



Budget Training

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OVERVIEW

1. Background on Budgeting
 - What is a budget?
 - Oregon Budget Law & The Budget Committee
 - Property Taxes
2. Reading the Proposed Budget Document
 - Budget Layers
 - Fund Descriptions and Overview
3. Budget process for BN 2020-2022 Tentative Plan



What is a budget?

- **Budget as a reflection of policy**
 - What the City deems most important will govern the way it spends available funds
- **Policy areas that guide the budget:**
 - Overall direction of the City
 - Municipal responsibilities
 - City's financial obligations
 - City's risk and stability posture
- Final budget reflects community priorities
- Justifies the imposition of property taxes

Budget as a Plan

- **The budget is the city's:**
 - Financial, operational and capital plan
 - Defines spending authority on City services
 - Basis on estimates for revenues, expenditures and other requirements

Budget as a control

- **Control over public funds**
 - Restricts spending to the authorized limit (appropriations)
 - Helps ensure fulfillment of council goals
 - Prevents unplanned spending of reserves
- **Budget monitoring**
 - Help identify trends and other deviations
 - Demonstrates transparency
 - Ensures the accountability of spending
- Appropriation transfers require Council approval



Oregon Local Budget Law



Oregon Local Budget Law

- **ORS 294.305 to 294.565**
 - Series of statutes that require local governments to prepare and adopt annual or biennial budgets following a very specific process
 - Outlines the budget cycle, basis of account, and requirements for estimates
 - Provides standardized methods of estimating revenues, expenditures, and proposed taxes
 - Specifies requirements for public meetings, publication notices and the budget committee

Oregon Local Budget Law

- **Budget Committee**

- Council appoints citizen members to the budget committee in a number equal to the size of Council
- Hears the budget officer's budget message
- Reviews the proposed budget, considers comments from the public, and approves the budget & tax levy

Roles & Responsibilities

- **Budget Officer (Ann Ober, City Manager)**
 - Provides budget directions to departments based on council goals and financial forecasts
 - Prepares proposed budget, 5-Year Capital Improvement Plan (CIP), and Budget Message
- **Departments**
 - Prepares requested budgets in line with the budget message and goals for the department
 - Develop operational and capital expenditure line items
- **Budget Committee**
 - Hears budget message and long-term financial forecast
 - Discusses the proposed budget
 - Approves the budget & tax levy

Property Taxes



Property Taxes

- **Major influences on Property Taxes**
 - Measure 5 (1990) “Compression” – established limits on taxes based on Real Market Value (RMV).
 - \$5 per \$1000 of RMV for educational Levies
 - \$10 per \$1000 of RMV for general government
 - Measure 50 (1997) – established permanent rate system we have now, and set limits on the growth of assessed value.
- **City of Milwaukie’s tax authority**
 - Permanent rate \$4.1367 per \$1000 of assessed value (AV).
 - General obligation bond debt service levy.
- **Total AV**
 - \$2,086,296,962 (after subtracting Urban Renewal increment value)
 - Source: 2018 Summary of Assessments & Levies (SAL) Report, Clackamas County Assessors office.

Milwaukie Housing Comparison



House #1

2973 Sq. Ft., built in 1999

AV: \$467,610

RMV: \$478,492

Combined Tax Rate \$19.7673

Compression loss:

\$247.25 (Education)

\$181.19 (Gen. Gov.)

