



# Budget Committee Orientation #2

THE TOP TEN THINGS TO KNOW  
ABOUT THE COUNTY BUDGET

| April 27, 2023

Finance Department

[washingtoncountyor.gov](http://washingtoncountyor.gov)

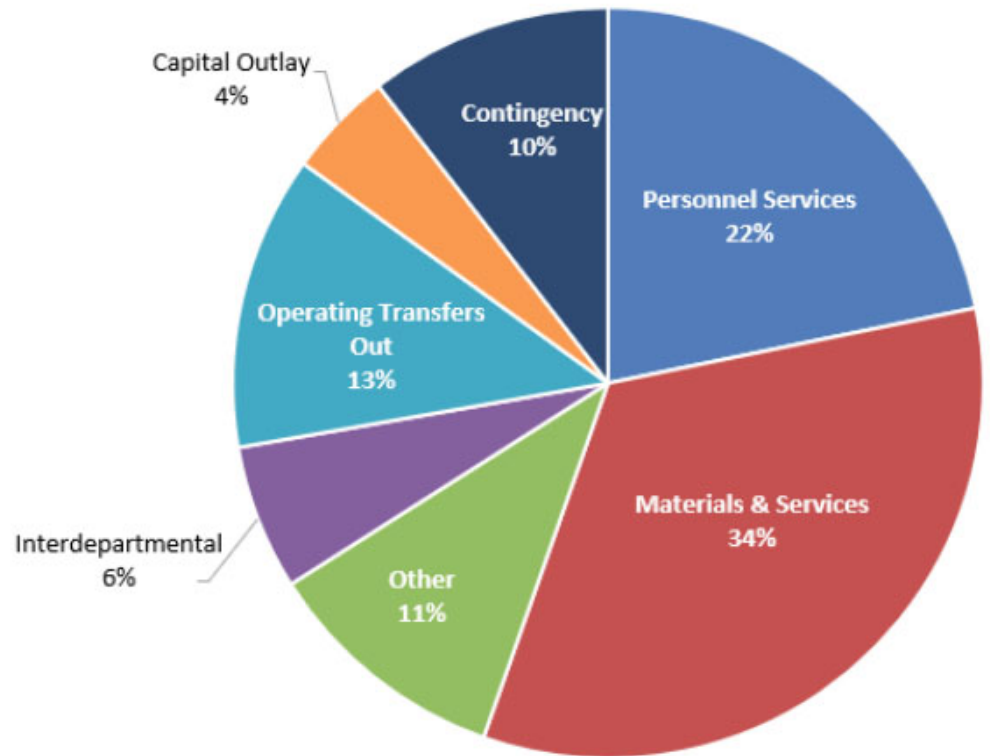
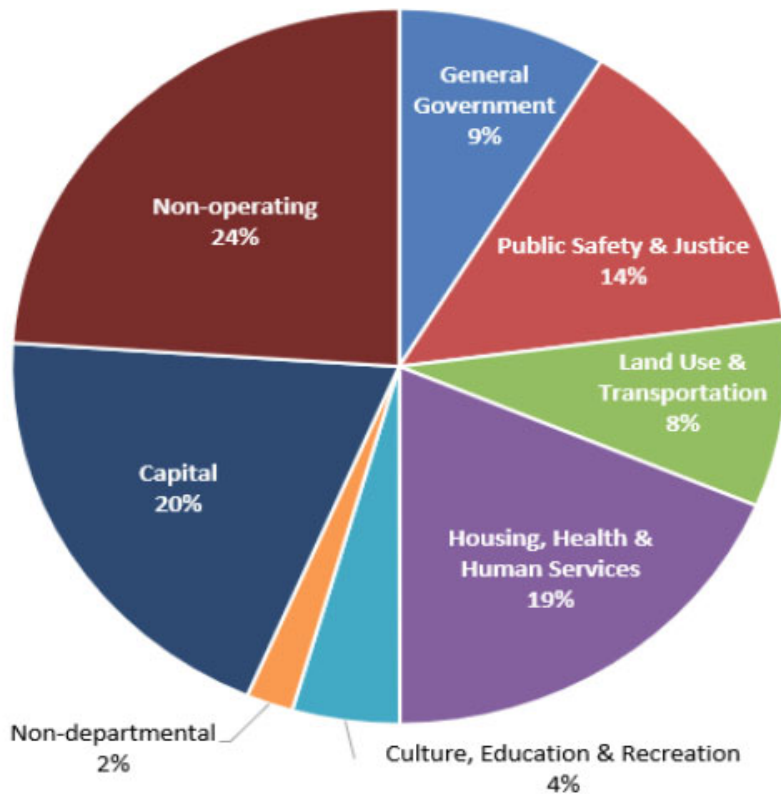
## → Agenda

- Welcome & Introductions
- Questions from last time
- The Top Ten Things to Know About the County Budget
- Next Steps



