMUNITY LIVABILITY</p>	<p><b>City of Corvallis</b></p> <p>Financial Policies - Council Policy</p> <p>Policy # 10.01</p> <p><b>Financial Policies – Fund Balance</b></p>	 <p><b>CORVALLIS</b> ENHANCING COMMUNITY LIVABILITY</p>
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Non-General Fund Ending Budgetary Fund Balance Above Recommended

In the event the ending budgetary fund balance is higher than either the minimum or recommended level, the difference may be used to fund the following activities:

1. one time capital expenditures or reserves for future capital expenditures which do not significantly increase ongoing City costs;
2. undesignated assigned or committed balances for future basic operations;
3. other one-time costs; and/or
4. ongoing or new City programs, provided such action is considered in the context of Council approved multi-year projections of revenue and expenditures.



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.02

### Financial Policies – Revenue



#### Purpose:

~~To underscore the responsibility of the City of Corvallis to its citizens for the long-term care of public funds and wise management of municipal finances while providing adequate funding for the services desired to achieve a sense of well-being and safety. These policy~~ ies provides direction in the management and oversight of existing revenue sources and for the development of new revenue sources.

#### Scope:

A significant portion of the City's revenues comes from taxes, charges for service and fees. Some of these revenue sources are governed by the Oregon Constitution/Statutes, federal law, or regulations promulgated by a state, federal, or other agency; others are assessed solely through the City's home rule authority. Revenues are critical to the City's financial operations as they provide the resources necessary to provide services at the level the community desires.

~~However, t~~he City Council also recognizes that the majority of the revenue received by the City comes from its own residents ~~citizens~~ and the ability to pay increasing amounts may make Corvallis less livable, especially for low income residents. Revenue decisions are complex and must take into account a variety of factors. The Revenue Policies are designed to provide guidance to staff and the City Council as new revenue sources or rate increases for existing revenues are considered.

#### Guidelines:

Revenue Diversity and Stability – The City will strive to maintain a diversified and stable revenue system to shelter the government from short ~~run~~ term fluctuations in any one revenue source and ensure its ability to provide ongoing service. In particular, the City will seek alternatives to the property tax for general government services.

Restricted Revenues -- Restricted revenue shall only be used for the purposes legally permissible and in a fiscally responsible manner. Programs and services funded by restricted revenue will be clearly designated and accounted for as such.

Capital Improvement Funding -- Revenue for capital improvements shall be used to finance only those capital improvements identified in the funding plan (i.e., bond or grant funded projects) that are consistent with the capital improvement program and local government priorities, and where the operating and maintenance costs have been included in operating budget forecasts. Revenue restricted for specific purposes will be expended consistent with those restrictions.

One-time Revenue -- One-time revenue includes fund balances and grants or other sources which haves a specific time limit and/or reason for expenditure. One-time revenue will be used for one-time expenses whenever possible; in some cases, one-time revenue may be used for costs the City would have



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.02

### Financial Policies – Revenue



incurred for a program or service, regardless of the receipt of the one-time revenue. If one-time revenue is considered for ongoing expenditures (such as adding staff) the Budget Commission or City Council will balance the need for the additional ongoing expenditures with the on-going ability to pay prior to approving the program.

Unpredictable Revenue -- Unpredictable revenue, which includes development related revenue such as Systems Development Charges (SDC), Public Improvement by Private Contractor fees, Development Review, Plan Review and Inspection Permit revenue, will be closely monitored through the year. Capital projects to be constructed with SDC monies will not be initiated until SDC revenue is available or another financing alternative is developed.

Revenue Monitoring -- Revenues will be monitored monthly for performance compared to both the annual budget and the anticipated timing of revenue receipts. Operations funded partially or wholly from unpredictable revenue will be monitored monthly and mitigating action will be taken if revenues are not received as expected.

Collections -- The City shall manage its revenue collections through a policy that actively pursues collection of all revenues owed to the City.

Charges for Services -- Fees and charges for service are assessed to specific users where the user pays all or a portion of the costs to provide the service. When assessed as a fee, the charge generally grants the payer permission or a license to do a specific activity (i.e., franchise fees authorize use of the public right-of-way; a liquor license fee authorizes the license holder to sell liquor). When assessed as a charge for service, the charge is for a specific service, directly used by the payer (i.e., ~~the admission fee~~ at the swimming pool is only assessed to the person going swimming).

1. Fees and charges other than those identified elsewhere in City Council policy or via Corvallis Municipal Code will use the following criteria to determine the ratio of cost recovery:
  - a. Whether the person paying the fee can avoid it;
  - b. Whether the program supported by the fee is designed to benefit the entire community or only a small segment of the population;
  - c. Whether the fee is set high or low to incentivize something (i.e., change behavior);
  - d. Whether the fee should be earmarked for a specific use or should be treated as a general revenue available for operations;
  - e. Whether there are extenuating circumstances where the Council believes the fee should not cover all of the costs associated with the service; and
  - f. Whether the fee costs less to collect/administer than the revenue it brings in.
2. Fees and charges are reviewed annually, and are updated via Council action when necessary. A revenue manual listing all such fees and charges of the City shall be maintained by the Finance Department and updated concurrent with the review.



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.02

### Financial Policies – Revenue



3. A fee shall be charged for any service that benefits limited interests within the community, except for basic, unavoidable human needs type services provided to persons with limited ability to pay.
4. Historically, the City Council has provided very limited tax and fee exemptions; rather, the City Council has elected to use General Fund monies to pay the fees/charges for non-profit entities that request exemptions when the cause matches the City's goals.

Systems Development Charges (SDC) – SDC rates are set via resolution and are designed to cover the costs of infrastructure necessary to provide services for future growth. The list of projects eligible for SDC funding shall be updated when facility plans are updated or amended, or when a project not listed in a facility plan is identified and will provide additional capacity to serve growth. The overall SDC program methodology and population service scenario shall be reviewed approximately every ten years.

### PROPERTY TAXES

The City levies property taxes for operations and for general obligation debt service in compliance with the Oregon Constitution and Oregon Revised Statutes. The City has a permanent tax rate of \$5.1067 per \$1,000 of assessed value; the City may have a local option property tax levy for a limited period of time. Revenue for a local option levy will be accounted for according to the ballot language for the levy. Revenue from property taxes levied for general obligation debt service shall be for specific series of debt, levied and accounted for in accordance with state legal requirements. Revenue from the City's permanent tax rate shall be accounted for in the General Fund.

### UTILITY FEES (WATER, WASTEWATER, STORM WATER)

- A. Utility Fee Basis -- Utility user charges for each of the three City utilities will be based on the total cost of providing the service (i.e., set to fully support the total direct, indirect, and capital costs) and are established so that the operating revenues of each utility are at least equal to its operating expenditures, reserves, debt coverage and annual debt service obligations, and planned replacement of the utility's facilities.
- B. Annual Rate Review -- Staff shall conduct an annual comprehensive rate review each fall for the Water, Wastewater and Storm Water funds for Council review. Rate increases will be targeted for implementation in February. ~~Every effort shall be made to index/limit rate increases for the entire utility bill (water, wastewater, and storm water) to the rate of inflation (estimated at 2% to 3%) but not more than 7% in any one year unless federal or state mandate, judgment arising out of litigation, or Council approved policy needs dictate otherwise.~~
- C. Rate Adoption -- Utility rates will be adopted by ordinance or resolution and will be recorded in the Corvallis Municipal Code.
- D. Franchise Fees -- The City's Water, Wastewater, and Storm Water utilities will pay a franchise fee to the City's General Fund to compensate for the use



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.02

### Financial Policies – Revenue



of the public right-of-way. The franchise fee will be equal to 5% of the utility's gross ~~monthly billed revenue operating revenue each year, net of interest, intergovernmental monies, miscellaneous water service fees, permit fees, SDCs, and turn-on service fees.~~

### PARKS AND RECREATION DEPARTMENT FEES CHARGES

- A. Cost Recovery -- ~~Parks and Recreation services are funded through a combination of user fees, property taxes, grants, and donations. Fees and charges~~ shall be assessed in an equitable manner in accordance with the following ~~fee and charge assessment~~ schedule. ~~Through a special initiative, services that provide recreational opportunities for populations with the fewest recreational alternatives (youth, limited income, senior adults, and families) may be more heavily supported by grants, donations, or property taxes than charges for service. user fees to ensure the population is well served by Parks & Recreation programs. Tier P~~percentages shall be considered as guidelines; however, special circumstances, the nature and cost of each program, and persons to be served ~~should~~will be taken into consideration.
- B. Fee-Charge Schedule Model -- the following lists represent all categories of services currently provided or those which may be provided in the future by the Parks & Recreation Department. The model is based upon the degree of benefit to the community (~~Tier 1 — mostly a community benefit~~) or individual (~~Tier 5 — mostly an individual benefit~~) of the service provided, the values of the Corvallis community, and the vision and mission of the Parks & Recreation Department. This model and policy form the basis for setting fees and charges.
1. Tier 5 -- Revenue positive cost recovery (~~Tier 5 services are~~ targeted to recover a minimum of 200 percent of direct costs):
    - a. concession/vending
    - b. merchandise for resale
    - c. private/semi-private lesson
    - d. rentals – private/commercial
    - e. long-term leases
    - f. equipment rentals
    - g. trips
    - h. organized parties
    - i. drop-in childcare/babysitting
    - j. leased services – private/commercial
    - k. permitted services
  2. Tier 4 -- Totally fee supported with no tax investment (~~tier 4 services are~~ targeted to recover a minimum of 100 percent of direct costs; ~~and~~ some of these services may be appropriate for use of alternative funding sources such as grants, donations, and use of volunteers):
    - a. classes and programs – intermediate/advanced
    - b. leased services – non-profit/governmental agency
    - c. preschool
    - d. social clubs



