LANE COUNCIL OF GOVERNMENTS
FY24 BUDGET ASSUMPTIONS

OVERALL GUIDING PRINCIPLES FOR THE FY24 BUDGET

- LCOG will continue to take all actions to ensure the safety of its staff and the public we serve against any threats from the continuing COVID-19 Pandemic.

- LCOG will continue to stabilize the General Fund.

- LCOG will continue to build reserves that are consistent with reserve policies adopted by the Board.

- LCOG will continue to stabilize Indirect rates, while making sure the rates accurately reflect actual internal costs and are in line with *OMB Circular A87*.

- To the maximum extent possible, all direct programs and contracts will be self-supporting. LCOG General Fund dollars will only be used to support programs and contracts when required as match or to provide temporary support to a program or to support a strategic initiative that has received prior approval from the Executive Director.

- LCOG will continue to balance its budget and will continue to ensure a stable budget, consistent with Board adopted policies.

FY23 BUDGET ASSUMPTIONS

1. **Member Dues:**

   LCOG has a two-tier Member Dues structure: Level One has a minimum $500 Member Dues amount; Level Two a $1,000 Member Dues amount and provides the member with 12 hours of staff time. Dues are calculated on a base rate. The annual dues amount is calculated using population, enrollment, and service customers, as applicable. Special Districts are either $510 or $1,020, depending on Level chosen. The total dues amount is estimated to be about $238,220 – an increase of about $1,968 over last year due to population changes but will be adjusted accordingly once we have final numbers.

   I recommend we keep the FY24 rate structure the same because the new dues structure is serving LCOG's members well and there is so much uncertainty right now. The Exec Committee will take this action up under another agenda item before approval at the December Board meeting.

2. **Employee Compensation:**

   The current Employees Association (EA) Collective Bargaining Agreement (CBA) expires on December 31, 2023. The current SEIU CBA expires on June 30, 2026.

Both CBAs currently provide for a COLA on July 1, 2022, based on the five-year average CPI-W.

For the CPI-W West, Size Class B/C Average of the five prior years, with 58 of the 60 months reported, the 5-year average is 4.11%. While we are still waiting on December 2022, using October 2022 (8.1%), the 5-year average looks like it will be 4.11%. Accordingly, while we do not know the COLA for FY23, we will build the budget on a 4.11% COLA.

LCOG is in the process of completing a Salary Survey for some EA employees, per the current Collective Bargaining Agreement. Salaries will be adjusted per the results of the survey. Any increase will be used to build the FY24 budget.

In FY24, merit increases are expected to increase total compensation for LCOG employees. Employees who are performing satisfactorily are eligible for 3.5% annual merit increases; employees who are at the top step of their salary range currently receive an annual top step bonus of $500 if they are performing satisfactorily. We will build the budget assuming satisfactory performance by all employees.

The Executive Director's compensation is set by the LCOG Board under a contract. The current contract has been extended to June 30, 2025, and compensation is being recommended to the Board by the Executive Committee. The FY24 budget will be built based on the contract provisions in the contract.

3. **PERS**:

PERS issues rates every two years and the 2023-25 rates, which apply to FY24, are as follows:

- Tier 1 / Tier 2: 26.71% or an increase of 1.31% over 2021-23.
- OPSRP: 22.50% or an increase of 1.72% over 2021-23.

Because of increases in salary, the contribution amount required by LCOG to be remitted to PERS will increase and we will budget for that amount once we know what our total salary expense will be for FY24.

1. **Health Insurance:**

LCOG has two health plans for employees to choose from: the Regence plan is a high-deductible plan and requires an employer-paid contribution into a Health Reimbursement Account (HRA). The Kaiser plan, which is a co-pay plan, does not include an HRA.

Our health Insurance premiums are expected to increase by approximately 5% for Regence and Kaiser on January 1, 2023. The cost of health care for the second half of FY24 is currently unknown. For this reason, we will estimate the costs for the second half of FY24 at an increase of 5%. Should health insurance costs increase beyond what is assumed, LCOG will present the increase as part of its Revised FY24 Budget for Board approval in the spring of 2023. Both EA and SEIU Employees pay 5.0% cost-share for health insurance premiums. Our dental insurance premiums are also expected to increase by 5%.

2. **Other Insurance**:

   General Liability Insurance: For FY24, we expect premiums to increase by 17.7%. These increases are based on employment practices and auto liability claims. The higher deductible plan we switched to three years ago saves us on the premium, but these are steep increases. We will budget for a 18% increase which is about $13,000.

   Property Liability Insurance: For FY24, we expect premiums to increase by 18.1%. We will budget for a 18.1% increase which is about $3,000.

   Workers' Compensation Insurance: We will not know our FY24 rates until spring of 2023, but our carrier expects a 4% increase. We will budget for a 4% increase which is about $3,000.

   Life and Long-Term Disability rates are expected to remain the same as in FY23.

3. **Contingency Accounts:**

   Operations Contingency Account: Board policy requires the Operations Contingency Account to be funded at a level reflecting one quarterly mortgage payment and two month's salary.* For FY23 these amounts were $234,314 and $79,146, respectively, totaling $313,460. While we will not know the total amount for FY24 until we build the Proposed Budget, I intend on discussing the Reserve Policies with the Board during the Budget process.

   *The two month's salary is of non-federal, non-state, and non-grant supported personnel.

   Capital Contingency Account: While there is no funding level requirement for this Account, all excess revenues from the Park Place Building have been placed in this Account. I recommend that practice continue. Currently, there is $627,310 in the Capital Contingency Account.

4. **Equipment and Training**:

   LCOG will provide effective workspace, equipment and training to enable employees to be productive and effective, especially since we expect the majority of our employees to continue to work remotely.

5. **Government Services**:

   We will continue to stabilize our billing rates, making sure our rates cover our costs and keep us competitive and affordable. We will also continue to ensure our billing invoices are transparent and standardized.

6. **Senior and Disability Services**:

   Following long term emergencies and system changes at the State level, LCOG will continue to find efficiencies in Senior and Disability Services (S&DS) to address the large workload while continuing to provide services at levels required and expected.

   S&DS has two primary sources of funding. First, as a Type B Transfer agency, S&DS has a contract with Oregon's Department of Human Services to provide Medicaid and Food Stamp services to seniors and people with disabilities in Lane County. Second, as an Area Agency on Aging, S&DS receives funding through the Older Americans Act (OAA).

   In the 2022–23 biennium, funding for Senior and Disability Services was increased over the previous biennium with additional funding due to the ongoing Pandemic. We will not know what our funding allocation will be until fall of 2023, but we expect (hope) that this funding increase trend continues as our caseload continues to rise.

   Given the uncertainty, we will budget FY24 at the same level as FY23. Should the allocation change significantly, we will adjust accordingly in the Revised Budget.

7. **Enterprise Services:**

   We will continue to strategize how to grow the Business Loan Program into a more sustainable program and we will continue to stabilize our Minutes Recorder Program billing rates, making sure our rates cover our costs and keep us affordable. While the Local Government Personal Services Program is not currently an Enterprise Fund, as we continue to market and grow the Program into a sustainable and valuable service, the plan is to move it to the Enterprise Fund in the future so it can be run as a business.