



## **SHERWOOD BUDGET COMMITTEE MEETING May 11, 2017 MINUTES**

- 1. CALL TO ORDER – Chair Andy McConnell**, Andy McConnell called to order the regular meeting of the SHERWOOD BUDGET COMMITTEE at 6:02 pm on May 11, 2017.

- 2. ROLL CALL – Katie Henry, Finance Director**

**COMMITTEE MEMBERS AND COUNCIL PRESENT:** Mayor Clark, Council President Harris, Councilor Garland, Councilor Young, Councilor Robinson, Councilor Kuiper, Chair Andy McConnell, Vice Chair Meerta Meyer, Paul Mayer, Susan Claus and Kurt Studer.

**COMMITTEE MEMBERS ABSENT:** Councilor King, Amy Kutzkey

**CITY STAFF PRESENT:** City Manager Joe Gall, Assistant City Manager Tom Pessemier, Finance Director Katie Henry, City Attorney Josh Soper, Community Development Director Julia Hajduk, Community Services Director Kristen Switzer, Police Chief Jeff Groth, Police Captain Mark Daniel, IT Director Brad Crawford, Administrative Assistant II Jean Macaulay

**MEETING INSTRUCTIONS – Chair McConnell:** Chair Andy McConnell read a statement regarding the meeting format and public comment instructions; Tonight's meeting will be a working and listening session with line by line detail. Towards the end of tonight's meeting we will have a public hearing on State Shared Revenue. We will also have time for general public comment as the last item on our agenda. If you wish to speak please fill out the public comment form and give it to the Finance Administrative Assistant. The Committee Chair will recognize those persons wishing to speak and any questions should be addressed through the Committee Chair.

- 3. APPROVE FEBRUARY 16, 2017 AND NOVEMBER 16, 2017 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES**

Councilor Harris motioned to approve all minutes, Seconded by Paul Mayer, Minutes approved by all in attendance.

- 4. NEW BUSINESS**

- A. Election of Committee Chair – Katie Henry, City Finance Director/Budget Officer**

Katie Henry read a statement per ORS 294.414(9) the Budget Committee is required to elect the presiding officer at the first meeting when they receive the budget message. I would like to request Chair McConnell to open the floor for nominations of the Chair position for the FY2017-18 budget cycle.

Chair Andy McConnell opened the floor for nominations, Councilor Robinson nominated Councilor Sean Garland, Mayor Clark nominated Meerta Meyer, the committee voted with a 10 to 1 margin in favor of Meerta Meyer. The motion passes and Meerta Meyer is the Chair.

**B. Election of Committee Vice Chair – Katie Henry, City Finance Director/Budget Officer**

Katie requests Chair Meyer to open the floor for Vice Chair nominations. Chair Meyer opens the floor for nominations. Mayor Clark nominated Andy McConnell, who declined the nomination. Mayor Clark then nominated Paul Mayer. Councilor Harris nominated Councilor Garland. The committee voted with a 6 to 5 margin in favor of Paul Mayer. The motion passes and Paul Mayer is the Vice Chair.

**C. BUDGET OVERVIEW – Joe Gall, City Manager**

Joe discussed the budget message that was delivered in the budget document and it was agreed to move on to review the departmental line item information. The budget is a group effort, the process starts in January, and each Department Director puts together their respective requests which are submitted to the Finance Director and City Manager and reviewed. We then balance the budget and review one time requests and see what we can afford in the fund balance. We then present a balanced budget to the Budget Committee. If the committee makes changes to the budget and increase spending in one section then the budget needs to be balanced again.

The Council policy that we maintain 20% of the general fund balance in reserves was discussed. The policy states that we strive to maintain 20% and not go below 10%. The committee has the option to propose using some of those reserve funds, however, Council has the final say in the matter.

**D. Review of Departmental Line Item information – Joseph Gall and Katie Henry**

Joe gave a general overview of the line item detail.

Katie reviewed Exhibit A and the levels of authority, page 22 in the budget binder shows what the level of authorities are. The committee is reviewing the budget at the department level but will be adopting at the division level.

**General Fund**

Property taxes are projected at 5.4 million for next year, a growth of approximately \$300,000. The annual increase is 3% and we are projecting a moderate growth of 2%. We expect a larger increase coming in three to five years when all of the new construction is built and on the tax rolls. Franchise fees are up slightly at 1.9 million, they are an important revenue source for the general fund. There is a decrease in the collection of rent, buildings and facilities due to the ending of the payment from the YMCA, their portion of the loan was actually a rent, and with that contract ending we won't be receiving those payments. The loan payment has been paid off so the two offset each other. The City will not receive any revenue from the marijuana tax because the citizens voted that down.

