

# BUDGET 101

## CITY OF MOLALLA

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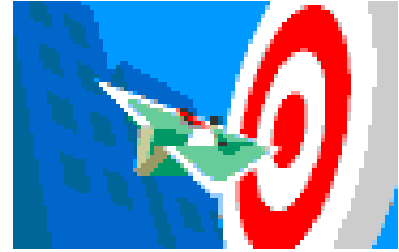
APRIL 11, 2018

# LOCAL BUDGETING IN OREGON



Oregon Revised Statutes (ORS) 294

# WHAT IS A BUDGET...



...is a financial plan containing estimates of revenues and expenditures for a single fiscal year based on the best information you have at that time.



# DEPARTMENT OF REVENUE

## LOCAL BUDGET LAW

- Has rulemaking authority to implement Local Budget Law.
- Provides guidance, training, manuals, etc. for those involved in the budget process.
- See the handout for Local Budgeting Manual (ORS150-504-400)

# LOCAL BUDGET LAW

## THE PURPOSE

- Directs budget development requirements to ensure consistency across local governments.
- Establishes standard procedures.
- Requires estimates of resources and expenditures.
- Encourages citizen involvement.
- Controls expenditures of public funds.
- Defines the fiscal year from July 1 to June 30.

# LOCAL BUDGET LAW

- Appropriations set a maximum amount that can be spent.
- The financial plan created through the budget process will change as circumstances that created the assumptions for budget development change.
- Monitoring through the course of the fiscal year allows staff to notify the City Council when a significant issue will change the plan.

# LOCAL BUDGET LAW

## THE 4 PHASES

- PROPOSED BUDGET (by Budget Officer)
- APPROVED BUDGET (by Budget Committee)
- ADOPTED BUDGET (by City Council)
- CHANGES AFTER ADOPTED BUDGET

# LOCAL BUDGET LAW

## PHASE 1-PROPOSE THE BUDGET

- Requires designation of a Budget Officer
- Molalla's Budget Officer is the City Manager by City Charter.
- Requires the budget to be proposed by fund.
- Estimated resources and expenditures are required for each fund and must balance.
- The estimates must be made in “good faith” based on the information you have at the time you are making your estimates.



# LOCAL BUDGET LAW

## PHASE 1-PROPOSE THE BUDGET

- **The required fund structure is:**
  - Two prior fiscal years of actual data.
  - The budget amount for the current fiscal year.
  - The Proposed budget for the next fiscal year.

			REQUIREMENTS SUMMARY					
	FORM		BY ORGANIZATIONAL UNIT OR PROGRAM & ACTIVITY					
	LB-30		<u>General Fund</u>			City of Molalla		
			(Name of Fund)			Name of Municipal Corporation		
	Historical Data			REQUIREMENTS FOR: <u>ADMINISTRATION</u>	Budget For Next Year 2018-19			
	Actual		Adopted Budget This Year <u>2017-18</u>		<b>Proposed By Budget Officer</b>	Approved By Budget Committee	Adopted By Governing Body	
	Second Preceding Year <u>2014-15</u>	First Preceding Year <u>2016-17</u>						
				PERSONNEL SERVICES				

# LOCAL BUDGET LAW

## PHASE 1-PROPOSE THE BUDGET

- The Proposed Budget is a public document when it is given to the Budget Committee.
- The Proposed Budget is published on the City's web site and made available at the City Hall and the Library.

# LOCAL BUDGET LAW

## PHASE 2-APPROVE THE BUDGET

- Budget Committee's responsibilities to:
  - Receive the proposed budget.
  - Hear public testimony.
  - Deliberate and revise as needed.
  - Recommend a tax levy.
  - Approve a budget for the City Council to consider.

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	Second Preceding Year <u>2015-16</u>	First Preceding Year <u>2016-17</u>						
				PERSONNEL SERVICES				

# LOCAL BUDGET LAW

## PHASE 2-APPROVES THE BUDGET

- The Public Hearing must be noticed in advance.
- Allow any person to ask questions and/or comment on the Proposed Budget.
- Allow the Budget Committee to establish time limits and other policies for public comments.
- The recommendation on tax levies is generally made via a single motion to levy the permanent rate, the local option rate, and the debt service amount .

# LOCAL BUDGET LAW

## PHASE 3 ADOPTING THE BUDGET

- After Budget Committee action, staff publishes the summary of the budget on the City's web site and in the local paper.
- The publication states the date and time of the public hearing where citizens may comment on the Approved Budget.

