



AGENDA

SHERWOOD BUDGET COMMITTEE

May 11, 2017 6:00 pm

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

BUDGET COMMITTEE MEETING

- 1. CALL TO ORDER –Andy McConnell, Chair**
- 2. ROLL CALL – Katie Henry, Finance Director**
- 3. APPROVE FEBRUARY 16, 2017 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES
APPROVE NOVEMBER 16, 2016 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES**
- 4. NEW BUSINESS**
 - A. Election of Committee Chair – Katie Henry, Finance Director/Budget Officer**
 - B. Election of Committee Vice Chair – Katie Henry**
 - C. Budget Overview – Joseph Gall, City Manager and Katie Henry**
 - D. General Fund Presentation (Exhibit A) – Joseph Gall and Katie Henry**
 - E. Review of Departmental Line Item information – Joseph Gall and Katie Henry**
 - E. PUBLIC HEARING ON STATE SHARED REVENUE**
 - F. PUBLIC COMMENT**
 - G. RECESS UNTIL Thursday May 18, 2017 6:00 pm, City Hall Community Room**



SHERWOOD BUDGET COMMITTEE MEETING

February 16, 2017 Minutes

1. CALL TO ORDER – Chair Andy McConnell, called to order the regular meeting of the SHERWOOD BUDGET COMMITTEE MEETING at 6:05 pm on February 16, 2017.

The committee members present discussed that we did not have a quorum for this meeting and agreed to hold a “Finance Committee” meeting in lieu of the Budget Committee.

2. Roll Call – Katie Henry

3. COMMITTEE MEMBERS AND COUNCIL PRESENT: Mayor Clark, Councilor Kuiper, Councilor Young, Councilor Garland, Chair Andy McConnell, Paul Mayer, Andy Jensen

COMMITTEE MEMBERS LATE ARRIVAL/EARLY DEPARTURE: Susan Claus arrived at 7:10 pm, Councilor Kuiper left prior to 7:00 pm, Mayor Clark left at 7:10 pm

COMMITTEE MEMBERS ABSENT: Councilor Robinson, Council President Harris, Councilor King, Vice Chair Meyer, Amy Kutzkey, Kurt Studer

CITY STAFF PRESENT: City Manager Joe Gall, Finance Director Katie Henry, Community Development Director Julia Hajduk, Administrative Assistant II Jean Macaulay

4. APPROVE NOVEMBER 16, 2016 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES

The minutes were not approved as there was not a quorum, this will be revisited at the next Budget Committee meeting with a quorum.

5. NEW BUSINESS:

A. 2016 Audit Report Review – Tim Gillette & Dan Miley of TKW

Tim Gillette of TKW reviewed the Independent Auditor’s Report from the Certified Annual Financial Report (CAFR). Katie Henry clarified the statement of net position as a full accrual statement not the balance sheet. Chair Andy McConnell asked which things are broken down in the Governmental vs Proprietary funds. Tim explained that proprietary are things like water/sewer etc and governmental would be Police, Admin etc.

Dan Miley of TKW reviewed the SAS 114 and 115 Letter of Exhibit A and discussed the material findings. Chair McConnell asked what we need to do to fix these controls. Katie stated we have not yet changed internal control processes. We hope to have new controls in place by the end of the fiscal year. Our plan is to go over the controls, review for weaknesses and with our new financial system determine what we need to do to strengthen those areas. It's a long process and needs to be done methodically. Councilor Garland asked who will be doing the review. Katie stated it will start with her, the leadership team, Joe and then the auditors will be an integral part of the process. Katie mentioned that several of those items she found during her review.

Dan Miley mentioned the new GASB statements that will affect the City in upcoming years. GASB 75 has to do with accounting and financial reporting for post-employment benefits other than pensions. The auditors clarified that for a city like ours this usually has to do with medical benefits which Joe indicated is mainly COBRA. Paul Mayer asked how big of a liability will the COBRA be. Joe responded not that large, most of the time when people leave here they are going to another job, we haven't had many retire.

Joe discussed that TKW had a 5 year contract and the Council extended it for 1 year last year. We are getting ready to send out a Request for Proposal (RFP) for auditors. TKW has been a solid auditing firm and we expect them to put in a bid for the RFP. Andy Jensen asked if there is a certain standard that we won't go below. Joe stated the previous Council chose to pay a higher fee in return for better quality. The Council chooses the audit firm.

