

Multnomah County Local Budget Law Training

Presented by: Tax Supervising & Conservation Commission

Tuesday, January 10, 2017

Wednesday February 15, 2017

Local Budget Law Training

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The Administrative Rules have been renumbered. See Handout 1 for the changes

Today's Agenda

8:30	Welcome, Introductions and District Updates		
8:45	Budget Process / Budget Calendar	Tunie	4-9
9:00	Technical Background	Craig	10-16
9:20	Appropriations by Org Unit	Rebecca	
10:15	Break		
10:25	Proposed Budget	Craig	18-39
10:45	Approved Budget	Tunie	40-48
11:05	Adopted Budget	Craig	49-66
11:25	Property Tax Measures	Craig	67-69
11:30	Break		
11:40	Post-Adoption Appropriation Changes	Craig	

Budget Process

What is a Budget?

A Financial Plan, a Blue Print, a Map

Instrument to prioritize spending

Tool to monitor expenditures

Estimate of income and expenditures for a set period of time.

Basis used to establish appropriations



Budget Process (cont.)

A Budget is prepared because:

- ! It establishes goals for and organization
- ! It identifies organizational parameters
- ! It is a legal requirement for public entities
- ! Without a Budget, there are no property tax levies!
- ! It provides valuable information to governing body, citizens and investors

Legislative Intent of Oregon's Local budget Law. ORS 294.321

- ▶ To establish standard procedures
- ▶ To describe programs and policies
- ▶ To estimate revenues expenditures
- ▶ To acquire citizen input and involvement
- ▶ To provide control over spending
- ▶ Tell the financial story

Budget Cycle

Process evolves over a two year period

- ❖ Starting the Proposed Budget
- ❖ Ending with the publication of the audit.
- ❖ Focal point is the resolution to Adopt, Appropriate and Levy Taxes.

Currently dealing with three budgets at the same time:

- ❖ Finalizing 2015-16 Audit
- ❖ Implementation of 2016-17 Budget
- ❖ Preparation of 2017-18 Budget

Budget Cycle (cont.)

Step One

December - March

Appoint Budget Committee

Step Two

March - June

Proposed, Approved, Adopted Budgets.

Step Three

Prior to July 1,

Resolutions to:
Adopt Budget,
Makes Appropriations
and Levy and Categorizes Property Taxes.

Step Five

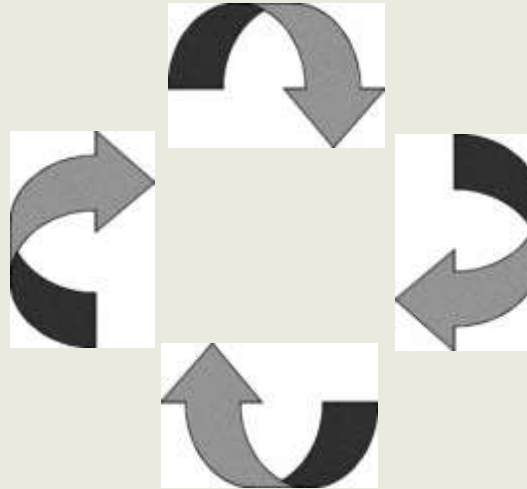
August – December

Independent audit is conducted.

Step Four

July– June

Monitor resources and expenditures.



Budget Calendar

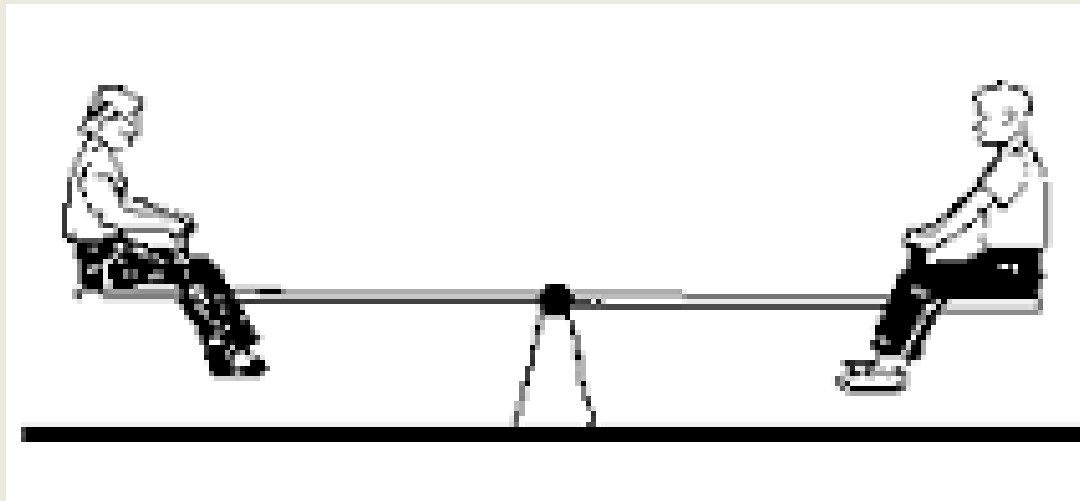


- Prepared by the Budget Officer
- Includes:
 - ✓ Timing of Proposed, Approved and Adopted Budgets
 - ✓ Scheduled meetings and hearings
 - ✓ Dates of required notices (Budget Committee and Public Hearing)
 - ✓ TSCC and other filing requirements
 - ✓ Tax elections, if necessary

