



HERMISTON CITY COUNCIL

180 NE 2nd Street – Hermiston, OR 97838

Regular Meeting

December 28th, 2015

AGENDA

1. CALL MEETING TO ORDER– 7:00 pm
2. DECLARATION OF QUORUM
3. FLAG SALUTE
4. PROCLAMATIONS, PRESENTATIONS & RECOGNITIONS
5. CITIZEN INPUT ON NON-AGENDA ITEMS (Anyone wishing to bring anything before the council that is not on the agenda is asked to please do the following: 1. Limit discussion to not more than FIVE minutes; 2. State your name and address; 3. Direct your comments to the Mayor.)
6. CONSENT AGENDA
 - A) Minutes of the December 14th, work session and regular City Council meeting.
 - B) Minutes of the November 30th, Public Infrastructure Committee meeting.
 - C) Initiate annexation and direct staff to schedule public hearings of .45 acres of land located at 260 E Theater Lane.

D) November Expenditures

Bonded Debt	155,446.31	Energy Services	551,833.60
General	798,166.20	Regional Water	78,032.97
State Tax Street	389,760.88	EOTEC Construction Fund	0.00
Transient Room Tax	134,603.88	Law Enforcement Special Revenue	567.22
Utility	572,891.85	Library Special Revenue	1,478.12
Recreation Special Revenue	0.00	2014 Water & Sewer Bonds	0.00
Reserve	139,903.91	Senior Center Construction Fund	2,000.00
Municipal Court	16,974.53	HURA Fund	3.00
Miscellaneous Special Revenue	1,288.64	TOTAL	2,878,524.56
Conference Center	35,573.45		

Action – Motion to approve consent agenda items.

Roll Call

7. ITEMS REMOVED FROM CONSENT AGENDA

8. PUBLIC HEARINGS

- A) Consider a request to amend the definition of “Dwelling, Multi-Family” in section 157.002 definitions of Title XV, Chapter 157: Zoning of the Hermiston Code of Ordinances.
- 1) Declaration of potential conflict of interest
 - 2) Hearing Guidelines
 - 3) Open Hearing
 - 4) Staff Report
 - 5) Public Testimony (people wishing to speak are asked to come to the microphone and state their name and mailing address)
 - a. Proponents
 - b. Opponents
 - 6) Close Hearing
 - 7) Finding of Fact
- Action: Motion to approve finding of fact. Roll Call

9. RESOLUTIONS & ORDINANCES

- A) Ordinance No. 2235 – Amend the definition of “Dwelling, Multi-Family” in section 157.002 definitions of Title XV, Chapter 157: Zoning of the Hermiston Code of Ordinances.
- Action - Mayor requests first reading of the ordinance be read by title only and calls for a roll call. Roll Call
- Action - Mayor requests that the ordinance be put on for final adoption at this meeting and that the second reading be by title only and calls for a roll call. Roll Call
- Action - Motion that ordinance No. 2235 be adopted and become effective 30 days after its passage by the City Council. Roll Call
- B) Resolution No. 2010 – A resolution to adopt the revised financial policies for the City.
Action – Motion to approve and lay upon the record.
- C) Resolution No. 2011 – A resolution to re-adopt the City’s investment policies.
Action – Motion to approve and lay upon the record.
- D) Resolution No. 2012 – A resolution establishing the Ridgeway site for the Harkenrider Center.
Action – Motion to approve and lay upon the record.

10. OTHER

- A) Amend the existing IGA with ODOT regarding the City’s Connect Oregon V grant for realigning the airport taxiway.
- B) November Financial Report.
Action - Motion to approve. Roll Call

11. COMMITTEE REPORTS

- A) City Committees and Liaison: Airport Advisory, Budget, Hispanic Advisory, Library Board, Parks & Recreation, Planning Commission, Recreation Projects Fund, Faith-Based Advisory Committee, Community Enhancement Committee, Public Safety Committee, Public Infrastructure Committee.

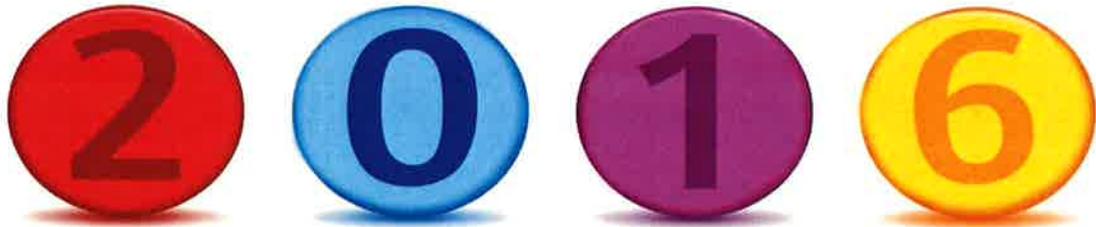
B) Mayor's Report –

C) Council Report –

D) Manager's Report –

12. ADJOURNMENT

UPCOMING MEETINGS AND EVENTS		
At City Hall unless otherwise specified		
Dec 28	7:00 pm	City Council Meeting
Jan 1		NEW YEAR HOLIDAY
Jan 5	4:00 pm	Faith-Based Advisory Committee Meeting
Jan 6	4:00 pm	Airport Advisory Committee Meeting (Airport Conference Room)
Jan 11	6:00 pm	City Council Work Session
Jan 11	7:00pm	City Council Meeting
Jan 13	7:00 pm	Planning Commission Meeting
Jan 14	5:30pm	Parks and Recreation Committee Meeting
Jan 18		MARTIN LUTHER KING JR HOLIDAY
Jan 19	7:00 pm	Hispanic Advisory Committee Meeting
Jan 22	7:00 am	EOTEC Meeting (Stafford Hansell Government Center)



HAPPY NEW YEAR

HERMISTON CITY COUNCIL

Work Session

December 14th, 2015

Mayor Dave Drotzmann called the work session to order at 6:00 pm. Present were Councilors Hardin (arrived at 6:03 pm), Gutierrez, Myers, Smith, Kirwan, Beas-Fitzgerald and Primmer. Councilor Davis was excused. Staff members in attendance were City Manager Smith, City Attorney Luisi, Assistant City Manager Morgan, Captain Darryl Johnson (arrived at 6:40 pm), Bill Schmittle, Ron Sivey (arrived at 6:12 pm), Nate Rivera, Roy Bicknell, and Lilly Alarcon-Strong. News media present was Jade McDowell of East Oregonian.

Regional Water Update

Craig Reeder, Hale Farms Vice President and NOWA (Northwest Oregon Water Association) Board member introduced himself; Bob Levy, NOWA Board member and longtime area farmer; and JR Cook, Founder and Executive Director of NOWA. Mr. Reeder stated NOWA has been working with the City and the Port of Umatilla to amend the service contract to allow NOWA to move on improvements with the Regional Water System and an IGA to access grant funds that NOWA has applied to on the regions behave, to facilitate improvements to the Regional Water System.

Mr. Reeder stated this is a very exciting project, one that has been worked on for the last 30 years. This process is very complicated dealing with the technical nature of operations and the history of water rights. There has been a great amount of legal, engineering, and professional consultants who have helped provide the information being presented today. Mr. Reeder stated we live in one of the two premier locations of the world to grow non-citrus irrigated fruits and vegetables. The reasons are due to the fact our region has a favorable water lift with a plentiful water supply, weather that is long and warm in the summer with a good cold cleaning winter, good growing degree days with low humidity in the summer, and a nice freeze period in the winter for disease and pest control, existing systems that can be turned on, flat terrain, a location or transportation hub, and alternative fuels. Mr. Reeder gave examples of farm gate value and the collateral benefits they produce such as jobs from growing wheat to root crops.

Mr. Reeder presented current graphs and those from the 1980's to display critical ground water areas and stated in the 1980's and 1990's farmers were instructed to secure water rights to take pressure off of the statics and water levels. In 1993, salmon were listed on the endangered species list and a moratorium was placed on Columbia River withdrawals. NOWA's vision is to penetrate into the critical ground water areas and with river water, turn on the pivots that were turned off. NOWA's studies have shown, if water is able to flow into all of these areas through this process, the area could easily add another billion dollars to the state and regional economy just by bringing water to these areas and thus this land into full production. NOWA has tried to include every irrigation district and primary municipality inside the irrigation area into this project to gain as much ground as possible.

Mr. Reeder thanked everyone in the governor's office, the City of Hermiston, and City Manager Byron Smith for their water rights and infrastructure collaboration efforts, as well as, the Port of Umatilla, as they have spent an enormous amount of time, effort, and resources to secure use for these projects.

JR Cook stated the water rights, infrastructure, and funding package had been worked on and negotiated from 2012 through 2014, and presented at the 2015 session through Representative Smiths Capital Construction Committee. The outcome: NOWA's package, of \$900,000, was the only project that was fully funded with the exception of about \$200,000.00, due to all regional solutions projects being

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cut back for budget negotiations. Mr. Cook stated the funding package is \$50 Million, which is compartmentalized funding resources for various purposes, of which \$20 Million is lottery backed bonds, \$17.25 Million is for project development, and the remaining funds were to go to place based planning. NOWA is also planning on supporting grant applications from a couple of municipalities for additional water supply projects. Mr. Cook stated there is \$13.250 Million of additional funds from SB-839 that NOWA is applying for with competitive grants, but NOWA did receive \$11 Million from the SB-1069 program. This \$11 Million will not fund all of the projects in the vision but will at least fund one, possibly two, of the three Regional Water Supply Project which will target the Central and East Projects. These funds must be used within the next two years.

Mr. Cook stated to successfully solidify an agreement with the Port of Umatilla and the City of Hermiston, improvements would need to be made to the RWS. These improvements would benefit the Port, the City, and future water users. In the IGA, the City is working with the Infrastructure Finance Authority, which is one of the most proactive and customer friendly grant administrative agencies there is to work with. Based on the grant awards this year, Mr. Cook stated the return on investment in NOWA will be 670%, if infrastructure progress can be made now.

Bob Levy thanked the Council for allowing him to speak at today's work session and stated he is also on the Port of Portland Commission and Oregon Business Council. Mr. Levy stated 30 years ago many farmers in our area were in a very desperate situation not knowing how they would be able to move forward. The Hermiston Development Corporation and later, Hermiston 2000, traveled to Salem hoping someone would allow them to speak about the issues they were facing, but no one would. Umatilla Electric spent a lot of political dollars in Salem, hoping to increase the development of the areas water resources, but again, made no progress. Mr. Levy stated things began to change in Governor John Kitzhaber's second term of administration and NOWA has been fortunate that Governor Kate Brown has continued to work towards these same goals as this is the biggest opportunity the Region has had in the last 30 years. With these RWS changes Hermiston can expect to see continued economic growth for the next 15 to 20 years.

Mr. Reeder stated the application, permit, and certification of the RWS will develop resources in the area, as well as, bring safety and security to the RWS facility. Mr. Reeder thanked everyone involved for helping and supporting this process and stated it has been an honor to represent the region with this project.

Mayor Drotzmann thanked all those who have collaborated in this effort; especially all those who have volunteered like Mr. Reeder and Mr. Levy and stated, through your leadership, this process has come a long way.

City Manager Smith stated the City is working on a couple of pieces to be able to certify the water right. The first, is the pumping capacity which brings in water from the river. There are currently 3 pumps at a total of 15,000 GPM, the City will need to increase this to 4 pumps at 17,400 GPM to certify the water rights. The Second, is the system currently does not have a flush which makes sure the pipes are clean. The City has found in the lower reaches of the pipeline and at the treatment plant, clams and substantial amounts of mud. A specific design has not been established, but once it has, the contract will be presented to Council.

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Councilor Kirwan asked how does certifying the water right relate to building the \$11 Million infrastructure.

Mr. Cook stated there are two separate water right processes that are related to get the projects done but they are both completely separate in terms of exposure and what the City needs are and what the City comes away with. The process for the City is certificating the Port's right. Once the water right is certificated, the City and the Port will be able to do certain things with the water to generate revenue streams.

Councilor Gutierrez asked if this pipe will be used to pump water during the winter.

Mr. Cook stated no, this pipe will not inject water into the ground. The aquifer storage and recovery system that you're asking about is being tested on Buttercreek Rd, this water is at drinking water standards before it is placed on the water table. Mr. Cook stated the third project will be like a cold springs, an above ground storage project that will not cause any affect to the aquifer.

Councilor Myers asked who owns the irrigation water rights that are being spoken of.

Mr. Cook stated NOWA is the agent and the facilitator of the water rights, Central project user group will be an irrigation district that already exists, either Westland or Buttercreek, the East project is currently working on forming a district to be the holder of the water rights, and the Port of Morrow is working on the West project in Morrow County.

Kim Puzey, Port of Umatilla General Manager stated the individuals working on this project have done an amazing job keeping this project moving forward and the presentation tonight has been presented in a way that is easily understood, and that was not an easy task. Mr. Puzey stated he recommends the Council sign the IGA that will be presented during the regular Council meeting so this process will not be delayed any further.

Mayor Drotzmann ended the work session at 6:55 pm. The councilors took a short break before the regular City Council meeting began at 7:00 pm.

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Regular Meeting

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Mayor Dave Drotzmann called the regular meeting to order at 7:00 pm. Present were Councilors Hardin, Gutierrez, Davis, Myers, Smith, Kirwan, Beas-Fitzgerald and Primmer. Staff members in attendance were City Manager Smith, City Attorney Luisi, Assistant City Manager Morgan, Captain Darryl Johnson, Larry Fetter, Clint Spencer, Heather LaBeau, Judge Creasing, Ron Sivey, Bill Schmittle, Nate Rivera, Roy Bicknell and Lilly Alarcon-Strong. News media present were Jade McDowell of East Oregonian and Michael Kane of Northeast Oregon Now. The pledge of allegiance was given.

Mayor Drotzmann stated the Agenda will be modified and the Council will address the Hermiston Urban Renewal Agency before recessing the meeting for the Executive Session.

Citizen Input on Non-Agenda Items

Louis Hansen 2110 S Highway 395, thanked the Council and public for attending the Seventh-day Adventist Churches Journey to Bethlehem, and stated there were about 2,000 participants.

Mayor Drotzmann thanked all the volunteers who made this event possible and stated he has heard a great deal of positive feedback.

Virgina Rome-Garcia 435 E Sunset Dr, stated the Black International Awareness Club will be hosting a MLK Peace Walk on Monday, January 18th at 12:00 pm and would like to invite the City Manager, Mayor, Council, and the public to attend the event.

