

A G E N D A

CITY OF KLAMATH FALLS BUDGET COMMITTEE 2016-2017 BUDGET

MAY 24, 2016
9:00 a.m.

NOTE: THIS IS A COMPLETE AGENDA FOR THE BUDGET PROCESS. THE PRESIDING OFFICER HAS THE PREROGATIVE TO CONTINUE THE HEARINGS IN AGREEMENT WITH BUDGET COMMITTEE TIME CONSTRAINTS.

PUBLIC PARTICIPATION:

IF A MEMBER OF THE PUBLIC WOULD LIKE TO PROVIDE COMMENTS FOLLOWING THE DISCUSSION OF A PARTICULAR FUND, PLEASE COMPLETE THE PUBLIC INPUT FORM AND PROVIDE IT TO ANY CITY STAFF PERSON OR BUDGET COMMITTEE MEMBER.

- **CALL TO ORDER BY MAYOR**
- **ROLL CALL**

CITY COUNCIL

Trish Seiler
Bud Hart
Matt Dodson
Dan Tofell
Bill Adams

BUDGET COMMITTEE

Mike Angeli
Andrew Biggs
Brian Fitz Gerald
Jenine Stuedli
Greg Williams

- **PLEDGE OF ALLEGIANCE**
- **ELECTION OF BUDGET CHAIR**
- **APPROVAL OF BUDGET MINUTES – May 20, 2015**

- **ASK IF ANY MEMBER OF THE BUDGET COMMITTEE NEEDS TO DECLARE A CONFLICT – EITHER POTENTIAL OR ACTUAL**
- **DELIVERY OF BUDGET MESSAGE** – City Manager Nathan Cherpeski
- **BUDGET OVERVIEW** – City Manager
- **GENERAL FUND**
 - Municipal Court
 - City Manager
 - Legal
 - Finance
 - Human Resources
 - Technology Services
 - Planning (inactive)
 - Public Works Administration
 - Development Services
 - Police
 - Code Enforcement
 - Legislative
 - Maintenance Services
 - Parks
 - Ella Redkey Pool
 - Streets
 - Fleet Maintenance
 - Street Lighting
 - Other General Fund Programs

12:15 p.m. - 1:00 p.m. – BREAK FOR LUNCH (subject to change)

- **AIRPORT FUND**
 - Operations
 - FAA Grants
- **PARKING FUND**

- **WASTEWATER FUND**
 - Collections
 - Treatment
 - Billing

- **WATER FUND**
 - Operations
 - Geothermal
 - Billing

- **OTHER FUNDS**
 - Downtown Maintenance District Fund
 - Cogeneration Fund
 - Economic Development/Property Fund
 - Technology Reserve Fund
 - Footpaths/Bicycle Trails Fund
 - Capital Projects Fund
 - Escrow Reserve Fund
 - Debt Service Fund
 - Basin Interagency Narcotic Enforcement Team Fund
 - Veteran's Memorial Agency Fund

- **INACTIVE FUNDS**
 - Cemetery Fund
 - Parks Fund
 - Streets Fund
 - Street Lighting Fund

- **PUBLIC HEARING – BUDGET**

- **STATE REVENUE SHARING PUBLIC HEARING**
 - City Manager review of State Revenue Sharing purpose
 - Chair - Open Public Hearing

- **DISCUSSION AND APPROVAL OF BUDGET** (See sample motion)

- **APPROVAL OF TAX LEVY** (See sample motion)

KLAMATH FALLS URBAN RENEWAL AGENCY BUDGET

- **DELIVERY OF URBAN RENEWAL AGENCY BUDGET MESSAGE** – City Manager Nathan Cherpeski
 - **DOWNTOWN URBAN RENEWAL FUND**
 - **LAKEFRONT URBAN RENEWAL FUND**
 - **TOWN CENTER URBAN RENEWAL FUND**
- **PUBLIC HEARING - URBAN RENEWAL AGENCY BUDGET**
- **DISCUSSION AND APPROVAL OF URBAN RENEWAL AGENCY BUDGET**
- **APPROVAL OF URBAN RENEWAL AGENCY TAX LEVY** (See sample motion)
- **ADJOURNMENT**

BUDGET COMMITTEE
SAMPLE MOTIONS

SAMPLE MOTION TO ADOPT BUDGET:

Move to approve the City of Klamath Falls 2016-2017 budget as presented.

or

Move to approve the City of Klamath Falls 2016-2017 budget as revised (list any revisions).

SAMPLE MOTION TO ADOPT TAX LEVY:

Move that the City of Klamath Falls Budget Committee approves taxes for the 2016-17 fiscal year at the rate of \$5.4423 per \$1,000 of assessed value for operating purposes in the general fund and airport fund and excluding from limitation, approve \$185,000 to pay general obligation bonded debt.

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URBAN RENEWAL

SAMPLE MOTION TO ADOPT BUDGET:

Move to approve the 2016-2017 Urban Renewal budget as presented.

or

Move to approve the 2016-2017 Urban Renewal budget as revised (list any revisions)

SAMPLE MOTION TO ADOPT URBAN RENEWAL TAX LEVY:

The Budget Committee has approved taxes for the 2016-2017 fiscal year at 100% of the amount from division of taxes for Lakefront and Town Center Urban Renewal Districts.

MINUTES
KLAMATH FALLS BUDGET COMMITTEE
May 20, 2015

1. CALL TO ORDER BY MAYOR

The Klamath Falls Budget Committee was called to order at 9:00 a.m. in the Council Chambers of the City Administration Building by Mayor Todd Kellstrom on the above date.

2. ROLL CALL

Council

Councilman Dan Tofell
Councilwoman Trish Seiler
Councilman Bud Hart
Councilman Matt Dodson
Councilman Bill Adams

Budget Committee

Mike Angeli
Brian Fitz Gerald
Andrew Biggs
Jenine Stuedli
Greg Williams

3. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited.

Mayor Kellstrom thanked the Council and Budget Committee for the service they provide to the community by being a part of the budget process.

4. ELECTION OF CHAIRMAN.

Mayor Kellstrom opened the nominations for Chair of the Budget Committee. Councilman Tofell **moved to nominate Councilman Adams as Chair.** Councilman Dodson seconded. The motion carried electing Bill Adams as Budget Chair with all Council and Budget Committee members present voting aye.

5. APPROVAL OF BUDGET MINUTES – MAY 21, 2014.

Councilman Hart moved to approve the minutes of May 21, 2014. Councilwoman Seiler seconded. The motion carried with all Council and Budget Committee members present voting aye.

Budget Chair asked if any member of Council or the Budget Committee wished to declare an actual or potential conflict of interest.

Budget Committee member Mike Angeli declared two potential conflicts. He stated he was a member of the Klamath Falls Downtown Association and they requested funding from the City and the request for funding for SCOEDD. Budget Committee member Brian Fitz Gerald stated he had a contract with the City to provide promotional services for the swimming pool. The contract had not been exercised yet. He stated that any matters having to do with the pool, he would abstain and excuse himself from the conversation. Councilman Adams stated he had a potential conflict as he provided towing of abandoned vehicles for the City.

6. OVERALL BUDGET MESSAGE – CITY MANAGER.

City Manager Nathan Cherpeski reviewed the budget message, as required by Oregon State Statues, it in its entirety and reviewed his PowerPoint presentation, as follows: on file with the City Recorder. The City Manager commended Kristina West for her work on the budget document. The budget documents were completely redesigned from the previous format.

