

CITY OF SANDY

Popular Annual Financial Report

Fiscal Year Ended June 30, 2019





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Popular Annual Financial Report – FY 2019

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From the City Manager

December 30, 2019

Dear Sandy Community Members,

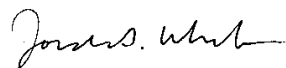
I am pleased to present to you the City of Sandy's first ever Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2019. This report is designed to provide the City's financial information in a condensed, readily accessible, and easily understandable format. The PAFR is a high-level report for community members who wish to learn more about the City's finances. All information provided in this report can be found in greater detail in the City's Comprehensive Annual Financial Report (CAFR).

Fiscal Year 2019 contained a great deal of change for the City of Sandy. A new mayor and two new councilors were elected, and a new City Manager was hired. In addition, the City began significant work on several new initiatives, including work on the Wastewater Facilities Master Plan, the Transit Master Plan, furthering the conceptual ideas of the Sandy Community Campus, and researching options to create a new revenue stream of the Sandy Police Department.

The City of Sandy operates on a biennial budget, which is a 24-month period, beginning July 1 of odd numbered years. The Finance Department spent the last half of Fiscal Year 2019 working on drafting the biennial budget for the July 1, 2019 to June 30, 2021 period. In addition, Finance Department staff regularly work on updating financial policies, increasing efficiencies within the department, and look for new ways to reach our community members with both financial and general City information.

As always, City staff welcome feedback from our community members, and encourage you to share your thoughts and opinions with us. Additional information requests, or questions related to this document, can be directed to Tyler Deems, Finance Director, at tdeems@ci.sandy.or.us.

Sincerely,



Jordan Wheeler
City Manager

The City of Sandy

Elected Officials

The governing body for the City of Sandy is the City Council. The Council is composed of the Mayor and six City Council members. They are all elected at-large (i.e., by all city voters); the Mayor serves a two-year term and the Council members serve four-year terms, with half the positions elected in the November general election of even-numbered years, and the other half in odd-numbered years. Below is a listing of elected officials as of June 30, 2019:

Stan Pulliam, Mayor

Jeremy Pietzold, Council President

Jan Lee

Laurie Smallwood

Carl Exner

John Hamblin

Bethany Shultz

About Sandy

The City of Sandy is located 26 miles east of downtown Portland, in Clackamas County. It serves as the last full-service city before entering the Mt. Hood recreational area. The City was incorporated in 1911 and operates under a Council/Manager form of government.

The City provides a full range of municipal services which include police, a municipal court, community services, planning, building permit and inspection activities, economic development, library, transit, recreation, water, sewer, stormwater, construction and maintenance of streets, sidewalks, and other public facilities, such as parks and open spaces. The City also operates a wireless and fiber optic internet service.

In addition to the above general government activities, the City has a Sandy Urban Renewal Agency (SURA). SURA is a legally separate entity first established in 1998 to address redevelopment of the $\frac{3}{4}$ mile area of downtown Sandy. The current debt limitation is \$67 million. The following financial information includes the activities of SURA.

The City of Sandy's certified population in 2018 was 10,990. Extrapolating annual growth to 2019 yields an estimate of 11,075. In addition, Sandy is the commercial center of a rural area with a population of approximately 25,000. This increase in population is due, in part, to a combination of an easy commute to the nearby cities, the presence of high recreation, and education facilities. Residential and commercial permits have increased. The housing market continues to grow, with 45 new single-family home and several new multi-family unit permits, totaling 164 residences, were issued. The City expects this level of growth to continue in the coming fiscal year.

Commissions, Boards, & Committees

The City of Sandy has seven commissions, boards, and committees. Each commission, board, or committee consists of seven appointed members. All members are appointed by the Council and serve terms of four years. Additional information on each of the following boards, and instructions on how to apply, can be found on the City's website.

Arts Commission – The Arts Commission was formed to advise Council in the creation, development, and implementation of public art activities and programming to enrich the visual aesthetic environment of the community. The mission of the Sandy Arts Commission is to increase the livability and economic value of the city, for both residents and visitors.

