



# Clackamas County, Oregon

## Fiscal Year 2024-2025 Proposed Budget



Gary Schmidt, County Administrator & Budget Officer  
Elizabeth Comfort, Finance Director  
Sandra Montoya, Budget Manager

## Budget Message

Fiscal Year 2024-2025 (FY24-25)

TO: Honorable Board of County Commissioners (BCC)  
 Budget Committee Members for Clackamas County, Oregon and  
 Clackamas County Residents

The Clackamas County, Oregon FY24-25 Proposed Budget is \$1,569,745,275 and is balanced as required by Oregon budget law.

Like all local government, Clackamas County continues to face the challenge of aligning increasing costs and increasing demand with limitations on property taxes, the primary source of discretionary revenue. The infusion of other funds – such as the American Rescue Plan Act (ARPA) funds, the Opioid settlement funds, and Supportive Housing Services Measure funds - have enabled investments this past year. These funds will not last. As such, these funds will not resolve future pressures on the General Fund.

To address these issues over the long term, the County’s Finance Department prepares and updates a 30-year General Fund forecast to reflect changes in funding at the county, state, and federal levels that may impact the General Fund. More information about the Forecast is on page 8 of this message.

The chart below displays the proposed budget amount for the County along with eight Service Districts governed by the Board of County Commissioners.

<b>Clackamas County Proposed Budget</b>	<b>\$1,569,745,275</b>
<b>Service Districts</b>	
• Water Environment Services	\$ 275,940,118
• Clackamas County Development Agency	\$ 41,083,194
• North Clackamas County Parks & Rec. District	\$ 48,281,237
• Library Service District or Clackamas County	\$ 24,827,949
• Extension and 4-H Service District	\$ 15,889,342
• Enhanced Law Enforcement District	\$ 9,762,663
• Street Lighting District	\$ 5,449,676
• Housing Authority of Clackamas County	\$107,792,548
<b>TOTAL</b>	<b>\$ 2,098,772,002</b>