Councilman Hart asked with Streets now being included in the General Fund if it was misleading and if Streets in the General Fund unrealistically inflated the General Fund because they have so much capital. The City Manager explained that it did increase the general fund.

The City Manager referred to the Supreme Court decision on the PERS funds, which wiped out the savings that had been made. Tier 1 and 2 PERS went up this year and OPSRP employees went down. Mr. Biggs asked if the PERS numbers were reflected in the budget. Mr. Cherpeski replied they did not because staff had not seen the numbers yet. Mr. Biggs asked how

much the City would spend on health care. Ms. Kirby replied that it was about \$2.2 million and \$845,000 for PERS, which would go up with the recent Supreme Court ruling.

Councilman Hart asked if there may be a time when the City would have to treat storm water. Mr. Cherpeski replied there was a potential for that.

Councilman Hart commented that City employee benefits were almost 41% of their salary. Councilman Tofell asked what percentage of City employees were in Tier 1. Ms. Kirby replied it was about 50% and that number was declining.

The City Manager reviewed the capital projects:

Airport Fund	
Taxiway J Design	\$ 572,700
 General Fund	
Lake Ewauna Trail	1,419,625
CMAQ Alley Paving	362,000
Washburn Way Sidewalks - Phase II	240,000
Chip Seal Program - Other Streets	250,000
High Efficiency Bulb Installation	250,000
 Wastewater Fund	
Equipment/Inventory Storage Building	331,000
Combination Sewer/Storm Cleaner/Vacuum Truck	400,000
Treatment Plant Design	500,000
 Water Fund	
Pelican City Booster/Water Main	700,000
Meter Upgrade Program	650,000
Melrose St. Water Main Replacement	400,000
Vac-on Hydro-Excavator	350,000
Total Major Capital Projects (\$240,000 or Greater)	<u>\$ 6,425,325</u>

Councilwoman Seiler asked if the City had a 30 foot easement on the Lake Ewauna trail. Mr. Cherpeski replied that was correct and there would be some right of way that would need to be purchased. Budget member Williams asked who would be responsible for the maintenance of the trail. Mr. Cherpeski replied the City would be responsible.

Councilman Adams asked about the combination Sewer/Storm Cleaner/Vacuum truck and asked if they were similar. Public Works Director Mark Willrett stated the difference was that the sewer vacuum had a line cleaner.

Councilwoman Seiler referred to page 28 of the budget document and asked the City Manager to address the negative amounts on System Development fees (SDC), Miscellaneous Revenues, etc. Mr. Cherpeski replied that SDCs are only paid when someone develops. Staff anticipated 3% for Miscellaneous Revenues was the same thing. Councilwoman Seiler asked about the sale of capital assets. Mr. Cherpeski replied staff did not anticipate selling any capital assets this year.

Mr. Biggs commented that the City was not on a sustainable track. He asked how much the City would have to increase revenues or decrease outlay. Ms. Kirby stated staff took property taxes to the full 3% increase allowable, which helped but costs still needed to be cut to stabilize. Mr. Cherpeski stated last year it was about \$360,000 and it was probably around \$250,000 this year. Staff tried to be conservative. Mr. Biggs stated that the longer the City put off the changes, the worse it would be later on. Mr. Cherpeski stated that staff did watch and when a position came open, an analysis was done on each job position. The City would face some challenges. Councilman Adams stated the cost of employees was more than the 3% extra that could be charged in the way of taxation and with compression was there any way to pull out without reducing employees. Mr. Cherpeski replied that since 2008 The City cut 20 full time employees. We should be fine this coming year but the PERS decision could cause some issues. Councilman Adams referred to the staffing comparisons on page 26 and the City still proposing 149 employees when in 2005 we were at 161; so the City was down 11 employees. The reality was the City had not made as much gain as was projected. The City Manager responded that the high was 169 in 2008 and now there were 149, which was a reduction of

the 20 employees. He further noted the City added 3.2 employees to work at the pool. Councilman Adams stated he supported the Police Department but at last year's budget hearing there was talk of a reduction to 39 employees and in the end, the position was added back. That employee was still in the budget. He did not like to have to reduce the police officers, but noted if there were no jail services available, did it matter if there were that many police officers on the street. City Manager stated Staff would have to look at that going forward. The City cannot cover for the County with law enforcement.

Mr. Williams pointed out there were 3.2 employees that the City gained when it took over the Ella Redkey Pool. Councilman Hart replied that in 2014 the City had five at the pool and proposed this year was 3.2. The five at the pool were a re-allocation. Mr. Cherpeski responded there were no additional cuts in public safety.

There was a discussion regarding investment income. Mr. Biggs referred to health care and asked what percent of the health premium was paid by the City. The City Manager responded it was 90% City and 10% employee. Mr. Biggs commented the City should explore health care changes. Mr. Cherpeski stated staff had to negotiate those costs.

7. BUDGET OVERVIEW.

City Manager Nathan Cherpeski provided his budget overview including review of the 10 year forecasting.

Councilman Hart referred to page 8 regarding the \$50,000 for a feasibility study for a new urban renewal area and \$50,000 for a retail recruiter. He expressed a desire to make sure those two expenditures were discussed.

8. GENERAL FUND

Estimated Resources: \$ 26,719,625

Appropriated: \$ 17,668,250

Reserved for Future Requirements: \$ 9,051,375

Total fund Requirements: \$ 26,719,625

**PROPOSED BUDGET
Fiscal Year 2015-2016**

GENERAL FUND #101 RESOURCES

<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>Resources</u>	<u>FY 2016</u> <u>Proposed</u>	<u>FY 2016</u> <u>Approved</u>	<u>FY 2016</u> <u>Adopted</u>
4,071,578	4,353,350	4,847,250	4,801,958	Net Working Capital	3,446,350		
218,773	242,300	281,025	234,388	Taxes Previously Levied	309,650		
96,992	800	500		Special Assessments			
622,134	548,028	543,800	542,272	Intergovernmental	4,490,625		
149,489	140,029	144,875	139,109	Licenses, Fees & Permits	138,425		
1,105,647	1,124,880	1,474,075	1,476,149	Franchise Fees	2,458,850		
57,889	13,130	14,375	68,682	Charges for Services	604,500		
373,475	397,321	377,800	382,906	Fines & Forfeitures	385,150		
67,942	84,592	61,225	83,352	Investment Income	110,000		
				System Development Charges	21,800		
17,117	117,834	108,650	69,556	Miscellaneous Revenues	77,175		
3,625,338	3,532,660	2,781,650	2,721,417	Internal Charges for Services	2,351,750		
	160,000			Sale of Capital Asset			
276,703	375,043			Transfers In	6,385,100		
<u>10,683,077</u>	<u>11,089,967</u>	<u>10,635,225</u>	<u>10,519,789</u>	Total Resources Except Taxes Levied	<u>20,779,375</u>	<u>-</u>	<u>-</u>
		5,103,950	5,275,433	Taxes Necessary to Balance	5,940,250		
4,597,278	4,619,215			Taxes Collected in Year Levied			
<u>15,280,355</u>	<u>15,709,182</u>	<u>15,739,175</u>	<u>15,795,222</u>	Total Resources	<u>26,719,625</u>	<u>-</u>	<u>-</u>

City Manager Nathan Cherpeski reviewed the budget. He stated the City did not anticipate any increase in revenues. Mr. Williams asked what last year's budget for net working capital was. Finance Officer Stephanie Creech replied it was \$2.8 of net working capital for last year.

Municipal Court. Appropriated: \$ 240,275

City Manager Nathan Cherpeski reviewed the budget. He commented that the order of the accounts were a little different in the budget this year because the new software the City now used changed the account numbering.

