



AGENDA

SHERWOOD BUDGET COMMITTEE August 19, 2013

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

6:30 BUDGET COMMITTEE MEETING

- 1. CALL TO ORDER – Chair Pflaum**
- 2. ROLL CALL – Julie Blums**
- 3. APPROVE APRIL 22, 2013 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES
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- 4. NEW BUSINESS**
 - A. GFOA Award for Excellence in Financial Reporting – Joe Gall**
 - B. Update on Finance Director Recruitment – Joe Gall**
 - C. Audit Update – Julie Blums**
 - D. PERS Unfunded Actuarial Liability (UAL) (Exhibit A) – Julie Blums**
 - E. FY12-13 Year End Budget to Actual Update (Exhibit B) Julie Blums**
 - F. Next Steps – Committee Discussion**
- 5. ADJOURN**



SHERWOOD BUDGET COMMITTEE MEETING - 2013-2014 BUDGET MINUTES
April 22, 2013

1. **CALL TO ORDER:** Chair Ivonne Pflaum called the meeting to at 6:00 PM.

The upcoming Budget Committee Meeting schedule is as follows:

April 29, 2013 – 6:00 PM

May 6, 2013 – 6:00 PM (if needed for budget approval)

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

2. **COMMITTEE MEMBERS AND COUNCIL PRESENT:** Chair Ivonne Pflaum, Vice Chair Tim Carkin, Perry Francis, Steve Munsterman, Neil Shannon, Brian Stecher, Lynette Waller, Council President Linda Henderson, Councilors Bill Butterfield, Krisanna Clark, Robyn Folsom, Dave Grant, Matt Langer. Mayor Middleton arrived during the Budget Message.

COMMITTEE MEMBERS ABSENT: Kimberly Rocha-Pearson.

STAFF PRESENT: City Manager Joe Gall, Finance Director Craig Gibbons, Accounting Supervisor Julie Blums, Police Chief Jeff Groth, Police Captain Ty Hanlon, Assistant City Manager Tom Pessemier, Community Development Director Julia Hajduk, Community Services Director Kristen Switzer, and City Recorder Sylvia Murphy.

Chair Pflaum reminded the attendees there are forms to fill out in the back of the room for the Public Comment portion of this meeting.

3. **APPROVAL OF MARCH 19, 2013 MINUTES**

Steve Munsterman moved to approve the March 19, 2013 Minutes, seconded by Council President Linda Henderson. Approval of the minutes was unanimous by the members present for the vote.

4. **NEW BUSINESS**

A. Received Budget Message

City Manager Joe Gall explained this would be a high level overview of the formal Fiscal Year 2013 – 2014 Budget Message and what was going to be discussed over the next 2 or possibly 3 meetings.

Before there is discussion about next fiscal year there are still two and a half months remaining in the current fiscal year and I would like to point out some positives.

We are projecting to end the current year in the black. Total city spending was budgeted at \$28.4M; the projected amount is \$23.1M. The General Fund was budgeted at \$9.3M; the projected amount is \$9.0M.

When we talk about the different funds we need to be specific. It is important to remember that Total city spending is different than the General Fund. The General Fund is divided into different businesses and money cannot be moved around from one business to another.

In our General Fund or fund balance are our financial reserves, we have exceeded our 20% of revenue goal for the 5th year in a row, and we are projected to grow and will be at 28%. We have not dipped into the fund balance reserve over the course of the recession and propose to increase the fund balance by \$6K in FY2014.

This is an inherited budget and was put together by the interim City Manager, Tom Pessemier. Spending has been slightly different than what Tom and the Budget Committee members put together. From a customer service and productivity standpoint, the previously eliminated Receptionist position has been brought back. Six months into my tenure here Tom Pessemier was promoted to the vacant Assistant City Manager position. These were not planned in last year's budget.

Additionally some new projects were implemented that were not anticipated. We had a very successful first time, in many years, Veterans Day Event in Veterans Park at a cost of \$6-7K, that had not been budgeted. In terms of "working together" money was spent on training for senior managers and City Council. The Snyder Park turf replacement that was scheduled for next year was moved forward to this year and was about a \$300K expense that was not planned.

When we look at the different ways money is being spent now, we continue to follow in the footsteps of good financial management and a city that is well run and will continue to live within our budget.

The proposed FY2013-2014 budget, which begins July 1, 2013, is forecast to spend \$22.8M and is the lowest level of "total spending" in at least 10 years. When we look at total spending, which is what most tax payers want to know, this is an important figure. Even with the adjustments made in filling vacant positions and doing things a little differently, we are still doing it with the resources we have.

To maintain a balanced budget, decisions have been made regarding a small reduction in staffing positions. There has been an elimination of vacant positions, that will not be filled, and one layoff as of July 1, 2013, an Engineering Associate, who has been notified.

It is a state law that we must propose a balanced budget therefore what is being presented as a proposed budget is balanced with a very small contribution to the fund balance. If everything continues as projected we will end with our financial goal at 27%. This is slightly lower than the 28% we are projecting at the conclusion of this year.

We are at a tipping point. There are no proposed significant cuts in city services and the focus will remain on the core essential services. If we cut any deeper, especially in the General Fund, there will be cuts to city services.

DRAFT

A positive is that our financial team proposed we begin putting away funds to cover future expenses like Snyder Park turf replacement 12-15 years from now. That process will begin now.

This Proposed FY2013-2014 budget does not cover areas of critical risk that will be presented and discussed during this and upcoming budget meetings. They are:

- Deferring of Murdock Park Play Structure and other infrastructure maintenance and replacement
- Finance software - can be postponed but we need a new finance system.
- Future appropriate Police staffing levels – Chief Groth will speak to this.
- Coming out of the recession the development activity has picked up but a couple of positions have been cut. Is this a permanent development or temporary uptick? – Community Development Director will speak to how we can balance this if necessary
- New Cultural Arts Center will propose operational challenges in the initial years

We cannot look at the budget in just this one year and we must look at the future budgets and where we are going in the next 3 years. If the City Council ultimately sets goals that require higher staffing levels; finding sustainable funding is going to be difficult. There is not enough revenue in the General Fund to address that.

Director of Public Works Craig Sheldon who is not here tonight will be addressing infrastructure maintenance at the next budget meeting. The city grew tremendously over the past 12-15 years and the infrastructure was built over 12-15 years ago and built to last that amount of time. All of that will need to be replaced and we are not set to take that challenge. We have not put money aside to address that. The budget committee and staff will need to focus on that during the next 12 months and how we are going to be able to get there.

Water Rates: There is a goal to stabilize or potentially reduce customer rates by acquiring good partners, who will cut us a check, as we did with Wilsonville. We have plenty of water and there are potential partners in Washington County who are scrambling to find a long term source of water.

Telecom Fund: This is the Sherwood Broadband. It has become self-sufficient and is beginning to payoff. We will complete repayment of the loan in FY 15-16 and it is starting to make money that can be reinvested in the community.

This is my proposed budget but I could not have done this without my senior managers who made some tough choices and gave me good advice. Assistant City Manager Tom Pessemier, Community Development Director Julia Hajduk, Public Works Director Craig Sheldon, Chef Jeff Growth, Community Services Director Kristen Switzer and City Recorder Sylvia Murphy.

This whole budget would not have come together without the work of two people on our finance team, Finance Director Craig Gibbons and Accounting Supervisor Julie Blums, who you will hear more from tonight and throughout this process.

B. Bond Rating

Moody's Rating Update – Finance Director Craig Gibbons explained that the city is rated every year. Our two most recent rating are based on bond sales. Until we have another bond sale we may receive "Surveillance Ratings" every year. If Moody's sees something that bothers them we will be put under "Observation". We are rated every year and must pay attention to this. Our last rating was received September 2012 and Moody's affirmed our A1 and Aa3 rating and listed our strengths and challenges.

Strengths

1. Continued growth in assessed valuation – Out of direct City Council control; there is indirect control with economic development.
2. Structurally balanced financial operations with healthy fund balances. City Council has control of this.

Challenges

1. Three consecutive years of real market value declines
2. Slow debt principal amortization relative to our peers
3. A limited history of strong financial performance

We only have control over 2 and 3 so to protect our debt rating our focus is these.

Craig Gibbons then explained the chart Exhibit A, page 2 of 4 "Real Market Value Compared to Assessed Value:

Moody's noted one of our strengths is the Assessed Value. Over the last 10 years it has increased steadily. However, the percentage increases have been dropping steadily and have been decreased from 12% in FY08 to 2% in FY13. We hope that this turns around and begins climbing. Our weakness is Real Market Value which is dropping and has dropped since FY08. These are both out of our control but Moody's is watching these closely and we are monitoring them as well.

What is in our control is the fund balance of the General Fund. The General Fund balance is increasing and has been increasing. This represents "Structurally Balanced Financial Operations with Healthy Fund Balances". It also represents limited history of strong financial performance. Moody's will look at our General Fund balance to stay level or to increase. If it turns down it is a warning to Moody's to evaluate our Bond Rating prior to issuing bonds.

With the economic headwinds the city is positioned now to improve our bond ratings during the next evaluation. It is important for the budget committee to understand our bond ratings and to protect them.

C. General Fund Overview – Exhibit B

Craig Gibbons explained this is an overview of 3 things:

- 1) Department Heads submitted recommended status quo budgets and proposed additions to bring up or improve the service level.
- 2) City Manager's modifications made to those recommended budgets to bring them down to where revenues equaled expenditures. The difference was about \$1M.
- 3) Impact of the City Manager's budget on the next 3 years.

Craig then explained how to read and understand the General Fund Graph that is on Page 2 of Exhibit B. This shows the relationship of the fund balance against the City Council's goal of a 20% of General fund revenues in the reserve fund balance, what the Department Heads additions would do to the proposed budget and the City Manager's proposed budget. The bond people want to see the budget line stay above and continue to increase above the City Council's goal.

Craig then explained that the simple approach to this is that the regular sustainable revenues always need to meet or exceed regular sustainable expenditures. That keeps our fund balance stable. In the next coming years there will be a drop based upon the following assumptions:

- 1) Stable staffing, stable services, everything remains the same. A status quo budget.
- 2) On Page 3 of 3 it shows the inflation factors included for FY15, FY16 and FY17 for revenue (optimistic triggered on increased assessed value), personal services (based on historical, the FY16 bump is the bi-annual PERS rate adjustment) and materials and services (projected CPI from State Revenue Services).
- 3) Next factor are "your" Financial Policies
 - a. Current operations will be funded by current sustainable revenues (Revenues=Expenditures).
 - b. One time revenues will be used for one time expenditures or as contributions to reserves.