B. 2016 Budget to Actual Reports through January 2017 – Katie Henry

Katie reviewed the budget to actual report through January 2017. Paul Mayer asked if due to the weather this winter we had any unexpected expenditures and whether or not the crosswalk by Wal-Mart will be completed this fiscal year. Joe replied, yes we've had a lot of unforeseen water main breaks and so forth and yes that is slated to be done this year.

C. Review of Community Development fees and potential changes – Julia Hajduk

Julia Hajduk, Community Development Director (CDD) discussed the CDD fees and the fact that the fees haven't had a detailed analysis of the fees. The philosophy has been that development should pay for itself. When the economy had the downturn we kept fees pretty flat, now that things are getting better we are getting inundated and yet the revenues are not changing so we are looking at the fees more closely. What we are proposing for next year is to put in the budget a fee study where we look in detail at all

of our fees and how much time is involved both the staff costs and overhead, mainly for planning and engineering.

Andy Jenson asked if the study would evaluate the process itself to determine if it's efficient and not just the fee that goes with it. Julia responded that would be a good conversation in the process.

Councilor Young asked if we're not covering our costs with the fees then is the city subsidizing. Julia responded yes, we do not generate the revenue to fully fund our department. We are going to be discussing some small fee increases in this budget, mostly the building department.

Joe discussed Exhibit B and that the Planning department hasn't made any fee changes since 2009, Building 2008 and Engineering 2006. At one point we were high compared to other cities and now we are low. The Council has stated that we need to do this on a predictable and regular basis. Building should be in its own fund not combined with other for transparency purposes.

Paul asked if this would only be increases on new construction, not anything under way now. Julia replied yes, the fees are assessed when you apply for your permits.

Julia stated the main thing she wanted to convey to the budget committee is that we know we're not collecting enough to cover our costs. We need to do a fee study in order to properly set the fees while knowing that there will be some fees that will not fully cover 100% of our costs, even once we know what those costs are.

Andy Jensen asked if this is a onetime review of the fees or a process that should be done every few years. Julia replied that once we know where we are at and we can implement an annual percentage increase that would be good, part of the problem is we haven't done that.

Katie stated that you can do an in depth review one time and then each year have a review to update if necessary. We need to do the study because it hasn't been done, the reviewing of the process to make sure it's being done efficiently and then the annual review.

Councilor Garland stated from a financial standpoint this is something that should be looked at regularly.

Susan Claus asked if the Urban Renewal District paid all of their full fees, were they lowered or any fee forgiveness. Julia responded they paid their full fees. Katie clarified we are only talking about building permits, we very clearly track our costs. We don't want someone buying "a" and

paying for “b”. Julia stated legally we cannot use building funds for anything else. We want to make sure that we are collecting what we should be collecting and then what that amount is.

Councilor Young asked if our costs are not being covered are we tacking on any extra fees to cover on other items like the comp plan etc. Julia responded no.

Andy Jenson asked if there is a differentiation between a home builder vs a homeowner making a change to their property, like building a new home vs adding an outlet to an existing home.

Julia explained the fee schedule is based on the value, a percentage. Katie responded the increase we are discussing is a percent increase, the dollar amount is fairly small for those smaller permits. Joe stated we need to be prepared to answer those types of questions from citizens. We should bring examples of small projects and large development as well.

Susan stated if the measurement is percentage value, when we’re talking about hours spent by staff, maybe that’s not the right way to do it for the commercial. Julia responded we can take a look at that. However, the current method is the typical way of fee setting for commercial projection. If we use a different method we would need to be able to substantiate how we got to that cost. Joe stated with the development we have on the horizon, the school district, Mandle subdivision, Langers, The Springs, we will have to look at whether we have appropriate staffing levels in the Building department whether it be on call services or not we still have to pay for that. Chair McConnell stated it’s important to have more committee members to discuss this issue.

6. FINANCIAL DEPARTMENTAL UPDATES:

A. Financial Software Conversion

Katie updated on the software conversion, we have fully transitioned over in that we are using Navigator only. We’ve had some issues with the reporting piece not being set up, it will take a lot of time to write the reports. All of the account numbers were changed so that requires us to rewrite the reports. We are still determining the cost to benefit on which reports we should send out to the consultant to do, which ones should we do in house etc. We are having the consultant get us a quote on the reports necessary for the budget book so that we can give you the same amount of information as last year.

Joe discussed that we are looking at using OpenGov more in the future for internal and external reporting.

B. Audit Firm RFP

This was discussed earlier by Joe that Katie has put together an RFP and it is currently being reviewed by Legal.

7. ADJOURN

The meeting was not adjourned as we did not have a quorum, the meeting ended at 7:38 pm.