Committee member Biggs asked how close to self-supporting was Municipal Court was. Mr. Cherpeski commented he did not think the City should look at tickets as a revenue sources. Ms. Creech responded the revenue was \$100,000 in excess of the annual cost.

City Manager. Appropriated: \$549,600

City Manager Nathan Cherpeski reviewed the budget. He further noted one change was that he moved an employee out of planning, that employee was now in the Administration office, his title was Management Assistant to the City Manager, and he was assisting with economic development. Councilman Adams commented the City was putting more money into economic development and the public needed to be aware of that.

Legal. Appropriated: \$ 228,900

City Manager Nathan Cherpeski reviewed the budget.

Finance. Appropriated: \$ 706,000

City Manager Nathan Cherpeski reviewed the budget. Councilman Hart noted when he visited with the Finance Officer, in the overall budget it read \$15,000 less but it should read Materials and Services were \$15,000 less but not the overall budget.

Human Resources. Appropriated: \$280,175

City Manager Nathan Cherpeski reviewed the budget. Councilman Dodson asked if the changes that were made a few months ago with combining Human Resources with other divisions were working out and staff was able to stay on top of everything. Mr. Cherpeski stated the software conversion had taken a lot of extra time and the City had some large recruitments this past year. It was a good decision but given the level of resources, it was the best decision.

Information Services. Appropriated: \$ 393,850

City Manager Nathan Cherpeski reviewed the budget.

Planning (inactive).

Councilman Hart referred to page 53 and stated he would like more explanation on the Planning Division being inactive. The City Manager explained the employees were still in the Planning Division, but just under another department. He further noted the slide was included for historical purposes and he would explain more later on.

Public Works Administration. Appropriated: \$285,975

City Manager Nathan Cherpeski reviewed the budget and comments.

Development Services (Formerly Public Works Engineering).
Appropriated: \$910,850

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Hart asked for information if the change in the name of the Department had any effect on consolidation with the County on Planning. Mr. Cherpeski noted that would be a Council preference. He did not know if consolidating City Planning with County Planning was advantageous to the citizens. It was up to the Council if they wanted to continue. Staff and others are working on the Community Development Ordinance (CDO) to get the rules the same. Councilman Hart asked for an update of CDO meetings. Mr. Cherpeski stated a joint session with the Council and Planning Commission would probably be held in June or July. Councilman Adams referred to the staffing level on page 26 of the budget that between those two departments there were 11 FTE and last year with the changes made were 7.5 employees and were now at 8.5 employees. He asked if the employees were eliminated or redistributed. The Support Services Director commented there was a half time person previously in Community Development who was now Business Licenses and Parks. The 8.5 was for the City Engineer and that position was currently vacant.

A recess was called at 10:30 am and the meeting resumed at 10:45 am.

Police. Appropriated: \$ 5,615,575

City Manager Nathan Cherpeski reviewed the budget and comments. He noted that Police Chief Henslee has proposed to shrink the fleet of vehicles over a period of time. The City Manager further noted the budget also included a position and he stated the City was having a difficult time getting people through the hiring process.

Mr. Williams asked about the change in vehicle policy. The Chief stated when he was hired his first priority was to look at expenses. He and his lieutenants reviewed the fleet and noticed there were a substantial amount of vehicles not being utilized and we wanted to reduce maintenance.

Councilman Adams mentioned the police officer position that was added to the budget last year and he noted the City was now filling that position. His concern was for future general fund needs for employees. What the City had to do as far as the Police Department to keep the budget in line. He divided the cost per employee for last year and it was \$112,000; this year it was \$117,500, which was an approximate \$5,000 increase. He asked the Chief to address how he planned to deal with that matter. Chief Henslee stated the City needed to ask if it wanted a proactive police or reactionary police. Staff could be reduced to be reactionary. Last year there were 19 officers on the street and they responded to 34,000 calls. The Police Department wanted to be proactive to mitigate crime and stay ahead of the bell curve. In order to do that they planned to implement a program called IMPACT, which was a data driven policing model that allowed them to look at crime rates, crime trends and problems in the community both swiftly and aggressively. They have to figure out what the root problem was and have to have staff to do that. The Police Department planned to shift its philosophy to stay ahead of crime.

Councilman Hart asked about the VIP, Citizens Academy, Explorers and the School Resource Officer (SRO). Chief Henslee stated the City needed to expand its community outreach; to be an asset and an ally. He commented that he and the City Manager were working on a program called the Citizen Police Advisory Team, which would consist of key community members that meet with him bi-monthly to help him and his staff keep a

pulse on the community so the Police understand the needs of the town and they police in that manner. Councilman Hart asked about the SRO and if the City continued to receive support from the school. The City Manager stated the SRO was budgeted. The officer was in the high school and it was a service the City wanted. There was further discussion about the jail levy that failed the previous day that would affect the whole community if the County did not keep the jail open. Chief Henslee stated the City needed to maintain being proactive. It was not about taking people to jail, it was about changing behavior.

Councilman Tofell commented the survey the City Manager discussed earlier showed the Police Department was rated the highest. Mr. Angeli stated as a citizen of the community and of the downtown, people had requested increased police presence downtown because of crime in the area and the Police Department had stepped up and brought community policing. He noted it was worthwhile to invest in law enforcement to get efficiencies and a good community. The one additional officer was a good investment. Mr. Biggs asked if City residents could put any additional funding to the jail to cover the City police. The City Manager replied staff needed to see the breakdown of the precincts on the levy. Councilwoman Seiler reminded everyone that City residents were all County taxpayers and already paid for the jail.

Code Enforcement. Appropriated: \$ 191,875

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilwoman Seiler referred to page 68 at the bottom under comments and the statement of anticipation of abatements that were pending. Mr. Cherpeski stated the City had an abatement on a burned out building on White Street and some potential locations in Stewart Lenox. Lieutenant Dentinger referred to two lots that burned in Stewart Lenox and stated the property owner was deceased and the other person did not reside there.

Councilman Adams stated he looked at the properties the County had to sell that were seized for back taxes. The County had not cleaned up properties and he believed they should have done such as a property that

had a drug lab the County recently sold. Lieutenant Dentinger stated Code Enforcement was looking into some grants to assist with the cost of abatements.

Legislative. Appropriated: \$ 106,875

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Tofell stated there needed to be a discussion about the League of Oregon Cities (LOC) dues, which were over \$14,000 per year. He was not sure what benefit the City received from paying them. Councilman Adams stated it was a Council decision and he agreed with Councilman Tofell. The LOC looked at legislative issues in the tri-county area and their views were not the same as the Klamath Falls area.

Maintenance Services. Appropriated: \$ 897,425

City Manager Nathan Cherpeski reviewed the budget and comments.

Parks. Appropriated: \$ 2,500,825

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Hart stated he admired the Parks Department for being able to maintain parks in the condition they were in and they performed a lot of good work. Citizens appreciate the parks. Councilman Dodson asked what the City's plan was with the water shortage. Parks Superintendent John Bellon replied Parks staff was fully aware of the likelihood the water allocations would diminish. They planned to look at each of the City parks and find some accommodation. He further explained. Councilwoman Seiler referred to the park in Gatewood and asked how they were going to keep the young trees alive. Mr. Bellon stated they had a water truck that they drove to remote locations with to hand water as well as the use of flood irrigation.

