

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON

In the Matter of Adopting the ECONorthwest)
2020 Supplemental Report) Order No. 24 -2020
_____)

WHEREAS, the Board of County Commissioner adopted the report entitled "Fiscal Sustainability in Columbia County: A Path Forward" by Order No. 81-2019 on November 6, 2019 (the "Report"); and

WHEREAS, the Board desires to provide additional information related to Exhibits 1 and 2 in the Report on Page 5 that could be misinterpreted; and

WHEREAS, ECONorthwest has prepared a Supplemental Report providing further explanation of Exhibits 1-3 in the Report;

NOW, THEREFORE, IT IS HEREBY ORDERED that the ECONorthwest Supplemental Report, which is attached hereto as Exhibit "A", and is incorporated herein by this reference, is hereby adopted and shall be part of the Report for all intents and purposes.

Dated this 18th day of March, 2020.

BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON

BY: Alex Tardif
Alex Tardif, Chair

BY: Margaret Magruder
Margaret Magruder, Commissioner

BY: Henry Heimuller
Henry Heimuller, Commissioner

Approved as to form

By: [Signature]
Office of County Counsel

DATE: February 12, 2020
TO: Sarah Hanson, Columbia County
FROM: Lorelei Juntunen and Sadie DiNatale, ECONorthwest
SUBJECT: Columbia County Fiscal Analysis – Supplemental Data

This memorandum provides a supplemental explanation of information presented in the report “Fiscal Sustainability in Columbia County: A Path Forward” (October 2019). The explanation is provided in response to questions about Exhibit 1 and Exhibit 2 in the report on page 5 that could be misinterpreted as showing excess revenue available for projects, programs, and other County expenditures.

This memorandum seeks to explain the exhibit note in the report which reads: “while the County aims to maintain a cushion of revenue for unforeseen expenses each year, as expenses grow faster, that cushion (or fund contingency) shrinks.” We clarify why this is not, in fact, excess revenue, to allow the reader to better understand why the County needs the additional revenue sources described in the report.

Historical Revenue and Expense Trends

The exhibits on the following pages display historical revenue (Exhibit 1 and 2) and expense (Exhibit 2) trends, per Columbia County’s budget documents. Exhibit 2 deviates from the County’s budget documents in that it does not display the County’s beginning balance.

A **beginning balance** is an accounting term to refer to dollars in an account at the onset of a fiscal year. Beginning balance dollars are the ending fund balance carried over from the previous year, not because it is surplus revenue, but because it is a condition of the public budgeting process to retain some of the County’s revenues for the next budget cycle. A portion of the County’s beginning balance is restricted for specific use by contract, law, or grant agreement and the remaining is unrestricted.

If a municipality chose not to retain a beginning balance, their revenues would be zero at the end of the fiscal year, they would have to borrow dollars to cover expenses in the new fiscal year, and they would create issues once the state began their auditing procedures. Some exceptions exist. For example, if there were unforeseen expenses related to a natural disaster or emergency situation, any available funds may be spent.

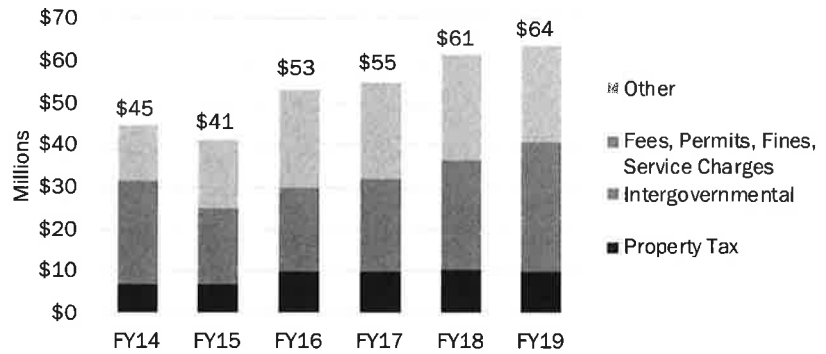
Municipalities have policies and practices that outline the methodology to determine their beginning balance amount. For example, as documented in Columbia County’s budget and financial policies, Columbia County will reserve *General Fund dollars* needed to cover at least two months of operations (as recommended by Government Finance Officers Association as a minimum standard). Elected officials and department heads that manage other funds operate with a similar proportion of reserves, as is consistent with County ending fund balance policy. In addition, to improve its future, fiscal situation, the County is adding additional dollars to prepare for increased retirement and unemployment costs, building maintenance and system

replacement costs, and technology investments. Some of these costs are identified and known (e.g. PERS and unfunded capital projects in the County’s Capital Improvement Plan) and other costs are likely but not definitely known at this time (i.e. likely to occur as population grows and technology changes).

Between fiscal year 2014 and 2019, revenues increased by 43%.

Exhibit 1. Historical Revenue Trend Details, Columbia County, Fiscal Year 2014 to 2019

Source: Columbia County budget documents.

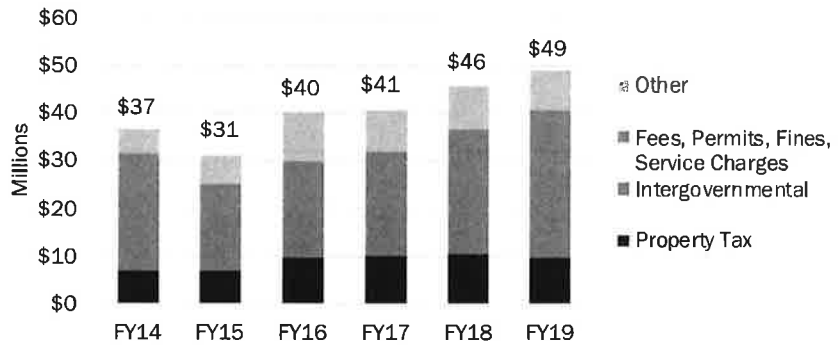


Between fiscal year 2014 and 2019, revenues, less the County’s beginning balance, increased by 34%.

Exhibit 2. Historical Revenue Trend Details, Columbia County, Fiscal Year 2014 to 2019

Source: Columbia County budget documents.

Note: This exhibit deviates from Exhibit 1 in the final report by excluding the County’s beginning balance from the category “Other.”



Between fiscal year 2014 and 2019, expenses increased by 51%.

Without revenue identified as “beginning balance” (see Exhibit 2), the county would have an inadequate fund contingency and would likely borrow funds to cover operations in Q1 of its fiscal year. Any unforeseen costs would put the County at a financial risk.

Exhibit 3. Historical Expense Trend Details, Columbia County, Fiscal Year 2014 to 2019

Source: Columbia County budget documents.

