

## BUDGET GLOSSARY

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**ACCRUAL BASIS** – A basis of accounting in which revenues are recognized in the accounting period in which they are earned, and expenditures are recognized in the period in which they are incurred.

**ACTUAL** – Denotes revenue recognized or received or expenditure incurred or recorded totals for a given period, which is in contrast to “Budget” which denotes plans for a period.

**AD VALOREM TAX** – A property tax computed as a percentage of the value of taxable property. See “Assessed Value”.

**ADOPTED BUDGET** – The financial plan approved by the City Council, which forms a basis for appropriations. The final budget document includes Budget Committee and City Council revisions, is submitted to the State for filing, and becomes effective July 1<sup>st</sup>.

**APPROPRIATION** – The legal authorization granted by the City Council by resolution for expenditures and contingency, which permits the City to incur obligations and to make expenditures of resources during a fiscal year.

**APPROVED BUDGET** – The budget that the Budget Committee approves and recommends to the City Council for adoption.

**ASSESSED VALUE** – The lower of maximum assessed value or real market value set as a basis for imposing taxes. Exceptions exist for changed property and special provisions for specially assessed or partially exempt property.

**AUDIT** – A comprehensive examination as to the manner in which the government’s resources were actually utilized, concluding in a written report or opinion by a qualified auditing firm.

**AVERAGE MAXIMUM ASSESSED VALUE** – If the property is not specially assessed or partially exempt, the value determined by dividing the total maximum assessed value of all property in the same area in the same property class by the number of properties in the same area in the same property class. If the property is specially assessed or partially exempt, the amount is determined by dividing the total maximum assessed value of property in the area that is subject to the same exemption or special assessment program as the subject property by the total number of such properties in the area.

**AVERAGE REAL MARKET VALUE** – The value determined by dividing the total real market value of all property in the same area in the same property class by the number of properties in the same area in the same property class. For specially assessed or partially exempt property, the amount determined by dividing the total real market value of property in the area that is subject to the same exemption or special assessment program as the subject property by the total number of such properties in the area.

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**BALANCED BUDGET** – A balanced budget has “the total resources in a fund equal the total requirements for that fund”.

**BIENNIUM** – A period of two years. Effective July 1, 2002, cities and other districts in Oregon became allowed to adopt two-year budgets. The City of Lake Oswego had adopted a budget for the biennium every two years since its first one for the 2003-05 biennium. Then beginning with fiscal year 2009-10 the City returned to annual budgeting. Effective July 1, 2019, the City prepared a biennial budget.

**BOND** – A written promise to pay a specified sum of money on a specific date at a specified interest rate. Bonds are most frequently used to finance large capital projects, such as buildings and streets. The City currently has three types of bonds outstanding: General Obligation, Full Faith and Credit Bonds, and Revenue Bonds.

**BUDGET** – A document showing the City’s financial plan for one or two fiscal years (the City of Lake Oswego budgets on an annual fiscal year basis). By statute, it must include a balanced statement of resources and requirements for the previous two periods and estimated revenues and expenditures for the current and upcoming year.

**BUDGET CALENDAR** – The schedule of key dates which the City follows in the preparation and adoption of the budget.

**BUDGET COMMITTEE** – A fiscal planning board of a local government, consisting of the governing body (City Council) plus an equal number of appointed legal registered voters from the community (citizens). The Committee has legal authority to change any portion of the proposed budget and is responsible to pass the City’s Approved Budget after a series of public budget deliberation meetings.

**BUDGET MESSAGE** – A written explanation prepared by the City Manager explaining the proposed budget, articulating the strategies to achieve the City’s goals, and identifying budget impacts and changes.

**BUDGET RESOLUTION** – The budget is adopted each year by the City Council through passage of a resolution. This budget resolution is the guiding document for compliance with budget law and for any necessary adjustments during the fiscal year.

**CAPITAL ASSET** – An asset costing \$10,000 or greater with a useful life of more than one year.

**CAPITAL BUDGET** – The City’s budget for projects, major repairs, and improvements or additions to the City’s fixed assets (streets, sidewalks, roads, sewers, stormwater, parks, and buildings).

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**CAPITAL IMPROVEMENT PLAN (CIP)** – An allocation plan for capital expenditures to be incurred over several future years. It sets forth each capital project, identifying the expected beginning and ending date for each project, the amount to be expended in each year, and the method of financing those expenditures.