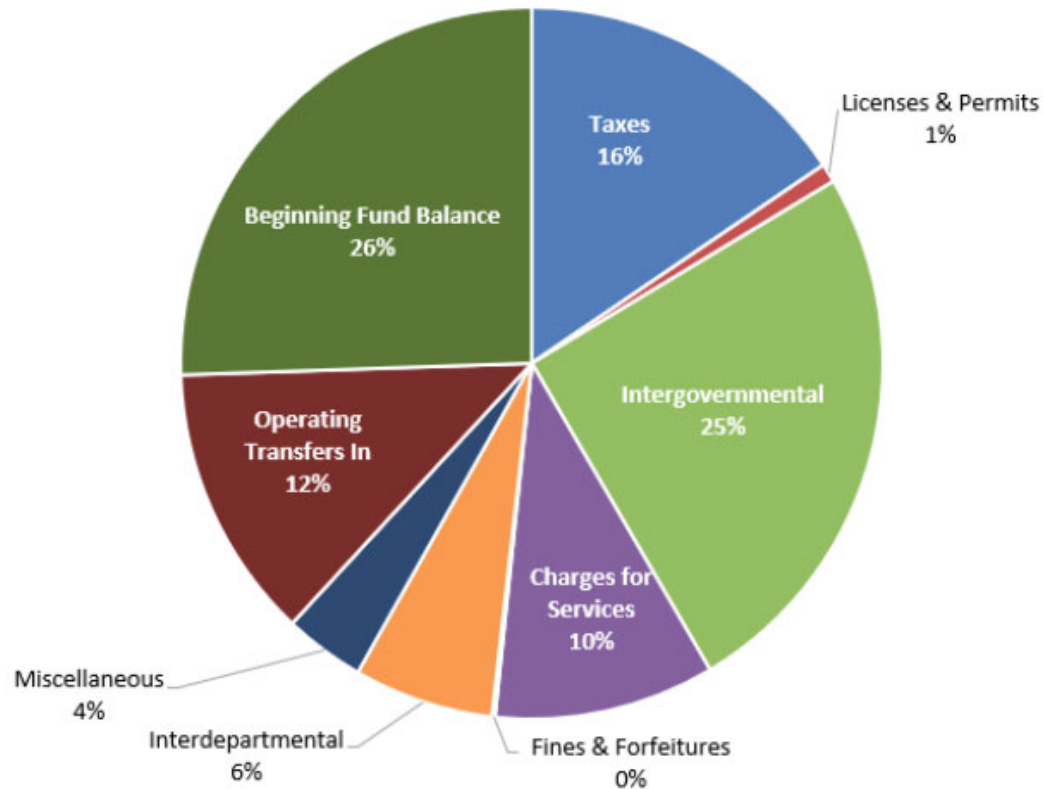
# → #10 – Budget Basics

## Total County Expenditure Budget = \$1.6 billion (FY23)



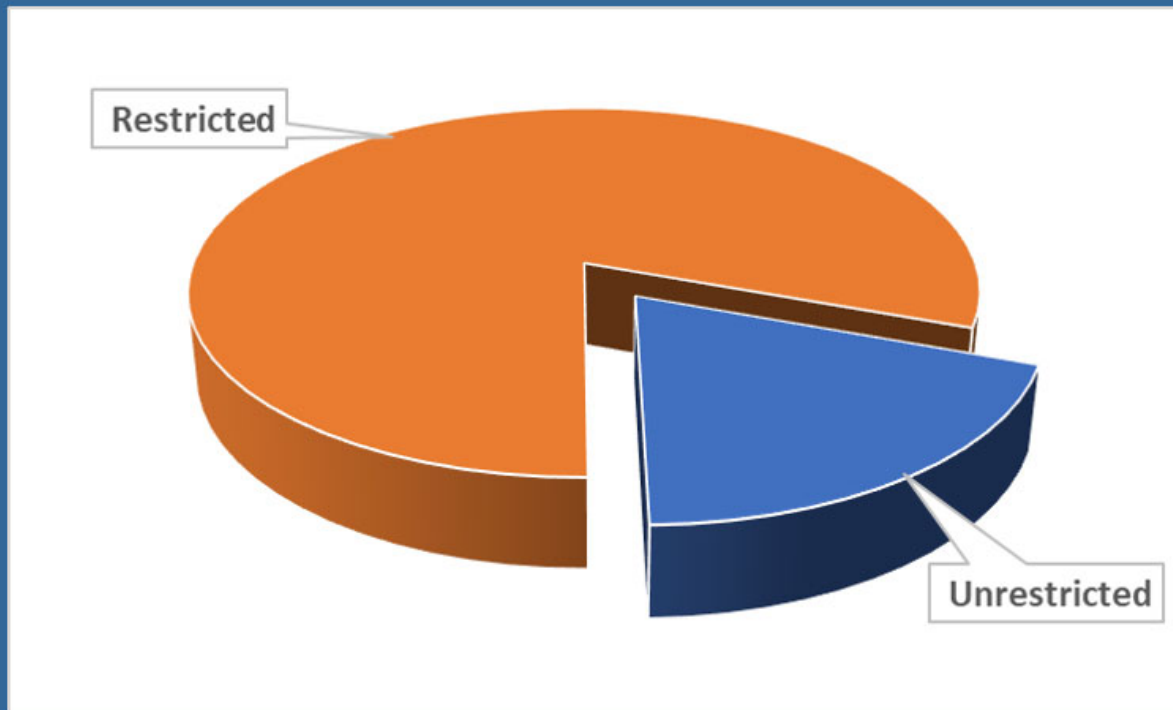
# → #10 – Budget Basics

Revenue = \$1.6 billion (FY23)





## → #10 – Budget Basics



- **\$1.2B in new revenue annually**
- **Approx \$1.0B Restricted – 81%**
- **\$230M Unrestricted – 19% to fund general county government services**

## → #10 – Budget Basics

### Unrestricted

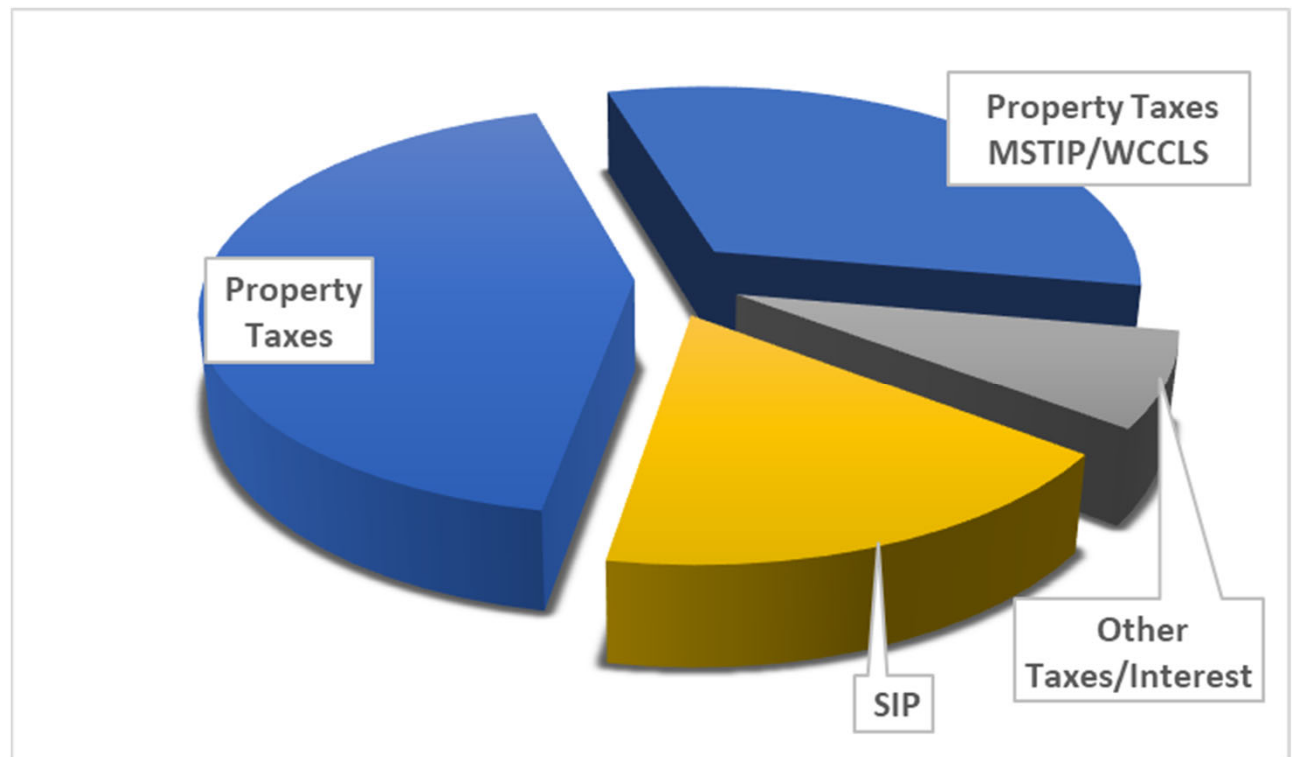
- Generally property taxes
- Fund common county gov't activities:
  - Law & justice (SO, jails, courts, DA)
  - Assessment & taxation
  - Elections
  - Public health
  - Recording, vet services
- Competitive

