

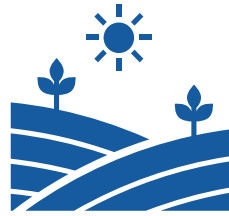


Basic Local Budget Law

Proposing the Budget

2021

Finance, Taxation & Exemptions



Phase 1 Budget Officer Proposes the Budget

Finance, Taxation & Exemptions Team



Trains Local Officials on Local Budget Law



Answers Questions about Local Budget Law and Property Taxes



Provides Budget Manuals and Forms

Finance, Taxation & Exemptions Team



Reviews Tax Certifications



Reviews District Budgets

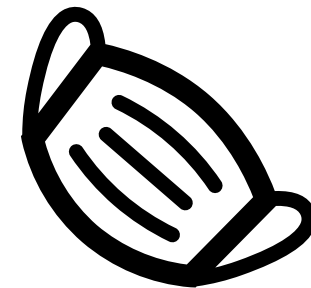


Advises County Assessors & Tax Collectors on Property Tax Law

Local Budget Law Changes for 2021

Covid-19 and Chapter 12 Oregon Laws 2020 First Special Session (HB 4212)

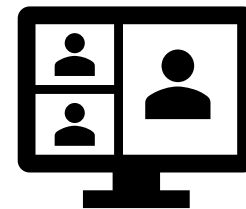
- Meetings may be held virtually
 - No requirement of physical space for public
 - Record meetings if technology available
- Social distancing for in person meetings
- Allows for alternative methods of testimony



Local Budget Law Changes for 2021

Covid-19 and Chapter 12 Oregon Laws 2020 First Special Session (HB 4212)

- Quorum excludes absences due to COVID
- Allows for emergency expenditures
- Expires 30 days after end of emergency

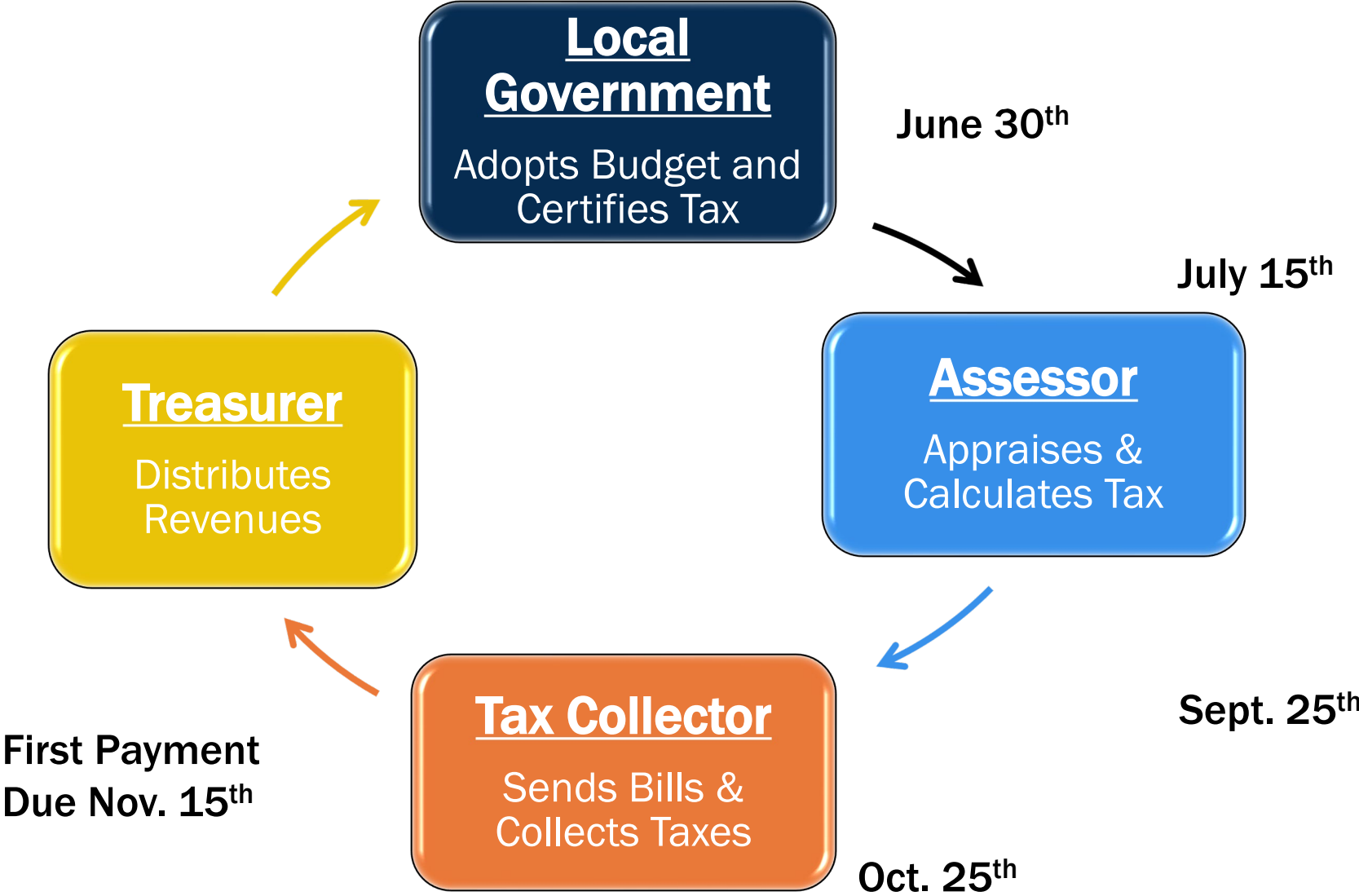


Local Budget Law Changes for 2021

Wildfires
&
Proration of Tax



Property Tax Cycle



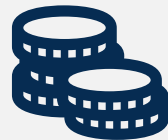
Purpose of Local Budget Law



Establish standard procedures



Outline programs & fiscal policies



Require estimates of resources and expenditures

Purpose of Local Budget Law



Encourage citizen involvement



Control expenditure of public funds



ORS 294.321



Why Follow Local Budget Law?

A district that doesn't follow local budget law may not lawfully:

- Expend money (with some exceptions)
- Certify property taxes to the county assessor





Why follow Local Budget Law?

A property tax made contrary to LBL is voidable by the Oregon Tax Court if appealed by:

- County Assessor
- County Court
- County Board of Commissioners
- The Department of Revenue
- Ten or more interested taxpayers

ORS 294.461



DOR v Umatilla County, otc2519 (1986)

A portion of the 1986-87 tax levy was voided by the court.

Umatilla County failed to republish its budget summary to allow the board to impose a levy amount higher than the amount published in its budget summary.



Civil Liability

Any public official who expends public monies in excess of the amounts or for any other purpose than authorized by law shall be civilly liable for the return of the money, if there is malfeasance in office or willful or wanton neglect of duty.



