



# 1st Quarter Financial Summary FY 2016-17

This report provides summary information on the City's financial status as of the end of September, 2016; more detailed comparative income statement format data is available on-line at this [link](#).

YTD PERFORMANCE AT A GLANCE		COMMENTS
<b>GENERAL FUND</b>		
General Fund Expenditure vs. Revenue	WATCH	General Fund long-term fiscal health remains a concern due to ongoing growth limitations from Measures 5 & 50, and significant increases in PERS costs starting July 2017; however, 2016 City tax rolls were certified by Benton County at 5.6% AV growth versus 3.2% budgeted so FY 16-17 revenue should be roughly \$418,000 greater than expected.
Property Tax Revenue	WATCH	Property tax receipts will lag against budget until the majority of annual funds are received with November turnovers. The higher FY 16-17 AV growth revised up adopted revenues by approximately \$418,000.
Transient Room Tax	POSITIVE	Q1 receipts are up 7.5% over prior year actuals, and although Q1 is slightly below target this revenue is expected to meet or exceed budget by fiscal year end. The increase over last year continues to be the result of on-line travel companies paying back collections as required by State Law.
Franchise Fees	POSITIVE	Franchise fees are trending slightly lower in Q1 compared to last year due to a lag in vendor receipts. No decision has been reached on utility rate increases for 2017, but staff expects franchise revenues to meet budget.
State Shared Revenue	WATCH	FY 15-16 budget was reached and FY 16-17 revenues to date are slightly under budget due to receipt timing lags, which are expected. While Q1 receipts are higher than last year, the League of Oregon Cities predicts lower cigarette/alcohol demand to impact revenues. Marijuana tax collection began in January by the State, but local revenue sharing will not occur until late 2017, after the 2015-2017 biennium and startup administrative costs have been repaid.
Fines & Forfeitures	WATCH	Q1 traffic fine revenue receipts remain low relative to historical results due in part to officer vacancies and new officers not yet fully trained. Although Q1 receipts are slightly lower than last year at the same time, this revenue stream is expected to meet adopted revenue estimates by fiscal year end. Court dates/scheduling can also impede revenue collection pace, even with increased ticketing.
General Fund Expenditures vs. Budget	WATCH	General Fund expenditures are generally on target and aligned with prior year spending. PW expenses are lagging budget since PEG/I-Net capital equipment will be purchased later in the year. Debt expenditures appear high since the principal payments are made in Q1 and only interest is paid later in the year. Transfers are at 55% of budget since all Interfund transfers out of the General Fund to the new Vehicle/Equipment Reserve fund were processed during Q1.
<b>SPECIAL REVENUE FUNDS</b>		
9-1-1 Emergency Services	WATCH	Revenue receipts received year-to-date (YTD) are trending slightly higher than budget and last fiscal year. Spending is aligned with budget. Although the fund is expected to end the fiscal year aligned with budgeted projections, this fund forecast shows a declining fund balance and is a focus for the Sustainable Budget Task Force (SBTF).
Community Development Revolving	WATCH	FY 15-16 ended with a \$55,500 fund balance, an increase of approximately \$53,000 over FY 14-15. Negative cash balances continue, though, due to reduced federal grant funding availability and ineligible administrative costs. Council approved a \$35,000 FY 16-17 transfer from the General Fund to ensure the year ends in the positive. SBTF and Housing Task Force continue to consider funding alternatives that might provide ongoing support for <b>this Fund's programs</b> .
Development Services	WATCH	Permit revenues and charges for services are slightly below budget and last fiscal year due to less commercial construction activity YTD. Although revenues are better than recession year levels, <b>the fund's cash balance</b> could go negative over the next 2-3 years if expenditures and revenues remain at current levels. Staff has completed a strategic reorg that eliminates three vacant positions and continues to investigate fee structures to help stabilize the fund.
Parking	WATCH	Parking citation and permit revenues are higher than prior year due to Parking Enforcement being fully staffed and trained. Parking revenue is anticipated to improve throughout FY 16-17; however, there continues to be a declining fund balance as revenues are not keeping pace with costs.
Street	WATCH	Operating revenues are below last year and budget and are not adequate to maintain future service demands. This fund is also a focus for the SBTF on possible revenue alternatives.
Transit	WATCH	Future service levels and fund balance may be impacted by reduced revenues and higher contracted bus services.
<b>ENTERPRISE FUNDS</b>		
Airport	WATCH	Although revenues are stable, they are lagging budget and out-year projections show a declining fund balance due to significant projected capital facility improvements, which could impact operations into the future.
Storm Water	WATCH	Project spending in this fund may require significant rate increases in coming years.
Wastewater	POSITIVE	Increased metered revenues and stable expenditures maintain current service levels.
Water	POSITIVE	Metered usage, the new rate structure, and stable expenditures maintain current service levels.
<b>INTERNAL SERVICE FUNDS</b>		
Risk Management	WATCH	Risk coverage premiums continue to increase; and until deductibles are met from previous fiscal years, claims can still be made potentially impacting current fiscal year appropriations.

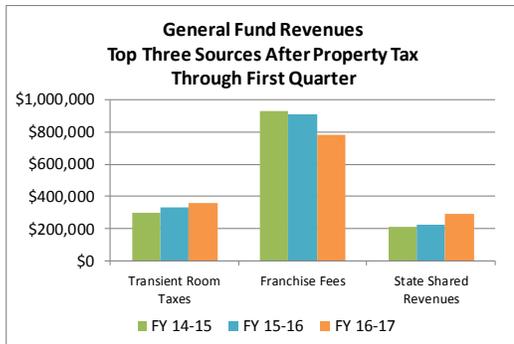
*What the ratings mean: Positive – Current revenues and City Council-adopted use of reserves are sufficient to support the current level of service. Fund balances appear stable over a three-year forecast. No significant negative issues are identified.  
 Watch – Various stressors may cause current revenues to be flat or decline and impact the fund's capacity to support the current level of service. Factors exist that may contribute to higher than anticipated expenditure levels in more than one category over the next 6-12 months.  
 Negative – Current expenditures exceed or revenues are significantly behind forecast assumptions. Fund balance is unstable. Immediate action to balance fund is likely required.*

