



AGENDA

SHERWOOD BUDGET COMMITTEE March 31, 2014

**Sherwood City Hall
22560 SW Pine Street
Sherwood, OR 97140**

6:30 BUDGET COMMITTEE MEETING

- 1. CALL TO ORDER – Vice Chair Carkin**
- 2. ROLL CALL – Julie Blums**
- 3. APPROVE JANUARY 27, 2014 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES**
- 4. NEW BUSINESS**
 - A. Introduce New Committee Member Andy McConnell – Julie Blums**
 - B. Election of Officers – Vice Chair Carkin**
 - C. FY13-14 YTD Budget to Actual Update (Exhibit A) – Julie Blums**
 - D. Update on Appropriation Transfer Request – Julie Blums**
 - E. Review of Oregon Budget Law (Exhibit B) – Julie Blums**
 - F. Review of Budget Schedule (Exhibit C) – Julie Blums**
- 5. ADJOURN**



**SHERWOOD BUDGET COMMITTEE MEETING
January 27, 2014 MINUTES**

1. **CALL TO ORDER:** Chair Ivonne Pflaum called to order the January 27, 2014 Sherwood Budget Committee Meeting at 6:30 PM.

Chair Pflaum asked Finance Director Julie Blums to conduct the roll call.

2. **COMMITTEE MEMBERS AND COUNCIL PRESENT:** Chair Ivonne Pflaum, Vice Chair Tim Carkin, Steve Munsterman, Brian Stecher, Lynette Waller, Council President Linda Henderson, Councilors Bill Butterfield and Matt Langer.

ARRIVALS AFTER MINUTES ADOPTED: Councilors Robyn Folsom and Dave Grant

COMMITTEE MEMBERS ABSENT: Mayor Middleton, Kim Rocha-Pearson, Neil Shannon, Councilor Krisanna Clark

3. **APPROVE OCTOBER 21, 2013 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES:** Lynette Waller moved to approve and Council President Henderson seconded. Chair Pflaum asked for Discussion. There was no discussion and the minutes were approved by all those in attendance at the time of the vote.

4. **NEW BUSINESS**

- A. **FY13-14 YTD Budget to Actual Update (Exhibit A)** – Julie Blums reported that the chart has been updated through December 2013. Julie has been working with all of the managers going through their current year projections and all the funds are on track and there does not seem to be anything that could indicate an issue. The only thing of note is our Street Capital Fund had some bills, from our downtown streetscapes, fold into this year from last Fiscal Year and we will bring forward a Supplemental Budget for this sometime the end of February or first of March 2014. This will not be the only item on the Supplemental and there will most likely be one in Telecom as well.

City Manager Joe Gall pointed out that in the General Fund the item that stands out is in Community Development revenues. We are already at 128% and only half way through the year which is an indication that Community Development is busy. They bumped their projections up during the budget process because we thought things were turning around and in fact they are and revenues are up and the staff is very busy with this increased development activity. Julie pointed out that this is true for the SDCs as well from what had originally been budgeted, for the same reason.

Chair Pflaum asked about the General Construction Fund revenue line that is at 266%. Julie stated that we had an agreement with the church by Stella Olsen and she believes that they paid off their lease agreement for the parking lot.

President Henderson asked about the Storm Fund Capital and that it is at 306% and Julie responded that it was due to the increase in SDCs revenues. She also asked where she could find Park Revenues or SDCs and Julie indicated that it would be in the General Construction Fund in the Infrastructure Development line that shows we are at about 60% of what was budgeted. Julie stated that she expected that the numbers would change quite a bit when we run them for the end of January 2014 due to the deferred SDCs. The update should show the SDCs increasing even more and it will also show what the projections are, after review with the department managers.

Bill Butterfield requested that the line items are better defined so they understand more exactly where the numbers are coming from as far as infrastructure, SDCs etc. Julie said she would create a list to provide assistance.

Julie announced the next line item of business to provide an opportunity to ask questions of our Public Works Director, Craig Sheldon.