Submitted by: Jean Macaulay, Administrative Assistant Minutes approved on:

Budget Committee Minutes

February 16, 2017

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SHERWOOD BUDGET COMMITTEE MEETING

November 15, 2016 Minutes

1. CALL TO ORDER – Chair Andy McConnell, called to order the regular meeting of the SHERWOOD BUDGET COMMITTEE MEETING at 6:04 pm on November 15, 2016.

2. Roll Call – Katie Henry

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

COMMITTEE MEMBERS LATE: Kurt Studer arrived at 6:05 pm, Councilor Brouse arrived at 6:15 pm, Andy Jensen arrived at 6:35 pm and left at 7:30 pm.

COMMITTEE MEMBERS ABSENT: Mayor Clark, Councilor Robinson, Susan Claus

CITY STAFF PRESENT: City Manager Joe Gall, Assistant City Manager Tom Pessemier, Finance Director Katie Henry, Administrative Assistant II Jean Macaulay

**4. APPROVE MAY 12, 2016 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES
APPROVE MAY 19, 2016 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES
APPROVE MAY 26, 2016 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES
APPROVE MAY 26, 2016 CITY OF SHERWOOD URA BUDGET COMMITTEE
MINUTES**

Meerta Meyer motioned to approve all minutes as provided, Seconded by **Paul Mayer**. Minutes approved by all in attendance at the time of approval, Councilor Brouse and Andy Jenkins were not present at that time.

5. INTRODUCE NEW FINANCE DIRECTOR, KATIE HENRY

Joe Gall introduced Katie Henry the new Finance Director for the City of Sherwood. Katie Henry shared her previous experience in various Finance positions in the State of Washington.

6. NEW BUSINESS

A. Prepare the Budget Committee Annual Report for City Council (Exhibit A) – Katie Henry – Katie reviewed the report from the previous year, the Committee identified that the goals from the previous year were met:

The goals achieved by this year's committee are:

- A. Reviewed and proposed changes to the Financial Policies
- B. Explored the biennial budget process and sought community support through the electoral process.
- C. Increased transparency by providing project and program level detail in the budget process

The goals for the upcoming year are:

- A. Exploration of the City's contribution to and participation in community events, both cash and in kind.
- B. Review financial audit findings and discuss resolution.
- C. Explore a 5 year plan for both revenue and expenses to help identify key projects and provide more context for citizen involvement.

B. Year to Date Financial Update through October (Exhibit B) – Katie Henry

Katie reviewed the Year to Date Financials chart, Exhibit B. With 33% of the year completed, the percent of expenditures is 31%, right on target of where we want to be. On the Revenue side we are at 9%, we anticipate the big influx of property tax between November 15th and November 30th from the County. Meerta Meyer asked can we comingle funds within the same bank account. Katie answered yes as long as you account for the funds separately.

C. 2016 Budget to Actual Reports (Exhibit C) – Katie Henry

Katie reviewed the Budget to Actuals Reports, Exhibit C. This is what was adopted in the Budget. On the revenue side you will see we brought in \$372,900 more than what we budgeted to bring in. On the expenditure side we spent \$1,007,029 less than we had anticipated. We projected to spend down our fund balance by \$1,000,000, we actually went up by about \$400,000. There are several reasons why: one is careful management from our staff, we budgeted \$500,000 in contingency and did not use it. There were also savings in Public Works' project management. Kurt Studer asked would those expenses be incurred down the road. Katie replied some of them will be, like resurfacing of roads etc. Joe Gall gave an example: we had the water main break on Willow, causing the road and pavement to go up, Craig Sheldon said this is over the \$25,000 we have budgeted for this type of event, this one is probably going to be in the \$100,000 range. Council will have to move some money around in January to take care of that project. Councilor Henderson

and Joe Gall asked where we are at percentage wise with the 20% “Rainy Day Fund” goal. Katie replied we are at 27%.

Katie reviewed the Debt Service fund’s negative ending balance. This fund accounts for property taxes received on the tax bond levies and then the payment of the debt. The way in which it was budgeted did not take into account any delinquent property taxes. In order to make the fund whole we need to transfer funds from the General Fund to the Debt Service fund. She intends on including that in the supplemental budget proposal in January.

Tom Pessemier reviewed the Urban Renewal Operations and discussed the error in calculating the tax increment that we wanted to collect from the County. We only collected about half of the taxes that the Urban Renewal Agency should have. No one in the City is charged additional taxes, their tax bill stays the same. It is proportionately reallocated to the different taxing districts like TVF&R, the State got extra money for the school district, City of Sherwood, Washington County. We chose to continue to do the calculations and get the maximum amount of taxes that we can, this will probably extend the district by about 6 months. Our projections are showing that the URA will be closing down in calendar year 2022.

