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Deschutes County Board of Commissioners
1300 NW Wall St., Bend, OR 97701-1960
(541) 388-6570 - Fax (541) 385-3202 - www.deschutes.org

MINUTES OF BUDGET MEETING

BUDGET PROPOSAL OVERVIEW, COVA & EDCO, DISCRETIONARY & VIDEO LOTTERY FUNDS

TUESDAY, MAY 31, 2016

Allen Room, Deschutes Services Building

Present were Commissioners Anthony DeBone, Alan Unger and Tammy Baney. Also present were Tom Anderson, County Administrator; Erik Kropp, Deputy County Administrator; Mike Maier, Jimm Burton and Bruce Barrett, citizen members of the Budget Committee; Wayne Lowry and Loni Burk, Finance; and, for a portion of the meeting, Judith Ure, Administration; Roger Lee, EDCO; Alana Hughson, Tom O'Shay and Scott Huntsman, COVA; Dan Despotopulos, Fair 7 Expo Center; Danielle Fegley and Kathleen Hinman, Human Resources and David Givans, Internal Auditor. No representatives of the media were in attendance.

Meeting minutes were taken by Bonnie Baker.

The topic of discussion was the Deschutes County Budget Proposal, followed by presentations from Economic Development for Central Oregon and the Central Oregon Visitors Association.

Chair Bruce Barrett opened the meeting at 11:00 a.m.

Tom Anderson presented gifts to the Budget Committee members – a Centennial pin for Deschutes County and tickets to the Bend Elks' game this Saturday (where the Commissioners will throw out the first pitch).

Mr. Anderson explained the budget is in good shape and things are stable, although there are some issues to consider. Employee numbers are at about 950 including 911. PERS is an issue but the property tax base has expanded, building in the County is increasing but health services are in flux. Service delivery models continue to morph for public health and mental health. The 911 levy passage was very beneficial, putting that department on solid footing.

There are some new concepts to discuss, although the crisis center/sober station might not be there yet. Jane Smilie and Shane Nelson will talk about this but it may not be ready for a decision. The Fairgrounds is subject to long-term visioning which may include a regional sports center.

Goals and objectives were discussed at the Board's annual retreat. The wording changed a little for the goals, with more changes on the objectives. The departments come up with their own set of deliverables based on the objectives, and then indicate what they need to do this.

Chair Unger stated that they try to be consistent with the goals, with changes being incremental for the most part. They want to include all departments in the work of achieving measurable goals. Mr. Barrett asked how they would deal with a big change. Chair Unger stated that they have not had to deal with major swings. Mr. Anderson said that one big issue has been marijuana, requiring adjustments and potentially new services.

Commissioner Baney stated they hear reoccurring requests to do more with transit, and they want to be supportive but for the most part this is not their undertaking.

Commissioner DeBone said he wants to look at things from a high level, and how the County fits in and whether the County has to provide guidance.

Mr. Barrett stated that he likes to work changes and challenges into things in a gentle way. They need to know that they have some control and not be guided by others. Chair Unger noted that things are mostly consistent but they have to adjust to external forces. Commissioner Baney added that some people want the County to have more of a role in housing, transit and the environment, but this may be outside of the County's role. It has evolved over time and she is comfortable where it is today. They also ask the department heads if something is of importance in their scope of work. It is a collaborative effort.

Mr. Anderson said that he has been a department head and now administrator, and feels that the department heads are allowed to use their experience and talents to build into their deliverables things that they feel are important. This year they encouraged departments to think beyond the usual goals and objectives. They may have supporting roles for each other and to other agencies and issues.

Wayne Lowry stated that the budget format used scores really high by reviewers. They take the governing body's goal and then the departments' work is tied in. This is not seen often.

Mike Maier asked about safe communities, and how to measure this through the District Attorney's work. There is nothing to compare against. The rest have a goal to reach. Mr. Anderson stated that what comes into play is that they have asked for more resources, which will be discussed. He asked David Givans to gather more information so they can evaluate these requests to what is done elsewhere. Mr. Hummel did try to do this and found out that most counties did not want to encourage this comparison, per the District Attorneys' Association. Therefore, it is challenging to establish benchmarks. It is a good area to discuss with Mr. Hummel. Mr. Maier would like to know how the lack of personnel affects the work that the department is trying to do. It is hard to know how successful they are or how a personnel change might improve things. The document from Mr. Givans is helpful and may help with measuring performance.

Mr. Lowry referred to a schedule from today with two pages attached. He spoke about working capital or ending fund balance, which has not changed. Those that are tax supported need to have four months of property tax collections in reserve. If not tax supported, they need one month. There are six funds that do not meet those criteria but those can be waived based on the total. It is all held in General Fund.

911's fund is going to build up. Sunriver and Black Butte Ranch are not scrutinized for this. A cost of living increase range is reflected, based on the CPI factor; most will be 1.5%. AFSCME bargained 2% previously.

Health insurance costs to departments will be addressed, but they are using a 5% increase; it was 4% last year. They are being as consistent as possible. The employee contribution has not changed. Mr. Maier asked why it has not increased.

Erik Kropp said they are overhauling the process and are having a salary study done. The \$90 a month is not a cap. Mr. Maier stated that he would rather see small increases to employees rather than a big jump all at once.

Mr. Lowry said there is a 5.5% increase in property values, which affects all the districts as well. Under General Fund (page 85), a two–page schedule was added. The fund transfers to other funds while some are embedded. The tax rate for GF is \$1.28 per thousand. It had been raised to put into a facilities fund to cover major capital improvements. It is based on about 80% property taxes. They should be ahead when the new year starts in July.

Page 53 shows transfers between funds. The proposed budget is about \$18 million in transfers. The biggest change is \$2 million into the PERS reserve fund.

Mr. Maier asked if they are transferring other funds into the PERS reserve. Mr. Lowry stated that they are trying to build up the fund, and in another year or two, the rates will go up. The \$10.5 now in the fund all came from departments. This is the first time they are enhancing PERS with General Fund. The departments will have to pay in more in 2017.

Mr. Anderson said that the idea is to provide some flexibility in future years while the departments put in funds to replace the General Fund transfer. They hope to lessen the impact and spread it out over time. Mr. Maier stated that the Sheriff's Office is getting more dollars, as are a few other departments. Mr. Anderson said they are doing this as well, with more going in than is necessarily needed at this time. The departments are contributing more.

Mr. Lowry stated that some funds have gone down, such as Justice Court and long-range planning for CDD, and a few others. The new HR/Finance software program required funds from General Fund and over time, this will be paid back by departments, over a seven-year period.

General capital reserve has also been balanced in this way, by \$3 million. The intent is to cover big facilities project. Mr. Anderson stated that they are building in funding for a comprehensive study of all the County's facilities, including the Courthouse expansion.

Mr. Lowry stated that the General Fund has increased transfers for health and mental health. This is not internal services fees but an increase in personnel costs and facilities improvements.

Chair Unger asked about there being a formula for this. Mr. Lowry replied that there isn't, but they responded to a request. The General Fund should not have to pick up anything more than roll-up costs.

Regarding debt service, section 9, Mr. Lowry mentioned that there is only one general obligation bond active, for the Fairgrounds. The final payment will be in 2017. That is about 12 cents per thousand on the tax bills. There is also a listing for capital improvements, which they are trying to make more detailed and complete. In particular, they want to know about capital projects and big equipment purchases. It was established last year and embellished more this year.

The history of PERS rates is shown in the budget message. PERS is going to be a challenge for the County, but Deschutes county is better situated than any other government entity he knows. He does not know if this will be enough in the long run.

There is now a road capital improvement fund separate from operations. Equipment is under operations in a separate fund. PILT and SRS are federal sources of funding for roads. This has been authorized and budgeted for one more year as the future is usually uncertain. SRS has not been reauthorized so there are no new funds budgeted from this.

Room taxes include two funds: one for the normal amount and one for the newest part that helps the Fairgrounds. Fair and Expo Center gets 70% of the new 1% for marketing. They don't get the money up front but are reimbursed as funds are spent on campaigns. They are asking for a new marketing system, which would be covered by this. They also have a couple of capital items to improve the facilities, but they have to show that this will result in additional revenue. Mr. Andiron stated that this is the long-term visioning previously discussed with the Fair Board. It could include going after a different type of market, such as conventions. All the stakeholder groups would be touched in some way and need to decide what the future has in store. They want to expand the client base.

Mr. Lowry stated that Solid Waste reserves are an issue. There are many things to consider for the future of the landfill. They continue to put about \$1.4 million into reserves to cover the various obligations.

Mr. Maier asked when the landfill might be closed. Mr. Anderson replied 2027 or 2028, but it keeps changing along with technology and increased population. At some point they have to consider a new landfill, whether or not this is addressed in some other way in the future.

Mr. Anderson referred to a handout listing significant issues. Jane Smilie is leaving Health Services for personal reasons, and recruitment is occurring.

Organizationally, this year they have put into place more organizational structure. Some are occurring in public health, and there is an administrative division with a separate deputy to oversee personnel, budgeting and quality control, especially for mandated services. Part of the idea is to free up the department director to focus more on external issues and changes at the state and federal levels. This new structure will allow for more focused work by upper management.

Health has done a whole lot of work to isolate cost centers, and took this to a higher level for the next budget. Funding for Health is very complicated but they have made big strides to better account for expenses and revenue. Health services is changing in many ways and they have to adjust accordingly. They are almost done with the DD facility on Wall Street.

Next year there will be changes to the Courtney facility to make it more user friendly for clients. Staffing is flat although the nature of their work is based on obtaining grants and making changes as necessary. The Sober Station work would be done with the Sheriff but this might not be ready. It would be heavily dependent on grant funds. There are questions about ongoing staffing.

Fair and Expo marketing has been very successful. The RV park is full all the time as well. They have a good idea where new business has come from and what to pursue. Food and beverage service is done internally and has also been very lucrative. General fund support continues to shrink.

The idea of a sports complex worries some people as over-extending. This is being studied but no commitments have been made. The City of Redmond is involved and everyone is working on due diligence. One option might be using room tax funds or bonding for improvements. Mr. Maier said he did not think they had a long-range plan for the facility and the land. Mr. Anderson said they have an operational plan each year but it doesn't cover this.

Mr. Maier said he knows that Commissioners and Fair Board members change, but he would like to see a long-term facilities plan and ideas for the future. Mr. Anderson said the studies being done will address some of these concepts.

