



CLACKAMAS COUNTY, OREGON PROPOSED BUDGET

FY 2023-2024



GARY SCHMIDT, County Administrator & Budget Officer
ELIZABETH COMFORT, Finance Director
SANDRA MONTOYA, Budget Manager

Budget Message Fiscal Year 2023-2024

TO: Honorable Board of County Commissioners (BCC),
Budget Committee Members for Clackamas County, Oregon, and
Clackamas County Residents

Stewardship of public funds is a critical component of *Building Trust in Government* and is the foundation for the County’s work. The Clackamas County FY23-24 Proposed Budget is \$1,266,824,393 which reflects a continued commitment to provide the public with a budget that is balanced, sustainable, and structurally sound.

Service Districts

In addition to the funding above, the BCC oversees eight service districts, each of whom prepare a budget to be adopted by the BCC. For more information on the districts/agencies visit <https://www.clackamas.us/budget>.

• Water Environment Services	\$288,905,817
• The Development Agency	\$44,136,799
• North Clackamas Parks & Rec. District	\$57,528,303
• Library Service District of Clack. County	\$23,140,234
• Extension and 4-H Service District	\$14,112,341
• Enhanced Law Enforcement District	\$8,888,752
• Street Lighting District	\$4,941,900
• Housing Authority of Clackamas County	\$87,032,701
	\$528,686,847

All Clackamas Budget

The total amount overseen by the County is \$1,795,511,240 which includes the Service Districts/Agencies of \$528,686,847 and the proposed Clackamas County budget of \$1,266,824,093.

Budget Committee

<u>BCC Members</u> Tootie Smith, Chair Paul Savas Martha Schrader Mark Shull Ben West	<u>Public Members</u> James Karn Jan Lee Wilda Parks James Rhodes Kenneth Sernach
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Staff

Gary Schmidt Elizabeth Comfort Sandra Montoya Blaze Riggins Priscilla Montoya Roxanne Fisher & Jian Zhang	Administrator & Budget Officer Finance Director Budget Manager Senior Budget Analyst Budget Coordinator Budget Analysts
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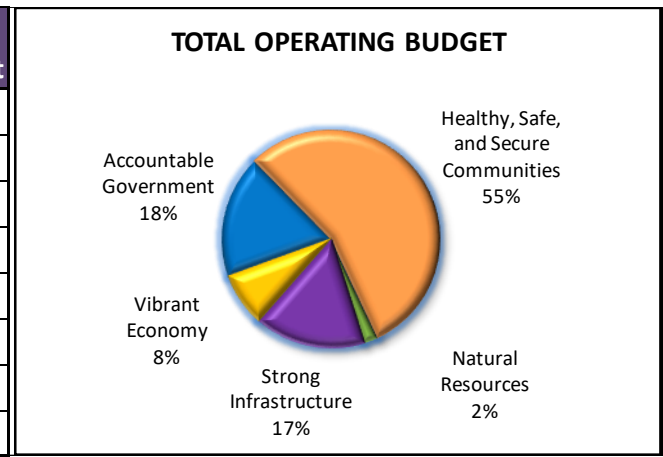
Performance Clackamas and Budget Alignment

The budget information below and on the next page is organized using the Board’s Performance Clackamas Strategic Priority Areas.

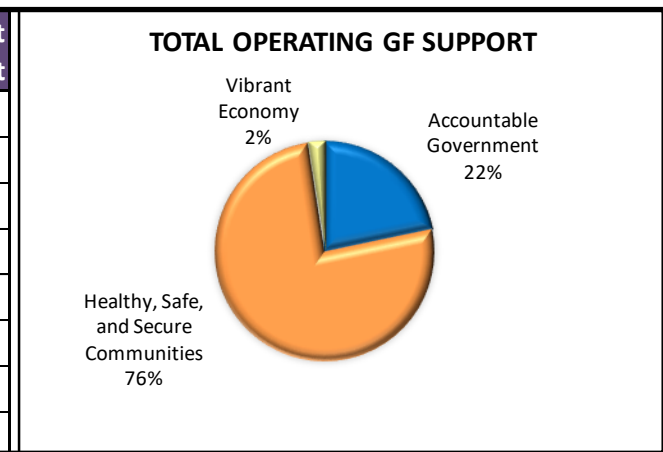


Additional information about Performance Clackamas, including Board initiatives and department metrics, can be found at <https://www.clackamas.us/performance>.