D. Personal Services – Exhibit D

City Manager Joe Gall explained that we are a people organization and 40% of the budget is allocated to personnel. Total personal services costs are \$9.68M 77% of that are in the General Fund. This is what basic city services are in the General Fund. The charts show where the increases are and include PERS and healthcare. The salaries, in the proposed budget, will be smaller.

A correction to the budget is the vacated HR Manager position being reclassified to an Administrative Assistant is actually transitioning to a HR Analyst position. In the re-evaluation of this position and the size of our organization it was decided that Tom Pessemier will take over the major policy choices and changes and the day to day administrative work will be done by the HR Analyst position. So there is savings related to that.

PERS increased by 30% and we do not have control of that. Health Insurance is budgeted to increase by 10%. Positions are being cut to offset these increases.

Craig Gibbons gave an explanation of Attachment 1 that gives a picture of the Full Time Equivalent positions. It shows the total budgeted FTE and the differences of General Fund FTE,

Public Works FTE and Other FTE. The new Finance software will give us a new Position Control System that will allow for better control of these numbers.

Craig Gibbons also explained Attachment 2. This is a sound and basic explanation of PERS. Money is put in by employees and employers and when someone retires they get a benefit. There are two sources, one being employer contributions and the other is investment income. The driving factor in the formula is the benefits to be paid that are cast in stone by the Legislature. The flexible factor is the investment income and employer contributions. If investment income drops the employer income must go up. Benefits to be paid - investment income = employer contributions.

E. Review Revenue Assumptions – Exhibit E

Finance Director Craig Gibbons presented an explanation of revenue assumptions. Some of the assumptions come from Finance and others from the Departments. They are then reviewed and usually take the lesser of the two or what makes sense. The revenues are the cap for the expenditure.

We look at history to compare revenue amounts. We begin with the revenue budgeted and look at it mid-year and what revenue has come in, then change it to a revenue projection. The last step, at the end of the year, is to tell what the actual revenues were. First we look at how close were the actual revenues to what was budgeted. Secondly we look at how close were the actual revenues to what was projected. Over the past 4 years revenues to what was budgeted came in 5-10% high but the mid-year projections can be very close and the last few years has been 1% or less. The actuals have always come in less than budget or mid-year projection. Our revenue projections are realistic to expenditure projections.

The next charts show the changes in revenue projections, major revenue sources in the General Fund, franchise fees (which are passed on to the residents), fines and bails. What is important is not how much money there is, but how predictable is that money. Citation revenue has been difficult but seems to be stabilized.

In an answer to the Mayor's question regarding franchise fees, City Manager Joe Gall stated he would contact PGE to get an idea of the upcoming rate increases by next week.

F. General Fund Reserves – Exhibit F

Accounting Supervisor Julie Blums explained not all of the Fund Balance is unrestricted, there are four categories of Ending Fund Balance:

- 1) Restricted – Cash used for specific things by a statute, intergovernmental agreement etc.
 - a. Franchise fees for our TV channel
 - b. Fees from the School District for the replacement of their turf field
- 2) Committed – Council has taken action for the funds to be used for a specific purpose and is done by a resolution
 - a. Turf Replacement
- 3) Assigned – City Manager or Finance Staff states we are putting this money aside for a purpose.

- a. Equipment replacement reserve
 - b. Infrastructure reserve
- 4) Unassigned – Everything else, this is available for everyday uses
- a. Remainder the Ending Fund Balance

Julie then reviewed the actual fund balances for each category and the corresponding charts. Julie explained the funds that would be put aside for turf replacement. Craig Gibbons explained that \$50K would be put aside yearly for this expense, \$40K, from the Unassigned Funds and \$10K in fee receipts will be transferred to the General Construction Fund. It would then be changed from a unassigned funds to a committed funds, by Council directive.

Chair Pflaum gave a reminder that there will be time for public comment at the end of the meeting and to please complete the forms for that purpose.

G. General Fund – Exhibit C

Finance Director Craig Gibbons gave a high level overview of some of the pieces of what went into the FY14 Budget. It is broken down by the divisions.

- 1) Administration – There were some personnel changes but basically the budgets are status quo
- 2) Community Development – Was heavy in position changes. A critical item was pointed out that the proposed budget will not accommodate an increase in development activity i.e. manning front counter and review process. There is a back-up of funds for contractual services.
- 3) Public Safety – Chief Groth will address later
- 4) Community Services – The Community Services budget has no change. There is no change in staffing, the Library, Field House or events in the park. There is no money in the long range financial plan for management of the new Community Center.
- 5) Public Works – One position was eliminated. There are no other changes in the General Fund portion.

Craig stated that with the variety of information that has been distributed regarding the General Fund, if there are questions; please email them to Julie Blums. This information also included the packet, handed out tonight, C1 – C5, that is a department by department handout covering the major accomplishments above normal and what could be done if there were more resources.

Public Safety - Chief Groth reviewed the presentation that was handed out at the meeting. The purpose of this presentation is not to ask for anything it is to provide information with regard to the Police Department and staffing. It is a beginning for communication. It included information on the following:

- 1) Who We Are
- 2) What we protect
- 3) Priorities and Goals 2013-14 Proposed Staffing
- 4) Organization Chart

- 5) Population History
- 6) Activity History
- 7) Activity Part 1 Crimes
- 8) Activity Part 2 Crimes
- 9) Number of Bookings
- 10) Staffing: History
- 11) Staffing: National Picture
- 12) Staffing: The State Picture
- 13) Staffing: Local Picture
- 14) Patrol Staffing
- 15) Support Staffing
- 16) Retail Development
- 17) Increasing Service
- 18) Summary
- 19) Conclusion

Questions and discussion followed:

Dave Grant: Presentation indicated that the current officer staff worked as much as 1 FTE in overtime hours in the 1st half of FY13. It is almost as if you already have that extra person but are paying more because it is at the overtime rate. Would one extra person help?

Chief Groth: No. There are several causes for overtime and the fact is that people are working a lot of extra time but we are not at a dangerous level yet. Some of that overtime is going to cover shifts. It is preferred that this time go to community events and things that benefit the community. So one officer would have impact but not eliminate that overtime.

Neil Shannon: How many additional people would you need to be able to put 3 officers per shift on the street right now? There are 22 now and the 1.8 ratio would be 33 or another 11. Is there some number in between those two?

Chief Groth: That is based on total staff and it would be somewhere between 25 and 33. There are a couple ways we could do that. If we just focused on putting 3 on the road 24/7 and could probably do that with an additional 4-5. It is all what you allocate resources to but obviously patrol comes first.

Neil Shannon: Emergency Preparation is one of my favorites. Where is our Sherwood PD at this point? Is it a good place, bad place or in between place?

Chief Groth: I think we are at a good place. Could it be better, absolutely and there is a lot more we can do but it is just another one of those assignments on the list that we address. We are prepared as a city staff and as the police Department. We have a level of preparedness in the community and good community awareness, probably more than others. If the big earthquake hits tomorrow it is not going to be any easier.

Mayor Middleton: When we talked before you stated that we have 7 or 8 sworn officers on day shift. Why can't some of those be re-allocated to other shifts? We have the Chief, 2 Commanders, 3 Sergeants. That is 1 supervisor to every 2-3 employees which the average is 1 to 7. Could we reallocate or eliminate 1 of those command positions and put it back on patrol or even put 2 on patrol.

Chief Groth: This is an interesting conversation. The command staff is also involved in meetings, coordinating with other agencies, emergency management, schedule maintenance, in-service

training, etc. Most of this happens during the day. Certainly that is an option but my problem is those things that the commanders are doing would fall by the wayside.

Mayor Middleton: Give us a list of those things we will suffer on. That is information that is important to the public. You showed there were 182 activities and of those there were 6 calls on one shift and 5 on another. Most of this was just routine patrol. Statistics are not facts. On the night shift, when crimes are occurring, that could be the tradeoff. Then maybe you could divert some of the management activities to clerical staff. It is a lot cheaper having the clerical staff working on accreditation, emergency management. We actually had a reserve program that has gone away. Perhaps bring that back and get our citizens more involved. Every cent that is being asked for is coming from our parks and arts and I am not willing to give that up just to have more officers driving around. What exactly will we lose? The budget has gone up quite a bit and I know a lot of that is PERS. But every time we hire or promote somebody it adds more PERS. We added a dog and motorcycles. Can we convert those to night shift, reduce meetings, cut overtime, and cut back a few take home vehicles, some of the meetings that cost us for lunches and out of state training. Sherwood is our main focus and we need more specifics and facts. If we do need someone on the drug team take someone off something else I am not just going to hit your department. There are other departments that have a lot of frills in there and we have to cut that. We have to live with reality and live within our budget. I expected more answers from our City Manager as to what can we do to raise more money. Is it a levy or what is the answer?

Chair Pflaum – Reminder that we had about 5 minutes left for this discussion in this venue tonight because we have quite a bit of public comment. I would like to give Chief Groth time to respond to the previous comments.

Chair Pflaum also commented that Public Safety is the number one job of the government and to protect our citizens. To say that a park or the cultural arts are more important than public safety, another officer or whatever we need is kind of a stretch to me. I think if we want to maintain a safe community, like we have now, I don't want to be like Portland and we want people to understand that if they want to come here, live and work they need to behave themselves because we are not going to stand for that kind of behavior. So I feel it is more important to maintain the safety of the community.....

Mayor Middleton: I disagree with you totally on that.

Chair Pflaum: OK, that's fine. Please continue.

Chief Groth: For the interest of time let me respond Mayor by saying that anything and everything is possible and on the table. Ultimately the policy makers need to let us know, "what do you want that service level to be and what do you want law enforcement to look like"? Once we have that established we can make it look that way, identify the priorities within that and research the funding options. This is your Police Department not mine. You tasked me to lead this organization and it is what I am doing.

Craig Gibbons: Our sense of the issue is that it goes way beyond the confines and time limits of the budget committee. Our sense of this is that it is the initiation of the discussion of what the council wants to do. Chief Groth supports the City Manager's Budget here and there is a sense that we will hear more about this from the citizens. This identifies the issue, puts it on the table and once we

approve the budget, it will be looked at seriously in terms of next year's budget. Does that make sense and is the committee comfortable with that?

Mayor Middleton: I just want them to look carefully at the budget and where the money is being spent.

PUBLIC HEARINGS

Chair Pflaum – opened the public hearing regarding State Revenue Sharing for FY2013-2014.