**CAPITAL OUTLAY** – A category of expenditures which result in the acquisition of, or addition to, the City's fixed assets. They generally have a useful life of one or more years, such as machinery, land, furniture, equipment, or buildings. The City's capitalization threshold is currently \$10,000 per item.

**CAPITAL PROJECTS FUND** – A Fund used to account for resources, such as Bond sale proceeds, and expenditures to be used for major capital item purchase or construction.

**CHARGES FOR SERVICES** – Represents administrative and other services provided to other City departments. They also include Work Order revenue for capital project planning and management by City staff.

**CIP** – Capital Improvement Plan.

**CITY COUNCIL** – The legislative branch of the City composed of seven elected officials who serve a four-year term.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT** – The complete annual financial report of the City that is prepared in conformity with generally accepted accounting principles. An independent auditing firm audits the financial statements in this annual report.

**CONTINGENCY** – An appropriation of funds to cover unforeseen events and emergencies, which may occur during the budget period. City Council must authorize the use of any contingency appropriations.

**CONTRACTUAL SERVICES** – The costs related to services performed for the City by individuals, business, or utilities.

**DEBT SERVICE** – Payment of principal and interest related to long-term debt. The City's debt service payments can be reviewed in the Bonded Debt Service Fund.

**DEBT SERVICE FUND** – A fund established to finance and account for the payment of interest and principal on all general obligation debt, serial and term, other than that payable exclusively from special assessments and revenue debt issued for, and serviced by, a governmental enterprise fund.

**DEBT SERVICE LEVY** – A tax imposed by local governments for the repayment of voter-approved general obligation or limited tax bonds. This levy is limited to the repayment of principal and interest necessary to retire these voter-approved bonds.

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**DEPARTMENT** – A major administrative organizational unit of the City which indicates overall management responsibility for one or more divisions.

**DEPRECIATION** – Expensing the cost of a capital asset over its useful life.

**DEVELOPMENT CODE AND STANDARDS** – The City’s procedures and criteria for the review and approval of land development proposals.

**DIVISION OF TAXES** – Division of taxes refers to the process of, and revenue from, apportioning tax to urban renewal agencies based on the relationship of the “excess” to “frozen value” (i.e. tax increment revenue). The urban renewal agency of the City is The Lake Oswego Redevelopment Agency, commonly known as LORA.

**DOUBLE MAJORITY** – A term that refers to an election where at least 50% of the registered voters eligible to vote in the election cast a ballot and more than 50% voting on the measure approve. *(Any March or September election.)* The voter turnout requirements do not apply at a general election held in November of an even-numbered year, as approval of a measure at a general election is considered to meet the “double majority” requirement by definition.

**EMPLOYEE BENEFITS** – Contributions made by a government to meet commitments or obligations for employee related expenses. Included is the government’s share of costs for social security and the various pensions, medical, dental, life insurance, workers’ compensation, and disability insurance.

**ENCUMBRANCE** – The commitment of appropriated funds to purchase an item or service. To encumber means to set aside funds in the form of purchase orders or contracts and commit funds for a future expenditure. Obligations cease to be encumbrances when paid.

**ENDING FUND BALANCE** – As shown in the budget, an amount representing the difference between the resources received by the fund compared to the amount expended in the fund. This becomes the subsequent year’s beginning working capital or beginning fund balance.

**ENTERPRISE FUND** – A fund established to account for operations in a manner similar to private business enterprise, in that, the costs of providing services to the general public on a continuing basis are recovered primarily through user charges. They are usually self-supporting. The City’s enterprise funds are Water, Sewer, Stormwater, Golf Course, and Tennis Facility Funds.

**EOC (EMERGENCY OPERATIONS CENTER)** – Command center for coordination and intervention for citywide or regional emergencies.

**ESTIMATED REVENUE** – The amount of projected revenues to be collected during the fiscal year.

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**EXPENDITURE CONTROL BUDGETING** – Expenditure Control Budgeting is based on the premise that managers are paid to manage, and it changes some of the rules of the game that have undermined traditional governmental budgeting systems. Briefly put, expenditure control budgeting gives department managers a great deal of flexibility over individual line items, as long as they remain within the "bottom line." The focus is on stretching limited resources as far as possible to provide as much service as possible.

**EXPENDITURES** – A decrease in the financial resources of the City due to the procurement of goods and services. They include current operating expenses, which require the current or future use of net current assets, debt services, and capital outlays.

**FINANCIAL AUDIT** – A comprehensive examination of the accounting and financial information by a qualified auditing firm. The auditing firm examines whether funds are spent according to intended purpose, within appropriations, and as authorized. It also examines if revenues, expenses, assets and liabilities are stated fairly and if internal procedures and policies are appropriate to prevent misuse and followed. The auditing firm reports to the City Audit Committee. See also Performance Audit and Internal Audit.