BCC Priority	Total Budget
Accountable Government	179,695,707
Healthy, Safe, and Secure Communities	544,599,996
Natural Resources	20,226,026
Strong Infrastructure	161,059,344
Vibrant Economy	78,483,642
Total Operating	984,064,715
Total Non Operating	282,759,678
Grand Total	1,266,824,393



BCC Priority	Total GF Support Budget
Accountable Government	32,229,374
Healthy, Safe, and Secure Communities	112,661,798
Honor, Utilize, & Invest in our Natural Resources	-
Strong Infrastructure	-
Vibrant Economy	3,574,366
Total Operating	148,465,538
Total Non Operating	5,062,980
Grand Total	153,528,518



Total funds include all sources of funding – federal, state, fees, local, and property taxes. General Fund Support (GFS) includes property taxes (\$155.9 million) and shared revenue (\$4.7 million). Non-operating includes pass through and debt payments.

Distribution of Funds

The chart below displays the department primary alignment to each Strategic Priority. Note that some departments span more than one Priority Area.

Board Strategic Priorities	Department	General Fund Support	Total Budget
Vibrant Economy	County Administration	-	12,061,560
Vibrant Economy	Health, Housing & Human Services (H3S)	600,000	2,728,292
Vibrant Economy	Misc/Pass-Through		12,061,005
Vibrant Economy	Technology Services (TS)		9,836,914
Vibrant Economy	Transportation & Development (DTD)	2,974,366	41,795,871
Vibrant Economy Total		3,574,366	78,483,642
Honor, Utilize, & Invest in our Natural Resources	Transportation & Development (DTD)	-	20,226,026
Honor, Utilize, & Invest in our Natural Resources Total		-	20,226,026
Ensure Healthy, Safe, and Secure Communities	Clackamas 911 (CCOM)	209,014	14,158,669
Ensure Healthy, Safe, and Secure Communities	Disaster Management	3,045,048	4,346,735
Ensure Healthy, Safe, and Secure Communities	District Attorney (DA)	14,789,791	18,604,119
Ensure Healthy, Safe, and Secure Communities	Health, Housing & Human Services (H3S)	9,528,617	305,962,427
Ensure Healthy, Safe, and Secure Communities	Justice Court		3,752,659
Ensure Healthy, Safe, and Secure Communities	Juvenile Department	8,832,754	11,011,348
Ensure Healthy, Safe, and Secure Communities	Law Library		558,549
Ensure Healthy, Safe, and Secure Communities	Sheriff's Office (CCSO)	74,629,146	146,100,936
Ensure Healthy, Safe, and Secure Communities	Transportation & Development (DTD)	1,627,428	40,104,554
Ensure Healthy, Safe, and Secure Communities Total		112,661,798	544,599,996
Strong Infrastructure	Misc/Pass-Through		19,699,000
Strong Infrastructure	Technology Services (TS)	-	16,893,540
Strong Infrastructure	Transportation & Development (DTD)		124,466,804
Strong Infrastructure Total		-	161,059,344
Accountable Government	Assessment & Taxation	8,679,708	10,169,709
Accountable Government	County Administration	3,983,287	8,547,370
Accountable Government	County Clerk		4,466,331
Accountable Government	County Counsel	1,953,416	3,363,415
Accountable Government	Finance & Facilities	11,592,880	46,674,650
Accountable Government	Health, Housing & Human Services (H3S)	-	794,157
Accountable Government	Human Resources (HR)	1,288,584	80,095,264
Accountable Government	Misc/Pass-Through		5,775,759
Accountable Government	Public & Government Affairs (PGA)	604,551	4,738,527
Accountable Government	Technology Services (TS)	-	3,413,257
Accountable Government	Transportation & Development (DTD)	3,126,689	10,133,312
Accountable Government	Treasurer's Office	1,000,259	1,523,956
Accountable Government Total		32,229,374	179,695,707
Not Applicable - Non Operating	Misc/Pass-Through		25,917,945
Not Applicable - Non Operating	Non Departmental for Debt Service	5,062,980	256,841,733
Not Applicable - Non Operating Total		5,062,980	282,759,678

Grand Total 153,528,518 1,266,824,393

FY 23-24 Proposed Budget Summary

The summary below compares Clackamas County resources and requirements in the FY22-23 Amended Budget to the FY23-24 Proposed Budget for Clackamas County. The revenues and requirements summarized in this table are derived from six County fund types: General, Special Revenue, Internal Service, Enterprise, Debt Service, and Capital Projects. All funds work together to support the County's operations and account for the intended use of the funding sources.