Budget Committee – The Budget Committee is required by ORS 294.366 to review the budget presented by the budget officer and to recommend an approved budget to City Council for adoption.

Library Board – The Library Board is comprised of members of the Library Service District, which includes the Sandy and Hoodland areas. Their role is to advise the Library Director on matters concerning the library. Board members are appointed from different areas of the service district and meet no less than six times per year.

Parks & Trails Advisory Board – The Parks & Trails Advisory Board was established to provide Council with advice on how to expand the City's current parks and trails. The Board has been in existence for many years, and because of their hard work, has a fantastic parks and trails systems, which includes the Tickle Creek Trail and Sandy Bluff Dog Park, to name a few.

Planning Commission – The Planning Commission is made up Sandy residents and/or business owners that advise the Council on long-range, comprehensive planning, and land use issues within city limits. The Commission also approves all amendments and updates to the Comprehensive Plan, recommends policy direction with regard to land use rules and regulations, and helps City staff ensure that Sandy is working within the framework of the State of Oregon's stated land use goals.

SandyNet Advisory Board – The SandyNet Advisory Board was created to assist in the development of the SandyNet Master Plan, which was a detailed plan to develop the City's internet service. Now, the City offers gigabit fiber to nearly all residential and commercial locations within city limits and has a take rate of over 70%.

Transit Advisory Board – The Transit Advisory Board provides Council with input related to public transportation, which is offered by Sandy Area Metro (SAM). SAM offers service from Sandy to Gresham and Estacada, while also providing intown shopper shuttles and elderly and disabled services at low or no charge. The Transit Department also contracts with Clackamas County to provide public transportation services to Mt. Hood via the Mt. Hood Express.

Facts & Figures

Top 10 Taxpayers

The following list of the top ten taxpayers is compiled from information provided by the Clackamas County Assessor's Office.

- 1 Fred Meyer Stores, Inc
- 2 ACS Sandy Marketplace
- 3 Jaksish Properties, LLC
- 4 Sandy Safeway Center, LLC
- 5 Portland General Electric Co
- 6 Colony Northstar, Inc
- 7 Cascade Crest Apartments, LLC
- 8 PLR Properties, LLC
- 9 Ventas, Inc
- 10 Northwest Natural Gas Co

Top 10 Employers

The following list of the top ten employers is compiled from business license data by the City's Development Services Department.

- 1 Oregon Trail School District
- 2 Fred Meyer
- 3 Mt. Hood Corporations, Inc
- 4 City of Sandy
- 5 Johnson RV
- 6 Safeway, Inc
- 7 Avamere at Sandy
- 8 Cascadia Village Retirement Community
- 9 Suburban Ford
- 10 Tollgate Inn, Inc

City Statistics

Year Incorporated:	1911	Parking Citations:	141
Population:	10,990	Traffic Citations:	1,217
Property Tax Rate:	\$4.1152/\$1,000 TAV*	Physical Arrests:	411
Total Biennial Budget:	\$69,365,684	Patrol Units:	14
Outstanding Debt:	\$26,796,243	Park Acreage:	212
Number of Employees:	87	Water Meter Connections:	3,900
Unemployment Rate:	3.9%	Streets (miles):	35

