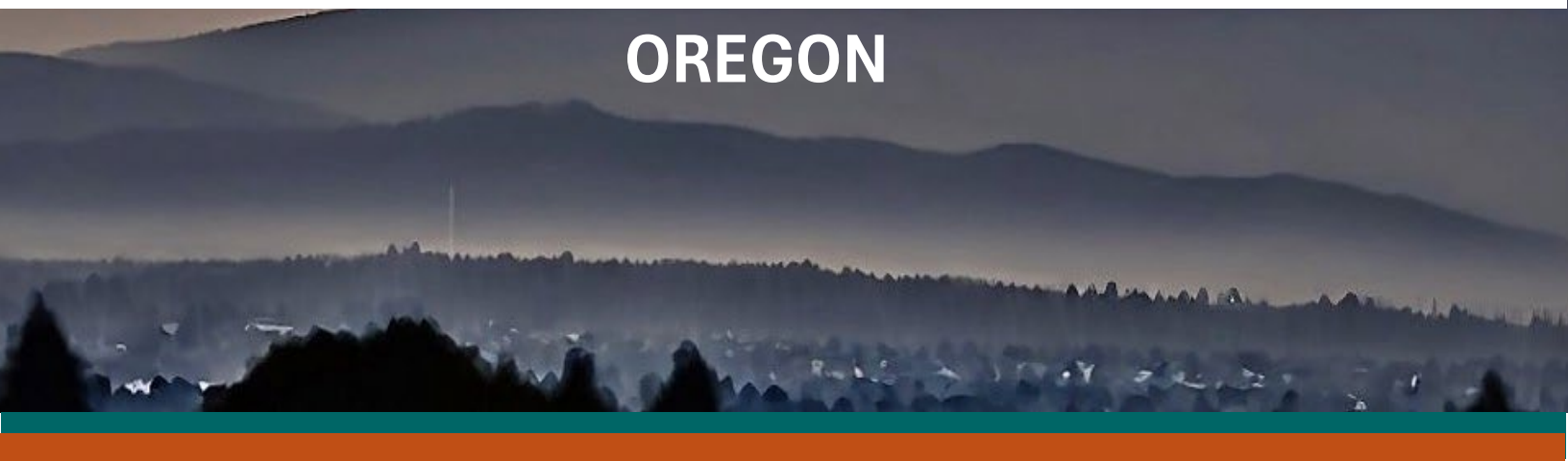




CLACKAMAS COUNTY



OREGON



PROPOSED BUDGET **Fiscal Year 2025-2026**

Gary Schmidt, County Administrator and Budget Officer
Elizabeth Comfort, Finance Director
Sandra Montoya, Budget Manager

Budget Message

Fiscal Year 2025-2026 (FY25-26)

TO: Honorable Board of County Commissioners (BCC)
Budget Committee Members for Clackamas County, Oregon and
Clackamas County Residents

The Clackamas County, Oregon FY25-26 Proposed Budget is \$1,510,118,895 and is balanced as required by Oregon budget law.

The chart below displays the proposed budget amount of \$2,026,238,665 for the County along with the eight Service Districts governed by the Board of County Commissioners.

• Water Environment Services	\$247,583,46
• The Development Agency	\$41,638,81
• North Clackamas Parks & Rec. District	\$40,915,20
• Library Service District of Clack. County	\$26,258,82
• Extension and 4-H Service District	\$18,706,85
• Enhanced Law Enforcement District	\$9,836,46
• Street Lighting District	\$5,134,87
• Housing Authority of Clackamas County	\$126,045,26
Subtotal Districts	\$516,119,77
• Clackamas County	\$1,510,118,89
All-Clackamas County Budget	\$2,026,238,66

This budget was developed without sacrificing programs. Moreover, General Fund debt will be paid off in 2029, the Courthouse opened on time and on budget and the County is investing in key infrastructure services. Even though the County is also challenged with increasing costs and demand for services - under the Board's leadership - the County continues to provide its residents with critical services.

With that said, it's important to add a cautionary note. The primary source of discretionary revenue – property taxes - is not keeping pace with rising costs. Combined with the uncertainty about federal funds and regional SHS (Supportive Housing Services) dollars, the County is anticipating some of these impacts in the General Fund forecast. However, to the extent that funding is reduced or eliminated, programs and services will need to adjust accordingly. In other words, there is no room to backfill with General Funds.

