

# WASHINGTON COUNTY

## COUNTY 2020

### Finance Plan (DRAFT)

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The Finance Plan includes a broad overview of funding basics and two key operational elements, the Resource Allocation Strategy and Resource Reduction Strategy. The Resource Allocation Strategy essentially describes the method used to determine how the various types of County services are to be prioritized, and subsequently, how they are to be funded. The Resource Reduction Strategy establishes a well-planned, orderly approach to the reduction in services. An important underlying principle of the Resource Reduction Strategy is that specific plans for reducing services and expenditures will be addressed and implemented before additional revenue sources are sought.

#### ***Part 1: Funding Basics***

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##### **A. Revenue**

Washington County provides services and infrastructure development through a complex array of federal, state and local revenue sources. The major sources of revenue include taxes, intergovernmental revenue, transfers from other funds, charges for services, licenses/permits and miscellaneous revenue.

These revenue sources are further categorized as either dedicated or discretionary.

##### **1. Dedicated Revenue**

Dedicated revenues are earmarked to fund specific programs and services. The Budget Committee and Board of Commissioners cannot reallocate these funds for other purposes. Much of the County's dedicated revenue come from the state or federal government, from fees charged to cover the cost of particular activities, and from internal charges for services provided by on County department to another. Most dedicated revenue is accounted for in special revenue and internal service funds, although some are received in the general fund.

Dedicated revenues are not generally available for purposes outside their statutory or policy directed purpose. Dedicated revenues account for approximately 73% of County revenues; the remaining 27% are considered discretionary.

Programs funded with dedicated revenues will generally reflect the level of service attainable by the amount of funding available. Certain programs may receive an additional allocation of discretionary resources (General Fund) to augment service levels or address public health and safety concerns.

A reduction in dedicated revenues does not result in an increase in discretionary resources, unless approved by the Board of Commissioners. Reductions in dedicated revenues will be addressed as provided in the Resource Reduction Strategy. See Table 1 for an illustration of dedicated revenue supported services and programs.

**2. Discretionary revenue** (a.k.a. General Fund revenue)

Discretionary revenue can be used to fund programs or services at the “discretion” of the Budget Committee and Board of Commissioners and are generally used to fund designated General Fund programs at constant or reduced funding levels as appropriate.

Strategic investments may be made if additional General Fund resources are available as guided by the Resource Allocation Strategy. The County Administrator may recommend modifications in discretionary spending when it is appropriate in order to continue effective operations or provide an adequate level of service. Discretionary revenues primarily include non-designated property taxes, certain intergovernmental revenue (i.e. cigarette tax), charges for services (i.e. clinic fees), fines and penalties and others. See Table 1 for illustration of discretionary (General Fund) services and programs.

**B. General Fund contingency** will be maintained at a minimum of 5 percent of the fund’s revenues. The goal is to begin the fiscal year with a combined minimum balance of 10 percent of the General Fund’s total revenues in the General Fund and Revenue Stabilization Fund contingency accounts.

Further information regarding the County’s policies and processes is available in the Board adopted Budget Policies and Finance Management Policies.

## ***Part 2: Resource Allocation Strategy***

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The County 2020 Plan reinforces a service delivery philosophy that distinguishes between municipal services (benefiting specific sub-areas and groups within the County) and services of countywide benefit (i.e., those services utilized by the broad spectrum of County residents). According to County 2020, services of countywide benefit are funded by a broad-based revenue structure, such as countywide property taxes and other general-purpose revenues. Enhancements to countywide services are funded by a specific local option levy. In such cases, the local option levy is considered dedicated revenue for purposes of the resource allocation and reduction scenarios. Municipal (city-type) services are to be funded by cities, geographically limited special districts, or user fees.

With regard to the funding of services of countywide benefit, further distinctions are made. The first is a differentiation between 1) those countywide services that are to be funded by the General Fund (discretionary revenues), 2) countywide services that are funded primarily by dedicated revenues with some level of discretionary (General Fund) contribution, 3) exclusively dedicated revenue funded programs and services; and 4) internal services funded by charges to other County funds. The following table identifies the countywide services that fall into these four categories.

