

6:30 p.m. WORK SESSION – DISCUSSION OF SUGARMAN’S CORNER

**AGENDA FOR COUNCIL MEETING
KLAMATH FALLS CITY COUNCIL**

**FEBRUARY 1, 2016
7:00 P.M.**

Matters for Council consideration not scheduled on the Agenda can be addressed by the general public under the “Public Comment” section on the agenda. Testimony must be presented according to Council procedure. Items of a non-emergency nature may be scheduled for future Council determination in order to provide sufficient time to analyze the issue.

CALL TO ORDER AND ROLL CALL

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT

1. CONSENT AGENDA

- a. Approval of February 1, 2016 agenda and January 19, 2016 regular meeting minutes
- b. Second Quarter Analysis of the 2015-2016 Budget

LAND USE PUBLIC HEARING - QUASI JUDICIAL - None

LAND USE PUBLIC HEARING – LEGISLATIVE - None

GENERAL PUBLIC HEARING - None

LEGISLATIVE ACTION

2. REQUEST BY KLAMATH COUNTY FOR ASSISTANCE IN FUNDING THE AIR QUALITY PROGRAM IN THE COUNTY HEALTH DEPARTMENT

- a. Report of City Manager
- b. Move to direct staff to return with a supplemental budget to support the County Air Quality Program

OTHER MATTERS

ADJOURNMENT

The City Council may recess/adjourn to Executive Session under ORS 192.660 as follows: ORS 192.660(2):

- (a) - Employment of Public Officers, Employees
- (b) - Discipline of Public Officers and Employees and Agents
- (d) - Labor Negotiations
- (e) - Real Property Transactions
- (f) - Exempt Public Records
- (g) - Trade Negotiations
- (h) - Consultation with Legal Counsel
- (i) - Performance Evaluations of Public Officers and Employees
- (i) - Public Investments

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Please contact the City Recorder's office, Klamath Falls City Hall, 500 Klamath Avenue, Klamath Falls, OR 97601, or call 541.883.5316 at least 48 hours prior to the scheduled meeting time if you need an accommodation to participate in the meeting. The City's TTY/TDD number is 541.883.5324

MINUTES
KLAMATH FALLS CITY COUNCIL
January 19, 2016

A regular meeting of the Klamath Falls City Council was held in the Council Chambers on the above date at 7:00 p.m. Mayor Todd Kellstrom called the meeting to order.

Council members present: Councilman Bud Hart
 Councilman Matt Dodson
 Councilman Bill Adams
 Councilwoman Trish Seiler

City staff members present: Nathan Cherpeski, City Manager
 Joanna Lyons-Antley, City Attorney
 Mark Willrett, Public Works Director
 Susan Kirby Support Services Director
 Dave Henslee, Police Chief
 Rob Dentinger, Police Captain
 Scott Souders, City Engineer
 John Barsalou, Airport Director
 Tom Rosales, Wastewater Manager
 Joe Wall, Management Assistant to the
 City Manager
 Kristina Buckley, Assistant to the City
 Recorder

Councilwoman Seiler **moved to excuse Councilman Tofell's absence.** Councilman Dodson seconded. The motion carried unanimously with all Council members present voting aye.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited.

PRESENTATION OF SERVICE AWARDS. Mayor Kellstrom presented Councilwoman Trish Seiler with a Service Award in recognition of her 15 years of service to the community. He presented Police Captain Ryan

Brosterhous and Police Sergeant Dennis Davenport with Service Awards and additional stripes for their uniforms in recognition of their 20 years of service to the community.

PUBLIC COMMENT

Mayor Kellstrom opened the public comment.

Jesse Withers. Mr. Withers stated the following:

"I have in a file, multiple letters from individuals who requested I represent them with regard to the sale of the former Police Station or "giving it away." The people I represent are very upset with Council over the attempted sale of the Police Station. When you look into the area, where you pay your water bill, the old Mountain Title Company, the City paid \$334,000 for that building then did a lot of renovations. The next was Powley's Plumbing and that was \$200,000, the lots in Timbermill Shores for \$75,000 each yet the most the City could get for the Police Station was for \$1,000. I understand there was another bid brought forth for a lot more money but Council didn't want to hear that, how come? I understand the number was \$20,000."

Councilman Adams stated he could be specific because he made the offer of \$20,000 for another party at the Council meeting and Council chose to disregard.

Mr. Withers continued as follows:

"I had read the City's procedure on selling properties and the City was supposed to determine the value of a property before attempting to sell it. I was told by someone in City Government that was determined after it was sold for tax purposes so that's the way you do it, you sell it then you figure out what it's worth. You did not enlist the help of a real estate company on this property when you've done so on other properties. How come you didn't do that on this property? How come the adjacent property owners were not contacted? It wouldn't have been hard to do, just send out letters to them, it's in your thing here to contact people within 250 feet so they can be told the thing is for sale and can respond. You're going to have to decide what it can be used for and usually that goes through Planning who sends out notices to all the adjacent property owners and if one doesn't like that

usage then it can turn into this huge thing. So that's another thing. You didn't look into that. This is why people are mad. The last guy I talked to today just to get a comment told me it happened so fast nobody even knew it was for sale. I said, well it was published in the newspaper and I have that in my file that thing you published for \$319.00 for a building you only sold for \$1,000? I have it right here. The City Manager of the City of Klamath Falls shall establish a panel of citizens and staff to review all proposals. Was there a citizens' review panel? City Manager Nathan Cherpeski responded yes, there was. There were two citizen members of the Budget Committee that reviewed it. Mr. Withers asked two people constitute a panel? That's not the impression I got when I read this. It is quite elaborate and says quite a few things and it certainly doesn't look like something that should be given away for \$1,000. I urge you to reconsider and stop the deal. You're going to have a lot of citizens really upset with the Council. I think it was sold impulsively, that you didn't find out what it was worth, didn't contact a realtor, didn't notify adjacent property owners and you didn't have a public hearing, which is required in your very own rules. In other words I feel, and others feel you didn't even follow your own rules and they're pretty upset about it. I'm urging you to stop the sale, start over and maybe do it right this time."

Councilman Bill Adams noted the two members of the Budget Committee served with the person who bought the building. They all served on the Budget Committee together which looked a "little funny" and was why he had not put in a small bid even though he was interested in the building. He figured it was worth \$50,000 but he did not have the \$50,000 to put the bid in on it so he chose not to bid on the building rather than have something look like there was a "deal out there" for somebody.

Pete Fondi. Mr. Fondi stated as follows:

"I'd like to discuss the issue of the Police Building that was sold for \$1,000. I was just wondering what you were thinking when you accepted and approved that one bid for \$1,000. What I'm about to say may sound harsh to you but what you've done with the sale of the old Police Building is worse. You forgot, it's not your money. It's the public's money, not yours. Many of us citizens are furious over what you've done. All of you are responsible. You had two options; accept or decline. I can't imagine why you accepted this offer but you did. I think it was wrong. The sale should be rescinded because of how it occurred. Everyone involved should be investigated for wrongdoing because there are issues with the procedures

that were followed. I have issues with this being a fair and equitable process. I have issues with the advertising for one day. I have issues with the Budget Committee's recommendation. I have issues with professionals not being consulted. I have issues with there being no public hearing. I have issues with the City Manager not informing Council on the value of the building. I have issues with no estimate of value being established. You failed to obtain a reasonable financial gain for the City. If you think accepting a \$1,000 bid for a deal then sell me your house for \$1,000 and feel the pain that the citizens feel. Shame on you. All of you. You have mismanaged the sale of the building and also, the people's money. It's not your money. You should leave the sale of real estate to the professionals because I feel that every one of you that was involved in this sale is inept. I intend to donate my time to candidates who choose to run against you and I will do my best to see all of you removed as Council members.

Hearing or seeing no one further, Mayor Kellstrom closed the public comment.

Councilman Adams stated how, after the last meeting he was basically going to let the matter go but he received calls from both of the individuals who provided public comment. Mr. Withers convinced Councilman Adams to get more information, which he did and it was something most Council members had passed but did not follow. It was the Resolution Establishing Procedures for the Sale of Certain Classes of City-Owned Real Property. He reviewed the Resolution, attached and summarized how the City was supposed to get a fair price out of the property and did not. He did not think the sale was done as fair and equitably as it should have been as far as the advertising was concerned. He continued reviewing the Resolution and stated Council put the rules together approximately 11 years ago but did not bother to follow them but Section 4 of the Resolution said Council did not have to except for holding a public hearing and no public hearing was held. It was erroneous to not establish a value for the property and no minimum value was set on the property before it was put up for sale. The rules were not followed. He further stated he was fairly irritated recently and Council had two options at the meeting; accept the proposal of \$1,000 from The Ledge or decline the offer. At that time Councilman Adams brought Council a potential offer of \$20,000 that he had worked for because he felt that \$1,000 was not enough for the property and he would not have bothered except he thought it was ridiculous and

had asked himself why the City should sell the property for \$1,000. He did not think Council would do it. Maybe if Council had a \$20,000 offer they would reconsider selling for \$1,000 would decline and do something different. He stated that, at any rate Council left at least \$19,000 on the table "last time" and he thought \$20,000 was too little for the building but either way the offer was there and he was just learning the recommendation was made by two citizen members of the Budget Committee that Mr. Angeli served on. He was not stating there was any collusion taking place; Mike Angeli was a nice guy. He did not dislike Mr. Angeli and knew him pretty well, better than he knew the guy that he received the offer from. But to Councilman Adams it really looked bad when "this goes on" and it did not sway in Council's report that had looked at "this thing." It was not clear, there were no names or that it was by the members of the Budget Committee but it was. Councilman Adams had not put in a bid on the building because he did not have the \$50,000 that he thought was necessary for a minimum bid on the building and if he made a bid like Mr. Angeli did it would be frowned on by the public. He further stated Council did not follow its own rules and needed to unravel what had been done and start the procedure over.

