

LOC League of Oregon Cities
presented at FEC on 2/20/19
By Megan George and Patty
Mulvihill



Oregon's budget system is considered to be one of the most progressive in the nation.

Applies to 1,500 local governments throughout the state by:

- Establishing standard procedures for preparing, presenting, and administering the budgets for Oregon governments
- **REQUIRES** citizen involvement before formal adoption
 - Public notification requirements
 - Members of budget committees have an equal vote to the budget committee
 - Changes to the budget are limited without additional public notification and citizen input
- Provides a method of estimating revenues, expenditures, and proposed taxes
- Offers a way to outline programs and services provided by local governments and the fiscal policy used to carry them out

What is a budget?

- » Financial accountability
- » Communications tool
- » Vehicle for obtaining public opinions
- » Governing tool to test political responsiveness



2

Financial Accountability

- Constitutional and statutory limits on spending
- Comprehensive annual financial report (CAFR)
- Audits
- Legal requirements
 - Balanced budget
 - Requirement to comply with the adopted budget instead of using discretion to implement other priorities
- Ensures documentation of how tax dollars are spent

Communications tool

- Department budget requests must communicate the health and future needs of its programs
 - How well the department is performing
 - Explanation of proposed changes to programs, policies, and funding levels
 - How the department will implement priorities
- Budget committee communicates with budget office staff to provide them with information to make decisions on the proposed budget
- Citizens and the media
 - Awareness of how the budget process and documents are packaged and

communicated online and through social media

- Successful communication builds legitimacy for the programs, agencies, departments, and the governing entity

Vehicle for obtaining public opinions

- Competing demands
 - Interest groups
 - Administrative concerns for operational efficiency and program effectiveness
 - Leadership aspirations of elected officials
 - Taxpayer discontent over excessive spending
 - Citizen concerns for more responsiveness and accountability
 - Competing ideologies about the scope of government's reach into the lives of its citizens

Governing tool to test political responsiveness

- Budgeting process assumes that what the community supported in the past will continue to be incrementally supported in the future
- Goals must be viewed against economic conditions
 - Good economic times generate strong revenues and provide an opportunity to strengthen the fiscal health of the budget



Purposes of the budgeting process

- To fund programs that are
 - *responsive* to constituent wishes
 - *effective* in accomplishing their goals
 - *cost efficient*
- To
 - *plan, set and coordinate* policy priorities
 - *ensure a healthy economy*
 - *Communicate to the public and stakeholders*
- Source: Budgeting for Local Government

Disagreements about the priority of these purposes are often about whether money should be used for short-term v. long-term needs.

- Goal to create a working consensus that can last through the next budget cycle
- Legitimacy of local governments and their ability to garner support from taxpayers depends on how well budget participants successfully balance these competing short and long term priorities.

OBJECTIVES



- » Establish budgeting procedures
- » Describe programs and the fiscal policy to accomplish the programs
- » Estimate revenues, expenditures, and proposed taxes
- » Obtain input from the public
- » Promote efficiency and economy in the expenditure of public funds
- » Inform public, taxpayers, and investors

4

BUDGET OBJECTIVES

- Establish procedures for the preparation, presentation, administration, and appraisal of budgets of local government
- Provide description of programs and the fiscal policy to accomplish the programs
- Provide estimates of revenues, expenditures, and proposed taxes
- Provide specific methods for obtaining public views in the preparation of fiscal policy
- To control revenues and expenditures for the promotion of efficiency and economy in the expenditure of public funds
- To enable the public, taxpayers, and investors to be apprised of financial policies and administration of local government



Who's Involved

- Governing Body
- Budget Committee
- Budget Officer
- City Staff
- County Assessor
- County Tax Collector
- Oregon Department of Revenue
- TSCC
- Oregon Secretary of State
- Citizens

5

Budget process allows the various actors to use their role authority to pursue their specific goals

Governing Body

- Ultimate responsibility for all actions of the district
- Direct responsibility of serving on the budget committee and for adopting the budget prior to July 1
- Elected officials
 - usually run for office because they have programmatic priorities or issues they want addressed
 - Need to deliver on campaign promises

Budget Committee

- By statute, approves the budget and property tax levy
- Governing body is restricted as to how much the budget can change from the budget committee has approved
- Restrictions as to increasing the property tax levy over what the committee has approved
- Budget Officer
 - Appointed to develop the proposed budget for presentation to the budget committee

- Can be either member of Governing Body or staff member
- Doesn't have to live within the boundaries of the local government unless required by charter
- Duties
 - Prepares the budget calendar
 - Prepares the proposed budget document
 - Publishes the Notice of Budget Committee Meeting
 - Notifies public of the opportunity to ask questions or comment on the proposed budget
 - Published twice – 5 to 30 days before the committee meeting OR
 - Published once – 5 days before on the city's website no less than 10 days before the meeting

City Staff

- Budget Office
 - Prepares the budget document
 - Guides the budget through the process
 - Ensures publication notices and filings are submitted
 - Tracks budget during the year
 - Answers two questions
 - Does the budget make good fiscal sense?
 - Do requests meet policy priorities?
- Department heads
 - Produce budget through an internal process

County Assessor

- Reviews filings under ORS 310.060 and alerts the Oregon Department of Revenue of irregularities
- Extends levies, including
 - calculating tax rates for dollar-based levies
 - Determining property taxes for each property
- Tracks and maps the boundary of each district

County Tax Collector

- Receives the assessment roll from the county assessor and proceeds to prepare and mail property tax statements
- Prepares a distribution schedule that indicates how much each district in the county is to receive from every dollar in property taxes paid
- Distributes taxes as they come in using distribution percentages

Oregon Department of Revenue

- Granted authority in statute to 'construe' local budget law
- Makes rules and regulations to carry out local budget law
- Has authority to instruct the assessor to adjust a property tax levy that is contrary to law or the Oregon Constitution

TSCC Multnomah County Tax Supervising and Conservation Commission

- Taxing districts in Multnomah County
- Districts are required to submit their approved budget to TSCC prior to conducting a

public hearing

Oregon Secretary of State

- Requires most districts to have an annual audit of financial statements

Citizens

- Local budgeting process provides opportunity to support citizens with their daily lives

Need some help with this slide...

PUBLIC MEETINGS LAW





**Oregon Public
Meetings Law ORS
192.610 to 192.690**

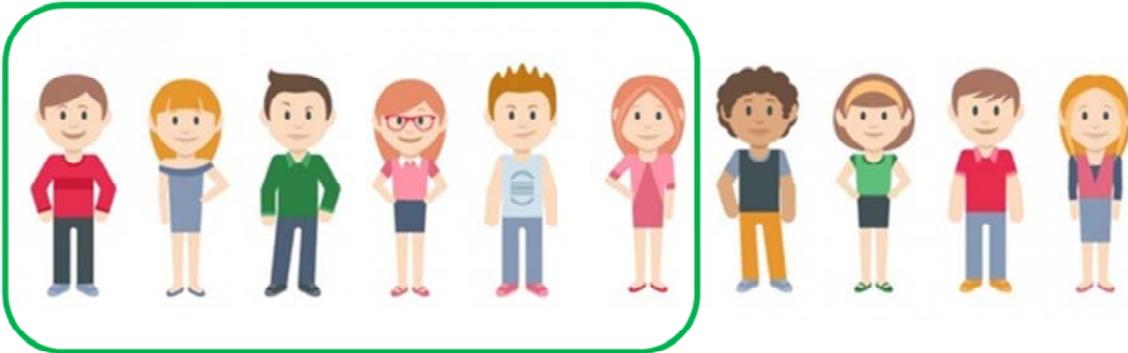
The Oregon form of government requires an informed public aware of the deliberations and decisions of the governing bodies and the information upon which such decisions were made. It is the intent of ORS 192.610 to 192.690 that decisions of governing bodies be arrived at openly.