Sanford Rome; 14645 SW Willamette St., Sherwood, OR 97140 – Thank you Council Members, City Budget Members, Chief, past Mayor, Current Mayor and all you folks who have done your work at City Hall, for coming together for the budget meeting tonight. Sanford explained that he has a problem when we talk about Revenue Sharing. Revenue Sharing is more than you me and the people who live in the city and pay city taxes. You get money from State and Federal Government, Homeland Security, Seat Belt Enforcement and other fees that go into the Police Department or into other City Budgets. Sanford stated he has lived in Sherwood for over 40 years and explained that he felt insulted by the statement made that the comments should only be concerning Shared Revenue. Earlier today you were talking about this budget and you are going to move \$50K. In the last years since we have had our Urban Development Committee, before Joe came here, this city has been “smoke and mirrors” moving money from one department to another. Whether it is Revenue Sharing money or Tax money...it doesn't matter how you build it. We have a wonderful building where you all have nice offices versus when I came to this city we were in the historical building. We had City Planning, Building and a Police Department that when we had to hold someone temporarily we put them downstairs in a secured place where they could not run away until we moved them to a different holding facility. That is a long way from having a first class wonderful Police Department, Maintenance, Parks and Recreation Departments and this facility here. It comes in on the back of me and every citizen that is in here. All pay increases, step increases or promotion, within your budget, should be reduced and run backwards to when this crisis first happened 4 years ago. Then, because you are eating from the public trough, take an additional 5% reduction in pay and take that money and all the other money you get from the shared revenue to fix streets, parks, build the Arts Center. We had buildings that did have problems with trusses or were not earthquake proof but they were there. We did not have an arts center but we had a theater where we could show films, had a good sound system and we spent \$12K making it ADA compatible. These buildings have been torn down and replaced or there is vacant property. This is a giant task to bring the city into line with the moneys that come in, reduce the cost of overhead, which means bringing salaries into line. You need to listen to the citizens of Sherwood as to what they want, not what you want and not what you think they want.

Chair Pflaum - Asked if there was anyone else who wished to speak on State Revenue Sharing, hearing none she closed the public hearing.

Chair Pflaum – opened the public hearing regarding the FY2013-2014 Budget.

Patrick Garrett; 215 SW Adams Ave, Hillsboro, OR 97213. Good evening, it is an honor to speak before the committee this evening. First I would like to complement your Police Department. As the Washington County Sheriff I have some responsibility for public safety across the county and I can tell you that we at the Sheriff's Department consider the Police in Sherwood as wonderful partners in policing and are a group that is well led. I know that other departments in this county share this same view.

The other message I would like to convey is I would love to add a Sherwood Police Officer to the County Drug Task Force also known as the Westside Interagency Narcotics Team. This is a team made up of about 8 Investigators and 2 Sergeants from 4 different communities. In 2010 we had a part time Sherwood Officer on the task force and it really helped us keep in touch with the trafficking and distribution of drugs in the Sherwood area. Having that person would be an enormous value to that mission. I recognize it is excruciatingly difficult to put a budget together these days and especially in this environment. Thank you again for your service.

Jim Haynes; 22300 SW Schmeltzer Rd. Thank you Chair Pflaum, members of the Council and Budget Committee. Many times I have tried to go on a ride along and was not able to. A couple of weeks ago Chief Groth facilitated a ride along for me and I encourage every citizen to participate in this incredible eye-opening experience. The amount of professionalism the officers bring to the community and the contact with the community and the work they do. I thought I could multi task as a corporate manager but compared to our officers being in that ready mode on a constant basis and what they do every day, there is no comparison. It is not that we have a lot of crime here but there are a lot of opportunities for our officers to show their expertise. It was one of the most interesting and troubling but also fun experiences I have had. One of the reasons Sherwood is such a great place to live is due in a part to our Police Department. I would encourage the best possible budget to support our law enforcement community. Thank you for letting me speak to all of you this evening.

Ray Shipley; 17512 SW Fitch Drive, Sherwood, OR 97140. Thank you, Madame Chair and members of the Budget Committee. My wife and I moved here 4 years ago from Medford where I retired as the Chief of Police and completed 40 years in Law Enforcement Service in 3 cities. We moved here because most of our family lives here and in the metro area and also because of the appearance of this community and quality of life here. I have continued to have an interest in law enforcement and after my retirement I became an Adjunct Professor of Criminal Justice at Southern Oregon University and I served on the Jackson County Public Safety Coordinating Council. I had the good fortune to introduce myself to the Chief and number of members of his staff. I am impressed with this department and amount of service they provide with a finite number of officers. It is beyond question that there is a need for additional police employees including first line officers and support staff. There is no doubt there will be a greater future need for more public employees and law enforcement. The community has the appearance of being extremely safe but there is something out there that untrained or inexperienced people do not see and these are invisible crimes. These occur in private residences and are domestic violence, drug and substance abuse etc. that go unreported because they are participants or victims of these crimes. I hope you will consider my remarks and we plan to make this our permanent home. I want to continue to be involved to support this city government and public safety. Thank you for allowing me to speak to you this evening.

Michael Tinney; 15295 SW Division St. Good evening Budget Chair and Committee Members. I am a 16 year resident in the City of Sherwood. I am motivated and energized by the Mayors comments in the Sherwood Archer to come and speak out about and give our opinions on the upcoming budget. This is our money and this is our city and we need to take the opportunity to let the Mayor, Council and City know what our priorities are. As residents, this is our money and our city and we need to provide give voice by providing what we, as tax paying citizens, feel are our top priorities. I am here specifically here to advocate for additional resources and funding for the City of Sherwood's Police Department. We live in a beautiful city with great neighborhoods and many visitors who always remind us how quaint and special our city is. At the same time we know we are living in changing

times with great population growth, economic environment and social pressures that are put upon cities and police departments as they have had to deal with circumstances that in the last 5-10 years are more obvious and difficult. Chief Groth, in that same April Sherwood Archer, pointed out that with the Police Department we are not keeping pace with the manpower resourcing ratios as in other comparable communities. The average of staffing in the state is and should be at 1.9 officers per one thousand and in comparable surrounding communities that average is 1.8. Sherwood has dwindled down to 1.4 officers per thousand and is the lowest level in the last 10 years. This is not adequate. I request of the Mayor, the Chair, the City, the other members on the budget committee is that we increase the financial support of our Police Department.

Laurie Zwingli; 17391 SW Carlson St. I also have a business in Sherwood. Good evening all. Chief Groth may not be asking you to add more officers but I am. I appreciate you are trying to retain the current level employment in the Police Department and would appreciate your trying to increase the number of Sherwood police. Here is why: In March 22, 2013 my son ran away at 7 PM and I had to call the police. This was after hours so when I call the police department I got Washington County Dispatch. The dispatcher took my information and said a policeman would be at my house shortly. Instead of an officer what I got was a phone call and an officer stating he was trying to juggle both my runaway son and a domestic violence report and he would not be able to be at my house. I had no one to talk with and no one to tell me how to deal with my son. I know now that the officer was trying to do what he could. All I knew was that my son was telling me he was about to cross over into Washington and get into a semi to hitch a ride. I called dispatch back and it was decided to ping his cell phone however this effort takes numerous steps and required that the officer, who was trying to find my son, had to call my phone carrier to have them fax forms to the police department, go back to the police department to complete paperwork, find a supervisor to sign off on paperwork and fax it back to the phone carrier; so then 30 minutes later I could get the first ping on my son's cell phone. It was a very long 30 minutes and things ended well for me and my son and he returned home. I felt like I had been outsourced and that I was dealing with off-site personnel who could not give information I felt I needed to make an educated decision on how I should proceed. I would have felt more comfortable and competent if I would have had a police officers' presence at my home for even 5 minutes. I love my city and love my local police department and I will stand behind anything they try to do. And they mean so much more to me sir than a cultural arts center. Please keep this in mind as you do your budgeting. Thank you.

Mayor Middleton: And I am not trying to eliminate the Police Department and I do like the Police Department. We just have to reallocate assets.

Laurie Zwingli: I understand that. I am just trying to tell you a story about things that are happening that you may not know about.

Sanford Rome; 14645 SW Willamette St., Sherwood, OR 97140. I will try to refrain from having an outburst or confrontation with the chair. You have a daunting task and I don't know how many citizens are going to walk up to you and say thank you, but I will. When you start looking at raising revenue by moving funds around, say to replace AstroTurf in Snyder Park, when it can wait till next year, I think you are more suited to say we have a budget that we must live within. What is very important to understand is citizen protection. I don't think that any of these people who came before you today in support of our Police Department, whether it be through their jobs or that they have a heart wrenching experience that I hope to never have to go through, can be any more realistic than what you have

seen. In the 40 years that I have been in this town, every rant and rave, those who know me, will ultimately come to say that he was right. Whether it be the Planning Commission, the City Council or the Budget Committee, your task is to take the money you know you have, not try to use red light cameras. When it was first presented to us these cameras were to bring in we signed the contract with the company it was to bring in upwards of \$300-\$500K, after splitting it with the contractor, and be a revenue stream. In fact maybe it does bring in a little revenue and is a way of controlling traffic through Sherwood and allows us to have officers available to handle incidents. I think that is wonderful. You should look at the shifts of the current police and move the resources around to make them more efficient and able to handle these incidents. Policing is a 24hr operation to keep you and me as safe as we have been and we hope to be. If it takes getting additional bids and scrutinizing every penny to save money, then this is what is needed. 65% goes to personnel and operations and what is left gets to be spent on us, the citizens. These are our dollars and you are entrusted with making every dollar as effective as possible.

Kevin Barton; Sherwood Resident, Work address 150 North 1st Ave, Hillsboro, OR. I am a deputy DA with the Washington County DA's Office and work in Law Enforcement. I am here in a personal capacity. I have lived in Sherwood 6 months and prior to that was 20 years in Lake Oswego. I have had an opportunity to have unique perspective on the Sherwood Police Department and others in Washington County. I want personally to express my gratitude to you for being here late at night but also to the Sherwood Police Officers who I live among and work with. My wife and I chose to live in Sherwood in part because of the community safety I was able to see firsthand. I can tell you now that crimes are becoming more complex and with increased population, concentration and especially with large retail operations crimes are only going to increase. I am not going to try to tell you what to do with the budget and will leave that to those who are more skilled than I am. I know and it is clear that the police force is stretched and working very hard. Because of this there are crimes that go uninvestigated because they do not have the resources. If I were to choose I would love to have a city arts center and parks but in prioritizing it is important to fund the police department fully. Public Safety and schools are the two things that will attract more residents and business and bring in more revenue so we can be an even better city than we are. I am one tax payer among many and am willing to pay a little more to keep our community as safe as it is. I am happy to be a Sherwood resident. Thank you very much.

