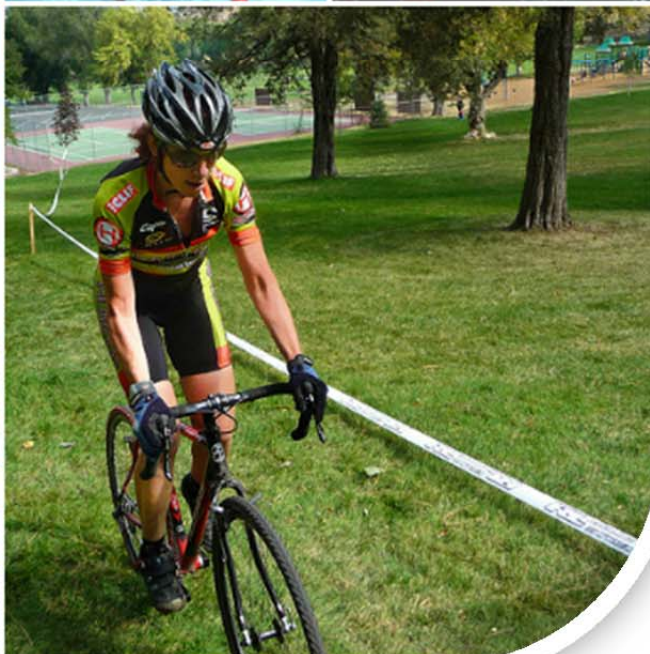
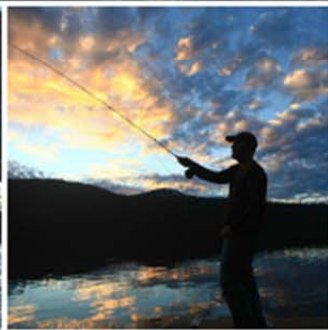


# Adopted Budget Urban Renewal 2015-2016





## FY 2016 Proposed Budget

### Office of the City Manager

May 20, 2015

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 2015-2016 for your review and approval. The Klamath Falls Urban Renewal Agency consists of three separate Districts – the Downtown Urban Renewal District, the Lakefront Urban Renewal District and the Town Center Urban Renewal District. The combined total budget for the three Urban Renewal Districts for fiscal year 2016 is \$1,098,850 including contingency, broken down as follows: Downtown, \$759,675 Lakefront, \$110,925; and Town Center, \$228,250.

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 Downtown Urban Renewal District is coming to an end. It was decided by City Council not to hire a consultant to renew the District. In fiscal year 2016 it is anticipated that all final monies will be expended. The remaining capital projects totaling an estimated \$588,550 will be completed in 2016 and are listed on the attached schedule. The rental revenue and associated expense from the “South Portal” building will be transferred out to the City’s General Fund in fiscal year 2016 in the amount of



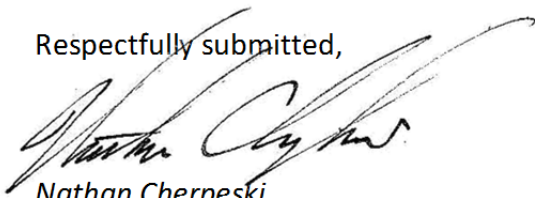
\$50,000. And \$7,000 will be transferred out for audit fees. In future years it may be necessary for the City to dedicate funds for the continual improvement and maintenance of the Downtown Area.

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 \$106,750 in property taxes during fiscal year 2016. The property values for this area decreased by \$1,047,179 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 \$173,750. The District has a financial borrowing cap as designated in the Renewal Plan of \$2,953,000 with \$828,000 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 2015-2016**

**Investment Policy**

The City investment policy stresses, in order, safety, liquidity, and return. Interest estimates for the majority of this budget use a conservative .50% 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 Officer 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 \$20,000 requires action from City Council.



## FY 2015-2016 SCHEDULE OF BUDGET EVENTS

<b>City Recorder Prepares &amp; Publishes Notice of Hearing *(see below)</b>	May 7, 2015 May 8, 2015 (web)
<b>Proposed Budget to Committee</b>	May 15, 2015
<b>Budget Committee Hearing</b>	May 20, 2015
<b>Notice and Summary to Herald &amp; News</b>	June 2, 2015
<b>Finance Department Prepares &amp; Publishes the Notice and Summary **(see below)</b>	June 9, 2015 (newspaper)
<b>Agenda Reports Completed</b>	June 5, 2015
<b>Budget Adoption</b>	June 15, 2015
<p><b>*The notice may be published in newspaper 5-30 days prior to hearing as long as 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>	



## CITY OF KLAMATH FALLS 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 reports included in the financial statements 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.



**CITY OF KLAMATH FALLS 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’s property within each project. With market values in the some of the District’s areas decreasing, the tax proceeds are only increasing at a very slow rate.
<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. The LGIP earnings have been .5% since March of 2013 and the earnings have been below 1.00% since June of 2009. Investments in the 3 year maturity range begin to earn more than the current LGIP rate.
<b>Miscellaneous Revenue</b>	System development charges (SDC), 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.





