

T-6-C.

AGENDA COVER MEMORANDUM

AGENDA DATE: July 10th, 2007

PRESENTED TO: Board of County Commissioners

PRESENTED BY: Jennifer Inman, Sr. Management Analyst
Budget, Strategic Planning and Performance Management

AGENDA TITLE: **IN THE MATTER OF DISCUSSION OF LANE COUNTY
GOALS AND RESOURCE ALLOCATION PRIORITIES AND
PRINCIPLES**

I. MOTION

Discussion item – no motion required.

II. AGENDA ITEM SUMMARY

This discussion is in preparation for the Lane County Listening Tour. It is also a follow up on the Board of Commissioners February 2007 retreat and to board order 07-6-27-19 regarding reformulating the County's FY 07-08 budget and preparing for FY 08-09 and beyond.

Topics for discussion include:

- a review of strategies to address the structural deficit explored by Lane County as a result of the Strategic Plan 2001-2005 and Strategic Objectives 2005-2007
- the Resource Allocation Priorities and Principles as defined in Strategic Plan in May 2001 and amended by the Leadership Team in January 2005, and
- the current status of and process for revising the Lane County Goals, last adopted by the board in April of 2005

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

In 1998, facing another year of declining revenue and increasing expenses, the Board appointed the Future Focus Task Force. Asked what business Lane County should be in, this citizen group recommended that while the mix of services appeared appropriate, the County should adopt a strategic plan that could be used as a guide in future years. The Board agreed and two years later the Lane County Strategic Plan was adopted (March 14, 2001).

Again faced with growing budget deficits and the uncertain future of the Secure Rural Schools Act, the Board of County Commissioners appointed the Service Stabilization Task

Force in August of 2004. After two months of intensive work, the task force reported to the Board of County Commissioners on November 3rd, 2004. The task force's first recommendation urged the Board to "immediately determine the service priorities and desired results for Lane County Government" and "prioritize its goals and establish outcome measures ... in time for preparation of the 2006-07 budget."

After review of the FY 04-05 budget process, the Management Team recommended to the Leadership Team a further clarification of the funding priorities identified in section B3 of the Strategic Plan. The Management Team also recommended service and service level definitions (see attachment). These recommendations were included in the Budget Direction for FY 05-06 approved by the Leadership Team in January 2005.

Following up on the recommendations of the Service Stabilization Task Force, the Management Team developed a list of Strategic Objectives, designed to focus countywide efforts on specific priorities. The objectives and related action plans were reviewed by the Leadership Team on January 11th, 2005 and prioritized and adopted by the Board on February 15th, 2005.

Two months later, the Board set aside work sessions to further consider and deliberate on the County's strategic direction, culminating in the adoption, on April 13th, of the following three Lane County Goals:

1. Decrease and eliminate the structural deficit.
2. Fund an improved public safety system for the long term.
3. Improve the quality of facilities for public health caregivers and service recipients.

On June 27th, 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 & Lane County Goals

The resource allocation criteria and principles for reductions as articulated in section B3 of the Strategic Plan have been the established basis budget development for the past four budget years. Similarly, the Lane County Goals direct planning and decision making and establishes policy direction for County departments.

The Strategic Plan and Lane County Goals are used year round for planning throughout the organization. Due to the fact that the Goals and section B3 of the Strategic Plan are relied upon so heavily, any changes should be specific, written, and adopted as an amendment to the current Strategic Plan or as part of a new or revised plan.

C. Financial and/or Resource Considerations

The cost, time, and allocation of elected and staff resources needed to revise goals, allocation priorities or develop of new structural deficit strategies will depend on the scope

and process chosen. Generally speaking, the more comprehensive and inclusive the approach, the more time, money, and participation needed.

E. Analysis

STRUCTURAL DEFICIT

Measures to address the structural deficit were identified in both the strategic plan and the first strategic objective, "Ensure the continuity of high quality Lane County services by enhancing revenues and containing costs." Specific direction is also given in the Budget Direction approved each year by the Leadership Team. Attached to this memo, the budget team has provided a review of the strategies and action steps articulated, explored, and implemented by Lane County since the adoption of the Strategic Plan in 2001.

