

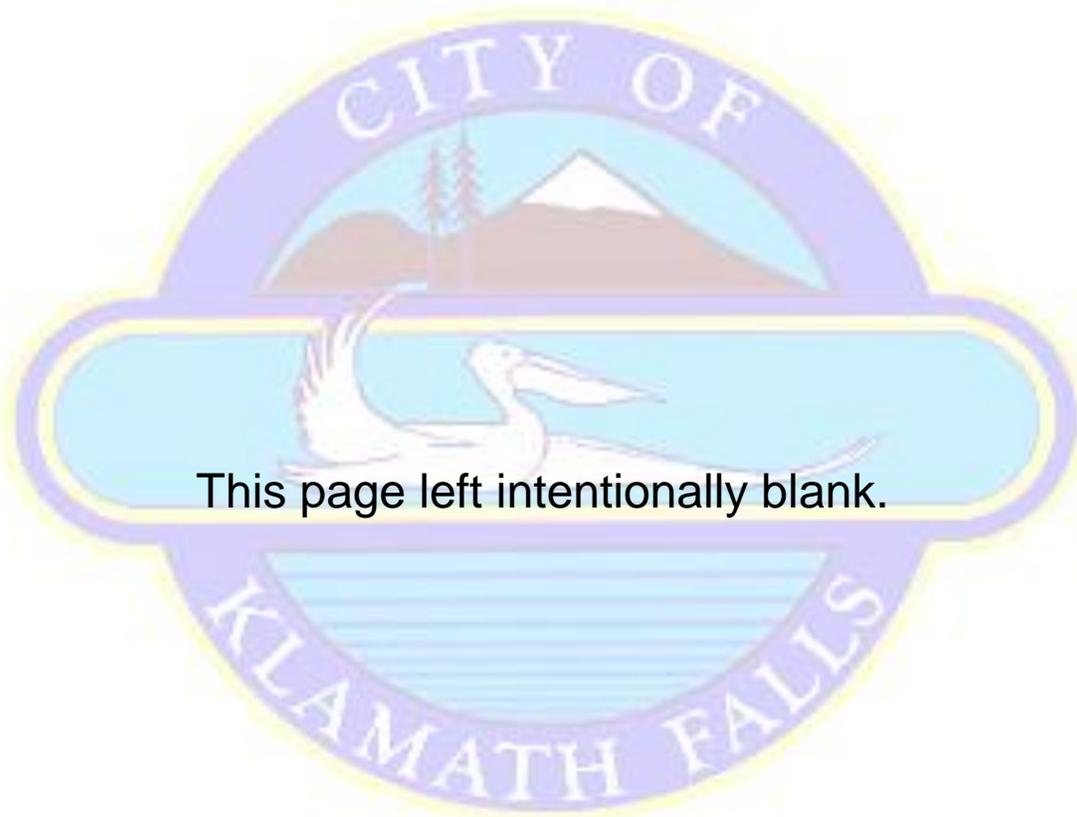
Urban Renewal Agency



Link River Trail, Klamath Falls, Oregon

*Proposed Budget*  
**2017-2018**





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## FY 2018 Proposed Budget

### Office of the City Manager

May 23, 2017

Members of the City Council in your capacity as the Urban Renewal Board, Citizen Members of the Budget Committee, and Citizens of Klamath Falls, Oregon:

In accordance with local budget law and the City Charter, I submit the proposed Urban Renewal Agency budget for fiscal year 2017-2018 for your review and approval. The Klamath Falls Urban Renewal Agency consists of two separate Districts –the Lakefront Urban Renewal District and the Town Center Urban Renewal District. The combined total appropriations for the two Urban Renewal Districts for fiscal year 2018 is \$362,600 including contingency, broken down as follows: Lakefront, \$66,725; and Town Center, \$295,875.

According to the Oregon Department of Revenue, an urban renewal agency is funded substantially by:

“portions taken out of local government property tax levies (division of tax revenue)...

Division of tax revenue is calculated by splitting local government property taxes between the local governments that levied the taxes and the urban renewal agency. The split is recalculated each year based on value growth within the plan area. This tax splitting may have a couple different effects depending on the levy type. For operating (permanent rate) levies that are levied at a particular rate, division of tax does not change the tax rate or cause much change in the overall amount of tax billed, but it does reduce the amount that gets distributed to the local governments. In contrast, division of tax affects some bond and local option levies that are levied to raise a particular dollar amount by causing those tax rates to be higher in order to raise enough tax to cover both the levied amount as well as the division of tax amount.

