



FY 2018-2019 Budget Message

The Honorable Board of County Commissioners and Budget Committee Members for Clackamas County, Oregon

Budget Committee

The Budget Committee is comprised of the Board of County Commissioners and five citizen members, assisted by County Administration and Finance staff:

Board Members:

Jim Bernard, Chair
Sonya Fischer
Ken Humberston
Paul Savas
Martha Schrader

Citizen Members:

Jeff Caton
Shaun Coldwell
Tom Feely
Frank Magdlen
Wilda Parks

Staff:

Don Krupp,
County Administrator/
Budget Officer
Laurel Butman, Deputy
County Administrator
Marc Gonzales,
Finance Director
Christa Wolfe, Deputy
Finance Director
Diane Padilla,
Budget Manager
Roxann Fisher,
Budget Coordinator
Jian Zhang,
Budget Coordinator

I am pleased to present the FY 2018-19 Annual Proposed Budget for Clackamas County, Oregon totaling \$845,167,459 projected annual requirements. The full breadth of programs and activities overseen by the Board of County Commissioners brings the total budgetary responsibility to \$1,170,257,700. The other Clackamas County agencies are listed below.

Agency	Proposed Amount	Notes
Development Agency	\$ 61,040,247	Responsible for the County's Urban Renewal program in three areas: Clackamas Town Center, Clackamas Industrial Area; and the North Clackamas Revitalization Area.
Water Environment Services (WES)	\$ 176,440,136	County Service District providing sanitary and surface water services.
North Clackamas Parks & Recreation District	\$ 46,091,052	County Service District for parks and recreation.
Library Service District of Clackamas County	\$ 21,533,051	County Service District for library operations.
Enhanced Law Enforcement District	\$ 7,360,027	County Service District for law enforcement in certain urban unincorporated areas of the county.
Extension and 4-H Service District	\$ 8,742,490	County Service District providing education on issues such as farming, gardening, and food safety, as well as youth programs.
Street Lighting District #5	\$ 3,883,238	County Service District for street lighting services.

Overview

Core Values

Since 2014, County Administration has worked with all departments to develop, affirm with our employees, and enculturate **Our Core Values (SPIRIT)** which are:

Service—*we advance the needs of the community and the individuals we serve; are committed to finding positive solutions for our customers; respond to customers promptly in all matters; are mindful of our duty to provide our best efforts every day.*

Professionalism—*we are the face of Clackamas County; develop and apply our knowledge and skill to continuously improve our performance; conduct the public's business with consistency and excellence.*

Integrity—*we are sincere and trustworthy; acknowledge and learn from our mistakes; demonstrate fairness in interactions with others.*

Respect—*we accept personal differences and value others' perspectives; communicate in a positive and courteous manner; first listen to understand, then seek to be understood.*

Individual Accountability—*we accept and demonstrate personal responsibility; do what we say we are going to do; are prudent with the use of public funds and resources.*

Trust—*we remain approachable and objective; declare our intentions; address issues honestly and directly; right our wrongs in good faith.*

As we move into FY 2018-19, I am encouraged by the strides Clackamas County employees have made to integrate these values into daily routines and how public satisfaction is growing every day.

Strategic Planning

The Board of County Commissioners updated **Performance Clackamas**—the County Strategic Plan—in March 2018, affirming these strategic priorities:

- Build Public Trust Through Good Government
- Grow a Vibrant Economy
- Build Strong Infrastructure
- Ensure Safe, Healthy and Secure Communities
- Honor, Utilize, Promote and Invest in our Natural Resources

Performance Clackamas is based on Managing for Results — a comprehensive and integrated management system focused on achieving results for the customer. Following original adoption of the County Strategic Plan in 2014, all Board-managed County departments and several elected officials' offices have developed department-specific Strategic Business Plans focused on achieving measurable results that enhance customer experience and align with the Board's **Performance Clackamas** Strategic Plan. Departments have also converted to a program-based performance budget approach within my Proposed Budget for FY 2018-19, also available online.

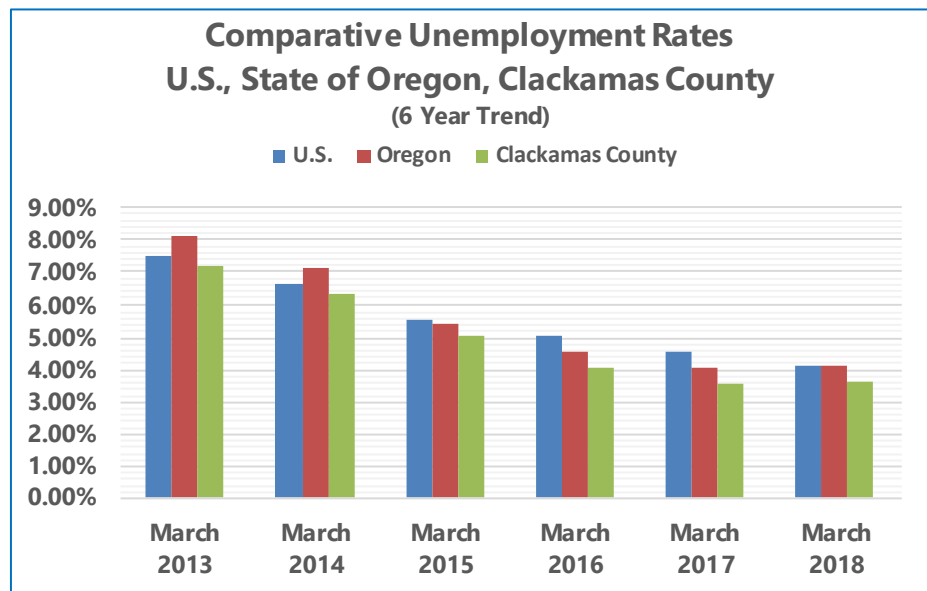
Check out our online public budget site!
www.clackamas.us/budget

