

HERMISTON URBAN RENEWAL AGENCY

Fiscal Year 2016-17

ANNUAL BUDGET

BUDGET COMMITTEE MEMBERS

Fred Allen, Jr. Citizen Member
Clara Beas-Fitzgerald, Councilor
Tim Beinert, Citizen Member
Eric Carpenter, Citizen Member
Mary Corp, Citizen Member
Lori Davis, Councilor
Dave Drotzmann, Mayor
Manuel Gutierrez, Councilor
Rod S. Hardin, Councilor

Joanna Hayden, Citizen Member
John Kirwan, Councilor
Brian Misner, Citizen Member
Jackie C. Myers, Councilor
Doug Primmer, Councilor
Douglas T. Smith, Councilor
Laura Sterling, Citizen Member
DuWayne White, Citizen Member
Dave Wright, Citizen Member

Byron Smith, Budget Officer
Amy Palmer, Finance Director

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HERMISTON URBAN RENEWAL AGENCY

HURA Board

Mayor Dave Drotzmann
Councilor Clara Beas-Fitzgerald
Councilor Lori Davis
Councilor Manuel Gutierrez
Councilor Rod S. Hardin
Councilor John Kirwan
Councilor Jackie C. Myers
Councilor Doug Primmer
Councilor Douglas T. Smith

