

Basic Local Budget Law 2017

*Presented by Oregon Department of Revenue
Finance, Taxation & Exemptions*

Finance, Taxation & Exemptions Team:

- ✓ Trains Local Officials on Local Budget Law
- ✓ Answers Questions about Budget Law & Property Taxes
- ✓ Provides Budgeting Manuals & Forms
- ✓ Reviews Tax Certifications
- ✓ Reviews District Budgets
- ✓ Advises County Assessors & Tax Collectors on property tax law
- ✓ and more

Agenda - 4 Phases in Budget Process

1st Phase - Propose the budget

2nd Phase - Approve the budget

3rd Phase - Adopt the budget

4th Phase - Changes after adoption

Districts Not Subject to Local Budget Law

ORS 261 People's utility districts

ORS 440 Health districts

ORS 545 Irrigation districts

ORS 551 Diking districts

ORS 553 Water control districts*

ORS 554 District improvement companies or corporations

ORS 568 Soil and water conservation districts*

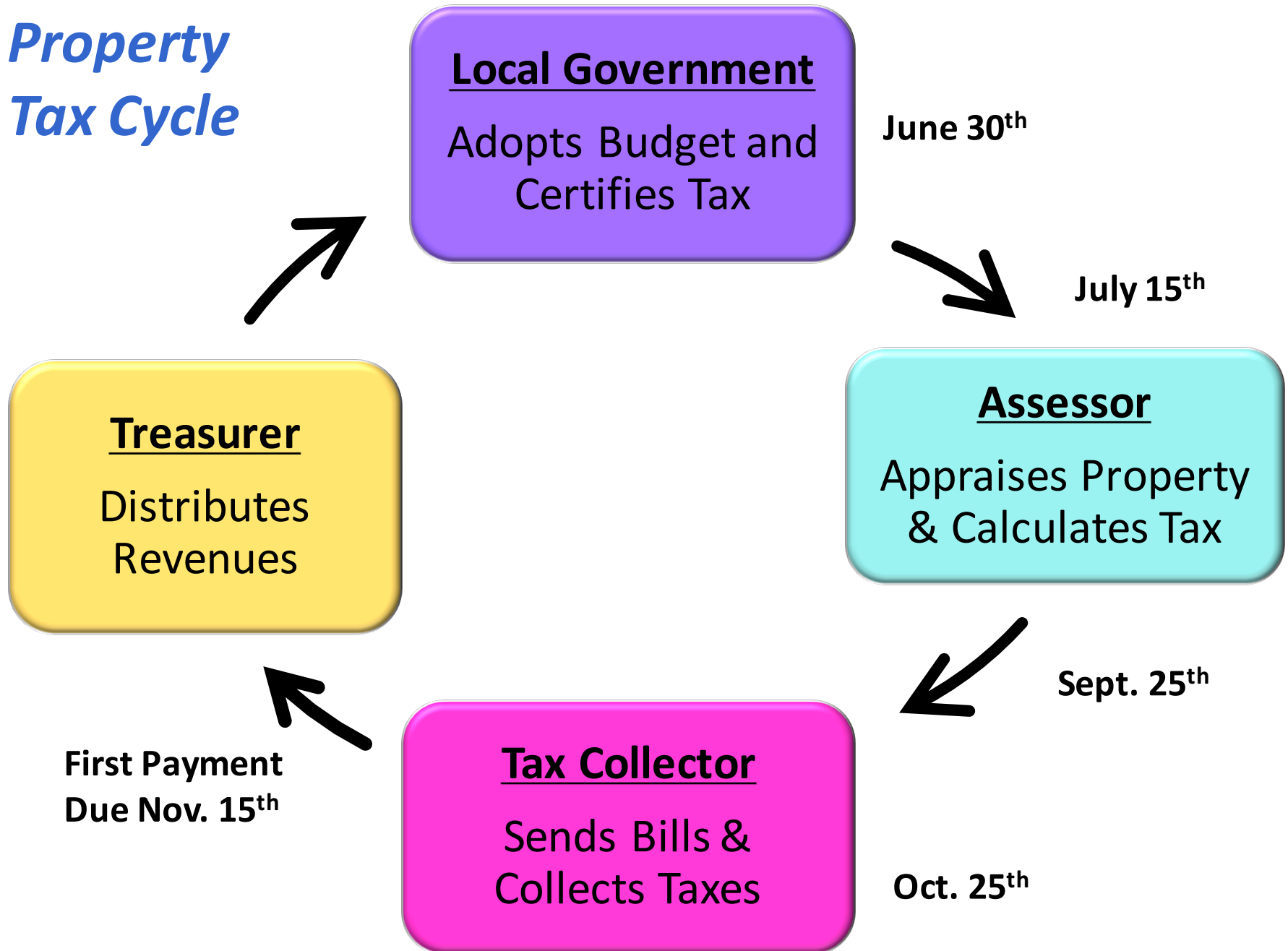
ORS 371 Special road districts*

ORS 372 Highway lighting districts

ORS 547 Drainage districts

* That will not impose taxes during the ensuing year. If district does impose property tax any year, it is subject to Local Budget Law.

Property Tax Cycle



Purposes of Local Budget Law

- Establish standard procedures
- Outline programs & fiscal policies
- Require estimates of resources & expenditures
- Encourage citizen involvement
- Control expenditure of public funds

ORS 294.321

Why Follow Local Budget Law?

A district that doesn't follow LBL may not lawfully:

- Expend money (with some exceptions)
- Certify property taxes to the county assessor

(ORS 294.338)

A property tax made contrary to LBL is voidable by the Oregon Tax Court if appealed by:

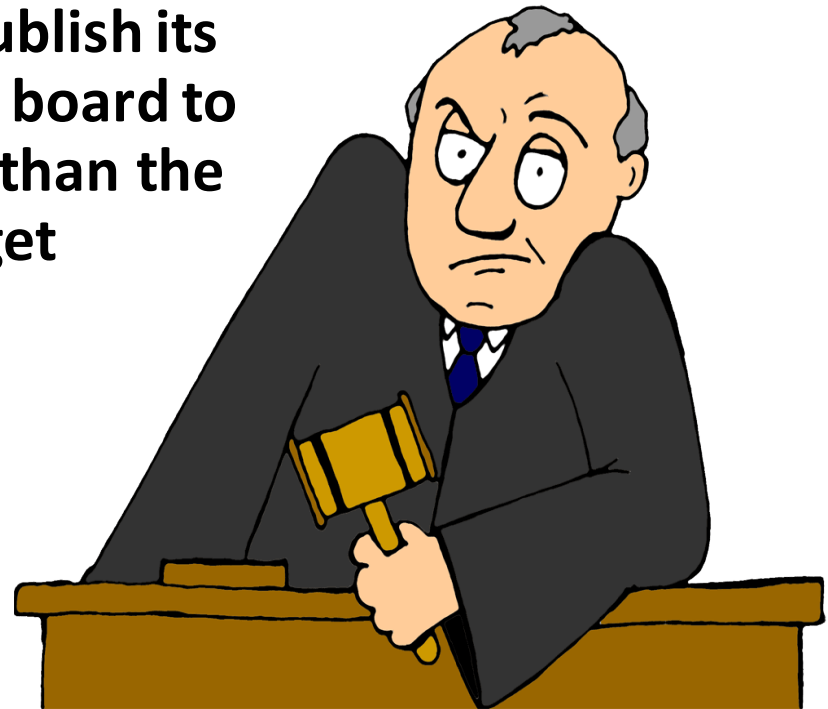
- County Assessor
- County Court
- County Board of Commissioners
- The Department of Revenue
- Ten or more interested taxpayers

(ORS 294.461)

DOR v. Umatilla County, otc2519 (1986)

A portion of the 1986-87 tax levy was voided by the court.

Umatilla County failed to republish its budget summary to allow the board to impose a levy amount higher than the amount published in its budget summary.



Civil Liability

Any public official who expends public monies in excess of the amounts or for any other purpose than authorized by law shall be civilly liable for the return of the money, if there is malfeasance in office or willful or wanton neglect of duty.

ORS 294.100

Legislative Update - 2017 session

HB 2278

- Authorizes municipal corporation to budget for estimated debt service payments when general obligation bonds are approved by voters at May election. Allows for resolution imposing tax to be made after sale of bonds, but before September 15th.
- Provides that historic ghost towns do not have to comply with Local Budget Law.
- Creates consistency in methods by which community college districts budget and make appropriations.

Phase 1

Proposing the Budget

Budget Calendar

Example Dates

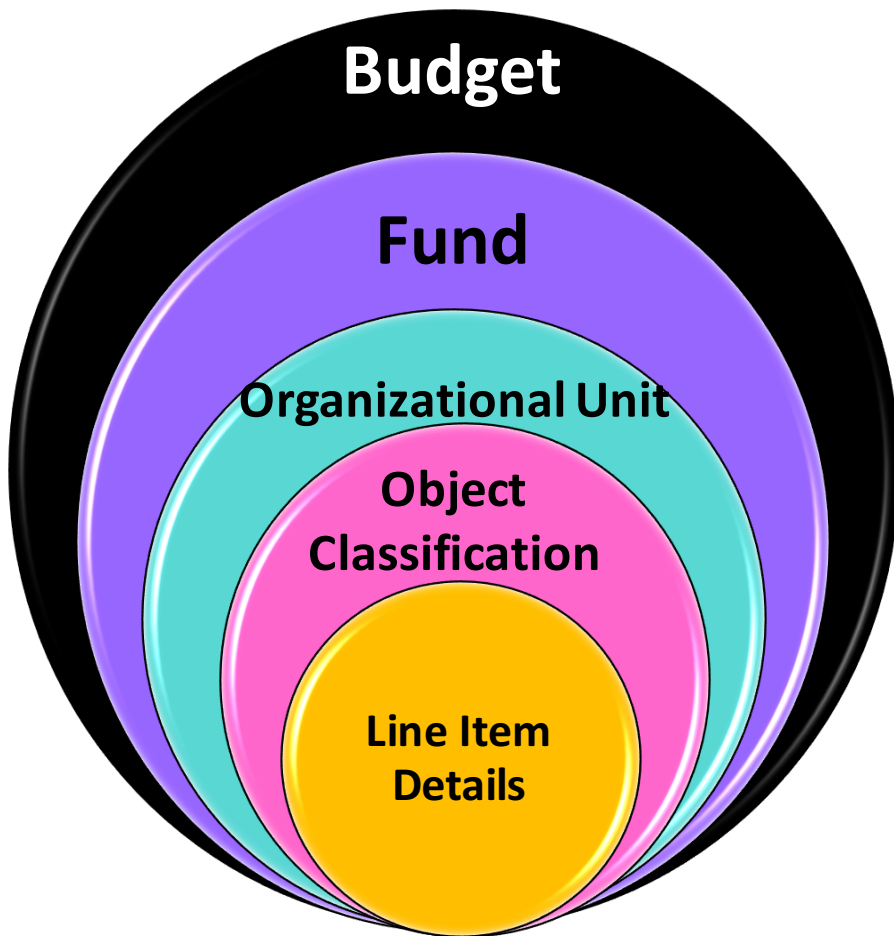
1. Appoint budget officer Jan 10
2. Appoint budget committee (BC) Jan 31
3. Prepare proposed budget Mar 7
4. Publish 1st notice of BC meeting Mar 21
5. Publish 2nd notice of BC meeting April 4
6. BC meeting & subsequent mtgs. if needed April 11
7. Publish notice of budget hearing May 15
8. Hold budget hearing May 23
9. Enact Resolutions to adopt, etc. June 27
10. Submit tax certification documents by July 15
11. Send copy of all budget documents by Sept 30
to county clerk

What is a Budget?