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.02

### Financial Policies – Revenue



3. Tier 3 -- Primarily fee supported with little or no tax investment (~~tier 3 services are~~ targeted to recover a minimum of 90 percent of direct costs; ~~and~~ some of these services may be appropriate for use of alternative funding sources such as grants, donations, and use of volunteers):
  - a. health services, wellness clinics, and therapeutic recreation
  - b. classes and programs – beginning/multi-ability
  - c. tournaments and leagues
  - d. rentals – non-profit/governmental agency
  - e. specialized events/activities
  - f. camps/after school care
  - g. leased services – affiliates
  - h. work study/internship/community service program
4. Tier 2 -- Partial tax investment with minimal to partial fee support (~~tier 2 services are~~ targeted to recover a minimum of 45 percent of direct costs; ~~and~~ many of these services may be appropriate for use of alternative funding sources such as grants, donations and use of volunteers):
  - a. life/safety classes
  - b. rentals – affiliates
  - c. supervised park/facility
  - d. community-wide events
  - e. volunteer program
5. Tier 1 -- Full tax investment with little or no fee support (~~tier 1 services are~~ targeted to recover zero percent of direct costs; ~~although~~ some of these services may be appropriate for use of alternative funding sources such as grants, donations, and volunteers):
  - a. non-supervised park/facility
  - b. inclusionary services
  - c. support services
- C. Setting Fees -- The Parks & Recreation Department Director shall set fees for programs and services in compliance with the targets listed above. Fees shall be adjusted during the course of each year as needed to ensure the cost recovery targets are achieved. The following pricing strategies will be used by the Parks & Recreation Director in setting fees:
  1. Market pricing: a fee based on demand for a service or facility or what the target market is willing to pay for a service. One consideration for establishing a market fee is determined by identifying all providers of identical service (i.e., private sector providers, other municipalities), and setting the highest fee. Another consideration is setting the fee at the highest level the market will bear.
  2. Competitive pricing: a fee based on what similar service providers or close proximity competitors are charging for service. One consideration for establishing a competitive fee is determined by identifying all providers of an identical service (i.e., private sector providers, other municipalities), and setting ~~the~~ a mid-point or lower ~~st~~ fee.
  3. Cost recovery pricing: a fee based on cost recovery goals within market pricing ranges.
- D. Fee Review -- The Park and Recreation Department shall conduct an annual comprehensive review of cost recovery targets in compliance with these



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.02

### Financial Policies – Revenue



policy targets; this review will be forwarded to the Parks, Natural Areas and Recreation Advisory Board which will forward their comments to ~~the~~ City Council ~~via the Human Services Committee.~~

- E. Use of Volunteers -- Through an aggressive volunteer recruitment and retention program, the Parks and Recreation Department shall seek to minimize the amount required for full tax investment by offsetting costs through volunteer support. ~~with little to no fee support (tier 1 services) and partial tax investment with minimal to partial fee support (tier 2 services).~~
- F. Alternate Funding Sources -- Solicitation of funds through donations, fund raising events, nontraditional sources, and various other modes shall be encouraged by the Parks, Natural Areas and Recreation Advisory Board and other advisory committees. Funds collected for any special purpose shall be earmarked for that purpose.

#### AMBULANCE FEES

It is the intent of the City to provide responsive, efficient and self funded emergency medical services as the Benton County designated service provider to the Benton County Ambulance Service Area, including all residents of the City.

Rate Changes -- Staff shall review ambulance rates annually no later than February 28 to ensure the rates reflect changes in the direct costs of service. In reviewing rates, staff will consider the historic and projected costs of service, service demands, changes in fixed and variable costs, market rates, and changes in service requirements or mandates. The City shall notify Benton County of proposed fee increases or decreases in conjunction with the fee review ~~at the beginning of the City's formal budget review process.~~

1. Proposed rate changes will be submitted to the City Council ~~via the Administrative Services Committee for review and recommendation to the full Council~~ no later than April 1 of each year. If no rate change is recommended, staff will note the fact in a Council Report.
2. The Council shall adopt rate adjustments by resolution. Following Council adoption, the new rates will go into effect ~~by~~ July 1 of the next ~~each~~ fiscal year.
3. Notification will be issued to the public 30 days prior to the July 1 deadline. Customers will be notified of rate changes via advertisements in the local newspaper.

Special Rate Reviews -- If, at any time during the fiscal year, estimated costs of service exceed available revenue, the City Manager may conduct a special rate review. In conducting such reviews the City Manager would follow the above procedures. In this instance, rate adjustments could take place at any time within the fiscal year, with 30 days' public notice.



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.02

### Financial Policies – Revenue



## GRANTS

Grant Opportunities -- The City shall aggressively pursue grant opportunities; however, before applying for or accepting grants, the City will consider the current and future implications of accepting the monies.

Federal Funds -- Federal funds shall be actively sought by the City. The City will use these funds to further the applicable national program goal. Because federal funds are not a guaranteed revenue source and are intended for a specific purpose, they will not be relied upon as an ~~alternative~~ source of capital improvement funds unless the federal grant is specifically for capital projects. Use of federal funds shall support City goals and services.

Grant Review -- In reviewing grants the department director and Finance Director shall evaluate each grant offer and make their recommendation to the City Manager after considering:

1. the amount of the matching funds required;
2. in kind services that are to be provided;
3. length of grant and consequential disposition of service (i.e., is the City obliged to continue the service after the grant has ended?); and,
4. the related expenditures including administration, record keeping, and auditing expenditures.

Single Audit -- The annual audit by the City's independent auditors will include all required audit procedures for grant compliance as specified in the federal government's Office of Management and Budget OMB Circular A-133.

## GIFTS, DONATIONS AND BEQUESTS

Use of Gifts, Donations & Bequests -- Gifts, donations and/or bequests given to, and accepted by, the City for the use of any of its departments or divisions shall be used solely for the purpose intended by the donor. Unrestricted gifts will be expended on the recommendation of the related advisory board.

Evaluation -- Gifts, donations, and bequests will be evaluated to determine what, if any, obligations are to be placed upon the City. Gifts, donations, and bequests will be considered as "over and above" basic City appropriations unless the gift, donation or bequest is for an already planned and budgeted service or program.



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.03

### Financial Policies – Expenditures



#### Purpose:

To provide direction for developing the annual budget, monitoring the City's financial status throughout the year, and ensuring that the City's monies are expended to provide services to ~~citizens~~ community members.

#### Scope:

The City expends a significant amount of money each year to provide services that are important to resident's~~citizen's~~ sense of well being and safety and to improve the livability of the community. The largest portion of expenditures is for the operating costs of the organization. These costs include all of the salaries/wages and related benefits for City staff, along with materials, services and capital outlays necessary to perform the basic functions of the City. Additional costs associated with capital projects (infrastructure investments) and debt service are part of the annual budget, based on specific plans for both.

#### Guidelines:

##### ~~OPERATING BUDGET – PAY AS YOU GO~~ SUSTAINABLE BUDGET

The City develops a sustainable budget each year, where revenues equal or exceed expenditures. To achieve the sustainable budget, the City operates under the following guidelines:

- A. Pay-As-You-Go -- The City shall attempt to conduct its operations from existing or foreseeable revenue sources. Achieving pay as you go requires the following practices:
  1. current direct and indirect costs for operations and maintenance will be controlled and will be funded with current revenues, ~~and~~
  2. revenue and expenditure forecasts will be prepared annually for all operating funds prior to budget discussions, ~~and~~
  - 2-3. significant one-time maintenance costs will be projected via long-term financial projections and monies will be set aside, where possible, to cash fund the costs.
- B. Cost Allocation Plan -- The Finance Director shall prepare a full cost allocation plan triennially to provide accurate, complete estimates of indirect service costs. The plan will be updated annually during budget development.
- C. Mandated Costs -- Costs attributable to mandates of other government agencies shall be included in the annual budget.

##### BUDGET BALANCE

The City Manager will prepare a budget for each fund each year where resources on a modified accrual basis either equal or exceed all expenditures in compliance with ~~Oregon Administrative Rule 150-294.35\_2(1)-(B)~~ ORS 294.388.

- A. Resources available include all revenue anticipated in the budget year, including taxes, fees, charges for service, fines, intergovernmental payments, miscellaneous revenue, transfers, other financing sources, expendable reserves, and beginning fund balances.
- B. Expenditures include all planned expenditures for operations, inter-fund transfers, capital budget, debt service, and contingencies.



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.03

### Financial Policies – Expenditures



## BUDGET PERFORMANCE REPORTING

- A. Quarterly Reports -- The Finance Director shall submit a Quarterly Operating Report (QOR) to the Budget Commission within 45 days of the close of the fiscal quarter. The QOR will be published on the City's web site for public review. The QOR will be reviewed ~~by the Administrative Services Committee and be~~ and accepted by the City Council on the Consent Agenda. At a minimum, the QOR will include income statements developed on the modified accrual (budgetary) basis for all operating funds of the City, and may include other pertinent information ~~such as the status of the City Council's Values and Goals and departmental performance information.~~
- B. Performance Indicators -- Where practical, the City shall develop and employ performance indicators that are tied to Council ~~values and~~ vision and goals, as well as management objectives, to be included in the budget. Status of the measures will be reported in each QOR.