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	Second Preceding Year 2015-16	First Preceding Year 2016-17						
	PERSONNEL SERVICES							

# LOCAL BUDGET LAW

## PHASE 3 ADOPTING THE BUDGET

- The City Council usually adopts the budget at its first regular meeting in June following a public hearing.
- City Council action is limited in making changes from the Approved Budget:
  - Increase up to 10% within a fund.
  - If over 10% must re-publish and re-convene the Budget Committee.
- The City Council sets appropriations via resolution.

# LOCAL BUDGET LAW

## PHASE 4 CHANGES AFTER ADOPTION

- LBL allows for minimal changes after the Budget is Adopted:
  - New revenues via grants or gifts;
  - Resources higher than expected;
  - Transfer appropriations from one category to another; or
  - Unanticipated expenditures.



# WHAT IS A FUND...

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, that is segregated for the purpose of carrying on specific activities or attaining certain objectives with special regulations, restrictions, or limitations.



# HOW MANY FUNDS ?

**There is no limit on the number of individual funds a government may use for accounting and financial reporting purposes. Only a minimum number of funds consistent with legal and operating requirements should be established since unnecessary funds result in inefficient financial administration.**

# FUND TYPES

## Governmental Funds:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds

## Proprietary Funds:

- Enterprise Funds

# FUNDS

## GENERAL FUND

GF-Admin

GF-Police

GF-Court

GF-Council (*new*)

GF-Parks

GF-Planning

**Is the chief operating fund of a state or local government. It is to account for all financial resources except those required to be accounted for in another fund.**

# FUNDS

## SPECIAL REVENUE FUNDS

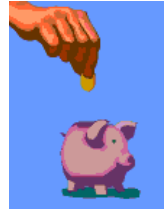
Library Fund

Street Fund

Police Restricted

*Urban Renewal*

...account for money that is earmarked for a specific purpose. For example, gas tax is to be used only for road maintenance and 1% is to go to bike and foot paths.



# FUNDS

## CAPITAL PROJECTS

Street SDC's

Parks SDC's

Capital Projects

Fleet Replacement

---record the money and expenses used to build or acquire capital facilities, such as land or buildings. It is a type of special revenue fund. Capital project funds are used only while a project is being done. Once the building is built or the land acquired, the fund can be closed. Sound financial management requires that a government account for each capital project separately in its system.

# FUNDS

## DEBT SERVICE



Debt Service

---records the repayment of general obligation bonds. In most cases, the money for the fund comes from a special property tax levy for bonds. The expenditures in the fund are the bond principal and interest payments. Money dedicated to repay bonds cannot be used for any other purpose.

# FUNDS

## ENTERPRISE FUNDS

Water Fund

Water SDC

Water Debt

Sewer Funds

Sewer SDC

Sewer Debt

Storm Water Fund

Storm Water SDC

---known as business type Funds ...  
Governments often levy user charges for certain types of services. This fund records the resources and expenses of acquiring, operating, and maintaining a self-supporting facility or service.



# OBJECT CLASSIFICATIONS

- Personnel Services
- Material & Services
- Capital Outlay
- Transfers Out
- Debt Service
- Contingency



