

Integrated Financial  
Management Assessment  
Plan (IFMAP)

City of Albany, Oregon  
**2016-2027**

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## INTRODUCTION

Although the City of Albany has successfully navigated the recent recession by utilizing a variety of tools and techniques common to short-term reduced revenue situations, the City believes that it has an opportunity to be more proactive and strategic in its financial planning. To help improve decision making and focus on longer-term strategic financial planning, the Budget Committee requested the development of an Integrated Financial Management Assessment Plan (IFMAP) that would enable the City to be more strategic and resilient moving forward.

For this initial development phase, the IFMAP was staffed by City employees. Moving forward, this plan will continue to include input and involvement from all City departments, City Council, Budget Committee, and the community. The process is designed to be dynamic and flexible, requiring annual reviews, updates, and enhancements that can be modified to reflect current conditions and/or changing priorities. Periodic reports may be issued, but the IFMAP process is never final.

Continuous community involvement in the IFMAP is essential to validate that choices made reflect the community's priorities and preferences for service levels as well as become partners in helping to achieve the City's strategic goals.

### Purpose:

To project future revenue and expenditure levels for the General Fund, coordinate with other city funds to identify potential conflicts, evaluate priorities and provide information to the Budget Committee to establish City funding and priority.

## CITY BACKGROUND

The City of Albany was incorporated in 1864 and currently includes an area of 17.7 square miles (city limits) and has a population of over 52,540 (PSU data as of July 2016). The City of Albany lies within both Benton and Linn Counties. Albany is the largest city in Linn County and serves as the county seat. Albany is also the second largest city in Benton County.

Albany is credited by historians and architects with having the most varied collection of historic buildings in Oregon. This collection includes styles from the 1840s through the late 1920s and is concentrated in an area of about 100 square blocks. Four historic districts are listed in the National Register of Historic Places by the United States Department of the Interior.

Municipal government operates under a home rule charter in a Council-Manager form. Six City Councilors are elected to represent three geographic wards and have overlapping four-year terms. The Mayor is elected at large every two years. A full-time City Manager administers the affairs of the City as directed by the Council.

The City provides a range of services including police and fire protection, construction and maintenance of the City's infrastructure system including, streets, water and sewer facilities, building inspection, planning, economic development, library services, airport, and parks and recreation.

### **City of Albany Strategic Plan**

The City of Albany Strategic Plan is guided by three fundamental elements: our mission, vision, and core values. The Mission Statement is based on the principles of high quality and continuous improvement. The Vision Statement presents a compelling future toward which our Strategic Plan is directed. Both the mission and vision are founded on basic values that guide all our actions and reflect what we expect from our employees and elected officials.

**Our Mission:** Providing quality public services for a better Albany community.

**Our Vision:** A vital and diverse community that promotes a high quality of life, great neighborhoods, balanced economic growth, and quality public services.

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## OVERVIEW AND SUMMARY

### Components of the Integrated Financial Management Assessment Plan (IFMAP)

In 2016, the Budget Committee tasked staff with the development of a platform for the City's Integrated Financial Management Assessment Plan (IFMAP), to complement the City's budget process and serve as a communication tool for our community. The core elements of this information process and prioritization platform involve:

- **Trust:** Retain the community's trust in city government.
- **Transparency:** Reveal the complex decision-making processes and strategies required to deliver city services.
- **Responsiveness:** Build a plan that considers the community's diverse needs and priorities.
- **Sustainability:** Maintain the long-term financial health of the City while focusing investments in the City's core service areas.

The City's IFMAP attempt to integrate the following distinct activities and/or processes that currently exist in other forms within the City:

- **City Council: (Strategic Plan)** Priorities and goal-setting
- **Capital Improvement Plan (CIP)** Provides the foundation for a comprehensive and equitable allocation of resources into the future
- **City Manager:** Annual Budget and Performance Measurement
- **Finance Department:** Annual financial reports, Popular Annual Financial Report (PAFR), Comprehensive Annual Financial Report (CAFR) and financial history.
- **Service Delivery Functions:** Financial Needs Assessment (FNA)
- **Financial Forecast:** Financial Trend Analysis (FTA)

A long-term integrated financial plan provides the City Council with information necessary to help determine policy decisions and financial resource allocations. The City will review and update its IFMAP annually. This IFMAP provides a current integrated assessment of the financial condition of the City, as well as a projection of the future revenues and expenses. It also identifies trends and potential future constraints.

This IFMAP primarily focuses on the City's operations. These operations are supported by property taxes, utility franchise fees, and various fees. The General Fund is the source of funding for many City operations including public safety (police and fire), parks and recreation, library services, planning, municipal court and central services. Staff annually prepares similar analysis for the special revenue funds (i.e., water, sewer, and stormwater). Periodic reports are prepared for the Street Fund and funds as needed.

In addition to the property tax and franchise fees, the following operating revenues are included in the Integrated Financial Management Assessment Plan:

- Water and sewer charges
- State gas tax
- Transient lodging taxes

The IFMAP utilizes the City's prior five to ten years of available data as the baseline for this projection model. Under this model, future revenues and expenditures are estimated based on the City's current sources of revenue and levels of service.

The IFMAP illustrates that despite the measures taken to reduce or contain the City's General Fund expenses and the slight upward trend of the City's General Fund revenues in recent years, the current revenue base may not completely support expenses for anticipated service levels moving forward. That is, IFMAP suggests that without additional action to reduce expenses or increase revenues, the General Fund expenses could rise at a faster rate than the General Fund revenues, therefore generating a financial gap that may increase each year throughout the forecasted period.



This increasing gap may require the use of the City's reserves to balance the annual budget, potentially leading to the gradual depletion of the reserves within the terms considered in this IFMP. Alternate revenue sources may need to be considered to mitigate the impact of the anticipated financial gap.


## Methodology

The methodology considered in the development of the IFMP includes a financial baseline with historical data that covers the past five years of revenues and expenditures, establishing a framework that informs the analysis and assumptions. While historical trends are not necessarily predictive, they can be used to establish a baseline for future estimates. When combined with current indicators and anticipated future requirements, the historical data becomes an important foundation of the financial forecast.

The IFMAP provides data for core indicators. Some economic and demographic indicators were assigned a rating, and the analysis of each contributes to the understanding of factors that affect revenues and expenditures.

The indicators were given the following ratings:

- **Positive Trend:**  The trend is positive, and the indicator meets policy or performance measures set by the City.
- **Watch Trend:**  The trend is uncertain. The indicator should be watched carefully because it may move in a direction that could have a negative impact on the City's financial health.

- **Negative Trend:**  The trend is negative. The indicator does not meet policy or performance measures set by the City. Corrective action should be considered.

## General Information

**Financial Policy** - It is the policy of the City of Albany to actively manage financial, operational, and budgetary affairs within established guidelines to maintain financial stability both now and in the future. Detail financial policy can be found at <https://www.cityofalbany.net/images/stories/finance/res/RES6376.pdf>.

**Investment Policy** - It is the policy of the City that all funds shall be managed and invested with three primary objectives, listed in the following order of priority:

1. Safety of Principal - Safety of principal is the foremost objective of the City. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
2. Liquidity - The City's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements that might be reasonably anticipated.
3. Yield-Return - The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the City's risk constraints and the cash flow of the portfolio. "Market rate of return" may be defined as the average yield of the current three-month U.S. Treasury bill or any other index that most closely matches the average maturity of the portfolio.
4. The City's Investment policy can be found:
  - a. <https://www.cityofalbany.net/images/stories/finance/res/RES6553.pdf>

**Risk Management Policy** - It is the policy of the City of Albany to proactively identify and manage the inherent risks of providing municipal services. Potential losses will be mitigated through employee safety committees, loss prevention programs, property and liability insurance, workers' compensation, and employee health, life, and disability benefits.

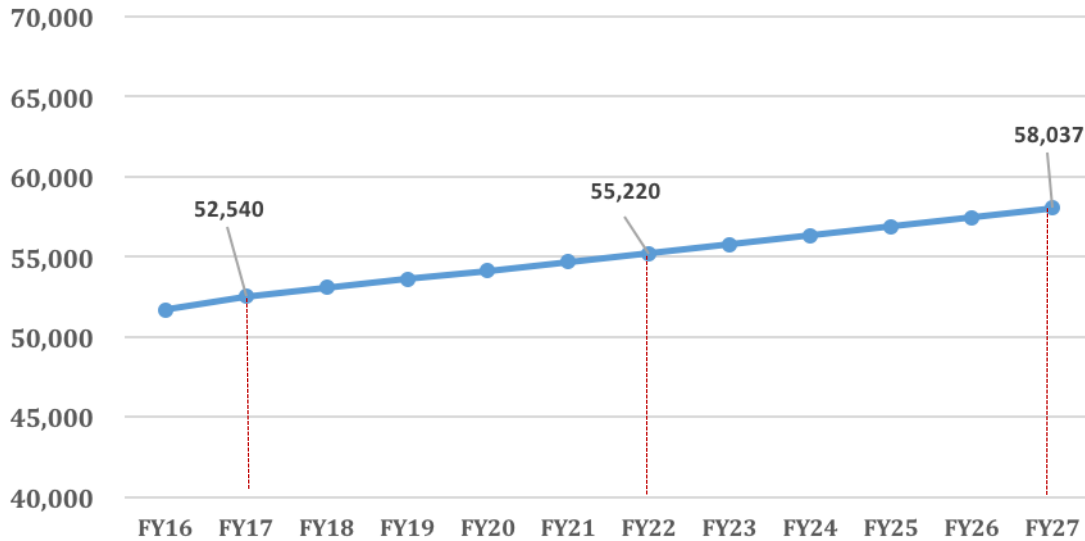
- The City's Risk Management policy can be found at:  
<https://www.cityofalbany.net/images/stories/finance/res/RES6554.pdf>

**Strategic Plan** - Our Strategic Plan has four primary themes that reflect our Mission and Vision Statements: [Great Neighborhoods](#), [a Safe City](#), [a Healthy Economy](#), and [an Effective Government](#). Specific goals, objectives, and actions move the organization toward our vision of the future.

Each theme is followed by the City's primary goals in that subject area for the foreseeable future. The goals may remain constant over time and should only be revised to reflect significant community changes or unanticipated events. A list of measurable objectives with benchmarks helps us track progress toward the goals. Objectives are generally identified to cover the five-year planning period from the date they are adopted or revised. Actions are the steps needed to meet the objective. Many more strategies and actions will be developed at the department and division level to align the entire organization with the goals and objectives.

**Population** - The population in Albany has grown at an average rate of 0.83 percent over the past five years. For the IFMAP, we will use a 1.0 percent growth factor which estimates the population at 55,220 by 2022 and 58,037 by 2027.

**Exhibit 1  
Population Forecast**



**Positive Trend:**  Note: PSU certified the FY17 population of 52,540 in July 2016. <https://www.pdx.edu/prc/population-reports-estimates>.

**ENR** - The Engineering News Record (ENR) publishes both a Construction Cost Index and Building Cost Index that are widely used in the construction industry. The two indexes apply to general construction costs. The CCI can be used where labor costs are a high proportion of total costs. The BCI is more applicable for structures. The City relies on the Seattle construction cost index for its Capital Improvement Projects (CIP).

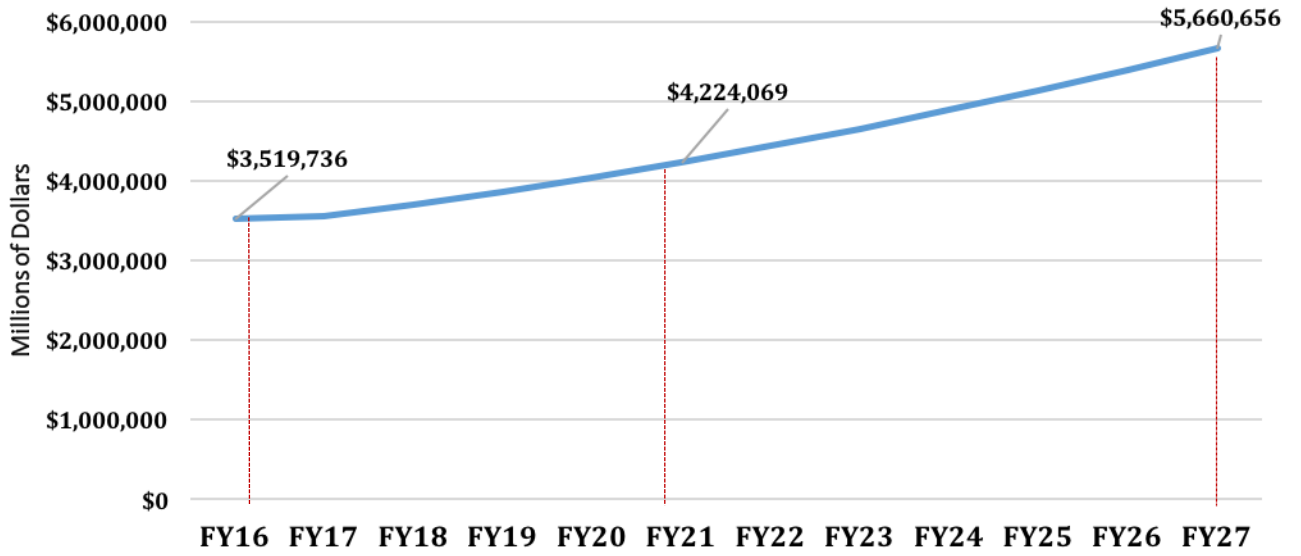
ENR has price reporters covering 20 U.S. cities who check prices locally. The prices are quoted from the same suppliers each month. ENR computes its latest indexes from these figures and local union wage rates. Source: <http://www.enr.com/>

The ENR for the Northwest Region is expected to continue to grow at 3.0 percent.

**Assessed Value** - The assessed valuation of the City is estimated to be \$3,552,360,778, an increase of 4.15 percent from prior year. At the current pace, the assessed value could reach \$4,435,272,117 by 2022.



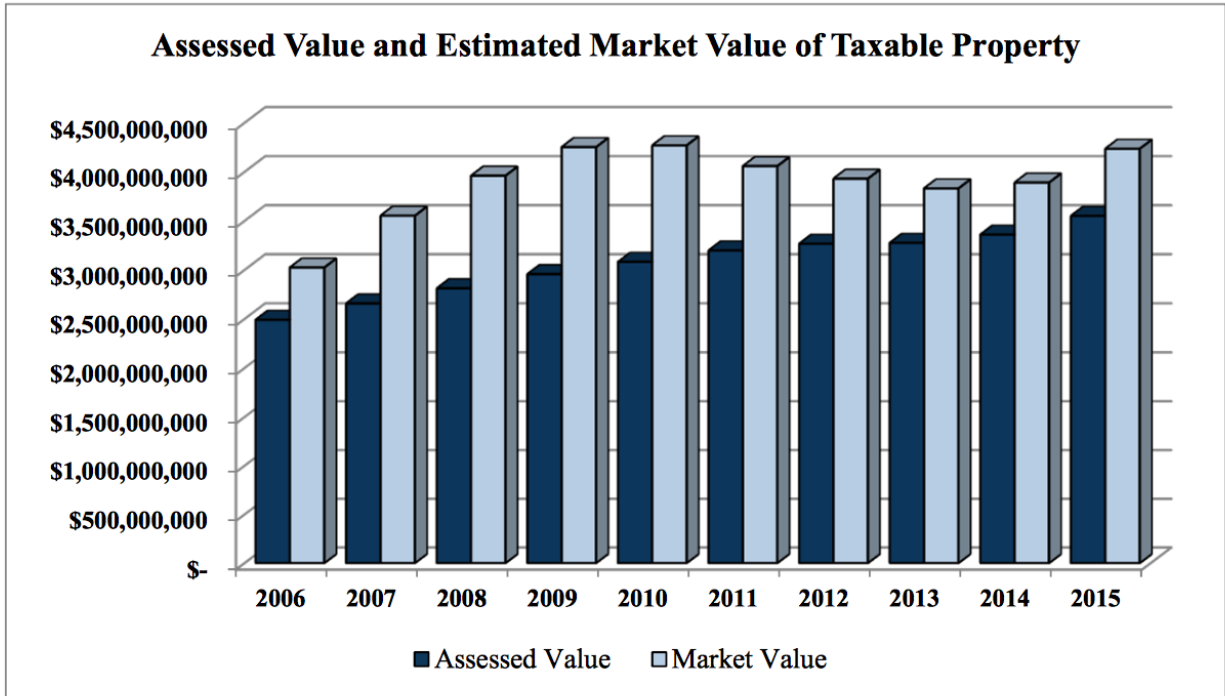
**Exhibit 2**  
**Projected Assessed Value for City of Albany**



**Positive Trend:** 

### Exhibit 3

#### CITY OF ALBANY, OREGON ASSESSED VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years



**Bond Rating** - The City has a General Obligation Bond rating of “A2” from Moody’s Investors Service, and a rating of “A+” from Standard and Poor’s. The ratings reflect the City’s growing tax base, stable financial position, level of reserves and moderate debt burden. Full, true cash value of property assessed in the City, per capita, is a respectable \$81,961.