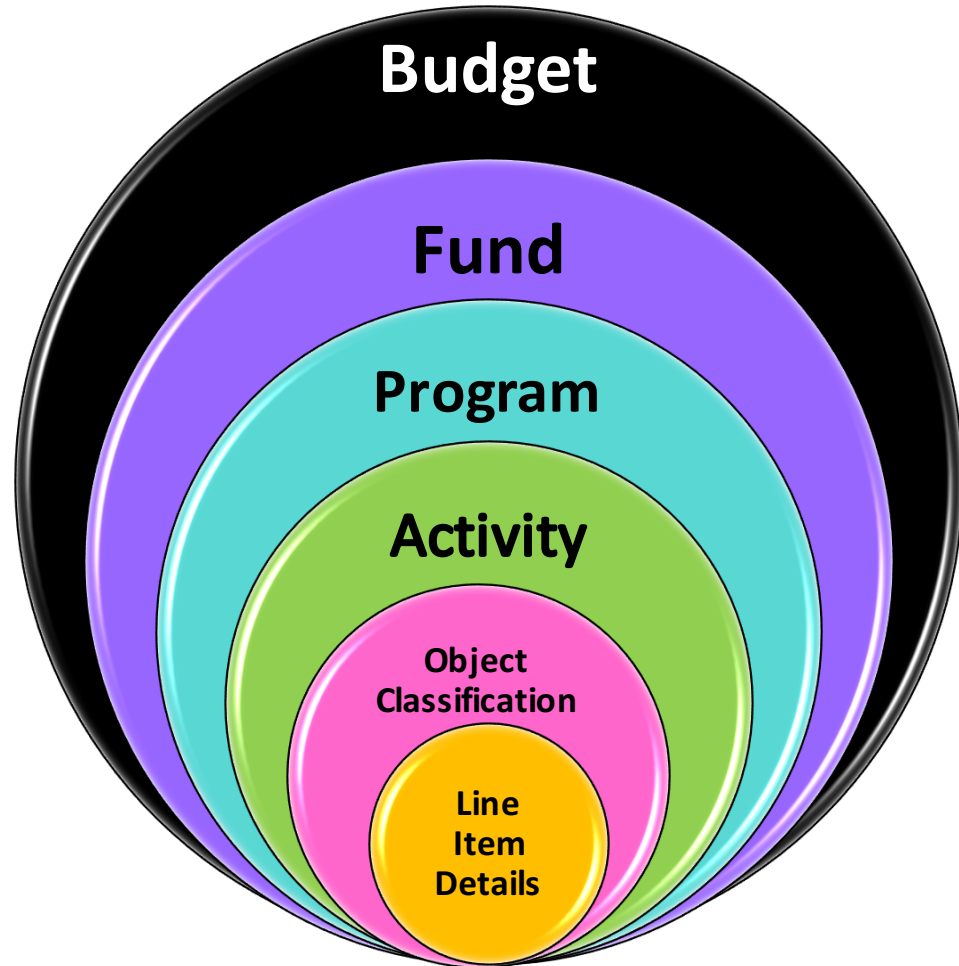
- A financial plan
- For one fiscal year (July 1 – June 30)
or biennial budget period (July 1, 2016 – June 30, 2018)
- Based on estimates of revenues & expenditures and other requirements

The budget is the basis for appropriations, which create the authority to spend public money

Budget Layers



Organizational Unit Budget



Program & Activity Budget

Prepare Proposed Budget

- Designate budget officer (Who can serve?)
- Budget Officer prepares budget under direction of Executive Officer or Governing Body

Budget is prepared by fund

- A self-balancing set of accounts
- Used to record estimated resources and requirements for specific activities and objectives

Types of Funds

- General Fund
- Special Revenue Fund
- Capital Project Fund
- Debt Service Fund
- Reserve Fund
- Enterprise Fund
- Trust & Agency Fund
- Internal Services Fund

Types of Funds

- **General Fund** – For general operations with no restrictions on how resources are used.
- **Special Revenue Fund** – Dedicated to local option levy money, specific purpose grants, or other money required to be segregated by statute, charter or terms.
- **Capital Project Fund** – To finance a building or acquisition of capital facilities that are nonrecurring major expenditures.
- **Debt Service Fund** – Used to budget for the payment of principal and interest on long-term debt

Types of Funds, cont...

- **Internal Services Fund** - To account for services furnished by one department to another department of the same local government
- **Enterprise Fund** – To account for activities that are primarily self-supporting from user charges and fees
- **Trust & Agency Fund** – For revenue received in a fiduciary capacity to be used for a specified purpose
- **Reserve Fund** – Used to accumulate money for financing the cost of a service, project, property or equipment

Budget Organization

Organize requirements within funds by either

➤ Organizational unit:

Any administrative subdivision of a municipal corporation, especially one charged with carrying on one or more functions or activities

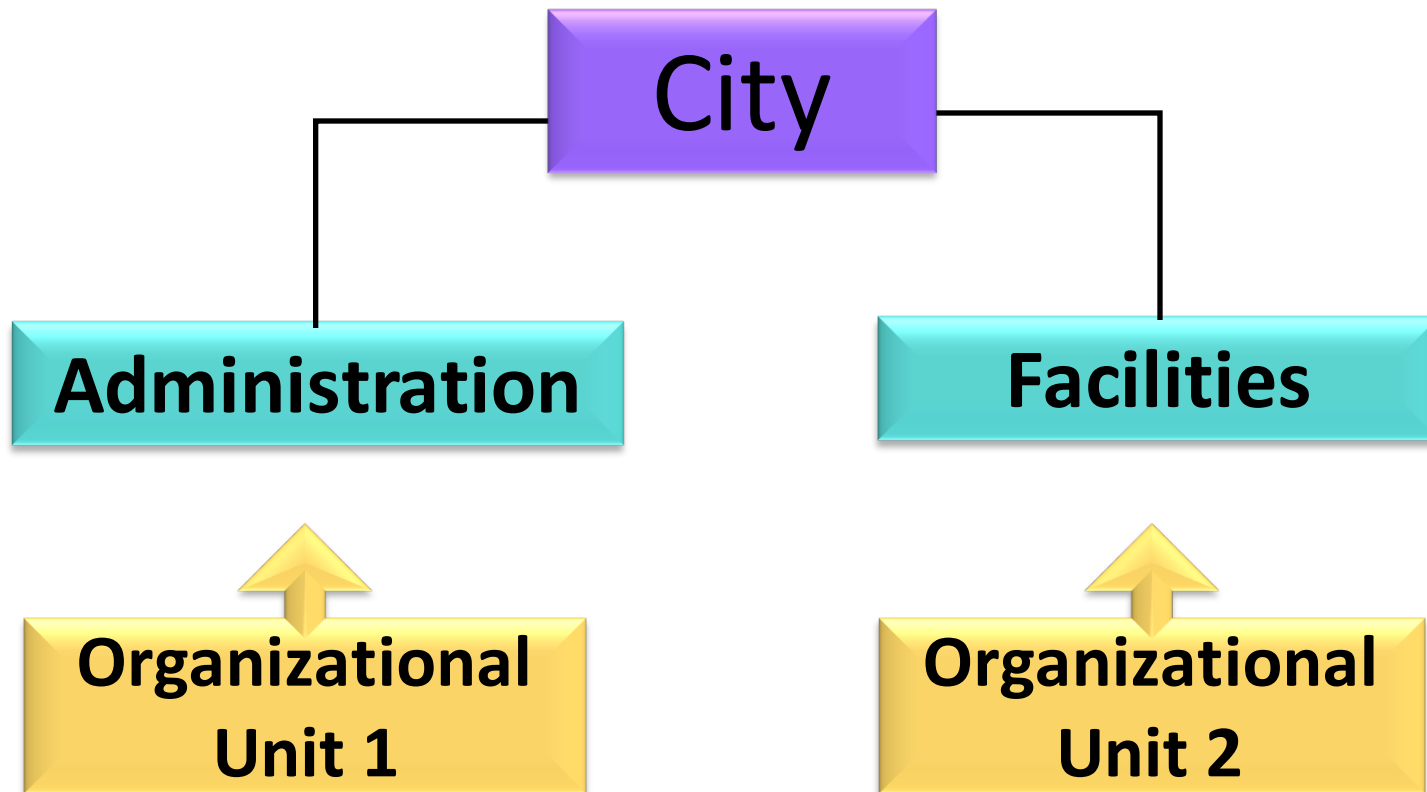
OR

➤ Program and Activities:

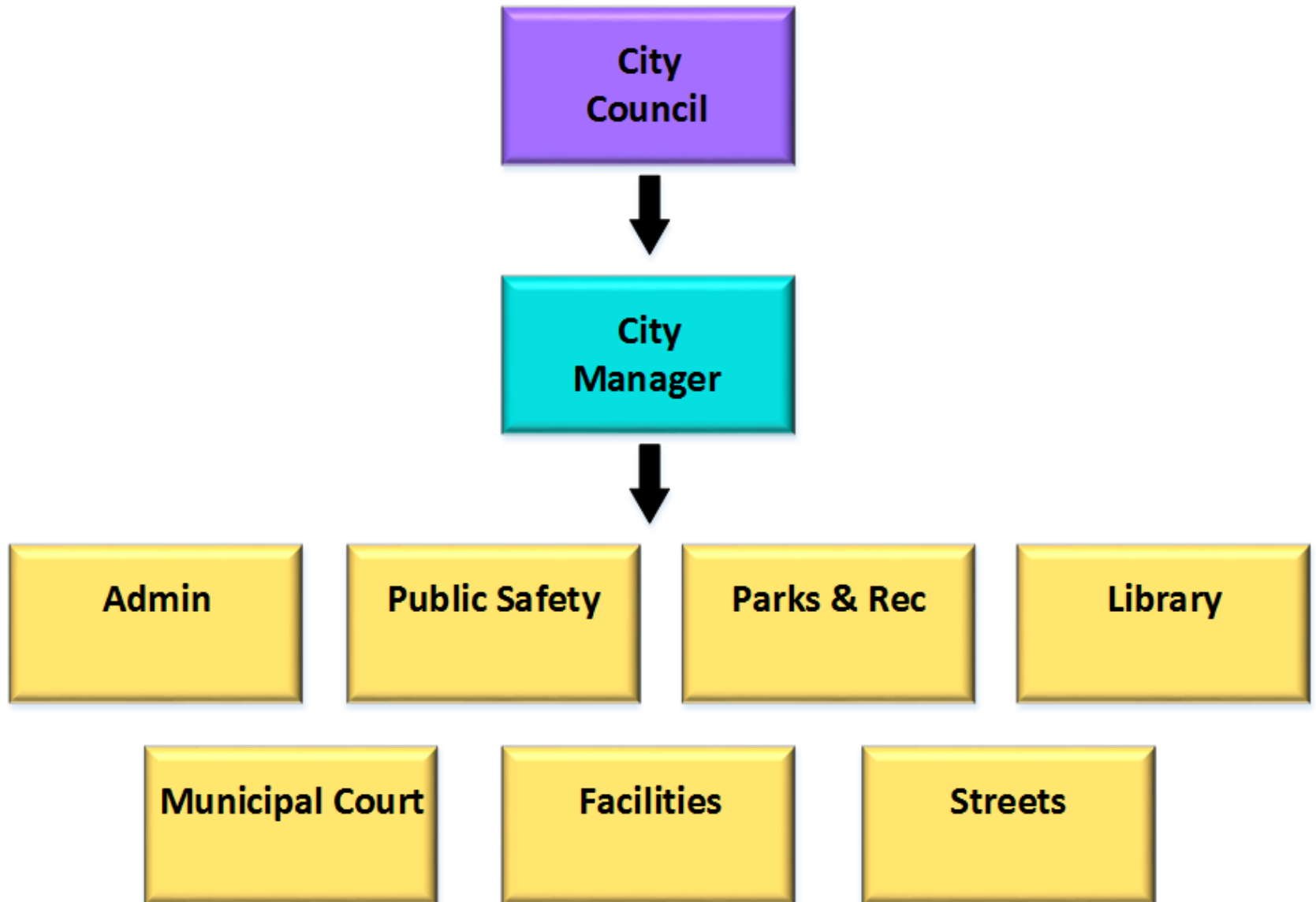
A group of related activities aimed at accomplishing a major service or function for which the municipality is responsible