Economic Indicators

Employment & Housing

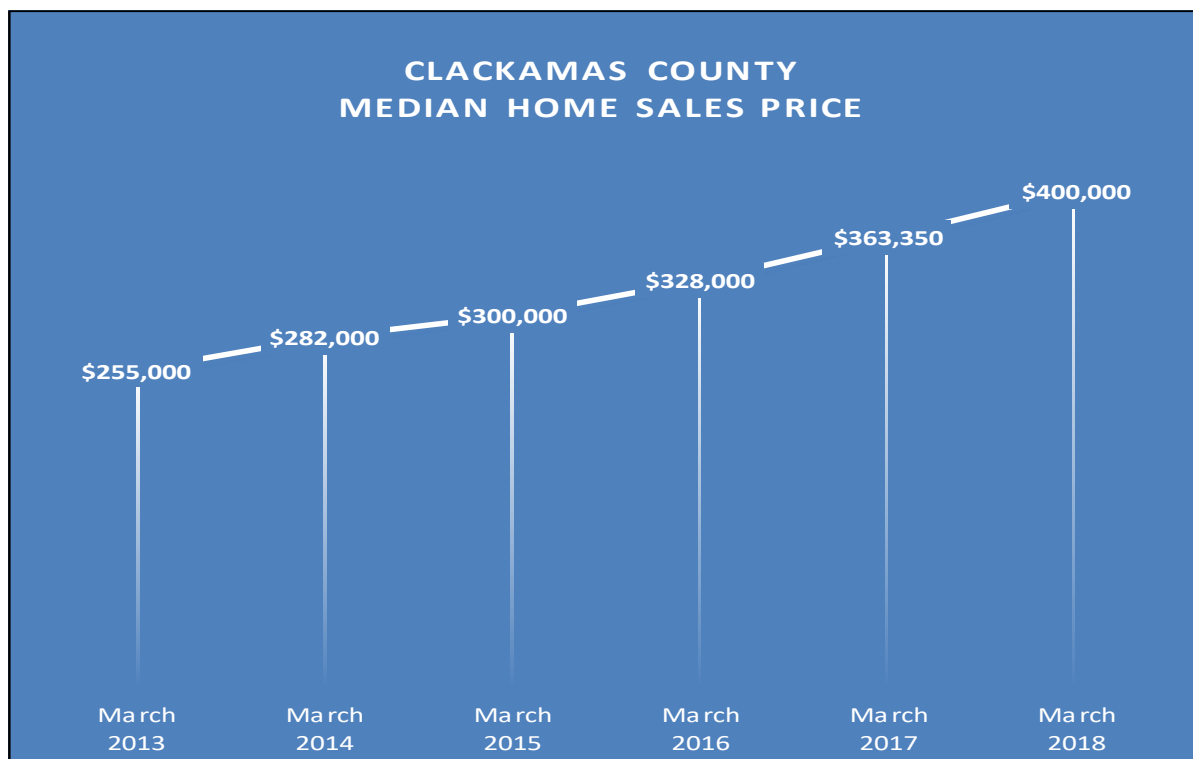
For several years we have used the key indicators of unemployment rate, median home sale price, and property tax growth to track economic trends. Updated indicators this year show positive growth is continuing.

Clackamas County's unemployment rate is remaining lower than the 5.1% rate in pre-recession 2008. In March of 2018, the unemployment rate was at 3.6%.



Source: Oregon Employment Department

The median home sales price in Clackamas County has grown again this year—by 10% over 2017—since a low of \$230,000 in March, 2012. The median **sales price** is now \$400,000 (average sales price is \$458,990) compared to a median **assessed value** of \$240,390.



Source: Clackamas County Assessor's Office

Economic Indicators , *continued*

Housing, continued

Data on homelessness and rental affordability can provide another perspective on how the economy is impacting local residents. We looked at data from Clackamas County's Point in Time Homeless Counts from both 2015 and 2017 to gain a better understanding of picture of poverty in Clackamas County.

Point In Time Homeless Count: 2015-2017	2015	2017	% Change
Unstably Housed (doubled up, etc.)	1504	1295	- 14%
Emergency Shelters/Transitional Housing	208	192	- 8%
Unsheltered	484	746	+ 54%
Children	1026	1384	+ 35%
Unaccompanied Youth	95	290	+ 205%
Total Counted	2196	2233	+ 2%

While the overall count had increased by only 2% (37 individuals), the demographic of homelessness here has changed. The number of individuals living either with others (couch surfing, etc.), in shelters, or in transitional housing declined 15% overall while the number of unsheltered individuals rose 54% and the number of children and youth affected by homelessness rose 33%. There appears to be a notable shift from individuals being unstably housed to being unsheltered. Also, children and youth appear to be more significantly affected by homelessness in 2017 than were so in 2015.

