



## AGENDA

### **SHERWOOD BUDGET COMMITTEE March 3, 2016**

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

#### **6:00 BUDGET COMMITTEE MEETING**

- 1. CALL TO ORDER – Chair Andy McConnell**
- 2. ROLL CALL – Cathy Brucker**
- 3. APPROVE NOVEMBER 12, 2015 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES**
- 4. NEW BUSINESS**
  - A. Introducing Cathy Brucker and Debbie Smith-Wager as our Interim Finance Directors – Joe Gall**
  - B. Review Comprehensive Annual Financial Report and URA Financial Report – Angelique Whitlow, Partner – Talbot, Korvola & Warwick, LLC**
  - C. YTD Budget to Actual Review (Exhibit A) – Cathy Brucker**
  - D. Update on New Financial System – Cathy Brucker**
  - E. Review of Financial Policies in the FY 15-16 Adopted Budget (Exhibit B) – Cathy Brucker**
    - a. Policy 5 – Revenue Constraints and Fund Balance (Pg. 96)**
    - b. Policy 6 – Continuing Disclosure (Pg. 97)**
- 5. FUTURE BUDGET COMMITTEE MEETINGS**

**April 6, 2016 – Budget Process Training and Review**
- 6. ADJOURN**



## SHERWOOD BUDGET COMMITTEE MEETING November 12, 2015 MINUTES

1. **CALL TO ORDER – Chair Andy McConnell**, Andy McConnell called to order the regular meeting of the SHERWOOD BUDGET COMMITTEE MEETING at 6:05 pm November 12, 2015.

2. **ROLL CALL – Julie Blums**

**COMMITTEE MEMBERS AND COUNCIL PRESENT:** Council President Robinson, Councilor Brouse, Councilor Harris, Councilor Kuiper, Councilor King, Chair Andy McConnell, Vice Chair Meerta Meyer, Amy Kutzkey, Paul Mayer, Andy Jensen

**COMMITTEE MEMBERS ABSENT:** Mayor Clark, Councilor Henderson, Kurt Studer, Susan Claus

**CITY STAFF PRESENT:** City Manager Joe Gall, Finance Director Julie Blums, Administrative Assistant II Jean Macaulay

3. **APPROVE MAY 27, 2015 SHERWOOD URA BUDGET COMMITTEE MINUTES**  
**APPROVE August 13, 2015 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES**  
*Meerta Meyer* motioned to approve all minutes. Seconded by **Councilor Kuiper**. Minutes approved by all in attendance at the time of approval, Council President Robinson and Andy Jensen were not present at that time.

4. **NEW BUSINESS**

A. **Introduction of New Committee Members– Julie Blums**

**Julie Blums** introduces Amy Kutzkey and new Administrative Assistant II Jean Macaulay

B. **GFOA Budget Award for FY 15-16 – Julie Blums** – This is the 13<sup>th</sup> year in a row that we have received this award. Only 2 comments from the reviewers on the budget.

C. **YTD Budget to Actuals Review (Exhibit A) – Julie Blums** – This report was discussed at the August 13, 2015 meeting, it is provided quarterly to the committee. The Committee requested additional headings of “Annual Budget” and “YTD Actual”. The report was reviewed and discussed, **Chair McConnell** stated it appears we are on the right track.

D. **Update on New Finance System – Julie Blums** – We are progressing and are looking at late winter. We are adjusting our processes to work with the new system.

E. **Update on Audit Process – Julie Blums** – Working on annual CAFR, auditors will arrive on November 30<sup>th</sup> and will be here for 2 weeks. One Auditor will be here next week for preliminary work. We are on target, will be issued before end of year.

