

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: December 3, 2024 **Approx. Start Time:** 11:30am **Approx. Length:** 30 minutes

Presentation Title: County Cost Recovery Policy & Budget Development Framework Policy

Department: Finance

Presenters: Elizabeth Comfort

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Staff request Board approval of a revised Cost Recovery Policy and a new Budget Development Principles Policy.

EXECUTIVE SUMMARY:

Cost Recovery:

In 2020, the Board adopted a Cost Recovery Policy to capture costs of providing services. The purpose of this policy is to establish financially sustainable long-term practices for cost recovery and preservation of the County's discretionary funds. Commissioners reviewed the current policy at a July 31, 2024 Policy Session and recommended revisions. The revisions primarily focus on changes to the process to set rate increases (see the yellow highlighted section of Attachment #1).

Budget Development Principles:

This policy (Attachment #2) was requested by the Board and also discussed on July 31, 2024. This policy establishes principles for development of a balanced, structurally sound and sustainable County annual budget. At the Board's request, the General Policy section was revised to include a forecast time period of 5 years and a condensed principal statement for budget development.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? N/A

What is the funding source? N/A

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department's Strategic Business Plan goals? To have services support themselves and unburden unrestricted general fund dollars.
- How does this item align with the County's Performance Clackamas goals? Accountable Government.

LEGAL/POLICY REQUIREMENTS: N/A

PUBLIC/GOVERNMENTAL PARTICIPATION: N/A

OPTIONS:

Cost Recovery:

1. Approve the revised Cost Recovery Policy.
2. Direct staff to further revise the Cost Recovery Policy.
3. Take no action at this time.

Budget Development Principles:

1. Approve the new Budget Development Principles.
2. Direct staff to revise the Budget Development Principles.
3. Reject the Budget Development Principles and take no action at this time.

RECOMMENDATION:

Cost Recovery:

Staff recommends Option #1: Approve the revised Cost Recovery Policy.

Budget Development Framework:

Staff recommends Option #1: Approve the new Budget Development Principles.

ATTACHMENTS:

Attachment #1: Cost Recovery Policy

Attachment #2: Budget Development Framework

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval EC_____

County Administrator Approval _____

For information on this issue or copies of attachments, please contact <u>Elizabeth Comfort</u> @ 503-936-5345
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<input checked="" type="checkbox"/> Administrative Policy
<input type="checkbox"/> Operational Policy

Clackamas County Policy

Name of Policy	Cost Recovery for Fines, Fees, and Revenue Agreements	Policy #	FIN- 1.100
Policy Owner Name	Elizabeth Comfort	Effective Date	June 1, 2020
Policy Owner Position	Finance Director	Approved Date	April 28, 2020
		Amended Date	December, 2024
Approved By	Board of County Commissioners	Next Review Date	December, 2025

I. PURPOSE AND SCOPE

The purpose of this policy is to set forth long-term financially sustainable practices for cost recovery and preservation of the County’s discretionary funds.

This policy applies to all County departments, Districts, and Elected Officials.

II. AUTHORITY

ORS 203.035 authorizes the Board of County Commissioners to promulgate policies for the management and operation of Clackamas County Government.

III. GENERAL POLICY

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

IV. DEFINITIONS

- a. Cost recovery – Refers to the requirement for the organization to ensure that regular resources are not used to subsidize programs.
- b. CPI – Consumer Price Index West Region Size A.
- c. Direct costs – Costs that are directly attributed to the delivery of a program or service.
- d. GFOA – Government Finance Officers Association of the United States and Canada.
- e. 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 cost recovery.
- f. 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.
- g. Program – a suite of services provided by county staff or contractors.
- h. 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.
- i. Overhead – Overhead includes costs such as payroll processing, accounting services, computer usage, rent (of county owned properties) that is not directly attributable to a service or program.

V. POLICY GUIDELINES

a. Rate Increases

The Board of County Commissioners sets rates annually by resolution. Unless otherwise approved by the Board for specific programs or services, fees and fines will automatically increase up to 3% consistent with the current amount of the Consumer Price Index for the Western United States (CPI). If the CPI increases more than 3%, the Board of County Commissioners shall decide whether to increase fees/fines accordingly.