**Table 1: Organization Units by Type (Source of Funding)**

<b>Functional Area</b>	<b>General Fund (Discretionary)</b>	<b>Special Fund with General Fund Contribution</b>	<b>Special Funds (Dedicated)</b>	<b>Internal Services Funds (Dedicated)</b>
<b>PUBLIC SAFETY &amp; JUSTICE</b>	Sheriff Administration, Countywide Law Enforcement, Jail, Jail Health Care, District Attorney, Juvenile Services, Justice Court	Community Corrections	Enhanced Sheriff Patrol District (ESPD), Local Option Levy, Emergency Medical Services (EMS), Law Library, Court Security	
<b>LAND USE, HOUSING &amp; TRANSPORTATION</b>	Community and Transportation Planning, Survey, Watermaster	Development Services, Survey, Building Services	Community Development Block Grant (CDBG), Housing Services, Engineering Services, Capital Project Management, Operations & Maintenance and Public Land Corners	
<b>GENERAL GOVERNMENT</b>	Board of Commissioners, Administrative Office, Auditor, County Counsel, Elections, Assessment & Taxation, Finance, Human Resources, Facilities Management, Purchasing, Information Technology Services		Real Property Management	Risk and Insurance Funds, Fleet Management, Internal Services (Central Services), Building Equipment Replacement
<b>Health &amp; Human Services</b>	Public Health, Veteran's Services, Animal Services	Human Services, Children & Family Services, and Disability & Aging Services	Oregon Health Plan Mental Health	
<b>Culture, Education &amp; Recreation</b>	Hagg Lake, Cooperative Library Services, Extension Services		County Fair Complex, Metzger Park LID, Parks and Greenspaces Opportunity Fund	

Secondly, a distinction is made between those General Fund supported countywide services that, to the extent additional resources are available are slated for growth in General Fund (i.e. discretionary revenue) support, and those that will receive constant or decreasing General Fund support.

For fiscal year 2005-06 through 2009-10 Public Safety and Justice and Human Services programs are slated to receive additional General Fund support, if resources are available. Priority will be given to the following:

- a) Strategic investments in Human Services and Public Safety and Justice programs that collaboratively address critical public safety and welfare initiatives. These investments will be instructed by a Public Safety, Justice and Human Services Plan (Enabling Plan), and
- b) Strategic investments in the Public Safety and Justice system to remedy imbalances in that system as described in the County 2020 Plan.

The remaining countywide services will receive steady or decreasing General Fund support.

In the event of a reduction in resources, the County will be guided by the resource reduction strategy that follows.

### ***Part 3: Resource Reduction Strategy***

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The potential components of any resource reduction strategy are essentially the same for all local governments. The differences come in how these components are structured in any particular jurisdiction (i.e., what happens first, what programs, if any are exempt from reductions, etc.). These components include:

- Distinguishing between high priority and lower priority programs.
- Incremental expenditure cuts.
- Major program cuts.
- Across-the-board cuts in funding.
- Implementation of new revenue sources.

The County's approach to structuring the components of a resource reduction strategy is set forth below.

#### **A. General Philosophy**

To the extent possible, across-the-board reductions in expenditures will be avoided. Reductions will be made on a case-by-case basis, focusing

particularly (though not exclusively) on each individual program or service. Maintaining a highly professional and efficient service delivery system is of foremost importance to the County. Thus, if it becomes necessary to make significant service level reductions, the goal will be to reduce the quantity of a service provided rather than the quality of service (i.e., limit the number of recipients of a service, rather than the quality of service provided to the remaining recipients). As an example of the latter goal, the County might limit the types of offenders supervised by Parole and Probation Officers, rather than dilute the level of supervision provided all offender categories.

