

City Budgeting in Oregon: A Brief Overview

City of St. Helens
Budget Committee Orientation Meeting

Pre-meeting Topics for Budget Committee Discussions

We are sometimes asked whether the budget committee can be called together for “preliminary” discussions prior to their first “official” meeting under ORS 294.426 at which the budget message is delivered and for which notice must be published.

Following is a list of the types or topics of discussion that can be conducted prior to that first official meeting:

- Training on the budget committee process, calendar, expectations for committee members, etc.
- Committee members’ preferences for ground rules, rules of order, conduct of meetings, voting / reaching consensus, fact finding process, etc.
- Orientation on the organization and its various departments, programs, staffing, etc., and on the activities or services provided by each.
- Orientation on the budget document, the fund structure and the types of activities or programs and expenditures made from each fund in the budget.



Pre-meeting Topics for Budget Committee Discussions

- General discussion of vision and goals, spending priorities, or philosophy on how to allocate scarce resources or make trade-off decisions as to which programs get funded and which don't.
- General economic projections by the finance officer of possible changes in resources or requirements expected next year.
- Any and all discussion of the current year budget or prior year budgets, including what, in general, might be done differently next year.

Pre-meeting Topics for Budget Committee Discussions

What **cannot** be discussed before the formally “noticed” meeting?

ORS 294.426(6): “The budget committee may not deliberate on the budget document as a body before the first meeting.” So, we recommend that you do not talk about:

- Specific estimates or appropriation amounts associated with any fund or line item, resource or requirement.
- **The question of whether to fund specific programs or expenditures.**
- The question of whether to impose any tax levy, or the amount of any levy.

Outline

- Background
- Calendar
- The Mechanics
 - Budget Structure
 - Fund Structure
- Additional Considerations
 - Property Taxes
 - Budget Committee Processes and Procedures
 - Public Comment

Budget Calendar

FY 2025 Budget Calendar

	<u>DATE</u>	<u>DESCRIPTION</u>	<u>COMPLETION/DUE DATE</u>
City Council			
	12/20/2023	Appoint Budget Officer	12/20/2023
	12/20/2023	Approve Budget Calendar	12/20/2023
	1/17/2024	Approve Department Goals	1/17/2024
	6/5/2024	Budget Hearing and Adoption	6/30/2024
Budget Officer			
	1/11/2024	Budget Workshop for Council & Committee	1/11/2024
	1/15/2024	Salary Projections to Departments	1/15/2024
	1/15/2024	Budget Worksheets to Departments	1/15/2024
	1/15 - 3/15/2024	Department Meetings	3/15/2024
	3/15 - 4/15/2024	Complete Proposed Budget	4/15/2024
	4/10/2024	Publish Committee Meeting Notice on Website	4/15/2024
		Publish Committee Meeting Notice in Newspaper	4/17/2024
	5/29/2024	Publish Budget Hearing Notice in Newspaper	5/29/2024
Departments			
	12/20 - 1/4/2024	Develop Department Goals	1/4/2024
	1/5 - 1/30/2024	Capital Improvement Plan / Needs	1/30/2024
	1/15 - 3/15/2024	Complete Department Budgets	3/15/2024
	3/15 - 4/10/2024	Department Narratives	4/10/2024
Budget Committee			
	4/25/2024	Budget Committee Meeting #1	5/9/2024
	5/2/2024	Budget Committee Meeting #2	5/16/2024
	5/16/2024	Budget Committee Meeting #3 (if needed)	5/23/2024



Background

Why do we have local budget laws?

Local budget law is designed to:

- Establish standard procedures for preparing, presenting, and administering the budgets of Oregon's local governments.
- Encourage citizen involvement in the preparation of the budget before its final adoption.
- Provide a method of estimating revenues, expenditures, and proposed taxes.
- Institute a method for control of revenues and expenditures that promotes efficiency and economy when using public funds.
- Encourage citizen involvement. Public policy decisions are to be made openly in public meetings because the people have the right to be there and know what their local government intends to do.


