2016-2017

Budget Policies
And
Strategic Plan/Resource Reduction Strategy

CLATSOP COUNTY BUDGET
POLICIES & STRATEGIC PLAN/RESOURCE REDUCTION STRATEGY
2016-2017

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MESSAGE TO DEPARTMENT DIRECTORS:

This is the 172nd year of the incorporation of Clatsop County government and while the economy is seeing improvement fiscal responsibility is still a key factor for the 2016-17 budget process. The reason Clatsop County is able to survive during difficult times is the leadership provided by the Board of Commissioners through the policies that promote sound financial management, stability, and efficiency.

The FY 2016-17 Budget Policies that are scheduled to be adopted by the Board in January have not had any significant changes from the FY 2015-16 Budget Policies, but please continue to review thoroughly so that you are familiar with them. The FY 2016-17 Budget Policies allow the use of up to the lowest year of actual timber receipts over the last fifteen years, which will be the same amount in the General Fund as in 2015-16. While this policy helps sustain our current level of General Fund supported activities, resource limitations require conservative budgeting.

The General Fund Stabilization Account provides a long-term resource for General Fund operations in the event timber revenues received are insufficient in the future. The County's most recent timber revenue projections indicate the County will receive about the amount received last year. For this reason and due to planned projects, the County will need to continue to limit expenditures in the Special Projects Fund.

The Board of Commissioners' Budget Policies and Strategic Plan/Resource Reduction Strategy provide budget preparation guidelines to County staff. The FY 2016-17 Budget Policies that are pending approval from the Board require a General Fund budget with no new positions and aggressive efforts to achieve cost savings. The Resource Reduction Strategy outlines the process in which reductions will be made in the event of resource shortfalls. The Adopted Budget Policies and Strategic Plan/Resource Reduction Strategy are included in the Budget Manual. General Fund Departments will be provided with a base budget amount that is to be used when preparing their FY 2016-17 department budgets. The expectation of Budget & Finance is that non-general fund departments will prepare line item requested budgets in accordance with the Adopted Budget Policies. The County Manager's Proposed Budget will identify the service and expenditure reductions, if necessary, to balance the budget following the Board's Budget Policies and Resource Reduction Strategy.

Although the economy has begun to see some revitalization we continue to face financial challenges due to continued cuts in State and Federal funding. While it is important to recognize that we continue to fare better than most public bodies in Oregon, it is also important to recognize that this is directly attributable to our budget policies and practices. We have a strategic plan that has prepared us for difficult economic times and requires us to be fiscally accountable. This is a reflection of the collaborative efforts of the Board of Commissioners and the employees.

If you have any questions about the budget process, please feel free to contact me or my staff at any time.

Sincerely,
Monica Steele
Budget & Finance Director

2016-17 BUDGET CALENDAR

January	**4**	**Salary & Benefit Cost Sheets Distributed to Individual Departments**
	27	**County Board Reviews and Adopts Budget Policies**
	29	**2016-17 Budget Manual Available** **Budget & Finance will provide Departments with Indirect Cost Charges**
February	**3-4**	**Departmental Budget Trainings – Due date for any requests for cost sheet revision must be submitted.**
	12	**Departments submit current budget year (2015-16) expenditure and revenue projections to the Budget & Finance office.** **Departments submit GF Capital Outlay proposals & GF Future Capital Outlay proposals (submitted by General Fund Departments only).**
	26	**All departments submit line item budget proposals *(General Fund Summary and Special Fund Summary)* and supporting schedules: Expense, Revenue, Personnel/Program Changes, Education/Travel/Membership, Capital Outlay, Future Capital Outlay, & Contractual Services, by entering the information into the GL *and in hard copy form*. Please organize forms by organizational unit.**
March	**7**	**Budget Committee convened**
	10-17	**Budget & Finance review meetings with departments and County Manager**
	18	**Additional budget review meetings if necessary**
	25	**Deadline for submission of approved budget revisions**
	30	**Final Department Requests**
April		
	1	**Final decisions by County Manager**
	18	**Proposed budget document to printers**
May	**2**	**Budget Distribution**
	9	**First Budget Lay-Committee Meeting / County-wide Budget (Monday 9am – 2pm)**
	11	**District Budget Committee Meeting and Second Lay Budget Committee Meeting /County-wide Budget - if necessary. (Wednesday 4pm – 5pm)**
	24	**Deadline for Budget Committee Recommendation to BOCC**
June	**8**	**Public Hearing by Board of Commissioners on Proposed Budget**
	22	**2016-17 Budget Adoption by Board of Commissioners.**