# OBJECT CLASSIFICATIONS

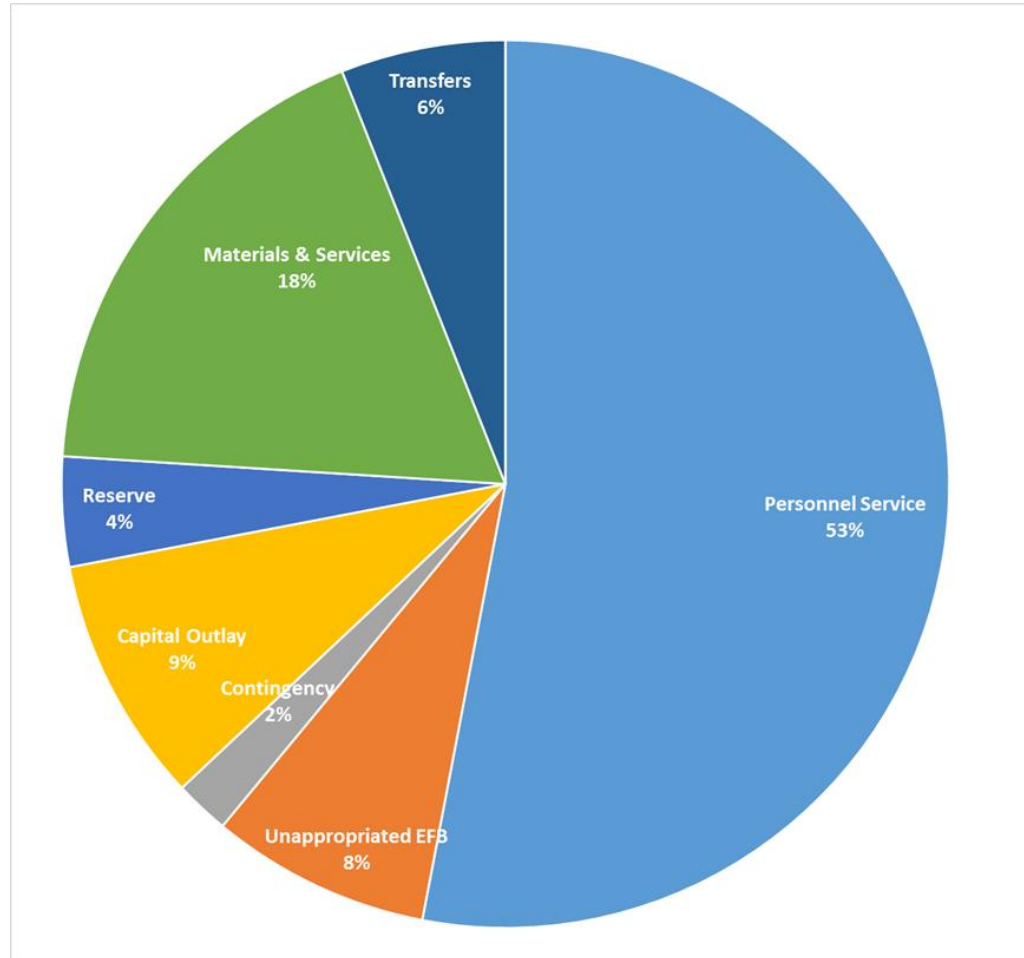
## PERSONAL SERVICES

includes salaries, benefits, workers comp insurance, social security taxes and other costs associated with having employees.

The estimated expenditures for personnel services must include the total budgeted cost of employees, as well as the number of related full-time equivalent positions. Local government form LB-40.

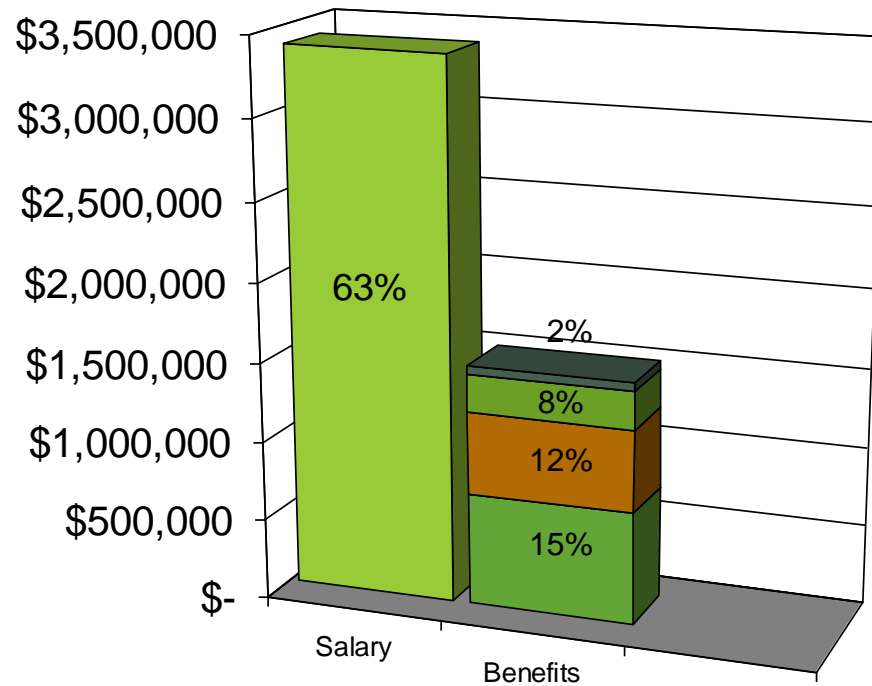
# EXPENDITURE

## OBJECT CLASSIFICATIONS (GENERAL FUND ONLY)



# SALARIES & BENEFITS

## % OF PERSONNEL SERVICES



■ Salary 63% ■ Insurance 15% ■ Pers 12% ■ Taxes 8% ■ Saif 2%

# OBJECT CLASSIFICATIONS

## MATERIALS AND SERVICES

include contractual services (such as attorney or accountant fees), materials (such as office supplies, fuel, or repair parts), and other operating expenses (such as utilities, lease payments, or travel).