City Manager

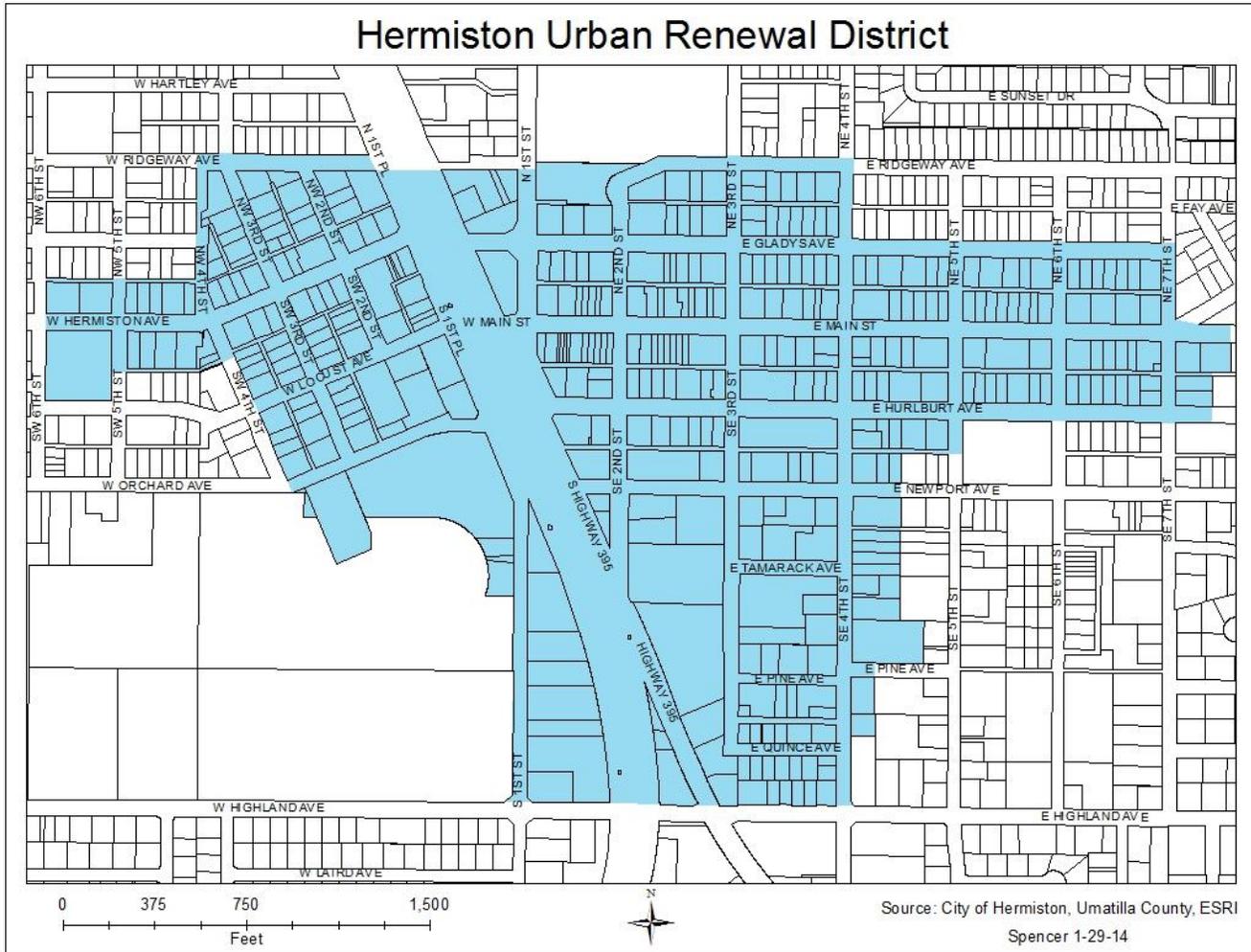
City Attorney

Assistant City Manager

City Planner

Sub-Committees

MAP OF DISTRICT





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May 10, 2016

Dear Citizens and Members of the Budget Committee:

The proposed Hermiston Urban Renewal Agency (HURA) Budget for the 2016-17 Fiscal Year is \$188,500.

Revenues for urban renewal agencies are based on tax-increment financing, which freezes the assessed value of the urban renewal area when it is established, and diverts all property tax revenues over and above that frozen base into the HURA to pay for improvement projects. The frozen base of the district is \$42,262,899 and has increased by approximately \$1,000,000 each year the district has been in existence. For example the 2015-16 assessed value for the district was \$44,225,659. The district's revenues are generated by the difference of \$1,962,760 between the frozen base and the current district value. In order to stimulate private value adding to the area which then drives higher revenue in out-years, it is considered a best practice to perform high impact projects in the early years.

The forecasted revenue from tax-increment revenue was budgeted very conservatively in its first two years due to the unknowns surrounding district formation and lack of immediate high value construction. In order to jump-start re-development, however, the City of Hermiston loaned HURA \$50,000 for its first year. Tax revenue then actually came in at \$15,800 in the first year and \$28,000 for the second year, which was on-track with forecasts. We are therefore budgeting another conservative estimate of \$29,000 of property tax revenue for FY '16-'17 to not overestimate the impact of the new Holiday Inn Express currently under construction which will not be fully complete by the County Assessor's July 1st assessment deadline. The district is also asking for an additional loan of \$100,000 from the city's general fund. This loan will be used for preliminary design and engineering of the festival street and will be discussed more in depth later in this message.

The Façade Grant program has proven to generate a lot of interest and discussion from business owners albeit with fewer applications than anticipated. The intent of the program being to incentivize private investment within the area which will drive up assessed valuation. The budget proposal for the Façade Grant program in FY '16-'17 is \$50,000. This is a decrease of \$7,000 over the '15-'16 year to reflect the lower volume of applications than anticipated. It reflects a grant award of \$40,000 to the Holiday Inn Express under construction which will be paid during the upcoming fiscal year and leaving a budget of \$10,000 for additional applications which may come in.

A fund for the Festival Street was established in FY '15-'16 and budgeted at \$15,000 for initial planning & design. Construction engineering was completed using this amount for the realignment of the SE 2nd Street/Highway 395 intersection. The budget for the Festival Street is proposed to increase to \$125,000 for FY '16-'17 using tax increment revenues and a loan of \$100,000 from the city's general fund. Testimony from the public in general, and the livability task force in particular indicate that downtown revitalization should be a high priority for the city and the festival street is the best option to encourage continued investment in and use of the downtown. The \$125,000 will be used to completely study, design, and engineer the festival street in the '16-'17 fiscal year. The district proposes to seat an ad hoc committee of citizens, merchants, and government representatives to meet and approve a design. The \$100,000 loan from the city would be structured as a line of credit rather than a straight transfer of funds to insure the district only borrows what is needed to cover the difference between tax

increment revenues and the actual cost of design and engineering. The festival street would then be bonded for construction in FY '17-'18 and the loan would be repaid in full from the bond proceeds.