### Budget Committee

### County Staff

BCC Members

Tootie Smith, Chair  
 Paul Savas  
 Martha Schrader  
 Mark Shull  
 Ben West

Public Members

James Karn  
 Jan Lee  
 Wendy Rader  
 James Rhodes  
 Kenneth Sernach

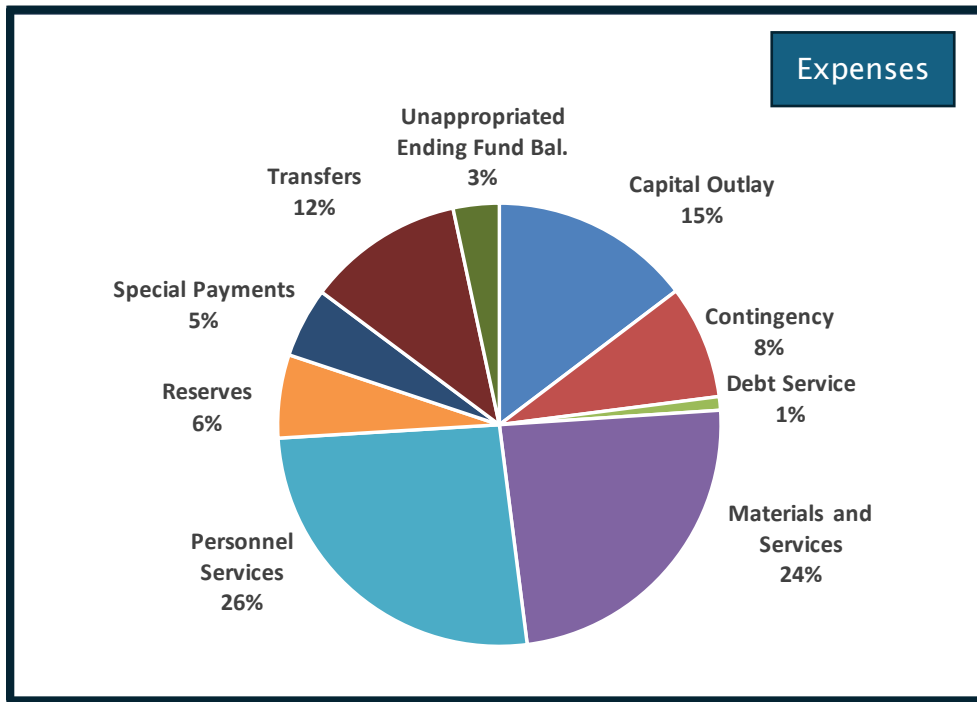
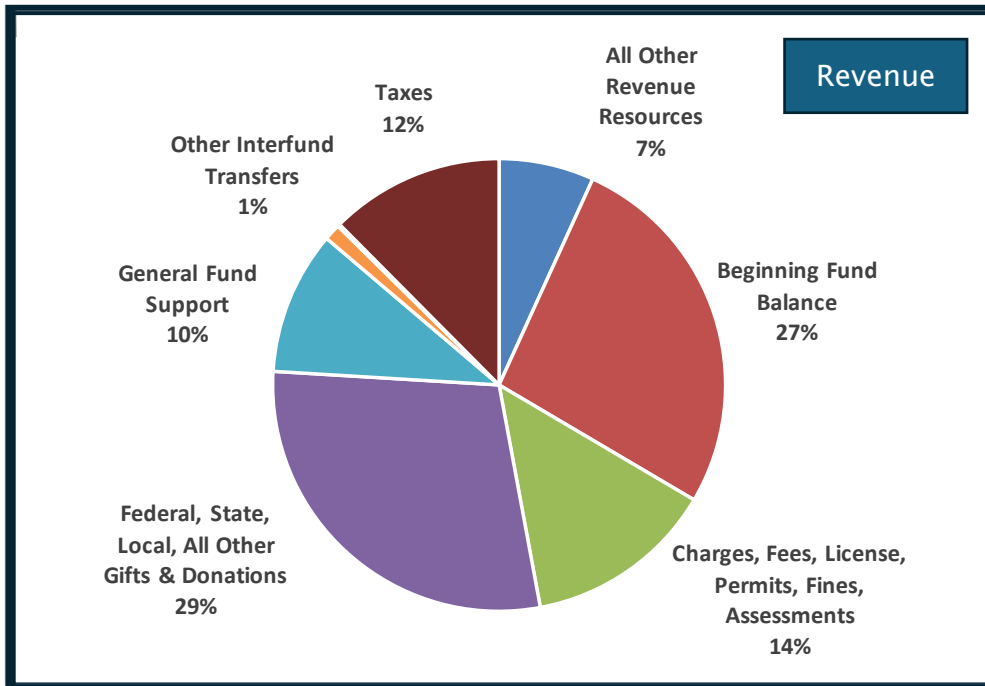
Gary Schmidt

Elizabeth Comfort  
 Cindy Becker  
 Sandra Montoya  
 Blaze Riggins  
 Roxann Fisher  
 Jian Zhang  
 Priscila Montoya

Administrator & Budget Officer

Finance Director  
 Project Manager  
 Budget Manager  
 Senior Budget Analyst  
 Budget Analyst  
 Budget Analyst  
 Budget Coordinator

## Summary of Revenues and Expenses (All Funds)



### County Staffing

The chart below includes all regular and limited-term full time equivalent (FTE ) in departments and elected offices. The FTE is a net number and includes any proposed additional positions. The additional FTEs are primarily funded through non-General Fund sources of income as outlined previously.

Budget Year	FY21-22 Actual	FY22-23 Actual	FY23-24 Estimated	FY24-25 Proposed
FTE	2,358.9	2,397.7	2,435.6	2,450.9

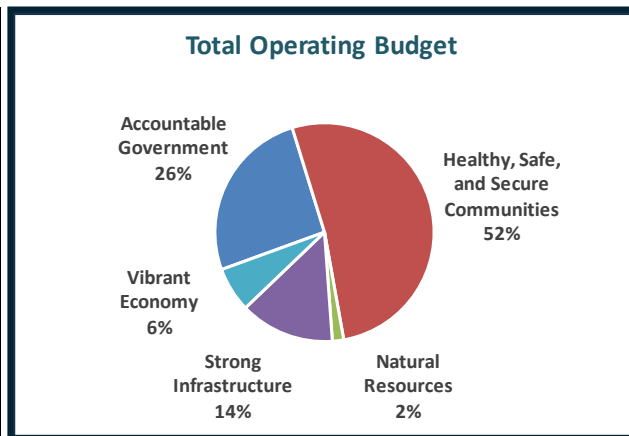
## Performance Clackamas and Budget Alignment

The budget information below and on the next page is organized using the Board’s Performance Clackamas Strategic Priority Areas. Additional information about Performance Clackamas, including Board initiatives and department metrics, can be found at <https://www.clackamas.us/performance>.



