

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS
Sitting as the Clackamas County Budget Committee

Policy Session Worksheet

Presentation Date: October 2, 2019 **Approx. Start Time:** 9:30 **Approx. Length:** 2 hours

Presentation Title: Quarterly General County Budget Committee Meeting

Department: Finance and County Administration

Presenters: Gary Schmidt, County Administrator; Christa Wolfe, Finance Director; Haley Fish, Deputy Finance Director; Jennifer Chambers, Budget Manager

Other Invitees: Community members of the Budget Committee; Jian Zhang and Roxann Fisher, Budget Coordinators, County Budget Task Force, Courthouse Leadership Team

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

This is an informational meeting regarding the budget monitoring for FY 2019-20 and fiscal issues affecting future years.

EXECUTIVE SUMMARY (why and why now):

This meeting will follow the agenda included in the packet.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO **N/A informational meeting**

What is the cost? \$

What is the funding source?

STRATEGIC PLAN ALIGNMENT:

- **How does this item align with your Department's Strategic Business Plan goals?**

Policy session packets and staff reports submitted by the deadline.
100 percent of budgets with expenditures not exceeding appropriations.
Budget to actual reports provide to the County administrator.

- **How does this item align with the County's Performance Clackamas goals?**

Furtheres the countywide goal of Building Public Trust through Good Government.
By 2018, 100 percent of County Budget will be attached to measurable customer results.
By 2020, Clackamas County will achieve the Strategic Results in the Strategic Plan.

LEGAL/POLICY REQUIREMENTS:

Budget committee established under ORS 294.414 and additional meetings held from time to time at its discretion (quarterly) in accordance with ORS 294.428 (2).

PUBLIC/GOVERNMENTAL PARTICIPATION:

Quarterly Budget Committee meetings promotes public engagement and enhances financial transparency and oversight.

OPTIONS:

NA – Informational meeting.

RECOMMENDATION:

NA – Informational meeting.

ATTACHMENTS:

Attachment A: Meeting Agenda
Attachment B: Overview of County Budget Committee Membership from 2005
Attachment C: Updated General Fund Forecast
Attachment D: Adopting a New Budget Model
Attachment E: Courthouse Financing Scenarios
Attachment F: Draft Cost Recovery Policy

SUBMITTED BY:

Division Director/Head Approval _____ JC _____
Department Director/Head Approval _____ CW _____
County Administrator Approval _____ GS _____

For information on this issue or copies of attachments, please contact Jennifer Chambers @ 503-742-5405

ATTACHMENT A

Quarterly Budget Committee Meeting

Wednesday, October 2, 2019

9:30 am – 11:30 am

PSB Hearing Room

Budget Committee:

Public members: Wilda Parks, Tom Feely, Jan Lee, Shaun Coldwell, and Anh Le

Board members: Chair Jim Bernard and Commissioners Paul Savas, Martha Schrader, Ken Humberston and Sonya Fischer

Staff: Administrator Gary Schmidt, Finance Director Christa Wolfe, Deputy Finance Director Haley Fish and Budget Manager Jennifer Chambers

1. Welcome and Introductions
 - a. New Committee Members
 - b. County Budget Task Force
 - c. Courthouse Leadership Team

2. Administrator's Report (Gary Schmidt)
 - a. Current Fiscal Year Status
 - b. Updated General Fund Forecast
 - c. Changes to the County's Budget Model

