

SHERWOOD CITY COUNCIL
02-03 BUDGET COMMITTEE MEETING #5
MAY 13, 2002
HITE HOUSE

1. The meeting was called to order at 6:02 p.m.
2. Roll Call: Budget Committee members present: Mayor Mark Cottle, Council President Keith Mays, Councilors Sterling Fox, Dave Heironimus, Angela Weeks, Dennis Durrell and Thomas Claus who arrived at 6:06 p.m. Appointed Budget Committee members present were Chair Mitch Wash, Vice Chair Steve Munsterman, Paul Stetcher, Mike Schoen, and Dave Luman. Committee member Justin Denton was absent. Staff members present were: City Manager Ross Schultz, City Recorder Chris Wiley, Finance Director Chris Robuck, Human Resources Manager Amanda Klock, Public Works Director and City Engineer Terry Keyes and Library Director Ann Roseberry.
3. The committee approved the minutes for the following fiscal year 2002/2003 budget planning meetings: March 27, 2002 Budget Workshop; April 17, 2002 Budget Meeting #1; April 24, 2002 Budget Meeting #2; and May 1, 2002 Budget Meeting #3.
4. Mayor Cottle suggested that one FTE (full time employees) budgeted for the Public Works Department as operations parks maintenance worker(s) be delayed from the proposed budget until a \$60,000 savings is realized which would be applied toward the purchase of police vehicles. The target would be to realize the \$60,000 savings in staff costs and still fill the position(s) no later than Spring 2003 when the busiest time of year for parks maintenance begins.

ALL COMMITTEE MEMBERS AGREED

5. Mayor Cottle suggested there be a cap on the employer-paid PERS (Public Employee Retirement System) contribution. The City of Sherwood, the employer, could guarantee a 17% or 18% cap and anything above that would be paid by the employee. Right now the City pays both the employee and employer share. Mayor Cottle wants to set the policy this year so that when PERS costs are increased next year staff will know that it's coming. The policy wouldn't affect this year's budget. Ms. Klock said the cap for employee-paid PERS contribution is 6%. The employer is required to pick up anything above that.

6. Council President Mays talked about the health benefit cost increase versus COLA (Cost of Living Allowance). If the employer has to pay increased health benefits for employees this year, there shouldn't be a COLA for employees as well. Mr. Mays recommended slashing \$70 to \$90 thousand from one fund or the other.

7. Mr. Schultz said if the committee wants another \$100,000 out of the budget, he would rather cut two personnel than degrade the salary and benefits of the current employees. Budget Committee member Paul Stetcher said the committee is looking out 5 to 10 years in the future and they're concerned about the direction the City is moving in. Mayor Cottle said all the employees need to know what direction the City moves in financially. Mr. Stetcher said employee benefits are what are blowing the budget.

8. Councilor Fox said he thinks the committee should study the market first. He wants to see employees compensated enough to compete in the market. Mr. Mays said he recommended keeping the COLA but cutting the health benefits. Committee Member Mike Schoen said if benefits are cut and Sherwood is not competitive with other cities, there will be turnover and Sherwood will lose a lot of good people.

9. Councilor Durrell suggested the committee tell the City Manager the dollar amount the committee wants to defer staff costs by and let the management team figure out how to do it. Councilor Heironimus said he agreed with Councilor Durrell but what happens next year? Will the City Manager cut two or more people again next year to meet budget goals?

10. Mayor Cottle said employees come and go but the elected Council is here permanently and needs to be involved in how staffing and budget decisions are made. Mayor Cottle asked what amount that the Committee was comfortable telling Mr. Schultz they wanted to see in the Contingency Fund in addition to what's presented here.

11. Council President Mays said he would like to see an additional \$60,000 taken out of employee benefits. Mayor Cottle said ultimately it is the Council's decision about what type of benefits the employees receive. Councilor Heironimus suggested employee health benefits coverage be taken to 95% City-paid because that's probably what the police are going to ask for in their 2004 contract negotiations.

12. Mayor Cottle said for the City to get up to a \$500,000 contingency balance another \$42,000 needs to be cut from the current budget proposal. Mayor Cottle and Councilor Fox said they'd like to see an analysis of what other cities are doing before anything comes out of the staff costs. Council President Mays argued that would cause a delay and he wanted to see some benefits cuts to bring this contingency fund up. Mayor Cottle suggested making budget cuts to get up to a \$500,000 contingency and get the committee to agree that the Budget Committee will have to come to Council later with the recommendations on how to cut staff benefit programs by \$60,000.

