

AGENDA

- Local Budget Law
 - Why do we do this?
 - What is a Budget?
 - Values, Goals & Equity
- 
- The Budget Process
 - Revenue Sources, Expenditures, and Fund Balance
 - The Budget Committee Roles & Responsibilities
 - The Budget Hearing (Adoption)
 - How to Read the Budget Book

LOCAL BUDGET LAW

- Establish Standard Procedures
- Outline programs & fiscal policies
- Require estimates of resources & requirements (revenue & expense).
- Encourage citizen involvement
- Control the spending 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
- Certify property taxes to the county assessor

(ORS 294.338)

- **A property tax made contrary to local budget law is voidable by the Oregon Tax Court if appealed by:**

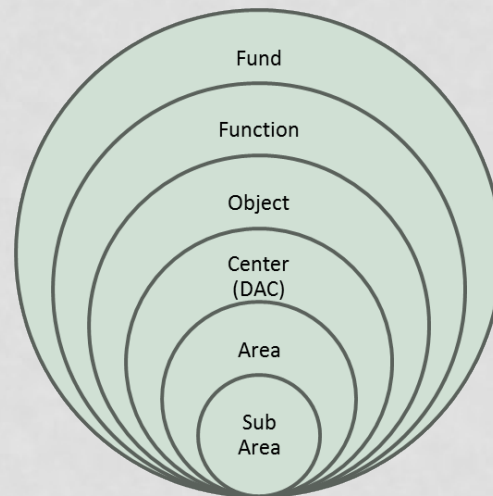
- County
 - Assessor
 - Court
 - Board of Commissioners
- The Department of Revenue
- Ten or more interested taxpayers



(ORS 294.461)

WHAT IS A BUDGET?

- A Financial **Plan**
- For **one** fiscal year (July 1 – June 30)
- Based on “good faith” **estimates** of revenue & expenditures.



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

Budgeting and Close-Up



What does Close-Up Toothpaste
have to do with budgeting?



**Before
you consider
that
flashy
feathered
fedora,
consider
your
toothpaste.**

Your mouth can tell more about you than a store full of fashions. Because attractiveness begins with whiter teeth and fresh breath. And Close-up[®] toothpaste helps give you both. Its unique red gel has gentle whiteners and a powerful mouthwash. Together they work to give you those whiter teeth, that fresh breath. These are basic, like clean hair and healthy skin.

That flashy fedora may turn his head. But don't forget to put your money where your mouth is. He'll love you for it.

**Put your money
where your mouth is.
Buy Close-up.**



regular flavor or fresh mint



What's the purpose?

Provides a required level of financial/program information for the local community, and state and federal governments.



Budget Terms

Resources: All sources of available funds, including beginning fund balance and transfers in from other funds --- in the typical word they are called:

Revenues: sources of new money anticipated to be received in the coming year

Requirements: all expenditures, as well as other obligations that must be planned for but may not actually be spent --- in the typical word they are called:

Expenditures: money expected to be spent in the coming budget year

Appropriations: Your legal spending authority. The budget is the basis for appropriations. Appropriations establish spending limits.

[ORS 294.311 - Definitions for ORS 294.305 to 294.565 \(public.law\)](#)

How to Create a Budget?

All local governments use a standard system as laid out in:

**Oregon Revised Statues
(ORS 294.305-565)**

https://www.oregonlegislature.gov/bills_laws/ors/ors294.html

**Oregon Administrative Rules
(OAR 150-294-0300-0550)**

<https://secure.sos.state.or.us/oard/displayDivisionRules.action?selectedDivision=417>