Mr. Cherpeski stated there was a request from the Babe Ruth Association to assist them with funding to bring the teams from a major hub airport to

Klamath Falls to participate in the Babe Ruth World Series. They asked for \$15,000 which was budgeted. Councilman Dodson stated he supported the request but suggested perhaps the City should invest the funds in the Kiger property instead of transportation.

Ella Redkey Pool. Appropriated: \$ 551,025

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Hart asked about the geothermal and pool re-surface; what were the timelines were for completion. Mr. Cherpeski responded staff had to go out to bid on the pool resurfacing. The \$40,000 was budgeted last year for the geothermal, which was not sufficient. Public Works Director Mark Willrett stated once the budget was approved staff would look at the geothermal well pump and dump fix but they were still discharging the water. He further explained the plan. Ms. Kirby stated Joe Wall was attempting to get bids on the pool resurfacing but it would probably be next spring because the pool would have to be shut down.

Councilman Tofell commented that as the City looked at its declining revenues, the pool would be the first thing in the budget to go in a funding crunch. The City received very little support from outside the community and the City taxpayer was the one to fund it when the pool costs should be shared. Mr. Biggs asked how many customers the pool had and how much they collected in fees. Mr. Cherpeski stated the revenue was approximately \$168,000 and pool usage was growing. Mr. Bellon stated he could produce those numbers for the committee since the Pool Manager kept track of the fees. He further expanded on the topic.

Streets. Appropriated: \$ 2,864,750

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Adams asked about the handrail. Streets Manager Chuck Cox responded it was located near the Main Street underpass; the walkway under the overpass. Staff was reviewing how to handle the matter since it could be kept historically the same, or updated. He noted it was a route for

schools and a pedestrian thoroughfare from Mills Addition to the downtown core. Councilman Adams asked about history on pedestrian access and if there was any responsibility on the part of the railroad. Mr. Cox stated there was none. The railroad's right of way that they owned was straight down and it was the City's responsibility for the other.

Councilman Adams agreed more capital improvements were needed and Cogen funds may need to be considered to do another major street project like was previously done. He further suggested talks with the County about assisting the City with the roads. Mr. Fitz Gerald referred to the lane miles and asked what the PCI index was. Mr. Cox stated it was approximately in the 70's. Mr. Fitz Gerald stated the County's PCI was in the 80's outside the City limits. Councilman Dodson asked if the City was going to ask for any funds from the County. Mr. Cherpeski responded the City had asked for funds for the project on Washburn Way and the County agreed to assist and would help with the Brett Way project; however, staff could come up with a plan and ask for funding. Councilman Adams stated the Roads Superintendent had told him that the County Public Works Director had allowed the County more chip seal miles this year than they had in the past but they were going down in the number of employees. The City Manager stated the City was also looking at micro-surfacing as a means of lengthening the life of the street.

Fleet Maintenance. Appropriated: \$ 249,275

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Tofell asked if they continued to perform maintenance on Police Department vehicles. Mr. Cherpeski replied that they did. Committee member Biggs asked if there was a reason why the fleet maintenance was performed in-house. He noted if personnel costs were considered, it seemed like the costs would be double. Mr. Cox replied they did a study about outsourcing and the City shop had no overhead and was located in the Streets facility. The City shop rate was \$68 per hour; whereas an outside shop was over \$105 per hour because of overhead. The City also purchased their fuels at a reduced rate through the State Procurement. He noted the Streets Division outsourced diagnostics. Councilman Tofell

stated other advantage was the priority of vehicles. Councilman Hart agreed with Councilman Tofell and noted that was especially important during snow plowing if they had breakdowns.

Street Lighting. Appropriated: \$ 416,550

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Hart commented on a topic that was not part of the budget but at the last City Council meeting the Council discussed changes to the Street Lighting Ordinance. He hoped that staff would review that Ordinance. Public Works Director Mark Willrett stated staff hoped to provide some proposals. Committee member Fitz Gerald commented street lighting was a benefit of someone primarily driving. The matter was discussed further.

Other General Funds Programs Requirements and All Other Unallocated Requirements. \$ 26,719,625

City Manager Nathan Cherpeski reviewed the budget and comments.

Committee member Williams referred to the Downtown Association request of \$15,000 to hire a Main Street Manager and stated it was his understanding the funds would be a grant match for the RARE program. The Association had already received funds from the Ford Family Foundation. This was out of the general fund because the City no longer taxed for urban renewal. Mr. Angeli stated it was one-time funding to kick start, the funding would be allocated on a regular basis and no other funds would be asked for from the City to get the matching Ford Family Foundation Grant and the RARE program. Councilman Adams stated a portion of the funding needed to be kept in the City budget to be put back into the downtown for maintenance. He further noted an additional urban renewal district involved tax increment financing and the whole formula had changed and had been put on all City taxes.

Committee member Biggs asked if there was a demand for urban renewal. The City Manager stated it was to look at infrastructure. It could serve as a

value but was not something that had to be done. Councilman Hart stated he could not see spending \$50,000 at this time to study urban renewal. He noted that he understood the industrial area needed improvement but given the constraints on urban renewal it required not just the City but other taxing entities that were affected by urban renewal like the County, Library District and the Fire District. Councilman Tofell asked how it was put in the budget. Mr. Cherpeski commented this was an idea staff had been considering for about a year. The area needed something. Councilman Dodson remarked that it made sense to do and it could function differently than other urban renewal projects. Councilwoman Seiler noted the study was a good investment and the City did not have enough information at hand. Councilman Hart stated it was just a study and but it reminded him about the Municipal Utility District and how it was just a study and the City spent over \$180,000 on that project. Committee member Fitz Gerald stated from a Planning Commission perspective, the last several years there had been repurposing against regulation. Repurposing throws everything up in the air and left the whole industrial area begging the question, what are we going to do with it. Normally, he would agree with Councilman Hart if investing heavily with a political purpose. The study would fill in the holes; it would help. Councilman Adams stated his mind had been changed as far as the study and maybe it would provide an outline.

Councilman Adams noted he wanted to discuss demolition of the old police building. The roof was leaking and it had mold. The \$120,000 was to level the building. This would be to remove and pave for a parking area. He commented he had looked at the building and wondered if the City could sell it. Councilwoman Seiler stated she thought the study was a good idea. City Manager Cherpeski commented City Hall was 101 years old and rhetorically asked do we see ourselves here in these buildings. If the plan was to stay in the buildings, funds needed to be invested.

Councilman Adams commented that he personally did not see repairing the building across the street (Old City Hall). He would not have a problem donating that building to a non-profit and they would be responsible for the maintenance. There was detailed discussion about the old Police building. Committee member Williams stated he had a concern about knocking down old buildings and putting in parking lots. Perhaps

something could be done with the building. The City Manager stated the City perhaps could do an RFP, but currently it was a liability to the City. Councilwoman Seiler suggested money be left in the budget but put a time frame of six months around the offer of a for-profit or a non-profit. She noted that she did not think the building had a future life. Mr. Fitz Gerald mentioned talking to Todd Kepple from the Klamath County Museum as a resource. Mr. Angeli noted if the City destroyed the building; it could not be put back later on.

There was a break for lunch from 12:35 p.m. to 1:25 p.m.

9. AIRPORT FUND

Estimated Resources: \$ 3,724,300

Appropriated: \$ 2,167,550

Reserved for Future Requirements: \$ 1,556,750

Total Fund Requirements: \$ 3,724,300

City Manager Nathan Cherpeski reviewed the budget and comments.