Consent Items

Councilor Primmer moved and Councilor Gutierrez seconded all Consent Agenda items be approved for filing, to include:

1. Minutes of the November 23rd, work session and regular City Council meeting.
2. Minutes of the November 3rd, Faith-Based Advisory Committee meeting.
3. Minutes of the November 4th, Airport Advisory Committee meeting.
4. Minutes of the November 16th, Community Livability Oversight Committee meeting.
5. Minutes of the November 18th, Planning Commission meeting
6. Confirm appointments to the following committees for the remaining 3-year term beginning January 1st, 2016 and ending December 31st, 2017:
Budget Committee Position- #6 Dave Wright
Recreation Projects Fund Advisory Committee Position- #4 Mark Gomolski
7. Confirm appointments to the following committee for a 3-year term beginning January 1st, 2016 and ending December 31st, 2018:
Budget Committee Positions- #7 Laura Sterling; #8 Tim Beinert; and #9 Brian Misner.
Recreation Projects Fund Advisory Committee Position- #5 Lori Davis

Motion carried unanimously.

Authorize the Eastern Oregon Trade and Event Center Authority to enter into Financing Agreements.

Consider a resolution authorizing the Board of the Eastern Oregon Trade and Event Center Authority to enter into financing agreements totaling up to \$1.5 Million to assist in capital construction using the EOTEC property as collateral.

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City Manager Smith explained under the IGA between the City and Umatilla County, before the EOTEC Authority is able to enter into any financing arrangements, both the City and the County must hold a Public Hearing and authorize the Board to enter into the arrangement. The EOTEC Board recently came before the City and County requesting additional funds, as well as, making efforts to fundraise and request donations. The EOTEC Board is requesting authorization to enter into possibly, multiple financing options to maximize the interest rates and use the EOTEC property as collateral.

Hearing no potential conflicts of interest, Mayor Drotzmann opened the hearing at 7:12 pm.

Proponents:

EOTEC Vice Chairman Dan Dorran 967 SW 7th St, thanked the Council for addressing this issue and stated EOTEC is moving along very quickly trying to finalize the project with all of the amenities this community deserves.

There were no further Proponents and hearing no Opponents who wished to address the Council, the hearing was closed at 7:14 pm.

Mayor Drotzmann read the finding of fact to the Council as prepared by City Manager Smith.

Councilor Myers moved and Councilor Hardin seconded to approve the findings of fact as written. Motion carried unanimously.

Amend certain sections of Chapter 35, Public Contracts of the Hermiston Code of Ordinances.

Consider a request to amend certain sections of 35.06, 35.09, 35.10, and 35.13, of Chapter 35. Public Contracts of the Hermiston Code of Ordinance and adopting findings in support of class exemptions and class special procurement.

City Manager Smith stated this Ordinance will be the first of many items that will be brought before the Council as the City reviews the Code of Ordinances and the newly adopted City Charter. The previous City Charter stated any public improvement project over \$500.00 was to be placed in a public bid process, this item was removed in the new Charter. The City is asking the Council to continue to adopt the provisions of the Oregon Procurement Rules that the State of Oregon recommends and alter this ordinance to reflect the new changes in the Charter.

After hearing examples of the ordinance changes from City Manager Smith and hearing no potential conflicts of interest, Mayor Drotzmann opened the hearing at 7:19 pm.

Hearing no Proponents or Opponents who wished to address the Council, the hearing was closed at 7:19 pm.

City Manager Smith presented the finding of fact to the Council.

Councilor Kirwan moved and Councilor Hardin seconded to approve the findings of fact as written. Motion carried unanimously.

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Res. No. 2001- A resolution to install a "STOP" sign at E. Hurlburt Ave and SE 13th St— was read and discussed. City Manager Smith gave a brief presentation on the new subdivision built in this area and the need to add a stop sign at this intersection. Councilor Davis moved and Councilor Primmer seconded to approve Resolution No. 2001 and lay upon the record. Motion carried unanimously.

Res. No. 2005- A resolution adopting a schedule of fees and charges for various services, licenses, and permits, and superseding resolution No. 1985— was read and discussed. City Manager Smith and Assistant City Manager Morgan gave a brief presentation on the major items that will be changed to include: new items, such as the police department body camera footage. There were concerns expressed by multiple councilors to increasing the various fees. Councilor Davis moved and Councilor Myers seconded to approve Resolution No. 2005 and lay upon the record. Councilor Hardin, Davis, and Myers votes yes; Councilor Smith, Kirwan, Gutierrez, Beas-Fitzgerald, and Primmer voted no. 3 votes for; 5 votes against. Motion failed.

Res. No. 2006— A resolution to appoint Municipal Court Judges Pro-tem - was read and discussed. City Manager Smith gave a brief presentation regarding appointing three Pro-Tem Municipal Judges (John Ballard, Phillip Spicerkuhn, and William Perkinson) to preside in circumstances where Judge Creasing is unavailable or unable to do so. They would be used on a rotational basis after establishing an agreement. Councilor Davis moved and Councilor Primmer seconded to approve Resolution No. 2006 and lay upon the record. Motion carried unanimously.

Res. No. 2007- A resolution authorizing the expenditure of a grant in the amount of \$2,916,000 from the FAA and amending the 2015-2016 budget accordingly— was read and discussed. City Manager Smith gave a brief presentation on instituting the new process, Oregon Budget Law, and paying contracting invoices. Councilor Smith moved and Councilor Beas-Fitzgerald seconded to approve Resolution No. 2007 and lay upon the record. Motion carried unanimously.

Res. No. 2008- A resolution authorizing the City Manager to sign an Intergovernmental Grant Agreement with the State of Oregon Business Development Department in the amount of \$664,200 for certain improvements to the City of Hermiston Regional Water System, and appropriating the proceeds of the grant for expenditure in the 2015-16 budget— was read and discussed. City Manager Smith gave a brief statement regarding the Regional Water System that was presented earlier during the work session. Councilor Gutierrez moved and Councilor Primmer seconded to approve Resolution No. 2008 and lay upon the record. Motion carried unanimously.

Res. No. 2009— A resolution authorizing the Board of the Eastern Oregon Trade and Event Center Authority to enter into financing agreements totaling up to \$1.5 Million to assist in capital construction using the EOTEC property as collateral— was read and discussed. City Manager Smith gave a brief presentation regarding information of the EOTEC financing agreement that was presented earlier during the public hearing. Councilor Myers moved and Councilor Kirwan seconded to approve Resolution No. 2009 and lay upon the record. Motion carried unanimously.

Ord. No. 2236 - Amend Sections to temporarily increase the Tourism Promotion Assessment Charge to fund construction of the Eastern Oregon Trade and Event Center and for housekeeping purposes.

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City Manager Smith stated the Hoteliers in the area have agreed and are in support of increasing the Tourism Promotion Assessment Charge from \$1.00 per room per night for marketing the EOTEC facility to \$2.00 per room per night to dedicate the second dollar for capital construction of the EOTEC facility. This increase would be applied for the next 15 years. The EOTEC Board is also proposing to come back to the Council in the spring and ask that the City issue bonds where the City would be paid back specifically through the TPA. This would allow the construction funds to come into the project and be paid off.

City Manager Smith stated the City of Umatilla, Stanfield, and Echo also participate in this TPA charge.

Mayor Drotzmann requested that the first reading be by title only. Hearing no opposition, City Attorney Luisi read the ordinance by title only. Mayor Drotzmann requested that the ordinance be put on for final adoption at this meeting and that the second reading be by title only. After City Attorney Luisi read the ordinance by title only for the second reading, Councilor Davis moved and Councilor Smith seconded that Ordinance 2236 be adopted tonight and be effective January 15, 2016. 8 votes for; none against. Motion carried unanimously.

Ord. No. 2237 - Amend certain sections of 35.06, 35.09, 35.10, and 35.13, of Chapter 35. Public Contracts of the Hermiston Code of Ordinance and adopting findings in support of class exemptions and class special procurement. City Manager Smith stated information regarding ordinance 2237 was presented earlier during the public hearing.

Mayor Drotzmann requested that the first reading be by title only. Hearing no opposition, City Attorney Luisi read the ordinance by title only. Mayor Drotzmann requested that the ordinance be put on for final adoption at this meeting and that the second reading be by title only. After City Attorney Luisi read the ordinance by title only for the second reading, Councilor Hardin moved and Councilor Kirwan seconded that Ordinance 2237 be adopted tonight and be effective January 15, 2016. 8 votes for; none against. Motion carried unanimously.

Update the current management contract between the City and the Chamber of Commerce for operation of the Conference Center. City Manager Smith stated the current management contract for the Chamber of Commerce is 12 years old, and many provisions in the contract are not being followed. The update will bring current practices into the contract so that the City and Chamber can be in compliance with the terms of the contract.

Assistant City Manager Morgan stated many of the changes of the contract are typos, to include: references and abbreviations used for the Chamber of Commerce and Conference Center; and changes to include: increase the threshold on minor repairs, clear outline in the Consideration Section, cash guarantee, insurance compliance updates, clarifying the operating account, and reforming the Conference Center Management Board. Assistant City Manager Morgan recommended Mayor Drotzmann appoint two City Councilors to join the Board sometime in spring of 2016. The entire Board will consist of two Council members and two members from the Chamber of Conference Board, as usual, city staff will be present at these meetings.

Councilor Davis moved and Councilor Gutierrez seconded to approve the current management contract as presented. Motion carried unanimously.

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Continue operations of the Hermiston Conference Center through December 31st, 2017.

City Manager Smith recommended the City approve renewal of the operations at the Conference Center through December 31st, 2017 until EOTEC opens and the City hears recommendations from the Livability Asset Committee regarding the future of the Conference Center.

Councilor Myers moved and Councilor Primmer seconded to approve the Conference Center operations through December 31st, 2017. Motion carried unanimously.

Committee Reports

Faith-Based Advisory Committee- Pastor Craig Fraley stated the Committee has been working on making sure all area schools have been “adopted” by a congregation. The “adoption” provides the schools with volunteers, needed school and nutrition items for students like the backpack program, and goodies for staff. The Committee has also been slowly working on Hermiston’s Family Promise, where counseling and resources are provided for families at risk or in need. This is a 12 month program and is intended to help better the future of the family, not enable them.

There are no December meetings for the: Hispanic Advisory and Parks & Recreation Committees.

Mayors Report

Mayor Drotzmann asked those able, to please attend the EOTEC Special Meeting on Wednesday, December 16, 2015 at 6:00 pm at the Conference Center. The Livability Asset Oversight Committee had its third meeting earlier today. The process has been very interesting and the Committee of 25, will soon come before the Council with its recommendation based on the information they have gathered. The City’s Tree Lighting Event gathered about 300 people. Santa Clause, AKA Councilor Primmer was also at the event and the community, as well as the downtown business owners were really happy with the outcome and supported the event. Mayor Drotzmann thanked Parks and Recreation Director Larry Fetter for his vision and hard work putting the event together.

Larry Fetter stated new items are being added every week so, if you’ve already seen the light show, please come down again because it has and will be continuing to change.

Council Report

Councilor Hardin stated the Hermiston Christian Center will host their Christmas Concert on Thursday, December 17th, at 7:00 pm. The public is invited to attend the event.

City Manager Report

City Manager Smith stated the Council should have received a letter from a community member regarding the marijuana discussion.

Recess

Mayor Drotzmann recessed the regular meeting at 8:18 pm and announced a special meeting regarding the Urban Renewal Agency will reconvene immediately.

Convened

Mayor Drotzmann convened the special meeting-Urban Renewal Agency meeting at 8:18 pm.

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Res. No. 6 – Designate a registered agent for the agency.

City Manager Smith stated this administrative paperwork was originally overlooked when the Urban Renewal Agency was originally formed. While reviewing paperwork, this discrepancy was found and is needed to be in compliance. Councilor Myers moved and Councilor Smith seconded to approve Resolution No. 6 and lay upon the record. Motion carried unanimously.

Adjournment

Mayor Drotzmann adjourned the Urban Renewal Agency meeting at 8:20 pm and announced the regular meeting the will reconvene immediately.

Reconvened

Mayor Drotzmann reconvened the regular meeting at 8:20 pm.

Recess

Mayor Drotzmann recessed the regular meeting at 8:20 p.m. and announced that an executive session will convene pursuant to ORS 192.660 (1) (e) which allows the Council to meet in Executive Session to conduct deliberations with persons designated by the Council to negotiate real property transactions.

Representatives of the news media and designated staff will be allowed to attend the executive session. All other members of the audience are excluded. Representatives of the news media are specifically directed not to report on any of the deliberations during the executive session, except to state the general subject of the session as previously announced. No final decision may be made in executive session. At the end of the executive session, the council will return to open session which the audience may attend.

Convene

Mayor Drotzmann convened the regular meeting at 8:31 p.m.

Adjournment

There was no other business, and the meeting was adjourned at 8:31 pm.

SIGNED:

/s/ David Drotzmann
MAYOR

ATTEST:

/s/Lilly Alarcon-Strong
ASSISTANT CITY RECORDER

Assistant City Manager Mark Morgan called the meeting to order at 5:00 pm. Present were Councilors Smith and Davis, City Manager Byron Smith, Bill Schmittle, Roy Bicknell, Chas Hutchins and Brad Baird.

Water Department

Water Superintendent Roy Bicknell stated the water department is close to 100% completed on the EOTEC project. The OSU and Simplot Non-Potable 2 Project was expected to have already been completed, but there have been delays getting in pumps and motors, therefore, the deadline has been extended to the end of December. The City is currently running about 2 million gallons a day, which is a dramatic decrease from summer months at about 10 million gallons a day. Roy stated within the last week the water departments main computer crashed. This computer system is the window to the water system to let the department see what's going on, make changes, dial out for alarms if something is failing or shuts off unexpectedly; it also receives all the information from the regional water system, wells, tank, etc. The computer system is being worked on and will hopefully start running again tomorrow.

Planning Department- GIS Project Update

City Planner Clint Spencer gave information to the committee regarding digitizing all older subdivisions and placing them on a hosted network drive so all the different public utility companies can access them by map. The Planning Department is also working with Anderson Perry on a three year project to have a comprehensive water system, sewer system, and street utility map for the City. The City's website also has an interactive zoning and Urban Renewal map that is a lot easier to use than what the City currently has. Clint stated he will be maintaining these systems after these projects have been completed.

Councilor Smith asked if the GIS would be able to give information about how old current underground pipes are.

Clint stated yes, people will be able to click on a pipe and be told when the pipe was installed and what it is made out of.

Water System Master Plan

Assistant City Manager Mark Morgan stated the City's current Water System Master Plan is nearly 20 years old and state law requires that the City update certain portions of the map at least every 20 years. If approved, these updates will most likely be added to next year's budget.

Chas Hutchins, with Anderson Perry Engineering explained that a Water System Master Plan is composed of three general components:

- 1.) Supply, where is the water coming from
- 2.) How is it being stored
- 3.) How is it being distributed

Chas stated The Oregon Water Resource Department requires that City's update their Water System Master Plan at least on a 20 year basis. The last time Hermiston updated their master plan was in 1997. Since Hermiston is nearing its 20 year mark, it will begin to receive notices regarding making sure the Master Plan gets updated, and in time, if not addressed, can lead to fines being imposed to the City.