ORS 294.388

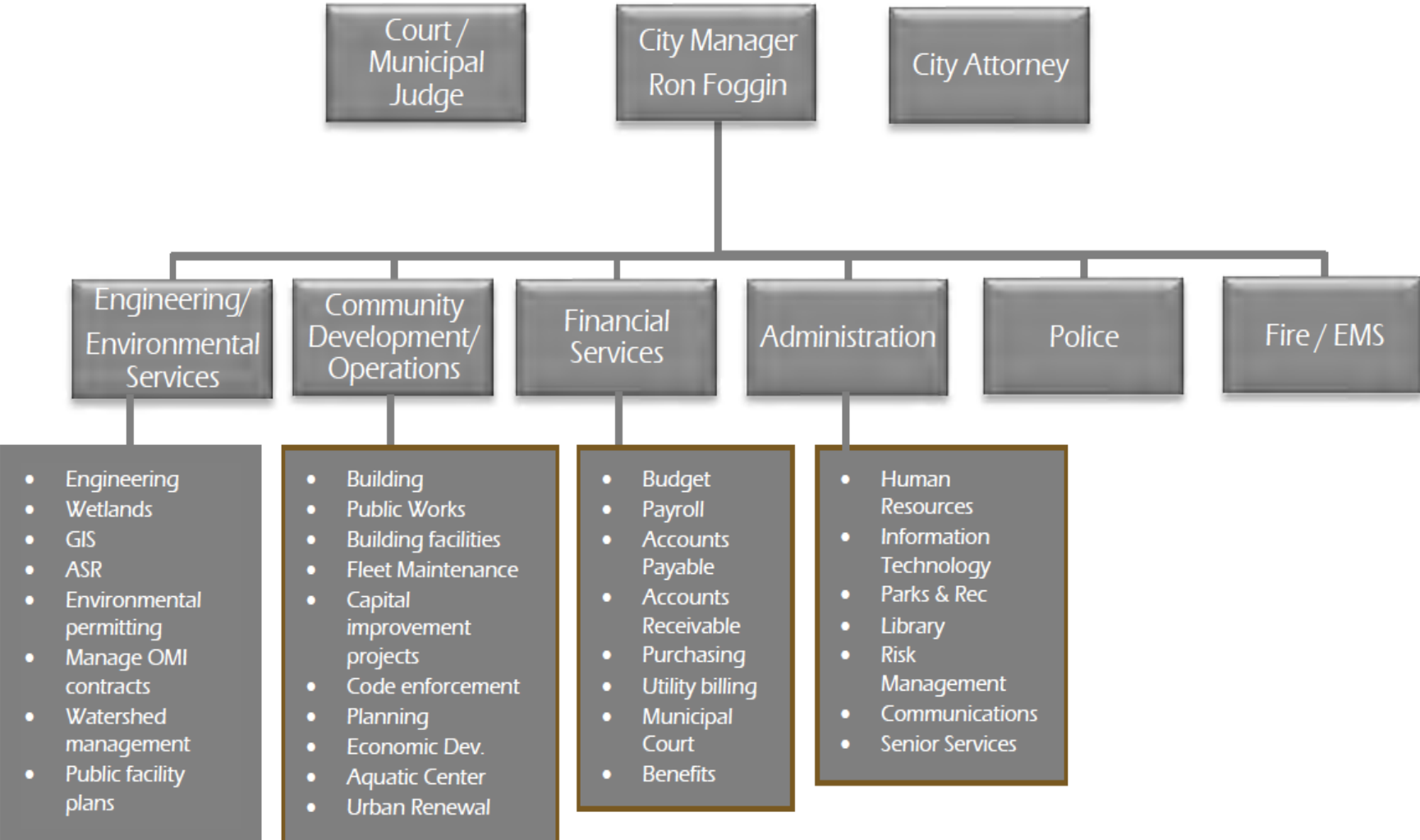
Simple Organizational Unit Example



Marvel City Organizational Chart

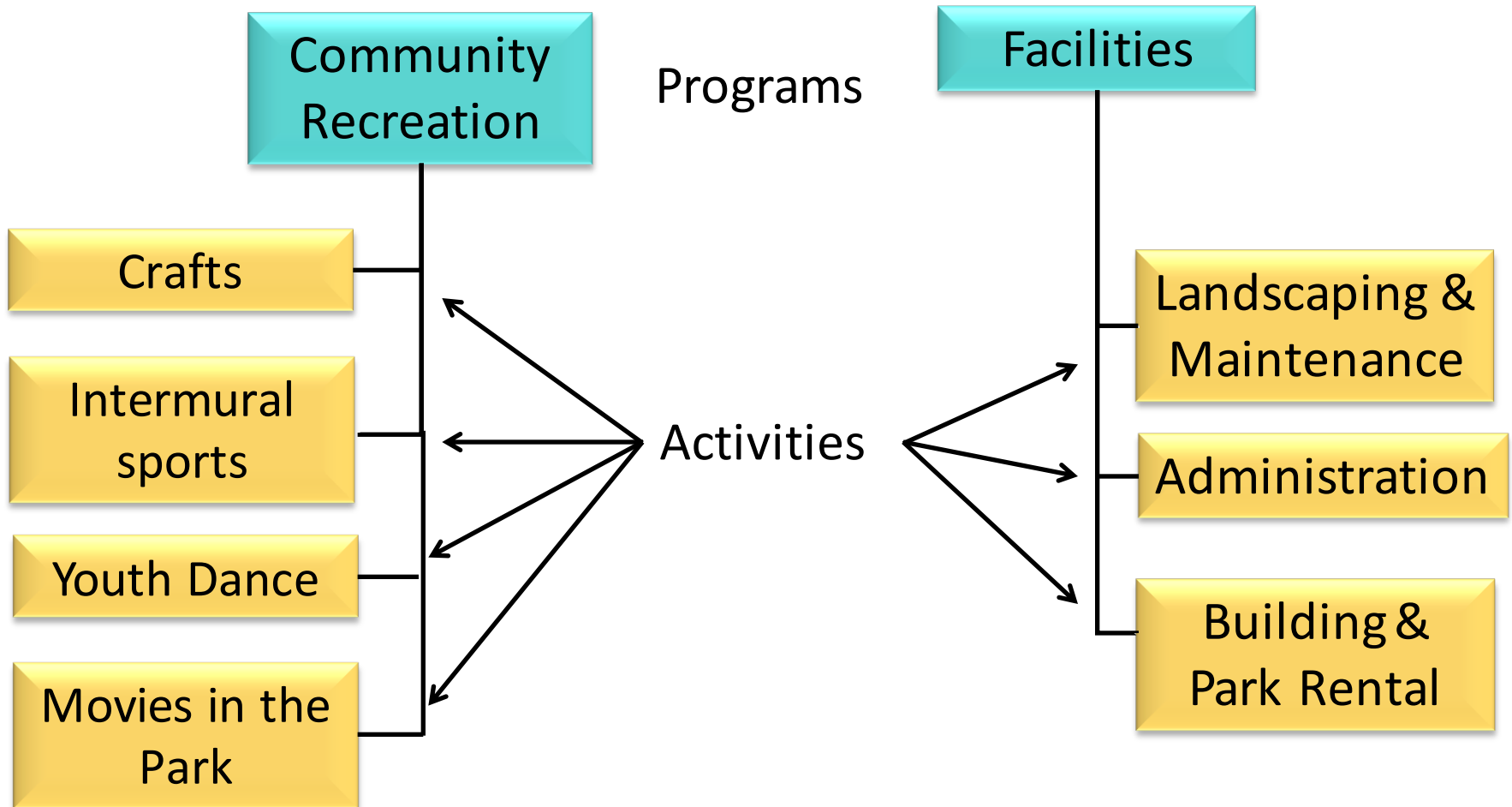


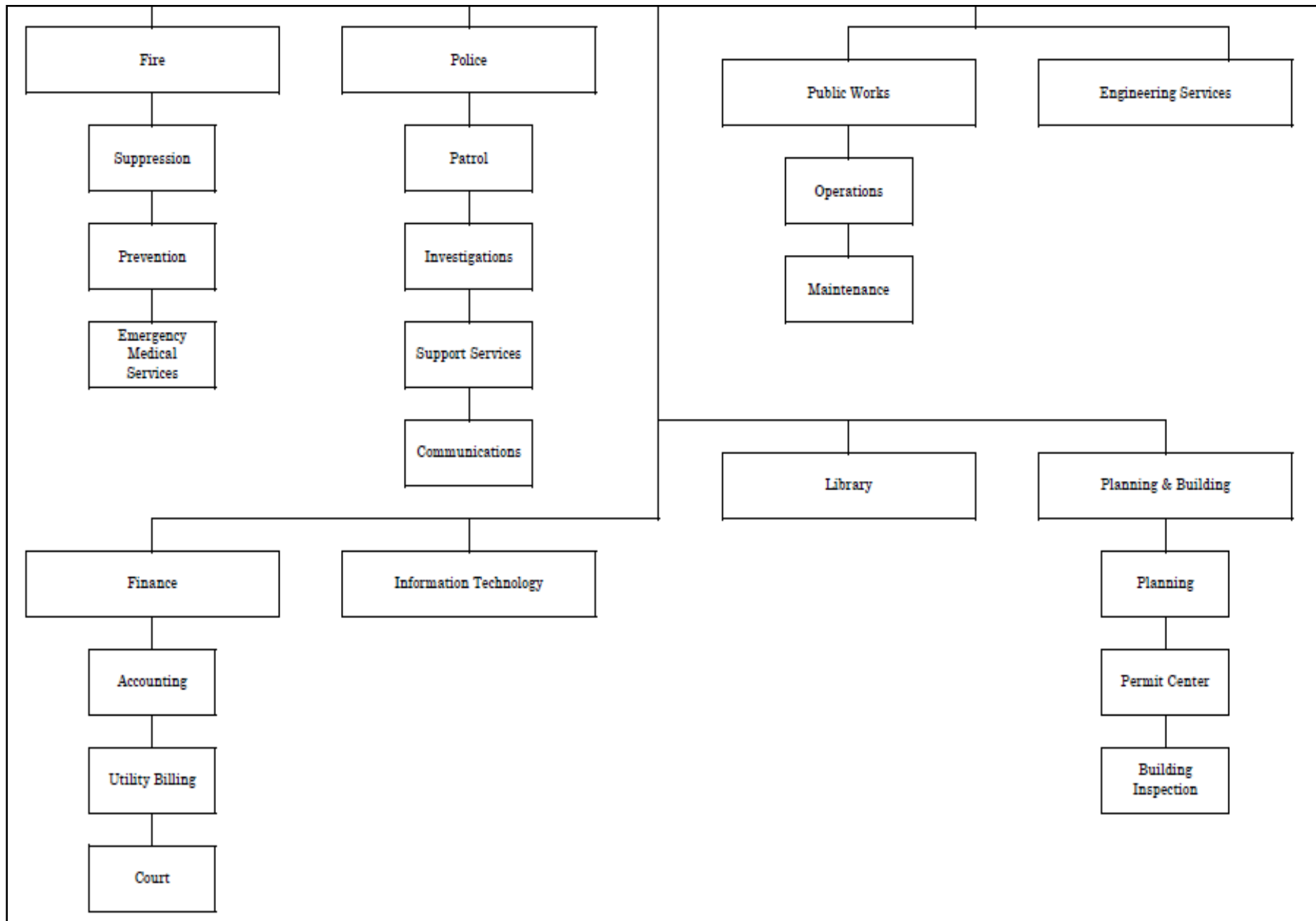
City of Dallas



Program Example

Parks & Rec District





Budget Detail Format

- Line item description
- 2 prior years actual information
(Use actual / audited #'s)
- Budgeted amount for current fiscal period
- Proposed amount for next year
 - Once BC approves, complete “Approved” column
 - Once Governing Body adopts, complete “Adopted” column

Standardized Format

Historical Data			Descriptions of Resource and Requirement Items	Budget for Next Year 2016-17		
Actual		Adopted Budget This Year 2015-16		Proposed By Budget Officer	Approved By Budget Committee	Adopted By Board
Second Preceding Year 2013-14	First Preceding Year 2014-15					

Requirements Summary
ALLOCATED to an organizational unit or program & activity.

Clear Form

_____ (Fund)

_____ (Name of Municipal Corporation)

1	Historical data			Requirements for _____ (Name of program or organizational unit)	Budget for next year 20____-____			1
	Actual		Adopted budget this year year 20____-____		Proposed by Budget Officer	Approved by Budget Committee	Adopted by Governing Body	
	Second preceding year 20____-____	First preceding year 20____-____						
2				Personnel services				2
3								3
4								4
5								5
6								6
7								7
8				Total personnel services				8
9				Total full-time equivalent (FTE)				9
10				Materials and services				10
11								11
12								12
13								13
14								14
15								15
16								16
17								17
18								18
19								19
20								20
21								21
22								22
23								23
24								24
25								25
26								26
27				Total materials and services				27
28				Capital outlay				28
29								29
30								30
31								31
32								32
33								33
34				Total capital outlay				34
35				Organizational unit / Activity total				35

Estimate Resources and Requirements for Each Fund

- Estimate resources & requirements in line item detail.
- All resources & requirements must be budgeted.
- Resources & requirements must balance.
- Estimates of resources & requirements must be made in “*good faith*.”

Budget Resources

- Beginning cash or net working capital
(cash, checking balance, LGIP, CD's, etc.)
- User fees, assessments, charges for service
- Grants, gifts, donations, etc.
- Bond & other borrowing proceeds
- Interfund transfers, internal service charges
- Interest earned on deposits
- Property taxes (prior years and current)

ORS 294.361

Estimating Property Taxes

$$\text{Tax Rate} \times \text{Taxable Value}^* = \text{Tax Amount}$$

But,

Amount you receive is reduced by:

- Compression Losses (Measure 5 Limitation)
- Discounts (Taxes paid in full or 2/3rds by Nov 15)
- Uncollectibles (Delinquent taxes)

* “frozen value” in urban renewal plan area

Constitutional Limitations

Article XI, s. 11 and 11b

Measure 50: Tax calculation is based on
Assessed Value (AV)

Measure 5: Operating tax on a property is limited to:

- \$5 per \$1,000 of RMV for Education,
- \$10 per \$1,000 of RMV for Gen. Government

M5 limit is based on ***Real Market Value (RMV)***

How Does M5 Compression Loss Work?

- If a property's *tax* is higher than its M5 *limit*, the tax must be reduced (“compressed”) to fall within the limit.
- This loss is shared by all taxing districts (local option taxes reduced first).

M5 Compression Example



Neighbor 1

M50 Tax Calculation:

Total Combined Gen. Gov. Tax:	\$14/\$1,000 AV
Property's Assessed Value	<u>\$176,384</u>
Tax on Property	\$2469.38

M5 Limit Calculation:

General Gov. limit	\$10/\$1,000 RMV
Property's Real Market Value	<u>\$220,000</u>
Maximum tax under limit	\$2,200.00

**Gen. Gov. Loss due to
M5 Compression = \$269.38**



Neighbor 2

M50 Tax Calculation:

Total Combined Gen. Gov. Tax:	\$14/\$1,000 AV
Property's Assessed Value	<u>\$176,384</u>
Tax on Property	\$2469.38

M5 Limit Calculation:

General Gov. limit	\$10/\$1,000 RMV
Property's Real Market Value	<u>\$280,000</u>