**FISCAL YEAR (FY)** – A twelve-month period to which the annual budget applies. At the end of the fiscal year a government determines its financial position and the results of its operations (July 1 through June 30 is required for municipalities in the State of Oregon).

**FRANCHISE FEE** – A fee paid by businesses for use of City streets, alleys, and/or property in providing their services to the citizens of a community. Services requiring franchises include electricity, telephone, natural gas, waste collection, and cable television.

**FULL FAITH AND CREDIT BONDS (FFC)** – Full faith and credit bonds are for long-term obligations that are payable solely from a designated source of revenue. They do not carry any taxing power.

**FULL-TIME EQUIVALENT (FTE)** – Staffing levels are measured in FTE's to give a consistent comparison from year to year. One full-time position filled for the entire year equals one FTE; however, in some instances a FTE may actually consist of several part-time positions.

**FUND** – An independent grouping of accounts that are self-balancing by, recording cash and/or resources together with all related liabilities, obligations, reserves, and equities. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives.

**FUND BALANCE** – The budget amount available in a particular fund at a certain period of time.

**GAAP, GENERALLY ACCEPTED ACCOUNTING PRINCIPLES** – Generally accepted accounting principles are conventions, rules, and procedures used in performing accepted accounting practice at a particular time.

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**GASB, GOVERNMENTAL ACCOUNTING STANDARDS BOARD** – The Governmental Accounting Standards Board is the body that establishes accounting principles for state and local governments.

**GENERAL FUND** – The general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**GENERAL OBLIGATION BONDS** – General obligation bonds are long-term obligations backed by the “full faith and credit” pledge of the city’s general fund revenues. They carry an unlimited taxing power, require voter-approval, and are limited in total to 3% of the city’s true cash value. The City currently has four general obligation bond issues outstanding listed in detail in the financial trends section of the budget.

**GFOA, GOVERNMENT FINANCE OFFICERS ASSOCIATION** – The Government Finance Officers Association is the premier association of public-sector finance professionals and is dedicated to providing high-quality support to state and local governments. Annually, the City applies for two distinguished GFOA awards: *Certificate of Achievement for Excellence in Financial Reporting* (for the audit), and *The Distinguished Budget Presentation Award*.

**GIS** – Geographic Information System program facilitates the efficient management of spatial information; offering enhanced analytical, cartographic, and reporting capabilities for internal and external customers.

**GOALS** – General statements of each division’s desired social or organizational outcomes.

**GOVERNMENTAL FUND** – Funds used to account for the acquisition, use and balances of current expendable financial resources and the related current liabilities – except those accounted for in proprietary funds and fiduciary funds.

**GOVERNING BODY** – City council, county court or board of commissioners, school board, board of trustees, board of directors, or other managing board of a local government unit.

**GRANT** – A contribution by one governmental unit to another. The contribution may be made to aid in the support of a specified purpose or function or general purpose.

**INFRASTRUCTURE** – Substructure or underlying foundation of the City (e.g. streets, utility lines, bridges, sidewalks, etc.).

**INTERGOVERNMENTAL REVENUES** – Revenues received from another governmental entity, such as county, state, or federal governments.

**INTERNAL AUDIT** – A comprehensive review of management, financial, or other policies and procedures. It is a peer review, and the internal audit firm reports to City Management. An internal audit often includes recommendations for improvement, operationally, procedurally, and financially. See also Financial Audit and Performance Audit.

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**INTERNAL FEES FOR SERVICE** – Internal Fees for Service covers general administrative services, insurance, repair and maintenance services by public works motor pool, and maintenance services provided by Parks. Prior to fiscal year 2013-14, these were categorized as Transfers.

**INTERNAL SERVICE FUND** – A fund established to finance and account for services and commodities furnished by a designated department to other departments within a single governmental unit or to other governmental units.

**LAKE OSWEGO REDEVELOPMENT AGENCY (LORA)** – The Lake Oswego Redevelopment Agency (LORA) is the urban renewal agency of the City. The East End District was formed in 1986 to conduct redevelopment activities within a 146 acre downtown district at the east end of the City. In 2012, the 159 acre Lake Grove District was formed along the Boones Ferry Corridor on the west end of the City. Resources are derived primarily from debt financing, which is repayable by property tax increment revenues and interest on investments.

