

T. S. D.

## AGENDA COVER MEMORANDUM

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**AGENDA DATE:** December 4th, 2007  
**PRESENTED TO:** Board of County Commissioners  
**PRESENTED BY:** Bill VanVactor, County Administrator  
Dave Garnick, Budget & Planning Manager

**AGENDA TITLE:** **IN THE MATTER OF DISCUSSION OF LANE COUNTY  
SERVICE PRIORITY GUIDELINES IN PREPARATION FOR  
DEVELOPMENT OF FY 08-09 BUDGET**

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**I. MOTION - Discussion item – no motion required.**

**II. AGENDA ITEM SUMMARY**

Should the Board of County Commissioners revise the Service Priority Guidelines which establish the County's funding priorities?

This discussion is in preparation for the development of the FY 08-09 Budget. It is also a follow up on the Board of Commissioners strategic efforts to prepare the County for the loss of Secure Rural Schools funding.

The Board will review the existing Service Priority Guidelines defined in the Strategic Plan, and amended by the Leadership Team in January 2005. The County Administrator and Budget Manager will present alternatives for the Board to consider.

**III. BACKGROUND/IMPLICATIONS OF ACTION**

**A. Board Action and Other History**

On June 27<sup>th</sup>, 2007, the Board adopted order 07-6-27-19, setting out a timeline and set of objectives for reformulating the FY 07-08 Budget and implementing a process for budgeting for FY 08-09 and beyond. The order identified several steps to be taken, including taking measures to address the structural deficit, holding a Listening Tour, and developing and implementing a budget process for FY 08-09 and beyond.

**B. Policy Issues**

The first formal step in development of the FY 08-09 Budget will be the adoption, by the Board, of Budget Direction –scheduled for December 17<sup>th</sup>, 2007. Budget Direction is built on the General Fund financial forecast, the Strategic Plan, County Goals, the Board's priorities, and best budget and financial practices. Budget Direction establishes how many budgets will be prepared and depth of reductions in each.

Once Budget Direction is adopted, the Budget Office and budget staff in all the departments develop the General Fund Budget based on the Board's established Service

Priority Guidelines. The existing guidelines were first adopted as part of the Strategic Plan in March 2001, then further clarified for reductions and amended in January 2005. These guidelines are in place until the Board amends or replaces them.

### **C. Financial and/or Resource Considerations**

Altering the Service Priority Guidelines will not change the funding available to the General Fund, but may result in changes to which General Fund services will be funded to what level.

### **D. Analysis**

**CURRENT POLICY:** These guidelines produced last year's priority list.

- A. Immediate response to Life/Health/Safety matters.
- B. Services that provide prevention, deterrence or treatment.
- C. Services that have a high Return on Investment, are highly leveraged, or have high outcomes and results, and are linked to core strategies.
- D. Mandated and linked to core strategies.
- E. Non-Mandated but linked to core strategies.
- F. Mandated services – eliminate if not linked to core strategies and low risk.
- G. Services which are non-mandated with no direct link to core strategies; services which create low or minimal leverage of other revenue; services with low return on investment; services which are not efficient; services where few public are served.

**ALTERNATIVE:** developed by the County Administrator and Budget Office for discussion by the Board: Our approach to creating this alternative set of guidelines was to start with the strategic plan criteria and ask the question, "Is the overall approach still appropriate?" If so, then how might it be adjusted to match the policy direction of this Board of Commissioners? In addition, we incorporated lessons learned last year when using the existing guidelines to create the list of service priorities, including the importance of revenue generation and cost avoidance, and the interplay of leverage and mandates.

- 1) Revenue generating or cost/risk avoiding
- 2) Emergency health and safety response (life and death)
- 3) Minimal level state and federal mandates
- 4) Achieving County Goals (established by the Board of Commissioners)
- 5) Prevention and Youth
- 6) Deterrence (law enforcement related) and Treatment
- 7) Assistance for Persons in Need

Detailed Discussion: The County Administrator and Budget Office tested the alternative criteria against the service list created last year as a way to test the intention/purpose of each criterion and identify issues that would need Board clarification or definition.

#### **1) Revenue generating or cost/risk avoiding**

The intention of this priority is to 'first do no harm' to the General Fund by first funding programs that a) generate more general fund revenue than expense; or b)

would result in the State of Oregon charging the County more than our estimated expenses to provide the service; or c) put the County at significant financial or legal risk. Questions:

- Should services that leverage revenue to a) other funds, b) to community programs, and/or c) directly to citizens be included in the first priority?
- Should services that, the absence of which would put the community or citizens at a health risk be considered a part of this priority or the second (health and safety response)? For example, would disaster or epidemic response planning be included here or in the next priority?