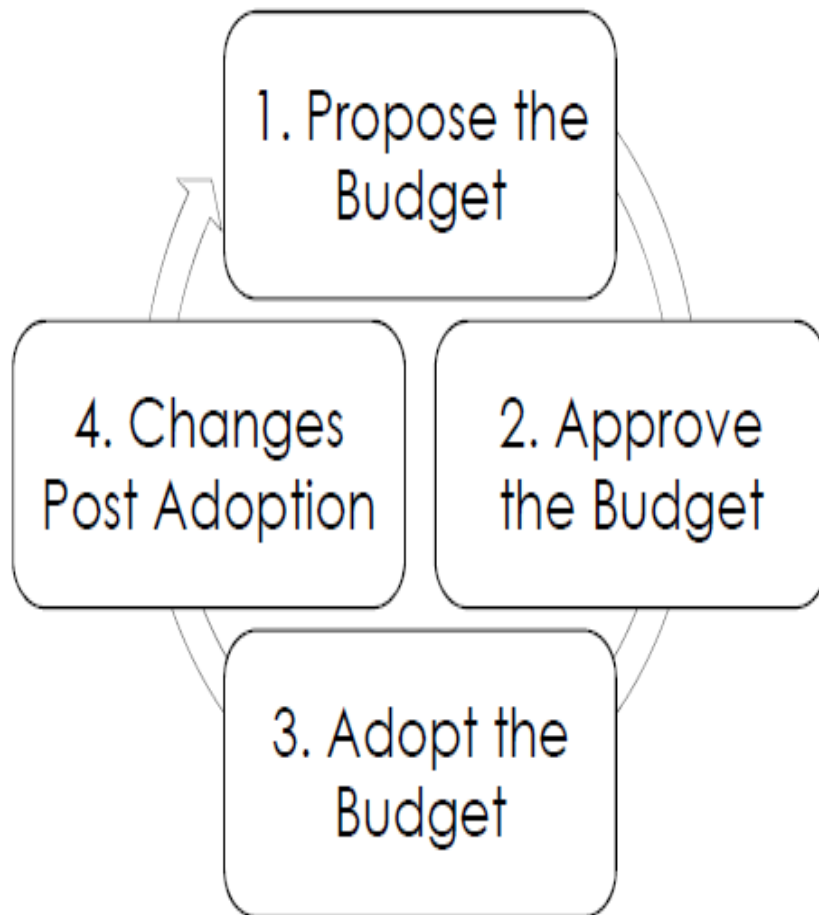
The Holy Grail of Budget Law Is the Appropriation

- Districts DO things
- Doing things costs money
- Districts can't spend public money without legal authority
- District gives itself legal authority to spend money through appropriations
- Appropriation is legal permission to spend
- Appropriation is also legal limit on spending
- After budget adoption, all that matters is appropriations

To Summarize...

- Budget law is built with transparency in mind
- Statutes and admin rules are your guide
- **Budgets must be organized by fund and balanced**
- Budget is used to justify your appropriations

Four Phases of the Local Budget Law



Who Creates A Budget?

The budget is:



- Prepared & **Proposed** by Staff
- Modified & **Approved** by the Budget Committee
- Modified & **Adopted** by the Governing Board

WHO CREATES THE PROPOSED BUDGET?



The **Budget Officer** is responsible for compiling information from stakeholders and other sources and developing the proposed budget.

However, the **proposed budget must align with:**

- District Goals, Core Values & Strategies
- Objectives established by Leadership
- Known Obligations
- Oregon Budget Law

First drafts
don't have to be
perfect.
They just have to
be written.

Funds

- A Fund is a fiscal and accounting entity with *self-balancing* accounts to record cash and other financial resources, related liabilities, and balances and changes, all segregated for specific, regulated activities and objectives.



WHAT GOES INTO CREATING PROPOSED BUDGET?



- **Fund Balance** – Must estimate what it will be (part of revenue). This is based on known history and trend analysis.
- Determine **revenue projections** based on known estimates provided by State, and Local sources along with future and existing grants (State School Fund, local taxes, tuition, revenue contracts, new state appropriations, and other misc. sources).



FUND BALANCE

The Five Categories/Classifications which make up the total --ENDING FUND BALANCE:

- **Non-spendable** – Funds which are not in a spendable form (prepaid, inventory)
- **Restricted** – Amounts subject to externally enforceable legal restrictions by outside parties -- imposed by grantors, contributors, governmental regulations, etc. (bonded debt, federally funded programs)
- **Committed** – Amounts whose use is constrained by limitations that a government imposes upon itself through resolutions or budget (Risk fund, Technology Fund, Community Center)
- **Assigned** – Intended use of resources established by the governing body itself, or by an official or officers to which authority is delegated by the governing body – such as the Superintendent or Business Director – currently the District does not have any such obligated funds.
- **Unassigned** – Available for any purpose. (Reported only in the General Fund.)