1. CONSENT AGENDA. Councilwoman Seiler moved to approve the Consent Agenda as follows: Approved the Consent Agenda for January 19, 2016; Approved the January 4, 2015 regular meeting minutes. Councilman Adams seconded. The motion carried unanimously with all Council members present voting aye.

LAND USE PUBLIC HEARING - QUASI JUDICIAL

There were no land use public hearing quasi-judicial matters.

LAND USE PUBLIC HEARING - LEGISLATIVE

There were no land use public hearing legislative matters.

GENERAL PUBLIC HEARING

2. LIQUOR LICENSE FOR NEW OUTLET TO ALLOW OFF-PREMISES SALES FOR OLD STABLES MARKET AT 427 MAIN STREET. Planning Manager Erik Nobel reviewed his written report.

Mayor Kellstrom opened the public hearing. Hearing or seeing no one, he closed the public hearing.

Councilman Hart **moved to make a recommendation to the OLCC for the approval of Off-Premises Sales at Old Stables Market.** Councilwoman Seiler seconded. The motion carried unanimously with all Council members present voting aye.

3. RESOLUTION GRANTING AN EXEMPTION FROM THE COMPETITIVE BID REQUIREMENTS FOR USE OF THE DESIGN-BUILD METHOD OF CONTRACTING FOR THE WASTEWATER TREATMENT PLANT UPGRADE PROJECT. Public Works Director Mark Willrett reviewed his written report. Councilwoman Seiler asked if the estimated cost was \$40 million initially. Mr. Willrett responded it was anywhere from \$30 - \$60 million depending on what was selected. Councilwoman Seiler asked if the proposed model would help save money on the project. Mr. Willrett responded staff believed so. Councilwoman Seiler asked if the proposed model provided an average of 6.1% lower cost and faster project delivery. Mr. Willrett stated that was what Staff hoped for.

Councilman Dodson asked about the owner's representative and if the suggestion was to bring on a firm or a person. Mr. Willrett responded a firm. Councilman Dodson stated he would initially tend toward a person who was involved because bringing in a firm could result in three different project managers over the time of the project. Mr. Willrett stated bringing a firm on board gave the City a wider range as the firm would act as an extension of the City. There were specific types of design, which required this type of delivery and engineering. He explained when the City asked for proposals, there was a list and Staff knew the team that was being proposed. Councilman Dodson asked if there was another team for the progressive design. Mr. Willrett responded yes. Councilman Dodson stated he was not sure he was on board with that. All of the engineering firms had project managers who could strike out on their own so there was a risk of turnover at one level or another, which could draw out the project. Mayor Kellstrom stated he suspected the scope of the project might require more than one specialty and that was the theory behind selecting a firm. Mr. Willrett referenced the City's Facilities Master Plan and how it provided Staff with options. There were several different types of engineering specialties so it could be extremely difficult to find someone who had familiarity with those specialties as well as the alternative delivery process

and construction management as opposed to an entire skilled team.

Mayor Kellstrom asked if Request for Proposals (RFPs) would make presentations to Staff or Council. Mr. Willrett stated there would be two presentations for owner's representative in the upcoming week. For construction management, staff would shortlist down to approximately three firms and that could be done before Council as an option. Councilman Adams asked if, for the owner's representative, staff worked to hire locally. Mr. Willrett responded staff had not done that specifically but had sent the proposal out to everyone. The owner's representative would have local contacts to help with the process. In terms of the progressive design team it was more than likely there would be some local help but he would not know until the proposals were received. Councilman Adams asked for an explanation of costs and if the City would not know the total project cost until the project was 90% completed. Mr. Willrett explained there would be a contract and staff would not wait until the end. There would be cost estimates along the way before the maximum price was achieved. There would also be an independent reviewer and if it was determined the City could not meet the estimate then that could be negotiated. Councilman Adams stated the proposed method would alleviate some of that questions but he was unsure because it was not the normal process.

Mayor Kellstrom opened the public hearing. Hearing or seeing no one, he closed the public hearing.

Councilman Dodson stated how, for the proposed project, the City should look at the proposed method knowing there were multiple moving parts and the City did not know yet necessarily what metrics would have to be reached. There were obstacles with keeping the plant operating while working on the project. He noted if the standard process was used, there were many things that could be missed; whereas if working as a team the whole way through, it may well be worth it. Any project of this size made Council nervous but there were groups that had done a number of these types of projects and as long as everyone did a good job of communicating throughout the process it was worth looking at.

Councilman Dodson moved to introduce the Resolution by title. Councilwoman Seiler seconded. The motion carried unanimously with all Council members present voting aye. City Manager Nathan Cherpeski read the Resolution by title.

Councilman Dodson **moved to approve the Resolution.** Councilwoman Seiler seconded. On **Roll Call, Resolution No. 16-01** was approved with Councilman Dodson, Councilman Hart, Councilman Adams, and Councilwoman Seiler voting aye.

LEGISLATIVE ACTION

4. REQUEST BY THE FALCON HEIGHTS CONDOMINIUM ASSOCIATION FOR CORRECTION OF SEWER BILL. Public Works Director Mark Willrett reviewed his written report. Councilman Hart asked if flow could be registered when the pumps were not working. He rephrased his question and asked if something could flow without being pumped. Mr. Willrett responded how, under the type of mag meter, apparently they could. Councilman Hart asked if there was flow. Could solids or fluids flow through the system without being pumped. Mr. Willrett responded he could not see how. Councilman Dodson referenced how the ground wire was moved so whenever the pumps were off, the flow was zero on the meter. Mr. Willrett responded not zero but apparently not being affected by the sump pump. Councilman Hart stated it seemed as though, at one, the City's meter was disconnected and a different meter was installed and were compared to establish the meter the City had was reading correctly. Mr. Willrett responded staff took a different meter that measured flow at a manhole. Councilman Hart asked if they read the same. Mr. Willrett responded no, they correlated but did not register the same. City Manager Nathan Cherpeski stated it was an intermittent issue, not a constant when the sump came on or at separate times. He further explained Falcon Heights had been tracking flows very regularly and recently noticed fluctuations occurring again. The sump pump was located in the meter vault.

Councilman Dodson asked how long the issue had been fixed because he was concerned it had not been fixed long enough to determine it was definitely resolved. Mr. Willrett responded Falcon Heights was convinced they had resolved the problem and were requesting additional adjustments for November and December of 2015. Councilman Dodson asked if it had been long enough that staff was confident it was fixed. Mr. Willrett responded it was plausible but he had a hard time believing a couple of the spikes and that they did seem anomalous. It was hard to believe a rate doubling then just going away. In the end it was possible. Mr. Cherpeski stated the responsibility for the meter was Falcon Heights so the City asked

them to repair it. If the repair was what they were satisfied with, then it was on them after that point. He noted it was definitely an intermittent case.

Josh White, Falcon Heights Condominium Association. Mr. White thanked Mr. Willrett for the information he provided. The situation had grown old and he was sorry it had come to this. He understood they were at the mercy of Council and were not trying to ask for something they did not think was fair but they wanted to make a few things clear. Council put a challenge before Falcon Heights to investigate and the people behind him in the audience had "busted their butts" to investigate it. There was a gentleman checking the meter every day, twice a day. They had also spent thousands of dollars on a brand new meter and thousands of dollars on contractors and engineers to try to figure out the problem. He gave kudos to Mr. Willrett who had been great to work with. Through the engineers and contractors they determined it was not "I & I." They were not reading it and were now. He referenced November and December of 2015 and stated the meter reading fluctuated so severely in a 30 second period of time that the individual checking the meter took photos with his cell phone to capture the fluctuation and that individual was present and willing to provide those photos. He further stated if Council chose to decide in favor of Falcon Heights' request, Falcon Heights would recoup a little more than they spent when they started but they wanted to do what was right.

Councilwoman Seiler requested a point of clarification and asked if the Association was asking for an additional refund of \$2,849. Mr. Willrett responded that was correct if Council would like to consider a partial reimbursement for those two months. Councilman Hart stated he would prefer to stay on what Council had before them, which was a request for \$23,961 and could separate out the other issue for staff to address. Mr. Cherpeski stated that could be done administratively. Staff would run the numbers because it was not the City's intent to bill anyone for anything that did not go through the meter. Councilman Hart stated Mr. Willrett had made a good presentation and had expressed his professional opinion as the Public Works Director in recommending Council approve Option 2 from the Agenda Report.