CLATSOP COUNTY
IMPLEMENTING DIRECTIONS
ADOPTED
2016-17 COUNTY BUDGET POLICIES

I. Clatsop County Budget Process:

The budget process and resulting budget document reflect the County's priorities for the coming fiscal year as established by the Board of County Commissioners. The budget document, in its entirety, serves the citizenry as a Policy Document, Operations Guide, Financial Plan, and Communication Device.

The County will adopt a balanced budget for all funds. A balanced budget is defined as a budget where planned expenditures do not exceed the amount of resources available in accordance with state law.

II. Budgets Supported by the General Fund:

A. General Fund Emphasis: The highest priority shall be to conserve General Fund discretionary resources to fund priority programs. The goal shall be to prepare a budget that maintains existing higher priority programs supported by the General Fund while at the same time seeking savings wherever possible.

B. Cost Efficiency: Staff will prepare fiscally conservative budgets and will seek savings wherever a balance between cost efficiency and the quality of public service can be achieved.

C. Base Budget Calculation: General Fund Departments will be provided a base budget amount and are required to submit budget proposals that are not more than the base amount. The base allocation is calculated using departments adopted 2015-16 budgets and includes any known adjustments, either increases or decreases, in expenses for the coming budget cycle.

1. Staffing Levels: The base budget includes a "status quo" position type and FTE (Full-Time Equivalent) count. Any requested changes for the coming year will need to fit within their base budget amount and be authorized by the Board.
2. Materials & Services: The base budget will include an increase for materials and supplies in the amount of 3%above the current 2015-16 budgeted levels.
3. Personnel and Work Program Justification: Personnel or program expenditure changes that departments cannot fit within their base budget allocation must be submitted along with their budget submittal using the provided Personnel and Work Program Justification form (budget form 2). Each request will be evaluated by the Budget and Finance Department and the County Manager for inclusion in the 2016-17 budget submittals to the Board.

D. Revenue Estimates: Departments should budget for revenues based on the best information available during the budget process. If additional information becomes available during the budget process, it should be provided to Budget and Finance on a timely basis. Accuracy in revenue/expenditure estimates is critical. New revenues should be estimated based on available information the first year. Subsequent annual estimates should also take into consideration actual receipts from the previous year.

E. Pursuit of New Departmental Revenues: Departments shall pursue revenue sources to the fullest extent possible for all services using activity-based costing to determine all cost drivers, both direct and indirect, for fee setting purposes. Any new revenue sources should be used to offset the cost of existing staff and programs, rather than funding new staff or programs. Fee schedules will be reviewed annually to ensure costs are recovered.

F. Expenditure Reductions: In the event that reductions in revenues require expenditure reductions from the base budget level the County Manager will be guided by the Board's adopted Resource Reduction Strategy.

G. New Discretionary Programs: New discretionary programs should be included in the department's budget submittal using the Personnel and Work Program Justification form (see C3 above). The impact of new or expanded programs on overhead services (information system services, financial services, building/grounds maintenance, human resource services, budget services, etc.) shall be evaluated to determine if overhead services need to be increased due to the addition of new programs. The costs of increases in overhead services attributed to additional programs shall be included in the analysis of the total cost of new programs. Should outside funding for a program expire, the program may be terminated by the Board of Commissioners.

H. Full Cost Recovery: County staff shall make every effort to assign costs in the department where they occur through the use of interdepartmental/interfund charges and indirect cost percentage assignments. The intent is to clearly define the actual cost of each direct service the County provides internally or externally. The first priority is the recovery of overhead costs from all funds and grant programs and from County Service Districts, through the use of the County's Indirect Cost Allocation Plan.

I. Unexpected Budget Savings During the Year: Should a General Fund supported department experience savings during the year (due to position vacancies, etc.) to the extent possible that savings should not be spent and instead used to augment fund balance.

III. Non-General Fund Budgets:

A. General Fund Contributions: For activities or programs funded primarily from non-General Fund sources, Departments are to prepare budgets holding any General Fund contribution to no more than the amount provided in the current (2014-15) fiscal year, subject to the availability of funds. Whenever possible, reductions in General Fund contributions should be identified.