Estimates should be detailed sufficiently to disclose all proposed expenditures, but may be combined into logical groupings such as office supplies, utilities, etc.

# OBJECT CLASSIFICATIONS

## CAPITAL OUTLAY

is defined as expenditures that result in the acquisition of, or addition to, fixed assets. Fixed assets are defined as assets of a long-term character that are intended to continue to be held or used, such as land, buildings, machinery, furniture, and other equipment.

# OBJECT CLASSIFICATIONS

## DEBT SERVICE



includes the repayment of any loan, bond or other borrowing. [ORS 388(6)].

A debt service payment not requiring a separate tax levy may be included in the general fund or another fund.

# OBJECT CLASSIFICATIONS

## INTERFUND TRANSFERS

are budgeted transfers of resources from one fund to another. The fund making the transfer shows the amount transferred as a budget requirement. The fund receiving the transfer shows it as a fund resource. If the money is to be expended, the fund receiving the transfer also shows that expenditure as a requirement. In that case, the money may be said to be “*counted twice*” in the budget; once as the transfer out and once as the actual expenditure.

# OBJECT CLASSIFICATIONS

## GENERAL OPERATING CONTINGENCY

may be included in any **operating** fund. The estimate is based on the assumption that operations may necessitate spending during the year on items that cannot be specifically identified at the time the budget is being prepared. A resolution, or a supplemental budget must be passed before any of the contingency can be transferred.



# OBJECT CLASSIFICATIONS

## UNAPPROPRIATED ENDING FUND BALANCE

Is to provide the City with a cash or working capital balance in which to begin the fiscal year following the one for which this budget is being prepared (ORS 294.371). The only exception to use this is in an emergency situation arising during the year by civil disturbance or natural disaster.