The Assessor's budget is flat. The Clerk is asking for General Fund support, and also for funds to remodel the election equipment. They do not have capital reserves.

Solid Waste has to consider future needs, especially cell construction. Waste to Energy project went away but might have added capacity. They will perhaps open up an RFP to anyone with ideas to do this kind of work, or to develop a consumable resource. A tip fee increase requires a six month notice to providers and the cities. Hours were expanded last year and was successful, and they are considering adding Sundays.

The Road Department will discuss big projects and a staffing request for operators. Staffing was shrunk in previous years but more is needed for the future.

Community Development is strong and already had to add staffing. A discussion needs to be held regarding rebuilding reserves or paying back the County. The proposed budget focuses on reserves of about \$1.5 million.

Community Justice is holding the line. They have been successful in utilizing the unused space in the detention center, by J Bar J mostly. They would like another pod for this successful program. The lease covers the County's costs. Parole and Probation had to increase staffing based on grants. The 1145 split has been an issue in the past and will be reviewed again. It seems to be skewed more towards the jail and not parole and probation, but it is hard to determine the allocation.

Justice Court is doing better, and is relocating to the new Redmond City Hall building.

Natural Resources receives federal funds for the Forester, separate from grants for fuels mitigation. Joe Stutler is still doing work as a special advisor and this cost brings in a lot of grants. The program also funds weed control work.

The District Attorney has some ideas to share and information on various requests. The biggest one is an additional DDA plus some additional staffing. Also, a medical examiner expansion is being requested through the D.A.'s office. This needs to be reviewed as to how the County should be involved. The M.E. may be underfunded at this point. It may not be time to change this without more study. Mr. Maier asked if the previous funding for information technology improvements has been beneficial. Mr. Anderson said that I.T. does some work for the D.A. but the D.A. still has its own staffing for this.

Veterans Services staffing has increased. Mr. Maier noted that they are doing good work and the staffing requested was justified. There are a lot of requirements to be a counselor for veterans. This allowed the department to catch up on a severe backlog.

911 is working on the radio system project, and they will discuss long-term capital improvements. They hope to add a couple of positions as part of overall system and CAD improvements. All the partners are on board with this. Radio maintenance services for the agencies is also being considered.

The Sheriff's Office will share the cost for court security person with Administration to cover the downtown campus area. The tax rates for the department are unchanged.

BOCC/Administration allocations have been split between the two entities. \$20,000 was budgeted for Centennial activities. The Law Library was transferred out to the Library District, and this has been very successful. Erik and Tom would like to hire a management intern, through a contract with PSU. The idea is to keep Oregon talent in Oregon and to bring others in, with a Masters' Degree. The internship is for seven months. The person would be rotated to different departments. The cost is \$40,000. There is no guarantee of a permanent position. They are also proposing a new software package to better broadcast Commissioner meetings.

Human Resources is doing a classification and compensation study at this time. Finance and H.R. are putting in the new system, which will change how many things are done.

I.T. had no significant budget changes.

Legal is looking at staffing changes. They want to do a tiered system for attorneys.

The Property and Facilities' manager is retiring, and some restructuring may take place. There are some big projects underway, and they are working on a long-term facilities plan.

Sunriver and Extension 4-H have asked for some additional funding. EDCO is as well. COVA will discuss a grant agreement.

There have been some discussions about the use of room tax funds. Sunriver would like funding for airport improvements. Regarding fuels reduction work, Joe Stutler wants to make a more formal proposal on this. Chair Unger noted that there are a lot of trails in the forest and other issues that put stress on local resources. They need to balance the management of these funds.

Mr. Anderson said how this is funded has to be discussed. There are several avenues. The Sheriff wants to maintain the \$3.1 million that he knows is not guaranteed. There will be a \$500,000 or more benefit to the County from room taxes that are a possible resource. The Board could choose to cap what COVA gets as well.

Commissioner Baney feels they are being applicant driven rather than being visionary. She does not have a feel for sustainability or how much spending is logical. Chair Unger feels this is a good year to discuss this but not make decisions. Some of this might be influenced by decisions at the State level. Mr. Maier asked if the funds could be set aside until there is an action plan.

Commissioner Baney stated that they have to consider internal needs that are not necessarily being funded. She wants to make sure they protect what is mandated and then look to other efforts. Mr. Maier said he would like to see closure on what goes to the Sheriff. Mr. Anderson responded that the guaranteed amount of \$2.675 million to the Sheriff was increased and the Board will have to decide on the higher amount. Mr. Maier would like to see an amount decided and established as the maximum. He would like to see it all go to tourism related efforts.

Mr. Burton said there are a lot of requests and he would like to see a number set for the Sheriff, and then decide what criteria is important for the rest. Mr. Maier would like to see the excess go into a jail fund, as that is going to be an issue again.

Mr. Anderson would like to discuss this further on Friday morning. Commissioner DeBone stated that they need a ten-year plan, and should decide if they want to invest in forests for the next ten years. Sunriver has threatened to incorporate. Mr. Maier said that they could not use the room tax funds for city costs.

Commissioner Baney feels that it is premature to hear about fuels reduction based on this funding. Mr. Maier said there is funding for this for next year. Mr. Anderson said Mr. Stutler wants to create a position for the Central Oregon Cohesive Strategy, which would involve at least three counties. Mr. Maier would like to see more agreement between the entities first. Perhaps this could come from PILT money, or maybe it could be through a local match.

Commissioner Baney wants to establish boundaries as to what to set aside and which projects to fund. Mr. Anderson stated that the Budget Committee could give general input and leave the rest to the Board. Mr. Maier doesn't want to see more coming out of the room tax, since it is complicated enough as it is.

Roger Lee of EDCO gave an overview of the services of EDCO and how much help the County has been. Deschutes County has been the largest and most stable of their supporters. Mr. Barrett introduced the new Budget Committee member, Jimm Burton, and Mr. Lee gave him an idea in brief of what EDCO does and who the members are. They have a strong organization.

Mr. Lee gave an update of their three year goals, region-wide. (get a copy of the presentation) They help companies move here, start here and grow here. They far exceeded their expectations for capital investment but were somewhat low on job creation, by 13.2%. Momentum is building on startup investment.

There is a lot more diversification in the types of businesses and industries. Mr. Lee explained how their work has influenced the gross domestic product for the area, which is about \$7 million. The percentage of change for this area exceeds that of many major metropolitan areas and the United States as a whole.

Employment growth is another consideration. Many jobs lost during the recession are being regained. The area created almost as many jobs as some of the other major cities in Oregon combined. Commissioner Baney asked if some of these jobs are seasonal. Mr. Lee stated that they are annual averages.

Manufacturing employment growth is strong and almost triple of the statewide average. This includes bouncing back from the recession years, but reflects the broader scale of jobs and companies.

Key industries were bioscience, specialty food and beverage, high technology and outdoor gear and apparel. They are organizing companies to assist startups and create a healthy business climate through mentorship and funding.

He spoke about the emerging workforce and how to influence and improve the business climate. This can be done through better education, internships and tri-county efforts of the school districts, COCC, OSU Cascades and employers. He would like to see some of this being a graduation requirement from high school.

Legislation and policymaking at the State level is a challenge, but EDCO is involved with this as much as possible. Commissioner DeBone said there is a benefit to cooperating with the other counties and the cities as much as possible to influence what happens at the State.

The future shows a strong pipeline in place with a lot of potential. They are working with 134 companies now. (He handed out an audited financial statement.)

He asked for a \$5,000 increase in funding from last year, which would be for the Sunriver/La Pine program, to take it from half-time to full-time. It is hard to do part-time economic development. He feels that Sunriver, La Pine and the private sector would fund the balance. He acknowledged that the original proposal was to ratchet back at some point, but he would like to see this move forward since the funding is being used productively and showing positive results. They want to make sure the smaller communities are adequately represented, and those areas often need help the most.

Commissioner Baney has raised this question as to whether this should have been for a limited period of time. Other programs also are handled this way. Her question is not so much to EDCO but to the cities. She is supportive and appreciative of the partnership, but wants to manage expectations with the cities.

Mr. Lee said that he would like to have a joint meeting with those agencies regarding sustainability of these efforts. Mr. Maier asked about support from others. Mr. Lee said banks and other financial institutions have cut back, as has memberships, but some companies prefer to fund through sponsorships. They co-located with COVA, but COVA moved to Sunriver and EDCO then sublet to another company. It is a break-even.

Commissioner DeBone said that these funds are from discretionary fund and not subject to the Budget Committee except the fund as a whole.

Chair Unger is proud of the progress made, and to him is a good return on investment. Mr. Lee said that a big challenge is the lack of housing. Some people want to rent before buying and that is difficult. About 6% of jobs are related to construction, when this was 11% in 2006. Another challenge is finding workforce, and housing is directly related to this, especially for entry level positions.

Mr. Maier asked what the average income for the data center in Prineville is. Mr. Lee said it is \$217,000 over all employees; 2% of employment but 9% of wages.

Mr. Anderson asked Mr. Lee to speak about the loan fund program. This group will need to decide whether to recapitalize it and what funds to use. Mr. Lee stated that they have larger projects that might bring this number down. It would be good to add to the fund if possible, since out of 200 or more projects, some may want to tap into those funds. It could be months before they need it but it would be great if it was there. \$150,000 is adequate for now but flexibility would be beneficial.

Alana Hughson, Scott Huntsman and Tom O'Shay, and Dan Depotopulos of the COVA board came before the group.

Scott Huntsman said they have seen impressive results to their marketing efforts. There is a long-term value to the investments made. They have a goal to drive traffic to the property organizations. They have seen a 400% increase in this. The best part is these are visitors that the partners may have not reached on their own because they don't have the same marketing resources. The few funds they invest in COVA have been valuable. There is a plan in place to provide longevity to this.

They have been able to evolve and invest in diverse ways to address the next economic downturn. They partner with EDCO, the air services team and others outside the Pacific Northwest. It is important to diversify outside this area.

Tom O'Shay said he came to Sunriver in 2008 from the Bay Area. The economic downturn hit them hard, up to 30% less business. At that time, COVA had to develop a long-term strategy and decide where to advertise and how to spend limited funds. They sought to get into California, first northern and now southern. They had to learn some lessons from the hospitality and restaurant industries.

Dan Depotopulos stated that he has been on the COVA board for 16 years. His relationship is different from that of the others. COVA acts as a housing bureau for larger venues as well.

