



CITY OF SALEM BUDGET COMMITTEE MEMBER GUIDE

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Fiscal Year 2020

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Role of the Budget Committee

Budget committees are required in Oregon's Local Budget Law, which can be found in the Oregon Revised Statutes (ORS) beginning with 294.305. The City of Salem's 18-member Budget Committee is comprised of 9 elected officials and 9 appointed volunteers. The committee is the fiscal planning advisory board to the City Council. In its advisory role, the committee reviews quarterly financial reports and the City Manager's five-year financial forecast. Each spring, the committee receives the City Manager's budget message and reviews and deliberates the City Manager's recommended upcoming fiscal year budget, while providing the public an opportunity to comment on it. The culmination of this work is setting the City's tax levy and recommending a budget to the City Council.



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Access City budget documents online:
<https://www.cityofsalem.net/Pages/view-the-city-budget.aspx>

Learn more about Oregon local budget law:
<http://www.oregonlaws.org/ors/294.305>

A Municipal Budget

A budget for a municipal corporation, like the City of Salem, is a legal document that provides the City the authority to spend public money in accordance with local budget law.

In addition, the budget is

- a financial plan for the City for one fiscal year based upon estimates for resources and expenditures;
- an internal control mechanism that is referenced by City Council, the City's executive management, and City auditors;
- a policy document that reflects the plans and priorities of the City; and
- a public communication document that expresses the City's goals to our citizens.

A **balanced** annual budget is required by **Oregon Budget Law** (Chapter 294 of the Oregon Revised Statutes).

The law establishes standard procedures for preparing, presenting, and administering the budget. The law also requires citizen involvement in preparation of the budget – the role of the Budget Committee – and public disclosure of the budget before its formal adoption.

In addition to the budget for the municipal corporation, the City of Salem also has an Urban Renewal Agency and follows the same guidelines in Oregon Budget Law for preparation and adoption of the Agency budget. The City of Salem Budget Committee also serves as the Agency committee.

Under Oregon Budget Law, a fiscal year is a 12-month period, beginning July 1 and ending June 30.

Balanced Budget	
Example Fund	
Resources	
Beginning Cash Balance	\$5,000,000
New Revenues (tax collections, fees, fines, rents)	\$9,000,000
Total Resources	\$14,000,000
Requirements	
Operating Expenses (personal services, materials and services, capital outlay)	\$11,000,000
Non Operating Expenses (transfers, debt service, contingencies)	\$1,500,000
Unappropriated Ending Balance (reserves)	\$1,500,000
Total Requirements	\$14,000,000

The Annual Budget Process and More About Your Role

The “annual budget process” for the City of Salem, its City Council, executive management, managers, and financial analysts is continuous – a 12-month cycle that includes preparation, adoption, implementation, and management.

The below-listed 9 steps have been identified by the Oregon Department of Revenue as necessary to meet the requirements in law for budget adoption. The period of budget preparation to adoption for the City is approximately 7 months.

Preparing the Budget

Step 1 – Budget Officer appointed.

For Salem, this is an employee supervised by the Chief Financial Officer.

Step 2 – Preparing the proposed budget.

The Budget Officer supervises the preparation of the proposed budget in conformance with the City Manager’s direction and with the involvement and assistance of all City departments. In advance of this period of budget preparation (generally January through March each year), the City Manager presents a five-year financial forecast for the City’s General Fund and several other funds of particular note.

Approving the Budget

Step 3 – Public meeting notice.

Budget law prescribes the method, timing, and content of the public notice for Budget Committee meetings. The City of Salem includes in the notice the location, date, and time of the meeting for the presentation of the City Manager’s budget message, as well as all subsequent meetings scheduled for review of the proposed budget.

As part of Salem’s annual budget process, the Budget Committee holds meetings to review the City Manager’s five-year financial forecast, elect officers, and receive additional information as quarterly financial summaries or presentations from City operating departments – all in advance of the review meetings for the City Manager’s proposed upcoming fiscal year budget.

In addition, the City Manager may hold budget policy and direction work sessions with the City Council and offer forums in the community to discuss the City’s fiscal health – all of which are enhanced by the participation of Budget Committee members.