The reason individuals say they are experiencing homelessness has also shifted. While not being able to afford rent and unemployment were the top 2 cited reasons, respectively, in both 2015 and 2017, eviction was the 3rd most commonly cited reason for homelessness in 2017, up from 6th most cited in 2015.

The Oregon Housing and Community Services Agency's Housing and Demographics Profile for Clackamas County reports the following data about renters:

Clackamas County Renter Profile	
Mean Renter Wage	\$15.36
Hourly wage needed to afford 2-bedroom apartment at HUD's Fair Market Rent	\$23.88
# of hours per week at minimum wage needed to afford 2 bedroom apartment	93 hours

Clearly, the average renter in Clackamas County cannot afford the average two bedroom apartment. Furthermore, the Agency reports that only 25%—or one out of every four—of all renters here are paying more than 50% of their income in rent. Renters with extremely low incomes fair even worse, with 70% spending more than 50% of their income on rent.

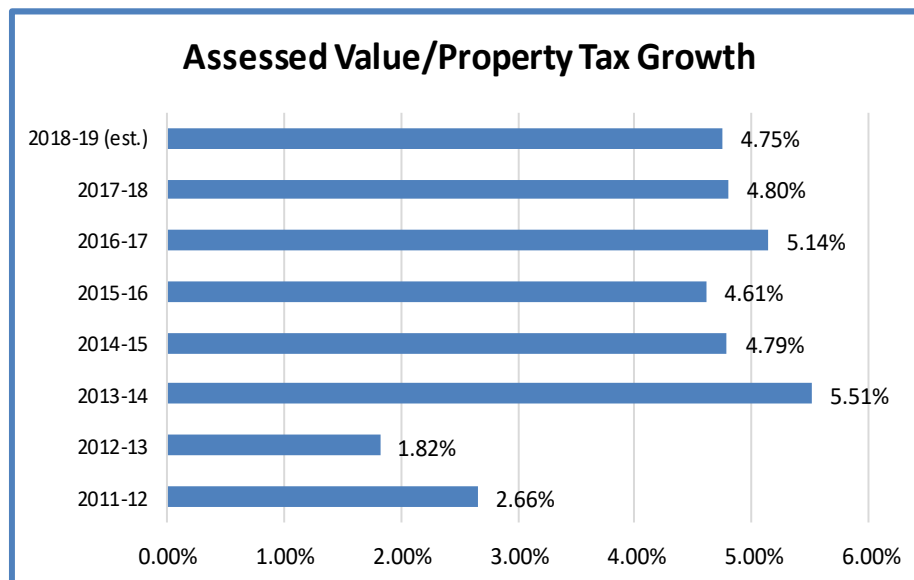
The recommended proportion of income that should be spent on rent tops out at 30%. With rental costs on the rise at a far greater pace than income, the housing affordability gap is increasing. Metro reports that, for Clackamas County renters, this problem is exacerbated by having the lowest availability of rent regulated or protected units in the Metro area, a mere 10%.

Economic Indicators, *continued*

Property Taxes

The County's budget began to see recovery evidenced by a year over year percentage increase in assessed value/property taxes in FY 2013-14. This is important because property tax is by far the single largest revenue source for the County's General Fund and its main source of discretionary revenue. County property tax growth in FY 2017-18 was consistent with our original 4.75% estimate from this time last year, ultimately coming in at 4.80%.

It is estimated that property tax growth for FY 2017-18 and future years will continue at a rate of 4.5% to 5%. Thus, the baseline funding that leveled out for general County government services in FY 2014-15 is expected to enjoy modest, positive increases going forward.



Source: Clackamas County Assessor's Office

Population & Construction

We also track population in the county and construction statistics to show growth over time. The Clackamas County population has increased more than 10% in the past ten years. This increase contributes to increased demand for County services. The construction permit numbers below are preliminary estimates for FY 2017-18 compared with actuals for FY 2006-07. Similar to recent years, permit activity is projected to increase to beyond 2006-07 actuals in the tenant improvements area only.

July 1, 2017 Clackamas County population estimate: 413,000

Single family residential permits: 1,193 (2006-07 permits = 1,424)

"Detached" permits, accessory buildings: 487 (2006-07 permits = 616)

Commercial buildings, additions and remodels: 625 (2006-07 = 990)

Tenant Improvements: 233 (2006-07 = 37)

The number of square feet constructed and the dollar value of that construction overall based on the permitting activity within the county (unincorporated areas and several cities) is an indicator of economic development potential realized. For FY 2017-18, it is projected that unincorporated Clackamas County will experience about 6.2 million square feet of construction valued at \$391 million. The Clackamas County Development Agency which is in charge of urban renewal efforts comprises 10% of all development (620,000 square feet valued at \$39 million).

Continued on page 6....

Economic Indicators, *continued*

Key Revenues

- ↑ Countywide, property tax revenue continues to grow at a steady pace overall with modest fluctuations year to year.

Expenditures

- ↑ Total County personnel services are estimated to increase by \$9.8 million or 3.6%.
- ➔ Allocated costs are flat, at 3.47% of the County's budget overall, an increase on 0.01%.