Ms. Hughson provided a handout of the strategic plan, with an executive summary. She explained the highlights of the FY 2016 plan. Travel Oregon works on a two-year budget and the plan follows this. For the most part, the plan will be similar to last year's. (*A copy is attached for reference.*) Central Oregon is in the sixth year of consecutive growth, and it is greater here than in Oregon or the nation. COVA was awarded Travel Oregon's top tourism marketing recognition as winner of the annual 'outstanding overall Oregon marketing program award' this year.

They try to use web analytics to show growth through various media. Their average user sessions are 41,000 but they have far surpassed that for May. They are targeting markets with high populations who also can either easily drive or fly here.

Ms. Hughson spoke about the revenue and expense numbers. They carry over \$300,000 each year. They base revenue on a 4% conversion rate where someone books a lodging unit. The average stay is 2.4 nights.

The Visitors' Center is a great base of activity. They plan to have an economic development exhibit there soon, directing people to EDCO. They are working with OSU Cascades to survey and find out how many visitors ended up bring a business here.

Program innovations will focus on luxury resort, and another idea of 'move your business, change your life'. They are also putting more effort into bringing in larger groups.

Chair Unger said that more people coming here puts pressure on local resources. There is no budget at the Forest Service to handle the increased maintenance. The City of Bend has problems with roads, and the Sunriver Airport needs work.

People look at the room tax coming in and wonder if it should be tapped. These things are everyone's problems. Ms. Hughson said this is human nature. She feels the investment for marketing is a small part of the overall resources. This investment helps the general funds grow. They are not the ones to decide what the priorities are.

Mr. Maier asked what the COVA position was on funding track and field event funding in Eugene. Ms. Hughson stated that all local legislators and business people opposed this. However, the language of the bill was manipulated. These funds should remain local. Mr. O'Shay said that it was overkill and short-sighted, and there was no complete planning done.

Chair Unger stated that some complain that there are too many visitors. He asked what is enough or too much. Mr. O'Shay said that some are moving here; others are coming through by vehicle and not staying. The biggest challenge is the infrastructure and housing for those who are moving here. As far as revenue from tourism is concerned, the business is back to where it was in 2006.

Mr. Lowry spoke about the health benefits trust fund. Danielle Fegley said that there is a health benefits trust fund study now being done. There is a lot of work with the internal filing of IRS forms for the Affordable Care Act, and underwriting for running the plan. They also looked at EBAC and quarterly reports and contracts with various vendors. Kathleen Hinman said they are also looking at compliance. Ms. Fegley stated that the cost and budgeting are looked at differently. There is a reserve policy when you are self-insured, about \$2.2 million. Ms. Hinman said that it needs to be at \$1.9 million for a margin of 20%. However, it is higher than that and this amount needs to be chosen.

Ms. Fegley stated that it is about \$14 million. Mr. Lowry said that there was a policy from years ago that it should be at one year's claims. There are unknown risks from claims, but there needs to be a strategy and target. PERS rates are going up and this will impact the departments, so there is potential to offset some of this.

Mr. Barrett said that this was analyzed and the consultant seems to think a lot less would be appropriate. Mr. Maier asked if they looked at options other than self-funding. Ms. Fegley stated that some employees ask if it is cheaper than using a traditional insurer. However, the estimated savings per year is \$2 million to \$7 million. Ms. Hinman stated that the insurance companies want to make a profit, and will be more conservative. This would increase the cost, as would taxes to the State and Affordable Health Care. The County has the benefits but also the risk.

Ms. Fegley said that much smaller employers are going to self-insurance to avoid the additional costs. There are some additional administrative costs, plus the initial capital costs. They need to do some strategic planning and what the real drivers of additional costs are. They want to avoid the Cadillac tax in the future, which is a 40% cost paid to the government when you provide good benefits. This can be addressed by changing the mix of benefits. Mr. Lowry noted that there are very few ways to escape this problem other than reducing the costs of the plan, which means reducing benefits. More investigation is needed and benchmarks need to be determined.

Chair Unger asked about the plan for the next year. Ms. Hinman stated that the plan is to complete work with the consultant, and they need to decide what to change and why, and how this will impact employees. The on-site clinic and pharmacy are being reviewed for use, efficiencies and management. They will determine the real cost of the plan and how to split this with employees. Mr. Anderson said they work closely with EBAC on how to avoid most of the Cadillac tax. It is a moving target at this point.

Mr. Lowry provided a handout on PERS (get a copy). There are four different groups of employees with four different rates. The 2017 rates are the same as 2016, but this will change in FY 2018 when rates go up 3.5 to 5 percent. This is a big number. They expect this type of increase over the next few sessions. This year they will add to PERS reserves to raise the departments' rate a notch, and in 2018, the rates to departments will go up more, but they will start to bring the reserves down. This is 1.32% for each employee.

The only thing that will change the projectory is PERS earnings. It is hard to imagine earning 7% or more perpetually. They project a 7.5% increase. There is always something going on legislatively, but it will take twenty years to get there. The Supreme Court has closed off changing the rules for those who are retired or who are working. So the County needs to buy the rate down each year, and it will be revisited each year. The contribution will be in the \$1 to 2 million amount each year. Commissioner Baney stated that something will have to happen because many schools and other government agencies won't be able to handle this cost.

Regarding economic development, Judith Ure explained the forgivable loan fund. For the most part, it has been successful. It has had to be recapitalized several times, in a variety of ways. It began in a different format, but changed to what is now being done in 2008.

Ms. Ure gave an overview of current loans. Mr. Lee stated that it is adequate at \$150,000 but the Board can choose to increase this amount. Usually this comes from General Fund, video lottery or transient room taxes.

Mr. Maier does not think this should be replenished. Chair Unger want to be able to react if appropriate. Ms. Ure stated they have some in video lottery funds that could be tapped if the Board wants to do so. It is flexible this way but not if it goes into the business loan fund. Mr. Maier said that it appears that these are grants. Ms. Ure stated that some companies that don't perform have to pay it back. Mr. Barrett is with EDCO and feels this funding is a real benefit.

Mr. Anderson said that video lottery funds are meant to help with economic development. It is healthy to reevaluate this and not have it be automatic. Perhaps EDCO should be forced to prioritize in some fashion. Mr. Barrett feels these go through a rigorous analysis. It is not a lot of money but can make a difference.

Ms. Ure said that a number of job is decided by agreement but the actual numbers could be higher. Mr. Barrett stated that he wants to see this go towards lower and middle range jobs and not the highly paid executives. Commissioner Baney voiced concerns about these decisions made during hard economic times but not applicable now. She wants to be more strategic about reserves. The loan fund was started during hard times. There are concerns about the County using funds that perhaps should be reserved. At some point those dollars will go away. She does not know if these funds are as critical now, and might be more important five years from now when there is a downturn.

Mr. Barrett said that an engine has been created and when do you take your foot off the gas. They need a diversified economy that will help avoid the same issues. Commissioner Baney said that housing is now the big problem. Chair Unger sees it as a return on investment. If they want to play in the economic development game, they need to keep trying to push forward. This grows the assessed value and more taxes. Commissioner DeBone stated that someday they might have to say no. He feels if these funds are needed for other purposes, he is ready to say no.

Mr. Burton stated that if they keep giving money now when it is not as badly needed, there may not be anything there when they really need it. He thinks this should be tapered off gradually now. Commissioner Baney stated that at one point EDCO had almost \$400,000 in requests, and EDCO wanted more to address the interest. The County should not have to be in an awkward spot for something that is not required.

Ms. Ure asked if there is any desire to replenish the loan amount, and if so, from what source. Mr. Anderson stated that it appears that \$150,000 is enough and the Board can decide later if this should change.

Regarding the video lottery fund, Ms. Ure explained how it comes to the County and its traditional uses. There is a lot of demand on this fund at the State level. The County can decide how to define economic development to use these funds. It is hard to predict how much they will get each quarter, so she tries to be conservative.

In terms of spending, the funds for internal service charges are divided into categories. Ms. Ure distributed a worksheet showing allocated funding priorities and projected funds. The Board set aside \$100,000 for contingencies in event the lottery fund doesn't come in as predicted.

Economic Development is requesting \$122,200. Project support has been paid for several years. Arts and culture is new. Service partners are agencies doing work that is mandated by the State. The Board did increase several of those allocations.

Discretionary grant is money available by application. Community grants were not continued this year. The Board makes the allocations, and the budget committee reviews the revenue side. The projected amount available is \$800,000. The proposed budget shows \$782,000. Commissioner DeBone suggested changing the business loan recapitalization fund to contingency.

Being no further discussion, the session ended at 3:52 pm

**DATED this 8th Day of June 2016 for the
Deschutes County Board of Commissioners.**

Alan Unger
Alan Unger, Chair

Tammy Baney
Tammy Baney, Vice Chair

Anthony DeBone
Anthony DeBone, Commissioner

ATTEST:

Bonnie Baker
Recording Secretary



FY 2017 Budget Hearings
Deschutes County Budget Committee
Significant Issues

- I. Introduction – Tom Anderson
- II. FY 17 County Goals & Objectives – Tom Anderson & Board of Commissioners
- III. Review of FY 2017 Proposed Budget Document and Highlighted Budgetary Issues – Wayne Lowry
- IV. Departmental Issues
 - Health Services
 - Director Transition
 - Organization Changes
 - General Fund Support
 - Health Services - \$4,529,743 (Increase of \$275,966)
 - Health Care changing model
 - Facilities
 - Staffing
 - Sober Station – Sheriff’s Department
 - Fair & Expo Center
 - TRT/Marketing Plan
 - Food & Beverage Service
 - General Fund Support
 - RV Park
 - Sports Complex Concept Status
 - Long Term Facility Plan
 - Staffing Request

- County Assessor
- County Clerk
 - General Fund Support - \$229,414
 - Remodel and Election Tabulation Equipment - \$251,000
 - Motor Voter Initiative
- Solid Waste
 - Capital Construction and Reserves
 - Waste to Energy Project
 - Tip Fees Discussion
 - Expanded Hours
 - Reserves – Future Needs
- Road Department
 - PILT Allocation (SRS Formula)
 - Capital Projects (FY 17 & long term)
 - Separate Capital Improvement Fund
 - Staffing Request
- Community Development
 - Revenue Increase – Activity and Fees
 - Reserve Funds
 - Staffing Increase
- Community Justice
 - Juvenile General Fund Support - \$5,464,591 (unchanged from FY 2016)
 - Juvenile Detention Facility Lease – J Bar J
 - APP General Fund Support - \$451,189
 - APP Justice Reinvestment Program - \$944,052 FY 16 & FY 17
 - APP 1145 Split
- Justice Court
 - Overall Finances/General Fund Support - \$25,000 (decrease of \$120,747)
 - Relocation to City Hall
- Natural Resources
 - PILT Allocation
 - Special Advisor
 - Weed Board
 - Title III Funds and other grants