**Goal is to ensure all steps are completed prior to July 1!
See Handout 2**

Funds

A Fund is a fiscal and accounting entity with *self-balancing* accounts to record cash and other financial resources, related liabilities, and balances and changes, all segregated for specific, regulated activities and objectives.



Funds

General Fund

Unrestricted
Revenues

Discretionary
Spending

All Other Funds

Restricted
Revenues

Restrictions set by:

Law

Contracts

Board Policy

Funds Per State Statutes 1

Established by Governing Board action

Internal Service Fund

294.343

Requires stated purpose, means of controlling expenditures, and revenue sources.

Reserve Fund

294.346 & 280.050

To hold moneys to be accumulated and expended for purposes listed in 280.050.

Reserves for undefined purposes or projects are not permitted
150-294-0340

Funds Per State Statutes 2

Established by Governing Board action or constitutional/statutory provisions.

Special Revenue Fund

294.311(39)

“Properly Authorized” and used to finance activities from a dedicated revenue source

(statutory language limited to definition)

Funds Per State Statutes 3

GO Bond Debt Service Fund

287A.140

Not identified as such in statutes, but implied as means of segregating property taxes levied for debt service payments.

Defined in 150-294-0410(d)



Other Funds

(Per Oregon Administrative Rules)

OAR 150-294.0420

- ▶ Capital Projects Fund
 - For major capital expenditures except those financed in proprietary, special assessment, or trust funds
- ▶ Special Assessment Fund
 - Used for improvements paid for by benefiting properties
- ▶ Enterprise Fund
 - Used where an activity operates as a business
- ▶ Trust and Agency Fund
 - Used for funds held in trust or as agent
- ▶ General Fund

See Handout 3

How many funds should you have?

As few as necessary!

Too many funds complicate the budget, makes it more difficult for citizens to understand and is less flexible in terms of adopting the budget or making changes during the year. Start with the General Fund and then only create Special Revenue Funds if the resources and/or expenditures are legally required to be budgeted in a separate fund.

Separate funds should not take the place of good accounting practices

What's up with those "org unit" things?

Rebecca Hall, Oregon Dept. of Revenue
January, 2016

Your **budget** justifies your **appropriations**



The Proposed Document

Budget Detail Sheets

Resources and Requirements

- A. Resources are budgeted by fund and source
- B. Requirements are budgeted by fund and organizational units or programs
- C. Budget numbers are good faith effort estimates
- D. Negative resource amounts are contrary to statute

Resources = Requirements

The Proposed Budget

Budget Detail Sheets

2014-15 Actual	2015-16 Actual	2016-17 Revised Budget	Line Item	2017-18 Budget			
				FTE	Proposed	Approved	Adopted
\$	\$\$	\$\$\$	Wages	10	\$\$\$\$		

Matches numbers from respective year's audit or CAFR

Adopted budget as modified by post-adoption changes

The Proposed Budget as prepared by the Budget Officer for presentation to the Budget Committee

The Proposed Budget

Each fund must be balanced

Resources = **Requirements**

Beginning Fund Balance
+ Revenues
+ Transfers In
<hr/>
= Resources

Ending Fund Balance
+ Expenditures
+ Transfers Out
<hr/>
= Requirements

The Proposed Budget

Resources Classification System

	Category	Line Items
Resources	Beginning Fund Balance	Beginning Fund Balance
	Revenues	Current Year Ptaxes
		Fees, Licenes, Fines, etc
		Federal State and all other grants, etc
		Debt Proceeds
		All other sources
	Transfers In	From Water Fund
		From IT Fund
		Sewer fund loan repayment
		Internal Service Reimbursements

