



AGENDA

Budget Committee Meeting

6:00 PM - Monday, March 1, 2021

Page

1. ROLL CALL
2. MEETING FORMAT NOTICE

The Budget Committee will conduct this meeting electronically using the Zoom video conference platform. Members of the public may listen, view, and/or participate in this meeting using Zoom. Using Zoom is free of charge. See the instructions below:

- To login to the electronic meeting online using your computer, click this link: <https://us02web.zoom.us/j/88971465056>
- If you would rather access the meeting via telephone, dial (253) 215-8782. When prompted, enter the following meeting number: 889 7146 5056
- If you do not have access to a computer or telephone and would like to take part in the meeting, please contact City Hall by Friday February 26 and arrangements will be made to facilitate your participation.

3. ELECTION OF OFFICERS
4. NEW BUSINESS
- 4.1. Budgeting Basics and Budget Process

2 - 21

[Staff Report - Local Budgeting Basics and City of Sandy Budget Process](#)
[PowerPoint Slides](#)

5. ADJOURN



Staff Report

Meeting Date: March 1, 2021

From Tyler Deems, Deputy City Manager / Finance Director

SUBJECT: Local Budgeting Basics and City of Sandy Budget Process

BACKGROUND:

Introduction

State law requires that most municipalities prepare and adopt an annual or biennial budget. The City of Sandy adopts a two year budget (biennial), which begins on July 1, 2021 and runs through June 30, 2023. The budget is a detailed financial plan containing estimates of expenditures and revenues, which sets the spending authority for the defined period of time. Once the budget is adopted it becomes the guide for all decision making during the two year period. State law also requires citizen involvement in the budget process, with an equal number of citizens appointed to the committee to serve alongside the City Council members. For the City of Sandy, the budget committee consists of the seven elected council members as well as seven appointed citizens.

Budget Review and Approval Process

The City Council met in January and February 2021 to discuss their goals and priorities for the upcoming two years. The Council will formally adopt their goals in March 2021, and staff uses these goals to further develop the proposed budget. Staff begins working on the budget in January to estimate property taxes and other revenue as well as personnel, debt service, and major capital project expenditures.

This initial meeting with the Budget Committee is intended to provide an overview of the budget process, basic local government budget information, and an overview of the approach that is used in Sandy. Towards the end of April, the Committee will meet for their first formal meeting. The Committee will receive the budget message and proposed budget document. Public comment is required at least once during the budget committee process. Additionally, the Committee will review, discuss, make changes if necessary, and approve the budget and property tax rate. Once approved by the Budget Committee, the budget is forwarded to the City Council for adoption.

Resources and Requirements

The budget refers to resources (revenues) and requirements (expenditures) in great detail for the prior two budget periods, the projected current biennium, and the proposed upcoming biennium. This display allows for the Committee to see actual historical data when discussing the proposed budget.

Major sources of resources for the City include:

- property taxes;
- franchise fees (fees paid to the city by utility providers);
- state shared revenues (taxes on cigarettes and alcohol, state gas taxes); and
- charges for services (utility rates, program fees, etc.).

Requirements are separated into distinct categories:

- personnel services (salaries, taxes, and benefits);
- materials and services (supplies, contractual services, etc.);
- capital outlay (purchases of machinery, equipment, or capital improvements);
- transfers;
- debt service (principal and interest payments on existing debt); and
- contingencies (amount set aside for unforeseen expenses or to carryforward for special one-time purchases).

City of Sandy Budgeting Approach

The City of Sandy's budget management approach is "expenditure control budgeting," which allows general fund departments the same budget authority and responsibility as the directors of enterprise funds. The chief features of this approach are that the general fund departments are allocated general revenues (property taxes, franchise fees, state shared revenues, etc.), budgets are managed to the bottom line, and general fund departments can carry over budget savings from one biennium to the next and budget a contingency. Allocating revenue and allowing departments to keep what they don't spend helps eliminate the "spend it or lose it" incentive, the practice of burying contingencies by padding line items, the tedious budget request process, and other budget games apparent in other budget management approaches.

Like the enterprise funds, general fund departments have more flexibility and autonomy in the preparation of their budgets and in the planning for one-time expenses (equipment and capital). Of course, any carryover balances also must be used in ways that are consistent with Council's priorities and ideally shouldn't be used for ongoing commitments such as staff costs. Unlike most local government budgets, Sandy's budget explicitly shows the amount of general revenues (property taxes, franchise fees, state shared revenues) that are allocated to departments in the General Fund. The general fund departments also show internal fees for service which reflect the costs for administrative and overhead expenses such as payroll, finance, legal, technology, and other internal support functions. Usually these costs are hidden from sight in a city's general fund budget, but to increase transparency and to show the true cost of providing services, we show those costs in the Fund's direct service departments. The administrative service departments (administration, legal, finance, and information technology) then receive those charges as revenue in their budgets.

Presiding Officer

State law also requires that a presiding officer is present for each committee meeting. Staff recommends that the Committee elect a Chair and Vice Chair during the March 1, 2021 meeting. The Chair and Vice Chair can be either an elected or appointed

member of the Committee. The Chair would preside over the meetings, while the Vice Chair would only preside in the absence of the Chair.