While the current forecast shows a positive net balance for the next 10 years; it is not too soon to undertake a financial analysis of County priorities and associated costs.

Budget Committee

BCC Members

Craig Roberts, Chair
Paul Savas
Martha Schrader
Ben West
Vacant, Position 4

Public Members

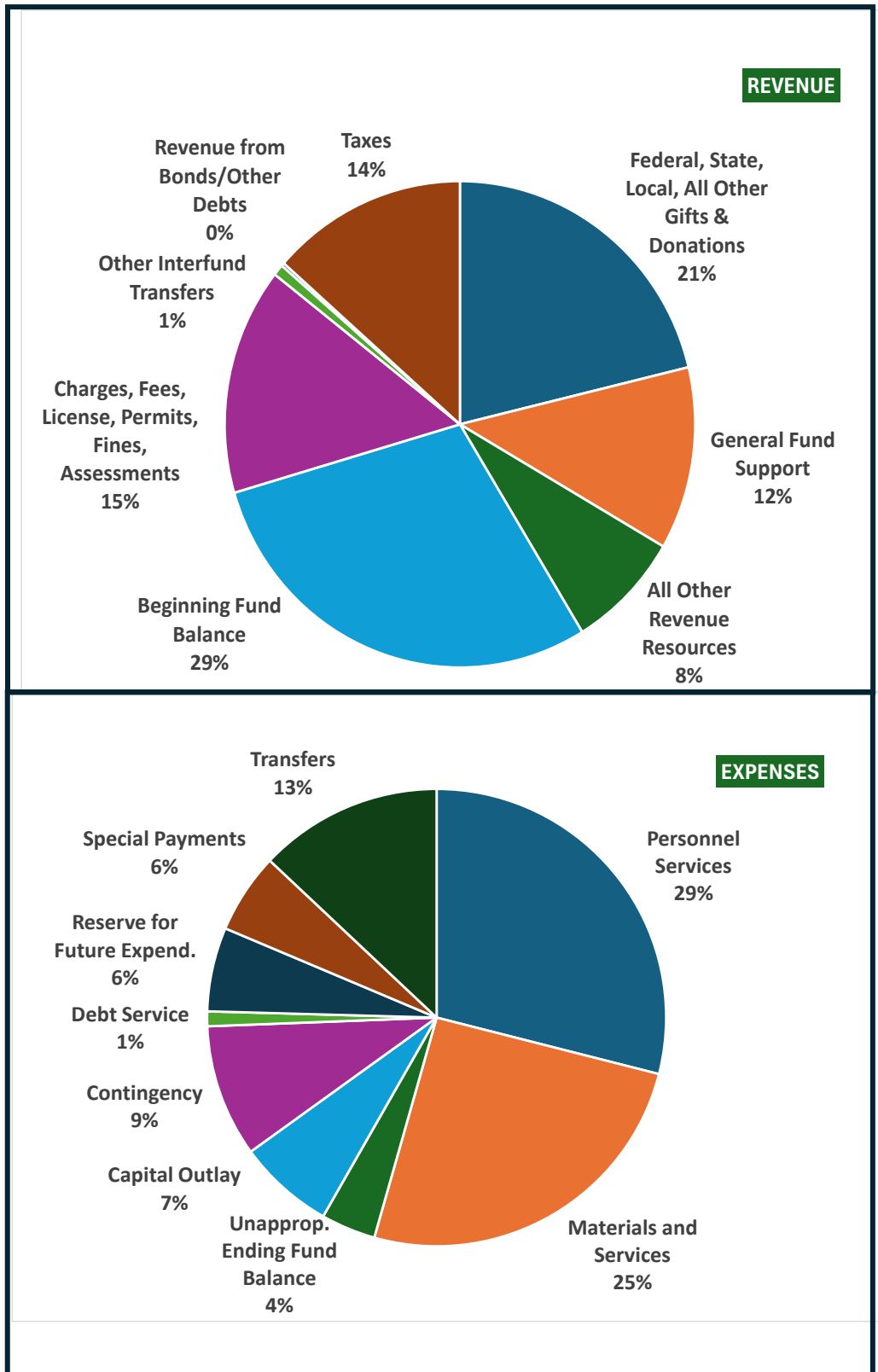
James Karn
Jan Lee
Wendy Rader
James Rhodes
Kenneth Sernach