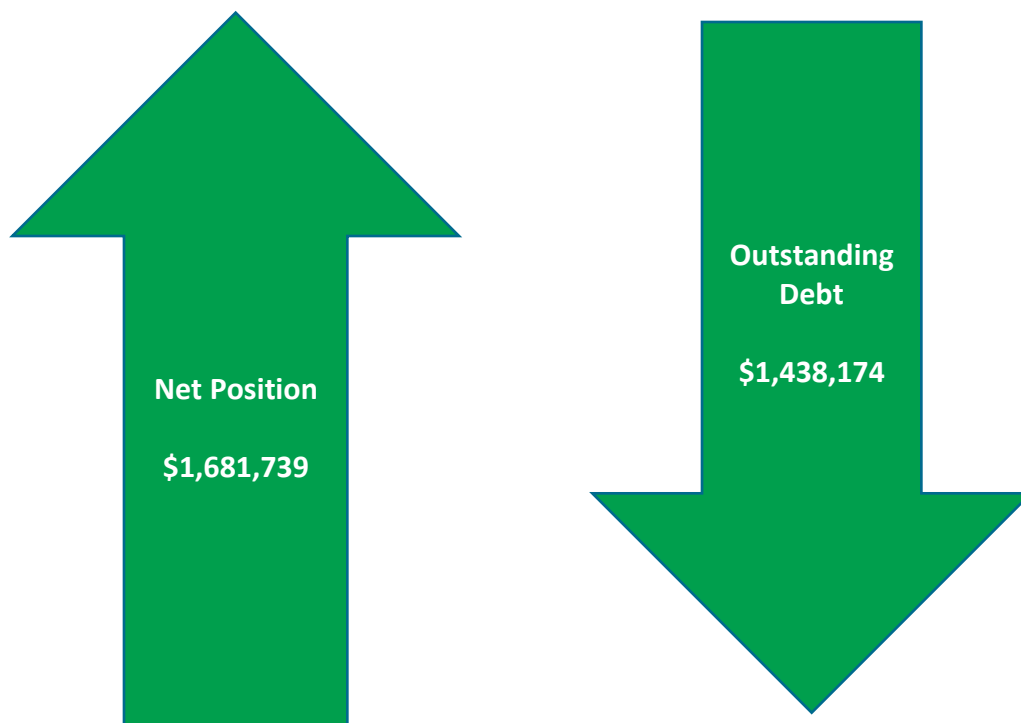
*TAV – Taxable Assessed Value



Audit Highlights

Oregon State statutes require an annual audit by independent certified public accountants. The firm, Merina & Company, LLP, was selected by the City. The auditors have issued an unmodified (“clean”) opinion on the City’s financial statements for the fiscal year ended June 30, 2019. The independent auditor’s opinion is located at the front of the financial section of this report. The following information are summary highlights that were taken directly from the Management Discussion and Analysis section of the June 30, 2019 Comprehensive Annual Financial Report (CAFR).

- The assets and deferred outflows of resources of the City of Sandy exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$46,138,506. Of this amount, \$2,578,376 represents unrestricted net position, which may be used to meet the City’s ongoing obligations to both citizens and creditors.
- The City’s total net position increased by \$1,681,736. This is mainly due to an increase in charges for services, as well as a reduction in expenses.
- The City’s governmental activities reported total net position of \$31,251,135, which is an increase of \$1,409,373.
- The City’s business-type activities reported total net position of \$14,887,371, which is an increase of \$272,363 from the prior year. Approximately 11% of the total, or \$1,625,918, is unrestricted and thus available for spending at the City’s discretion.
- The City of Sandy’s total outstanding debt decreased by \$1,438,174 during the fiscal year.



Financial Statements

Balance Sheet

The Balance Sheet, also known as the Statement of Net Position, is the most important financial statement for understanding the financial health of the City. For the year ended June 30, 2019, the City of Sandy is in a very stable position, with an increase in net position of \$1.6 million. At year end, the City's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by over \$46 million. Below is a high-level summary of the City's net position:

	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016
Assets				
Current Assets	\$ 22,980,939	\$ 20,316,430	\$ 21,534,055	\$ 14,579,405
Capital & Other Assets	56,795,965	58,284,971	54,836,672	54,351,168
Total Assets	<u>79,776,904</u>	<u>78,601,401</u>	<u>76,370,727</u>	<u>68,930,573</u>
Deferred Outflow of Resources				
Pension	3,014,757	2,527,049	3,705,540	681,178
OPEB	43,651	26,761	-	-
Total Deferred Outflow of Resources	<u>3,058,408</u>	<u>2,553,810</u>	<u>3,705,540</u>	<u>681,178</u>
Liabilities				
Current Liabilities	3,104,943	2,784,641	2,981,851	2,169,330
Longterm Liabilities	33,035,500	33,655,083	34,895,608	22,903,299
Total Liabilities	<u>36,140,443</u>	<u>36,439,724</u>	<u>37,877,459</u>	<u>25,072,629</u>
Deferred Inflow of Resources				
Pension	473,804	230,502	318,126	760,976
OPEB	82,559	28,215	-	-
Total Deferred Inflow of Resources	<u>556,363</u>	<u>258,717</u>	<u>318,126</u>	<u>760,976</u>
Net Position	<u>\$ 46,138,506</u>	<u>\$ 44,456,770</u>	<u>\$ 41,880,682</u>	<u>\$ 43,778,146</u>