### Restricted

- Limited by law or contract for specific use
- Accounted for separately - no sharing of funds
- Separate business activity
- Grants, fee for service, room tax
- Examples include: health services, disposal fees, building permits, court fines & fees

## → #10 – Budget Basics

- Total unrestricted revenue = \$230M
- Property taxes = \$172M of which 43% is dedicated
- 17% SIP agreements that generate limited “in lieu of” property tax



## → #10 – Budget Basics

### **Unrestricted Revenue**

- Primary funding source in the General fund – pays for Elections, Assessment & Taxation, Public Safety & Justice, Public Health, Long Range Planning

### **Limitations**

- Assessed values growth limited to 3% plus value of new construction = 4 to 5% growth in property tax revenue per year
- Strategic Investment Program (in lieu of property tax) is limited in size and duration
- Message: most revenue growth is capped while a major component is limited



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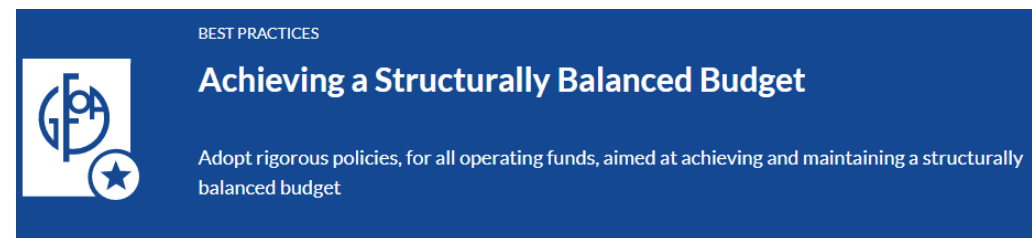
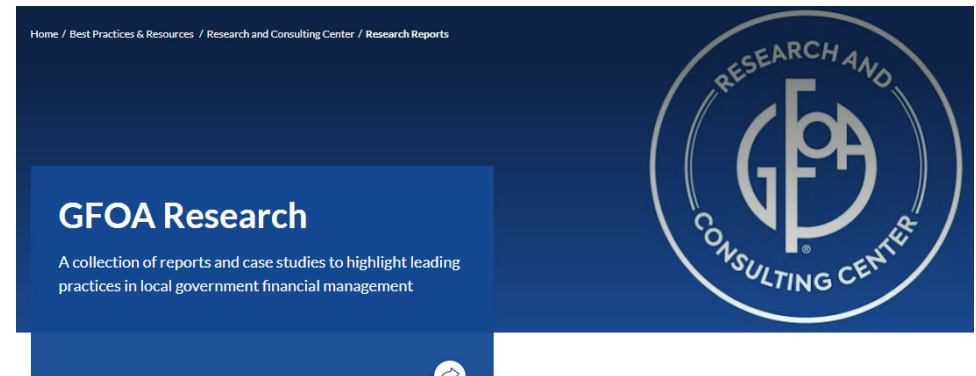
# → #9 – Budget Challenges

## Budget Process

- How financial plans/budgets are developed and managed
- Policies and procedures
- Decision support – long-term financial impacts
- Organization of a fund accounting system
- Reporting – financial and performance

## Balanced and Sustainable Financial Plan

- Insure ongoing expenditures are funded with ongoing revenue
- Align expense growth with revenue growth
- Account for proper contingencies and reserves
- Account for long-term capital needs (maintenance and expansion)





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## → #8 – Budget Process Redesign

### **BUILD A BUDGET SYSTEM**

- Develop foundational organizational structures and tools that augment the budgeting process
- A system is a set of things working together as parts of a mechanism or an interconnecting network.

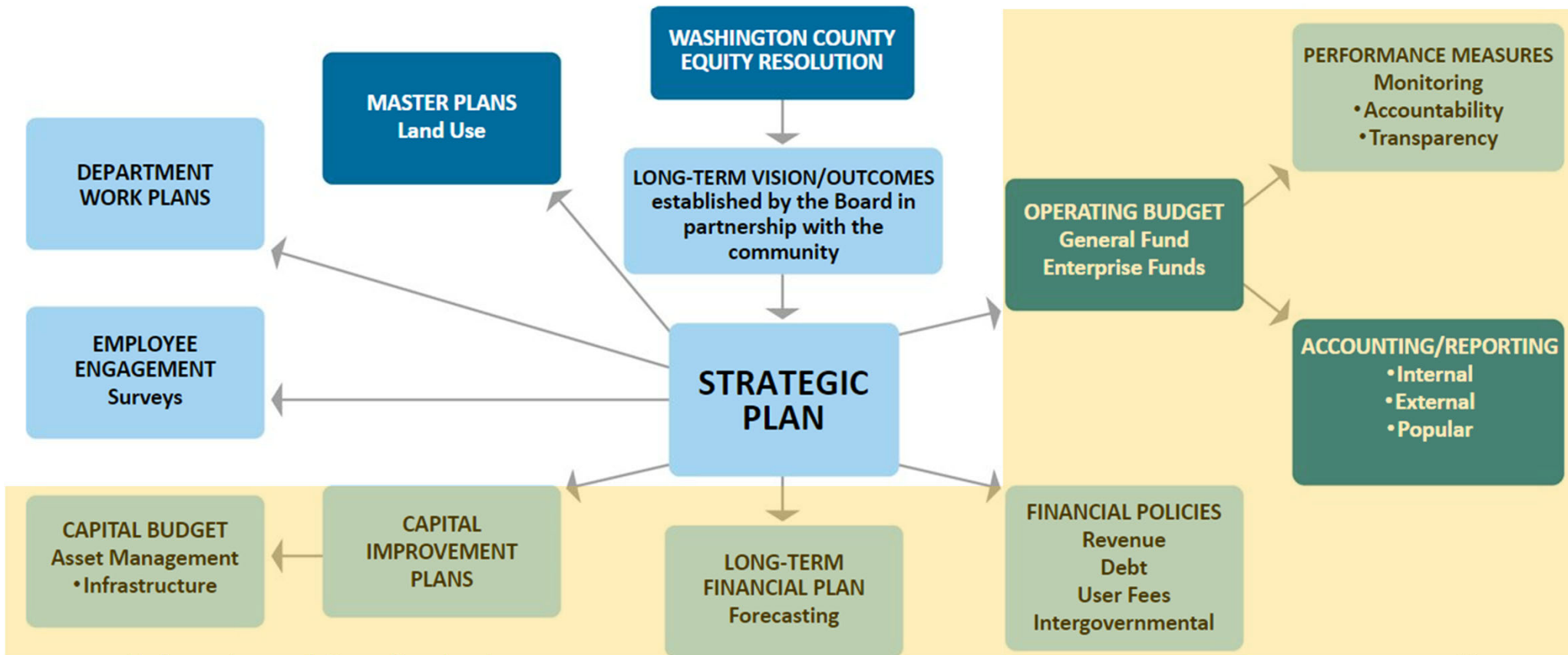
#### **Budget system includes:**

- Planning:** articulating a desired future state for where the organization wants to be in the future
- Budgeting:** allocating a local government's limited resources
- Monitoring:** making sure that the commitments made during planning and budgeting are lived up to and maintaining an understanding of the environment