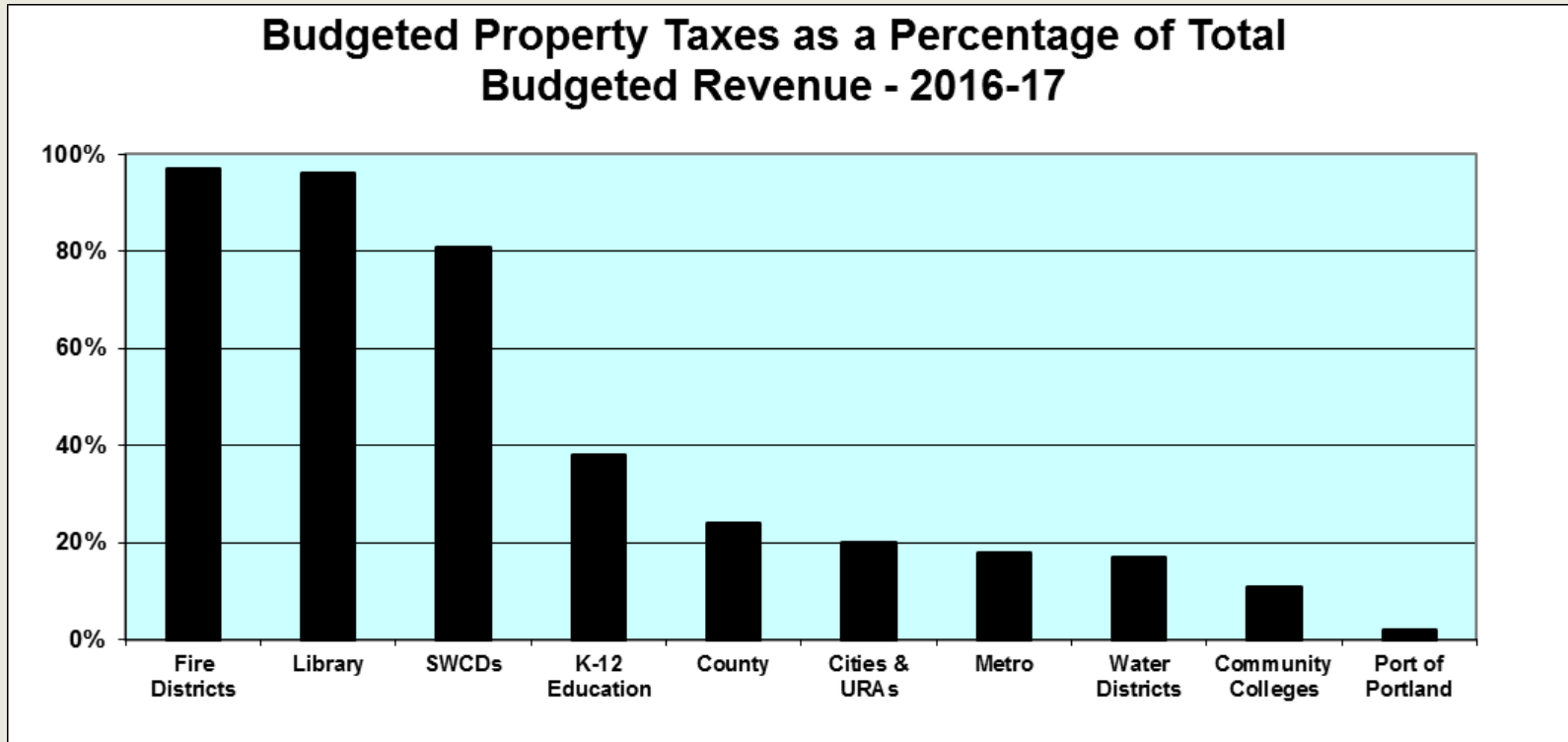
The Proposed Budget

Step 1: Estimating Beginning Fund Balance (BFB)

$$\begin{aligned} & \text{Cash on hand on date budget is prepared} \\ + & \text{ Estimated revenue duration of fiscal year} \\ - & \underline{\text{Estimated expenditures duration of fiscal year}} \\ = & \text{ Estimated BFB for start of ensuing fiscal year} \end{aligned}$$

The Proposed Budget

Step 2: Estimate Taxes



The Proposed Budget

Step 2: Estimate Taxes

Rate-Based Levy
Or
Dollar Amount Levy?

Rate-Based
\$X.XXXX

Permanent Levies
Local Option Levies

Dollar Amount
\$XXX,XXX

GO Bond Levies
Optional Method for:
Permanent Levies
Local Option Levies

The Proposed Budget

Rate-Based Tax Levies

Calculating Taxes to be Received

Assessed Value x Rate = Taxes Extended

Assessed Value Increases, FY16 to FY17	
County and Regional Districts	4.2%
East Multnomah S&WCD	4.4%
West Mult S&WCD	1.9%
City of Portland	4.4%
All other Cities	2.7%
MHCC	4.2%
PCC	4.5%
School Districts	2.0% to 10.0%
Fire Districts	-1.6% to 3.7%
Water Districts	1.3% to 5.7%
For more details see pages 40-41 Annual TSCC Report	