The remaining expenditures will be \$13,500 in Audit & Other to accommodate for various administrative expenses. Examples of these expenses include publication of legal notices, legal assistance, materials, etc.

This budget presents a fiscally conservative approach to revenue forecasting while maintaining a commitment to the basic concept of facilitating private investment through public projects using tax increment financing.

Sincerely,



Mark Morgan, MPA
Assistant City Manager
City of Hermiston

BUDGET PROCESS

Most local governments in Oregon must prepare and adopt an annual budget. Budget guidelines are determined by Oregon's Local Budget Law. The law requires citizen involvement in the preparation of the budget, public disclosure of the budget before its final adoption, and establishes standard procedures for preparing, presenting, and administering the budget.

The budget committee in Oregon is made up of the mayor and city councilors of the local government and an equal number of appointed citizens. The Hermiston Urban Renewal Agency Budget Committee consists of eighteen individuals, each uniquely suited to provide guidance and analysis for the city budget.

The law sets out the following specific procedures to be followed: 1) Appoint budget officer; 2) Prepare a proposed budget; 3) Publish notices of budget committee meeting; 4) Hold budget committee meetings; 5) Approve proposed budget and specify the amount or rate of ad valorem taxes for each fund receiving tax revenues; 6) Publish budget summary and notice of budget hearing; 7) Hold a budget hearing; 8) Enact resolutions or ordinances to adopt budget, make appropriations, levy taxes by fund and categorize taxes; and 9) File budget and certify tax levy to county assessor and county clerk.

The Hermiston Urban Renewal Agency budget calendar for the fiscal year 2016-17 is as follows:

05/25/2016	Hold first budget committee meeting
06/13/2016	Hold budget hearing
06/13/2016	Council action of resolutions or ordinances to adopt budget, make appropriations, levy taxes and categorize taxes
07/15/2016	File budget with county assessor and county clerk

During the fiscal year, circumstances may require expenses to be paid that were not budgeted or the agency may receive revenue it did not plan for in its budget. A supplemental budget is required to pay additional expenses and spend the extra revenue. The supplemental budget must be adopted and appropriated before any additional money can be spent.

Adopting a budget will not involve the budget committee. After publishing a notice of the regular meeting at which the supplemental budget will be adopted, the governing body may adopt the supplemental budget by resolution if the expenditures are less than 10 percent of the annual budget fund being adjusted. If the expenditures are more, the governing body must publish the supplemental budget notice and hold a special hearing.

NOTE: This is the same budget process that is used to adopt the City of Hermiston's budget.

RESOURCES

HERMISTON URBAN RENEWAL AGENCY

	2013-14 Received	2014-15 Received	2015-16 Budget	2016-17 Proposed	2016-17 Approved	2016-17 Adopted
PROPERTY TAXES	-	16,834	15,000	29,000	29,000	29,000
DELINQUENT TAXES	-	-	-	-	-	-
PROPERTY TAXES	-	16,834	15,000	29,000	29,000	29,000
PROCEEDS FRM CITY OF HERM LOAN	-	50,000	-	100,000	100,000	100,000
FROM OTHER AGENCIES	-	50,000	-	100,000	100,000	100,000
CASH FORWARD	-	-	60,000	73,500	73,500	73,500
CASH FORWARD	-	-	60,000	73,500	73,500	73,500
TOTAL RESOURCES	-	66,834	75,000	202,500	202,500	202,500

CONSOLIDATED HURA EXPENDITURES

	2013-14 Expended	2014-15 Expended	2015-16 Budget	2016-17 Proposed	2016-17 Approved	2016-17 Adopted
FACADE GRANTS	-	9,435	57,000	50,000	50,000	50,000
FESTIVAL STREET	-	-	15,000	125,000	125,000	125,000
NON-DEPARTMENTAL	-	898	3,000	27,500	27,500	27,500
TOTAL	-	10,333	75,000	202,500	202,500	202,500