**GENERAL FUND COMBINED\***

REVENUE	AMENDED BUDGET	1st Quarter FY 15-16	Y-T-D FY 15-16	FY 15-16 % REC/EXPEND	AMENDED BUDGET	1st Quarter FY 16-17	YTD FY 16-17	FY 16-17 % REC/EXPEND
Budgeted Beg. Fund Balance (incl reserves)	\$8,559,430				\$12,111,412			
Property Taxes	\$26,004,540	\$128,991	\$128,991	0.50%	\$26,802,820	\$164,239	\$164,239	0.61%
Other Tax	1,511,830	335,558	335,558	22.20%	1,816,000	360,655	360,655	19.86%
Licenses/Permits	5,873,130	997,196	997,196	16.98%	6,143,060	881,516	881,516	14.35%
Charges for Service	6,148,430	1,565,798	1,565,798	25.47%	6,895,200	1,624,660	1,624,660	23.56%
Intergovernmental	4,223,730	244,954	244,954	5.80%	4,344,700	312,284	312,284	7.19%
Fines/Forfeitures	769,160	177,915	177,915	23.13%	645,360	145,097	145,097	22.48%
Miscellaneous	1,162,910	205,456	205,456	17.67%	847,620	341,465	341,465	40.29%
Other Financing Sources	1,241,800	129,371	129,371	10.42%	1,238,910	210,890	210,890	17.02%
<b>TOTAL CURRENT REVENUE</b>	<b>\$46,935,530</b>	<b>\$3,785,239</b>	<b>\$3,785,239</b>	<b>8.06%</b>	<b>\$48,733,670</b>	<b>\$4,040,806</b>	<b>\$4,040,806</b>	<b>8.29%</b>
<b>EXPENDITURE BY DEPARTMENT</b>								
City Manager's Office	\$542,200	\$85,020	\$85,020	15.68%	\$580,840	\$120,077	\$120,077	20.67%
Community Development	1,645,800	335,180	335,180	20.37%	1,723,210	430,802	430,802	25.00%
Finance	678,050	142,282	142,282	20.98%	592,110	142,037	142,037	23.99%
Fire	11,714,420	2,720,460	2,720,460	23.22%	12,004,180	3,010,040	3,010,040	25.07%
Library	6,349,950	1,524,312	1,524,312	24.01%	6,548,530	1,537,979	1,537,979	23.49%
Parks & Recreation	7,408,650	1,893,981	1,893,981	25.56%	7,529,190	1,893,890	1,893,890	25.15%
Police	11,884,850	2,741,413	2,741,413	23.07%	12,549,750	2,913,784	2,913,784	23.22%
Public Works	1,121,630	124,190	124,190	11.07%	731,140	141,448	141,448	19.35%
Non-Departmental	994,920	203,087	203,087	20.41%	1,300,340	250,695	250,695	19.28%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>42,340,470</b>	<b>9,769,925</b>	<b>9,769,925</b>	<b>23.07%</b>	<b>\$43,559,290</b>	<b>\$10,440,752</b>	<b>\$10,440,752</b>	<b>23.97%</b>
Debt Service	\$693,240	\$623,184	\$623,184	89.89%	\$691,750	\$630,050	\$630,050	91.08%
Transfers / Other Financing Uses	4,211,240	856,111	856,111	20.33%	6,349,560	3,494,443	3,494,443	55.03%
Contingencies/Reserves	302,980	0	0	0.00%	690,000	0	0	0.00%
<b>TOTAL ALL EXPENDITURES</b>	<b>\$47,547,930</b>	<b>\$11,249,220</b>	<b>\$11,249,220</b>	<b>23.66%</b>	<b>\$51,290,600</b>	<b>\$14,565,245</b>	<b>\$14,565,245</b>	<b>28.40%</b>
<b>CURRENT REVENUE LESS TOTAL EXPENDITURES</b>		<b>(\$7,463,981)</b>	<b>(\$7,463,981)</b>		<b>(\$2,556,930)</b>	<b>(\$10,524,439)</b>	<b>(\$10,524,439)</b>	

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

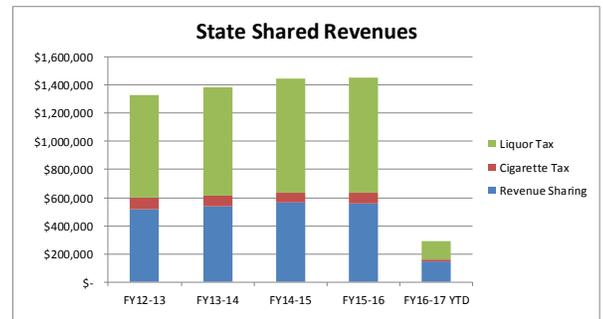
The General Fund Income Statement format above shows that FY 16-17 revenues (excluding Other Financing Sources, which are associated with pass-throughs and have an offsetting expense) are exceeding FY 15-16 by approximately 4.8%, while Operating Expenditures are up nearly 7% from last year, but still slightly below budgeted levels. City Manager's Office expenditures are up \$35,000 from last year, primarily due to Council Goals spending. Community Development is up about \$96,000 from last year due to the departure of the Planning Manager and associated cash-outs. The \$290,000 Fire expenditures increase includes the purchase of a replacement Fire Engine Pumper in Q1. Police has over \$170,000 more in Q1 spending than last fiscal year due to COLAs and less vacancies. Non-Operating expenses are greater this fiscal year due to department contributions to the new Vehicle Equipment Reserve Fund, which show up as Interfund-transfers along with a \$35,000 transfer to the CD Revolving Fund and \$255,500 transfer to the Street Fund for street light utility support.



The graph to the left illustrates improvements in two of the three major General Fund non-property tax revenue categories YTD over the prior years' results. Franchise Fees in Q1, although lower than the same time last year, are still expected to meet FY 16-17 budget. Transient Room Taxes (TRT) results YTD reflect the City's increased effort to collect amounts owed by online travel companies for Corvallis hotel rooms booked and paid for electronically, versus traditional hotel onsite payments.

**State Shared Revenues** – Using State projections, the League of Oregon Cities (LOC) produces per capita estimates of State Shared Revenues annually. These estimates are available to assist cities in the development of their budgets. Per capita distribution for appropriate revenue sources are

calculated based on certified statistics from Portland State University's Center for Population Research. While the City utilizes the population reports to determine growth patterns, it also utilizes historical state shared revenue receipts to estimate current and future year receipts. Even as distributions to the City of Corvallis have remained relatively stable, staff recognizes the volatile nature of these resources and keeps that in mind when developing budget projections for this revenue source. Cigarette taxes, although stable, are not experiencing any uptick, and only a small increase in liquor revenue is expected. The City anticipates meeting FY 16-17 state revenue sharing estimates; however, that amount is only about 1% more than the previous fiscal year.



**GENERAL FUND**

<b>BUDGETARY BASIS</b>	<b>UNAUDITED FY 15-16</b>	<b>AMENDED FY 16-17</b>	<b>Year-To-Date FY 16-17</b>	<b>% of Budget Year-to-Date</b>
<b>RECURRING</b>				
<b>NON DEDICATED REVENUE</b>				
Property Taxes - Permanent Rate	\$21,699,437	\$22,554,500	\$0	0.00%
Local Op Levy 2013 - HP Replacmt/SocServ Funding	768,257	816,220	0	0.00%
Prior Year Delinquent Tax Revenue	433,723	550,000	164,239	29.86%
Transient Room Tax	1,753,986	1,816,000	360,655	19.86%
Franchise Fees	5,604,632	5,754,620	780,749	13.57%
State Revenue Sharing	558,471	571,990	144,155	25.20%
Alcohol/Cigarette Tax	895,204	901,610	145,750	16.17%
Pass-Throughs	523,793	1,158,470	175,890	15.18%
Miscellaneous Other Revenues	843,490	717,140	173,473	24.19%
<b>TOTAL NON-DEDICATED RECURRING REVENUE</b>	<b>\$33,080,993</b>	<b>\$34,840,550</b>	<b>\$1,944,911</b>	<b>5.58%</b>
<b>DEDICATED REVENUE</b>				
Property Tax - Local Option Levy	\$2,712,745	\$2,882,100	\$0	0.00%
City Manager's Office	126,189	126,180	107,650	85.31%
Community Development	220,603	151,090	30,127	19.94%
Finance	244	200	43	21.63%
Fire	3,915,831	4,112,230	776,864	18.89%
Library	3,016,847	3,044,080	85,283	2.80%
Parks & Recreation	1,709,450	1,801,000	506,840	28.14%
Police	393,167	400,860	178,256	44.47%
Public Works	460	3,370	1	0.02%
<b>TOTAL DEDICATED RECURRING REVENUE</b>	<b>\$12,095,537</b>	<b>\$12,521,110</b>	<b>\$1,685,064</b>	<b>13.46%</b>
<b>TOTAL RECURRING REVENUE (1)</b>	<b>45,176,529</b>	<b>\$47,361,660</b>	<b>\$3,629,975</b>	<b>7.66%</b>
<b>EXPENDITURES</b>				
City Manager's Office	\$302,835	\$320,840	\$76,586	23.87%
Community Development	1,259,058	1,494,730	416,362	27.86%
Finance	566,651	592,110	142,037	23.99%
Fire	10,906,226	11,948,240	3,061,400	25.62%
Library	6,120,081	6,540,240	1,555,979	23.79%
Parks & Recreation	5,994,363	6,280,610	1,739,001	27.69%
Police	10,908,422	12,159,240	3,063,784	25.20%
Public Works	656,030	582,920	340,274	58.37%
Non-Departmental	822,220	1,156,190	631,964	54.66%
Debt Service	693,234	691,750	630,050	91.08%
Transfers Out (Interfund, Capital, POB)	2,036,810	2,122,440	430,750	20.30%
Pass-Throughs	469,479	1,158,470	108,043	9.33%
Contribution to Fund Balance Reserve/Contingencies	1,763,001	316,790	316,790	100.00%
Contributions/Adjustments to Other Reserves	28,415	1,994,780	1,998,460	100.18%
<b>TOTAL RECURRING EXPENDITURES (2)</b>	<b>\$42,526,825</b>	<b>\$47,359,350</b>	<b>\$14,511,479</b>	<b>30.64%</b>
<b>RECURRING REVENUE EXCESS (SHORTFALL) OVER EXPENDITURES</b>	<b>\$2,649,705</b>	<b>\$2,310</b>	<b>(\$10,881,504)</b>	
<b>POTENTIAL BEGINNING BUDGETARY FUND BALANCE</b>	1,359,150	1,796,890	2,842,622	
<i>Net Recurring Revenue/Expenditure</i>	2,649,705	2,310	(10,881,504)	
<i>Net Non-Recurring Revenue/Expenditure</i>	(1,166,233)	(1,789,560)	(1,635,571)	
<b>ENDING BUDGETARY FUND BALANCE</b>	<b>\$2,842,622</b>	<b>\$9,640</b>	<b>(9,674,453)</b>	
<b>Ending Reserve Balance by Type</b>				
RESTRICTED	\$1,102,877	\$564,677	\$716,724	
COMMITTED	\$894,206	\$934,439	\$902,306	
ASSIGNED	\$1,732,693	\$1,881,658	\$1,817,283	
<b>FUND BALANCE</b>	<b>\$6,583,210</b>	<b>\$6,209,999</b>	<b>\$6,900,000</b>	
	<b>\$10,312,985</b>	<b>\$9,590,772</b>	<b>\$10,336,313</b>	