Do all governments have to comply?

Schools, counties, cities, rural fire protection districts, urban renewal agencies, and most special districts are subject to the same budgeting provisions. Some special districts are not.

What are local governments required to do?

There are many steps in the development and final adoption of the annual budget:

1. The budget officer prepares a proposed budget.
2. Notice of the budget committee meeting is published.
3. The budget document is made available at or before the meeting.
4. The budget committee conducts at least one public meeting for questions or comments.
5. The budget committee approves the budget.

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6. Notice of the public hearing and a summary of the approved budget are published.
 7. The governing body conducts a public hearing on the approved budget.
 8. The governing body, after public comment and deliberations, adopts the budget and enacts resolutions or ordinances by June 30.
 9. The government body certifies the district's tax, if any, to the county assessor by July 15.

What is a Budget

- A legal document
 - Makes lawful appropriations that give the City the authority to spend public money
- A financial plan for the City for one fiscal year
 - Based on estimates of revenues and expenditures
- An internal control mechanism
 - Referenced by City auditors
- A policy document
 - Funds the plans and priorities of the City
- A public communication document
 - Expresses the City's goals to the citizens

Local Budget Law – Who Makes the Rules?

- State of Oregon (ORS 294.305 – 294.565)
 - Establishes standard procedures
 - Outlines programs and fiscal policies
 - Requires estimates of resources and expenditures
 - Controls expenditure of public funds
 - Encourages citizen involvement

The Mechanics

The Budget Process: Overview

- The Budget Officer (Finance Director) prepares the **Proposed Budget** in consultation with City staff
- The Budget Committee reviews, revises, and approves the budget
 - Then it becomes the **Approved Budget** (to be referred to the City Council)
- The City Council holds a public hearing, makes further revisions, and adopts the budget
 - It now becomes the **Adopted Budget**
 - The Adopted Budget is the City's legal budget – making appropriations and levying taxes

The Budget Committee

- Consists of City Council and equal number of appointees
- Primary roles
 - Hear the Budget Officer's budget message and receives the proposed budget
 - Hold public meetings
 - Hear public comments/input
 - Review and discuss the Proposed Budget
 - Make revisions to the Proposed Budget
 - Approve the budget
 - Approve each tax rate or dollar amount

Budget and Fund Structure

Budget Structure

- Budget is organized by Fund
 - A Fund is a self-balancing set of accounts used to record estimated resources (beginning fund balance and revenues) and requirements (uses and ending fund balance) for specific activities and objectives
- All resources and requirements must be budgeted
- All resources and requirements must balance
- Estimates of resources and requirements must be made in “good faith”

Funds Must Balance



PARKS SDC FUND	2021-22 Actual	2022-23 Actual	2023-24 Adopted
<u>RESOURCES</u>			
CHARGES FOR SERVICES			
305-000-34008 SDC Charges	406,658	33,966	100,000
TOTAL CHARGES FOR SERVICES	406,658	33,966	100,000
MISCELLANEOUS			
301-000-37001 Interest		29,463	
305-000-37004 Miscellaneous - General	-	-	-
TOTAL MISCELLANEOUS	-	29,463	-
FUND BALANCE AVAILABLE			
305-000-39001 Fund Balance Available	744,838	1,063,106	1,066,400
TOTAL RESOURCES	1,151,496	1,097,072	1,166,400
<u>EXPENSES</u>			
MATERIALS & SERVICES			
305-000-52017 SDC Admin Fees	44,767	1,698	10,000
305-000-52019 Professional Services	40,441	30,605	-
TOTAL MATERIALS & SERVICES	85,208	32,303	10,000
CAPITAL OUTLAY			
305-000-53001 Capital Outlay	3,182	198	-
305-000-53902 Columbia View Park Improvement	-	-	992,000
TOTAL CAPITAL OUTLAY	3,182	198	992,000
CONTINGENCY			
305-000-58001 Contingency	-	-	164,400
ENDING FUND BALANCE	1,063,106	1,064,571	-
TOTAL EXPENSES	1,151,496	1,097,072	1,166,400