- District Attorney
 - General Fund Support - \$6,224,418 (increase of \$260,179)
 - Staffing Requests
 - Victims Assistance
 - Medical Examiner

- Veterans Services
 - Staffing

- 9-1-1
 - Strategic Plan
 - Outcome of May Ballot Measure
 - Communications System consolidation and improvement
 - Staffing

- Sheriff's Office
 - Staffing (Court/BOCC Security)
 - County-Wide District tax rates unchanged
 - Capital Improvements/Equipment
 - Sober Station

- BOCC/Admin
 - BOCC General Fund Allocation - \$213,450
 - Centennial Celebration - \$20,000
 - Law Library Transition
 - Hatfield Fellow
 - Agenda Mgmt Software

- Human Resources
 - Compensation Study
 - HR Software Implementation

- Finance
 - Finance/HR System
 - General Fund Financing paid back extended to 7 years
 - Tax Processing In-house

- Information Technology

- Legal
 - Staffing

- Property & Facilities
 - DC Courthouse
 - Wall Street Health Facility
 - Staffing
 - Director Transition
 - Long Term Facilities Plan

- Sunriver Service District
 - Funding Request

- Extension/4H
 - Funding Request

- EDCO
 - Funding

- COVA
 - Grant Agreement

V. Fund Issues

- Transient Lodging Tax Funds
 - Sunriver Service District
 - Sports Complex
 - Fuels Reduction
 - Sunriver Airport
 - Deschutes County Sheriff
 - Economic Development Loans

- Health Benefits Trust Fund
 - Consultant
 - Fund Balance
 - FY 17 5% Increase

- PERS Reserve Fund
 - Strategy for Use of Fund beginning FY 2018
 - FY 2017 Contributions

- Economic Development Fund
 - Business Loan Program

- Video Lottery Fund
 - Revenue
 - Review BOCC Allocation

- General Fund
 - Major Revenue Sources
 - Transfer Summary
 - Reserve Contribution - \$3,011,264

- Debt Service Refinancing
 - Series 2007 Savings \$915,000 through 2027
 - Solid Waste
 - RV Park/Fair and Expo Center

Approved

Deschutes County
 FY 2016-17 Video Lottery Fund Priorities
 Projected Amount Available: \$800,000

4/18/2016

CATEGORY	PROGRAM	FY 2016-17	BALANCE REMAINING	NOTES
RESOURCES				
	Beginning Net Working Capital	117,000	117,000	
	General Fund Transfer (EDCO)	0	117,000	
	State Video Lottery Revenue	682,000	799,000	
	Interest Revenue	1,000	800,000	
TOTAL RESOURCES		800,000	800,000	
REQUIREMENTS				
Administration	Personnel	0	800,000	
	Internal Services	-11,757	788,243	BOCC, Administration, Finance, Finance/HR Project
Sub-Total		-11,757	788,243	
Contingency	Contingency	-100,000	688,243	Optional to allow for unexpected revenue variations
Sub-Total		-100,000	688,243	
Economic Development (59-21)	EDCO Regional Capacity / Operational Support	-122,200	566,043	Requesting \$122,200
	Local Capacity: Bend	-10,000	556,043	Requesting \$10,000
	Local Capacity: La Pine	-25,000	531,043	Requesting \$25,000 - increase of \$5,000
	Local Capacity: Redmond	-10,000	521,043	Requesting \$10,000
	Local Capacity: Sisters	-20,000	501,043	Requesting \$20,000
	Venture Catalyst Program	-30,000	471,043	Requesting \$30,000
	FoundersPad	0	471,043	Requesting \$0
	Business Loan Fund Recapitalization (Fund 105)	-80,943	390,100	Current balance = \$219,000 +/-
Sub-Total		-298,143	390,100	
Other Economic Development	Sunriver Chamber of Commerce	0	390,100	
Sub-Total		0	390,100	
Project Support (59-16 & 59-20)	Shop-with-a-Cop Program	-3,000	387,100	
	Public Transit: Rural Services	-5,000	382,100	Year 2 of 2-year commitment
	Volunteer Connect / Project Connect	0	382,100	
	Arts & Culture	-15,000	367,100	
	Other:	0	367,100	
	Other:	0	367,100	
Sub-Total		-23,000	367,100	
Service Partners (59-20)	Central Oregon Council on Aging (COCOA)	-30,000	337,100	Requesting \$29,640 - increase of \$1,140
	MountainStar Family Relief Nursery	-15,000	322,100	Requesting \$16,000 - increase of \$4,000
	J-Bar-J / Cascade Youth and Family Services	-15,000	307,100	Requesting \$15,000 - increase of \$2,000
	Redmond Senior Center	-2,100	305,000	Requesting \$2,100 - increase of \$100
	KIDS Center	-20,000	285,000	
	Latino Community Association	-15,000	270,000	Requesting \$14,000 - increase of \$3,000
	Bethlehem Inn	-20,000	250,000	Requesting \$20,000 - increase of \$5,000
	Family Access Network (FAN)	-15,000	235,000	Requesting \$12,500 - increase of \$2,500
	Saving Grace / Mary's Place	-15,000	220,000	Requesting \$20,000 - increase of \$10,000
	Central Oregon Veterans' Outreach (COVO)	-15,000	205,000	Requesting \$18,000 - increase of \$8,000
	Court Appointed Special Advocates (CASA)	-25,000	180,000	Requesting \$35,000 - increase of \$15,000
	Healthy Beginnings	-15,000	135,000	Requesting \$20,000 - increase of \$10,000
	Central Oregon 2-1-1	-10,000	170,000	
	Upper Deschutes Watershed Council	-20,000	150,000	
	Other:	0	135,000	
	Other:	0	135,000	
Sub-Total		-232,100	135,000	
Discretionary Grant Program (59-20)	Discretionary Grants	-45,000	90,000	
	Fundraising Grants	-15,000	75,000	
	Other:	0	75,000	
	Other:	0	75,000	
Sub-Total		-60,000	75,000	
Community Grant Program (59-20)	Emergency Food, Clothing and Shelter	-75,000	0	
	Health, Mental Health, and Addictions Treatment	0.00%	0	
	Arts & Culture	0.00%	0	
	Other Essential Services	0.00%	0	
	Other:	0.00%	0	
	Other:	0.00%	0	
Sub-Total		-75,000	0	
TOTAL REQUIREMENTS		-800,000	-800,000	
OVER/SHORT		0	0	

**Deschutes County Budget
FY 2017 Proposed Budget
Notes on Financial Issues**

Financial Policies – page 349-353

Expanded from last year and adopted by the Board on December 15, 2014. Policy section 1(f) is the policy on working capital balances for operating funds. Same policy as last year, FD can waive the application of the policy by considering other revenues and by looking at related reserve funds. Page 8, Budget Message indicates 6 funds were waived from this requirement including road, extension, sheriff, county fair, F&E and solid waste.

General Assumptions:

COLA – 1.5%, AFSCME 2.0% July 1, 2016

Health Insurance cost to Departments – 5% Increase to \$1,615/mo or \$19,384/yr

Employee contribution unchanged at \$90/mo or \$1,080/yr.

No longer charging for vacant positions or spouses

Property Value increase – Countywide 5.5%, Rural 4.7%, BBR 3.4%, S/R 3.7%

Collection rate – 94.5%

General Fund

Property Taxes

Total revenues are estimated at \$32,182,682 (page 85). Largest is property taxes of \$25,745,691 at 80%. Higher than FY 2016 budget by \$1,654,991 or higher than FY 2016 April projection by \$1,343,157. See page 354 of program budget for tax rates and values of all County and service districts. Note tax rates are included in motions to adopt on Friday. General fund tax rate is \$1.2783 per \$1,000 with 1.24 going to the GF and .0383 for fund 142.

Beginning and Ending Working Capital (page 68)

Beginning balance estimated to be \$10,411,770. Policy level is 4 months of next year's taxes or \$8,581,893. Estimated with latest projections \$10,757,995. Part of this will be placed in reserves in FY 2017, see below.

Transfers (page 53)

Total General fund transfers out to other funds is \$17,916,408, an increase of \$2,364,360 over FY 2016. Significant changes include:

Justice Court	-	\$120,747
PERS Reserve	+	\$2,000,000
General Capital Reserve	+	\$956,221
Health Services	+	\$275,966
Community Development	-	\$99,039
Dog Control	-	\$44,341
Fair and Expo Center	-	\$50,000
Admin Services	+	\$40,000
Finance/HR Project	-	\$600,000
Other Funds	+	\$6,300
Net Change	+	\$2,364,360

Transfers in include the GF share of the new 1% room tax (30%) and the second of seven repayments to the general fund from departments for the financing of the software project.

Contribution to PERS Reserve fund 135 - \$2,000,000 The County plans to begin drawing down the PERS reserve beginning in FY 2018 and expects to exhaust the reserve by 2023. This contribution will build up the reserve to allow for a longer period of rate reduction for departments over the next six years or so.

Contribution to General Capital Reserves fund 143 - \$3,011,264 Fund 143 is a capital reserve. Resources held by this fund will be used for future County projects that are aligned with the goals of the BOCC. (example – expanded court rooms should the County get additional Judges)

Finance/HR Software project – Bankrolled by the general fund and charged back to departments over a seven year period starting FY 2016. Includes the software project and the class and comp study. Additional \$600,000 contributed in FY 2017 proposal from the general fund.

Debt Service – (Section 9 page 307-321)

Total Debt Service on page 68 \$8,949,979, The final year of the Fair Grounds bond is FY 2017. Tax rate for FY 2017 estimated to be \$.12/\$1,000.

Capital Improvements/Equipment – (Section 8 page 293)

Improvements \$8,111,997 and equipment \$5,536,624 for total of \$13,648,621.

PERS (rates on page 5 – budget message)

We expect rates to stay the same in FY 2017 and increase significantly in FY 2018. Our strategy is to begin to ramp up rates that departments pay in FY 2017. This will allow further contributions to the PERS reserve in FY 2017 and smooth out the rate increase for FY 2018.

PERS Reserve Fund – Page 249

Estimated \$13,225,000. The reserve will not be appropriated in FY 2017 and will grow by \$2,000,000 through the general fund contribution, \$850,000 from department contributions and \$85,000 in interest earnings.