HURA EXPENDITURES

By character

	2013-14 Expended	2014-15 Expended	2015-16 Budget	2016-17 Proposed	2016-17 Approved	2016-17 Adopted
MATERIALS & SERVICES	-	10,333	70,000	188,500	188,500	188,500
RESERVE FOR FUTURE EXPEND	-	-	5,000	14,000	14,000	14,000
TOTAL HURA	-	10,333	75,000	202,500	202,500	202,500

FACADE GRANTS

MISSION STATEMENT: Grants to private property owners for the purpose of making improvements to publicly visible facades. The improvements may include beautification, repair, code compliance, signage, awnings, painting, brickwork, windows and other materials, and any other type of improvements which meet the goals of the Plan.

	2013-14 Expended	2014-15 Expended	2015-16 Budget	2016-17 Proposed	2016-17 Approved	2016-17 Adopted
MISCELLANEOUS CONTRACTUAL	-	9,435	52,000	50,000	50,000	50,000
MATERIALS & SERVICES	-	9,435	52,000	50,000	50,000	50,000
RESERVE FOR FUTURE EXPEND	-	-	5,000	-	-	-
RESERVE FOR FUTURE EXPEND	-	-	5,000	-	-	-
TOTAL FACADE GRANTS	-	9,435	57,000	50,000	50,000	50,000

FESTIVAL STREET

MISSION STATEMENT: Improvement of existing street rights of ways which might include widening, traditional paving, brick or decorative paving, striping, bike lanes, sidewalks, plantings, or any other improvement to public right of way to improve functionality, multi-modal access, marking, parking, or aesthetics. The intent of the festival street concept is to create a street improvement which preserves existing street connectivity and functionality for daily use, but which also creates a public gathering space with superior aesthetics, pedestrian access, and display capacity for special community events. A festival street is easy to transition from vehicular to pedestrian needs for special events.

	2013-14 Expended	2014-15 Expended	2015-16 Budget	2016-17 Proposed	2016-17 Approved	2016-17 Adopted
MISCELLANEOUS CONTRACTUAL	-	-	15,000	125,000	125,000	125,000
MATERIALS & SERVICES	-	-	15,000	125,000	125,000	125,000
TOTAL FESTIVAL STREET	-	-	15,000	125,000	125,000	125,000

NON-DEPARTMENTAL

MISSION STATEMENT: To provide a non-apportioned accounting entity which allows for costs which are not readily divided into the appropriation areas of the operating budget, and for those costs which are beneficial to the entire operation.

The appropriations in this category include specialized services such as general publication of Agency activity and similar expenses.

	2013-14 Expended	2014-15 Expended	2015-16 Budget	2016-17 Proposed	2016-17 Approved	2016-17 Adopted
PUBLIC NOTICES	-	-	-	400	400	400
MISC CONTRACTUAL	-	898	3,000	2,600	2,600	2,600
LOAN REPAYMENTS	-	-	-	10,500	10,500	10,500
MATERIALS & SERVICES	-	898	3,000	13,500	13,500	13,500
TOTAL NON-DEPARTMENTAL	-	898	3,000	13,500	13,500	13,500
RESERVE FOR FUTURE EXPEND	-	-	5,000	14,000	14,000	14,000
RESERVE FOR FUTURE EXPEND	-	-	5,000	14,000	14,000	14,000
TOTAL NON-DEPARTMENTAL	-	898	8,000	27,500	27,500	27,500

GLOSSARY OF TERMS

Adopted Budget. Financial plan that forms the basis for appropriations. Adopted by the governing body.

Ad Valorem Tax. A property tax computed as a percentage of the value of taxable property. See “Assessed Value.”

Appropriation. Authorization for spending a specific amount of money for a specific purpose during a fiscal year. It is based on the adopted budget, including supplemental budgets, if any. It is presented in a resolution or ordinance adopted by the governing body.