The City’s direct General Fund debt burden is 0.42 percent of the true cash value, and the overall debt burden is 1.85 percent of the true cash value.

### Current State (Existing Conditions)

**2014-2015 Audit Highlights** - The following highlights are taken from the Management Discussion and Analysis section of the 2014-15 Comprehensive Annual Financial Report (CAFR) and represent all funds reported in the CAFR (Note: The 2015-2016 Audit Highlights will be available in January 2017 and will be included in next years’ IFMAP):

The CAFR for the year ended June 30, 2015, received an unqualified opinion from the audit firm Boldt, Carlisle, & Smith, LLC, and has been submitted to the Government Finance Officers Association of the United States & Canada (GFOA) for consideration of the Certificate of Achievement for Excellence in Financial Reporting. The City has received this award for the last 30 consecutive years (1984-2014).

1. At June 30, 2015, the City's assets totaled \$431.4 million, consisting of \$331.7 in capital (non-consumable) assets, \$71.7 million in unrestricted (not ear-marked for a specific purpose) cash and investments, \$9.7 million in inventories and prepaid items, and \$18.3 million in receivables.
2. The assets exceeded the liabilities of the City on June 30, 2015, by \$310 million. \$52.3 million may be used to meet the City's ongoing obligations to residents and creditors. This represents a decrease of \$2.7 million in comparison to the previous year.
3. The City's governmental activities generated \$7.8 million in charges for services, obtained \$9.0 million in operating (for day-to-day operations) and capital (for the purchase of capital assets) grants. Direct expenses, including interest on the long-term debt for governmental activities, were \$43.7 million, resulting in \$26.8 million in net expenses.
4. Fund balances (excess of assets over liabilities) in the City's governmental funds decreased \$1.2 million to \$33.3 million as of June 30, 2015. Contributing to the change is: Risk Management Fund balance decreased \$1.2 million as settlement proceeds received in the fiscal year 2010 were used on economic development projects; the Street Fund balance decreased \$3.0 million as reserves decreased with the increase in capital construction projects, and the non-major fund's fund balance increased \$1 million.

**Balance Sheet** - A statement of financial position (Statement of Net Position) shows:

1. Assets and the deferred outflows (consumed, but will benefit future period) of resources
2. Liabilities and the deferred inflows (acquired, but apply to future period) of resources.
3. The difference between them (net position). On June 30, 2015, the City's assets exceeded its liabilities by \$127.9 million in governmental activities. Assets for business-type activities exceeded liabilities by \$182.9 million.

The charts below show a high-level summary of the City's financial position and statement of activities. For greater detail of the report, please see the City's Comprehensive Annual Financial Report (CAFR), which is available online at <http://www.cityofalbany.net>.

**City of Albany ◊ Statement of Net Position**

(nearest thousands)

Assets	As of June 30, 2014		As of June 30, 2015	
	Governmental	Business-Type	Governmental	Business-Type
Current assets	\$ 50,382,000	\$ 44,071,000	\$ 50,600,000	\$ 49,084,000
Capital and other assets	100,851,000	231,841,000	103,624,000	228,115,000
<b>Total assets</b>	<b>151,233,000</b>	<b>275,912,000</b>	<b>154,224,000</b>	<b>277,199,000</b>
<b>Liabilities</b>				
Current liabilities (due <1 yr)	6,159,000	7,367,000	5,132,000	7,456,000
Long-term liabilities (due >1 yr)	12,706,000	88,214,000	12,325,000	83,728,000
<b>Total liabilities</b>	<b>18,865,000</b>	<b>95,581,000</b>	<b>17,457,000</b>	<b>91,184,000</b>
<b>Deferred Outflows/Inflows</b>				
Pension related items	-	-	9,699,000	3,119,000
<b>Total Net Position</b>	<b>\$ 132,368,000</b>	<b>\$ 180,331,000</b>	<b>\$ 127,068,000</b>	<b>\$ 182,896,000</b>

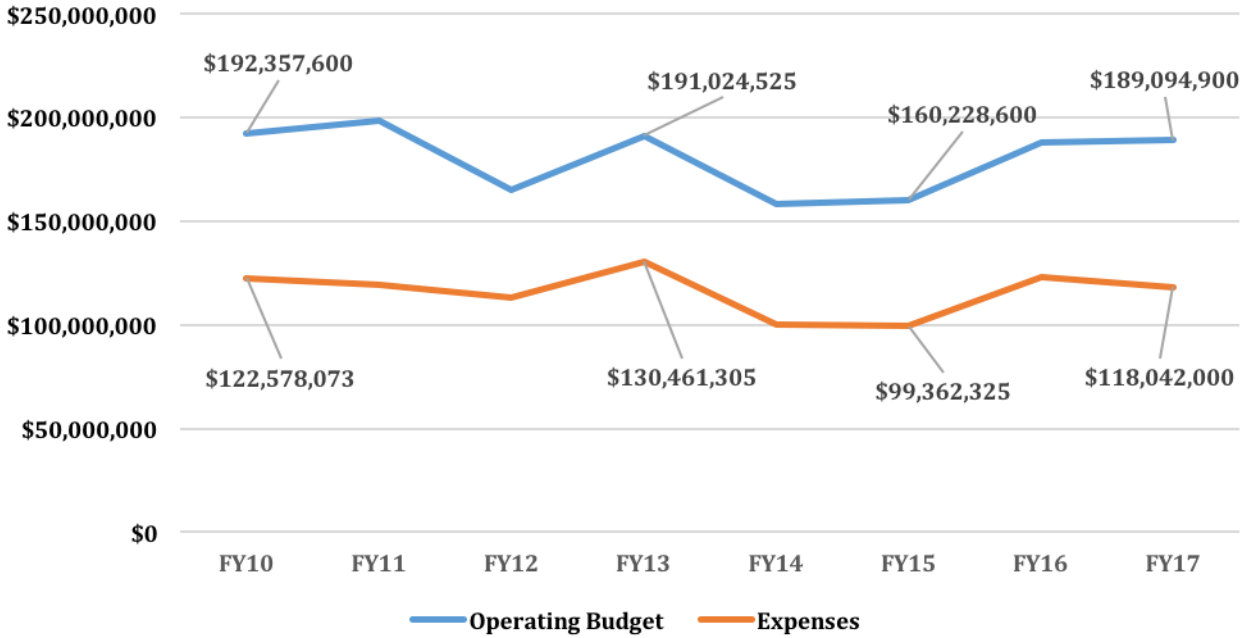
**City of Albany ◊ Statement of Activities**

(nearest thousands)

	2012	2013	2014	2015
<b>Expenses</b>				
Governmental	\$ 49,351,000	\$ 50,591,000	\$ 50,843,000	\$ 43,666,000
Business-type	25,171,000	26,396,000	26,290,000	24,220,000
<b>Total Expenses</b>	<b>74,522,000</b>	<b>76,987,000</b>	<b>77,133,000</b>	<b>67,886,000</b>
<b>Program Revenues</b>				
Governmental	\$ 14,752,000	\$ 14,855,000	\$ 17,298,000	\$ 16,819,000
Business-type	25,561,000	25,749,000	28,580,000	30,502,000
<b>Total Program Revenues</b>	<b>40,313,000</b>	<b>40,604,000</b>	<b>45,878,000</b>	<b>47,321,000</b>
<b>General Revenues</b>				
Governmental	\$ 34,050,000	\$ 35,059,000	\$ 37,289,000	\$ 37,750,000
Business-type	2,812,000	5,037,000	(1,281,000)	(685,000)
<b>Total General Revenues</b>	<b>36,862,000</b>	<b>40,096,000</b>	<b>36,008,000</b>	<b>37,065,000</b>
<b>Change in net position</b>				
Governmental	\$ (549,000)	\$ (677,000)	\$ 3,744,000	\$ 10,903,000
Business-type	3,202,000	4,390,000	1,009,000	5,597,000
<b>Total Change in net position</b>	<b>2,653,000</b>	<b>3,713,000</b>	<b>4,753,000</b>	<b>16,500,000</b>
<b>Net position - beginning</b>				
Governmental	\$ 129,851,000	\$ 129,302,000	\$ 128,625,000	\$ 116,165,000
*Business-type	172,733,000	174,933,000	179,322,000	177,298,000
<b>Net position - ending</b>				
Governmental	\$ 129,302,000	\$ 128,625,000	\$ 132,369,000	\$ 127,068,000
*Business-type	175,935,000	179,322,000	180,331,000	182,895,000
<b>Total net position - ending</b>	<b>\$ 305,237,000</b>	<b>\$ 307,947,000</b>	<b>\$ 312,700,000</b>	<b>\$ 309,963,000</b>

The following chart graphically depicts the past six years of historical data on operating budget and expenditures for all departmental function.

**Exhibit 4  
Operating Budget & Expenditures for all Departmental Functions**

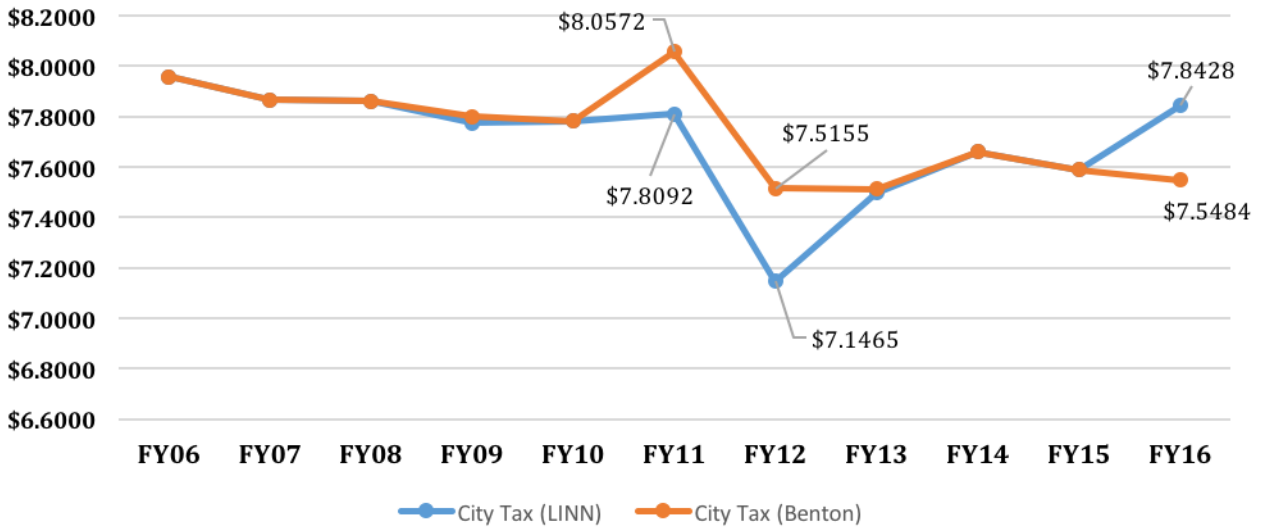


Note: Gap between curves represent contingencies, capital reserves, equipment replacement and other restricted revenues

**Tax Rates**

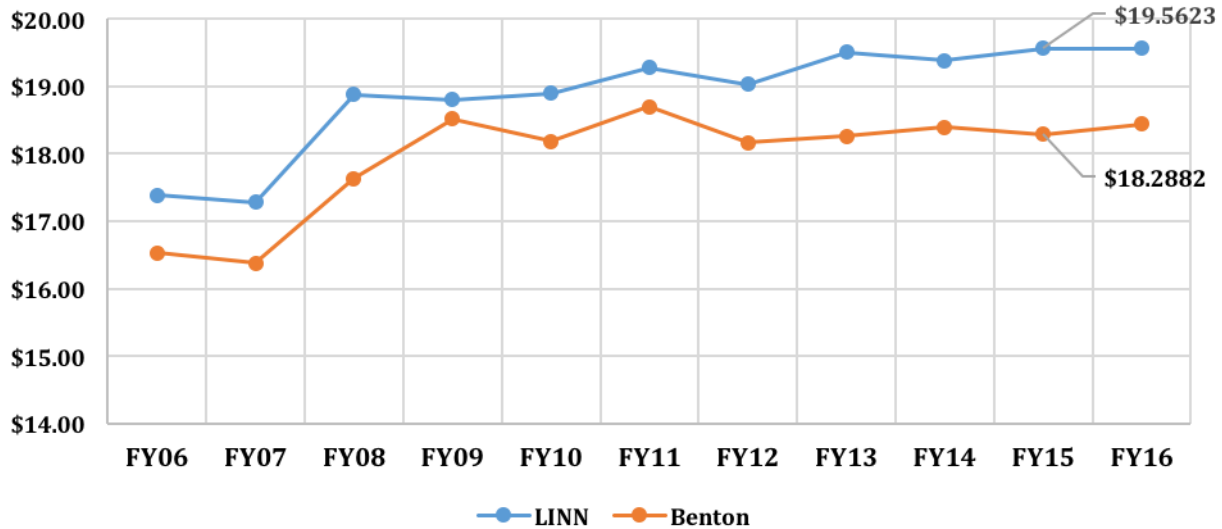
- The City’s permanent tax rate is \$6.3984 per \$1,000 of assessed value.
- The Public Safety Local Option Levy is estimated to be \$4,254,691 (before compression), an effective tax rate of \$1.15 per \$1,000 of assessed value.
- The General Obligation (GO) bond debt will be \$1,078,528, a tax rate of \$0.29 per \$1,000 of assessed value.

**Exhibit 5**  
**City Tax by County per One Thousand dollars assessed**

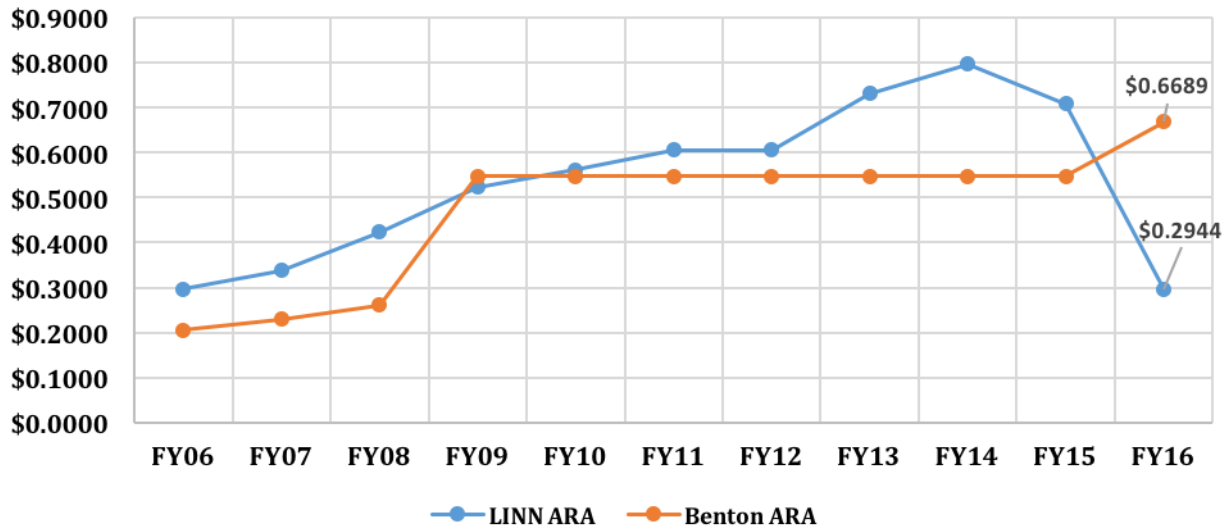


**Note:** The state high court upheld a 2013 Oregon Tax Court ruling that determined HP’s Corvallis campus had been overvalued by the Oregon Department of Revenue. All 52 taxing districts including the City of Albany that get a share of property tax revenue in the county also shared in the reduction of an estimated \$1.7 million.