3. Courthouse Update (Christa Wolfe)
 - a. Brainstorming session for funding options

4. Draft Cost Recovery Policy (Christa Wolfe)

5. Adjourn

ATTACHMENT B

Overview of Budget Committee Membership - 2005 to present				
Fiscal Year Appointed	Member Name	Appointment Date	Term Serving	Term Expiry
FY 2005-06	Chris Geiger	March 2005	1st	June 2007
	Dan Hunker	May 2001	2nd	June 2006
	Ron Rhode	May 2002	2nd	June 2007
FY 2006-07	Chris Geiger	<i>continuing - ends June 2007</i>		
	Dan Hunker	<i>continuing - ends June 2006</i>		
	Ron Rhode	<i>continuing - ends June 2007</i>		
FY 2007-08	Dan Hunker ¹	April 2007	filling in	June 2007
	Ron Rhode	<i>continuing - ends June 2007</i>		
	Fred Payne	Feb 2007	1st	June 2009
FY 2008-09	Fred Payne	<i>continuing - ends June 2009</i>		
	Charles Wassinger	March 2008	1st	June 2011
	Paul Sivley	March 2008	1st	June 2011
FY 2009-10 ²	Fred Payne	<i>continuing - ends June 2009</i>		
	Charles Wassinger	<i>continuing - ends June 2011</i>		
	Paul Sivley	<i>continuing - ends June 2011</i>		
	Connie Sauer	March 2009	1st	June 2012
	Dudley Gaouette	March 2009	1st	June 2012
FY 2010-11	Charles Wassinger	<i>continuing - ends June 2011</i>		
	Paul Sivley	<i>continuing - ends June 2011</i>		
	Connie Sauer	<i>continuing - ends June 2012</i>		
	Debra Newton	April 2010	1st	June 2013
	Frank Magdlen	May 2010	1st	June 2013
FY 2011-12	Debra Newton	<i>continuing - ends June 2013</i>		
	Frank Magdlen	<i>continuing - ends June 2013</i>		
	Paul Sivley (reapptmt)	May 2010	2nd	June 2014
	Kent Wyatt	Oct 2011	1st	June 2014
	Karina Mayner	Oct 2011	1st	June 2014
FY 2012-13	Karina Mayner	<i>continuing - ends June 2013</i>		
	Frank Magdlen	<i>continuing - ends June 2013</i>		
	Debra Newton	<i>continuing - ends June 2013</i>		
	Jeffrey Caton	Jan 2012	1st	June 2014
	Kent Wyatt	Jan 2012	1st	June 2014
FY 2013-14	Kent Wyatt	<i>continuing - ends June 2014</i>		
	Karina Mayner	<i>continuing - ends June 2013</i>		
	Jeffrey Caton	<i>continuing - ends June 2014</i>		
	Frank Magdlen (reapptmt)	May 2010	2nd	June 2016
	Cheri Macfarlane	Dec 2013	1st	June 2016
FY 2014-15	Frank Magdlen	<i>continuing - ends June 2016</i>		
	Jeffrey Caton (reapptmt)	Jan 2012	1st	June 2017
	Wilda Parks	Nov 2014	1st	June 2017
	Ed Mura	Nov 2014	1st	June 2017
	Eric Hofeld	Nov 2014	1st	June 2017

Fiscal Year Appointed	Member Name	Appointment Date	Term Serving	Term Expiry
FY 2015-16	Frank Magdlen	<i>continuing - ends June 2016</i>		
	Jeffrey Caton	<i>continuing - ends June 2017</i>		
	Wilda Parks	<i>continuing - ends June 2017</i>		
	Ed Mura	<i>continuing - ends June 2017</i>		
	Eric Hofeld	<i>continuing - ends June 2017</i>		
FY 2016-17	Jeffrey Caton	<i>continuing - ends June 2017</i>		
	Wilda Parks	<i>continuing - ends June 2017</i>		
	Ed Mura	<i>continuing - ends June 2017</i>		
	Eric Hofeld	<i>continuing - ends June 2017</i>		
	Tom Feely	Oct 2016	1st	June 2019
FY 2017-18	Tom Feely	<i>continuing - ends June 2019</i>		
	Shaun Coldwell	Sept 2017	1st	June 2020
	Wilda Parks (reapptmt)	Nov 2014	2nd	June 2020
	Jeffrey Caton (reapptmt)	Jan 2012	3rd	June 2019
	Frank Magdlen (reapptmt)	May 2010	3rd	June 2018
FY 2018-19	Tom Feely	<i>continuing - ends June 2019</i>		
	Shaun Coldwell	<i>continuing - ends June 2020</i>		
	Wilda Parks	<i>continuing - ends June 2020</i>		
	Jeffrey Caton	<i>continuing - ends June 2019</i>		
	Jan Lee	Sept 2018	1st	June 2021
FY 2019-20	Shaun Coldwell	<i>continuing - ends June 2020</i>		
	Wilda Parks	<i>continuing - ends June 2020</i>		
	Jan Lee	<i>continuing - ends June 2021</i>		
	Tom Feely (reapptmt)	Oct 2019	2nd	June 2022
	Anh Le	Oct 2019	1st	June 2022

General Notes:

- >> All term lengths were three (3) years during this period, no term limits
- 1. Hunker's term expired 2006, he was reappointed 4/07 to finish Geiger's term
- 2. Board of Commissioners grew to 5 in 2009 increasing community members to 5

ATTACHMENT C

5 Year General Fund Forecast as of Oct 2019 Including Ongoing Funding of FY2019-20 Proposed Budget

To provide year to year consistency in reporting ongoing operations, General Obligation bond proceeds and payments to local governments for emergency radio systems have been removed.