The increase in personal services from 5.8 million to 6 million is the wages increase. The City did not fill a vacant position in the Court department to save some. There is an additional proposed position in order to staff the Marjorie Stewart Senior Center. The cost of living increase for all staff is 1.6% this year. The PERS increase is from 1.19 to 1.46 million, this takes up all of the property tax revenue increase for the year. The training budget is cut down by more than half to \$60,965. License and certification trainings were not cut, all of the department Directors reviewed their training budgets and eliminated what they could.

The agreement with the YMCA was termed as a lease, however, the intent was to use that for the debt service for the expansion of the teen center and the second phase improvements. The amount was tied to the expansion of the facility and the bonds were paid off in January therefore the agreement was finished and there will not be any rent payments. Whoever the provider is in the

future the deal will be very different than this original deal from 20 years ago. Expenditures increase overall by approximately \$300,000.

### **Non Departmental**

The non-departmental is where costs from all departments within the city or to no department specifically go. This cost benefits everything as a whole, they are then allocated to departments. General revenues such as property taxes, franchise fees go in here. We recover \$800,000 of the total general fund's costs from the enterprise funds, the debt is significantly decreasing as well. Administrative overhead costs are allocated based on the department's percentage of their payroll with a true up at the end of the year. We are working on a new model for not allocating based on payroll percentage to make it more accurate for the departments.

### **Administrative**

This is the City Council's budget, we are proposing a decrease in expenditures in out of state training, there is still budget for the Councilors to attend the League of Oregon Cities and the Mayor's Conferences. The Rose Festival float costs will now be in the Admin budget as opposed to the City Manager's as it is currently. There is an increase the current year's budget for the Mayor to be a member of the Royal Rosarians. We had not anticipated this ahead of last year's budget, those costs are one-time costs and not on going.

### **City Recorder – FTE 1.5**

Sylvia Murphy reviewed the City Recorder budget. There is an increase in elections, when we have an upcoming election we have to estimate the costs. This figure does change depending on how many petitions, elections, special elections cost more. The only two elections the City does not pay for are the Primary and the General elections.

### **City Manager – FTE 3.25**

Joe Gall reviewed the City Manager budget. This consists of the City Manager, Administrative Assistant and a good portion of the Assistant City Manager's time. The .25 is for a paid intern that we share with other cities in the area. There is a significant decrease in training, we have cut out any out of state training for both the City Manager and Assistant City Manager. We have only cut training or conferences that are not detrimental or required for certifications. We are looking at alternative types of training like webinars where we don't have to travel.

### **City Attorney – FTE 2**

Josh Soper reviewed the City Attorney budget. No significant changes to this department. There are funds budgeted for outside council for subject matter expertise, outside investigators for employment purposes, land use surety and franchise fee issues. These are projections, we may be less than the \$20,000 budgeted.

### **IT – FTE - 4.2**

Brad Crawford reviewed the IT budget. There is an increase in personal services due to the hiring of a Network Engineer that is 50% Sherwood Broadband and 50% IT. A decrease in software is shown this year because we have an equipment replacement cycle and there wasn't as much on the cycle this year. On the five year trend it shows monies budgeted in the long term to ensure there is money for the replacement as needed. Significant decrease in training, we are looking at online resources.

## **Human Resources – FTE 1.1**

Tom Pessemier reviewed the Human Resources budget. One increase of \$12,000 for new software called NeoGov, it's very specific to advertising for employment opportunities. Currently the City does this manually, this software allows us to keep records electronically and manage the system through the entire process. The compensation study is a comprehensive look at the entire City and compares us with other municipalities in the area to see how we compare. When it's completed we will look at the entire picture and then present it to Council.

## **Finance – FTE 4.22**

Katie Henry reviewed the Finance budget. The overall cost in finance is going down because the software implementation is coming to a close. There is a reduction in training, we are doing one instead of two conferences and reducing the number of attendees. We currently have an Intent to Award for our RFP for Audit Services to TKW. It is a requirement that we are audited annually.

## **Court – FTE 3.1**

Katie Henry reviewed the Court budget. This department brings in more revenue than it spends. A position became vacant and we chose to not fill the position at this time. If we were to add this position back in there would need to be a reduction elsewhere, approximately \$70,000. There may need to be a reduction in customer service hours to help with the workload.

