



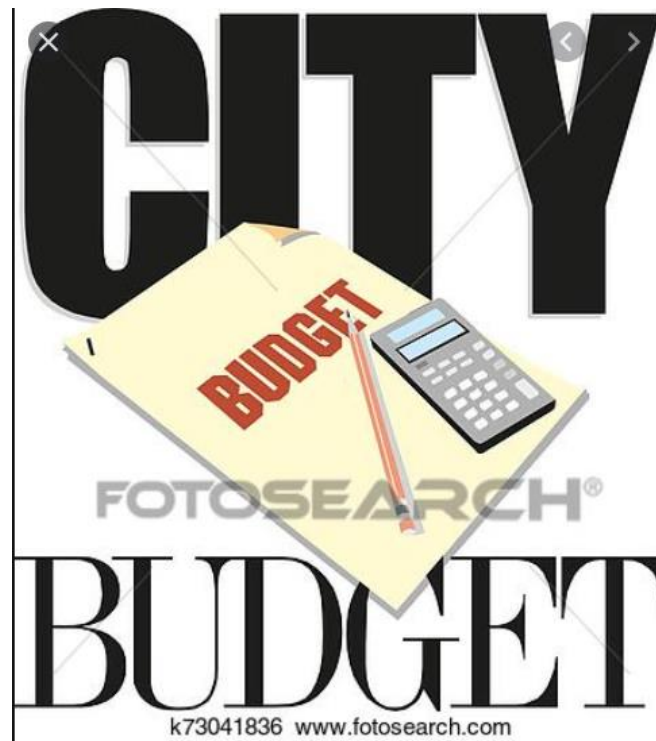
BUDGET 101

City of Molalla

APRIL 2021

DAN HUFF, CITY MANAGER-BUDGET OFFICER
CHAUNEE SEIFRIED, FINANCE DIRECTOR

WHAT IS THE CITY'S PURPOSE IN BUDGETING?



WHAT IS THE CITY'S PURPOSE IN BUDGETING?

The City of Molalla's annual budget explains the City's civic priorities, projected revenue, and costs, and plans for the future – what revenue will pay for which departmental services and for whom those services exist.



CIVIC PRIORITIES

- ❖ Police/public safety
- ❖ Water
- ❖ Sanitary Sewer
- ❖ Streets (city jurisdiction)
- ❖ Parks
- ❖ Storm Drainage
- ❖ Planning
- ❖ Library

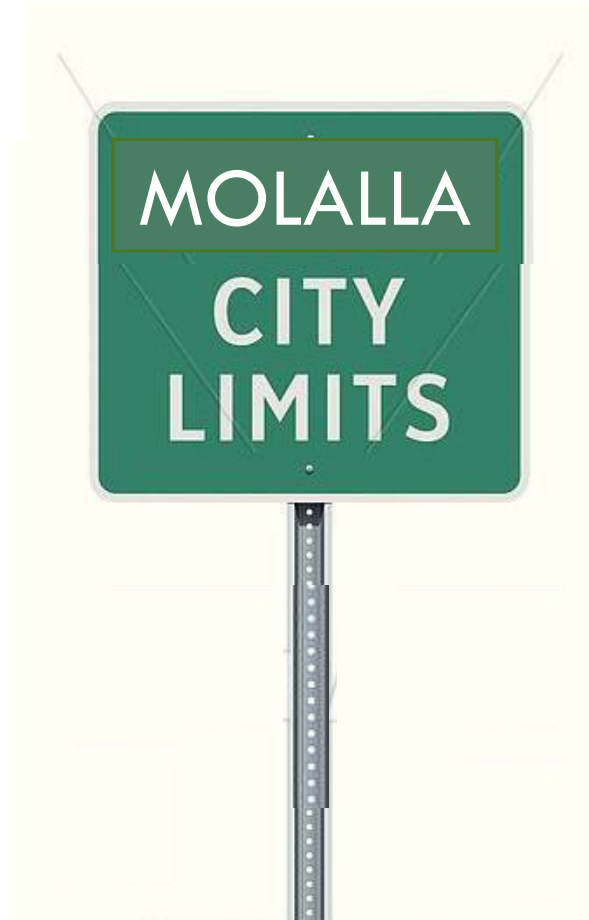
WHO ARE WE BUDGETING FOR?