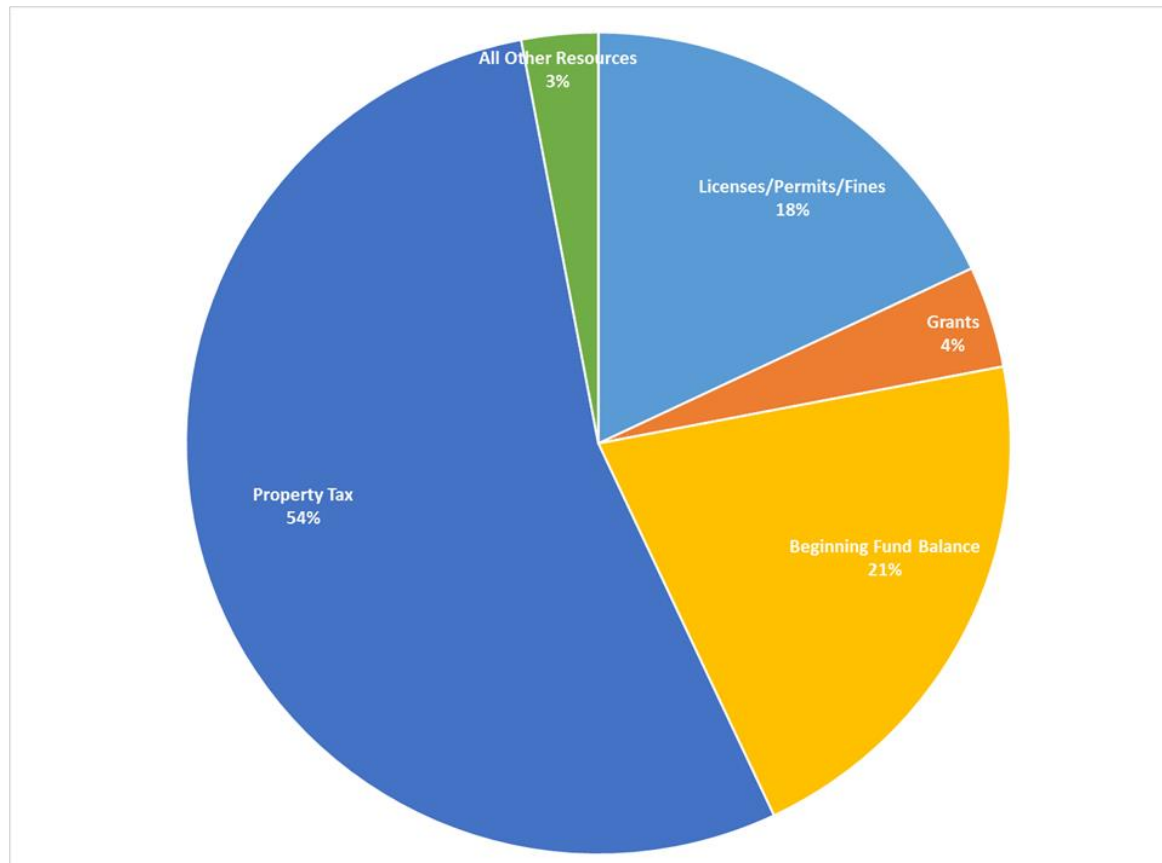


# OBJECT CLASSIFICATIONS

## RESERVE FOR FUTURE EXPENDITURE

A reserve for future expenditure is a line item requirement which identifies funds to be “saved” for use in future fiscal years. If the need arises during the fiscal year to spend this money, a supplemental budget may be adopted to appropriate the expenditure.

# RESOURCE CATEGORIES (GENERAL FUND ONLY)



# FUND BALANCE

## WHAT IS IT?

The cash we need to operate until property taxes come in Nov.

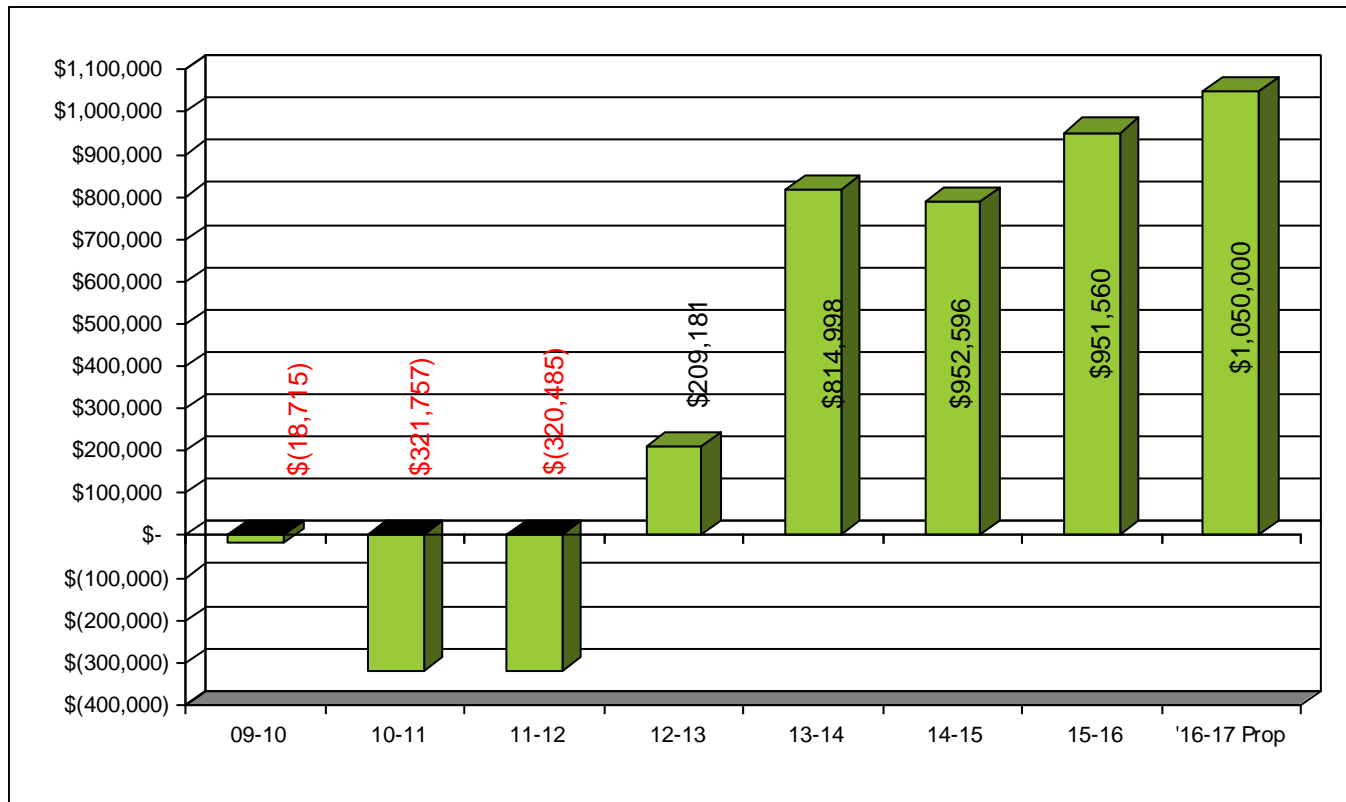
Unanticipated revenues that come in.