B. Parks Maintenance Plan – Craig Sheldon gave an overview of the plan.

Brian Stetcher noted that there was some information that did not come out of Craig's plan but it came out in the Mayor's article in the last Archer. The Mayor did not quote by name but indicated that according to the Public Works Director the cost of maintaining trails was \$40K per mile per year. Specifically noted was the Cedar Creek Trail, once it is built. Craig indicated that it is in fact about \$4K-\$5K per mile per year. Right now we are spending about \$20K-\$25K per year overall maintaining the trails.

Chair Pflaum asked if there was anything that we are doing completely on any of the parks. Craig stated that the priority is based upon what is coming due first based upon life expectancy, safety issues and risk factors. Chair Pflaum then asked, since it is such a large expense to maintain the parks, we will see a more detailed breakdown. Craig stated that the detail was in the Parks maintenance plan.

Julie announced the next line item of business is a summary sheet of the Facilities Maintenance Plan and stated that the booklet is not quite complete at this time.

C. Facilities Maintenance Plan (Exhibit B) – Craig Sheldon said he felt comfortable with the numbers and gave a snapshot overview of the plan.

Chair Pflaum asked a question regarding the roofs and their life span being about 30 years. Craig reviewed the life spans of our building roofs and they all ran around 20 plus years however he said they were trying to get the most out of them through repairs. Craig also mentioned assets such as parking lots, siding, Public Works painting and other building maintenance items. This will be lined out in more detail in the completion of the plan.

It was then asked if in both plans, the Parks and Facilities, the plan indicates that year after year we would spend more money than we have been spending. Craig responded yes and this is just the list and more detail behind will be included in the full plan and upcoming budget.

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Councilor Folsom asked what was being done regarding having a specific place for funds that are being put aside for major and more costly Parks and Facilities requirements, maintenance and replacement. Julie stated that this action is in progress.

Joe Gall stated that there is a challenge every year in how to fund continuing services the city provides and to figure out how to put money away for the more long term requirements and to pay for those larger expenditures such as turf and equipment replacement. There is always the desire to fund the more immediate needs versus long term needs and putting the money where it cannot be “raided or easily touched” for more short term situations.

It was asked if there was a line item for the maintaining of the Cultural Art Center when it is complete. Julie Blums responded that the Community Center will have its own budget and be incorporated into the Community Services Division.

Councilor Butterfield then asked Julie if we have been putting aside some money every year so we can understand the difference between what we have and what we need. Do you know how much money that is? Julie responded that depending on the fund such as the Water Fund. For 2 years we have put aside \$25K each year. Bill then stated that this is what is confusing to him because this is the Water Fund and what does the Water Fund have to do with the Facilities, Parks or Cultural Center Fund? In the future it should be designated and stated what the funds are actually for and not just, for lack of another word “stashing” funds in places and get it out into the open so we can look at a piece of paper and say yes, there is our park fund.

Julie stated that we need to establish reserves in the funds in which we are going to pay for those replacements so we have water assets that are on these lists for equipment when Craig gives us the equipment replacement list, that is why we have money in the Water Fund and we have Storm assets and we also have money in the General Fund of \$197K. \$100K of that we had originally set aside for new financial software but it is still just earmarked. Rather than just setting aside money each year Julie is working on a plan to do that in a more permanent way than just one little line item in our budget so it can be more transparent and we can keep track of how much we are putting there and what it is for. Councilor Butterfield then reiterated will it become more obvious to me if I want to find out what we have set aside for Park Maintenance as right now I cannot find that anywhere, rather than someone telling me that it is in an overall line item. Julie responded yes, it is in the plan to provide that kind of detail in the future.

Chair Pflaum then said she recalled that there are certain funds that cannot be touched or shared. To make this more easily understood Julie stated what she is thinking about doing, relating it to the Enterprise Funds for now rather than the General Fund. Right now we have Operations and Capital departments in each of our Enterprise Funds and what Julie would like to do is create a third one called Asset Management Department. That is where we will put the reserve funds. Each of the Funds Water, Storm, General Fund and Parks will have their own Asset Replacement; so in the future we will see Operations, Capital and Asset Management.

