



AGENDA

SHERWOOD BUDGET COMMITTEE

November 12, 2015

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

6:00 BUDGET COMMITTEE MEETING

- 1. CALL TO ORDER – Chair Andy McConnell**
- 2. ROLL CALL – Julie Blums**
- 3. APPROVE MAY 27, 2015 SHERWOOD URA BUDGET COMMITTEE MINUTES
APPROVE AUGUST 13, 2015 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES**
- 4. NEW BUSINESS**
 - A. Introduction of New Committee Member, Amy Kutzkey – Julie Blums**
 - B. GFOA Budget Award for FY15-16 – Julie Blums**
 - C. YTD Budget to Actuals Review (Exhibit A) – Julie Blums**
 - D. Update on New Finance System – Julie Blums**
 - E. Update on Audit Process – Julie Blums**
 - F. Review Financial Policies in the FY15-16 Adopted Budget (Exhibit B) – Julie Blums**
 - a. Policy 3 - Revenue (pg. 94)**
 - b. Policy 4 – Expenditures (pg. 95)**
 - c. Policy 5 – Revenue Constraints and Fund Balance (pg. 96)**
 - G. Prepare the Budget Committee Annual Report for City Council (Exhibit C) – Julie Blums**
- 5. FUTURE BUDGET COMMITTEE MEETINGS**

February 11, 2016
- 6. ADJOURN**



SHERWOOD URBAN RENEWAL AGENCY BUDGET COMMITTEE MEETING May 27, 2015 MINUTES

1. CALL TO ORDER – Chair Shannon

COMMITTEE MEMBERS PRESENT: Mayor Clark, Council President Robinson, Councilor Kuiper, Neil Shannon, Andy Jensen, Andrew McConnell, Meerta Meyer and Brian Stecher

COMMITTEE MEMBERS CONFERENCED IN: Susan Claus, Councilor Harris and Kurt Studer

COMMITTEE MEMBERS ABSENT: Councilor Cook, Councilor King and Councilor Henderson

CITY STAFF PRESENT: City Manager Joe Gall, Finance Director Julie Blums, Assistant City Manager Tom Pessemier,

2. NEW BUSINESS

A. RECEIVE BUDGET MESSAGE – Tom Pessemier, Assistant City Manager (pg. 2)

Tom read the Budget Message; the FY15-16 capital projects primarily includes appropriations to:

- Construct a parking lot on the 1st Street Properties acquired by the URA in 2014
- Sidewalk Improvements in Old Town
- Old Town Alley conversion (between 1st and 2nd Streets)
- Signage for the Sherwood Center for the Arts

Funding for all projects will come from fund balance.

B. URBAN RENEWAL OVERVIEW – Tom Pessemier, Assistant City Manager (pg. 3)

It says “Operations Budget,” but we will probably change that title to “Operations and Capital,” so it is clear that this includes both portions. We used to have a separate Operations and Capital Budget, but this year we put them into one because our Capital Projects are going down so much.

Tom has heard the concern about the monuments. The ORS says that we can spend moneys on transportation type projects, as long as it was a project in the plan. The URA will have to take some action in order to change the plan to create a project that would encompass taking care of the monuments. That would also require them to go back and look at the list of priorities. Those are the two things that would have to happen before that money is spent, but he does not think those things need to happen before the money is allocated. It would be safe to add some money to the “Professional and Technical Services,” line of the Budget. Tom proposes to add \$30,000 instead of \$50,000.

What is not included in the Budget is money for The Center for the Arts. There could be some tenant improvements, which we are expecting to have to do, as well as some capital items. We will probably be able to do that in the Capital Infrastructure that we already have outlaid, but if we have to come back at some point, we will.

Councilor Robinson- Why do we go from \$15,000 to \$32,000 on the Professional and Technical without adding the additional \$30,000? Also, what is the Sale of Fixed Asset? **Julie-** The Sale of Fixed Asset: We are working to sell off the property that the URA owns and we are making the assumption that we will be selling off at least one of those properties in the next year. **Tom-** The Professional and Technical: We are in the proses of getting an intern working full time for 11 months of the year on Old Town activities that equals \$22,000.