http://www.doj.state.or.us/wp-content/uploads/2017/06/public_records_and_meetings_manual.pdf

Public Meetings Law

- regulates the decision-making process of “governing bodies and public bodies”.
 - Governing body within the meaning of the Public Meetings Law means that the team “consists of two or more member, with authority to make decisions for or recommendations to a public body on policy or administration” ORS 192.610(3).
- Requires that most “meetings” of a governing body “shall be open to the public” ORS 192.630(1)
 - A meeting is “a convening of a governing body of a public body for which a quorum is required in order to make a decision or to deliberate toward a decision on any matter” ORS 192.610(5)
 - A “quorum of a governing body may not meet in private for the purpose of deciding on or deliberating toward a decision on any matter” ORS 192.630(2)

A quorum of a governing body may not meet in private for the purpose of deciding on or deliberating toward a decision on any matter



Fifty percent +1 of the members (not majority present)

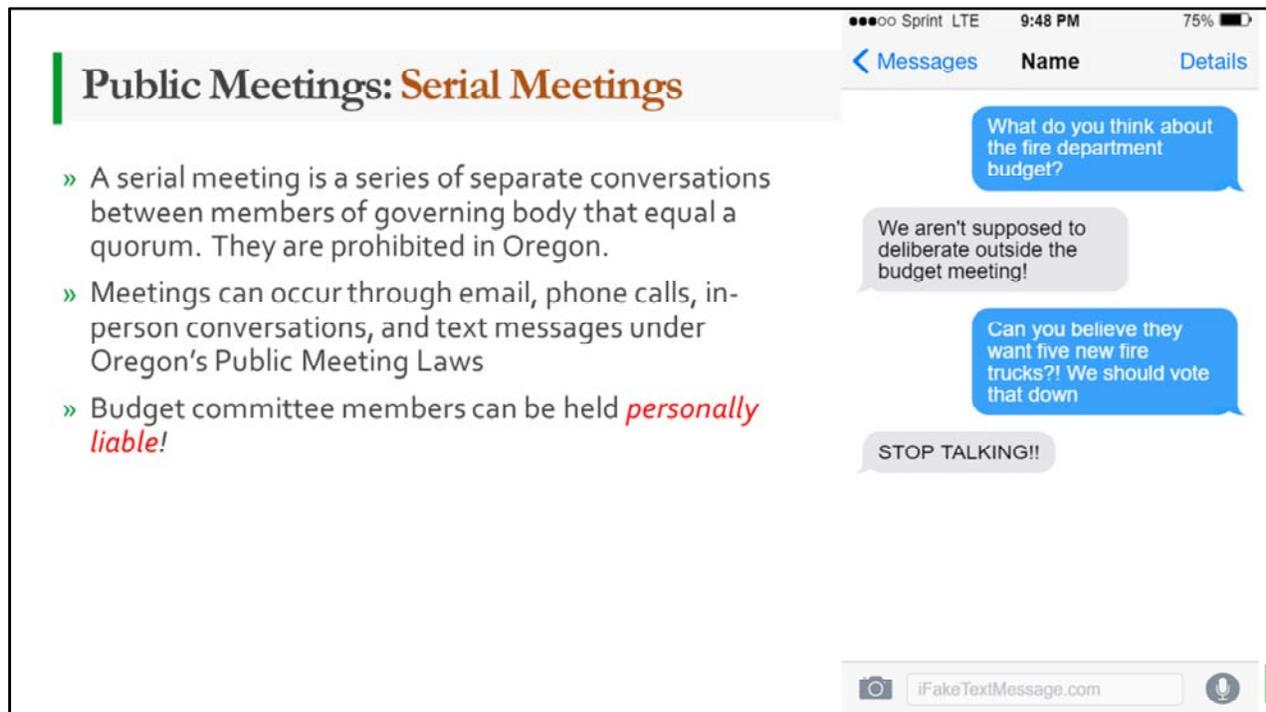
11

ORS 192.630(2) - "A quorum of a governing body may not meet in private for the purpose of deciding on or deliberating toward a decision on any matter."

A majority of the entire committee (not just the quorum) is required to approve any motion, which is 1 more than half of the members. In this example, the budget committee has 10 members, so 6 must be present to hold a meeting.

Whenever a vote is taken, a majority voting "yes" is required to approve an action.

If the majority of members of the budget committee do not agree, it is up to the committee to negotiate a budget and tax that is acceptable to a majority of its members.



Tri-County Metropolitan Transportation District of Oregon v. Amalgamated Transit Union Local. Decided 2/15/2018.

Budget committee members can be held *personally liable!*

Attorney fees

Willful misconduct

Conduct intended to cause a particular result

Using your personal computer or private email account could make them subject to disclosure under a public records request or in a litigation discovery request. In Lane County, local government officials were required to produce documents sent from private email accounts.

Communications made through email are subject to public meeting laws. Historically in Oregon, the definition of a public meeting required a quorum of a governing body in the same place (or on the same conference call) before a meeting could occur. In the Lane County Case, the court concluded that a violation of the public meetings laws can occur even when a quorum never meets at the same time.

In Lane County, the court found that a quorum of the Lane County Board of Commissioners

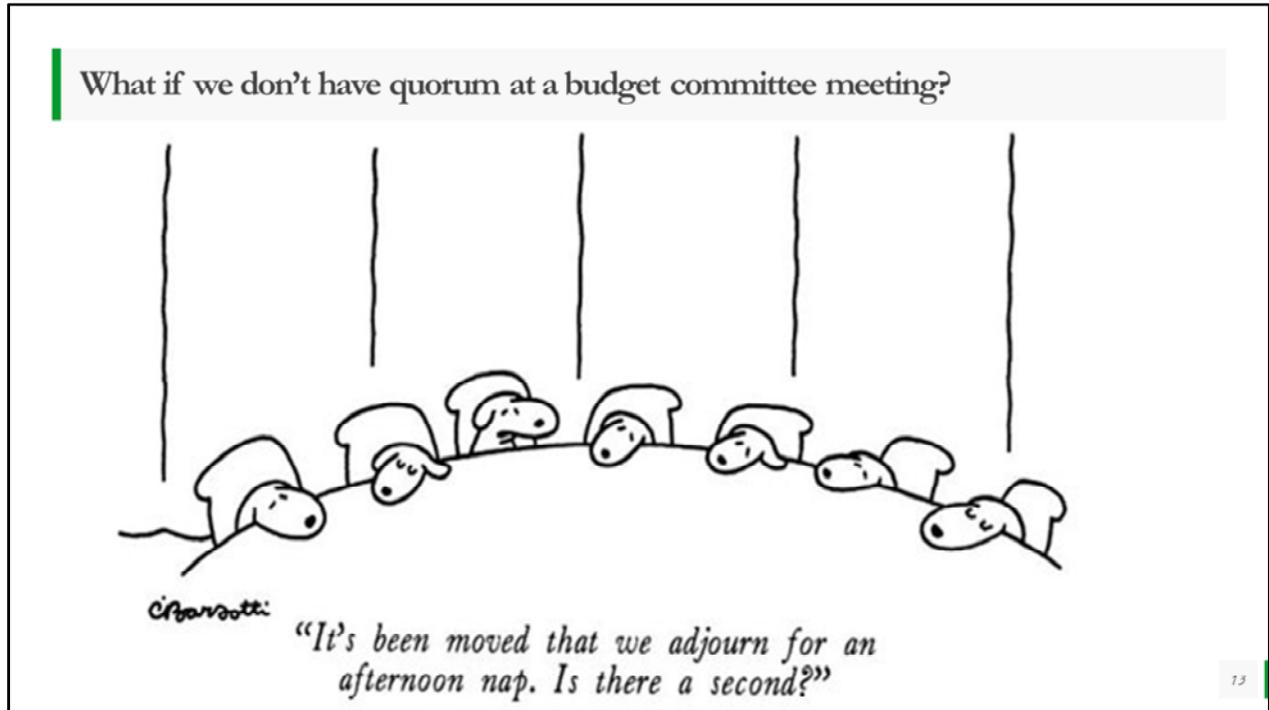
had private conversations and meetings where they deliberated and reached a decision on what to include in a supplemental budget – even though the commission never discussed the issue at the same time.

