



City of Florence
A City in Motion

Florence Urban Renewal Agency (FURA) Regular Meeting

Florence City Hall
250 Hwy 101
Florence, OR 97439
541-997-3437
www.ci.florence.or.us

- Meeting materials including information on each agenda item are published at least 24 hours prior to the meeting, and can be found of the City of Florence website at www.ci.florence.or.us/urbanrenewal.
- Items distributed during the meeting and meeting minutes are posted to the City's website at www.ci.florence.or.us/urbanrenewal as soon as practicable after the meeting.
- To be notified of Urban Renewal meetings via email, please visit online at www.ci.florence.or.us/newsletters/subscriptions.

May 22, 2019

AGENDA

5:30 p.m.

FURA Directors:

Vice-Chair John Scott
Ron Caputo

Chairperson, Joshua Greene

Joe Henry
Patricia Riley

Ron Preisler
Carmela West

Mike Webb
Bill Meyer

With 48 hour prior notice, an interpreter and/or TDY: 541-997-3437, can be provided for the hearing impaired.
Meeting is wheelchair accessible.

CALL TO ORDER – ROLL CALL

5:30 p.m.

1. APPROVAL OF AGENDA

Joshua Greene
Chairperson

2. PUBLIC COMMENTS

This is an opportunity for members of the audience to bring to the Agency's attention any item not otherwise listed on the Agenda. Comments will be limited to three (3) minutes per person, with a maximum time of 15 minutes for all items. Speakers may not yield their time to others.

Joshua Greene
Chairperson

ACTION ITEMS

3. FLORENCE URBAN RENEWAL AGENCY 2019-2021 BIENNIAL BUDGET

A. PUBLIC HEARING ON 2019-2021 FURA BUDGET

Hear and consider written and oral testimony on the 2019-2021 budget.

B. ADOPTION OF 2019-2021 FURA BUDGET

Consider adoption of Resolution No. 1, Series 2019, a resolution performing the following:

- Adopting the 2019-2021 Biennial Budget
- Making appropriations for the agency
- Authorizing levy of property taxes for the agency

Erin Reynolds
City Manager

4. AUDITED FINANCIAL STATEMENTS

Receive fiscal year 2017-2018 audited financial statements.

Erin Reynolds
City Manager

REPORTS, PRESENTATIONS & UPDATES

5. REVISION FLORENCE

Staff will provide an update on the ReVision Florence construction and financing.

Megan Messmer
Project Manager

6. CITY MANAGER REPORT

Erin Reynolds
City Manager

URBAN RENEWAL CALENDAR

All meetings are held at the Florence City Hall (250 Hwy 101, Florence Oregon) unless otherwise indicated

| Date | Time | Description |
|---------------|-----------|---------------------------------------|
| June 26, 2019 | 5:30 p.m. | Florence Urban Renewal Agency Meeting |

Florence Urban Renewal Agency

Memorandum

To: Florence Urban Renewal Board

From: Anne Baker, Administrative Services Director

Date: May 22, 2019

Re: Adoption of 2019-21 biennial budget, make appropriations, and levy taxes

Background and Information:

On May 8, 2019, the FURA Budget Committee approved the proposed budget for the 2019-21 biennium totaling \$5,914,700. Oregon Budget Law stipulates that the governing body must hold a public hearing on the approved budget prior to its adoption. The public hearing has been advertised as required and scheduled for this meeting.

After the public hearing, Resolution No. 1, Series 2019 (Attachment 1) to adopt the budget, make appropriations, and levy taxes, consistent with the approved budget, has been prepared for your consideration.

Fiscal Impact: The budget totals \$5.9 million including \$4.2 million in urban renewal project and program spending, \$0.8 million in transfers to the City for debt payment, and \$0.7 million in debt service.

Alternatives: The Board may make changes to the approved budget; however, those changes are limited to no more than 10% of any given fund (\$511,100 for the general fund and \$80,300 for the debt service fund) or a notice of the amended budget published and another public hearing held.

Recommendation: Staff recommends to adopt Resolution No. 1, Series 2019, to adopt the approved budget as presented, make appropriations, and levy taxes consistent with the approved budget.

Attachments:

Attachment 1: Resolution No. X, Series 2019

Attachment 2: Approved Budget

Resolution No. 1, Series 2019
RESOLUTION ADOPTING THE BIENNIAL 2019-21 BUDGET
and DECLARING TAX INCREMENT

1. The Budget Officer prepared the proposed budget for the Florence Urban Renewal Agency for the 2019-21 biennium commencing July 1, 2019.
2. The proposed budget was approved by the Florence Urban Renewal Agency Budget Committee on May 8, 2019.
3. The Florence Urban Renewal Agency Board of Directors held a public hearing for the approved budget to receive comments from citizens.
4. The Florence Urban Renewal Agency Board of Directors has considered the public testimony received.

Based on these findings,

1. BE IT RESOLVED that the Board of Directors of the Florence Urban Renewal Agency hereby adopts the biennial budget for 2019-21 in the total amount of \$5,914,700 and makes the following appropriations:

General Fund

| | |
|------------------------|--------------------|
| Materials and services | \$ 670,100 |
| Capital outlay | 3,482,500 |
| Transfers | 800,000 |
| <u>Contingency</u> | <u>158,700</u> |
| Total | \$5,111,300 |

Debt Service Fund

| | |
|--------------------|-------------------|
| Debt Service | \$ 722,800 |
| <u>Contingency</u> | <u>80,600</u> |
| Total | \$ 803,400 |

Total appropriations, all funds \$5,914,700

2. **DECLARING TAX INCREMENT.** The Board of Directors of the Florence Urban Renewal Agency hereby certifies to the County Assessor to levy the maximum amount of revenue that may be raised by dividing the taxes under Section 1e, Article IX, of the Oregon Constitution and ORS Chapter 457 for the fiscal years beginning July 1, 2019 and July 1, 2020 for the Florence Urban Renewal Agency Plan Area.

The above resolution statements were approved and declared adopted on the 22nd day of May 2019.

Joshua Greene, Chairperson

Attest:

Kelli Weese, City Recorder

FURA

FLORENCE URBAN
RENEWAL AGENCY

OREGON



Fiscal
Biennium

2019-2021

Biennial Budget

FLORENCE URBAN RENEWAL AGENCY

FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

Florence Urban Renewal Agency Fiscal Biennium 2019-2021 Budget

July 1, 2019 — June 30, 2021



BUDGET COMMITTEE

The Florence Urban Renewal Agency (FURA) consists of the FURA Board and an equal number of citizen members, which includes the two City Councilors who do not serve on the FURA Board. The citizen members of the City's Budget Committee and two additional citizen members also serve on the FURA Budget Committee. Citizen members serve staggered terms of four years expiring January 31st.

The FURA Budget Committee will receive the proposed budget May 8, 2019. The committee held their public hearing on May 8th with City staff making presentations and addressing questions. The public meetings provide an opportunity for public testimony. The Budget Committee will then approve the budget with any changes made and forward it to the FURA Board for adoption.

The FURA Board will hold a public hearing on the approved budget May 22, 2019. After the public hearing the Board will consider adoption of the approved budget, with any changes, levy property taxes, and establish budget appropriations.

| Board Members | Term Expires | Citizen Members | Term Expires |
|-----------------------|--------------|------------------|--------------|
| Chair Joshua Greene | January 2021 | Geraldine Lucio | January 2023 |
| Vice Chair John Scott | January 2020 | Woody Woodbury | January 2023 |
| Joe Henry | January 2021 | Brittany Hornung | January 2022 |
| Ron Preisler | January 2020 | Leonard Larson | January 2021 |
| Patricia Riley | January 2020 | Joel Marks | January 2020 |
| Ron Caputo | January 2021 | Wayne Sharpe | January 2021 |
| William Meyer | January 2021 | Sally Wantz | January 2023 |
| Mike Webb | January 2022 | Vacant | |
| Carmela West | January 2022 | Vacant | |

FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

TABLE OF CONTENTS

| | |
|--|-------------------|
| City Manager’s Budget Message | 7 |
| FURA Overview | 9 |
| Basics of Budgeting | 11 |
| Fund Accounting | 13 |
| Budget Process | 15 |
| Consolidated 2019-21 Biennial Budget | 17 |
| General Fund | 19 |
| Debt Service | 23 |
| Tax Levy Information | 25 |
| Debt Schedule | 27 |
| Financial Forecast | 29 |
| FURA Work Plan | 31 |
| Adopting Resolutions | 33 |
| Fiscal Policies | 35 |
| Glossary | 43 |
| 2016 FURA Investment Strategy | Appendix 1 |
| 2016 FURA Market Analysis | Appendix 2 |

FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

BUDGET MESSAGE



City Manager's Budget Message 2019 – 2021 Biennium Budget

May 3, 2019

Florence Urban Renewal Agency Budget Committee,

It is my pleasure, on behalf of the Board, to present the second biennial 2019-21 budget for the Florence Urban Renewal Agency (Agency or FURA). The budget is balanced and totals \$5,914,700 for the two-year period beginning July 1, 2019 and ending June 30, 2021.

| | |
|--------------------|--------------------|
| General Fund | \$5,111,300 |
| Debt Services Fund | 803,400 |
| Total | <u>\$5,914,700</u> |

The proposed biennial budget provides a funding plan to continue working on various fronts while completing the once in a generation streetscape and gateway project for the main street corridor of Florence on Highways 101 and 126, referred to as ReVision Florence. As you review this document you will see that it has been much improved from years past. It includes a copy of the work plan further along in the document. Also new to the document this year includes Budget Highlights, information on upcoming capital investments, noteworthy accomplishments from the previous biennium, and a fun "Did you know?" section.

The Agency's 2016 Work Plan has been updated to be aligned with the priorities and goals of the City of Florence. The City Council adopted their work plan in April 2019, and subsequently staff updated the Agency's existing work plan in conjunction with that process and was the starting point for this budget.



The General Fund includes funding for the biennium that will allow the Agency to accomplish priority items in the Plan as follows:

- \$1,071,500 in Property tax revenues, for further information about property tax increment please reference the Tax Levy Schedule

BUDGET MESSAGE

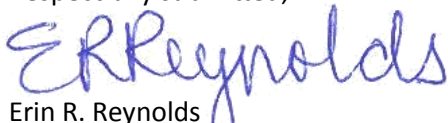
- Capital investment continues this biennium for the following projects:
 - ⇒ \$3,144,331 to complete all aspects of the ReVision Florence project, including gateway monuments, pedestrian scale lighting, and flower basket & banner arms.
 - ⇒ \$200,000 dedicated to development projects with the goal of attracting private sector investments for commercial and housing projects with priority given to the Quince Street Property and other identified catalyst sites.
 - ⇒ \$83,000 to complete the two public art projects that are approved and underway.
 - ⇒ \$55,000 for the Siuslaw Estuary Trail to provide a match for the Agency's share of the project.
- Other General Fund highlights include:
 - ⇒ \$60,000 in funds for development assistance and other items outlined in FURA's 2016 Investment Strategy report and work plan.
 - ⇒ \$511,300 in administrative service charges to the City for staff to perform services to assist the Agency with the daily operations and implementation of its projects.
 - ⇒ \$158,700 in contingency, which is anticipated to carryover for operating expenses in the next biennium until property taxes are collected.



The Debt Service Fund includes \$722,800 for debt service payments related to the 2016 and 2019 City full faith and credit obligations. The City in turn loaned the 2016 & 2019 obligations to the Agency so that the lowest cost of borrowing could be realized for the Agency. The budget also includes \$400,000 in new debt proceeds to fully fund the capital investments planned for the biennium. It is the purpose of urban renewals to invest public dollars through tax increment debt financing with the expectation that property values will increase year over year. At the end of this biennium the Agency will be at full borrowing capacity if all things remain unchanged. To find out more about the long-term debt of the Agency please reference the Debt Schedule.

I am excited and honored to be a part of the projects that this 2019-21 fiscal biennium budget plans for. Four years ago the ReVision Florence Project was a dream, two years ago it felt as if it was an insurmountable challenge, and today it's a reality! As I write this, the project is fully funded and even better yet, it is under construction outside my window of the newly remodeled City Hall! When completed, these projects have the potential to transform the City's main street corridor into a vibrant, active, and inviting streetscape that is consistent with the City's goals for economic development and livability and quality of life. We very much appreciate your service on the budget committee and look forward to discussing the budget with you.