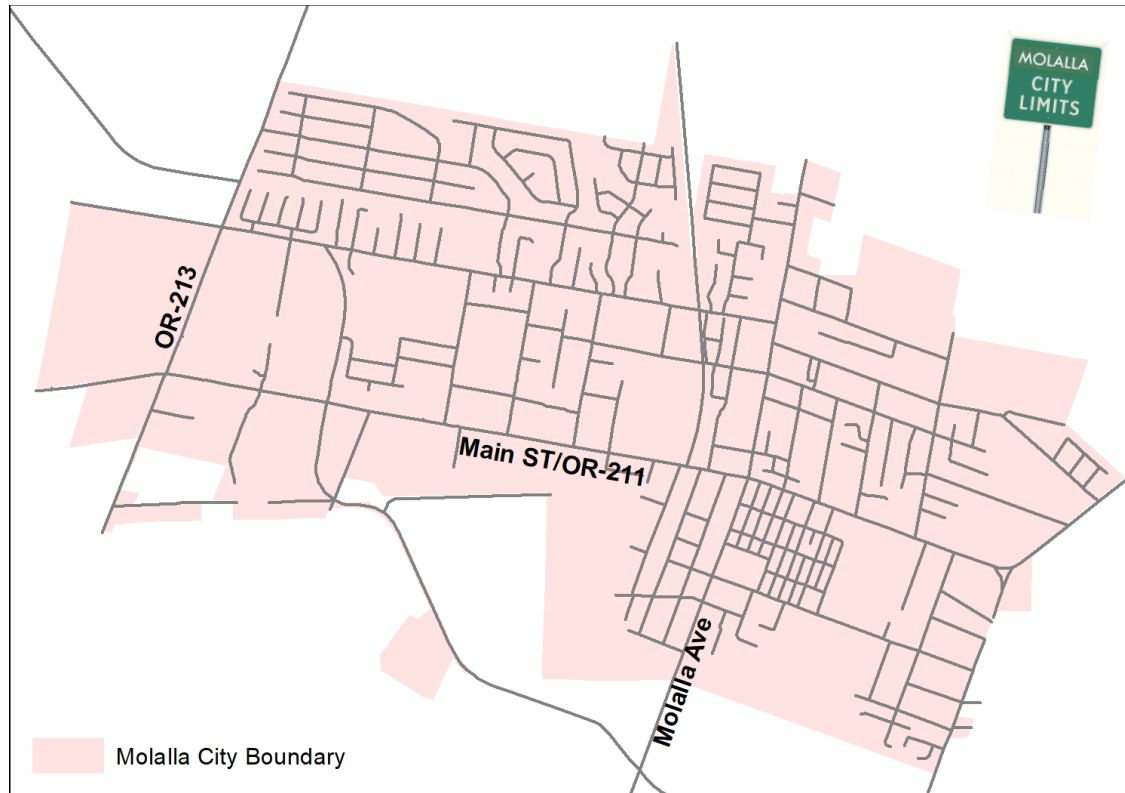
WHO ARE WE BUDGETING FOR?

- ❖ Property owners
- ❖ Residents
- ❖ Business owners
- ❖ Users inside the city limits

WHERE IS OUR BUDGET APPLIED?



WHERE IS OUR BUDGET APPLIED?



Corporate city limits of Molalla

WHEN?

❖ January through June - Annually



HOW?

❖ Budget Committee / Budget Process



STAFF PURPOSE

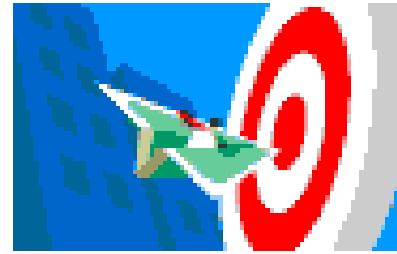
- City Council/Budget Committee
- City Manager
- Finance Director
- Department Heads

LOCAL BUDGETING IN OREGON



Oregon Revised Statutes (ORS) 294

WHAT IS A BUDGET...



