



AGENDA

SHERWOOD BUDGET COMMITTEE

May 14, 2014 6:00 – 9:00 pm

Sherwood City Hall
22560 SW Pine Street
Sherwood, OR 97140

1. **CALL TO ORDER – Chair Carkin**
2. **ROLL CALL – Julie Blums, Finance Director**
3. **APPROVAL OF MARCH 31, 2014 MINUTES – Chair Carkin**
4. **NEW BUSINESS**
 - A. **RECEIVE BUDGET MESSAGE – Joseph Gall, City Manager**
 - B. **GENERAL FUND PRESENTATION**
 1. **General Fund Budget Overview (Exhibit A) – Julie Blums and Joe Gall**
 - a. **Review One Time Expenditures**
 - b. **Review Requests not Included in the Proposed Budget**
 - c. **Review the Impact of the Proposed Budget on Future Years**
 2. **Reports from the Directors**
 - a. **Community Development Director, Julia Hajduk**
 - b. **Community Services Director, Kristen Switzer**
 - c. **Police Chief, Jeff Groth**
 - d. **Public Works Director, Craig Sheldon**
 - e. **Administration – Joe Gall, Julie Blums, and Brad Crawford, IT Director**
 3. **Committee Discussion and Questions – Chair Carkin**
 - C. **LONG TERM DEBT REVIEW (Exhibit B) – Julie Blums**
 - D. **PUBLIC HEARING ON STATE SHARED REVENUE**
 - E. **PUBLIC COMMENT**
 - F. **RECESS UNTIL Saturday, May 17, 2014 9:00 am – 12:00 pm, City Hall Community Room**



**SHERWOOD BUDGET COMMITTEE MEETING
March 31, 2014 MINUTES**

1. **CALL TO ORDER:** Vice Chair Tim Carkin called to order the March 31, 2014 Sherwood Budget Committee Meeting at 6:30 PM.
2. **COMMITTEE MEMBERS AND COUNCIL PRESENT:** Vice Chair Tim Carkin, Andy McConnell, Steve Munsterman, Kim Rocha-Pearson, Neil Shannon, Lynette Waller, Mayor Middleton, Councilor Krisanna Clark, Councilors Robyn Folsom, Matt Langer, Council President Linda Henderson and Councilor Bill Butterfield.

COMMITTEE MEMBERS ABSENT: Brian Stecher and Councilor Dave Grant

CITY STAFF PRESENT: City Manager Joe Gall, Finance Director Julie Blums, Assistant City Manager Tom Pessemier

3. **APPROVE JANUARY 27, 2014 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES:** Steve Munsterman moved to approve, Matt Langer seconded and all approved. Council President Linda Henderson and Councilor Bill Butterfield arrived after the minutes were approved.
4. **NEW BUSINESS**

A. Introduce New Committee Member Andy McConnell

Julie Blums introduced Andy McConnell and gave a quick summary of his background. Andy McConnell was chosen out of eight candidates by Julie Blums and Mayor Middleton.

B. Election of Officers – Vice Chair Carkin

1. Chair:
 - a) Tim Carkin asks for nominations
 - b) Matt Langer nominates Neil Shannon; Neil Shannon declines the nomination
 - c) Bill Butterfield motions to appoint Tim Carkin; Matt Langer seconds and all approved
2. Vice Chair:
 - a) Matt Langer nominates Steve Munsterman; Steve declines the nomination
 - b) Neil Shannon nominates Lynette Waller; Krisanna Clark seconds and all approve

Council President Linda Henderson arrived after the election of officers was complete.

C. FY13-14 YTD Budget to Actual Update (Exhibit A)

Julie Blums gave an overview of the FY13-14 YTD Budget to Actual Report noting areas needing an appropriation transfer.