# → #8 – Budget Process Redesign

Light blue boxes indicate a management structure/system that needs to be developed or reviewed



# → #8 – Budget Process Redesign

- Budget Office (staffing)
- General Fund Forecast
  - Model future impact of budgetary decisions
- Reorganize General Fund
  - Internal services
  - Special fund functions
- Centralize key county-wide budget functions
  - Forecasting
  - Decision support (agenda/dept support)
- Budget Policies
  - Contingency
  - Fund balance
  - 94% budget cap, year-end fund balance carry forward
  - Vacancy savings
  - Cash and reserves
- General ledger – revise chart of accounts
- Update Financial Policies
- Position control/FTE management
- Analysis of core/mandatory/discretionary services
- County-wide revenue forecast team
- GFOA Triple Crown Award
  - Annual Consolidated Financial Report
  - Distinguished Budget Award
  - Popular Annual Financial Report
- Continuous improvement – “Rethinking Budgeting” strategies
- Create County-wide Capital Improvement Plan
- Communications
  - Website
  - Monthly reporting
- Performance measures – report card

In process

Completed



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## → #7 – The Budget Office

- Provides a centralized county-wide financial planning and decision support hub
- Supports the County Commission, Budget Officer, County leadership and departments
- 4.0 FTE: Budget Manager and three analysts – fully staffed as of this week.





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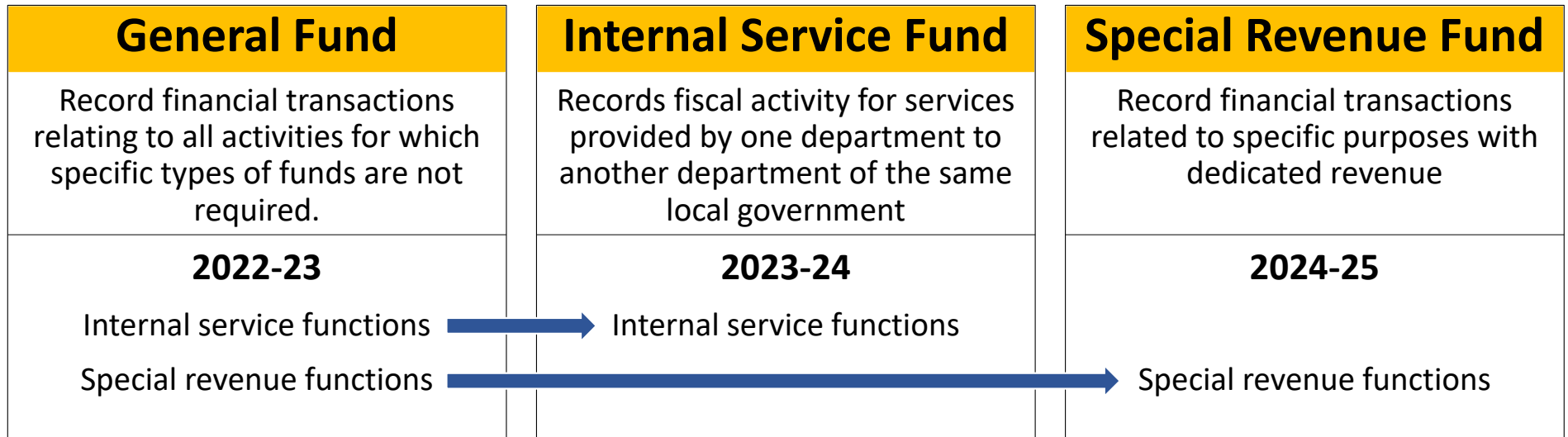


## → #6 – General Fund Restructure

- Move functions funded by non-GF sources to individual special revenue or enterprise fund
- Internal service functions
- Grant funded functions
- Create/improve transparency
- Simplify long-term forecasting



# → #6 – General Fund Restructure



## Expected impacts:

- More accurate cost of providing county services
- Full costing of internal service costs
- Increased transparency of internal service functions
- Simplification of internal service cost allocation model



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## → #5 – The General Fund Imbalance

### PROCESS REDESIGN

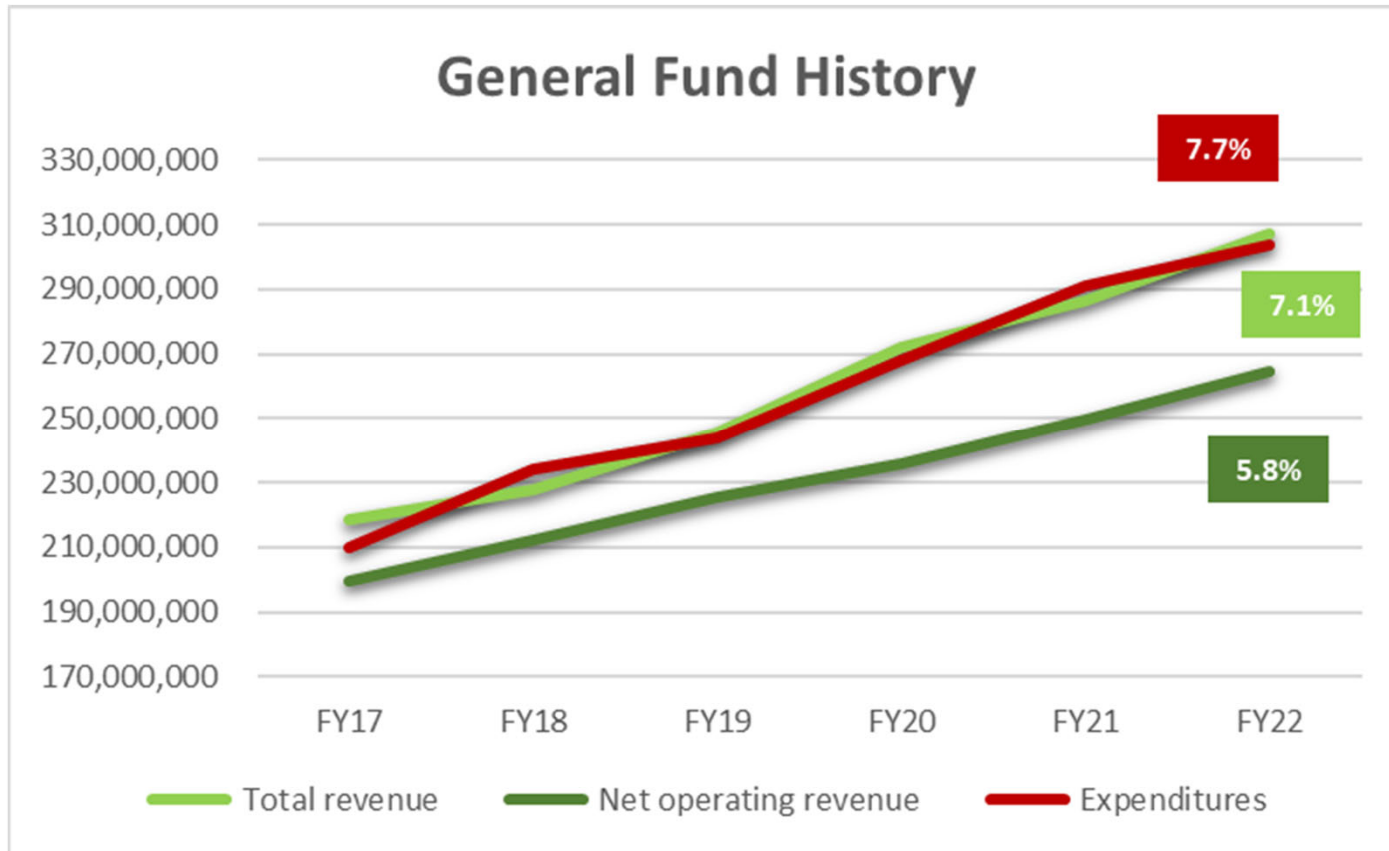
- Resource allocation mechanism
- Industry standards/best practices
  - Need for change
- Challenging to roll out
  - Will take a few years
- Forecasting – identifying and resolving \$ problems