Common Types of Funds

- **Governmental Funds**
 - General Fund
 - Special Revenue Funds
 - Debt Service Funds
 - Capital Projects Funds
 - Reserve Funds
- **Proprietary Funds**
 - Enterprise (Utility) Funds
 - Capital Project Funds

St. Helens Fund Structure

- **Governmental Funds**

 - Operating**

 - General Fund

 - Special Revenue Funds**

 - Community Development Fund
 - Community Enhancement Fund
 - Visitor & Tourism Fund
 - Street Fund

St. Helens Fund Structure (cont.)

Capital Projects Funds

- Streets SDC Fund
- Parks SDC Fund
- Public Safety Fund
- Urban Renewal Fund

Internal Service Funds

- Public Works Operations Fund

St. Helens Fund Structure (cont.)

- **Proprietary Funds**

 - Operating**

 - Water Fund
 - Sewer Fund
 - Storm Fund

 - Capital Projects**

 - Water SDC
 - Sewer SDC
 - Storm SDC

Fund Structure

- **All Funds have resources and requirements sections**

Beginning Fund Balance + Revenues = Resources

Requirements (Expenditures) are appropriated by category or organizational unit:

The General Fund appropriates by department (organizational units)

All other funds appropriate by categories and/or programs. Typical categories are:

- Personal Services
- Materials and Supplies
- Capital Outlay
- Debt Service
- Transfers
- Contingency

Adopted Resources LESS Appropriations (Expenditures) and Unappropriated Ending Fund Balance = Zero (Balanced Budget)

Required Columns

- Actual, audited budget figures from the two fiscal years immediately preceding the current fiscal year.
- Budgeted amounts for the current fiscal year.
 - (St. Helens will also include projected figures for the end of this fiscal year in the proposed budget).
- Proposed budget from Budget Officer.
- Approved amounts from Budget Committee.
- Adopted amounts from City Council.

Required Columns



PARKS SDC FUND		2020-21 Actual	2021-22 Actual	2022-23 Adopted	2023-24 Proposed	2023-24 Approved	2023-24 Adopted
RESOURCES							
CHARGES FOR SERVICES							
305-000-34008	SDC Charges	513,971	406,658	250,000	100,000	100,000	100,000
FUND BALANCE AVAILABLE							
305-000-39001	Fund Balance Available	573,316	744,838	989,000	1,066,400	1,066,400	1,066,400
TOTAL RESOURCES		1,087,287	1,151,496	1,239,000	1,166,400	1,166,400	1,166,400
EXPENSES							
MATERIALS & SERVICES							
305-000-52017	SDC Admin Fees	-	44,767	50,000	10,000	10,000	10,000
305-000-52019	Professional Services	-	40,441	100,000	-	-	-
TOTAL MATERIALS & SERVICES		-	85,208	150,000	10,000	10,000	10,000
CAPITAL OUTLAY							
305-000-53001	Capital Outlay	323,915	3,182	1,089,000	-	-	-
305-000-53902	Columbia View Park Improvement	-	-	-	992,000	992,000	992,000
TOTAL CAPITAL OUTLAY		323,915	3,182	1,089,000	992,000	992,000	992,000
CONTINGENCY							
305-000-58001	Contingency	-	-	-	164,400	164,400	164,400
TOTAL EXPENSES		323,915	88,390	1,239,000	1,166,400	1,166,400	1,166,400

SAMPLE

Additional Considerations

Where does the money come from?

- *Top Revenue Drivers*
 - Property Taxes
 - Franchise Fees
 - State Shared Revenue
 - Licenses & Permits
 - User Fees & Charges

Property Taxes

- Oregon Law allows local governments to levy three types of property taxes:
 - Permanent Rate Levy
 - Local Option Levy
 - General Obligation Bond Levy (either as a rate or as a fixed dollar amount)
- St. Helens currently levies only the first type.