Respectfully submitted,



Erin R. Reynolds
City of Florence City Manager and Budget Officer



FURA OVERVIEW

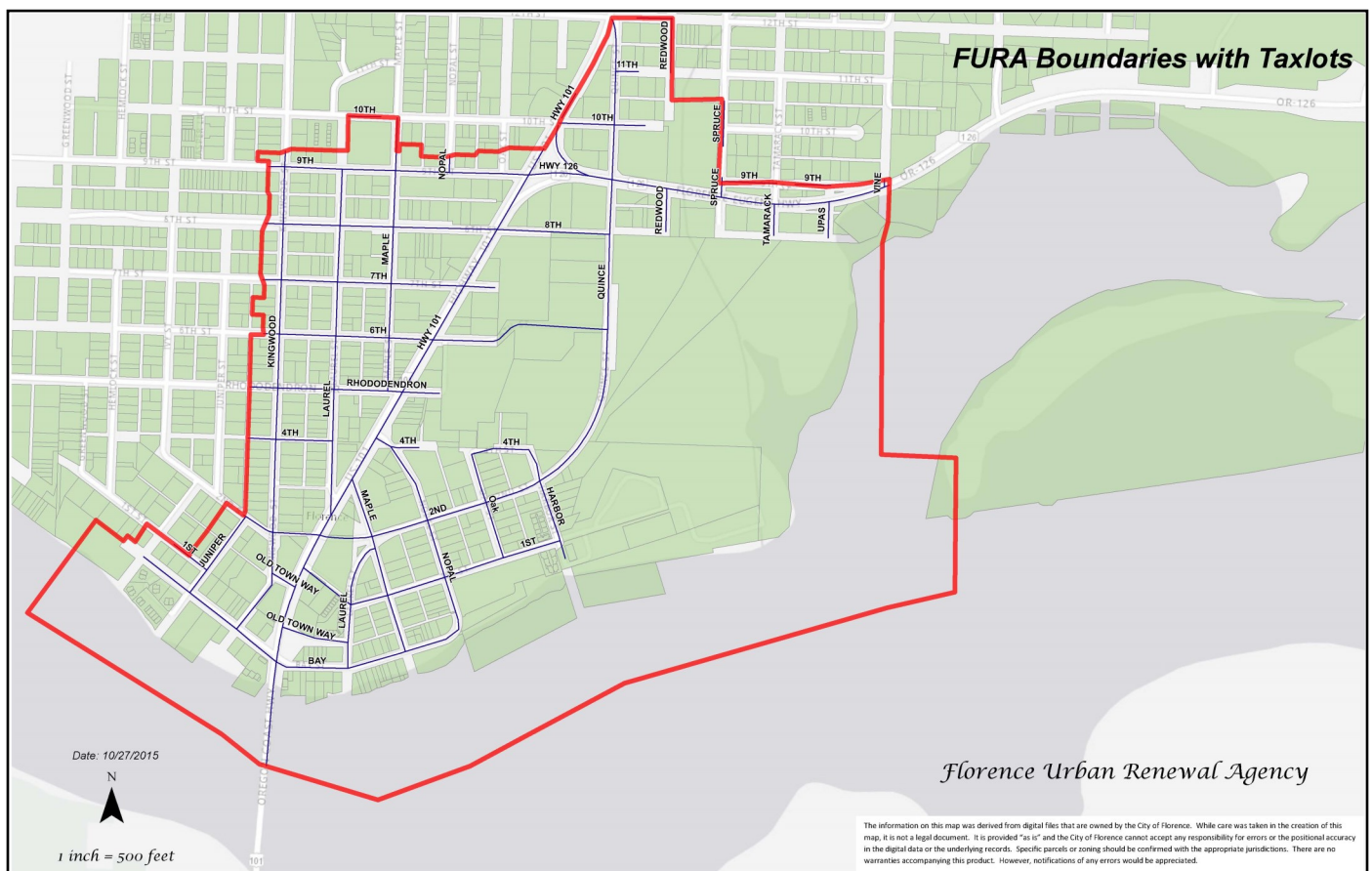
In August of 2006 Florence City Council adopted an ordinance approving the Florence Downtown Preservation and Florence voters approved the formation of the [Florence Downtown Preservation and Renewal Plan](#) (Plan) in 2007, which created the Florence Urban Renewal Agency (FURA) district. The FURA district encompasses properties along Highway 101 generally south of Highway 126, east of Kingwood, and inland of the Siuslaw River.

To fund projects within the Plan, FURA uses property tax increment financing, repaid with dedicated property taxes, to fund projects within the District to facilitate redevelopment and development.

Urban Renewal focuses on projects, such as construction and repair of public infrastructure, including parks, streets, and other public facilities; facilitation of public-private partnerships to revitalize and preserve downtown properties; promotion of mixed-use development; and rehabilitation of the waterfront for public and commercial uses. The maximum indebtedness authorized under the FURA Plan, for the projects within the Plan, is \$22,545,000. The Plan does not increase taxes that property owners pay.

In 2015 the City Council agreed to use full faith and credit obligations of the City, loaned to FURA, to fund FURA projects and refinance existing FURA debt. The policy decision increased the debt capacity of the Agency and reduced the interest cost to taxpayers.

For more information, visit www.ci.florence.or.us/urbanrenewal.



FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

BASICS OF BUDGETING

The Agency budgets all funds on the modified accrual basis of accounting. Items such as depreciation, amortization, property taxes and other revenues that are not expected to be received in the current period or within sixty days of fiscal year end are not included in the budget. All expenditures forecast to occur during the year, such as principal, interest payments and capital acquisitions are budgeted. Expenditures for accrual of accrued leave and other payroll costs incurred are not budgeted.

Within the Agency's audited financial statements, the General Fund and Debt Service Fund are accounted for using the modified accrual basis of accounting. The Governmental wide statements report on the full accrual method of accounting. The primary difference between the two methods of accounting, relative to the budget basis used, is depreciation, acquisition of capital assets and principal payments on debt are handled differently, i.e., depreciation is not budgeted, acquisition of capital assets and principal payments are budgeted, but are not shown as expenditures in full accrual accounting. FURA is a blended component unit and, while issuing its own set of financial statements, it is also included as funds in the City's audited financial statements.

Budget appropriations for authorized spending are provided for all of the funds in the following sections. The amount of final appropriations are as presented in the "Adopted Budget" column of the budget summaries presented for each fund.



FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

FUND ACCOUNTING

For accounting purposes, a local government is not treated as a single, integral entity. Rather, a local government is viewed instead as a collection of smaller, separate entities known as “funds.” A fund is a fiscal and accounting entity with self-balancing accounts to record cash and other financial resources, related liabilities, balances and changes, all segregated for specific activities and objectives. All of the funds used by a government must be classified into one of seven fund types within:



Governmental-Type (Governmental Funds)

- General
- Debt service

Governmental Funds

Many government services are financed through taxes and intergovernmental revenues. These are often called non-exchange revenues because there is not normally a direct relationship between the cost of the service provided and the amounts being paid by either individual tax payers or other government agencies. When a service is largely funded through non-exchange revenues it can be called a governmental-type activity. The accounting for a governmental-type activity focuses on available spendable resources and the near-term demands upon them.

General Fund

The General Fund accounts for services generally supported by property taxes and other non-dedicated or restricted revenue. These services include public safety, parks, administration, administrative services, and community development and Council directed funding of outside agencies or other activities. General administrative costs are recovered through internal charges to the fund or department using these services: These costs include Administration and financial services, risk management, network computer and phone services, and city hall usage. The costs of these services are at full cost, including replacement cost, thereby providing more accurate costs of providing services.

Debt Service Funds

This fund type accounts for the accumulation of resources for the payment of debt principal and interest.

Debt Service Fund — The Debt Service Fund was established to service principal and interest payments on the City’s short and long-term debt with the exception of debt financed with general obligation bonds. The principal sources of revenue are payments from property owners on bonded and unbonded assessments and transfers from funds that benefit from the debt.



FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

BUDGET PROCESS

A budget is defined by Oregon State Law (Oregon Revised Statutes, Chapter 294) as a financial plan containing estimates of revenue and expenditures for a given period or purpose, such as a fiscal year or biennium. The City is required to adopt a balanced budget on or before June 30.

The State of Oregon defines a balanced budget as one in which total resources, including beginning balances, current resources, and debt proceeds equals total requirements of current expenditures, capital outlay, transfers, debt service payments, and reserves. The budget is a financial plan and is critical to local government entities because it requires evaluation of plans and establishment of priorities in relation to available resources. Under Oregon Revised Statutes (ORS), a legally adopted budget is necessary for a local government to levy property taxes.

The Florence Urban Renewal Agency (FURA) prepares and adopts its biennial budget in accordance with the City of Florence policies and Oregon Local Budget Law (ORS 294.305-294.555, and 294.565). The Budget is presented by fund, department, and expenditure object classification. The City Manager, as the Budget Officer, has responsibility for presenting the proposed budget to the Budget Committee, management of the overall FURA budget, and maintaining budgetary control at the adopted appropriation level. Finance and the respective operation department directors perform ongoing review and monitoring of revenues and expenditures.

The Budget Committee consists of the governing body and an equal number of legal voters appointed by the Board of Directors. Accordingly, FURA has eighteen budget committee members, in which the votes of all members are equal. The first review of the budget occurs when the budget is presented to the Committee. At that time, the budget is made publicly available and the Committee begins their review. The Committee may approve the proposed budget intact, or change part or all of it prior to approval.

Oregon Local Budget Law requires the meeting at which the budget is adopted by the Board of Directors to be



formally noticed and provide time for the public to comment or ask questions about the budget. The Board of Directors may modify the approved budget, however, if expenditures are increased more than \$5,000 in any fund (or 10%, whichever is greater), a notice of a second budget hearing and a new financial summary must be published and a second hearing held before the budget can be adopted. The budget must be adopted on or prior to June 30. There is no provision in Oregon Local Budget Law to adopt a budget after June 30.

The budget is an estimate, and as such there is a provision to adjust the budget during the biennium through supplemental budgets, which may include noticing and public hearings. The Budget Committee is not convened for this process.

FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

CONSOLIDATED 2019-21 BIENNIAL BUDGET SUMMARY

FURA Budget Summary and Comparison

Fiscal Biennium 2017-19 to Fiscal Biennium 2019-21

| | Fiscal Biennium 2017-19 Budget | | | Fiscal Biennium 2019-21 Budget | | |
|---|--------------------------------|-----------|-----------|--------------------------------|---------|-----------|
| | Debt Service | | | Debt Service | | |
| | General Fund | Fund | Total | General Fund | Fund | Total |
| Beginning fund balance | 915,484 | 780,190 | 1,695,674 | 1,984,100 | 3,400 | 1,987,500 |
| Current year resources | | | | | | |
| Property taxes | - | 815,400 | 815,400 | 1,071,500 | - | 1,071,500 |
| Intergovernmental | 3,000,000 | - | 3,000,000 | 1,639,700 | - | 1,639,700 |
| Miscellaneous | 1,000 | 9,000 | 10,000 | 16,000 | - | 16,000 |
| Transfers | - | - | - | - | 800,000 | 800,000 |
| Debt proceeds | 3,900,000 | - | 3,900,000 | 400,000 | - | 400,000 |
| Total current year resources | 6,901,000 | 824,400 | 7,725,400 | 3,127,200 | 800,000 | 3,927,200 |
| Total resources | 7,816,484 | 1,604,590 | 9,421,074 | 5,111,300 | 803,400 | 5,914,700 |
| Expenditures | | | | | | |
| Materials and services | 430,200 | - | 430,200 | 670,100 | - | 670,100 |
| Capital outlay | 7,230,000 | - | 7,230,000 | 3,482,500 | - | 3,482,500 |
| Debt Service | - | 1,217,200 | 1,217,200 | 800,000 | 722,800 | 1,522,800 |
| Total expenditures | 7,660,200 | 1,217,200 | 8,877,400 | 4,952,600 | 722,800 | 5,675,400 |
| Other requirements | | | | | | |
| Contingency | 156,284 | 387,390 | 543,674 | 158,700 | 80,600 | 239,300 |
| Total other requirements | 156,284 | 387,390 | 543,674 | 158,700 | 80,600 | 239,300 |
| Total expenditures and other requirements | 7,816,484 | 1,604,590 | 9,421,074 | 5,111,300 | 803,400 | 5,914,700 |

FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

GENERAL FUND

The FURA General Fund accounts for the activities associated with the Agency's implementation of its Plan. The primary resources are property tax increment and debt proceeds (repaid with property taxes resulting from the increased, i.e., incremental, value of property within the urban renewal district over the frozen base value), grants, and developer contributions.

FY 2019-21 Budget Highlights

- ◆ Construction of the ReVision Florence Streetscape Project is underway and will be completed by the end of 2019.
- ◆ Continued coordination with ODOT and the City on development of the Siuslaw Estuary Trail.
- ◆ Implementation of the 2016 FURA Investment Strategy projects and actions.
- ◆ Property taxes now recorded in the General Fund with transfers to the Debt Service Fund to cover debt obligations.

Upcoming Capital Investments

- ◆ Completion of the ReVision Florence Streetscape Project construction.
- ◆ Installation of pedestrian amenities and light pole accessories outside of the ReVision Florence construction contract.
- ◆ Bidding and construction of the gateway monuments outside of the ReVision Florence construction contract.
- ◆ Installation of the approved mural and bridge steps public art pieces.
- ◆ Construction of the Siuslaw Estuary Trail in coordination with ODOT and the City.

Goals & Work Plan Items Fiscal Biennium 2019-21

- ☐ Review and update of FURA Bylaws and other operational documents.
- ☐ Completion of ReVision Florence Streetscape Project, including installation and construction of items not included in the ODOT contract.
- ☐ Completion of the mural and bridge steps public art pieces as approved.
- ☐ Creation of a marketing plan and development prospects for the Quince Street property.
- ☐ Market and recruitment for the five catalyst sites for housing and commercial development outlined in the 2016 Market Analysis and Investment Strategy.
- ☐ Plan and completion of the first phase of the Siuslaw Estuary Trail from Hwy 126 along Quince Street.
- ☐ Continue implementation, as funding allows, of the Predevelopment Grant Program.
- ☐ Development and implementation of the Façade Improvement Program (Preservation and Rehabilitation Program) as funding allows.
- ☐ Assessment of parking availability and opportunities in Old Town.
- ☐ Sidewalk improvement and connectivity in Old Town as funding allows.



