

## Summary/Notes for 10-2-19

### 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

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

**Staff:** Administrator Gary Schmidt, Finance Director Christa Wolfe, Budget Manager Jennifer Chambers and Kevin Moss, County Administration

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

Chair Bernard opened the meeting and announced that the Commissioners had appointed a new Budget Committee Member Anh Le. Ms. Le is unable to attend today's meeting but the Commissioners are excited to have her on the committee. He turned it over to Administrator Schmidt to discuss the schedule. Administrator Schmidt said they would like to change the budget schedule so that the committee can meet more frequently to discuss the budget and ways to improve it.

Administrator Schmidt asked for introductions by staff and budget committee members. After introductions the Administrator discussed the formation of a budget task force and ask them to stand to be recognized as well as introduced the Courthouse Leadership team with includes Chair Bernard, Vice Chair Fischer, District Attorney Foote, Sheriff Roberts and Oregon City Mayor Holladay.

2. Administrator's Report (Gary Schmidt)
  - a. Current Fiscal Year Status

Administrator Schmidt introduced Jennifer Chambers, Budget Manager to give a report on the current year's fiscal status. Jennifer distributed the 1<sup>st</sup> quarter budget numbers and went through the highlights. Chair Bernard asked if a balance sheet could also be provided at future meetings.

- b. Updated General Fund Forecast

Christa Bosserman-Wolfe discussed the General Fund Forecast.

Commissioner Savas stated that we are still in the red with future year deficits. He asked for clarification on the FY21-22 projection. Christa Bosserman-Wolfe gave clarifications that spending reductions would positively affect the projections of the future fiscal years.

Commissioner Savas asked what would be a sustainable level of savings to change the deficit projections. Christa Bosserman-Wolfe said a reduction of \$15 million in FY20/21 would be needed to correct the out years in the forecast

Commissioner Fischer asked if we can we find ways to backfill from other funds to help provide savings in the general fund? Administrator Schmidt gave clarifications that Commissioners control the budget and can reallocate funds from departments. He gave an example of lottery dollars are required by law to be spent on economic development but the definition of economic development is very broad.

Member Tom Feely asked if the County has looked at different ways to do the forecast such as automation. Jennifer Chambers said that we have and we need to automate our projections for forecasting. The Finance department is currently evaluating three different software vendors. Jennifer Chambers said once a vendor is selected a recommendation will be made to Gary and then it will come before the Board for approval.

Chair Bernard asked how much is the software. Jennifer Chambers said the software would cost perhaps hundreds of thousands of dollars.

Commissioner Humberston said that staff needs to have the tools to do the job.

Commissioner Savas said that we need to be realistic and that maybe we need a spreadsheet to see what different options/scenarios can influence the forecasted budget. He said the county needs to be on a sustainable path.

Commissioner Savas asked for clarification that is appeared that the forecast did not include any equal pay law impacts. Christa Bosserman-Wolfe said the Commissioner was correct and it also doesn't include potential courthouse debt, costs for building the new libraries, or the ERP replacement.

Chair Bernard said we should look at breaking down silos between departments and avoid duplication of effort. He cautioned that we need to address the challenges we are facing now with the budget. The Chair also reminded the Committee that we passed a balanced budget, as required by law, for FY19/20.

Commissioner Fischer recalled that the former Budget Manager had demonstrated that there was a positive impact on forecast due to highly paid employees retiring and the county refilling positions at entry level pay. Christa Bosserman-Wolfe said she was aware that the former Budget Manager had made these representations, but hadn't seen evidence of this. She stated that she would ask her staff to search for the presentation materials that Commissioner Fischer recalled.

Commissioner Fischer asked about the new PERS legislation and its impact to the forecast. Christa Bosserman-Wolfe said her staff did not factor that into the forecast due to the current lawsuits in the courts, therefore, the forecast is conservative.

Commissioner Schrader said we need to reset the base and be in the black going forward. She said we need to look to see if managing for results will provide any savings and we should be careful in backfilling programs with general fund support.

Commissioner Humberston said we need to take it serious and we need to look at zero-based budgeting.

Member Jan Lee asked a question relating to the timber lawsuit involving AOC and what would be the impact on the county? Commissioner Humberston said it could be as much as \$20 million dollars and would be a net benefit to county, but it can also be zero dollars.

Commissioner Fischer asked if the current vacancies at the County were included in the forecast as potential savings. Christa Bosserman-Wolfe said that no vacancy rates were applied to the forecast.

Commissioner Savas said that our Finance department is understaffed and there is a cost to saying yes to every program. Christa Bosserman-Wolfe said software would be helpful to address some of the issues that are burdening her staff. Commissioner Savas asked if we have improved our communications between departments. Christa Bosserman-Wolfe said departments, for the most part are working together to try and fulfill requests in a timely manner.

Chair Bernard said that we have done well getting the books closed on time and not receiving any findings from the auditors. We need more staffing for our Finance department. Chair Bernard asked about the equal pay law. Administrator Schmidt gave clarifications that our Human Resources department is working on the equal pay issue.