SERVICE PRIORITIZATION & REDUCTION PRINCIPLES

As the Board considers the format and goals for the Listening Tour and prepares to reconvene the Budget Committee in October for reformulation of the FY 07-08 budget and beyond, it's timely to review the current policy direction for service prioritization and principles for reductions (see attachment). To provide clarity to management and budget development staff, the board may opt to either affirm the criteria or make changes. To be applied to the FY 07-08 mid-year budget revision, revised criteria should be adopted prior to mid-October.

LANE COUNTY GOALS

In February, the Board held first a work session and later a retreat in part to discuss the status and revision of the Lane County Goals. At that time, the Board agreed that once the upcoming budget period was over, they should compare what they had accomplished between February and June and then to be more direct on their goals.

1. Decrease and eliminate the structural deficit.
2. Improve the quality of facilities for public health caregivers and service recipients.
3. Fund an improved public safety system for the long term.

STRATEGIC PLAN

The Board may also opt to revise the entire Strategic Plan, incorporating both an updating of Lane County Goals and service prioritization & reduction criteria. Plan revision could range from a smaller scale, internal updating to a full scale process including widespread citizen input and involvement. The cost and timelines would vary depending on the scale of the revision.

F. Next Steps/Recommendations

1. Identify measures addressing the on-going structural deficit to be taken during the reformulation of the FY 06-07 budget and in the development of the FY 07-08 budget and beyond. Review the strategies to address the structural deficit explored by the County over the last several years and determine if any should be attempted again and determine a process to identify new strategies.
 - a. The board could hold a work session to identify ideas.

- b. Hire and/or invite an external expert in public policy, finance, and budgeting to share suggestions with the Board, Budget Committee, and Management.
 - c. The Leadership Team with the insights and expertise of both Commissioners and managers (with the inclusion of the Finance and Benefits Managers) may be the best venue for exploring further strategies for addressing the structural deficit.
- 2. Decide on process for revising Lane County Goals for 2007-2009. The Board could approach this in several ways, including but not limited to:
 - a. A facilitated or self led work session or retreat
 - b. A work session with the Leadership Team
 - c. Roll the process into a revision to the Strategic Plan
 - d. Use a work session to draft revised Goals, test them on the Listening Tour, and adopt revised Goals at the beginning of the next budget process
- 3. Affirm or update and adopt changes to Service Priority Guidelines & Reduction Principles. The same options for revising the Lane County Goals could be used for updating these guidelines and principles:
 - a. Affirm the current service priority guidelines and reduction principles
 - b. Update the guidelines and principles during a facilitated or self led work session or retreat, or
 - c. a work session with the Leadership Team, or
 - d. roll the updating process into a revision to the Strategic Plan, or
 - e. draft revised guidelines and principles then, test them on the Listening Tour, and adopt them at the beginning of the next budget process

VI. ATTACHMENTS

**Strategies for Addressing the Structural Deficit
Service Priority Guidelines and Reduction Principles**

Strategies Related to Addressing the County's Structural Deficit

Attachment A

LANE COUNTY STRATEGIC PLAN - ADOPTED MARCH 2001 (abridged)

A	Service Improvement
A1	Evaluate reorganization opportunities
A.1.a	Actively seek to improve efficiency, effectiveness & quality of services by considering consolidations both within county government and across government agencies
A.1.c-d	Evaluate the feasibility of reorganizations in the following areas: fleet services, personnel and human resources, accounting functions, grounds maintenance and engineering services, Public Safety corrections & HHS parole and probation; Children & Families and HHS; economic development; animal control and law enforcement
A.1.e-g	Evaluate intergovernmental reorganization opportunities in the following areas: Land use and building and development; Public Safety police functions; Public Safety corrections functions; Road maintenance and engineering; Solid waste; Courts; Airports; Regional planning (LCOG); Fleet; Info technology; financial systems; public employee benefits; law enforcement; corrections; HHS; road maintenance; general government facilities; and transportation.
A2	Develop more flexible staffing
A.2.e	The County supports contracting out as an option for assuring the efficiency and effectiveness of its services
A3	Promote electronic access to public services
A.3.a	Promote expanded electronic access to County services through the Internet and other related approaches.
A4	Promote continuous quality improvement
A.4.a.	Encourage continuous process improvement efforts initiated by work units in County departments.
D	Revenue Development
D1	Develop balanced revenue strategies
D.1.a	Developing and maintaining sufficient and balanced sources of revenue are keys to the success of our strategic plan. Without adequate resources we will not be able to provide Lane County citizens the high quality services they want and deserve.
D.1.b	Lane County Government will sponsor referenda for local revenue measures when and if the Board of County Commissioners determines it is appropriate to do so.
D.1.c	We will examine the relative merits of the following: supporting citizen-led initiatives; establishing alternative budget authorities, such as special revenue districts and an elected lay budget authority; presenting tax measures as single issues, a series of issues, a menu of issues, and/or a smorgasbord of issues; and creating a special law enforcement district.