Chair Pflaum asked if there were any other questions or discussion.

- D. Review Financial Model (Exhibit C) – Julie Blums and Joe Gall.** We talked to you in October about working on a financial model to help us with projections and have a 3 to 5 year financial

forecast. Joe Gall, Tom Pessemier and I worked with our audit firm to create the beginnings of a model for us to use for assumptions and projecting out 3 to 5 years. What I have given you in Exhibit C says "Example" only. It is a work in progress and it is the very base that we have worked on at this point and we will be expanding it. There are 3 pages to this model. The first page is where we can put in our assumptions about personal services i.e. what is our COLA, health insurance rate change going to be and those different areas so we can work that through. We can then change those numbers and see how it will affect the budget the projections. This then rolls through to the next page which has a 4 year history and a 3 year projection. When we change the projections it will then change those numbers for us. Again, this is the very base and we will be expanding it, especially in the Personal Services area that is our largest expense to the city. Page 2 feeds page 3, which is different charts and again we are refining these based upon which works best for us. We use to have many spreadsheets and now all of the information is linked together. You will see more of this in the future.

Joe Gall stated what he wants and what he believes Council wants is when we are looking out on that 3 to 5 year horizon, with better and more sophisticated tools, we can look at different assumptions. We did not have that until now and our auditing firm has been very helpful putting this together for us. As the auditor for TKW Rob travels around the state and sees different cities financial models and we are trying to choose what will work best for us. So you as our budget committee can say what happens when we change this assumption what does that look like? In doing the projections we are trying to make an informed choice looking at a crystal ball. This is a more sophisticated crystal ball. Joe and Julie are very excited about this.

- E. **Discuss Budget Schedule for FY14-15 (Exhibit D)** – Julie Blums brought up a few options to get more public participation to give their input. The first suggestion or option is to do the budget on a Saturday. If we did a Saturday we would not do the entire process in one day. It would be a 9 AM to 2 PM meeting serve lunch then have the public comment at the end. There would then be a follow up meeting later in the week in the evening to do follow up questions then have a final approval of the budget. This would allow the budget review to happen a little later in the year so we can have better projections and the farther into the year we get the more clear the crystal ball gets. I am looking for feedback.

Dave Grant asked what if this date does not work but believes staff has already answered that question. It was asked what happened last year and Julie stated we took 3 hours the first night and then the second night we were done in a little over an hour to get approval. There was an option for a third meeting. Bill Butterfield stated this will not happen this quickly this year. Chair Pflaum explained that she does not agree with the weekend meeting and it is too important to have it go too quickly. She pointed out that we do have the meetings taped and they are out on the website for the public to listen so they can then formulate their questions and pose them in person or perhaps via email or call council. There are so many ways things can be communicated.

Steve Munsterman stated that he thinks, even though it might not be a standard approach, it might be a good idea to have a Saturday however lunch in itself ends up being a second meeting so 9 to 2 with a short lunch. It could give the public the ability to participate but he did not know if the public participation would increase due to a Saturday meeting.

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Brian Stetcher does not mind Saturdays and he would like to see the first 4 bullets covered as soon as possible to have time to review. Julie stated her goal is to have the information to them 2 weeks before the meeting.

Tim Carkin does not believe there would be added participation and feels there needs to be 3 meetings.

Lynette Waller would like to see a compromise of a 9AM to 12PM meeting then a 2nd meeting follow up.

Julie suggested one 3 hour meeting on either an evening or Saturday then a follow up meeting or the other way around.

Joe was looking at a hybrid as well suggested a regular May 7th evening meeting to start the process then instead of a 14th meeting have a Saturday the 17th meeting. He is curious to see if we would get greater participation. There would then be time for any follow up meeting(s). Julie is looking at this as a Finance Director to get the public involved and not wait till June 30th and have a last minute approval.

Robyn Folsom said she could not do a 5 hour meeting on Saturday but would agree with a 3 hour meeting.

Bill Butterfield stated we need 3 meetings and a Saturday would be good. He does not care how it ends up we just need 3 meetings.