Noteworthy Accomplishments Fiscal Biennium 2017-2019

- ✓ ReVision Florence Streetscape Project
 - Completion of the ReVision Florence Streetscape design and engineering.
 - Combining the Streetscape Project with ODOT's paving project to reduce construction costs for both projects.
 - Successful bidding and contract award for the combined projects.
 - Public outreach and community education about the construction and related information.
 - Construction will be halfway completed at the end of the current biennium, with completion scheduled for the end of October 2019.
- ✓ Purchase of Quince Street property across the street from the Florence Events Center.
- ✓ Processing of the first Predevelopment Grant Program application and project.
- ✓ Continued development and planning for the Siuslaw Estuary Trail.



Staffing:

Staffing for FURA activity is provided by the City. Payments to the City's General Fund and the Public Works Administration Fund are budgeted to reimburse the City for staff related costs.



Did you know?

In 2008, FURA entered into an intergovernmental agreement with the Siuslaw Library District to help fund the building expansion project. The agreement included \$315,000 over a 15-year period.

In 2010, the Agency approved the purchase of the Barnett Property for \$85,300, which is now the location of the Siuslaw River Bridge Interpretive Site on Bay Street in Old Town.

In 2010, the Agency awarded a total of \$163,141 in grants to 39 Florence businesses in the urban renewal area. This Preservation and Rehabilitation Program provided financial assistance to property owners and independent businesses that are tenants of commercial properties to encourage enhancing the appearance and commercial viability of the Urban Renewal District.

In 2013, the Agency completed a \$2.5 million infrastructure improvement project in Old Town. The project included new water and sewer upgrades to replace lines installed in the 1940s and 1950s that were insufficient to provide needed water and sewer capacity for the commercial area.

GENERAL FUND

GENERAL FUND SUMMARY

Budget:

| | 2015-16 Actual | 2016-17 Actual | 2017-19 Budget | 2017-19 Estimate | 2019-21 Proposed | 2019-21 Approved | 2019-21 Adopted |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|--------------------|
| Beginning fund balance | 262,769 | (71,016) | 915,484 | 956,775 | 1,984,100 | 1,984,100 | |
| Current year resources | | | | | | | |
| Property taxes | - | - | - | - | 1,071,500 | 1,071,500 | |
| Intergovernmental | - | - | 3,000,000 | 1,960,700 | 1,639,700 | 1,639,700 | |
| Miscellaneous | 4,689 | - | 1,000 | 14,809 | 16,000 | 16,000 | |
| Debt proceeds | 110,349 | 1,725,351 | 3,900,000 | 4,600,012 | 400,000 | 400,000 | |
| Total current year resources | 115,038 | 1,725,351 | 6,901,000 | 6,575,521 | 3,127,200 | 3,127,200 | |
| Total resources | 377,807 | 1,654,335 | 7,816,484 | 7,532,296 | 5,111,300 | 5,111,300 | |
| Expenditures | | | | | | | |
| Materials and services | 320,254 | 195,983 | 430,200 | 869,705 | 670,100 | 670,100 | |
| Capital outlay | 128,569 | 501,577 | 7,230,000 | 4,678,500 | 3,482,500 | 3,482,500 | |
| Transfers | - | - | - | - | 800,000 | 800,000 | |
| Total expenditures | 448,823 | 697,560 | 7,660,200 | 5,548,205 | 4,952,600 | 4,952,600 | |
| Other requirements | | | | | | | |
| Contingency | - | - | 156,284 | 1,984,091 | 158,700 | 158,700 | |
| Total other requirements | - | - | 156,284 | 1,984,091 | 158,700 | 158,700 | |
| Total expenditures and other requirements | 448,823 | 697,560 | 7,816,484 | 7,532,296 | 5,111,300 | 5,111,300 | |

Financial Summary and Fund Balance Analysis:

| Financial Summary | 2015-16 Actual | 2016-17 Actual | 2017-19 Budget | 2017-19 Estimate | 2019-21 Proposed | 2019-21 Approved | 2019-21 Adopted |
|-------------------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|--------------------|
| Resources over (under) expenditures | (333,785) | 1,027,791 | (759,200) | 1,027,316 | (1,825,400) | (1,825,400) | |
| Beginning fund balance | 262,769 | (71,016) | 915,484 | 956,775 | 1,984,100 | 1,984,100 | |
| Ending fund balance | (71,016) | 956,775 | 156,284 | 1,984,091 | 158,700 | 158,700 | |



Target Ending Fund Balance = 5 months of M&S operating costs
Yes meets target of 140,000

Capital Outlay:

FURA General Fund

| Description | Priority | Amount |
|---------------------------------|----------|------------------|
| ReVision Florence | 1 | 3,144,331 |
| Artwork - Mural & Steps | 1 | 83,100 |
| Siuslaw Estuary Trail | 1 | 55,000 |
| Development Projects | 1 | 200,000 |
| FURA General Fund Totals | | 3,482,431 |

FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

FURA DEBT SERVICE FUND

This fund accounts for the repayment of City issued full faith and credit obligations issued to finance the FURA's projects and programs. FURA's primary revenue sources to repay the obligation are property taxes and funding commitments from other agencies.

FY 2019-21 Budget Highlights

- ◆ Changed accounting procedure to receive property taxes in the General Fund.
- ◆ Maintained the required debt coverage ratio of 1.25.
- ◆ FURA has two long-term debt obligations outstanding to the City.

Noteworthy Accomplishments Fiscal Biennium 2017-2019

- ✓ Secured \$3.3 million in long-term debt for the ReVision Florence Streetscape Project and Quince Street property purchase.
- ✓ Used fund balance to repay du jour borrowings to reduce long-term debt.

FURA DEBT SERVICE SUMMARY

Budget:

| | 2015-16 Actual | 2016-17 Actual | 2017-19 Budget | 2017-19 Estimate | 2019-21 Proposed | 2019-21 Approved | 2019-21 Adopted |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|--------------------|
| Beginning fund balance | 253,549 | 86,636 | 780,190 | 281,300 | 3,400 | 3,400 | |
| Current year resources | | | | | | | |
| Property taxes | 326,617 | 361,323 | 815,400 | 952,190 | - | - | |
| Miscellaneous | 946 | 1,045 | 9,000 | 8,000 | - | - | |
| Transfers | - | - | - | - | 800,000 | 800,000 | |
| Debt proceeds | 1,464,288 | - | - | - | - | - | |
| Total current year resources | 1,791,851 | 362,368 | 824,400 | 960,190 | 800,000 | 800,000 | |
| Total resources | 2,045,400 | 449,004 | 1,604,590 | 1,241,490 | 803,400 | 803,400 | |
| Expenditures | | | | | | | |
| Materials and services | 242,897 | - | - | - | - | - | |
| Debt Service - principal | 1,665,000 | 72,696 | 885,500 | 855,329 | 496,200 | 496,200 | |
| Debt Service - interest | 50,867 | 95,004 | 331,700 | 382,731 | 226,600 | 226,600 | |
| Debt service | 1,715,867 | 167,700 | 1,217,200 | 1,238,060 | 722,800 | 722,800 | |
| Total Debt Service expenditures | 1,958,764 | 167,700 | 1,217,200 | 1,238,060 | 722,800 | 722,800 | |
| Other requirements | | | | | | | |
| Contingency | - | - | 387,390 | 3,430 | 80,600 | 80,600 | |
| Total other requirements | - | - | 387,390 | 3,430 | 80,600 | 80,600 | |
| Total expenditures and other requirements | 1,958,764 | 167,700 | 1,604,590 | 1,241,490 | 803,400 | 803,400 | |

DEBT SERVICE

Financial Summary and Fund Balance Analysis:

| Financial Summary | 2015-16 Actual | 2016-17 Actual | 2016-17 Budget | 2017-19 Estimate | 2019-21 Proposed | 2019-21 Approved | 2019-21 Adopted |
|-------------------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|--------------------|
| Resources over (under) expenditures | (166,913) | 194,668 | (392,800) | (277,870) | 77,200 | 77,200 | |
| Beginning fund balance | 253,549 | 86,636 | 780,190 | 281,300 | 3,400 | 3,400 | |
| Ending fund balance | 86,636 | 281,304 | 387,390 | 3,430 | 80,600 | 80,600 | |

Target Ending Fund Balance = Interest payments through November 2021

Yes meets target of 56,650

TAX LEVY INFORMATION

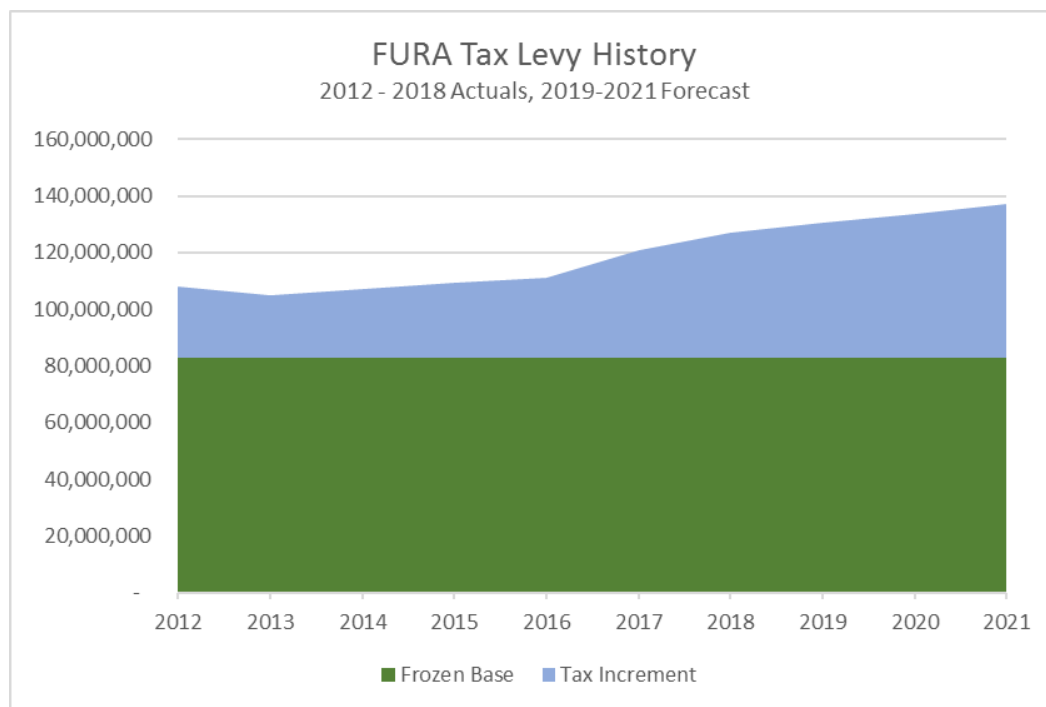
In 2006, with the formation of the urban renewal district, the tax base was frozen at \$82,903,810. As projects are completed, the assessed value of the district increases. The tax increment, or the increase in the total assessed value over the value of the frozen base (excess total assessed value), is used to calculate the amount of property tax due the district.

It is estimated that the excess total assessed value for the district will be \$50,814,494 and \$54,241,215 for fiscal years 2019-20 and 2020-21 respectively, yielding a total of \$1,071,500 in property taxes for the district for the biennium.

Schedule of Taxable Assessed Value, Tax Rates, and Levies

Fiscal Years 2012 through 2021

(Actual through fiscal year 2018, forecasts fiscal years thereafter.)



| Fiscal Year | Frozen Base | Excess TAV | TAV 2.6% | Dollar Change | Percentage Change | | Levy Amount | Consolidated Tax Rate |
|-------------|-------------|------------|-------------|---------------|-------------------|-----------|-------------|-----------------------|
| | | | | | Total AV | Excess AV | | |
| 2012 | 82,903,810 | 25,252,874 | 108,156,684 | 1,410,367 | 1.3% | 5.9% | 296,297 | 11.7332 |
| 2013 | 82,903,810 | 21,796,071 | 104,699,881 | (3,456,803) | (3.2%) | (13.7%) | 256,769 | 11.7805 |
| 2014 | 82,903,810 | 24,385,105 | 107,288,915 | 2,589,034 | 2.5% | 11.9% | 297,691 | 12.2079 |
| 2015 | 82,903,810 | 26,557,328 | 109,461,138 | 2,172,223 | 2.0% | 8.9% | 325,784 | 12.2897 |
| 2016 | 82,903,810 | 28,220,985 | 111,124,795 | 1,663,657 | 1.5% | 6.3% | 343,379 | 12.1675 |
| 2017 | 82,903,810 | 37,714,565 | 120,618,375 | 9,493,580 | 8.5% | 33.6% | 375,444 | 12.0843 |
| 2018 | 82,903,810 | 44,215,774 | 127,119,584 | 6,501,209 | 5.4% | 17.2% | 455,226 | 12.0703 |
| 2019 | 82,903,810 | 47,473,393 | 130,377,203 | 3,257,619 | 2.6% | 7.4% | 531,898 | 11.2041 |
| 2020 | 82,903,810 | 50,814,494 | 133,718,304 | 3,341,100 | 2.6% | 7.0% | 528,000 | 10.3907 |
| 2021 | 82,903,810 | 54,241,215 | 137,145,025 | 3,426,721 | 2.6% | 6.7% | 543,500 | 10.0201 |

FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

DEBT SCHEDULE

The debt schedules below reflect total outstanding debt of the Florence Urban Renewal Agency as of June 30, 2019 and projected through June 30, 2023.