B. Revenue Reductions: Non-General Fund departments experiencing reductions in State-shared or federal revenues or other earned revenues should not include a General Fund contribution offsetting the reduction (for further information, see the Resource Reduction Strategy).

C. Revenue Estimates: Departments should budget for revenues based on the best information available during the budget process. If additional information becomes available during the budget process, it should be provided to Budget and Finance on a timely basis. Accuracy in revenue/expenditure estimates is critical. New revenues should be estimated based on available information the first year. Subsequent annual estimates should also take into consideration actual receipts from the previous year.

D. Overhead Cost Allocation Charges: All non-General Fund departments should budget the amount allocated to that department in the County's Indirect Cost Allocation Plan.

E. Cost Efficiency: As with the General Fund, staff responsible for non-General Fund budgets will prepare fiscally conservative budgets and will seek savings wherever a balance between cost efficiency and the quality of public service can be achieved.

F. General Fund Transfer Savings: Budget and Finance will monitor and work with departments on the necessity of making all or some of the budgeted General Fund transfers to non-General Fund departments.

IV. Reserves and Contingencies:

A. Funding of Contingencies: At least 10% of the General Fund's appropriation, but not less than $1.5 million, shall be placed into the operating contingency with the expectation that most will not be spent and will become part of the 2017-18 beginning fund balance. The General Fund operating contingency for 2016-17 shall be increased if carryover resources are available in accordance with recommendations provided in the County's long-term financial plan.

B. Use of Contingency: In all funds, no expenditure can be made using budgeted contingency prior to approval from the Board of County Commissioners. With the approval, the expenditure authority budgeted as contingency will be reduced and the appropriate expense account(s) will be increased by the same amount. Any request for use of contingency must address the following considerations:

1. Need: reason the expenditure is necessary in the current fiscal year.

2. Planning: reason this expenditure could not have been anticipated during the budget process.
3. Alternatives: besides contingency, how can the organization realistically fund this request and what are the impacts.

C. Special Projects Fund: Retain no more than the lowest year of actual timber receipts over the last fifteen (15) years in the General Fund, not to exceed the amount required to support the current level of General Fund services. Transfer all other timber monies to the Special Projects Fund, where it will be used to fund General Fund capital projects and other one-time expenditures. Ongoing operating expenditures will not be funded using the Special Projects Fund.

D. General Fund Resource Stabilization Account: Maintain a line item in the Special Projects Fund to set aside timber revenue resources to provide a long term resource for General Fund operations in the event timber revenues received are insufficient in the future. The General Fund Stabilization Account will be used to meet General Fund financial commitments in any year when the County's timber revenue projection is less than the total amount of current year commitments including the amount provided to the General Fund for operations as set forth in Section IV C., above and any debt payment obligations. In order to be fiscally responsible as well as fiscally responsive to potential decreases in timber sales, the County's target for the General Fund Stabilization account with carryover fund balance resources is $2 million.

V. Matching Funds:

A. County Share: If State funding is reduced, there should be no increased County share for programs funded primarily from non-General Fund sources. The exceptions would be for high priority programs or mandated increases in the County share. Staff shall consider the effect of reducing the existing General Fund match to the lowest allowed by State/Federal mandates.

B. In-kind Contribution: In-kind resources already allocated by the county will be used first as matching funds for grant purposes. Hard dollar match resources will be used last.

VI. Lobbying and Grant Applications:

A. Approval to Pursue: County Manager's Office approval is necessary before appointed County representatives and employees pursue lobbying efforts on matters having budget implications, and before grant applications are submitted to the granting agency. Elected department heads should advise the Manager's Office before official positions are taken on matters that might have budget implications.

B. General Fund Matching Funds: General Fund match or share of the cost of a grant project may not be included in grant applications without the prior review and approval of the County Manager or designee.

VII. New Positions and Programs:

A. Considerations of New Positions and Programs: Consider new positions and programs only if the cost of the position or program is offset by non-General Fund sources legally tied to the new position, or if the cost of the position is offset by new external revenues, and the position is required to generate those revenues, or is pursuant to item II.G., above. Cost estimates for new positions will include office facility space, equipment, rent, utilities, supplies, related increases in overhead services (as identified in II.H. above), etc.