Maximum tax under limit	\$2,800.00

NO loss to compression

How Can You Estimate Compression Loss?

Summary of Assessments and Levies Report (SAL) Table 4a:

- Assessor prepares report in October
- Often mailed to every taxing district
- Reports taxes imposed, compression loss, taxes extended
- Save report and use it next spring for your budget estimate of M5 loss

Also consider levies of other districts

Estimating tax receipts for the 3 types of ad valorem taxes

- Permanent Rate Taxes
 - Local Option Taxes
- General Obligation Bond Levies

Permanent Rate Taxes

- Measure 50 rate limit per \$1,000 of assessed value
- Limit cannot be changed by district or its patrons
- Imposed as rate per \$1,000 or a dollar amount
- Double majority required in March or Sept. election

Estimating Permanent Rate Taxes

Permanent rate limit: \$1.5340/ \$1,000

Estimated Assessed Value in district: \$98,769,946

1. Tax rate (<i>per \$1.00 of AV</i>)	x	<u>.0015340</u>
2. Value x rate	=	\$ 151,513
3. Minus est. Measure 5 loss	-	\$ <u>736</u>
4. Tax to be billed		\$ 150,777
5. County collection average	x	<u>.94</u>
6. Tax amount to budget	=	\$ 141,730

Local Option Taxes

- In addition to the permanent rate levy
- Temporary:
 - For Operations - *1 to 5 years*
 - For Capital Project - *Lesser of 10 years or useful life (Defined in ORS 280.060)*
- Voters approve rate per \$1,000 or fixed dollar amount per year
- Double Majority required in March or Sept.
- First to be compressed
- Budget options for September election (*280.060*)

Estimating Local Option Taxes

(Dollar Amount Local Option)

1. Local option tax levy amount	=	\$ 45,000
2. Minus est. compression loss	-	\$ <u>2,500</u>
3. Tax to be billed		\$ 42,500
4. County collection average	x	<u>.94</u>
5. Tax amount to budget	=	\$ 39,950
Permanent rate tax		\$141,730
Local option tax		<u>39,950</u>
Budget Total for General Fund		\$181,680

G.O. Bond Debt Service Levy

- **Principal & interest (only)** on voter-approved general obligation bonds for capital construction
- Voter approval of bonds gives authority to tax for annual debt service
- Always imposed as a dollar amount
- Double majority required in March or Sept.
- Exempt from compression

Estimating Bond Debt Service Taxes

Taxes budgeted for debt service	\$ 25,150
Estimated compression losses	<u> 0</u>

(GO bond taxes are exempt from M5 limits)

Amount to raise	25,150
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(Amount shown in the budget as a resource)

County collection average	<u> .94</u>
Taxes to be levied	= \$ 26,755

(This is the amount you will certify to the assessor)

May Bond Elections

- Estimates for resources and requirements should be included in proposed budget if bond sale is planned for summer/fall.
- Budget should be adopted and taxes imposed contingent on the sale of the bonds
- Request extension from assessor for tax certification
- Pending legislation in 2017 session

Object classifications (Allocated)

Personnel Services - Expenses related to employees.

- **MUST ALSO INCLUDE A NUMBER FOR FTE.**
- *How is FTE calculated?*

Materials & Services – consumables and service expenses:

- contractual services
- supplies
- other operating expenses

Capital outlay- Items which generally have a useful life of one or more years.

Include line item detail

Object classifications- (Not Allocated)

Interfund Transfers- Transfer of resources from one fund to another.

All transfers out require a corresponding transfer in.

Debt Service- The repayment of any loan, bond or other borrowing.

Special Payments- A pass-through payment, grant made to other organizations, or other one-time or unusual expenditure that does not fall into any other expenditure category.

Object classifications- (Not Allocated) Cont...

Operating Contingency- An amount reasonably expected to be spent on unidentified operating expenses.

May only be budgeted in an operating fund.

Reserved for Future Expenditure- An amount a municipal corporation plans to "save" for future spending.