ORS 294.100

Districts Not Subject to Local Budget Law

ORS 261 People's utility districts

ORS 440 Health districts

ORS 545 Irrigation districts

ORS 551 Diking districts

ORS 553 Water control districts*

ORS 554 District improvement companies or corporations

ORS 568 Soil and water conservation districts*

ORS 371 Special and Assessment road districts

ORS 371 County Road district*

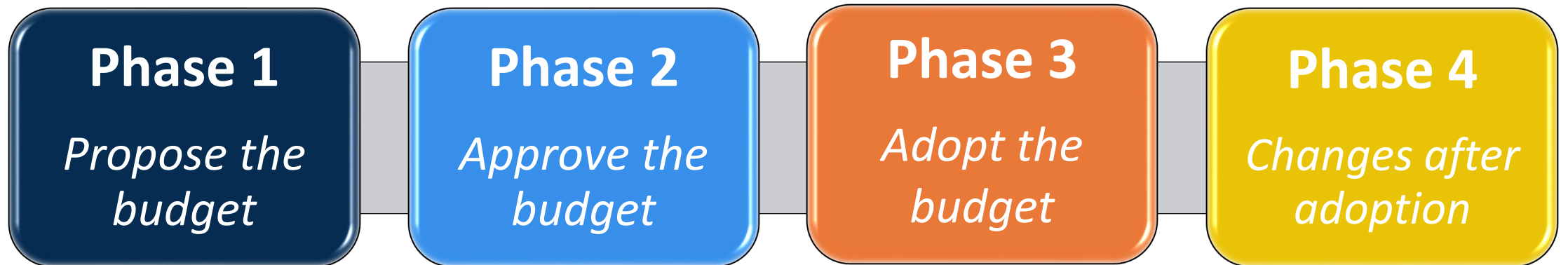
ORS 372 Highway lighting districts

ORS 547 Drainage districts

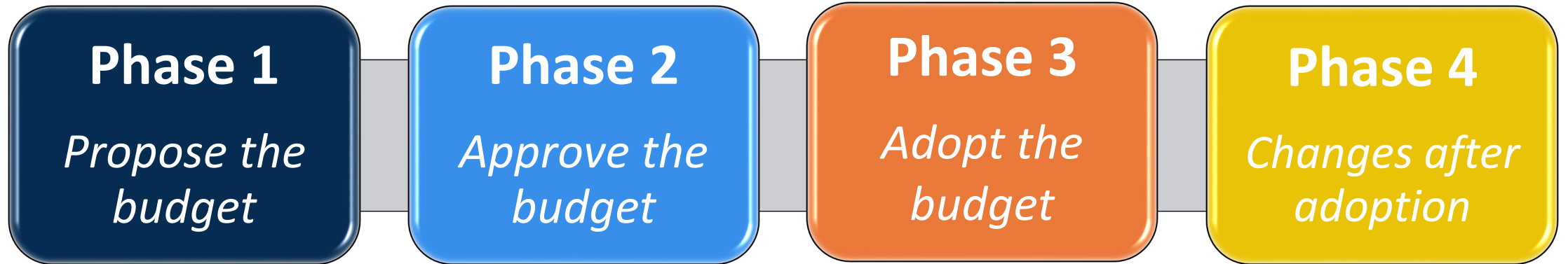
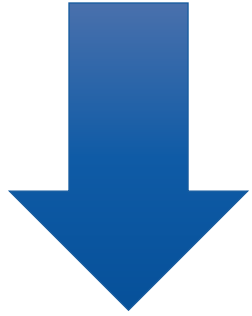
ORS 221 Historic ghost towns

** That will not impose taxes during the ensuing year. If district does impose property tax any year, it is subject to Local Budget Law.*

The Budget Process



The Budget Process



Sample Budget Calendar

	Action	Example Due Date	Complete
1	Appoint budget officer	Jan. 15	
2	Appoint budget committee (BC)	Feb. 1	
3	Prepare proposed budget	March 5	
4	Publish 1 st notice of BC meeting	March 10	
5	Publish 2 nd notice of BC meeting	April 2	
6	BC meeting & subsequent mtgs. if needed	April 9	
7	Publish notice of budget hearing	May 14	
8	Hold budget hearing	May 21	
9	Enact Resolutions to adopt, etc	June 25	
10	Submit tax certification documents	By July 15*	
11	Send copy of all budget documents to county clerk	By Sept. 30*	

**** ORS 305.820(2) states that if any deadline that needs to be filed to tax collector or county falls on a weekend or holiday, then the deadline is extended to the next business day.***



Prepare Proposed Budget

- Designate budget officer
(Who can serve?)
- Budget Officer prepares budget under direction of Executive Officer or Governing Body

What is a budget



A financial plan



For one fiscal year (July 1 – June 30) , or biennial budget period (July 1, 2021 – June 30, 2023)




Based on estimates of revenues & expenditures and other requirements

The budget is the basis for appropriations, which create the authority to spend public money.

Resources vs Requirements



Resources -
Cash on hand
and anticipated
receipts



Requirements -
Expenditures
going out, other
budget
transactions, or
money being
held for future
use

Estimate Resources and Requirements for Each Fund

- Estimate resources & requirements in line item detail.
- **All** resources & requirements must be budgeted.
- Resources & requirements must **balance**.
- Estimates of resources & requirements must be made in “*good faith*.”



Budget Resources

- Beginning cash or net working capital (cash, checking balance, LGIP, CD's, etc.)
- User fees, assessments, charges for service
- Grants, gifts, donations, etc.
- Bond & other borrowing proceeds
- Interfund transfers, internal service charges
- Interest earned on deposits
- Property taxes (prior years and current)

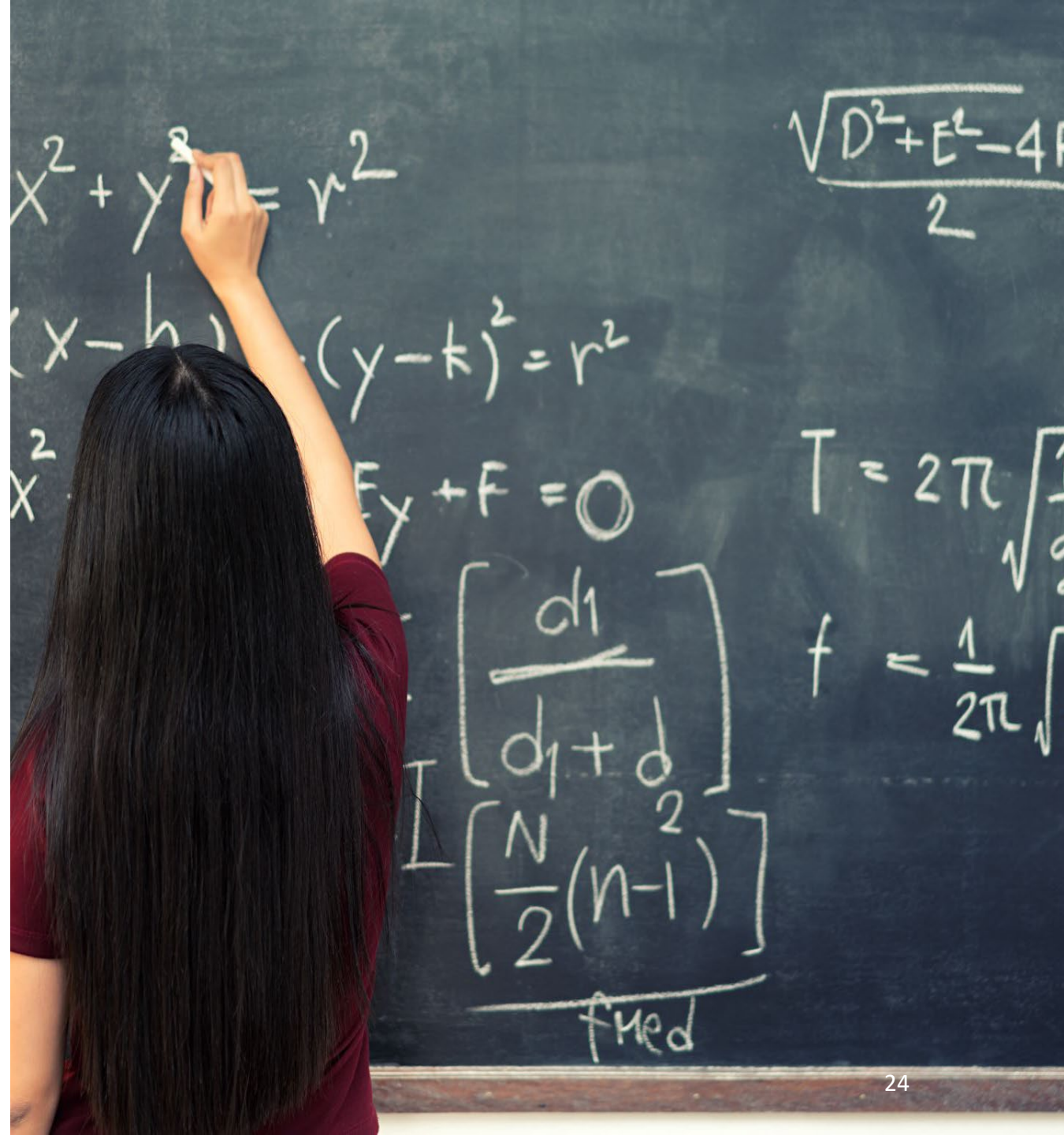
Estimating Property Taxes

Tax Rate x Taxable Value* = Tax Amount

Reduced by:

- Compression losses (Measure 5 limitation)
- Discounts
- Uncollectibles

*"frozen value" in urban renewal plan area



A brief history of Oregon property tax



<https://www.youtube.com/watch?v=Sg2iVWEyJFw>

Source: Deschutes County Assessor's Office, August 28, 2013

Constitutional Limitations

Article XI, s. 11 and 11b

Measure 50: Tax calculation is based on **Assessed Value (AV)**

Measure 5: Operating tax on a property is limited to:

- \$5 per \$1,000 of **RMV** for Education,
- \$10 per \$1,000 of **RMV** for Gen. Government

M5 limit is based on **Real Market Value (RMV)**

How Does M5 Compression Loss Work?