Local Government Budgeting Information

A great deal of information on the budget process and the City of Sandy can be found within the [Biennium 2019 - 2021 budget document](#). Information for the [Sandy Urban Renewal Agency's budget](#) is also available. Additional information on budget in the State of Oregon can be found in the [Local Budgeting Manual](#) or the [State's Local Budget Law webpage](#).

LIST OF ATTACHMENTS/EXHIBITS:

Budget Orientation PowerPoint



Sandy Budget Committee Meeting

March 1, 2021

Agenda

- What is the city budget?
- Role of the Budget Committee
- Budget Process
- The Budget Document and Format
- Resources and Requirements
- Q & A
- Chair and Vice Chair Elections
- Proposed Schedule and Agenda Topics



What is a budget?

An estimate of revenue and expenses for a set period of time (biennium: July 1, 2021 - June 30, 2023)

- Financial plan
- Policy document
- A form of control

Budget Committee

- Receives the Proposed Budget
- Hears the Budget Message
- Receives public comment
- Discusses and revises the budget as needed
- Approves the budget
- Approves the property tax rate

Budget Process

- Council Goal Setting
- Budget preparation
 - City Manager proposes budget
 - Budget Committee reviews and approves budget
 - City Council adopts budget
 - Budget management

Budget Management Approach

Expenditure Control Budgeting

- General Revenue Allocation
- Carryovers (Department contingencies)
- Internal Fees for Service

Budget Structure

Organized on the basis of self-balancing funds



Funds

- General Fund
- Street Fund
- Transit Fund
- Aquatic/Recreation Center Fund
- City FF&C Debt Service Fund
- Parks Capital Projects Fund
- Water
- Sewer
- Sewer Bond Reserve
- Stormwater
- Telecommunications
- Operations Internal Service
- Facilities Maintenance Internal Service



Standard Budget Format

	BN 15-17	BN 17-19	BN 19-21	BN 21-23
	Actual	Actual	Budget	Proposed
Beginning Balance	1,038	(10,265)	14,980	12,799
Miscellaneous	717	-	-	-
General Revenue	39,604	47,181	73,000	92,000
Indirect Service Revenue	7,135	31,000	-	-
Total Resources	48,494	67,916	87,980	104,799
Materials & Services	34,650	28,479	55,500	59,300
Capital Outlay	113	3,070	1,000	3,000
Transfers	23,996	24,436	29,762	42,360
Contingency	-	-	1,718	139
Total Requirements	58,759	55,986	87,980	104,799



Standard Budget Format

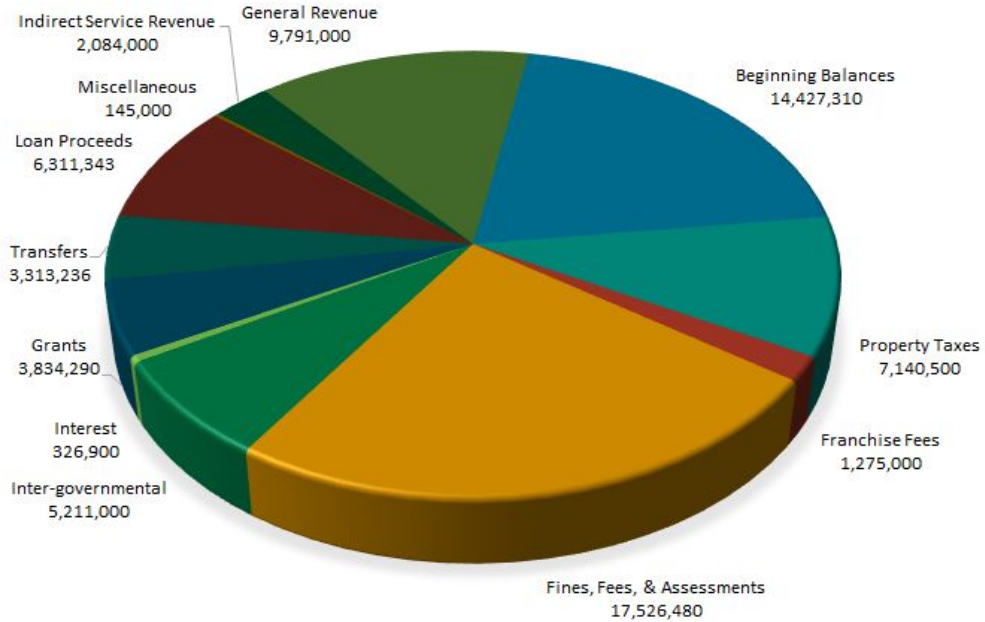
Account Number	Account Name	BN 15-17 Actual	BN 17-19 Actual	BN 19-21 Budget	BN 21-23 Proposed
110-024-401100	Beginning Balance	1,038	(10,265)	14,980	12,799
110-024-478200	Reimbursement	717	-	-	-
110-024-491110	General Revenue	39,604	47,181	73,000	92,000
110-024-492110	Indirect Service Revenue	7,135	31,000	-	-
Total Resources		48,494	67,916	87,980	104,799
110-024-601100	Supplies	1,150	1,818	1,000	2,500
110-024-601200	Postage	2,054	183	500	100
110-024-601300	Printing	23	162	500	100
110-024-601400	Copier Charges	127	425	500	100
110-024-601401	Branding & Marketing	-	2,197	2,000	2,000
110-024-601500	Public Notices	-	-	-	-
110-024-601600	Organizational Fees	-	2,500	7,000	7,000
110-024-601700	Memberships	132	280	4,000	7,000
110-024-601800	Books and Subscriptions	-	-	-	-
110-024-602200	Conferences	16,564	2,709	17,000	15,000
110-024-602300	Training & Professional Advancement	40	(132)	-	1,000
110-024-602500	Meetings & Meals	1,402	948	2,000	2,000
110-024-603100	Mileage Reimbursement	721	21	2,000	-
110-024-607100	Utilities	8,482	-	10,000	-
110-024-624100	Clackamas Cities Dinners	1,171	10,322	4,000	12,000
110-024-624200	Council Work Sessions	158	995	1,000	4,000
110-024-624300	Mayor and Council Expense	92	3,517	3,000	2,000
110-024-624500	Economic Development	-	1,029	-	2,000
110-024-624600	Volunteer Recognition	2,533	1,506	1,000	2,500
110-024-740000	Furniture & Office Equipment	113	3,070	1,000	3,000
110-024-910670	Transfer to Op Center IS Fund	-	730	888	888
110-024-911110	Indirect Support Cost	23,996	23,706	28,874	41,472
110-024-951000	Contingency	-	-	1,718	139
Total Requirements		58,759	55,986	87,980	104,799