Chas introduced Brad Baird, Senior Engineer from Anderson Perry. Brad stated Anderson Perry has a wide range of engineers with their own special area of expertise. Brad stated he is one of the top engineers in water issues and will be helping with the project. Brad stated the Water System Master Plan is a planning document for the next 20 years. It evaluates and forecasts the supply, storage, and distribution systems now and in the next 20 years. One of the major factors of the plans is population projection, all areas the City thinks it will serve, and what the City needs to accomplish it with improvements. It is very important to have a well prepared plan.

Councilor Davis asked how far out of the City does the plan run.

Clint stated the plan runs out to the urban growth boundaries from North Pumpkin Center to South Feedville Road, East Ott Road to West Umatilla River. Clint stated this is what is projected for the next 20 years.

City Manager Byron Smith stated by not having a well thought out Master Plan, it could cause the City problems in the future, and that is why the plan is being focused on now.

Councilor Smith stated hearing Roy's concerns regarding current water issues, what is the futures water supply plan going forward.

Brad stated the City has supply wells that are tied to salt aquifers are recharged from mountain water which are less susceptible to drought when compared to home wells that come from the ground, although the City also has ground wells and the regional water system that is tied to the Columbia River. Brad stated the Oregon Water Resource Department also monitors water levels in wells and the statues of the aquifers to help plan out the City's growth demand. So if there are possible water problems/shortages, the City will know about them ahead of time and will be able to plan accordingly with recommendations from the Oregon Water Resource Department.

Brad showed the Committee another two examples of Master Plans; one from La Grande, which was completed in 2013 and the second from Echo. Echo made many changes to their plan to include adding several items. These are great examples of how a city similar in size to Hermiston updated their plan to, compared to a smaller city that updated *and added* additional items to their master plan. By gathering three to four city's similar in size to Hermiston, an estimated cost for the Water System Master Plan would run anywhere from a base plan of \$100,000 to plan additions of \$800,000. Brad stated after reviewing Hermiston's current Master Plan with Chas, they believe the cost would be about \$120,000 for a base plan. This would not include any of the GIS work, as the Planning Department is already heading this work, modeling, detailed water rights or rate studies, development charges and capital improvement plans that would regularly be in a master plan. Plans usually take about 8 to 12 months to complete.

Chas stated the City currently has a water model but does not access to it. Therefore, anytime the City wants to do a study to see how adding a subdivision or major industrial user will affect the system, the City has to contact the water model programmers and update it to see if it can be done or if it needs to be modified.

Councilor Smith asked if this water model was from a contract where the company owns the plans even though the plans pertain to the City.

City Manager Smith stated no, the company developed the plan under a proprietary software system. The City can have the plans but must have this software system to look at the plan.

Chas stated this practice is not uncommon for many cities as the software is fairly expensive and there are added yearly costs to maintain the software as well. The purchase price is about \$8,000 with annual fees of about \$3,000 and, the software is mainly used by engineering firms or cities with an engineer on staff.

Brad stated the Water Model is a computerized system that contains the entire water system: pipes, types of pipes, junctions, hydrants, elevations, how hard water is to flow through these areas, etc. The GIS system that the City is currently working on will be able to work with the Water Model. The Water Model allows the City to take the entire piping network and place demands on the system to spread water flow where needed, test areas for strengths and weaknesses, gives alternatives for incoming or expanding large businesses, etc.

Mark stated the next steps for the Committee and City Council is to schedule a Work Session on the Water System Master Plan. Depending on the feedback received from the Council, the City would bring recommendations on how to proceed with either a base package and possible add-on's the Council may be interested in including.

Councilor Smith asked Brad and Chas if there is anything the City can do or provide that they need to be able to do their jobs properly. Giving specific details on what the City really needs not what would be "nice" to have.

Chas stated without studying in more detail the current system, they are not prepared to answer this question specifically. They will be reviewing the system in more depth to be able to answer questions of this nature before the work session.

There was no other business and the meeting was adjourned at 5:40 pm.

Staff Report

For the Meeting of December 28, 2015
MAYOR AND MEMBERS OF THE CITY COUNCIL

Agenda Item #

SUBJECT: E Theater Lane
Property Annexation
Proposal

Subject

Thomas W. Morris is proposing to annex .45 acres of land located at 260 E Theater Lane.

Summary and Background

The property is described as 4N 28 02CB Tax Lot 300. The property must be annexed to the city to allow connection to city sewer services which are located in E Theater Lane. The property lies within the urban portion of the urban growth boundary and has a comprehensive plan map designation of Medium Density/Mobile Home Residential which corresponds to an (R-4) zoning designation. The applicant has requested annexation with a Multi-Structure Residential (R-4) zoning designation.

Fiscal Information

Financial impact to the City will be approximately \$948 in property tax revenue.

Alternatives and Recommendation

Alternatives

Initiate annexation proceedings and schedule hearings
Do not initiate annexation proceedings.

Recommendation

Staff recommends the city council initiate proceedings to annex the property with an R-4 zoning designation.

Requested Action/Motion

Motion that the annexation be initiated and direct staff to schedule public hearings. Hearings would be scheduled before the Planning Commission on February 10, 2016 and before the City Council on February 22, 2016.

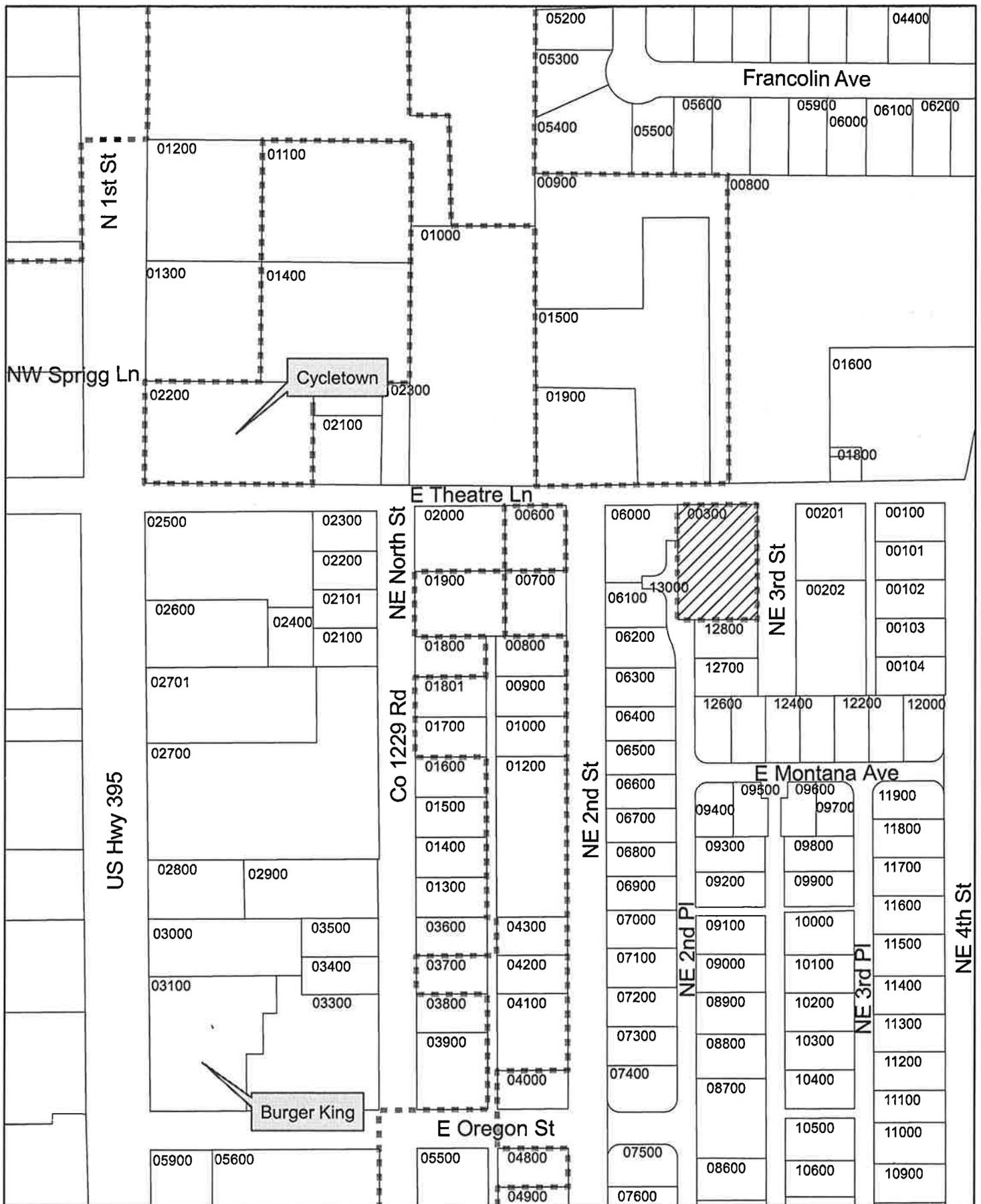
Reviewed by:



Department Head – Clinton Spencer, City Planner

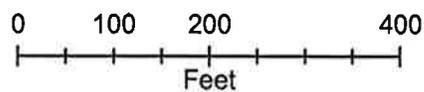


City Manager Approval



Legend

-  Area of Proposed Annexation
-  Property Line
-  City Limits



Staff Report

For the Meeting of December 28, 2015
MAYOR AND MEMBERS OF THE CITY COUNCIL

Agenda Item #

NO. 2015 –

**SUBJECT: Public Hearing for
Ordinance 2235**

Subject

The City Council is holding a hearing to consider an amendment to the zoning ordinance broadening the definition of multi-family housing.

Summary and Background

Staff has encountered several zoning conflicts with the definitions for two-family and multi-family dwellings in the zoning ordinance over the years. A duplex or two-family dwelling is defined as a “building containing two dwelling units on a single lot.” A multi-family dwelling is defined as a “building containing three or more dwelling units.” There is a conflict which is small but important which has never been adequately addressed. Using the definition of a duplex as being on a single lot and considering that a multi-family dwelling must have three or more units in a building, it is technically impossible to build a multi-family development containing a series of apartments with two dwelling units each on a single lot. Although uncommon, this is a housing option that is requested.

The planning commission discussed this issue at their November and December meetings. The planning commission considered the potential long term impacts of opening up multi-family housing to include multiple single-family dwellings. The planning commission determined that it would not be appropriate nor in the spirit of multi-family dwellings to include single-family dwellings in the definition. After much deliberation, the planning commission recommended that the city council adopt an amended version of the multi-family dwelling definition. The recommended definition is as follows:

“A building containing three or more dwelling units. For the purposes of this ordinance multiple two family dwellings on a single lot shall also be considered multi-family dwellings as long as the total number of dwelling units is equal to or greater than three.”

§157.226 of the Hermiston Code of Ordinances provides the method and approval criteria for granting or denying an amendment to the zoning ordinance. The proposed amendment has been deemed a legislative change in that it involves the text of the ordinance.

A copy of the findings of fact adopted by the planning commission is attached to this report and is intended to be an exhibit to the ordinance.

Fiscal Information

There is no estimated financial impact from this amendment. However, a more flexible ability to create multi-family dwellings will encourage infill development in existing small lot multi-family zoned parcels, increasing tax revenue over the long term.

Alternatives and Recommendation

The city council may choose to:

- Adopt Ordinance 2235 as written
- Modify the text of Ordinance 2235 and adopt at the next available council meeting
- Reject Ordinance 2235

Requested Action/Motion

Staff requests that the city council make a motion to adopt the findings of fact following the closure of the public hearing.

Staff requests that the city council adopt Ordinance 2235 as written.

Reviewed by:



Department Head – Clinton Spencer, City Planner



City Manager Approval

**FINDINGS OF FACT
ORDINANCE NO 2235
DECEMBER 28, 2015**

Statewide Planning Goals and Comprehensive Plan Policies.

Goal 1 and Policy 1. Citizen Involvement. The City will insure that citizens have an adequate opportunity to be involved in all phases of the planning process.

1. Notice of public hearings were published in the Hermiston Herald at least 20 days prior to the planning commission hearing on October 28, 2015 and 20 days prior to the city council hearing on November 4th, 2015 in accordance with §157.226 of the Hermiston Code of Ordinances.
2. The Planning Commission held a public hearing on November 18 and December 9, 2015 in accordance with §157.226(F).
3. The City Council held a public hearing on December 28, 2015 in accordance with §157.226(F)

Goal 1 and Policy 2. Planning Process. The City of Hermiston will monitor and update periodically its comprehensive plan and implementing ordinances to respond to changing conditions.

4. Policy 2 requires the City to annually review development activity and its impacts.
5. The planning commission reviewed the multi-family dwelling definition and determined it was inadequate to address all desired multi-family housing types.
6. The city council directed staff to prepare a code amendment to amend the definition for multi-family dwelling.

Goal 2 and Policy 3. Intergovernmental Coordination. The City of Hermiston will facilitate intergovernmental coordination so that decisions affecting local, state, and federal planning and development actions in the Hermiston area are rendered in an efficient and consistent manner.

7. The notice of proposed amendment was sent to the Department of Land Conservation and Development on October 13, 2015, more than 35 days prior to the first evidentiary hearing in accord with Oregon Administrative Rules, Chapter 660, Division 18.

Goal 3 Agricultural Lands.

8. Housing, especially multi-family housing, must be located within one of the city's five residential zones. Multi-family housing is not permitted on agricultural land. Farming practices and available arable land will not be impacted by amending the definition for multi-family dwelling.

Goal 4 Forest Lands, Goal 15 Willamette River Greenway, Goal 16 Estuarine Resources, Goal 17 Coastal Shorelands, Goal 18 Beaches and Dunes, Goal 19 Ocean Resources.

9. There are no tracts of lands subject to Goals 4, 15, 16, 17, 18, or 19 anywhere within the city limits or UGB. These goals are not applicable.

Goal 5 Natural Resources, Scenic and Historic Areas, and Open Space, Goal 6 Air, Water and Land Resource Quality, Goal 7 Areas Subject to Natural Hazards, Goal 8 Recreation Needs, Goal 9 Economic Development, Goal 11 Public Facilities and Services, Goal 13 Energy Conservation, Goal 14 Urbanization.

10. The City's acknowledged comprehensive plan has policies established for compliance with Goals 5, 6, 7, 8, 9, 11, 13, and 14. No new uses are being permitted through the amendments. No additional findings must be made demonstrating compliance with these Goals.

Goal 9 Housing

11. Goal 9 requires the city to accommodate all forms of needed housing units. Broadening the definition of multi-family housing will allow additional forms of multi-family housing to be built.

Goal 12 Transportation and OAR 660, Division 012

12. The proposed amendment does not permit any new uses. Therefore no new trips will be created and no transportation facility will be significantly affected as a result of the amendment.