Serial meetings occur when deliberations/decisions take place with the intent to build a majority. Communications that could constitute deliberations, or even worse, reaching a decision, should be avoided!

Knowledge of the requirements of the public meetings laws and failure to comply with the requirements may constitute willful misconduct that subjects individual committee members to personal liability. The law also states that if the violation is the result of willful misconduct by an individual member or members of the governing body, that the member(s) are jointly and severally liable to the public body for the amount required to be paid by the plaintiffs.

Willful misconduct test:

1. Could require that a public official act with “a conscious objective to violate those particular statutory provisions”.
2. Could occur if an official “had knowledge of the law’s requirements and thereafter failed to follow those requirements”



When no quorum is present, the members who are present may discuss committee business but no action can be taken.

When drafting a quorum requirement, make sure it complies with your city charter, which should indicate what constitutes a quorum and whether the mayor counts towards the quorum requirement.

What if we can't find people to volunteer or people drop off?



If the governing body is unable to appoint people to vacancies, the budget committee may function with a reduced number of members. For example, if a 5-member governing body makes a good faith effort to seek qualified citizen members but can only fill 3 of the appointed positions, the budget committee can function with 8 members rather than 10, so a majority would be 5 instead of 6.

The membership may not be reduced because governing body positions are currently vacant.

Public Comment – Free Speech Protections / Time, Place & Manner Restrictions

» Budget Committees can adopt rules that:

- Dictate the time during a meeting when the public can comment.
- Establish the particular location in a meeting where the public can address the Committee.
- Limit the topic the public can speak to during their speech.
- Regulate the amount of time each speaker is allowed to talk – must be equal across the board.

» Inform the public of these rules in advance.

Removing, Arresting and Suspending Disruptive People

- Actual disruption is required.
- The decision to arrest must be made by a law enforcement officer
- Suspension is probably not permitted – check with city attorney before making such a decision.

Do's

- » Review budget prior to first meeting for information and personal use
- » Request information from staff during the committee process
- » Provide notice to inform citizens when and where deliberations on the budget will take place
- » Invite public comments and questions



DON'T



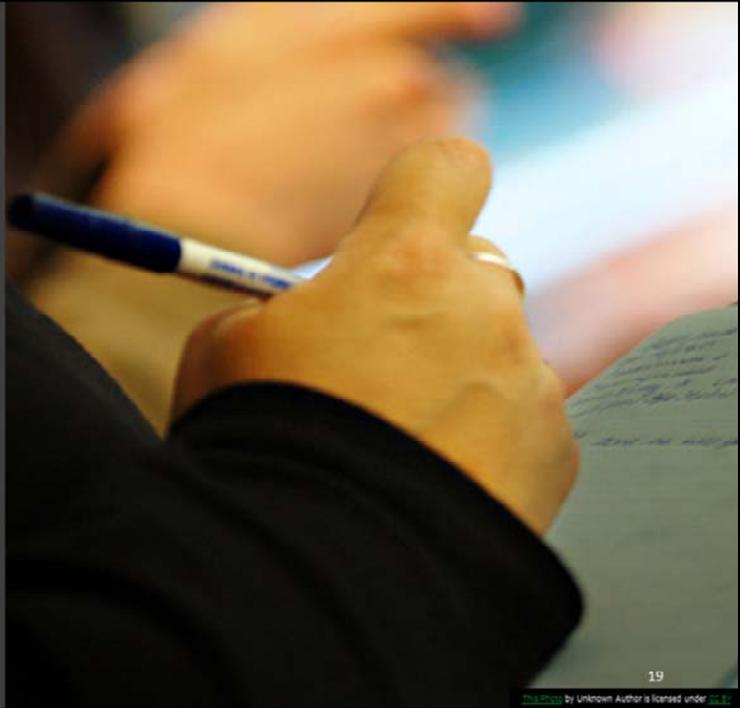
- » Act independently outside of a committee meeting
- » Deliberate on the budget document before the first meeting
- » Discuss anything related to the budget process outside the public meeting
- » Restrict the content of a citizen's public comment

PUBLIC RECORDS LAW



Generally –
Cities must retain
and disclose public
records.

Did you prepare or use it?
Does it relate to city business?

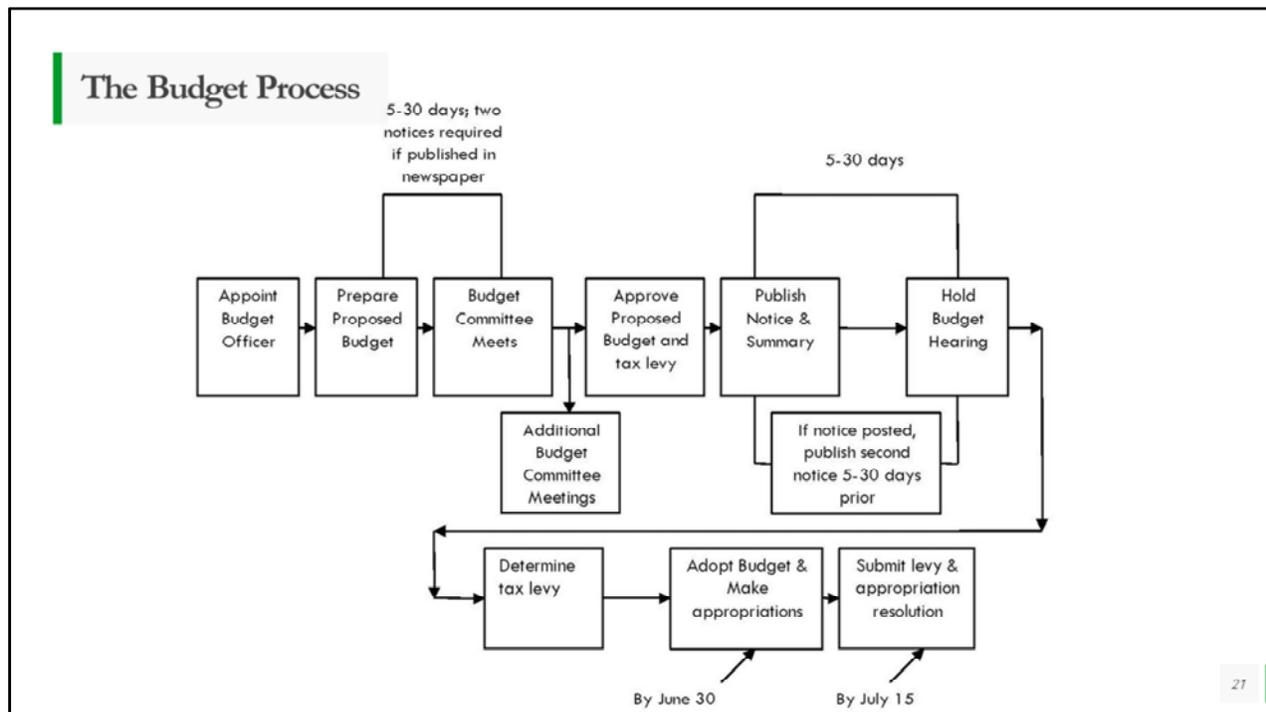


19

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BUDGET COMMITTEE & THE BUDGET CYCLE





Budget officer appointed – Each local government must have a budget officer, either appointed by the governing body or designated by the local gov. charter. The Budget Officer is supervised by the executive officer or the governing body.