Step 4 – Budget Committee meetings.

At least one meeting must be held to receive the budget message and allow the public to provide comment. During April and May each year, the City of Salem holds four or five meetings, the first of which includes the presentation of the budget message.

Step 5 – Committee approves the budget.

The final meeting during the April – May period is designated for the Budget Committee to provide its recommendation to the City Council. As the City of Salem budget requires an ad valorem tax to be in balance, the Budget Committee also must approve an amount or rate of total ad valorem property taxes to be certified by the assessor.

Advertising and Holding Hearings

Step 6 – Budget summary and notice of budget hearing.

After the budget is approved by the Budget Committee, the City's governing body – the City Council – must hold a public hearing. Once again, budget law prescribes the method, timing, and content of the notice for this meeting. In the City, this notice is referred to as the "legal ad," and it comprises summary budget information at the fund level – and in some cases, the department level – for operating expenditures and non-operating expenditures, as well as resources (beginning cash balance and anticipated new revenues).

Step 7 – Budget public hearing.

The budget public hearing must be held by the City Council on the date specified in the public notice. The purpose of this hearing is to receive public testimony on the budget approved by the Budget Committee.

Adopting the Budget

Step 8 – Budget adopted, taxes declared, appropriations set.

Following the public hearing, the City Council adopts the budget establishing appropriation authority – the amount that can be spent – in each fund, and setting and categorizing the tax levy. While the City Council can make changes to the budget approved by the Budget Committee prior to adoption, the tax levy may not be changed and appropriations may not be increased by more than ten percent. The budget is adopted through a resolution no later than June 30.

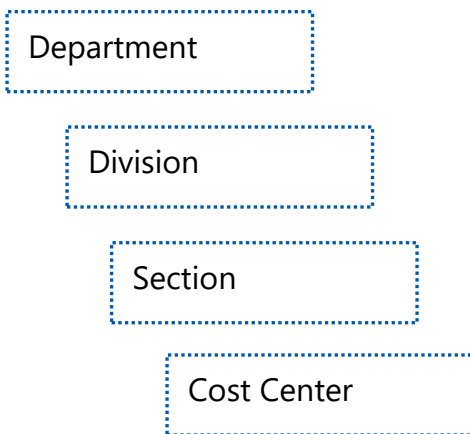
Step 9 – Budget filed and certified.

By July 15 of the new fiscal year, the City must submit tax levy certification to the county assessor and copies of the budget resolution.

What the City's Budget Includes

The City budgets within a fiscal and accounting entity known as a fund. A fund has accounts used to record estimated resources and requirements for specific activities or to meet certain objectives in accordance with a specific regulation. The General Fund is used for operation of local government services, which the City provides. In addition to the General Fund, the City has 22 other funds designated as special revenue, debt, capital project, enterprise, internal service and trust. A description of each fund is included in the financial summary section of the *City of Salem Adopted Budget Book 1*.

Within a fund, the financial organization for the City of Salem is as follows:



Not every level of this financial organization is employed within every fund or for every department within a fund. The most frequently used structure is Fund – Department – Division.

In addition to providing budget information within the above-noted financial structure, the City's budget is also presented at the program level.

Each fund budget includes resources (beginning working capital and anticipated new revenues – property tax or non property tax revenues) and requirements (operating expenditures, non operating expenditures, and unappropriated ending balance) sections with additional explanation or detail on certain resources and requirements.

Each fund, department, or division budget is presented within the following expenditure categories as applicable.

1. Personal Services, including wages, payroll taxes, benefits (operating)
2. Materials and Services (operating)
3. Capital Outlay (operating)
4. Debt Service (non operating)
5. Transfers (non operating)
6. Contingencies (non operating)
7. Unappropriated Ending Balance

The budget detail includes actual expenditures and resources for two years preceding the current year; budgeted expenditures and resources for the current year; and estimated resources and expenditures for the upcoming year as proposed, approved by the Budget Committee, and adopted by the City Council (three separate columns).