County Staff

Gary Schmidt
Elizabeth Comfort
Sandra Montoya
Megan Peterson
Blaze Riggins
Roxann Fisher
Jian Zhang

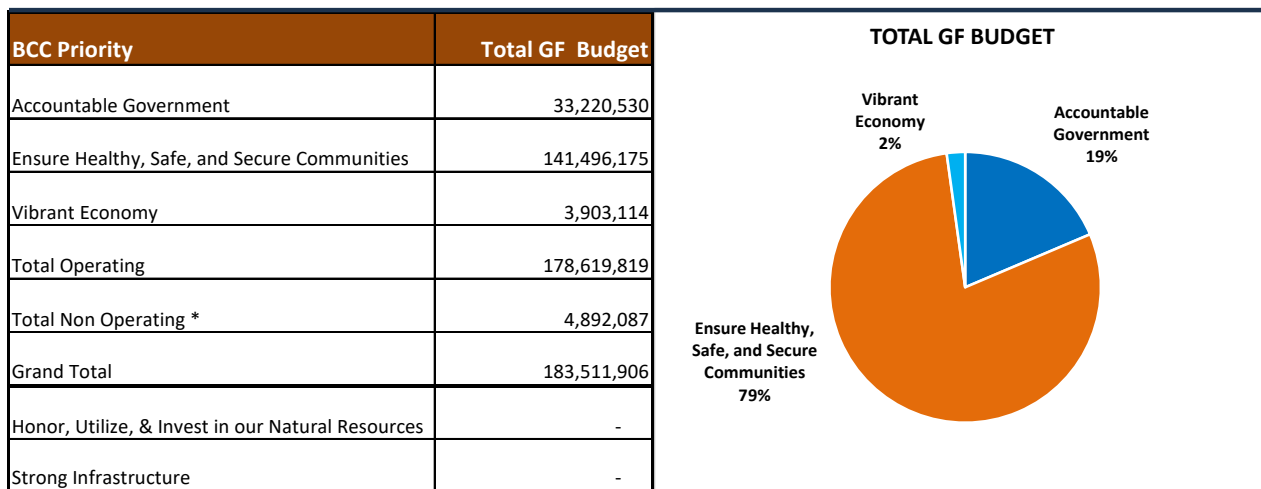
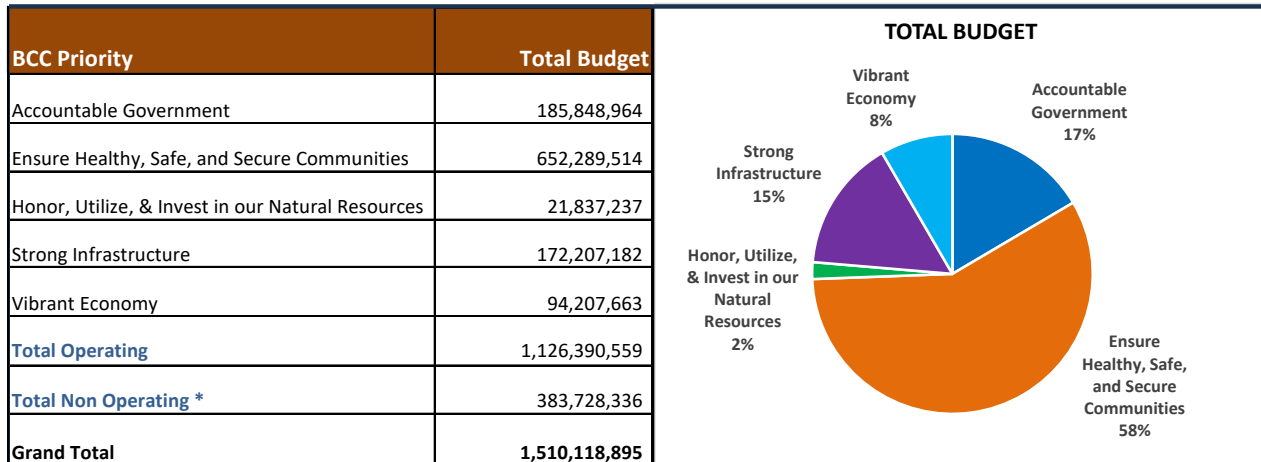
Administrator & Budget Officer
Finance Director
Budget Manager
Budget Coordinator
Senior Budget Analyst
Budget Analyst
Budget Analyst

Summary of Revenues and Expenses (All Funds)



Performance Clackamas and Budget Alignment

The budget information below and on the next page is organized using the Board's Performance Clackamas Strategic Priority Areas. Additional information about Performance Clackamas, including Board initiatives and department metrics, can be found at <https://www.clackamas.us/performance>.