Proposed budget prepared – The Budget Officer is responsible for preparing or supervising the preparation of the proposed budget for presentation to the budget committee.

Budget officer publishes notice – When the proposed budget and budget message are ready, the Budget Officer publishes a “Notice of Budget Committee Meeting”

- Newspapers only – published at least 2x, 5-30 days before the scheduled meeting
- Newspaper and local gov website – 1x in newspaper, 5-30 days before meeting and 1x on website no later than 10 days prior to the meeting

Budget Committee Meets – At least one meeting must be held to 1. receive the budget message and budget document and 2. to hear the public. The Budget Officer provides a copy of the budget to each member of the budget committee, either before or during the first meeting. The budget becomes a public document once it is distributed to the budget committee, so it must be made available to the public.

The Budget Process

- » There are three stages in the budgeting process:
 - Proposed;
 - Approved; and
 - Adopted.

FORM LB-10			RESOURCES AND REQUIREMENTS GENERAL FUND (Fund)		SPEEDY RFPD (Name of Municipal Corporation)		
Historical Data			DESCRIPTION RESOURCES AND REQUIREMENTS	Budget for Next Year 2019-20			
Actual	Adopted Budget			Proposed By	Approved By	Adopted By	
Second Preceding Year 2016-17	First Preceding Year 2017-18	This Year 2018-19		Budget Officer	Budget Committee	Governing Body	
			RESOURCES				
1	106,487	143,475	176,811	117,890	117,890	117,890	
2	2,065	2,435	3,768	3,179	3,179	3,179	
4	14,938	27,800	19,876	20,000	20,000	20,000	
5	5,000	6,350	2,100	10,000	10,000	10,000	
6	11,247	7,889	14,122	12,000	12,000	12,000	
7	4,875	6,500	8,125	5,000	5,000	5,000	
8	143,712	193,479	222,852	166,069	166,069	166,069	
9			325,000	422,034	422,034	422,034	
10	286,064	323,716					
11	429,776	517,155	547,602	588,103	588,103	588,103	
			TOTAL RESOURCES				
			REQUIREMENTS **				
			Program and Activity	Object Classification	Detail		
14	31,500	63,000	67,000	11	RESPONSE EMS PERSONNEL SERVICES SALARIES & OVERTIME	70,000	
15	2,900	4,180	4,420	11	RESPONSE EMS PERSONNEL SERVICES BENEFITS	4,600	
16	15,000	15,000	20,000	20	RESPONSE EMS MATERIALS & SERVICES MEDICAL SUPPLIES	20,000	
17	3,464	3,502	3,800	11	RESPONSE FIRE MATERIALS & SERVICES TRAINING VOLUNTEERS	4,000	
18	45,000	48,000	50,500	18	RESPONSE EQUIP MAINT PERSONNEL SERVICES SALARIES & OVERTIME	54,250	
18	3,900	3,900	5,330	18	RESPONSE EQUIP MAINT PERSONNEL SERVICES BENEFITS	4,455	
20	20,000	20,000	23,000	20	RESPONSE EQUIP MAINT MATERIALS & SERVICES APPARATUS MAINT	20,000	
21	13,000	13,000	12,000	21	RESPONSE EQUIP MAINT MATERIALS & SERVICES GEAR	10,000	
21	9,500	9,500	13,000	21	RESPONSE EQUIP MAINT MATERIALS & SERVICES BUILDING MAINT	10,000	
21	10,000	10,000	18,000	21	RESPONSE EQUIP MAINT MATERIALS & SERVICES TURNOUT GEAR	22,500	
24	10,000	10,000	15,000	26	RESPONSE TRAINING MATERIALS & SERVICES GEAR OF SAFETY	15,000	
30	5,000	5,000	5,000	30	RESPONSE TRAINING MATERIALS & SERVICES TRAVEL	5,000	

Source: Department of Revenue

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Budget Committee: Official Duties

- » Publicly review the proposed budget document
- » Allow public to ask questions and comment on the budget
- » Approve the budget with all funds in balance
- » Approve the maximum amount of property taxes

The Budget Committee does not:

- » Set staffing levels, salaries, benefits, or contract terms
- » Decide whether or not a service or program should be provided
- » Make policy

23

The budget committee meets to review, make additions or deletions, and approve the proposed budget presented by the local government's budget officer. After deliberating, the committee approves the budget and sets the tax rate or amount needed to balance the budget.

Budget Committee: **Obtaining information**

- » Can request any information required during consideration of the budget from any district officer or employee
 - Visit district operations
 - Inquire about budget items
 - Request additional information
 - Share topics for future meeting
- » Can require staff to attend budget committee meetings



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24

It is helpful and appreciated by other budget committee members to ask questions to the Budget Officer or administrator outside committee meetings.

- Allows members to explore budget items of interest in greater detail than would be practical during committee meetings
- Helps the Budget Officer by giving an indication of concerns so they can highlight issues of interest to the entire committee

Requests by the budget committee should be made through the chief administrative officer of the local government (City Manager) or the Budget Officer.

Budget Committee: Meetings

- » Subject to Oregon's Public Meetings Law
- » The budget can be received (**but not discussed**) before the first meeting
- » First meeting
 - Adopt rules of order
 - Election of officers
 - Receive the budget message
 - Set dates for future meetings
 - *Public input is not required*



LET'S WORK TOGETHER
TEAMWORK

25

- The budget can be received (**but not discussed**) before the first meeting, but then also must be made available to the public
 - No discussing or deliberating on the budget before the first meeting!
- Adopts Rules of Order
 - League of Oregon Cities has model rules of order which are simpler than Robert's Rules
 - Can't adopt a rule which allows the committee to take official action with approval of less than a majority
- Receives budget message
 - Budget Officer explains the budget document.
 - Includes a brief description of the proposed financial policies
 - Describe the important features of the budget document in connection with the financial policies of the local government.
 - Explain the reason for changes in appropriations and revenues.
 - Explain the major changes in financial policy.
 - Explain reasons for any planned change in the basis of accounting and the effect of that change on operations.

Subsequent meetings

- Should take place at least a week after the first meeting to allow people to

review the proposed budget

- Budget committee can meet as many times as necessary
- At least one meeting must provide opportunity for public questions and comments

Budget Committee: Rules of Procedure



- » Establishes rules of procedure for:
 - How council meetings are governed
 - How appointments are made
- » Benefits
 - Meetings are run in an efficient and consistent manner
 - Reduces likelihood of friction
 - Provides guidance for how council members interact with city employees
 - Ensure continuity and stability during transition years

26

Establishing rules of procedure for council meetings has several benefits.

- allows for
 - meetings to be run in an efficient and consistent manner.
 - the council and residents to debate matters of public concern in a courteous and respectful manner that lessens the likelihood of discontent and friction.
 - guidance to council members on how they are to interact and engage with city employees and members of the public.
 - continuity and stability during transition years when new members of the council are elected to office.