(1) FY 16-17 Year-to-Date (YTD) revenues are less than the 25% we'd expect to be at this point in the fiscal year due to timing of Property Tax receipts, which is primarily received in the 2nd quarter.

(2) FY 16-17 YTD expenses are exceeding where we'd expect at this point in the fiscal year (e.g. 25%) since all budgeted interfund transfers to the new Vehicle & Equipment Reserve Fund took place in Q1.

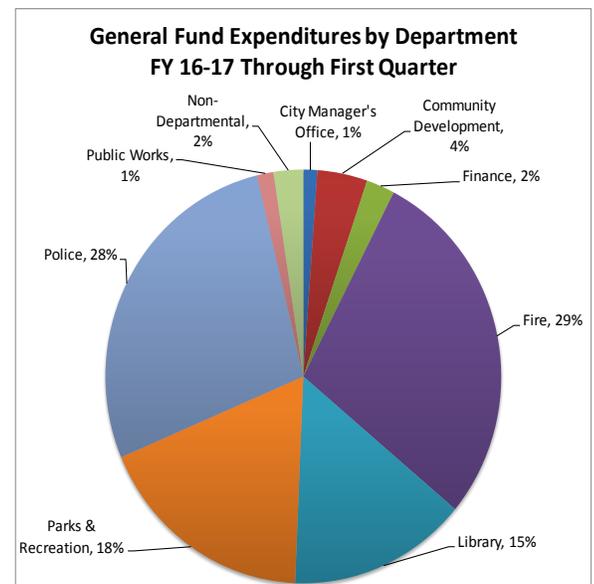
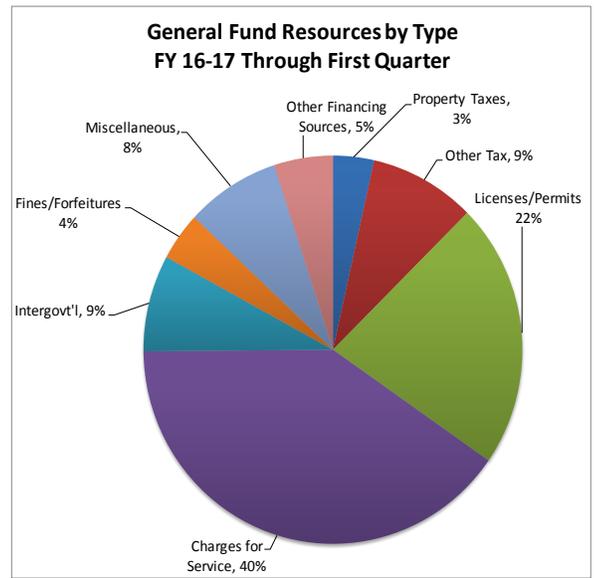
The General Fund Financial Plan update on the previous page shows the unaudited, estimated status of the “green and yellow lines” at the end of Q1. Because property taxes are not received until the second quarter, the sustainable green line and the ending budgetary fund balance YTD are currently negative, but will be positive once property tax revenue is received. Property tax levy notifications have been received by Benton County. As noted previously, the certified assessed value for the City grew by approximately 5.6% versus the 3.2% projected in the Adopted Budget. Staff anticipates this higher AV will result in approximately \$418,000 more revenue from permanent rate and local option levy property taxes. This increased property tax revenue, coupled with greater than expected beginning fund balance in FY 16-17, means the General Fund should end the year with a better than expected fund balance provided contingency use is minimized and other revenues and expenditures continue according to plan.

The **resources** pie chart, to the right, graphically illustrates the YTD proportions of all resources supporting General Fund services. Property taxes look low at only 3%, but that is normal at this point in the year since the large influx of property tax receipts are typically received during Q2 in November and December.

The **expenditures** pie chart shows the distribution of General Fund expenditures by department through the first quarter. The public safety departments (Fire and Police) account for about 57% of fund operating expenditures; while other operations such as library, parks & recreation, economic development, municipal court, planning and code enforcement are the remaining 43% of expenditures.

Comparing year-to-year expenditures in this Fund (table on page 2) demonstrates that FY16-17 operational spending is higher than in FY15-16, but aligned with budget projections. Some notable highlights by department include:

- While the City Manager’s Office (CMO) in total is only 20.7% expended for the year, this is due to Council Goals, which is only 16% expended YTD due to the timing of goal implementation. Economic Development is on track at over 24% of budget expended.
- Community Development expenses are right on track at 25% expended, however that is due primarily to a cash-out for a departing manager. Absent that cash-out, the department would be at approximately 20% of budget due to a vacancy in Code Compliance and minimal spending on special projects in Q1.
- Fire’s expenses are right on track at 25% of budget, but approximately \$290,000 greater than in FY 15-16 due to the planned purchase of a Fire Engine Pumper vehicle in Q1.
- Police expenses as a percentage of budget are at 23% of budget, but approximately \$170,000 more than last fiscal year at the same time due to less vacancies and greater personnel service costs due to COLAs.
- Public Works expenses in the General Fund are only at 19% of budget due to PEG/I-Net project purchases planned for later in the fiscal year.
- Non-Departmental spending is at 19% of budget because transitional funding associated with the new Central Admin Services Team will be utilized in Q2 when the team moves to a central location in the City Hall Building.