Income Statement

The Income Statement, also known as the Statement of Activities, shows all revenues and costs associated with the operations of the City of Sandy. The following statements displays a high-level summary of the City's overall financial activity:

	FY 2019	FY 2018	FY 2017	FY 2016
Revenues	\$19,442,968	\$18,618,033	\$16,927,142	\$16,278,842
Expenses	17,761,232	15,777,493	18,824,606	16,414,200
Increase (Decrease) in Net Position	1,681,736	2,840,540	(1,897,464)	(135,358)
Net Position, Beginning	44,456,770	41,616,230	43,778,146	43,913,504
Net Position, Ending	<u>\$46,138,506</u>	<u>\$44,456,770</u>	<u>\$41,880,682</u>	<u>\$43,778,146</u>

The City of Sandy budgets at the “fund” level, meaning that various funds are established to account for revenues and expenditures for the City. The City currently maintains fourteen distinct funds, each with their own purpose. The Budget Committee approved the 2017-2019 Biennial Budget in April 2017. It was then forwarded to the City Council for adoption in June 2017. Since then, there have been three adopted supplemental budgets. These changes were to account for unanticipated revenue/expenditures that were not known or expected at the time the budget was drafted. Supplemental budgets are allowed under Oregon Local Budget Law, ORS 294.471. The following information reflects the City’s total budget, including supplemental budget changes.

Fund Name	BN 17-19	BN 15-17	BN 13-15
General Fund	\$ 27,311,258	\$ 26,115,301	\$ 24,539,393
Street Fund	6,358,426	5,127,575	4,263,425
Transit Fund	5,727,265	4,959,014	4,023,439
Aquatic/Recreation Fund	689,880	-	-
Parks Capital Fund	1,300,824	623,986	871,635
Sewer Bond Reserve Fund	1,726,002	1,288,434	1,256,116
Full, Faith, & Credit Fund	1,786,890	-	-
Water Fund	4,453,207	5,515,544	4,895,567
Sewer Fund	3,572,234	3,302,809	3,041,224
Stormwater Fund	1,007,340	1,038,486	948,241
Telecommunications Fund	3,747,444	2,828,820	9,739,336
Operations Center Internal Service Fund	115,900	334,758	218,144
Building Maintenance Internal Service Fund	330,000	-	-
Urban Renewal Fund	11,239,014	6,285,575	3,672,011
Total City Budget	\$ 69,365,684	\$ 57,420,302	\$ 57,468,531

Highlights

The General Fund accounts for revenues and expenditures associated with the general operations of the City. This includes, but is not limited to, general administration, municipal court, finance, library, police, community services, planning, and economic development.

The Sewer Bond Reserve and Full, Faith, & Credit Funds are examples of funds that were created for debt service purposes, and all monies in these funds are restricted for principal and interest payments.