Councilman Dodson stated if the City overcharged them, they should be refunded. He noted the matter came up because of the deadline and he would be comfortable with an additional two to four weeks of monitoring to verify the issue was, indeed, fixed.

Councilman Hart moved to approve Option 2 to approve Falcon Heights' request for a refund in the amount of \$23,961.94 as a credit on the account. Councilwoman Seiler seconded. The motion carried with Councilman Hart, Councilman Adams and Councilwoman Seiler voting aye. Councilman Dodson voted no.

5. RESOLUTION ESTABLISHING HIRING STANDARDS, CRITERIA, POLICY DIRECTORS, AND A TIMELINE FOR THE RECRUITMENT AND HIRING OF THE MUNICIPAL COURT JUDGE FOR KLAMATH FALLS, OREGON. Support Services Director Susan Kirby reviewed her written report. Councilwoman Seiler asked if \$110 to \$125 per hour was a flat contract fee with no benefits associated with the position. Ms. Kirby responded there would be Social Security and payroll taxes and Oregon's Sick Time law required the accrual of sick time hours. Councilwoman Seiler asked if there were enough pro tem judges available to cover court dates during the hiring process. Ms. Kirby responded staff initially thought there would be but with the pro tems' schedules being very busy, there were some open court dates so if Council was willing to appoint one or two pro tem judges from those who applied for the full time judge position, that would be helpful. Councilwoman Seiler stated those dates had to be covered in some fashion.

Councilman Hart stated he did not know whether going hourly or salary made any sense. At four to five hours a week at \$110 to \$125 an hour, the rate seemed high. If the City Attorney was paid that rate it would be \$225,000 a year. Ms. Kirby stated staff had conducted a salary summary a few years ago and it did appear to be in the range of other cities. She noted the pro tem judges made \$80 an hour. Councilman Hart stated the City was looking at a long period of needing the same three pro tem judges; whereas, in the past, pro tems had only filled in for a shorter period of time but the current situation would require a three month period with no regular judge. Councilman Adams noted some of the hours were evening hours as well. Ms. Kirby stated staff would like to keep the night court to assist our citizens. Mr. Cherpeski stated the last judge's salary was significantly higher than \$27,000 it depended on what Council wanted to do. The hourly rate only applied when that judge was working. The City would not be paying the regular judge and the pro tems at the same time when the pro tems worked. Councilman Hart stated he did not think \$110 an hour for a member of the bar, a practicing attorney in Klamath Falls was excessive. He preferred an hourly rate and thought it was reasonable. It

would be complicated to try to take out of a salaried employee to pay for a pro tem judge.

Councilman Hart stated he had received an email prior to the County meeting from Steve Hedlund who was interested in the position but was the attorney for the Fire District and they had a meeting that required his attendance but he had requested it be made known to Council that he was interested.

Councilman Hart **moved to introduce the Resolution by title.** Councilman Dodson seconded. The motion carried with Councilman Dodson, Councilman Hart and Councilwoman Seiler voting aye. Councilman Adams voted no. City Manager Nathan Cherpeski read the Resolution by title.

Councilman Hart **moved to approve the Resolution.** Councilwoman Seiler seconded. On **Roll Call, Resolution No. 16-02** was approved with Councilman Dodson, Councilman Hart and Councilwoman Seiler voting aye. Councilman Adams voted no.

6. AMENDMENT TO LEASE WITH PELICAN AVIATION AT THE CRATER LAKE-KLAMATH REGIONAL AIRPORT. Airport Director John Barsalou reviewed his written report. Councilman Adams stated the building proposed for the lease was a large building for \$1,000 a month, which was \$.11 cents a square foot. He was not comfortable renewing for three years when the lease rates at the Airport needed to be reviewed. He preferred a one year renewal with review of rates. City Manager Nathan Cherpeski stated the City hired an Airport appraisal specialist approximately a year and a half ago. Mr. Barsalou stated the analysis was in February of 2014. Mr. Cherpeski stated the City established some rates there where improved office space was located. Staff was aware their rates were off and many leases needed to be adjusted. The Master Plan would assist in the decision of where the rates needed to go and how to adjust them similarly under FAA rules. The City was unable to adjust only one. He did not know how the tenant would feel about a one year extension but he did not know how long it would take to establish raising the rates that high through FAA. Mr. Barsalou stated it seemed the lease rate was still in line but he would take another look. More time needed to be taken to explore all of the options available; he had not had the chance to do that in his five months of employment.

Councilman Dodson asked how much per month the lease should be at market rate. Mr. Barsalou responded it was approximately \$3.00 per square foot annually. Councilman Adams suggested renewing the lease for a year at the proposed rate to allow staff time to review rates at the Airport. There was no air service there and nothing coming in so anything that could be done to help the airport would be beneficial.

Councilman Adams moved to authorize staff to execute an amendment to the lease between the City of Klamath Falls and Pelican Aviation, Inc. at the Crater Lake - Klamath Regional Airport extending the lease term to July 31, 2017, under the current terms and conditions with the exception of the Base Rent, which is increased to \$1,000 per month. Councilman Dodson seconded. The motion carried unanimously with all Council members present voting aye.

7. AMENDMENT #2 TO MEAD & HUNT CONTRACT FOR DESIGN OF TAXIWAY J. Airport Director John Barsalou reviewed his written report. Councilman Dodson asked how much value was added by widening the taxiway. Mr. Barsalou stated one of the issues was safety. The half-length up to the runway (east/west) had some potential benefits for the airport and over time the FAA's view of the safety issue had changed. In the FAA's advisory circulars they stated a mid-field crossing created more hazard than a one-quarter crossing on either side. The FAA also said Taxiway F (foxtrot) was more dangerous than was thought in 2012.

Mr. Cherpeski stated this also allowed the Airport to open the east side. Mr. Barsalou had mentioned five different managers on this project in not so many years and they each looked at the project differently. Their view constantly changed based on who interpreted the rules for the Airport. Councilwoman Seiler asked if there was a sense that the FAA would be there for the Airport to help pay for the remainder of Taxiway J at some point. Mr. Barsalou stated the FAA had asked him to move the Master Plan a year later instead of giving the Airport \$400,000 for the plan when they could fund \$600,000 in 2018. This showed their willingness to work with the Airport. Staff would be coming to Council in the future with Taxiway G, as it was going to need some work as well.

Councilwoman Seiler moved to authorize staff to execute Contract Amendment #2 to Mead & Hunt's Taxiway J Design Contract for a reduction of \$225,070. Councilman Hart seconded. The motion carried unanimously with all Council members present voting aye.

OTHER MATTERS

Sale of Former Police Building. Councilman Hart stated he had received more information during the Council meeting that he did not think was available before. He agreed that Council did not completely follow the procedures in the Resolution but he did not think that some of the other statements that were made were accurate, such as Council gave the building away when the sale saved the City money by not demolishing the property and putting it back on the tax rolls. He did not think there was ever a real bid of \$20,000. He was unsure if it was legal to do so as a motion to reconsider was typically done at the following meeting but that request could be made by a majority of Council members who were present at that meeting. He asked if it was possible and if the deal (the sale) had closed. City Manager Nathan Cherpeski responded the deal had not yet closed. The City had to do the survey first and that was in the process as the property had to be partitioned. The process discussed earlier assumed staff brought it forward as a surplus piece of property and staff did not do that. Councilman Dodson stated there was a public hearing and that did not go through as it should have but referencing a \$300,000 building the City bought a long time ago and people were forgetting to mention the three or four properties on Main Street that sold for \$50,000 to \$55,000 that were never mentioned. In the RFP, we as a Council, put the requirement that the building was used and not speculated on. That changed the valuation of a property and the arguing was over \$19,000 theoretical dollars that was never a written offer received. The former Police Building was not an office space building and his family had one that had sat vacant for 12 years and it had no broken windows and no roof leak. It was a turnkey property. It was the right decision to sell the former Police Building to someone who was going to use it. It was disappointing that the attention was on this sale and no conversation about all the buildings the City had sold on Main Street that had not performed all that well. He imagined a few of those owners who bought them from the City would probably rethink it and think they paid too much. The City had no use for the building. It did not have its own heating system, needed a new roof with water leaks everywhere, etc. There was an individual who wanted to give space to a non-profit who had been begging for space from the City for a while for a small amount in real estate transaction. Councilwoman Seiler agreed. The City received one valid proposal in respond to two RFPs over several months. There was ample opportunity for others to go through that process but there was one valid proposal. The building/property would be placed back on the tax rolls, the business involved would enhance the offerings

made to tourists when they came to town and rather than spending \$120,000 to demolish the building, the City partnered with the one business person Council was comfortable with and he would make good use of the building. She saw no reason to reopen the discussion. Council made a good decision and needed to move on. Councilman Adams stated he would have to say that if the other Council members did not respect him enough to believe that the \$20,000 offer he had from a gentleman. The City posted it for sale one day in a legal posting in the back of the Sheriff's notice of sale section in the back of the Herald and News. If staff would have placed a front page ad in the Nickel there would have been more offers on the building but Council did not do that. Councilman Hart stated it was not a matter of disrespecting but was a matter of an offer. A verbal offer was not the same as a written offer that met the requirements of the proposal. There was it's a matter of an offer - a verbal offer is not the same as a written offer that met the requirements of the proposal; there were certain requirements. He reiterated it was no disrespect to Councilman Adams; the offer was not a properly formatted offer. The offer did not come from an individual and if that individual had been present and offered through a Council member then it might have made a difference but it would have been more acceptable. Councilman Adams stated Council's two options were to accept the proposal or to decline to act at the time. His inclination was Council had enough common sense to decline the offer and direct staff to go back and rework the RFP but he had a legitimate \$20,000 offer.