The Proposed Budget

Rate-Based Tax Levies

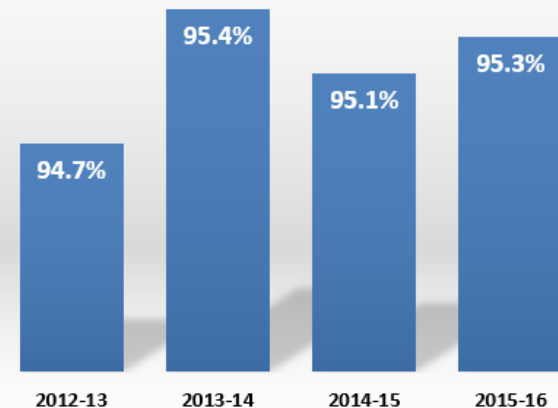
Calculating Taxes to be Received

Taxes Extended – Measure 5 loss – Discounts and Collection Loss = Taxes to be Received

2016-17 Taxes Lost to Compression

Multco	4.1%
Regional Districts	4.7%
City of Portland	6.1%
Other Cities	0.1%
MHCC	1.2%
PCC	0.3%
Portland Pub Sch	5.4%
School Districts	1.0%
Fire Districts	0.1%
Water Districts	0.0%

Percent of Current Year Property Taxes Collected by June 30th Annually



The Proposed Budget

Dollar Amount Tax Levies

Calculating Taxes to be Levied

Example:

Total Requirements	\$ 60,000
Less Resources On Hand	- <u>\$ 10,000</u>
Equals Taxes Needed	= \$ 50,000

Taxes Needed	\$ 50,000
Measure 5 LOSS (will be 0 for GO Bond Levies)	+ <u>\$ 1,000</u>
Taxes Imposed	= \$ 51,000

Collection %	/.953
Equals Tax Levy	= \$ 53,515



Levy to Approve, Adopt, & Certify: \$ 53,515

The Proposed Budget

Step 3: Estimate Rest of Resources

\$ Beginning Fund Balance

\$ Revenues

- ¢ Property Taxes (current year)
- ¢ Prior Year Property Taxes
- ¢ Fees, Licenses, Fines
- ¢ Enterprise Revenue
- ¢ Federal / State / Local Revenue
- ¢ Grants
- ¢ Interest on Investments
- ¢ Bond or other Debt Proceeds
- ¢ Sale of Assets

\$ Interfund Transfers In

- \$ Cash
- \$ Interfund Service Reimbursements

ORS 294.361

The Proposed Budget

Each fund must be balanced
Resources = Requirements

Resources Are:

Beginning Fund Balance
+ Revenues
+ Transfers In
= Resources

Requirements Are:

Expenditures
+ Transfers Out
+ Ending Fund Balance
= Requirements

See Handout 4

The Proposed Budget

General Government Requirements

Used For:	Line Item Rollups	Budget Resolution	Budget Resolution & Post Adoption Changes	Budget Analysis & Post Adoption Changes		
	Personal Services	Allocated (to Org Units)	Appropriated	Expenditures		
	Materials and Services					
	Capital Outlay*					
	Debt Service	Not Allocated			Un-Appropriated	Non-Expenditures
	Special Payments					
	Transfers out					
	Contingency					
	Ending Fund Balance					

The Proposed Budget

Step 1: Estimate Personnel Services

Personnel Services are budgeted by organizational unit or activity and total FTE.

Current salaries/salary ranges not required to be in budget document but must be available upon request. ORS 294.388(5)

The Proposed Budget

Step 2: Estimate Materials and Services

State of Oregon
CPI Projection
(Portland/Salem) (Dec
2016)

2018	2.5%
2019	2.5%
2020	2.4%
2021	2.4%
2022	2.4%

“Median inflation expectations increased at the one-year horizon from 2.8% in December to 3.0% in January”

Press Release
**Inflation Expectations Rise in
January**

<https://www.newyorkfed.org/newsevents/news/research/2017/an170213>

The Proposed Budget

Step 3: Capital Outlay

- ▶ Assets with an initial life exceeding one fiscal year, with a minimum value determined by governing board
- ▶ Can be Allocated or Unallocated ORS 294.388(6)
- ▶ Should integrate with Capital Project and Capital Expenditure Plans

The Proposed Budget

Step 4: Estimate Debt Service

Debt service estimates must include separate amounts for principal and interest for each bond issue in each fund.

ORS 294.388(6)

Each bond issue or borrowing is identified by the issue date and exact payment date.