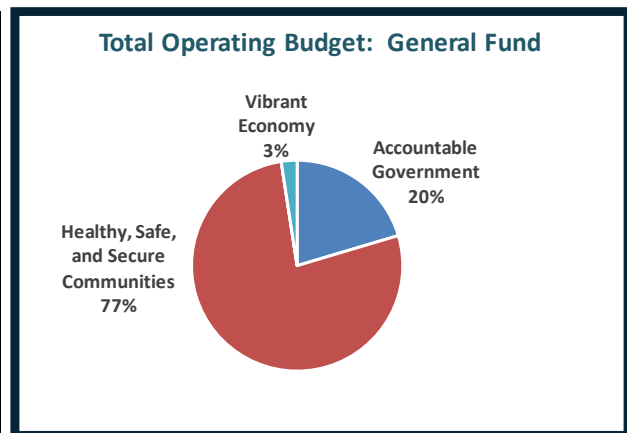
### Total FY24-25 Budget By Priority

BCC Priority	Total Budget
Accountable Government	321,034,701
Healthy, Safe, and Secure Communities	646,556,184
Natural Resources	20,828,095
Strong Infrastructure	173,986,132
Vibrant Economy	82,295,418
<b>Total Operating</b>	<b>1,244,700,530</b>
<b>Total Non Operating *</b>	<b>325,044,745</b>
<b>Grand Total</b>	<b>1,569,745,275</b>



### Total FY24-25 General Fund Support Budget

BCC Priority	Total GF Support Budget
Accountable Government	31,806,060
Healthy, Safe, and Secure Communities	120,413,091
Natural Resources	-
Strong Infrastructure	-
Vibrant Economy	3,776,071
<b>Total Operating</b>	<b>155,995,222</b>
<b>Total Non Operating *</b>	<b>4,917,877</b>
<b>Grand Total</b>	<b>160,913,099</b>



\*Non-Operating includes Debt Service

## FY24-25 Proposed Budget Summary

The summary below compares Clackamas County resources and requirements in the FY23-24 Amended Budget to the FY24-25 Proposed Budget for Clackamas County. The revenues and requirements summarized in this table are derived from six County fund types: General, Special Revenue, Internal Service, Enterprise, Debt Service, and Capital Projects. All funds work together to support the County's operations and account for the intended use of the funding sources.

### Clackamas County (Excluding Districts/Agencies) Resources and Requirements

	Category	FY23-24 Amended	FY24-25 Budget	\$ Change	% Change
<b>Resources/Revenue by Category</b>					
	Beginning Fund Balance	346,045,617	418,899,581	72,853,964	21.1%
<b>Current Revenues</b>					
	Taxes	185,073,280	195,357,150	10,283,870	5.6%
	Federal, State, Local, Other Donations	300,987,465	453,320,094	152,332,630	50.6%
	Charges/Fees/License/Permits/Fines	198,004,039	213,486,023	15,481,984	7.8%
	Revenue from Bonds & Other Debts	8,181,584	2,667,189	(5,514,395)	-67.4%
	All Other Revenue Resources	98,400,588	106,663,988	8,263,400	8.4%
	Interfund Transfers	17,990,135	18,438,148	448,013	2.5%
	General Fund Support	153,467,761	160,913,099	7,445,337	4.9%
<b>Subtotal Current Revenues</b>		<b>962,104,852</b>	<b>1,150,845,691</b>	<b>188,740,840</b>	<b>19.6%</b>
<b>Total Resources/Revenue</b>		<b>1,308,150,469</b>	<b>1,569,745,273</b>	<b>261,594,804</b>	<b>20.0%</b>
<b>Requirements/Expenses by Category</b>					
	Personnel Services	382,323,577	408,810,015	26,486,438	6.9%
	Materials & Services	289,352,723	377,305,247	87,952,524	30.4%
	Capital Outlay	120,882,115	230,422,351	109,540,236	90.6%
<b>Subtotal Current Expenditures</b>		<b>792,558,415</b>	<b>1,016,537,613</b>	<b>223,979,199</b>	<b>28.3%</b>
	Debt Service	15,736,570	15,547,163	(189,407)	-1.2%
	Special Payments	85,405,734	80,154,901	(5,250,833)	-6.1%
	Interfund Transfer	15,966,348	18,474,644	2,508,296	15.7%
	General Fund Support *	153,467,761	160,913,099	7,445,337	4.9%
	Contingency	122,613,010	130,063,653	7,450,643	6.1%
	Reserve for Future Expenditures	93,134,122	95,339,792	2,205,670	2.4%
	Unappropriated Ending Fund Balance	29,268,508	52,714,410	23,445,902	80.1%
<b>Total Requirements/Expenses</b>		<b>1,308,150,468</b>	<b>1,569,745,275</b>	<b>261,594,807</b>	<b>20.0%</b>