Steve Munsterman stated that most people would not care and especially if we double the Police Department they would say, "yes hooray". If we cut the PD in half you would need the high school gym. If it is the same from year to year and we are not changing things up there is not a lot to get people excited.

Chair Pflaum stated that if no one shows up for the most part we are doing a good job. If someone is disagreeing they will show up. They get fired up about the water, PD staffing etc.

Julie said from the feedback she is hearing is to have an evening meeting, shorter Saturday and then another evening meeting. May 17th is the only Saturday we have available so the agreed upon dates would be:

- May 14th Evening
- May 17th Saturday
- May 21st Evening (if needed)

Other suggestions:

- a. Tell the public how they can become engaged and have their concerns heard. Get the information out regarding the process in the Mayor's Article to get citizen input.
- b. Provide a name and email address to e-mail questions
- c. Put a defined schedule together.
- d. Buy article in the Gazette and do it in a way that is attractive to people but not replace the legal notice that is still required.

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Julie would like to try something different and perhaps get greater participation. If having a Saturday meeting in the mix helps that would be good and if not we can always go back to the original schedule or something different.

Julie went over a few other housekeeping items:

- There is a Budget Law meeting by the Department of Revenue on 2/20/14, 9AM to 2:30 PM at Clackamas Community College.
- The Audit is almost wrapped up and will be done by the end of this week to present to Council
- There are 8 applicants for the one Budget Committee Position. Julie and Mayor Middleton are reviewing

Joe Gall anticipates having a March meeting for training and Julie will have an updated budget to actual by then.

With no other committee member comments, the meeting was adjourned.

5. ADJOURN

Chair Pflaum adjourned the meeting at 7:40 PM.

Submitted by: Julie Blums, Finance Director

01/27/14 Minutes approved on: _____

FY 2013-14
Budget to Actual
July 1, 2013 - February 28, 2014
67% of the Fiscal Year has Elapsed

General Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 2,623,551	\$ 2,964,868	
<i>Revenue</i>			
Admin	7,978,197	6,403,422	80%
Community Development	516,498	726,117	141%
Public Safety	88,500	47,550	54%
Community Services	1,015,318	801,250	79%
Public Works	239,800	149,535	62%
Total General Fund Revenue	9,838,313	8,127,874	83%
<i>Expenditures</i>			
Admin	2,471,258	1,793,785	73%
Community Development	984,885	765,791	78%
Public Safety	3,516,877	2,353,434	67%
Community Services	1,254,051	796,887	64%
Public Works	1,604,713	944,287	59%
Total General Fund Expenses	9,831,784	6,654,185	68%
<i>Net Change in Fund Balance</i>	6,529	1,473,689	
Ending General Fund Balance	\$ 2,630,080	\$ 4,450,619	

General Construction	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 874,644	\$ 722,727	
<i>Revenue</i>			
Intergovernmental	-	105,659	
Infrastructure development	614,000	675,946	110%
Fines, interest and other	27,514	74,075	269%
Transfers in	205,000	95,649	47%
Total Gen Const Fund Revenue	846,514	951,329	112%
<i>Expenditures</i>			
Personal Services	47,493	26,649	56%
Materials & Services	22,219	18,083	81%
Capital Outlay	1,064,116	311,586	29%
Debt Service	48,104	44,564	93%
Total Gen Const Fund Expenses	1,181,932	400,882	34%
<i>Net Change in Fund Balance</i>	(335,418)	550,448	
Ending General Construction Fund Balance	\$ 539,226	\$ 1,348,799	

Debt Service	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 6,615	\$ 8,432	
<i>Revenue</i>			
Taxes	892,000	892,000	100%
Fines, interest and other	-	829	
Total Debt Service Fund Revenue	892,000	892,829	100%
<i>Expenditures</i>			
Debt Service	891,968	284,559	32%
Total Debt Service Fund Expenses	891,968	284,559	32%
<i>Net Change in Fund Balance</i>	32	608,269	
Ending Debt Service Fund Balance	\$ 6,647	\$ 616,701	