The Florence Urban Renewal Agency has two debt obligations outstanding at the beginning of the 2019-21 fiscal biennium. In 2015, the Florence City Council agreed to use full faith and credit obligations of the City to take out debt and in turn loan to FURA. This policy decision increased the debt capacity of the Agency and reduced interest costs. The 2016 Banner Bank loan to the City was loaned to the Agency to refinance the existing 2010 loan for the Old Town Infrastructure Project and to enable the Agency to pay for the design concept and the architectural & engineering services for the ReVision Florence Streetscape Project. The 2019 Banner Bank loan to the City was loaned to the Agency to finance the purchase of the Quince Street Property and to fund the ReVision Florence Streetscape Project construction phase. The Agency collects property taxes in the General Fund and transfers the amount necessary to fulfill the obligations to the Debt Service Fund. The Agency then makes it's debt service payments to the City's Debt Service Fund. Details of these two obligations are shared in the table below.

Summary of Existing Debt Issued and Balance June 30, 2019

| Description | Fund(s) | Original Amount | Payment FY 2020 | Payment FY 2021 | Interest Rate | Balance June 30, 2019 |
|--|---------|------------------|-----------------|-----------------|---------------|-----------------------|
| Existing Obligations | | | | | | |
| FFCO 2016 (20 yr) - Banner | FURA | 3,700,000 | 22,700 | 246,300 | 2.92% | 3,344,741 |
| Banner Bank (20 yr) - Tax Exempt BQ | FURA | 3,150,000 | 219,400 | 219,400 | 3.45% | 3,150,000 |
| Banner Bank (5 yr) - Taxable | FURA | 150,000 | 7,500 | 7,500 | 5.30% | 150,000 |
| Total FURA Debt | | 7,000,000 | 249,600 | 473,200 | | 6,644,741 |

Summary of Existing Debt and Proposed Debt Fiscal Year 2019-2023

| | | Outstanding Balance June 30, | | | | |
|--|---------|------------------------------|------------------|------------------|------------------|------------------|
| Description | Fund(s) | 2019 | 2020 | 2021 | 2022 | 2023 |
| Existing Obligations | | | | | | |
| FFCO 2016 (20 yr) - Banner | FURA | 3,347,576 | 3,207,712 | 3,067,848 | 2,927,984 | 2,788,120 |
| Banner Bank (20 yr) - Tax Exempt BQ | FURA | 3,150,000 | 3,038,381 | 2,922,877 | 2,803,355 | 2,679,673 |
| Banner Bank (5 yr) - Taxable | FURA | 150,000 | 150,000 | 150,000 | 150,000 | - |
| Total FURA Debt | | 6,647,576 | 6,396,093 | 6,140,725 | 5,881,339 | 5,467,793 |
| Proposed debt | | - | - | 400,000 | 385,000 | 370,000 |
| Total Debt Outstanding | | 6,647,576 | 6,396,093 | 6,540,725 | 6,266,339 | 5,837,793 |

FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

FINANCIAL FORECAST

This is a place holder.

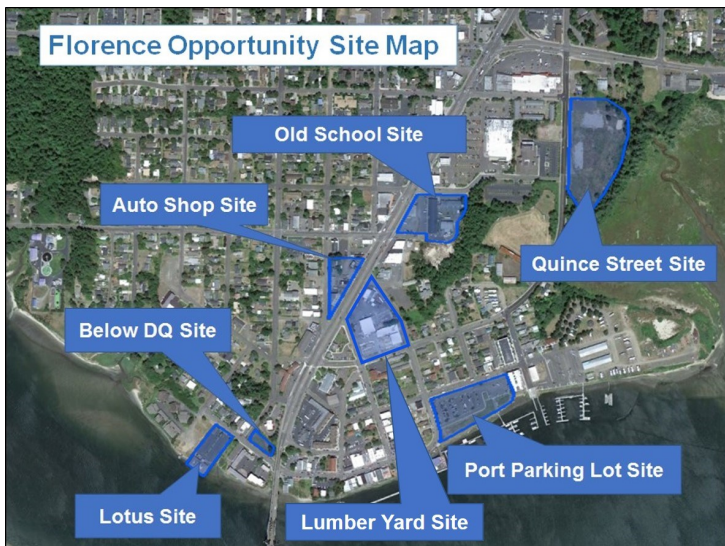
FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

FURA WORK PLAN

In 2016, the Florence Urban Renewal Agency (FURA) Board of Directors received the FURA Investment Strategy and Market Analysis (available at the end of this document or online at <https://www.ci.florence.or.us/urbanrenewal/florence-urban-renewal-agency-investment-strategy>). Also at this time, the Board of Directors received the finalized Design Concept for the Highway 101 revitalization project that became the ReVision Florence Streetscape Project. Through these two reports, the FURA Board provided direction to staff to work on these projects and activities, marketing and development of the opportunity/catalyst sites outlines, and continued work on the ReVision Florence Streetscape Project.

Through a market analysis of Florence and the Urban Renewal Area, stakeholder interviews, and public outreach,



Leland Consulting Group was able to develop an investment strategy that focused on downtown as a business, leveraging public investment for private investment, connecting to regional economic development, and leadership. The strategy identified several opportunity/catalyst sites for the Agency to focus their efforts on. Those sites are shown in the image to the left and include:

- ◆ Old School Site
- ◆ Port Parking Lot and Boardwalk Site
- ◆ Quince Street Site
- ◆ Auto Shop & Lumber Yard Sites
- ◆ Lotus & Lower Dairy Queen Lot Sites

In reviewing these sites, the consultant provided a market analysis of each, sample programing and examples of what could be developed on those sites, the feasibility of development, potential barriers, and a strategy to encourage development of those opportunity sites. Each site analysis can be found in the full report.

The Investment Strategy also proposed several projects and actions for consideration. The Strategy provides short-term guidance for FURA in the deployment of its resources in the Urban Renewal Area. The Strategy seeks to strike a balance between quick wins that result in private investment in the short term and long term policies and strategies that lay the groundwork for larger projects over time. Thus, the recommendations included a mix of capital projects (physical improvements and direct contributions to private development) along with programmatic actions that remove barriers and focus on the policies and marketing that is essential to creating an environment that is welcoming of investment. The Investment Strategy proposed the following projects and actions:

FURA Projects and Actions

- ◆ Design and Development Assistance Program
- ◆ Preservation and Rehabilitation Program
- ◆ Catalyst Development Fund
- ◆ Develop a Co-Working Space
- ◆ Parking Management Study

City of Florence Projects and Actions

- ◆ Accessory Dwelling Unit Program
- ◆ Housing Marketing and Development Strategy
- ◆ Development Code Audit



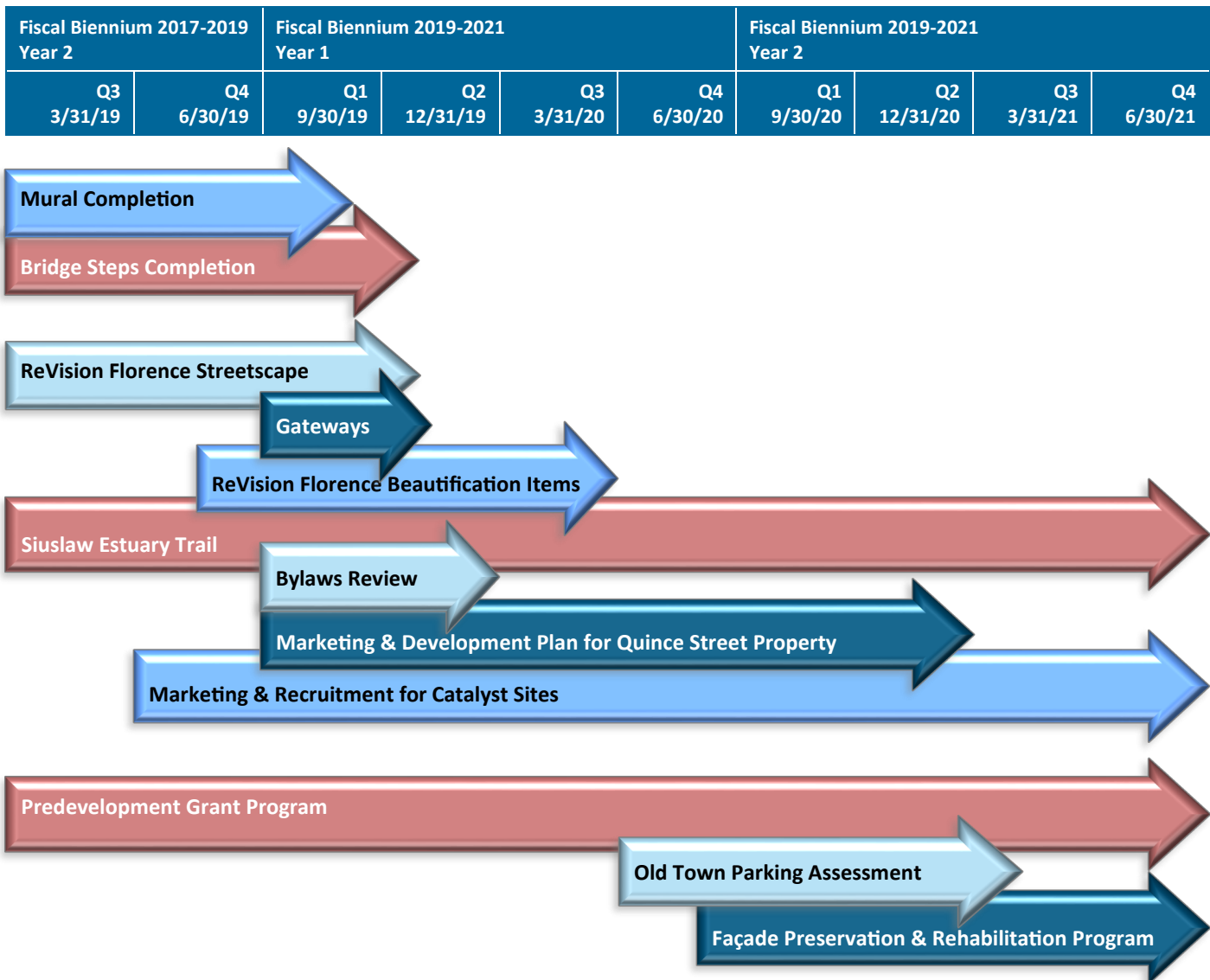
FURA WORK PLAN

These projects and actions have guided some of the work of both FURA and the City during the previous biennium. FURA has accepted one applicant to the Design and Development Assistance Program (Predevelopment Grant Program) and has heard interest from a few other potential applicants. FURA purchased the Quince Street catalyst site and will begin developing a marketing and development strategy in the upcoming biennium.

The items identified as City projects and actions have either been included in the City Work Plans over the previous and current biennium. In 2018, the City updated the City Code to include provisions for Accessory Dwelling Units. The City also completed the Housing and Economic Opportunities Analysis in the 2018 and will utilize that information to update various aspects of the City Code. Housing Efforts and Initiatives are outlined as one of the main priorities for the City within the [2019-21 City Work Plan](#). Those efforts include reviewing the and updating the City's development code with emphasis on the residential code.

In addition to the above items, the Strategy also discussed the economic and development impacts of ReVision Florence and the Siuslaw Estuary Trail, which continue to be worked on by staff and the Board. ReVision Florence items in the FURA Work Plan included completion of construction, gateway monuments, and other beautification items. These beautification elements include banner/flower basket brackets, new banners, and working with the Chamber of Commerce to expand the flower basket program to Highway 101 for Spring/Summer 2020.

FURA Work Plan Timeline



ADOPTING RESOLUTION

This is a place holder.

FURA

FLORENCE URBAN
RENEWAL AGENCY
OREGON

FISCAL POLICIES

The Florence Urban Renewal Agency (FURA) contracts with the City of Florence for professional staffing and fiscal management services. Through this partnership, the fiscal management of FURA follows the City of Florence Fiscal Policies presented below.

Purpose

The City of Florence is committed to responsible fiscal management through financial integrity, prudent stewardship of public assets, planning, accountability and full disclosure. The broad purpose of the Fiscal Policies is to enable the City to achieve and maintain a long-term stable and positive financial condition. These policies are adopted by the City Council as the basic framework for overall financial management of the City, to guide day-to-day and long-range fiscal planning and decision making, and to achieve the following general financial goals:

1. Provide an adequate financial base to sustain the desired level of municipal services to maintain the social wellbeing and physical conditions of the City.
2. Deliver cost effective and efficient services to citizens.
3. Provide and maintain essential public facilities, utilities, and capital equipment.
4. Protect and enhance the City's credit rating so as to obtain the lowest cost of borrowing and assure taxpayers and the financial community that the City is well managed and financially sound.
5. 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 and businesses.
6. Adhere to the highest standards of financial management and reporting practices as set by the Government Finance Officers Association, the Governmental Accounting Standards Board and other professional standards.
7. Fully comply with finance related legal mandates, laws and regulations.