D. Update on Appropriation Transfer Request

Julie Blums reviewed items to be brought forward in an Appropriation Transfer Request. We do not need to do a full supplemental budget because we have appropriation authority in other categories in the same funds. We just need to transfer appropriations between categories:

1. Street Capital Fund: We budgeted for just a couple of small projects this year and it turns out we have done several large projects; TSP update and Adams Avenue North. What we need to do is a transfer between line items to cover the cost of those two projects.
2. Telecom Fund: The redundancy work that was budgeted in FY12-13 was not completed and rolled over into FY13-14 therefore we need to rollover money and put it in FY 13-14 budget to cover the rest of it. Additionally there was equipment that needed to be upgraded in order to support some new customers. The new customers will increase our revenue approximately \$100,000 annually.
3. General Fund: We have not gone over budget yet, but the projections look like we most likely will in a couple of areas.
 - a. Legal Costs: Special projects, different committees, charter review and other items that we had not anticipated when we put the budget together last year. Mayor Middleton asked what we have spent in legal costs so far this year. Julie stated that what we are projecting is about \$100,000 over what we budgeted for in administration.
 - b. Transfer to the General Construction Fund: We had budgeted to transfer \$50,000 for turf replacement, but at the end of FY13 we actually had \$70,000 in turf replacement funds to transfer. It has all been transferred to the general construction fund so that it is earmarked and not in the general fund anymore.
 - c. Computers: Last time we bought computers we did a 5 year lease, but this time we took a look at leasing vs buying. It was found that it was a better deal to buy them outright; we saved about \$7,200 in interest costs by doing that. In the budget we had only allocated enough for the first year leases, but instead we purchased them outright so next year we will not have a lease payment in the budget.
 - d. Camcorders for recording public meetings paid for by PEG fees that we use for public access
 - e. Building Department had a large increase in development activity; contracted services for plumbing inspections are much higher than anticipated (we don't have a plumbing inspector on staff) as well as work on private development projects.
 - f. PD Operations Review: This is an optional item that has been requested by Council. Council has the final decision on this item, but we have put money in the budget to start that this year; it can either come out or can be moved to next year.

Lynette Waller asks about the total costs. Julie does not have one because projections have been changing daily, but she will probably know by Friday when she puts the final budget documents together.

Kim Rocha-Pearson had a couple of questions: On General Construction we are only running about 34% of our budgeted expenses, is that because there are going to be bigger projects that are going to happen in the next month or two? Julie responds, there are some projects coming, we have the field lights and we had budgeted money for the majority of the turf replacement project in this FY and actually they got it done last FY so we will recognize a savings. Kim Rocha-Pearson has the same question regarding the Debt Service. Julie responds with that Debt Service will come out to zero; we just have not received our final bill which will come in June.

Neil Shannon clarifies most of these will be transfers within funds rather than expenditures, so these are moneys that are already allocated; we are just moving them from one allocation to another allocation.

- E. Review of Oregon Budget Law (Exhibit B)** – Julie Blums stated that when they went to the budget law training the state was very careful to say that they didn't change anything they just clarified some things this year, but the "clarifying" has changed a lot. Changes were made to how we handle contingency and ending fund balance.

Contingency: In the past anything left at the end of the year; the difference between revenue and expense was considered contingency and our goal has been to be at 20% of our revenue. Now they have clarified and said that contingency should not be everything left it should truly be contingency; you don't ever plan to spend every dollar you have it should be treated like contingency like you would on a project, you have a contingency amount and the difference will go into a new line item called "reserved for future years (RFY)." So it's the same money we're just splitting it two ways. The Reserved for Future Years can still be used if we need to throughout the year, it just requires a full supplemental; we cannot do an appropriation transfer if we need to use those funds, whereas with contingency you can.