***These categories follow GASB-54 guidelines.**

PARKROSE SCHOOL DISTRICT FUNDS

Fund #	Description	Fund Balance Classification
201	TAX ANTICIPATION NOTE	RESTRICTED
202	FOOD SERVICE	RESTRICTED
215	FEDERAL / STATE GRANTS	RESTRICTED
251	STUDENT INVESTMENT ACCOUNT	RESTRICTED
252	HIGH SCHOOL SUCCESS	RESTRICTED
280	PRIVATE GRANTS	RESTRICTED
310	DEBT SERVICE	RESTRICTED
311	PERS GEN OBLIG BOND FUND	RESTRICTED
405	CAPITAL PROJECTS	RESTRICTED
420	GO BOND – CAPITAL	RESTRICTED
430	CAPITAL FLEET REPLACEMENT	RESTRICTED
203	RISK MANAGEMENT	COMMITTED*
205	THOMPSON	COMMITTED*
281	TRANSPORTATION	COMMITTED*
282	TECHNOLOGY	COMMITTED*
285	TEXTBOOK	COMMITTED*
291	RETIREMENT	COMMITTED*
298	PERS STABILIZATION	COMMITTED*
299	STUDENT BODY	COMMITTED*
415	CAPITAL EQUIPMENT	COMMITTED*
100	GENERAL FUND	UNASSIGNED

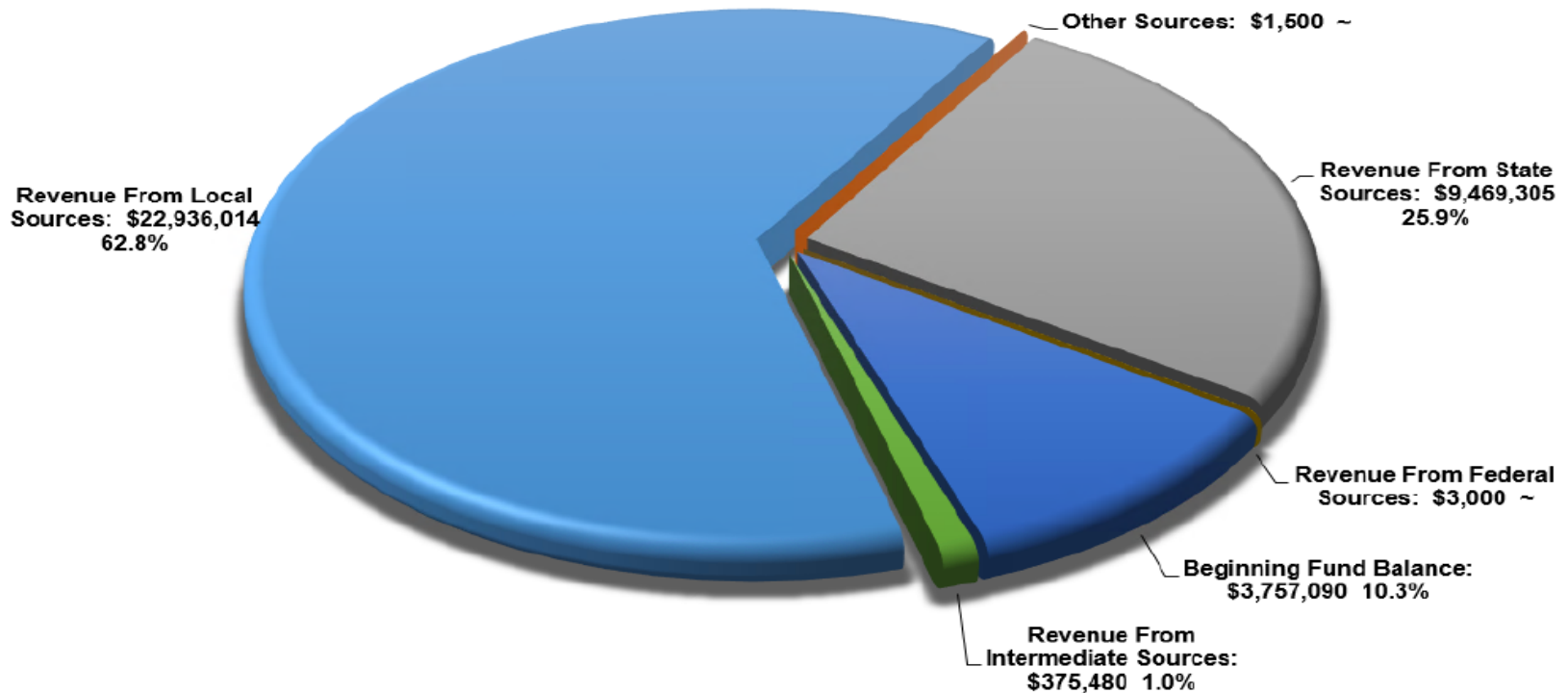
*Although these funds are designated as committed by GASB 54 standards, they are restricted either by collective bargaining agreements or Board policy as to their use.

