

Urban Renewal Agency



# ADOPTED BUDGET

2016-2017



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## FY 2017 Proposed Budget

### Office of the City Manager

May 24, 2016

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 2016-2017 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 2017 is \$433,600 including contingency, broken down as follows: Downtown, \$127,450 Lakefront, \$78,775; and Town Center, \$227,375.

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 will be completely closed in fiscal year 2017. All funds are under contract and will be expended early in fiscal year 2017. The remaining capital projects totaling an estimated \$92,400 will be completed in 2017 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

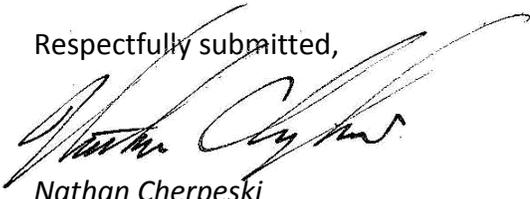
Downtown Maintenance District Fund in fiscal year 2017. In future years, it may be necessary for the City to dedicate funds for the continual improvement and maintenance of the Downtown Area.

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 \$77,725 in property taxes during fiscal year 2017. The property values for this area decreased by \$2,314,102 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 \$177,875. The District has a financial borrowing cap as designated in the Renewal Plan of \$2,953,000 with \$828,000 remaining to borrow.

A feasibility study was conducted on a potential new urban renewal area. While the study is complete, council has not taken action on whether to proceed with drafting a formal urban renewal plan.

Respectfully submitted,



Nathan Cherpeski  
**City Manager**

**CITY OF KLAMATH FALLS  
BUDGETING PRINCIPLES AND ASSUMPTIONS  
FY 2016-2017**

**Investment Policy**

The City investment policy stresses, in order, safety, liquidity, and return. Interest estimates for the majority of this budget use a conservative .75% annual average earnings rate (consistent with the LGIP rate).

**Basis of Accounting**

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

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

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



## FY 2016-2017 SCHEDULE OF BUDGET EVENTS

<b>City Recorder Prepares &amp; Publishes Notice of Hearing *(see below)</b>	May 11, 2016 May 12, 2016 (web)
<b>Proposed Budget to Committee</b>	May 18, 2016
<b>Budget Committee Hearing</b>	May 24, 2016
<b>Notice and Summary to Herald &amp; News</b>	June 8, 2016
<b>Finance Department Prepares &amp; Publishes the Notice and Summary **(see below)</b>	June 14, 2016 (newspaper)
<b>Agenda Reports Completed</b>	June 10, 2016
<b>Budget Adoption</b>	June 20, 2016
<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 294.331**

**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 294.426**

**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 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 were .5% since March of 2013 and the earnings have been below 1.00% since June of 2009. The current LGIP rate is .75%. Investments in the 3 year maturity range begin to earn more than the current LGIP rate.
<b>Other 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.



**ADOPTED BUDGET**  
**Fiscal Year 2016-2017**  
**DOWNTOWN URBAN RENEWAL FUND #103 RESOURCES**

RevCategory	2013-2014 Total Activity	2014-2015 Total Activity	2015-2016 Total Budget	2016-2017 Proposed	2016-2017 Approved	2016-2017 Adopted
<b>Fund: 103 - DOWNTOWN URBAN RENEWAL FUND</b>						
39 - NET WORKING CAPITAL	704,208	1,008,231	684,150	123,950	123,950	123,950
40 - PROPERTY TAXES PREVIOUSLY LEVIED	23,903	-	-	-	-	-
45 - CHARGES FOR SERVICES	72,455	68,447	72,100	-	-	-
47 - INVESTMENT INCOME	13,174	7,194	3,425	500	500	500
49 - OTHER REVENUES	60	500	-	-	-	-
50 - OTHER FINANCING SOURCES	442,427	68,571	-	3,000	3,000	3,000
<b>Fund: 103 - Total Resources Except Taxes Levied:</b>	<b>1,256,227</b>	<b>1,152,943</b>	<b>759,675</b>	<b>127,450</b>	<b>127,450</b>	<b>127,450</b>
40 - PROPERTY TAXES NECESSARY TO BALANCE	-	-	-	-	-	-
40 - PROPERTY TAXES COLLECTED IN YEAR LEVIED	377,754	-	-	-	-	-
<b>Fund: 103 - DOWNTOWN URBAN RENEWAL Total Resources:</b>	<b>1,633,981</b>	<b>1,152,943</b>	<b>759,675</b>	<b>127,450</b>	<b>127,450</b>	<b>127,450</b>