Both the division of tax and urban renewal special levy amounts are subject to constitutional tax limitations (Article XI, section 11b of the Oregon Constitution), and are distributed to the urban renewal agency.”

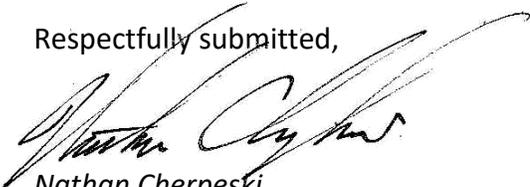
([http://www.oregon.gov/dor/ptd/pages/ic\\_504\\_623.aspx](http://www.oregon.gov/dor/ptd/pages/ic_504_623.aspx))

The Lakefront Urban Renewal District was established in 2001 to create a riverfront mixed use area comprised of offices, retail shops and condominiums. While there appears to be renewed interest in the area, development still has not occurred. The Lakefront District has a financial borrowing cap as designated in the Renewal Plan of \$7,050,000 with \$5,407,500 left to borrow. The District is projected to collect about \$65,725 in property taxes during fiscal year 2018. The property values for this area decreased by \$958,602 since last year. Under the Renewal Plan and the development agreement, the District is required to reimburse the developer for many of the infrastructure improvements already installed once the revenues are sufficient to do so. Due to lagging development, the developer has spent \$2,248,564 and has not yet been reimbursed. This reimbursement will occur once the assessed values increase.

The City's newest Urban Renewal District, the Town Center Urban Renewal District, was established in 2005 to revitalize the old Klamath Mall Shopping Center. The original developers remodeled the Gottschalks building and completed a new Sherm's Thunderbird Market but were not able to complete the development as originally planned. The properties went into foreclosure and were taken over by the project lender. A new developer has purchased the properties and the District entered into a revised development agreement. Two new stores have opened in the old Gottschalks building, Beall's and Sportsman's Warehouse. The Town Center District is anticipating tax increment revenues of approximately \$195,250. The District has a financial borrowing cap as designated in the Renewal Plan of \$2,953,000 with \$688,000 remaining to borrow.

City staff is recommending that monies be spent to study the feasibility of creating an urban renewal area for portions of the light industrial area in downtown, some parts of Esplanade, and portions of Main and East Main. The study funds would come from the City of Klamath Falls.

Respectfully submitted,



Nathan Cherpeski  
**City Manager**



## City of Klamath Falls Budgeting Principles and Assumptions FY 2017-2018

### **Investment Policy**

The City investment policy stresses, in order, safety, liquidity, and return. Interest estimates for most of this budget use a conservative 1.3% annual average earnings rate (consistent with the LGIP rate).

### **Basis of Accounting**

The City of Klamath Falls and the Agency utilizes the modified accrual basis of accounting for monthly reporting and budgeting purposes and adjusts to the full accrual method of accounting to report on its financial position along with the results of its operations at fiscal year-end.

The level of control established by the adopted budget is fund, department/division (which includes materials & services and capital outlay categories), transfers, debt service, unappropriated, contingency and reserved for future requirements. Equal transfers between materials & services and capital outlay within a single District are approved by Finance or the City Manager. All other supplemental budgets and transfers of appropriations require special approval from City Council as described in The Budget Process section.

Managers are responsible for reviewing their budgets monthly to ensure expenditures do not exceed City Council approved appropriations. In addition, the Finance Division performs a quarterly analysis of budget to actual figures to ensure that spending has not exceeded earlier estimates which is presented to Council. Finally, approval for expenditures over \$25,000 requires action from City Council.