REVENUE SOURCES

Beginning Fund Balance, Local Taxes, State School Fund, Tuition, Revenue Contracts, Other Miscellaneous Sources

General Fund Resource Summary

Total: \$36,542,389



Pop Quiz: What is a Budget?



- a) A financial plan
- b) An instrument to prioritize spending
- c) A tool to monitor expenditures
- d) An estimate of income and expenditures for a set period of time
- e) The basis used to establish appropriations
- f) All of the above

HISTORY OF OREGON PROPERTY TAX



<https://youtu.be/gtalhnmxnZU>

Source: The Oregonian, September 10, 2015

Constitutional Limitations on Property Taxes

- **Measure 5: (1990)** Operating tax on a property is limited/capped to:
 - ❑ \$5 per \$1,000 of RMV for Education
 - ❑ \$10 per \$1,000 of RMV for Gen. GovernmentM5 limit is based on **Real Market Value (RMV)**
 - ❑ If the property taxes on an individual property exceed the Measure 5 limits, the taxes are reduced until the limitations are reached, a process known as **compression**.
- **Measure 50: (1997)**
 - ❑ Tax calculation is based on **Assessed Value (AV)**
 - ❑ Capped annual growth in AV at 3% annually
 - ❑ Set permanent rates for all taxing districts

ESTIMATING PROPERTY TAXES

$$\text{Tax Rate (\$4.8906 per \$1,000)} \times \text{Taxable Value} = \text{Tax Amount}$$

Amount you receive is reduced by:

- Compression Losses (Measure 5 Limitation)
 - If a property's tax is higher than its M5 limit, the tax is compressed .
 - The loss is shared by all taxing districts (local option taxes reduce first).
- Discounts (Taxes paid in full or 2/3rds by Nov. 15)
- Uncollectible Taxes (Delinquent Taxes)

How Measure 5 Compression Loss Works

- 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 Education Tax:	\$7/\$1,000 AV
Property's Assessed Value	<u>\$176,384</u>
Tax on Property	\$1,234.69

M5 Limit Calculation:

Education limit	\$5/\$1,000 RMV
Property's Real Market Value	<u>\$220,000</u>
Maximum tax under limit	\$1,100.00

**Education Loss due to
M5 Compression = \$134.69**



Neighbor 2

M50 Tax Calculation:

Total Combined Education Tax:	\$7/\$1,000 AV
Property's Assessed Value	<u>\$176,384</u>
Tax on Property	\$1234.69

M5 Limit Calculation:

Education Limit	\$5/\$1,000 RMV
Property's Real Market Value	<u>\$280,000</u>
Maximum tax under limit	\$1,400.00

NO loss to compression

WHAT ELSE GOES INTO CREATING PROPOSED BUDGET?

- Add in **known** expenditure increases due to contract negotiations already agreed upon such as (salary, step and insurance).
- Other required obligations must be added such as known debt requirements, transfers, and contracts that continue into next year.



EXPENDITURES

Known expenditure adjustments:

- Salary / Steps
- Insurance
- Materials and Purchased Services
- Capital Outlay
- Debt Requirements
- Transfers
- Contractual obligations extending beyond current fiscal year.
- Calculate Contingencies, Reserves, & Unappropriated Fund Balances



(Some examples of these are fringe rate adjustments, repairs and maintenance, dues and fees, technology, curriculum, and post retirement needs.)

WHO IS ON THE BUDGET COMMITTEE?

The Governing Body
+
Equal Number of Appointed Electors

Appointed Members:

- “Electors” are registered voters in the district.
- Cannot be officers, agents or employees.
- Appointed for staggered 3-year terms.

All budget committee members have the
same authority.



WHAT THE BUDGET COMMITTEE DOES



- Receives the Budget Document
- Hears the Budget Message
- Hears & Considers Public Comment
- Discusses and Revises the Budget as Needed
- Approves the Budget
- Specifies the maximum tax rate or levy for each fund

First things first: Notice the budget committee meeting(s)

Must be advertised 5-30 days before the committee meeting

BEFORE THE FIRST BUDGET MEETING

ORS 294.426(6) states, “the budget committee may not deliberate on the budget document as a body before the first meeting”



We recommend that you do not talk about:

- Specific estimates or appropriation amounts associated with any fund or line item
- Discuss whether to fund specific programs or expenditures
- Discuss whether to impose any tax levy, or the amount of any levy

REQUIRED POSITIONS

- Committee Chair
 - Presiding officer is the only position required by law.
 - Chairs the committee.
 - Open the Meeting
 - Facilitate Discussion
 - Keep conversation focused and balanced
- Committee Vice Chair
 - Acts in the absence of the Chair during the meeting.