#### Notes:

- General Fund Support reflects the receipt and distribution of property tax dollars to the operating departments which results in the duplication of revenue and expenses
- Increase in Materials & Services driven by Supported Housing Services tax collections
- Increase in Capital Outlay primarily due to State share of Courthouse replacement

## Overarching Issues

### Investing in Affordable Housing

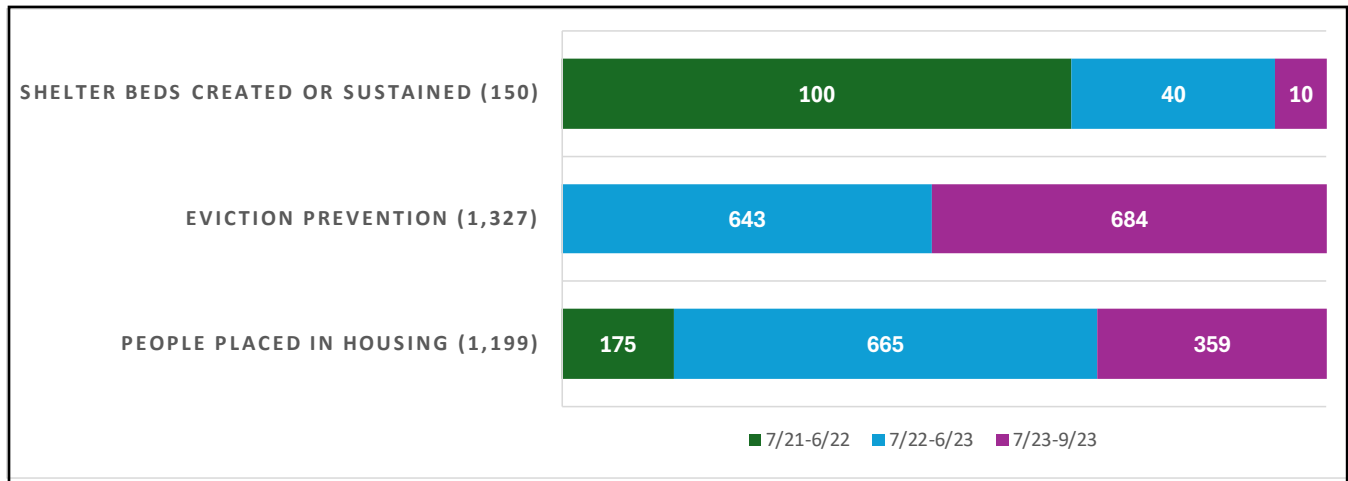
In 2018, voters approved a \$652.8 million general obligation bond to address the shortage of affordable housing within Metro’s urban growth boundary in the region. The County receives 21.3% of bond proceeds which is spent on approved projects.

In addition, the Supported Housing Services tax was implemented in 2020. In FY23-24, the County anticipates spending \$68 million of this tax. The FY24-25 proposed budget includes an additional expenditure of \$73 million plus carryover for one-time and limited duration expenses. More information about the Supportive Housing Services tax can be found at [www.clackamas.us/housingauthority/supportive-housing-services](http://www.clackamas.us/housingauthority/supportive-housing-services).