Budget: Amendments and Supplemental budgets

- Oregon Budget Law allows for the Governing Body to make changes to the budget after the Budget Committee has approved it.
- The total property tax to be levied can't exceed the amount shown in the budget that was approved by the budget committee
- Budget committee members are free to attend that hearing and voice their opinions about the changes



27

The City Council has the right to change the budget

The amount of the estimated expenditure for each fund may not be increased more than 10 percent unless a summary of the revised budget is published (again) and a public meeting is held.

Can the budget committee...

- Add or delete services?
- Add or delete funding for specific services?
- Determine how much an employee is paid?

28

Add or delete services? NO

- Budget parameters established by the governing body give the budget officer and staff guidelines for developing the budget
- Budget is prepared reflecting those parameters

Add/delete funding for services YES

- Even though the budget committee can add or delete funding for specific services in the proposed budget, the governing body can make changes after the budget committee has approved the budget, although they may need to hold another public hearing and re-publish the budget to do so

Determine employee compensation NO

- Budget committee does not approve new staff, employee contracts or salary schedules, or negotiate labor agreements
- Can use its authority to direct the administration to make increases or decreases in the proposed budget

THE BUDGET DOCUMENT





- Bucket Analogy
- Fund accounting is an accounting system for recording resources whose use has been limited by the donor, grant authority, governing agency, or other individuals or organizations by law.
- Fund accounting emphasizes accountability rather than profitability.



Fund accounting: **Why we can't just fix things?**

- Restricted funds
 - Revenues spent only on items related to that specific fund, *regardless of what the City's greatest needs are*
- If the appropriate fund doesn't have the \$, we can't afford it – *regardless of how much \$ is in the City's other funds*

31

From Jason Horton at the City of Woodburn Blog:

Where does the city's money go and why can't we "just fix" certain things?

All Oregon municipal and county governments practices fund accounting.

- Each fund
 - represents different categories to track revenues and expenses.
 - must be accounted for completely separate from other funds.
 - have a very specific operational purpose and revenues can only be used for that specific purpose.

RESTRICTED FUNDS

- Restricted by law, regulation or contractual obligations
- must be spent only on items related to that specific fund, regardless of what the City's greatest needs are.

For example, the Water Fund collects income from water payments and pays expenses associated with water operations. The Water Fund can also pay for water-related capital projects. However, since these funds are restricted to water-related use, water money cannot be utilized for other City services, such as recreation services, City Hall needs or

adding more police officers.

This concept can be confusing because it often means that cities have money to improve water lines, but cannot add more services in parks. Essentially, if the appropriate fund does not have a balance to support the expenditure then we can't afford it. When we consider expenditures we must consider the financial stability of the specific funding source, regardless of how much is in the City's other funds. While this may seem frustrating at times, it serves as a checks and balance to ensure tax dollars are being spent appropriately, repairs get done on the City's water system and roads can get fixed when they fall into disrepair.

Fund Accounting

Beginning Fund Balance	\$2,000,000
Resources	+\$3,000,000
Requirements	-\$4,000,000
Ending Fund Balance	<u>\$1,000,000</u>

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32

- Revenues from taxes, charges, and other sources are deposited into the fund and tracked by accounting transactions. Once revenues have been entered into the fund, they become **resources** available to fund programs.
- At the beginning of a new fiscal year or biennium, there may be some resources already in the fund. These resources are known as the **beginning fund balance**.
- Expenditures or expenses flow out of the fund by transactions to make payments for goods and services. At the end of the fiscal year, any remaining unspent or unobligated resources are denoted as an ending fund balance.
- Jug analogy.



Budget Funds: General Fund

- Day-to-day operations
- General operating fund for local government
- May be the only fund in a small district
- General fund balance is a measure of financial health

33

Funds are used to record the resources and expenditures of an activity of the district, and controls the use of restricted or dedicated revenues

The General fund

- used for
 - Any purpose authorized by law
 - daily financial transactions
 - when a specific type of fund isn't required.
- Widely used and frequently the largest fund
- Receives all revenues not assigned to other funds established by the jurisdiction
- Money the City Council and Budget Committee get to choose where and how to spend
- Resources (discretionary funds due to broad flexibility allowed)
 - Property taxes
 - Use tax (sales tax)
 - income./wage taxes
 - Unrestricted fees, fines, and penalties
 - Unrestricted intergovernmental grants

The general fund balance should be large enough to cover unexpected expenses and revenue shortfalls



Budget Funds: Capital Project Fund

- For building/acquisition of capital facilities
- Nonrecurring major expenditure items
- Resources
 - Proceeds from the sale of general obligation bonds
 - Tax revenue from specific purpose local option taxes, grants, transfers from other funds
 - Other revenues authorized for financing capital projects

34

A capital project fund is a type of special revenue fund that is used to record the resources and expenditures needed to finance the building or acquisition of capital facilities that are nonrecurring major expenditure items.

Resources can include

- the proceeds from the sale of general obligation bonds
- tax revenue from specific purpose
- local option taxes
- Grants
- transfers from other funds
- other revenues authorized for financing capital projects.

Capital project fund

- established when a capital project or series of projects is authorized
- dissolved when the project is completed
- Several related projects financed from one bond issue may be accounted for in one fund if there are no provisions to the contrary in the bond contract.
- Established for the expenditure of bond sale proceeds.

If voter approval is received after the regular budget is adopted and bonds are sold during

the fiscal year, a supplemental budget is not required to expend the proceeds [ORS 294.338(4), renumbered from 294.326(4)]. However, it is good fiscal budgeting for the governing body to establish a capital project fund to account for the proceeds and to adopt a resolution or ordinance appropriating the expenditures.

If the bond sale receives voter approval before the adoption of the regular budget, then the capital project fund and the expenditure of the proceeds must be included in the regular budget. Also, if the bonds were sold in a preceding year and the proceeds carried forward to the current year, then the capital project fund and the expenditure of the proceeds must be budgeted in the regular budget.

Bond proceeds may be used to pay attorneys' fees and other expenses related to the preparation, authorization, issuance and sale of the bonds [ORS 287A.300(2)]. These expenses can be budgeted in the capital project fund or the general fund. These expenses cannot be paid from a debt service fund if the fund includes a property tax levy that is categorized as "excluded from limitation."

Budget Funds: Debt Service Fund

- For payment of principal and interest on long-term debt
- May be several bond issues in one debt service fund, but separate accounts must be established for general obligation bonds and revenue bonds
- Taxes dedicated to repay bonds cannot be used for any other purpose
- May include a requirement for a debt service reserve



35

Debt service funds

Includes revenue producing enterprises

- payment of principal and interest on all long-term debt, including
 - that payable exclusively from revenue-producing enterprises [ORS 294.388 (renumbered from 294.352), and OAR 150-294.352(1)-(A)].

Several bond issues can be in one debt service fund.

Separate funds must be established for general obligation bonds and revenue bonds.

Taxes dedicated to repay bonds cannot be used for any other purpose

Two exceptions:

1. To repay an interfund loan that was made to the debt service fund from other money when collections of taxes levied for exempt bonded indebtedness was not sufficient
2. When a surplus remains after all interest and principal of the bond is paid

May include a requirement for a debt service reserve

NOTES:

Transactions to record the redemption of existing bonds with proceeds of refunding bonds are also recorded in debt service funds.

Taxes dedicated to repay bonds cannot be diverted or used for any other purpose [ORS 287A.140, 328.260(3), etc.].

Transfers from a debt service fund that levies taxes that are categorized as excluded from Measure 5 limitation

are not allowed in most cases. There are two conditions under which a transfer may be made:

1. To repay an interfund loan that was made to the debt service fund from other moneys when collections of taxes levied for exempt bonded indebtedness were not sufficient (ORS 294.368, renumbered from 294.381). Such a transfer should be budgeted as a requirement in the debt service fund called "Loan repayment to _____ Fund.
2. If a surplus remains after all interest and principal of the bond are paid. The fund may be dissolved and the balance transferred to the general fund, unless other provision was made when the fund was created (ORS 294.353, renumbered from 294.475).