13. Budget Chair Wash called for an informal poll asking who on the committee wanted to delegate the task to the City Manager to come up with an additional \$60,000, which would come strictly out of compensation. Council President Mays repeated that the cut should come entirely from the employee benefits area. Mayor Cottle said at the previous meeting, the Budget Committee asked the Management Team to cut 2% out of everybody's budget and staff did that. The mayor said he would rather see staff work with fewer materials than to cut benefits without notice, which creates unhappy employees and negatively affects productivity.

14. The mayor said he wanted to do a longer-term study of employee benefits programs and put the staff on notice that it's being done, and maybe make it a part of the amended budget that the committee always ends up doing later in the fiscal year. Councilors Durrell and Heironimus said they agreed with the Mayor. Mr. Schultz asked if there was a percent the committee wanted to tie to cost of living or something to give staff some idea what we're looking at. Mayor Cottle repeated that he thought the Budget Committee should simply tell the City Manager that the City needs \$500,000 in the contingency fund and let the City Manager figure it out.

15. Mayor Cottle said the City lowered the step increase for employee salaries from 5% to 2.5% this year and he wanted to repeat that the committee established a policy that a one-step increase can be approved at the department manager level and two-step increases must be forwarded to the City Manager for approval. Any proposed three-step increases come to Council for approval. The mayor said he didn't know if that would change the numbers presented at this meeting or not.

16. Councilor Durrell suggested giving the City Manager a targeted employee cost for the year and let the management team work it out. Mayor Cottle said he didn't have a problem with that. Mr. Wash said regarding Mr. Mays' suggestion that \$60,000 be cut from staff benefits; if the City is getting a big hit on PERS next

year and there's a proposal to tell the employees they'll have to pitch in on that, shouldn't the City start letting the staff know now that they will have to prepare for some cost sharing. Mr. Wash asked if the committee wanted to direct the City Manager to cut \$60,000 from benefits. This would be another \$60,000 on top of the \$30,000 that's already been cut from staff costs. Mr. Schultz said if the committee directs him to cut another \$60,000 from staff benefits, it will be done and would bring the contingency up to \$500,000.

17. Councilor Claus asked that the committee defer voting on any proposals for cutting the budget until everyone's proposals are on the table. Everyone agreed and Mr. Wash asked if there was any further discussion on any other budget cuts. Council President Mays said he would like to see one of the police officer positions that was cut at a previous meeting reinstated in the budget.

18. Councilor Heironimus asked if employees could be offered an option to take a lesser health coverage plan in lieu of having to pay in to compensate for this year's increase? HR Manager Amanda Klock responded that the employees could choose a plan with a lower deductible, say \$250 versus the current \$100 deductible per family member.

19. Budget Committee member Dave Luman said at previous Budget Committee meetings, the committee asked the City Manager to get this budget to where it is presented tonight and the City Manager did that. Now the City Manager is being asked to bring contingency up to \$500,000 and Mr. Mays is asking for bigger benefit cuts. Why?

20. Mayor Cottle responded that the actual direction was to cut 10% across the board and see what that did. Mayor Cottle said he was concerned that the City will be further in the hole next year if this year's budget doesn't start with at least a \$500,000 contingency fund balance.

21. Councilor Claus said he was not in favor of cutting police. One of the primary things a City should provide is protection. If it's cut now you'll see the negative impact later. Crime is rising in Sherwood more than likely due to our rapid population increase. We also have very high park usage. We've cut parks maintenance, which will inevitably create great capital costs later when we need to bring them back up to standard. The Building Department showed a loss this year. The Building Department was never supposed to show a loss. It is supposed to pay for itself. Three hundred and twenty thousand dollars of the City's general fund is going into the Planning Department that's not coming back out. Code

Enforcement should pay for itself as well. If we're going to cut from a department let's cut from a department that's not going to be visible to our citizens. Let's cut Planning staff and keep our parks and police intact because that's what the public sees.

22. Mayor Cottle asked where Councilor Claus would suggest the Committee cut? Councilor Claus said don't cut police or parks staff. Raise building department fees. Cut planning staff if necessary.

23. Mr. Schultz told the Committee the Building Department didn't show a loss. It will come out the end of this fiscal year with over \$9,000 net.

24. Councilor Fox said the committee should accept recommendations from the City Manager on where to do budget cuts. Mr. Fox said he had confidence that Mr. Schultz can accomplish what the committee is asking for.

25. Budget Chair Wash asked the Committee:

A. Question 1 – Should the City Manager be directed to raise contingency to \$500,000?

The vote was:

Yes – Schoen, Durrell, Weeks, Cottle, Munsterman, Claus, Fox and Wash.