Changes that happen after the budget is adopted.

Expenses that are projected but not spent or carried over to the next year.

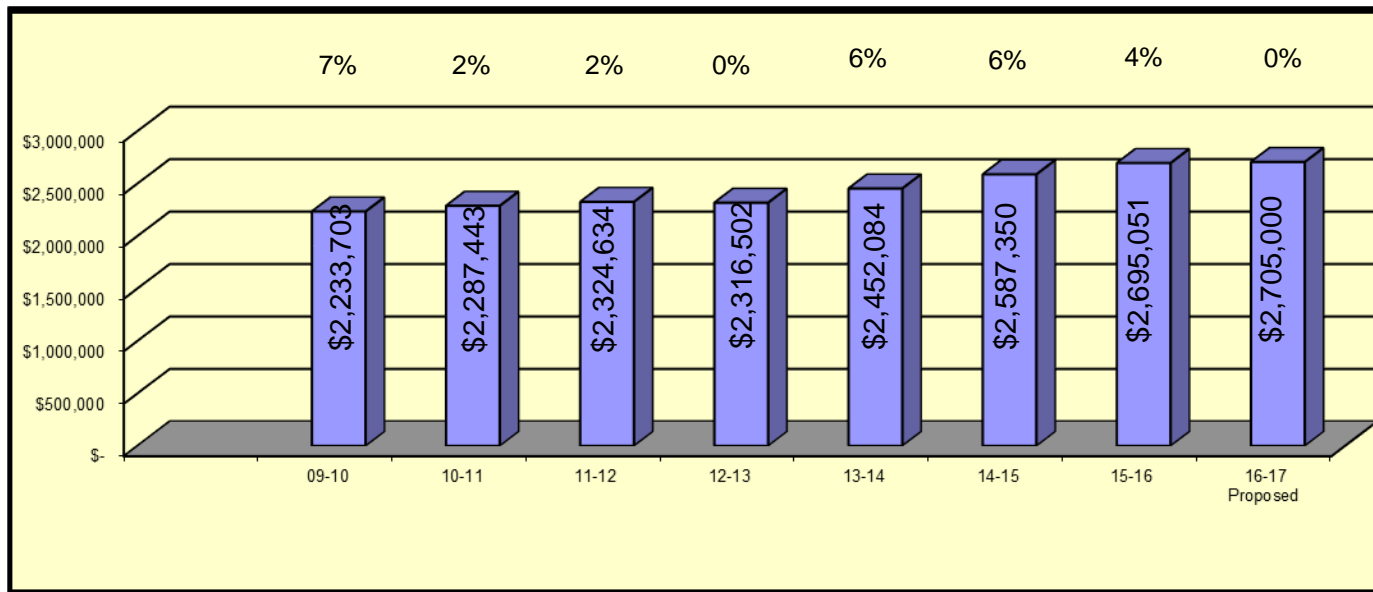
# BEGINNING FUND BALANCE

## PRIOR YEARS — GENERAL FUND ONLY



The City has had stable fund balance for the past few years.

# PROPERTY TAXES



We vary between 2-7% but our average is just under 4% per year increase in property taxes.

# OTHER RESOURCES

## STATE REVENUE SHARING

The Budget Committee is required to hold a public hearing and make a recommendation to the City Council on the use of State Revenue Sharing monies (ORS 221).

This action is taken at the same meeting where the budget public hearing is held.

State Revenue Sharing can be used for undesignated revenue in the general fund or can be dedicated for a special purpose.

# RESOURCES

## STATE AND LOCAL REVENUE SHARING - NEW MARIJUANA TAX

Beginning January 2017, Molalla has a local 3% local tax on the retail sale of marijuana products.

The Oregon Department of Revenue will collect on behalf of the City.

The City started receiving money July 2017.



# QUESTIONS?

Contact Dan Huff, Budget Officer 503-829-6855

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Contact Chaunee Seifried, Finance Director 503-829-6855

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Contact Heather Penni, Senior Accountant 503-829-6855

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