	Actuals FY 18-19	Budgeted FY 19-20	Projected FY 20-21	Projected FY 21-22	Projected FY 22-23	Projected FY 23-24	Projected FY 24-25
Beginning Fund Bal	\$ 30,746,993	\$ 35,420,102	\$ 32,458,596	\$ 24,595,617	\$ 12,337,604	\$ (475,322)	\$ (17,176,818)
Property Tax	130,774,588	134,018,288	139,651,038	144,797,952	150,137,875	156,786,080	163,733,453
Fees and Fines	2,230,238	1,991,968	1,943,698	1,897,152	1,852,285	1,809,053	1,767,414
Federal, State and Local Revenue	9,644,723	7,246,059	7,761,145	7,870,750	8,177,651	8,347,652	8,522,193
Chg for Svc (Recording/Alloc Costs)	14,987,469	16,764,501	16,634,607	17,268,376	17,709,946	18,408,127	18,897,157
All Other Revenue	22,917,479	27,738,601	25,978,289	28,179,070	29,532,651	32,046,657	33,590,928
Operating Revenue	\$ 180,554,497	\$ 187,759,417	\$ 191,968,778	\$ 200,013,300	\$ 207,410,409	\$ 217,397,569	\$ 226,511,146
% Change	4.9%	4.0%	2.2%	4.2%	3.7%	4.8%	4.2%
Personnel Svc	43,619,718	50,281,815	52,745,906	57,493,037	60,367,689	65,800,781	69,090,820
Matl & Svc	8,502,895	11,468,825	11,232,077	11,501,647	11,777,686	12,060,351	12,349,799
Debt Service for IF Loan with WES	244,303	244,303	244,303	244,303	0	0	0
Special Payments	524,382	531,000	537,744	544,650	551,721	558,963	566,378
Operating Subsidy Trans to Depts	112,816,173	118,156,927	124,646,586	131,426,867	136,038,762	143,490,691	148,614,062
Allocations & Indirect Costs	9,630,517	9,907,106	10,291,052	10,923,502	11,346,873	12,044,301	12,511,148
Cap Outlay	543,400	130,947	134,090	137,308	140,603	143,978	147,433
Debt Service for Courthouse	0	0	0	0	0	0	0
Library Buildings	0	0	0	0	0	0	0
Equal Pay	0	0	0	0	0	0	0
ERP Replacement	0	0	0	0	0	0	0
Operating Expense	\$ 175,881,388	\$ 190,720,923	\$ 199,831,757	\$ 212,271,313	\$ 220,223,335	\$ 234,099,065	\$ 243,279,641
% Change	4.8%	8.4%	4.8%	6.2%	3.7%	6.3%	3.9%
Ending Fund Balance	\$ 35,420,102	\$ 32,458,596	\$ 24,595,617	\$ 12,337,604	\$ (475,322)	\$ (17,176,818)	\$ (33,945,313)
Contingency Requirement (5%)	8,794,069	9,536,046	9,991,588	10,613,566	11,011,167	11,704,953	12,163,982
Reserve Requirement (10%)	13,300,483	13,601,026	14,159,474	14,669,510	15,199,016	15,859,513	16,550,087
Total Contingencies & Reserves Requirement	\$ 22,094,552	\$ 23,137,072	\$ 24,151,062	\$ 25,283,076	\$ 26,210,183	\$ 27,564,467	\$ 28,714,069
Net operating Rev (Exp)	4,673,109	(5,718,550)	(7,862,979)	(12,258,013)	(12,812,926)	(16,701,496)	(16,768,495)
Growth in revenue year over year	8,442,417	7,204,920	4,209,361	8,044,522	7,397,108	9,987,160	9,113,577
Growth in expense Year over year	8,051,518	14,839,535	9,110,834	12,439,556	7,952,022	13,875,729	9,180,576
Fund Balance NET of Reserve Requirements	\$ 13,325,550	\$ 9,321,524	\$ 444,555	\$ (12,945,472)	\$ (26,685,505)	\$ (44,741,284)	\$ (62,659,381)

*FY 20-21 revenue is projected to grow only 1.8% due to a) \$2m in FY 19-20 was one-time revenue from the Employer Contribution Reserve Fund, b) projecting stable property taxes collection of 4.5% c) noting flattening or declining other revenues such as recording fees.