...it is a financial plan containing estimates of resources 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> <small>(Name of Fund)</small>			City of Molalla <small>Name of Municipal Corporation</small>		
	Historical Data			REQUIREMENTS FOR: <u>ADMINISTRATION</u>	Budget For Next Year 21-22			
	Actual		Adopted Budget		Proposed By Budget Officer	Approved By Budget Committee	Adopted By Governing Body	
	Second Preceding Year <u>2018-19</u>	First Preceding Year <u>2019-20</u>	This Year <u>2020-21</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 online and at City Hall.

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.

			REQUIREMENTS SUMMARY					
	FORM		BY ORGANIZATIONAL UNIT OR PROGRAM & ACTIVITY					
	LB-30		<u>General Fund</u>			City of Molalla		
			<small>(Name of Fund)</small>			<small>Name of Municipal Corporation</small>		
	Historical Data			REQUIREMENTS FOR: <u>ADMINISTRATION</u>	Budget For Next Year 2021-22			
	Actual		Adopted Budget		Proposed By	Approved By	Adopted By	
	Second Preceding	First Preceding	This Year					
	Year 2018-19	Year 2019-20	2020-21	Budget Officer	Budget Committee	Governing Body		
				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.

			REQUIREMENTS SUMMARY						
	FORM		BY ORGANIZATIONAL UNIT OR PROGRAM & ACTIVITY						
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	Second Preceding Year 2018-19	First Preceding Year 2019-20	This Year 2020-21						
				PERSONNEL SERVICES					

LOCAL BUDGET LAW

PHASE 3 ADOPTING THE BUDGET

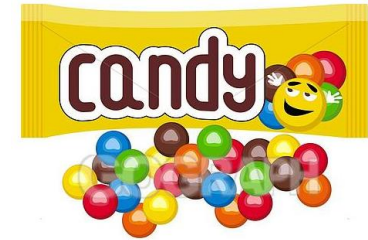
- The City Council adopts the budget at a regular meeting in June following a public hearing.
- City Council action is limited in making changes from the Approved Budget:
 - Increase up to 10% within a fund.
 - If over 10% must re-publish and re-convene the Budget Committee.
- The City Council sets appropriations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

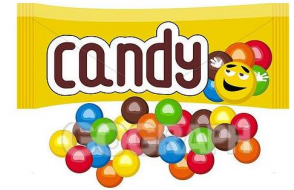
- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds

Proprietary Funds:

- Enterprise Funds

FUNDS

GENERAL FUND



GF-Admin

GF-Police

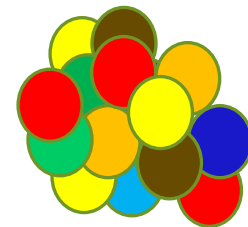
GF-Court

GF-Council

GF-Parks

GF-Planning

Is the chief operating fund of a 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

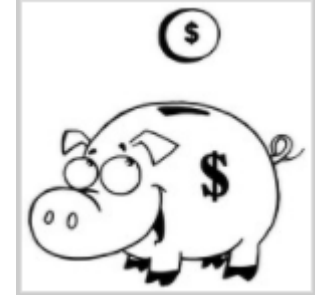


Urban Renewal

...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. 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 or loans. In most cases, the money for the fund comes from a special property tax levy. 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.

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

is included in our operating funds. 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.

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.

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/MARIJUANA TAX

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

The Oregon Department of Revenue collects on behalf of the City.

The City receives these funds on a quarterly basis.

QUESTIONS?

Contact Dan Huff, City Manager-Budget Officer 503-829-6855

or via e-mail: dhuff@cityofmolalla.com

Contact Chaunee Seifried, Finance Director 503-829-6855

or via e-mail: cseifried@cityofmolalla.com