Committee member Fitz Gerald addressed charges for services and asked if that included franchises, restaurants and rental cars. Mr. Cherpeski responded landing fees, rental cars, etc. Staff anticipated in this budget to have an airline back. On the expenditure side, staff anticipated using landing fees for marketing of that airline. Mr. Fitz Gerald asked, of the vendors in the facility such as car rental, how rent was paid. Airport Business Manager Linda Tepper responded most of the agreements in the airport terminal facility were concession agreements and were 10% of gross receipts, others are on a flat rate or a ground lease rate and there were some that were a combination but each one was taken differently. Mr. Fitz Gerald commented once the City recruited an airline, there would be more activity. Ms. Tepper stated gross receipts were from inside the terminal. The Fixed Base Operator (FBO) was on a modified percentage and also paid fuel flowage fees on top of that. Mr. Fitz Gerald asked if the gross receipts were generated out of documentation. Ms. Tepper responded anyone paying a percentage of gross receipts was required to submit a

financial statement and the airport had the option to audit those records, which had been done periodically per a provision in all lease agreements.

Mr. Williams asked for an explanation of the taxes necessary to balance the \$326,000. Mr. Cherpeski stated the City had reinstated the administrative fee at the airport so they received funding from the general fund. Mr. Williams asked if the \$326,000 went to the Airport from the general fund. Mr. Cherpeski responded yes. Mr. Williams asked how large the shortfall was if there was one. Mr. Cherpeski stated the \$155,650 was the projected ending fund balance.

Airport Fund #106/Operations Department #30 Requirements

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Adams commented the internal charges for services had increased. Mr. Cherpeski stated staff opted to go back to charging admin fees. It was to try to show what the cost to run the airport was. It had the potential to be self-supporting but right now it was a subsidized service. Committee member Fitz Gerald asked if it was also possible that this kind of accounting approach would lend a base to appeal to the County to share in funding of the airport. Mr. Cherpeski stated the benefits went beyond individuals in city limits only. Not only the Air Guard but other users; air ambulance, FBO, other private charters, helicopter training facility, etc. which helped funding at the airport.

Airport Fund #106/FAA Grants Department #31 Requirements

City Manager Nathan Cherpeski reviewed the budget and comments.

Airport Other Funds

City Manager Nathan Cherpeski noted the 1996 loan would be paid off two years early; then it would have no debt. It would still be subsidized but no debt.

10. PARKING FUND

Estimated Resources: \$ 164,750

Appropriated: \$ 114,000

Reserved for Future Requirements: \$ 50,750

Total Fund Requirements: \$ 164,750

City Manager Nathan Cherpeski reviewed the budget and comments.

Committee member Biggs asked if contracting out solved the problem of the cost of parking enforcement. Mr. Cherpeski responded the City had explored that option with an outside service but some of the personal touch was lost. This has been artificially subsidized by urban renewal so once that went away some other funding source or solution would have to be considered. Committee member Angeli stated the Downtown Association was considering having Parking Enforcement it and had been reaching out to other municipalities to try to figure out the perfect solution.

11. WASTEWATER FUND

Estimated Resources: \$ 20,011,575

Appropriated: \$ 16,902,250

Reserved for Future Requirements: \$ 3,109,325

Total Fund Requirements: \$ 20,011,575

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Hart asked about the budget comment regarding the \$200,000 for a professional services contract to survey stormwater. Mr. Cherpeski stated the stormwater was under Wastewater and staff was going to have someone come in to GIS/GPS the pipes because the City's maps were incomplete. Councilman Hart asked how long the survey would take to complete. Mr. Cherpeski responded it was fairly extensive work.

Councilman Hart asked if the contract had been issued yet. Mr. Cherpeski responded no but was in the budget if approved. Public Works Director Mark Willrett speculated it would take between three to six months to compile the data. Councilman Hart asked if the money was for the study only. Mr. Willrett responded it was to get the data into the GIS system. Councilman Hart stated he did not like the idea of using fresh water for cooling water for the Cogen plant and approximately \$280,000 of fresh water for cooling was too much and he worried about that.

Councilman Dodson philosophically asked how much down the City wanted to put on a new sewer treatment plant. If it cost \$20 million and the City had \$12 million down then only half the cost of the new plant would be financed. He asked what the proper percentage was to finance a public improvement. Mr. Cherpeski stated his immediate response would be no debt but it was a 50 year asset so the City did not necessarily need to put the entire burden on the current ratepayers; rather it could be spread across years of all who used it. The City went through a series of significant rate increases when Total Maximum Daily Loads (TMDLs) hit but did not do all that was originally authorized; maybe only 60% of what Council stated. He suggested a possible Work Session to discuss further. Committee member Biggs asked what the City's borrowing cost was. Mr. Willrett stated a portion was already funded through state revolving loan funds; approximately \$22 million worth. The rates had varied from 2.7% and 3.3% with three separate loans that varied in amounts and percentage rates. Mr. Cherpeski stated the City did not know what would be required. Councilman Tofell stated the most frequently asked question he received was why the City's rates were so much higher than South Suburban. He noted it did not seem like the South Suburban was getting ready for a new plant. Mr. Cherpeski replied the rates seemed high and he would like to bring them down in the future but would rather be safe than sorry at this time. Committee member Williams asked if there had been discussions about having one plant for both entities with the rates reflective of who put in what amount. Mr. Willrett stated in the first phase of the study that was currently underway, it showed there was a possibility of savings. It was now in the second phase, which was due to conclude soon. He stated options could be to send all of the wastewater to the City and charge South

Suburban accordingly; however, how to charge them, electing a board to oversee it, etc. was under discussion.

Wastewater Fund #241/Collections Division #81 Requirements

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Adams referenced the Kingsley Field pump station and hydrogen sulfide control. He asked if that was something the City had to address because it was not being addressed by Falcon Heights. Public Works Director Mark Willrett responded the pump station was 15 years old and there was a manhole that staff noticed that had a very high hydrogen sulfide count. Staff had tried different methods but nothing had worked at this point.

Wastewater Fund #241/Treatment Division #82 Requirements

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Dodson asked if the City could contract with South Suburban while the City was building the new plant and construct a temporary pipe to them. Public Works Director Mark Willrett responded he did not know if that had been proposed as an option as opposed to the design/build option. The progressive design/build was close to Construction Manager/General Contract (CMGC) at the same time; either way some sort of bypass had to take place. Mr. Cherpeski stated there could be Environmental Protection Agency (EPA) issues with National Pollutant Discharge Elimination System (NPDES) permits and maximum amounts. It would have to be discussed further.

Wastewater Fund #241/Support Services - Billing Division #83

City Manager Nathan Cherpeski reviewed the budget and comments.

Wastewater Fund #241/Public Works Administration Department #09 Requirements

City Manager Nathan Cherpeski reviewed the budget and comments.

Mr. Cherpeski stated the City would potentially pay off the 2005 bonds, which should save the City money at approximately \$300,000 or more. The City would then go through a private bank and save money. He further stated \$10 million would be transferred to the capital improvement fund until needed for a plant or some Wastewater capital improvement. Councilman Hart asked to clarify that money being transferred to the capital improvement fund would be tagged for Wastewater and could not be spent on capital projects in Water or some other division. Mr. Cherpeski responded that was correct and noted it was like giving Managers a savings account.

It was noted for follow up, what the appropriate amount would be to put down instead of guessed on for a new plant.

12. WATER FUND

Estimated Resources: \$ 15,645,875

Appropriated: \$ 12,466,350

Reserved for Future Requirements: \$ 3,179,525

Total Fund Requirements: \$ 15,645,875

City Manager Nathan Cherpeski reviewed the budget and comments.