#### Bond Funding:



#### SHS Tax

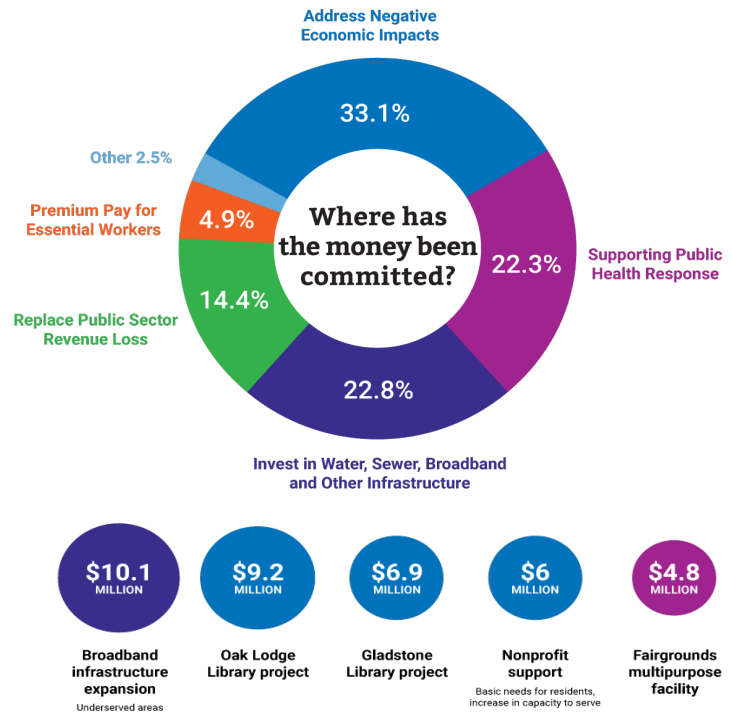


## One-Time Federal Aid

### American Rescue Plan Act (ARPA)

ARPA provided relief funding to local governments during the COVID-19 pandemic. Criteria to spend these funds is outlined by the federal government. Clackamas County received approximately \$81.2 million, which must be obligated by December 2024 and spent by December 2026.

100% of the \$81,227,922 has been committed to projects.



### Opioid Settlement Funds

The County and several cities have received their first funding allocations to mitigate harms associated with opioid and other drug crisis impacting the County and the nation. Over the next 18 years, Oregon will receive \$600 million, and Clackamas will receive \$24 million. Approximately \$5.2 million of the Settlement funding was received by the County this year, a portion of which will be contracted to community providers to address the opioid crisis.

### **Investments in Infrastructure that Serves the Public**

The County is continuing design, construction, and renovation of several buildings that house key services for the public. None of these projects require increased property taxes.

#### Planning/Design

- 24-hour Crisis Stabilization Center
- Recovery Center for people with substance abuse disorders

#### Construction/Renovation

- Lake Road Health Center (Outpatient Behavioral Health)
- Gladstone and Oak Lodge Libraries

### Courthouse Replacement Project

The replacement County Courthouse is paid from State matching funds and County property tax dollars. The County is not taking out debt for the Courthouse and instead opted for the Public Private Partnership (P3) model. In FY23-24 the County created capacity within the budget by tightening spending to make monthly operational payments for 30 years.

## Facts about the Courthouse project:

- The Courthouse is paid from State matching funds and from County property tax dollars. The County is not taking out debt for the monthly payments,
- To meet its obligation, the County reduced its operating budget by \$15 million (or approximately 10%) in FY23-24. Reductions were strategically made, rather than across the board, and included changes in the way internal service costs were allocated.
- The project is on time and on budget.

## Cost Allocation Plan Update

The cost allocation process calculates the distribution of overhead costs from internal service departments – Finance/Facilities, Utilities, Technology, Human Resources, Public & Government Affairs (PGA), Records Management, and County Counsel - to the operating departments.

Two years ago, the County hired a consultant to review its cost allocation methodology and provide recommendations for changes to align with best practices that would offset the dependency on the General Fund for internal services. The recommendations and resulting cost plan also paved the way for the County to recover overhead costs from federal/state grants.

The FY24-25 Proposed Budget reflects costs associated with the second year of implementing a hybrid cost allocation model with a few changes. Due to cost allocation increases that operating departments absorbed last year combined with reductions in General Funds, rates were kept flat for Finance, Human Resources, County Counsel and PGA. However, rates for Facilities and Technology Services were recalibrated based on each operating department's utilization.