Councilor Kuiper- On Furniture and Equipment, \$25,000 for signage for the Art Center seems cheap. **Tom-** We are limited to a 6x6 sign, due to city code, so it will not be large. Sign cost have also significantly come down because there are more options. **Councilor Kuiper-** Are you adding more signage to The Center for the Arts or just the reader board? **Tom-** We are hoping to accomplish 2 purposes in one. One is a monument sign that says "Center for the Arts," the other is the reader board.

Susan Claus- Do we have any city property on Highway 99? **Tom-** Not owned by the URA **Susan Claus-** It would be nice to get some off site signage in a high traffic area. **Tom-** That area is outside the URA boundary and we have had trouble getting other signs out there approved by ODOT because of the large number of signs already there.

Meerta Meyer- What about more directional signage that would lead people to The Center for the Arts? Is a reader board the most effective way to spend money at this point? **Tom-** the reader board would not be exclusively for The Center for the Arts. We currently have a reader board in the Robin Hood lot, this would really be to replace that. That sign is very expensive for us to maintain and put the letters up. We feel the cost saving from not using the Robin Hood sign and doing it electronically will pay for itself within a year or two.

Councilor Kuiper- The property that we are selling, is it downtown? **Tom-** It is on Main Street, just one house north of Columbia Street. It is the property that we purchased for the construction of the water quality facility, we did a lot line adjustment and are now ready to sell it.

3. PUBLIC COMMENT FOR SHERWOOD URBAN RENEWAL AGENCY BUDGET

Public comment opened, no requests to comment, public comment closed

4. COMMITTEE DISCUSSION

Susan Claus- There is a \$4M transfer, what is that? **Julie-** That is in the current year and it is a transfer in from the Operations Fund to the Capital Fund; between the two URA Funds.

Councilor Kuiper- Whose salaries are paid out of the URA? **Julie-** Tom's time, engineering's time... it's all related to who is working on those projects.

Meerta Meyer moves to add \$30,000 to the URA expenditures and reduce reserves to address the monuments, **Mayor Clark** seconds, Discussion about the motion, All approved, Motion passes

Susan Claus- On the May 20th attachment on page 16 that we had for the Budget Committee meeting, there is more detail for the URA. There is Administrative overhead of \$43,480 and an Engineering overhead on capital projects. I'm assuming that is a reimbursement. How are we calculating our administrative overhead reimbursement that we have done out of the URA Budget back into the normal City of Sherwood Budget? **Julie-** Explains overhead is calculated the same way for all funds. It's the administrative costs less any direct revenue those departments earn. Whatever is left, is allocated out to the other general fund departments and all of the other funds based on a proportional share of personal services charged to those departments and funds. **Susan Claus-** What rate is that? **Julie-** It's a proportional share. It's budgeted at about 40% of personal services, but we charge based on actuals. **Susan Claus-** Where did we come up with that 40%? **Julie-** It's based on the costs of the administrative division. **Susan Claus-** Can you put something together for the Budget Committee? **Julie-** It's on my list of things for us to look at later in the year during one of our quarterly meetings.

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

Chair Shannon moves to approve the proposed 2015-2016 Sherwood Urban Renewal District Budget including the prior motions to amend and to approve taxes for the 2015-2016 fiscal year of \$3,534,760 for operating purposes, **Andy Jensen** Seconds, All approved, Motion passes

6. CHAIR SHANNON ADJOURNED THE SHERWOOD URA BUDGET MEETING

Submitted by: Kelsey Beilstein, Finance Administrative Assistant Minutes approved on:



**SHERWOOD BUDGET COMMITTEE MEETING
August 13, 2015 MINUTES**

1. CALL TO ORDER – Julie Blums 6:34pm

2. ROLL CALL – Julie Blums

COMMITTEE MEMBERS AND COUNCIL PRESENT: Mayor Clark, Council President Robinson, Councilor Harris, Councilor Kuiper, Councilor Brouse, Andrew McConnell, Paul Mayer, Meerta Meyer and Kurt Studer **COMMITTEE MEMBERS CONFERENCED IN:** Susan Claus

COMMITTEE MEMBERS ABSENT: Andy Jensen, Councilor King, and Councilor Henderson

CITY STAFF PRESENT: City Manager Joe Gall, Finance Director Julie Blums, City Attorney Josh Soper, Administrative Assistant II Kelsey Beilstein

**3. APPROVE MAY 13, 2015 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES
APPROVE MAY 20, 2015 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES
APPROVE MAY 27, 2015 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES
APPROVE MAY 27, 2015 SHERWOOD URA BUDGET COMMITTEE MINUTES**

Meerta Meyer motioned to approve all minutes. Seconded by Andy McConnell.

Susan Claus would like more clarification on page 2 of URA minutes under number 4.

It was stated that on page 2 of 10 May 13th section g “ending fun” needs to be corrected to say “ending fund.”

Meerta Meyer amends motion to revise to further explain page 2 of the URA minutes under number 4 and accept the remainder of the minutes. Andy McConnell seconds. Paul Mayer abstains all other members in favor.

4. NEW BUSINESS

A. Introduction of New Committee Members– Julie Blums

Julie Blums introduces Paul Mayer, Councilor Brouse and new City Attorney Josh Soper

B. Election of Committee Chair – Julie Blums

Andy McConnell volunteers for Committee Chair. Seconded by Meerta Meyer. All in favor; Andy McConnell is elected.

C. Election of Committee Vice Chair – Julie Blums

Andy McConnell moves to elect Meerta Meyer. Jen Harris seconds. All in favor; Meerta Meyer is elected.

D. Update on New Finance System – Julie Blums

Julie Blums reports that the Finance Department is most of the way through the payroll portion and hoping to be going live late in the fall.

Andy McConnell asks if this would give Julie enough time to prepare the next budget with it. **Julie Blums** confirms that it would give her enough time to prepare the next budget with the new system.

Councilor Brouse asks what system was chosen. **Julie Blums** answers that it is called Navigator.

Paul Mayer asks if this system will include Public Works. Julie responds that it will track their contracting.

Meerta Meyer asks if Navigator will have the ability to add more detail to line items. **Julie Blums** says that in certain areas yes, but we will still be limited in character space. **Joe Gall** added that the report features will be much better with the new system.

Susan Claus asks what system we are replacing. **Julie Blums** reports that we are replacing Navision. Both systems are by the same company but Navigator is made for government accounting.

E. CAFR 101 – Julie Blums

Julie Blums presents Exhibit A and explains the difference between budget and CAFR; CAFR is backward looking and budget is forward looking.

Julie Blums reports that the Auditors will be coming on October 5th and will be looking at the financial statements. She will then be sending out a copy of the CAFR to the Budget Committee once the audit is complete.

Andy McConnell asks if the period ending is June 30th. **Julie Blums** responds that it is.

Paul Mayer inquires what we pay for the audit. **Julie Blums** states that we are in the 5th year of the contract, but she is not sure what the cost is off the top of her head, but will get the answer back to the committee. **Joe Gall** adds that the Auditors are hired by City Council and that TKW is more expensive than companies the City has used in the past, but they have done a much better job.

F. Cost Allocation – Julie Blums

Julie Blums presents Exhibit B.

Mayor Clark asks if overhead is the same thing as cost allocation. **Julie Blums** explains that overhead is a component of cost allocation.

Sally Robinson asks if the personal services cost is the TOTAL cost of an employee. **Julie Blums** confirms that it is a “fully loaded” employee.

Susan Claus asks if the numbers presented are actual numbers or budgeted numbers. **Julie Blums** replies that they are budgeted; it is an example based on budget, but actuals are charged throughout the year. Susan Claus asks when those actual numbers are applied. **Julie Blums** states, at the end of every month.

