

# OACTFO Lunch & Learn - Biennial Budgets in Oregon Counties-20240411\_120256-Meeting Recording

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**Robert Tintle** 0:07

Welcome to the Oregon Association of County Treasurers and Finance Officers. Today will be talking about biennial budgeting. And with that, let's turn it over to Debbie Sessions, who will be our featured guest speaker today. Let's all welcome Debbie. Welcome, Debbie.



**SESSIONS Debbie** 0:22

You know, I'm so I'm thrilled that I actually talked to you about biennial budgeting. For anybody who doesn't know me, I'm Debbie sessions. I'm the interim CFO here at Benton County. Right now, about a month ago now, our CFO took a position as the assistant county administrator here at Benton County.



**SESSIONS Debbie** 0:48

And so I'm kind of doing double duty for the moment, and we'll see where the recruitment goes. So like Robert said, we are the only county in Oregon that does biannual budgeting. And what that means is our budget process is and every two year process, instead of every year, our first one was in 2005, 2007 and was kind of a trial run. So we did a parallel where we did two single years and biennial to see how it worked. No. And then from then on, we have been a straight up biennial budget and you can see on the slide what our budget has grown from and is now we're actually over the 500 million with our latest supplemental. So that was a little bit of a milestone for us, but we hit 500 million in hours. So these are our budget principles in what we how we create our budget.

**SD SESSIONS Debbie 1:59**

Umm, we have looked at standardizing as much as possible and this has been an evolution over time.

And so I don't know that it's necessarily unique to buy annual as opposed to annual, but.

Well, these are our principles for going forward in our budget process.

The main piece for us is forecasting and mitigating as much risk as possible.

Our budget process starts in July of the even years and what that starts with is our personnel.

**SD SESSIONS Debbie 2:43**

So at that point is when we start our salary projections and we, for all intents and purposes, put a freeze.

So we don't really, although we certainly make exceptions, we don't really allow a whole lot of changes from July for basically that year, July through June on positions because otherwise it skews how we go into the proposed budget.

So if there were a bunch of new positions that came in in September, we would be a mess.

So we pretty much put a hold on it.

We know if there were new positions intended in that in this biennium anyway, that would have started in that second year, those already would have been in the budget from the prior, from not biennium.

So the idea of freezing isn't as onerous as it might sound, although if you ask some of our departments, that's not necessarily true that it sometimes feels like for them. It feels like we've tied their hands, and that's not by any means the intent.

We want them to still be able to do their business in the best way that they need to do it, but we have to have some body of work to go forward with without a lot of change in up, people in it and then we do a the proposed budget to our budget committee in March of the odd years.

Are I would say this slide represents our budget process to the best evolution that we've gotten it to at this point.

We use a current service level model, so we take what is happening with a with what services are being provided.

Right now, from all of our departments and create a current service level funding.

So what that means is what would it take?

So if we use right now, what would it take in the 2527 biennium to run the same business?

That's that you're running right now.

And so the way we do that is we have a team of financial analysts in our department that have departments assigned to them and they walk through all of the pieces with each of their departments before we ever get to actually putting the budget together.

And then after that, then departments can start working on and creating policy packages.

So that's anything new that they want.

Any new program they wanna run?

Any new staff they wanna hire?

Whatever changes they wanna make, that would presumably increase their budget is considered a policy package.

We have a couple of tiers of policy packages, so if during a biennium there was a working out of class or limited duration position that was added because they didn't have permanent financing in order to.

Accommodate that position.

Those reconsidered more priority slash essential policy packages that the board would consider.

Until in at a higher priority than a brand new policies programs, umm and then the County administrator works with the CFO to walk through the budget itself and the policy packages before it ever gets to the Budget Committee.

Because if there are things that the county administrator believes are absolutely no go, those won't even get to the Budget committee.

That being said, there in this last biennium there were three different programs that were not put in the proposed budget, but we did invite those 3 departments to make their case to the Budget Committee just for Full disclosure and transparency in case the budget committee said no, that really is something I want to do.

So will we do make exceptions to that?

But by and large, what the county Administrator and CFO determine he as they worked through with the departments, that's the proposed budget that goes to the Budget Committee.

Just for you all to see, these are the counties focus areas and then in our most recent

what the Commissioners priorities are within the budget itself, the departments have to explain how their services meet one of the priorities if in fact they don't, it doesn't get funded.

And just so you, I mean I pretty much any department could fit themselves in there if they.

Umm get if they're if they're creative enough.