F. **Review Financial Policies in the FY 15-16 Adopted Budget (Exhibit B) – Julie Blums**

- a. **Policy 3 – Revenue (pg. 94)**
- b. **Policy 4 – Expenditures (pg. 95)**
- c. **Policy 5 – Revenue Constraints and Fund Balance (pg. 96)**

Committee reviewed and discussed the policies, the suggested changes by the Committee are:

- **Policy 3 - Revenue**
  - #6 – During the budget process, the Sherwood City Council will identify those programs which are to be supported in whole or in part by cost recovery and ensure that revenue collections reflect the cost of providing associated services by adjusting fees accordingly.
  - #7 – The City of Sherwood may charge fees for services where such an approach is permissible, and where a limited and/or specific group benefit
- **Policy 4 - Expenditures**
  - No changes made to policy 4
- **Policy 5 – Revenue Constraints and Fund Balance**
  - Policy 5 “Other Considerations”
    - #4 – Fund Balance – Unrestricted fund balance is the sum of Committed, Assigned and Unassigned fund balance in any individual fund. In the General Fund, the City will maintain an unrestricted fund balance of at least 10% of fund revenue and strive to maintain 20%.

#### **G. Prepare the Budget Committee Annual Report for City Council (Exhibit C) – Julie Blums**

Committee reviewed the Annual Boards & Commissions Report to the City Council the 4 significant accomplishments are:

- More transparency in the budget review process
- High level of participation especially with 9 of 14 members being new to the committee
- A successful transition of 9 new budget committee members
- Reestablished quarterly meetings

The 3 Goals for the upcoming year are:

- Addressing and reviewing financial policies
- Further exploration of a biennial budget
- Increase transparency by providing project and program level detail in the next budget process

#### **5. FUTURE BUDGET COMMITTEE MEETINGS:**

The next meeting will be February 11, 2016 at 6:00 pm, the following items were discussed for this meeting:

- YTD budget update
- Annual training
- Possible speaker from another City on Biennial budgeting
- Update on Finance system
- **Julie Blums** will look into scheduling a special meeting joint with the Sherwood School District to discuss PERS.

#### **6. ADJOURN at 7:44 pm**

Submitted by: Jean Macaulay, Administrative Assistant

Minutes approved on:

FY 2015-16  
Budget to Actual  
July 1, 2015 - January 31, 2016  
58% of the Fiscal Year has Elapsed

<b>General Fund</b>	Annual Budget	YTD Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 3,109,754	\$ 2,777,517	
<i>Revenue</i>			
Admin	9,161,788	6,613,367	72%
Community Development	1,025,895	547,946	53%
Public Safety	82,512	38,646	47%
Community Services	1,171,617	824,018	70%
Public Works	359,870	134,720	37%
<b>Total General Fund Revenue</b>	<b>11,801,682</b>	<b>8,158,697</b>	<b>69%</b>
<i>Expenditures</i>			
Admin	2,970,384	1,580,842	53%
Community Development	1,539,441	916,515	60%
Public Safety	3,687,830	2,047,567	56%
Community Services	1,717,367	877,628	51%
Public Works	2,304,981	1,035,898	45%
<b>Total General Fund Expenses</b>	<b>12,220,003</b>	<b>6,458,449</b>	<b>53%</b>
<b>Ending General Fund Balance</b>	<b>\$ 2,691,433</b>	<b>\$ 4,486,486</b>	

<b>General Construction</b>	Annual Budget	YTD Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,142,410	\$ 1,160,829	
<i>Revenue</i>	1,672,000	461,998	28%
<i>Expenditures</i>	2,330,898	465,658	20%
<b>Ending General Construction Fund Balance</b>	<b>\$ 483,512</b>	<b>\$ 1,157,169</b>	

<b>Debt Service</b>	Annual Budget	YTD Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 6,615	\$ (10,615)	
<i>Revenue</i>	897,582	898,221	100%
<i>Expenditures</i>	899,219	271,297	30%
<b>Ending Debt Service Fund Balance</b>	<b>\$ 4,978</b>	<b>\$ 616,309</b>	