VIII. Mid-Year Budget Reductions:

A. Revised Revenue or Expense Estimates: If additional information concerning revenue reductions or significant expense increases becomes available after the start of the 2016-17 fiscal year, it may be necessary to make budget adjustments. These adjustments will be made in accordance with the Board's adopted Resource Reduction Strategy.

IX. Mid-Year Requests, General Fund Contingency:

A. Non-Emergency Requests: In those cases where a department is required to absorb an unanticipated cost beyond its control of a non-emergency nature, departmental resources must first be exhausted prior to a transfer from General Fund contingencies. Upon conducting a final financial review of departmental budgets towards the end of the year, a transfer from contingency may be made to cover unanticipated costs that could not be absorbed through the year.

B. Emergency Requests: Emergency requests during the fiscal year will be submitted to the Budget and Finance Department for recommendation and forwarded to the County Manager and Board of Commissioners for consideration.

X. Employee Salary Adjustments:

A. Cost of Living Adjustment: Budgeted personnel services expenditures will include an amount to account for a cost of living adjustment for all employees. The amount budgeted for this purpose will take into account the most recent consumer price index information available at the time the budget is prepared, existing collective bargaining agreements, and other relevant information.

B. Step Adjustments: Budgeted personnel services expenditures will include an amount to account for annual step adjustments for all employees who are not currently at the top of their range. Annual employee step adjustments will not exceed 5%.

XI. Budget Controls:

A. Legal Compliance: The County Budget Officer or designee will continue to review and control departmental budgets to ensure legal compliance with all applicable rules and regulations.

XII. Contribution(s) to Outside Agencies:

A. The Board, to the extent resources are available, may allocate up to $30,000 in General Fund resources for contributions to outside agencies or organizations.

XIII. Discretionary Resources:

A. Maximize Board's Discretion: Wherever legally possible, revenues are to be treated as discretionary resources, rather than as dedicated to a particular program or service. The goal is to give the Board as much flexibility as possible in allocating resources to local priorities.

B. Room Tax Revenues: 7% of the 9.5% room tax monies are not legally dedicated to fund particular programs or services. The additional 2.5% is to be distributed as directed by HB 2267 which allows 70% of the new revenue to be used to fund tourism promotion or tourism-related facilities. The remaining 30% of the increase can be used in a discretionary manner and under the Board's direction is intended to be used to fund storm water drainage and improvements to public roads primarily in Arch Cape.

C. Video Lottery Revenues: Video Lottery monies must be used to further economic development, as defined by the Board. The Board recognizes that a wide variety of County programs and services further economic development, by helping to create a climate that makes economic development possible. The first priority for use of video lottery monies will be those existing or new high priority County programs, services, or projects that the Board finds are supporting economic development in the County.

D. Parks Land and Acquisition Maintenance Fund: Spending priorities for the Parks Land and Acquisition Maintenance Fund are as follows:

1. Matching funds for grants for new or existing Parks facilities that generate revenue;

2. Urgently needed maintenance of existing parks facilities; and

3. Recognition that a portion of the fund be used to support parks operating expenses.

When the Parks operation begins to generate revenue beyond the amount needed to cover actual operational costs without General Fund support, the excess amount will be returned to the Parks Land and Acquisition Fund to support parks acquisition and/or major improvements.

E. Use of Dedicated Funding Sources: Whenever legally possible, transfer funding responsibility for existing programs or activities to appropriate dedicated funding sources, freeing up scarce discretionary resources to fund Board priorities.

XIV. Unappropriated Ending Fund Balances:

A. Limit Unappropriated Ending Fund Balances: To provide the most budget flexibility during the year, limit the use of unappropriated ending fund balances to circumstances where they are required by law. Rather than use unappropriated fund balances, the goal should be to place any monies not needed for current expenditures in the relevant funds' operating contingencies.

XV. Performance Based Budgeting:

A. Performance Measures: In accordance with the county's long-term financial plan, service performance measures are included as part of our budget materials for all organizational unit budgets where program measures can be identified.

CLATSOP COUNTY STRATEGIC PLAN/RESOURCE REDUCTION STRATEGY

STRATEGIC PLAN

Guiding Policies & Principles

1. Recognizing its financial limits, the County will make a distinction between two different types of services: those that are funded primarily from County discretionary resources; and those that are funded primarily from dedicated resources:

   * County discretionary resources fund traditional county services that have historically been funded by discretionary resources, and are not services that generate significant revenues from fees or other sources. The County will fund these programs primarily from discretionary resources.