Sugarman's Corner. Councilman Dodson stated he had printed his notes from two years ago with regard to Sugarman's Corner, the proposed pocket park on Main Street and he had stated how the people wanted government to lead, to provide ideas, to provide energy and to provide dollars to create change. With Sugarman's Corner, there was a thought how the project had gotten a bit out of control. He wanted to point out how, since the project started two years ago, there had been a lot of community partners. The community was engaged right now and he posed what the price was to keep the community engaged. Members were working hard on projects. The City was not running most of the projects in a leadership role. He hoped Council would not torpedo the entire project over a dollar amount.

ADJOURNMENT

Councilman Dodson **moved to adjourn the meeting.** Councilwoman Seiler seconded. The motion carried unanimously with all Council members present voting aye. The meeting was adjourned at 8:48 p.m.

Kristina Buckley, Assistant to the City Recorder

ATTACHMENTS
RESOLUTION NO. 05-18

RESOLUTION NO. 05-18

**A RESOLUTION ESTABLISHING PROCEDURES FOR
THE SALE OF CERTAIN CLASSES OF CITY-OWNED REAL PROPERTY**

WHEREAS, the City of Klamath Falls has in the past acquired, and will continue to acquire, real property that it may later consider necessary or in the best interests of the City to sell; and

WHEREAS, the City Council has established as one of its objectives to identify and sell surplus real property; and

WHEREAS, the City has periodically received unsolicited offers to purchase various City-owned real property parcels; and

WHEREAS, the statutory procedure for disposing of real property set forth in ORS 221.725 can be both burdensome and costly in that it requires publication of a notice in the local newspaper including an explanation of "the proposed uses for the property and the reasons why the City Council considers it necessary or convenient to sell the property;" and

WHEREAS, ORS 221.727 allows the City, after public notice and hearing, to adopt procedures for the sale of individual parcels of various classes of City-owned real properties, as designated by the City; and

WHEREAS, the City Council desires to establish procedures pursuant to ORS 221.727 for classes of real property designated and defined by the Council in order to create a fair and equitable process for potential purchasers and to maximize the City's financial gain from the sale of real property that is either surplus or is intended for community economic development; and

WHEREAS, §22(d)(5) of the Revised Charter of 1972 for the City empowers the City Manager "to act as business agent of the Council for the sale or purchase of real estate . . .;" NOW, THEREFORE,

THE CITY OF KLAMATH FALLS RESOLVES AS FOLLOWS:

Section 1.

REAL PROPERTY CLASSIFICATIONS: The following classifications are created for purposes of selling or disposing of separate parcels of surplus, City-owned real property:

- A. **SUBSTANDARD UNDEVELOPABLE PROPERTY:** These real property parcels: 1) contain no structures; 2) are generally small and irregularly shaped; 3) are not of sufficient size to be developed pursuant to the standards for the land use zones in which they are located; and 4) have minimal market value. This class of property may also include larger parcels of property that are not developable due to the existence of easements, utility lines or other restrictions that will significantly interfere with development of the property.
- B. **DEVELOPED AND DEVELOPABLE PROPERTY:** These real property parcels: 1) are of sufficient size to be developed pursuant to the standards for the land use zone in which they are located; and (2) may or may not have structures on them. "Economic Development Property" is excluded from this classification.
- C. **ECONOMIC DEVELOPMENT PROPERTY:** These are commercial and industrial real property parcels that are primarily being held by the City to encourage commercial and industrial businesses to locate in Klamath Falls and create new jobs for the community.
- D. **PROPERTY WITH VALUE UNDER \$5,000:** These are real property parcels which reasonable investigation and assessment indicate have a net value to the City of less than \$5,000.

Section 2.

DETERMINATION OF SURPLUS STATUS AND CLASSIFICATION: The following process should be used for initially determining whether property is "surplus" and/or appropriate for sale, and in which property classification a particular piece of property should be placed:

- A. City staff has compiled, and will periodically update, a list identifying all parcels of property owned by the City.
- B. After eliminating from the complete list all parcels on which City facilities are currently

located (as determined by Engineering and verified by Department Heads), the list of parcels potentially available for sale was, and may periodically be, distributed to all Departments and Divisions to determine whether there is any foreseeable, future need for parcels on the list and whether transfer of the property would benefit the public interest.

- C. When all parcels that have current or future utility for the City have been eliminated from the complete property list, this "Surplus Property" list will be reviewed by the Planning Department, other City staff and one or more real estate professionals to determine:
- Whether the parcel is "developable" based upon its size and the development standards for its zone;
 - Whether there are easements, utility lines or other restrictions that will significantly interfere with development of the parcel;
 - Whether the parcel has structures on it; and
 - An estimated value for the parcel based on a review of County assessor's records and other valuation tools.
- D. Based upon the information developed, staff will compile a tentative list of "surplus" properties or properties available for sale, and an estimated value, within each property classification.
- E. Council will, following a public hearing, approve or amend the tentative listing of properties for each classification. No published notice is required. These listings will be updated and approved by Council when new properties fitting the property classification criteria are acquired or discovered.

Section 3.

SALES/DISPOSAL PROCEDURES: The following procedures are adopted for selling or disposing of parcels of property in each of the designated property classifications:

SUBSTANDARD UNDEVELOPABLE PROPERTY:

- A. If the City Manager determines that the property is unsuited for development or use except in conjunction with abutting property, the City Manager may, in his/her sole discretion, establish minimum terms of sale, shall offer the property to any abutting property owners that could benefit from ownership of the real property and shall sell to the highest bidder. If there is only one abutting property owner, the City Manager, in his/her sole discretion, is authorized to accept nominal value for the parcel. The purchaser shall in all cases be responsible for paying all required recording, surveying, mapping and City administrative fees incurred or imposed in connection with the sale. Upon payment of the required purchase price and verification that the property is free of liens and encumbrances, the City Manager shall execute a deed conveying title to the property to the buyer.
- B. If the City Manager determines that the property may have some reasonable utility to property owners in the area other than abutting property owners, the City Manager shall: 1) determine the minimum acceptable terms of sale; and 2) provide written notice soliciting sealed bids to all real property owners within 250 feet of the property, according to the most recent County assessor's rolls, and to all persons who have made written inquiry to the City Manager about the property within one (1) year prior to the date of the notice.
- (a) In establishing the minimum acceptable terms of sale, the City manager may consider the appraised value of the land as established by Klamath County taxing officials, other competent appraisals, existing liens, and past and future maintenance costs to the City.
- (b) The notice shall describe: the property to be sold; the minimum acceptable terms of sale; the person designated to receive bids; the last date and time bids will be received; and the date, time and place bids will be opened.
- (c) If one or more bids are received at or above the minimum acceptable terms, the City Manager shall accept the highest responsive bid. In the event two (2) or more bids are for the same amount at or above the minimum price established by the City Manager, the City Manager shall accept the highest responsive bid received first by the City. In the event of ties, the Mayor shall draw straws, with the longest straw prevailing.
- (d) If no responsive, acceptable bid is received on the property, the property will not be listed with a realtor, but shall remain available for sale to the first person to tender the minimum bid to the City Manager on the same minimum terms established by the City Manager. Alternatively, the City Manager may, in his/her sole discretion, elect to negotiate with the highest responsive bidder and to convey or sell on negotiated terms acceptable to the City Manager; provided, that the purchaser shall in all cases be responsible for paying all required recording, surveying, mapping and City administrative fees incurred or imposed in connection with the sale.

DEVELOPED AND DEVELOPABLE PROPERTY:

- A. The City Manager, or his/her designee, shall request a preliminary title report for parcels in this classification and shall take steps to establish a fair market value for each parcel. These steps may include a formal appraisal, a market analysis conducted with assistance from local real estate agents, examination of County assessor's records, and/or any other process reasonably likely to result in an accurate estimated market value for the parcels.
- B. The City Manager shall provide written notice to each member of City Council regarding the fair market value and the proposed method(s) of sale for the parcels as determined by the City Manager. Council will be given fifteen (15) calendar days from the date of the notice to object to any listed values or the method of sale and to request a Council decision on the contested issue. If objection is made by any Council member, Council shall consider the objection to value or sale method at a regular Council meeting within 30 days of the objection. A public hearing on the contested issue is not required, but may be requested by any Council member. All proposed sale methods or fair market values not objected to, or determined by Council following an objection, shall be considered an appropriate method of sale at the minimum acceptable bid or asking price; provided, however, that such price shall only remain valid for a period of one year and that the City Manager: 1) may increase such price to compensate for other miscellaneous fees associated with the sale and closing; and 2) may reject any offer that, in the City Manager's discretion, does not serve the best interests of the City. In the event of a rejection, the City Manager shall notify the Council of the reasons for rejection to allow Council the opportunity to request that the matter be determined by Council during a public meeting.
- C. The City Manager may propose any method of sale designed to create reasonable opportunities for members of the public to purchase the property and to provide a reasonable financial gain for the City; these methods include, without limitation:
- Listing with a realtor in accordance with the City's public contracting regulations;
 - Accepting public sealed bids following public notice pursuant to procedures developed by the City Manager;
 - Participating in a public County foreclosure auction; and
 - Considering unsolicited offers tendered by interested persons.

