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AGENDA COVER MEMO

Memorandum Date: June 4, 2008
Order Date: June 18, 2008

TO: Board of County Commissioners

DEPARTMENT: Sheriff's Office

PRESENTED BY: Sheriff Russ Burger

AGENDA ITEM TITLE: IN THE MATTER OF WAIVING THE 3% LAPSE REQUIREMENT FOR THE SHERIFF'S OFFICE IN FY 07/08 DUE TO EXTRAORDINARY CIRCUMSTANCES.

I. MOTION

Move that the 3% lapse requirement for the Sheriff's Office in FY (fiscal year) 07/08 be waived due to extraordinary circumstances.

II. AGENDA ITEM SUMMARY

The Board is being asked to waive the 3% lapse requirement for the Sheriff's Office for FY 07/08 due to extraordinary circumstances.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

The Sheriff's Office has met their 2% lapse requirement in all fiscal years for which the lapse requirement has been a written financial policy.

B. Policy Issues

Lane Manual, Chapter 4, sections 4.010 (5) (a) and (b) state that General Fund departments are required to lapse 2% of net General Fund use and, if failing to meet this target by more than \$5,000, repay the General Fund within one year. Board Order 07-10-17-7 was approved modifying this policy for FY 07/08; specifically: "ORDERED that General Fund departments achieve an additional 1% lapse by the end of FY 07-08 to bring the total lapse requirement to 3%." Chapter 4, section 4.010 (c) goes on to say that "Under extraordinary circumstances, the Board of Commissioners may waive the lapse expectation ..." The Sheriff's Office requests that the Board of Commissioners waive the lapse policy for the Sheriff's Office in FY 07/08 due to extraordinary circumstances.

C. Board Goals

The County's "Fin Plan" for FY 07/08 assumes that all departments will lapse 3% of their General Fund use. If departments do not lapse this amount, the Fin Plan will be incorrect. This shortfall in lapse will result in a smaller cash carryover to the next fiscal year, in this case FY 08/09, which means that there is less resource in FY 08/09.

D. Financial and/or Resource Considerations

To the extent that General Fund departments do not average a 3% lapse in FY 07/08, the resource assumptions used in planning for FY 08/09 will be affected. Additions were made and approved for the FY 08/09 budget by the Budget Committee using reserves for future years. As the remaining reserves for future years are in excess of the amount the Sheriff's Office is requesting to not be required to lapse, the shortfall in the FY 07/08 lapse will reduce the reserves for fiscal years beyond FY 08/09, but should not impact services in FY 08/09

E. Analysis

At the end of April 2008 the Sheriff's Office is projecting a year-end lapse of \$87,117 with a 3% lapse requirement of \$744,761. This leaves the department \$657,644 short of its target. The Sheriff's Office experienced several financial hardships in FY 07/08, which together constitute extraordinary circumstances. Despite these difficulties, the department has managed to significantly reduce expenditures so that it is now projected to finish FY 07/08 lapsing in excess of \$1 million in expenditures.

The problem for the Sheriff's Office is with revenue, specifically jail bed revenue from the US Marshal. The US Marshal's office communicated that they would buy 120 beds during FY 07/08 and the Sheriff's Office constructed their budget on that assumption. However the US Marshals have averaged less than 100 beds this fiscal year and annual revenue from them is projected to be \$682,145 short of the amount budgeted. Note that the amount the Sheriff's Office is short of their lapse requirement: \$657,644, is smaller than the projected revenue shortfall of US Marshals: \$682,145.

In addition to the revenue shortfall from the US Marshal, the following projected expenditures in excess of budget have been successfully addressed, i.e. total spending in the Sheriff's Office is coming in well under budget:

Sheriff's Office share of LCPOA raises	\$558,460 (amount in excess of 2%)
Hospital and Lab Fees	\$216,014
Food	\$138,750
Light, Power & Water	\$125,941
Doctors and Dentists	\$99,920
Medical Supplies	\$77,672

Fuel

\$36,594

F. Alternatives/Options

The Board could decide to waive the entire lapse requirement for the Sheriff's Office, part of the lapse requirement, or none of it.

If the Board waives the entire 3% lapse requirement for the Sheriff's Office, and the Sheriff's Office does not meet the lapse requirement, there would be no deduction to the Sheriff's Office FY 08/09 budget and the county's reserve for future years would be reduced.