Road fund – See page 171 in program budget. Page 276-277 in line item. Capital piece split into capital improvement fund #465 with transfer on July 1 of \$8,067,643 to new fund. This will keep operations in fund 325.

PILT and SRS

Payment in Lieu of taxes and Secure Rural Schools. PILT budgeted in the road fund at \$1,250,000 consistent with prior years. PILT should be received in mid-June. Last year, we received \$1,915,548 with \$1,203,215 going to the road fund. Natural resource fund 326 received \$212,333 and the general fund received \$500,000. The FY 2017 budget includes \$1,250,000 road, \$212,332 Natural Resources and \$500,000 general fund for a total of \$1,962,332. No SRS funds are budgeted for FY 2017.

Room Tax Funds 160 and 170 pages 75-77 and 80-81 line item. Also page 251 in program budget.

Revenues are estimated to reach \$6,200,000. This is a 15.0% increase over FY 2016 budget of \$5,390,000 and an 8.4% increase over our FY 2016 projection of \$5,720,000. Fund 160 is old 6% and not

as old 1%. Fund 170 is new 1%. GF is expecting to receive \$228,210. See Chart Handout showing distributions.

Fair and Expo – Page 317-337 line item, pages 161-167 program budget

New position paid for with TRT dollars – Marketing assistant. Also capital improvements shown in capital section page 299, will not be spent until results of marketing consultant is received. Marketing consultant to determine if improvements to facilities will meet market demand. \$90,000.

Solid Waste Reserves (page 306 line item) 185-190 program budget

Reserve contribution for FY 2017 \$1,375,000. Next large capital need projected for 2019.

**Deschutes County
Economic Development Loan Fund
Loan Activity and Fund Status as of May 20, 2016**

As of May 28, 2016, the unencumbered cash balance available in the Economic Development Loan Fund is approximately \$150,000.

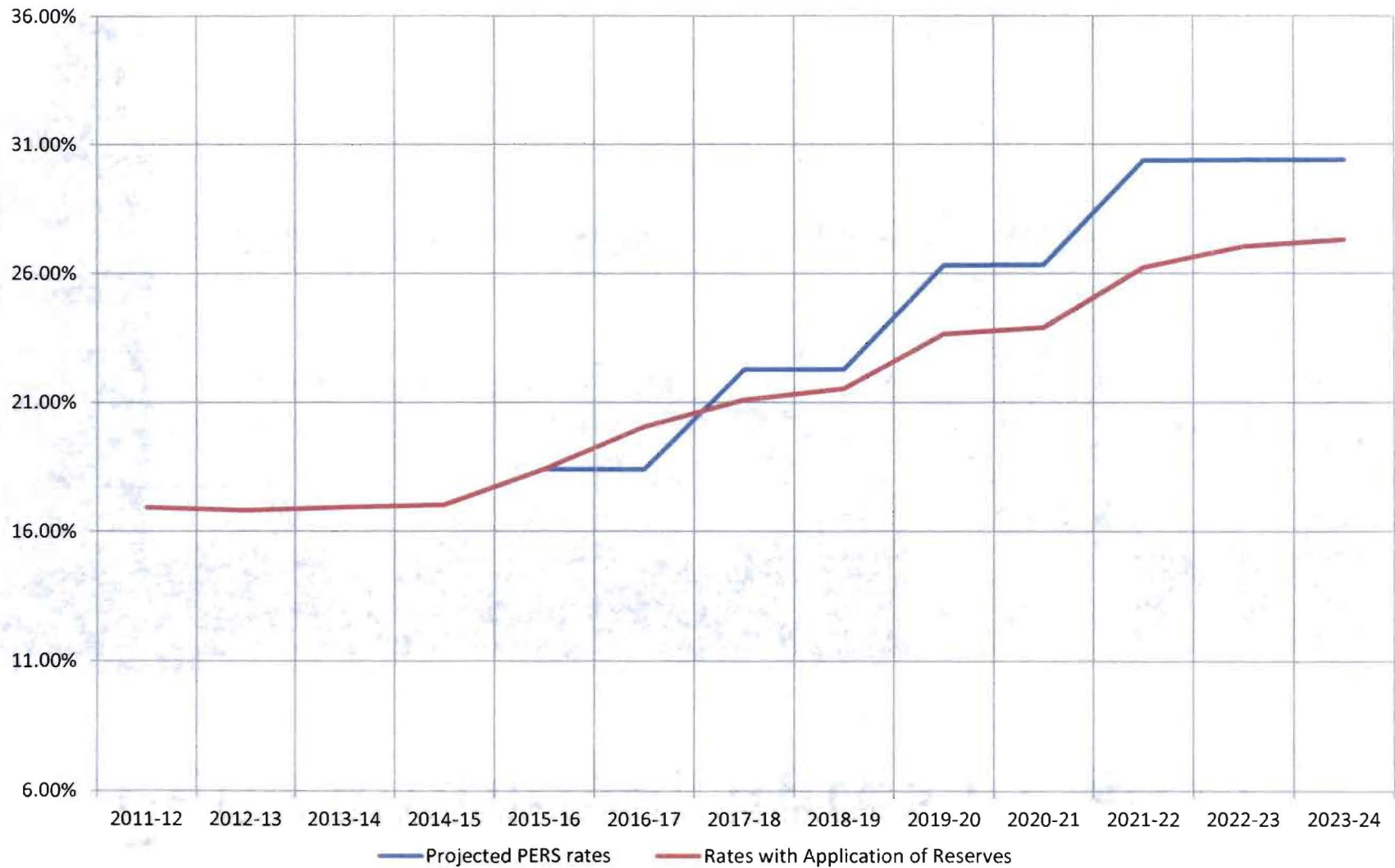
Organization	Number of Employees	Agreement Number	Agreement Date	Loan Amount	Jobs Created Date	Jobs Retained Date	Date Converted to Grant	Repayment Amount (principle)	Amount Paid to Date (principle)
Agere Pharmaceuticals Inc.	7	2010-745	12/15/2010	\$14,000.00	03/31/2012	09/17/2013	05/14/2014	N/A	N/A
G.L. Solutions	39	2010-749	12/29/2010	\$50,000.00	09/09/2012	09/09/2013	05/14/2014*	\$19,515.22	\$19,515.22
Buehner Fry, Inc. (NAVIS)	27	2011-137	04/13/2011	\$50,000.00	11/16/2012	11/16/2013	05/14/2014	N/A	N/A
Dent Instruments	6	2011-138	04/13/2011	\$12,000.00	11/11/2012	11/11/2013	05/14/2014	N/A	N/A
Alchemy Solutions, Inc.	13	2011-358	06/29/2011	\$26,000.00	03/31/2013	03/31/2014	N/A	\$26,000.00	\$26,000.00
Medisiss	24	2011-572	09/08/2011	\$48,000.00	07/18/2013	07/18/2014	09/03/2014	N/A	N/A
Geo-Spatial Solutions, Inc.	10	2011-641	10/31/2011	\$20,000.00	07/22/2013	07/22/2014	12/9/2015*	\$10,000	\$10,000.00
Central Oregon Trucking	35	2012-311	06/06/2012	\$50,000.00	04/11/2014	04/11/2016	09/03/2014	N/A	N/A
Consumer Cellular, Inc.	200	2012-584	11/26/2012	\$50,000.00	03/01/2014	03/01/2015	11/5/2014	N/A	N/A
Energyneering	17	2012-643	12/26/2012	\$34,000.00	03/31/2012	06/30/2104	09/03/2014	N/A	N/A
Venture Catalyst	N/A	2013-025	02/21/2013	\$20,000.00	N/A	N/A	N/A	N/A	N/A
NAVIS	26	2013-238	06/13/2013	\$50,000.00	01/28/2015	01/28/2016	04/27/2016	N/A	N/A
Vantage Clinical Solutions, Inc.	5	2013-427	07/30/2013	\$10,000.00	03/04/2015	03/04/2016	04/27/2016	N/A	N/A
Paladin Data Corporation, Inc.	16	2013-523	10/17/2013	\$32,000.00	04/16/2015	04/16/2016	Pending	N/A	N/A
BasX	50	2014-340	06/14/2014	\$50,000.00	12/24/2015	12/24/2016			
Humm Kombucha	25	2014-504	09/17/2014	\$50,000.00	12/31/2016	12/31/2017			
Wild Harvest	25	2014-648	12/16/2014	\$50,000.00	07/24/2016	07/24/2017	04/27/2016	N/A	N/A
i3d Manufacturing	12	2015-439	08/03/2015	\$24,000.00	05/01/2017	05/01/2018			
Kollective Technology, Inc.	25	2015-438	10/13/2015	\$50,000.00	05/01/2017	05/01/2018			
Medline ReNewal	28	2015-693	12-14-2015	\$28,000.00	07/27/2017	07/27/2018			
Ammunition Development	20	2015-755	12-17-2015	\$40,000.00	06/05/2017	06/05/2018			
Zamp Solar	21	Pending	Pending	\$21,000.00	04/18/2018	4/18/2019			
PCC Schlosser	25	Pending	Pending	\$50,000.00	05/23/2018	05/23/2019			
Total	656			\$829,000					

*partial conversion

PERS Employer Rates FY 2017

	FY 2015	FY 2016	FY 2017	To PERS Reserve	FY 2017 Rate	Expected FY 2018 Rate
PERS General Service	16.60%	19.91%	19.91%	1.32%	21.23%	23.62%
PERS Public Safety	23.44%	23.78%	23.78%	1.32%	25.10%	28.90%
OPSRP General Service	14.52%	14.53%	14.53%	1.32%	15.85%	16.93%
OPSRP Public Safety	17.25%	18.64%	18.64%	1.32%	19.96%	21.73%
				1.32%		

Deschutes County Average Rate Projection



ECONOMIC DEVELOPMENT FOR CENTRAL OREGON

FINANCIAL STATEMENTS

**For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)**

ECONOMIC DEVELOPMENT FOR CENTRAL OREGON
FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

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Statement of Activities and Change in Net Assets	4
Statement of Functional Expenses	5
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Economic Development for Central Oregon
Bend, Oregon

We have audited the accompanying financial statements of Economic Development for Central Oregon (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion 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 entity'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 entity'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 opinion.

The Right People Beside You.

