

Eighteen Budget Questions

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Rebecca Hall, Oregon Department of Revenue, has made significant contributions to this presentation

Property Taxes

$$\text{Rate} \times \text{Value} = \text{Taxes}$$

COMPRESSION

Compression is the **reduction in taxes** required **on individual properties** by the constitutional tax rate limits of:

\$5 for education

\$10 for general government

Calculated on Real Market Value of each property

Tax Code	District	School	Government	Unlimited
088.31 RAILROAD	Washington County	-	2.6225	0.0626
	NW Regional ESD	0.1357	-	-
	Portland Community College	0.2494	-	0.3489
	Sherwood School District	4.2432	-	3.4084
	Port of Portland	-	0.0619	-
	City of Sherwood	-	2.9075	0.5084
	Tri-Met	-	-	-
	Metro	-	0.1812	0.1804
	Clean Water Services	-	-	-
	Urban Renewal - Sherwood	-	1.9004	-
	Total Tax Rate		4.6283	7.6735

But, Wait!

Property Address: 1120 SW 5th Ave, Portland

Real Market Value \$300,000
 Assessed Value \$300,000

	<u>Tax Rate</u>
Permanent Rates:	
Edu Service District	0.4144
Community College	0.2538
K-12 School District	4.7264
Local Option Levy Rate:	
K-12 School District	<u>1.1311</u>
Education District Subtotals	\$ 6.5257
Constitutional Limit	\$ 5.0000

<u>Taxes Extended</u>	
\$	124
	76
	1,418
	<u>339</u>
\$	1,958
\$	1,500

	<u>Tax Rate</u>	<u>Taxes Extended</u>
Constitutional Limit	\$ 5.0000	\$ 1,500
Over Limit by		\$ 458
Reduce LOL First		(339)
Remaining Taxes		<u>\$ 1,618</u>

\$1,500 is 93% of \$1,618

So each Permanent Levy is reduced by 7%

	Taxes Extended	Loss to Compression	Taxes Imposed
Edu Service District	\$ 124	\$ 9	\$ 115
Community College	76	6	71
K-12 School District	1,418	104	1,314
K-12 School District LOL	339	339	-
Totals	<u>\$ 1,958</u>	<u>\$ 458</u>	<u>\$ 1,500</u>

Compression Loss - Local Option Levies (\$000) Tax Year 2017

	Taxes Extended	Compression Loss	Taxes Imposed	Percent Lost to Compression
SAUVIE ISLAND RFPD #30 LOC OPT	\$ 59	\$ -	\$ 59	0%
RIVERDALE FIRE DIST #11J LOC OPT	155	0	154	0%
RIVERDALE SCHOOL DIST LOC OPT	898	42	857	5%
MULTNOMAH COUNTY HIST SOC LOC OPT	3,978	792	3,185	20%
METRO - OPEN LANDS LOC OPT	7,549	1,521	6,028	20%
CITY OF PORTLAND CHILDRENS LOC OPT	26,339	6,115	20,224	23%
PORTLAND PUBLIC SD LOC OPT	<u>110,995</u>	<u>18,623</u>	<u>92,372</u>	17%
Total All Local Option Levies	\$ 149,973	\$ 27,094	\$ 122,879	18%

**Is an urban renewal special levy
treated as a local option levy in
terms of absorbing compression
impacts?**

No.

The UR special levy is treated like the general government permanent rate levies for Compression.

Compression is taken first from local option levies, and then if necessary, it's taken proportionally from the permanent rate levies.

When we formed our district ten years ago we got a permanent rate of \$0.50. That is not enough. Can we increase that rate?

No.

A district can not increase its permanent levy. Your district has two options.

1. Dissolve the district and ask voter approval for a new district and a new permanent rate.
2. Ask the voters to approve a local option levy.

Why is the Assessed Value for our local option levy higher than the Assessed Value for our permanent rate?