Water Fund #244/Operations Division #85 Requirements

City Manager Nathan Cherpeski reviewed the budget and comments.

Water Fund #244/Geothermal Division #87 Requirements

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Hart referenced the City's geothermal rates and asked if all of the City's geothermal customers were metered or if some were still on a fixed rate. Mr. Cherpeski responded the majority of customers were on

meters but some still had fixed rate contracts such as IFA at a discounted rate and Ross Ragland. Councilman Hart stated that at one point, the City wanted to ensure geothermal was being marketed and accounted for so could pay for itself. He asked if geothermal users paid for the system or if it was subsidized by other water users. Support Services Director Susan Kirby stated the City captured the costs in the Division. Mr. Willrett responded the system covered itself for operating costs but there was no extra for capital improvements. Councilman Hart asked if a .25 FTE was enough to properly account for the time that is spent on geothermal or if the City was really spending more. Water/Geothermal Manager Randy Travis responded that, based on recent history, yes the .25 FTE was enough. He noted that in the event of a large line/main break or one big "blow out" it would average out to much more than .25 FTE. Mr. Cherpeski stated staff conducted a survey of other geothermal utilities and how they charged for service because there did not appear to be a uniform method. He further stated the utility has potential; however, the City needed to loop the system because if there was a break, the system had to be completely shut down and that could be avoided with a loop. Currently, the City charged 80% of the natural gas rate but there was no rationale on that rate. Councilman Hart asked if the 80% was paying for it so that non-users were not subsidizing it. Mr. Travis responded, with regard to operational costs, yes. Mr. Cherpeski stated the City did not have enough customers on the system currently. With more customers it would probably do better. Councilman Hart asked if there was any capacity for expansion. Mr. Cherpeski responded the City would need to put a loop in to market it better. Mr. Travis stated there was capacity but most of that was planned for Timbermill Shores.

Water Fund #244/Support Services - Billing Division #86 Requirements

City Manager Nathan Cherpeski reviewed the budget and comments.

Water Fund #244/Public Works Administration Department #09

City Manager Nathan Cherpeski reviewed the budget and comments.

13. OTHER FUNDS

Parks Fund #107. City Manager Nathan Cherpeski reviewed the budget and comments.

Parks Fund #107. City Manager Nathan Cherpeski reviewed the budget and comments.

Streets Fund #111. City Manager Nathan Cherpeski reviewed the budget and comments.

Street Lighting Fund #113. City Manager Nathan Cherpeski reviewed the budget and comments.

Downtown Maintenance District Fund #118. City Manager Nathan Cherpeski reviewed the budget and comments. Committee member Williams asked if the funds were an assessment. Councilman Adams responded it was an assessment and noted there was a public hearing held on the matter and only one person wrote a letter. No one spoke in opposition. Mr. Cherpeski stated when a business did not pay, the City held up their Business License. Senior Accountant Jessica Lindsey stated those that did not pay were typically properties that were not occupied. Mr. Cherpeski stated it was a benefit, a way to offset the costs of maintaining the downtown. Councilman Dodson asked if there was a reason the City did not capture the whole cost of downtown maintenance when there was a fund set up for it and a funding mechanism. Councilman Adams stated he had asked that question before and noted the concern was for people coming in unwilling to pay that much, even though they should be.

It was noted for follow up to compile actual costs to present to Council for potential change in 2016.

Cogeneration Fund #120. City Manager Nathan Cherpeski reviewed the budget and comments.

Recess was taken at 2:55 p.m. and the meeting reconvened at 3:05 p.m.

Economic Development Fund #121. City Manager Nathan Cherpeski reviewed the budget and comments and noted an error where SCOEDD requested \$20,000, not the \$25,000 shown in the budget notes.

Committee member Williams referenced KCEDA and asked how much was budgeted last year. Mr. Cherpeski responded \$25,000. Mr. Williams referenced a recent article in the newspaper that stated no business model was to be funded by service fees to people they worked with. He asked staff if they could expound on that. Mr. Cherpeski explained they had begun the model of "pay for play." They sought out investments from the private sector with a goal of a 50/50 split; 50% private and 50% government. They had been doing well on private sector numbers and there were certainly a lot of new people at meetings. He further stated KCEDA had changed their board structure so that if an individual wanted to sit on the board they had to commit \$5,000 a year; establishing ownership. This model was copied from what was happening in Bend and was an attempt to do something different to affect a change. Mr. Williams asked if the County was putting up \$50,000 or more. Mr. Cherpeski responded the County was putting in \$200,000. Councilman Adams stated that, as a business owner, there was always concern about bringing new businesses in and was little concern about existing businesses and that was one of the issues KCEDA had started focusing on. He noted it was a great deal cheaper to help keep a business in Klamath Falls than to bring in a new business to the area. Mr. Cherpeski stated their focus would be on growing and retaining local businesses. They would still look at bringing new business in as was the nature of that "animal" but would focus more on retaining what existed.

Technology Reserve Fund #133. City Manager Nathan Cherpeski reviewed the budget and comments.

Footpaths/Bicycle Trails Fund #134. City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Dodson stated if the Blue Zones Project ended up coming to Klamath Falls, a great deal of their focus would be on walking/bicycling trails. Councilwoman Seiler stated their funds could also be used as

leverage for grants. Councilman Adams asked if staff suggested more funds being placed into the fund this year or in a place where they could be utilized if needed. Councilman Dodson stated the City would need something to leverage and \$90,000 was not a large amount. Mr. Cherpeski stated \$75,000 of that money was already set aside in 2017 for a sidewalk project on Washburn Way. Klamath Falls was selected for a Blue Zone; however, the question was if Klamath Falls was ready. Councilman Hart stated the money should not be put in the bike/trail fund now but could be done in the future if Blue Zones came and needed funds for a project. Committee member Biggs stated if the Blue Zone was looking for a signal from the City then the City setting aside money was exactly that. It showed willingness to do it and being ready. Committee member Angeli stated his understanding of Blue Zones was just showing the City was ready to participate and that is done through the footpath/bicycle trail fund because it showed that funding mechanism in place. Support Services Director Susan Kirby noted there was \$7,000 in Parks Professional Contracts, which was something Blue Zone had asked for to get started.

Capital Projects Fund (Formerly Building Reserve Fund) #135.

City Manager Nathan Cherpeski reviewed the budget and comments.

Escrow Reserve Fund #136.

City Manager Nathan Cherpeski reviewed the budget and comments.

Debt Service Fund #150.

City Manager Nathan Cherpeski reviewed the budget and comments.

Veteran's Memorial Agency Fund #307.

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Hart asked who was on the Veterans Memorial Committee and when they met. He suggested they be invited to Council to share their plans. Mr. Cherpeski responded the Air Guard did most of the work. He

noted the City was a fiduciary agency so it was not the City's money to spend. He noted staff would extend an invitation to the Committee to come and talk to Council.

INACTIVE FUNDS

Cemetery Fund #102. - INACTIVE and would be removed from the budget.

PERS Reserve Fund #122 - INACTIVE and would be removed from the budget.

Councilman Dodson asked if the City needed another PERS reserve fund in preparation for a Supreme Court decision. City Manager Nathan Cherpeski stated it could be discussed next year when numbers were reported but if the plan was to increase PERS every year then there was no way to keep up with both.

14. PUBLIC HEARING

Budget Chair Adams opened the public hearing portion of the meeting. Hearing or seeing no one, he closed the public hearing.

15. STATE REVENUE SHARING PUBLIC HEARING.

City Manager Nathan Cherpeski reviewed the State Revenue Sharing information.