Hermiston Zoning Ordinance §157.226

13. The City Council initiated the proposed amendment to the zoning ordinance by motion on October 12, 2015 in compliance with §157.226(A).
14. The proposed amendment amends the text of the zoning ordinance, has a widespread impact on the city as a whole, and does not involve an amendment to the zoning map. Therefore, the proposed amendment is a legislative amendment as defined by §157.226(B)(1) and §157.226(C)(1) and (2).
15. Based upon Finding #14, the proposed amendment is not a quasi-judicial action and the approval criteria in §157.226(E)(1) are not applicable.
16. Notice of the proposed amendment was provided to the Oregon Department of Land Conservation and Development on October 13, 2015, more than 35 days in advance of the first evidentiary hearing as required by §157.226(F) and modified by ORS 197.610.
17. A notice of public hearing for the planning commission hearing was published on October 28, 2015 and the city council notice was published on November 4, 2015. Each notice was published in the Hermiston Herald at least 20 days in advance of the hearing as required by §157.229(D).
18. Based upon Finding #14, the proposed amendment is legislative and mailed notice to property owners is not required per §157.229(D).

ORDINANCE NO. 2235

AN ORDINANCE AMENDING THE DEFINITION OF “DWELLING, MULTI-FAMILY” IN SECTION 157.002 DEFINITIONS OF TITLE XV, CHAPTER 157: ZONING OF THE HERMISTON CODE OF ORDINANCES

WHEREAS, the Hermiston City Council voted on October 12, 2015 to initiate the process to amend the city’s definition for multi-family dwellings in the zoning ordinance; and

WHEREAS, the Hermiston Planning Commission held a public hearing on November 18 and December 9, 2015 to receive public testimony and consider the amendment of the definition of “Dwelling, Multi-Family” in Section 157.002 of Title XV, Chapter 157: Zoning of the Hermiston Code of Ordinances; and

WHEREAS, the Hermiston City Council held a public hearing on December 28, 2015 to receive public testimony and consider the amendment of the definition of “Dwelling, Multi-Family” in Section 157.002 of Title XV, Chapter 157: Zoning of the Hermiston Code of Ordinances; and

WHEREAS, notice of the planning commission and city council hearings was provided to the Department of Land Conservation and Development and published in a newspaper of general circulation in accordance with statutory requirements and local ordinance requirements for notice of legislative amendments; and

WHEREAS, a staff report on the proposed amendment was available seven days prior to the November 18 and December 28 public hearings and included findings in support of the amendment to the code of ordinances; NOW THEREFORE

THE CITY OF HERMISTON ORDAINS AS FOLLOWS:

SECTION 1. The definition of “Dwelling, Multi-Family” in Section 157.002 of Title XV, Chapter 157: Zoning of the Hermiston Code of Ordinances is hereby amended to read as follows:

~~DWELLING, MULTI-FAMILY. A building containing three or more dwelling units.~~

DWELLING, MULTI-FAMILY. A building containing three or more dwelling units. For the purposes of this ordinance multiple two family dwellings on a single lot shall also be considered multi-family dwellings as long as the total number of dwelling units is equal to or greater than three.

SECTION 2. The findings of fact as adopted by the city council on December 28, 2015 are incorporated herein by reference.

SECTION 3. The effective date of this ordinance shall be thirty days after certification of the election results by the city council of the City of Hermiston.

PASSED by the Common Council this 28th day of December, 2015.

SIGNED by the Mayor this 28th day of December, 2015.

MAYOR

ATTEST:

CITY RECORDER

STAFF REPORT

For Meeting of December 28, 2015

MAYOR AND MEMBERS OF THE CITY COUNCIL

Agenda Item #

NO. 2015-

SUBJECT:
Resolutions 2010
and 2011

Subject

Consider resolution 2010 to adopt revised financial policies and resolution 2011 re-adopting the written investment policy for the City.

Summary and Background

Resolution 2010 (supersedes Resolution 1969) adopts the revised financial policies for the City. The City Council adopted written financial policies on August 26, 2013 and revised them on November 24, 2014. The policy document provides for an annual review to ensure continued relevance and to identify any gaps that should be addressed with new policies.

I am recommending that we include an additional policy that addresses fund balance component classifications and procedures for using the various classifications in conformity with GASB Statement No. 54. The goal of Statement 54 is "to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions."¹ It also "establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds."¹ This is not a new practice or policy for the City; this has been the City's policy since GASB 54 was implemented in the 2010-11 fiscal year. However, it was not previously included in the City's written financial policies.

Resolution 2011 (supersedes Resolution 1968) re-adopts the City's investment policy. Per ORS 294.135 investments made by political subdivisions of Oregon may not exceed a maturity of 18 months or the date of anticipated use of the funds, whichever period is shorter, unless the governing body has adopted a written investment policy. The policy must provide for re-adoption not less than annually. The City Council adopted an investment policy on August 26, 2013 and re-adopted it on November 24, 2014. I am not recommending any changes to the policy this year so it simply needs to be reviewed by Council and re-adopted.

Fiscal Information

None.

Alternatives and Recommendation

Alternatives

Adopt either resolution 2010 or 2011, neither resolution 2010 nor 2011, or both.

Recommendation

Adopt both resolutions.

Requested Action/Motion

Approve both resolutions.

Reviewed by:



Department Head



City Manager Approval

RESOLUTION NO 2010

A RESOLUTION ADOPTING REVISED FINANCIAL POLICIES FOR THE CITY OF HERMISTON AND SUPERSEDING RESOLUTION NO. 1969

WHEREAS, the City of Hermiston is committed to the highest level of financial integrity, and

WHEREAS, the City of Hermiston is accountable to its citizens for the use of public dollars, and

WHEREAS, written, adopted financial policies have many benefits, such as assisting the Council and City Manager in the financial management of the City and fostering public confidence, and

WHEREAS, the City Council enacted Resolution 1969 on November 24, 2014 revising its written financial policies for the City of Hermiston, and

WHEREAS, the written, financial policies have been further revised to include a policy on fund balance, now, therefore,

IT IS HEREBY RESOLVED that the Financial Policies adopted August 26, 2013, revised November 24, 2014 and December 28, 2015, attached hereto as Exhibit "A", are hereby adopted as the City of Hermiston's Financial Policies.

IT IS FURTHER RESOLVED that this resolution is effective immediately upon its passage and that Resolution No. 1969 is superseded by this resolution.

Dated this 28th day of December 2015.

CITY OF HERMISTON

By: _____
MAYOR

ATTEST:

By: _____
CITY RECORDER

Financial Policies



Finance Department

Adopted August 26, 2013

Revised November 24, 2014

Revised December 28, 2015

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I. STATEMENT OF PURPOSE

The City of Hermiston is committed to the highest level of financial integrity. We are accountable to our citizens for the use of public dollars, and resources should be used wisely to ensure adequate funding for the services, public facilities and infrastructure necessary to meet the community's present and future needs.

Written, adopted financial policies have many benefits, such as assisting the Council and City Manager in the financial management of the City, saving time and energy when discussing financial matters, fostering public confidence, and providing continuity over time as Council and staff members change. The purpose of the financial policies is to enable the City to achieve and maintain a long-term stable and positive financial condition. The policies are adopted by the City Council and establish the framework for Hermiston's overall financial planning and management, to guide day-to-day and long-range fiscal planning and decision making, and to achieve the following general financial goals:

1. Ensure the financial integrity of the City.
2. Provide an adequate financial base to sustain a sufficient level of municipal services to maintain the social well-being and physical condition of the City.
3. Provide and maintain essential public facilities, utilities and capital equipment.
4. Enhance policy setting for and sound management of City government by providing accurate and timely information on current and anticipated financial conditions.
5. Protect and enhance the City's credit ratings.
6. Provide the financial stability needed to navigate through economic downturns, adjust to changes in the service requirements of the community and respond to other changes as they affect the City's residents.

II. ACCOUNTING AND FINANCIAL REPORTING POLICIES

1. The City will comply with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA); Oregon Revised Statutes relating to Municipal finance; and prevailing federal, state and local statutes and regulations.
2. The City will prepare a Comprehensive Annual Financial Report (CAFR) and submit its CAFR to the GFOA's "Certificate of Achievement for Excellence in Financial Reporting" program.
3. Monthly financial reports showing revenue and expenditure activity for each fund will be distributed to the City Manager and City Council.
4. A system of internal controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets and proper recording of financial transactions and compliance with applicable laws and regulations.
5. The City will maintain accounting records by fund. Per GAAP, proprietary funds will use the accrual basis of accounting and government funds will use the modified accrual basis of accounting. Changes in the basis of accounting will be explained in the budget message for the year in which the change is planned.
6. In accordance with Oregon Administrative Rules, the City will have its accounts and fiscal affairs audited annually in accordance with generally accepted auditing standards (GAAS) as promulgated by the American Institute of Certified Public Accountants (AICPA).
7. Full disclosure will be provided in the financial statements and bond representations.

III. BUDGET POLICIES

1. The operating budget shall serve as the annual financial plan for the City. It will serve as the policy document of the City Council for implementing Council goals and objectives.
2. The City Council will adopt and maintain a balanced annual operating budget in conformance with existing state and local regulations. Per Local Budget Law, the City Council shall adopt the budget at the fund, department or program level as appropriate.
3. Budget control and accountability is maintained at the same level it is appropriated.
4. The Budget Officer shall annually prepare and present a proposed operating budget to the Budget Committee no later than May 30 of each year, and the City Council will adopt the budget no later than June 30 of each year.
5. Historical trend analysis will be performed on both revenues and expenditures as part of the budget process. Efforts will be made to identify potential deviations from the trends and this information will be factored into revenue and expenditure forecasts.
6. Funds may not be expended or encumbered for the following fiscal year until the budget has been adopted by the City Council.
7. The budget process will be coordinated so that major policy issues and department goals and objectives are identified and incorporated into the budget.
8. Monthly reports comparing budgeted to actual revenues and expenditures will be distributed to the City Manager and City Council. Significant variances will be investigated and explained.
9. The operating budget will be constrained to the total amount approved by the Budget Committee and as adjusted and adopted by the City Council.
10. A mid-year review process will be conducted by the City Manager to make any necessary adjustments to the adopted budget.
11. All resolutions adjusting the budget will be prepared by the Finance Department for Council approval to ensure compliance with budget laws.

IV. CAPITAL MANAGEMENT POLICIES

1. The City will maintain its physical assets at a level adequate to protect the City's capital investment and to minimize future operating maintenance and replacement costs. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues when possible.
2. The City will determine the least costly funding method for its capital projects and will obtain grants, contributions and low-cost state or federal loans whenever possible.
3. The City will establish capital equipment reserves to provide for funding of vehicles and equipment. The City will also establish major repairs and replacement reserves to provide for funding of major repairs and replacements.
4. The City will utilize "pay-as-you-go" funding for capital improvement expenditures considered recurring, operating or maintenance in nature. The City may also utilize "pay-as-you-go" funding for capital improvement expenditures when current revenues and adequate fund balances are available or when issuing debt would adversely affect the City's credit rating.
5. The City will consider the use of debt financing for capital projects under the following circumstances:
 - a. When the project's useful life will exceed the terms of the financing;
 - b. When resources are deemed sufficient and reliable to service the long-term debt; and
 - c. When market conditions present favorable interest rates for City financing.

V. DEBT POLICIES

Local government debt should not be viewed as revenue to supplement local government or municipal operating budgets. Rather, bonds are loans with significant costs and are incurred with an obligation for current and "future" taxpayers to repay. Issuing debt is theoretically justified on the basis of several factors, for example:

- Borrowing distributes costs and payments for a project or improvement to those who will benefit from it over its useful life rather than requiring today's taxpayers or rate payers to pay for future use.
- During times of inflation, debt allows future repayment of borrowed money in cheaper dollars.
- Borrowing can improve a municipality's liquidity to purchase needed equipment or for project construction and improvements. Debt issuance also does not exhaust current cash-on-hand, allowing such dollars to be used for operating expenses.

The following statements describe the City's policies in regards to issuing and managing debt.

1. The City will comply with all statutory debt limitations imposed by Oregon Revised Statutes.
2. Proceeds from debt will be used for the purpose(s) specified in the debt issue. Funds remaining after the project is completed will be used in accordance with the provisions stated in the bond ordinance that authorized the issuance of the debt.
3. Interest earnings on bond proceeds will be limited to 1) funding the improvements specified in the authorizing bond ordinance, or 2) payment of debt service on the bonds.
4. The City will comply with all bond covenants, arbitrage requirements, EMMA filings, disclosure and other requirements specified by law.
5. The City will not issue long-term debt to finance current operations or to balance the budget.
6. The City may use short-term debt or inter-fund loans as permitted, to cover temporary shortages due to timing of cash flows which may result from delay in issuance of long-term debt.
7. The term of debt will not exceed the useful life of the improvements to be financed.
8. Outstanding debt may be *currently*¹ refunded to achieve interest cost savings or to remove debt covenants and structures which are not consistent with financial management goals. Outstanding debt may be *advance*² refunded when advantageous, legally permissible, prudent or net present value savings greater than 3% are available through refunding.
9. Total indebtedness including direct and overlapping debt will be analyzed in determining financial condition.
10. The City will prefer maturity schedules that yield level debt service payments over other schedules.
11. General and non-general obligation debt financings may be sold on a negotiated basis if it is found that the sale by negotiation provides significant cost or other advantages.
12. Agreement with commercial banks or other financial entities may be entered into for purposes of acquiring lines of credit that will provide access to credit under terms and conditions judged prudent and advantageous.

¹ Refundings are defined as current when new bonds are sold to refinance outstanding bonds prior to their maturities but after the call date has occurred or is about to occur. The refunding cannot take place earlier than three months before the call and any time afterwards. Under federal law the bond redemption must occur within 90 days of selling the new bonds or it will be considered an advance refunding. Under Oregon state law the bond redemption must occur within one year of selling the new bonds or is considered an advance refunding.

² Advance refundings occur when outstanding bonds are refinanced 90 days prior to their maturities and prior to the call dates for federal law purposes and one year for State of Oregon purposes.

VI. INTER-FUND LOAN POLICIES

In accordance with ORS 294.468 the City may loan money from one fund to another, provided the loan is authorized by an official resolution or ordinance of the City Council. In addition the City will comply with the requirements and limitations of ORS 294.468 as follows:

- Loans may not be made from debt service funds.
- Loans made from debt service reserve funds created to provide additional security for outstanding bonds or other borrowing obligations are limited to amounts in the fund that are in excess of the amount the City has covenanted to maintain in reserve.
- Loans may not be made from moneys credited to any fund when there are constitutional provisions that restrict those moneys to specific uses, unless the purpose for which the loan is made is a use allowed under such constitutional provisions.
- The resolution or ordinance must state the fund from which the loan is made, the fund to which the loan is made, the purpose of the loan, and the principal amount of the loan.
- If the loan is an operating loan (a loan to cover operating expenses) it must be repaid to the fund from which it is borrowed by the end of the fiscal year, or the repayment must be budgeted and made in the next fiscal year.
- If the loan is a capital loan (a loan for the purpose of financing the design, acquisition, construction, installation or improvement of real or personal property), it must be repaid in full within 10 years of the date of the loan. The resolution or ordinance must set forth a schedule under which the principal and interest is to be budgeted and repaid. It must also state the rate of interest. The rate of interest may be the current rate of return on monies invested in the Local Government Investment Pool (LGIP) or such other rate as the governing body determines.
- If the loan will be repaid in the current fiscal year, no action by the City Council is necessary in regard to the budget. The budget does not need to be adjusted to show the loan transaction.
- If the loan will be repaid in one or more future fiscal year(s), the loan repayment must be budgeted and a separate debt service appropriation made for the expenditure.