No – Heironimus, Stecher, Luman and Mays.

B. Question 2 – Should the City Manager be directed to cut projected, not existing benefits, by \$60,000?

The vote was:

Yes – Mays, Stecher

No – all others

26. Mayor Cottle called for a vote to see where the committee stood on using employee benefit cuts to get to the \$500,000 contingency goal. There was no second.

27. Councilor Claus made a motion proposing the Finance Committee forward recommendations to Council to cap employee benefits for the 2003/2004 fiscal year and have those recommendations to Council by December 31, 2002. The Mayor seconded the motion. The vote was unanimous.

28. Council President Mays called for a vote to add one of the police officers back into the budget. There was no second.

29. Mayor Cottle proposed the Finance Committee look at road fees and enhanced patrol fees as a way to raise revenue.

30. There was some other discussion about bringing back in one of the police officer positions that was cut in a previous budget meeting, giving Public Works Parks maintenance three full time employees, and coming up with a way for the Planning Department to come up with \$200,000 to pay for itself. Mr. Schultz said the Parks Ranger program could be cut and that would save \$100,000. Mr. Schultz said the Police Chief gave up the sergeant's position willingly during the management team budget cuts meeting the week before. *(Transcriber's Note: It was actually Commander Eamon Bishop who represented the Police Department at that meeting).* It wasn't the City Manager who proposed taking the sergeant's position away.

31. Finance Director Chris Robuck asked if the Budget Committee members agreed with the rate fees she distributed at the last budget meeting. All members responded yes.

32. Ms. Robuck summarized some of the changes the committee gave to the staff to incorporate in the next budget revision: Allocate \$60,000 for replacement police vehicles. Add back the three Parks Workers positions less \$60,000. *(Explanatory note: Sixty thousand dollars will be deducted from the cost of employing three Parks Workers and that money will be used to purchase the replacement police vehicles. Hiring the three Parks Workers will be delayed until there is enough money left in that budget to bring them on for the remainder of the fiscal year.)*

33. The City Manager will bring the budget revisions to Council when they hear the proposed budget. The revision will include the directions received from the Committee this evening.

34. A vote was taken asking the committee if they approved the budget to go forward for Council public hearing with the revisions agreed to during this meeting. The Budget Committee approved the budget for recommendation to Council. The vote was: NAY – Claus and Weeks. AYE – all others.

35. The Budget Committee adjourned at 7:38 p.m.

Two attachments to minutes:

1. E-mail memo, City Manager Ross Schultz to Budget Committee

2. Handout from Finance, Update on Contingency Fund adjustments

1. The URA Budget Committee, composed of the same members as the Budget Committee, reconvened.

2. The committee was asked to approve forwarding the 2002/2003 URA Budget to Council. The vote was: NAY – Cottle, AYE – all others.

3. The URA Budget Committee meeting adjourned at 7:39 p.m.

C.L. "Chris" Wiley
City Recorder
City of Sherwood
20 NW Washington St
Sherwood OR 97140
503-625-4246/fax 625-4254
wileyc@sherwood.or.us

Chris Wiley

From: Sylvia Murphy
Sent: Friday, May 10, 2002 1:57 PM
To: 'justin@tonkon.com'; 'mitch_wash@hotmail.com'; 'cschoen@msn.com';
'p.stecher@verizon.net'; 'dluman@aaisite.com'; 'smunsterman@ci.wilsonville.or.us'; Chris Robuck
Cc: Management Team
Subject: FW: Please forward the following to the Budget Committee and copy staff

-----Original Message-----

From: Ross Schultz
Sent: Friday, May 10, 2002 1:56 PM
To: Sylvia Murphy
Subject: Please forward the following to the Budget Committee and copy staff

Dear Budget Committee

After Wed. Meeting, staff and I have met and would like to propose the following; Please let me know if this is agreeable and we may not require a Monday meeting.