Budget Chair Adams opened the public hearing. Hearing or seeing no one, he closed the public hearing.

16. DISCUSSION AND APPROVAL OF BUDGET

Councilman Hart referenced comments from the Budget Committee regarding the old Police building, LOC membership, KCEDA, and the proposed urban renewal study. He asked if anyone proposed an actual change to anything in the budget document. Committee member Fitz

Gerald asked to verify if the City still had \$3.2 million unspent in the Streets Fund. Councilman Hart noted that money would be spent in 2015. City Manager Nathan Cherpeski stated throughout the 10 year plan that would all be spent and then some. Mr. Fitz Gerald responded he wanted to ensure the City had enough funds queued for street improvements. Councilman Hart stated there was carryover from last year that would be spent. Mr. Cherpeski stated the City had spent \$1.65 million and next year would be at \$1.6 million in attempts to do the roads from last year from the Capital Improvements Plan (CIP) Public Works Director Mark Willrett and Streets Manager Chuck Cox compiled. Mr. Fitz Gerald asked if the City had made a formal request of the County for the City to receive by percentage the sum that had been in the past handed to the City for roadway. Mr. Willrett responded no. Mr. Fitz Gerald stated the County received secure rural schools funding for streets and maintenance and he wanted to make sure the City asked for and received funds. Streets Manager Chuck Cox stated the Finance Officer spoke with Finance Director at the County who said the City would not receive the money. Councilman Hart stated it was not sufficient to make a decision based on a telephone conversation between Finance Officers at the City and County. The City needed to make a formal request. Mr. Cherpeski stated staff took into account those funds when preparing the budget but he would draft a letter to the County making a formal request. Mr. Fitz Gerald stated there was a suggestion made for the City to specifically request funds out of the \$100 million for maintenance. Mr. Cherpeski stated when staff looked at the CIP, that could be identified and those funds requested. He noted what the County expected was a project-specific request.

Councilman Hart moved to approve the City of Klamath Falls 2015 - 2016 budget. Councilwoman Seiler seconded. The motion carried unanimously with all Council and Budget Committee members present voting aye.

17. APPROVAL OF TAX LEVY

Councilman Hart moved that the City of Klamath Falls Budget Committee approve taxes for the 2015-16 fiscal year at the rate of \$5.4423 per \$1,000 of assessed value for operating purposes in the General Fund and Airport Fund and excluding from limitation, approve \$182,000 to pay

general obligation bonded debt. Councilwoman Seiler seconded. The motion carried unanimously with all Council and Budget Committee members present voting aye.

URBAN RENEWAL BUDGET

18. URBAN RENEWAL BUDGET MESSAGE

City Manager Nathan Cherpeski reviewed the Urban Renewal Budget Message.

19. DOWNTOWN URBAN RENEWAL FUND.

Estimated Revenue: \$ 759,675

Appropriated Requirements: \$ 759,675

City Manager Nathan Cherpeski reviewed the budget and comments.

20. LAKEFRONT URBAN RENEWAL FUND.

Estimated Revenue: \$ 110,925

Appropriated Requirements: \$ 110,925

City Manager Nathan Cherpeski reviewed the budget and comments.

Councilman Dodson asked if the debt service was covered. Mr. Cherpeski responded yes and noted there was no extra. He explained that the way Oregon did urban renewal was a value was assigned to the urban renewal area then they took and spread the formula across that area. They reduced all the other taxing entities by that amount.

21. TOWN CENTER URBAN RENEWAL FUND.

Estimated Revenue: \$ 228,250

Appropriated Requirements: \$ 228,250

City Manager Nathan Cherpeski reviewed the budget and comments.

22. PUBLIC HEARING – URBAN RENEWAL BUDGET

Budget Chair Adams opened the public hearing. Hearing or seeing no one, he declared the public hearing closed.

25. APPROVAL OF URBAN RENEWAL BUDGET.

Councilman Hart **moved to approve the 2015-16 Urban Renewal budget as presented.** Councilwoman Seiler seconded. The motion carried unanimously with all Council and Budget Committee members present voting aye.

26. APPROVAL OF URBAN RENEWAL TAX LEVY

Councilman Hart **moved the Budget Committee approve taxes for the 2015-16 fiscal year at 100% of the amount from the division of taxes for Lakefront and Town Center Urban Renewal Districts.** Councilwoman Seiler seconded. The motion carried unanimously with all Council and Budget Committee members present voting aye.

ADJOURNMENT

Councilwoman Seiler **moved to adjourn.** Councilman Tofell seconded. The meeting was adjourned at 4:10 p.m.

Kristina West, Assistant to the City Recorder

May 6, 2016

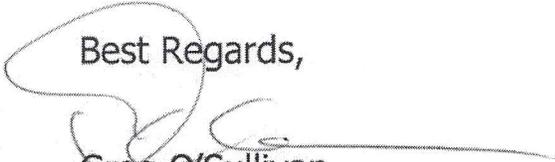
City of Klamath Falls
Nathan Cherpeski
500 Klamath Avenue
Klamath Falls, OR 97601

Dear Nathan,

I wanted to follow up on our conversation with regards to funding KCEDA for FY 2016-2017. Enclosed please find the 3rd quarter report on KCEDA activities. I'm happy to provide additional reports of actions and accomplishments over the course of last year. Please let me know how KCEDA should proceed with a budget request to the City of Klamath Falls for \$50,000 for economic development services.

Once again it's a pleasure to serve the city in our capacity as the lead economic development organization and we appreciate your continued support.

Best Regards,



Greg O'Sullivan
KCEDA Executive Director

KLAMATH COUNTY CONTRACT THIRD QUARTERLY REPORT

January 2016 - March 2016

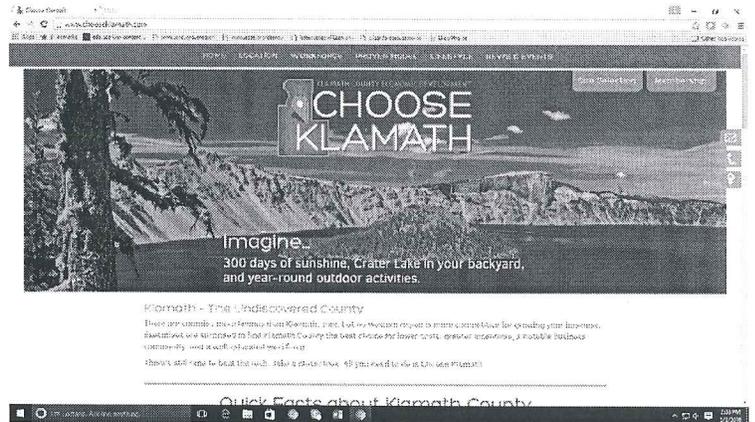
KCEDA
Klamath County Economic Development Association

Greg O'Sullivan

KCEDA

General Marketing and Outreach

KCEDA began the third quarter by launching a new website. ChooseKlamath.com is built using a sophisticated web application providing comprehensive information to help new, expanding, and relocating businesses find optimal locations like Klamath County. Using Geographic Information System (GIS) Software, our ChooseKlamath.com website tools provide access to in-depth information, including powerful real estate search, demographic analysis, industry reports, and dynamic mapping tools.



Direct Mail Campaigns

The following direct mail campaigns were implemented by KCEDA staff.

- Plastics - Hardcopy and email mailing(s) to 350 Plastics Manufacturing Companies in California, Oregon, and Washington offering the ECS Building.
- Site Selectors (California) – Direct mail campaign (Masco Building) to 300 California Site Selectors and Corporate Real Estate Execs.