**DOWNTOWN URBAN RENEWAL FUND #103 REQUIREMENTS**

ExpSubCategory	2013-2014 Total Activity	2014-2015 Total Activity	2015-2016 Total Budget	2016-2017 Proposed	2016-2017 Approved	2016-2017 Adopted
<b>Fund: 103 - DOWNTOWN URBAN RENEWAL FUND</b>						
<b>Department: 21 - URBAN REDEVELOPMENT</b>						
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES</b>						
05 - PROFES SERVICE CONTRACTS	46,567	39,447	46,750	35,000	35,000	35,000
06 - UTILITIES	16,994	15,923	17,325	-	-	-
07 - MAINTENANCE & REPAIRS	12,833	17,500	10,000	-	-	-
09 - INSURANCE	3,357	3,346	3,625	-	-	-
10 - COMMUNICATIONS	1,196	1,178	1,000	-	-	-
11 - ADVERTISING	1,064	1,153	500	-	-	-
14 - SUPPLIES	220	490	-	-	-	-
17 - OTHER MATERIALS & SERVICES	5,096	6,480	6,500	50	50	50
18 - INTERNAL CHARGES FOR SERVICES	53,045	28,515	28,425	-	-	-
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES Total:</b>	<b>140,372</b>	<b>114,033</b>	<b>114,125</b>	<b>35,050</b>	<b>35,050</b>	<b>35,050</b>
<b>ExpCategory: 70 - CAPITAL OUTLAY</b>						
21 - LAND	-	68,000	310,000	-	-	-
23 - FACILITIES	60,550	-	50,000	50,000	50,000	50,000
26 - EQUIPMENT	-	9,690	-	-	-	-
28 - INFRASTRUCTURE	9,539	257,193	278,550	42,400	42,400	42,400
<b>ExpCategory: 70 - CAPITAL OUTLAY Total:</b>	<b>70,088</b>	<b>334,883</b>	<b>638,550</b>	<b>92,400</b>	<b>92,400</b>	<b>92,400</b>
<b>ExpCategory: 80 - DEBT SERVICE</b>						
41 - DEBT PRINCIPAL	414,721	-	-	-	-	-
44 - DEBT INTEREST	569	-	-	-	-	-
<b>ExpCategory: 80 - DEBT SERVICE Total:</b>	<b>415,290</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ExpCategory: 81 - OTHER FINANCING USE</b>						
50 - INTER-FUND TRANSFER OUT	-	-	7,000	-	-	-
<b>ExpCategory: 81 - OTHER FINANCING USE Total:</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ENDING BALANCE</b>	<b>1,008,231</b>	<b>704,027</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Department: 21 - URBAN REDEVELOPMENT Total:</b>	<b>1,633,981</b>	<b>1,152,943</b>	<b>759,675</b>	<b>127,450</b>	<b>127,450</b>	<b>127,450</b>
<b>Fund: 103 - DOWNTOWN URBAN RENEWAL Total Requirements:</b>	<b>1,633,981</b>	<b>1,152,943</b>	<b>759,675</b>	<b>127,450</b>	<b>127,450</b>	<b>127,450</b>