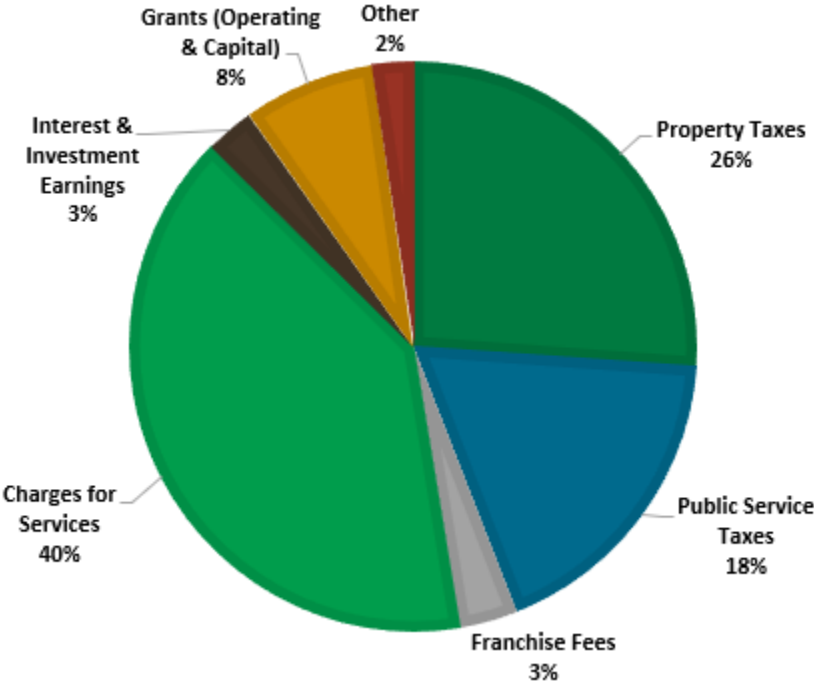
The Urban Renewal Fund saw a significant budgetary increase in the most recent biennium. This is related to the \$10 million bond that was issued to renovate the Sandy Fire District main building, purchase the Sandy Community Campus property, and pay for the first phase of capital improvements to the Community Campus.

Revenues

Property Taxes

Clackamas County assess property taxes on behalf of all taxing jurisdictions within the county. In addition to city taxes, this includes the county, schools, and special districts. The City’s tax rate is \$4.1152 per \$1,000 of taxable assessed value. Clackamas County is responsible for tracking and updating the taxable assessed values of all properties. Taxable assessed value increases are limited to three percent growth per year, as mandated by Measure 50.

Of the total property tax rate, 32% is allocated to the City - 21% to the City’s General Fund and 11% to the City’s Urban Renewal Fund. The City collected \$5,078,313 in property tax revenue in Fiscal Year 2019.