Strategies Related to Addressing the County's Structural Deficit

Attachment A

LANE COUNTY STRATEGIC PLAN - ADOPTED MARCH 2001 (abridged)	
D	Revenue Development
D2	Identify and recover user fees and charges
D.2.a	Lane County Government will assure that fair and reasonable user fees are established and collected for those services where state law permits such fees and where the usage of the service is affected by consumer choice.
D.2.b	Review services for compliance with state fee policy and for fee collection procedures. These include, but are not limited to: parks; utility uses and activity in rights of way; animal control; and commercial hazardous waste disposal.
D.2.c	Evaluate system development charges for roads, storm water, and parks facilities serving new residential, commercial, or industrial developments in unincorporated areas.
D3	Pursue entrepreneurial opportunities
D.3.a	Identify services that would potentially generate addition revenue.
D.3.b	Apply following principles to identify entrepreneurial opportunities: service involves an area where the County has a unique capacity to provide the service; there is a need for a broad public good or service that is currently under-served and private business has not stepped in, or is not likely to, to address the need; or the activity would otherwise support a public purpose; and the risks are acceptable.
D.3.c	Initially explore the following areas: parks and recreation; road maintenance and engineering services; fleet services; secure custody housing; information technology; marketing of GIS, property records and other data; and rural technology
D4	Pursue intergovernmental revenue and private donations
D.4.a	Maintain a legislative advocate to supplement the efforts of statewide and national organizations that represent county government
D.4.b	Consider retaining a resource developer to pursue state, federal and private grants and donations and develop a list of priority service areas where such funding will be sought.
D.4.c	Assess establishment of a private foundation to help support high priority County services.
D5	Timber revenue continuance strategies
D.5.a	Prepare a plan that identifies strategies and actions to ensure continuation of county payments from the federal government under Public Law 106-393.

STRATEGIC OBJECTIVES - ADOPTED FEBRUARY 2002

Objective 1: Ensure the continuity of high quality Lane County services by enhancing revenues and containing costs.

Develop plan to **contain benefit costs** and present to Leadership Team. Upon approval, develop work plan for implementing benefit cost containment plan (no completion date identified for implementation).

During 2005 labor contract negotiations with AFSCME, LCPOA, and PAA, the BCC discussed alternative health plan designs as part of the County's total compensation bargaining strategies. After reviewing several approaches, it was decided to continue making incremental changes to health benefits at this time. This approach was taken in exchange for lower annual cost of living adjustments. The BCC emphasized total compensation and the County was able to keep overall personnel costs within the financial plan forecast. Human Resources is currently engaged in reviewing wellness program options, disease management and health assessments, as well as major changes to benefit plan design.

Prepare a **General Fund operational reserve policy** for BCC review and adoption. Upon approval, develop work plan for implementing General Fund operational reserve policy.

A General Fund Reserve policy based upon a previous recommendation by the Internal Auditor was taken to Finance and Audit in December 2005. F&A gave approval to proceed. Next steps include an in-depth review with the Management Team January 9, 2006, followed by a discussion at the January 10, 2006 Leadership Team meeting. The intent will be to get direction on whether or not to use the new policy for the FY06-07 budget process. Action will follow at a subsequent Board meeting to formally adopt the revision to Lane Manual.