VS.

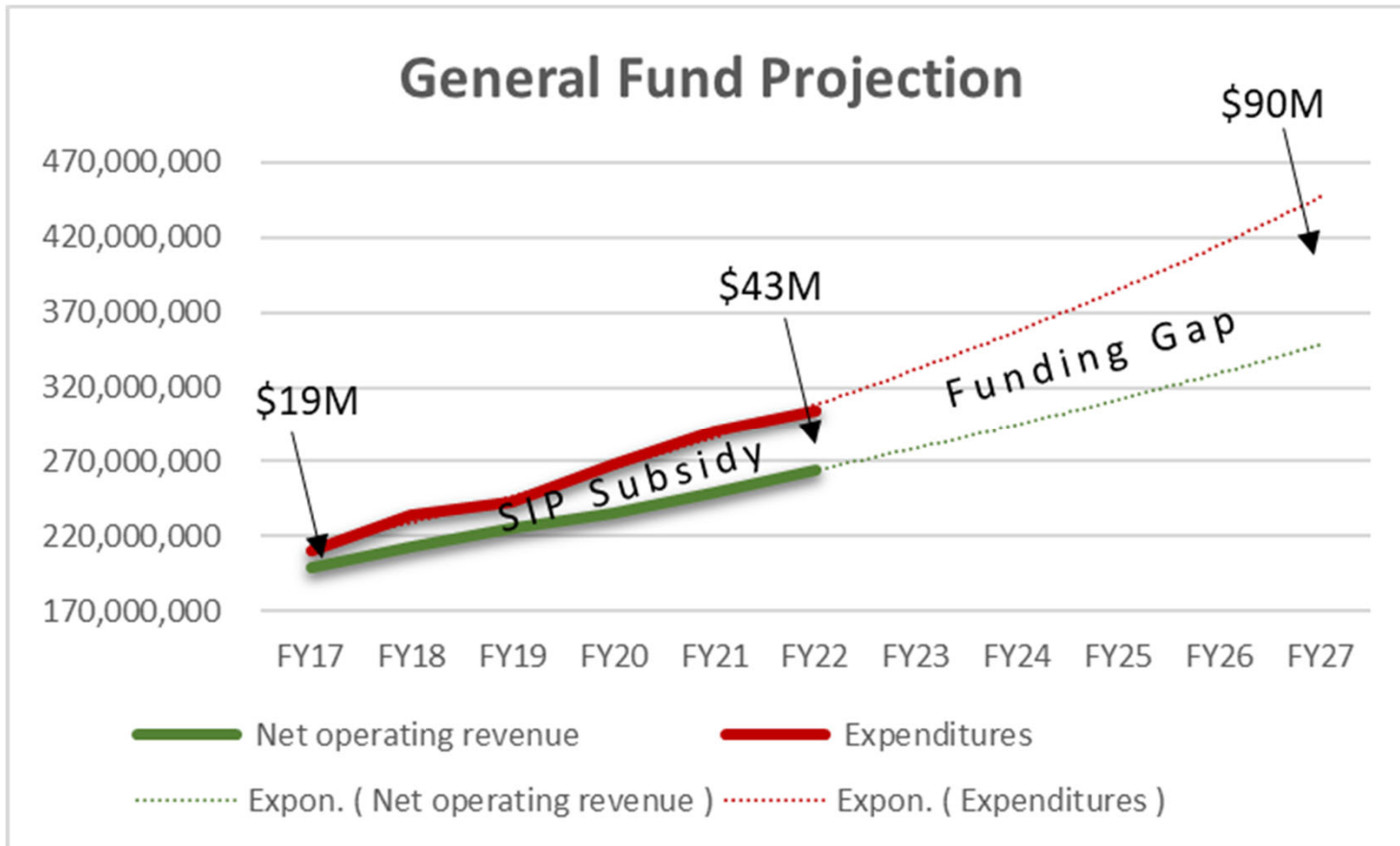
### BUDGET IMBALANCE

- Operating expenditures funded by one-time revenue
  - Expenses outpacing growth in revenue
- Adequate contingency and reserve funds
- Adequate funding for capital maintenance

# → #5 – The General Fund Imbalance



# → #5 – The General Fund Imbalance



## → #5 – The General Fund Imbalance

- \$43M of the budget is funded by “one-time” Strategic Investment Program (SIP) revenues
- Balance in the SIP fund is declining (\$10M at 06.30.22)
- Expenditures are growing faster than revenue (7.7% vs 5.8%)
- Contingency is underfunded
- Initial FY24 forecast projected GF expenditures exceed revenue by \$25M



# → #5 – The General Fund Imbalance

## FY24 General Fund Budget Forecast

Revised 10.25.22

### Assumptions

#### Fiscal Year 2022-23

Property tax revenue budget needs to be confirmed - assuming \$4M too high for now.

All other revenue assumed at levels budgeted.

Fund balance actuals 1.7M higher than budget.

Payroll costs projected at 92% of budget.

M&S and transfers projected at 100% of budget.

#### Fiscal Year 2023-24 Base Budget

One time adjustments to balance the FY23 budget (per page 15 of the budget) have been added back into the FY24 base budget as appropriate.

COLA 4.5% Applied to all 511 expenses except health insurance

Steps 2.5% Assume 50% receive a 5% step. Applied to all 511 expenses except health insurance

PERS 9.0% Reflecting a 2 percentage point increase.