- If a property's tax is higher than its **M5** limit, the tax must be reduced (*"compressed"*) to fall within the limit.
- This loss is shared by all taxing districts (*local option taxes reduced first*).



M5 Compression Example



Neighbor 1

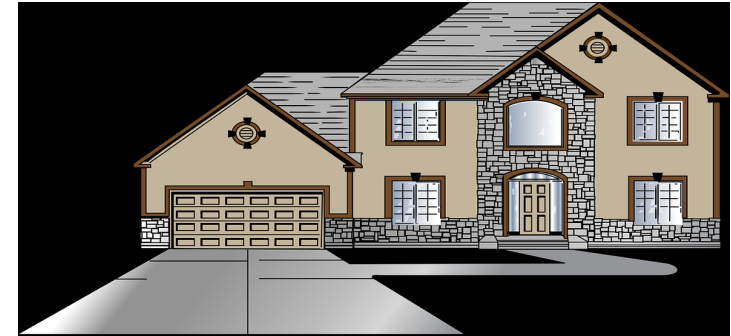
M50 Tax Calculation:

Total Combined Gen. Gov. Tax:	\$14/\$1,000 <u>AV</u>
Property's Assessed Value	<u>\$176,384</u>
Tax on Property	\$2469.38

M5 Limit Calculation:

General Gov. limit	\$10/\$1,000 <u>RMV</u>
Property's Real Market Value	<u>\$220,000</u>
Maximum tax under M5 limit	\$2,200.00

Gen. Gov. Loss due to M5 Compression=\$269.38



Neighbor 2

M50 Tax Calculation:

Total Combined Gen. Gov. Tax:	\$14/\$1,000 <u>AV</u>
Property's Assessed Value	<u>\$176,384</u>
Tax on Property	\$2469.38

M5 Limit Calculation:

General Gov. limit	\$10/\$1,000 <u>RMV</u>
Property's Real Market Value	<u>\$280,000</u>
Maximum tax under M5 limit	\$2,800.00

NO loss to compression

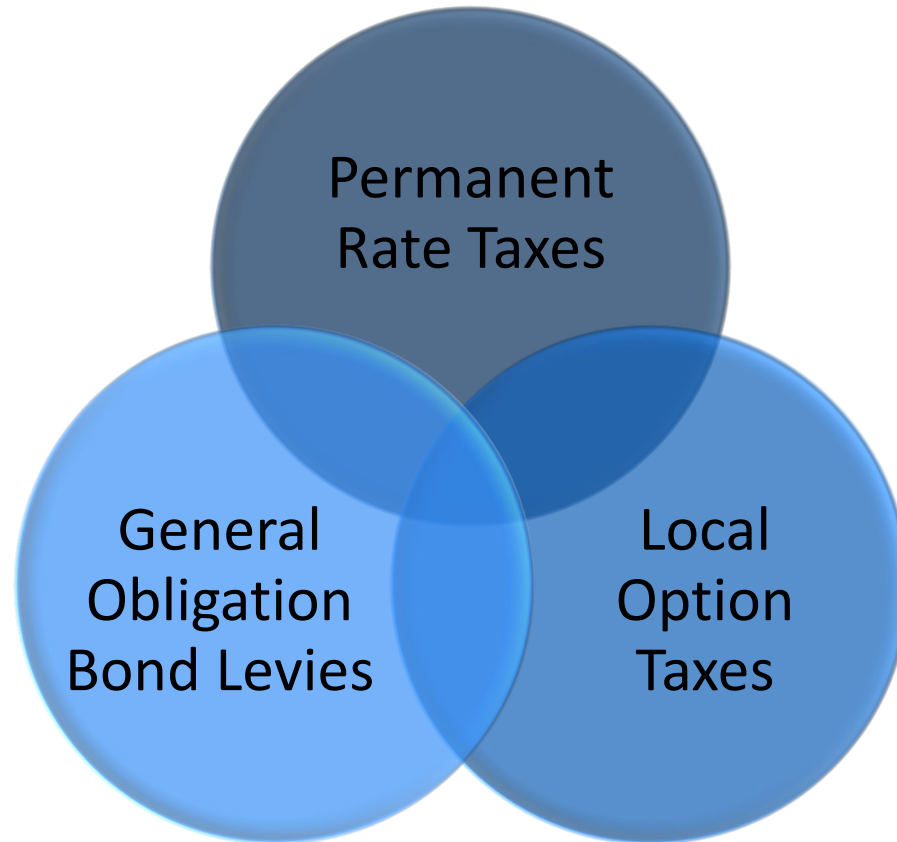
How Can You Estimate Compression Loss?

Summary of Assessments and Levies Report (SAL) Table 4a:

- Assessor prepares report in October
- Often mailed to every taxing district
- Reports taxes imposed, compression loss, taxes extended
- Save report and use it next spring for your budget estimate of M5 loss

Also consider levies of other districts

Estimating tax receipts for the 3 types of ad valorem taxes



Permanent Rate Taxes

- Measure 50 rate limit per \$1,000 of assessed value
- Limit cannot be changed by district or its patrons
- Imposed as rate per \$1,000 or a dollar amount
- Double majority required in March or Sept. election



Local Option Taxes

- In addition to the permanent rate levy
- Temporary:
 - For Operations - 1 to 5 years
 - For Capital Project - Lesser of 10 years or useful life (Defined in ORS 280.060)
- Voters approve rate per \$1,000 or fixed dollar amount per year*
- First to be compressed
- Budget options for September election (ORS 280.060)

**Double majority required in March or September*

Estimating Taxes Levied as a Rate

Tax rate: \$1.5340/ \$1,000

Estimated **Assessed Value** in district: \$98,769,946

1. Tax rate (<i>per \$1.00 of AV</i>)	x	<u>.0015340</u>
2. Value x rate	=	\$ 151,513
3. Minus est. Measure 5 loss	-	\$ <u>736</u>
4. Tax to be billed		\$ 150,777
5. County collection average	x	<u>.94</u>
6. Tax amount to budget	=	\$ 141,730

Estimating Taxes Levied as an Amount

1. Total dollar amount to levy	=	\$ 45,000
2. Minus est. compression loss	-	\$ <u>2,500</u>
3. Tax to be billed		\$ 42,500
4. County collection average	x	<u>.94</u>
5. Tax amount to budget	=	\$ 39,950

G.O. Bond Debt Service Levy

- Voter approval of bonds gives authority to tax for annual debt service*
- Principal & interest (only) on voter-approved general obligation bonds for capital construction
- Always imposed as a dollar amount
- Exempt from **compression**

* Double majority required in March or September

Estimating Bond Debt Service Taxes

Taxes budgeted for debt service	\$ 60,150
Estimated compression losses	<u>- 0</u>
<i>(GO bond taxes are exempt from M5 limits)</i>	
Amount to raise	60,150
County collection average	<u>÷ .94</u>
Taxes to be levied	\$ 63,989



Budget is Prepared by FUND

- A self-balancing set of accounts
- Used to record estimated resources and requirements for specific activities and objectives

Types of Funds

General Fund

Revenue from permanent rate, local option levy for operations, interest and other charges/fees received to cover general operations with no restrictions on how resources are used

Special Revenue Fund

Dedicated to local option levy money, specific purpose grants, or other money required to be segregated by statute, charter, or terms.

Capital Project Fund

Revenue from GO bonds proceeds, local option levy for capital projects or grant monies to finance a capital project.

Debt Service Fund

Revenue comes from special property tax levy (such as Revenue Bonds or GO bonds) to budget for payment of principal and interest on long-term debt.

Types of Funds

Internal Services Fund

Revenue from services provided from one department to another department. ex. Fleet Management.

Enterprise Fund

For revenue received in fees or charges used to cover expenses of a business type entity such as running a parking garage or pool.

Trust & Agency Fund

Grants, gifts or transfers from general fund received in a fiduciary capacity to be used for a specified purpose.


Reserve Fund

Transfers from general funds or grants used to accumulate money for financing the cost of a service, project, property or equipment. Resolution required to create fund.