These Positions are appointed during the first meeting.

RECEIVES THE BUDGET DOCUMENT

- The Budget is a **public document** when released to the committee.
- Available to the public at the same time as the committee.
- Public has a **right to inspect the proposed budget.**
- The District must provide a means for the public to copy and see the budget.

THE BUDGET MESSAGE

- Prepared by / under direction of executive officer (Supt – Michael Lopes-Serrao).
- Explains the budget document.
- Describes financial policies.
- Explains any changes since last year.
- Must be in writing.



PUBLIC COMMENT

- On the date and time in the published notice.
- Any person may ask questions about and comment on the budget.
- Can establish time limits and other policies for public comment period.
- Can be heard at additional meetings, if desired.



BUDGET COMMITTEE MEETING PROCESS



- All Meetings are subject to public meetings law.
- Presiding officer must be elected at the first meeting.
- A Quorum (6 members present) is required to conduct business.
- Majority of Committee is required to take action.
- Committee may request and receive additional information from district officials.

How to Determine Quorum

Governing Body



Electors



If your full budget committee is 10 people quorum = 6



Vacancies on the governing body side still count toward the quorum. Quorum = 6



Vacancies on the electors side are not counted. Quorum = 5

APPROVE THE BUDGET

Sample Motion to Approve the Budget:

“I move that the budget committee of Parkrose School District approve the budget for the 2023-24 fiscal year in the amount of \$xx,xxx,xxx.”



APPROVE EACH TAX LEVY

Sample Motion to Approve Taxes:

“I move that the budget committee of Parkrose School District approve property taxes for the 2023-24 fiscal year at the rate of \$x.xxx per \$1,000 of assessed value for the permanent rate tax levy, and in the amount of \$x,xxx,xxx for the general obligation bond levy.”



The Budget Committee work is now finished.

Getting the Budget Approved

Budget Committee Outcomes

Meeting notes or resolutions that document:

- Public comment
- Motions to make changes to the budget
- A motion to approve the budget
- A motion to approve the tax rates and tax levies

BUDGET HEARINGS TO ADOPT

- The School District holds a budget hearing on the date published.
- The hearing is on the budget as approved by the budget committee.
- Any person may comment on the budget.

If the Governing Body decides to change the budget as approved, they can without holding another budget hearing meeting and republishing the notice if:

- **No increase to taxes**
- **No increase to expenditures in any fund by 10% or more (or \$5,000 – whichever is greater)**

GOVERNING BODY ADOPTS THE BUDGET

After the Budget Hearing and on or before June 30, the governing body must enact a resolution to:

- Adopt the Budget
- Make Appropriations
- Impose Each Tax Levy
- Categorize each tax by Measure 5 Category

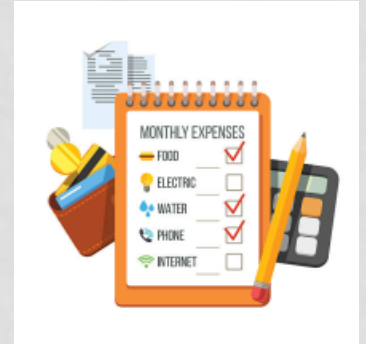


HOW TO READ THE BUDGET BOOK

Executive Section:

Budget Message

- Written by the Superintendent
- Will layout what the budget will look like and addresses key financial aspects and goals for this budget cycle



District Mission and Goals

- Details out the District's mission and goals for the school year as well as the Board's core values
- Includes District's racial equity lens which the budget was created using



HOW TO READ THE BUDGET BOOK

Major Funds in the District:

- **General Fund** - maintains all transactions which do not legally or procedurally have to be accounted for in the other funds based on Generally Accepted Accounting Principles (GAAP)
- **Food Service Fund** - maintains the District's food service program and federal grants related to national school lunch programs.
- **Thompson Fund** - maintains District's buildings and repairs as well as maintains District's rental properties
- **Federal Grants Fund** - maintains the District's federal grant revenue
- **Student Investment Account** - maintains grant revenue received from Oregon's CAT tax
- **High School Success** - maintains ODE's High school Success grant initiated by ballot measure 98 related to college and career success
- **State and Private Grants** - maintains all other state grants as well as all donations and private grants
- **Student Body Fund** - maintains the schools student club accounts
- **300 Funds** - maintains the District's debt service payments
- **400 Funds** - maintains the District's expenditures related to capital projects

HOW TO READ THE BUDGET BOOK

Financial Section - Resources:

- Divided into sections by fund then further divided by school or department in the General Fund.
- Resources (revenues) are presented first by function.

