



AGENDA

SHERWOOD BUDGET COMMITTEE April 23, 2015

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

6:00 BUDGET COMMITTEE MEETING

- 1. CALL TO ORDER – Julie Blums**
- 2. ROLL CALL – Julie Blums**
- 3. APPROVE MAY 14, 2014 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES
APPROVE MAY 17, 2014 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES
APPROVE MAY 17, 2014 SHERWOOD URA BUDGET COMMITTEE MINUTES**
- 4. NEW BUSINESS**
 - A. Introduction of New Committee Members – Julie Blums**
 - B. Election of Committee Chair – Julie Blums**
 - C. Election of Committee Vice Chair – Julie Blums**
 - D. Budget Training – Julie Blums**
 - E. Review Budget Schedule – Julie Blums**
 - 5/13/15 Budget Committee Meeting 6:00-9:00**
 - 5/20/15 Budget Committee Meeting 6:00-9:00ish**
 - 6/16/15 Council Adoption of the Budget**
- 5. ADJOURN**



SHERWOOD BUDGET COMMITTEE MEETING May 14, 2014 MINUTES

SHERWOOD BUDGET COMMITTEE

1. CALL TO ORDER: Chair Tim Carkin called to order the May 14, 2014 Sherwood Budget Committee Meeting at 6:05 PM.

2. COMMITTEE MEMBERS AND COUNCIL PRESENT: Chair Tim Carkin, Vice Chair Lynette Waller, Andy McConnell, Steve Munsterman, Kim Rocha-Pearson, Neil Shannon, Brian Stecher, Mayor Middleton, Council President Linda Henderson, Councilor Krisanna Clark, Councilor Robyn Folsom, Councilor Matt Langer, Councilor Bill Butterfield, and Councilor Dave Grant

CITY STAFF PRESENT: City Manager Joe Gall, Finance Director Julie Blums, Assistant City Manager Tom Pessemier, Community Development Director Julia Hajduk, Community Services Director Kristen Switzer, Police Chief Jeff Groth, Public Works Director Craig Sheldon, IT Director Brad Crawford

3. APPROVAL OF MARCH 31, 2014 MINUTES: Neil Shannon moved to approve, Bill Butterfield seconded and all approved.

4. NEW BUSINESS

A. RECEIVE BUDGET MESSAGE –

City Manager, Joseph Gall read Budget Message (Refer to page 4 of the Approved Budget)

B. GENERAL FUND PRESENTATION

1. General Fund Budget Overview (Exhibit A) – Julie Blums and Joe Gall –

Julie Blums announced that we have a balanced budget this year and gave an overview of what having a balanced budget means.

a. Review One Time Expenditures –

Julie Blums reviewed one time expenditures:

- Finance system
- Strategic plan for the city
- City wide compensation study through HR
- AV and video equipment (some of these are funded from PEG fees)
- MDTs in police cars
- Police operation study
- Associate Planner in The Planning Department (this is a one time because we have revenue to offset it; two grants from Metro)
- Onetime items needed to open the doors at The Community Center
- Laptops for public works field crew,
- Part of the vehicle maintenance plan.

Mayor Middleton asked if Tonquin and Sherwood West are both covered by grants. Julie Blums confirms that they are.

b. Review Requests not Included in the Proposed Budget:

Julie Blums reviewed requests not included in the proposed budget:

- Software systems
- Additional staffing in the PD
- Items for The Community Center that are not needed to open the doors
- Additional cash to put away in reserves

Counselor Butterfield asks if permit tracking software is going to reduce the man power labor so we can justify that by using less people to do the work? Julie states that it will allow us to track items better and be more accurate and efficient about our jobs, but doesn't want to commit that it will reduce man power. Counselor Butterfield asks if it is a onetime fee or is there an annual maintenance fee? Julie states that there would be an annual maintenance fee.

Kim Rocha-Pearson asks when is the police operations review scheduled to be completed. Joe Gall assumes that we would have the results in the first quarter of next year fiscal year and hopefully have an idea about our needs before we start budget for next year. He thinks there is going to be some long term sustainability questions about funding additional resources.

Chair Carkin asks if Joe foresees any staffing changes at this point until next fiscal year. Joe states that he does not.

Lynette Waller states there is a list of one time software fees, and wants to know if we can assume that there will be ongoing annual maintenance costs. Julie clarifies that we are already paying maintenance because we are looking to upgrade what we have, so we are already paying that maintenance and it is already included in the budget.

c. Review the Impact of the Proposed Budget on Future Years –

Julie reviewed that she has projected the following increases

	FY16	FY17	FY18
Revenue:	1%	1%	2%
Personal Services:	3%	3%	3%
Materials and Services:	0%	3%	3%

This results in a slow decline of ending fund balance but we are still maintaining and staying above that 20%.

Councilor Henderson asks if the chart takes into account that as the URA starts to sunset the money comes back. Is that in your 1% revenue? Julie states that it is.

2. Reports from the Directors

a. Community Services Director, Kristen Switzer –

Kristen has a correction from the opening message; there will be an increase of 1.5 people and not 2 people for community center.

The Library: There are no significant increases in the budget for library this year. One item that will be of interest in the upcoming year is that the current levy expires in June of 2016, which will mean the new levy will go before the voters in November of 2015.

The Field House: There are no significant changes or increases purposed for The Field House this year.

Staffing: One change you will see in the budget this year is that the Volunteer Coordinator is going to be turning into a full time position, currently it is a half time position and the other half is spent on event coordination. These two positions really need to be separated. During the busy spring and summer months the volunteer program suffers because they can't really give it the attention that it deserves. Turning the Volunteer Coordinator into a full time position will not only benefit the library, but also Public Works, Police, Administration and the new Cultural Arts Community Center.

Cultural Arts Community Center: The goal is that the income from the retail space will help offset the operational costs of the Community Center. We have budgeted for 6 months of operations in the 14-15 budget. This year we will hire one full time center manager to advertise, promote and program the facility, develop policies and procedures for the facility, develop a website, implement registration and ticketing software, coordinate a grand opening event, partner with local artists and organizations to offer a variety of classes programs and shows, and write and prepare grants to help support programs and operations.

Mayor Middleton asks when Kristen anticipates hiring for the new position. Kristen would like to start advertising for the position later this summer and bringing them on in September or October so they have a few months to help us before the doors open.

Councilor Butterfield asks Kristen how many people in her department. Kristin states 14.8. Councilor Butterfield asks how many of them are full time. Kristen states 4; outside of the library.

Steve Munsterman asks what the percentage of city money and county money that funds the Library. Kristen answers that this last year the levy funded the Library 100%. If the levy doesn't pass it would greatly impact budget and staffing. Julie clarifies the net for this upcoming fiscal year is \$45,000 of city funding on a total budget of \$950,000.

Councilor Henderson asks if over at the community center, Kristen envisions putting 1.5 persons. Kristen answers yes, she envisions hiring a full time manager, which will be out in the field a lot, and one part time as an admin.

b. Community Development Director, Julia Hajduk –

Community Development Division: The proposed budget provides the staff and resources needed to provide the necessary service requirements to accommodate the level of development that we expect to experience. This is primarily accomplished by including additional staff, which is essentially replacing some of the positions that have been laid off or unfilled over the past several years due to the economic down turn. One of the positions that the budget includes is the addition of an Associate Planner, which was eliminated in last year's budget. This position is fully funded with the combination of two grants that were awarded by Metro. The position is identified as a limited duration position and will be advertised as such, but management will continue to evaluate whether there is work load and revenue to maintain the position long term. The specific projects to be completed with those

grant funds include, Sherwood West Concept Plan and the Tonquin Employment Area Industrial Cite Readiness Planning Grant, but they also anticipate utilizing this staff person for other planning tasks to help provide quality and timely services in current planning.

Building Department: The half time Building Permit Technician is funded from the anticipated building revenues. The existing fiscal year saw a 92% increase in revenues compared to the prior year. This position will allow the department to address the increasing residential construction activity, tenant improvements and the backlog of activities that were not accomplished this year. With this position, the building department will now have 3 FTE.

Engineering Department: the Engineering Technician is anticipated to be funded 65% by the general fund and 35% from enterprise funded activities. For many years, due to the economic downturn the Engineering department allocated very few resources to private development activities and with the upswing in development activity, resources this year were reallocated to support private development. Work load in the Engineering Department is heavy and many important projects and tasks have not gotten the attention they needed. This position will allow the department to accomplish those tasks and continue to support the development activity that is projected.

Major Projects:

- Updating transportation system development charge methodology after the transportation system plan is adopted, which is expected in July
- Storm, sanitary sewer and park master plans
- Construction of the community center
- Major capital improvement projects

Housing Needs Analysis: The Housing Needs Analysis is not a Metro requirement, but our plan hasn't been updated in many years. It is really our road map for planning and trying to identify where we are going as a community and it projects our housing needs till the year 2005. We desperately need to update our housing needs analysis to get a better picture of where we are as a community, where we need to be, what our housing needs are as far as balance, as well as the commercial/industrial land.

Lynette Waller asks if the department is addressing backlog with the new positions. Julia answers that it's both the backlog and the anticipated continued growth in development. Lynette asks if something was to change and the backlog went away, then would these be potential layoffs? Julia states that it is a potential and it is something that we will watch.

Counselor Henderson states that we have had some unsuccessful annexations and asks Julia if she sees other land coming in that we are not aware of, that she is projecting could come in? Julia says, not that we are including in this budget for projections; she wouldn't expect anything over the next few years. The department will be working on The Sherwood West Concept Plan, but she wouldn't expect that within the next couple years or so. Counselor Henderson asks if there is a projected date that the housing study, that Julia has budgeted for, will go out to. Julia states that generally those are 20 year projections. It will give us a better picture as to what kind of balance we need.

There was a discussion as to what goes into making the Housing Study.

c. Police Chief, Jeff Groth-

The Police Services Division: The Budget before you includes plans and/or funding to maintain current service and staffing. It also includes plans to forge ahead and complete the YSAT work that we have invested so much time in, with a potential need for funding of \$21,000 that is not in this budget; potential because we are still working through the IGA and looking for funding sources to support that work. We are going to replace two high mileage police vehicles that have been included in the city's vehicles replacement plan set up by Public Works. In the Mayor's suggestion to a police study, we have established a plan that includes the forming of a Police Advisory Board to provide opportunity for public input, and moving forward with the Police Staffing Study with funding included in this budget. Decisions on additional staffing for the Police Department are on hold until this plan has been put in place and can be completed. Once completed and we have identified what the short and long term needs for police staffing are, we will work on a plan to meet those needs. Finally, we will be reviewing our emergency management organization and are considering joining the newly formed/reorganized Washington County Emergency Management Co-op, which would allow us to leverage economy of scale by joining a large group.

Kimberly Rocha-Pearson asks if we have enough officers to cover the needs that we have right now. Chief Groth states yes, we have the ability to provide the service on the street. Where the challenge is, is in scheduling; having enough people to fill the schedule to have 2 people on at all times. Kimberly voices concern that it sounds like the staffing could be 6, 8 months down the road before we have the results and implementation of whatever that feedback is on however much you need. Chief Groth states that the issue is sustainability of new positions and knowing what people expect from the force. Kimberly states the department's revenue is increasing by 14.6%, but expenditures are only increasing by 3.7%, so it seems to me that there might be a little bit of wiggle room within there. Julie Blums clarifies that the majority of that revenue is not an ongoing revenue, it is grant funds. Really, unfortunately the police department doesn't have a lot of ongoing, annual revenue. Chief Groth clarifies that they generate revenue when they issue citations and there is fines, but that revenue goes into the general fund and not the PD revenue.

Andy McConnell asks if Chief Groth has planned ahead for an increase in retail and commercial space. Chief Groth states that he has voiced that they will need more people to cover needs and it is clearly something that they are thinking about.

d. Public Works Director, Craig Sheldon –

Public Works Division: This budget includes overseeing and implementing the Park Asset Plan, Facility Asset Plan, Vehicle Equipment Replacement Plan, Water Master Plan, Water Conservation and Management Plan, Integrated Pest Management Plan, and a variety of other plans and programs, support and oversight of The City GIS Program, and continued participation in the city wide and county level emergency management training.