Commissioner Savas said we need the audit report and we need share it. He mentioned a possible policy session with the auditors. He said we need to look at reformatting the audit committee to include more citizen members. Commissioner Humberston asked if the purpose of the auditors is to tell the county if we spent the money right or did we not. Christa Bosserman-Wolfe said that was correct. Commissioner Savas recommended that Commissioner Humberston should meet with the auditors.

Jennifer Chambers said the budget has not changed since it was adopted and she has announced to staff timelines for any supplemental budget adjustments.

### c. Changes to the County's Budget Model

Jennifer Chambers discussed the changes to the budget model that the County has to make in order to achieve Outcomes Based Budgeting.

Member Tom Feely suggested that the Commissioners look at having strong financial policies adopted by the Board.

Commissioner Savas asked for an update on MFR. Administrator Schmidt gave an update that 19 of the 22 departments have or are working on their MFR plans. The last two elected officials departments that are working on this are the Sheriff's office and the District Attorney's office.

Chair Bernard invited District Attorney Foote to discuss his department. DA Foote said they are on track to meet in November with the consultants. He said it has been difficult for his staff to be pulled away from their official duties. He shared concerns about what is the purpose of MFR. Chair Bernard said the Commissioners goal is to inform departments about what works best.

Chair Bernard invited Sheriff Roberts to the table for discussions on the MFR for his department. Sheriff Roberts said we have been working on it and should have it completed by the December 21, 2019 deadline Chair Bernard would like to have the Sheriff share more about what his office does at a future policy session.

Commissioner Savas said we need to be careful about mixing operations with programs.

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

Christa Bosserman-Wolfe discussed options for the courthouse and reminded the Committee that these are all estimates based on market conditions from June.

Commissioner Humberston asked about pre-payment penalty for refinancing of the light rail debt. Christa Bosserman-Wolfe said she did not have the number at hand, but that she has our financial advisors looking at the cost to refinance with that prepayment penalty, since interest rates are very good right now.

Administrator Schmidt said we need a new county courthouse and gave clarifications regarding the options presented by staff.

Chair Bernard asked a question on deferred interest bonds. Christa Bosserman-Wolfe gave clarifications. Chair Bernard said we could go out to the voters for a lower amount and help educate them on the need for the courthouse.

Member Shaun Coldwell asked if there were other options for the size of the courthouse and if the Commissioners thought of bundling different projects. Administrator Schmidt said we have a tentative courthouse design and we have been working on this for 6 years but has been in the master plan for the last 10 years. He said the project has accelerated due to the fact that the State is offering to pay for half of the courthouse.

Member Tom Feely discussed the benefits of bundling projects and he would like to see some of the polling that was done with the public.

Member Wilda Parks asked if finance has looked at refinancing some of the other debt as a way to bring down the costs to afford the courthouse. Member Wilda Parks said it is hard to educate some of the public because most people have not had to use the courthouse.

Commissioner Savas discussed past and present of asking the voters on issues. We can get this done by sharing ideas and strategies.

Commissioner Humberston said we should look at public private partnership and what impact it would have on the general fund. Christa Bosserman-Wolfe said we have looked into it some and because our credit rating is really good and we should probably keep it in house. Administrator Schmidt offered some clarifications that the costs would roughly be the same the only thing that may change is who we pay and the timing of the payments.

Christa Bosserman-Wolfe discussed ongoing maintenance costs of the new courthouse.

Commissioner Schrader suggested bundling the courthouse with a new jail.

Commissioner Fischer asked if there is a way to look at bridging until some of our debt is retired from other projects. Chair Bernard said that some of the urban renewal district money may be already committed to other projects. PS has anyone looked at staffing and its impacts on a new jail?

Chair Bernard discussed that we should have perhaps another meeting to discuss these items more in-depth. Administrator Schmidt gave clarifications on bridging models and said these are tough choices that need to be made.

Administrator Schmidt said the Commissioners should make decision before the end of the year. Chair Bernard said this courthouse is important to the county.

Commissioner Humberston said he is supportive of option 4 as presented by staff.

Member Wilda Parks asked if staff is getting what they need from the discussion of the budget committee. Christa Bosserman-Wolfe said her takeaways is to come back with another option of what general fund cost would be if the Commissioners put it to the voters at a rate of .05 cents per 1000 for houses and also look at ways to bridge some of the other debt.

Commissioner Savas felt the Board was leaning toward option 4, pursuing a General Obligation Bond.

Commissioner Humberston said we need to go out to the voters and explain it.

Administrator Schmidt said we need to clarify what a public private partnership will do. He asked If Commissioners were to proceed with the option of a General Obligation Bond and the voters said no then what would be the decision for the County Commissioners.

Member Tom Feely said it would be worth an effort to talk with North Clackamas School District since they recently passed a bond about different strategies.

#### 4. Draft Cost Recovery Policy (Christa Wolfe)

Administrator Schmidt said this will be discussed more at the next meeting and that the committee agreed to have another meeting before the end of the year. Christa Bosserman-Wolfe asked the Committee to review the draft policy and send comments/questions to Jennifer Chambers.

#### 5. Adjourn