Budget Development

- Reserves are budgeted at 10% of unrestricted General Fund revenue or \$13.7 million. An additional \$7.2 million of undisbursed General Obligation bond proceeds also sits in the Reserves along with a proposed reserve of \$445,000 for future jail beds which amounts to a total of \$21.3 million.
- Contingency is budgeted at 5% of General Fund expenditures or \$8.9 million.

County Staffing

The budgeted number of FTEs is holding steady with modest fluctuations year to year.

Budget Year:	2015—2016	2016—2017	2017—2018 Est.	2018—2019 Projected
FTEs:	2,013	2,067	2,099	2,129

Overarching Issues

Looking forward, we anticipate continued progress in FY 2018-19 on several important issues and areas of interest facing the County. Among them are:

- Ensuring careful oversight and stewardship of General Fund resources
- Streamlining internal service delivery through technology to respond to increasing service demand
- Maintaining adequate reserves to address increases in PERS rates
- Retirements of eight appointed or elected long tenured department directors between FY 2017-18 and the end of FY 2018-19 and an additional seven high level division directors are creating both challenges in terms of loss of institutional knowledge and opportunities to bring new bright and talented public servants into County leadership.
- The County's main ERP financial system is over twenty years old and a replacement will be needed in the next 18 months; purchase and implementation of a new ERP will be costly both in resources and in staff time. Finance has set aside \$400,000 in a reserve to help with implementation of the new ERP which, overall, is estimated to cost \$8-10 million.

Budget Approach

During budget development departments were provided a Maintenance Level Budget generally calculated by increasing each current base budget to accommodate known personnel cost increases and

Budget Development, *continued*

known baseline increases in internal services costs. For departments receiving General Fund revenue, these cost increases were again shared proportionately by General Fund resources. The goal of ensuring departmental budgets remain at a true maintenance of service level is to ensure continued services while avoiding further reductions that have posed a major and ongoing challenge over the past five years. For the FY 2018-19 budget, we were challenged by shortfalls in some of the smaller departments due to depletion of their beginning fund balances. We have made corrections to ensure continuous service as follows.

For FY 2018-19 Disaster Management will have depleted its fund balance owing to ongoing reductions in the Emergency Management Performance Grant which used to support staff with a 50% match. This shortfall was predicted over the past two years. To reset the maintenance level of the department to address these issues, additional General Fund support of \$250,000/year for two years has been included for Disaster Management with an additional \$25,000 to support the Medical Examiner's Office in FY 2018-19.

To maintain current service levels and also purchase a data management system to replace their current one which is failing, Resolution Services received a one-time increase in General Fund support of \$172,000. The department is adjusting its service delivery model as well as its fee schedule. These actions along with the reduction in staff time the new data system will require is expected to bridge this gap in subsequent years.

The Assessor's Office is taking advantage of an opportunity to request funding in its CAFFA grant to cover a portion of the cost of new Pictometry aerial imaging. The total project budget is \$115,000 per year which will be offset 17% with CAFFA grant funding and a contribution of \$10,000 from the Department of Transportation and Development. Funding for the remaining gap will come from the General Fund.

Public and Government Affairs operates a cable program which generates Franchise Fee revenues for the County. As part of our efforts to implement Performance Clackamas and streamline accounting and budgeting, we moved the PGA cable operations into the General Fund. This change necessitated a one-time adjustment to the cost allocation formula. A resulting one year decrease in rates of \$915,451 is being offset by General Fund dollars in FY 2018-19. The allocation formula will normalize in FY 2019-20 and discontinue the offset. Additionally, \$150,000 in General Fund funding has been set aside for outreach on the courthouse replacement project in FY 2018-19.

Again this year, we did not ask for unsolicited Policy Level Proposals to add staffing or programs because, allowing for the modest Maintenance Level Budget increases and adjustments for unforeseen circumstances, there was very little additional discretionary General Fund funding available to fund Proposals without using Contingencies and Reserves. Other than three Proposals which the Administrator personally solicited in keeping with Board goals, the County Administrator's Proposed Budget remains at the maintenance level. The three Proposals are explained in the Administrator's Budget Recommendations near the end of this Budget Message.

Departments continue to repurpose existing funding to take advantage of new opportunities and meet their own needs as well as service demands. Some of these changes focus on streamlining service delivery through technology and some include new shared services models. These changes will be shared in departmental budget presentations during Budget Committee meetings in late May through early June.

My Proposed Budget Recommendations are listed toward the end of this Budget Message. It is my expectation that the Budget Committee and the Board of County Commissioners will consider those recommendations as input into their deliberation process as they discuss and finalize the Approved Budget.

Elected Officials Compensation

Annually, the Citizen's Compensation Board for Elected Officials evaluates market data from similar labor markets such as Multnomah County, Washington County, Clark County, and City of Portland, to recommend elected official compensation that maintains competitive wages while considering internal alignment. The Compensation Board reviewed market comparables and reaffirmed their philosophy to remain within three percent of the market adjusted average. This year, three positions, Clerk, Commissioner, and Justice of the Peace fall below this market threshold. Recommendations for three additional positions—Assessor, District Attorney, and Treasurer—have been made in response to internal alignment concerns.

This year, the Compensation Board recommended that select elected officials receive the full individual salary increases as specified below. The chart below shows each elected position's relationship to market average and the recommended individual increase, where applicable.