Fleet Maintenance Department: This budget includes preventive maintenance of all city vehicles and equipment based on miles and hours, spec and purchase of new vehicles and equipment as approved in the budget, repair equipment and vehicle breakdowns, and surplus equipment that is outdated and/or it has met its life expectancy.

Facility Department: This budget includes a variety of things, but to note:

- Seal coating of the PD parking lot
- Sealing existing bricks at the PD

- Monthly sweeping of each parking lot within the city

The Parks Department: This budget includes repairs to the Stella Olson park dance floor, seal coating of several trails and parking lots, improvements at Murdock Park, installation of playground risk signs for all playgrounds, replacement of playground equipment at Stella Olson Park, vehicle equipment replacement (2002 zero turn mower, 2000 gator, walk-behind mower) and a Maintenance One Worker position which we would be paying for through a landscape contract or city staff.

Neil Shannon thought that emergency management fell under PD, but sees that Craig has it listed in Public Works. What is that? Craig explains that there are a variety of things in emergency management; there is the water system, sanitary system and there is the PD side. Public Works does what they can do and the PD does what they can do. There is a whole process in the response to emergency management and then there is the recovery side of emergency management. What if an earthquake happens? How do we want our downtown to look like? That all goes into a recovery plan. So there is a lot more than just emergency management in one department. At the county level Public Works practices debris management, there is training that goes on, there are a lot of things that goes on with emergency management. There are also grant funds out there for equipment that we try to obtain that involves Public Works. Neil Shannon states that as he understands it the PD does currently maintain the manual for emergency management though and Public Works is a team player in that plan? Craig states yes, it is a city wide plan and we all had input when that plan went into place several years ago. Joe Gall adds that Craig just got back from training in Maryland for emergency management. Emergency management is a team effort and someone has to be the lead and right now the PD is the lead, but Craig and his crew needs to do some additional training and provide more resources because when you think about the security of the water system and other kind of things, that his jurisdiction.

Counselor Butterfield asks how often Public Works inspects our assets. Craig answers that it depends on the asset; they inspect our playgrounds mostly weekly, but depends on the time of year. Counselor Butterfield additionally asks, if something goes wrong or is broken, how long does it take you to respond to those? Craig states that a lot of the time it depends on how fast they can get the parts; they don't stock stuff as much as they use to in certain warehouses.

Mayor Middleton asks if our backlog and park needs are going to get taken care of this year. Craig confirms that everything is funded on the park side, but there is one thing that got moved out because they felt it wasn't needed this year on the facility side.

Counselor Henderson asks about emergency management. What talks have we had with the school district; do we have a point of contact? Craig states that they do have a good working relationship with the schools; they have come to table talks. The Chief would have to tell about the program itself. Chief Groth explains that they have had a partnership with the school district since early on and have a great relationship. The PD are mostly at the operational level to help the school district plan for and getting things in place. The PD have included them in several of the exercises and they have participated. As far as the YMCA- the PD has not yet had them at their exercises; the YMCA is different because it is the city building.

Counselor Folsom states that the schools lawn mowing looks wonderful and we do have an agreement that they do pay us for that service to some degree, but they don't have to maintain the equipment? Craig responds yes,

we have a revenue source from them for the front of the school buildings for \$120,000 worth of work, there was a 3 year agreement of \$60,000 for their equipment and we have been through 2 years of doing \$20,000 worth of labor for them and we have one more after this year. Counselor Folsom asks how Craig feels it is working for us. Craig states that it is going great; only one set of equipment, they have been happy, they only had one person doing the job so it's a great relief and they get to take advantage of the big equipment.

Councilor Clark states that Craig talked about the inspection schedule for the parks, but asks if Craig has an inspection schedule for the YMCA? Craig states that they did inspect the building several years ago because there was some issues with maintenance going on there and he does know that the YMCA use to have a property committee that we were involved with, but he doesn't know if that is still up. Really in the IGA the YMCA is responsible for the maintenance inside the building except the structural part and when we did the ceiling and everything a couple years ago we had a structural engineer come through the building before we contracted it out. As far as weekly inspections like we do on our own facilities, no we don't, but when we do work we do have inspections done.

Andy McConnell asks if there is a breakdown for the list of projects included in the \$195,000. Julie Blums states that Craig just went through a lot of what is included in there; the biggest bulk of it is the playground structure at Stella Olson Park but there is not a list. On page 19 of the budget, there is a list of all the capital outlay for all funds in all departments.

d. Administration – Joe Gall, Julie Blums, and Brad Crawford, IT Director -

Joe Gall:

The City Council/City Recorder Department: Lead by City Recorder Sylvia Murphy, the department has no major initiatives or projects beyond their normal operations in the upcoming year.

The City Manager and Assistant City Manager Departments: Some of the highlighted projects for this upcoming year include outside consulting assistance for the development of our first ever organization wide strategic plan, outside consulting assistance to complete an organization wide compensation and salary study (the first since 2010), partnership with the City of West Linn in a shared graduate internship with primary focus on economic development activities. Reduce the frequency of the Sherwood Archer from 12 issues per year to 6 issues per year with an increase usage of communications via internet and social media.

Julie Blums:

The Finance Department: Our major initiatives this year is to upgrade our finance system, to produce our annual CAFR and get through our audit process, produce our budget, staff training so that we can get a contracting/grant tracking system put together to better manage all of our contracts in a central location throughout the city, and undertake the process to do a full review of all of our fixed assets and get that plan in our financial system to be in line with Craig's plans.

Counselor Henderson asks if the new finance software will affect all departments including court. Julie states that it will not affect court. It will affect all departments, in the since that everyone uses the timesheet component for payroll and purchasing, but the biggest impact will be in our department. Counselor Henderson asks if Julie thinks the change in the software will change the look of the budget in the future. Julie states that it

will improve all documents including the look of the budget and make things more timely and efficient.

Brad Crawford:

The Information Technology Department: For fiscal year 14-15 the IT projects that have budget implications include replacing the AV equipment in this room, and upgrading the remaining cable access equipment that we didn't upgrade this year. This project will be primarily funded with restricted PEG revenue and ultimately result in a more professional video for our cable access channel and website. Next year we will also continue to support the Sherwood High School's new video production class, which is expected to produce some new and exciting content for the cable access channels. Another significant project that we will undertake next year is the first phase of a formal security audit, this first phase will look at gaps in our current security posture and make recommendations for changes. Depending on the findings and the significance of those findings will implement most of those next year as well. IT department also has some significant work planned in getting the community center operating, including the installation of the network, phones, cameras and monitors related to that building. Old Public Works and Police Department laptop computers are scheduled to be replaced next year and expected to be replaced with a similar, if not, cheaper unit than what we have had in the past. Lastly, IT is continuing its consolidation efforts by consolidating roughly 40 servers down to 4. This has been a long term project, but it is significant for us. This has resulted in an increased need for more storage space, which is included in this budget.

Counselor Butterfield asks if the budget includes replacement of the projector in board room. Brad confirms it does.

Counselor Henderson asks how many people are in the IT department. Brad states, 3.5.

3. Committee Discussion and Questions – Chair Carkin –

1. Counselor Butterfield would like a better definition of what is in each of the categories and what the major funds are in the general funds.
2. Julie suggests they meet so she can explain more in-depth.
1. Mayor Middleton would like to see items in each department that could be cut; 1% in each (fluff items).
2. Julie asks if that is a general consensus of the group.
3. Counselor Grant asks what the difference is between that and what is on page 10.
4. Julie explains that, that would not cover 1% and they are items that they have already cut. If we take personal services out, 1% would be about \$32,000.
1. Tim Carkin proposes putting cash reserves back into the budget since we now have money and the economy is not suffering.
2. Steve Munsterman asks if that is doing the same thing if you take it out of ending fund balance and put it in reserve, it's still in the pot. It will change the ending fund balance percentage, but we still have the money set aside for the future. He is comfortable in continuing in the way that this committee had hoped or planned or thought about doing for the last seven years, to finally get to where we are.
3. Counselor Butterfield reminds everyone that we made a commitment to have 20% in the ending balance fund, so why not put the rest in reserve for future funds?
4. Julie explains that it would exceed our need, but we can look at changing that amount.
5. Mayor Middleton agrees.
6. Discussion regarding how to prepare for the future and where to put the extra 8% that we have in our ending fund balance; cutting 1% vs. reserve for future years vs. unappropriated funds vs. contingency.
7. Julie thinks she understands where everyone is coming from and suggests the committee let her and Joe work on it and come back to you with something on Saturday.

8. Lynette Waller reminds everyone that we all need to keep in mind that as we look at these percentages, the dollars and totals are increasing because we are talking about percentage of an increasing budget. It's not like its static and it's gone down from 26% to 24%, because 24% of the budget may be even greater than 26% was the year before.
 9. Counselor Henderson wants to know when staff comes back with a plan, what is the committee's expectation; just for Public Works?
 10. Tim Carkin answers, that \$145,000 in cash difference. He would assume that be set aside based on the plan, some of it is Public Works, some of it is PD, some of it is other things. So, yes he would assume it gets reserved at those levels.
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1. Kim Rocha-Pearson asks about a couple items on page 29; professional and technical is increasing every year 2013-14 increased 10%, 2014-2015 increased 17.9%. She can appreciate the value of consulting and other professional services can provide, but is there any portion that just continues that never goes away and is there an opportunity for some of it to go away?
 2. Julie states that it is a mix of both
 3. Kim Rocha-Pearson would like to see detail in order to tell if there is more consistent fees or more onetime fees.
 4. Julie says that she can bring an answer back on Saturday.
 5. Kim Rocha-Pearson would also like to know what is included in the "other purchases"; its increasing by \$126,000.
 6. Julie will bring an answer back on Saturday.
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1. Matt Langer would like to add to Kim's question; why in 2013-14 budget, are we \$5,000 over?
 2. Julie states that it is legal expenses and we will have a supplemental in June because at this point we have about \$100,000 in extra legal expenses from what we budgeted. That is a big chunk of that dollar amount right there.
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1. Councilor Henderson would like to add to Julie's list. You have about \$470,000 in administrative professional, she would like to know what is in that number on Saturday.

C. LONG TERM DEBT REVIEW (Exhibit B) –

Julie states that we have two General Obligation Bonds that are still outstanding:

1. The Y Facility; that will be paid off in 2017
2. The PD Building; that will be paid off in 2021

Both of those are paid for out of property taxes. Once these are paid people's property taxes will go down. We have the YMCA expansion loan that will be paid off in 2017 as well and we have three water loans with payoffs that are further out, and then we have our URA loans. Even though these years of payoff range from 2024 to 2027, at this point we are projected to close the district down in 2021, so we will be paying these off faster than what their expiration date is.

Councilor Henderson would like to know about the GO bonds and the long term loans. Julie has an interest rate rang, is that the average interest rate over the life of the loans? Julie explains that some of these loans are set up so for some periods of time it is one rate and then the next five years it's a different rate; none of the loans are variable, but the rate may be different at different points in time.

D. PUBLIC HEARING ON STATE SHARED REVENUE –

Chair Tim Carkin opened public testimony at 8:45 PM

Hearing no requests to comment Chair Tim Carkin closed public testimony at 8:45 PM and asked for any discussion within the committee as to the use of state funds.

Councilor Henderson asks what the total amount is. Julie states that the total is \$3.1 million under governmental for all funds.

Councilor Henderson would like to know what portion of the general fund under governmental is shared revenue. Julie states about \$400 thousand.

E. PUBLIC COMMENT –

Chair Tim Carkin opened public testimony at 8:48 PM

Jean Simpson (Sherwood Oregon) would like to address the Community Development Department and the funds that are being allocated to the new position. She knows that it is grant funded, but it is a labor intensive process and there are items that are in our comprehensive plan and in our code that need to be updated. Planning commission can't direct itself and when things come forward they look towards the comprehensive plan. Doing the TSP update and looking towards the Brookman road plan, the council and the budget committee need to assign money to updating the comprehensive plan. That way, when decisions are made for long term goals/projects, plans are there.

Jean feels that everything starts with a community vision and that is a project that we need to look at as a community to update the comprehensive plan and see what the new 13,000 people that are living here want the community to look like. If you come to a planning commission hearing there are 3 people in the audience and 7 commissioners that are looking for more people to reach out.