Resources vs Requirements

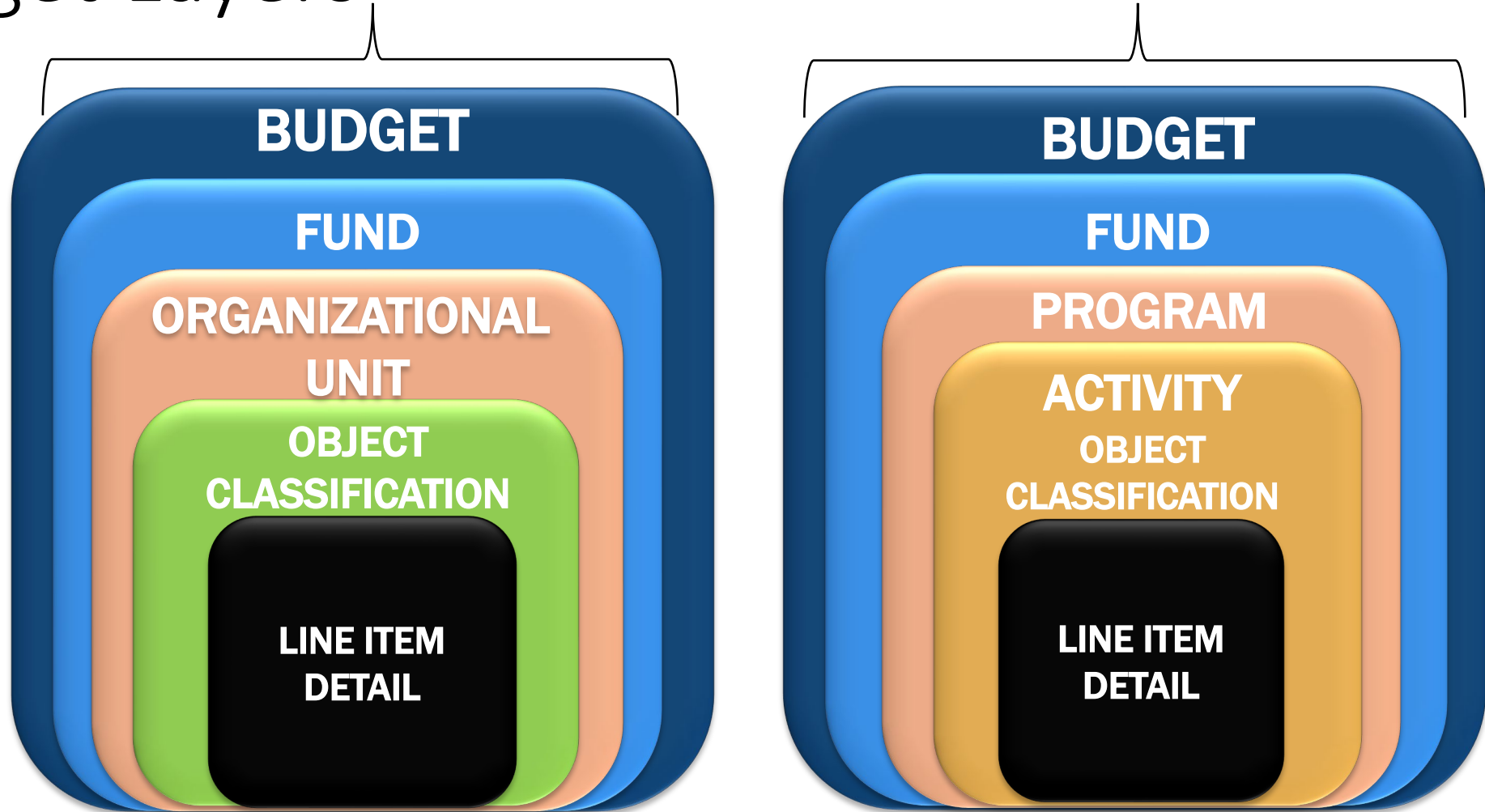


Resources -
Cash on hand
and anticipated
receipts



Requirements -
Expenditures
going out, other
budget
transactions, or
money being
held for future
use