So I don't it does not exclude anything.

We've had many questions over the years about mandated services, which are in there itself in responsible governance, so any records and elections that kind of thing all fit within there.

So we aren't leaving any services out.

Our budget drivers typically are we do a assume salary growth in some form if there are.

Contracts that we know have already been negotiated or we make estimates, health benefits, expected growth rates, standard inflation factor for all our materials and services.

And then we also try to look out to the future to say, are there certain ones like fuel, drugs, food, something that has a more a larger inflation factor than the standard and then we'll apply that to those particular line items.

And then we also create a vacancy factor.

So we know that not all positions that are in the budget are filled all the time, and that is sometimes a way that departments kind of cushion their budget.

While we employed a vacancy factor that they, so we've taken the average of what their vacancies have been over the last two by any and applied that as a factor to their personnel budget before.

So it's a net off of their personnel budget.

The positions are all still shown, it's just a separate line on there that that gets subtracted.

Some pros and cons for biennial budgeting it for us.

It's easier to identify some challenges and opportunities when we're looking out a little further.

One of the biggest pros is you're not in a constant cycle of budget development, and so you can actually spend more time on budget execution.

And for us, that means looking at how efficient our services are being, are there ways to streamline.

So those analysts are not only tasked with helping the departments through their budget development, but also with their budget execution.

So they meet with them regularly to go over where they are financially.

Where are some anomalies that might be happening and how can those be mitigated?

Are there areas where supplementals might be needed, but also in an overall we consider them business partners with those departments so they're there to provide financial expertise to service providers umm, to make their operation as best as it possibly can be and the forecasting piece, it does force them it's not, I mean some of it is a little bit of kicking and screaming, but they've gotten it much more used to it now that they have to forecast further in the future because with single year budgets you are often looking only one, maybe two years out.

As opposed to two to four to six years out about what do the trends look like in your revenue cycles?

What do they look like?

I'm a staffing perspective.

What do they look like from a capital outlay?

So it's also given us the opportunity to look further from a CIP standpoint.

What are we really beyond just your normal?

Maintenance calendar over 20 years.

This is much more strategic in the sense of what do we want to accomplish from a capital perspective in 246 years.

The opposite side is really the biggest struggle is software.

We have not yet found a software that truly accommodates by annual budgeting.

So when we're putting it into, we use munis as our financial software.

Umm, when we put it in, we still do.

It is single years and then we combine the two years for the budget document itself and so the budget document absolutely looks like a biennial.

If you were to pull up our budget in Munich, you would probably and sometimes see a negative and one year in a positive and the other in the two balance out to 0.

But it we just haven't found one that actually truly accommodates it.

Several will tell you that they do, but they don't.

Ohh yeah, and what?

It could be a pro, could be a column depend on your staff and how you feel about it.

But we certainly have more supplementals than probably anybody who does an

annual because we still know that there are changes to people's budgets and new funding sources or.

Different things that happened that we do need supplemental.

So we probably have more supplementals than the average annual budget and that is it. It wasn't super long.



**Robert Tintle** 13:49

Well, thank you, Debbie for the introduction and if anybody has a question, if you just want to go ahead and use the raise hand feature or you can put a comment in the comment box and then we'll go ahead and call upon you.

And this is a stump. The speaker.

So no, ask all your hard questions or easy questions as well.

And with that, we will start with our first person, Elizabeth Comfort.



**Comfort, Elizabeth** 14:16

Hello. Thank you, Debbie. So do you have a budgeting software in addition to Munis?



**SESSIONS Debbie** 14:24

No, the Munich has a budgeting module so we.



**Comfort, Elizabeth** 14:27

Ohh OK.



**SESSIONS Debbie** 14:29

So it has a whole no it I will almost call it a workflow.

So it has a whole set of steps which include the salary projections and so you can it's almost like what you might consider a sandbox.

So you can do all kinds of salary projections and then choose the one that actually you're going to apply.

It has the option of then.

Once it's done, once you've gone through all of your layers of budget because of Benton has also the different steps so proposed, you know, approved

**SD SESSIONS Debbie** 15:06

So you can roll those forward.

And so once it gets to the end, you then effectively commit that budget.

Now you could that part we do, we do not make, we do not automatically make changes that happened in the salary projection to our live record because those were for them in a lot of ways anticipated changes, not necessarily real.

So while the full budget numbers are there, we don't make any changes from a personnel standpoint because when you're doing the salary projections, you're actually in personnel.