The Archer is going from 12 editions to 6 editions. How is it going to be replaced at the community outreach? We hear all of the time, why don't you have a website? Why don't you post something on Facebook? Where is your electronic communication to get more people involved and get opinions heard in a way that everybody can hear it? Jean is looking towards this committee to allocate resources for community development, community outreach and a community vision so that the planning is on track with what the citizens want so that the decisions made at both the council level and the commission level aren't made in a vacuum.

As far as reserves go, as the TSP goes through the process, there are a lot of projects that are not funded on our roads.

This is just her opinion.

Eugene Stewart (Sherwood Oregon property owner). Something that is dear to Eugene's heart is the Senior Center and he is glad to hear that the city is making maintenance plans for what needs to be done, but he has seen some items at the Senior Center that he's a little leery whether they are in the budget or not. These items include a roof leak, vent pipe, possible mold in the wall, gutter leak and the heating/AC is getting too old.

He would also like to reiterate Jean's comment about getting community involvement and making sure there is more communication with the community. Eugene is worried about the lack of time that is given for testimony to citizens at meetings (4 minutes) and feels that often the city does not respond to the testimony that citizens do give. How much is the city spending on citizen involvement that is required by the state? Where is it in the budget? We need more definition in the budget and what makes up the line items.

Chair Tim Carkin closed public testimony at 8:58 PM

F. RECESS UNTIL Saturday, May 17, 2014 9:00 am – 12:00 pm, City Hall Community Room

Chair Tim Carkin calls the meeting to recess at 9:00 PM

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



**SHERWOOD BUDGET COMMITTEE MEETING
May 17, 2014 MINUTES**

1. **CALL TO ORDER** –Chair Tim Carkin called to order the May 17, 2014 Sherwood Budget Committee Meeting at 9:05 AM.
2. **COMMITTEE MEMBERS AND COUNCIL PRESENT:** Chair Tim Carkin, Vice Chair Lynette Waller, Andy McConnell, Steve Munsterman, Kim Rocha-Pearson, Neil Shannon, Mayor Middleton, Council President Linda Henderson, Councilor Krisanna Clark, Councilor Bill Butterfield, and Councilor Dave Grant

COMMITTEE MEMBERS ABSENT: Brian Stecher and Councilor Robyn Folsom

COMMITTEE MEMBERS LATE: Councilor Matt Langer at 10:00 AM

CITY STAFF PRESENT: City Manager Joe Gall, Finance Director Julie Blums, Assistant City Manager Tom Pessemier, Police Chief Jeff Groth, Public Works Director Craig Sheldon, IT Director Brad Crawford

3. **OLD BUSINESS – Questions from the Prior Meeting-** Chair Carkin reviews questions from prior meeting:
 - a. Recommendation to add the candy for the parade floats back into the budget. Mayor Middle clears up that he did not mean to ask for that.
 - b. Recommendation to cut 1% from the general fund department excluding personal services. Julie made a list of potential cuts the directors prepared. Chair Carkin asks for any questions regarding this manner.
 1. Lynette Waller would like to know if the maintenance for the software is a discretionary item.
 2. Julie states that it is not really but there is nothing to cut in court because it is mostly Redflex payments and software costs.
 3. Neil Shannon thinks it is always a good goal to cut 1%, but is not sure we need to go line item by line item.
 4. Mayor Middleton states that this is a list brought back by every department as items that they know they can live without. This year's budget is going up 17% and there has to be areas we trim back, all their doing is cutting back meals. The directors are given a pot of money and they can move it around as needed. The Mayor would like to see a line item budget so we truly know where we are spending our money. We don't know where our money is going. The Mayor's goal is to get that line item budget so the committee can determine where the money goes.
 5. Julie states that it was extremely hard for all departments to come up with these. We struggled to come up with this 1%; there is really no fluff in our budget. We can all live with the cut, but it is possible that we will be coming back for a supplemental later and say that we need additional money.
 6. Councilor Clark states we get summaries but wants to know why the committee does not get line items.

7. Julie explains that right now our software limits us, but we will be able to get more with the new software.
8. Kim Rocha-Pearson states that she is all for the process of going through and trimming the fat, but she does understand that there may be areas that have no wiggle room. Kim is concerned about legal, training, maintenance and uniforms. I'm not ok with cutting out 1% if its things that we really need.
9. Joe Gall asks the Chief to answer if we need those uniforms.
10. Chief Groth explains that some items are not safety items like pants and shirts, but some like vests are. We don't know till the need arises whether or not the uniform items that are budgeted for are going to be safety related or not.
11. Chair Carkin asks for a motion.

Mayor Middleton- Motions to cut the 1%
 Councilor Clark- Seconds
 All in Favor- Mayor Middleton and Councilor Clark
 All Apposed- All others
 Chair Carkin- Nays carry

c. Reduced contributions to The Robin Hood Festival

1. Counselor Grant feels that this is something that is worth looking at putting back into the budget. The Robin Hood Festival is used to receiving a much larger grant from the city and the concern is, over time, this will have to become a city event if we are going to continue it and it will cost us a lot more if it is a city event.
2. Joe Gall reviews the history of The Robin Hood Festival. When he started working for the city he was told we budgeted \$10,000 a year but the organizers were told that over time they would have to come up with their own funding and this is the first step; cutting it down to \$5,000. This cut is in line with how much the city contributes to other groups. Joe thinks that this festival is important to the community and we need to look to the future. Joe is looking for feedback from the committee; does everyone support cutting the funding to \$5,000 vs \$10,000?
3. Counselor Clark voices her support with what Counselor Grant said. The festival supports everyone in the community and not just a special interest group, so as the city we should support it. Cutting the funding would send the wrong message to the community as a whole.
4. Joe asks for clarity from Counselor Clark; if she is saying she supports it at the \$5,000 or \$10,000 level?
5. Counselor Clark clarifies, at the \$10,000 level.
6. Counselor Henderson states that when she first started on counsel that we were giving the festival \$20,000 and that it has gradually decreased over the years. She has a question for Craig, at the end of every year does the city sit down with the festival's committee and decide what went good and what didn't go good, how they could potentially save money? Every year we have cut it, but they have still been able to put on the festival, but she is wondering, what is the threshold for them. Maybe there are ways to partner with Robin Hood to help them that we haven't done.
7. Craig states that the police is more involved then public works, our cost is usually about the same every year. Kristen might get in more to talk about what went good and what didn't.
8. **Counselor Clark** states that there are always council members at their committee to have a presence and maintain a strong connection with the city. **I move to grant them \$10,000 for the festival.**
9. Counselor Grant seconds with the expansion to direct staff to get more involved with scheduled meetings.
10. Joe states that the festival is run very well and don't need us; it's not our festival to run. They seem to have more room to get sponsorships. Do we want the \$10,000?
11. **Counselor Grant** states that he still **seconds** Counselor Clark's motion.

All in Favor- All except Chair Carkin
 Apposed- Chair Tim Carkin

d. How the committee would like to allocate the general fund ending balance

1. Julie states that her recommendation is to stick with 5% in contingency. We have roughly \$90,000 that is reserved for our PEG use, which is for our cable access channel, so that is restricted funds. My recommendation is to fully fund the cash for this year for maintenance and then put an addition amount over into the maintenance reserve that is equivalent to about a quarter of a year's worth of maintenance costs. The proposal is to put \$350,000 in the maintenance reserves and leave the remainder in the reserve for future years. That will leave us with a 23% ending fund balance on the general fund side and then 3% over in our maintenance side.
2. Neil Shannon asks about the 20% objective that we have. The maintenance reserves and reserve for PEG, are they currently included in what you would consider reserves as part of that 20% minimum?
3. Julie answers; this is the breakdown of what the ending fund balance will look like in the general fund, so 5% in contingency, 17% in reserve for future years (which is 22% together). That is what we need to use to meet our 20% goal. The rest is dedicated funds that we don't use to meet that 20% goal.
4. Neil Shannon thanks Julie; that is the clarification that he needed.

Chair Carlin- Moves to transfer \$350,000 to the general fund maintenance reserve.

Lynette Waller- Seconds

All in favor- Everyone

Apposed- None

e. PGE Franchise Fees

1. Julie is referring to page 15 in the budget, Counselor Butterfield noticed that the yellow looks significantly higher for next year. What this is related to is the extra 1.5% that we are allowed to charge in franchise fees, which would bring PGE's franchise fee to 5%. The last time we talked to council about this she took away that the general consensus that this was not something we wanted to do unless we had a dedicated expense to put that money towards. Internally we discussed that and we felt that putting that money towards our annual maintenance would give us a guaranteed amount that we could fund each year for our maintenance fund, so we did put it back in the budget. She also wants to note that that brings the franchise fee to be equal to what our city utilities pay as well and it puts us in line with other jurisdictions.
2. Steve Munsterman asks if there is a dollar amount.
3. Julie states it is about \$200,000 in addition.
4. Lynette Waller asks if the current budget includes this.
5. Julie confirms that it does.
6. Joe Gall adds that it was in this current year's budget and the council at the time said no. If they said no again, we have to deal with that gap. We will do the same thing we did this year in terms of dealing with it. We are budgeting the same way we budgeted last year and it's the assumption that council will say yes.
7. Counselor Henderson asks what the projected term is for the agreement.
8. Joe Gall states, 10 years
9. Vice Chair Carlin inquires if it is possible that the fee could offset one of the city bills.
10. Julie states that it was not discussed and we would have to look into it.
11. Counselor Henderson asks if this money is going into Craig's account?
12. Julie answers, yes.

4. NEW BUSINESS

A. STREET OPERATIONS FUND REVIEW (Exhibit C) – Craig Sheldon, Public Works Director and Julie Blums

Julie Blums:

Projects that we are going to be doing this year include:

Rehabilitating Lincoln Street (this item will be carrying over into the next couple funds as well)

Budget Committee Minutes

May 17, 2014

Page 3 of 10

Willamette to Division
 Sunset Blvd from Heatherwood to Highway 99
 Annual slurry seal work
 Street light projects on Murdock Road and in Old Town
 Install of sidewalk ramps around the city (we will be doing a certain amount each year to make us compliant with ADA)

Lynette Waller asks how long we have to get compliant with ADA. Craig states that he is not sure, but they have decided to start moving on it. We should get about 12 to 14 of them done this year, depending on the bids. In the older parts of the city we are not compliant and we are hearing about it.

Mayor Middleton asks if this is the first year we have budgeted for Lincoln Street. Craig states that this is the first year it has been budgeted. They looked at it back when the URA put numbers together for Lincoln Street, but that was for lights. This is for replacing the storm line and paving the existing street. It is one of our worst roads.

B. REVIEW ENTERPRISE OPERATIONS FUNDS

1. Water Operations (Exhibit D) – Craig Sheldon and Julie Blums

Julie Blums:

Projects that we are going to be doing this year include:

Master Plan, once it is completed we will do another rate study and figure out how we need to proceed.

AMI project to replace our meters with automated meters. The entire project will cost \$1.3 million and we are going to spread that out over 3 years.

Allocation changes for staff every year but the amount of people working in the department will be staying the same

Craig Sheldon:

This budget also includes:

Waterline replacement on April Court

Meter testing program

Replacement for fittings to be compliant with new lead standards

Clay valve maintenance

Methodic protection program

Sampling program

Backflow program

Sealcoating of the reservoir driveway entrance

Counselor Henderson asks what the clean water fee is. Craig states that they have a proposed rate increase of 4% for storm and sanitary and it has been that for the last few years. Counselor Henderson states that it is a fee that we collect that we cannot control. Craig confirms that and states that it will continue to go up.