<b>Street Operations Fund</b>	Annual Budget	YTD Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,141,998	\$ 1,744,507	
<i>Revenue</i>	1,724,000	963,103	56%
<i>Expenditures</i>	2,209,679	666,930	30%
<i>Transfers Out</i>	18,859	-	0%
<b>Ending Street Operations Fund Balance</b>	<b>\$ 637,460</b>	<b>\$ 2,040,679</b>	

<b>Street Capital Fund</b>	Annual Budget	YTD Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 2,984,122	\$ 2,296,941	
<i>Revenue</i>	1,854,000	222,013	12%
<i>Expenditures</i>	485,515	40,827	8%
<i>Transfers Out</i>	650,000	43,901	7%
<b>Ending Street Capital Fund Balance</b>	<b>\$ 3,702,607</b>	<b>\$ 2,434,225</b>	

FY 2015-16  
Budget to Actual  
July 1, 2015 - January 31, 2016  
58% of the Fiscal Year has Elapsed

<b>Water Fund</b>	Annual Budget	YTD Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 7,918,805	\$ 8,126,416	
<i>Revenue</i>			
Operations	4,333,000	3,564,121	82%
Capital	1,025,300	306,596	30%
<i>Expenditures</i>			
Operations	5,560,361	2,873,528	52%
Capital	265,405	18,567	7%
<b>Ending Water Fund Balance</b>	<u>\$ 7,451,339</u>	<u>\$ 9,105,038</u>	

<b>Sanitary Fund</b>	Annual Budget	YTD Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 3,128,675	\$ 3,187,183	
<i>Revenue</i>			
Operations	596,300	363,676	61%
Capital	382,700	22,750	6%
<i>Expenditures</i>			
Operations	612,699	273,053	45%
Capital	443,832	84,449	19%
<b>Ending Sanitary Fund Balance</b>	<u>\$ 3,051,144</u>	<u>\$ 3,216,107</u>	

<b>Storm Fund</b>	Annual Budget	YTD Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,992,830	\$ 2,669,166	
<i>Revenue</i>			
Operations	1,269,500	928,099	73%
Capital	497,100	111,027	22%
<i>Expenditures</i>			
Operations	1,286,119	401,916	31%
Capital	866,129	471,148	54%
<b>Ending Storm Fund Balance</b>	<u>\$ 1,607,182</u>	<u>\$ 2,835,227</u>	

<b>Telecom</b>	Annual Budget	YTD Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 102,598	\$ 163,456	
<i>Revenue</i>	470,638	266,123	57%
<i>Expenditures</i>	310,632	81,009	26%
<i>Debt Service</i>	180,774	-	0%
<b>Ending Telecom Fund Balance</b>	<u>\$ 81,830</u>	<u>\$ 348,570</u>	

<b>URA Fund</b>	Annual Budget	YTD Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,950,180	\$ 1,619,260	
<i>Revenue</i>	3,753,535	1,623,459	43%
<i>Expenditures</i>	753,119	129,516	17%
<i>Debt Service</i>	1,589,605	1,251,973	79%
<b>Ending URA Operations Fund Balance</b>	<u>\$ 3,360,991</u>	<u>\$ 1,861,230</u>	

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**Policy 5 - Revenue Constraints and Fund Balance****Nature of Constraints**

The City of Sherwood will maintain the following categories of revenue constraints in conformance with GASB 54. Fund Balances shall be accounted for on the basis of these categories.