With no other testimony received, Chair Pflaum closed the public hearing.

Counselor Robyn Folsom requested further clarification on the \$238K in Franchise Fees. Is it considered in the budget 2013-2014 or 2014-2015?

Craig Gibbons explained as stated in Exhibit B, the increase is for next year's budget to bring our Franchise Fees up to comparable levels of other jurisdictions.

Joe Gall explained that we do not collect what the State Law allows us to; so as part of the negotiations with PGE we are looking to be at the same level as everyone else. We are counting on this going into the budget this year. But it is a council choice and if you decide not to go forward with this there will be a \$200K hole in the budget that we will have to adjust. Negotiations are on-going right now. It goes back to the question the Mayor asked, what will that mean to the average person.

Councilor Bill Butterfield asked how often these Franchise Fees are negotiated.

Joe Gall explained that most Franchise Agreements are every 10 years and we are coming off a 20 year agreement. This is one of the reasons our rates are less. The state allows up to 5% and we are only at 3.5%.

Mayor Middleton re-explained that he is not against the Police Department and we should not have to make a choice between Public Safety and the Arts. What he would like to see, relating to resources, is that every cent is accounted for. There are ways to cut in every department and not adding or cutting staff but to be accountable for what is being spent or what could be changed to add more people. Public Safety is very important but there are some areas where there could be elimination of some unnecessary expenditure to handle this important requirement. We have the best Police Department and want it to continue to be the best. We could have it all if everyone spends realistically.

Chair Pflaum explained that she also enjoys cultural arts. Accountability is important. I would also like to add that the public testimony tonight was awesome. But need to be testifying at the State level because there are a lot of things as a municipality that we do not have control over. It is very frustrating as a member of a city budget committee that our representatives in Salem cannot get that they also are accountable as we are. People here state that we need to balance the budget but we do what we can, given the resources that we have. Some of the resources are only given by the State Statutes. I would ask that everyone here learn about the revenue law and write your representatives. It is very important that we all be involved in our form of government.

Councilor Matt Langer asked Craig Gibbons Exhibit B, page 2 of 4, health insurance shows that you expect about a \$200K increase in premiums. What is causing this increase?

Craig looked and stated that it was actually \$120K and explained that is due to a 5% rate increase as well we have several employees who are not currently on our insurance program now but have indicated they are going to be on it. The reasons are anecdotal per person; such as there is an employee who is on their spouses insurance and it is inferior so they will be getting off the current and moving over to the city insurance. In fact the increase this year is smaller than the past.

Councilor Folsom stated that the increase participation and testimony this evening was very impressive.

Julie Blums announced there will be a second meeting on 4/29/13 at 6 PM. If there are any questions, please email Julie Blums with your questions.

Joe Gall stated that he will provide responses to the questions Mayor Middleton posed prior to the next meeting.

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

5. ADJOURN - Chair Pflaum adjourned the meeting at 8:53 pm.

Submitted by: Julie Blums, Interim Finance Director Minutes approved on: _____



SHERWOOD BUDGET COMMITTEE MEETING - 2013-2014 BUDGET MINUTES
April 29, 2013

1. **CALL TO ORDER:** Chair Ivonne Pflaum called to order the FY2013-2014 Budget Meeting at 6:00 PM and announced that if needed the next Budget Committee Meeting will be on May 6, 2013 at 6:00 PM.

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, Mayor Middleton, Council President Linda Henderson, Councilor Bill Butterfield, Councilor Krisanna Clark, Councilor Robyn Folsom, Councilor Dave Grant, and Councilor 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, Police Chief Jeff Groth, Police Captain Ty Hanlon, Assistant City Manager Tom Pessemier, Community Development Director Julia Hajduk, Community Services Director Kristen Switzer, and City Recorder Sylvia Murphy.

Chair Pflaum reminded the attendees there are forms to fill out in the back of the room for the Public Comment portion of this meeting.

Minutes from previous meeting are not yet complete for approval so will move forward.

3. **OLD BUSINESS**

A. Questions from 4/22/13 Meeting:

Kim Rocha-Pearson: In reading Slide #13 and comparing to #10 of the presentation it states that we continue to decrease our support in the number of Law Enforcement Officers per Citizen even though what is considered "Violent Crimes" went up in 2012?

Chief Groth stated this is partially correct but provided clarification to the phrase "Violent Crimes". There are two measuring systems that are in place right now. The FBI is measuring violent crime and property crime that is a transition that has not trickled down to local records. We use the PPDS Parts 1 and 2 for measuring.

Kim Rocha-Pearson: You state you are not requesting any additional positions however we cannot afford any more cuts. Are we still getting help from other counties, i.e. Washington County for patrolling?

Chief Groth: In regards to patrolling it is kind of a yes and no. Because we are in Washington County their units do drive through. They have their own responsibilities in the non-incorporated areas. We also have mutual aid agreements but those are more for “if it really gets bad they can come help”, but you never know what they have going on during that time. But we do help one another and a county car can be in Sherwood any time but it could take up to 15 minutes for them to respond.

Kim Rocha-Pearson: Page 23 of slides states we are not up to the same level of coverage as other cities for the 24 hour patrol time.

Chief Groth: Correct, we are trying to put 2 officers on the road 24 hours a day and are having difficulty maintaining that level because of normal scheduling impacts. It is my opinion that we need to move to 3 officers, 24/7 so if one has to leave to take someone to jail there would be 2 officers. Right now it would leave one officer alone or we have to utilize supervisors to cover.

Kim Rocha-Pearson: I assume with these shifts there is a decent amount of overtime. What is the amount of overtime?

Chief Groth: As of the mid-way time the officers have worked the equivalent of 1 FTE this year. But that is not all shift cover over-time because there is court and other types of overtime reasons that come up. A lot of it is over-time shifts.

Kim Rocha-Pearson: In your opinion, you say it is inadequate, so, how many officers do you think we need? I do think we need to be fiscally responsible and it is important that we are adequately staffed for our community. I personally have had a situation and I rely on the presence of the police. It was a violent crime and I called and got protection for my family until I left town. I would like to think that I received that protection, not because I am on the budget committee but because I am a citizen. I felt better knowing and talking with the chief that the police were out patrolling around.

Chief Groth: We never got into that and respectfully I am not prepared to respond. I would just like the committee, community and council to give us some guidance and a message of what kind of service level we need to have. And there are certainly different options.

Kim Rocha-Pearson: Do we need any additional police cars and if so, how many years are left on the cars that are needed to be replaced?

Chief Groth: I did request that but they were cut out of the budget to find savings to balance the budget this year. We had planned to replace 2 cars that are getting old this year. We have some time between now and first of 2014, next fall, to replace before they hit their mileage mark.

Chair Pflaum addressed the next agenda item.

4. NEW BUSINESS

- A. Public Works Director, Craig Sheldon:** We are going to talk about city playground structures and park equipment. The life expectancy of playground equipment is 15 to 20 years. We have some structures that are nearing that and the city has not been putting any money away for replacement.

The life expectancy is considered through a variety of reasons: material type, amount of use, age of the users and weather and preventative maintenance. The standards are set through the US Safety Products Commission which is through the ASTM (American Standard Testing Material) set out through the National Park and Recreation. I provided a Park Vision Statement that was adopted in 2006 by the City Council and the Parks Board.

The first structure that was cut out of the budget was Murdock Park. That is the worst structure we have in our system and has been a problem since 2002-2003 and we have had to make a variety of replacements as the structure is 15 years old. The structure meets standards but is not ADA compliant that would be required at the time of upgrades. To replace this structure and a new border would cost ~\$110K and it should be replaced within the next 2 years. Next is Langer Park and the information we currently have is it is about 17 years old and could cost ~\$75K. It is an HOA park and the agreement is coming up in 2015. The HOA dumped a bunch of money into it about 4 years ago to bring it into compliance. It was not ADA compliant but is now and we do the inspections. Cinnamon Hills Park is 15 years old and it does meet standards but is not ADA compliant with a lot of ADA access issues, and would be ~\$120K. We will be able to get more than the 15-20 years out of this park because it is not a high use. Pioneer Park meets safety standards, is 12 years old, is not ADA compliant and will be ~\$118K to replace that structure. Oregon Trails is one of our smallest parks and is 10 years old, is not ADA compliant and will be ~\$57K to replace. Lady Fern Park is about 11 years old, meets standards and will be ~\$120K to replace. The Playground at Wood Haven is 10 years old and would be ~\$130K to replace. Snyder Park is already 7 years old and would be \$200K-\$250K to replace those structures. Then there is Stella Olsen Park which we have had to make many major repairs, because of usage, is 15 years old. Some of the structures may get us to the 20 year mark, some to 22-23 years.

As we move forward to this next year and working with the Parks Board we will be putting together a Resource Management Plan so that next year we will have everything lined out. We will be breaking it down by play structures, park shelters and benches, tables, water features, restrooms, turf fields to mention a few and still have drinking fountains, observation decks and fencing. On the sports field side you have basketball and tennis courts, turf fields, turf in-fields, backstops, dugouts, fences and bleachers. The Field House has fences and some other items. We have a trail system that is made up of dirt, gravel, granite or sand, asphalt pathways, concrete as well as a boardwalk.

Over the next 10 years routine maintenance, which is what we cover in our budget for labor and small costs, we actually need to be putting away about \$250K per year to meet the next 10 years of replacing city park assets. If we don't we will get to the point where we will have to shut down playgrounds because they don't meet the standards. What you have in the Public Works area is that the city was built all about the same time and all of those assets are going to come due at about the same time or pretty close to that time.

DRAFT

We are currently working on a facilities plan and once that is complete we will look at the next plan as well as city wide vehicle replacement. The Enterprise Fund has a pretty good replacement plan.

Craig also provided some age and replacement statistics and costs on a long list of other park and sports field assets and items that all point to the need for the \$250K per year savings to cover replacement in the next 15 years. We need to also take into account the routine things that come up.

Craig then discussed a future issue that needs to be addressed. The high school is putting away \$25K per year for replacement of the football field and in 10 years they will have \$250K but the cost will be somewhere around \$400-\$450K. This is a bigger conversation and right now we are addressing City Park Assets.