ATTACHMENT D

Clackamas County Adopting a New Budget Model

This document describes how the county will engage in adopting a new budget model. Currently the county uses Line-item Budgeting and the goal is to use Outcomes Budgeting after some period of transition. During the transition we propose incorporating some concepts of Zero-based Budgeting to enhance understanding and foster cost containment. Budgeting models are described at the end of this document.

I. A phased approach to updating the budget model

Updating the budget model is challenging at the county because the current model has been in use for a very long time. Further, the tools, process, system and practices also need to be updated. In other words, there is a lot of catching up to do in order to support a change in the budget model. The following are items to address (with an area identified to take the lead and/or facilitate a collaborative process):

- **Budget Office**
 - Identify and implement new budgeting software
 - Construct standards and tools for dynamic forecasting
 - Examine and refine cost allocation model
 - Fully understand the expectations and costs of mandated services
 - Analyze spending in order to better understand variances, burn rates, etc.
 - Improve displays of budget and actual data for use in monitoring and decision-making (new budgeting software will help)

- **Finance Department**
 - Revamp chart of accounts
 - Create and review business policies
 - Modernize practices to be more timely and predictable with fiscal data
 - Determine future of the ERP (partnership with HR)
 - Identify areas for full cost recovery

- **County Administration**
 - All departments on MFR by the end of December 2019
 - Solidify county priorities

Tentative Timeframe to reach Outcomes Budgeting

**Plans are more concrete and known in early years and become estimates as time goes by*

<u>Year 1</u> July '19 to June '20 Planning for FY21 budget	<u>Year 2</u> July '20 to June '21 Planning for FY22 budget	<u>Year 3</u> July '21 to June '22 Planning for FY23 budget	<u>Year 4+</u>
Commissioners solidify priorities which informs budget planning	Budget requests are heavily influence by priorities; desired outcomes are identified		
Continue to use BRASS for budget development, identify and install new software	Use new software to build the FY22 budget; results in improved monitoring and reporting	Continue to use new software	
Utilize some zero-based budgeting concepts to develop FY21 budget	Engage in some form of Zero-based budgeting	Transitioning to Outcomes Budgeting	Outcomes Budgeting
Convene task force* to guide and inform change, hire consultant to facilitate change	Task force and consultant continues their work based on how the project evolves		
No change to current cost allocation model (but may modify how it's applied) Hire consultant to redesign it	Implement new cost allocation model		
Depts have completed or revised MFR plans	Departments involved in designing results and outcomes		
Construct standards and update forecast	Use new software to forecast, update forecast quarterly		
Inventory mandated services			
Analyze spending and variances			
Revamp chart of accounts		New/re-implement ERP?	
Create and update business policies			
Identify areas for full cost recovery			
Goal = close the budget gap with sustainable solutions; better understand services and costs	Goal = align budget with mandated services & priorities; free up resources to invest in priorities	Goal = further align budget to achieve outcomes	Goal = use Outcomes Budgeting

*Possible Task Force projects:

- Fully understand expectations and costs of mandated services
- Identify Zero-Based Budgeting concepts to use in developing FY21 budget
- Review business policies
- Guide revamped budget process
- Suggest modernizing practices to be more timely and predictable with fiscal data (ex: monthly close, payroll dates)
- Identify areas for full cost recovery
- Identify areas for cost reduction (ex: duplication of efforts)

II. Descriptions of Budgeting Models

Line-item Budgeting - Clackamas County's current model

Expenditure requests are based on historical data (e.g. incrementalism). Budgeting is done by organizational unit and account codes that are consistent with lines of authority and responsibility. Budgets grow based on prior year allocation and/or specific requests for new funds. Budgets contract based on across-the-board reductions and/or selective cuts.