D. PERS Update – Katie Henry

Katie discussed that the City will be looking at an average increase of about 3.5% over what it was this year. It’s about \$230,000 more for the General Fund, \$85,000 of that is Police. Katie agreed to send the committee the actual PERS rates.

E. Financial Policy Changes in the FY 16-17 Adopted Budget (Exhibit D) – Katie Henry

Katie reviewed the Financial Policy Changes, Exhibit D. Katie asked the committee if this was an accurate representation of the changes the committee was asking for. If it is we will bring a Resolution to Council to update the Financial Policies. The Committee agreed that it is.

7. Finance Departmental Updates:

A. Financial Software Conversion

- We have done a lot of revamping on our software update, our goal is still to implement by January 1. Katie has the team working on project and tasks lists to see if it’s truly reasonable to do this by that deadline. We are making a plan to see when we can truly implement and have it go smoothly.

B. Audit Firm

- We've worked with TKW for quite a while, the goal would be to go out to bid as soon as this audit is done, hoping to get an RFP out in January. Joe Gall stated this is a Council decision, they will evaluate the options.

C. Financial Institution – Banking

- Possible RFP for banking, we want to make sure that what we have is the best product for the City. Items to review include getting a decent return for any money that has to sit in the bank, purchase cards, and security. We want proposals from several different banks. Hopefully in the spring, it's not urgent but necessary. Joe Gall it's good to see who is out there, it's a staff decision not a council decision.

8. **ADJOURN** – Councilor King motioned to adjourn, Councilor Henderson seconded, meeting adjourned at 7:52 pm

Submitted by: Jean Macaulay, Administrative Assistant Minutes approved on:

To: Budget Committee
From: Katie Henry, Finance Director
Date: May 5, 2017
Subject: FY17-18 General Fund budget overview

The purpose of this memo is to provide an overview of the key factors associated with the proposed General Fund budget for the Fiscal Year 2017-2018. This is additional information intended to answer questions that Budget Committee members may have as you review the recently released budget before your first meeting on May 11, 2017. Topics include:

1. Presentation of a balanced operating budget;
2. Presentation of one time expenditures included in the budget;
3. Review of expenditures not included in the budget in order to meet fund balance requirements; and
4. Review of legal levels of authority and Oregon Budget Law requirements.

Balanced Operating Budget

One of the ways that the City of Sherwood has maintained a healthy fund balance through the recent years of a difficult economy is by staying true to the policy that within the proposed General Fund budget, operating expenses must not exceed operating revenues. This means that ongoing expenses, such as salaries and operating supplies, must not be paid for out of fund balance. After the initial review of department needs it was apparent that the operating revenue would not be adequate to cover all of the proposed operating expenses. Each department head then worked with the Finance Director and the City Manager to determine which items should be included in the final budget. Below are the highlights of how the General Fund operating budget was balanced.

A. Vacant Court Clerk position was not filled and is not funded.

Keeping this position vacant will provide approximately \$70,000 in savings for the general fund. However, not filling this position will have an impact on the level of service that the City is able to provide in this department. Having cut the Court staff by a third has required us to shift duties around and have other departments cover some of the administrative work. It is likely that in the near future we will need to consider reducing the number of hours a week that our Court counter is open to the public in order to be able to meet all of the legal requirements of that department.

B. A new department is created for the Marjorie Stewart Center within the Community Services division.

This department adds one full time position (Program Coordinator) as well as normal operating costs such as training, printing, and equipment. In addition to these, the Center will be providing meals which will require the purchase of food items. This is the only portion of the budget at this time that will be offset with revenues from the sale of meals to customers. This department has a net effect of about an additional \$83,000 on the General Fund.

C. Reallocate personnel within Public Works and increase one mechanic position from half time to full time.

Although this adds ½ FTE to the total number of employees, this only impacts the General Fund by about \$10,000. A variety of employees' time was re-allocated in order to be able to provide adequate coverage for Stormwater operations during the fall and winter and for the parks in the spring and summer.

D. Several personnel changes were requested but were not included in the proposed budget. These include:

- a. Add a half-time Inspector to the half-time Code Enforcement Officer to create one full time position in Community Development.
- b. Change the half-time evidence tech position to a full time Community Resource Officer in Police.
- c. Add a full time Records Specialist.