VII. FUND BALANCE POLICY

The purpose of this policy is to outline the procedure for categorizing the different components of ending fund balance in conformity with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The goal of Statement 54 is "to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions."¹ It also "establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds."¹

DEFINITIONS:

Governmental Fund – a type of fund in governmental accounting which is used to account for activities supported by taxes and general City revenues. Governmental funds are defined as the general, debt service, special revenue and capital projects funds.

Fund Balance – the difference between the assets and liabilities reported in a governmental fund.

Special Revenue Fund – a type of governmental fund used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specific purposes.

FUND BALANCE CLASSIFICATIONS:

In order of most to least restrictive fund balance classifications are:

- *Nonspendable* – resources that cannot be spent because they are either not in a spendable form, such as inventories or prepaid items, or legally or contractually required to be maintained intact.
- *Restricted* – resources that are constrained either (a) through external imposition by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) by law through constitutional provisions or enabling legislation.
- *Committed* – resources that can only be used for the specific purposes as determined by a formal action of the City Council. The Council can modify or rescind the action at any time. The same type of action that imposed the restriction must be used to modify or remove the restriction.
- *Assigned* – resources that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. An example of this is the annual budget. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
- *Unassigned* fund balance is the residual classification for the general fund and includes all spendable amounts that are not restricted, committed or assigned.

PROCEDURES:

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources and assigned resources before unassigned.

¹ Governmental Accounting Standards Board Summary of Statement No. 54

VIII. EXPENDITURE POLICIES

1. The City will strive to ensure operating expenditures are supported by on-going operating revenues. Before the City undertakes any agreements that would create fixed, on-going expenditures, the cost implications of such agreements will be fully determined for current and future years.
2. Capital expenditures may be funded from one-time revenues.
3. Department heads are responsible for managing their budgets within the total appropriation for their department.
4. Expenditures will be controlled through appropriate internal controls and procedures.
5. All purchases of goods and services must comply with the City's Public Contracting Regulations, guidelines and procedures and with Oregon State laws and regulations.
6. The City will actively work to control expenditures to ensure City services and programs provided to its citizens and taxpayers are cost-effective and efficient.
7. Expenditures will be estimated realistically and prudently.

IX. FINANCIAL PLANNING POLICIES

1. The City will prepare a long-term financial plan to promote responsible planning for the use of resources. The long-term financial plan will include projected revenues, expenditures and reserve balances for the next five years.
2. The City's financial plan will be strategic, reflecting the Council's and the community's priorities for service while providing resources that realistically fund routine operations.
3. Long-term projections of revenues and expenditures will be realistic, conservative and based on best practices established by the Government Finance Officers Association.

X. INVESTMENT POLICY

The City's Investment Policy was adopted by Resolution 1946 on August 26, 2013.

The City's Investment Policy was re-adopted by Resolution 1968 on November 24, 2014.

The City's Investment Policy was re-adopted by Resolution 2011 on December 28, 2015.

X. RESERVE POLICIES

Maintaining adequate levels of reserves in the City's various funds is essential to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures, and to ensure stable services, tax rates and user fees. In addition, credit rating agencies monitor reserve levels to evaluate a government's continued creditworthiness. Thus, appropriate reserve levels also serve to lower the cost of borrowing.

1. **General Fund Reserves** – The City will maintain a minimum unrestricted fund balance¹ of 15% (two months) of General Fund annual operating expenditures.
2. **Utility Fund Reserves** - The City will maintain a minimum working capital² of forty-five (45) days of its Utility Fund annual operating expenses.
3. **Hermiston Energy Services (HES) Fund Reserves** - The City will maintain a minimum working capital of forty-five (45) days of HES Fund annual operating expenses.
4. **Reserve Fund** – The City will use the Reserve fund to accumulate money for long-term goals and projects of the City. Resources will be provided for the Reserve Fund primarily through appropriations from the operating funds and must be used for the specifically authorized goals listed in the resolution adopted to establish each account in the fund.
5. **Debt Service Reserves** - The City will maintain reserves for debt service as established by applicable bond covenants and other contractual agreements.

¹ Unrestricted fund balance is comprised of *committed, assigned and unassigned fund balance*. Fund balance is *committed* when Council takes action to constrain the use of the resources. The constraint must be removed by Council action. Examples include pool fees to be used for pool operations or recreation program fees to be used for recreation program expenses. Fund balance is *assigned* when the Council expresses its intent that the resources are to be used for a specific purpose. An example of this is the annual budget. *Unassigned* fund balance is the remaining amount and represents resources that have not been restricted, committed or assigned.

² Working capital is defined as current assets less current liabilities.

XI. REVENUE POLICIES

1. The City will seek to establish and maintain a diversified and stable revenue system to prevent undue or unbalanced reliance on any one source of funds.
2. The City will avoid the use of one-time revenues to fund ongoing expenditures.
3. User fees and charges will be established for services provided that benefit specific individuals or organizations. User fees and charges will be set at a level sufficient to recover full cost of service whenever practical to minimize subsidization by taxpayers. The City will periodically review user fees and charges and adjust them as needed for additional service costs and inflation.
4. The City will not respond to long-term (greater than one year) revenue shortfalls with deficit financing and borrowing to support on-going operations. Expenses will be reduced to conform to the long-term revenue forecasts and/or revenue increases will be considered.
5. Revenues will be estimated realistically and conservatively.
6. Utility funds will be self-supporting through user fees. User charges shall be levied on all users of the system which shall cover the cost of operation and maintenance, debt service and other administrative costs of treatment works.
7. The City will seek to collect all revenues that are due, using methods and practices that comply with all state, federal and other applicable laws and regulations. When necessary, discontinuing service, employing collection agencies, filing liens and other methods of collection, such as imposing penalties, collection and late charges, may be used.
8. Grants for programs or items which address the City's current priorities and policy objectives may be considered to leverage City funds.
9. The City will consider the matching requirements and other implications in terms of ongoing obligations that will be required in connection with the acceptance of a grant before accepting it.
10. All grants, awards and other state and federal funds will be managed to comply with the laws, regulations and guidance of the grantor.

XII. POLICY MAINTENANCE AND CONSIDERATIONS

1. **Review**

The Financial Policies shall be reviewed annually to ensure continued relevance and to identify any gaps that should be addressed with new policies.

2. **Policy Adoption and Amendments**

These Financial Policies and any modifications to them must be formally approved in writing by the City Council of the City of Hermiston.

RESOLUTION NO 2011

A RESOLUTION RE-ADOPTING THE WRITTEN INVESTMENT POLICY FOR THE CITY
OF HERMISTON AND SUPERSEDING RESOLUTION NO. 1968

WHEREAS, pursuant to ORS 294.135 investments made by political subdivisions may not exceed a maturity of 18 months or the date of anticipated use of the funds, whichever period is shorter, except that investments having a maturity longer than 18 months may be made when the governing body has adopted a written investment policy, and

WHEREAS, the written investment policy must provide for re-adoption not less than annually by the governing body, and

WHEREAS, the City Council enacted Resolution 1946 on August 26, 2013, adopting a written investment policy that provided for review at least annually, and

WHEREAS, the City Council enacted Resolution 1968 revising the written investment policy on November 24, 2014, now therefore,

IT IS HEREBY RESOLVED that the Investment Policy, adopted August 26, 2013, re-adopted November 24, 2014, attached hereto as Exhibit "A", is hereby re-adopted as the City of Hermiston's Investment Policy.

IT IS FURTHER RESOLVED that this resolution is effective immediately upon its passage and that this resolution supersedes Resolution No. 1968.

Dated this 28th day of December 2015.

CITY OF HERMISTON

By: _____
MAYOR

ATTEST:

By: _____
CITY RECORDER

Investment Policy



Finance Department

Adopted August 26, 2013

Re-adopted November 24, 2014

Re-adopted December 28, 2015

Exhibit "A"

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I. STATEMENT OF PURPOSE

The City of Hermiston's investment policy defines the parameters within which funds are to be invested. The City of Hermiston is a municipal corporation that provides a variety of services to its citizens. These include police protection, streets and street maintenance, sewer and water treatment, provision of building permits, city planning, library services and parks and recreation activities. This policy formalizes the framework, pursuant to ORS 294.135, for the City of Hermiston's investment activities to ensure effective and judicious management of funds within the scope of this policy. These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

II. GOVERNING AUTHORITY

The City of Hermiston's investment program shall be operated in conformance with Oregon Revised Statutes and applicable Federal Law. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. All funds within the scope of this policy are subject to regulations established by the state of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

III. SCOPE

This policy applies to activities of the City of Hermiston with regard to investing the financial assets of all funds. The amount of funds falling within the scope of this policy over the next three years is expected to range between \$10 million and \$20 million.

IV. OBJECTIVES

The primary objectives, in priority order, of investment activities shall be:

1) Safety

Preservation of principal is the most important objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit risk and interest rate risk.

2) Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements. Furthermore, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in the Oregon Short Term Fund which offers next-day liquidity. Where possible and prudent, the portfolio should be structured so that investments mature concurrent with anticipated demands.

3) Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

V. STANDARDS OF CARE

1) Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this policy.

The "prudent person" standard states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

2) Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Hermiston. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244.

3) Delegation of Authority and Responsibilities

a. Governing Body

The City Council will retain ultimate fiduciary responsibility for invested funds. The City Council will receive reports, pursuant to, and with sufficient detail to comply with ORS 294.155.

b. Delegation of Authority

Authority to manage investments within the scope of this policy and operate the investment program in accordance with established written procedures and internal controls is granted to the Finance Director, hereinafter referred to as Investment Officer, and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

c. Investment Adviser

The Investment Officer may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with this investment policy. If the City of Hermiston hires an investment adviser to provide investment management services, the adviser is authorized to transact with its direct dealer relationships on behalf of the City of Hermiston. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Investment advisers may be hired on a non-discretionary basis.

VI. TRANSACTION COUNTERPARTIES, INVESTMENT ADVISERS AND DEPOSITORIES

1) Broker/Dealers

The Investment Officer shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this investment policy. A list will be maintained of approved broker/dealer firms and affiliated registered representatives. The following minimum criteria must be met prior to authorizing investment transactions:

- a. Broker/Dealer firms must meet the following minimum criteria:
 - i. Be registered with the Securities and Exchange Commission (SEC);
 - ii. Be registered with the Financial Industry Regulatory Authority (FINRA);
 - iii. Provide most recent audited financials; and
 - iv. Provide FINRA Focus Report filings.
- b. Approved broker/dealer employees who execute transactions with the City of Hermiston must meet the following minimum criteria:
 - i. Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
 - ii. Be licensed by the state of Oregon; and
 - iii. Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this investment policy.
- c. The Investment Officer may require additional criteria be met before engaging broker/dealer firms and registered representatives. Additional requisites may include:
 - i. Positive references from at least three other local government clients;
 - ii. Requirement that approved registered representatives provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators;
 - iii. Requirement that prospective registered representatives have an established history of advising local governments with similar amounts of assets under management.
- d. Periodic (at least annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer. Such review will include inquiries to determine:
 - i. Existence of any pending investigations by securities regulators;
 - ii. Significant changes in net capital;
 - iii. Pending customer arbitration cases;
 - iv. Regulatory enforcement actions.

2) Investment Advisers

A list will be maintained of approved advisers selected by conducting a process of due diligence. The following items are required for all approved Investment Advisers:

- a. The investment adviser firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon (*Investment adviser firms with assets under management greater than \$100 million must be registered with the SEC, otherwise the firm must be licensed by the state of Oregon*);
- b. All investment adviser firm representatives conducting investment transactions on behalf of the City of Hermiston must be registered representatives with FINRA;
- c. All investment adviser firm representatives conducting investment transactions on behalf of the City of Hermiston must be licensed by the state of Oregon;
- d. Certification, by all of the adviser representatives conducting investment transactions on behalf of the City of Hermiston, of having read, understood and agreeing to comply with this investment policy.

Exhibit "A"

A Periodic (at least annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer. Such review will include inquiries to determine:

- a. Pending investigations by securities regulators;
- b. Significant changes in net capital;
- c. Pending customer arbitration cases;
- d. Regulatory enforcement actions.

3) Depositories

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

4) Competitive Transactions

- a. The Investment Officer should obtain and document competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.
- b. In the instance of a security for which there is no readily available competitive bid or offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities.
- c. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.
- d. If an investment adviser provides investment management services, the adviser must retain documentation of competitive pricing execution on each transaction and provide upon request.

VII. ADMINISTRATION AND OPERATIONS

1) Delivery vs. Payment

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP) to ensure that securities are deposited in the City of Hermiston's safekeeping institution prior to the release of funds.

2) Third-Party Safekeeping

Securities will be held by an independent third-party safekeeping institution selected by the City of Hermiston. All securities will be evidenced by safekeeping receipts in the City of Hermiston's name. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.

3) Internal Controls

The Investment Officer, the City Manager and the Hermiston City Council are responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure that invested funds are invested within the parameters of this Investment Policy and protected from loss, theft or misuse. Specifics for the internal controls shall be documented in writing. The established control structure shall be reviewed and updated periodically by the Investment Officer. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points at a minimum:

- a. Compliance with Investment Policy;
- b. Control of collusion;
- c. Separation of transaction authority from accounting and record keeping;

Exhibit "A"

- d. Custodial safekeeping;
- e. Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary;
- f. Clear delegation of authority to subordinate staff members;
- g. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form;
- h. Dual authorizations of wire and automated clearing house (ACH) transfers;
- i. Staff training;
- j. Review, maintenance and monitoring of security procedures both manual and automated.

4) Audit

An external auditor shall provide an annual independent review to assure compliance with Oregon state law and Hermiston's policies and procedures.

VIII. SUITABLE AND AUTHORIZED INVESTMENTS

1) Permitted Investments

The following investments are permitted pursuant to ORS 294.035, 294.040 and ORS 294.810:

- a. **US Treasury Obligations:** US Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the timely payment of principal and interest;
- b. **US Agency Obligations:** Senior debenture obligations of US federal agencies and instrumentalities of US government sponsored enterprises (GSE);
- c. **Oregon Short Term Fund**
- d. **Bank Time Deposits/Savings Accounts/Certificates of Deposit**

2) Approval of Permitted Investments

If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this policy has been amended and the amended version adopted by the City of Hermiston City Council.