## Schedule of Budget Events

<b>City Recorder Prepares &amp; Publishes Notice of Hearing *(see below)</b>	May 10, 2017 May 11, 2017 (web)
<b>Proposed Budget to Committee</b>	May 17, 2017
<b>Budget Committee Hearing</b>	May 23, 2017
<b>Notice and Summary to Herald &amp; News</b>	June 7, 2017
<b>Finance Department Prepares &amp; Publishes the Notice and Summary **(see below)</b>	June 13, 2017 (newspaper)
<b>Agenda Reports Completed</b>	June 9, 2017
<b>Budget Adoption</b>	June 19, 2017
<p><b>*The notice may be published in newspaper 5-30 days prior to hearing if it is also published on City website at least 10 days prior to meeting. The newspaper ad published must include website address.</b></p>	
<p><b>**The Summary and Notice is only required to be published one time and there is no internet publication option. The summary and hearing notice are published not less than five days or more than 30 days before the budget hearing.</b></p>	

## Budget Process

**1. Appoint Budget Officer.** As designated in the City's Charter, the budget officer is the City Manager.

**ORS 294.331**

**2. Prepare Proposed Budget.** The budget is prepared under the direction of the City Manager.

**ORS 294.426**

**3. Publish Notice of Budget Committee Meeting.** The notice of budget committee meeting is published twice in the Herald and News separated by no less than 5 days with the first publication being no later than 30 days prior to the meeting and the final publication being no earlier than 5 days prior to the first meeting. Alternatively, one publication in the Herald & News not more than 30 days prior plus posting on the City's website not more than 10 days prior to the budget committee meeting. Newspaper notice must contain Internet Website address at which the notice is posted.

**ORS 294.401**

**4. Budget Committee Meets.** When the proposed budget is provided to the budget committee members, it then becomes a public record and a copy is available for public inspection at City Hall (500 Klamath Ave). The proposed document can be distributed at any point prior to the first meeting. The budget message, which is delivered at the first meeting, explains the proposed budget and significant changes in the City's financial position. The budget committee may meet as many times as necessary to go through the budget and make any revisions they deem appropriate. Budget committee meetings are open to the public.

**ORS 294.426**

**5. Budget Committee Approves Budget and Authorizes the Levy of taxes.**

When the budget committee is satisfied with the proposed budget, including any revisions, it is then approved.

**ORS 294.428**

**6. Notice of Budget Hearing Published.** After the budget has been approved by the budget committee, a budget hearing must be held and a summary of the budget must be published in the Herald and News 5 to 30 days prior to the scheduled hearing date.

**ORS 294.438 & ORS 294.448**

**7. Budget Hearing.** The purpose of the budget hearing is to listen to citizens' testimony on the budget approved by the budget committee.

**ORS 294.453**

**8. Adopt Budget, Make Appropriations & Impose Taxes.** The resolution to formally adopt the budget must occur no later than June 30. This resolution, when signed, gives the City the authority to spend the funds appropriated in the Proposed Budget beginning with the new fiscal year (July 1).

**ORS 294.456**

**9. File Budget & Certify Levy.** The City must deliver two copies of the Proposed Budget to the County Assessor for filing and certification of the tax levy by July 15.

**ORS 294.458**

When the above steps are completed and the new fiscal year has begun, the City is limited to spending only the amounts appropriated in the Proposed Budget. If it becomes necessary to exceed those amounts, the City will either need to make appropriation transfers or prepare a supplemental budget.

**Transfers** - Appropriation transfers are enacted by a Resolution and can occur either within a fund or from one fund to any other fund. Transfers from Contingency may not exceed 15% of fund appropriations. **ORS 294.463**

**Supplemental Budgets** – The City may amend the current budget by adopting a supplemental budget at a regular public meeting which was published not less than 5 days prior if the expenditures being adjusted are 10% or less than the annual budget of the fund being adjusted. If the expenditures are greater than 10%, the supplemental budget must be published and a special hearing held. **ORS 294.471**

The final phase of the budget process is an audit of the previous fiscal year. The auditor examines the financial records and activities of the City and prepares an audit report. The audit report is included in the financial statements and gives the auditor's opinion of the financial statements. The report also contains the auditor's comments on the City's compliance with legal requirements.

**Description of budgeted categories - Resources**

RESOURCES	DESCRIPTION OF BUDGETED CATEGORIES
<b>Net Working Capital</b>	Cash, investments and receivables net of payables carried forward from previous year.
<b>Taxes</b>	Taxes are assessed based on the incremental value attached to each individual property within each district.
<b>Interest Income</b>	The City holds all Urban Renewal (UR) funds at the Oregon State Treasury local government investment pool (LGIP). Separate accounts are required for each UR District.
<b>Other Revenue</b>	Donations and other various activities not reported elsewhere.
<b>Other Financing Sources</b>	This represents the proceeds from debt which will be used for capital projects and will be repaid from tax revenues.