Susan Claus inquires what is included in materials and services. **Julie Blums** answered that examples are utilities, professional services, janitorial and some legal fees as the City transfers over to the City Attorney and as the City has specialized needs. **Joe Gall** adds that it is

everything that is not people. Susan Claus asks if the insurance is not employee insurance, but for building insurance. **Julie Blums** replies that that is correct.

Susan Claus asks where the personal services figure comes from. **Julie Blums** replies that it is the cost of all the departments above.

Joe Gall asks if overhead charge is the same as the allocation charge. **Julie Blums** confirms that it is. **Joe Gall** states that this is how we have done this for over a decade and suggests that we look into doing it a different way; a more sophisticated way. **Julie Blums** adds that the City has looked at how other cities run their model and what all of them say is that they had to hire a consultant to come up with more sophisticated models. It is defiantly where we want to go. **Andy McConnell** requests to see some other models and how they work at the next meeting.

G. Review Financial Policies in the Budget Document– Julie Blums

a. Overview of Financial Policies (pg. 90)

Julie Blums presents Exhibit C and states that the policies were adopted by Council in 2010. All changes to the policies will have to go to Council for resolution change.

b. Policy 1 – Funds (pg. 91)

Julie Blums asks for suggestions or ideas from the committee. **Joe Gall** states that items 4 and 5 jump out to him to look at. **Julie Blums** states that the City is in a good spot with how many funds we have and how we use them. **Andy McConnell** adds that it seems that we allow flexibility with how we do this and he appreciates that.

Counselor Kuiper says that there are some wording that could be changed to make the policy clearer.

c. Policy 2 – Budgeting (pgs. 92-93)

Julie Blums asks for suggestions or ideas from the committee.

Julie Blums has a change on the last page under 13. That she would like the distribution of quarterly reports to go to the budget committee as well. All agree.

Meerta Meyer would like clear trail of outstanding city commitments detailed in a separate section. **Julie Blums** states that there is a section in the CAFR that does just that already.

Joe Gall would like to distribute the CAFR to the committee. **Meerta Meyer** would like to have that incorporated into this policy. **Julie Blums** thinks that would be best suited in policy 4.

Susan Claus inquired on number 13 page 36 of 36 what is the process for reporting to city council; quarterly or monthly? **Julie Blums** answers, quarterly. During the summer it gets difficult because year end and balances are still being worked on.

Meerta Meyer states that on page 92 #3 section b. she would like to establish more detail with the goals.

5. FUTURE BUDGET COMMITTEE MEETINGS:

November 12, 2015 6:30pm

February 11, 2016 6:30pm

6. ADJOURN at 8:08pm

Submitted by: Kelsey Beilstein, Administrative Assistant Minutes approved on:

FY 2015-16
Budget to Actual
July 1, 2015 - September 30, 2015
25% of the Fiscal Year has Elapsed

General Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 3,109,754	\$ 3,119,437	
<i>Revenue</i>			
Admin	9,161,788	741,271	8%
Community Development	1,025,895	135,241	13%
Public Safety	82,512	2,289	3%
Community Services	1,171,617	57,338	5%
Public Works	359,870	14,586	4%
Total General Fund Revenue	11,801,682	950,725	8%
<i>Expenditures</i>			
Admin	2,970,384	858,917	29%
Community Development	1,539,441	441,007	29%
Public Safety	3,687,830	1,045,572	28%
Community Services	1,717,367	402,425	23%
Public Works	2,304,981	486,074	21%
Total General Fund Expenses	12,220,003	3,233,995	26%
Ending General Fund Balance	\$ 2,691,433	\$ 461,140	

General Construction	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,142,410	\$ 1,163,684	
<i>Revenue</i>	1,672,000	220,704	13%
<i>Expenditures</i>	2,330,898	26,305	1%
Ending General Construction Fund Balance	\$ 483,512	\$ 1,358,083	

