Budgeting Process Explained

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Woodburn's City budget process is an important annual undertaking that, while not always the most interesting or attention grabbing issue involving the City, is still of critical importance to the community.



This past week I have been working on my FY 2016-17 Budget Message. The full message will be available for community review in upcoming weeks. I also like mentioning that Woodburn's Budget won a Government Finance Officers Associations' 2015 Distinguished Budget Presentation Award, which is a nationally-recognized standard for public budgets. We're very proud of our transparency and this accomplishment.

Economic indicators such as increased construction activity, the approval of Woodburn's Urban Growth Boundary expansion and lower unemployment rates suggest an improving local economy. Despite this feeling, the City's General Fund continues to face serious financial pressures. Even with the Proposed FY 2016-17 Budget being balanced, and continuing critical General Fund services, there is a growing sense of concern in City Hall regarding the City's ability to maintain levels of services in upcoming fiscal years.

Different from the 2008 housing collapse, which led to decreasing revenues, the City is now experiencing increases in operational costs mostly related to employment-related expenses. But, you will have to wait for the full message to see all the details.

In advance of the budget, below is the annual "budgeting made simple" explaining Oregon's municipal budgeting practices. Numbers included below are from the current FY 2015-16 budget. New FY 2016-17 budget numbers will be available when the Proposed FY 2016-17 Budget is distributed in a few weeks.

Budgeting Made Simple Putting out the budget each year is a long process that takes the City anywhere from six to seven months. The end result is a 270-plus page document that indicates where every penny of a roughly \$40 million budget will come from and how it will be used. When you add in fund contingencies, the budget is closer to \$67 million.

Throughout the budgeting process I often get questions about fund accounting principles and why the City cannot be more flexible with its various revenues streams and cost allocations. Sometimes, the temptation is to simply allocate the cost of popular programs to the various funds that have a little more money in them. However, the answer is not that simple. Most of the City's budget, and revenues, are legally restricted in their uses. I like to say that the City has two kinds of money: 1) restricted revenues and 2) unrestricted revenues. Unrestricted revenues, accounted for in the City's General Fund, is money the City Council and Budget Committee get to choose where and how to spend. Restricted revenues are monies dedicated to a specific project or service as directed by state/federal law or other rules. It all gets a little complicated.

Restricted revenues are still governed by the City Council, but within their respective restrictions. For example, state law prevents the City from using the Wastewater Fund's dedicated money to hire more General Fund police officers, for example.

Our General Fund accounts for a little over \$13.1 million of the \$40 million budgeted for expenditure. The City's portion of your property taxes go into the General Fund, as do franchise fees, fines, etc. This money is used to fund our police department, recreation and parks, library services, aquatics and many other program areas. To many, the General Fund provides the types of services expected by a local government, but are completely discretionary under law.

Some people are surprised to learn that Woodburn's share of property taxes total roughly \$8 million annually. It costs \$7.3 million to run our police department. So, over 90 percent of every property tax dollar collected by the City goes toward funding the police department. That leaves about \$700,000 of remaining property tax revenue to allocate to other services. Obviously, we would not have our other quality of life services and programs (parks, library, aquatics, etc.) without additional revenue sources.

In Oregon, local government budgets are regulated via state budget law. We have to balance our budget the same way big cities like Portland or Eugene do, or smaller cities like Donald and St. Paul. I believe we have done a good job in Woodburn of using your tax dollars wisely. We have eliminated over 20 positions over the past several years. Because of our careful case-by-case approach to belt tightening, the public has not suffered visibly dramatic impacts to City programs. We expect to continue to be successful in managing our limited resources while preserving valuable public services to the greatest extent possible.

There continues to be financial challenges ahead, however. Primary revenue sources continue to be impacted by economic conditions, property tax compression and limited growth opportunities. In addition, expenditure growth in health care and PERS continue to outpace revenue growth. The City's General Fund's cash reserves will likely decrease in upcoming years. Unfortunately, we have no control over PERS and as we have seen, benefit and insurance costs will continue to rise.

Your City Council and Citizen Budget Committee have done a great job of keeping the citizens of Woodburn at the forefront of their thoughts as they scour the numbers and do what they feel is best for Woodburn. Nobody likes cuts or layoffs. We would love to have a lot of new industrial construction and provide all the services you want. But this is our reality and given the declining revenue, I believe we are doing a good job with what we have.

The FY 2016-17 Proposed Budget will be available on the City website on or before April 25, 2016. And finally, you are invited to attend the City of Woodburn's Budget Committee meeting scheduled for Saturday, May 7, beginning at 9 a.m. The meeting will be held at City Hall. As always, if you have any questions about the budget process, don't understand the numbers or have a suggestion, don't hesitate to give me a call at 503-982-5228.

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