## MAINTENANCE, REPAIR & REPLACEMENT

- A. Master Plans -- The City shall maintain master plans for all major infrastructure systems. Master plans provide direction about system needs (such as pipe size and reservoir locations) for predicted population build out of the community. Infrastructure master plans are required for Parks, Transportation, Water Plant, Water Distribution system, Wastewater Plant, Wastewater Collection system, Storm Water system, and the Airport. The master plans shall be adopted by the City Council as amendments to the City's Comprehensive Plan.
- B. Master Plan Projects -- Projects identified via an infrastructure master plan will be scheduled based on the priority of the project as identified in the master plan and will be budgeted in the Capital Improvement Program (CIP) when resources are available to implement the project and the project will result in the acquisition of a new or addition to an existing ~~a~~ capital asset; master plan projects that do not result in capital assets shall be included in the operating budget.
- C. Annual Inventory -- The City will conduct an inventory of all capital assets in conjunction with the annual audit. During the inventory, any excess wear and tear will be noted by staff and used to update replacement plans during the following budget preparation cycle.
- D. Equipment Replacement Plans -- Assets which are not part of a major infrastructure system or buildings and land, including vehicles, computers, and specialized equipment required for normal work (i.e., defibrillators, bullet proof vests), will be tracked by each department with replacement plans made for at least the financial planning period. These schedules will be updated annually in conjunction with the budget process.
- E. Stable Spending plans -- Every effort will be made to develop an equipment replacement schedule that results in a stable annual spending level. If spending levels cannot be stable and would result in a significant dollar amount variance year-over-year, staff will set aside in reserves an amount



**City of Corvallis**

Financial Policies - Council Policy

Policy # 10.03

**Financial Policies – Expenditures**



- each year adequate to fully fund the project in the future. If monies are not set aside in reserves due to financial shortfalls:
1. reserves will be re-built within three fiscal years to the level required to meet future replacement plans; or
  2. staff will develop a plan to borrow monies for critical equipment replacement.
- F. Equipment Replacement Budgeting -- Equipment to be replaced will be budgeted considering:
1. Age of the asset and its manufacturer’s recommended useful life;
  2. Wear and tear on the asset;
  3. Environmental conditions which may shorten or lengthen the useful life of the asset;
  4. The cost/benefit to complete routine maintenance and delay replacement;
  5. Availability of service and/or parts; and
  6. The cost/benefit of early replacement with more efficient and/or less expensive technology.
- G. Facility Maintenance -- The facility maintenance schedule for major maintenance or replacement projects for all City-owned buildings will be updated annually. The primary goal of the plan is to complete maintenance projects prior to system failures that would cause a decrease in service levels to ~~community members~~citizens. Criteria for including projects are the same as those identified above in F.
- H. Maintenance Costs from the CIP -- Projects included in the proposed Capital Improvement Program (CIP) will identify the anticipated operating costs or savings associated with the project. - Estimated operating costs from CIP projects will be included in all years of the financial plan for the appropriate fund prior to approval ~~of the CIP~~by ~~the CIP Commission,~~the Budget Commission ~~and~~or City Council.

~~PERSONNEL SERVICES~~COMPENSATION

- A. Compensation -- ~~The City Council has a separate policy on compensation that provides policy direction and guidelines for labor negotiations and for the City Manager as it relates to compensation for exempt employees.~~The City’s Charter requires the Council to set compensation for all employees. Additional guidance for compensation is included in ORS 243.650 to 243.782, known as the Public Employee Collective Bargaining Act (PECBA).
1. Total compensation, which includes the City’s costs for wages and benefits as defined by PECBA, shall be used in making compensation comparisons in labor negotiations.
  2. When negotiating compensation, the City Council shall direct staff to:
    - a. work within the fiscal constraints of the City’s economic ability to pay;
    - b. set reasonable limits on the cost to provide City services; and
    - c. work within the budgetary restrictions established by the City Council.



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.03

### Financial Policies – Expenditures



3. Setting total compensation comparators shall be in compliance with PECBA.

A.4. The City will target total compensation at +/- 5% of the mean of comparator cities to achieve external equity.

- B. Compensation Budget -- total projected compensation shall be budgeted in compliance with approved bargaining unit agreements. Compensation for exempt employees shall be budgeted in compliance with the City Manager's recommendation for these positions. City Council approval of the budget each year shall constitute Council confirmation of the compensation levels.
- C. Changes in Full Time Equivalents (FTE) --Changes in the FTE shall be identified in the summary financial data in the Budget each year. This summary will include data by department, and a list of positions added, deleted, or approved but unbudgeted for the year.
- D. Vacant Positions -- The City shall not carry vacant budgeted positions for more than one fiscal year without the Department Director identifying a strategy for the position.

### TRANSFERS

- A. General Fund Transfers -- To the maximum extent feasible and appropriate, General Fund transfers to other funds shall be defined as payments intended for the support of specific programs or services. Amounts not needed to support such specific program or service expenditures shall be ~~transferred back~~ returned to the General Fund, unless Council directs the transfer to be used for other purposes.
- B. Transfer Reconciliation & Cash Flow -- Transfers for specific programs or projects, or to support special operations, should occur on the basis of cash flow needs of the program or service being supported. A reconciliation of actual transfers against budgeted transfers will be included in the year-end audit process.
- C. Advances -- Where it is necessary to make a one-time advance of General Fund monies to another fund, this action shall occur under the following conditions:
  1. The advance is reviewed, prior to the transfer of funds, by the ~~Administrative Service Committee~~ City Council.
  2. All excess cash balances in the fund receiving the advance shall be invested for the benefit of the General Fund, if allowed by federal and state law and regulations, as long as the advance is outstanding.
  3. Should the borrowing fund accumulate an unexpected unrestricted balance, this excess shall be used first to repay the advance.
  4. If the receiving fund is subsequently closed, At the time of closing out the fund, assets net of liabilities of the fund equaling the unpaid portion of the advance revert to the General Fund, if allowed by federal, state or local law.
  5. For short term cash deficits in funds other than the General Fund during the course of the year, short term loans are preferred to advances, except in cases where the receiving fund is legally precluded from paying interest



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.03

### Financial Policies – Expenditures



on loans, or where loan transactions would be too numerous and costly to be cost effective.

#### CONTINGENCIES – NON-GENERAL FUND

- A. Contingency Amount -- To meet emergency conditions, the budget shall provide for an appropriated contingency in each fund other than the General Fund of at least 2% of estimated annual operating revenues. All governmental and enterprise funds shall maintain a contingency. The contingency shall be exclusive of all reserves.
- A-B. General Fund contingencies – Ten percent of the General Fund Fund Balance Reserve shall be appropriated each year as contingency. If used, the Fund Balance Reserve will be replenished as identified in Council Policy on Fund Balance (CP 10.01).
- B-C. Contingency Use -- Use of the contingency should be infrequent and for unanticipated expenditures such as costs associated with a response to a disaster, or to meet unanticipated increases in service delivery costs. The City Council must authorize expenditure of any contingencies via a resolution.
- C-D. Contingency in Excess of 2% -- The Finance Director may recommend a contingency in excess of 2% of current revenue in specific funds to address specific needs. When this occurs, the Finance Director will provide the Budget Commission and City Council with information regarding the reasons for the recommendation.
- D-E. Contingency Below 2% -- Where correction of a fund balance deficit causes the contingency to be budgeted below 2% of operating revenue, a gradual correction of the problem over several years is preferable to a one time jump in rates, or substantial decreases in other expenditure plans.

	<p><b>City of Corvallis</b></p> <p>Financial Policies - Council Policy</p> <p>Policy # 10.04</p> <p><b>Financial Policies – Accounting and Financial Reporting</b></p>	
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**Purpose:** To provide Council leadership for the organization by stating the importance of a system of internal controls to be implemented and maintained to meet the goals of providing accurate and timely financial reports to the community and financial markets, and mitigate the risk of fraud.

**Scope:** Best practices state that the City Council must lead the organization's commitment to excellence in financial management through the adoption of policies stating clear expectations. The City of Corvallis maintains a financial management system that ensures transactions are appropriately recorded, assets are managed for the benefit of the community, and risk of fraud or financial loss is identified and minimized through a set of internal controls designed to manage the risk. The financial markets and other interested parties rely on the City's annual financial statements to ensure Corvallis bondholders the City's financial condition will allow the City to continue to make all required debt payments and meet all covenants.

**Guidelines:** INTERNAL CONTROLS

- A. Internal Control System -- The City shall establish and maintain a process that is designed to provide reasonable assurance that the City is achieving the following objectives:
  1. effective and efficient operations,
  2. reliable and accurate financial information,
  3. compliance with applicable laws and regulations, and
  4. safeguarding assets against unauthorized acquisition, use, or disposition.
- B. Annual Audit -- The City shall hire an independent external auditor to perform an annual audit of the financial statements, including tests of the internal controls. It is the City's objective that the financial statements receive an unmodified qualified opinion, an opinion in which the auditor can state, without reservation, that the financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

FINANCIAL SYSTEM

- A. Purpose of the Financial System -- The financial system shall be used as the means of recording and reporting financial transactions in a way that will assist users in assessing the service efforts, costs and accomplishments of the City.
- B. Financial System Characteristics -- The City's accounting and reporting system shall demonstrate the following characteristics:
  1. reliability,
  2. accuracy,
  3. consistency,

	<p><b>City of Corvallis</b></p> <p>Financial Policies - Council Policy</p> <p>Policy # 10.04</p> <p><b>Financial Policies – Accounting and Financial Reporting</b></p>	
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4. timeliness,
5. efficiency,
6. responsiveness,
7. compliance with legal requirements, and
8. conformance with GAAP.

- C. Funds -- The City shall establish and maintain only those funds that are necessary by law and for sound financial administration. The funds shall be structured in a manner consistent with GAAP, to maximize the City's ability to audit, measure and evaluate financial performance. The fund structure will be reviewed annually and the Finance Director will recommend changes to improve compliance with Council policies, financial planning, resource allocation and service delivery will be made to the City Manager at the beginning of the annual budget process. Adding, closing, or making significant changes to a fund shall be done by the City Council by adopting a resolution.

#### EXTERNAL FINANCIAL REPORTING

- A. Comprehensive Annual Financial Report (CAFR) -- The City shall annually prepare and publish, by December 31st of each year, a CAFR in conformity with generally accepted accounting principles. The CAFR shall include but not be limited to:
1. an explanation of the nature of the reporting entity,
  2. the extent of activities conducted by the City,
  3. comparison of actual activity to adopted budget,
  4. an explanation of the City's fiscal capacity,
  5. disclosure of short and long term liabilities of the City,
  6. capital assets reporting,
  7. cash policies and compliance reporting,
  8. accounting policies, controls and management responsibilities, and
  9. all other disclosures required by GAAP.



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.05

### Financial Policies – Capital Improvement Program (CIP)



**Purpose:** To maintain the City's investment in infrastructure, this policy provides direction for the development and implementation of the annual CIP.