2. Sanitary Operations (Exhibit E) – Craig Sheldon and Julie Blums

Julie Blums:

Projects that we are going to be doing this year include:

- A sanitary line on Columbia/Willamette Street
- Manhole repairs
- Purchase of a pickup truck that we have split between sanitary and storm funds

Craig Sheldon:

This budget includes:

- Training for staff members to meet clean water services requirements
- \$25,000 for emergency repairs
- Permit requirements

Matt Langer has noticed on the older piece of Century Drive, next to Sherwood Blvd, the manholes are bad. Craig states that back when those were put in, they used a material that is creating the issue and they have gone in to replace a bunch of those several years ago, but there is some real issues in Woodhaven. Counselor Henderson asks how we fix this problem and how many manholes are in the city that needs to be repaired. Craig states that the issue is the material they used in the manholes, not the asphalt, it's a concrete that they seal manholes up with. There is shrinkage and a variety of things that have happened over the years. It is not a safety issue, but it is something that we need to deal with before we come in and do street maintenance work. Craig is not sure how many we have total that need to be worked on, it is in their GIS system. They have bid out a certain number to 4 or 5 contractors and it is about \$300,000 just for the Woodhaven area. The project will be done in phases.

3. Storm Operations (Exhibit F) – Craig Sheldon and Julie Blums

Julie Blums:

Projects that we are going to be doing this year include:

- Storm line repairs while we have the streets opened up
- Rehabilitating swales at Richen Park and Millers Landing
- Water quality facilities, Woodhaven
- Ditch Rehabilitation on Murdock and the Old Town area
- Manhole repairs

Craig Sheldon:

This budget includes:

- Monthly street sweeping
- Swale maintenance and inspection on past projects
- Change out of some catch basins to sumps in the older part of town
- Staff training
- Equipment replacement (deck mower and possibly a used sweeper)

Councilor Butterfield asks if we possibly won't need to contract out street swiping. Craig states it would be a possibility in the future, but we need to get this sweeper first before we look into that program. We could use the sweeper in a variety of areas such as parking lots.

Andy McConnell notices that there are a lot of onetime expenses and wants to know what they will look like over time. Craig states that our city is getting older so I think we will continue to have items come up.

Matt Langer states that in the revenue for 13-14 it looks like Craig is about a half of a million dollars up. He would like to know what occurred there and what is different in the 14-15. Craig

states that he thinks its shifting money. When we brought utility billing in we did major audits and what we found is that for many years the city was not collecting the proper revenue, but Craig is very confident that the city is now collecting the right amount of revenue for clean water services standards. Julie states that the revenue is different in 14-15 because we are transferring money to our capital fund.

Kim Rocha-Pearson is looking at all 3 (storm, water and street), all of the expenditures make since, but looking out 3 years it looks like we are going to run out of money. Is it just because we are transferring money to the capital fund. Julie states the amount we transferred is \$400,000, if that was staying in the fund we would be spending less then what we are bringing in. Kim wants to know if that holds true for all 3. Julie states that in water it is the same. In the street fund, we have been saving up for these big projects and we are spending that now and then that will start to even out again. We will not be spending more than we take in. The goal is to get our ending fund balance in these funds at the 20% as well.

Steve Munsterman asks about the amount on the bill that the city collects for the city and the amount on the bill that the city collects for clean water service. The city's portion is not being increased in the upcoming budget year, but their portion is, do we get any portion of their fee? Julie states that we do; about 4% of the 4%. Steve states that they seem to be removed from us and we need to figure out how we can have an effect on the increases. Julie states that there are a couple different committees that we do sit on, but we are still a small fish in the sea but we are not completely removed.

Steve Munsterman brings up the public testimony from the previous meeting regarding the senior center maintenance problems. Is there any update regarding this? Julie states that those items are already in our budget. Craig adds that we are budgeting about \$37,000 a year on different items at the senior center (janitorial services, fire extinguishing services, HVAC maintenance, HVAC repairs, pest management, etc.). Also in the facilities plan there has been about half a million dollars that has been identified over the next 10 years for the senior center and that includes the roof replacement. We do, do work over there and we do budget for it.

Councilor Henderson states that Craig mentioned under sanitary he budgeted \$25,000 for emergency repairs, does he do that for most of his funds? Craig states that he does.

4. Telecommunications (Exhibit G) – Brad Crawford, IT Director and Julie Blums

Julie Blums:

In the current year we did some capital investment work because we had some new customers that wanted to come on, but we needed to do some work to be able to accommodate them. In the current year we are increasing our revenue about \$100,000 annually by bringing those new customers on.

The other highlight is that we have 2 payments left on the inter-fund loan, so that will be paid off in 2016. From that point we need to decide what we want to do with this fund.

Brad Crawford:

Projects that we are going to be doing this year include:

- Replacing the free wireless network around town with all new equipment
- Evaluating opening the public safety wireless network for public access
- Performing a legal review of the utility
- Building an inventory of common materials of which we use in our daily operations
- Equipment necessary for daily operations

Lynette Waller asks, in terms of Brad's revenue flow are most of those contracts that he expect to go on for quite a few years? Brad answers yes and most have always renewed.

Councilor Butterfield asks Brad if there is service on both sides of Highway 99. Brad answers yes.

Councilor Grant asks Brad if he knows what he would do with the kind of money that they are forecasted to have as a surplus. Brad states that they would reevaluate the business plan and take community feedback they have gotten into consideration.

Chair Carlin inquires how many of the customers are new business to Sherwood. Brad answers, one big one for sure that moved from Portland to Sherwood. Most are from 3rd parties so we don't know for sure.

Councilor Henderson asks if Brad foresees any growth in broadband. Brad states that he doesn't project growth in budget, but now that there are more customers, one person dropping off wouldn't hurt us. Councilor Henderson asks if we could offer incentives to businesses with our extra money. Could staff look into that? Julie states that we have a couple different options on the table that we are looking into with our legal team.

Chair Carlin asks if we could use the excess to offset storm rates. Julie states, that is one of the things we are looking into with legal. We are still working on what we can and cannot do with the money because it is an enterprise fund.

Julie states she forgot to put into the budget the loan payment so when we motion to approve that will be included.

Councilor Henderson asks when those properties come into the city, will Brad's staff costs go up? Brad states he doesn't for see that being a problem. One part time may go full time.

C. REVIEW CAPITAL PROJECTS FUNDS AND CIP (Exhibit H) – Julie Blums and Julia Hajduk, Community Development Director

Julie Blums:

Projects that we are going to be doing this year include:

- Water fund; master plan update
- Sanitary fund; master plan update and phase one of the Tonquin Employment Area sewer capacity upgrade
- Storm fund; master plan update and finish the Columbia Street Regional Storm Water Quality Facility
- Streets; complete the Adams Avenue North construction and when the TSP update is complete we will be doing a SDC analysis
- General construction; parks master plan, Cedar Creek Trail, field lights at Eddy Ridge and the middle school, and the design for Woodhaven Park phase two

When we do the projects listed on our five year summary will depend on funding and whether we have the revenue to do them, so the timing may change, but these are the next projects we will be working on.

Lynette Waller has a question regarding the five year summary. The total estimated cost is \$41 million and if you look at the total over the five years, you are at \$30 million. Is the other \$11 million beyond 18-19 or is it already incorporated, that some of it has already been spent? Julie states that it is both.

Mayor Middleton asks why the Woodhaven design is so expensive. Julie states that it includes the public involvement, the outreach meetings, and a consultant to do the design. Mayor Middleton asks

for clarification if we have money to then build the park. Julie states that we do not. Kim Rocha-Pearson asks if we have any idea how much we would need to build it. Julie states that we do not, because we don't know what is going to be going in there. Julia adds that we need a plan in order to start the process of finding grants to build the park. Matt Langer asks if that is the normal process to get things done. Julia confirms that it is. Julie adds that we have received grants and funding in the past because we have shovel ready projects that have given us an advantage. Julia adds that just because we have authorized that amount for the plans, does not mean that we will be spending that amount; we will bid it out so we make sure we get good rates.

Steve Munsterman brings up that he has been hearing discussion about a dog park. Is that anywhere in the budget? Julie states that it is not in the budget. We have contacted to hire someone to do a design for us and we are also doing the "Bark for Your Park" contest, where we could win money to fund it. Once we have a design, at that point, we would bring it back as a supplemental to council.

Matt Langer asks if the other four park projects have been on the plan for several years and the dog park just came in this last year. Julie answers yes. The Cedar Creek Trail we have been working on for a couple of years, the Woodhaven improvement design has been on the master plan for a long time and has been the Park Board's number one project, Stella Olson improvements, parks master plan and the field lights in the last year.

Councilor Henderson asks if we have a dialog with the school about when they will have to replace the turf field and whether we are going to jointly set money aside for it. Julie states that part of our IGA with them is that they are supposed to be putting money aside annually towards that, however that will not be enough to replace it in full. Craig adds that we have been meeting with them and at the end of the school year we will be coming up with a plan with them. Councilor Henderson asks if the IGA mentions that we will jointly replace it. Julie states that she doesn't think so and we have several assets that fall into this bucket, such as the field lights. That is one of her goals this year to work with Craig and the school district to really hammer out a plan; who owns it, who is responsible for replacing it and who is responsible for maintaining it. Julie adds that we currently split the maintenance costs 50/50 with the school district.

Councilor Henderson asks if the Eddy Ridge field lighting project is this fiscal year or next. Julie states there is some in both. Craig adds that once it is approved they will be moving forward with King County directors Association to piggyback off a contract with them which will save us time and money. Hopefully we will be bringing something to council in July and get it done before the time switches over. Councilor Henderson asks what the field drainage is like in that field. Craig states that it is better, but we still need to work on it in the off season. Councilor Henderson asks what fields we will be lighting. Craig states it will be the football field, baseball field and soccer field.

D. PUBLIC COMMENT

Chair Tim Carkin opened public comment at 10:58 AM

James Copfer (Sherwood Oregon) would like to address the police budget. He feels that we need more than one SRO. Up in SeaTac when he was working up there with city council they implemented a community service officer, which is something that Sherwood does not have. They did it because it helped offset the cost of things like maintaining parks and other things the city pays for through community service. The Community Service Officer also doubled to go around and help relieve SROs in the school district. This included garages, maintaining grounds around parks that we are paying people to do, could be done through community service and then the Community Service Officer could, in turn monitor that. James would also like to see a reserve program. He feels that there is more officers needed to do drug enforcements; right now we only have one.

Chair Tim Carkin closed public comment at 11:03 AM

E. COMMITTEE DISCUSSION

1. Steve Munsterman would like the Chief to respond to the public comment with an explanation of current staffing assignments. One detective sounds like it is different from what we have had in the past.
2. Chief Groth states that they currently have 1 detective, 1 school resource officer and 1 motorcycle, everyone else is assigned to patrol. The last time we had a second detective assigned was back in 2011 and we pulled that position and put him back on patrol (he would have to double check the date). They only had one SRO since he has been with the City of Sherwood.
3. Councilor Butterfield would like to know, in the Chief's opinion, how many people do we need to have?
4. Chief Groth states that the issue they are facing is not on the road; their response times are great and they are able to answer the calls for service, but it's the schedule they are having problems with. They do not have the ability, if someone calls in sick, to delay something; they have to have someone on the road. That is the problem as far as the patrol schedule goes, that's why they have moved people to the patrol schedule. Then we talk about, that we have no one doing narcotics right now, so unless a patrol officer falls into a case, we don't have anyone specifically working narcotics. They only have one SRO and he thinks with seven schools and almost 5,000 kids, they could use another SRO to do other things and have other programs in the schools. Those are the needs he has identified. He cannot give a hard fast number because he feels that we still need to go through the process (of the study/audit) and get the involvement of the community in a police advisory board to see what they want and expect from the department.
5. Matt Langer asks if it is fair to say we expect the study to come back and say that we will need one or more officers.
6. Chief Groth answers, yes, that is fair to say.
7. Discussion regarding whether the city should bring on a new officer right now or wait for the study to come back and the policy advisory board to be formed to see where the city's needs are.
8. Discussion regarding how we are going to sustain a new officer when we do bring them on.
9. Chair Carlin motions to add a FTE for six months and the source of funds for that to not come from ending fund balance, but to be trimmed from other areas.
10. Julie states that an option is that we could leave the budget alone, do the study and then come back with a supplemental to add \$50,000 or \$55,000 to the budget part way through the year, once the study is complete and we know what we need this. We don't have to wait to do a levy or wait to do a fee.
11. Chief Groth would like to add to that. They have less control over the RFP, the study and all that. We have far more control over the police advisory board, so what he would offer is that, in a month or two we could have our community group that could provide their input. If you are talking about staffing for six months, he thinks that we would still be in the same position with more input from the community, rather than trying to make these adjustments on an already tight balanced budget now.
12. Julie adds, that at that point if we came forward with a supplemental, that would allow us the time to find where to cut to offset the costs.
13. Chair Carlin withdraws his motion based on the Chief's comments.
14. Councilor Henderson asks how long it is going to take to get the study done and if we are spending \$25,000 to find out if we are efficient or what our community needs are.
15. Tom Pessemier states that our intent is to do both and we need the advisory board in order to decide what we want to do with the information that comes back in the study. There needs to be a lengthy conversation about what the study means when it comes back and more importantly, what it means to Sherwood, because Sherwood is different than other communities that this study has been done in. We are hoping to get it done in six months.
16. Councilor Henderson asks if there are any other agencies in Oregon that have done this study and we could read it to know what we are going to get out of this.
17. Tom Pessemier states that there was one done in Gresham, but it was different then what we are trying to accomplish here. They did not get the community input and he thinks that is really important here.
18. Joe Gall states that his gut is telling him that we are going to get to a decision point and we are going to have to go to the voters for the money and we need something that is sustainable, that is not going to damage other departments.