*Total Budget: Non-Operating includes Non-Departmental, Payroll Pass Through, and Debt Service programs

GF Budget: Non-Operating includes Debt Services

FY25-26 Proposed Budget Summary and Comparison with FY24-25

The summary below compares Clackamas County resources and requirements in the FY24-25 Amended Budget to the FY25-26 proposed Budget for Clackamas County. The revenues and requirements summarized in this table are derived from six County fund types: General, Special Revenue, Internal Service, Enterprise, Debt Service, and Capital Projects. All funds work together to support the County's operations and account for the intended use of the funding sources.

Clackamas County (Excluding Districts/Agencies) Resources and Requirements

	Category	FY24-25 Amended	FY25-26 Budget	\$ Change	% Change
Resources by Category					
	Beginning Fund Balance	422,692,803	440,356,668	17,663,865	4.2%
Current Revenues					
	Taxes	195,477,150	203,466,225	7,989,075	4.1%
	Federal, State, Local, Other Donations	463,668,577	320,542,973	(143,125,604)	-30.9%
	Charges/Fees/License/Permits/Fines	213,654,706	228,300,573	14,645,867	6.9%
	Revenue from Bonds & Other Debts	2,489,032	3,067,883	578,851	23.3%
	All Other Revenue Resources	109,215,634	119,578,272	10,362,638	9.5%
	Interfund Transfers	18,496,091	11,294,396	(7,201,695)	-38.9%
	General Fund Support	157,504,128	183,511,906	26,007,778	16.5%
	Subtotal Current Revenues	1,160,505,318	1,069,762,228	(90,743,090)	-7.8%
	Total Resources	1,583,198,122	1,510,118,896	(73,079,225)	-4.6%
Requirements by Category					
	Personnel Services	410,466,298	437,559,716	27,093,417	6.6%
	Materials & Services	377,719,394	383,650,263	5,930,869	1.6%
	Capital Outlay	238,041,370	102,610,634	(135,430,736)	-56.9%
	Subtotal Current Expenditures	1,026,227,063	923,820,613	(102,406,450)	-10.0%
	Debt Service	15,547,163	15,795,300	248,137	1.6%
	Special Payments	82,052,290	85,607,480	3,555,190	4.3%
	Interfund Transfer	18,764,538	12,091,332	(6,673,206)	-35.6%
	General Fund Support	157,504,128	183,511,906	26,007,778	16.5%
	Contingency	130,110,295	141,412,115	11,301,820	8.7%
	Reserve for Future Expenditures	96,769,585	89,713,943	(7,055,642)	-7.3%
	Unappropriated Ending Fund Balance	56,223,061	58,166,207	1,943,146	3.5%
	Total Requirements	1,583,198,123	1,510,118,895	(73,079,227)	-4.6%

Explanation of Revenue and Expenses

Revenue

Tax Revenue

Countywide, tax revenue is expected to increase by 4.1% or \$203.5 million for FY25-26. This includes delinquencies and penalties/interest.

Federal, State, and Local Revenue

These funds are budgeted to decrease by \$143.1 million, or 30.9%. This decrease is primarily due to the State's one-time contribution for the Courthouse construction in FY24-25.

Charges for Services, Fees and Licenses

This category is budgeted at \$228.3 million in FY25-26, an increase of \$14.6 million over FY24-25.

Revenue from Bonds and Other Debts

This revenue is budgeted at \$3.1 million in FY25-26, an increase of \$.6 million over FY24-25. Loan proceeds from the County Fair fund account for \$1.9 million of this total.

All Other Revenue Sources

This is budgeted at \$119.6 million and includes \$37.6 million for salary reimbursements from other agencies that use the County to process their payroll, \$33.7 million for the Self-Insurance Fund, and \$13.8 million in expected interest income. It also includes the Transient Room Tax, Asset Sale Proceeds, and Franchise Fees.

Interfund Transfers

These are the dollars sent from one County fund to another.

General Fund Support

General Fund Support reflects the receipt and distribution of tax dollars to the operating departments. This is reported as revenue to the operating departments and a transfer expense to Non-Departmental.