		ASSESSED VALUE
	TAX	FOR COMPUTING
TAXING DISTRICT	DIST.	TAX RATES
	CODE	(MULTNOMAH CO)
MULTNOMAH COUNTY	170	68,831,685,323
MULTNOMAH COUNTY BONDS	170	68,831,685,323
MULTNOMAH COUNTY HIST SOC LOC OPT	170H	75,636,627,007

Because of Urban Renewal.

Urban renewal districts get their tax revenue by reducing other districts' levies.

The Assessor does this by reducing assessed value, not by reducing tax rates.

But, in general, local option levies are exempt from reduction for urban renewal taxes. So the Assessor does not reduce the assessed value of local option levies.

Budget Committees

**What do we do with
disruptive people at budget
committee meetings?**



LEAGUE OF OREGON CITIES

WHITE PAPER

**Legal Guide to Handling
Disruptive People in Public
Meetings**

MAY 2017

**We have a problematic Budget
Committee member and we
would like to remove him from
the committee.**

Can we do that?

Yes, but only with caution.

This is a personnel issue, not a
budget law issue.

But note 294.428(3)

Budget Tech

**During budget committee
deliberation we found an
error in the Proposed Budget.**

**Can we change the Proposed
Budget?**

No.

Make the correction as part of the Committee's approval process.

Correct errors in the Approved Budget when the Governing Board adopts the budget.

Next year our new City Manager would like to have a Council work session on the budget after it is approved by the budget committee and before it goes forward to the final Public Hearing during the Council Meeting.

Can we do that?

There is no statutory probation
against this work session.

But is it good public policy?

What is the reason for the meeting?

What is the message to the citizen
budget committee?

**Is there a specific ORS budget law
around position control?**

**I understand that permanently
funded positions needed to be
approved in the budget adoption
process and positions added mid-
year require a supplemental
budget.**

No.

Position control is up to the district

The ORS requires only that the estimate for Personnel Services include the number of associated FTE. 294.388 (5).

Our Budget Committee discussed an issue and decided not to include it in the Approved Budget. The Board concurred and did not include the item in the Adopted Budget.

Can the Board change its mind mid-year and change the budget to allow for the purchase?

Yes, if:

1. Appropriation is available, or
2. If the purchase qualifies for a supplemental budget

....And what is the general rule for qualifying for a supplemental budget?

“...an occurrence or condition not
ascertained when preparing original
budget...”

ORS 294.471(1) (a)

I am working on the ED-1 for my district. The examples/samples show me to use the Adopted Budget for the second column. It seems to me more transparent to use the Amended Budget for that column.

Which I should use?

**FORM
ED-1**

NOTICE OF BUDGET HEARING

A public meeting of the _____ will be held on _____ at _____ a.m. at
(Governing body) (Date) p.m.
 _____,
(Location) Oregon. The purpose of this meeting is to discuss the

budget for the fiscal year beginning July 1, 20____ as approved by the _____ Budget Committee.
(District name)

A summary of the budget is presented below. A copy of the budget may be inspected or obtained at _____
(Street address)
 _____ between the hours of _____ a.m., and _____ p.m., or online at _____.

This budget is for an annual; biennial budget period. This budget was prepared on a basis of accounting that is: the same as;
 different than the preceding year. If different, the major changes and their effect on the budget are:

Contact _____	Telephone number (____) _____	E-mail _____
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FINANCIAL SUMMARY – RESOURCES

TOTAL OF ALL FUNDS	Actual Budget 20____–20____	Adopted Budget This Year: 20____–20____	Approved Budget Next Year: 20____–20____
1. Beginning Fund Balance			
2. Current Year Property Taxes, other than Local Option Taxes			
3. Current Year Local Option Property Taxes			
4. Other Revenue from Local Sources			
5. Revenue from Intermediate Sources			
6. Revenue from State Sources			
7. Revenue from Federal Sources			
8. Intorfund Transfers			
9. All Other Budget Resources			
10. Total Resources			

FINANCIAL SUMMARY – REQUIREMENTS BY OBJECT CLASSIFICATION

Yes, if you have amended
the budget, use the
Amended Budget on the
ED/LB-1.