Fund Name	Resources YTD through 1st Quarter FY15-16	Resources YTD through 1st Quarter FY16-17	Variance 15-16 to 16-17	FY 16-17 Total Budgeted Revenue	YTD% of FY 16-17 Total Budgeted Revenue
911 Emergency Services	677,197	685,659	8,462	2,534,690	27.05%
Administrative Services	1,293,652	1,349,176	55,524	5,395,110	25.01%
Airport	153,229	(36,600)	(189,829)	1,358,150	-2.69%
Capital Improvement Project	442,638	226,606	(216,032)	7,100,770	3.19%
Community Development Revolving	381,443	250,124	(131,319)	1,957,840	12.78%
Davidson	8	12	4	0	0.00%
Development Services	847,307	752,362	(94,945)	2,761,880	27.24%
Facility Maintenance	205,425	222,005	16,580	883,090	25.14%
Fleet Maintenance	170,864	158,806	(12,058)	813,100	19.53%
General Obligation Debt Service	44	120	76	1,165,150	0.01%
Parking	136,159	174,148	37,989	660,510	26.37%
Parks System Development Charge	63,661	230,024	166,363	441,670	52.08%
Pension Obligation Debt Service	603,700	603,700	-	2,974,650	20.29%
Risk Management	1,165,894	1,017,403	(148,491)	1,392,360	73.07%
Street	1,537,927	1,055,470	(482,457)	4,679,050	22.56%
Street & Utilities Systems Development Charge	1,618,215	1,851,318	233,103	3,436,550	53.87%
Storm Water	862,073	579,181	(282,892)	2,748,320	21.07%
Technology & Communication	458,035	593,199	135,164	2,371,970	25.01%
Transit	211,999	401,834	189,835	3,344,650	12.01%
Vehicle/Equipment Reserve Fund	-	3,483,240	3,483,240	3,490,860	99.78%
Wastewater	3,005,457	2,345,411	(660,046)	10,766,290	21.78%
Water	3,532,063	3,272,487	(259,576)	11,195,270	29.23%
<b>TOTAL RESOURCES</b>	<b>\$ 17,366,990</b>	<b>\$ 19,215,685</b>	<b>\$ 1,848,695</b>	<b>\$ 71,471,930</b>	<b>26.89%</b>

## RESOURCES – Info on <>5% difference in Operating Funds from prior year or budget target (25%)

**Airport** – Operating revenues in total and as a percent of budget are slightly lower than last year at the same time, but the negative revenue seen above in current year total revenue is due to the accrual of grant funding back to the prior fiscal year. This will be offset in Q2 when the actual grant receipt is recorded.

**CD Revolving** – Resources are less than prior year since last year Council approved a \$100,000 transfer in from the General Fund, whereas in FY 16-17 this transfer is only for \$35,000; however, resources are still below budget. This reduced revenue stream is partially due to a timing issue with regard to Community Development Block Grant (CDBG) and HOME program grant revenues being reimbursed and received only after expenditures are incurred. The problem also stems from both ineligible expenses incurred to administer the program and from reduced availability of federal funding in total. Council and staff are working on the Sustainable Budget and Housing Goals to help address the housing program issues.

**Development Services / Parks System Development Charge (SDC) / Street & Utilities SDC** – Charges for Service revenue in these funds, related to permits/reviews/inspections and SDC's respectively are ahead of budget targets and last fiscal year with the exception of Development Services, which is ahead of target, but lags last fiscal year due to less development activity so far this fiscal year. Timing of large projects is variable, spanning multiple months/years, so revenues typically are less predictable.

**Fleet Maintenance** – Current year receipts are below target and last year due to lower than expected fuel prices which affect fuel sales. This also favorably impacts costs, so there is no negative impact to the bottom line.

**General Obligation Debt Service** – Each year's first significant tax turnover is received in November.

**Parking** – Revenues are above budget and last fiscal year associated with parking meters and parking citations. Parking Enforcement Officers are now fully staffed and trained so revenue is expected to meet fiscal year expectations and exceed last fiscal year.

**Risk Management** – Q1 revenues are at approximately 73% of target. Timing of this internal service charge to departments is weighted to coincide with insurance premium payments, 75% of which occur in July (Q1) and 25% in January (Q3).

**Street** – Revenues are as expected at this point in the fiscal year, but lower than last year at this time due to receipt of fees in-lieu of street improvements and intrafund transfer activity that is not occurring in FY 16-17. Support from the General

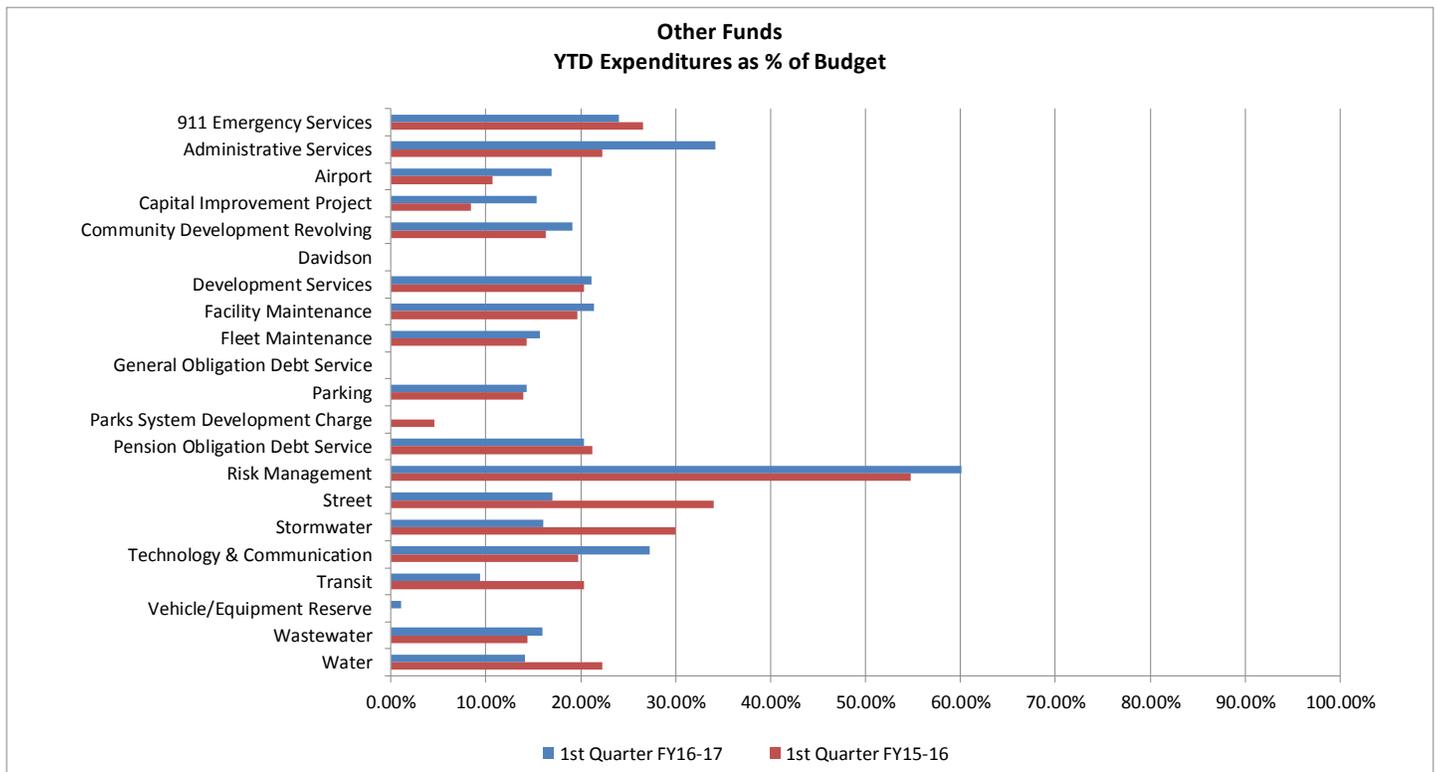
Fund for \$255,500 for its portion of streetlight utility costs was booked in Q1 and will continue annually as a flat amount until the Street SDC intrafund loan is paid in full, at which time the future funding allocation of streetlight utility costs will be revisited.

**Storm Water** – Operating metered revenues are greater than last year due to the rate increase approved last winter, but are aligned with last year as a percentage of budget. Non-operating revenues from Transfers In for construction project completion have not yet taken place compared to this time last year.