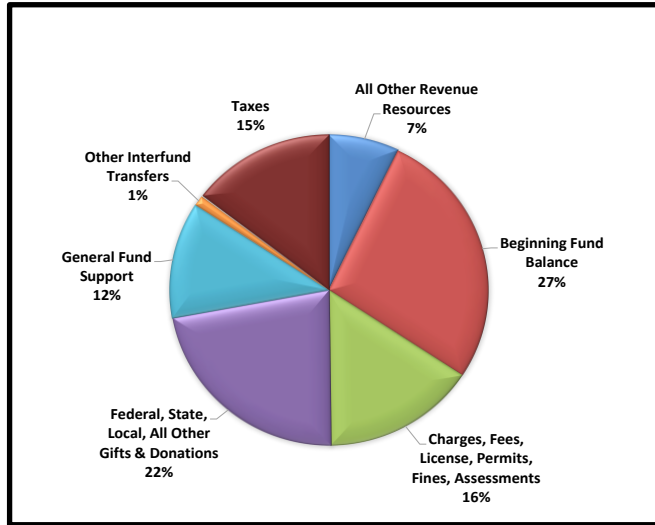
Clackamas County (Excluding District/Agencies) Resources and Requirements

		FY22-23 Amended	FY23-24 Budget	\$ Change	% Change
Resources by Category					
	Beginning Fund Balance	287,767,350	343,385,042	55,617,692	19.3%
Current Revenues					
	Taxes	178,535,982	185,073,280	6,537,298	3.7%
	Federal, State, Local, Other Donations	281,734,242	282,346,413	612,171	0.2%
	Charges/Fees/License/Permits/Fines	185,010,462	197,187,451	12,176,989	6.6%
	Revenue from Bonds & Other Debts	16,765,133	1,181,584	(15,583,549)	-93.0%
	All Other Revenue Resources	92,271,520	90,428,859	(1,842,661)	-2.0%
	Interfund Transfers	7,124,348	13,693,246	6,568,898	92.2%
	General Fund Support *	155,271,722	153,528,518	(1,743,204)	-1.1%
Subtotal Current Revenues		916,713,409	923,439,351	6,725,942	0.7%
Total Resources		1,204,480,759	1,266,824,393	62,343,634	5.2%
Requirements by Category					
	Personnel Services	372,171,597	379,828,165	7,656,568	2.1%
	Materials & Services	248,424,010	280,575,707	32,151,697	12.9%
	Capital Outlay	106,717,238	103,264,569	(3,452,669)	-3.2%
Subtotal Current Expenditures		727,312,845	763,668,441	36,355,596	5.0%
	Debt Service	15,167,511	15,044,700	(122,811)	-0.8%
	Special Payments	77,497,499	79,280,743	1,783,244	2.3%
	Interfund Transfer	19,440,744	11,669,459	(7,771,285)	-40.0%
	General Fund Support *	155,271,722	153,528,518	(1,743,204)	-1.1%
	Contingency	98,459,722	121,154,983	22,695,261	23.1%
	Reserve for Future Expenditures	96,353,008	93,134,122	(3,218,886)	-3.3%
	Unappropriated Ending Fund Balance	14,977,708	29,343,426	14,365,718	95.9%
Total Requirements		1,204,480,759	1,266,824,392	62,343,633	5.2%