**Exhibit 6**  
**Effective Tax Rate per One Thousand Dollars Assessed for Albany by County**



**Exhibit 7  
Albany Revitalization Agency (ARA) Tax by County**

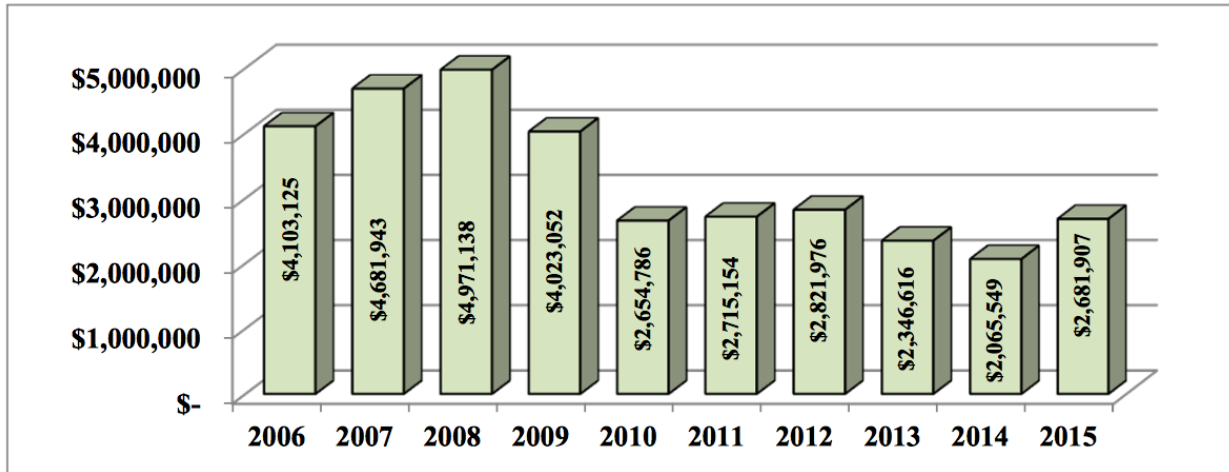


**Internal Services Fund** - Charges to user departments for services provided internally by the City (e.g., Central Services). The City also has two Public Works services funds.

**Public Works Services Fund** - The Public Works Services Fund is divided into six programs: Administration, Engineering Services, Operations Administration, Water Quality Control Services, Public Works Customer Services, and Facilities and Maintenance Engineering, which primarily provide services to the Water, Sewer, and Street Funds.

**Central Services Fund** - The Central Services Fund provides services to all City departments. Those services are provided by the following programs: City Council & Non-departmental, City Manager's Office, Finance, Human Resources, Information Technology Services, Geographic Information Systems Services, Permit Tracking Services, and Building Maintenance. Charges are allocated to various fund based upon metrics approved by Council.

**Exhibit 8**  
**General Fund Unreserved Fund Balance**  
 Last Ten Fiscal Years

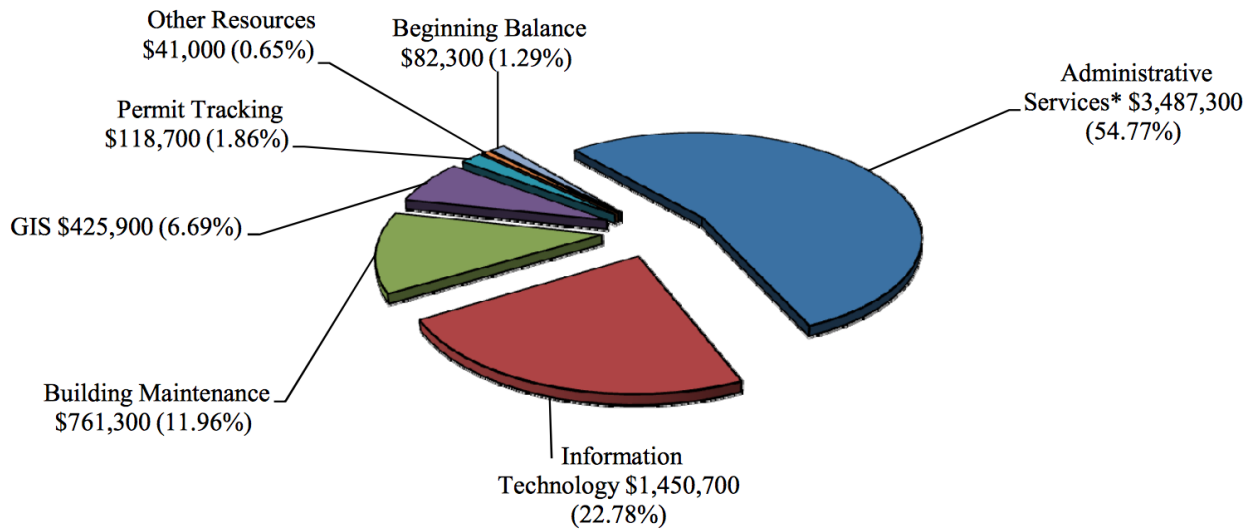


The City has implemented GASB 54, the effective fiscal year 2011. Due to that conversion, the City has reclassified ending fund balances. The above information will be accumulated yearly, until ten years are reported.

*Source: City of Albany 2006-2015 Comprehensive Annual Financial Reports*

**Category Totals and Percent of Budget:**

**Exhibit 9**  
**The total FY 17 adopted budget for the central service fund was \$6,367,200**





**Debt Service** - Funds used for paying principal and interest on debt funds. Accounts for the accumulation of funds that are restricted, committed or assigned to expenditure for principal and interest on the debt.

Debt Principal Outstanding as of July 1, 2016, General Obligation Bonds:

2015 Public Safety Facility \$17,605,000

GO bonds were approved by voters on May 19, 2015. The series 2015 bonds were sold in August 2015.

Other Bonds:

Water Revenue	\$25,570,000
Revenue Obligations	655,000
Limited Tax Pension	<u>5,101,484</u>
Total Other Bonds	\$31,326,484

Other Debt:

Clean Water SRF Loan	\$1,889,035
2012 SRF ARRA Loan	1,550,000
SRF Loans, Sewer	<u>51,882,125</u>
Total Other Debt	\$55,321,160

**Permanent Fund** - Resources reported are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry. The City has three permanent funds.

**Senior Center Endowment Fund** - This fund receives private gifts and donations dedicated to Senior Center operations. Donations have ranged from \$3,500 to \$5,000 annually. Expenditures may be made from interest earned from investment of the donations. This fund is scheduled to be removed during the FY18 budget cycle.

**Library Trust Fund** - Veda O. Torney Trust: Interest earnings on the \$10,000 trust balance are used for the purchase of children's picture books.

**Library Trust Fund --Manela Trust:** Interest earnings on the \$69,500 trust balance are used to purchase scientific, educational, and technical books.

<b>RESOURCES</b>	
Other Revenue	\$ 100
Investment Earnings	600
Beginning Balance	55,800
Beginning Balance Held in Trust	79,500
<b>Total Resources</b>	<b>\$ 136,000</b>

<b>REQUIREMENTS</b>	
Materials & Services	\$ 4,700
Unappropriated	131,300
<b>Total Requirements</b>	<b>\$ 136,000</b>

**Enterprise Funds** - A separate fund used to account for services supported primarily by service charges; examples are water, sewer and stormwater funds. Additional revenue information for these funds will be available in the revenue section of this document.

## Revenues (Overview of Revenues)

The City utilizes 17 funds to account for governmental services. These funds are grouped into two separate categories: governmental activities and business-type activities.

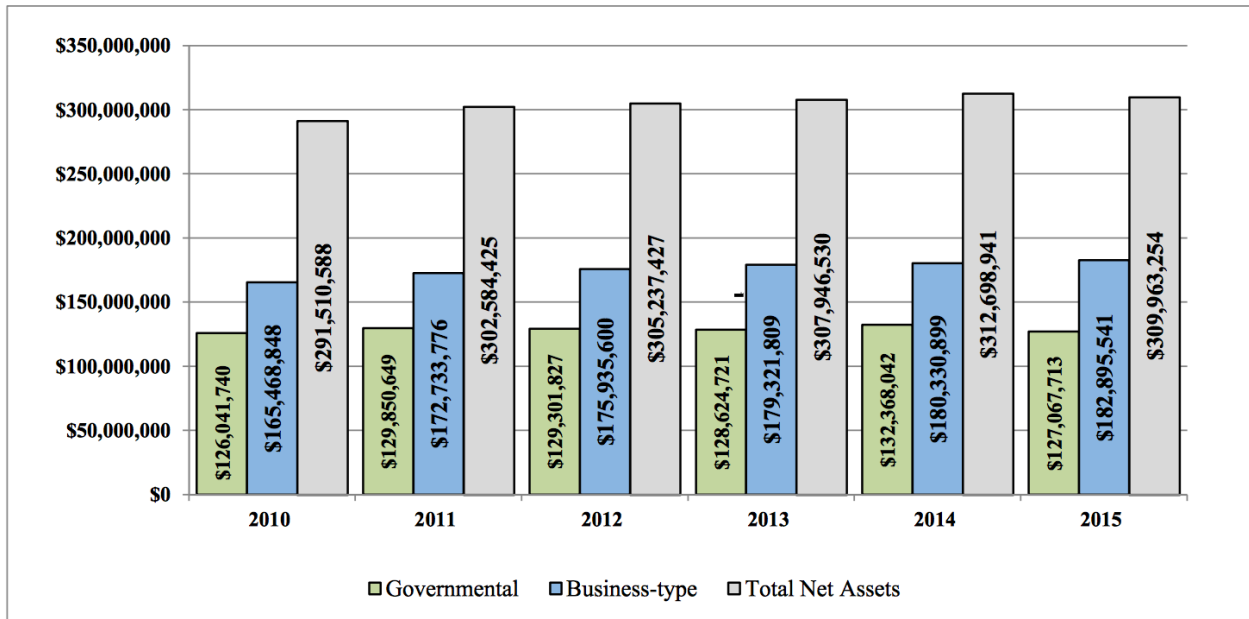
**Governmental activities** are the basic services provided by the City and include services such as public safety (police and fire), street, transit, planning, parks and recreation, library, municipal airport, and general administration. Property taxes and franchise fees fund the majority of these services.


**Business-type activities** of the City are its water, sewer, and stormwater services. The City charges fees to customers to cover the costs of providing these services. The City Council reviews the sewer and water and the need for potential adjustments of rates on an annual basis.

Over the last ten years, the net position of governmental activities increased by just over 24 percent (\$24,740,000). Included in program revenues are \$10,828,000 of capital contributions in the form of systems development charges, connection fees, improvement assurance fees, and site improvements.

During the same time frame (ten years), the net position of the business-type activities has increased by 48 percent (\$58,924,000). The two major components of the increase have been operating income (\$56,352,000) and capital contributions (\$37,129,000), which consists of development fees (systems development charges, in-lieu-of assessment charges, and improvement assurances), and developer constructed water, sewer, and storm drain site improvements donated to the City.

**Exhibit 10**  
**Governmental, Business-type, and Total Net Position**  
 last 6 fiscal years



**Watch Trend:**  **Note:** The total net position for the City decreased in FY2015, due to the increase in business-type expenditures such as capital projects.

**Major Revenue Types:**

**Property taxes** - Linn and Benton Counties assess property taxes on behalf of all taxing jurisdictions within the respective county. In addition to the city, these include the county, schools, and special districts.

For each dollar collected by the County, the City receives \$0.21 for general operations. The City also receives \$0.04 for the Public Safety Levy and debt service.

The City of Albany levies the following property taxes:

The City of Albany’s permanent rate of \$6.3984 per \$1,000 of assessed value.

1. In May 2016, the citizens of Albany passed a renewal of the Ambulance, Fire, and Police local option tax. The budget passed for Fiscal Year 2014-15 is the first year of the levy renewal. The Public Safety Local Option Levy is estimated to be \$4,254,691, an effective tax rate of \$1.15 per \$1,000 of assessed value. The Public Safety Local Option levy will lose an estimated \$1,112,129 in tax revenues due to compression. This levy renewal runs through FY2020-2021.
2. The City levies taxes to pay for the bonded debt. The levy for the General Obligation Debt will be \$1,078,528, a tax rate of \$0.29 per \$1,000 of assessed value. In 2007, the citizens of Albany approved a bond sale to pay for refunding of the 1996 Fire

Substation GO Bonds and advance refunding of the 1999 Street Improvement GO Bonds. This debt was paid in full with the Fiscal Year 2013-14 payment of \$1,261,058.

3. In May 2015, the citizens of Albany approved an \$18,000,000 GO Bond to construct a new Police and Fire stations. In Fiscal Year 2015-16, \$1,032,310 was levied for the payment of the bond.
4. The assessed valuation of the City is estimated to be \$3,552,360,778, an increase of 4.15 percent from 2015.
5. The Budget Committee recommends and the City Council adopts full taxing authority.
6. The Fiscal Year 2016-2017 tax collection rate is estimated to be 93.47 percent.

**Franchise fees** - Fees charged to utilities for the use of the public right-of-way.

**Fees and charges for services** - Fees received for services, including sewer, water, and park fees.

**Licenses and fees** - Revenue from the issuance of licenses and fees, includes court and library fines.

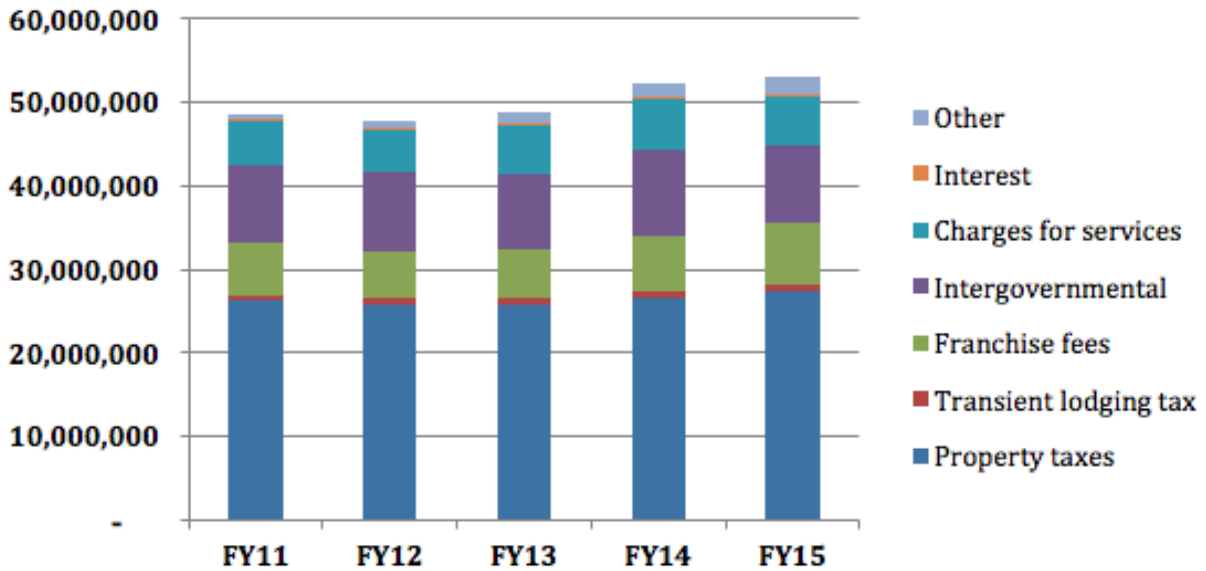
**Intergovernmental revenue** - Revenue received from other governments (federal, state, County, special districts) in the form of grants and shared revenues.

## **Revenue History:**

### Governmental Activities Notes:

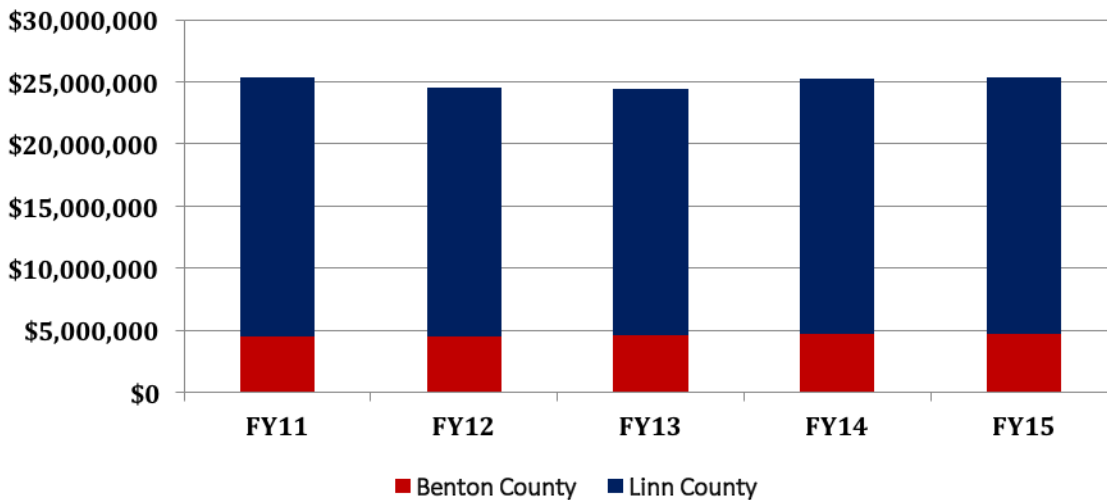
- Property taxes assessed increased 0.64 percent over the previous year, which brings the level assessed back to what was assessed in Fiscal Year 2010-11. Collections have continued to rise with an increase of 2.73 percent over what was collected last fiscal year.
- Interest earned on investments and amounts held in the Local Government Investment Pool showed a decrease of 37.35 percent from the previous year. Interest earned over the last five years has increased 311.47 percent from \$ 348,336 in 2010-11.
- Transient Lodging Tax continues to grow. Collections in 2014-2015 increased 17.22% over the prior year to \$941,355; and 8.70% or \$1,023,244 collected in Fiscal Year 2015-16.