Budget Layers



Budget Organization

**Organizational
Unit**

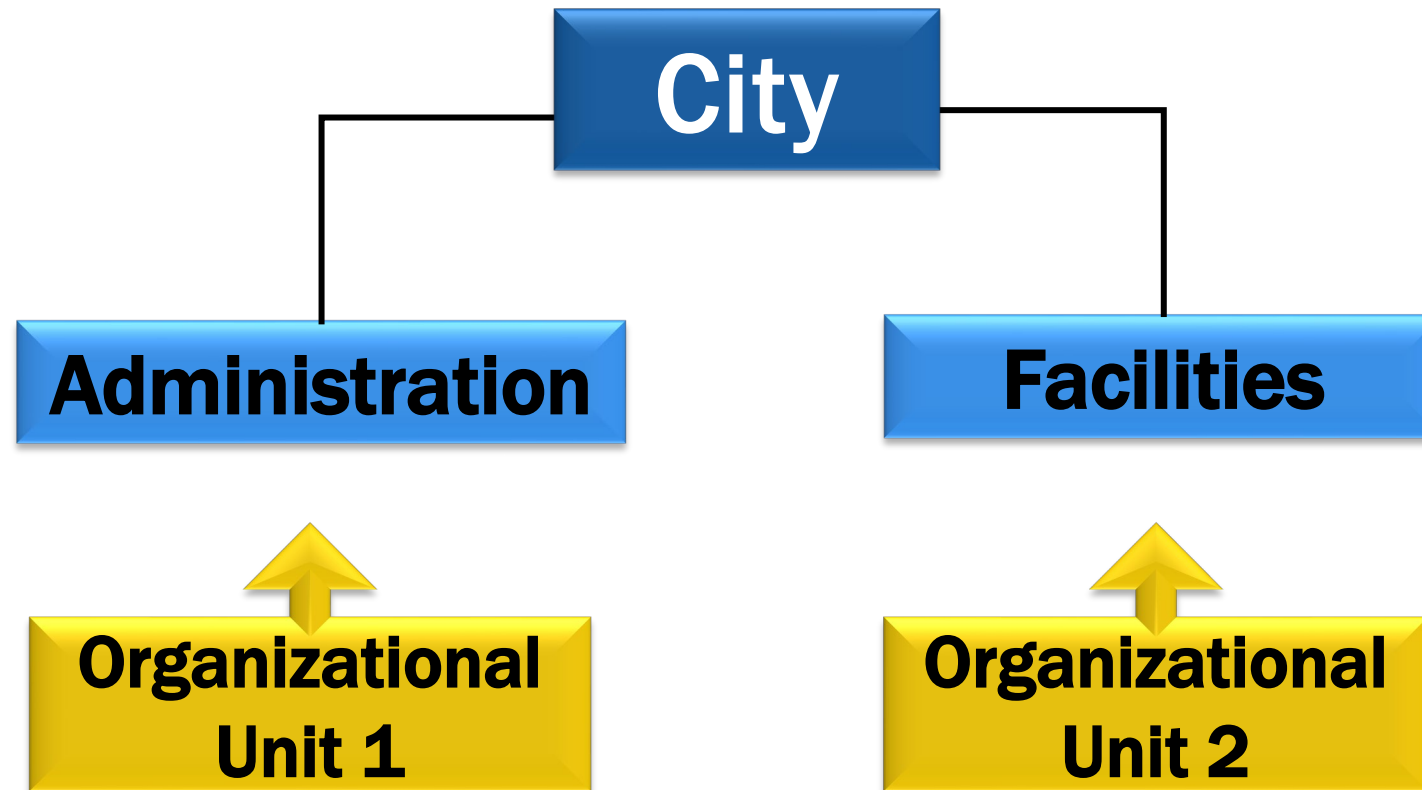
OR

**Program &
Activities**

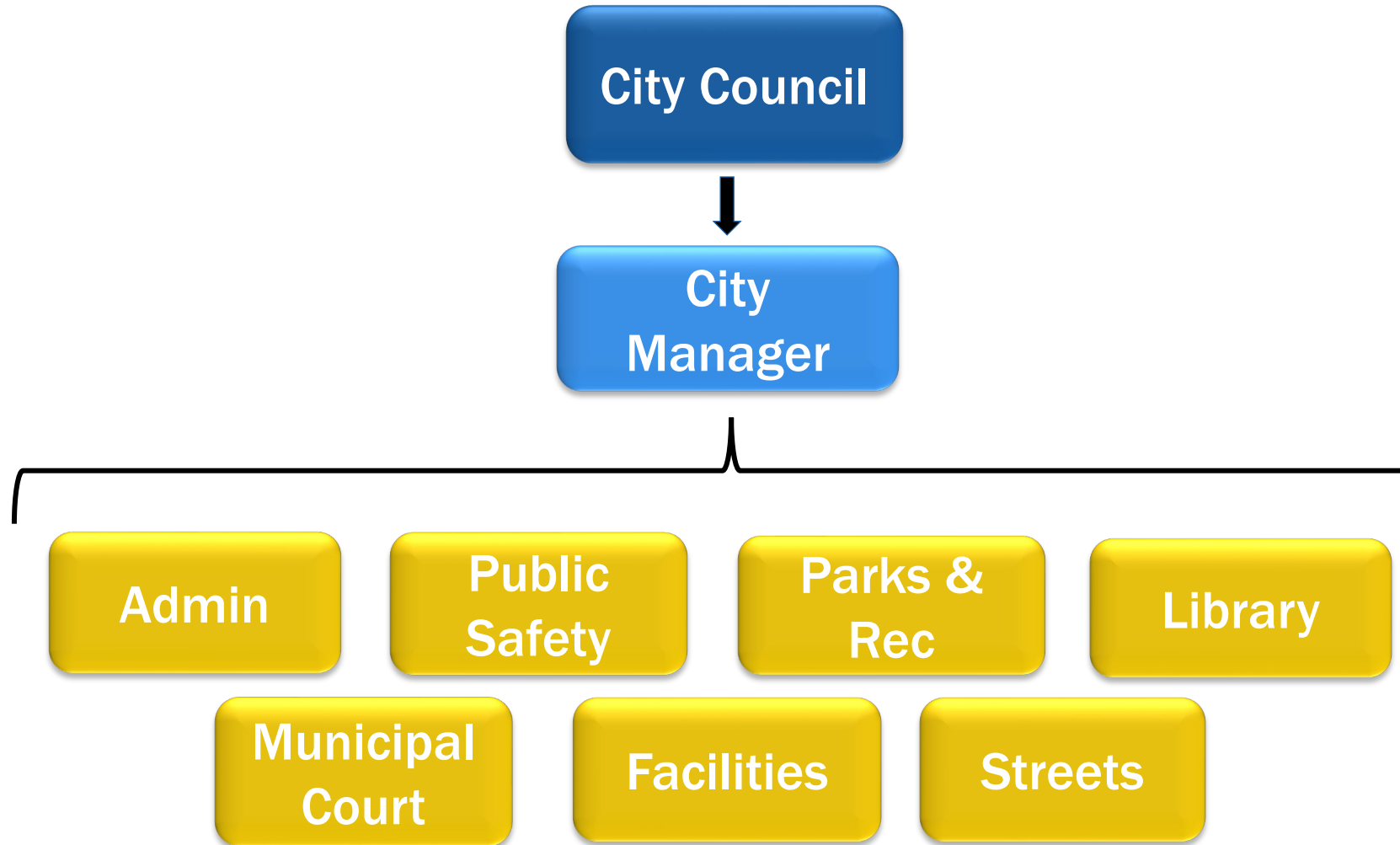
Any administrative subdivision of a municipal corporation, especially one charged with carrying on one or more functions or activities

A group of related activities aimed at accomplishing a major service or function for which the municipality is responsible

