



## **SHERWOOD URBAN RENEWAL BUDGET COMMITTEE MEETING MINUTES**

### **April 29, 2013**

- 1. CALL TO ORDER:** Chair Ivonne Pflaum called to order the April 29, 2013 FY2013-2014 Sherwood Urban Renewal Budget Committee Meeting to review and approve the FY2013-2014 Sherwood Urban Renewal Budget.

Chair Pflaum asked Accounting Supervisor Julie Blums to conduct the roll call.

- 2. COMMITTEE MEMBERS AND COUNCIL PRESENT:** Chair Ivonne Pflaum, Neil Shannon, Kim Rocha-Pearson, Brian Stecher, Lynette Waller, Board Chair Middleton, Board Member Linda Henderson, Board Member Bill Butterfield, Board Member Krisanna Clark, Board Member Robyn Folsom, Board Member Dave Grant, and Board Member Matt Langer.

**COMMITTEE MEMBERS ABSENT:** Vice Chair Tim Carkin and Steve Munsterman

**STAFF PRESENT:** City Manager Joe Gall, Finance Director Craig Gibons, Accounting Supervisor Julie Blums, Assistant City Manager Tom Pessemier, Community Development Director Julia Hajduk, Community Services Director Kristen Switzer, and City Recorder Sylvia Murphy.

### **3. NEW BUSINESS**

#### **A. Received Budget Message, Assistant City Manager Tom Pessemier:**

My name is Tom Pessemier and one of my responsibilities is the Urban Renewal Agency. It is my privilege tonight to present the Budget Message for the Urban Renewal District FY13-14. The Urban Renewal District primarily has two funds. One is the Operating Fund and the other is the Capital Fund.

- 1) Operating Fund primarily accounts for Administrative and Economic Development costs that are associated with the District.
- 2) Capital Fund is to do with Capital Projects with inside the district boundaries. It also includes property purchases when those are made.

The Urban Renewal District remains healthy and has done very good over the last years. The current projections show that we anticipate paying the Urban Renewal off in 2021. Currently this year we only have one major project scheduled. That is the Community Center Cultural Arts Building which is over behind us and will probably be the last major project that will be done inside the Urban Renewal District.

We don't anticipate any property purchases this year, at least there are none in the budget. We are anticipating the sale of a property. We had purchased some property with Urban Renewal money off of Main Street for purposes of building Water Quality Facility. We have just recently done a lot line adjustment to carve the home from the front line of the property and will be building the Water Quality Facility on the back side of the property. The home will then be for sale and we anticipate doing that as soon as the lot line adjustment is finished.

What does not show up in the budget documents are separate calculations, required by the State that has to do with Maximum Indebtedness. We have been tracking Maximum Indebtedness carefully over the last few years. Our current projections show, with all the projects that the Urban Renewal Agency has committed to including the Cultural Arts Community Center, we will have about \$320K left of maximum indebtedness through Capital Projects.

Over time as we will sell more assets more money will come back in that we can use to do other capital projects. That is a very small amount out of the \$45M that was allocated for Maximum Indebtedness inside the Urban Renewal Agency. What we really see is the Urban Renewal Agency winding down over the next few years. There will still be some things that will still go on until 2021 until it is fully paid off, and there might be some property sold off so we can do some small projects but there will not be any large projects.

That is the completion of my report.

Chair Pflaum: Are there any questions or comments?

**Board Member Folsom:** Just a couple of questions regarding the Water Quality Facility and the sale of the home. That sale of the house will pay for the property but it does not pay for the cost of the facility to be built? Does the property end up being a zero cost with that sale?

**Tom Pessemier:** Basically we purchased the property at the best rate we could when it was available which was much less than it was 5-6 years ago when we originally considered purchasing. There will be a discrepancy because the lot is smaller. The Urban Renewal Agency has a need to invest in building a water quality Facility. We will not be able to sell it for the same amount we purchased it but I cannot tell you exactly what that differential will be. It is less than what the Urban Renewal Agency contribution to the Water Quality Facility will be.

**Board Member Folsom:** I just want the budget committee to appreciate that there were some economies there that we don't always have. We have not always been so lucky. You don't foresee any other potential sales of properties that are in the Urban Renewal District at this time or next year? You don't see the market improving enough that we could start ping-ponging that and see if there are any interested buyers.

**Tom Pessemier:** There may be but we haven't budgeted for any. We are doing some stuff in the Operating Budget, for example we are tearing down the Red house that is on the round-about that has become unattractive. It has been vacant for a number of years and we just need to tear it down. There have been some conversations with SURPAC that we have not been brought forward to the Urban Renewal Board yet. That is a potential property we could sell. There is another property next to the Senior Center that is actually zoned for high density residential and we tried to do some HUD financing and some projects there for some low

income housing but we were never able to get any grants for that. That is another one that the SURPAC has identified as something, given the market for that type of housing, we may try to put together a marketing plan and sell. I don't know if we would be able to sell that this year.

**Board Member Folsom:** That is what I was looking at and the market seems to be getting better and I hope we could become less leveraged in properties and more leveraged in liquid assets and finish up the priorities in this list.

**Board Member Langer:** About how many acres are available in that piece over there by the Senior Center.

**The developable land is fairly small.** There is a large swale in the back and we did another lot line adjustment on that so we could put the Cedar Creek Trail through there. I believe the HUD application showed that you could get 32 Units back there on that property. So realistically I would say a maximum of 25 Units.

### **Chair Pflaum addressed the next agenda item**

#### **B. Urban Renewal Overview Exhibit A Craig Gibbons**

Activity has decreased and we don't have the number or variety of projects anymore, In fact there is only one Capital Project in the URA Budget for next year and that is the Community Center. So we are looking at a pretty stable budget. There is a chart on the first page of the memo that details that information.