To achieve these goals, fiscal policies generally cover areas of revenue management, operating and capital budgeting, financial planning and forecasting, investment and asset management, debt management, pension funding, accounting and financial reporting, reserves and internal controls. These policies are reviewed annually by management, the Finance Committee, and City Council and amended as necessary, as part of the budget process.

Policies are addressed in ten areas:

- ⇒ **Revenue**, which deals with taxes, user fees and other revenues by which the city generates income to fund programs and services.
- ⇒ **Operating expenditures**, which relates to budgeting guidelines.
- ⇒ **Expenditure control**, which addresses the City's efforts to ensure spending is consistent with the City's fiscal plans.
- ⇒ **Capital equipment and improvements**, which relates to establishing a 5-year capital equipment and improvement plans for all major equipment and infrastructure systems provided and maintained by the City.

FISCAL POLICIES

- ⇒ **Accounting and financial reporting**, which relates to accounting and reporting financial transactions and preparing financial reports.
- ⇒ **Financial planning**, addresses longer term financial forecasting to help inform decisions.
- ⇒ **Debt**, which addresses long-term financing of the city's capital needs and maintaining its bond rating.
- ⇒ **Pension funding**, addresses the funding policies of the City's pension obligations.
- ⇒ **Reserves**, establishes minimum working capital balances, required reserves and operating contingency as needed for routine cash flow and responding to unexpected expenditures or increases in service delivery costs.
- ⇒ **Management of fiscal policy**, sets forth the administration of fiscal policies on a continuing basis.

1. Revenue Policies

- 1.1 The City will strive for and maintain diversified and stable revenue sources to prevent undue or unbalanced reliance on any one source of funds. Revenue diversity will also reduce risk to the City from short-term fluctuations in any one revenue source.
- 1.2 Significant one-time and or temporary revenues will not be used to fund continuing programs and services, but rather to fund one-time expenditures or fund reserves.
- 1.3 The maximum allowable system development charges (SDCs), for each of the public infrastructure systems the City operates and is allowed by state law to impose, shall be determined on a periodic basis (approximately each five years).
 - 1.3.1. The Council will determine what amount of SDCs to impose.
- 1.4 The City will promote the use of users' charges in lieu of property taxes and subsidies from other non-obligated (i.e., generally available) City funds, for services that can be identified and where costs are directly related to the level of service provided.
 - 1.4.1. Charges for providing utility services shall be sufficient to finance all operating, capital outlay and debt service expenses of the City's utility funds, including operating contingency, reserve requirements, and capital replacement. Consideration will be given to return on investment and existing and or anticipated debt to insure debt coverage ratios are sufficient to meet or exceed requirements of lenders and rating agencies to maintain desired credit rating.
 - 1.4.2. It is the City's intent to recover a greater percentage of costs associated with performing building permit and inspection activities. As of fiscal year 2016, fees and charges for these services are insufficient to fully fund costs for these activities. City staff will evaluate the delivery of these services to identify cost savings. Results of these efforts will be presented to the City Council prior to consideration of potential fee and charge increases.

It is the City's intent to recover a greater percentage of costs associated with performing planning related activities. As of fiscal year 2016, the estimated cost recovery for planning related activities is approximately 19%. City staff will evaluate and implement changes to land use processes to gain efficiencies, measure results and report findings to the City Council prior to consideration of potential increases to fees and charges for planning related activities.

FISCAL POLICIES

- 1.4.3. Other reimbursable work performed by the City (full labor costs, overhead, contracted services, equipment and other indirect expenses) shall be billed at total actual or estimated total actual cost.
- 1.4.4. Charges for services shall accurately reflect the total actual or estimated total cost of providing a specific service. The cost of providing specific services shall be recalculated periodically, and the fee adjusted accordingly. City staff shall create and maintain a schedule of current fees, indicating when the fees were last reviewed and/or recalculated.
- 1.5. The City shall diligently pursue collection of delinquent accounts. When necessary, discontinuing service, small claims court, collection agencies, foreclosure, liens and other methods of collection, such as imposing interest, penalties, collection and late charges, may be used.
- 1.6. All potential grants that require matching funds, on-going resource requirements, or include new or additional continuing compliance requirements shall be evaluated and considered before submittal of the application. Grant applications will be approved as follows prior to their submittal: a. By the City Manager for grants that require matching funds up to the amount of the City Manager's spending authority, and b. By the City Council for grants with matching requirements above the City Manager's spending authority. The City Council will be provided the evaluation with the request for their acceptance of the grant.
- 1.7. Revenues will be estimated realistically and prudently. Revenues of a volatile nature will be estimated conservatively. The City will estimate its revenues by an objective, analytical process using best practices as defined by the Government Finance Officers Association.

2. Operating Budget Policies

- 2.1. The City will prepare an annual budget guided by City Council goals and work plan to accomplish goals. Budget development will be coordinated with all departments and will incorporate Government Finance Officers Association (GFOA) recommendations relative to budgeting for results and outcomes..
 - 2.1.1. The amount of funding available will be determined for each fund. The budget will be built on expected revenues. This includes base revenues, any new revenue sources, and the potential use of existing resources.
 - 2.1.2. Conduct analysis to determine what strategies, programs, and activities will best achieve desired results.
 - 2.1.3. Budget available dollars to the most significant programs and activities. The objective is to maximize the benefit of the available resources.
 - 2.1.4. The City shall maintain an automated accounting system to monitor expenditures and revenues, relative to budget, on a monthly basis, with a thorough analysis and adjustment (if required) no less than quarterly.
- 2.2. All budgetary procedures will conform to existing state regulations. Oregon budget law requires each local government to prepare a balanced budget and Oregon Administrative Rules state: 1) the budget must be constructed in such a manner that the total resources in a fund equal the total of expenditures and requirements for that fund, and 2) the total of all resources of the entity must equal the total of all expenditures and all requirements for the entity.

FISCAL POLICIES

- 2.3. The budget process will be coordinated so that major policy issues and department goals and objectives are identified and incorporated into the budget.
- 2.4. The cost allocation plan, previously developed, will be reviewed and updated annually and serve as the basis for distributing general government and internal service costs to other funds and capital projects.
- 2.5. The City Council shall adopt the budget at the fund, departmental or program level as a total dollar amount for all appropriations except contingency, unappropriated ending fund balance and reserves, which shall be stated separately.
- 2.6. Long-term debt or bond financing may be used for the acquisition of land, capital improvements, vehicles, and equipment with a cost greater than \$100,000, if current and or existing resources are insufficient. Long-term debt or bond financing shall not be used to finance current operating expenditures.
- 2.7. Every City fund, department, program or activity shall start each year's budget cycle with no predetermined appropriation amount. Budget appropriation decisions and the allocation of resources shall be based on direction provided by the City Council and implementation of that direction by the City Manager.
- 2.8. The City will submit the Adopted Budget Document to the Government Finance Officer's Association (GFOA) to obtain the Award for Distinguished Budget Presentation.
- 2.9. A budget calendar will be prepared detailing the key elements in the development of the budget.

3. Expenditure Control Policies

- 3.1. Expenditures will be controlled through appropriate internal controls and procedures. Management must ensure expenditures comply with the legally adopted budget. Each Department or Division Manager or Director will be responsible for the administration of his/her department/program budget. This includes accomplishing the goals and objectives incorporated into the budget and monitoring each department/division budget for compliance with spending limitations.
- 3.2. The City Manager is to administer budgetary expenditure control at the appropriation level. Any increase in a budget appropriation requires City Council approval.
- 3.3. All purchases of goods and services must comply with the City's Purchasing Policies, guidelines and procedures and with State laws and regulations.
- 3.4. All compensation planning and collective bargaining will include analyses of total cost of compensation, which includes analysis of salary increases, health benefits, pension contributions, and other fringe benefits. City management will only propose operating personnel costs that can be supported by continuing operating revenues.
- 3.5. City staff shall make every effort to control expenditures to ensure City services and programs provided to its citizens and taxpayers are cost effective and efficient. Expenditures that will reduce future costs will be encouraged.

4. Capital Improvement Policies

- 4.1. Annually, the City will approve a 5-year Capital Improvement Plan (CIP), congruent with the adoption of its annual budget. The CIP shall provide details on each capital project: its estimated costs, sources of financing and a description, including a statement identifying: (a) the needs, conditions and circumstances that have caused the project's creation and (b) the expected results if the project is approved and implemented.

5. Accounting and Financial Reporting Policies

- 5.1. The City shall establish and maintain its accounting systems according to generally accepted accounting practices and shall adhere to generally accepted accounting principles and standards promulgated by the Government Finance Officers Association (GFOA) and Government Accounting Standards Board (GASB).
- 5.2. An annual audit shall be performed by an independent public accounting firm, which will issue an opinion on the annual financial statements, along with a management letter identifying areas needing improvement, if necessary.
- 5.3. Full disclosure shall be provided in the financial statements and bond representations.
 - 5.3.1. Upon request, all departments will provide notice of all significant events and financial and related matters to the Finance Director for the City's annual disclosures to the municipal markets as required by SEC Regulation 15-C-2-12. Full disclosure will be provided in the financial statements and bond representations. Significant events include delinquencies and defaults related to the City's bonds, adverse tax opinions or events affecting the tax exempt status of bonds, the release, substitutions or sale of property securing repayment of bonds and other events having a significant impact on the City's finances and outstanding bonds. The Finance Director will notify all Nationally Recognized Municipal Securities Information Repositories of these significant events.
 - 5.3.2. The City's asset capitalization policy is to capitalize and depreciate assets greater than \$10,000 with a useful life beyond one year. Capital assets costing less than \$10,000 or having a useful life of one year or less will be treated as operating expenditures.
- 5.4. Up-to-date accounting and budgeting information is available online to all management and authorized support staff. Quarterly actual-to-budget reports showing the current status of revenues and expenditures shall be prepared and distributed to appropriate legislative, staff and management personnel in a timely manner and made available for public inspection.

6. Financial Planning Policies

- 6.1. The Finance Department, collaborating with other departments, will prepare a long-term financial plan for each fund to promote responsible planning for the use of resources. The long-term financial plans will include projected revenues, expenditures and reserve balances for the next five years for all funds, except the water, wastewater and stormwater funds, which shall include twenty-year financial plans.
- 6.2. The City's financial plans should be strategic, reflecting the City Council and community priorities for service while providing resources that fund desired service levels.

FISCAL POLICIES

- 6.3. Long-term projections of revenues and expenditures will be based upon disclosed assumptions, and prepared consistent with best practices established by the Government Finance Officers Association.
- 6.4. The long-term financial plans will be integral to the development of the annual budget.

7. Debt Policy

- 7.1. The City may use debt proceeds to finance costs associated with capital infrastructure, equipment, vehicles and other purposes that provide long-term benefits to the community, i.e., benefits that extend more than one year.
- 7.2. Capital projects financed through the issuance of bonds shall not be financed for a period which (a) exceeds the expected useful life of the project or (b) is less than five years.
- 7.3. Financing for non-capital purposes shall not extend beyond the amortization period available for the respective type of obligation, e.g., retirement unfunded liabilities include an amortization period of twenty-five years.
- 7.4. The Finance Director will structure all debt issuances and oversee the on-going management of all City debt. Debt includes general obligation bonds, lease purchase obligations, revenue bonds, special assessment obligations, promissory notes, equipment financing agreements and any other contractual arrangements that obligate the City to make future principal and interest payments.
- 7.5. No debt shall be issued for which the City has not identified specific revenue sources sufficient for repayment. Such revenue sources can include internal sources, such as charges to personnel costs, that are transferred to a debt service fund for debt repayment. The Finance Director shall prepare an analysis of the source of repayment prior to issuance of any debt.
- 7.6. The City will not use long-term debt to fund current operations, to balance the budget or to fund projects that can be funded from current resources, unless the use of debt is otherwise determined to be in the best interest of the City.
- 7.7. The City may utilize short-term debt or inter-fund loans as permitted, to cover temporary cash flow deficiencies due to timing of cash flows, such as may result from delay in receipting grant proceeds or other revenues and delay in issuance of long-term debt.
- 7.8. When issuing long-term debt, the City will ensure that the debt is soundly financed by:
 - 7.8.1. Incurring debt only when necessary for capital improvements too large to be financed from current available resources,
 - 7.8.2. Insuring that capital projects financed through long-term debt shall be financed for a period not to exceed the useful life of the project,
 - 7.8.3. Determining that the benefits of the project financed exceed the cost of financing including interest costs,
 - 7.8.4. Analyzing the source of repayment, debt coverage ratios and the impact of debt service on annual fixed costs prior to issuance of long-term debt.
- 7.9. All bond issuances, promissory notes, and capital leases will be authorized by resolution of the City Council.

FISCAL POLICIES

- 7.10. The City shall maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved.

8. Pension Funding Policies

- 8.1. The City participates in the State of Oregon Public Employees Retirement System (PERS) and is a member of the State and Local Government Rate Pool. The City will fund its required pension contribution requirements timely.