FY 2013-14
Budget to Actual
July 1, 2013 - February 28, 2014
67% of the Fiscal Year has Elapsed

Street Operations Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,159,311	\$ 1,284,920	
<i>Revenue</i>			
Intergovernmental	1,079,439	775,513	72%
Charges for services	540,253	393,844	73%
Infrastructure development	1,500	17,554	1170%
Fines, interest and other	6,272	4,289	68%
Total Street Ops Fund Revenue	1,627,464	1,191,200	73%
<i>Expenditures</i>			
Personal Services	322,706	211,711	66%
Materials & Services	1,222,856	900,145	74%
Capital Outlay	7,000	-	0%
Total Street Ops Fund Expenses	1,552,562	1,111,857	72%
<i>Net Change in Fund Balance</i>	74,902	79,343	
Ending Street Operations Fund Balance	\$ 1,234,213	\$ 1,352,238	

Street Capital Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,342,522	\$ 2,195,410	
<i>Revenue</i>			
Charges for services	50,000	35,177	70%
Infrastructure development	1,526,000	1,082,720	71%
Fines, interest and other	6,266	9,010	144%
Total Street Cap Fund Revenue	1,582,266	1,126,907	71%
<i>Expenditures</i>			
Personal Services	1,075	38,374	3570%
Materials & Services	435	30,680	7053%
Capital Outlay	38,490	29,176	76%
Transfers Out	372,000	216,198	58%
Total Street Cap Fund Expenses	412,000	314,429	76%
<i>Net Change in Fund Balance</i>	1,170,266	812,478	
Ending Street Capital Fund Balance	\$ 2,512,788	\$ 3,193,947	

Water Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 5,495,329	\$ 6,320,588	
<i>Revenue</i>			
Operations	4,381,792	3,265,376	75%
Capital	2,175,000	320,304	15%
Total Water Fund Revenue	6,556,792	3,585,680	55%
<i>Expenditures</i>			
Operations	4,873,661	2,487,432	51%
Capital	620,244	5,260	1%
Total Water Fund Expenses	5,493,905	2,492,692	45%
<i>Net Change in Fund Balance</i>	1,062,887	1,092,988	
Ending Water Fund Balance	\$ 6,558,216	\$ 7,413,576	

FY 2013-14
Budget to Actual
July 1, 2013 - February 28, 2014
67% of the Fiscal Year has Elapsed

Sanitary Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 3,401,711	\$ 3,474,815	
<i>Revenue</i>			
Operations	558,500	402,910	72%
Capital	575,805	58,004	10%
Total Sanitary Fund Revenue	1,134,305	460,914	41%
<i>Expenditures</i>			
Operations	558,614	282,608	51%
Capital	1,221,143	676,853	55%
Total Sanitary Fund Expenses	1,779,757	959,462	54%
<i>Net Change in Fund Balance</i>	(645,452)	(498,548)	
Ending Sanitary Fund Balance	\$ 2,756,259	\$ 2,976,267	

Storm Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,557,395	\$ 1,948,537	
<i>Revenue</i>			
Operations	1,539,190	1,103,776	72%
Capital	38,814	253,866	654%
Total Storm Fund Revenue	1,578,004	1,357,642	86%
<i>Expenditures</i>			
Operations	1,615,503	541,999	34%
Capital	750,000	17,820	2%
Total Storm Fund Expenses	2,365,503	559,819	24%
<i>Net Change in Fund Balance</i>	(787,499)	797,823	
Ending Storm Fund Balance	\$ 769,896	\$ 2,746,360	

Telecom	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 6,351	\$ 63,204	
<i>Revenue</i>			
Charges for services	396,000	187,960	47%
Fines, interest and other	250	250	100%
Total Telecom Fund Revenue	396,250	188,209	47%
<i>Expenditures</i>			
Personal Services	44,055	29,261	66%
Materials & Services	155,512	114,293	73%
Debt Service	150,000	-	0%
Total Telecom Fund Expenses	349,567	143,554	41%
<i>Net Change in Fund Balance</i>	46,683	44,655	
Ending Telecom Fund Balance	\$ 53,034	\$ 41,950	