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**Scope:** The City has a significant investment in the infrastructure necessary for the general public's use. The infrastructure systems – streets, bikeways and sidewalks, water treatment plants and distribution system, wastewater treatment plants and collection system, storm water conveyance system, airport, parks, recreation facilities, open spaces, and municipal facilities – are important to the general well-being of the community. The City maintains and enhances the infrastructure systems by developing long-term plans to meet the service needs of the community and by securing the funding necessary to implement the plans. The Capital Improvement Program is developed to advise the community of the projects proposed over a five-year period to protect ~~plans for maintaining~~ the public investment, ~~and to ensure the resources are available to invest when the community requires them.~~

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**Guidelines:** CAPITAL IMPROVEMENT PROGRAM

- A. Definition of a Capital Project -- A capital project must:
  1. cost more than \$25,000, and
  2. be a permanent addition to the capital assets of the City, and
  3. purchase land, or
  4. construct a new building, or
  5. remodel or add to an existing building, or
  6. construct/install public infrastructure, or
  7. replace existing infrastructure.
- B. Full Costs Included -- For any project which meets the definition of a capital project, all costs for the project, including design, land or right-of-way acquisition, appraisals, construction, construction management, furnishings, and legal or administrative costs will be included in the project budget.
- C. Five-year CIP -- A five-year Capital Improvement Program (CIP) shall be developed ~~and presented~~ annually by staff ~~to the CIP Commission~~. The plan will be presented to and reviewed by the Planning Commission for compliance with the Comprehensive Plan, reviewed by the Budget Commission for compliance with long-term financial plans, and approved by the City Council. This plan shall contain the all planned capital improvements from all funds and departments of the City. ~~The first year of the plan shall constitute the next year's capital budget.~~
- D. Existing Assets -- A high priority shall be placed on repair or replacement of capital assets when such assets have deteriorated to the point of becoming hazardous, incur high maintenance costs, are negatively affecting property values, and/or are no longer functionally serving their intended purposes.
- E. Construction Standards -- Capital improvements constructed in the ~~City-city~~ shall be designed and built based on published construction standards which shall be periodically updated by the City Engineer. The construction



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.05

### Financial Policies – Capital Improvement Program (CIP)



standards will assure projects are built with an acceptable useful life and minimum maintenance costs.

#### CAPITAL IMPROVEMENT MAINTENANCE

~~A. Maintenance Standards — Standards of maintenance to adequately protect the City's capital investments shall be developed and periodically updated. The annual budget will be prepared to meet established maintenance schedules.~~

~~B.~~ Operating Budget Impacts -- Future operating budget impacts for maintenance of new capital facilities will be analyzed and estimates included in all years of the financial plans as part of considering a proposed capital project.

#### CAPITAL IMPROVEMENT FINANCING

- A. Appropriate Funding -- Within the limitation of existing law, various funding sources may be used for capital improvements. When capital projects are proposed, appropriate funding sources will be identified.
- B. Unspent Funds -- Upon completion of capital projects, the Finance Director shall certify any unspent funds from the project. The most restrictive project revenues shall be used first so that unused funds will have the fewest restrictions on future use. Unspent capital project funds, except bond funds, shall be returned to their original source. If there are unspent funds from a bond issue, those monies will be allocated according to stipulations in the bond indenture. In no case shall projects incur a funding deficit without the express approval of the City Council.
- C. Interest Earnings in the Capital Construction Fund (governmental fund) -- Interest earnings shall be allocated to each project based on the project's proportion of the cash balance in the fund. Projects which have a negative cash balance due to timing of reimbursements of grants or loans will not accrue interest revenue or an interest expense.
  - 1. Interest earnings which are restricted due to the funding source (i.e., grant, bond issue) shall be spent in compliance with those restrictions.
  - 2. Interest earnings not otherwise limited will be considered the most restricted City funds in the project and will be spent first in compliance with section ~~10.5 B~~ on ~~Unspent Funds~~.
- D. Interest Earnings in the Proprietary Fund Construction Components -- Interest earnings which are restricted due to the funding source (i.e., grant, bond issue) shall be spent in compliance with those restrictions. All non-restricted interest earnings will be accrued to the operating fund and will be available to spend on either operations or future capital projects.



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.06

### Financial Policies – Debt



#### Purpose:

To proactively manage the City's existing and future debt issues in compliance with state and federal laws in order to maintain the City's capacity for future debt issues that may be required for infrastructure investment.

#### Scope:

~~The City of Corvallis operates on a pay-as-you-go basis for most capital investment, matching resources with appropriate uses. Systems Development Charge revenue is used to fund capital investments that are required to increase the capacity of the City's infrastructure. Operating monies are used to pay for maintenance of existing infrastructure, and as leverage for grant monies to fund projects that may otherwise be unattainable. If necessary for some projects, reserves are built over time, or grants are sought to fund some capital investments.~~ From time-to-time the City plans for a capital improvement project or a significant long-term operating expenditure (such as pension obligations) which is too expensive to finance with cash reserves or which needs to be completed before reserves can be developed. When this occurs, the City borrows monies. The City is conservative in its borrowing practices, and strives to maintain low debt-per-capita ratios when compared to similar sized cities.

#### Guidelines:

##### USE OF DEBT FINANCING

- A. Long-term Debt -- The City of Corvallis shall only use long-term debt for capital projects that cannot be financed out of current revenues within the Revenue Policy guidelines for rate increases. Debt financing shall generally be limited to one time capital improvement projects or to leverage a future significant cost the City must bear (such as pension obligations) and only under the following circumstances:
  1. when the project's useful life is greater than or equal to the term of the financing;
  2. when ~~project revenue or specific~~ resources will be sufficient to service the debt; and,
  3. when analysis demonstrates that the debt will smooth or reduce costs over multiple years or the project is expected to benefit the ~~residents~~<sup>citizens</sup> of Corvallis.
- B. Use of Debt Financing -- Debt financing shall not be considered appropriate for:
  1. Current operating and maintenance expenses (except for issuing short term instruments such as revenue anticipation notes or tax anticipation notes or interfund loans as per State law limitations); and
  2. Any recurring purpose (except as indicated above).
- C. Tax/Revenue/Bond Anticipation Notes -- Tax and revenue anticipation debt will be retired within the fiscal year issued, and bond anticipation notes will be retired no later than six months after ~~the completion of the project~~<sup>securing permanent funding</sup>.
- D. Short-term Debt -- Debt issued with a final maturity of one year or less from the time of issuance, which is outstanding at the end of the year, will not



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.06

### Financial Policies – Debt



exceed 5% of net operating revenues (including tax anticipation notes but excluding bond anticipation notes.)

#### LIMITS ON DEBT ISSUANCE

- A. Vote to Issue General Obligation Debt -- General obligation bonds require an affirmative vote prior to issuance. Constitutional limitations require a simple majority of votes for elections in May or November; for all other elections, a simple majority of registered voters must vote in the election, and of those voting a simple majority must vote affirmatively.
- B. Statutory General Obligation Bond Debt Limits -- Oregon Revised Statutes chapters 287~~A~~ and 288 limit the outstanding general obligation principal indebtedness of the City other than bonds issued for water, sanitary or storm sewers to 3% of the true cash value of the taxable property within the City.
- C. Council Imposed Debt Limits -- The annual general obligation debt service for long-term issues (greater than five years), where the debt service is paid from property tax sources, shall not exceed 15% of the combined operating and capital budgets in the Governmental funds.
- D. General Fund Backed Obligations/Bonds -- The outstanding principal debt for Limited Tax General Obligation Bonds (LTGO), Full-Faith and Credit Obligations/Bonds (FFC), non-self-supporting leases, and full faith and credit lease purchases, where the intended re-payment is not from utility rates, is limited to 1% of the true cash value of the taxable property in the City. Furthermore, annual debt payments for General Fund supported LTGO and FFC debt shall not exceed 5% of the combined operating and capital budgets in the Governmental Funds.
- E. Revenue Bonds -- Revenue secured debt obligations will be undertaken only after assessing the impact of a study of the projected operating, maintenance, debt service and coverage requirements ~~and the impact of these requirements on user rates have been completed~~. The ~~outcome of the study~~ assessment will be shared with the City Council prior to issuing the debt.

#### DEBT ISSUANCE

- A. Timing of Debt Issuance -- The timing for each debt issue in association with the construction schedule will be carefully considered, using the following criteria:
  1. Projected cash flow requirements for the capital project;
  2. Cash reserves on hand to temporarily fund preliminary project expenses;
  3. Spend down schedules identified by the Internal Revenue Service (IRS) to meet arbitrage limitations; and
  4. Market conditions.
- B. Competitive Sale -- All bonds will be sold at competitive sale unless it is in the City's best interest to sell at a negotiated sale. The City reserves the right to reject any and all bids at a competitive sale and sell the bonds at a negotiated sale if it is in the best interest of the City of Corvallis to do so.



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.06

### Financial Policies – Debt



- C. Refunding Bonds -- Refunding or advanced refunding bonds may be authorized by the City Council providing the issuance complies with the rules adopted by the State Treasurer and outlined in Oregon Revised Statutes.
- D. Annual Debt Payment Limits -- To maintain the City's credit rating and expenditure flexibility, the annual debt service payments the City must make on net direct long term general obligation debt shall not exceed 10% of operating revenue. To achieve this goal, on a per issue basis, the City will structure its debt to pay no less than 33% of the principal on bonds sold during the first half of the repayment term.
- E. Overlapping Debt -- City staff shall endeavor to notify the City Council of the debt issuance plans of the City's overlapping taxing jurisdictions and the possible impact such debt plans may have on the City's debt capacity.
- F. Investment of Bond Proceeds -- Receipt of bond proceeds will be timed to occur in conjunction with construction. However, ~~it is acknowledged that~~ in most cases bond proceeds will not be fully expended as soon as they are received. The City shall invest the proceeds from debt issuance in the legally authorized investment instruments for local governments in Oregon to maximize interest earnings available for the capital project. Prior to choosing an investment instrument, staff will take into consideration projected cash flow of the project and the likelihood that ~~Internal Revenue Service (IRS)~~ spend down targets will be met or exceeded. The investment instrument(s) shall be chosen to maximize interest earnings and minimize any arbitrage penalties which may accrue within the established IRS regulations.

### LEASING

Lease purchase financing shall be considered only when the useful life of the item is equal to or greater than the length of the lease, and a lease purchase is the most economical method of purchasing available. If the item may become technologically obsolete or is likely to require major repair during the lease purchase period, then the item should be either purchased with cash or placed on an operating lease.

### CREDIT RATINGS AND COMPLIANCE

- A. Reporting -- The City shall maintain good communication with bond rating agencies concerning its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.
- B. Compliance with Securities and Exchange Commission (SEC) and Municipal Securities Rulemaking Board (MSRB) Rules -- The City will comply with all aspects of the SEC rule 15c2-12 pertaining to secondary market disclosure, and with MSRB regulations regarding maintaining disclosures and professional advisor relationships.
- C. Post Issuance Compliance – City staff will adhere to ~~Administrative Procedure 5.09 which outlines the current compliance requirements and which will be updated anytime~~ the [Securities and Exchange Commission \(SEC\)](#) or [Municipal Securities Rulemaking Board \(MSRB\) rules for post-issuance compliance](#) ~~change these regulations.~~



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.06

### Financial Policies – Debt



#### DEBT MANAGEMENT

- A. Debt Management Analysis ~~--- A staff memo shall be developed prior to the issuance of any additional debt and~~ City Council will review staff's assessment of debt prior to any issuance. The assessment shall encompass a review of all debt of the City which draws on the same financial resources, including, but not limited to:
1. detail of the sources of funding for all debt;
  2. current and future debt capacity analysis;
  3. issues to be addressed for sound debt management;
  4. a contingency debt plan should any of the funding sources become unavailable in the foreseeable future; and
  5. reporting as to the City's compliance with its debt policies.
- B. Advisors/Counsel – For bonded debt, City staff will work with a contracted fee for service Municipal Advisor (MA) and Bond Counsel (BC) to ensure current market knowledge is applied consistently for documentation facilitation, optimizing rates and issuance costs, and other related matters. Staff, the MA and BC must comply with this Debt Policy and ~~the Administrative Procedure for Debt P~~ post-issuance compliance requirements for implementing this policy. The MA may only act on a non-discretionary basis. Therefore, the MA must present debt recommendations and receive approval to execute such recommendations from the Finance Director, or designee, prior to transacting with other entities as related to City debt issuance.
- C. ~~Review—The Administrative Services Committee shall review the above Debt Management Analysis prior to the issuance of new debt and any recommendations made therein.~~



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.07

### Financial Policies – Risk Management



#### Purpose:

These policies set forth the over-arching guidance for the City's risk management program which is designed to identify risk of incidents where damage could occur to citizens community members, employees, or the City's infrastructure or assets. Anticipating, managing and mitigating these risks is critical to protecting the community's assets and the organization's financial position.

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#### Scope:

The City of Corvallis' basic operations have certain risks associated with them, which could have a significant financial impact if the risks were not managed. Risk Management policies are designed to identify and assess the risks, influence variables that can be controlled to reduce risks, ensure that risk is transferred to others when appropriate, and provide insurance coverage to mitigate against losses. The Risk Management program is comprehensive and addresses risks to City employees through appropriate training, and risks to staff and the general public through proactive maintenance and insurance coverage as well as holding adequate reserves for uninsured losses and programs designed to reduce factors associated with claims.

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#### Guidelines:

#### RISK MANAGEMENT REPORT

- A. Annual Report -- The City Manager Risk management staff shall annually prepare annually a Comprehensive Risk Management Report for City Council, including but not limited to:
1. a summary of the past year's risk management claims,
  - 1-2. a summary of the insurance policies purchased by the City including coverage, deductibles and costs.
  - 2-3. an identification and discussion of current and potential liability risks or activities potentially impacting that could impact the City's finances or operations,
  - 3-4. specific strategies to address the risks identified, and
  - 4-5. a summary of the past year's safety and violence in the workplace activities/trainings.
- B. Quarterly Report – Risk management staff shall prepare quarterly a Risk Management Assessment report for the Executive Risk Management Team, including but not limited to:
1. a summary of the prior quarter's risk management claims including workers' compensation, tort liability and property claims,
  2. identification of current and potential liability risks or activities impacting the City's finances or operations, and
  3. discuss specific strategies to address the risks identified.



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.07

### Financial Policies – Risk Management



#### RISK MANAGEMENT PROGRAM

- A. Program -- The City shall implement and maintain a Risk Management program designed to decrease exposure to risk.- At a minimum, the program shall include:
1. a safety program that emphasizes reducing risks through training and safe work habits,
  2. an annual examination of the City's insurance program to evaluate how much risk including deductible, the City should assume, and
  3. other risk management activities, including review of all City contracts with respect to indemnification and insurance provisions.

#### RISK MANAGEMENT FUND

- A. Purpose -- The Risk Management Fund shall be used to provide for insurance coverage, uninsured losses in excess of deductible amounts, safety program expenses, and prudent reserves, contingencies and fund balances.
- B. Catastrophic Reserves -- The targeted balance for unappropriated catastrophic reserves shall be \$~~1,050~~00,000 each year. Appropriated catastrophic reserves which are drawn down will be rebuilt within two years, or sooner if practical. Unappropriated catastrophic reserves which are drawn down below the recommended target will be re-built at the rate of a minimum of 33% of the deficit balance per year over three years, or sooner if practical.
- C. Unreserved Fund Balance Target -- The unreserved fund balance target for the Risk Management Fund shall be \$60,000. Should the ending fund balance drop below \$60,000 in any fiscal year, it will be re-built the following year. Ending unreserved balances in excess of \$60,000 will be used as a dividend to departments if the catastrophic reserves are fully funded or can be used as funding for additional expenditures in the safety program as directed by the City Manager and appropriated within the following budget year. If the excess is used as a dividend to departments, the funds will be returned to departments based on the prior year's experience.



## City of Corvallis

Financial Policies - Council Policy

Policy # 10.08

### Financial Policies – Investments



#### Purpose:

To minimize risk associated with investing the City's monies and ensure ~~the availability of~~ cash is available to meet expenditures, while maximizing earnings opportunities and minimizing idle funds. These policies provide direction for managing the City's investments.

#### Scope:

The City holds cash balances as part of its operations. The City invests balances in excess of daily needs in a variety of investment instruments as authorized by Oregon Revised Statutes on local government investments. Investing monies has inherent risks; these risks are managed through the application of appropriate risk assessments and diversification, and following prudent rules for investing governmental funds. These policies establish and provide guidelines for the safe and efficient management of City funds, and the purchase and sale of investment instruments.

These investment policies apply to all cash-related assets within the scope of the City's audited financial statements and held directly by the City. Funds held and invested by trustees or fiscal agents are excluded from these policies; however, such funds are subject to regulations established by the State of Oregon for public funds.

#### Guidelines:

##### OBJECTIVES

The City's investment objectives are listed below, and can be summarized as primarily concerned with safety, legality and liquidity, with a secondary objective of return:

- A. Safety: Preserve capital and protect investment principal, by implementing diversification and risk management practices;
- B. Legality: Conform with federal, state and other legal requirements;
- C. Liquidity: Maintain sufficient liquidity to meet operating needs by managing cash flow requirements; and;
- D. Return: Attain a market rate of return throughout budgetary and economic cycles by implementing an investment strategy.

##### RESPONSIBILITY

- A. Governing Body – The City Council has a fiduciary responsibility for invested City funds. The City Council shall review this policy at least annually and shall receive monthly reports ~~The City Council's standing Administrative Services Committee (ASC) shall serve as the oversight body. Formal review of this investment policy and investment activity shall be conducted at ASC meetings at least quarterly. On an ad hoc basis, a citizen of the City of proven integrity and business ability may be invited to attend ASC meetings to provide additional, local, unbiased expertise. The City Council, via ASC, will receive reports~~ with sufficient detail to comply with ORS Chapter 294 requirements.



## City of Corvallis

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### Financial Policies – Investments



- B. Delegation of Authority - The authority for investing City funds is vested with the City Manager, who, in turn, may designate the Finance Director as Treasurer to manage the day to day operations of the City's investment portfolio, place purchase and sell orders with dealers and financial institutions, and prepare reports as required. The Finance Director may choose to use the services of a professional investment advisor if he/she believes that is most beneficial to the organization.
- C. Investment Adviser -- The City may enter into contracts with third-party, fee only, investment advisory firms when such services are deemed to be beneficial to the City. The advisor must comply with this Investment Policy and the City Manager's Investment Administrative Procedures, ~~for implementing this policy, and may have authority to transact investments on behalf of the City.~~ The advisor may only act on a non-discretionary basis. Therefore, the advisor must present investment recommendations and receive approval to execute the recommendation from the Finance Director, or designee, prior to making buys or sells on behalf of the City. The following items are required minimum criteria for the approved Investment Advisors:
1. The Investment Advisor firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon;
  - ~~2.~~ All Investment Advisor firm representatives conducting investment transactions on behalf of the City must be registered representatives with Financial Industry Regulatory Authority (FINRA) and;
  - ~~3.2.~~ All Investment Advisor firm representatives conducting investment transactions on behalf of the City must be licensed to do business/trades in the state of Oregon;
  - ~~4.3.~~ An engaged Investment Advisor must provide notification within 30 days of any formal investigation or disciplinary action initiated by Federal or State regulators.
  - ~~5.4.~~ Investment Advisor services will be sought through the City's normal competitive procurement process.
- D. Governing Authority -- Funds of the City will be deposited and invested in accordance with statutes, ordinances, and policies governing the City of Corvallis and will be in compliance with the provisions of Oregon Revised Statutes (ORS) 294, and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of any tax-exempt borrowing proceeds and of any debt service funds will comply with the relevant provisions of the Internal Revenue Code ~~of 1986, as amended~~ in place at the time of investment.

### STANDARDS OF CARE

Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. Investment decisions shall be made within the objectives outlined in this investment ~~administrative procedure~~ policy.



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**Financial Policies – Investments**



The standard of prudence to be used by investment officials shall be the "prudent person," as described above, and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's performance, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

ADMINISTRATION AND OPERATIONS

A. Safekeeping and Collateralization

Safekeeping Custodial Bank: Investment securities purchased by the City will be delivered by book entry and held in a segregated account for the City's benefit by one financial institution designated as custodian. The purchase and sale of all securities will be on a delivery-versus-payment basis.