**LEVEL OF SERVICE** – The amount and type of existing services, programs, and facilities provided. Level of service depends on the available resources.

**LEVY** – The amount of ad valorem tax certified by a local government for the support of governmental activities.

**LINE ITEM** – An expenditure description at the most detailed level. Also called Object of Expenditure. Operating expenditures are tracked through the use of line items. Line items itemize expenditures into specifics, such as equipment repair or printing. Line items usually are further aggregated into spending categories.

**LOCAL BUDGET LAW** – Oregon Revised Statute (ORS) 294.305 to 294.565. Local Budget Law has several purposes: 1) establish standard procedures for presenting a local government budget; 2) outline programs and services provided; 3) provide a standard method for estimating revenues, expenditures, and proposed tax levies; and 4) encourage citizen involvement in the preparation of the budget before formal adoption.

**LOCAL GOVERNMENT** – Any city, county, port, school district, community college, public or quasi-public corporation (including a municipal utility) operated by a separate board or commission; a municipal corporation or municipality.

**LOCAL OPTION TAX** – Voter approved taxing authority (by double majority) that is in addition to the taxes generated by the permanent tax rate. Local option taxes can be for general operations, a specific purpose or capital projects. They are limited to 5 years, but may extend to 10 years for a capital project, then they are limited to the useful life of the project or 10 years, whichever is less. These levies do not become part of the permanent rate limit.

**LOSD, LAKE OSWEGO SCHOOL DISTRICT** – Abbreviation for the school district in Lake Oswego.

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**MATERIALS AND SERVICES** – Expendable materials, operating supplies, and services necessary to conduct departmental activity.

**MEASURE 5** – A constitutional tax rate limitation passed by the voters in 1990 which restricts the amount an individual property can be taxed. Measure 5 limits school taxes to \$5 per \$1,000 of ‘real market value’. All other general government taxes are limited to \$10 per \$1,000 of ‘real market value’.

**MEASURE 50** – In 1997, Oregon citizens approved an amendment to the State Constitution (Measure 50) which limits the ability of state and local governments to levy property taxes, impose certain types of charges and issue certain types of debt. Measure 50 reduced every property’s 1995-96 assessed value by 10%, and also limited the amount of annual growth of the assessed value to 3%. Measure 50 also established permanent rate limitations for each taxing district in the state based on the current year tax in 1997, and then reduced 13% for most districts.

**MODIFIED ACCRUAL BASIS OF ACCOUNTING** – The accrual basis of accounting adapted to governmental funds where revenues are recognized when they become both “measurable” and “available to finance expenditures of the current period.” Expenditures are generally recognized when the related fund liability is incurred.

**MS4** – Municipal Separate Storm Sewer System.

**MUNICIPALITY** – See “Local Government”.

**NEIGHBORHOOD ASSOCIATION** – A group of people organized and recognized by the Council within a geographical area for the purpose of acting on issues affecting neighborhood and community livability.

**OBJECT CLASSIFICATION** – A grouping of expenditures, such as personnel services, materials and services, capital outlay, debt services, and other types of requirements.

**OBJECTIVES** – A specific, measurable and observable result of an organization’s activity which advances the organization toward a goal.

**ODOT** – Oregon Department of Transportation.

**OPERATING BUDGET** – The portion of the budget that pertains to daily operations providing basic governmental services. The operating budget contains appropriations for such expenditures as personal services, supplies, utilities, materials, and debt service.

**OPERATING RATE** – The rate determined by dividing the city’s operating tax amount by the estimated assessed value of the city. This rate is determined when a city wants to impose less tax than its permanent rate will raise.

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**ORDINANCE** – Written directive or act of a governing body. Has the full force and effect of law within the local government’s boundaries, provided it does not conflict with a state statute or constitutional provision. See “Resolution”.

**ORS** – Oregon Revised Statutes.

**PCI** – Pavement Condition Index.

**PERFORMANCE AUDIT** – A comprehensive review of outcomes as they compare to goals and inputs. It assesses efficiency and effectiveness and is a management tool. See also Financial Audit and Internal Audit.

**PERMANENT RATE LIMIT** – The maximum tax rate of ad valorem property taxes that a local government can impose, calculated under the limitations of Measure 50. Taxes generated from the permanent rate limit can be used for any purpose. No action of a local government or its voters can increase or decrease a permanent rate limit. The City of Lake Oswego has two permanent tax rates limits. For city residents living inside the Lake Oswego School District (LOSD), it is 5.0353 per \$1,000 of assessed value and, for city residents living outside of LOSD, it is 4.5884 per \$1,000 of assessed value.