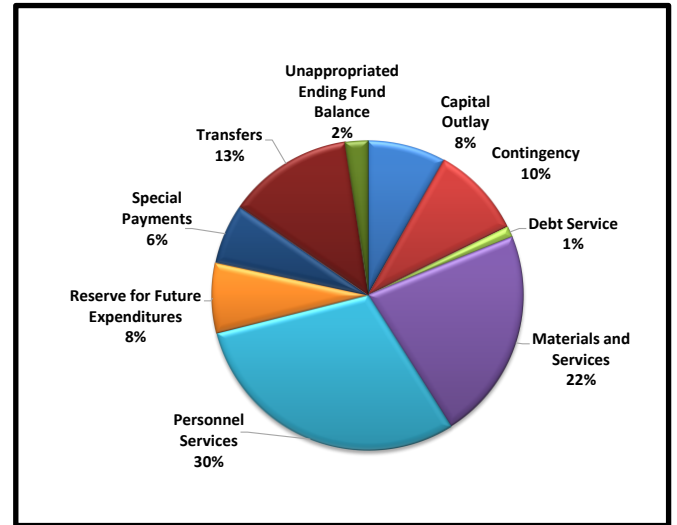
*General Fund Support reflects the receipt and distribution of tax dollars to the operating departments which results in the duplication of revenue and expenses.

Summary of Revenues and Requirements (All Funds)

Revenue Sources



Requirement Categories



County Staffing

The chart below includes all regular and limited-term FTE in departments and elected offices. The FTE is a net number and includes any proposed additional positions in non-general funded departments.

Budget Year	FY20-21 Actual	FY21-22 Actual*	FY22-23 Year to Date	FY23-24 Proposed
FTE	2,271.6	2,358.9	2,478.5	2,394.1

*FTE increases were primarily due to COVID-19 staffing and these positions will be eliminated once the dedicated funding is no longer available.

Distribution of FTE Eliminated in FY 23-24

Appointed Departments	Budget/Cost Alloc. Related			Additional Reductions*			Total FTE Reductions		
	Vacant	Filled	Total	Vacant	Filled	Total	Vacant	Filled	Total
County Administration		2.00	2.00					2.00	2.00
Finance	1.00		1.00				1.00		1.00
Facilities	1.00	0.65	1.65				1.00	0.65	1.65
Public & Government Affairs	0.50	2.00	2.50				0.50	2.00	2.50
Disaster Management		0.50	0.50	2.50	2.00	4.50	2.50	2.50	5.00
Juvenile Department	2.00		2.00	1.00		1.00	3.00		3.00
Health, Housing & Human Services	1.00	0.50	1.50	56.00	16.00	72.00	57.00	16.50	73.50
Trans. & Develop. (includes BCS)	3.00		3.00	2.00		2.00	5.00		5.00
Departments Total	8.50	5.65	14.15	61.50	18.00	79.50	70.00	23.65	93.65

(*Additional Reductions can be due to grants ending, reorganizations, etc.)

Overarching Issues/Changes

Budget Reductions

In order to replace the current Courthouse and preserve financial stability over the next 30 years, an operating reduction of \$15.0 million in General Fund Support is required. When determining which services would be reduced or eliminated, departments were not asked to take an across-the-board reduction percentage. Instead, the County focused on maintaining mandated services, defined as services required by state or federal laws for counties to perform, and identifying ways to increase efficiencies and eliminate redundancies. The following table displays the reductions by appointed and elected official departments. *Additional reduction details are shown as an appendix in the budget book.*

General Fund Support (GFS) Reductions

Appointed Departments	Starting GFS*	GFS Reductions Amount
CCOM	\$ -	\$ -
County Administration	\$ 4,853,900	\$ (1,025,000)
County Counsel	\$ 2,468,735	\$ (50,000)
Finance	\$ 3,347,274	\$ (400,000)
Facilities	\$ 1,418,950	\$ (300,000)
Human Resources	\$ 1,465,704	\$ (100,000)
Public & Government Affairs	\$ 934,030	\$ (350,000)
Disaster Management	\$ 3,657,814	\$ (750,000)
Juvenile Department	\$ 9,789,438	\$ (1,000,000)
Law Library	\$ -	\$ -
NCPRD	\$ -	\$ -
Resolution Services	\$ 629,000	\$ (629,000)
Health, Housing & Human Services	\$ 9,720,017	\$ (1,500,000)
Technology Services	\$ -	\$ -
Trans. & Develop. (includes BCS)	\$ 7,873,867	\$ (700,000)
WES	\$ -	\$ -
Non Departmental	\$ 8,751,280	\$ (100,000)
Departments Total	\$ 54,910,009	\$ (6,904,000)