Attorneys' fees and other expenses related to the preparation, authorization, issuance and sale of the bonds cannot be paid from a debt service fund if the fund includes a property tax levy that is categorized as excluded from limitation.

Debt service funds may include a requirement for a debt service reserve (ORS 294.346, renumbered from 294.525 and ORS 287A300). If the bonded indebtedness is a tax credit bond or other bond that bears interest that is includable in gross income under the Internal Revenue Code, the debt service fund may include the deposits that the municipal corporation has agreed to make in a sinking fund that is dedicated to pay the bonded indebtedness (ORS 294.368, renumbered from 294.381).



Proprietary funds supports government business operations.

- Separates the accounting for operations of a facility to
Better controls for the management of resources and expenditures

Examples

Water, gas, and electric utilities

Swimming pools

Airports

Parking garages

Transit systems operated by cities



Interfund transfers

- Allows a program or activity to purchase services from other programs within the same organization
- Cost of service principle – only charged for the cost of providing the service
- Commonly used for
 - Central administrative services
 - Legal and financial services
 - Motor pool
 - Communications and IT



Budget Resources

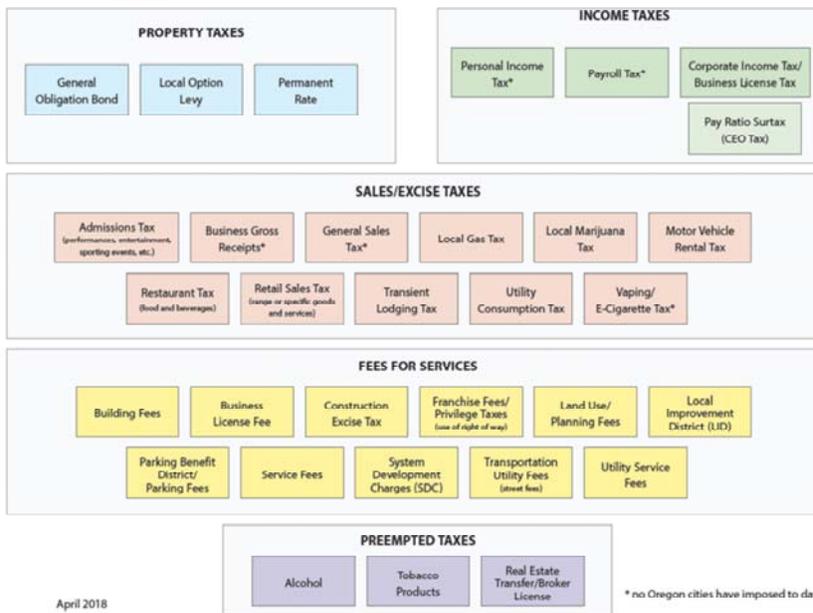
- Local governments *estimate* and budget all anticipated resources, including
 - Current year property taxes
 - Cash balances
 - Investments
 - Prior year taxes
 - Fees
 - Interest
 - Grants
 - Interfund transfers
 - Revenues from other sources

38

- In providing these revenues, taxpayers and fee payers trust in the integrity of government to use revenues for the advertised, intended purposes. Breaking this commitment causes taxpayers and ratepayers to rethink their support for government and its requests for needed resources.
- Transparency in how government revenues are collected, organized, and spent is essential to maintaining public confidence in the tax and revenue system.



Discretionary City Revenue Sources



April 2018

39

As the City Council moves forward with adjustments in the rates of some of these fees and charges there are several considerations as they examine the question of "how do we expand our revenues?"

- * How effective and efficient is the task of collecting the revenue?
- * Does the fee or charge place an unfair burden on customers who can least afford the fee or charge? Do customers have an opportunity to avoid or reduce their consumption of the service in order to reduce that burden?
- * Does the rate cover the cost of providing the service, processing the application or enforcing the program covered by the fee? If not 100%, is there a policy determination to subsidize the cost of service?
- * Is this an elastic or inelastic source of revenue in response to inflation? It is volatile and unpredictable with changes in real estate development markets?
- * How does the City create an understanding of the "need" to raise revenue among its stakeholders? Are some of these fee adjustments more understandable than others?



Budget Requirements

- **Personnel Services** - Salaries, payroll taxes, fringe benefits, and misc. costs including overtime.
- **Materials and Services** - Contractual services, materials, office supplies, operating expenses, and other charges (i.e. education and travel)
- **Capital Outlay** - Land, buildings, improvements, machinery or equipment with a useful life of greater than one year and exceeding a threshold established by the city
- **Debt Service** - Principal and interest payments on debt such as bonds

41

Personnel services – can have many items or one depending on the city’s accounting structure.

Reserves can be externally mandated or come from City Council.

Expenditures for each fund must be identified by organizational unit (police, fire, administration, etc.), program, and object classification



Budget Requirements

- **Contingency** - Amount set aside based on the assumption that unforeseen spending may become necessary in an operating fund
- **Reserve for Future Expenditure** - Amount set aside to save money for a specific purpose
- **Unappropriated Ending Fund Balance** - Amount set aside to provide the local govt. with a cash balance to begin the following fiscal year. This amount is never appropriated.

Funds by Department

	General	Internal Services	Surface Water	Water	Sewer	Streets	Bonded Debt	Bancroft	Library Capital	Parks SDC	Transportation Dev. Tax
City Council	X	X									
Community Development	X	X									
Engineering	X	X		X	X	X	X				X
Police	X	X									
Municipal Court	X	X									
Fire	X	X									
Library	X	X							X		
Parks	X	X								X	
Administration	X	X						X	X		
Support Services	X	X		X	X	X	X				
IT		X									
Facilities	X	X									



Cute puppy and kittens to prepare you for Measure 5, 50, and the PERS situation. Brace yourself!



CLICK ON THE IMAGE IN THE SLIDE SHOW TO PLAY THE VIDEO

Oregon established property taxes in the mid-nineteenth century with almost no changes until the 1990s.

Oregon's property tax before 5 and 50

- * Property taxes assessed under a levy-based system
- * Levy amount applied to each property's real market value
 - Taxing district calculated its own levy based on budget needs
 - Tax rates varied depending on which taxing district a home was located
 - Taxes funded schools at a rate no greater than \$15 per \$1000 of real market value

Measure 5 is seen as the beginning of the Oregon tax revolt.

The measure resulted in a funding shift for local schools from primarily local property tax funds to state funds.

Types of Property Taxes: Local Option Taxes

- Local government asks voters to approve a local option tax
- Authority can be given as a dollar amount (that must be the same every year) or as a rate
- Subject to the constitutional limits of Measure 5 and are reduced before any other taxes
- Can be used for
 - general operations – can be imposed from 1-5 years
 - A specific purpose
 - Capital projects – imposed for the expected useful life of the capital asset to be purchased/built or 10 years, whichever is less



The image shows a close-up of a hand holding a white envelope. The envelope features a prominent red stamp that reads 'OFFICIAL ELECTION MAIL' in a stylized font, with 'Authorized by the U.S. Postal Service' written in smaller text below it. A barcode is visible at the bottom of the envelope, with the number '110198494' printed next to it. A small yellow circle with the number '46' is also present on the envelope.

For when a local government has no permanent rate or when the permanent rate does not provide enough revenue to meet estimated expenditures

Taxes from a taxing district's local option tax authority. Most taxing districts can ask voters for temporary taxing authority above the permanent rate limitation. This is known as "local option tax." Local option taxes are limited to five years for operation and 10 years for capital construction purposes.