**Description of budgeted categories – Requirements**

REQUIREMENTS	DESCRIPTION OF BUDGETED CATEGORIES
<b>Materials &amp; Services</b>	Costs such as utilities, parts & supplies, professional services, postage, small tools & equipment, repairs & maintenance, etc.
<b>Capital Outlay</b>	Acquisition or construction of buildings, improvements, and land with a cost of \$5,000 or more and a life expectancy greater than one reporting period.
<b>Debt Service</b>	Dollars set aside for repayment of principal and interest obligations.
<b>Transfers Out/In</b>	Amounts distributed from one fund to finance activities in another fund shown as an expenditure in the originating fund and as revenue in the receiving fund.
<b>Unappropriated</b>	Amounts left in a fund at the end of the year to ensure that the Fund begins the next year with enough cash to operate until tax money is received later in that fiscal year. These dollars cannot be spent or appropriated until the following budget year, except when authorized by Council due to an emergency created by civil disturbance or natural disaster.
<b>Reserved for Future Expenditure</b>	Amount saved and carried forward beyond the year that is not expected to be spent.



## **KLAMATH FALLS URBAN RENEWAL AGENCY**

### **LAKEFRONT URBAN RENEWAL**

The Lakefront Urban Renewal District encompasses the old Modoc Mill site and the future Timber Mill Shores development.

<b>Estimated Resources:</b>	<b>\$ 66,825</b>
<b>Appropriated:</b>	<b>\$ 66,725</b>
<b>Unappropriated:</b>	<b>\$ 100</b>
<b>Total Fund Requirements:</b>	<b>\$ 66,825</b>

**PROPOSED BUDGET  
Fiscal Year 2017-2018**

**LAKEFRONT URBAN RENEWAL FUND #104 RESOURCES**

Fund: 104 - LAKEFRONT URBAN RENEWAL FUND	2014-2015 Total Activity	2015-2016 Total Activity	2016-2017 Total Budget	2017-2018 Proposed	2017-2018 Approved	2017-2018 Adopted
<b>Revenue</b>						
39 - NET WORKING CAPITAL	13,295	4,267	-	100	-	-
40 - PROPERTY TAXES PREVIOUSLY LEVIED	5,177	4,255	4,850	3,750	-	-
47 - INVESTMENT INCOME	1,297	1,076	1,050	1,000	-	-
<b>Fund: 104 - LAKEFRONT URBAN RENEWAL Resources Total:</b>	<b>19,769</b>	<b>9,598</b>	<b>5,900</b>	<b>4,850</b>	-	-
40 - PROPERTY TAXES NECESSARY TO BALANCE	-	-	72,875	61,975	-	-
40 - PROPERTY TAXES COLLECTED IN YEAR LEVIED	100,803	73,544	-	-	-	-
<b>Fund: 104 - Resources Except Taxes Levied Total:</b>	<b>120,572</b>	<b>83,142</b>	<b>78,775</b>	<b>66,825</b>	-	-

**LAKEFRONT URBAN RENEWAL FUND #104 REQUIREMENTS**

Fund: 104 - LAKEFRONT URBAN RENEWAL FUND	2014-2015 Total Activity	2015-2016 Total Activity	2016-2017 Total Budget	2017-2018 Proposed	2017-2018 Approved	2017-2018 Adopted
<b>Department: 22 - LAKEFRONT URBAN RENEWAL</b>						
<b>Expense</b>						
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES</b>						
17 - OTHER MATERIALS & SERVICES	120	124	125	125	-	-
18 - INTERNAL CHARGES FOR SERVICES	6,600	1,200	-	-	-	-
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES Total:</b>	<b>6,720</b>	<b>1,324</b>	<b>125</b>	<b>125</b>	-	-
<b>ExpCategory: 80 - DEBT SERVICE</b>						
41 - DEBT PRINCIPAL	79,210	51,520	53,350	42,750	-	-
44 - DEBT INTEREST	30,375	27,480	25,300	23,850	-	-
<b>ExpCategory: 80 - DEBT SERVICE Total:</b>	<b>109,585</b>	<b>79,000</b>	<b>78,650</b>	<b>66,600</b>	-	-
<b>ExpCategory: 91 - UNAPPROPRIATED</b>						
91 - UNAPPROPRIATED	-	-	-	100	-	-
<b>ExpCategory: 91 - UNAPPROPRIATED Total:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	-	-
<b>ENDING BALANCE</b>	<b>4,267</b>	<b>2,818</b>	<b>-</b>	<b>-</b>	-	-
<b>Department: 22 - LAKEFRONT URBAN RENEWAL Total:</b>	<b>120,572</b>	<b>83,142</b>	<b>78,775</b>	<b>66,825</b>	-	-
<b>Fund: 104 - LAKEFRONT URBAN RENEWAL Requirements Total:</b>	<b>120,572</b>	<b>83,142</b>	<b>78,775</b>	<b>66,825</b>	-	-