**PERS** – The State of Oregon Public Employees Retirement System (PERS) is the retirement program for about 95 percent of state and local government employees in Oregon.

**PERSONNEL SERVICES** – Expenditures including wages and benefits of a government’s employees.

**PROPERTY TAXES** – A tax that uses assessed property value as the base by which the cost burden of local services is determined. These are certified by the county assessor’s office.

**PROPERTY TAX ACCOUNT** – Administrative account number used for the purpose of listing property tax on the assessment roll.

**PROPOSED BUDGET** – Financial and operating plan proposed by the budget officer, submitted to the public and budget committee for review.

**PUBLIC FACILITY PLAN** – A planning document mandated by Oregon Administrative Rule chapter 11 and administered by the Department of Land Conservation and Development.

**REAL MARKET VALUE (RMV)** – The amount in cash that could reasonably be expected to be paid by an informed buyer to an informed seller, each acting without compulsion in an arm’s length transaction / occurring as of the assessment date for the tax year, as established by law.

**REQUIREMENT** – The total of all expenditures within a fund, including operating expenditures, transfers to other funds, contingency, and unappropriated fund balance.

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**RESERVE FOR FUTURE EXPENDITURE** – An amount budgeted, but not appropriated, that is not anticipated to be spent in the fiscal year, but rather carried forward into future fiscal years. These funds may be spent with approval by the city council by resolution.

**RESERVE FUND** – Established to accumulate money from year to year for a specific purpose, such as purchase of new equipment.

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

**RESOURCES** – Total amount available for appropriation, consisting of estimated beginning funds on hand plus anticipated revenues.

**REVENUE BONDS** – Revenue bonds are long-term obligations that are payable solely from a designated source of revenue generated by the project which was financed. No taxing power or general fund pledge is provided as security.

**REVENUES** – Monies received or anticipated by a local government from either tax or nontax sources.

**SPECIAL LEVY** – A special levy is an ad valorem tax, imposed for an urban renewal plan area. It is not a result of a division of tax but rather imposed directly for the plan area and is attributed specifically to urban renewal on the tax statement, unlike the division of tax amount. Currently, the City’s urban renewal agency has no special levy in effect.

**SPECIAL REVENUE FUND** – A fund used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are reserved for specific purposes.

**STATE SHARED REVENUE** – Revenues received from the State of Oregon from cigarette, liquor, and highway taxes under ORS 221. These funds are available to cities located in counties with at least 100,000 inhabitants that provide at least four types of municipal services.

**STATE REVENUE SHARING** – A share of certain revenues from the State of Oregon that are apportioned among and distributed to cities for general purposes. These funds require a public hearing before the budget committee to discuss possible uses.

**SUPPLEMENTAL BUDGET** – A supplemental budget is a budget adjustment to fund unexpected needs or to spend revenues not anticipated at the time the regular budget was adopted. It cannot be used to authorize additional taxes.

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**SYSTEM DEVELOPMENT CHARGE (SDC)** – A charge levied on new construction to help pay for additional expenses created by growth. SDCs are for construction and expansion, and may not be used for maintenance of infrastructure.

**TAX INCREMENT FINANCING** – A financial mechanism for urban renewal plans which captures the tax from the growth in property value within a designated geographical area. The City’s urban renewal plans, as carried out by the Lake Oswego Redevelopment Agency or LORA, cover approximately 305 acres of the city.

**TAX LEVY** – The total amount of taxes imposed by the City on taxable property, as determined by the appraisers for Clackamas, Multnomah, and Washington counties.

**TAX RATE** – The tax rate discussed by the budget committee and set by the City Council. It is made up of two components: operations and debt service. It is usually expressed as a rate for each \$1,000 of assessed value of taxable property.

**TAX YEAR** – The fiscal year from July 1 through June 30.

**TRANSFERS** – Amounts distributed between funds to finance activities in another fund. These are shown as expenditure in the originating fund and revenue in the receiving fund.

**UNAPPROPRIATED ENDING FUND BALANCE** – Amount set aside in the budget for carryover to the following budget period providing the local government with needed cash flow until other money is received (typically in November). This amount cannot be transferred by resolution or used through a supplemental budget, unless necessitated by a qualifying emergency.

**UNIT OF PROPERTY** – For purposes of Measure 50, “property” and “unit of property”, except for centrally assessed utility property, means all property included within a single property tax account.

**WORK ORDER CHARGES** – This is revenue for capital project planning and management by City staff.