3) Prohibited Investments

- a. **Private Placement or "144A" Securities**
Private placement or "144A" securities are not allowed. For purposes of the policy, SEC Rule 144A securities are defined to include commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.
- b. **US agency mortgage-backed Securities**
US agency mortgage-backed securities such as those securities by FNMA and FHLMC are not allowed.
- c. **Corporate Indebtedness**
Although allowable under Oregon state statute, the City of Hermiston shall not purchase Commercial Paper or Corporate Bonds.
- d. **Repurchase Agreements**
Although allowable under Oregon state statute, the City of Hermiston shall not invest in Repurchase Agreements.
- e. **Municipal Debt**
Although allowable under Oregon state statute, the City of Hermiston shall not invest in Municipal Debt.
- f. **Bankers Acceptances**
Although allowable under Oregon state statute, the City of Hermiston shall not invest in Bankers Acceptances.

Exhibit “A”

g. Securities Lending

The City of Hermiston shall not lend securities nor directly participate in a securities lending program

4) Bank Demand Deposits and Time Deposits

- a. All bank demand deposits and time deposits (e.g. certificates of deposit and savings accounts) shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.
- b. Bank demand deposits in qualified depository institutions are considered cash vehicles and not investments and are therefore outside the scope and restrictions of this policy. Pursuant to ORS 294.035(3)(d), time deposits, certificates of deposit and savings accounts are considered investments and within the scope of this policy.

IX. INVESTMENT PARAMETERS

1) Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by the following guidelines:

a. Diversification

It is the policy of the City of Hermiston to diversify its investments. Where appropriate, exposures will be limited by security type, maturity, issuance, issuer and security type. Allowed security types and investment exposure limitations are detailed in the table below.

b. Investment Credit Ratings

Investments must have a rating from at least two of the following nationally recognized statistical ratings organizations (NRSRO): 1) Moody’s Investor Service; 2) Standard & Poor’s; and Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.

c. Diversification and Credit Exposure Constraints

The following table limits exposures among investments permitted by this policy.

Issue Type	Maximum % of Holdings	Minimum Ratings Moody’s/S&P/ Fitch
US Treasury Obligations	100%	None
US Agency Securities	100%	-
Per Agency (Senior Obligations Only)	100%	-
Oregon Short Term Fund	Maximum allowed per ORS 294.810	-
Bank Time Deposits/Savings Accounts/Certificates of Deposit ⁽²⁾	50%	-
Per Institution	25%	

⁽¹⁾ 25% Maximum per ORS 294.035(D)

⁽²⁾ As authorized by ORS 294.035(3)(d)

d. Portfolio Credit Rating

The minimum weighted average credit rating of the portfolio’s rated investments shall be Aa/AA/AA by Moody’s Investors Service, Standard & Poor’s, and Fitch Ratings Service respectively.

Exhibit "A"

2) Liquidity Risk

Liquidity risk is the risk that an investment may not be easily marketable or redeemable. The following strategies will be employed to mitigate liquidity risks:

- a. The value of at least 25% of funds available for investing or three months of budgeted operating expenditures will be invested in the Oregon Short Term Fund, with a qualified depository institution, or investments maturing in less than 90 days to provide sufficient liquidity for expected disbursements.
- b. Funds in excess of liquidity requirements are allowed for investments maturing in greater than one year. However, longer-term investments tend to be less liquid than shorter term investments. Portfolio investment maturities will be limited as follows:

Maturity Constraints	Minimum % of Total Portfolio
Under 90 days	25% or three months estimated operating expenditures
Under 3 years	50%
Under 5 years	100%

- c. Reserve or Capital Improvement Project monies may be invested in securities exceeding the maximum term if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

3) Interest Rate Risk

Longer-term investments have the potential to achieve higher returns but are also likely to exhibit higher market value volatility due to the changes in the general level of interest rates over the life of the investment(s). Interest rate risk will be mitigated by providing adequate liquidity for short-term cash needs and by making longer-term investments only with funds that are not needed for current cash flow purposes. Certain types of securities, including variable rate securities, securities with principal pay-downs prior to maturity, and securities with embedded options, will affect the interest rate risk profile of the portfolio differently in different interest rate environments. The following strategies will be employed to control and mitigate adverse changes in the market value of the portfolio due to changes in interest rates:

- a. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate market risk;
- b. To the extent feasible, investment maturities not matched with cash outflows, including liquidity investments under one year, should be staggered to mitigate re-investment risk;
- c. No commitments to buy or sell securities may be made more than 14 days prior to the anticipated settlement date or receive a fee other than interest for future deliveries;
- d. The maximum percent of callable securities in the portfolio shall be 75%;
- e. The maximum stated final maturity of individual securities in the portfolio shall be five years, except as otherwise stated in this policy;
- f. The maximum portfolio average maturity (measured with state final maturity) shall be three years.

XI. INVESTMENT OF PROCEEDS FROM DEBT ISSUANCE

- 1) Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the parameters of this policy, applicable bond covenants, ORS Chapter 294 and tax laws.
- 2) Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for resale and are maturity matched with outflows. Consequently, surplus funds within the scope of ORS 294.052 are not subject to this policy's liquidity risk constraints within section IX (2).

XII. INVESTMENT OF RESERVE OR CAPITAL IMPROVEMENT FUNDS

Pursuant to ORS 294.135(1)(b), reserve or capital improvement project monies may be invested in securities exceeding three years when the funds in question are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the City Council, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

XIII. GUIDELINE MEASUREMENT AND ADHERENCE

1) Guideline Measurement

Guideline measurements will use par value of investments.

2) Guideline Compliance

- a. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.
- b. Violations of portfolio guidelines as a result of transactions, actions to bring the portfolio back into compliance and reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the City Council.
- c. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

XIV. REPORTING AND DISCLOSURE

1) Compliance

The Investment Officer shall prepare a report at least quarterly that allows the City Council to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the investment oversight body. The report will include, at a minimum, the following:

- a. A listing of all investments held during the reporting period showing: par/face value; accounting book value; market value; type of investment; issuer; credit ratings; and yield to maturity;
- b. Weighted average maturity of the portfolio at period-end;
- c. Maturity distribution of the portfolio at period-end;
- d. Average portfolio credit quality of the portfolio at period-end;

Exhibit "A"

- e. Average weighted yield to maturity of the portfolio;
- f. Distribution by type of investment;
- g. Transactions since last report;
- h. Distribution of transactions among financial counterparties such as broker/dealers;
- i. Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding. This report should also note actions (taken or planned) to bring the portfolio back into compliance.

2) Performance Standards/Evaluation

At least annually, the Investment Officer shall report comparisons of investment returns to relevant alternative investments and comparative Bond Indices. The performance of the portfolio should be compared to the performance of alternative investments such as available certificates of deposit; the Oregon Short Term Fund; US Treasury rates or against one or more bond indices with a similar risk profile. When comparing performance, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

3) Marking to Market

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

4) Audits

Management shall establish an annual process of independent review by the external auditor to assure compliance with internal controls. Such audit will include tests deemed appropriate by the auditor.

XV. POLICY MAINTENANCE AND CONSIDERATIONS

1) Review

The Investment Policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

2) Exemptions

Any investment held prior to the adoption of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested as provided by this policy.

3) Policy Adoption and Amendments

This Investment Policy and any modifications to this policy must be formally approved in writing by the City Council of the City of Hermiston.

This policy must be submitted to the Oregon Short Term Fund (OSTF) Board for review if:

- a. This policy allows maturities beyond 18 months unless the funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the City Council, the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3)), and either
 - i. This policy has never been submitted to the OSTF Board for comment; or
 - ii. Material changes have been made since the last review by the OSTF Board.

Regardless of whether this policy is submitted to the OSTF Board for comment, this policy shall be re-submitted not less than annually to the City Council for approval.

Staff Report

For the Meeting of December 28, 2015

MAYOR AND MEMBERS OF THE CITY COUNCIL

Agenda Item :

Resolution No. 2012

SUBJECT:

Ridgeway Site Selection

Subject

Ridgeway Site selection for the Harkenrider Center

Background:

Council has taken a series of actions to support the acquisition and development of the Harkenrider Center which will include the Hermiston Senior Center program as the primary use. These actions have included a development and operation agreement with the Senior Board, a grant acceptance, and naming of the center. Other related actions include:

Resolution No. 1952 – Agreement between the City and Senior Board	Passed February 24, 2014
Resolution No. 1972 - Accepting a \$2M grant from CDBG	Passed January 7, 2015
Resolution No. 1980 - Adopting the Aspen Site for the center	Passed April 27, 2015
Resolution No. 1981 – Naming the facility Harkenrider Center	Passed April 27, 2015
Resolution No. 1994 – Fair Housing Resolution	Passed July 27, 2015
Resolution No. 1995 – Ascent Architect Selection	Passed August 24, 2015

Summary:

Council has approved Resolution No. 1980 authorizing the City Manager to purchase the Aspen property at fair market value. A \$200,000 offer was presented by the City's Grant Administrator in early November. The offer was recently rejected by the owners who represented that the appraised value was understated by a significant amount.

To keep the project on schedule, it is imperative that the alternative site be secured as soon as possible. The Ridgeway site located north of the library was determined to be the next best site by the Senior Advisory Committee followed by the Goodwill site. The Ridgeway site is a combination of 1-acre owned by the City and 1-acre owned by the Hermiston School District. The school district had pledged their portion to the project through a long-term, low cost lease of the property.

The school district must approve a lease to secure the property for the project as soon as possible. The Ridgeway site will make a significant impact on the City's downtown revitalization efforts and will contribute to a campus of public services with the library and City Hall.

Recommendation:

Approve Resolution No. 2012 establishing the Ridgeway Site as the preferred site for the Harkenrider Center.

Department Head- Larry Fetter, Parks and Recreation Director



City Manager Approval- Byron D. Smith, City Manager



RESOLUTION NO 2012

A RESOLUTION OF THE CITY OF HERMISTON TO ESTABLISH THE RIDGEWAY SITE AS THE LOCATION FOR THE HARKENRIDER CENTER.

WHEREAS, City Council recognizes the value of an independent senior center to the citizens of Hermiston and supports the efforts of the Hermiston Senior Board to construct a new facility and

WHEREAS, City Council approved Resolution No. 1952 to execute an agreement between the Hermiston Senior Board to apply for funding and jointly manage a new facility, and

WHEREAS, the City approved Resolution No. 1972 accepting \$2 Million from Business of Oregon Infrastructure Finance Authority for the construction of a new Senior Activity Center, and

WHEREAS, City Council passed Resolution No. 1981, naming the new senior center as the Harkenrider Center, and

WHEREAS, City Council approved Resolution No. 1980 establishing the Aspen Site as the preferred location of the new senior center,

WHEREAS, the owners of the Aspen site have rejected the City's offer to purchase the property at fair market value, and therefore the City must now consider the alternate site known as the Ridgeway site as the preferred location of the Harkenrider Center, and

WHEREAS, the Senior Center Advisory Committee has previously ranked the primary sites as #1 Aspen, #2 Ridgeway, and #3 Goodwill, and

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council of the City of Hermiston, Oregon, as follows:

That the City shall proceed with acquisition, planning and development of a new Senior Activity Center on the Ridgeway site.

PASSED by the Common Council this 28th day of December, 2015.

Signed by the Mayor this 28th day of December, 2015.

MAYOR

ATTEST:

ASSISTANT CITY RECORDER

STAFF REPORT

For Meeting of Dec. 28, 2015

MAYOR AND MEMBERS OF THE CITY COUNCIL

Agenda Item #

NO. 2015-

SUBJECT:

ConnectOregon IGA
Amentment

Subject

This item is a small amendment to an existing Intergovernmental Agreement (IGA) with ODOT regarding the city's *ConnectOregon V* grant for realigning the airport taxiway. The changes will make a less than 1% adjustment to the total estimated project cost, and revise the anticipated completion date.

Summary and Background

The City was awarded a \$300,000 *ConnectOregon V* grant in 2014 to act as match against two FAA grants to realign the taxiway at the airport. The "Project Cost" portion of the original IGA of \$2,944,444 was based on a planning estimate, but after construction bids were opened, the actual project cost has risen to \$2,969,000. The change to this number has no impact on the amount to be received from *ConnectOregon*, which will still be \$300,000. The remainder is covered by an FAA "Discretionary Grant."

The original IGA also included a completion date of November, 2015. Due to delays by the FAA, the project was broken in to two phases, with the second phase now scheduled for completion by June, 2016. This amendment corrects that discrepancy.

Fiscal Information

These amendments will have no fiscal impact to the City of Hermiston.

Alternatives and Recommendation

Alternatives

1. Approve IGA Amendment
2. Amend IGA Amendment

Recommendation

This is largely a house-keeping issue to ensure that the IGA reflects several changes. Approve IGA Amendment.

Requested Action/Motion

Motion to approve

Department Head- Mark Morgan, Assistant City Manager

City Manager Approval- Byron Smith, City Manager



City of Hermiston

**AMENDMENT NUMBER 01
GRANT AGREEMENT
CONNECTOREGON V
OREGON DEPARTMENT OF TRANSPORTATION
MULTIMODAL TRANSPORTATION FUND PROGRAM 2015
Project Name: Airport Taxiway Realignment and Rehabilitation
City of Hermiston**

This is Amendment No. 01 to the Agreement between the **State of Oregon**, acting by and through its Department of Transportation, hereinafter referred to as "State," and **City of Hermiston**, acting by and through its elected officials, hereinafter referred to as "Recipient," entered into an Agreement on September 15, 2014.

It has now been determined by State and Recipient that the Agreement referenced above shall be amended to extend time and update funding.

1. **Effective Date.** This Amendment shall become effective on the date it is fully executed and approved as required by applicable law.

2. **Amendment to Agreement.** The Agreement is amended as follows:

a. **Project Cost; Grant Funds; Match, Paragraph 3, Page 1, which reads:**

3. **Project Cost; Grant Funds; Match.** The total Project Cost is estimated at \$2,944,444. In accordance with the terms and conditions of this Agreement, ODOT shall provide Recipient Grant Funds in an amount not to exceed \$300,000 or eighty (80) percent of the total eligible Project Costs, whichever is less, of eligible Project Costs described in Section 6 hereof. Recipient shall provide matching funds for all Project Costs as described in Exhibit A. ODOT will withhold five (5) percent of the Grant Funds to be distributed as provided in Section 6.c.

Shall be deleted in its entirety and replaced with the following:

3. **Project Cost; Grant Funds; Match.** The total Project Cost is estimated at \$2,969,000. In accordance with the terms and conditions of this Agreement, ODOT shall provide Recipient Grant Funds in an amount not to exceed \$300,000.00 or eighty (80) percent of the total eligible Project Costs, whichever is less, of eligible Project Costs described in Section 6 hereof. Recipient shall provide matching funds for all Project Costs as described in Exhibit A. ODOT will withhold five (5) percent of the Grant Funds to be distributed as provided in Section 6.c.

b. **Exhibit A shall be deleted in its entirety and replaced with the attached Revised Exhibit A. All references to "Exhibit A" shall hereinafter be referred to as "Revised Exhibit A."**

4. **Counterparts.** This Amendment may be executed in two or more counterparts (by facsimile or otherwise) each of which is an original and all of which when taken together are deemed one agreement binding on all Parties, notwithstanding that all Parties are not signatories to the same counterpart.
 5. **Original Agreement.** Except as expressly amended above, all other terms and conditions of the original Agreement are still in full force and effect. Recipient certifies that the representations, warranties and certifications in the original Agreement are true and correct as of the effective date of this Amendment and with the same effect as though made at the time of this Amendment.
- THE PARTIES**, by execution of this Agreement, hereby acknowledge that their signing representatives have read this Agreement, understand it, and agree to be bound by its terms and conditions.