## **KLAMATH FALLS URBAN RENEWAL AGENCY**

### **TOWN CENTER URBAN RENEWAL**

The Town Center Urban Renewal District encompasses the old Klamath Mall site and future Town Center development.

<b>Estimated Resources:</b>	<b>\$ 296,000</b>
<b>Appropriated:</b>	<b>\$ 295,875</b>
<b>Unappropriated:</b>	<b>\$ 125</b>
<b>Total Fund Requirements:</b>	<b>\$ 296,000</b>

**PROPOSED BUDGET  
Fiscal Year 2017-2018**

**TOWNCENTER URBAN RENEWAL FUND #105 RESOURCES**

Fund: 105 - TOWN CENTER URBAN RENEWAL FUND	2014-2015 Total Activity	2015-2016 Total Activity	2016-2017 Total Budget	2017-2018 Proposed	2017-2018 Approved	2017-2018 Adopted
<b>Revenue</b>						
39 - NET WORKING CAPITAL	53,496	28,717	47,975	98,275	-	-
40 - PROPERTY TAXES PREVIOUSLY LEVIED	7,990	6,808	7,325	7,200	-	-
47 - INVESTMENT INCOME	1,889	1,653	1,525	2,475	-	-
50 - OTHER FINANCING SOURCES	1,417,262	-	140,000	-	-	-
<b>Fund: 105 - Resources Except Taxes Levied Total:</b>	<b>1,480,637</b>	<b>37,178</b>	<b>196,825</b>	<b>107,950</b>	-	-
40 - PROPERTY TAXES NECESSARY TO BALANCE	-	-	170,550	188,050	-	-
40 - PROPERTY TAXES COLLECTED IN YEAR LEVIED	165,329	172,161	-	-	-	-
<b>Fund: 105 - TOWN CENTER URBAN RENEWAL Resources Total:</b>	<b>1,645,966</b>	<b>209,339</b>	<b>367,375</b>	<b>296,000</b>	-	-

**TOWNCENTER URBAN RENEWAL FUND #105 REQUIREMENTS**

Fund: 105 - TOWN CENTER URBAN RENEWAL FUND	2014-2015 Total Activity	2015-2016 Total Activity	2016-2017 Total Budget	2017-2018 Proposed	2017-2018 Approved	2017-2018 Adopted
<b>Department: 23 - TOWN CENTER URBAN RENEWAL</b>						
<b>Expense</b>						
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES</b>						
17 - OTHER MATERIALS & SERVICES	300,120	124	150,125	50,150	-	-
18 - INTERNAL CHARGES FOR SERVICES	3,325	7,200	8,450	-	-	-
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES Total:</b>	<b>303,445</b>	<b>7,324</b>	<b>158,575</b>	<b>50,150</b>	-	-
<b>ExpCategory: 80 - DEBT SERVICE</b>						
41 - DEBT PRINCIPAL	1,251,845	124,187	133,975	217,700	-	-
44 - DEBT INTEREST	61,959	14,725	24,825	28,025	-	-
<b>ExpCategory: 80 - DEBT SERVICE Total:</b>	<b>1,313,804</b>	<b>138,912</b>	<b>158,800</b>	<b>245,725</b>	-	-
<b>ExpCategory: 91 - UNAPPROPRIATED</b>						
91 - UNAPPROPRIATED	-	-	50,000	125	-	-
<b>ExpCategory: 91 - UNAPPROPRIATED Total:</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>125</b>	-	-
<b>ENDING BALANCE</b>	<b>28,717</b>	<b>63,103</b>	<b>-</b>	<b>-</b>	-	-
<b>Department: 23 - TOWN CENTER URBAN RENEWAL Total:</b>	<b>1,645,966</b>	<b>209,339</b>	<b>367,375</b>	<b>296,000</b>	-	-
<b>Fund: 105 - TOWN CENTER URBAN RENEWAL FUND Total:</b>	<b>1,645,966</b>	<b>209,339</b>	<b>367,375</b>	<b>296,000</b>	-	-