If the Board waives none of the 3% lapse requirement, and the Sheriff's Office does not meet the lapse requirement, there would be a deduction to the Sheriff's Office FY 08/09 budget. The Sheriff's Office has already had its FY 08/09 budget reduced by over \$12 million and has no ability to absorb another deduction from its budget. Any additional deduction would result in a loss of service. Not waiving the 3% lapse would mean that despite very unusual financial circumstances in FY 07/08, and deep budget reductions in FY 08/09, that this is not an extraordinary circumstance. This option would further reduce services in the Sheriff's Office in FY 08/09 and keep reserves for future years intact.

If the Board partially waives the 3% lapse requirement, adjusts the lapse requirement to 1% or 2%, and the Sheriff's Office does not meet the lapse requirement, there would be a combination of the above two options. This option would partially reduce services already reduced in the Sheriff's Office in FY 08/09 budget, as well as partially reducing the county's reserve for future years.

IV. RECOMMENDATION

Waive the entire 3% lapse requirement.

The department is doing everything it can to reduce expenditures and collect revenue in FY 07/08. Further, the Sheriff's Office has experienced nearly \$2 million in combined unanticipated expenses and revenue shortfalls. Sheriff's Office program managers have made tremendous efforts to limit expenditures to mitigate this problem. For example, the Sheriff's Office closed 84 beds at the jail well before year-end in an attempt to meet its 3% lapse target. The Sheriff sent a clear directive to all managers to reduce expenditures, however many of our costs are beyond our control.

V. TIMING/IMPLEMENTATION

The current FY 07/08 year-end projections for Sheriff's Office lapse come from the April 30, 2008 department Variance Reports. By mid June the department should have completed May Variance Reports and will have some idea of whether the situation improved in May. The Sheriff's Office will keep County Administration budget staff

apprised of the updated lapse projections for FY 07/08.

The Sheriff's Office has always done everything it can to run a cost efficient operation, and will continue to do so, not only through June 30, 2008, but into the future.

VI. FOLLOW-UP

The next step is simply to wait for this year's operating results. County budget staff annually report to the Finance and Audit Committee as to the previous year's lapse and department performance. The Sheriff's Office will work with the Board on any other requests of the Board with regards to follow-up on this issue.

VII. ATTACHMENTS

ATTACHMENT A

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LANE COUNTY SHERIFF'S OFFICE ESTIMATE OF JUNE 30, 2008 LAPSE

From Operations a/o April 30

Revenue	(\$936,832)
Personnel	1,569,589
M&S	(538,527)
Other	(7,113)
Total Operational Lapse	87,117
3% Lapse Requirement	(744,761)
Short of 3% Lapse	<u>(\$657,644)</u>

Possible Future Impacts

Employee "Cash outs" (for laid off employees)	(\$260,000)
Employee Salary Savings (for laid off employees)	225,000
Employee Benefit Savings (for laid off employees)	74,000
Workers' Comp Adjustment	(47,437)
M&S Savings from closed programs	Unknown
Total Possible Future Impacts	<u>(\$8,437)</u>

Unbudgeted Items

LCPOA Agreement (estimate)	(\$558,460)
US Marshals Revenue	(682,145)
Fuel	(36,594)
Food	(138,750)
Light, Power & Water	(125,941)
Medical - Doctors/Dentists	(99,920)
Medical - Hospitals/Labs	(216,014)
Medical - Medical Supplies	(77,672)
	<u>(1,935,496)</u>

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO.

**IN THE MATTER OF WAIVING THE 3% LAPSE
REQUIREMENT FOR THE SHERIFF'S OFFICE IN
FY 07/08 DUE TO EXTRAORDINARY
CIRCUMSTANCES.**

WHEREAS Lane County has financial policies in place for FY 07/08 requiring a lapse of 3% of net General Fund use or, if failing to meet this target, repay the General Fund in the following fiscal year, and;

WHEREAS the same financial policies allow the lapse requirement to be waived by the Board of Commissioners in extraordinary circumstances, and;

WHEREAS the Sheriff's Office is currently projecting that it will not achieve the 3% lapse requirement in FY 07/08 due to:

- Several hundred thousand dollars of budgeted revenue not being received;
- Incurring several hundred thousand dollars of expenses, beyond its control, in excess of budget, and;

WHEREAS the Sheriff's Office has already made reductions in excess of \$12 million to their FY 08/09 budget due to Lane County's overall financial condition, and;

WHEREAS the Sheriff's Office cannot not afford to repay the lapse shortfall in FY 08/09 without further service reductions;

NOW THEREFORE, the Board of County Commissioners of Lane County orders that the 3% lapse policy for the Sheriff's Office for FY 07/08 be waived.

Adopted this 18TH day of June 2008.

Faye Stewart, Chair
Lane County Board of Commissioners

APPROVED AS TO FORM
Date 6/9/08 Lane County

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OFFICE OF LEGAL COUNSEL