**What is the purpose of the
Adopted Budget book?**

The purpose of the adopted budget book is to show the world that the district followed state law in preparing its budget and to show the amounts and sources of revenues to pay for the appropriations.

Many jurisdictions expand upon that requirement and provide additional information.

What information and documents have to be in the Adopted Budget book?

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

The Appropriations in the budget resolution are the legal spending limits. But what about the categories in those appropriations?

Are the Personnel Services, Materials and Services, and Capital Outlay levels in the budget also legal spending limits?

Budget Summary		
General Fund		
	FTE	Adopted Budget
Adminstration		
Personnel Services	2.0	164,000
Materials and Services		<u>12,000</u>
Total Administration		176,000
Finance and HR		
Personnel Services	2.5	150,000
Materials and Services		<u>16,000</u>
Total Fin & HR		166,000
Legal		
Personnel Services	0.5	50,000
Materials and Services		<u>14,000</u>
Total Legal		64,000
Police		
Personnel Services	7.5	652,000
Materials and Services		256,000
Capital Outlay		<u>55,000</u>
Total Police		963,000
Library		
Personnel Services	8.0	300,000
Materials and Services		75,000
Capital Outlay		<u>55,000</u>
Total Library		430,000
Transfers Out		95,000
Contingency		100,000
Ending Fund Balance		<u>450,000</u>
Total Budget	20.5	2,444,000

Budget Resolution

General Fund

Adminstration	\$ 176,000
Finance and HR	166,000
Legal	64,000
Police	963,000
Library	430,000
Transfers Out	95,000
Contingency	<u>100,000</u>
Total Appropriations	\$ 1,994,000
Ending Fund Balance	<u>450,000</u>
Total Budget	\$ 2,444,000

No, budget category and line item amounts are not spending limits in the eyes of Local Budget Law.

The budget resolution is the sole source of legal spending limitations for Local Budget Law purposes.

**Can appropriations be transferred
from another fund into the
General Fund?**

Yes, appropriations can be transferred to the General Fund. Appropriations are, after all, just the authority to spend money.

But what about Revenues? Most other funds exist because of restrictions on the revenue sources. Transferring the revenues would violate those restrictions. So, transfer appropriations, yes. Transfer revenues, no.

There are exceptions. Revenues can be transferred into the General Fund when:

- Closing out a fund and sending the remnant resources to the General Fund,
- Paying back an Interfund loan, and
- Paying for services provided by the General Fund

Can I do a resolution transfer to transfer appropriation from an expenditure line item into contingency?

Yes.

...transfers of appropriations may be made within a fund when authorized by ordinance or resolution....(and between funds).

ORS 294.463

We have:

- **Unforeseen occurrence.**
- **Will increase fund's expenditure budget by 25%.**
- **Will be paid for with user fees.**

We need to do a supplemental budget, right?

Not Necessarily.

You can use an appropriation resolution
in this situation. ORS 294.338 (3)(a)

It appears that because tax money is not involved, the legislature allows this simplified process for districts to modify budgets. **Unless.....**

.....you need to create a new appropriations category. That will require a supplemental Budget.

OAR 150-294-0550

Eighteen Budget Questions

<http://www.tscmultco.com/training/>

TSCC Budget Manual

http://www.tscmultco.com/wp-content/uploads/budget_manual.pdf

Post-Adoption Budget Changes

<http://www.tscmultco.com/wp-content/uploads/Jan-2017-Post-Adoption-Bud-Changes-Handout.pdf>

Post-Adoption Budget Changes Flowchart

<http://www.tscmultco.com/wp-content/uploads/Jan-2017-Post-adoption-changes-11x17.pdf>

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