Property Taxes

- Permanent Rate Levy
 - This revenue goes to fund general City operations
 - Collected in General Fund
 - Permanent Rate is \$1.9078 per \$1,000 of assessed value
- Bond Levies
 - The City of St. Helens does not currently have a bond levy.

Property Taxes, cont.

- The Oregon Constitution places limits on property tax collection
 - Measure 50, passed in 1997, limits growth in **assessed** value to no more than 3% per year for existing property
 - Measure 5, passed in 1990, limits combined tax collection by general governments to \$10 per \$1,000 of **real market** value
 - If combined rates of all general jurisdictions exceed \$10 per \$1,000 on individual properties, local option taxes are the first to be 'compressed,' followed by permanent rate taxes
 - GO Bond levies are exempt from compression

Where does the money go?

- *There are different types of expenditures*
 - **Recurring Expenditures** require a source of constant income to pay for it, such as salaries and other operating expenses.
 - **One-Time Expenditures** are not recurring in nature, such as equipment or construction projects.

What is Fund Balance?

- Fund balance is the difference between the Assets (how much we have, primarily cash) and Liabilities (how much we owe).
- St. Helens reserve fund balance policy is 20% of general operating expenditures.

Let's get clear regarding debt

- Things you **CAN** pay for with debt:
 - Facilities
 - Infrastructure
 - Land / Property
 - Vehicles & Equipment
- Things you **CANNOT** pay for with debt:
 - Personnel
 - Maintenance
 - Supplies & services

Budget Committee Process

- All Budget Committee meetings are subject to Public Meetings Law
- A quorum is required to conduct business
- The Committee may request and receive additional information from staff
- A majority is required for voting

Public Comment

- The budget is a public document once it is released to the Budget Committee – copies must be made available to the public
- The Committee must take public comment at one or more meetings
- Any member of the public may speak when recognized

Recap

This is your role in the process.



**Propose
Budget**



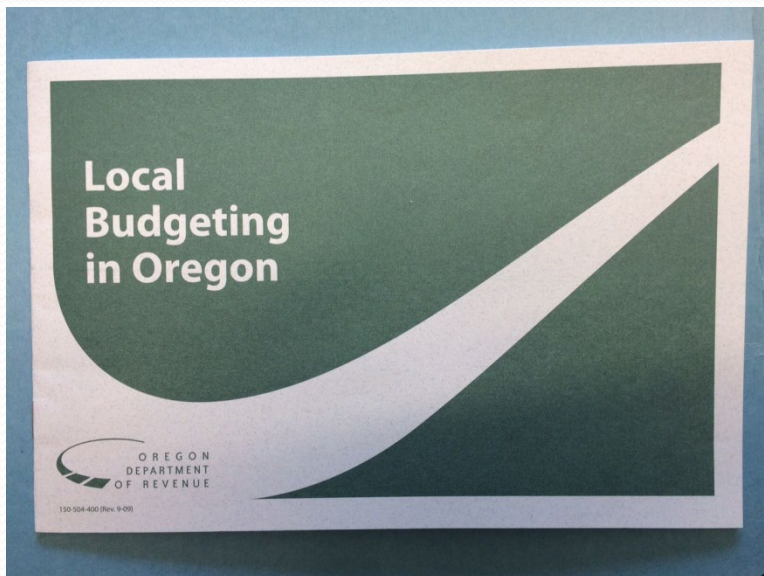
**Review &
Approve
Budget**



**Adopt &
Appropriate
Budget**

More Information

- Gloria Butsch, Budget Officer – (503) 366-8227
- John Walsh, City Administrator – (503) 366-8211
- OR Dept. of Revenue -
http://www.oregon.gov/dor/PTD/docs/local-budgeting-oregon_504-400.pdf



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Thank You!