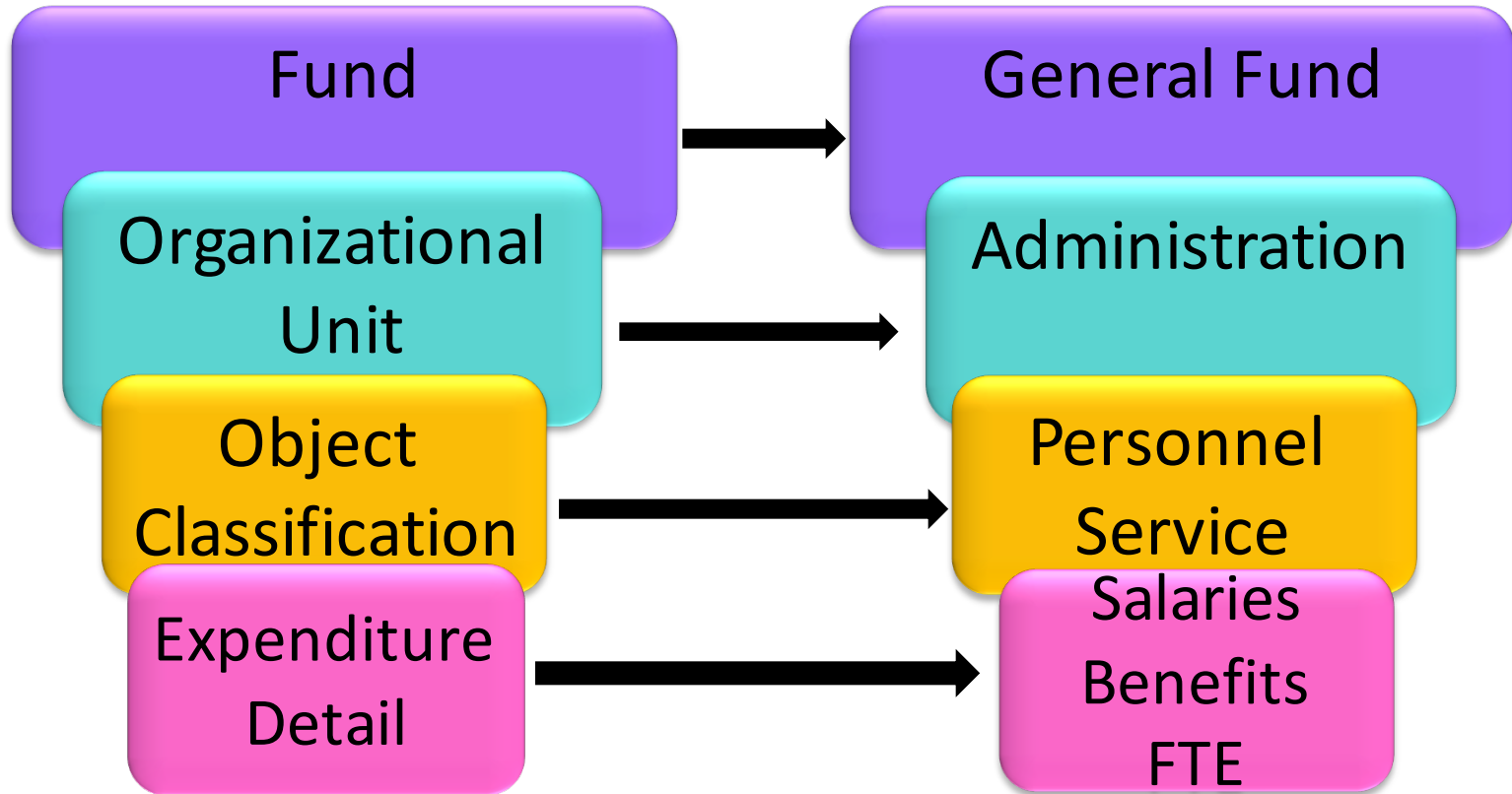
Unappropriated Ending Fund Balance - Amount set aside in the budget to be carried over to the next year's budget to cover costs prior to resources being available.

Budget Requirements

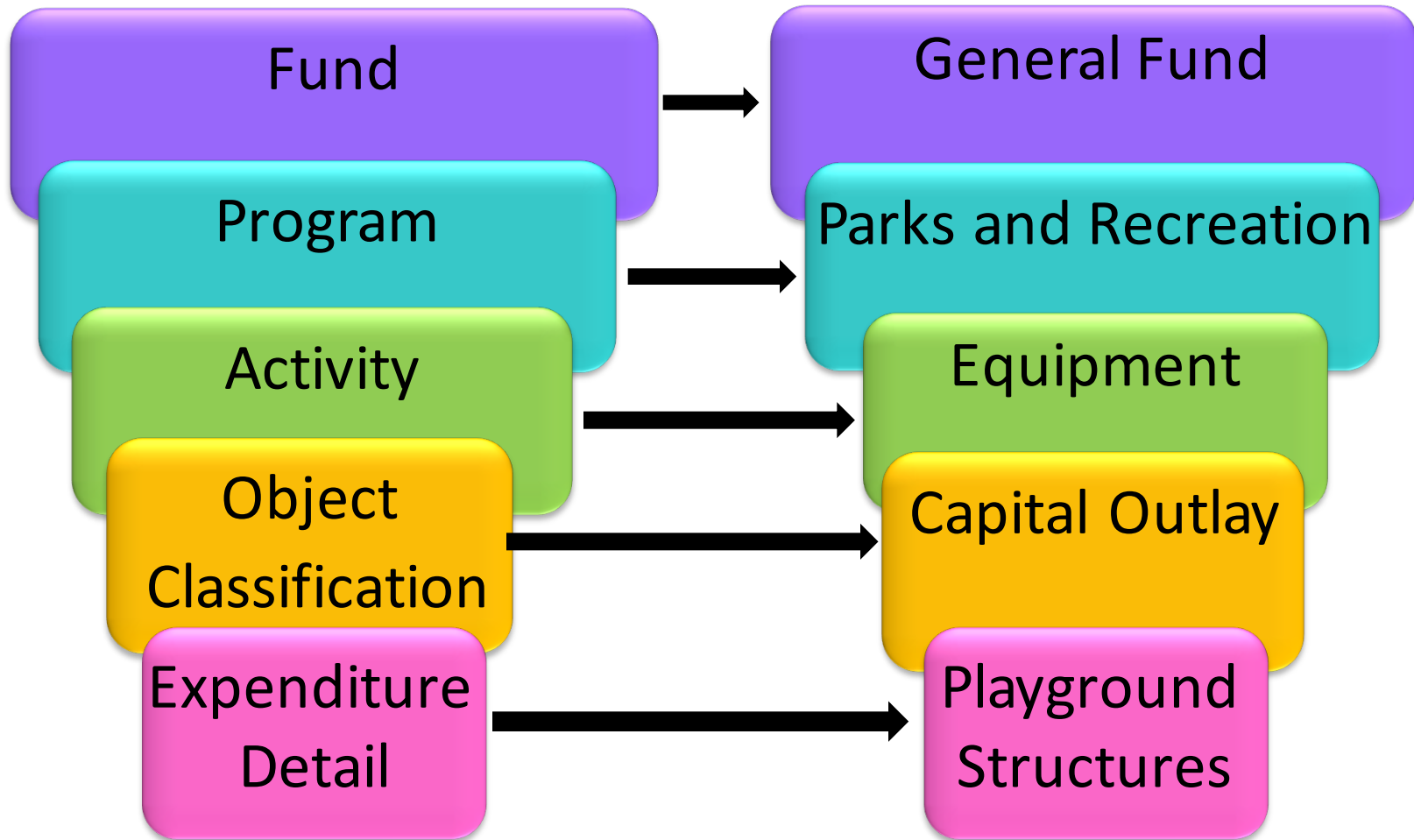
Object Classification	Expenditure or Requirement?	Allocated or Not Allocated to an Organizational Unit or Activity?
Personnel Services	Expenditure	Usually Allocated
Materials & Service		
Capital Outlay		
Special Payments		
Debt Service		
Transfers (Out)	Requirement	Not Allocated
Operating Contingency		
Reserved for future expenditure		
Unappropriated Ending fund Balance		

ORS 294.388

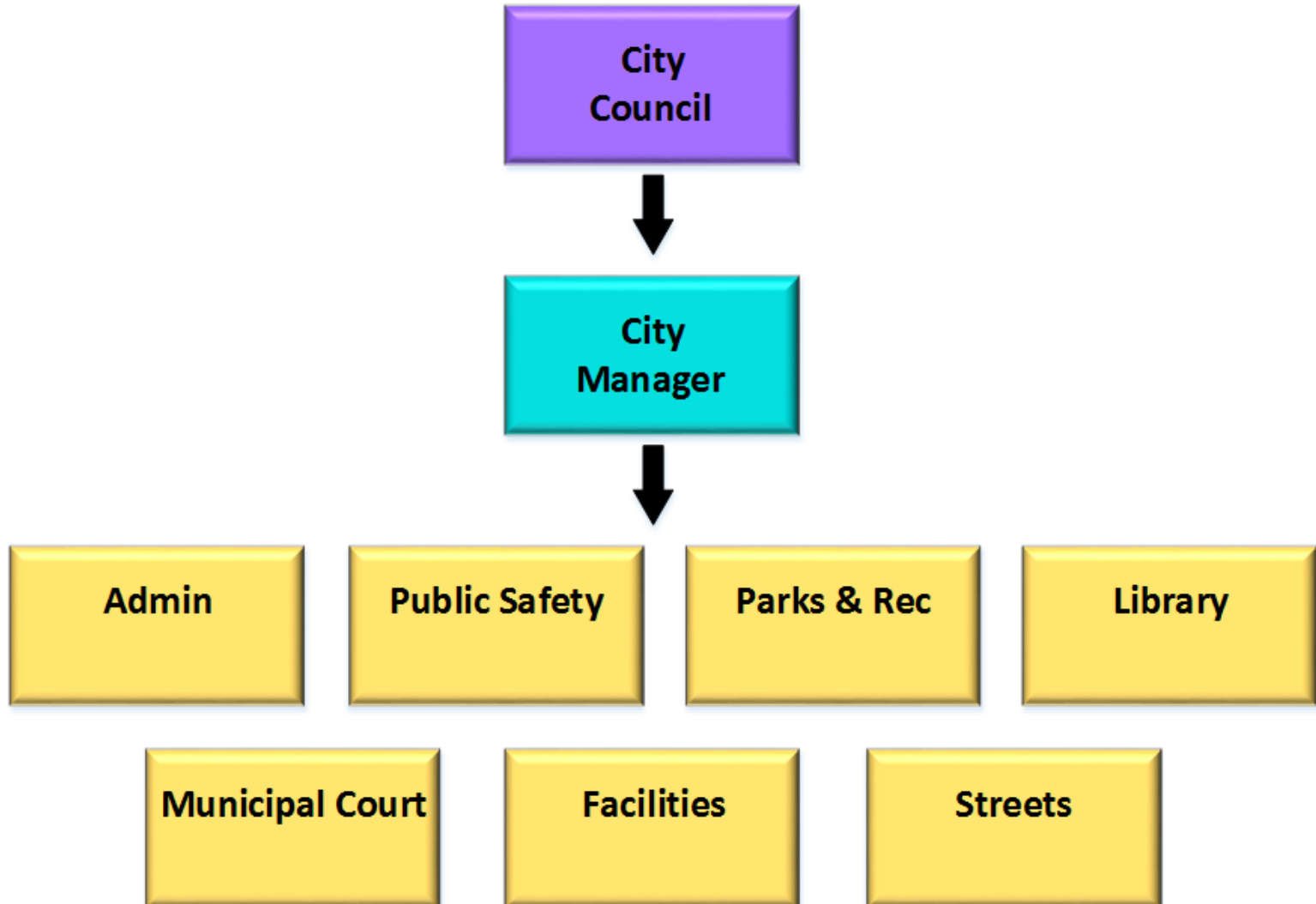
Budget Organization – Organizational Units



Budget Organization – Programs



Marvel City Organizational Chart



Sample Budget Organization

➤ **General fund**

- Admin
- Public Safety
- Parks & Rec
- Library
- Municipal Court
- Facilities

➤ **Debt Service Fund**

➤ **Streets Fund**

- Street Department

➤ **Library Special Revenue Fund**

- Library

➤ **Avengers Academy Reserve Fund**

- Parks & Rec

Review Sample Budget

Discussion: Proposed Budget

- What's the difference between an organizational unit and a program?
- True or false: If you only have one fund, you don't need to budget by organizational unit or program.
- Which object classifications are defined as operational expenditures?
- What are the object classifications (categories of requirements) that should be allocated to an organizational unit?
- True or false: Debt service must always be budgeted in a debt service fund.