F. APPROVE CITY OF SHERWOOD FY14-15 PROPOSED BUDGET AND TAX RATE

Chair Carlin moves to approve with the following adjustments:

1. Correction of scrivener's errors and formatting as necessary

Budget Committee Minutes

May 17, 2014

Page 9 of 10

2. Increase debt service in the Telecommunications Fund \$150,000
3. I also move that the Sherwood Budget Committee approve taxes for the 2014-2015 fiscal year of \$3.2975 per \$1,000 of assessed value for operating purposes

Councilor Henderson seconds

All in favor- Chair Tim Carkin, Andy McConnell, Steve Munsterman, Kim Rocha-Pearson, Neil Shannon, Lynette Waller, Councilor Krisanna Clark, Council President Linda Henderson, Councilor Bill Butterfield, and Councilor Dave Grant

All opposed- Mayor Middleton

G. ADJOURN TO URA BUDGET MEETING

Chair Tim Carkin adjourns budget meeting to the URA Budget meeting at 12:05 PM



SHERWOOD URBAN RENEWAL BUDGET COMMITTEE MEETING May 17, 2014 MINUTES

1. CALL TO ORDER –Chair Tim Carkin Called to order the May 17, 2014 Sherwood URA Budget Committee meeting at 12:05 PM

2. COMMITTEE MEMBERS AND COUNCIL PRESENT: Chair Tim Carkin, Vice Chair Lynette Waller, Andy McConnell, Steve Munsterman, Kim Rocha-Pearson, Neil Shannon, Mayor Middleton, Council President Linda Henderson, Councilor Krisanna Clark, Councilor Bill Butterfield, Councilor Matt Langer and Councilor Dave Grant

COMMITTEE MEMBERS ABSENT: Brian Stecher and Councilor Robyn Folsom

CITY STAFF PRESENT: City Manager Joe Gall, Finance Director Julie Blums, Assistant City Manager Tom Pessemier, Police Chief Jeff Groth, Public Works Director Craig Sheldon, IT Director Brad Crawford

3. NEW BUSINESS

A. RECEIVE BUDGET MESSAGE – Tom Pessemier, Assistant City Manager

- a. Assistant City Manager Tom Pessemier read the URA Budget Message

B. URBAN RENEWAL OVERVIEW – Tom Pessemier and Julie Blums

Julie Blums reviews what is in the budget this year

- Finishing The Community Center
- Additional façade grants
- Old Town business development support
- Paying our debt

Steve Munsterman asks for a two minute explanation of phasing out the district and what that does to the URA Budget, the City's General Fund Budget and tax collection. Tom Pessemier states that we have roughly \$500,000 left for future projects. We will still see some more projects being done, but fairly small in scale. We will get to a period of time where there won't be any projects done, but the money coming into the URA will just be going to debt services. The debt is planned to be paid off in 2021. In 2021 all the assets will be transferred to the City of Sherwood and the URA will close at that point and all the moneys will go back into shared revenue.

Neil Shannon asks how much of an increase in money would like be for The City of Sherwood. Tom states that when the plan was updated they took a look at it and he can't recall exactly how much it is, but it was a significant amount; between \$900,000 and \$1.1 million.

Councilor Henderson asks if there are any URA funds being used for Willamette or Lincoln street projects. Tom states that there are not in this budget and unless it jumps way up on the priority list that he does not foresee it for the future. Councilor Henderson clarifies that Tom's plan is to start an economic development advisory committee and asks if he will be leaving a little bit of URA there for funding for consultants, training or studies. Tom states that the committee will fall under the city

council and be there because economic development is city wide, so it gets tricky as to what is urban renewal. If there are economic developments in the urban renewal area that council wanted to put some funds to, then they could, but we have not put that in the budget. Councilor Henderson asks if Tom will come back to the board to decide how to distribute the funds that are left over. Tom confirms that.

Chair Carlin asks if there is an obligation to spend to maximum amount. Tom answers no.

4. PUBLIC COMMENT FOR SHERWOOD URBAN RENEWAL AGENCY BUDGET

Chair Tim Carlin opened public testimony at 12:15 PM

Having no requests to comment Chair Tim Carlin closed public testimony at 12:15 PM

5. COMMITTEE DISCUSSION

6. APPROVAL OF THE SHERWOOD URBAN RENEWAL AGENCY BUDGET AND TAX RATE

Mayor Middleton - moves to approve with the following adjustments:

1. Correction of scrivener's errors and formatting as necessary
2. I also move that the Sherwood Urban Renewal Budget Committee approve taxes for the 2014-2015 fiscal year of \$3,534,760.

Councilor Butterfield seconds

All in favor- Andy McConnell, Steve Munsterman, Kim Rocha-Pearson, Neil Shannon, Vice Chair Lynette Waller, Mayor Middleton, Councilor Krisanna Clark, Council President Linda Henderson, Councilor Bill Butterfield, Councilor Matt Langer and Councilor Dave Grant

All Opposed- Chair Carlin

7. ADJOURN

Chair Tim Carlin adjourns the meeting at 12:17 PM

Submitted by: Julie Blums, Finance Director

Minutes approved on: _____

Overview of the City Fund's and Appropriation Sturcture

General Fund

Administration Division

General Administration	Human Resources
City Council	Information Technology
City Recorder	Finance
City Attorney	Municipal Court
City Manager	

Police Services Division

Community Development Division

Planning	Engineering
Building	

Community Services Division

Library	Fieldhouse
Events and Volunteers	Arts Center
Recreation and Sports	

Public Works Division

Fleet and Equipment	Parks Maintenance
Facilities	

Debt Service Fund

General Construction Fund

Street Operations Fund

Street Capital Fund

Water Fund

Operations Program	Capital Program
--------------------	-----------------

Sanitary Fund

Operations Program	Capital Program
--------------------	-----------------

Storm Fund

Operations Program	Capital Program
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Telecommunications Fund

Legal level of expenditure authority

Local Budgeting in Oregon





Local Budgeting in Oregon

Table of contents

First, the basics.....	1
What is the law?	
What is a budget?	
Who is on the budget committee?	
The budget cycle.....	2
The nine steps	
The budget document	3
What is a fund?	
What is an organizational unit?	
What is a program?	
Budget format	
Revenues	
Expenditures	
Taxes and budgeting.....	5
Elections and budgeting	5
Election dates	
The budget process	6
Appropriations and their use.....	7
Appropriations transfers	
Supplemental budgets	
Audits.....	8
Biennial budgeting.....	8
Questions and answers	9
Checklists	13
Glossary.....	13
Where to get help	15

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Local Budgeting in Oregon is a supplement to the *Local Budgeting Manual* (150-504-420), hereafter called the *Manual*. This booklet will introduce you to the requirements of Oregon's Local Budget Law, but it is not a substitute for the *Manual*. Before you take any formal action in the budget process, consult the *Manual*.

First, the basics

What is the law?

Most local governments in Oregon, from the smallest cemetery district to the largest city, must prepare and adopt an annual or biennial budget. (The only exceptions are a few types of local governments specifically exempted.) Schools, counties, cities, ports, rural fire protection districts, water districts, urban renewal agencies, and special districts are all subject to the same budget provisions.

This is not unusual. Many states have specific laws which require units of local government to prepare and adopt annual operating budgets. Yet, Oregon's budgeting system is considered one of the most progressive in the nation. Why?

Look at Oregon's Local Budget Law. (You'll find it in Chapter 294 of the Oregon Revised Statutes.) The law does two important things:

1. It establishes standard procedures for preparing, presenting, and administering the budget.
2. It requires citizen involvement in the preparation of the budget and public disclosure of the budget before its formal adoption.

Many people rely on you, as an elected or appointed official, to see that the annual budget is prepared correctly. State officials check to see that the budget is prepared and administered according to law, and citizens in your district check to see that programs they want and need are adequately funded. This makes budgeting in Oregon a joint effort between the people affected by the budget and the appointed and elected officials responsible for providing the services.

To give the public ample opportunity to participate in the budgeting process, local budget law requires that a budget officer be appointed and a budget committee be formed. The budget officer draws together necessary information and prepares the first draft of the budget. The budget committee then reviews and revises the proposed budget before it is formally approved. Notices are published, budgets are made available for public re-

view, and at least two opportunities for public comment are provided. These requirements encourage public participation in the budget-making process and give public exposure to budgeted programs and fiscal policies before their adoption.

Naturally, citizen involvement varies from one community to the next. If the patrons in your district are active and involved, you may find citizens asking for information not specifically required under local budget law. It is up to your local government to prepare a budget that clearly outlines its fiscal policies and is satisfactory to the voters of the district. If you can make your budget clear and concise, you'll find that taxpayers have a better understanding of the purposes for which their tax dollars are spent. You may also find the citizen input informative and beneficial.

What is a budget?

A budget is a financial plan containing estimates of expenditures and revenues for a single fiscal year (July 1 through June 30).

Note: Local governments have the option of budgeting on a 24-month "biennial" budget period or by fiscal year. For the differences entailed in biennial budgeting, see page 8. Throughout this booklet, we refer to "fiscal year" but if a local government adopts a biennial budget, the period referred to is a 24-month period.

Besides outlining programs for the coming year, the budget controls the local government's spending authority. Since the budgeting process encourages citizen input, the budget is also a vehicle for obtaining public opinion about proposed programs and fiscal policies of your district.

The content and detail of each budget will vary substantially because of differences in the purpose, size, and complexity of local governments.

Who is on the budget committee?

The budget committee consists of the members of the local governing body (such as county commissioners or school board members) and an equal number of citizens at large. The citizens are appointed by the governing body and serve terms of three years. Terms are staggered so that about one-third of the appointed terms end each year.

Note: For most of the districts in Multnomah County, because the Tax Supervising and Conservation Commission (TSCC) holds the budget hearing, the governing body is the budget committee and there are no appointive members. These districts should consult with the TSCC about their processes. This publication addresses the budget committee process for all other districts in the state.



The budget cycle

The nine steps

Budgeting is not something you do once a year. It's a continuous operation, and it takes 12 months to complete a cycle. The budgeting process is actually in three parts: The budget is prepared, approved, and finally adopted. Your budget must be prepared far enough in advance so that it can be adopted before June 30. After adopting the budget, the governing body will make the necessary appropriations and certify the tax levy to the county assessor.

To simplify this rather complex process, we've divided budgeting into nine steps.

Preparing the budget

1. **Budget officer appointed.** Each local government must have a budget officer, either appointed by the governing body or designated in the local government's charter. The budget officer is under the supervision of either the executive officer or the governing body.
2. **Proposed budget prepared.** The budget officer is responsible for preparing or supervising the preparation of the proposed budget for presentation to the budget committee.

