

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: July 31, 2024 **Approx. Start Time:** 10 am **Approx. Length:** 30 min.

Presentation Title: Review of County Cost Recovery Policy

Department: Finance

Presenters: Elizabeth Comfort

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Requesting the Board to direct staff to retain, revise or recall the existing County Cost Recovery Policy.

EXECUTIVE SUMMARY:

In 2020 the Board approved a cost recovery policy (see attached) to capture costs of providing services. Briefly, the policy states:

It is the general policy of Clackamas County to fully recover costs to the extent legally possible for all services or programs provided. County services providing private benefits should be paid for by fees and charges as much as possible to maximize flexibility in the use of county general revenue sources to meet the cost for services of broader public benefit.

There have been questions and comments from staff and Board members regarding the application of the policy particularly, when it comes to raising fees, so staff is looking for direction from the Board regarding application of the policy.

An option is for the Board to consider a flat 3% increase each year in fees and fines, using the Consumer Price Index (CPI) for the Western United States Region as a guide. A flat rate increase each year will save the Board from having to review fees/fines for multiple departments each fiscal year and provide certainty to staff who run programs that rely on fees/fines to operate and deliver services to the public.

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:

1. Leave the Policy as written.
2. Direct staff to revise the policy to provide for a standard fee/fine increase of no more than 3% annually and make other language changes needed to be consistent with this revision.
3. Rescind the current policy.

RECOMMENDATION:

1. Staff recommends Option 2: Direct staff to revise the policy to provide for a standard fee/fine increase of no more than 3% annually and make other language changes needed to be consistent with this revision.

ATTACHMENTS: Cost Recovery Policy

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 _____ @ 503-_____



<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
Approved By	Gary Schmidt, County Administrator	Next Review Date	June 1, 2023

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

County Code 2.09.060 authorizes the County Administrator to draft administrative rules and implement operational policies.

III. GENERAL POLICY

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.

The County shall maximize and diversify its revenue base to raise sufficient revenue to support essential county services and to maintain services during periods of declining economic activity. County services providing private benefits should be paid for by fees and charges as much as possible to maximize flexibility in the use of county general revenue sources to meet the cost for services of broader public benefit.

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.

IV. DEFINITIONS

- a. Cost recovery – Refers to the requirement for the organization to ensure that regular resources are not used to subsidize the program.
- 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 the cost recovery rate.
- 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 – the entire suite of services, including all permits, outreach, public information, which a particular workgroup provides.
- 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) and other central administrative services.

- j. Service – a service such as plan review, inspections, recycling education or animal control officer response.

V. POLICY GUIDELINES

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), proposed rate structure and corresponding anticipated revenues. The analysis must include a comparison of rates for similar services charged by neighboring jurisdictions and consideration of alternate service delivery options. If the proposed rate structure results in less than full recovery the rationale for this recommendation needs to be outlined and full cost recovery rate structure needs to be presented in full detail (ie list of all fees and full recovery rates) as an alternate option. 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 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.

The County recommends using GFOA best practice tools such as Full Cost Accounting for Governmental Services (program level analysis) or Activity Based Costing (service level analysis) for calculating service costs and corresponding rates. In some cases, i.e. System Development Charges, rates must be established in accordance with legislative standards. In other cases there are industry standards, historical pretense or service complexities for which it may make sense to contract the rate development out to subject matter expert consultants.

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.

Periodic Reviews and Changes:

Updating rates on a schedule helps smooth charges and fees rather than having uneven impacts with sharp increases. The County sets rates annually by resolution. 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. If no significant changes are noted in the evaluation, then rates should at least be increased by the combined CPI since the last rate adjustment.

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 specific instances in which the Board will allow this.

1. If the Board determines that it 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. Some examples of subsidized programs may include:

- a. A program or service for the public good (examples would be parks, libraries, programming for summer camp).
 - b. A service which provides a general benefit in addition to the private benefit provided to a specific business, property, or individual.
 - c. A program where the impact of imposing or increasing fees on economically at-risk populations or businesses would be detrimental or cost-prohibitive.
 - d. A program or service that supports the overall achievement of County goals.
 - e. A program or service funded primarily by either revenue restricted to such purpose or other new specifically identified revenue which the Board of County Commissioners commits to such purpose.
2. If the Board has entered into contractual agreements to provide programs/services without full cost recovery, or made similar commitments in ballot measures presented to County/special district voters.
 3. A cost recovery model or rate plan previously approved by the governing board with a specified life and/or including a long-term escalation term in process. At which time the model/plan is re-evaluated such plan should conform to this policy.

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.

VI. PROCESS AND PROCEDURES

Departments should consult with the Budget Office, if needed, for assistance with implementation of the policy.

VII. ACCESS TO POLICY

PowerDMS

VIII. ADDENDA

Clackamas County Code, Appendix A: Fees Clackamas County Code, Appendix B: Fines

This policy conforms to the guidance found in the following source publication: GFOA Best Practice on Establishing Government Charges and Fees

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