TSCC Budget Manual page 23

The Proposed Budget

Step 5: Contingencies

“The estimate for a fund may include an estimate for general operating contingencies”. 294.388(7)

An operating contingency is for expenditures in “operating funds” that “cannot be foreseen and planned in the budget” and should be based on prior history or risk analysis. OAR 150-294-0430

There is no limit on how much can be budgeted as contingency.

No Contingencies in Debt Service Funds!

The Proposed Budget

Step 6: Unappropriated Ending Fund Balance

1. Set-Aside for next year's beginning cash
2. To reserve cash for multi-year construction projects or in reserve funds
3. Cannot be spent during the year except in specified situations.
4. "Reserved for Future Expenditures" in a Reserve Fund can be spent during the year, but only for purposes for which the fund was established and after governing body action.

The Proposed Budget


Budget Message (294.403)

- 1) Explains budget document
- 2) Describes proposed financial policies for ensuing year
- 3) Describes important features of the budget document
- 4) Notes salient changes in appropriation and revenue items
- 5) Explains major changes in financial policies
- 6) Notes changes in method of accounting and the impact

Prepared at direction of CEO or Presiding Officer

Presented to Budget Committee with budget document
@ Committee's first meeting

The Proposed Budget

- ▶ Budget Document Defined: the budget detail sheets, tax levy, and financial summary. (294.311(6)) 
- ▶ May be provided to members of the Budget Committee prior to first meeting for informational purposes only, i.e. *no deliberations*)
- ▶ When given to Budget Committee it becomes a public document and a copy must be filed in the office of the municipal corporation for public inspection
- ▶ Means of duplication must be available to public. District may charge reasonable fee for photo copies.



See OAR 150-294-0310 for contents of the Adopted Budget document.

Budget Committee

Small District Membership

- Governing body and equal number of appointed electors
 - ❖ Electors are registered voters in the district
 - ❖ Cannot be officers, agents or employees of the district
- Serve three year terms (four year terms if biennial budget)
 - ❖ Terms must be staggered
 - ❖ If unable to find a willing number of appointive members, those who are willing to serve act along with the governing body
- All have equal authority
- Serve without compensation



Budget Committee

Large District Membership

For a large districts in Multnomah County, the governing body acts as the budget committee, without appointed citizen members.

Governing body may choose, by Resolution, to appoint citizen members to the budget committee. ORS 294.423(1)

The governing body of a city with a population in excess of 400,000 is the budget committee of the city's urban renewal agency. ORS 294.423(2)

Budget Committee (cont.)

To Hold a Meeting:

The budget committee must have a quorum present in order to conduct a meeting.

To Take Action:

A majority of committee members must vote for an action before the committee can take an action.

Notice of Budget Committee Meeting

**Informs the public of the budget committee meeting(s)
and seeks public input**

Notice must contain the following items:

- ❖ Purpose; (receive budget message and budget document);
- ❖ Date(s);
- ❖ Time;
- ❖ Location(s) of the budget committee meeting(s);
- ❖ Where the public can inspect the budget; and,
- ❖ When questions and comments will be received from the public (can be either at first meeting or subsequent meeting).

See Handouts 5 & 6

Notice of Budget Committee Meeting (cont.)

Four Notification Methods

- 1) Printing twice in newspaper of general circulation, 5 to 30 days before the meeting.
- 2) Posting notice on district website in a “prominent manner” and maintained on the website for at least 10 days before meeting, **and** printing once in the newspaper (must include web address)
- 3) Mail to each street address, rural route or PO Box at least 10 days prior to the meeting date, or
- 4) Hand delivery to each street address at least 10 days prior to the meeting.

Notice of Budget Committee Meeting (cont.)

If notice is published once in a newspaper and posted on website in a “**prominent manner**” for at least 10 days before the meeting, **the newspaper notice must give the Internet website address** of the website publication. ORS 294.426(5)(b).

See Handout 7

Notice of Budget Committee Meeting (cont.)

More than one meeting

- ❖ all meeting dates/times/locations can be included in first notice
- ❖ or meetings subsequent to first meeting can be noticed the same as regular meetings

First notice must include the meeting date at which public comment and questions will be taken.

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Budget Committee Duties

The committee's primary duties are to:

- ❖ Receive budget document
- ❖ Listen to the budget message
- ❖ Listen to and consider public comment
- ❖ Establish expenditures for each fund (must balance with resources)
- ❖ Approve the budget
- ❖ Specify the maximum property tax rate or amount for each fund that receives property taxes.

“The Budget Committee may not deliberate on the budget document before the first meeting.” ORS 294.426(6)(a)

Budget Committee Duties (cont.)

Duties are complete once they approve budget

Can only be convened back into session by the governing body.

Budget staff will complete the Approved Budget column as approved by committee.