Complete **analysis of viable revenue opportunities** for Lane County including, but not limited to, utility, telecommunications, amusement, and business taxes for presentation to the BCC.

This activity is covered by the activity associated with an overarching financing plan wherein various revenue options were considered and have been included in the public safety plan proposal. No separate action is planned at this time.

STRATEGIC OBJECTIVES - ADOPTED FEBRUARY 2002

Objective 1: Ensure the continuity of high quality Lane County services by enhancing revenues and containing costs.

Prepare an **overarching financing plan** to achieve and sustain approved services and service levels. Upon approval, develop work plan for implementing overarching financing plan.

Work on the Public Safety Service District and Public Safety Task Force brought forward a recommendation approved by the Board of Commissioners to fund public safety services with dedicated funding from an income tax. The tax was defeated by voters in May and again in November of 2006. The overarching financial plan now needs revised in view of the results of the elections and the uncertainty of the continuation of federal payments to counties (Secure Rural Schools).

Present voters with a **Public Safety** District plan for Lane County.

Although a Public Safety Service District plan was proposed by the County, it was not approved by the City of Eugene. A different track then emerged wherein all incorporated cities were invited to join with the County to help solve the public safety system crisis. The result was the Public Safety Task Force Report. This plan included a dedicated funding mechanism (personal and business income tax) that did not win voter approval. In light of this rejection and the lack of long term renewal of Secure Rural Schools, its possible that the cities may be more supportive of a property tax solution now or in the future.

Service Priority Guidelines

[Approved by Leadership Team in January 2005]

- 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.

Service Definitions

- Service: A service is a major activity or activities that are specific and distinguishable in terms of intent or customer.
- Mandated Service: A service provided as a result of a provision in legislation, OAR, statute, county charter, or regulation that imposes a legal duty or obligation on the county.
- This specifically excludes contracts and Board policies that are within the County's ability to change or discontinue.
- Requires actual citation, citation language and mandated requirement to include the service level, if any.
- Requires identification of the risk or penalty for not performing a service and how services impact other services and/or departments. Identify who and how non-compliance is enforced.

Service Level Definitions

- Desirable: Majority of customer needs met. Services are targeted to a specific population at something more than the basic level provided to other citizens (may be grant or contract funded).
- Basic: Making progress toward results. This is a politically acceptable and functional level within its system.
- Minimal: Operates at a threshold of viability. The lowest or smallest operational unit at which a service can function within acceptable or mandated standards, including safety, service efficiency, cost effectiveness and at least minimal progress toward outcome results.

Strategic Plan

Section B3: Resource Planning and Allocation - Allocate Resources Strategically (abridged)

a. The County's funding priorities are as follows:

1. **Immediate and critical life and health safety.** Priorities will be guided by the relative severity and immediacy of the threat to life and health safety and or the effectiveness of long-term or future deterrent to threats that the service provides. For prevention services, early intervention will be a higher priority than later intervention.
2. **Direct response to the County's broad goals.** Primary emphasis on:

▪ Personal safety	▪ Health safety
▪ Property safety	▪ Basic needs
▪ Infrastructure safety	▪ Programs serving youth
3. Services that are **mandated** and do not otherwise fall into the categories addressed by the first two priorities.
4. The County will also fund services where there are **sound fiscal reasons** to do so. The following factors will be considered:
 - the service generates revenue (beyond indirect) for the General Fund
 - funding the service has no indirect negative impact on the General Fund
 - the service helps to leverage funds that support other high priority services
 - the service is supported by funds that cannot be diverted to the General Fund
 - the service generates revenue for Lane County citizens
5. The most **essential support services** are those that:
 - Reduce risks of loss,
 - Maintain infrastructure,
 - Assure sound fiscal management and accountability,
 - Support human resources, or
 - Directly support the Board of Commissioners (administrative and policy support).
 - Next are other services that provide support to direct public service departments.
 - The remaining support services are those that provide Countywide coordination.
 - Additions or reductions to these support services functions should be proportional.
 - To the extent possible based on available funding, Lane County will maintain **reserve** funds to address possible future funding shortfalls or other fiscal contingencies.
6. Other priorities consistent with the broad goals in this plan will be further defined as this plan is implemented. The services must be ones that are known to be cost-effective, a significant improvement for citizens, and ones where there are either no other providers or the County service is (or is expected to be) broadly utilized.