Trail Maintenance - We have about 7.5 miles of trails and should be budgeting at least \$5K per mile. Over the past 2 years we have spent \$20-\$25K on maintenance repairs plus an additional \$10K on labor and equipment. We have deferred costs on trails and that number is not available at this time but is being worked on through the Resource Planning Activities. As we build new trails we need to put aside \$5K per mile to cover maintenance, sealing and repairs.

Murdock Park is cut out of the budget but Craig feels we can go another year. It is rusty around some welds but is structurally sound enough for now but do not know what will happen after another year.

Questions:

Kim Rocha-Pearson: Murdock Park, we have done some maintenance on the equipment or work that has extended the life of the asset? Also, do you feel pretty good about the integrity of the structure and potential of public risk?

Craig Sheldon: We have done some maintenance and replacement of the slides but we have had a hard time finding parts for the equipment. It was purchased from a local company and they moved. It has sometimes taken weeks and we have had to board it up and shut down. Most have been band aid fixes and as we get closer to the end of their lives it is going to cost more to repair or maintain. I can say now that I think the structure is good but I don't know if I will say the same 6 months from now. Very quickly Stella Olsen is going to be backing up right against Murdock in requiring maintenance or replacement. It meets standards but it does have some problems. We are probably about 2-3 years out from replacement at Stella Olsen and it gets more use than Murdock.

Craig reminded all that the dollars that are in the packets can change.

Lynette Waller: Is this complete City expense or do the Home Owners Associations cover any of the costs?

Craig Sheldon: These would be city expenses and the only HOA on the list is Langer Park. Woodhaven is all city expense because we built it.

Neil Shannon: Regional Trails – I guess the Tonkin Trail is coming in sometime this year. Is this something that after it is installed it is strictly all city maintenance or is there any Metro or Regional funds that become available?

Craig Sheldon: I cannot answer for the Regional but I would think that the fact it is going through Sherwood the city would be responsible. I am sure all of these details are being worked out. I have not been completely in the loop on that one. Again if you are bringing in a 4 ½ mile trail in we need to look at \$5K per mile to maintain that trail system.

Ivonne Pflaum: Have you looked at any how to prioritize how to repair or maintain these playgrounds? I was adding this up and it comes to over \$1M

Craig Sheldon: Yes, we have a Resource Management Plan that is in draft form that lists every asset from small to large. It will include age, usage and risk factors. This will be going before the Parks Board then it is my hope that it will come before the council also for review. The deferred cost is about \$2.8M if we don't do anything in the next 10 years.

Ivonne Pflaum: I was not part of the city government process when all this was happening. Is there anyone here who knows if there was any discussion on how to maintain all of these wonderful assets to our city?

Craig Sheldon: I think the maintenance part has not been a big deal up until the last 5 years. It was not a high priority at that time.

Ivonne Pflaum: This is going to be interesting to try to juggle this issue with the parks and probably a good lesson to learn is that when we start to think about something new we think about maintenance and maintainability of what we have so that we don't have to deal with such large numbers in the future.

Craig Gibbons, Finance Director: You have been given overviews of 2 really critical areas, Police and Park Maintenance as just examples of places where we are not spending money. In the case of parks, we reduced the department head budgets to a level where we are within the revenue available.

There are a series of memos in your packet, Attachment C1 through C5. They are addressed to the Budget Committee and are from various department directors. Each one of these memos highlights the accomplishments in the last year, of the departments, and then it says what we could do with more resources. They are packed with information about each General Fund Department and what they cannot accomplish given the limited budget for next year. Please look at them and in future budget meetings we will look at where we want the city to go and these memos can be a starting place for that discussion.

Kim Rocha-Pearson: On Exhibit C from 4/22/13, for Public Works, it states that we are going to eliminate the Administrative Assistant position in Utility Billing. Who is going to do that work and is it safe to say that the people there will not incur any overtime?

Craig Sheldon: It is not just Utility Billing but all of Public Works. It will be rolled between all of the other people doing the work. If you remember last year there was a layoff in the Finance Department and the position was moved to Public Works. I feel we are a lot stronger now with our software system, the call volumes have come down and I don't think we need that position. There could be some overtime but it will be minimal. I think we have done

enough to get people to move to on-line payments and we are getting fewer calls. Almost 40% have done some on-line billing. The position has been vacant since the holidays.

Neil Shannon: Am I correct that this is not a General Fund position but is Enterprise.

Craig Sheldon: That position was \$6K-12K out of the General Fund and the rest was the Enterprise Fund.

Chair Pflaum addressed the next agenda item.

B. Long Term Debt Review, Julie Blums Accounting Supervisor: This is Exhibit G in your packet and is a brief overview of the Long Term Debt that the City has. We have two kinds of debt:

- 1) General Obligation Bonds – These are repaid directly from property tax revenue that is not subject to any kind of limitation based on compression. So the voters passed a bond measure to incur that debt back in 2004.
- 2) Full Faith in Credit – We have one loan that is the YMCA Expansion Loan. The General Fund pays part of the debt and the YMCA reimburses us for 74.2% of the total loan payment and the remaining portion is paid out of Parks SDCs. It is a net zero to the General Fund.

We have 3 Water Loans for the reservoir and pipeline projects. We have 4 URA Loans that are backed by the city but are paid for by the Urban Renewal Fund. Craig did a fantastic job this fall by refinancing 2 of our Urban Renewal loans and was able to save us about \$700K in interest for the life of those 2 loans.

Craig Gibbons: The term of the loan is the same as the term of the original loan. One had 10 years the other had 12 years. The URA is a completely separate organization. It is another business and is not the city. However those loans that the URA did, the city back the loans with its Full Faith in Credit. Which means if the URA cannot pay the loans the City will pay the loans. When we get to the URA you will see that there is not a problem with them to be able to pay the debt service.

C. Street Operations Fund, Julie Blums Accounting Supervisor. This is Exhibit H in your packet. On the first page is our Forecasted Budget and we have been budgeting to spend about \$600K per year in Pavement Management to keep that program going and get our ratings up. We are bringing in enough fees to cover the cost of the program now. On the next couple of pages I want to highlight Street Fees. We have a Streetlight Fee which in October 2011 it was \$3 per month and then in November 2012 we changed the methodology and the Streetlight Fee is bringing in enough revenue to pay for the streetlights in the city.

We have 2 Sidewalk Fees. One is for sidewalk repairs and the other is for the new “safe sidewalks”, like the one we did along Edy Road to keep the kids safe while walking to the schools. The next page is the accounting of these and the first one is the Sidewalk Repair Fee and this is the one where we had the Sidewalk Assistance Program that was started last year. The first year we brought in about \$50K in revenue with this fee and for city owned sidewalk repairs we spent a little over \$13K. In the current year we are projected to bring in about \$50K and we already spent about \$47K in Sidewalk Assistance Repairs. We have billed about \$20K and have received \$10K or half of the citizen’s portion. People

are using the program and it is working well. According to Craig Sheldon there have only been a couple of complaints and most people sign up for it and are very happy.

The second sidewalk fee is the Safe Sidewalk Fee and the first year's revenue we did completely use on the Edy Road Project.

Questions:

Lynette Waller: About how long does it take us to get reimbursed? Do they pay in installments or 25% per quarter?

Craig Sheldon: It can take up to about 1 year but we are finding that most of them who owe a \$22 fee pay right up front. It is the bigger repairs that are taking a little bit but they can have up to 12 months to pay it back.

Kim Rocha-Pearson: Have we put any thought to some sort of reserve for any of them that we are at risk for not collecting?

Craig Sheldon: Council passed the Assistance Program and it is a lien on the property.

Craig Gibbons Finance Director: I asked Julie to specifically identify the Streetlight Fees and the Sidewalk Fees as an example of dedicated fees that the Council created that was created for a purpose. We want to make sure that those fees are used for that purpose. The Streetlight Fee pays for the electricity and any maintenance or end of life treatment that is needed. The other funding source for the street fund is gas taxes and cannot be used for any other purpose except for transportation.

Linda Henderson: Could we talk about Street Operations Fund, Exhibit H 1 of 3. Julie you mentioned that we are collecting enough to maintain. Are we collecting enough to bring that PCI up to where we need to be at the current level of fee we are collecting?

Craig Sheldon: Currently and in the next 10 years if we are able to stay where we are at in what we are doing we have a PCI (Pavement Condition Index of 0-100%) of about 77 to 78. And over the next 10 years if we bring in that we talked about it being ~\$650K and we would stay at 77 as our PCI. We need to have our roads rated this year but we are still where we have to be. We still have deferred cost but as far as moving forward this is where we are.

Linda Henderson: With additional assets coming up are we collecting enough and not under or over collecting to maintain our roads at about a PCI level of 82 or 83 if possible.

Craig Sheldon: That is a good conversation to have and with the new businesses coming in we will have to address that.

Chair Pflaum addressed the next agenda item.

D. Review Capital Projects, Julie Blums Accounting Supervisor: This is Exhibit I and I want to go over the Capital Projects we have for this next fiscal year.

- 1) **Water** - We are going to finish up our Pipeline and Segment 3 Construction Project to Wilsonville. That will be done by the end of the year, right Craig?

Craig Sheldon: Hopefully we will be done by the end of the calendar year. We are having some problems with acquiring some land (it is a Wilsonville issue with a land owner easement) but the permits are good to go, it is out on the streets and we should be getting some bids back. The SOQ is out and construction will be sometime in August or September.

The other water project is to do an Update to the Master Plan.

Craig Sheldon: That is really important for the city as we move forward with a new source with all the components in place to do that. The last one was done in 2005.

2) Sanitary Projects we have one project this year The Tonquin Employment Sanitary Sewer Capacity Upgrade.

Bob Galati: That particular project comes out of the Master Plan in conjunction with Area 48 Concept Planning that was done for development of that area. Basically the system is at capacity right now. Future development that we expect to occur requires that the system be upgraded so as that we are not behind the eight ball trying to do it later. Design is completed, we have gone out to bid and have a contract ready to sign and will begin construction of the upgrade of the system this summer.

Storm Water Projects we have one project this year. The Columbia Street Regional Storm Water Quality Facility. It will service the Cannery area and where the Community Center will be.

Bob Galati: This particular project is based on the fact that we made an agreement with Clean Water Services to provide a Regional Water Quality Treatment System as part of the development of the downtown area, Plaza, Cannery and private residents' development. The agreement was to build within a 5 year time span and we are in year 2.

3) Street Capital Projects we have one small project. Council asked that we do an Analysis of Alternatives for the Cedar Brook Way Alignment. We have some money slated to look into that.