Elected Official	Relationship to Market Average	Recommended Salary Increase Effective July 1, 2018
Assessor*	- 1.8%	3.0%
Clerk	- 4.6%	4.6%
Commissioner	- 6.4%	6.4%
District Attorney*	+0.6%	14.5% ¹ (County portion only)
Justice of the Peace	- 2.8%	2.8%
Sheriff*	+20.5%	0%
Treasurer	- 1.5%	2.0%

*Indicates elected position where there is concern of salary compression with second-in-command.

¹ **District Attorney** — In the case of the District Attorney, the Compensation Board recommends an overall salary increase of 4.0%. The State contributes the majority of the District Attorney's salary, so the 14.5% salary recommendation represents a 4.0% overall increase.

² **Sheriff** — The Compensation Board reiterated that the County will continue to ensure the Sheriff's salary is at least \$1 per month more than the highest paid Undersheriff. This follows the Compensation Board practice and maintains compliance with ORS language.

The total fiscal impact of the Compensation Board's recommended increases in \$53,260.80 which constitutes just over 0.02% of the County's total original FY 2017-18 personal services budget of \$226,542,013.

As of the publication of this budget message, the Compensation Board Recommendations have yet to be reviewed by the full Budget Committee. Any changes to current Elected Official compensation levels will be determined through the budget process.

Activity Highlights

Over the past year the County completed many noteworthy projects and activities; here are just a few.

- The County's **Street Lighting District** worked with PGE to finish Phase 1 of the McLoughlin street lighting project illuminating the east side of McLoughlin Boulevard from Gladstone to Milwaukie; the District has completed the design and bid process for Phase 2 which will illuminate the west side of the same stretch of McLoughlin.
- The **District Attorney's Office** has collaborated with the courts and the local defense bar to establish a new early resolution docket in court to resolve low level, non-person crimes in order to reduce the amount of time these offenders spend in jail and thereby reduce failures to appear in court and forced releases from jail.
- **Public and Government Affairs** showed continued growth in its social media outreach. The County's Facebook page has more than 6,000 followers, surpassing all other county-sponsored pages in Oregon, with. In 2017 on Twitter, the County's tweets were seen more than 2.6 million times. On YouTube, #ClackCo TV enjoyed 104,000 video views last year (for a total of 558,000 minutes). On Nextdoor more than 160,000 messages were seen.
- This year's budget is the first combined budget covering all three service districts that comprise **Water Environment Services (WES)**. This simplified budget reflects the Board's direction and staff implementation to realize efficiencies from this combined structure in which services will be shown on a single website for customer convenience.
- **Transportation Engineering's Safety Program** reports a low fatal count for crashes in 2017 of 28 compared to 44 in 2016; the program has included curve signing, all way stops, and intersection enhancements which will help reduce fatalities.
- The Board of County Commissioners approved expansion of the **County Forest** Strategic Acquisition Program which will allow for the purchase of up to 2,500 acres of additional forestland to add to the current 3,200 acre portfolio. This will generate increased revenue for County Parks while meeting climate change goals for carbon sequestration and carbon credit capture.
- **Stone Creek Golf Course** installed two Clipper Creek Level 2 electric vehicle charging stations.
- **Clackamas County 9-1-1 (CCOM)** dispatchers Broek Boaz, Liz Bailey, Ashley Zweigart, Amy Dornfield, Suzanne Baughman, and Ashley Ledbury received Life Saving recognition for instructing CPR to citizens calling 9-1-1. Tech System Coordinator Scott Miller was awarded Oregon APCO/NENA "Technician of the Year". The entire CCOM Training Team was awarded Oregon APCO/NENA "Trainer of the Year".
- The **Sustainability and Resource Conservation Program** certified several large organizations as *Leaders in Sustainability* including Yakima, Dave's Killer Bread, and Shorenstein Properties; they also launched an educational campaign for 3,500 households to provide feedback on how to recycle better.
- The **Sheriff's Clackamas County Interagency Task Force** investigates, deters, and combats illegal drug use, manufacturing, and distribution, and related crimes. In 2017, CCITF investigations resulted in the seizure of: 23.4 pounds of heroin; 406 pounds of methamphetamine; 6.7 pounds of cocaine and crack; 2,323 pounds of marijuana; 6,512 illicit prescription pills; and \$222,116 in cash associated with the drugs.
- **North Clackamas Parks & Recreation** has been working on several projects including: construction of Wichita Park in Milwaukie; acquisition of 21.3 acres of natural area, including a waterfall from Hidden Falls, LLC; developing a .84 mile segment of the Mount Scott/Scouters Mountain Trail Loop; acquisition of a 5.6 mile natural area in the Jennings Lodge area; executing a Strategic Partnership with North Clackamas School District to exchange Hood View Park for Concord, Clackamas, and Wichita Elementary Schools, and cash; and starting the final design for Milwaukie Bay Park.
- During the 2018 Oregon State Legislative session, **Public and Government Affairs** achieved a 94% success rate on County legislative priorities including \$782,000 for homelessness needs, a dedicated legislative committee hearing on the I-205 expansion project, and successful opposition to numerous land use bills that would have negatively impacted Clackamas County.

