

**LANE COUNCIL OF GOVERNMENTS
FY23 BUDGET ASSUMPTIONS**

OVERALL GUIDING PRINCIPLES FOR THE FY23 BUDGET

- LCOG will continue to take all actions to ensure the safety of its staff and the public we serve against any threats from COVID-19.
- 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 current base rates are: 0.23 for the County; 0.414 for cities; 0.113 for school districts and utilities. The annual dues amount is calculated using population, enrollment, and service customers, as applicable. Special Districts are either \$500 or \$1,000, depending on Level chosen. The total dues amount is estimated to be about \$234,000 – an increase of about \$6,000 over last year due to population changes but will be adjusted accordingly once we have final numbers.

I recommend we keep the FY23 rate structure the same because the new dues structure is serving LCOG's members well and there is so much uncertainty right now. The base rates, however, could be adjusted to reset the dues so that discounts are removed, and the dues amount keeps up with expenses. A recommendation will be presented to the Exec Committee under another agenda item before approval at the January Board meeting.

**LANE COUNCIL OF GOVERNMENTS
FY23 BUDGET ASSUMPTIONS**

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, 2022.

Both CBAs currently provide for a COLA on July 1, 2022, based on the five-year average CPI-W. The EA CBA provides, however, if the five-year average is 2.5% or higher, bargaining will be re-opened. The current SEIU CBA provides for a 2.0% minimum and a 3.10% maximum.

For the CPI-W West, Size Class B/C Average of the five prior years, with 59 of the 60 months reported, the 5-year average is 2.92%. While we are still waiting on December 2021, using November 2021 (7.6%), the 5-year average looks like it will be 2.99%. Accordingly, while we do not know the COLA for FY23, we will build the budget on a 2.99% COLA.

LCOG is in the process of completing a Salary Survey for SEIU 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 FY23 budget.

In FY23, 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. Currently, 270 of the approximately 290 employees are not at the top step of their salary range in FY23.

The Executive Director's compensation is set by the LCOG Board under a contract. The current contract expires June 30, 2023 and will be re-evaluated in the spring of 2022. The FY23 budget will be built based on the contract provisions in the current contract.

3. PERS:

PERS issues rates every two years and the 2021-23 rates, which apply to FY23, are as follows:

- Tier 1 / Tier 2: 25.40%.
- OPSRP: 20.78%.

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 FY23.

**LANE COUNCIL OF GOVERNMENTS
FY23 BUDGET ASSUMPTIONS**

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 increased by 5% for Regence and Kaiser on January 1, 2022. The cost of health care for the second half of FY23 is currently unknown. For this reason, we will estimate the costs for the second half of FY23 at an increase of 5%. Should health insurance costs increase beyond what is assumed, LCOG will present the increase as part of its Revised FY23 Budget for Board approval in the spring of 2022. Both EA and SEIU Employees pay 5.0% cost-share for health insurance premiums. Our dental insurance premiums have increased by 3%.

2. Other Insurance:

General Liability Insurance: For FY23, we expect premiums to increase by 8% to 15%, which is double FY22's increase. These increases are based on employment practices and auto liability claims. The higher deductible plan we switched to two years ago saves us on the premium, but these are steep increases. We will budget for a 15% increase which is about \$12,500.

Property Liability Insurance: For FY23, we expect premiums to increase by 10% to 15% which is half of FY22's increases. We will budget for a 15% increase which is about \$2,240.

Workers' Compensation Insurance: We will not know our FY23 rates until spring of 2022, but our carrier expects a 3% to 5% increase. We will budget for a 5% increase which is about \$2,650.

Overall increases in the above insurance amounts to approximately a \$20,000 increase over \$147,000 in FY22.

Life and Long-Term Disability rates are expected to remain the same as in FY22.

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 FY22 these amounts were \$232,273 and \$79,146, respectively, totaling \$311,418. While we will not know the total amount for FY22 until we build the Proposed Budget, I recommend we fund the Account at the amount the policy formula requires.

**LANE COUNCIL OF GOVERNMENTS
FY23 BUDGET ASSUMPTIONS**

*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 \$675,500 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 FY21 and FY22, the State has implemented significant systems changes and updates that, in the face of the pandemic, have an ongoing impact to funding and staffing levels. This additional staff time and investment is contemplated to have significant statewide budget impacts through the fiscal year and coming out of FY22.

As FY22 started a new biennium of funding approved through the 2021 Legislative Session, additional funding for staffing across the state was provided. As a result, we will continue to implement increases to staffing levels in FY22 and FY23 to ensure long term sustainability. However, as a result of contract delays in FY22, and a pending application for a 1115 Federal Demonstration waiver that will impact Oregon Project Independence funding allocations, the long-term budgetary impacts of state actions will not be clear until Fall of 2022.

**LANE COUNCIL OF GOVERNMENTS
FY23 BUDGET ASSUMPTIONS**

Given the uncertainty, we will budget FY23 with only a slight increase reflecting the funds we will receive in FY22. Should the allocation change significantly, we will adjust accordingly.

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.

Since the beginning of the Pandemic in March of 2020, LCOG has been impacted by the COVID-19 pandemic, resulting in some revenue loss, especially for the Park Place Building. LCOG lost \$86,000 in rental income over the past two years and had an increase in janitorial costs of \$10,000. In addition, the replacement of the HVAC System for the Park Place Building was delayed due to impacts of COVID on contractors. We will include an updated maintenance and preservation schedule for the Park Place Building in the FY23 budget once we have information back from contractors on the cost of replacement.