2014-15 Actual	2015-16 Actual	2016-17 Revised Budget	Line Item	2017-18 Budget			
				FTE	Proposed	Approved	Adopted
\$	\$\$	\$\$\$	Personal Services	10	\$\$\$\$	\$\$\$\$	

TSCC Review

TSCC is required by state law to review the Approved Budgets of member jurisdictions.

TSCC review is an good opportunity for a second look at your budget.

Maintain a complete set of spreadsheets for all jurisdictions in county

See Handout 8 for review process

TSCC Review

Some of the items we look for:

- Is each fund balanced in all four years?
- Do the actual expenses for prior years balance to the audit?
- Are the current and prior year property tax collections reasonable?
- Do the GO debt service payments balance to the debt service schedules?
- Is the GO debt service ending fund balance in excess of ensuing year needs?

TSCC Review

For TSCC Member Jurisdictions:

TSCC staff prepares a written review of your budget for the Commission.

TSCC staff includes any objections or recommendations it has with respect to the budget.

TSCC Certification

TSCC Recommendation

Notice that something was done incorrectly in the budget/spending process

Common Errors Generating Recommendations

Over-expenditures in prior years

Negative ending fund balance

Improper meeting notice

TSCC Certification

TSCC Objection

Notice of something incorrect in the budget

Must be fix prior to adoption

Common Errors Generating Objections

An excessive fund balance in GO Bond fund

Crediting of property tax revenue to an improper fund

Having a contingency in a non-operating fund

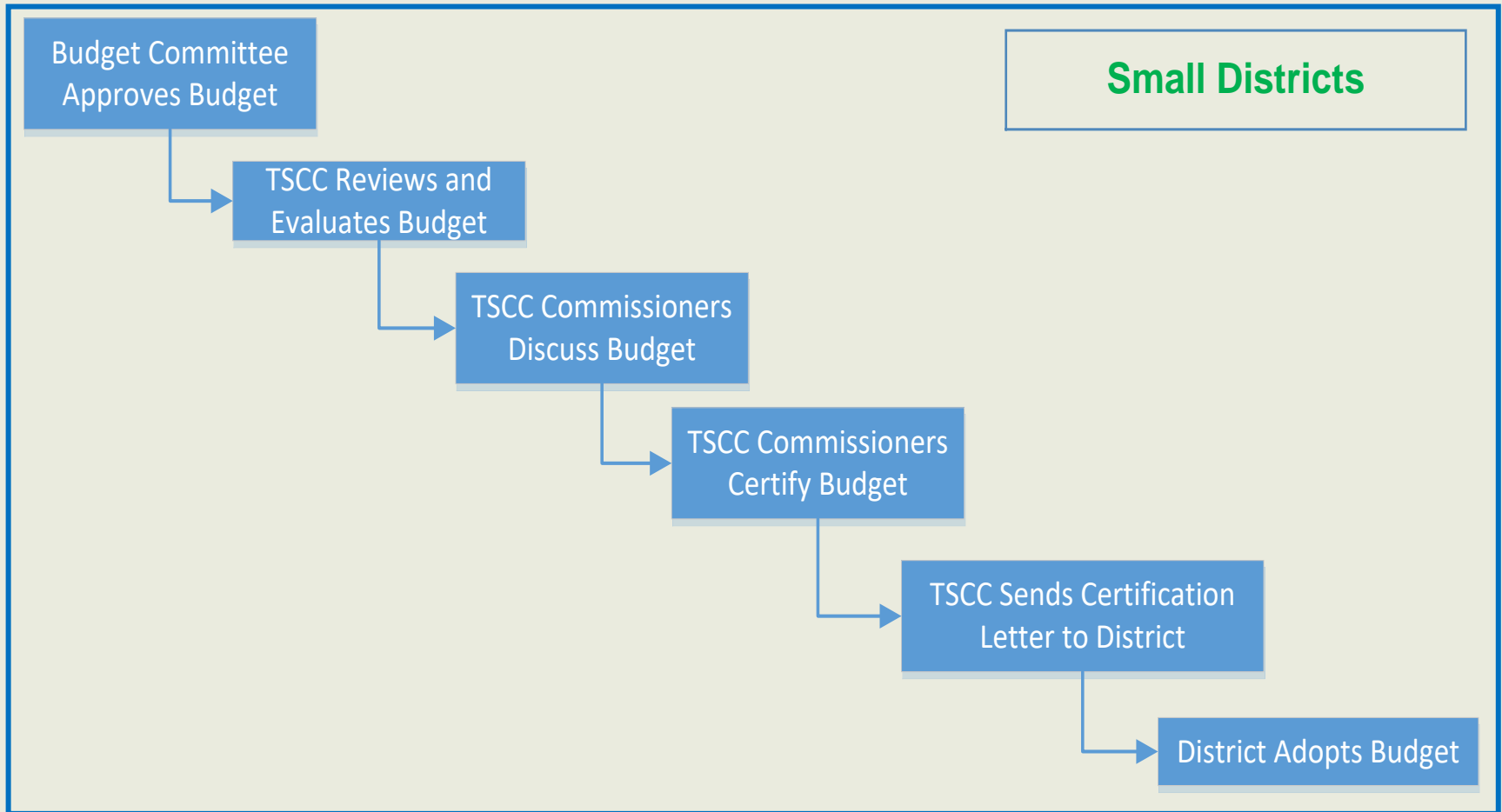
TSCC Certification Letter

This letter certifies any recommendations and/or objections the commission has to budget or budget process

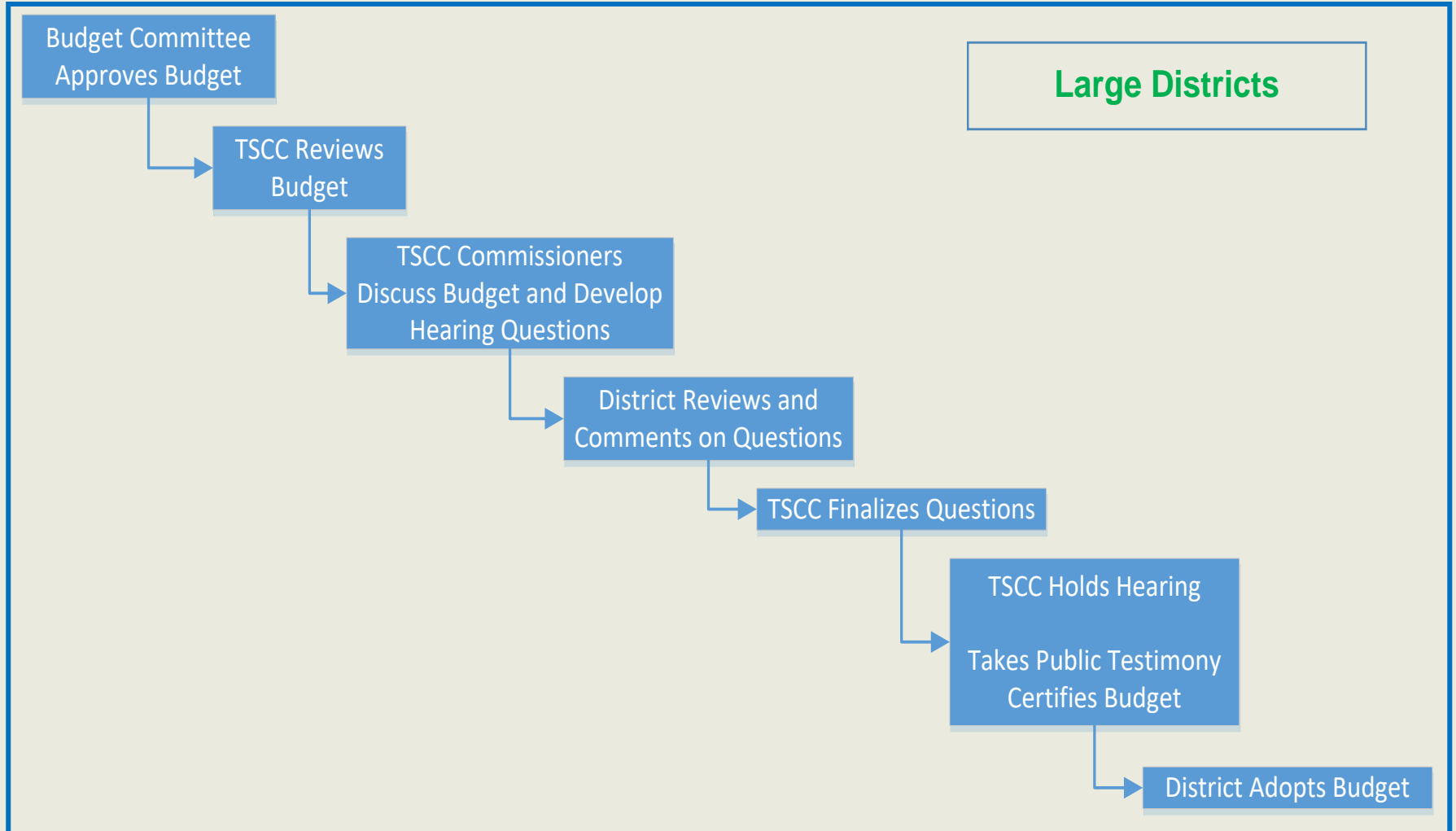
This letter is to be acknowledged and discussed at the District's Adopted Budget Hearing