**Exhibit 11  
General Fund Revenue Collection**



Positive Trend: 

**Exhibit 12  
Property Taxes Assessed**



Business-Type Activities Notes:

- Interest earned on investments and amounts held in the Local Government Investment Pool (LGIP) have decreased 47.21 percent from FY11 to FY15.

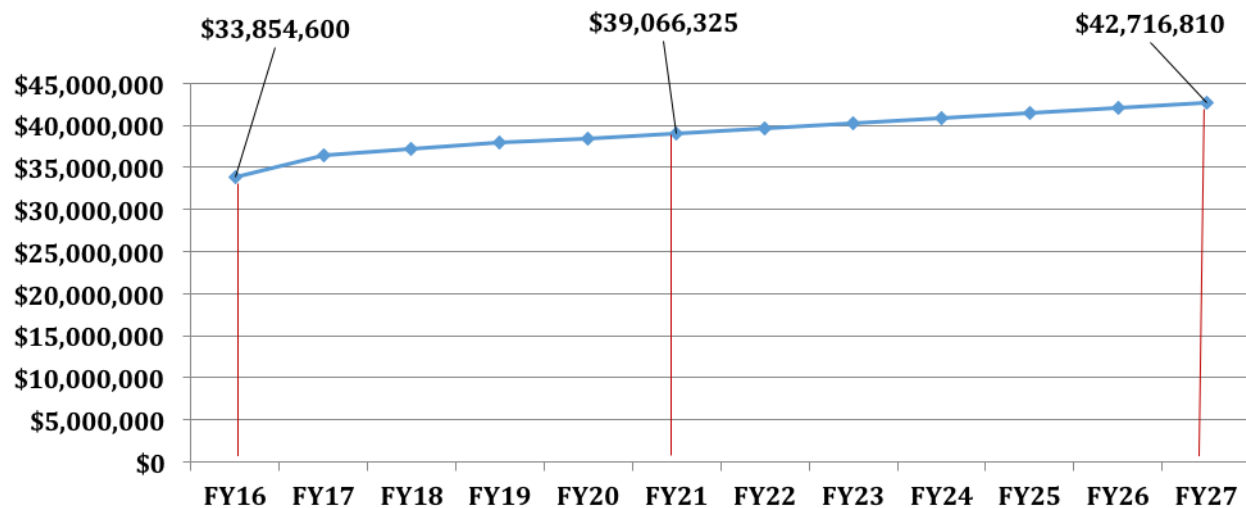
## General Fund Revenue

The following information provides a snapshot of the financial health of the General Fund as of June 2016. It is based on the International City/County Management Association (ICMA) model called the Financial Trends Monitoring System. It also provides a forecast of revenues and expenditures in the General Fund that builds upon the trends identified by the financial indicators.

Both the financial indicators and the forecast are based on the best information available in January 2016. It should be expected that a comparable report in January 2018 would show different trends and a different forecast based on changes during the coming year.

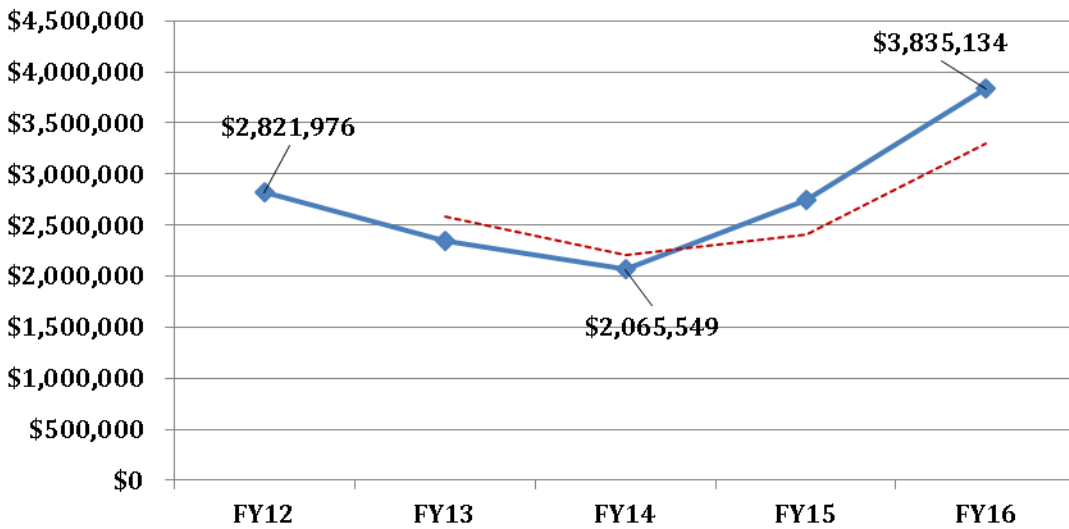
General Fund Revenues Forecast:


**Exhibit 13**  
**Total Revenues**



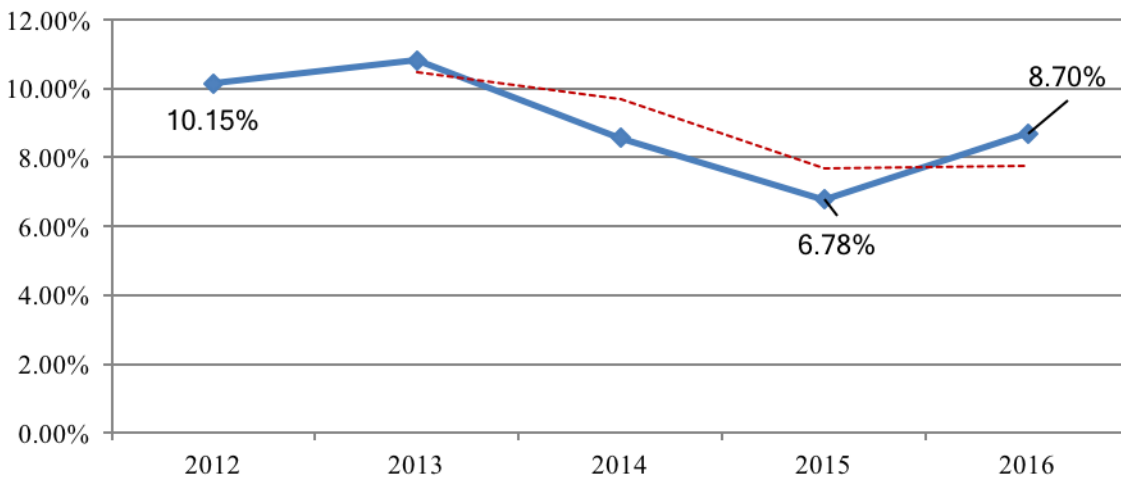
**Positive Trend:** 


**Exhibit 14  
Ending Fund Balance**



**Positive Trend:**  **Note:** The red-dotted line represents the two-year moving average.

**Exhibit 15  
Beginning Fund Balance as a Percent of General Fund Revenues**

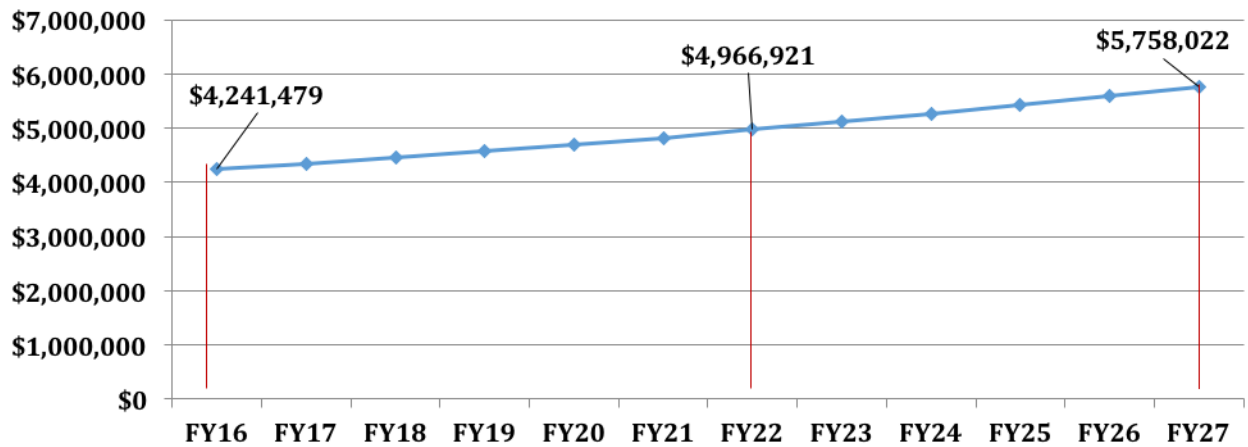



**Positive Trend:**  **Note:** The red-dotted line represents the two-year moving average.

## General Fund Franchise Fees and Privilege Taxes

Fluctuations in franchise fee and privilege tax revenues have more to do with the weather than with changes in economic or other conditions. Cold winters and hot summers result in higher revenues. Franchise fees and privilege taxes are the second largest revenue source in the General Fund.

**Exhibit 16**  
**General Fund Franchise Fees & Privilege Taxes**

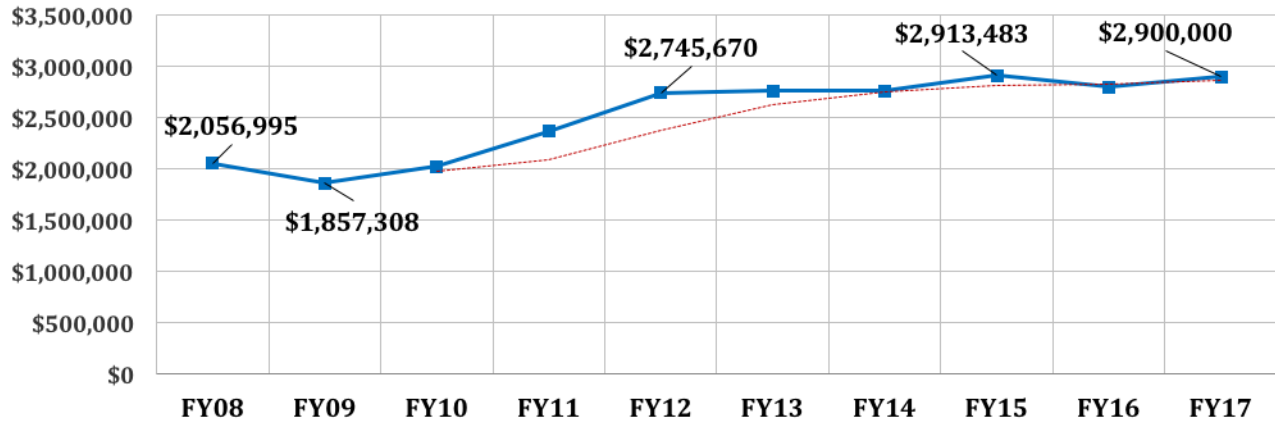



**Positive Trend:**  **Note:** These funds are collected from franchisees such as Pacific Power and Light (PP&L), NW Natural, Consumer Power, Qwest, Comcast, Republic Services, and LS Networks. Expected growths assume a 2.5 percent up to FY21 and 3 percent from FY22 through FY27.



**State Gas Taxes**

**Exhibit 17  
State Gas Tax**

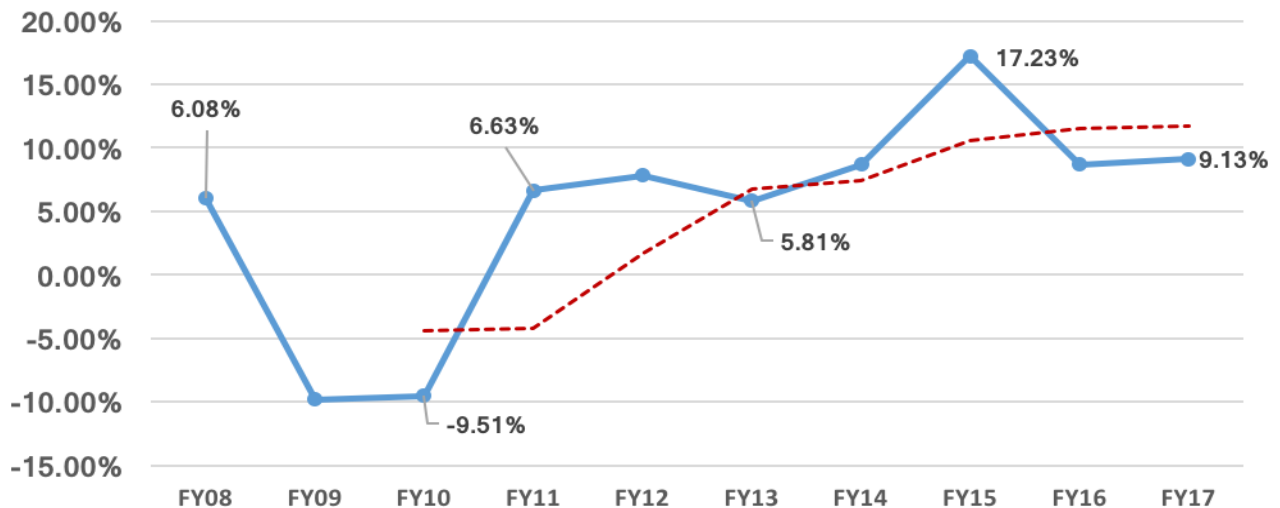



**Positive Trend:**  **Note:** The red-dotted line represents the three-year moving average.

**Transient Lodging Taxes**

The City administers the TLT according to ORS Sections 320.345-320.350; Albany Municipal Code Chapter 3.14; and the TLT policy adopted by the City Council. Lodging facility operators retain five percent of the gross tax as compensation for record-keeping services.

**Exhibit 18  
TLT Percent Change from Prior Year**



**Positive Trend:**  **Note:** The red-dotted line represents the three-year moving average. The TLT revenues continue to move in a positive direction. There is an expected nine percent

revenue increase for a current fiscal year (FY17).

### Exhibit 19

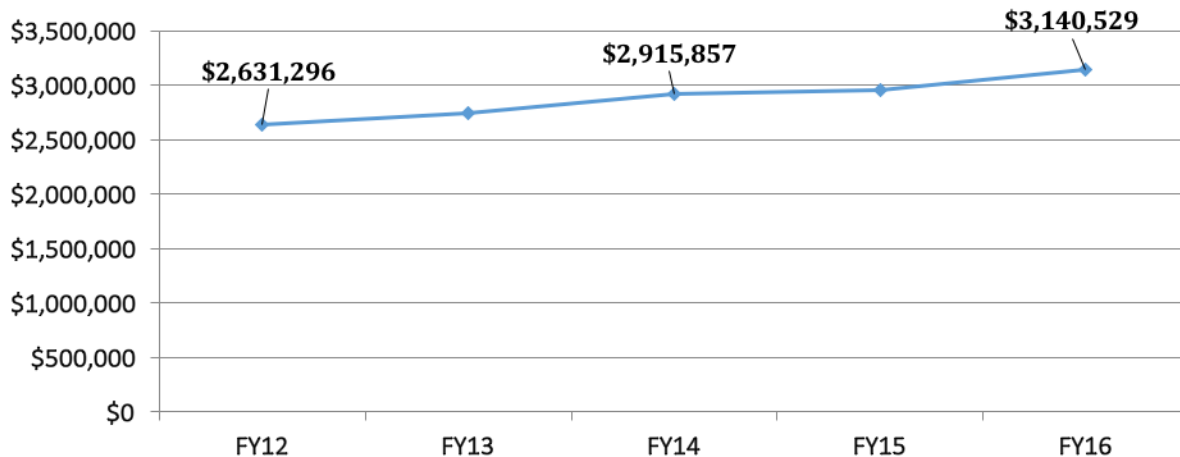
#### USE OF TRANSIENT LODGING TAX REVENUES Ten Fiscal Years


Fiscal Year	.....Non-Profit Agencies.....			Amount Available for Other Activities	Total Economic Development Fund	Debt Service <sup>2</sup>	Total Transient Lodging Tax Revenues
	Albany Visitors Association	AMEDC <sup>1</sup>	Albany Downtown Association				
2008	\$ 347,000	\$ 45,000	\$ 25,000	\$ 93,037	\$ 510,037	\$ 231,083	\$ 741,120
2009	347,000	45,000	30,000	56,150	478,150	196,593	674,743
2010	337,300	45,000	35,589	(35,835)	382,054	213,175	595,229
2011	320,300	42,700	33,623	259,256	655,879	-	655,879
2012	329,000	44,000	39,600	303,265	715,865	-	715,865
2013	338,900	45,400	40,800	329,485	754,585	-	754,585
2014	349,100	46,900	42,000	365,805	803,805	-	803,805
2015	359,600	48,300	43,300	475,972	927,172	-	927,172
2016	370,400	49,700	44,600	477,300	942,000	-	942,000
2017	381,500	51,200	45,900	550,200	1,028,800	-	1,028,800

### General Fund Intergovernmental Revenues

The trend reflects the growth of intergovernmental revenues in the past few years. Some intergovernmental revenues such as state shared revenues grow at a fairly consistent rate. Others, such as Conflagration Response Reimbursement, can fluctuate fairly dramatically from year to year.