1. Julie's recommendation is that we put 5% of our money into contingency and the remaining 15%+ into the Reserve for Future Years.
2. Robyn Folsom clarifies that our policy has been at 20% in the past but now we are at about 31%, so unless we choose to appropriate some of that 31% in this year's budget to specific projects we would likely have more than 31%.
3. Joe Gall clarifies that contingency can be done without supplemental to utilize those funds, but if we wanted to use the 15% or higher it would have to go through the full supplemental process.
4. There was discussion regarding needing to review our policy once we have come to a decision, but that the total of the two numbers should still be at 20%, we will just need to reallocate how much we want in contingency vs. RFY.
5. Neil Shannon states that 5% is roughly \$500,000, so each percent is about \$100,000 and so currently we have got about \$3 million, so even if we were to hold for reserve the full 20% you're still talking a contingency fund of over a million dollars. So he feels that we should stay with the reserve at 20% and use the extra.
6. Julie clarifies that she is proposing that we have \$500,000 for contingency and \$2.5 million for reserve funds
7. Neil Shannon agrees with Julie
8. Julie states we can work on this policy in the upcoming year, but we do not have the time change it before this budget year.
9. Discussion regarding which fund is easier to get at. Tim Carkin considers the contingency fund a "rainy day fund", which is the easier of the two to use and should be set at a fixed percentage and no more and stock the excess away for longer term in the RFY. Assuming that the excess does not grow to excessive proportions, he feels that this will keep everything fiscally responsible and prevents the excess in one year.
10. Bill Butterfield asks what we are going to do with the excess if we have it at the end of the year. Julie responds that it will go into RFY.
11. Linda Henderson clarifies that Julies recommendation for RFY is a function of the general fund budget, so if the general fund drops, the RFY will also.
12. Discussion regarding the motivation of the state for making this requirement and under what circumstances you may need in order to use RFY (any) vs. Unappropriated Ending Fund Balance (natural disaster). RFY is "in the middle"
13. Julie states she wants to work on setting goals for the funds, but the operational funds are a little different in how they function; in the capital funds there is no contingency it is all RFY because you should know what you are going to spend. We need to *really*

make sure we hit our target this year. Capital is difficult because we plan to complete projects by certain dates, but sometimes things roll over and this is going to tie our hands a little bit with that and make it more difficult if we do have projects that roll over, but it's not insurmountable by any means.

14. Discussion regarding the need to make sure we have enough in reserves for our future needs and making sure that we are maintaining our assets that we currently have.

Julie wants to remind members to not talk about budget with anyone outside of this room; all budget conversations by the Committee members are required to happen in a public forum. If you have any questions please email Julie and she will respond to everyone in the group with the answer.

F. Review of Budget Schedule (Exhibit C) – Julie Blums

1. Budget going to printers on April 25th
2. Budget distributed to members on May 2nd
3. First budget meeting May 14th from 6-9pm
4. Second meeting May 17th 9am-12pm
5. If needed, Third May 21st 6-When we end
6. Hand out of Bill Butterfields's request for a list of what kinds of things go into each of the budget categories

Joe Gall recognizes Julie with her new Oregon Municipal Finance Officers certification from OMFOA. Julie did this by choice and it is not something that all finance directors receive; she has been great about getting continuing education.

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

5. ADJOURN Meeting adjourned at 7:05 PM

Submitted by: Julie Blums, Finance Director Minutes approved on: _____

TO: Budget Committee

FROM: Julie Blums, Finance Director

SUBJECT: City Manager Proposed Budget, General Fund Budget Overview

The purpose of this memo is to update the Budget Committee on the proposed General Fund budget from four reference points:

1. Presenting a balanced budget to the Budget Committee
2. One time expenditures included in the Proposed Budget
3. Department budget requests that are not included in the Proposed Budget
4. The impact of the Proposed Budget on future years

BACKGROUND

Balanced Budget

Oregon Budget Law requires that Council adopt a balanced budget for each budget cycle. By law a balanced budget simply means total sources are greater than total uses. Sherwood takes a stricter approach to the term “balanced budget”. For us a balanced budget means that total operating revenue is greater than operating expenses. The budget that is being presented to the Committee tonight accomplishes both of these interpretations.

Department heads were asked to assess their budget needs for FY14-15. Once all of these needs were compiled, it was apparent that total operating revenue was not going to cover the total operating expenses requested. At this point the Directors and the City Manager worked together to decide what items were the most important to be included and what items could be deferred or simply eliminated.

Below is a list of new items that have an ongoing annual budget impact that are included in the proposed budget. Due to the large increase in development activity, additional revenue is sufficient to add these expenses and still maintain a balanced budget.

- Bring back the Engineering Tech position
- Bring back the ½ time Building Permit Tech position
- Fully fund the current year’s costs of maintenance identified in the new maintenance plans.
- Fund the operations of the new Community Center

One Time Revenue/Expenditures Included in the Proposed Budget

At the budget meeting in January 2014, the Committee discussed the increasing General Fund ending fund balance. The Council goal is 20% of revenue and the City is currently at about 31%. The consensus was that staff should add one time expenditures to the budget that would have an ongoing positive impact to the budget with a total not to exceed \$500,000. The list below outlines the one time expenditures that were added to the balanced budget.