Activity Highlights, continued

- **Transportation Engineering's Capital Construction Program** won APWA Project of the Year in the fall of 2017 for the Pudding River (Whiskey Hill Road) Bridge under the Transportation category of less than \$5 million .
 - The **Sheriff's Office**, along with the **District Attorney's Office** and **Health, Housing and Human Services**, is formulating a new Law Enforcement Assisted Diversion (LEAD) program in the north Clackamas area between Gladstone and Milwaukie. Designed to model the programs in Seattle and Portland and target low level criminal offenders with alternatives that include treatment, mental health services and housing to help these offenders stay out of jail
 - **Water Environment Services (WES)** is launching an aggressive and significant capital investment effort. This year it anticipates breaking ground on the \$35 million solids handling project at the Tri-City Plant and proceeding with its planned \$19 million refurbishment of the Kellogg Plant. Other investments include completion of a regional water quality treatment wetland, investment in pump stations and conveyance infrastructure, and shifting treatment processes to lower risk approaches that better support public health and the environment .
 - **Clackamas County 9-1-1 (CCOM)** successfully implemented a Multi-Agency Joint CAD System in a unique partnership with Lake Oswego, Washington County and Columbia County. This four 9-1-1 centers partnership is the first of its kind in Oregon and is fast becoming a model nationwide.
 - **County Parks** has been replacing restrooms at Feyrer, Barton and Metzler Parks and improving ADA needs; rehabilitating a fire pond at Barton Park; and completing the demolition of the structurally unsound Dorman Center at Hoodland Park. Total completed project costs are approximately \$1.8 million dollars which has reduced the backlog of deferred capital projects estimated in 2012 to be at \$4.8 million dollars.
 - **Clackamas County Dog Services** facilitated 151 dog adoptions and the return of 590 dogs to their owners in 2017.
 - For **Land Use, Development Review and Permitting**, 2017 was the busiest year on record with more than 300,000 customer interactions, and a customer satisfaction rate of 94.6%. Building Codes processed/opened 6,972 structural/mechanical permits, 28,261 other permits, and issued 18,150 permits. The division also created an online permit fee estimator/calculator for single-family construction.
 - To encourage and support community participation, **Public and Government Affairs, County Counsel** and **Human Resources** provided liability insurance for board members of Community Planning Organizations (CPOs); this coverage protects community volunteers so they may provide open and direct input to Clackamas County government.
 - The **District Attorney's Office** has initiated a new "file-less" program, the purpose is to eliminate the need for paper files in the office, thereby relying exclusively on electronic files and information. This project is in its final stage.
 - **Justice Court** developed technology to streamline operations reducing support staff by 50% from eight when the court opened in 2010 to four staff today who process violation and civil cases
 - **Transportation Maintenance** is beginning increased paving activities with HB 2017 funding and moving forward on work on Damascus Roads.
 - The START Team is a multi-disciplinary collaboration of **jail security, parole and probation, jail classification, county mental health, patrol, jail mental health, and jail medical staff** focused on mental health of those incarcerated. The Team works on treatment plans with an emphasis on early release when possible. The team is a diverse partnership committed to safely reducing the number of people with mental illness in jail.
 - The **Milwaukie Center** remodeled its restrooms, provided over 80,000 meals, held 13 special events for the community, and provided information and assistance to 3,000, free law consultation to 120 , loaned health equipment clients, and free tax aid assistance to 1,000 clients.
- Transportation and Development** Building Codes Plans Examiner Jim Sayers is President of Region 2 of the International Code Council (ICC) which covers Oregon and other northwestern states. Under his leadership, Region 2 (one of 12 nationwide) received the "Spotlight Region of the Year" award from the ICC Awards Committee.

Continued on page 11...