### Exhibit 20 General Fund Intergovernmental Revenues

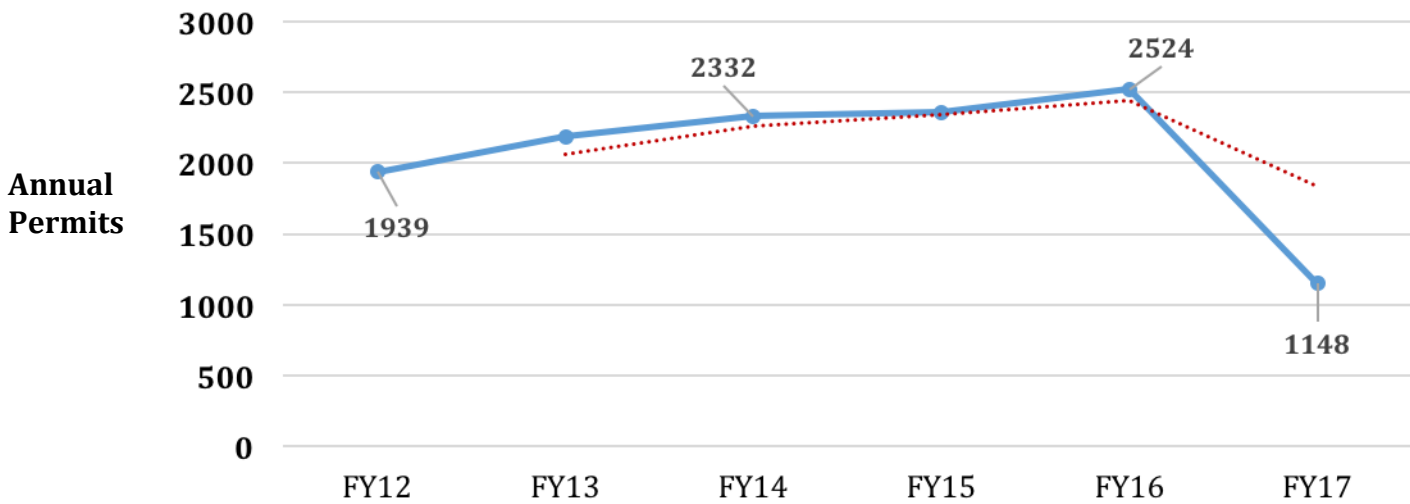



**Positive Trend:**  **Note:** This revenue type remains fairly flat or has had a slight increase during the past five years.

The City’s property tax revenues are beginning to gradually display signs of improvement with noticeable activity for new residential and commercial development. It is anticipated that residential and commercial property values will slowly increase during the next several years. State-shared revenues are also expected to gradually increase in the next few fiscal years.

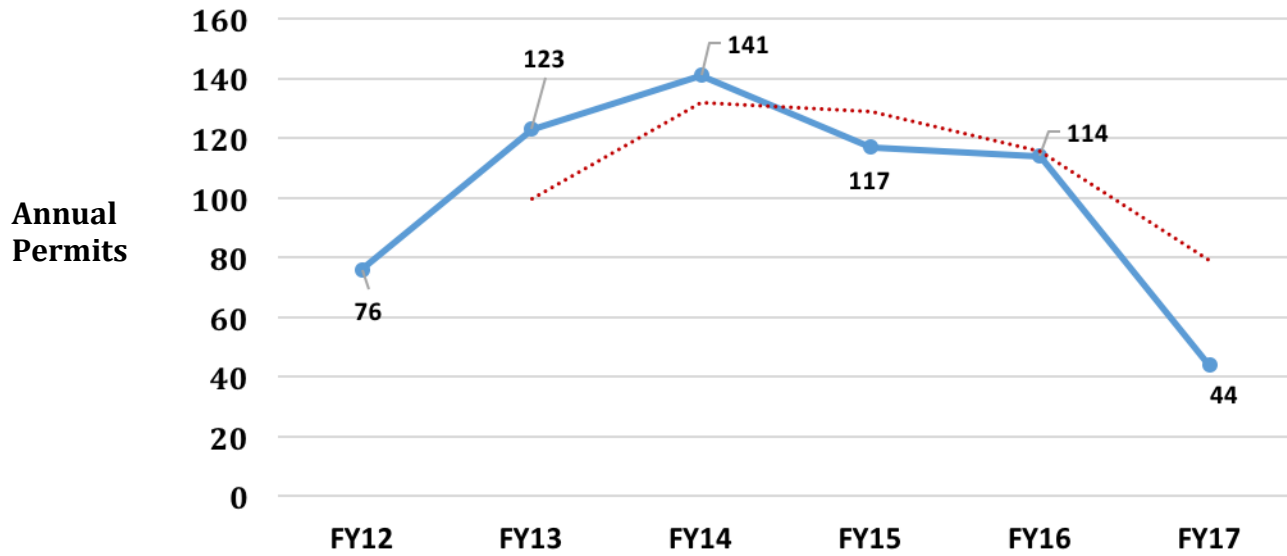
The number of total building permits has increased since FY12, but the number of new single-family residential units has slightly decreased since FY14. The FY17 figures only account for five and half months of FY17.


**Exhibit 21  
Total Building Permits**



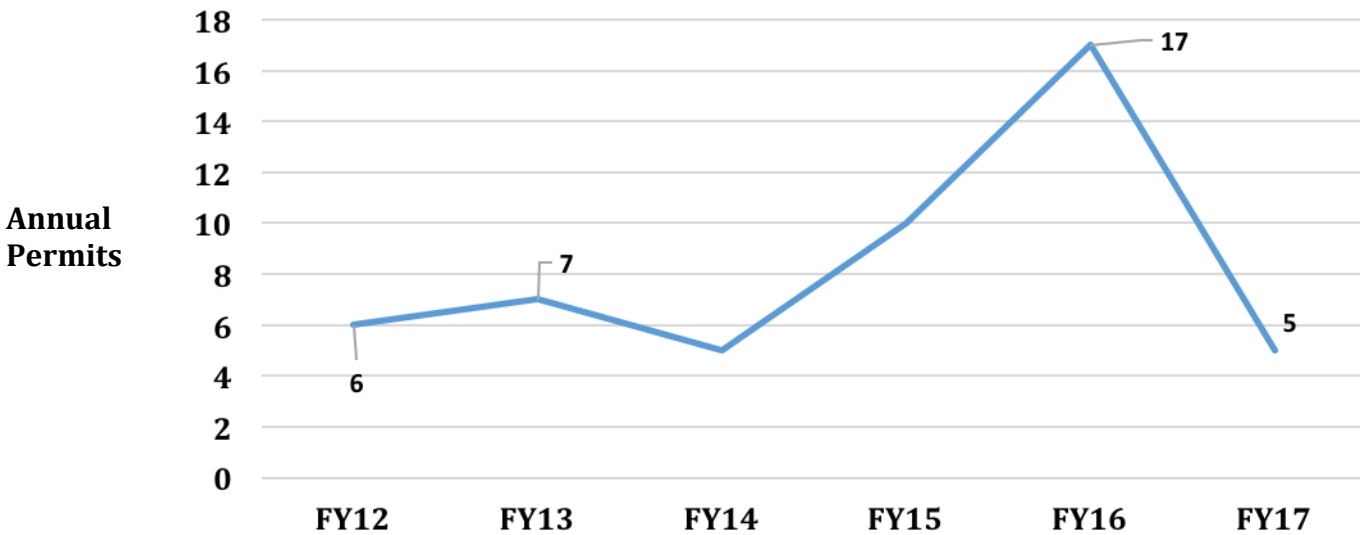
**Positive Trend:**  **Note:** The red-dotted line represents the two-year moving average. FY17 only accounts for 5.5 months out of the year.


**Exhibit 22**  
**Single Family Homes Building Permits**



**Watch Trend:**  **Note:** The red-dotted line represents the two-year moving average. FY17 only accounts for 5.5 months out of the year. Single-family home is trending slightly lower than the three-year average.

**Exhibit 23**  
**New Commercial Building Permits**



**Positive Trend:**  **Note:** FY17 only accounts for 5.5 months out of the year.

## **Enterprise Revenue Funds:**

### **Storm Water Fund:**

Albany receives an average of about 42 inches of rain per year. During rain events, significant volumes of water run from the developed land from our homes, businesses, and roads. It is important to have the infrastructure in place to manage this stormwater runoff. Infrastructure for stormwater includes pipes, ditches, and other facilities to manage stormwater safely and efficiently to protect against flooding and minimize impact to the environment. Albany has approximately 128 miles of stormwater pipes, 70 miles of ditches, 2,300 manholes, and 4,200 catch basins along with a small but growing number of stormwater quality facilities.

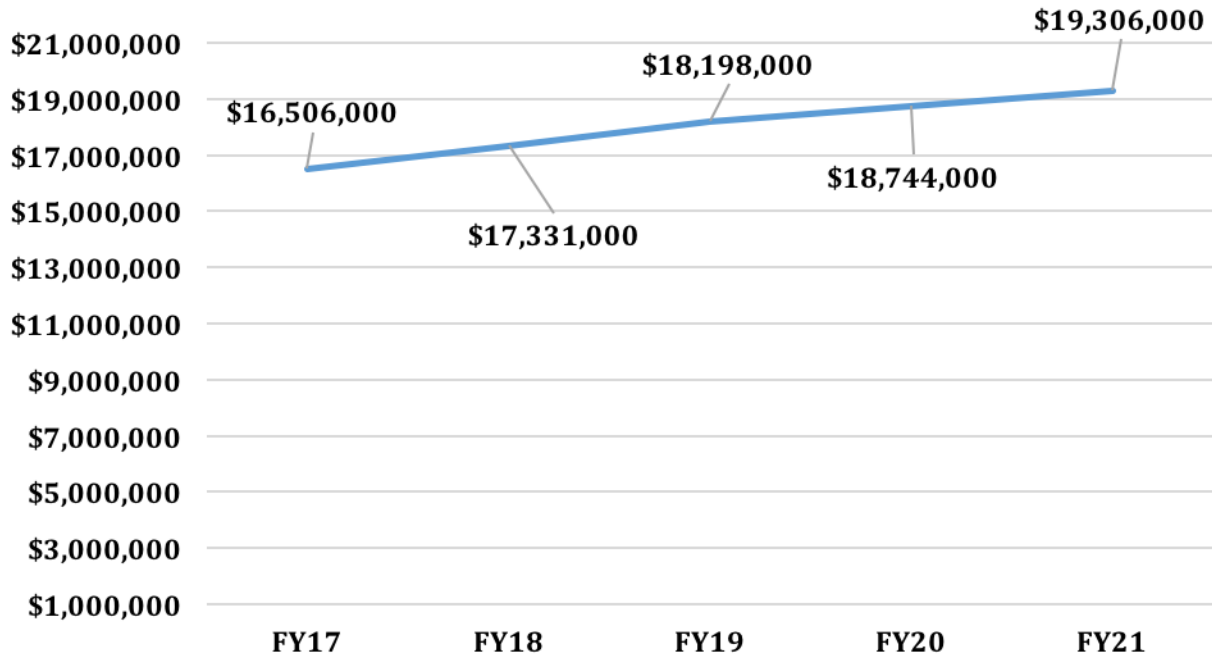
The Council's preliminary direction was to consider initial monthly stormwater rates based on collecting \$1.75 million per year (This amount does not include funds required for capital repair and replacement projects). The process for determining potential stormwater rates in Albany to generate that amount of revenue is described below.

Using this method, a single family residential customer would initially be charged approximately \$7 per month for stormwater service. The Council has indicated that if a stormwater service charge is imposed, they will offset a portion of that new bill by reducing sewer and water charges by about \$4 per month; the net impact to the average customer would be about \$3 more per month in service charges.

Moving forward, if the City receives a reasonable permit from DEQ and Council decides to start developing a capital repair, and replacement program like the City has for sewer and water, staff has estimated that the City will need to generate \$3.5M (in today's dollars) by the fifth year.

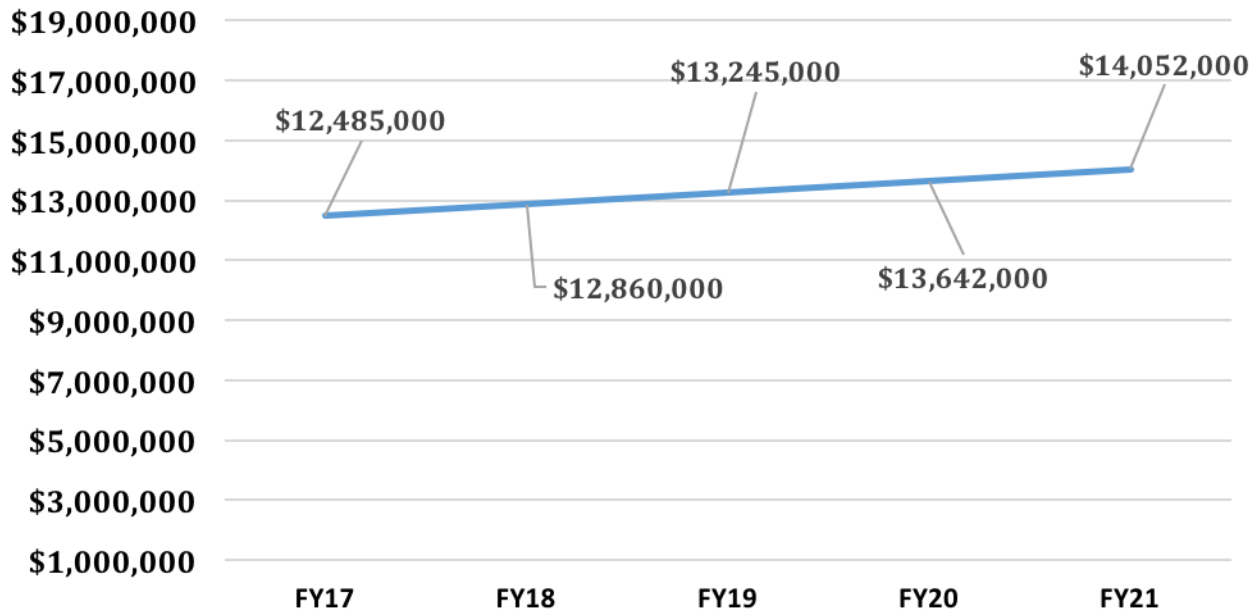
**Sewer Fund:**

**Exhibit 24  
Projected Sewer Fund Revenues**



**Note:** There is projected a three percent rate increase for FY17 and five percent rate increase for years FY18 through FY21. Revenue will be overstated as it does not reflect the planned six percent sewer rate reduction when stormwater rates become effective and the likelihood of forgoing an FY16/17 increase. Staff is hopeful that future rate increases can be less than projected. Staff plans to take a similar annual discussion approach to the sewer as described above for water. The City’s last full rate discussion with Council regarding sewer was June 2, 2016, and can be found on pages 5–20 of the Council packet.

**Exhibit 25  
Projected Water Fund Revenues**



**Note:** There is projected three percent yearly rate increase included in this analysis. Revenue will be overstated as it does not reflect the planned two percent water rate reduction when stormwater rates become effective and forgoing the FY16/17 increase. Staff is hopeful that future rate increases can be less than projected.

Each year (2016 being an exception because we reduced rates as part of SW implementation) we review revenues, expenditures, and policies for funding targets with the City Council. As part of that process, we make projections, review indicators, and establish tentative funding plans and rate plans. Staff last discussion with Council occurred on December 7, 2015. It was an abbreviated discussion since staff wasn't proposing an increase. An example of what the City's "standard" approach is can be reviewed at the Council packet for December 10, 2014, pages 14 -25 of the Council packet.

## Expenditures (Forecasted Financial Requirements)

- General Government – This function includes expenses incurred by the City Council, City Manager, Finance, Human Resources, Information Technology, and Planning.
- Public Safety - This function includes expenses incurred by the Fire and Police Departments, including the Public Safety Levy.
- Highways and Streets - This function includes expenses of the Public Works Department.

- Culture and Recreation - This function includes expenditures incurred by the Library and Parks & Recreation.
- Interest on Long-Term Obligations - This function includes interest payments on general obligation, special assessment, and revenue bond debt issues financed by property taxes, and property assessments.