**Transit** – Revenue receipts are low as a percentage of budget, but as expected for this point in the fiscal year due to timing with transit operating federal grants. Revenues are greater than last fiscal year at this time since last year included an accrual back to FY 14-15 and the FY 15-16 grant requests did not make the grant system deadlines for receipt during the first quarter last year.

**Vehicle Equipment Reserve Fund** – This is a new fund for FY 16-17 and is funded through Interfund transfers from the General and Administrative Service Funds. Budgeted transfers took place during Q1 and were slightly less than budget due to carry-over balancing whereby funding spent in the previous fiscal year cannot be spent in the following fiscal year.

**Wastewater/Water** – Operating metered revenues are aligned with previous fiscal year and slightly above budget; although Water is about \$190,000 less than last year due to a large adjustment as a result of a misreading. Starting in FY 16-17, intrafund transfers have been excluded from budget and actual reporting, whereas they were included in FY 15-16, thus showing a greater revenue balance last year overall due to this activity, which accounts for funding of capital projects.



**EXPENDITURES – Info on <5% difference in Operating Funds from prior year or budget target (25%)**

The above bar graph compares FY16-17 and FY15-16 expenditures through September 30<sup>th</sup> as percentages of their respective total budgets for all City funds except the General Fund (discussed in previous pages).

**Administrative Services** – Department operational spending in Q1 was aligned with budget, however the fund is showing approximately 34% spent YTD due to an Interfund transfer to the Vehicle & Equipment Reserve Fund for the HRIS/Financial System replacement, all of which transferred in Q1.

**Airport** – While construction costs are significantly greater than prior year, total spending is lagging against current year budget, mostly due to improvement project work being done on the airport buildings/grounds, including the cargo access road construction, which will be completed later this fiscal year.

**CD Revolving** – Expenditures are low as a percentage of budget because they are primarily grant-related, thus variable in timing and FY 16-17 projects are slow to progress. Additionally, there is a vacant Housing Program Specialist position.

**Davidson** – This \$5,000 endowment from a 1981 donation is designated as a Permanent Fund under governmental accounting guidelines. To grow the balance, Library staff did not appropriate expendable interest earnings for FY 16-17.

**Development Services** – Spending is low as a percentage of budget in both fiscal years due to vacancy savings. A strategic reorganization took place after the FY 16-17 budget was adopted, which resulted in three funded vacant positions being eliminated and other positions being re-classed to increase efficiencies. Special project funding in FY 16-17 for public outreach, technology and vehicles is also slow to materialize.

**Fleet Maintenance** – FY 16-17 spending is aligned with last fiscal year, but below budgeted levels due to spending on materials, supplies and contracted services for emergency repairs having unpredictable spending patterns.

**Parking** – Spending is aligned with last fiscal year, but low as a percentage of budget due to a vacant .50 FTE Parking Program Specialist in the Public Works Department; and also delay of pay station replacements.

**Parks System Development Charge (SDC)** – Fund expenditures are for capital projects. No spending in FY 16-17 YTD, while last year included a transfer to CIP for the Marys River Boardwalk and Arnold Park Upgrade projects.

**Risk Management** – Timing of internal service charges to departments is weighted to coincide with insurance premium payments, 75% of which occur in Q1 and the remaining 25% occur in Q3. Self insurance claims are largely unpredictable, and can vary significantly year-to-year due to the significant deductible exposure the City has with outstanding tort/liability claims.

**Street** –The bar chart above indicates spending in FY 16-17 below budget and last fiscal year. Last year spending was above budget due to Q1 expenditures related to the CIP Street Reconstruction and Streetlight Retrofit projects.

**Storm Water** –Operating expenditures are slightly below last year, but overall spending including non-operating is significantly less than last year due to the exclusion of intrafund transfers starting in FY 16-17, but were included in FY 15-16 for funding of capital projects.

**Technology and Communication** – This fund is slightly exceeding budget due to full spending on a city-wide storage area network special project in Q1. There is an IT Manager vacancy in this fund that will result in personnel service savings until the new IT Director determines a path forward for that position.

**Transit** –Though low in both years, FY 16-17 is particularly low as a percentage of budget since the two planned bus purchases have not taken place yet, along with September Services payments for operations and maintenance that will post in Q2.

**Wastewater** – Although aligned with last fiscal year, operating expenditures are low as a percentage of budget due to most large dollar special projects starting later in the fiscal year, and the Digester Improvement project being moved out to a future year.

**Water** – While FY 16-17 operating expenditures are aligned with prior year in total, they are low as a percentage of budget due to Special Project expenditures for replacement equipment and project work taking place later in the year. However, total fund expenditures are significantly lower than prior year due to the exclusion of intrafund transfers starting in FY 16-17, but were included in FY 15-16 for funding of capital projects.

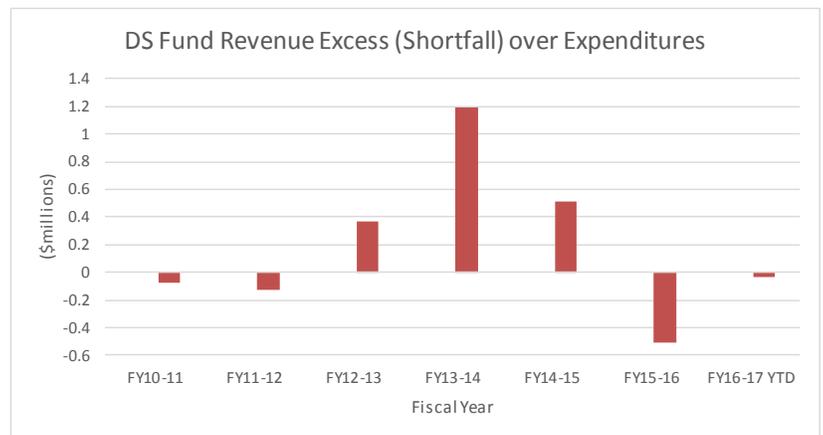
## **FUTURE OUTLOOK**

### *Community Development – Development Services Division*

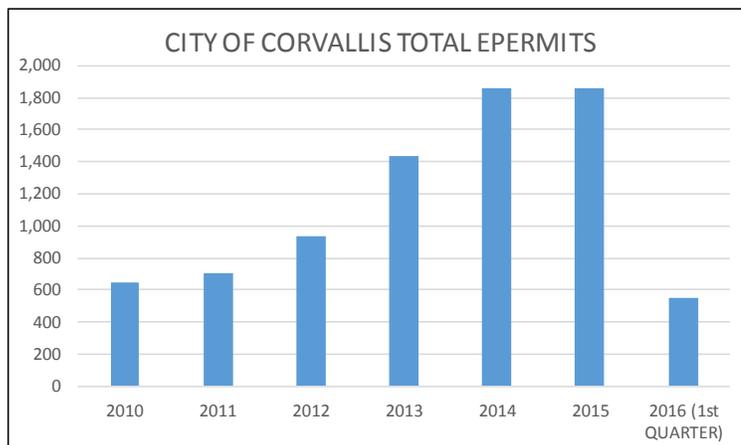
The Development Services (DS) Division administers building safety and permitting services through the operations of a one-stop permit center. The one-stop permit center includes plan review, permitting, and inspections of multiple construction and land use disciplines including all State and locally-adopted building safety codes, land use and zoning standards, civil/site review requirements, erosion control provisions, and code compliance activities.

DS is primarily supported by fees and service charges. Fees and service charges are typically collected at two points in time – during permit application, for plan review services, and at permit issuance. Because DS is fee supported but predicting revenues accurately is quite challenging, the annual approach to budgeting is to project a conservative revenue stream based on known construction projects in the queue, and on historical patterns of development activity. Expenditures are budgeted as if all staff positions are filled throughout the fiscal year, and the full complement of services will be offered. This generally means presenting a deficit budget each year. However, as the year elapses and the construction activity picture becomes clearer for revenue sources, the expenditure side is carefully controlled to the extent possible by holding positions vacant and backfilling with contract services to ensure any gaps are covered.