**CITY OF KLAMATH FALLS DESCRIPTION OF BUDGETED CATEGORIES - REQUIREMENTS**

REQUIREMENTS	DESCRIPTION OF BUDGETED CATEGORIES
<b>Materials &amp; Services</b>	Costs such as utilities, parts & supplies, professional services, training & education, insurance, postage, small tools & equipment, repairs & maintenance, etc.
<b>Capital Outlay</b>	Acquisition or construction of buildings, improvements, machinery, equipment and land with a cost of \$5,000 or more and a life expectancy greater than one reporting period with the exception of rolling stock and land.
<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>Contingency</b>	This money is budgeted for use during the year to deal with unexpected operating situations that cannot be specifically identified at the time the budget is prepared. It takes legislative action to use the funds.



**PROPOSED BUDGET  
Fiscal Year 2015-2016**

**DOWNTOWN URBAN RENEWAL FUND #103 RESOURCES & REQUIREMENTS**

<b>FY 2013 Actual</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Budget</b>	<b>FY 2015 Estimate</b>	<b>Resources</b>	<b>FY 2016 Proposed</b>	<b>FY 2016 Approved</b>	<b>FY 2016 Adopted</b>
214,712	704,208	883,025	1,008,231	Net Working Capital	684,150	684,150	684,150
33,970	23,903			Taxes Previously Levied			
71,327	72,455	72,700	70,778	Charges for Services	72,100	72,100	72,100
11,327	13,174	6,575	7,134	Investment Income	3,425	3,425	3,425
23	60		500	Miscellaneous Revenues			
23,718	27,706	93,300	68,548	Sale of Assets			
600,000	414,721			Loan Proceeds			
955,077	1,256,227	1,055,600	1,155,191	<b>Total Resources Except Taxes</b>	759,675	759,675	759,675
579,483	377,754			Taxes Collected in Year Levied			
<u>1,534,560</u>	<u>1,633,981</u>	<u>1,055,600</u>	<u>1,155,191</u>	<b>Total Resources</b>	<u>759,675</u>	<u>759,675</u>	<u>759,675</u>
<b>Requirements</b>							
<b>Materials &amp; Services</b>							
34,875	46,567	46,150	37,161	Professional Service Contracts	46,750	46,750	46,750
16,656	16,994	18,900	16,433	Utilities	17,325	17,325	17,325
17,558	12,833	9,000	10,589	Maintenance & Repairs	10,000	10,000	10,000
6,539	3,357	3,500	3,346	Insurance	3,625	3,625	3,625
1,176	1,196	1,000	1,152	Communications	1,000	1,000	1,000
580	1,064	500	484	Advertising	500	500	500
84	220	500		Supplies			
7,858	5,096	5,500	6,480	Other Materials & Services	6,500	6,500	6,500
59,388	53,045	27,075	27,075	Internal Charges for Services	28,425	28,425	28,425
144,714	140,372	112,125	102,720	<b>Total Materials &amp; Services</b>	114,125	114,125	114,125
<b>Capital Outlay</b>							
61,225	60,550	536,475		Facilities			
23,384	9,539	350,000	290,628	Infrastructure	538,550	538,550	538,550
			9,690	Equipment			
			68,000	Land	50,000	50,000	50,000
84,609	70,088	886,475	368,318	<b>Total Capital Outlay</b>	588,550	588,550	588,550
<b>Debt Service</b>							
601,029	415,290			Line of Credit			
601,029	415,290	-	-	<b>Total Debt Service</b>	-	-	-
<b>Transfers Out</b>							
		57,000		General Fund	57,000	57,000	57,000
-	-	57,000	-	<b>Total Transfers Out</b>	57,000	57,000	57,000
704,208	1,008,231		684,153	<b>Ending Balance</b>			
<u>1,534,560</u>	<u>1,633,981</u>	<u>1,055,600</u>	<u>1,155,191</u>	<b>Total Requirements</b>	<u>759,675</u>	<u>759,675</u>	<u>759,675</u>

**Capital Outlay Schedule  
Fiscal Year 2015-2016**

ITEM	PROPOSED EXPENDITURE
<b>Facilities</b>	
Property Acquisition	\$ 50,000
<b>Total Facilities</b>	<b>50,000</b>
<b>Infrastructure</b>	
Balsiger Ford Building	260,000
Pocket Parks Main/6th & Klamath/11th	278,550
<b>Total Infrastructure</b>	<b>538,550</b>
<b>Total Capital Outlay</b>	<b>\$ 588,550</b>

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**PROPOSED BUDGET**  
**Fiscal Year 2015-2016**