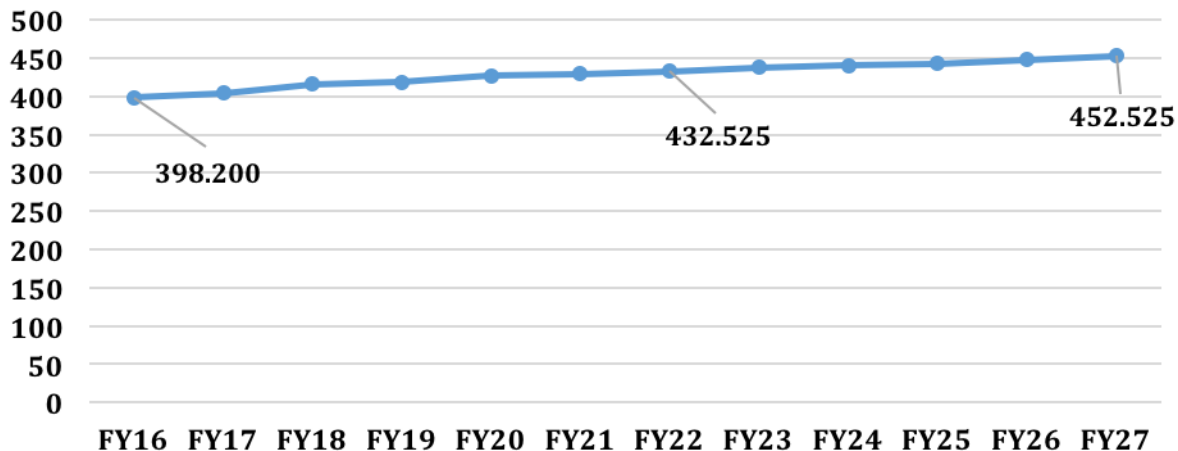
Close to half of all General Fund governmental activity expenses are for public safety. Public safety accounts for 47.53 percent of all General Fund expenses. Highways and streets represent 15.07 percent of total expenses, with general government at 17.88 percent.


Interest on long-term debt obligations accounts for 1.33 percent of governmental activity expenses, indicating a continuing favorable debt position for the City.

**FTE** - Many of the services provided by the City are more closely tied to population growth than to economic conditions. A slowdown in the economy does not reduce the need for police, fire, library, utilities, and many other municipal services. An increase in population, however, often means a corresponding increase in demands for services

The number of budgeted full-time equivalent (FTE) City employees per thousand of the population has decreased by over ten percent during the past ten years. Moving forward, we are expecting a slight increase in FTEs in order to continue to provide the same level of quality services required by the additional demand due to population increase and community growth.

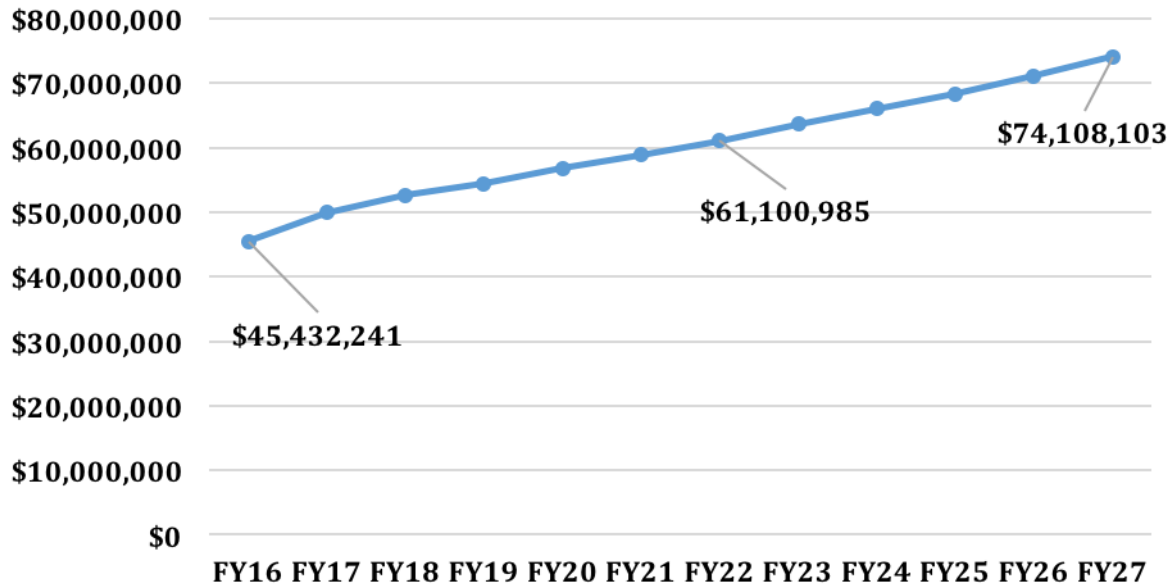
**Exhibit 26**  
**Total City FTE / Fiscal Year**




**Watch Trend:**  **Note:** By the end of the FY17 (current year), the City of Albany has the same number of FTEs that it had by the end FY08. In a period of close to ten years, the City has maintained the number of employees virtual flat in comparison to the population growth or demand for services.

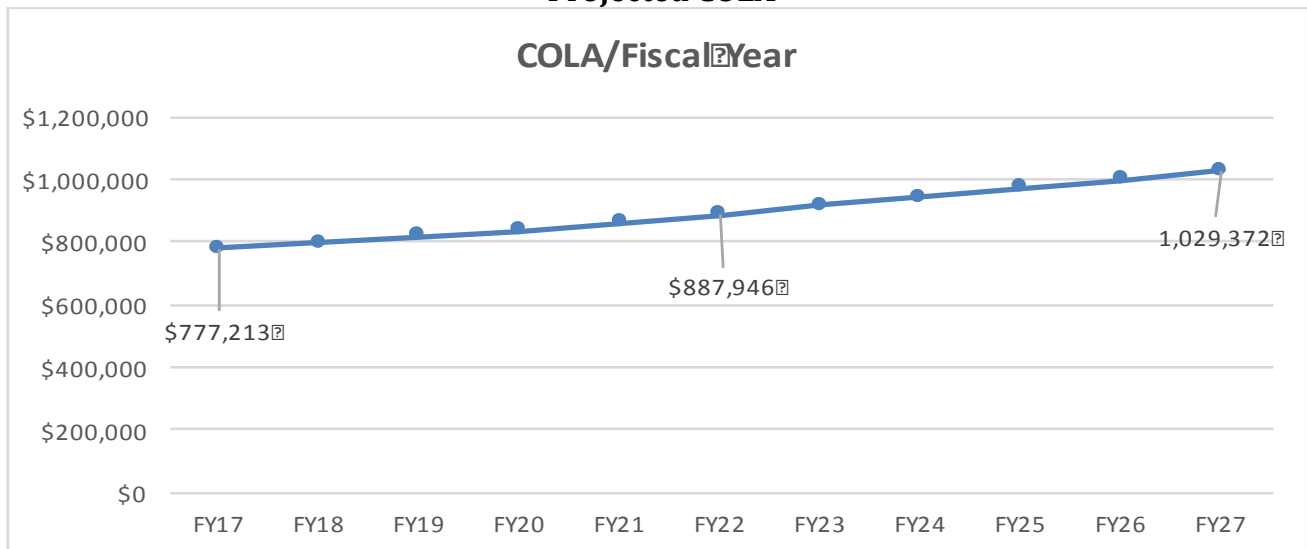



**Exhibit 27  
FTE Cost**



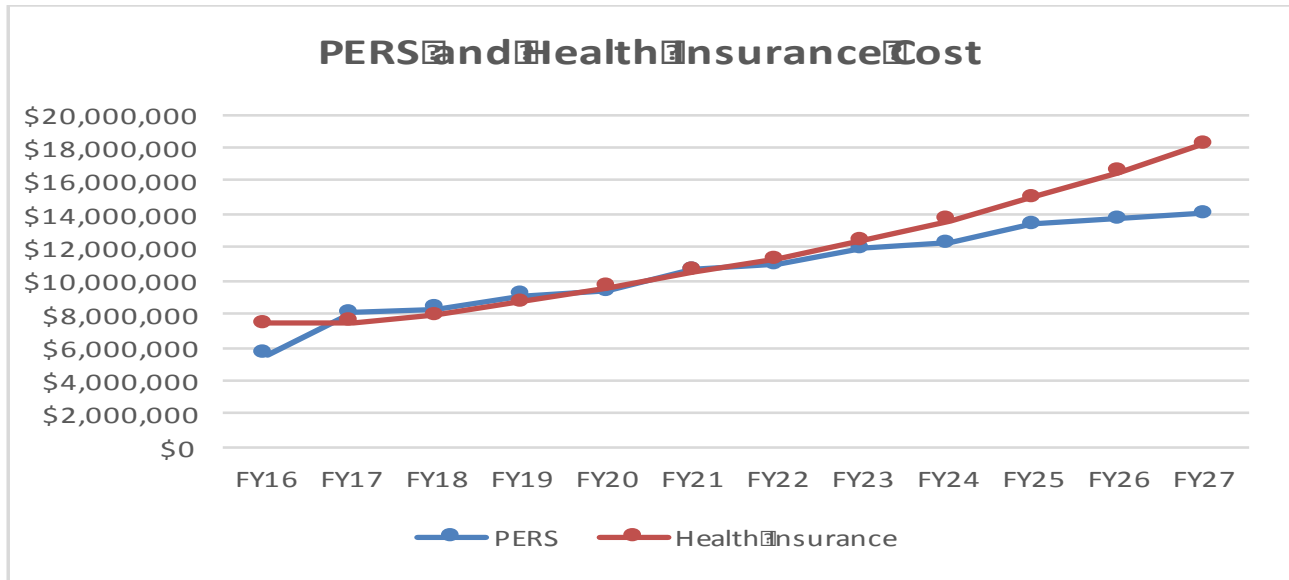
**Watch Trend:**  **Note:** The total cost of FTE is derived from multiple variables such as, employee base salary, Public Employees Retirement System (PERS), cost-of-living allowance (COLA), health insurance and performance/step increases. PERS is state-mandated while some of the others drivers are city managed. Salary, COLA, and health insurance-related cost are contract negotiated drivers.

**Exhibit 28  
Projected COLA**



**Watch Trend:**  **Note:** COLA is established through a contract between the City and the Fire, Police, and ASFME union. The Fire and Police union are subject to mandatory arbitration and ASFME are negotiated with the right to strike.

**Exhibit 29  
Projected PERS and Health Insurance**



**Watch Trend:**  **Note:** Oregon PERS covers approximately 95 percent of public workers in Oregon including all state and school district employees and most local government employees. Health insurance is also a negotiated benefit.

**Capital Projects**

**Paying for Capital Projects:**

The reality is that there is not enough money available for all the projects the City needs to do. These needs are based on the City’s master plan analysis. In most cases, the source of money determines which projects get included. For instance, Water Fund revenue can only be spent on water projects. The money each of these funds receives must be spent for the purposes for which the fund was created and therefore can’t support other General Fund activities such as Police and Fire. Consequently, funds dedicated to capital projects can’t be considered either.

### Exhibit 30

#### Projected Cost Totals by Funding Source

FUNDING SOURCE	2017	2018	2019	2020	2021	TOTAL
ADA Capital Reserves	\$0	\$0	\$92,000	\$0	\$0	\$92,000
SDC Improvement - Sewer	\$400,000	\$0	\$636,000	\$0	\$0	\$1,036,000
SDC Improvement – Transportation	\$0	\$412,000	\$0	\$546,000	\$1,934,000	\$2,892,000
SDC Improvement – Water	\$0	\$0	\$0	\$934,000	\$0	\$934,000
Sewer Rates/Operating Revenues	\$4,850,000	\$2,000,000	\$3,055,000	\$2,100,000	\$5,075,000	\$17,080,000
State of Oregon	\$0	\$1,010,000	\$0	\$1,333,000	\$562,000	\$2,905,000
Street Capital Reserves	\$690,000	\$1,400,000	\$40,000	\$1,849,000	\$925,000	\$4,904,000
Urban Renewal	\$7,879,000	\$0	\$0	\$0	\$0	\$7,879,000
Water Rates/Operating Revenues	\$2,356,000	\$2,582,000	\$1,882,000	\$2,735,000	\$1,914,000	\$11,469,000
<b>TOTAL:</b>	<b>\$16,175,000</b>	<b>\$7,404,000</b>	<b>\$5,705,000</b>	<b>\$9,497,000</b>	<b>\$10,410,000</b>	<b>\$49,191,000</b>

#### Five-Year Plan Snapshot:

The following table shows the total cost of projects proposed in each of the next five years for each major category of capital projects as defined in the adopted CIP. Projects scheduled for years FY18 through FY21 do not have authorized funding, only projects in FY17 have been authorized and funded through the City’s budget process. Some projects will be paid for in a single year, while other projects will take three years or more to complete. Occasionally new issues, changing cost and revenue realities, or shifts in City priorities will cause a project, or some projects, to be bumped forward or back in the five-year schedule. Any changes of this nature would be reflected in future CIP documents.

### Exhibit 31

#### Projected Cost Totals by Category

CATEGORY	2017	2018	2019	2020	2021	TOTAL
Accessibility	\$0	\$0	\$92,000	\$0	\$0	\$92,000
Parks	\$0	\$0	\$0	\$0	\$0	\$0
Public Facilities	\$0	\$0	\$0	\$0	\$0	\$0
Revitalization	\$7,879,000	\$0	\$0	\$0	\$0	\$7,879,000
Stormwater	\$0	\$0	\$0	\$0	\$0	\$0
Transportation	\$690,000	\$2,822,000	\$40,000	\$3,728,000	\$3,421,000	\$10,701,000
Wastewater	\$5,250,000	\$2,000,000	\$3,691,000	\$2,100,000	\$5,075,000	\$18,116,000
Water	\$2,356,000	\$2,582,000	\$1,882,000	\$3,669,000	\$1,914,000	\$12,403,000
<b>GRAND TOTALS:</b>	<b>\$16,175,000</b>	<b>\$7,404,000</b>	<b>\$5,705,000</b>	<b>\$9,497,000</b>	<b>\$10,410,000</b>	<b>\$49,191,000</b>

## **Debt Services**

Debt Service funds accumulate resources and account for the payment of general long-term debt principal and interest. Because Oregon Local Budget Law requires that general obligation debt is accounted for in a separate fund from revenue obligation debt, the City has multiple Debt Service funds.

Separate programs are maintained in these funds to account for each of the City's general long-term debt issuances such as:

### **2002 Limited Tax Pension Bonds**

These limited tax bonds were used to finance a portion of the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System (PERS) in 2002. Each City program with personnel costs is assessed a fee proportionate to its PERS-eligible payroll to pay for the annual debt service requirements. The bonds will be retired in 2027-28. The debt service requirement for 2016-17 is \$645,238.

### **2004 Revenue Obligations**

Issued in December 2004, these bonds provide funding for the Aquatic Center project and the defeasance of the 1994 City Hall Certificates of Participation. The General Fund share of the debt retired in Fiscal Year 2013-14. The Parks & Recreation requirement for 2016-17 is \$182,303 with the final payment in Fiscal Year 2019-20.

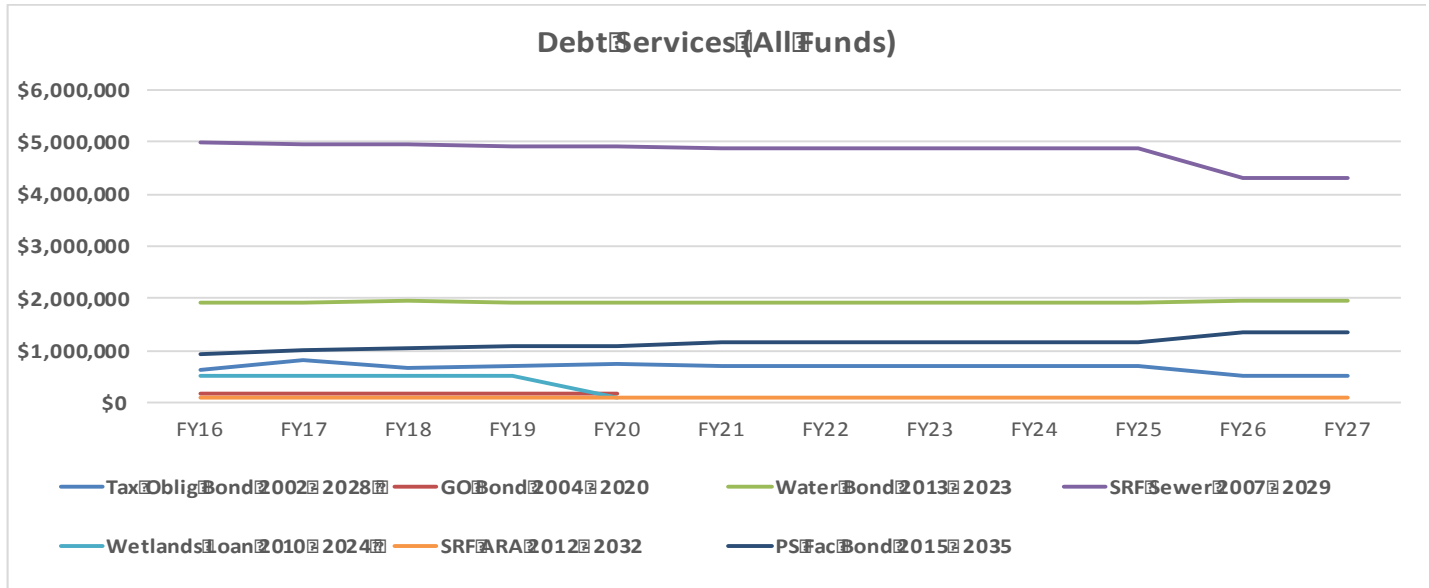
### **2015 Public Safety Facilities GO Bonds**

In May 2015, voters approved an \$18 million General Obligation Bond issue to finance the building of new police and fire stations. The bonds were sold on August 5, 2015. The tax revenues for debt service requirement for FY17 are \$2,025,100.