CPAs & Business Advisors
Retirement Plan Services
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BEND 300 SW Columbia Street
Suite 201
Bend, OR 97702
phone (541) 382-3590
fax (541) 382-3587

EUGENE 432 West 11th Avenue
Eugene, OR 97401
phone (541) 687-2320
fax (541) 485-0960

HILLSBORO 5635 NE Elam Young Pkwy.
Suite 100
Hillsboro, OR 97124
phone (503) 648-0521
fax (503) 648-2692

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Economic Development for Central Oregon as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Economic Development for Central Oregon's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jones & Roth, P.C.

Jones & Roth, P.C.
Bend, Oregon
January 27, 2016

FINANCIAL STATEMENTS

ECONOMIC DEVELOPMENT FOR CENTRAL OREGON
STATEMENT OF FINANCIAL POSITION
June 30, 2015
(With Comparative Totals for June 30, 2014)

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 240,621	\$ 187,059
Custodial cash held for NOW for OSU Cascades fund	52,720	-
Accounts receivable	72,964	60,034
Certificate of deposit	-	81,099
Prepaid expenses	<u>15,016</u>	<u>3,514</u>
Total current assets	<u>381,321</u>	<u>331,706</u>
Furniture and equipment		
Accumulated depreciation	<u>(32,049)</u>	<u>(28,910)</u>
Furniture and equipment, net	<u>15,842</u>	<u>8,128</u>
Total assets	<u>\$ 397,163</u>	<u>\$ 339,834</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 2,867	\$ 10,519
Accrued payroll	41,194	47,603
Accrued vacation	17,154	19,467
Deferred revenue	-	1,678
NOW for OSU Cascades fund	<u>52,720</u>	<u>-</u>
Total current liabilities	<u>113,935</u>	<u>79,267</u>
Net assets		
Unrestricted:		
Unrestricted and undesignated net assets	270,895	250,876
Board-designated net assets (HiDEC)	<u>12,333</u>	<u>9,691</u>
Total unrestricted net assets	<u>283,228</u>	<u>260,567</u>
Total liabilities and net assets	<u>\$ 397,163</u>	<u>\$ 339,834</u>

The accompanying notes are an integral part of these statements.

ECONOMIC DEVELOPMENT FOR CENTRAL OREGON
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
Unrestricted Support and revenue		
Direct private support:		
Membership dues	\$ 207,000	\$ 211,782
HiDEC membership dues	8,540	11,480
Programs and events	212,720	190,052
Regional programs	169,000	195,750
Other revenue	6,143	4,157
Direct public support:		
Regional programs	509,867	447,738
Other grant revenue	7,500	7,500
Other:		
In-kind donations	51,763	34,322
Interest income	718	3,137
Sublease income	19,665	2,580
Loss on disposition of assets	-	(384)
Total unrestricted support and revenue	1,192,916	1,108,114
Expenses		
Program services	933,012	833,806
Supporting services:		
Management and general	169,712	129,401
Membership development	67,531	65,605
Total supporting services	237,243	195,006
Total expenses	1,170,255	1,028,812
Change in net assets	22,661	79,302
Net assets, beginning of year	260,567	181,265
Net assets, end of year	\$ 283,228	\$ 260,567

The accompanying notes are an integral part of these statements.

ECONOMIC DEVELOPMENT FOR CENTRAL OREGON
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015			Total	2014 Total
	Program Services	Management and General	Membership Development		
Salaries and wages	\$ 509,802	\$ 96,324	\$ 38,613	\$ 644,739	\$ 577,088
Payroll taxes and benefits	93,761	17,388	5,237	116,386	106,199
Total employee related expenses	603,563	113,712	43,850	761,125	683,287
Advertising and marketing	6,695	11,000	-	17,695	5,686
Bad debts	16,567	-	-	16,567	13,482
Contract services - operations	28,221	5,234	1,576	35,031	53,331
Insurance	-	3,422	-	3,422	3,390
Market research	16,318	-	-	16,318	6,787
Miscellaneous	10,310	1,912	576	12,798	12,865
Occupancy	38,807	7,197	2,168	48,172	28,881
Office expense	10,823	2,007	605	13,435	14,384
Professional development	9,996	1,854	558	12,408	10,238
Professional fees	-	13,575	-	13,575	12,426
Publication and event costs	129,273	-	15,247	144,520	117,455
Telecommunications and database	36,768	6,819	2,053	45,640	38,745
HiDEC program	9,600	-	-	9,600	9,600
Travel	13,542	2,511	757	16,810	13,601
Total expenses before depreciation	930,483	169,243	67,390	1,167,116	1,024,158
Depreciation	2,529	469	141	3,139	4,654
Total functional expenses	<u>\$ 933,012</u>	<u>\$ 169,712</u>	<u>\$ 67,531</u>	<u>\$ 1,170,255</u>	<u>\$ 1,028,812</u>

The accompanying notes are an integral part of these statements.

ECONOMIC DEVELOPMENT FOR CENTRAL OREGON
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 22,661	\$ 79,302
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Interest on certificate of deposit	(718)	(3,086)
Depreciation	3,139	4,654
Loss on disposition of assets	-	384
(Increase) decrease in:		
Custodial cash held for NOW for OSU Cascades fund	(52,720)	-
Accounts receivable	(12,930)	(41,294)
U.S. SBA earmark grant receivable	-	3,895
Prepaid expenses	(11,502)	623
Increase (decrease) in:		
Accounts payable	(7,652)	9,037
Accrued payroll	(6,409)	14,359
Accrued vacation	(2,313)	3,201
Deferred revenue	(1,678)	(30,830)
NOW for OSU Cascades fund	52,720	-
Net cash provided (used) by operating activities	(17,402)	40,245
Cash flows from investing activities		
Liquidation of certificate of deposit	81,817	-
Purchase of furniture and equipment	(10,853)	-
Net cash provided by investing activities	70,964	-
Net increase in cash and cash equivalents	53,562	40,245
Cash and cash equivalents, beginning of year	187,059	146,814
Cash and cash equivalents, end of year	\$ 240,621	\$ 187,059

The accompanying notes are an integral part of these statements.

ECONOMIC DEVELOPMENT FOR CENTRAL OREGON
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Business Activity

Economic Development for Central Oregon (EDCO) engages in activities designed to promote growth and profitability of new and existing traded-sector employers – companies that export a majority of their goods or services outside the tri-county Central Oregon area. EDCO's vision is to build a strong and secure economic future for Central Oregon and its mission is to lead the economic development and diversification of the Central Oregon economy through marketing, targeted recruitment, business expansion, and the formation of effective public/private partnerships. Additionally, EDCO pursues strategic projects that will help improve the region's business climate and strives to be a leader in statistical research and a provider of information on the regional economy.

High Desert Enterprise Consortium (HiDEC) is a subcommittee of EDCO dedicated to providing access to quality training, continuing education, and a creative forum for sharing ideas to assist Central Oregon enterprises in achieving world-class performance. Their funds are included in EDCO's operating activities as EDCO has control over the expenditure decisions. Total HiDEC membership dues, sponsorships, and grants were \$8,540 and \$11,480 for the years ended June 30, 2015 and 2014, respectively. As of June 30, 2015 and 2014, Board-designated net assets of \$12,333 and \$9,691, respectively, were comprised of cash held in a separate bank account for HiDEC operations.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of EDCO and changes thereto are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of EDCO or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions. There were no temporarily restricted net assets as of June 30, 2015 and 2014.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the assets be maintained permanently by EDCO. There were no permanently restricted net assets as of June 30, 2015 and 2014.

EDCO receives temporarily restricted revenue. All related restrictions were satisfied during the years ended June 30, 2015 and 2014, and that revenue is reported as unrestricted revenue on the statement of activities and change in net assets.

ECONOMIC DEVELOPMENT FOR CENTRAL OREGON
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

EDCO considers demand checking accounts, money market funds, and highly liquid debt instruments with an original maturity of three months or less to be cash and cash equivalents. At June 30, 2015 and 2014, \$61,302 and \$-0- of EDCO's cash and cash equivalents were uninsured by the Federal Deposit Insurance Corporation, respectively.

NOW for OSU Cascades

During the year ended June 30, 2015, EDCO's Board of Directors approved to serve as a pass-through custodian for funds received in support of the construction of a campus in Bend Oregon for Oregon State University's Cascades Campus. The amount of \$52,720, as shown on the statement of financial position as an accrued liability and corresponding custodial cash asset, represents the funds raised and unexpended as of June 30, 2015. This activity is not reflected on the statement of activities and change in net assets as it is not related to EDCO's ongoing operations or programs and properly reflects its pass-through custodial capacity of the activity.

Furniture and Equipment

Furniture and equipment are stated at cost and are depreciated over estimated useful lives of 5 to 7 years utilizing the straight-line method.

Deferred Revenue

Deferred revenue of \$-0- and \$1,678, as of June 30, 2015 and 2014, respectively, represents cash received, but not yet earned, from various activities of EDCO.

Revenue and Support

Membership dues are collected for the membership year and are based upon seven levels of membership category and business type. Member dues are recorded as unrestricted revenue when billed.

EDCO recognizes contribution revenue for certain in-kind services received at the fair value of those services. Services recognized are those that would typically need to be purchased by EDCO if they had not been contributed, require specialized skill, and are provided by individuals with those skills. Services valued at \$51,763 and \$34,322, were donated to EDCO for the years ended June 30, 2015 and 2014, respectively, related to program services, fundraising events, and re-branding.

A portion of EDCO's functions and programs are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills and because the amount is not susceptible to objective measurement or valuation.

Advertising

Advertising costs are expensed as incurred.

ECONOMIC DEVELOPMENT FOR CENTRAL OREGON
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Accrued Compensated Absences

EDCO accrues paid time off at current pay rates. The employees accrue paid time off annually. Any unused accrued paid time off is paid to employees upon termination.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services. EDCO utilizes a simplified cost allocation method, whereby specifically identifiable costs are charged directly to the program or supporting services and indirect costs are allocated among program and supporting services through an allocation base. EDCO uses salaries and wages as the allocation base, which is determined by estimated percent of time spent by individual employees within each functional category.