**LAKEFRONT URBAN RENEWAL FUND #104 RESOURCES & REQUIREMENTS**

FY 2013 Actual	FY 2014 Actual	FY 2015 Budget	FY 2015 Estimate	Category	FY 2016 Proposed	FY 2016 Approved	FY 2016 Adopted
<b>Resources</b>							
20,933	52,034	15,775	13,295	Net Working Capital	3,125	3,125	3,125
5,144	5,649	6,350	6,016	Taxes Previously Levied	5,350	5,350	5,350
1,124	1,432	925	1,079	Investment Income	1,050	1,050	1,050
	900,000			Loan Proceeds			
27,201	959,115	23,050	20,390	<b>Total Resources Except Taxes</b>	9,525	9,525	9,525
		114,850	99,048	Taxes Necessary to Balance	101,400	101,400	101,400
108,035	112,823			Taxes Collected in Year Levied			
<u>135,236</u>	<u>1,071,938</u>	<u>137,900</u>	<u>119,438</u>	<b>Total Resources</b>	<u>110,925</u>	<u>110,925</u>	<u>110,925</u>
<b>Requirements</b>							
<b>Materials &amp; Services</b>							
121	121	125	120	Other Materials & Services	125	125	125
		6,600	6,600	Internal Charges for Services	1,200	1,200	1,200
121	121	6,725	6,720	<b>Total Materials &amp; Services</b>	1,325	1,325	1,325
<b>Capital Outlay</b>							
	900,000			Infrastructure			
-	900,000	-	-	<b>Total Capital Outlay</b>	-	-	-
<b>Debt Service</b>							
-	111,914	109,600	109,585	Interfund Loan	109,600	109,600	109,600
83,081	46,608			Line of Credit			
83,081	158,522	109,600	109,585	<b>Total Debt Service</b>	109,600	109,600	109,600
		21,575		<b>Contingency</b>			
52,034	13,295		3,133	<b>Ending Balance</b>			
<u>135,236</u>	<u>1,071,938</u>	<u>137,900</u>	<u>119,438</u>	<b>Total Requirements</b>	<u>110,925</u>	<u>110,925</u>	<u>110,925</u>

**COMMENTS:** The assessed value for this district decreased over \$1M. Due to the decreased revenue, the internal charges for services had to be reduced but will need to be paid in future years.



**PROPOSED BUDGET  
Fiscal Year 2015-2016**

**TOWN CENTER URBAN RENEWAL FUND #105 RESOURCES & REQUIREMENTS**

<u>FY 2013</u> <u>Actual</u>	<u>FY 2014</u> <u>Actual</u>	<u>FY 2015</u> <u>Budget</u>	<u>FY 2015</u> <u>Estimate</u>	<u>Category</u>	<u>FY 2016</u> <u>Proposed</u>	<u>FY 2016</u> <u>Approved</u>	<u>FY 2016</u> <u>Adopted</u>
<b>Resources</b>							
25,804	34,033	35,650	53,496	Net Working Capital	53,125	53,125	53,125
8,848	9,067	9,825	6,766	Taxes Previously Levied	9,150	9,150	9,150
1,835	1,958	1,575	1,388	Investment Income	1,375	1,375	1,375
		300,000	300,000	Loan Proceeds			
<u>36,487</u>	<u>45,058</u>	<u>347,050</u>	<u>361,650</u>	<b>Total Resources Except Taxes</b>	<u>63,650</u>	<u>63,650</u>	<u>63,650</u>
		165,675	162,449	Taxes Necessary to Balance	164,600	164,600	164,600
<u>169,241</u>	<u>167,094</u>			Taxes Collected in Year Levied			
<u>205,728</u>	<u>212,152</u>	<u>512,725</u>	<u>524,099</u>	<b>Total Resources</b>	<u>228,250</u>	<u>228,250</u>	<u>228,250</u>
<b>Requirements</b>							
<b>Materials &amp; Services</b>							
		3,000		Professional Service Contracts			
121	121	300,125	300,100	Other Materials & Services	125	125	125
		3,325	3,325	Internal Charges for Services	7,200	7,200	7,200
<u>121</u>	<u>121</u>	<u>306,450</u>	<u>303,425</u>	<b>Total Materials &amp; Services</b>	<u>7,325</u>	<u>7,325</u>	<u>7,325</u>
<b>Debt Service</b>							
<u>171,574</u>	<u>158,535</u>	<u>206,275</u>	<u>167,552</u>	Line of Credit	<u>220,925</u>	<u>220,925</u>	<u>220,925</u>
<u>171,574</u>	<u>158,535</u>	<u>206,275</u>	<u>167,552</u>	<b>Total Debt Service</b>	<u>220,925</u>	<u>220,925</u>	<u>220,925</u>
<u>34,033</u>	<u>53,496</u>		<u>53,122</u>	<b>Ending Balance</b>			
<u>205,728</u>	<u>212,152</u>	<u>512,725</u>	<u>524,099</u>	<b>Total Requirements</b>	<u>228,250</u>	<u>228,250</u>	<u>228,250</u>

**COMMENTS:** At the end of FY15 the two lines of credit with Washington Federal were refinanced into one loan, which will be a savings of approximately \$10,000 for FY16. The budget includes this savings but reflects an increase in debt service as all excess resources are applied to loan principal in order to pay the loan off early.