So we're saying that Susie's going to get a 3% increase. We don't commit those to live record. The GLP this committed from a budgetary standpoint.

**CE Comfort, Elizabeth** 15:58

Got it.

And then my other well, one other I may have more, but so when you said there's more supplementals, So what Clackamas County does is we're very formal in our. We have 4 opportunities a year for a supplemental budget.

So are you saying you're doing more than eight or are you doing them monthly? Like when you say you may do more.

What do you mean?

**SD SESSIONS Debbie** 16:20

I would say we are, we are much more ad hoc as opposed to formal in terms of supplementals, we will usually do.

One large one that is an accumulation of multiple peoples.


Supplemental requests and mid-year of the first year and then usually right after the second fiscal year starts. But then, if there are other things that happen, umm, we ad hoc will do supplementals.

**CE Comfort, Elizabeth** 16:59

So doesn't sound like a whole whole a lot more than we're already doing, because we do.

**SD SESSIONS Debbie** 17:06  
So Phil.


**CE Comfort, Elizabeth** 17:08  
We compile them, you know, all the departments have an opportunity.  
They have a due date.  
They have to submit their proposal for a supplemental by and, of course we bet to make sure that it is a true supplemental and we just want more money.

 **Robert Tintle** 17:26  
Have you mentioned that you within your Munis system, you still put in each years budget in the fiscal year?  
Our departments help the first year they're not over budget.  
If it's technically over budget, do you hold anyone accountable the first year, or do you just overwrite it?

**SD SESSIONS Debbie** 17:39  
Correct. So.

**SD Robert Tintle** 17:44  
Or does it?

**SESSIONS Debbie** 17:46  
So yeah, we don't hold departments accountable from an over budget from an over over appropriation in that first year because there isn't such a thing and so.

 **Robert Tintle** 17:47  
Could you speak to that?

**SD SESSIONS Debbie** 18:03  
You from an audit standpoint, we present our biennial budget in there.  
So it there wouldn't be an over appropriation issue until the end of the biennium, if that makes sense.  
So our our audit, our for actually has the biennial budget amount in there.



So there isn't an over appropriation because that's not we have not legally adopted a budget for a single year.

That being said, the analyst absolutely go through them, go through with them.

If there are anomalies that we are at the end of year one and they're at 75% spent, they'll have a discussion with them.

**SD SESSIONS Debbie** 18:50

And but it they're not held accountable in terms of appropriation.

 **Robert Tintle** 18:57

And just to reiterate your comments, you said your ACFR for the budget to actual statements still reports it as a two year, the two year total even though it's the one year you're reporting on and your ACFR then really it's the second year of the biennium.

**SD SESSIONS Debbie** 19:05

Yep.

 **Robert Tintle** 19:12

So my next question relates to the biennium.

Are you aligned with the state biennium and have you found that to be advantageous, or does it disadvantageous during this process because of how they set the PERS rates?

**SD SESSIONS Debbie** 19:20

Yes. Right.

 **Robert Tintle** 19:28

Health funding, you know, all these things. So if you could speak to that as well.

**SD SESSIONS Debbie** 19:32

So there's been both sides of that. So it's been advantageous from the pieces that you mentioned. So the PERS rates, we follow the same schedule that they do.

So we can effectively budget for that. However, because there are times and, I will say particularly more in the OHA area. They may not know exactly what their

amounts are until later because of their budget cycle, so it has had we've had some difficulty being on the same schedule when it comes to our. Ohh grant funding or umm? Health Authority funding, primarily everyone else. It's pretty pretty solid. What they might get from the state by the time that we're doing our budget. So so it has, I would say it's outweighed the good, has outweighed the bad when it comes to being on the same schedule as the state.



**Robert Tintle** 20:49

If anyone else has questions and looks like Elizabeth, go ahead.



**Comfort, Elizabeth** 20:54

I thank you, Robert. So you said that you guys really freeze all new FTE S for a whole fiscal year. And I I'm just.



**SESSIONS Debbie** 21:05

Sort of.



**Comfort, Elizabeth** 21:05

I'm going back to, you know, the whole ARPA days when we got handed, you know, millions of dollars and we hired as many bodies as we could, you know, that was impromptu. It's like I I, yeah. What kind of wiggle room have you allowed?

You know, because we try to have a blackout period after.

I mean, we've already gotten our proposed budgeted and people are already sending in new FTE S for right now. And I'm like, dude, where's the planning piece?