18/19 Tax Bill: \$8,058.39



House #2

2316 Sq. Ft., built in 1920

AV: \$160,215

RMV: \$420,665

Combined Tax Rate \$19.7673

Compression loss: \$0

18/19 Tax Bill: \$3167.02



House #3

2923 Sq. Ft., built in 1941

AV: \$549,011

RMV: \$911,951

Combined Tax Rate \$19.7673

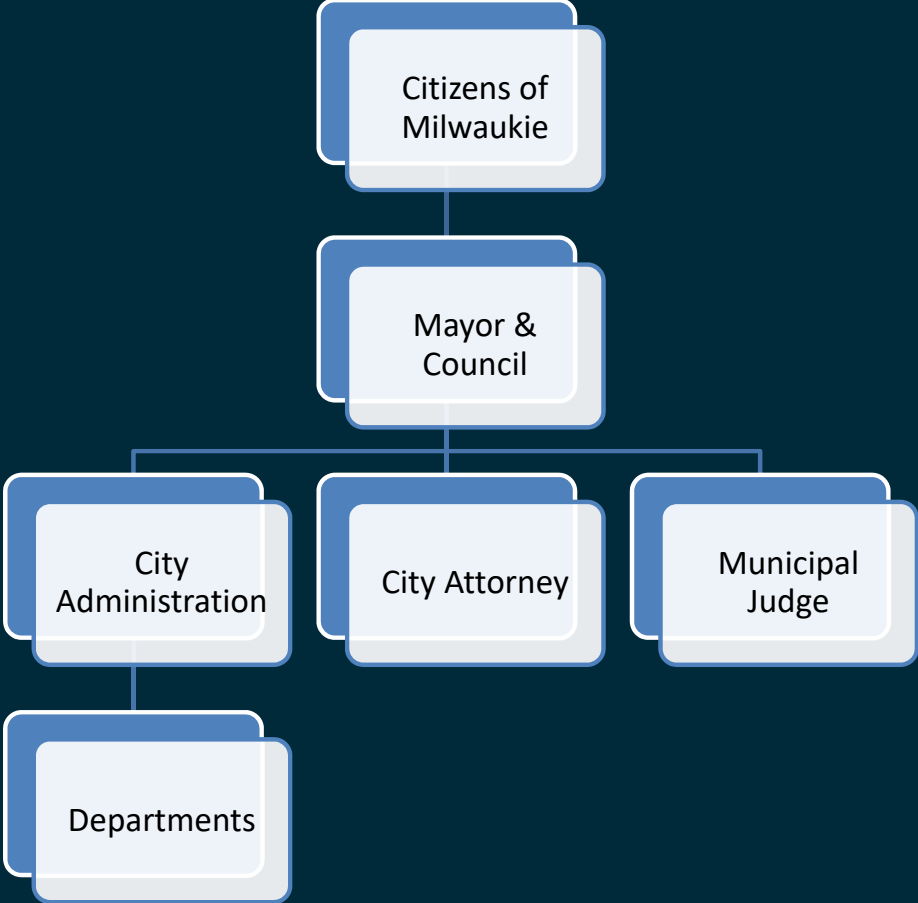
Compression loss: \$0

18/19 Tax Bill: \$10,852.47

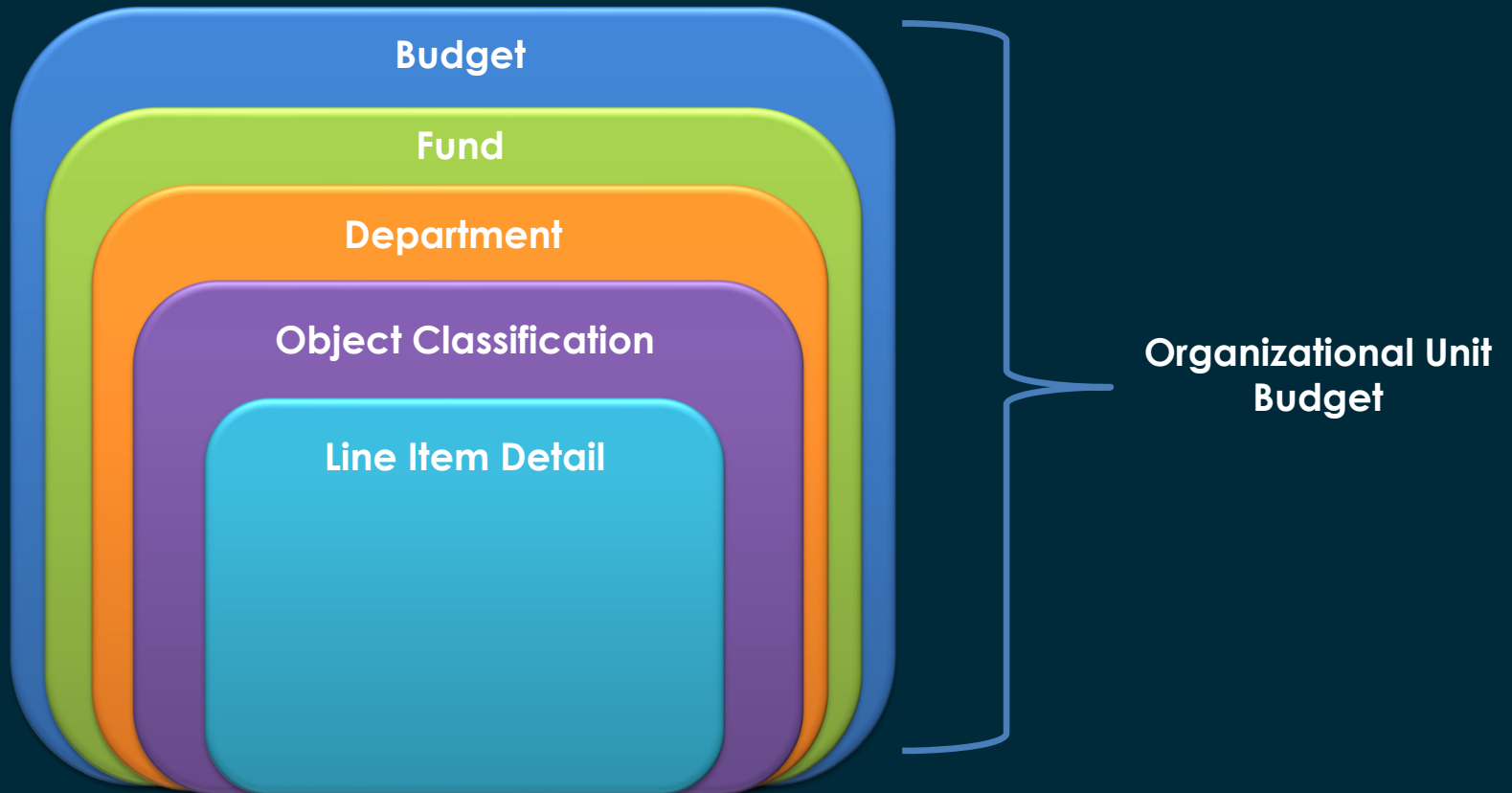
Budget Layers & Fund Descriptions



Organizational Chart



Budget Layers



What is a Fund?

- **Funds**
 - Self-balancing set of accounts to record estimated resources and planned requirements for specific activities and objectives
- **General Fund**
 - Unrestricted funds and includes departments that support others
- **All other funds are restricted**
 - Collect specified revenues
 - Revenues are only spent on specified expenditures



What is in a Fund?

- **Resources:**
 - Beginning Fund Balance
 - Estimated Revenues
- **Requirements:**
 - Expenditures
 - Reserves for future expenditures
 - Categories – Personnel Services, Materials & Services, Transfers, Debt Service, and Capital Outlay
- **Resources = Requirements**

Milwaukie's Funds

- **General Fund:**
 - Used for general operations with no restrictions on how resources are used.
- **Special Revenue Funds:**
 - Building Inspections
 - Library
 - Transportation
 - Affordable Housing
 - Milwaukie Redevelopment Commission (Urban Renewal)
- **Capital Projects Fund:**
 - System Development Charges (SDC) – Accounts for charges that are restricted for capacity increasing capital projects

Milwaukie's Funds

- **Debt Service Fund:**
 - Accounts for the payment of principal and interest for general obligation bonds
- **Proprietary Funds:**
 - Water
 - Wastewater
 - Stormwater



Q: *What happens to the Reserves in Ending Fund Balance?*

A: They become next year's Beginning Fund Balance for that specific fund.

Q: *What happens to unspent budget at the end of the year?*

A: Unspent budget adds to the reserve in ending fund balance.

Q: *What about multi-year projects like contracts or the Five-Year CIP Projects?*

A: Each biennial budget expenditures are re-appropriated.

Q: *Why is there always unspent budget?*

A: The budget makes appropriations that give the city authority to spend public money. Unplanned vacancies, deferred projects, service efficiencies and budget monitoring keep departments under budget.