**DOWNTOWN URBAN RENEWAL FUND**  
**Capital Outlay Schedule**  
**2016-2017**

ITEM	PROPOSED EXPENDITURE
<b>Facilities</b>	
South Portal Building Roof	\$ 50,000
<b>Total Facilities</b>	<b>50,000</b>
<b>Infrastructure</b>	
Sugarman's Corner Pocket Park	42,400
<b>Total Infrastructure</b>	<b>42,400</b>
<b>Total Capital Outlay</b>	<b>\$ 92,400</b>

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**ADOPTED BUDGET**  
**Fiscal Year 2016-2017**  
**LAKEFRONT URBAN RENEWAL FUND #104 RESOURCES**

RevCategory	2013-2014 Total Activity	2014-2015 Total Activity	2015-2016 Total Budget	2016-2017 Proposed	2016-2017 Approved	2016-2017 Adopted
<b>Fund: 104 - LAKEFRONT URBAN RENEWAL FUND</b>						
39 - NET WORKING CAPITAL	52,034	13,295	3,125	-	-	-
40 - PROPERTY TAXES PREVIOUSLY LEVIED	5,649	5,177	5,350	4,850	4,850	4,850
47 - INVESTMENT INCOME	1,432	1,297	1,050	1,050	1,050	1,050
50 - OTHER FINANCING SOURCES	900,000	-	-	-	-	-
<b>Fund: 104 - Total Resources Except Taxes Levied:</b>	<b>959,115</b>	<b>19,769</b>	<b>9,525</b>	<b>5,900</b>	<b>5,900</b>	<b>5,900</b>
40 - PROPERTY TAXES NECESSARY TO BALANCE	-	-	101,400	72,875	72,875	72,875
40 - PROPERTY TAXES COLLECTED IN YEAR LEVIED	112,823	100,803	-	-	-	-
<b>Fund: 104 - LAKEFRONT URBAN RENEWAL FUND Total Resources:</b>	<b>1,071,938</b>	<b>120,572</b>	<b>110,925</b>	<b>78,775</b>	<b>78,775</b>	<b>78,775</b>

**LAKEFRONT URBAN RENEWAL FUND #104 REQUIREMENTS**

ExpSubCategory	2013-2014 Total Activity	2014-2015 Total Activity	2015-2016 Total Budget	2016-2017 Proposed	2016-2017 Approved	2016-2017 Adopted
<b>Fund: 104 - LAKEFRONT URBAN RENEWAL FUND</b>						
<b>Department: 22 - LAKEFRONT URBAN RENEWAL</b>						
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES</b>						
17 - OTHER MATERIALS & SERVICES	121	120	125	125	125	125
18 - INTERNAL CHARGES FOR SERVICES	-	6,600	1,200	-	-	-
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES Total:</b>	<b>121</b>	<b>6,720</b>	<b>1,325</b>	<b>125</b>	<b>125</b>	<b>125</b>
<b>ExpCategory: 70 - CAPITAL OUTLAY</b>						
28 - INFRASTRUCTURE	900,000	-	-	-	-	-
<b>ExpCategory: 70 - CAPITAL OUTLAY Total:</b>	<b>900,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ExpCategory: 80 - DEBT SERVICE</b>						
41 - DEBT PRINCIPAL	136,175	79,210	82,100	53,350	53,350	53,350
44 - DEBT INTEREST	22,347	30,375	27,500	25,300	25,300	25,300
<b>ExpCategory: 80 - DEBT SERVICE Total:</b>	<b>158,522</b>	<b>109,585</b>	<b>109,600</b>	<b>78,650</b>	<b>78,650</b>	<b>78,650</b>
<b>ENDING BALANCE</b>	<b>13,295</b>	<b>4,267</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Department: 22 - LAKEFRONT URBAN RENEWAL Total:</b>	<b>1,071,938</b>	<b>120,572</b>	<b>110,925</b>	<b>78,775</b>	<b>78,775</b>	<b>78,775</b>
<b>Fund: 104 - LAKEFRONT URBAN RENEWAL Total Requirements:</b>	<b>1,071,938</b>	<b>120,572</b>	<b>110,925</b>	<b>78,775</b>	<b>78,775</b>	<b>78,775</b>