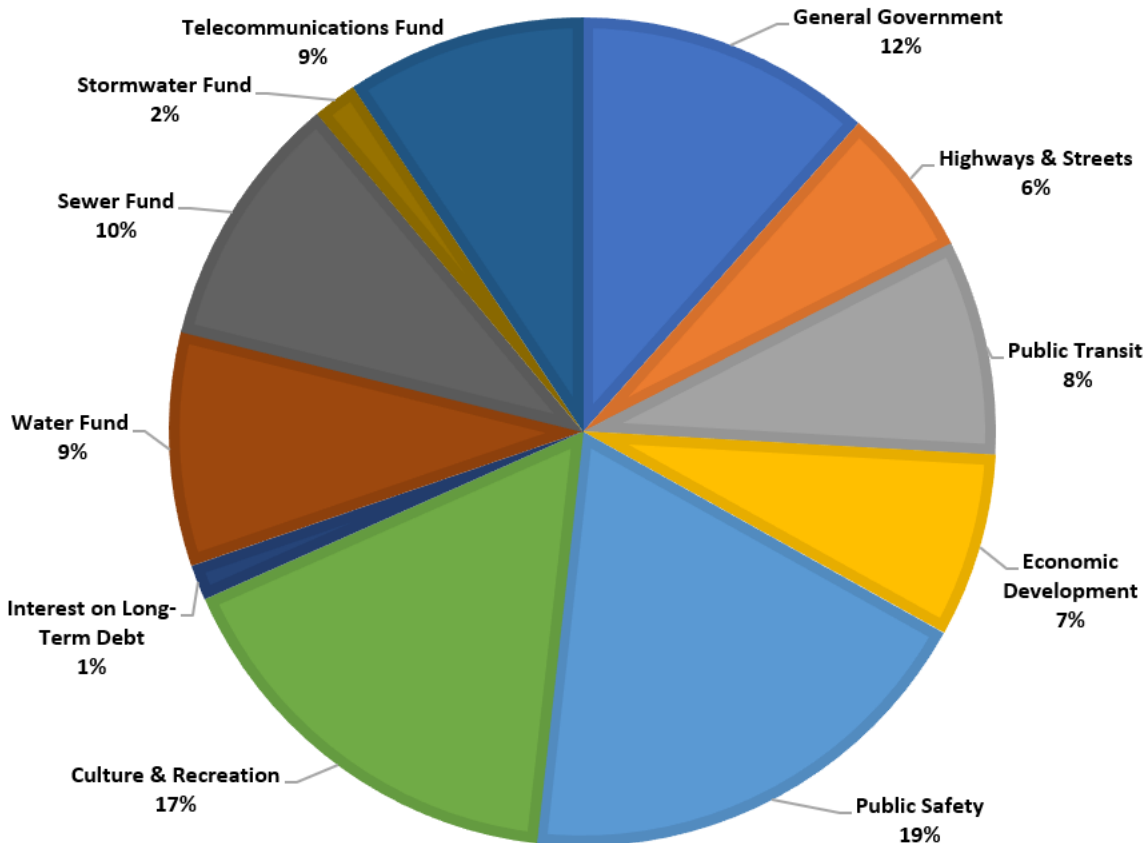
Other Revenue

While the City collects a large portion of its revenue through property taxes, there are a number of other revenue sources for the City. These sources include public service taxes, franchise fees, charges for services, interest and investment earnings, and other revenues. Total revenue received in fiscal year 2019 was \$19,442,968.

Public Service Taxes	\$ 3,488,345
Franchise Fees	644,273
Charges for Services	7,786,715
Interest & Investment Earnings	536,476
Grants (Operating & Capital)	1,464,601
Other	444,245

Expenditures

The City of Sandy classifies its expenditures into specific groupings, which help illustrate the cost associated with different services that are provided. Each of the following categories contains expenses related to personnel, materials and services, and debt payments. Expenditures for Fiscal Year 2019 totaled \$17,761,232.



Additional information regarding the City's expenditures, including a more detailed breakdown of these expenditures, can be found in the City's Comprehensive Annual Financial Report (CAFR).

General Government	\$ 2,062,317
Highways & Streets	1,049,406
Public Transit	1,489,038
Economic Development	1,275,160
Public Safety	3,323,381
Culture & Recreation	2,943,238
Interest on Long-Term Debt	244,277
Water Fund	1,622,486
Sewer Fund	1,781,677
Stormwater Fund	307,833
Telecommunications Fund	1,662,419

Financial Policies & Glossary

Financial Policies

The City of Sandy has several financial policies that are used to assist in the overall positive position of the City's financial health. Below is a condensed version of some of the City's policies. Additional information on financial policies can be found in the BN 19-21 Budget Document.

General Fund Reserve Policy

The General Fund shall have a reserve balance of at least five percent (5%) of operations. This reserve will be accounted for in the Non-Departmental departmental. The intent of this reserve is to: (1) Retain adequate reserves for operational purposes for a period of two months, (2) Generate interest income, and (3) Reduce the need for any short-term borrowing.

Investment Policy

The City of Sandy's funds will be invested in accordance with the provisions of, but not limited to, all current and future applicable Oregon Statutes. The City will conform to all federal, state, and other legal requirements. City of Sandy's invest objectives are as follows:

1. Preserve of capital and protection of investment principal by mitigating credit risk and interest rate risk.
2. Maintain sufficient liquidity to meet operating requirements that are reasonably anticipated by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.
3. Diversify to avoid incurring unreasonable risks regarding specific security types or individual financial institutions.
4. Attain market value rate of return throughout budgetary and economic cycles.

Glossary

Charges for Services: Includes a variety of fees charged to customers for services provided.

Business-Type Activities: Activities that are generally financed by fees charged to customers for services provided. This includes Water, Sewer, Stormwater, and Telecommunications.

Deferred Inflow of Resources: Refers to an acquisition of an asset that is applicable to a future reporting period.

Deferred Outflow of Resources: Refers to a consumption of an asset that is applicable to a future reporting period.

Governmental Activities: Activities that are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues.