



SHERWOOD BUDGET COMMITTEE MEETING AUGUST 19, 2013 MINUTES

- 1. CALL TO ORDER:** Chair Ivonne Pflaum called to order the August 19, 2013 Sherwood Budget Committee Meeting at 6:30 PM.

Chair Pflaum asked Interim Finance Director Julie Blums to conduct the roll call.

- 2. COMMITTEE MEMBERS AND COUNCIL PRESENT:** Chair Ivonne Pflaum, Vice Chair Tim Carkin, Steve Munsterman, Neil Shannon, Brian Stecher, Lynette Waller, Councilors Bill Butterfield and Matt Langer.

LATE ARRIVALS: Council President Linda Henderson, Councilor Krisanna Clark and Councilor Dave Grant who arrived after approval of the minutes.

COMMITTEE MEMBERS ABSENT: Mayor Middleton, Kim Rocha-Pearson, Councilor Robyn Folsom

- 3. APPROVAL OF PRIOR MEETING MINUTES:** April 22, 2013 City of Sherwood Budget Committee Minutes, April 29, 2013 City of Sherwood Budget Committee Minutes and April 29, 2013 Sherwood URA Budget Committee Minutes.

Chair Pflaum asked for Discussion. Steve Munsterman stated he would not vote because he was not in attendance at the meeting on April 29, 2013.

Neil Shannon Moved to Approve and Bill Butterfield seconded. The minutes were approved by those in attendance at the time of the vote and one abstain by Steve Munsterman.

4. NEW BUSINESS

- A. GFOA Award for Excellence in Financial Reporting –** Tom Pessemier stated that Julie Blums pays very close attention every year to make sure that our budget document has the necessary tools to get this award. They increasingly add complexity to it and she increasingly improves the format. A lot of this is meant to improve the transparency and to match up with other budgets that are done around the country so people can go from one community to another and have the documents have a consistent feel and look to make the reviews easier. Julie puts a lot of work into this and does a great job with a smile, in pulling together the pictures, graphs and measurables to make this budget the best it can be. Tom asked Julie explain it in greater detail.

Julie Blums stated this last Fiscal Year for FY2011-2012 we were able to produce a financial report that met the qualifications for submission to the GFOA for the Excellence in Financial

Reporting Award. This is the first time in 10 years that we were able to submit for and receive the award. Now we have received awards for both our Financial Report and our Budget Report and this is a really big deal for us.

- B. Update on Finance Director Recruitment** – Tom Pessemier stated that we are in the process of doing interviews. We have six candidates that were selected, have interviewed four and will be completing two more interviews this week. We will take the results from that and narrow the pool down for second interviews and if necessary will do some additional assessments to make the final selection. We have a decent pool of candidates and hopefully will have a decision and complete the process soon. Ultimately that will be the City Manager’s determination as to who that is.
- C. Audit Update** – Julie Blums stated that three weeks ago we had our auditors in for preliminary field work. We had a new team this year from the same company. They were scheduled to be here for two weeks and it took only one week and it went very well. They did not find any issues or concerns and will be back the end of September for final field work and to review our CAFR for this year.

Congratulations were offered and Bill Butterfield asked that we were able to do all of this without a CPA? Julie Blums stated yes. Tom Pessemier said that our audit firm does have a CPA and one of their major roles is to make sure it meets the appropriate standards.

Neil Shannon asked about a “trifecta” award that Craig Gibbons was looking for. Julie stated this was something she had not seen before and that she was researching and trying to obtain copies from the two cities in Oregon that have received this award. The third GFOA award relates to a very condensed summarized version of the CAFR. We may not go for it this year because of staffing levels but our goal is to obtain all three awards.

A question, addressing how the Finance Director recruitment is being handled in regards to the requirement for that person to have a CPA. Tom Pessemier stated that they did research the other METRO jurisdictions and it was about 50/50 as to those who have Finance Directors with a CPA and those who do not. We made sure that the recruitment ad met the same criteria as other jurisdictions. It is certainly not a requirement especially when we have auditors who have a CPA. This is something that we will take into consideration as we go through the process and we do have some candidates with CPAs. But we are going to be looking at fit and skills and the ability to do the job and not on that specific credential.

- D. PERS Unfunded Actuarial Liability (UAL) (Exhibit A)** – Julie Blums stated that this came about a couple of Council meetings ago where Mr. Stewart asked about our UAL with PERS. We put together what the numbers have been for the last six years and provided that to him and Council. Council asked that it be brought to this group and give a brief introduction to this information. In PERs, every two years, their actuaries go through and figure out an estimate of what it will cost to fund all of our retirees based on the employees we have now and those already retired for all agencies. Based on this they come up with a UAL. This is not a bill and it is amortized over 30 years and is a figure that changes every time they do the valuation. You can see from this report that back in 2006 when we had very good earnings years we were actually over funded. In 2007 again we were even more over funded. Then the bottom fell out of the economy and that number went the opposite direction. In good years when the interest rates are going well our liability tends to be lower. Then when we are in a recession or hard economic times the liability goes up. It fluctuates, we are not in dyer straights, we will not receive a bill and it is amortized over thirty years and based on many kinds of estimates using fluctuating data. This information shows were we are at and where we have been for the last six years.

Yvonne Pflaum asked if it is amortized over this period of time then what is the actual amount and is it in the budget. Julie stated that a component of our PERS rate goes towards this and they factor in the cost of that into the rate we already pay. You will not be able to see it in the budget because it is not an amount we owe it is actuarially calculated based on if everyone retired and all other factors fell into place then that is what you would owe. But it will change over the course of time and will continue to go up and down.

E. FY12-13 Year End Budget to Actual Update (Exhibit B) – Julie Blums provided a disclosure that these are Pre-Audited Numbers. There may be some changes but if there are they will not be large changes.

In our General Fund we had budgeted that our beginning balance would be \$2.2M and it was actually \$2.5 last year. Our Total Revenues were budgeted at just under \$9.3M and actually came in with \$9.6M. So we did very well there and the biggest contributing factor was in Community Development, We had several projects come in sooner than we thought they would. For Expenditures we budgeted \$9.6M and actually came in at \$9.2M. Our Ending Fund Balance we had budgeted to be \$1.9M and we are actually coming in at \$2.9M. We did a very good job this year of keeping expenditures down and making sure that our revenue was coming in. These are based on accruals so any payments we made in July for work last year have been backed in to June. Some will roll over but not \$1M worth. Staff did an excellent job.

The General Construction Fund balance is actually a lot closer. The actual expenditures are a lot less than budgeted because we had projected to complete the Turf Replacement but we actually rolled it over into July. Tom Pessemier pointed out that it shows as revenue coming from the General Fund but won't be expended until next year. This is why it will not impact the General Fund. Also included in the General Construction fund is part of the Senior Center improvements.

Debt Service is exactly right on where we should be and it was the payments on our General Obligation Bonds.

Street Operations Fund beginning balance came in quite a bit higher than we budgeted for the year and is due to savings from the prior years, FY11 and FY12. There were some projects that were not completed in these years which were discussed before. Revenues and expenditures both came in close to budget and the ending balance is just under \$1.3M.

The Street Capital Fund figures vary from budget because we had budgeted to do the Downtown Street Project in the Street Fund but when the contract was written a large part of the project was paid from the Urban Renewal and smaller portion came from the Street Fund.

The Water Fund operations for revenue came in higher than expected in our budget to actual numbers. We are analyzing if this difference came from increased consumption or additional service. Expenditures were very close on the operations side and on the capital side it again becomes timing as the Pipeline Project will roll over and be completed in this FY.

The Sanitary Fund, again our operations revenue will be very close. Our capital revenue that consists mainly of SDC funds and reimbursements from Clean Water Services is based on the timing of which side of June the projects will be completed. In July we are seeing the SDC funds coming in higher than we thought. The expenditures are lower because we budgeted to do the Tonquin Sanitary Sewer Extension which will spill over into this year and is under construction right now.

The Storm Fund revenue came in higher and again I believe this will relate to consumption on the water side because we do a winter average. We are trying to identify where the variances were. Expenditures, we saved some money on projects that were done throughout the year.

The Telecom Fund revenue came in close. Due to a capital purchase that was not made by June 30th expenditures were also close. The capital purchase will be rolled over into this FY.

Urban Renewal operations fund. Our tax revenue was a little under but close to what we thought it would be. We refunded some debt by refinancing two loans this year and that is what the large number is on our issuance of long term debt.

For Expenditures, Julie stated she is very impressed with everyone's budgeting this year and how close all departments came to their actuals. Capital is a different story and it all comes down to timing. With the Community Center Project being put on hold due to the demolition, that became the bulk of what was budgeted for this year and was not spent. The expenditures for this project will be rolled over into this current FY.

Chair Pflaum stated we are on to Next Steps.

Julie Blums gave an update on the topic of the Parks Refurbishment Plan. Craig Sheldon has a draft of the plan that was presented to the Parks Board. They are reviewing the plan and will be providing feedback and updates. Once the plan is in a final state, and we have good numbers that will need to be put aside each year to maintain the parks, it will be shared with this group. Julie stated that Craig did a very good and comprehensive job on this report.

It was asked what kind of mechanism do you see us using in the General Fund to protect these funds. Julie explained we have a couple of options and right now we have been putting money away in that reserve line. We can continue to put money away but it does not legally tie it up and it could be used for something else. What could be done from year to year in our Ending Fund Balance is restrict part of it and not appropriate it for use in other areas. Brian Stecher stated that Craig's bottom line number has consistently been \$3.9M and it is unlikely that the Parks Board or Council would impact that number over the 10 years. Julie then stated that what will be required is a stable funding source to come up with that ~\$400K per year for 10 years. There are other projects that will require the same scenario and we wanted to hear from the Budget Committee and through the process what items are of concern or are high on your list requiring action this year. This is your opportunity to provide feedback.