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

## **B. Dedicated Resource Reduction Priorities**

Program reductions will be made in response to reductions in dedicated revenues. No discretionary resources will be used to "back-fill" loss of dedicated revenue unless approved by the Board of Commissioners. The decision to assign discretionary resources to compensate for a loss in dedicated revenue will be partially (or fully) based on whether or not the loss in funds will negatively impact the balance of any given service area or create unacceptable risk to public safety or health.

For example a reduction in state mental health resources may negatively impact the operation and discretionary funding requirements of the jail, jail health care, and civil commitments. In this case, the County may opt to invest discretionary resources in specific mental health programs/services in order to mitigate impacts on General Fund services and to maintain a balanced service delivery system.

Depending on the magnitude of dedicated funding reductions the County may pursue a number of options:

1. Consistent with the general philosophy, the County's first response is to evaluate service delivery methods, opportunities to prioritize services and/or reduce amount of services while maintaining quality.
2. Where and when appropriate, the County may eliminate a program or service in its entirety or consider returning program responsibility to

the State or other appropriate authority. In determining which programs will be returned, first priority will be given to those programs that are part of a service delivery system for which the State or other authority has primary responsibility (such as Aging Services). In the case of those State-funded programs which are part of service delivery systems for which the County has primary responsibility (i.e., Community Corrections), the County will evaluate the impact on the rest of that service delivery system of returning responsibility to the State.

**C. Discretionary Resource Reduction Priorities**

The County will respond to major discretionary resource reductions in accordance with the priorities set forth below. In implementing the actions set forth in these priority categories, the County will proceed as follows: First, the actions described in Category 1 will be implemented. If that proves insufficient, then the County will proceed to Category 2. Only if those actions prove insufficient to deal with the problem will the County proceed to Category 3, and so on to each succeeding priority category.

<b>Category Priority</b>	<b>Description</b>
	<b><u>Initial Actions</u></b>
1	The County Administrator will propose elimination of General Fund “block grant” support for outside agencies that are not funded by a dedicated revenue source and not controlled by the Board of Commissioners. This refers to funding of outside agencies whose programs the County has determined would not be provided directly by the County, if the outside agency currently providing the program did not exist. If it is decided that this service would be provided directly by the County, then the County will undertake its normal evaluation process to determine whether this service would be most efficiently carried out in-house or contracted out, and, if contracting is deemed most appropriate, a contract will be established for services. For those programs that fall into this latter category, their treatment under any expenditure reduction scenario will be in accordance with where they fall in terms of general County 2020 priorities (i.e., Public Safety & Justice, Health & Human Services, etc.).

<b>Category Priority</b>	<b>Description</b>
2	Moderate service level reductions will be proposed on a case-by-case basis. These service level reductions will focus first on reducing the general fund support provided to the different areas of County government (i.e., Public Safety and Justice, Health and Human Services, General Government, etc.). However, this does not mean that most recent investments will be eliminated, nor does it mean that each Department in an area will receive a reduction proportional to their prior increases. Instead, reductions will be made in such a way as to attempt to ensure balanced service delivery systems in those areas.
	<b><u>Intermediate Actions (to be considered only if initial actions prove insufficient)</u></b>
3	Major new sources of discretionary revenue will be proposed (such as a County sales tax or business occupation tax) and/or dedicated revenue sources that the County has the authority to undedicate will be proposed for reallocation (such as Hotel/Motel tax). This process will be conducted with extensive public involvement.
4	Major program reductions will be proposed in general accordance with County 2020 priorities. Program reductions will be made by service area in the following order: <ul style="list-style-type: none"> <li>a) Culture, Education and Recreation, base level of sheriff's Patrol, and certain Planning and Survey programs.</li> <li>b) Health and Human Services (Public Health) and Public Safety and Justice (excluding base level sheriff patrol.)</li> </ul>
	<b><u>Extreme Actions (to be considered only as a last resort)</u></b>
5	A reduced County workweek will be proposed to achieve salary cost savings.
6	Protect from debt and obligations through authorized restructuring.