Department	Item/Project	Estimated Cost
City Manager	Strategic Plan	25,000
Finance	Finance Software	138,000
HR	Compensation Study	5,000
IT	Data storage for City servers	10,000
IT	AV Equipment & Installation	30,000
IT	Security Gap Assessment & Upgrades	20,000
IT	Video Production Equipmnet	40,000
IT	Upgraded wifi capabilities in City Facilities	7,500
Police	Police MDT Replacement	10,000
Police	Police Operations Study	20,000
Police	Need new Tasers & shotguns	16,000
Planning	METRO's CET - Sherwood West Grant	(251,000)
Planning	METRO's CET - Tonquin Employment Area Grant	(25,446)
Planning	New Associate Planner, covered by Metro grants	90,000
Planning	Sherwood West, covered by Metro grants	170,000
Planning	Housing Needs Analysis	30,000
Planning	SW Corridor planning project Phs 2	10,000
Community Center	Private Grants	(50,000)
Community Center	Contracted services for Installation of IT Equip.	15,000
Community Center	Website	5,000
Community Center	Security Cameras	11,000
Community Center	TV Monitor for lobby for Comm Cntr Information	3,000
Community Center	Reservation Software	35,000
Community Center	Phone and IT System	22,000
Community Center	WiFi	3,500
Public Works	Public Works Laptops	18,000
Public Works	Transfer Plumbing Inspector Van to PW	2,500
Parks	Installation of fiber and calsense	25,000
Parks	Transfer Sani/Storm truck to Parks	9,500
	Total one time (revenue)/expenses	444,554

Requested Items not Included in the Proposed Budget

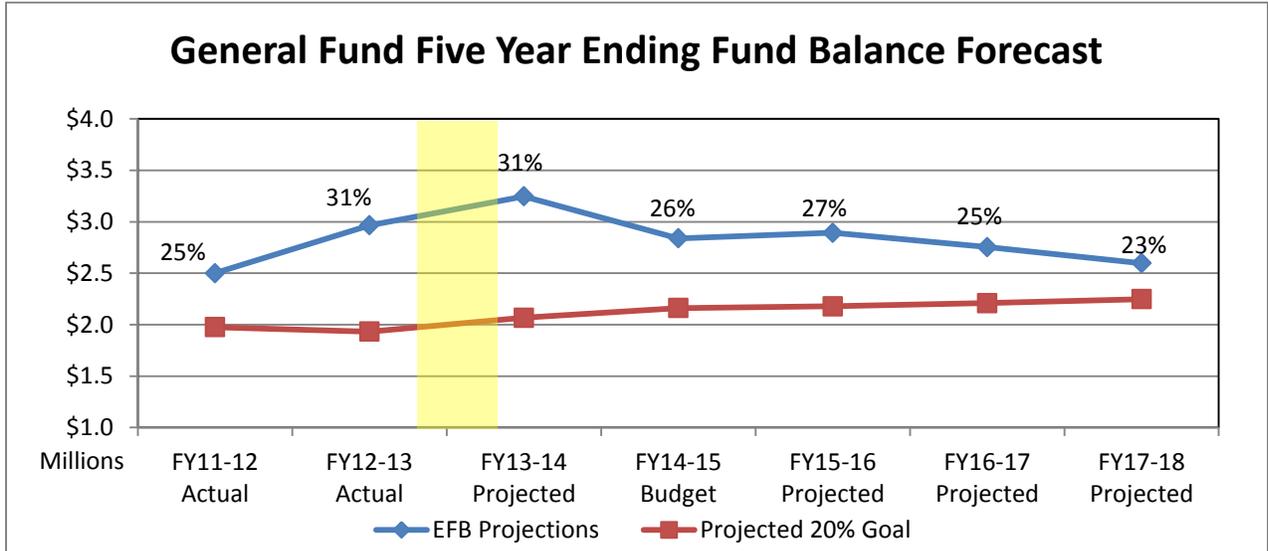
Below is the list of items that were requested by departments but were not included in the proposed budget.