Elected Officials	Starting GFS **	Reductions Amount
Assessor	\$ 8,795,260	\$ (125,000)
Clerk	\$ -	\$ -
District Attorney	\$ 14,526,988	\$ (50,000)
Justice Court	\$ -	\$ -
Sheriff	\$ 76,865,295	\$ (2,250,000)
Treasurer	\$ 1,066,199	\$ (75,000)
Electeds Total	\$ 101,253,742	\$ (2,500,000)
TOTAL REDUCTIONS		\$ (9,404,000)
Cost Allocation GFS Savings		\$ (5,605,000)
TOTAL REDUCTIONS + SAVINGS		\$ (15,009,000)

*GFS amount = FY 22-23 **before** adding 3% to offset CPI increases

** GFS amount = **after** adding 3% to offset CPI increases

Cost Allocation Plan Update

The cost allocation process calculates the distribution of overhead costs from internal/central service departments to the operating departments.

As the County upgraded its financial and reporting systems over the last 3 years, a few issues arose:

- The overhead recovery revenue has not kept pace with cost increases, resulting in the need for subsidies, referred to as General Fund Support. The subsidies have increased each year.
- General Fund Support has subsidized many programs/grants, which means the full costs of these programs/grants has not been calculated.
- Hourly rates for services provided to external parties have not been consistently or fully calculated; thereby resulting in reduced revenue.

The County hired a consultant to review its cost allocation methodology and provide recommendations for changes to align with best practices that would result in increased revenue to the General Fund. The consultant recommended the preparation of two plans; a full cost plan based on budget and a federally compliant cost plan that allows the recovery of overhead costs from federal/state grants and the standardization of the calculations for external hourly rate charges.

The FY23-24 Proposed Budget reflects a hybrid, phased implementation of the consultant's recommendations. This plan used FY22-23 costs as a base, the County's new chart of accounts, applied updated drivers, redistributed costs, and added County Counsel and the Equity and Inclusion Office. The overall amount allocated included an additional \$1.4 million over the base. The updated plan reduced General Fund subsidies by more than \$5.6 million.

Investments in Infrastructure that Serves the Public

The County has been actively engaged in the design and construction of several buildings that house key services for the public. One-time funding for these buildings comes from a variety of sources in addition to the General Fund. None of these are reliant on increased property taxes.