Expenses

Personnel Services

Total County personnel services are budgeted to increase by \$27.1 million or 6.6% for a total FY25-26 budget of \$437.6 million. This includes a COLA increase of 2.8% and PERS increase of 18.1%.

Materials & Services (M&S)

Expenses are proposed to increase by 1.6% (\$5.9 million) for a total of \$383.7 million. This percentage increase is lower than last year's primarily due to a reduction in Metro Supportive Housing funds.

Capital Outlay

Capital outlay decreased from FY24-25: \$102.6 million vs. \$238.0 million. This decrease is driven by \$138.1 million in construction costs for the new courthouse which was budgeted in FY24-25.

General Fund Contingency and Reserves

Per Board policy, General Fund Contingency is calculated at 5% of operating expenses for unforeseen circumstances that may arise in the current year. General Fund Reserves are calculated at 10% of

FY25-26 PROPOSED BUDGET

combined Taxes, Fees, Fine and Permits which are set aside for future use (not in the current fiscal year).

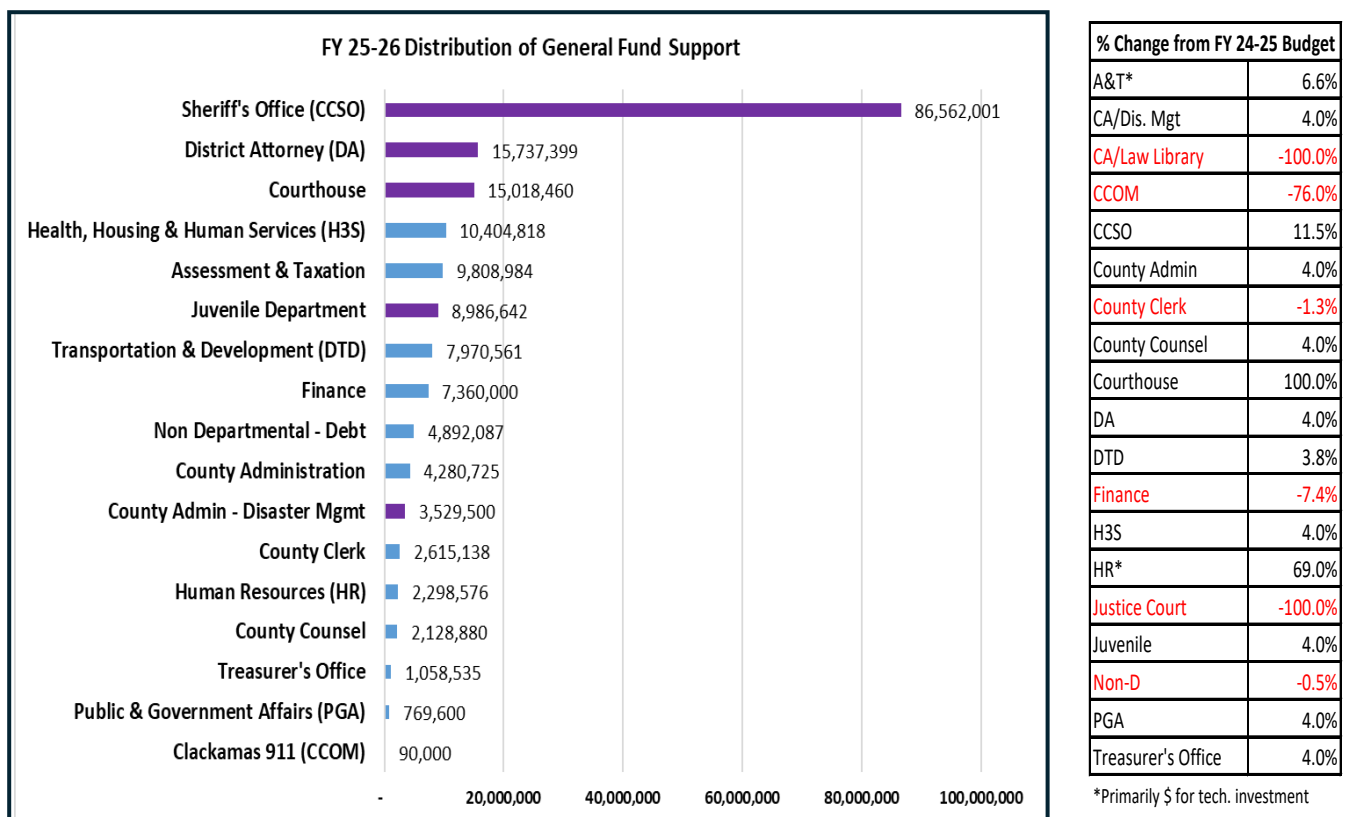
In FY25-26, in line with the policy, Contingency is budgeted at \$141.4 million, and Reserves is \$89.7 million for a total of \$231.1 million, an increase of \$4.2 million over FY24-25.