Health insurance 12.0%

Paid Leave Oregon 230,062 Add one half of the employer cost share to fully fund program in FY24.

400,000 Net increase in administrative costs to manage program.

55% Cost impact to General Fund.

No increase to M&S or transfers

Revenue stabilization contingency moved to the GF

Assumes no additions (decision packages) to the base budget.

AcctType	Values				
	Sum of 2021-Actuals	Sum of 2022-Actuals	Sum of 2023-Budget	Sum of FY23 Projection	Sum of FY24 Base
Fund Balance	(36,310,181)	(31,765,395)	(34,100,000)	(35,342,161)	(41,241,692)
Revenue	(286,684,789)	(307,800,895)	(320,600,856)	(316,257,340)	(333,511,896)
Expenditure	291,229,575	303,761,120	354,700,856	310,357,809	400,093,967
<b>Grand Total</b>	<b>(31,765,395)</b>	<b>(35,805,170)</b>	<b>-</b>	<b>(41,241,692)</b>	<b>25,340,379</b>
Contingency			30,126,975		41,742,557
Net expense budget					358,351,410
<b>Budget short fall</b>					<b>25,340,379</b>
<b>Budget short fall as a percent of net expense budget</b>					<b>7.1%</b>
Property taxes					173,282,023
Four months worth of property taxes set aside in contingency					57,760,674
Current projected contingency					41,742,557
Additional amount needed to meet 4 months contingency					16,018,117
<b>Revised shortfall with 4 month property tax contingency</b>					<b>41,358,496</b>
<b>Revised budget short fall as a percent of net expense budget with 4 month ptax contingency</b>					<b>11.5%</b>

## → #5 – The General Fund Imbalance

### **Immediate Strategy: Balance the \$25.3 million gap in the General Fund**

- Create FY24 budget reduction scenarios: 4%, 7%, 10%
- Applies to all General Fund funded services, transfers and internal service functions
- Utilize surgical/focused reductions and/or “across the board”
- Assumes impact to service levels
- Use position cost management techniques
- Continue implementing Budget Redesign strategies



## → #5 – The General Fund Imbalance

### Future Strategies:

- Resolve unsustainable structural gap – expenditures growing faster than revenues
- Fully fund contingency to 4 month's property tax
- Create SIP policy
- Examine MSTIP/library funding practices
- Align funding and services to mandates and desired community outcomes
- Move special revenue functions from GF to special revenue/enterprise funds
- Control growth in health insurance costs
- Implement best practices reserve policies
- Create Capital Improvement Plan and funding options

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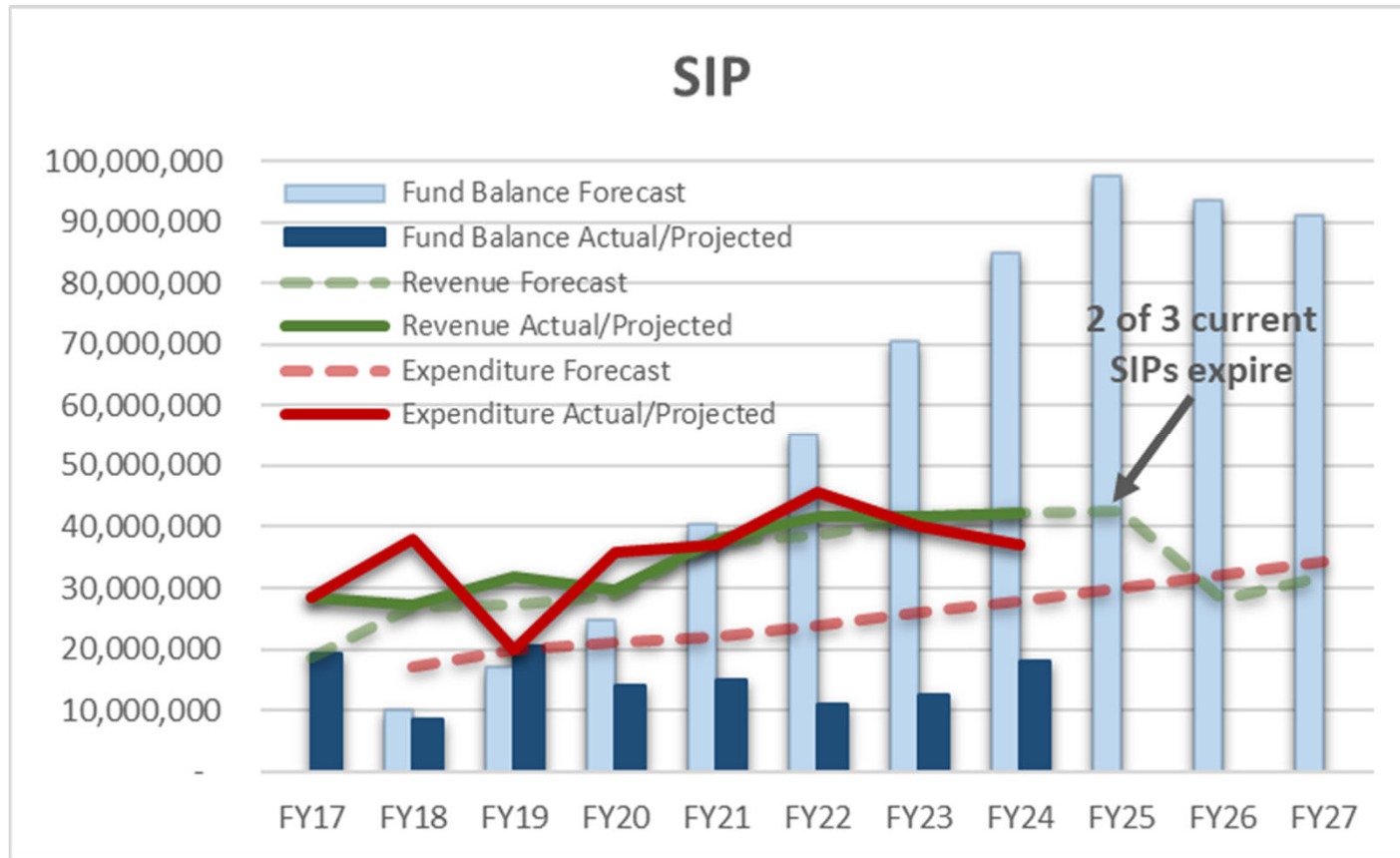
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# → #4 – Strategic Investment Program





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## → #3 – Contingency and Fund Balance

### **Current General Fund – Fund Balance Policy**

- 15-20% of net revenues
- Calculation is complex – assumes 94% spend rate plus ending fund balances in two other funds (one is SIP)
- Actual ending fund balance for FY21 and FY22 (actuals), FY23 budget and FY24 proposed using this method is between 24% and 27% each year