**ADOPTED BUDGET**  
**Fiscal Year 2016-2017**  
**TOWNCENTER URBAN RENEWAL FUND #105 RESOURCES**

RevCategory	2013-2014 Total Activity	2014-2015 Total Activity	2015-2016 Total Budget	2016-2017 Proposed	2016-2017 Approved	2016-2017 Adopted
<b>Fund: 105 - TOWN CENTER URBAN RENEWAL FUND</b>						
39 - NET WORKING CAPITAL	34,033	53,496	53,125	47,975	47,975	47,975
40 - PROPERTY TAXES PREVIOUSLY LEVIED	9,067	7,990	9,150	7,325	7,325	7,325
47 - INVESTMENT INCOME	1,958	1,889	1,375	1,525	1,525	1,525
50 - OTHER FINANCING SOURCES	-	1,417,262	-	-	-	-
<b>Fund: 105 - Total Resources Except Taxes Levied:</b>	<b>45,058</b>	<b>1,480,637</b>	<b>63,650</b>	<b>56,825</b>	<b>56,825</b>	<b>56,825</b>
40 - PROPERTY TAXES NECESSARY TO BALANCE	-	-	164,600	170,550	170,550	170,550
40 - PROPERTY TAXES COLLECTED IN YEAR LEVIED	167,094	165,329	-	-	-	-
<b>Fund: 105 - TOWN CENTER URBAN RENEWAL Total Resources:</b>	<b>212,152</b>	<b>1,645,966</b>	<b>228,250</b>	<b>227,375</b>	<b>227,375</b>	<b>227,375</b>

**TOWNCENTER URBAN RENEWAL FUND #105 REQUIREMENTS**

ExpSubCategory	2013-2014 Total Activity	2014-2015 Total Activity	2015-2016 Total Budget	2016-2017 Proposed	2016-2017 Approved	2016-2017 Adopted
<b>Fund: 105 - TOWN CENTER URBAN RENEWAL FUND</b>						
<b>Department: 23 - TOWN CENTER URBAN RENEWAL</b>						
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES</b>						
17 - OTHER MATERIALS & SERVICES	121	300,120	125	60,125	60,125	60,125
18 - INTERNAL CHARGES FOR SERVICES	-	3,325	7,200	8,450	8,450	8,450
<b>ExpCategory: 65 - MATERIALS &amp; SERVICES Total:</b>	<b>121</b>	<b>303,445</b>	<b>7,325</b>	<b>68,575</b>	<b>68,575</b>	<b>68,575</b>
<b>ExpCategory: 80 - DEBT SERVICE</b>						
41 - DEBT PRINCIPAL	136,346	1,251,845	193,075	133,975	133,975	133,975
44 - DEBT INTEREST	22,189	61,959	27,850	24,825	24,825	24,825
<b>ExpCategory: 80 - DEBT SERVICE Total:</b>	<b>158,535</b>	<b>1,313,804</b>	<b>220,925</b>	<b>158,800</b>	<b>158,800</b>	<b>158,800</b>
<b>ENDING BALANCE</b>	<b>53,496</b>	<b>28,717</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Department: 23 - TOWN CENTER URBAN RENEWAL Total:</b>	<b>212,152</b>	<b>1,645,966</b>	<b>228,250</b>	<b>227,375</b>	<b>227,375</b>	<b>227,375</b>
<b>Fund: 105 - TOWN CENTER URBAN RENEWAL Total Requirements:</b>	<b>212,152</b>	<b>1,645,966</b>	<b>228,250</b>	<b>227,375</b>	<b>227,375</b>	<b>227,375</b>

**COMMENTS:** At the end of FY15 the two lines of credit with Washington Federal were refinanced into one loan. 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.

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