# Debt Service (All Funds)

Schedule of future debt (principal and interest) requirements:

**Exhibit 32  
Debt Services (All Funds)**



Positive Trend: 

**Exhibit 33  
Schedule of debt principal transactions for FY ended June 30, 2015**

	Interest Rate	Date of Issue	Years of Maturity	Outstanding July 1, 2014	Matured/ Paid off During Year	Outstanding June 30, 2015
<b>GOVERNMENTAL ACTIVITIES</b>						
2007 General Obligation Refunding	4.00	06/01/07	2007-2015	\$ 1,335,000	\$ 1,335,000	\$ -
2002 Limited Tax Pension Obligations	2.00-7.36	03/15/02	2002-2028	5,314,003	105,020	5,208,983
2004 General Revenue Obligations	2.50-4.00	12/15/04	2006-2020	940,000	140,000	800,000
2007 Series A CARA Tax-Exempt	4.85	10/15/07	2008-2022	2,822,000	126,000	2,696,000
1992 OEDD Notes Payable (1)	5.47	12/01/95	2015-2016	71,881	35,774	36,107
<b>Total governmental activities</b>				<b>\$ 10,482,884</b>	<b>\$ 1,741,794</b>	<b>\$ 8,741,090</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
2013 Water Refunding Bonds	3.125-5.00	08/01/33	2013-2033	\$ 27,400,000	\$ 895,000	\$ 26,505,000
2007 Oregon DEQ SRF Notes Payable (2)	3.40-3.64	09/21/06	2007-2030	57,933,506	2,980,325	54,953,181
2009 Wetland Loans Payable	4.00	12/21/09	2010-2020	2,689,566	392,417	2,297,149
2012 SRF/ARRA Loan	4.00	02/01/12	2031-2032	1,750,000	100,000	1,650,000
<b>Total business-type activities</b>				<b>\$ 89,773,072</b>	<b>\$ 4,367,742</b>	<b>\$ 85,405,330</b>

## **Major Initiatives FY16**

### **Strategic Plan**

The City Council reviews the Strategic Plan on an annual basis to reaffirm direction and priorities for the coming year. In FY 2016, the review focused on what has been accomplished in previous years and what can realistically be achieved over the next five years. All of the goals now include actions that demonstrate the City's progress toward completing them.

### **Community Development**

#### **Building Division**

The Building Division processed permits with over \$88,000,000 in permit valuation from a wide variety of new construction and building alterations.

- New and altered commercial buildings accounted for \$51 million, approximately 58 percent of the total valuation up from 21 percent of the total the previous year.
- In 2016, there were no new apartment units a decrease of 221 units from the previous year.
- In 2016, there were 125 permits for single-family-homes/duplexes and manufactured homes with the total permits issued accounting for approximately \$29.5 million, or 33.5 percent, of the total valuation. This included 114 new single-family residences, five duplexes, and six manufactured homes, a decrease of 11 units from the previous year. The average permit value per dwelling of new residences increased from \$220,000 in 2014-2015 to \$243,815 in 2015-2016.
- 2,199 other miscellaneous permits not specifically based on value accounted for approximately 8.5 percent of the total valuation.
- There were 9,668 scheduled inspections up from 8,324 the previous year.

#### **Planning Division**

- The Planning Division implements the Albany Development Code, and supports the Planning, Landmarks Advisory, and Community Development Commissions. It administers the City's Community Development Block Grant (CDBG), Certified Local Government (CLG) historic preservation grant, and floodplain management programs.
- In FY 15-16, the Planning Division decided on 94 planning applications and held 73 pre-application conferences.
- The Planning Division coordinated the review and approval of a package of Development Code amendments intended to clarify regulations and improve implementation. Currently, a second package of amendments is under consideration which is intended to facilitate CARA objectives for the Central Albany Area.

In FY 15-16, the City spent a total of \$220,680 in CDBG funds and served 183 Albany residents. Services included: infant abuse prevention, court-appointed special advocates for children removed from their homes, shelter and case management for at-risk youth, women

and children, emergency housing assistance, housing rehabilitation, small business development, and fair housing education and outreach. The City finalized engineering for Sunrise Park storm drainage in preparation for a park remodel, pending state and federal approvals for work in wetlands on the site.

The Certified Local Government (CLG) grant was used to partner with the University of Oregon to develop communication and outreach plans to support local historic preservation efforts.

- The Planning Division completed the annual recertification to maintain the City's current Class 6 rating and participation in the Community Rating System (CRS), updated the Flood Hazard Section of the Natural Hazard Mitigation Plan, and completed flood information and insurance promotion public outreach plan.

### **Economic Development**

Staff completed research on information requests for 43 sites and worked with 15 existing businesses to help remove barriers to job creation.

### **Finance**

Finance began the city-wide roll-out of NOVAtime, a new automated time and attendance software that will allow the City to move away from paper timesheets. The City was recognized by the Government Finance Officers Association for receiving the Certificate of Achievement for Excellence in Financial Reporting, the Distinguished Budget Presentation Award, and the Award for Outstanding Achievement in Popular Annual Financial Reporting.

### **Human Resources**

The Human Resources Department received and processed 1,214 applications for approximately 28 vacant positions. The Department also processed 80 applications for state and federal Family Medical Leave, including 24 requests for bereavement leave under the Oregon Family Leave Act. The Department processed 424 Personnel Action Forms. Additionally, the Human Resources Department reviewed 47 position-related requests. These include requests for reclassification, establishing a new classification, reviewing a position's compensation, and increasing or decreasing a position's FTE. The Department also completed negotiations with the American Federation for State, County and Municipal Employees (AFSCME) for a successor collective bargaining agreement which included a new health insurance model and the establishment of a Voluntary Employees' Beneficiary Association (VEBA).

### **Information Technology (IT)**

IT designed and implemented a new Public Safety domain to support the CAD/RMS implementation. The CAD/RMS project is currently on schedule and within budget. Staff expects to go live by the end of April 2017.

Staff received the following awards:

- Government Technology's Top 25 Doers, Dreamers, Drivers Award
- Digital Cities Survey 2015 Award

Staff also worked on the following software/system upgrades:

- Upgraded the City's virtual infrastructure including replacement of shared network storage.
- Parks & Recreation went live with a new Class registration system.
- Laserfiche was upgraded to the new RIO platform.
- Continued to work with Finance to deploy electronic timesheets for the City.
- Upgraded the Council Chamber's audio system.
- Deployed large monitors in each conference room to facilitate presentations.

### **Library**

The Library partnered with the Greater Albany Public School System and our IT Department to facilitate the use of Student ID cards as Library cards. This first of its kind endeavor in Oregon will be especially beneficial to at-risk students who often have trouble getting to the Library to register for cards.

### **Performance Management**

The City received the 2016 Excellence Award for Performance Management.

### **Public Information**

*City Bridges*, the City's monthly electronic newsletter, continues to be sent to subscribers via email on the last Tuesday of each month. The most recent issue, was sent to 16,041 recipients, about 1,975 of those opened at least one story. The City also maintains 11 Facebook pages, four Twitter accounts, three FlashAlert accounts, an Expresit account, a photo-sharing Flickr account, and a YouTube channel. Three City accounts with Nixle were added this year, providing another platform for contacting residents via text message or email in emergencies and with real-time information about City activities and events such as the Northwest Art & Air Festival.

The City website served approximately 825,000 page views in almost 400,000 user sessions in 2016; an increase of almost 8% over the previous year. The average session duration increased by 28%, meaning users stayed longer and explored more pages per session. As of year-end, the balance of new versus returning visitors was a very desirable 52.5% to 47.5% respectively.

Most content on social media accounts points back to information that is posted on the City's website. Social media channels connect with residents who may not use more traditional methods of communication. Our public outreach using social media is done in addition to more established outlets such as newspaper and radio. The main City of Albany Facebook page has 2,151 likes; the most popular page is Albany Police Department, with 8,697 likes. The main Twitter account has 1,353 followers; the main Nixle group has 1,979 members

The City continues to manage public access television Channel 28 provided through our Comcast franchise agreement. City Council and Budget Committee meetings are streamed live on the City website via the City's YouTube channel as well as simultaneously on Comcast Channel 28. Live stream videos of City Council and Budget Committee meetings are archived to YouTube by 1:00 p.m. the day after each meeting and then linked to from the City's website. The remainder of the programming in the 24-hour period is filled with rotating content including a calendar of public meetings and informational videos from the City, other



government agencies, and community sources.

### **Public Safety**

An 18 million dollar bond measure for new police and fire stations was approved by Albany residents in the May 2015 election. David Evans and Associates, Inc., was selected as the Project Owner's Representative to provide professional, technical, and expert project management services to oversee the preliminary design contract and construction of both the Police and Fire Station projects. After conducting an Invitation to the Bid process, the City awarded the construction contract for both facilities to Gerding Builders, LLC. Gerding Builders began construction on both the police station and downtown fire station in August 2016, with completion slated for summer/fall 2017. The new police station will be located in the 2600 block of Pacific Boulevard on 3.69 acres of property. It will be two stories, approximately 40,400 square feet, and will house all Police Department operations.

The Police Department, along with the Linn County Sheriff's Office and Albany Fire Department, selected a vendor for a new computer-aided dispatch, mobile reporting, and records management system. This new software and service will replace a 25+-year-old system and eliminate the need for multiple add-on systems. The improved system will allow the Department to streamline work processes, provide integrated and reliable access to comprehensive data, and leverage current technology to improve efficiency, data sharing, and user functionality. Staff training on the new system has been ongoing, and the new system will officially go live on April 3, 2017.

A Code Compliance Officer (CCO) position was added. This position is solely dedicated to code compliance and enforcement, which allows the City to effectively and efficiently address code violation complaints while also reducing the number of blighted properties within the city. One of the first goals for the new CCO was to work on new Albany Municipal Code (AMC) Chapters aimed at addressing derelict structures and chronic nuisance properties. In addition to the new Chapters, the CCO also amended AMC language for public nuisances, property maintenance, disorderly conduct, and maintenance of property for clarity. The new AMC Chapters and amendments were all approved by the City Council.

### **Public Works Engineering:**

#### **Utility Billing**

The Public Works Department updated the five-year rate plans for the sewer and water utilities for use by the City Council when considering utility rate adjustments. This comprehensive look at the rate requirements is an important tool for the City Council to use and also serves to help inform Albany citizens about rates and utility needs.

#### **Engineering**

In addition to ongoing pipe replacement and major maintenance projects, staff designed and saw several significant projects through construction in FY 15-16. Construction was completed on the North Albany Road and Gibson Hill Road sidewalk projects. The North Albany Road improvements provided street restoration between

Quarry Road and the railroad tracks, safe pedestrian and bicycle facilities, emergency access to North Albany during flood events, and a much-needed water transmission main to the Broadway Reservoir. The Gibson Hill Road sidewalk improvements provided sidewalk and pedestrian improvements between Scenic Drive and the Gibson Hill/North Albany Roundabout; this project was envisioned years ago when Safe Routes to School requested Council consider constructing the sidewalk to provide a safe walking path.

The Engineering Division continues to make substantial progress to develop and implement a stormwater management plan and financial plan to meet state and federal laws and regulations. Efforts continue on an update to the citywide stormwater master plan and steps have been taken to implement a long-term funding strategy and dedicated funding source to address needed stormwater improvements. Staff is also working with DEQ on the development of a new NPDES MS4 Phase II permit which the City anticipates being required in 2017.

## **Public Works Operations:**

### **Water Operations**

The City successfully established and implemented a Strategic Energy Management Plan for the water treatment plants and pump stations with help from the Energy Trust of Oregon. The plan resulted in 144,000-kilowatt hours of electricity and 6,525 therms of natural gas saved in 2016. The City will receive an incentive check for approximately \$10,000 for their work on this plan. Water Department staff maintained compliance with all water quality regulations including the Long Term Enhanced Surface Water Treatment Rule which placed significant requirements on the operation of the Vine Street water treatment plant.

### **Wastewater Operations**

The Water Reclamation Facility staff participated in a Strategic Energy Management program offered by the Energy Trust of Oregon. This was a year-long engagement that included identifying, implementing and tracking energy savings projects and operational practices at the wastewater treatment facility. This effort resulted in an estimated annual energy savings of nearly one (1) million kilowatt-hours and over \$22,500 in incentive money from the Energy Trust.

## **Financial Need Assessment (FNA)**

In late 2015 all departments participated in an exercise that generated a financial need assessment (FNA). This assessment contained a list (by department) that included projects, programs or services, drivers, funding analysis, associated risks and associated Strategic Plan theme.

### **Fire**

The Fire Department identified \$17,400,000 of Priority one and two funding requirements.

- **Equipment Replacement:** There are 27 equipment replacement-related items with an estimated cost of \$15,200,000. These include aging fire engines, medic units, fire station in-

out system, upgrading the radio systems to 700/800Mhz.

- Facilities: AFD identified \$4,000,000 of facilities related items during the assessment that included expanding the emergency responders training facility, remodeling Stations 13 and 14 for gender neutrality and planning the build of Station 15.
- Personnel: AFD identified \$1,875,000 of future annual hiring (FY16-FY27) related costs required to keep up with demand.

### **Finance**

- Equipment Replacement: The Finance Department identified the need to fund the replacement of the current financial information system (Eden). The replacement cost is estimated to be \$400,000-\$750,000.

### **Human Resources**

- Personnel: HR has identified the need to add an HR specialist to replace a position that was eliminated in FY11. This FTE would help the department provide more timely, thoughtful and quality services to other departments as well as relieve overworked staff. HR has also identified the need to increase funding for employee-related training.

### **Information Technology**

- Equipment Replacement: The IT Department has identified the need to move city employees from Office 2007 to Office 2016 or Office 365 during FY18. The potential cost of this project could be up to \$60,000/year.

### **Library**

The Library has identified \$330,000 of projected Priority one and two operating and equipment requirements.

- Facilities/Equipment Replacement: Expand collection size/meeting room capacities by adding shelving limited to the first floor.

### **Parks & Recreation**

The Parks & Recreation Department has identified \$7,250,000 of projected Priority 1 and two equipment/facilities requirements.

- Facilities: Parks & Recreation has identified 21 facilities-related projects. These include playground replacement at multiple parks, park development, renovations and park acquisition.

### **Police**

The Police Department has identified over \$7,620,000 of projected Priority one and two personnel and equipment requirements over the next ten years.

- Equipment Replacement: Ten equipment replacement-related items have an estimated cost of \$4,100,232.

- Personnel: APD identified \$3,519,868 of future annual hiring (FY16 – FY27) related costs required to keep up with demand, decrease overtime expenses and reduce overwork for the officers.