Business Attraction Program

The Business Attraction program continues to work several projects. KCEDA received an inquiry from a site selection company looking for a 200,000-250,000 sq. . facility. Project Goldfinch is a new prospect. KCEDA is working with the site selector that is considering a facility location in three states.

Project	Activities	Status
Southern California Software Company (new- state lead)	Toured Klamath Falls, 5 employees, considering Medford and Klamath Falls.	Decision Pending - placed in "Open file" status for regular follow up
Project Goldfinch (new)	Prospect; 250,000 sqft 100 jobs (looking at Masco building), Followed up three weeks later looking for a site . Submitted property at Tech Hills.	Decision Pending - placed in "Open file" status for regular follow up
Water Bottling Plan	Prospect; company looking at Klamath County for a major bottling facility. Resource identified.	Conducting due diligence- placed in "Open file" status for regular follow up
Business Jet	AerionSuperSonic – Will not be considering Oregon	Closed
Helicopter Training Facility	Preliminary proposal submitted. Under consideration awaiting site visit (finalist). Did not choose	Lost/Closed

	Klamath	
Commercial Development	Badger Flats – attended planning commission hearing KCEDA staff and members testified in favor.	In permitting/KCEDA monitoring progress- placed in “Open file” status for regular follow up
Distillery/Malting facility	KCEDA Providing site location and business resources	Decision Pending
Call Center/Service Center	Lead from Florida tradeshow event- Paige Webster Referral Proposal Submitted. Lost project went to Florida	Closed/Project located to Florida

KCEDA continued to work several “open files” including:

Open File Project	Actions/Status
1. Project Taylor (Lead provide by Business Oregon) Wood products company that suspended site search in 2014. Project was placed on hold until 2016. KCEDA recruitment committee is working on ways to independently	Continue to monitor - state reports not likely to reconsider expansion for 6 years. Status: On hold
2. Project Phil (Direct inquiry) Plastics recycling and Ag material recovery. Project is in early strategies of feasibility and design. Employment projections 5-10 employees. Requires 500 ton/month of recovered plastic from waste stream.	Project placed on hold- contact in Spring 2016 No activity to report- project is dormant Status: On hold
3. Project FAB (Lead provided by Business Oregon) Machine shop looking to be within 500 miles of Boise. KCEDA provided proposal to state within 72 hours of receiving lead.	Oregon Bus lead- no information. Continue to follow-up with Larry H. and Jill Miles for status. Company still looking
4.	
5. Project Keno (KCEDA direct inquiry) Regional distribution facility for small garden tractors (250 tractors/month). Multinational manufacturing firm considered Klamath Falls, Red Bluff/Redding CA, Yuba City CA, and Woodland CA. Facility would be to distribute tractors in the west/Pacific Northwest. Company ruled out Klamath Falls after site tour	Closed - Located in Woodland due to very low lease rates, building availability, and proximity to international airport.
6. .	
7. Project Portland (local referral) Developer looking for possible mixed-use development opportunities. KCEDA Director met with proponents in June. Ongoing discussions have ensued.	Continue to keep in contact KCEDA and company communicating on regular basis
8. Project FEG (Lead provided by Business Oregon) Small milling operation. Tour building/sites in Klamath Falls, Klamath County and Chiloquin. Decision to be made within 90 days. Company working through due	Site selection placed on hold. Firm testing market for products.

diligence process.	
9. Project Minty (Local referral) Internet retailer base in California with 500 employees. Looking at expansion and/or possible outsource portions of the businesses to other areas. Looking at Sacramento, Davis, and Klamath Falls. KCEDA met with company at corporate location. Company is moving forward with site location process. Company plans to have a decision in next 12 months.	Project was placed on hold while key staff was on leave.
10. Project SunSol (Local referral) KCEDA included in project scoping meeting for large solar facility. Estimated investment \$100 million. Employment 8-10 permanent positions and 80 short term construction jobs.	No information to report.
11. Project Madison (Lead provide by Business Oregon) Open file - no information to report. Open Files (2014).	Closed – no activity (dormant)

Business Retention and Expansion Program

The following business retention/expansion activities occurred during the third quarter:

KCEDA Staff prepared an economic impact analysis for a \$30-50 million rural health clinic.

- A onetime facility investment of \$33M will generate an additional \$67M in economic activity during the construction phase,
- Employment of existing and new jobs related to the campus expansion is 105 Direct another 226 new indirect jobs entering the economy totaling over 330 jobs annually attributed to the expansion,
- Some 240 students “living off campus” will spend over \$3M annually for dining, groceries, real estate (rentals), and medical services,
- OHSU employee payroll are estimated to be around \$5.6M annually indirect spending will likely generate another \$7.9M in economic activity for a total of \$13.5M in spending,
- We estimate that the proposed OHSU Campus would increase economic activity (spending) by more than \$20M annually.

	All Industry		Traded Sector		Capital Investment		Total Capital Investment
	New	Existing	New	Existing	Equipment	Building	
Open Files							
JELD-WEN (Call Center)	20	40				\$ 250,000	
One build	30		30		\$ 200,000	\$ 1,100,000	
Carrigeworks	50	25	50	25		\$ 1,500,000	
Eds	15	80				\$ 500,000	
Masami		120		120			
Collins		100		100	\$ 10,000,000		
Fremont Mill		50		50			
Pelican Tractor	5	15				\$ 350,000	
Malin Potato	20	20	20	20		\$ 250,000	
Panel Processing	38	19	38	19	\$300,000		
KVB		12		12			
Green Blade		3					
Sunny D		15		15			
MCX		5	5				
OHSU		5					
Linkville Roofing		15					
Total (traded Sector)	178	524	143	361	\$10,500,000	\$3,950,000	\$ 14,450,000

Activities

- Open file for Pelican Tractor has advanced to site improvement of current location for expansion
- Facilitated current project for Carriage Works to make local move and expansion possible (approx. 15 jobs in next 6 months) New site still under confidentiality agreement.
- Opened up potential attraction project representing 25 jobs and 4-5 Million in investment
- Working with volunteer in the North section of the county to learn more regarding business climate in that area. How does business retention and expansion model fit there? Current hot button item is new sewer system in the Gilcrest area which KCEDA is actively playing a role in helping move project along.
- Helped facilitate the acquisition of machine used in the old BuildOne project, potentially saving 20 plus jobs in the Basin
- Referred 4 projects to SCOED for business financing possibilities

Special Projects Manger Program (SPM)

KCEDA staff has been busy coordinating a major site selection event including: obtaining sponsorship (\$40,000 raised for the event), secured Key Note Speaker (Blue Zones/Sky lakes Medical facility), Weekly committee management and Updates, Marketing and communications (internally and externally). SiteLink Klamath Falls convenes experienced site selectors and industry leaders in economic development to connect, provide insight, and share expertise to improve your community's strategic position in the noisy landscape of economic development today.

Other Special Projects actions and activities:

- Established and will continue to establish a presence at job/career fairs for higher education institutions, including material purchases
- Helped assist in the beginning stages of targeted direct mail campaigns
- Created, remodified and updated membership recruitment packet, BRE packet, website text information and presentation materials
- Created policy for recruitment processes and follow up with current and prospective members.
- Explored opportunities to utilize Salesforce platform for lead generation and BRE programs, writing a detailed letter about mission-based efforts KCEDA performs that helped us qualify as a discounted non-profit organization through Salesforce.org, potentially saving the organization \$15,000+ if they choose to transition to the Salesforce platform. An option that still can be considered later into the future.