## **2) Emergency health and safety response (life and death)**

The intention of this priority is to save lives through emergency response to immediate threats to the lives of citizens. As presented here for discussion, this priority is more narrowly described than the current policy “Immediate response to Life/Health/Safety matters” by attempting to distinguish “emergency” from “immediate”. For example, emergency response of traffic safety or patrol officers to a Priority One or Two call or motor vehicle accident would be included here, as would jail and juvenile intake and high-risk offender beds, high-risk infant services from Maternal and Child Health and psychiatric hospitalization crisis team and mental health hospital commitment services.

## **3) Minimum level state and federal mandates**

This priority includes funding at the most minimal level possible to sustain services. The services included are only those required by state or federal mandates and not those falling only under County policy or contractual requirements that are within the Board’s discretion to change.

## **4) Achieving County Goals**

The intention of this priority is to provide the Board an opportunity to implement policy and strategic goals and acknowledge emergent community needs. Goals could be adopted specific to the development of the fiscal year budget and included in the Budget Direction. Here are a few examples of how Board Goals could be set for the FY 08-09 Budget:

To honor the work of our citizens in the report from the Save Adoptable Animals Task Force, establish the following goal: “For FY 08-09, Lane County shall implement as many of the Save Adoptable Animals Task Force recommendations as possible.”

The United States is in a global war on terror with active deployments in Iraq and Afghanistan. Despite the County’s financial limitations, this is not a time to withdraw support for veterans. Thus, the following goal: “For FY 08-09, Lane County shall continue its current service level for Veterans Services.”

One of the best means of establishing credibility and keeping the trust of our citizens is to maintain Lane County’s historical partnerships and to conduct government in a manner accessible to citizens. Thus, the following goal.

“For FY 08-09, Lane County shall continue its agenda, web access and metro TV at the same levels and continue its current level of support for Extension Services.”

**5) Prevention and Youth**

When testing this priority, we experienced difficulty finding consensus on a definition of Prevention. The Strategic Plan states that “For prevention services, early intervention will be a higher priority than later intervention,” though that statement did not provide enough clarity when attempting to categorize services under this priority. As presented here for discussion, “Youth” includes all services for children and youth regardless if that service is prevention, basic needs, health, or law enforcement related.

**6) Deterrence and Treatment (adult)**

This priority is related to deterring adults from committing crimes or re-offending, holding offenders accountable for their crimes, and providing treatment services for those with drug and alcohol related addictions.

**7) Assistance for Vulnerable Populations and Persons in Need (adult)**

As presented here for discussion, this priority includes health and human services, provided primarily for adults, including basic needs, case management and supportive services, population specific services, etc.

**BUDGETING FOR OUTCOMES:**

It may be time for Lane County to consider a more fundamental change in our budget development process. As the cost of running local government continues to out pace citizens’ willingness to pay, a growing number of local governments are exploring variations on an approach developed by David Osborne and Peter Hutchinson called “Budgeting for Outcomes.” This approach focuses on the programs to keep, not the programs to cut and on the results that are purchased rather than cost of service. A brief summary of the model, authored by Osborne and Hutchinson will be provided to the Board by the Budget Office.

The City of Spokane, Snohomish and Multnomah Counties have all moved to the model since 2003. The City of Eugene is currently exploring the model which recommends the following seven steps, replacing traditional cost-focused budgeting.

1. Set the Price of Government
2. Set the Priorities of Government
3. Set the Price of Each Priority
4. Develop a Purchasing Plan for Each Priority
5. Solicit Offers from Providers to Deliver the Desired Results
6. Buy the Best, Leave the Rest
7. Negotiate Performance Agreements with the Chosen Providers

The Lane County Budget Office has studied the model and the budgets of the other jurisdictions, borrowing tools and concepts – though a full implementation of the model would require engagement of the board and budget committee, and citizens as well as

department's budget staff. A change of this magnitude would take significant time across the organization to plan, pilot, and implement. The Board may want to consider such a move as one of the County's Strategic Goals for 2008-2010.

**F. Next Steps/Recommendations**

On December 11<sup>th</sup>, the Board will deliberate further, have an opportunity to test alternatives against last year's list, and make to affirm, amend, or replace the Service Priority Guidelines in time for the adoption of Budget Direction on December 17<sup>th</sup>.