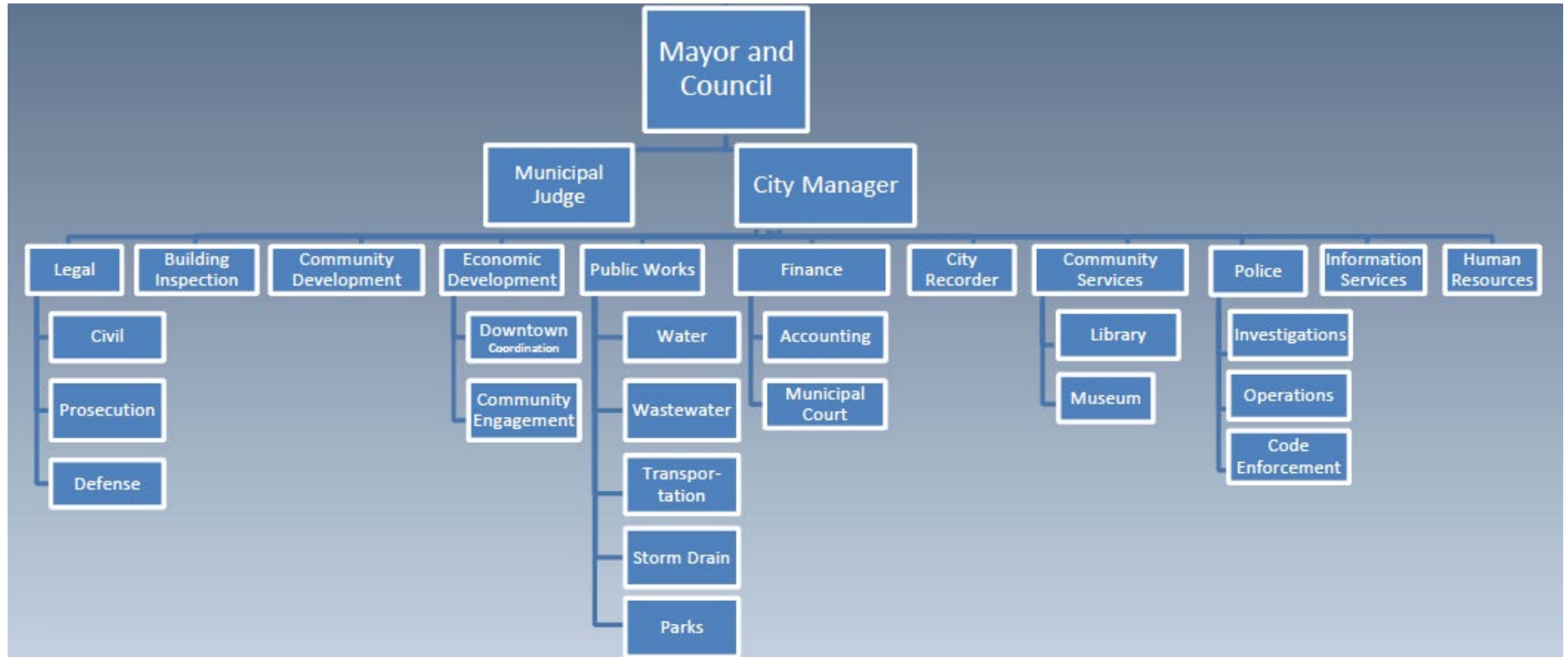
Simple Organizational Unit



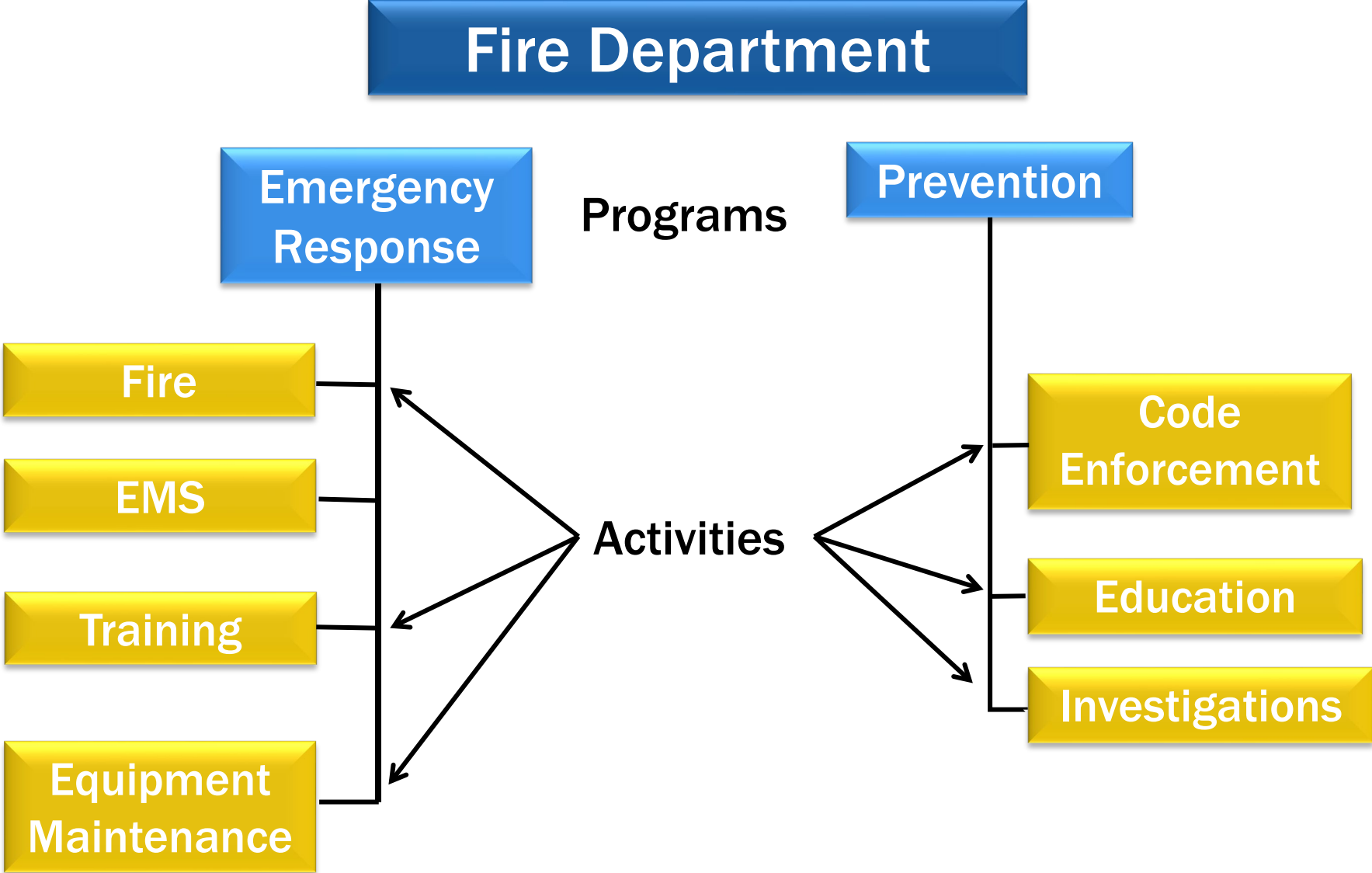
East Cupcake's Organizational Chart



Organizational Unit Example

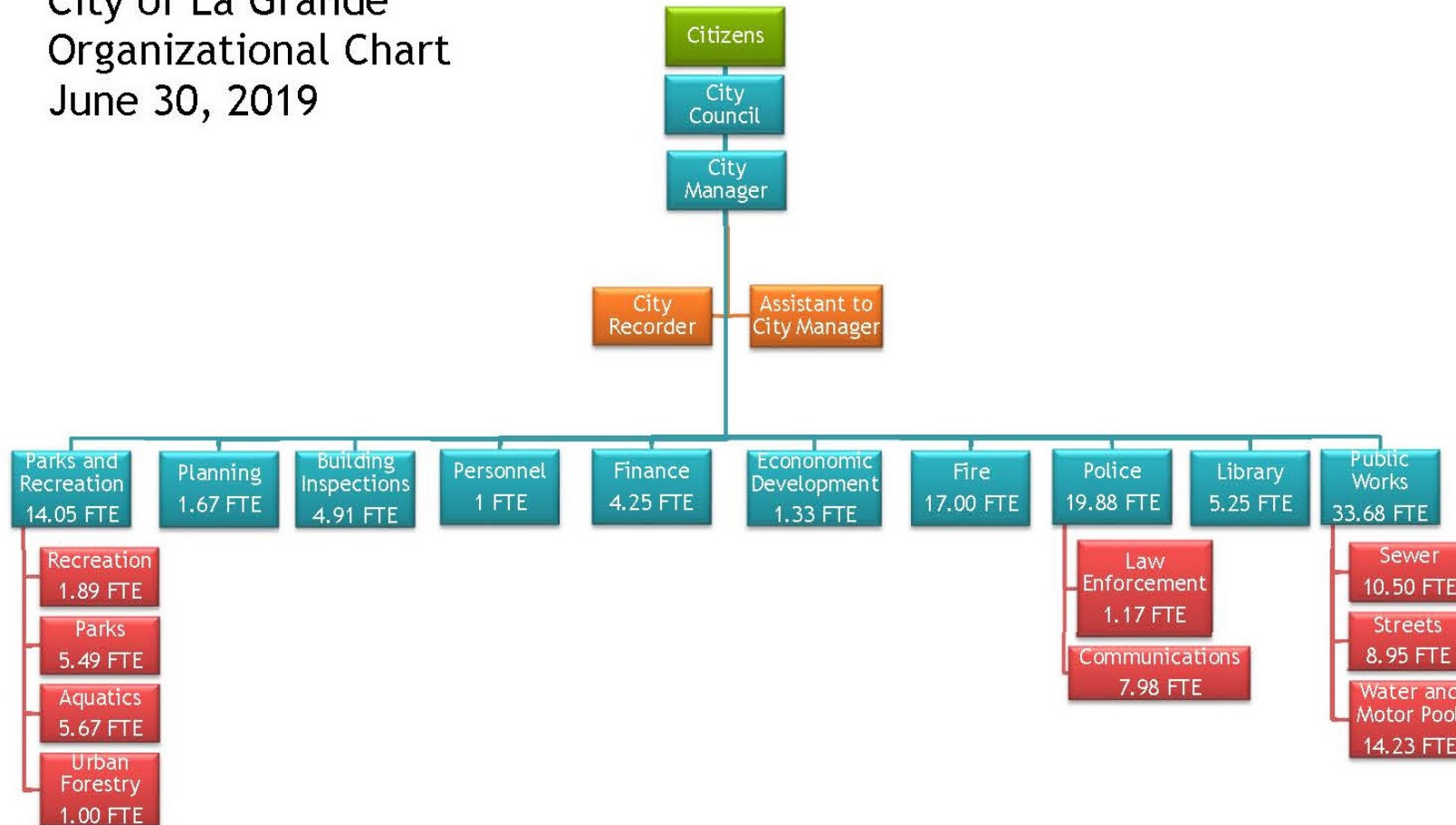


Program Example



Program Example

City of La Grande
Organizational Chart
June 30, 2019



Object Classifications (Allocated)

Personnel Services

Expenses related to employees

Must include associated FTE

Materials & Services

Consumables and service expenses:

- Contract services
- Supplies
- Other operating expenses

Capital Outlay

Items with useful life of a year or more

******Always include line item detail******

Object Classifications (Not Allocated)

Interfund Transfers

Transfer of resources from one fund to another

All transfers out require a corresponding transfer in

Debt Service

The repayment of any loan, bond, or other borrowing.

Special Payments

Pass-through payments, grants made to other organizations, or other one-time or unusual payments that do not fit into any other expenditure category

Object Classifications (Not Allocated)

Operating Contingency

Unidentified operating expenses.

Only budgeted in operating fund

Reserved for Future Expenditure (RFE)

Saved for future spending

Unappropriated Ending Fund Balance (UEFB)

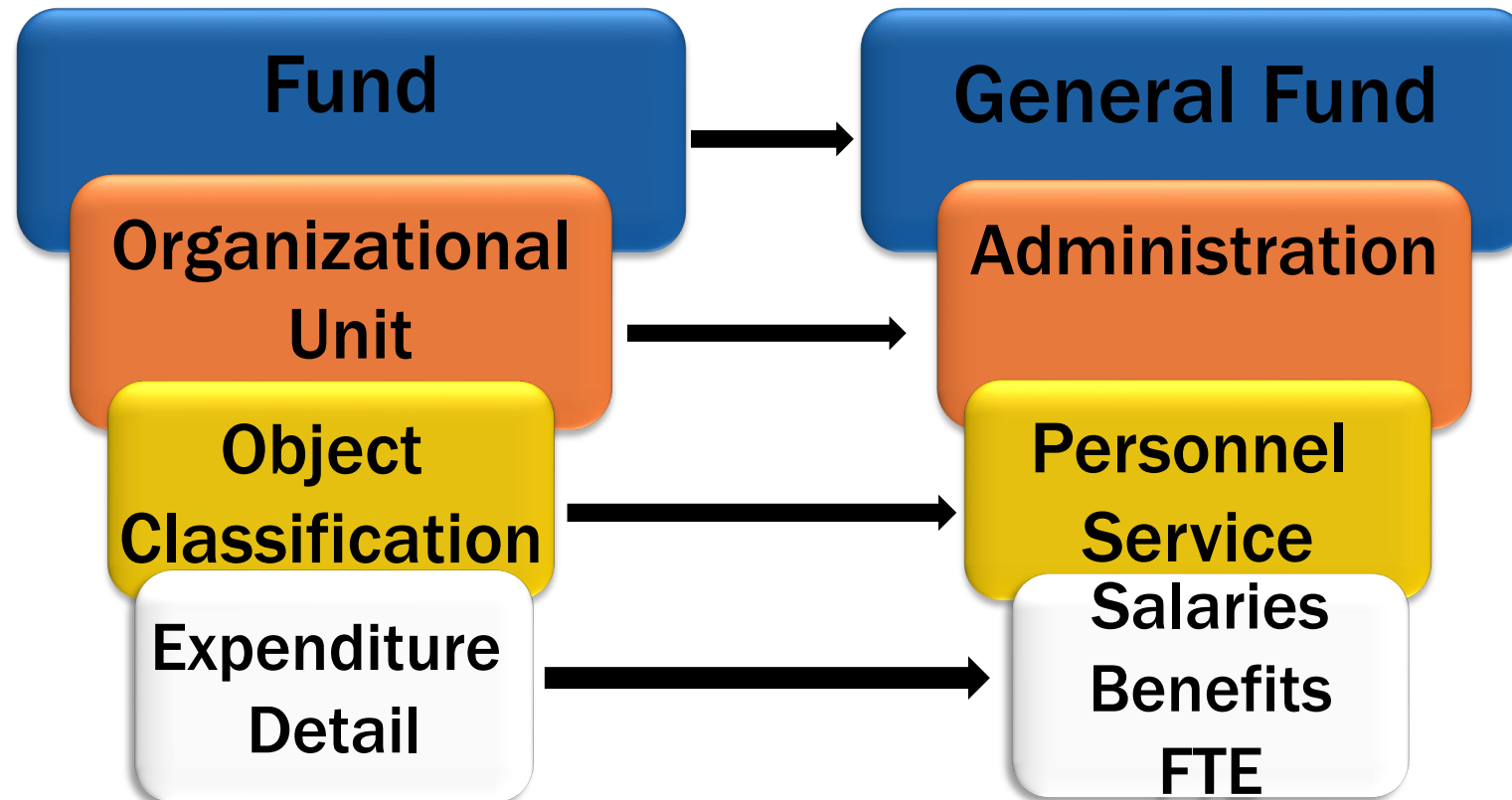
Carry-over for next year's budget to cover requirements prior to resources being available