Major Function - Function	Working		Proposed	
	\$	FTE	\$	FTE
Resources				
<u>8000 - Internal</u>				
8161 - Sale of Lunches	70,000		40,000	
8162 - Sale of Breakfasts	6,000		3,000	
8163 - Sale of Food - Ala Carts	120,000		2,500	
8198 - Miscellaneous Local Revenue	14,000		61,000	
8314 - Foodservice Match	15,000		17,000	
8321 - State Restricted Revenue	-		5,000	
8461 - Natl School Lunch Reimbursemnt	1,728,096		1,732,159	
8491 - Federal Commodities Received	100,000		117,000	
8521 - Transfers From Other Funds	-		50,000	
8541 - Fund Balance	25,514		27,727	
<i>Total Function:</i>	2,078,610		2,055,386	
<i>Total Resources:</i>	2,078,610		2,055,386	
Requirements				
<u>3000 - Enterprise and Community Services</u>				
3110 - Food Service Area Direction	283,580		227,956	
3120 - Food Preparation/Dispensing	1,763,533	15.97	1,795,193	15.97
3130 - Food Delivery Services	20,268	0.20	21,008	0.20
<i>Total Function:</i>	2,067,381	16.17	2,044,157	16.17
<u>6000 - Contingencies</u>				
6110 - Operating Contingency	-		11,229	
<u>7000 - Unappropriated Ending Fund Balance</u>				
7000 - Unreserved Fund Balance	11,229		-	
<i>Total Requirements:</i>	2,078,610	16.17	2,055,386	16.17
<i>Total Fund:</i>	-	16.17	-	16.17

HOW TO READ THE BUDGET BOOK

Financial Section - Requirements:

- Requirements (expenses) are presented by function then object

100 - General Fund Requirements

Total Objects: \$35,817,757

2018/19 Actual	2019/20 Actual	100 - General Fund	2020/21 Working	2021/22 Proposed
\$	\$	Major Object - Object	\$ FTE	\$ FTE
		0100 - Salaries		
11,111,155	11,086,115	0111 - Certified Salaries	12,088,634 173.40	12,280,782 170.70
2,557,739	2,717,935	0112 - Classified Salaries	3,060,179 83.42	3,241,140 85.39
1,688,558	1,717,591	0113 - Administrative Salaries	1,989,501 15.90	1,310,689 10.15
538,378	640,770	0114 - Managerial Salaries	671,991 8.75	674,890 8.75
8,080	21,713	0121 - Substitute Licensed	13,214	13,214
67,809	122,158	0122 - Substitute Classified	78,317	78,317
167,299	218,789	0130 - Additional Salary	218,170	218,170
348,497	381,500	0131 - Extra Duty Salary	337,806	330,337
78,620	31,637	0132 - Overtime	56,498	56,498
16,566,135	16,938,208	Total Object:	18,514,310 281.47	18,204,037 274.99
		0200 - Associated Payroll Costs		
2,991,898	3,438,242	0211 - PERS Employer Contribution	3,704,492	3,101,394
960,613	1,013,485	0212 - PERS Employee Disbur	1,112,931	1,092,404

- Divided by fund then further divided by school for the General Fund.

HOW TO READ THE BUDGET BOOK

Informational Section:

- General Fund analysis by school location including staffing and student enrollment data.
- Average staff salary by position type.
- Student outcomes on academic progress, high school success and graduation rates.
- Historical trend analysis for enrollment, property tax collections, and enrollment demographic historical breakdown, special education enrollment breakdown.
- Comparison analysis to other Multnomah County school districts in various aspects such as enrollment, staffing, compensation, and equity.



Thanks to the District Staff

- **I would like to take a moment to thank all the District and School staff that work endless hours to help us prepare the budget.**
- **With a special thanks to: Jeanne Morgan, Maria Taylor, Kristen Hendrix, Donna Thran without your assistance this budget presentation would not be possible.**

THANK YOU PARKROSE SUPPORTERS AND THE BUDGET COMMITTEE