1. From the proposed budget, we have a \$70,000 general fund contingency. We would like to make the following Changes;

Proposed		\$70k
Increase Building Program Fees	+Revenue	\$94k
Increase Planning Dept. Fees	+Revenue	27k
Sub Total		\$191k
3 Utility Workers (Parks)	- Expense	128k
1 Police Sgt	- Expense	57k
Pal Support	- Expense	4k
Robin Hood Theater Remove Ops	- Expense	44k
Employee Participation In Insurance	- Expense	30k
Reduce Legal Services Estimate	- Expense	24k
Sub Total		\$267k
Other Misc. In's and Outs (Details on Monday)		\$ 27k
New General Fund Proposed Balance		\$485k

2. Staff further proposes the following;

05.13.02 Budget Mtg #5
Attachment 1

C.L. "Chris" Wiley
City Recorder
City of Sherwood
20 NW Washington St
Sherwood OR 97140
503-625-4246/fax 625-4254
wileyc@sherwood.or.us

Addition of a Street and Improvement Fee	Street Fund Additional Revenue \$60k
\$1 per residence per month Estimate 5,000 residence	

Addition of a Parks Fee	General Fund Revenue	\$120k
\$2 per residence per month Estimate 5,000 residence		

These additional revenues would be offset by a reduction in water fee's of roughly \$3 per account or \$180k per year.

This will allow us to hire back 3 utility workers, and perform some maintenance that has been cut from the above numbers.

CONTINGENCY - GENERAL FUND

	<u>Detail</u>	<u>Balance</u>
TARGET CONTINGENCY		
Revenue	4,979,769	
Target contingency at 10% of revenue	498,000	
Contingency in proposed budget, 4-5-02	69,349	69,349

STAFF PROPOSAL TO ACHIEVE TARGET CONTINGENCY

Fee increases:

Increase building program fees	94,423
Increase planning dept fees by 50%	27,070

City-wide personnel:

Changes in insurance per Amanda	30,000
Police - changes in incentive pay	(2,873)
Do not start new education benefit	20,485

Robin Hood Theater - remove operations

44,799

Various Department cuts (additions):

Council - 6100 office and administrative	4,500
Administration - City Manager - 6120 legal	17,000
Administration - Information Technology - 6704 computer equip	4,000
Administration - Human Resources - 6120 legal	2,750
Finance - reduce Accountant FTE	7,500
Planning - 6450 travel and training	2,000
Planning - park ranger & open spaces - 6519 other supplies	5,000
Planning - park ranger & open spaces - 6900 special projects	3,000
Building - 6120 legal	5,000
Building - 6169 contracted building admin fee	4,000
Police - do not hire new officer	54,930
Library - 6100 office and administrative	3,000
Library - 6570 program supplies	4,000
Library - reduce Assistant I FTE from .5 to .38	4,000
Community services - cut PAL support to \$6,000	4,000
Community Services - add cultural arts support 6570	(5,000)
Public works operations - cut 3 of the 5 new workers	128,183
Public Works Ops - park maint - 6190 prof & technical	36,000

Building repair and maintenance:

Add back minimal maintenance costs for old school	(1,500)
Add back roof patches for Hite house	(1,000)
Add back minimal maintenance costs for new police station	(1,800)

CONTINGENCY - GENERAL FUND

	<u>Detail</u>	<u>Balance</u>
Corrections:		
Correct revenue for prior year's property taxes	(52,688)	
Add taxes and benefits for Library Director	(16,125)	
Changes in estimates, given new information:		
Add expenditure for Goal 5 response	(3,982)	
Revise property taxes for new estimated assessed value	(22,444)	
<i>Subtotal</i>	398,228	467,577
STAFF PROPOSAL FOR PARKS/ROAD MAINTENANCE		
(see also Street Fund on next page)		
Parks fee - \$2 per water user per month	108,000	
Add back public works operations - 3 new workers	(128,183)	
Add back Public Works Ops - park maint - 6190 prof & technical	(36,000)	
Shift cost of streetscape worker to Street fund, given new revenue	42,000	
<i>Subtotal</i>	(14,183)	(14,183)
Total contingency	389,324	458,673

CONTINGENCY - FUNDS OTHER THAN GENERAL

	Water Fund		Sanitary Fund		Storm Fund		Street Fund	
	Increase (decrease)	Balance	Increase (decrease)	Balance	Increase (decrease)	Balance	Increase (decrease)	Balance
Proposed budget, 4-5-02		3,338,761		5,530,487		2,712,846		6,200,173

CHANGES OPEN TO CONSIDERATION

Revenue

Street utility fee \$1 per month per water user							54,000	
Reduced water charges \$3 per month per user	(162,000)							

Expenditures

Absorb cost of streetscape worker							(42,000)	
Increased road repairs							(12,000)	

CHANGES NOT "ON THE TABLE": i.e., can't be avoided or we can live with

Corrections:

Add payments to Clean Water Services			(1,195,786)		(113,250)			
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Changes in estimates, given new information:

Revise State highway apportionment estimate							9,000	
Revise beginning balance - greater CWS costs			(176,780)					