Activity Highlights, continued

- **Resolution Services** staff developed Collaborative Workgroup Training to increase cohesion and improve working relationships among staff at the Department of Health, Housing and Human Services (H3S). 140 H3S managers, supervisors and staff participated in the training resulting in increased willingness to engage in conflict resolution, fewer disciplinary actions, better client interactions, a willingness to embrace change, and development of a more positive workplace culture.
- **Clackamas County** established of a sister county relationship between Guanyun County, Jiangsu Province, PRC and Clackamas County. In addition, Clackamas County co-sponsored the 2018 Oregon China Economic Forum in Oregon City.
- **Disaster Management** launched its new employee disaster reporting program during last October's Great Shakeout event which included distributing an Employee Disaster Reporting Card countywide, a promotional campaign, and an exercise of the system which resulted in 639 employees trying out the system.
- Last year Netflix filmed a new show filmed in Clackamas County with help from **Business and Economic Development**, leading to praise from the production team.
- **Code Enforcement** opened 788 cases reported by the public (45 more than 2016) and closed 667 cases.
- **Technology Services'** Clackamas Broadband exchange completed a high-speed internet connectivity project with the Lake Oswego School District on time and under budget. The ongoing service is saving the School District over \$25,000 per month.
- **Agriculture and Forest Economic Development** is taking a lead role in identifying Cross Laminated Timber (CLT) supply chain opportunities and carrying out strategic initiatives around supply, building codes, and investment.
- The **Sheriff's** Jail Discharge Team works on planning for inmates who are released to ensure they are connected to services that can help reduce a return to criminal behavior.
- **Transportation and Development** employees Barb Cartmill and Patty McMillan received "Women in Leadership & Management" awards from the North Clackamas Chamber.
- **Behavioral Health** teamed up with a local non-profit to create a new, free service: the Senior Loneliness Line, a 24/7 crisis line that helps older adults in the county who may be isolated or lonely. Calls are confidential and callers receive support and resource referrals.
- The **Housing Authority** was recently awarded 25 new Veterans Affairs Supportive Housing (VASH) vouchers to support homeless veterans and now has or administers 86 of these vouchers. These additional 25 vouchers add \$250,000 to \$350,000 in rent assistance annually.
- **The County and the City of Gladstone** signed a Settlement Agreement which envisions the construction of two new libraries, one in the City of Gladstone, and one located somewhere in unincorporated Clackamas County in the Oak Lodge Library service area. Concurrently, **North Clackamas Parks & Recreation** (NCPRD) acquired the Concord Elementary School from North Clackamas School District. A community-driven process will help evaluate the Concord School for an NCPRD facility and possible Oak Lodge library site.
- In January, Moody's upgraded **Clackamas County's** bond rating to Aaa from Aa1.
- The creation of a Pretrial Services Team is a joint venture between the **Jail, Courts, District Attorney, Defense Bar, and Parole and Probation**. This Team will gather information that judges are required to consider in making pretrial release decisions for assessment of the risks each defendant poses of a) endangering community or individual safety and b) of failing to appear in court as required. These pretrial efforts allow judges to make informed decisions based on individual risks of each defendant and fashion an appropriate response.
- The **Aquatic Center** held swim lessons for 4,700 children and hosted over 250,000 patrons over the year. It also served as the home site for four high school competitive swim teams, one NCPRD recreational swim team, two private swim teams, and two Master's swim teams.
- The June 30, 2017 audit, published by the **Finance Department** included no audit findings—a first for the County!

Administrator's Budget Recommendations

I am recommending a Proposed Budget with departments funded at a stable level of financial resources to maintain current services. In addition, I have maintained contingency and reserve levels at the maximum level allowed, totaling 15% per Board policy.

PERS Reserve

Though the Oregon Legislature crafted a solution for PERS relief in 2013, the Oregon Supreme Court ultimately rejected PERS reform in 2015. As a result, beginning July 2017, PERS costs are rising at a much greater rate than they would have had the reforms been left in place. We are currently estimating that PERS costs (not including the 6% employer pick up) for the 2017-19 biennium will increase by an average of 20% (\$5 million countywide). The County established a special Reserve Fund to offset these future increases which now totals \$2.7 million.

Sheriff's Five-Year Forecast and Financial Plan

We are continuing to work closely with the Sheriff and his staff to continuously develop a five-year forecast and plan for achieving fiscal stability. The Sheriff's budget for FY 2018-19 is balanced but maintaining a balanced budget is an ongoing exercise.

Self-Insurance and Benefits Administration

Clackamas County is self-insured for employee health benefits which requires maintaining a healthy reserve. In FY 2016-17 Human Resources separated the Risk Management and Self Insurance accounting into two separate lines of business which separated their individual funding streams. This highlighted an issue with the Self Insurance line of business. Because, historically, the benefits administration fee did not include any annual adjustment for inflation, other Risk Management funding sources had been subsidizing increases over the years while the fee itself was totally insufficient to cover actual costs. The overall Self Insurance Reserve need is \$2.6 million.

To address these issues, I dedicated the \$2.6 million needed for the Self Insurance Reserve in the General Fund Reserve for FY 2017-18 to smooth the impacts to departments of fee increases by spreading them over two years. We increased the benefits administration fee to \$100 PEPM (per employee per month) in FY 2017-18. For FY 2018-19, an additional adjustment of the fee to \$141 PEPM for regular employees and \$16 PEPM for temporary employees will bring the Self Insurance Reserve \$1 million closer to sustainability with full sustainability projected in FY 2019-20 as the fee continues. After FY 2019-20 when the Reserve is fully funded in Human Resources, the fee should decrease by about \$41 PEPM and going forward include a modest annual adjustment for inflation to maintain the Reserve. We anticipate full separation of the Self Insurance Reserve from the General Fund in FY 2020-21.

Cost Allocation

The County complies with federal Office of Management & Budget guidelines and regulations to cover most internal service (administrative) costs. This allows County departments to recover indirect administrative costs related to federal grant projects. This year, for the second time, County Administration sponsored Cost Allocation workshops to educate departments about the reasons for allocated costs and how they are calculated.

Cost allocations generally increase each year as the costs of doing business increase. Also, added staffing and/or programs can impact cost allocations (usually on a two-year lag). The following table shows general cost allocation changes over three years. The decrease in Risk Management allocations for FY 2018-19 is due to reductions in casualty and workers compensation rates. The decrease in Public & Government

Administrator's Budget Recommendations, *continued*

Affairs allocations is discussed in detail on page 7 . In general, cost allocations as an expenditure make up from 4-7% of a department's overall budget and cost allocations have represented slightly under 3.5% of the total County budget. The overall cost allocation increase for FY 2018-19 totals \$117,434, a change of 0.34% from FY 2017-18.