Approving the budget

3. **Budget officer publishes notice.** When the proposed budget and the budget message are ready, the budget officer publishes a "Notice of Budget Committee Meeting." If notice is only published in a newspaper of general circulation, it must be published at least twice, five to 30 days before the scheduled budget committee meeting date. The notice may be published once in a newspaper (five to 30 days prior to the scheduled budget committee meeting) as long as it is also published on the local government's website at least 10 days before the meeting. The newspaper notice must include the website address. If notice is hand delivered or mailed, only one notice is required not later than 10 days prior to the meeting.
4. **Budget committee meets.** At least one meeting must be held to 1) receive the budget message and budget document, and 2) hear the public. The budget officer provides a copy of the proposed budget to each member of the budget committee. The copies may be distributed any time before the advertised bud-

get committee meeting. It is also acceptable to wait and distribute the budget at the advertised meeting. When the budget is given to the budget committee, it becomes a public record and must be made available to the public.

The budget committee members cannot get together in person, by telephone, or email before the advertised meeting to discuss the budget. All budget discussions must be held at public meetings.

At the budget committee meeting, the budget message is delivered. The budget message explains the proposed budget and significant changes in the local government's financial position. At this meeting, the budget committee may provide members of the public the opportunity to ask questions about or comment on the budget. If public comment is not allowed at this meeting, the budget committee must provide the public with the opportunity at subsequent meetings.

After the initial meeting, if needed, the budget committee may meet as many times as needed to revise and approve the budget. If two or more meetings are held to take comment from the public, only the first meeting to do so must meet the publication requirements explained in step 3. Notice of additional meetings for this or any other purpose may be provided in the same time frame and manner as notices of meetings of the governing body. Notice of other meetings of the budget committee must be provided as required by Oregon public meeting law. All meetings are open to the public.

5. **Committee approves budget.** When the budget committee is satisfied with the proposed budget, including any additions to or deletions from the one prepared by the budget officer, the budget is approved. If the budget requires an ad valorem tax to be in balance, **the budget committee must approve an amount or rate of total ad valorem property taxes to be certified to the assessor.**

Advertising and holding hearings

6. **Budget summary and notice of budget hearing published.** After the budget is approved, a budget hearing must be held by the governing body. The budget officer must publish a summary of the budget approved by the budget committee and notice of budget hearing five to 30 days before the scheduled hearing. This information must either appear in a newspaper of general circulation, be mailed, or be hand delivered.

If no newspaper is published in your district and estimated expenditures for the ensuing year do not exceed \$100,000, you may provide the budget summary and notice of budget hearing by posting it in three conspicuous places within the district for at least 20 days prior to the date of the hearing.

See the *Manual* for details on publication requirements.

7. **Budget hearing held.** The budget hearing must be held by the governing body on the date specified on the public notices.

The purpose of the hearing is to receive citizens' testimony on the budget approved by the budget committee. Additional hearings may be held. All hearings are open to the public.

Adopting the budget

8. **Budget adopted, appropriations made, tax levy declared and categorized.** By law, the governing body may make changes in the approved budget before or after it is adopted, but no later than the beginning of the fiscal year to which the budget relates. However, without first publishing a revised budget summary and holding another budget hearing:

- Taxes may not be increased beyond the amount approved by the budget committee, and
- Estimated expenditures in a fund may not be increased by more than \$5,000 or 10 percent, whichever is greater.

After the budget hearing, and after considering relevant testimony, the governing body adopts the budget. **It should not be formally adopted until the latter part of June** so last-minute revisions to revenue or expenditure estimates can be incorporated.

The governing body must enact a resolution or ordinance to 1) formally adopt the budget, 2) make appropriations, and if needed, 3) levy, and 4) categorize any tax. The budget is the basis for making appropriations and certifying the tax levy. The resolution or ordinance must be adopted no later than June 30. See the *Manual* for the format of the resolution or ordinance.

9. **Budget filed and levy certified.** The final step in the budget cycle is to certify any necessary property tax levy.

Districts levying a property tax must submit to the county assessor's office on or before July 15:

- Two copies of notice of levy and the categorization certification, and
- Two copies of the budget resolution or ordinance.

Each local district that does not levy a property tax must send a copy of the resolution adopting its budget and making appropriations to the Department of Revenue on or before July 15. All local districts send a copy of the complete budget to the county clerk on or before September 30. School districts also submit a copy of the budget to the county education service district office and to the Oregon Department of Education.



The budget document

All budgets must meet certain minimum requirements, outlined here. For specific examples consult the *Manual*.

Under local budget law the budget must follow a basic format. Expenditures generally are broken down first by fund, then by organizational unit or program, and then, more specifically, by object classification and object. Revenues are broken down by fund, at the least.

What is a fund?

A fund is a fiscal and accounting entity with self-balancing accounts set aside to carry on a specific activity or to meet certain objectives in accordance with a specific regulation. The requirements and resources of a fund must always balance. Every budget has at least one fund (commonly called the General Fund) which is used for everyday operation of the local government.

Depending on the size and complexity of your local government and the services it provides, your district may also have a number of special funds. The most common reason for establishing a special fund is to account for a revenue source whose use is limited to a particular kind of expenditure. Examples include: debt service funds, construction funds, reserve funds, street funds, water funds, and sewer funds.

What is an organizational unit?

Some funds are broken down to account for one or more organizational units or activities, which are merely subdivisions of a fund. An organizational unit might be a department, office, or division. What you call these units is up to your local government.

What is a program?

Budget requirements may be prepared by program. Programs are groups of activities to accomplish a major service or function. Schools use programs in budgeting.

Budget format

Your budget detail sheets for expenditures and revenues must show in parallel columns:

1. Actual expenditures and revenues for two years preceding the current year.
2. Budgeted requirements and revenues for the current year.

3. Estimated requirements and revenues for the coming fiscal year. Upcoming fiscal year estimates should be broken into three columns: proposed, approved, and adopted, showing estimated amounts as they are considered through each step of the budget process.

Information in each column must be itemized to show all estimated or incurred requirements and revenues.

Revenues

Budget revenues are divided into two types: ensuing year property tax and nonproperty tax revenues. Property taxes shown in your budget will not be the same as the property tax “levy” you submit to the assessor.

There are three reasons for this. First, not all taxpayers pay their taxes in the year billed. Second, discounts are given for timely property tax payments. Third, the Oregon Constitution sets a limit on the amount of taxes that can be collected from an individual property.

You must estimate the amount of taxes to be lost because of the “constitutional limits” and “discounts allowed and other uncollected amounts.”

The total of these amounts plus estimated taxes to be received cannot exceed your district’s taxing authority, which includes its rate limit, voter approved local option levies, and levies to repay bonded debt. This total is the amount of tax levy that is certified to the assessor.

The amount estimated as “loss due to constitutional limit” will vary from district to district. Late in October or early November each year, the tax collector sends the district a report on the amount of taxes that will actually be billed for the district. This is called the taxes imposed.

“Discounts allowed and other uncollected amounts” normally will represent only a small percentage of the property tax levy. Contact your county tax collector for help in determining this percentage.

You next need to calculate how much tax revenue can be raised using the district’s permanent rate limit.

$$\begin{array}{c} \text{Rate Limit} \\ \text{times} \\ \text{Estimated District Assessed Value} \\ \text{equals} \\ \text{Amount Raised By Rate Limit} \end{array}$$

This amount plus any local option taxes or bond levies, less the estimate of taxes to be lost, is the amount of tax revenue estimated to be received. If this amount is less than the amount needed for the budget, requirements must be reduced, other sources of revenue found, or additional taxing authority approved by voters.

Expenditures and requirements: by fund

Under the law, budget expenditures and other requirements must be itemized to show all estimated expenses. The estimates may be prepared either by program or organizational unit. Within any fund each expenditure must be detailed and identified, arranged by organizational unit if applicable, and put into one of these major object classifications:

- **Personnel services** includes all salaries, fringe benefits, and miscellaneous costs associated with salary expenditures.
- **Materials and services** includes contractual and other services (example: audit or legal services), materials, supplies, and other charges.
- **Capital outlay** includes acquisition of land, buildings, improvements, machinery, and equipment.

Some special expenditures and requirements do not fit logically into one of these three object classifications. These are put in special categories. The most common special categories are:

- **Debt service** includes repayment of principal and interest on bonds, interest-bearing warrants, and short term loans.
- **Transfers.** An amount to be given as a resource to another fund in the budget.
- **General operating contingencies.** A special amount set aside in the upcoming year for unforeseen expenses.
- **Unappropriated ending fund balance.** A special amount set aside in a budget for use as a resource in the beginning of the next fiscal year after it was budgeted.

Expenditures and requirements: program budgets

Program budgets are prepared differently. Estimates for each program must be arranged by activity and then put into separate object classifications, as already described.



Taxes and budgeting

Many local governments rely heavily on property taxes to finance services they offer. In some cases, services are paid for entirely by property taxes.

The amount and type of tax a local government may levy is limited by the Oregon Constitution and Oregon law. The constitution allows a local government to levy annually the amount that would be raised by its permanent rate limit without further authorization from the voters. Revenue from the permanent rate-limited levy can be used for any purpose.

When a local government has no permanent rate limit or when the rate limit does not provide enough revenue to meet estimated expenditures, the government may request a local option levy from the voters. These levies are in excess of the rate limit and require voter approval. Currently, ESDs cannot use the local option tax. Schools and community colleges can use the local option tax, but the amount they may request is limited.

A local option can be used for general purposes or a specific activity. The levy may be stated as a total dollar amount or rate to be levied uniformly for a period. If the levy is for an operating purpose, the period cannot exceed five years. If the levy is for a capital project, the period cannot exceed 10 years or the life of the capital asset, whichever is less.

A debt service levy is used only to pay principal and interest on bonds. The constitution does not require voters to approve this type of levy each year. That's because voter approval of a bond issue is considered approval of levies necessary to repay bond interest and principal.

By law, some local governments are limited on the total amount of tax they may levy. These limits are computed as a percentage of a local government's property value. For specific examples, consult the *Manual* or the Department of Revenue, Finance and Taxation Unit.

Tax levies not made according to law may be voided by an appeal to the Oregon Tax Court. Appeals can be made by the county assessor, county court, board of commissioners, Oregon Department of Revenue, Tax Supervising and Conservation Commission, or 10 or more interested taxpayers. An appeal must be submitted within 30 days after the local government certifies the tax levy to the county assessor.

In addition, since 1991, the Oregon Constitution has limited the amount of taxes that may be imposed on any property. For any property, the maximum amount of taxes to support the public school system is \$5 per \$1,000 of real market value. The maximum amount of taxes to support other government operations is \$10 per \$1,000 of real market value. Certain types of taxes may not be subject to the limit. See the *Manual* for further information.



Elections and budgeting

Many local governments find that available revenues, including revenue from levies made under the permanent rate limit, are not enough to finance proposed expenditures. In this case, there are two alternatives:

1. Lower the proposed expenditures to equal available revenues, or
2. Schedule a tax levy election to obtain voter approval to levy a local option tax.

All local governments that decide to schedule a levy election are limited to four election dates each year. The levy election must be on one of these dates.

See your county elections officer for more information. The county elections officer publishes election notices, sample ballots, and a list of polling places.