Discussion: Proposed Budget

- True or False: When levying for G.O. bond debt, your levy amount should be more than the amount needed to pay principle and interest.
- What is the formula used to estimate the amount of property tax to be received? What other factors should be considered?
- What information do you have to include in your budget if you estimate expenditures for Personnel Services?
- True or False: “Non-Departmental” is an appropriate name for an org. unit/program within the General Fund.

Phase 2

Budget Committee Approves the
Budget

Who's on the Budget Committee?

**The Governing Body
+
an Equal Number of Appointed Electors**

Appointed Members

- “Electors” are registered voters in the district
- Cannot be officers, agents or employees
- Appointed for staggered 3-year terms
- All members have the same authority
- If you can't fill all appointed, committee can be fewer

ORS 294.414

Notice of Budget Committee Meeting

Publish notice of the first meeting at which:

- The budget and budget message are presented, and public comments and questions are heard.
- If public comments are not heard at the first meeting, give notice of both meetings.

In Washington County, also submit summary of proposed budget for publication on the county website (contact the Finance Department).

Publication Methods

- **Printing twice in a newspaper of general circulation:**
5 - 30 days before meeting
- **Posting notice on your website:**
At least 10 days before meeting, **AND** Printing once in a newspaper 5 – 30 days before meeting
- **Mailing by U.S. Postal Service first class:**
To each street address, PO Box and RRN in district
At least 10 days before meeting
- **Hand delivery**
To each street address in district At least 10 days before meeting

Public Comment at First Meeting

A	Use this notice if public comment will be taken at this meeting.
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NOTICE OF BUDGET COMMITTEE MEETING

A public meeting of the Budget Committee of the Marvel City, Epic Comic, State of Oregon,
(District Name) (County)

to discuss the budget for the fiscal year July 1, 20 17 to June 30, 20 18, will be held at 12345 Avengers Way, Marvel City
(Location)

12345 Avengers Way, marvel City. The meeting will take place on May 6, 2017 at 6:00 am pm
(Address) (Date) (Time)

The purpose of the meeting is to receive the budget message and to receive comment from the public on the budget.

This is a public meeting where deliberation of the Budget Committee will take place. Any person may appear at the meeting and discuss the proposed programs with the Budget Committee.

A copy of the budget document may be inspected or obtained on or after May 1, 2017 at 12345 Avenger Way, Marvel City
(Date) (Location)

12345 Avengers Way, Marvel City, between the hours of 8:00 am pm and 4:30 am pm
(Location) (Time) (Time)

Public Comment at Later Meeting

B

Use this notice if public comment will be taken at a later meeting.

NOTICE OF BUDGET COMMITTEE MEETING

A public meeting of the Budget Committee of the Marvel City, Epic Comic, State of Oregon,
(District Name) (County)

on the budget for the fiscal year July 1, 20 17 to June 30, 20 18, will be held at 12345 Avengers Way, Marvel City
(Location)

12345 Avengers Way, Marvel City The meeting will take place on May 6, 2017 at 6:00 am
(Address) (Date) (Time) pm

The purpose of the meeting is to receive the budget message. This is a public meeting where deliberation of the Budget Committee will take place.

An additional, separate meeting of the Budget Committee will be held to take public comment. Any person may appear at the meeting and discuss the proposed programs with the Budget Committee. The meeting for public comment will be on:

Date: May 12, 2017 Time: 6:00 am pm Location: 12345 Avengers Way, Marvel City

A copy of the budget document may be inspected or obtained on or after May 1, 2017 at 12345 Avengers Way, Marvel City
(Date) (Location)

12345 Avengers Way, Marvel City, between the hours of 8:00 am pm and 4:30 am pm
(Location) (Time) (Time)

Budget Committee's Meeting Process

- All meetings are subject to Public Meetings Law
- Presiding officer must be elected at first meeting
- Quorum is required to conduct business
- Majority of committee is required to take action
- Committee may request and receive additional information from district officials

Quorum example

Governing Body

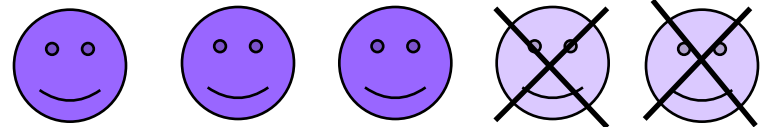
Electors



If your full budget committee is 10 people quorum = 6



Vacancies on the governing body side still count toward the quorum. Quorum = 6



Vacancies on the electors side are not counted. Quorum = 5

What the Budget Committee Does

- Receives the budget document
- Hears the budget message
- Hears & considers public comment
- Discusses and revises the budget as needed
- Approves the budget
- Approves the property taxes

Receives the Budget Document

- Budget is a public document when released to committee
- Available to the public at the same time as the committee
- Public has right to inspect
- Must provide means for public to copy (can also charge for copies)

The Budget Message

- Prepared by / under direction of executive officer
- Explains budget document
- Describes financial policies
- Explains any changes since last year
- Must be in writing
- Anyone can deliver it

ORS 294.403

Hear Public Comment

- On the date and time in the published notice
- Any person may ask questions about and comment on the budget *ORS 294.426(4)(c)*
- Can establish time limits and other policies for public comment period
- At additional meetings if desired
Give same notice as a regular meeting of the governing body

ORS 294.428(2)

Approve the Budget

Sample Motion to Approve Budget:

“I move that the budget committee of Marvel City approve the budget for the 2017-18 fiscal year in the amount of \$13,910,076.”

(motion and vote recorded in the minutes)

Approve Each Tax levy

Sample Motion to Approve Taxes:

“I move that the budget committee of Marvel City approve property taxes for the 2017-18 fiscal year at the rate of \$4.4143 per \$1,000 of assessed value for the permanent rate tax levy, in the amount of \$0.1213 for the local option tax levy, and in the amount of \$496,315 for the general obligation bond levy.”

(motion and vote recorded in the minutes)

The Budget Committee is now finished.

Publish Budget Hearing Notice & Summary of Budget

- Print *once* in newspaper 5-30 days before hearing
- Mail or hand deliver to each street address, PO Box and RRN 5-30 days before hearing
 - There is no Internet option for this notice
 - If budget < \$100,000 and no newspaper published in the district, can post in 3 places for at least 20 days prior to hearing
 - In Multnomah County, submit budget to Tax Supervising Conservation Commission, if subject to its jurisdiction.

ORS 294.438

Go to LB-1 Form and Review
Hearing Notice

Alternative Publication Format

- Optional Narrative Format
- Same information as on LB-1 form
- Same timeline as with LB-1 form
- Can use narrative, charts, pictures, etc.

ORS 294.438

Correcting Publication Errors

- Publication is considered sufficient if the budget officer makes a “good faith” effort.
- If you know your notice will be late, re-schedule the hearing and publish timely.
- If you know your hearing won’t be on the date published, publish another notice.

Correcting Publication Errors (cont.)

If these errors occur:

- Typographical error
- Math error
- Error in calculating the tax

Then at first meeting after the error is discovered, the budget officer must:

- Advise the governing body in writing, and
- Give testimony correcting the error.

Budget Committee Question 1

Marvel City's council received a resignation notice from one of the appointed budget committee members. The member has only served one year of his three year term.

What should the City Council do?

Budget Committee Question 2

The Marvel City Council is supposed to have five members but one position is vacant. There are supposed to be five appointed members of the budget committee but the council can only find three people willing to serve.

How many people must be at a budget committee meeting for there to be a quorum?

How many votes are required to pass a motion?

Budget Committee Question 3

Marvel City published a notice that their first budget committee meeting would be held on March 11th and that they would take public comment at that meeting. On March 11th two of the budget committee members can't make it to the meeting because of the flu. As a result, there isn't a quorum at the meeting.

Can an alternate member fill in for an absent member?

Budget Committee Question 4

Two budget committee members are friends; one is an expert in an area the district will be spending money. Is it ok for them to discuss the particulars of the budget regarding that item outside of the budget committee meetings?

Phase 3

Adopting the Budget

Governing Body Holds Budget Hearing

- Hold the hearing on the date published, or reschedule & publish a revised notice
- Hearing is on the budget “as approved” by budget committee
- Any person may comment on the budget

Changes After Budget Hearing

After the hearing, the governing body can change the budget estimates and tax levy approved by the budget committee.

However, if they want to:

- increase tax by any amount, *Or*
- increase expenditures in any fund by 10% or more (or \$5,000 – whichever is greater),

They must *republish* the amended budget summary and hold *another* budget hearing.

Resolutions

After the hearing and *on or before* June 30, the governing body must enact a resolution to:

- Adopt the budget
- Make Appropriations
- Impose each tax levy
- Categorize each tax by its Measure 5 category (*Education or General Government*)

Resolution Adopting the Budget

➤ State the fiscal year or biennial budget period

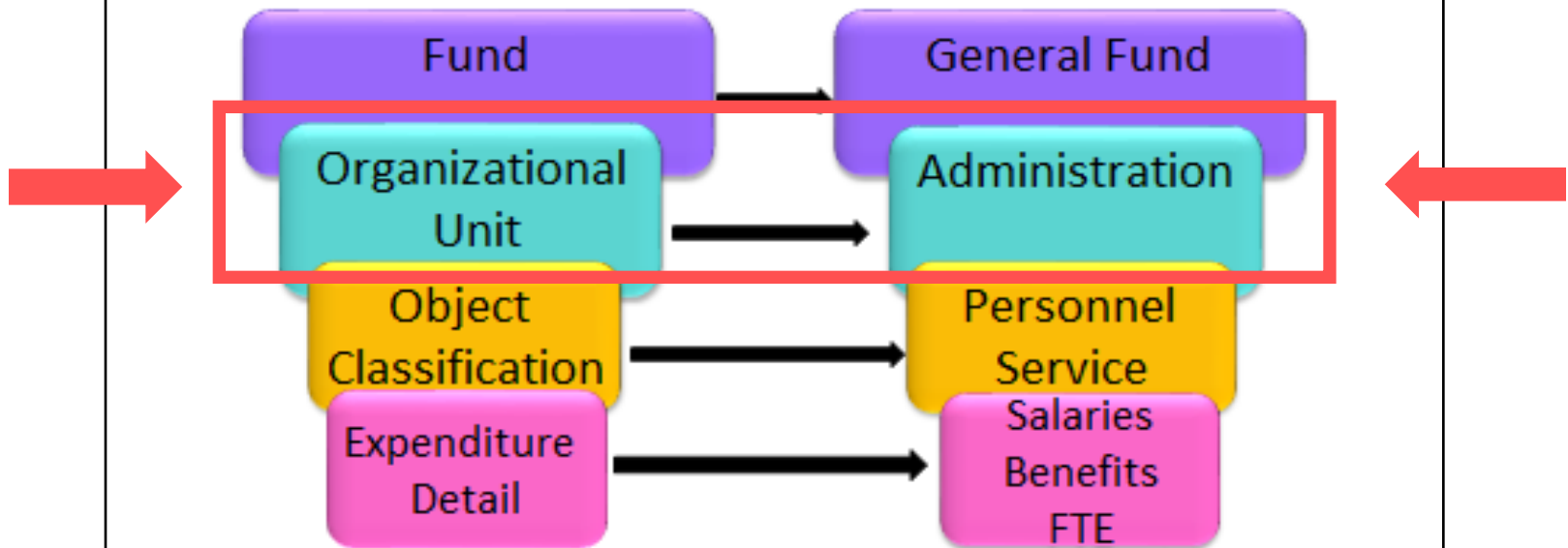
➤ State the total \$ amount of budget resources