9. Reserve Policies

- 9.1. The City shall maintain adequate working capital reserves in all funds.
 - 9.1.1. The general fund shall maintain sufficient working capital to allow the City to adequately fund operations until property taxes are received in November of each year, without borrowing.
 - 9.1.2. The City's utility funds shall maintain at a minimum working capital balance sufficient for sixty days operating expenses, together with an adequate emergency repair reserve and required debt service reserves.
 - 9.1.3. The City's internal service funds shall maintain at a minimum working capital balance sufficient for thirty days operating expenses and any required debt service reserves.
 - 9.1.4. The City's debt service funds shall maintain adequate working capital to pay required debt service without borrowing and fund required debt service reserves.
 - 9.1.5. The City's other operating funds shall maintain a minimum working capital balance sufficient for sixty days operating expenses and any required debt service reserves.
 - 9.1.6. The City shall establish a contingency budget to provide for unanticipated expenditures of a nonrecurring nature. The contingency shall be a minimum of five percent (5%) of a fund's operating and capital expenditure estimates for the fiscal year. This policy does not apply to debt service, internal service, trust and agency, capital projects, serial levy, temporary or certain special purpose funds.
- 9.2. The City may use reserves on a one-time or temporary basis for purposes described above. In the event that reserve funds are presently or decrease to levels below the levels desired by this policy, City management will develop a plan to restore reserves to the desired levels.

10. Management of Fiscal Policy

- 10.1. Fiscal policies and changes in policies shall be approved by the City Council and adopted by resolution after a public hearing is held (the approval may be inclusive of the annual budget adoption process and the associated resolutions to that process).
 - 10.1.1. The City Manager or designee shall prepare a report explaining the substantive impact of all recommendations and their impact on the City's operations, service levels and/or finances.
 - 10.1.2. The Audit Committee shall review the City's fiscal policies annually.

FISCAL POLICIES

10.2. The City Manager shall implement fiscal policies and monitor compliance.

10.2.1. If the City Manager discovers a material deviation from policy, he/she shall report it in writing to the City Council in a timely manner.

10.2.2. As a part of the City's annual budget document, the City Manager's budget message shall identify: (a) all major changes in policy since the previous budget year and (b) any material variations from policy in the ensuing year's budget.

GLOSSARY

Actual

Actual, as used in the fund summaries, revenue summaries, and department and division summaries within the budget document, represents the actual costs results of operations. This category is presented on a budgetary basis, and thus excludes depreciation and amortization, and includes principal payments on debt.

Ad Valorem Tax

A tax based on the assessed value of a property.

Adopted Budget

Adopted, as used in the fund summaries and department and division summaries within the budget document, represents the final budget *adopted* by the Board of Directors. The adopted budget becomes effective July 1. Subsequent to adoption; the Board of Directors may make changes throughout the year.

Approved Budget

Approved, as used in the fund summaries and revenue summaries, represents the proposed budget with changes made by the Budget Committee, if any.

Appropriations

Legal authorization granted by the Board of Directors to spend public funds. Appropriations within each program may not be exceeded.

Assessed Valuation

The value set on taxable property as a basis for levying property taxes. A tax initiative passed in 1997 that reduced assessed value (AV) below real market value and set a three percent maximum annual growth rate in the taxable assessed value (TAV), exclusive of certain improvements.

Assets

Resources having a monetary value and that are owned or held by an entity.

Audit

A report prepared by an external auditor. As a rule, the audit shall contain a statement of the scope of the audit, explanatory comments concerning exceptions of the auditor as to the applicant on generally accepted auditing standards, explanatory comments concerning verification procedures, financial statements and schedules, and sometime statistical tables, supplemental comments and recommendations.

Base Budget

Cost of continuing the existing levels of service in the current budget year. Base budget is also referred to as a status quo budget.

Beginning Fund Balance

The beginning balance is the residual non-restricted funds brought forward from the previous financial year (ending balance).

Biennial Budget

A biennial budget is for a two-year period, commencing on July 1.

Bond or Bond Issue

Bonds are debt instruments that require repayment of a specified principal amount on a certain date (maturity date), together with interest at a stated rate or according to a formula for determining the interest rate.

GLOSSARY

Bond Funds

Established to account for bond proceeds to be used only for approved bond projects.

Budget

A budget is a plan of financial operation embodying an estimate of proposed expenditures and the means of financing them. Used without any modifier, the term usually indicates a financial plan for a fiscal year. In practice, the term budget is used in two ways. Sometimes it designates the financial plan presented for adoption and other times it designates the plan finally approved. It is usually necessary to specify whether the budget under consideration is preliminary and tentative, or whether the appropriating body has approved it.

Budget Calendar

A schedule of key dates followed by a government in the preparation and adoption of the budget.

Budget Committee

A group comprised of the elected officials plus an equal number of concerned citizens for the purpose of reviewing the proposed budget and recommending changes leading to an approved budget.

Budget Document

A written report that shows a government's comprehensive financial plan for a specified period, usually one year, that includes both the capital and the operating budgets.

Budget Message

Written explanation of the budget and the Agency's financial priorities for the next fiscal year; prepared by the city manager.

Budgetary Basis

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), with the exception that neither depreciation nor amortization are budgeted for proprietary funds, and bond principal in the enterprise funds is subject to appropriation.

Capital Budget

The Agency's budget for projects, major repairs, improvements, and additions to the City's fixed assets (streets, sidewalks, roads, sewers, storm water, parks, and buildings).

Capital Improvement

A term defined in the ORS 310.410 (10) to include land, structures, facilities, machinery, equipment, or furnishings having a useful life of longer than one year.

Capital Improvement Project

Any project having assets of significant value and having a useful life of five years or more. Capital projects include the purchase of land, design, engineering and construction of buildings, and infrastructure items such as parks, streets, bridges, drainage, street lighting, water and sewer systems, and master planning.

Capital Outlay

Includes the purchase of land, the purchase and/or construction of buildings, structures and facilities of all types, in addition to machinery and equipment. It includes expenditures that result in the acquisition or addition of a fixed asset or increase the capacity, efficiency, span of life, or economy of operating as an existing fixed asset. For an item to qualify as a capital outlay expenditure it must meet all of the following requirements: (1) have an estimated useful life of more than one year; (2) typically have a unit cost of \$5,000 or more; and (3) be a betterment or improvement. Replacement of a capital item is classified as capital outlay under the same code as the original purchase. Replacement or repair parts are classified under materials and services.

GLOSSARY

Cash Management

Management of cash necessary to pay for government services, while investing temporary cash excesses in order to earn interest income. Cash management refers to the activities of forecasting inflows and outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships, and investing funds in order to achieve the highest return available for temporary cash balances.

Charges for Service

Includes a wide variety of fees charged for services provided to the public and other agencies.

Comprehensive Annual Financial Report

The annual audited results of the Agency's financial position and activity.

Comprehensive Plan

An official statement of the goals, objectives and physical plan for the development of the city. Contains a narrative of goals, objectives, and policies that describe the desired form, nature, and rate of city development.

Consumer Price Index

A statistical description of price levels provided by the U.S. Department of Labor. The index is used as a measure of the increase in the cost of living (i.e., economic inflation).

Contingency

A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted. Contingency may be appropriated for a specific purpose by the Board of Directors upon the approval of a resolution. The Agency separates contingencies into those that are designated for specific purposes and undesignated.

Cost Allocation

Various administrative services including city management, finance, human resources, public works staffing, and their related costs are allocated to the various funds that receive the benefit of these services via a cost allocation methodology.

Cost Center

An organizational budget/operating unit within each city division or department.

Debt Service

Interest and principal on outstanding bonds due and payable during the fiscal year.

Debt Service Fund

A fund established to account for the accumulation of resources and for the payment of general long-term debt principle and interest that are not services by the Enterprise Funds. It does not include contractual obligations accounted for in the individual funds.

Designated Contingency

Amounts set aside for anticipated non-recurring cash flow needs. This includes items such as moving and remodeling, major building repairs, emergency management, and capital project or equipment purchases.

Encumbrance

Amount of money committed and set aside, but not yet expended, for the purchases of specific goods or services.

Ending Fund Balance

The residual, non-restricted funds that are spendable or available for appropriation at the end of the fiscal year.

GLOSSARY

Estimated

A projection of the revenue or expenditure, as appropriate, to be recognized during the current fiscal period.

Expenditures

Represents decreases in net financial resources. They include current operating expenses, which require the current or future use of net current assets, debt services, and capital outlays.

Fees

Charges for specific services levied by local government in connection with providing a service, permitting an activity, or imposing a fine or penalty.

Fiscal Management

A government's directive with respect to revenues, spending, reserves, and debt management as these relate to governmental services, programs and capital investment. Financial policy provides an agreed upon set of principles for the planning and programming of governmental budgets and its funding.

Fiscal Year

A 12-month period designated as the operating year for accounting and budgeting purposes in an organization. The City of Florence's fiscal year is July 1 through June 30.

Five-Year Financial Plan

An estimation of revenues and expenses of the City's operations for the next five-year period.

Fixed Assets

Includes equipment, vehicles, furniture and fixtures, and computer hardware and software with a cost basis in excess of \$5,000.

Full-Time Equivalent

A calculation used to convert part-time hours to equivalent full-time positions. Full-time employee salaries are based on 2,080 hours per year. The full-time equivalent of a part-time employee is calculated by dividing the number of hours budgeted by 2,080.

Fund

A fiscal and accounting entity with a self-balancing set of accounts. Records cash and other financial resources together with all related liabilities and residual equities, or balances and changes therein. These are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Balance

The balance of net financial resources that is spendable or available for appropriation.

General Fund

This is the primary operating fund of the Agency. It exists to account for the resources devoted to finance the services traditionally associated with local government.

Goal

The result or achievement toward which effort is directed; aim; end.

Grant

A contribution that is made by one government unit to another. The contribution is usually made to aid in the support of a specified function (i.e., library, transit, or capital projects).

GLOSSARY

Infrastructure

Public domain fixed assets such as roads, bridges, streets, sidewalks, and similar assets that are immovable.

Intergovernmental Revenues

Levied by one government, but shared on a predetermined basis with another government or class of governments.

Levy

Gross amount of property taxes imposed on taxable property. The net amount received by a government will be less than the gross levy as a result of delinquent or uncollectible payments or early payment discounts. Budgets are developed on the basis of the projected amount of property taxes receivable.

Line Item Budget

The traditional form of budget, where proposed appropriations are based on individual objects of expense within a department or program. Local Budget Law Oregon Revised Statutes (ORS) dictates local budgeting practices. ORS Chapter 294 contains Local Budget Law provisions.

Local Improvement District

Consists of property owners desiring improvements to their property. Bonds are issued to finance these improvements, which are repaid by assessments on their property. Local Improvement District debt is paid for by a compulsory levy (special assessment) made against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

Local Option Levy

Under Measure 50, local governments and special districts were given the ability to ask voters for temporary authority to increase taxes through approval of a local option levy. The maximum length of time for a local option levy is 5 years, and up to 10 years, if the levy is for capital purposes. A local option levy must be approved by a majority of voters at a general election or an election with a 50 percent voter turnout.

Materials and Services

Expendable items purchased for delivery and Agency services. This classification includes supplies, repair and replacement parts, small tools, and maintenance and repair materials that are not of a capital nature.

Measure 5

In November 1990, State of Oregon voters passed a constitutional limit on property taxes. The law sets a maximum \$10 tax rate on individual properties for the aggregate of all non-education taxing jurisdictions. The maximum tax rate for education jurisdictions is limited to \$5.

Measure 50

A 1997 voter approved initiative which rolled back assessed values to 90 percent of their levels in fiscal year 1995-96 and limits future annual increases to three percent, except for major improvements. Tax rates are now fixed and not subject to change. Voters may approve local initiatives above the fixed rates provided a majority approves at either (1) a general election in an even numbered year; or (2) at any other election in which at least 50 percent of registered voters cast a ballot.

Mission

Defines the primary purpose of the Agency and is intended to guide all organizational decisions, policies and activities (internal and external) on a daily basis.

GLOSSARY

Non-Operating Budget

Part of the budget composed of the following items: reserves, contingencies, capital projects, and debt service payments.

Objective

A target to be accomplished in specific, well defined and measurable terms, and that is achievable within a specific time frame.

Operating Budget

The plan for current expenditures and the proposed means of financing them. The annual operating budget is the primary means by which most of the financing, acquisition, spending, and service delivery activities of a government are controlled.

Operating Revenue

Funding received by the government as income to pay for ongoing operations. It includes such items as taxes, fees from specific services, interest earnings, and grant revenues. Operating revenues are used to pay for day-to-day services, capital outlay, and debt service.

Ordinance

A formal legislative decree enacted by the governing body of a municipality. If it is not in conflict with any higher form of law, such as a state statute or a constitutional provision, it has the full force and effect of the law within the boundaries of the municipality to which it applies.

Outstanding Debt

The balance due at any given time which resulted from the borrowing of money or from the purchase of goods and services.

Performance Measure

Data collected to determine how effective or efficient a program is in achieving its objectives.

Permanent Tax Rate

Under Measure 50, each school district, local government, and special district was assigned a permanent tax rate limit in fiscal year 1998. This permanent rate applies to property taxes for operations.

Personnel Services

The salaries and wages paid to employees, in addition to the City's contribution for fringe benefits such as retirement, social security, and health and workers' compensation insurance.

Property Tax

Based according to assessed value of property and is used as the source of monies to pay general obligation debt and to support the services provided by the City.