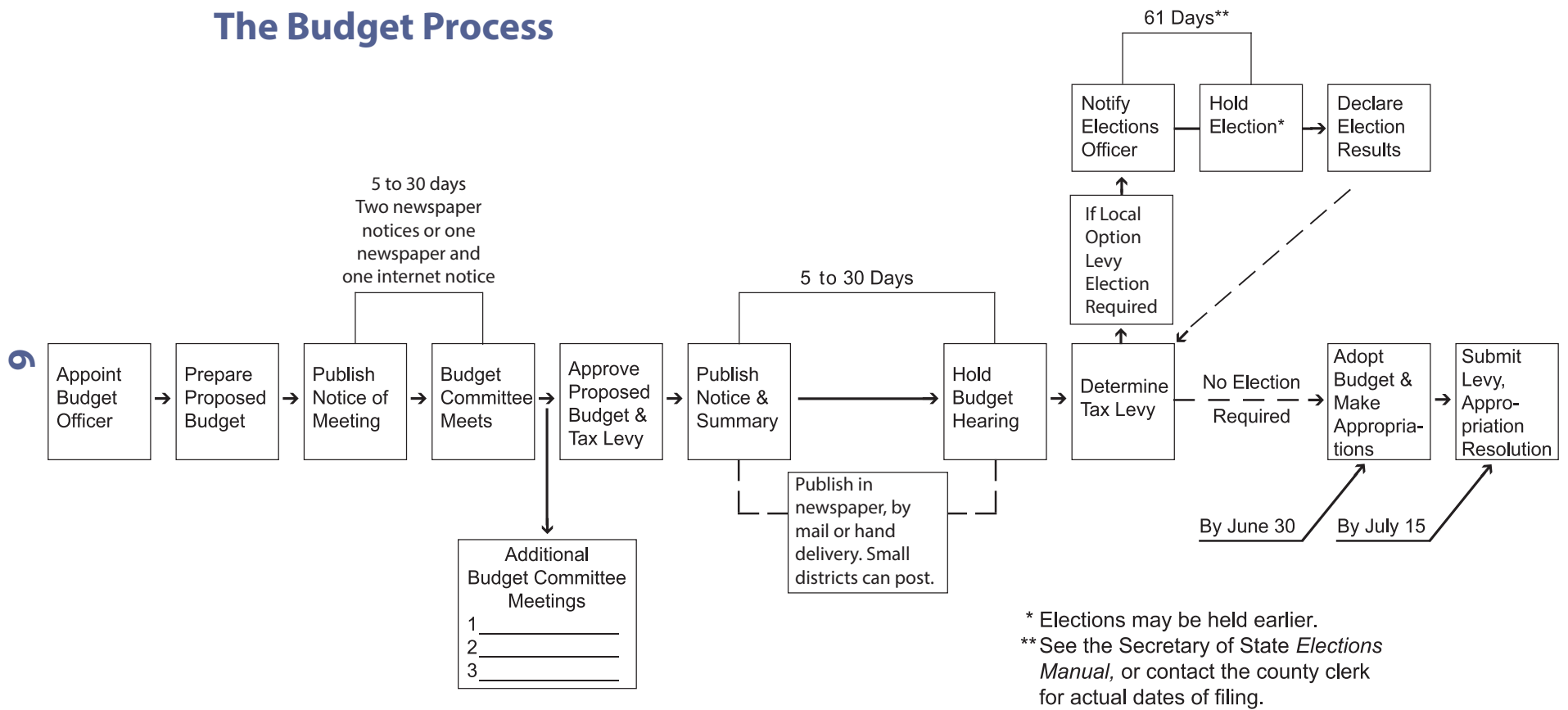
Election dates

- Second Tuesday in March
- Third Tuesday in May
- Third Tuesday in September
- First Tuesday after the first Monday in November

Even if the voters have not yet approved the tax levy before the end of the fiscal year, the governing body must adopt the budget and make appropriations by June 30 to lawfully spend public funds in the new fiscal year. When the district is planning on a tax levy election in September, it must request in writing from the county tax assessor an extension to certify its tax levy. When the tax levy is finally determined, the governing body adopts the resolution to levy taxes and submits its final levy certification to the assessor. If the late levy election failed, the governing body must reduce its budget appropriations to reflect the amount of taxes it actually has authority to levy.

Tax levy ballot language sometimes must contain certain wording or statements required by law or must not exceed other limits. For more details, see the *Manual*, or download a copy of the *Tax Election Ballot Measure Manual* (150-504-421).

The Budget Process





Appropriations and their use

When the nine budget steps are completed and the new fiscal year begins, the governing body works from appropriations. Amounts listed in the appropriation resolution provide authority to spend public funds in the next 12 months. However, appropriations may be made in broader categories than the detail presented in the budget.

District spending is limited to the schedule of appropriations. But what if it is necessary to exceed original appropriations? This may be done after transferring appropriations or preparing a supplemental budget. There are special provisions for exceeding appropriations due to civil disturbance, fire, flood, earthquake, or other calamity.

Appropriation transfers

The governing body's spending authority in existing appropriations may be changed by 1) transferring amounts among existing appropriations in the same fund, or 2) transferring from an existing appropriation in one fund to an existing appropriation category in another fund.

Whenever you need to transfer an appropriation, the governing body must enact a resolution or ordinance providing for the transfer. This enactment must be made before any overexpenditure is incurred. Once a transfer is authorized, the expenditures can be made.

Supplemental budgets

By transferring appropriations, a governing body usually has enough flexibility to carry out the programs prescribed in an adopted budget. But there will be times when an adopted budget gives no authority to make certain expenditures or when revenues are received for which the governing body had no previous knowledge. In these cases it is possible to use a supplemental budget to authorize expenditures or spend additional revenues in a current fiscal year. (There are a few special revenues which may be spent without a supplemental budget.) Supplemental budgets cannot be used to authorize a tax levy.

Local budget law does not contemplate the involvement of the budget committee in adopting supplemental budgets. The governing body may adopt a supplemental budget at a regular public meeting if prior notice is given and the expenditures in the supplemental budget are 10 percent or **less** than of the budget fund being adjusted. If the expenditures are more, the governing body must

publish a summary of the changes in the supplemental budget and hold a special hearing.

Public officials who spend money unlawfully, in excess of authorized amounts or for purposes not provided by law, are civilly liable. The district attorney or a taxpayer may file suit for return of the money.

For more details, see Oregon Revised Statute 294.471 or the *Manual*.



Audits

The final phase in the budgeting cycle is an audit of the previous fiscal year. This usually is done soon after a new fiscal year begins. Most local governments are subject to Oregon's Local Budget Law. Most of these governments are required to have their accounts and fiscal affairs audited and examined annually.

An audit must be done by the Secretary of State or an auditor certified by the Oregon State Board of Accountancy to conduct municipal audits. The auditor examines financial statements, books, records, and other financial data of your local government. The auditor also will look at any activities that relate to collection, receipt, custody, handling, expenditure, or disbursement of public funds.

Contact the Secretary of State's office, Audits Division for further explanation or questions.



Biennial budgeting

Local governments may budget either on a one-year (fiscal year) or a two-year (biennial) cycle. The governing body may, by ordinance, resolution, or charter, provide that the budget be prepared for a period of 24 months. The biennial budget period begins July 1 and ends June 30 of the second following calendar year. In brief, the differences between fiscal year budgeting and biennial budgeting are:

1. Members of a budget committee who prepare a biennial budget are appointed to four-year terms. The terms of the members should be staggered so that one-fourth of the terms end each year.
2. The budget estimate sheets containing the estimates of resources and expenditures in a biennial budget must show:
 - Actual expenditures for the two budget periods preceding the current budget period,
 - The estimated expenditures for the current budget period, and
 - The estimated expenditures for the ensuing budget period.
3. The summary of the budget as approved by the budget committee that is published along with the notice of the budget hearing will show the proposed budget for a two-year period.
4. If a taxing district adopts biennial budgeting, the budget committee must approve the amount or rate of ad valorem property taxes for each year of the biennium.
5. After the budget committee approves a biennial budget and before the budget is adopted, the governing body may not increase the amount of estimated expenditures for the biennium in any fund by more than \$10,000 or 10 percent, whichever is greater, and may not increase the amount or rate of the tax levies approved by the budget committee for either year of a biennial budget unless the amended budget document is republished and another budget hearing is held. Once the budget is adopted, the tax amount cannot be increased in the second year.
6. If a district adopts a biennial budget, then after the budget hearing and before the June 30 that precedes the start of the budget period, the governing body must pass a resolution or ordinance to adopt the budget and make appropriations for the ensuing 24-month budget period. The governing body must also pass a resolution or ordinance to levy and categorize property taxes for each year of the ensuing budget period.

7. Whether a budget is for a fiscal year or for a biennium, certification of property tax levies and a copy of a resolution or ordinance levying and categorizing taxes for the ensuing year must be submitted to the county assessor every year by July 15.
8. Districts that must submit their budgets to the Department of Revenue or to the Tax Supervising and Conservation Commission must do so only during the first year of a biennial budget period.



Questions and answers

What is a budget committee?

The budget committee is the district's fiscal planning advisory committee. The committee consists of the elected governing body members and an equal number of qualified district voters appointed by the governing body.

Who can serve on a budget committee?

Any qualified voter of the district appointed by the governing body except officers, agents, or employees of the district.

Are budget committee members paid for their work?

Budget committee members cannot receive any compensation for serving as committee members. They may be eligible to receive reimbursement for travel or meal expenses that are incurred as a result of meetings or other authorized committee functions.

How long do members serve?

Citizen budget committee members are appointed by the governing body for three-year terms. Terms are staggered so that approximately one-third of the terms expire each year. Members may be re-appointed for successive terms. If a member resigns, becomes ineligible, or is unable to serve out his or her term of office, the governing body appoints a replacement to complete the term. There is no provision in the law for "alternate" members.

What if no one will serve on the budget committee?

If the governing body is unable to appoint qualified individuals to vacant positions, the budget committee may function with a reduced number of members. For example, if a five-member governing body, after making a good faith effort to seek qualified citizen members, can fill only three of the appointed positions, the budget committee can function with eight members rather than ten. A majority would then be five instead of six. The membership may not be reduced because governing body positions are currently vacant.

Who are the budget committee officers?

Only a presiding officer position is required by law. The presiding officer's duties are to chair budget committee

meetings. The chair can be either an elected or appointed member. Some districts may elect a vice chair to conduct meetings in the presiding officer's absence. The committee should also designate someone to be responsible for keeping an official record of its proceedings. All members of the budget committee have the same degree of authority and responsibility.

What is the budget committee's main function?

In a series of public meetings the budget committee meets to review, discuss, make additions or deletions, and approve the proposed budget presented by the local government's budget officer. Upon completion of its deliberations, the committee approves the budget and sets the tax rate or amount needed to balance the budget.

What are the rules about budget committee meetings?

Budget committee meetings are open to the public. A quorum is required to conduct committee business. A majority of the budget committee membership is required to approve any motion.

Minutes of each meeting are kept. The minutes are the official record of budget committee meetings. It is important that minutes are accurate. The budget process is required by law and districts may need to document that the process was in compliance with state statutes. The approval of the final budget document and the rate or amount of tax to be imposed, in particular, should be in the form of motions with the votes recorded in the minutes.

What happens at the first budget committee meeting?

Generally, the budget committee elects a chair and other officers, receives the budget message, hears patrons, sets dates for future meetings, and adopts rules of order. These rules should establish an operating procedure for the budget review process. The committee may adopt Robert's Rules of Order or establish its own. In any event, the budget committee needs to discuss and agree upon a procedure. The committee may not adopt any rule which would allow it to take official action with approval of less than a majority of its members in agreement.

What happens at subsequent budget meetings?

Generally, the second and other subsequent meetings take place at least one week after the first meeting. This practice allows budget committee members to review the proposed budget document. Budget committee members may wish to make arrangements with the district administrator and/or budget officer to visit district operations during this week, make inquiries about specific budget items, request additional information, or indicate areas of interest they believe should be highlighted at future

meetings. In subsequent meetings, the entire budget is reviewed fund by fund and/or section by section.

At least one meeting must provide the opportunity for the public to ask questions and make comments about the budget. Notification of the first budget committee meeting in which public questions and comments will be heard is required in a newspaper of general circulation, by a first-class mailing to every street address or P.O. box in the district, or by hand delivery to every street address. See Chapter 9 of the *Manual* for more detail on publication requirements.

How many meetings are required?

The number of meetings required varies from year to year and with the unit of government. Some districts meet only once, others may need to meet several times. Factors such as the detail in the budget documents, size of the district, number of funds, presentation of the budget, and the personalities of individual budget committee members will result in various numbers of meetings.

When will I get a copy of the budget?

The budget officer provides copies of the proposed budget at or before the first budget committee meeting, when the budget message is presented by the executive officer.

What other information is available to the budget committee?

The budget committee may request any information required during consideration of the proposed budget from any district officer or employee. The budget committee may also require staff members to attend budget committee meetings. Such requests by the budget committee should be made through the chief administrative officer of the local government and/or budget officer.

How is the material that is presented by the budget officer at the first meeting prepared?

The budgeting process is a continuous cycle that generally begins long before the budget committee meets. Each district has its own procedures for budget review and development. In larger districts, each part of the organization may have its own budget preparation process, in which funding requests for the upcoming fiscal year are developed and then "rolled up" into the total agency budget requirements. By the time the budget committee receives the budget message and budget document, many hours of work have been put into budget development. The budget officer coordinates these efforts with district staff and other administrators.