4) General Construction Projects:

- a) Cedar Creek Trail – Continuing with that project.
- b) Lights at Edy Ridge and Sherwood Middle School – We budgeted for this; however that is contingent on revenue coming in and at this time we do not have the revenue. We are expecting revenue but we will not start those projects until we receive the SDC funds.
- c) Snyder Park Turf Replacement – We do have the funds for that now.
- d) Design for the Woodhaven Park Improvements – That was on the Parks Board priority list. That will be contingent on receiving revenue and SDCs.

Linda Henderson: Can you remind me where the Snyder Park Turf Replacement is coming from.

Julie Blums: \$300K from the General Fund and \$200K was already in the General Construction Fund. No SDCs and no money were used from the turf replacement fee

collection. **Craig Gibbons:** That is being used for the \$50K contribution for the Reserve for next year.

The final page is a summary of our 5 Year Capital Improvement Plan where we preliminarily slated them and estimated cost of those projects. Craig Gibbons: The Council will be seeing this chart again as it needs annual approval.

Linda Henderson: Just a clarification, the Regional Water Quality Facility is not behind the Community Center. It is over off of Main and the other half of Columbia.

Chair Pflaum addressed the next agenda item.

B. Revenue Enterprise Operations Funds, Craig Gibbons: This is Exhibit J, April 29th Memo and I will brief you on the Water Operations Program. There has been a lot of activity in this fund over the past 7 years and is because we switched from a Well Water Based System to a Surface Based System. This is a \$35-\$40M project that is coming to an end at the completion of Segment 3 that is being built now. We are heading into a steady state for a while.

The first chart shows Beginning Fund Balance of \$4.584M, Revenues of \$4.4M, a transfer out to the Water Capital Projects Fund of \$350K, Expenditures of \$4.467M, and Ending Fund Balance of \$4.2M, both for the projections for the year and the City Managers Budget.

Next year's Budget shows Revenues slightly lower than this year's Budget. It shows Expenditures slightly higher than this year's budget. The Ending Fund Balance for next year is \$3.7M, according to the City Manager's Recommended Budget.

Revenues: When we project budget revenues we are looking for some basis on which to project them. For this fund I used "consumption". If water consumption is on an upward trend then it makes sense that we would see more revenue and a downward trend would be less revenue. The projection for next year is that we will be level. The last 9 months, up to the end of March of this year, consumption is virtually the same as it was the same period a year ago. The rates since the increase last January, 15-16 months ago, are level. I forecasted revenue to drop about 1% this year because consumption has dropped about 1%. That is my logic and there is no rate increase for next year. There are some graphs on the next page that give a view of this information.

Expenditures: For FY14 the expenditure budget is about \$400K higher than the budget this year. That is primarily due to adding \$300K to the budget for switching from manually read meters to automated read meters. Right Craig?

Craig Sheldon: There are a couple of things, where you show staff replacing meters in FY14 it actually started in FY13 and we have about 18 left to do. That is compliance per our water right. The \$300K AMR, we actually had \$100K in the budget that we never did anything with and we are farther along for our work session with the council. Sometime this summer, if that is the directions you want to move in, I think you have to look, not just at the cost, if you spread it out it is going to be a longer payback. I think you need to look at the water meters that are in the ground from the late 80's early 90's, you really wonder how efficient they are. What is 20 years on a water meter, it is like the parks. If the city chooses not to go to AMR we need to raise our O and M \$12K per year to replace water meters and start a more aggressive meter maintenance program. If the city chooses not to we don't spend the \$300K that is in there to move in the AMR direction. That is just an option that is out there.

Matt Langer: Do we have a means of measuring how many gallons were drawn from the Wilsonville Plant to see how many gallons we are losing?

Craig Sheldon: Sure, we actually did leak detection as part of our permit. We had very few leaks and we have been taking out meters and testing them while we are doing the analysis for the AMR. We are required by the state to pull and test 2 inch and larger meters on an annual basis now that we are hooked up to the Willamette.

Neil Shannon: While I certainly agree with replacement of the major meters, 2 inch and larger, I have some concerns about the cost of replacing all of the residential meters. It seems to be an excessive cost and would be about \$1M over 3 years.

Craig Sheldon: Originally, when we began talking about this, we were going to spread it over 10 years but that did not make a lot of sense. If the Council wants to go another direction there are registers on the meters, some expensive and some cheap. Not all would have to be replaced for cost savings. There is other information that can be provided in the work session that could impact cost savings on the Residential part of AMR.

Neil Shannon: I plan to attend the work session and “plan to give Council my opinions”,

Craig Sheldon: The next page shows a chart for 5 years out and a graph for The Ending Fund Balance. The EFB reached its’ peak in 2011-2012. It is something we will have to look at in the future. There is no rate increase in this budget. We need a little more stability in the Water Fund, get the project finished and the Master Plan done, and then look at the long term health of this fund. This is all water dedicated money and cannot be used for Librarians or in other functions or programs. One exception is that a portion is used for administrative functions.

Questions

Neil Shannon: Part of the discussions and justification for this water program is marketing to neighboring associations. Do we have a Marketing Program for future partners?

Craig Sheldon: We have been talking to other agencies. When we built this pipeline it wasn’t to have a partner now. But we do have an IGA with another partner. It is a matter of if they are going to move on it or not. We are currently putting another plan together for that partner.

Chair Pflaum addressed the next agenda item.

C. Sanitary Operations Funds, Julie Blums: The fund balance is holding pretty steady and we are able to put money away in reserves for future equipment and infrastructure replacement. The city is not contemplating a rate increase but Clean Water Services will probably do one again but we do not have final numbers until they are approved by their board. This budget is status quo with no projects.

Linda Henderson: When was the last time Clean Water Services had a rate increase?

Craig Sheldon: Last year and they raise their rates on an annual basis and have for many years. The city raised their rates 2 years ago and was the first time in quite a while.

D. Storm Operations Fund, Julie Blums: Exhibit L. We have one major project planned and it is the repairs to the retaining wall on Villa Road. Our Engineering department will be assisting along with Public Works. We are not contemplating a rate increase in this fund and the fund

remains pretty steady. Clean Water Services will have a small rate increase. We are able to put money away in reserves for future equipment and infrastructure replacement in the future.

- E. Telecom Fund, Craig Gibbons for Brad Crawford:** Stability and financial success is the story here. This fund has been managed so that it can pay its' loan back to the General Fund and it has an increasing customer base and an increasing fund balance. It will hit bottom but after that the fund balance increases. The loan amortization schedule on the next page. The loan will be paid off in FY16.

Brad left me with some comments on this fund. There have been more inquiries for the Sherwood Broadband Services this year than in the past several years. Currently he has \$85K out in quotes to potential customers. That is a potential of \$85K in annual revenue. These customers would require little to no capital expenditures. This has been an interesting year as Brad has renegotiated 2 or 3 key SBB customers early and we have extensions on their contracts through FY16. The Revenue in this fund balance chart is under contract. Future capital expenditures will be necessary to replace some of the aging equipment for Sherwood Broadband but that is included in the Fund Balance Forecast.

Questions

Linda Henderson: We have a large amount of industrial land that we hope to get developed out in area 48. A lot of these people may be interested in broadband services. So when we put services in, sewer, water then broadband goes in at the same time, right?

Tom Pessemier: Yes, our development code requires contractors to put conduit in for the purposes of broadband. We usually don't put the fiber in until there is a user. Typically the costs are included in the contract and passed on to the end user.

Chair Pflaum reminded those who are interested in giving public comment to please fill out a form. Public Comment will commence after a 10 minute break.

Chair Pflaum – I will now the opening the meeting to accept comment on the 2013-2014 City of Sherwood Budget. Additional protocol and instruction was given and the chair asked for and acknowledged the first speaker.

Bill Whiteman, 16923 SW King Richard Court, Sherwood, OR 97140 : I have lived in Sherwood for about 18 years. During that time I have served on our Planning Commission, City Council and have been in business for 13-14 years. I would like to ask some questions about your Business Licenses. I am not in conflict of interest because I did not get a business license this year. I sold my business to someone outside of the Sherwood City but I could have used some assistance in locating a business in Sherwood today. You see I have got to the age where I am fortunate enough that now I am a snowbird. So I returned yesterday from 6 months in Mesa, AZ. I left last week and it was 94 degrees and we weren't in Oregon for a half hour before it was raining and felt we were home. What happened was looking for someone with a business license in the City of Sherwood and I did not have the resources to find that. I was told a few years ago, when I asked for a listing of businesses that were licensed in the City of Sherwood, that I could not have that. I don't know if that is the case or not. I look at the budget in the revenue section and see \$72.5K in fees. I don't know if that is business license fees are included in that. I don't know what the Business License Fee structure is but the letter I received from the city every year said it was a revenue generator. So I am curious what a private business, such as mine, would receive for that business license in the City of Sherwood? But if I or any business or the public

came in and asked for a copy of all the businesses licensed in the City of Sherwood, am I allowed to have that and could that be provided to me. I had a water heater go out when I turned on my water and was looking for a plumber. If you go to the yellow pages it says use your iPhone. Well I am old school and my phone when it rings I say hello and when I am done I hang up. That is the extent of the use of my phone. It does not take pictures or anything else. So I am just curious about those things as we pay Business License Fees to the City of Sherwood, what can I expect from you in return? That's my comments and my question to you tonight.

Nancy Bruton, 22566 SW Washington St #101, Sherwood, Oregon: I am the Executive Director of the Chamber of Commerce. I would like to first acknowledge that the Chamber of Commerce does publish the City of Sherwood Business License list in the back of our Annual Directory. It will be going out to all residential customers next week and feel free to drop us a note if you would like a digital copy. I would like to first thank the City of Sherwood Staff, Budget Committee and the Budget Chair for their thoughtful approach to addressing the adoption of this year's fiscal budget. It is no simple task. The Sherwood Chamber serves a membership that consists of over 50% of Sherwood Businesses. The mission of the Chamber is to give value to its members and all of the community through innovation, bold leadership and programs that develop the business climate. After reviewing City Manager Gall's Budget proposal the City Chamber seeks to share and to some reiterate several business experiences as they relate to the budget. First Sherwood and the region have entered into the growing climate of economic development, which will require more need for essential services. As mentioned in Chief Groth's presentation, the development of big box commercial stores and satellite smaller businesses, projected need for police support among other services are increasing. Additional police serve the function of increasing community based partnerships in crime prevention. This is a partnership that the Chamber greatly values. Preserving the quality of life locally is a tremendous value to our businesses as well as our whole community. Secondly the Chamber seeks to continue our partnership with the City in order to find new and innovative ways to approach the City needs. The businesses and citizens of Sherwood are an altruistic community. We commend Joe Gall for further bridging partnership with the School District for maintenance services. Perhaps more innovative approaches such as this can support the wealth the City in other areas. Please don't consider cutting City Staff or Services before considering creative ways to continue them and look to other partners, such as the Chamber, for help with these projects. Additionally Sherwood, Regionally, does not have the best reputation for being the most business friendly. That is something we seek to accomplish. One can be quoted as saying, an entrepreneur has to be strong headed and diligent as the city does not support new businesses. Supporting business growth and jobs for Sherwood residents helps create revenue for the entire city. As you look to the hard decisions you will have to make, we hope you consider this economic forecast of this reality for Sherwood. Thank you for time and consideration for Sherwood businesses by making decisions relating to the City of Sherwood Budget and if your conversations do continue tonight please do contact me or one of my board members directly because we would love to come up with ways we could work further on this. Thank you.