Zero-based Budgeting (ZBB) – Cost containment strategy used to transition to Outcomes Budgeting

Zero-based budgeting is a cost containment strategy where past patterns of spending are no longer taken as a given. Rather than incremental change from the prior year, ZBB requires that the entire organization's budget re-examined and built from the ground up. ZBB differentiates the value of one service versus another so that reductions are determined on a rational basis, rather than engaging in across-the-board cuts. This model results in savings that can be sustained over time as costs are linked to the underlying work. However, annual assessment of work can also show the need for additional resources. Savings can be used to ameliorate deficits or reinvest in other areas of the organization.

Outcome Budgeting – ultimate goal for a new budget model at the county

Outcome budgeting links the allocation of resources to particular outcomes. It requires that the organization has clear goals and priorities from which outcomes can be assessed. Resources are then provided to programs and activities that achieve the outcomes most efficiently and effectively. Often goals span departments and programs and so these units must collaborate in order to achieve desired outcomes. For example, if reducing homelessness is a priority then programs in H3S, Public Safety, and BCS (among others) must work together to achieve the County's desired outcome.



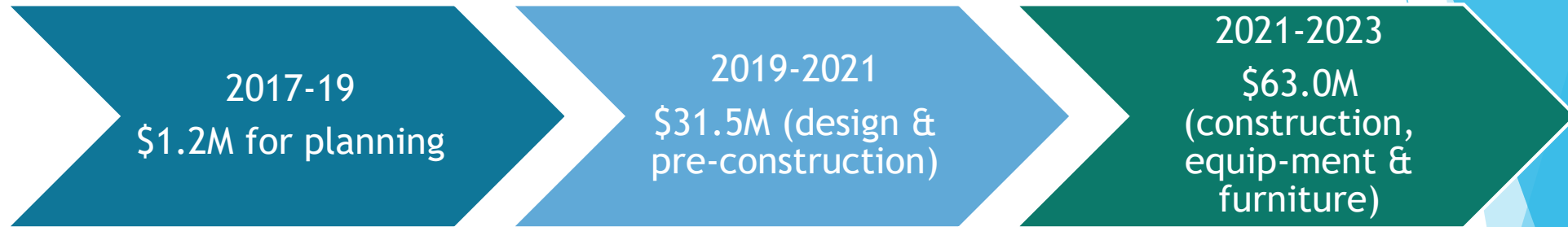
Courthouse design concept

Courthouse Financing Options

October 2, 2019

COURTHOUSE PROJECT...

State Funding Request Timeline



State and County Financing

New Courthouse Planning, Design & Construct Cost = \$191.4 million (current estimate)
State and Clackamas County to split equally @ \$95.7 million each

County 100% responsible for additional project costs associated with new District Attorney Offices (\$27 million), Red Soils Campus Loop Road (\$3 million), and non-courthouse specific campus parking (\$2 million) for a total County share of \$127 million (57%) of the total project cost of \$222 million.

* Debt estimates were prepared with assumptions of County share of \$135M.



WEIGHING THE OPTIONS...

Option 1:

Traditional Bond Financing \$135M paid by General Fund

- ▶ Estimated avg. annual debt service \$10.5M per year
- ▶ Approx. 8.9% of current General Fund Support
- ▶ Estimated interest cost \$130M
- ▶ Repaid over 20 years
- ▶ Require Voter Approval? No

WEIGHING THE OPTIONS...

Option 2:

30YR Deferred Interest Bonds \$135M Paid By the General Fund

- ▶ No cost to General Fund during the next 4-5 years
- ▶ Estimated avg. annual debt service of \$10.5M per year
- ▶ Approx. 8.9% of current General Fund Support
- ▶ Estimated interest cost of \$173M
- ▶ Repaid over 30 years
- ▶ Require Voter Approval? No

WEIGHING THE OPTIONS...

Option 3:

20YR Deferred Interest Bonds \$135M Paid By General Fund

- ▶ No cost to General Fund during the next 4-5 years
- ▶ Estimated avg. annual debt service of \$11.5M per year
- ▶ Approx. 9.7% of General Fund Support
- ▶ Estimated interest cost \$101M
- ▶ Repaid over 20 years
- ▶ Require Voter Approval? No

WEIGHING THE OPTIONS...