Unappropriated Ending Fund Balance

This line reflects the total money received but not spent. It shows up as a resource in the subsequent year in Beginning Fund Balance and is budgeted at \$58.2 million for FY25-26.

Distribution of General Fund Support (GFS)

The chart below displays the distribution of General Fund Support (\$183.5 million) by department. As in previous years, **Public Safety** departments/offices receive the largest share (71%).



County Staffing

The chart below includes all regular and limited-term full-time equivalent (FTE) in departments and elected offices.

Budget Year	FY22-23 Actual	FY23-24 Actual	FY24-25 Budget	FY24-25 Estimated	FY25-26 Proposed
FTE	2,397.7	2,446.4	2,450.9	2,512.4	2,513.8

Overarching Issues

Investing in Affordable Housing

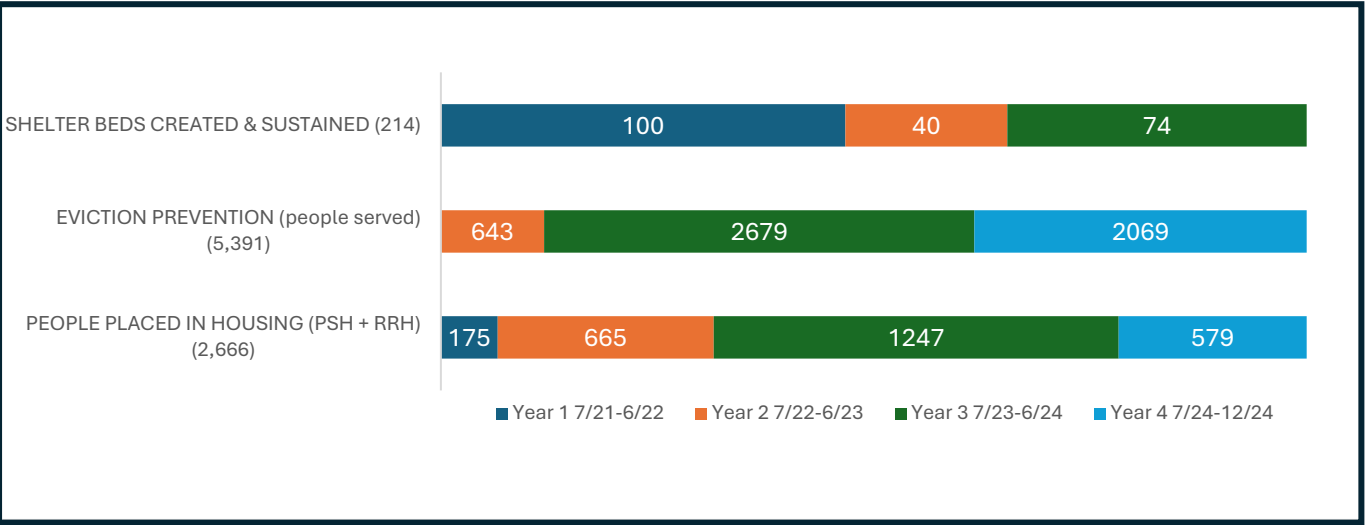
In 2018, voters approved a \$652.8 million general obligation bond to address the shortage of affordable housing within Metro’s urban growth boundary in the region. The County receives 21.3% of bond proceeds which is spent on approved projects.

In addition, the Supportive Housing Services tax was implemented in 2020. In FY24-25, the County anticipates spending \$73 million of this tax. The FY25-26 proposed budget includes an additional expenditure of \$64 million plus carryover for one-time and limited duration expenses. More information about the Supportive Housing Services tax can be found at www.clackamas.us/housingauthority/supportive-housing-services.