Robert James Claus, 22211 SW Pacific Hwy, Sherwood, Oregon. First I have a question that will not cut into my time because I want an answer. Mr. Gibbons I guess you have a legal license now in addition to a CPA. You have legal opinions in the front of this document and I want to know if it is run by the attorney. I ask why because I heard a rumor that you were going to do an RFP for Attorneys. I ask how much you paid for your attorney. That is required by State Law. That is my opinion and belief and that I have been told by my attorney it does. This budget states

DRAFT

we paid \$84K in legal fees and tells us that we paid \$840K+ for experts. Your current legal fees go to Beery, Elsner and Hammond and the contract was signed by Ross Schultz. Any questions have to be directed by the City Manager, Mayor and City Council. If you are paying \$84K that limits what you are going to do in your RFP, The second thing I am going to tell you is that I cannot get basic numbers. You cannot get a straight answer out of anyone in his staff on any income level. For example storm water fees. When we started storm water fees in this town we said we were going to pay 40% of the adjacent property for the storm water in either exaction fees or money. Farelds, for instance went in with no storm water and a drains directly into the Tualatin National Wildlife Refuge and it is not treated. So does Chesapeake Park, they were designed that way. I am the happy recipient of more than a little of your trash storm water on the properties we own. I went down and Clean Water Services said wait a minute you are exempt and you just have to file a variance. You get 75% of your clean water feels and you get all of your add on. Just on your residences it has got to be \$50-\$60K per month. You cannot give that figure to anybody and you never break anything out in this budget. You are telling us Mr. Gibbons that you are going to answer questions. How are you going to answer them? If we put them in writing are we going to get an answer, just a simple yes or no?

Craig Gibbons: We have answered all questions submitted to the budget committee in writing.

Robert James Claus: Mr. Gibbons that is your opinion and belief and I don't have much business with a historian masquerading as a lawyer and a CPA. You have not answered the questions, you think you have. I cannot even get a fee on notification of storm water. We have now outpaced Bull Run which finances the city on their water and we have the cheapest water in Washington County. How do we get those answers?

Kendra Kurtz, 16675 SW Baywood Court, Sherwood, Oregon: I have lived here for almost 7 years and I love our city, our parks, our streets, our events, our schools and our community. All make this home for my family and me. I would like to offer my support for City Manager Gall's Proposed 2013-2014 Budget. I appreciate all city services that were kept in place, including continuation of the building of our new Cultural Arts Center, proposed staffing and service levels for our Public Works, Community Services and Community Development Departments and our Police Department. I had the privilege of working with Chief Groth after he prepared his annual report to coordinate the printing of his report. Reading this report and listening to Chief Groth at the last meeting was enlightening and I really appreciate how hard our Police Department works to protect and serve our city. Chief Groth, over the last 6 years, has done an outstanding job of organizing the police department to best fit our city. As in any career, training is very important for a person to grow in their position. It is very admirable how well our police department is trained and I believe our police officers are very admirable. I stand behind our chief and his officers in this proposed budget. As the city grows in many ways I fully expect our budgets to allow for more officers to protect and service all of us. Each police officer I have met, including Captain Daniel, Captain Hanlon, Officer Jentzch and Irma, Sargent Shields, Officer Brinkman, Officer Drummond, Officer Hirsh, and Officer Asla and of course our volunteer Police Chaplain Wilson Parish. They have each been respectful, professional and personable. I have had several conversations with Chief Groth, Captain Daniel and Captain Hanlon and each time I leave feeling enlightened and protected. It means a lot to me that our Police Department has an open door to the public. Lastly, I thank you all for your countless hours to review the Proposed Budget and to provide important citizen perspective to the budget process. I appreciate the years of service and commitment you have given to our community. I know most of you have done this

for several years and I trust you know your citizens well enough to accept this Proposed Budget.
Thank you

Scott C. Haynes, 9157 SW Sweek Road, Tualatin, Oregon: Thank you Chair Pflaum, Committee Members, Council President Henderson, and City Council Members for the opportunities to speak on the topic of the Police Department's Budget and support City Manager Gall's Proposed Budget. My sweet and beautiful fiancé manages a business in Sherwood. She graduated from Sherwood High School. My future in-laws live in Sherwood. My family is going on 2 years at the same Sherwood area address. My sister, another Sherwood graduate often visits our family which includes driving through Sherwood and joining our family for a meal or to shop. I have many friends from high school in Sherwood who have never left or made it a point to come back and start a family and build a future here in town. I encourage my customers in Sherwood, whom I call on many times a week, to continue their business and customer service in this community and surrounding areas. I travel through Sherwood and Newberg in doing business. Friends and family from other cities and states come to Sherwood to visit my family and they spend their time and resources here. All of the activities, social and business, and life style, rely on a safe and secure community where we can be confident that we are safe driving, visiting our local businesses, eating in our restaurants and safe attending our church. This means that we strongly support a Police Department that continues to be well managed. Thank you.

We were going to address the questions after the public comment. I believe the Chamber of Commerce answered the question about the Sherwood Businesses List and I believe getting the questions answered in writing was also answered by saying, yes, that answers will be provided in writing.

The next thing on the Agenda is committee discussion. If there is anyone who has not spoken yet and would like to speak now:

Councilor Dave Grant: I think that one of the overriding messages we have heard is about Police Staffing. I give the Police chief a lot of credit for describing the situation we are in but also not saying that we have to add more staff. I think a lot of us would like more staff on Police. I don't like the numbers we have right now and believe our number one priority of our citizens is safety. We are looking at having a new building over here and I frankly can't see how that is going to be funded. I have got the feeling it is going to be a draw on City funds. I hope I am wrong but right now we are a long ways from where a lot of people would like us to be on Police staff. So those two things don't go together from my standpoint. Last week I asked Joe to give me some numbers. I was not really comfortable on how I was going to present this tonight but the numbers were what would happen if we had a wage freeze city wide. Joe has implemented a wage freeze upon himself and as I recall there was a wage freeze last year. I believe the citizens would at least like us to discuss this. We have heard from a number of citizens about Police staff and that we are spending too much on one thing or another and I just think there is an elephant in the room and we need to think about that. I don't like going another year with a wage freeze. I believe if we did go with that recommendation I would go with all staff. That would be on Joe to negotiate with the Union. If we eliminated COLA's alone, that's \$130K and would be one additional police that could be added. If we eliminated STEPS in the upcoming year, that would be an additional \$43K in savings. That would not add another police person but the total is \$171 and if anyone wants to discuss this it should be addressed. If we could do this or in some way find something else to add police so we don't get further behind. Safety is our first priority. I don't want to dig in the pockets of our employees and I don't want to make them suffer for this but I think the citizens want us to discuss this. I am throwing that out and I don't want to do

something that is not sustainable and Joe does not want that. I just would like to see even one more cop.

Councilor Robyn Folsom: I do appreciate this discussion and that the citizens have made it clear that this is something they would like address. I, for one, am concerned about using the increases because it is not sustainable. We have already done that and I would rather find a way to do it with money that is going to be there continually to make it sustainable for the long term. Please remember that the new Community Center will have retail which will fund a very large portion of the operations of that facility. That is down the line and we have probably a year and a half before we need to look into that. I don't know if that needs to be part of this discussion. How do we fund the Police? Did we get the questions answered that the Mayor put forth. I think Chief Groth, what we are saying is there any way we can help you this year instead of waiting?

Chief Groth: While this is an uncomfortable budget I think we can move ahead where we are at I think we should look to the future. We have taken cuts as I am sure you all know. I sat down last week to respond to the Mayor's comments and questions. Everything in a Materials and Services Budget is connected with a service. It is a piece of equipment, a case of bullets, rainwear etc. It goes down to that point. So the answer is yes and no. We have looked at that but we have not fully vetted this and changes can be made to get people moved to different places. We intentionally staff day shift because that is where we have the most bodies to draw from. The other shifts are stronger.

Councilor Robyn Folsom: I think what you are saying is that you support the budget and you are prepared to go ahead with it and appreciate the focus that we all have in looking to the future to try to build something more than we have now. Is that accurate?

Chief Groth: Absolutely, this is exactly what I hoped my message was that came out last week.

Councilor Robyn Folsom: My take away is that we need to go forward and am not sure we can find the money today to get the additional police staff this year.

Councilor Bill Butterfield: I just want to echo the feeling I have in that we have a balanced budget and you have all worked hard on it and the presentations. I spent a lot of time myself looking into and reviewing the budget. We have a balanced budget and we need to look ahead and do some strategic planning so we can include some of the other services we think we need to provide. There is a lot of work that has to be done in the future to get what we want. It is problem is all of ours. Everyone sitting here and we all need to help make this thing work. I support the budget and I look forward to tomorrow and working on a plan for out years and not just the day after tomorrow, years from now.

Councilor Krisanna Clark: I would like to echo what Council Butterfield said. I have heard a lot of testimony about the Police Department and the fabulous service. But I have also heard from the citizens and Craig Sheldon about the parks situation. I support the budget and we need to be looking forward. It is the parks, sidewalks and the roads that are coming and coming all at once. I am hearing that we need to look at our partnerships and today we need to gather together and see needs that require attention, work on and plan for that. We need to move forward.

Chair Pflaum: I have heard a few things today about the parks that make me sad. I think we should have addressed these earlier and in phases. Without thinking about the maintenance and creating a hardship for people now. I would not beat ourselves up too much now and I think we should focus that energy on finding solutions for the future. We have a reputation for not being business friendly and I would like to help study the situation and come up with ways we can improve this. We also

have to deal with the State Budget and there are many things at the State level as well that are not getting resolved. We need to get involved as citizens. It only takes 10-15 minutes a week and just read an article I think we would have a much better outlook on our government and what we can do. Right now how do we get blood out of a turnip? This is a serious thing and we need to be kind to one another and work together. It is important to hear what people's ideas are. If no one has anything else I will ask for a motion.