So I mean, so how do you how are you successful with a big piece of time?



**SESSIONS Debbie** 21:34

So we have a budget control process where they actually have to go.

It all starts with finance, so if somebody wants a change to a position or wants a new position, it actually starts with finance.

The analyst does a feasibility study to say, is this actually within the realm of possibility?

It goes through R for classification purposes to make sure that what the department is asking for is.

**CE** **Comfort, Elizabeth** 22:01

Umm, thank you.

**SD** **SESSIONS Debbie** 22:04

It's what it would be, and then it goes through the how are you gonna pay for this? So if it is not able to be permanently financed, meaning you will get rid of position A because you want position B, then we don't allow you'd have any kind of permanent position. You could have you could work the person out of class or you could create a limited duration position that ends at the end of the biennium. So it's not that they don't have changes in positions, they don't have any permanent changes in positions unless they can determine what permanent. If it's permanent financing, which at that point it's budget neutral, So what we're going by from a budget is fine anyway.

**CE** **Comfort, Elizabeth** 22:54

Oh, I see. So if they have a new grant to support a new FTE dots allowed.

**SD** **SESSIONS Debbie** 23:02

Yes, yes.

**CE** **Comfort, Elizabeth** 23:02

Ohh, OK. And that's primarily what? Well, that's what the bulk of our position new positions are.

**SD** **SESSIONS Debbie** 23:08

Right.

**CE** **Comfort, Elizabeth** 23:09

A new grant has been accepted, yeah.

**SD** **SESSIONS Debbie** 23:10

Umm and.

We hope that they have at least an idea that that's possibly going to happen sometime in that year so that we can have that conversation and potentially just get

it in there. Instead of surprise, you know, in January we got \$500,000 for three new FTE and we need to get those in now.

And by the way, those will be ongoing and they'll be in the budget.

We hope that that doesn't happen, but don't get me wrong, sometimes it does, but.

There I my large there are a little more proactive than that.

I mean we have a grant administrator who tries to stay on top of.

So any grant request have to come through him. So yes.

**SD SESSIONS Debbie** 24:06

Umm, so we kind of have an idea of something might be coming anyway, yeah.

**CE Comfort, Elizabeth** 24:15

OK. Thank you. And then I have one more. Sorry, so this is one I heard from.

I heard at the conference that city of Portland tried this, but it they only did it for one biennial process because the commissioners didn't liked or the whatever the Commissioners didn't like.

The fact that they couldn't, like, started a special project or something during the year and I'm like, well, how does that work?

That's what a supplemental budget is about.

You know the budget to plan.

So in light of that, how and of course you, you know, you probably only in your second year, you're just new fresh out of school and you know use the starting your career. But what had happened back in 20? Almost 20 years ago, how did the Commissioners? How did that whole political thing adapt to this?

**SD SESSIONS Debbie** 25:02

No, it was so I think I would say for everyone at the county, it was not just a, OK, let's do this because it was very much that you could be agile when you are an annual budget, right?

So if the if life changes within your department, that's fine, because we'll just account for that in the next years budget.

**SD SESSIONS Debbie** 25:28

So it was definitely a transition and it, you know, I think honestly the Commissioners at the time were much more supportive of it than the department directors were.

Umm, so we didn't have any sense of issue of I couldn't.

They couldn't get a project started because it was a biennial budget.

I I guess I I can't relate to that because we have mechanisms in place to allow for that to happen.

**CE** **Comfort, Elizabeth** 25:59

Yeah.

**SD** **SESSIONS Debbie** 26:04

So I'm not. I'm not quite sure what that might mean. I could see where if there was an. If there wasn't enough fortitude by the Commissioners to stick with it and say, yeah, we're gonna have growing pains, we need to get through it.

I could see how it could be abandoned after the first time because it is a transition. It is a umm, much more four thinking process.

Umm, so thinking out that far, we heard from many departments that say how did, how do you think I could possibly know what's gonna happen in three years from now? Well, I mean you use some data forecast, I mean that that's that's the whole idea.

**CE** **Comfort, Elizabeth** 26:50

Yeah, if you have good, good records, you can make a forecast.

**SD** **SESSIONS Debbie** 26:53

Yep, we shouldn't be living on the edge of our seats to say ohh what's gonna happen this year.

**CE** **Comfort, Elizabeth** 26:54

Hello. Yeah. Right.

**SD** **SESSIONS Debbie** 26:59


We should have some idea.