It was brought up that it is up to the City Manager to identify the Staff Goals, particularly for the Reserves. He thought one of the actions was for Council or the City Manager to re-identify the Reserve mechanisms compared to staff goals. Julie said that she thought one of the discussions was that our Reserve Goal is 20% but we are actually at 28% and they are part of the total but we are pulling them out as a line item in the Reserves but they are included in Total Fund Balance. Through Council we can do resolutions to restrict those funds for specific uses. That will be up to Council if they want to tie hands for the future if a disaster were to happen.

Bill Butterfield then stated that once we find the funds we need to protect and use them for what was intended. Sometimes we get off track and \$400K per year is a large amount of money. We need to get this budget and go through it line by line and make sure we are covering everything.

It was asked if the Council was proposing to curtail any future parks plans. For a city our size we currently are at a point where maintaining the parks we have is inhibiting our growth. It is putting a hold on any future desires and needs we have.

Tom Pessemier said that he had not heard any conversations regarding curtailing additional parks because of the maintenance issue. One of the issues we are facing is that a lot of the parks were built about the same time and the repair and maintenance requirements are coming due all at once. It is going to be a challenge for us to balance parks against every other General Fund liability we have.

It was stated that the Parks Board has not had any discussion regarding this issue nor have they been directed by Council to do so. They are moving forward with their current plans, i.e. Woodhaven Park. We have not had any new SDCs coming in but with the 2 new apartment buildings being built the SDCs will begin rolling in again.

Tom Pessemier said that it is the play structures that are the high ticket items and need to be replaced on a more frequent basis. Woodhaven Park will not be adding more play structures so this will not be an issue. The costs of adding lights etc. will be minimal in comparison.

Brian Stecher stated, as member of the Parks Board, they have been doing a good job in addressing how to get more out of the parks the city already has. This is where the addition of the lights for Woodhaven Park came up.

Yvonne Pflaum stated she was glad that Brian brought this up. She said the other topic that was brought up and caused quite a bit of controversy was the sharing of information that brought to light the need to increase the police staff. There was a lot of discussion around which was more important, the parks or public safety. This is a concern that needs to be discussed as well in regards to the budget.

Julie Blums stated that during the budget process these were the two big issues that were of great concern. However, they are not the only areas that require discussion and require funding. Internally we are putting together a document to show all of the things that are out there that require attention and funding so they can be brought forward to be prioritized. There is financial software, community development and services needs etc.

Neil Shannon asked a question regarding the Redflex Contract that will be discussed at tomorrow's Council Meeting. Julie stated that what has been happening is that we have not been paying our complete bill for two years. When the system was put together and the files are electronically transferred to us by Redflex, there is an important piece of information that is missing from that file and that is the Approach. Currently our contract states that we pay on a tiered system per Approach. We do not have that information in our system and all we have is intersection. Julie informed Redflex that we could not pay them on information that we cannot validate. This new flat rate is comparable to what we should have been paying all along. It is consistent and easier to budget. Currently to do this manually on a "per citation basis" is a very labor intensive process and not financially responsible. Also, to make any system changes to automatically calculate this would not be cost effective. This solution is a much more sustainable and stable way for us to do this contract. We have also added performance measures so if the cameras are down there is a cost to them. We have been negotiating with Redflex for quite some time and they are willing to write off the past amounts we have not paid

to get this worked out. In the beginning this would not have worked but we are finally at a point where our citation numbers are stable. This is why we felt this was a good time to do this. We can always go back and renegotiate if there is a substantial change in the number of citations. We have been budgeting at this rate all along but have not been paying. It will not change our budgeting. This is a 5 year contract that will begin 9/1/13. The detail of the contract will be presented in greater detail at the City Council Meeting by Chief Groth.

Yvonne Pflaum asked if there were any other items to be discussed.

Julie Blums said that City Manager, Joe Gall has asked that the Budget Committee meet once a month. A suggested date for the next meeting is September 30, 2013. This is a 5th Monday but in the future we could try to do the meetings the 3rd or 4th Monday of each month. Julie will check calendars and get back with the committee with a recommendation.

Steve Munsterman requested if there was going to be a meeting once a month that there is more "meat" presented prior to the meeting to discuss. He noted that he had missed 2 previous meetings and there were issues such as staffing that still have not been resolved. He would like to see more of the issues being resolved than presented or discussed over and over without resolution and not wait till the end and see the results of the current year and budget for the upcoming year.

It was also suggested that the information be presented a month in advance of discussion and potential resolution.

Chair Pflaum talked about this meeting being an open, relaxed and safe forum for questions and discussion. It should be on each member to review as much information as possible before the meetings. Additionally, for those who are not able to attend an upcoming meeting, please send any questions or concerns to the appropriate representative so this can be addressed during the meeting and answers or information provided before the next meeting. It will be beneficial for all committee members.

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

5. ADJOURN

Chair Pflaum adjourned the meeting at 7:30 PM.

Submitted by: Julie Blums, Finance Director

8/29/13 Minutes approved on: October 21, 2013