What is a quorum? What happens if we don't have a quorum at a budget committee meeting?

A quorum is one more than half the total number of the members. If a quorum is not present, the members who

are present may discuss committee business, but no action may be taken.

What if we have a quorum, but cannot get a majority of the members of the budget committee to approve the budget?

Any action by the budget committee requires approval by a majority of the entire committee. For example, if the budget committee has ten members, six are present at a meeting (a quorum), but only five of the six present agree with a motion to approve the proposed budget, then the motion does not pass. It is up to the budget committee to negotiate a budget and tax that is acceptable to a majority of its members.

May I ask questions other than at budget committee meetings?

It could be very helpful and a courtesy to other budget committee members if inquiries are not restricted to committee meetings. Checking with the administrator and/or budget officer between meetings allows members to explore budget items of interest in greater detail than might be practical during committee meetings. Questioning also assists the administration/budget officer by giving an indication of concerns, making it possible to highlight issues that may be of interest to the entire budget committee.

Can I consult with other budget committee members about details in the budget other than at budget committee meetings?

Discussion of the budget committee must always take place in the forum of a public meeting. One of the reasons Oregon uses the budget committee process is to ensure public comment and full disclosure of budget deliberations. It is much better to abide by the spirit of the law and hold **all** discussions at budget committee meetings.

Can the budget committee add or delete programs or services?

Generally, the budget committee's role is not to directly establish or eliminate specific programs or services. Standards and budget parameters established by the governing body give the budget officer and administrative staff general guidelines for budget development. The budget officer then prepares a budget which reflects the governing body's parameters. This proposed budget is what the budget committee considers during its meetings. Budget committee influence on programs and services is most often exerted at a higher level, when it approves the overall budget and establishes the tax levy.

Having said all that, if a majority of the budget committee agrees, it can add or delete funding for specific services. Public participation at budget committee meetings may

influence budget committee decisions. However, final authority for administration rests with the governing body. The governing body can make changes after the budget committee has approved the budget, although they may have to re-publish the budget and hold another public hearing to do so.

Can the budget committee determine how much an employee is paid?

The budget committee does not approve new personnel, employee contracts or salary schedules, nor does it negotiate salary contracts.* However, the adopted salary schedules, negotiated contracts, and other materials that have a fiscal impact on the budget document may be requested for review by the budget committee. Through its authority, the budget committee may direct the administration to make dollar adjustments (increases or decreases) in the proposed budget.

What happens after all the sections of the budget are presented?

After all presentations are made, all patron input received, and all other related issues discussed, the budget committee approves the budget. The approved budget recommends a level of spending for the year. The approved budget document also specifies the full amount of the property tax levy authority that may be certified to the tax assessor. The governing body may reduce the levy, but the rate or amount of the levy approved by the budget committee cannot be increased without republishing the financial summaries. Approval of the tax levy and the budget should be in the form of a formal motion, with the vote recorded in the minutes of the meeting.

Does the budget committee have any other duties?

At the end of the final meeting where the budget is approved, and the tax levy rate or amount is established, the committee's work is finished as far as local budget law is concerned. Local charters may have additional duties. Frequently, budget committee members express a desire to assist the governing body and administration in any public meetings or appearances concerning the budget. The budget committee may be reconvened by the governing body at a later date in the event the financial conditions in the district change. A meeting for this reason is called at the discretion of the governing body and is not a requirement of the local budget law.

*Note: ORS 204.126 says the county budget committee or TSCC approves changes in the salary of elected county officials.

After the budget is approved by the budget committee and recommended to the governing body, what action does the governing body take?

The governing body must publish a financial summary of the budget that was approved by the budget committee. The notice of the budget hearing is also published with the financial summary. At the public hearing, the governing body hears any citizen input on the approved budget. The governing body may make additional adjustments to the budget that was approved by the budget committee. Following the hearing and no later than June 30, the governing body must adopt the budget, make appropriations, and set the property tax levy rate or amount. If a property tax is required, the governing body must certify the tax to the county assessor no later than July 15.

What if the governing body changes the budget approved by the budget committee in ways that the budget committee does not approve?

The governing body has that right. However, the amount of the estimated expenditure for each fund may not be increased more than 10 percent unless a summary of the revised budget is again published and another public hearing is held. In addition, the total property tax to be levied may not exceed the amount or rate shown in the budget that was approved by the budget committee and published with the notice of the budget hearing without once again publishing the revised budget and holding another public hearing. Of course, budget committee members are free to attend that hearing and voice their opinions of the changes made by the governing body.

What is a supplemental budget?

Districts may find it necessary to prepare a supplemental budget at some point during the fiscal year. Circumstances under which a supplemental budget is authorized are:

- An occurrence, condition, or need arises which was not known at the time the budget was adopted.
- Additional funds are made available after the budget was adopted.

Although the budget committee is usually not involved with supplemental budgeting, the procedures for supplemental budgets are similar to those for the annual budget. If estimated expenditures are being changed by more than 10 percent, these procedures include a public hearing and publishing a notice and budget summary five to 30 days prior to the hearing.

Where can I find the law that governs the creation and operation of budget committees?

Budget committees are required in Oregon's Local Budget Law. This law is found in the Oregon Revised Statutes (ORS) beginning at ORS 294.305.

These statutes as well as additional information can be found on the Department of Revenue website at www.oregon.gov/DOR.

Where can I direct my questions regarding budget committees?

Oregon Department of Revenue
Finance, Taxation and Exemptions
PO Box 14380
Salem OR 97309-5075

Telephone: 503-945-8293
Fax: 503-945-8737
Email: finance.taxation@oregon.gov



Administration Checklist

- ✓ Gather budget requests.
- ✓ Evaluate budget requests and develop proposed budget.
- ✓ Develop estimates of revenue.
- ✓ Prepare budget proposal.
- ✓ Estimate ad valorem taxes in budget document.
- ✓ Prepare budget message.
- ✓ Publish required notices and budget summary.
- ✓ Provide citizens with information about approved budget.

Budget Committee Checklist

- ✓ Establish a meeting calendar.
- ✓ At first meeting, elect presiding officer (required) and vice chair (optional).
- ✓ At first meeting, establish budget committee procedural rules.
- ✓ At first meeting, receive budget message and proposed budget.
- ✓ Request information.
- ✓ Make budget documents available to any person.
- ✓ Provide opportunities for citizens to ask questions.
- ✓ Approve motion setting the rate or amount of taxes necessary to balance budget.
- ✓ Approve budget and recommend to the governing body.



Glossary

Here are some terms you will use as you work on your budget.

Adopted budget. The financial plan adopted by the governing body which forms a basis for appropriations.

Ad valorem tax. A property tax computed as a percentage of the value of taxable property. See “Assessed value.”

Appropriation. Based on an adopted budget, an authorization for spending specific amounts of money for specific purposes during specific periods of time. Presented in a resolution or ordinance adopted by the governing body.

Assessed value. The portion of value of real or personal property that is taxable. It is the lesser of the property’s real market value or the constitutional value limit (maximum assessed value—MAV). The value limit may increase 3 percent annually unless qualifying improvements or changes are made to the property. These improvements or changes allow the value limit to increase by more than 3 percent.

Biennial budget period. A 24-month period beginning July 1 and ending June 30 of the second succeeding year.

Budget. Written report showing the local government’s comprehensive financial plan for one fiscal year. Must include a balanced statement of actual revenues and expenditures during each of the last two years, estimated revenues and expenditures for the current and upcoming year.

Budget committee. Fiscal planning board of a local government, consisting of the governing body plus an equal number of legal voters from the district.

Budget message. An explanation of the budget and local government’s financial priorities. Prepared by or under the direction of the executive officer or presiding officer of the governing body.

Budget officer. Person appointed by the governing body to assemble budget material and information, prepare the proposed budget, and oversee the budget process.

Capital outlay. Items which generally have a useful life of one or more years, such as machinery, land, furniture, equipment, or buildings.

County elections officer. County clerk or registrar of elections.

District. See “Local government.”

Expenditures. Decreases in net financial resources if accounts are kept on an accrual or modified accrual basis; total amount paid if accounts are kept on a cash basis.

Fiscal year. A 12-month period beginning July 1 and ending June 30.

Fund. A division in a budget segregating independent fiscal and accounting requirements. An entity within a government’s financial plan designated to carry on specific activities or to reach certain objectives.

Governing body. County court, board of commissioners, city council, school board, board of trustees, board of directors, or other governing board of a local government.

Line-item budget. The traditional form of budgeting, where proposed expenditures are based on individual objects of expense within a department or division.

Local government. Any city, county, port, school district, public, or quasi-public corporation (including a municipal utility or dock commission) operated by a separate board or commission.

Municipality. See “Local government.”

Ordinance. Written directive or act of a governing body. Has the full force and effect of law within the local government’s boundaries, provided it does not conflict with a state statute or constitutional provision. See also “Resolution.”

Organizational unit. Any administrative subdivision of a local government, especially one charged with carrying on one or more specific functions (such as a department, office, or division).

Payroll expenses. Health and accident insurance premiums, Social Security and retirement contributions, and civil service assessments, for example.

Permanent rate limit. A district’s permanent ad valorem property tax rate for operating purposes. This rate levied against the assessed value of property raises taxes for general operations. Permanent tax rate limits were either computed by the Department of Revenue for districts existing prior to 1997–1998 or are voter-approved for districts formed in 1997–1998 and later.

Program. A group of related activities to accomplish a major service or function for which the local government is responsible.

Property taxes. Amounts imposed on taxable property by a local government within its operating rate limit, levied under local option authority, or levied to repay bonded debt.

Proposed budget. Financial and operating plan prepared by the budget officer, submitted to the public and budget committee for review.

Real market value. Value at which a property would be sold by an informed seller to an informed buyer on the appraisal date. Value set on real and personal property as a basis for testing the (Measure 5) constitutional limits.

Reserve fund. Established to accumulate money from one fiscal year to another for a specific purpose.

Resolution. A formal expression of will or intent voted by an official body. Statutes or charter will specify actions that must be made by ordinance and actions that may be by resolution. (For cities, revenue raising measures such as taxes, special assessments, and service charges always require ordinances.) See “Ordinance.”

Resources. Estimated beginning fund balances on hand at the beginning of the fiscal year, plus all anticipated revenues.

Revenues. Monies received or anticipated by a local government from either tax or nontax sources.

Supplemental budget. Prepared to meet unexpected needs or to spend revenues not anticipated at the time the regular budget was adopted. Cannot be used to increase a tax levy.

Tax levy. Taxes imposed by a local government unit through a rate or amount.

Transfers. Amounts distributed from one fund to finance activities in another fund. Shown as a requirement in the originating fund and a revenue in the receiving fund.

Unappropriated ending fund balance. Amount set aside in the budget to be used as a cash carryover to the next year’s budget, to provide the local government with a needed cash flow until other money is received. This amount cannot be transferred by resolution or used through a supplemental budget during the fiscal year it is budgeted unless there is a significant calamity or natural disaster.

Where to get help preparing your local budget

Finance, Taxation and Exemptions..... 503-945-8293
Emailfinance.taxation@oregon.gov

Each year the Department of Revenue makes available a booklet that contains forms and instructions for summarizing your district's budget for publication and certifying the tax levies to the assessor. These forms meet the minimum requirements of local budget law and are free of charge.

The forms are available each year beginning in January on the department's website at www.oregon.gov/dor.

The booklet is available upon request by contacting the Finance, Taxation and Exemptions Unit by telephone, email, or at the address below. If you would like a copy sent to you, please request your copy no later than November 15.

Finance, Taxation and Exemptions Unit
Oregon Department of Revenue
PO Box 14380
Salem OR 97309-5075

Your district may also computer-generate the budget detail and publication forms based upon your district's own computer formatting.

Have questions? Need help?

General tax information www.oregon.gov/dor
Salem..... 503-378-4988
Toll-free from an Oregon prefix..... 1-800-356-4222

Asistencia en español:

En Salem o fuera de Oregon..... 503-378-4988
Gratis de prefijo de Oregon 1-800-356-4222

TTY (hearing or speech impaired; machine only):
Salem area or outside Oregon 503-945-8617
Toll-free from an Oregon prefix..... 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers above for information in alternative formats.