ECONOMIC DEVELOPMENT PROPERTY:

- A. These parcels are located in Commercial, Public Facility and Industrial zones and are held by the City to encourage commercial and industrial businesses to locate in Klamath Falls and create new jobs for the community. Consequently, these parcels will be marketed through local economic development entities, and other means deemed acceptable to the City Manager, as available to prospective businesses. The price for these parcels is negotiable and the City's flexibility on terms is directly proportional to the economic development benefit being delivered to the community.
- B. The City Manager, or his/her designee, shall request a preliminary title report for parcels in this classification and shall take steps to establish a fair market value for each parcel. These steps may include a formal appraisal, a market analysis conducted with assistance from local real estate agents, examination of County assessor's records, and/or any other process reasonably likely to result in an accurate estimated market value for the parcels.
- C. The terms of sale for Economic Development parcels shall be negotiated by the City Manager, or his/her designee, in close consultation with the Council.
- D. Once the preliminary negotiation of terms has concluded, the City Council will schedule a public hearing to take testimony as to whether the terms of sale as negotiated are acceptable. No published notice is required. Council may, at its option, meet in executive session to discuss the proposed terms of sale and consider action on the proposal. Following the conclusion of the hearing, Council shall decide whether to accept, reject or modify the proposal terms.

PROPERTY WITH VALUE UNDER \$5,000:

- A. The City Manager may dispose of real property in this classification by any method of sale designed to create reasonable opportunities for members of the public to purchase the property and to provide a reasonable financial gain for the City; these methods include, without limitation:
- Listing with a realtor in accordance with the City's public contracting regulations;
 - Accepting public sealed bids following public notice pursuant to procedures developed by the City Manager;
 - Participating in a public County foreclosure auction;

Resolution No. 05-18, Page 3

- Considering unsolicited offers tendered by interested persons; and
- Direct negotiation with any interested person.

B. The City Manager is hereby authorized to finalize and complete sales of property in this classification provided he has given written notice to each member of Council, not less than five days prior to the sale, identifying: the parcel being sold; the purchaser; the method used to select the purchaser; and the terms of sale, including the sales price and other key terms. If objection is made by any Council member, Council shall consider the proposed sale at a regular Council meeting within 30 days of the objection. No publication or public hearing is required, but may be requested by any Council member.

Section 4.

MISCELLANEOUS PROVISIONS: Notwithstanding the provision of Sections 1-3 this Resolution:

- A. Council may, during an open, public meeting, sell, exchange, trade or dispose of real property to other governmental entities or to non-profit agencies. No published notice is required.
- B. Council may at any time, in its discretion and after public hearing, consider and approve the lease, sale or other disposal of any City-owned parcel of real property without compliance with the procedures and requirements set forth in Sections 1-3 and/or ORS 221.725. No published notice is required.

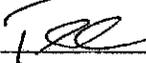
Section 5.

Effective Date

This Resolution shall become effective immediately upon enactment.

Passed by the Council of the City of Klamath Falls, Oregon, the 16th day of May, 2005.

Presented to the Mayor, approved and signed this 17th day of May, 2005.



 Mayor

ATTEST:


 City Recorder (Deputy Recorder)
deputy

STATE OF OREGON)
 COUNTY OF KLAMATH)
 CITY OF KLAMATH FALLS))ss.

I, _____, Recorder (Deputy Recorder) for the City of Klamath Falls, Oregon, do hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the Council of the City of Klamath Falls, Oregon, at the meeting held on the 16th day of May, 2005, and thereafter approved and signed by the Mayor and attested by the City Recorder (Deputy Recorder).

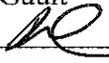
 City Recorder (Deputy Recorder)

**KLAMATH FALLS CITY COUNCIL
AGENDA REPORT**



Agenda Item No. 16

Date: February 1, 2016

| | |
|---|---|
| Division: Finance | Contact/Title: Geoff LeGault / Senior Accountant |
| Staff Presenter: Geoff LeGault | Telephone No.: 541-883-5327 |
| City Manager Review: <u></u> | Email: glegault@klamathfalls.city |

TOPIC: Second Quarter Analysis of the 2015-2016 Budget

SUMMARY AND BACKGROUND:

Attached to this report are an Investment Summary and an Unaudited Summary of the Revenue and Expenditures for all City funds for the quarter ended December 31, 2015. This represents approximately 50% of transactions for the fiscal year. Revenue will change slightly as final adjustments are made to estimated receivables when they are received. Explanations are provided for revenue and expenditures that have a 10% variance greater or lesser than the 50% estimated for the fiscal year to date, or for qualitative purposes.

FINANCIAL IMPACT:

There is no financial impact associated with this Agenda Item.

COUNCIL OPTIONS:

Informational only, no action required.

DOCUMENTS ATTACHED:

- Investment Report and Disclosure as of December 31, 2015
- Narrative Summary of Comments and Observations
- Spreadsheet of Revenues and Expenditures through the quarter ended December 31, 2015

RECOMMENDED MOTION/ACTION:

Informational only, no action required.

NOTICE SENT TO:

Citizen Budget Committee Members



City of Klamath Falls
Investment Report & Disclosure
December 31, 2015

| Cost | Market Value | Market Value to Cost | Type | Issuer / Broker / Dealer | Credit Rating | Yield | Days to Maturity | Date of | | | |
|-------------------|--------------|----------------------|--------------------------|------------------------------|---------------|-------|------------------|-------------------------------|------------|--|--|
| | | | | | | | | Purchase | Maturity | | |
| Short-term | | | | | | | | | | | |
| 35,026,572 | 35,026,572 | 0 | Mixed | State Treasurers LGIP | AA | 0.60% | 175 | | | | |
| 255,000 | 255,000 | 0 | CD | Lewis & Clark Bank | ***** | 0.60% | 84 | 09/24/2015 | 03/24/2016 | | |
| 245,000 | 245,000 | 0 | MM | Lewis & Clark Bank | ***** | 0.55% | 365 | 09/24/2015 | 12/30/2016 | | |
| 125,000 | 125,000 | 0 | CD | Pacific Crest FCU | **** | 0.15% | 47 | 08/07/2014 | 02/16/2016 | | |
| 491,875 | 489,467 | (2,408) | US AGENCY | US Government US Bank | AA+ | 4.04% | 351 | 05/21/2008 | 12/16/2016 | | |
| 196,081 | 189,134 | (6,947) | US AGENCY | US Government US Bank | AA+ | 4.14% | 19 | 05/21/2008 | 01/19/2016 | | |
| Long-term | | | | | | | | | | | |
| 251,000 | 251,000 | 0 | CD | First Community FCU | ***** | 0.90% | 409 | 02/12/2015 | 02/12/2017 | | |
| 125,000 | 124,481 | (519) | CD | Discover Bank CD | **** | 2.10% | 1,349 | 09/10/2014 | 09/10/2019 | | |
| 250,000 | 250,000 | 0 | CD | Rogue Credit Union | ***** | 1.51% | 1,522 | 03/03/2014 | 03/01/2020 | | |
| 1,587,975 | 1,586,948 | (1,027) | US AGENCY | Vining Sparks/Piper Jaffray | AA+ | 1.64% | 1,014 | Average maturity is 2.78 Yrs. | | | |
| 418,615 | 408,856 | (9,759) | MUNICIPAL | Vining Sparks | AA | 2.40% | 1,675 | Average maturity is 4.59 Yrs. | | | |
| 629,932 | 621,225 | (8,707) | CORPORATE | Vining Sparks | AA+ | 1.90% | 1,534 | Average maturity is 4.20 Yrs. | | | |
| 1,512,533 | 1,515,794 | 3,261 | US AGENCY | Davidson Investment Advisors | AA+ | 1.46% | 1,241 | Average maturity is 3.40 Yrs. | | | |
| 141,188 | 136,631 | (4,557) | MUNICIPAL | Davidson Investment Advisors | AA | 3.74% | 1,553 | Average maturity is 4.25 Yrs. | | | |
| 488,673 | 483,827 | (4,846) | US TREASURY | Davidson Investment Advisors | AA+ | 1.80% | 860 | Average maturity is 2.36 Yrs. | | | |
| 3,846,236 | 3,741,890 | (104,346) | CORPORATE | Davidson Investment Advisors | A(-) | 2.96% | 1,514 | Average maturity is 4.15 Yrs. | | | |
| 45,590,680 | 45,450,825 | (139,855) | Total Investments | | | | | | | | |

| | |
|--|-----------------------|
| Weighted Average Yield to Maturity: The weighted average of the yield of all the investments in the portfolio if held to maturity..... | 1.99% |
| Weighted Average Maturity (WAM) - in days: The average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio. WAM can not exceed 540 days (or 18 months)..... | 175 |
| WAM for investments not subject to the 18 month average (reserve, capital project, and escrow funds)..... | 1189 |
| Distribution by Type of Investment: | |
| Certificate of Deposit (CD)..... | 2.21% |
| US Government Agency | 8.31% |
| Money Market (MM) | 0.54% |
| Municipal | 1.23% |
| Corporate Bonds..... | 9.82% |
| US Treasury Notes..... | 1.07% |
| State Treasurer's Investment Pool (Mixed) | 76.83% |
| Transactions since September 30, 2015: Decrease Vining Sparks..... | (1,997) 0.04% |
| Transactions since September 30, 2015: Increase in State Treasurers Investment Pool | 5,635,755 99.96% |
| Distribution of Transactions among financial counterparties (brokers/dealers)..... | 100.00% |
| Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding: | None |
| Actions taken or planned to bring portfolio back into compliance if applicable: | N / A |