Assessed Value. The value set on real and personal property as a basis for imposing taxes. It is the lesser of the property’s maximum assessed value or real market value.

Budget. Written report showing the local government’s comprehensive financial plan for one fiscal year. It must include a balanced statement of actual revenues and expenditures during each of the last two years, and estimated revenues and expenditures for the current and upcoming year.

Budget Committee. Fiscal planning board of a local government, consisting of the governing body plus an equal number of legal voters appointed from the district.

Budget Message. Written explanation of the budget and the local government’s financial priorities. It is prepared and presented by the executive officer or chairperson of the governing body.

Budget Officer. Person appointed by the governing body to assemble budget material and information and to physically prepare the proposed budget.

Capital Outlay. Items which generally have a useful life of one or more years, such as machinery, land, furniture, equipment or buildings.

Commodities. Supplies purchased for direct use, such as paper products, gasoline, equipment parts and cleaning supplies.

Contractual Services. Services provided by outside sources, such as architects, janitorial and printing.

Debt Service Fund. A fund established to account for payment of general long-term debt principal and interest.

Enterprise Fund. A fund established to account for operations that are financed and operated in a manner similar to private business enterprises. They are usually self-supporting. Examples of enterprise funds are those for water and wastewater utilities.

Expenditures. Total amount incurred if accounts are kept on an accrual basis; total amount paid if accounts are kept on a cash basis.

Fiscal Year. A 12-month period to which the annual operating budget applies. At the end of the period, a government determines its financial position and the results of its operations. It is July 1 through June 30 for local governments.

Full-Time Equivalent Position (FTE). A part-time position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example a summer parks worker working for four months, or 690 hours, would be equivalent to .3 of a full-time position.

Fund. A division in a budget segregating independent fiscal and accounting requirements. An entity

within a government's financial plan designated to carry on specific activities or to reach certain objectives.

Goal. A statement of broad direction, purpose or intent based on the needs of the community. A goal is general and timeless; that is, it is not concerned with a specific achievement in a given time period.

Long-Term. A period of time ten years or more.

Materials & Services. The goods and direct services purchased for direct consumption in the annual operation of the budget.

Maximum Assessed Value (MAV). The maximum taxable value limitation placed on real or personal property by the constitution. It can increase a maximum of 3 percent each year. The 3 percent limit may be exceeded if there are qualifying improvements made to the property, such as a major addition or new construction.

Operating Funds. Resources derived from recurring revenue sources used to finance ongoing expenditures and pay-as-you-go capital projects.

Ordinance. A formal legislative enactment by the governing board of a municipality.

ORS. Oregon Revised Statutes.

Permanent Rate Limit. The maximum rate of ad valorem property taxes that a local government can impose. Taxes generated from the permanent rate limit can be used for any purpose. No action of the local government can increase a permanent rate limit.

Personal Services. Salaries, health and accident insurance premiums, social security and retirement contributions, for example.

Proposed Budget. Financial and operating plan prepared by the budget officer, submitted to the public and budget committee for review.

Real Market Value (RMV). The amount in cash which could reasonably be expected by an informed seller from an informed buyer in an arm's-length transaction as of the assessment date. In most cases, the value used to test the constitutional limits.

Resolution. A formal order of a governing body; lower legal status than an ordinance.

Resources. Estimated beginning funds on hand plus anticipated receipts.

Short-Term. A period of time less than ten years.

Supplemental Budget. A financial plan prepared to meet unexpected needs or to spend revenues not anticipated when the regular budget was adopted. It cannot be used to authorize a tax.

Transfers. Also known as inter-fund transfers, the amounts distributed from one fund to finance activities in another fund. Shown as an expenditure in the originating fund and a revenue in the receiving fund.

Unappropriated Ending Fund Balance. Amount set aside in the budget to be used as a cash carryover to the next year's budget. It provided the local government with cash until tax money is received from the county treasurer in November. This amount cannot be transferred by resolution or used through a supplemental budget, unless necessitated by a qualifying emergency.

User Charges. The payment of a fee for direct receipt of a public service by the party benefiting from the service.