FY 2013-14
Budget to Actual
July 1, 2013 - February 28, 2014
67% of the Fiscal Year has Elapsed

URA Operations Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 3,728,269	\$ 3,778,239	
<i>Revenue</i>			
Taxes	3,354,100	3,543,337	106%
Fines, interest and other	12,000	16,177	135%
Sale of fixed assets	160,000	-	0%
Total URA Ops Fund Revenue	3,526,100	3,559,514	101%
<i>Expenditures</i>			
Personal Services	79,480	32,921	41%
Materials & Services	182,624	34,477	19%
Debt Service	1,584,335	1,121,090	71%
Transfers Out	3,371,126	372,724	11%
Total URA Ops Fund Expenses	5,217,565	1,561,212	30%
<i>Net Change in Fund Balance</i>	(1,691,465)	1,998,302	
Ending URA Operations Fund Balance	\$ 2,036,804	\$ 5,852,031	

URA Capital Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,209,953	\$ 508,904	
<i>Revenue</i>			
Fines, interest and other	-	2,181	
Transfers in	3,588,126	588,923	16%
Issuance of long-term debt	2,601,112	-	0%
Total URA Cap Fund Revenue	6,189,238	591,103	10%
<i>Expenditures</i>			
Personal Services	167,218	60,894	36%
Materials & Services	105,796	59,923	57%
Capital Outlay	5,699,224	925,482	16%
Transfers Out	-	25,623	
Total URA Cap Fund Expenses	5,972,238	1,071,923	18%
<i>Net Change in Fund Balance</i>	217,000	(480,819)	
Ending URA Capital Fund Balance	\$ 1,426,953	\$ (55,779)	

Review of Oregon Budget Law for FY14-15

General operating contingency

An estimate for general operating contingency may be included in any operating fund. The estimate is based on the assumption that operations may necessitate spending during the year on items that cannot be specifically identified at the time the budget is being prepared.

Each operating fund (each fund from which operating expenses are paid) is allowed one appropriation for a general operating contingency. A non-operating fund cannot have an appropriation for a contingency.

The contingency estimate must be reasonable, based on past experience, and consistent with the purpose of the particular fund involved. It cannot be made in place of an estimate for expenditures which are known to be necessary and can be anticipated. It must not be used to cover up improper or loose budgeting practices. It must not be used as a “savings account” in which to sequester excess revenues.

There is no statutory limit on the amount which may be budgeted and appropriated for general operating contingency. However, the amount which may be transferred from contingency by resolution over the course of a year is limited to 15 percent of the amount originally appropriated in the fund. Transfers which in total exceed 15 percent of the original appropriation may be made only after adopting a supplemental budget for that purpose.

Reserved for future expenditure

A reserve for future expenditure is a line item requirement which identifies funds to be “saved” for use in future fiscal years.

Since the initial intent when the budget is adopted is not to spend the amount reserved for future expenditure, do not include it in the resolution or ordinance making appropriations. If the need arises during the fiscal year to spend this money, a supplemental budget may be adopted to appropriate the expenditure.

Unappropriated ending fund balance

Budgeted requirements may include an unappropriated ending fund balance. The purpose of an unappropriated ending fund balance is to provide the local government with a cash or working capital balance with which to begin the fiscal year following the one for which this budget is being prepared.

FY14-15 Budget Process

Due Dates	Activity
2/18/14	Approve Resolution appointing Budget Officer
3/4/14	Approve Resolution appointing new Committee Member
3/31/14	Budget Committee Meeting & Officer Election
4/25/14	Budget to the printers
5/2/14	Distribute Proposed Budget to Management and Budget Committee
5/14/14	1 st Budget Committee Meeting – Wednesday evening 6:00-9:00
5/17/14	2 nd Budget Committee Meeting – Saturday morning 9:00-12:00
5/21/14	3 rd Budget Committee Meeting if needed – Wednesday evening starting at 6:00
6/17/14	Public Hearing and adoption of the budget
6/30/14	Final Budget to the printers
7/7/14	Adopted Budget distributed to Budget Committee