- b. The following resource allocation principles will apply to all budgetary situations:
1. Services of countywide benefit are to be funded by a broad-based revenue structure, such as countywide property taxes and other general-purpose revenues.
 2. All other factors being equal, the County will attempt to retain or achieve maximum flexibility with its revenue sources, but will comply with all legal requirements constraining the application of non-General Fund revenues.
 3. In seeking new sources of revenue, those that allow more flexible spending will be given priority over those that are restricted. However, the County also recognizes in some cases it may be more acceptable to taxpayers or the payers of user fees that certain revenues be dedicated to particular purposes.
 4. The County will attempt to leverage its County dollars as much as possible. For example, other factors being equal, higher priority will be given to funding those services or programs where the investment of County dollars matches funds provided by the state or federal government or others and a County match is required in order to receive the non-County funds.
 5. In considering the costs and benefits of particular services and programs, the County will always take into account possible inter-departmental or intergovernmental impacts and the possible future cost impacts for Lane County citizens.
 6. Any services or programs that are largely or wholly supported by time-limited grant or contract funds received from the state or federal government or other sources will be considered to automatically sunset at the expiration of the grant or contract. Exception will be made on the basis of alternative funds availability or service shifting within departments.
 7. A distinction will be made between those General Fund supported countywide services that, to the extent resources are available are slated for growth in General Fund support, and those that will receive constant or decreasing General Fund support.
 8. Lane County will seek funding for innovative projects that can benefit Lane County citizens; consistent with the other principles stated here.
 9. The County will strive for a balance between administrative/operational support services and the services that are directly delivered to Lane County citizens.
 10. The County will appropriately fund infrastructure maintenance and replacement.
 11. The County will continually examine perceived redundancies in administrative and professional services in the context of impacts on the effectiveness and efficiency of service delivery to Lane County citizens.
- c. If the County was to receive additional revenue sufficient to support its existing services at current levels or was able to generate savings in current services, the first priority is to establish prudent reserves for future contingencies.

d. **The following principles will apply if reductions are required because of cutbacks in revenue:**

1. **To the extent possible, across-the-board reductions will be avoided.** Reductions will be made on the basis of established criteria.
2. Before cuts are made in critical public safety services, the County will consider possibilities for **re-direction of revenue** that supports other services.
3. When service reductions are required, the County will consider **elimination of entire services before considering incremental cuts.** Emphasis will be placed on quality.
4. In the event of reductions, **every effort will be made to appropriately fund infrastructure maintenance and replacement.** In the past we have sacrificed facilities for short-term gains; we do not want to do that in the future.
5. **General Fund** reductions will be made considering the following options:
 - Reduce/eliminate financial support to outside agencies that are not funded by a dedicated revenue source and not controlled by the Board of Commissioners
 - Make service level reductions on a case-by-case basis, in accordance with established criteria
 - Propose new sources of discretionary revenue, or un-dedicate sources that are now dedicated but where the County has the authority to make a change
 - Make program reductions, following established priorities, distinguishing those that are dependent primarily on County discretionary revenue from those affected by State-shared revenue
 - Recognize/encourage innovations which reduce General Fund use
 - Authorize debt re-structuring
6. **Road Fund** priorities will be as follows:
 - Operation, maintenance, and preservation (OM&P) of the existing County road system will receive the highest priority.
 - To the extent possible, OM&P activities should be funded by user fees from the State Highway Fund and timber receipts.
 - Timber receipts, beyond those needed for OM&P, should be used to fund modernization projects and revenue sharing.
 - If modernization projects decrease significantly in the future, and the County is not able to contract for design services with other agencies, staff resources devoted to modernization projects will decrease accordingly.
 - County/City Road Partnership payments will be maintained through the plan period (and then re-evaluated).

e. **No service will be reduced below a floor that places the safety of citizens or County employees substantially at risk.**