Be sure to include all resources and all funds

Appropriations Based on Organizational Units or Programs

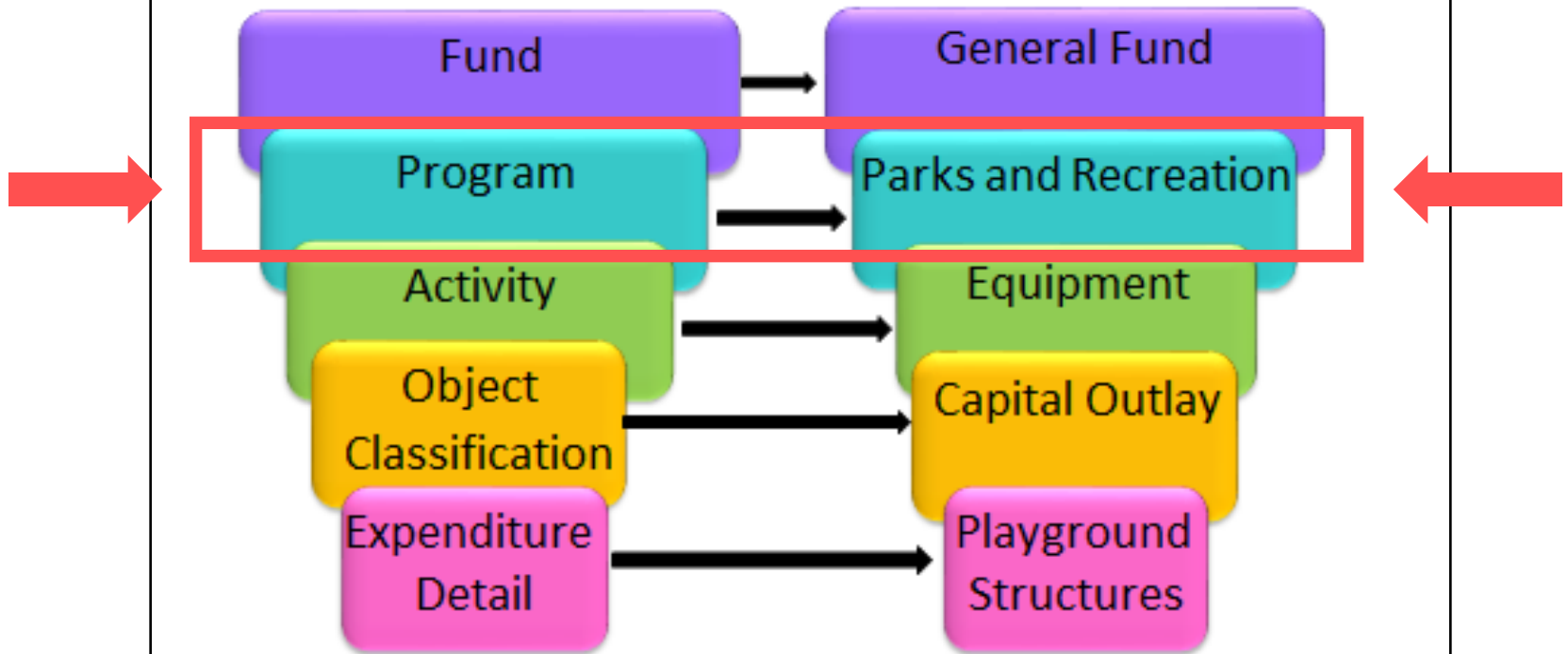
- **One amount for each Organizational Unit or Program:**
 - ✓ Include only Personnel Services, Materials & Services, and Capital Outlay
- **Separate amounts for any:**
 - ✓ Personnel Services, Materials & Services, or Capital Outlay not allocated to an organizational unit or program
 - ✓ Debt Service
 - ✓ Special Payments
 - ✓ Transfers
 - ✓ Operating Contingency

Budget Organization – Organizational Units



Appropriate **one amount** at this level
for Personnel Services + Materials and
Services + Capital Outlay

Budget Organization – Programs



50

Appropriate one amount at this level
for Personnel Services + Materials and
Services + Capital Outlay

Statutory Appropriations

Fund

Organizational Unit Or Program #1 ...\$\$\$

Organizational Unit Or Program #2 ...\$\$\$

(Not allocated to Organizational Unit or Program)

Personnel services\$\$\$

Materials & services\$\$\$

Capital outlay\$\$\$

Debt Service\$\$\$

Special Payments\$\$\$

Interfund transfers\$\$\$

Operating contingency\$\$\$

One amount for each organizational unit that is **the total of:**

Personnel Services
+ Materials & Services
+ Capital outlay.

Object classifications not allocated to an Organizational Unit or Program

Appropriating to Greater Detail

Statutory Minimum Standard

General Fund

Administration \$5000

Greater detail allowed by Admin Rule

General Fund

Administration

Personnel Services	\$2000
Materials & Services	\$2000
Capital Outlay	\$1000

OAR 150-294-0510

Organization of Appropriations

➤ **General fund**

- Admin
- Public Safety
- Parks & Rec
- Library
- Municipal Court
- Facilities
- Personnel Services
- Transfers
- Contingency

➤ **GO Bond Debt Service Fund**

- Debt Service

➤ **Streets Fund**

- Street Department

➤ **Library Special Revenue Fund**

- Library

➤ **Avengers Academy Reserve Fund**

- Parks & Rec

Appropriations Example

General Fund:

Administration	\$	557,540
Public Safety		4,575,600
Parks and Rec		304,500
Library		424,650
Municipal Court		178,000
Facilities		334,000
Personnel Services		150,000
Transfers		170,000
Contingency		<u>75,000</u>
Total		\$7,187,890

Schools Appropriate by ODE Function

For each fund:

1000 Instruction

2000 Support Services

3000 Enterprise & Community Services

4000 Facilities Acquisition and Construction

5000 Other Uses

 5100 Debt Service

 5200 Transfers

6000 Contingency

ORS 294.393

Community Colleges Appropriate:

- by CCWD Function,
- by ODE Function,
- as required for other municipal corporations (but not by organizational unit)

HB 2278 will allow for appropriations by
Org Unit if passed

Appropriations

Appropriated	<ul style="list-style-type: none">• Personnel Services• Materials & Services• Capital Outlay• Debt Service• Special Payments• Transfers Out• Contingency
Never Appropriated	<ul style="list-style-type: none">• Reserved for Future Expenditure• Unappropriated Ending Fund Balance (UEFB)

Resolution Imposing the Tax

- Impose each tax levy separately.
- Impose permanent rate per \$1,000 *or* a dollar amount (not both).
- Impose local option levy as approved by voters.
- Impose bond levy as a dollar amount.

Cannot exceed rate/amount approved by Budget Committee
unless you republish budget summary and hold another
hearing

Resolution Categorizing the Tax

Type of Tax	Subject to General Gov't Limit	Excluded from Limitation
Permanent rate limit	\$4.4143/\$1,000	
Local option levy	\$0.1213/\$1,000	
G.O. Bond levy		\$496,315

Categorize each tax (permanent rate limit, local option, G.O. bond levy) by its Measure 5 category:

- Subject to “General Government” limit
- Subject to “Education” limit
- “Excluded from constitutional limits”

Go to Resolutions & LB-50 Example

Documents Taxing Districts Submit

By July 15, send the Assessor :

- ✓2 copies of the tax certification form,
- ✓2 copies of the resolutions,
- ✓2 copies of ballot measure for any new tax.

OAR 150-294-0520

By Sept 30, send the County Clerk :

- ✓Copy of complete budget document, including:
 - Budget Message
 - Budget detail sheets,
 - Meeting notices or affidavits of publication,
 - Resolutions adopting, appropriating, imposing, etc.,
 - Tax certification
 - Sample ballot for any new tax

OAR 150-294-0310

Documents Non-taxing Districts Submit

By July 15, send to Dept. of Revenue:

- ✓1 copy of the resolutions

Keep on file a copy of complete budget document, including:

- Budget Message
- Budget detail sheets,
- Meeting notices or affidavits of publication,
- Resolutions adopting, appropriating, imposing, etc.

ORS 294.458(1)

Additional Requirements for Schools, ESD's & Community Colleges

School Districts & ESD's:

- ✓ Hard copy of budget to Dept of Education by July 15th
- ✓ Electronic copy to Dept of Education by August 15th

Community Colleges:

- ✓ Copy of budget to Department of Community Colleges & Workforce Development by July 15

Discussion: Adopting and Appropriating

- Can the resolution making appropriations include any of these appropriation categories: *Miscellaneous, other, UEFB*?
- Which object classifications can be included in the appropriation amount for an org. unit/program?
- Which statutory appropriation categories must be appropriated separately from a program or organizational unit?
- In what type of fund are you allowed to budget and appropriate for contingency?
- Should the total adopted budget amount include the unappropriated amounts?

Discussion: Imposing & Categorizing

- Is it acceptable to impose both a tax rate and a total tax amount for the same levy?
- Can a GO Bond levy be imposed as a rate?
- What are the three options when categorizing taxes by constitutional limitation?
- Should taxes be categorized by each fund? Or, by each levy imposed?

Adopting a Budget Question 1

The city has extra money in their budget that they don't need for anything. They just put it into "Contingency".

Is that OK? If not, what should they do?

Adopting a Budget Question 2

The city received a late donation and has more money than anticipated for next year. As a result, the council wants to change the budget approved by the budget committee before the council adopts it.

Can they do that? If so, what do they have to do?

Adopting a Budget Question 3

There's only one person who knows how to complete the LB-50 and he's out of the office until the first of August.

What can the district do in this situation?

Adopting a Budget Question 4

What's wrong with these appropriations?

General Fund		Timber Infrastructure & Improvement Fund	
Administration	385,812	TIIF	320,553
Police	557,907	Transfers Out	131,011
Municipal Court	10,000	Contingency	1,500,000
Not allocated to Organization Unit or Program:		Total	\$1,951,564
Materials & Services	147,310	Scout Lake Fund	
Transfer Out (Debt Service)	75,000	Scout Lake	38,500
Contingency	2,473	Total	\$38,500
Total	\$1,178,502	Enterprise Zone Fund	
Street Fund		Transfers Out	179,000
Streets	235,960	Contingency	65,095
Debt Service	0	Total	\$244,095
Transfers Out	12,022	Infrastructure Maintenance & Improvement Fund	
Contingency	23,515	Transfers Out	80,000
Total	\$271,497	Contingency	88,675
Sewer Fund		Total	\$168,675
Sewer	488,336	Sewer System Development	
Debt Service	0	Contingency	7,215
Transfers Out	25,547	Total	\$7,215
Contingency	34,452	Water System Development	
Total	\$548,335	Contingency	44,880
Water Fund		Total	\$44,880
Water Fund	530,300		
Debt Service	0		
Transfers Out	39,072		
Contingency	43,088		
Total	\$612,460		

How about these?