As reflected in the right-hand table, the DS Fund can experience extreme fluctuations in revenue from year to year as the number and value of building projects waxes and wanes due to the economy, the real estate market, and timing of construction projects. Because of relatively low summer construction activity the Fund experienced a deficit of \$39,042 for the first quarter of FY 16-17. These fluctuations are typical among building services functions statewide, so it is the industry standard to retain a fund balance carrying six-to-twelve months' worth of operating expenses to ensure operations can be maintained, and that the financial health of the division remains intact.



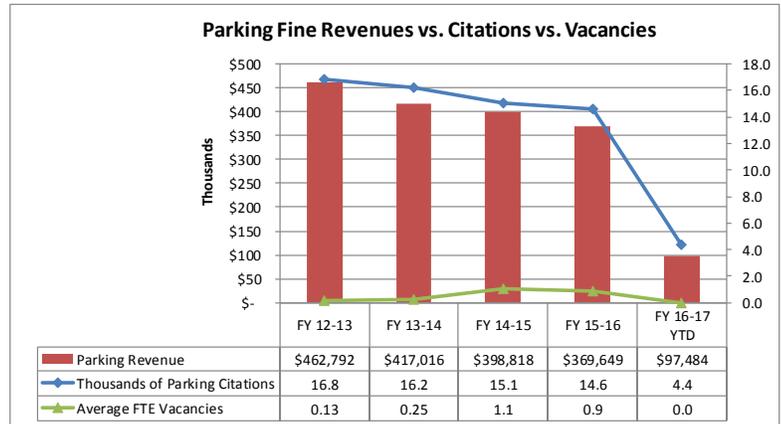
In addition to being attentive to the revenue and expenditure fluctuations with the DS Fund, it is also imperative that DS look for ways to evolve and innovate to provide customers with more streamlined and efficient services. Doing this work to innovate also often presents opportunities to capture ongoing cost savings. One such example is the effort towards offering permitting services that can be completed entirely online, which originally started when DS joined the State of Oregon's epermitting system to offer electronic permitting for electrical, plumbing, and mechanical permits. Since 2010, electronic permitting services have seen a steady increase by customers. The ease and convenience of utilizing these services has changed the delivery of the City's permitting services, allowing a simpler process for customers, and a more efficient process for division staff.



More recently DS has embarked on a multi-year effort to develop and deploy the City's own Eplans services. As such, in October 2016 DS discontinued use of the State's epermitting system and consolidated all electronic permitting functions under one centralized City Eplans system. This system gives applicants the ability to apply online for building permits and grading projects as well as electrical, plumbing and mechanical permits. As the City's electronic permitting program matures and becomes more heavily publicized, a significant increase in customers utilizing these services is anticipated.

## Finance Department – Parking Revenue vs. Citations vs. Vacancies

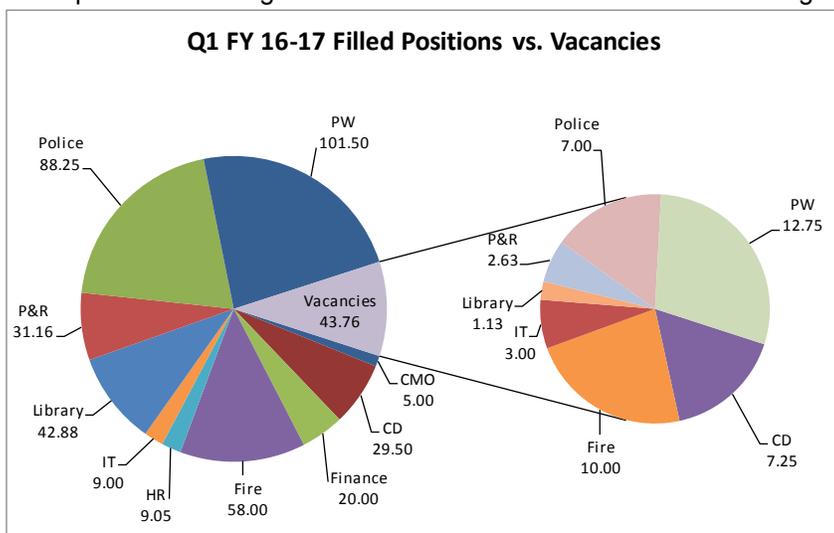
Reduced parking fine revenue continued through FY 15-16 as a result of vacancies and the lag time of recognizing revenue for citations issued. The graph illustrates the relationship between parking enforcement vacancies and the number of citations issued and parking fine revenue received. At the end of the first quarter last year, the Corvallis Police Department (CPD) issued 2,475 parking citations. At the end of the current first quarter, CPD issued 4,426 parking citations resulting in 1,951 more citations. Parking enforcement is labor intensive and when there are fewer parking enforcement officers on the street, the number of citations decreases which is clearly demonstrated in the graph. It takes about three months to properly train a parking enforcement officer to ensure they have the necessary knowledge of local parking laws and ordinances.



This fiscal year, the Parking Enforcement vacancy rate is 0 due to a fully staffed and trained unit. This is evident in the parking revenue received in Q1 of FY 16-17 which is on track to exceed FY 15-16. Officers are now using electronic handheld devices and the GTechna electronic citation software to issue parking citations. This technology allows officers to increase the number of citations issued each day since the tickets are issued electronically. The officer does not manually enter information onto the ticket as the software pre-loads the data then prints out the citation on a Zebra mobile printer eliminating the cost, delay and errors associated with manual data entry. The weather resistant citation also includes remittance and website information that allows the customer easy access to pay online.

## City Staff – Personnel Services Quarterly Update

**Vacancies** – The pie-within-a-pie chart below depicts how different departments have been impacted by vacancies in the first quarter of this fiscal year. Public Works (PW) has three fewer vacancies since last quarter; the department now has 12.75 full-time equivalent (FTE) positions vacant as of quarter end, representing 11% of its total authorized FTE. The 43.7 FTE in City-wide vacancies is roughly 10% of total FY 16-17 authorized FTE and is aligned with the number of FTE vacancies last quarter. Although some vacant positions have been filled, attrition in other departments have offset those keeping total vacancies stable. In addition to PW, Police has seven vacant positions which include one Public Safety Dispatcher that is held unbudgeted for FY 16-17, one sergeant, and five officers, two of which are considered “pre-hire trainee officers” that are unfunded and will only be used to fill planned vacancies such as retirements. Fire’s total vacancies increased to 10.0 FTE in the first quarter with the retirement of another Battalion Chief and Lieutenant; the Department ran another Firefighter Training Academy in October 2016 for new recruits, and has subsequently hired 7 individuals. These new hires will fill current vacancies, two of which are “over-hire” trainee positions approved for the FY 16-17 budget intended to help offset coverage issues as a result of retirements. Although Community Development (CD) reflects 7.25 FTE vacancies compared to authorized FY 16-17 FTE, a strategic reorganization occurred in the Development Services division whereby certain jobs were reclassified with the goal of broadening the department’s skill base, creating career pathways for employees, and allowing for the reduction of 3 vacant FTE positions. As of the end of Q1, the City Manager has made an offer to fill the IT Director position; however, two other vacancies exist including the IT Manager position and an Information Systems Analyst. For any position not funded by the 2013 Operating Levy, departments must perform a position review and/or consider reorganizations whenever a position becomes vacant, in order to optimize potential budget savings and/or other possible efficiencies within that department.



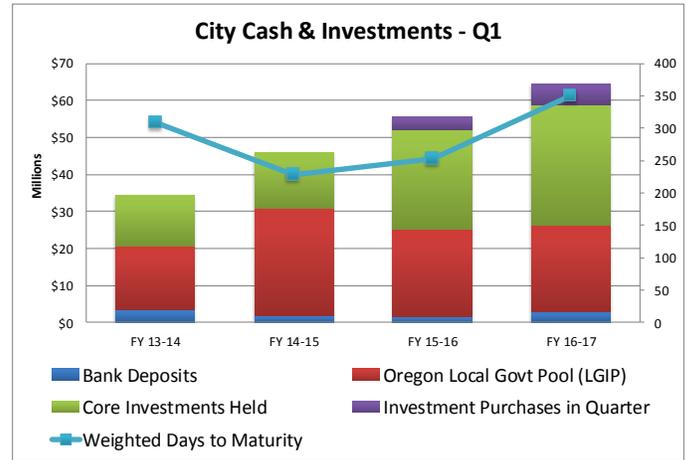
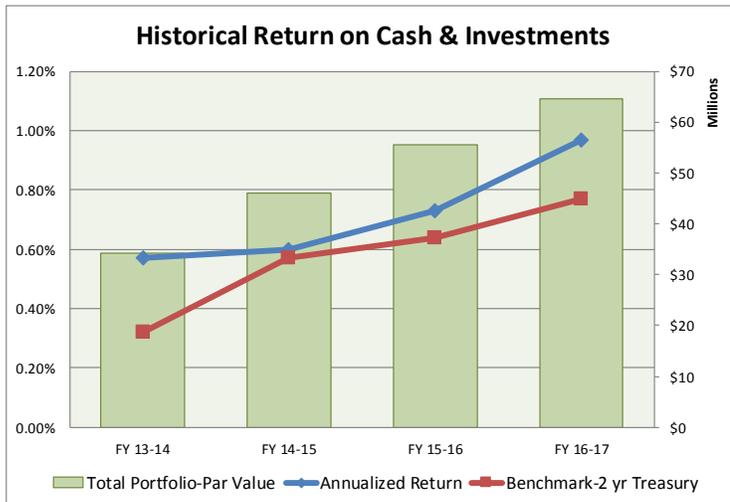
## CAPITAL IMPROVEMENT PROJECTS QUARTERLY UPDATE ON SIGNIFICANT ACTIVITY

<b><i>Airport Improvement Cargo Access Road</i></b>	<u>CIP Doc Pg:</u> <a href="#">3</a>	<u>Adopted Budget:</u> <b>\$557,150</b>	<u>Amended:</u> <b>\$557,150</b>	<u>YTD Expended:</u> <b>\$304,523</b>
This project constructs a new access road from Airport Place to the Cargo Apron with 90% grant funding from the Federal Aviation Administration. The contractor began construction June 17, 2016 and was completed during the 1 <sup>st</sup> quarter.				
<b><i>Municipal Buildings Rehabilitation</i></b>	<u>CIP Doc Pg:</u> <a href="#">8</a>	<u>Adopted Budget:</u> <b>\$747,900</b>	<u>Amended:</u> <b>\$632,990</b>	<u>YTD Expended:</u> <b>\$387,660</b>
This project extends the life of municipal buildings through a planned program of rehabilitation projects. This fiscal year's budget includes: 2 <sup>nd</sup> floor patio enclosure at the Corvallis-Benton County Library; City Hall masonry; and Fire Station 2 & 3 seismic upgrades.				
Seismic work construction at both fire stations 2 and 3 were completed during the 1 <sup>st</sup> quarter. The City Hall Masonry project was in the bid process.				
<b><i>Park Improvements</i></b>	<u>CIP Doc Pg:</u> <a href="#">19</a>	<u>Adopted Budget:</u> <b>\$1,620,000</b>	<u>Amended:</u> <b>\$1,626,370</b>	<u>YTD Expended:</u> <b>\$144,095</b>
This project provides for a variety of improvements for several City parks. This fiscal year's budget includes: Starker Arts Park band shelter; Avery Park playground upgrades; Paving Willamette Park entrance road; Franklin Square Park playground upgrades; MLK, Jr. Park improvements to the playground, barn, and restroom; Naasko playground upgrades; and Willamette Park restroom upgrades.				
Franklin Square Park playground: Play equipment, curbing, pathway, and surfacing were completed during the 1 <sup>st</sup> quarter. Site amenities such as benches and signage will be installed during the 2 <sup>nd</sup> quarter.				
MLK, Jr. Park: During the 1 <sup>st</sup> quarter, a community meeting was held and the consultant team met with Development Services to understand and incorporate permit requirements into the design. The design documents have been completed and were submitted for permits.				
<b><i>Storm Water Master Plan Projects</i></b>	<u>CIP Doc Pg:</u> <a href="#">29</a>	<u>Adopted Budget:</u> <b>\$465,000</b>	<u>Amended:</u> <b>\$465,000</b>	<u>YTD Expended:</u> <b>\$91,796</b>
This project implements various element of the Storm Water Master Plan (SWMP), which identifies upgrades and modifications to the storm water system addressing conveyance issues, water quality objectives, restoration of natural streams systems, and floodplain land acquisition.				
Construction began on a rock wall bank stabilization structure and fish passage improvements to replace the failing structure on Dixon Creek downstream of the 29 <sup>th</sup> Street culvert. The contractor has completed the "in water" work and all structures are in place and functioning. Riparian and mitigation plantings remain and should be completed during the 2 <sup>nd</sup> quarter.				
<b><i>Street Resurfacing</i></b>	<u>CIP Doc Pg:</u> <a href="#">51</a>	<u>Adopted Budget:</u> <b>\$953,300</b>	<u>Amended:</u> <b>\$953,300</b>	<u>YTD Expended:</u> <b>\$686,989</b>
This project resurfaces streets based on priorities set through an asset management evaluation. Streets age with time and traffic loading, and require restoration periodically to maintain service levels. Design for FY 16-17 projects was completed in FY 15-16. Construction began mid-July 2016 and was completed during the 1 <sup>st</sup> quarter.				
<b><i>Water Distribution System Rehabilitation</i></b>	<u>CIP Doc Pg:</u> <a href="#">84</a>	<u>Adopted Budget:</u> <b>\$550,000</b>	<u>Amended:</u> <b>\$550,000</b>	<u>YTD Expended:</u> <b>\$339,394</b>
This project is an annual program to provide ongoing replacement or rehabilitation of the City's water distribution system infrastructure. Construction of FY 16-17 projects began on June 2016 and was completed during the 1 <sup>st</sup> quarter.				
<b><i>Sanitary Sewer Rehabilitation</i></b>	<u>CIP Doc Pg:</u> <a href="#">63</a>	<u>Adopted Budget:</u> <b>\$734,290</b>	<u>Amended:</u> <b>\$734,290</b>	<u>YTD Expended:</u> <b>\$428,821</b>
This annual program replaces or rehabilitates sanitary sewers which have exceeded their service lives and/or allow excessive amounts of rainwater or groundwater (inflow and infiltration) in to the sewer system. Construction of FY 16-17 projects began in June 2016, and was completed during the 1 <sup>st</sup> quarter.				

## CASHFLOW AND INVESTMENT PORTFOLIO QUARTERLY UPDATE

A [Treasury Report](#) is prepared monthly per City policy and is sent directly to Council to help fulfill its fiduciary responsibilities. The quarterly operating report provides high level updates beyond what is provided on a monthly basis.

The graphs in this section depict four years of data showing total holdings at the end of each first quarter. These graphs illustrate that total holdings have grown over the past three fiscal years, due to: the addition of the local operating levy revenues; the Council Policy to build to a \$6.9 million fund balance reserve in the General Fund; and increased receipts from system development charges (SDC) from local development work.