Notes:

Credit rating source for Banks & Credit Unions from BauerFinancial.com star rating system: 3 - Adequate; 4 - Excellent; 5 - Superior
 Credit rating source for State Treasurers Investment Pool & US Government: Standard & Poors
 Yield: Annual Percentage Rate (APR) yield to maturity (yield to worst if callable)
 Local Government Investment Pool (LGIP) [Oregon Short Term Fund (OSTF) Compliance Summary 8/31/15 WAM is 175 days]
 The Investment Pool limitation in ORS 294.810 (3) was increased August 31, 2015 to 47,012,858
 All investments are held in U.S. Bank Escrow, Institutional Trust & Custody, or Safekeeping Accounts
 Discover Bank CD was purchased from CUSO Financial Services, L.P. - an affiliate of Pacific Crest Federal Credit Union (FCU)
 Lewis and Clark Bank CD was issued through CDARS (Certificate of Deposit Account Registry Service) by one or more FDIC-insured depository institutions

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**City of Klamath Falls
Budget to Actual
July 1, 2015 through December 31, 2015**

GENERAL COMMENTS:

- This is a brief summary of the City's fund's revenue and expenditures and their comparative budgets for the first half of fiscal year 2015/2016. (Note)
- The budgeted and actual amounts are for six months (50% of the year), July 1 through December 31, 2015.
- Explanations are provided for revenue and expenditures that have a 10% variance greater or lesser than the 50% estimated for the six months, or for qualitative purposes.
- Revenues are estimated for franchise fees and state revenue sharing. Amounts will be adjusted to actual upon receipt.

GENERAL FUND – REVENUE:

- The transfer in from Streets, Street Lighting and Parks funds due to the consolidation of those funds into the general fund was \$786,846 higher than budgeted. Each of those funds expenditures came in less than budgeted during fiscal year 2015.

GENERAL FUND – PARKS OPERATIONS:

- Only \$65,269 of \$1,624,625 in budgeted capital has been spent to date.

GENERAL FUND – STREET MAINTENANCE:

- Only \$333,715 of \$1,411,000 in budgeted capital has been spent to date.

GENERAL FUND – STREET LIGHTING:

- \$250,000 is budgeted for capital. No capital has been spent to date.

GENERAL FUND – OTHER GENERAL FUND PROGRAMS:

- Only \$3,400 of \$204,700 in budgeted capital has been spent to date.

GENERAL FUND – DEBT SERVICE:

- The interest payment for the 2008 Series Full Faith and Credit Bond was paid in December.
- Interest and principal is also due in June.

AIRPORT FUND:

- 87% (\$308,605) of budgeted property taxes (\$353,900) have been collected to date.
- \$296,292 of \$622,700 in budgeted capital has been spent to date.
- The first interest payment for the 1996 Airport Revenue Bonds was paid in December. The interfund loan with Escrow Reserve Fund and the final principal and interest payments on the bond will take place in June 2016.

DOWNTOWN URBAN RENEWAL FUND:

- \$342,941 of \$588,550 in budgeted capital has been spent to date.
- The transfer out to the general fund will only take place if the fund closes early, in fiscal year 2016, to help with the maintenance of South Portal.

LAKEFRONT URBAN RENEWAL FUND:

- 65% (\$70,184) of budgeted property taxes (\$106,750) have been collected to date. Urban excess property valuations used to compute taxes appear to be approximately 10% lower this year.
- The debt service payment to the Escrow Reserve Fund in the amount of \$109,585 will be paid in June 2016.

TOWN CENTER URBAN RENEWAL FUND:

- Beginning fund balance is at 54% of the budgeted amount because the City made an additional \$30,000 payment on the loan with Washington Federal at the end of fiscal year 2015.
- 93% (\$162,967) of budgeted property taxes (\$173,750) have been collected to date.
- A loan payment of \$138,912 is due in January 2016. The City budgeted a higher amount in debt service in order to make additional payments on the loan with Washington Federal if property taxes come in higher than budgeted.

PARKING FUND:

- The Parking District has received 105% of budgeted reserved parking and employer district fees.

FOOTPATHS/BICYCLE TRAILS FUND:

- The 10/19/15 supplemental budget increased capital outlay appropriations \$10,000 for phase 2 design of the Washburn Way sidewalk project. 71% (\$7,147) of the \$10,000 budget has been spent.

DOWNTOWN MAINTENANCE DISTRICT FUND:

- Beginning fund balance came in much higher than budgeted as budgeted expenditures related to graffiti, bench repair and other miscellaneous clean up due to vandalism was not needed in fiscal year 2015.
- The District has received 50.81% of budgeted fees. The remainder should come in after bills are sent out in January 2016.

ECONOMIC DEVELOPMENT/PROPERTY FUND:

- The budget includes a reimbursement from Klamath County for \$25,000, of which we've billed \$15,000, to assist with payments to the Retail Recruiter hired to bring more retail to the area. Of the \$50,000 budgeted for the Retail Recruiter, \$31,090 has been paid.
- \$50,000 is budgeted for KCEDA and has been paid; and \$20,000 is budgeted for SCOEDD and \$10,000 of that has been paid to date.

TECHNOLOGY RESERVE FUND:

- Revenues include interest and a transfer in of \$60,000 to pay for the Tyler Conversion.
- Expenditures of \$47,809 have been made this fiscal year for the Tyler Conversion. The conversion should be completed early in 2016.
- The interfund loan payment to Escrow Reserve Fund will be made in June 2016.

CAPITAL PROJECTS FUND:

- Revenue includes payments from the Finance and Utility Billing departments as reimbursement for the remodel of the building, interest and transfers in from the Water and Wastewater Funds in the amount of \$14,500,000.
- All funds are reserved for future capital projects.

ESCROW RESERVE FUND:

- The revenue budget includes interest and a transfer in from the Cogeneration Fund (distribution from the sale of the plant) and interfund loan payments from the airport fund, lakefront urban renewal fund and technology reserve fund. Only interest has been received to date.

DEBT SERVICE FUND:

- 90% (\$160,572) of budgeted property taxes (\$177,900) have been collected to date.
- An interest payment on the 2008 G.O. Bond was made in December 2015.

WASTEWATER FUND:

- Bond proceeds for the Refunding Revenue Bonds Series 2015 were \$7,126,120. Bond principal expense to pay-off the Refunding Revenue Bonds Series 2005 was \$7,055,000. Expenditures of proceeds from the sale of certain bonds may be made during the current year without a supplemental budget ORS 294.326(5) and 294.483(2). Average coupon yields for the 2005 and the 2015 Bonds went from 3.94% to 2.32% respectively saving \$522,255 over the life of the bonds.
- An interest payment on the Refunding Revenue Bonds Series 2015 was paid in December 2015.
- The transfer out is to the Capital Projects Fund to save for future capital projects related to the treatment plant and TMDL issue.

WATER FUND:

- Charges for services are at 64%; water usage is generally higher in the first six months of the fiscal year.
- An interest payment on the Water Revenue Bond Series 2001 was paid December 2015; and the principal and interest payment on the SPWF loan was paid.
- Current year transfers out include \$4,500,000 to the Capital Projects Fund to save for future capital projects in addition to regular transfers to Parks, Airport, and General Fund for the Street Division.

COGENERATION FUND:

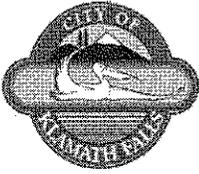
- Revenue includes distributions from the sale of the Cogeneration plant and interest. To date, the fund has only received interest.
- The expenditure is an annual escrow agent fee that was paid in December.
- The transfer out to Escrow Reserve Fund cannot happen until the distribution from the escrow agent is made to the City from the sale proceeds in January.

VETERAN'S MEMORIAL AGENCY FUND:

- Revenue includes donations and interest.
- Capital outlay projects include completion of the expansion that began three years ago. To date, 9% of the budget has been spent.