## Budget Development Summary

### Forecast

To ensure financial sustainability for the replacement Courthouse project and the General Fund overall, the County built a 30-year General Fund forecast using data-informed assumptions on growth or changes in both Revenues and Expenses. This extended view enables the County to keep on top of shifts in policy or funding at the local, federal, and state levels. The following items are key data variables:

#### Revenue Considerations:

- Property taxes
- Franchise fees
- Federal and State grants
- State Sharing revenues
- Charges and fees for services
- Interest
- Cost Allocation for Internal Services

#### Expense considerations:

- PERS
- Cost of living changes (CPI)
- Personnel wages and benefits
- Vacancy Factors
- Cost of goods and services
- Capital projects and maintenance
- Contingency & Reserve requirements



The forecast is an important tool that is used in the budget process overall. It is sensitive to real time changes and enables the County to analyze the short- and long-term impact of revenue assumptions or expenditure decisions made today into the future. The forecast is a dynamic tool that is regularly updated as new information is available.

### **Budget Instructions**

This year the base budget for each department was established by analyzing actuals over the past two fiscal years plus this year's projections. This is a significant departure from prior years when budgets were routinely increased, regardless of actual revenue and expenses. Additionally, the Budget Manual outlining the following and more was provided to all departments and offices:

- Align program budgets with Board Priority Areas
- Prioritize mandated services and cost-effective alternatives to service delivery
- Seek to maximize revenue and reduce the need for General Fund Support
- Eliminate long-term FTE vacancies (over 2+ years)
- Estimate proposed budgets to most realistic revenue and expenditure projections
- Distribute administrative overhead to the benefitting programs
- If proposing a new program, identify a new revenue source or reductions to balance

### **County Policies**

Details on County policies can be found in the policy subsection of this budget book. Some policies have been updated or created over the two last years with additional detail located in the policy subsection.

### **Key Revenues**

Countywide, tax revenue is expected to increase by 5.6% or \$10.3 million. Charges for Services is estimated to increase by \$15.5 million, primarily driven by cost allocation and indirect cost revenue.

### **Expenditures**

#### Personnel Services

Total County personnel services costs are increasing by 6.9% or \$26.5 million, composed of an increase for COLA, longevity wages, medical, and dental. The PERS rate of 8.3% is the same as last year.

#### Materials & Services (M&S)

Expenses are proposed to increase by 30.4% or \$87.9 million. The majority of this increase is due to the proceeds from the Supported Housing Services tax revenue.

#### Capital Outlay

Capital outlay increased by 90.6% to \$109.5 million. Most of this increase is for construction of the replacement Courthouse including the State's share. All projects that comprise this number are subject to Board approval.

#### Contingency

Board policy requires Contingency to be calculated at 5% of operating expense. For FY24-25, General Fund Contingency is budgeted at \$22.5 million.

#### Reserves

Board policy requires Reserves for Future Expenditures to be calculated at 10% of combined Taxes, Fees, Fine and Permits. In FY24-25 General Fund Reserves are budgeted at \$19.5 million.

### Self-Insurance and Benefits Administration

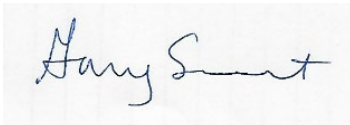
Clackamas County is self-insured for employee health benefits. In the event the County ends its self-insurance plan and has to pay out claims, State statute requires that a reserve be maintained. Additionally, there is a claims margin if claims exceed predicted rates. For FY24-25 the Benefits Administration budget increased 15.6%, or \$8.9 million. The model considers cost increases and decreases as needed.

### **Conclusion**

This FY24-25 proposed budget builds on the County's commitment to public safety along with strategic investments in community health and infrastructure. To the credit of departments and offices, the financial reductions made in FY23-24 did not result in significant reductions in services to the public. The ongoing challenge is reconciling limited resources with the increasing cost of services and increasing demand. Staff will continue to exercise fiscal restraint, identify efficiencies, and focus on core county services.

Thank you to the County's elected and appointed leadership along with the many employees involved in preparing this proposed budget. Special thanks to Elizabeth Comfort, Finance Director, Cindy Becker, Project Manager, Sandra Montoya, Budget Manager, and the entire budget team for their dedicated work. Thank you to the Budget Committee for its commitment and consideration of this proposed budget.

Sincerely,

A handwritten signature in blue ink that reads "Gary Schmidt". The signature is written in a cursive style and is positioned above a light gray rectangular background.

Gary Schmidt  
County Administrator & Budget Officer