## → #3 – Contingency and Fund Balance

### **Revised Contingency Amount**

- Simpler and based on GFOA guidance – 4 months property tax revenue
- Purpose is to have enough money to fund operations for the first four months of the year until property taxes are received in November
- SIP fund balance not included – treat as one time funds not operational reserves
- 4 months of property tax = \$33.7M, as compared to current policy:
  - Is the same amount (excluding SIP fund balance)
  - Meets the minimum fund balance target (15% of net revenue)



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## → #2 – Capital Improvement Plan

### BEST PRACTICES



## Multi-Year Capital Planning

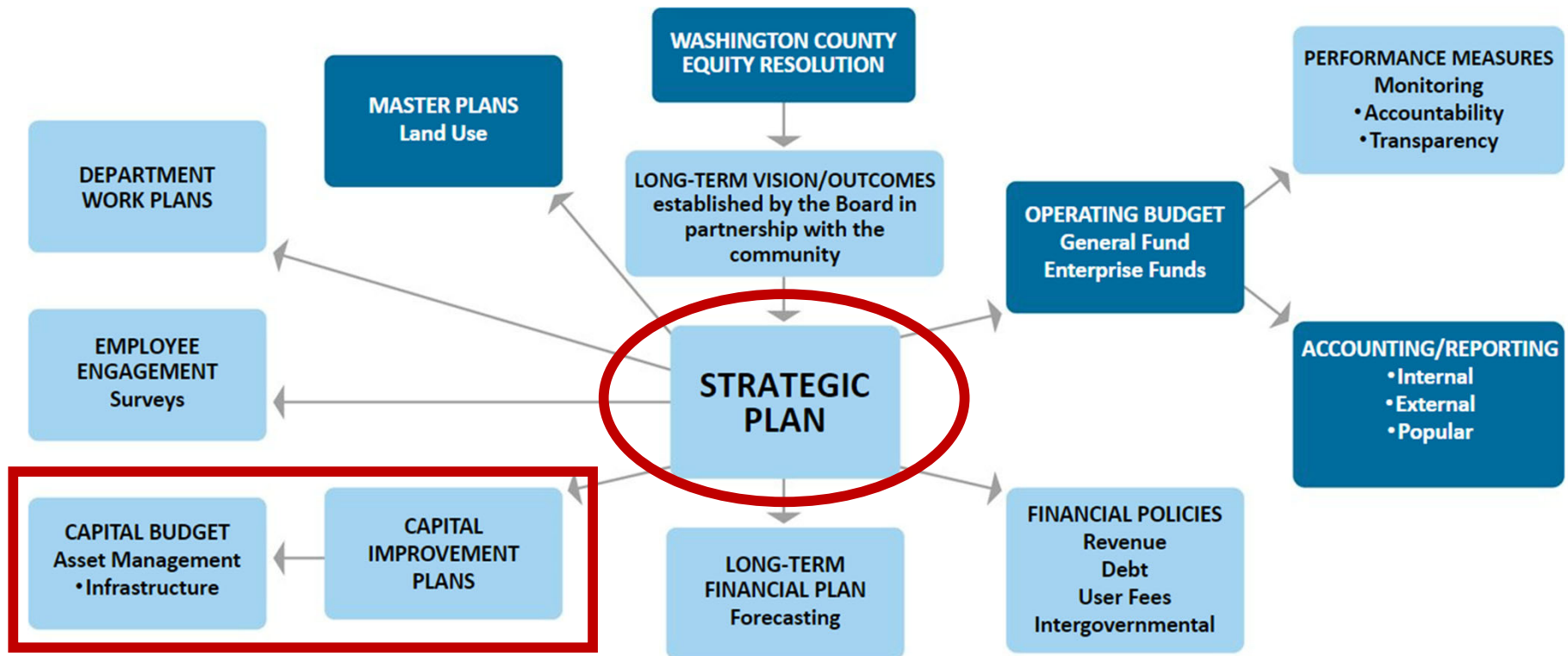
State and local governments should prepare and adopt comprehensive, fiscally sustainable, and multi-year capital plans to ensure effective management of capital assets.

GFOA recommends state and local governments prepare/adopt comprehensive, fiscally sustainable, and multi-year capital plans to ensure effective management of capital assets.

A prudent multi-year capital plan identifies/prioritizes expected needs based on a strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. A capital plan should cover a period of five to 25 years or more.

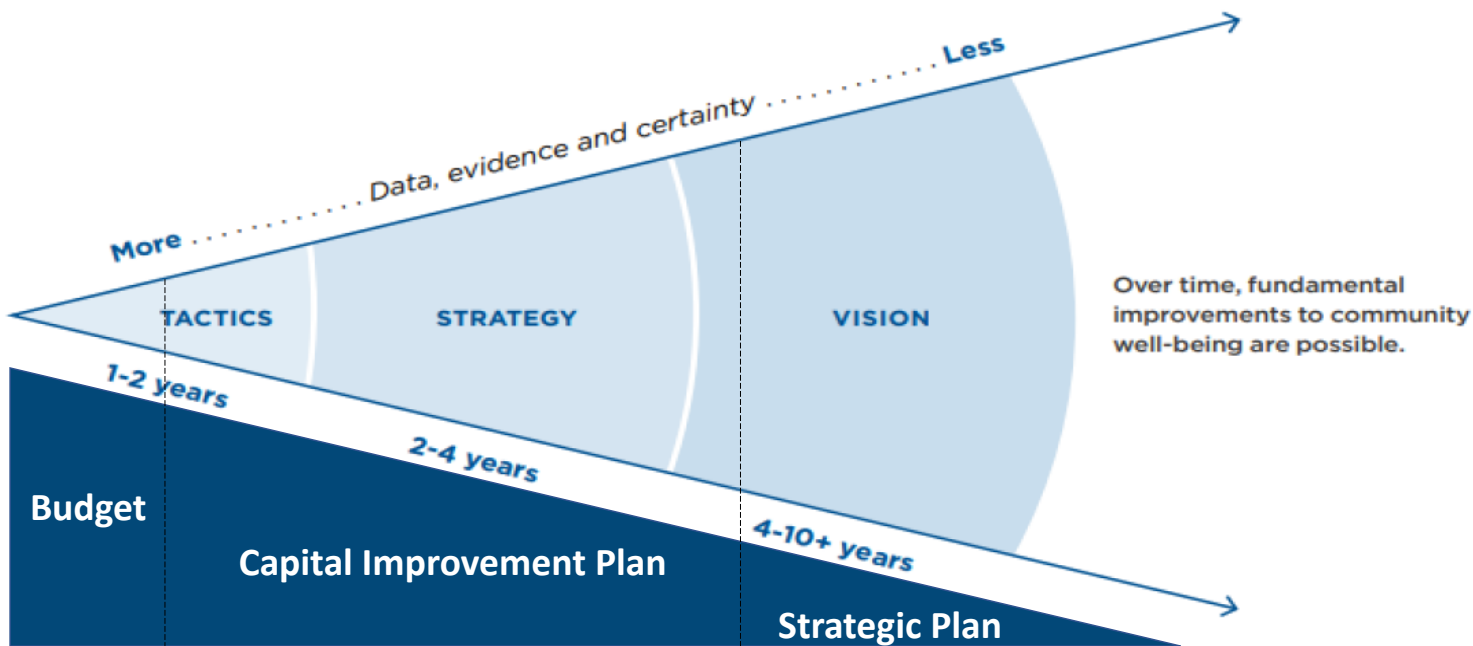
# → #2 – Capital Improvement Plan

Light blue boxes indicate a management structure/system that needs to be developed or reviewed



# → #2 – Capital Improvement Plan

EXHIBIT 1 | THE TIME CONE\*



The time cones shows us that tactics, strategy, and vision are all, simultaneously, part of strategic planning but receive different emphasis based on how far you are looking into the future.