Note – The following tables are summaries by fund of the estimates of revenue and expenditures. The left hand column represents the estimates and should be compared to the budget on the right-hand side. In addition, at the bottom of each fund, we show the approximate current fund balance. Our policy is to protect the reserves while maintaining services to the public as much as possible and achieving the goals of the City Council.

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CITY OF KLAMATH FALLS
UNAUDITED BUDGET TO ACTUAL
SIX MONTHS ENDED DECEMBER 31, 2015

| | GENERAL FUND | | |
|---------------------------------------|--------------------------------|-------------------|------------------------|
| | YEAR TO DATE ACTUAL | BUDGET | % OF BUDGET |
| RESOURCES | | | |
| BEGINNING FUND BALANCE | \$ 3,561,893 | \$ 3,446,350 | 103% |
| REVENUE | 16,375,429 | 23,273,275 | 70% |
| TOTAL RESOURCES | 19,937,322 | 26,719,625 | 75% |
| EXPENDITURES | | | |
| PUBLIC SAFETY | | | |
| POLICE | 2,718,663 | 5,615,575 | 48% |
| CODE ENFORCEMENT | 87,234 | 191,875 | 45% |
| ADMINISTRATIVE | | | |
| LEGISLATIVE | 56,527 | 106,875 | 53% |
| LEGAL | 111,832 | 228,900 | 49% |
| CITY MANAGER | 278,908 | 549,600 | 51% |
| SUPPORT SERVICES | | | |
| MUNICIPAL COURT | 111,592 | 240,275 | 46% |
| FINANCE | 346,183 | 706,000 | 49% |
| HUMAN RESOURCES | 129,342 | 280,175 | 46% |
| INFORMATION SYSTEMS | 183,124 | 393,850 | 46% |
| PARKS & RECREATION | 477,973 | 2,500,825 | 19% |
| ELLA REDKEY POOL | 173,710 | 551,025 | 32% |
| PUBLIC WORKS | | | |
| PUBLIC WORKS ADMINISTRATION | 134,742 | 285,975 | 47% |
| MAINTENANCE SERVICES | 447,998 | 897,425 | 50% |
| DEVELOPMENT SERVICES | 386,944 | 910,850 | 42% |
| STREET MAINTENANCE | 1,066,095 | 2,864,750 | 37% |
| VEHICLE MAINTENANCE | 128,091 | 249,275 | 51% |
| STREET LIGHTING | 58,622 | 416,550 | 14% |
| OTHER GENERAL FUND | 40,991 | 332,550 | 12% |
| DEBT SERVICE | 65,316 | 285,900 | 23% |
| TRANSFERS OUT | 60,000 | 60,000 | 100% |
| RESERVED FOR FUTURE | | 9,051,375 | 0% |
| TOTAL EXPENDITURES | 7,063,887 | 26,719,625 | 26% |
| NET REVENUES OVER EXPENDITURES | \$ 12,873,435 | | |

1b

| | | AIRPORT FUND | | |
|---------------------------------------|---------------------------|---------------------|------------------|------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 1,124,706 | \$ 1,313,650 | 86% |
| | REVENUE | 1,219,404 | 2,410,650 | 51% |
| | TOTAL RESOURCES | 2,344,110 | 3,724,300 | 63% |
| EXPENDITURES | | 872,300 | 1,982,125 | 44% |
| | DEBT SERVICE | 3,850 | 185,425 | 2% |
| | RESERVED FOR FUTURE | | 1,556,750 | 0% |
| | TOTAL EXPENDITURES | 876,150 | 3,724,300 | 24% |
| NET REVENUES OVER EXPENDITURES | | \$ 1,467,960 | | |

| | | DOWNTOWN URBAN RENEWAL | | |
|---------------------------------------|---------------------------|------------------------|----------------|------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 704,027 | \$ 684,150 | 103% |
| | REVENUE | 37,918 | 75,525 | 50% |
| | TOTAL RESOURCES | 741,945 | 759,675 | 98% |
| EXPENDITURES | | 423,127 | 702,675 | 60% |
| | TRANSFERS OUT | | 57,000 | 0% |
| | TOTAL EXPENDITURES | 423,127 | 759,675 | 56% |
| NET REVENUES OVER EXPENDITURES | | \$ 318,818 | | |

| | | LAKEFRONT URBAN RENEWAL | | |
|---------------------------------------|---------------------------|-------------------------|----------------|------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 4,266 | \$ 3,125 | 137% |
| | REVENUE | 70,466 | 107,800 | 65% |
| | TOTAL RESOURCES | 74,732 | 110,925 | 67% |
| EXPENDITURES | | 660 | 1,325 | 50% |
| | DEBT SERVICE | | 109,600 | 0% |
| | TOTAL EXPENDITURES | 660 | 110,925 | 1% |
| NET REVENUES OVER EXPENDITURES | | \$ 74,072 | | |

| | | TOWN CENTER URBAN RENEWAL | | |
|---------------------------------------|---------------------------|---------------------------|----------------|------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 28,717 | \$ 53,125 | 54% |
| | REVENUE | 163,511 | 175,125 | 93% |
| | TOTAL RESOURCES | 192,228 | 228,250 | 84% |
| EXPENDITURES | | 3,664 | 7,325 | 50% |
| | DEBT SERVICE | | 220,925 | 0% |
| | TOTAL EXPENDITURES | 3,664 | 228,250 | 2% |
| NET REVENUES OVER EXPENDITURES | | \$ 188,564 | | |

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| PARKING FUND | | | | |
|---------------------------------------|---------------------------|---------------------|----------------|---------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 68,977 | \$ 71,525 | 96% |
| | REVENUE | 70,375 | 93,225 | 75% |
| | TOTAL RESOURCES | <u>139,352</u> | <u>164,750</u> | 85% |
| EXPENDITURES | | 51,596 | 114,000 | 45% |
| | RESERVED FOR FUTURE | | 50,750 | 0% |
| | TOTAL EXPENDITURES | <u>51,596</u> | <u>164,750</u> | 31% |
| NET REVENUES OVER EXPENDITURES | | <u>\$ 87,756</u> | | |

| FOOTPATHS / BICYCLE TRAILS FUND | | | | |
|--|---------------------------|---------------------|---------------|---------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 78,625 | \$ 78,025 | 101% |
| | REVENUE | 6,471 | 12,500 | 52% |
| | TOTAL RESOURCES | <u>85,096</u> | <u>90,525</u> | 94% |
| EXPENDITURES | | 7,885 | 11,475 | 69% |
| | RESERVED FOR FUTURE | | 79,050 | 0% |
| | TOTAL EXPENDITURES | <u>7,885</u> | <u>90,525</u> | 9% |
| NET REVENUES OVER EXPENDITURES | | <u>\$ 77,211</u> | | |

| DOWNTOWN MAINTENANCE DISTRICT FUND | | | | |
|---|---------------------------|---------------------|---------------|---------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 9,448 | \$ 3,875 | 244% |
| | REVENUE | 10,214 | 20,050 | 51% |
| | TOTAL RESOURCES | <u>19,662</u> | <u>23,925</u> | 82% |
| EXPENDITURES | | 10,045 | 23,925 | 42% |
| | RESERVED FOR FUTURE | | | |
| | TOTAL EXPENDITURES | <u>10,045</u> | <u>23,925</u> | 42% |
| NET REVENUES OVER EXPENDITURES | | <u>\$ 9,617</u> | | |

| ECONOMIC DEVELOPMENT/PROPERTY FUND | | | | |
|---|------------------------|---------------------|----------------|---------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 278,138 | \$ 285,600 | 97% |
| | REVENUE | 34,907 | 137,325 | 25% |
| | TOTAL RESOURCES | <u>313,045</u> | <u>422,925</u> | 74% |
| EXPENDITURES | | 107,374 | 240,975 | 45% |
| | CONTINGENCY | | 181,950 | 0% |
| | | <u>107,374</u> | <u>422,925</u> | 25% |
| NET REVENUES OVER EXPENDITURES | | <u>\$ 205,671</u> | | |

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| TECHNOLOGY RESERVE FUND | | | | |
|---------------------------------------|------------------------|---------------------|---------------|---------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 235,191 | \$ 192,250 | 122% |
| | REVENUE | 60,709 | 60,950 | 100% |
| | TOTAL RESOURCES | 295,900 | 253,200 | 117% |
| EXPENDITURES | | 47,809 | 150,300 | 32% |
| | DEBT SERVICE | | 60,000 | 0% |
| | CONTINGENCY | | 42,900 | 0% |
| | | 47,809 | 253,200 | 19% |
| NET REVENUES OVER EXPENDITURES | | <u>\$ 248,091</u> | | |

| CAPITAL PROJECTS FUND | | | | |
|---|------------------------|----------------------|---------------|---------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 3,150,470 | \$ 3,149,975 | 100% |
| | REVENUE | 14,551,369 | 14,569,750 | 100% |
| | TOTAL RESOURCES | 17,701,839 | 17,719,725 | 100% |
| RESERVED FOR FUTURE | | | 17,719,725 | 0% |
| NET REVENUES OVER UNAPPROPRIATED | | <u>\$ 17,701,839</u> | | |

| ESCROW RESERVE FUND | | | | |
|---|------------------------|---------------------|---------------|---------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 5,774,866 | \$ 5,797,775 | 100% |
| | REVENUE | 15,771 | 476,150 | 3% |
| | TOTAL RESOURCES | 5,790,637 | 6,273,925 | 92% |
| RESERVED FOR FUTURE | | | 6,273,925 | 0% |
| NET REVENUES OVER UNAPPROPRIATED | | <u>\$ 5,790,637</u> | | |

| DEBT SERVICE FUND | | | | |
|---------------------------------------|------------------------------------|---------------------|---------------|---------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 57,181 | \$ 57,725 | 99% |
| | REVENUE | 161,201 | 179,700 | 90% |
| | TOTAL RESOURCES | 218,382 | 237,425 | 92% |
| | DEBT SERVICE | 102,762 | 205,525 | 50% |
| | UNAPPROPRIATED ENDING FUND BALANCE | | 31,900 | 0% |
| | TOTAL EXPENDITURES | 102,762 | 237,425 | 43% |
| NET REVENUES OVER EXPENDITURES | | <u>\$ 115,620</u> | | |