Collateralization of Re-purchase Agreements: Re-purchase agreement collateral is limited in maturity to three years by ORS and should be priced according to the adopted policy of the Oregon Investment Council:

United States Treasury Securities	102%
United States Agency Discount and Coupon Securities	102%

The City further limits the allowable collateral to only US Treasury securities and US Agency securities.- Mortgage Backed and other securities are not allowed. All re-purchase agreements require a master re-purchase contract with the approved broker dealers.

Collateralization of Certificates of Deposits and Bank Deposits: At a minimum, time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the state collateral pool for any excess over the amount insured by an agency of the United States government in accordance with ORS 295. All depositories must be on the State of Oregon's qualified list. Additional collateral may be required if staff deems increased collateral is beneficial to the protection of the monies under the City's management. The City will report annually to the Oregon State Treasury the financial institutions that are transacting business with the City as required by ORS.

B. Internal Controls

The Finance Director shall maintain a system of written internal controls, which shall be reviewed by the independent auditor, who shall provide an annual review to assure compliance with ORS and the City's policies and procedures. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions. The internal controls will be updated at a minimum biennially or as necessitated by system changes.



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### Financial Policies – Investments



#### QUALIFIED INSTITUTIONS

The City's [Investment Advisor](#) shall maintain a listing of authorized broker/dealers and financial institutions which are approved for investment purposes. ~~The list will be shared with the ASC when changes are made.~~ Approval of Qualified Institutions can occur in one of the following ~~three~~two circumstances:

- A. Investment Advisor Approved List -- ~~If the City has an Investment Advisor,~~  
~~†~~The [Investment](#) Advisor shall provide a list of brokers/dealers which the Advisor has vetted for meeting ORS [and City](#) standards for local government investments.
- ~~B. City Approved Broker/Dealer List -- If the City does not have an Investment Advisor, the Finance Director may create and maintain a broker/dealer list using the following criteria:~~
- ~~1. Broker/dealers must have a branch located in Oregon.~~
  - ~~2. The broker/dealer must routinely provide services to public entities in Oregon and be knowledgeable of Oregon governmental investments statutes and the City Council's Investment Policy as well as the City Manager's Investment Administrative Procedures.~~
  - ~~3. Brokers/dealers must complete the Broker/Dealers Questionnaire and Certification.~~
  - ~~4. Broker/dealers must be approved by the City of Corvallis Administrative Services Committee at the next quarterly meeting before conducting investment business with the City.~~
  - ~~5. An updated Broker/Dealer Questionnaire will be mailed to each firm annually and should be completed and returned with audited annual financials. Failure to complete the updated questionnaire in a timely manner will lead to removal from the approved list.~~
  - ~~6. Any broker/dealer that is on the City's authorized list may be removed from said list if the City has not purchased from that broker/dealer during a period of three years.~~
  - ~~7. Any broker/dealer may be removed from the approved list at any time by the Finance Director based upon news or knowledge of inappropriate behavior by said dealer, or for any other reason with which a quorum of Council members concur.~~
- ~~C.B.~~ C.B. Financial Institution -- The State of Oregon Treasurer's Office maintains a list of ~~all~~ financial institutions for deposits and certificates of deposits, which are approved for local government investment purposes. Any financial institution on the Treasurer's list shall be acceptable for City investment purposes.

#### AUTHORIZED AND SUITABLE INVESTMENTS

- A. Legal Investments
1. All investments of the City shall be made in accordance with Oregon Revised Statutes Chapter 294. Any revisions or extensions of this chapter of the ORS shall be assumed to be part of this Investment

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Policy immediately upon being enacted, and will be formally incorporated at the next annual update of this policy.

B. Suitable Investments (Specific Types)

Type	Definition
U. S. Treasury Obligation	Direct Obligations of the United States Treasury whose payment is guaranteed by the United States. (ORS 294.035(3)(a))
Government Sponsored Enterprise or US Agency Obligations	US Government Agencies, Government Sponsored Enterprises (GSE's) Corporations or Instrumentalities of the US Government – Federal Instrumentality Securities include, but are not limited, to Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), and the Federal Farm Credit Banks (FFCB). (ORS 294.035(3)(a))
Commercial Paper	Commercial Paper that is rated A1+/P1 and has long term bonds which have a minimum rating of AA by Standard and Poors or Aa3 by Moody's or AA by Fitch, and the entity is not listed on the Fossil Free Index Carbon Underground 200 (FFICU) report <sup>1</sup> . In the case of a split rating, (more than one rating provider), the lowest rating will be used as the criteria for investing.
Corporate Obligations	Corporate domestic bonds issued by a commercial, industrial, or financial institution registered with the Securities and Exchange Commission and not listed on the FFICU report <sup>1</sup> . Authorized corporate bonds shall be limited to obligations of the United States dollar denominated corporations organized and operating within the United States. The debt must be rated at least AA by Standard and Poors or Aa3 by Moody's or AA by Fitch at the time of purchase. In the case of a split rating, (more than one rating provider), the lowest rating will be used as the criteria for investing. A list of approved corporate issuers for purchases will be maintained and updated under the same mechanism as the Broker/Dealer list herein.
Municipal Obligations	Lawfully issued debt obligations of the State of Oregon and its agencies or instrumentalities of the State of Oregon and its political subdivisions that have a AA by Standard and Poors or Aa3 by Moody's or AA by Fitch. In the case of a split rating, (more than one rating provider), the lowest rating will be used as the criteria for investing. (ORS 294.035(3)(b))
Bankers Acceptance	A short term credit investment created by a non-financial firm and guaranteed by a qualified financial institution whose long-term letter of credit rating is at least AA by Standard and Poors or Aa3 by Moody's or AA by Fitch at the time of purchase. (ORS 294.035(3)(h)(A))

<sup>1</sup> [Fossil Free Index Carbon Underground 200 \(FFICU\)](http://fossilfreeindexes.com/research/the-carbon-underground/) or similar, bonafide listing of companies with significant fossil fuel holdings should the FFICU cease to be maintained/available. The current FFICU is obtained at: <http://fossilfreeindexes.com/research/the-carbon-underground/>

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Type—	Definition
<p><del>Certificates of Deposit/Bank Deposit/ Savings Accounts</del></p>	<p><del>Time deposit open accounts, certificates of deposit, and savings accounts in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state. (ORS 294.035(3)(d))</del></p>
<p><del>Local Government Investment Pool (LGIP)</del></p>	<p><del>State Treasurer's local short term investment fund up to the statutory limit, per ORS 294.810.</del></p>

**US Treasury Obligations:** Direct obligations of the United States Treasury whose payment is guaranteed by the United States. [ORS Section 294.035(3)(a)]

**US Agency Obligations Primary:** Senior debenture obligations of US federal agencies and instrumentalities or U.S. government sponsored enterprises (GSE) that have actively traded markets and provide a higher level of liquidity. These include: Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), and the Federal Farm Credit Bureau (FFCB).

**US Agency Obligations Secondary:** Other US government sponsored enterprises that are less marketable are considered secondary GSEs. They include, but are not limited to: Private Export Funding Corporation (PEFCO), Tennessee Valley Authority (TVA), Financing Corporation (FICO) and Federal Agricultural Mortgage Corporation, (Farmer Mac)

**Commercial Paper:** Commercial Paper that is rated A1/P1 at the time of purchase. In the case where both rating agencies provide ratings on the corporation, the highest rating will be used.

**Corporate Indebtedness:** Corporate domestic bonds issued by a commercial, industrial, or financial institution registered with the Securities and Exchange Commission and not listed on the FFICU report<sup>1</sup>. Corporate indebtedness must be rated on the settlement date AA- or better by S&P or Aa3 or better by Moody. In the case of a split rating, the highest rating of these two rating agencies will be used. All corporates must be dollar denominated and have US subsidiary operations.

**Local Government Investment Pool:** State Treasurer's local short-term investment fund up to the statutory limit per ORS Section 294.810.

**Certificates of Deposit:** Certificates of deposit in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state [ORS Section 294.035(3)(d)].

**Bank Time Deposit/Savings Accounts:** Time deposit open accounts or savings accounts in insured institutions as defined in ORS Section 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or



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credit union maintains a head office or a branch in this state [ORS Section 294.035(3)(d)].

**Municipal Debt:** Lawfully issued debt obligations of the States of Oregon, California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating on the settlement date of AA- or better by S&P or Aa3 or better by Moody’s. In the case of a split rating, the highest rating of these two rating agencies will be used.

**Bankers’ Acceptances:** A short-term credit investment created by a non-financial firm and guaranteed by a qualified financial institution whose long-term letter of credit rating is at least AA- by S&P or Aa3 by Moody's. For the purposes of this paragraph, “qualified financial institution” means: (i) A financial institution that is located and licensed to do banking business in the State of Oregon; or (ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon. [ORS 294.035(3)(h)]

C. Collateralization

Time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the state collateral pool for any excess over the amount insured by an agency of the United States government in accordance with ORS 295.018. All depositories must be on the State of Oregon’s qualified list. Additional collateral requirements may be required if the Finance Director deems increased collateral is beneficial to the protection of the monies under the City’s management.

C-D. Investment Parameters

1. Investment Diversification

- a. The City will diversify the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. Diversification to avoid undue risk is achieved by varying the type of investment to ensure liquidity, investing in securities from several different financial institutions to reduce the chance of loss, and varying maturity length to ensure availability of funds to meet cash needs.