Income Taxes

EDCO is organized under Section 501(c)(6) of the Internal Revenue Code (IRC) as a tax-exempt corporation and therefore is exempt from federal and state taxes on its tax-exempt activities. However, certain activities may be defined by the IRC as generating unrelated business taxable income which could subject EDCO to unrelated business income taxes. EDCO conducted no such activities in the years ended June 30, 2015 and 2014, and, accordingly, no provision for income taxes is recognized in the financial statements.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

At June 30, cash and cash equivalents consisted of the following:

	<u>2015</u>	<u>2014</u>
Non-interest checking account	\$ 54,224	\$ 25,745
Interest-bearing money market account	162,888	137,576
Merchant account	17,150	11,076
Petty cash	309	309
Undeposited funds	<u>6,050</u>	<u>12,353</u>
Total cash and cash equivalents	<u>\$ 240,621</u>	<u>\$ 187,059</u>

ECONOMIC DEVELOPMENT FOR CENTRAL OREGON
NOTES TO FINANCIAL STATEMENTS

3. Certificate of Deposit

As of June 30, 2014, EDCO held a certificate of deposit in the amount of \$81,099, bearing interest at 3.11 percent, which matured December 22, 2014.

4. Fair Value Measurement

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability; in the absence of a principle market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities EDCO has been able to access.

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability that rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (the unobservable inputs should be developed based on the best information available in the circumstances and may include EDCO's own data).

The following tables present EDCO's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2014:

	Assets at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ 81,099	\$ -	\$ -	\$ 81,099

5. Accounts and Grants Receivable

At June 30, 2015 and 2014, accounts receivable were comprised of receivables due within one year from various members for membership dues, grants, and contracts with clients. Management considers all accounts receivable balances to be fully collectible; accordingly, an allowance for uncollectible accounts receivable has not been reflected as of June 30, 2015 and 2014. Accounts receivable balances are considered past due 30 days after invoicing and individual balances are written off to bad debt expense when considered to be uncollectible by management.

ECONOMIC DEVELOPMENT FOR CENTRAL OREGON
NOTES TO FINANCIAL STATEMENTS

6. Employee Retirement Plan

EDCO offers a Simplified Employee Pension Individual Retirement Account (SEP IRA) plan for the benefit of its employees. Under the plan, a percent of eligible gross compensation for each employee is contributed to the account of the employee. An employee must have one year of service with EDCO before they are eligible to participate in the plan. EDCO contributed \$20,649 and \$18,797 to the plan for the years ended June 30, 2015 and 2014, respectively.

7. Leases

As of November 1, 2012, EDCO entered into a 5-year lease contract on its primary office building with one renewal option of five years. Future minimum lease payments under the agreement are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 55,929
2017	57,640
2018	<u>18,827</u>
Total	<u>\$ 132,396</u>

Rental expense for the years ended June 30, 2015 and 2014, was \$48,172 and \$28,881, respectively.

Subsequent to June 30, 2015, EDCO entered into two sublease agreements within its primary office building, each expiring December 31, 2017. Future minimum lease receipts under the new agreements are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 23,408
2017	29,400
2018	<u>15,060</u>
Total	<u>\$ 67,868</u>

8. Related Party Transactions

EDCO purchases goods and services from companies that have members currently on EDCO's Board. None of these amounts were material for the years ended June 30, 2015 and 2014.

ECONOMIC DEVELOPMENT FOR CENTRAL OREGON
NOTES TO FINANCIAL STATEMENTS

9. Economic Dependency

EDCO receives a substantial amount of its operational support from four public agencies (Deschutes County, Jefferson County, and the cities of Bend and Sisters) and two private agencies (Redmond Economic Development, Inc. and Prineville Chamber of Commerce). A significant reduction in the level of this support would have an effect on the programs and activities EDCO would be able to provide to the public. Additionally, a significant decrease in the support level from the region-specific private agencies could endanger EDCO's ability to conduct activities in these regions.

10. Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with EDCO's audited financial statements for the year ended June 30, 2014, from which the summarized information was derived.

11. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

<u>Work Session</u>		Budget 5/31/16			COVA	
<i>(Please Print)</i>						
<u>Name</u>	<u>Agency</u>	<u>Mailing Address</u>	<u>City</u>	<u>Zip</u>	<u>Phone #</u>	<u>e-mail address</u>
SCOTT HONTSMAN	COVA				541-848-7049	shontsman@lynda-bottle-research.com
TOM O'SHEA	COVA				541-593-1000	toshea@desfunders.com
Page #	of	Pages				

FY17 Budget Presentation Executive Summary

CENTRAL OREGON IS PACING AHEAD OF OREGON AND THE NATION FYTD:

(source: STR | Smith Travel Reports)

	Central Oregon	Oregon	United States
Occupancy	+ 9.4%	+ 4.0%	+ 0.2%
Room Revenue	+ 12.3%	+ 9.1%	+ 4.9%
RevPar	+ 10.9%	+ 8.3%	+ 3.3%

CENTRAL OREGON ECONOMIC IMPACTS OF TOURISM:

(source: Dean Runyan Associates 2015 Visitor Impact Study)

Lodging tax revenue	+ 13.6%		
Travel generated employment	+ 6.9% = 8,900 jobs		
Direct travel spending	+ 6.0% = \$791 million		
Total Economic Impacts	+ 4.0% = \$1.03 billion	(Travel Exp. Ind. Earnings Loc./St. taxes)	

FY16 PROGRAM RESULTS:

COVA's FY16 **Adventure Calls** campaign was awarded Travel Oregon's top tourism marketing recognition as winner of the annual **"OUTSTANDING OVERALL OREGON MARKETING PROGRAM AWARD"** at the Governor's Conference on Tourism in April.

OUTSTANDING OVERALL OREGON MARKETING PROGRAM AWARD CRITERIA

Integrated marketing surrounds the visitor throughout the vacation planning process—from dreaming and inspiration, to concrete planning, to booking, visiting and sharing experiences with networks of family and friends. This Travel Oregon award celebrates the overall best in an integrated domestic and/or international marketing program or campaign that attracted visitors to Oregon. Successful submission was based on overall strength of the program and ROI, not on size of budget or level of investment.

The Oregon Tourism Commission, a 9-member Commission appointed by the Governor to oversee Travel Oregon, has unanimously elected Commissioner Alana Hughson as FY17 Chair for a second term.

FY16 METRICS & WEB ANALYTICS:

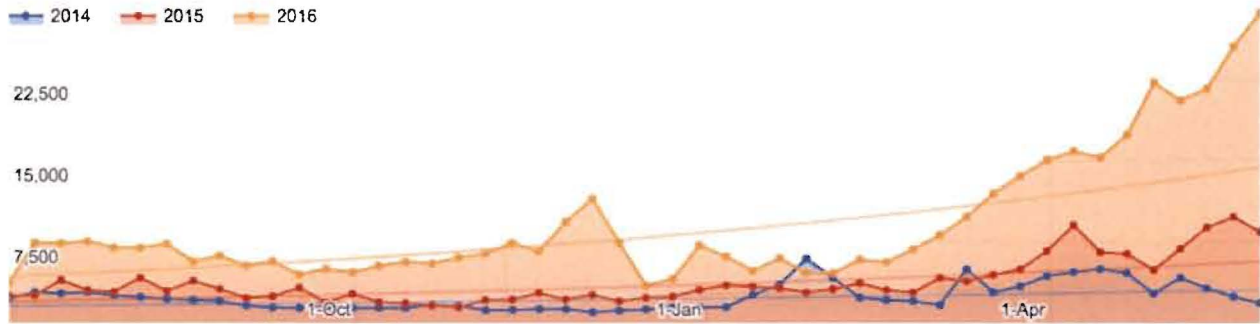
Baseline Growth: The **VisitCentralOregon.com** website has seen significant increases in web traffic YOY, with the most notable growth in California, which is COVA's #1 target market.

Primarily, we want to insure that COVA is achieving a solid increase in our "baseline" – meaning, is COVA *consistently* receiving higher web site traffic than in previous years.

Secondarily, is COVA seeing corresponding "peaks" in web site activity around our specific marketing campaigns (print | digital | social).

VISITCENTRALOREGON.COM

METRICS YEAR OVER YEAR (Web Sessions By Week) | JUL 1, 2015 – MAY 30, 2016



	14/15	15/16	% CHG
Monthly Unique Visitors (average)	14,628	41,048	181%

* As a result of COVA's spring campaign launch, **Unique Sessions in May have exceeded 110,000**

AUDIENCE LOCATION FOR WEBSITE VISITORS | JUL 1 – MAY 30

	14/15	15/16	% CHG
OR – Portland	45,737	88,863	94%
CA – Bay Area	18,872	86,648	359%
CA – Los Angeles	7,395	48,956	562%
WA – Seattle/Tacoma	16,938	33,338	97%
OR – Eugene	7,290	10,961	50%

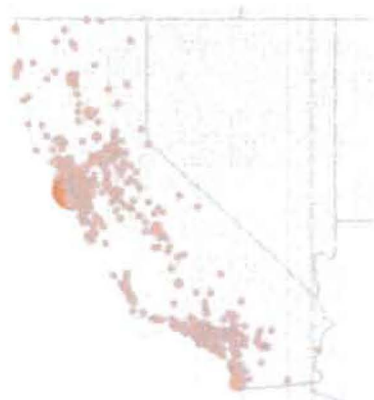
	14/15	15/16	% CHG
Outbound clicks to Members	49,829	104,577	110%

CALIFORNIA-SPECIFIC AUDIENCE GROWTH FROM E-NEWSLETTERS AND DIGITAL REMARKETING

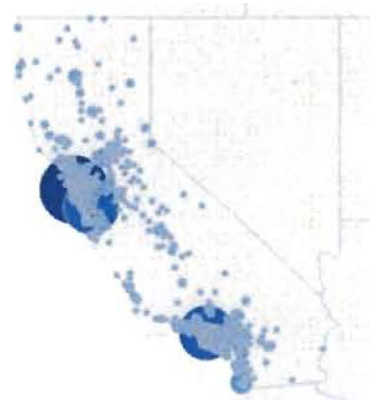
Overall increase in site visitation from **California consumers is +327%** with the largest growth in:

San Francisco	202%	Sacramento	155%
Los Angeles	420%	Sunnyvale	324%
San Jose	761%	Fremont	384%
San Diego	81%	Rancho Cucamonga	898%
Oakland	309%	Riverside	1,104%

FY 14/15



FY 15/16



*Circles in map represent the number of site visitors for a specific city.