A Guide for Using the Budget Document



The City's budget is currently published in three volumes.

Book 1 – City of Salem budget message, financial summaries, all result areas, and capital construction.

Book 2 – Urban Renewal Agency (URA) budget message, financial summaries, debt service, capital asset and improvement projects, and Salem Convention Center

Glossary of Terms

In addition to terms explained in the body of this guide:

Ad valorem tax

A property tax computed as a percentage of the value of taxable property. See *Assessed value*.

Appropriation

Based on an adopted budget, an authorization for spending specific amounts of money for specific purposes during specific periods of time. Presented in a resolution or ordinance adopted by the governing body.

Assessed value

The portion of value of real or personal property which is taxable. It is the lesser of the property's real market value or the constitutional value limit (maximum assessed value-MAV). The value limit may increase 3 percent annually unless qualifying improvements or changes are made to the property. These improvements or changes allow the value limit to increase by more than 3 percent.

Capital outlay

Items which generally have a useful life of one or more years, such as machinery, land, furniture, equipment or buildings.

Permanent rate limit

A district's permanent ad valorem property tax rate for operating purposes. This rate levied against the assessed value of property raises taxes for general operations. Permanent tax rate limits were either computed by the Department of Revenue for districts existing prior to 1997-1998 or are voter-approved for districts formed in 1997-1998 and later.

Property taxes

Amounts imposed on taxable property by a local government within its operating rate limit, levied under local option authority, or levied to repay bonded debt.

Real market value

Value at which a property would be sold by an informed seller to an informed buyer on the appraisal date. Value set on real and personal property on a basis for testing the (Measure 5) constitutional limits.

Resolution

An order of a governing body. Requires less legal formality and has lower legal status than an ordinance. Statutes or charter will specify actions that must be made by ordinance and actions that may be by resolution. (For cities, revenue raising measures such as taxes, special assessments, and service charges always require ordinances.) See *Ordinance*.

Resources

Estimated beginning fund balances on hand at the beginning of the fiscal year, plus all anticipated revenues.

Revenues

Monies received or anticipated by a local government from either tax or non-tax sources.

Tax levy. Taxes imposed by a local government unit through a rate or amount.

Transfers. Amounts distributed from one fund to finance activities in another fund. Shown as a requirement in the originating fund and a revenue in the receiving fund.

Unappropriated ending fund balance

Amount set aside in the budget to be used as a cash carryover to the next year's budget, to provide the local government with a needed cash flow until other money is received. This amount cannot be transferred by resolution or used through a supplemental budget during the fiscal year it is budgeted unless there is a significant calamity or natural disaster. Glossary printed by permission of the State Department of Revenue.

City of Salem Fund Directory and Department Assignment

101 – General Fund (multiple departments)	255 – Capital Improvements Fund (multiple)
155 – Transportation Services Fund (Public Works)	260 – Extra Capacity Facilities Fund (Public Works)
156 – Streetlight Fund (Public Works)	275 – Development District Fund (multiple)
160 – Airport Fund (Urban Development)	310 – Utility Fund (Public Works)
165 – Community Renewal Fund (Urban Development)	320 – Emergency Services Fund (Fire)
170 – Downtown Parking Fund (Urban Development)	330 – Willamette Valley Comm Center Fund (Police)
172 – Economic Improvement District Fund (fund will close after FY 2017)	335 – PRIORS Fund (Police)
175 – Cultural and Tourism Fund (Community Development)	355 – City Services Fund (multiple)
176 – Public Art Fund (City Manager)	365 – Self Insurance Fund (Human Resources)
177 – Tourism Promotion Area	388 – Equipment Reserve Fund (multiple)
180 – Leasehold Fund (Urban Development)	400 – Trust Fund (multiple)
185 – Building and Safety Fund (Community Development)	Urban Renewal Agency – Urban Development
190 – Traffic Safety Fund	220 – Tax Allocation Bond Debt Fund
210 – Debt Service Fund (City Manager)	265 – Tax Allocation Improvement Fund
	345 – Salem Convention Center Fund
	425 – Convention Center Gain / Loss Reserve