Issuer Type	Maximum Holdings	Maximum per Issuer
U.S. Treasury Obligation	100%	None
GSE's Agency Securities	100%	FHLB,FFCB, FHLMC, FNMA — 40%, other names — 10%
Commercial Paper	10%	5%
Corporate Bonds	10%	5%
Municipal Bonds	10%	5%
Banker's Acceptance	10%	5%
Certificates of Deposit/Bank Deposit/Savings Accounts	25%	15%

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<u>Issuer Type</u>	<u>Maximum Holdings</u>	<u>Maximum per Issuer</u>
OSTF LGIP Fund	ORS 294 limit	

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P	Ratings Moody's
US Treasury Obligations	100%	None	N/A	N/A
US Agency Primary Securities FHLB, FNMA, FHLMC, FFCB	100%	40%	N/A	N/A
US Agency Secondary Securities FICO, FARMER MAC etc.	10%	5%	Security must be rated	Security must be rated
Oregon Short Term Fund	Maximum allowed per ORS 294.810	None	N/A	N/A
Bank Time Deposits/Savings Accounts	25%	15%	Oregon Public Depository	Oregon Public Depository
Certificates of Deposit	10%	5%	Oregon Public Depository	Oregon Public Depository
Corporate Bonds	20%	5%	AA-	Aa3
Municipal Bonds (OR, CA, ID, WA)	10%	10%	AA-	Aa3
Commercial Paper	10%	5%	A1+	P1
Banker's Acceptance	25%	5%	A1+ AA-Underlying	P1 Aa3 Underlying

2. Investment Maturity

- a. The City will not directly invest in securities maturing more than five (5) years from the date of purchase.
- b. The maximum weighted maturity of the total portfolio shall not exceed 18 months. This maximum is established to limit the portfolio to excessive price change exposure.
- c. Liquidity funds will be held in the LGIP or in money market instruments maturing one year and shorter.
- d. Core investment funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between one day and five years and will be only invested in higher-quality and liquid securities that meet suitable investment criteria outlined above.

e. Total Portfolio Maturity Constraints:

<u>Maturity Constraints</u>	<u>Minimum % of Total Portfolio</u>
<u>Under 30 days</u>	10%



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Maturity Constraints	Minimum % of Total Portfolio
Under 1 year	25%
Under 5 years	100%
WAM (weighted average maturity)	1.5 years

Maturity Constraints	Minimum % of Total Portfolio
Under 30 days	10%
Under 1 year	25%
Under 5 years	100%
Weighted Average Maturity	1.50
Security Structure Constraint	Maximum % of Total Portfolio
Callable Agency Securities	25%

~~f. Exception to the five-year maturity maximum: Reserve or Capital Improvement Project monies may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.~~

3. Competitive Selection and Pricing -- The City shall seek competitive pricing when buying or selling investments, and will buy or sell the offer that provides the optimal price for the risk of the term/instrument.
4. Securities shall generally be held until maturity with the following exceptions:
  - a. A security with declining credit may be sold early to minimize loss of principal.
  - b. A security exchange that would improve the quality, yield, or target duration in the portfolio.
  - c. Liquidity needs of the portfolio require that the security be sold.
  - d. As needed for ~~S.10.8~~ Guideline Compliance (below).

PROHIBITED INVESTMENTS:

~~A.~~ Oregon Revised Statutes allow several other investment types for municipalities that are not appropriate for the City's portfolio and are not included within the scope of these administrative procedures, including: general obligation securities of the states of Idaho and California, share accounts and saving accounts in credit unions for a deferred compensation plan, life insurance and annuity contracts with insurance companies for funding deferred compensation, and trusts for deferred compensation. The City prohibits:

~~B-A.~~      -mortgage-backed securities ~~in the portfolio.~~

~~C-B.~~      Securities lending; ~~and is prohibited in the City's portfolio.~~

~~D-C.~~      Private Placement or "144A" Securities.

INVESTMENT OF PROCEEDS FROM DEBT ISSUANCE:

- A. Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this Policy. Bond proceeds shall be invested in accordance with the parameters of this Policy and the applicable bond covenants and tax laws.



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- B. Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for re-sale and are maturity matched with outflows. Consequently, surplus funds within the scope of ORS 294.052 are not subject to this Policy's liquidity risk constraints ~~within S.10.6.~~

#### MONITORING; GUIDELINE MEASUREMENT AND ADHERENCE

- A. Monitoring -- The Finance Director shall routinely monitor the contents of the portfolio, the available markets, and the relative value of competing instruments and will adjust the portfolio accordingly.
- B. Guideline Measurement -- Guideline measurements will be market value of the investments.
- C. Guideline Compliance
1. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this Policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.
  2. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance, and reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the City Council ~~Administrative Services Committee (ASC).~~
  3. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.
- D. If a corporate bond is downgraded below corporate rating criteria established at purchase, the Finance Director will immediately notify the ~~ASC members~~ City Council of the downgrade and provide an analysis and the course of action taken and recommendation. ~~The analysis will be reviewed at the next quarterly ASC City Council meeting to document the decision in the meeting minutes.~~

#### REPORTING REQUIREMENTS

- A. Annual Reports -- The Finance Director shall submit an annual statement certifying compliance with this Investment Policy to the City Council ~~ASC~~, noting compliance throughout the most recently completed fiscal year. This statement shall be filed as soon as practical, but no later than August 31 of each year.
- B. Quarterly Reports -- ~~The ASC shall at a regular meeting, review t~~The quarterly operating report (QOR) will include a summary section on the investment portfolio ~~as submitted by the Finance Director~~ reflecting investment activity for each of the immediately preceding three months, using the objectives outlined above. ~~Should the report not be accepted, the report shall be revised accordingly by the Finance Director and resubmitted to the ASC at its next regularly scheduled meeting or sooner if requested.~~

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- C. Monthly Reports -- The Finance Director shall provide a Monthly Investment Report reviewing the compliance with this Investment Policy and providing data on investment instruments being held, as well as any narrative necessary for clarification. The Monthly Investment Report shall include summary information about all investments held in the City's portfolio as of the end of the month, and shall be issued and posted on the City's web site within 21 days after the end of the monthly reporting period.

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**Definitions:**

*Accountability* - The condition, quality, fact or instance of being obliged to reckon or report for actions or outcomes.

*Accrual Basis of Accounting* - The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows.

*Ad Valorem Tax* - A tax based on the assessed value of taxable property.

*AFSCME* - American Federation of State, County, and Municipal Employees.

*Annexation* - The incorporation of land into an existing city with a resulting change in the boundaries of that city.

*Appropriation* - Legal authorization granted by City Council to make expenditures and incur obligations.

*Appropriation Resolution* - The official enactment by the legislative body establishing the legal authority for officials to obligate and expend resources.

*Assessed Value* - The value set by the County assessor on real and personal taxable property as a basis for levying taxes.

*Assessments* - An amount levied against a property for improvements specifically benefiting that property.

*Balanced Budget* - A budget in which the resources are equal to or greater than the requirements in each/every fund.

*Benefits* - Employee benefits mandated by state and federal law, union contracts, and/or Council policy. The most common forms of ~~fringe~~ benefits are pension plans, health and life insurance, vacation, sick and holiday leave, deferred compensation, ~~automobile allowances~~, disability insurance, and educational and incentive pay.

*Bonds* - A written promise to pay a sum of money (principal or face value) at a future date (maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used to finance long-term capital improvements.

*Budget* - A plan of financial operation, embodying an estimate of proposed expenditures for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates). Upon approval by the City Council, the ~~budget~~ appropriation resolution is the legal basis for expenditures in the budget year.

*Budget Calendar* - The schedule of key dates or milestones which a government follows in the preparation and adoption of the budget.

*Budgetary Control* - The monitoring or oversight of expenditures against budget at the level of appropriation, which is by department within funds.

*CAFR (Comprehensive Annual Financial Report)* - Prepared at the close of each fiscal year (June 30) and published no later than December 31 of each year to show the actual audited condition of the City's funds and serves as the official public record of the City's financial status and activities.



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### Financial Policies -- Definitions



*Capital Budget* - A plan of proposed capital expenditures and the means of financing them. The capital budget is usually enacted as part of the complete annual budget which includes both operating and capital outlays. The capital budget ~~is should be~~ based on the a capital improvement program.

*Capital Improvement Program (CIP)* - A plan for capital expenditures to be incurred each year over a fixed period of several future years, setting forth each capital project, identifying the expected beginning and ending date for each project, the amount to be expended in each year, and the method of financing those expenditures.

*Capital Outlay* - Expenditures for operating equipment drawn from the operating budget. Capital outlay items normally include equipment that will last longer than one year and have ~~ing~~ an initial cost above \$5,000. Capital outlay does not include capital budget expenditures for construction of infrastructure such as streets, buildings, or bridges.

*Cash Basis of Accounting* - A basis of accounting under which transactions are recognized only when cash changes hands.

*CDBG* - Community Development Block Grant.

*Contingencies* - An appropriation ~~of funds category~~ to cover unforeseen events which occur during the budget year. City Council must authorize the use of any contingency appropriations ~~(not to be confused with Reserves)~~.

*Contractual Services* - A professional service provided by an outside individual or agency in accordance with contractual specifications.

*Cost Allocation* - A costing of local government services to identify the full cost of municipal services.

*Council Goals* - Broad goals established by the City Council at the outset of each two-year term to guide the organization in its activities and focus.

*CPOA* - Corvallis Police Officers Association.

*CR (Current Revenue)* - Those revenues received within the present fiscal year.

*CRCCA* - Corvallis Regional Communications Center Association

*Debt Service* - The amount of principal and interest that a local government must pay each year on ~~net, direct bonded,~~ long- term debt plus the interest it must pay on direct short-term debt.

*Deficit* - (1) The excess of an entity's liabilities over its assets. ~~(see Fund Balance)~~.  
(2) The excess of expenditures or expenses over revenues during a single accounting period.

*DEQ* - Department of Environmental Quality.

*Depreciation* - the systematic and rational distribution of the cost of a tangible capital asset (less salvage value) over its estimated useful life.

*Direct Cost* - A cost directly related to producing and/or providing related services. Direct costs consist chiefly of the identifiable expenses such as materials and supplies used to provide a service, the wages and salaries of personnel working to



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provide a service, and facility costs. These expenses would not exist without the program or service.

*EMS* - Emergency Medical Services.

*Enterprise Fund Accounting* - Accounting used for self-sufficient government operations financed and operated in a manner similar to business enterprises, and for which preparation of an income statement is desirable.

*EPA* - Environmental Protection Agency

*Equipment Replacement Schedule* - A schedule of annual purchases to replace major equipment and vehicles that have met or exceeded their useful life to the City.