Council President, Linda Henderson

Item Number 1 - I move to approve the Proposed 2013-2014 City of Sherwood Budget with the following adjustments, Scribner's errors, formatting as necessary.

Item Number 2 – I also move that the Sherwood Budget Committee approve Taxes for the 2013-2014 Fiscal Year for \$3.2975 per \$1000 of Assessed Value for Operating Purposes.

Chair Pflaum: Do I hear a Second

Neil Shannon: I will Second.

Chair Pflaum: I will call for a vote. All those in favor say Aye-11. All those Opposed say Ney - 1. Any Abstains – None. The Motion Passes.

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

5. ADJOURN

Chair Pflaum adjourned the meeting at 9:00 pm.

Submitted by: Julie Blums, Interim Finance Director Minutes approved on: _____



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 21st 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: _____

City of Sherwood Budget Committee

Meeting Date: August 19, 2013

TO: Budget Committee

FROM: Julie Blums, Interim Finance Director

SUBJECT: PERS Unfunded Actuarial Liability (UAL)

DEFINITION

Unfunded Actuarial Liability (UAL)

The amount of money required for PERS to pay current and future benefits minus the amount of money that is currently in the PERS fund. PERS determines each employer's unfunded liability as part of the employer's contribution rate determination.

Employers participating in PERS have a continuing obligation to fund pensions for their employees. To fund means to spread the employer's pension dollar liability over a period of time. PERS calculates the contribution rate for each employer as a percentage of salary. The percentage must be sufficient to meet the employer's liability for 30 years.

HISTORY

Below is a chart outlining the City of Sherwood's UAL for the years 2006-2011. Staff will receive updated amounts in the fall of 2013.

City of Sherwood Unfunded Actuarial Liability (UAL) Source: Mercer/Milliman/PERS Actuarial Valuation Reports	
As of 12/31	Total UAL
2011	\$7,411,106
2010	\$6,062,839
2009	\$5,880,926
2008	\$6,670,612
2007	\$(1,048,130)
2006	\$(477,922)

Council Report
 FY 2012-13
 Pre-Audited Budget to Actual for
 July 1, 2012 - June 30, 2013
 100% of the Fiscal Year has Elapsed

General Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 2,226,657	\$ 2,500,483	
<i>Revenue</i>			
Admin	7,677,167	7,676,431	100%
Community Development	368,175	660,884	180%
Public Safety	125,758	131,303	104%
Community Services	977,749	1,002,692	103%
Public Works	151,000	189,892	126%
Total General Fund Revenue	9,299,849	9,661,202	104%
<i>Expenditures</i>			
Admin	2,629,089	2,477,560	94%
Community Development	1,001,460	878,160	88%
Public Safety	3,295,085	3,232,717	98%
Community Services	1,196,428	1,181,814	99%
Public Works	1,505,845	1,426,566	95%
Total General Fund Expenses	9,627,907	9,196,817	96%
<i>Net Change in Fund Balance</i>	(328,058)	464,385	
Ending General Fund Balance	\$ 1,898,599	\$ 2,964,868	

General Construction	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 594,129	\$ 585,763	
<i>Revenue</i>			
Intergovernmental	179,600	73,941	41%
Infrastructure development	21,537	194,482	903%
Fines, interest and other	30,013	33,245	111%
Transfers in	400,000	339,426	85%
Total Gen Const Fund Revenue	631,150	641,094	102%
<i>Expenditures</i>			
Personal Services	39,491	30,844	78%
Materials & Services	36,949	36,393	98%
Capital Outlay	744,823	251,949	34%
Debt Service	48,833	48,833	100%
Total Gen Const Fund Expenses	870,096	368,019	42%
<i>Net Change in Fund Balance</i>	(238,946)	273,075	
Ending General Construction Fund Balance	\$ 355,183	\$ 858,838	

Debt Service	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 47,484	\$ 49,241	
<i>Revenue</i>			
Taxes	850,000	850,000	100%
Fines, interest and other	-	1,816	
Total Debt Service Fund Revenue	850,000	851,816	100%
<i>Expenditures</i>			
Debt Service	892,626	892,625	100%
Total Debt Service Fund Expenses	892,626	892,625	100%
<i>Net Change in Fund Balance</i>	(42,626)	(40,809)	
Ending Debt Service Fund Balance	\$ 4,858	\$ 8,432	

Council Report
 FY 2012-13
 Pre-Audited Budget to Actual for
 July 1, 2012 - June 30, 2013
 100% of the Fiscal Year has Elapsed

Street Operations Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 486,376	\$ 987,889	
<i>Revenue</i>			
Intergovernmental	1,100,000	1,064,631	97%
Charges for services	505,000	568,587	113%
Infrastructure development	-	2,917	
Fines, interest and other	3,000	6,325	211%
Total Street Ops Fund Revenue	1,608,000	1,642,460	102%
<i>Expenditures</i>			
Personal Services	297,922	297,763	100%
Materials & Services	656,590	656,319	100%
Capital Outlay	566,000	391,348	69%
Total Street Ops Fund Expenses	1,520,512	1,345,430	88%
<i>Net Change in Fund Balance</i>	87,488	297,031	
Ending Street Operations Fund Balance	\$ 573,864	\$ 1,284,920	

Street Capital Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 3,428,479	\$ 2,335,297	
<i>Revenue</i>			
Charges for services	50,000	53,110	106%
Infrastructure development	3,061,849	318,002	10%
Fines, interest and other	9,100	16,922	186%
Transfers in	2,169,126	50,000	2%
Total Street Cap Fund Revenue	5,290,075	438,034	8%
<i>Expenditures</i>			
Personal Services	194,402	91,126	47%
Materials & Services	119,075	89,009	75%
Capital Outlay	3,126,523	397,786	13%
Total Street Cap Fund Expenses	3,440,000	577,921	17%
<i>Net Change in Fund Balance</i>	1,850,075	(139,887)	
Ending Street Capital Fund Balance	\$ 5,278,554	\$ 2,195,410	

Water Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 8,084,299	\$ 8,676,393	
<i>Revenue</i>			
Operations	3,532,250	4,209,404	119%
Capital	829,440	805,545	97%
Total Water Fund Revenue	4,361,690	5,014,949	115%
<i>Expenditures</i>			
Operations	4,702,244	4,693,256	100%
Capital	4,329,727	2,677,499	62%
Total Water Fund Expenses	9,031,971	7,370,754	82%
<i>Net Change in Fund Balance</i>	(4,670,281)	(2,355,805)	
Ending Water Fund Balance	\$ 3,414,018	\$ 6,320,588	

Council Report
 FY 2012-13
 Pre-Audited Budget to Actual for
 July 1, 2012 - June 30, 2013
 100% of the Fiscal Year has Elapsed

Sanitary Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 3,358,471	\$ 3,374,283	
<i>Revenue</i>			
Operations	524,850	563,383	107%
Capital	505,202	104,926	21%
Total Sanitary Fund Revenue	1,030,052	668,309	65%
<i>Expenditures</i>			
Operations	472,095	468,964	99%
Capital	1,229,917	98,814	8%
Total Sanitary Fund Expenses	1,702,012	567,777	33%
<i>Net Change in Fund Balance</i>	(671,960)	100,532	
Ending Sanitary Fund Balance	\$ 2,686,511	\$ 3,474,815	

Storm Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,284,181	\$ 1,285,864	
<i>Revenue</i>			
Operations	924,000	1,130,681	122%
Capital	606,414	482,452	80%
Total Storm Fund Revenue	1,530,414	1,613,133	105%
<i>Expenditures</i>			
Operations	1,212,179	905,971	75%
Capital	47,000	44,489	95%
Total Storm Fund Expenses	1,259,179	950,460	75%
<i>Net Change in Fund Balance</i>	271,235	662,673	
Ending Storm Fund Balance	\$ 1,555,416	\$ 1,948,537	

Telecom	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 45,505	\$ 41,278	
<i>Revenue</i>			
Charges for services	334,880	318,075	95%
Fines, interest and other	8,000	169	2%
Total Telecom Fund Revenue	342,880	318,244	93%
<i>Expenditures</i>			
Personal Services	31,754	14,512	46%
Materials & Services	141,372	131,806	93%
Capital Outlay	45,000	-	
Debt Service	150,000	150,000	100%
Total Telecom Fund Expenses	368,126	296,318	80%
<i>Net Change in Fund Balance</i>	(25,246)	21,926	
Ending Telecom Fund Balance	\$ 20,259	\$ 63,204	

Council Report
 FY 2012-13
 Pre-Audited Budget to Actual for
 July 1, 2012 - June 30, 2013
 100% of the Fiscal Year has Elapsed

URA Operations Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 2,223,204	\$ 1,857,026	
<i>Revenue</i>			
Taxes	3,313,500	3,143,480	95%
Charges for services	-	30	
Fines, interest and other	12,000	17,417	145%
Sale of fixed assets	-	533,489	
Issuance of long-term debt	5,172,447	5,619,298	109%
Total URA Ops Fund Revenue	8,497,947	9,313,714	110%
<i>Expenditures</i>			
Personal Services	76,986	63,117	82%
Materials & Services	145,561	118,606	81%
Debt Service	7,192,482	7,170,718	100%
Transfers Out	60,000	40,059	67%
Total URA Ops Fund Expenses	7,475,029	7,392,501	99%
<i>Net Change in Fund Balance</i>	1,022,918	1,921,213	
Ending URA Operations Fund Balance	\$ 3,246,122	\$ 3,778,239	

URA Capital Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,702,747	\$ 3,078,268	
<i>Revenue</i>			
Charges for services	-	30	
Fines, interest and other	-	15,886	
Transfers in	-	40,059	
Issuance of long-term debt	5,846,672	-	0%
Total URA Cap Fund Revenue	5,846,672	55,975	1%
<i>Expenditures</i>			
Personal Services	115,556	106,335	92%
Materials & Services	109,703	103,447	94%
Capital Outlay	4,905,449	2,105,284	43%
Transfers Out	2,269,126	83,728	4%
Total URA Cap Fund Expenses	7,399,834	2,398,794	32%
<i>Net Change in Fund Balance</i>	(1,553,162)	(2,342,819)	
Ending URA Capital Fund Balance	\$ 149,585	\$ 735,449	