Budget Requirements

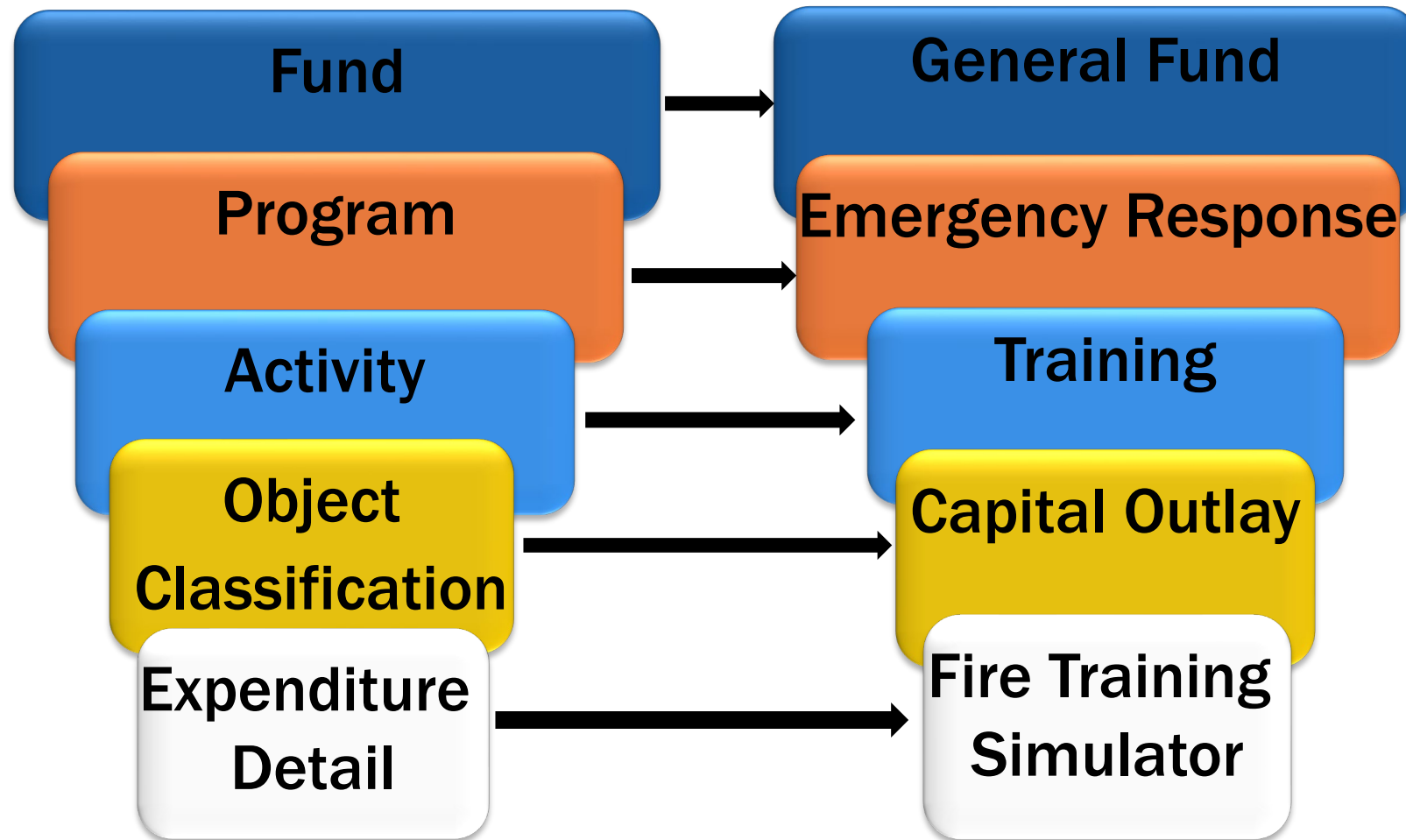
		Object Classifications	Allocated or Not Allocated to an Organizational Unit or Activity?	
Requirements	Expenditures	Personnel Services	Usually Allocated	
		Materials & Services		
		Capital Outlay		
			Special Payments	Not Allocated
		Debt Service		
		Transfers (out)		
		Operating Contingency		
		Reserved for Future Expenditure		
		Unappropriated Ending Fund Balance		

ORS 294.388

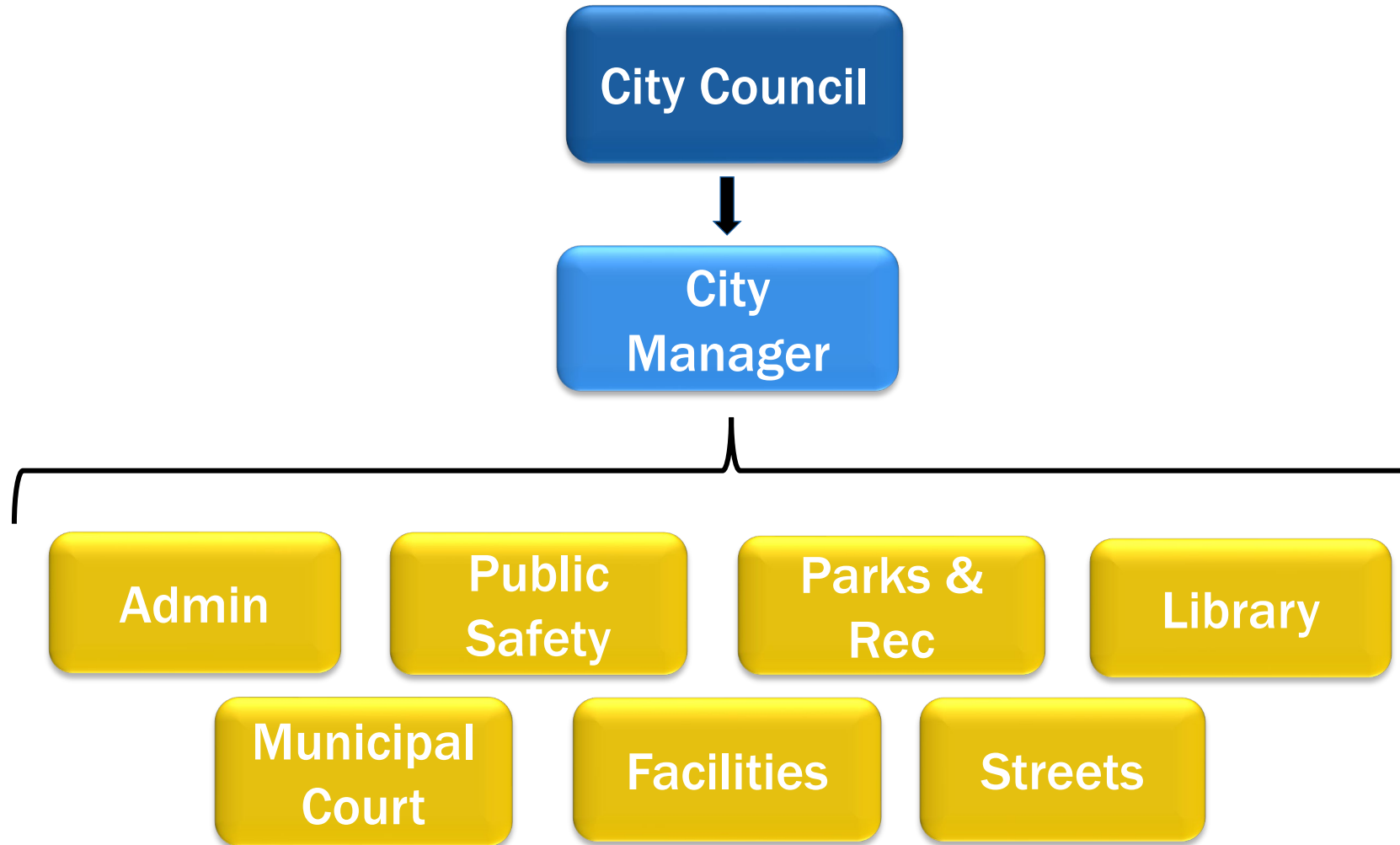
Budget Organization – Organizational Units