Formula driven changes, given above:

Interest earnings			(30,979)		(2,257)		182	
Payroll taxes and benefits								
Allocations & reimbursements			367		378		84	

Current balance	(162,000)	3,176,761	(1,403,178)	4,127,309	(115,129)	2,597,717	9,266	6,209,439
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Chris Robuck

From: Earthlink [mocottle@earthlink.com]
Sent: Monday, May 13, 2002 1:05 PM
To: Chris Robuck; Angela Weeks (E-mail); Dave Heironimus (E-mail); Dave Luman (E-mail); Dennis Durrell (E-mail); Justin Denton (E-mail); Keith Mays (E-mail); Mark Cottle (E-mail); Mike Schoen (E-mail); Mitch Wash (E-mail); Paul Stecher (E-mail); Sterling Fox (E-mail); Steve Munsterman (E-mail); Thomas Claus (E-mail)
Cc: Ross Schultz; Chris Wiley
Subject: RE: Budget and ODOT

I think we cap the City's contribution at 18% total, and if PERS goes up the employees can contribute if they want to.

-----Original Message-----

From: Chris Robuck [mailto:robuckc@sherwood.or.us]
Sent: Monday, May 13, 2002 12:28 PM
To: Angela Weeks (E-mail); Dave Heironimus (E-mail); Dave Luman (E-mail); Dennis Durrell (E-mail); Justin Denton (E-mail); Keith Mays (E-mail); Mark Cottle (E-mail); Mike Schoen (E-mail); Mitch Wash (E-mail); Paul Stecher (E-mail); Sterling Fox (E-mail); Steve Munsterman (E-mail); Thomas Claus (E-mail)
Cc: Ross Schultz; Chris Wiley
Subject: RE: Budget and ODOT

For PERS:

The City currently pays both the employee and employer share, a total of 16.3%. If rates increase 40% on 7-1-03, our expenditure for 2003-04 would increase by \$212,000 over the 2002-03 budget.

-----Original Message-----

From: Ross Schultz
Sent: Monday, May 13, 2002 11:41 AM
To: Chris Robuck
Subject: RE: Budget and ODOT

Could you also please do a before and after for the PERS rates being banty'ed about?

-----Original Message-----

From: Chris Robuck
Sent: Monday, May 13, 2002 11:38 AM
To: Angela Weeks (E-mail); Dave Heironimus (E-mail); Dave Luman (E-mail); Dennis Durrell (E-mail); Justin Denton (E-mail); Keith Mays (E-mail); Mark Cottle (E-mail); Mike Schoen (E-mail); Mitch Wash (E-mail); Paul Stecher (E-mail); Sterling Fox (E-mail); Steve Munsterman (E-mail); Thomas Claus (E-mail)
Cc: Ross Schultz
Subject: RE: Budget and ODOT

Keith, on the budget questions:

The 2.75% COLA will cost about \$90,000 in 2002-03.

As to benefits: the PERS rate is the same now as for 2002-03; budgeted cost for 2002-03 is \$529,000. The other major benefit

is health insurance, as follows:

cost for 2001-02 will be about \$450,000

budget for 2002-03 before the changes Amanda reveiwed last week was \$600,000

budget with plan changes Amanda proposed is \$570,000

The Police health insurance cannot be changed until the contract renews June 2004.

I hope this is what you're looking for. Let me know if I can bring other info tonight.

Chris

-----Original Message-----

From: Ross Schultz

Sent: Monday, May 13, 2002 11:04 AM

To: Chris Robuck; Shannon Johnson

Subject: FW: Budget and ODOT

Chris, can you please respond directly to all Council please?

Shannon, I'll call you.

Ross

-----Original Message-----

From: Keith Mays [mailto:Keith@FIRSTCORP.com]

Sent: Monday, May 13, 2002 11:00 AM

To: Ross Schultz

Subject: Budget and ODOT

Ross,

Good Morning.

Budget: Tonight could you ask Chris to bring info on the cost of the proposed COLA for next year and bring the detail on benefits (total cost in 01-02 vs. proposed with plan like Police and what the cost estimate is with a less expensive plan). Also does the Police union contract require we keep them on the same primary plan and we divide up the cost increases or can we change their primary plan to a less expensive one?

ODOT: Be sure Shannon understands he must appear Tuesday night with an evaluation of the City's liability on the project. I know the phones have been ringing and without it some won't vote. I'd like Shannon to have talked with ODOT people who know what is going on to have them confirm his evaluation.

Thanks,
Keith