*Expenditure* - Total amount incurred if accounts are kept on an accrual basis; total amount paid if accounts are kept on a cash basis.

*Financial Audit* - A systematic examination of resource utilization concluding in a written report. It is a test of management's internal accounting controls and is intended to:

- ascertain whether financial statements fairly present financial position and results of operations,
- test whether transactions have been legally performed,
- identify areas for possible improvements in accounting practices and procedures,
- ascertain whether transactions have been recorded accurately and consistently, and
- ascertain the stewardship of officials responsible for governmental resources.

*Financial Condition* - The City's ability to pay all costs of doing business and to provide services at the level and quality that are required for the health, safety, and welfare of the community, and that its ~~citizens~~residents desire.

*Financial Plans* - A schedule that provides information about the expected future fiscal stability of City operations. The projections are for the operating funds of the City. ~~Each financial plan, or proforma, includes a discussion about issues that are addressed in the proforma, as well as assumptions made about both revenues and expenditures for each fund.~~

*Financial Policies* - ~~Administrative and~~ Council policies established to govern the City's financial operations, and the associated Administrative policies and procedures used to implement Council direction.

*Fixed or Mandated Costs* - These include expenditures to which the government is legally committed (such as debt service and pension benefits), as well as expenditures imposed by higher levels of government (such as for wastewater treatment facilities).

*Fund* - An independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and/or resources together with all related liabilities,



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obligations, reserves, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

*Fund Balance* - The difference between fund assets and fund liabilities of governmental and similar trust funds. The equivalent terminology within proprietary funds is Retained Earnings. (When the term "Fund Balance" is used in reference to Proprietary Funds, it is normally referring to the estimated budgetary-basis amount available for appropriations for budgeting purposes.) The City of Corvallis ~~will use~~ the ~~Government Accounting Standards Board's (GASB)~~ definitions of Fund Balance for the CAFR and for all other financial reporting. For all financial planning purposes, the term Budgetary Fund Balance will be used and will include any portion of the fund balance that is available for appropriation. The portion of the fund balance that is not available for appropriation will be identified as a Reserved Balance. The GASB has defined fund balance segments as follows:

- A. Non-spendable: Amounts inherently non-spendable or that must remain intact according to legal or contractual restrictions.
- B. Restricted: Amounts constrained to specific purposes by externally enforceable legal restrictions, such as those provided by creditors, grantors, higher levels of government, through constitutional provisions, or by enabling legislation.
- C. Committed: Amounts constrained by the City Council via a resolution or ordinance.
- D. Assigned: Amounts the City intends to use for a specific purpose. The authority to assign resources lies with the City's Finance Director.
- E. Unassigned: Amounts that are not categorized into one of the aforementioned classifications; these resources may be used for anything. ~~Only the General Fund should show a positive unassigned fund balance. For other funds, a negative unassigned balance should be reported if more resources are used than are available in the fund.~~

GAAP - Generally Accepted Accounting Principles.

### GASB – Governmental Accounting Standards Board

*General Obligation Bonds* - When a government pledges its full faith and credit to the repayment of the bonds it issues, then those bonds are general obligation (GO) bonds. Sometimes the term is also used to refer to bonds which are to be repaid from taxes and other general revenues.

*Governmental Funds* - These funds subscribe to the modified accrual basis of accounting and include the following types ~~of funds~~:

- A. *General Fund* - The major source of revenue for this fund is taxes. There are no restrictions as to the purposes in which the revenues in this fund can be used
- B. *Special Revenue Funds* - The resources received by these funds are limited to a defined use, such as the Street Fund.
- C. *Debt Service Funds* - Funds used for paying principal and interest of debt on non-enterprise funds.
- D. *Capital Project Funds* - Resources from these funds are used for purchase or construction of long-term ~~fixed~~-capital assets.



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- E. *Permanent Funds* - The resources received by these funds are limited to a defined use and only earnings may be spent. ~~The Davidson Fund is the city's only permanent fund.~~

*Grant* - A contribution of assets by one entity to another. Grants are generally designated for a specific expenditure.

~~*HNA* — The Historic Norming Adjustment is the factor in each fund that results from actual experience that is usually better than projected, either because revenues perform better than expected, and/or expenditure budgets are not fully expended due to unpredictable events such as employee turnover. The HNA is trended over a period of time and projected in future years in the financial plans to give a more likely projection of fund balance than otherwise would be visible.~~

*IAFF* - International Association of Firefighters.

*ICMA* - International City/County Management Association.

*Indirect Cost* - A cost incurred in the production and/or provision of related services that usually cannot be directly associated with any one particular good or service. Indirect costs encompass overhead including administrative costs such as wages of supervisory and administrative personnel, occupancy and maintenance of buildings, and utility costs. These costs would exist without the specific program or service.

*Intergovernmental Revenue* - Revenues received from another governmental entity.

*Internal Service Charges (ISC)* - Various, specific charges set to recover the cost of providing goods and/or services to particular funds or departments within the organization. Examples include administrative service charge, ~~data processing-IT~~ charge, and telephone charges.

*Investment* - Cash balances, securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals, or base payments.

*Liabilities* - The sum of all amounts that are owed at the end of the fiscal year, including all accounts payable, accrued liabilities, and debt.

*Long-Term Debt* - Present obligations that are not payable within a year. Bonds payable, long-term notes payable, and lease obligations are examples of long-term debt.

*Master Plan* - A comprehensive plan, normally covering a ~~5-10~~ five to ten-year period, developed to guide delivery of specific services, identify future needs and challenges, and identify future infrastructure needs.

*Modified Accrual Basis of Accounting* - The accrual basis of accounting adapted to the governmental fund type under which revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are generally recognized when the related fund liability is incurred.

*One-Time Revenue* - Revenue that cannot reasonably be expected to continue, such as a single-purpose federal grant, an interfund transfer, or use of a reserve. Also referred to as a non-recurring revenue.



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[OPERS – The Oregon Public Employee Retirement System, the State office that oversees the PERS and OPSRP retirement plans for public employees.](#)

*OPSRP* - Oregon Public Service Retirement Program, the pension plan for employees hired after August 28, 2003.

*Operating Budget* - The appropriated budget supporting current operations. Most operations are found in the General, Special Revenue, ~~Permanent~~, Enterprise, and Internal Service Funds.

*Operating Deficit* - When current expenditures exceed current revenues.

*Overlapping Debt* - The net direct bonded debt of another jurisdiction that is issued against a tax base within part or all of the boundaries of the community.

*Pay-As-You-Go Basis* - A term used to describe the financial policy of a government which finances all of its capital outlays and/or improvements from current revenues rather than by borrowing.

*Permanent Funds* - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City's programs for the benefit of the City or its ~~citizens~~. [community members.](#)

*PERS* - Public Employee Retirement System, the pension plan for employees hired before August 28, 2003.

*Personnel Services* - A category encompassing all salaries, ~~fringe~~ benefits, and miscellaneous costs associated with employee expenditures. ~~Budget law also refers to this category as personnel services.~~

*Property Tax Levy* - The tax levy combining the general operating levy and the debt service levy imposed by the City.

*Proposed Budget* - The financial and operating document submitted by the City Manager to the Budget Commission and the governing body for consideration.

*Proprietary Funds* - These funds subscribe to an accrual basis of accounting and include the following types of funds:

- A. *Enterprise Funds* - Account for distinct, self-sustaining activities that derive the major portion of their revenue from user fees.
- B. *Internal Service Funds* - Account for goods and/or services provided to other funds or departments within the organization. ~~Examples include the Vehicle and Equipment Maintenance and Technology and Communications Funds.~~

*Reserved Balance* - For budgetary purposes, this is the amount of fund balance that is not available for appropriation except for the uses defined for the specific reserve.

*Resolutions* - A legal document adopted by the City Council that directs a course of action. In relationship to the budget, resolution refers to the document that levies taxes and sets legal appropriation levels.

 <p><b>CORVALLIS</b> ENHANCING COMMUNITY LIVABILITY</p>	<p><b>City of Corvallis</b></p> <p>Financial Policies - Council Policy</p> <p>Policy # 10.09</p> <p><b>Financial Policies -- Definitions</b></p>	 <p><b>CORVALLIS</b> ENHANCING COMMUNITY LIVABILITY</p>
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*Restricted Revenue* - Legally earmarked for a specific use, as may be required by state law, bond covenants, or grant requirements. ~~For example, many states require that gas tax revenues be used only for street maintenance or street construction.~~

*Revenue* - Monies received or anticipated by a local government from either tax or non-tax sources.

*Revenue Estimates* - A formal estimate of how much revenue will be earned from a specific revenue source for some future period; typically, a future fiscal year.

*Revenue Shortfalls* - Differences between revenue estimates and revenues actually received during the fiscal year.

*Supplies and Services* - A category of operating expenditures which include items such as contractual services, conference and training, charges for service, office supplies, and operating supplies.

*System Development Charge (SDC)* - A charge levied on new construction to help pay for additional expenses created by growth or to compensate for already existing capacity in key facilities and systems already in place which support the new development.

*Transfer* - Amounts distributed from one fund to finance activities in another fund. Shown as an expenditure in the originating fund and a revenue in the receiving fund.

*UAL/OAS* – Unfunded actuarial liability or overfunded actuarial surplus; pertains to an OPERS employer rate increment to amortize the difference between benefits and contributions plus earnings.

*Unfunded Liability* - A liability that has been incurred during the current or a prior year, that does not have to be paid until a future year, and for which reserves have not been set aside. It is similar to long-term debt in that it represents a legal commitment to pay at some time in the future.

**Review/Update:**

The Finance Director will prepare this Council Policy review every year for City Council approval.

Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Create Fund Balance Reserve equal to 3 months payroll and build over five years.
24	N. Brewer	March 2013	Consolidate property tax funds into one General Fund.
25	N. Brewer	April 2014	Update Investment Policy section for sunset of Investment Council

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26	J. Chenard	March 2015	Update Risk and Debt Policy sections
27	J. Chenard	June 2015	Update Investment Policy section for fossil fuel companies' exclusion
28	N. Brewer	October 2016	Update to remove references to Administrative Services Committee and address other language changes.