Debt Service	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 6,615	\$ 3,170	
<i>Revenue</i>	897,582	4	0%
<i>Expenditures</i>	899,219	-	0%
Ending Debt Service Fund Balance	\$ 4,978	\$ 3,174	

Street Operations Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,141,998	\$ 1,765,099	
<i>Revenue</i>	1,724,000	343,659	20%
<i>Expenditures</i>	2,209,679	337,838	15%
<i>Transfers Out</i>	18,859	-	0%
Ending Street Operations Fund Balance	\$ 637,460	\$ 1,770,919	

Street Capital Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 2,984,122	\$ 2,298,576	
<i>Revenue</i>	1,854,000	76,019	4%
<i>Expenditures</i>	485,515	9,722	2%
<i>Transfers Out</i>	650,000	14,760	2%
Ending Street Capital Fund Balance	\$ 3,702,607	\$ 2,350,113	

FY 2015-16
Budget to Actual
July 1, 2015 - September 30, 2015
25% of the Fiscal Year has Elapsed

Water Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 7,918,805	\$ 8,159,919	
<i>Revenue</i>			
Operations	4,333,000	2,037,170	47%
Capital	1,025,300	159,606	16%
<i>Expenditures</i>			
Operations	5,560,361	703,014	13%
Capital	265,405	3,896	1%
Ending Water Fund Balance	\$ 7,451,339	\$ 9,649,784	

Sanitary Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 3,128,675	\$ 3,208,407	
<i>Revenue</i>			
Operations	596,300	155,046	26%
Capital	382,700	5,720	1%
<i>Expenditures</i>			
Operations	612,699	130,176	21%
Capital	443,832	41,125	9%
Ending Sanitary Fund Balance	\$ 3,051,144	\$ 3,197,872	

Storm Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,992,830	\$ 2,692,426	
<i>Revenue</i>			
Operations	1,269,500	438,282	35%
Capital	497,100	5,053	1%
<i>Expenditures</i>			
Operations	1,286,119	171,414	13%
Capital	866,129	190,418	22%
Ending Storm Fund Balance	\$ 1,607,182	\$ 2,773,929	

Telecom	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 102,598	\$ 164,436	
<i>Revenue</i>	470,638	114,906	24%
<i>Expenditures</i>	310,632	31,116	10%
<i>Debt Service</i>	180,774	-	0%
Ending Telecom Fund Balance	\$ 81,830	\$ 248,226	

URA Fund	Budget	Actual	% of Budget
<i>Beginning Fund Balance</i>	\$ 1,950,180	\$ 1,627,199	
<i>Revenue</i>	3,753,535	23,951	1%
<i>Expenditures</i>	753,119	40,458	5%
<i>Debt Service</i>	1,589,605	-	0%
Ending URA Operations Fund Balance	\$ 3,360,991	\$ 1,610,692	

Policy 3 - Revenue

1. City of Sherwood revenues are either unrestricted or dedicated. Unrestricted revenues can be used for any purpose. Dedicated revenues are restricted in the ways they can be used by federal or state regulations, contractual obligations, or by City Council action. The City of Sherwood will adhere to the restrictions applied to dedicated revenues.
2. The City of Sherwood will maintain a diversified revenue stream that is managed strategically to mitigate the impact of short term fluctuations in any revenue source.
3. The City of Sherwood will identify sustainable revenue levels and, to the extent possible, current operations will be funded by current sustainable revenues.
4. One-time revenues will be used for one-time expenditures or as contributions to reserves and will not be used to pay for established services.
5. The City of Sherwood will not respond to long-term revenue shortfalls with deficit financing and borrowing to support established services. Expenses will be reduced and/or revenues will be increased to conform to the long-term revenue forecasts.
6. During the budget process, the Sherwood City Council will identify those programs which are to be supported in whole by cost recovery and ensure that revenue collections reflect the cost of providing associated services by adjusting fees accordingly.
7. The City of Sherwood will charge fees for services where such an approach is permissible, and where a limited and specific group of beneficiaries who can pay such charges is identifiable.
8. New or expanded unrestricted revenue streams should first be applied to support existing programs. When existing programs are adequately funded, such revenue may be used as contributions to reserves or to fund new or expanded programs.