Bond Funding:



SHS Tax:

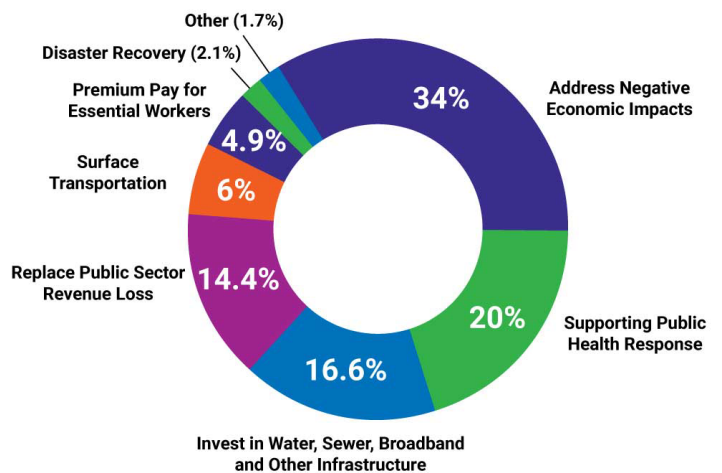


One-Time Federal Aid

American Rescue Plan Act (ARPA)

ARPA provided relief funding to local governments during the COVID-19 pandemic. Criteria to spend these funds is outlined by the federal government. Clackamas County received approximately \$81.2 million, which was obligated by December 2024 in compliance with the US Treasury and must be spent by December 2026.

100% of the \$81,227,922 has been obligated to projects. Examples include the Oak Lodge and Gladstone Libraries, the Broadband Infrastructure Expansion, and the Fairgrounds Multipurpose Building. Funds have also been distributed to local non-profit organizations to help individuals with basic needs.



National Opioid Settlement Funds

Clackamas County, along with several local cities, is receiving funding from the National Opioid Settlement to help address the impacts of the opioid and substance use crisis affecting our community and the nation. Over the coming years, Oregon is expected to receive more than \$600 million, with Clackamas County projected to receive over \$24 million. To date, the County has received approximately \$7 million.

A portion of the funds have been awarded to community providers to address the opioid crisis. Additional funds have been allocated to County programs and services that address substance use prevention, early intervention, treatment, and recovery programs that support individuals with a substance use disorder (SUD) and/or are involved with the justice system.

Investments in Infrastructure that Serves the Public

Significant progress has been in the design, construction, and renovation of several buildings that house key services for the public. None of these projects require increased property taxes. Projected completion dates are:

- Lake Road Health Center (Outpatient Behavioral Health) –Summer/2025
- Gladstone and Oak Lodge Libraries – Gladstone completed; Oak Lodge October/ 2025
- 24-hour Crisis Stabilization Center –December/2025
- Recovery Campus for people with substance use disorders –Design Phase - Spring/2026

Courthouse Replacement Project

The replacement County Courthouse opened May 2025. It is funded through a combination of State matching funds and County property tax dollars. The County did not take out debt for the Courthouse and instead opted for the Public Private Partnership (P3) model. To meet its obligation, the County strategically reduced its operating budget by \$15 million (or approximately 10%) in FY23-24. To account for the ongoing expenses and payments associated with the Courthouse, a new department has been created within the Chart of Accounts.

More detailed information can be found at: [New Circuit Courthouse | Clackamas County](#).

Investments in Internal Infrastructure

One of the Board's priorities is "Building Trust through Good Government". Among other things, the public expects efficient service delivery, easy access to information, and security of data shared with the County. To meet these expectations, the County is investing in technology solutions to replace, update, or install systems that enhance our ability to serve our residents.

Impact of Loss of Federal Funds

It is still not known if federal dollars will be reduced or eliminated to local governments. If so, there is no room in the General Fund to back fill these essential services. If federal dollars indeed are lost, those programs and services will also be eliminated.

Department/Office Unfunded Staffing Requests

A few departments and offices have expressed the need for additional staff to address current challenges. Those positions that were not funded with General Funds have been approved; however, due to limitations on available General Funds, positions that require that funding source have not been approved. Following is a summary of identified needs. These will also be discussed during the individual department/office presentation:

Department/Office	Request	#FTE	Annual Cost (GFS)
CA/Disaster Mgmt.	Additional positions for Medical Examiner Office to address significant increase in deaths	2	\$302,755
H3S	Position to increase federal benefits for veterans	1	\$142,875
H3S	Position to address Medicaid administration claims billing and provide grant and legislative coordination	1	\$125,483
H3S	Position to provide referrals/navigation for Women, Infants, Children's program and nurse home visiting	1	\$118,751
H3S	Position to plan community driven grants for priority areas in the County Health Needs Assess.	1	\$186,384
DA	Legal assistant for Victim Assistance program	1	\$109,824
DA	Victim Advocate position	1	\$118,046
DA	Executive Assistant for the DA	1	\$139,556
DTD	Animal Care Specialist to address staffing shortage	1	\$113,600
DTD	Code Enforcement position to address community complaints and increase site investigations	1	\$170,000
DTD	Assistance covering Legal Fees to address new process	0	\$120,000
TOTAL		11	\$1,647,274

Developing the Budget

Forecast

To ensure financial sustainability for the replacement Courthouse project and the General Fund overall, the County built a 30-year General Fund forecast using data-informed assumptions on growth or changes in both Revenues and Expenses. This extended view enables the County to keep on top of shifts in policy or funding at the local, federal, and state levels. Components of the forecast include:

Revenue Considerations:

- Property taxes
- Franchise fees
- Federal and State grants
- State Sharing revenues
- Charges and fees for services
- Interest
- Cost Allocation for Internal Services

Expense considerations:

- PERS
- Cost of living changes (CPI)
- Personnel wages and benefits
- Vacancy Factors
- Cost of goods and services
- Capital projects and maintenance
- Contingency & Reserve requirements

The forecast is sensitive to real time changes and enables the County to analyze the short- and long-term impact of revenue assumptions or expenditure decisions made today into the future. The forecast is a dynamic tool that is regularly updated as new information is available.

Budget Instructions

The County has moved away from routinely increasing budgets regardless of actual revenue and expenses. Instead, a review of historical revenue and expenses along with current projections formed the basis for each department and office's budget. The Budget Manual further supported a more analytic approach with these directions:

- Align program budgets with Board Priority Areas
- Prioritize mandated services and cost-effective alternatives to service delivery
- Seek to maximize revenue and reduce the need for General Fund Support
- Eliminate long-term FTE vacancies (over 2+ years)
- Estimate proposed budgets to most realistic revenue and expenditure projections
- Distribute administrative overhead to the benefiting programs
- Prorate funding for new/vacant positions
- If proposing a new program, identify a new revenue source or reductions to balance

Cost Allocation Plan Update

The cost allocation process calculates the distribution of overhead costs from internal service departments – Finance/Facilities, Utilities, Technology, Human Resources, Public & Government Affairs, Records Management, and County Counsel - to the operating departments.

Three years ago, the County hired a consultant to review its cost allocation methodology and provide recommendations to align with best practices that would offset the dependency on the General Fund for internal services. The plan also provided a mechanism for the County to recover overhead costs from federal/state grants.

The FY25-26 Proposed Budget reflects costs associated with the third year of implementing a hybrid cost allocation model. The County Administrator limited increases to these departments to no more than 4%. With that as a base, the internal services departments conservatively budgeted their expenses resulting in

an overall increase of 1.3% from FY24-25. When distributed using updated staffing and other drivers, several departments saw a decrease in their allocated costs.

County Policies

Details on County policies can be found in the policy subsection of this budget book. Some policies have been updated or created over the last two years with additional details located in the policy subsection.

Conclusion

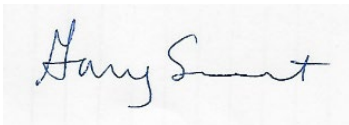
This FY25-26 proposed budget reflects the County's continued commitment to public safety and other critical services to its residents. It builds upon past investments for affordable housing, expands recovery services for individuals with behavioral health challenges, and focuses on maintaining and improving the County's infrastructure.

The County will, however, be challenged in the months ahead as it faces uncertainty about federal and regional resources, increasing costs of goods and services, and rising expectations. By maintaining a balance between fiscal prudence and necessary investments, the County is positioning itself for long-term stability and success. As the County moves forward, ongoing evaluation and adjustments will ensure that it remains aligned with the Board's goals while adapting to changing circumstances.

Thank you to the County's elected and appointed leadership along with the many employees involved in preparing this proposed budget. Special thanks to Elizabeth Comfort, Finance Director, Sandra Montoya, Budget Manager, and the entire budget team for their dedicated work.

Finally, thank you to the Budget Committee for its commitment and consideration of this proposed budget.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary Schmidt", on a light-colored rectangular background.

Gary Schmidt
County Administrator & Budget Officer