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| | | WASTEWATER FUND | | |
|---------------------------------------|---------------------------|------------------------|---------------|---------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 12,073,689 | \$ 12,216,150 | 99% |
| | REVENUE | 10,769,663 | 7,795,425 | 138% |
| | TOTAL RESOURCES | 22,843,352 | 20,011,575 | 114% |
| EXPENDITURES | | 2,128,400 | 6,034,875 | 35% |
| | DEBT SERVICE | 7,156,573 | 867,375 | 825% |
| | TRANSFERS OUT | 10,000,000 | 10,000,000 | 100% |
| | RESERVED FOR FUTURE | | 3,109,325 | 0% |
| | TOTAL EXPENDITURES | 19,284,973 | 20,011,575 | 96% |
| NET REVENUES OVER EXPENDITURES | | <u>\$ 3,558,379</u> | | |

| | | WATER FUND | | |
|---------------------------------------|---------------------------|---------------------|---------------|---------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 8,505,044 | \$ 8,025,550 | 106% |
| | REVENUE | 4,866,539 | 7,620,325 | 64% |
| | TOTAL RESOURCES | 13,371,583 | 15,645,875 | 85% |
| EXPENDITURES | | 2,828,540 | 6,674,825 | 42% |
| | DEBT SERVICE | 77,811 | 545,325 | 14% |
| | TRANSFERS OUT | 4,927,291 | 5,246,200 | 94% |
| | RESERVED FOR FUTURE | | 3,179,525 | 0% |
| | TOTAL EXPENDITURES | 7,833,642 | 15,645,875 | 50% |
| NET REVENUES OVER EXPENDITURES | | <u>\$ 5,537,941</u> | | |

| | | COGENERATION FUND | | |
|---------------------------------------|---------------------------|--------------------------|---------------|---------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 706,617 | \$ 731,975 | 97% |
| | REVENUE | 10,809 | 32,100 | 34% |
| | TOTAL RESOURCES | 717,426 | 764,075 | 94% |
| EXPENDITURES | | 1,500 | 1,500 | 100% |
| | TRANSFERS OUT | | 239,825 | 0% |
| | RESERVED FOR FUTURE | | 522,750 | 0% |
| | TOTAL EXPENDITURES | 1,500 | 764,075 | 0% |
| NET REVENUES OVER EXPENDITURES | | <u>\$ 715,926</u> | | |

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| | | VETERAN'S MEMORIAL AGENCY FUND | | |
|---------------------------------------|---------------------------|--------------------------------|----------------|-------------|
| | | YEAR TO DATE | | % OF |
| | | ACTUAL | BUDGET | BUDGET |
| RESOURCES | BEGINNING FUND BALANCE | \$ 150,074 | \$ 132,650 | 113% |
| | REVENUE | 1,463 | 6,225 | 24% |
| | TOTAL RESOURCES | 151,537 | 138,875 | 109% |
| EXPENDITURES | | 578 | 6,525 | 9% |
| | RESERVED FOR FUTURE | | 132,350 | 0% |
| | TOTAL EXPENDITURES | 578 | 138,875 | 0% |
| NET REVENUES OVER EXPENDITURES | | <u>\$ 150,959</u> | | |

NOTE: The tables above are summaries by fund of the estimates of revenues and expenditures. The left hand column represents the estimates and should be compared to the budget on the right-hand side. In addition, at the bottom of each fund, we show the approximate current fund balance. Our policy is to protect the reserves while maintaining services to the public as much as possible and achieving the goals of the City Council.

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**KLAMATH FALLS CITY COUNCIL
AGENDA REPORT**



Agenda Item No. 2

Date: February 1, 2016

| | |
|--|--|
| Department: City Manager | Contact/Title: Nathan Cherpeski/City Manager |
| Staff Presenter: Nathan Cherpeski | Telephone No.: 541-883-5316 |
| City Manager Review:  | Email: ncherpeski@klamathfalls.city |

TOPIC: Request by Klamath County for Assistance in Funding the Air Quality Program in the County Health Department

SUMMARY AND BACKGROUND:

Air Quality has long been an issue in the Klamath Basin. Originally an issue with particulate matter greater than 10 micrometers, shortened to PM₁₀, the requirements have changed over time. New mandates now focus on reducing PM_{2.5}. Klamath County is primarily responsible for the monitoring and compliance with this program. Failing to keep the particulate matter under acceptable levels has dire consequences for the local economy and any future growth. The requirements placed on the County include monitoring air quality, education, and enforcement.

Recently, the County was informed that the grant funding used to support this effort is being reduced. While more areas of the state are dealing with these types of issues, the amount of money available to help fund these efforts has not increased. The County estimates the total cost for the Air Quality program at \$76,460 per year. Current funding from the State covers about 25%. The County is asking the City of Klamath Falls to assist in funding this effort. No dollar amount was requested. The funding shortfall is \$27,460 after the County's normal contribution.

If the Council is inclined to support the County in this effort, staff would recommend capping our contribution at a fixed amount. Since funding for air quality is not budgeted, supporting this request would require a supplemental budget.

FINANCIAL IMPACT:

The City has not traditionally paid for this service. The responsibility falls to the County; however, the impacts to the community for failing to control PM_{2.5} are significant. The impact to the City's general fund will vary depending upon the amount of support the Council directs, if any. The Air Quality program is ongoing, so the support will likely continue into future years.

For amounts lower than \$10,000, we can likely absorb that for a single year of funding. If the funding is ongoing in any amount, we will need to analyze its impact on the 10 year plan for the City's general fund.

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COUNCIL OPTIONS:

1. Direct staff to return with a supplemental budget to support the County's efforts and specify how much to provide the County up to \$10,000.
2. Direct staff to return with a supplemental budget to support the County's efforts for the full amount of the shortfall or \$27,460.
3. Decline to act at this time and provide staff further direction.

DOCUMENTS ATTACHED:

- Klamath County Public Health Air Quality Program – Current Funding
- Klamath County Air Quality Overview

RECOMMENDED MOTION/ACTION:

Move to direct staff to return with a supplemental budget for \$10,000 to support the County Air Quality Program.

NOTICE SENT TO:

Klamath County

**KLAMATH COUNTY PUBLIC HEALTH
AIR QUALITY PROGRAM – CURRENT FUNDING**

January 14, 2016

Air Quality Program Cost (\$76,460) – Total Staff time 1,872 hours

- Air Quality office staffed 5 days per week
- Air Quality Call Daily
- Two open burns (Fall & Spring)
- Patrols on red days/ response to complaints
- Staff levels necessary to issue exemptions
- Ability to perform public education and awareness to gain compliance with calls

CURRENT FUNDING

- County Funds \$29,000
- DEQ Grant \$20,000

FUNDING SHORTAGE

- \$27,460

Klamath County Air Quality Program

Air Quality Advisory-

- a) gather data to make the advisory: numerous weather data sites and DEQ AQI
- b) Dispense the advisory to email, phone message, websites, outdoor sign
- c) Monitor PM2.5 levels throughout the day all year
- d) Phone discussions

Patrols-

- a) Every red or health alert
- b) On outdoor burn days- open burn season
- c) Yellow and green days as needed

Enforcement-

- a) Letters
- b) Phone discussion to violators, DEQ, Fire Dept., code enforcement, complainant
- c) Citations
- d) Court appearance

Exemptions and Variances-

- a) Compliance check
- b) Paperwork
- c) Phone discussion- clients, Fire Dept., 911
- d) Temporary problems

Respond to citizen complaints- via phone or website complaints

- a) Field visit
- b) Phone interview

Education and Outreach-

- a) Phone
- b) In office
- c) Health Warnings-smoke esp. in summer
- d) News release
- e) Meetings- professional groups
- f) Community outreach events: health fair, county fair, safety fair, ag expo
- g) Extra funding: billboard, PSA, LED board
- h) Promote KLCAS and SCOEDD with referrals for assistance and guidance
- i) Interface with DEQ, EPA, USFS, ODF, OHA, BLM, private land owners

Provide required statistical yearly reports-

- a) DEQ
- b) Others as needed (SEP)
- c) Apply for SEP grants

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