Resources and Revenues

- Beginning Fund Balances
- Property Taxes
- Utility rates and fees
- Grants
- State shared revenues

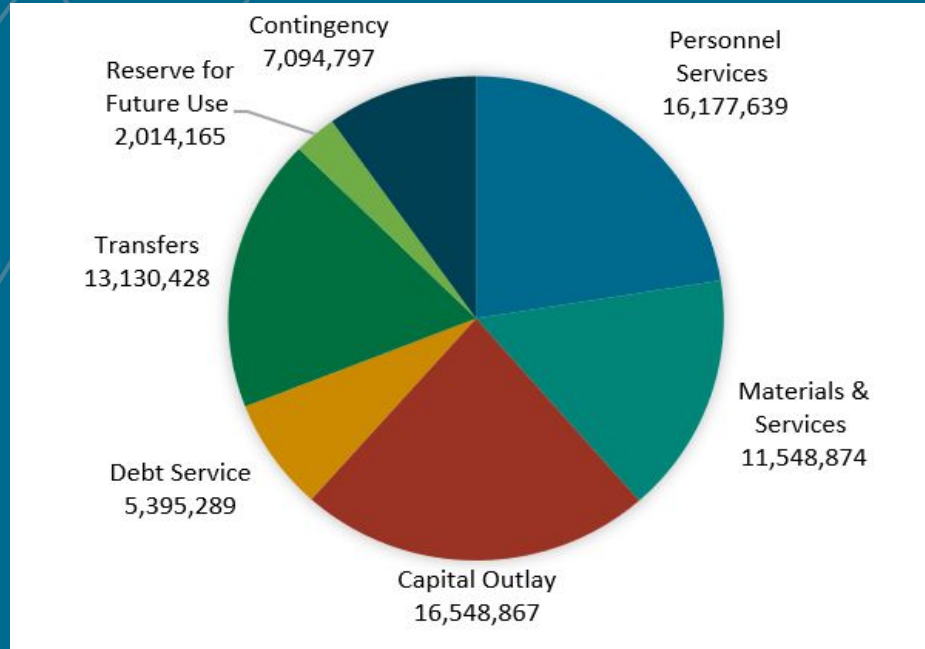
2019-21 Budgeted Resources



Requirements and Expenditures

- Personnel Services (salaries, insurance benefits, PERS)
- Materials and Services (contracts, supplies, professional services, equipment, utilities)
- Debt Service (payment of interest and principal on loans and bonds)
- Transfers
- Capital Outlay
- Contingencies

2019-21 Budgeted *Requirements*



Chair and Vice Chair Elections

- Presiding officer for Budget Committee Meetings

Proposed Schedule

- Monday, April 26, 6 p.m.
 - Budget Message and Budget Overview
- Monday, May 3, 6 p.m.
 - Sandy Urban Renewal Agency Budget
 - City Budget Deliberations
- Monday, May 10, 6 p.m.
 - Budget Deliberations and Adoption

More Resources and Background Info

Links provided in Staff Report

- [City of Sandy BN 2019-21 Budget](#)
- [Sandy Urban Renewal Agency BN 2019-21 Budget](#)
- [Oregon Local Government Budget Manual](#)
- [State of Oregon Local Budget Law webpage](#)