Types of Property Taxes: **Bonded Debt Taxes**

- » Local governments can impose taxes for general obligation (GO) bond principal and interest without annual voter approval
- » Amount is limited to the payment of principal and interest necessary to retire the bonds
- » Taxes to repay GO bonds are not subject to Measure 5

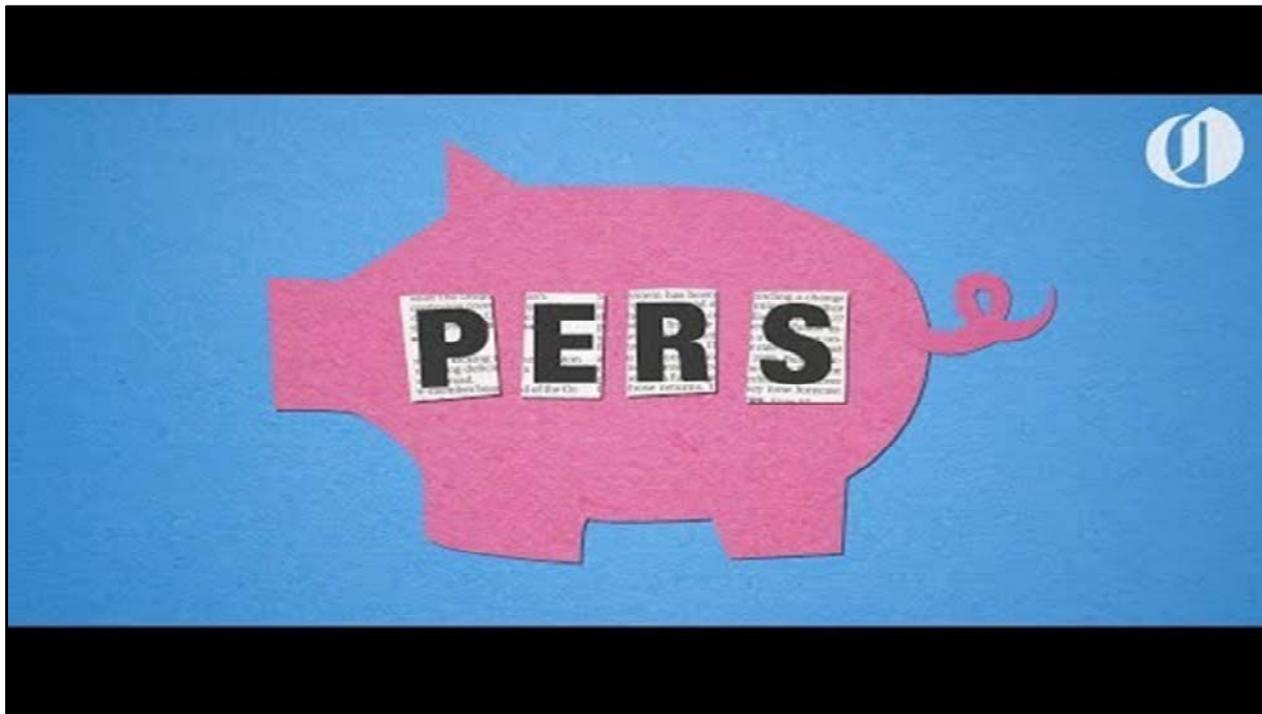
47

Levy approval is considered to have been granted when voters originally approved the bonds

Levies for bonded indebtedness. Most taxing districts can ask voters for the authority to issue general obligation bonds to raise money for capital projects. If the bonds are approved, the district can levy annually an amount sufficient to pay principal and interest for the bonded debt. Proceeds from a bond levy can't be used for a purpose other than the one stated in the ballot measure approved by the voters who authorized the bonds. Voter-approved bond levies used for capital construction aren't subject to Measure 5 property tax limits.

Certain existing qualified obligations were identified as “Gap Bonds” or “Other Qualified Obligations”

Not reduced when Measure 50 was implemented

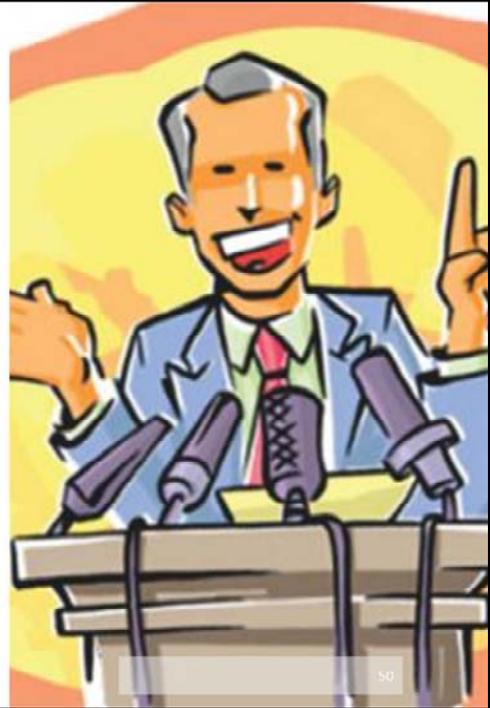


ETHICS



Ethics: Public Officials

- Public official is “any person serving the State of Oregon or any of its political subdivisions or any other public body, as an elected official, appointed official, employee or agent, irrespective of whether the person is compensated for the service”.
- Oregon Government Ethics Commission
 - Prohibited use of office
 - Conflicts of interest
 - Gifts
 - Nepotism
 - Outside employment
 - Subsequent employment
 - Statement of economic interest
 - Lobbying and executive session



The Oregon Government Ethics Commission is charged with overseeing the Oregon Government Ethics Law, Lobbyist regulation and the executive session provisions of the Oregon Public Meetings Law.

The commission reviews and investigates ethics complaints or concerns.

The commission will either dismiss unwarranted complaints or resolve the matter by settlement or through a contested case hearing.

The commission may issue a range of sanctions from a letter of reprimand to civil penalties and forfeitures.

The Commission also issues advice in the form of formal and informal opinions. An official's reliance on commission advice will often be considered during any proceeding. Recent advice may be accessed on the Commission's website.

Ethics: Public officials cannot use their public positions for

- Financial gain or avoidance for themselves, a relative, or household member
- Promise of future employment
- Use of confidential information gained through public office
- Representation before the governing body for a fee



Public officials are prohibited from using or attempting to use their official position or office to obtain financial gain or avoid financial detriment for themselves, a relative of a household member no matter how minimal, if the gain or avoidance of detriment would not otherwise be available but for his or her position as a public official.

If the gain or avoidance of detriment would not otherwise be available *but for* the public official's holding of their position, then the gain/avoidance is a violation of the Ethics Law

This means a public official may not use his or her official position to reap a financial benefit for themselves, a relative or household member *no matter how minimal*

Ethics: What is *NOT* financial gain?

- » Official compensation package
- » Honoraria (max \$50)
- » Reimbursement of approved expenses
- » Unsolicited awards for professional achievement
- » Certain gifts
- » Contributions to a legal expense trust fund



52

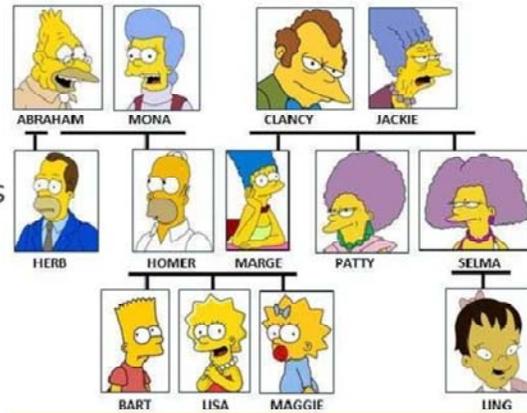
Honoraria

- Payment or something of economic value given in exchange for services upon which custom or propriety prevents the setting of a price.
- Speeches or other services rendered in connection with an event

Ethics: Who is a relative or household member?