E. Training budgets within the general fund were cut across the board.

The General Fund training budget was cut by 53% or \$68,000 for FY17-18. This is largely out-of-state and/or overnight training. Any training that is required for certifications or license requirements remain in the proposed budget.

One time expenditures included in the Proposed Budget

The second part of presenting a balanced budget pertains to one-time or non-operating expenses. Each department presented their requests for use of fund balance as special projects and as asset plan projects to the Finance Director and City Manager. After setting revised projections for the current fiscal year, the amount of fund balance available for the FY17-18 budget was calculated and determined to be estimated at \$270,000. From the list of projects provided by the departments, the following were selected by the City Manager to include in the proposed budget.

Senior planner ¹	95,215
Neogov Human Resources software ²	12,000
Replace artificial turf at Snyder baseball field	160,000
Total	267,215

¹-Position designated for comp plan update for a period of 2-3 years

²-Of this \$5,000 will be an ongoing expense

One-time requests not included in the Proposed Budget

Unfortunately, there was not enough available funding for a majority of the requests. The unfunded requests are shown in the table below as prioritized by the City Manager.

Description of request	Department	Amount
Comp Plan Update Consultant	Community Development	302,000
Quasquicentennial	City Council	2,500
Overhead allocation model	Finance	10,000
Fee study for CDD	Community Development	15,000
Body Camera Program Suite	Police	30,000
Interview Room Camera	Police	23,300
5 year financial plan	Finance	20,000
Re-key of police vehicles	Police	7,000
Firearms enhancement/less lethal	Police	12,500
City Wide Reports - SSRS/Power BI	IT	15,000
Langer park	Public Works	51,400
Evidence Software for PD	Police	20,000
Portable AC at PD/server	IT	3,000
Camera Install @ City Hall and Arts Center	IT	10,000
Professional Services for ITSM	IT	12,500
Public Art Program Development	Community Services	15,000
HPRM records software	City Recorder	27,543
Video Work	IT	5,000
Devices for Councilors	IT	5,000
Cell service for Council devices	IT	3,000
CFM fees (federal lobbyist)	City Manager	25,000
	Total	614,743

In addition to these requests, Parks and Facilities maintenance projects which would also be paid for out of fund balance were deferred.

The projects in the table below are in order of priority as proposed by the Public Works Director and reviewed and approved by the City Manager.

Description of maintenance project	Amount
Civic Building VFD # 2 replacement	8,000
Replace chairs at Public works (7)	2,450
Fieldhouse In-fill turf field	5,000
YMCA Teen Sealing outside of building	46,350
Civic Building Brick Sealing	30,000
Paving Lower half of granite trail at Snyder with storm	25,000
Pioneer Park Playground replacement	120,000
Pioneer Playground Border Concrete	8,000
Pioneer playground ADA ramp and pathway	10,000
YMCA Parking Lot Maintenance	45,000
Stella Olsen replace asphalt from bridge to stage	5,000
Pioneer BB court crack seal	1,820
Civic Building crack seal parking lot	2,000
Snyder trail Cracksealing phase II	1,000
Murdock Park Trails Cracksealing	400
Oregon Trail Park trails Cracksealing	200
Stella pathway Cracksealing phase II	413
Snyder park concession building/restroom sealing	1,500
Refurbish City Entry signage on T/S Road and by Home Depot	5,000
Total	317,133

Review of legal levels of authority and Oregon Budget Law guidelines

A. Levels of authority

As a reminder, although the budget is presented to you at the department and account level, it is adopted at a much higher level. It is at this higher level that the legal level of authority lies for the Budget Committee and for Council. These levels are shown on page 22 of the proposed budget. For the general fund these are at the division level. This corresponds to the lines on pages 42-44 titled "Total (department) Expenditures".

B. Additional Budget Law requirements

- a. There must be a quorum present to hold Budget Committee meetings. If there are less than 8 Committee members present, we will not be able to hold the meeting and will have to reschedule. It is therefore extremely important for all members to attend. If a situation arises where you cannot attend, please be sure to let the Finance Director know as early as possible.
- b. Any action requires an affirmative vote from a majority of the Budget Committee members (not a majority of those present). Any action will therefore require 8 affirmative votes to pass.
- c. Once the budget is approved by the Budget Committee, it can be changed by City Council prior to adoption. However, if an increase of more than 10% is proposed in any fund, a revised Notice of Budget Hearing and Financial Summary must be published and another public hearing must be held. For the General Fund this amount is estimated at \$1.2 million.
- d. Committee members may not discuss or deliberate on the budget outside of a public meeting.