Policy 4 - Expenditures

Controls

1. By resolutions, the City Council will establish a purchasing policy that conforms to state statutory requirements for purchasing and contracting and invests the City Manager with purchasing and contracting authority.
2. By Budget and Supplemental Budget Resolutions, the City Council shall establish and limit expenditure appropriations by statutory categories. The City Manager shall be responsible for limiting expenditures to those appropriation levels.

Specific Expenditures

1. **Personal Services.** Pursuant to the City Charter, the City Manager or designee is responsible for the management of employee staffing and compensation. The City Manager or designee shall negotiate salaries and benefits for represented employee groups in conformance with the Oregon Public Employees Collective Bargaining Act and the Employee Relations Board decisions and arbitration decisions that emanate from the Act.
2. **Capital Improvement Impacts.** Whenever Capital Improvement expenditures will result in increases to future operating expenses or asset replacement contributions, estimates of those impacts shall be incorporated into the long term financial plan.
3. **Capital Outlay.** By resolution, the City Council shall define the characteristics of a capital asset by specifying the minimum purchase price and minimum term of service. The City will provide for adequate maintenance of Capital Assets.
4. **Capital Improvement Plan.** The City Manager or designee will prepare a five-year Capital Improvement Plan (CIP) annually and submit it to the City Council for approval via resolution.

Policy 5 - Revenue Constraints and Fund Balance

Nature of Constraints

The City of Sherwood will maintain the following categories of revenue constraints in conformance with GASB 54. Fund Balances shall be accounted for on the basis of these categories.

1. **Non-spendable.** Assets that are not in a spendable form or are required to be maintained intact.
2. **Restricted.** Cash that can be spent only for specific purposes stipulated by third parties or by statutes. Only the constraining party can lift constraints on Restricted funds.
3. **Committed.** Cash that can be used only as directed by formal action of City Council. Council action may be in the form of a motion or resolution. Only the City Council can lift constraints on committed funds. Such a change must be made using the same action that established the constraint.
4. **Assigned.** Cash the City intends to use for specific purposes. The City Council delegates the authority to create this constraint to the City Manager. In addition, for all funds except the general fund, all cash not in one of the Non-spendable, Restricted, or Committed categories, or specifically assigned under this category will, by default, be assigned to this category.
5. **Unassigned.** General Fund cash that is not otherwise categorized fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

Other Considerations

1. **Stabilization.** The purpose of stabilization arrangements is to provide a revenue source to maintain service delivery during periods of diminished revenues. The City may choose to create stabilization arrangements either by creating new funds or dedicating revenues within existing funds. Stabilization arrangements will be created by the City Council and the authorizing legislation shall include the policies on funding and accessing the arrangement.
2. **Order of Use.** If multiple categories of fund balance are applicable to an expenditure, the City shall access funds in the following order: Restricted, Committed, Assigned, Unassigned.
3. **Purpose of Special Revenue Funds.** Special Revenue funds are general government funds created to track the use of dedicated revenues. The City legislation creating a special revenue fund will specify which specific revenues and other resources are authorized to be reported in the fund.
4. **Fund Balance.** Unrestricted fund balance is the sum of Committed, Assigned and Unassigned fund balance in any individual fund. In the General Fund, the City will maintain an Unrestricted fund balance of at least ten percent of fund revenue and will strive to increase that amount by 1.5% annually to a goal of 20%.



Annual Boards & Commissions Report to City Council
Budget Committee

City Council Work Session
Community Room at Sherwood City Hall
22560 SW Pine Street, Sherwood, Oregon
December 15, 2015 at 6:00 pm

1. What are your two or three most significant accomplishments for this past year as a board or commission?

2. What are your two or three major goals for the upcoming year as a board or commission?