The Oregon Transportation Commission at its August 2014 meeting approved the *ConnectOregon V* project application list and delegated authority to the Director of the Oregon Transportation to enter into project agreements.

Signature Page to Follow

CITY OF HERMISTON, by and through
its elected officials

By _____
(Legally designated representative)

Name _____
(printed)

Date _____

By _____

Name _____
(printed)

Date _____

**APPROVED AS TO LEGAL
SUFFICIENCY**
(If required in Recipient process)

By _____
Recipients Legal Counsel

Date _____

Recipient Contact:
Mark Morgan, Assistant City Manager
City of Hermiston
180 NE 2nd Street
Hermiston OR 97838
Phone: 541-667-5003
mmorgan@hermiston.or.us

STATE OF OREGON, by and through
its Department of Transportation

By _____
Director

Date _____

APPROVAL RECOMMENDED

By: _____
Freight Planning Program Manager

Date: _____

By _____
Active Transportation Section Manager

Date _____

APPROVED AS TO LEGAL SUFFICIENCY

By, _____
Assistant Attorney General, by email dated:

ODOT Contact:
Marie Wright, *ConnectOregon* Program
Manager
ODOT – Active Transportation Section
555 13th Street NE
Salem, OR 97301
Phone: 503 986-3327
Marie.a.wright@odot.state.or.us

REVISED EXHIBIT A
Project Description, Key Milestones, Schedule and Budget
Agreement No. 30154
Application Number: 5A0251

Project Name: Airport Taxiway Realignment and Rehabilitation

A. PROJECT DESCRIPTION

The Project realigns the parallel taxiway (40' wide by 4,500' long) at Hermiston Municipal Airport in Hermiston, Oregon to meet FAA runway/taxiway safety standards and includes associated improvements.

B. PROJECT KEY MILESTONES AND SCHEDULE

Project has six (6) Key Milestone(s). Key Milestones are used for evaluating performance on Project and determining level of compensation for completed work as described in the Agreement. Key Milestones cannot be changed without an amendment to the Agreement. Recipient may shift the estimated Grant Funds shown below between milestones without an amendment to the Agreement, but shall not, under any circumstances, exceed the "Total Not To Exceed Grant Fund Allocation." Recipient shall report changes to the Estimated Amounts corresponding to each Key Milestones, shown below, in Recipient's Monthly Report to the ODOT Project Liaison.

If Recipient anticipates Project Key Milestones will be delayed by more than ninety (90) days, Recipient shall submit a Request for Change Order, as described in Section 4(b) of the Agreement, to the ODOT Project Liaison as soon as Recipient becomes aware of any possible delay. The Request for Change Order must be submitted prior to the Key Milestone completion date shown in this Exhibit.

The anticipated start date of Project is: 10/31/2014

The estimated completion date of Project is: **5/30/2016**

Table 1: Key Milestones

Key Milestone	Description	Estimated Due Date
1	Scoping and planning	1/30/2015
2	Right of way and land acquisition	N/A
3	Permits	7/30/15
4	Final plans/bidding engineering documents	6/31/2015
5	Construction contract award	8/31/2015
6	Project completion	5/30/2016

Table 2 – Funding Breakdown

A	Total Not To Exceed Grant Fund Allocation	\$300,000	
B	ConnectOregon V twenty (20) percent required match	\$75,000	
C	ConnectOregon V Total		\$375,000
D	Other Funds In Addition to twenty (20) percent Required Match	\$2,594,000	
E	Total Project Funding		\$2,969,000

Monthly Financial Report



Includes the Hermiston Urban Renewal Agency

**Finance Department
November 2015**

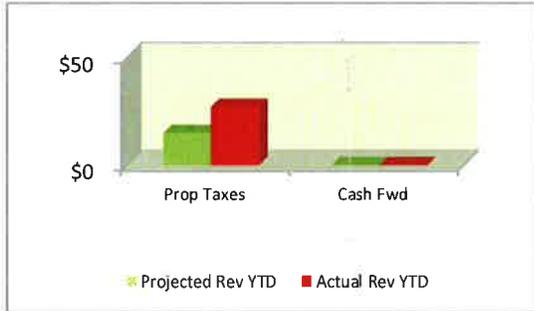
2015-2016 Monthly Financial Report

Hermiston Urban Renewal Agency (HURA)

For the Month Ending Nov 30, 2015

Resources by Category

Through Nov 30, 2015
(in \$1,000)

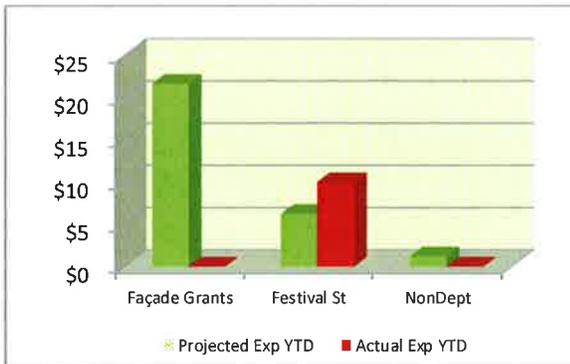


	Annual Proj Rev	Projected Rev YTD	Actual Rev YTD	Var Fav/ (Unfav)	% Var
Prop Taxes	\$ 15	\$ 15	\$ 27	\$ 12	0%
Cash Fwd	60	-	-	-	0%
Total	\$ 75	\$ 15	\$ 27	\$ 12	0%

Note: variance is calculated as a percent of the projected revenue YTD.

Expenditures by Character

Through Nov 30, 2015
(in \$1,000)



	Annual Proj Exp	Projected Exp YTD	Actual Exp YTD	Var Fav/ (Unfav)	% Var
Façade Grants	\$ 52	\$ 22	\$ -	\$ 22	100%
Festival St	15	6	10	(4)	(60%)
NonDept	3	1	-	1	0%
Res for Fut Exp	5	-	-	-	0%
Total	\$ 75	\$ 29	\$ 10	\$ 19	0%

Note: variance is calculated as a percent of the projected expenditures YTD.

Property taxes, which are due in November, are the primary revenue source for HURA. Last year 79% of the taxes was collected during November. This year \$27,000 was received in November, 180% of the entire fiscal year's estimated property tax revenue. No expenditures have been made since September leaving year-to-date expenditures at approximately \$10,500.

2015-2016 Monthly Financial Report

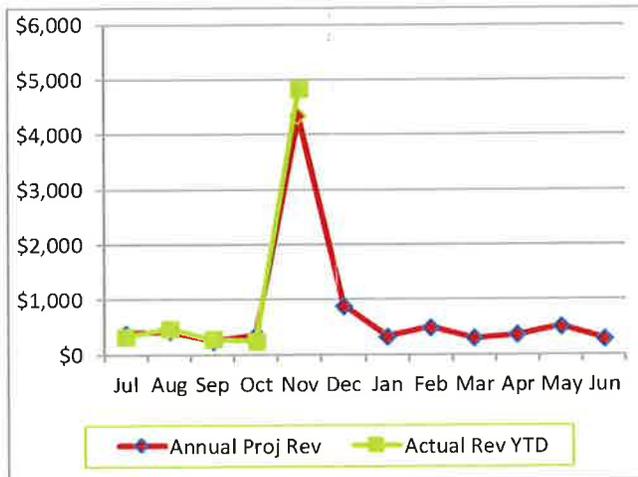
City of Hermiston, Oregon
General Fund Resources

For the Month Ending Nov 30, 2015

Through Nov 30, 2015

(in \$1,000)

All Resources



	Annual Proj Rev	Proj Rev YTD	Actual Rev YTD	Var Fav/ (Unfav)	% Var
Jul	\$ 393	\$ 393	\$ 332	\$ (61)	(15%)
Aug	418	418	478	60	14%
Sep	242	242	280	38	16%
Oct	355	355	251	(105)	(29%)
Nov	4,330	4,330	4,829	499	12%
Dec	885				
Jan	333				
Feb	490				
Mar	293				
Apr	360				
May	517				
Jun	285				
Total	8,902	5,738	6,170	432	8%
Cash Fwd	3,813	-	-	-	0%
Total	\$ 12,715	\$ 5,738	\$ 6,170	\$ 432	8%

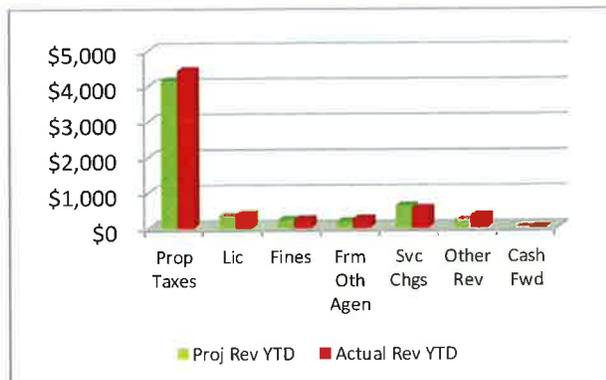
Through the end of November the City has received \$6.2 million in General Fund revenues. This is 69% of the total revenues estimated for 2015-16 and \$432,000 higher than projections for this point in the fiscal year. The largest variances are in Property Taxes, a favorable \$276,000, followed by Other Revenue with a positive \$135,000 variance and Service Charges with an unfavorable \$81,000 variance. Other Revenue includes Interest Earnings, repayment of Interfund Loans, Miscellaneous Sales, and Nuisance Abatement assessments. Interest Earnings to date are a little over \$40,000. A partial repayment of \$55,000 has been received on the Interfund Loan for Victory Square Park and \$51,000 in revenue from Miscellaneous Sales has been received.

General Fund Revenue

by Category

Through Nov 30, 2015

(in \$1,000)



	Annual Proj Rev	Proj Rev YTD	Actual Rev YTD	Var Fav/ (Unfav)	% Var
Prop Taxes	\$ 5,265	\$ 4,146	\$ 4,421	\$ 276	7%
Lic	774	337	369	31	9%
Fines	583	236	236	1	0%
Frm Oth Agen	445	185	254	70	38%
Svc Chgs	1,323	623	542	(81)	(13%)
Other Rev	513	212	347	135	64%
Cash Fwd	3,813	-	-	-	0%
Total	\$ 12,715	\$ 5,738	\$ 6,170	\$ 432	8%

Note: variance is calculated as a percent of the projected revenue YTD.

2015-2016 Monthly Financial Report

City of Hermiston, Oregon

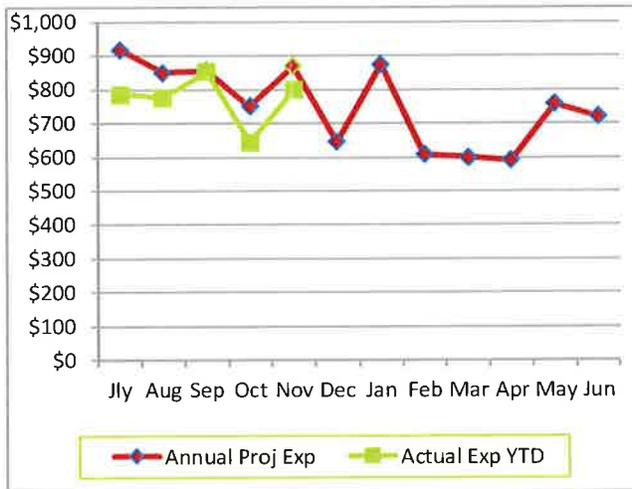
General Fund Expenditures

For the Month Ending Nov 30, 2015

General Fund Expenditure Summary

All Requirements

Through Nov 30, 2015
(in \$1,000)

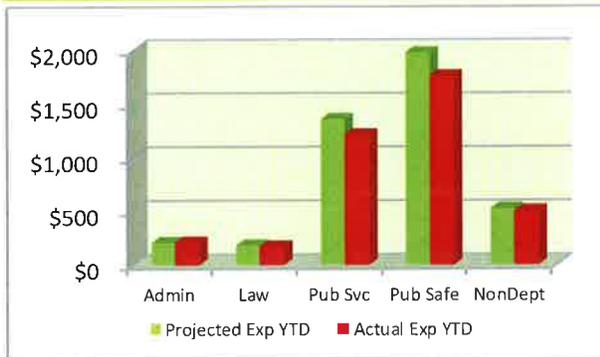


	Annual Proj Exp	Projected Exp YTD	Actual Exp YTD	Var Fav/ (Unfav)	% Var
Jly	\$ 918	\$ 918	\$ 786	\$ 132	14%
Aug	850	850	777	73	9%
Sep	855	855	853	3	0%
Oct	750	750	643	107	14%
Nov	870	870	798	72	8%
Dec	645	-	-	-	-
Jan	874	-	-	-	-
Feb	608	-	-	-	-
Mar	600	-	-	-	-
Apr	590	-	-	-	-
May	758	-	-	-	-
Jun	720	-	-	-	-
Total	9,039	4,244	3,857	386	9%
Unapp	3,676	-	-	-	0%
Total	\$ 12,715	\$ 4,244	\$ 3,857	\$ 386	9%

General Fund expenditures are under projections by \$386,000, a 9% favorable variance. Continuing the pattern we have seen in prior months, the largest savings are in Public Safety and Public Services.

General Fund Expenditures by Consolidated Department

Through Nov 30, 2015
(in \$1,000)



	Annual Proj Exp	Projected Exp YTD	Actual Exp YTD	Var Fav/ (Unfav)	% Var
Admin	\$ 490	207	209	\$ (2)	(1%)
Law	440	182	171	11	6%
Pub Svc	2,879	1,356	1,212	144	11%
Pub Safe	4,330	1,976	1,761	215	11%
NonDept	901	523	504	19	4%
Unapp	3,676	-	-	-	0%
Total	\$ 12,715	\$ 4,244	\$ 3,857	\$ 386	9%

Note: variance is calculated as a percent of the projected expenditures YTD.