MAKING APPROPRIATIONS

BE IT RESOLVED that the amounts for the fiscal year beginning July 1, 2016, and for the purposes shown below are hereby appropriated:

General Fund

Personal Services.....	983,875
Materials & Services.....	333,455
Capital Outlay.....	24,902
Transfers.....	19,000

Contingency.....	15,520
Total.....	1,376,752

Debt Service Fund

Debt Service.....	588,800
Total.....	588,800

Reserve Fund

Personal Services.....	0
Materials & Services.....	0
Capital Outlay.....	1,572,500
Total.....	1,572,500

Capital Projects Fund - Arena

Personal Services.....	386,700
Materials & Services.....	975,200
Capital Outlay.....	5,390,564
Transfers.....	1,011,887
Contingency.....	507,563
Total.....	8,271,914

Total APPROPRIATIONS, All Funds . . . **11,809,966**

Total Unappropriated and Reserve Amounts, All Funds . . . 430,795

TOTAL ADOPTED BUDGET . . . **12,240,761** *

Phase 4

Changes After Adoption

Who's had to make a
budget change?

Changes to Budget After Adoption

- A budget is a plan based on estimates;
- The budget provides the foundation for appropriations;
- Appropriations are authority to spend public money,

AND

- Appropriations are limitations on expenditures

An Appropriation is a Limitation

Don't overspend your appropriations!

ORS 294.456(6): Except as provided in . . . 294.471 , 294.473 . . . an expenditure . . . of public money may not be made for any purpose in an amount greater than the amount appropriated.



Make Changes to Appropriations Before Over-Spending

- The change must be in place **before** an over-expenditure is made
- Adopting a resolution or supplemental budget *after* an over-expenditure does not correct the violation of Local Budget Law

ORS 294.471(3)(c): Additional expenditures contained in a supplemental budget ...may not be made unless the governing body of the municipal corporation enacts appropriation ordinances or resolutions authorizing the expenditures.

Actions Possible after Adoption

Budget law provides several LEGAL ways to adjust your budget after adoption if your needs change, including:

- Appropriation Transfer – ORS 294.463
- Supplemental budget – ORS 294.471 & 294.473
- Expenditures outside of budget law – ORS 294.338
- Other fiscal tools
 - Interfund loans – ORS 294.468
 - Eliminate unnecessary fund – ORS 294.353
 - Emergency authorizations – ORS 294.481

Appropriation Transfers

- To move appropriations between ***existing*** categories within a fund or between two funds

- To transfer appropriations and resources from a fund to any other fund

- Resolution must state:
 - Need for transfer
 - Purpose of expenditure
 - Amount

ORS 294.463(1)

Appropriation Transfer Example

Increase Police appropriations by transferring \$100,000 from Administration appropriations

<u>General Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Administration	\$400,000	\$(100,000)	\$300,000
Police	\$1,900,000	\$100,000	\$2,000,000
Library	\$400,000	\$0	\$400,000
Transfer Out	\$50,000	\$0	\$50,000
Contingency	\$500,000	\$0	\$500,000
Total Appropriations	\$3,250,000	\$0	\$3,250,000

Transferring appropriations between funds

Transfer \$200,000 of appropriations from the
General Fund to the Library Fund

General Fund	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Admin	\$2,000,000	\$(200,000)	\$1,800,000
Transfer Out *	\$0	\$200,000	\$200,000

Library Fund			
Resource:	\$0	\$200,000	\$200,000
Transfer in			
Appropriation	\$300,000	\$200,000	\$500,000
Library			

* A Transfer Out may be created when transferring between funds by resolution.

Transfer Contingency

Transfer to another *existing* appropriation

- Transfer by resolution is limited to 15% of total fund appropriations
- 15% limit is cumulative for the fiscal period
- If more than 15% transferred in a year, a supplemental budget is required for the excess

ORS 294.463(2)

Moving contingency of less than 15% of Appropriations

Increase library appropriations by transferring \$50,000 out of contingency

<u>General Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Administration	\$400,000	\$0	\$400,000
Police	\$1,900,000	\$0	\$1,900,000
Library	\$400,000	\$50,000	\$450,000
Transfer Out	\$50,000	\$0	\$50,000
Contingency	\$500,000	\$(50,000)	\$450,000
Total Appropriations	\$3,250,000	\$0	\$3,250,000

Contingency transfer as a % of adopted appropriations = 1.5%

A Supplemental Budget

- Modifies the currently adopted budget
- Effective through the end of the fiscal year
- Used to:
 - Increase or decrease appropriations,
 - Create a new appropriation category, **or**
 - Create a new fund

Supplemental Budget Justification:

- Occurrence or condition not known during the regular budget process
- Unforeseen pressing necessity requires prompt action
- Unanticipated money from federal, state or local government
- Request for services, to be paid for by others

Supplemental Budget Justification (cont.)

- Destruction, involuntary conversion or sale requires immediate replacement
- More property taxes received than estimated
- Local Option approved in September election

Supplemental Budget Process

Two Processes:

1. Change in expenditures in a fund is 10% or less
2. Change in expenditures in a fund > 10%

When determining expenditures, do not include:

- Transfers,
- Contingency,
- Reserves for future expenditure, or
- Unappropriated Ending Fund Balance

Budget Requirements

Object Classification	Expenditure or Requirement?	Allocated or Not Allocated to an Organizational Unit or Activity?
Personnel Services	Expenditure	Usually Allocated
Materials & Service		
Capital Outlay		
Special Payments		Not Allocated
Debt Service		
Transfers (Out)	Requirement	
Operating Contingency		
Reserved for future expenditure		
Unappropriated Ending fund Balance		

ORS 294.388

If Change is 10% or less

- Adopt at a regular meeting (no hearing required)
- Publish notice of the regular meeting:
 - At least 5 days before the meeting
 - In newspaper, by 1st class mail or by hand-delivery
 - Include a statement that a supplemental budget will be considered at the meeting
- Adopt by resolution
- Appropriate by a resolution that states the need for, the purpose and the amount of the appropriation

If Change is *More Than 10%*

- Public hearing is required
- Publish Notice of the hearing:
 - At least 5 days before the hearing
 - In newspaper, by 1st class mail or by hand-delivery
 - Summarize changes in each fund changing > 10%
- After hearing, adopt by resolution
- Resolution must state the need for, the purpose and the amount of the appropriation

Go to Supplemental Notice in
sample budget

Hearing

Change is over 10% of fund expenditures*

Publish notice and summary of changes

No Hearing

Change is 10% or less of fund expenditures*

Publish notice of meeting, indicating a supplemental budget will be considered

**Expenditures do not include Transfers, Contingency, Reserved for Future Expenditure or UEFB*

Appropriation Transfer or Supplemental Budget

Appropriation Transfer ORS 294.464	Supplemental Budget ORS 294.471 & 294.473
<ul style="list-style-type: none">• Transfers appropriation authority from one existing category to another.• No change to the overall appropriation authority.• Contingency transfers of up to 15% of total fund appropriations	<ul style="list-style-type: none">• Creates a new appropriation category or fund.• Changes overall appropriation authority (i.e. changes the overall footprint of the budget).• Contingency transfers of over 15% of total fund appropriations• May or may not require a hearing.

Resources less than budgeted?

Option 1: You may reduce appropriations:

- It's optional
- By supplemental budget:
 - At regular meeting if 10% or less
 - After public hearing if > 10%

Option 2: You could just spend less than appropriated

ORS 294.471(1)

Expenditures outside of the budget

Expenditure of specific purpose grants, gifts, etc.

- Appropriate by resolution
- Carry-over from prior year may also be appropriated
- General purpose grant may require supplemental budget

ORS 294.338(2)

Expenditures outside of the budget

Unforeseen Occurrence

- If 'Non-tax' money is available
- Appropriate by resolution
- Resolution must declare
 - unforeseen occurrence or condition, or
 - pressing necessity, or
 - that a request for services to be paid for by others, requires additional expenditure.

ORS 294.338(3)

Expenditures outside of the budget

Bond Exceptions

Supplemental budget not required to expend proceeds or make debt service payments for:

- Revenue Bonds sold in the current year
- G.O. bonds approved by voters in the year
- Refunding bonds issued in the year

ORS 294.338(4)&(5)

Other Expenditures outside of the budget

- Bond redemption expenditures 294.338(5)
- Expenditure of assessments for local improvements 294.338(6)
- Payment of deferred compensation 294.338(7)
- Refunds when purchased items are returned (must appropriate by resolution) 294.338(9)
- Newly formed municipal corporation 294.338(10)

Interfund Loans

Resolution must state:

- ✓ Funds making & receiving the loan
- ✓ Purpose of the loan
- ✓ Principal loan amount
- ✓ Repayment schedule (capital loan)
- ✓ Interest to be charged (capital loan)

Loans not allowed from some funds

(debt service fund, constitutionally dedicated moneys [like gas taxes])

Be sure there is appropriation authority

ORS 294.468

Repaying Interfund Loans

Loan for Operations:

- Pay back by end of this year or the next
- If paid back next year, must be budgeted

Capital Loan:

- Pay back within 10 years
- Payments in future years must be budgeted

Eliminate Unnecessary Fund

If a fund becomes unnecessary during fiscal year, a resolution must declare it unnecessary.

Transfer balance to General Fund unless other provision was made when fund was established.

ORS 294.353

Emergency Situation

To respond to involuntary conversion or destruction of property, civil disturbance, natural disaster or public calamity, governing body may:

- Receive grants or borrow money
- Appropriate from any available source, including unappropriated ending fund balance
- Appropriate by resolution or supplemental



For public safety or health, executive officer may authorize expenditure if not practical to convene meeting



ORS 294.481

Change Scenario 1

The budget adopted by the board of the City of Marvel City included expenditures for three new Iron Man Suits. However, the board only appropriated the expenditure for the two and forgot the third.

What options does the district have to purchase the third suit?

Change Scenario 2

A citizen of Marvel City won the lottery and has given the city a large cash donation that the city can use for whatever is needed most.

What options does the city have to legally spend this money?

Change Scenario 3

All the cities in Epic Comic County have applied for a grant for an Infinity Stone containment systems for the various cities. The City of Marvel City submitted the joint application for the grant and will actually purchase the systems requested by each of the cities.

What does the City of Marvel City have to do regarding this grant and purchase?

What if Marvel City simply passed the money through to the other cities?

Change Scenario 4

In an unfortunate turn of events Hulk smashed through several public buildings. The city needs to repair the buildings ASAP. There will be insurance proceeds for part of the cost of the repairs, but to make up the difference the board will need to increase their appropriations in the General Fund. The expenditure wasn't anticipated or budgeted for.

What actions will the city need to take to pay for the repairs?

Questions?

Finance, Taxation & Exemptions Analysts

Danette Benjamin	(971) 301-1149	danette.m.benjamin@oregon.gov
Melanie Cutler	(971) 301-1128	melanie.cutler@oregon.gov
Rebecca Hall	(971) 301-0312	rebecca.hall@oregon.gov
Jean Jitan	(971) 600-4097	jean.jitan@oregon.gov

FT&E Message Phone # **(503) 945-8293**

Email **finance.taxation@oregon.gov**

Local Budget Forms and Manuals on Internet:

<http://www.oregon.gov/DOR/programs/property/Pages/local-budget.aspx>

Subscribe to our email list for email notices of future training workshops and news on any changes to Local Budget Law. Sign up through this link:

<http://listsmart.osl.state.or.us/mailman/listinfo/localbudget>