\*Time cone is originally from: Webb, A. (July 30, 2019). How to do strategic planning like a futurist. *Harvard Business Review*.

# → #2 – Capital Improvement Plan

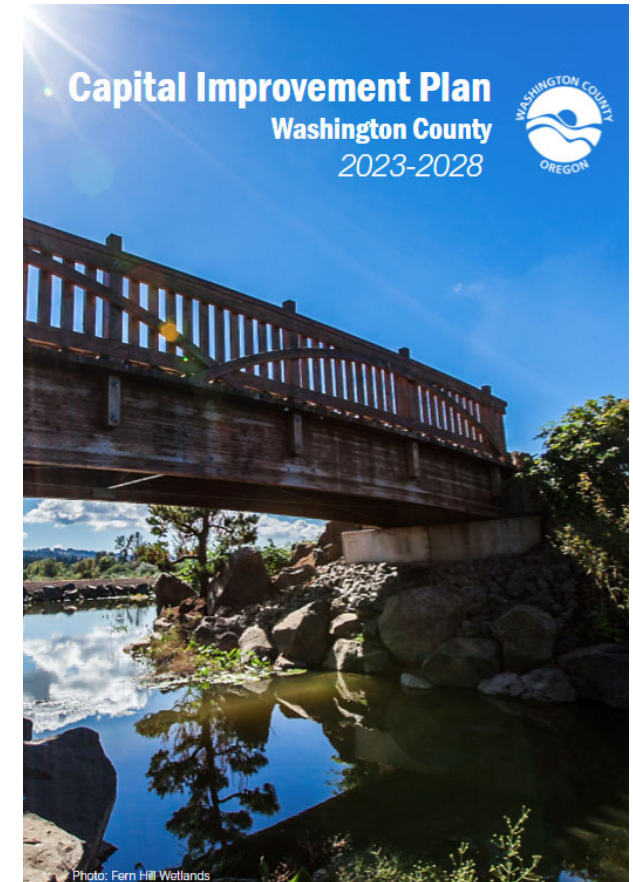
## Facilities CIP Expenditures and Revenues Summary

Funding Type		Actual Through FY 2021-22	Current FY (FY 2022-23)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Total
Expenditure	CATT	-	11,754,579	34,200,249	13,876,401	-	-	-	59,831,229
Expenditure	Critical Facilities Infrastructure	91,162	1,178,003	22,370,000	20,039,000	5,153,000	-	-	48,831,165
Expenditure	Project	27,244	60,000	7,300,000	300,000	5,897,756	625,000	1,500,000	15,710,000
Expenditure	Study	-	50,000	1,450,000	1,450,000	-	-	-	2,950,000
Expenditure	Walnut Street Center Seismic Up	98,085	-	-	-	901,900	18,900,000	-	19,899,985
Expenditure	(blank)	-	-	600,000	-	-	-	-	600,000
<b>Expenditure Total</b>		<b>216,491</b>	<b>13,042,582</b>	<b>65,920,249</b>	<b>35,665,401</b>	<b>11,952,656</b>	<b>19,525,000</b>	<b>1,500,000</b>	<b>147,822,379</b>
Revenue	Animal Services Gifts and Donati	-	(50,000)	-	-	-	-	-	(50,000)
Revenue	BER	(66,677)	(519,636)	(2,000,000)	(300,000)	(922,756)	(3,100,000)	(1,500,000)	(8,409,069)
Revenue	Facilities Capital	(51,729)	(17,436)	(1,920,000)	-	(3,475,000)	-	-	(5,464,165)
Revenue	FFC	-	-	-	-	(1,500,000)	-	-	(1,500,000)
Revenue	Fleet Capital Fund	-	-	-	-	-	(325,000)	-	(325,000)
Revenue	Gainshare	(98,085)	-	-	-	-	(2,901,915)	-	(3,000,000)
Revenue	General Fund	-	-	(180,000)	-	-	-	-	(180,000)
Revenue	HHS Grants	-	(11,754,579)	(34,200,249)	(13,876,401)	-	-	-	(59,831,229)
Revenue	Local Option Levy	-	-	(20,000)	-	-	-	-	(20,000)
Revenue	Local Share	-	-	(625,000)	(625,000)	-	-	-	(1,250,000)
Revenue	SIP	-	(150,931)	-	-	-	-	-	(150,931)
Revenue	Special Funds	-	-	-	-	-	(3,500,000)	-	(3,500,000)
Revenue	State Grant	-	-	(925,000)	(625,000)	-	-	-	(1,550,000)
Revenue	TBD	-	(550,000)	(25,450,000)	(20,239,000)	(6,054,900)	(9,698,085)	-	(61,991,985)
Revenue	(blank)	-	-	(600,000)	-	-	-	-	(21,600,000)
<b>Revenue Total</b>		<b>(216,491)</b>	<b>(13,042,582)</b>	<b>(65,920,249)</b>	<b>(35,665,401)</b>	<b>(11,952,656)</b>	<b>(19,525,000)</b>	<b>(1,500,000)</b>	<b>(168,822,379)</b>
<b>Grand Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,000,000)</b>



## → #2 – Capital Improvement Plan

- 2022 Countywide Capital Improvement Planning begins
- July: GFOA Strategic Plan Process and Framework Roundtable
- September: Budget Process Redesign Roundtable
- October: Strategic Planning Process Update Roundtable
- December: Finance Update Work Session
- December: Capital Improvement Plan Update Work Session
- March 2023: CIP Update Work Session
- June: Board Approval of the FY23-28 CIP



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## → #1 – Path to Fiscal Sustainability

**Looking ahead – we've made good progress but more work to do...**

- More GF budget adjustments will need to be made
- SIP policy to be developed likely requiring further reductions
- Financial policy work has started with the help of the County Auditor
- New Enterprise Resource Planning system + review of procedures
- Finalize the Capital Improvement Plan process
- Formalize decision support and long-term financial forecasting
- Continue budget process redesign work





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## → Next Steps

- Electronic version of Proposed FY 2023-24 Budget now available on website: <https://www.washingtoncountyor.gov/finance/2023-24-county-budget-reports>
- First Budget Committee meeting on Monday, May 8 (County/SDL)
- Questions after tonight's meeting?
- Thank you for participating in this important work!





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