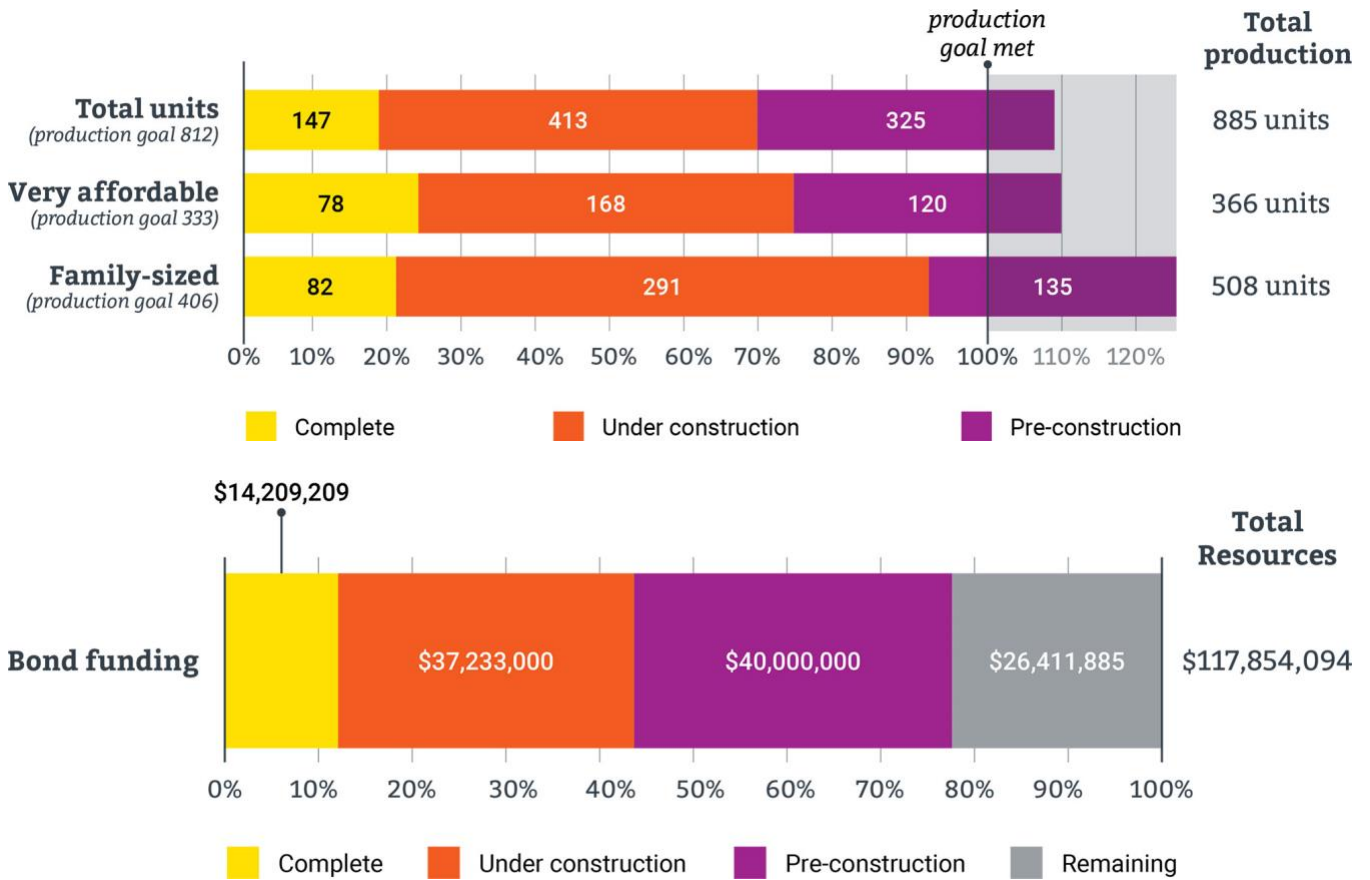
- Replacement County Courthouse
- Relocation and expansion of the Behavioral Health Clinic
- New Gladstone and Oak Lodge Libraries
- New Transportation Maintenance Building

Labor Shortages

While not as dramatic as the past couple of years with COVID, there is still a significant labor shortage. There remains a persistent gap between employer needs and the supply of candidates. Labor shortages, particularly in technical and professional services continues to be a challenge that ultimately impacts service availability.

Affordable Housing

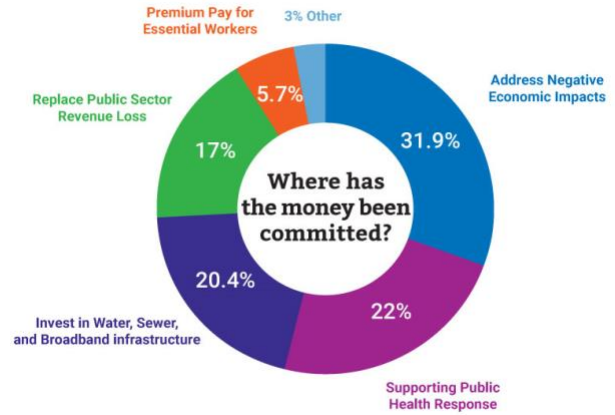
In 2018, voters approved a \$652.8 million general obligation bond to address the shortage of affordable housing within Metro’s urban growth boundary including Multnomah, Washington and Clackamas Counties. County staff and partners have made great gains in moving the needle on the important task of increasing affordable housing as shown below. More information about the bond can be found at <https://www.clackamas.us/housingauthority>



One-Time Federal Aid

American Rescue Plan Act

In May 2021, Clackamas County received approximately \$40.6 million of ARPA funds, and received a similar amount in 2022 for a total of \$81.2 million. To date, 85.1%, or \$69.2 million, of the funds have been committed with \$12.1 million remaining. The chart to the right displays the distribution. Residents are encouraged to go to the County's ARPA webpage, as the Board makes allocations: www.clackamas.us/recovery.