So I would say by our 2011 thirteen budget, they were pretty much all there, but the first couple definitely much more hand holding, much more walking through the process.

**CE** **Comfort, Elizabeth** 27:11  
OK.

**SD** **SESSIONS Debbie** 27:20  
But then they were there and I do think in the end the department directors are much more appreciative of having to go through this whole process every other year instead of every year.

**CE** **Comfort, Elizabeth** 27:38  
Yeah, because it's painful.  
Alright, thank you.

 **Robert Tintle** 27:44  
Expanding on your forecasting comment, Debbie, have you ran into a situation even with the best forecasting models out there where say for your general fund, you thought in the second year you would have X amount of dollars then especially in these high inflation times now and increased cost you find where you are in trouble in this second year.  
And obviously I know you do supplemental budgets, but how do you handle that if there are reductions or have you had reductions in the general fund or in other funds in the second year?  
What process did you go through to true up the budgets in the second year now that you're the forecast has changed?

**SD** **SESSIONS Debbie** 28:24  
So I would say we don't.  
Umm, well, so let me back up and say we have contingency built in each.  
Umm fund umm and we have the ability to use our.  
Unrestricted fund balance.  
So I would say that it's not so much not so much that there's truing up.  
I mean, there's truing up of the budget meeting, we would do.  
We've done supplementals to move those categories to where they're usable, so say out of contingency and into materials and services or personnel.  
And what there?

There hasn't been something I don't think we've had any mid by anium time where we said OK, Now you have to cut umm that we've traded up more with fund balance and contingency and then going into the next biennium, said say we are gonna have less of a beginning fund balance than we anticipated in the budget last time.

Therefore, now we may need to make cuts, but I wouldn't.

I don't think we've ever had or.

Yeah, that we've ever made cuts in the middle of a biennium.



**Robert Tintle** 29:57

Another comment I heard at OGFOA was regarding during the transition and if you know or remember switching from department level annual reporting and managing. Are they managing their budget still on an annual level, or are they managing it day to day on at still within the biennial?

And did you have to change all your reporting?

Was that, you know, a process or time consuming thing and something you have to plan ahead and think about?



**SESSIONS Debbie** 30:26

So I would say we didn't update, we added so departments have the ability to run reports on an annual basis and biennial basis.

So you can see what your because that budget is still immunity for that year.

So umm, you can still kind of see what budget to actual is in a in a single year.

It's not totally true.

I mean, because you have a beginning balance in the year 1, but you don't in year 2 because it carries through all of that.

We have contingency in your too, but not in year one, that kind of thing.

So and so there's we just added reporting as opposed to replaced reporting, umm.

And so it again. It took the transition for departments to understand umm how to look at them, right? They 50% didn't necessarily mean 50% anymore. It meant 25% that kind of thing. No, but. Yeah, I I don't. We didn't have to. I'm probably speaking out of school because I'm sure if you talk to our programmers and IT, they'd be like ohh no, it was a lot of work but they mimicked what our annual was and turned it into biennial.



**Robert Tintle** 32:05

I'll jump in with another question, but again if anyone else has questions, feel free to jump on in. Raise your hand. Put a message in the chat.

For your general fund policy packages, or if you have packages, say for the general fund and they submit those to your county administrator, does the county administrator make decisions for all departments?

Like if he said if someone wants to add something in the proposed budget, does he say yes or no?

And for, you know, because it's his proposed budget.

Or does he allow elected officials to continue to bring their packages to the the Budget Committee and then let the Budget Committee decide on elected officials?

Or does your county administrator decide on all budget packages about what's going to be included? What goes to a budget committee?



**SESSIONS Debbie** 32:57

OK, so your question is difference between and elected officials budgets versus all other county departments. Is that am I correct in but it actually is while they have a little more discretion, it is still county general fund so it isn't they have discretion because they have a pot of money because they're an elected official.



**SESSIONS Debbie** 33:30

So I would say they have a little bit more discretion, but all everything goes through our CFO 1st and then the CFO and County administrator have the conversations about the policy packages.



**Robert Tintle** 33:59

Perfect. Any other questions for Debbie regarding biennial budgets?

Alright, in just a moment, I'll turn off the recording and then we could follow up with other topics. But I I want to thank Debbie for volunteering to give us this conversation, lunch and learn, on biennial budget. So thank you very much, Debbie.

And you're leading the way for the rest of the counties, and we'll see what we get to in the future. So with that, I'll go ahead and stop the recording.

● **Robert Tintle** stopped transcription