1. **Non-spendable.** Assets that are not in a spendable form or are required to be maintained intact.
2. **Restricted.** Cash that can be spent only for specific purposes stipulated by third parties or by statutes. Only the constraining party can lift constraints on Restricted funds.
3. **Committed.** Cash that can be used only as directed by formal action of City Council. Council action may be in the form of a motion or resolution. Only the City Council can lift constraints on committed funds. Such a change must be made using the same action that established the constraint.
4. **Assigned.** Cash the City intends to use for specific purposes. The City Council delegates the authority to create this constraint to the City Manager. In addition, for all funds except the general fund, all cash not in one of the Non-spendable, Restricted, or Committed categories, or specifically assigned under this category will, by default, be assigned to this category.
5. **Unassigned.** General Fund cash that is not otherwise categorized fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

**Other Considerations**

1. **Stabilization.** The purpose of stabilization arrangements is to provide a revenue source to maintain service delivery during periods of diminished revenues. The City may choose to create stabilization arrangements either by creating new funds or dedicating revenues within existing funds. Stabilization arrangements will be created by the City Council and the authorizing legislation shall include the policies on funding and accessing the arrangement.
2. **Order of Use.** If multiple categories of fund balance are applicable to an expenditure, the City shall access funds in the following order: Restricted, Committed, Assigned, Unassigned.
3. **Purpose of Special Revenue Funds.** Special Revenue funds are general government funds created to track the use of dedicated revenues. The City legislation creating a special revenue fund will specify which specific revenues and other resources are authorized to be reported in the fund.
4. **Fund Balance.** Unrestricted fund balance is the sum of Committed, Assigned and Unassigned fund balance in any individual fund. In the General Fund, the City will maintain an Unrestricted fund balance of at least ten percent of fund revenue and will strive to increase that amount by 1.5% annually to a goal of 20%.

**Policy 6 - Continuing Disclosure****Continuing Disclosure In General**

Issuers of municipal securities and entities working on their behalf disclose material information to the marketplace such as annual financial information and material event notices. In December 2008, the Securities and Exchange Commission directed the Municipal Securities Rulemaking Board to establish a continuing disclosure service of the MSRB's Electronic Municipal Market Access (EMMA) system effective July 1, 2009. The continuing disclosure service of EMMA collects continuing disclosure documents from the issuer community and makes them available to the public for free through EMMA.

In conformance with the "Continuing Disclosure Certificate" entered into by the City of Sherwood in bond issuances, the City shall comply with Rule 15c2-12 of the Securities Exchange Act of 1934 (Exchange Act). As noted above, these disclosures generally are divided between submissions made to update financial or operating information about the issuer and notices that disclose the occurrence of specific events that may have an impact on the bonds. These disclosures are described below.

**City Responsibility**

The Finance Director shall be responsible for adhering to the City's Continuing Disclosure Obligations.

**Debt**

The City will borrow only to finance capital assets. The City will not borrow for operating purposes.

No bonds will mature more than 20 years from the date of issuance. No debt will be issued with a life exceeding the estimated useful life of the capital assets being financed. The City will limit bonded debt to 3% or less of total assessed value, as required by ORS 287.004. Repayment sources are identified for every debt prior to issuance.

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**Policy 6 - Continuing Disclosure (continued)****Rule 15c2-12 Disclosures**

Rule 15c2-12 rule requires, for most new offerings of municipal securities, that the following types of information be provided to the MSRB's EMMA system:

1. Financial or operational information
  - a. Annual financial information concerning issuers or other obligated persons, or other financial information and operating data provided by issuers or other obligated persons
  - b. Audited financial statements for issuers or other obligated persons, if available
2. Event Notices
  - a. Principal and interest payment delinquencies
  - b. Non-payment related defaults, if material
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties
  - e. Substitution of credit or liquidity providers, or their failure to perform
  - f. Adverse tax opinions, Internal Revenue Service (IRS) notices or material events affecting the tax status of the security
  - g. Modifications to rights of security holders, if material
  - h. Bond calls, if material
  - i. Tender offers
  - j. Defeasances, release, substitution, or sale of property securing repayment of the securities, if material
  - k. Rating changes
  - l. Bankruptcy, insolvency, receivership or similar event;
  - m. Merger, consolidation, or acquisition, if material; and appointment of a successor or additional trustee, or the change of name of a trustee, if material
  - n. Notices of failures to provide annual financial information on or before the date specified in the written agreement