1. Requests to Increase Fees/Fines above the Board authorized Percentage

Only the Board has the authority to grant an exception to increase fees/fines more than the Board's authorized increase. Instances in which the Board will consider exceptions are as follows:

a.) Fees Outside of the County's Control: Instances where the County has no control over rate setting, such as fees/fines established by the State of Oregon or the County has entered into a legally enforceable agreement that cannot be renegotiated.

b.) Inability to increase fees will result in significant reduction or the elimination of services.

2. Requests to Increase Fees/Fines below the Board authorized Percentage

Department may request to keep their fees/fines flat or less than the Board authorized percentage for programs or services that are provided for the Public Good.

b. New Programs/Services:

When proposing new programs or services, departments are required to seek approval from the Board of all proposed services, their full costs (both direct and indirect), proposed rate structure and corresponding anticipated revenues, including fees. The analysis must include a comparison of rates for similar services charged by neighboring jurisdictions and consideration of alternate service delivery options.

c. Rate Development:

Cost recovery development should reflect the true and full cost of providing the program or service, with the intent to achieve full cost recovery. This includes both direct and indirect costs, including materials, labor, cost of fee collection, charges for the use of capital facilities and/or equipment, program and department administration and overhead.

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 may require the collection of revenues beyond operating and debt service costs. These factors may result in going beyond full cost recovery.

d. Periodic Reviews and Changes:

Departments are required to review rates no less frequently than biannually (unless otherwise specified in approved model/plan) for the impact of inflation, cost increases, adequacy of cost recovery, service demand and competition (as applicable). The analysis must include a comparison of rates for similar services charged by neighboring jurisdictions and consideration of alternate service delivery options.

VI. PROCESS AND PROCEDURES

a. Requests to change fees approved by the Board:

Requests to increase fees above the Board approved percentage shall be submitted to the Board for approval. Requests must include legal mandates, if applicable, three-year funding history including rate history, regional fees, and CPI.

Requests to keep fees flat or less than the Board approved percentage shall be submitted to the Board of Commissioners for approval.

b. Requests for approval for fees/fines for new programs or services

Requests to establish fee/fines for new programs or services must be submitted to the Board for approval. Requests must include legal mandates, if applicable, three year funding history (if available) and regional fees. The Board may approve such requests outside of the annual rate resolution.

VII. ACCESS TO POLICY

PowerDMS

VIII. ADDENDA

Clackamas County Code, Appendix A: Fees Clackamas County Code, Appendix B: Fines
<https://dochub.clackamas.us/documents/drupal/bb8f8bb1-d3b8-4ad4-a964-a0f538008c85>

This policy conforms to the guidance found in the following source publication: GFOA Best Practice on Establishing Government Charges and Fees
<https://www.gfoa.org/materials/establishinggovernment-charges-and-fees>

Actions on this Policy:

Original Policy effective date:	June, 2020
Amended Policy effective dates:	December, 2024



<input checked="" type="checkbox"/> Administrative Policy
<input type="checkbox"/> Operational Policy

Clackamas County Policy

Name of Policy	County Budget Development Principles	Policy #	FIN-
Policy Owner Name	Elizabeth Comfort	Effective Date	January 1, 2025
Policy Owner Position	Finance Director	Approved Date	Dec 4, 2024
Approved By	Board of County Commissioners	Next Review Date	Dec 1, 2027

I. PURPOSE AND SCOPE

To establish the principles for development of the County’s annual budget.

II. AUTHORITY

ORS 203.035 authorizes the Board of County Commissioners to promulgate policies for the management and operation of Clackamas County Government.

III. GENERAL POLICY

The County will adopt an annual budget that is balanced, structurally sound and sustainable. The Finance Department will maintain a General Fund 5-Year Forecast which will provide a long term budget assessment based on annual projections of revenues and expenses.

IV. DEFINITIONS

Balanced means that planned revenues match or exceed expenses each budget year.

Structurally Sound means ongoing programs are funded with ongoing revenues and restricts the allocation of one-time revenues to one-time expenditures.

Sustainable means a budget that manages finances for short and long-term financial health.

V. ACCESS TO POLICY

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VI. ADDENDA (N/A)

<p>Actions on this Policy: Original Policy effective date: Amended Policy effective dates:</p>