DEPARTMENT	FY 2016-17 cost allocation	FY 2017-18 cost allocation	FY 2018-19 cost alloca- tion	FY 2018-19 change (\$)	FY 2018-19 change (%)
County Administration	1,865,912	2,037,975	2,007,565	-30,410	-1.49%
Human Resources	2,278,668	2,665,176	2,860,271	195,095	7.32%
Risk Management	7,495,720	5,290,938	4,549,785	-741,153	-14.01%
Public & Government Affairs	1,167,929	1,233,219	508,728	-724,491	-58.75%
Records Management	373,803	356,551	445,116	88,565	24.84%
Finance	2,168,524	2,855,269	2,910,185	54,916	1.92%
Procurement/Courier/Mail	930,763	1,052,832	1,054,293	1,461	0.14%
Facilities	8,526,521	8,946,957	9,179,314	232,357	2.60%
Technology Services	9,582,224	9,976,803	11,017,897	1,041,094	10.44%
GRAND TOTALS	34,390,064	34,415,720	34,533,154	117,434	0.34%
% of Budget	3.65%	3.46%	3.47%		

Policy Level Proposals

This year I solicited three Policy Level Proposals which are in alignment with the Board priorities within the Performance Clackamas Strategic Plan. These Proposals total an additional General Fund request for \$3.3 million of which \$1 million is offset by new revenue. The remaining additional request of \$2.3 million exceeds available discretionary revenue by \$1.1 million. My recommendations include allotting the \$1 million package offset by new revenue, devoting \$1.2 million to a Proposal for housing investments, and using other available ongoing funding to begin a set aside for opening 26 currently unused jail beds.

Affordable Housing and Homelessness Prevention Proposal \$1,200,000 ongoing General Fund

As housing prices have continued to rise, renters have been hit the hardest. Rents in many places were up over 20% in 2015 from 2011. However, wages have only risen 12% over the same period. The Board of County Commissioners' Performance Clackamas Strategic Plan calls for 2,000 units of housing affordable to a variety of residents to be developed by 2022. Of that goal, the Clackamas Housing Authority proposes to provide 1,000 units of housing affordable to households earning 60% of median income or less. To further this goal, this Proposal will build on the work now underway through our Housing Needs Assessment and the Affordable Housing and Homelessness Task Force. Of the \$1.2 million requested, 70% is estimated to establish an Affordable Housing Development Fund, and 15% each would be directed toward a Housing Services Fund to partner with nonprofits and toward annual planning, analysis, and reporting. Because most of this proposal is directed to purposes that do not include ongoing staffing, there is sufficient flexibility to reallocate funds as necessary to accomplish our goals. I recommend fully funding this Proposal within the Housing Authority budget with the caveat that, should the Metro housing bond pass, we will review this package to determine if all the funds are still necessary and if the investment mix is still valid.

Administrator's Budget Recommendations, *continued*

Proposal to Open 26 Unused Existing Jail Beds

\$1,116,509 ongoing General Fund

This proposal seeks funding for 6 Deputies required in order to achieve full utilization of 26 additional, unopened jail beds. Funding will provide security staffing and the materials and services required to open 26 closed jail beds in the Clackamas County Jail. The jail beds proposed for opening include eight medical beds that have never been occupied and will double our available medical beds for inmates with mental health and medical needs. Opening the 26 beds will help to reduce the number of forced releases from the jail. Due to current only modest growth in the discretionary General Fund resources, adding six deputies at a total of \$798,310 to start this proposal is somewhat of a risk. I recommend instead of devoting resources at this point to open beds and increase staffing that we set aside a lesser amount in "seed funding" to be augmented as property tax revenue grows.

Just recently, in light of an influx of \$3 million in funding for transportation maintenance from the Oregon State Highway Fund as a result of HB 2017, the Board began to reconsider an ongoing \$500,000 paving package that had been approved in FY 2016-17. In April 2018, the Board approved an ongoing transfer of \$55,000 of this funding to support the Mt. Hood Express transit bus. I am recommending that we set aside in the FY 2018-19 budget and going forward the remainder of this funding, \$445,000, as "seed funding" for this Proposal to open the remaining jail beds.

Marijuana Tax Revenue Distribution Proposal

\$1,000,000 ongoing General Fund

The County General Fund is estimated to receive \$1-1.2 million ongoing in revenue from the marijuana tax. This is a joint proposal from Health, Housing & Human Services, Transportation & Development, the Sheriff's Office, and the District Attorney's Office who are developing a distribution formula that will provide funding for code enforcement, prevention education, community partnerships for education, and law enforcement and interdiction. This proposal is revenue neutral and does not require additional General Fund resources beyond the tax revenue. I recommend this Proposal for approval.

In closing, I am proud to present to the Budget Committee a balanced and prudent budget. I want to express my pride and appreciation to all County departments who worked creatively to manage within the maintenance level budgets they were assigned to continue to provide such a wide array of excellent and needed services to both our community and to other departments as internal support.

Producing the annual budget is a large and collective task. I extend my sincere thanks to all the individual departments, budget preparers, and the many staff who undertake various production tasks. Especially noteworthy is the effort the following individuals in Finance and County Administration devote to ensuring an understandable and reliable process— Finance Director Marc Gonzales; Deputy Finance Director Christa Wolfe; Budget Manager Diane Padilla; Budget Coordinators Roxann Fisher and Jian Zhang; and Deputy County Administrator Laurel Butman. Thanks also to the Budget Committee for its continued review of the budget from development through approval every year.

Sincerely,



Don Krupp, County Administrator