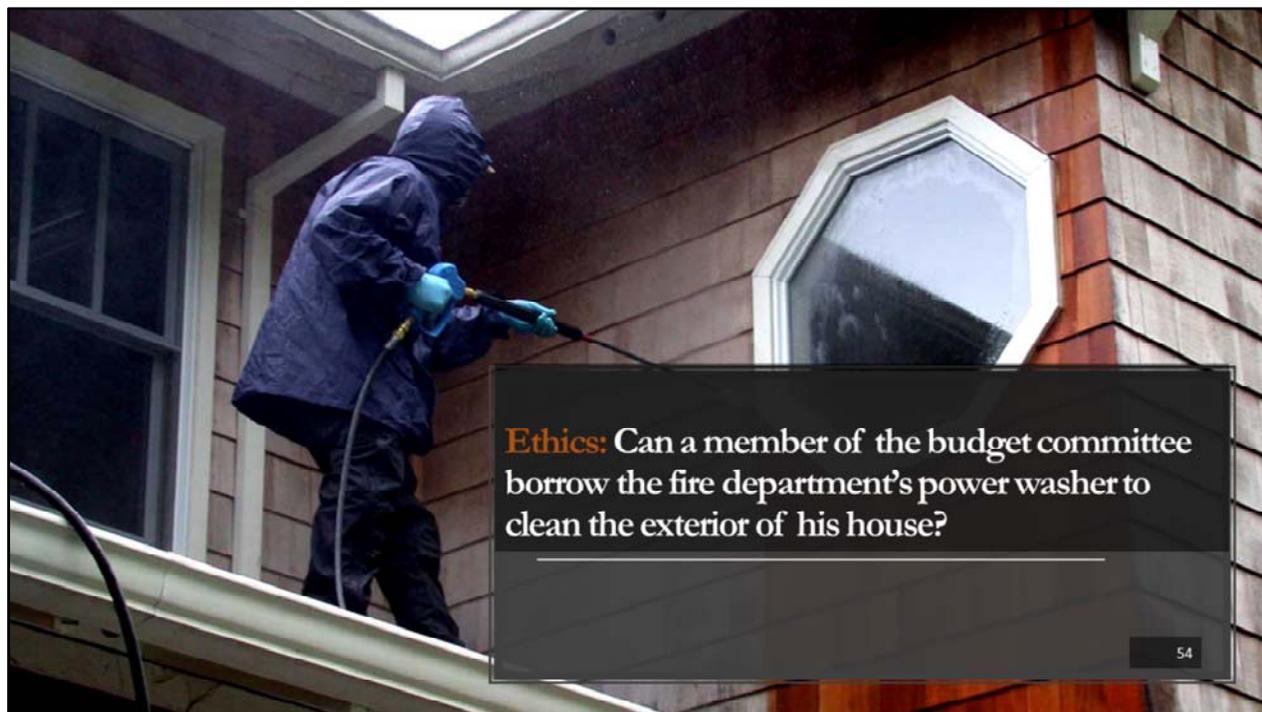
» Anyone

- who the official has a legal support obligation
- receiving benefits of the public official's public employment
- from whom the official received a benefit of employment
- Residing with the public official or candidate



53

Spouse, kids/step-kids, parents/step-parents, siblings/step-siblings, in-laws



NO! The budget committee member would not have access to the power washer if they were not volunteering for the city, and would have to purchase or rent one instead. The budget committee member avoided a financial detriment by using the department's power washer.

Ethics: Can a member of the budget committee install MS Office on a personal computer using the city's license?



55

NO! Commission Staff Advisory Opinion 15S-001(January 2015): Members of the legislative assembly could not install Microsoft Office (purchased in bulk by the legislative assembly) on their personal devices in order to avoid a personal expense because it was only available to the legislators and their staff.

Ethics: Conflicts of Interest

Participation in an official action that *would or could* result in a financial benefit to the public official, a relative, or a business in which either are associated



"Try this—I just bought a hundred shares."

56

Two types of conflicts – potential and actual. It is important to determine whether a conflict of interest is a potential conflict or an actual conflict because it will determine how the public official must proceed.

Potential conflicts that *could* have a financial impact

Must announce/disclose the conflict

Actual conflicts *do* have a financial impact

Must announce/disclose conflict AND recuse themselves

ORS 244.020(13)

A public official may be exempt from making a public announcement or giving a written notice describing the nature of a conflict of interest if:

- The conflict arises from a membership or interest held in a particular business, industry, occupation, or other class that was a prerequisite for holding the public position.
- For example, all city councilors must be residents of the city. They are still allowed to make decisions that will have impact on residents as a whole.
- The financial impact of the official action would impact the public official, relative of business to the same degree as other members of an identifiable group or class.
- Only the Ethics Commission may designate a class. A public official should discuss a class exemption with legal counsel and/or the commission prior to acting upon it.

- The conflict arises from a position or member in a nonprofit section 501(c) corporation.
 - Why? Likely no financial benefit.

Disclosing a conflict

Publicly announce the nature of the conflict

Notice must be recorded in official records and stated each time the issue is discussed

Ethics: What is a Gift?

\$50

- » Something of economic value given to a public official or a member of their household
- » Gift is not available to the general public under the same terms and conditions as those offered to the public official.
- » Value greater than \$50
- » Source has legislative or administrative interest in my position



57

Not allowed to accept gifts over \$50 from a single source who is known to have an interest regarding:

- Any matter subject to the decision or vote of the public official acting in their capacity

The rationale is that the person giving the gift may be doing so to curry a favor.

Do you really want to track gifts and the amount given each year?

Ethics: What is not a Gift?

- » Something from relatives or household members
- » Reasonable expenses
- » Reasonable food, travel or lodging
- » Unsolicited awards or tokens of appreciation
- » Anything part of the usual and customary practice of the person's private employment
- » Informational materials
- » Discounts on continuing education or licensing events
- » Legal defense trust fund



58

Reasonable expenses paid by certain entities if:

- Entity is a governmental entity, tribe, membership organization to which the governing body pays dues, or a 501©(3) non-profit
- The official is participating in a convention, fact-finding mission/trip, or meeting where they are scheduled to speak, participate in a panel discussion, or represent the government.

Reasonable food, travel or lodging expenses

- For public official, relative, household member or staff while representing the governmental unit on
 - Officially sanctioned fact-finding mission or trade-promotion
 - Officially designated negotiations, or economic development activities, approved in advance
- An unsolicited token or award of appreciation in the form of a plaque, trophy, desk or wall item or similar with a resale value of under \$25.
- Anything of economic value offered, solicited or received as part of the usual and customary practice of the recipient's private business or the recipient's employment or position as a volunteer with a private business, corporation, or other legal entity

operated for economic value

- The item must bear no relation to the official business and must be historical or established long standing traditions or practices for those not in public office.

- Admission, food and beverages for the public official, relative, household member or staff while accompanying the public official at a reception, meal or meeting held by an organization where the public official represents his or her governmental body.
- Food, beverage and entertainment that is incidental to the main purpose of the event.
- Food or beverage consumed by the public official acting in an official capacity in association with a financial transaction or business agreement with another government agency, public body or private entity, including review, approval or execution of documents or closing a borrowing or investment transaction.