On the next page there is another graph that is pretty fun. At the bottom there is a straight green line that is called Operating Revenue. That is the Property Tax Revenue that the URA receives every year. The dotted blue line is the Total Expenses. See in FY12 and FY13 that the line is pretty high. That reflects the Capital Projects that we have been working on and those projects are funded by loan proceeds. Loan Proceeds are not on this chart. Then the red line is Fund Balance. The thing about this chart when we get through with of the Community Center in FY13-14, that our forecast going out the following years is for stable expenditures of about \$2M per year. Stable Revenues is the green line. When you have revenues that are greater than expenditures that is when you have increasing Fund Balance. That is the red line that starts going up. This is kind of an approximation of what we will be facing because we will also be dealing in FY14-15 with sharing of revenue with the other jurisdictions that are contributing revenue to the Urban Renewal Agency. Right now this is a conceptual chart than an accurate chart. But the point is the same. We will have more than enough tax revenue to cover the debt. That means that we will be able to explore ways to get out of the URA early or increasing our debt service payments. If the revenue sharing is not too dramatic we can look at seeking less tax for the URA.

These are all concepts and we need time to think about them and talk about them and what would be the best thing to do for the Urban Renewal Agencies. Here is some light at the end of the tunnel and it is another piece of the pie.

There will be more coming to the City and disbursed throughout the General Fund. I want you to be informed but we cannot jump into anything.

**Board Member Linda Henderson:** When you look at the last page of our packet you see that the debt goes through 2024. When you look at this how are we able to close out early.

**Craig Gibbons:** Because we have \$2M in Debt Service and \$3 M in Revenues. It is conceptual and broad stroke. Each one of the loans is at a different rate and is at the back of Julie's Exhibit.

**Any Questions:**

**Board Member Bill Butterfield:** I have a comment and would like to issue the challenge to this board from this day on that we are going to listen, think and solve. Look to the future, listen to what the needs are, think about them and then collectively solve the problems. That is my challenge.

Chair Pflaum: Now we are going to go to Public Comment. There is none so Public Comment is closed.

Now we will have Committee Discussion on the Urban Renewal Budget.

**Board Member Brian Stecher:** Is there enough money in the Urban Renewal Agency to pay for the Community Center?

**Tom Pessemier:** Yes, we believe so. Obviously \$320K is down there where you start getting a little nervous but we spent a lot of time studying that building and the Center. We went through a process where we have everything costed out. Then we took a little bit different course because the budgets kept going higher and higher. We will know more in the next two weeks. We are going to have an independent cost analysis done in preparation for the May 21<sup>st</sup> meeting with the Urban Renewal Board. It is looking good right now. We are going to have some savings from the Downtown Streetscapes Project which will give us a little bit more than the \$320K so we will have some breathing room coming out of that project along with a sale of some assets. We will be able to get there and I feel we have a good plan and when we get done we will have a center that will be an asset that people will enjoy.

**Board Member Robyn Folsom:** Brian, since I am on the Design Committee for the Center and I want to assure you and the members of the City Council that we are very cognizant of your concern and your question. That is why we have stayed with the design that we know how much it will cost. We are constantly saying no, we cannot look at that because it is outside the scope of the budget. More than ever the budget is screaming at us and we are trying to get the most for our dollars, right Councilor Butterfield?

**Board Member Bill Butterfield:** Absolutely. I am one of three of us and every time we go we learn a little bit more. The Engineering staff is on board with us so we get the biggest bang for our buck.

**Chair Pflaum:** Have you thought about maintenance?

**Board Member Bill Butterfield:** These issues are part of our Strategic Planning. We are going to be including this.

**Craig Gibbons:** That brings up another important factor. That is Urban Renewal Agency money can only be used for Urban Renewal Agency Projects and Economic Development. We will be building this brand new building. People will be saying if we can afford that why can't we afford one more Cop? This is statutorily controlled.

**Chair Pflaum:** This is like personal budgeting but more serious. When you are talking about City Budgets and the Budgets that are involved with Municipal Revenue it is more serious and requires more thoughtfulness and decision making.

**Board Member Brian Stecher:** One more comment on this color of money thing. If I remember correct we cannot use Urban Renewal money for the Operations of this Center. We most likely will not even be at break even for a period of time and that will be bringing that General Fund line down probably for at least a year and a half after the Community Center is built. So fellow Budget Committee Members in the months to come we have a real job ahead of us and we have to make that little blue line stay up where it belongs.

**Kim Rocha-Pearson:** On the URA Capital Budget I see that your Personnel Services is increasing from 2012-2013 projected by 49.1%. Why is that? I don't see that you are getting another head count and I don't see it as merit increases or benefits.

**Julie Blums:** It was only partially staffed this year for part of a year and not a full year.

**Tom Pessemier:** Specifically the Community Center Project was scheduled to become fully staffed for this year and because of the delay there have been staff that has not been working on that. They are working on other stuff. They are still showing up as FTE but they are not charging to that.

Chair Pflaum: Are there any other questions or comments? I move to approve the 2013-2014 Sherwood Urban Renewal Agency Budget with the following adjustments:

Staff recommended adjustments, corrections of Scribner's errors and formatting as necessary.

Is there a Second? Second by Robyn Folsom

Chair Pflaum: Is there any discussion? Chair Pflaum calls for a vote and the motion passes unanimously.

#### **4. The meeting is Adjourned**

Minutes Submitted by: Julie Blums, Interim Finance Director    Approved on: August 19, 2013