Option 4:

General Obligation Bond Financing \$135M Raised By Property Taxes

- ▶ Estimate 11 cents per \$1,000 of Assessed Value
- ▶ \$32 per year for average assessed value (approx. \$300,000)
- ▶ Estimated interest cost \$91M
- ▶ Repaid over 20 years
- ▶ No impact on the General Fund
- ▶ Require Voter Approval? Yes

WEIGHING THE OPTIONS...

Option 5:

General Obligation Bond
Financing \$95M Raised by
Property Taxes & up to \$40M
Traditional Financing Paid by
General Fund

- ▶ Estimate 7 cents per \$1,000 of Assessed Value
- ▶ \$20 per year for average assessed value (approx. \$300,000)
- ▶ Estimated interest cost \$70M & \$28M
- ▶ Repaid over 20 years
- ▶ Estimate avg. annual debt service of \$3.4M per year
- ▶ Approx. 2.2% of General Fund Support
- ▶ Require Voter Approval? Yes

DEBT DETAILS...

- ▶ Brooks, Evidence, & Jail Remodel (Series 2009); issued 12/1/09
 - ▶ Matures 6/1/29
 - ▶ Current balance \$21M, avg. annual payment \$2.6M
 - ▶ Interest rate 3.71%
 - ▶ *Eligible to refinance*
- ▶ PSB, Juvenile, & EOC (Series 2012 Refunding); issued 9/6/12
 - ▶ Matures 1/1/33
 - ▶ Current balance \$15M, avg. annual payment \$1M
 - ▶ Interest rate 2.83%
 - ▶ *Eligible to refinance*
- ▶ Light Rail (Placement 2012); issued 9/13/12
 - ▶ Matures 7/1/27, with Balloon payment of \$7.2M
 - ▶ Current balance \$15M, avg. annual payment \$1.7M
 - ▶ Interest rate 2.76%
 - ▶ *Eligible to refinance*, but not without a prepayment penalty
- ▶ C800 (Series 2016 GO Bonds); issued 9/29/16
 - ▶ Matures 6/1/31
 - ▶ Current balance \$55M, avg. annual payment \$4.6M
 - ▶ Interest rate 2.22%
 - ▶ *Not eligible to refinance* - paid through property taxes
- ▶ DSB, CUP & Campus Improvements (Series 2018 Refunding); issued 2/16/18
 - ▶ Matures 6/1/27
 - ▶ Current balance \$23M, avg. annual payment \$2.9M
 - ▶ Interest rate 2%
 - ▶ *Not eligible to refinance* - was done in 2018

Disclaimer

- ▶ All numbers presented are estimates developed based on the Oct 2019 budget forecast and June 2019 bond market conditions. Interest rates and the current economic outlook are in flux. These numbers will change over time.

ATTACHMENT F



COST RECOVERY FOR FINES, FEES, AND REVENUE AGREEMENTS Administrative Rule Adopted by the County Administrator ARB-FIN-X.XX

1. PURPOSE

The purpose of this policy is to set forth long-term financially sustainable practices for cost recovery of Fines, Fees, Revenue Agreements, or other sources of revenue for the County.

2. SCOPE

This policy applies to all County departments and Service Districts that have established Fines, Fees, or enter into Revenue Agreements such as contracts, intergovernmental agreements, grants, leases, or other similar arrangements that generate revenues.

3. AUTHORITY

This policy is established by the administrative rule-making of the County Administrator.

4. REFERENCES

This policy conforms to the guidance found in the following source publications: (example)

- TBD

5. DEFINITIONS

- Cost recovery – Refers to the requirement for the organization to ensure that regular resources are not used to subsidize the program.
- CPI – Consumer Price Index West Region Size A.
- Direct costs – Costs that are directly attributed to the delivery of a program or service.
- GFOA – Government Finance Officers Association of the United States and Canada.
- Indirect costs – Costs (such as administration and overhead) that are indirectly linked to the delivery of a program or service and should be recovered through the cost recovery rate.
- Methodology – a rate based on a system-wide cost per unit, where the cost associated with meeting future growth needs are divided by the projected growth in a plan area.
- Program – the entire suite of services, including all permits, outreach, public information, which a particular workgroup provides.
- Public good – a service, or program, provided for the benefit and/or well-being of the public despite the inability to recover costs for the service provision or program.
- Overhead – Overhead includes costs such as payroll processing, accounting services, computer usage, and other central administrative services.
- Service – a service such as plan review, inspections, recycling education or animal control officer response.