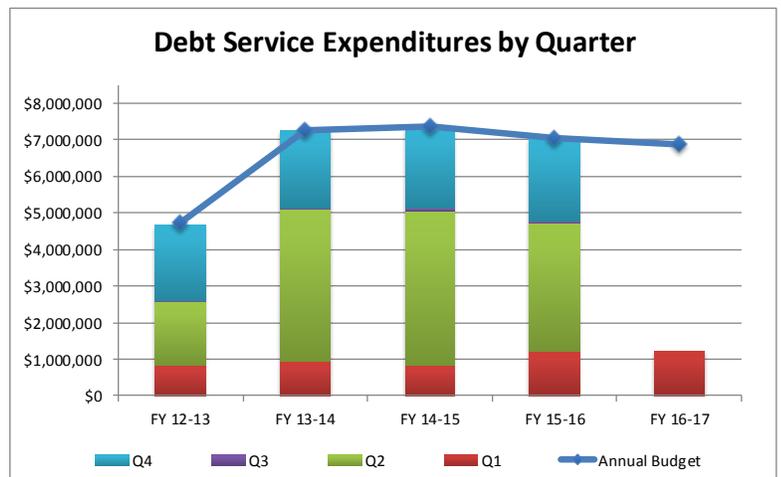


The City strategically ladders its portfolio to gain some market return without undue risk. The graph to the left shows that the City has typically outperformed the benchmark 2-year Treasury note (T-note) yield. The Brexit initial woes have subsided and yields slightly increased during the first quarter. Positive economic data had increased the likelihood of a rate increase by the Fed before the end of the calendar year to start the quarter. Although there is a positive trend, the Fed wants to make sure that it doesn't stymie current growth with a rate hike. This approach has led to an overall rise in the Treasury yield curve. Due to the uncertainty associated with an election year, the likelihood of a rate increase has subsided from what was previously thought at the beginning of the quarter amidst positive trends. Currently, the City's total portfolio is 20 basis points (b.p.) above the 2-year benchmark, which has held since the final quarter of last year.

During Q1, \$5 million in government agencies were called. Purchases were made of \$2 million FFCB at a yield of 1.14%, a \$2 million FNMA at a yield of 1.25%, and a \$2 million FFCB at a yield of 1.1726%. The core portfolio totaled approximately \$38.5 million at quarter end. Per the current market trends and information above, the City and investment advisor have taken a more cautious approach. Due to the inevitable influx of property tax receipts in Q2, the City will have to possibly look at raising the \$40 million portfolio maximum to align with upward market trends and significant cash holdings.

## NON-OPERATING EXPENDITURES – DEBT SERVICE QUARTERLY UPDATE

Debt service payments for GO Bonds are typically targeted for the second quarter to match the influx of property taxes. Since most debt issuances require semi-annual payments, the fourth quarter then picks up the remainder by default. Though funding sources have shifted somewhat over the years, the City's total debt service has been in much the same range for the past few years (other than in FY 12-13 when a refunding of several utility-backed loans occurred). The decrease in expenditures in Q2 of FY 15-16 is due to a significant portion of the Water Fund loans having been fully satisfied in FY 14-15.



**Performance Measurement** is important for providing management, staff, the City Council and community members with information on how well City staff are providing expected service levels, as well as linking this performance with [Council Goals](#) and values. Continuing pressure to improve accountability and provide greater value-for-money performance has prompted government at all levels to recognize the need for outcome-oriented and strategic performance indicators. Highlighted below are just a few of the many measures which departments use to help guide operational decision-making.

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY15-16 ACTUAL	FY16-17 TARGET	1 <sup>st</sup> QTR ACTUAL	FY16-17 YTD
Cost Efficiency	Ensure City financial resources are primarily spent on operations that provide services directly to the community.	Maintain general overhead costs (City Manager's Office, HR, and Finance) at less than 7% of total operating expenses.	6.07%	7.00%	6.08%	6.08%
	Provide opportunities for community involvement and enhance Department service levels while lowering program costs.	Total number of hours worked by volunteers in support of parks and recreation services (not including Majestic). <sup>(1)</sup>	21,000 (10.10 FTE)	22,000 (10.58 FTE)	4,505 (2.17 FTE)	4,505 (2.17 FTE)
	Increase community safety by maintaining overall number of traffic accidents resulting in injuries/fatalities at less than the State average of 5/per thousand population.	Fatal and injury traffic accidents per 1,000 population. <sup>(2)</sup>	152 or 2.65/thou	<2.5/thou	28 or .5/thou	28 or .5/thou
	Have utility rates that contribute to Corvallis being an attractive place to live.	Control operation and maintenance costs to minimize annual utility rate increases. <sup>(3)</sup>	2.8%	<3.0%	n/a	n/a
		Percent of average annual water bill to median household income (\$78,600). <sup>(3)</sup>	.38%	<0.45%	n/a	n/a
		Percent of average annual wastewater bill to median household income (\$78,600). <sup>(3)</sup>	.51%	<0.65%	n/a	n/a
	Diversity	Provide a welcoming organization that promotes and respects diversity.	% of job applicants for regular positions who identify themselves as a minority. <sup>(4)</sup>	19%	15%	17%
Provide recreation programs that are inclusive, creating an opportunity for the diverse community to come together.		Total number of registrations; all programs.	156,000	157,000	73,609	73,609
Assure that low income residents' housing needs are met in a cost effective manner.		Housing units occupied by low income households assisted per \$100,000 in City funds invested. <sup>(5)</sup>	6.1	10	5	5

COUNCIL VALUES	Management Goals & Objectives	Performance Measures	FY15-16 ACTUAL	FY16-17 TARGET	1 <sup>st</sup> QTR ACTUAL	FY16-17 YTD
Sustainability	Seek out the most promising Stage 2 companies in Benton County as determined by local employment growth and capital investment and develop a major account manager program that will proactively address their needs and growth opportunities.	Number of Economic Development division staff visits to Benton County's promising Stage 2 companies.	197	150	67	67
	Increase the number of customer accounts with electronic monthly bills to reduce printing and postage costs.	Increase electronic bills 10% over previous fiscal year.	2,794	3,079	2,880	2,880
	Conserve resources by reducing fuel and paper use.	Percentage of permits issued online (mechanical, electrical, and plumbing). <sup>(6)</sup>	56%	35%	65%	65%
	Maintain average fire loss per capita within city & district limits less than regional average of \$34.40.	Maintain average loss per capita within city & district limits less than national average.	\$1.58	<\$34.40	\$13.00	\$13.00
	Increase community usage of on-line police reporting system by 10%.	Number of police reports made through the on-line system. <sup>(7)</sup>	684	753	158	158
	Remain below national average of 10% annual water loss in the distribution system.	Percent of water loss in the distribution system. <sup>(8)</sup>	4.27%	<10%	2.75%	2.75%
Community Involvement	Interact with at least 10% of residents (city and rural district) in public Fire education events annually.	Percentage of community members attending public education events.	7.16%	>10%	2.7%	2.7%
	Be recognized as a leading advocate for reading and learning in the community.	Circulation per capita (estimated service population).	18.52	18.6	4.66	4.66

- For FY 16-17 this measure now excludes Majestic Theatre volunteers; volunteer hours for parks and recreation services are at about 20% of the updated target set.
- Q1 figures utilize the most recent actual PSU Population Research Group figure of 57,390 (December 2015). Although CPD was a bit above target for FY 15-16, the 2.6 accidents per thousand population is well below the State average of 5 accidents per thousand.
- These are annual measures calculated in the second quarter; there were combined rate increases of 2.8% for FY15-16.
- Of the 811 applicants in the first quarter, 138 indicated that they are a minority.
- There were three First Time Home Buyer down payment assistance loans approved and closed in Q1, totaling \$60,000. Because loan limits were raised to \$20,000, it is likely the number of households assisted will remain at about five for the rest of the fiscal year.
- Target is exceeded due to increasing awareness as a result of outreach efforts; 590 permits were issued online in Q1. This measure will be reviewed for a "stretch" target for next quarter, given that it is now regularly exceeded.
- While performance is slightly under target YTD, the number of reports is likely to increase with the return of students for Fall Term.
- This measure reports on three months' of data, with the third month's data usually being collected after quarterly reports are submitted which results in future quarter updates. For the Q1 report, quarter data includes a two-month average; FY15-16 update is 4.27%.