Project Manager

An individual that is responsible for budgeting and managing projects to their completion.

Proposed Budget

A financial document that combines operating, non-operating and resource estimates prepared by the Budget Officer, which is submitted to the public, Budget Committee, and Board of Directors for review and approval.

Resolution

A special or temporary order of a legislative body requiring Board of Director action.

GLOSSARY

Resources

Includes revenue, inter-fund transfers, borrowing proceeds, and beginning fund balance.

Revenue

Funds received by the Agency from either tax or non-tax sources.

Revenue Bonds

Bonds payable from a specific source of revenue, which does not pledge the taxing authority of the issuer. Pledged revenues may be derived from operation of the financed project, grants, excise, or other specified non-property tax.

Special Assessment

A compulsory levy made against certain properties to defray a part of the cost of a capital improvement or service deemed to be beneficial primarily to those properties. (Also see Local Improvement District.)

Special Assessment Bond

A bond issue payable from the payments on special assessments imposed against properties that have been specially benefited by the construction of public improvements such as sidewalks, roads, or sewer systems.

Special Revenue Funds

A fund established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Supplemental Budget

Appropriations established to meet needs not anticipated at the time the budget was originally adopted. A supplemental budget cannot increase the tax levy.

System Development Charges

Charges paid by developers and builders to fund expansion of infrastructure systems necessary due to increased usage. Such charges are collected for water, sewer, storm drains, streets, and parks and are paid by developers and builders as part of the permit process.

Taxes

Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those paying such charges, such as water service.

Tax Levy

The total amount of property taxes needed to pay for General Fund operations and for principal and interest on bonds.

Tax Rate

The amount of tax levied for each \$1,000 of assessed valuation.

Tax Revenue

Includes property taxes, hotel, and transient/motel/hotel room tax.

Tax Roll

The official list showing the amount of taxes levied against each property.

GLOSSARY

Transfers

Appropriation category used in the Agency's budget, which includes amounts distributed from one fund to pay for services provided by another fund. The general fund may also transfer funds to any other fund if desired by the Board of Directors.

Trust Funds

A fund established to administer resources received and held by the Agency as the trustee or agent for others. Uses of these funds facilitate the discharge of responsibility placed upon the Agency by virtue of law or other similar authority.

Unappropriated Ending Fund Balance

An account which records a portion of the fund balance. It must be segregated for future use and is not available for current appropriation or expenditure.

Unreserved Fund Balance

The portion of a fund's balance that is not restricted for a specific purpose. It is available for general appropriation.

User Fees

The fee charged for services to the party or parties who directly benefits. They are also referred to as Charges for Service.

FLORENCE URBAN RENEWAL AGENCY
(A Component Unit of the City of Florence, Oregon)

Annual Financial Report

Year Ended June 30, 2018

FLORENCE URBAN RENEWAL AGENCY

Fiscal Year Ended June 30, 2018

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Introductory Section: | |
| Board of Directors | i |
| Financial Section: | |
| Independent Auditor's Report | 1 - 2 |
| Management's Discussion and Analysis | 3 - 5 |
| Basic Financial Statements: | |
| Governmental Funds Balance Sheet / Statement of Net Position | 6 |
| Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities | 7 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund | 8 |
| Notes to Financial Statements | 9 - 12 |
| Other Supplemental Information: | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund | 13 |
| Compliance Section: | |
| Independent Auditor's Report Required by Oregon State Regulations | 14 - 15 |

INTRODUCTORY SECTION

FLORENCE URBAN RENEWAL AGENCY
(A Component Unit of the City of Florence, Oregon)

June 30, 2018

BOARD OF DIRECTORS

| | <u>Term Expires December 31,</u> |
|---|----------------------------------|
| Joshua Greene, Chair, City of Florence Council Member | 2020 |
| John Scott, Vice-Chair | 2020 |
| Joe Henry, City of Florence Mayor | 2020 |
| Ron Priesler, City of Florence Council Member | 2020 |
| Ron Caputo | 2020 |
| Mike Webb | 2019 |
| Patricia Riley | 2020 |
| William Meyer | 2022 |
| Dave Braley | 2019 |

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florence Urban Renewal Agency
Florence, Oregon

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

We have audited the accompanying financial statements of the governmental activities and each major fund of the Florence Urban Renewal Agency (the Agency), a component unit of the City of Florence, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund as of June 30, 2018, the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and other supplemental information are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated on April 17, 2019 our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Isler CPA



by Paul Nielson, CPA, a member of the firm
Eugene, Oregon
April 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS FLORENCE URBAN RENEWAL AGENCY

Fiscal Year Ended June 30, 2018

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the Florence Urban Renewal Agency (the Agency) for the fiscal year ended June 30, 2018. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The Agency's assets totaled \$479,266 at June 30, 2018, and consisted mainly of cash and cash equivalents of \$454,432.
- The Agency's liabilities totaled \$4.05 million at June 30, 2018, consisting mainly of long-term debt of \$3.99 million
- Net position (assets minus liabilities) is a negative \$3.57 million at June 30, 2018.
- The deficit increased by \$1.61 million to fund Agency projects.
- As of the end of the current fiscal year, the Agency's two funds reported a combined fund balance of \$416,718 a decrease of \$821,363
- Revenues for the fiscal year ended June 30, 2018, totaled \$445,572 and consisted mainly of property taxes of \$427,055.

FINANCIAL STATEMENTS

The Agency's basic financial statements are presented using the integrated approach as prescribed by GASB Statement No. 34. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

The Agency has combined the government-wide and fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

The basic financial statements present financial information about the Agency as a whole and about its activities. Following the basic financial statements are the budgetary comparison schedule for the debt service fund and the report by the independent certified public accountants, as required by statute.

Government-wide Financial Statements

The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities and are designed to present the financial information of the Agency in a manner similar to a private-sector business (i.e. from the economic resources measurement focus using the accrual basis of accounting).

The Statement of Net Position includes all assets of the Agency (including capital assets, if any) as well as all liabilities (including long-term debt). Net position is the difference between assets and liabilities, which is one way to measure the Agency's financial health, or financial position.

However, the Agency, as required by Oregon Revised Statutes, is required to borrow funds to complete its plan program and activities, and due to its organization structure does not retain ownership of capital assets, instead deeding them to other governments, including the City of Florence. Lastly, the Agency's plan includes a "maximum indebtedness" amount that it cannot exceed to complete its projects and programs. These factors result in the Agency's negative net position, which is anticipated to continue to increase as the Agency borrows additional funds, within the Agency's capacity to repay debt with property taxes that increase due to the increased property value within the Agency's boundary.

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Fund Financial Statements

Funds are used to segregate resources for specific activities or objectives. The Agency has two governmental funds: the General Fund and the Debt Service Fund.

The Governmental Funds' statements emphasize available financial resources rather than net income. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets and liabilities are included in the notes that should be read in conjunction with the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statements of Net Position

The Agency's liabilities exceeded assets by \$3.57 million at June 30, 2018. The largest portions of its net position are debt payable and cash equivalents. A condensed version of the Statement of Net Position follows:

| Amounts in thousands | <u>2018</u> | <u>2017</u> |
|-----------------------------|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 454 | \$ 1,299 |
| Property taxes receivable | <u>25</u> | <u>38</u> |
| Total assets | <u>479</u> | <u>1,337</u> |
| Liabilities | | |
| Note payable | 3,987 | 3,227 |
| Other liabilities | <u>64</u> | <u>73</u> |
| Total liabilities | <u>4,051</u> | <u>3,300</u> |
| Net Position | | |
| Restricted for debt service | 280 | 281 |
| Unrestricted | <u>(3,852)</u> | <u>(2,244)</u> |
| Total net position | <u>\$ (3,572)</u> | <u>\$ (1,963)</u> |

At the end of the current fiscal year, the Agency reports a negative balance in unrestricted net position of (3.57. million). Net position decreased by \$1.61 million as the Agency borrowed additional dollars and completed project design for the ReVision Florence project. Long-term debt increased by \$760,000 as the Agency completed its draw down of its credit facility with the City and borrowed an additional \$500,000 on an interim basis from the City pending a long-term debt issue in fiscal year 2019.. The Agency made its scheduled debt payments to the City.

The note payable to the City is a long-term obligation, which will be paid with property taxes received in the future.

Statements of Activities

The Agency's Statements of Activities for fiscal year ended June 30, 2018 and June 30, 2017, follows:

| Amounts in thousands | <u>2018</u> | <u>2017</u> |
|-------------------------------------|-------------------|-------------------|
| Revenues | | |
| General Revenues: | | |
| Property taxes | \$ 427 | \$ 377 |
| Miscellaneous | <u>18</u> | <u>1</u> |
| | 445 | 378 |
| Expenses | | |
| Economic development | 1,933 | 697 |
| Interest expense | <u>121</u> | <u>62</u> |
| Total expenses | <u>2,054</u> | <u>759</u> |
| Increase (decrease) in net position | (1,609) | (381) |
| Net position, beginning of the year | <u>(1,963)</u> | <u>(1,582)</u> |
| Net position, end of the year | <u>\$ (3,572)</u> | <u>\$ (1,963)</u> |

The Agency's primary source of revenue to repay debt obligations is property taxes. The Agency's economic development program is funded with debt proceeds. The cost of the Agency's economic development activities totaled \$1.93 million for the year, an increase of \$1.24 million over the prior fiscal year.

Financial Analysis of the Government's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$416,718 a decrease of \$821,363. The reduction is consistent with the budget.

The General Fund is the chief operating fund of the Agency. At the end of the current fiscal year, the fund balance of the General Fund was \$137,144, a decrease of \$819,632 during the current fiscal year. The Debt Service Fund realized a reduction in fund balance of \$1,731 during the year, with an ending fund balance of \$279,574.

DEBT ADMINISTRATION

As of June 30, 2018 the Agency had a long-term debt balance of \$3.99 million an increase of \$760,148 from 2017. This debt balance includes a \$500,000 interim loan payable to the City of Florence and a \$3.49 million long-term note payable to the City of Florence.

For more detailed information on the Agency's long-term debt, refer to accompanying notes to the financial statements.

ECONOMIC FACTORS

The Agency continues to be an important partner in economic development within the City of Florence, providing necessary infrastructure improvements and other gap funding to support continued economic expansion within the Agency's boundaries. As property values within the boundaries increase property tax revenue increases as well, which results in additional debt capacity for the Agency to secure additional fund to complete more projects. Property taxes are used to pay debt service on loans issued to fund projects and improvements.

Agency expenditures are targeted to address in the Florence Downtown Preservation and Renewal Plan adopted on August 14, 2006. The mission of the Agency is to preserve and revitalize the Downtown Area as the primary cultural, tourist, commercial and community core to serve all of Florence regions citizens and visitors by encouraging continuing growth, development and enhancement consistent with Florence's small-town ambiance and character.

BUDGET

In preparing the budget for the 2017-19 biennium, the Agency's first biennial budget, City management presented two-year spending in addition to a six year financial plan for consideration and approval by the Agency's Budget Committee and Agency Board of Directors. The budget included updated assumptions for inflation and adjustments to property tax projections for the two-year period. Additionally, updated project costs for the Revision Florence project, secured funding and debt necessary to complete projects were included.

The local economy shows signs of recovery, with additional real estate development, and increased tourism. Increases to property valuation continue to lag expectations on a City-wide basis, with valuations in the urban renewal area showing a different and encouraging trend. Revenue forecasts have been adjusted accordingly.

Annual inflation is projected to remain in the 1.5 percent to 3.0 percent range, while local population growth is projected to remain below 1.0 percent annually. Development activity is projected to trend upward with the potential for several projects to seek development approval during the next two year period.

Financial Contact

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Department at info@ci.florence.or.us.