   * Dedicated resources (e.g., fees, grants, state-shared revenues) are traditional county services that have historically been funded primarily with discretionary resources, or if they are traditional county services and may generate significant revenues from fees or other sources. Frequently, these services will be state or federal programs that the County administers locally, such as Parole & Probation. The County will fund these programs primarily from dedicated resources. Exceptions may be made, on a case-by-case basis, only by the Board of County Commissioners. One criterion will be whether the County would incur more significant discretionary costs in another part of the system by failure to provide discretionary support to a county-wide service funded by dedicated resources.

2. The County's priority services funded by discretionary resources are listed below:

Priority	Functional Area
1	Public Safety and Justice
2	Public Health
3	General Government Direct Services
4	Community Development, Land Use, Transportation & Housing
5	Culture and Recreation

   As additional discretionary resources become available, the County will consider the priority of functional areas as part of the decision making process in determining which programs will receive additional and/or new funding.

   The County's overhead programs will not be prioritized, but will be sized to the need and size of the overall organization.

3. Generally, wherever possible, the County's goal is to make fee-supported programs self-sufficient. This includes recovering those programs' appropriate share of the County's overhead costs.

4. Where legally possible, the County will consider using dedicated resources to fund high priority programs related to the purpose for which the dedicated funds are received.

RESOURCE REDUCTION STRATEGY

General Policies and Principles

1. When faced with a potential reduction in resources, the County's goal is to continue to provide high priority services in a professional, effective and efficient manner. Consequently, to the extent possible, across-the-board reductions in expenditures will be avoided. Reductions will be made on a case-by-case basis, focusing on each individual program or service.

2. Expenditure reductions will attempt to preserve the higher priority functional areas as much as possible; however, all functional areas may have to share in the overall need for reductions. Wherever possible, it will also be the County's goal to reduce the quantity of a service being provided, rather than the quality of service (e.g., limit the number of recipients of a service, rather than the quality of service provided to the remaining recipients).

3. For purposes of the 2016-17 fiscal year budget, the County will not consider seeking voter approval for a new or increased broad-based discretionary revenue source (such as a new property tax base, sales tax or real estate tax) to offset any reduction in revenues.

4. Recognizing that it does not necessarily make sense to fund current operations at the expense of long-term capital or planning programs, every effort will be made to continue capital and planning programs geared to the County' s long-term needs.

Resource Reduction Priorities

If, as a result of loss of a significant amount of discretionary resources, expenditure reductions become necessary, those reductions will be made roughly in the following order:

1) First, County contributions to outside organizations will be reduced or eliminated. If this proves insufficient, then

2) Moderate reductions in discretionary support will be made on a case-by-case basis. These reductions will focus first on programs funded by dedicated resources and then low priority services funded by discretionary resources. Reductions made at this point will generally not have a significant impact on service levels. If this proves insufficient, then

3) Any discretionary funding for County-wide services that are funded by dedicated resources will be reduced or eliminated. This may apply to programs or activities expanded or started with discretionary resources within the last few years. Exceptions may be made on a case-by-case basis, by the Board of County Commissioners. One criterion will be whether the County would incur more significant costs in another part of the system by failure to provide discretionary

support to a County-wide service funded by dedicated resources. If necessary, where legally possible the County will consider turning these programs over to the state. If this proves insufficient, then

4) Discretionary funding for programs funded by discretionary resources will be reduced or eliminated. To the extent possible, funding reductions will attempt to preserve the higher priority functional areas as much as possible; however, all functional areas may have to share in the overall need for reductions. If necessary, the County will consider turning programs over to the state where legally possible. County service area priorities are:

Priority	Functional Area
1	Public Safety and Justice
2	Public Health
3	General Government Direct Services
4	Community Development, Land Use, Transportation & Housing
5	Culture and Recreation

General Government overhead will be sized to the needs and size of the rest of the organization. If this proves insufficient, then

5) A reduced County workweek will be proposed to achieve salary savings.

If, due to a loss of state-shared revenue, significant expenditure reductions become necessary in programs that are primarily the state's responsibility, then the County will consider returning responsibility to the state for operating those programs.