Opioid Settlement Funds

The County and several cities have received their first funding allocations to mitigate harms associated with the opioid and other drug crisis impacting the County and the nation. Approximately \$2.9 million of National Opioid Settlement funding is available this year. Payments are expected to arrive over the next 18 years, totaling approximately \$13.7 million.

Department Restructuring

During FY22-23, several departments made organizational changes. *Throughout the budget book, these changes can be seen as a new FY23-24 program with no history, or prior year actual data without a budget in FY23-24.*

Mergers: Community Corrections to the Sheriff's Office
 Business & Community Services to Transportation & Development
 Resolution Services and the Housing Authority to Health, Housing & Human Services

Investing in Employees

The budget includes a 4.5% increase in Cost of Living Adjustment (COLA) to adjust for inflation increases. Employee compensation has also been adjusted in compliance with the Oregon Equal Pay Act.

Budget Development Summary

The County continues to propose a sustainable, ongoing budget based on strategic, responsible and deliberative decision-making.

County Policies

Further detail on County policies can be found in the policy subsection of this budget book. Several policies have been updated or created over the two last years with additional detail located in the policy subsection.

Key Revenues

Countywide, tax revenue is expected to increase by 0.7% or \$6.7 million. Charges for Services also increase by \$12.2 million primarily driven by cost allocation and indirect cost revenue.

Expenditures

Personnel Services

Total County personnel services costs are increasing by 2.1% or \$7.7 million, composed of an increase for COLA of 4.5%, longevity wages, medical, and dental. The PERS rate increased by 8.3% as this is the first year of biennial rates. The PERS contribution rates range from 21.26% to 26.81% of payroll depending on employee hire date and classification.

Materials & Services (M&S)

Expenses for proposed FY23-24 increased by 12.9% or \$32.2 million. The changes are spread throughout the County services, with a mix of departments increasing and decreasing. Specific department changes are reflected in the fund and department-level budget pages.

Capital Outlay

Capital outlay decreased by 3.2% \$3.4 million. All projects that comprise this number are subject to Board approval. Included for FY23-24 is the planning and design of the new County courthouse in professional services for \$13.2 million, of which \$5.4 million is reimbursed by the state.

Contingency

Board policy requires Contingency to be targeted each year at 5% of overall General Fund budget. For FY23-24, General Fund Contingency is budgeted at \$27.7 million which is 6.9%.

Reserves

Board policy requires Reserves for Future Expenditures to be targeted each year at 10% of the overall General Fund budget, excluding dedicated revenue. In FY23-24 General Fund Reserves are budgeted at \$29.1 million, which is 10.3%.

Self-Insurance and Benefits Administration

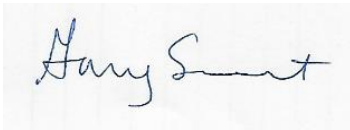
Clackamas County is self-insured for employee health benefits. In the event the County ends its self-insurance plan and has to pay out claims, State statute requires that a reserve be maintained. Additionally there is a claims margin in the event that claims exceed predicted rates. For FY23-24 the Benefits Administration budget increased 8.0%, or \$2.7 million. The model considers cost increases and decreases as needed.

Conclusion

This year's budget planning reflects a range of contrasts: reducing budgets and building new buildings; increasing employee COLAs and eliminating employee positions; maintaining core services and decreasing others. There is still more to come. It will be an ongoing effort to determine how to provide services to the public, not just what services are provided. Fiscal constraint will remain in future years. There will be continued focus on identifying efficiencies and enhancing service delivery. The FY 23-24 proposed budget provides a solid foundation for the work ahead.

As always, thank you to the elected and appointed leadership of Clackamas County and numerous employees involved in preparing this proposed budget. Special thanks to Elizabeth Comfort, Finance Director, Sandra Montoya, Budget Manager and the entire budget team for their dedicated work. Thank you to the Budget Committee for your commitment and service to this important work.

Sincerely,

A handwritten signature in blue ink that reads "Gary Schmidt". The signature is written in a cursive style and is placed on a light gray rectangular background.

Gary Schmidt
County Administrator & Budget Officer