2015-2016 Monthly Financial Report

General Fund Expenditure Detail For the Month Ending Nov 30, 2015

General Fund Expenditures by Department

	Annual Projected Exp	Projected Exp YTD	Actual Exp YTD	Var Fav/ (Unfav)	% Var Fav/ (Unfav)
City Council	32,150	13,794	20,828	(7,034)	(51%)
City Manager/Planning	402,398	170,738	167,830	2,908	2%
Finance	54,964	22,143	20,291	1,852	8%
Total Admin & Finance	489,512	206,675	208,949	(2,275)	(1%)
Legal	187,700	77,216	73,421	3,795	5%
Court	251,904	105,065	97,963	7,102	7%
Total Dept of Law	439,604	182,282	171,384	10,898	6%
Transportation	188,375	80,152	67,742	12,410	15%
Airport	241,640	141,599	79,961	61,638	44%
Bldg Inspection	343,262	141,308	138,619	2,689	2%
Parks	477,440	211,649	196,468	15,181	7%
Pool	389,229	258,173	231,611	26,562	10%
Municipal Buildings	12,900	5,079	4,603	476	9%
Library	689,266	286,170	271,338	14,832	5%
Recreation	537,300	231,868	221,757	10,111	0
Total Public Services	2,879,412	1,355,998	1,212,099	143,899	11%
Public Safety Center	92,000	38,037	37,203	834	2%
Police Operations	4,237,982	1,938,089	1,723,741	214,348	11%
Total Public Safety	4,329,982	1,976,126	1,760,944	215,182	11%
Non-Departmental	900,565	522,602	503,869	18,733	4%
Unappropriated	3,676,280	0	0	0	0%
Total Non-Dept	4,576,845	522,602	503,869	18,733	4%
Total	12,715,355	4,243,682	3,857,245	386,436	9%

The City Council is over its projected expenditures year to date by approximately \$7,000. This overage is due to the timing of most council training opportunities. They come early in the fiscal year and this year this was exacerbated because more councilors were able to participate in the National League of Cities conference. The overall training budget has not been exceeded and we anticipate the overall budget will still be sufficient through the end of the fiscal year.

The Airport continues to show a significant favorable variance in November. Fuel sales are down due to the construction work on the taxiway and with fuel sales down, the corresponding expenditures to purchase fuel are also down.

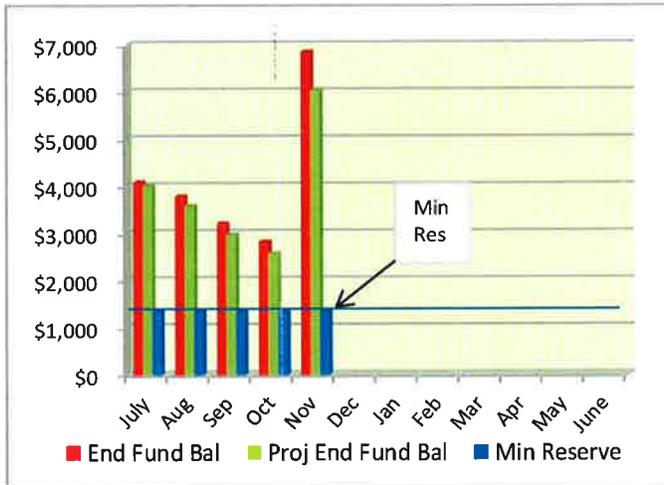
The Police Department also continues to be under projections with a \$214,000 favorable variance due to savings in overtime, nuisance abatement and motor vehicle repairs.

2015-2016 Monthly Financial Report

Fund Balance - General Fund
For the Month Ending Nov 30, 2015

General Fund
Ending Fund Balance

Through Nov 30, 2015
(in \$1,000)



Minimum Reserve = \$1,355,861

	Begin Fund Bal	Rev	Exp	End Fund Bal	Proj End Fund Bal
July	\$ 4,547	\$ 332	\$ (786)	\$ 4,093	\$ 4,022
Aug	4,093	478	(777)	3,794	3,590
Sep	3,794	280	(853)	3,221	2,977
Oct	3,221	251	(643)	2,829	2,581
Nov	2,829	4,829	(798)	6,860	6,041
Dec					
Jan					
Feb					
Mar					
Apr					
May					
June					
Total	\$ 4,547	\$ 6,170	\$ (3,857)	\$ 6,860	\$ 6,041

The bulk of the property taxes was received in November causing the fund balance in the General Fund to increase a little over \$4 million to \$6.9 million. This puts the fund \$5.5 million above the required reserve of \$1.4 million.

2015-2016 Monthly Financial Report

Special Revenue Funds Report For the Month Ending Nov 30, 2015

Special Revenue Funds Resources & Requirements

	2015-16 Annual		Remaining Budget
	Budget	Actual YTD	
Bonded Debt Fund			
Resources	3,767,354	1,331,384	2,435,970
Expenditures	3,527,354	1,386,330	2,141,024
Unappropriated Balance	240,000	N/A	N/A
Transient Room Tax (TRT)			
Resources	573,335	303,070	270,265
Expenditures	520,000	280,537	239,463
Unappropriated Balance	53,335	N/A	N/A
Recreation Special Revenue			
Resources	239,000	15,000	224,000
Expenditures	57,086	57,086	-
Unappropriated Balance	181,914	N/A	N/A
Reserve Fund			
Resources	7,090,060	875,674	6,214,386
Expenditures	4,882,912	1,311,833	3,571,079
Unappropriated Balance	2,207,148	N/A	N/A
Municipal Court Special Revenue			
Resources	281,900	106,673	175,227
Expenditures	246,900	103,842	143,058
Unappropriated Balance	35,000	N/A	N/A
Miscellaneous Special Revenue			
Resources	30,000	6,707	23,293
Expenditures	30,000	6,661	23,339
Unappropriated Balance	-	N/A	N/A
Conference Center			
Resources	249,975	92,634	157,341
Expenditures	192,475	94,338	98,137
Unappropriated Balance	57,500	N/A	N/A
EOTEC Grant Fund			
Resources	5,400,000	-	5,400,000
Expenditures	5,400,000	1,095,216	4,304,784
Unappropriated Balance	-	N/A	N/A
Law Enforcement Special Revenue			
Resources	71,500	23,214	48,286
Expenditures	43,500	6,601	36,899
Unappropriated Balance	28,000	N/A	N/A

Beginning with the 2015-16 fiscal year the City began estimating all of its resources in each fund and only appropriating what it projects it will need for that year. The remainder is carried in the fund as Unappropriated Balance.

The City uses multiple Special Revenue funds to account for revenues that are restricted to expenditure for particular purposes. They include funds for debt service, economic development, parks and recreation, capital projects, and grants. Since these funds are not operational and are used for specific purposes from year-to-year, their expenditures do not typically follow a predictable pattern so budget variances are not calculated for them.

2015-2016 Monthly Financial Report

Special Revenue Funds Report For the Month Ending Nov 30, 2015

Special Revenue Funds Resources & Requirements

	2015-16 Annual		Remaining
	Budget	Actual YTD	Budget
Library Special Revenue			
Resources	58,000	7,461	50,539
Expenditures	46,000	6,028	39,972
Unappropriated Balance	12,000	N/A	N/A
2014 Water & Sewer Rev Bonds			
Resources	1,300,000	633	1,299,367
Expenditures	1,300,000	484,404	815,596
Unappropriated Balance	-	N/A	N/A
Senior Center Const			
Resources	2,073,360	5,490	2,067,870
Expenditures	2,073,360	7,925	2,065,435
Unappropriated Balance	-	N/A	N/A

2015-2016 Monthly Financial Report

Utility and Street Funds Report
For the Month Ending Nov 30, 2015

Utility and Street Funds Report

Resources & Expenditures

	2015-16 Annual			Variance	
	Budget	Projected YTD	Actual YTD	Fav/(Unfav)	% Variance
<u>Street Fund</u>					
Resources	2,017,500	611,705	658,518	46,813	8%
Expenditures	1,348,785	793,122	757,977	35,145	4%
Unappropriated Balance	668,715	N/A	N/A	N/A	N/A
<u>Utility Fund</u>					
Resources	8,480,520	2,411,438	2,590,768	179,330	7%
Expenditures	5,821,305	1,852,389	1,878,590	(26,201)	(1%)
Unappropriated Balance	2,659,215	N/A	N/A	N/A	N/A
<u>HES Fund</u>					
Resources	11,435,765	4,093,308	4,204,024	110,716	3%
Expenditures	8,697,002	3,788,016	3,250,748	537,268	14%
Unappropriated Balance	2,738,763	N/A	N/A	N/A	N/A
<u>Regional Water Fund</u>					
Resources	1,437,800	354,466	440,460	85,994	24%
Expenditures	660,198	560,619	500,160	60,459	11%
Unappropriated Balance	777,602	N/A	N/A	N/A	N/A

The Street Fund has favorable variances both in revenues and expenditures. Gasoline taxes are coming in higher than projections and personnel costs are lower than expected.

Revenues are also coming in higher than anticipated in the Utility Fund. Water revenues are \$141,000 higher than projections and Recycled Water revenues are \$34,000 higher. Expenditures are slightly over projections with a minimal 1% variance.

HES revenues are 3% over projections at \$111,716 while expenditures are 14% under at \$537,268. The expenditure variance is due to the timing of power purchases. \$4.8 million is budgeted and only \$1.5 million has been spent to date.

Revenues are over projections in the Regional Water Fund as well. Actual revenues are \$85,994 over projected revenues, a positive 24% variance. Actual expenditures are \$60,459 under projections, a positive 11% variance.

2015-2016 Monthly Financial Report

Utility and HES Funds Report
For the Month Ending Nov 30, 2015

Utility and HES Funds Report Reserve Balances

	Beginning Reserve	Ending Reserve	% Ending Reserve	Minimum Reserve Requirement	Difference
Utility Fund	3,056,640	3,546,094	60.9%	717,695	2,828,399
HES Fund	3,157,652	3,531,501	40.6%	1,072,233	2,459,268
Total	6,214,292	7,077,595	-	1,789,928	5,287,667

The City Council has established a minimum working capital (current assets less current liabilities) of forty-five (45) days of annual operating expenses for both the Utility Fund and HES Fund. This equates to \$717,695 for the Utility Fund and \$1,072,233 for the HES Fund. Both funds have balances well above their minimum levels for a total reserve of \$7.1 million.

2015-2016 Monthly Financial Report

City of Hermiston, Oregon
Capital Projects Report

For the Month Ending Nov 30, 2015

Capital Projects

	2015-16 Budget	YTD Expenditures	LTD Budget	LTD Expenditures	% Complete
Airport Improvements	\$ 615,000	\$ 35,250	\$ 650,000	\$ 300,624	---
Eastern OR Trade & Event Ctr (EOTEC) Pipeline	350,000	49,289	1,800,000	741,386	99%
EOTEC Construction	5,400,000	1,095,216	6,400,000	3,994,022	See below
RWTP Outfall	-	151,738	2,500,000	1,315,693	99%
Water Line Extension	1,026,200	307,461	1,250,000	803,516	70%
Total	\$ 7,391,200	\$ 1,638,954	\$ 12,600,000	\$ 7,155,241	---

Airport Improvements

The first half of the taxiway relocation project has been completed, and the project has been winterized. There were relatively few expenditures on the project in November due to a slow approval process at the FAA for the contractor's October invoice, but that has since been approved and paid in December. Depending on the processing speed by the FAA of the contractor's November invoice that may also be paid in December.

EOTEC Pipeline

This project is now complete. The engineer has performed the final walk-through and there are no punch list items remaining.

EOTEC Construction

Construction of the Event Center continues on schedule with occupation expected to occur in March 2016. All other construction is on hold per board direction pending the outcome of the community fundraising effort, which has already begun and is anticipated to be complete also by March 2016.

RWTP Outfall

The Outfall project is now finished.

Water Line Extension

There has been no change to this project since last month's report. The contractor has finished all of the pipe installation. They are waiting for the delivery of a pump that will be installed in the Non-Potable #2 pump station. That is expected in December.

**2015-2016 Monthly Financial Report
City of Hermiston, Oregon
Investments
For the Month Ending Nov 30, 2015**

**Investment Report
by Type**

Cusip No.	Par Value	Principal Cost	Market Value	Issuer	Rating Moody's/S&P	Days to Maturity	Callable Y/N	Yield to Worst Call	Yield to Maturity (YTM)
3135G0G31	\$ 2,000,000	\$ 1,993,600	\$ 1,987,820	FNMA	Aaa/AA+	1,156	Y	1.28	1.28
3134G33E8	\$ 1,000,000	\$ 997,073	\$ 1,000,647	FHLMC	Aaa/AA+	1,502	Y	1.57	1.57
3135G0QK2	\$ 2,000,000	\$ 1,985,750	\$ 1,977,394	FFCB	Aaa/AA+	1,404	Y	1.71	1.71
3137EADN6	\$ 1,000,000	\$ 978,757	\$ 993,500	FHLMC	Aaa/AA+	774	N	1.29	1.29
3135G0GY3	\$ 1,000,000	\$ 1,013,901	\$ 1,005,882	FNMA	Aaa/AA+	427	N	0.78	0.78
US Agencies	\$ 7,000,000	\$ 6,969,081	\$ 6,965,243	---	---	---	---	---	---
LGIP ^{(1) (2)}	\$ 2,684,467	\$ 2,684,467	\$ 2,684,467	Varies	---/AA	1	N	0.54	0.54
LGIP	\$ 2,684,467	\$ 2,684,467	\$ 2,684,467	---	---	---	---	---	---
TOTAL	\$ 9,684,467	\$ 9,653,548	\$ 9,649,710	---	---	---	---	---	---

⁽¹⁾ \$1,755 of the balance in the LGIP is held by the City for the Eastern Oregon Trade and Event Center (EOTEC).

⁽²⁾ \$275 of the balance in the LGIP is invested for the 2014 Sewer & Water Revenue Bonds.

The City of Hermiston has established certain policies for its investments. In order to limit credit and interest rate risk, investments are diversified by security type, maturity, issuer, and call provisions. At least 25% of funds available for investing will be invested in the Local Government Investment Pool (LGIP), with a qualified depository institution, or investments maturing in less than 90 days. 50% or more of the portfolio will be invested in securities maturing in less than three years. The maximum average maturity for the portfolio shall be 3 years and the maximum maturity of individual securities in the portfolio shall be 5 years. No more than 75% of the portfolio may be callable. The minimum weighted average credit rating of the portfolio's investments shall be Aa/AA by Moody's and Standard & Poor's respectively. The breakdown of the City's portfolio is shown below.

Maturity	Par Value	% of Total Portfolio
< 90 Days	\$ 2,684,467	27.7%
90 Days - 3 Yrs	\$ 2,000,000	20.7%
3 - 5 Yrs	\$ 5,000,000	51.6%
	\$ 9,684,467	100.0%

Type of Inv	Par Value	% of Total Portfolio
US Agency	\$ 7,000,000	72.3%
Corporate	\$ -	0.0%
LGIP	\$ 2,684,467	27.7%
	\$ 9,684,467	100.0%

Various Investment Parameters	With LGIP	Without LGIP
WTD Avg Mat	808	808
Wtd Avg Yield to Mat	1.14%	1.37%
Percent Callable	51.6%	71.4%
Wtd Avg Credit Rating	Aaa/AA+	Aaa/AA+