Department	Item/Project	Estimated Amount
City Recorder/Council	candy for 2 parades	1,400
City Recorder/Council	parade float expenses	60
City Recorder/Council	Laserfiche - Records Mngmt	10,000
IT	Sharepoint Temporary help	50,000
Planning	Moving Code Enforcement	39,500
Planning	on-call consultant	15,000
Community Development	Permit Tracking Software	201,000
Police	New 1/2 time Admin	29,000
Police	New Narcotics Officer	105,000
Police	New SRO	103,000
Community Center	Badge Printer	2,100
Community Center	Broadcast Cameras	25,000
Community Center	Broadcast Switcher	11,000
Community Center	Classroom AV Systems	10,000
Community Center	Badge Software	600
Public Works	Cash to Facilities Reserve	115,330
Public Works	Cash to Fleet/Equip Reserve	14,318
Parks	Cash to Fleet/Equip Reserve	15,250
		\$ 747,558

- There are three software systems in this list that were removed from the budget: Laserfiche for records management, Sharepoint for workflow, and permit tracking for Community Development. While all three of these items are needed the management team agreed that staff could realistically handle only one major software implementation per year and that the Finance System would be that project for FY15.
- Additional staffing in the Police department is on hold until the Police Operations review is complete. At that time management will assess what the short and long term needs are for Police staffing and will work on a plan to accomplish those needs.
- The items for the Community Center are not required for day one operations, they will be needed in the future and will be included in the FY16 proposed budget.
- Management was able to fully fund the current year’s maintenance costs; however, putting additional cash into reserves was not possible and still maintain a balanced budget.

The Impact on Future Years' Budgets

While the chart below shows a projected slow decline in ending fund balance, staff is committed to providing a balanced budget to the Committee each year and maintaining the 20% goal for ending fund balance.



The projections in the chart above were made with the following assumptions.

Increase Assumptions for General Fund Forecast			
	FY16	FY17	FY18
Revenue:	1%	1%	2%
Personal Services:	3%	3%	3%
Materials and Services:	0%	3%	3%

TO: Budget Committee
FROM: Julie Blums, Finance Director
SUBJECT: Long Term Debt

SUMMARY

The City has two types of debt, General Obligation Bonds and Full Faith and Credit debt. General Obligation Bonds are repaid from property tax revenue. The Full Faith and Credit debt is repaid using multiple sources of funds (i.e. water rates, parks SDC's, and URA property taxes).

There is no new debt proposed for FY14-15, the URA may be drawing down the final \$2.6 million on the 2010 Cannery Projects loan for use on the Community Center.

The chart below shows the projected outstanding debt as of July 1, 2014.

	Original Loan Amount	Principal Outstanding as of 7/1/2014	Year Paid Off
General Obligation Bonds			
2004 A&B Refunding (interest 1-3.8%)	6,045,000	1,745,000	2017
2011 Police Refunding (interest 2-4.04%)	2,305,000	1,680,000	2021
Long-term Loans for the City			
2001 YMCA Expansion (interest 2.76-5.4%)	1,970,000	* 515,000	2017
Long-term Loans for Enterprise activities			
2008 SDW Water Reservoir (interest 3.55%)	6,000,000	5,109,652	2030
2009 SDW Water Pipeline (interest 3.83%)	6,000,000	5,356,162	2031
2011 Water Projects (interest 2-5%)	14,165,000	13,385,000	2036
Long-term Loans on behalf of the URA **			
2006 URA Streets #2 (interest variable)	6,400,000	4,748,824	2027
2010 URA Cannery & Streets (interest 4.65%)	7,065,000	6,115,000	2030
2010 URA Cannery Projects (interest 0.55%)	8,500,000	5,898,888	2034
2012 URA City Hall/Street Refinance (interest 1.67%)	5,245,000	4,450,000	2024
Total	\$63,695,000	\$49,003,526	

* 74.2% of the payments on this loan are reimbursed by the YMCA

**The payoff dates for the URA are based on the loan agreement; however the plan is to pay off all URA debt by 2021.