SOCIAL MEDIA ENGAGEMENT

RESULTS – JUL 1 – MAY 30:

- Total Facebook Fans 47,627 – 37% increase FYTD
- Post Reach 14,208 – 94% increase YOY, per post (avg.)
- Daily Impressions 19,444 – people per day (avg.)
- Instagram followers 2,211 – Instagram account just launched January 2015
- Twitter followers 4,518 – 7% increase FYTD

Social Media Clicks to COVA Website: 50,271 – 335% increase FYTD

BLOG/STORIES

Inspirational stories and video including example itineraries, trip ideas and “favorite” lists:

- 315 Blog Posts
- 45 individual, 3-minute video blogs produced and posted on VisitCentralOregon.com

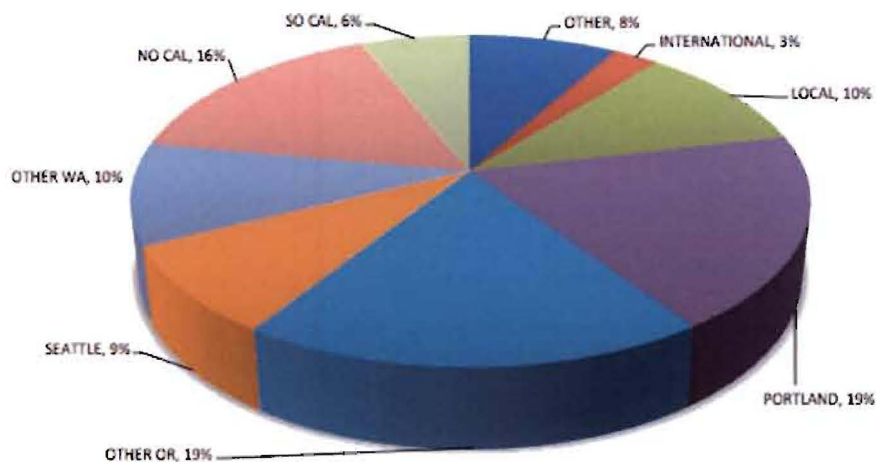
DIRECT CONSUMER ENGAGEMENT

ATTRIBUTABLE DESCHUTES COUNTY LODGING REVENUE FROM VISITCENTRALOREGON.COM:

(source: TravelNet Solutions, Inc.)

Value of clicks to resort partners: \$798,260 (43% of lodging clicks)
 Value of clicks to all lodging partners: \$1,846,344

WALK-IN TRAFFIC BY HOMETOWN – JUL 1, 2015 – MAY 30, 2016



FYTD REGIONAL VISITOR INFORMATION CENTER ENGAGEMENTS:

Walk-In Visitors: 18,553

(Avg. 1,686 walk-in’s monthly – year around with a 90% visitor to 10% local ratio)

PUBLIC RELATIONS

Cultivate Domestic & International Earned Media

FY16 Goal:

- Secure 2:1 match in Earned Media over Paid Advertising

Results:

- \$6.2 MILLION IN EARNED MEDIA FYTD – MORE THAN 6:1 MATCH**

Domestic Earned Media Fiscal Year to Date:

Total Story Placements: 492
 Earned Print Circulation: 2.5 million
 Earned Online reach: 889 million

Tour Operator and Media FAM's hosted by COVA FYTD:

COVA staff manages all aspects of itinerary development, site tours of product, partner hosting of accommodations, attractions, activities and dining. The COVA team also staffs the on-site hosting to all FAM participants while in-market.

BUSINESS	TOUR OP	MEDIA	INT'L	DOMESTIC
Fuldaer Zeitung Spirit of the West Magazine	✓			
Reisblogger-Kollektiv	✓			
Scenic Tours Australia		✓		
Australian Traveller Magazine	✓			
East Valley Tribune	✓		✓	
Hung & Kit Travel Services		✓		
American Vacations		✓		
Jan Doets		✓		
Texas Outside.com	✓		✓	
Fairfax Media	✓			
NW Travel & Life Magazine	✓		✓	
Trek & Mtn. Mag, The Scotsman, Sportsister, Bike Mag, Sidetracked Mag, UK Climbing Mag	✓			
World Tourism Day-Sparkloft Media	✓			
Travel Oregon PR Group	✓		✓	
Journal du Golf	✓			
The Guardian UK	✓			
Southern California Golf Assoc.	✓			
Corning's Gorilla Glass & Samsung Chinese Social Media Influencer	✓			
ALTOUR				
Azumano		✓		
Falcon's Crest, Inc.			✓	
Azumano		✓		
Foothills Travel			✓	
American Express Travel		✓		
Pacific NW Journeys			✓	
American Express Travel		✓		
7 Wonders Film Crew	✓		✓	
Australia Financial Review	✓			
Dive Fish Snow New Zealand		✓		
Common Good Communication	✓		✓	
Globus Group Voyagers, Inc.		✓		
TOTAL	14	17	21	16

FY17 PROGRAM INNOVATION

Move Your Business | Change Your Life

OBJECTIVES

- Develop a fifth pillar to COVA's messaging portfolio to leverage the crossover between leisure visitors to Central Oregon and EDCO's business and industry relocation to the region.
- Support non-stop commercial air service routes with development of the leisure and business sales and marketing partnerships with Central Oregon Air Service Team (COAST).

GOALS

- Support the year-round business and industry diversification potential of Central Oregon provided by tourism marketing and business relocation messaging.
- Generate awareness and qualified lead prospects for Economic Development for Central Oregon.
- Solidify non-stop air service markets with messaging to convey both leisure and business opportunities in Central Oregon as part of the COAST vision.

TACTICS

- COVA and OSU Cascades hospitality department will conduct a joint research project in the fall, to be completed by Jan. 1, 2017. Research will quantify the number of businesses in Central Oregon that were started by people who first discovered the region while on vacation.
- Joint COVA / EDCO marketing initiatives between COVA and EDCO in primary target markets.
- Business Relocation Landing Page on COVA web site with links to EDCO site for business relocation fulfillment.
- Continued leadership on the Central Oregon Air Service Team with annual airline HQ meetings to maintain current routes, increase frequency.
- Display for EDCO and collateral materials in COVA's Regional Visitor Information Center.

GROUP & EVENT MARKETING

OBJECTIVE

Increase visibility and awareness of Central Oregon within the group and events market segment, implementing collaborative regional efforts towards establishing Central Oregon as THE unique and inspiring, outdoor recreation destination for groups, meetings and events.

GOALS

- Disperse peak season activity with off-season group and event business development.
- Creation of meetings/events focused eNewsletter and meetings/events display.
- Lead generation from online RFP and vetted tradeshow opportunities.
- Creation of database/distribution list of qualified market segment leads.

TACTICS

- Expand active engagement in Meeting Professionals International (MPI) - Oregon Chapter, the Oregon Tour & Travel Alliance (OTTA) and the National Tour Association (NTA).
- Produce and distribute monthly meetings/events focused eNewsletter.
 - *Enews in development, building Planner database from MPI shows, distribute post launch of new Meetings & Events page on COVA website.*
- Meetings/events call-to-action display, leveraging regional presence at sporting events and trade shows.
- Content development for Meetings & Events page on VisitCentralOregon.com; including an online RFP Form for lead generation, and venue information with direct links to venue website.

**CENTRAL OREGON VISITORS ASSOCIATION
FY17 APPROVED BUDGET**

	BUDGET FY17	BUDGET FY16	COMMENTS
Support & Revenue Unrestricted			
Deschutes County Transient Room Tax	\$1,633,166.00	\$1,419,331.00	
Marketing - Co-op Investments	\$100,000.00	\$50,000.00	Co-op's finalized during the Media planning process
Membership Dues	\$120,000.00	\$110,000.00	
Pacific Amateur Golf Classic	\$280,000.00	\$275,000.00	Event Production - revenue neutral
Travel Oregon Regional Grant	\$175,000.00	\$175,000.00	Regional Cooperative Tourism Program
Visitor Information Center - Misc. permit sales	\$5,000.00	\$5,000.00	
Credit Card residual	\$7,000.00	\$7,000.00	
Total Revenue:	\$2,320,166.00	\$2,041,331.00	
Expenses			
Advertising & Marketing Expenses			
Destination Marketing	\$1,115,854.00	\$993,306.00	Media Creative Research Production Retargeting
Program Innovation	\$100,000.00	\$107,550.00	Market Activations Air Service Group/Event Dev CO Film
Digital Development	\$60,000.00	\$50,000.00	Web Site Development Video SEO Site Analysis
Industry Representation & Dues	\$10,000.00	\$8,000.00	US Travel WACVB ORLA ODMO IAGTO DMAI
Public Relations / Sales & FAM's	\$50,000.00	\$40,000.00	Travel Shows Media FAM's PR software Research FAM's
Visitor Information Center	\$5,000.00	\$5,000.00	
Visitor Inquiry Fulfillment	\$50,000.00	\$40,000.00	Inquiry fulfillment co-funded with TO Regional Grant
Telephone / Internet	\$9,000.00	\$9,000.00	
Pacific Amateur Golf Classic	\$280,000.00	\$275,000.00	
Travel Oregon Regional Investment Program	\$175,000.00	\$175,000.00	Regional Cooperative Tourism Program
Total Advertising & Marketing Expenses:	\$1,854,854.00	\$1,702,856.00	

**CENTRAL OREGON VISITORS ASSOCIATION
FY17 APPROVED BUDGET**

	BUDGET FY17	BUDGET FY16	COMMENTS
Facilities & Equipment			
Computer Hardware/Software	\$1,000.00	\$1,000.00	
Computer Programming & Support	\$1,000.00	\$1,000.00	
Depreciation	\$4,500.00	\$4,500.00	
Equipment Repair & Maintenance	\$1,000.00	\$1,000.00	
Office lease / CAM's / utilities	\$58,000.00	\$55,000.00	
Total Facilities & Equipment Expenses:	\$65,500.00	\$62,500.00	
Office Administration			
Annual Audit & Accounting	\$16,000.00	\$15,000.00	audit, accounting & payroll services
Credit Card & Bank Fee's	\$8,250.00	\$8,150.00	
Copier / Fax / Scanner	\$5,375.00	\$5,375.00	leased office equipment
Insurance	\$4,250.00	\$4,200.00	D & O and liability
Legal Fee's	\$500.00	\$500.00	
Office Supplies	\$3,500.00	\$5,500.00	
Total Office Expenses:	\$37,875.00	\$38,725.00	
Personnel			
Wages & Salaries	\$444,900.00	\$430,000.00	
Payroll Taxes	\$41,000.00	\$35,000.00	
Simple IRA Plan	\$13,287.00	\$14,400.00	
Employee Health Benefits	\$62,750.00	\$57,850.00	
Total Personnel Expenses:	\$561,937.00	\$537,250.00	
Net Asset Reserve Marketing Investment	-\$200,000.00	-\$300,000.00	