## **E. PUBLIC HEARING ON STATE SHARED REVENUE**

Chair Meyer opened the Public Hearing at 8:41 pm

**Public Comment** – Chair Meyer opened the floor for public comment on the State Shared Revenue Hearing

### **a. Eugene Stewart - citizen of Sherwood**

- Asked what the requirements on spending these funds are.
- Are the citizens supposed to come forward with projects to spend it on.
- Is the City required to tell the public where you're spending the money specifically, is part of this revenue sharing is from OLCC, that statute does require the public be told where that money is being spent.
- It would be nice in the future to allow public input on small projects that could be done with volunteer help but require capital to complete the budget. Maintaining trails, building new trails, cleaning up spaces. Maybe by spending a little money you get a lot more done by funneling it towards volunteer projects.

Chair Meyer officially closed the Public Hearing at 8:45 pm

Katie Henry reviewed the two different types of state revenue sharing, the overall where each city receives a portion and then the per capita revenue sharing which includes cigarette and liquor tax. In order to receive these revenues the City must offer at least four of these services: Police and or Fire Protection, street construction maintenance, sewers, storm, planning, one or more utility services. These funds are allowed to be used in the General Fund for all purposes, mainly used to support our Police services. The City does not outline this as a separate revenue source and track it specifically because of the way it is allowed to be used.

**F. PUBLIC COMMENT** – Chair Meyer opened the floor for public comment at 8:56 pm

**a. Steve Munsterman - citizen of Sherwood**

- Thank you to all staff, Council, and Committee members for what you do.
- My concern is regarding the deferral of maintenance tasks on Exhibit A, it's almost like it's the last thing we worry about. Public Works put a whole lot of effort into developing that parks facilities fleet asset management plan several years ago, it easily summarizes that there are a very large number of tasks that are spread out over a number of years. With any maintenance they repeat themselves and cost more, there is no end to it. If you don't take care of things when it's cheap and easy it costs money later and they don't go away, costs never go down, the City's liability goes up. There's really no upside to it, only downsides. Are there other items that were deferred from prior years? Is there a plan for next year? If we defer \$300,000 this year we probably need \$600,000 for next year. If we didn't have the money this year we probably won't have it next year.

**b. Eugene Stewart – citizen of Sherwood**

- When you defer maintenance it jumps up and bites you in the behind. The school district had 23 leaks in the roofs and then when we got the wet weather it jumped up to 50. They're trying to patch those the best they can but sometimes if you do it the wrong way you can make it worse. The maintenance items need to be done when they're scheduled, not stretch it out 2 to 3 years afterwards.
- Every year we see our property taxes go up and up and up, in the past they usually went down when a bond was paid off, we haven't seen that in the last 30 years. The question is why? Part of the problem is that we've grown as a residential community instead of a balanced community between business and residence. Until you figure out what that balance is and working towards it you're always going to be wrestling with this budget. You have an opportunity to plan to where you don't have as big of headaches. The City needs to start to focus their planning to where we start enticing people. Maybe you need to look at are development fees too high for businesses, what happens if you knock them down, how do you rebalance your budget so you can offer better breaks for business to come in and build now and then allocate a percentage of the increased revenue to help pay for things that need to be paid for. We need to start looking at how we do business a lot differently.
- "I would spend the state revenue sharing on the Senior Center, it was left high and dry." There are a few things that need to be done. You have a wonderful person who helps run it now, you have a lot of wonderful volunteers up there but don't forget they're getting old. Anyone who wants to volunteer and help the Senior Center they would be more than happy to have you come up and help out, thank you.

**Chair Meyer** closed the public comment section at 9:03 pm

Joe Gall responded to the public comments. Both citizens raised really good concerns and ideas that we will discuss in the weeks to come. This is the first year that we've had to defer those maintenance items. I think we should have a discussion about whether we do some of those now and dip into reserves. One thing that isn't in the budget is the revenue from potential property sales that if sold will have an infusion into the General Fund. Those additional revenues could pay for some of the items we are deferring, maybe next fiscal year but we are not there yet. You could decide to dip into the reserves to do some of those as part of the budget process or revisit in 3 to 6 months depending on how things turn out in terms of the property sale. We are currently in negotiations with the School District for a 20 acre piece of land. Deferring maintenance is not a long term solution, we have a good plan that identifies things that need to happen each year. Being a more balanced community is on the horizon if some of the things we are seeing in Community Development do come to fruition. A lot are currently going through the development review

process, they've not actually been built. It's going to be a tough budget every year as long as we are largely a residential community. When you look at the budgets for Tualatin and Wilsonville they are more balanced, healthier in terms of the revenue they bring in because of the businesses they have. Some residents don't want the community to change at all.

**G. Chair Meyer 9:12 pm WE ARE RECESSED UNTIL THURSDAY MAY 19, 2016 AT 6:00 PM, CITY HALL COMMUNITY ROOM**

Submitted by: Jean Macaulay, Administrative Assistant      Minutes approved on: 01/11/18