If letter contains recommendations or objections a written answer from the district must be sent to TSCC

TSCC Process



TSCC Process



Budget Adoption

Process

- ▶ Prepare Financial Summary of Approved Budget
ORS 294.438
- ▶ Schedule and notice a Budget Hearing ORS 294.438
- ▶ Hold Public hearing to accept comments from the public. ORS 294.453.
- ▶ Use a Budget Resolution to Adopt the budget.
ORS 294.456

Budget Adoption

Small Districts: Notice & Process

All small districts conduct their own hearings and use the state form for public notice:

- ❖ General Governments (Form LB – 1)
- ❖ Education Districts (Form ED – 1)
- ❖ Urban Renewal Agencies (Form UR – 1).

Any person may appear for or against any item in the approved budget document

See Handout 9

Budget Adoption

Large District Notice & Process

- District publishes a notice of the hearing with a streamlined, summary format. ORS 294.448(2)
- TSCC commissioners conduct the public hearing
- Any person may appear for or against any item in the approved budget document

Budget Adoption

After the Budget Hearing

After the hearing and “consideration of matters discussed at the public hearing” (294.456(1)(a)), the governing body shall enact the budget resolution

Districts under TSCC jurisdiction must review the TSCC Certification Letter and take action on objections or recommendations, if required

Budget Adoption

After the Budget Hearing

The governing body may amend the budget estimates and tax rate or levy amount (and thus the resolution) prior to adoption, within limits.
(294.456(1)(b))

- ❖ Expenditures in a fund cannot be increased by more than \$5,000, or 10%, whichever is greater (\$10,000 or 10% in a 2 year budget)
- ❖ The tax levy rate or amount approved by the budget committee cannot be increased

Budget Adoption

Budget Resolution

1. Adopts the Budget
2. Makes Appropriations
3. Declares and Categorizes Property Tax Rate or Amount.

See Handouts 10 & 11

Budget Adoption

Budget Resolution

- ❖ The resolution appropriations are the district's legal authority to expend public funds...
.....Not the budget.
- ❖ They can not lawfully be exceeded
- ❖ Note that resources are not in the resolution or ordinance.

Budget Adoption

The Adopted Budget Document

- a) The two budget committee notices
- b) Budget hearing notice
- c) Budget detail sheets
- d) Resolution imposing property taxes
- e) Resolution categorizing the taxes
- f) Notice of property tax levy form
- g) Samples of ballots of any new property tax approved by voters, for first time levy

OAR 150-294.0310

Post Adoption Actions

Filing Requirements

- By July 15 Assessor's Office in each county
 - ❖ Two copies of resolutions
 - ❖ The property tax certification (Form LB-50 / ED-50 / UR-50)
 - ❖ Ballot Title for any new voter-approved property taxes

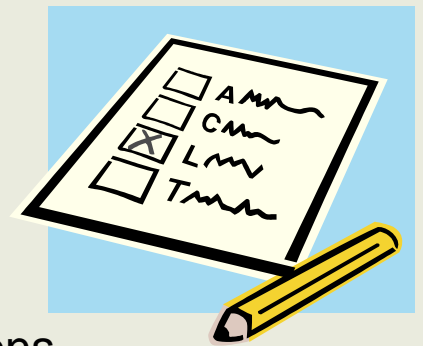
- By September 30 to the County Clerk in each county
 - ❖ Budget Document

In Multnomah County there is no County Clerk.
Budget document is filed TSCC.

Property Tax Measures

Municipal Corporations can seek voter approval for three types of property taxes:

- Permanent Tax Rate Limit
 - ❖ Only those districts that have never levied operating taxes
- Local Option Levy
 - ❖ Dollar amount or rate per \$1,000
 - ❖ Operations (five year maximum) or Capital Projects (ten year maximum)
 - ❖ General operations or specific purpose operations
- General Obligation Bonds



Property Tax Measures

When to include new property tax revenue in budget?

May Election:

Include in Approved Budget by Budget Committee action.

November Election:

Levy authority can not be used until subsequent fiscal year.

Property Tax Measures

TSCC Tax Measure Hearings

TSCC holds a hearing on all property tax measures of member jurisdictions.

See Handout 12

Resources

- TSCC Staff, available anytime, anywhere
- TSCC Budget Manual for Local Governments in Multnomah County
- TSCC web site: www.tscmultco.com
- DOR Local Budget Law Training sessions (refer to handout for dates and locations)
- DOR's 2015-16 Local Budget Law and Notice of Property Tax Forms and Instructions booklet
- DOR Local Budgeting Manual
- DOR web site:
<http://www.oregon.gov/DOR/programs/property/Pages/local-budget.aspx>