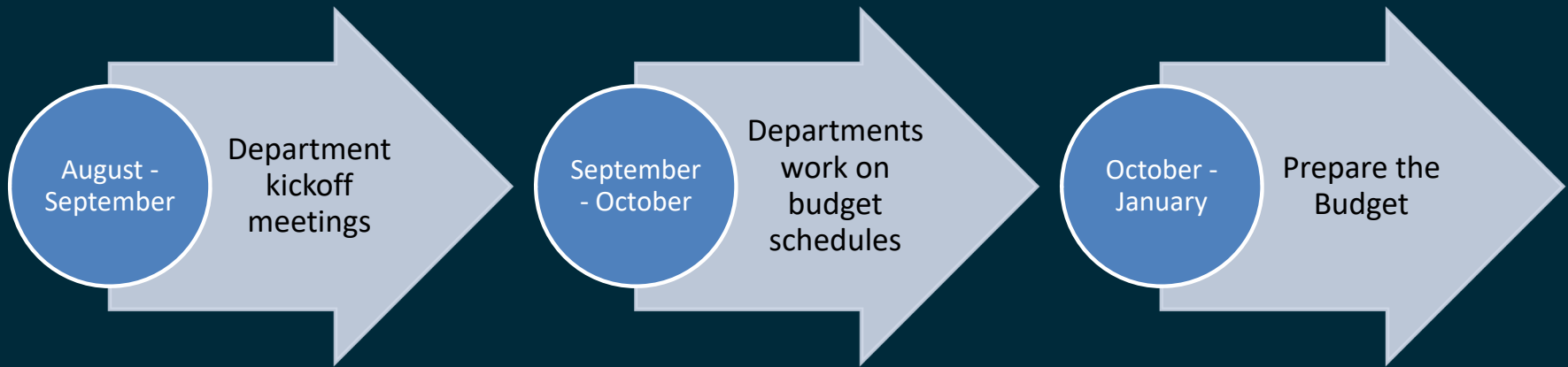
Q: *What are the transfers for?*

A: Allocated indirect costs from a fund (i.e. General Fund) to pay for an expense on behalf of a particular fund. Amounts distributed from one fund to finance activities in another fund. The fund making the transfer shows the amount transferred as a requirement. The fund receiving the transfer is shown as a resource.

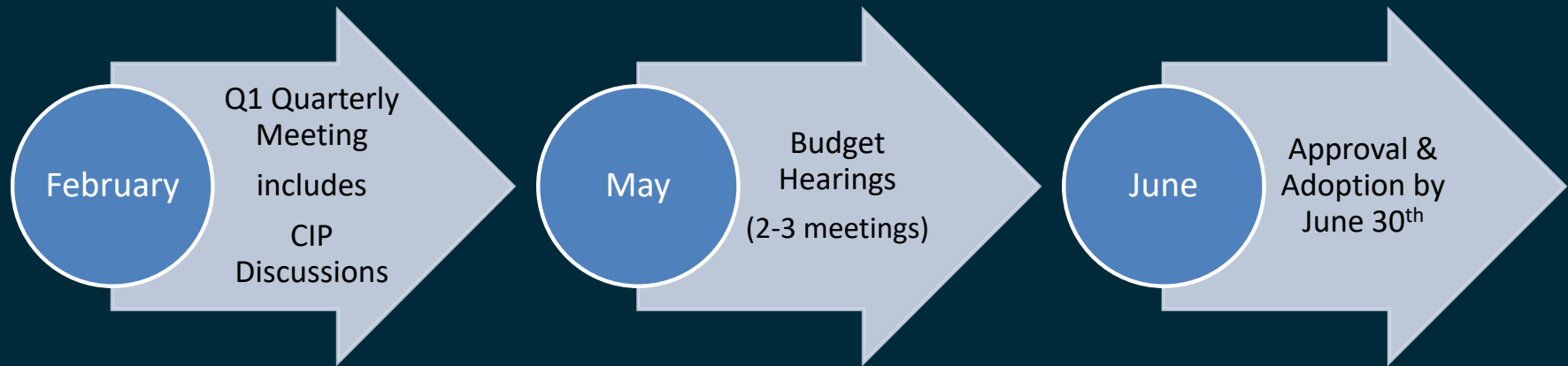
BN 2021-2022 Schedule



Schedule



Schedule



**QUESTIONS OR
COMMENTS?**