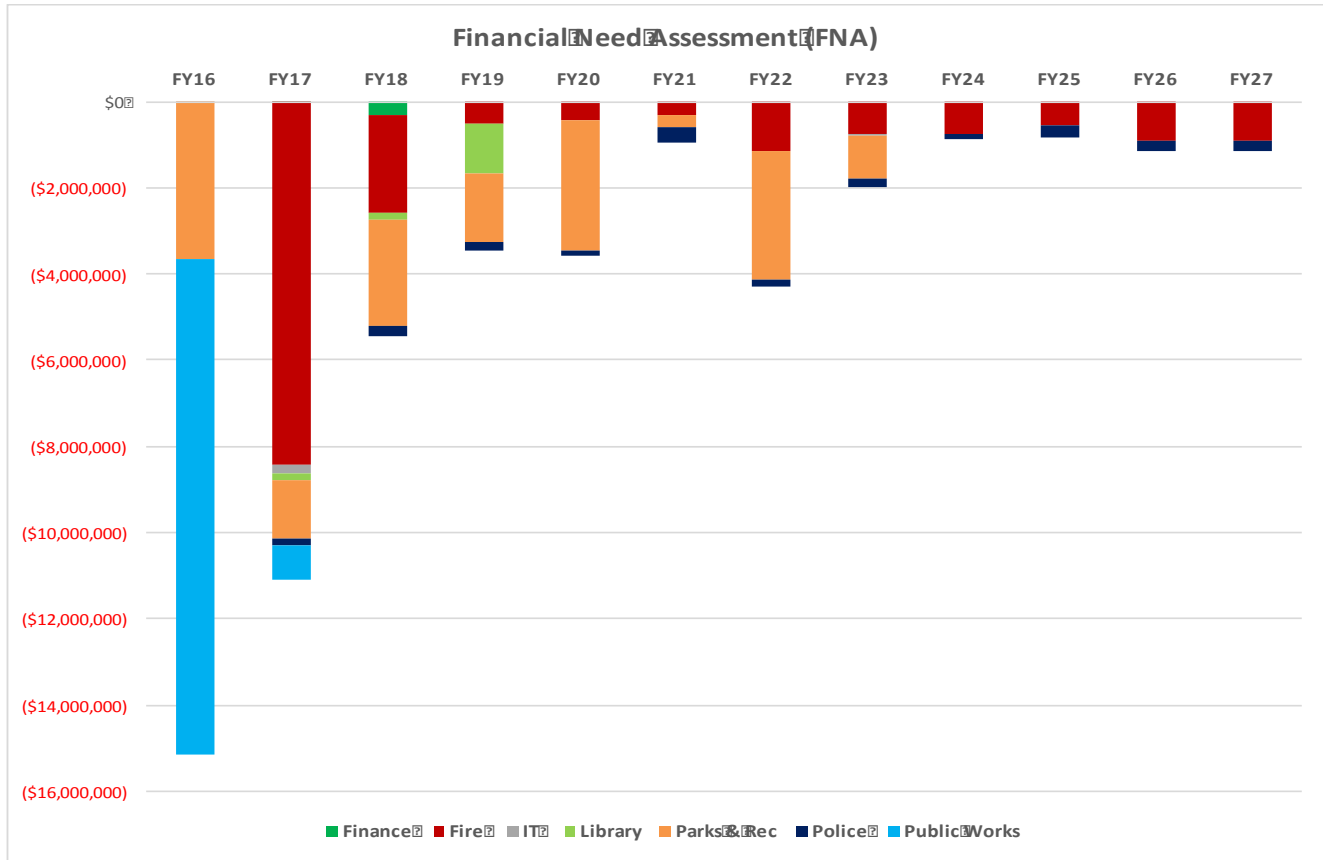
## **Public Works**

The PW departments identified:

- Capital Projects:
  - The River Front Interceptor (RFI) with required funding of \$11,500,000
  - The acquisition of property for the Bus Barn with required funding of \$800,000.
  - Cox Creek Interceptor (Cost TBD)
  - Solids Handling (Current and future) at the Water Reclamation Facility (WRF)

The graph below summarizes the total amount required to fund these projects, programs or services moving forward.

### Exhibit 34 Financial Need Assessment (FNA)



Watch Trend:

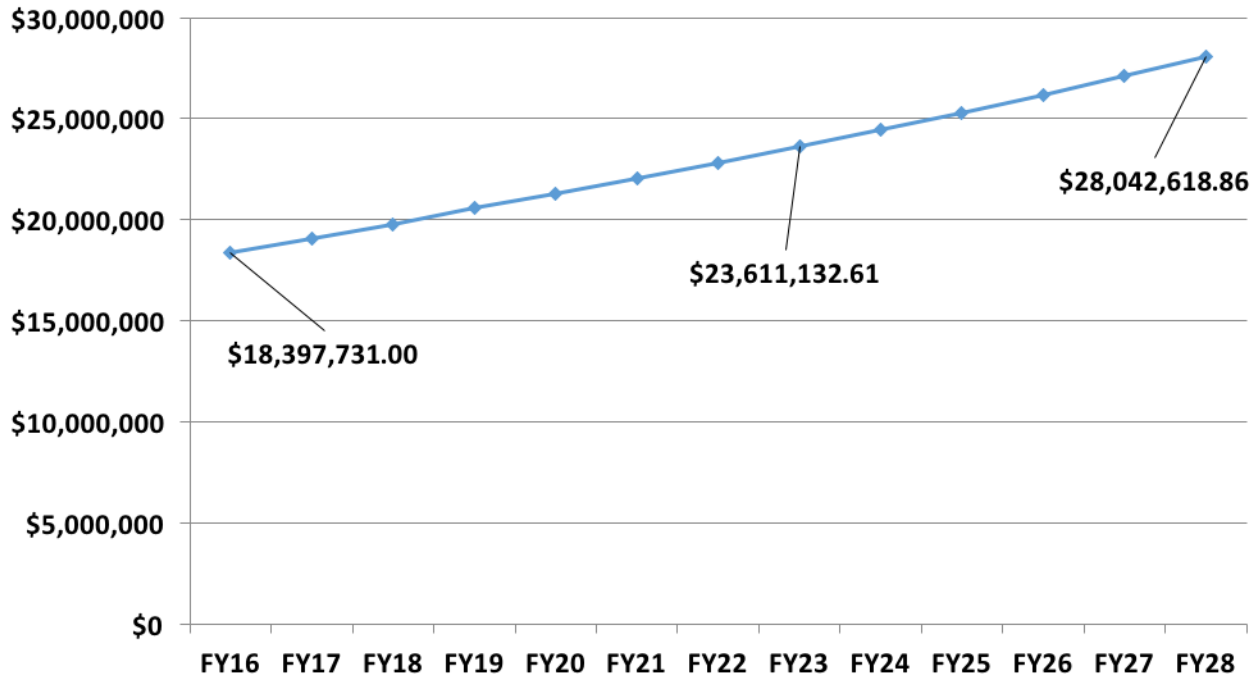
### Forecast Analysis (General Fund)

The process of developing a Forecast Analysis (FA), includes relevant measures supported by the Government Finance Officers Association’s (GFOA) long-term financial planning model, which suggests a fiscal, financial analysis that examines categories of revenues, expenditures, FTE’s, and equipment/facilities financial needs. This initial report, could be expanded in future updates to include other indicators.

City staff and policymakers could use this information to understand better the dynamics that affect the City’s financial condition, identify existing and emerging financial challenges, develop actions to remedy these challenges, and provide a tool that could be used to prepare or inform future projections for effective budgeting, capital planning, and general policymaking.

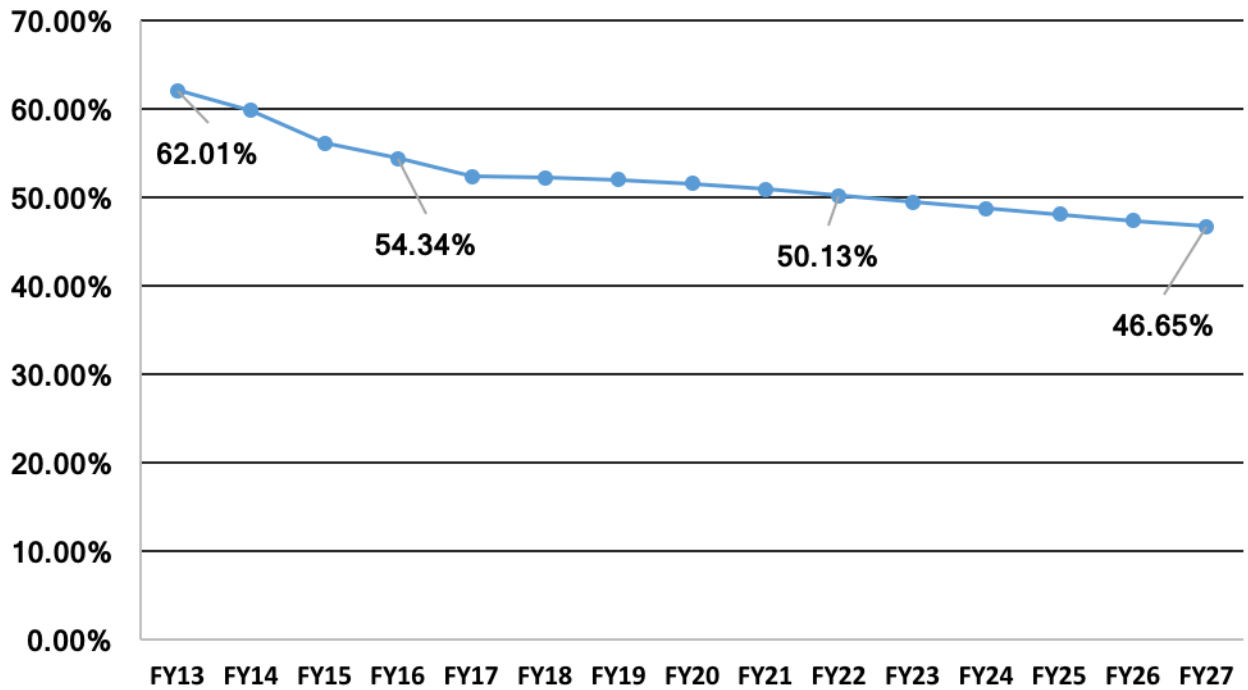
The economic recession resulted in a fairly dramatic slowdown in the growth of property tax revenue. Revenues actually decreased in 2013. The slower growth can be attributed to decreasing assessed values and compression. The estimated growth for FY2018 is comparable to the increase in FY2017.


**Exhibit 35  
Projected Tax Revenues**



Positive Trend: 

**Exhibit 36  
Projected Tax Revenues as Percent of Total Revenue/Requirements**



**Negative Trend:**  **Note:** This trend may limit the ability for the City to support required services at the same rate as the anticipated population growth and community needs.

The change in the trend over the past few years indicates that other sources of revenues continue to grow faster than the property tax.

## General Fund Findings and Recommendations

The results of the core indicators can be organized into a variety of customizable scorecards to give staff, policymakers, and the community a variety of ways to review and evaluate the results. The IFMAP shows the results for a core indicators scorecard those indicators considered the most fundamental snapshot of the LTFP. Of these, nine are positive trends, nine are watch trends, and one is a negative trend.

The results of the analysis are:

 14 Positive Trends,  7 Watch Trends,  1 Negative Trends

The IFMAP has identified multiple operational strategies and recommendations; a list can be found in Appendix A.

The following are considered high-level strategies and recommendations: ones that originate either from the core indicators or from indicators that received a “negative trend” rating.

**Financial Stewardship:** Key policies and procedures that maintain long-term financial health.

Goal 1 – Review and update as required the following financial documents and policies:

- Integrated financial management assessment plan (IFMAP)
- City’s Financial Policy
  - <https://www.cityofalbany.net/images/stories/finance/res/RES6555.pdf>

Goal 2 – Adopt a plan to achieve a structurally balanced budget, based on the following factors:

- Current expenditures should not exceed current revenues.
- An adequate fund balance is maintained as defined in City policy.
- Revenue growth is equal to or greater than expenditure growth.
- Capital and equipment maintenance expenditures are not deferred.
- Long-term liabilities are addressed.
- Bond renewal schedules are reviewed and renewed (if appropriate) at least one year before maturity.

Goal 3 – Adopt a funding policy with the goal of reaching appropriate funding levels for all approved plans or financial need assessments.

**Revenue Management:** Identify and monitor factors that influence future revenue growth.

Goal 4 – Develop appropriate renewal or replacement strategies for the following taxes (revenues sources):

- Public Safety Levy (2021)
- Local Gas tax (2017) – New



- GO bond (2020)
- Service Fee increases for coming years (2017)

**Service Delivery and Performance Management:** Identify and monitor factors that influence citizen demand for and satisfaction with City services.

Goal 5 – Continue to integrate performance measures through the strategic plan scorecards, link expenditures to City Council priorities, service levels, service delivery metrics and customer satisfaction.

- <https://www.cityofalbany.net/city-data/pmscorecards>
- <http://expenditures.cityofalbany.net/#/>

Goal 6 – Monitor citizen demand for services and survey citizen satisfaction.

**Financial Management:** Implement operating and financial support systems that maintain long-term financial health.

Goal 7– Continue support of IFMAP including:

- Financial Trend Analysis (FTA)
- Integration with, Strategic Planning, Budget, Performance Management PAFR and CAFR.

Goal 8 – Perform a comprehensive total compensation review for selected classification annually.

Goal 9 – The City has developed a multi-year approach to health care funding and cost containment for some employee groups, but this program needs to be expanded throughout the organization.

Goal 10 – Develop a plan to maintain City’s general obligation A+ credit rating by capitalizing on credit strengths and addressing weaknesses.

Goal 11 – Develop a comprehensive risk management plan.

**Capital Plan:** Ensure the adequate and efficient maintenance of the City’s infrastructure and equipment.

Goal 12 - Develop funding plan to maintain assets (e.g., streets, buildings, streetlights, etc.) at minimum condition levels (if applicable, per GASB 34) or based on funds availability.

Goal 13 - Develop funding plan to maintain equipment (e.g., rolling stock, technology, office equipment, furnishings, etc.) at prescribed levels or condition.

## Conclusion

The City has faced numerous financial challenges in the recent past. The IFMAP is not designed to be the only tool to help forecast future financial conditions of the City; however, this tool will provide an important benchmark for staff and Council to monitor and develop strategies for problem areas and to maintain positive trends. The analysis conducted as part of this review integrates and builds knowledge of the organization and its environment which is vital to the quality of the IFMAP. The results are then used to inform the ideas and assumptions for the Strategic Plan, including factors that affect growth, rate assumptions, and service levels.

The IFMAP model is an important first step in breaking a pattern of successive shorter-term fixes, often implemented with a limited long-term view. With this tool, the organization would be better positioned to work and continue to develop multi-year plans that meet service goals, while staying consistent with financial realities.

Future enhancements to this tool could include:

- Linking expenditures to service outcomes.
- Expanding department level business planning efforts.
- Incorporating service level decision packages in budget deliberations.

By linking expenditures to service outcomes, residents are given a better understanding of each program's operations, the variables that affect funding levels, and the impact of funding decisions on service levels. For instance, a Fleet Maintenance category can show the average age of the fleet given different replacement scenarios, and the impact on efficiency for both maintenance costs and time spent out of service. Parks & Recreation can illustrate the impact of adding parkland or changing the level of maintenance for existing parkland using cost data and standards based on a set of specific factors such as visitation rates, plant types, and physical features.

Performance management metrics can be used to evaluate efficiencies. Comparisons to other jurisdictions could also be used to evaluate whether workload and expenditures are appropriate. Once acceptable levels are determined, an enhanced forecast model that links expenditure choices to service levels and performance standards gives policymakers a tool to set priorities, make choices, and understand the opportunity costs of those choices. Instead of cutting dollar amounts, stakeholders choose service levels: increasing/decreasing wait times, number of clients served, or maintenance levels, are some examples.

Moving forward this process could help policymakers to choose between different packages of service levels and to incorporate those results in a model that integrates operating, debt, and capital considerations. Departmental analysis of funding needs, and the impact on outcomes and performance for various funding levels could also be analyzed comprehensively against all other competing considerations. Future enhancements will change the conversation from "we need to reduce the budget by a set amount of dollars," to choosing service levels that lead to positive transformation.

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## APPENDIX A: FISCAL AND OPERATIONAL STRATEGIES RECOMMENDATIONS

**FINANCIAL STEWARDSHIP:** Adopt policies and procedures that maintain long-term financial health.

- Evaluate revenue sources to estimate individual and business tax burdens.

**REVENUE FORECASTING:** Identify and monitor factors that influence future revenue growth.

- Monitor demographic, economic, statutory, regulatory and other relevant factors that impact revenue collections.

**SERVICE DELIVERY AND PERFORMANCE MANAGEMENT:** Identify and monitor factors that influence citizen demand for and satisfaction with City services.

- Integrate performance and productivity measures within annual budget to link expenditures to Council priorities, service levels, service delivery efficiencies, citizen demand, and customer satisfaction.
- Review the City's performance management scorecard:
  - <https://www.cityofalbany.net/city-data/pmscorecards>

**FINANCIAL MANAGEMENT:** Implement operating and financial support systems that maintain long-term financial health.

- Continue to annually update the Financial Trends Report.
- Utilize the model to prioritize and implement City goals while complying with the financial policies.
  - <https://www.cityofalbany.net/images/stories/finance/res/RES6555.pdf>

**CAPITAL PLAN:** Ensure the adequate and efficient maintenance of the City's infrastructure.

- Identify infrastructure maintenance requirements to maintain acceptable condition ratings.
  - Continue to rate the condition of streets and recommend funding strategies for street maintenance and rehabilitation in the annual CIP.
-