6. POLICY STATEMENT

It is the general policy of Clackamas County to fully recover costs to the extent legally possible for all services or programs provided whether from fees, fines, revenue agreements, or other revenue generating arrangements for which fees may be charged.

Cost Recovery for Fines, Fees, and Revenue Agreements

Page 1 of 3

ARB-FIN-X.XX

New revenues:

When proposing new programs, services, or fees - departments are required to inform the Board of all proposed services, their full costs (both direct and indirect), anticipated revenues, and the reasons for any difference between full cost and anticipated revenues. This can be accomplished at a Policy Session or through a Budget presentation. Departments are expected to have vetted the financial aspects of their proposal with the Budget Office prior to making a presentation to the Board. Citizen engagement and feedback is strongly encouraged.

Rate Development:

Cost recovery development should reflect the true and full cost of providing the program or service, with a goal of recovering no less than 70% of the cost. This includes both direct and indirect costs, including overhead and charges for the use of capital facilities.

Commented [CJ1]: A base is needed. The task force will discuss what the percentage should be.

In addition, the associated costs of collection for this revenue stream must also be taken into consideration. GFOA best practices recommends using tools such as Activity Based Costing for calculating service costs; however, departments may use other models to calculate service costs.

Commented [CJ2]: The task force is working on recommending one to three methods so that this is not left up to interpretation which could produce varied results.

Certain rates, including monthly utility charges, are established with the goal of achieving full cost recovery in the present while also considering future full cost recovery requirements with the goal of keeping annual rate adjustments to a minimum. Also, bond covenants require the collection of revenues beyond operating and debt service costs. These factors may result in going beyond full cost recovery.

Periodic Reviews and Changes:

The County sets rates annually as part of the budget process. Departments are required to review rates no less frequently than biannually for the impact of inflation, cost increases, adequacy of cost recovery, use of services, and the competitiveness of the current rates (where applicable).

For basic services, like alarm permits, benchmarking individual fees and charges with neighboring jurisdictions is also a helpful tool in setting and evaluating rates. However, for technical reviews such as land use planning, differences between processes may skew the results of benchmarking.

Updating rates on a schedule helps smooth charges and fees rather than having uneven impacts with sharp increases. Periodic review of demand is recommended to ensure that all services are being captured by the cost recovery model. If no significant changes are noted in the evaluation, then rates should at least be increased by CPI.

Charging Less than Full Cost Recovery:

Only the Board has the authority to grant an exception for charging less than full cost recovery. There are only specific instances in which the Board will allow this.

- 1) The program or service is for the public good (example would be parks programming for summer camp).
- 2) If the Board determines that is in the best interest of the County not to fully recover costs, direction will be provided to clarify the cost recovery level expected from the subsidized service/program.

Methodology Exemption:

Some assessments are developed using thorough methodologies intended to derive a direct impact for infrastructure use (such as impact fees, system development charges). Because these rates are directly tied to the portion of the facility that new development might use, each project could result in a different recovery rate, based on the portion of the project that will be used by NEW development. These final calculations and reports are adopted by the Board and go through a thorough public process. Once approved by the board through this adoption process, these fees will be exempt from this policy; but must incorporate an annual adjustment and be reviewed periodically to ensure project costs are keeping up with the cost to construct the facilities.

Fees Outside of the County’s Control:

Where fees/fines are established by the State of Oregon, another governing body that the County is subject to, or has entered into a legally enforceable agreement that cannot be renegotiated – the County cannot recover full costs as the County has no control over the setting of these rates. These circumstances do not require a Board exception; however, they do require disclosure during the budget presentations and in the budget materials.

Departments are strongly encouraged to work with the Department of Public and Government Affairs as well as professional associations to employ Oregon legislative action as necessary to ensure appropriate cost recovery.

7. KEY RESTRICTIONS

Exceptions to this policy require specific Board approval for the non-reimbursed or non-recovered costs. See paragraph on Charging Less than Full Cost Recovery and Fees Outside of the County’s Control.

8. EXHIBITS & APPENDIX

NA

9. QUESTIONS & RESOURCES

For questions related to this policy, please contact the Department of Finance – Budget Office.

10. HISTORY

Adopted by the County Administrator: XX/XX/20XX

Effective: XX/XX/20XX

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Cost Recovery for Fines, Fees, and Revenue Agreements

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