Budget Organization – Programs



East Cupcake's Organizational Chart



Sample Budget Organization

General fund

Admin

Public Safety

Parks & Rec

Library

Municipal Court

Facilities

Debt Service Fund

Streets Fund

Street Department

Library Special Revenue Fund

Library

Facilities Reserve Fund

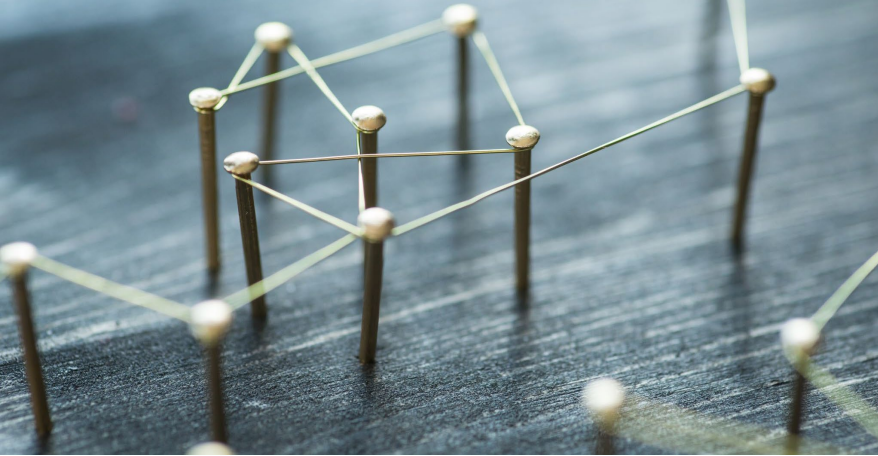
Facilities



Review Sample Budget

Budget Detail: Statutory Minimum

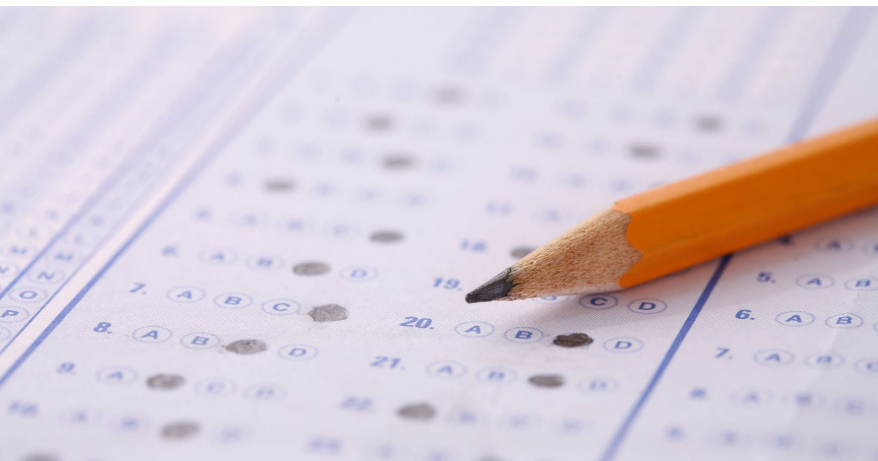
- Line item description
- 2 prior years actual information *(Use actual / audited #'s)*
- Budgeted amount for current fiscal period
- Proposed amount for next year
 - Once BC approves, complete “Approved” column
 - Once Governing Body adopts, complete “Adopted” column

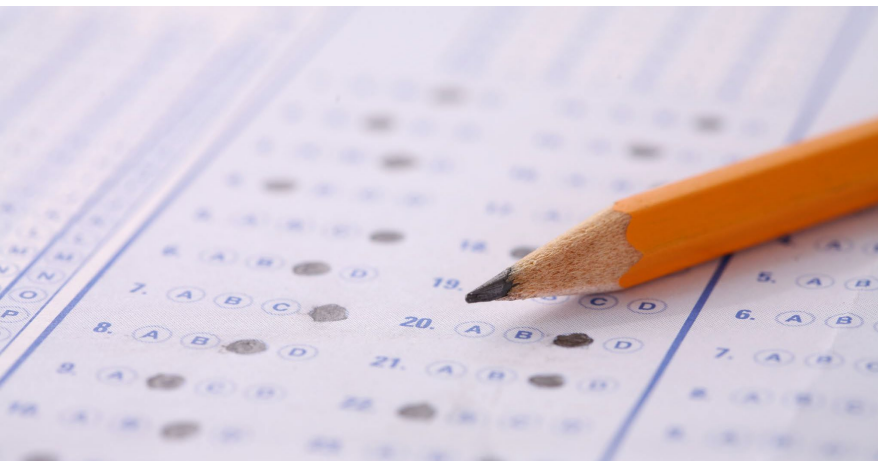
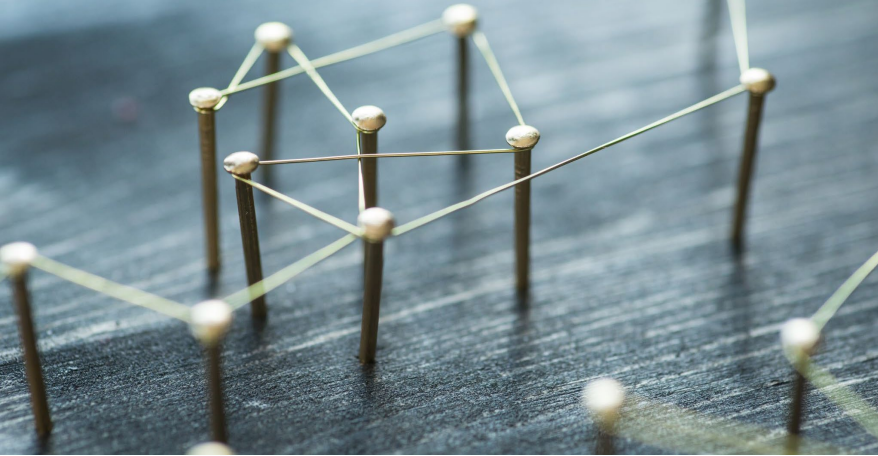


Discussion: Proposed Budget



1. What is the basic formula used to estimate the amount of property tax to be received? What other factors should be considered?
2. **True** or **False**: When levying for G.O. bond debt, your levy amount should be equal to the amount needed to pay principle and interest.
3. What's the difference between an organizational unit and a program?
4. **True** or **False**: If your budget has only one fund, you don't need to budget by organizational unit or program.





Discussion: Proposed Budget

5. **True or False:** Debt service must always be budgeted in a debt service fund.
6. Which object classifications should never be allocated to an organizational unit?
7. Which object classifications are defined as operational expenditures?
8. What information do you have to include in your budget if you estimate expenditures for Personnel Services?
9. **True or False:** “Non-Departmental” is an appropriate name for an organizational unit within the General Fund.

Questions?

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FT&E Message Phone # (503) 945-8293

Email finance.taxation@oregon.gov

Local Budget Forms and Manuals on Internet:

<http://www.oregon.gov/DOR/programs/property/Pages/local-budget.aspx>

Subscribe to our email list for email notices of future training workshops and news on any changes to Local Budget Law. Sign up through this link:

<http://listsmart.osl.state.or.us/mailman/listinfo/localbudget>