**COMMENTS:** Materials & Services includes a \$50,000 reimbursement to the developer if the last requirement in phase two of the development agreement is completed. Debt Service includes the new inter-fund loan and all excess resources which are used to pay down the loans as soon as possible.



## INACTIVE FUNDS

- **DOWNTOWN URBAN RENEWAL**

**PROPOSED BUDGET  
Fiscal Year 2017-2018**

**DOWNTOWN URBAN RENEWAL FUND #103 RESOURCES**

	2014-2015	2015-2016	2016-2017	2017-2018	2017-2018	2017-2018
Fund: 103 - DOWNTOWN URBAN RENEWAL FUND	Total Activity	Total Activity	Total Budget	Proposed	Approved	Adopted
<b>Revenue</b>						
39 - NET WORKING CAPITAL	1,008,231	704,027	123,950	-	-	-
45 - CHARGES FOR SERVICES	68,447	69,341	-	-	-	-
47 - INVESTMENT INCOME	7,194	2,598	500	-	-	-
49 - OTHER REVENUES	500	-	-	-	-	-
50 - OTHER FINANCING SOURCES	68,571	-	3,000	-	-	-
<b>Fund: 103 - DOWNTOWN URBAN RENEWAL Resources Total:</b>	<b>1,152,943</b>	<b>775,966</b>	<b>127,450</b>	<b>-</b>	<b>-</b>	<b>-</b>

**DOWNTOWN URBAN RENEWAL FUND #103 REQUIREMENTS**

	2014-2015	2015-2016	2016-2017	2017-2018	2017-2018	2017-2018
Fund: 103 - DOWNTOWN URBAN RENEWAL FUND	Total Activity	Total Activity	Total Budget	Proposed	Approved	Adopted
<b>Department: 21 - URBAN REDEVELOPMENT</b>						
<b>Revenue</b>						
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES</b>						
05 - PROFES SERVICE CONTRACTS	39,447	37,890	35,000	-	-	-
06 - UTILITIES	15,923	17,132	-	-	-	-
07 - MAINTENANCE & REPAIRS	17,500	14,777	-	-	-	-
09 - INSURANCE	3,346	4,110	-	-	-	-
10 - COMMUNICATIONS	1,178	1,162	-	-	-	-
11 - ADVERTISING	1,153	431	-	-	-	-
14 - SUPPLIES	490	67	-	-	-	-
17 - OTHER MATERIALS & SERVICES	6,480	14,446	50	-	-	-
18 - INTERNAL CHARGES FOR SERVICES	28,515	20,733	-	-	-	-
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES Total:</b>	<b>114,033</b>	<b>110,748</b>	<b>35,050</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ExpCategory: 70 - CAPITAL OUTLAY</b>						
21 - LAND	68,000	306,500	-	-	-	-
23 - FACILITIES	-	3,372	50,000	-	-	-
26 - EQUIPMENT	9,690	-	-	-	-	-
28 - INFRASTRUCTURE	257,193	296,167	42,400	-	-	-
<b>ExpCategory: 70 - CAPITAL OUTLAY Total:</b>	<b>334,883</b>	<b>606,038</b>	<b>92,400</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ENDING BALANCE</b>	<b>704,027</b>	<b>59,179</b>				
<b>Department: 21 - URBAN REDEVELOPMENT Total:</b>	<b>1,152,943</b>	<b>775,966</b>	<b>127,450</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund: 103 - DOWNTOWN URBAN RENEWAL Requirements Total:</b>	<b>1,152,943</b>	<b>775,966</b>	<b>127,450</b>	<b>-</b>	<b>-</b>	<b>-</b>



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