BASIC FINANCIAL STATEMENTS

FLORENCE URBAN RENEWAL AGENCY

Governmental Funds Balance Sheet / Statement of Net Position

June 30, 2018

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|--|---------------------|--------------------------|-------------------|-----------------------|----------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 175,505 | \$ 278,927 | \$ 454,432 | \$ - | \$ 454,432 |
| Property taxes receivable | - | 24,834 | 24,834 | - | 24,834 |
| Total assets | <u>\$ 175,505</u> | <u>\$ 303,761</u> | <u>\$ 479,266</u> | <u>-</u> | <u>\$ 479,266</u> |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ 38,361 | \$ - | \$ 38,361 | \$ - | \$ 38,361 |
| Accrued interest payable | - | - | - | 25,458 | 25,458 |
| Long-term debt: | | | | | |
| Due within one year | - | - | - | 160,059 | 160,059 |
| Due in more than one year | - | - | - | 3,827,381 | 3,827,381 |
| Total liabilities | <u>38,361</u> | <u>-</u> | <u>38,361</u> | <u>4,012,898</u> | <u>4,051,259</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property taxes | - | 24,187 | 24,187 | (24,187) | - |
| FUND BALANCES / NET POSITION | | | | | |
| Fund balances: | | | | | |
| Restricted for debt service | - | 279,574 | 279,574 | (279,574) | |
| Unassigned | 137,144 | - | 137,144 | (137,144) | |
| Total fund balances | <u>137,144</u> | <u>279,574</u> | <u>416,718</u> | <u>(416,718)</u> | |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 175,505</u> | <u>\$ 303,761</u> | <u>\$ 479,266</u> | | |
| Net position: | | | | | |
| Restricted for debt service | | | | 279,574 | 279,574 |
| Unrestricted | | | | (3,851,567) | (3,851,567) |
| Total net position | | | | <u>\$ (3,571,993)</u> | <u>\$ (3,571,993)</u> |

Adjustment to unavailable revenue is because the focus of governmental funds is on short-term financing. Some assets, such as receivables, will not be available to pay for current-period expenditures. Receivables are offset by unavailable revenue in the governmental funds, and thus are not included in the fund balance. Receivables are not offset in the Statement of Net Position

Adjustment to accrued interest payable and long-term debt are due to long-term liabilities applicable to the Agency's governmental activities that are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

FLORENCE URBAN RENEWAL AGENCY

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance
/ Statement of Activities

For the Year Ended June 30, 2018

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|---------------------|------------------------------|-------------------|-----------------------|------------------------------------|
| GENERAL REVENUES | | | | | |
| Property taxes | \$ - | \$ 439,591 | \$ 439,591 | \$ (12,536) | \$ 427,055 |
| Interest earnings | <u>13,609</u> | <u>4,908</u> | <u>18,517</u> | <u>-</u> | <u>18,517</u> |
| Total revenues | <u>13,609</u> | <u>444,499</u> | <u>458,108</u> | <u>(12,536)</u> | <u>445,572</u> |
| URBAN RENEWAL EXPENDITURES/ EXPENSES | | | | | |
| Economic development | 1,933,253 | - | 1,933,253 | - | 1,933,253 |
| Debt service: | | | | | |
| Principal payments | - | 339,864 | 339,864 | (339,864) | - |
| Interest expense | <u>-</u> | <u>106,366</u> | <u>106,366</u> | <u>14,906</u> | <u>121,272</u> |
| Total expenditures/expenses | <u>1,933,253</u> | <u>446,230</u> | <u>2,379,483</u> | <u>(324,958)</u> | <u>2,054,525</u> |
| Excess (deficiency) of revenues over (under) expenditures / expenses | (1,919,644) | (1,731) | (1,921,375) | 312,422 | (1,608,953) |
| OTHER FINANCING SOURCES/(USES) | | | | | |
| Loan proceeds | <u>1,100,012</u> | <u>-</u> | <u>1,100,012</u> | <u>(1,100,012)</u> | <u>-</u> |
| Change in fund balance/net position | (819,632) | (1,731) | (821,363) | (787,590) | (1,608,953) |
| Fund balance / net position: | | | | | |
| Beginning of year | <u>956,776</u> | <u>281,305</u> | <u>1,238,081</u> | <u>(3,201,121)</u> | <u>(1,963,040)</u> |
| End of year | <u>\$ 137,144</u> | <u>\$ 279,574</u> | <u>\$ 416,718</u> | <u>\$ (3,988,711)</u> | <u>\$ (3,571,993)</u> |

Adjustment to property tax revenue for the change in unavailable revenues reported on the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund.

Adjustment to interest expense and debt service principal payments is due to long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Adjustment to loan proceeds is because the focus of governmental funds is on short-term financing, an increase in outstanding debt is recognized as an inflow of resources as it is available to pay for current-period expenditures. Additions to long-term debt are not included on the Statement of Activities; they are recognized in the long-term debt balance on the Statement of Net Position.

FLORENCE URBAN RENEWAL AGENCY

GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2018

| | <u>Budget</u> | | <u>First Year Actual</u> | <u>Variance with Budget</u> |
|--|------------------|------------------|------------------------------|---------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ 3,000,000 | \$ 3,000,000 | \$ - | \$ (3,000,000) |
| Earnings and contributions | <u>1,000</u> | <u>1,000</u> | <u>13,609</u> | <u>12,609</u> |
| Total revenues | <u>3,001,000</u> | <u>3,001,000</u> | <u>13,609</u> | <u>(2,987,391)</u> |
| Expenditures: | | | | |
| Materials and services | 430,200 | 430,200 | 208,755 | 221,445 |
| Capital outlay | 7,230,000 | 7,230,000 | 1,724,498 | 5,505,502 |
| Contingency | <u>156,284</u> | <u>156,284</u> | <u>-</u> | <u>156,284</u> |
| Total expenditures | <u>7,816,484</u> | <u>7,816,484</u> | <u>1,933,253</u> | <u>5,883,231</u> |
| Excess (deficiency) of revenues over (under) expenditures | (4,815,484) | (4,815,484) | (1,919,644) | 2,895,840 |
| Other financing sources: | | | | |
| Loan proceeds | <u>3,900,000</u> | <u>3,900,000</u> | <u>1,100,012</u> | <u>(2,799,988)</u> |
| Net change in fund balance | (915,484) | (915,484) | (819,632) | 95,852 |
| Fund balance: | | | | |
| Beginning of year | <u>915,484</u> | <u>915,484</u> | <u>956,776</u> | <u>41,292</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 137,144</u> | <u>\$ 137,144</u> |

See accompanying notes to financial statements.

FLORENCE URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2018

Note I - Summary of significant accounting policies

A. Organization

Florence Urban Renewal Agency (the Agency) was organized in 2006 under the provisions of ORS Chapter 457 as the urban renewal agency in the City of Florence, Oregon ("City"), responsible for implementing various public improvement programs as identified in the City Center Revitalization Plan. The Agency's Board of Directors is appointed by the City of Florence City Council.

The "tax increment financing" method is being used to provide funds for the Agency. Under this method, a base year value within the urban renewal area is established (2007, in this case). Any increase in the assessed value over that base year cannot be used by the assessor to compute tax rates for local taxing bodies. The assessor computes the tax rate on the base year value of the area, then applies that rate to the increase in assessed value. The tax on the increased value can be used by the Agency only to pay indebtedness incurred to finance the urban renewal projects.

The Agency's financial statements include all activities and organizations with which the Agency exercises authoritative appointment of governing authority or where financial dependency on the Agency exists. The Agency has no potential component units but, as determined under generally accepted accounting principles, is considered to be a component unit of the City, and, as such, is included in the basic financial statements of the City for the year ended June 30, 2018, copies of which can be obtained from the Finance Department of the City of Florence.

B. Measurement focus, basis of accounting, and financial presentation

The Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances display information about the Agency, including all of its financial activities. The Agency's activities are financed primarily through property taxes.

The basic financial statements listed in the table of contents provide information about the Agency's funds. These funds account for the general administration of the Agency's urban renewal areas and for the acquisition and rehabilitation of property within the designated urban renewal areas. The financial statements are initially (left-most columns) reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property tax and assessments receivable are recognized at the time property owners are assessed for property improvements. Property tax and assessments receivable expected to be collected within sixty days following the year end are considered measurable and available and are recognized as revenue. All other revenue items are considered to measurable and available only when cash is received by the Agency.

The government reports the following major governmental funds:

- The *General Fund* is the Agency's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in the debt service fund.
- The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

On the same basic financial statements as listed in the table of contents, the balances are reported (right-most columns) using the *economic resources measurement focus* and the *accrual basis of accounting* using an "adjustments" column. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Agency receives value without giving equal value in exchange, include property taxes. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year in which the taxes are levied.

As a general rule, the effect of interfund activity has been eliminated from the basic financial statements.

FLORENCE URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2018

Note I - Summary of significant accounting policies (continued)

C. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from those estimates.

D. Assets, liabilities, deferred inflows of resources, and net position or fund balance

1. Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Property taxes receivable

Real and personal property taxes are assessed and become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding are considered delinquent on May 16. Management has determined that an allowance for uncollectible accounts is not required for property taxes.

3. Capital assets

The Agency does not have any capital assets. Once a capital project is completed it is transferred to the City.

4. Fund balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The fund balance classifications are:

Nonspendable - resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for sale.

Restricted - constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - the Board passes an ordinance that places specific constraints on how the resources may be used. The Board can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned - resources that are constrained by the Agency's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the board approves which resources should be "reserved" during the adoption of the annual budget.

Unassigned - resources that have not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, followed by committed, assigned, and unassigned fund balance.

FLORENCE URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2018

Note I - Summary of significant accounting policies (continued)

E. Budget

The Agency implemented biannual budgeting effective July 1, 2017 for the biennium ending June 30, 2019. Appropriations are for the biannual period. Appropriations reported in the supplemental budget schedules report the amount for the biennial period. Appropriations lapse at the end of the biennial period.

A budget is prepared in the early winter preceding the fiscal year the budget will be used. The Agency is required to budget for all funds. The budget committee, with public input, deliberates and approves the budget for transmittal to the Board of Directors in early spring. After public notices and a hearing, the final budget is adopted, appropriations made, and a tax levy declared no later than June 30.

The Board of Directors resolution adopting the budget and authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriation. Appropriations lapse as of year-end.

Expenditures cannot legally exceed appropriations except in the case of grants which could not be estimated at the time of budget adoption. Supplemental appropriations and appropriation transfers may occur with notice and Board of Directors action.

Note II - Detailed notes on all funds

A. Cash and cash equivalents

Custodial Credit Risk. This is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a formal policy for custodial credit risk, but follows the requirements of ORS 295. The Agency's cash is covered by federal depository insurance and by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. At June 30, 2018, the Agency's deposits were insured by federal depository insurance or collateralized under the PFCP.

FLORENCE URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2018

Note III - Detailed notes on all funds (continued)

B. Long-term Debt

In August 2015 the Agency received a loan from the City of Florence.. The loan is payable in annual installments with a variable interest rate of 3.25% to 7.25%, maturing on September 1, 2035. Loan activity and balances for the year ended June 30, 2018 was as follows:

| | <u>Beginning of year</u> | <u>Additions</u> | <u>Payments</u> | <u>End of year</u> | <u>Current portion</u> |
|-----------------------|------------------------------|---------------------|---------------------|---------------------|------------------------|
| City of Florence Loan | <u>\$ 3,227,292</u> | <u>\$ 1,100,012</u> | <u>\$ (339,864)</u> | <u>\$ 3,987,440</u> | <u>\$ 160,059</u> |

Annual debt service requirements to maturity for the City of Florence Loan at year end are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|---------------------|---------------------|
| 2019 | \$ 160,059 | \$ 100,673 |
| 2020 | 164,767 | 95,964 |
| 2021 | 169,614 | 91,119 |
| 2022 | 174,603 | 86,130 |
| 2023 | 179,738 | 80,995 |
| 2024 - 2028 | 916,151 | 387,512 |
| 2029 - 2033 | 929,082 | 374,581 |
| 2034 - 2037 | <u>1,293,426</u> | <u>119,139</u> |
| Total | <u>\$ 3,987,440</u> | <u>\$ 1,336,113</u> |

The loan covenant for FURA's debt to the City includes a requirement for FURA to levy property taxes sufficient to provide debt coverage of no less than 1.25. In addition to paying scheduled debt service subject to the loan covenant, during fiscal year 2018, FURA used existing resources in its Debt Services Fund to pay an overnight loan of \$200,000 made by the City to FURA. Excluding this one-time payment, FURA's debt service subject to the debt covenant is \$246,230. FURA levied the maximum levy amount allowed, which resulted in a levy of \$455,226. FURA received property tax revenue of \$439,591, which provides a debt coverage ratio of 1.79.

Note III- Other information

A. Risk management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

SUPPLEMENTAL INFORMATION

FLORENCE URBAN RENEWAL AGENCY
DEBT SERVICE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018

| | <u>Original</u> | <u>Final</u> | <u>First Year Actual</u> | <u>Variance with Budget</u> |
|----------------------------|------------------|------------------|------------------------------|---------------------------------|
| Revenues: | | | | |
| Property taxes | \$ 815,400 | \$ 815,400 | \$ 439,591 | \$ (375,809) |
| Earnings and contributions | <u>9,000</u> | <u>9,000</u> | <u>4,908</u> | <u>(4,092)</u> |
| Total revenues | <u>824,400</u> | <u>824,400</u> | <u>444,499</u> | <u>(379,901)</u> |
| Expenditures: | | | | |
| Debt service | 1,217,200 | 1,217,200 | 446,230 | 770,970 |
| Contingency | <u>387,390</u> | <u>387,390</u> | <u>-</u> | <u>387,390</u> |
| Total expenditures | <u>1,604,590</u> | <u>1,604,590</u> | <u>446,230</u> | <u>1,158,360</u> |
| Net change in fund balance | (780,190) | (780,190) | (1,731) | 778,459 |
| Fund Balance: | | | | |
| Beginning of year | <u>780,190</u> | <u>780,190</u> | <u>281,305</u> | <u>(498,885)</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 279,574</u> | <u>\$ 279,574</u> |

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To the Board of Directors
Florence Urban Renewal Agency
Florence, Oregon

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

We have audited the basic financial statements of Florence Urban Renewal Agency (the "Agency"), as of and for the year ended June 30, 2018, and have issued our report thereon dated April 17, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Auditors of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment**
- **Budgets legally required (ORS Chapter 294)**
- **Insurance and fidelity bonds in force or required by law**
- **Programs funded from outside sources**
- **Authorized investment of surplus funds (ORS Chapter 294)**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**

In connection with our testing nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of the Agency and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive, flowing style.

By, Paul Nielson member of the firm
Eugene, Oregon
April 17, 2019